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F2F Health Matters: International development of innovative European healthy food, and sustainable bio-based techno-functional ingredients and solutions, and bio-solutions in new global markets

D1.3 Country analysis – South Korea

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Abbreviations and Acronyms

CAGR	Compound Annual Growth Rate
FTA	Free Trade Agreement
GDP	Gross Domestic Product
HFF	Health Functional Food
HMR	Home Meal Replacement
ICT	Information and Communication Technology
IMF	International Monetary Fund
M.€	Million Euros
OECD	Organisation for Economic Co-operation and Development
PSL	Positive List System
RCEP	Regional Comprehensive Economic Partnership
SITC	Standard International Trade Classification

Executive summary

This document provides information about the South Korean market and the opportunities for EU companies in the healthy food and bio-solutions sector.

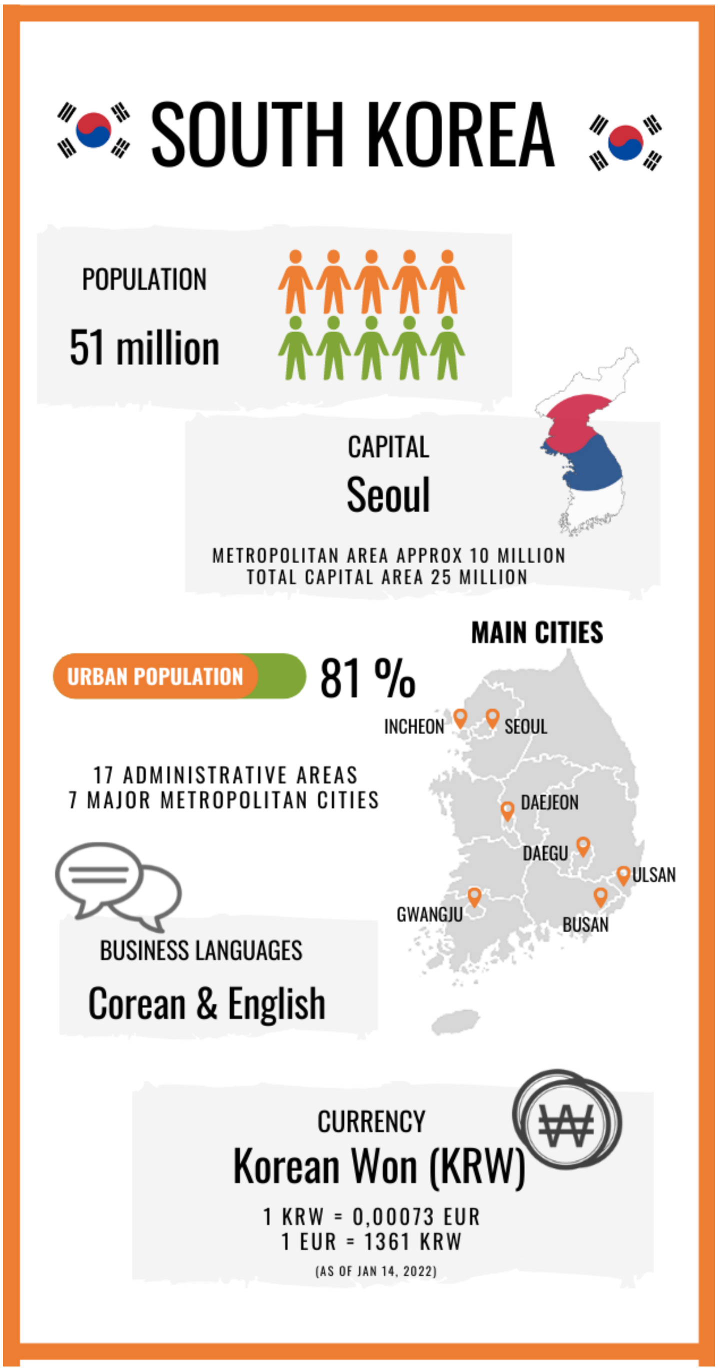
To this end, the report firstly provides a market overview of South Korea, in which the economic data of the country is studied. It also shows relevant information about the food and beverage industry in the Korean market.

To provide more information, it analyses the trade relations and trade agreements that exist between South Korea and the EU, providing, based on this data, information on the requirements necessary to export to the Asian country (entry barriers, documentation, risks, etc.).

Finally, the report includes trends on healthy and bio sustainable food in the market, and a study about Korean consumers.

1 Market overview

Figure 1. General data - South Korea



The Republic of Korea (hereinafter referred to as "South Korea" or "Korea") is located in the central part of Northeast Asia, bordering China to the west, Japan to the east and North Korea in the north.

Korea is a densely populated country (531 inhabitants/km^2). Its capital, Seoul, is one of the world's most populous metropolitan areas (approximately half of the Korean population lives there).

The Government of South Korea is a centralized democratic republic with the three main branches of government: executive, legislative and judicial. The president acts at the head of state and is the highest figure of authority in the country, followed by the prime minister.

Korea is a developed country and a member of OECD's Development Assistance Committee, the G20, and the Paris Club.

It´s ranked as the 23rd world´s highest country on the Human Development Index (HDI) (the 7th in the Asia and Oceania region). Its economy ranks as the world's 10th largest by nominal GDP. Its citizens enjoy one of the world's fastest Internet connection speeds and the densest high-speed railway network. The country is the world's 7th largest exporter and 9th largest importer (*World Trade Organisation, 2020*).

1.1 Economic data

Table 1. Economic data - Korean Market 2020

ECONOMIC DATA (2020)	
Population	51 780 579
Population growth (annual)	0,1%
GDP (M.€)	1 436 688
GDP growth	-1,0%
GDP per capita (€)	27 745
GDP per capita growth	-1,1%
Inflation rate	0,5%
Current account balance (€)	75 275 700 (4.6% GDP)
Total debt (M.€)	621 074 (42.13% GDP) (2019)
Exports (M.€)	448 693,8 (37% GDP)
Imports (M.€)	409 414,1 (33% GDP)
Trade balance (M.€)	39 279,7 (2.73% GDP)
Gini Index	0,34 (2019)
LABOUR MARKET	
Unemployment rate	3,94%
Minimum wage (€/month)	1 385

South Korea ranked 10th among the world's largest economic powers in 2021 and 4th in Asia. It is known for its rapid transition from one of the world's poorest countries to a high-income developed country in just one generation.

South Korea's economy is a highly developed mixed economy dominated by family-owned conglomerates called chaebols[1].

Korean economy contracted by 1% in 2020 due to Covid-19 pandemic, with inflation at 0,5% and unemployment at just 4,9%. (a very positive result considering the economic impact of pandemic on most developed economies) There were good prospects for the economy to recover in 2021. In the first quarter of 2021, GDP increased by 1,6%. and the inflation rate, which was 0,5% in 2020, reached 3,7% in December 2021, a rate that is at a decade high of 2,5%. The economy is expected to continue to grow solidly in 2022.

During 2021, the government committed to boosting the economy through expansionary fiscal spending. As a result of this measure, employment data have improved. The government is also focus on business prosperity, supporting employment and social safety nets, adopting industrial innovation measures to reorganise manufacturing and service industries, and develop emerging industries such as artificial intelligence.

Information technology is the most influential element in the Korean economy, but also shows strong global competitiveness in other industries, such as vehicles, steel, chemicals, cell phones, and semiconductors.

[1] *Business model implemented in South Korea in the second half of the 20th century, based on large conglomerates with a presence in different economic sectors. They are the pillars of the Korean economy (generating more than 60% of the GDP) and of the country's exports. Examples: Samsung, Hyundai, LG, Lotte and SK Group.*

