

SOUTH KOREA: MARKET STUDY



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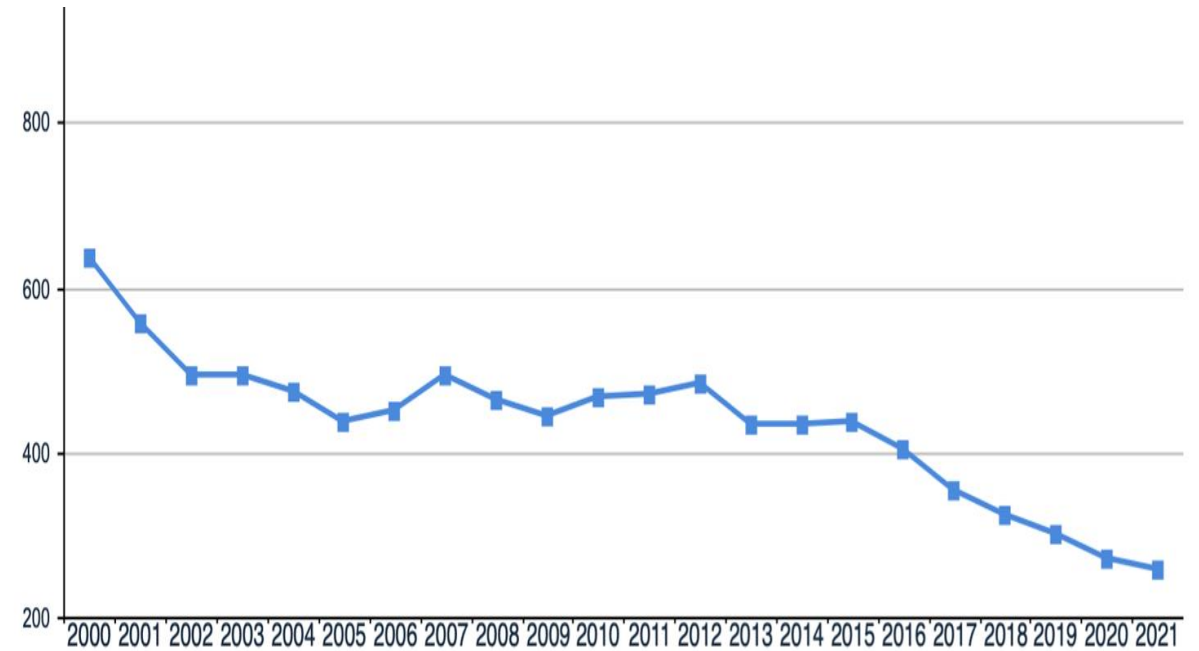
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COUNTRY PROFILE



- Area : 100.370 Km²
- Population: 52 million
- Average Age: 43,7 years
- Decreasing number of children
- GBP per Capita (2021): \$47.770 PPA



Number of births in South Korea from 2000 to 2021 (in 1000s)

- Korea's national currency is the won (1 won=0,00073€)
- Korea maintains diplomatic relations with 170 countries



TRENDS IN THE SECTORS

Toy Market

- Educational toys are the most popular (example: science, robotics).
- Annual growth rate of toys market: 4,4% (2015/2020).
- Tendency for parents to buy quality toys even at a higher price.
- Importance of Kidult.
- Trending in popular characters (example: Squid Game, Funko Pops).
Pororo the Little Penguin = one of the most successful licensed characters.

Apparel Market

- Importance of high quality, fashion and aesthetically pleasing.
- Concern about appearance.



TREND IN THE SECTORS

Book, Furniture & Linens Market

- Children's books are known for their high quality. Illustrations and designs are often very elaborate and appealing to children.
- Important market for books published in English (not only Korean).
- 13% of people surveyed read every day/most of the days (2017).
- Furniture made of high quality materials (example: solid Wood, plywood, resistant plastic).

Food Market

- Importance of healthy, organic and nutritious products.
- Baby food is an important segment of the children's food market.

CONSUMER BEHAVIOUR AND MARKETING

- Preference for locally made: value quality and cultural significance.
- Close attention to safety.
- Consumers place a high value on the aesthetic appealing.

Regarding MARKETING:

- The impact of advertising is greater on TV than on other media. There is a rising demand for replica of cartoon characters shown on TV shows.
- Growth of online shopping: in the last 12 months, 60% consumers bought toys online.
- Consumers are very brand conscious and easily influenced by what their favourite artists recommend.

