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Global Distribution Enterprises' Entry into the Chinese Market: Focus on the Three Northeastern Provinces*

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Abstract

Purpose - This study aims to investigate Korean distribution enterprises' entry into the Chinese market. By studying Korean companies' strategy and current situation in the Chinese retail market and analyzing Lotte Mart's strategy, this study was aimed at identifying comprehensive strategies for Korean companies striving to expand in China's retail market.

Research design, data, and methodology - A case study approach is used, focusing on the three northeastern provinces in China, and examining global firms' entry into the Chinese market. The study employed a direct survey and a literature review.

Results - Korean distribution firms' entry into the overseas market is in the inception stage and it should be developed, considering its effects on the national economy and other industries.

Conclusion - The cases of E-mart and Lotte Mart, representing Korean distribution firms, showed that they should not rely on scale to succeed in China. Both preliminary analysis and careful strategies are required to ensure success. Considering the high growth potential of the Chinese market, a management strategy that takes account of Chinese people's emotions was needed.

Keywords: Global Distribution Enterprises, Chinese Retail Market, The Three Northeastern Provinces in China, Distribution Market.

JEL Classifications: R12, M16, L11.

1. Introduction

1.1. Purposes and Background

Wal-Mart and Carrefour that were world distribution enterprises withdrew business in South Korean market with relatively slow growth to preoccupy the Chinese market: In other words, since 1996 when distribution market was opened, distribution market in South Korea has been saturated. Accordingly, domestic distribution businesses rushed to enter overseas markets (Kim et al., 2007; Noh & Seo, 2009; Youn & Kim, 2010).

Since opening the 1st super center in China in 1997, e-mart have opened 16 super centers in Shanghai and Tianjin and other places. Lotte Department Store opened department store at Moscow in the first half of 2007 and department store in Beijing in latter half of 2008. As such, distribution enterprises rushed to enter overseas markets to show saturation of domestic market and to survive under the 21st century global environment. China with the largest population in the world had distribution market with sales of about 6 trillion Yuan in 2005 owing to consecutive annual economic growth rate of 9% as well as high buying power in accordance with large-scaled economic volume: After joining membership of WTO, China accelerated to open distribution market and made leading enterprises in the world compete each other in the Chinese market after 2008 Beijing Summer Olympic Game as well as 2010 Shanghai EXPO.

However, e-mart, Korean distribution business that entered the Chinese market was forced to encroach capital at accumulated losses in 16 years after entering the Chinese market. e-mark suspended investment in the Chinese market and made effort to do restructuring and to lessen deficit of existing shops and/or stores. In 2011, e-mart disposed of 11 shops by sale among 27 shops and made reformation plan to elevate product competitiveness of remaining 16 shops. And, Lotte Mart increased number of super center in foreign countries from 99 super centers at the end of 2009 to 149 super centers at the end of 2013, in other words, 50 super centers for 4 years. Lotte Mart's super centers in China occupied 107 super centers to account for 72%. e-mart that failed to open super centers at urban towns withdrew shops to lessen business scale, while Lotte Mart has increased number of super centers continuously to enter the Chinese market. In a word, Lotte Mart has expanded-

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business in China despite red of overseas sales business including China (Aju Business Daily, 2014).

As shown in the case of e-mart and Lotte Mart, Korean distribution businesses were not assured of business success by relying upon enormous scale of the Chinese market. Careful preliminary analysis and elaborate strategy shall assure of success in the Chinese market. The market with high growth potential and the Oriental emotion requires management strategies enough to satisfy the Chinese people's emotion.

This study investigated Lotte Mart and other distribution businesses with good overseas business record in the three Northeastern provinces in China that had close relation with Korea in geography, culture and emotion: Literatures, distribution businesses' materials and the author's survey were used. Discussion on the distribution business was done according to on-the-spot survey according to norm methodology to be free from empirical analysis (Youn et al.(2005).

