



# Why Do Government Policies Fail in Boosting Independent Retailers?

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## Abstract

**Purpose:** It is necessary to look at the reasons why the Korean government has failed in boosting mom and pops, even though many aid programs for independent retailers have been introduced. Furthermore, this research will provide policy makers and practitioners with new insight to improve the performance of government policies. **Research design:** the researcher has had an interview with the 26 practitioners to gather the right information. Furthermore, interview results have been categorized into the government-related issues, support programs and shop owner-related issues, from a practitioner's perspectives. **Results:** The researcher found that the confusion of governmental support organization, the lack of retail marketing experts, frequent job rotation, the lack of cooperation between bureaucrats and associations, concerned about the governmental-related issues, are failure reasons. In terms of support program issues, the research found the following reasons: no blueprint, the lack of retail experts, relevance to budget scale, and the complexity of budget implementation. Associated with shop owner-related issues, the author found that the causes of failure are closely related to aging shopkeepers, the absence of a successor and increasing dependence on a government. **Conclusions:** The author proposes that a government has to rebuild existing support programs for small shop owners.

**Keywords :** Mom and Pops, Retail Policy, Fail Reasons, Korean Government

**JEL Classification Code:** D73, L52, L78, L81, M31

## 1. Introduction

Since the South Korean government liberalized a retail market in 1996, independent retailers have continuously been struggling. According to one of interviewees, there were more than 200,000 shop owners at that time, although are an estimated 70,000 ones in recent. Owing to the rapid growth of large retailers, mom and pops have lost their market shares. What is important is that market liberalization has attracted many foreign retailers' interest into the Korean retail marketplace. As a result, the world retail giants like Wal-Mart USA, Carrefour France, Makro Netherlands and Tesco UK expanded their own business into the South Korean market, but all of them unfortunately went

back home because of poor sales performance. At the same time, local Korean retailers such as E-Mart, Lotte Mart, and E-Land have actively opened their new discount stores across the country. Furthermore, large, big box retailers have started to diversify their retail formats from discount stores to convenience stores, including supermarkets and on-line shopping malls in recent.

Even though such a result was expected in that time, indeed, the Korean government did not prepare for independent retailers' future, before market opening in 1996. Without the blueprint to legally or financially protect existing small- and medium-sized retailers, the Korean government opened a retail sector to foreign retailers. Until 2004 when the government realized that large retailers have

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rapidly grown at the expense of declining independent retailers, there was no effort to protect mom and pops.

After the government announced that independent retailers should be protected against the growth of large retailers, policy makers have developed retail regulations. In the same vein, the South Korea has established governmental bodies to support traditional markets and mom and pops. Together with the legal support system, the government has invested a huge amount of budget in revitalizing small- and medium-sized retailers until recent, but the results of such efforts have become worse and worse than expected.

There is, nevertheless, no research analyzing the reasons why the support systems developed by policy makers could not achieve expected results in the academic world in Korea, although the South Korea has established a particular governmental institution to boost independent retailers in 2005. It is, thus, necessary to look at why the government policies do not work in the retail sector.

Concerned about field research, the author will ask interviewees how aid programs have been developed, implemented, evaluated and improved, what kind of problems has been occurred, why the results of support plans are worse than expected, and how aid plans should be improved.

As a case study, this research will provide new insights for policy makers as well as practitioners, on the basis of analyzing the interview results with the field experts, the chairmen of regional supermarket cooperatives and the federation's chairman of Korean supermarket. In other words, this study will propose the better ideas to boost mom and pops, preventing the government from wasting time, budget and efforts.

## 2. Literature Review

Associated with the development backgrounds of retail policies, Hollander and Boddewyn (1974) proposed the following five objectives: (1) to protect mom and pops, (2) to control retail prices in a retail market, (3) to protect environment, (4) to improve retail productivity, and (5) to improve customer rights. In addition, Cho (2014) argued that many nations have developed retail laws to boost a retail industry, improve life quality and promote fair trading. Amongst the above development objectives of retail policies, the Korean government has focused on encouraging mom and pops to improve their performance results.

Before starting to explain how the South Korea has developed retail policies, it is necessary to look at what kind of effort the developed countries have made to protect independent retailers. Basically, there were three methods to keep mom and pops. Firstly, the government was able to

legally restrict the large retailers who had cannibalized mom and pops. Secondly, it was to establish financial support systems to boost the independent retailers suffering from fierce competitions in the retailing sector. Finally, the countries could adopt the both legal and financial support policies at the same time. As one of the representative cases, the South Korea and Japan have chosen the last technique. More interestingly, rather than financial support, a legal system has been preferred by advanced countries like UK, France and Italy, in contrast to Asian countries mentioned earlier.

