

# Government Support for Entrepreneurship Damage to Small Retail Traders from Large Wholesalers' Online Business Expansion\*, \*\*

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## Abstract

**Purpose** – The purpose of this research paper is twofold. First, this paper attempts to grasp the damage caused to small and medium-size retail traders from online wholesalers in the field. Second, this paper engages in a psychological characterization of the enterprise spirit and the management of small and medium-size entrepreneurs in the retail trade business that are harmed by online wholesalers.

**Research design, data, and methodology** – Data on three large Korean wholesalers engaged in ongoing litigation during the first half of 2014, including E-Mart Traders E-Club, and regarding applications for business adjustments from three large wholesalers were used.

**Results** – The results show that small and medium-size distribution merchants seek political support for facility modernization, policy-specific funds, development of the distribution of PB products, advanced distribution techniques, joint logistics systems, establishment of distribution and logistics centers, sharing of parking facilities, and joint ordering systems.

**Conclusions** – This study examined the damage to, and the government's support of policy demands from, small retail traders.

**Keywords:** Large Wholesalers Online Business, Distribution Political Support, Small Retail Traders, Tradition Market.

## 1. Introduction

### 1.1. Purpose and Background

Small and medium distribution merchants in Korea are in danger of existence. With the saturation of discount stores and hypermarkets that launched based on large capital, large distribution firms are challenging to launch medium markets, that is, Super Super-Market (SSM) to make inroads into the niche market, focusing on small commercial areas. SSM is the next generation distribution system (before setting up product distributors) for several reasons: it requires smaller space and set up costs than that of hyper markets because of its distribution characteristics, and it creates a synergy effect if operated together with hypermarkets.

However, the target commercial area for SSM is small business districts in large cities or small and medium-sized provincial cities where hypermarket entry is difficult, which result in a distribution structure that provokes conflict between traditional markets and small-business entrepreneurs. Therefore, mayors and governors of local governments and the Small and Medium Business Administration enforced a mediation procedure in order to minimize the conflict between SSM and local small-business entrepreneurs; thus, large distribution firms had to find a new way to launch their distribution items. Accordingly, product distributors have emerged and are entitled as varietal SSM by small-business entrepreneurs, which provoked reverse discrimination on small retailers that did not participated in product distributors (KBIZ 2012)<sup>1</sup>).

As large distribution firms make inroad into online wholesale businesses beyond the target of sales network expansion of small neighborhood supermarkets on product distributors, huge damage has been done to small and medium distribution merchants, which is losing the market of small supermarkets, the major sales network of merchants.

However, many government institutions that support small and

1) Korea Federation of SMEs (KBIZ)

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medium distribution merchants do not have accurate survey results that allow them to determine the extent of damage to retail stores caused by the wholesale business of large companies (E-Club of E-Mart), resulting in unable to estimate damages (Suh, Suh & Yoon 2010).

Of the predictable performance, this paper will first find out the actual damage, that is, what extent of damage has occurred to small and medium distribution merchants with regard to the online wholesale business. Second, understand psychological characteristics of small and medium distribution merchants-damaged by online wholesale entry of large companies-about entrepreneur spirits and management. Lastly, the research is expected to identify the vivid proposals of the industry necessary for political support measures for management improvement of small and medium distribution merchants. Moreover, important performance to be expected through the research would be systematic support policy and strategy for small and medium distribution merchants through provision of practical and effective support.

## 2. Theoretical Consideration

### 2.1. Emergence of large discount stores and SSM

The Korean distribution industry, in case of general consumer goods, has been handling a distribution function in three types: department stores, supermarkets, and traditional markets. The growth of the retail business was led by supermarkets in the 1970s and department stores in the 1980s. However, hypermarkets that have grown dramatically since the mid-1990s actually reorganized the business in earnest. The emergence of new retail stores dubbed large discount stores in the 1990s provoked a confrontation between small retail stores of small-business entrepreneurs and large enterprise distribution. The trait of chronological consumers that make an appearance of large discount stores was caused by change in life habit and change in consumption patterns by lifestyle, including seeking to improve the quality of life, increased leisure time with the five-day work-week as well as leisure and cultural activities.

