

# Weekly Korea Economic Digest

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Office of Commercial Affairs, Seoul

## **Korea's dessert market grows fast**

<Korea Herald - 2016-06-09>

The South Korean market for desserts has been expanding rapidly over the past years despite the country's prolonged economic slump, industry data showed Thursday.

The dessert market was estimated at 1.5 trillion won in 2015, up a whopping 90 percent from the previous year. Last year, the market more than doubled to 800 billion won from 300 billion won in 2013.

In a recent report, Eugene Investment & Securities Co. predicted the figure to breach the 2 trillion won mark this year as several domestic and foreign companies enter the local dessert market.

Market watchers attribute the dessert market's rapid growth to the spread of "value-conscious consumption" amid the atrophy of overall consumer spending, which stems from job insecurity and falling income.

While cutting back on spending on daily necessities, more young women who are willing to open their wallets to buy products and experiences that boost their quality of life are taking comfort in purchasing expensive-tasting desserts.

Men in their 30s to 50s who are conscious of their appearance and active in investments to boost their value have joined the trend, they said, adding that young people's desires to post pretty and special pictures on social media has also contributed.

With the dessert market growing rapidly, local food makers and retailers are rushing to capitalize on its growth potential.

The SPC Group, which owns South Korea's largest confectionery chain Paris Baguette, opened a dessert gallery in central Seoul in 2007, blazing a trail in the country's premium dessert market.

Last year, the group put the éclair on the domestic market. In March, sales of "Kopan," a dessert-snack bread from Paris Baguette, numbered 10 million in nine months. Short for Korean pan, Kopan was served as a dessert at the Korea-France summit dinner in Paris in November last year.

CJ Jeiljedang Corp., South Korea's largest food and feed company, aims to post sales of 150 billion won from its dessert business this year and raise the figure to 300 billion won by 2020 by focusing on frozen desserts.

Industry sources said South Korean dessert makers are ramping up efforts to tap overseas markets. South Korean dessert cafe franchise Sulbing, known for its "bingsu" dish, plans to open its first branch in Tokyo. Sulbing already operates scores of outlets in China and Thailand. Bingsu is a traditional dessert made up of shaved ice, red beans and an array of toppings such as milk syrup and rice cakes.

An SPC official said the South Korean dessert market is expected to grow for the time being as having desserts after meals has become a trend among local youth.

#### **Thai Trade Center, Seoul's Comment:**

Korean consumers are looking for Small Luxury products to enjoy their life and self-satisfaction. Consumers are willing to pay high prices for the small luxury market in premium dessert, cookies, cakes, chocolates, coffees, foods etc. Korean major media channels also broadcast lots of food program on the TV and introduce cuisine. Korean consumer behaviors are on premium market and expected that this small luxury market will be increase continuously. It will be good opportunity to Thai companies which is produce premium, luxurious food products. Allcoco coconut ice cream and dessert which has been imported from Thailand to Korea since the beginning of this year is a good example for other Thai dessert companies.

## **S. Korea's fresh food index surges 7.9% on-year in 2016 Q1**

<Maeil Business News - June, 5 2016>

The hike in vegetable prices is weighing on South Korean consumers with fresh food index that compiles prices of vegetables, fruits, and fish jumping 7.9 percent in the January-March period this year compared to the same period last year, marking record high since the last three months of 2012.

According to data released by Statistics Korea on Sunday, a total of eight vegetables among 481 items tracked for the consumer price index made the top 10 that gained most in price during the first three months of this year compared to the same period last year.

Onion topped the list with 111.3 percent on-year rise in the first quarter followed by napa cabbage and spring onion with 62.2 percent and 61.3 percent, respectively. Garlic price also jumped 45.7 percent on-year while bell pepper and water parsley also made the top 10 list with highest price jump with 19.8 percent and 17.8 percent, respectively, compared to the first quarter of last year.

The harsh weather condition during the harvest seasons had produced a large impact on vegetable crop yields. Onion harvest was badly hurt by severe drought from March to June last year, and napa cabbage and radish crop yields were also damaged by unexpected heavy snow in the beginning of this year.

### **Thai Trade Center, Seoul's Comment:**

Korea's fresh food index jumping 7.9% in the 1Q of 2016 and it is reached at 9.6% on April and 3.5% on May, respectively. Korea's consumer price index increased 0.8% on May 2016. Fresh food index increased due to harsh weather condition during harvest seasons and it affects to vegetable crop yields. On May, garlic increased 57.2%, Napa cabbage increased 43.4%, Radish 59.3%, respectively. On the other hand, Rice price decreased -9.2%, Pork -6.0%, Chicken -10.4, respectively.

