

Executive Summary

2015 Consumer Markets Evaluation Indicators in Korea



Korea Consumer Agency

I. Study Purpose & Method

- ☐ The purpose of this study, which is "The 2nd Korea's Consumer Markets Evaluation Index" has been pursued as a consistent task since 2014, are
 - (1) The number of markets-Consumer Markets Performance Index(CMPI) evaluated-will be extended. Especially, recent issued consumer markets centered with the existed evaluated markets will be considered to include.
 - (2) What is the implication of CMPI estimating consumer-oriented level of market deducted by consumer survey?
 - (3) Compare and analyze with the 1s and 2nd CMPI data and policy implication based on CMPI & CMPD
- ☐ To this end, lots of activities have been conducted including analysis on the result of 2014 EU 10th CMS, analysis on T-price data and consumer surveys.

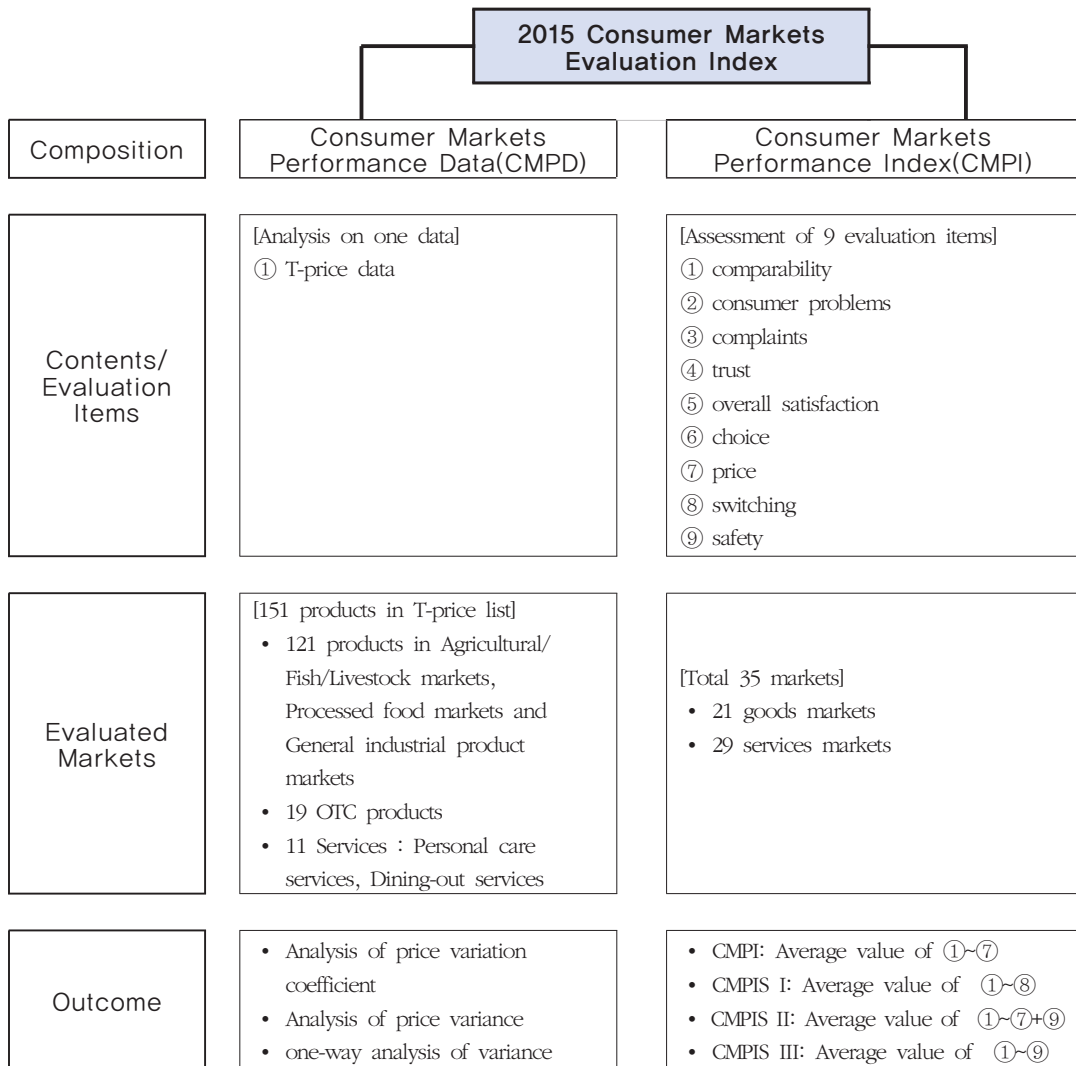
II. Korea's Consumer Markets Evaluation Index System

