

[Field Research]

A Study on a Mutual Win-Win Growth Strategy for Korean Supermarkets

Han-Hyuk Park*, Dong-Nam Kang**, Sang-Youn Lee***

Received: July 09, 2013. Revised: February 05, 2014. Accepted: March 17, 2014.

Abstract

Purpose - This study suggested a practical model for super supermarkets (SSMs) and small- and medium-sized stores to grow together. Super centers expanded their business. However, after the retail distribution law was revised in 2009, mutual cooperation between large and small enterprises resulted in social issues and people raised the issue of profitability.

Research design, data, and methodology - This study investigated cases of regulation over distribution in Japan, France, and other countries to reveal implications and recommendations.

Results - This study demonstrated how SSM and middle and small supermarkets could grow together by franchising and using cooperative society law. Franchising was a mutual growth model whereby the franchiser provided franchisees with large enterprise systems and utilities while franchisees could provide the franchiser with local information. They could thus build trust in each other to facilitate a mutual growth model. Further, the voluntary franchise system's model facilitated the mutual growth model.

Conclusions - This study demonstrates that the franchise system and cooperative society could constitute an ideal model whereby large enterprises and middle and small stores could rely upon each other and grow together.

Keywords: SSM, Middle or Small Supermarket, Mutual Cooperative, Franchise System, Cooperative Society.

JEL Classifications: M14, M31.

1. Introduction

1.1. Background

Since distribution market was opened in 1996, department stores and discount stores competed each other at distribution industry: In the 2000s, SSM (super supermarket) business started to do business. The number of super centers increased from 117 in 2000 to 447 in 2011 to be full and to reach turnover of 33.7 trillion Won in 2010 and grow up rapidly. The number of SSM rapidly increased from 292 in 2006 to 877 in 2010: So, enterprises that managed super centers and SSM had social responsibility and roles.

The market was reorganized owing to opening of super centers and SSM and market concentration to decrease and/or do not make change of sales of conventional market, mom-and-pop store and other small merchants' businesses and to reorganize and make change of distribution industry in accordance with transformation and/or redevelopment of survival strategy.

Since end of the 1990s, department stores were reorganized to have big three, in other words, Lotte, Shinsegye and Hyundai, owing to Lotte's powerful strategy of multi-stores and M&A, and discount stores were concentrated on large business: And, since 2006, opening and business of supermarkets of large businesses were regulated to protect small merchants. The act on win-win between large business and small business was enacted to let both businesses solve conflicts and to grow up together.

Before 2009, local governments regulated super centers by law, for instance, paying of traffic induction charge, business guidelines and legal enactment. In 2009, regulation on opening and business of super centers and/or SSM was important in the society to protect small merchants and to require win-win growth of both super centers and small supermarkets and to ask many interested parties to solve the win-win growth program.

1.2. Purposes

Conflict between large businesses and small businesses was worsened because of growth of super centers and SSM to require win-win. Large businesses were forced not to do sales business actively under restriction of opening of new stores and

* 1st Author, Team leader, Franchise management team, lottesuper.co.,Ltd, Korea, Tel:+82-10-6230-8545. E-mail: race811245@hanmail.net.

** 2nd Author, Vice Chairman, The Korean Department Association, Seoul, Korea. Tel:+82-10-6351-6292. E-mail: kdn8561@hanmail.net.

*** Corresponding Author, Professor, Department of business Management, Sejong University, Korea, Tel:+82-10-8206-5411, E-mail: mi21lee@hanmail.net.

regulation on sales business, while small businesses needed support to overcome dull sales. So, the purpose of the study was to investigate solving of conflict and win-win growth. Win-win growth between both businesses is likely to be done based on reliability and cooperation.

First, this study investigated values of revision of not only the Act on Development of Distribution Industry but also the Act on Win-Win between large businesses and small businesses in accordance with growth of large businesses' SSM and resistance of alley commercial right, and environment of social win-win growth.

Second, the study investigated cases of regulation upon distribution in Japan, France and other countries to find out implications and to give future directions.

Third, franchise system and cooperative model can be used to solve conflict between large supermarket and small supermarket and to build up cooperation system and to make cooperation model between large supermarket and small supermarket. The study suggests not only the franchise system based on cooperation between large business of franchisor and small business of franchisees but also chain model that small supermarkets cooperate each other.

Fourth, SSM that is large business supermarket shall look for differentiation to take the lead in win-win growth with social contribution and to strengthen competitiveness by better facility, product development and better service of small business supermarket.

Lastly, mutually reliable cooperation shall find out win-win to grow up together and to cooperate each other.

2. Theoretical Background

2.1. Current Status of Supermarkets

2.1.1. Supermarket

The market is said to be place and/or organization where men gather to buy livestock and/or food and to transact goods and/or services and decide upon prices. In 1930, the first supermarket in the United States that remodeled a warehouse in Jamaica, New York was opened in the name of King Kullen. The large-scaled supermarket that was opened subject to buying of food was placed at shopping district by cars and to have large quantity buying and selling area, opened display and self service and to manage large scaled food store with area of 2,000m² that was much larger than that of common store area of 250m² and to call supermarket by customers.

On the other hand, Japanese supermarket that differs from American supermarket mainly sells raw food, in particular, seafood that the Japanese like to take very much. Raw food is processed to sell it. The seafood is sold out in small quantity at stand beside livestock food corner in the United States, and it has more kinds of seafood to expand display area and in

Japan to have seafood shop that sells processed fish and/or sliced raw fish. The livestock product is displayed to sell out in lump in the United States and in slice and in small quantity in Japan.

