Export to Korea
Acknowledgements

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Mekong Institute
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   In practice, an L/C works like this

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   The four Incoterms® 2020 rules for Sea and Inland Waterway Transport are:

   Incoterms Clarify Responsibilities of Parties to a Sales Transaction

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Introduction
The Export to Korea Study has been conducted as part of a project “Market Access Through E-commerce Promotion for Women-led SMEs”. Supported by the Korea International Cooperation Agency (KOICA), the project aims to increase employment opportunities and income through the development and expansion of exports by women-led enterprises by enhancing quality, quantity, and relevance of business development services as provided by trade promotion organizations and enhanced capacities of women-led SMEs to identify and integrate into the global markets for their products through utilizing e-commerce platforms.

Since the start of the pandemic, supply chain disruptions and low consumer demand have severely affected small businesses, particularly those integrated into global value chains. These have resulted to a halt in traditional economic activities and a rise in unemployment. Despite these challenges, opportunities have opened with the widespread practice of e-commerce in the Mekong region. Recognizing its significance to national economies, governments have intensified efforts to assist small businesses to better adapt to digital technologies. These include initiating investments in strengthening digital platforms and looking more closely on how to widen their access to new markets and identify new supply sources and markets for goods and services.

In support of this, MI has been delivering holistic capacity building investments and strategic policy support to Cambodia, P.R. China, Lao PDT, Myanmar, Thailand and Vietnam to address the demand for new types of business skills and facilities. Commensurate with its related activities MI has embarked on a partnership with the KOICA to deliver gender-responsive measures in strengthening women entrepreneurs’ entry and participation in the competitive global market. The aim of Export to Korea Study Report is to identify potential markets for selected products of women-led SMEs from Cambodia, Lao, Myanmar and Vietnam (CLMV) and develop market access for women-led SMEs strategies in the post pandemic era through e-commerce promotion based on key informants’ interviews and secondary sources.

Technical Approach and Methodology of the Study Report
Market Entry Study was conducted in the following manner:
1. Relevant quantitative and qualitative data and information was analysed.
2. A desk review was conducted of existing literature, and initiatives in Republic of Korea and the Mekong countries to promote exports of women-led enterprises and SMEs through e-commerce platforms from the Mekong countries to the global market or to the Republic of Korea.
3. Online key informant interviews (KIIs) of stakeholders in Republic of Korea was organised to obtain their perspective on essential strategies to be adopted for entering the Korean market.
4. Analysis of the data and information obtained through the desk review and online KIIs.
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Outputs
1. A study report.
2. Training curriculum on access to the Korean market.
3. Delivery of training sessions on access to the Korean market in November 2020.

Expected Outcomes from the Study Report
1. Improved export market information for women-led SMEs.
2. Enhanced capacities of women-led SMEs to expand their businesses through e-commerce.
3. Expanded market access for products of women-led SMEs.
4. Better quality of services of trade promotion agencies.
Export to Korea: Study Report

1. Market Overview

PROFILE
Population (as of May 2020): 51.27 million
Capital: Seoul
Government: Democratic Republic

ECONOMY

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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<td>1,624</td>
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<td>GDP Growth (% change) *</td>
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<td>Average Consumer Prices (% change)</td>
<td>1.9</td>
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<tr>
<td>Unemployment (% of labor force)</td>
<td>3.7</td>
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Source: *OECD/Bank of Korea

TRADE

<table>
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<th>Foreign Merchandise Trade ($ billions)</th>
<th>2017</th>
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<th>2019</th>
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<tr>
<td>Exports to World from ROK</td>
<td>542.23</td>
<td>604.86</td>
<td>573.69</td>
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<tr>
<td>Imports from World to ROK</td>
<td>503.34</td>
<td>535.20</td>
<td>478.48</td>
</tr>
</tbody>
</table>

Source: *bea.gov

BUSINESS AND ECONOMIC FREEDOM RANKINGS

World Bank Ease of Doing Business Ranking 2020: 5 of 190
Heritage/WSJ 2020 Index of Economic Freedom Ranking: 25 of 180
WEF World Competitiveness Ranking 2019: 13 of 141

Source: to US government

The economic importance of Seoul cannot be overstated; however, there are several other important urban centres that exporters should be aware of, including:

- Busan (officially Busan Metropolitan City). The largest port city in the country and site of the annual Busan International Seafood & Fisheries Expo.
- Incheon (officially Incheon Metropolitan City). The third largest urban area in Korea and a key transport hub with a large seaport and airport. Incheon’s goal is to transform three of its districts (Songdo, Yeongjong and Cheongna) into the logistics, leisure & tourism and international business hubs of Northeast Asia.
- Osong Bio-Technopolis. South Korea’s first bio cluster located 170km south of Seoul.
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- Ulsan. Located in the south-east of the country and home to South Korea’s large shipbuilding cluster and the world’s largest automobile assembly plant.

According to Korea Development Institute, the value of the Korean won, in terms of the real effective exchange rate, will decline by about four percent in 2020 and change little into 2021. Exports and imports will see huge initial downward pressure due to COVID-19, followed by a gradual upward trend led by increased goods exports in the second half of 2020.

Inflation is expected to remain low due to shrinking economic activity and falling oil prices. Despite the sharp economic contraction, the unemployment rate is expected to edge only slightly upward to 3.9 percent in 202 from 3.8 percent in 2019 due to the drastic fall in the labor force participation rate. In response to disruptions by COVID, the ROK Government announced a third rescue package in mid-April meant to protect businesses from failing. In all, the ROK Government has spent or announced plans to spend 135 trillion Korean won ($110 billion USD) in its COVID economic rescue effort, or around seven percent of GDP.

Korea’s Gross Domestic Product (GDP) in 2019 was $1.64 trillion, ranking 12th in the world and third in East Asia (IMF estimates). As Korea’s long-established strength in the steel and petrochemical industries has begun to wane in recent years, the country’s leaders are looking to more technology-intensive industries to drive growth. Such industries include healthcare (medical devices, pharmaceuticals, and biotechnology), industrial chemicals, information technology (IT) components, semi-conductor manufacturing, aerospace and defense, energy, environmental technology, transportation (including reviving the shipbuilding industry).

Korea’s market experienced a dramatic decline beginning with the first reported COVID-19 case on January 20, 2020, The Korea Small Business Federation reported that 97.6 percent of small businesses in Korea saw sales drop starting in mid-January due mainly to reduced consumer foot traffic and weaker sales. Indeed, the Korea Ministry of Land, Infrastructure, and Transport (MLIT) reported that public transportation usage in the country declined 51 percent for express buses, 56 percent for railroad trains, and 15 percent for highway traffic between February 21-24 compared to the same period last year.

Conversely, SSG.com, a leading on-line grocery store, reported that its grocery food sales grew 98 percent January 20 through February 20. Market Curly, a top fresh food on-line retailer, reported that its daily sales of food products almost doubled in February as consumers opted for home-delivery orders.

2. ASEAN – Korean Free Trade Agreement

The ASEAN Free Trade Area (AFTA) is a trade agreement by the Association of Southeast Asian Nations supporting local trade and manufacturing in all ASEAN countries, and facilitating economic integration with regional and international allies. It stands as one of the largest and most important free trade areas (FTA) in the world, and together with its network of dialogue partners, drove some of the world’s largest multilateral forums and blocs, including Asia-Pacific Economic Cooperation, East
Asia Summit and Regional Comprehensive Economic Partnership. The AFTA agreement was signed on 28 January 1992 in Singapore. When the AFTA agreement was originally signed, ASEAN had six members, Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand. Vietnam joined in 1995, Laos and Myanmar in 1997 and Cambodia in 1999. AFTA now comprises the ten countries of ASEAN. All the four latecomers were required to sign the AFTA agreement to join ASEAN, but were given longer time frames in which to meet AFTA’s tariff reduction obligations. The primary goals of AFTA seek to:

- Increase ASEAN’s competitive edge as a production base in the world market through the elimination, within ASEAN, of tariffs and non-tariff barriers; and
- Attract more foreign direct investment to ASEAN.

The primary mechanism for achieving such goals is the Common Effective Preferential Tariff scheme, which established a phased schedule in 1992 with the goal to increase the region’s competitive advantage as a production base geared for the world market.

