

[Field Research]

## A Comparative Study on the Distribution Regulation Policy in Korea and Foreign Countries\*

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### Abstract

**Purpose** - The competitiveness of small- and medium-sized distribution companies has weakened with the entry of large distribution companies and Super Super Markets (SSMs). These companies have nationwide distribution networks and capital to take over street markets, thereby threatening the very survival of small merchants. In order to help these small- and medium-sized merchants, the government has recently reinforced distribution regulations for large distribution companies.

**Research design, data, methodology** - The purpose of this study is to review domestic and foreign distribution regulations and to provide direction for establishing domestic distribution policies in the future.

**Results** - The government must fully reassess its assistance policy for small and medium distribution companies to enable them to engage in differentiated competition with large retailers, based on their own strengths. This will allow all interested parties to coexist.

**Conclusions** - Government assistance policies for small and medium distributors such as traditional markets must be reorganized. The objective is to ultimately protect small and medium distributors and allow them to coexist on their own strengths, rather than have regulations for large retail stores.

**Keywords** : Distribution Regulation, Distribution Policy, Large Retail Stores, SSM, Distribution Industry Development Act.

**JEL Classifications** : D30, K23, L51, L88

### 1. Introduction

Ever since opening of the distribution market, distribution industry of Korea has shown a rapid development. Size of stores and branches

were greatly increased, along with much improvement in sales and productivity. In particular, major companies actively entered the market and expanded their share in the distribution market. As of now, market share of large marts has approached 60%. Such entry of major companies into distribution market does have an advantage of satisfying the value-oriented need of consumers in accordance to the principle of market economy, but it also resulted in weakened position of small and medium distribution companies and removal of survival basis for small merchants. The ripple effect on small and medium distribution companies is becoming increasingly severe with domination of street markets by super-super markets (hereinafter referred to as "SSM") with nation-wide distribution network and capital power through detour opening of stores.

With such problems, efforts to help small and medium sized merchants have recently appeared. That is, distribution regulations have been reinforced. As conflict between small, medium and large distribution companies intensified due to rapid increase in SSM, the government implemented business limiting system based on the Act on the Promotion of Collaborative Cooperation between Large Enterprises and Small-Medium Enterprises in 2009, executing an indirect regulation on store opening. The government is also attempting to protect small and medium sized merchants through amendment of 「Distribution Industry Development Act」 and enactment of local government ordinances. However, large marts are taking legal responses to articles of 「Distribution Industry Development Act」 that limit business hours and force holidays, arguing that they infringe the basic rights. While the national government and local governments continue to enforce such regulations, there are many skeptical views on the effect of distribution regulations.

Looking at the overall trend of distribution regulations, many nations are relieving regulations on market access, price control, and service at a significant level (Noh, 2003). In case of Korea, regulations such as limitation of store opening by large retailers in traditional commerce protection zone, limitation on business hours, and designation of obligated holidays are being reinforced by 「Distribution Industry Development Act」. From the perspective of large distribution companies, such regulations act as obstacles in corporate activities.

Accordingly in this study, important reference data for development and growth of domestic distribution industry will be prepared through study of domestic and foreign distribution regulations. Preceding studies and various status reports were analyzed to accomplish the purpose of this study, and empirical analysis studies were excluded from analysis. This study is intended to first review theoretical discussion

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on distribution regulations and policies, and then to provide countermeasures to be considered in establishment of domestic distribution policy based on trend and case study of distribution regulations in major advanced nations.

## 2. Theoretical Discussion

### 2.1. Theoretical Consideration on Distribution Policy

#### 2.1.1. Definition and Purpose of Distribution Policy

Distribution Policy, which is the part of the Economic Policy, is the public policy conducted on the function, or activity of distribution from production to consumption. The purpose of Distribution Policy is to form a 'desirable status' of the procedure of distribution (Ministry of Knowledge Economy & Yonsei, 2011).

Distribution policy is established and enforced in order to lead distribution in the most desirable direction within a national society. However, the problem is on what it means to be in 'desirable state.' Here, policy trends of policy-makers and value judgment based on people's view must be interposed (Lee & Prak, 2010). For example, policy direction is differentiated by whether a society places importance on efficiency or fairness.

