South Korea has a large and lucrative retail market and the country plays a leading role as a shopping hub in North East Asia. The retail market in South Korea was worth about £120.5 billion in 2011. This is partially being driven by strong purchasing power, where Koreans desire high quality products and world class designs.

Over the next 5 years, the South Korean economy is forecast to make the 10th largest contribution (1.8%) to world GDP growth (IMF) – greater than UK, France and Turkey. It made the single largest contribution to UK export growth in 2012. South Korea has a population of 50 million with over 80% living in urban areas.

The majority of spending in this sector is concentrated in the Seoul Metropolitan Area, home to half of South Korea’s domestic population.

When South Korea opened up its retail market in 1996, domestic department stores quickly moved to dominate the market; however this picture is now shifting and distribution channels have become more diversified in response to demands from consumers. Department stores, foreign retailers, discount stores (hypermarts), and supermarkets are now competing with each other to take a larger share of the market.

In addition, as a result of the Korean Government’s reduction in non-tariff barriers, foreign companies like Tesco are now enjoying greater success in Korea. An increasing number of lifestyle shops (multi-brand select shops) and shopping malls are also generating new opportunities for foreign retail goods with a reputation for quality and innovative designs.

South Korea also has the most advanced E-commerce environment in the world thanks to high speed broadband and a strong telecommunications infrastructure. Online shopping malls are a major distribution channel for companies selling a wide range of imported consumer goods.

Influence of the FTA

The European Union and South Korea have concluded a Free Trade Agreement (FTA) which will gradually result in the removal of 97 percent of all tariffs (around €1.6bn of duties) for UK exporters from July 2011. South Korea’s retail market is becoming more attractive to EU exporters due to enhanced price competitiveness resulting from the FTA.

This represents a fantastic opportunity for UK exporters.
The consumer goods sector is characterised by market opportunities in the following sub-sectors:

**High-end brands (living, sports & leisure goods, goods for babies, and giftware)**

There are significant opportunities for UK exporters who supply high-end goods for living, leisure & sports, babies, giftware and interiors. South Korea’s middle and upper classes’ discretionary spending, higher standards of living, diversified tastes, greater self-expression and individualism, and strong interest in international and luxury brands (including well-known UK ones) are all helping to open the market for foreign brands.

Foreign brands often enjoy better brand recognition than their local counterparts. For example, some successful British brands such as Mamas&Papas, Portmeirion, and Dyson are doing very well in the market.

South Korean parents are also brand conscious and households with one child are common in Korea due to one of the lowest birth rates among OECD countries. As a result, Korean parents and family members are willing to pay for high quality foreign products for their children, grandchildren, and other young relatives. Consequently, the children’s market for foreign brands, particularly high-end ones, continues to grow. It is estimated that the market for children’s goods in South Korea was worth approximately £17.1 billion in 2011, and for Baby goods alone USD $2.7 million in 2013.

**Organic and green products**

There is a steadily growing demand for organic and green goods in South Korea. Consumers are becoming more conscious of the impact of their consumption on themselves and the environment. Foreign products with eco-friendly brand elements are attracting more attention from consumers. Department stores, hypermarkets and drug stores run by large retailers such as Lotte, Shinsegae, CJ and GS Group are all expanding their organic and green product sections at their stores. As a result, there are rapidly growing opportunities for UK exporters supplying organic and green products.

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