



# MONTHLY TRADE SERVICING REPORT

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- **MARKET: SOUTH KOREA**
- **MONTH & YEAR: MARCH 2022**
- **PREPARED BY KOREA BUSINESS SERVICES, INC.**

## I. EXECUTIVE SUMMARY

According to the government research agency, the Korean consumer has kept looking for healthy but convenient foods. More people look for fresh foods, but they prefer to purchase convenience foods that they can easily handle. In the meantime, while the coffee market in South Korea has shown notable growth since 1999, Starbucks Korea, the US top coffee brand and the Korean number 1 coffee chain, achieved \$2 billion in annual sales in 2021.

In March, “2022 Korea Consumer-Oriented Inbound Mission at SIAL America” was organized and 6 buyers from 5 Korean companies participated in this inbound mission which was the first in-person event for the Korean market after the outbreak of COVID-19. Also, other projects for 2022 have been discussed with project managers.

## II. MARKET INTELLIGENCE UPDATE

**1. Food Consumption Change of Korean Households:** The Rural Development Administration surveyed and analyzed agricultural food purchase information for 1,134 consumers in the last three years, from 2018 to 2020. As a result, spending on cooking-at-home increased by 7.8%, and restaurant spending decreased by 7.0%. The time to refrain from outside activities and stay at home increased due to COVID-19 and social distancing among Korean households. Also, comparing the changes in the purchase amount of fresh agricultural products and processed foods between 2018 and 2019 before the outbreak of COVID-19, fresh agricultural products expenditure increased by 11.0%, and processed food expenditure increased by 5.0%. Among fresh agricultural and livestock products, livestock expenditure increased by 20.4%, followed by vegetables and seafood (13.0%) and food crops (7.5%). On the other hand, spending on fruits (2.5%) and special crops (1.9%) decreased. Expenditures on imported livestock products, especially for beefs, also increased, the survey showed.

In particular, expenditure on fresh agricultural products related to health and convenience foods and fresh agricultural products for side dishes representing home-cooked meals has increased. At the same time, local consumers prefer foods that can be easily prepared. For fruits, strawberries (5.2%), blueberries (18.1%), and other fruits that are

easy to prepare and eat have been increasingly purchased, while convenience foods such as instant rice (17.7%), instant food (11.1%), and frozen food (23.9%) have increased.

- 2. Great Success of Starbuck Korea from 1999:** A world-class "top coffee brand," Starbucks Korea has significantly been succeeded in South Korea. Starbucks Korea, which entered the Korean market in 1999 by opening its first store in Seoul, generated **KRW 2 trillion** (equivalent to \$2 billion, EX rate: \$1=KRW1,000) **in annual sales for the first time in 20 years.**

SCK Company (Starbucks Korea) announced that it recorded **KRW 2.38 trillion** in sales in 2021. The figure is up **23.7 percent year-on-year** from KRW 1.92 trillion. There are concerns that more than 70,000 coffee shops in Korea are saturated, but Starbucks Korea has grown by double digits every year. Among global Starbucks, it **ranks fifth** after the United States, China, Japan, and Canada in terms of sales and the number of branches. Its stores increased from only 10 in 2000 to **1,639 in 78 cities nationwide** (as of the end of 2021). More than five times the sales of 'Twosome Place', the second-largest coffee shop in the Korean market, or 'Ediya', the third-largest, has become an "overpass." Starbucks Korea's success strategies include "localization of menus and others," "forming enthusiasts," "unique seasonal drinks," "digitalization through applications," "active job creation," "ESG takes the lead in appealing to the MZ generation," and "a space tailored to its best location."

### III. REGULATION & TRADE UPDATE

- 1. New Labeling System - "Use-by-date":** Before implementing the "use-by-date" labeling system on January 1, 2023, the Ministry of Food and Drug Safety (MFDS) revised and announced the detailed labeling standards for each food on March 31 and posted it on the website dedicated to education and promotion.

The Act on Labeling and Advertising of Food, etc., has been revised on August 17, 2021, to indicate the "use-by-date (consumption date)" instead of the "shelf-life" on the date display of food etc. and will take effect on January 1 in 2023. The shelf-life refers to when sales are allowed to consumers from the manufacture date. The use-by-date relates to the period when there is no problem with safety even if consumed if the storage method marked on food is observed. According to the MFDS, the ministry intends to contribute to carbon neutrality by providing clear information on the date that consumers can consume in line with the international trend of using consumption deadlines in major OECD countries. The main revisions to the Act include:

- Deletion of the "shelf-life" definition,
- Establishment of the "use-by-date" definition, and
- The change of the term from shelf-life to the use-by-date.

#### IV. UPDATES ON WUSATA PROJECTS

- 1. 2022 Korea Consumer-Oriented Inbound Mission at SIAL America:** For participating in the 2022 Korea Consumer-Oriented Inbound Mission at SIAL America, 6 buyers from 5 Korean companies traveled to Las Vegas, Nevada, from March 20th to 25th. Participating Korean companies had chances to meet with WUSATA companies through pre-arranged business meetings, site visits to the US retail chains and facilities of US suppliers, and visited SIAL America.
- 2. 2022 Seoul Food & Hotel:** For the WUSATA product showcase at 2022 Seoul Food & hotel, the activity proposal for 2022 Seoul Food & Hotel has been shared with WUSATA for review on March 8th, and KBSI is waiting for the next step.
- 3. Monthly Korea Work Group Call:** On March 16th, there were opportunities to discuss 2022 WUSATA projects in South Korea through the monthly Korean Work Group Call. At the meetings, traveling information related to COVID-19 and market updates for South Korea were made, and discussions on 2022 projects were conducted.
- 4. "5 Minute Briefs from Seoul" Newsletter:** "5 Minute Briefs from Seoul", the KBSI's written and audio newsletter, have been shared with project managers of the Korea Work Group and WUSATA. Three newsletters were shared with the group on March 5th, 14th, and 29th.