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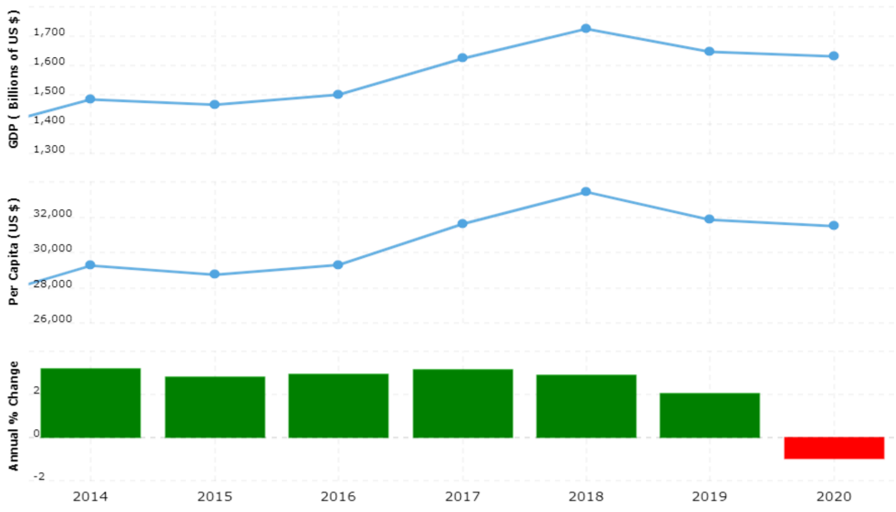
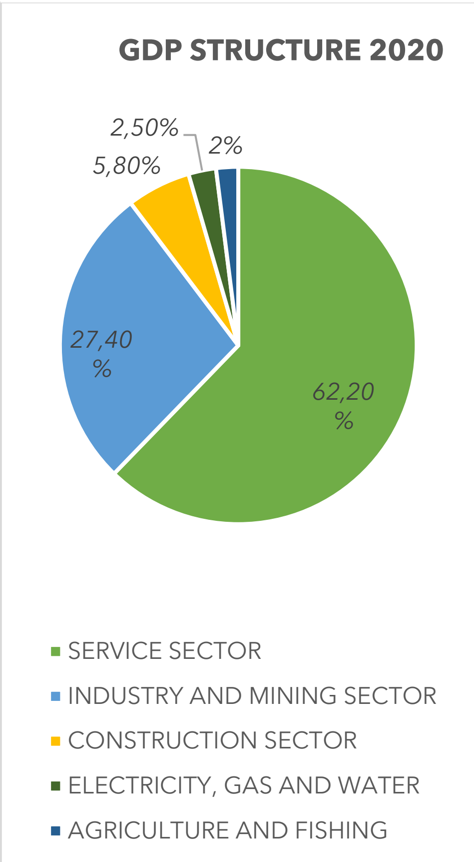
Table 2. Evolution of GDP and GDP per capita in South Korea (2014 - 2020)



SOURCE: MACROTRENDS

Figure 2. GDP structure in South Korea 2020



SOURCE: WORLDBANK

South Korea's Gross Domestic Product (GDP) was worth 1436,688 billion EUR (1630,53 billion USD) in 2020, according to official World Bank data. Thus, the value of South Korea's GDP represents 1,44% of the world economy.

GDP per capita is a very good indicator of living standards and in the case of South Korea making it 30th out of 196 countries in the GDP per capita ranking.

The GDP has grown by 10% in 2021, and the Bank of Korea estimates in its latest forecast (May 2021) that GDP will grow by 3% in 2022.

Inflation has reach 2.5% in 2021 and is expected to reach 1.4% in 2022. On the labour market, As of November 2021, the unemployment rate across all age groups in South Korea is at 3,1%. unemployment is expected to reach 3.8% in 2022, due to a moderate recovery in services. The Bank of Korea forecasts that this year's current account surplus will decrease compared to last year due to a decline in the goods account surplus.

These forecasts (shared by the OECD and the IMF) are better and more favourable than for the rest of the advanced economies, as a direct consequence of **Korea's resilience in the response to the Covid-19 crisis.**

1.2 Agri-food and beverage industry in South Korea

South Korea is a net importer of agri-food products, importing more than 60% of its food requirements (this percentage is continuously growing). The top global partner for food and beverage trade is the United States, followed by China, Australia and the European Union.

South Korea has a structural food deficit, which makes it an interesting market for agri-food imports.

Traditionally, the South Korean diet has been based on rice accompanied by fish, vegetables, soybeans and meat; and while domestic rice production is usually sufficient to meet demand, there is a deficit of the other ingredients. In addition, the popularity of non-traditional agri-food products is increasing.

Due to its limited agricultural production, the EU has a positive agri-food trade balance with the Asian country. The value of agri-food imports to South Korea from the EU has been increasing to 3 billion EUR in 2017, while Korean exports to EU are just 200 million EUR.

South Korea's food and beverage market is expected to reach 90 049 million EUR by 2024.

The prospects for food exports to the Korean retail sector are excellent for a wide range of products, including beef, pork and poultry, seafood, processed vegetables, fresh and processed fruits, nuts, dairy products, juices, alcoholic beverages, condiments, and sauces, processed organic foods, bakery products, snacks and confectionery.

Exports of consumer-oriented products such as meat, dairy and processed products continue to increase as Korean consumers' demand for better quality and product diversity.

Regarding food and beverage e-commerce in Korea, the food and beverage segment's revenue is expected to reach 7 998 million EUR in 2021, showing a CAGR of 12,72%, resulting in a projected market volume of 12 909 million EUR by 2025.

In the food and beverage segment, 10% of total market revenues will be generated through online sales by 2023.

1.3 Opportunities for Agri-food and beverage industry in South Korean market

Korea is a fast-paced market where new ideas and trends are eagerly tested and embraced. Consumers are remaining highly tuned in to new international food and consumer trends as their exposure to foreign food culture expands.

The consumer trend towards Western cuisine and the increasing of online food ordering are the key factors driving the South Korean food and beverage market.

Products present in the market that have good sales potential in this sector include fresh, chilled, and frozen beef and pork, edible offal, sausage casings, nuts, fish and seafood, spices, cheese and curd, tree nuts, wheat, soybeans and soybean oil, chocolate, food preparations, malt, fruit juices including concentrates and extracts and essences.

Korean consumers remain highly concerned about food safety and especially with the Covid-19 pandemic, there is an increased consciousness of the role of food in a healthy lifestyle, which means that health foods and functional foods have potential in the market.

Therefore, Korean consumers are basing their purchases on how "green" food and beverage products are, and **organic food** is becoming a growing sector since there is an increasing understanding of what this means.

Korean consumers attach great importance to **convenience**. Demographic trends have led to a growing demand for home meal replacement (HMR) products in retail shops, as well as takeaway meals in restaurants. The demand for convenience has also driven rapid growth in online food sales and restaurant delivery services.

Korea has a strong food processing industry that manufactures a wide variety of food and beverage products. The country had more than **29 000 food processing companies** that generated 66,1 million USD in sales in 2018

The Korean food processing industry, although very established, is heavily dependent on imports of raw materials, intermediate ingredients and additives, due to limited local supply. As a result, Korea's food processing industry offers an exceptional opportunity for imported agricultural products for use in processing, including commodities such as wheat and soybeans, intermediate ingredients such as vegetable oils and fruit juice concentrates, and food additives such as flavourings and colourings (imports of agricultural commodities and intermediates amounted 13,2 million USD in 2018).

EU agricultural and processed food products enjoy a good reputation among Korean consumers, with the largest imports being pork, whisky and dairy products.

1.4 Characteristics of Korean consumers

The Korean consumer has sophisticated tastes and a high purchasing power. It is a market that is rapidly opening outwards, demanding **quality foreign products** (with an increasing interest in Europe) that combine design and reliability.

Korean consumers are now changing their tastes and consumption habits. This is due to increasing living standards (higher purchasing power) and greater contact with the outside world (especially through tourism, which has been experiencing strong growth in recent years, and through audio-visual media). The changes are making **Korean consumers more receptive to European products** and more sophisticated in their purchases.

The Korean market reflects global food trends. The increasing number of single-person households (30% of households in 2020) and the rising participation of women in the labour force are influencing food purchasing patterns.

Consumers want convenient and affordable food products that fit their lifestyles. A small share of **home meal replacement (HMR) products** has experienced rapid growth due to this trend. In recent years, companies have also introduced HMR products that provide complete meals for larger households.

Food consumption trends in Korea, reflecting ongoing socio-economic changes among the general Korean public, include an increasing number of affluent consumer groups, retirement of baby boomers, more women in the labour market, family downsizing, high travel/educated younger generations, urbanisation, and adoption of information technologies. As a result, products and businesses that offer good value, high quality, health/nutritional benefits, new and diversified tastes, and convenience are showing strong growth in the market.

The growing demand for healthy products is linked to the ageing of the population. This has resulted in a recent trend for functional foods. There is also interest in organic food; the market has grown by around 10% annually with dairy products, olive oil, wines and baby products.

1.5 Total EU exports of agri-food and beverages to South Korea

EU exports to South Korea were 3 029 million euros in 2020 in the agri-food and beverages category.

