2014
Consumer Markets Evaluation Indicators in Korea

Korea Consumer Agency

2014 Consumer Markets Evaluation Index in Korea

I. Study Purpose & Method

□ The purpose of this study is to systematize and advance "Korea's Consumer Markets Evaluation Index", which has been pursued as a consistent task since 2012. To this end, consumer orientation level in domestic markets has been diagnosed through (1) establishment of "Consumer Markets Evaluation Index" model, (2) pilot production of Consumer Markets Performance Data(CMPD), and (3) production of Consumer Markets Performance Index(CMPI), and the result has been reflected into the relevant policies ultimately to achieve consumer-based market structure.
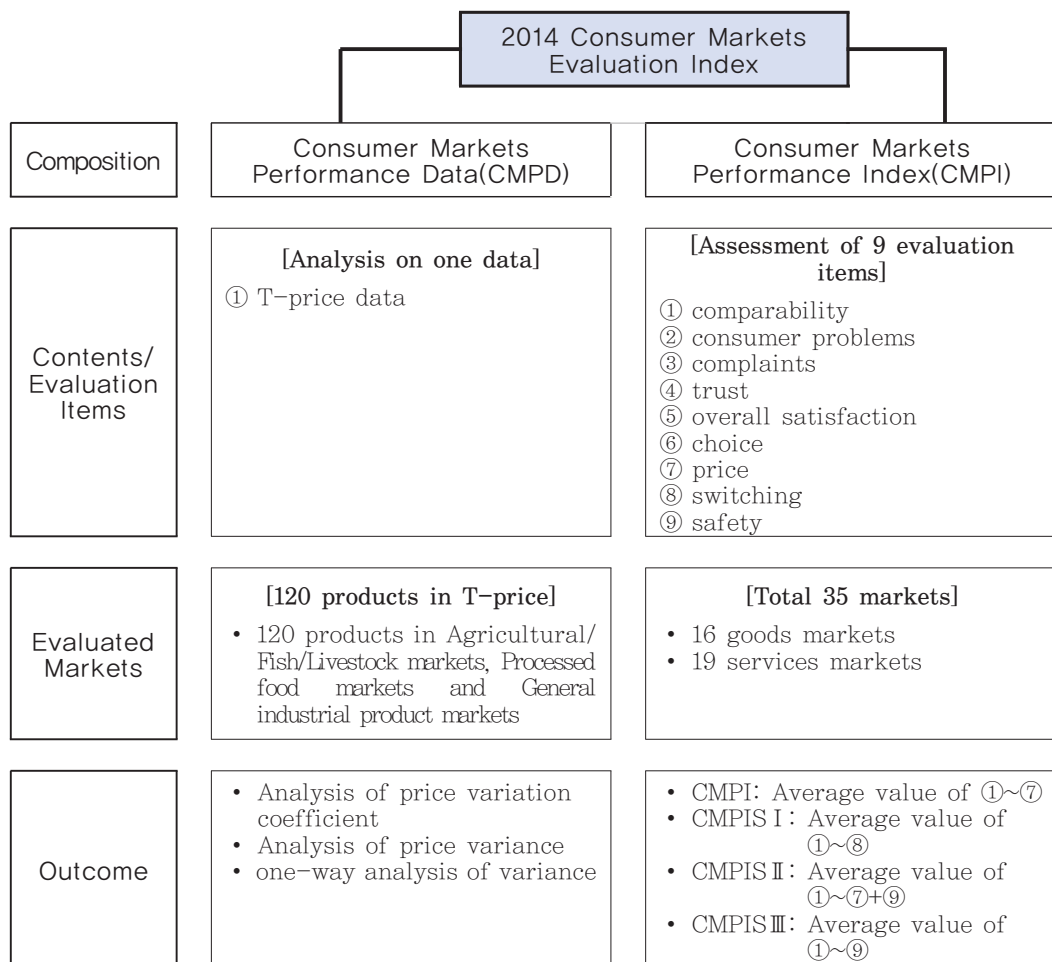
> EU has been operating a system called EU Consumer Markets Scoreboard(EU CMS) since 2008 as part of its Single Market Review, which assesses member countries' performance in each specific consumer market from consumers' viewpoint.

□ To this end, lots of activities have been conducted including analysis on the result of 2014 EU CMS, in-depth interview with people in charge, review on 2011 Australian Consumer Survey, consultation with experts, analysis on T-price data and consumer surveys.

