

Establishment on Guidelines for Prohibiting TV Home Shopping

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Abstract

Background/Objectives: Manufacturers wanting to sell via TV home shopping providers face competition, but such providers are monopolistic with few channels and broadcasting hours. This article proposes countermeasures to prevent unfair trade.

Methods/Statistical analysis: Study has determined that TV home shopping is prohibited under the Broadcasting Act and to propose guidelines to apply to the policy. We assessed the perceptions of providers and vendors through focus group interviews and conducted a Delphi survey TV home shopping professionals and lawyers to identify legal prohibitions. The survey was conducted on 18 people including TV home shopping operators and TV home shopping suppliers (suppliers, vendors, manufacturers). Prohibition of broadcasting production costs, pre-production video, sales commission, transaction method, and profit sharing. Based on the results, we propose guidelines for the prohibition of TV home shopping.

Findings: The proposed guidelines are reviewed focusing on the constitutional requirements to be established such as those for broadcasting and broadcasting, and those for the establishment of unfair trade practices. The proposed guideline consists of detailed items for fair trade activities in Article 12, including Chapter 1 General Rules and Chapter 2 Prohibited Behavior Details.

Improvements/Applications: In the future, based on the results of the analysis, this study will be a good basis for an improvement plan for creating a fair competitive environment in the TV home shopping market in Korea. In addition, I hope that the guidelines will be used as a basis for creating new value through cooperation between home shopping companies and suppliers.

Keywords: TV home shopping, Unfair Trade Prohibited act, Guidelines, FGI, Delphi.

Article History

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1. Introduction

TV home shopping companies are channel service providers that use the broadcasting platform, as a distribution company that receives commodities and distributes them to consumers, the practice is demanding to both the credibility and expertise of broadcasting for consumers.

There are many manufacturers who want to supply products to TV home shopping providers. However, TV home shopping vendors have a competitive market structure and such companies have a monopolistic market structure with a limited number of channels and broadcasting hours.

As a result, unfair market practices continue to exist between TV home shopping companies and vendors. In this study, the details of the prohibition act in broadcasting law were studied in order to identify specific regulatory and unfair trade prohibition system and problems.

Article 85 (2) 7 of the Broadcasting Act stipulates that "a broadcasting channel operator who specializes in introducing and selling goods shall unfairly determine the date, time, amount, cancellation or alteration".

[http://www.law.go.kr/LSW/lsInfoP.do?lsiSeq=202688&efYd=20180914#J85:2\[1\]](http://www.law.go.kr/LSW/lsInfoP.do?lsiSeq=202688&efYd=20180914#J85:2[1])

Therefore, this study sought to suggest a guideline for the prohibition of TV home shopping market.

2. Materials and Methods

2.1. TV home shopping's specificity and transaction structure

The characteristics of the TV home shopping market are comprised of the combination of the broadcasting area and the distribution area [2], and the relationship with TV home shopping provider and the TV home shopping vendor [3]. TV home shopping broadcasting is the most effective

distribution channel that can sell a large amount of goods in a short time, and it can provide distribution channels to many unspecified small and medium enterprises.[4][5][Figure 1]

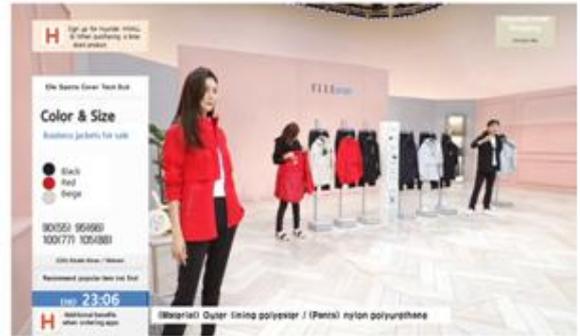


Figure 1. TV home shopping

The TV home shopping market is described as a monopoly structure because 6,091 manufacturers who can raise the sales of 3-4 billion won for one to two hours of broadcasting are trying to enter the broadcasting arena of 17 channels licensed by the broadcasting law [6]. Particularly, there is a special characteristic of the transaction structure that is connected to broadcast programming when the entry and the broadcasting are committed, because the sales are generated after being transmitted to the TV.[7][Figure 2]