Steps to determine if an exporter can benefit from the FTA

1. Check with the importer in a country you are interested in and HS code of your product.
2. After obtaining the HS product code, verify the MFN rate for the duty. A product with 0% duty will not benefit from the ASEAN-Korea FTA.
3. If there is an MFN duty rate, then refer to this link: http://www.aktfa.asean.org to check and verify the following:
   - Annex 1: Modality for Tariff Reduction and Elimination for Tariff Lines placed in the Normal Track
   - Annex 2: Modality for Tariff Reduction/Elimination for Tariff Lines placed in the Sensitive and Highly Sensitive Lists
4. The applied preferential tariff rate depends on the MFN rate and the year of exportation. To qualify for the FTA preferential rate, make sure that the product satisfies and complies with origin criteria provided for in the Rules of Origin (ROO).
5. Comply with the documentation procedures for all products of origin.

Source: Singapore FTA Network

### 3. South Korean Consumer trends

South Korean consumers are typically well-educated and well-informed. The national literacy rate is 98%. The country also has the world’s best IT infrastructure, with exceptionally wide use of high-speed Internet and smartphones. Consumers tend to be tech-savvy, and this has strongly influenced
the way they shop. Many use social media to search for information about potential purchases and to share their own product reviews. These technology minded consumers are well-positioned to judge the value of products, and also to find the best prices for the best products.

Another important trend in South Korea is the steady rise of single-person households. The proportion of Koreans living alone rose from 16% in 2000 to 24% in 2010, and it’s expected to reach 30% by 2020. These consumers place a premium on convenience and efficiency. As a result, sales of pre-cooked rice soared by an average of 21% annually from 2008 to 2011, while the food market as a whole grew only 3-4% annually. People living alone are also fueling a boom in rentals of everything from cars to property to home appliances. In general, more and more South Koreans are now loath to shop in inefficient and time-consuming ways. Neighborhood convenience stores are increasingly popular because they offer quick and easy access to busy shoppers.

Retailers that understand these powerful trends will find considerable opportunity for growth in South Korea as the economy continues to recover. The key will be to meet the needs of the country’s increasingly discerning, demanding, and well-informed consumers.

Online commerce is also growing at breakneck speed since it allows consumers to save both time and money.

4. Trade Channels

Market Readiness

Market readiness is the first step to achieving sales in South Korea. You must ensure that your company and your products are fully compliant before you can begin to achieve sales in South Korea.
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Key Korean agencies involved in import/export include:
- KCS – The Korean Customs Service
- MFDA – The Ministry of Food and Drug Safety
- MAFRA – The Ministry of Agriculture, Food and Rural Affairs
- APQA – The Animal and Plan Quarantine Agency

Exporters can refer to information on import requirements on the Korea Customs Service website, discuss requirements with buyers in Korea.

Agents and distributors
An agent is a company’s direct representative in a market and is paid commission, whereas a distributor buys products from the manufacturer and sells them on to customers. The difference between the cost of purchasing products and selling them on (the profit) forms the distributor’s income. In South Korea, registered commissioned agents are known as “offer agents”. Many of them operate on a small scale and lack capital, but if they have the right contacts, they can provide adequate representation, even for major projects. Entering a market by working with an agent or distributor can have several advantages. It reduces time and costs, and companies gain the local knowledge and networks of the agent/distributor in question. However, there are also some drawbacks. Employing a third-party result in an additional cost to your products and you may lose some control and visibility over sales and marketing. It also has implications for intellectual property rights protection, increasing the risk of your product being copied or counterfeited. Given these considerations, you need to select agents and distributors carefully. A visit to South Korea will enable you to meet some of them and appoint a local contact.

Routes to market include agents, distributors, retail, and e-commerce. Exclusive agreements are common for agents and distributors.

Websites, social media posts, promotional material, and all other printed material must be translated to the Korean language. Ensure that an SEO expert helps you to optimize your keywords and search terms for Naver, the leading search engine in Korea.

Trade show exhibitions, websites and social media can be used to build market interest in your products among consumers and importers. Conducting due diligence in advance of any agreements, contracts or shipments is a crucial step. Establishing strong and trusting relationships is necessary to achieve success in the Korean market. Exporters need to prepare and plan to spend as much time as possible in Korea. Being introduced through a common party is the best way to establish a relationship in Korea, and initial communication should be formal in nature.

Exporters that are not fluent in Korean will require the services of a trusted, experienced translator who is integrated into the team and can add value to meetings and negotiations. Respecting social and business customs important. In particular, you should be aware of the influence of Confucian
values and the concept of face or “kibun”. Established relationships require ongoing maintenance through regular contact and reciprocal visits.

How CLMV women-led SME exporters can find an agent in South Korea.

- Use Koran social media & join groups related to your products.
- Subscribe to Your Industry's Trade Publications
- Join Industry Groups, Forums, & Professional Networks
- Check Korean B2B Marketplaces
- Attending exhibitions, Trade Shows & Trade Missions.
- Contacting your own country embassy or Consulate in Korea.
- How to Find Distributors & Agents in Korea
Suggested questions CLMV women-led SME exporters to ask agents/distributors

**Background:**
- Company size, history and ownership (private or state-owned)
- Quality and quantity of the sales force
- Customer feedback and trade/bank references

**Distribution channels:**
- Regional coverage
- Types of outlets covered and frequency of visits
- Transportation and warehousing facilities

**Are they right for you?**
- Does the agent/distributor have a genuine interest in representing your product?
- Can they benefit from actively promoting your interests (is it a win-win)?

Once a working relationship has been established, the agent/distributor needs you to actively manage them by:

- Visiting as regularly as is practicable at a senior management level. This shows interest in, and commitment to, the agent and the market. It will also provide you with an opportunity to learn about conditions in the market and see how your products are doing.
- Working closely with the agent to show them how they can profit from your products.
- Helping to prepare marketing and sales plans for the agent.
- Providing regular training for sales staff and after-sales training for technical staff.
- Linking performance to incentives and agreeing milestone targets.
Suggested Market Routes for CLMV women-led SME exporters

**Distributors:**
It is not recommended that exporters ship directly to a distribution-only partner because many distribution-only businesses are not staffed with English-speaking resources. The other reason is their limited expertise in handling local regulatory affairs and product registration/certification.

**Trading Company:**
Appointing a trading company has its advantages because they can manage all the import documentation and imports on their own. However, these trading companies tend to be large and may not devote as much attention to a single product as a smaller distributor. Also, they may place a higher emphasis on diversifying their portfolio. A thorough investigation of what is suitable for the particular CLMV women led SME exporters is essential.

**Direct Sales:**
Going direct tends to be very time and resource intensive. Most foreign SMEs enter with the support of local partners, and it is important to carefully consider the risks versus benefits of such an approach.

**Things to consider**

**Market landscape**
Exporter companies have found Korea to be a challenging market, not least because of its price sensitive nature. However, there are notable exceptions and Korea can be a very significant market for innovative and leading-edge technology. Companies that have world-class capability and have committed strategically, rather than opportunistically, to this market have enjoyed significant success.

Exporter companies that are best positioned to win in Korea tend to have the following attributes:
- A high level of technology, product or service innovation with a clear value proposition
- The commitment to stay the course over lengthy sales cycles
- A budget to travel regularly initially, and ultimately to have in-market representation
- The ability to deal with demanding technical and customer servicing requirements

5. Market trends
Korea is in the process of transforming itself into a “creative economy” with an emphasis on convergence, creative content and the development of service industries to nurture new economic growth, accelerate start-ups and create new jobs for its young people. Korea also has ambitious plans for the development of a homegrown biosimilar pharmaceuticals industry and some major companies, including Samsung, have become very active in this emerging sector. As the Korean
economy has become increasingly sophisticated, a key challenge is to continue to find ways to maintain and drive competitiveness.

Competitors
Korea has well-entrenched domestic and international competitors and new entrants will need to research the market thoroughly to identify a niche offering. Products need to be competitive against Korea’s high-technological standards to be successful.

Market research
Korea Importers Association (KOIMA), The Korea Trade-Investment Promotion Agency (KOTRA) and its branch agency Invest KOREA provide comprehensive and regularly updated information and support for companies entering and trading in the Korean market, as well as providing industry specific information.

Getting paid and financial issues

Incoterms 2020
Exporters will find Incoterms 2000 a useful guide for specifying their obligations for delivering goods safely in international contracts. Incoterms provide guidance on the commonly used terms in international trade. It is a ‘must read’ for a company’s marketing and sales team.