As pointed out by Ennis (2008), many countries have introduced planning regulations to protect small- and medium-sized retailers, that is, discouraged big-box retailers from opening new shops. By strengthening entry regulations for retail giants, governments have made competitive pressure for mom and pops moderate. In spite of such an effort, there are debatable and conflicted arguments associated with the results (e.g. Bertrand & Kramarz, 2002; Basker, 2005; Smith, 2006; Cheshire & Hilber, 2008; Viviano, 2008). Amongst various findings, what is important is that the entry regulations for large retailers did not have positive effects on the growth of independent retailers or the improvement of sales performance. As evidence, Sadun (2015) stressed that planning regulations promoted multiple retailers to diversify their retail formats. In other words, large retailers started to open convenience stores, avoiding entry restrictions in the UK. As a result, mom and pops have been faced with new competitive pressure, and further, experienced new competition structure.

In the same vein, the growth of big-box retailers has been traditionally regarded as a major threat to independent retailers in Japan (Akiyama, 1977). It is, therefore, witnessed that the Japanese government has regulated retail giants to protect small-scale retailers. Amongst such legislations, the key element is to limit store sizes, with the aim of discouraging large retailers with the large amount of capitals from opening big stores. It can be, however, said that its result was quite similar to the British case. After Japan introduced the Large-Scale Retail Store Law in 1974, it was witnessed that large retailers like Ito-Yokato, Seiyu, Jusco and Daiei focused on opening convenience stores (Davies & Itoh, 2001). With the increasing number of the convenience stores, existing mom and pops have also been targeted by large-scale retailers as a franchisee (Davies & Itoh, 2001). Consequently, convenience stores increased more than twice from 1982 to 1994, at the expense of declining independent retailers (Mineo, 2008). Despite the fact that Japan has magnificently supported mom and pops with financial as well as legal policies, it was witnessed that the number of independent retailers has decreased since 1985.

Like British and Japan cases, German government has restricted large retailers to open their new stores across the country with various legislations, in order to prevent small retailers from leaving the market (Grunhagen & Mittelstaedt, 2001). However, its result is not different from the UK and Japan. According to the study conducted by Whitney (1993), the total number of grocery stores decreased to 69,000 in 1993 from 160,000 in 1960. Furthermore, the Ifo-Institute which is based on Munich and a research company found that the market share of mom and pops in the German retailing sector decreased to 14.5 % in 1990 from 19.5 % in 1980.

As seen in the above three countries, there is a common feature. Although nations have legally regulated large retailers to protect independent retailers, it would be difficult to say that mom and pops have expanded their own business nationwide. Unlike a government's expectation, UK, Japan and Germany have experienced the decline of small retailers, in terms of store numbers. Against various legislations introduced by a government, retail giants have legally developed new retail formats as well as retail knowledge to survive in a retail market. It has, thus, become apparent that the introduction of retail restriction is not perfectly able to protect independent retailers. In order to protect small retailers, it is abundantly evident that a legal system is needed against the growth of large retailers, but restrictions are not enough just to support them.

Except for a legal support system, therefore, countries have to develop new ways to boost declining small- and medium-sized retailers. As an example, governments should introduce financial support programs in the short term and long term. Indeed, the Korean government has invested a huge amount of budget in boosting corner shops, with the aim of preventing the decline of independent retailers (Cho & Kwak, 2017). Financially, the Korean government has supported small stores directly or indirectly until recent.

Nevertheless, what is important is that the number of mom and pops in Korea has been reduced outstandingly, whilst large stores like E-Mart, Home-Plus and Lotte Mart aggressively opened 451 new supermarkets and 42 discount/hypermarket stores from 2010 to 2013. It is, thus, interesting to examine why Korea has failed in protecting and boosting independent retailers. It is, moreover, important to maintain a practitioner's viewpoint to analyze its reasons. More interestingly, to my knowledge, it is very difficult to find the studies investigating why governments have failed in protecting independent retailers in a retailing academic world.

### 3. Data Collection

In order to practically analyze the reasons why the

support programs suggested by policy makers have not worked, the author has had an interview with many practitioners from March in 2018 to May in 2021, as seen in the Table 1. Furthermore, the researcher has had several interviews with the same interviewees over the long term to confirm previous interview results. Given that interviewees tried to avoid discussing internal problems within an organization, it can be said that many interviews were needed to collect the right information.

To develop and design research questions, the researcher has had an interview with several practitioners and public officers, before conducting a field study. Based on the pre-screening interview, the author has organized the field research process. After interviewing with practitioners, the author confirmed whether the interview results analyzed are suitable or not. To justify research results, first of all, the researcher had an interview with the cooperative chairman over several times.

