Executive Summary

2017
Consumer Markets Evaluation Indicators in Korea

Korea Consumer Agency

Executive Summary

I. Study Purpose & Method

□ The purposes of this study, which is "The 3rd Korea's Consumer Markets Evaluation Indicators" has been pursued as a consistent task since 2015, are

(1) To improve that Consumer Markets Evaluation Indicators is not only to be policy direction data that can help estimating consumer-oriented level of markets, based on the consumers' experience from the markets, but also to be basic statistics that can make assessment of consumer-oriented of law and system.

(2) To build customized policy direction though produce and analysis on 2017 Consumer Markets Evaluation Indicators

(3) To analyze diversely of the demographic and market-clustering, to derive implication on comparison among markets, to provide basic data to related governments, agencies, and local governments that can build evidence-based policy.

□ To this end, lots of activities have been conducted firstly improvement on Korea Consumer Market Evaluation Indicators and analysis on consumer surveys. including analysis on the result of 2016 EU CMS.

II. Korea Consumer Markets Evaluation Index System Improvement Study

□ Current Korea Consumer Markets Evaluation Index System has a dual structure composed of Consumer Markets Performance Index(CMPI) as primary data and Consumer Markets Performance Data(CMPD) as secondary data, each of which has its own calculation method.

□ 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.

○ 2 selective evaluation items are switching and safety.

□ 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.

□ On 2015, EU conducted methodological revision to assure theoretical feasibility and appropriateness and produced the 7th revised Consumer Markets Scoreboard in 2016.

○ The biggest change of 2016 EU CMS is what they used weighted average based on evaluation items importance consumers surveyed.

□ 2016 EU Consumer Markets Scoreboard is composed of 5 main evaluation items (① Compatibility ② Trust ③ Expectation ④ Choice ⑤ Overall detriment) and 2 selective evaluation item (⑥ consumer complaints, ⑦ switching).

○ The five evaluation items is about directly market assessment based on consumers own experience in individual markets. They convert to comprehensive score as Markets Performance Index by weighted average based on evaluation items importance consumers surveyed.

□ The most challenging part of the current index is lack of usability for concrete policy design and establishing. In order to improve this part, it is necessary for Indicators that Structure of model should be reviewed.

○ For this, Consumer Markets Performance Data won't be existed in the Consumer Markets Evaluation Index model. It is also considered that the model needs secondary data to complement the demerits of primary data.

□ 2017 target-evaluation market will be chose when the market is applied to 3 and more of 5 principles such as ① representative ② persistence and continuity consistent ③ suitability ④ timeliness ⑤ usability.

□ The Current Consumer Markets Evaluation Indicators are Comprehensive evaluation items and selective evaluation items.

○ Comprehensive evaluation items :①Comparability ② Trust ③ Expected satisfaction ④ Consumer problem and complaints ⑤ Choice ⑥ Price

○ Selective evaluation items : ⑦ Switching ⑧ Safety

○ Consumer Market Performance Index, CMPI is equal-weighted overall average calculated by with the 6 comprehensive evaluation items which are also arithmetic average with each questionaries for evaluation items

□ It is too simple for questionaries to analysis on market structural problem.

○ Therefore, It is ▶ needs to segmentation and embodiment of the current questionaries for each evaluation items ▶ Strengthen of connectivity between Consumer Markets Evaluation Index and consumer orientation of law & institutional system. Through these improvements, Value and Function of Consumer Markets Evaluation Index will be increasing to improve policy formulation And assessment.

□ In addition, it is more appropriate that CMPI is adjusted to weighted average of evaluation items, based on consumer rated-importance of evaluation items.

