

## Promotional Strategies of Local Drugstores

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### Abstract

The retail business of drugstore was introduced to Korea for the first time 10 years ago. Since Olive Young introduced a retail store in the name of drugstore in 1999 for the first time in Korea, new distribution channel combining drugstore, cosmetic products and dairy products, etc has been made. At initial stage, the new distribution channel grew up slowly because of low specialty and economic stagnation. However, the three big distribution channels, that is to say, Olive Young (CJ), Watsons (GS) and W Store (Kolon Well Care), etc, were established to produce new distribution system following large-scaled discount stores as well as convenience stores. The purpose of the study is to investigate ways making Korean style drugstore be new retail business in addition to traditional markets, department stores, E-Mart and other general super markets and to examine problems preventing the drugstore from being promoted and to find out solutions.

The speciality retailers that is called a category killer attacking department stores as well as marts is expanding market quickly. New consumption trend that gives priority to wellbeing is being expanded in accordance with high level of standards of living life: The drugstore is thought to be new alternative of distribution because it keeps special products. Young ladies who are main customers of drugstores respond to the trend sensitively to have more buying power that is thought to be promising.

And, consumers' desire has become concrete and special. This is because consumers want not only convenient shopping but also special shopping system that is current trend. These days, so called Multi-shop and Total shop and other special shops have been recently opened. Special multi-shop has been concentrated on fashion product and miscellaneous goods so far: Health total wellbeing shop shall be popular in accordance with wellbeing trends. Drugstores can play an important role.

Drugstores were opened for the first time ten years ago. In particular, Olive Young succeeded in going into the black after making efforts for a long time by many persons. Drugstores could succeed in the business owing to many persons in the past as well as customers who liked drugstores. However, drugstores once lost ways and recorded poor business results. The three drugstores, that is to say, Olive Young, Watsons making efforts to go into the black and W-Store pursuing traditional drugstore shall compete each other and make effort to satisfy customers' desire. In that way, the three drugstores can be assured of present business as well as future business. The consumers' demand trend has become special at sub-division so that drugstores that can satisfy the demand can succeed in the business. Large businesses may be more interested in the 4th generation retail business to produce good income and to have bright future. Drugstore business and market are likely to expand and develop owing to large business' participation in drugstore business.

Drugstores expanded shop at Seoul and Gyeonggi-do until middle of 2000. Drugstore business at station sphere in Seoul and Gyeonggi-do that have high ratio of temporary population has low customer loyalty to have limitation on continuous growth. Since 2009, drugstores have opened new shops at local towns: From the year of 2010, drugstores need to establish multiple shop strategy by accelerating business speed and to allow customers to drop in the shop anywhere in the nation and to enter consumers' life deeply, so that they can strengthen business base definitely. Drugstores need to have price competitiveness to have multiple shop opening strategy and to satisfy consumers and to supply high quality services that is future subject to solve. And, Olive Young and Watsons that are Korean style drugstore need to keep system in order and to strengthen substance as Korean style drugstore and to expand marketing, so that they can get business outcome within 5 years that was done 10 years before and they become the 4th generation retail business.

The study had difficulties at collecting material from the three drugstore because of poor cooperation. And, the author had great difficulty at collecting statistical material that was made in disorder. Further effort is needed considering such problems.

Key words : Drugstores, retailers, retail business, Promotional Strategies

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## I. Introduction

In 2009, many words in fashion such as hotties, smart middle-aged, solid and healthy looking thigh, men who are interested in their hobby lives, and grooming, etc in Korea. As the words said, so many Koreans were more interested in 'beauty' than before. This was because self-control had been symbol of another competitiveness at economic stagnation. Last year, fitness and beauty care businesses drew attention owing to sensation of 'self-control' despite economic stagnation. The fitness and beauty care business could not grow up because of handling of medical supplies, expertise and economic stagnation at home and abroad. Last year, the business expanded shops and chose substance before appearance to forecast new period of prosperity (Korea Chain Stores Association, 2010).

The retail business of drugstore was introduced to Korea for the first time 10 years ago. Since Olive Young introduced a retail store in the name of drugstore in 1999 for the first time in Korea, new distribution channel combining drugstore, cosmetic products and dairy products, etc has been made. At initial stage, the new distribution channel grew up slowly because of low specialty and economic stagnation. However, the three big distribution channels, that is to say, Olive Young (CJ), Watsons (GS) and W Store (Kolon Well Care), etc, were established to produce new distribution system following large-scaled discount stores as well as convenience stores. The purpose of the study is to investigate ways making Korean style drugstore be new retail business in addition to traditional markets, department stores, E-Mart and other general super markets and to examine problems preventing the drugstore from being promoted and to find out solutions.

