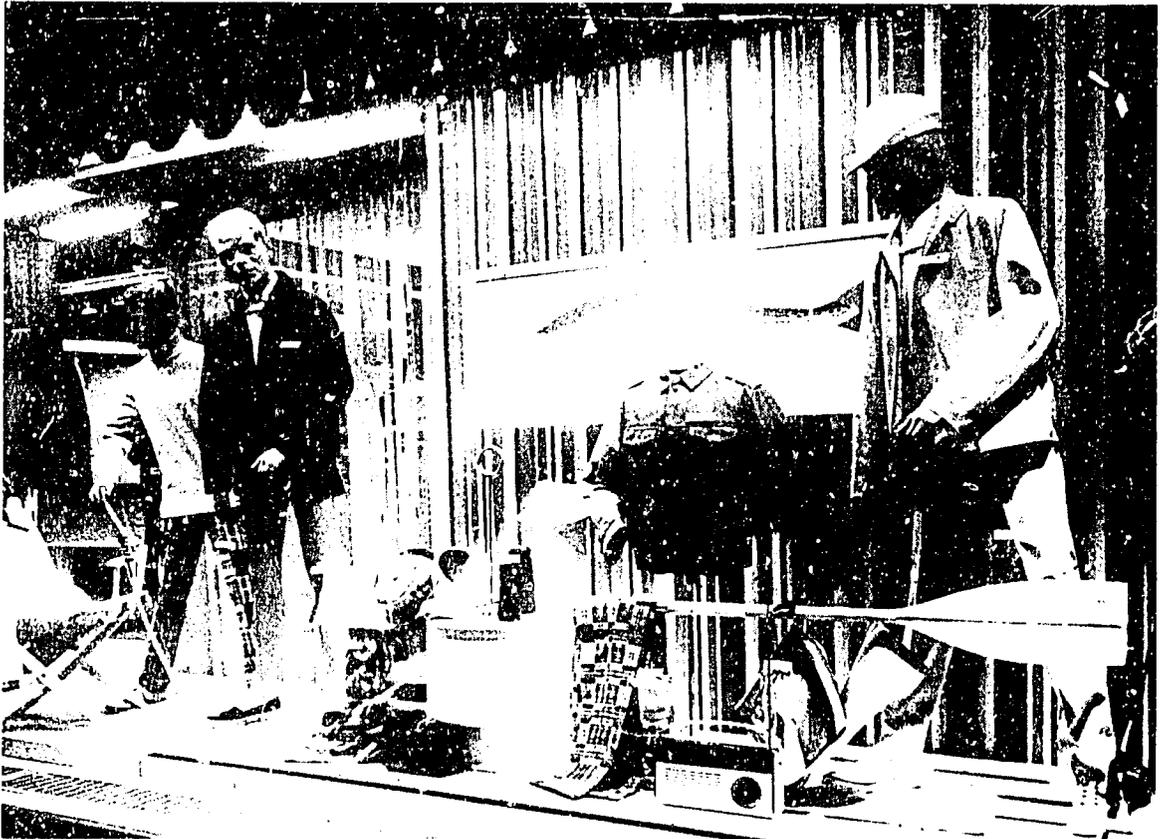


JINSEGYE DEPARTMENT STORE

SEOUL, KOREA



MARKETING STUDY

September 13 to November 2, 1966

HERBERT FUCHS
USOM/KPC
NOVEMBER, 1966

ASSISTED BY
KIM, HYUN KOOK
KPC-MARKETING STAFF

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I.

SHINSEGYE DEPARTMENT STORE

PRELIMINARY SURVEY

DATE: July 12, 1966

TO: Mr. Eun Bok Phee
Director General, Korea Productivity Center

SUBJECT: Possibility of conducting a Marketing survey at Shinsegye Department Store by KPC Marketing advisor Mr. Herbert Fuchs and KPC staff.

Several weeks ago, I had the pleasure of meeting Mr. Lee, Managing Director of Shinsegye in his executive offices. We spoke of department store and merchandising activities in Korea in general terms.

