

ALFRED NOBEL UNIVERSITY

DEPARTMENT OF THE GLOBAL ECONOMICS

Master's Thesis

**ANALYSIS AND EVALUATION OF THE E-COMMERCE MARKET
AND ITS PLACE IN THE SOUTH KOREAN ECONOMY**

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Abstract

This paper assesses the position help by the e-commerce market in South Korea's economy, showing different trends for the past 10 years. This thesis was able to highlight the place South Korea's economy holds as well as what e-commerce brings to economy. The different aspects shown in the paper show different stages in which the economy went through as well as the changes that happened in the e-commerce market making it what it is today. South Korea is a successful economy that keeps on growing and changing, the e-commerce market is a major contributor to that success. The data regarding the current state of e-commerce in South Korea showed how impactful it has been to the economy of South Korea. However, it also went on to show that there are aspects that need improvement even through currently everything is heading towards the right direction.

Key words: E-commerce, South Korea, E-commerce market

Анотація

У цій роботі оцінюється позиція ринку електронної комерції в економіці Південної Кореї, показуючи різні тенденції за останні 10 років. Ця кваліфікаційна робота змогла висвітлити місце, яке займає економіка Південної Кореї, а також те, що електронна комерція приносить економіці. Різні аспекти, показані в роботі, показують різні етапи, через які пройшла економіка, а також зміни, що відбулися на ринку електронної комерції, завдяки чому він є таким, яким він є сьогодні. Південна Корея є успішною економікою, яка продовжує рости та змінюватися, ринок електронної комерції є основним внеском у цей успіх. Дані щодо поточного стану електронної комерції в Південній Кореї показали, наскільки вона вплинула на економіку Південної Кореї. Однак це також показало, що є аспекти, які потребують покращення, навіть якщо наразі все рухається в правильному напрямку.

Ключові слова: електронна комерція, Південна Корея, ринок електронної комерції

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INTRODUCTION

Costs associated with real estate or renting property are always high and they keep changing due to the value associated with the area they are established in, which has led to many businesses to get established online introducing to them a different set of rules and regulations that come with the E-commerce market. This Master's thesis is going to be an Analysis and evaluation of the e-commerce market and its place in the South Korean economy.

The E-commerce market/business is different depending on the area the business is practicing and, even though in theory some of the basic regulations instituted by each country are similar in trying to protect the consumers. This thesis will be looking into the different aspects that make up the E-commerce market, as well as the place the E-commerce market holds in such an economy like that of South Korea, a country located in East Asia.

South Korea is a country located on the eastern side of Asia, it is also mentioned as part of the newly industrialized economies of south east Asia due to its fast growing economy. The economy has made big strides in the global village in all aspects economic others leaving a bigger mark than others. The country is known for different aspects like its love for sports, and the conglomerate company Samsung, however what will help to show case the place of e-commerce in Korea even more is how big of a tech giant South Korea is.

The 1st chapter is based on the theoretical approach of South Korea's e-commerce market and evaluation of e-commerce, in a nutshell it is to explain how e-commerce works regardless of the area it is operated in. To better understand the South Korean economy and how it was able to reach where it stands. To also better understand how to operate or how to know the rules and regulations in which the companies in the e-commerce sphere operate.

The 2nd chapter is an analysis of the e-commerce market activity in South Korea which will be explained through different aspects such as the impact of e-commerce on South Korea which will be shown on a broader level what e-commerce does for the Korean economy. Another aspect is the forecast of e-commerce influence on South Korea, which will better show whether e-commerce has a place in South Korea in the future. The rankings of South Korea with different countries will also show how competitive the ecommerce market is on a global level. To sum up chapter 2 is the problems faced by the e-commerce market, which will be helpful to know and highlight.

The 3rd chapter is a forecast analysis of the e-commerce market, which is explained in the attractiveness of South Korean ecommerce market to investors both local and foreign. The chapter is also explained with the forecast of South Korean economy and lastly in the chapter are techniques on how to improve the e-commerce market so that it can operate well and produce even better results on the future.

The aim of the master's thesis is to understand the place that e-commerce holds in the South Korean economy.

The aspects to be evaluated in this thesis will cover different sectors overall the main objective at the end of this Master's thesis paper are

- To have a better understanding of what e-commerce brings to South Korea's economy.
- To provide techniques that can provide a successful future for the e-commerce market in South Korea.
- To understand the role of E-commerce in South Korea.

