

A Study on the Improving Measures of Private Brand Clothing Products in Domestic Department Stores

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Abstract

The purpose of this study is to present suggestions to improve the problems the domestic department stores face by analyzing and comparing the status of the development of PB which is absolutely critical for the specialized domestic department stores to survive, and to search for the future course which may lead to boosting sales and profit by developing the strategic PB products. Selected for this study were a total of 20 PB's out of domestic as well as foreign PB's in the 4 big department stores. The data were analyzed with SAS package employed as per the by items frequency, percent, mean and standard deviation.

From the above study, following viewpoints can be taken into account for the future development of PB; First, the active will of the executive is basically necessary for successful development of PB, by relying on long-term investment. Second, the existing mid or low-price goods should be in line with the mid or high price one's development for domestic merchandising with focus on middle or high class society. Third, the stock burden, biggest problem of PB, can be solved by discount policy at optimum prices and success rate of merchandising prediction.

Key words: PB(private brand), strategic PB products, long-term investment.

I. Introduction

1. Raising an Issue and the Purpose of This Study

Domestic fashion distribution industry is experiencing a situation where competition has been getting tougher following the landing of huge overseas logistics capital along with the Korean government's open policy in the distribution sector and the rapid growth of discount store markets in volume, which have forced only the companies with large buying power and liquidity to survive. The growth of discount store in line with the price-oriented consumerism and in the process of globalization will

eventually accompany the decrease of market dominance by the department stores and the fade out of non-competitive department stores. In order for the department stores to be able to actively cope with this changing conditions and to successfully culture self-reliance, the launching of PB is indispensable.

The product development of a department store may be defined as all activities to develop products providing distinctively such product-constituting elements to satisfy customers, as products of other distribution enterprises, distribution place, time, quantity and other elements. However, if you think it as a broad concept limiting the product itself excluding its service, the product development of a department store

means 'the product itself dealt at a local store and all activities developing products with original characteristics' i.e the development of originally planned products and the selection of original products¹⁾. Since PB is directly related to the image of store and company as the department's brand, the image of PB may contribute greatly to the distinctiveness of the image of a store.

The development and strategy of PB clothing products in our apparel industry are still lingering far behind the level of the foreign brands. This may be explained by the low awareness by the consumers of PB of the department stores, by the preference of NB (national brand) to PB, and also by the fact that the department stores depend rather on the high income through operation of the shops on rental and commission base than self-merchandising in the face of the changing pattern of buyers, social and other various environments. To be sure, It is difficult for PB of a department store to realize distinctiveness in terms of planning capacity because of seriousness of clearance of the goods in stock, product quality and management problem caused by smallness of subcontractors, and shortage of professionals. Most department stores tend to pursue a direct-import PB strategy as their temporary means. Resulting from many causes like a slump in selling and low profitability, domestic department stores have been trying to develop PB focusing on living necessities rather than fashion PB that requires sustaining investment on brand and specialists in MD mind after the IMF crisis. If you take an example of large-scale department stores, Lotte, Hyundai and Galleria department stores except for Shinsegae department store are mainly trying to introduce overseas products.

Also, The conventional studies on PB have focused, in large part, upon the demographic characteristics of the consumers seeking brands, upon the behavioral aspects of the consumers in respect to price and quality-consciousness, and

upon the status of analysis and introduction of product development. This is the reason why the fundamentals for the research in terms with the problems related to PB are still feeble.

The purpose of this study is, therefore, to present suggestions to improve the problems the domestic department stores face by analyzing and comparing the status of the development of PB which is absolutely critical for the specialized domestic department stores to survive, and to search for the future course which may lead to boosting sales and profit by developing the strategic PB products.

2. The Method of This Study

The extent of this study is the existing preceding study and materials available. Selected for this study were a total of 20 PB's out of domestic as well as foreign PB's in the 4 big department stores. Interviews were made one on one base with the domestic buyers from Oct.4 through 22 and questionnaires were distributed to and collected from 20 people.

Part I and II of this questionnaire use a free answer method and a multiple choice method and Part III a multiple choice method and Part IV 5-point measure. When you look at the structure of the questionnaire, Part I and II is an evaluation table of the condition of PB product development of department stores used for comparison analysis according to department stores. On Part III, I suggested a role of development of PB clothing products, its success factor and failure factor, bottlenecks in product developing, price policy, relative superiority of customer's satisfaction, sales service policy for customer's impression and types of public development. On Part IV, It was made to establish analysis on product development strategy and plans for improving problems through questionnaire to buyers of department stores.

The data were analyzed with SAS package employed as per the by items frequency, percent, mean and standard deviation.

¹ Oh, Yun-hee · Lee Hee-chun, *Department Store Management* (Namdu Book, 1999): 110.

II. Theological Background

1. Private Brand

The private brand means endowing an original brand to have customers be aware of the fact that the product developed by a retail store is different from that of other stores. PB was sold first by Sainsbury co. in the United Kingdom in 1880. Later, as chain stores in U.S.A got large-scaled in the 1920s, retailers with strong sales used its own private brand to stand against oligopolistic large-scale manufacture companies that tried to strengthen their market domination. Since then, it has become a regular means for retailers to differentiate their own products to set a comparison superiority²⁾.

PB developed with technology of a department store itself offers a great sales profit in that the planning, production and sales of the department store itself can remove an intermediate margin, suggest a low cost at the level of 70~80% of the same-level products and offer a high profit at the average of 30~40%. However, its fame and reliability falls behind that of NB.