Terms of payment
The payment terms you can normally expect in South Korea are “100% Confirmed Irrevocable Letter of Credit,” and these are the terms you should quote. You are unlikely to obtain deposits with order, or prior to shipment, and it may be counterproductive to try to insist on them. Letters of Credit are normally opened four to six weeks prior to the shipment date. The expiry date of the Letter of Credit will be geared very much to the promised delivery date. It is important, therefore, that delivery promises are fulfilled or the Letter of Credit will expire.

South Koreans usually like to deal in US dollars because this is still the predominant currency in Asia. You may consider it appropriate, therefore, to quote in US dollars in the first instance South Koreans are formidable negotiators, but they will pay a fair and competitive price. The price quoted should be
on a FOB (Freight on Board) basis. South Koreans usually like to organise the shipping themselves on the basis that they can negotiate more competitive rates.

Source: UK Government

6. Some Promising Sectors in South Korea

i. Furniture

Home furnishing covers all interior design products, e.g. furniture, wallpaper, lighting, decorative items. Korea’s €9.2 billion home furnishing market is forecasted to expand to €13.4 billion by 2023. Korea’s purchasing power has increased: GDP per capita is at €22,985 (2016) and growing. The number of single and double-occupancy households have increased, with residents preferring to furnish according to personal tastes and expressing individual lifestyles. The main consumers base are in their 20~40s, with high tendencies toward sharing information and visuals on social networks: self-decorated personal spaces and individual styles experience high traffic on Instagram and Korean Social Network Services. Minimalism is trending, along with demands on home decoration at reasonable prices. Large corporations and conglomerates are driven to expand on their branding, establishing platforms to further connect with their consumer base. Small corporations strive to open new business by establishing co-brands with the support of local governments.

For more information about Furniture market in Korea, please visit Korea Federation of Furniture Industry Cooperatives

ii. Machinery & Equipment

South Korea has emerged over the past several decades as a leading manufacturing economy and the country is in an optimal position to remain competitive in the era of the “Fourth Industrial Revolution” (also known as “Industry 4.0”), which entails the convergence of digital technologies and manufacturing industries. In Korea, this convergence of automation and data exchange in manufacturing technology is referred to as “Manufacturing Industry Innovation 3.0.”

The Korean Government is urging businesses to adapt to the new direction of digitalization of manufacturing and has characterized the initiative with four keywords: smart, services, sustainability, and platform. In June 2014, the Manufacturing Industry Innovation 3.0 strategy was introduced as part of Korea’s Creative Economy Initiative. Manufacturing 3.0 focused on the concept of a smart factory collectively embracing automatization, data exchange, and enhanced manufacturing technologies throughout the manufacturing process, incorporating both short- and long-term technological plans. The government laid out a roadmap for several areas of R&D projects: design technology, IIoT (Industrial Internet of Things) platforms, technology to sort out defective products, software-integrated operating techniques, smart sensors, data collection and data processing technologies, and industrial standards. In addition, the Smart Factory Standard Research Council was formed within the private sector to effectively respond to international trends and activities and to undertake efforts to standardize locally developed regulations.
A number of trends in the industry are also affecting Korea’s manufacturing technology. Rapid advances in information technology, 5G, sensors, and nanomaterials, as well as the application of cyber-physical systems, are dramatically lowering the costs of leading-edge manufacturing processes and improving performance. At the same time, companies are under mounting pressure to improve their productivity and become more responsive to changing customer expectations and needs. Korean conglomerates are accelerating manufacturing automation solutions to bolster productivity and profitability and reduce costs across the supply chain. As a result, advanced manufacturing environments are evolving from outdated centralized systems to module-based decentralized systems and automatically controlled platforms.

For more information about Furniture market in Korea, please visit Korea Association for Machinery Industry

iii. Natural Resources Minerals
Mineral resources in South Korea are insufficient. The most important reserves are of anthracite coal, iron ore, graphite, gold, silver, tungsten, lead, and zinc, which together constitute some two-thirds of the total value of mineral resources. Deposits of graphite and tungsten are among the largest in the world. Most mining activity centres around the extraction of coal and iron ore.

All of the country’s crude petroleum requirements and most of its metallic mineral needs (including iron ore) are met by imports. Thermal electric-power generation accounts for more than half of the power produced. Since the first oil refinery started to produce petroleum products in 1964, power stations have changed over gradually from coal to oil. Hydroelectricity constitutes only a small proportion of overall electric-power production; most stations are located along the Han River, not far from Seoul. Nuclear power generation, however, has become increasingly important.

iv. Noodle & Rice Market
The instant noodle market is growing fast and changing quickly as the pandemic has started to convince people that the humble snack could make a righteous meal. In Korea, the instant noodle market grew 7.2 percent in the first half on year to 1.13 trillion won ($952 million), according to Nielsen. It based its calculation on the sales of the four largest instant noodle companies in Korea: Nongshim, Ottogi, Samyang Foods and Paldo.

The classics beat the younger brands, with sales concentrated in names decades in the market. According to the report, so-called steady-seller products — Shin Ramyun, Chapagetti, Ansungtangmyun and Neoguri — led. Chapagetti sales rose 23.3 percent on year, and Neoguri's were up 28.4 percent. The brands are Nongshim products and were featured in Oscar-winning film "Parasite" (2019). Other Nongshim products did well. Sales of Ansungtangmyun grew by 34.9 percent and Shin Ramyun by 12.4 percent. While the oldies but goodies did well, the market has changed in a number of ways. Customers are now buying more of the product online. Around 40 billion won worth of instant noodles were sold through Nongshim’s online channels in the first half, which is double that for the same period last year. This is a huge shift in consumer behavior, as instant noodles
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are usually purchased through shops near customer’s homes, such as large discount stores, convenience stores and supermarkets. Another change is the preference for plastic-bag-packaged noodles. Instant noodles packaged in plastic bags have been losing popularity since 2016 as more people live alone and convenience stores become more accessible. At the end of 2019, 62.5 percent of noodles were sold in plastic bags, but that rebounded to 65.7 percent of sales in the first half of this year. Demand for cup noodles declined as more people started avoiding outdoor activities. Four companies dominate the Korean instant noodles market, according to Euromonitor. Nongshim was the No. 1 player as of February with 52.3 percent of the market. Ottogi has 23.1 percent, Samyang 11.3 percent and Paldo 8.9 percent.

About Rice, the director-general of the Department of Trade Negotiations, said this week that Seoul had reduced rice imports to 408,700 tonnes annually, which includes a quota ceiling of 28,494 tonnes from Thailand. While reducing rice imports overall, South Korea will import more from some countries based on cost.

Korea imported only 10,000 tonnes of the 29,963-tonne quota in 2019, because Chinese and Vietnamese rice was cheaper and because it’s getting more rice from the United States. Thai rice costs US$420 a tonne and Vietnamese $360. South Koreans also prefer short-grain rice, whereas Thai rice is long-grain. Seoul has boosted its import quota from Vietnam to 55,112 tonnes from 45,400, the US to 132,304 tonnes from 100,901 and China to 166,070 tonnes from 157,195. Thailand’s quota was dropped from last year’s 29,963 tonnes to 28,494.

v. Food & Agriculture Sector

South Korea is a net importer of agri-food and seafood products, selling approximately $7.5 billion to the world in 2016 but buying over three times that amount back ($26.9 billion). The country is relatively unable to increase domestic production and so will continue to be a significant purchaser of agrifood and seafood products from world markets into the future. Many people in South Korea have high incomes and per-capita food consumption in the country is also relatively high, so the rate of overall food imports to the country is expected to grow only modestly. However, demand for healthy, easy-to-cook and semi-processed food is anticipated to grow as the Korean public becomes increasingly busy and health conscious. As such, products capable of blending both convenience and health will likely be better-than-average performers. In 2016, total agriculture and seafood exports to South Korea from Canada totalled over CDN $700 million, which represents an increase of 20% over the in value exported in 2012.