Figure 3. EU agri-food exports to South Korea by product category

SOURCE: COMEX – EUROSTAT

Table 3. Evolution of 20 top EU agri-food exports to South Korea (2016-2020)

		EXPORTS					
		Value (million EUR)					%
		2016	**2017**	**2018**	**2019**	**2020**	**Share in all Agri 2020**
	Total agri-food and beverages	**2 363**	**2 676**	**2 837**	**2 967**	**3 029**	**100,0**
1	*Pigmeat, fresh, chilled and frozen*	594	662	744	654	557	18,4
2	*Wine, vermouth, cider and vinegar*	107	119	131	151	196	6,5
3	*Cheese*	142	172	132	159	189	6,2
4	*Food preparations, not specified*	89	102	123	141	186	6,1
5	*Milk powders and whey*	101	120	119	139	170	5,6
6	*Chocolate, confectionery and ice cream*	155	149	145	169	166	5,5
7	*Pasta, pastry, biscuits and bread*	80	92	96	102	113	3,7
8	*Beer*	64	96	109	113	98	3,2
9	*Casein, albuminoidal substances and modified starches*	61	60	53	73	90	3,0
10	*Infant food and other cereals, flour, starch or milk prep.*	40	52	57	73	86	2,8

		EXPORTS					
		Value (million EUR)					%
		2016	**2017**	**2018**	**2019**	**2020**	**Share in all Agri 2020**
11	*Fresh milk and cream, buttermilk and yoghurt*	41	49	66	71	79	2,6
12	*Preparations of vegetables, fruit or nuts*	42	51	52	57	74	2,4
13	*Vegetable oils other than palm & olive oils*	48	47	50	65	72	2,4
14	*Roasted coffee and tea*	21	25	28	42	69	2,3
15	*Pet food*	59	68	73	62	66	2,2
16	*Cereals, other than wheat and rice*	17	7	27	51	64	2,1
17	*Gums, resins and plant extracts*	32	40	35	54	63	2,1
18	*Starches, inulin & gluten*	61	63	64	61	62	2,0
19	*Olive oil*	54	62	54	58	57	1,9
20	*Fruit juices*	22	35	33	41	54	1,8
	Remaining Agri-Food products	532	606	647	629	517	17,1

SOURCE: COMEX – EUROSTAT

1.6 Share of agri-food imports and exports from EU to South Korea

South Korea is the 12th country of destination for EU food and beverages. With a value of 3 029 million euros, it represents a 1,7% share of extra-EU exports.

On the other hand, Korea is the 57th exporter of food and beverages goods to the EU, exporting 0,2% of the share, amounting around 218 million euros.

As we have already seen in the previous section, the main EU exports to South Korea (referring to the food and beverage sector) are fresh, chilled and frozen pig meat, wine, vermouth, cider and vinegar, cheese and food preparations.

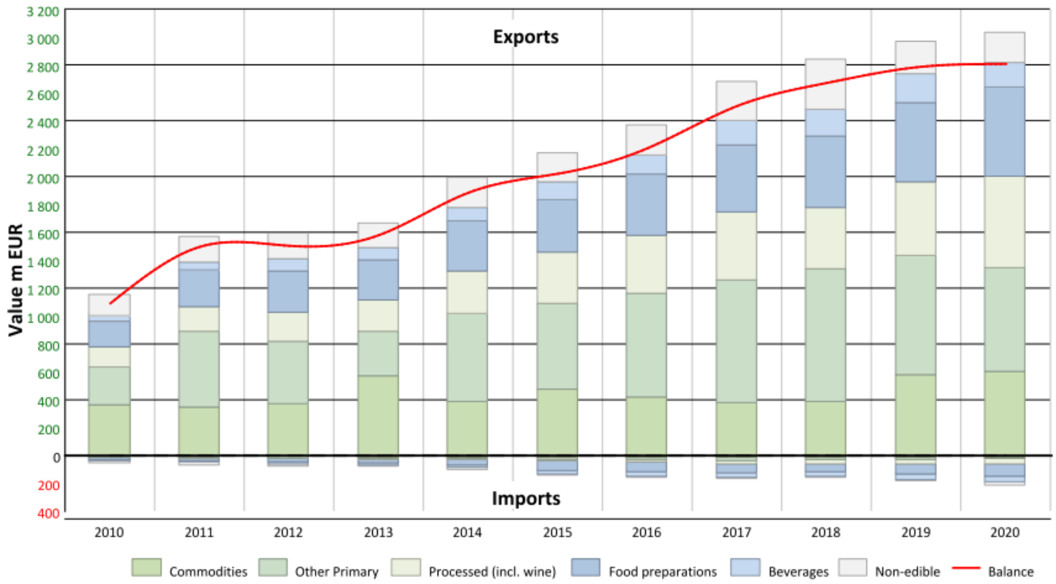
Korean exports to the EU are mainly pasta, pastry, biscuits and bread, waters and soft drinks and preparations of vegetables, fruits or nuts.

Table 4. Trade indicators EU27 with South Korea

	UNIT	EXPORTS	IMPORTS	BALANCE
EU27 Total trade value with South Korea	**Million EUR**	45 268	44 075	1 193
EU27 Agri-Food trade value with South Korea	**Million EUR**	3 029	218	2 811
Share of EU27 total trade with South Korea	**(%)**	6,7	0,5	N.A.
Change 2019-2020	**(%)**	2,1	20,4	N.A.
Annual rate of change from 2010-2020	**(%)**	10,2	14,8	N.A.

SOURCE: COMEX – EUROSTAT

Figure 4. Evolution of EU agri-food exports to South Korea (2010-2020)



SOURCE: EUROPEAN COMMISSION

1.7 Health functional food market in South Korea

Functional health food market in South Korea nearly doubled in 5 years, it amounted as high as about 4,18 trillion won in 2020 compared to about 2,23 trillion won in 2015.

The Korean government defines Health Functional Food (HFF) as a food, or a product manufactured (including processing) using functional ingredients that are nutritious and beneficial to the human body.

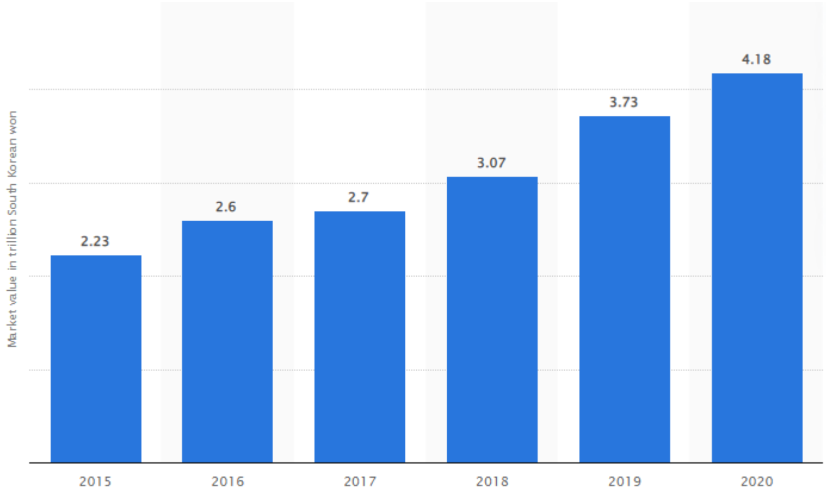
Functional health foods (HFF) refer to specific products made by compacting elements into easily consumable packages. They are consumed because of their health benefits, such as improving eyesight, fighting natural ageing or strengthening the immune system.

Functionality is recognised for foods or ingredients that aim to improve certain aspects of health, such as: reduction of body fat, improved immune function, relaxation, antioxidant, fatigue relief, improved sleep quality, children's growth, improved premenstrual condition or improved cognitive ability, maintenance of healthy triglyceride, cholesterol or blood pressure levels, healthy liver function, joint and bone health, activity performance capacity, aiding calcium absorption, eye health, tooth health, improved memory capacity, improved skin conditions, gastrointestinal health, improved urinary function, menopausal male and female health, etc.

In 2020, the functional health food market in South Korea reached 4,18 trillion KRW, with a year-on-year growth of 6,6%. This growth is due to increasing health-conscious consumers amid a global pandemic, and new launches from various brands.

Both local production and imports of functional health foods have experienced rapid and continuous growth over the past five years. Imports came mostly from the United States, Canada, Germany, India and Taiwan, with the combined total from these countries taking 81,7% of the market share in value terms in 2019.

Figure 5. Size of the health functional food market in South Korea from 2015-2020 (in trillion KRW)



SOURCE: STATISTA

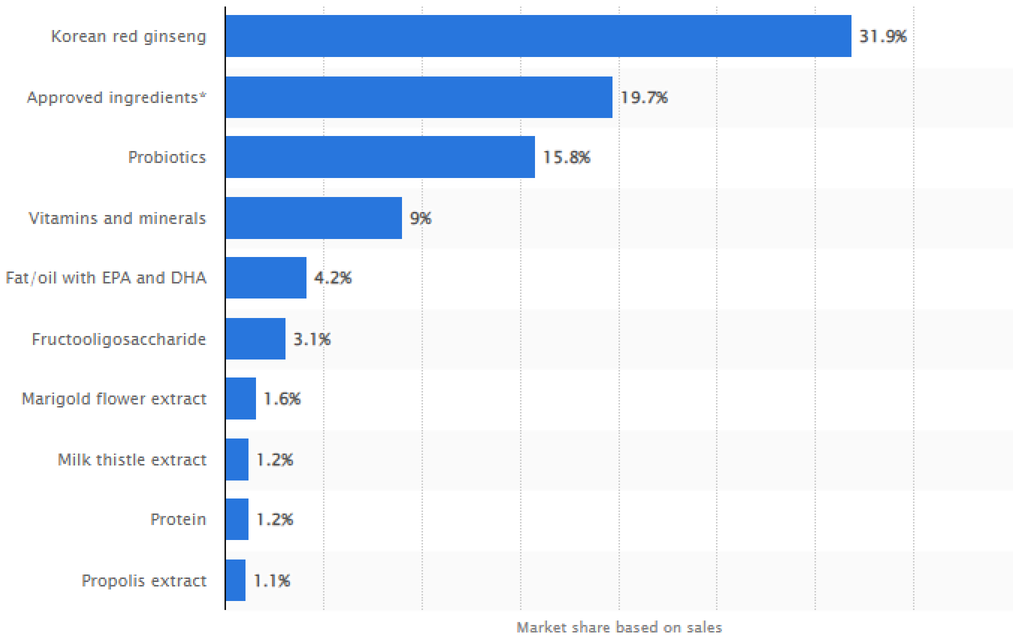
In 2020, Korean households spent an average of 37 920 KRW (≈ 277 EUR) on functional health foods per year, with 8 out of 10 households purchasing these products at least once a year. Red ginseng, probiotics, vitamins, multivitamins, and edible oils containing EPA and DHA, known as omega 3, are the four best-selling items in 2020.