- ☐ Korea's Consumer Markets Evaluation Index System has a dual structure composed of Consumer Markets Performance Index(CMPI) as primary data and Consumer Markets Performance Data(CMPD) as secondary data, each of which has its own calculation method (Refer to <Picture 1> below).
- ☐ 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(or) safety

- ※ CMPIS **I** : average value of CMPI combining Switching
 CMPIS **II** : average value of CMPI combining Safety
 CMPIS **III** : average value of CMPI combining 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.



[Picture 1] 2015 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

| Classifications | | | Ea. |
|-----------------------|---------------------------------|---|-----|
| Necessaries (121) | Processed food(72) | Grain processed food | 17 |
| | | Cookies, Ice cakes | 10 |
| | | Dairy food and processed livestock product | 8 |
| | | Processed marine product | 5 |
| | | Seasoning, oil | 16 |
| | | Tea, Non-alcohol, Alcohol | 16 |
| | Agro and livestock products(10) | Livestock products, Eggs | 74 |
| | | Vegetables | 6 |
| | General manufactured goods(39) | Laundry wash detergent, Kitchen ware, Household goods | 15 |
| | | Clothes, Footwear | 2 |
| | | Sanitary aids | 2 |
| | | Personal care products | 20 |
| Dining-out | | | 9 |
| Personal care Service | | | 2 |
| OTC | | | 19 |
| Total | | | 151 |

〈Table 1〉 Products analyzed price of 2015 Korea's Consumer Markets Performance Data

(2) Analysis Result

- ☐ Resulting from analysing of price variation coefficient, price variance, average price difference of region/retail shop type, it was confirmed that the similar goods and items has large price variation or high price coefficient.
- ☐ 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).
- ☐ In case of necessary products, the type of retail shop causes to price variation and fluctuation. Therefore, price might be converged through forcing market competition with transparent price information disclosure, which also contributes to improve consumer welfares.

IV. Analysis of Consumer Market Performance Index (CMPI)

(1) Analysis Method

- ☐ The survey was conducted for 500 consumers in each 50 markets (21 goods markets & 29 services markets) that were selected through step-by-step extraction process.

〈Table 2〉 Evaluated Markets

| [Goods Markets] | | [Services Markets] | |
|---|----------------------------------|---|----------------------------------|
| Markets | Evaluation of Switching & Safety | Markets | Evaluation of Switching & Safety |
| Bread, Cakes, Bakery | Safety | House repair & interior | Switching, Safety |
| Consumption water | Safety | Dental treatment | Safety |
| Beer | Safety | Gas service | Safety |
| Middle/High school uniform | - | Airline service | Safety |
| Footwear-running shoes | Safety | Internet provision service | Switching |
| Furniture | Safety | Commercial sport service | Switching, Safety |
| Small household appliances | Safety | Cable/IPTV broadcast | Switching |
| Complementary nutrients | Safety | Tutorial service for infants/primary schoolchildren | - |
| Spectacle & lenses | Safety | Franchise cafe | Safety |
| Secondhand cars | Safety | Holiday accomodations - pension/condominium | Safety |
| Mobile phone | Switching, Safety | Personal care service - hair shop | Safety |
| Computers | Safety | Postnatal care center | Safety |
| Camping gear | Safety | Daycare center/Nursery school | Switching, Safety |
| Pets | - | Pension insurance | Switching |
| Cosmetics | Safety | Mutual aid service | Switching |
| Meats | Safety | Dining-out service | Safety |
| OTC | Safety | Life insurance | Switching |
| TV | Safety | Overseas tour package service | Switching, Safety |
| Large household appliances | Safety | Mobile telephone service | Switching |
| New cars | Safety | Credit card | - |
| Paper books | | Vehicle maintenance and repair service | Safety |
| Evaluation of Switching: total 14 markets Evaluation of Safety: total 32 markets | | Movie theater service | - |
| | | Vehicle insurance | Switching |
| | | Property insurance | Switching |
| | | Hospital funeral service | - |
| | | Mortgage | Switching |
| | | Real estate service | |
| | | Certification and license in private sector | - |
| | | Rental service | Safety |