1.2. Domestic studies on the distribution

Since the 2000s, many researchers investigated domestic distribution. First, studies on distribution policy and theories were (Kim & Youn, 2012a,b; Kim et al., 2010a; Kwon et al., 2007b; Youn, & Kim, 2007; Kim et al., 2005; Youn & Kim, 2005; Youn et al., 2004). Second, studies on conventional market were (Shin & Youn, 2014; Kim et al., 2014c; Lim et al., 2011; Kim et al., 2009b). Third, studies on offline distribution were (Sim & Youn, 2013; Kim et al., 2012a; Cho et al., 2012; Lee et al., 2012; Kwon et al., 2010; Cho et al., 2001; Youn & Cho, 2001; Seol & Youn, 2000). Fourth, studies on commercial areas and demand were (Youn et al., 2013; Youn et al., 2012a,b; Su & Youn, 2011; Kim et al., 2011; Kim & Youn, 2010; Ahn et al., 2009; Park et al., 2006). And, studies on distribution were (Kim et al., 2013e; Kim & Youn, 2013; Youn et al., 2008; Kwon et al., 2007a; Youn, 2000). Lastly, studies on retail business, distribution system and merchandising were (Kim et al., 2014a,b; Kim et al., 2013a,b; Kim et al., 2013c,d; Kim et al., 2012b; Kim et al., 2010b; Kim et al., 2008; Kim et al., 2007; Kim et al., 2007; Youn & Namkung, 2005; Youn, 2004; Youn & Namkung, 2000). But, this study did not discuss many studies on points of view of marketing and other complex studies.

2. Current Situation of the Northeastern Three Provinces in China

China is places in the middle of Asia and to the west of the Pacific Ocean to have the largest number of population and to be country with the third largest area following Russia and Canada. China has borders in land with 14 countries to have as many as 1.3 billion population as well as 56 minority races. China's administrative areas include 23 provinces, 4 cities under direct control of central government, 5 autonomous regions and 2 special administrative regions (Jung, 2013).

The three northeastern provinces in China that consist of LiaoNing Sheng, JiLin Sheng and HeiLongJiang Sheng have the longest national borders including the Korean Peninsula of as long as 1,318km in China. The three provinces have kept close relations with Korea from point of view of history and culture to play strategic point at powers' struggles with Russia and Japan. The three northeastern provinces have area of about 790,000k㎡(about 8.2% of total area of China) and population of about 108,320,000 persons (8% of population of China), and they have recorded more than 10% of annual economic growth rate since 2003 when development of the northeastern regions started. In 2011, the three northeastern provinces recorded annual economic growth, for instance, LiaoNing Sheng 12.1%, JiLin Sheng 13.7% and HeiLongJiang Sheng 12.2%, and annual economic growth of LiLin Sheng was the highest (Jung, 2013). The three provinces had economic indicators (Table 1):

The three northeastern provinces are placed adjacent to Korea to have homogeneity of languages and cultures and to let Korean firms invest actively and sell and buy each other in the beginning of diplomatic relations between the two countries and to lose their position greatly under influence of coastal regions of China and to be given attention again these days.

3. Situation of Global Distribution Firms

3.1. Situation of Global Discount Stores in the Three Northeastern Provinces

In the first half of 2010, about 1,900 super centers did business in China. Number of super centers constantly increased every year to be likely to reach up to more than 10,000 super centers in China with as many as 1.3 billion population: And, not only multi-national corporation but also local enterprises have competed fiercely each other. Five big super centers, that is to say, Wal-Mart, Carrefour, RT-mart, Tesco and Lotus, have governed the Chinese market.

Global discount stores in the three northeastern provinces in China were (Table 2): At the end of 2013, as many as 103 discount stores had done business in the three northeastern provinces, for instance, 23 discount stores of Wal-Mart, 26 stores of Carrefour, 23 stores of RT-Mart, 17 stores of Tesco, 5 stores of Yong Hui and 9 stores of Lotte Mart. 69 discount stores had done business in Liaoning sheng and 16 discount stores had done in Jilin sheng and 18 discount stores had done in Heilongjiang sheng.

<Table 1> Major Economic Indicators of the three Northeastern Provinces (2010)