As one of the representative characteristics of interviewees, most of them are the chairman of regional supermarket cooperatives. With respect to the common features of cooperative chairmen, they have run their own business and have not experienced modernized chain store operation system. It means that their retail knowledge should be limited to the only one store operation. Moreover, the author interviewed with the chairman of Korea Supermarket Association to analyze the results of each support program as well as regional cooperative chairmen's responses to a government's policies.

In addition, the author interviewed some managing directors of regional supermarket cooperatives who have operated distribution centers built with a government's financial support and managed more than 50 members. Rather than cooperative chairmen, it is found through a field research that cooperative organizations have been operated by a managing director, although the final decisions concerned about administration have been made by regional cooperative chairman. It is, thus, necessary to have an interview with managing directors.

In terms of data gathering methods, the author basically visited Korea Supermarket Alliance and regional Supermarket Cooperatives to conduct a face-to-face interview, whilst keeping a phone interview. On the other hand, researcher gathered a variety of data through different information sources as a speaker during the workshop held by the Korea Supermarket Alliance, a referee to evaluate whether regional supermarket cooperatives were qualified to participate in a government's support program and a lecturer at the education program held by the regional supermarket cooperatives. In addition, in order to improve data quality or guarantee research validity as well as reliability, the researcher has an interview with interviewees over the long term.

Based on the field work results, this study allowed the author to identify the reasons why government policies have failed in boosting independent retailers from a practitioner's perspective. Furthermore, the researcher has had an interview with 26 practitioners over the long term, as seen in the Table 1.

**Table 1:** Interview Populations

Category	Class	No.	Characteristics
Korea Supermarket Alliance	Chairman	1	Final decision maker
	Managing director	1	Full time manger
	Senior manager	1	Buyer
Regional Supermarket Cooperative	Chairman	17	Seoul, Gyeonggi, Chungcheong, Busan, Geolla, Jeju
	Managing director	5	
Small Enterprise and Market Service	Senior manager	1	Good experience
Total		26	

#### 4. Government Support Programs

Together with the support program for declining conventional markets, the South Korean government started to develop many different types of protection methods for corner shops and independent grocery stores. At the early stage, the government tended to focus on boosting traditional markets, rather than mom and pops. Policy makers, however, gradually realized that independent retailers were seriously affected by the growth of large retailers like E-mart, Lotte-mart, Home-plus and the forth, in terms of sales performance. Accordingly, the government has established many support programs for mom and pops.

In addition, it should be mentioned that a few governmental bodies have helped shop owners to improve sales revenues. It is, thus, very difficult to examine how much the government has exactly invested in boosting independent retailers.

As the characteristic of support policies, what is

important is that the South Korean government has financially supported independent stores, rather than regulating large multiple retailers. Indeed, although the government regulated large retailers to stop opening small- and medium-sized stores near to traditional markets in 2010, their shops increased from 217 stores in 2007 to 2130 ones, including the independent shops whose products are provided by multiple retailers, according to the data published by the National Assembly Research Service in 2014. In terms of the legal availability, it is difficult to say that the South Korea has developed retail regulations to protect small shops. In a word, independent retailers had to be exposed to fierce competition with multiple retailers.

It is, therefore, necessary to look at what kind of financial support programs for mom and pops has been created. According to the interview results, before establishing Small Enterprise and Market Service in 2014, the government operated a particular organization as a governmental body to support independent retailers from 2005. In recent, however, it is not easy to find out support policies for mom and pops, even though they are still struggling from poor performance. As the reason why the government decreased support budget for corner shops in recent, one of the interviewees argued that the results of support programs was worse than expected. In spite of such an effort, independent stores have been struggling.

Based on the interview results, the author can categorize financial support systems into two groups like hardware and software programs.

##### 4.1. Hardware Program

Before discussing 'hardware program', it is necessary to look at its meaning. The term involves the improvement of the shopping atmosphere like the introduction of new store facilities, the redesign of store facia, and so on. In other words, hardware program is closely related to facilities, rather than shop owners.

As one of the representative hardware policies, the government supported mom and pops to establish their own distribution centers with the government's budget after organizing regional supermarket cooperatives. Amongst the construction cost, corner shop owners only had to invest its 10 %. It means, that is to say, that the local and central government invested 90 % of its establishment budget. In the end, about 37 distribution centers have been established across the country. Surprisingly, it is interesting to investigate why policy makers developed such a method to protect independent retailers. According to the interview results, it is found that they believed that large retailers fastly grew thanks to the construction of a huge distribution center. Through operating large warehouses, one of the interviewees said that retail giants could reduce product as

well as operation cost. Despite the fact that shop owners did not have the experience operating distribution centers and the retail knowhow to manage them, the government supported considerable governmental budget. Most of the financial support scales was allocated to the establishment of their distribution centers.

