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Retailing and Public Policy: A Comparative Study of South Korea and Foreign Countries*

Young-Sang Cho*

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Abstract

Purpose - Based on the existing retail policy literature, this study aims to compare Korea with foreign countries, to propose better ideas for the Korean retail market.

Research design, data, and methodology - It is necessary to analyze the existing retail regulations after categorizing them into several groups, depending on why governments have regulated retailers and the background for the retail policy.

Results - Given that Korean retail regulations have focused on protecting conventional markets, comparing the retail policy objectives of South Korea and foreign countries is difficult.

Conclusions - It is necessary examine how to protect independent stores, irrespective of store locations across the country. Rather than limiting the distance between traditional markets and the projected locations suggested by large retailers, various factors such as store size limit, opening and closing times, below-cost selling, land use planning, and competition tests are needed to protect small stores. Further, centralized authority for store operations should be delegated to local governments, to tackle the aggressive expansion of retail giants. To protect independent stores, political background is among the most important factors.

Keywords: Retail Regulations, Retail Legislations, Retail Policy, Small- and Medium-Sized Retailers, Large Retailers.

JEL Classifications: K23, L52, L81, O25, R58.

1. Introduction

With the increasing concern for the declining number of independent retailers due to the rapid growth of multiple retailers like Shinsegae, Lotte, and Tesco Korea in Korea, Korean retailing researchers have examined retail regulations developed in foreign countries, in order to protect local small and medium-sized retailers (e.g. No, 2003; Park and Jeong, 2009; Shin, 2009).

Rather than making an effort to study how to develop the retailing industry by regulating, the Korean government has been interested in protecting the mom and pops located in traditional markets in particular. As a result, the government established Agency for Traditional Market administration in 2005 and Agency for Small Entrepreneurs in 2006, which have been consolidated in 2014. Similarly, there has been little literature related to retail policies, because the retail trade sector tended to be ignored. Moreover, given the time when Korea started to regulate retail giants, it might be too early to explore its effect on the retailing industry.

Korea has introduced restrictions on the retail sector in recent, whilst other countries have developed many different types of retail legislations from various angles at the early stage of the growth of large retailers (e.g. Grunhagen and Mittelstaedt, 2001; Collins et al., 2001; Marsden et al., 1997; Wood et al., 2006; Viviano, 2008). First of all, in order to protect independent retailers, a variety of retail legislations should be introduced. As well as from a supplier's point of view, retail restrictions should be approached to promote consumption from a customer's point of view.

Based on the existing literature related to retail policy, thus, this study is to compare Korea with foreign countries, and then, propose better ideas for the Korean retail market. First, the author will present the retail regulation aims and types conducted by foreign countries, and then, the study will compare Korea with main foreign countries. Finally, the researcher will make a conclusion and present research limitations as well as future directions.

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** Professor of Industrial Channels and Logistics, Kong-Ju National University, Korea.

Tel: +82-10-4182-4664. E-mail: choyskr1@kongju.ac.kr

2. Regulation aims

The advanced countries like Japan, UK, France, Italy and Germany, have introduced many different legislation types with different objectives. For example, Japanese government has introduced retail policies, in order to boost a retail sector, improve the life quality of residents around retail outlets, encourage fair trading, keep the human right of retail labour and further, protect small- and medium-sized retailers (e.g. Minakata, 2001). Furthermore, the UK regulated large retailers to close their stores on every Sunday to guarantee religious activities of employees working for them in terms of human right by 1994 (Freathy and Sparks, 1995). In an effort to protect suppliers, customers and independent retailers, many countries have developed retail policies.

With respect to the development objectives of retail policies, Hollander and Boddewyn(1974) suggested five main objectives: (1) the protection of small- and medium-sized retailers; (2) the control of retail prices; (3) the protection of environment (4) the improvement of retail efficiency and (5) the protection of consumer rights. It is, thus, necessary to categorise the existing retail regulations into several groups, depending on the reasons why the governments have regulated retailers as well as the backgrounds in which have introduced retail policy, and then, to analyse them. Even though the researcher has divided the retailing-related laws into a few categories, it should be kept in mind that the development objectives of retail legislation are interrelated.

2.1 Protection of small- and medium-sized retailers

With the increasing retail concentration ratio, as seen in Table 1, top five retailers have continuously expended their own business in their domestic markets. As a consequence, small- and medium-sized retailers have been out of business. In evidence, according to Dawson's report (2004), the net decrease of 60,000 retail shops between 1961 and 1971 was witnessed in UK. Also, the trend was seen in Germany where the number of independent stores decreased to 35,200 in 2005 from 54,100 in 1995, whilst the sales volume of hypermarkets and food units of department stores increased to nearly 22% (Kreimer and Gerling, 2006). In other words, large retailers have grown at the expense of small independent stores. Furthermore, the market share of the number of mom and pops in Japan sharply decreased to 43.4% in 1994, down from 86.1% in 1952 (Minakata, 2001). Accordingly, the declining number of small stores has attracted social interest. In the end, governments started to constrain large retailers.