The history of large discount stores in Korea has begun with the opening of E-mart in Changdong in 1993. Subsequently, the entry of foreign hyper markets into Korea in accordance with the opening of the distribution market in 1996 has resulted in dramatic growth. In 1999, large discount stores have exceeded department stores in terms of the number of stores; in 2002, the number of large discount stores has exceeded double the department stores. As of 2009, the number of supermarkets has reached 410; of these, E-mart accounts for 140, the most number of stores, whilst Home Plus accounts for 112, and Lotte Mart accounts for 74 stores. One large discount store is presumed to be reasonable for 150,000 or 200,000 people. In the perspective of location, a supermarket requires 9,900m<sup>2</sup>(3000pyeong)-16,500m<sup>2</sup>(5,000pyeong) commercial facilities. Large discount stores that exceed more than 300 are considered supersaturation.

Large enterprise distribution firms, therefore, place importance on SSM as an alternative business. SSM is competitive compared to hypermarkets in terms of establishment costs, conditions and operation efficiencies. In terms of locational perspective, the size of a SSM is below 330m<sup>2</sup>(approx.100pyeong) - 3,000m<sup>2</sup> (approx. 900 pyeong), which is bigger than as uper market, but smaller than a large discount store. SSM has emerged as the next-generation distribution style as the costs of launching is minimal and requires smaller are a compared to large discount stores, while the size is bigger than self-employed supermarkets.

According to survey conducted in KBIZ (2012), 919 SSMs were established, 272 Lotte Shopping (Lotte Super), 225 Home Plus (Express), 403 GS Retail (GS Super), and 19 Shinsegae E-Mart (Everyday). Amid serious damage to traditional markets and small retailer across the country and establishment of various systems for SSM entry regulations, large enterprise distribution firm result in making inroads into a new distribution business, such as varietal SSM like product distributors and online wholesale business. Currently a large discount warehouse Costco foreign, Shinsegae's E-Mart Traders series, Big Market, Lotte Department are the following: <Table 1> below.

<Table 1> Large discount warehouse status

Classification	COTSCO	E-MART TRADERS	Big Market
Operating Store	Yangpyeong Seoul, Daegu, Daejeon, Yangjae, Sangbong, Ilsan and Pusan, Ulsan, Kwangmyung, Uijeongbu, including 10 opened	Configuration Yongin, Incheon songrim, Daejeon Wolpyeong, Busan, Daegu Beesan, Singil Ansan, Cheonan-Asan, such as opening 7	Seoul Geumcheon, sinyoungtong, Dobong, Yeongdeung po, 4 opening
Sales	Based on 2.0863 trillion won in 2011, per sales store 2255 billion (based on '10)	1740 one hundred million won (Q3 '12, seven points total sales)	10 billion won in the opening 1 month (Days sales points Geumcheon store 500 million won)
number of employees	3,306	-	-

\* Source: Kbiz (2012).

### 2.2. Damage to ordinary economy caused by large discount stores and SSM

It has been presumed that the opening of one large discount store cause the disappearance of four traditional markets, bank-

rupts about 350 neighborhood grocery stores, 550 people in the business lose their jobs; one SSM is presumed to halve the revenue of supermarkets and traditional markets within a 3km radius. This led to a vicious circle in that it collapsed the middle class, weakened the domestic demand and competitiveness edge of large enterprises as well as unable to hope for the sound growth of national economy. The results of an investigation conducted by the Ministry of Knowledge Economy on the damage to small-business entrepreneurs caused by large discount stores and SSM are as follows: According to a survey of small and medium distribution firms on the "sales affected by large discount stores" conducted by the Motie<sup>2)</sup> Ministry in 2008, respondents replied that their sales have decreased up to 93%. Information, as described above are shown in the following <Table 2>.

<Table 2> Sales Affected by SSM

Classification	Sampler	Increase(%)	Same(%)	Decrease(%)	Total(%)
2008	1,831	0.0	13.9	86.1	100

\* Source: Motie Ministry (2010).