In South Korea, the first supermarket was opened in the name of Hannam super at Hannam-dong early 1970s to increase supermarket chains in large scaled retail owing to distribution modernization policy of the Government. Since 1970, supermarket chains that mainly sold out daily use food by self service was modern type of shop. The supermarket chain was managed by large enterprises, for instance, Hannam Chain, Nongsimga, Hwiseong Industry, and Life Distribution (45 supermarket chains nominated by the Government at the end of 1987, 11,941 supermarkets, for instance, 2,928 Hannam Chain, 1,511 Nongsimga and 1,031 Hwiseong Industry) (Hwan hwa,1997).

The Act on Food Hygiene has regulated business and facility of supermarket. The act (Article 36 of standard of facility, Chapter 7, Enforcement decree 2012) says that the one who does business of the followings shall have facilities in accordance with enforcement decree of the Minister of Health and Welfare: 1. Business of manufacturing, processing, transportation, sales and preservation of food and/or food additives 2. manufacturing business of apparatus, container and/or packing 3. Regulate food service business and specify kinds and scope in accordance with Article 36 of enforcement decree of the law (facility standard of each business). Regulate facility of food repacking and food sales business having independent building and/or residential place, or separate it from facility of food repacking food sales business, and give conditions of water supply and toilet separately. The supermarket that sells food shall keep not only the Act on Food Hygiene but also the Act on Livestock Product Processing to keep obligations of livestock product selling and to make out liquor selling records in accordance with public notice of the National Tax Service.

In this study, SSM is said to be quasi large-scaled shop in accordance with the Act on Development of Distribution Industry that is one of the shops below in accordance with the Presidential Decree: A) Shop that large-scaled shop managing company and/or its affiliate (by the Act on Monopoly Regulation and Fair Trade) manages; B) shop that an affiliate of business group with restricted mutual investment manages in accordance with the Act on Monopoly Regulation and Fair Trade; C) Shop that an affiliate of preceding A) and/or B) manages in either direct store type of chain business or franchise. Chain headquarters manages direct store type of chain business and supplies products and gives management guidance to some of retail shops. The franchise type of chain headquarters that has developed products, sales and/or management technique decides upon company name, selling methods, shop managing methods and advertising to let franchisees manage shop in accordance with the decision and/or guidance.

2.1.2. Expansion of Super Centers and SSM

In 1993, Shinsegye opened the first super center of e Mart Changdong Branch. The super center did benchmarking of Japanese discount store with goal of price break and simple distribution to sell at the lowest price every day and to take the lead in era of discount store in the future.

The number of super centers increased from 171 in 2000 to 437 in 2010. In 2011, 447 super centers accounted for 0.9 super center per 100,000 person that was saturated considering population of South Korea of 48,989,000 persons. In 2010, big three super centers had 343 shops to occupy 78% and turnover accounted for 29.3 billion KRW to occupy 87% so that super centers were concentrated on large businesses.

<Table 1> Number of Shops and Yearly Turnover of Super Centers

Section	2008	2009	2010
Turnover (trillion KRW)	30.1	33.2	33.7
Number of shops (shops)	394	409	437
Growth rate	6.1	3.6	8.1

Source: Korea Chain stores Association (2011).

<Table 2> 2010 Performance

Section	Turnover (KRW)	Growth rate	Number of new shop	Total number of shop
e Mart	1 trillion 260 billion	8.7	3	132
Home Plus	10 trillion 730 billion	8.8	7	121
Lotte Mart	5 trillion 880 billion	21.6	7	90
New Core Outlet	2 trillion 182 billion	14.2	2	19
Costco Wholesale	1 trillion 579 million	29.7	-	7
2001 Outlet	1 trillion 108 million	-1.1	-	12
Hanaro Club	840 billion	2.9	-	6
Mega Mart	640 billion	7.0	1	6

Source: Korea Chain stores Association (2011).

Super centers were full to let large business be concentrated on SSM business and to increase number of SSM rapidly. Number of SSM increased from 477 in 2008 to 696 in 2009 and 877 in 2010 (see the Table below). New SSM was opened in 2008 and in 2009: Since 2010, SSM had difficulty at opening of new shop because of resistance of merchants in small cities as well as revision of the Act on Development of Distribution Industry to expand shop by M&A of medium-sized enterprises.

SSM was occupied by Lotte Super, Home Plus, GS Super and e Mart Everyday, and department stores was done by Lotte, Shinsegye and Hyundai, and super center was done by E-Mart, Home Plus and Lotte Mart: They were dominated by large enterprises. Not only resistance of small business but also

revision of distribution law is likely to regulate opening of new shop and business so that distribution business is forced to diversify business by opening of shop at new housing development district as well as franchise business. Distribution business is unable to open new shop because of regulation of opening of new shop for protection of small merchants that expands prohibition of opening of new shop from 500 meters to 1 kilometer of radius of traditional market.

<Table 3> Supermarkets at the end of 2011 (unit: shop)

Section	04	05	06	07	08	09	10	11
Home Plus Express	18	21	32	57	110	184	248	279
Lotte Super	43	46	52	79	110	190 (11)	284	385
Hanwha Super	(Takeover by Lotte Super)							
GS Super	82	80	82	82	107	138	138	210
Top Mart	37	45	46	51	56	70	71	75
Kim's Club Mart		32	30	32	37	43	54	(Takeover by e Mart)
Haitai Super	32	(Takeover by Kim's Club Mart)						
Good Morning Mart	14	15	18	22	25	28	34	(Takeover by Lotte Super)
SM Mart	18	18	22	20	18	22	26	(Takeover by e Mart)
e Mart						11	11	126
Halla Mart	4	5	5	6	9	5	6	6
Sangrok Store	5	5	5	5	5	5	5	5
Total	253	267	292	354	477	696	877	1,086

Source: Korea Chain stores Association (2012).