Section	LiaoNing Sheng		JiLin Sheng		HeiLongJiang Sheng		Three northeastern provinces	
		%*		%*		%*		%*
Area (㎢)	14.8	-	18.7	-	45.4	-	78.9	8.2
Population (10,000 persons)	4,251	0.1	2,746	0.2	3,833	0.2	10,831	8.0
GRDP**(Yuan)	1,845	14.2	866	13.8	1,036	12.7	3,749	9.3
GRDP per captia***(Yuan)	42,355	13.4	31,599	3.6	27,076	12.6	34,614	-
Sales of consumer products (billion Yuan)	680	17.2	350	18.5	403	18.7	1,435	9.1
Ratio of tertiary industries (%)	-	37.1	-	35.9	-	37.2	36	-
Disposable income per captia of residents in urban cities (Yuan)	17,712	12.4	15,411	10.0	13,857	10.3	15,660	-
Net income per captia of residents in rural areas (Yuan)	6,908	15.9	6,237	18.4	6,211	19.8	6,452	-
Fixed asset investment (100 million Yuan)	16,043	30.5	9,621	32.5	6,801	35.3	32,466	11.6
Export & import (100 million dollars)	806	28.2	168	43.4	255	57.2	1,230	4.1
Export (100 million dollars)	431	28.9	44	43.0	162	61.6	638	4.0
Import (100 million dollars)	375	27.4	123	43.6	92	50.1	591	4.2
FDI(based on action, 100 million dollars)	207	34.4	41	16.8	26	12.7	246	23.3

* Growth rate comparing with previous year. Based on statistical year book of each provincial government in 2010.
** GRDP that differs from GDP in nationwide unit indicates total production of each province, city and others during specific period;
*** GRDP per captia of the three northeastern provinces has been made by dividing total GRDE of the three provinces by total population of the three provinces.
Source: National Bureau of Statistics of China (2011)

<Table 2> The Situation of Global Distribution Firms for the three Northeastern Provinces

	LiaoNing Sheng	JiLin Sheng	HeiLongJiag Sheng	Three northeastern provinces
Wal Mart	13	5	5	23
Jia Le Fu	17	2	7	26
RT-Mart	12	5	6	23
TESCO	17	-	-	17
Yong Hui	5	-	-	5
Lotte-Mart	5	4	-	9
Total	69	16	18	103

Source: Own

Lotte Mart of South Korea has done business in China, Indonesia and Vietnam the most actively among domestic distribution businesses, and it took over Makro of China in December 2007 and did Makro of Indonesia in October 2008 and did TIMES of China in December 2009: So, Lotte Mart has currently opened 149 super centers in South East Asia (107 super centers in China). Lotte Mart had the largest overseas business among domestic distribution firms, and had the largest number of domestic and overseas distribution businesses among domestic distribution firms. And, Lotte Mart had more overseas distribution shops than domestic distribution shops enough to grow up to be global distribution firm. China is said to have the closest relation with South Korea among countries that Lotte Mart had entered.

3.2. Business of Lotte Mart in the Three Northeastern Provinces

Lotte Mart started to enter Chinese market in 2007, and it had 107 super centers at the end of 2013 including six super centers in the three northeastern provinces. Lotte Mart in the three northeastern provinces had recorded sales amounting to 103.2 billion KRW at the end of 2012 with 132 employees at head office as well as 872 employees at the shop and Lotte Mart Hebei Business Division's 3rd team at Shenyang, Liaoning sheng. Lotte Mart and its competitors in the three northeastern province were:

3.2.1. YuHong Super Center

Lotte Mart opened YuHong super center at first in the three northeastern provinces that was placed in Hwanghebeidaeru Liaoning Sheng and that consisted of commercial center at the 1st floor, and processed food and fresh food at the 2nd floor, and home appliance and garment at the 3rd floor, and bookstores, cinema, restaurants and toy shops at the 4th to 6th floor, and to have underground parking lot for 400 cars and/or vehicles and to have 8 bus lines and shuttle bus service. YuHong Super Center had large area with spacious parking lot than that of competitors in same commercial area had, and it recorded relatively low sales of 2.7 billion KRW a month than competitors had. YuHong Super Center was thought to have better commercial area and location and larger business area and shop layout than competitors had. Situation of competitors of YuHong was (Table 3):

<Table 3> Situation of Competitors of YuHong

Section	YuHong	MingHua LeGou	ZhongXing ChaoShi
Date of opening	September 23, 2010	Feb 26, 2008	July 5, 2008
Separation distance	-	0.7km to the south	1.1km to the south west
Business area	12㎡ (S/Z 8,500㎡)	8,910㎡ (S/Z 5,940㎡)	6,930㎡ (S/Z 6,270㎡)
Sales a month	13.3 million Yuan (2.7 billion KRW)	14 million Yuan (2.8 billion KRW)	4 million Yuan (800 million KRW)
Business hour	7:30-22:00	7:30-22:00	9:00-21:00
Number of cars at parking lot	350 cars (1floor outdoors, B1~B2 floor)	150 cars (1st floor)	30(1st floor)
Shop layout	· B1~B2 floor parking lot · 1st floor shopping mall -2nd floor shop (fresh food, processed food) -3rd floor shop (non-food)	· 1st floor Shopping mall -2nd floor shop	-1st floor shops (home appliance, kitchen utensils) -2nd floor shop (processed food) -3rd floor (fresh food)