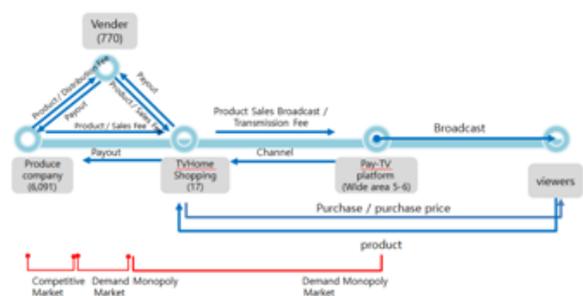


Figure 2. TV home shopping product sales process

Because of this market structure, vendors, with a relatively weaker market position, are challenging harmful trading practices. [8] TV home shopping companies are complaining about the strict regulations of

regulatory agencies such as the Korean Communications Commission (KCC) and the Ministry of Information and Communication. [9][10]

2.2.Focus Group Interview Research

This study conducted seven interviews with seven TV home shopping companies on July 12, 2018. Interviews with the business group consisted of seven TV home shopping companies and a total of 10 people involved in associations. The interviewees were working for the External Cooperation Team and Legal Support Team. On July 18, 2018, the vendor conducted a group interview for six hours with six people, and two people

conducted one-on-one interviews. Eight people including product manufacturers, vendors, and TV home shopping product suppliers' associates responded to the interview. As shown in this table 1, two FGIs were conducted for seven TV home shopping companies from July to September 2018, with a total of 10 FGIs. We interviewed eight people, including those from the Merchandise Suppliers Association. The main contents were whether operators are actually complying with the types of prohibitions proposed by the law in the TV home shopping market, what are the problems, and how to improve them

Table 1: Research Procedure and Contents

division	Survey overview	Investigation contents
Subject	<ul style="list-style-type: none"> - TV home shopping company (8 TV home shopping team, 1 legal ad team, 1 TV home shopping business association) - TV home shopping vendor (4 manufacturers and 2 vendors), TV home shopping product supplier association 2 <p>: 18 people in total</p>	- Fairness of the market behavior that the company recognizes
		- The definition of market prohibition
		- The scope (term)
		- Market prohibition act - transaction method
		- Market prohibition act - Unjust cancellation of broadcasting organization
		- Market prohibition act - prohibition of forced commission
		- Market prohibition act - prohibition of illegal transfer of commodity sales broadcasting production cost
		- Market prohibition act - Cost of producing pre-production video
- Market Prohibition Act - Archiving		
Survey period	July 2018	

2.3.Delphi Research

The second survey conducted an expert Delphi survey to derive items to include in

the guideline. The Delphi survey items are based on the results of FGI survey, and the perception of the fair trade by the business

operators (degree and specificity of fairness of market behavior, legitimacy and differentiation of regulations), types of

prohibited acts and , items , Direct sales transaction method), and so on.

Table 2: Results of Delphi survey

Subject		Investigation contents		
Subject	<First> 6 TV shopping researchers, 4 lawyers, 2 related institutions, 1 home shopping company, 1 vendor	Term	Definition of TV home shopping organization	- As a concept of "subject to broadcast programming" - In addition to three types of behavior (date, time, volume) - Proposal applying broadcasting concept of broadcasting
		Definition	Definition of provider	- Definition of definition of TV home shopping provider - Define definition of TV home shopping vendor
			Definition of usage fee	- Scope and Criteria of Dictionary Production
	<Second> 5 TV home shopping researchers, 3 lawyers, 2 related institutions, 1 home shopping company, 1 vendor : 14 people in total	contract	Broadcast Condition Agreement	- As one of the details, precisely specify the subject to be charged for the production costs of dictionary production - Specify the contents of the contract
		Dictionary picture Production cost	Liable subject	- For the direct sales product, specify the subject that the TV home shopping vendor pays for the cost of the dictionary video production
				- Proposal to discuss or decide on the method of cost burden according to the copyright subject in case of dictionary production
Survey period	August-September 2018			

3. Results and Discussion

3.1. TV home shopping issue

As a result, the main issues raised between

TV home shopping providers and TV home shopping vendors were basic contracts, broadcasting condition agreements, and fees. The transactions

between the TV home shopping provider and the TV home shopping vendor generally proceed in the order of the product proposal of the vendor → evaluation of the product and the quality → contract signing → broadcast delivery. At this time, the vendor entering the TV home shopping arena establishes a basic

contract regarding whether not to trade first, concludes a broadcast condition agreement for each broadcast program, and then commences merchandise sales on the broadcasting network. The intent is to generate a large volume of sales commissions.