The result of the problem improvement of the SSM regulation implemented by SMBA(2012)<sup>3)</sup>, KOSBI(2013)<sup>4)</sup> showed positive effects.

First, average revenue has increased by 12.9% compared to previous weeks after enforcing the compulsory (autonomy) day-off of SSM. Second, 54% of the respondents said the reason for the sales increase in the traditional market is largely due to "the regulations on hypermarkets and SSM". Third, a number of customers in general have increased by 9.8% compared to previous weeks after enforcing the compulsory (autonomy) day-off of hypermarkets and SSM. Fourth, 53.3% of the total respondents said the compulsory (autonomy) day-off of hypermarkets and SSM help revitalization of small neighborhood grocery stores. Fifth, 56.2% of the respondents said the compulsory (autonomy) day-off of hypermarkets and SSM has mid- and long-term effects. Sixth, in terms of necessary government policies for small-business entrepreneurs and market merchants, 25.9% of the respondents said regulation strengthening of hypermarkets and SSM, 23.5% said strengthening of support systems for small-business entrepreneurs, and 19.6% said facility improvement and marketing support.

### 2.3 Status of large discount wholesaler

A number of large discount wholesalers are operating in Korea – Costco, a foreign firm, E-Mart Trader, E-Club of Shinsegae, and Big Market of Lotte. According to research of KBIZ(2012), Shinsegae (E-Mart) and Lotte (Lotte Mart) that have general hypermarkets are switching stores that lost competitive-

ness due to overlapping location with competitors or poor accessibility at the same time together with opening new large discount wholesale. E-Mart Traders are located in Gusung, Yongin, Songlim, Incheon, Wolpyeong, Daejeon, and Seomyeon, Busan, while Lotte Mart's Big Market is in Geumcheon. The firms are attempting to appeal to curiosity of young people who have high interest in relatively new distribution channels, called large discount wholesaler. Eland Retail, a subsidiary of Eland Group is to launch Wholelet, a large discount wholesale brand, based on their experience as fashion retailer and hypermarkets.

The company currently operates NC Department Store, 2001 Outlets, New Core Outlets, and Kim's Club; it took over Care four in April 2006 and operated "Home Ever" hypermarket, but sold to Home Plus in September 2008. Kim's club at New Core in Incheon is in operation as a testing store of foods, and renewed and opened three existing stores. Home Plus, a foreign company in Korea, will find it difficult to enter the market as Tesco, the headquarters, has no Membership Warehouse Club (MWC) format.

## 3. Research Design and Analysis

### 3.1. Research Model and Data Collection

The research has been initiated to solve problems of regional small and medium distribution merchants that in misery due inroads of large enterprises into the wholesale business. As of the first half of 2014, the only business mediation in progress is with the Association to Restore Small Business Entrepreneur on E-Mart Trader E-club of the top three large enterprise wholesale businesses namely, Costco, E-Mart Trader E-club, and Big Mart. The paper carried out additional research targeting the Association to Restore Small Business Entrepreneur in Busan, in respect of academic purpose, to find a correlation between entrepreneur spirits and actual management, including preferred support policies together with fact-finding survey on damaged firms that requested for business mediation. Whilst the Association to Restore Small Business Entrepreneur in Busan has 200 members, only 55 member companies were selected due to research limitation. The survey is conducted by visiting members in person. Of the surveyed, 34.5% of the companies were opened before 2,000, while 56.4% before 2,010, and 9.1% before 2,041. Of the survey, 89.1% is in business, while 10.9% is closed. Of the surveyed, 85.5% of the companies had less than five employees (including family members) 12.7% had less than 10 employees, and 0.12% had more than 10 employees. The average number of people involved in the business was 2.6 people. 38.2% of the surveyed companies had store area below 33 m<sup>2</sup>, 20.0% had store area below 66 m<sup>2</sup>, 12.7% had below 99 m<sup>2</sup>, 23.6% had store area below 165 m<sup>2</sup>, and 5.5% had store area below 198 m<sup>2</sup>.

