Chapter 9

Epilogue: Korean Retailing since the 2000s

The Korean retailing sector has been continuously changing since the middle of the 2000s. Indeed, it is said that change is one of the main characteristics of the sector. On the one hand, such change occurs in line with the process of continuous change over time and, on the other hand, it occurs through a combination of existing conditions along with newly-emerging factors. In this final chapter we examine the impact of these newly-emerging factors – specifically the behaviour and interactions of the three principal actors: the consumer, the retailer and the government. The chapter concludes with an examination of the new research that is linked to these changes.

It is the socio-economic polarization that has taken place under conditions of low, long-term economic growth that is the most important issue that has faced Korea since the 2000s.

As we can see in figure 9.1, the economic growth rate in the 2000s has been between zero and five per cent, compared with between five and ten per cent in the 1990s. It may be seen as a structural shock when viewed in light of the fact that a higher growth rate had been sustained since the 1970s. Indexes of distribution such as the Gini coefficient have been considerably exacerbated since the financial crisis of 1997 (SK, Index of Income Distribution, annual).

A structural change like this is a basic and important condition which must influence the retailing sector because the three actors which condition it behave and interact on the basis of such a structure. In particular, income is the most determinant factor as far as consumption is concerned and consumption is the most significant element of the retail industry. Therefore, the social changes which impact income may be among the most pivotal factors in changing the retail industry.

As income inequality has continually increased, consumption has been affected and has shrunk since the middle of the 1990s. First of all, consumers in this period showed a more conservative attitude towards consumption than they had in the previous period because of an increase in unemployment and a decrease in income. They also became even more sensitive to prices due to their unstable income. Of course, people at the high–end of the income scale continued to enjoy luxury goods and, to that extent, they achieved satisfaction in the sense that they were able to celebrate their difference from ordinary people. It was natural that people should consume on the basis of their income
level when all repression on consumption had gone in the period of liberalization.

For the retailer, these changes could be both an opportunity to expand their market share and also involve a serious risk of losing their existing position in the retail industry. Therefore, it presents an opportunity for innovation and a period of strategic turning points. Korean retail companies were no exception in this kind of survival game. As has already been seen, the strategy of the department stores went back to when the luxury market began in the middle of the 1990s and gradually strengthened thereafter. The discount store format in the retail companies took over the mass market from the department store format. It can be said that this was an innovation by the retail companies which attempted to respond to the structural changes that have occurred since the middle of the 1990s. What they newly targeted in the 2000s was the more segmented mass market for necessities that was prompted by the conditions resulting from an unstable income. Even though Korean-style discount stores already played a leading role in the market, the pivotal aspect of the new strategy in the period of income polarization was diversification of the discount stores in terms of size and location through the segmentation of the mass market. However, it is inevitable that this kind of strategy caused social conflict surrounding the survival of small and medium-sized retailers. This was especially more problematic because it was during a period of long-term economic recession.

In this environment, a major controversy relating to the so-called SSMs (Super Supermarkets)\(^1\) broke out in the late 2000s (Sin Gidong 2009: 11). While the

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\(^1\) The term ‘Super Supermarket’ (ssm), which means small and medium sized stores for staple products owned by big retail companies, may be one of the expressions of a distinctive type