vi. Food & Beverage Market

F&B Retailing Channels

<table>
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<th>Retailer Type</th>
<th>Recommended Product Types</th>
<th>Advantages</th>
<th>Challenges</th>
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| Convenience Stores | Snacks and beverages, mild alcohols, coffee | • Fast growing channel  
• Accessibility | • High costs for shelf space (rental system)  
• Customers mainly looking for convenient and inexpensive products | Importer |
|---------------------|---------------------------------------------|-------------------------------------------------|------------------------------------------------|--------|
| **Hypermarkets**    | All product types                            | Largest retail channel & customer base          | Hard to stand out                                | Importer (90%)  
Direct (10%) |
| **Supermarkets**    | Snacks and beverages, alcohols, HMR, dairy | Large customer base                             | • Mainly sells inexpensive domestic products  
• Supermarket customers usually not looking for premium import products | Importer (90%)  
Direct (10%) |
| **Department Stores** | All product types (mainly premium) | • Boost for product image  
• Customer purchasing power | Declining sales trend                                | Importer (90%)  
Direct (10%) |
| **Internet Retail** | All product types (except alcohol) | • Low-cost, easy to start  
• Fastest growing channel  
• Many channels to utilize | Marketing required to stand out | Importer |
| **TV Home shopping** | Premium products, eg. Health foods, functional foods | • Boost for product image  
• Chance to explain product in detail | Costs for production | Importer |

*Sources: Euromonitor International*

### Distribution Cost Structure

<table>
<thead>
<tr>
<th>Items</th>
<th>Price</th>
<th>%</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail price</td>
<td>800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>V.A.T</td>
<td>77</td>
<td>10%</td>
<td>Final price x 1.1 = Retail price</td>
</tr>
<tr>
<td>Retailer’s margin</td>
<td>260</td>
<td>25~35%</td>
<td>Of the retail price (without VAT)</td>
</tr>
<tr>
<td>Logistics cost to each store</td>
<td>25</td>
<td>5~6%</td>
<td>Of the supply price</td>
</tr>
<tr>
<td>Importer’s &amp; Distributor’s margin</td>
<td>87</td>
<td>20%</td>
<td>Added on the COGS. Including sales promotion activities</td>
</tr>
</tbody>
</table>
COGS: 350
Goods + Freight + Tariff + Local handling cost

Sources: Euromonitor International

- VAT in Korea is 10% for consumer products
- Retailer margin depends on the retailer type and company, but generally:
  - 25% for department stores
  - 25-35% for hypermarkets
  - 5-15% for online malls

Food Labeling System

Food Labeling
- To provide consumers with more accurate information on food products, MFDS implements related regulations and standards* that requires the labeling of product name, ingredients, manufactured and expiration dates (quality retention date), net contents, identity and principle place of business, and nutrition information, as well as sanitary instructions for safe storage and warnings on the packaging and container

Key Function of Food Labeling
- Provides basic information of product *Product name
  - Type of food product
  - Identity and principle place of business
  - Manufactured date, expiration date or quality retention date
  - Name and amount of food ingredients
  - Country of origin (Please refer to MAFRA, MOTIE, and Korea Customs Service website for details on labeling method)
  - Net contents (weight, volume, etc.)
- Provides consumers with information on safety, nutrition, and health *Storage and handling instructions
  - Warnings for consumer safety
  - Nutrition Information (calorie, carbohydrate, sugar, fat, sodium, etc.)
  - For special dietary foods, labeling that can indicate such information
- Method for food sales, promotion and advertisement *Low fat, low cholesterol
  - Rich in dietary fiber, etc.

Items Required in Product Labeling
1. Emblem of Health Functional Food
2. Product name
3. Identity and principle place of business
4. Expiration date and storage method
5. Contents
Export to Korea

Study Report

6. Nutrition information
7. Functional information
8. Intake instructions including intake amount and method
9. Raw material contents
10. Expression that this product is not a pharmaceutical product used for disease prevention or treatment
11. The labelling of precautions for consumers’ safety
   o Labeling Standards of Health Functional Foods

Please visit this link for more Food Labeling Info regarding Nutrition Labeling for Processed foods, Nutrition Labeling for Children’s Favorite Foods, Labeling of Functional Information and more. https://www.mfds.go.kr/eng/wpge/m_14/de011005l001.do

To review the packaging requirements, please visit the following link of the Standards and Specifications for Utensils, Containers and Packages by the Korean Ministry of Food & Drug Safety https://www.mfds.go.kr/eng/brd/m_15/view.do?seq=72428&srchFr=&srchTo=&srchWord=&srchTp=&itm_seq_1=0&itm_seq_2=0&multi_itm_seq=0&company_cd=&company_nm=&page=1

vii. Textile & Apparel

Textile and apparel import and export of Korea achieved double growth, and trade deficit continued to expand in 2018. Textile and apparel import value of Korea has been increasing in the past decade. However, export volume did not change much in recent years and decreased somewhat compared with five years ago. Textiles and apparel import value of Korea reached 16.23 billion USD, up by 12.11%, and exports value accounted for 13.57 billion USD, up by 2.25%.

Textile and apparel exports of Korea were still dominated by 60 codes (knitted or crocheted fabrics), 54 codes (man-made filaments) and 55 codes (man-made staple fiber). In terms of changes, export value of 60 codes (knitted or crocheted fabrics) decreased, down by 4.12% year-on-year. Export value of most of major export varieties increased, and export of 55 codes (man-made staple fiber) moved up relatively, up by 15.97%.

As for export countries and regions, major exporters of Korean textile and apparel in 2018 were still Vietnam, China and the United States. Export volume to Vietnam and the United States increased evidently. Export volume to Vietnam increased by 3.9% year-on-year.

Textile and apparel import of Korea was mainly finished apparel, accounting for 62%, followed by cotton products. Export volume of various textile and apparel of Korea climbed up obviously. Codes 62 (articles of apparel and clothing accessories, not) and 61 (articles of apparel and clothing accessories, knit) increased by 15.47% and 16.23% respectively.

As for of import countries and regions, major Korean textile and apparel import countries were China and Vietnam, and China was the largest source of imports, accounting for 37%, up by 6.91% year-on-year. And that to Vietnam increased by 23.25% and that to Indonesia, India, Myanmar and other
countries also moved up evidently. Global textile and apparel export market share of China has been decreasing year-on-year, while that of India and some Southeast Asian countries such as Vietnam developed rapidly. Trend of Korean textile and apparel import was no exception.

Increment of Korean textiles and apparel imports from Vietnam was larger than that from China, and even that of some varieties from China decreased while that from Vietnam increased sharply. Only 59 coded products (impregnated, coated, covered or laminated textile) and 60 codes (knitted fabrics and crocheted fabrics) imports from China increased while that from Vietnam decreased. Textile and apparel import and export of Korea achieved double growth, and trade deficit expanded somewhat in 2018. Trade between Korea and Vietnam increased, but import and export textile and apparel share of China dropped. Position of Vietnam and other Southeast Asian countries in international textile and apparel trade increased year-on-year amid obvious cost advantage and technological improvement. Sino-US trade war continued to escalate in 2018, and accelerated transfer of China orders to Southeast Asian countries. Vietnam also accelerated pace of attracting investment. There were many China textile and apparel mills that invested in Vietnam in 2018.

7. Financing
There are several ways for customers to pay an invoice in international trade: cash in advance, letters of credit, documentary credit, documentary collection and open account. We have examined them in order of increasing risk to your company.

i. Cash in advance
Cash in advance is your most secure option because it eliminates all risk of non-payment and adds to your working capital. Unfortunately, few foreign buyers are willing to pay cash in advance, although some will pay a portion when goods or services are specially ordered. For services, a retainer might be paid upon signing a contract, after which progress payments are matched to deliverables.

ii. Letters of credit
Letters of credit (L/Cs) name a bank to receive and check shipping documents and to guarantee payment. With an L/C, the costs of financing a transaction may be borne by either the exporter or importer. Both sight- and term-payment provisions can be arranged. Letters of credit can be confirmed or unconfirmed. For example, a Canadian bank can confirm an L/C issued by a foreign bank, thus guaranteeing that the Canadian bank will pay the exporter even if the foreign bank doesn't. This kind of L/C is much better for you than the unconfirmed one. L/Cs can also be irrevocable, which means they can't be cancelled or amended without your approval. The most secure L/C is one that is both confirmed and irrevocable.
In practice, an L/C works like this:

1. The customer's bank prepares an irrevocable L/C. This includes specifications as to how you'll deliver the goods.
2. The customer's bank sends the L/C to your Canadian bank for confirmation.
3. Your bank issues a letter of confirmation and sends the letter and the L/C to you.
4. You check the L/C very carefully. In particular, you ensure that it agrees in all respects with the terms of your contract with the customer. If the L/C's terms and those of the contract are different, and if you don't meet the L/C's terms because you overlooked the discrepancy, the L/C may be deemed invalid and you might not get paid.
5. You arrange shipping and delivery with your freight forwarder. Once the goods are loaded, you get the appropriate shipping documents from the forwarder; you use these to prove that you have fully complied with the terms of the contract.
6. You take these documents to your bank, which sends them to the customer's bank for review. The customer's bank sends them to the customer and the customer obtains the documents that will allow the goods to be claimed.
7. The customer's bank pays your bank, which then pays you.
iii. Documentary credit
Exporters can also use sight and term documentary credits:
• A documentary credit calling for a sight draft means that the exporter is entitled to receive payment on sight, i.e. upon presentation of the draft to the bank.
• A term documentary credit, in contrast, may allow for payments to be made over terms of 30, 60 or 90 days, or at some other specified future date.

iv. Documentary collection
In a collection, you ship goods to an importer (your customer) and forward the shipping documents to a collecting bank. Next, the customer pays the collecting bank in exchange for the documents. You then obtain the money from the bank.
With a collection, no bank has guaranteed that you'll get paid, and you're required to finance the shipment until your customer receives the goods and pays through a sight or term draft.

v. Open account
Open accounts require you to ship goods and pass title to the customer before payment is made. In these cases, you're fully exposed to any credit risk associated with the customer until payment is received. In addition, because open account terms usually allow 30, 60 or 90 days (or even longer) before payment is due, you are, in fact, financing the transaction for your buyer.