This study made use of literature research and case study. The author collected and investigated books, material and papers, etc of distribution environment by literature research, and collected and investigated operation of drugstores at home and abroad by case study. The paper consists of Chapter 1 Introduction, Chapter 2 Theoretical Examination of Drugstore, Chapter 3 Problems and Promotion of the Drugstore and Chapter 4 Summary.

## II. Theoretical Examination of Drugstore

### 1. Concept of the Drugstore

#### 1.1. Concept of the Drugstore

The drugstore means general store selling medical supplies, cosmetics, everyday things, food and others to be different from general supermarket and convenience stores. The drugstore is sometimes called H&BC(Health & Beauty Care) Shop considering selling of health and beauty care related products. In other words, the drugstore is said to be retail service business that can satisfy health and beauty care needs of the consumers who want to buy chemicals, food and beverage and cosmetics products by one-stop that distribution channel of each business type had supplied chemicals,

food and beverage and cosmetics, etc.

#### 1.2. Concept of the Drugstore in Each Country

In the United States, the drugstore means retail business that can satisfy consumers' desire at daily life with prescribed medicines, health care products and beauty care products to do self-sale for a long time and to locate near residential area. Walgreens is said to be typical type of drugstore. In the United State, the drugstore is quickly growing up to be the most popular and convenient retail business at daily life. In Japan, however, the drugstore means retail business that can sell OTC (over the counter), common medical supplies, cosmetics and grocery, etc. Matsumoto Kiyoshi is said to be typical type of drugstore in Japan (Cho, 2009). JACDS, Japan Association of Chain Drugstores, said that the Japanese drugstore had market scale amounting to 5 trillion and 233 billion and 600 million Yen in 2008 to grow up more than two times during eight years comparing with 2 trillion and 600 billion Yen in 2000. The growth indicates that the drugstore was continuously expanded despite dull growth of convenience stores and other retail business. Businesses are likely to compete fiercely each other after revision of the Pharmaceutical Affairs Law as of June 1, 2009 to make change very much and to let them compete each other much more than before to acquire customers. Hong Kong is said to have health & beauty chain store that can supply health care and beauty care products owing to convenience advantage of the location, Watsons is said to represent drugstore business in Hong Kong that was founded in 1828 to be Asian brand of A.S. Watson Group. A.S. Watson Group that is one of world retail businesses of health care products, beauty care products, food products and electronic goods has as many as 8,300 shops and 34 markets in the world, and it has four business divisions, that is to say, health care and beauty care, cosmetics and perfume, food and electronic goods, etc.

Watsons has grown up steadily in Hong Kong every year despite global economic recession. In 1999, CJ opened the first drugstore in Korea named 'Olive Young' that was Shinsa No.1 drugstore. At initial stage, SK, Bethesda and others suggested to open Korean style of drugstore that combined drugstore and convenience store, and that could not get visible ripple effects because cosmetics belonged not to drugstore but to grocery store. Since separation of dispensary from medical practice in 2000, Korean style drugstore is being promoted to keep harmony with wellbeing trend. In Korea, drugstore was firstly introduced in 1999 to take introduction stage from 2002 and to grow up steadily. Currently, Olive Young, Watsons and W-Store, etc are said to represent local drugstores (Oh & Kim, 2008).

### 2. Features and Status of the Drugstore

#### 2.1. Features of Local Drugstore

Medical supplies are not permitted to sell at other places than drugstore in accordance with local laws and regulations. Not only Olive Young but also Watsons has drugstore in the type of shop in shop at some shops only, and it also sells health food, OTC (over

the counter) including first-aid, contact lens solution and foot care product, and beauty care products such as cosmetics and beauty care accessories. Other type of businesses sell everyday things, for instance, goods for infant and baby, kitchen utensils, laundry goods, bathing goods, cleaning goods, common clothes, sundry goods and others that may belong to health care and beauty care products from wide point of view because of control of hair, mouth and smartness, etc. And, residence related products can guarantee your hygienic life and health when environment of your life is clean, so that they have close relations with health concept. And, food products, bag, toys and other fashion accessories, etc are sold out: Strictly speaking, they are far from health care and beauty care products. The drugstore is making effort to sell health and beauty care related products. Nonetheless, the drugstore is selling various kinds of products to lure customers and to let customer do one-stop shopping.

