

BORDERFREE

COUNTRY REPORT | SOUTH KOREA

2014



## South Korea is a “Desirable Market” for cross-border ecommerce. Our Borderfree Index (BFI) score for South Korea is 4 out of 5 possible carts.

- ◆ Favorable economic outlook
- ◆ Fast internet and high mobile penetration
- ◆ World leader in owned credit cards
- ◆ Strong familiarity with U.S. brands

When a new Korean TV series, *My Love from the Stars*, began airing in 2013, young South Koreans rushed to buy clothes and beauty products adorned by the show's pop stars. French fashion retailer Yves Saint Laurent's No. 52 lipstick sold out globally, and orders for items like backpacks and trench coats surged after making an appearance on the program.

Pop culture sells in South Korea, a country where information travels fast—thanks to fast, cheap Internet—and Koreans nurture their well-documented obsession with luxury and high quality foreign goods.

South Korea is the most connected place on earth, with nearly 80% of the country's population of 49 million people online, helping to pave the way for a cross-border ecommerce boom. More than three-quarters of Koreans own smartphones, enabling quick, convenient online purchases.

In 2013, cross-border spending rose 47% to about \$1 billion in 2013, according to Korea Customs Service. Top spenders using Borderfree retailers doled out an average of \$791 U.S. dollars (USD) each last year.

Notably, not all Koreans are affluent. The average order value (AOV) among all South Koreans fell 5% last year to \$158, which is low compared to other Asian mega cities like Singapore and Hong Kong, where AOVs were \$234 and \$321, respectively. Disposable income is lower in South Korea than in other well-off

Asian countries. There also are signs that cross-border ecommerce is becoming a pastime of many more Koreans, not just affluent ones, who flock to online deals.

As Asia's fourth-largest economy in 2014, there is ample upside in the South Korean marketplace, which was Borderfree's No. 10 market last year by sales volume. Economics are strong: GDP is forecast to gain 4% this year, and the South Korean won hit a six-year high in April.

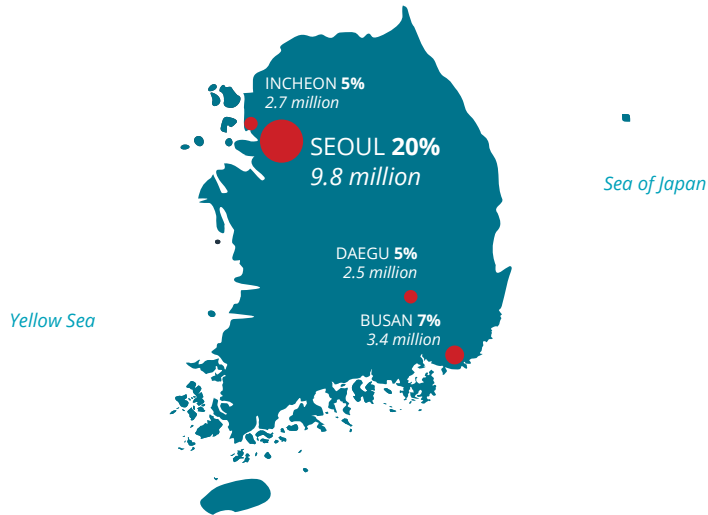
One factor accelerating online commerce is credit card usage. Overseas credit card spending grew 15.4% in 2013, outpacing a local increase of 3.2%, according to the Bank of Korea. South Korea is the global leader in credit card penetration, with Koreans owning an average of five credit cards per person, compared to slightly more than two cards per person in the U.S.

While shoppers' familiarity with U.S. brands is high, language is a significant conversion barrier, as Koreans prefer to shop in their local language. However, Koreans' pursuit of significant savings via ecommerce deals has spawned many active online communities and tutorials to support and encourage U.S. buying demand, giving South Korea an edge in the cross-border online shopping arena.