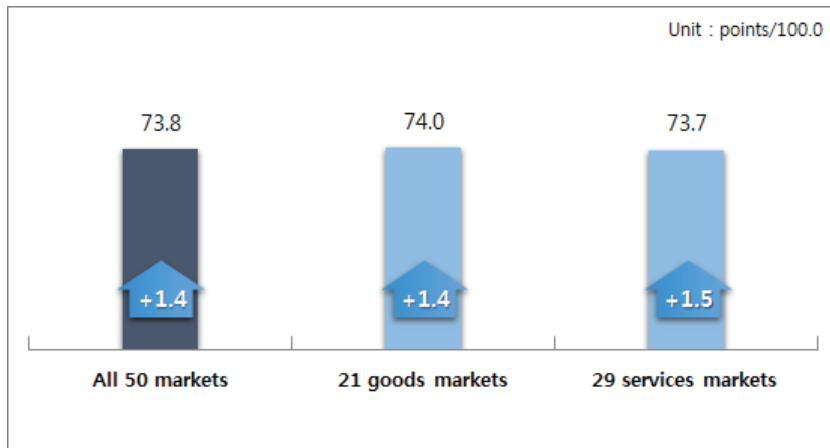
□ Assessment of 9 evaluation items

| | | CMPI | CMPIS I | CMPIS II | CMPIS III |
|----------------------------------|--|------|---------|----------|-----------|
| Comparability | • Average value of 1 question(10points Likert scale) | ✓ | ✓ | ✓ | ✓ |
| Consumer Problems and complaints | • Average value of 2 questions - problem experience : 0~5ppoints, Non-experience: 10 points - consumer complaints scheme : 0~5points | ✓ | ✓ | ✓ | ✓ |
| Overall satisfaction | • Average value of 1 question(10points Likert scale) | ✓ | ✓ | ✓ | ✓ |
| Trust | • Average value of 3 questions(10points Likert scale) | ✓ | ✓ | ✓ | ✓ |
| Choice | • Average value of 1 question(10points Likert scale) | ✓ | ✓ | ✓ | ✓ |
| Price | • Average value of 2 questions(10points Likert scale) | ✓ | ✓ | ✓ | ✓ |
| Switching | • Average value of 3 questions(10points Likert scale) | × | ✓ | × | ✓ |
| Safety | • Average value of 2 questions - Experience : 0 point, Non-experience : 10 points - safety perception : 10 points Likert scale | × | × | ✓ | ✓ |

〈Picture 2〉 Calculated Equation of Evaluation items

(2) Analysis Result

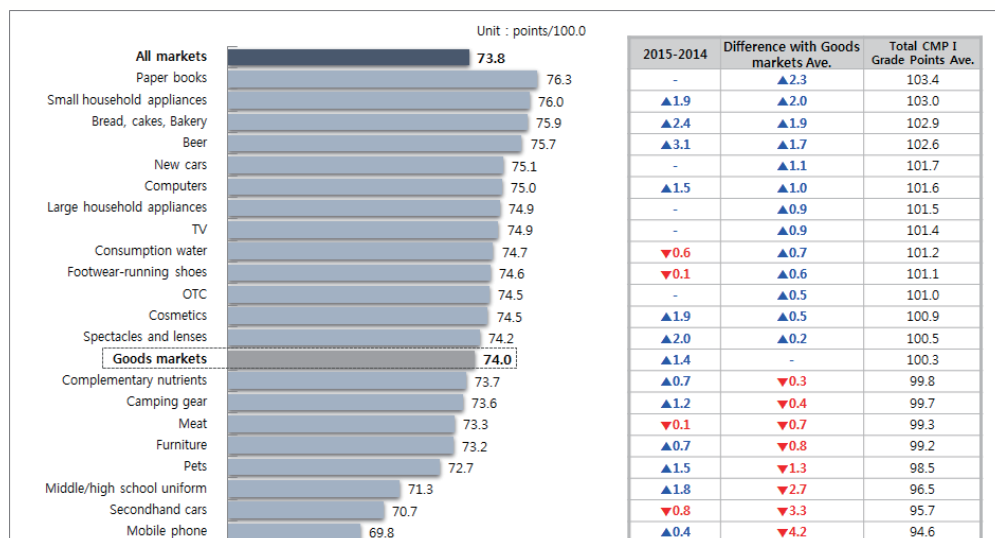
- The result of evaluating CMPI of 50 markets showed average score of 73.8 out of 100.0, which is 1.4points higher than that of the 1st CMPI in 2014.
- According to the result of evaluating Consumer Markets Performance Index(CMPI), CMPI of 21 goods market is 74.0 points which is 0.2 points higher than CMPI of all 50 markets and CMPI of 29 services market is 73.7 points which is 0.1 points lower than CMPI of all 50 markets.



