International Comparison between Korea and Other Countries, in Terms of Retail Regulations

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Abstract

Purpose – This research is to provide new insights for policy makers in Korea, comparing South Korea and foreign countries such as Japan, UK, France, Germany, Netherlands, Sweden, Spain and the forth, in terms of the effects of retail regulations on a retail trade industry.

Research design, data, and methodology – After introduction, the research begins with literature review on the background why advanced countries have introduced retail legislations, then, will present their effects. The fourth section will compare the South Korea with the above foreign countries. Finally, the authors will draw conclusions and mention not only research limitations but also future research directions.

Results – Based on the previous research, the authors compared Korea and advanced countries, in terms of how retail regulations influence retail employment, retail productivity, retail price, and the protection of independent retailers. The authors found that industrialized countries have made a significant effort to protect small shops for social stability with many different regulations and/or budget. With regard to results, however, the degree of its achievement is lower than expected.

Conclusions – In order to protect small- and medium-sized retailers efficiently and effectively, policy makers need to develop better sophisticated retail regulations than those of advanced countries.

Keywords: Retail Regulations, Effect Analysis, Retail Policy, Comparative Study, Effect Measurement.

JEL Classifications: K23, K33, L51, L81, O25.

1. Introduction

Due to the declining number of independent retailers over the world, retail regulations have attracted many researchers' attention (e.g., Dixon & Mclaughlin, 1968; Dawson & Kirby, 1979; Baron et al., 2001; No, 2003; Viviano, 2008; Sadun, 2008; Shin, 2009; Cho, 2014; Cho et al., 2014). Furthermore, the Korean government has introduced a retail policy to protect mom and pops in 2010, even though there is doubt whether its effect is really available (Cho et al., 2014). What is evident is that small- and medium-sized retailers have continuously closed their own shops, because of the rapid growth of retail giants like E-Mart, Tesco Korea, and Lotte Mart. This result tends to encourage the government to develop the sophisticated retail constraints focusing on large retailers, as pointed by Minakata (2001).

In fact, the advanced countries like France, Japan, Germany, UK and Italy have paid considerable attention to keep small- and medium-sized retailers (e.g., Bliss, 1988; Marsden et al., 1997; Nogata, 1998; Collins et al., 2001; Abe, 2001; Wood et al., 2006; Viviano, 2008). There is, however, a conflicted argument concerned about whether retail legislations have really achieved its objectives as expected by governments (e.g., Viviano, 2008; Sadun, 2008). In the same vein, Korean researchers have explored whether the current legislations have saved small retail business (e.g., Cho et al., 2014). Nevertheless, it is very difficult to say that retail legislations have boosted independent retailers, including traditional markets.

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This research is, therefore, to provide new insights for policy makers in Korea, comparing South Korea and foreign countries such as Japan, UK, France, Germany, Netherlands, Sweden, Spain and the forth, in terms of the effects of retail regulations. The rest of this paper is organized as follows. The next section begins with literature review on the background why advanced countries have introduced retail legislations and then, will present their effects. The fourth section will compare the South Korea with the above foreign countries. Finally, the authors will draw conclusions and mention not only research limitations but also future research directions.

2. Regulation Aims and Types

It is necessary to note why governments have introduced many different types of retail regulations and further, what kind of retail legislation has been adopted. Needless to say, it is natural that different retail constraints have focused on achieving different regulation objectives, as pointed by Hollander and Boddewyn (1974) and Cho (2014). Accordingly, it should be considered that different retail systems have given rise to various retail restrictions from country to country. First of all, political maps tend to strongly influence the degree of retail regulations, and further, affect retail productivity in the long term (Sadun, 2008).

It should, therefore, be mentioned whether they have really accomplished their objectives as expected, after looking at why countries have developed such retail legislations. The author will, furthermore, investigate the relation between deregulations and their effects on the retailing sector to clearly understand the effects of retail regulations.

2.1. Objectives of regulations

In addition to the research conducted by Hollander and Boddewyn in 1974, Cho (2014) has recently categorized the objectives of retail legislations into six groups: (1) Protection of small- and medium-sized retailers (2) Development of retail industry (3) Improvement of life quality (4) Promoting fair trading (5) Protection of human right, and (6) Environmental protection. Although the many different types of retail policies introduced by foreign countries are slightly different, their ultimate goals are under the six categories.

Amongst those objectives, it should be noted that most of countries have introduced various retail regulations to protect mom and pops in particular (Collins et al., 2001). Even though many advanced nations have argued that retail constraints should be needed to boost a retail industry, it is not easy to find its evidence (e.g., Minakata, 2001). On the other hand, large retailers have grown at the expense of

them (e.g., Baily, 1993; EC, 1993; Kreimer & Gerling, 2006). It is, therefore, necessary to explore the effects of legislations on a retail sector.

