

A Study on the Introduction of E-commerce and the Revitalization of the Korean Traditional Market

¹Soo-Wook Lee

¹*Glocal Education Center, Kwangwoon University, Seoul, Korea*
wook@kw.ac.kr

Abstract

It is true that traditional markets have become a great foundation for changes in today's production and distribution. However, with the development of science and information communication gradually, the perspective of distribution has been newly developed. In particular, the digital economy system and the pursuit of perfect competition in the global era have placed a great burden on the traditional market. Accordingly, the government has made numerous efforts to revitalize traditional markets, which has led to the present day. However, the change in production, distribution, and transactional perspectives of newly introduced e-commerce in the position of not being able to deviate from the characteristics of the traditional market, that is, the traditional market, poses another major crisis. Therefore, while maintaining the tradition of the traditional market, the introduction of a new method of electronic trading has a good advantage to become an advanced market, but it has not pursued major changes due to fundamental management methods and small-scale operation. Therefore, I believe that it is urgent to introduce and apply new e-commerce to secure transitional competitiveness in order for the traditional market to be reborn and to pursue change and development into a new advanced market.

Keywords: *Traditional market, E-Commerce, Free Trade, Distribution Environment, Information Communication*

1. INTRODUCTION

In the 21st century, the Internet plays an important role like a tidal wave. In the new economic era, consumer demand is getting faster due to individualization, diversification, and changes in new product technology. In other words, it refers to the unification of the global economy and the rapid development of IT technology at the same time. In particular, due to the widespread application of Internet technology along with the development of Internet technology, human society has entered the era of e-commerce from the era of the industrial economy of the past.

Market competition is also getting fiercer, especially in the development of e-commerce. Currently, e-commerce is firmly established as a means of daily commerce in Korea. Internet shopping, which is a part of e-commerce using the Internet, has the advantage of being convenient and inexpensive above all else. E-commerce is an activity in which all trade activities are conducted through electronic transactions, rather than meeting and discussing goods with each other. In the course of the activity, while using the Internet sufficiently, you can consult over the Internet, transact over the Internet, and pay through the Internet. In this way, exchanges can be strengthened and people's demand can be stimulated more quickly. In addition, the

purpose of simplifying the transaction process, lowering product cost, and enhancing market competitiveness can be realized. Recently, as awareness of e-commerce has increased, various types of cyber shopping malls are newly appearing. Contrary to this trend of revitalization of e-commerce, the traditional market centered on traditional commerce lacks transactions through cyberspace. Traditional markets are also changing according to the rapidly changing consumption patterns and shopping culture of the modern society [1]. Traditional markets are markets where agricultural and livestock products are exchanged, providing a living space for small merchants and farmers, and creating employment opportunities for the low-income class. Various people gathered in one place to exchange information and serve as a market for people-to-people exchanges. Traditional markets still occupies an absolute proportion in that they carry out about 60% of domestic commerce. However, the gradual reduction and contraction of the market is causing a major movement in the change of transaction patterns in other markets. Support for the modernization of current facilities is also necessary, but support measures for continuous economic revitalization are also urgently needed. [2].

2. TRADITIONAL MARKETS AND E-COMMERCE

2.1 Prior research

In Korea, commerce activities have been developed centered on traditional markets. However, with the development of IT, hypermarkets, department stores, and convenience stores are changing to non-face-to-face, such as TV home shopping. Recently, the proportion of mobile shopping and online shopping is rapidly increasing [3]. Studies related to the activation of traditional markets using e-commerce are lacking, and most researchers have studied the development and change of traditional markets. What problems were implied and how to revitalize traditional markets was presented. Therefore, there are studies on the existing traditional market, so in the era of globalization, change and development of commerce in the traditional market by linking with overseas market procurement through e-commerce is urgently needed.