According to a study by Hermon (1989), distribution policy is described as series of law, regulation, order, guideline and judicial interpretation that manage activity cycle of products including consumption, production and distribution. Noh (2002) argues that distribution industry policy refers to all promotional activities, adjustments and regulations conducted by the government as the main body in order to enhance competitiveness and productivity of the distribution industry, considering characteristics of the distribution industry.

Noh (2002) also argues that the major purposes of distribution policy are as follows: First, to improve consumer welfare and secure business opportunity of distributors while minimizing market failure through appropriate and efficient product distribution; Second, to harmonize contradicting relationship between the two. Since harmony and efficiency among contradicting policy purposes are important, it is necessary to determine priorities among policies and integrate them.

Watanabe (2003) explains that the objectives of distribution policy are as follows: First, to pursue improved distribution productivity based on efficiency; Second, to secure fairness in competition; Third, to improve convenience in sales; Fourth, improvement in efficacy based on security of equality. He also defines the objective of distribution policy as contribution to preservation of social environment and urban functions responding to external effects.

Kim et al.(2005) offers the following objectives of distribution policy. First, policy must focus on improvement of efficiency in domestic economy and overall distribution industry. Second, unfair transactions must be minimized to promote equality of distribution as well as reinforcement of efficiency. The best scheme is found for a win-win relationship between large and small retailers through such objectives.

#### 2.1.2. Distribution Policy System

Classification of distribution policy system is relatively diverse. First off, it is divided into competitive policy, promotion policy, and adjustment policy based on purpose. Competitive policy is intended for establishment and maintenance of free and fair order of competition. Promotion policy is intended for overall development including reinforcement in competitiveness of small and medium distribution companies, and adjustment policy is intended for adjustment of conflicts among distribution bodies. Watanabe (2003) includes policy on distribution-based organization, entry regulation and business regulation for supply and demand, and restriction for public welfare. However, such classification is creating mutual relationships, and policies are changed according to conditions of distribution policy in different nations. Especially, Watanabe (2003) argues that distribution policy must be adjusted to provide employment opportunities in the distribution industry while maintaining consumer benefits.

Domestic studies are as follows. First, Kim (1997) classifies distribution policy into efficiency-oriented policy and value-oriented policy. The former attempts to reduce market failure and increase economic efficiency. The latter realizes social values of protecting the environment as well as life and health of citizens.

On one hand, Youn & Kim (2010) approaches distribution policy from excessive competition theory and distribution competition theory based on public policy theory.

#### 2.1.3. Distribution Regulation Methodology

Distribution industry not only has an economically important position but receives significant level of regulation. Compared to other major industries, it is classified as a relatively competitive industry with no natural monopoly (Seo, 1998). Methods of distribution regulation can be classified into regulation on market access and regulation on business. First, large store opening regulation regulates surface area of stores and period of approval. In some countries, regulation on large stores is a huge obstacle in establishment of large stores. Second, locational regulation is one of representative regulations that affect competition in the distribution industry. This regulation limits establishment of new stores in specific regions, intended to protect the environment and conduct urban planning. Third, business regulation inflicts limitation on items, price control, and business hours. Restriction on business hours was originally designed to designate identical holidays and prevent overtime works by laborers, securing certain amount of demand for small and medium stores by shortening business hours of large retail stores. This results in protection of small and medium retailers while at the same time limiting the right of consumers to choose. Fourth, store facility regulation regulates store facilities of large enterprises by obligating security of public space in parking lots. Lastly, regulations can also be placed on traffic policy and environment policy (Kim et al., 2005).

Distribution regulation policy is divided into economic regulation to promote efficiency and social regulation to promote value realization. Government regulates the decision making process on the firm's price, and quantity along with the entry and exit (Lee & Yoo, 2004). Social regulation is usually done in the means of protection of

consumer, and environment, and product liability (kim et al., 2005).

Seo (1998) sees that the reform in distribution regulation must minimize irrational interference by the government, promote competition by removing barriers to entry, and strengthen competitiveness of the national distribution industry to the level of advanced nations through modernization of distribution structure.