Source: Own

<Table 4> The Situation Rival Firms of ChuanYing

Section	ChuanYing	RT-Mart	XinMaTe
Date of opening	June 24, 2011	April 25, 2006	January 25, 2013
Separation distance	-	3.2km to the north	2.5km to the north
Business area	6,810㎡	7,780㎡	4,680㎡
Monthly sales	8.3 million Yuan (1.67 billion KRW) a month	31.5 million Yuan (6.3 billion KRW) a month	6 million Yuan (1.2 billion KRW) a month
Business hour	8:00-22:00	8:00-22:00	9:30-21:00
Number of cars at parking lot	85 cars	105 cars	
Shop layout	1st floor : Outdoor parking lot Self(single story shop)+ tenant 2nd floor: tenant (Kukmi Electric system)	B1 floor : Parking lot 1st floor : tenant 2nd floor : Self (fresh food, processed food) 3rd floor : Self (garment, grocery)	B1 : Mart 1F-4F : Department stores
Analysis upon commercial area	- Newly developed district (Active development of housing at southwestern area) 80,000 households within radius of 3km	- Commercial center, 110,000 household within radius of 3km	-Gangnam commercial area

Source: Own

3.2.2. ChuanYing Super Center

ChuanYing Super Center that was placed at 10-ho Haebangseo-ro ChuanYing-gu, Jilin with population of 2.12 million persons, town with the second largest population in Jilin Province was opened firstly in Jilin Province. ChuanYing Super Center that was placed at population crowded area in Iilin's new development area had convenience transportation services to have one floor shop and to develop housing in southeastern district. ChuanYing Super Center had much lower sales and poor commercial area and shop layout than RT-Mart, competitor, had, ChuanYing Super Center had monthly sales of 1.67 billion KRW to be much lower than that of RT-Mart, competitor (6.3 billion KRW), had. On the other hand, RT-Mart, competitor, was placed adjacent to the best commercial area in Jilin town to have very good transportation and to open in April 2006 for the first time in Jilin town. XinMaTe that was opened in 2013 had much inferior place, commercial area, sales and shop layout than Lotte Mart recorded monthly sales of 1.2 billion KRW. ChuanYing Super Center had competitors (Table 4):

3.2.3. LvYuan Super Center

LvYuan Super Center with business area of 8,000㎡ that is placed adjacent to traffic artery of both Howoldae-ro and Chunseeongda-ga in Changchun, capital city of Jilin Province consists of 1st floor of flower and fish-bowl markets, 2nd floor of fresh food as well as processed food, and 3rd floor of small-sized home appliances. LvYuan Super Center had competitors such as OuYa department store and RT-Mart. OuYa department store that was well known among consumers well has similar business area as Lotte Mart and much more sales than Lotte Mart. This was because RT-Mart had much better brand awareness and commercial area. Monthly sales of not only OuYa

<Table 5> Situation of Competitors of LvYuan

Section		LvYuan	OuYa BaiHuoDian(ChaoShi)	RT-Mart
Date of opening		August 30, 2011	September 26, 2009	January 17, 2011
Separation distance		-	0.4km	1.8km
Business area		16,200㎡ S/Z 8,010㎡ Rent: 8,190㎡	Mart: 4,990㎡ (B1F~5F : 44,880㎡)	10,180㎡ S/Z 8,180㎡ Rent: 2,000㎡
Monthly sales		8 million Yuan (1.6 billion KRW)	11 million Yuan (2.2 billion KRW)	13 million Yuan (2.6 billion KRW)
Business hour		8:00-22:00	9:00-20:30	8:00-22:00
Number of cars to park		272	240	500(Make use together with high rise apartment & stores)
Situation of each floor	5th floor		Home appliance	-4F~18F : for apartment
	4th floor		Sport garment, sports articles	
	3rd floor	Miscellaneous goods, small-sized home appliance	Garment (fashion)	Miscellaneous goods, liquor, cookies
	2nd floor	Fresh food, processed food (Kukmi Electric system)	Garment (fashion)	Fresh food, processed food, home appliance
	1st floor	Tenant, flower & fish bowl market, parking lot	Cosmetics/ shoes/ gold	tenant
	B1 floor		Mart (Moved on June 30, 2011)	Parking lot
Convenience facilities and others		Tenant of home appliance shop, flower & fish bowl market, and cinema	Selling of train ticket / transportation card charging, and regular sales promotion by leaflet	KFC/ garment, price discount event of miscellaneous goods