II. Korea's Consumer Markets Evaluation Index System

□ Korea's Consumer Markets Evaluation Index System has a dual structure composed of Consumer Markets Performance Index(CMPI) and Consumer Markets Performance Data(CMPD), each of which has its own calculation method (Refer to 〈Picture 1〉 below).

☐ CMPD has used Korea Consumer Agency(KCA)'s T-Price data to calculate price variation coefficient and price variation of individual product in product markets.

☐ CMPI is composed of 9 evaluation items, and it takes the average value of 7 evaluation items among them.

  ○ CMPI evaluation items: average value of 7 items, which are comparability, consumer problems, complaints, trust, overall satisfaction, choice, price

  ○ CMPIS I ~ III: average value of CMPI combining switching and safety

	2014 Consumer Markets Evaluation Index	
Composition	Consumer Markets Performance Data(CMPD)	Consumer Markets Performance Index(CMPI)
Contents/ Evaluation Items	[Analysis on one data] ① T-price data	[Assessment of 9 evaluation items] ① comparability ② consumer problems ③ complaints ④ trust ⑤ overall satisfaction ⑥ choice ⑦ price ⑧ switching ⑨ safety
Evaluated Markets	[120 products in T-price] • 120 products in Agricultural/ Fish/Livestock markets, Processed food markets and General industrial product markets	[Total 35 markets] • 16 goods markets • 19 services markets
Outcome	• Analysis of price variation coefficient • Analysis of price variance • one-way analysis of variance	• CMPI: Average value of ①~⑦ • CMPIS I : Average value of ①~⑧ • CMPIS Ⅱ: Average value of ①~⑦+⑨ • CMPIS Ⅲ: Average value of ①~⑨

〈Picture 1〉 2014 Korea's Consumer Markets Evaluation Index System

III. Analysis of Consumer Markets Performance Data(CMPD)

(1) Analysis Method

☐ The analysis methods used here are (1) analysis of price variation coefficient, (2) analysis of price variation, and (3) one-way analysis of variance.

○ Analysis of price variance coefficient: analyze the price differences among individual products by region and by retail business type, by calculating price variance coefficient (standard deviation/ mean value of the prices)

○ Analysis of price variance: analyze the price variance of individual products (ratio between highest price and lowest price)

○ One way analysis of variance: analyze the average price difference among individual products by region and by retail business type

☐ In this analysis, total 6,140 price data have been used for 120 products in 2013 T-price list, which are annual average unit prices in each 16 different regions and 5 retail business types.

(2) Analysis Result

☐ Although there are limitations as secondary data, it was confirmed that the results of T-price data analysis can be utilized as a useful tool for evaluating competition status in the markets.

☐ In the case of products that showed big price differences in the analysis of price variation coefficient and price variance, the difference seems to exist in average values among different retail business type rather than among different regions.

○ Continuous inspection and monitoring need to be carried out regarding the condition of the markets which those products belong to (ex. price labeling system & retail business practice).

□ The consumer orientation level of each individual market needs to be verified for the markets that showed big price differences such as meat market(ex. beef & pork), bottled water market, household cleaning product market(ex. laundry detergent & bleach), and cosmetic market including women's essence products.

Ⅳ. Analysis of Consumer Market Performance Index (CMPI)

(1) Analysis Method

□ The survey was conducted for 500 consumers in each 35 markets (16 goods markets & 19 services markets) that were selected through step-by-step extraction process.
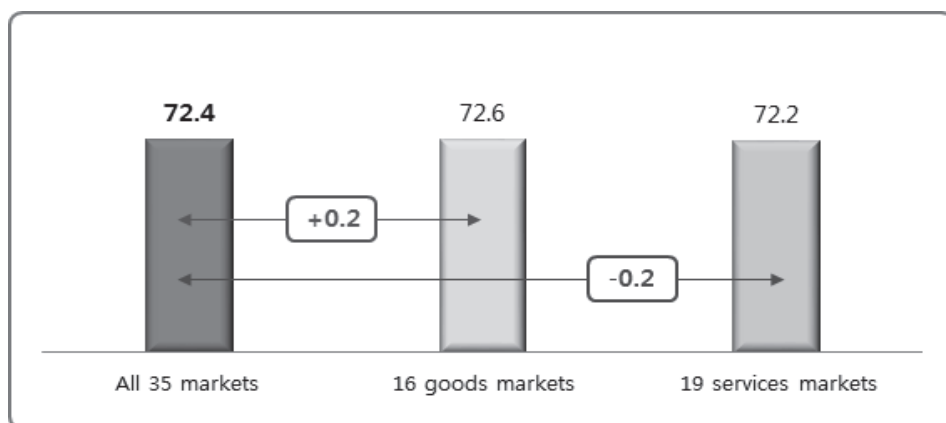
〈Table 1〉 Evaluated Markets

