Culture and Tourism-Oriented Local Traditional Market Strategies in Korea

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Abstract

Many Asian countries’ governments foster their traditional markets of small retailers, small kiosks, mom-and-pop stores, and street hawkers. Policies for fostering local traditional markets to prevent Wal-Mart stores from locating in their communities play an important role within government regional policy in solving the problems of income polarization, increasing unemployment, and social inequality. With regard to regional policies, South Korea has tried to foster local traditional markets by modernizing the facilities and improving the physical infrastructures of these markets. However, some argue that supporting modernization for the convenience of consumers damages the identity and authenticity of these markets. To conserve identity and authenticity of local traditional markets, Korea’s government has aimed at fostering the linkage between local traditional markets and local cultural and tourism resources, as an element of successful regional development policy. In this context, we research that recasting policy for fostering local traditional market applying the linkage between local traditional markets and local cultural and tourism resources in Korea. This study investigates how policy changes relate to strategies of revitalization for local traditional markets. The results of this research will help both marketing strategies for local small retailers and regional development policy in the face of local economic recession.

Key words: Local traditional markets, cultural and tourism resources, Policies for fostering small-retailer

JEL Classification: L53, R00, Z18
1. Introduction

Supermarkets, together with large-scale food manufacturers, have deeply transformed agrifood markets in the region. Many of those changes spell great challenges for – or even the exclusion of – small farms and processing and distribution firms but also potentially great opportunities.\(^1\)

In Korea, the complete opening of the distribution market to foreign countries and investors in 1996 had a great impact upon the distribution business. With the change in distribution business environments, the consumption pattern has changed and moved towards large-scale discount and department stores, which enable one to enjoy a one-stop shopping culture in a friendly environment with a more convenient and comfortable shopping experience. Given the rapid rise of these one-stop stores, the number of traditional markets has declined from 1,660 in 2005 to 1,372 in 2013.

The dwindling of local traditional markets has significantly influenced Korean society; many urban commercial areas have been turned into empty and obsolete spaces, especially in downtown areas. The need for the redevelopment of traditional markets has been recognized by local and federal governments because the survival and development of the traditional shopping market can bring both social and economic advantages. Self-employed or family-employed businesses contribute to resolving local unemployment problems in a traditional markets. The chain reaction of closing local traditional markets would devastate the national economy, and the culture and history associated with traditional markets would disappear. Recognizing these problems, the Korean government has pursued various supporting policies to foster local traditional markets, including building infrastructures, improving business management, and adopting place marketing strategies in each local area.

The aim of this study is to provide a historical overview of the policies for encouraging the activation of local traditional markets in Korea and to understand how policy changes relate to strategies of revitalization using local cultural and tourism resources. This study was conducted through four approaches: First, we present a political background of local traditional markets through a meaning of local traditional market in Korea and explore previous policy reviews from other countries. Second, we identify a historical overview of Korean policies from the perspective of activating local traditional markets in Korea. Third, we offer cultural and tourism-oriented traditional market strategies for regional revitalization. Fourth, we discuss revitalization strategies integrating fostering local small retailers with activating local traditional markets based on cultural tourism resources.

2. Political Background and Previous Reviews of Local Traditional Market

2.1 Definition and Context of Local Traditional Market in Korea

Local traditional marketplaces consist of many different individual shops, mom-and-pop stores, and street hawkers; some markets are located close to residential areas, while some of the large markets are located in downtown or commercial areas. In special policies for the promotion of traditional marketplaces and shopping districts in Korea, ‘local traditional market’ means any of the following places: locations that need renovation, repairing or improvement because of old and outworn commercial infrastructure, need improvement of business management, and/or need modernization of commercial transactions methods because of poorly functioning distribution channels. The total number of local traditional marketplaces in Korea was 1,398 in 2014, including a recorded 200,000 stores and 370,000 merchants. These stores had, on average, floor areas of 29m² with 1.6 employees, and 65% were rental stores. The average age of the merchants was 56 years old, and the organization and service consciousness levels of the merchants were lower than those of their competitors.

