

RESEARCH INTEREST

FACTORS CAUSING THE WITHDRAWAL OF
FOREIGN RETAILERS FROM THE KOREAN
RETAIL MARKET

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Keywords

Korean retail market, multinational enterprises, localization

Abstract

Most experts agree that Wal-Mart and Carrefour are a few of the largest retailers in the world. Wal-Mart and Carrefour have been doing their businesses well domestically and globally. But, after experiencing hardships, Wal-Mart and Carrefour evacuated their business units from Korea in 2006. Wal-Mart and Carrefour, the largest and second-largest retailers, failed in the Korean retail market, which is one of the fast-rising emerging markets in Asia. The failure of these two retailers in Korea attracts many researchers and C.E.O.s in the retail business as the failure represents an empirical showing that success in a home country does not guarantee success internationally. However, the literature focused on this issue is scarce. This paper investigated the factors that have caused the failure of Wal-Mart and Carrefour in the Korean retail market. For this discussion, this paper compared the marketing strategies of the big four retailers in Korea: Wal-Mart, Carrefour, E-mart, and Samsung- TESCO. E-mart is the Korean retailer which beat Wal-Mart and Carrefour and took the number one position in the Korean retail market with a unique marketing strategy. Samsung-TEESCO is a multinational company showing successful localization in the Korean retail market.

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Through the comparison of the factors resulting in the success or failure of the above retailers, the four factors that have caused the withdrawal of Wal-Mart and Carrefour are presented as the following: ignorance of paradigm for the competition in Korean discount retailing, failure of localization, ineffective supply chain management, and low merits of the Korean market due to the emerging Chinese market.

Many multinational companies have considered launching their business in the countries with a strange market environment, culture, and consumers. In particular, some Asian countries like Korea, Japan, and China have a very attractive retail market, but these markets are not familiar to them. Thus, this paper will show useful information on how a foreign retailer can successfully establish a foothold in those markets. Moreover, analyses in this paper can be used as a case study for future research.

I. Introduction

Most experts agree that Wal-Mart and Carrefour are a few of the largest retailers in the world. The net sales of Wal-Mart rose 9.5% to a record \$312.4 billion between 2005 and 2006. The earnings per share grew double-digits from \$2.41 to \$2.68 between 2005 and 2006(www.walmartfacts.com). Wal-Mart has a total of 6,640 retail stores in the world, including 2,680 international retail stores. Wal-Mart serves more than 49 million international customers per week in 13 markets outside the U.S.(November 1, 2006). Carrefour also has many superstores in the world. The net sales of Carrefour increased from €73,060 million in 2005 to €77,901 million in 2006. The net income of Carrefour grew 1.4% from €1,798 million in 2005 to €1,857 million in 2006(www.carrefour.com).

Wal-Mart and Carrefour have been doing their businesses well domestically and globally. Their success in overseas markets made most experts to expect that Wal-Mart and Carrefour would succeed in dominating the Korean retail market and that local retailers would be driven out of market. However, the result was different. After experiencing hardships, Wal-Mart and Carrefour evacuated their business units from Korea in 2006. Wal-Mart and Carrefour, the largest and the second-largest retailers, failed in the Korean retail market,

which is one of the fast-rising emerging markets in Asia. The failure of these two retailers in Korea attracts many researchers and C.E.O.s in the retail business since the failure represents an empirical showing that success in a home country does not guarantee success internationally. However, the literature focused on this issue is scarce.

This paper investigates the factors that have caused the withdrawal of Wal-Mart and Carrefour in the Korean retail market. For this discussion, the paper compares four big retailers in Korea: Wal-Mart, Carrefour, TESCO, and E-mart. E-mart(Shinsegae) is the number one retailer in the Korean market. The sales of E-mart in 2005 was ₩7,309 billion(Korea Federation of Small and Medium Business 2006). Even though E-mart is a much smaller company than Wal-Mart or Carrefour, it kicked them out with a unique marketing strategy. TESCO is a multinational company that has shown a successful localization in the Korean retail market. TESCO selected Samsung as a partner for settling down in the Korean market, and took a local adaptation strategy (Lavalley and Boyer 2006), while Wal-Mart and Carrefour were more close to standardization in the “adaptation-standardization” strategy spectrum(Kim 2005; Coe and Lee 2006). Finally, Samsung-TESCO has been doing well to become the number two discount store in Korea, while Wal-Mart and Carrefour evacuated from Korea. Thus, the comparison of four retailers enables us to deduce the root causes in the failure of Wal-Mart and Carrefour (Oh and Kim 2003).