It is desirable for PB product development to proceed at 3 steps in the viewpoint of merchandising strategy of the department store³⁾. The introduction step is to promote man-power training and development system establishment to improve product development ability in promoting PB product development. The development step is a step promoting PB product development so that the department store that secured a certain amount of product development ability may enlarge product development, promote its profitability not being satisfied with its quantity enlargement and strengthen informative function. The mature step is a step where PB product development becomes mature and merchandise development becomes common and lastly it rea-

ches the ultimate ends. This step focuses on improving quality level of PB product, securing high profitability and strengthening international informative function.

Concerning operational method and strong and weak points of PB development types, Look at <Table 1>.

If you look at the preceding study, Hoch and Banerji (1993) proposed product quality, its quality consistency, selling and total margin of the included retail shops, the number of manufacture company and the expense of ad of each manufacture company as a requisite for PB success through recurrent analysis. It was also shown that price is more important factor for success than quality. The study by Seung-hee Lee(1997) says that the biggest problem of PB product development is improving circulation system according to a department store. The study by Jae-bon Koo(1997) says that the purpose of PB development is put on store differentiation, but substantially product differentiation is not being accomplished. Moreover, the department store also says reducing the production cost is hard and stock possibility is high since the sales extent is narrow due to store limitation.

According to the analyses of the existing studies and materials, in case of PB products, their ad cost, marketing management cost and intermediate distribution margin lessens in comparison with NB, so that the customer's price satisfaction is high, but the problem is a lack of consumer's awareness. Furthermore, The analysis of main customers out of PB consumers, active investment into PB product development ability and the establishment of its supplementary PB computer system are needed. It is considered that high-profit dependable management policy of a department store was connected to passive PB development and also caused checking the fundamental PB development. If you reform this problem and raise product development ability

² RIDI, Distribution Industry Institute, 1 (1997): 43~45.

³ Association of Korean Department Stores, "Strengthening product planning". *The letter of Association of Korean Department Stores*, 3,4 (1989). 12~24.

<Table 1> PB Development Type

Type of Development		Operational Method			Strength	Weakness
		Planning	Production	Sales		
Production Development Type		DS	DS (department store)	DS	<ul style="list-style-type: none"> ▶ Able to manage continuous brand image through self-planning of the department store. ▶ Securing high profit excluded from intermediate margin. 	▶ Much in personnel expenses due to personnel employment followed after self-production.
Planning and Development Type	Joint Development	DS ∧ CC (famous designer)	CC (collaborating company)	DS	<ul style="list-style-type: none"> ▶ Able to make best use of fame of collaborating company and planning know-how. ▶ Easy to secure the sales network on the part of collaborating company. 	▶ No continuity when there is no adjustment between collaborating companies and department store
	Joint Development	DS CC	CC	DS	▶ Able to develop and supply products from many collaborating companies easily.	<ul style="list-style-type: none"> ▶ Difficulty in integrating product image. ▶ Need for capable designer and MD employing.
Monopolistic Introduction Type	Direct Import	CC (Brand Possessor)	CC	DS	▶ Able to differentiate completely due to exclusive introduction of world famous products.	▶ Often reorder is impossible.
	License	DS + CC	CC	DS	▶ Able to develop and supply product as a proper price making use of world famous brand.	▶ Difficulties in continuity when there is no adjustment between collaborating company and department store.

(Source: RIDI, Distribution Industry Institute, 1995(9))

of a new PB, consumer's PB clothing product buying will be a wise consumption type and connected to profit creation of sales of the department store and its differentiation from other stores.

2. Overseas PB Clothing Product Development

The beginning of PB product is like this. Some retailers that had strengthened marketability due to large-scaled retail stores based on chain operation in U.S.A in the 1920s imitated NB products on the mature stage and produce and distribute products through small manufacturers and began to sell them with retailer's

brand to stand against monopolistic large-scale manufacturers. The fact that various types of retail shops developed in America was caused by people dissemination to suburbs and market fractionation policy of retail stores based on mass production system and mass consumption. Large-scaled dissemination and mobile store-making policy caused by this kind of population movement and market fractionation chain system were strongly required⁴⁾. Moreover, American PB enlargement situation was greatly influenced by increase in female employment, decrease in popularity of designer's brand beginning from the middle of the '80s, and consumer's rational buying pattern caused by continuous slump of

⁴ Jack G. Kaikati, "Don't discount off-price retails", *Harvard Business Review* (May/June 1985).

American economy. Also, since direct purchase and a single product management and QR(quick response) system were connected, the retailers could reach the goal of PB enlargement. Most retailer's PB product development is on the process to deal parallel with the existing NB and designer's brand in rather than excluding them. Though each retail shop shows its rate differently, the average rate at which PB product occupies out of the total sales amount is about 20~30%.

PB product developed first in Japan was a men's clothes called 'Torojang' developed by Daimaru Department Store in 1959. When there was mostly custom-tailored clothes in Japan, Daimaru sold a product that was equipped with 29 sizes of the cubic tailoring method to proceed to the goal of a regular ready-made clothes. Then, Daiei sold Daiei Milgam first out of Japanese tailor's shops in '60. In '62, Mitsukoshi Department Store merchandized Reodol and developed mainly food products, daily goods and electric home appliances, but the result was failed. It was because non-qualified low-price products increased consumer's dissatisfaction. That PB product was emergent regularly was continued till the early '80s according to the change of the economic condition and consumer's environment resulting from oil shock in the '70s. One of the causes was that product development by the licensing contract due to European designer's brand boom leaped into main stream amid the bubble economy in the '80s.