As part of support policies, also, the government paid its attention to the improvement of shopping environment. In order to attract new customers, policy makers believed that a store renovation project was needed. Store renovation included the whole process of replacing store facia, refrigerators, freezers and shelves, changing store layout, reopening, building a brand-new look, and changing lightening layout. With regard to the total renovation cost, the government gave shop owners, to some extent, a financial burden to make them feel responsible for governmental budget. As a result, more than 22,000 small shops have been renovated over 9 years.

Compared to software program, although the South Korea has allocated considerable budget to hardware support policies, it is difficult to find out a successful shop owner. In a word, a governmental support effort resulted in failure.

## 4.2. Software Program

In opposition to the concept of hardware program, software policies are related to the improvement of shop owner's retail knowhow and store operation. Unlike the replacement of store facilities, this program focused on improving retail skills with relatively less budget. It is, therefore, necessary to look at what kind of software program is.

Associated with the improvement of retail management knowhow, a government introduced an education program for shop owners. Through the training course concerned about retail knowledge, the government encouraged them to improve store operation skills like how to display products, how to manage stocks, how to buy product, how to serve customers, how to use POS program, and the forth. Unfortunately, however, the degree of shop owner's participation in the education program was lower than expected. With regard to this kind of result, a few interviewees argued that independent retailers were much more interested in financial support than the improvement of shop operation.

The government, furthermore, supported marketing cost like a bargain sale as a promotion activity, wrapping cost, delivery cost, product development cost, and so on. To support mom and pops, it has become apparent that policy makers made a considerable effort with the development of many types of software program.

As noted earlier, although the South Korea invested a

huge amount of budget in boosting corner shops, its result was poorer than expected. It is, therefore, worthwhile to investigate why the government policies failed from a practitioner's perspective.

## 5. Interview Result Analysis

Rather than a government's point of view, it should be noted that the author has tried to analyze the reasons why support policies for small shops failed from a practitioner's perspective. First of all, interviewees have the experience taking part in the support program organized by the government over the long term.

When it comes to the analysis process of interview results, the author will look at how interviewees think about the failure reason of a government's support policy and what kind of problems the attendees in government-sponsored programs provoked in the field. In other words, the researcher will examine why the governmental roles in protecting corner shops do not play in the field.

Based on the interview results, the failure reasons are categorized into the 3 groups. The first group is related to government itself, while the second one is associated with the process of implementing support programs. The last group is directly concerned with shop owners.

### 5.1. Government-related Issues

With regard to the poor sales performance of independent retailers, many interviewees argued that the government does not play an important role in protecting mom and pops, and further, is not interested in small shops, although spending considerable budget on supporting them. At the same time, they believed that public officers do not pay their attention to the protection of small stores. Based on the gathered information, the author analyzed government-related reasons as the followings:

#### 5.1.1. Confusion of Governmental Support Organization

It is found through the field interview that there are two central governmental bodies like the Ministry of Trade, Industry and Energy (MTIE) and the Ministry of SMEs and Startups (MSS) to support independent shop owners. As a result of interviews, there is no distinct support area between either ministries. Shop owners are, accordingly, able to take part in the financial support programs provided by the both bodies, that is to say, the governmental support organization is overlapped. From an independent retailer's point of view, corner shop owners have to attend to the both organizations.

With respect to this issue, most interviewees highlighted that it is necessary to clearly simplify central government organizations to improve the effectiveness as well as the

efficiency of support policies. In fact, unlike the MTIE, the major role of MSS is to develop support policies for small shop owners, while the Small Enterprise and Market Service (SEMS) which is affiliated with MSS focuses on implementing those developed policies.

Consequently, it can be said that the roles to support mom and pops should be played by MSS, as pointed out by interviewees. Some interviewees, surprisingly argued that SEMS has to create and implement support programs, without interference from MSS. Generally speaking, SEMS does not have the authority to create support policies, although implementing the support programs provided by MSS. As a result, interviewees highlighted that support policies are developed, without any requirements of mom and pops.

Given that the employees of SEMS are much closer to shop owners and understand very well what they want in the field, in order to improve their performance, some interviewees stressed that their opinions are not reflected on the process of building support policies, and further, tend to be neglected by public officers.

Owing to this kind of structural relationship between the both organizations, it is found through an interview whether most of support programs are successful or not, is likely to rely on the public officer's ability, regardless of the significant effort of SEMS.