The work compiled in this thesis was taken from different reports, articles and books that were helpful for the statistics, figures and tables most work came from websites such as Statista, eMarketer, World Bank, UNCTAD, Euromonitor

international and Global data. As for the writers/compiler they comprised of the following (Ferris, 2021), (Coppola, 2020), (Jobst, 2020), (Zhu, 2021), (Roh, 2021).

Approbation. Some of the scientific results in this master's thesis were discussed during the VII International scientific and practical conference. A quantitative factor was shown in appendix A with showcasing how the average income has increased in South Korea. In appendix B a qualitative side was shown with the differences in percentages of distribution of income on different needs and wants.

CHAPTER 1

THEORETICAL APPROACH OF SOUTH KOREA'S E-COMMERCE MARKET EVALUATION

1.1 E-commerce market and its role in the South Korea economy over the last 10 years.

To begin with, the following will be definitions from different world-renowned websites and organizations that will be defining E-commerce in different ways. According to Investopedia it describes the term “electronic commerce, e-commerce as a business model that allows companies and individuals to buy and sell goods and services over the Internet. E-commerce operates in four major market segments and can be conducted over computers, tablets, smartphones, and another smart device.” (Anderson, 2021).

According to International Trade Administration “e-commerce is a sales channel that crosses all industries that sell or promote brand awareness online and is considered a sales channel and part of businesses’ digital strategy.” (Sundry, 2021).

According to Eurostat statistics “E-commerce can be defined generally as the sale or purchase of goods or services, between businesses, households, individuals or private organizations, through electronic transactions conducted via the internet or other computer-mediated (online communication) networks.”(Eurostat, 2021).

According to Britannica “E-commerce in full is electronic e-commerce, maintaining relationships and conducting business transactions that include

selling information, services and goods by means of computer, telecommunications networks" (Zwass, 2021).

According to UNECE, which compiled two definitions of e-commerce the first is broad, defining E-commerce as “ the sale or purchase of goods and services conducted over computer-mediated networks, but excluding intranet transactions.” The second narrow definition defines E-commerce as “the sale or purchase of goods and services conducted over the internet, and any other web-enabled application but excluding intranet transactions.” The broad definition concerns the purchase and sale of goods or services via computer networks, covering all electronic transactions. The narrow definition differs in only one aspect, namely that the network used to order the goods and services is the internet.” (Abraham, 2021)

After evaluating all these definitions in a nutshell, the E-commerce market incorporates the buying and selling of different physical goods and services online, using different platforms that can reach the masses. The E-commerce market is very essential and vital in any developing or developed nation because it brings modernization. It can be used by both huge companies with physical stores to accumulate market share, and on the other hand can be a huge opportunity for start-ups to get a platform where they can establish themselves without having a physical establishment.

The e-commerce market is a place where anyone is able to establish a business and be successful given, they have a good marketing plan, strategy. The market is also very wide and open to reach different customers with different views, which is an opportunity to reach an untapped market of different consumers not only in the country it was established in. (Cole,2020).

Some of the major functions in the e-commerce market are marketing, finance as well as supply chain. When establishing a business in the e-commerce

market, marketing is an aspect that should not be taken lightly, using as many tools to make the company look good. Some of the biggest fashion brands in the current age that have physical establishments used e-commerce as a tool in the beginning and kept on changing the strategy and structure of how they work to meet the ever changing wants of customers, still being able to maneuver in the e-commerce space.

Adding on the finance is also an important aspect, having investment for the platform online to be able to produce the goods to be sold or to employ the workers who will be providing the services. Finance for a business can be presented in different forms in order to help a company to achieve its goals to meet the needs of its customers. More so the supply chain of the company should be established well, which is the relationship between the company and its suppliers who produce and distribute a certain product or service. Having such an aspect mapped out is important to provide a better view of how the future of the company can look like. (Davis,2021)

Easy navigation as a function of e-commerce, explains that any product or service provided for or offered by the e-commerce market can easily be searched for and found in a shorter space of time. If the website they look the product on does not have it they can easily shift to another website in less time and find it. Covering global reach as another function, with the e-commerce market existing online it is able to encompass a large space with no boundaries, making it possible to have a very huge market share but also even heavier competition. Businesses operated in the e-commerce market tend to acquire even more profit because of such a space.

Service provided 24/7 is another function of the e-commerce market, since again it is not confined to a building that has to be closed. The market of e-commerce provides businesses around the world with websites that consumers

can look at whatever time of the day. Depending on the service sector of the business chosen by the consumer after buying a product online then they may be able to get it delivered the same morning or afternoon.