This paper starts discussion with a market analysis and a competitor analysis. Through a market analysis, we showcase the situation of competition in the Korean discount retail market and the exogenous factors affecting the discount retailers. A competitor analysis is also used to analyze the marketing strategies of Wal-Mart, Carrefour, TESCO, and E-mart.

We collected mainly raw data and research materials from K.C.C.I. (Korea Chamber of Commerce and Industry), Korean retailers, and related articles in newspapers. For comprehensive investigation, we interviewed the employees in charge of the takeover duty.

A key contribution of this paper is to offer discussions on how a company can successfully settle down in a strange market. Generally, many multinational companies have considered launching their business in countries with a strange market environment, culture, and consumers. In particular, some Asian countries like Korea, Japan, and China have a very attractive retail mar-

ket, but these markets are not familiar to them. While some multinational companies are thriving in South Korea, several major global companies have recently found that a success elsewhere does not guarantee a solid performance in the South Korean market. Wal-Mart and Carrefour, the largest and second largest retailers in the world, trailed in sales behind three Korean discount chains (E-Mart, Samsung-TESCO and Lotte Mart) (Wagers 2006). Through the investigation of the failure of Wal-Mart and Carrefour in the Korean retail market, a solution will be suggested to answer the following questions: What have caused the failure of multinational retailers in the Korean market, and how should they perform to successfully settle down in a foreign market? In addition, analyses in this paper can be used as a case study for future research.

II. Market situation for Korean discount retailers

2.1 Expanding but oligopolistic market

Most experts trace the birth of Korean discount retailing to 1993, the year when E-mart opened its first discount store in Chang-Dong in Seoul. In 1996, the Korean retail market was opened to foreign retailers, and Carrefour and Wal-Mart started their business in Korea in 1996 and 1998, respectively. The retail market in Korea has expanded as shown in Table 1.

TABLE 1. The number and sales of Korean discount stores (2006. 12. 31.)

Year	2000	2001	2002	2003	2004	2005	2006
Number of stores	163	198	232	250	276	307	342
Sales (₩ trillion)	10.5	13.8	17.4	19.5	21.5	23.5	25.4
Sales per store (₩ billion)	64	70	75	78	78	77	74

Source: Korea Chainstores Association

In Table 1, the number of stores doubled from 163 in 2000 to 342 in 2006, and the sales also dramatically increased from ₩10.5 trillion in 2000 to ₩25.4 trillion in 2006. The comparison of sales per store between the years 2000 and 2006 shows that the size of a store became larger (from ₩64 billion to ₩74 billion) through the economies of scale of retailers.

Table 2 presents the number of stores and sales of major discount retailers. The number of stores of big four retailers (E-mart, Samsung-TESCO, Lotte Mart, and Homever) is 245, which accounts for 71.6% of the total discount stores in Korea. The sales of the major discount retailers are ₩8.1 trillion for E-mart, ₩4.6 trillion for Samsung-TESCO, ₩3.3 trillion for Lotte Mart, and ₩1.7 trillion for Homever. In the Korean retail market, CR4 is 0.753, which means that the Korean retail market is highly oligopolistic.¹

The results from Table 1 and 2 show that the Korean retail market has expanded and remains oligopolistic. Therefore, retailers face a larger and more competitive market that requires a unique and excellent marketing strategy to survive.

TABLE 2. Sales share of major discount retailers (2006)

(unit: won)

	Number of stores (stores, %)	Sales (trillion, %)
Big 1 (E-mart)	110 (32.3) ¹⁾	8.1 (34.5) ¹⁾
Big 2 (E-mart, Samsung-TESCO)	161 (47.1) ²⁾	12.7 (54.1) ²⁾
Big 4 (E-mart, Samsung-TESCO, Lotte Mart, Homever)	245 (71.6) ³⁾	17.7 (75.3) ³⁾

Source: Korea Federation of Small and Medium Business

1) Portion of E-mart

2) Portion of E-mart and Samsung-Tesco

3) Portion of E-mart, Samsung-Tesco, Lotte Mart and Homever

¹ $CR_i = \sum_{k=1}^i s_k$, s_k is the market share of kth biggest company.

