



Department for
International Trade



SOUTH KOREAN MARKET INTELLIGENCE REPORT 2021

E-COMMERCE







Department for International Trade

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- opening markets, building a trade framework with new and existing partners which is free and fair
- using trade and investment to underpin the government's agenda for a Global Britain and its ambitions for prosperity, stability and security worldwide.



About Intralink

This market intelligence report has been developed by Intralink.

Intralink is an international business development and innovation consultancy specialising in East Asia. The company's mission is to make commercial success in new global markets fast, easy and cost effective.

Intralink has 120 multilingual employees, a track record of over 30 years, and offices in South Korea, China, Japan, Taiwan, Singapore, the UK, the United States, Israel, France, Poland and Australia.

The company helps western businesses to expand in East Asia, Asian companies to collaborate with western innovators, and governments from around the world to grow their exports and attract foreign direct investment.

Intralink does not just develop its clients' strategies but plays a hands-on role in building their businesses. Its teams in Asia – immersed in the cultures and business practices of their local markets – identify opportunities, negotiate deals, and generate revenues. And when the client is ready, they will help set up an in-country presence through a local subsidiary or partnership.

Intralink's clients range from technology start-ups and SMEs to multi-national corporations and economic development agencies from Europe, North America and Asia. The company's specialist teams – in sectors such as energy, mobility and healthcare – are working with leading-edge, enabling technologies to help its clients develop and deliver solutions for the big challenges of our time.

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FOREWORD

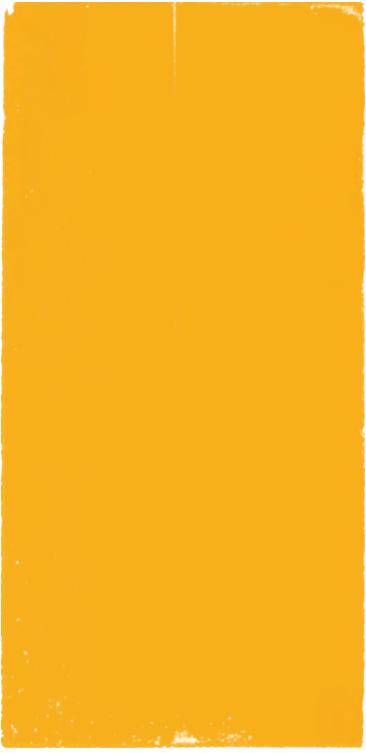
The Covid-19 pandemic has presented an unprecedented array of challenges to governments, businesses, and individuals around the world. The Korean economy has weathered the COVID-19 pandemic comparatively well, supported by its sound macroeconomic fundamentals, a timely and effective public health response, and the deployment of a comprehensive set of fiscal, monetary, and financial measures. As a result, Korea's economic contraction in 2020 was smaller than in most other advanced economies, with real GDP declining by just 1 percent and the IMF currently forecasting real GDP to grow by 3.6% in 2021.

This is a big year for UK-Korean relations. Korea is an integral part of the UK's shift to the Indo-Pacific, underlined by the UK's invitation to Korea to join the G7 as a guest nation and our close engagement in COP26. The UK-Korea Continuity FTA, provides the basis for an ambitious and growing trade and investment relationship as we work together for a brighter, sustainable future. The Covid pandemic has seen a rapid acceleration in the number of businesses engaging with their consumers through online and e-commerce platforms. The UK is ranked third in the world for online sales, with e-commerce accounting for more than 30% of retail sales in the UK last year for the first time. Digital business has emerged as a key driver in our economic recovery.

South Korea has the highest average internet connection speed globally, with an online penetration of about 92.7%. The degree of mobile commerce use in South Korea is impressive: over half of online retail sales in the country came through mobiles last year.



Simon Smith
HM Ambassador
British Embassy Seoul



It is the world's fifth largest e-commerce market and the third largest in Asia after China and Japan; and recorded its largest ever growth in 2020.

Korea is at the forefront of both domestic and cross-border e-commerce trends. It is a thriving market that presents significant opportunities for British companies, not least given the strong reputation British goods hold among Koreans for their sophisticated design, quality and heritage. Businesses that look to set up a strong digital presence with a long-term perspective will have significantly higher chances to thrive in this growing market.

We are pleased to partner with Intralink on this joint report that explores not just the e-commerce opportunities, but the related regulations, logistics and custom processes in order for British exporters to benefit fully from the UK-Korea continuity Free Trade Agreement.

As the report makes clear, the timing has never been better to expand your business into the South Korean ecommerce market!

01

AN OVERVIEW OF E-EXPORTING OPPORTUNITIES

South Korea's e-commerce market is thriving and offers British companies huge opportunities. With rising disposable incomes, a technologically savvy and increasingly outward-looking population, and an ICT infrastructure that is the envy of the world, Korea is at the forefront of both domestic and cross-border e-commerce trends.

British goods enjoy a strong reputation among Koreans and are known for their sophisticated design, quality and heritage. Whereas US e-commerce platforms have dominated the overseas direct purchasing market in Korea until now, market watchers believe that direct purchases from the UK, along with China and Germany, will see substantial growth over the coming years.

The Korean e-Commerce Market

Korea boasts the world's fifth largest e-commerce market and trails only behind China and Japan in the APAC region. The e-commerce market was worth GBP 53.1bn in 2019 (nearly 25% of total retail sales) and, with 6% year-on-year growth, is expected to reach GBP 70.4bn by 2024. The COVID-19 pandemic hit Korea hard in February 2020 and led to an increase in sales at online stores of 34.3% that month compared with February 2019. While much of that increase was due to the exceptional circumstances of the time, it is clear that e-commerce will continue to grow rapidly in the country over the coming years.

The country's e-commerce industry is very competitive, with open market platforms (Gmarket, 11Street, Coupang) and online shopping malls (SSG.COM, Lotte On) all vying for market share. It is also a market dominated by domestic brands - the global giants of e-commerce such as Amazon or eBay have either failed to penetrate the market or to secure a foothold with Amazon partnering up with 11Street to enable Korean consumers to purchase its goods via the local platform.

Korea's advanced Internet infrastructure plays a key role in facilitating the growth of e-commerce. Korea boasts average broadband download speeds of over 150 Mbps. m-Commerce is particularly well developed in Korea, with over 93.2% of the country's population using a smartphone, each device with an average of 6.1 shopping apps installed on it. A total of 94.9% of Korean consumers have experience making a

purchase via mobile. Apps account for more than two-thirds of mobile sales and the conversion rate is 5 times higher than on mobile web.

Cross-border e-Commerce in Korea

Korean cross-border e-commerce has almost doubled over the past five years and was estimated at GBP 2.4bn in 2019, a 9.09% increase from 2018. Local consumers often turn to foreign websites to secure better prices and purchase products that are not available or are too expensive domestically. The current government continues to promote cross-border shopping as a way to lower Koreans' cost of living and to tackle the common practice of domestic importers, distributors and retailers inflating prices. In a 2018 survey, only 14.1% of respondents replied that they had made a purchase directly from the UK versus 82.5% from the US, showing that there are large untapped opportunities in cross-border e-commerce for British brands.

Key e-Export Categories

British goods enjoy a strong reputation among Koreans and British products are often marketed in the country with specific reference to their origin. Men's fashion, accessories, confectionery, home décor, high-end beauty and grooming products are just a few examples of the UK's strengths in retail. There is a clear overlap in the areas in which the UK excels and the products that are increasingly sought by Koreans looking to make overseas direct purchases. Key cross-border categories include:



- Fashion (premium/mass apparel, outdoor wear, accessories, etc.)
- Beauty & Cosmetics (small-batch cosmetics, organic cosmetics, male grooming, perfumes, etc.)
- Baby products & Toys (organic/hypoallergenic baby cosmetics, clothes, educational toys, etc.)
- Food & Beverage (health supplements, organic food, confectionery, etc.)
- Home & Living (home décor, kitchen/tableware, bed/bathroom accessories, pet accessories, etc.)

Market Entry Options for e-Exporters

There is a range of strategies for UK brands to choose from in order to address Korean consumers' needs directly, some of which require little effort and/or investment. On the low-cost end of the spectrum, it is simply possible to add a Korea shipping option at checkout. For an already growing Korean customer base, a more targeted approach

would entail website localisation. Beyond this, it may also be worth investing in a dedicated Korean customer service centre, as Koreans expect excellent after-sales service. Finally, it is possible to explore hybrid business models that involve working directly with local e-commerce platforms that are in some cases able to be the de-facto distributors in the territory.

On the other hand, e-commerce is understood to play a complimentary role to offline sales rather than replace brick-and-mortar sales channels. Korean consumers, as elsewhere, engage in webrooming (researching a product online and the making the purchase in-store) and showrooming (visiting a store to research and select a product before buying it, usually for a cheaper price, online). Therefore, finding a distributor that can develop the right offline channels for a company's products remains important for increasing both awareness and trust in a new foreign brand.

02

KOREA OVERVIEW

Key Points

- Korea has climbed out of poverty to become a technology powerhouse over the last 60 years
- The country is the world's 12th largest economy with a GDP of just over GBP 1 trillion
- It has maintained an annual GDP growth rate of around 2~3% in recent years

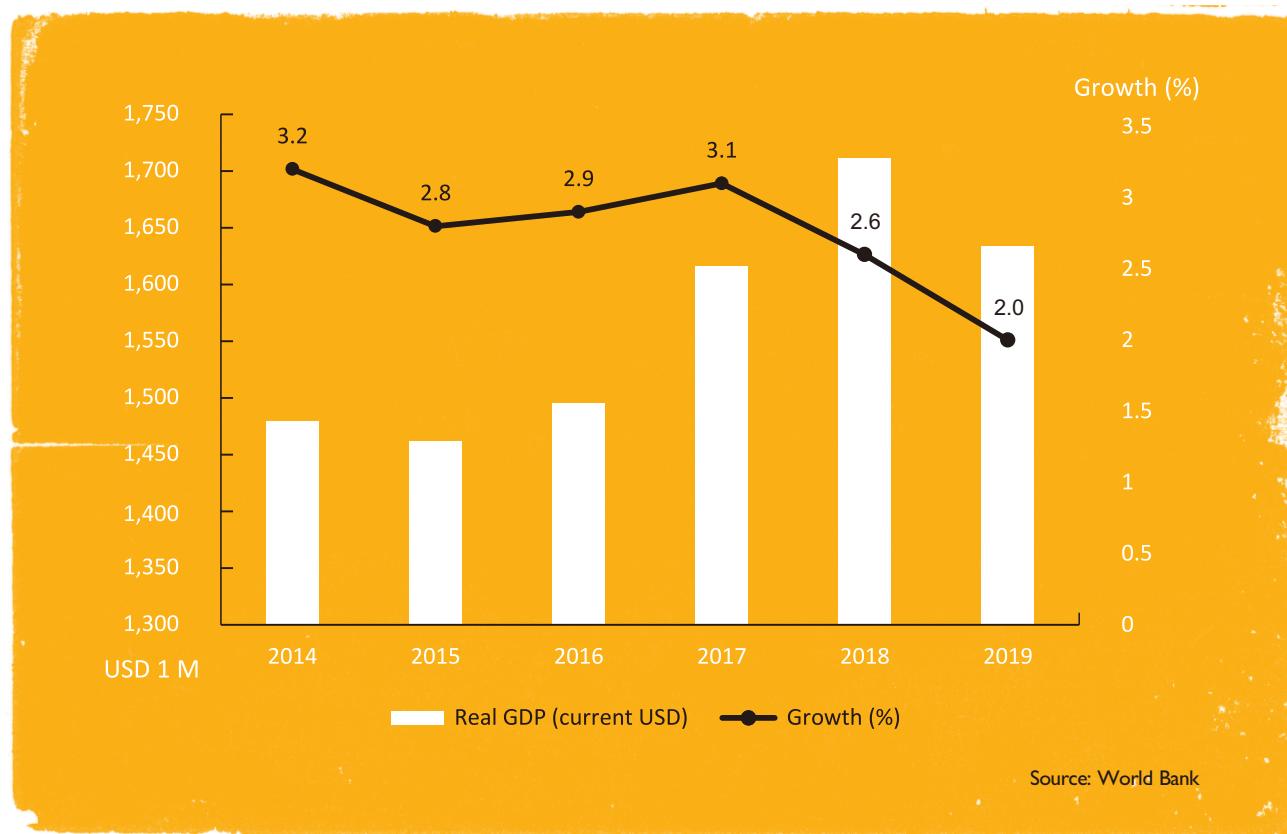
Economy

In the space of just 60 years, Korea has transitioned from an agricultural economy to one driven by high-value industries such as automotive, shipbuilding and advanced manufacturing. Perhaps most remarkable of all is the country's success in the areas of electronics and information communications. As well as dominating the global semiconductor industry, Korea has leapfrogged its peers in terms of ICT infrastructure (smartphone penetration rate, broadband speed, etc.) and this fact, coupled with a demanding and technology-embracing

population, means Korea is becoming an economy driven by creativity and innovation.