* Arrow figures : Gap of 2014 CMPI

〈Picture 3〉 2015 Consumer Markets Performance Index(CMPI)

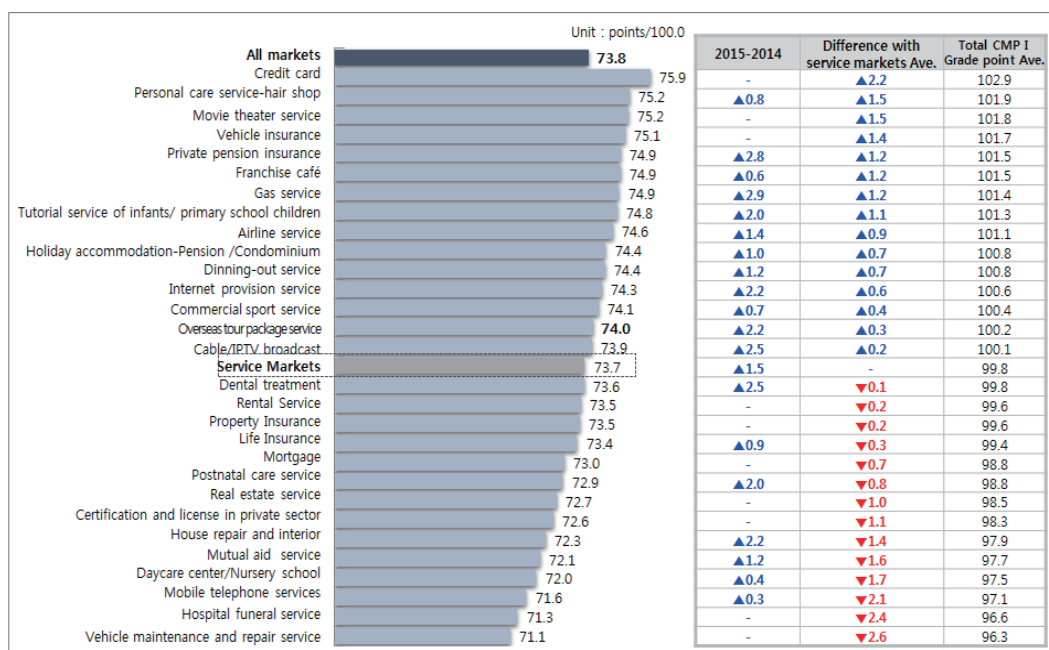
- ☐ According to the result of evaluating Consumer Markets Performance Index(CMPI) for each 21 goods market, "paper books" showed the highest score of 76.3 points, 6.5 points higher than the mobile phone market which was the lowest scorer with 69.8 points.
- ☐ The most increased CMPI score market is "Beer" as 75.7 points, 3.1 points increased year on year, and the most decreased CMPI score market is "Secondhand cars" as 70.7 points, 0.8 points decreased year on year.
- ☐ "Mobile phone" has been measured the lowest in consumer problem and complaints(93.8 points) and choice(67.7 points), "Secondhand cars" got the lowest in comparability(70.2 points), overall satisfaction(70.2 points) and even trust(67.3 points). Additionally, "middle/high school uniform" got the lowest in price(45.6 points).



