

[Field Research]

# A Study on the Revitalization of Traditional Liquor Distribution: Focus on Social Enterprises\*

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## Abstract

**Purpose** – The purpose of the study is to promote the adoption of traditional liquor product contents in order to revitalize the market and to increase consumer awareness of traditional liquor.

**Research design, data, methodology** – In this study, the 4P relationship model was evaluated that included the self-supporting business of traditional liquor, continuous business, diversification of the types of the liquor, and discovery of preliminary social enterprises for the distribution of the liquor.

**Results** – The study suggested a 4P relationship model that consisted of traditional liquor as the product, traditional market as the place, promotion within traditional market, and payment of labor costs. In other words, selection of the traditional liquor product, place, rental supports, distribution and delivery strategies, operations, public relations and training, foundation of social enterprises, and discussion between departments.

**Conclusions** – The central government, local governments, and merchants (the market association) should actively cooperate with each other to revitalize the market for traditional liquor. Social enterprises that rely on a non-profit business model are likely to revitalize the traditional liquor market.

**Keywords** : Traditional Liquor, Traditional Market, Social Enterprise, Supports From Local Governments, Korean Wine.

**JEL Classifications** : L11, L22, R11, R58.

## 1. Introduction

### 1.1. Background and Purposes

Since 1996 when local distribution market was completely opened, distribution structure has been quickly reorganized to produce discount

stores and other new type of businesses. The traditional market had played an important role at people's consumption lives to be important at retail distribution for a long time: But, it failed to meet not only internal factors of needs of consumers but also quickly changing external environment to dwindle. The traditional market that had residents' traditional culture and emotion was trading center of local speciality to help small merchants be employed and to let low income citizens buy products. When the market is busy to keep current state and situation without new direction and/or improvement at great changes of distribution environment, its survival can be threatened.

These days, traditional market has been given new threats, for instance, opening of discount stores of not only local large businesses but also foreign distribution business, e-commerce and other changes of commercial transaction system.

Dwindled traditional market can create stagnation as well as unemployment not to be neglected from point of view of local economy: Current crisis of the market is thought to be an opportunity to strengthen competitiveness advantage.

Since industrialization, people's income has risen owing to economic development to increase population and to produce and consume liquor remarkably. But, sales increase rate of traditional liquor has stood at one digit to remain unchanged. Not only consumers but also researchers need to pay attention to expand market of traditional liquor having long time history. Some of large-scaled liquor businesses that are systematically protected have monopolized liquor business to jeopardize development of traditional liquor industry and to rely upon imports of high quality liquor.

These days, young people preferred liquor with low alcohol content owing to wellbeing and LOHAS fever, and the government continuously supported traditional liquor to revitalize traditional liquor manufacturers and to make change of consumers' thought. And, foreign customers including the Japanese customers liked Korean liquor owing to Korean Wave. Social welfare system such as public assistance was forced to make change greatly at 1997-1998 Asian Financial Crisis so that demand on social service for poor people and vulnerable groups increased to pay attention to social enterprises. The social enterprises started with social job project in 2005 to produce business connection project at non-profit making group's networks in 2006.

These days, social enterprises needed to develop at local areas: The central government enacted 'The Act on Development and Assistance of Social Enterprises' to help local governments enact associated rules and ordinances and to nominate 'social enterprises assistance agency' (Jang, 2010).

Each project unit followed uniform revitalization program despite

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traditional market revitalization program, traditional liquor development and assistance to social enterprises with help of the governments. The program had problems, for instance, complicated interest relations, overlapped assistance areas between departments, no application of successful cases of foreign countries, public administration agencies' uniform roles, and no establishment areas of subordinate organizations: As a result, various kinds of product contents such as consumer products at distribution stage could not be developed.

The purpose of the study was to adopt traditional liquor of product contents at traditional market that could develop traditional market, and to investigate consumers' cognition on traditional liquor at traditional market. The government enacted the Act on Revitalization of the Traditional Market in 1995, and the Act on Industrial Promotion of the Traditional Liquor in 2010, and the Act on Assistance to Social Enterprises. The study examined promotion program of traditional liquor as well as traditional market by selling and sales promotion of traditional liquor by social enterprises at local areas.

1.2. Scope and Methods

This study adopted research scope of government assistance system and cases at home and abroad to investigate current state and actual conditions of traditional market, traditional liquor industry and social enterprises.

Chapter 2 and 3 examined theories of traditional liquor, traditional market and social enterprises to investigate inactive relations and limitation, and Chapter 4 examined 4P relationship model, social enterprises of distribution of farming products, Woori Nong Jangteo (Korean farming product market) and Sake Net of liquor distribution and sales in Japan. Chapter 5 suggested various kinds of ways and development of social enterprise models of traditional liquor at traditional market.

2. Theoretical Discussions

2.1. Traditional Liquor

2.1.1. Definitions

The traditional liquor means either 'liquor having diet life custom of the Koran people' or 'liquor that is made by local methods'. The liquor is also called 'Korean wine' that can produce liquor by using traditional production technology and raw material, and it is called 'folk liquor', 'traditional liquor' and 'traditional folk liquor' that can be differentiated from common liquor made by modern method and machines and foreign made raw material, and is called 'Teotsul', 'tourism folk liquor' and 'local speciality liquor' that are originated from local resources, production methods, history and culture and so on (Korea Rural Economic Institute, 2009). The traditional liquor consisted of the liquor that people made and liked to take for a long time and that disconnected links because of no application, and the one that was originated from old wine to have attributes and to inherit and develop in accordance with the times and to be popular (Kim, 2008).

2.1.2. Classifications

The traditional liquor can be classified into Cheongju (including Yakju), Takju and Soju (distilled). The liquor can be made mainly by grains to ferment it and to let clean wine float and to sink thick residue. The clean wine can produce either Cheongju or Yakju, and Makgeolli can be produced by sieving residue. Soju can be produced by using steam when boiling both Makgeolli and Cheongju in iron pot (Huh, 2010).

