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## The Growth Strategy of Retail Companies: Focusing on New Stores Expansion of E-mart

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### Abstract

**Purpose** – Retail companies are turning from one type of retailer to multiple business categories through various reasons, such as taking advantage of existed types of retailers' channel distribution, information and know-how, and entering into new types of retailers. However, there is few research conducted about multiple type of retailers.

**Research design, data, and methodology** – In this research, the references, data and new stores on E-mart will be collected. The dissertation, annual report, statistical data, land-book of E-mart will be also collected to confirm whether E-mart has made any acquisition towards another company.

**Results** – There is a tendency to new stores expansion, store enlargement and prolonging the opening preparation of new stores, based on the core of new stores expansion of E-mart as a general supermarket type of retailers. Based on general supermarket type of retailers, E-mart begins to diversify its retail company's type of retailers.

**Conclusions** – As a general supermarket which is the most important type of retailers, E-mart is expanding into SSM type of retailers to seek new power of growth while slowdown growth is shown in general supermarket type of retailers. The expansion into SSM type of retailers would be a wise option as a retail company, E-mart is able to keep growing in the future.

**Keywords:** Retail Company, Stores Expansion, Type of Retailers Diversification.

**JEL Classifications:** D40, L25, M10.

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### 1. Introduction

So far, most subjects of the company's growth theory are manufacture companies. It is obvious that the existence of retail companies should be considered as the subject of the company's growth theory as well. However, normally manufacturer is the company which manufactures products and retailer is the company which sells products. Due to this difference, the factors that influence the growth theory of a manufacture company and a retail company should be different.

On the other side, the key of a manufacture company to improve their competitiveness is by continuously developing new products. Certainly, developing new products is not the

only way to improve competitiveness, but it is the core. However, a retail company does not produce new products. Although retail company has private brand products, they can't be defined as the new products since retail company commissions the manufacture company to produce those products with lower cost. Therefore, for a retail company what they are supposed to do is to evolve and develop the way of selling instead of the products themselves. Various business categories, such as the department store, specialty store, shopping center, convenient store, supermarket, are appearing. The competitiveness of retail companies are getting improved by changing the service, price and quality provided to consumers and by developing the way of purchase according to consumers' desires.

Therefore, this research will be analyzed from the view of the competitive power and growth of retail companies and new stores expansion.

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## 2. Methodology

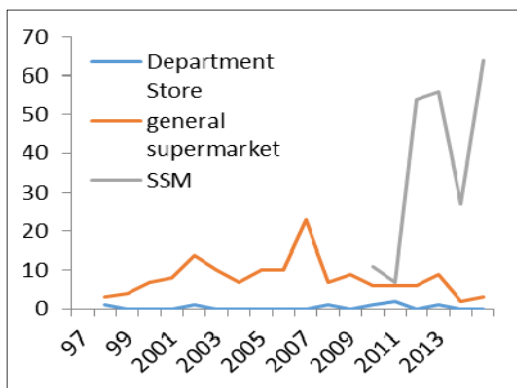
The case that will be used in this research is the Korean company called E-mart. There are five reasons for choosing this company. First, the first store of E-mart was built in 1993, and the company history is more than 20 years. Secondly, E-mart is growing steadily and has a high share of the market. Thirdly, the majority of its business categories and its type of retailers diversification makes E-mart a proper case of this research. Fourthly, the E-mart stores are expanding all over Korea. Finally, due to its listed stock, the information and documents of E-mart are easily collected.

There is a tendency of new stores expansion, store enlargement and prolonging the opening preparation of new stores, based on the core of new stores expansion of E-mart as a general supermarket type of retailers. Based on general supermarket type of retailers, E-mart begins to diversify its retail company's type of retailers. Among the type of retailers, Super Supermarket (SSM) is the most representative type of retailers. In this SSM type of retailers, the products of general supermarket are brought together mainly based on food products. The numbers of stores are being reduced so that the general supermarket is able to enter smaller business region. Since 2010, this kind of new stores has been expanding widely and quickly. Besides, type of retailers such as warehouse discount store, drug store and convenience store are actively expanding.