III. 2017 Korea Consumer Markets Evaluation Indicators System

(1) Indicators Structure

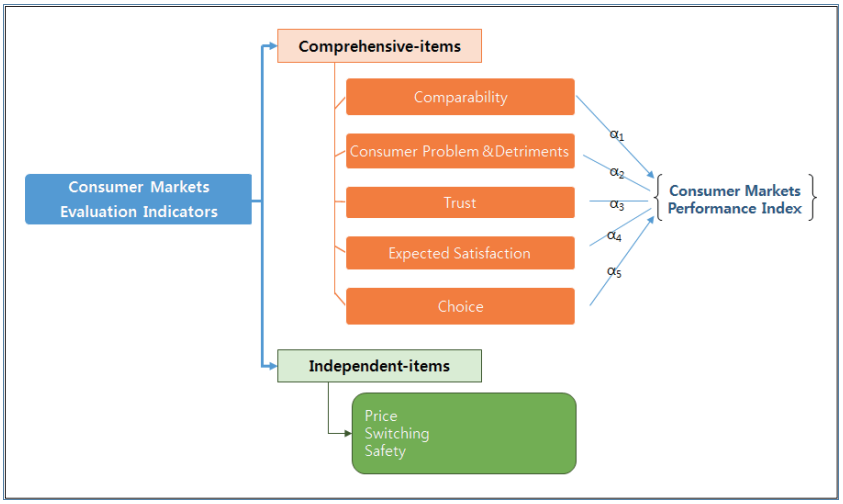
□ 2017 Consumer Markets Evaluation Index is composed to 5 comprehensive evaluation items and 3 independent evaluation items. Consumer Markets Performance Index is defined to weighted average of 5 Comprehensive evaluation items, based on consumer rated-importance of each evaluation items.

○ 2017 Consumer Markets Performance Index(KCMPI) formulation

- $KCMPI_{2017} = \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \alpha_4 X_4 + \alpha_5 X_5$

$(\alpha_n : weight\ (n = 1,2,...,5),\quad X_m : evaluation-ems(m = 1,2,...5))$

<Figure 1> 2017 Consumer Markets Evaluation Indicators Structure



(2) Evaluation Items

□ 2017 Consumer Markets Evaluation Indicators are composed to 5 comprehensive evaluation items for Consumer Markets Performance Index and 3 Independent evaluation items

○ Comprehensive evaluation items : ①Comparability ②Consumer Problem & Detriments ③ Expected Satisfaction ④Trust ⑤Choice

○ Independent evaluation items(not part of CMPI) : ⑥Price ⑦Switch ⑧Choice

<Table 1> Evaluation items and formulation

items		2017 Consumer Markets Evaluation items formulation
Comprehensive evaluation items	Comparability	• Arithmetic average of 2 Questionnaires(10 points Scale)
	Consumer Problem & Detriments	• Arithmetic average of 2 Questionnaires(10 points Scale) • Experience 및 Overall Detriments – Experience of Consumer Problem : 10 points Scale – Overall Detriments : to what extent have you encountered financial loss due to problems either with the product/service or the retailer/service provider (including the costs incurred trying to resolve the problem)?
		• Consumer complaints channel, Reason no to be filed complaints, complaint handling satisfaction(Supplementary data)*
	Expected Satisfaction	• 1 Questionnaires(10 points Scale) • Expectation of quality level & safety level (Supplementary data)*
	Trust	• Arithmetic average of 2 Questionnaires(10 points Scale) – Trust of retailers/providers – Trust of related law and institutional
	choice	• Arithmetic average of 2 Questionnaires(10 points Scale) – Diversity of products and services – Diversity of retailers/providers
Independent evaluation items	Price (no longer part of CMPI)	• 2 Arithmetic average of 2 Questionnaires(10 points Scale) – Satisfaction of purchasing price – Appropriateness of market price
	Switching	• Switching experience(Yes/No), easy to switching, switching possibility(10 points Scale)
	Safety	• Consumer Safety recognition(10 points scale) • Experience of consumer safety issues (Supplementary data)*

(3) Evaluated Markets

□ Targeted markets of 2017 Consumer Markets Evaluation Indicators are totally 47 markets, which are covered to 54.7% of 2016 Korea household consumption expenditure.

○ Goods : 20 markets(42.6.%)

○ Services : 27 markets(57.4%)

<Table 2> 2017 Evaluated Markets

Industrial Scope	Goods Markets	Services Markets
Food & Beverage	Bread, Cakes, Bakery	
	Meats	
	Complementary nutrients	
Clothes & Shoes	Clothes	Laundry service
	Footwear-running shoes	
Housing		House repair & interior
Home appliances & House keeping service	Furniture	
	Small home appliances	
	Large home appliances	
	Environmental home appliance- Air purifier	
	TV	
Medical care	OTC drug	General Hospital services
		Dental Clinic
Vehicle & Transportation	New Car	Vehicle maintenance and repair service
	Used Car	Gas service
		Taxi service
		Airline service
		Rental car service
ICT	Computer/Tablets	Mobile telephone service
	Mobile phone	Internet provision service
Culture & Leisure	Pets	Commercial sport service