IMPORT POTENTIAL

- Almost 70% of Korea's toys are imported from other countries.
- China is Korea's largest merchandise trade partner: it is Korea's largest provider in the toy industry and is Korea's second largest general provider after the US.
- Korean production ends up being exported, and its main destinations are the US , China and Japan.
- **Perception of European products:** superior quality due to several factors:
 - The design is often very careful, with great attention to detail and aesthetics.
 - High quality materials.
 - Association with prestigious brands.
 - Appeal ultimately depends on their relevance on the Korean market.

IMPORTS AND EXPORTS: Volumes and trends

Imports

- **Toys Market:**
 - (Tariff code 95/ 9503/ 9504) 2.975.931\$ in 2021 with principal exporter China and Japan
- **Apparel Market:**
 - (Tariff code 61/ 62) 1,5 billions \$ with principal exporter Vietnam and China
- **Food market:**
 - (Tariff code 19/ 21) 943.259.000\$ with principal exporter China and USA
- **Book market:**
 - (Tariff code 49) 317.902.000\$ with principal exporter China and USA

Exports

- **Toys market:**
 - 0,3% of the world export
- **Apparel Market:**
 - 0,5% of the world export
- **Food market:**
 - 2,9% of the world Export
- **Book Market:**
 - 1,1% of the world export

DISTRIBUTION CHANNELS



Online channels

- E-commerce websites (example: Coupang).
- Social commerce platforms (example: Ticket Monster).

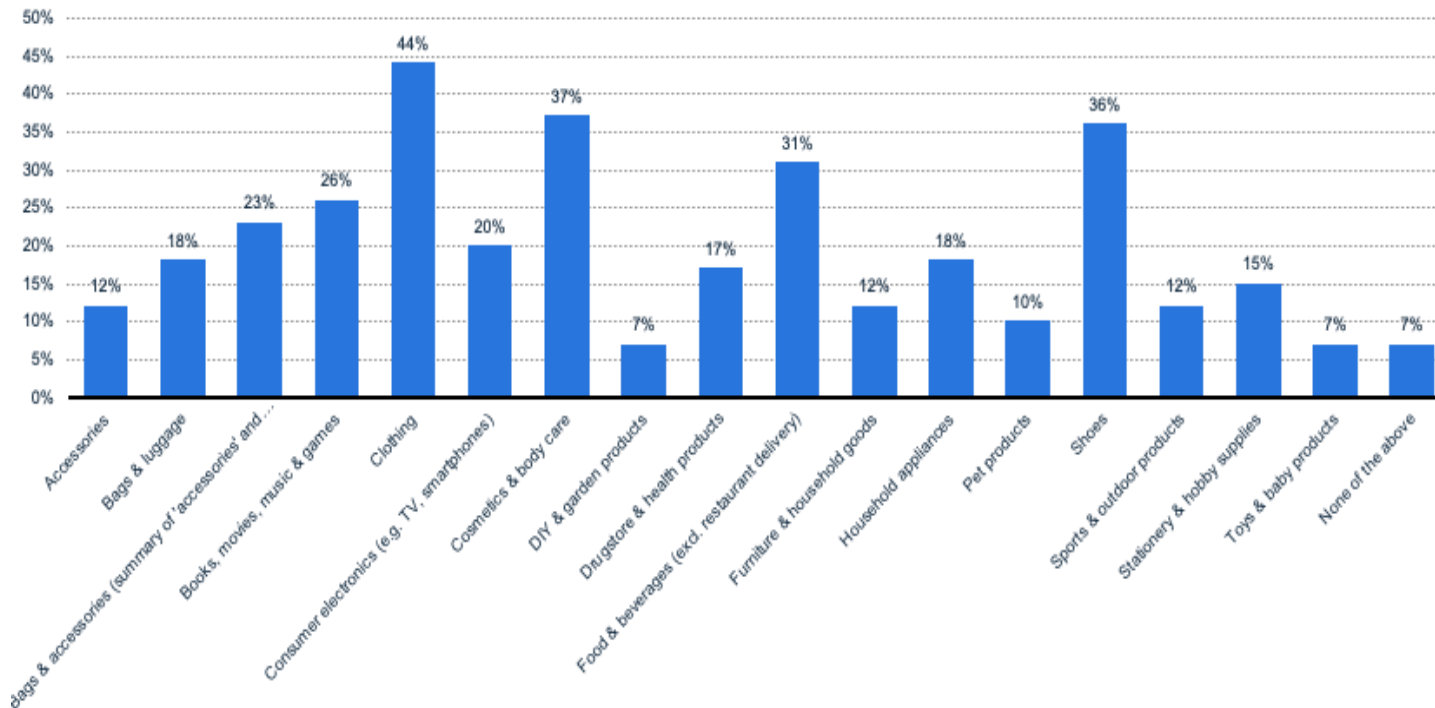
Offline channels

- Department stores (example: Lotte).
- Toy specialty stores (example: Toy-R-Us).
- Supermarkets (example: E-Mart).
- Convenience stores (limited)