The previous studies of traditional markets through e-commerce in relation to the existing traditional markets are summarized as follows. The domestic online shopping e-commerce shopping volume was 830.2 billion won in the first quarter of 2018, an increase of 8.0% compared to the same quarter of the previous year, and the overseas direct purchase amount was 643 billion won, an increase of 19.6%. In addition, it was revealed that Korea directly purchases from China, acting as a positive factor in the export of Korean products to China. [4]. The traditional markets were rapidly losing their competitiveness due to new competitors and changes in shopping culture, and that their function as a market was declining. As a solution to this, studies on traditional market revitalization projects and product display improvement are being actively conducted, but most of them are focused on unified design or consumer-oriented communities in the market[5]. The factors among the physical maintenance factors such as facility improvement of traditional markets for successful urban regeneration, centered on traditional markets in Seoul, have a greater effect on expectations for successful urban regeneration and perception of activation. For the citizens who actually use the traditional market, a comprehensive diagnosis method for the revitalization of the traditional market was presented in the planning and execution of urban regeneration in the future. [6]. The role of traditional markets is divided into external and internal factors. As internal and external factors, the relationship among the satisfaction and interest of merchants, customers, and business programs on business performance was identified. As a result, it was suggested that we use it as data for policy to vitalize traditional markets [7]. A detailed survey was conducted on the current status of traditional markets in Busan. It was argued that the average sales among the operational performance indicators of traditional markets are continuously decreasing, but the number of customers and the total number of merchants are continuously increasing. In addition, better performance evaluation can be achieved if performance analysis is performed by setting evaluation indicators that include both qualitative and quantitative indicators, such as increasing merchant awareness, increasing community consciousness,

increasing civic consciousness, changing the environment at the village level around the market, and village community events. It has been suggested that it is possible [8].

2.2 Changes in the distribution environment in the era of e-commerce

Korea's e-commerce is now establishing itself as a commerce activity across the economy. This is because the Internet has become more common, and the advantage of Internet shopping is that it is convenient to purchase, and the price has dropped considerably as competition among shopping mall companies intensifies. In addition, e-commerce, which has the highest growth rate and boom in various distribution structures, is expected to rise to a level that accounts for a significant portion of the overall distribution market in the future. In the past, it was thought that the middleman, who played the role of intermediary between producers and consumers, could make profits only with intermediate profits by using prices in the distribution stage.

However, as modern economic activities become more complex and detailed, the importance of distribution is gradually increasing in various environments. The distribution activity of commerce serves as a link between producers and consumers, as well as an important link between the quantity and quality of production and consumption. Looking at the domestic distribution environment, with the opening of the distribution market as an opportunity, foreign investment allowed industries expanded, new business types emerged, and foreign distribution companies made it easier to enter the country. There have been many changes, such as the diversification of consumer needs and the activation of regional branch openings by large domestic retailers. Due to social changes such as urbanization and the development of means of transportation, modernization of distribution institutions and new contents of the trend of large-scale appeared, and efforts have been made to strengthen competitiveness. Traditional markets that fail to actively respond to these changes in the distribution environment have lost their competitiveness without departing from the traditional market, and merchants are becoming smaller and smaller, and the traditional market itself is declining. For traditional markets that need to respond appropriately to the distribution environment, government support projects should be systematically promoted according to the comprehensive growth and development plan of the basic local government. In addition, it is necessary to invest in changes in the distribution structure through the activation of e-commerce. Looking at <Table 1>, as the number of consumers seeking convenience and rationality in consumption increases, specialty retail store (11.7 trillion won, 25.2%) and large mart (2.9 trillion won, 6.2%) account for a large portion. In addition, changes should be made to induce cooperation between large-scale distribution businesses and small and medium-sized distribution businesses, and to revitalize small and medium-sized distribution businesses and traditional markets through joint projects[9].

Table 1. Industry sales status

(Unit: trillion)

	Department store	Large Mart	Convenience store	Specialty retail store	Etc
2020	2.4(5.8%)	3.0(7.2%)	2.1(5.1%)	10.1(24.4%)	23.8(57.5%)
2021	3.2(6.9%)	2.9(6.2%)	2.3(4.9%)	11.7(25.2%)	26.4(56.8%)

2.3 Status of e-commerce in traditional markets in other countries

When talking about the retail industry in Korea, the existence and value of traditional markets cannot be ignored. A traditional market is a place where wholesalers, retailers, or service providers always or regularly gather to buy and sell goods or provide services at a number of stores installed in buildings or underpasses within a certain area, and informatization or outdated building facilities, refurbishment or redevelopment. places in need of reconstruction. Moreover, the revitalization of traditional markets has important meaning in