The average store area of the small and medium distribution merchants is 78 m<sup>2</sup>. The average revenue of the companies surveyed for three years was 45,943.5 thousand won in 2,011,

2) Ministry of Trade Industry and Energy (MOTIE)

3) Small and Medium Business Administration (SMBA)

4) Korea Small Business Institute (KOSBI)

41,034.3 thousand won in 2,012, and 34,094.3 thousand won in 2,013. As of 2,013, 14.5% stores earned below 100 million won, 65.5% stores earned below 500 million won, 12.7% stores earned below 1 billion won, and 7.3% stores earned more than 1.1 billion won.

#### 4. Research Result

##### 4.1. Analysis of entrepreneurship of Small and Medium Distribution Merchants

Psychological characteristics of entrepreneurs have been attracting attention as an individual characteristic affecting performance, including the characteristics that set apart from an entrepreneur to non-entrepreneur. A variety of psychological characteristics have been studied in preliminary research; in particular, perseverance for achievement, locus of control, risk-taking propensity, and tolerance for ambiguity has attracted much publicity (Yoon & Suh 2003). In this regard, the research experimentally clarified the quality level of entrepreneur spirits in the following four aspects:

First, the need for achievement is one of the commonly referred entrepreneur characteristics. The meaning of "need for achievement" is defined as desire or tendency to execute and expedite something (Smith & Miner 1984). Taken together all the study result, an entrepreneur with high need for achievement build his or her goal and compete with the standard, and continue to strive to improve performance. The behavior of such an entrepreneur boosts positive attitude in setting and running a business and also play as the major element to enhance business performance.

Second, locus of control refers to a degree of feeling that one can control a certain incident in life or unable to control because of no relation (Sexton & Bowman 1990). Locus of control is divided into internal/external persons; while a person of internal propensity trust one's behavior and does not rely on good luck, fate, or influential external forces, a person of external propensity refuses one's creed that the result of his or her effort the first influence element of result. A person of immanentism has attachment to one's business and show positive actions for performance, believing that one can influence and control the business. On the contrary, a person of extreme externalism propensity feel helpless, alienated, and have conflicts with reality despite one has excellent, resulting in forming negative attitude in one's behavior.

Third, risk-taking propensity is another psychological characteristic that has been mentioned the most in study on the characteristics of entrepreneurs. The risk-taking propensity is a concept that displays the will to take risks in order to seize opportunities in decision making. People show a difference in seeking for opportunities and will to avoid risks. People with high risk-taking propensity make quick decision to seize opportunity, while people who avoid risks tend to make decision discreetly in order to minimize risks. If risks are inevitable in the process of

start-up and management, knowing how to systematize and manage will be the fundamental element for successful start-up and management, including psychological safety of entrepreneurs (Suh, Hong, Jin & Jo 2012). Therefore, the risk-taking propensity, one of the important characteristics of entrepreneurs is a characteristic innate in the process related to establishment and operation of a new business.

Fourth, tolerance for ambiguity can be included as another characteristic of entrepreneurs (Begley & Boyd 1987). A person often realizes ambiguity when he or she does not find the clue while finalizing or identifying a certain situation. Ambiguity is usually recognized when something is new, complex, or difficult to solve. Personality trait that affects a way of organizing information for ambiguous situations is referred to as tolerance for ambiguity. A person becomes aware of ambiguity if clues are insufficient for structuring a specific situation. Entrepreneurs deem uncertainty as interesting stimulus, not as a risk. If tolerance for ambiguity plays an accelerator role in motivation, that will affect attitude and performance of entrepreneurs' businesses. Essentially, the tolerance for high ambiguity is one of the salient features of entrepreneurs. A survey was conducted by measuring the four types of criterion.

The survey on the "need for achievement" in entrepreneur spirits of small and medium distribution merchants showed 32.7% very high, 58.2% high, and 9.1% normal levels. The characteristics of the merchants filed a lawsuit against "the Large wholesalers online business" analysis was accomplished desires as high as 90.9%. This is the case even filed a lawsuit to show a strong commitment to management commitment survival in the distribution field. This is seen as an interesting study. The details according to entrepreneurship section are as described above are shown in the following <Table 3>.