Industrial Scope	Goods Markets	Services Markets
		Ski facility service
		Movie theater service
		Overseas tour package service
		Holiday accomodations - pension/condominium
Education		Tutorial service for schoolchildren
		Certification and license institutional service
		Internet educational service
Dining & Food		Franchise cafe
delivery		Dining-out service
Beauty & Health	Cosmetics	Personal care service - hair shop
Finance & Insurance		Life insurance
		Non-life insurance
		Investment advisory service
		funeral insurance service
Angel Industry	Toys & educational toys	
	Powered milk	
	Diaper	
Others		Rental Service
15 Industrial Scope	20 Goods Markets	27 Services Markets

IV. Analysis of 2017 Consumer Market Evaluation Indicators(CMPI)

(1) Analysis Method

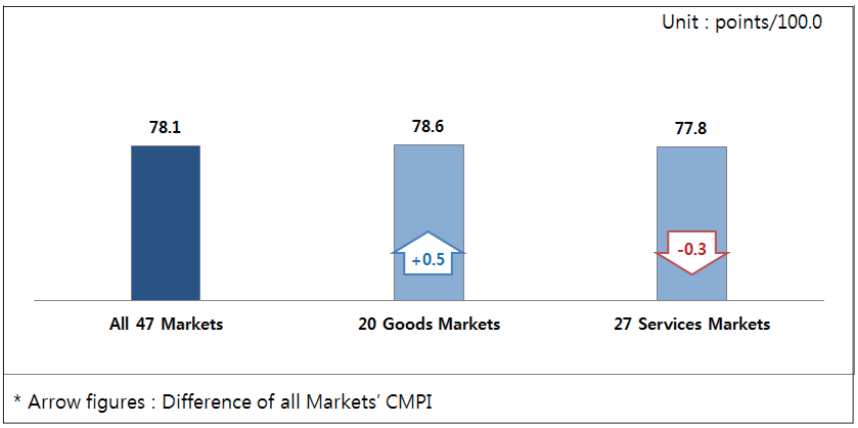
□ The survey was conducted for 1,000 consumers in each 47 markets (20 goods markets & 27 services markets) that were selected through step-by-step extraction process.

(2) Analysis Result

□ The result of evaluating CMPI of 47 markets showed average score of 78.1 out of 100.0, which is 1.4points higher than that of the 1st CMPI in 2014.

○ According to the result of evaluating Consumer Markets Performance Index(CMPI), CMPI of 20 goods markets is 78.6 points which is 0.5 points higher than CMPI of all 47 markets and CMPI of 27 services markets is 77.8 points which is 0.3 points lower than CMPI of all 47 markets.

<Figure 2> 2017 Consumer Markets Performance Index(CMPI)

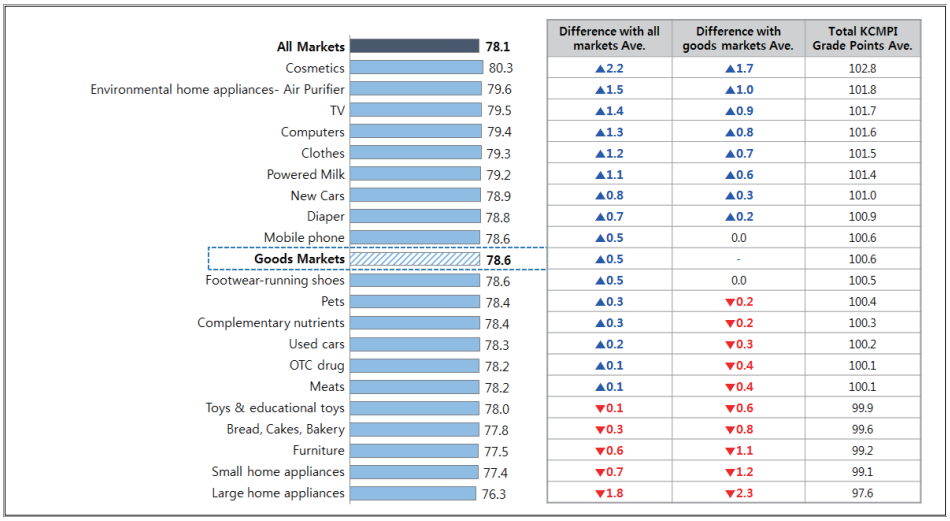


□ According to the result of evaluating Consumer Markets Performance Index(CMPI) for each 20 goods market, “cosmetics” showed the highest score of 80.3 points, 4.0 points higher than the Large Home appliance market which was the lowest scorer with 76.3 points.