Accordingly, rather than MSS, it would be wiser to give SEMS the authority to build support programs for corner shops. Consequently, it can be said that the roles of the both governmental bodies should be amended, as pointed out by some interviewees. In other words, the whole process of developing and implementing support programs should be regarded as one of the most important jobs of SEMs. On the other hand, MSS should have the authority to control whether the budget of each support program created by SEMS is suitable or not to improve the sales performance of independent retailers. Based on the interview results, the author can make a conclusion that the roles of SEMS have to become more and more important to take its responsibility for boosting small shops, while reflecting their requirements on developing support programs. Without such an effort, the support programs generated by MSS should continuously yield the same outcome.

### 5.1.2. Lack of Retail Marketing Experts

As one of the important failure factors, most interviewees tend to argue that there is no retailing expert within governmental bodies. According to the chairman of regional supermarket cooperatives, it is found that the public officers of MSS as well as the employees of SEMS do not have any experience in selling, buying, and displaying products, that is, retail knowledge, and further, study retailing management.

In addition, what is apparent is that there is no examination subject concerned about retail management to become a public officer. Consequently, it would be expected that the developed aid policies are far from a success. Until now, it can be said that most of support policies have been developed by the governmental officials who do not have retail experience and knowledge. Without the expert knowledge associated with retailing, the government has supported corner shops with a great amount of a government budget. As expected, independent retailers are still struggling from poor performances. Due to the lack of expertise in the retailing sector, it would basically be impossible to create a successful support program. First of all, it has become apparent through an interview whether support policies can succeed or not in the field has to depend on non-experts, that is, trusting luck. At least, to develop a successful aid policy for mom and pops, interviewees said that MSS are in consultation with relevant civilian experts like professors or practitioners before establishing support schemes. What is important here is that interviewees argued that there is no real retailing expert amongst consultants, although policy makers stressed that they have a vast stock of retailing skills. As evidence, interviewees pointed out that there is no successful aid program for corner shops until now. Furthermore, one of the interviewees argued that consultation is a part of the perfunctory process of enhancing reliability of support programs, that is to say, it is meaningless.

Surprisingly, the researcher found that policy makers tend to regard operating grocery stores as one of the easiest business areas, that is to say, whoever can succeed in an easy way. With respect to this kind of business mind, a few interviewees argued that such a thinking has been played as the primary obstacle to develop a successful support program.

Notwithstanding the lack of retailing experts within governmental organizations, moreover, the author has found that the Korean government does not operate any education program to train public officers as a retailing expert and have any future plan. According to the senior manager of SEMS, there has not been any time when the government educated employees for a retail expert, so far. Unfortunately, it is expected that the support policies developed by unskilled officials will be continued for a while. Because of this kind of situation, interviewees said that the authority developing support programs should belong to SEMS. When it comes to the development ability of support policies, they believed that SEMS accumulating retailing knowhow in the field is better than MSS. Considering such an argument, it seems like rational thinking.

In the same vein, it is necessary to look at whether SEMS does have talented employees concerned about retailing knowledge or not. Regardless of the expert knowledge

related to retail management, SEMS tends to hire employees. In other words, in terms of qualification requirement to apply for SEMS as a candidate, how much retailing skills are accumulated is not a matter. Nevertheless, while working for shop owners in the field after joining SEMS, they are able to accumulate retailing knowhow and understand what corner shop owners want well. This is, therefore, why interviewees highlighted that the aid programs should be developed by SEMS, rather than MSS.

Even though SEMS is better than MSS in developing support programs for grocery shop owners, it is hard to say that they are experts in the retailing industry. According to a senior manager within SEMS, it is evident that there is no program to educate or encourage employees to study retailing knowledge, together with MSS.

Considering the above research results, the author concludes that the lack of retail experts within governmental organizations can be regarded as one of the most important failure reasons. Similarly, it can be expected that the recruitment of the staff who do not study retailing management and have any field experience in the retailing sector will have a negative impact on the revitalization of small shops.

### 5.1.3. Frequent Job Rotations

Analyzing interview results, the author found that the officials of MSS and the staff of SEMS are not able to accumulate retail knowledge by developing and conducting aid programs for mom and pops, that is to say, they do not have enough time to become an expert through field experience, due to frequent job rotation system.