The drugstore that sells various kinds of health care and beauty care products has put emphasis upon specialty as good as special shop, and it allows consumers to do one-stop shopping to give convenience. Such a fact is said to be the greatest advantage of the drugstore. Currently, local drugstore is selling 5,000 to 10,000 SKU depending to be much more than 3,000 SKU of convenience store to let customers think of selling of large number of the products and to have specialty as well as convenience in the use. The drugstore has advantages of good access and quick calculation than discount store has. The discount store requires long calculation time because of location at outskirts of the town. The discount store sells large quantity of the products in inexpensive price, while the drugstore does small quantity in rather expensive price. The former sells all kinds of products for everyday life, while the latter mainly does health care and beauty care products. And, the discount store sells in more inexpensive price than the convenience store does. The drugstore has low access than the convenience store has because of small number of stores: But, both have no great difference of access from point of view of each individual area. As mentioned before, drugstore has advantage of very good product assortment. Of course, drugstore does not sell some of the products that convenience store sells. The drugstore can be compared with cosmetics store: The cosmetics store has brand shop and multi shop that have been popular these days. The drugstore had advantages of product assortment, selection and one-stop shopping owing to various kinds of cosmetics brands. The drugstore has no difference of price comparing with the brand shop that gave up goal of ultra-low cost long time ago. The drugstore allows you to buy other products than cosmetics. You may have great difficulty at looking for another brand shops when you are not satisfied with specific brand. And, multi-shop has the greatest disadvantage of reluctance of opening of the shop because it sells products face to face in conventional way. Multi-shop produces sales atmosphere that consumers are forced to buy a product despite nothing to buy, and it gives brand that consumer does not want and instead strongly recommends brand that is not popular. So, consumers naturally like to drop in drugstore where they can conduct test at their discretion without interruption. The comparison with multi-shop shall be considerably similar to that with pharmacy. The pharmacy is said to be place where nobody visits intentionally to see without something essential. When you visit pharmacy to buy

something that you want, you may find that the pharmacy sells not only drug and medicine products but also various kinds of products. No one visits pharmacy with comfortable mind to see to let OTC be out of control of pharmacist not to give customers pleasure. On the other hand, the drugstore produces atmosphere to allow consumers to visit and see products that recently sell well, new product and something that is needed each season, even if they do not buy. In addition, the pharmacy does not only face to face sales but also counter sales to give customers low satisfaction. (Lee, 2009)

## 2.2. Status of Local Drugstores

Not only Olive Young but also Watsons started to do business with drugstore that was a kind of grocery store selling medical supplies, and they suffered from difficulties without having their advantages of distribution when OTC drug was not permitted to sell at retail stores. Then, both businesses could do business well when they made change of business concept from drugstore to health & beauty store. When many cosmetics shops moved to general shops of large business such as 'Aritaum' and 'Beauty Flex', etc, many customers who could not satisfy desire of purchasing based on comparison of various kinds of products rushed into health & beauty store. As a result, not only Olive Young but also Watsons established strategies increasing from less than 50% of cosmetics sales at present to maximum 60% to make effort to develop new products. After Amore Pacific suspended supply of its own products, Olive Young operated global sourcing team to bring large quantity of Japanese cosmetics brands such as Hada-Labo, Kose Nature & Co, Shiseido, Aqua Label and others through words-of-mouth of backpackers. After finding out that consumers who wanted natural products as well as naturalism products increased, Olive Young prepared for special product like Juice Beauty that was an organic cosmetics brand, and it made strategic alliance of the product with Sapporo Drugstore of Japan to make effort to set up differentiated product line. On the other hand, Watsons is planning to develop business by strengthening PB product. Currently, Watsons is selling more than 300 kinds of PB products including cosmetics, body care products and beauty care accessories, and it is going to increase number of PB products. And, Watsons is actively exporting PB products that have been developed in Korea. Watsons started to sell its own brand of pure beauty at AS Watsons shops in Asia that is parent business of Watsons to be the largest drugstore in Asia. Even if doing active business gradually, the drugstore is still doing business in red. However, active shop at time elapse is thought to be encouraging. In other words, better sales environment and higher income level can help drugstore take the lead in big flow of the market like advanced countries. These days, the sales record of the three businesses increased more than 30 percent than previous year. Olive Young increased not only number of the shop but also sales being close to 100 billion Won to be up almost 40%. Watsons has recorded annual sales growth rate of 30% to have approximate 40 billion Won of annual sales that is lower than that of Olive Young. W-Store that launched drugstore business late has less than 20 shops, and it has recorded annual sales of more than 15 billion Won as well as annual growth rate of approximate 6%