☐ The most increased CMPI score goods market is "The mobile phone" as 78.6 points, 6.0 points increased on 2015, and the most decreased CMPI score goods market is "Large Home appliances" as 76.3 points, 2.0 points decreased on 2015

☐ "Large Home appliances" has been measured the lowest in Compatability(73.0 points), Expected satisfaction(72.7 points), and Trust(71.4 points), "Clothes" got the lowest in Consumer problem and detriment(97.2 points). Additionally, "Pets" got the lowest in choice(74.1 points).

<Figure 3> Consumer Markets Performance Index(CMPI) of each 20 goods market



	Difference with all markets Ave.	Difference with goods markets Ave.	Total KCMPI Grade Points Ave.
All Markets			
Cosmetics	▲2.2	▲1.7	102.8
Environmental home appliances- Air Purifier	▲1.5	▲1.0	101.8
TV	▲1.4	▲0.9	101.7
Computers	▲1.3	▲0.8	101.6
Clothes	▲1.2	▲0.7	101.5
Powered Milk	▲1.1	▲0.6	101.4
New Cars	▲0.8	▲0.3	101.0
Diaper	▲0.7	▲0.2	100.9
Mobile phone	▲0.5	0.0	100.6
Goods Markets	▲0.5	-	100.6
Footwear-running shoes	▲0.5	0.0	100.5
Pets	▲0.3	▼0.2	100.4
Complementary nutrients	▲0.3	▼0.2	100.3
Used cars	▲0.2	▼0.3	100.2
OTC drug	▲0.1	▼0.4	100.1
Meats	▲0.1	▼0.4	100.1
Toys & educational toys	▼0.1	▼0.6	99.9
Bread, Cakes, Bakery	▼0.3	▼0.8	99.6
Furniture	▼0.6	▼1.1	99.2
Small home appliances	▼0.7	▼1.2	99.1
Large home appliances	▼1.8	▼2.3	97.6

* Total CMPI Grade point Ave. =(Each market's CMPI/All Markets' CMPI) ×100

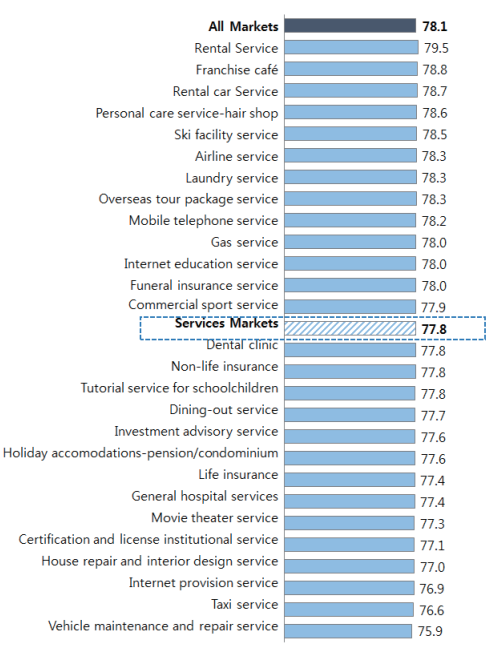
☐ Consumer Markets Performance Index(CMPI) measured for each 27 service markets was highest in Rental service with 79.5 points and lowest in Vehicle maintenance and repair service with 75.9 points.

☐ The most increased CMPI score services market is "The mobile phone service" as 78.2 points, 4.2 points increased on 2015, and the most decreased CMPI score services market is "Movie Theater service" as 77.3 points, 1.3 points decreased on 2015

☐ "Vehicle maintenance and repair service" has been measured the lowest in comparability(70.9

points), expected satisfaction(71.3 points), trust(70.8 points), and choice(73.3 points), "House repair and interior service" got the lowest in consumer problem and complaints(97.4 points).