## 3. Results

### 3.1. The change of type of retailers classified by several E-mart stores.

According to <Figure 1>, the number of general supermarkets has exploded since 1997, and in 2006 the expansion became outstanding. However, the number decreased rapidly after 2012.



<Figure 1> The new store expansion of general supermarket, Department Store and SSM

Based on the factors that influence new store expansion, due to "The Distribution Industry Development Act", a large scale store can directly open up its own store which could not be done before, and this leads to the boom of new stores expansion since 1997. Therefore, not only E-mart, large scale retail companies inside and outside Korea began to compete for expanding new stores. In 2006, because of such boom of new stores expansions, the American Wal-Mart can no longer survive in the market of retail companies in Korea and finally they announced its withdrawal from Korea. E-mart took over 19 stores of Wal-Mart and opened up another 4 new stores in 2006. In 2012, the decrease of new stores expansion of general supermarket and the rapid increase of SSM made it difficult for general supermarket to expand new stores and at the same time, with the competitiveness among general supermarket, Department Store and SSM, the building space of general supermarket also became saturated.

On the other side, the resources for general supermarket are successfully reused by SSM. In the process of searching for the new growth power, the general supermarket has the ability to expand in small business regions. Due to the similarity of selling method and assortment with general supermarket, to E-mart and other general supermarket, they can easily expand new stores. Thus, a rapid increase of general supermarket expansion appeared. Based on these reasons, new stores of SSM have expanded rapidly.

### 3.2. Type of General Supermarket

In the land-book, statistical data, and financial report of 155 E-marts general supermarket, the business start time, area space, transaction object and change of type of retailers of each store are collected. 113 stores', from the 155 stores, acquisition date has been confirmed and 42 of them are still unknown.

<Table 1> The Ownership of General Supermarket

ownership	rental	ownership /rental	Rental after ownership
122	13	9	11

The column of own/rental shows that part of the stores would be owned and part of them would be considered as rental. "Own after rental" means that among those 113 stores whose date acquisition have already been confirmed, there are stores being taken over after opening up and stores being considered to be taken over after paying off the rental fee. The number of "Own after rental" is 11 and 7 of them are taken over by government. Besides, 27 of 113 date acquisition confirmed stores are also taken over by government(See Table 1).

### 3.3. The change of the area of General Supermarket

The <Table 2> above is showing the average area of new stores concerned by years. The area data is not only about the selling space but also covering the space of parking lot and service institution. As time passes by, the scale gradually became larger.

<Table 2> The average area of E-mart's General Supermarket

1991 ~ 1995	1996 ~ 2000	2001 ~ 2005	2006 ~ 2010	2011 ~ 2015
7944.3m <sup>2</sup>	8847.4m <sup>2</sup>	11405.9m <sup>2</sup>	9966.3m <sup>2</sup>	12096.9m <sup>2</sup>

### 3.4. The period of arranging new stores of General Supermarket

The period from acquisition date to opening date of each store are shown in <Table 3> below. Since 11 of 113 stores whose acquisition date have been confirmed are recorded before business time in 1995 and 16 of them are taken over from Wal-Mart, this table is created based on the data of 85 stores left. The reason of removing those 11 stores is that the rental date of them cannot be confirmed.