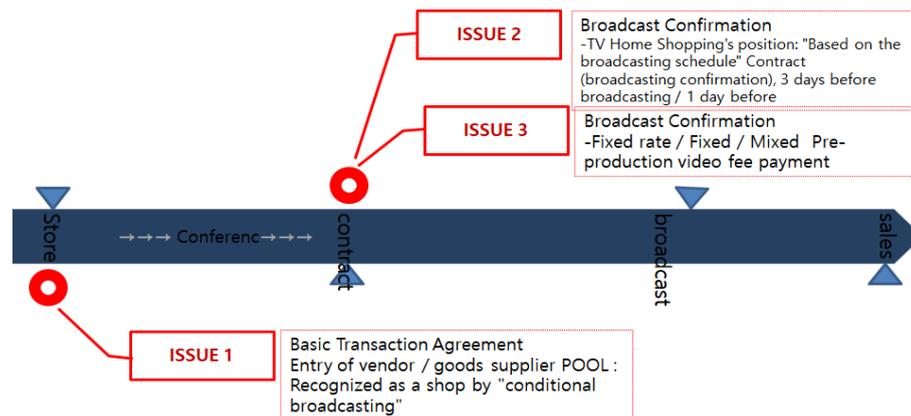


Figure 3. Issues between operators raised during the transaction process

3.2. FGI and Delphi results

A number of insights were gained through the FGI and Delphi surveys as follows. First, TV home shopping companies perceived conditions to be fairer now than in the past. On the other hand, TV home shopping vendors perceived TV home shopping companies to have more control of the market than they did in the past, which they see as causing unfair market conditions and being unable to actively respond to the economic weakness of TV home shopping vendors. Second, the definition and scope of the market ban act were set. Broadcasting law stipulated broadly the whole process of broadcasting from TV-home shopping provider's negotiation process (broadcasting schedule) to TV home shopping vendors, while the TV home shopping provider defined TV home shopping vendors and broadcasting Three days ago, when he concluded a contract called 'Broadcast Condition Agreement', he recognized it as 'Broadcasting'. The TV home shopping vendors were somewhat dissatisfied with the application of the programming in the

meaning of the consultation, but they accepted the agreement on the broadcast condition agreement three days before the broadcast.

Third, among the issues related to the distribution of profits, the most stakeholder-related issues were subsided. The price is related to the type of goods that are supplied, and the production of pre-production is related to the subject of the product. In other words, a flat fee is applied to intangible goods, and the burden of producing preliminary videos depends on the ownership of the goods. As shown in this table 3, TV home shopping operators and suppliers have different opinions on TV home shopping regulation policy and market environment. In terms of fairness to the market, there were conflicting opinions that it was fair and not fair. In terms of revenue sharing, TV home shopping vendors suggested that the flat rate and mixed distribution method was unfair, and also burdened the cost of pre-production video production. Expressed different opinions about the subject.

Table 3: Visual differences between TV home shopping providers and vendors as FGI

division		TV home shopping provider	TV Home Shopping Vendors	
Marketfairness	Fairness recognition	- Fairness	- Unfair	
Definitions and Scope of market Prohibition	Broadcasting organization	- Viewpoint of consultation	- Wide viewpoint Hope	
	OrganizedDecision point	- Viewpoint of consultation	- Wide viewpoint Hope	
	Types and Items of Prohibited Acts	Fixed rate	- Required	- Unnecessary
		dictionary video water	- Vendors pay TV home shopping when they consign. Willing to pay the use fee.	- Recognizing that it is not mandatory, but necessary.
		Buy Direct	- It is the domain of private transactions, the way of coexistence sharing burden.	- There is a need to clarify the subject of burden.
Transaction method	Definition and scope	- It is necessary to elaborate the terminology that is an issue.	- It is necessary to elaborate the terminology that is an issue.	

3.3.Delphi Results

Table 4 contains the results of the Delphi survey by experts on the fairness of the market, the definition of market prohibition, its scope, transaction method, and profit distribution.

The opinions of the 14 members, TV home shopping market researchers and lawyers on the TV home shopping market structure, regulatory bodies and basic principles and on the draft Guideline for Prohibition of TV Home Shopping, were obtained via Delphi survey.