CLMV women-led SME exporters can also find useful information through their embassies and political delegation in South Korea.
8. Incoterm 2020

The Incoterms® are a set of 11 individual rules issued by the International Chamber of Commerce (ICC) which define the responsibilities of sellers and buyers for the sale of goods in international transactions. Of primary importance is that each Incoterm rule clarifies the tasks, costs and risks to be borne by buyers and sellers in these transactions. Familiarizing yourself with Incoterms will help improve smoother transaction by clearly defining who is responsible for what and each step of the transaction. The Incoterms® 2020 rules are updated and grouped into two categories reflecting modes of transport. Of the 11 rules, there are seven for ANY mode(s) of transport and four for SEA or LAND or INLAND WATERWAY transport.

The seven Incoterms® 2020 rules for any mode(s) of transport are:

- EXW - Ex Works (insert place of delivery)
- FCA - Free Carrier (Insert named place of delivery)
- CPT - Carriage Paid to (insert place of destination)
- CIP - Carriage and Insurance Paid To (insert place of destination)
- DAP - Delivered At Place (insert named place of destination)
- DPU - Delivered At Place Unloaded (insert of place of destination)
- DDP - Delivered Duty Paid (Insert place of destination).

The four Incoterms® 2020 rules for Sea and Inland Waterway Transport are:

- FAS - Free Alongside Ship (insert name of port of loading)
- FOB - Free on Board (insert named port of loading)
- CFR - Cost and Freight (insert named port of destination)
- CIF - Cost Insurance and Freight (insert named port of destination)

Incoterms Clarify Responsibilities of Parties to a Sales Transaction

- For example, in each Incoterm rule a statement is provided as to seller’s responsibility to provide the goods and commercial invoice in conformity with the contract of sale. Likewise, a corresponding statement is provided which stipulates that the buyer pay the price of goods as provided in the contract of sale.
- Each Incoterm rule has a statement stipulating which party is responsible for obtaining any export license or other official authorization required for export and for carrying out the customs formalities necessary for the export to proceed. Similarly, each rule has a corresponding statement as to which party is responsible for obtaining any import license or other official authorization required for import and for carrying out the customs formalities required for the import of goods. These statements also specify which party bears the cost of handling these tasks.
- Similarly, each Incoterm rule specifies which party to the transaction, if any, is obligated to contract for the carriage of the goods. Another point addressed in each Incoterm rule is which party, if any, is obligated, to provide for cargo insurance coverage. These statements also specify which party bears the cost of the handling these tasks. Each rule also contains statements, among others, as to
which party is responsible for packing the goods for transport overseas and for bearing the costs of any pre-shipment inspections.

A final example is cargo delivery. Each Incoterm rule specifies the seller’s obligations as for cargo delivery and clarifies when delivery takes place. Each rule also specifies when the risk of loss or damage to the goods being exported pass from the seller to the buyer by reference to the delivery provision.

What Incoterms Do Not Cover
As noted above, Incoterms are generally incorporated in the contract of sale, however they do not:
- Address all the conditions of a sale;
- Identify the goods being sold nor list the contract price;
- Reference the method nor timing of payment negotiated between the seller or buyer;
- When title, or ownership of the goods, passes from the seller to the buyer;
- Specify which documents must be provided by the seller to the buyer to facilitate the customs clearance process at the buyer’s country;
- Address liability for the failure to provide the goods in conformity with the contract of sale, delayed delivery, nor dispute resolution mechanisms.

Where can I learn more about the new Incoterms® 2020 rules?
The latest version of the Incoterms® 2020 rules is now published by international Chamber of Commerce (ICC) and protected by copyright. The revised rules reflect the latest developments in commercial transactions. As of January 1, 2020, all sales contracts should include reference to the Incoterms® 2020 rules. You may obtain Incoterms® 2020 rules visit the ICC website.
### Korean Freight Companies

<table>
<thead>
<tr>
<th>Name</th>
<th>Website</th>
<th>Email</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tony Glogix</td>
<td><a href="http://www.tonyglogix.com/">http://www.tonyglogix.com/</a></td>
<td><a href="mailto:tony@tonyglogix.com">tony@tonyglogix.com</a></td>
<td>+82-51-441-7411</td>
</tr>
<tr>
<td>Master Shipping</td>
<td><a href="http://www.mastershipping.com/">http://www.mastershipping.com/</a></td>
<td><a href="mailto:smdoh@hanmail.net">smdoh@hanmail.net</a></td>
<td>+82-51-465-7900</td>
</tr>
<tr>
<td>Cargomate Ltd.</td>
<td><a href="http://cargomate.co.kr/">http://cargomate.co.kr/</a></td>
<td><a href="mailto:cargomate@cargomate.co.kr">cargomate@cargomate.co.kr</a></td>
<td>+82-2-3141-1315</td>
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<td><a href="mailto:aimat@aimat.co.kr">aimat@aimat.co.kr</a></td>
<td>+82 51 465 9393</td>
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<td>Daijin Express</td>
<td><a href="http://www.daijinexpress.co.kr/eng/ceo.html">http://www.daijinexpress.co.kr/eng/ceo.html</a></td>
<td><a href="mailto:sally@daijinexpress.co.kr">sally@daijinexpress.co.kr</a></td>
<td>+82 2-323-2700</td>
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<td>J World Logistics</td>
<td><a href="http://en.jwlk.co.kr/main/">http://en.jwlk.co.kr/main/</a></td>
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<td>+82 2-332-9669</td>
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<td>+82 2-774-4488</td>
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<tr>
<td>Shinji Global</td>
<td><a href="http://shinjiglobal.com/">http://shinjiglobal.com/</a></td>
<td><a href="mailto:sales@shinjiglobal.com">sales@shinjiglobal.com</a></td>
<td>+82 2-718-8750</td>
</tr>
</tbody>
</table>

### INCOTERMS 2020

**Point of Delivery and Transfer of Risk**

- **EXW**: EX WORKS, **Seller’s Obligation**, **Transfer of Risk**
- **FCA**: FREE CARRIER, **Agreed Place**
- **FAS**: FREE ALONGSIDE SHIP, **Port of Loading**
- **FOB**: FREE ON BOARD, **Port of Loading**
- **CFR**: COST & FREIGHT, **Port of Destination**
- **CIF**: COST, INSURANCE & FREIGHT, **Port of Destination**
- **CPT**: **Cost Paid To**, **Place of Destination**
- **CIP**: **Carrier & Insurance Paid To**, **Place of Destination**
- **DAP**: DELIVERED AT PLACE UNLOADED, **Place of Destination**
- **DDP**: DELIVERED DUTY PAID, **Destination**

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Image: INCOTERMS 2020 diagram showing different terms and their implications on the seller's and buyer's obligations.
9. E-commerce in Korea

Being one of the world’s most connected countries, e-commerce is a key component of overall consumer behaviour in South Korea. The growth has been consistent over the years. In 2016, approximately 44% of Koreans participated in cross-border online shopping. In 2017, the country had the highest level of e-commerce penetration in the Asia Pacific region (74%), and cross-border e-commerce reached US$2.0B. The majority of the cross-border purchases are made from the United States (48%), followed by China (15%) and Japan (13%). Domestic online purchases in Korea, including purchases on PCs and mobile phones, reached US$69.2B in 2017, up from US$55.9B in 2016. By December 2017, domestic electronic commerce made up more than one-quarter of Korea’s total retail industry. Customers in South Korea spend a great proportion of their disposable income on online shopping. Over 30% of South Koreans spend more than half of their total monthly disposable income on internet purchases. By late 2017 there were an estimated 30.5 million e-commerce users in South Korea, with an additional 1.33 million users expected to be shopping online by 2021.