Traditional liquor and/or traditional folk liquor can be produced by using traditional technology and raw material. The folk liquor can be produced upon recommendation of Administer of the Cultural Heritage Administration of Korea by using traditional technologies and raw material. So, the folk liquor can be produced by traditional liquor professionals of Minister of Food, Agriculture, Forestry and Fisheries in accordance with the Act on Development of Agricultural Product Processing Industry. The farmer liquor can be produced by using more than 50% of agricultural product that either farmers or farmer groups have produced, and it is focused on more added values of farming products and development of farmers' income.

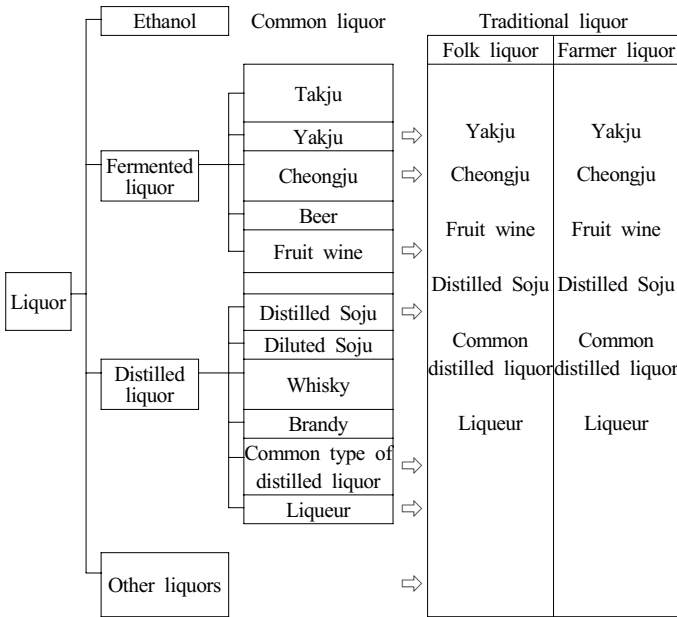
<Table 1> Farmer Liquor and Folk Liquor

	Requirements	Recommended by	Licensed by
Folk liquor	Produce the liquor by intangible cultural asset license holder of the liquor in accordance with the Act on Cultural Asset Protection or license holder of city and province cultural asset license holder in accordance with the Act on Liquor Tax.	The Minister of Food, Agriculture, Forestry and Fisheries (mayor and/or provincial governor are consigned); Administer of Cultural Heritage Administration of Korea	National Tax Services (tax offices)
	Produce liquor by liquor making professionals in accordance with the Act on Food Industry Promotion in accordance with the Act on Liquor Tax.	The Minister of Food, Agriculture, Forestry and Fisheries (mayor and/or provincial governor are consigned)	
Local speciality liquor (farmer liquor)	Produce the liquor by farming and fisheries administration and/or manufacturer group by using agricultural products that are locally produced at specific city, gun and gu upon recommendation of the Minister of Food, Agriculture, Forestry and Fisheries in accordance with the Act on Liquor Tax.	The Minister of Food, Agriculture, Forestry and Fisheries (mayor and/or provincial governor are consigned)	

Source : The Ministry of Food, Agriculture, Forestry and Fisheries (2011).

The traditional liquor is said to be liquor in accordance with the Presidential Decree that is admitted to keep and transfer traditional culture by Article 22-3 of January 9, 2008 revision of the Act on Liquor Tax, and that is produced by traditional liquor professional, and that is produced by farmers, forestry men and association of the producers.

The traditional liquor consisted of folk liquor and farmers liquor in accordance with the Act on the Liquor, and it was demanded to control separately from common liquor of special liquor wholesale business in accordance with Article 9-2-2 of the Enforcement Ordinance of the Act on the Liquor. And, traditional liquor consisted of folk liquor and farmers liquor (Local specialty liquor was also included in 2010) to include Yakju, Cheongju, fruit wine, distilled Soju, common type of distilled liquor and liqueur (Jeong, 2010).



Source: Korea Rural Economic Institute (2007).

<Figure 1> Classifications and Kinds of Korean Liquor

2.1.3. State of the Traditional Liquer

The traditional liquor market recorded turnover of about 100 billion Won based on unstoring in 2009 to occupy 1.3% of local liquor market, and common type of traditional liquor of Korean wine excluding diluted Soju, beer, whisky and brandy was estimated to have turnover of about 800 billion Won based on 2010 of market scale. Most of traditional liquor businesses recorded turnover of less than hundred million Won (64%). In 2009, traditional liquor businesses recorded turnover on average of 250 million Won and 4 employees to have small size, obsolete plant facilities and poor management environment. Number of most of liquer manufacturers remained unchanged or decreased: But, Makgeolli manufacturer increased (more

than 760 manufacturers). Since 2005, number of traditional liquor production license increased continuously and number of manufacturer cancelled and/or closed decreased. Since 2000, unstoring of liqueur, Yakju and fruit wine increased rapidly owing to citizens' interest in their health.

2.2. Conventional Market

2.2.1. Conventional Market

The conventional market means market that ordinary people like to visit for a long time owing to inexpensive price to sell goods and services to consumers and to trade goods all the time. In Korea, conventional market was produced and developed not artificially but naturally to grow up at ordinary people's lives. The market law that was enacted in 1961 said that conventional market was place and/or buildings where not only sellers but also buyers traded goods and/or products, and that the market consisted of permanent market and periodical market. The conventional market means either building and/or market place having specific scale or more where many buyers and sellers gather all the time or seasonally to sell and buy products the Special Act on Development of Conventional Market and Shopping Streets, and it was opened before 1980 prior to development of modern distribution buildings to be either permanent market or periodical market.