<Table 3> Need for Achievement

Classification		Respondents	Weigh (%)	Note
Need for Achievement	very high	18	32.7	
	high	32	58.2	
	nomal	5	9.1	
	low	-	-	
	very low	-	-	
Sum		55	100	

The survey on the "locus of control" in entrepreneur spirits of small and medium distribution merchants showed 20.0% very high, 43.6% high, and 12.7% normal levels; 14.5% low, 9.1% very low, and low level of small and medium distribution merchants showed 23.6%. The characteristics of the merchants filed a lawsuit against the "Large wholesalers online business" were analyzed by this high 53.6% "locus of control". This is when the 200 companies united in the distribution site filed a lawsuit on misconduct is the result of a conglomerate Resolution think that this find. "locus of control" is an example of a strong management commitment to the survival of the merchants. This is seen

as an interesting study of the "locus of control"

The details according to entrepreneurship section are as described above are shown in the following <Table 4>.

<Table 4> Locus of Control

Classification		Respondents	Weigh (%)	Note
Locus of Control	very high	11	20	
	high	24	43.6	
	nomal	7	12.7	
	low	8	14.5	
	very low	5	9.1	
Sum		55	100	

The survey on "risk receptivity" in entrepreneur spirits of small and medium distribution merchants showed 12.7% very high, 40.0% high, and 27.3% normal levels. In the risk receptivity field, the survey showed 16.4% low, 3.6% very low, and 20.0% low levels in small and medium distribution merchants. The characteristics of the merchants filed a lawsuit against the "Large wholesalers online business" were analyzed by this high "risk receptivity" 52.7%. Typically the Venture Company "risk receptivity" higher retail merchants who "risk receptivity" appears low(yoon & suh 2003). However, in this study the contrary "risk receptivity" It is a very interesting study appeared high. This seems to be characteristic commitment to management difficulties breaking even take the "risk receptivity". The details according to entrepreneurship section are as described above are shown in the following <Table 5>.

<Table 5> Risk Receptivity

Classification		Respondents	Weigh (%)	Note
risk receptivity	very high	7	12.7	
	high	22	40	
	nomal	15	27.3	
	low	9	16.4	
	very low	2	3.6	
Sum		55	100	

The survey on "tolerance for ambiguity" in entrepreneur spirit of small and medium distribution merchants showed 12.7% very high, 56.4% high, and 12.7% normal levels. while 9.1% low and 9.1% very low; in the "tolerance for ambiguity" field, small and medium distribution merchants showed 18.2% low level.

The characteristics of the merchants filed a lawsuit against the "the Large wholesalers online business" were analyzed as high as this "tolerance for ambiguity" 69.1%. It is thought that the results of the field distribution in 200 companies united if the opaque reality of the future can also be overcome. "tolerance for ambiguity" is the case showed that there is a strong relationship to the other four entrepreneurs survival of

the merchants, with spirit and management. This is seen as an interesting study of "tolerance for ambiguity" The details according to entrepreneurship section are as described above are shown in the following <Table 6>.

<Table 6> tolerance for ambiguity

Classification		Respondents	Weigh (%)	Note
tolerance for ambiguity	very high	7	12.7	
	high	31	56.4	
	nomal	7	12.7	
	low	5	9.1	
	very low	5	9.1	
Sum		55	100	

#### 4.2. Analysis of Small and Medium Distribution Merchant Management

As described above, the entrepreneurship of merchants filed a lawsuit to "the Large wholesalers online business" proved very high. This study analyzed whether merchants entrepreneurship have a very high spirit representing any management performance in the competition with large retailers. These results are shown to give a lot of implications for government policy development and support.

The comparison result of management condition of small and medium distribution merchants for three years showed the primary reason of worsening management of small and medium distribution merchants as the entry of large enterprises into the wholesale business, which accounts for 94.5%, followed by 1.8% economic recession, 1.8% intensified competition among the same business, and difficulty to attract new customers. The results show the cause of management aggravation of small and medium distribution merchants is due to the entry of large enterprises' entry into the wholesale business. The details according to the Primary Reason of Worsening Management section are as described above are shown in the following <Table 7>.