There are 3 reasons why PB got its highlight in Japan. First, consumer's low-price tendency caused by serious consumption depression after the collapse of bubble economy in the '90s. Second, increase in PB product development import through South East Asia where chief production facility and man-power cost may be used when and parallel import through the 3rd countries. Third, it became easier for a large

-scale store to make more due to legal regulation mitigation and as competition between stores became tense, NB became low and quality-supplemented PB product development was required. Apart from comprehensive environment factor, such managing factors as aggravation of maker's actual record, tailor's shop, improvement of the position of discount store, securing low-price, high-profit and safe distribution route are considered as causes for PB to be settled down⁵.

III. The Condition of PB Clothing Product Development of Domestic Department Stores

1. Shinsegae Department Store

Shinsegae department store introduced PB on Peacock dress shirt in 1969 first in the nation and focused on differentiation from other department stores and play the most active role in clothing-focused PB product. Its PB product development is achieved also in the long-term point of merchandising and man-power training. PB introduced by Shinsegae department store(as of Dec. 1999) is dealing with such brands planned and developed by the department store but produced by the outside as SADE(F.), Bonnie taylor(F.), Traditional Casual Ivy House(M., F.), Triana(F.), Bestidonna, Bestihomme, Peacock dress shirt, Peacock blouse, and Knit item Sol. 16 domestic PB's out 33 PB's as of Dec. '97 are somewhat contracted due to the IMF crisis. As of Oct. '99, domestic PB's were contracted to 10 PB's, but such brands as Ivy House(M., F.), SADE, Triana, Bonnie taylor were increased in terms of their sales in comparison with '97.

When you look at the process of PB Product development planned and development by Shinsegae department store, they set up a plan on concept planning and production amount through seasonal data analysis first. Then they prepara-

⁵ Noguchi Tomooh(translated by Hur Dong-goel), Low price High Quality Secret PB Strategy, (Han Su-hyup Press, 1997): 47~58.

tion of fabric, work on sampling, constitute the 1st convention and general convention, select, order, allow in and lastly sell products in order in concert with collaborating companies. Normally 3 to 4 companies manage each brand and the main company produces 60~80% of the total and the rest will be taken by companies taking up a single product each season.

If you look at the usage of the system, the usage rate of QR system like POS, EDI, and VAN was more developed than those of other department stores. This point leads to sales. Its distribution system is well organized with information network among the main office, stores, collaborating companies, and circulation center. If you look at loss and profit structure, it shows

2.2~2.5 times marginal rate and when sales margin is 23%, they produce profit generally. Shinsegae emphasizes on PB as a small-scale store. Since it secured a fixed customers by the introduction of a long-term brand and did a buyer training well, The sales ability of PB is great⁶.

The analysis table on Shinsegae department store's representative PB product development condition is indicated at <Table 2>.

2. Hyundai Department Store

Hyundai department store takes 'High-dignity High-sensitivity department store' as its concept and with its management goal of 'Premium, Traditional Department Store', it tries to have a

<Table 2> The Analysis Table on Shinsegae Department Store's Representative PB Product Development Condition

Brand Name	SADE			Bonnie Taylor			Peacock dress shirt		
Launching Year	1993			1994			1981		
Development Type	Planning & development (CC: 4)			Planning & development (CC: 4)			Planning & development (CC: 1)		
Operational Method	Planning	Production	Sales	Planning	Production	Sales	Planning	Production	Sales
	DS	CC	DS	CC	CC	DS	CC	CC	DS
Brand Concept	Targeting on 25 year women, with trendy material and color, expresses from formal dress to casual with variety, suggesting knit, accessory and total coordination, pursue a new look.			Targeting on 35~45 aged, pursues European style. High sensitive Missy Casual			Targeting on early 30~50 aged, Quality equal to famous license brand, pursues a realistic price and various product assortment.		
Brand Differentiation Strategy	Seasonal based trendy Concept.			Pursues a value added brand			Low price, QR production.		
1. Sales(won) 2. Profit(%) 3. Stock Rate(%)	'96	'97	'98	'96	'97	'98	'96	'97	'98
	1. 3.3bill.	1. 4.8bill.	1. 5.6bill.	1. 2.7bill.	1. 4.1bill.	1. 5.5bill.	1. 1.8bill.	1. 2.3bill.	1. 2bill.
	2. 16%	2. 35%	2. 19%	2. 15%	2. 21%	2. 26%	2. 22%	2. 25%	2. 28%
	3. 0%	3. 0%	3. 0%	3. 25%	3. 22%	3. 20%	3. 15%	3. 10%	3. 11%
'99Sales Goal	5.8billion			5.5billion			2.5billion		

(Source: Questionnaire materials for buyer in charge of Shinsegae department store, 1999.10)

⁶ Shinsegae Department Store, Product Development The Summary of Team Interview with B section chief

perfect differentiation. As it leads local culture, it is securing a broad cultural space with the background of a new development area of Kangnam comparing with other department stores.