2.2.2. Classifications

The conventional market can be divided into permanent market and periodical market depending upon opening frequency in accordance with the Market Law (1961), Revision of the Market Law (1981) and the Act on Promotion of Wholesale and Retail Business (1980). The conventional market can be classified into registered market, unregistered market and others depending upon registration in accordance with the Special Act on Development of Conventional Market and Shopping Streets (2004), and it can be done into common market and speciality market depending upon classifications of the products handled. And, the market can be classified depending upon market owner, size of commercial area and market type.

2.2.3. Features of the Conventional Market

Features of the conventional market need to be clarified to promote the market. First, conventional market is placed at each life zone to let community residents meet each other and to let both

<Table 2> Production License of Traditional Liquor (2009)

Items		Total	Takju (Makgeolli)	Yakju	Cheongju	Fruit wine	Distilled Soju	Brandy	Common type of distilled liquor	Liqueur	Others
Traditional liquor manufacturer	Folk liquor	46	2	21	0	1	7	0	6	6	3
	Local speciality liquor (farmer liquor)	318	20	43	1	134	11	2	30	57	20
	Total	364	22	64	1	135	18	2	36	63	23
Number of liquor manufacturer		1,383	768	184	6	167	35	5	55	89	74

Source: Ministry of Agriculture and Food(2011).

&lt;Table 3&gt; Classifications of the Conventional Market

Classifications		Market	Features	Number (2006)
Opening frequency		Permanent market	Specific number of merchants (see presidential decree) always exchange products at building with market opening conditions to give supporting services.	1,155
		Periodic market	Buildings follow standard at specific area in accordance with regulations: Many buyers and sellers gather either regularly or seasonally to sell and buy products, and to exchange them, and to give supporting services.	455
Registration		Registered market	Have many stores at one or more building having floor area of 3,000m <sup>2</sup> or more in accordance with the Presidential Decree of Article 8 of the Act on Development of Distribution Industry.	816 (Dec 2010)
		Unregistered market	Have same functions with registered market, and have not conditions of large-scaled stores in accordance with Article 2-3 of the Act on Development of Distribution Industry, and meet standard of the Presidential Decree that is admitted by mayor, head of gun and head of gu.	467 (Dec 2010)
		Others	Neither registered market nor unregistered market. Mayor, head of gun and head of gu have admitted of functions of traditional market at their discretion.	234 (Dec 2010)
Products handled		General market	Daily necessities, industrial products and farming, livestock and fishery products are sold out.	1,479
		Speciality market	Sell same kind of product and similar type of product at high ratio.	131
Others	Market ownership	Corporate market	Corporation has ownership and manage in accordance with Civil Act and/or Commercial Code.	413
		Private market	Private person has ownership and manage.	129
		Public market	Local government opens, manages and has ownership.	427
		Joint market	The market has been jointly opened by merchants or has been made naturally.	641
	Size of commercial area	Nationwide market	Have nationwide commercial area.	
		Large-sized market	Have commercial area at one or more city and province.	
		Small-sized market	Have commercial area at city, gun and gu at the place where market is placed.	
		Neighborhood market	Have commercial area at eup, myeon and dong at the place where market is placed.	
	Market type	Shopping buildings	Several independent area of one building has ownership.	864
		Street vendor	Street vendors' market	179
Long building type		Have ownership of specific place despite no building to sell goods and give services.	247	
Composite type of commercial building and housings		Market with one or more collective building such as market at alleys.	310	

Source: Korea Culture & Tourism Institute (2008) and National Assembly Budget Office (2012). Rearranged.

manufacturers and consumers exchange information. Second, the market decides upon price of selling products to allow consumers to buy products conveniently. Third, merchants sell small quantity of products at one place in inexpensive price at conventional market having various kinds of business types. Fourth, the market can connect manufacturers with consumers to have affirmative influence upon local economic development and to have less capital leakage that differs from large-sized stores. Lastly, the market provides small merchants with life base and gives the elderly and/or neglected class of people with employment opportunity (Kim et al., 2011).

Consumers can negotiate prices based on the market's long history and relations, and they can buy products at inexpensive price owing to price competition between stores, and they can buy daily necessities after comparing and buy in lump sum. However, the market is short of credit card and counteraction against customers' complaints and has not professionalism comparing with large-scaled retail stores and has low joint marketing for revitalization of conventional commercial area.

## 2.3. Social Enterprises

### 2.3.1. Definition

The social enterprise means an enterprise that gives low income

and vulnerable groups social service and/or job in accordance with Article 2 of the Act on Development of Social Enterprise (enacted on January 3, 2007, No. 8217) to elevate residents' life quality and to pursue social purposes and to produce and sell goods and services and to be given certifications in accordance with Article 7 of the Act. The social enterprise pursues social purposes and does business to produce profits (the Ministry of Employment and Labor).

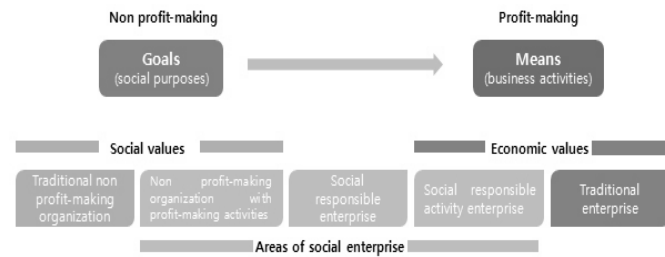
The purpose of social enterprise is to pursue public goals such as job opportunity as well as social service for low income and vulnerable groups and to have competitive advantages enough to survive at markets and to accomplish self-sustainable and economic goals.