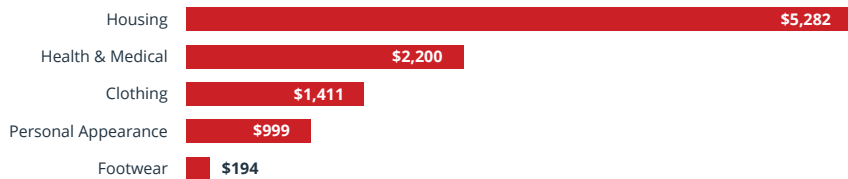
# South Korea | Households

## South Korea's high urban population<sup>1, 2</sup>

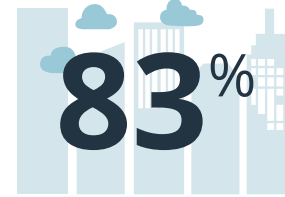
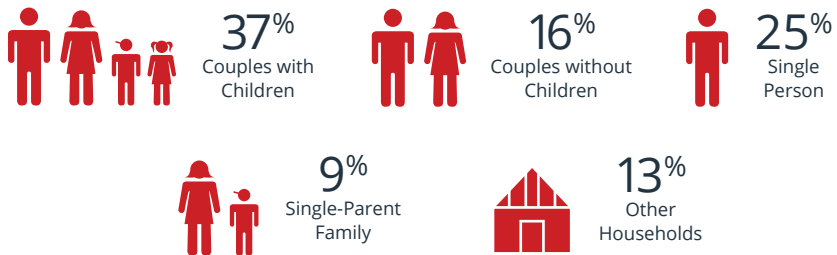
49 million total population



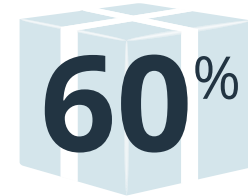
## Household expenditures<sup>2</sup>



## Household snapshot<sup>2, 3, 4, 5</sup>

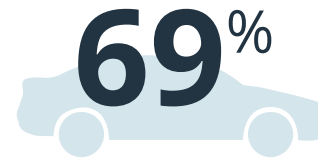


of South Koreans live in urban areas

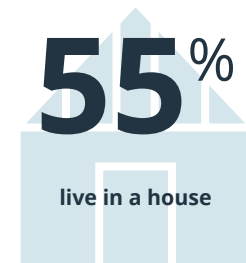


of Borderfree sales to South Korea are from Seoul

Borderfree data



own a car



live in a house

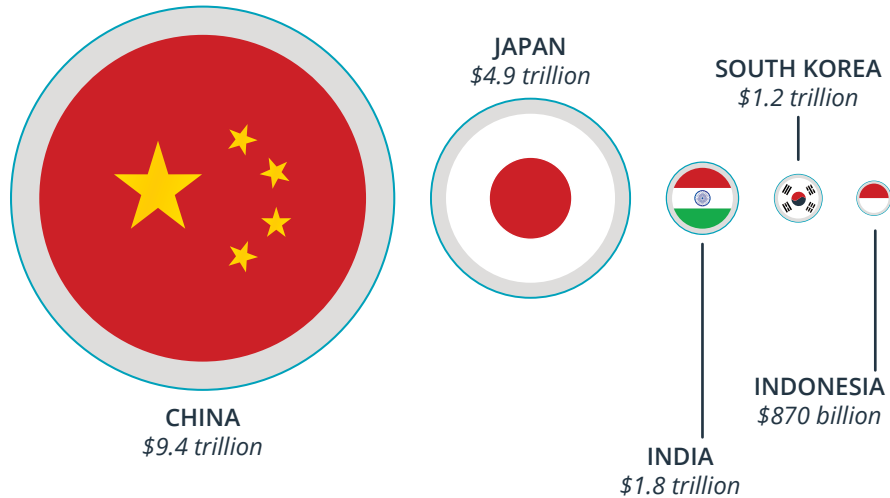
The **GAP** between the **RICH & POOR** has increased since the Asian financial crisis in the late 1990s.

Competition is fierce in South Korea's four major retail department stores. **DISCOUNT OUTLETS** are popping up.

**Taekbae**, a service where goods are delivered to your home, is a **MUST-HAVE** for many South Korean shoppers.

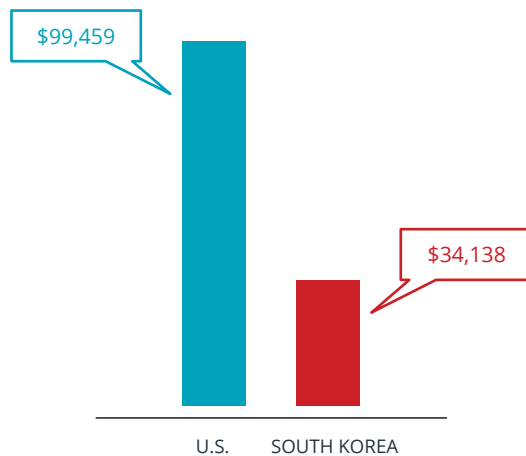
# South Korea | Economy

South Korea is Asia's fourth-largest economy by GDP<sup>6</sup>



Purchasing power<sup>7, 8, 9</sup>

Average disposable income per household



3.7% South Korea's unemployment rate



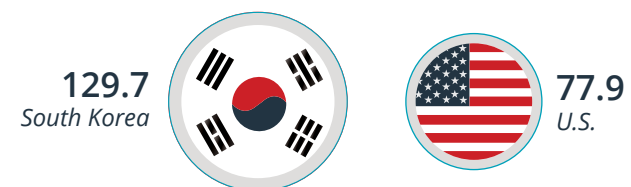
The South Korean won (KRW) hit a six-year high in April 2014, as exports rose

More credit cards than any other country<sup>2, 10, 11</sup>

South Koreans love their credit, owning an average of **five credit cards** per person, vs. slightly more than two cards in the U.S. However, debt in South Korea is high.