What is important is that most countries over the world have paid significant attention to the struggling small- and medium-sized retailers, since retail giants emerged in the marketplace, as noted by Collins et al. (2001). As part of efforts to maintain independent stores, each country has been interested in making a law, and then, announced many different regulations. In Asia, the Japanese government is one of the

strictest countries to protect independent retailers legally. Large-scale Retail Stores Law introduced in 1974 is a good example, although it was abolished in 2000 (Minakata, 2001). Before this legislation, in fact, the government regulated department retailers in 1937, aiming at keeping mom and pops. In the same vein, the South Korea has introduced the first regulations to legislate big box retailers in recent. Due to the rapid growth of large retailers in Korea, the retail regulations should be needed to protect smaller independent stores.

<Table 1> Retail market concentration of top 5 retailers (%)

Country	1993	1996	1999	2006
France	47.5	50.6	56.3	70.0
Germany	45.1	45.4	44.1	70.0
Italy	10.9	11.8	17.6	35
UK	50.2	56.2	63.0	N.A

Source: Adapted from the estimates based on data from corporate Intelligence on Retailing's European Retail Handbook and Planet Retail (2006)

N.A: Not Available

Amongst many different aims for a retail policy, protecting small- and medium-sized retailers tend to be regarded as the most important mission. It should be, thus, noted what kind of retail regulation was developed in foreign countries to protect mom and pops.

In France, there are various retail constraints to regulate multiple retailers to compete with other ones in a fair way. As a representative retail policy, the below-cost legislation was partly introduced to prevent weaker retailers leaving the French market in 1986, for the first time in EU, although the practice was strengthened by Loi Galland Law in 1996 (Colla, 2006). As noted by Collins et al. (2001) and Bliss (1988), retail giants were more likely to use product selling price as a predatory price to beat their competitors, when entering a new market.

In case of the countries in which below-cost pricing was banned partly, it should be, also, mentioned that perishable products like fresh fruit, fresh vegetables, fresh and frozen fish/meat as well as seasonal goods are allowed to price below-cost, and further, to match competitors (Restrictive Practices (Groceries) Order 1987, 2011). The countries that have prohibited below-cost selling commonly tend to regard it as one of the worst methods that large retailers have used to eliminate their competitors, particularly, independent stores, in markets. As a consequence, predatory pricing has been banned in the countries, regardless of its pure objectives to increase customer demands or to advertise stores, rather than beating competitors.

There is, however, an exception in France. Basically, the practice was developed to protect small retailers. That is to say, independent food retailers with an area of less than 300m² or other non-food stores that store selling spaces are less than 1,000m², are able to set below-cost pricing in France (Colla, 2006).

By contrast, the UK regulated market leading retailers to

open new stores in the outskirts of a city to boost high street markets in 1996 (Wood et al., 2006). Owing to higher land price and the rent, it was difficult to establish new retail outlets in the town center from a retailer's point of view. As a result, major retailers have aggressively opened new stores in the suburbs of major cities with the increasing domination of the market (Burt and Sparks, 2003). In order to maintain the high street market, the UK government finally developed PPG6 (Planning Policy Guidance 6) in 1996 and continuously revised to tighten it. Although this regulation is slightly different from below-cost pricing, its objective is quite similar.

Despite the fact that small- and medium-sized stores have been struggling in most European countries, because of intensified competition, local mom and pops in Italy have been relatively doing well, in the absence of large retailers. In a word, retail environment makes retailers difficult to grow bigger and bigger due to the political context which small shops have been strongly against the entry of large retailers (Viviano, 2008).

As mentioned above, many countries have introduced many different regulations such as the limitation of store sizes, the ban of below-cost pricing, the prohibition of new store opening, and political barrier to keep independent retailers. Nevertheless, the number of small- and medium-sized stores has been declining.

2.2 Development of retail industry

In parallel with economic growth, many countries have been interested in boosting the retail sector. On the other hand, big box retailers have tended to exert their buying power to get better trading terms or conditions, and further, substantial supplier discounts as well as allowances (Hollander and Omura, 1989). How to grow a retail industry has, therefore, attracted many authors' interest, that is to say, whether retail legislation is better than deregulation has been explored (e.g. Boylaud and Nicoletti, 2001; Viviano, 2008, Sadun, 2008). Many governments have made considerable efforts to enhance the retail business by regulating or deregulating, and promoting or discouraging competition, as noted by Kenzi and Masamori (1997).

In order to identify what kind of retail policy advanced countries have adopted to develop a retail sector, the author proposes from two different views.

One is to abolish retail regulations to promote competition. In other words, the government used to encourage retailers to invest in establishing new retail outlets, with an aim to not only provide better services for customers but also create new vacancies (e.g. Freathy and Sparks, 1995; Grunhagen and Mittelstaedt, 2001; Collins et al., 2001). In the case, there are many examples conducted over the world. As evidence, Blue Laws in Germany provoked the controversial issues related to employment enhancement programs (Lovelock, 1994). Rather than regulating large retailers, similarly, governments have focused on creating new jobs by deregulating, as demonstrated by Viviano (2008) who emphasized that lowering entry barriers were more likely to generate new jobs. In addition, in an at-

tempt to recover nation's economy, Davies (1995) and Guy (1998) stressed that Margaret Thatcher's regime gave large-scale retailers a lot of opportunities to expand their own business in the domestic market over the 1980s. With the relaxation of constraints on retail business in the 1980, retail giants experienced rapid growth (Burt et al., 2010). The British government made the Sunday Trading Act in 1994 (Freathy and Sparks, 1995), whilst France has slightly allowed retailers to sell product or services in 2009 (Samuel, 2009). Given that most of European countries started to allow retailers to open their shops on Sunday, it is apparent that deregulation is one of the most important ways to boost the retailing sector. By the research conducted by Freathy and Sparks (1995), Sunday shopping has obviously given rise to positive effect on a retail business.