With a lot of competition comes variety for customers to choose from, which is another function that is provided by the e-commerce market. The consumer is easily able to go from one platform to another in order to compare and contrast to come to a decision on what works for them on the devices they use any place they can be situated. There is also interaction between the consumer and customer service assistance online, even though some of it might not be provided for 24/7. Customers are still able to raise concerns and have them addressed. (Pedran, 2020)

E-commerce has different main agents which are used differently depending on the parties involved, the businesses and the government and with this it is put into different categories consisting of the main agents. Which are B2C Business to customer which is shown when a business sells goods to the consumer, an example of a business in this category is Amazon. The second category is B2B business to business is when businesses buy and sell services or goods to other businesses. The third category is B2G business to the government which is when a business goes through some transactions with the government, this can be seen when duties of public procurement service happen. The fourth is C2C consumer to consumer that follows transactions between a customer and a customer which can be the sale of goods or services to these two parties, a company that has been practicing C2C working as the intermediate as its function is eBay. (Fonnegra, 2021)

E-commerce indicators can be divided into four different sectors, which will better explain how e-commerce operates. Which are the proportion of

individuals who purchased goods or services sold by any business in e-commerce, the type of payment used, method of delivery, type of reason.

The Proportion of individuals that purchased goods or services online, dives into the specific goods or services that are bought online which is then expressed as the individuals who would have bought goods or services online. This indicator is essential because it is able to showcase the amount of individuals buying online, whether it be goods or services which can include the following examples on table 1.1.

Table 1.1

Goods and services sold

Goods	Services
Books, Magazines, Newspapers	Code editing
Clothing, Footwear, Sporting goods	ICT services
Computer equipment	Virtual assistant services
Computers, Video games	Remote organizing
Cosmetics	
Food, Groceries, alcohol	
Medicine	

Source: Developed by author

The proportion of people who purchased goods or services online by the type of payment channel, when evaluating this indicator the payment channels

that are used are expressed as a proportion of individuals who bought goods or services online. This is looked at in order to understand the channels that people use to pay when purchasing online and the choices vary from each person to each person.

These people are divided into the following different who pay using the following:

- Cash on delivery
- Credit card online
- Debit card or electronic bank transfer online
- Mobile money account (an account connected to the mobile number)
- Online payment service (PayPal, Google Checkout)
- Prepaid gift card
- Points from rewards or redemption programs (Air Miles).

The proportion of individuals that purchase goods or services by means or methods of delivery, this measures the delivery methods for online purchases expressed as the proportion of the people who bought goods or services online. This indicator is shown to better see the percentages of people using different types of delivery methods, the following are different examples;

- Delivery directly to the buyer using regular postal services or other forms of delivery;
- Picked up from point of sale or service point.

- Online or electronic delivery by downloading from a website or through an application, software or other devices (in-app purchases, streaming services).

The proportion of individuals that did not buy goods or services online due to type of reason, this would be measured by the reason for individuals to not purchase goods online expressed as the proportion of the individuals that use the internet without buying any goods or services online. The following are possible reasons for not purchasing goods or services online;

- Not interested.
- Prefer to shop in person.
- Security concerns (about giving debit or credit card details).
- Privacy concerns (about giving personal details).
- Technical concerns (about websites, payment or delivery).
- Trust concerns (about warranties, receiving or returning products).
- Lack of confidence, knowledge or skills.

E-commerce also encompasses different forms in which it can be used such as mobile ecommerce and retail e-commerce. Retail e-commerce is the concept of selling retail goods using electronic media, in particular using the internet, retail goods are goods sold at a smaller quantity.

M-commerce (mobile commerce) is buying and selling of goods and services through wireless devices such as smartphones and tablets. As a form of e-commerce, m-commerce enables users to access online shopping platforms without needing to use a desktop computer. Examples of m-commerce include purchasing, mobile banking, virtual marketplace apps like the Amazon mobile app or a digital wallet such as Apple Pay, Android Pay and Samsung Pay. Over time, content delivery over wireless devices has become faster, more secure and

scalable. As of the use of m-commerce accounted for 34.5% of e-commerce sales. The industries affected most by m-commerce include:

- Financial services, which includes mobile banking (when customers use their handheld devices to access their accounts and pay their bills) as well as brokerage services, in which stock quotes can be displayed and trading conducted from the same handheld device.
- Telecommunications, in which service changes, bill payment account reviews can all be performed from the same handheld device.
- Service and retail, as consumers are given the ability to place and pay for orders on-the-fly.
- Information services, which include the delivery of financial news, sports figures and traffic updates to a single mobile device.