What is important is that most developed countries have significantly paid their attention to the development of retail legislations, as part of efforts to encourage customers to more frequently visit independent stores. First of all, the increased retail concentration of top retailers in France, Germany, Italy, Japan, and UK has sustainedly stimulated each government to strengthen retail policy to keep small shops (e.g., Kenzi & Masamori, 1997; Guy & Bennison, 2002; Wood et al., 2006).

2.2. Legislation types

As one of the representative examples, many researchers have mentioned the effort of Japanese government to protect small- and medium-sized retailers, because Japan introduced the Department Store Law in 1937 with the aim of regulating the large department stores threatening them (e.g., Shirota, 2007). Considering the historical background which large department stores aggressively expanded their own business at the expense of small entrepreneurs, it should be mentioned that this law was an innovative method to keep them. Even though this legislation was abolished in 1974, because the government could not regulate the large retail giants operating supermarkets as well as discount stores or hypermarkets over 1960s, the Japanese policy makers clearly suggested regulation types (Katou, 2012).

It is, thus, important to look at what kind of retail restriction should be adopted by foreign countries to achieve the many different objectives of retail regulations. As summarized by Cho (2014), there are many different retail legislations, like store size limit, the control of opening hours, the delegation of authority, and so on. Before mentioning whether their effects on a retailing industry are positive or negative, it is essential to investigate legislation types.

2.2.1. Store size limit

This kind of retail legislations is preferred by many advanced countries like Japan, Germany, France, USA, Italy, Belgium and UK, because they believe that the rapid growth of large box retailers results from large store size (e.g., Abe, 2001; Denning & Lary, 2005; Viviano, 2008; Katou, 2012). Basically, retail giants believe that enlarging selling shop floors is the best option to improve retail productivity. There is, thus, no doubt that big box retailers with large selling spaces are characterized by a huge amount of SKUs for one-stop shopping, and furthermore, better store atmosphere. By contrast, the South Korean government does not regulate store spaces, although introduced retail laws to keep traditional markets in 2010 (Cho, 2014).

In terms of competitiveness, it is apparent that a large

shop floor is one of the strongest factors threatening small retailers. Police-makers are, thus, more likely to regard the limitation of selling spaces as one of the easiest options to boost independent stores or control retail giants, as pointed by Abe (2001). Nonetheless, the South Korean government has not paid any interest to this kind of retail restrictions.

2.2.2. Opening hours and closing days

As the second popular methods to regulate large retailers, many governments have introduced the limitation of business hours and store closing days (e.g., Mineo, 2008; Wenzel, 2010; Asensio, 2012). In the same vein, Sunday trading was prohibited for a long time in the west European countries, although being deregulated in recent (Senftleben-Konig, 2014). By forcing large retailers to reduce opening hours, many governments have encouraged customers to visit small retailers. As an example, Japan required large retailers to close their retail outlets more than 44 days during a year, based on the Large-scale Retail Store Law in 1974 (Kotani & Deie, 1997).

With respect to the limitation of opening hours, however, most countries are likely to deregulate, although some countries like France, Germany and Norway have still prohibited Sunday trading (Cho, 2014).

2.2.3. Land use or zoning planning

With the increasing number of shops at the outskirts of big cities, most governments have paid considerable attention to land use polices. Generally speaking, lower land prices tend to encourage big box retailers to open their stores out of town.

Rather than directly constraining multiple retailers with laws, therefore, many advanced countries have preferred planning and zoning restrictions. As evidence, Germany in 1968, the UK in 1993, Japan in 1998, Netherlands in 1965, USA 1916, Belgium in 1962 and Italy in 1998 (e.g., Baily & Solow, 2001; Viviano, 2008; Sadun, 2008) have introduced this restriction on the retailing sector. Regardless of regional characteristics, those countries have commonly categorized land as three zones such as residential, commercial and industrial area, to prevent large retailers from opening their retail outlets (Pilat, 1997). In fact, land use polices have been regarded as one of the most important policy instruments by advanced countries and its effect has continuously been a controversial issue (Davies, 1995).

What is important is that retail planning policy results from the increasing number of large stores out of skirt, whilst it aim is to protect small independent retailers and high street. It is, therefore, worthwhile exploring whether its goals have been achieved or not.

2.2.4. Limitation of below-cost pricing

There is no doubt that customers are very sensitive to price levels, as pointed by many researchers (e.g., Jacoby et al., 1971; Stokes, 1973; Imperia, 1981). As one of marketing vehicles to beat competitors, thus, a price factor is preferred by large stores. In other words, when big box retailers open their shops, they tend to use predatory pricing strategy to beat their competitors who are small- and medium-sized retailers, including retail giants (Bliss, 1988).