With a population of 51 million people, Korea boasts the 12th largest economy in the world, a GDP of GBP 1.2 trillion in 2019 and a per capita GDP of GBP 21,841 in the same year. The country has maintained strong annual growth rates for a developed economy of close to 3% in recent years, outpacing its regional rival, Japan. Trade and investment flows between the UK and Korea have grown rapidly as a result of the EU-Korea FTA and this continues with the new UK-Korea FTA which came into effect from 1 January.

Figure 1: Korean GDP (2014-2019)



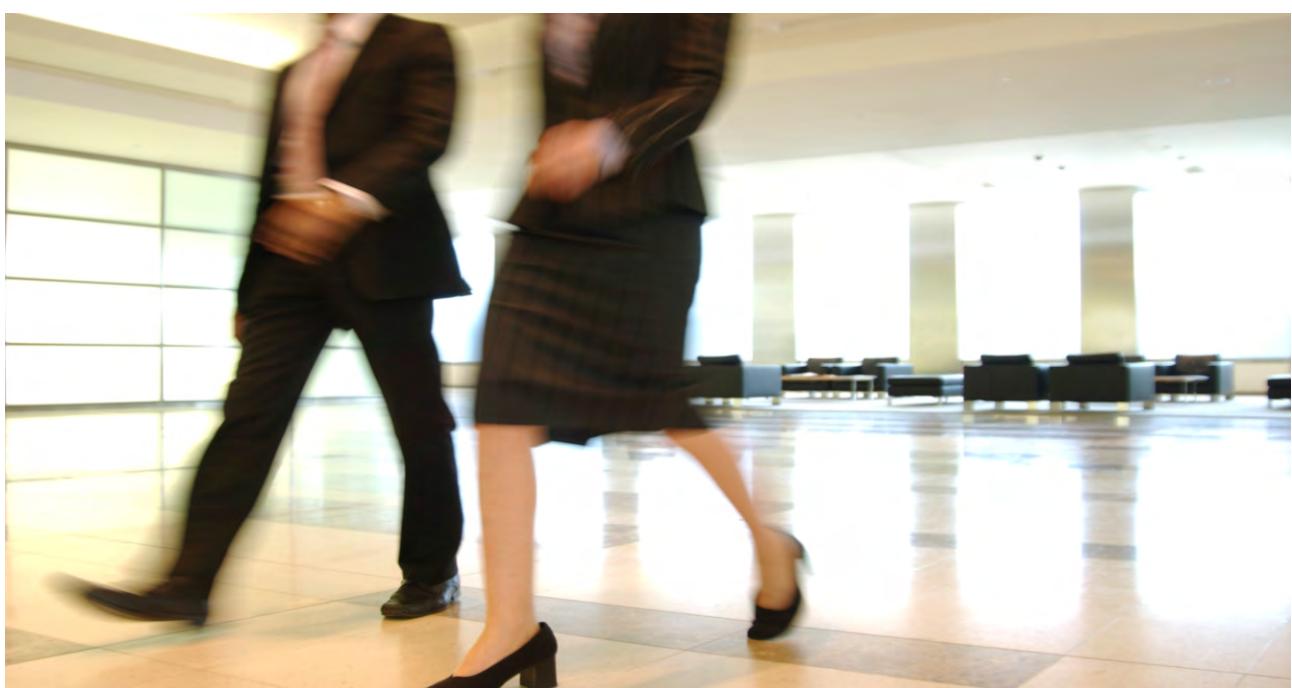
Population and Lifestyle

Korea has a population of just over 50 million, approximately half of which lives in or around the Seoul metropolitan area. This area includes the city of Seoul and the surrounding Gyeonggi province that circles the capital, as well as the port city of Incheon and satellite cities such as Bundang and Ilsan. Seoul is divided by the Han River, with the old city situated north of the river and the trendy Gangnam district located to the south of the river. Other major Korean cities include Busan, Daegu and Daejeon.

Korea's meteoric economic growth has taken its toll. Despite the fact that working hours have been gradually declining over the past three decades, Koreans still work longer hours than most OECD member states - Korea ranked 29 out of the 36 countries in 2018. Koreans worked 40.7 hours a week on average in 2019, down from 42.8 hours in

2017 but still more than the 37.25 average for UK workers. The average woman in Korea gives birth to just 0.92 children compared to 1.6 children in the UK. Young Koreans are getting married later or shunning marriage altogether. One-person households account for a staggering 39.1% of the total number of households nationwide as of November 2020.

While these factors present clear challenges, they are conducive to a flourishing e-commerce market. The extremely high population density means that 50.1% of Koreans live in high-rise apartment buildings, most of which are equipped with high-speed broadband and an office where deliveries can be received even when the recipient is at work. Long working hours mean that convenience is prioritised, and the low birth rate ensures a greater proportion of disposable incomes can be spent on oneself or spread across fewer children.



03

E-COMMERCE IN KOREA

Key Points

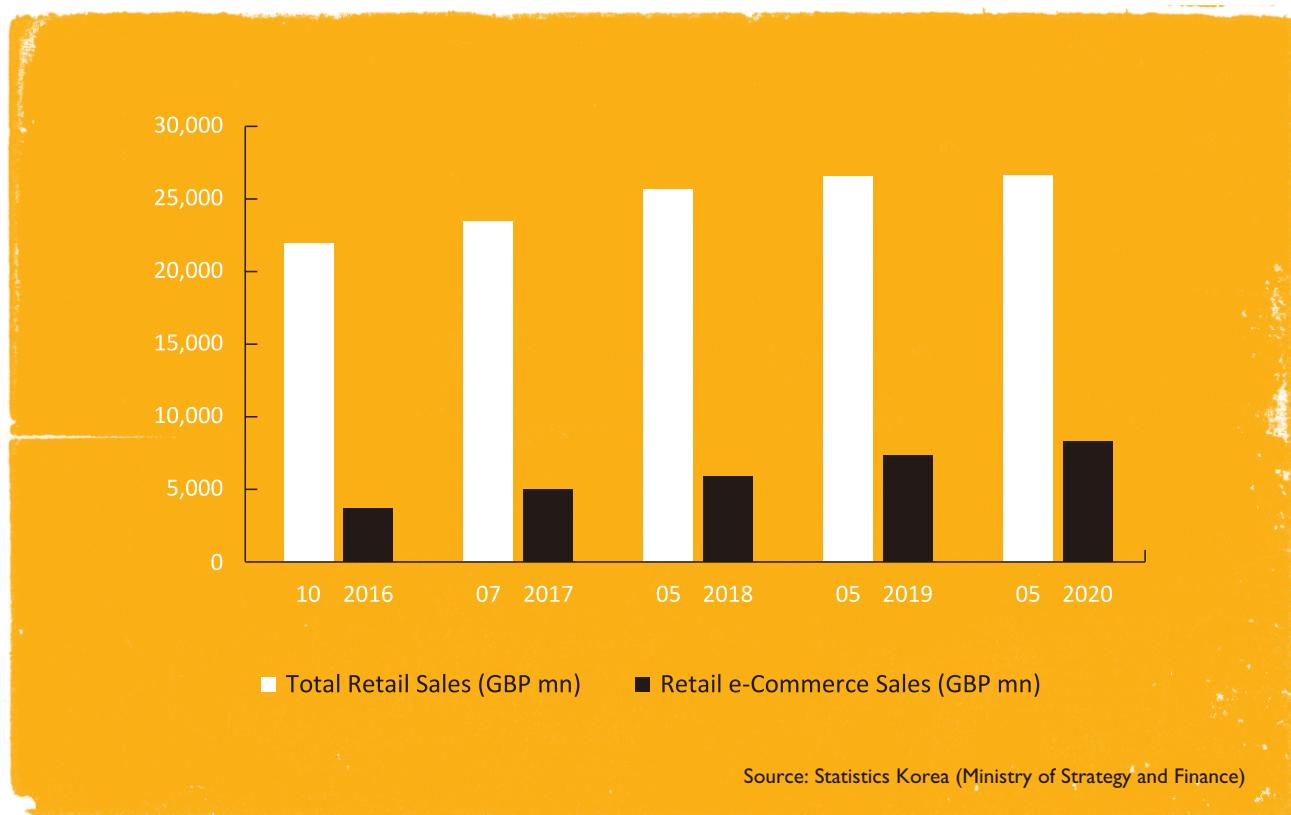
- Korean e-commerce was worth GBP 51.3bn in 2019 and is expected to reach GBP 70.4bn by 2024
- Policy is increasingly favourable to cross-border e-commerce - a great opportunity for British brands
- British brands can both e-export and maintain a separate in-country offline distribution at the same time – parallel import policy allows for more flexibility in developing sales channels
- m-Commerce accounts for the majority of online sales – a good mobile experience is key
- Koreans generally use credit cards for cross-border e-commerce, but mobile payments are growing
- The dominant e-commerce websites in Korea include Coupang, Gmarket and 11street

MARKET OVERVIEW

Korea is the world's fifth largest e-commerce market and APAC's 3rd largest e-commerce market after China and Japan. The industry was worth GBP 53.1bn in 2019, up 6% from 2018 and is expected to grow to GBP 70.4bn by 2024. Due to the COVID-19 pandemic, online retail sales volume rose by 9.1% year-on-year in February 2020 – recording a 34.3% year-on-year sales growth for online stores,

while offline stores marked a sales drop of 7.5%. This trend was visible even before the pandemic - the country's 2019 retail sales grew 4.8% year-on-year, with a 14.2% growth in the e-commerce sector, while offline stores lost 0.9% over the same period. e-Commerce user penetration is projected to reach 72% in 2020 and grow to 80.3% in 2024.

Figure 2: Retail and e-Commerce Sales Growth



The Struggles of Global e-Commerce Brands

Koreans strongly prefer solutions that are designed for Koreans and in the Korean language. Global e-commerce companies have struggled in Korea, despite their vigorous marketing efforts. Yahoo stopped producing online content after struggling against local Internet companies such as Naver and Daum. In 2020 Naver continues to dominate the local search engine market with 58.19% market share, while Google, Daum and Yahoo take up 33.06%, 7.04% and 0.06% respectively.

Similarly, global brands such as eBay and Groupon struggled to penetrate the Korean e-commerce market and had to resort to acquiring local players. Groupon, the American company best known for its “flash sales”, closed down its Korean subsidiary after failing to compete against the three domestic players, Ticket Monster, Coupang and WeMakePrice. Groupon then bought Ticket Monster for GBP 180mn in 2014 only to resell its 46% stake in April 2015. eBay followed a similar path. Unable to leverage its globally recognised brand in Korea, the company acquired Auction in 2001 and then Gmarket in 2009 for GBP 830mn.

Amazon, another global e-commerce behemoth, despite being one of the most visited non-Korean websites, only opened its Korea office in late 2015. Amazon Korea focuses on outbound sales of Korean products. An Amazon Korea insider stated that Amazon.com has steady traffic amongst consumers based in Korea, but not enough of it to justify opening a full Amazon.co.kr

website. It is up to merchants on Amazon whether they want to ship to Korea or not. SK Telecom, which operates 11Street, announced in November 2020 that it would be partnering up with Amazon and that the US giant is supposed to purchase up to 30 percent of 11Street’s shares and this way allow Korean consumers to purchase Amazon goods via the local platform.

Industry Insider’s Thoughts

Domestic e-commerce platforms are run by Koreans for Koreans, are fully localised, available in both desktop and mobile, work closely with local telecommunication companies to improve the mobile experience and work with domestic credit card companies to provide discounts and loyalty benefits. It is a tight ecosystem that foreign e-commerce platforms, such as Amazon, may find challenging to crack. UK retailers should focus on utilising locally established channels or specialised online malls.

Senior Manager – Amazon Korea

KEY CHARACTERISTICS

Policy

Recognising the importance of e-commerce, the current Korean government continues to push towards deregulation of the digital environment. On the one hand, Korea has traditionally been a market of high consumer prices often caused by import and sales channels that were dominated by Korean conglomerates. The conglomerates enjoyed exclusive distributorship agreements that allowed them to maintain high margins. Under pressure from increasingly well-informed consumers, the government has started to support direct purchases from overseas as a way to ease the average Korean's living expenses. Indeed, foreign brands can utilise parallel exports to Korea: they can have an offline in-country distributor while continuing to sell directly to consumers via their global shopping websites.

In February 2020, the Ministry of Economy and Finance designated e-commerce as one of 10 industrial sectors targeted for deregulation and intends to remove regulatory hurdles to help e-commerce companies make use of new technologies. Companies will also be able to develop products leveraging the regulatory sandbox, which was launched in 2019 and modelled after a similar policy in the UK. These actions are aimed to boost the economy amid the COVID-19 crisis as the sector is recognized as essential to the non-contact economy.

The Consumer

Koreans are demanding customers that are both bargain-seeking and yet show a strong

preference for superior product quality.

Online retailers generally target young mums, young adults in their 20-30s, and middle-aged women in their 40-50s. These shoppers' preferences are mainly influenced by local celebrity endorsements, TV drama and movie endorsements, social media word-of-mouth, discussion boards, TV commercials and social media campaigns. Koreans also enjoy traveling overseas and are well-versed in international brands. The average Korean household had a disposable income of GBP 2,746 in 2019 and of that income spent GBP 285 on food and non-alcoholic beverages, GBP 76 on clothing and footwear and GBP 84 on furnishings and household items.

m-Commerce

The Korean government has made investment in the Internet a national priority since the early 1990s and the country is well known for its leading position in broadband penetration and download speeds. The country records average broadband download speeds of 156.18 Mbps, the second fastest in the world. By comparison, Japan records average broadband download speeds of 101.65 Mbps while the UK averages 62.28 Mbps.

