

Complaints of Asian Shoppers toward Global Retailer: A Content Analysis of e-Complaining to Carrefour Korea

by *Cheol Park*, Associate Professor of e-Marketing, Dept. of MIS, Korea University, Jochiwon, Yongi-Gun, Chungnam, 339-700, Korea

Abstract

In the discount store area, foreign large retailers such as Wal-mart, Carrefour, and Costco fight hard with domestic retailers in Korea. The Korean customer is a judge in the centre of such a difficult fight. Therefore, foreign retailers who are willing to win the game should pay attention to what Koreans say and respond to the complaint as fast as they can. This study monitored e-complaints of customers towards Korea Carrefour through analysing contents of the bulletin board in an anti-Carrefour site. Upon examining e-complaints by category and retail attributes, there were found to be more complaints in electrical goods and food and groceries by product category, and in employee attitudes and store atmosphere by retail attributes. The implications for successful retail strategies of foreign discount stores in Korea are discussed and further research is suggested.

Key Words: *Retailing, Carrefour, Korea, Discount store management, Consumer complaint, Globalisation, Localisation, Asia, Content analysis, Internet*

After Korea threw open its retail sector to foreign competition in 1996, multinational discount stores such as Wal-mart, Carrefour, Tesco, and Costco entered Korea. In spite of fears of market domination by large foreign discount stores in Korea, the boom in large discount stores in Korea has contributed to increased employment and price competition that have benefited the typical Korean consumer. During the Korean financial crisis, Korean discount stores had grown rapidly because consumers showed a shopping pattern that preferred cheaper goods.

Although the discount store industry in Korea has grown rapidly, large foreign discount stores were not market dominators until now. The reason why they are struggling in Korea is that their global standardisation strategy of store operation and marketing is not correct for the Korean local market. So they should listen to the Korean consumer's voice carefully and

Biography

Cheol Park is Associate Professor of Marketing at Korea University, South Korea. His research interests include marketing in digital environment, Internet retailing, and cross-cultural consumer behaviour. His works were published in *International Marketing Review*, *International Journal of Hospitality Management*, *Journal of Family and Economic Issues*, *European Advances in Consumer Research*, *Quarterly Journal of Electronic Commerce*, and so on. He received his Ph.D. from Seoul National University, South Korea.

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analyse their needs, desires and complaints for successful Korean marketing. This study attempts to find foreign discount store's problems via consumer's viewpoints.

We can find a company's weakness via consumer's complaints which contain a lot of valuable information. Recently, huge information that companies do not know appears on the Web due to the development of the Internet. Especially, companies can hear and collect a lot of consumers' voices and opinions on the bulletin board of a Web site. They can be used to analyse Korean consumer's dissatisfaction with foreign discount stores.

The purposes of the study are to observe e-complaints (consumer complaints about the company on the bulletin board of the Internet) of Korea Carrefour and to examine them by category and retail attributes. The implications for co-existence between foreign big retailers and local consumers in Asia are suggested through this study. A content analysis is used to examine e-complaints toward Korea Carrefour.

Discount Store Industry in Korea

The annual market size of discount stores in Korea is estimated at US\$ 15 billion and discount stores overtook department stores to become the nation's largest retailers in 2002. The Korean discount store industry is growing on average 15.8% every year (Park et. al. 2003). It seems to be very high considering that average growth rate of the whole industry is 4%. There are 267 discount stores in Korea at the end of 2004.

The expansion of the large discount store industry many retailing practices in Korea. Convenient location, which was the only competitive advantage small retailers had, is not enough to allow them to compete with large discount stores. So a lot of traditional small retailers in Korea have diminished due to weak competitiveness of price, service, and assortment. Discount stores in Korea have developed private label brands to acquire channel leadership toward suppliers. Korean consumers preferred their private brand products with high quality and good price. Now the discount store has emerged as the most powerful retailer in the Korea distribution industry in the size of sales revenue and the number of branches.

In the Korean discount store industry, the biggest is E-mart (motto: Economy and Everyday Low Price), the second is Lotte-Mart, and the third is Homeplus (Samsung-Tesco) while Carrefour is ranked fourth and Wal-mart. Store numbers of the big 4 (E-mart, Lotte mart, Homplus, and Carrefour) are 126 that is 51.4% of the whole at the end of 2002 but their sales volume is US\$ 9.7 billion which is 64.7% of the whole discount store sales volume (Park et. al.2003).