2.1.3 Crisis and Resistance of Alley Commercial Area

The Alley Commercial Area Promotion Federation says that the alley commercial area consists of two or more of shops without large business and/or its brand. In other words, the alley commercial area means commercial area at traditional commercial area with small merchants, residential area and neighborhood commercial area and other residential areas.

The alley commercial area had difficulties because of expansion of super centers and SSM according to saying of Korean Supermarket Cooperatives, the Nationwide Chain Business Cooperatives and the Food Service Association.

2.2. Legal Environment

2.2.1 Revision of the Act on Development of Distribution Industry

In December 2010, not only super centers but also SSM was given regulation on opening of new shop and revision of the

Act on Distribution was likely to regulate opening of new shop of super centers and/or SSM with radius of 500 meters from traditional market. But, super centers and SSM continuously opened new shops to create resistance from small merchants and to produce public opinions of regulation on opening of new super centers & SSM as well as business: In June 2011, another revision of the Act on Development of Distribution Industry expanded radius of protection area of traditional market from 500 meters to 1 km to extend effective time from 3 years to 5 years.

		because of temporary suspension
Regulation upon businesses	Obligatory OFF day- 2-days every month; business hours -10:00~24:00 Delete exceptional clauses of large-scaled shops in shopping centers and/or complex shopping malls; Expand exception of handling of farming products from 51% to 55%	Sales down at attendance time

<Table 4> Revision of the Act on Development of Distribution Industry

	Contents
Regulation on opening of new super centers & SSM (June 2011)	Prohibition of opening of new super centers & SSM at traditional market preservation area (5-years) - At opening of new super centers & SSM including franchisee within radius of 1km, control super centers & SSM business (including franchisee).
Regulation on business (December 2011)	Forced Off day and limitation upon business hours - OFF day : 1 to 2 times a month - Business hour :08:00~24:00 - Be exempted at 51% or higher of ratio of farming and livestock products

In December 2011, the National Assembly passed revision of the Act on Distribution Industry at continuous opening of super centers & SSM and resistance of small businesses to let local governments enact ordinances and to put forced OFF day of super centers & SSM into practice: The ordinance of restriction of business of super centers at Jeonju Jeollabuk-do was enacted in February 2012 to let super center and SSM put forced OFF day into practice in April 2012.

In June 2012, local government lost a suit at Seoul Administrative Court in accordance with judgment of violation of ordinance of Gangdong-gu & Sonpa-gu to suspend business regulation upon super centers temporarily.

On January 1, 2013, the National Assembly finally passed a part of revision of the Act on Distribution owing to agreement between ruling party and opposition party.

<Table 5> Contents of Revision of the Act on Distribution as of January 2013

Section	Contents of Regulation	Effects
Regulation upon new super center & SSM	Preliminary notice of opening of new super centers & SSM- not later than 30 days before opening; Expansion of preservation area of traditional commercial area - Additionally nominate neighboring local governments	Adjust business at preliminary notice of opening of new super center & SSM before launching at non-regulatory area; Difficult to open new super center & SSM

2.2.2 Autonomous Off of Distribution Business

In June 2012, forced OFF was temporarily suspended by decision of plaintiff's winning at distribution business's litigation of cancellation of restriction upon business hours raised by Gangdong-gu & Songpa-gu office. In September 2012, not only Jeonju office but also Gwangju office revised ordinance again to increase local governments adopting forced OFF day and to discuss 3-times OFF day a month by revision of the Act on Distribution, so that council meeting of development of distribution industry was established under sponsorship of the Ministry of Knowledge and Economy.

On November 15, 2012, the Government, super centers, SSM and small distribution business, etc established the Council for Development of Distribution Business to announce not only business's control of opening of new super center and/or SSM but also keeping of OFF day on Wednesday 2 times a month that was effective from December 2012, so that revision of the Act on Distribution agreed between ruling party and opposition party was alleviated a little more than original draft was.

2.2.3 The Act on Win-Win Partnership between large business and small business

In 2008, National Assembly suggested a bill of the Act on Win-win Partnership between large business and small business when nomination of small business type was cancelled in December 2006. The purpose of the act was to strengthen win-win partnership between large business and small business and raise competitiveness of each business and to solve polarization problems of both businesses and grow up together and to assure of continuous growth of national economy. Not only large business but also small business shall cooperate each other to improve competitiveness and to solve polarization problems and to prepare for continuous growth base of national economy (Yoo & Kim, 2012). The act has included business control of direct managing franchise shop of SSM invested by self-employed business to be more comprehensive than the Act on Distribution was.

In 2009, legal restriction upon super centers and SSM was discussed to meet social opinions when laws and regulations could not regulate opening of new super centers and SSM: In July 2009, authentic interpretation of SSM business limiting system that was production business oriented regulation was ap-

plied to give limit to business of super centers and SSM (including franchisees), and in December 2010, the Act on Win-win Partnership between large business and small business was in force to regulate business indirectly based on limitation upon business.

The limiting system can give order of postponement of business launch and/or reduction of production items and quantity upon request of Small and Medium Business Administration when small business management is likely to be threatened by large business. The system having no legal force controls business activities actually. Korea Federation of Small and Medium Business investigates actual conditions upon request of small businesses and submits its idea to Small and Medium Business Administration. And, Small and Medium Business Administration postpones entry of large businesses by investigation and recommends reduction of production that was interpreted to be limitation upon business to be an object of indirect regulation.