Advisable to use a local partner, normally through licensing or franchising

E-COMMERCE

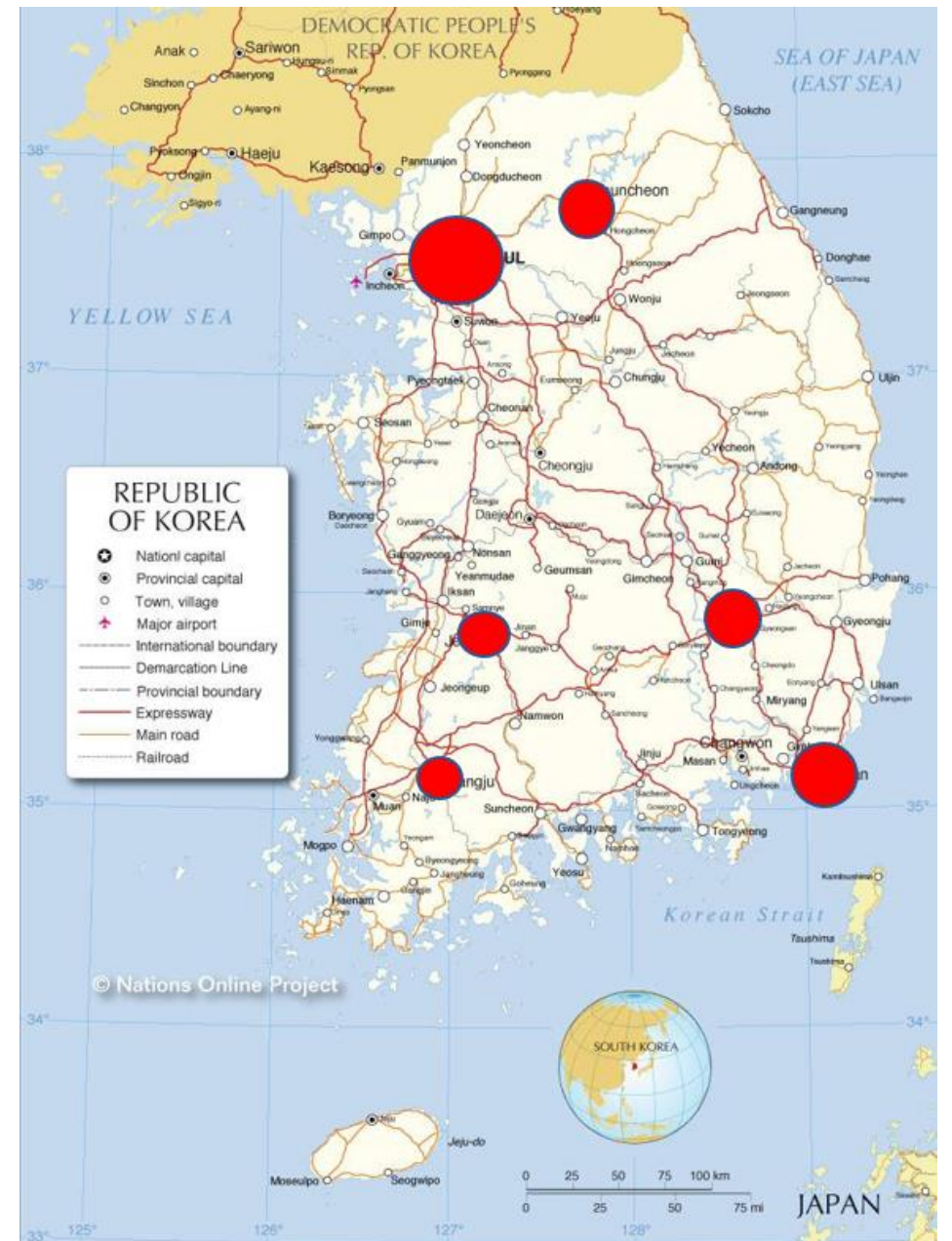
- Some sectors are very present online, such as clothing and cosmetics, with 44% and 37% respectively. Fashion is the leading category in this type of retailing.
- Biggest player: Coupang.
- Online shopping expected to rise to 40,5% by 2025.
- The percentage of consumers using Internet has increased from 2014 (78.8%) to 2021 (92%).