The social enterprise was introduced to South Korea for the first time in the 21st century, and it was expanded by some of individuals and organizations since 2005. As many as 244 social enterprises were given certification to work in accordance with the Act on Development of Social Enterprises in July 2009. The social enterprise is thought to have good strategies from point of view of sustainable ability and production of social values, and it has a problem of conflict between profit-making and non profit-making. Being different from social enterprise in foreign countries having long history, local social enterprises had grown up for a short time by the Act on Development of Social Enterprise to have problems of definitions and effectiveness (Daum foundation, 2009)

### 2.3.2. Areas of the Social Enterprise

The social enterprise pursued public goals, for instance, job opportunity and social services for low income and vulnerable groups, and it did business with good competitiveness advantage at the market and looked for social values as well as economic values from point of view of value sharing to have purely philanthropic nature. Therefore, the social enterprise was thought to have phase of the 4th sector at solving of structural problem in addition to the 3rd sector, and it had corporate social responsibility, community business and some of common phases (Feiss, 2009).

The social enterprise was thought to be embodiment of vision that put alternative of local economy into practice (Christos, 2007). In particular, social enterprise had some of common areas with CSR: corporate social responsibility that common enterprises needed (Carroll, 1991). Therefore, social enterprise should build up social economy to give new opportunity and possibility of welfare country and to expand grass-roots democracy (Kim, 2010).



Source: Korea Social Enterprise Promotion Agency (2011a). Re-summarized.

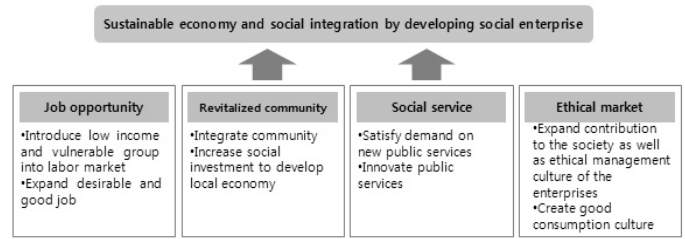
<Figure 2> Areas of Social Enterprise

### 2.3.3. Roles and Kinds of Social Enterprise

The social enterprise can provide low income group, the elderly, the disabled, victim of sexual abuse, long-term unemployed and carrier interrupted women with job opportunity and/or social services to make democratic decision-making by labor, community residents and other concerned parties: To realize social purposes at income and profit-making, the social enterprise invest more than two third of profits again to look for social purposes and to do business.

The social enterprise has goals: First, job opportunity can introduce low income and vulnerable group to labor market to increase good jobs. Second, community is to be developed to integrate community and to increase social investment and develop community economy. Third, social service can satisfy demand on new public services. Fourth, ethical market helps enterprises contribute to the society, and ethical management culture creates good consumption culture.

The social enterprise in South Korea can be classified into five types depending upon social purposes: 1) job opportunity type to provide low income and vulnerable group with jobs, 2) social services type that low income and vulnerable group is given social services, 3) mixed type of both job opportunity and social service, 4) other type that social purpose is difficult to judge by employment rate and ratio of social service supply, 5) contribution to the community type that was made in 2011 to help increase residents' lives.



Source: Jeollabuk-do social enterprises (2011).

<Figure 3> Roles of Social Enterprise

## 3. Inactivation and Limitation

### 3.1. Inactivation of the Traditional Liquor

#### 3.1.1. Relations of Inactivation of the Traditional Liquor

The Japanese Colonists did not permit home-brewed liquor to prevent development of the traditional liquor. After being liberalized from the Japanese Colonists, the Korean people did not make effort to inherit and develop traditional liquor to stagnate Korean wine industry for a long time. The Act on Industrial Promotion of the Traditional Liquor was enacted on February 4, 2010 to promote traditional liquor industry. But, most of the traditional liquor manufacturers that were small business having less than 100 million Won of turnover had low industrial base infrastructure, quality improvement & technology development, price competitiveness, and marketing ability than manufacturers of popular liquor such as beer and diluted Soju had. The manufacturers of traditional liquor that were small business could not overcome regional limitation of distribution and sales strategies so that consumers could not drink various kinds of traditional liquor. This was because traditional liquor manufacturers could not have HACCP facilities and prices that were conditions of large-scaled retail distribution business. Therefore, traditional liquor manufactures that were small business needed to recover energy by developing distribution channels of the liquor.

#### 3.1.2. Traditional Liquor and Sales on Internet

Sales of the traditional liquor on Internet was permitted to promote the liquor, and the largest obstacle of the sales was adult certification in accordance with the Act on e-Signature. Consumers should make use of common use certification to do e-commerce, and they attempted to pay by the certification and then often gave up buying because of low access. But, common use certificate was not essential. Adult certification could be made by either I-Pin system or mobile phone that the government followed. Therefore, consumers should be allowed to do adult certification by selecting either one among common use certification, general certification, mobile phone certification and I-Pin system.

#### 3.1.3. Liquor License System

Liquor license was regulated by the Act on the Liquor Tax, the

enforcement ordinance of the Act on Liquor Tax and regulations of the Liquor Tax of the National Tax Services. The ones who wanted to sell liquor in accordance with Article 8 of the Liquor Act (including distributor and entertaining business) should have qualifications of facilities and other conditions by distribution type and kinds of liquor sales business in accordance with the Presidential Decree and got license from superintendent of tax office. General liquor distributor covered more than 90% of liquor distribution in the nation. They distributed and sold out Soju, beer and others that could make money. The government recently made new system of license of specific liquor wholesale business. The wholesale business that sold and distributed traditional liquor, farmer liquor, folk liquor, Takju and Yakju was short of capital and labor not to have enough restaurants, large-scaled marts, small business supermarket and retail business that sold traditional liquor.

<Table 4> Types and Contents of the License of Traditional Liquor Distributor

Item	Types of liquor distributor license	Contents of the license
Wholesale license	General liquor wholesale business license	Buy other than Takju and ethanol from either liquor producer or importer of foreign liquor and sell it by wholesale.
	Specific liquor wholesale business license	Buy Takju, Yakju, Cheongju, folk liquor and farmer liquor from liquor manufacturer and sell it by wholesale.
Retail license	Liquor retail business license	Sell other than ethanol at specific place by retail.

Source: Korea Rural Economic Institute (2009).