Types of M-commerce

M-commerce can be categorized by function as either mobile shopping, mobile banking or mobile payments. Mobile shopping allows for a customer to purchase a product from a mobile device, using an application such as Amazon, or over a web app. A subcategory of mobile shopping is app commerce, which is a transaction that takes place over a native app. Mobile banking includes any handheld technology that enables customers to conduct financial transactions. This is typically done through a secure, dedicated app provided by the banking institution.

Mobile payments enable users to buy products in-person using a mobile device. Digital wallets, such as Apple Pay, allow a customer to buy a product without needing to swipe a card or pay with physical cash.

1.2. South Korea's e-commerce market laws in e-commerce sphere

The first laws put in place were made February 5th 1999 which were the digital signature act, it was then implemented on the 1st of July 1999 the law's purpose was to “promote e-commerce by giving electronic documents legal force equivalent to paper documents and defining the terms that were related to credibility, consumer protection, promotion of e-commerce and protecting citizens from harm in advent of the information Age”. Together with this law the clause 19 of the law states that the government should create legislation to allow citizens to transact easily and freely in the market, by this also reducing government regulation making e-commerce more credible. Also on the same clause, clause 19 the government is able to designate the certifying institution which is able to identify the people involved in the commerce transaction.

Adding on, the main e-commerce transactional law was revised on June 1st 2012 and then implemented on September 2nd 2012 renamed to the electronic document and basic e-commerce transaction law. It states the policy principles and obligations of the government regarding the electronic documents which are ensuring a citizen driven market, reducing regulations, making the e-commerce and documents are credible and secure. (Kim, 2021)

A protection act was put in place for e-commerce which was a supervision of the fair trade commission, put in place in march 2002 the first article mentioned its purpose was to protect the interest of the consumers as well as to improve confidence in the market by making contributions to the growth of the economy by stipulating matters that regard fair trade of goods regarding any goods and services sold through e-commerce. This then led to adoption of an escrow system where consumers use a third party to prevent any harm to them which also made it better by avoiding inconveniences that could come from indiscriminate advertising done by the sellers.

In South Korea the e-commerce is highlighted in the Consumer protection act in industries that include e-commerce, the article 2-1 provided of the act entails e-commerce as all and any commercial activities that are conducted electronically using the internet. In the following article 2-5 a framework of act on electronic documents and transactions it is explained as “commercial activities that completely or partly involve the use of electronic documents in transactions of goods or services. (Mi-Jung, 2021)

E-commerce businesses have to comply with different privacy requirements set in place by South Korea which are under the personal information protection act that were put in place for when personal information is collected or transferred online. Other statutes put in place are businesses, should always provide fair labelling products sold which goes under the labelling act, it also regulates the exaggeration or deceptiveness.

Another statute to comply with is the electronic financial transaction act, which regulates the electronic financial transactions hence making sure that the party involved in purchasing a product or service online is able to receive what they paid for safely and it is all done in a secure and reliable way. The monopoly regulation as well as fair trade, which was put in place to govern competition. (Cornel, 2017)

1.3. Characteristics of South Korean Economy

South Korea is a nation located in the eastern part of Asia and it is part of the newly industrialized countries that consists of Hong Kong, Singapore and Taiwan. For a long time now, South Korea has been recognized for how it was able to change its place from an economy struggling to an economy thriving, this was due to a drastic change in how the economy operated.

This change cannot only be credited to that but many other factors are contributors to this change. In the early 1950's South Korea was a desolated and poverty-stricken country having a per capita income less than Haiti, Ethiopia, India. However South Korea managed to accelerate the growth of their economy and is now recognized as one of the fastest growing economies in this 21st century. The reason why South Korea has been able to achieve such growth is because they directed their policy reforms towards opening the country to foreign markets. This made South Korea export oriented, exporting commodities like electrical equipment, vehicles, petroleum oil and parts and accessories of vehicles. (Zhu, 2021)

Adding on, in this road to change South Korea joined the International development association in 1961, in 1962 it began operating in South Korea where a credit of US\$17 million was taken in order to improve the Korean national railroad. In 1973, South Korea's economy did not need any more financial assistance from the IDA. The end of assistance from the IDA can be credited to a coup that happened in May of 1961, which had an effect on why South Korea did not need financial assistance anymore. Under the new rule of Park Chung Hee the economy changed for the better. After detaining 51 business leaders they began working closely with them to get the entrepreneurial skills to accommodate more economic development.