Mr. Lee frankly mentioned his greatest concern was the drastic price cutting by merchants at East Gate and South Gate. He also explained some of the measures his store was taking to cope with this problem.

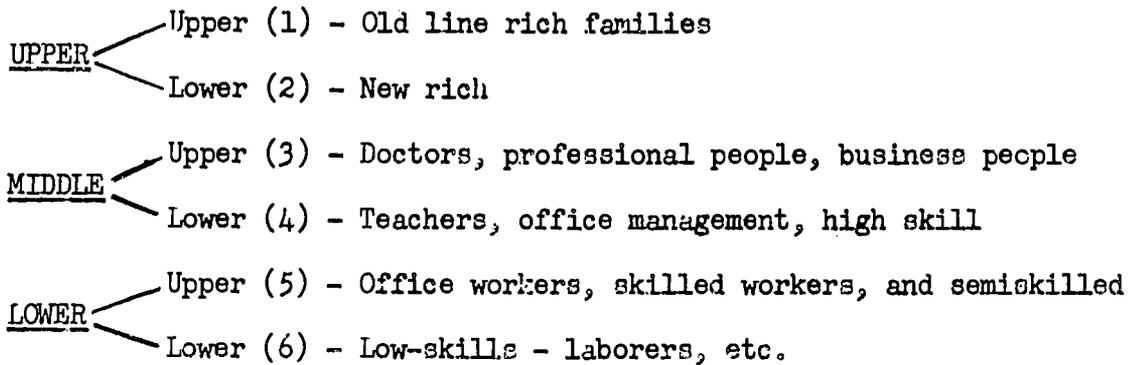
I asked to be taken to his advertising department, where we were shown copies of recent advertising; . also discussed various media used by the Store.

With the solid reputation and financial stability of Shinsegye, a great deal could be done to relieve the difficulties now facing the Store. These problems, unless checked immediately, and corrective measures taken without delay, could have a serious effect on the future status of Shinsegye as Korea's number one department store.

I have not been at Shinsegye long enough to arrive at any conclusions. However, I offer these suggestions to start some needed activity promptly and properly.

- A. Aims, goals, and policies should be defined clearly for all executives and staff to understand.
 1. Who is the Shinsegye customer?
 2. What are his buying habits?
 3. What are the age groups of shoppers?
 4. What percentage are women, men, teen-agers, etc?
 5. Match the merchandise with the customer.

In the United States, customers fall into the following income categories:



- A. (1) (2) and (3) combined spend 15 percent of consumer dollar.
- B. Class (6) spends 20 " " .
- C. Class (4) and (5) spend 65 " " .

The target for Retailers is clear - it is the (4) and (5) income classes that spend 65 percent.

This is the guide and merchandising bible for all sales programs in the U.S.A. The seller knows exactly the market he is looking for and where it is.

What the situation is in Korea regarding the above, I do not know; nor does anyone else.

I would, therefore, suggest a marketing research survey at Shinsegye to find:

- A. Breakdown of purchasing power by groups.
 - 1. Can use U.S. outline as guide.
- B. Learn into which groups present customers are now divided.
- C. Perhaps consider a program to include more groups.
 - 1. Would require thorough study of all merchandising and pricing policies.

Shinseggye has the reputation for selling the best merchandise in Korea. Many people in Seoul have the impression that Shinseggye prices are too high although they have never shopped at the Store. I would offer this advice for further study.

- A. A public relations and advertising campaign should be planned NOW, to convince the public that Shinseggye means VALUE and its prices are no higher for comparable merchandise.
 1. Study of this campaign - methods and time involved can be estimated by KPC.
 - a. A successful program can have great impact on sales, company image, and prestige.

Finally, considering the growth of Seoul and the building up of many residential areas, I would suggest the following for long range planning. In the United States, we have long known "if the customer cannot come to the Store - then the Store must come to the customer."