## 2.2. Distribution Policy of Korea

### 2.2.1. Objective and Direction of Distribution Policy

Though domestic distribution policies are promoted for diverse purposes, objectives can be largely divided into distribution policy as an economic policy and as a social policy. Economic distribution policies include policy for development and promotion of distribution industry and policy for consumer benefit. Social policies include regulation on location, traffic, and environment. Policy on business adjustment for small businesses simultaneously has characteristics of both economic and social policies.

<Table 1> Objectives and Means of Distribution Policy

|   | Objectives   | Means  |
|---|--|--|
| ① | Policy for maintenance and promotion of competition          | Fair transaction policy, consumer policy                 |
| ② | Policy on promotion of distribution activities               | Assistance of small and medium businesses                |
| ③ | Policy on adjustment of business activities among businesses | Regulation on large stores                               |
| ④ | Policy on distribution-based organization                    | Logistics facilities and informatization of distribution |
| ⑤ | Policy on adjustment of supply and demand                    | Entry regulation, attraction of business activities      |
| ⑥ | Policy for improvement of public welfare                     | Environmental policy, urban and traffic policy           |

Source: Objectives and means of distribution policy by Watanabe (2002) were supplemented by Lee & Park (2010).

<Table 1> summarizes the objectives and means of distribution policy. Here, ① and ⑥ are prohibition policies. ② ④ and ⑥ are promotion policies. ③ and ⑤ are adjustment policies. Among distribution policies, promotion and assistance policy, adjustment policy, and competition policy are the most importance. Promotion policies can be divided into assistance on individual businesses and co-assistance on many businesses such as shopping districts and markets. Assistance was focused on co-assistance on logistics efficiency, modernization of traditional markets, and technological development until now. However, assistance on individual businesses is also greatly increasing with recent difficulties experienced by small distributors. Adjustment policies limit business activities of large enterprises to help small businesses. Although Korea has been contracting its adjustment policies since 1990s with implementation of open distribution policy, social interest on adjustment policies is increasing with more difficulties of small distributors due to expansion of SSM. Competitive policies promote dynamic development of distribution industry and protect consumers by regulating rules of competition among businesses. Various laws including the Fair Trade Act have been prepared.

### 2.2.2. Development Process of Distribution Policy

The system of distribution policy in Korea was prepared in 1980s. 「Promotion of Distribution Industry Modernization Act」 was enacted in 1980, and 「Act on Promotion of Wholesale and Retail Businesses」 was enacted in December 1986. In addition to these distribution laws, basic structure of distribution laws was prepared in 1980s with amendment of 「Market Act」 and enforcement of 「Consumer Protection Act」, 「Monopoly Regulation and Fair Trade Act」, 「Credit Card Act」, 「Installment Transactions Act」, and 「Door-to-Door Sales, etc. Act」. Basic plan for modernization of distribution was established and enforced to construct a systematic assistance on the distribution industry (Lee & Park, 2010).

Basic frame of distribution policy in 1980s was built by 「Act on Promotion of Wholesale and Retail Businesses」. This Act was enacted in December 1986 and enforced in July 1987. 「Act on Promotion of Wholesale and Retail Businesses」 was introduced with the purpose of "contributing to balanced development of the national economy and protection of consumers by efficiently promoting wholesale and retail businesses and establishing healthy order of transactions." Main contents of the Act on Promotion of Wholesale and Retail Businesses are as follows. First, one who wishes to launch a large scale retail store or wholesale center such as market or department store must receive approval by city or provincial mayor. The law also provides basis for financial and tax supports to market managers, trial wholesale centers, designated chain businesses, and shopping district promotion unions. Second, the law regulates assistance on distributors and distribution businesses. In specific, the government establishes general plan for promotion of wholesale and retail businesses, designating and nurturing trial wholesale centers. The government also assists chain businesses and helps promotion of shopping districts. Furthermore, the law permits a comprehensive policy to support wholesale and retail businesses. In addition, there were regulations on installment sales, call sales, and mail order sales. Such regulation on special sales acts was later excluded from the Act on Promotion of Wholesale and Retail Businesses due to enactment of a separate law. This Act was amended twice in 1991 and finally amended in 1995.