2.2.4 Win-win Growth

The government looked for win-win growth between businesses and made effort to develop economy and to solve social polarization problems: On September 29, 2010, the government announced win-win growth plan between large businesses and small businesses and to launch the Committee of Win-win Growth between Large Business and Small Business. Article 20 of the Act on Win-win between Large Business and Small Business says consensus at private sectors of win-win growth between large business and small business, and production and expansion of win-win growth culture. The committee that is private organization based on social consensus can estimate and publish win-win growth indexes to find out agreement upon business for small businesses and to promote win-win growth at private sectors.

The committee selected 15 service businesses for small businesses including restaurants and bakeries to be in dispute. On May 27, 2013, the committee published restaurant business for alley commercial area (see Table 6):

<Table 6> Recommendations of Restaurant Business for Small Business

Section	Contents	Remarks
Near-station location	.Near-station location includes areas around railway station, subway station, express bus terminals, airports and passenger terminal and others; . Large business is allowed to open restaurant not exceeding radius of 100 meters from exit of transportation facilities at Metropolitan Areas and big cities and 200 meters at other regions. . Open family restaurant at the ground.	
Multi-purpose complex building	.Multi-purpose complex building is based on gross floor area of registered copy of register; .Business with mutually restricted contribution is allowed to open a	

	restaurant at building and/or facilities with more than 20,000m ² of gross floor area, and midium-sized business is done to open it at those with more than 10,000m ² .	
Commercial Area	. Open a restaurant at commercial area regardless of near-station location and multi-purpose complex facilities in accordance with the Act on Plan and Use of National Land	Permit of new brands

Large business shall open new restaurant near station, at multi-purpose complex buildings and at commercial areas not to infringe upon small business rights at alley commercial area and to keep recommendations for small business and to be concentrated upon globalization, high quality and diversification of restaurant business and to control introduction of menu of small businesses.

Large businesses are advised not to expand bakery business nor to enter bakery business, for instance, franchise bakery and in-store bakery, etc: In other words, large businesses shall not increase total number of bakery shops based on end of 2012, and shall open new franchise bakery not exceeding 2 percent of number of the bakery as of end of previous year not to open new bakery within 500 meters from neighboring small bakery. And, large business shall not enter bakery business by new entry, M&A and change of business type.

The business type system suitable to small business selects business type and/or items for small business to let large business and small business share roles and to protect small business areas and to grow up together in accordance with social demand. However, the system was found to fail in the market in 2006 and to be similar to business type system for small business and to be likely to weaken autonomy of small business and not to reflect reverse discrimination against large business (Kang et al., 2012).

2.3 Cases of Foreign Regulations

Regulation upon opening and business of distribution business is often found out in foreign countries. Conflict between distribution business and small merchants needs to refer to cases in foreign countries. Effective counteraction against regulation upon opening and business is needed by investigating into plenty of cases in foreign countries: But, this study investigates cases of Japan and France considering lack of time and information at the time when the revision of the law has been passed in National Assembly to be effective by revision of ordinance of local governments. This study investigated additional discussion and direction of revision of the law of South Korea by referring to cases of foreign countries.

2.3.1. Cases in Japan

Large scaled distribution business of Japan had conflict of

regulation upon business for a long time same as that of South Korea had. In 1974, the Japanese Government enacted large scale retailer law to regulate large distribution business to protect small distribution business (Choi, 2012). Strict application of the law in the 1980s was thought to be non-tariff barrier at Japan - US structural impediment initiative talks in 1989 and to promise alleviation. As a result, the retail business policy made change of viewpoint at the time of policy of commerce control to have land use plan and external regulation upon large-scaled retailers. So, large scale retailer law was cancelled to enact the Act on Location of Large-scaled retailers. Being different from large scale retailer law protecting small retailers, the law was focused on protection and maintenance of neighboring living life environment to place and manage sound retailers and to help improve citizens' lives. Details of both laws are:

<Table 7> Comparison between Large Retailer Law and Large Retailer Location Law

Law	The Act on Retail Business Activity Control of Large-scaled Retailers	The Act on Large Scaled Retailer Location
Purpose	Protection of small retailers	Protection and maintenance of lives at neighboring areas
Area of retail business under regulation	1974:1500m ² 1979 Revision: Add more than 500m ²	More than 1,000m ²
Body of operation	1st class: 3,000m ² or more, minister of commerce and trade 2nd class: less than 3,000m ² , governor and/or mayor of prefectures	Metropolitan city and/or quasi-metropolitan city to be prefectures and/or large cities with prefecture level and/or quasi metropolitan city
Control items	Area of retail shop, date of opening, hour of closing, number of OFF days	traffic congestion, problem of traffic safety, noise pollution, problem of waste
Mediation method	Preliminary inspection and report, forced	Report system , not forced
Mediation procedures	1. Building constructor's report 2. Preliminary inspection 3. Make change of contents of the report of 4th item of mediation at influence; 4. Give order of change of the 4th item of mediation when not complying with recommendation.	1. Report of opening and/or expansion of large-scaled retail business, and presentation for community residents; 2. Presentation of residents and/or local governments; 3. Discussion between local governments and retailers 4. Local governments' recommendations
Mediation time	Maximum 1 year	1 year or less

Source : Choi (2012).