- A. Make a study for the opening of (4) four new Shinseggye Department Stores.
 1. Analyse new residential growth areas to locate each new Store.
 2. Each Store can carry the merchandise in price and quality that the location requires.
 3. Advertising can be greatly increased, because (5) five Stores will share the expenses of a central advertising agency.
 4. The image to create in the public mind is that Shinseggye means Value, Not High Prices - Shinseggye means Service - Not Broken Promises.
 - a. Public will be flattered and will respond when big Store like Shinseggye "comes to the people."
 - b. Promotion, public relations, and advertising of all types can be built on the theme "Shinseggye expands because it has confidence in the future of Korea and the good judgment of its people."

II.

SHINSEGYE DEPARTMENT STORE

MARKETING STUDY

WORKING OUTLINE

TO: Shinsegye Department Store

SUBJECT: Outline of Marketing Study Covering Five Important Areas of Department Store Activity that Require Immediate Attention at Shinsegye.

PERIOD OF PROJECT: September 1, to September 30, 1966

BY: Mr. Herbert Fuchs, Marketing Consultant, Korea Productivity Center and KPC Marketing Staff

Two previous discussions in the executive offices of the Company clearly indicate that Shinsegye is now faced with serious merchandising and management problems. We have selected five areas that represent a spearhead for penetrating the heart of the difficulty that threaten the progress, prestige and profitability of the store.

- I. MARKETING RESEARCH CUSTOMER SURVEY
- II. LEASED DEPARTMENTS
- III. SUPERVISORY RESPONSIBILITIES
- IV. ADVERTISING
- V. PUBLIC RELATIONS

All those responsible for the day to day activities at Shinsegye will be called upon to contribute to this study. Personal and confidential interviews will be conducted to dig deeply into problem areas for a frank and full exchange of information. Now for the five points:

1. MARKETING RESEARCH CUSTOMER SURVEY

- A. We must first learn "who the Shinsegye customer is?"
 1. What he needs, wants, will buy, and how much is he willing to pay?
 2. What are the levels of earnings of Shinsegye customers?
 3. What age groups are customers in?
 4. What percentage are women - men?
 5. Do women shop for men's things - do men shop for women's gifts?
 6. Customers opinions and reaction to Shinsegye advertising.
 7. Opinion of sales clerks, services, treatment, etc.

- B. When we learn these answers and many more, we have the starting point of an organized merchandising program based on FACTS not GUESSES.
- C. A personal interview "Customer Survey" can be specially drafted by skilled KPC Marketing Research staff.
 - 1. Methods of conducting interviews with customers will follow famous A.C. Nielsen Plan for researching consumer products. Customers names will not be requested.
- D. Survey will contain questions:
 - 1. How often do you come into store?
 - 2. What did you come to buy?
 - 3. What did you buy?
 - 4. What does your husband do?
 - a. Is he in business for himself?
 - b. Is he a professional man?
 - c. What sort of a job does he have?
 - 5. How many purchases do you make each month?
 - 6. Do you see or hear Shinsegye advertisements?
 - a. How often?
 - b. How recent?
 - 7. How often do you shop at Shinsegye?
 - 8. How much does your husband earn?
 - a. Will instruct examiner how to handle this tactfully.
 - 9. Why do you shop at Shinsegye?
 - 10. Do you think Shinsegye prices are higher, lower, the same?
 - 11. Does Shinsegye have good selection of goods?
 - 12. What age group do your fall into?
 - a. Again, this must be handled carefully.
 - 13. Do you shop for your husband?

- E. Above is just a sample of type of questions to be asked.
 - 1. An attempt will be made to have senior management of Shinsegye, with the guidance of Consultant, to develop all objectives and survey questions.
- F. We expect to get at least 3,000 interviews.
 - 1. Information will then be compiled.
 - 2. We will then know more about "who Shinsegye customer is."
 - a. We can then decide "who else do we want"
 - b. And what must we do to get them.