On the other hand, it would be easier to say that independent stores do not have enough ability to compete large retail firms, in terms of price wars. Consequently, the introduction of the ban of below-cost pricing is a part of efforts to protect mom and pops from the price war provoked by large retailers, from the policy-maker's point of view. As a representative example prohibiting the practice of below-cost pricing, there are Ireland in 1987, Belgium in 1991, Portugal in 1993, Spain in 1996, Greece in 2001, Italy in 2001, and Luxembourg in 2002 (e.g., Colla, 2003; Restrictive Practices (Groceries) Order 1987, 2011; Cadete & Oda, 2013). Given that many European countries have regulated retailers to lower prices than product cost, it is evident that below-cost pricing is one of the strongest methods to beat small retailers. It can be, thus, said that its objective is directly to keep independent retailers from intensified price competition.

2.2.5. Others

It should be noted that the Competition Test introduced by the UK (Competition Commission, 2000) and the delegation of authority from central government to local authority are a part of efforts to boost regional economy. In other words, this kind of restriction should be based on the concept of protecting small independent stores, against the large retailers entering into local markets (Cho, 2014). Given that local governments know its economic situations very well, it is essential whether legislations are needed or not should be decided by local authorities.

Not surprisingly, it should be noted that many advanced countries have made significant efforts to protect mom and pops with many different regulation types. On the other hand, a few nations have deregulated to boost a retail industry, although small- and medium-sized retailers are struggling because of the aggressive expansion of retail giants. What is important is that most of countries have experienced the enhancement of regulations or deregulations, depending on the characteristics of ruling party. Nevertheless, how to protect independent retailers has attracted a policy maker's interest over the world.

As mentioned earlier, however, it is difficult to find out the research investigated how much the retail legislations introduced by above advanced countries have worked for independent retailers, including public markets, according to each regulation type. It is, thus, worthwhile identifying or comparing their effects on a retailing industry.

3. Effect Evaluations of Regulations

Although advanced countries have introduced many different retail restrictions into a retailing sector with the aim of keeping independent retailers, it should be here noted that their effects are different, depending on each country's political and industrial structure, as pointed by Sadun (2008) and Viviano (2008). It is, therefore, necessary to develop measurement criteria to explore the influences of retail legislations.

As the key evaluation criteria to discuss the results of retail law introduction, this research suggests the followings: retail employment, retail productivity, retail price, and protection of independent retailers. Amongst the above elements, given that the major objective of regulations is to protect small- and medium-sized retailers, it is significantly important to look at whether the number of independent retailers increases or not.

3.1. Retail employment

According to the previous research conducted by Bertrand and Kramarz (2002), Viviano (2008), Sadun (2008), Jodar (2009) and Ciarreta et al. (2009), retail legislations have an impact on lowering retail employment growth. In other words, retail restrictions tend to negatively affect job creations.

As evidence, rather than regulations, the deregulation that central or local governments encourage retail firms to open new shops is more likely to increase retail employment in Italy (Viviano, 2008). In the same vein, it is found that the entry barriers for large retailers have restrained employment growth in the retail trade sector in France (Bertrand & Kramarz, 2002). In the UK, Sadun (2008) examined the effects of planning and zoning controls on retail employment, and stressed that less restrictive regulations have made a significant contribution to the higher growth of retail job creation. Furthermore, the Dutch government examined how the deregulations of shop opening hours could affect job creations in 1995, and expected that a retail industry was able to generate more than 15,000 jobs, whilst 1.3% increase in retail employment after liberalizing store operation time was predicted in Germany in 1998 (Ciarreta et al., 2009). Bertrand and Kramarz (2002) confirmed the same result examined in the above countries in France, that is to say, central and/or local restrictions for large retailers reduced retail employment.

Based on the past research results, the authors can draw the conclusion that the stringent retail restrictions on a retail trade industry have a negative effect on retail employment. If a government wants to create new jobs, rather than regulating retail giants, it would be said that the liberalization of retail policy should be the best option.

3.2. Retail productivity

As pointed by Baily and Solow (2001), a retailing industry is regarded as one of the most important business sectors, in terms of employments as well as economic activity. Therefore, the retail sector has attracted many authors' interest to measure retail productivity (Dawson, 1995; Pilat, 1997; Basu et al., 2003; Reynolds et al., 2005; Manser, 2005; Griffith & Hamgart, 2005; Dawson, 2007; Haskel & Sadun, 2012). Before discussing this issue, it should be noted that retail productivity varies, depending on the degree of the adoption of self-service concept, the use of information technology and the degree of retail know-how (Dawson, 1995; Reynolds et al., 2005). In addition, some retailing academicians argue that the indexes suggested by economic theories to evaluate retail productivity do not help retailers gain practical insight into their own effectiveness (Reynolds et al., 2005).

It is, nevertheless, apparent that retailers have developed their own performance indexes, such as labour, space and capital productivity, as pointed by Reynolds et al. (2005). On the other hand, Manser (2005) emphasized that gross margins, labour hours, capital services, goods purchased for resale and intermediate inputs should be used as the key performance indicators to evaluate retail productivity, when mentioning retail trade output.