[Goods Markets]		[Services Markets]	
Market Name	Evaluation of Switching & Safety	Market Name	Evaluation of Switching & Safety
Franchise bakery	Safety	House repair & interior	–
Domestic bottled water	–	Dental treatment	Safety
Imported beer	–	Gas service	–
Middle/High school uniform	–	Domestic airline	Safety
Sports shoes	–	Internet service	Switching
Furniture	Safety	Sports facilities	Switching, Safety
Household cleaning product	Safety	Cable/IPTV broadcast	Switching
Complementary nutrients	Safety	Study book for infants/primary schoolchildren	–
Contact lens	Safety	Franchise coffee shop	–

[Goods Markets]		[Services Markets]	
Market Name	Evaluation of Switching & Safety	Market Name	Evaluation of Switching & Safety
Secondhand automobile	Safety	Pension/Condominium	Safety
Mobile phone	Switching	Hair shop	Safety
Computer	–	Postnatal care center	Safety
Camping gear	Safety	Day care center/Nursery school/Kindergarten	Switching, Safety
Pet supplies	–	Pension insurance	Switching
Imported cosmetics	Safety	Funeral service	Switching
Meat	Safety	Dining-out service	Safety
		Endowment life insurance	Switching
Evaluation of Switching: total 10 markets		Overseas tour package service	Switching, Safety
Evaluation of Safety: total 18 markets		Telecommunication service	Switching

(2) Analysis Result

□ The result of evaluating CMPI of 35 markets showed average score of 72.4 out of 100, which is 5 points lower than that of the 10th EU MPI in 2014.
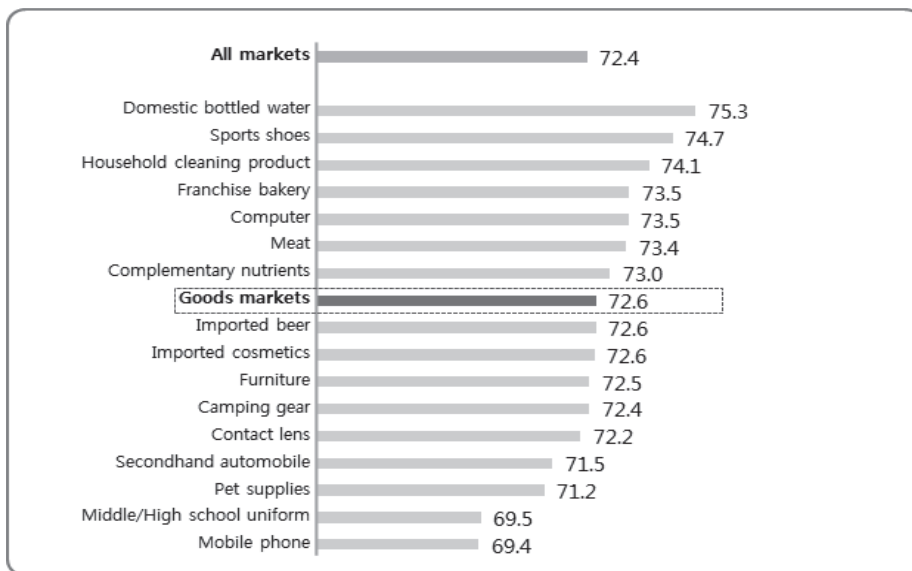

⟨Picture 2⟩ 2014 Consumer Markets Performance Index(CMPI)