Korea has also long been at the forefront of mobile technology, both in relation to handsets and the supporting network.

In June 2019, 93.2% of the population used a smartphone and there were 50.4m active domestic smartphone subscriptions.

According to Statistics Korea, the average Korean made 68.3% of their purchases via a mobile device in May 2020, a 4.4% year-on-year increase. August 2020 data shows that

92.1% of Korean consumers purchased something via mobile in the past three months and 94.9% had the experience of online shopping via mobile at some point.

It is also important to note the preference for mobile apps over mobile web – Koreans have an average of 6.1 shopping apps installed on their phones. In the first quarter of 2018, apps accounted for 66% of mobile sales and the conversion rate was 5 times higher than on mobile web. This trend is also reflected in website design of major platforms - e-commerce companies experiment significantly more with their app user experience and mobile web page designs are much less frequently updated.

Livestream e-Commerce

A new addition to the mobile shopping experience is livestream e-commerce - a form of online shopping that originated in China and has quickly taken off in Korea as well. Live commerce is a combination of TV home shopping and livestream platforms, it gives consumers a chance to purchase items while viewing real-time video streaming on their mobile phones. The hosts give detailed descriptions of products, try on fashion items and try out beauty products, creating an experience similar to in-store shopping while also immediately responding to questions posted by viewers via chat.

In addition to the live entertainment factor, featured items are either heavily discounted or come with a gift-with-purchase. This form of shopping is most popular among tech-savvy consumers - teenagers and people in their 20s and 30s. While livestream e-commerce has

been around since 2017, it is rapidly gaining in popularity due to COVID-19 and is used as a strategy to facilitate sales and combat the negative impact the pandemic has on offline retail. These days, most relevant market players host regular livestream sessions - some of which attract as many as 40,000 viewers per session. Naver recently made live commerce functions available to all 320,000 sellers registered on its Smart Store shopping platform and Kakao launched its in-app Kakao Shopping Live channel in May 2020.

Payments

Credit cards are by far the most common payment method in Korea with 90% of all online transactions being settled by card (including check cards). Koreans own 3.9 credit cards on average, more than twice as many as the average UK citizen (1.7). The vast majority of Korean consumers use domestic credit cards - credit cards accounted for 71.7% of total private spendings in 2019. The cards are tied to the international payment processing networks of Visa, MasterCard and American Express. The fact that Korean consumers prefer to pay online with credit cards is favourable to British e-exporters as it makes the payment process straightforward.

While credit cards are overwhelmingly dominant in Korea, with the abolishment of the authentication process requiring Active X, payment methods such as PayPal and Alipay have started to gain some traction. Korean enterprises offer easy-to-use mobile/online payment services. For instance, mobile wallets such as Kakao Pay, Naver Pay or PayCo allow for credit/debit card information to be stored on users' smartphones allowing for instant

payment both online and offline. Online retailers and conglomerates also offer their own payment systems such as Coupang's Rocket Pay, Shinsegae's SSG Pay or Lotte Group's L Pay.

Delivery

Delivery speed is extremely important to Korean online shoppers and even the tiniest delay can result in dissatisfaction, complaints and negative reviews. e-Commerce companies recognise this fact and are exploring the use of in-house delivery systems rather than relying on traditional delivery companies. This way they can guarantee delivery terms and timelines, as well as better manage exchange and return requests. Coupang started this trend and, based on its success, the rest of the industry is following suit which has led to competition for logistics centres in major metropolitan areas.

Major online companies such as Coupang and Lotte Shopping moved to the Seoul Integrated Freight Terminal, the core hub of the metropolitan area, to enhance last mile delivery competitiveness. The range of delivery methods and goods is also expanding to accommodate changes in the Korean lifestyle such as low birth rate and increase in single-person households, from 15.7% in 2000 to 39.1% in 2020. Fresh food delivery is another major trend - online sales of produce, seafood, and meat products rose from GBP 784m in 2014 to GBP 1.88bn in 2018. Korean e-commerce players are trying to gain an edge not only through price competition but also through logistics competition.

Industry Insider's Tip

Coupang offers in-house, next day delivery of most products such as water, milk, toilet paper, nappies, household goods, clothes etc. and a selection of other best-selling products. The service is called Rocket Delivery and is akin to Amazon Prime. Other companies have replicated this model. e-Commerce insiders claim that since it is hard to compete on prices of commodities, it makes more sense to compete on customer service (e.g. fast free delivery, easy refunds/returns, etc.)

Customer Service

Most of the large e-commerce platforms in Korea have reached 20-34 million registered users and 20,000-40,000 vendors. Executives from eBay Korea, Coupang and 11Street all agree that the time when they could compete on prices and promotions is over and now the only way to both boost new growth and retain existing customers is to provide better customer service than the competition. Same-day or 'dawn' delivery, hassle-free returns policies, 24/7 call centres with personalised support are just a few examples of how these companies compete for the modern Korean e-commerce customer.

Korean laws relating to e-commerce stipulate that vendors shall provide refunds if products ordered are not received, or if the product is not in keeping with the way it was advertised on the website. This applies to both independent online vendors operating their own sites and those vendors using open market platforms such as Gmarket. UK e-exporters are governed by UK laws pertaining to business conduct in e-commerce and can therefore handle complaints, refund/exchange requests according to the UK regulations and their own policies, to which users agree when purchasing goods. It is strongly recommended, however, that e-exporters provide a high level of customer support to meet the expectations of Korean consumers and to ensure that negative feedback is not circulated on the Korean Internet - something that is difficult for an e-exporter to find out about or remedy.

Industry Insider's Tip

Most successful e-exporters to Korea do not charge customers shipping fees on return/exchange, respond to inquiries very quickly and do not ask too many questions. Korean customers generally expect that if, for instance, they did not like the colour of the product when it arrives, that is reason enough for the vendor to grant a free-of-charge return/exchange. Also, complaint handling can be a frustrating experience for both the seller and the buyer if the process is not conducted in Korean.

OPEN MARKETS

As elsewhere, there are two main online sales channels in Korea: open markets and online shopping malls. An open market is a website that serves as an e-commerce platform for vendors of all sizes to display their products and connect with consumers. These platforms help facilitate online transactions, taking a fee - usually a percentage of the sales value - from the vendor in return. This is the model employed by companies such as eBay and Alibaba.

Interpark, established in 1996, is generally considered the pioneer of Korean e-commerce. A second generation of e-commerce retailers - open market platforms such as Gmarket and Auction - came to dominate the landscape in the early 2000s. Since 2010, online retailers such as Coupang, Ticket Monster, and WeMakePrice, initially borrowing from Groupon's social commerce concept, have emerged as the sector's heavyweights. These companies soon evolved into e-commerce companies more akin to Amazon, in that they combine an online shopping mall with an open market, offering a platform for independent vendors but also carrying own their stock of the most popular products and brands.

Coupang is the new star not only of online retail, but of the tech industry in Korea as a whole. It was able to reach GBP 690mn (USD 1bn) in gross merchandise value in only 13 quarters from its inception in 2010, becoming the fastest e-commerce company in the world to achieve that figure. Coupang moved away from social commerce and transformed itself

into "Korea's Amazon". It continues to focus strongly on growth rather than profits. The company has received a total of GBP 2.2bn investments from Softbank so far and is currently valued at GBP 6.9bn.

The Korean e-commerce scene boasts a large number of new interesting startups and scaleups rapidly attracting new users - no wonder seeing as five out of the country's ten unicorns are e-commerce companies - Coupang, WeMakePrice, MUSINSA (fashion), L&P Cosmetics (beauty) and GPClub (beauty). Other well-established players worth mentioning are Baedal Minjok – the no. 1 local food delivery app acquired by Germany's Delivery Hero in 2019 for GBP 3.05bn and Market Kurly - a grocery-delivery startup which just recently announced it had attracted GBP 125.3mn in investment in Series E funding despite the ongoing COVID-19 pandemic.

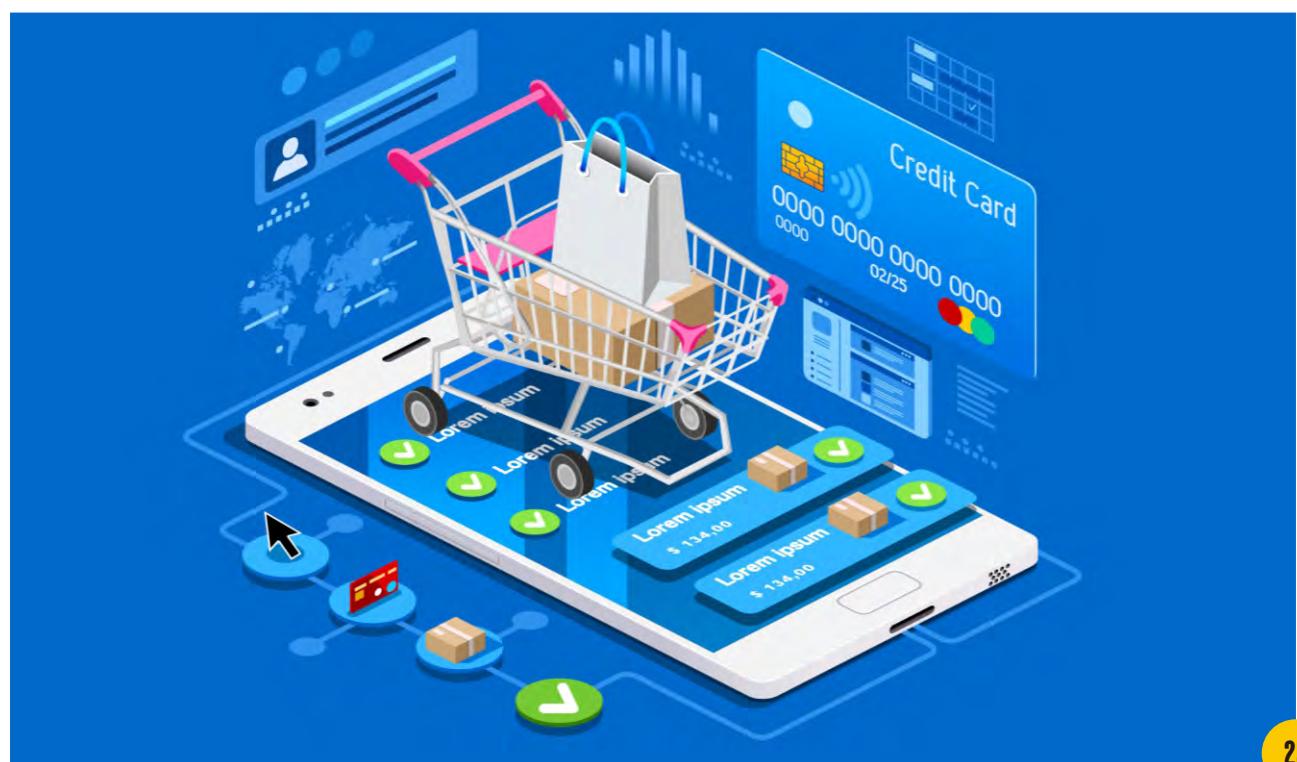
There are also early-stage startups such as Asia's first luxury online boutique Balaan, founded in 2015 and backed by SparkLabs, which intends to help individualize luxury spendings as opposed to blind trend-following typical for Asian markets, and Bucketplace's Ohouse, a media-based platform founded in 2014 which allows users to share photos of their home interior and directly purchase some of the featured items. Bucketplace's motto, 'Everyone can live in a nice house', is resonating with Koreans and seems to have filled a void in the market, evident from rapid growth in users and turnover, as well as an investment from Naver.

Another great example of an e-commerce platform which managed to fulfill a specific need and thus experienced nearly viral growth is Karrot Market, a unique peer-to-peer marketplace and community app which only shows listings located within a set radius, typically 6 km, leading users to complete most transactions in person. Its active users grew 130% year-on year and in May 2020 Karrot Market was the second most-used Android app after Coupang. Karrot Market is backed by the likes of SoftBank and Kakao Ventures and expanded into the UK in November 2020.

Korean consumers often engage in pre-purchase research to aid in their decision-making process. Some research tools include price comparison services such as Naver, direct dialogue with sellers via website Q&A sections, information exchange with other users via message boards, and visiting physical locations where products are displayed (showrooming) before buying online.

Webrooming - the practice of doing product research online to complete the purchase in a brick-and-mortar store - is also increasingly cited as a buying pattern and 91% of Korean consumers said that they conducted online research before completing a purchase offline in 2019. One reason for this is that online store product descriptions have a level of detailed information that is rarely attainable offline unless experienced sales staff can be questioned.

In terms of local online shopping, the most popular product categories are home appliances, electronics and communication devices (12.5%), food and beverage (11.6%), clothes (10.7%), food services (10.4%) and household goods (9.1%). These are the products, either domestically manufactured or imported, that tend to be widely available for purchase offline, but people choose to buy them online for convenience or price competitiveness. More and more Koreans are choosing to buy commodities this way.