More so the other families they worked with ended up creating large conglomerates, with some of them becoming very big dominating the economy. Under this new rule with the state having ownership to the banks it was able to pour credit in companies. Firms engaged in enterprises not favoured by the development plans found it difficult to gain access to credit: nor could they receive special discounts and exemptions. Each *chaebŏl* leader found it necessary to work closely with the government and contribute generously to pro-

government political campaign coffers and to pet projects favoured by regimes of Park and his successor Chun Doo Hwan.

Moving on, the change in the economy can be credited to growth factors that led to the economic growth. The economy moved from an urban based economy to a more manufacturing focused economy which therefore made the country have a large scale of production. With the shift to a more labour intensive production there was a lot of inspiration taken of production methods from countries such as Japan, leading to another focus in getting motivated and educated labour increased employment rates as well as the salaries and output. Such changes improved the productivity per worker, gains brought about by this made an impact on the economy by reducing the poverty rate by close to 30%. This factor clarified that to increase the wages of workers, they needed to be employed at a higher effort.(Santacreu, 2021)

South Korea decided to duplicate a method to further develop and improve the infrastructure, the method adopted had also worked for Hong Kong and Singapore. This method was investing in public services that entailed dealing with urban housing demands in a proactive manner which was a good way to improve South Korea's urban areas. South Korea recognized how the working poor trajectory lacked assets. They then focused on that, since not paying attention to that fact could have led to urban sprawl. More so, they dedicated more energy to providing public services like water and electricity in order to improve standards of living for everyone in the country. Such a method has been recognized as a good way to cap the distribution of income among the rich and poor.

More so, to increase economic growth and development of South Korea's economy, the government invested in providing high quality public education and having more accountability. This made the education sector of the country to

stand as an equalizer, for a country that was looking to create economic opportunity for its people. This was done looking at the bigger picture of having a much more educated population and skilled workforce, that would in turn improve the economy. In South Korea this interest in education from the public sector overlapped with the private interest as well, there was a huge investment from the public and private sector towards education. The effort made by the private sector towards education almost equalled that of the public sector. The investment in this made the education system and teachers in Korea to be held in such high esteem since this ended up creating an educated workforce in the 1960's. (Franklin, 2019)

The government focused on including the less privileged by applying more pressure and effort towards them so that they would also enjoy the changes which were happening to the country. South Korea made redistributive policies focusing on less privileged communities, this programme was called the Saemaul movement established from 1970 to 1980, this was a change and focus on modernizing areas that had been left behind in the changes, this led to high investments in areas which needed some extra help to improve. (Huin, 2012)

Adding on, another growth factor revolving around planning and evaluating, the government focused on coordinating a planning board which led to a monitoring of the production made from exports comparing them to national output. This then led to an evaluation on the policy invention which led to accountability, knowing the areas that were left behind and also looking at the competitors. The accountability also extended to the changes that Korea is facing similar to any country growing the inadequate distribution of wealth with the poor and rich. When Korea kept growing and developing the distribution of income and wealth was visible, even with many efforts to reduce the gap the results have not panned out well. One of the areas they seem to be able to navigate

better is the income pre-tax and post-tax which is different from the other countries in Europe that encompass similar levels of success in economic development.

Economic global indicators that show the state of South Korea's economy, to begin with the inflation rate shown below conveys this for over the past 11 years of South Korea, which shows how over the past 11 years the \$1 in 2010 is equivalent in the purchasing power to \$1,26 today making it a 0,26c increase in the inflation rate. Demonstrated by the Bureau of labour statistics the consumer price index the \$1 now buys 79% of what it used to buy. All the numbers are shown in figure 1.1 below.