The other is to regulate large retailers to develop a retail industry. Based on the existing literature, it is, unfortunately, very difficult to find out that kind of case. Even though Japan significantly highlighted that retail policy should be established to boost retail sectors, its core point is closely related to the protection of mom and pops (Kenzi and Masamori, 1997).

As a matter of fact, it is found that free competition is the best way to promote a retail industry. However, the rapid collapse of independent shops might provoke new social or political issues. This problematic thing should be considered, when developing retail policies.

2.3 Improvement of life quality

In the absence of retail regulations, retailers have aggressively entered downtown, countryside and residential areas (Guy, 1998), regardless of the life quality of dwellers in catchment areas and customers. There has, nonetheless, been little attention to the improvement of the life quality of the residents who are struggling with air pollution by gasses emitted from cars, noise pollution from engine noise, tyre noise, car horns, car stereos, door slamming, and squeaking brakes car engines, light pollution from stores and cars, traffic jam, and so on.

Over the world, Japan has for the first time paid considerable attention to the living-standards of people living near to retail stores (Kanakura, 2001), although the idea was originated to discourage foreign retailers to enter the Japanese market. In the Japanese case, these regulations were basically revised from the Large-scale Retail Stores Law developed in 1973, in 1998, because US and EU strongly required Japan to get rid of it, because that was a barrier to enter the Japanese market from a foreign investor's perspective (Nogata, 1998 Minakata, 2001; Katou, 2012). Focusing on preventing the decline of downtowns, the Japanese government has practically tightened retail regulations to improve the quality of life in the residential environment (Kanakura, 2001). As the revised retail legislations of Large-scale Retail Stores Law, Japan enacted "Three Related Laws of City-centre" in 1998.

Accordingly, how Japan has improved the living-standard of inhabitants by regulating retailers should be noted in more detail. New constraints has been established to resolve traffic

jam problems, to build safe traffic system, to address parking problems, to reduce noise pollution, and to smoothly recycle or dispose of commercial wastes (Kanakura, 2001). To protect the right of dwellers in trading areas, in a word, Japan introduced a new retail policy. Amongst the Three Related Laws of City-centre, the revised Large-scale retail Store Law regulates the retailer who wants to open new shops with more than 1,000m² to submit the solutions to sort out the above problems, in terms of the improvement of residential environment, and further, the future plan to contribute to the regional development (Mineo, 2008). Even though the law started to control the market entry of big-box retailers at the early stage, it is evident that the quality of life in trading areas has been improved to some extent, compared with the past without that kind of legislation (Kanakura, 2009).

On the other hand, some countries like Belgium, Germany, Korea, UK, Japan and the forth have established a land use plan, depending on the characteristics of each district as a particular zone, with the purpose of protecting the over-development of specific areas (e.g. Francois and Leunis, 1991; Kanakura, 2001; Wood et al., 2006). Although the historical background why these governments have introduced this planning regulation is different from that of Japan, it is believed that its basic goal is to provide better living condition, irrespective of customers or inhabitants in catchment areas (e.g. Cheshire and Vermeulen, 2009). Likewise, many countries' retail policy of land use limit spaces for particular types of development in specific types of location (Cheshire, et al., 2011). Unlike Japan, these countries have focused on effectively using land, taking into account dwelling environments.

By contrast, it would be difficult to look for its similar case in other foreign countries. Consequently, when developing a retail policy, many governments are more likely to consider retailers than inhabitants in the place in which retailers are operating their stores or will open a new shop. In other words, most countries tend to regulate retailers by limiting space use, rather than focusing on improving the residential environment.

2.4 Promoting fair trading

In order to survive in the intensified retailing competition, retailers have put strong commercial pressure on suppliers to gain much better trading terms, in terms of price negotiation (Collins et al., 2001). As means of taking competitive advantage, and further, beating competitors, the dominant retailers with super buying power have significantly required their suppliers to lower product costs (Fair Trade Commission, 1972). As mentioned earlier, a price element has been used as an important marketing vehicle to attract new customers, even expel small independent retailers from the market (Fair Trade Commission, 1972).

Another concern has been raised that retailers have abused by forcing suppliers or manufacturers to discount product prices (e.g. Office of Fair Trading, 1997). As well as price reduction, retailers have requested many different types of allowances as an incentive not to set below-cost pricing, that is, to make more

profits (Collins, 2001). The trading relationship between retailers and suppliers was controlled by retailers' buying power. In addition, the trading conflicts between them have increased (e.g. Office of Fair Trading, 1997).

According to the Office of Fair Trading (1997) in UK, as an unfair trading event, there are a large number of vertical restraints felt by suppliers, such as exclusive supply, refusal to stock or delisting, minimum supply levels, minimum advertising requirement, sunk facility requirement and so on, in consistent with the Japan Fair Trade Commission which has legally regulated large retailers not to request unfair trading conditions, suggesting many unfair trade practices occurring in the retailing sector in 2005. In an effort to prevent unfair trading cases, many countries, including Korea, have already established a governmental body like Office of fair Trading. Furthermore, many governments have regularly or irregularly monitored trading terms and conditions with an aim to promote the fair trading practices between retailers and suppliers.