### 3.2. Inactivation of the Conventional Market

#### 3.2.1. The Government's Support Policy

Even if the Government invested enormous amount of money to recover conventional market, the market lost competitiveness advantage. The Government invested 1 trillion and 571.1 billion Won of the people's tax to support conventional market last 10 years. The Government gave the market tax exemption favor and limited business of discount stores: But, number of the market decreased by 178 from 1,695 in 2003 to 1,517 in 2010. The turnover also decreased by 33.3% from 36 trillion Won to 24 trillion Won.

The Government's policy that attempted to recover conventional market was found to be ineffective. Small & Medium Business Administration's 2011 questionnaire survey found that consumers hated conventional market because of basic problems (more than 70%), for instance, less variety of products and goods (34.8%), low quality (13.6%), expensive prices (7.6%) and no acceptance of credit cards (6.1%). But, the Government was busy to show visible outcome, for instance, repairing and improvement of buildings and/or facilities. The Government invested as much as 1 trillion and 351.3 billion Won (86%) to modernize buildings and facilities, and supported the market without compensation to let merchants have no self-supporting ideas (The Korea Economic Daily, 2012).

#### 3.2.2. Dissatisfaction with Consumer Needs

The Government made various kinds of regulations to control large-sized marts and super supermarket (SSM). In fact, however, conventional market suffered from great changes of consumers' preference last 20 years. The consumers liked large-sized marts, SSM, convenience stores and franchise bakery rather than conventional market considering fixed price system, even product quality, kind service, use of credit card and refund, and inventory control and others. The conventional market could survive when merchants made change by themselves to meet consumers' needs. The market could survive not by forced measures but by prompt restructuring.

#### 3.2.3. Contents Development

The Government supported conventional market having potential competitiveness advantage intensively by modern buildings, market maintenance such as remodeling and reconstruction, online homepage, joint merchandise coupon, marketing and public relations, store administration technique, and consciousness innovation education: As a result, small merchants relied upon the Government to solve their living life problem.

Since 2006, Small & Medium Business Administration supported conventional market having competitiveness advantages by attractive and comfortable commercial area, and made the market in status quo by development of merchants and cooperation with local governments, and made the market have low competitiveness advantage by customized supports, for instance, new distribution place and community building for invitation of customers: And, the customized supports was limited to modern building and/or modern management not to support strategically in various ways. The market promotion policy relied upon solving of internal problems so that actions should be taken to solve external problems from point of view of culture (Korea Culture & Tourism Institute, 2008).

The Ministry of Culture, Tourism and Sports promoted market by the culture, and it made use of culture to promote market and mostly had no active communication with the market not to embrace merchants as well as residents widely. Most of the projects were done not continuously but discontinuously and infrastructure set up had problem of efficiency of time and finance to create conflicts between interest groups and to release merchandise coupon based on homeland consciousness and to construct parking lots and repair buildings. As a result, the market could make change of it to be discount store and did not specialize it and did not meet local characteristics.

### 3.3. Certification of Social Enterprise

The social enterprise was certified in accordance with Article 7 of the Act on Development of Social Enterprises as well as Article 12 of enforcement ordinance of the Act. The certification standards consisted of organization types, social purposes, income standards by business activities, standards of paid labor workers, and decision-making system joined by interest parties.

The social enterprise had seven of certification conditions, that is to say, organization types, social purposes, employment of paid labor

workers and business activities, democratic decision-making structure, income earning by business activities, articles of incorporation and regulations, and redistribution of the profits (firms based on the Commercial Code).

<Table 5> Certification Conditions of Social Enterprise

No	Subject	Contents
1	Organization type	Corporation and association according to the Civil Code, and company and/or non profit-making organization according to the Commercial Code to have organization according to the Presidential Decree (Article 8 of the Act on Development of Social Enterprise).
2	Social purposes	Have social purpose to supply job and/or social service to low income or vulnerable group. Employ 30% or more of low income or vulnerable group among total labor workers and supply more than 30% of total service to low income or vulnerable group and make use of more than two third of the profit to realize social purposes. The low income and/or vulnerable group means the ones who have difficulties at buying social service at market price or have difficulties at being employed under common conditions; in other words, the ones who earn 60% or less of monthly average income of all of the households in the nation, the elderly, the disabled, victim of sexual abuse, long-term unemployed and the ones of whom the Minister of Employment and Labor has admitted considering employment.
3	Income based on business activities	Produce and sell goods and/or services by employing paid labor workers.
4	Democratic decision-making system	Have decision-making system that service beneficiary, labor workers and other interest parties join. The decision-making system includes general assembly, general meeting of shareholders, board of directors, and steering committee, etc.
5	Income earning by business activities	Total income by business activities of each year as of the month immediately before date of application of certification shall exceed 30% of total labor cost of each organization. Business shall be done during more than 6 months.
6	Articles of incorporation, and regulations	Include 10 kinds of the description in accordance with articles of incorporation, regulations and Article 9 of the Act on Development of Social Enterprises. (Article 8-1-6 of the Act).
7	Redistribution of the profits	Invest more than two third of distributable profit each fiscal year again to attain social purposes (based on articles of incorporation).

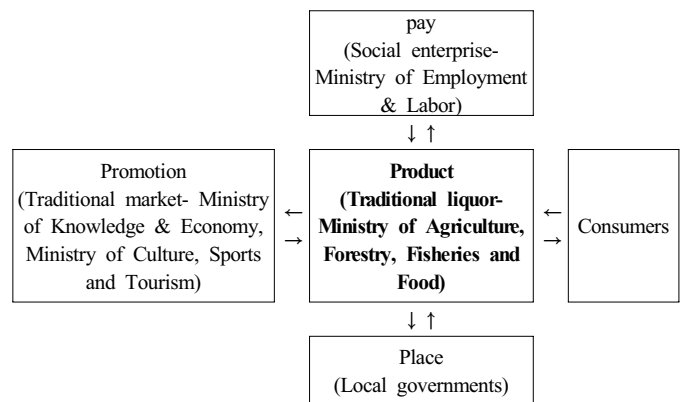
Source: Kim (2011). Re-summarized.