## **eBay Korea to offer various tech-savvy shopping services**

<Korea times - June 09, 2016 >

eBay Korea, which runs the nation's leading e-commerce platforms Auction and Gmarket, will introduce tech-savvy online shopping services with a new delivery network in an effort to satisfy more customers, a company official said Thursday.

The nation's largest open-market company signed a memorandum of understanding (MOU) last month with convenience store chain GS25, under which the two companies agreed to provide an unmanned delivery box, the so-called Smile Box, in the store starting August.

"Online-to-offline shopping service along with a prompt delivery network is essential in the e-commerce market," said an eBay Korea official.

"Especially, an increasing number of single-occupant households are expected to use our online markets. So, we will analyze big data in densely populated areas with one-room apartments, multiplex houses and gosiwon to see the flow of human traffic and their nearest convenience stores. Once the Smile Box service is launched, our customers will be able to use the delivery service at any convenience store 24 hours a day 365 days a year."

An official added that the delivery service will provide a position-tracking service for purchased items from Gmarket and Auction. Customers can also use the service when returning purchased items.

Auction, eBay Korea's subsidiary, also launched its A.Tag service in October, under which consumers can pay for previously purchased items by touching a near field communication (NFC)-enabled magnetic tag with a smartphone. A total of eight brands including Gillette and Neutrogena are participating, while more are expected to join the service.

The e-commerce platform also opened an offline audio shop in a bid to satisfy an increasing demand for premium audio products. Consumers can try premium audio equipment in the shop and purchase it online via QR code.

Such tech-savvy services in an e-commerce market are also found overseas.

Partnering with local department stores, eBay Australia has recently applied a virtual reality (VR) system to their service, offering differentiated shopping experiences to customers. By wearing a VR device called Shoptical, shoppers can preview a total 12,500 items sold on their website through [www.ebay.com.au/VR](http://www.ebay.com.au/VR).

"The e-commerce environment is rapidly changing along with technology development," said an official. "eBay Korea will continue its innovation in shopping technologies to maximize customer satisfaction."

## **Surge in young food service workers**

<Korea Joongang Daily - June 07,2016>

While youth unemployment remains over the 10 percent level and continues to rise, recent research shows that more people aged 15 to 29 are choosing to work in the food service industry.

According to a report released Monday by the Korea Labor Institute, a nonprofit research organization, nearly one in four people working in the food service industry is younger than 29. In 2008, that age group accounted for only 12.9 percent of employees in the industry, which rose to 23.5 percent in 2014.

"Four out of five young employees in the industry were part-time or contract workers, and they were mostly working in coffee shops and restaurant franchises," said Chung Hyun-sang, a researcher at the institute. "It appears people in disadvantaged groups in the labor market, including young people and women over 50, are working in the industry in jobs that are relatively unstable and pay low salaries."

The report pointed out that workers in the food service industry earn less compared to other industries in Korea and that growth in the industry's wages is slower than inflation.

The average income for food service industry workers increased from 1.1 million won (\$927) in 2008 to 1.22 million won in 2014. But the average income for young workers fell from 1.04 million won to 9.3 million won during the same period.

"Whether young people working temporary jobs at restaurants and coffee shops is a positive sign or not is still unclear," Chung said. "But there are many who earn less than minimum wage and work very long hours. Furthermore, it appears that young people still in school are taking these jobs to pay their school costs and rent."

Among young employees in the industry, 48.3 percent of student workers and 31.9 percent of graduates earned less than minimum wage.

"In 2008, there were only about 20,000 student workers that earned less than minimum wage, but the figure reached over 100,000 as of 2014," Chung said. "One out of three workers who earned less than minimum wage were students in 2014."

The number of employees in the food service industry increased by 19.2 percent, from 1.72 million in 2010 to 2.06 million in 2015, according to Statistics Korea. The number has fallen significantly because many restaurants and related businesses were hit by the global financial meltdown. In 2008, the figure was about 1.84 million.

The report also showed an increase in the number of male workers in the industry. In 2008, male workers accounted for only 29.7 percent of total employees, but the figure rose to 35.9 percent in 2015.

The Korean food service industry has changed significantly in the past 25 years, the report said.

"The industry grew fast, thanks to growths in income, but the environment has been changing recently as there is more competition after various franchises and corporate-run restaurants and coffee shops moved in," Chung added. "Due to such changes, operating profit has dropped, and owners are now trying to hire more part-time or contract workers to improve their profits."

Meanwhile, according to data released last month by Statistics Korea, the youth unemployment rate remained in the double digits for the third month in a row, registering 10.9 percent in April among job seekers aged 15 to 29.

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