A fair trading issue is, also, closely related to a retailer's attitudes towards purchasing the goods made by child labour or unethical manufacturers, and produced in autocratic countries (e.g. Strong, 1996; Shaw and Clarke, 1998; Hemingway and Maclagan, 2004). According to Jones et al. (2005), large retailers have become more aware of ethical buying to cope with the ethical demands of customers. Nevertheless, it is not easy to find out the cases which countries regulate these social problems legally.

2.5 Protection of human right

In parallel with increasing interest in protecting customer rights over the world (Hollander and Boddewyn, 1974), many nations have paid their attention to the right of work force in a retailing sector. As evidence, European countries have traditionally regulated retailers to close their retail outlets, in terms of keeping the human right of, as well as the religious freedom of retail employees, particularly, shop-floor workers (e.g. Halsall, 1994 Pilat, 1997).

The Shops Act 1950 in the UK included that human has the right to take a rest once a week and the religious activity of employees. As part of efforts to protect the human rights, Sunday trading was banned. The regulation can be traced back to the Fairs and Market Act enacted in 1448 (Kay and Morris, 1987). What is apparent is that this sort of retail policy should be based on the protection of human right. Likewise, retail regulations can be developed for retail employees.

In recent, however, some countries such as UK, Bulgaria, Czech Republic, Denmark, Estonia, Finland, Hungary, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, and Sweden have partially allowed retailers to open their shops on Sunday (e.g. Freathy and Sparks, 1995), whilst France, Netherlands and Spain have given retailers the green light on opening their shops at holiday destinations. Similarly, many retailers have required governments to abolish Sunday Trading Act (Allen, 2009). By contrast, it is interesting

to note why the countries which have legislated Sunday opening have started to deregulate Sunday Trading Act, as opposed to religious concern. In the economic terms, Sunday trading give rise to positive impacts, rather than concerns (Khan et al., 2011).

2.6 Environmental protection

As noted by Hollander and Boddewyn (1974), ecological-environmental consideration has recently spread out all over the world, compared with the past when less developed countries tended to neglect the ecological problems provoked by retailers in terms of national priorities. To protect the earth, many countries have made a considerable effort with retail regulations like land use planning policy, waste disposal rules, product limitations and the forth (e.g. Hollander and Boddewyn, 1974).

Environmental protections are closely related to the quality of life, as mentioned earlier. With regard to the aims to protect environment, Japan is the first country which has regulated big-box retailers in 1998, although the initial objective was to prevent the entry of foreign retailers into the domestic market (Nogata, 1998). With the increasing attention of customers to ecological issues, moreover, the Japanese government has continuously tightened the retail legislations related to environment protection, and further, been interested in resolving traffic-related problems (Kanakura, 2009).

Rather than developing countries, it is evident that advanced countries have made much more efforts to keep the earth. Given that plastic bags are an environmental nightmare, the case that South Korea has prohibited retailers from providing shopping plastic bags for free in 1999, is one of the good examples to protect the globe legally, in terms of waste disposal rules. Similarly, many countries such as Italy in 2011 (Environmental Leader, 2011) and the UK in 2011 (Retailers, 2011) have recently banned retailers from offering a single-use carrier bag for free.

In consistent with the UK, Germany and Japan, Korea has built the planning policy to restrict the opening of new retail outlets for the conservation of forests. Zoning is the basic concept that local governments use to shape land use and further, limits what can be built, how it can be built, and what activities can be done in a given area (Town and Country Planning Act 1990, 1990). As noted by OECD (2000), the retail regulations concerned about commercial real estate and zoning ordinance are one of the most difficult barriers to the development of a retail sector.

Until now, the author has categorised the retail regulations developed by other countries, including Korea into 6 groups. However, it must be born in mind that under many complicated development objectives, countries make new retail laws. Moreover, each regulation is likely to simultaneously achieve more than two goals. As an example, improving the quality of life, the legislation introduced by the Japanese government in 1998 is to protect environment (e.g. Shirota, 2007; Kanakura, 2009).

3. Regulation types

Many different types of retail regulations have been introduced to achieve the development objectives mentioned earlier. Over time, it should be noted that legislation methods have become sophisticated more and more. As evidence, because the large retailers which carried only grocery products, and further, were not regulated by the Second Department Store Act which was abolished in 1974, have rapidly grown and threatened independent stores, Japan has enacted the new retail policy called the Large-scale Retail Stores Law (Shirota, 2007). It has been also witnessed that retail giants have continuously opened their own shops with different store sizes and different retail formats under retail regulations, avoiding legal conflicts (Katou, 2012).

It is, therefore, necessary to look at what kind of a regulation type other countries have adopted in detail.

3.1 Store size

With the aim of ensuring retail business chances for local merchants, many countries are likely to limit the store sizes of big box retailers (e.g. Grier, 2001 Denning and Lary, 2005; Katou, 2012). As increasing retail concentration ratios indicate, there tail giants with a huge amount of commercial capital have quickly expanded their own business from high street into small local areas to gain more profits. Irrespective of regions, they tend to open big retail outlets under "one-stop shopping" slogan. Consequently, local retailers have been threatened and closed their shops.