The government supported labor cost, social insurance premium and administration of qualified social enterprises: The social enterprises should satisfy conditions and requirements to be given certification under current system, for instance, having organization and doing business during a certain period, and seeking for social values for low income and/or vulnerable group. So, social business had great difficulty at foundation.

## 4. 4P Relationship Model and Cases

### 4.1. 4P Relationship Model

In this study, social enterprise that local governments discovered and developed should make use of traditional market development program to do business of traditional liquor at the market and to diversify kinds of the liquor and to develop preliminary social enterprise of distribution of traditional liquor. In other words, (preliminary) social enterprise should discover and develop traditional liquor distribution business at traditional market to grow up and stabilize constantly by cooperation between government agencies and to develop traditional market as well as traditional liquor business from point of view of long-term period and to play an important role at local culture. The study investigated not only Woori Nong Jangteo in South Korea (farming market of social enterprises of distribution of local farming products) that was social enterprise but also Sake Net in Japan that succeeded in liquor distribution with the Japanese Government's subsidy amounting to 100 million Yen for construction of system and facilities to lessen carbon.



<Figure 4> 4P Relationship Model

#### 4.1.1. Supports for Traditional Liquor

'Industrial development plan of the traditional liquor, etc' was made to develop the liquor, high added value product, and to set up industrial promotion base and to elevate competitiveness advantage of Korean wine and to promote traditional liquor together with farming and the Korean traditional dish (The Ministry of Agriculture, Forestry, Fisheries and Food, 2011). In 2009, the Ministry of Planning and Finance, and Presidential Council on National Competitiveness and other government agencies jointly published 'Strengthening of competitiveness advantage of the Korean-made wine industry' to promote traditional liquor business and to produce high quality Korean wine and supply in world market: In 2010, the government enacted 'the Act on Industrial Promotion of Traditional Liquor' to prepare for systematic base of Korean wine industry. And, the government had goals of development of the Korean wine for five years, that is to say, from 2011 to 2015, to make policies of 'Strengthening of competitiveness advantage of the Korean wine industry' in 2009 and policies of 'the Act on Industrial Promotion of Traditional Liquor, etc' in

2010, and to make action strategies and detailed subject, and to increase not only industrial scale of traditional liquor such as Makgeolli but also exports of the Korean wine, and to expand use of Korean farming product that was used to produce liquor, and to develop brand wine that could represent Korea.

<Table 6> Goals of Development of the Korean Wine

Goals	2010	2015
Increase of turnover of the traditional liquor	0.8 trillion Won	1.2 trillion Won
Increase of wine export	310 million dollars	600 million dollars
Expansion of use of local farming products	100,00 tons	200,000 tons
Development and distribution of worldwide brand wine	-	-

Source: Ministry of Agriculture, Forestry, Fisheries and Food (2011).

Three areas, that is to say, foundation for development of liquor industry, elevation of competitiveness advantage and internationalization of the Korean liquor, and growth of liquor industry together with farming and Korean dish business, and 25 action plans were made. The government planned to invest to promote goals, that is to say, 15.6 billion Won in 2011, 18.5 billion Won in 2012, 22.3 billion Won in 2013, 26.2 billion Won in 2014, and 29.9 billion Won in 2015, in other words, 112.5 billion Won from 2011 to 2015.

#### 4.1.1.1. Competitiveness Advantages of the Korean Traditional Liquor

The Government published plans to expand variety of the Korean traditional liquor: The Government permitted sales on Internet in addition to current mail order sales on postal office to promote sales of traditional liquor having less distribution nets to open portal of the traditional liquor by Korea Agro-Fisheries & Food Trade Corporation and to expand traditional liquor display at city and/or gun from 1 to 2 to let consumers get easy access to the liquor and to increase traditional liquor selling place from three in 2011 to ten in 2015 and to increase e-commerce business of Korea Agro-Fisheries & Food Trade Corporation and to expand mail order sales of the liquor.

#### 4.1.2. Supports for the Traditional Market

The Government has made support systems and enacted laws and regulations to promote traditional market. Since 1996, the government started financing to promote redevelopment and/or remodeling, and in January 2002, it enacted the Act on Small Business Restructuring and Traditional Market Promotion. The Government enacted the Act on Development of the Traditional Market and put it into practice from March 1, 2005. And, Agency for Traditional Market Administration was opened to modernize not only facilities and building such as market development, building modernization, and counselling and/or services but also administration such as management innovation, distribution technique, IT and service education, etc.

#### 4.1.2.1. Joint Marketing Support

Joint marketing support was done to expand advanced marketing technique at the market, shopping streets and market development areas and to support various kinds of joint marketings depending upon each commercial area and to get customers and increase turnover. The support integrated marketing businesses to give customized help and to do joint marketing, for instance, sale & gift event, public relations and release of merchandise coupon (Agency for Traditional Market Administration, 2012).

#### 4.1.2.2. Sales with Special Prices

The market jointly bought products that customers liked, and it sold out it in inexpensive price (special price) to lure consumers and to let them buy another products in the market and increase sales. The traditional market took measures against large-scales marts' special price selling, for instance, 1+1 and Tongkeun XX, that lured consumers.

The supports included discovery and supply of special price products by agents, supports of public relation expenses to promote sales, for instance, expenses and/or costs of banner, public relations leaflet (including distribution costs), other public relation costs and free gift costs.

#### 4.1.2.3. Supports for Revitalization of the Commercial Area

Market, shopping streets, underground shopping centers and commercial area were combined to develop local commercial area and to elevate competitiveness advantages of traditional market as well as shopping streets. Being different from supports of individual market in the unit of line, commercial area of the market was connected to create new community place. Not only traditional market but also shopping street (including market development area) was developed in accordance with Article 2 of the Act on Development of Traditional Market and Shopping Streets. The support was done to develop infrastructure considering size of commercial area and to support development of infrastructure, for instance, parking lot, specialized streets, important stores, and customer culture center, etc and to improve management and/or administration, for instance, supports for character and design development event and/or opening of culture festivals.