Considering the above various measurement criteria as well as different retail environment, this research should focus on analyzing labour productivity, although retailers use a variety of measures. It is, moreover, kept in mind that the results of labour productivity are different from country to country, because of a number of other causes, as mentioned earlier.

With regard to the comparison of retail productivity, Pilat (1997) found that the USA, Germany, Switzerland, France, Belgium and Luxembourg relatively show higher labour productivity, whilst Baily and Solow (2001) highlighted that it is lower in the emerging countries like Brazil and South Korea, including Japan. Without doubt, there is a measurement problem, when comparing the U.S. with European countries in the retailing sector. As noted by Baily and Solow (2001), the American retailing knowhow is much more innovative and sophisticated than those of European countries. In the same vein, it can be said that the retailing knowledge accumulated in the western countries has led the world retailing market. By contrast, Foster et al. (2002) argued that the growth of retail productivity in the American retailing trade industry resulted from the increasing number of new shops, rather than productivity improvement in the existing stores.

In addition, it is necessary to look at the relationship between the degree of competition structure and retail productivity. Without doubt, competitive retail environment is more like to encourage retailers to improve retail productivity, in order to survive in marketplace (Griffith & Harmgart,

2005). Owing to fierce competition structure, retailers have invested a large amount of budget in the development of information technology like POS. As a result, productivity depends on how much retailers invest on information system development (Basu et al., 2003). In a word, it should be noted that deregulation stimulates market players to compete with each other, and then results in the improvement of productivity. As evidence, Turik (1984) found that deregulating shop opening hours was able to increase labour productivity in the French market. On the other hand, the fact that large retailers open smaller establishments like convenience shops, owing to retail restrictions regulating big box retailers to stop building large stores, has statistically a negative impact on the growth of retail productivity, as noted by Haskel and Sadun (2012). Also, it is found by Cheshire et al. (2011) that the planning policies introduced by the UK government in 1996 influenced the decline of store productivity.

Consequently, it can be said that strict regulations result in lowering retail productivity. If governments want to improve retail productivity, thus, it is necessary to encourage retailers to compete with each other. In addition, retailers have to develop their own competitive advantages to survive in fierce market, as a marketing vehicle to improve retail productivity.

However, depending on the types of regulations, it is found by Loayza et al. (2004) that better institutions are able to minimize the adverse impact of regulations on the performance of a retail trade sector.

Finally, although there are conflict arguments associated with the effects of restrictions on retail productivity, it is evident that negative impacts have frequently been examined by many researches, rather than positive ones.

3.3. Retail price

In order to directly protect small- and medium-sized retailers from price wars, some European countries have introduced the ban of below-cost pricing (Cho, 2014). This issue has, however, provoked significant debate from the customer's point of view in the retailing academic world. Unlike other retail legislations, banning below-cost selling is relatively preferred by a few countries. In terms of customer right, nevertheless, there was no evidence that consumers enjoyed the opportunity to purchase products at cheaper price (Pita et al., 2003; Griffith & Harmgart, 2005). What is important is that customers have the right to buy the better product at the cheapest price provided by any retailer.

Associated with the relation between regulations and retail price, many authors argued through an empirical research that there is a positive relationship (Collins & Oustapassidis, 1997; Pilat, 1997; Collins et al., 2001; Pita et al., 2003; Griffith & Harmgart, 2005), that is to say, the fact that governments have regulated large retailers to sharply cut regular prices gives rise to price increase. However,

Tanguay et al. (1995) stressed that deregulation is one of the much more important elements increasing price levels, due to the higher operating cost to deliver better shopping environment. On the contrary, other researchers highlighted that regulations rarely influence retail price increase (Cotterill, 1986; Newmark, 1990, Asplund & Friberg, 2002).

Based on the previous literature, it is apparent that retail constraints on retail giants such as the practice of below-cost selling as well as planning zone regulations tend to increase product prices for customers, because of limited price war (Griffith & Harmgart, 2005). In particular, the prohibition on below-cost selling or loss-leading led to the improvement of return on investment for big box retailers (Collins et al., 2001). For example, product margins, on average, increased from 15.8% in 1988 to 20.1% in 1993 in Ireland (Collins et al., 2001). This kind of result is witnessed by many countries like Belgium, France, Italy, Sweden, Spain, and the US (e.g., Collins et al., 2001, Biscourp et al., 2013). At the same time, the ban on below-cost selling helped manufacturers to improve their profits, at the expense of customer right (Allain & Chambolle, 2005).