「Distribution Industry Development Act」 was enacted and 「Act on Promotion of Wholesale and Retail Businesses」 and 「Promotion of Distribution Industry Rationalization Act」 were abolished on April 10, 1997. With post-industrial changes in late 1980s, there was a rapid change in structure of the private sector distribution industry in 1990s. Accordingly, a system was required to promote efficient and balanced development of the distribution industry, to protect consumers by establishing sound order of transactions, and to contribute to development of Korean economy. 「Distribution Industry Development Act」 is the basic frame of distribution policies in Korea. This law greatly relieved excessive regulations by distribution policies in the past and converted approval system for large stores into registration system. Autonomous competition by the private sector was reinforced, and basis for diverse policies on development of the distribution industry was prepared. On one hand, 「Distribution Industry Development Act」 was recently amended with new and amended articles for preservation of tradition and history in local distribution industries. Major details of such amendment include registration of

large and semi-large stores and removal of regulation on business hours.

<Table 2> New and Amended Details of 「Distribution Industry Development Act」

| Article   | Contents  |
|---|---|
| Article 12-2 (Limitation on Business Hours and etc. of Large Stores and etc.) | <p>① Mayor of special autonomous city-Mayor-Country Governor, and the district heads can regulate the large stores, which include the one that fulfills the requirements of being super supermarkets, and semi-large stores with the restricted business hours, or can designate the temporarily closed day by setting the obligated holiday under the circumstances of the approval of building a healthy distribution order, health right of employee, or coliving and development of large scale of stores and small and medium distribution businesses. However, large stores that sold agricultural and marine products more than 55 percentages of their sales from annual total sales, which is registered store by the ordinance of local autonomous entity, are exceptional for the above content.</p> <p>1. Restricted business hours<br/>2. Obligated holiday designation</p> <p>② Mayor of special autonomous city-Mayor-Country Governor, and the district heads can regulate the business hours in the range of 12:00 pm to 10:00 am</p> <p>③ Mayor of special autonomous city-Mayor-Country Governor, and the district heads should designate the obligated holiday at least for 2 days on a month. It should be designated during the legal holiday, but if there is the consensus with party interested, it is possible to designate on other days.</p> <p>④ Contents related to the restricted business hours and obligated holiday designation that are prescribed from above contents are issued as an ordinance.</p> <p>[Specialty revision 2013.1.23.][Date of enforcement : 2013.4.24]</p> |

### 3. Trend of Domestic and Foreign Distribution Regulations

#### 3.1. Trend of Domestic Distribution Regulations

Recently, regulations on entrance and business of large marts such as limitation on opening were greatly reinforced. Especially with rapid increase in SSM, conflict between small and medium distributors and large distributors became severe. In 2009, the government implemented an indirect opening regulation through application of business adjustment system according to 「Act on the Promotion of Collaborative Cooperation between Large Enterprises and Small-Medium Enterprises」. In addition, reinforcement of regulations on large stores through amendment of 「Distribution Industry Development Act」 is mostly carried out under proposal by assembly members. Such amendments include addition of 'semi-large stores' to include SSM as targets of registration, designation of 'traditional commerce protection zone' and addition of limitation on location of (semi) large stores, and addition of limitation on business hours (24:00-08:00) and designation of obligated holidays (1-2 days every month) for (semi) large stores.

For this reason, controversy and conflict with large retailers are

spreading out as large retailers file constitutional appeals against distribution laws and local government entities announce further reinforcement of regulations. Such regulation ordinances on large marts and SSM can be summarized as follows.

First is limitation on construction by urban planning ordinance. In general residential areas, semi-residential areas and semi-industrial areas, urban planning ordinance of local government can limit construction of sales and commerce facilities larger than 1,000m<sup>2</sup> (Park & Jeong).

Second is limitation on location based on traffic influence assessment. Traffic influence assessment system attempts to predict, analyze, and resolve traffic problems like traffic hazards caused by business. Also, since Article 16 of 「Enforcement Decree of Urban Traffic Readjustment Promotion Act」 allows local government heads to adjust traffic occurrence charge within the range of 50/100 as decided in the ordinance, local governments can indirectly limit opening of large retailers by increasing traffic generation coefficient.