The direction of PB product development of Hyundai department store is development of the proper price, high quality products in the viewpoint that it boosts its image to customers. As for clothing PB product development, the department of product development took charge of it all. The department of product development operated a small-size production line such as design room, sample team and dressmaking team. Since '85, it operated Belage(M., F. formal dress) and Signus(woven, accessories). In '90, it operated Armonia(F.) and others. Belage and Armonia were operated by domestic department of production development. But in '96, it stopped a non-competitive domestic production and decided on overseas product introduction. In '96, it introduced Amoami(Italian Female Store) and Gibierre donna(F.). In '97, it introduced Les

Copains(F.), Ferre Studio(F.) and Milano Story (Italian Female Single Product Brand). In the early stage of Milano Story introduction, it imported trousers and knit directly, but since Aug. '98, it has changed it to domestic production. If you look at the usage of QR system, you use only POS. If you look at PB operation at the present(as of Dec. 1999), it is operating 4 brands such as domestic planned-and-developed type, Milano Story(F.), direct-imported Gibierre donna(F.), Les Copains(F.), Ferre Studio(F.)⁷.

The analysis table of Hyundai department store's representative PB product development condition is indicated at <Table 3>.

3. Lotte Department Store

Lotte Department Store is trying to strengthen merchandising through high-value of PB product and enlargement of its part with the strategy for improving its sales and extend its service for differentiation and develop peculiar products according to individualized, varied and specified

<Table 3> The Analysis Table of Hyundai Department Store's PB Product Development Condition

Brand Name	Milano Story			Gibierre Donna		
Launching Year	1997			1996		
Development Type	Planning & Development			Direct Import		
Operational Method	Planning	Production	Sales	Planning	Production	Sales
	DS/CC	CC	DS	.	.	DS
Brand Concept	Targeting on young-minded later 20's and early 30's women. Missy Casual.			Targeting on 30s. modern classic & neo couture & simplicity.		
Brand Differentiation Strategy	Low Price Single Product Sales (Monthly Planning).			· High dignity & High Sensitivity & Basic Line. · Various Items.		
1. Sales(won) 2. Profit(%) 3. Stock Rate(%)	'97	'98		'96	'97	'98
	1. 1billion	1. 2billion		1. 1.6billion	1. 2.4billion	1. 2.9billion
	3. 20%	3. 20%		2. 40%	2. 40%	2. 42%
				3. 35%	3. 40%	3. 45%
'99 Sales Goal	3billion			3.2billion		

(Source: Buyer Questionnaire Materials in charge of Hyundai Department Store, 1999.10)

⁷ Hyundai Department Store, Domestic Development Team The Summary of Interview with M Deputy Chief.

<Table 4> Lotte Department Store's PB Product Development Condition Analysis Table

Brand Name	Armani Exchange			Versus		
Launching Year	1996			1993		
Development Type	Direct Import(USA)			Direct Import(Italy)		
Operational Method	Planning	Production	Sales	Planning	Production	Sales
	.	.	DS	.	.	DS
Brand Concept	Targeting on 23~30 aged men and women, high-quality casual brand with a peculiar restrained sensitivity and utility.			Targeting on 20~30 aged customers on a special level, Italian high-dignity brand with refined and high-quality image of formal dress.		
Brand Differentiation Strategy	Promoting brand dignity.			<ul style="list-style-type: none"> · Italian Traditional High-quality image · Product selection considering Korean body types. 		
1. Sales(won)	'96	'97	'98	'98		
2. Normal Sales Rate (%)	1. 0.5bill. 2. 70%	1. 2.5bill. 2. 70%	1. 4bill. 2. 70%	1. 1.2bill. 2. 50%		
'99 Sales Goal	5. 5billion.			1. 4billion		

(Source : Questionnaire Material for Buyer in charge of Lotte Department Store, 1999.10)

levels of customers. Under those plans, it developed the existing men's clothes brand Windsor, women's clothes brand Bellese, Automant, and Withone. Apart from them, it developed new import brands Mariella Branie and Istante and for 5 years developed PB such as Frerino, Automant Reports to face with consumer's life style, but its profitability fell behind the amount continuously invested with financial input and it didn't meet the loss and profit, so it.

<Table 3> The analysis table of Hyundai department store's PB product development condition stopped all domestic brand development in '98. Presently(as of Dec. 1999) Lotte Department Store has only overseas introduced direct-import PB like Armani Exchange(USA), Versus (Italy), and Volsarino(Italy).

The characteristics of direct-imported product purchase are those that MD in charge buys directly at the main office, POS introduction only is possible only for 3 months and QR system vitalization is hard. If Lotte has a direction to develop domestically developed PB depends on

when consumer's market is specified distinctively and the adequate position of target customers is prepared⁸⁾.

The analysis table of Lotte department store's representative PB product development condition is indicated at <Table 4>.