2.2. Geographically concentrated market

The number of discount retail stores in the Seoul metropolitan area (Seoul, Incheon, and Gyeonggi-Do) stands at 160, which takes up 48.3% of the total number of stores. As shown in Table 3, discount retailers opened the most stores (84 stores) in Gyeonggi-Do, and earned the most profits (₩6.5 trillion) there. Busan and Incheon, which are the second and third biggest cities in Korea, are ranked third and fourth in terms of number of stores, store size, and sales.

These results presented that discount retailers in Korea are geographically concentrated in the metropolitan area and big cities where population density is high. This geographically concentrated retail market is not familiar to some multinational retailers such as Wal-Mart. Wal-Mart has usually opened up stores in rural areas with a low population density in the U.S. Thus, Wal-Mart should change the strategies built for the U.S. market.

TABLE 3. Geographical distribution of discount retail stores (2006. 12. 31.)

Rank	Number of stores (stores)	Number of stores (%)	Size of store (thousand m ²)	Sales (₩ trillion)	Sales(%)
1	Gyeonggi-Do (84)	39.8	Gyeonggi-Do (885)	Gyeonggi-Do (6.5)	39.4
2	Seoul (55)	26.1	Seoul (574)	Seoul (5.4)	32.7
3	Busan (32)	15.2	Busan (353)	Busan (2.0)	12.1
4	Incheon (21)	10.0	Incheon (247)	Incheon (1.3)	7.9
5	Gyeongsangnam-Do (19)	9.0	Gyeongsangnam-Do (216)	Daegu (1.3)	7.9
Total	211	100.0	-	16.5	100.0

Source: Korea Federation of Small and Medium Business

2.3. Higher entry barrier

Generally, the opening up of a big discount store forces other small- or medium-size groceries in a local market to close down their shop and result in a social problem. Since the owners of small- or medium-size groceries are economically weaker than major retailers and run their business based on a long-time connection with neighbors, they can make an emotional appeal to local people, government, and politicians. Moreover, the Korean people tend to dislike a situation in which multinational retailers drive local groceries out of the market.

These make the entry barrier for discount stores higher. Local governments restrict the entry of a major discount retailer into their local market area through several ways: change of regulations on market entry, taxation, or prohibition of the entry by a major retailer. In fact, the Cheongju and Yeosoo city governments restrict the entry of major retailers by limiting the building of large-size retail stores.

2.4. Changing paradigm for competition

Discount retailers have experienced various paradigms in the Korean retail market. From 1993 to 2004, the main issue of the Korean retail market was “expansion.” Each retailer focused on opening as many stores as possible to occupy a “blue ocean.” However, this expansion strategy caused the restriction of the government, and accordingly, retailers had to change their paradigm from “more stores” to “better stores.” After 2005, discount retailers paid attention to upgrading the store interior, organization, and system. For example, the Nong-hyup Hanaro Mart at Yangjae in Seoul renovated a large-size square park(26 thousand m²) to attract customers.

Discount retailers also focused on increasing the level of customer satisfaction and on offering a lower price. They adopted Customer Relationship Management(C.R.M.), which is usually adopted by department stores, and developed various items to attract customers(Lee and Lim 2003; Choi and Lee 2001).² For example, discount stores launched a milage card and installed a

² In order to manage customers' loyalty, managers at department stores usually use

cafeteria and other equipment to get more regular customers. Now, many discount stores are offering “one-stop shopping.” When Korean customers visit a discount store, they can eat something, buy glasses, see a medical doctor, cut hair, take and print a picture, and deposit or withdraw cash.

In addition, Korean discount retailers have upgraded the quality of their products. As shown in Table 4, discount retailers switched their products from PBs(Private Brands) into PLs(Private Labels), which are categorized as premium PBs. Basically, the products sold as PBs are lower in quality and price than the NBs(National Brands) which are used by manufacturers.

Since the Korean customers who shop at discount stores have high criteria about product quality, low pricing with low quality is not a good answer on the part of discount retailers in the Korean retail market. Thus, they improved the quality of PB products and added value to the products in three stages. Then, their PL products started to become more competitive than NB products.

TABLE 4. Stage of PB in discount retailers

	Stage 1	Stage 2	Stage 3
Main idea	- substitute for NB	- Imitation of NB	- Better than NB
Strategy	- Lower pricing strategy	- Me-too strategy	- Value-added strategy
Product	- Functional goods - Big category	- Big volume, one product line - Small volume, multiple product line	- Various goods - High quality - Following trend
Buying criteria	- Price	- Price, quality	- Quality, value
Image level	- Lower than NB	- Lower than leading product	- Competitive to leading products

Source: Korea Chainstores Association

C.R.M. For example, department stores often send V.I.P. coupons or special event cards for birthday.