<Table 3> The average period between the acquisition dates of E-mart's General Supermarket and the day of opening

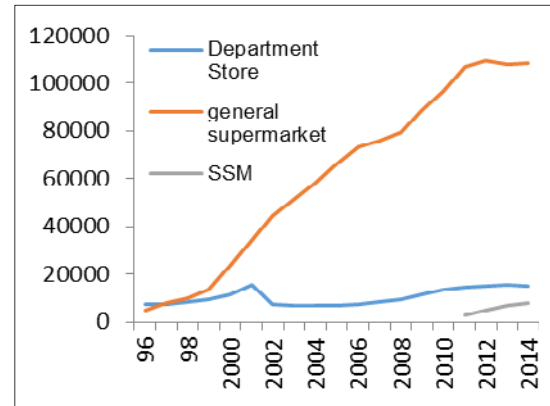
1996 ~ 2000	2001 ~ 2005	2006 ~ 2010	2011 ~ 2015
9Months	16.4Months	14.6Months	18.3Months

The change of license system for establishment of general institution and the expansion of Korean retail companies were determined in succession since 1996. It becomes easy for new stores to expand. The assurance of good location and new store expansion also became the priority to major retail company in the future competition. <Table 3> above shows the time period from the land purchased by E-mart to the arrangement of refurbishing new stores.

### 3.5. The movement of each type of retailers' sales

<Figure 2> is the transition of sales of E-mart's each type of retailers concerned by years. According to <Figure 2>, the reason that E-mart's type of retailers is excluding online shopping mall, drug store and convenience store is the sale of online shopping mall is included in general supermarket and drug store, convenience store have just begun.

There are three main points that can be understood from E-mart. First of all, from 1996 to 2012 the general supermarket's sales kept increasing and never dropped even once. Secondly, even the regulation for general supermarket



<Figure 2> Sales of E-mart's each type of retailers

has become stricter after 2012; the sales of general supermarket did not decrease at all. Thirdly, the store number and sales of SSM's were still increasing. Clearly, when looking at the data back and forth of Lehman Shock in 2008, E-mart's ability to measure financial risk can be told somehow. Due to the Distribution Industry Development Act, the business regulation of general stores became stricter and the growth of sales stopped since 2012. From this point, general supermarket can be defined as entering maturity stage and the decrease in sales might be predicted as time goes by.

However, the type of retailers should not be the only thing to be focused on. E-mart will continue to grow by considering the growth of SSM and the entire retail companies. Besides, SSM is classified as semi general store and the object of business regulation. In order to seek the new power of growth for type of retailers such as convenience store and drug store, the type of retailers should be diversified.

## 4. Discussion and Conclusions

### 4.1. Conclusions and Implications

There five important points in this research. Firstly, the new stores that opened up recently are getting larger and larger. Comparing with the previous new stores, nowadays the area of new stores is about 1.5 larger.

Secondly, the percentage of new stores with 100% ownership is significantly high with about 86%. The percentage of new stores with more than 50% ownership is 91%.

Thirdly, when managing only one type of retailers, it is easy for retail companies to expand into a similar type of retailers. E-mart was expanding with more than 100 SSM new stores from 2011 to 2012. The retail company has an advantage in expanding into type of retailers for another

retail company, since E-mart is able to expand its new stores massively and rapidly in short period.

Fourthly, the period of expanding stores is rising. There is a claim that, due to the prediction of the reuse of department store's good location and building, E-mart is expanding most rapidly among the general supermarkets. But, the average arrangement period of expanding new stores is 9 months during the period of major retail companies expanding general supermarket in earnest from 1996 to 2000. This result is against the insistence which the period of prediction is too short.

Lastly, expanding into SSM is as the same time as a slowdown in sales growth of general supermarket appears. It is same as a manufacture company expanding from its decline products to new products with a potential to grow.

#### 4.2. Limitations and Recommendations for Future Research

The limitation of this research is that there is only one company analyzed as a case and internal interaction has not been revealed when a company is expanding into a new type of retailer. Especially, the internal interaction of multiple types of business has been not revealed yet, which also will be made as an assignment in the future.

In addition, when targeting retail companies that have multiple types of business, how the different type of retailers corporate with each other inside the same company will be an important assignment as well.

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## Appendix

<Appendix> is the data for the general supermarket of E-mart until September 2015. It is listed on the basis of the opening date, and none of the stores are closed(There is one store relocation).

The date of the acquisition was recorded on the register of the toji and a certified copy of the register, and date of the acquisition of 113 are confirmed, and 42 are not confirmed. A store where the date of the acquisition was not confirmed was marked blank.