4. Galleria Department Store

Galleria Department Store paid much attention and effort on PB product from its early days. It introduced 10 clothing PB's like Socks Club, Kid Club, and Ganlant. However, when it faced with consumption bubble ages i.e. the emergence of two extremities of high-price zone and low-price zone, it was all cleared and now PB development focusing on living necessities main single products are being done. They are actively involved in the development of Good & Cheap including food, basic clothing and general merchandise and posted the sales of 5 billion won in '94. and PB 500 items first in the nation in the end of '97. They reinforced clothing part from the later '95 and produced daily living

⁸ Lotte Department, Overseas Product Team. The Summary of Interview with A Chief Clerk.

merchandise i.e. one-mile wear concept of T-shirt, pants, dress shirt, top continuously. In clothing part, they set a distinct limit of PB product and in the relatively low-price volume zone, they planned, but as for the high-price trend products, they introduced from overseas. Self-planned INC was planned with marketing by the main office, produced in concert with its 20 collaborating companies and has 14 distribution networks which is the greatest number as PB through its department store, other department stores and many agencies. The marginal rate of the products is 2.3~2.7 multiple proportion. Concerning its production line, it supplies its products through domestic and overseas production. As for direct-import brand, MD in charge ordered merchandise buying by himself within several weeks(before 6 months of product entry). Though its marginal rate is normally 2.5~3.5 multiple proportion, as for Galleria, 1.8~2. The direction and strong points of Galleria PB is aggravating MD buying power through

direct import sourcing, producing skillful MD's through know-how accumulation, differentiating its sensitivity from that of other department stores through introduction of famous brands and lastly improving its sales capability to reach the break-even point⁹⁾. Presently(as of Dec. 1999) in the area of clothing, domestic PB is I.N.C(M., F. casual wear) and directly-imported PB's are Givenchy(F.), Rena Lange(F.), G. Street 494(F.) and etc. Galleria Department Store's representative PB product development condition analysis table is indicated at <Table 5>.

IV. Analysis on Domestic Department Store PB Product Development

1. Investigator's Profile

If you look at investigator's profile, the rate of man is 75% due to vocational characteristics and the early and late of the thirties takes up

<Table 5> Galleria Department Store's PB Product Development Condition Analysis Table

Brand Name	I.N.C			Rena Lange		
Launching Year	1997			1998		
Development Type	Production & Development/ Planning & Development			Direct Import		
Operational Method	Planning	Production	Sales	Planning	Production	Sales
	DS	CC	DS	.	.	DS
Brand Concept	Targeting on 18~35 aged men and women, natural and easy town casual wear.			Targeting on 40~50s aged. Elegant and intellectual image and classical line, High-dignity Image		
Brand Differentiation Strategy	High-quality, Low price.			Small Order, High-quality for a small fixed customers, High-price strategy and service differentiation.		
1. Sales(won) 2. Profit(%) 3. Stock Rate(%)	'96	'97	'98	'98		
	1. 1.6bill.	1. 2.7bill.	1. 4.1bill.	1. 0.6bill.		
	2. 28%	2. 32%	2. 33%	2. 60%		
	3. 18%	3. 16%	3. 17%	3. 40%		
'99 Sales Goal	5billion			1billion		

(Source : Questionnaire Material of Buyer in charge of Galleria Department Store, 1999.10)

⁹⁾ Galleria Department Store, Overseas Product Team, The Summary of Interview with R Deputy Chief.

70%. If you look at careers working as buyer in charge PB of department store, 4~5 years is 50% and above 5 years is 25% in order. deputy section chief is 40% and section chief is 35% in the order.

2. Comparison Analysis on PB Clothing Product Development Condition

It is an analysis on clothing product development condition of 4 domestic large-scale department stores according to department stores and their development types. First of all, if you look at the condition of PB clothing product development type, domestic planning development type is 60% and overseas introduction direct-import type is 40%. Concerning a department store, Shinsegae Department Store is 50%, Hyundai Department Store 20%, Galleria 20% and Lotte 10% in order. Concerning its operational method, Shinsegae Department Store is executing planning and sales of all brands, Hyundai and Galleria in part and Lotte only direct-import and its sales. If you look at the planning unit and the evaluation frequency, Shinsegae is once a month and once on seasonal basis, Hyundai once a month and twice a year, Lotte once on seasonal basis and twice a year and Galleria once on seasonal basis.

If you look at the item development condition, Shinsegae is 4 single brands, 5 female brands and 1 male brand, Hyundai 4 female brands, Lotte 2 brands for male and female, and Galleria 3 female brands and 1 unisex casual brand. If you look at analysis on development types according to its sensitivity and price, planning and development type is intermediate-price product with intermediate sensitivity and directly-imported type is high-price product with high sensitivity.

If you look at product development period and product reorder period when they are out of stock, Shinsegae production and development period is 38 days and its product reorder period is 11 days. As for Hyundai, its production and development period is 73 days and its product reorder period is 17 days. As for Lotte, as all

products are composed of directly imported brands, 255 days will be taken starting from the ordering date, which is considered as production and development starting point, but when it is out of stock, product reorder is not accomplished. As for Galleria, the former period is 108 days and the later period is 21 days. Considering development types, the former period of planning and developing type is 37 days and the later period is 12 days. In case of direct import type, the former period is 159 days and the later period(sometimes it is not possible) is 19 days. If you look at whether QR system is used or not, Shinsegae uses POS, EDI, VAN system and the rest Hyundai, Lotte and Galleria use POS only.

Concerning sales promoting strategy of each department store, the date and rate of discount is 20~50% off when it is out of season. It was shown that all department stores produce and sell products 100% as a goal due to the trouble of stock management. Salesman training frequency is once or twice a month, once or twice on seasonal basis, once a year and any time when new product are introduced. As for ad media method, catalogue, newspaper, PR paper of the department store, leaflet/DM and etc. are used. Especially the rate of leaflet/DM is high. As PR strategy, special sales event, periodical event sale and count sales event discount are occupying and the department is managing internet shopping mall. The frequency of display renewal is distributed evenly according to development types, weeks, months and seasons.