considering the fact that all of the shops exist with pharmacy. In particular, Olive Young that is now expanding number of the shop has not done solid business. When number of the shop increases by 'economy of scale' to a certain degree, the sales can be improved step by step: So, good business result is expected in the future. On the other hand, some of private pharmacies run in the type of drugstore. And, Family Mart and other convenience store businesses have combined pharmacy in shop in shop to consider introduction of drugstore. Considering overall situation, the pharmacies in Korea are much likely to have various kinds of types in the future. The sales of common medicine and OTC is still low because of high dependence upon prescription: But, pharmacy in the type of drugstore is likely to grow up owing to higher income level as well as changes of medical supplies distribution system. When people think that the pharmacy is place where they can buy not only medicines but also health control products by emphasizing prevention at health control, drugstore is much likely to increase its sales of other products than prescription medicine.

Not only Olive Young but also Watsons that is now doing business has characteristics of total beauty care shop rather than total health care. Therefore, they belong to drugstore business and are a little different from drugstore. And, the drugstore businesses say that they have considerable difficulties at introduction of the pharmacy because of many environmental factors.

The businesses say that they are drugstore and that they have difficulties at accommodating pharmacy. This is because they are located at the area of temporary population considering too high sales relying upon prescription. When pharmacies lessen sales based on prescription to diversify sales system by diversification of the income, sales of the drugstore can exceed breakeven point easily.

### 2.3. Comparison of the Three Local Drugstores

#### 2.3.1. Olive Young

In 1999, the drugstore that was popular as much as convenience store was introduced for the first time to Korea. At that time, Olive Young sold out OTC, medical supplies, cosmetics, food products, grocery and others based on the Japanese type of drugstore. At the end of 1990's, CJ Group launched drugstore business of discussion of 'the revision of the Pharmaceutical Affairs Law'. The revision of the law allowed corporation to manage pharmacy and to help general drugstores in the United States and Japan be likely to build up bases easily. Being different from the United States, Korea was not permitted to sell medical supplies at convenience stores and to have vague nature of the drugstore business. In a word, the drugstore does not sell medicine to make an irony. CJ Group converted concept of Japanese type of drugstore selling not only health care products but also medical supplies into Hong Kong type of drugstore selling beauty care products. CJ Group gave up name of business style of drugstore at initial stage, and it made change of the name into Health & Beauty Store to enter market again.

In December 2002, CJ Group established CJ Olive Young in joint venture with Dairy Farm of Hong Kong. CJ Olive Young made effort to sell hairdressing and beauty care products including cosmetics and strengthened various kinds of sales promotion events including discount and free gifts and to overcome Japanese style of drugstore keeping various kinds of goods at the shop and to make use of strategies disclosing popular products intensively. No more than 4 drugstores at the end of 2002 increased to be ten in 2003 and twenty five in 2005. CJ Olive Young opened 15 drugstores in 2008 and 17 drugstores in 2009, and 71 drugstores in total by end of 2009. CJ Olive Young could expand drugstores and increased sales as well. CJ Olive Young recorded sales of less than 10 billion Won by 2002, 10.8 billion Won in 2003, 27.3 billion Won in 2005, 53.7 billion Won in 2007 and 71 billion Won in 2008 when the company kept the balance in the black for the first time. In 2009, the company recorded sales of 100 billion Won. In 2009, CJ Group took over 50 percent of share of Dairy Farm to announce aggressive management. CJ Group is lessening inefficiency caused by expansion of drugstores as well as joint management as much as possible.