〈Figure 4〉 Consumer Markets Performance Index(CMPI) of each 27 services markets



	Difference with all markets Ave.	Difference with goods markets Ave.	Total KCMPI Grade Points Ave.
All Markets			78.1
Rental Service	▲1.4	▲1.7	101.7
Franchise café	▲0.7	▲1.0	100.9
Rental car Service	▲0.6	▲0.9	100.8
Personal care service-hair shop	▲0.5	▲0.8	100.7
Ski facility service	▲0.4	▲0.7	100.5
Airline service	▲0.2	▲0.5	100.2
Laundry service	▲0.2	▲0.5	100.2
Overseas tour package service	▲0.2	▲0.5	100.2
Mobile telephone service	▲0.1	▲0.4	100.1
Gas service	▼0.1	▲0.2	99.9
Internet education service	▼0.1	▲0.2	99.9
Funeral insurance service	▼0.1	▲0.2	99.8
Commercial sport service	▼0.2	▲0.1	99.7
Services Markets	▼0.3	-	99.6
Dental clinic	▼0.3	0.0	99.6
Non-life insurance	▼0.3	0.0	99.6
Tutorial service for schoolchildren	▼0.3	0.0	99.6
Dining-out service	▼0.4	▼0.1	99.5
Investment advisory service	▼0.5	▼0.2	99.4
Holiday accomodations-pension/condominium	▼0.5	▼0.2	99.3
Life insurance	▼0.7	▼0.4	99.1
General hospital services	▼0.7	▼0.4	99.1
Movie theater service	▼0.8	▼0.5	98.9
Certification and license institutional service	▼1.0	▼0.7	98.7
House repair and interior design service	▼1.1	▼0.8	98.6
Internet provision service	▼1.2	▼0.9	98.4
Taxi service	▼1.5	▼1.2	98.0
Vehicle maintenance and repair service	▼2.2	▼1.9	97.1

* Total CMPI Grade point Ave. =(Each market's CMPI/All Markets' CMPI) ×100

□ "Traffic Light Method" is a tool for easily assessing the consumer orientation level in each markets 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−c
Yellow light(🟡): Markets with consumer orientation insufficient level, Criteria: b−c≦a≦b+c
Green light(🟢): Markets with consumer orientation sustained level, Criteria: a〉b+c

a: CMPI score of each individual market, or weighed average score of evaluation items in each individual markets
b: CMPI score of overall goods(services) markets, or weighed 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 20 goods markets, 3 markets (15.0%) showed CMPI warning level (🔴), another 15 markets (75.0%) showed CMPI insufficient level(🟡), and 2 markets (10.0%) showed CMPI sustained level(🟢) (Please refer to <Table 3>).

〈Table 3〉 Traffic Light Method : 20 goods markets

Markets	CMPI	Comparability	Consumer problem & complaints	Expected satisfaction	Trust	Choice
Mean (SD)	78.6(0.9)	74.9(1.0)	98.5(1.2)	74.3(0.9)	73.3(1.1)	76.4(0.7)
Breads, Cakes, Bakery	🟡77.8	🟡74.4	🔴98.7	🟢74.1	🟡72.7	🟡76.3
Meats	🟡78.2	🔴75.2	🔴98.8	🟢74.2	🟢73.1	🔴76.5
Complementary nutrients	🟡78.4	🟢74.7	🟡98.8	🟡74.1	🟡73.2	🟡76.0
Clothes	🟡79.3	🟡76.1	🟡97.2	🟢75.3	🟡73.4	🟢78.6
Footwear-running shoes	🟡78.6	🟢74.8	🟡98.3	🟡73.9	🟡72.7	🔴76.8
Furniture	🔴77.5	🟡73.8	🟡98.2	🟡73.8	🟡72.0	🟡75.5
Large home appliances	🔴76.3	🟡73.0	🔴97.6	🟡72.7	🟡71.4	🟡74.6
Small home appliances	🔴77.4	🟡73.6	🟡98.5	🟡73.6	🟡72.0	🟡75.1
Environmental home appliances-Air purifier	🟢79.6	🟡76.1	🟡97.8	🟡75.4	🟢75.0	🔴77.4
TV	🟡79.5	🟢75.6	🟡99.2	🟡75.3	🟡74.1	🟡76.7
OTC drugs	🟡78.2	🔴73.4	🟡98.8	🟡73.2	🟡72.7	🟢76.2
New cars	🟡78.9	🟡75.3	🟡98.8	🟡75.1	🟡73.8	🟡76.9
Used cars	🟡78.3	🟡74.4	🟡97.2	🔴73.9	🔴73.6	🟢75.5
Mobile phone	🟡78.6	🟡75.5	🟡98.5	🟡74.3	🟡72.8	🔴76.3
Computers	🟡79.4	🟡75.6	🟢98.5	🟡74.8	🟡73.9	🟡76.6
Pets	🟡78.4	🟢73.2	🟢98.6	🟡74.7	🔴73.2	🟡74.1
Cosmetics	🟢80.3	🟡77.1	🟡98.6	🟢76.3	🟡75.7	🟡79.3
Powdered Milk	🟡79.2	🔴76.2	🟡99.0	🟡74.5	🟢74.6	🟡76.8
Diapers	🟡78.8	🔴75.3	🟡98.9	🟡74.1	🟢74.0	🟡76.5
Toy and educational toys	🟡78.0	🔴74.2	🟡99.2	🟡73.2	🟡73.1	🟢75.5

□ Out of total 27 services markets, 3 markets (11.1%) showed CMPI warning level (🔴), 21 markets (77.8%) showed CMPI insufficient level(🟡), and 3 markets (11.1%) showed CMPI sustained level(🟢) (Please refer to <Table 4>).