As a method for clearance of the goods in stock, all department stores have a goal for 100% complete sales for the season. In case of Shinsegae, it is doing stock event sales, uniform price sales or discount sales at the end of season to dispose 50~100 million won of stocks for each brand. As for returns and A/S, they are aiming to reach 100% customer's service. DB is done for local branch customer's cared. In case of direct-import, fixed customer management is accomplished for each shop.

3. PB Clothing Product's Development Strategy Analysis

As for PB product development strategy analysis and comparison analysis to establish problem solution plan, a buyer in charge of PB of a department store had opinion as follows. First, the most important role of PB clothing product is shown like this: strengthening competitiveness with other companies and differentiation 55%, securing profit of the department store 30%, conferring consumer's selection opportunity due to varied products 10%, lifting the image of the department store 5% in order. As factors for success or failure, executive's will(60%/35%) took up the highest rate. It was shown that the investment rate was influenced by whether an executive concerns PB or not. Next to it, qualification of buyer and designer, shop securement, protection system of PB are indicated in order. As difficult factors in product development, executive's will 30%, the number of shops 15%, stock burden 15%, man power 10%, quantity 10% and a lack of ad sales promotion 10% were indicated in order. Since executive's will also marked the highest as factors for success or failure, the strongest influence of PB's product development is an executive's will. If you see the opinion concerning PB price policy, high quality intermediate price 50%, high quality high price 30%, high quality low price 15%, and intermediate quality low price 5% were shown in order. It shows that the most desirable price policy is high quality intermediate price that all brands are pursuing. If you see comparison superiority of customer's satisfaction out of characteristics of PB shops, price and quality, product assortment, product recognition, sales service, shop location, after service, and display are shown in order. 'price and quality' as the 1st place is thought to be the most fundamental factors for success and connected to the fundamental element of customer's attraction policy though you see the results of high average value and small standard deviation. If you see customer's attraction sales service policy that PB adjusts, feedback through customer's monitoring,

giving prize to sales superior salesman, and service evaluation are shown in order. The desirable types of PB mutual development are alliance between the department store and manufacture company 70%, alliance between the department store and other department store 15 %, alliance between the department store and local department store 10% in order. Examples of successful development type may be an outside market advance of 5 brands made by Shinsegae product and development team and success in Galleria I.N.C advance to other department store. The analysis factor of clothing product development suggested as a plan to establish a plan solving problems in PB product development is indicated at <Table 6, 7>.

If you see the result value earned through material analysis above, #1~7 items, i.e passive attitude of product development produced average value(M=2.94) called medium. #3 item produced seriousness in low-profit problem due to the limitation of small production and sales stand in terms of production price reduction and stock burden and also suggested the need for professionals that retain professional knowledge. # 8~14 items produced average value(M=3.72) meaning relatively high rate of 'Yes' for the method to establish information system and promote product development capability and sales. Items of service strategy attracting women as main customers in terms of sales strategy and that of sales system like bonus card discount rate according to its step following after PB purchase number in terms of sales strategy showed high-rate.

#15~21 items produced relatively high average value(M=3.79) of 'Yes' in terms of customer's analysis and management evaluation of PB planning company. Customer's analysis of the company is done relatively well and evaluation on customer's management shows also a high-rate. In particular, the item that customers of the company put must importance on quality (M=4.25) showed a very high rate and customer's satisfaction(M=4.25) in exchange or return dealing procedure produced a very high value.

<Table 6> The Analysis Factor of PB Clothing Product Development(M, S.D) (N=20)

No	Analysis Factors	M	S.D
1	Investment is passive due to decrease in profit of PB product.	3.00	1.12
2	PB product development organizing of your department store is weak and its plan is short-term based.	2.70	1.34
3	Reduction in production price is difficult and profit is low due to the limit of small production and shops, and stock burden	3.10	1.25
4	PB product development capability has a lack of positive propulsion.	2.90	1.16
5	Know-how accumulation is lack since buyers in charge of PB often moves to the other department.	2.80	1.47
6	Lack of sales promotion of PB product(sales attendant training,...).	2.80	0.95
7	Lack of professional with professional knowledge.	3.30	1.17
8	Systematic computation system(QR...) is needed.	3.95	1.09
9	Community mind and information communication between PB team and NB team buyers of your company are needed to be activated.	3.75	0.55
10	Communal development with famous designers is needed for high-sensitive PB product	3.20	1.10
11	Common sales promotion that makes a strategic bond with manufacture companies is needed in terms of small production and reduction in original price.	3.75	0.85
12	Service strategy should be made to attract women, main customers in terms of sales strategy.	3.85	0.67
13	Sales system such as step bonus card discount according to PB purchase frequency should be introduced in terms of sales strategy.	3.85	0.48
14	Internet shopping mall only for PB should be made.	3.75	0.71

(1~14: The higher M value, the greater the degree of problems)

<Table 7> The Analysis Factor of PB Clothing Product Development(M, S.D) (N=20)

No	Analysis factors	M	S.D
15	Our customers think price as very important in PB purchasing.	3.40	0.82
16	Our customers think quality as very important in PB purchasing.	4.25	0.55
17	We are promoting the balance of price and quality and analyze on the variety of consumer's needs and satisfy it.	4.05	0.39
18	We have a distinctive differentiation comparing with NB products or competitive PB products.	3.55	0.75
19	It is not important to know what competitive company develop. We analyze on what our targeted customers want and sell what they wan.	3.20	1.15
20	Customer's satisfaction of your company is good when products are exchanged or returned.	4.25	0.71
21	We have DB materials for understanding customer's taste and preference.	3.85	0.81