Red ginseng products were the most popular functional health food in Korea in 2020. Their sales value exceeded 1 trillion South Korean Won. Red ginseng is made by steaming and drying ginseng for preservation and has a reddish colour. Sales of red ginseng products accounted for almost 32% of the total, reinforcing its marketing as a health supplement for all occasions.

Another popular type of functional health food is probiotic products, whose sales are steadily increasing. One example is the Yakult beverage.

The main producers of functional health foods in South Korea were the two plants of the Korea Ginseng Corporation in Wonju and Buyeo. Together, they generated sales of about 800 billion won. This demonstrates the immense popularity of Korean ginseng as a functional health food. Also notable is the beverage company Korea Yakult, with sales of almost 170 billion won. Its best-known product is Yakult, a popular probiotic drink originally invented in Japan but sold in several Asian countries.

Figure 6. Distribution of health functional product sales in the South Korean market in 2020, by type



SOURCE: STATISTA

1.8 Bio solutions in South Korea

Biosolutions are all "intrants" used in agriculture, which are organic in nature and often characterise sustainable agriculture. The three main categories of products usually referred to as biosolutions are: biopesticides, biostimulants and biofertilisers. This section also includes agricultural technology (AgTech), which are all new farming systems and innovations aimed at increasing agricultural productivity, always with an environmentally friendly approach.

Globally, the pesticide industry has experienced growth as a result of developments in the biopesticide industry. South Korea constitutes one of the fastest growing consumers of biopesticides in Asia-Pacific, with a CAGR value of 16,4% during 2017-2022.

South Korea is characterised by scarce agricultural resources and high levels of expenditure on pesticides per hectare of agricultural land. The country has put in place systems for registration and R&D of biopesticides, which help accelerate the development and commercialisation of these products.

In 2019, the Korean crop protection market was valued at USD 1,26 billion. In terms of the pesticide category, insecticides have the largest market share (38,1%), followed by fungicides (34,5%) and herbicides (24,6%).

The biopesticides and biostimulants market is estimated to be worth USD 300 million. This market sector is growing at an annual rate of 5-10%. The main driving forces towards rapid growth can be summarised as the introduction of PLS (Positive List System), increasing chemical resistance and the expansion of online marketing.

1.9 AgTech in South Korea

The focus of Korea's agricultural policy under the master policy of the Fourth Industrial Revolution is "smart agriculture" (also referred to as AgTech). Smart agriculture in Korea targets the use of **ICT, high-tech systems and machinery**.

In contrast to other sectors in the country, Korean agriculture is still underdeveloped and has suffered from labour shortages as farmers age and the younger generation avoids farming. To overcome this obstacle, Korea wants to implement more efficient and modern smart agriculture and develop agriculture as another engine of the Korean economy.

Korea has several challenges in developing high-tech agriculture and smart farming, such as the small size of agricultural land, insufficient cooperation and lack of entrepreneurship among stakeholders.

Although the government's ambition is to modernise the industry with new policies, it faces a series of barriers to this development. Farmers are still hesitant to join efforts to modernise agriculture, and technology companies tend to rely on subsidies without entrepreneurial spirit. This means that policy cannot have its full effect and rarely triggers development or innovation in the sector.

There are facts that explain the barriers for Korean industry to develop and establish smart agriculture. Such as the fact that the farm area per land holding is only 1,6 ha, the average age of farmers is 66 years old, and rural income is only 60% of urban income. In this situation, Korean farmers are not in a very advanced position to think about new things like smart technology, environment and cooperatives. Trade relations between South Korea and the EU.

For innovation in the agricultural population, it is important to educate and train researchers and farmers. Korea needs to acquire knowledge and expertise for high-tech agriculture and smart farming. Although the Korean government and research institutes strive to develop their own technology, the level still lags behind countries with advanced agriculture (such as Europe).

2 Trade between South Korea and the EU

2.1 EU Free Trade Agreement with South Korea

South Korea has adopted the open market economy, it is negotiating with numerous countries to sign free trade agreements (FTAs), allowing foreigners to invest in the country freely, and encouraging local companies to invest in foreign countries with the same freedom, with the aim of expanding its economic territory worldwide.

Since 2015, South Korea is one of the only countries in the world to have free trade agreements with the US, the European Union and China, establishing itself as **one of the main hubs in East Asia in the global trade scene.** In addition, South Korea's recent decision to join the Regional Comprehensive Economic Partnership (RCEP), a free trade agreement signed by 15 Asia-Pacific nations, has further consolidated its strategic trading position.

As a result, many small and medium-sized EU exporters have decided to form their first Asian trade partnerships in South Korea expecting to gain back-door access to other emerging markets in the region.

Korea's relations with the European Union are structured around the 2010 Strategic Partnership and the bilateral Free Trade Agreement in force since July 2011. It was the first FTA signed by the EU in Asia and is one of the most ambitious due to the partial inclusion of the services sector. The agreement defines some commitments on market access, approvals, intellectual property, and government procurement, and includes annexes on trade in electronics, vehicles and their parts, pharmaceuticals, medical devices and chemicals with specific clauses. The FTA has brought about a marked change in trade relations with Korea.

The EU and Korea are important trading partners (the EU was South Korea's 3rd largest partner in 2020 and South Korea has become the EU's 9th largest trading partner), with trade between both countries growing by 45,9% between 2010 and 2020.

The agreement has specialised committees and working groups between the two parties to monitor the implementation of the agreement and ensure its proper functioning.

These bodies also provide an opportunity to seek solutions to market access concerns and to engage in closer regulatory cooperation.

For more information about the EU-Korea free trade agreement in practice:

- https://op.europa.eu/en/publication-detail/-/publication/4878c0b2-58be-4db9-8984-8982c8fb84b1
- https://trade.ec.europa.eu/access-to-markets/en/content/eu-south-korea-free-trade-agreement

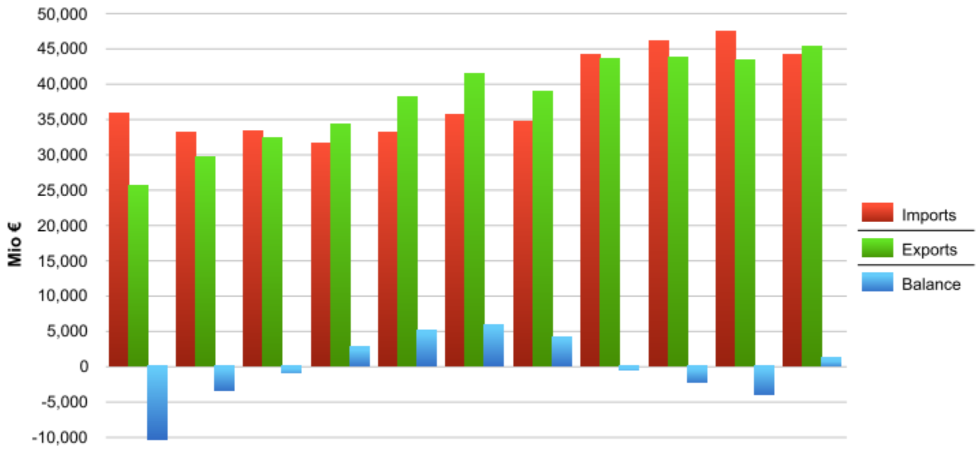
2.2 General trade data

The EU-Republic of Korea Fair trade agreement (FTA) has eliminated around 99% of tariffs.

It has had a clear impact on the volume of bilateral trade since its entry into force a decade ago. Total trade between the EU and South Korea increased by almost 50%, from around 60 million EUR to 90 million EUR, over the period 2010-2020.

The EU-Republic of Korea FTA has also affected relative trade flows between the EU and South Korea. Since the entry into force of the FTA, EU merchandise exports to Korea have increased at a higher rate than Korean exports to the EU. In the period 2010-2020, EU exports to South Korea increased by 70%, while imports grew at a much lower rate of 32%.