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

〈Picture 4〉 Consumer Markets Performance Index(CMPI) of each 21 goods market

- ☐ Consumer Markets Performance Index(CMPI) measured for each 29 service market was highest in Credit card with 75.9 points and lowest in Vehicle maintenance and repair service with 71.1 points.
- ☐ The most increased CMPI score market is "Gas service" as 74.9 points, 2.9 points increased year on year.
- ☐ "Mutual aid services" has been measured the lowest in comparability(71.5 points), and "Vehicle maintenance and repair service" got the lowest in consumer problem and complaints(93.5 points). Additionally, "Hospital funeral service" got the lowest in overall satisfaction(71.5 points) and trust(69.3 points).
- "Mobile phone services" took the lowest in choice(68.5 points), and "Postnatal care center" took the lowest in price(45.8 points).



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

〈Picture 5〉 Consumer Markets Performance Index(CMPI) of each 29 services market

- ☐ Consumer Markets Performance Index(CMPI) of 50 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 nominal income level
- ☐ “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: $a < b - c$

Yellow light(●): Markets with consumer orientation insufficient level, Criteria: $b - c \leq a \leq b + c$

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 21 goods markets, 3 markets (14.3%) showed CMPI warning level (●), another 15 markets (71.4%) showed CMPI insufficient level(●), and 3 markets (14.3%) showed CMPI sustained level(●) (Please refer to <Table 3>).

<Table 3> Traffic Light Method : 21 goods markets

| Markets | CMPI | Comparability | Consumer problem & complaints | Overall satisfaction | Trust | Choice | Price |
|----------------------------|-----------|---------------|-------------------------------|----------------------|-----------|-----------|-----------|
| Mean (SD) | 74.0(1.7) | 74.8(2.0) | 97.7(1.2) | 75.6(2.2) | 73.3(2.5) | 73.9(2.5) | 48.9(1.6) |
| Bread, Cakes, Bakery | ● 75.9 | ● 77.2 | ● 98.3 | ● 77.5 | ● 75.9 | ● 76.2 | ● 50.4 |
| Consumption water | ● 74.7 | ● 75.0 | ● 98.2 | ● 76.4 | ● 73.6 | ● 73.4 | ● 51.6 |
| Beer | ● 75.7 | ● 77.1 | ● 97.6 | ● 77.0 | ● 75.7 | ● 76.0 | ● 51.0 |
| Meats | ● 73.3 | ● 73.8 | ● 96.7 | ● 74.2 | ● 72.5 | ● 71.3 | ● 51.1 |
| Middle/High school uniform | ● 71.3 | ● 73.3 | ● 98.4 | ● 72.1 | ● 70.4 | ● 67.7 | ● 45.6 |
| Footwear-running shoes | ● 74.6 | ● 76.6 | ● 98.0 | ● 76.5 | ● 74.3 | ● 74.0 | ● 48.2 |
| Furniture | ● 73.2 | ● 73.4 | ● 98.0 | ● 74.0 | ● 71.8 | ● 73.4 | ● 48.8 |
| Small household appliances | ● 76.0 | ● 77.2 | ● 98.3 | ● 77.7 | ● 75.6 | ● 76.5 | ● 50.8 |
| OTC | ● 74.5 | ● 73.6 | ● 98.8 | ● 76.3 | ● 74.3 | ● 73.7 | ● 50.5 |
| Spectacles and lenses | ● 74.2 | ● 74.0 | ● 98.3 | ● 75.0 | ● 73.7 | ● 75.2 | ● 48.9 |
| Cosmetics | ● 74.5 | ● 75.7 | ● 97.6 | ● 76.4 | ● 73.8 | ● 74.8 | ● 48.7 |
| Complementary nutrients | ● 73.7 | ● 73.8 | ● 98.5 | ● 74.4 | ● 72.3 | ● 75.0 | ● 48.1 |
| Mobile phone | ● 69.8 | ● 71.7 | ● 93.8 | ● 71.3 | ● 68.1 | ● 67.4 | ● 46.8 |
| Computers | ● 75.0 | ● 75.5 | ● 96.9 | ● 77.4 | ● 75.6 | ● 75.7 | ● 49.0 |
| Secondhand cars | ● 70.7 | ● 70.2 | ● 95.7 | ● 70.2 | ● 67.3 | ● 72.9 | ● 47.7 |
| Large household appliances | ● 74.9 | ● 76.1 | ● 98.4 | ● 77.2 | ● 74.5 | ● 74.5 | ● 48.8 |
| Camping gear | ● 73.6 | ● 74.9 | ● 97.3 | ● 75.4 | ● 72.4 | ● 74.0 | ● 47.5 |
| Pets | ● 72.7 | ● 72.2 | ● 98.0 | ● 75.2 | ● 71.2 | ● 72.8 | ● 47.0 |
| TV | ● 74.9 | ● 76.9 | ● 96.9 | ● 77.6 | ● 74.9 | ● 74.6 | ● 48.3 |
| New cars | ● 75.1 | ● 76.0 | ● 99.2 | ● 77.3 | ● 75.5 | ● 74.6 | ● 47.8 |
| Paper books | ● 76.3 | ● 77.2 | ● 98.5 | ● 77.8 | ● 76.1 | ● 77.8 | ● 50.4 |