Third is regulation based on business guideline by chiefs of autonomous bodies. As Nam-gu District Office in Daegu enacted 'Business Guideline for Protection of Small Merchants' to limit large retailers, local governments can introduce regulation on large retail stores through business guidelines. However, there is lack of legal basis for limitation by business guideline of chiefs of autonomous bodies. It may be judged as misuse of discretionary power by local governments if large enterprises were to file an administrative lawsuit.

Fourth is the business limiting system defined in 「Act on the Promotion of Collaborative Cooperation between Large Enterprises and Small-Medium Enterprises」. Business limiting system was introduced in 1961 to protect small and medium enterprises. In case entrance of large enterprises can significantly degenerate management stability of many small and medium enterprises in the corresponding business due to reduction in demand, the Small and Medium Business Administration can advise delay or size reduction in takeover, launching and expansion of business for certain period. Since July 2009, small business organizations like Supermarket Cooperative and Merchant Alliance have been actively utilizing the business limiting system based on 「Act on the Promotion of Collaborative Cooperation between Large Enterprises and Small-Medium Enterprises」 to prevent entrance of large marts, especially SSM.

Last is regulation on obligated holidays and limitation of business hours. Considering the fact that large retailers can use sufficient capital power to continue their business 24 hours a day and 365 days a year, it is practically difficult for traditional markets and small-medium distributors to compete with large stores. Legal basis was prepared to order holidays and set business hours for large retailers. However, while second and fourth Sundays of each month are obligated holidays for large marts and SSM, about 20 lawsuits have been filed nationwide by large enterprises.

#### 3.2. Trend of Distribution Regulations in Developed Foreign Nations

Developed nations have been attempting to minimize the conflict with small and medium distributors through restriction of market en-

try by large retailers before opening of the distribution market ('96), but the degree and scope of regulation differ among nations. With referred the Korea Small & Micro Business Development Agency (2009), Trend of distribution regulations in developed foreign nations is examined in terms of regulation on entry, regulation on location, and regulation on business hours.

### 3.2.1. Japan

Though Japan executed regulations on entry and business of large retailers prior to 2000 according to 「Large-scale Retailer Law」, 「Large-scale Retailer Law」 was abolished and replaced by 「Law on Location of Large-scale Retailer」 in 2000 after the United States filed a petition against 「Large-scale Retailer Law」 through WTO for non-tariff barrier in 1997, implementing indirect regulation. Biggest characteristic of 「Law on Location of Large-scale Retailer」 is that it presumes positioning of large-scale retail stores in corresponding regions. The law regulates matters to be considered for opening of large retailers such as resident convenience with traffic and protection of surrounding environment. Also, 「Law on Activation of Urban Center」 introduced a method of reinforcing competitiveness of commerce by supporting depressed urban centers with suburb development, as in the United States and England. 「Urban Planning Law」 was amended to limit large-scale gathering facilities exceeding 10,000 m<sup>2</sup> to commercial, neighborhood commercial, and semi-industrial areas.

<Table 3> Regulation on Large Retail Stores in Japan

| Classification         | Details of Regulation  |
|------------------------|--|
| Regulation on Opening  | <ul style="list-style-type: none"> <li>• Report to Dodo-ken on new establishment of large-scale retail stores (exceeding 1,000m<sup>2</sup>) according to 「Law on Location of Large-scale Retailer」</li> <li>• After the report, presentation is held, opinions by residents are received, and adjustments are made for about 10 months</li> <li>• Regulates matters to be considered by store owners for resident convenience with traffic and protection of surrounding environment</li> </ul> |
| Regulation on Location | <ul style="list-style-type: none"> <li>• Limited purposes depending on surface area</li> <li>- 3,000~10,000m<sup>2</sup> : 6 types of area</li> <li>- Over 10,000m<sup>2</sup>: 3 types of area (commercial, neighborhood commercial, and semi-industrial areas)</li> </ul>  |

### 3.2.2. U.S.A.

Basic policy of the U.S.A (The United States of America) on large retailer regulation is locational regulation based on zoning rather than economic regulations on products and business hours. For the purpose of guaranteeing public welfare and benefit, regulation on distribution facilities is executed from the perspective of urban planning. In other words, there is no direct regulation system, but indirect policies such as comprehensive plan, zoning ordinance, development moratoria, and economic impact analysis are executed.