2.3.2 Cases in France

France is said to be an advanced country that had regulated large-scaled shops: But, in early 1960s, France strongly promoted installations of commercial facilities to differ from current situation. La circulaire Fontanet, French Government's guideline as of August 24, 1961, was made to attain minimum area of shop to solve problem of shortage of commercial facilities at new housing areas in accordance with urbanization in the 1960s and to be the first guideline of commercial facilities. (Han, 2009)

In 1973, Lover Law was enacted in France to launch large-scaled store related policy. The law was enacted to open retail shops owing to concentration of population at urban cities, distribution of automobiles and higher income and to regulate construction of shopping centers that did not follow urban plan. The law regulates opening of new large-scaled shops, aid to commerce modernization, social security system and maintenance of competition. In 1996, Raffarin Law was enacted to regulate other businesses than retail business owing to continuous increase of large-scaled stores and requests from small distribution businesses. 1996 revision of the law that was called Raffarin Law got rid of difference of area according to scale of urban population to specify more than 300m² of basic area at all of the regions. (Suh, 2007).

Before revision, area for the permit was more than 1,500m² for cities with 40,000 or more population and more than 1,000m² for less than 40,000 population: After revision, area for permit was 300m² or more regardless population.

And, not only survey report but also public hearing on effects of opening of retail business was needed to open and expand shops with floor area of 6,000m². Table 8 has shown changes of policies of distribution business in France (Han, 2009):

<Table 8> Changes of Policies of Distribution Business in France

Time	Name of Commerce Mediation Law	Contents
August 1961	Fontaney guideline	Solve problem of shortage of commercial facilities at housing area
July 1969	July 29 Guideline	Establish the committee of consultation of large local governments to inspect commercial facilities (CDLIC)
December 1969	CDLIC Guideline	Give permit to commercial facilities with area of more than 3,000m ² after inspecting it.
December 1973	Lover Law	Regulate not only opening of shops with area of 1,000m ² or more but also expansion of shops with area of 2,000m ² or more, and give the committee of commercial town planning of each city rights of permit.
December 1990	Domin Law	Special actions against retail shops at shopping center
January 1993	Sapin Law	Give the committee of commercial city planning in the nation rights of appeal organization.

July 1996	Raffarin Law	Investigate opening and/or expansion of shops with area of 300m ² and/or 6,000m ² subject to permit.
December 2000	SRU Law	Add 3 standards at inspection of the permit.
January 2009	The Act on Modernization of the Economy	Increase area of the shop to 1,000m ² to get permit from government authority to open retail store; Give limitation to opening of large-scaled shops based on SCOT.

Source: Han (2009).

2.3.3 Implications

Being different from cases in Japan and France, the Korean laws and regulations regulate opening and business of shops not to get economic advantages but to make use of land and space.

In 1989, in Japan, Japan- US Structural Impediment Initiative Talks commented not only difficulties of export to Japan from USA but also Japan's closed attitude under non-tariff barrier of Retailer Law Regulation in Japan to cancel and/or alleviate regulation and to protect and maintain environment of neighboring lives: In 1998, the Act on Location of Large-scaled Retail Stores was enacted to give direction of the distribution law in the era of internationalization.

Regulation of opening and business against Home Plus and other foreign retail businesses does not satisfy regulation upon total services of GATS of WTO to violate international laws and regulations.

Effect of retail law regulation in Japan is thought to have no relation with strengthening and/or alleviation of large-scaled stores and to control entry of large-scaled stores and to have no statistical significance between increase of large-scaled stores and regulation upon entry (Park, 1999).

2.4. Conflicts and Cooperation

2.4.1 Conflicts

The conflict is a kind of mutual reaction between individuals and/or between groups that have different preference, interests and perception (Osland et al., 2001) to have three factors of mutual dependence, inconsistency of goals and mutual reaction (Putnam & Poole, 1987). The conflict is an object not to settle down but to control. The settlement of the conflict can be divided into five strategies depending upon both levels (Thomas, 1976): The one is assertiveness and the other is cooperativeness. The assertiveness indicates distribution channel member's efforts to satisfy his own interests and/or benefit, while the cooperativeness does making effort to satisfy the other party's interests and/or benefit (Thomas, 1992). Not only high assertiveness but also low cooperativeness is competition behavior, and not only low assertiveness but also low cooperativeness is avoidance behavior, and middle level of assertiveness

and cooperativeness shows compromise behavior to have high assertiveness and high cooperativeness.

Super centers grew up and new SSM was opened to have influence upon small merchants of alley commercial areas to produce social conflict and to have influence upon local economy and the society and to be deprived of local fund and to stagnate small distribution business and to develop distribution industry in balanced way and to produce employment effects and to let the government be involved in the market and to contribute to national economy (Lim, 2007). Small distribution business said that large distribution business made them fallen into difficult situation. But, large distribution business said that small distribution business was fallen into difficult situation by large distribution businesses' growth and various kinds of other reasons.

2.4.2 Cooperation

The cooperation is said to be one of outcomes after conflict control (Thomas, 1976; Thomas, 1992). Win-win is called the largest aggregation of satisfaction and outcome that each party of conflict gets. At same influence of other factors, cooperation (or cooperative conflict control) is much likely to produce win-win (or win-win result) (Thomas, 1976; Thomas, 1992).

A study of Song et al.(2000) said that the cooperative behavior was the most idealistic strategy that marketing manager could select and that avoidance behavior was the worst strategy (Noh & Song, 2012).

Win-win program between large-scaled distribution business and small distribution business has various kinds of types depending upon promotion body and roles of the central government and local governments (Lim, 2007). First, not only large-scaled distribution business but also small distribution business cooperates each other to meet their demand. Second, the central government involves in the market to protect small distribution business and to create win-win environment. Not only the central government but also local governments regulate large-scaled distribution business' business activities by themselves to do win-win. But, the first case may be desirable.