Key Player Profiles

Coupang

Website www.coupang.com

Established	2010	Employees	6,370	Sales (2019)	GBP 4.62bn
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- Overview
- Coupang ranked 2nd on CNBC's Disruptor 50 list in 2020 and is one of the world's fastest-growing e-commerce companies
 - Reached 24.6% e-commerce market share in 2020 and is the dominant player on the market
 - Ranks first in monthly unique visitors on mobile (15.6mn) and fourth on desktop (5.5mn)
 - Coupang currently offers a curated selection of diverse merchandise, including baby goods, fashion, beauty products, consumables and home goods
 - Coupang, with its subsidiary Coupang America, offers a Coupang Global service whereby it purchases popular products in bulk in the US and sells them to Korean customers; the goods typically arrive within three business days
 - Coupang is the only online retailer that offers a nationwide dawn delivery service as part of its Rocket Delivery system and 99.3% of orders are delivered within one day, often within a few hours; one third of orders are delivered using dawn or same-day delivery
 - Year-on-year revenue growth exceeded 60% in 2019 and reached GBP 4.66
 - The company is valued at GBP 6.9bn, has received investment from Softbank and is expected to IPO in 2021
 - In 2019 Coupang launched a global partner program to help brands access a massive audience of its loyal customers
 - Coupang is the leading retailer of well-known US brands such as Downy, Lego, Earth Mama, Jarrow, Nature's Way, California Baby, Carters and Gap (more information available via vendorsupport@coupang.com)

Gmarket (eBay Korea)

Website global.gmarket.co.kr

Established	2000	Employees	970 (eBay KR total)	Sales (2019)	GBP 5.82bn
-------------	------	-----------	---------------------	--------------	------------

- Overview
- A subsidiary of eBay Korea, the site has a 19.7% market share
 - Gmarket has the highest number of monthly unique visitors on desktop computers (8.45mn) and fifth highest on mobile (7.7mn)
 - Gmarket mostly caters to Korean consumers, but offers international shipping to over 85 countries and its website is also available in English and Chinese
 - Gmarket is integrated with other Korean web services, making it possible to search for Gmarket items directly via Korea's largest search engines – Naver and Daum
 - Gmarket's revenues come mainly from sellers with average fees of 12% depending on item category; special item fees can be as low as 2-5% but sellers incur additional costs
 - Gmarket is investing into new revenue streams – reselling, same-day delivery, etc.

Auction (eBay Korea)

Website www.auction.co.kr

Established	1998	Employees	970 (eBay KR total)	Sales (2019)	GBP 4.53bn
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- Overview
- A subsidiary of eBay Korea, Auction is one of the biggest open markets in Korea with a 10.8% market share
 - Auction has the second highest number of monthly unique visitors on desktop (8.18mn) and seventh highest on mobile (5.15mn)
 - Auction started as Korea's first online auction marketplace but the model lost popularity to the discount-based fixed price model
 - Auction has a used market section listed among its eight main services
 - Auction also features ALL KILL, a heavily discounted item category
 - Auction has average vendor fees of 10%

11Street (11ST)

Website english.11st.co.kr

Established	2008	Employees	800	Sales (2019)	GBP 5.8bn
-------------	------	-----------	-----	--------------	-----------

- Overview
- Operated by SK Telecom, SK Group's mobile carrier
 - 15.9% market share, used to be the dominant player on the market
 - Third highest number of monthly unique visitors on desktop (8mn) and second highest on mobile (9.8mn)
 - Website is offered in English and Chinese, has a branch in Malaysia
 - Average sales commission hovers around 12%, but is typically 4-12% lower for items entered in the 11Street Shocking Deal category
 - Acts as a vendor for some of the most popular products, which it buys in bulk and ships from its domestic warehouse
 - Provides a variety of partner discounts and loyalty programs in association with its parent company SK Telecom
 - In November 2020 SK Telecom announced that Amazon is expected to purchase up to 30% of 11Street's shares
 - Worldwide shipping services to more than 50 destinations

WeMakePrice

Website www.wemakeprice.com

Established	2010	Employees	1,890	Sales (2019)	GBP 4.14bn
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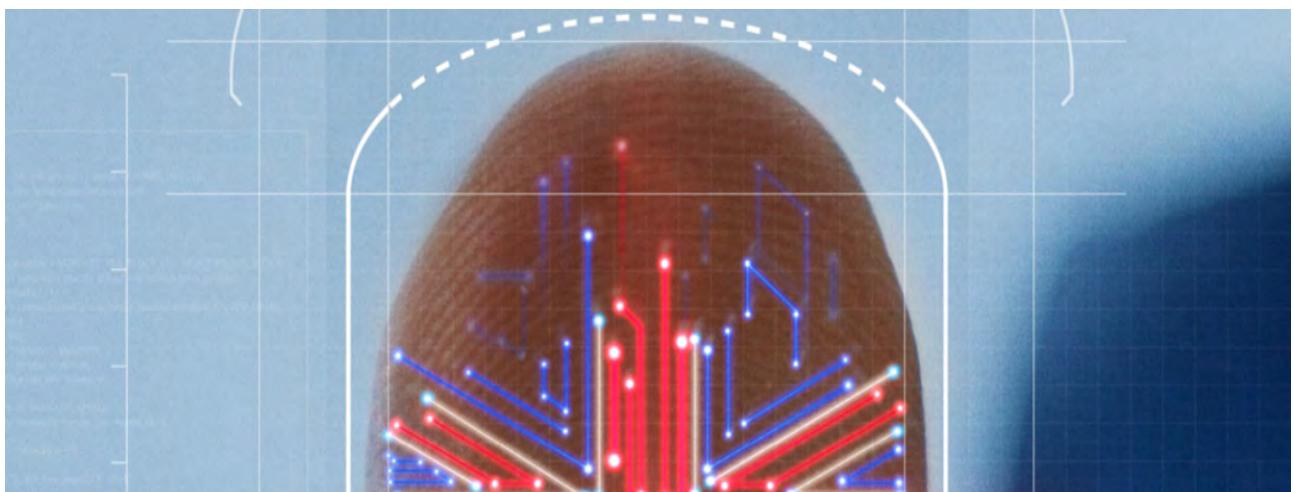
- Overview
- Formerly known as Namu Internet, WeMakePrice is the second-largest social commerce website with 7.9% market share
 - WeMakePrice ranks seventh in highest monthly unique visitors for desktop (4.43mn) and fourth for mobile (7.87mn)
 - WeMakePrice runs special price events such as 'Today's Special Price' and week-long themed discounts, e.g. 'Baby Week' with additional discounts, time sales, and curated daily deals

Ticket Monster

Website www.tmon.co.kr

Established	2010	Employees	1,200	Sales (2019)	GBP 2.6bn
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- Overview
- Ticket Monster (abbreviated as TMON), along with Coupang and WeMakePrice, is a leading social e-commerce company with 5.0% market share in Korea
 - Ranks fifth in monthly unique visitors for desktop (4.84mn) and sixth for mobile (6.21mn)
 - In 2018, the company created the concept of 'time-commerce' and is running limited-time discounts on its website at all times while stripping other less-profitable services such as same-day delivery
 - Special deals include curated categories such as Free Delivery Day, Special Price Week and 100



Naver Corp

Website shopping.naver.com

Established	1999	Employees	2,936	Revenue (2019)	GBP 2.67bn
-------------	------	-----------	-------	----------------	------------

- Overview**
- Naver Corporation is a Korean Internet content service provider which developed Korea's first indigenous search engine in 1999 and currently captures the highest market share with almost 60%
 - Core services also include navigation, digital maps and instant messaging
 - Mobile shopping platform launched in 2015 and reached 8.3% market share by 2020
 - Naver Pay makes Naver a one-stop platform for mobile shopping
 - Launched 'Global Window' in January 2016, currently simply named 'Cross-border shopping', where it introduces foreign products and SME merchants from overseas who offer shipping to Korea
 - Offers products from selected countries, such as the US, UK, Italy, France, Germany, Japan, Australia, China,
 - Eleven main product categories include: luxury, men's shop, fashion, beauty, living, kids, digital, world snacks and F&B
 - Customer service (Q&A, Shipping, Return, etc.) and website only in Korean
 - Shipping costs depend on sellers. Standard rate from UK is GBP 6.5

Market Kurly

Website www.kurly.com

Established	2015	Employees	362	Sales (2019)	GBP 2.77mn
-------------	------	-----------	-----	--------------	------------

- Overview**
- Grocery and household product delivery service created with foodies in mind
 - Offers a curated selection of products which satisfy strict quality standards
 - 270% annual increase in registered members to 3.9mn in 2019 from 1.4mn in 2018
 - Repurchase rate of 67% with 28.8% industry average for home shopping and online services
 - 173% annual revenue increase in 2019 (GBP 276,9mn) – eight times the industry average of 20%

Karrot Market

Website www.daangn.com

Established	2015	Employees	60	Sales (2019)	GBP 451.6mn
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- Overview**
- Peer-to-peer used market and local community mobile platform
 - Boasts 10m users 5 years after launch, sales increased 350% in 2019
 - 200% annual increase in local advertisement revenues in 2020 for its local ad service in the 'Neighborhood Life' category
 - Dramatic increase in revenue from GBP 360 in 2017 to GBP 540,870 in 2018

ONLINE SHOPPING MALLS

Online shopping malls are websites operated by brands that carry an assortment of that company's own products or private labels and are usually designed as an addition to an existing brick-and-mortar retail operation. Online malls can also be websites operated by large retailers carrying an assortment of products provided by different brands and vendors. In both cases the website operator keeps stock of the goods it sells. Examples of online shopping malls include The Body Shop and Shinsegae Online Mall.

Large traditional retailers such as Shinsegae, Hyundai Department Store and Lotte, have been playing catch-up with Internet-only retailers for e-commerce market share. While still small relative to e-commerce companies in terms of online sales market share, they operate their own online malls and work with open markets, registering as "Premium Vendors". One of the more common tactics that these companies employ is to consolidate multiple existing e-commerce sites that they operate (e.g. separate grocery, premium fashion and home shopping sites) into single online offerings.

Shinsegae Group

Korea's oldest department store and largest hypermarket chain was formerly part of the Samsung Group. The Shinsegae Group consists of the Shinsegae Department Store (luxury brand with 13 stores), Emart (158 super and hypermarkets), Shinsegae Food (importer and distributor of foods), Chosun Hotel, Starbucks Korea and other subsidiaries. The group recorded combined revenues of GBP 17.3bn in 2018.

SSG.COM (www.ssg.com): Owned by the Shinsegae Group, SSG.COM is an online shopping mall where consumers have access to a number of Shinsegae-owned shopping malls, including Shinsegae Mall, Shinsegae Department Store, Emart Mall, Emart Traders and Chicor (beauty store chain), among others.

Lotte Group

Subsidiaries of the Lotte Group include Lotte Department Store (64 stores, 41.1% market share in 2019), Lotte Mart (189 stores), Lotte Chilsung (soft and alcoholic beverage manufacturer and licensor), Lotteria (Korea's top fast food franchise), Lotte Hotel, Lotte World (amusement park), Toys"R"Us and many others. The group's combined revenues in 2018 were GBP 47.55bn.

Lotte ON (www.lotteon.com): Launched in April 2020, Lotte ON combines all of Lotte's online shopping malls such as eLotte (which only carries products from Lotte Department Store along with newly launched premium brands), LOTTE.COM (offering products from its department stores as well as individual sellers), Lotte Homeshopping, Lotte Mart, LOBHS (health and beauty retailer), among others, into one online shopping platform. This move is in line with a recent industry trend as most large companies own a number of different brands and services.

Lotte Homeshopping (www.lotteimall.com): Launched in 2001, Lotte Homeshopping operates its online mall, Lotte iMall, offering products sold via TV home shopping as well as online catalogues. It is accessible through Lotte ON and continues to function as a separate platform.

Hyundai Department Store Group

The Hyundai Department Store Group (HDSG) is active in a number of areas, including retail and distribution, food manufacturing, food services, media, entertainment, logistics, finance and IT services. The company currently operates two online shopping malls that are designed to appeal to the premium market. The group's combined revenues were GBP 11.36bn in 2018.

The Hyundai (www.thehyundai.com): Launched in January 2016, The Hyundai offers nearly all products from both Hyundai Department Store and Hyundai Homeshopping. The difference is that the users of Hyundai Credit Card get additional benefits.

Hyundai Hmall (www.hyundaihmall.com): Owned by Hyundai Homeshopping, Hyundai Hmall is a shopping mall focused on items traditionally sold via TV home shopping, a market that is still large in Korea.

GS Retail

GS Retail (www.gsshop.com) is a subsidiary of the GS Group, one of Korea's largest conglomerates and formerly part of the LG Group. GS Retail focuses on medium and

small-size retail. It has a network of 13,899 GS25 convenience stores, 319 GS Supermarkets and 152 Lalavla beauty stores (formerly Watsons, a 50-50 joint venture with the Hong Kong-based health and beauty chain until 2018, now wholly owned by GS Retail). The group's 2019 revenues were GBP 5.83bn. In November 2020, GS Retail announced it would be merging with GS Home Shopping, a TV and mobile shopping platform with 18mn users, to enhance its competitiveness through omni-channel strategies.