- Out of total 29 services markets, 6 markets (20.7%) showed CMPI warning level (●), 19 markets (65.5%) showed CMPI insufficient level(●), and 4 markets (13.8%) showed CMPI sustained level(●) (Please refer to <Table 4>).

<Table 4> Traffic Light Method : 29 services markets

| Markets | CMPI | Comparability | Consumer Problem & Complaints | Overall satisfaction | Trust | Choice | Price |
|---|-----------|---------------|-------------------------------|----------------------|-----------|-----------|-----------|
| Mean (SD) | 73.7(1.3) | 74.3(1.9) | 97.8(1.1) | 74.4(1.5) | 72.8(1.7) | 74.0(2.7) | 48.7(1.2) |
| Vehicle maintenance and repair service | ● 71.1 | ● 71.6 | ● 93.5 | ● 72.1 | ● 70.4 | ● 70.2 | ● 48.6 |
| Gas service | ● 74.9 | ● 75.8 | ● 98.0 | ● 75.8 | ● 74.6 | ● 76.5 | ● 48.4 |
| Tutorial service for infants /primary school children | ● 74.8 | ● 75.9 | ● 97.8 | ● 75.0 | ● 74.4 | ● 75.9 | ● 49.8 |
| Certification and license in private sector | ● 72.6 | ● 71.6 | ● 98.1 | ● 72.7 | ● 72.4 | ● 71.3 | ● 49.5 |
| Mortgage | ● 73.0 | ● 72.5 | ● 98.3 | ● 72.8 | ● 72.2 | ● 72.9 | ● 49.0 |
| Credit card | ● 75.9 | ● 76.2 | ● 99.2 | ● 76.4 | ● 75.6 | ● 78.2 | ● 50.1 |
| Hospital funeral service | ● 71.3 | ● 71.6 | ● 98.2 | ● 71.5 | ● 69.3 | ● 70.9 | ● 46.7 |
| Postnatal care service | ● 72.9 | ● 73.9 | ● 96.9 | ● 74.7 | ● 73.4 | ● 72.8 | ● 45.8 |
| Daycare center/Nursery school | ● 72.0 | ● 71.5 | ● 96.6 | ● 72.5 | ● 70.5 | ● 71.9 | ● 48.9 |
| Holiday accommodations-pension/condominium | ● 74.4 | ● 76.0 | ● 97.1 | ● 75.3 | ● 73.3 | ● 77.3 | ● 47.4 |
| Overseas tour package service | ● 74.0 | ● 74.7 | ● 98.3 | ● 74.4 | ● 73.2 | ● 73.4 | ● 49.7 |
| Commercial sport service | ● 74.1 | ● 75.3 | ● 97.6 | ● 75.3 | ● 73.6 | ● 73.0 | ● 50.1 |
| Personal care service-hair shop | ● 75.2 | ● 76.9 | ● 98.0 | ● 75.4 | ● 73.4 | ● 79.2 | ● 48.5 |
| Property insurance | ● 73.5 | ● 74.0 | ● 98.9 | ● 74.3 | ● 72.8 | ● 71.0 | ● 49.9 |
| Vehicle insurance | ● 75.1 | ● 75.6 | ● 98.6 | ● 76.5 | ● 75.0 | ● 75.0 | ● 49.6 |
| Pension insurance | ● 74.9 | ● 75.1 | ● 99.0 | ● 75.5 | ● 75.0 | ● 75.6 | ● 49.3 |
| Life insurance | ● 73.4 | ● 73.6 | ● 98.2 | ● 75.0 | ● 72.9 | ● 71.1 | ● 49.7 |
| Mutual aid service | ● 72.1 | ● 71.5 | ● 97.6 | ● 73.1 | ● 70.1 | ● 71.0 | ● 49.4 |
| Airline service | ● 74.6 | ● 75.2 | ● 99.0 | ● 76.4 | ● 75.1 | ● 73.4 | ● 48.8 |
| Franchise café | ● 74.9 | ● 76.7 | ● 98.6 | ● 75.5 | ● 72.8 | ● 78.5 | ● 47.4 |
| Dining-out service | ● 74.4 | ● 76.5 | ● 97.3 | ● 74.8 | ● 73.1 | ● 76.6 | ● 48.0 |
| Dental treatment | ● 73.6 | ● 74.2 | ● 97.5 | ● 74.1 | ● 72.4 | ● 76.7 | ● 47.0 |
| Cable/IPTV broadcast | ● 73.9 | ● 74.3 | ● 97.6 | ● 74.2 | ● 72.9 | ● 74.6 | ● 49.9 |
| Mobile telephone services | ● 71.6 | ● 72.6 | ● 96.8 | ● 73.0 | ● 70.1 | ● 68.5 | ● 48.8 |
| Internet provision service | ● 74.3 | ● 74.8 | ● 98.4 | ● 75.0 | ● 73.1 | ● 74.5 | ● 49.7 |
| Real estate service | ● 72.7 | ● 73.3 | ● 96.8 | ● 72.0 | ● 71.0 | ● 75.8 | ● 47.2 |
| House repair and interior | ● 72.3 | ● 71.7 | ● 96.4 | ● 73.5 | ● 70.6 | ● 73.8 | ● 47.8 |
| Rental service | ● 73.5 | ● 74.0 | ● 97.9 | ● 74.8 | ● 73.4 | ● 71.3 | ● 49.8 |
| Movie theater service | ● 75.2 | ● 77.6 | ● 99.0 | ● 76.7 | ● 74.4 | ● 75.0 | ● 48.4 |