<Table 7> The Primary Reason of Worsening Management

Classification		Respondents	Weigh(%0)	Note
The Primary Reason	economic recession	1	1.8	
	entry of large enterprises	52	94.5	
	intensified competition	1	1.8	
	difficulty to attract new customers	1	1.8	
Sum		55	100	

The number of stores in business with small and medium distribution merchants for three years was 66.3 in 2011, 59.1 in 2012, 53.4 in 2013, and 45.7 in 2014. The result shows that the trade target of small and medium distribution merchants has increased 31% compared to 2011. This is a contrary evidence of small and medium distribution merchants suffering from the current financial difficulties.

The number of trading stores for three years showed only 1.8% in 1-50% increase, while 29% within 25% decrease, 56.4% within 26-50% decrease, and 7.3% within 51-100% decrease. The increase rate of the number of trading stores of small and medium distribution merchants for three years has decreased by 32% in average. Although the entrepreneur spirit high, large retailers and has shown that it is difficult to win the competition. Damage caused by the result of traders entering the distribution business "large wholesalers online business" are shown in the following <Table 8>.

<Table 8> The total number of stores trading three years Increase and decrease rate impact analysis by the "large wholesalers online business"

Classification		Store the number	proportion (%)	Note
Trading stores increase or decrease	1-50% increase	1	1.8	average :-32% decrease
	No change	3	5.5	
	1-25% decrease	16	29	
	26-50% decrease	31	56.4	
	51-100% decrease	4	7.3	
Sum		55	100	

<Table 9> Three years annual revenue impact analysis by the "large wholesalers online business"

Classification		2011		2012		2013		Note
		Store the number	(%)	Store the number	(%)	Store the number	(%)	
sales	More than 100 million	6	10.9	5	9.1	8	14.5	
	More than 200-500 million	35	63.6	39	70.9	36	65.5	
	More than 600-1000 million	10	18.2	6	10.9	7	12.7	
	more than 1.1 billion	4	7.3	5	9.1	4	7.3	
Sum		55	100	55	100	55	100	

\* Average: 2011 Average sales: 459.435 million, in 2012 the average

revenue: 410.343 million, in 2013 the average sales: 340.943 million won

The yearly revenue of small and medium distribution merchants for three years was in 459.435 million won 2011, 410.343 million won in 2012, and 340.943 million won in 2013. Although the entrepreneur spirit high, large retailers and has shown that it is difficult to win the competition. Damage caused by the result of traders entering the distribution business "Large wholesalers online business" are shown in the following <Table 9>.

The revenue has decreased by 25% compared to 2011, showing management difficulties of small and medium distribution merchants. The increase rate of total revenue for three years shows only 5.5% that increased 1-75%, while the decrease within 25% was 45.4%, 47.3% was 26-50%. The increase rate of the total revenue of small and medium distribution merchants for three years has decreased 22.2% in average. The business profit of small and medium distribution merchants for three years was average 6,816.9 thousand won in 2011, 5,149.6 thousand won in 2012, and 4,860 thousand won in 2013.

The business profit has decreased by 28% in average compared to 2011, showing management difficulties of small and medium distribution merchants. Although the entrepreneur spirit high, large retailers and has shown that it is difficult to win the competition. Damage caused by the result of traders entering the distribution business "Large wholesalers online business" are shown in the following <Table 10>.

<Table 10> Three years annual revenue impact analysis by the "large wholesalers online business"

Classification		2011		2012		2013		Note
		Store the number	(%)	Store the number	(%)	Store the number	(%)	
revenue	More than 10 million	4	7.3	3	5.5	7	12.7	
	More than 50 million	31	56.3	33	60	33	60	
	100 million won or less	11	20	10	18.1	8	14.6	
	more than 110 million won	9	16.4	9	16.4	7	12.7	
Sum		55	100	55	100	55	100	

\* Average: 2011 average operating profit amount: 6.816 million, in 2012 the average operating profit amount: 5.149 million, in 2013 the average operating profit amount: one million won 4.860

The increase rate of the total business profit for three years show only 3.6% in 1-75% increase, while the decrease rate within 25% affects 36.4%, and 26-50% decrease affects 47.3%. The increase rate of the total sales of small and medium distribution merchants for three years has been decreased by 28.8% in average. Although the entrepreneur spirit high, large

retailers and has shown that it is difficult to win the competition. Damage caused by the result of traders entering the distribution business "large wholesalers online business" are shown in the following <Table 11>.