CJ Group

Originally the food manufacturing division of the Samsung Group, CJ is now a formidable retail player, especially in pharmaceutical, cosmetics and F&B. The CJ Group operates the nation's largest pharmacy chain - Olive Young – with 241 stores nationwide and its own website (www.oliveyoung.co.kr). It also operates an online mall (www.cjmall.com) with a variety of products and membership benefits. The group's revenues reached GBP 17.8bn in 2018.

LF Corp

LF Corp, previously named LG Fashion, is the largest domestic fashion company, it spun off LG International Corporation in 2006. LF Corp offers its own brands (e.g. JillStuart New York, DAKS, HAZZYS) as well as premium overseas brands, such as Isabel Marant. The company operates through a number distribution channels, including department stores, brand stores and its online mall (www.lfcorp.com). LF Corp is currently expanding its offering to other lifestyle categories and launched ATHE Cosmetics, a premium cosmetics brand in 2019 and acquired a Hong Kongese jewellery brand HYÈRES LOR in the same year. The company is successfully reducing its dependence on offline sales by switching to online and is expected to achieve its goal of 50% of total revenue in 2021.



04

CROSS-BORDER ONLINE SHOPPING

Key Points

- Korea's cross-border e-commerce industry was estimated at GBP 2.4bn in 2019
- Korean women (64%) are more likely to cross-border shop than men (36%)
- Key Korean cross-border e-commerce categories include clothing & fashion, food & beverage, consumer electronics, household goods, and cosmetics
- In terms of goods shipped, health/functional foods are the most popular product among Korean consumers, while in terms of sales value, clothing & fashion goods rank 1st
- The UK-Korea FTA, which took effect from 1 January 2021, replicates the trade agreement between the EU and Korea

MARKET OVERVIEW

Many global brands in areas such as fashion, food and beverages, or beauty and cosmetics have enjoyed popularity amongst Korean consumers since as far back as the 1980s. The value of cross-border online shopping was estimated to have reached GBP 2.4bn in 2019, a 9.09% increase from 2018. With the growth and diffusion of online and mobile platforms, inexpensive shipping methods, and

the new UK-Korea FTA, British retailers of all sizes can now address Korean consumers' needs directly. In a poll conducted by a Korean economic newspaper in 2018, only 14.1% of respondents replied that they had made a purchase directly from the UK versus 82.5% from the US. However, data suggest that there could be opportunities in cross-border e-commerce for British brands.

Figure 3: Cross-border e-Commerce Market Size (Unit: Billion GBP)

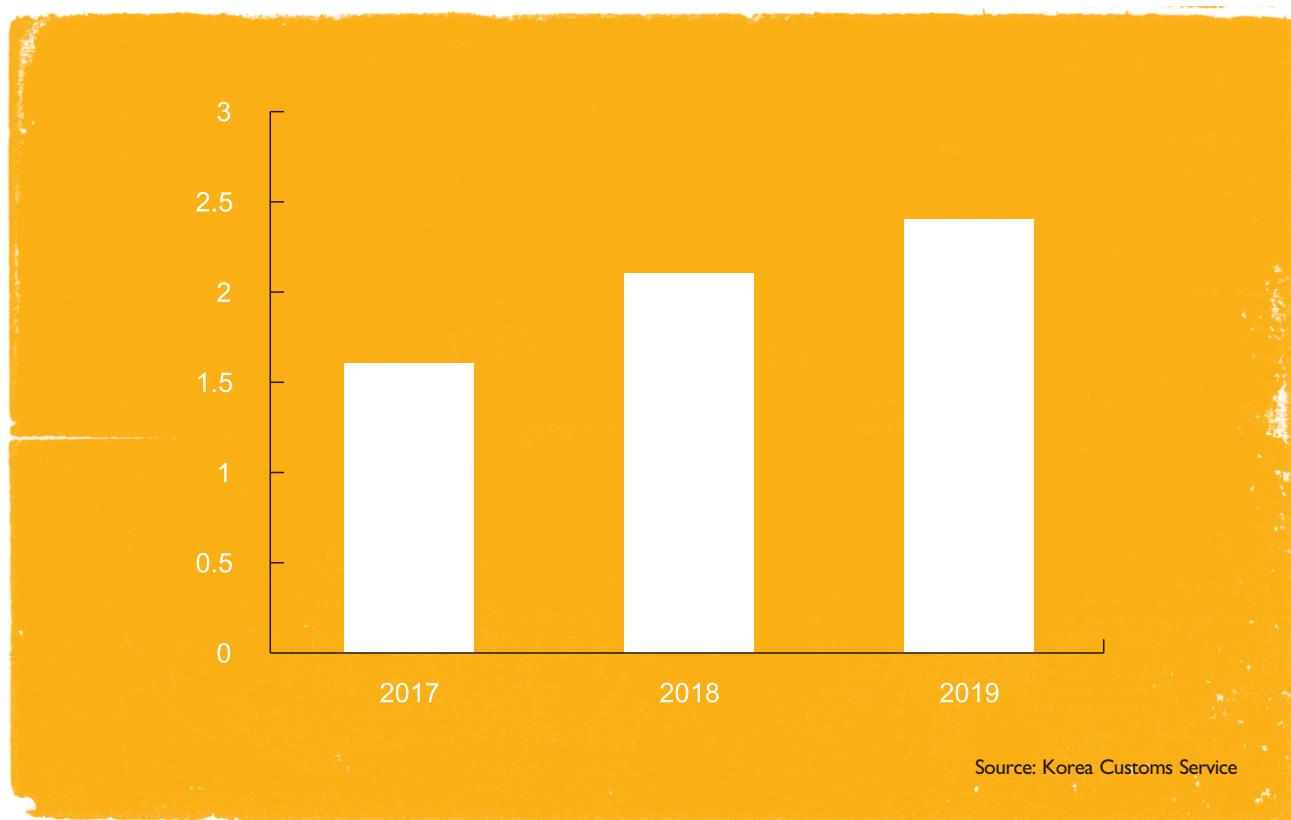
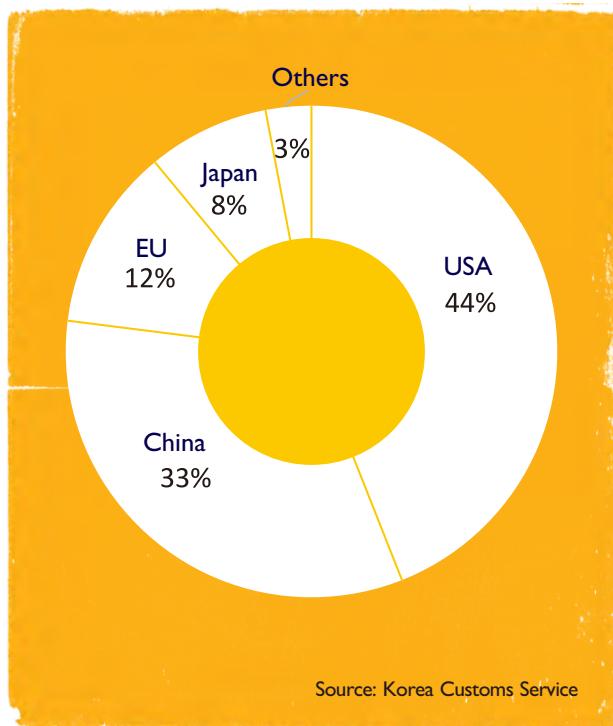


Figure 4: Overseas Direct Purchase Clearances by Country, 1st half 2019 (% of Total)



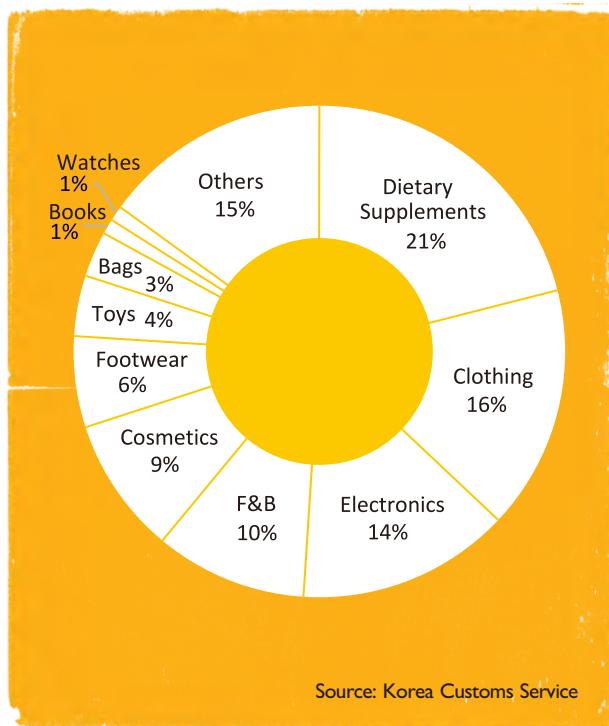
Korean consumers can engage in overseas direct purchasing in three main ways:

- Use local e-commerce websites that facilitate transactions with foreign vendors, usually via local agents (Gmarket, 11Street, Ticket Monster, etc.)
- Use buying agents that purchase products overseas and ship them to Korea (Poombuy, Wizwid, etc.)
- Use local or global shopping malls and e-commerce platforms (Coupang, Amazon, etc.)

Industry Insider's Tip

The practice of importing products from abroad for personal use via e-commerce is called “jik-gu”, which translates to “direct purchase”. There are many Korean-language blogs and forums where Koreans share their experiences using foreign websites, while also discussing product selections and prices. Products bought this way for personal use do not need to be safety-tested, equipped with a local language label or locally certified. However, they can be subject to additional duties and taxes.

Figure 5: Product Categories Purchased Directly from Overseas, 1st half of 2019 (% of Total)



Koreans have been using foreign websites to shop online since the mid-2000s. In a recent survey, 52.8% respondents said that they've purchased a product through cross-border shopping. Originally it was a niche sector dominated by buying agents (Poombuy, Wizwid, etc.), who buy and ship products from a foreign country on the customer's behalf, and shipping agents (Malltail, iPorter, etc.) who provide shipping addresses (warehouse) in the seller's country and handle international shipping to Korea at a fee. These services are still operational (those shopping on Amazon.com and eBay.com still often use shipping agents as not all merchants offer shipping to Korea), but have suffered as more Koreans purchase products directly from overseas sites and more foreign websites offer affordable worldwide delivery options.

According to the Korea Consumer Agency, the most popular reasons for cross-border online shopping are:

- Cheaper price (1st)
- Brands not available in Korea (2nd)
- Better quality products (3rd)
- More variety of products available (4th)

In 2018, the most frequently used overseas e-commerce websites by Koreans were:

1. Amazon.com (all categories)
2. eBay.com (all categories)
3. iHerb.com (dietary supplements, functional food)
4. Taobao.com (all categories)
5. Rakuten.com (all categories)
6. Alibaba.com (all categories)

Coupang, the number one e-commerce platform in Korea, emerged as the main disruptor on the cross-border online shopping scene in 2017 with the launch of their "Rocket Jikgu" delivery service. The service delivers more than 80,000 overseas products from 3,500 global brands to customers in as little as three days and offers free shipping on orders amounting to KRW 29,800 (GBP 19) or more. Items available for purchase include health & dietary supplements, food & beverage products, and home appliances. Coupang's online and mobile platforms allow Korean customers to input delivery address and credit card information in Korean, avoiding the inconvenience of typing a Korean name and address in English. Coupang also allows customers to track packages on its platform in real time.

Figure 6: Korea's e-Commerce Landscape

e-Commerce		Facilitating Services		Payment	
Local platforms		Search engines		Local credit card companies	
Gmarket	위메프 WEMAKEPRICE	NAVER	Daum	ShinhanCard	KB Kookmin Card
coupang	TMON	Google	Bing	Hyundai Card	SAMSUNG CARD
AUCTION.	Kurly	ZUM		LOTTECARD	KEB Hana Card
당근마켓	오늘의집				
11D					
Global platforms		Local couriers		Bill-to-mobile	
amazon	eBay	KOREA POST	CJ LOGISTICS	SK telecom	kt
		HANJIN	LOGEN	LG U+	
		LOTTE GLOBAL LOGISTICS	ILYANG Express		
Local online shopping malls		Mobile payment systems			
SSG.COM	LOTTE ON	KakaoPay	N Pay		
GS SHOP	LF	SAMSUNG pay			
Hmall		PAYCO	LG Pay		
Global online shopping malls		Global couriers		Global payment processors	
iHerb	ASOS	Royal Mail	DHL	VISA	mastercard.
StrawberryNET	shopbop	FedEx	UPS	AMERICAN EXPRESS	JCB
Buying agents		Shipping agents			
POOMBUY	WIZWID	malltail	iporter		
GLOBAL SHOPPING					

Source: Intralink Research

KEY E-EXPORT CATEGORIES

Based on interviews with executives from Korea's key retail groups and e-commerce companies, the most attractive sectors in e-commerce for British retailers include food & beverage, beauty & cosmetics, fashion, baby products & toys, and home & living. These are not the only sectors worth exploring but generally fast-moving consumer goods (FMCG) are well suited for cross-border e-commerce. Online FMCG sales accounts for 19.1% of total FMCG sales in Korea - well above the global average of 5.1%. All of these sectors have different competitive landscapes and offer different opportunities and challenges.

