A Comparison of Consumers’ Store Patronage between South Korea and the United States: Suggestions for the Marketing Strategy of the South Korean Discount Stores

by

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(ABSTRACT)

Since 1997, the retail industry of South Korea has suffered a decline in sales due to the nation’s financial crisis. Because of the increase of price consciousness, discount stores have become the stores most attractive to South Korean consumers. Many foreign discount companies such as Wal-Mart have started participating in the South Korean market. However, they have experienced some difficulties in understanding South Korean consumers (Choi, 1998). The purpose of this study was to understand the differences between South Korean and the U.S. consumers. The results can assist the U.S. companies when adjusting their marketing strategies for the South Korean market. The specific objectives of this study were to (a) compare the differences between South Korean and the U.S. consumers in demographics, shopping orientation, perception of the importance of store and product attributes, and store evaluation, satisfaction and patronage and (b) examine the relationships among the six variables. In addition, South Korean consumers’ preferences toward the strategies used in the U.S. discount stores were examined to determine whether these strategies could be adapted to South Korean discount stores.

A model was developed as the framework for the study based on the store-choice model proposed by Monroe and Guiltinan (1975), the apparel retail patronage behavior model proposed by Shim and Kotsiopulos (1992), and the supermarket choice criteria and satisfaction model proposed by Hutcheson and Moutinho (1998). The proposed model suggests that consumers’ shopping orientation affects their perception of the importance of store and product attributes. Consumers’ perception of the importance of attributes affects how they evaluate a store. Consumers’ evaluation of the store then influences their satisfaction with the store. If consumers are satisfied with the store, they choose to patronize the store.

A case study was conducted to test the model. Wal-Mart was selected as the target discount store because it has achieved significant success and has a powerful market position.
domestically and internationally. A total of 234 participants recruited at Wal-Mart were included in this study, 117 from South Korea and 117 from the U.S. A questionnaire was first developed in English and then translated into Korean with the back translation check. Chi-Square, *t*-test, ANOVA, Factor Analysis, and MANOVA were used for data analysis. The .05 level of significance was set for all analysis.

Results showed that there were significant differences between the two countries in participants’ occupation, marital status, age, education, the perception of the importance of attributes in discount stores, and store evaluation and satisfaction. In both countries, most participants were price conscious. Store patronage was not significantly different between the two countries. When the relationships between variables were examined, results showed that the proposed model is partially supported. In both countries, shopping orientation was significantly related to the perception of the importance of attributes, and store evaluation was related to satisfaction. However, the relationship between the perception of the importance of attributes and store evaluation was only found in the U.S. but not in South Korea. This result suggests that South Korean do not evaluate the performance of discount stores based on their perception of the importance of product and store attributes. The relationship between satisfaction and store patronage was only found in South Korea but not in the U.S. In the U.S., satisfied customers do not significantly more patronize the store. Other variables, such as social class or personal influences, may play a more important role in determining South Korean’s store evaluation and U.S. customers’ store patronage. More studies are needed to investigate these issues.

When South Korean participants’ preferences toward the strategies used in the U.S. were examined, results showed that they preferred receiving sales information directly from mail rather than from TV commercials. They showed a strong preference for using credit card, because most discount stores do not accept credit cards. They preferred lower prices than more sales personnel, but they liked more community involvement than lower prices. These results suggest that South Korean discount stores should place a large emphasis on lower prices rather than services because most customers are highly price conscious. The promotion strategy of mailing flyers should prove more effective. The payment system of credit cards should be added to provide the convenience of payment and community service programs should be developed to increase store image and reputation.
To my parents, Min-Ung Kim and Hyung-Shim Lee
and Tae-Young Na, my future husband
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