II. LEASED DEPARTMENTS

- 1. Will require thorough study of entire structure.
 - a. Quality of merchant they represent.
 - b. Does owner have other leased departments elsewhere?
 - (1) Can result in only half hearted interest at Shinsegye.
 - c. Do they display goods attractively?
 - d. Are their prices competitive?
 - e. Do they high pressure customers?
 - f. Do they misrepresent merchandise?
 - g. Are relations with their suppliers good?
 - h. Do they carry sufficient stock in all sizes, styles, etc.
- 2. What are their views on advertising?
 - a. Would they be willing to share expense of an advertising campaign to advance store prestige and acceptance by more people.
 - b. Are they using Shinsegye association for other purposes?

3. Are there duplication of products that are confusing to customers?
4. Most important - a realistic and sensible program for all phases of relationship in "Leased Departments" must be developed, understood, and spelled out in WRITING for all concerned.
 - a. Written code of conduct and ethics drafted together with "Leases" will be the start of having this group of merchants conform to a new overall store program.

III. SUPERVISORY

- A. Lines of responsibility and authority must be defined in writing for all to know.
 1. Overlapping of duties must be avoided.
- B. There must be "strict accountability" on all levels of management through a sensible reporting system.
 1. For sales - merchandise - profits - personnel.

IV. ADVERTISING

- A. Must be reviewed thoroughly.
 1. Media: Newspapers - radio - billboards - television
 2. Copy : Quality and quantity
 3. Budgets: How allocated
 4. Tests for effectiveness - part of marketing research program.
- B. Part "Leased Departments" play in overall advertising.
 1. I suspect this is neglected area.

V. PUBLIC RELATIONS

- A. Main objective will be to change public opinion that "Shinsegye Prices are higher" to "Shinsegye means VALUE."
- B. Well planned press releases and special events must create different image for Shinsegye ... that Shinsegye has something for everyone and Shinsegye prices are no higher for comparable merchandise.

This outline represents a starting point. As the study progresses adjustments in plan can be made if special situations come to the surface that are considered to be important. Progress from day to day will be discussed with Shinsegye Management and a very close relationship must exist to make this study as productive as possible.

* * *

III.

SHINSEGYE DEPARTMENT STORE
"FIFTY-ONE DAY MARKETING STUDY"

FINAL REPORT

To: Shinsegye Department Store, Seoul Date: November 7, 1966

Subject: Final Report on Marketing Study conducted in Shinsegye Store covering all areas of department store activity, including an modern customer oriented research program.

Period of Project: September 13 to November 2, 1966

By: Mr. Herbert Fuchs, Marketing Consultant, Korea Productivity Center and Mr. Kim, Hyun Kook, KPC Marketing staff.

Survey followed outline submitted to President of Shinsegye on September 1. Other areas were also analysed and special emphasis was placed on particular facets of merchandising, such as clerks, stock, prices, profits, and the possibility of instituting a western-style, sensible installment plan.

The Study started with an introductory meeting with the seven men representing the policy-makers and top management of the Store - namely, the President, Vice President, Managing Director, and four Division Chiefs. We reviewed the subject matter and manner in which I intended to pursue the Study. We discussed each main category and seemed to be in full accord on all objectives and each person's role and responsibility in the project.

As the days passed, a very close relationship of mutual confidence and trust developed between this policy-making group and the Consultant. Daily conferences were held individually and in groups. All subjects were discussed with complete honesty and frankness; nothing was hidden, nothing was withheld. And it is due to this unusual cooperation that this Study was able to produce such fruitful and rewarding results. Following are major categories and analysis of each:

I. MERCHANDISE

A. Comparison Shopper program was developed to learn of Shinsegye competitive position.

1. Survey form was designed by Four Division Chiefs and Consultant.

a. Approximately 30 visits to other department stores indicated Shinsegye (direct) prices were as low or lower.

b. However, it was apparent that Shinsegye (leased department) prices were higher.