Struggling Foreign Discount Stores

Carrefour, running 25 outlets, has grabbed only 10 % of the market, while Wal-mart with 15 stores has acquired only 5% market share in Korea. In efficiency aspects, Korean discount stores are better than foreign discount stores. For instance, the sales cost ratio per sales of E-mart is 12.2% but Carrefour is 19.2% and Wal-mart is 14.7%. E-mart has far exceeded Wal-mart and Carrefour in sales per square foot of floor space and in stock turnover in Korea. E-mart represented a much higher annual stock turnover of 30.26 compared to 14.02 of Wall-mart and 12.62 of Carrefour (Kim 2001).

Why are these two huge discount stores that succeed in all the world markets struggling in Korea? We guess there are several reasons; one of the most important is that the global standardisation strategy is not appropriate for the Korean local market. When expanding into other markets, retailers are advised not to adopt a standardised marketing approach (Colla and Dupuis 2002). Due to cultural and environmental differences, consumers in different countries may have different shopping experiences even in the same type of stores (Kim and Jin 2002).

While Koreans were initially enthusiastic about the warehouse concept, they prefer not to buy in bulk. Koreans never warmed to the lofty shelves and concrete floors of the warehouse experience. So E-mart features the more familiar layout of a department store. The company also caters to the local appetite for fresh fish and vegetables, ensuring that sushi, squid, cucumber, and spinach are restocked twice a day. The ever-true principle of “mass supply at low price” seems insufficient to attract Korean consumers. Rather, regardless of retail formats, pleasant shopping environment and friendly service are crucial to satisfy the upscale tastes of local Korean shoppers (Park et. al. 2003). Therefore, foreign discount stores should try to develop marketing strategies to appeal to Koreans and to the actual Korean situation for successful adjustment.

First of all, they should listen to the Korean consumer’s voice carefully and analyse their needs, desires and complaints to set up effective marketing strategies. This study attempts to find foreign discount store’s problems via consumer’s viewpoints. We can find a company’s problems in consumer’s complaints, and there is a lot of valuable information that companies do not know yet in them. Recently, huge information that companies do not know appeared on the Web due to the development of the Internet. Especially, companies can hear and collect a lot of consumers’ voices and opinions on the bulletin board of a Web site.

e-Complaints Analysis

Complaints on the bulletin board of a Web site (so called “e-complaints”) are used to analyse Korean consumer’s dissatisfaction with foreign dis-

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count stores. Koreans seldom tell their complaints directly to the storefront due to Confucian traditions of face saving. However, unlike offline communication, consumers express their complaints aggressively online. The emergence of the Internet and its communication capabilities has given rise to a number of complaints sites that function as central forums for consumers to share their bad experiences with other consumers (Harrison-Walker 2001). The dark side of e-complaints is that consumers trying to locate information on a particular company will often find e-complaints directed toward the company. The potential damage of e-complaint leads to negative word-of-mouth relating to the inability of service provider to meet consumer needs, fewer repeat purchases by the dissatisfied consumer, and fewer initial purchases by consumers influenced by hearing the negative comments (Dolinsky 1994). Retailers who are unaware of these consumer e-complaints may unknowingly be losing business because negative comments are made by dissatisfied customers (Blodgett et. al. 1995).

The main reason for attending to e-complaints, instead of trying to block them is simply because it is cheaper in the long run to keep existing customers satisfied than to spend the marketing expenditures necessary to find new ones (Fornell and Wernerfelt 1987). So, retailers should regularly monitor e-complaints and promptly respond to them. If retailers fail to monitor e-complaints, negative word-of-mouth flourishes, while a number of consumer voices go unheard (Harrison-Walker 2001).

Carrefour Korea

E-complaints on Korea Carrefour are focused upon in this study. Wal-mart is also a large foreign discount store in Korea but it is impossible to get e-complaints data on the Web. Carrefour, founded in 1963 and the world's second largest retailer, is based in France. Carrefour has about 9,000 stores in 27 countries. Since Carrefour opened its first Asian store in Taiwan in 1989, it has been expanding its influence over Asian markets, including Malaysia, China, Thailand, and Korea (Burt 1998).