The trend has spread over the world. As pointed by Grier (2001), many countries believe that the opening of large stores is one of the most significant reasons why small- and medium-sized retailers are leaving markets (Katou, 2012). That is why many countries have focused on limiting store sizes. In other words, from a large retailer's point of view, opening super retail shops has become very tricky, although it was led to the development of a new retail format like a convenience store later (Davies and Itoh, 2001).

Generally speaking, there is no doubt that store sizes are directly proportional to the degree of attractiveness to increase store traffic, given the breadth and depth of product ranges (e.g. Kotler, 1997). Limiting selling spaces, thus, many countries have sustainably attempted to protect mom and pops.

It is here interesting to examine the cases of store sizes limited by other countries.

Japan, France, Belgium, Austria, and Italy are the representative countries which have strictly regulated shop floor spaces, whilst Netherland, Sweden, and Canada have no particular legislation (OECD, 2000). With respect to store size, furthermore, the threshold shop floor is relatively less than 1,000m², as pointed by OECD (2000).

With the Department Store Law in 1937, the Japanese government regulated retailers to open new shops with more than 3,000m² at six largest cities or more than 1,500m² everywhere

else. Since the legislation was replaced with the Large-scale retail Stores Law in 1974, the law was completely revamped to broaden shop floors to include new stores with more than 500 m² (Minakata, 2001). It means that the new regulation has been applied to many retail outlets. On the other hand, many local governments took part in lowering the threshold floor area from 500m² to 200~300m² (Kotani and Deie, 1997). Whenever retailers want to open a new shop with broader space it should be, they have to get permission, that is to say, it would be very difficult for retailers to open a new store.

The Belgium parliament regulated retailers to establish new shops in 1975, depending on the zone types based on the land-use law in 1962 (Francois and Leunis, 1991). According to the Business Premises Act in 1975, the new retail outlets exceeding 3,000m² in a type I zone, and 1,000m² in other type zones all areas not of type I, must get specific permission, in terms of gross store space.

Although there are significant differences in the levels of general regulatory frameworks amongst regions in Spain, the basic restriction on store sizes was made by the central government and introduced in 1996 (Asensio, 2012). This law required the retailers who would open retail shops over 2,500m² to get an opening license issued by the local governments (Ciarreta et al., 2009). Nevertheless, local governments have decreased store size limits as a function of the size of the town, as noted by Ciarreta et al. (2009).

Since retail regulations were introduced in 1969, the French government has sustainably tightened them (Miura, 2008). As the first restriction on a retail sector in 1969, when opening a new shop over 3,000m², retailers had to pass the screening committee (Miura, 2008). After that, the French parliament approved the Loi Royer Act with the explicit objective of protecting independent stores in 1973, based on whether the population size is over 40,000 inhabitants or not (Cliquet et al., 2008). The law means that any new store over 1,500m² in cities with more than 40,000 residents as well as over 1,000m² in cities with less than 40,000 residents had to gain the green light from the judging committee of urban planning (Miura, 2008).

Furthermore, the Raffarin Act that required retailers to obtain a permit when opening a new store with more than 300m² was passed to keep mom and pops against large stores and hard discount stores operated by German retailers in 1996 (e.g. Miura, 2008; Cliquet et al., 2008).

With regard to the criteria to evaluate whether or not to give permission to the retailers who plan to open a new shop, the government adds more three conditions like (1) the amount of traffic flow, (2) the quality of transportation services and (3) the accessibility to load and unload products (Miura, 2008).

In the same vein, the UK started for the first time to restrict the new stores which would be operated by large retailers like Tesco, Asda and Sainsbury's in 1996 (Sadun, 2008). The new stores with more than 1,000m² must pass a competition test, according to the Planning Policy Guidance that involves their effects on regional economic growth, employment, and the existence of local small retailers and services (Kobayashi, 2008). Due to this restriction on store sizes, retail giants have sped up

the opening of new convenience stores.

Before reunification in 1990, the West Germany prohibited retailers from building hypermarkets to protect high-street retailers in 1968 (Abe, 2001). The federal government revamped the national law to ban the construction of retail shops with more than 1,500m² in 1977, and further, lowered store size limit to 1,200m² in 1987, based on the urban planning policy (e.g. Miura, 2008). In other words, the retailers who are going to operate new shops over 1,200m² have to get permission. In case of constructing a store with more than 6,000m², moreover, retailers have to get the construction license issued by local authorities, including environmental impact assessment (Miura, 2008).

It is interesting to note the Italian retail legislations. The first retail regulation so-called "Regio decreto legge No.2174" was adopted in 1926 (Viviano, 2008). The law means that retailers had to get green light from the local parliaments to open new stores. Before the Bersani Law issued in March 1998, the government delegated regulatory power to local governments, tightening the law in 1971 (e.g. Viviano, 2008; Mileti et al., 2011). The Bersani Law defined three types of retail outlets: (1) small: up to 150m², (2) medium-sized: between 150m² and 1,500m², and (3) large: over 1,500m² in cities with less than 10,000 inhabitants, or (1) small: up to 250m², (2) medium-sized: between 250m² and 2,500m², and (3) large: over 2,500m² in cities with more than 10,000 inhabitants (Viviano, 2008). Likewise, this law abolished the authorization process for small shops, that is to say, by notifying the opening of new stores, small retailers can operate their shops. On the other hand, other retail stores with more than 150m² or 250m² have to get an opening license from local authorities, as mentioned by Miura (2008).