According to SEMS's senior manager, the staff in charge of boosting independent retailers tend to be rotated within a year. In addition, it is found that they do not want to get involved in such a business. It means that implementing support programs is regarded as one of the jobs that the staff want to avoid within an organization in particular. With respect to the reasons why the staff dislike to join the department taking a responsibility for supporting corner shops, the researcher found that the staff are faced with difficulties in communicating with shop owners, because they do not have retail knowledge and experience, compared with the independent retailers who have experienced retailing. As a result, it has become apparent that conducting the aid programs developed by MSS is not an easy job from a staff's point of view.

Accordingly, job rotation system has a tendency to discourage staff from accumulating retail knowledge. Unless the system is improved, it is natural that the retail management skills within governmental organizations will not be accumulated, and then, the number of small supermarkets will continuously decrease, because of poor sales performances.

### 5.1.4. Lack of Cooperation between Bureaucrats and Associations

When it comes to the failure reasons in revitalizing small grocery stores, most of interviewees said that there is the lack of communication amongst MSS, SEMS and supermarket cooperatives, when MSS develops support policies and SEMS conducts the aid programs. During the process of developing a support policy, the research found that the requirement of shop owners is not reflected well. Some interviewees stressed that they felt neglected when taking part in the meeting with the MSS, and then, their opinions are not reflected on the aid programs for supermarket owners.

Although MSS tends to host the official meeting with the chairman of regional supermarket cooperatives before finalizing aid programs, respondents believed that this process is a type of red tape, whilst there are few opportunities for interviewees to communicate with MSS and SEMS. Even though MSS has made a considerable effort to listen to independent retailers, it is not easy to say that the officials have well communicated with SEMS and corner shop owners. When taking interview results into account, what is apparent is that the lack of communication obviously exists amongst them. In addition, one of the interviewees described business meeting to look like a kind of talks between superiors and subordinates.

Consequently, it should be mentioned that the lack of understanding among them cannot positively influence building a successful aid policy. This kind of issue can be, moreover, regarded as one of the barriers to revitalize mom and pops. In the end, there is a need for the South Korean government to increase the meeting opportunities with practitioners in the field, in order to create successful support programs. Also, it is necessary to look at not only how MSS and SEMS improve communication opportunities amongst them, but also how they reflect the results of all meetings on developing support policies.

Owing to the lack of communications with governmental bodies, it is frequently witnessed that supermarket owners are less likely to participate in support programs, that is to say, they are less interested in those programs, as pointed out by the senior manager of SEMS. In other words, they do not trust many support programs developed by MSS. Through the improvement of communication system, first of all, it is very important for the governmental organizations to restore trust to each aid program. Without this process, it would be difficult to encourage independent retailers to actively take part in the aid programs.

## 5.2. Support Program Issues

It is necessary to take a look at what kind of problems concerned about failure reasons is provoked during the

process of implementing aid programs for mom and pops. Based on the interview results, the author found that there is no continuous support policy for shop owners. As an example, most aid programs are characterized by the short-term project without a long-term strategy, even though some programs are conducted over three years.

### 5.2.1. No Blueprint

With respect to the poor performance of a governmental support policy, interviewees commonly pointed out that there is no strategy and a long-term vision to boost small shops, that is to say, there is no blueprint within a government's organization.

Due to the absence of the long-term strategy to revitalize small grocery shops, all of the support programs have to be finished within a year or three years. Associated with the absence of a long-term vision, interviewees stressed that there is no expert who is able to commence such an idea within a government. As a result, it is expected that the officials of MSS are more likely to focus on developing short-term aid programs without a long-term strategy. The researcher, furthermore, found that the staff tend to show their achievement or ability within a short period of time, in order to get a promotion. What is interesting is, however, that the officials have nothing to do with shop owners' performance, whilst their interest is focused on the implementation of an annual budget, because their ability is evaluated, depending on whether they completely spend budget.

Considering such an evaluation system for officials, support programs for grocery stores will be continuously developed without a long-term blueprint, unlike private companies with a long-term vision.

Before developing successful short-term support projects, consequently, a long-term strategy or vision should be needed without doubt. In other words, all of the aid programs for mom and pops should be based on the long-term vision.

### 5.2.2. Lack of Retail Experts

Although SEMS has been organized to support independent retailers in the field, its staff do not directly conduct the aid programs developed by the central government. Its major role is to manage how support programs are done on site. In other words, doing support plans in the field is not the employees of SEMS. It means that SEMS has to select the suitable support institution which directly conducts aid programs in the field.

According to its senior manager, however, it is very difficult to choose an expert institution in the retailing sector. When it comes to the career of the support institutions which conduct aid projects on site, together with shop owners, he said that they do not have any retail expert as well as retail

experience. It is, thus, hard to expect the satisfactory results of each aid program.