- c. Survey also indicated that Shinsegye selection of merchandise needed improvement.
- B. I strongly recommend that this Comparison Shopper program be expanded to keep management informed each day about competitive prices in other stores and also in Shinsegye leased departments.
1. A sub-section Chief should be appointed to assume charge of this department with responsibility to:
 - a. Utilize experienced sales clerks from "direct" departments to perform comparison shopping.
 - b. Submit daily reports to respective department heads about information uncovered.
 - c. Issue weekly report and analysis directly to Vice-President and Managing Director.

II. SALES CLERKS

- A. Sales lecture was arranged and was conducted by Mr. Chang of KPC on October 12.
1. It was attended by 201 female clerks and 26 male employees and top management personnel.
 2. Much helpful advice was given salespeople on sales techniques and personal conduct.
 3. Discussion later with 24 salesgirls revealed their desire to have a sales lecture of this type every month.
 4. It is clear that clerks are intelligent and want to improve their sales ability and value to Shinsegye.
- B. I recommend that a permanent training program be established for all sales personnel.
1. One program for existing sales people.
 - a. Series of lectures as given by Mr. Chang will bring quickest results.

2. Another program for new help.
 - a. A sales manual can be developed by KPC that can be used as a guide to a two week training program.
 - (1) Manual, with lectures, and personal demonstrations will result in better quality and more confidence.
 - (2) Also in more sales and more satisfied customers.

III. LEASED DEPARTMENTS.

- A. Comparison shopping by H. Fuchs and Mr. Kim has revealed that Leased Department prices are much higher, follow no pattern of mark-ups, and pursue a hit-and-miss policy on pricing.
 1. Shirts that cost ₩800 were selling for ₩1,400.
 2. Neckties that retailed for ₩350 in other stores were selling for ₩500 in Shinsegye leased department.
- B. Quality of clerks in many leased departments is poor.
 1. Sales clerks were too young and too inexperienced.
 2. Many part-time substitute clerks were behind counters.
- C. Merchandise was too crowded on top of counters.
 1. Inspection revealed dust and dirt on goods, counters, and floor.
 2. There is duplication of goods in the same area.
- D. I recommend that a strict policy of leased department rules and regulations be developed by Shinsegye management.
 1. Merchandise must be varied and must be first quality.
 - a. Displays must be attractive and clean.
 2. Ceiling should be placed on profit margin percentages.

a. All retail prices should be submitted for approval to Shinsegye committee.

b. Profits should be on level with DIRECT "Shinsegye Sales" profits.

(1) So that retail prices will be nearly the same.

3. Training program of leased department sales clerks should be integrated into Store's regular training program.

4. Code of conduct should be established at general meeting with "leased departments" and Shinsegye management.

a. Rules, controls, penalties and all details of conduct should be given in writing to each leased owner and should be acknowledged by both parties.

5. It is the firm belief of the Consultant that unless leased departments are brought under strict control so that uniform quality, pricing and service are maintained in ALL departments of Shinsegye, the Store will never reach its potential or achieve any degree of success.

IV. SUPERVISION AND MANAGEMENT

A. All merchandise in Shinsegye direct departments is either under 1st Sales Division or 2nd Sales Division.

1. Separate records are not kept to determine which departments or divisions produce profits or losses.

2. The performance of all departments seems to be lumped together.

a. It is difficult to pinpoint responsibility or accountability.

B. I recommend that all "direct" goods be divided into 12 sales divisions.

1. Section chiefs to be selected for each division with full responsibility to act as a "Buyer" as in the United States.

a. Each will buy and select all merchandise under his supervision.

- b. Hire, train, and be responsible for personnel.
 - c. Approve advertising, displays, special sales, expenses, etc.
2. Separate accounting to be kept for each division.
- a. Monthly profit and loss statements to be supplied to all section chiefs.
 - (1) Statements to be supplied by general affairs section.
 - b. Strength or weakness by divisions can now be segregated with accuracy.
 - (1) Changes or adjustments can be made to correct conditions.
 - (2) Ineffective section chiefs can be replaced.
3. Would suggest a monthly bonus incentive system for outstanding performance by any Section Chief.
- a. This will surely result in extra effort and set up competitive spirit among this group.