Carrefour was the first top global retailer to have entered the Korean market and it attracted great concern from consumers, suppliers, and competitors. There were 25 Carrefour stores that earned US\$ 1.1 billion and employed 6,000 people during the year of 2002 in Korea. However, the profit decreased 24% and the growth rate of sales also decreased 10.6% compared with the year of 2001. What is worse, Korea Carrefour was charged a penalty from the Fair Trade Commission because of its unfair trade, and the image of Carrefour is falling down in Korea. Carrefour Korea recognised that it has made several serious mistakes and needs to develop a new growth strategy. Carrefour has followed only its own successful manual or blueprint, while making less effort to consider the sentiments or tastes of Korean consumers (Park et. al. 2003). This also led to a bad relationship with the Korean authorities and suppliers.

Carrefour opened a store at Sang Am Dong World Cup Mall in Seoul whose store space is one of the largest in Korea, and started major remodeling of its existing stores. Though it cost tens of million of dollars, Carrefour tried to be a real Korean-based company, not just a temporary visitor.

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Method

Samples and Procedures

Korea Carrefour has a Website (www.carrefour-korea.co.kr) but there is no board containing the customer voice. So, an anti-Carrefour site (<http://club.sayclub.com/@carrefour18>) was chosen for getting customers' complains about Carrefour. There were 340 opinions on the Web board from January to September 2002. Among them, 157 contain complaints but 47 were difficult to analyse due to unclear statement. So one hundred and ten complaints were analysed. Data collection proceeded in accordance with content analysis guidelines (c.f. Kolbe and Burnet 1991). Multiple independent judges coded each complaint case. The judges who had attended an MBA course, and received extensive training in the use of the coding categories. Judges worked independently in coding each case. Disagreements between the judges on objective evaluation criteria were resolved through an analysis of the complaint case by the primary researchers. The level of inter-judge reliability (IR = the consistent number of coding among judges / total coding number) ranged from .85 to 1.00.

Coding Sheet

Coding sheet development consisted of a review of the relevant academic and practical literature and in-depth analysis of randomly selected customer complaint cases. The categories of information used in the study were product/division category (1=Food & Groceries, 2= Apparel & Accessory, 3=Electrical Goods, 4=Home Furnishing, 5= Others, 6= Rental Store, 7=Overall), retail attributes (1=Store Atmosphere, 2= Facilities, 3= Display, 4=Employee Attitude, 5= Customer Service, 6=Product Quality, 7= Pricing, 8= Counting, 9=Return & Change, 10=Promotion), and store location (1= Seoul (Capital) Area, 2= Regional Area). Retail attributes which were chosen in the research efforts have been directed towards identifying important store choice and patronage (c.f. Hansen and Deutscher 1978; Kim and Jin 2001)

Result

E-complaints Frequency by Category

At first, e-complaint frequency of Carrefour was examined by product category and division (See Table 1 and Figure 1). As indicated by Table 1, the most frequent category is electrical goods (n=24, 25.8%), food & groceries is the second most frequent category (n=18, 16.4%). The third is apparel &

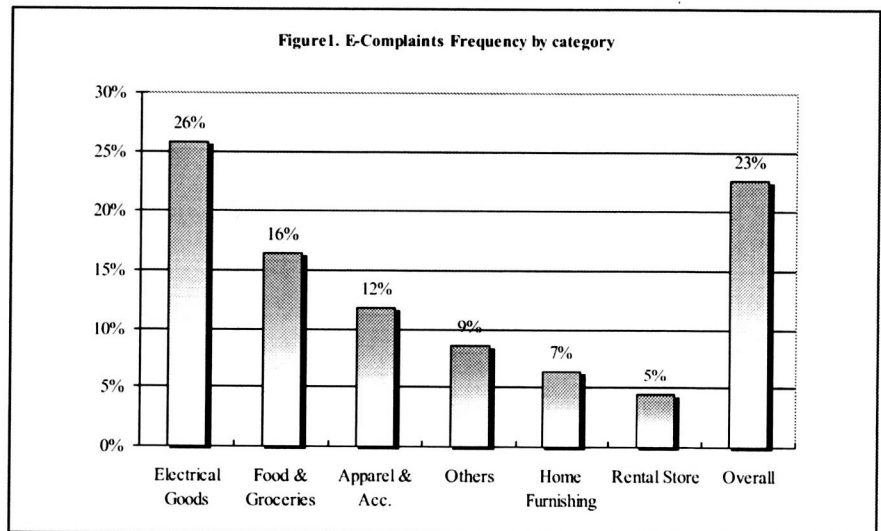
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accessory (n=11, 11.8%), the fourth others (n=8, 8.6%), the fifth home furnishing (n=6, 6.5%), and the sixth rental store (n=5, 4.5%). Complaints which did not specify the category or division were twenty-one (22.6%). These results show that Korea Carrefour has a weakness in merchandising or customer care in electrical and food & groceries divisions.