In December 2009, CJ Group opened three drugstores including Busandae Station Branch to expand business network. CJ Group said that it would increase number of drugstore up to 90 to 100 drugstores in 2010 by accelerating opening of the drugstore. And, CJ Olive Young is going to open franchise drugstore from 2011 when definite income model is to set up. CJ Olive Young gives priority to construction of brand images, and it is going to announce franchise when franchise store owner is able to earn great profit by using small capital. CJ Olive Young is strengthening basic infrastructure such as logistics and IT system, trade area analysis, consumer and market analysis and other consulting ability, etc not later than 2010 when it opens more than 100 drugstores to play role of regional base. And, CJ Olive Young is making effort to do product launching that cannot be found at department stores and discount stores from

<Table 1> Status of the Three Drugstores

	Olive Young	GS Watsons	W-Store
Place	Increase shop by making change of sales base from metropolitan area to large cities.	Metropolitan area	Seoul and Gyeonggi-do
Number of the shop	81	33	48
Number of the drugstore with pharmacy	6	1	All of the drugstores have pharmacy.
Main customers	Young women in their twenties and thirties	Young women in their twenties and thirties	All of the generation
Awareness	High	Middle	Middle
Operation	Its own staffs	Its own staffs	Pharmacists
PB products	Exist (approximate 50 types)	Exist (approximate more than 100 types)	Not exist
Diversification of product group	Middle	High	Low

Source: Kim Hui-jeong (2006) papers.

2009.

### 2.3.2. GS Watsons

GS Retail that is a joint venture business with 50 to 50 share ratio with AS Watsons, a global distribution business in Hong Kong, has run 'Watsons' from 2005. GS Watsons is handling cosmetics, health food, stationery series, food & beverage and products for women, etc. GS Watsons is selling the products in accordance with high interest in health and beauty care. Having various kinds of PB products, GS Watsons is selling PB products rather than German brand imported products to be different from Olive Young. Watsons' category zone is becoming active. GS Watsons is strengthening product explanation as well as education system for the beauty counsellors to diversify current men zone's product category and to let customers buy products easily. GS Watsons is making use of Hong Kong head office's overseas market experience as much as possible to satisfy young women customers. And, GS Watsons is making use of marketing strategy that intensively introduces products evidenced at overseas market, and it has adopted concept of not drugstore but health & beauty store as Olive Young did. GS Watsons recorded sales amounting to 30 billion Won four years after entering commercial market, and it added six drugstores in 2009 to have twenty six drugstores. In October 2010, GS Watsons opened Myeongdong 2-ga branch as well as Gasan branch to renew articles of furniture as well as display and to get rid of inefficiency and high cost factors and to let customers find out goods easily by optimum product assortment. And, GS Watsons that opened drugstore inside subway station building for the first time is going to open 35 drugstores not later than latter half of 2010. Watsons that could compete with Olive Young, leading brand, has entered the market to set up rival system. As a result, overall market volume has increased to make drugstore the 4th generation retail business.

### 2.3.3. W-Store

In 2004, Kolon Well Care, an affiliate of Kolon Business Group, opened W-Store at the drugstore market with concept of wellbeing store. Not only Olive Young but also Watsons is opening Korean style drugstore having new concept, while W-Store is doing traditional drugstore. W-Store sells cosmetics and other goods at common pharmacy to be similar with chain pharmacy like Onnuri. W-Store has placed pharmacy at the center to run not by direct management but by membership and to be owned by a pharmacist and to have all of the groups of customers regardless of age and gender and to have quite different from Olive Young and Watsons (Kim, 2005). W-Store that opened 63 shops at the end of 2009 is currently opening pharmacy at all of 63 shops to be differentiated from Watsons and Olive Young. In 2009, W-Store recorded net sales amounting to 16 billion Won by conducting test of skin free of charge supplied by Wellness Manager to give customized service. (Korea Chain Stores Association, 2010).

W-Store shall set up new system. W-Store shall start to separate and develop computer system of pharmaceuticals, cosmetics and health care that was said to have a problem, and shall complete the system in 2010. W-Store is going to develop not PB product and imported products but brand for the pharmacy that W-Store only can sell. W-Store is expanding shops very much aggressively. A lot of the pharmacies in the nation are placed at major commercial areas to be very much beneficial from the point of view of W-Store. At the moment, W-Store can help pharmacies at major commercial areas having a certain amount of net sales to overcome difficult management environment that competes fiercely each other. So, W-Store can be a solution. In particular, W-Store succeeded in the business of small-sized pharmacies to be free from fixed concept that drugstore can do business well at large-sized shops only, and it is enjoying good reputation of Korean style drugstore.