Local traditional markets have played various commercial and societal functions and roles over time; they have been recognized as neighbourhood or city markets and the shopping environments have been seen as friendly social gathering places, as many small traditional markets are closely located to residential areas to make shopping convenient. Additionally, local marketplaces have positively influenced the local economy. These marketplaces include a variety of types of stores: local food, home appliances, clothing, industrial products, etc. The start-up cost of a business in local traditional marketplaces was low, and businesses in local traditional marketplaces did not typically require a sizeable investment; this has provided many entrepreneurial opportunities in Korean society. Many stores in local marketplaces are supplied by small local manufactures, farmers, and businesses, which allows the local economy to develop and expand.

In the past, local traditional markets were one-stop shopping places for many consumers. However, with the emergence of a new type of distribution business, many consumers have acknowledged that limited parking lots, limited commodities, old buildings, and outmoded facilities are the primary problems with local traditional markets.

2.2 Revitalization Policies in the US, UK and Japan

Developed countries have conducted revitalization policies such as Business Improvement Districts (BIDs), Town Centre Management (TCM), and Town Management Organization (TMO), which have contributed to improvements in the local traditional marketplaces in the U.S., the UK, and Japan.

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2 http://www.law.go.kr/engLsSc.do?menuId=0&subMenu=5&query=#liBgcolor0
The growth of Business Improvement Districts (BIDs) can be linked to wider economic and political changes in the USA that have taken place since the 1980s. A BID is formed when a majority of commercial property owners in a neighbourhood vote in favour of a package of taxes and expenditures on public goods that supplement those provided by the traditional local governments. De-industrialization has seen a very serious decline in the traditional industries in cities, an all too common result of the decline of the local tax base, high levels of unemployment, a labour force with skills that no longer match the available job opportunities, high crime rates, blighted neighbourhoods, and a leaching of spending power out of the local economy. In its most elementary form, a BID is a legally defined body that levies contributions from its members and spends the money in a manner agreed upon by a Board made up of a proportion of the membership. Even in U.S market, there has been a concern that this can disproportionately impact the less affluent and less cohesive social groups. Those who already face problems of social exclusion can find themselves increasingly marginalized by a system of `privatized' public service provisions, which, by their very nature, have a specific set of concerns and are aimed at targeting the needs of affluent business persons and their customers.

The development of TCM in England, beginning in the late 1980s, was somewhat independent of the emergence of TCM-like schemes outside of the UK. In the early days of its development in the UK, TCM was seen primarily as a response to external factors and consisted of “a comprehensive response to competitive pressures, which involves development, management and promotion of both public and private areas within town centres, for the benefit of all concerned. TCM schemes and BIDs share similar characteristics and genealogies. They seek to encourage more visitors, more investors and more sales, while fending off the increasing competition from elsewhere. Developing TCM meant that several sought-after central government regeneration grants became accessible. The rolling out of TCM was also structured by the wider embrace, nationally and locally, of neoliberal ideologies that made speculative and partnership-based schemes such as TCM politically desirable. In the UK, the concept of TCM is defined as a coordinated pro-active initiative designed to ensure that our town and city centres are desirable and attractive places. In nearly

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all instances, the initiative is a partnership between the public and private sectors and brings together a wide-range of key interests. Parallel to the development of TCM in the United Kingdom, similar initiatives began to arise in Spain, Italy, Sweden, Austria, France, Norway, Belgium, Germany and other European countries.9

Downtowns have experienced decline since the 1990s in Japan, and several strategies have been implemented to address this decline. Unlike in the United States where many types of organizations (such as BIDs and Main Streets) work towards downtown revitalization, there are few such organizations in Japan. TMO, as with the BID, copies the centralized management of shopping malls, which are typically located in suburban areas and threaten the prosperity of downtown shopping districts. To increase the attractiveness of and revitalize downtowns shopping, TMOs and BIDs are expected to manage the downtown areas in the same way that owners of shopping malls manage their business. TMOs are supposed to coordinate tenant selection, provide high-quality amenities such as parking, and offer services including market research, promotion, and security. National and local governments support TMOs in several ways. For example, governments give subsidies and tax abatements for the various types of projects that TMOs conduct, such as capital improvement and business recruitment. Furthermore, the central government delegates professionals to give advice on TMO activities.