2.4.3 Franchise System

The franchise system helps small business grow up quickly that has technology and management knowhow to be short of resources, and it helps prospective entrepreneur with less experience succeed in franchise business.

The franchising allows franchisor to give franchisee franchisor's name and business methods and to sell products and/or services in the market and to do business and control and support business and to be compensated in accordance with continuous credit relation. Such a thing is thought to have relation with cooperation between SSM and small distribution business.

The franchise system has win-win model to give win-win growth of franchise business from point of view of the government's policy, franchisor and franchisee (Choi, 2013).

2.4.4 Cooperative

The cooperative buys, produces, sells and gives goods and/or services in cooperation way to improve rights of members and to contribute to development of community society (Article 2 of the Act on Cooperative). International Cooperative Alliance (ICA) says that the cooperative is an autonomous organization of the ones who have gathered to satisfy economical, social and cultural needs and desire by jointly owned and democratically managed business entity and to include nine kinds of scope of business, for instance, agriculture, financing, consumer, fishery industry, medical services, housing, industry & services, insurance and travel.

In the United States, principles of the cooperative were developed at time elapse, for instance, opened members, each one member's voting right of one vote, and member's convenience: Currently, the cooperative has adopted seven principles of ICA, for instance, autonomous and opened member system, democratic management by members, member's economic participation, autonomy and independence, education, training & supply of information, cooperation between cooperatives and contribution to the community (Choi & Lee, 2012).

In 2010, 12,607 cooperatives worked in the nation, for instance, 1,405 producer cooperative having legal base of Nonghyup, Suhyp and forest cooperative, and 2,582 other cooperatives having legal base than producer cooperative such as Shinhyup, Saemaedul Geumgo, and Saenghyup, and 5,355 cooperatives having legal base and poor capacity such as medical Saenghyup and joint child-care cooperatives, and 3,266 self-support communities and social enterprises having no legal base (Choi & Lee, 2012).

The value of enactment of the Act on the Cooperatives is said to be 'free establishment'. The free establishment has three conditions: First, area of establishment of the cooperative increased greatly. The cooperative was allowed to establish it at primary industry, financing area and consumption area only so far. At the moment, however, the cooperative is allowed to establish it at all of other business categories than finance and insurance business. Second, standard of establishment of the cooperative has been much lowered. Even cooperative that was allowed to establish in the past has difficulty at free establishment because of high establishment standard such as members and/or investment. At the moment, however, five persons only can establish cooperative regardless of scale of the investment. And, establishment of the cooperative is allowed by reporting regardless of permission of competent authority. Third, social cooperative is allowed to establish it. The social cooperative that has been recently developed gives priority to social purpose rather than member's convenience and benefit to consist of manufacturers, labor workers, consumers, sponsors and other interested parties. The social cooperative is demanded to give vulnerable social group social services, job opportunity and contribution to the community (Kim et al., 2012). The Act on the Cooperative has regulated establishment and operation of general cooperative, alliance of the cooperatives, social cooperative

and alliance of the social cooperative. The Act on the Cooperative allows establishment and operation of the cooperative at various kinds of industrial areas to help small merchants help each other and to establish and manage new cooperative and to help develop community economy. Establishment of the cooperative can strengthen competitiveness of small business to do joint purchasing, joint distribution and joint sales network and to build up mutual reliability and cooperation and to overcome crisis of alley commercial area.

3. Win-win Growth Model

3.1. Expansion of Franchise Business

In 2010 when opening of SSM was difficult at saturation of super centers and resistance of small merchants, Lotte Super, Home Plus and GS Super launched franchise business with help of small merchants so that franchisor of SSM and franchisee of small merchants pursued win-win growth model. In the beginning of the business, they did franchise type of business controlled by franchisor.

The Act on the Distribution included franchisee for regulation of opening of franchisee and business to violate purposes of legislation of the revision of the law and to be of no help to develop franchise industry. In 2012, opening of new franchise store was dull than previous year because of regulation of opening of franchise business as well as business (see Table 9):

Each franchise business has different strategy of company owned franchise business. In other words, Lotte Super follows complete franchise, and Home Plus Express follows consigned franchisee that head office has right of lease of building to pay rental charge and that is difficult to say complete small business because of sharing of profits according to investment share.

<Table 9> Number of franchise type of franchise shops

Section	2010	2011	2012
Lotte Super	19	54	74
Home Plus Express	18	34	68
GS Super Franchisee	8	20	29

Source: Korea Chain stores Association (2013).

3.2. Business of Product Supplier

Voluntary franchisee that supplies products shall standardize franchisee's products and business methods with franchisor's management guidance and cooperation between franchisor and franchisee and to do joint business, for instance, joint purchasing, joint sales and joint use of facilities and other joint businesses according to the Act on the Distribution.

The Act on the Distribution Business regulates opening of new store as well as business so that voluntary franchisee, in other words, production supply oriented franchise would be ef-

fective to do business. Lotte Super took over CS Distribution in 2011 to open Harmony Mart and to manage 260 shops at the end of 2012, and e Mart established a corporation of Every Day in 2012 to manage more than 140 shops. Since opening the 1st shop, Home Plus has prepared for opening of new shops.

Not only Harmony but also Lotte supplying products took the lead in voluntary franchise, followed by e Mart to have win-win strategy with small merchants and to be free from regulation of the Act on the Distribution and to be likely to play important roles in the future.