According to Schivardi and Viviano (2007) who researched the effects of entry legislations on retail prices, however, the deregulation of firm entry restrictions led to a reduction in consumer prices and stabilized product prices in Italy. In addition, retail concentration, that is, market power has a significant impact on retail price as well as retail productivity, as pointed by Smith (2004). It means that promoting price wars should be regarded as one of the most important mechanisms to control consumer price indexes for customers. It is, also, found by the research conducted by Civil department in 1991 that the deregulation of shop opening hours might be able to decrease price level by 0.6% in Sweden. It can, therefore, be said that the below-cost selling law is significantly related to political map. As one of political agendas, the relationship between regulations and retail price should be considered by policy makers

As a result, although there is a conflict debate about the effects of retail restrictions on retail price, it is clear that deregulation is a better option to stabilize good prices in market than any regulation, as seen in many countries.

3.4. Protection of independent retailers

Since large retailers appeared in market, many governments have made a considerable effort to protect mom and pops, including traditional markets (Hollander & Boddewyn, 1974; Dholakia & Dholakia, 1978; Cho, 2014), as noted earlier. This issue is, therefore, much more important than other objectives introducing retail regulations, from the government's perspective. It is, furthermore, simple to measure whether the introduced legislations have really kept small- and medium-sized retailers or not, unlike the effects of retail law on retail employment, retail productivity and

retail price. When it comes to the discussion of the restriction effects, there are many different conflict arguments, in terms of evaluation criteria. In this case, however, there is no doubt that the increase or decrease of the number of independent retailers should be regarded as one of the most important measurement tools.

Not surprisingly, it is demonstrated by Orea (2010) that stringent retail barriers for large retailers have, to some extent, achieved its own objective which protects small- and medium-sized establishments. After introducing the prohibition of below-cost selling in Ireland in 1988, it has become apparent that competitive activities amongst retailers were reduced, compared with the past (Collins et al., 2001). From price wars, it is witnessed that independent retailers are, more or less, protected in the advanced industrial countries introduced the ban on below-cost selling.

In contrast, there is a debatable argument that traditional shops within town centre have been replaced by large chain stores, although central or local governments habe made a considerable effort to protect them (e.g. Baily, 1993; Riethmuller, 1996; Coca-Stefaniak et al., 2005). According to the research conducted by Biscourp et al. (2013), it is unlikely that below-cost legislation slowed down the rate of closure of corner shops after 1997 in the French market. In other words, many independent stores have been taken over by large retail chains or become a franchisee. Similarly, after the UK government imposed the new planning guidelines to protect inner town small independent stores in 1996, the top four UK retail giants have actively developed new smaller retail chain like convenience stores (Clarke & Hallsworth, 2001; Cheshire et al., 2011; Haskel & Sadun, 2012). In other words, local shops have been replaced by the new fascia of large retailers. Consequently, it would be difficult to say that its objective has been achieved (e.g., Peterson & Ennew, 2000; Gordon & Walton, 2000; Viviano, 2008; Sadun, 2008). In more detail, the number of 'non-affiliated shops' decreased from 24,000 in 1996 to 22,000 by 1998 in the UK (Gordon & Wilson, 1999), as seen in Spain (Coca-Stefaniak et al., 2005).

To sum up, there is no doubt that the decline of independent retailers has been experienced by many advanced countries, although paying their considerable attention to the protection of small- and medium-sized retailers. By developing sophisticated retailing knowledge like innovative retail formats or information technology and further, using predatory prices, the market concentration of big supermarket chains has continuously increased, in spite of severe and excessive regulation and unduly restrictive retail policies. It should be, therefore, noted that the number of incumbent stores would, more or less, decline in the long term, even though governments make a significant effort to keep them. In other words, although governments cannot protect all of small- and medium-sized stores completely, it has become apparent that restrictions have contributed to slowing down the rate of decrease of those retailers.

4. Comparison of South Korea and Foreign Countries

As noted by Griffith and Harmgart (2005), internationally comparing the effects of regulations on a retail trade industry should be regarded as one of the best options to inform a variety of political agendas for policy-makers. In other words, cross-country productivity comparisons are able to deliver a strong impact of restrictions on retail performance to a country in which will regulate big box retailers (Baily, 1993). When developing competition policies, it would be useful to investigate whether productivity growth has fallen since the introduction of restrictive legislations or not (e.g., Pilat, 1997; Burt & Sparks, 1997; Coca-Stefaniak et al., 2005; Reynolds et al., 2005; Haskel et al., 2007). As one of representative examples, Burt and Sparks (1997) interestingly compared the UK with France, in terms of retail margins.

There are, however, many problems associated with international effect comparisons such as measuring retail productivity, classifying a retail trade industry and considering retail contexts, as mentioned by Manser (2005), Dawson (1995) and Reynolds et al. (2005). When exploring the effect differences of retail regulations between counties, thus, it is essential to relatively consider their retail market characteristics.

Before comparing Korea with other advanced countries, it should be noted that there has been a lack of empirical researches analysing the regulation effects on the Korean retailing sector since the introduction of restrictions in 2010. As a result, it is not easier to compare Korea with foreign countries. It is, nonetheless, worthwhile trying cross-national comparison.