V. ADVERTISING AND SALES PROMOTION

- A. All established Media are now being utilized.
 - 1. Budget includes newspapers, radio, TV, magazines, direct mail, and motion picture screen.
 - 2. Copy is only fair and could be greatly improved.
 - 3. Money budgeted is average.
- B. Advertising chief is dedicated to his job and his young staff is improving with experience.
 - 1. Work together very well.
- C. Sales promotion is confined mostly to effective decorations.
 - 1. Store (inside) is colorful and pleasantly decorated.

2. Art department supplies good quality illustrations for signs.
 3. Show window design could be vastly improved.
 - a. These large street-level display windows present an excellent opportunity to use imagination, colors, and lighting.
- D. I recommend very decided changes in advertising based upon results of recent "Research Program."
1. 46% of budget is spent on newspaper advertising.
 - a. This media is expensive and allows only about $2\frac{1}{2}$ illustrative ads per months.
 2. 14% of money available is spent on radio.
 - a. Includes a 20-second spot advertisement every day at 0730.
 3. In 3,200 individual interviews with customers in store and general public in different locations in Seoul, we found:
 - a. 411 people who have seen or heard Shinsegye advertisements said they read it in newspapers.
 - b. 1,108 said they know of Shinsegye through radio.
 - c. Balance of people either had never seen or heard advertising, or in small numbers mentioned TV, direct mail, magazines and motion picture screen.
 4. My observation of these figures is ... repetition is the basis of all successful advertising. Infrequent newspaper ads do not accomplish this. Daily radio advertising seems to have a cumulative effect and leaves an impression with the public.
 5. Then ~ 754 people remembered what the advertisement was about.
 - a. 1,139 did not remember it at all.

- b. I suggest copy in all media could be improved although percentage of "remembering" is better than I had thought.
6. I would strongly urge Shinsegye management to immediately revise its advertisement budget arrangement.
- a. To change and adjust media - not increase amount.
 - (1) To divert some newspaper money to enable Shinsegye to go on radio 4 times a day, every day in different time spots, to reach different segments of the public.
 - b. Management should decide to use one station for four spots or a few stations.
 - c. Saturation campaign of this type would require a complete review of copy content and technique.
 - d. Suggest top management be consulted more closely by Advertising Chief on all advertising procedures in the future.
 - (1) Also Advertising Chief should confer with section chiefs, sub-section chiefs and sales clerks for opinions and suggestions.
- E. Exterior of Shinsegye building is unattractive.
- 1. Vice President agrees that exterior of building looks like a "warehouse" - not Korea's leading department store.
 - 2. Presented Advertising Chief with program for effectively placing large multi-colored signboards in window recesses that are now a part of the unsightly exterior appearance.
 - a. These 13 by 8 foot bill board displays would depict all categories of merchandise available in store.
 - (1) They should be repainted four times a year to conform with seasonal merchandise requirements.
 - 3. There are no signs in English on building to identify name of store to potential foreign customers.

- a. Suggest name of Shinsegye be prominently signpainted in English above five display windows on street level.
 - (1) Division Chief should lose no time in getting this done per discussion with Consultant.
- b. At main entrance there is an attractive new directory locating all departments on respective floors.
 - (1) But it is only in Korean.
 - (2) Should be duplicated in English.

VI. MARKETING RESEARCH "CUSTOMER SURVEY"

- A. Survey, patterned after A. C. Nielsen methods, was developed by Vice President, Managing Director, and four Division Chiefs, with Consultant as advisor.
 - 1. Main objectives were considered and agreed upon; leading and final questions were formulated; and 95% of survey content was of Korean authorship - a credit to this intelligent and dedicated group.
- B. Eight female sales clerks were selected by Division Chiefs to act as interviewers for project.
 - 1. They were intelligent and personable ... and very pretty.
 - 2. One day was spent in training and familiarizing them with purpose and objectives of program.
 - 3. Daily meetings at 10 a.m. were held with them for general discussion and further guidance.
- C. At conclusion of Research Program figures were tabulated, and general meeting was held on October 30 with top management to assess results.
 - 1. It was agreed that Shinsegye has loyal customers who shop often at the Store.
 - a. Weakness is that Shinsegye does not have the occasional shopper who only comes to Store once in a while.
 - (1) This category of customer represents large volume of sales.