#### 4.1.3. Development of Social Enterprises

Financial support for social enterprises included supports for labor cost and professionals, project development costs, facilities and/or buildings, loan of operating costs, tax support and social insurance (four of major insurances) supports.

Welfare, environment, culture, community development and other social services that were not supplied enough because of shortage of profits despite social demand were supplied to low income and/or vulnerable group free of charge or lower than market price. and social enterprises were supported to provide low income and/or vulnerable group with jobs. Labor costs of workers and 4 major insurance premium per person amounting to 980,000 Won a month (including project owner's share in the year of 2011) were supported and the social enterprises were given subsidy differently, for instance, 90% for 1st year social enterprise, and 80% for 2nd year enterprise and 70%

for 3rd year enterprise.

The social enterprises were given subsidy of project development costs, for instance, brand (logo), R&D, public relations and marketing for entry into market and development of marketing channels, product functions and quality improvement, so that they could develop technology to attain economic and social purposes. The subsidy did not exceed 70 million Won for social enterprise and 30 million Won for preliminary social enterprise, and social enterprises having good contents of the project could be given additional subsidy after inspection. The social enterprise could be exempted from corporate tax. The enterprise could be exempted from 50% tax for 4 years from taxation year of the first income: On the other hand, the enterprise that did not produce profit after certification could not be given tax exemption because of no tax to pay, and it could be given withholding of tax up to 5 years. And, the social insurance (4 insurance) could be supported. The social enterprise could be given partial subsidy of employment insurance, workers' compensation insurance, national health insurance and premium of the national pension scheme. The social enterprise that was given support from central government and/or local governments was permitted to apply to subsidy for labor workers who were not given labor costs and/or social insurance premium even when the worker worked for organization paying minimum wage or more: In the case, president, directors and president's lineal ascendant and descendant of social enterprise should be excluded. The social enterprise was given a part of social insurance premium of the owner based on minimum wages of labor workers who worked 8 hours a day and 40 hours a week, and insurance premium followed minimum level. In principle, social enterprise was supported 4-years social insurance premium (Korea Social Enterprise Promotion Agency, 2011b).

#### 4.1.4. Local Governments' Supports for Traditional Market

The local governments rent vacant stores free of charge to promote market economy. For instance, the Economic Development Planning Team, Seodaemun-gu, Seoul repaired and remodeled eight of vacant stores at Inwang Market to develop the market to rent the stores to social enterprise as well as preliminary social enterprise free of charge two years and to give residents jobs and to help develop small businesses and to recover energy of the market that already lost competitiveness advantage because of opening of large-scaled mart.

The social enterprises (including preliminary social enterprise) at Seodaemun-gu were qualified to apply to local government's support, for instance, businesses (individuals) at Seodaemun-gu under 'development project of social enterprise', businesses that could manage distribution center at Seodaemun-gu and Inwang Market, and venture businesses.

Number of stores was 14 and area per store was 10m<sup>2</sup> ~ 16m<sup>2</sup>: Not only number of stores but also the area per store could vary depending upon contents of the project. And, the stores could be supplied flooring, partition, tempered glass, fluorescent lamp, ceiling & wall painting to improve buildings. The stores were rent subject to 2-years rental (to be extended one time), monthly administration cost amounting to 110000 Won on account of lessee, no deposit money and no rental charge.

In addition, 'Suwon venture business of store' at Suwon rent va-

cant stores at traditional market free of charge, and Geochang-gun opened 'Challenge shop' to promote traditional market.

The associations of merchants rent vacant stores to promote traditional market. The Association of Merchants at Daegu Nambu Market rent 45 vacant stores free of charge, and Daegu Nam-gu Ward Office supplied signboard and rain tent free of charge to stores.

## 4.2. Case study

### 4.2.1. Social enterprise - Woori Nong Jangteo

Woori Nong Jangteo that was direct marketing store and social enterprise was managed by not only Cheongsong Environment-friendly Farming Association but also Daegu-Gyeongbuk Food Coalition. Woori Nong Jangteo was opened to supply food stably and to set up marketing channels of farmers and to have urban rural community. Woori Nong Jangteo assured farmers of marketing channels and reasonable prices to let consumers know difficulties at farming village and to let farmers supply healthy food of 'brand farming product' with pride. At Woori Nong Jangteo every Friday, farmers visited the market to explain farming process to consumers and to let consumers rely upon the farming product. The direct transaction lessened distribution margin and/or distribution costs to keep inexpensive product price.

Farming products were brought to Woori Nong Jangteo through three channels: First, farmers at Cheongsong, in other words, Cheongsong environment-friendly farming corporation, collected farming products and brought it to the market one time. Second, farmers at Goryeong and Seongju who produced many kinds of local special farming products at near place brought the products to Woori Nong Jangteo by themselves. Third, processed products were supplied through distribution process.

Woori Nong Jangteo sold out so called 'local food' that was produced at local with no use of agricultural pesticides. At Woori Nong Jangteo, local consumers consumed food that was produced at local to let consumers and farmers cooperate each other and to supply healthy and safe food. Farmers at Cheongsong of clean place having no factory cultivated and supplied environment-friendly farming products and livestock to supply the farming product to citizens at Daegu. Woori Nong Jangteo sold more than thousand products including water melon, tomato, lettuce and other vegetable, environment-friendly processed products and meat. Woori Nong Jangteo promoted meeting between farmers and consumers to inform farmers' difficulties and to recover reliability upon PP food. Parents could teach their kids on vacation by taking food together (Woori Nong Jangteo, 2011).

### 4.2.2. Joint marketing of the liquor - Sake Net in Japan

Five liquor distributors established Sake Net to distribute jointly when they faced a crisis of business closing because of keen competition. The distributors distributed jointly to lessen number of vehicles and to improve customer service and to distribute throughout the nation, and they opened joint delivery center at local areas to expand distribution network in the nation.