Due to the lack of retail experts in the field, unfortunately, the author draws a conclusion that there is a limitation to maximize the effect of support projects. It is, consequently, necessary to bring up retail specialists, before developing aid projects for mom and pops. In fact, however, to my knowledge, it is not easy to find out the universities which teach retail management or skills, except for several universities. What is interesting, moreover, is that most of the professors who are called retail experts in South Korea did not study retailing management during master or doctorate courses. More surprisingly, when developing aid programs for small retailers, officials have to depend on their opinions.

As a result, interviewees stressed that support programs could not be sophisticated for small grocery stores, because of the lack of retail experts in reality.

### 5.2.3. Relevance to Budget Scale

As one of the representative failure reasons, interviewees tend to highlight that the degree of support budget scale is not relevant to expected effects, that is to say, a government is likely to allocate small budget to the revitalization of corner shops. Rather than allocating the amount of funding to achieve expected targets or goals, it is found that officials tend to develop support projects with limited annual budget. In a word, it can be said that they develop aid programs to spend limited fund, regardless of whether support projects are able to boost independent retailers or not. What is important is that the process of budget allocation is not related to the improvement of a corner shop's performance. It is, furthermore, interesting to investigate whether officials do not build any target or not, when developing support projects. Unfortunately, it is found that there is no goal, when developing an aid program and spending budget.

After a central government allocates annual budget to independent stores, surprisingly, the author found through an interview that the officials of MSS start to consider how to completely spend the limited funds within a year. Given such a process, it has become apparent that there will be no difference between the current and the future aid programs, in terms of support results. As noted by interviewees, if there is no change during the process of allocating annual budget, it is very difficult to improve a grocery shop owner's performance.

Without doubt, a budget should be allocated to achieve the targeted goal decided after the MSS discusses this issue with SEMS as well as practitioners. If so, the effectiveness of support projects should be maximized. Until now, due to the absence of this process, rather than the achievement of aid programs, the staff tend to pay their attention to spending budget within a limited period. Accordingly, it is difficult to



say that the degree of budget scale is suitable to the support results expected by practitioners.

Rather than focusing on how to completely spend the limited funds decided by a central government, to sum up, how the government allocates budget to accomplish a goal should be considered like private companies, in terms of improving the degree of budget relevance.

#### 5.2.4. Complexity of Budget Implementation

As one of the distress concerned about conducting a package of finance and other types of assistance to help shopkeepers, the chairmen of the regional supermarket cooperatives commonly argued that a government tends to require strict documents associated with budget implementation. Because of that, moreover, they said that such a process discourages them from actively taking part in each program. To get financial support funds, it is found that they have to do unnecessary activities as a miscellaneous duty. As an example, if documents like a receipt to demonstrate whether aid programs have properly been done as expected or not, do not fulfill the requirement of SEMS, they cannot get any support budget from a government. Therefore, they have to make considerable effort to make out a receipt, while wasting their time.

Due to such a burden, consequently, corner shop owners tend to show passive attitudes toward a government's support program, and further, think that they waste their time and efforts. Based on the interview results, the author found that this process should be innovatively improved to encourage shop owners to proactively participate in aid projects. In terms of eliminating a negative impression of a government policy, that is, to recover the degree of trust in support projects, the process of budget implementation should be simplified, and then, unnecessary documents should be removed.

### 5.3. Shop Owner-Related Issues

Unlike the officials of MSS and the staff of SEMS, what is evident is that independent retailers are the direct beneficiary of a government's support program. Many interviewees, nevertheless, pointed out that shop owners do not try to improve poor performance, although their survival depends on their ability, regardless of a government's policy. Even though the support projects for mom and pops are successfully developed by a government, it can be expected that those results would be poor, without a grocery store's active participation. With respect to shop owner-related issues, therefore, the author analyzed interview results.

#### 5.3.1. Aging Shopkeepers

Amongst shop owner-related issues, most of interviewees commonly argued that aging is one of the most

important ones in a retailing industry, because it has a negative impact on their business minds. First of all, aging tends to make corner shop owners passive and further, insensitive to rapidly changing business environment. In other words, they do not want to change their current business activities as well as retail skills accumulated through selling and buying experience, although their customers change shopping patterns from off-line to on-line.

Via an interview, more importantly, it is found that aging tends to discourage small retailers from modernizing their business know-how in response to a changing, challenging and shifting retail landscape. Owing to continuous aging, traditional retailers are losing the willingness to run their own business. According to one of the chairmen of supermarket cooperatives, it has become evident that aging shop owners are more likely to do their business as a pastime, rather than making a lot of money.