solving employment problems through the promotion of small and medium-sized industries and the protection and nurturing of small merchants, and also plays a role in promoting balanced national economic growth through production and distribution. Since the traditional market is most closely related to the lives of ordinary people, it can be said that it has a pluralistic significance that can achieve the social policy effect of establishing a commerce order and realizing a reliable society in a cheerful commerce atmosphere. In addition, in all commerce conducted under the concept of a market, not only spot transactions exist. Now, thanks to the new change and development trend of electronic concepts in the global era, futures trading and standard product trading are also common in the market, and the scope of the market is expanding further. The market is divided into a regular market and a temporary market according to the Distribution Industry Development Act. A regular market is a place where a large number of consumers and a large number of suppliers gather regularly or seasonally to buy and sell goods or provide services within a certain area. Temporary market refers to a place where multiple consumers and multiple suppliers temporarily gather in an institution designated by the founder of the market to buy and sell products or provide services within a certain area [10]. A traditional market refers to a marketplace that is a community. In addition, it can be said that it is a market that has been created and developed naturally in the living environment of the members of the local community, rather than a market that is deliberately created. It is necessary to create a sound gift certificate distribution environment, such as preventing illegal distribution due to the expansion of Onnuri gift certificate issuance, in order to adjust the traditional market to a convenient and safe environment. In addition, by promoting the vitality of traditional markets and shopping districts, the development of a dynamic market was emphasized [11]. The difference between performance and forecast in the Business Survey Index (BSI) in <Table 2> is at least 31.8 BSI and at most 101.1 BSI[12].

Table 2. Performance and prospects of traditional market nationwide

(Unit: BSI)

Region	2020.12		2021.12	
Seoul	42.2	88.9	44.8	86.5
Busan	41.7	86.6	39.5	84.1
Daegu	48.8	85.9	36.8	78.7
Incheon	41.2	94.1	42.3	83.1
Gwangju	55.9	87.3	48.0	88.2
Daejeon	41.0	85.9	36.8	84.6
Ulsan	47.3	96.4	40.9	81.8
Sejong	44.7	92.1	36.4	59.1
Gyeonggi	47.8	89.5	37.2	82.7
Gangwon	32.9	94.3	35.9	85.2
Chungbuk	46.4	89.9	35.1	78.4
Chungnam	44.7	80.9	45.5	80.5
Jeonbuk	46.8	79.8	37.9	86.3
Jeonnam	52.2	87.9	47.8	85.7
Gyeongguk	41.0	92.5	45.4	85.2
Gyeongnam	43.4	90.8	31.8	83.3
Jeju	50.0	96.8	61.7	101.1

3. COMPARISON OF TRADITIONAL COMMERCE AND E-COMMERCE

In the midst of the rapid development of e-commerce due to the digital revolution along with the increase

in Internet use, commerce and global trade are also facing a major transformation. Existing commerce is being converted to e-commerce, and the existing trade is also being converted into cyber-trade or e-trade. The e-trade is a trade activity in which the basic business of trade, which is the international commerce of goods and services, as well as supporting business is performed electronically and information-intensively using information technology means including the Internet [13]. In the 2002s, e-commerce developed into XML, e-Trade, and Electronic Commerce in the fields of e-commerce, e-trade, e-commerce, e-credit, and Web-EDI. Currently, it is recognized as a survival strategy that can strengthen global competitiveness by using various information technologies to innovate trade structures and trade processes, and to reduce trade-related costs and time. The e-trade research topics leading the 4th industrial revolution era, such as e-trade performance, use of e-trade, internet marketing, EDI, export marketing, and social media[14]. Of course, e-trade is not conducted completely independently from conventional trade. Looking at <Table 3>, there was a difference in the presence of restrictions on traditional trade and electronic trade, and in on-off trade[15].

Table 3. Comparison between traditional commerce and e-commerce

Classification	Traditional Commerce	E-Commerce
time, region	Restrictions	No Restrictions
means of transaction	Direct delivery method such as fax, mail	e-mail web system
paperwork and payment	paper documents, letter of credit payment	e-L/C, e-B/L SWIFTNet
establishment of a contract	shipping and aviation	Logistics EDI, Cargo Tracking System
termination of the contract	international call, mail	e-mail, Internet

4. CONCLUSION

The development of information science and communication has transformed the existing market economy into a digital economy. In addition, according to the trend of free trade in the global market, the market has been expanded and diversified. At the same time, the overall flow of the traditional market atmosphere in the traditional market also came to pursue epochal changes and development. First, the economic level of preparation for the introduction of e-commerce in the traditional market is insufficient. Traditional markets have not yet largely deviated from the existing non-economic framework. Some advanced facilities and new market concepts are being introduced to promote development, but despite the government's support and various benefits, it has been losing its position to large and small marts and stores due to its backwardness.