Four years from now, these almost 32 million e-commerce users are expected to spend an annual average of over US$1,000 per person online.

Customer Context

Well-Informed and Technologically Skilled Customers with High Expectations South Korea takes education more seriously than most of the world’s nations. The Organisation for Economic Co-operation and Development (OECD) ranked the country second only to Singapore in the 2014 national rankings of students’ math and science scores, with average student scores exceeding 540.2. As a result, South Korea has one of the world’s most-educated labour forces; 85% of adults aged 25-64 have completed upper secondary education, higher than the OECD average of 76%. In our studied sample, the South Korean sample was more educated compared to respondents in Canada (75.2% graduating university versus only 41.0%). Koreans have strong technological skills and are ranked with Canadians as among the world’s most entrepreneurial citizens. They are among the world’s top credit card users and expect their online purchasing process to be efficient. There is a high interest in quality and luxury goods, and environmental and health claims carry weight in the decision process. They use online resources for the full purchasing process, from exploration to post-purchase reviews. South Koreans dedicate time to researching and purchasing the best products they can find. Price is important but it generally comes second to high quality. They dedicate time to discovering new products and sharing their interests with others.

Highly Connected Customers

By 2019 South Korea had an internet penetration rate of 95.9%, one of the highest in the world. All Korean age groups between 10 and 59 show internet usage of 99.9%, and even those between 60 and 69 show a usage of 88.8%. In 2018, Korean consumers in the 10-19 age group spent the most time online, at an average of 189 minutes a day, and this decreases slightly in a linear fashion over the age groups, although even those over 50 spent an average of 131 minutes per day on the internet. In similar fashion, 24.5% of Koreans spent 7-14 hours online per week, while 24.9% spent 14-21 hours, 25.8% spent 21-35 hours, and 8.7% spent 35 hours or more.
The E-commerce Shopping Process

There are many models of the online purchasing process, mostly based on so-called “hierarchy of effects” models, the first of which were referred to by Berthon, Watson, and Pitt in 1995. These all view the online purchasing process as a hierarchy of activities that a shopper goes through, from first becoming aware of their needs and searching for information, through purchase, payment, receiving their purchases, and then providing feedback, or perhaps returning their purchases. This is a simple example of one of these hierarchical models in the diagram below:

![Diagram of the E-commerce Shopping Process](image)

South Korean consumers use online resources for the full e-commerce shopping process, from exploration and product research to providing post-purchase reviews. They expect to be directed throughout the online buying process. These consumers favour a simple and easy-to-use service and process. Online retailing is showcasing a strong convergence with other platforms.

For example, internet sites, social network services, and TV home purchasing services all provide online shopping functions. The popularity of these platforms is on the rise, driven by the desire for a one-stop option to research, purchase (including online payment), and provide product reviews. Around 3.92 million mobile transaction payments per day were made in Korea during 2018. The average daily value of mobile payment transactions made in South Korea in 2018, by type of provider (in billion South Korean won) was 53.14 to offline establishments, 48.63 to online retailers/manufacturers, and 24.25 to online communication technologies. The main online payment platforms used were Samsung Pay, SSG Pay, Smile Pay, and L Pay. In 2018, the most popular online shopping options in terms of the number of unique visitors were:

<table>
<thead>
<tr>
<th>Platform</th>
<th>Number Of Visitors</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>11st.co.kr</td>
<td>9.7 million</td>
<td>E-commerce platform offering a points system that customers can use for discounts on products.</td>
</tr>
<tr>
<td>Gmarket</td>
<td>9.5 million</td>
<td>E-commerce used to buy and sell goods and services.</td>
</tr>
<tr>
<td>Auction.co.kr</td>
<td>8.7 million</td>
<td>Price comparison site and online</td>
</tr>
<tr>
<td>Interpark</td>
<td>6.7 million</td>
<td>Online auction and shopping mall, as well as South Korean music distributor.</td>
</tr>
</tbody>
</table>
## Export to Korea

### Study Report

<table>
<thead>
<tr>
<th>Platform</th>
<th>Users (Million)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wemakeprice</td>
<td>6.0</td>
<td>Online sales and advertising platform specializing in daily deals, with a wide selection of products.</td>
</tr>
<tr>
<td>Coupang</td>
<td>5.0</td>
<td>One of the fastest-growing e-commerce companies in the world, with a proprietary same-day delivery system.</td>
</tr>
<tr>
<td>Ticketmonster</td>
<td>4.5</td>
<td>E-commerce site offering a wide range of products and services, including travel packages.</td>
</tr>
<tr>
<td>ssg.com</td>
<td>4.3</td>
<td>Online shopping mall provided by the Shinsegae Department Store.</td>
</tr>
<tr>
<td>gsshop.com</td>
<td>3.2</td>
<td>Online shopping platform provided by one of South Korea’s leading TV shopping companies.</td>
</tr>
<tr>
<td>Danawa</td>
<td>2.9</td>
<td>Originally a technology and electronics shopping mall, which now provides a broad range of offerings.</td>
</tr>
</tbody>
</table>

CLMV women-led SME exporters can use one or many of the following platforms in South Korea, in order to reach out their targeted customers.

<table>
<thead>
<tr>
<th>General Marketplaces</th>
<th>Apparel Marketplaces</th>
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<tbody>
<tr>
<td>11st.co.kr</td>
<td>Kooding</td>
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<td>Gmarket</td>
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<td>WeMakePrice</td>
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<td>Coupang</td>
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<table>
<thead>
<tr>
<th>Department Stores and Retail</th>
<th>Online Auctions</th>
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</thead>
<tbody>
<tr>
<td>Ssg Shop</td>
<td>Auction.co.kr</td>
</tr>
<tr>
<td>gs Shop</td>
<td>Interpark</td>
</tr>
<tr>
<td>Lottemall</td>
<td></td>
</tr>
<tr>
<td>Hyundai Home Shopping (TV)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Blogging Services</th>
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<tbody>
<tr>
<td>Naver</td>
<td></td>
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<tr>
<td>Nate</td>
<td></td>
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<tr>
<td>Kakao</td>
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</tbody>
</table>
How Social media in South Korea can help CLMV women-led SME exporters

As social media networking sites continue to become a global phenomenon, the ways and whys of how people use them will inevitably vary depending on their social, digital, mobile and cultural environments. Even with the explosive growth of US-based giants such as YouTube, Facebook, Instagram, and Twitter, marketers looking to attract a global audience cannot expect digital communication technology to be used around the world in a standardized way.

By way of example, South Korea is a hyper-connected nation with nearly 89% of the population owning a smartphone, major cities such as Seoul offering free WIFI in public places, 4G coverage nationwide, and 5G commercial coverage soon to be available in March 2019. In addition, from elementary school students to seniors, South Koreans are some of the most active social media users in the world. According to a recent study on cultural differences, Korean college aged SNS users use social media to seek social support from existing social relationships rather than entertainment, convenience, and social interaction. Another study reveals that seniors in Korea, one of the fastest ageing countries in the world, have a higher adoption rate of information and communication technology products and services than other countries. Thanks to TV shows and offline classes offered in the early 2000s dedicated to teaching seniors how to use smartphones, many are agile users of mobile group communication apps such as Naver Band and Daum I.

According to Korea’s app popularity analysis company Wiseapp, Koreans routinely turn to YouTube, Facebook, and Instagram. However, they are also intensely loyal to homegrown social media sites such as Kakaotalk, KakaoStory, Melon (an online streaming music app that rivals Spotify and Apple Music), and Naver Band (a private group sharing app). Notably, Cyworld, Korea’s first social media site and one of the earliest examples of monetization of virtual goods, gradually lost market share to Facebook and is currently trying to gain back its popularity with a news curation app called Que.

Turning from social media apps to search engines, we find that local search engines dominate in Korea. In fact, Korea is one of the few countries where Google does not dominate as the place to go when searching the web.