#### 4.2.2.1. Outlines

In December 2001, five liquor distributors including Orikasa,

Migayawa and Yamaroku and others at Kyoto and Yokohama established Japan Sake Net with joint investment to distribute jointly and to record turnover of 5 billion to 10 billion Yen a year. The distributors competed each other at same commercial area and bought and distributed jointly to cooperate strategically because of keen competition and low profits.

<Table 7> Problems

Problems	Contents
Individual delivery	Each distributor delivered products at competing area to overlap destination and to have long delivery distance and low loading rate.
Individual purchase	Each distributor placed order to limit order quantity and to have different lot and to have difficulties at price negotiation with manufacturers and/or large scaled wholesale business.
Individual inventory	Each distributor had its own warehouse to have difficulty at control and to have problem of inventory control.

4.2.2.2. Joint marketing

The five distributors made policy of sales control network, information sharing, joint distribution base and control, single window of the purchase, unification of 10 warehouses and WMS (warehouse management system). The distributors established joint distribution firm in 2001, and they agreed with foundation of Daiba DC, joint distribution base, at Edo in March 2004 so that good efficiency of joint purchase and joint delivery was expected. When initial business was dull, the five distributors could find out new way with help of green distribution partnership meeting. Japan Sake Net's measures was likely to lessen carbon by efficient distribution, and the five distributors planned joint purchase and joint distribution, and green distribution partnership project was selected in 2006 to be given subsidy of 100 million Yen that was half of system construction costs.

4.2.2.3. Effects and forecast of the joint marketing

- 1) Saving of delivery vehicles : Joint distribution could lessen number of delivery vehicles from 130 to 91 a day on average by 30% to be likely to lessen carbon dioxide.
- 2) Customer services : In the past, the distributors delivered products on following day. Stores having plenty of customers often placed order until early morning. The joint marketing could deliver order from 5:00AM to 6:00AM on same day to improve customer service.
- 3) Nationwide joint distribution : Business liquor wholesalers had customers of hotels, food service industry, street restaurants and retail stores to deliver small quantity order that large-scaled wholesale business had difficulties to do, so that small wholesale business delivered. Individual distributors could not get advantages of scale of economy of large business, so that joint marketing had joint distribution strategy that had not only advantages of small wholesale business but also scale of economy of large business (KNL Logistics, 2009)

5. Summary

The traditional market in the nation had functions of market and exchanged information and products. The Korean traditional liquor could promote business connection at traditional market to let people find out identity of the Koreans. Therefore, active marketing of traditional liquor was needed. Key word of the tradition reminded people of the Ministry of Culture, Sports and Tourism as well as the Ministry of Agriculture, Forestry, Fisheries and Food, and it had supports and promotion between the ministries. The 4P model consisted of traditional liquor (product), traditional market of local governments (place), promotion of traditional market (promotion) and labor costs (pay):

First, Korea Agro-Fisheries & Food Trade Corporation promoted marketing of traditional liquor (product) with sponsorship of the Ministry of Agriculture, Forestry, Fisheries and Food. The traditional liquor manufacturers were given technology and management consulting to promote traditional liquor so far, and they had great difficulties at set up of marketing channels. For instance, not only Jangsu Makgeolli but also Guksundang had 70% of the market share to expand market by using nationwide distribution networks, and manufacturers at local areas that produced traditional liquor by using Korean-made rice lost market defense so that they should be given marketing opportunity.

Second, traditional liquor product had better be selected from winning product at contest of Korea Agro-Fisheries & Food Trade Corporation to help improve liquor quality.

Third, traditional liquor needed marketing and display effect. So, marketing and public relations of traditional liquor by social enterprise was called 'Doga'.

Fourth, the association of merchants of traditional market started to supply shopping center to promote traditional market by local government. Korea Agro-Fisheries & Food Trade Corporation should support local government's consignment to select 1 to 2 places each city and/or province.

Fifth, the liquor should be distributed and delivered at local markets in Doga. The liquor could be delivered by using facilities of social enterprises, and Small Enterprise Development Agency under SMBA could promote supermarket at local areas by using Nadeulgage distribution.

Sixth, administration and control of Doga should be considered. Doga should be supported to build up interior buildings by public relations and display of traditional liquor promotion of Korea Agro-Fisheries & Food Trade Corporation and to support refrigerator, sales stand, payment & inventory control that were needed to extend the liquor's shelf life.

Seventh, Agency for Traditional Market Administration under SMBA should do public relation of Doga and should have cultural events of the traditional market with sponsorship of the Ministry of Culture, Sports and Tourism.

Eighth, Doga should have an organization of social enterprise. So, Doga should be given subsidy of labor costs as well as tax by Korea Social Enterprise Promotion Agency under the Ministry of Employment and Labor, and it should employ low income and/or vulnerable group at the community.

Ninth, ministries of the Government should cooperate each other to succeed in Doga, for instance, Woori Nong Jangteo of marketing of Korean-made farming product through social enterprises, and marketing innovation of Japanese traditional liquor of Sake. Marketing of traditional liquor at traditional market could not be promoted by some of simple activities only. So, central government, local governments and merchants (association of the market) should cooperate each other to do various kinds of activities. Systematic distribution and logistics system, marketing & business skills, training for sales promotion, community related network business and others were needed to promote marketing of the liquor.

This study could not represent all of traditional liquor manufacturers. The manufacturers had different interest relations, and Jangsu Makgeolli and Guksundang that had 70% of market share were likely to resist, and the manufacturers should be supported to improve liquor quality and to satisfy various kinds of buying desire of consumers.

The traditional liquor brand should be expanded to be global brand by local test, and it should find out overseas market by local consumer's evaluation as well as quality improvement. Traditional market could be developed not by profit-making enterprises but by social enterprises based on non profit-making.

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