□ According to the result of evaluating Consumer Markets Performance Index(CMPI) for each 16 goods market, domestic bottled water market showed the highest
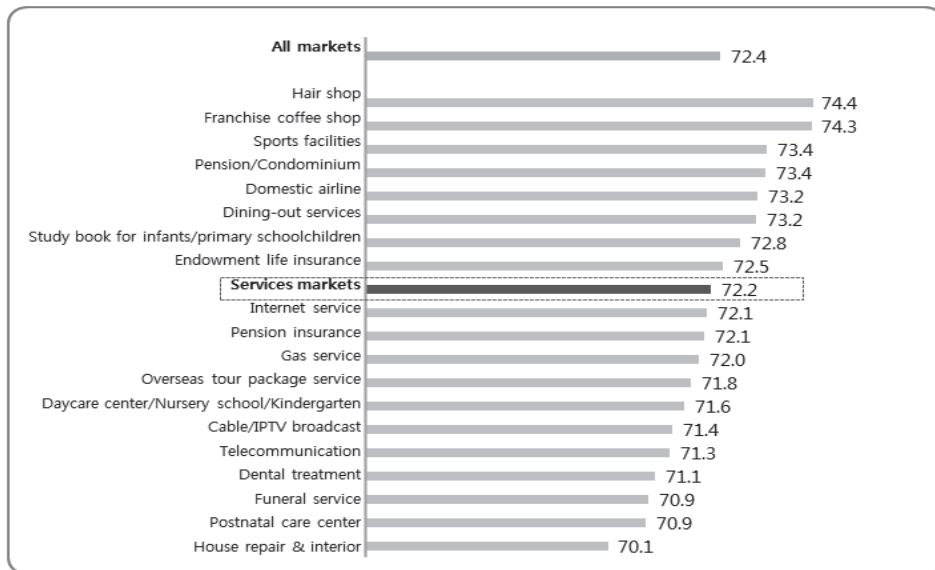
score of 75.3 points, 5.9 points higher than the mobile phone market which was the lowest scorer with 69.4 points.

○ The other markets in the low score market group are middle/high school uniform market with 69.5 points and pet supplies market with 71.2 points.

〈Picture 3〉 Consumer Markets Performance Index(CMPI) of each 16 goods market

□ Consumer Markets Performance Index(CMPI) measured for each 19 service market was highest in hair shop market with 74.4 points and lowest in house repair and interior market with 70.1 points, which is 4.3 points lower than hair shop market.

○ Among the other low score groups are postnatal care center market and funeral service market which scored 70.9 points respectively, and dental treatment market which scored 71.1 points.

⟨Picture 4⟩ Consumer Markets Performance Index(CMPI) of each 19 services market

□ Consumer Markets Performance Index(CMPI) of 35 markets showed that there are differences in accordance with consumers' demographic characteristics such as gender, age, region, educational level, marital status, occupation, subjective income level and whether or not received consumer education within past 3 years.

□ "Traffic Light Method" is a tool for easily assessing the consumer orientation level in each market through visual display of CMPI score difference between each individual market and overall markets, which was first used in the 4th EU CMS in 2010.

Red light(●)   : Markets with consumer orientation warning level, Criteria: a<b
Yellow light(○) : Markets with consumer orientation insufficient level,
                        Criteria: b≤a≤b+c
Green light(●) : Markets with consumer orientation sustained level, Criteria: a>b+c

a: CMPI score of each individual market, or average score of evaluation items in each
   individual market
b: CMPI score of overall goods(services) markets, or average score of evaluation items
   in overall goods(services) markets
c: CMPI score of goods(services) markets, or standard deviation of evaluation items in
   goods(services) markets

☐ Out of total 16 goods markets, 7 markets (43.8%) showed CMPI warning level (🔴), another 7 markets (43.8%) showed CMPI insufficient level(🟡), and 2 markets (12.5%) showed CMPI sustained level(🟢) (Please refer to 〈Table 2〉).