At the list, [Form of possession] is the data about ownership or rental a store. This item is divided into four categories. Of these, [ownership/rental] owns part of the store. [rental after ownership] is a store that opened faster than the day of the acquisition, and it is assumed that it would purchased after the opening of the store.

The store with store name (T) is called E-Mart Traders, and the store with (M) means E-mart Metro.

Store name	Date of acquisition	Opening date	area(m <sup>2</sup> )	Form of possession	Remarks
Changdong	1990.03.03	1993.11.12	4297	ownership	
Ilsan		1994.09.08	6360	ownership	
Bupyeong	1999.06.02	1995.12.01	13176	rental after ownership	
Jeju		1996.11.22	6030	ownership	
Bundang	1998.05.11	1996.11.30	9862	rental after ownership	
Nanyuan		1997.04.29	2764	ownership/rental	
Anyang		1997.08.14	9868	ownership	
SeoBusan		1997.08.29	6456	ownership	
Gimcheon	1997.01.10	1998.01.01	6179	ownership/rental	
Donggwangju		1998.06.19	4298	ownership	
Cheongju	1996.10.14	1998.06.27	10615	ownership	
Jeonju	1999.09.17	1998.12.03	7451	rental after ownership	
Bucheon		1999.02.08	14537	ownership	
Wonju	1999.03.10	1999.03.20	9527	ownership	
Yeoksam		1999.07.29	4354	ownership	
Guro		1999.08.26	8803	ownership/rental	
Sinwol(M)	1999.04.30	1999.08.26	1855	rental	
Seongseo	1998.05.09	1999.11.17	10526	ownership	
Sanbon	1999.11.11	1999.11.25	11819	ownership	
Cheonho	1995.02.11	2000.01.01	8396	ownership	Switch from department store
Gayang	1998.12.02	2000.03.09	16099	ownership	
Haeundae	1999.05.13	2000.04.06	11198	ownership	
Shiwaha		2000.05.04	13118	ownership	
Sangbong		2000.06.01	9873	ownership/rental	
Icheon	1997.05.26	2000.06.27	8810	ownership	
Jinju	2010.12.30	2000.08.31	9504	rental after ownership	
Mokpo	1999.12.24	2000.12.19	10396	ownership	
Dongincheon	1999.10.20	2001.02.07	11797	ownership	
Manchon	1999.09.07	2001.02.27	12019	ownership	
Gunsan	1999.07.30	2001.04.10	13882	ownership	
Seongsu	1999.12.17	2001.04.19	18162	ownership	
Wolbae	1999.09.22	2001.04.25	14188	ownership	
Cheonan	1999.12.02	2001.04.30	12083	ownership	