Figure 7. Total goods: EU and South Korea trade flows and balance, annual data 2010-2020



SOURCE: EUROPEAN COMIMISSION

Table 5. European Union, trade flows with South Korea by SITC section (2017-2020)

	IMPORTS				EXPORTS			
	VALUE MILL. EUR				VALUE MILL. EU			
	2017	**2018**	**2019**	**2020**	**2017**	**2018**	**2019**	**2020**
Total	44 036	46 056	47 426	44 105	43 508	43 760	43 350	45 291
0 Food and live animals	254	227	224	247	1 992	2 027	2 027	2 259
1 Beverages and tobacco	34	36	40	41	394	509	416	417
2 Crude materials, inedible, except fuels	535	607	608	573	821	878	950	986
3 Mineral fuels, lubricants & related materials	1 014	747	1 187	620	595	531	227	359
4 Animal and vegetable oils, fats and waxes	3	2	3	20	113	106	127	135
5 Chemicals and related products	8 052	7 229	7 721	9 063	6 673	7 174	7 353	7 242
6 Manufactured goods classified chiefly by material	5 851	6 621	6 234	5 487	3 413	3 556	3 571	3 340
7 Machinery and transport equipment	25 623	27 582	28 536	25 277	22 455	22 293	21 468	23 732
8 Miscellaneous manufactured articles	2 397	2 433	2 315	2 407	5 934	5 755	6 178	5 981
9 Commodities and transactions	190	341	262	175	698	315	315	421
Other	83	232	297	196	420	615	538	419

SOURCE: EUROPEAN COMMISSION

Funded by the European Union

The most important goods exports from the EU to South Korea are machinery and household appliances, transport equipment and chemicals. And the EU's main imports from South Korea are machinery and appliances, transport equipment and plastics. Industrial goods account for 96,1% of bilateral trade between the two blocs.

In agri-food products, the European surplus has been growing in recent years, as exports to Korea increased (+4,9% in 2018 and +4,5% in 2019). However, this trend was broken in 2020 when exports in this sector fell by 5,4% compared to the previous year due to logistic issue during COVID19.

The agreement left scope for improvement in the area of trade in fresh agri-food products and investment, and some difficulties persist in the form of non-tariff barriers.

2.3 Main trade partners

The export-oriented policies of South Korea are one of the most important factors of its economic success. The country is heavily integrated into international trade and finance and is subsequently highly vulnerable to external influences, especially from China, which is its main trade partner.

Korea exported 765 015 billion USD around the globe in 2020. Two-thirds (64,4%) of South Korea's exports by value in 2020 were delivered to fellow Asian countries, while 17,2% were sold to North American importers and another 12,1% to Europe.

Figure 9. Imports to South Korea (by country 2020)

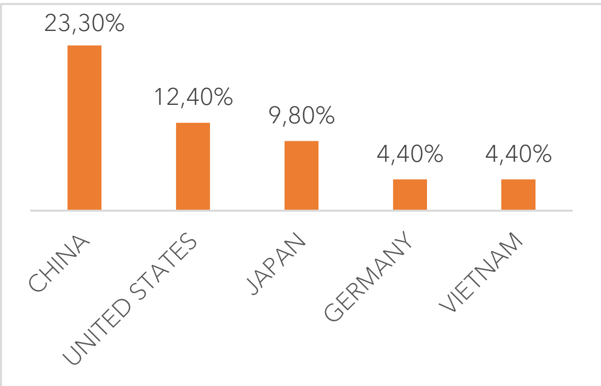
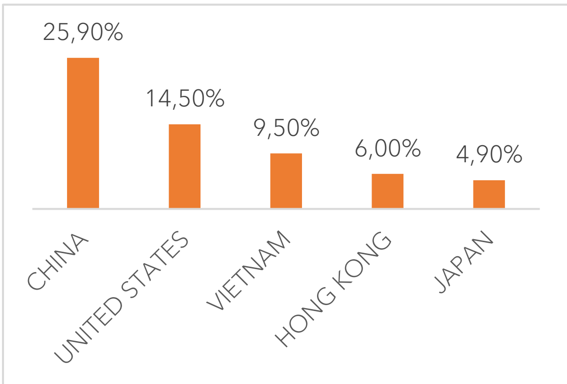


Figure 8. Exports from South Korea (by country 2020)



SOURCE: COMTRADE

The country is heavily integrated into international trade and finance and is subsequently highly vulnerable to external influences, especially from China, which is its main trade partner.

The export-oriented policies of South Korea are one of the most important factors of its economic success.

2.4 Country of origin image perception in the South Korean market

BELGIUM	
COUNTRY MARKET SHARE*[2]	0,28% (1,30 billion USD)
FOOD AND BEVERAGE EXPORTS TO SOUTH KOREA (2019)	Beer, chocolates, cheese, food preparations, other vegetables (frozen), confectionery sugar and bakery products
TOURIST EXCHANGE	No data available
INFORMATION ABOUT MARKET EXPERIENCE AND CONSUMER PERCEPTION	Koreans appreciate a range of high-quality food products from Belgium, such as pork, chips, chocolate and beer. Stella and Hoegaarden are well integrated brands, and an increasing number of specialty and craft beers are trying to enter the Korean market. Other Belgian companies with a presence in Korea include Solvay and Umicore.

FRANCE	
COUNTRY MARKET SHARE	1,25% (5,81 billion USD)
FOOD AND BEVERAGE EXPORTS TO SOUTH KOREA (2019)	Wine, spirits (<80% alcohol), cheese, butter and fish fillets
TOURIST EXCHANGE	750 000 Koreans visited France in 2019
INFORMATION ABOUT MARKET EXPERIENCE AND CONSUMER PERCEPTION	200 French companies are present in Korea employing 28 000 people and generating 10,000 billion won in gross revenue. 5 600 French companies, 65% of which are SMEs, export their products to South Korea. French food products are recognised as high-quality.

PORTUGAL	
COUNTRY MARKET SHARE	0,03% (153 Million USD)
FOOD AND BEVERAGE EXPORTS TO SOUTH KOREA (2019)	Frozen fish (excluding fillets), bakery products, wine, other vegetable fats and oil
TOURIST EXCHANGE	170 854 Koreans visited Portugal in 2018
INFORMATION ABOUT MARKET EXPERIENCE AND CONSUMER PERCEPTION	: It is an under-exploited market for Portuguese agri-food sector, but Portuguese products have a good image in the South Korean market, because our quality and our products present in the market are more premium segment.

SLOVAKIA	
COUNTRY MARKET SHARE	0,09% (399 Million USD)
FOOD AND BEVERAGE EXPORTS TO SOUTH KOREA (2019)	Chocolates, malt extract, food preparations & butter
TOURIST EXCHANGE	Approximately 30 000 Koreans visit Slovakia every year
INFORMATION ABOUT MARKET EXPERIENCE AND CONSUMER PERCEPTION	Slovakia doesn't have a significant export to South Korea yet, that´s why Slovak SMEs are mainly focused on the EU market. As a small and not well known European country, Korean consumers do not have an established opinion about Slovak products (either positive or negative).

[2] This data shows the country market share of exports of agri-food and beverage products from each of the studied origin countries to Korea in 2019

SPAIN	
COUNTRY MARKET SHARE	0,54% (2,53 billion USD)
FOOD AND BEVERAGE EXPORTS TO SOUTH KOREA (2019)	Pork, olive oil, fruit juices, wine, food preparations, sunflower seed oil & fish fillets
TOURIST EXCHANGE	630 797 tourists visited Spain in 2019
INFORMATION ABOUT MARKET EXPERIENCE AND CONSUMER PERCEPTION	Spain is highly appreciated by Koreans for its cultural and gastronomic elements. Although there are more than 4 000 Spanish companies exporting to Korea, only 10 of them concentrate 50 % of the exports (large and established companies such as Inditex group, Befesa, Amadeus IT group, Gamesa, etc.)

3 Exporting to South Korea

Korea's regulatory efficiency, coupled with its market openness and the government's willingness to accept foreign investment, make doing business in South Korea a wise choice. **South Korea is ranked 5th out of 190 countries in the Doing Business ranking, which ranks countries according to the ease of doing business.**

However, Korea still not an easy-entry country. Import requirements for Korea are quite strict and this can be complicated by requirements of certificates to confirm full compliance with legislation especially for fresh produce, including fresh fruit and vegetables and non-sterilised livestock products.

The market can be lucrative for the right types of products, such as healthy food products.

All foreign manufacturing facilities producing food and packaging for food to be sold or traded in Korea must be registered. This inevitably applies to all facilities producing food, food additives and food packaging.

Having the right import partner (either a distributor or a retailer) will be a key part for achieving the purpose of entering the country, as the partner will be the one to take care of the necessary formal requirements.

