

**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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Thesis submitted to the Faculty of the  
Virginia Polytechnic Institute and State University  
in partial fulfillment of the requirements for the degree of

MASTER OF SCIENCE  
IN  
CLOTHING AND TEXTILES

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April, 2000

Blacksburg, Virginia

Keywords: Crossnational, Store patronage, Discount stores, Wal-Mart, Store/product attributes, South Korean discount stores

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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 Gultinan (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*

## **ACKNOWLEDGMENT**

The author wishes to acknowledge the enthusiastic guidance and advise, patience and generosity of her advisor, Dr. Jessie Chen-Yu. Without her support and expertise, the development of this research would not have been possible. The author's sincere appreciation is extended to the thesis committee, Dr. JoAnn Emmel and Dr. Noreen Klein, for their understanding, persistence and suggestions. The author would like to thank her friends from church and school for their support and friendship. Very special thank is also expressed toward her future husband, Tae-Young Na, for his understanding, faith and encouragement at various stages in the research process. Finally, but certainly not least, the author would like to express her deepest gratitude to her parents, Min-Ung Kim and Hyung-Shim Lee, and other family members, Ji-Hyun Kim, Dong-Hyun Kim, and Jin-Ho Park, for their unconditional love, support and encouragement.

## TABLE OF CONTENTS

CHAPTER I INTRODUCTION AND FRAMEWORK FOR STUDY-----	1
Justification for the Study -----	2
Conceptual Framework -----	5
Objectives of the Study -----	8
Delimitations -----	9
 CHAPTER II REVIEW OF LITERATURE -----	 10
Retailing Systems in South Korea -----	10
Consumers' Shopping Orientation -----	13
Consumers' Shopping Orientation in the U.S. -----	13
Consumers' Shopping Orientation in South Korea -----	14
Discount Stores -----	18
Discount Stores in the U.S. -----	18
Discount Stores in South Korea -----	21
Wal-Mart -----	25
Important Store and Product Attributes for Store Patronage -----	29
Important Store and Product Attributes in General -----	29
Important Store and Product Attributes for Apparel Items -----	32
 CHAPTER III RESEARCH AND DESIGN METHOD-----	 36
Hypotheses -----	36
Sample -----	40
Instrument Development -----	40
Data Collection -----	44
Data Analysis -----	44
 CHAPTER IV RESULTS-----	 46
Hypotheses Testing-----	46
South Korean Customers' Preference for Marketing Strategies-----	75
 CHAPTER V SUMMARY, DISCUSSION, AND RECOMMENDATIONS-----	 80
Summary-----	80
Difference in the Two Countries-----	80
Testing of the Model-----	81
Discussion and Implication-----	85
Suggestions Related to Consumers' Characteristics-----	85
Suggestions Related to Store/product Attributes-----	86
Store-related attributes-----	86
Product-related attributes-----	87
Environmental/credit card-related attributes-----	88
Suggestions Related to Store Patronage-----	88
Recommendation-----	89

REFERENCE----- 91

APPENDIXES

A ENGLISH QUESTIONNAIRE----- 99  
B TRANSLATION OF KOREAN QUESTIONNAIRE----- 105  
C KOREAN QUESTIONNAIRE----- 110

## LIST OF TABLES

Table 2-1	The U.S. and South Korean consumers' characteristics, shopping orientation and the perception of the important of store/product attributes in discount stores and department stores-----	18
Table 2-2	Foreign discount stores in South Korea-----	24
Table 2-3	Wal-Mart Stores Inc. annual financial report analysis-----	26
Table 2-4	Important store attributes for store patronage-----	32
Table 2-5	Important product attributes for store patronage-----	32
Table 2-6	Important store and product attributes regarding apparel items-----	35
Table 3-1	Questions for examining each shopping orientation-----	41
Table 3-2	Different store attributes between Wal-Mart stores in the U.S. and South Korea-----	43
Table 4-1	Factor analysis for shopping orientation-----	54
Table 4-2	The mean scores of each factor for each shopping orientation segment-----	54
Table 4-3	Factor analysis of importance of store/product attributes in general-----	56
Table 4-4	Factor analysis of importance of store/product attributes regarding apparel-----	58
Table 4-5	Chi-square test for the frequency of purchase of coat, suits, and dress-----	63
Table 4-6	The means of the importance of store/product attributes in general among three shopping orientations-----	65
Table 4-7	The means of shopping orientations and the importance of store/product attributes regarding apparel items-----	66
Table 4-8	Four-Way ANOVA test for the relationship between the levels of importance of store/product attributes and overall evaluation in general in the U.S.-----	68
Table 4-9	ANOVA test for the relationship between overall evaluation and satisfaction/dissatisfaction in general-----	69
Table 4-10	ANOVA test for the relationship between overall evaluation and satisfaction/dissatisfaction regarding apparel items-----	70
Table 4-11	ANOVA test for the relationship between satisfaction/dissatisfaction in general and store patronage-----	71
Table 4-12	ANOVA test for the relationship satisfaction/dissatisfaction regarding apparel items and store patronage-----	72
Table 5-1	The similarities and the differences between the two countries-----	81

## LIST OF FIGURES

Figure 1-1	Growth rate of net sales in South Korean retail stores in 1997-----	3
Figure 1-2	Prediction of competitiveness scores of each South Korean retailing sector in the year 2000-----	4
Figure 1-3	The model of store patronage and related variables-----	7
Figure 2-1	Expenses per visit in discount stores in South Korea in 1997-----	16
Figure 2-2	Important attributes for retailing stores in South Korea-----	17
Figure 2-3	Average discount store size and net sales per store in the U.S.-----	20
Figure 2-4	Net sales growth of discount stores in South Korea-----	23
Figure 2-5	Increase on the number of discount stores in South Korea-----	23
Figure 2-6	Attributes which consumers prefer in Wal-Mart-----	31
Figure 4-1	Comparison of occupation between the two countries-----	47
Figure 4-2	Comparison of marriage status between the two countries-----	48
Figure 4-3	Comparison of age between the two countries-----	49
Figure 4-4	Comparison of education between the two countries-----	50
Figure 4-5	Comparison of household income between the two countries-----	51
Figure 4-6	Comparison of expenditure of money at Wal-Mart on a single trip between the two countries-----	51
Figure 4-7	Comparison of expenditure on wardrobe last year between the two countries-----	52
Figure 4-8	Scree plot for shopping orientation-----	54
Figure 4-9	Scree plot for store/product attributes in general-----	56
Figure 4-10	Scree plot for store/product attributes regarding apparel items-----	58
Figure 4-11	The experience of purchase of the five apparel items-----	62
Figure 4-12	The experience of shop for coat, suit and dress, but never purchased-----	63
Figure 5-1	The result model of store patronage and related variables for South Korea-----	82
Figure 5-2	The result model of store patronage and related variables for The U.S.-----	84