Food & Beverages

The food and beverage industry may be one of the most interesting yet challenging industries in Korea for foreign brands to find their place. Food and beverage comprise 12% of purchases made through cross-border shopping. Cross-border e-commerce in F&B has obvious limitations, but most products that are not quickly perishable can be traded this way without particular restrictions.

Vitamins, Dietary Supplements and Functional Foods

Health foods and supplements are some of the most sought-after products by Korean consumers. Koreans purchase substantial amounts of functional food online via websites such as iHerb.com, Amazon.com or Coupang.com. Sales of dietary supplements and functional foods, which include fish oil, antioxidants, and vitamins, were worth approximately GBP 1.63bn in 2018. The demand for regular foods that are associated

with health benefits, such as organic food, blueberries, and quinoa, have also increased dramatically. In August 2020, the top 25 bestselling products on Coupang's "Rocket Jik-gu" subsection were health supplements and vitamins.

Industry Insider's Thoughts

Koreans are crazy about healthy food, such as vitamins, fish oil, protein powders, kale chips and other functional foods. We saw the growing popularity of global e-marketplaces and effectively decided to become one for our Korean customers. We built our warehouse in California to stock up on products and ship them to our customers while still offering Coupang's familiarity and the highest level of customer service. Every month we look at the top 6,000 best-selling products on top 10-20 American websites, and buy as many of those products as we believe we can resell to Korea.

Senior Director – Coupang

It should be noted, however, that the Korean F&B market can be characterized by dietary fads. Greek yogurt, gluten-free pasta, probiotics, cleansing juices and bubble teas are just some examples of short-lived crazes that come and go with regularity. Typically, these fads appeal to large portions of the consumer base (larger than in the West) for a short time (shorter than in the West). Dietary fads sweep the market and disappear completely usually on 3-to-6-month cycles. They offer both a big opportunity for fast-movers, but also can be the undoing of an overconfident retailer.

Sweets, Desserts and Confectionery

Notwithstanding Koreans' love for healthy foods, cross border e-commerce has also seen an increase in the popularity of sweets, snacks and other similar products. This is not surprising, taking in to account the astonishing popularity of coffee shops, cafés and bakeries in Korea, but Koreans' preferences in this area are evolving, as are the ways their cravings can be satisfied.

The most popular imported products in this category, based on combined statistics as of August 2020 from Coupang and iHerb, were jams, peanut butter, snack bars, potato chips, cereals, crisps, and sweet waffle/pancake syrup. Based on industry insiders' comments and cross-border e-commerce website statistics, British e-exporters could also see opportunities in the following product areas: black, green and herbal teas, jams and preserves, spices, condiments and sauces and nuts, nut butters, dried fruits and spreads.

Industry Insider's Thoughts

As Cadbury has been a really big hit recently, Koreans are getting more interested in British confectionery and particularly chocolate. The wide variety of confectionery products in the UK, unmatched in Korea, can also be an advantage. Korean consumers are now willing to spend more money to enjoy high quality desserts, and sales of these products have been growing in recent years.

e-Commerce Account Specialist – Coupang

Fashion

Fashion is one of the most popular categories in cross-border online shopping in Korea, ranking first in terms of sales and second in terms of goods shipped. Koreans largely engage in direct overseas purchasing of clothes and accessories mainly because they cost less overseas - consumer prices in this category are perhaps the most inflated of all - and are available in a wider selection. In fact, even taking shipping costs into account, purchasing clothes through an overseas website can often be cheaper than buying it domestically.

Sportswear and Outdoor

Sports and outdoor wear is an important element of Korea's apparel industry, and outdoor brands from abroad are popular (soccer, hiking, golfing, biking, camping, etc.), the among consumers. With a growing interest in a diverse range of sports and activities (e.g. demand for sportswear that is functional yet versatile enough to adjust to different types of weather and activities has increased.

Watches, Accessories and Jewellery

Traditionally most designer watches and jewellery in Korea were sold in department stores with high levels of customer service but also very high sales margins. Korean consumers now seek cheaper options on cross-border e-commerce websites. Products from this category regularly appear near the top of cross-border e-commerce websites in Korea. Other popular products include wallets, belts, purses, suitcases, etc.

Good examples of overseas fashion brands and retailers e-exporting to Korea include:

- Pandora (US) (www.pandora.net)
- Daniel Wellington (EU) (www.danielwellington.com)
- Jomashop (US) (www.jomashop.com)

Industry Insider's Thoughts

The UK is well known for its heritage and culture in Korea, however, its products and brands are relatively unknown to the majority of Korean customers. British companies should leverage the national image to appeal to Korean customers.

**Jayes Kim, Ph.D., Senior VP,
e-Business Div. – LF Corp**

Casual Wear

Seoul is considered one of the most fashion-forward places in Asia. People often look online not only for brands they know and like but also for new items to add to their wardrobes. Brands like Polo Ralph Lauren and Gap are some of the bestsellers. Some notable examples of casual fashion websites popular in Korea are Shopbop (www.shopbop.com), Farfetch (www.farfetch.com/kr), and MyTheresa (www.mytheresa.com). Two success stories in this category worth highlighting are ASOS (www.asos.com), a company that has a partially localised website and dedicated Korean support staff, and Matchesfashion, which went even further and completely localised its website and services.

Beauty & Cosmetics

Sales of beauty and personal care products online have continuously increased over the past four years. More Koreans (62%) claim to have bought beauty and personal care products online in the past year than any other country. Online sales of cosmetics reached approximately GBP 125mn in 2019,

representing 5.3% of all overseas direct purchase sales that year. Moreover, Korean consumers are choosing to purchase electronic beauty care devices such as LED light- therapy masks, electronics facial cleansers, and laser hair removal systems to do skincare at home and save money on visiting clinics or beauty shops. Olive Young, the largest health and beauty chain in Korea, said sales of its at-home beauty care devices increased by 30% in 2018.

Natural Cosmetics

Organic, natural and paraben-free beauty products have become popular among health-conscious Korean consumers. As the selection available domestically is still not on par with overseas, Korean consumers purchase them via online websites such as iHerb or through Coupang. Online retail has quickly become a popular channel for mid-to-high-end cosmetic brands in Korea, growing more than three-fold since 2015. This suggests that Korean consumers have begun to look beyond department stores to find better deals, as well as to find foreign brands that are not available in Korea.

Closer Look

Matchesfashion (www.matchesfashion.com) is a multi-brand luxury fashion retailer. The company decided to fully tailor its website to answer to the needs of its Korean client base, including customized special services such as private shopping and personal stylist assistance available in the Korean language.

Closer Look

CELLBN (cellbn.co.kr) is a Korean producer of organic skincare and personal care products. It is sold at Olive Young. As consumers have come to focus more on quality ingredients, many cosmetics brands, including CELLBN, market their products as organic. Overseas brands and ingredients are often considered to be of superior quality, and CELLBN's new Organic Pure Jojoba Oil is said to be made with jojoba oil of British origin, produced by Kerfoot Group (www.kerfootgroup.co.uk). The label design features the Union Jack and the product page includes pictures of certificates issued in the UK to boost credibility.

Medicinal Beauty Products

European cosmetics that are now easily found in local retailers were introduced to the Korean market in the early 2000s, first by Korean dermatologists and later by Korean buying agents based in Europe. European brands of cosmetics have been popular for skin care, the French Bioderma being a leading example. Their mild ingredients and increasing brand awareness have a strong appeal to Korean consumers and have experienced remarkable growth. Medicinal cosmetic makers must make sure, however, that all of the ingredients in their products can be imported for personal use without additional certificates (see section 6). Korea Customs Services can provide the latest information regarding requirements.

Examples of other successful medicinal cosmetic brands in this category include:

- Bioderma (www.bioderma.com)
- Uriage (www.uriage.com)
- La Roche-Posay (www.laroche-posay.com)

Industry Insider's Thoughts

The barriers between the different channels of distribution in the cosmetics industry will soon break down due to the Korean consumers' ability to find the best quality brands regardless of the channels of distribution. Channels of distribution will become more diversified to include existing channels, such as pharmacies, online malls, drug stores, TV home-shopping channels, as well as new online channels such as social networks and personal blogs.

Representative – Bioderma Korea

Closer Look

Bulldog Skincare (www.bulldogskincare.com) is a manufacturer of men's skin care products based in the UK. The brand entered the Korean market in 2013 through a partnership with Olive Young. The bulldog products are currently available on a number of major e-commerce websites such as Gmarket, Auction and Coupang. But with retail prices above the global average, many customers still turn to cross-border online shopping websites.

Men's Care

The market for men's skincare products in Korea is valued to be GBP 907mn in 2020. The average Korean male uses 13 grooming products a month and spends more on such products than their counterparts in any other country. In 2018, Korea accounted for nearly 20% (GBP 523mn) of global spending in this entire industry. The trend started from basic skincare products, such as face masks, but quickly spread to makeup products, such as tinted moisturizers. Foreign men's care brands have also gained in popularity largely due to creative online buzz marketing in Korea.

Baby Products & Toys

Baby products are heavily sought after online. Sales of baby products purchased from overseas totalled nearly GBP 41.5mn in 2019, a number that looks to continue increasing in the coming years.

Industry Insider's Thoughts

Young mothers rule the e-commerce industry in Korea. They are always on the go. They do not have time to go to a supermarket to buy baby oil and diapers. They take out their smartphones and order diapers in bulk online. While doing so, they also fill in the shopping cart with other things – food, snacks, clothes, etc. Almost all of our category buyers think of mothers in their 20-30s first when building their product selections.

Baby & Kids Category Buyer – 11Street

Baby Food, Cosmetics and Clothes

Online shopping is particularly well developed in this category in Korea with products including nappies, baby foods and wet tissues being some of the most popular among consumers. The top e-imports in the baby product category across multiple cross-border e-commerce sites in August 2020 included baby formula, organic baby food (jars, pouches), hypoallergenic bath products, feeding bottles and micro-fleece swaddles and blankets. Imported powdered milk, in particular, has gained popularity among young Korean mothers who are keen to use foreign brands, such as Aptamil and Holle, in the belief that imported brands generally have better and safer ingredients. In fact, Aptamil is one of the most popular items bought by Koreans on Amazon's German website, amazon.de.

Educational Toys

The toy market is led by Lego, due to its educational value that Korean parents hold in high esteem, and local brands featuring popular Korean cartoon characters such as Pinkfong or Pororo the Little Penguin. Domestically produced toys still dominate the market and Korean children generally grow up with different, local characters. Therefore, British toy makers could take advantage of e-exporting, especially if the product boasts educational appeal and is not linked to characters that are unknown in Korea. However, it is important to note that Ticket Monster recently reported that the sales share of imported toys on its platform grew from 22% in 2015 to 47% in 2018. Therefore, the market could prove much more welcoming for British toy makers who perhaps up until now did not include Korea in their global expansion plans.

Closer Look

Aptamil (www.aptaclub.co.uk/products) is a popular baby powdered milk product manufactured by the French brand Danone. Foreign-made baby formula, including Aptamil, first became popular in China, especially after a local product containing industrial chemicals killed six infants in 2008. Direct overseas purchases of baby powdered milk started to increase dramatically in Korea in 2013. Aptamil products are available through a number of purchasing agents, as well as on Ticket Monster and Coupang.

Home & Living

Korean households used to have a sharp divide between high-tech home appliances, such as LCD screen-equipped refrigerators and ultra-flat UHD television sets, and low-quality furniture, tableware and kitchenware. The major players here are local and Chinese manufacturers, but some global brands such as IKEA, H&M Home, and Zara Home have set up a successful brick-and-mortar stores in the country.

IKEA opened its first store in Korea in 2015 and now has four Korean locations, with more stores planned in the future. Costco records high sales in tableware and kitchenware, chiefly amongst people in their 40s and 50s. H&M and Zara, on the other hand, attract people in their 20s and 30s with flagship stores in trendy retail areas of Seoul. More and more products in this category appear on cross-border e-commerce websites as well.

These brands also saw growth in sales of beddings, bathroom linen such as towels, and bed/bath clothing such as robes, pajamas, and slippers. Consumers value attractive modern design and affordable pricing. While home and living products are still not the most popular in terms of cross-border online shopping, many industry insiders agree that they will be the next high-growth segment in the e-commerce space. Seeing how successful the local home interior app Bucketplace's Ohouse has been since it launched in 2014, the trend appears to be here to stay.

To date, few online stores offer shipping options to Korea for home and living items

and in most cases Korean customers need to use buying or shipping agents to make overseas purchases. Interest in this area is growing quickly, especially among newlyweds. Popular items range from kitchenware and small home appliances to furniture and beddings. A number of high-end products, such as kitchenware from Lenox (US) and Portmeirion (UK), are available in major department stores and online retailers in Korea but more and more people are purchasing these types of products through cross-border e-commerce. As European online retailers try to clear their old inventories towards the end of the year, they put clearance markdowns on products starting from early autumn, which attracts more Korean consumers, especially young couples.