3.1 Entry to the market

In general, most imported convenience products enter the country through the port of Busan, or the port of Incheon, which is much closer to the Seoul market.

Korean retailers rely on independent importers or distributors to import food products. Therefor the supply chain for imported agricultural and food products often involves multiple intermediaries and distributors, which is part of the reason for the high consumer prices of many imported products in Korea.

Now, players strive to expand direct imports from foreign suppliers to reduce costs and improve product assortment, their focus is on a limited number of high-volume products, such as fresh fruit, livestock meat and seafood. **In recent years, hypermarket chains, grocery supermarkets, convenience stores and online retailers have grown rapidly** at the expense of traditional street markets and small family grocery shops. Developments in the food retail sector are expected to bring about a change in the way Korean consumers purchase their daily needs, including food.

3.1.1 Entry strategies

Small and medium-sized European companies interested in entering the Korean food and beverage market can consider 3 options:

STRATEGY 1: Sales channel through a general importer or distributor

Selecting the right importer is very important, as is the person who can help the company with technical aspects such as obtaining import licences and preparing the necessary back labels for the products. It also has the advantage that if there are problems with the import of a container, the importer is responsible to mediate with the authorities to solve the problem. Moreover, it is not limited to selling through a single channel.

The right importer can organise listings with both online and offline retail platforms and guide the company to get the best deal for the brand. Having an importer with a strong product portfolio will help reaching the most important customers and support the brand of the represented company, thanks to a wide network of contacts and a deep knowledge of the market.

STRATEGY 2: Direct sales to food retailers

Large retail chains in Korea, such as Lotte or Shinsegae, have their own international purchasing departments, so it´s possible (but complicated) to arrange direct cooperation.

The advantage is that the company that succeeds in entering the market through this channel will have access to the chain's shops and, therefore, immediate visibility. It is also possible for the company to increase its profit margins by eliminating the importer as an intermediary.

However, this has some disadvantages, especially for smaller companies that have limited bargaining power and may not have adequately understanding if the terms requested are reasonable and in line with market standards. In addition, they may not have synergies in inventory management or logistics costs if they sell to several importers.

Nevertheless, if the company is more established and recognised in the home market, this option is worth considering in case it has the capacity to handle several clients and if the company's reputation is sufficiently established.

STRATEGY 3: Direct sales through Coupang's cross-border e-commerce programme

Like China, Korea also has a growing cross-border e-commerce environment. Coupang (Korea's e-commerce giant) has developed a programme that supports small businesses looking to enter the market with labelling, registration (required for cross-border e-commerce in Korea) and visibility on the platform, so this can be a good way to test the market.

Coupang may be an excellent place to start, although other options should be considered if the company wishes to have a wider level of distribution.

It should be noted that for alcoholic beverages, importers must have a special licence and are not allowed to sell alcohol through cross-border e-commerce.

3.2 Import requirements and documentation

Since 2011, the EU-South Korea trade agreement **Fair trade agreement (FTA)** has removed customs duties on almost all products (99%), including fishery and agricultural products. It has also eliminated non-tariff barriers (NTBs) on exports of other products such as automobiles, pharmaceuticals, electronics and chemicals.

Korea has well-established standards and regulations on food and agricultural products. Imported products must meet all the local rules to be able to enter and be sold in Korea. For detailed information regarding standards and regulations that imported food and agricultural products are subject to in Korea, including Labeling, Packaging, Export Health Certificates, MRL (Maximum Residue Level) Code, and Food Additive Code, please refer to the following webpages:

Several agencies are involved in the import clearance process for agri-food products:

- **Korea Customs Service (KCS):** https://www.customs.go.kr/english/main.do
- **Ministry of Food and Drug Safety (MFDS). It establishes laws and regulations to control the safety of food imported into the country. Through its platform, an online registration of products entering the country is available in Korean and English, and without registration fees:** https://www.mfds.go.kr/eng/index.do
- **Ministry of Agriculture, Food and Rural Affairs (MAFRA):** https://www.mafra.go.kr/english/index.do
- **Animal and Plant Quarantine Agency (APQA, under MAFRA):** https://www.qia.go.kr/english/html/indexqiaEngNoticeWebAction.do
- **Food and Agricultural Import Regulations and Standards (FAIRS) Country Report Annual (or visit** www.atoseoul.com **or** www.fas.usda.gov **for more recent update).**
- **Animal & Plant Health Inspection Service (APHIS/USDA) Detailed information and guidance on export health certificates and documents required in Korea by product.** www.aphis.usda.gov

Imported products are subject to mandatory documentation and inspection requirements administered by the relevant agencies upon arrival in Korea.

The Korea Customs Service (KCS), the Ministry of Food and Drug Safety (MFDS), the Ministry of Agriculture, Food and Rural Affairs (MAFRA) and the Quarantine Inspection Agency (QIA under MAFRA) are the main Korean authorities involved in the import clearance process. Any non-compliance with Korean regulations administered by these agencies will result in delays or rejections.

In addition, other entities may intervene in the regulation of imports through the administration of licences, or in some cases, quotas set for agricultural products. **Due to the complexity of the import clearance process, it is recommended that licensed lawyers/customs brokers be engaged to handle the necessary import clearance work.**

3.3 Labelling specifications

All imported food products must carry legible labels in Korean to enter the market. Stickers are permitted, but they must not be easily removable or cover the original label. Labels must contain the following information:

- **Product name**
- **Type of product**
- **Name and address of the importer**
- **Date of manufacture**
- **'Use by' date or 'best before' date**

- **Content (calories)**
- **Names and contents of the ingredients**
- **Compound ingredients**
- **Additives**
- **Allergens**
- **Nutrients**
- **Other elements designated by the detailed food labelling rules, such as public health warnings**

There are 5 legal elements related to labelling:

- **The food labelling standard.**
- **The labelling standard for farm products.**
- **The labelling standard for unprocessed agricultural products.**
- **The labelling of liquors (administered by the tax authorities).**
- **Country of origin labelling (administered by Ministry of Agriculture, Food and Rural Affairs).**

At the end of May 2021, a new labelling law came into force that regulates which foods must include nutrition tables on their labels (this includes product groups such as bacon, processed sugar, flour, tofu...).It is mandatory for most processed foods to include in their nutrition labelling: calories, sodium, carbohydrates (of which sugars), fats (trans and saturated fats), cholesterol, protein and any nutrients that are highlighted on the packaging.

In addition, foods with functional claims must undergo a "voluntary review of labelling or advertising" to ensure that consumers are not misled, in other words, companies must submit documents proving that the content of their label or advertising is true. The affected product groups are:

- **Special Purpose Foods (SPFs)**
- **Health Functional Foods (HFF)**
- **General foods with functional claims**

Information on laws affecting labelling with respect of both agricultural and fishery products can be found on this page of the Korean Government: KOREAN LAW INFORMATION CENTER | LAW SEARCH

It is important to note that all the necessary information about **Labelling Standard for Health Functional Food (MFDS)** is available in the following document: https://www.mfds.go.kr/eng/brd/m_15/down.do?brd_id=eng0001&seq=70012&data_tp=A&file_seq=1

3.4 Import barriers

The most important specific barriers are:

- **Import ban on EU beef imports**

The market has been closed to EU importers since 2001 due to the BSE problem, although some Member States are currently negotiating to secure market access.

- **National export applications for fruit and vegetables**

There is a very long eight-step procedure used by the Korean authorities to open the fruit and vegetable market for a country (it may take up to 10 years). Moreover, it works on a product-by-product basis and only one application from a country can be opened at any one time.

- **Import tolerances for pesticides (fruit and vegetables)**

MRLs for generic substances were abolished in 2019, although alternatives are being considered to deal with this barrier.

- **Country-of-origin labelling**

This creates complexities for livestock products due to possible differences in places of birth, breeding, slaughter and processing, but bilateral protocols address these issues.

- **High level of sampling by Korean authorities during some import cases**

These barriers add up for food and beverage sector additional challenges such as:

- **Facilitate fast delivery of perishable products**
- **Solve the last mile logistic**
- **High cost of flexible same-day delivery**

This also has an impact E-commerce entry and explains why only major players such as Alibaba and Amazon, as well as established offline retailers, can afford to conquer online Food & Beverage market.

All trade barriers affecting food and beverage exports from the EU to South Korea can be consulted at the following link: https://trade.ec.europa.eu/access-to-markets/en/barriers/results?isSps=&sectors=20&sectors=32&countries=KR&lastUpdated=ANYTIME&showOnlyNew=false&showOnlyResolved=false

3.4.1 Customs regulations and taxes

Korea uses a 10-digit Harmonised Tariff Code System (HSK). Importers are recommended to use the "HSK classification pre-review service" offered by the Korea Customs Classification and Valuation Institute (KCVCI, 영문사이트 (customs.go.kr) through which traders can receive an official HSK classification ruling on an imported product before it is imported into Korea for commercial sale. **This service requires sample products and detailed information for the application, which must be submitted through the local representative (import partner or customs broker) in Korea.**

On the other hand, the law authorises the Korean Ministry of Food and Drug Safety (MFDS) to conduct on-site inspections of foreign facilities and take corrective measures in case foreign manufacturers refuse to participate in audits.