Table 1. E-Complaints Frequency by category

Rank	Category	Frequency	%
1	Electrical Goods	24	25.8%
2	Food & Groceries	18	16.4%
3	Apparel & Acc.	11	11.8%
4	Others	8	8.6%
5	Home Furnishing	6	6.5%
6	Rental Store	5	4.5%
	Overall	21	22.6%

Figure 1. E-Complaints Frequency by category



E-complaints Frequency by Retail Attributes

As results of e-complain frequency of Carrefour by retail attributes, employee attitude was the most frequently responded to (n=23, 20.9%) (See Table 2 and Figure 2). Store atmosphere was the second most frequent e-complaint (n=19, 17.3%). The third was product quality (n=14, 12.7%), the fourth facilities (n=12, 10.9%), the fifth return & change (n=11, 10.0%),

the sixth customer service (n=9, 8.2%), the seventh price (n=7, 6.4%), the eighth counting (n=6, 5.5%), the ninth promotion (n=5, 4.5%), and the last display (n=4, 3.6%). Therefore, the results lead us to conclude that there are many problems in employ attitudes, store atmosphere, and the product quality of Korea Carrefour.

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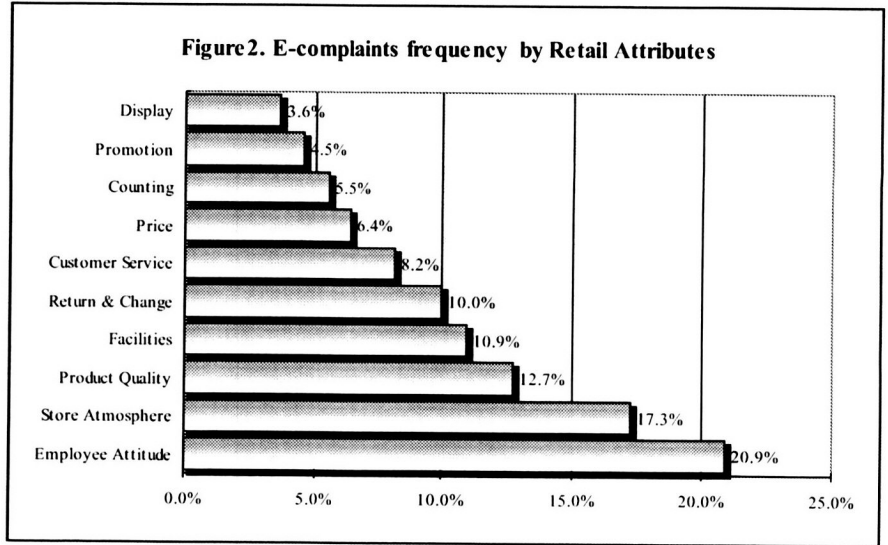
Table 2. E-complaints frequency by Retail Attributes

Rank	Attributes	Frequency	%	Examples
1	Employee Attitude	23	20.9%	rudeness, unkindness, stubborn, ignore, neglectfulness, doubting
2	Store Atmosphere	19	17.3%	noise, hot temperature, disorder, crowdedness
3	Product Quality	14	12.7%	low/bad quality, counterfeit, inferiority
4	Facilities	12	10.9%	bad shopping carts, unsafe, dirty, no rest area, no seats, insufficiency
5	Return & Change	11	10.0%	Difficulty, complex, long process, waiting
6	Customer Service	9	8.2%	lack of service personnel, breaking promises, poor guidance
7	Price	7	6.4%	high price, unreasonable price, dual pricing
8	Counting	6	5.5%	mistake, error, waiting
9	Promotion	5	4.5%	exaggerated advertising and false advertising
10	Display	4	3.6%	difficulties in product searching, poor, narrow and unsafe, inconvenience and poor display