(15-21: The lower M value, the greater degree of problems)

V. Differentiation Strategy and Reform Plan of PB Clothing Products of the Department Store

1. Analysis on Differentiation Strategy of PB Clothing Products of Domestic and Overseas Department Stores

Domestic department stores are depending on imported goods rather than producing a brand by developing goods directly, which is different from the original purport of PB development. Moreover, while domestic department stores set up management strategy dependent on its profit and tried to contribute to sales business so that they pay more attention to NB shop lease business than making PB of the company, the success and failure of PB has been repeated for those 30 years. The failure factors of domestic PB are a lack of division of labor, professionalism recognition and finance.

The reason why Shinsegae introduced PB was that it wanted to contribute to sales profit with brand possessed only by the company differentiating from that of other department stores as a part of survival strategy. Its derivational effect was connected to the effect of customer creation, bringing up small and middle companies, professional training and increase in employment. Shinsegae supplied products with mobility specifying planning by season, month and week in beforehand planning and reducing the loss to curtail 40% of total quantity in '98. PB kept a reasonable price policy in addition to high quality so that it supplemented a weak point of brand recognition and increased average 40% for each brand. Resulting from analysis on the factors of increase in sales, it supplements MD elements of planning system and makes a full-scale restructuring and a harmonious movement of circulation system, customer-attached market-

ing strategy, and a smooth feedback formation with its collaborating companies are come out to be the factors. Product development team established 'a new MD System' centering on a single item management. It is a system deciding reorder within 3 days making use of 3-year data that analyzed popular items according to shops, month, week, day, color, and size. Equipment of QR system(45% out of the total sales amount) most important to reduce lead time of planning also one of the reasons of increase in sales. 97 % mobility was produced by mobilizing circulation system at the utmost scale. It took 10 days from production to entry in a shop before, but now it takes only 5 days from product analysis to its entry since it communicates with buyer, shops and collaboration company for an exact judgement and sharing information.

Hyundai Department Store led a PB business centering on price policy excluding distribution margin, but stopped brand due to decrease in sales caused by increase in labor cost and production element cost, the limit of designing, problem in constitution of items at a small-size production, and consumer's national brand preference, and stock accumulation. It operates 4 PBs, but Gibierre Donna, Les Copains and Ferre Studio are Italian brand except for Milano Story which was transferred to national production in Aug. '98. The department store is planning to develop PB adequate for local market by setting up a strategy that realize a self-support merchandising¹⁰⁾ and simultaneously secure its competitiveness with products that is proper for high dignity image.

PB's made by Lotte were Ellose, Winsor, Witone, AutMant but they were ended in '98. Staff in PB business department were absorbed in overseas product purchase department. Different from the original purport of PB introduction, Lotte is only dealing with imported brands

¹⁰⁾ Lee, Ho-jung, Retail Marketing, "Self-support Merchandising" Textile Journal, (1999): 255. It is a system that a retail shop itself makes products with originality by planning on sales and products based on analysis of customer's need and also plan, produce, sell, publicize products all for itself and deal with risk on the principle of complete entry of modified company.

like Armani Exchange(USA), Versus (Italy), Volsarino(Italy-imported general goods).

Galleria Department Store focuses on living necessities like general goods, food, inner wear, socks and towel. In particular, INC earned its profit more than 200% compared with the last year at Jamshil, Suwon and Chonan Galleria. In the operation of Galleria Department Store, the main stream of the year '99 is 'high quality' and PB directly imported products at Famous Product Shop, Apgujung is targeting to high-price consumers with high-dignity image of elegant and intellectual classical line.

PB boom caused by economic depression in the early '90 in U.S.A was reduced as economic condition gets better, but PB emerged as a new PB equal to NB or better than NB and increased share rate within 15%. Premium PB became competitive with original manual, concept and positioning equal to NB and other than those, it has competitiveness in ad and other strategy. Therefore, the rate of market occupancy will be decided based not on the difference between PB and NB, but on competitiveness among brands. If you look at differentiation strategy of each department store, Bloomingdale overcame the crisis with VMD during the depression in USA in the '70s and NordStrom established a firm position by repeating acquisition and making more branches based on the image of high-level service and fashion differentiation. Saks Fifth Avenue or Neiman Marcus pursued premium-quality centering on original products rather than economic price. PB products take up 25% out of USA retail shop sales amount. In such department stores as Sears Roebuck and NordStrom, J.C Penney, PB product takes up 50% out of the total amount of sales.

Japan had a PB product development boom on a large scale caused by whole sale and retail shops' strategic coalition with makers when bubble economy in '91 was collapsed and price destruction was booming. As license PB in coalition with overseas key brands was impossible to make a differentiation from direct advance at other companies in Japan, Japanese

large-scale, Japanese large-scale stores increase customer-focused concept PB. Concept PB is developing adequate products to satisfy the needs of customers finding out a zone which is excluded from market and the department store. For example, Yisettan's 'ONLY I' and Mitsu-koshi's 'Poupureru'.

The key elements of PB success in overseas famous department store are a single product management, PB total system like QR system, formation of staff sympathy, establishment of a distinct concept of PB, brand concept safety of a production development type of PB, original price reduction resulted from basic quantity securement and overseas production and continuous promotion for PB location.