Over time, the above countries are more likely to tighten or deregulate retail legislations, depending on the regimes elected. Nevertheless, many countries have a common tendency of restricting store sizes to protect small- and medium-sized retailers (Poole et al., 2002).

3.2 Opening and closing hours

According to the Large-scale Retail Store Law in 1974, the government restricted business hours to keep mom and pops (Kotani and Deie, 1997). Rather than opening times, the government regulated closing times. Japan modified it from 6:00 pm in 1974 to 7:00 pm in 1990, and further, 8:00 pm in 1994 (Mineo, 2008). Finally, with the abolishment of the law, the restriction on opening and closing times was deregulated completely (Katou, 2012). Unlike European countries which have banned Sunday trading, the Japanese government required retailers to close more than 44 days during a year in 1974, regardless of Sundays, although decreased to over 24 days in 1994 (Mieno, 2008).

Since 1956, the German government restricted opening hours of retail shops from 7 am to 6:30 pm on weekdays and from 7 am to 2 pm on Sunday, based on the "Law concerning Shop Closing Time", before being liberalized in recent (e.g. Wenzel, 2010). In 1989, the government deregulated closing

time from 6:30 to 8:30 pm on Thursdays with an aim of introducing the "service evening" from a shopper's perspective, and further, relaxed opening and closing times in 1996 and 2003, from 6 am to 8 pm during a week, except for Sundays (Senftleben-Konig, 2014). Similarly, the central government has given the power to liberalize business hours to local authorities, including Sunday trading in 2006 (Wenzel, 2010). Nonetheless, Sunday trading is principally prohibited, although it is at least partially allowed to open stores, depending on individual states (e.g. Senftleben-Konig, 2014).

As mentioned by Asensio (2012), the Spanish government has given the authority controlling opening and closing times to local governments, although there is a national regulation related to opening hours. In 1985, the central government liberalized opening hours completely, but local authorities have limited this freedom, as opposed to national legislation (Matea and Mora, 2009). In the end, Royal Decree-Law allowed retailers to open their shops 72 hours per week and eight Sundays including public holidays per year in 1993 (Matea and Mora, 2009). This legislation eased from 72 to 90 hours per week in 2000, but returned to 72 hours in 2004, because of a more restrictive regime. On the other hand, small independent shops with less than 300m² were granted full freedom of opening (Asensio, 2012).

In France, there is no restriction on shop opening hours during weekdays, but Sunday trading is strictly prohibited, although the government has started to deregulate retail legislations in recent years (The Economist, 2013). Also, local authorities ask for an extension of opening hours on Sunday. Food retailers can open until 13:00 on Sunday.

Unlike the above countries like Germany, France and Spain, on the other hand, the UK has dramatically relaxed the restriction on Sunday trading (Burt et al., 2010). Moreover, during a week, in Italy and Sweden, there is no regulation related to business hours.

As one of the countries which have unrestricted opening hours during weekdays, the UK has different policy on Sunday trading, depending on countries. In Scotland, there is no restriction. By contrast, in England and Wales, small retailers with less than 280m² are unrestricted, but retail shops with larger than 280m² are able to operate six hours within 10:00-18:00, whilst in Northern Ireland, open five hours within 13:00-18:00 (Burt et al., 2010).

Surprisingly, what is important is that most of the countries mentioned have deregulated shop opening hours, although some countries such as France, Germany, Netherlands, Norway and Greece have restricted Sunday trading partially or completely.

3.3 Selling price

As mentioned earlier, the ban of below-cost pricing has been regarded as one of the strongest techniques to protect independent stores from the price war in Europe (e.g. Competition Commission, 2000; Colla, 2003). Basically, the idea resulted from the predatory pricing strategy of large retailers (Colla,

2003). In fact, from a large retailer's perspective, setting below-cost price should be considered to be one of the best methods to beat competitors in the marketplace (Bliss, 1988; Lal and Matutes, 1994 Lal and Narasimhan, 1996 Collins et al., 2001).

In fact, the practice of below-cost pricing to increase store traffic has been partially or completely prohibited in many European countries such as Ireland in 1987, Belgium in 1991, Portugal in 1993, Spain in 1996, Greece in 2001, Italy in 2001, and Luxembourg in 2002 (e.g. Colla, 2006; Restrictive Practices (Groceries) Order 1987, 2011; Cadete and Oda, 2013). Even though the above countries in EU have moderately or wholly prohibited below-cost selling, UK, Germany, Finland, Netherlands, Canada, USA, and Korea have not adopted below-cost legislation.

In spite of the fact that the restriction has caused inflation and distorted competition structure (e.g. Colla, 2003 Allain and Chambolle, 2011), below-cost pricing has persisted in many countries.

3.4 Land use policy

In order to avoid reckless development, many countries have built the urban planning policy. In other words, land use regulations restrict spaces for particular types of development in particular types of location. With an aim to improve overall social welfare, a lot of countries such as Germany, the UK, Belgium, and Japan, have adopted the method as a protection program for small business owners. Given land costs for supermarket, it is natural that large retailers want to open their new stores out of town, that is, in low-cost places. The retail policy has been widely adopted across OECD countries (e.g. Pilat, 1997).

As a result, the Belgium government introduced land use planning to control the establishment of large stores in 1962, although it was very ineffective (Francois and Leunis, 1991).