III. Marketing strategy of discount retailers in Korea

The big four discount retailers (Wal-Mart, Carrefour, TESCO, and E-mart) in Korea took different marketing strategies that have made them winners or losers. In this chapter, the marketing strategies of the four discount retailers are analyzed and compared, and then the factors that have driven Wal-Mart and Carrefour out of the Korean market are investigated.

3.1. E-mart

E-mart started its business with the opening of a discount store in Chang-Dong in Seoul in 1993, which is the groundbreaking year for the discount retailing in Korea. While competing with major discount retailers, including the multi-nationals like Wal-Mart and Carrefour, E-mart has grown to become the number one discount retailer in Korea.

TABLE 5. Financial status of E-mart

Year	1998	1999	2000	2001	2002	2003	2004	2005
Number of stores	16	23	35	47	57	65	75	86
Sales (₩ billion)	1,848	2,273	3,502	4,959	5,172	5,804	6,512	7,309
Net income & loss for the year (₩ billion)	6	22	70	189	246	301	336	438

Source: Korea Chainstores Association

Table 5 presents the financial status of E-mart. As shown in the table, E-mart has maintained a surplus. The company increased the number of stores and sales from 16 stores and ₩1,848 billion in 1998 to 86 stores and ₩7,309 billion in 2005.

E-mart generally opens up stores in urban areas where there are big apartments in the outskirts of downtown areas. This strategy of E-mart for lo-

cating a store enables it to open up a large store with big parking facilities. The E-mart's pricing strategy was basically "always lower price"(usually 20~30% lower than other competitors). Despite this strategy, however, the company started to develop strategies for better products and more comfortable stores. It also tried to attract customers with various events and sales promotions.

Established by Shinsegae, E-mart shares a marketing system with Shinsegae, a top and first Korean retailer that adopted bar codes to increase efficiency. The supply network system developed by Shinsegae is also a strong advantage for E-mart. Basically, a good and long relationship between a discount retailer and a supplier (manufacturers) guarantees a supplier's loyalty to a retailer. Therefore, this good and long relationship improves the capability to buy products with a better contract (Palmatier et al., 2006) Through this system, E-mart could reach its marketing strategy "better products at lower prices."

The sales shares of food and non-food products sold at E-mart stores are similar, as shown in Table 6. However, the Korean housewives, who are also the main customers, are very sensitive to the quality of fresh food. As a result, E-mart has paid attention to the need to improve the quality of food products acceptable to the customers.

E-mart also launched various PBs: E-basic, E-plus, Naturalism, and Myclo. The sales of PBs by E-mart recorded ₩890 billion, a 12% share of its total sales.

TABLE 6. Sales share of food and non-food products

Year	2000	2001	2005
Food (%)	48.5	45.8	49.4
Non-food (%)	51.5	54.2	50.6

Source: Korea Chainstores Association

3.2. Samsung-TESCO

Having adopted a local adaptation strategy, TESCO selected Samsung in 1995 as its partner for settling down in the Korean market, while Wal-Mart and Carrefour launched their business without any local partner. In order to lessen Korean customers' antipathy toward foreign enterprises, TESCO also adopted the Korean brand "Home-plus" from Samsung instead of using its own brand. This strategy was different from Wal-Mart's and Carrefour's, which were more close to standardization in the "adaptation-standardization" strategy spectrum (Kim 2005).

As a result, the TESCO's strategy to settle down in the Korean market became successful, as shown in Table 7. The number of stores increased by more than 20 times from 2 stores in 1998 to 43 stores in 2005, and the sales also dramatically increased from ₩327 billion in 1998 to ₩3,568 billion in 2005. Even though TESCO experienced deficits, its net income started to record surpluses in 2005 with ₩39 billion earnings.