Action guidelines	patronage refunds	Develop methods of patronage refund for members' uses.
	limited return on equity capital	The cooperative does not pay dividend of the share. The cooperative gives limit and/or prohibits return on equity capital to give members profit depending upon their use.
	mutual cooperation and support	Give joint venture, marketing, unofficial network, services and programs with help of another cooperative to supply more profits and/or benefit.

Source: Choi & Lee (2012).

<Table 10> Number of Shops of Voluntary Franchisee

Section	2011	2012
Lotte Super (Harmony)	195	260(Taken over by Lotte in April 2012)
Home Plus		1
e Mart		Estimated number of shop is more than 140 (Launched business in 2012)
GS Super		Under investigation

3.4. Win-win Cooperation

On November 15, 2012, the government established consultive council of the distribution industry with chairman of the Minister of Knowledge & Economy. The council was joined by the Minister of Knowledge & Economy, chairman of Chain Store Association approved by Small and Medium Business Administration, four of super centers, three of SSM and four of small distribution businessmen, that is to say, chairman of UKMA, vice chairman of UKMA, chairman of KOSAMART and chairman of Korea Chain Business Cooperative, to discuss control of opening of new SSM and/or super centers and keeping autonomous OFF: Continuous discussion and decision in the future are important. In particular, autonomous OFF shall problems by win-win to be free from frame of legal regulations and to let parties solve problems by themselves prior to legal enforcement. The council of development of distribution industry needs to be established throughout the nation to do win-win and to discuss each other and build up channels and put into practice.

Cooperation between large business and small business shall include development of new product subject to purchasing, support for cooperation business between small businesses, recruit of retired workers from large business, and joint overseas market development of both large business and small business. The government's supports and cooperation are needed to promote the business (Yoo & Kim, 2012).

3.5. SSM and Social Contribution

Expansion of SSM PB product moves benefit system from manufacturers to distribution business to differentiate super chains and SSM.

Less number of the product and low ratio of turnover can increase ratio of turnover continuously and to expand number of products and to improve profit.

Number and value of global outsourcing product have increased and the product has occupied low ratio of turnover. Expansion of professionals and development of overseas product can supply products in inexpensive price to produce profits and to help consumers by using overseas outsourcing.

Distribution businesses can have price competitiveness and

3.3. Chain in the Cooperative

Non-profit cooperative includes KOSAMART and the Chain Business Cooperative of Korea. The Act on the Cooperative allows establishment and management of the cooperative that is small merchants' cooperation model to be likely to increase small business franchise cooperative (see Table 11). Five promoters or more are allowed to establish business cooperative, and three or more of same business type of local cooperatives are allowed to establish a federation. KOSAMART does various kinds of businesses, for instance, policy development and protection of rights of the distribution industry, development and joint purchasing of brand product, supply of latest information and material of the distribution, management, guidance and organizational control of member cooperatives, improvement of shops and installation and guidance of POS system: So, KOSAMART is likely to do various kinds of revenue-making business to expand business in the future. Large businesses' supermarkets can supply products to some of the cooperatives to cooperate each other and build up reliability.

<Table 11> Principles and Action Guidelines of Franchise Cooperatives

Section	Description	Contents
Principles	user-owners	Being different from share based enterprises, the ones who make use of the cooperative own assets.
	user-benefits	Users are allowed to be given benefit of services of the cooperative.
	user control	Users participate in election meeting of board of directions and/or annual meeting of the cooperative and supervise the cooperative's activities.

differentiate products by PB products and global outsourcing to give burden of inventory and to do according to spirit of social contribution for rich human lives.

3.6. Competitiveness of Small Scaled Supermarket

Small supermarket can strengthen competitiveness by three ways, in other words, location, products and services (Park & Shin, 2010). The supermarket has competitiveness of location owing to near distance with residential area and disadvantages of very much low attraction.

SSM made appearance and moved to offset its low attractiveness by near location: At the moment, attractive shop has been placed at convenient location to threaten small merchants. To elevate attractiveness of the shop, interior and outer facilities of the shop shall be kept clean to let customers do shopping easily and conveniently. SSM of large business investigates list of the products being sold out at super centers in realtime to allocate products having high stock turnover at SSM and to have very much higher turnover per area than small merchants have. To make use of stock turnover each region, considerable quantity of the product shall be used to find out a rule, and information technology shall be used to produce rules. Small merchants near consumers have services that can compete with large businesses. The shops that are supported by consumers can grow up continuously and strengthen competitiveness enough to be selected by customers.

4. Summary

4.1. The Findings

Studies on opening and business regulation of super centers and/or SSM in dispute in the society shall find out alternatives for concerned parties from point of view of large business' social responsibility and small merchants' competitiveness. Super center made appearance at opening of e Mart Changdong branch in 1993, and it grew up in quantity and quality owing to opening of distribution market in 1996 to have 447 super centers in December 2011 that accounted for 0.9 super center per 100,000 persons to be higher than 1 super center of proper level. In 2008, concentration upon supermarket business of large business triggered dispute with alley commercial area to let large business open SSM and have conflict with alley commercial area of small merchants and to raise needs of regulation upon opening and business of SSM.

Regulation on opening and business of SSM may be in dispute of violation of the Constitution at legal validity and legislation: In January 2013, the Act was passed at the National Assembly to be in force by local governments' enactment of ordinance: And, since December 2012, the distribution business has been OFF by itself 2 times every month. Selection of busi-

ness type for small business and establishment of National Commission for Corporate Partnership can supplement the act on win-win between large business and small business and social demand on win-win growth can make change of paradigm of the business world so that a strategy is needed.

Win-win growth strategy between large business and small business requires expansion of franchise business.