<Table 2> Number of the Drugstore and Turnover of the Three Drugstore Businesses by Year

	2003		2004		2005		2006		2007		2008		2009	
	No of drugstore	Turnover (hundred million Won)	No of drugstore	Turnover (hundred million Won)	No of drugstore	Turnover (hundred million Won)	No of drugstore	Turnover (hundred million Won)	No of drugstore	Turnover (hundred million Won)	No of drugstore	Turnover (hundred million Won)	No of drugstore	Turnover (hundred million Won)
Olive Young	12	108	19	204	25	273	34	389	42	537	57	710	70	1000
Watsons	-	-	-	-	3	32	10	167	11	220	20	300	30	490
W-Store	-	-	10						62	111	59	126	63	160

Source: Kukminilbo (2009).

<Table 3> Gross Profit or Loss of the Three Drugstores

Business	Net sales (1,000 Won)		Fluctuation (%)	Operating income (1,000 Won)		Fluctuation (%)	Net profit (1,000 Won)		Fluctuation (%)
	2008	2009		2008	2009		2008	2009	
CJ Olive Young	71,031	96,696	38.95	557	1,024	83.84	2,124	767	-64.05
GS Watsons	29,861	38,657	29.46	-3,596	-2,911	in red	-4,232	-3,262	in red
W-Store	13,096	13,852	5.76	-3,123	-2,598	in red	-2,973	-2,400	in red

Source: Financial Supervisory Service (2010)

### III. Problems and Improvement of the Drugstore

#### 1. What are problems?

##### 1.1. External Problems

These days, some of drugstores that large business runs tend to exclude pharmacy, and pharmacy-friendly drugstore is being expanded again. These days, the pharmacy says that Olive Young and Watsons that belong to large business' drugstore reject repeated contract with pharmacy owner. The drugstore business says that the pharmacy has low productivity comparing with investment and does not meet concept of health & beauty store. The drugstore may be likely to lose concept of health control by getting rid of pharmacy. On the other hand, Vitamin House, Kolon W-Store and Onnuri pharmacy chain, etc can strengthen pharmacy-friendly drugstore to develop new business. Pharmacists have become owner of the drugstores from the beginning to take the lead in management of the drugstore to differentiate without burden. They do not meet drugstore plan that large businesses have made in advance, and sell products depending upon each pharmacy to produce features of each region and pharmacy.

And, they do not open pharmacy at a part of the drugstore by paying rental charge, and help interior and product consulting to make life-friendly drugstore. In particular, they have developed brands for the pharmacy to find out win-win solution with the pharmacy. After the drugstore made appearance in the nation, opening of the drugstore has been of problem continuously to be likely to be great obstacle to the success of the drugstore at present as well as in the future.

Until middle of 2000, the drugstore was expanded at Seoul and Gyeonggi-do. The drugstore could not grow up continuously at station spheres in Seoul and Gyeonggi-do that had more temporary population than local places to have low customer loyalty. It is the time to innovate. The drugstore should be expanded to allow customers to drop in anywhere in the nation like convenience store.

##### 1.2. Internal Problems

Customers complain much against the drugstore that is still being developed, for instance, 'out of order', 'no idea to buy high quality products', 'difficult to find out where products are placed', 'and 'do not know policy of product assortment', etc. The crowdedness that is one of attraction of drugstore seems to be customer's complaint of 'I have no idea of the place where the product that I am looking for is

placed', 'no individual character' and others because of too many product assortments. The customer's complains can be explained by three factors as follow:

Firstly, customers are generally dissatisfied with drugstore. They do not want to consult and buy high quality products and feel uneasy or have high distrust.

Secondly, poor merchandising is short of either selling methods or product assortment.

Thirdly, customers have difficulty at finding out a product that they want to buy because of disorder in the drugstore.

#### 2. Improvements

The growth of net sales of drugstore is much higher than that of other retail businesses in Japan and the United States. Net sales of the three drugstores in the nation grows up more than 30 percent, in other words, more than two digits each year despite exclusion of newly opened drugstores: Therefore, growth of the drugstore is said to be much higher than that of discount stores, department stores and other retail businesses that record low growth.