Thanks to the liberalization of Mrs. Thatcher's government in the UK, big box retailers sharply increased their market share at the expense of small- and medium-sized retailers, provoking the decline of town centers (Burt and Sparks, 2003). Accordingly, the British government introduced new entry regulations on urban planning policy to revitalise high streets in 1993 and significantly strengthened them in 1993 (Sadum, 2013). As noted by "Planning Policy Statement 6", the main objective for adopting this law is to promote the vitality and viability of existing town centers, preventing retail giants from opening new shops (e.g., Guy and Bennison, 2002; Wood et al., 2006).

To protect small retailers, the Western German government made the land use planning law in 1968, whilst the East Germany under communism prohibited the opening of new retail outlets out of town centers (e.g. Kalhan and Franz, 2009). Furthermore, the government aggressively tightened the regulation to control the development of a retail sector over the 1980s. Since reunification, the retailers who will open new shops with more than 5,000 m² outside of cities have been required to get the environmental impact assessment process (Kleinschmidt, 1992).

Compared with Belgium and the UK which have introduced land use planning policy to directly protect independent retailers, Italy, Spain and France have been interested in effectively developing a country, based on the urban planning program (e.g. Cliquet et al., 2008; DAF/COMP, 2008).

Likewise, Japan started to adopt the planning policy to control the establishment of large retailers in 1998, with an aim to minimize the effects on the abolishment of the Large-scale Retail Store Law (Kanakura, 2009). Strictly speaking, from a multiple retailer's point of view, the process of opening new stores would become much more difficult, owing to the sophisticated zoning policy developed by local governments (Mineo, 2008).

As pointed by Kalhan and Franz (2009), Belgium, France, Germany and Italy have adopted the concept of land use policy relatively at the earlier stage, whilst Spain, Japan and the UK introduced it in recent. Although OECD (2000) highlighted that the land use planning and zoning policy generated severe competition problems, many countries have still used it as the fundamental mechanism to prevent mom and pops.

3.5 Delegation of authority

As an effective tool to manage a retail industry, many countries are more likely to delegate the power to permit the opening of new retail outlets or decide opening and closing times, and the forth, to local authorities. In this time, there are two types to transfer authorities into local governments. The first is to directly give the whole right to regional governments, whilst the other is to require local authorities to establish the local communities which can discuss or decide the permissions of a new store, based on the guidelines developed by the central government.

Given the structure of regional retailing sectors and retail environment, Matea and Mora (2009) and Viviano (2008) stressed that Spain, Germany and Italy have transferred the power which issues opening license and the decision right on shop opening and closing times to the regional governments to protect small shops. It can be said that local authorities are completely responsible for shop opening and operation.

According to Loi Sapin 1993 in France, stores with more than 1,500m² or 1,000m² have to pass the permit approval process undertaken by the local commissions consisting of six memberships: (1) the mayor of the region, (2) the mayors of the two other regions, (3) the expert on land use planning policy, (4) the chairman of the regional chamber of commerce, (5) the labour representative of the region and (6) the representative of the consumers association.

In the similar vein, the Japanese local governments have to operate regional commission to issue a shop opening license and discuss opening and closing times, considering the opinions of inhabitants in the projected area in which retailers want to open new shops (Grier, 2001). In order for retailers to open new stores, they have to win approval from the members of the region commission, and further, dwellers, proposing benefits resulted from new store operation (Grier, 2001). If not, the oper-

ation permit of new shops cannot be achieved.

With the 'Policy and Planning Guidance 6', which is developed by the Department for Transport, Local Government and Region, local authorities were encouraged to preserve the function of town centres in the UK (e.g. Wood et al., 2006). Although the UK transferred the authorities to revitalize the vitality and viability of city centres to local governments, unlike the above countries, the central government tended to reverse the local planning decisions which shop opening license was rejected (Baar, 2002). In case of returning the shop opening plan, local authorities have to consider the national guidelines for the placement of shopping centres.

Rather than centralizing the power to issue a store license and control opening and closing times, it is evident that the delegation of authorities is favorable.

3.6 Competition test

Even though the regulation is preceded by local governments, based on the retail policy established by the central government, it is the quite rare case being delivered by the only UK. It is worthwhile noting that this legal process has been introduced to protect small retailers (Competition Commission, 2000).

According to Competition Commission (2000), every retailer who will launch a large retail grocery development with more than 1,000m² has to pass the "competition test". As a criterion to get a opening permit, a few conditions should be mentioned to clearly understand the structure of competition test. Principally, a retailer must be a new entrant to the catchment area (defined by a ten minute drive time), and the total number of retailers within the local area must be more than three, whilst the new entrant would have less than 60 percent of the total groceries sales area in the catchment area (Competition Commission, 2000). Furthermore, the Office of Fair Trading has the right to take part in the process of competition test as a statutory consultee, although local planning authorities are able to determine whether the planning application proposed by a retailer passes or fails the competition test.

Unlike the Japan which has taken account of environmental issues to prevent the entry of new retailers in local areas, that is, to protect the business activities of small shops, the governmental bodies, the Office of Fair Trading as well as Competition Commission, have legally proposed detailed conditions from a practitioner's point of view in the UK (Seely, 2012).

4. Comparison of South Korea and foreign countries

Before distinguishing the differences between South Korea and foreign countries in terms of retail regulations, it is necessary to look at the retail legislations and retail policy of the former.