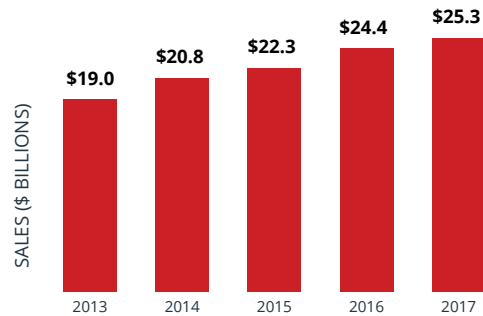


Annual credit card transactions per person



# South Korea | Ecommerce

## Retail ecommerce sales are on the rise<sup>1</sup>



## The most connected place in the world<sup>14, 15, 16</sup>



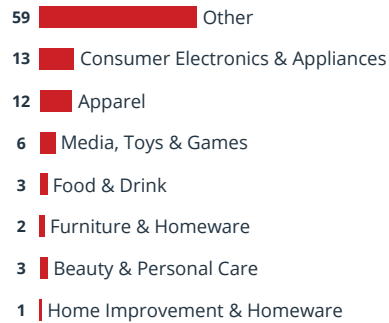
South Korea is the most connected place on earth; nearly 80% of the population is online.



South Koreans have the fastest Internet speed in the world, with an average connection rate of 13.3mbps.

## What they are buying online<sup>1</sup>

2012 (% OF RESPONDENTS)



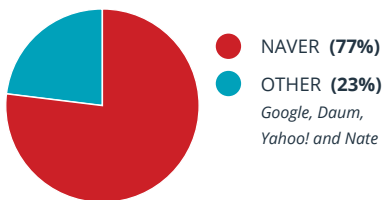
Average annual online spend **\$531 USD**

## Top local ecommerce retailers<sup>12</sup>

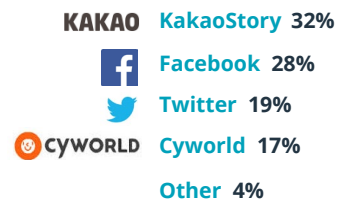


## Leading search engines<sup>13</sup>

By share of search



## Top social network sites<sup>1</sup>



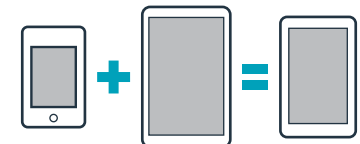
Online retail was 13% of total retail in 2012, underscoring demand among tech-savvy shoppers.



South Korea's mobile penetration rate is greater than 100%, implying more than one connection per person.



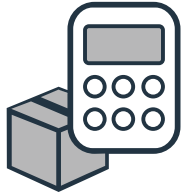
Three-quarters of Koreans own smartphones. Among 18-24 year-olds, smartphone penetration is 98%.



The phablet craze started in South Korea in 2011 with the Samsung Galaxy Note.

# South Korea | Cross-Border Influence

## Import friendliness<sup>17</sup>



The average duty rate is **4.2%**.

VAT is levied on imports at a **standard rate of 10%** on the sum of the CIF (Cost, Insurance and Freight) value, duty and other taxes if applicable.

The **de minimis** is 150,000 KRW (\$144 USD) for foreign goods, which rises to \$200 USD for U.S.- or Korean-made products under the U.S.-Korea Free Trade Agreement.

## Travel and tourism<sup>18, 19, 20</sup>



1.2 million Korean tourists traveled to the U.S. in 2012.



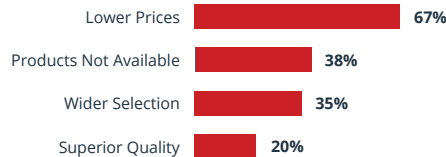
South Korea ranks 9th in the number of visitors to the U.S.



650,000+ Korean students studied abroad in the U.S. in the past decade.

## Top reasons for buying online overseas<sup>21</sup>

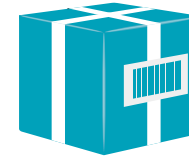
Survey of online shoppers



## How savvy are South Korean shoppers?

**jic•goo•jok**

A shopper who buys online to bypass local retailers that charge high prices for imported goods.