3. A Historical Overview of Activating Policies in Korea

3.1 Changes of Policy and Legislative Foundation for Local Traditional Market

Korean government support for domestic traditional markets began in 2004 through the “Special Act for Nurturing Traditional Markets” legislation, to protect small vendors and stabilize their financial affairs. The Korean government established institutional and legal grounds to revitalize local traditional markets, which were losing their competitiveness after the opening of the distribution market in 1996. To support local traditional markets, the “Special Act for Reorganization and Stabilization of Small and Medium-Sized Enterprises” was enacted. Since 2006, the “Special Act for Nurturing the Traditional Markets and Shopping District” has enabled the Korean government to expand its support by designating a shopping district with more than two markets as a market vitalization zone.

Additionally, to overcome the limitations of the support program, the government has sought to create a differentiated support strategy by type (large, central, small, medium, 5-day, special, and street markets), taking into consideration the characteristics of each of the markets. During this period, approximately 879 million US dollars were invested in the improvement of facilities and in the management innovation project. However, despite such

active support, certain problems arose because of the infrastructure-focused improvement, individual market unit support, and dependency of the vendors on the government.\(^\text{10}\)

**Figure 1: Financial support of the revitalization project for local traditional markets**

Financing for the projects comes from both the central and local governments’ budgets, while market vendors are responsible for a part of the budget for the facility improvement projects for those markets owned by the private sector.

### 3.2 Changes in Strategies for Local Traditional Market

Government policies were enacted on the basis of the policy report by the SMBA and other survey reports assessing the actual conditions, revitalization levels, and performance of the project for supporting the revitalization of traditional markets. On the basis of the Korea government support strategy, an improvement project for the facilities, including arcades, parking lots, training centres, and information centres, and a management innovation project for promotion, marketing, education, and festivals are being implemented. After the Special Act for Nurturing Traditional Markets was enacted by the parliament in 2004, the Korean government has been pushing ahead with a project for activating local traditional markets to support various types of markets. This support mainly aims to convert local traditional markets into modern-style supermarkets with up-to-date facilities, as traditional markets are now less popular than their competitors. However, owing to the dispersed nature of facility-management support, it has thus far proved impossible to revitalize. To overcome these limitations, a pilot project to activate it was promoted in 2008 using culture and tourism resources around local traditional markets, which designates not only local business districts as markets but also cultural and tourism attractions as local features.

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3.3 Activation of Local Traditional Marketplace using Cultural Tourism Resources

The government strategy for nurturing local traditional market business districts can be classified into several strategies at the micro level. The government will develop a region-friendly local traditional market and let “local resources, residents of the region, and the local community” play an important role in developing the local traditional market business districts. Culture and tourism-oriented local traditional markets are poised not only to change their representative local attractiveness and destinations but also to create new local identities through the connection between the local marketplaces and culture and tourism resources. The concept of culture and tourism-oriented local traditional markets has been a part of supporting projects by the Small and Medium Business Administration and the Small Enterprise Development Agency in the Korean government since 2008, which apply the strategies of using local historical or cultural characteristics and resources in local traditional markets, to enhance their attractiveness for tourists or visitors. In terms of physical environments, local traditional marketplaces have to reorganize themselves as places for cultural tourism; in terms of the management aspects of the local traditional markets, specific marketing tools need to be used, such as adopting specialized programs to improve the markets and not general programs as adopting specialized programs to improve the markets and not general programs such as the modernization of facilities or management. The Small and Medium Business Administration and the Small Enterprise Development Agency in the Korean government are escalating the support programs for culture and tourism-oriented local traditional markets, aiming to foster 150 numbers until 2017, which involves various programs such as creating cultural spaces, sponsoring cultural performances, and developing tourists’ products.