Registrations are effective for a period of two years, unless revoked by MFDS. If the MFDS determines that a registration should be revoked, that facility will not be allowed to re-register for a period of three years.

3.4.2 Required documents

- **Commercial Invoice**
- **Bill of Lading (or Airway Bill)**
- **Packing List**
- **Certificate of Origin**
- **Names of all ingredients and composition percentage of major ingredients**
- **Names and contents of all food additives**
- **Processing Flow Chart**
- **Export health/sanitary certificate (for meat, fruit, nuts, vegetables, plants, grains, etc.)**

3.4.3 Country risk

South Korea has a country risk score of A2 (Coface), which means that the political and economic situation is good. The country has an advanced economy with a high per capita income, a solid financial sector, a good external position (low external debt, abundant foreign exchange reserves, etc.), a strong business environment and a firmly established democracy.

The A1 business climate rating implies a reliable business situation, efficient debt recovery and a satisfactory business environment.

Figure 10. South Korea country risk

SOURCE: COFACE

3.4.4 IPR legislation

The Korea Intellectual Property Office (KIPO) is the government agency responsible for applications, IPR management and trademark protection in South Korea.

In Korea, trademarks are protected by the Trademark Act. According to these indications, trademarks must distinguish one's own goods from others' goods, must be relevant to the identification of the trademark owners, and must not be presented only for aesthetic inspiration to users; or only act as a price mark. In addition, the trademark must not be similar or identical to a geographical indication already protected by the EU-South Korea FTA or by Korean law.

The Trademark Act includes provisions for the following to be considered trademarks: collective marks, certification marks and corporate emblems (marks used by entities engaged in non-profit business).

Further information can be found on the website of the Korea Industrial Property Rights Information Service: http://engpat.kipris.or.kr/engpat/searchLogina.do?next=MainSearch

3.5 Healthy food into the Korean market

All functional health foods distributed in the Korean market are made from ingredients that have passed a rigorous evaluation by the Ministry of Food and Drug Safety for safety and functionality. In addition, all HFF products must be manufactured in GMP (good manufacturing practices) certified facilities.

For the distribution of HFF products in the market, each product is strictly controlled by the government with preliminary reviews of advertising and health claims on labels. There is a record tracking system to improve product quality and give consumers accurate information about the product. Therefore, all HFF products approved by the government system must have appropriate health claims and be able to obtain the **official "Functional Health Food Mark".**

Figure 11. Functional health food mark

In order to obtain permissions to trade functional foods in Korea, it is necessary to notify it following the Functional Health Food Codes.

A manufacturer may use notified functional ingredient(s) for its health functional food product(s) in accordance with the standards and specifications prescribed in the Code established by the Ministry of Food and Drug Safety: https://www.mfds.go.kr/eng/brd/m_15/view.do?seq=70011&srchFr=&srchTo=&srchWord=&srchTp=&itm_seq_1=0&itm_seq_2=0&multi_itm_seq=0&company_cd=&company_nm=&page=2

When a company wants to run the business of functional health foods, it can apply for individual recognition of functional ingredients or functional foods. The company operator must submit an application for recognition to the Minister of Food and Drug Safety with the required data related to their safety, functionality and other necessary requirements. After receiving the letter of recognition from the government (MFDS), the operator can use the recognised ingredient(s) individually.

4 Market trends and consumer analysis

4.1 Healthy food trends in South Korea

In Korea, there is a belief that "food and medicine come from the same source". This is indicative of the importance they attach to the ingredients of the food they eat. In addition, "wellness" for today's consumers is a combination of having good physical and mental health, so they tend to adopt healthier habits in daily life and pay attention to diets.

As a consequence, sales of functional foods (such as glucosamine, chlorella, vitamins, antioxidants, lactic acid bacteria, antlers, pollen, fish oil, ginseng and other Asian herbs) are growing, as well as regular foods that are associated with health benefits (such as red wine, organic foods, green tea, yoghurt, blueberries, pomegranate and quinoa).

Korean consumers are very sensitive to food safety issues, having experienced a number of food safety controversies, such as bovine spongiform encephalitis (BSE), avian influenza, defective additives found in Chinese processed foods and the radiation risk of Japanese seafood. In addition, Korean consumers perceive Genetically Modified Organisms (GMOs) as a food safety issue.

In terms of trends, the following stand out:

- **Demand for healthy and safe food and organic products**

in Korea there has been a long-standing awareness of the relationship between food and its impact on health. There is a high sensitivity to food safety issues. Consumers tend to trust local products over imported ones. However, there are products that, because of their origin, are well received. Increased demand for healthy products stems largely from an ageing population, which has resulted in a recent trend towards functional foods. There has also been a growing interest in organic food; the market has grown by around 10% per annum (from a small base), with dairy products, olive oil, wines and baby food as opportunities.

- **Convenient products for home consumption**

This trend combines two different factors. On the one hand, long working hours leave little time for shopping and food preparation, and on the other hand, Koreans are spending more and more time at home. As a result, there is a trend towards products that facilitate healthy home cooking or eating at home, i.e. meal kits, pre-cooked sauces and ready meals. In the context of the growing number of single-person households and an ageing population, portions are being adapted to target these groups; and convenience stores play an important role in distribution. This household consumption trend applies mainly to weekday lunch.

- **Non-alcoholic beverages**

Demand is increasing for the foodservice sector and for home consumption at the same time as some people are reducing the amount of alcohol consumed.

- **Exclusive alcoholic beverages**

On the other hand, consumers who rely on these beverages are looking for more quality and offer opportunities for craft beverages.

4.1.1 Healthy food in South Korea by functional category

- **Foods that support the immune system: multivitamins, omega-3 (EPA and DHA), lactobacilli, probiotics, etc.**

Due to the instability caused by the COVID-19 pandemic, it is expected that consumers will continue to demand these foods to support their immune system. A functional ingredient widely used in Korea is red ginseng, however, other multivitamin probiotics are increasingly being considered.

Dairy products, dietary supplements and foods with dietary fibre in Korea are in high demand. In addition, supplements related to gut health, including probiotics and prebiotics, are currently the second most purchased supplements.

- **Protein**

South Korea's body health trend has changed from a slim body to a lean and muscular body. According to protein market data from the Korea Functional Food Association (October 2020), the protein market is growing by more than 2.5 points. Protein products have been developed for different consumer groups: men, women, the elderly and even children, as they have benefits for growth and body care.

- **Sleep quality**

An increasing number of people find it difficult to sleep and experience poor sleep quality. However, many of them avoid taking sleeping pills or drugs because of the possible side effects.

As a result, the market for "sleep" and derived functional foods to aid sleep quality has reached 700 million won (about $640,000) in 2019 and is expected to continue growing.

- **Vegan and vegetarian claims**

Vegan foods are spreading rapidly as consumer interest in animal protection, organic and ethical consumption grows. Currently around 3% of the population is vegan, but this figure has increased tenfold in recent years.

In the national food market, start-ups are focusing more on vegan food, but large companies are also launching vegan products with a big impact, such as plant-based milks and ice cream.

- **Liquid supplements.**

The dietary supplements market grew by 13% between 2015 and 2019 and the market volume is estimated at around 3.5 million USD. This category would include products such as: probiotics, protein supplements, products proven to help with sleep quality and products that increase immunity.

- **Other interests in healthy foods:**

Recent demand for minimally processed foods, functional snacks, gut health products and personalised nutritional foods. And also special ingredients, such as allulose and non-digestible dextrin.

4.2 Bio solutions trends in South Korea

In a market increasingly concerned about its agriculture, investing in R&D and looking for new, cleaner and greener ways to produce, biological solutions are replacing chemical pesticides.

Thrips are the issues receiving the most attention from the market and virus problems are also becoming serious problems in almost all vegetable crops. Powdery mildew has been on the problem list for a long time in Korea.

Both biostimulant and biopesticide sectors are gradually being recognised as the new concept of solutions among farmers, especially for abiotic stresses such as drought, flooding, high or low temperature changes and fruit cracking. The success of the soil water maintenance device and fruit cracking prevention device demonstrates this new trend in Korea.

There are several trends in this bio-solutions sector:

- **Impact of the introduction of PLS**

The introduction of PLS (Positive List System) by the Korean agricultural authorities accelerated the growth of biological and organic products in Korea. This new regulation, which aims to promote the safety of pesticide residues, stipulates that farmers must strictly follow product guidelines and labels in terms of crop application, frequency, application rate and other important safety concerns. As a result, in many sectors, farmers cannot use chemical pesticides that were conventionally used without a list of labels, and these chemical pesticides are replaced by biopesticides.