<Table 4> Traffic Light Method : 27 services markets

Markets	CMPI	Comparability	Consumer problem & complaints	Expected satisfaction	Trust	Choice
Mean (SD)	**77.8(0.8)**	**73.8(0.9)**	**98.5(1.0)**	**73.6(1.2)**	**72.6(0.9)**	**75.1(0.9)**
Laundry service	78.3	75.0	98.4	75.0	73.4	75.7
House repair and interior	77.0	71.7	97.4	72.6	71.7	73.9
General hospital service	77.4	73.1	98.6	73.8	72.9	74.4
Dental clinic	77.8	73.0	98.4	74.0	73.0	75.1
Vehicle maintenance and repair service	75.9	70.9	97.5	71.3	70.8	73.3
Airline service	78.3	74.3	98.9	74.4	73.8	75.6
Taxi service	76.6	72.0	97.6	71.5	71.0	73.5
Rental car service	78.7	75.2	97.9	74.3	73.9	75.6
Gas service	78.0	74.6	99.0	73.7	72.7	75.4
Mobile telephone service	78.2	74.8	98.4	74.3	73.0	75.6
Internet provision service	76.9	73.1	98.0	73.1	71.2	74.2
Overseas package tour service	78.3	74.7	98.9	74.7	73.4	76.0
Holiday accomodations-pension, condominium	77.6	74.1	98.4	73.9	72.4	75.5
Movie theater service	77.3	73.8	99.4	73.9	72.2	73.4
Commercial sport service	77.9	73.4	98.4	74.0	72.8	74.1
Ski facility service	78.5	75.0	98.5	73.9	73.7	74.8
Tutorial service for schoolchildren	77.8	73.3	98.6	72.6	72.4	75.5
Certification and license institutional service	77.1	73.2	98.1	72.7	72.0	73.7
Internet educational service	78.0	73.5	99.1	73.2	73.4	74.9
Dining-out service	77.7	74.3	97.8	73.8	72.1	76.8
Franchise café	78.8	74.8	99.1	74.5	72.8	77.7
Life insurance	77.4	73.3	98.8	72.9	71.8	74.9
Non-life insurance	77.8	73.8	98.9	73.3	72.4	75.5
Investment advisory service.	77.6	73.5	98.9	72.6	72.8	74.5
Funeral insurance service	78.0	73.8	98.1	73.7	72.2	74.6
Personal care service-hair shop	78.6	74.6	98.7	74.6	73.0	77.2
Rental service	79.5	76.3	99.2	75.6	74.3	76.4

V. Implications

□ This study is meaningful in that it has evaluated market performance from consumers-perspective, thereby generating basic data and contributing to build evidence based policy.

○ Furthermore, it is improved that 2017 Consumer Markets Evaluation Indicators ultimately contribute to the improvement of markets to be more consumer-oriented, and its value and function is strengthened with perspective of evidence-based policy making .

□ First, 2017 Consumer Markets Performance Index(CMPI) is evaluated with total 8 evaluation items. for 47 markets which are embraced 54.7% of consumption markets in Korea. Based on 2017 CMPI, consumer oriented level of consumption markets has been evaluated and factors for improving consumer welfares were analyzed.

□ Second, the result of CMPI evaluation over 47 markets was 78.1 out of 100 points. 2014-2017 CMPI trends are increasing slightly, which means that consumer orientation of consumption markets is improving.

○ Among 20 goods markets, 3 markets(15.0%) were evaluated to have CMPI warning level with red light.

○ Among 27 services markets, 3 markets(11.1%) turned out to be red light markets with CMPI warning level.

□ 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.

□ Resulting from analyzing on 2014-2017 CMPI, when market evaluations on consumer orientation is decreasing, it should be analyzed in depth to find out what factors can make market improvement and what kind of policy demands in the market.

□ The ultimate goals of Consumer Markets Evaluation Indicators are to role as a consumer policy statistics and policy assessment critics.