E-complaints of Retail Attributes by Category

A cross-tab, e-complaints of retail attributes by category, was produced to examine the strengths and weaknesses of Korea Carrefour'. (See Table 3 and Figure 1). In apparel & accessory, e-complaints relating to product quality (45.5%) and employee attitude (36.4%) are higher. E-complaints of store atmosphere (55.6%) and product quality (22.2%) are higher in food &

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groceries. In electrical goods, e-complaints relating to return & change (29.2%) and employee attitude (29.2%) are higher. E-complaints of employee attitude (66.7%) is higher in home furnishing. In the store overall, e-complaints relating to facilities (33.3%) are higher.

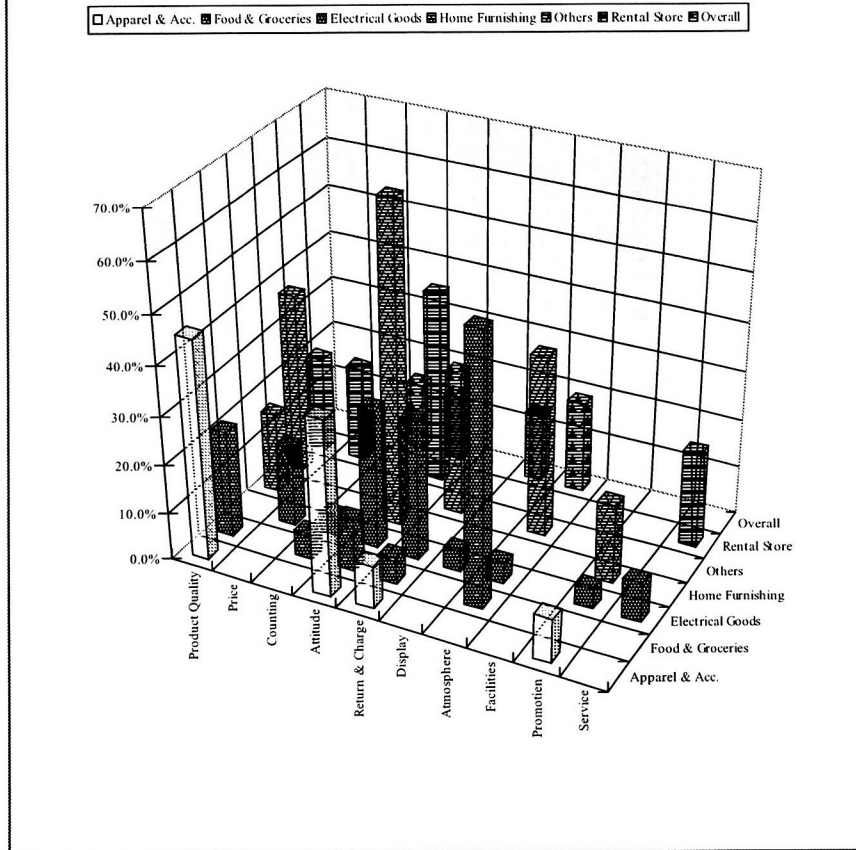
Table 3. E-Complaints Retail Attributes By Category

	Ap- parel & Acc.	Food & grocer- ies	Electri- cal Goods	Home Fur- nishing	Others	Rental Store	Overall
Product Quality	5 (45.5%)	4 (22.2%)		1 (16.7%)	3 (37.5%)	1 (20.0%)	
Price			4 (16.7%)			1 (20.0%)	
Counting		1 (5.6%)	1 (4.2%)				3 (14.3%)
Attitude	4 (36.4%)	2 (11.1%)	7 (29.2%)	4 (66.7%)		2 (40.0%)	4 (19.0%)
Return & Charge	1 (9.1%)	1 (5.6%)	7 (29.2%)		2 (25.0%)		
Display			1 (4.2%)				3 (14.3%)
Atmo- sphere		16 (55.6%)	1 (4.2%)		3 (37.5%)		4 (19.0%)

Facilities						7 (34.4%)
Promotion	1 (9.1%)		1 (4.2%)	1 (16.7%)		
Service			2 (8.3%)			1 (20.0%)

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Figure 3. E-Complaints Store Attributes by Category