It can be, consequently, said that the aging of small shop owners resulted in the poor achievement of governmental support projects. Before developing a package of aid programs for corner shops, aging-related issues such as decreasing willingness to do business should be resolved through a consistent education program. Without this kind of process, support projects will continuously result in failure.

#### 5.3.2. Absence of Successors

Compared to the past when the youth used to open corner shops as a proprietor, it is not easy to find such a case in recent, without doubt. Despite the fact that South Korea has supported traditional retailers with considerable financial scale, more importantly, many shopkeepers have closed their stores, because of declining sales performance. According to the senior manager of the SEMS, the number of mom and pops has decreased, since 2000, although there were many types of financial and other assistances to help them.

In addition, although a government operates many academic programs that people are able to establish small stores, it is witnessed that younger generations are not interested in it. As a result, it is difficult to bring up successors in a retailing sector. In other words, the absence of a successor in the retailing industry has resulted in the decreasing number of mom and pops. It is, thus, necessary to look at why training programs fail in attracting potential proprietors. As mentioned earlier, educational plans to encourage people to start corner shops have been developed by non-experts in the retailing sector. Because of untrustworthy training programs, it has become much more difficult to bring up successors and further, to attract people's interest.

According to the interview results, it is found that the Korean government has to pay its attention to the

development of education courses to train potential shopkeepers as a successor in a retailing industry, innovating existing education programs to attract new proprietors. Otherwise, it has become evident that the effect of government policies for small retailers should be poorer than expected.

### 5.3.3. Increasing Dependence on Government

As one of the reasons why merchants operating a small supermarket cannot innovate their management techniques, most interviewees argued that a government's support scheme tends to discourage shopkeepers from introducing new retail skills. In a word, they tend to rely on the government, that is to say, they believe that the government will financially help themselves over and over. Associated with this kind of situation, interviewees said that the whole support programs tend to make them depend on the government, rather than encouraging them to develop their own competitive advantages.

As evidence, the chairmen of a regional supermarket cooperative commonly highlighted that the attendance rate of training programs without financial support is lower than expected. In the case of education schemes related to financial support programs, however, they said that many merchants are more likely to take part in such a training course to get financial benefits. More importantly, moreover, they stressed that shopkeepers' interest should be focused on whether or not to be able to get a government's fund, rather than how to improve or innovate their own retail know-how through education attendance.

Considering that existing government policies tend to generate such an atmosphere on site, it is natural that small retailers cannot help but financially depend on a government. Concerned about how to improve a merchant's competitiveness, some interviewees argued that education schemes should be developed by retail experts and regularly operated every year, while support policies for mom and pops should be based on the achievement evaluation of education to encourage merchants to actively participate in the training programs. Regardless of the improvement of learning outcomes through the training courses, if a government continues to support small retailers, it will be expected that its results will not be improved, that is to say, the degree of the financial dependence of shop owners on the government will be strengthened.

## 6. Conclusions

Given that there is no study examining the reasons why the South Korean government has failed in protecting mom and pops until now, it can be said that this research will encourage policy makers to innovate support programs with

new perspectives. Rather than proposing new innovative ideas to boost independent retailers, the author has tried to analyze the current problematic issues associated with poor performances of government support policies. This paper is, moreover, the first empirical study to investigate those reasons.

With respect to the reasons why government policies fail in boosting independent retailers, the author has had an interview with many practitioners to find out the answers. Based on the interview analysis, the key results of this study are as follows.

In terms of government-related issues, according to governmental bodies, it is necessary to clarify working area for each organization, avoiding frequent job rotations to bring up retail marketing experts. As pointed out by many interviewees, it has become apparent that the lack of retail experts in a retailing sector tends to create inappropriate aid policies for mom and pops. How to sort out the issue is, thus, closely related to the success of each support program. If there is no change within government organizations, the decline of independent retailers will continue.

Secondly, concerned about support program issues, the author proposes that a government has to develop a long-term vision to boost small shop owners, together with the help of real retail marketing experts. Without such a long strategy, it is hard to bring in retail experts, amend aid programs and draw up a suitable budget. Furthermore, governmental support policies would accelerate the vicious circle of declining corner shops. In the same vein, the process of budget implementation should be simplified to encourage small retailers to actively take part in a government's aid project.

Finally, associated with shop owner-related issues, the researcher suggests that a government should bring up successors through a sophisticated education program, in parallel with aging shopkeepers, whilst helping corner shops to develop their own competitiveness for themselves, rather than making them rely on the government.

As mentioned earlier, the purpose of this paper was to illustrate the failure reasons of government policies. It is, therefore, necessary to add future research to this paper to testify the research findings. Also, based on the research conclusions, the future research needs to propose innovative ideas to boost small retailers for the South Korean government.

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