The drugstore has grown up high owing to more purchasing of individuals in accordance with high income rather than social trend of 'wellbeing'. Despite social trend of 'wellbeing', all of the businesses strengthen wellbeing related products and manufacturers also sell such products so that drugstores only are not thought to get gains. On the other hand, individual buying depending upon taste of family members that has replaced family unit buying in the past helps drugstores grow up. For instance, all of family members made use of one kind of shampoo product in the past. Father, daughters and sons made use of the shampoo that a housewife bought at supermarket in inexpensive price. These days, however, each family member makes use of different type of shampoo product, for instance, hair loss prevention shampoo for father, hair damage care shampoo for mother that can recover hair damaged by ether permanent or use of hair dryer, shampoo for daughters to keep hair waved, and dandruff shampoo for sons, etc. Customers had better select a product in accordance with their own tastes rather than family unit buying if they want to buy product that can satisfy them. They can buy products easily and conveniently at the drugstore that has advantage of close distance as well as a variety of products, even if price of drugstore is more expensive than that of discount store. Such a buying pattern of individuals can be widely found out at shampoo, health care food, cosmetics and others.

<Table 4> Problems and Improvement of the Three Drugstores

Section	Problems	Improvement
External matters	-The drugstore's growth is uncertain. -Opening of the pharmacy; -Low cognition comparing with convenience store; -Slow opening.	-Strengthen multi-shop and supplement legal system; -Have price competitiveness and strengthen marketing activity; -Introduce consumer protection system.
Internal matters	-Uneasiness and distrust on the drugstore; -Poor assortment of the products; -Uncertain classification of the products in drugstore.	-Switch to self-selling; -Expand product assortment; -Introduce franchise system.

If Korea would be assumed to follow distribution system of advanced countries, the drugstore shall be certain to play role at distribution in the nation when national income and standard of living life continuously rise.(Youn et al., 2008). The drugstore can be improved as follow:

## 2.1. Improvements

### 2.1.1. External Factors

First of all, multiple shop strategy needs to strengthen. And, legal system shall be revised. The case of the United States may be different: When national income of Japan and Hong Kong reached ten thousand dollars, drugstore was opened for the first time and occupied one fifth, one fourth and one third respectively of number of convenience store in the era of national income of twenty thousand dollars to develop it gradually. One drugstore is doing business each three convenience stores. Number of convenience stores in Japan has recently reached 50,000 to saturate, and number of new distribution business is gradually increasing. Concerned persons say that number of convenience stores in the nation currently accounts for more than 10,000 and that 15,000 convenience stores would be at the stage of saturation. When number of convenience stores is saturated 10 to 15 years later, 3,000 to 5,000 Korean style drugstores are likely to open. 3 trillion Won market in the era of 3,000 drugstores and 5 trillion Won market in the era of 5,000 drugstores are likely to make subject to turnover of billion Won a year. At the moment, however, the drugstore is being expanded at Seoul and Gyeonggi-do to be of problem. The drugstore at station sphere at Seoul and Gyeonggi-do crowded with temporary population has limitation on continuous growth because of low customer loyalty. Multiple shop strategy is needed to make drugstore be new distribution. When the drugstore is expanded throughout the nation like convenience stores to let customers drop in, it can enter deep area of consumer life. The drugstores are forced to compete infinitely because of characteristics of the products to sell, for instance, so called 'cosmetics shop' that sells many brands, Missha and the Face Shop that are cosmetics chain stores selling inexpensive cosmetics. In addition to cosmetics shop, pharmacy, convenience stores and local supermarket, etc are competing with the drugstore. Therefore, success of the drugstore shall rely upon management and assortment of health care products and beauty care products. Lastly, legal system of OTC system shall be supplemented from point of view of legal system of Korea to develop drugstores.

Secondly, drugstores need to get price competitiveness. To satisfy consumers who are sensitive to the prices, drugstores shall have price competitiveness enough to compete with Internet shopping and marts in the future. When drugstores supply good quality products in inexpensive prices by developing various kinds of PB products, they can satisfy consumers' taste. Large-scaled retail business that belong to distribution business shall plan, develop, produce and sell by themselves to produce products and to get new distribution networks and to have price competitiveness (Kwon et al., 2007).

Thirdly, a consumer protection system needs to be introduced. When drugstore makes change and sales system makes change from face to face sales to self-sales, consumers' reliance upon the drugstore may be remarkably deteriorated. Under such a situation, consumers' complaints against abuse and misuse of medical supplies are much likely to occur. To prevent consumers' complaints, drugstore management shall be divided into some sectors to find out performance ways. In addition, manuals shall be made to settle customers' claims and problems at the shop immediately and to let them be loyal customers.