TABLE 7. Financial status of Samsung-TESCO

Year	1998	1999	2000	2001	2002	2003	2004	2005
Number of stores	2	5	7	17	26	29	36	43
Sales (₩ billion)	327	249	563	1,271	2,147	2,575	3,036	3,568
Net income & loss for the year (₩ billion)	-1	-5	-37	-38	39	37	47	39

Source: Korea Chainstores Association

The Samsung-TESCO's strategy for locating a new store is to open a store in a promising area without competitors, and especially E-mart. The Samsung-TESCO's buying system is different from that of E-mart. Since Samsung-TESCO couldn't have time to establish a long relationship with suppliers, products are bought and supplied through agents. The PBs of Samsung-TESCO are "Spring-cooler" and "Easy-classic" and the sales of PB

products recorded ₩300 billion in 2005 with an 8.4% share of its total sales.

The Samsung-TESCO's pricing strategy is "Valuable Store for Customers" which offers more value at lower prices. At its stores, a price adjustment policy of continuously decreasing the prices for the main items is implemented based on the criteria of seasonality, frequency of buying, and price sensitivity.

3.3. Carrefour

Carrefour (Carrefour Nederland BV) established Carrefour-Korea in 1994 to enter into the Korean retail market, opening its first store in Joong-dong in Bucheon in 1996. The financial status of Carrefour-Korea is presented in Table 8. The table shows that the number of stores increased more than threefold with a dramatic increase in sales from ₩275 billion in 1997 to ₩1,604 billion in 2004. However, the net income and loss for the year was minus in 1998 and 1999, but Carrefour-Korea achieved the balance in the black.

TABLE 8. Financial status of Carrefour

Year	1997	1998	1999	2000	2001	2002	2003	2004
Number of stores	3	8	15	21	22	27	27	29
Sales (₩ billion)	275	333	786	1,039	1,149	1,375	1,460	1,604
Net income & loss for the year (₩ billion)	10	-49	-9	24	12	7	4	16

Source: Korea Chainstores Association

Basically, the main concept of Carrefour-Korea is the hypermarket that originates from European retail markets. Hypermarket is a new concept that combines supermarket with discount store. Therefore, the sales of food takes up a high share of its total sales. In fact, the sales shares of food and non-food products in Table 9 imply that the discount stores of Carrefour-Korea are the traditional hypermarkets.

TABLE 9. Sales shares of food and non-food products

Year	2005
Food (%)	62
Non-food products (%)	38

Source: Korea Chainstores Association

The Carrefour-Korea's strategy for locating a store is focused on opening a store in a new town around a big city. Carrefour-Korea also tried to open stores near highways or main roads for the customers coming by car. The Carrefour-Korea's pricing strategy was to offer a much lower price. For this pricing, the decision makers at Carrefour-Korea gave a permission to sell medium- or low-level products and employed a minimum number of workers.

3.4. Wal-Mart

Wal-Mart entered into the Korean retail market by taking over the four stores of Macro-Korea in 1998. Table 10 shows that the number of stores and sales of Wal-Mart increased from 1998 to 2005, but the business expansion of Wal-Mart in Korea was unsuccessful, while other competitors showed a dramatic expansion of business. The net income and loss for the year was not good. After the initial period of business, Wal-Mart achieved a surplus for four years, but it experienced financially hard times since 2004.

TABLE 10. Financial status of Wal-Mart

Year	1998	1999	2000	2001	2002	2003	2004	2005
Number of stores	4	5	6	11	15	15	15	16
Sales (₩ billion)	289	302	403	570	747	787	776	729
Net income & loss for the year (₩ billion)	-32	-10	7	14	9	0.6	-4	-10

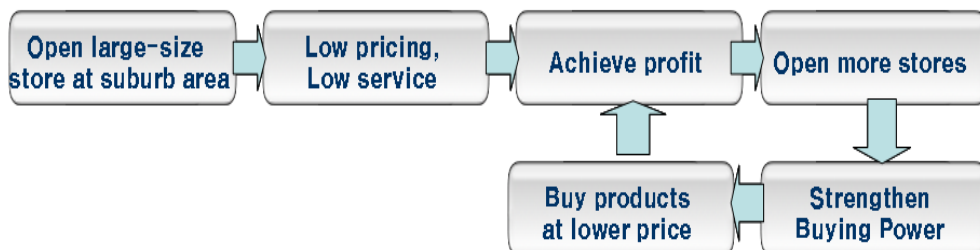
Source: Korea Chainstores Association

Initially, the main concept of Wal-Mart was a discount store. However, Wal-Mart opened a hypermarket in Korea because the retailer realized that the main Korean customers are housewives who prefer to buy fresh food and processed products at the same time.