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11 Ibid.
Culture and tourism-oriented local traditional markets are dividing into focused-culture, focused-tourism, and focused-attraction markets for international visitors. A strategy for focused-culture markets connects the market to many cultural resources such as the history of the area, arts and crafts, traditional games, and local customs surrounding the local traditional market; for focused-tourism, the strategy is concerned with the local heritage, tourist attractions, and local products; the strategy for international visitors is linking various goods, services, and contents with foreign visitors.

4. Culture and Tourism-Oriented Strategies for Regional Revitalization

4.1 Business Contents of Culture and Tourism-Oriented Local Traditional Market

A culture and tourism-oriented local traditional market attempts to change the local traditional market into a local attraction for tourists or visitors by using marketing strategies based on the local characteristics of the market as opposed to modernizing the market. Seventy-one marketplaces that could be used as cultural and tourism spots were selected by The Small and Medium Business Administration and the Small Enterprise Development Agency. The business content for supporting a culture and tourism-oriented local market is divided into three sectors: a hardware, a software, and a human ware. A hardware sector is for building new infrastructures or facilities and mixing in the local identity for visitors. This sector is the public design for the local traditional market. A software sector is for performing events, such as festivals, advertisements, a familiarization tours, etc., which represent their marketplace’s uniqueness and require a much higher portion of the budget for the project. A human-ware sector is a type of educational program to help the merchants at a local traditional marketplace improves their competitiveness. The maximum period in the support programs for managing a culture and tourism-oriented local market is three years and requires a budget investment of about seven hundred million dollars.

![Business promotion system of culture and tourism-oriented local traditional market](http://www.globalbizresearch.org)
For two years, the market would be supported 50% by public funds from the national government and 50% by the budgets of municipal and provincial governments. For three years, the supported spending fund consists of 30% from public funds by the national government and 70% from the budgets of municipal and provincial governments.

### 4.2 Supporting System of Culture and Tourism-Oriented Local Traditional Markets

A culture and tourism-oriented local traditional market is chosen through four phases including a recommendation, an application, and evaluations. First, municipal governments create a business application to be recommended by provincial or local governments. Second, provincial or local governments approve the market as a culture and tourism-oriented local traditional market, and the local traditional market that is approved then applies to a branch of The Small and Medium Business Administration in its area. Third, The Small and Medium Business Administration and the provincial or local government perform on-the-spot inspections, and the government and the Small Enterprise Development Agency consider the documents that have been submitted to them. Fourth, The Small and Medium Business Administration select the culture and tourism-oriented local traditional market to be supported by the governments.

![Application and selection procedure of culture and tourism-oriented local traditional markets](image)