4.1. Characteristics of Korean regulations

Compared to the industrialized countries like Japan, France, Germany and so forth, it should be mentioned that the attempt to protect corner shops as well as traditional markets was too late in Korea (Cho, 2014). Korean government has introduced retail regulations in 2010, whilst the above advanced countries started to restrict large retailers before the beginning of 1970s, with an aim to protect small- and medium-sized retailers (Hollander & Boddewyn, 1974; Cho, 2014). Given the time introduced restrictions into a retail trade industry, there is little literature examining its effects. In addition, it is found by Cho (2014) that Korean regulations are different from those of other countries, in terms of legislation types.

As one of the significant differences between Korea and the above advanced countries, the Korean government has focused on protecting conventional markets, rather than the whole independent retailers (Cho, 2014). In other words, the only mom and pops within a 1 km radius from traditional

markets are more likely to be protected, whilst other shops are able to be attacked by large retailers in practice. It is, therefore, essential to look at the background why Korea has developed such legislation. There were more than 210,000 shops and 350,000 employees in conventional markets cross the country, according to the data researched by Agency for Traditional Market Administration in 2013. With the rapid expansion of large retailers, the decline of traditional markets has attracted many politicians' interest. Since 2005, conventional markets have started to organize merchants to protect themselves, with the help of the government. Indeed, the government made a significant effort to protect them in 2004, but failed to establish retail laws. After 6 years, Korea introduced regulations. As a result, these regulations are not applied to shop owners far from more than 1 km from traditional markets, and then, tend to stimulate large retailers to introduce new innovative business models.

As evidence, in order to avoid the government interventions, retail giants like E-Mart and Lotte have invested a huge amount of budget in developing shopping complexes comprising of more than 100 shops on the outskirt of central1 cities. Rather than the existing hypermarkets/discount stores and supermarkets operated by big box retailers, such a shopping mall has been regarded as one of the most powerful competitors for independent retailers. It should, thus, be noted that Korea might not be able to protect small- and medium-sized retailers with existing retail restrictions from an independent retailer's point of view, as noted by Cho et al. (2014).

Compared with other advanced countries in which have introduced stringent legislations for mom and pops, it can be said that the Korean government might not be able to achieve the same results, as demonstrated by the research conducted by Agency for Traditional Market Administration in 2014. There is, therefore, doubt whether Korean government really wants to keep independent retailers.

4.2. Retail employment and productivity

Rather than the effect measurement of retail restrictions on independent retailers, including traditional markets, many Korea authors have significantly paid their attention into changing retail employment as well as productivity from an economist's point of view since Korea introduced retail legislations (e.g., Jung & Choi, 2013). After the introduction of retail laws in 2010, researchers are interested in analyzing a retailing industry, that is, how regulations influence a retail trade sector.

Based on the previous literature, the authors found that retail regulations tend to negatively affect a retail sector. In particular, Jung and Choi (2013) argued that retail legislations resulted in the decrease of retail market size, although slightly helped conventional market improve sales revenue. In the same vein, Cho et al. (2014) explored

whether regulations protected independent retailers as well as traditional market or not, and drew a conclusion that restrictions rarely created new jobs in a retail sector.

According to KERI in 2014, the number of employees in a retail industry slightly stood at about 3,660,000 in 2013 from around 3,580,000 in 2010, thanks to the increasing number of hand set shops and others, rather than the increase of retail outlets. During the same period, the number of small-and medium-sized retailers increased from 579,728 to 602,517. On the other hand, KERI reported that retail employment declined from 15.02% in 2010 to 14.60% in 2013 at Korean labour market. Nevertheless, Kim (2015) found that the growth rate of retail employment was surprisingly improved after 2010. It is, however, necessary to examine those data in more detail. In other words, when analysing the number of stores, the researchers have to investigate what kind of shops increases. Except for some stores who do not deal with grocery products, it should be mentioned that Korean regulations did not make a contribution to the new job creation and the opening of new retail outlets in a retail sector like other developed countries.

In terms of retail productivity, KERI in 2014 tried to compare Korea with advanced countries like USA, Germany, Japan and UK. Through international comparison, KERI points that Korea relatively shows lower retail productivity than the above countries. Furthermore, what is important is that the growth rate of retail productivity was improved before 2010, but declined from 2010 to 2013 (Kim, 2015).

To sum up, even though the number of business units increased after 2010 introduced retail legislations, it is nothing to do with the improvement effect of retail employments. In addition, the introduction of retail restriction negatively influences retail productivity. It should be here kept in mind that the degree of labour productivity was relatively lower than other advanced countries before 2010, as seen in the <Table 1> and <Table 2>.