Basically, the targeting of female customers with a medium or low income was the main marketing strategy of Wal-Mart, which is similar to Carrefour-Korea. Therefore, the Wal-Mart's pricing, "E.D.L.P.(Everyday Low Price)," is not very different from Carrefour-Korea(Volpe and Lavoie 2005). The location strategy of Wal-Mart is also similar to Carrefour's. Wal-Mart opened stores in suburb areas around big cities where rent is low.

As the number one discount retailer in the world, Wal-Mart tried to take advantage of economies of scale through a circulation strategy as presented in Figure 1. First of all, Wal-Mart opens a large-size store in an area with low rents and starts business with E.D.L.P. due to low quality of service (Graff 1998 and 2006). After earning profits, Wal-Mart increases the number of stores, thereby strengthening the buying power to push suppliers to supply their products at lower prices. This stronger buying power enables Wal-Mart to earn more profits and open more new stores.

FIGURE 1. The circulation strategy of Wal-Mart.



IV. Factors resulting in the withdrawal of Wal-Mart and Carrefour

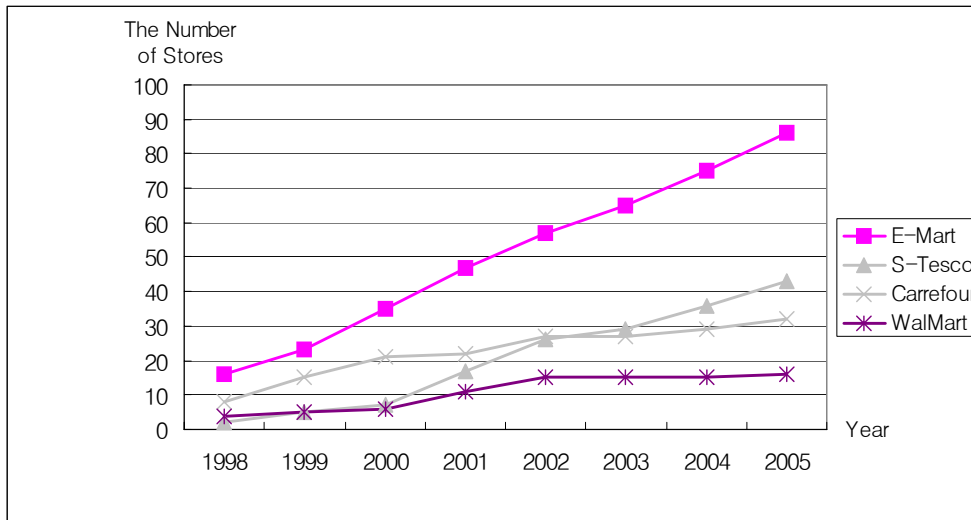
4.1 Ignorance of paradigm for competition

As discussed in Chapter II, the Korean retail market has been expanded, and discount retailers in Korea have increased their number of stores to achieve “economies of scale.” A larger size of a retail store enables retailers to strengthen their buying power, which then can force suppliers to lower the price of their products, and thus offer lower prices for customers.

In addition, the Korean retail market has become oligopolistic. This oligopolistic market means a more competitive market, and discount retailers should consider other strategies and expand their business size for lower pricing. E-Mart and Samsung-TESCO were interested in increasing the quality of services and products as an alternative strategy. In 2005, they started renovating the interior of stores and increased the quality level of service provided by workers. For example, Samsung-TESCO increased the number of tenant stores (independent stores) in its discount stores, opened cultural centers and galleries for housewives, and kept educating the employees for better services. E-Mart and Samsung-TESCO also increased the quality of products, especially fresh food. Since the main customers of discount stores are housewives who are very sensitive to the quality of food to be provided to their family, E-Mart and Samsung-TESCO tried product differentiation with better and fresher food.

However, Wal-Mart and Carrefour generally adhered to a lower pricing strategy, and because good locations are already taken by other competitors they didn't succeed in finding suitable places to open new stores. Therefore, the business expansion by Wal-Mart and Carrefour in Korea was not successful, as shown in Figure 2. In the figure, the numbers of stores of E-Mart and Samsung-TESCO have continuously increased, while the numbers of stores of Wal-Mart and Carrefour have not.

FIGURE 2. Number of stores of major discount retailers



Source: Korea Chainstores Association

4.2. Failure of localization in Korean discount retailing

When multinational enterprises enter into a foreign market, they are required to develop a strategy for the successful settling down in the market. TESCO shows a suitable local adaptation strategy. TESCO launched the retail business with Samsung as its partner, and adopted Samsung's "Home-plus" as its corporate brand for the Korean market.