Naver, which owns Band, Naver I, and LINE, captures more than 70% of the Korean search engine market share.
Naver thrives in a Google-dominated world because it innovated with various search types (i.e., Naver’s Blog Search, News Search, and Q&A database etc) to establish itself as an essential tool among social-centric Koreans. Naver’s Knowledge In (think Yahoo Answers), and its Q&A database are immensely popular and Naver’s competitive advantage lies in its ability to humanize information (think Google’s Universal Search) by combining information on popular topics that users generate through blogs and Q&A searches rather than relying on its algorithm alone. Furthermore, Naver’s search algorithm is built around Hangul. Lastly, Naver started out as a social search engine while Google is still on its way.

Another contributing factor to Naver’s dominance is its ecosystem. Unlike Google, Naver offers almost every service in-house and prioritizes the search results from those services. For example, Google sources news articles from the NYT, the Telegraph, etc and blog posts from Wordpres and Medium, but Naver sources news articles from its own Naver News service and it sources blog posts from Naver Blog. What makes Naver’s ecosystem unique is that it is a world unto itself. Google can not query Naver Blog posts and put them on their search results, and Naver does not search outside their platform.

The implication for marketers looking to tap into new markets is that they cannot assume that the motives for using social media are shaped by the same cultural factors or that the same sites will be popular.

South Korea’s top internet portal Naver Corp. maintained its leadership in the local social media market in December despite strong competition from global social media giants Instagram and Facebook thanks to popularity of its challenge campaign.

According to local market research firm Nielsen Koreanclick on Sunday, Naver’s social network platform Band ranked as the most popular social media app with a total of 19.48 million users in Korea last month. Second most used social media app by Koreans was Instagram with 15.23 million users, followed by Facebook with 13.88 million users. The tally combined Android and Apple users.
Naver’s Band also showed the sharpest growth in the number of new users, adding 12.6 million in just seven months. The internet giant attributed Band’s strong performance to its challenge campaign, which allows users to set personal goals such as working out daily and share their progress with others. The challenge campaign was launched in July and since then nearly 27,000 users have signed up. The company said its challenge campaign also helped it attract young users. Nearly half of users participating in Band’s challenge campaign are aged 39 years or younger. This is compared to the overall age demographics for Band – 35 percent aged below 40 years, 54 percent in 40s or 50s, and 11 percent aged 60 years and older. The users in 20s and 30s tend to show strong interest in self-development and like building connection with others who share personal interest, and such trend was also seen among Band’s users, said a Naver official.

Examples for Korean importer pages that CLMV women-led SME exporters can join and know more about competition and customer trend in South Korea:

<table>
<thead>
<tr>
<th><a href="https://band.us/page/75386042">https://band.us/page/75386042</a></th>
<th><a href="https://band.us/band/71123228">https://band.us/band/71123228</a></th>
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</thead>
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<td><a href="https://band.us/band/59154552">https://band.us/band/59154552</a></td>
</tr>
<tr>
<td><a href="https://band.us/band/76885564">https://band.us/band/76885564</a></td>
<td><a href="https://shopping.naver.com">https://shopping.naver.com</a></td>
</tr>
<tr>
<td><a href="https://sell.smartstore.naver.com/#/home/about">https://sell.smartstore.naver.com/#/home/about</a></td>
<td></td>
</tr>
</tbody>
</table>

10. Key Takeaways

At first glance, Korea appears to be "just like any other nation." Its capital city, Seoul, is a modern, thriving metropolis with all of the latest technology the world has to offer. All over Korea, one will find first-class telecommunications, the requisite five-star hotels, Western restaurants, modern transport systems (including very efficient subway networks in Seoul and Busan), innovative architecture, and so forth. Nonetheless, it is still very Korean and it is imperative that any exporter doing business in Korea realizes this fact. Every year Korea becomes more and more modern, but it is important to recognize that modern does not equal Western. Koreans will not expect one to be an expert on the nuances of their culture, but they will appreciate a show of interest in matters that are important to them. Koreans generally appreciate a foreigner's effort in expressing a thank you (gam-sa-ham-ni-da) or a hello (an-yong-ha-say-yo) in the Korean language.

Even though there are incremental changes in Korean attitudes and women are making progress, women professionals at the highest levels are still very rare. In Korean companies, the majority of working women, many with top university degrees, are still relegated to secretarial jobs, accounting or educational work. Many qualified women welcome the opportunity to work as a professional with a foreign company whose attitudes toward gender equality and professional respect and responsibility prevail.

Korea still observes Confucian ethics based on strong ties to a group. Korean frequently thinks in group terms, (i.e., what is in the best interests of the group and how can I help to maintain harmony
within the group?) For this reason, the majority of Koreans are intensely patriotic, calling Korea by the term, "oo-ri-na-ra", ("our" country). In order to close a deal when negotiating, the benefits for the group, whether for the company or country, should be emphasized.

For Koreans, relationships are all important. "Cold calls" don't work and introductions are crucial. Koreans want to do business with people with whom they have formed a personal connection or whereby a mutual intermediary has made an introduction. As alumni contacts are a major source of networking in Korea, a particularly well-connected Korean will have attended a prestigious Korean university such as Seoul National University, Yonsei University, Korea University or Ehwa Women's University.

Negotiating style is particularly important. Koreans can prove subtle and effective negotiators. Your offer may include the best price, technology and profit potential but still be turned down because the Korean customer does not like your style.

An important point to keep in mind concerns the nature of reaching an agreement with a Korean firm. Koreans, value a contract as a loosely structured consensus statement that broadly defines what has been negotiated but leaves sufficient room to permit flexibility and adjustment. The Korean Government has attempted to address this dual perception by formulating "model" contracts for licensing technology and other arrangements. Both parties must be assured that the obligations spelled out in a negotiated contract are fully understood.

Understand that entering Korea is a long-term goal and needs to be done with the participation of a local agent or representative.
Annex

I. Important Links
1. Korea - Market Overview
   https://www.export.gov/article?series=a0pt0000000PAuBAAW&type=Country_Commercial_kav
2. Doing Business in South Korea
   http://www.southkorea.doingbusinessguide.co.uk/media/769230/South_Korea_Guide_Brochure.pdf
3. Food From Finland, Market Analysis
   https://www.businessfinland.fi/globalassets/food/fff_coachingday_korea_presentation_final_it.pdf
4. E-Commerce In South Korea: A Canadian Perspective
5. ASEAN-Korea, Free Trade Agreement Guide
   https://www.koreatextile.org/
7. Korean Ministry of Agriculture, Food & Rural affairs
   https://www.mafra.go.kr/english/index.do
8. Korea Foodservice Distributors Association (KFDA)
   http://ikfda.or.kr/eng/about/about01.php

II. Lists of CLMV Embassies in Korea
1. Kingdom of Cambodia
   Ambassador Mr. Park Heung-kyeong
   Phum No.14(Koh Pich), Sangkat Tonle Bassac, Khan Chamkarmon, Phnom Penh, Cambodia
   Tel : (855) 23 211 900 / 211 901 / 211 902 / 211 903
   Fax : (855) 23 219 200
   E-mail : cambodia@mofa.go.kr, camboemb@Korea.com
   Office Hours : 08:00-12:00 and 13:30-17:00 (Monday-Friday)

2. Honorary Consulate of Cambodia in Busan, South Korea
   Consul : Ms. Jung-sook Ku
   5F Bando Building 36 Jungang-dong 4-ga Jung-gu Busan South Korea
   Tel: (+82) (51) 465-133

3. The People’s Democratic Republic of Laos
   Ambassador: Mr. Khamsoay Keodalavong,
   30-4, Dae sa gwan-ro 11 gil (657-9 Hannam-dong)
   Yongsan-gu, Seoul, R.Korea 04401
   Contact: Tel: (02) 796-1713 or 02-796-1714 Fax: (02) 796-1771
   Email : laoembassy.seoul@gmail.com
Export to Korea

Study Report

Website www.laoembseoul.blogspot.kr
Office Hours: 09:00-12:00 and 13:00-17:00

4. **Union of Myanmar**
Ambassador: Mr. Thant Sin,
Hannam-daero 28-gil 12, Yongsan-gu
Seoul 140-210- Korea (Republic)
Tel: (+82) (2) 790 3814 / 6
FAX (+82) (2) 790 3817
Email: myanmar@kotis.net, myanmare@ppp.kornet.net
Website: www.myanmar-embassy-seoul.com