<Table 1> International comparison of retailing industry (%)

Year	Korea		UK		Germany***		USA		Japan	
	E*	GDP	E	GDP	E	GDP	E	GDP	E	DGP
2004	16.4**	6.4**	17.3	10.8	15.2	9.6	14.7	12.7	17.0	13.5
2012	15.0	8.0	14.0	9.0	23.0	15.0	15.0	10.0	18.0	11.0

Source: adapted from KERI (2014) and Kim (2007).
note: * - Employment
　　** - data developed in 2005
　　*** - including the number of restaurants

<Table 2> International comparison of retail productivity (PPP*)

Year	Korea	UK	Germany	USA	Japan
2004	100.0%	219.4%	226.2%**	389.9%	253.9%
2013***	100.0%	137.4%	126.0%	189.1%	129.4%

Source: adapted from Kim (2007) and KPC (2015).
note: * - Purchasing Power Parity
　　** - including the number of restaurants
　　*** - total service industry including retailing

4.3. Retail price

Unlike Ireland, Belgium, Portugal, Spain, Greece, Italy, France and Luxembourg (e.g., Colla, 2003; Restrictive Practices (Groceries) Order, 1987, 2011; Cadete & Oda, 2013), the South Korean government has not paid its attention to the ban of below-cost selling. It means that large retail giants are able to sharply cut regular price to beat independent retailers in market.

Given that previous researches argue that the prohibition on below-cost selling is regarded as one of the reasons causing inflation (Colla, 2003; Allain & Chambolle, 2005), there is no doubt that the absence of such a regulation can help governments keep stable consumer price index, thanks to a fierce price competition between big box retailers and small- and medium-sized retailers.

When it comes to the effect on the ban of below-cost pricing, thus, the authors can conclude that corner shops can be protected from the predatory price of large retail giants at the expense of customer protection and rights for products and services. As evidence, it is witnessed that the countries introduced the retail regulations associated with price are more likely to experience retail price increase (e.g., Collins et al., 2001).

However, considering the fact that Korea has not developed price-related regulations and is not interested in the price wars between multiple retailers and independent retailers, it would be difficult to compare Korea with the above countries such as Ireland, Belgium, Portugal, Spain, Greece, Italy, and Luxembourg who have regulated below-cost selling, in term of retail price. In other words, it is meaningless to try to find out some connections between retail price and legislations in a retail trade sector in Korea. Basically, retail price increase should be controlled by the free competition between retail giants and small- and medium-sized retailers in Korea.

4.4. Decline of independent retailers

In fact, many countries experienced mom and pops to be out of business, because of the rapid growth of large retailers. Thus, they started to introduce retail policy or regulations to protect small- and medium-sized retailers (Hollander & Boddewyn, 1974). In other words, advanced countries have made a significant effort to keep independent retailers with a variety of ideas and policies at the early stage. However, it would be difficult to say that they have really achieved their own goals.

As evidence, the number of traditional local shops has continuously decreased from 43,874 in 2005 to 35,250 in 2010 in the UK, according to the data published by IGD. In contrast, during the same period, major operators increased their supermarkets from 6,578 in 2005 to 7,970 in 2010. In the same vein, Japan witnessed the decline of independent retailers with less than 4 employees from 74.6% in 1997 to 66.5% in 2007, in terms of the number of stores (Minakata, 2001). Similarly, if the authors take a look at the degree of retail concentration rate, it is obvious that the market power of top retailers has become stronger than ever before (Mesic, 2015). It means that there is no improved market position for independent retailers. As pointed by many researchers (e.g., Mesic, 2015), developed countries like France, UK and Germany who have introduced retail legislations for mom and pops tend to show much higher retail concentration ratios than other countries. Also, the Italian market in which has strictly regulated large multiple retailers show the increasing market share of top retailers. According to the study conducted by Planet Retail Ltd (2006), top 5 retailers in Italy accounted for 24.8% of food retail sales volume in 2013, and then, expected to increase by 26.3% in 2020, whilst the traditional independent stores in Spain will experience the decline of their market share from 21.8% in 2007 to 15.7% by the end of 2020.

Similar to the above countries, Korean government has financially invested a lot of resources in revitalizing conventional markets and independent shops to date. According to Traditional Market Administration in 2013, nevertheless, the sales revenue continuously decreased after the introduction of restrictive regulations for large retailers from 24 trillion won in 2010 to 19.9 trillion won in 2013, that is, more than 17%. On contrary, multiple retailers like E-Mart, Home-plus and Lotte Mart who have operated hypermarket/discount stores and supermarkets expanded their market volume from 43.2 trillion won to about 53 trillion won during the same period. Furthermore, major retailers aggressively opened 451 new supermarket stores as well as 42 hypermarket/discount stores, in spite of the government efforts to keep traditional small stores.