Business regulations are introduced and enforced by local governments like cities and counties. Large marts are regulated by federal or state anti-trust law. In addition, construction and design of large retail stores are also regulated for preservation of historic buildings and protection of scenery other than land use (Lee & Park, 2010).

### 3.2.3. France

Survival of small businesses became a social issue in France with rapid increase in large retailers. France enacted 「Loi Royer Law」 in 1973 to protect small merchants and amended the law several times to strengthen regulations. As the number of large retail stores continued to increase, a stronger 「Loi Raffarin Law」 was enacted in 1996. However with increased awareness that regulation on large retailers reduces economic efficiency, France began to relieve such regulations since inauguration of President Sarkozy in 2007. Accordingly, approval criterion for surface area was increased from 300m<sup>2</sup> to 1,000 m<sup>2</sup> in 2008 through 「Loi de Modernisation de L'economie」. The ratio of merchant representatives in the Commercial City Planning Committee was decreased.

Regulation on large retailers in France was weakened as an economic regulation for protection of merchants and converted to concentrate more on universal value of harmonized development and labor right protection. Regulation on business hours is based on labor law. In order to protect the rights of laborers, all retail stores are prohibited to conduct business on Sundays by a law on labor, guaranteeing the right of laborers to rest. Operation of business on Sunday is considered as an exceptional case and must have been approved by a labor examiner. Some large store labor unions are resisting operation of business on Sundays. Opposition parties such as the Socialist party filed a constitutional appeal, but the law was ruled as constitutional.

### 3.2.4. England

Retail location and structure policy ("Retail Plan") of England was handled as a part of urban plan based on 「Urban Planning Law」. PPG6 on retails is issued and managed under urban plan. PPG6 (Planning Policy Guidance) was enacted in '88 and amended twice in '93 and '96. The guidance was replaced by PPS6 (Planning Policy Statement) in 2005. It is necessary to obtain approval for business plan under urban plan of the local government by satisfying two tests (urban center priority policy, necessity test) for opening of large distribution stores. If 'gross floor area' of the development plan is 2,500 m<sup>2</sup> or larger and store is located outside urban center unrelated with recent local development plans, retail impact assessment (RIA) must be carried out on the corresponding development plan to examine its effect on relevant regions. Limitation on business hours is self-determined, and regulation is based on Sunday Trading Act, Schedule 1-Section 2 (Amended in 1994). Large stores (with surface area of 280m<sup>2</sup> or larger) cannot conduct business on Sundays without prior notification to relevant local institution (with exceptions like gas stations). In order to conduct business on Sundays, stores must decide on business hours in advance, notify it to relevant institution, and make an announcement. Business hours on Sundays may not exceed 6 hours, and shall be determined between 10 AM and 6 PM.

### 3.2.5. Germany

Based on urban planning, regulation on large retail stores in Germany is enforced for sustainable development of the national territory based on compatibility between social and economic demands

and environmental preservation. According to 「Construction Law」 and 「Building Use Order」, large retail stores with surface area of 800m<sup>2</sup> or larger are only allowed to enter urban centers and special commerce zones excluding residential areas and villages. If sales of existing commerce is expected to decrease by 10~20%, entry of large retailers can be limited by local government in accordance to 「Imperial Order on Retail Distribution Business」. Large distribution businesses are limited to major regions and other special regions.

In Germany, all stores are closed on Sundays according to 「Business Hour Limitation Law」. Each local government regulate weekdays. While business hours were permitted between 07:00~18:30 on weekdays and 07:00~14:00 on Saturdays at the time of enactment in 1956, the law was relieved several times. Most states now permit 24-hour operation on weekdays. On one hand, Germany prohibits selling of products at a price lower than original purchasing cost by large distributors according to 「Law on Prohibition of Restraint on Competition」. For example, a distribution chain called Netto Marken-Discount sold dairy products like butter, milk and yogurt at prices as low as 40% of ordinary price for 3 months in 2007. The company was levied with a monetary penalty (within 10% of sales) for violation of the law.