Store name	Date of acquisition	Opening date	area(m <sup>2</sup> )	Form of possession	Remarks
Suseo(M)		2001.05.24	2687	rental	
Sangmu	2001.02.23	2001.09.14	13653	rental	
Suwon	2001.01.18	2001.09.20	12540	ownership	
Cheongju	2000.06.23	2001.10.15	9796	ownership	
Pyeongtaek	1999.12.30	2001.10.23	11136	ownership	
Eunpyeong	2001.02.28	2001.11.28	12223	ownership	
Pohang	2000.06.27	2001.12.12	12970	ownership	
Yeosu	1996.12.06	2001.12.23	9023	ownership/rental	
Yeonje	1999.12.29	2002.03.12	12328	ownership	
Chilsung		2002.04.10	9648	ownership	
Dunsan	2000.01.20	2002.04.24	12540	ownership	
Gumi	2001.10.18	2002.06.15	11688	ownership	
Changwon	2001.06.29	2002.06.24	12949	ownership	
Incheon	1998.09.17	2002.08.14	5520	ownership	
Gamsam		2002.10.24	8820	ownership	
Myeongil	2002.03.04	2002.11.27	9290	ownership	
Yeonsu	2002.01.03	2002.12.12	18397	ownership	
Gangneung	2001.02.26	2002.12.24	9366	ownership	
Munhyeon	2002.03.18	2003.07.24	12008	ownership	
Geumjeong	2001.06.15	2003.08.06	15682	ownership/rental	
Suji	2004.11.20	2003.08.21	12826	rental after ownership	
Shinjeju	2003.05.23	2003.08.29	7998	ownership/rental	
Sokcho	2002.11.07	2003.11.20	8986	ownership	
Sasang	2003.07.10	2003.12.05	11254	rental	
Ulsan	2001.10.17	2003.12.23	14129	ownership	
Donghai	2003.02.07	2004.01.27	7272	ownership	
Yeongcheon	2003.07.04	2004.02.26	4970	ownership	
Gwansan		2004.06.08	10357	ownership	
Yangju	2004.03.03	2004.07.20	11258	ownership	
Yongsan	2003.09.30	2004.08.03	12342	ownership	
Paju	2003.02.18	2004.08.13	10426	ownership	
Banyawol	2003.04.07	2004.09.03	15306	ownership	
Wolgye	2003.08.01	2004.09.22	18742	ownership	
Yongsan		2004.10.07	9827	rental	
Andong	2005.04.15	2004.11.12	7454	rental after ownership	
Yangjae		2005.02.24	10044	ownership	
Incheon공항		2005.04.26	3707	rental	
Tongyeong	2004.06.23	2005.06.30	12171	ownership	
Suncheon	2004.06.18	2005.07.27	9841	ownership	
Seosuwon	2002.06.21	2005.08.25	19949	ownership	
Jukjeon	2007.03.13	2005.09.09	18245	rental after ownership	
Chuncheon	2005.06.27	2005.11.22	9646	ownership	
Namyangju	2005.11.18	2005.11.30	12621	ownership	
Osan	2004.06.02	2005.12.09	11314	ownership	

Store name	Date of acquisition	Opening date	area(m <sup>2</sup> )	Form of possession	Remarks
Yongin	2004.09.13	2005.12.20	6621	ownership	
Seogwipo	2005.01.04	2006.06.08	7673	ownership/rental	
Jingshan	2006.03.07	2006.06.15	14962	ownership	
Gwangju	2000.03.21	2006.07.04	11650	ownership	
Dongbaek		2006.07.27	7005	ownership	
Gojan	2006.09.07	2006.09.07	14394	ownership	Switch from Walmart
Geomdan	2006.10.25	2006.09.22	10770	ownership	
Iksan	2005.08.11	2006.10.12	11478	ownership	
Hwajeong	2006.10.18	2006.10.18	8397	ownership	Switch from Walmart
Asan	2006.09.26	2006.10.20	7226	ownership	
Keyang	2006.10.25	2006.10.25	10484	ownership	Switch from Walmart
Songrim(T)	2006.10.25	2006.10.25	10910	ownership	Switch to Traders ( 2011.04.29 )
Jungdong	2006.10.26	2006.10.26	12159	ownership	Switch from Walmart
Pyeongchon	2006.10.26	2006.10.26	10575	ownership	Switch from Walmart
Deokyi	2006.10.27	2006.10.27	11810	ownership	Switch from Walmart
Siji	2006.10.30	2006.10.30	11044	ownership	Switch from Walmart
Hakseong	2006.10.30	2006.10.30	10826	ownership	Switch from Walmart
Bisan(T)	2006.10.30	2006.10.30	8314	ownership	Switch to Traders(2012.01.14)
Taebaek	2006.06.27	2006.10.31	3312	ownership	
Guseong(T)	2006.11.01	2006.11.01	10715	ownership	Switch to Traders(2010.11.26)
Masan	2006.11.07	2006.11.07	10147	ownership	Switch from Walmart
Pohangdong	2006.11.07	2006.11.07	10598	ownership	Switch from Walmart
Seomyeon(T)	2006.11.07	2006.11.07	11573	ownership	Switch to Traders(2011.08.30)
Wolpyeong(T)	2006.11.08	2006.11.08	9818	ownership	Switch to Traders(2011.05.31)
Gwangmyeong(M)		2007.01.24	1058	ownership	
Jayang		2007.02.08	11831	rental	
Sangsu	2006.12.19	2007.04.12	7028	ownership	
Bongseon	2006.12.29	2007.07.19	18347	ownership	
Shindorim		2007.11.08	7646	ownership	
Yeoju	2006.01.12	2007.12.14	8165	ownership	
Dongtan	2008.06.17	2007.12.21	16337	rental after ownership	
Yeouido		2008.05.15	3808	ownership	
Donong		2008.05.22	10688	ownership	
Hanam	2009.04.30	2008.05.30	13995	rental after ownership	
Cheonggyecheon		2008.07.25	15867	ownership	
Wangsimni		2008.09.04	12321	rental	
Boryeong	2006.05.03	2008.10.01	8184	ownership	
Anseong	2006.08.17	2008.10.09	10132	ownership	
Mia	1987.12.28	2008.10.16	8912	ownership/rental	Switch from department store
Bora	2008.07.12	2008.12.23	7197	ownership	
Imun		2009.03.19	1719	ownership	
Mokdong		2009.04.21	14003	ownership	
Heungdeok	2009.04.30	2009.08.07	9392	ownership	
Yeongdeungpo		2009.09.16	14067	rental	