2. Reforming Plan of PB Clothing Product of Domestic Department Store

The reforming plan to suggest a future-oriented direction of PB clothing product from domestic department store is as follows:

1. It is necessary to bring up a planned and production development type of PB planned by the department store. - Edit shops with the products planned and produced directly by the department store and its brand structure and suggest a distinctive target with a self-supporting merchandising.
2. Product development should be proceeded with the goal of long-term plan management. - An executive's will and all staff's sympathy should be formed with a long-term plan management, not with a short-term profit improvement.
3. Mid or low price brand and mid or high price brand should be developed in line with each other. - It is needed to make mid or low price PB product development and premium PB development and high-quality career wear product development targeting on main customers of a department store.
4. Ad strategy of PB product should be activated. - A thorough market research on customers' shopping attitude and habit should preceded and sales activity should be done

- to give reliability to PB product.
5. Effective stock clearance management and outlet store operation are needed. - PB outlet store should be operated to protect from proper discount policy and stock accumulation through stock analysis data equipped with PB total system.
 6. Using home shopping/internet shopping mall is needed. - As for home shopping, it is easy to reduce cost that may be invested to road shops and manage goods in stock. As for internet shopping mall, it is easy to make an economic shopping comparing with some terms like price, delivery cost, and credit card.
 7. Differentiated visual merchandising strategy is needed. - It decides on effectiveness from planning to store entry and can improve the level of store such as evaluation of each shops, its layout, display, product structure, and reception method through visual merchandiser just NB does.
 8. DB set-up for customer management and customer's satisfaction should be derived. - it should satisfy the desires of customer's individualized situation with DB set-up and lead them to repurchase with continuous study and management of fixed customers.
 9. Sales attendant's sales informative capability and powerful shop master should be secured. - sales attendants that can manage a shop with customer-orientated mind and kindness and service mind and shop-master should be needed.
 10. Professional man power development and securement are needed. - It means the development and securement of professionals who retain professionalized knowledge related product buying and sales and individual product production. In particular, the extension policy of female clothing buyers is needed considering that PB product is usually female clothes.

VI. Conclusion

1. The Summary and Suggestion of This Study

This study is on theological access to PB clothing product development of domestic department stores and its present condition comparison analysis. It purports to suggest a future progress direction of PB with a method to establish a reforming plan by proposing problems and analysis factors. The results derived from demonstrative analysis of PB clothing products can be summarized as follows through comparison analysis of development condition and development strategy analysis.

The study can be summarized as follows;

First, when we delved into the way of development for the PB clothing products, we found that there are two ways, self-merchandising and direct import from foreign country. Regarding the way of operation, most department stores are using plan and sale tactics without direct manufacturing. In the planning unit, emphasis has been laid on the material development and utilization of QR(quick response) production system with PB. When it comes to the analysis of items in each department store, main steam is for ladies garments. In case of direct merchandising, most products are composed of mid-sense items with mid of low price level, while, in case of import, most products are high sense brands with high price. As for sales development strategy, the 20~50% off price policy on the basis of season out is employed. Frequently used media are PR pamphlets the department stores and leaflet/DM. Special sale events are important means of advertisement. It seems badly necessary to develop professional salesman training system. Recall and after service system is operating to 100% satisfaction for the benefit of clients.

Second, the analysis into development strategy for PB clothing products revealed that the most important role of PB clothing products is to increase the competitiveness and to differentiate from other competitors. Furthermore, the decisive factor for success or failure of PB and the difficulty in the product development seems to lie in the will of the executive. The most

favorable price policy is thought to be mid price with high quality, leading to the conclusion that price and quality are the most important factor for relative satisfaction of clients. It was also revealed that the best service for clients can be performed by feed back development is thought to be the alliance between department stores and manufacturers.

Third, suggested means of problem shooting in PB product development include studying of manufacturing cost cutting, decreasing stock burden, advancing into home shopping market, internet shopping malls and convenient shops, constructing information network system, and improving the logistics system. In the analysis of PB clients and improving the logistics system. In the analysis of PB clients and assessment of management, it seems necessary to maintain reasonable price with high quality, construct data base for PB clients only, develop the service strategy for most important women consumers, improve the level of visual merchandising and develop or recruit the manpower with professional know how.

From the above study, following viewpoints can be taken into account for the future development of PB;

First, the active will of the executive is basically necessary for successful development of PB, by relying on long-term investment not on short-term profit.

Second, the existing mid or low-price goods should be in line with the mid or high price ones development for domestic merchandising with focus on middle or high class society who are main clients of department stores.

Third, the stock burden, biggest problem of PB, can be solved by discount policy at optimum prices in full consideration of sales statistics and success rate of merchandising prediction as long as the target was set properly.

2. The Limit of This Study and the Direction for Future Study

The limits that this study faces are as follows: first, there is no objective and sufficient da-

ta analysis made because of a lack of the people in charge of the study subject due to abundant arrangement of domestic development PB's. Second, though I tried to get access to the price strategic part, the biggest character of PB, the analysis on price strategy was not accomplished in details because companies evaded to comment. Third, it should have investigated on PB employees of domestic department stores on a field basis, but the subject of interview was limited to only buyer.

Recognizing the limit of this study and the need of specific investigation work, I hope that deeper studies will be done related to price and promotion strategy on the part of department stores that offers domestic PB development and a new consumer's culture related studies.

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