V. Implications

- This study is meaningful in that it has evaluated market performance from consumers' viewpoint, thereby generating basic data and contributing to build major policy systematically and scientifically, which will ultimately contribute to the improvement of markets to be more consumer-oriented.
- First, 2015 Consumer Markets Performance Index(CMPI) is evaluated with total 9 evaluation items, for 50 markets which are embraced 60% of consumption markets in Korea. Based on 2015 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 50 markets was 73.8 out of 100 points.
 - Among 21 goods markets, 3 markets (14.3%) were evaluated to have CMPI warning level with red light. Those markets include mobile phone market (69.8 points), secondhand cars (70.7 points), middle/high school uniform market (71.3 points).
 - Among 29 services markets, 6 markets(20.7%) turned out to be red light markets with CMPI warning level, and they are Vehicle maintenance & repair service (71.1 points), 'Hospital funeral service (71.3 points), Mobile telephone service(71.6 points), 'Daycare center/Nursery school(72.0 points), Mutual aid service(72.1 points), 'house repair & interior (72.3 points).
 - Among evaluation items, it seems that more improvement efforts need to be paid for overall satisfaction, trust, choice, and price which showed the highest proportion of red lights(warning level) in terms of consumer orientation.

- ☐ 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.
- ☐ Based on the 2015 CMPI analysis such as portfolio analysis and traffic light method, in-depth market studies and research are needed with secondary data, for instance, 1372 data, consumer complaints and redress data, CISS(Consumer Injury Surveillance system) data.
- ☐ Resulting from comparing with 2015 and 2014 CMPI, it is hard that such the market evaluations could make instantly change market structure or observe the policy effects. Despite of it, 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 10 years.