<Table 11> 3 years full-year operating profit growth due to "large wholesalers online business"

Classification		Store the number	proportion (%)	Note
Operating profit increases and decreases	1-75% increase	2	3.6	average :28.8% decrease
	No change	0	0	
	1-25% decrease	20	36.4	
	26-50% decrease	27	49.1	
	51-100% decrease	6	10.9	
Sum		55	100	

#### 4.3. "Large wholesalers online business" direct financial damage analysis of small retail traders

##### 4.3.1. "Large wholesalers online business" damage to small retail traders Financial Analysis

As a result of the financial analysis of small retail traders are as follows. "Large wholesalers online business" questions from the questionnaire were about the financial analysis of small retail traders affected. Questions average sales result "Large wholesalers online business" project which was started around one million won to 48.97 after the business appears to be an average 29.4% reduction in the 34.54 million.

Margin is "Large wholesalers online business" Business is business before the start after the start which was average 14.4% 12.3% 23% appear to have decreased. Selling and administrative expenses "Large wholesalers online business" business start-up businesses around 4.4% after 6.3% on average 43.19 percent increase rather that I spilled out. OP solution "Large wholesalers online business" before the start of business appears to be an average 11% reduction by 25.45% after 8.2% in the business. Sales were also the current business situation in the next three years after the prediction of small retail traders estimated a decrease 16.41 percent. Margin was 12.19% expected a decrease. SG & A expenses were estimated to increase 12.70%. However, operating profit is expected to be rather appeared to reduce the 4.88%. The results affected by "large wholesale online business" is shown in the following Table <4-10>.

"large wholesalers online business" as vendors submit proof with respect to the question a bout the financial results of analysis of small retail traders from the victim is 9.3%, 90.7% companies are being submitted is difficult. The reason for this

seems to be self-employed in Korea are due to the difficulty in submitting the tax-related documents. However, revenue estimates in this study were calculated by direct interview. Accuracy and reliability of the estimated ensure that the financial statements are shown.

<Table 12> Financial analysis of small retail traders suffered direct damage (monthly average / unit often thousand won / weight %)

Classification		Before		After		3 year after		Note
		money	%	money	%	money	%	
Financial analysis	sales	4,897	-	3,454	-	2,887	-	Available companies 75 Average
	margins	655	14.4	390	12.3	385	10.8	
	sales expenses	232	4.4	221	6.3	277	7.1	
	operating profit	318	11	217	8.2	158	8.6	
Sum		4,897	100	3,454	100	2,887	100	

##### 4.3.2. "Large wholesalers online business" damage to small retail traders Estimated future operating conditions

"Large wholesalers online business", and three years later the question of estimating business operations in the form of small retail traders affected from the results, one estimates that companies appeared to be out of business by 53.3%. Other industries change is 26.7%, is found to be 20% unpredictability. The results affected by "large wholesale online business" is shown in the following <Table 13>.

<Table 13> Three years later, the small retail trader suffered direct damage estimate future

Classification		Store the number	(%)	Note
3years later estimated Enterprises operating modes	Closed	40	53.3	
	Closing	-	-	
	Other industries change	20	26.7	
	Sustainability	-	-	
	Previous place of business	-	-	
	Unpredictability	15	20	
Sum		75	100	

#### 4.4. Desired Condition of Policy Support for Small and Medium Distribution Merchants

The businesses of which small and medium distribution merchants desire for political support are facility modernization, poli-

cy-specific funds, joint purchasing, commercial information provision, management consulting, development of distribution PB products, cooperative joint marketing, advanced distribution techniques, joint logistics systems, distribution and logistics center establishment, sharing of parking facilities, and joint ordering system. They showed high hope for political support for the cooperative projects.