5. **Vietnam**
Ambassador: Pham Huu Chi,
28-58, Samchong-Dong
Jongno-ku - Seoul 110-230 - Korea
Tel: (+82) 2 739 2065 (+82) 2 720 5124
FAX (+82) 2 739 2064
Email: vndsq@yahoo.com
Website: www.vietnamembassy-seoul.org

III. Examples of Importers

<table>
<thead>
<tr>
<th></th>
<th>E-marketplace operator and Handicraft trader</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Company: Limsco International Inc.</td>
</tr>
<tr>
<td></td>
<td>No.92, P.O.Box, Ilsan-Ku, Koyang-Si, Kyonggi-Do, South Korea, So Uth Korea, Zipcode: 411-350</td>
</tr>
<tr>
<td></td>
<td>Phone Number: 82-31-913-7902</td>
</tr>
<tr>
<td></td>
<td>Fax: 82-31-913-7908</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>KOREA FABRIC BUYERS (90 PRODUCTS)</th>
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<tr>
<td></td>
<td><a href="https://www.fibre2fashion.com/fabrics/korea-buyers">https://www.fibre2fashion.com/fabrics/korea-buyers</a></td>
</tr>
<tr>
<td></td>
<td>Handicraft – Textile (silk, cotton fabric, dress) producer</td>
</tr>
<tr>
<td></td>
<td>Company: DI DONGIL CORPORATION</td>
</tr>
<tr>
<td></td>
<td>Representative: Seo, Tae Won/Son Jae Seon</td>
</tr>
<tr>
<td></td>
<td>Industry Brokerage of Other Commodity</td>
</tr>
<tr>
<td></td>
<td>Initial Public Offering (IPO) Listed Company</td>
</tr>
<tr>
<td></td>
<td>Business scale: High Potential leading Enterprises</td>
</tr>
<tr>
<td></td>
<td>Address: 516, Teheran-ro Gangnam-gu Seoul</td>
</tr>
<tr>
<td></td>
<td>Products: Yarns/Textiles</td>
</tr>
<tr>
<td></td>
<td>HS Code: 520100, 520813, 520811</td>
</tr>
<tr>
<td></td>
<td>The number of employees: 310</td>
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<tr>
<td></td>
<td>Tel/Fax: 02-2222-3071 / 02-2222-3280</td>
</tr>
<tr>
<td></td>
<td>Website: <a href="http://www.dong-il.com">http://www.dong-il.com</a></td>
</tr>
<tr>
<td></td>
<td>Company: Cosmo Cleantech Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td>Representative: Chi, Nam Su</td>
</tr>
<tr>
<td></td>
<td>Industry: Wholesale of Textiles</td>
</tr>
</tbody>
</table>
### Initial Public Offering (IPO) General
**Business scale**: small and medium-size enterprises (SMEs)
**Address**: 1711-ho, 90, Gyeongin-ro 53-gil Guro-gu Seoul
**Products**: Textile wholesale
**HS Code**
**Tel**: 02-2631-7539
**Fax**: 02-2676-7539
**Website**: [http://www.cosmoct.co.kr](http://www.cosmoct.co.kr)

### Home Decoration – manufacturer and trader Company
**Woono Design Co., Ltd.**
**Representative**: Jang, Ju In
**Initial Public Offering (IPO) General**
**Business scale**: small and medium-size enterprises (SMEs)
**Address**: 21, Nonhyeon-ro 24-gil Gangnam-gu Seoul
**Products**: Interior decoration work
**The number of employees**: 34
**Company Name**: Palmpring Co., Ltd.
**Address**: A-12, 2F, COEX, World Trade Center, Samsung-Dong
**Zip/Postal code**: 135-091
**City/Region**: Gangnam-Gu
**Country**: South Korea
**Telephone**: +82-2-60000048
**Email**: samkyoung.com
**Website**: [http://samkyoung.com/](http://samkyoung.com/)

### Agri-foods – rice, peppers, cashews nuts, palm sugars.
**Trader**: Sam Kyoung
**Address**: 10st. 6 Samkyoung Bldg., Nonhyeon-ro, Gangnam-gu, Seoul, Korea 135-962
**Tel**: 82-2-578-8385
**Fax**: 82-2-578-3708
**Website**: [http://samkyoung.com/](http://samkyoung.com/)
**Email**: ceo@gitdeum.com
**Phone**: 063-715-1900 | **Fax**: 063-715-3037 | **Address**: 2, Geumsang-gil, Deokjin-gu, Jeonju-si, Jeonju-si, Jeollabuk-do (Sanjeong-dong)
**Contact**: gitdeumceo@daum.net
**Website**: [http://gitdeum.com/](http://gitdeum.com/)
**http://best-food-importers.com/business-directory/wpbdp_category/korea/**
**Company**: Samjoo Marketing Inc.
**Representative**: Sim, Jae Beom
**Industry**: Wholesale of Fruit and Vegetables
**Initial Public Offering (IPO) External auditing**
**Business scale**: small and medium-size enterprises (SMEs)
**Address**: 14, Seocho-daero Seocho-gu Seoul
**Products**: Oranges, Grapes, Jujube, oranges, grapes, strawberries, Strawberries, agriculture, bananas, oranges, kiwi, Grapes, grapefruit, lemon, fresh pomegranate, cherry, mango, FRESH ORANGE, GRAPEFRUIT, LEMON, GRAPE, ORANGE, FRESH POMEGRANATE, CHERRY, MANGO, APPLE MANGO, FRESH LEMON, GRAPES
**The number of employees**: 11
**Tel / Fax**: 02-522-9311 / 02-522-9905
## Export to Korea

### Study Report

<table>
<thead>
<tr>
<th>No.</th>
<th>Product/Industry</th>
<th>Company Name</th>
<th>Address</th>
<th>Zip/Postal code</th>
<th>City/Region</th>
<th>Country</th>
<th>Contact Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Coffee - producer, processor and trader</td>
<td>Adagio International Inc.</td>
<td>1544-1895, 82-51-703-1895</td>
<td><a href="mailto:adagio1895@naver.com">adagio1895@naver.com</a></td>
<td><a href="https://en.52wmb.com/cb-south_korea/coffee">https://en.52wmb.com/cb-south_korea/coffee</a></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Beauty and Skin Care Manufacturer</td>
<td>Adagio International Inc.</td>
<td>Young Hwan KIM, President</td>
<td>84-676 Coffee producer, processor and trader</td>
<td><a href="https://www.beautykoi.com/">https://www.beautykoi.com/</a></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Tea – producer, processor and trader</td>
<td>Afo &amp; Trade Company</td>
<td>201 Ilsung Bldg, #6-17, Yangjae-dong, Seoul</td>
<td>41gt9W2_5UmFg-WKgSk8ofjAo626rxtJD83kDw-OG1eJZf3qE9mS8x3JfGtWvkaYzi0X9UhK_U7AGUVTo6dngK_5Xj2R0SsMS48QpyURfsWIaEvFK8yk0XTSa1pEzbb9j-pctQ</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Forestry and Fishery Products</td>
<td>Choung Yong Susan Co., Ltd.</td>
<td>4 Shinrye-ri, Namwon-eup, Seocho-gu, Seoul</td>
<td>699-803</td>
<td>South Korea</td>
<td><a href="mailto:bd1109@gmail.com">bd1109@gmail.com</a></td>
<td><a href="http://www.bluedragon.co.kr/">http://www.bluedragon.co.kr/</a></td>
</tr>
</tbody>
</table>
IV. List of Useful Contacts - Agents/Distributors

1. Korea Importers Association
   169, Bangbae-ro, Seocho-Gu, Seoul, Korea
   Tel: 82-2-583-1234
   Fax: 82-2-798-5461
   Website: http://www.koima.or.kr

2. The Korean Commercial Arbitration Board (KCAB)
   43rd Fl., Trade Tower(Korea World Trade Center) 511, Youngdong-daero, Kangnam-Gu, Seoul 06164, Korea
   Tel: 82-2-551-2000
   Fax: 82-2-551-2020
   Website: http://www.kcab.or.kr

3. Korea International Trade Association (KITA)
   511,Yeongdongdae-ro,Gangnam-gu,Seoul,Korea
   Tel: 82-1566-5114
   Website: http://www.kita.net

https://www.europages.co.uk/companies/South%20Korea/import%20export%20agents.html
https://www.globaltrade.net/m/c/agent-distributors/South-Korea.html
https://www.tradekorea.com/main.do
https://kr.kompass.com/a/importers-and-exporters/81100/