Industry Insider's Thoughts

Parents these days are all about their children's well-being and education. They want their children to have the highest quality care there is. They will order baby products and preschool educational items on foreign websites as many parents are scared of dangerous knock-offs from China.

CEO – Gymboree Music & Play Korea (Gymworld)

Closer Look

Ambient Lounge (ambientlounge.kr) was founded in 2004 by a Melbourne-born designer. The company manufactures bean bag furniture and was initially launched in the UK and Australia. Ambient Lounge established its Korean branch in 2018 and offers Naver Corp's simplified payment service, Naver Pay, as a payment option on its Korean website. Its bean bags are also sold on the viral Korean interior design/e-commerce platform Bucketplace and are highly rated by its users.

Pet Products

Another interesting opportunity for British e-exporters is pet accessories. Koreans have embraced the trend of humanising their pets by grooming and dressing them up while also fitting apartments with dedicated pet amenities. In fact, Korea's pet industry grew to GBP 1.09bn in 2018, and this figure is expected to reach GBP 3.4bn by 2025. The top selling pet products according to

Wemakeprice.com include pet foods, toys, and furniture.

Raising pets in Korea has become more popular than ever, with a majority of owners regarding their pets as family members. A survey in 2018 showed that one out of four Korean adults owns a pet and spends an average of GBP 65 per month on their companion.

Closer Look

Hing Designs (www.hingdesigns.com) is a UK-based producer of pet products. Its products are sold on Dogmoa (dogmoa.co.kr), an online pet product shopping mall, 11street and Coupang. Coupang lists one of Hing's hit products, the fishbowl, as a 'Coupang-recommended' product due to a high number of good reviews. Korean consumers appreciate the fun design and high quality of the products.

05

MARKET ENTRY STRATEGIES

Key Points

- e-Exporters can adjust the level of resource needed to sell their products to Korean customers
- e-Exporters can work alone or with local e-commerce companies
- Localised marketing and brand awareness are crucial
 - teaming up with local agencies or Internet personalities can be a great way to spread a brand's message
- The most successful strategy is often multi-channel, exploiting both online and offline opportunities

MARKET ENTRY METHODS

Traditionally, retail businesses looking to expand into new markets considered a few standard routes which included setting up a local entity in the form of a wholly owned company or a joint venture with an established local partner, licensing their brands to locally experienced master licensees or franchisees, or working with a local distributor. These methods are still valid and indeed advisable in many situations - relying solely on e-exporting may not work for everybody. However, e-exporting is a good way for British brands to understand more about the Korean market and its consumers and build the foundation for a future multi-channel presence. e-Exporting represents a great opportunity for those brands that offer relatively niche products at low volumes, as it allows higher margins. It is also a flexible approach for those who offer a hot product that fits with a current market trend.

Level 0: Using a Global e-Commerce Platform

Placing your products on Amazon, eBay, Rakuten or Alibaba, with shipping to Korea enabled, is arguably the most basic way to reach Korean consumers as an e-exporter. Koreans are already familiar with the websites and use them frequently. However, brand awareness, brand exposure and brand visibility are likely to be low and, without a coordinated and localised marketing strategy, sales to Korea are likely to be sporadic.

Key Advantages:

- Cheap, low effort, easily accessible
- Able to address multiple markets under a trusted marketplace brand name

Key Disadvantages:

- Not personal, not targeted at specific consumers
- Not in Korean
- Difficult to find products without brand awareness and/or defined need

Things to Consider:

- Utilising the e-commerce marketplace's built-in tools (usually paid) to promote products upon keyword search is crucial
- Understanding the marketplace's fee structure is important as it can vary across sites and categories. It is recommended to have a good sense of potential margins and the marketplace's business model

Level I: Website with Shipping Options to Korea

For small businesses that already operate an online store as a part of their website, adding an international shipping option at checkout is a good starting point. Global couriers such as DHL, UPS or FedEx offer special e-commerce packages for small and medium-sized businesses. The delivery option offering should be versatile, allowing customers to choose from different price points relative to the speed of delivery, etc.

Key Advantages:

- Cheap and available with a currently existing shipping plan
- Can receive free or cheap consulting from global couriers' e-commerce teams
- Eliminates most middlemen

- Easy to track and analyse sales and related patterns by territory

Key Disadvantages:

- Lacks localisation, local personality and local appeal
- Product may not be noticed unless the customer knows what he or she is looking for

Things to Consider:

- Multiple options for shipping speed should be offered. International customers, just like domestic customers, exhibit distinct preferences across the price-versus-speed spectrum
- Indicating delivery in estimated business days instead of a specific date is a good way to avoid possible conflict with customers
- Note that Koreans celebrate different holidays to Westerners (e.g. Lunar New Year as opposed to the solar New Year), and these should be factored in when planning delivery schedules
- The language and layout of the website may be unfamiliar to some Korean customers. While Koreans, especially younger ones, can generally read English, Korean is preferred
- Korean web design follows different rules and trends, Koreans are used to having a huge amount of information and product pictures when shopping online

Level 2: Website Localisation

Retailers that experience an increase in enquires or sales from Korea may want to take advantage by building a fully localized subsection of their website. This is also a

good option for those who already have good brand recognition in Korea and want to skip the previous, lower-engagement steps. Korean consumers will appreciate a shopping experience tailored to them and trust-building, so crucial online, is more effective when conducted in the customer's native tongue. Localising a website may be the most effective way to increase the customer base and to turn accidental shoppers into repeat shoppers.

Key Advantages:

- Increased localisation, local personality and local appeal
- Increased ease of use for Korean customers and a better shopping experience
- Increased likelihood of repeat purchases

Key Disadvantages:

- Requires time and investment
- Requires professional translation and regular updates

Things to Consider:

- Localised websites require regular reviews as well as updates when new products are released. It therefore requires sustained investment, rather than a one-time effort
- Displaying costs and prices in the customer's currency is important to turn visitors into customers as it builds trust in the seller and increases the likelihood of conversion to sales
- Levels of localisation vary from simply translating a few existing pages to tearing down the website and building a new shopping experience that fully reflects the local e-commerce culture. Translation

should be done by a professional as poor translation could create a negative impression

Level 3: Dedicated Customer Support

Korean customers are used to a very high standard of customer support and good customer support can be crucial in e-commerce as a trust-building tool. Websites that, on top of having a localised Korean version, have dedicated support in Korean (email, phone, chatroom, etc.), excel at retaining their customer base and are more likely to enjoy the effects of free word-of-mouth marketing.

Key Advantages:

- High localisation, local personality and local appeal
- Improves the customer experience and customer retention
- Direct dialogue with customers allows for more targeted improvement over time

Key Disadvantages:

- Can be costly - requires dedicated staff with native-level Korean

Things to Consider:

- Dedicated support should be of a high quality which means conducted by native or fluent Korean language speakers who are familiar with the Korean market, always very polite and focused on resolving issues with little fuss
- Ideally, support should be available 24/7, but failing that lines should be operational from 9am to 6pm, in the Korean time zone (UTC+09:00 in winter, UTC+08:00 in summer)
- Dialogue with customers may help design better marketing tools such as events, promotions, discount codes etc., which can help drive more sales
- International returns policy should be clearly visible. Korean customers expect to be able to return or exchange unwanted or faulty products hassle-free

Closer Look

To become a Global Seller on Gmarket and Auction a non-Korean merchant should submit an application form (in Korean), a photocopy of identification document (passport preferred), a business license including business registration number, product certifications, bank statement, seller confirmation letter (in Korean).

Documents will be reviewed within 3 weeks. The platform will help handle payments via bank transfer to the seller, automatically or manually. The platform will take commission which is negotiated with each vendor separately.

Level H: The Hybrid

Companies like Gmarket, 11Street and Auction have an option for foreign retailers based outside of Korea to open seller accounts without a Korean business registration number. The procedure requires submitting certain documents and the Open Market Review Teams reserve the right to reject candidates. While it is possible to organise this in English, the online storefront's interface, product descriptions, terms and conditions and customer service should be in Korean and Korean language ability can be a mandatory requirement. The open market staff offers support and tutorials to set up shop, but the ongoing operation, page and product updates, dealing with customers, etc. is handled by the seller.

The key challenge is that since e-exporters are operating within a Korean website for Korean customers, they must be able to function in Korean. Customers will ask questions before purchasing that may be crucial in their decision-making and will maintain a dialogue post-purchase by leaving reviews and comments. There will also be instances of complaints and refund/exchange requests. Without local language support the model may prove unsustainable.

Key Advantages:

- Selling under a well-established e-commerce brand with high penetration rates
- Access to e-commerce company's marketing, local customer support and distribution network

- Support in handling of formalities (e.g. import procedures, Korean labelling, delivery, etc.)

Key Disadvantages:

- Requires initial investment in business development activities (e.g. meetings with agent/partner, product testing, market research, etc.)
- Splitting of the sales margin with the local agent/partner (for e-commerce, typically 10-20% of sales)
- Suitable for relatively well-known brands with high sales volume potential

Level 4: Multi-channel

A multi-channel approach that utilises both offline and online shopping channels can still be the most effective strategy for those looking for sustained growth in the Korean market. With technologies such as AR, QR codes and IoT, savvy retailers are finding new ways to make online and offline work together.

This strategy requires a local presence in the form of a carefully selected and dedicated partner with market expertise and technical knowledge. The partner would typically handle product importation, certification and labelling, as well as marketing, B2B sales to offline retail channels (hypermarkets, department stores, pharmacies, etc.) and partnerships with local e-commerce platforms (Gmarket, 11Street, Coupang, etc.). The brand can in turn focus on parallel e-exports to Korea via its global website or global e-marketplaces.

Key Advantages:

- Often the most comprehensive and universal method, suitable for most retailers and brands
- Full localisation including customer support
- Full market coverage
- Field for creative sales techniques and marketing (showrooming, webrooming, etc.)
- Local market expertise and support from the partner

Key Disadvantages:

- Can be costly and time consuming
- Requires careful planning and careful selection of the right partner

Things to Consider:

- An experienced partner that can commit to developing a brand's presence in the local market is key. UK brands may be tempted

to work with large retail groups, but smaller distributors can be a better fit

- Large retail groups are fierce competitors, siding with one often eliminates the possibility of working with another, limiting market reach. Small distributors can often work with multiple groups
- UK brands should make sure that the agreement with the local partner is not restrictive in the sense that it does not stipulate that the brand cannot e-export to Korea using its own channels
- Brands need to think of creative ways to make online and offline work together. Some examples include offering digital coupons that can be redeemed in a brick-and-mortar store, and free delivery/discount code vouchers offered upon physical purchase to input during the customer's next online purchase
- UK brands can work with the DIT and/or employ experienced market entry experts to guide them through the process



MARKETING

All of the aforementioned e-export strategies will benefit greatly from a dedicated marketing mix for the Korean market, the elements of which should be familiar to all retailers. Their effectiveness and cost will vary. It should be noted that Korean consumers value stories behind brands they choose. The brand's origin, its mythos, its founder/CEO - all these factors can positively influence brand perceptions and story-driven marketing messaging is very effective, through whichever medium it is delivered. Here are some of the most common marketing strategies used by e-exporters that sell to Korea.

Level 1: Adding Korea to Current Digital Media Plan

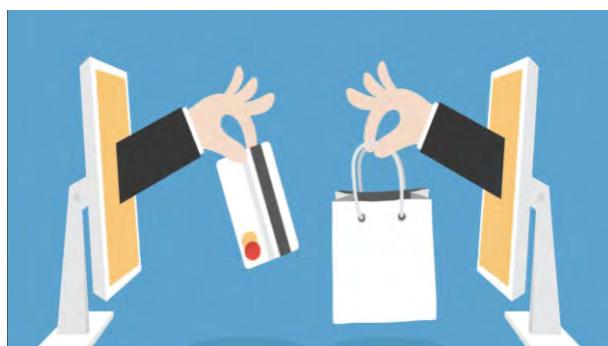
In order to increase Korean consumers' exposure to a new brand, exporters should consider expanding their current digital marketing plans to include Korea as a target territory. Marketers must remember that search engine optimisation should be optimised for the Korean search engines, Naver and Daum, which are very strong in the market.

To make the creative media content (e.g. website banners, mobile website ads, etc.) more relevant and relatable, it is advised that it be in Korean. According to local marketing specialists, the most relevant advertising channels for Korean Internet shoppers include desktop, mobile web and mobile app ads, YouTube, Instagram and Facebook ads. Marketers should also make sure that their ads appear on local-language websites that are relevant and benign to the brand (contextual targeting).

Level 2: Social Media and Local Internet Personality Sponsorships

Retailers can use Korean social media (e.g. set up a localised Facebook page or Kakao Talk Plus page) to build brand awareness and influence word-of-mouth. This in turn should result in more search queries for the product in question. The localised presence should be active in order to be effective. Live dialogue is crucial and so this approach requires staff with excellent Korean language ability, at least part-time.