In particular, voluntary franchisee shall not be OFF by force and franchisor shall have ability of large business at win-win growth model with local merchants to play role of win-win growth with help of local small merchants of franchisees and to help develop franchise industry.

Small merchants' chain and cooperation that is franchise cooperative can strengthen small merchants' competitiveness to supply products to not only the cooperative but also SSM that may be a solution of win-win growth.

SSM needs to diversify by global outsourcing and to strengthen competitiveness by development of PB product and to cooperate with small merchants by social contribution.

Small supermarket needs to strengthen competitiveness by improvement of store facilities, product development and differentiated service.

And, the society of distribution and franchise shall pay attention to ways and roles for win-win growth of supermarkets.

4.2. Limitations and Further Studies

The government regulated super centers by limitation upon location, penalty of creation of traffic problem and business index, and discussed regulation upon opening and business of at large business' opening of SSM and making inroads into small merchants market. This study suggested win-win growth of both SSM and small supermarkets, and further studies were needed.

First, further studies need to investigate effects of policy of regulation upon opening and business of SSM upon conventional market and alley commercial area empirically and systematically.

Second, National Commission for Corporate Partnership nominated 14 kinds and 2 items of livelihood type of service businesses on February 5, 2013 to include bakery and food service business. Large businesses were not given penalty owing to 3-years recommendation draft from April 1, 2013, and nomination of business for small business started to investigate performance and adjustment for small and medium enterprises. National Commission for Corporate Partnership gave limitation to number of opening of new bakery of large business to be 2 percent a year, and asked for keeping of distance with existing bakery by more than 500 meters. The system of nomination of business for small business did not protect small merchant franchisee to be likely to weaken competitiveness of franchise business. Further studies are needed to investigate win-win models of concerned parties of alley commercial area and win-win between large business and small business in comprehensive and systematic way.

References

- Choi, In-sik, & Lee, Sang-Youn (2012). A study on the Cooperative of Franchise Industry. *Journal of Franchise Management*, 3(2), 1-19.
- Choi, Woo-yong (2012). The study of institutional, politic equipment solution of Large-scale store and super supermarket(SSM) regulations. *Public Law Research*, 13(3), 213-244.
- Choi, Young-Hue (2013). Mutual Cooperation between Franchisor and Franchise. *The spring conference of The korean society for Franchise Management*, 21-30.
- Han, Jong-Khil (2009). A study on the French regulations for entry barrier of Large-scale store and its implications to Korean distribution policy. *Journal of Distribution Research*, 14(5), 65-82.
- Hwan hwa (1997), Principles of retail industry, seoul, korea: Hwan hwa retail store publishing.
- Kang, Chang-Dong, Shin, Geon-Chel, & Jang, Jae-Nam (2012). Study on the effect of small and medium-sized businesses being selected as suitable business types, on the franchise industry. *Journal of Distribution Research*, 17(5), 1-23.
- Kim, Hyun-dal, Ha, Joung-Ran, & Cha, Hyung-Suk (2012). *Cooperative society*, Seoul, Korea: Green Knowledge publishing.
- Korea Chain stores Association (2011). *The Yearbook of Retail Industry*. Seoul, Korea: Korea Chain stores Association publishing.
- Korea Chain stores Association (2012). *The Yearbook of Retail Industry*. Seoul, Korea: Korea Chain stores Association publishing.
- Korea Chain stores Association (2013). *he Yearbook of Retail Industry*. Seoul, Korea: Korea Chain stores Association publishing.
- Lim, Young-Kyun (2007). Collaboration Between Large retailers and Small and Medium retailers. *Journal of Distribution Research*, 12(5), 125-151.
- Noh, Won-Hee, & Song, Young-Wook (2012). The Effects of Conflict Resolution Strategies on Relationship Learning and Performance. *Journal of Distribution Research*, 17(3), 93-113.
- Osland, J. S., Kolb D. A., & Rubin I. M. (2001). Organizational behavior: *An Experiential Approach* (7th ed.). Upper Saddle River, New Jersey: Prentice-Hall.
- Park, Ju-Young, & Shin, Ki-Dong (2010). How to Increase small retailers' Competitiveness Against Super-Supermarket(SSM). *Journal of Distribution Research*, 15(5), 1-18.
- Park, Hae-Ryung (1999). The effects of Regulations for entry barrier in retail industry. *The korean public administration research*, 11(4), 895-910.
- Putnam, L. L., & Poole, M. S. (1987). Conflict and negotiation: an interdisciplinary perspective. In F.M. Jablin, L.L. Putnam, K.H. Roberts, and L.W. Porter, *Handbook of organizational communication* (pp.549-599), Newbury Park, CA:Sage.
- Song, X. M., Xie, J., & Dyer, B. (2000). Antecedents and Consequences of Marketing Managers' Conflict-Handling Behaviors. *Journal of Marketing*, 64, 50-66.
- Suh, Young-Ku (2007). A Study on regulations policy of large-scale store. *Journal of distribution Research*, 12(5), 1-16.
- Thomas, K. W. (1976). Conflict and negotiation processes in organizations. In M.D. Dunnette, *Handbook of industrial and organizational psychology* (pp.889-935). Chicago: Rand McNally.
- Thomas, K. W. (1992). Conflict and negotiation processes in organizations. In M.D. Dunnette, & L.H. Hough, *Handbook of industrial and organizational psychology* (pp.651-718). Chicago: Rand McNally.
- Yoo, Byung-Hong, & Kim, Dong-One (2012). Mutual Cooperation between Large and SM Enterprise. *Asia pacific Journal of small business*, 34(1), 1-21.