Source: Own

<Table 6> Situation of Competitors of HePing

Section		HePing	Jia Le Fu QingNian DaJie	Jia Le Fu WenHua	RT-Mart HePing	RT-Mart ShenHe
Place		HePingQu	ShenHeQu	ShenHeQu	HePingQu	ShenHeQu
Date of opening		December 7, 2011	January 2008	July 2004	December 2003	January 2006
Separation distance		-	1.1km	2km	2.2km	2.4km
Business area		Business: 3,230㎡ For rent: 1,155㎡	Business: 5,280㎡ For rent: 3,770㎡	Business; 10,220㎡ For rent: 6,500㎡	Business: 14,280㎡ For rent: 10,070㎡	Business: 10,480㎡ For rent: 9,400㎡
Monthly sales		6 million Yuan (1.2 billion KRW)	12.5 million Yuan (2.5 billion KRW)	35 million Yuan (7 billion KRW)	36 million Yuan (7.2 billion KRW)	27 million Yuan (5.4 billion KRW)
Business hour		8:00-21:30	7:30-22:00	7:30-22:00	8:00-22:00	8:00-22:00
Number of cars to park		36	500	240	500	300
Situation of each floor	5th floor	Office	Shopping mall	Furniture	-	-
	4th floor	Warehouse	Shopping mall	Furniture	Head office, office, warehouse	Warehouse, office
	3rd floor	Fresh food	Shopping mall	Miscellaneous goods, fresh food	Miscellaneous goods	Miscellaneous goods
	2nd floor	Processed food, miscellaneous goods	Shopping mall	Miscellaneous goods	Fresh food, miscellaneous goods	Fresh food, miscellaneous goods
	1st floor	Tenant	Shopping mall	Tenant	Tenant	Tenant
	B1 floor	Parking lot	Mart	Parking lot	Parking lot	Parking lot
	B2 floor	-	Parking lot	-	Parking lot	Parking lot
Shuttle bus		-	-	7 buses	18 buses	23 buses
Convenience facilities		Bank (Heungeup Bank) / commercial center	In shopping mall, laundry /ticker reservation/ restaurant	KFC/○○○/ laundry/ ticker reservation/ bakery	KFC/ laundry/ bookstore	KFC/ laundry/ kids' playground

Source: Own

<Table 7> Situation of Competitors of DongGang

Section	DongGang	QianShengBaiHuoChaoShi	HongJun DaMaiChang	HuangHai ChaoShi	YueQianJia LianSuoChaoShi
Date of opening	July 18, 2012	May 1, 2009	November 18, 2001	November 19, 2012	January 20, 2013
Separation distance	-	1.3km to the north	1km to the east	1.0km to the north	2.0km to the south
Business area	Mart: 7,570㎡ Tenant: 3,390㎡	3,300㎡	3,610㎡	6,090㎡	3,230㎡
Monthly sales	11,400,000 Yuan	1,850,000 Yuan	1.5 million Yuan (300,000,000 KRW)	2.6 million Yuan (520,000,000KRW)	1.5 million Yuan (300,000,000 KRW)
Business hour	8:00-21:30	8:30-20:30	8:30-20:30	8:30-20:30	8:30-20:30
Number of cars to park	200	48	6	20(payment)	20
Shop layout	-3F Mart shop (miscellaneous goods) -2F Mart shop (processed food/ seafood) -1F Tenant	- Underground 1st floor: mart shop (miscellaneous goods, processed food, seafood)	-1F Mart shop (miscellaneous goods/ processed food/ seafood)	-1F Mart shop (miscellaneous goods/ processed food/ seafood)	-2F Mart -1F Mart/ shopping center