Another way to use social media without hiring Korean-speaking staff is to get in touch with local bloggers and Internet personalities to offer sponsorships (e.g. free samples, merchandise, etc.) in exchange for mentions on their own social media channels. This is a very effective and relatively inexpensive tactic. It is, however, important to ensure transparency when entering influencer partnerships. The Korean audience is quite sensitive to undisclosed paid ad campaigns due to a number of recent scandals around local YouTubers and such practice can cause serious harm to the brand image.



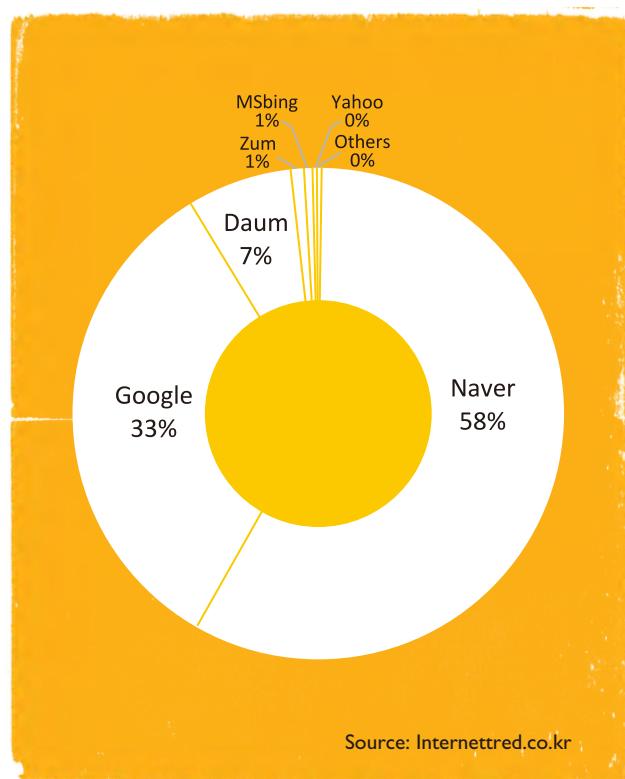
Level 3: Using a Local Digital Media Agency

For those that want to develop a marketing strategy fully tailored for the Korean market, it might be best to work with a local agency. A local specialist team should allow a brand to better exploit local digital/social media, local search engines and traditional marketing campaigns. This is the most appropriate strategy for retailers fully committed to the market or those willing to invest more heavily in exploiting the market. Local agencies know Korean consumers well and so are well placed to execute the most effective campaigns to position a brand in the local market.

Some creative agencies in Korea specialise in working with Western retailers. These include:

- Asiance (www.asiance.com): Works with Dior, Ballantine's, Bottega Veneta, Tesla, Louis Vuitton, etc.
- Innored (www.innored.co.kr): Works with Google, YouTube Korea, The North Face, M&Ms, etc.
- nasmedia (nasmedia.co.kr): Works with Canon, Facebook, Twitter, Nestle, etc.

Figure 7: Search Engine Market in Korea



06

LOGISTICS AND CUSTOMS

Key Points

- All global couriers offer shipping options to Korea, some also provide consulting services
- Products valued below GBP 113 (USD 150) can be shipped to Korea duty free, and are customs-cleared within a couple of days based on Manifest Clearance
- Products valued between GBP 113 (USD 150) and GBP 1,511 (USD 2,000) go through a Simplified Clearance that includes extra tax paid by customer and takes 2-9 days
- Products valued between USD 2,000 (GBP 1,511) and GBP 5,380 (EUR 6,000) go through Standard Clearance, which can take upwards of 7 days and is handled by professional customs agents
- Shipments valued over GBP 5,380 (EUR 6,000) require the exporter to have an Approved Exporter status in order to benefit from tariff-free trade

LOGISTICS

Global shipping companies that offer special services for e-exporters include Royal Mail, DHL and FedEx. e-Exporters can contact their respective e-commerce teams and learn more about the services offered. Such services include consulting and handling, but also website design elements such as a delivery fee calculator to be integrated on the checkout page.

e-Exporters usually work with a global shipping company. In certain cases (e.g. Standard Clearance), one may need to use customs agents as well, but those are often hired or recommended by global shipping companies. Most global couriers have preferred local delivery companies that they work with and will internally deal with the handover to the local partner. The top local couriers are CJ Logistics, Korea Post, Hanjin, Hyundai Logistics Company and Logen. The couriers will also be able to provide detailed information regarding potential restrictions such as forbidden substances.



CUSTOMS

DISCLAIMER

The Korean government is continuously working on making the e-commerce regulatory environment easier for both vendors and customers. It is therefore likely that the regulations presented in this report will change over time. British retailers considering e-exporting to Korea should contact the Department for International Trade or seek local consultation services for the latest information.

The UK and Korea signed the UK-Korea Free Trade Agreement on 22 August 2019 and the FTA was approved by the Korean Congress on October 28 of the same year. It went into effect on 1 January 2021 once the Korea-EU FTA ceased to apply to the UK on 31 December 2020.

For commodity tariffs, the UK-Korea FTA agreed to apply the same concessions as the Korea-EU FTA in order to maintain the elimination of tariffs on all manufactured products. However, for agricultural products, both countries agreed to exercise the Agriculture Safe Guard (ASG) at a lower standard than was the case with the Korea-EU FTA. The UK-Korea FTA broadly applies the same standards as the Korea-EU FTA for the first three years. Products made with materials from the EU are also approved temporarily for 3 years. The Korea-UK FTA is also expected to strengthen transparency in administrative export and import fees to match the Korea-US (KORUS) FTA standards.

Table I: UK-Korea FTA Product Tariffs

Type of tariff	Korea Tariff		UK Tariff	
	No. of Items	Percentage (%)	No. of Items	Percentage (%)
Immediate Elimination*				
*Items eliminated immediately or within 7 years of UK-Korea FTA	10,649	94.6	9,803	99.6
Eliminated within 10 years	397	3.5	-	-
Eliminated after 10 years	157	1.4	-	-
Seasonal Duties	2	0.0	-	-
Tariff Exemption/Current Customs	56	0.5	39	0.4
Total	11,261	100.0	9842	100.0

Source: Ministry of Trade, Industry and Energy

In order for an exporter's goods to benefit from the UK-Korea FTA, the exporter should submit a declaration of origin with the following information:

1. Customs authorization number
2. Country of origin
3. Exporter's location
4. Date of submittance

Shipments valued at GBP 113 (USD 150) or less do not require an import declaration and are exempt from taxation. Only the name of the consigner, address, phone number, price and weight of shipment are required. This procedure only applies to items that do not require an import licence.

Shipments between GBP 113 (USD 150) and GBP 1,511 (USD 2,000) will go through simplified clearance. This procedure applies to personal orders and tax rate will be applied.

Simplified clearance procedures are not applicable to shipments over GBP 1,511 (USD 2,000) or items that are excluded from simplified import declaration and import declaration is required.

Shipments valued at above GBP 5,380 (EUR 6,000) require the exporter to have Approved Exporter status in order to benefit from tariff-free trade. Only 74% of British exporters eligible for the Approved Exporter status applied since the Korea-EU FTA was signed in 2011, while others still pay tariffs that are easily avoidable. British exporters should contact the DIT or HMRC to get professional support in the process of becoming an Approved Exporter as this designation continues under the UK-Korea FTA.

Closer Look

In order to benefit from tariff reductions under the UK-Korea FTA, goods need to be accompanied by a self-issued Certificate of Origin (C/O).

For goods with a value of less than GBP 5,380 (EUR 6,000), exporters can self-issue the C/O. The C/O should be written on the invoice, delivery note and/or other commercial documents and state:

“The exporter of the products covered by this document (Customs Authorization No.) declares that, except when otherwise clearly indicated, these products are of preferential origin.”

For goods exceeding GBP 5,380 (EUR 6,000), only companies with Approved Exporter status are eligible to self-issue the C/O. Interested companies should contact the DIT or HMRC for more details on becoming an Approved Exporter.

Korea Customs Service sets the quantity criteria under which they recognise the imported items as intended for individual use and not for commercial purposes. For instance:

- 6 bottles of vitamin supplements are the maximum import allowance at one time by one individual
- For liquor, one bottle of 1L or less is the duty-free limit but the item is still subject to the liquor tax and education tax regardless of price. Once the price goes over GBP 113 or the volume exceeds 1L, customs duties and value added tax will be applied
- For perfumes: 1 bottle of 60ml or less and below the value of GBP 113

If the products are ordered by individuals, there are three types of clearance for

e-commerce B2C transactions: Manifest Clearance, Rapid Entry/Simplified Clearance and Standard Clearance.

Manifest Clearance

Products valued below GBP 113 (USD 150) and listed by the Korea Customs Service (KCS) as eligible can be processed within one business day. For this, KCS only requires that the package has an invoice or manifest attached containing a list of contents, the weight and value, and contact details of the sender and the consignee. Certain products are technically not eligible but in most cases for products valued below GBP 113 (USD 150) with proper information attached, the process is swift and seamless.

Figure 8: Manifest Clearance



Closer Look:

Items not available for manifest clearance

Items that are excluded from importation through the manifest clearance: medical products, herbal medicines, most agricultural products, health supplements, processed foods, functional cosmetics especially those with skin care effect (e.g. anti-acne, anti-aging, etc.), placenta-based beauty products, steroids

In some of these cases, the definitions customs officials apply can be ambiguous. To prevent being subject to unwrapping and inspection of the package, some exporters list a product's full name on the invoice. For instance, in the case of health supplements, instead of listing them as "health supplements", exporters put full names (e.g. "Optimum Nutrition PRE" - pre- workout formula).

Closer Look

Banned Substances

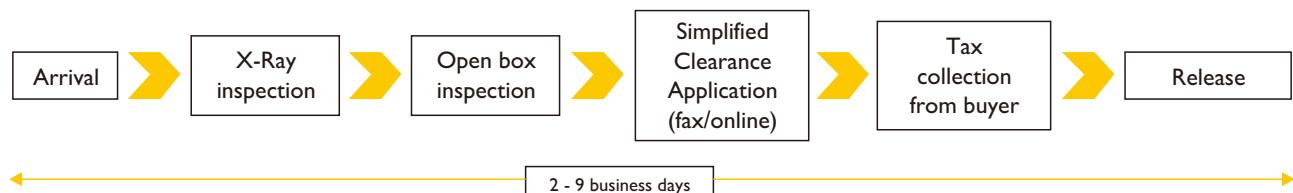
Products that are not illegal but generally cannot be imported to Korea include: alpha-lipoic acid, melatonin, sibutramine, products made with the body parts of animals, medicines requiring a prescription in Korea. Further information can be found at: www.customs.go.kr

Rapid Entry/Simplified Clearance

Most packages with a value between GBP 113 (USD 150) and GBP 1,511 (USD 2,000) can be processed based on a simplified duty rate. The customer will have to pay an additional tax before receiving the order. The KCS will

calculate the tax to be paid, contact the customer to inform them and release the product only after receipt of funds. Rapid Entry/Simplified Customs Clearance usually takes two to nine business days.

Figure 9: Rapid Entry / Simplified Clearance



Closer Look:

Additional import tax for individual use

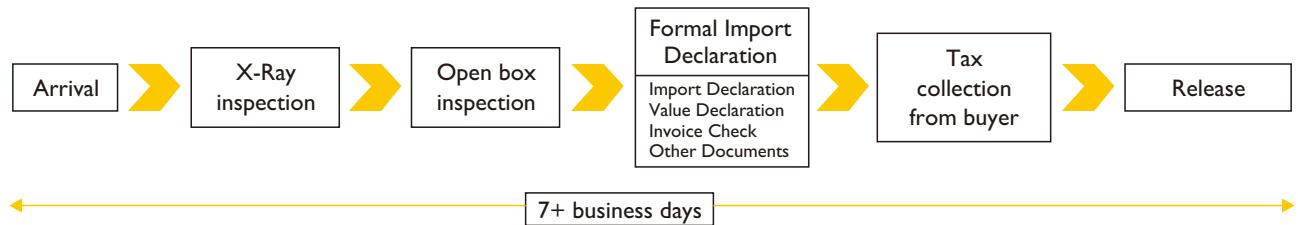
The simplified tax rate is equal to product value times average tax. The average tax is about 20% but some items can be charged at different percentages. For instance, general clothes and shoes are subject to 25% tax, fashion items made of leather are subject to 30% and the average tax on perfumes is 35% plus additional inland taxes. e-Exporters should state clearly that customers may be subject to such additional taxes as certain items including perfumes can be subject to additional excise taxes.

Standard Clearance

If a product is valued at over GBP 1,511 (USD 2,000) or not applicable for the Manifest Clearance or the Rapid Entry, it will be subject to a standard clearance with full documentation and details to be reported to customs. In this case, a professional customs

agent would be involved in the procedure that can take weeks or months if not handled carefully. Global couriers such as DHL or FedEx have in-house customs agents or can provide referrals and so e-exporters who plan to sell such products should seek consultation from a global courier.

Figure 10: Standard Clearance



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Department for International Trade

The Department for International Trade (DIT) helps businesses export, drives inward and outward investment, negotiates market access and trade deals, and champions free trade.

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