Therefore, various studies for the introduction of e-commerce in the traditional market, which we intend to examine in this study, are attracting attention. However, related parties, including merchants engaged in traditional markets, have little interest in the introduction of electronic commerce in traditional markets and electronic transaction relationships. Because traditional markets have their own unique characteristics, they must develop into a global traditional market through the consciousness reform and mindset of merchants under the digital economy. Despite the viewpoints of various dimensions, large and small financial resources for the introduction of new electronic concepts, increasing facility management costs, and a reduced market atmosphere are undoubtedly reluctant to introduce such an electronic system. Second, even if e-commerce is introduced, it is pointed out that the establishment of facilities and the use of electronic media and payment by market merchants are largely insufficient. Although previous researchers have raised various issues regarding the change and development of traditional markets, merchants in the traditional markets, which are already needed, are not paying much attention.

In other words, the products of traditional markets do not at all fall short of factors such as market performance, customer relationship management, and marketing. This is because there is an urgent need to pay more attention to management improvement system issues such as product exchange and hygiene

management, and to relationships with customers including marketing. In particular, the introduction and application of e-commerce in traditional markets is expected to bring epochal development not only at the distribution stage and sales level, but also in various aspects such as production, distribution, and sales. In some traditional markets, which are already engaged in production and sales through electronic media, they are well received by consumers and are promoting the development of new commerce. Therefore, future tasks are at a time when it is urgently necessary to introduce e-commerce suitable for the traditional market, such as the fundamental merchant consciousness and the digital economy technique according to the introduction of e-commerce, despite the government's support and various benefits for the traditional market. In addition, even if the existing installation, operation, and management costs are slightly increased, and if it is to be reborn as a traditional market and enter the global market, it is necessary to promote a related development system including marketing following the introduction of e-commerce.

ACKNOWLEDGMENTS

The present research has been conducted by the Research Grant of Kwangwoon University in 2021.

REFERENCES

- [1] H.S. Kang, "Finding Ways to Revitalize Traditional Markets," *Proceedings Presented at the Fall Conference of the Korea Distribution Association*, pp.173-182, 2017.
- [2] Y.R. Jung and J.S. Lee, "A Study on Strategies for Activating Tourism Destinations in Traditional Markets based on the Experience Perception of Traditional Market Owners," *Journal of Tourism and Leisure Research*, Vol.33, No. 7, pp.111-136, 2021.
- [3] Y.T. Kim, "Korea's Online Distribution Industry Trends," *Monthly KIET Industrial Economy*, pp.69-72, 2021.
- [4] Nan, J. H., A Study on the Entry Strategies on Chinese E-Commerce Market of Korean SME, Master's Thesis. University of Sungkyunkwan, Korea., 2018.
- [5] E.J. Lee, H.N. Jeong, and S.J. Park, "A Composition of Multi-functional Furniture Considering the Behavior of Merchants in Traditional Market," *Korean Institute of Interior Design Journal*, pp.310-314, 2018.
- [6] J.H. Choi and M.H. Lee, "The Influence of the Influential Factors on the Invigoration of the Traditional Market Places in Seoul through Urban Regeneration upon the Awareness on Invigoration: the Mediating Effect of Expectation," *Journal of the Korea Academia-Industrial cooperation Society*, Vol.21, No. 4, pp.248-258, 2020.
- [7] J.S. Lee, "The Role of Traditional Market for Local Cultural Community -Culture and Tourism Traditional Market," *Proceedings of the 2020 Spring Conference of the Korea Entertainment Industry Association*, pp.8-11, 2020.
- [8] J.P. Lee and Y.S. Hwang, "Busan Traditional Market and Shopping Street Activation Business Performance Analysis," *Busan Development Forum*, Vol.171, pp.85-87, 2018.
- [9] Statistics Korea. <http://kostat.go.kr>.
- [10] Ministry of SMEs and Startups. Traditional Market, Shopping Street and Store Management Survey Report. 2017.
- [11] Ministry of SMEs and Startups, 2021 Self-Evaluation Result Report. pp.1-7, 2021.
- [12] Ministry of SMEs and Startups. <https://www.mss.go.kr/site/smba/main.do>.
- [13] Korea International Trade Association. <https://www.kita.net>
- [14] H.H. Lee, "Meta Analysis of International Commerce and Information Review on e-Trade Area," *International Commerce and Information Review*, pp.3-21, 2018.
- [15] B.S. Lee and J.H. Jeong, *E-trade Risk Management*, Park Youngsa, 2020.