



## **Supply chains: the supermarket**

### *The Korean hypermarket*

#### **Commentary:**

To see how familiar a western consumer would find shopping in Korea we followed Agnes Ro on a trip to Home plus's Yung Dung Po store. In Korea it's natural to find ginseng prominently on display. Freshly made tofu is also an in store attraction. Rice is a staple part of the diet and in Korea you can have it milled as you choose on the spot. And any combination you like of these 37 grains and seeds can be mixed and ground into your own choice of health drink powder.

#### **Christine Cross, Non-food Sourcing Director, Tesco:**

One of the things that we've expanded around the world that is held very dear is the fact that customers in different markets are very different, markets operate in very different ways, both financially and culturally, and that local product and local product trends are very important for customers. There are some markets where almost a cookie cutter approach does work, and you can say alright, we want the same product across everywhere but even there the examples that people tend to give whether it's McDonald's or Coca Cola, or whatever, they're not quite as cookie cutter as you think when you look beneath the surface, you know McDonald's have different product formulations and different service formats in each country, Coke has a different formulation in each country of the world. And I think for us it's about taking the learnings from those local teams is very important to understand the marketplace.

#### **Commentary:**

Seafood is a major component of the healthy Korean diet, emphasising that freshness is vital for the retailer as well as the customer.

#### **Do, Sung-Hwan, Chief Operating Officer, Samsung Tesco:**

Many Korean women are not working; they are staying at home to support their husband and the children. Most of the children and husbands like to have a meal for the dinner at home, so our meal style is to cook the fresh food, boiled and make soup using vegetables. The customer visits the store once or twice a week to buy the fresh food, that's why we think that fresh food, freshness is so important to Korea. Some competitors felt that they didn't know the lifestyle of Korean people.

#### **Commentary:**

With a lifestyle that values freshness and a thriving local market structure Samsung Tesco deliberately echo the style of market trading in their stores, but how successful is this competition?

#### **Do, Sung-Hwan, Chief Operating Officer, Samsung Tesco:**

The traditional market compared to this kind of hypermarket they cannot decrease the price because we have instant merit, and also they have the hygienic problem. They do not sell cold device food so the people that come notice that it's not hygienic.

#### **Commentary:**

There are many more staff on the floor in Korea than in the UK, and twice a day those staff step out from behind the counter. Not everything in Home plus is unfamiliar to the European but there's one more uniquely Korean item that's central to their cuisine. Kimchi is a range of fermented and spiced cold dishes in several flavours. It's served with every Korean meal including breakfast, and it needs to be kept at a precise cool temperature to ensure correct fermentation. That leads us to discover more about the Samsung Tesco hypermarket concept. This is a multi-storey shop. On another floor, together with the other hard lines, as well as US style freezers they're selling refrigerators, specially designed for kimchi. To have

a choice of brands as you have here is actually one of the biggest revolutions that retailing has brought to Korea.

**Do, Sung-Hwan, Chief Operating Officer, Samsung Tesco:**

In Korea the electric goods supply chain has been established by the manufacturer so one manufacturer had their own distribution channels, so the customer, when the customer visited a shop they can just see one brand, but if the customer is at our store they can see all kinds of a brand in our store, so it is very beneficial to the customer, I think.

**Commentary:**

Even in the hard lines section there are still differences. Rabbits aren't normal stock keeping units in a UK Tesco. But Home plus is much more than a grocery retailer. As well as providing a crèche for the harassed shopper to entertain their offspring, and a basement cultural centre with an internet café, adult education classes and regular story-telling groups, there's a value creation centre where customers are encouraged to drop in, sample products under development, and give their detailed opinion.

**Do, Sung-Hwan, Chief Operating Officer, Samsung Tesco:**

I think the objective of the supply chain is to improve service level for at least the cost to create the value for customer, to honour their lifetime loyalty. This is the core purpose of the Tesco rule. I think it can play an important role to achieve our core purpose.