## 4. Conclusion

### 4.1. Suggestions of Korea Distribution Regulations Policy

Reasoning behind reinforcement in regulations is first, consumer welfare must be prioritized over supplier efficiency with conversion to consumer-oriented society. Second, opening of large stores in urban centers cause problems like traffic congestion, air pollution and environmental destruction. Third, the principle of fairness and coexistence must be applied for balanced development of different business scales. Fair order of transaction must be secured with minimal harms by unfair acts and local oligopoly (Kim, 1997).

Domestic and foreign trends of distribution regulations were examined above. Countermeasures for development of domestic distribution industry based on such trends can be provided as follows.

First, recent discussion on regulation of large distribution stores in developed nations have changed from in-town to out-of town and from economic regulation to social regulation, not from large distributor to small and medium distributor (Shin, 2009). While developed foreign nations concentrated on economic regulations for protection of small and medium sized merchants, such regulations are being converted into planning system regulations due to efficacy and side effects. In case of Korea, there are differences in the influence of large retailers depending on in-town, out-of-town, traditional market, and street market. From such perspective, it is necessary to limit location of large stores and SSM with consideration on characteristics of zoning.

Second, as a result of comparing efficiency of different distribution businesses before and after regulation of large marts, a recent study found that there is no large change in efficiency of distribution businesses before and after regulation (Kwon et al., 2012). Distribution

regulations of Korea sometimes limit the right of consumers to choose, by protecting existing distributors from competition without influencing small and medium distribution businesses. Increase in market share by large retailers is a business strategy implemented to secure price competitiveness through improvement in the basic distribution structure. This is intended to provide economic benefits to consumers. Looking at this, limitation on access of consumers to large retail stores can be regarded as infringement of the right to choose. In addition, regulations that prohibit businesses by large distributors are considered to infringe the essence of basic rights such as freedom of business. Therefore, regulations must be promoted with consideration on market economy theory respecting the right of consumers to choose.

Third, considering the fact that sales of small and medium distributors are decreasing, local economy is degenerating, and profit of local large retailers in is leaked out-of-town due to entry of large retail stores, 'proposal of regulation on large marts' was submitted to obligate influence assessment and public hearing (Lee, 2012). However, it is an overlapping regulation because the procedure of presentation and public hearing is already regulated in Article 14 (Receipt of Opinions and Preparation of Assessment Draft) of 「Environmental Impact Assessment Act」. From this point, rational amendment of 「Distribution Industry Development Act」 must be considered by examining redundancies in legal distribution assistances and regulations with other laws.

Lastly, government assistance policy for small and medium distributors such as traditional markets must be reorganized. Policy objective to ultimately protect small and medium distributors under coexistence of all interested parties forces small and medium distributors to emphasize their own strengths for differentiated competition, instead of implementing regulations on large retail stores. This must be approached through competition policy that provides diverse opportunities for consumers to choose. For example, it is necessary to reorganize the system of assistance by expanding support for cooperatives based on the efforts to establish independent retailer cooperatives and construct communities with enactment of the Framework Act on Cooperatives. Such policy should be systematically managed by amendment of administrative and financial laws on executing committee, professional human resources, and funding.

### 4.2. Limitations and Future Research Task

At the time of sharp reinforcement in entry and business regulations on large retail stores for the purpose of protection on small and medium distributors and traditional markets, this study was conducted in a timely manner for the national and local governments. However, this study is limited by the fact that methodologies were taken from preceding studies and secondary data without consideration of cultural, environmental, and legal distinctiveness of individual nations. It was difficult for the author to directly collect sufficient data.

More efforts will be placed in the future to further develop the research, overcoming such limitations based on new research methods. In addition, in-depth examination on various social regulations on dis-

tribution industry in different nations is a future research task that can supplement for difference in domestic distribution regulations implemented by the central government and local governments.

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