Commonly, all of the countries who have introduced to protect traditional markets and/or small- and medium-sized retailers are more likely to demonstrate that any regulation cannot prevent the growth of multiple retailers at the expense of independent retailers. With respect to this kind of market trend, more interestingly, Sadun (2008) argued that the policy regulations over land-use encouraged major retailers to diversify their retail format such as convenience store. As a result, traditional independent shops have been threatened by them.

Consequently, the authors draw a conclusion that there is no retail regulation which can completely protect independent stores, through international comparison, as seen in the <Table 3>. It is, however, apparent that restrictions are able to slow down the decline of those stores, although Orea (2010) in Spain stressed that regional regulations have effectively protected independent retailers and improved their market positions.

<Table 3> Effects of retail regulations

Country	Retail employment	Retail productivity	Retail price	Decline of independent retailers
UK	Negative	Negative	N.A	Yes
France	Negative	Negative	Up	Yes
Italy	Negative	Negative	Up	Yes
Germany	Negative	N.A	N.A	Yes
Japan	Negative	Negative	N.A	Yes
Spain	N.A	N.A	Up	No
Korea	Negative	Negative	N.A	Yes

note: N.A – not available.

4.5. Differentiated support methods

Unlike advanced countries in Europe, Korea has paid considerable attention to the invigoration of traditional markets with tremendous amount of annual budget, rather than developing stringent retail restrictions. In fact, it would be difficult to find out the cases that governments provided financial support with an aim to keep independent retailers in Europe. In other words, European countries prefer legal policy to financial support for independent retailers.

In contrast, including the support of local authorities, Korea spent around 3.9 trillion won from 2002 to 2015, in order to revitalize conventional markets, according to Traditional Market Administration in 2016. In this respect, it should be noted that Korean retail policy is quite similar to Japanese one. With the increasing power of large retailers over 1970s, Japanese government seriously innovated retail policy with a huge amount of budget to modernize existing traditional shopping environment (Kenzi & Masamori, 1997).

In order to protect independent retailers, there are largely three options that governments can adopt: only financial support, only legal support and both. As noted earlier, Korea and Japan belong to the final option category. In terms of degree of retail regulations, however, it would be hard to say that Korea is much more serious than Japan. When it comes to the availability of legislations, Japan has directly regulated big box retailers to open new stores. Even though abolished Large-Scale Retail Store Law in 2000 because of the trade pressure from EU and USA, the Japanese government has introduced much more serious alternative restrictions for large retailers. What is evident is that policy makers have paid considerable attention to the protection of corner shops, in spite of the diplomatic conflicts generated by trade relation. On the other hand, by regulating retail giants not to open new stores within a 1 km radius from traditional markets, Korea has tried to keep them. In practice, it is difficult to find the effort that Korea legally protects small- and medium-sized retailers. Generally speaking, Korea is much more interested in financial support than in introducing legal policy, as noted by Cho (2014).

5. Conclusions

Through international comparison, the authors conclude that the regulations for large retailers tend to negatively influence a retail industry in terms of retail employment, retail productivity, and retail price, as pointed by EC (1993) and OECD (1994). Furthermore, the research found that the protection of declining independent retailers is one of the difficult jobs from a policy maker's point of view. In other words, retail restrictions have not completely protected small- and medium-sized retailers, although many governments have made a significant effort to protect small shops for social stability with many different stringent retail laws and/or financial budget. what is important is that their efforts result in decreasing the speed of decline of independent retailers.

On the other hand, some previous researches (e.g., Thurik, 1984; Bertrand & Kramarz, 2002; Viviano, 2008; Sadun, 2008; Jodar, 2009; Ciarreta et al., 2009) stressed that retailers can grow retail market size or create new jobs, that is to say, deregulation is more likely to boost a retail industry, because retailers have to compete to survive with each other, regardless of store sizes.

Compared with the above countries who are more likely to limit the permission of new store opening with many different vehicles, it seems that the degree of Korean government's intention to protect small shops and conventional markets is relatively weaker. To sum up, in order to revitalize traditional market as well as small- and medium-sized retailers, this research implies that Korea has to practically introduce much more stringent retail laws, even though regulations tend to provoke negative impacts on a retail sector. Based on the result analysis of existing restrictions, it is necessary to develop new innovative regulations, that is to say, policy makers have to actively create sophisticated legislations for independent retailers.

There are some research limitations to measure the effects of restrictions on a retail trade industry like any literature. Whenever examining the economic effects of regulations, researchers highlight that different measurement models give rise to different results (Gradus, 1996). It is, therefore, necessary to develop a right technique to evaluate those effects.

In addition, in terms of retail contexts, there are many differences between Korea and other advanced countries. Future researches should, thus, consider different retail environments, when comparing Korea with other countries. Also, given that e-retailing exceeds the sales volume of hypermarket/discount stores in 2016, the future research has to explore whether the existing regulations are truly available for independent stores or not. Furthermore, researchers should suggest how to regulate e-retailers to protect independent stores.

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