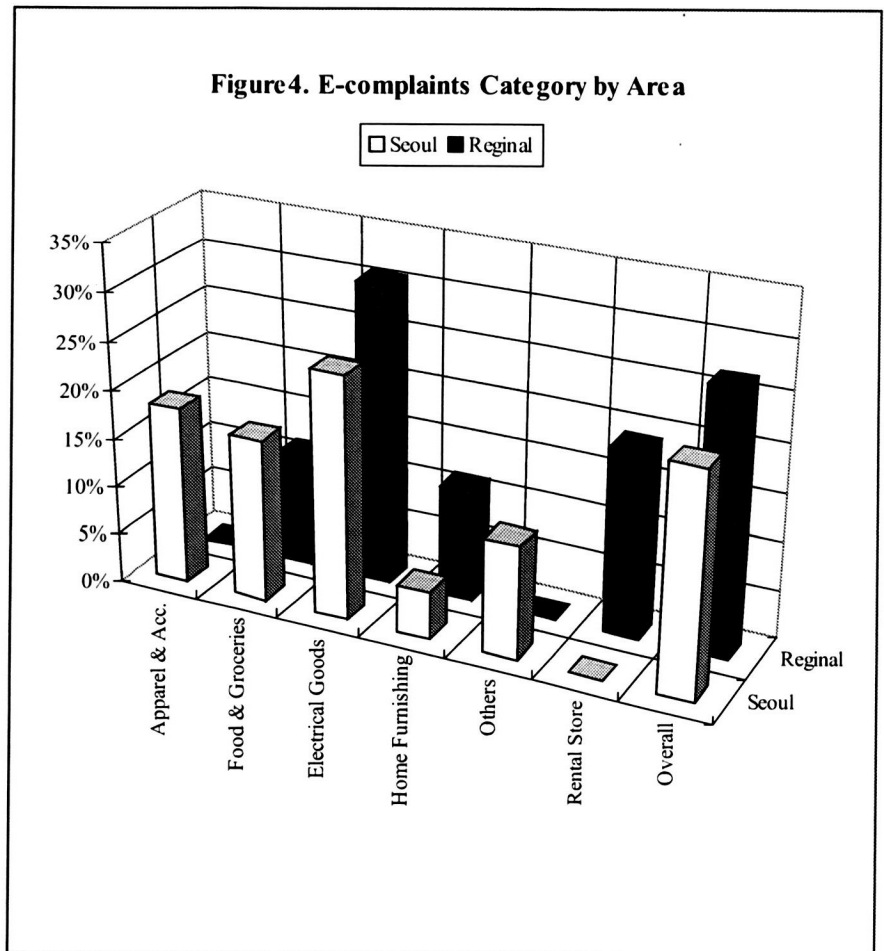


E-complaints of Category by Store Location

Customer e-complaints by category were classified by store location. In the Seoul area, e-complaints of electrical goods (25%), store overall (23%), and apparel & notions are more while e-complaints relating to electrical goods (31%), store overall (27%), and rental store (19%) were made about regional area.

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Table 4. E-complaints of Category by Area		
Category	Seoul	Local
Apparel & Acc.	11(18%)	0(0%)
Food & Groceries	10(17%)	3(12%)
Electrical Goods	15(25%)	8(31%)
Home Furnishing	3(5%)	3(12%)
Others	7(12%)	0(0%)
Rental Store	0(0%)	5(19%)
Overall	14(23%)	7(27%)
Total	60(100%)	26(100%)



Discussion

This study analysed contents of e-complaints on the bulletin board of an anti-Carrefour site to examine the problems of foreign discount stores in Korea. The results show, there were more frequent complaints in electrical goods and food & groceries by product category and in employee attitudes and store atmosphere by retail attributes.

As there are a number of major electronic discount stores such as Hi-mart, Electronic land, and Yongsan Electrical Mall in electrical goods, the competitiveness of discount stores' electrical goods is relatively weak. In addition, there were a lot of complaints in the food and groceries division compared to other categories or divisions. This result indicates that foreign stores have merchandising weakness in food and groceries because it is difficult to source them globally, so domestic stores making long term relationships with local producers have competitive advantages. Therefore Korea Carrefour should improve its merchandising of the electrical, food and grocery areas.