2. From occupations given it is obvious that Shinsegye deals mostly with upper-level customers.
 - a. Of 1,718 store interview, 1,090 were with Government or in business.
 - (1) Unfortunately there are not enough of these people, and high volume sales cannot be realized from this select group.
- D. I recommend that Shinsegye senior management immediately review their merchandise, methods, and advertising.
 1. To attract more "levels of earnings" as steady customers.
 - a. Selection should be better as to style, color, etc.
 - b. Goods at all price levels should be stocked and promoted.
 - c. Goods that appeal to more age groups should be available.
 2. To attract the occasional shopper.
 - a. Special sales should be held more often.
 - (1) Good selection of goods and low prices should prevail.
 - b. Should attempt to buy a large amount of one product at a special low price and offer it to the public with small profit or no profit at all.
 - (1) The purpose is to get people into the store.
 - (2) If someone gets a bargain she will tell 10 friends.
 3. Advertisement should be more direct and forceful.
 - a. Mention prices when possible.
 - b. Use more sensational "headlines" in all ads in all media.

VII. TRANSPORTATION

- A. Survey indicates that more than one-half of customers in the Store had difficulty getting to the Store.

1. This is alarming and can be projected to estimate how many people never come to Shinsegye because of this inconvenience.
- B. I recommend that Shinsegye make a concerted effort to convince Seoul City officials to have buses stop near the Store as in cases with all other department stores.
 1. This has failed once but should be tried again.
 - a. If necessary, a special attorney should be retained to investigate this thoroughly.
- C. As a last resort private buses should be used by Shinsegye to bring customers to the store and to return them to the nearest selected Shinsegye bus stop.
 1. A trial of two buses would reveal how practical plan is.
- D. Of all interviewed in "Research Program" inside and outside of the Store 97 percent said they would shop more often and surely buy more things at Shinsegye if this type of transportation would be furnished.

VIII. INSTALLMENT BUYING

- A. There are now some installment programs available in Seoul on a 5 or 7-month plan in some retail stores.
 1. But interest rates are impossible and down-payment is too high.
 - a. This precludes wide use of installment buying by public.
 - b. If the United States did not have a well-developed installment system, few people there could afford new homes and new cars.
- B. Koreans would like to buy many products but have not been able to accumulate large down-payment.
 1. Factories in Korea can, and would like to manufacture and sell more products.
 2. Therefore, some "vehicle" or some "Store" who can supply the means of enabling Koreans to buy a necessity or semi-necessity on the installment plan with 10 percent down payment and

realistic rates of interest, and 12 months to pay, will be doing an important service to the Country.

3. Example: Sewing machine should be able to be bought for ¥800 down-payment and ¥800 per month for 12 months. Any woman who has ¥800 and steady family income can now buy the machine. She is then able, if she wishes, to take in sewing and with other income can easily make the ¥800 payment per month. The factory sells more sewing machines and can now produce more and hire more people, giving more people the opportunity to earn money and buy more sewing machines... the completion of the cycle.

- C. I recommend that Shinsegye waste no time in instituting "Installment Buying" on a 12-month plan as carefully developed between Vice President and Consultant.

May I conclude this report by expressing my sincere appreciation to the Vice President of Shinsegye whose personal interest and great sacrifice of time has made this Marketing Study whatever success it may turn out to be.

Also, my thanks to the President, Managing Director, and four Division Chiefs who, at all times and in all matters, were honest, sincere, and most cooperative.

HERBERT FUCHS
November, 1966