They use **parcel forwarding** to save on shipping.

They **resell in online communities** like Malltail and FeelWay.



They take **classes in cross-border online shopping**.



**Top spenders take note:**

Korea Customs Service monitors spending of more than \$5,000 USD per quarter via credit cards to help protect the local economy.

# South Korea | Borderfree Insights

## Average order value (USD)<sup>3</sup>

<b>SOUTH KOREA</b>	<b>\$158</b>
REST OF THE WORLD	\$184
SINGAPORE	\$234
HONG KONG	\$321

## Top spenders (USD)<sup>22</sup>

**\$791**

Average annual online spend

## Borderfree shopper facts<sup>3</sup>

### Night-owl shoppers



Local times



Order volumes are equally distributed throughout the week, with a slight increase on Wednesdays.



### Luxury sells

South Koreans are tech savvy and have a penchant for luxury items. They also have a strong familiarity with U.S. brands as many have visited or lived in the U.S.

### Deals go viral

Koreans are highly responsive to online deals—and bargains posted in online communities can go viral fast. The percentage of discount-priced SKUs purchased by Koreans is the highest across the Borderfree network.



**No. 10**

### No. 10 market

South Korea is the No. 10 market by Borderfree sales volume in 2013.

## Most popular brands<sup>3</sup>

1 LENOX	6 ASH
2 WMF	7 VINCE
3 VILLEROY & BOCH	8 PRADA
4 MARC BY MARC JACOBS	9 TORY BURCH
5 THEORY	10 3.1 PHILLIP LIM

## English proficiency<sup>23</sup>

**Moderate**

South Korea scores 53.46 on the English Proficiency Index, slightly behind Hong Kong but ahead of Japan

## Top 10-selling Borderfree categories<sup>3</sup>

*South Korea vs. other countries*

Categories	Average unit retail	Quantity of units bought vs. other countries	Average item spend vs. other countries
1.  Tableware	\$21	↑	↓
2.  Shirts & Tops	\$57	↓	↑
3.  Pants	\$71	↑	↑
4.  Dresses	\$108	↓	↑
5.  Shoes	\$99	↑	↓
6.  Underwear & Socks	\$23	↑	↑
7.  Outerwear	\$160	↑	↑
8.  Bedding	\$76	↓	↑
9.  Apparel & Accessories	\$55	↑	↑
10.  Cookware	\$127	↑	↑

# South Korea | Key Takeaways

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- 1 South Korea is a **top 10 cross-border market**, based on its strong currency, demonstrated zeal for shopping online, broad access to credit cards for online payments and world leadership in broadband speed and penetration.
- 2 With **three-quarters of Koreans owning smartphones**, a dynamic mobile marketing and commerce strategy will help retailers compete. Around 60% of Borderfree's Korea sales and 20% of its population are based in Seoul, meaning significant benefits for geo-targeting your ads.
- 3 Koreans are **highly responsive to online sales**; they have money to spend and are swayed by bargains—meaning deals posted in online communities can go viral fast. The percentage of discount-priced SKUs purchased by Koreans is the highest across the Borderfree network.
- 4 **South Koreans frequently visit and study in the U.S.**, exposing them to U.S. brands and highlighting the dramatic cost-savings available from buying abroad. However, language is still a significant barrier to comfort and conversion—and translated content is strongly encouraged.
- 5 Consumer behavior is shifting as **savvy shoppers learn to buy goods abroad**. An increasing number of Koreans shop overseas retailers to find lower prices, leverage parcel-forwarding to save on shipping costs and join online communities to resell imported items they don't want.

# South Korea | Sources

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Borderfree is the market leader in international ecommerce, operating the most comprehensive global technology and services platform that enables U.S. retailers to transact with consumers in more than 220 countries and territories worldwide.

We're experts in navigating cross-border commerce, logistics and marketing channels. Our Global Insights team delivers unique and data-driven insights into consumer preferences and global buying patterns through our series of country reports including:

Australia  
Canada  
China  
Hong Kong  
India  
Russia  
Singapore  
South Korea  
United Kingdom  
United States of America

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## About the Borderfree Index

The Borderfree Index (BFI) is a proprietary quantitative and qualitative measure established by Borderfree, and is meant to provide an indication of a market's relative B2C cross-border ecommerce attractiveness (subject to fluctuate over time).

The BFI is a composite score based on the following five criteria:

- ◆ Consumer appetite for purchasing cross-border
- ◆ Household income and purchasing power
- ◆ Relative currency strength and forecast
- ◆ Import friendliness and ease
- ◆ Forecasted market growth & performance trends