Table 4: Delphi Results

Categories		1st Survey Results & Problems			2st Survey Results & Problems		
		Number of respondents(%)			Number of respondents(%)		
		Rank 1	Rank 2	Rank 3	Rank 1	Rank 2	Rank 3
Market fairness	Fairness	8(57.1)	3(21.4)	3(21.4)	9(64.3)	3(21.4)	2(14.3)
Types and Items of Prohibited Acts	Broadcasting organization	8(57.1)	3(21.4)	3(31.4)	10(71.4)	2(14.3)	2(14.3)
	Organized Decision point	3(21.4)	9(64.3)	2(14.3)	4(28.6)	1(7.1)	9(64.3)
	Fixed rate	2(14.3)	11(78.6)	1(7.1)	5(35.7)	2(14.3)	7(50.0)
	dictionary videowater	1(7.1)	2(14.3)	11(78.6)	9(64.3)	2(14.3)	3(21.4)
	Buy Direct	11(78.6)	1(7.1)	2(14.3)	11(78.6)	1(7.1)	2(14.3)
Transaction method	Definition and scope	2(14.3)	7(50.0)	5(35.7)	2(14.3)	5(35.7)	7(50.0)
Revenue allocation	Fixed rate	6(42.9)	2(14.3)	6(42.9)	2(14.3)	2(14.3)	10(71.4)
	Mixed distribution	1(7.1)	1(7.1)	10(71.4)	5(35.7)	3(21.4)	6(42.9)

3.4. Proposal for Guidelines on Prohibition of TV Home Shopping

The guideline was reviewed focusing on the constitutional requirements such as requirements to be established for broadcasting and broadcasting and the requirements for the establishment of unfair trade practices. The guideline proposed by the researchers consists of the proposed guidelines detailed items for fair trade activities in Article 12, both in

Chapter 1 General Rules and Chapter 2 Details of Prohibited Acts. In particular, it proposed a way to achieve standards compliant with the prohibited acts specified in the Broadcast Act, because it is based on the legality of the recommendation of administrative guidelines. As shown in this table 5, the contents of the guidelines proposed to create a fair trade order and win-win environment are for prohibited activities.

In detail, Article 7 (Prohibition of Unfair Cancellation or Modification of Broadcasting Scheme), TV Home Shopping Service Provider shall unfairly determine, cancel or cancel the type, content, quantity, date, time, arrangement and production cost of product sales broadcasting to TV Home Shopping vendors or It is said that no action should be taken. Article 8 (prohibition of imposition of a flat fee), Article 9 (prohibition of unreasonable transfer of the cost of producing and selling commercial goods), and Article 10 (cost of producing

pre-production video) shall be provided by the TV home shopping service provider and the TV home shopping supplier in the broadcast condition agreement. The contents of the program are agreed upon and agreed. Article 11 (composition of the TV Home Shopping Win-Win Cooperation Council) and Article 12 (observance of related laws, etc.) are contents that allow TV home shopping operators to exchange opinions through the Win-Win Council and comply with the law.

Table 5:TV home shopping prohibition guidelines summary

article	
Chapter 1: General Provisions	Article 1 (Purpose)
	Article 2 (Term)
	Article 3 (Transactions between Home Shopping Broadcasters and Vendors)
	Article 4 (Distribution of Revenues between Home Shopping Broadcasters and Vendors)
	Article 5 (Basic Principles)
	Article 6 (Unlawful Judging Criteria)
Chapter 2 Details of the Prohibited Act	Article 7 (Unjust Cancellation of Broadcasting Schedule)
	Article 8 (Prohibition of Forced Commitment)
	Article 9 (Prohibition of illegal transfer of production sales broadcasting production cost)
	Article 10 (Cost of making pre-production video)
	Article 11 (Composition of Win-Win Partnership for TV Home Shopping)
	Article 12 (Compliance with related laws, etc.)

4. Conclusion

TV home shopping operators should be able to produce and transmit broadcasting programs as well as to supply goods. Product supply capability is required in terms of distribution, while the production and transmission for transmitting broadcast contents corresponds to the operating capability required as a broadcasting company. The TV home shopping market is a two-sided market. Therefore, it is necessary to consider the market situation and the guidelines for the regulation of the market behavior and the characteristics of the market behavior between the TV home shopping provider and the TV home shopping provider, the platform provider and the TV home shopping provider.

In this study, we examined the issues related to the prohibition in the TV home shopping market such as broadcasting programming, transmission fee, sales commission, production cost of broadcasting of commodity and cost of pre production. A video by using FGI and the Delphi methodology. Based on the results of the analysis, we proposed a guideline to improve the fair competition environment in Korea TV shopping market.

The guideline was based on definitions of terms, basic principles, and specific criteria for prohibited acts.

In the future, we hope that the guidelines will be used as a basis for creating new value through cooperation between home shopping companies and suppliers.

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