Source: Own

<Table 8> Situation of Competitors of ErDao

Section	ErDao	OuYa ChaoShi	Wal Mart	YaTaiYiChao	HengKeLong	BeiJing HuaLian
Date of opening	September 15, 2012	September 15, 2012	January 3, 2008	June 28, 2008	September 28, 2006	December 23, 2010
Separation distance	-	0.2km to the north	2.5km to the southwest	1.8km to the northwest	0.7km to the east	1.5km to the south
Business area	POS 8,217㎡ Tenant 4,834㎡	About 7,260㎡	7,458㎡	6,600㎡	6,600㎡	5,980㎡
Monthly sales	6 million Yuan/1.2 billion KRW	9 million Yuan/1.8 billion KRW	10 million Yuan/ 2 billion KRW	9 million Yuan/ 1.8 billion KRW	4.5 million Yuan/ 900 million KRW	4.8 million Yuan/ 960 million KRW
Business hour	8:00-21:30	8:00-21:00	7:30-21:30	9:00-21:00	8:30-21:00	9:00-20:30
Number of cars to park	Ground: 150 cars; Underground : 200 cars	Ground : 200 cars	124	-	166	333
Shop layout	-3F : miscellaneous goods -2F : seafood/ processed food -1F : Tenant	-2F : Mart -1F : Tenant, home appliance shop	1-6F : Guksang shopping mall -Underground 1F mart	1F : Mart	1F : Mart	-B1F : Mart

Source: Own

department store (2.2 billion KRW) but also RT-Mart (2.6 billion KRW) was much higher than that of Lotte Mart was. Situation of competitors of LvYuan was (Table 5):

3.2.4. Hwapyeong Super Center

Hwapyeong Super Center at center of Shenyang, capital city of Liaoning Province, is placed adjacent to the area with many population to have convenient transportation and to consist of parking lot in underground first floor, 1st floor with tenant, 2nd floor with fresh food, and 3rd floor with fresh food. Four competitors have done business within radius 2.5 km of Hwapyeong Super Center, and Hwapyeong Super Center have inferior place, commercial area and location than the competitors have. Hwapyeong Super Center recorded monthly sales of 1.2 billion KRW that was much lower than Carrefour Cheongnyeondaega shop of 2.5 billion KRW, Carrefour Munhwa shop of 7 billion KRW, RT-Mart Hwapyeong shop of 7.2 billion KRW and RT-Mart Simha shop of 5.4 billion KRW. Hwapyeong Super Center's competitors were (Table 6):

3.2.5. DongGang Super Center

Dandung shop at Dandong, Liaoning Sheong is placed at important commercial area of Dandong to have convenient transportation service. Donggang super center consists of 1st floor of commercial center, 2nd floor of both fresh food and processed food, and 3rd floor of non-food shop. Donggang super center with the largest business area at Dandong recorded monthly sales of 11,400,000 Yuan to be much larger than that of competitors, and to have spacious parking lot (200 cars to park). Donggang super center's competitors have done business (Table 7):

3.2.6. ErDao Super Center

Erdao Super Center at Changchun, capital city of Jilin Province, consists of 1st floor of shopping center, 2nd floor of both fresh food and processed food shop, and 3rd floor of non-food shop. Erdao Super Center recorded much lower sales than that of competitors such as Wal-Mart, Yataiyichao and Ouyachoshi. Erdao Super Center is much likely to develop in the future considering good transportation service, commercial area and location. Competitors of Erdao are (Table 8):

3.3. Promotion of Distribution Business of South Korea

The Chinese distribution market looks to be much attractive from point of view of foreign distribution business owing to higher consumer purchasing power based on gigantic land, population and rapid economic growth to let foreign distribution businesses compete each other. Since entering the Chinese market for the first time, Lotte Mart has made effort to expand the market actively despite deficit to be free from domestic market with saturation and to look for long term growth. So, domestic distribution businesses should take actions to enter the Chinese distribution market:

First, domestic distribution businesses should inspect the market and prepare carefully in advance for entry into the market. China with socialism market and economic system differs from South Korea in culture, politics, economy and society. In China, the commerce has been very much developed from ancient times: Since Ming and Qing Dynasty, merchants at developed commerce region competed collectively to organize many merchant organizations each region. The Chinese people made groups based on human nature and friendship of territory, blood ties and local area, and territory covered province and/or town to gather and disperse merchants and to form commercial culture for considerably long time. So, short term success in the Chinese distribution market is not permitted.