Compared to the above countries that have developed retail

constraints with many various methods under many different objectives in a retail sector, it is easy to say that the South Korean government has been only interested in revitalizing the conventional markets declining because of the rapid growth of retail giants, rather than protecting small retailers across the country. It would be, indeed, very hard to figure out a way to support the owners of mom and pops.

A retail regulation, the South Korea has been approached by the distance limit between the new stores that will be opened by multiple retailers and rural markets, and store operation hours in Korea (Ministry of Government Legislation, 2013).

Firstly, the government legally required large retailers not to open new shops within a 500m radius from traditional markets, based on the Retailing Industry Development Law in 2010, although extended to 1km in 2011. The regulation obviously has nothing to do with the independent stores being operated out of 1km radius from rural markets. In a word, it can be said that the Korean legislations do not give them any competitive advantage.

Secondly, the Korean government has transferred the power to limit business activities into local governments, in term of closing times. In other words, local authorities are able to control opening times from midnight to 10:00 am, and further, to require large retailers to close their shops at least 2 days every month. As a matter of fact, there have been a huge number of political debates on the protection of traditional markets, since 2006. Nevertheless, what is important is that the "Retailing Industry Development Law" has been sustainably amended to for small retailers.

Given that retail regulations in Korea have focused on protecting conventional markets, it is meaningless to compare the South Korea and foreign countries, concerned about the objectives of a retail policy. Basically, other countries have made a considerable effort to small- and medium-sized retailers across the country, rather than paying attention to the protection of rural markets.

In association with retail regulation types, although Korea has to some extent delegated authorities to local governments like Japan, Spain, Italy, Germany, France and the UK, it has become apparent that the degree of the delegation to control large retailers is weaker than expected. With respect to the opening license of a new store, the above foreign countries have given its authority into local authorities, whilst the central government in Korea has controlled its permission. As mentioned earlier, in that many countries have a tendency of taking account of the structural characteristics of a retailing sector in local areas, the delegation of authorities has been widely used to care small stores.

Considering that Korea has attempted to protect small retailers in the only traditional markets, it might be able to argue that the view of its retail policy is very different from that of other countries. As an evidence, the above other countries have regulated large retailers in terms of store sizes, regardless of store locations. Although Korea has the definition of a large store, that is, more than 3,000m², there is no regulation limiting store sizes.

Based on the analysis result, it would be easy to understand the differences between Korea and foreign nations.

5. Conclusions

By reviewing existing literature related to retail regulations and policy, the author has drawn a conclusion from the result of comparative analysis.

Firstly, it should be noted that the objective of the "Retailing Industry Development Law" regarding the protection of small- and medium-sized retailers, is too ambiguous. On the other hand, foreign countries have delivered the clear goal of retail regulations, which is to keep mom and pops from large retailers (e.g. Hollander and Boddewyn, 1974; Collins et al., 2001; Colla, 2006). It is, therefore, necessary to look at how to protect all of independent stores, irrespective of store locations across the country.

Likewise, it is important to establish a new insight to protect small retailers when the government builds a retail policy, although some researchers (e.g. Kay and Morris, 1987; Viviano, 2008; Senfleben-Konig, 2014) found that restrictions had a negative impact on the growth of a retail industry. Also, many different objectives of introducing restrictions on a retail sector should be developed, like other foreign countries.

Secondly, in terms of the types of retail constraints on big box retailers, rather than limiting the distance between traditional markets and the projected locations suggested by large retailers, the author found that various methods such as store size limit, opening and closing times, below-cost selling, land use planning, competition test, and so on, should be needed for better protection of small stores. Depending on the objectives of retail regulations, many different legislation techniques should be generated to achieve them.

Thirdly, the centralised authorities should be delegated to local governments to efficiently or effectively respond to the aggressive expansion of retail giants, and further, to reflect the retailing structure of local areas and the needs and wants of local customers. In other words, suggesting the basic guidance related to retailing sector development, the government should transfer the right to permit the opening of new retail outlets and decide opening and closing times into local authorities, like the "competition test" of the UK. In fact, it is difficult to manage a retailing industry at a regional level from a central government's perspective, as demonstrated by overseas cases.

Finally, what is important is that the degree of retail restrictions on a retailing industry relies on political circumstances, that is to say, retail legislations are tightened or deregulated, depending on political situation. Consequently, in order to keep independent stores, political background should be regarded as one of the most important conditions, as mentioned earlier.

There are some research limitations while comparing Korea and foreign countries. Regarding the effects of retail regulations to keep small retailers, many authors (e.g. Collar, 2006; Sadun, 2008; Allain and Chambolle, 2011; Biscourp et al., 2013) are

more likely to be pessimistic about the outcomes. As noted by DAF/COMP (2008), owing to land use constraints, Italy, France and Spain achieved little or no growth between 1998 and 2003 in terms of labour productivity, whilst the growth of the UK, the Netherlands and Belgium was about 1 to 2 percent. Although the governments have made significant efforts to prevent the opening of large stores, it should be kept in mind that the number of small- and medium-sized retailers has continuously decreased.

In the near future, therefore, whether the current retail legislations practically contribute to protecting mom and pops or hinder the growth of a retail sector in Korea should be examined. Also, much attention should be paid to what kind of regulation is needed to effectively keep them in more detail.

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