

Food and beverages – South Korea

Summary of findings related to international market opportunities for Norwegian food and beverage products to Korea

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1. Brief facts about the market

Korea's GDP per capita is currently USD 25.990, and the share of household budget spent on food and beverages is about 25.6% out of KRW 2,668,700. Pure food portion is estimated about 20% of the total monthly average expenditure. Compared to housing, transportation, Korean consumers don't spend much income on food itself.

However, Korean people have a strong tendency of going out for meals with colleagues, friends and family. For example, for the last 3~4 years, the frequency of dine-out and home delivery food services have increased steadily. The global economic recession has affected Korean consumers' expenditure but, still dining out and home delivery food services are very popular in Korea. As Korea is heading towards an aging society, consumers are more and more looking for functionality, freshness, high quality and stability in foods.

Monthly Household Spending in 1Q 2016

Total	2,668,700	100.0%
Food/Groceries	349,400	13.1%
Alcohol & Tobacco	34,900	1.3%
Clothing & Footwear	151,900	5.7%
Housing & Utility & Water	323,900	12.1%
Furniture/Housekeeping	101,800	3.8%
Healthcare	178,500	6.7%
Transportation	323,300	12.1%
Telecommunication	145,500	5.5%
Culture & Leisure	156,100	5.8%
Education	341,700	12.8%
Dining out & Outing	333,200	12.5%
Others	228,500	8.6%

2. Opportunities for Norwegian companies in Korea

The most significant areas of opportunities for Norwegian food and beverage producers are probably:

- Cheese because the taste of young generations is changing to be more westernized. Until recently, Italian cheese has been so popular and it is still so. However, there is a new consumer attention to northern Europe for foods and lifestyle. Also, as people started looking for stable and high quality food, many dairy companies are introducing natural cheese and functionality foods. Norway has a clear image of clean environment and nature and high standard of life quality including food safety.
- Beer because Korean beer market has been solely growing, while other liquor markets were struggling with almost zero growth for the last 5 years. Import beers have taken the lead of this growth dramatically: **43%** annual growth (170.919 tons) in volume and 27% (USD 141.9 mil) in value in 2015, 20~40% annual growths of import beers from 2010 to 2016. Norway has distinctive image of clean and deep water from the north and thick taste of beer.
- Chocolate because the chocolate market is tremendously increasing from KRW 467 bill in 2009 to KRW 818 in 2012. Among this, pure chocolate is KRW 260 bill composed of 50% domestic and 50% import products. There is no strong preference yet in consumer behaviors and the market is still early in its growth. However, there will be new trends of diversity in chocolate tastes and brand just like coffee market in Korea for the last 10 years. Norwegian exporters will be able to build up its good position in the market with its high quality image for agricultural and natural products.

3. Challenges for Norwegian companies in Cheese, Beer, and Chocolate

Cheese – traditionally, Italian cheese has been very popular and it is still so in the market. In addition, there is a strong competitor in the market from Sweden, which was introduced by one of the leading dairy product company in Korea. Also, domestic dairy producers are trying to keep and secure bigger market share by its new brand and products including natural products. Recently, Korean food security authority has put some more strict regulation regarding the import of agricultural products. Fortunately, Norway is registered as a country that can export cheese to Korea. So, it will not be from scratch. However, there should be some resources allocated for the import regulation.

Beer – Even though the beer market is growing by rapid import beer growth, there are already plenty of different beer brands from abroad. So, it will not be visible enough from consumers unless there is sufficient marketing promotion. This requires relevant resources and close dialogue with local partners. Also, branding for Norwegian beer using good image of Norway national brand will be very important because Norway and its beautiful and clean nature is well known but Norwegian beer is not.

Chocolate – Chocolate price in Korea is not high and its basic size is smaller than Norwegian ones. So, majority of consumers are not yet fully ready for or familiar with such high price at the proper big size. So, it should not be competing and compared with domestic chocolate brands in the consumer market. In terms of pure chocolate supply, there must be its uniqueness from Norway compared to other global big name brands.

4. Recommendations to Norwegian companies considering export of food and beverages to Korean market

Nordic countries including Norway are getting more and more attention from Korean consumers in the fields of foods, lifestyle and tourism. This will be able to help Norwegian exporters to have a more competitive position against others. Also, the perception to Korean people is that Norway is known as a very clean and beautiful environment and nature. This will influence their purchasing behaviors to try one out of curiosity and positive favor.

In order to do that, as mentioned above earlier, Norwegian products must be exposed to the market consumers in a proper manner. An appropriate partner is important to get in the market, but Norwegian companies need to be willing, able and ready to invest and allocate sufficient resources for marketing and promotion. It will also be very important to leverage a right wording for the promotion. Such as, aurora (not many Koreans recognize it by northern light), Arctic Circle, Fjord, or any clean image from northern part of the globe. Norwegian companies need to spend sufficient resources to set up its plan for the market penetration based on research on consumer preference and perception.

EFTA with Korea gives better position of less tax to Norwegian exporters, particularly beer exporters against other EU exporters under the EU-Korea FTA. Also, Mattilsynet, Food Security Authority, has a good relation with its counterpart in Korea, MFDS. So, it is an advantage that Korean food inspection authority would not like to make trouble as much as possible if it is not too big issue or happens too often.