From the retail attribute standpoint, most of the complaints were found in employee attitudes. Korean customers indicated rude, unkind, stubborn, neglectful, and doubting attitudes of employees. They said unhappy shopping experiences were caused by such bad attitudes. This result shows there are human resource management problems in recruiting, training, motivating, and paying system of Carrefour. Internal marketing for employees, so that company tries to find their needs and to satisfy them might be an antecedent to external marketing for customers because there is no external customer satisfaction without internal employee satisfaction. A foreign company should understand its local employees and develop a proper human resource management system.

Store atmosphere is indicated as the second most frequent area of e-complaints. Customers complained about noise, hot temperature, disorder, and crowdedness of stores. Korean discount stores generally offer a department store atmosphere, whereas foreign discount stores offer a non-decorative warehouse style. Therefore, Korea Carrefour need to adjust to Korean's preference of store atmosphere.

Korean customers complained of bad product quality at Carrefour as the third most frequent attribute. This is related to product merchandising and outsourcing. Therefore, Carrefour should plan effective merchandising and develop good suppliers for improving its product quality.

Complaints relating to facilities such as bad shopping carts, unsafe moving walkers, insufficient rest areas, and dirty seats were also indicated frequently. Kim and Jin (2002) suggested, in Korea, where discount retailing has only a short history, the physical aspects of discount stores may not yet be at a satisfactory level for customers. Success in the discount store

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business may not simply stem from customers' intangible psychological satisfaction with the discount store shopping experience, but rather from immediate tangible benefits they seek when shopping at a discount store (Kim 2001).

The other most frequent complaints were found in return and change. Customers complained of a difficult, complex, and long waiting process of return and change. Using cultural dimensions identified by Hofstede (1980), Korea is characterised by a high degree of collectivism, large power distance, and strong uncertainty avoidance. In cultures with strong uncertainty avoidance, customers are more likely to expect service providers to reduce their uncertainty with a no-questions return and change policy (Mooij and Hofstede 2002). So, Korea Carrefour should improve the process of return and change to make it faster and easier.

In addition, Korea Carrefour needs to improve customer service, price, counting, and promotion. Most patrons of Korean discount stores are housewives with utilitarian shopping motives who shop frequently (Kim 2001). Korea Carrefour should keep promises, offer economic and reasonable prices, reduce counting mistakes, and not use exaggerated advertising, and improve product display. Discount stores have long been known to attract customers mostly with their low prices, but many discounters now emphasise the importance of offering value-added services to become more competitive (Kim and Jin 2002).

Although Korea Carrefour endeavours to satisfy Koreans with local-friendly cultural activities, one still finds many factors amongst the results of a content analysis of e-complaints toward Carrefour. A key success factor of multinational retailers is fast and effective response to local customer needs (McGurr 2002). They should always monitor and analyse local customer's needs to achieve successful localisation. Also they should have a sensitive monitoring system of customer complaint and offer a fast service recovery system.

Conclusion

Converging technology and disappearing income differences across countries will not lead to homogenisation of consumer behaviour. Rather, consumer behaviour will become heterogeneous because of cultural differences (Mooij and Hofstede 2002). Ignoring culture's influence has led many retailers to centralised operations and marketing, which instead of increasing efficiency resulted in declining profitability (McGurr 2002). Several large multinational retailers have seen their profits decline because centralised control lacks local sensitivity (Dupuis and Prime 1996).

Multinational retailers should facilitate complaining behaviour directly to the store, and be willing to make adjustments to minimise those problem areas perceived by local customers. The quicker the retailer can re-

spond to the individual complaint, the more quickly a customer's anger and frustration can be diffused (Harrison-Walker 2001). The customer can once again be thanked for bringing the problem to the retailer's attention, assured that appropriate corrective actions have been taken, and encouraged to use the retailer's services again in the future.

Present research is in the exploratory stage, and this study presents several challenges with respect to theory building and method. Small sample (complaining) is a limitation of the study, a larger sample should be collected for the representativeness in further research. This study simply analysed the contents of e-complaints about Korea Carrefour to find customers' needs and dissatisfaction factors. Further research will be needed to include more foreign discount stores like Wal-mart, Tesco, and Costco, and compare e-complaints between domestic and foreign discount stores in Korea. Also, it will be needed to perform a survey of customer evaluation of stores for identifying weaknesses and strengths.

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