Store name	Date of acquisition	Opening date	area(m <sup>2</sup> )	Form of possession	Remarks
GyeonggiGwangju		2009.09.17	6125	ownership	
Susaek		2009.10.22	6813	ownership	
Jecheon	2009.11.12	2009.12.21	8886	ownership	
Pocheon	2009.09.08	2010.08.12	8890	ownership	
Seongnam	2010.06.30	2010.09.08	14710	ownership	
Gwangmyeongsoha	2010.11.12	2010.12.09	13586	ownership	
Cheonan Terminal		2010.12.21	6155	rental	
Jinjeop	2009.05.25	2010.12.23	10048	ownership	
Sacheon	2008.05.29	2010.12.30	6501	ownership	
Yisu(M)		2011.01.20	1140	ownership	
Mukdong		2011.01.21	5561	ownership	
PajuUnjeong	2012.10.29	2011.08.32	22292	rental after ownership	
Garden 5		2011.09.09	10826	ownership	
Donggumi	2007.10.18	2011.12.15	12512	ownership	
Daejeon Terminal		2011.12.22	17127	rental	
MapoGongdeok		2012.01.10	6015	ownership	
Seosan	2010.11.05	2012.02.02	8745	ownership	
Pentaport		2012.04.05	10214	rental	
Anshan(T)	2012.04.19	2012.05.04	9273	ownership	
Hawolgok		2012.05.29	10578	ownership	
Jangan(M)		2012.06.14	1540	rental	
CheonanAsan(T)	2007.08.30	2012.07.13	13390	ownership	
HwaseongBongdam	2010.07.15	2012.08.17	11239	ownership	
CheonanSeobuk	2012.02.02	2012.12.13	15318	ownership	
Uijeongbu	2015.06.05	2013.07.25	14520	rental after ownership	
Byeolnae	2013.05.06	2013.08.08	12231	ownership	
Yangsan(T)	2011.07.07	2014.07.17	8027	ownership	
Poongsan	2012.11.05	2014.07.24	13554	ownership	
Suwon(T)		2014.08.14	13400	ownership	
GimpoHangang	2014.09.29	2015.01.29	13653	ownership	
Sejong		2015.02.05	13553	ownership	
Kintex	2015.04.24	2015.06.18	30082	ownership	Area is the total area of E-town
Kintex(T)	2015.04.24	2015.06.18	30082	ownership	Area is the total area of E-town
Gwanggyo	2014.07.18	2015.09.03	15537	ownership	