Wal-Mart and Carrefour took a different approach. They launched their businesses without any local partner in Korea, and have generally sent C.E.O.s or directors to Korea. They also believed in a lower pricing strategy without much concerns for the quality of products and services. This strategy of theirs has been successful in their own domestic markets. Nevertheless, Wal-Mart and Carrefour were more close to the standardization in the "adaptation-standardization" strategy spectrum.

Wal-Mart and Carrefour rarely cared about localization in the Korean retail market. For example, Wal-Mart dumped unsold fresh food every day, while other competing retailers used those items for daily special events with more than a 50% discount. This daily special discount event offered two advantages: saving the cost of disposing of unsold fresh food and attracting

Korean customers who love the unexpected chance to buy products at very cheap prices. As for another example, Carrefour's mistakes in choosing and arranging sales items at supermarkets can be presented. Carrefour installed tall supermarket shelves(2.2m) which are generally used in European stores. However, these tall shelves are not comfortable for the Korean customers who like shorter shelves(1.5m~1.8m). Carrefour also made customers walk a long way at its store to shop fresh food, the main item in their shopping list. Korean customers spread their inconvenient experiences at stores of Wal-Mart and Carrefour through words of mouth, and this passing of inconvenient experiences had the fatal effect of seriously damaging their brand images.

4.3. Ineffective supply chain management

Retailers depend on suppliers to buy the products that will be sold at stores. Accordingly, supply chain management is one of the most important things. Korean discount retailers have developed a long relationship with suppliers and increased the loyalty of suppliers through various compensations. For example, E-mart learned the know-how and system to manage suppliers from Shinsegae, a leading Korean retailer, and succeeded in establishing an effective supply chain management system.

For foreign retailers, establishing an effective supply chain management system in a short time is not easy. TESCO understood this disadvantageous environment in Korea and thus took Samsung as its partner to solve this problem. However, Wal-Mart and Carrefour with very strong buying powers arising from their mega-size global businesses paid relatively less attention to supply chain management in the Korean market. They believed that the great amounts of product orders will be a key solution to control Korean suppliers, but their strategy was not successful.

4.4. Lower merits of Korean market due to emerging Chinese market

The North American and European markets are the main markets for Wal-Mart and Carrefour, respectively. Table 11 shows that, in 2004, 90% of Wal-Mart stores were located in North America, and 86% of Carrefour's stores served customers in Europe. However, these markets are at the maturity stage

and showed the limitation to grow in the future. Therefore, Wal-Mart and Carrefour need to launch their businesses in new markets.

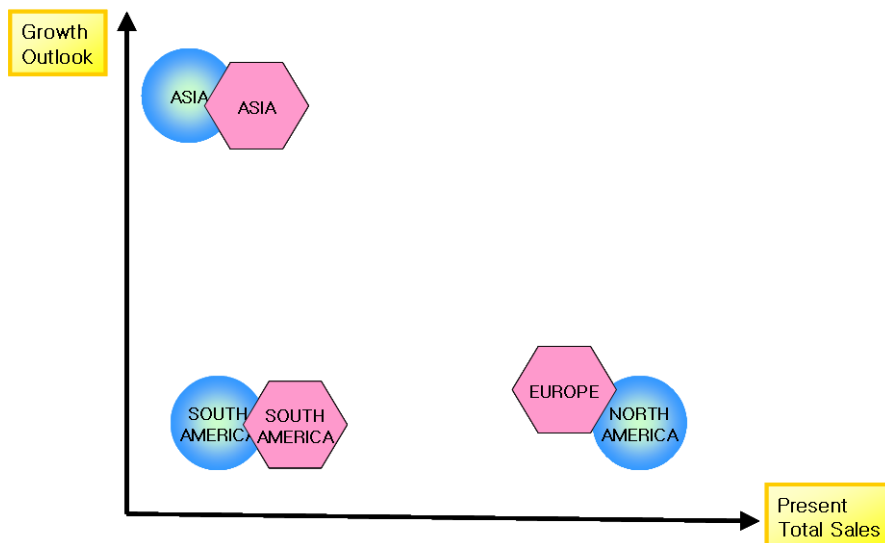
TABLE 11. Sales Shares of Wal-Mart and Carrefour(2004)

	North America	Europe	Asia	South America	total
Wal-Mart (%)	90	8	1	1	100
Carrefour (%)	-	86	7	7	100

Source: Wal-Mart and Carrefour as Home-Region Multinational. *European Retail Digest*. 2005.