〈Table 2〉 Traffic Light Method : 16 goods markets

Market Name	CMPI	Compara-bility	Consumer Problems & Complaints	Overall Satisfaction	Trust	Choice	Price
Mean (SD)	72.6(1.6)	71.7(2.1)	97.2(1.2)	73.7(1.7)	71.7(1.9)	74.1(2.7)	47.2(2.8)
Franchise bakery	🟡 73.5	🟡 71.7	🟢 98.8	🟡 75.1	🟢 74.1	🟡 74.4	🔴 47.1
Domestic bottled water	🟢 75.3	🟢 75.6	🟢 98.7	🟢 75.8	🟡 72.9	🟢 77.5	🟢 51.7
Imported beer	🟡 72.6	🔴 70.9	🔴 97.0	🟡 75.0	🟡 71.9	🔴 73.1	🟡 47.9
Middle/High school uniform	🔴 69.5	🔴 68.4	🟡 98.4	🔴 70.3	🔴 69.4	🔴 68.4	🔴 42.2
Sports shoes	🟢 74.7	🟢 75.5	🔴 96.5	🟢 76.1	🟡 73.5	🟢 79.8	🔴 46.9
Furniture	🔴 72.5	🔴 70.6	🔴 97.0	🟡 73.9	🔴 70.8	🟡 74.5	🟡 47.8
Household cleaning product	🟡 74.1	🟢 74.1	🟡 97.4	🟡 74.1	🟡 72.7	🟡 76.1	🟢 50.1
Complementary nutrients	🟡 73.0	🔴 70.1	🟡 98.0	🔴 72.3	🟡 71.9	🟡 76.7	🟡 49.0
Contact lens	🔴 72.2	🔴 70.6	🟡 97.3	🔴 73.3	🟡 72.5	🔴 71.6	🟡 47.9
Secondhand automobile	🔴 71.5	🔴 69.5	🔴 96.3	🔴 70.9	🔴 68.7	🔴 74.0	🟡 49.2
Mobile phone	🔴 69.4	🔴 70.6	🔴 93.5	🔴 72.2	🔴 67.7	🔴 72.2	🔴 40.5
Computer	🟡 73.5	🟡 72.8	🔴 96.4	🟡 75.3	🟡 73.6	🟡 75.1	🟡 47.9
Camping gear	🔴 72.4	🔴 71.6	🟡 97.6	🔴 73.3	🟡 72.2	🔴 74.0	🔴 46.0
Pet supplies	🔴 71.2	🔴 70.0	🟡 97.6	🔴 72.8	🔴 69.8	🔴 70.5	🔴 46.6
Imported cosmetics	🟡 72.6	🟡 72.3	🟡 97.4	🟡 74.2	🟡 72.5	🟡 74.1	🔴 45.2
Meat	🟡 73.4	🟡 72.5	🟡 97.7	🟡 74.6	🟡 72.6	🟡 74.5	🟡 48.8

□ Out of total 19 services markets, 11 markets (57.9%) showed CMPI warning level (●red), 6 markets (31.6%) showed CMPI insufficient level(○yellow), and 2 markets (10.5%) showed CMPI sustained level(●green) (Please refer to 〈Table 3〉).

〈Table 3〉 Traffic Light Method : 19 services markets

Market Name	CMPI	Compara-bility	Consumer Problems & Complaints	Overall Satisfaction	Trust	Choice	Price
Mean (SD)	72.2(1.2)	70.5(3.0)	97.6(0.9)	72.9(1.5)	71.8(1.6)	74.0(3.1)	46.6(2.6)
House repair & interior	(R) 70.1	(R) 65.3	(R) 96.0	(R) 72.1	(R) 68.9	(R) 71.2	(Y) 46.7
Dental treatment	(R) 71.1	(R) 64.3	(Y) 98.2	(Y) 73.2	(Y) 72.5	(Y) 76.8	(R) 41.4
Gas service	(R) 72.0	(Y) 73.3	(Y) 98.3	(R) 71.5	(R) 70.1	(Y) 74.5	(R) 44.1
Domestic airline	(Y) 73.2	(Y) 73.1	(G) 98.6	(G) 75.3	(G) 75.2	(R) 70.7	(R) 46.2
Internet service	(R) 72.1	(Y) 70.9	(R) 96.9	(R) 72.6	(R) 71.0	(R) 71.9	(G) 49.6
Sports facilities	(Y) 73.4	(Y) 72.4	(Y) 97.8	(G) 74.5	(R) 71.3	(R) 73.8	(G) 50.5
Cable/IPTV broadcast	(R) 71.4	(R) 69.5	(R) 96.0	(R) 71.7	(R) 70.9	(R) 70.0	(G) 50.3
Study book for infants /primary schoolchildren	(Y) 72.8	(R) 70.1	(G) 98.6	(R) 72.1	(Y) 72.9	(R) 73.9	(G) 49.4
Franchise coffee shop	(G) 74.3	(G) 74.8	(Y) 98.4	(G) 75.3	(G) 73.5	(G) 80.9	(R) 43.0
Pension/Condominium	(Y) 73.4	(Y) 73.0	(R) 97.3	(G) 74.6	(Y) 72.3	(Y) 76.5	(R) 46.4
Hair shop	(G) 74.4	(G) 74.3	(Y) 98.4	(G) 74.9	(Y) 72.1	(G) 79.4	(Y) 47.1
Postnatal care center	(R) 70.9	(R) 69.4	(R) 96.3	(Y) 73.4	(Y) 72.5	(R) 70.5	(R) 43.0
Day care center /Nursery school /Kindergarten	(R) 71.6	(R) 68.7	(Y) 97.6	(R) 72.8	(Y) 72.6	(R) 72.1	(R) 46.0
Pension insurance	(R) 72.1	(R) 68.1	(Y) 98.4	(R) 70.8	(Y) 71.9	(Y) 75.5	(Y) 47.7
Funeral service	(R) 70.9	(R) 68.5	(Y) 98.1	(R) 70.1	(R) 69.5	(R) 71.0	(Y) 48.3
Dining-out service	(Y) 73.2	(G) 74.2	(Y) 97.7	(Y) 73.8	(G) 74.0	(Y) 74.4	(R) 44.9
Endowment life insurance	(Y) 72.5	(R) 68.3	(Y) 97.6	(R) 71.1	(Y) 72.2	(Y) 77.1	(Y) 48.6
Overseas tour package service	(R) 71.8	(Y) 70.6	(R) 97.3	(R) 72.1	(R) 70.4	(R) 72.8	(Y) 47.6
Telecommunication service	(R) 71.3	(Y) 72.0	(R) 96.6	(Y) 73.2	(R) 69.7	(R) 72.0	(R) 44.6