In the cooperative joint marketing sector, they showed positive necessity, such as 61.8% essential, 29.1% highly necessary, and 14.5% necessary. In the support for cooperative advanced distribution techniques, they showed positive necessity, such as 56.4% essential, 29.1% highly necessary, and 14.5% necessary. In the cooperative joint logistics system sector, they showed positive necessity, such as 78.2% essential and 21.8% highly necessary. In the establishment of cooperative distribution logistics center, they showed positive necessity, such as 81.8% essential, 14.5% highly necessary, and 3.6% necessary. In the sharing of cooperative parking facilities sector, they showed positive necessity, such as 30.9% essential, 40.0% highly necessary, and 29.1% necessary. In the cooperative sector for joint ordering system construction support, they showed positive necessity, such as 40.0% essential, 45.5% highly necessary, and 14.5% necessary. In view of the political support, the study showed that urgent support for small and medium distribution merchants is strengthening of competitiveness.

## 5. Conclusion

### 5.1. Research Result

Entrepreneurship of merchants filed a lawsuit to "Large wholesalers online business" proved very high. This study analyzed whether traders entrepreneurs have a very high spirit representing any management performance in the competition with large retailers. Through this study, merchants at the scene, revealed the financial results for damages against online distribution of large wholesalers. The importance of financial analysis results are quantified the extent of the damage is the point. This paper is very valuable, which revealed that the site is that empirical research. In addition, the station Perspective, could grasp the psychological characteristics of entrepreneurs on the merchant spirit and management difficulties were harmed by large distributors. The contribution of this study is that it has identified difficulties of traders in the field. I understand the policy recommendations in the field of merchants is a very important thing.

This paper explored the demand for the government's support policy and the actual damage of small and medium distribution merchants. The support policy for small and medium distribution merchants is classified into three types: The scale of small and medium distribution merchants and support for marketing vitalization (Dunn et al. 1986), including development and implementation of co-existence measures. The implications are as follows: First, the support for scaling small and medium distribution merchants. Support for the construction of a retail and

wholesale joint logistics center and innovation of distribution structure by reducing distribution process.

Second, the need to secure new customers. In order to diversify distribution channels, small and medium distribution merchants should expand into the restaurant industry, home shopping, electronic commerce, and direct retailing. Third, measures to secure large clients. For this, introduction of informatization and electronic commerce (EDI, B2B) has emerged as an urgent task. Fourth, measures to maintain current clients. To attain this end, systems related to retail support and customer relationship management (CRM) should be introduced. Fifth, boost training for competence reinforcement of small and medium distribution merchants. Sixth, in need of effective measures and establish relationship with distribution cooperation committees.

A regular evaluation committee should be operated to promote regional partnership programs, and perform objective evaluation through participation of entities of business groups and experts in co-existence. Seventh, need to hold onsite discussion events at regions on coexistent issues. Regular meetings should be held and provide regional cooperation guidelines, including reporting for areas with issues related to co-existence cooperation. If the aforementioned practical strategies are implemented faithfully, it will facilitate new market development through cooperation and recover competitiveness of small and medium distribution merchants at the risk of survival.

### 5.2. Implications and Limitation of the Research

The in-depth actual survey for political support desired by small and medium distribution merchants and the level of actual damage and entrepreneur spirits conducted in the research are very important and timely implications and contribution of the study in terms of reviving small and medium distribution merchants at the risk of survival due to the entry of large enterprises into the online distribution business caused by the government sanction against SSM and emergence of new variant SSM

With the limitation of survey target (55 companies), Had filed a lawsuit small number of businesses, Merchants have filed a lawsuit 100% whole census was not feasible. That's Why Statistical significance was not seen even look. But "Large wholesalers online business" understand the policy of the merchant filed a lawsuit to request support and management were a lot of difficulties to contribute. however, the research performed variance analysis on regression analysis on entrepreneur spirits and success and failure of businesses, including characteristics of merchants and political requirements; in the future, more additional results may be provided.

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