- **Chemical resistance problem**

Thrips, mites and powdery mildew are causing serious damage due to chemical resistance problems in Korea. Because of the low efficacy of chemical pesticides, some farmers are combining chemical pesticides and biopesticides to enhance the control effect. Especially during harvest time, biopesticides become the only method that can be used without residue problems. With the improvement of quality, some biopesticides have generated success stories based on good efficacy as well as a chemical pesticide.

- **Expansion of online marketing**

Online sales of chemical-based pesticides are banned in Korea. On the other hand, biopesticides and biostimulants can be freely advertised and commercialised in e-commerce. With the high reputation of a country with strong IT technology, Korean farmers are using the online market to learn and find new innovative solutions. This trend is leading agricultural companies to open their YouTube accounts or web pages to expand their communication opportunities with customers on the online site.

4.3 Consumer analysis

Although traditional cuisine (steamed rice, kimchi and bulgogi) remains the most common cuisine in the Korean diet today, market globalisation and changing lifestyles have led consumers to seek new flavours, greater value, convenience, high quality and, above all, safe and healthy food in their daily diet.

South Korea's increasing national income, the growing number of single-person households and an ageing population have led people to adopt healthier lifestyles. This includes eating healthy foods.

As products with the efficacy of ingredients have appeared on the market, purchases of these ingredients have increased. This has led to rapid growth of the healthy functional food market.

The size of the healthy functional food market in 2018 was (sales + imports) 68,9 billion won (about 6,1 billion USD), with an average annual increasing of 11,2% over the past 5 years.

The current Covid-19 situation has raised concerns about personal health. Many consumers are seeking to protect themselves with better diets, healthy foods and healthier functional foods.

According to survey results from the Korea Health Supplement Association, 50.5% of consumers have purchased healthy functional foods as of 2018, and 66.4% of consumers have experience of consuming them on a regular basis. This implies that these food products have already become popular among consumers.

The continued growth of the economy allows Korean consumers to pay more attention to quality, diversity and new tastes in their diet.

Young consumers, following stays abroad, are bringing more international products and food culture into the market.

4.4 Consumer behaviour

South Korean consumer behaviour follows the consumption patterns of developed economies and aspire to the lifestyles displayed in the mass media. The Korean consumer cares about brands and the health attributes of a product, but also wants a high level of after-sales service.

Koreans research products they are interested in online before buying, especially through social media, and they like to be well informed when purchasing a product. Consumers are less concerned about buying products made in South Korea and are more inclined to buy non-domestic products, often at much lower prices.

Personal status is an important purchase motivator In recent years, slow growth and high levels of personal debt have made some South Korean consumers cautious about spending. They are more price conscious and are increasingly looking for ways to make savings. However, high-end luxury shoppers continue to spend at high rates.

An interesting fact is that Koreans prefer their own brands or prefer foreign brands depending on the consumer age group they belong to.

Older Korean consumers tend to prefer buying Korean products, due to knowledge, habit, patriotism and because they do not fully trust Western brands. Young Koreans have had a greater consumption and acceptance of Western brands. This has led to a phenomenon that Asian marketing experts describe as "consumer polarisation" in Korea's population.

Koreans are sophisticated, educated and intelligent, and they are brand-savvy. Koreans are sensitive to communication problems of dishonest brands, misinformation on packaging and, although they are not very brand-loyal, building trust with a brand requires a long-standing relationship.

Companies that want to enter the Korean market must adapt their marketing efforts to achieve success in the market.

They must consider the profile of South Korean consumers: they are tech-savvy, they value personal image and their demographics are changing.

In addition, marketers also need to consider that not all South Koreans speak English, they like special promotions and discounts, they require fast and convenient products and services, and they are influenced by listening to influencers on social media.

4.5 Consumer trends

South Korea is ethnically homogeneous and has a high level of income equality. In addition, 65% of the population can be considered middle class. Therefore, there are certain general characteristics about consumers:

- **New trends:**

Cconcern for healthy and safe food, brand loyalty, trend awareness, and increased demand for convenient products for household consumption.

- **High level of digital connectivity:**

96% of the Korean population owns a smartphone, and 100% of 20–29-year-olds actively use their mobile devices on a regular basis. In addition, South Koreans are among the top users of online credit cards and practice efficient spending habits. This has popularised online shopping, including grocery purchasing (many operators offer free and fast home delivery of groceries). Functional health foods are among the most purchased items (15% of the total) from online retailers abroad. This implies that online campaigns should be taken into account.

- **Preference for efficient spending.**

Consumers have become more cautious and seek value for money. This has favoured mid-range and private label brands.

- **Self-medication.**

According to the Korea Health Supplements Association, self-purchases of functional health foods increased by 11% in 2020 due to increasing concern and interest in one's own health as a result of the global pandemic.

- **Ingredients and country of origin.**

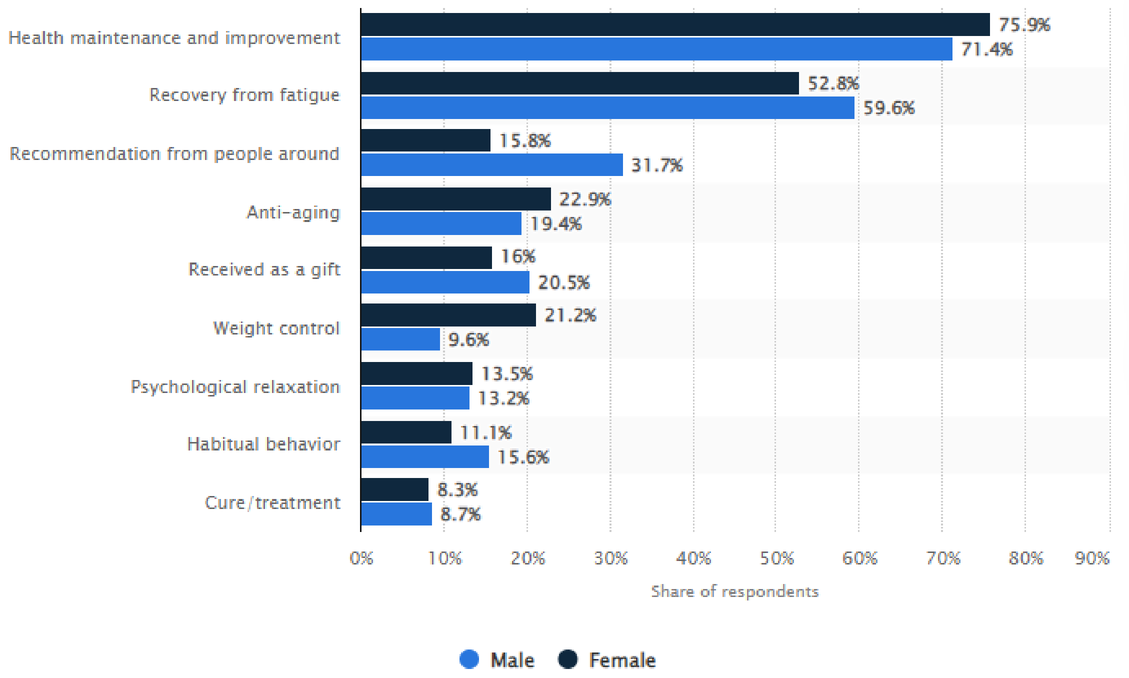
With the growing interest in food safety, consumers are paying more attention to the country of origin of their ingredients, and are not only focusing on their functions or benefits.

4.6 Healthy food and the South Korean consumer

Statista's survey about reasons for eating functional health foods in South Korea, which shows the motivations for South Koreans to consume functional healthy foods. The data is from June 2018 and is divided by gender.

It shows that 71,4% of men and 75,9% of women surveyed reported that they take functional health products in order to maintain and improve their health.

Figure 12. Reasons for South Koreans to consume healthy functional food (June 2018, by gender)



SOURCE: STATISTA

5 Sites of interest

European Chamber of Commerce in Korea: https://ecck.or.kr/

Health Functional Food in Korea: https://www.khsa.or.kr/user/eng/Khsa.do?_menu=103

Health Functional Food Code in Korea (PDF): https://www.mfds.go.kr/eng/brd/m_15/down.do?brd_id=eng0001&seq=70011&data_tp=A&file_seq=1

Animal and Plant Quarantine Agency (Headquarters): Overall quarantine measures: https://www.qia.go.kr/english/html/indexqiaEngNoticeWebAction.do?clear=1

Korea Health Supplements Association (KHSA): https://www.khsa.or.kr/user/eng/Intro.do?introType=C4

Current status of bio-fertilizers and bio-pesticides development, farmer´s acceptance and their utilization in Korea: https://www.fftc.org.tw/htmlarea_file/library/20110712072318/eb601.pdf

Regulation on approval of functional ingredients for health functional food (MFDS): https://www.mfds.go.kr/eng/brd/m_15/down.do?brd_id=eng0001&seq=70014&data_tp=A&file_seq=1

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