To maximize the effective operation and performance of strategic projects for a culture and tourism-oriented local traditional market, all players who are related to the project are given appropriate duties and roles in the project under a cooperating system between the parties in charge. The Small Enterprise Development Agency mainly makes progress by closely controlling between local governments and the organization of merchants and by directing the projects overseeing culture and tourism-oriented local traditional markets. The institutes that are related to the projects of culture and tourism-oriented local traditional markets are as follows: First, the Small and Medium Business Administration in government plays a role in the overall business adjustments, such as establishing a plan to foster a local traditional market, selecting a local traditional market as a supported culture and tourism-oriented market, guiding the procedure of selection, confirming business plans and funding
for the supported local traditional market, managing of a performance after promoting the projects, and heading strategies to foster a local traditional market. Second, the Small and Medium Business Administration branches in local areas perform operations and management of the local traditional markets to progress into culture and tourism-oriented markets, including approving the change in business programs for processing the project, evaluating the supported markets supporting and cooperating with other parties to encourage smooth progress of the projects and managing the completed projects. Third, the Small Enterprise Development Agency, as a subordinate agency of the Small and Medium Business Administration in the Korean government, conducts supervision of business plan reviews of culture and tourism-oriented markets, coordination and project progress management, arrangements by the markets, project spending and accounting, comprehensive promoting of culture and tourism-oriented markets, and joint business planning and operations. Additionally, they consist of the consulting team for reviewing and advising to local traditional markets designated as culture and tourism-oriented markets, comprising of experts in various fields such as a business administration, tourism, urban planning, etc., and they provide local traditional markets with advice and evaluation of business planning. Fourth, local governments are in charge of the recommendation and selection of supported local traditional markets as culture and tourism-oriented markets, including supporting and cooperating with progress related business. Fifth, municipal and provincial governments are to grant the budgets of the government and administrative supporting fees, to check the processing of businesses, to prepare a sustainable management plan after completion of the project, and to transfer their tangible or intangible assets from supported local traditional markets. Sixth, project managers undergo units project planning and implementation strategies, including managing business expenses, reporting on spending performance, building a cooperation system to drive business between vendors of markets, municipal and provincial governments, and local residents, analysing the market environment and the demand of customers and market traders, and monitoring about analysis results. Finally, the committee of vendors in the market join the project manager to report on the progress of projects and independently perform efforts to enhance the business of culture and tourism-oriented markets.

In these culture and tourism-oriented local traditional market schemes, the purpose is to ultimately increase the number of visitors to local traditional markets through fostering strategies to strengthen the competitiveness of local traditional markets in each region. However, until now, the measurement of performance in culture and tourism-oriented local traditional markets only focused on the average of increasing sales in local traditional markets. To accompany successful strategies, culture and tourism-oriented local traditional markets
have to assess an evaluation of business, including considering the influence on their community in societal perspectives and an economic impacts, not only figures, and sustainability in their areas.

5. Conclusions and Recommendations

This study aimed to provide a historical overview of policies for activating a local traditional market in Korea and to explore how policy changes relate to strategies of revitalization using local cultural and tourism resources. Government support of a number of budgets for fostering local traditional markets allows markets to modernize their old facilities and to reform their management since the retail market opened in 1996. During the first phase of the support in 1996-2003, the government initially supported initially environmental improvement and modernization of the local traditional markets through benchmarking of modern facilities and environments such as hypermarkets, departments and supermarkets. However, the only environmental improvements from a local traditional market to modernized facilities were limited. To solve these limitations, the government established the “Special Act on the Nurturing of Traditional Markets” in 2004. The act provided the tools for modernization and management innovation to a local traditional market. However, fostering strategies for local traditional markets were limited to obtaining a fundamental competitiveness advantage by inhibiting the characterization or identification of a local traditional market because the fostering strategies focused on the improvement and modernization of infrastructure, and reformed business management techniques fell by the wayside. In considering these points, the government drove the culture and tourism-oriented market strategy to enjoy unique cultural tourism as a local attraction not only in various facilities but also in several services at local traditional markets, which applied for the activation of local markets in terms of the facilities dimension in cultural tourism, as well as including content side for visitors and, a merchant side in education for improving management.

Culture and tourism-oriented markets are a strategic business efforts to activate local traditional markets through utilizing a local traditional market as a culture and tourism resource to attract visitors, increase sales, and promote local competitiveness. In the past, for the purpose of activating the tourism industry in Korea, strategies that utilized local traditional markets as tourism resources were dominant mainstream, a practise that was called place marketing. Recently, to vitalize the depressed local traditional market in accordance with rapid changes such as the changing of the distribution industry and the economic slump, the culture and tourism-oriented market development project has attracted attention by using tourism for the activation of local traditional markets. Consequently, policies that take advantage of tourism and culture use the local traditional market to activate the tourism
industry in local areas or use local attractions to foster the local traditional market; the use of tourism for traditional market activation, has a positive impact on the surrounding areas, including the local traditional markets.

References