The chart shows what were the online (in comparison to offline) purchases made in 2022, per category

BEST LOCATIONS FOR MARKETING

- The majority of the population lives in the capital Seoul or its metropolitan area (about half of the population).
- Busan (3,5 million inhabitants).
- Incheon (2,9 million).
- Daegu (2,4 million).
- Daejeon (1,45 million).
- Gwangju (1,4 million).
- Ulsan (1,1 million).



COMMERCIAL OBSTACLES

Some obstacles for foreign companies include:

- Intellectual property protection: South Korea has strong intellectual property laws.
- Cultural barriers: and a preference for the locally made in certain sectors.
- Certification requirements for certain products: products need to be certified by local authorities. Objective: ensure they meet quality and safety standards.
- Language: foreign products may need to have labels and instruction in Korean.

CIRCULAR ECONOMY

- In South Korea, the government has been actively promoting the Circular Economy as part of its green growth strategy.
- In the toys sector, the government has been encouraging the use of eco-friendly materials and the development of sustainable products.
- In the clothing sector, the government has been promoting sustainable fashion and circular economy practices.
- Many companies in South Korea are using the circular economy such as: Samsung, Electronics, Rubato, DearLoa .

SUSTAINABILITY

- Growing demand for sustainable products in South Korea.
- Over 70% of South Korean consumers consider environmental and social impact when making purchasing decisions.
- 60% of consumers are willing to pay more for sustainable products.
- Consumers who purchased eco-friendly products increased from 35,5% in 2016 to 44,9% in 2019. In the same period, the proportion of companies that adopted eco-friendly practices also increased, from 33,6% to 44,9%.
- Government also takes part in the initiative. Example: 2030 Green New Deal.
- Recycling rate of plastic toys: 58,2% (2018) and reuse rate for clothing: 20% (2018).

GENDER

- Toys are being designed to be played with by children of all genders, without distinction. For example: toys made by the Company Toyking Co, Ltd. Or Wonderlab.
- In general, Korean outfits are simple and with neutral colors. In any case, unisex fashion is a trend in the country. Example: Nike launched a gender-fluid store in Hongdae.
- Gender inclusive fashion is popular, carried out by celebrities such as BTS.
- Government is also taking action: in 2019 the Ministry of Gender Equality and Family launched a campaign to promote gender-neutral toys.

SDG

- The government has been actively working to achieve the SDGs: national indicators, established an implementation plan and number of initiatives, voluntary national reviews and they are being integrated in sectorial action plans.
- Major challenge (example: gender equality or climate action), significant challenge (example: responsible consumption) and a slight challenge (example: industry, innovation and infrastructure).



DIGITISATION

- One of the most advanced countries in terms of business digitalisation: about 90% of Korean companies are digitised.
- Digital toys are becoming increasingly popular among consumers, leading to an increase in demand for products such as video games, children's tablets, and interactive robots.
- Some Korean companies which have incorporated digitisation are Robobloq (instructive robotics kits), Yoto (interactive audio players), Ditto (apps that let children use smartphones to interact with their toys...



Ditto talking robot

MAIN ASPECTS TO ENTER THE MARKET

<p>STRENGTHS</p> <ul style="list-style-type: none">-Highly educated and skilled workforce with strong work ethic.-Advanced technology and infrastructure-Strategic location in Northeast Asia-Well-established and highly developed logistics and transportation networks-Strong government support for business	<p>WEAKNESSES</p> <ul style="list-style-type: none">-High cost of living and doing business-Strict regulations and bureaucracy-Limited natural resources and dependence on imports for many key industries-<u>Aging</u> population and low birth rate could lead to <u>labor</u> shortages in the future-The environment can be complicated to understand for foreigners
<p>OPPORTUNITIES</p> <ul style="list-style-type: none">-Increasing interest in Korean culture and products in global markets-Growing emphasis on sustainability and eco-friendliness, creating opportunities for companies in these areas-Potential for increased cooperation and trade with <u>neighboring</u> countries, including China, Japan...-Strong government emphasis on innovation and research and development, with generous funding for startups and small businesses	<p>THREATS</p> <ul style="list-style-type: none">-Political and economic tensions with North Korea, which could impact business and investment confidence in the region-Intense competition from other countries such as China and Japan-Vulnerability to natural disasters-Risk of a trade war or protectionist policies from other countries, which could negatively impact South Korean exports

MAIN ASPECTS TO ENTER THE MARKET

1. Understanding the market.
2. Regulatory compliance.
3. Cultural differences.
4. Networking.
5. Technological infrastructure.
6. Localization.
7. Partnering with local companies.



Thank you!



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Lifestyle & Design Cluster.

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