V. Implications

☐ This study is meaningful in that it has evaluated market performance from consumers' viewpoint, thereby generating basic data and suggesting major policy implications, which will contribute to the improvement of markets to be more consumer-oriented.

☐ First, 2014 Consumer Markets Performance Index(CMPI) is composed total 9 evaluation items (7 items that went through pilot implementation process in 2013 and 2 more items - price and choice), and its validity has been verified through consultation with experts.

☐ Second, the result of CMPD analysis using T-price data showed that the price variation coefficient among different regions is higher than that among different retail business types. Therefore, the consistent inspection(on the existence of price labeling system and business practice of retail business type) over the markets with price variation among different retail business types(ex. beef, pork, ice cream, bottled water, laundry detergent, bleach and baby lotion) needs to be performed.

☐ Third, the result of CMPI evaluation over 35 markets was 72.4 out of 100 points.

  ○ Among 16 goods markets, 7 markets(43.8%) were evaluated to have CMPI warning level with red light. Those markets include mobile phone market(69.4 points), middle/high school uniform market(69.5 points), pet supplies market(71.2 points), secondhand automobile market(71.5 points), contact lens market(72.2 points), camping gear market(72.4 points) and furniture market(72.5 points).

  ○ Among 19 services markets, 11 markets(57.9%) turned out to be red light markets with CMPI warning level, and they are house repair & interior market (70.1 points), postnatal care center market(70.9 points), funeral service

market(70.9 points), dental treatment market(71.1 points), telecommunication service market(71.3 points), cable/IPTV broadcast market(71.4 points), day care center/nursery school/kindergarten market(71.6 points), overseas tour package service market(71.8 points), gas service market(72.0 points), pension insurance market(72.1 points), and internet service market(72.1 points).

○ Among evaluation items, it seems that more improvement efforts need to be paid for comparability, overall satisfaction, and choice, which showed the highest proportion of red lights(warning level) in terms of consumer orientation.

○ According to analysis based on demographical characteristics, female(gender), Jeju island/North Kyoungsang Province(region), single(marital status), self-employed (occupation) and low income group(income level) showed the CMPI lower than the average score.

□ The result of this study has the characteristics of basic data that can estimate competition, efficiency, and consumer-orientation level of the markets, and, therefore, generation of one-time data is not very meaningful. Therefore, in 2015, the number of evaluated markets needs to be expanded from 35 markets in 2014, so that the result can be used as Korea's universal Consumer Markets Evaluation Index.

○ High-quality consumer database needs to be established, which allows us to evaluate and predict the change in consumer-orientation level of domestic markets through consistent data production and analysis for at least 3 years.

□ In the future, it is also necessary to conduct a more specific market study focusing on those markets evaluated as markets with consumer orientation warning level and insufficient level during this study period.

○ Those markets that require further study include mobile phone market, middle/high school uniform market, house repair & interior market, postnatal care center market, funeral service market, secondhand automobile market, and telecommunication service market.