Wal-Mart and Carrefour could consider the South American and Asian markets as new retail markets. The South American market is not very strange for them, but the market is not promising. However, the Asian market, especially the Northeast Asian market, is a suitable market for their future businesses, as presented in Figure 3.

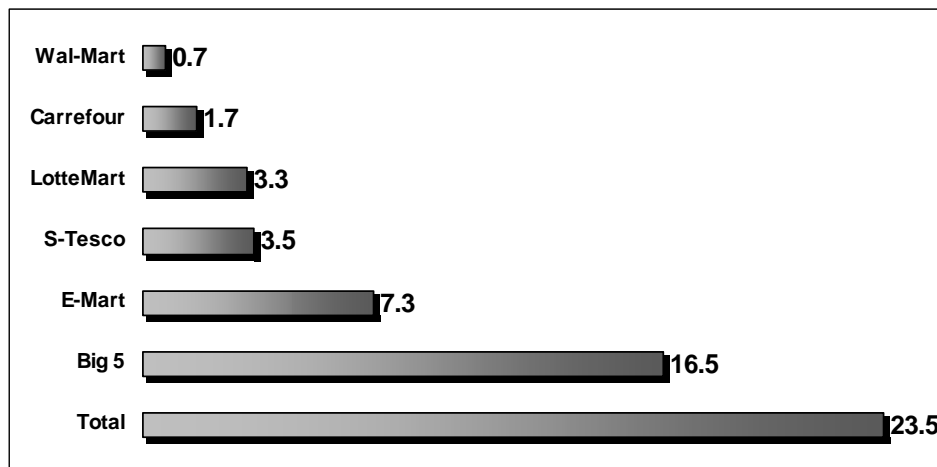
FIGURE 3. Market Characteristics of Wal-Mart and Carrefour



Note: Blue circles represent Wal-Mart, and pink hexagons show Carrefour.
 Source: Wal-Mart and Carrefour as Home-Region Multinational. *European Retail Digest*. 2005.
 (Modified)

Wal-Mart and Carrefour opened their stores in Korea as part of their strategies to preoccupy the retail market in Northeast Asia. However, they encountered local retailers to be strong competitors and had to be content on being ranked fourth and fifth after E-mart, Samsung-TESCO, and Lotte Mart that jointly took a 68.1% market share in 2005 as shown in Figure 4.

FIGURE 4. Sales of major discount retailers (2005)



Source: Korea Federation of Small and Medium Business

V. Conclusion

Wal-Mart and Carrefour are the world's largest and second-largest retailers respectively. Wal-Mart and Carrefour have been doing their businesses well domestically and globally. But, after experiencing hardships, Wal-Mart and Carrefour evacuated their business units from Korea in 2006. The withdrawal of these two retailers in Korea has resulted in many discussions on the theme that success in a home country does not guarantee success internationally. This paper offers a comprehensive investigation about the factors that have caused the failure of Wal-Mart and Carrefour in the Korean retail market. For this discussion, this paper compared the four big retailers in Korea, Wal-Mart, Carrefour, E-mart, and Samsung-TESCO, with a market analysis and a com-

petitor analysis. Through the market analysis, we showcased the situation of competition in the Korean discount retail market and the exogenous factors affecting discount retailers. A competitor analysis was also used to analyze the marketing strategies of Wal-Mart, Carrefour, E-mart, and TESCO. E-mart is the Korean retailer that had beat Wal-Mart and Carrefour and became the top player in the Korean retail market with a unique marketing strategy. Samsung-TEESCO is a multinational company which has shown successful localization in the Korean retail market.

After investigating the factors that have brought about the success or failure of the above retailers, the four factors that have caused the withdrawal of Wal-Mart and Carrefour are presented as the following: ignorance of paradigm for the competition in Korean discount retailing, failure of localization, ineffective supply chain management, and low merit of the Korean market due to the emerging Chinese market.

Many multinational companies have considered launching their business in the countries with a strange market environment, culture, and consumers. Furthermore, some Asian countries like Korea, Japan, and China have a very attractive retail market, but these markets are not familiar to them. Thus, this paper attempted to show useful information on how a foreign retailer can successfully establish a foothold in those markets. Moreover, the analyses in this paper can be used as a case study for future research.

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