Second, China has national land as large as 45 times of that of the Korean Peninsula to have 56 minority races and to have various kinds of consumption culture, living life standards and commercial transaction practices that vary depending upon regions and races. So, marketing strategy of each region is needed. China that is not said to be single country has different consumption patterns, preference of commodities, and supply of commodities even in same province, town and district. A distributor who had succeeded in business at Liaoning Sheng could not succeed in business in Shandong Sheng and Heilungjiang Sheng.

Third, foreign enterprises often applied their own corporate culture to China without inspection into appropriateness when they entered the Chinese market so that they produced many cultural conflicts. Distribution barriers existed between regions in China. Each region has its own culture, distribution structure, life habit and consumption nature. Localization strategy is needed to enter the Chinese market.

Fourth, new distribution technique is needed to develop economic ability as well as technical levels. The Chinese people prefer cash to credit card, and the Chinese government has alleviated regulations to increase use of credit card, and online distribution market in China has grown up remarkably. Korean distribution enterprises have advantages of technology and knowhow and the Chinese consumers' consumption pattern has made change to be likely to have positive influence upon growth of new distribution businesses.

Fifth, China still has legal and political regulations and uncertainty of the socialism. Korean distribution enterprises shall understand the Chinese laws and regulations before entering the Chinese market. Korean enterprises shall prepare for the Chinese consumers' cultural styles and life styles to find out the Chinese people's consciousness levels and desire and to make appropriate marketing strategies.

Sixth, Korean distribution enterprises shall consider entry into the three northeastern provinces with Korean enterprises and Korean ethnic group society, and Shandong Sheng, and Beijing, Shanghai and Tianjin with the highest income level, and shall adopt policy that diversifies and expands entry region.

Seventh, by taking advantages of Korean Wave in China, Korean distribution enterprises shall keep friendly relations with Korean commodities and enterprises and to raise cognition on Korean commodities and images toward Korea. Korean enterprises shall train employees with good command on the Chinese language who have cultural consensus considering the Chinese consumers' cultural pride.

4. Summary

The world economy has been internationalized and localized rapidly. China with the largest population in the world is said to promote FTA with India with the second largest population in the world. FTA between China and India, in other words, Chindia (China plus India) that are compared to dragon and elephant shall produce free trade market with as many as 2.4 billion persons being equivalent to one third of world population. Chindia, in other words, China plus India shall threaten existing economic order of the world to have great influence upon Korea.

Korean distribution enterprises are said to enter China (80.6%) the most, followed by USA (41.9%), Japan (30.6%), Vietnam (25.8%) and Indonesia (17.7%) in order (see Korea Chamber of Commerce and Industry's overseas management conditions survey on 62 countries dated December 2013). The most promising countries in the world are thought to be China, Vietnam, Indonesia, Malaysia and other South East Asian countries. The markets in those countries are thought to be promising considering gigantic market scale, preference of Korean products, friendly market environment and high economic growth. Korean distribution enterprises had difficulties at overseas market, for instance, local distribution network buildup that was the greatest difficulty, and human resources management, legal and administrative regulations, shortage of local information, marketing activities and shortage of fund and/or money, and so on.

Since joining WTO in 2001, China had opened market. In China, world distribution enterprises have competed very much each other considering enormous scale and growth potential of the Chinese market, global distribution enterprises' desire of entry into the Chinese market, and the Chinese distribution enterprises's development. But, the Chinese distribution industry has problems, for instance, poor distribution system, backward distribution facilities, and low competitiveness of distribution industries. Most of the Chinese distribution enterprises have low modernization, inferior corporate management and control, and low distribution efficiency.

This study investigated situation of Lotte Mart's entry into the three northeastern provinces to cognize Chinese market development trends seven years after Korean distribution enterprises' entry into the Chinese market and to understand market situation and to take proper actions. Lotte Mart has suffered from deficit in the Chinese market every year and has recorded rather good business performance in the three northeastern provinces and are likely to lessen deficit by efficiency and to continue business. Lotte Mart is likely to lower aggressive marketing by careful investment policy.

Korean distribution enterprises' entry into overseas market is still in beginning stage, and it shall be promoted considering situation of domestic market, and effects of entry into overseas market upon Korean economy and other industries. Political supports, for instance, supply of systematic information on overseas market, and diplomatic supports for various kinds of corporate activities that require clarification, change and/or cancellations of the Chinese government related regulations, are needed.

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