### 2.1.1. Internal Factors

Firstly, drugstores need to convert its selling system into self-sale. Currently, drugstores are adopting self-sale to be insufficient. To have competitiveness, drugstores need to consider conversion of selling system from face-to-face sale to self-sale. The customers who are not satisfied with convenience of drugstores shall be allowed to make use of it easily and conveniently. To be lucky, some customers are dissatisfied with 'service workers' oppressive attitudes', 'products that are short of variety' and 'product that you cannot touch because of display at built-in closet' of cosmetics shops: And, customers think that drugstores can improve the problems of cosmetics shops. Young ladies who are main customers of drugstores like to buy cosmetics products after applying cosmetics on their skin and conducting test by themselves. To satisfy customers' desire, not only Olive Young but also Watsons allows customers to make use of cosmetics products at their discretion despite some losses. Customers may feel unsatisfied and uneasy when they think that someone watches them at shopping. These days, some customers have more information on cosmetics products than counsellors have. Considering such a fact, counsellors need to give an advice when being asked from customers to let customers conduct test at their discretion and to buy cosmetics products.

Secondly, product group should be expanded. The drugstore that helps customers live everyday life shall have wide and deep contract with customers than the pharmacy has. Health care products as well as beauty care products are thought to be important at drugstores. And, drugstores shall be located at the place where customers are able to buy necessities of life having high buying frequency whenever they want to buy. Therefore, drugstores shall keep wide and deep product group in the shop.

Thirdly, franchise system shall be used. In Korea, various kinds of franchise shops have opened. They need to develop new knowhow continuously to produce membership drugstore and to give various kinds of knowhow. This is because opening of drugstores can be delayed by adhering to direct management drugstore only. Olive Young is going to open franchise membership drugstores from 2012. Number of drugstores shall quickly increase at franchise system to let customers cognize Olive Young drugstore more deeply: So, franchise system shall be introduced as soon as possible to let not only Olive Young but also Watsons join franchise project.

## IV. Summary

The speciality retailers that is called a category killer attacking department stores as well as marts is expanding market quickly. New consumption trend that gives priority to wellbeing is being expanded in accordance with high level of standards of living life: The drugstore is thought to be new alternative of distribution because it keeps special products. Young ladies who are main customers of drugstores respond to the trend sensitively to have more buying power that is thought to be promising.

And, consumers' desire has become concrete and special. This is because consumers want not only convenient shopping but also special shopping system that is current trend. These days, so called Multi-shop and Total shop and other special shops have been recently opened. Special multi-shop has been concentrated on fashion product and miscellaneous goods so far: Health total wellbeing shop shall be popular in accordance with wellbeing trends. Drugstores can play an important role.

Drugstores were opened for the first time ten years ago. In particular, Olive Young succeeded in going into the black after making efforts for a long time by many persons. Drugstores could succeed in the business owing to many persons in the past as well as customers who liked drugstores. However, drugstores once lost ways and recorded poor business results. The three drugstores, that is to say, Olive Young, Watsons making efforts to go into the black and W-Store pursuing traditional drugstore shall compete each other and make effort to satisfy customers' desire. In that way, the three drugstores can be assured of present business as well as future business. The consumers' demand trend has become special at sub-division so that drugstores that can satisfy the demand can succeed in the business. Large businesses may be more interested in the 4th generation retail business to produce good income and to have bright future. Drugstore business and market are likely to expand and develop owing to large business' participation in drugstore business.

Drugstores expanded shop at Seoul and Gyeonggi-do until middle of 2000. Drugstore business at station sphere in Seoul and Gyeonggi-do that have high ratio of temporary population has low customer loyalty to have limitation on continuous growth. Since 2009, drugstores have opened new shops at local towns: From the year of 2010, drugstores need to establish multiple shop strategy by accelerating business speed and to allow customers to drop in the shop anywhere in the nation and to enter consumers' life deeply, so that they can strengthen business base definitely. Drugstores need to have price competitiveness to have multiple shop opening strategy and to satisfy consumers and to supply high quality services that is future subject to solve. And, Olive Young and Watsons that are Korean style drugstore need to keep system in order and to strengthen substance as Korean style drugstore and to expand marketing, so that they can get business outcome within 5 years that was done 10 years before and they become the 4th generation retail business.

The study had difficulties at collecting material from the three

drugstore because of poor cooperation. And, the author had great difficulty at collecting statistical material that was made in disorder. Further effort is needed considering such problems.

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