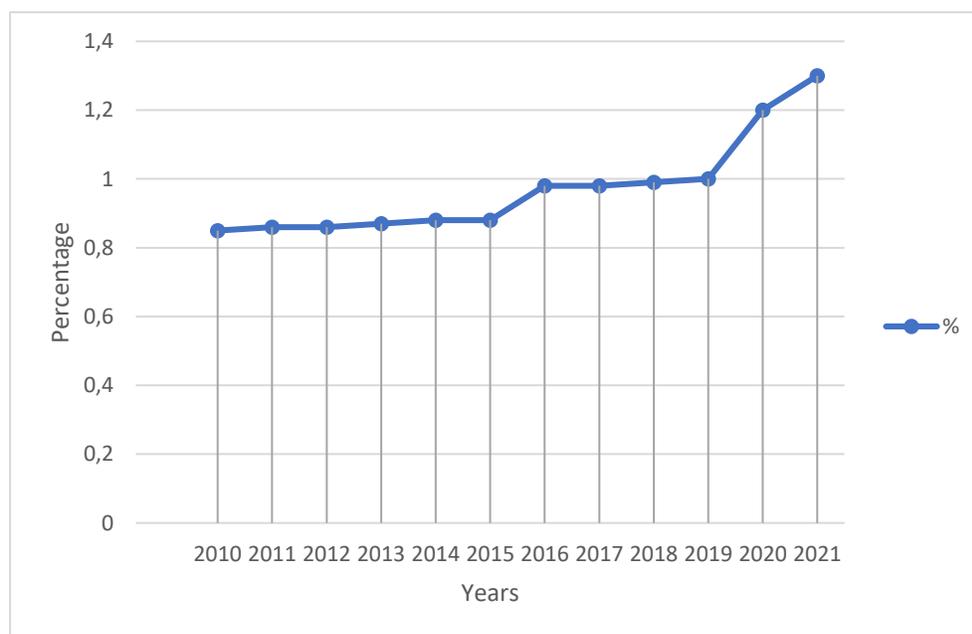


Fig 1.1 Inflation rate in South Korea from 2010 to 2021

Source: Bureau of labour statistics CPI (Roh, 2021)

Moving on, the following figure 1.2 below shows gross domestic product which is a measure of the total goods and services produced in a given period of time in monetary value by the gross domestic product shown of South Korea is of the past 10 years, as it show there has been many fluctuations over the years

caused by many economic changes. Overall, the GDP has kept progressing upwards and from 2010 to 2017 it shows the country has been doing well, in 2018 it was able to accumulate high profits. In 2019 and 2020 it went in a downward spiral even if it was not too bad, the reduction in 2020 was caused by the pandemic, in 2021 it shows the country was able to come up again.

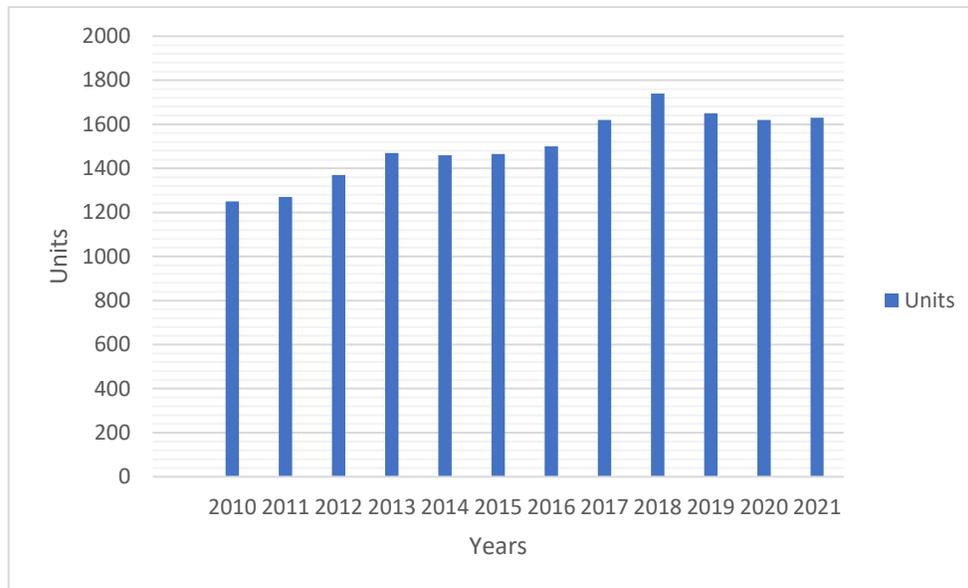


Fig 1.2 Gross domestic product from 2010 to 2021

Source: World bank (Price, 2021)

The Figure 1.3 below shows the government debt to the gdp ratio, which is the amount of debt the government of a country has compared to the gross domestic product which is the monetary value of goods and services produced within a year by a country. From 2010 to 2012 it has been low, as the years progress the percentage rises which is not good for the economy. From 2017 to 2019 it stabilizes at the same area however, in 2020 it spirals up going up as 42 % the highest it has ever been. This is a very common occurrence since a lot of

countries have been going through this due to a pandemic that affected a lot of economies.

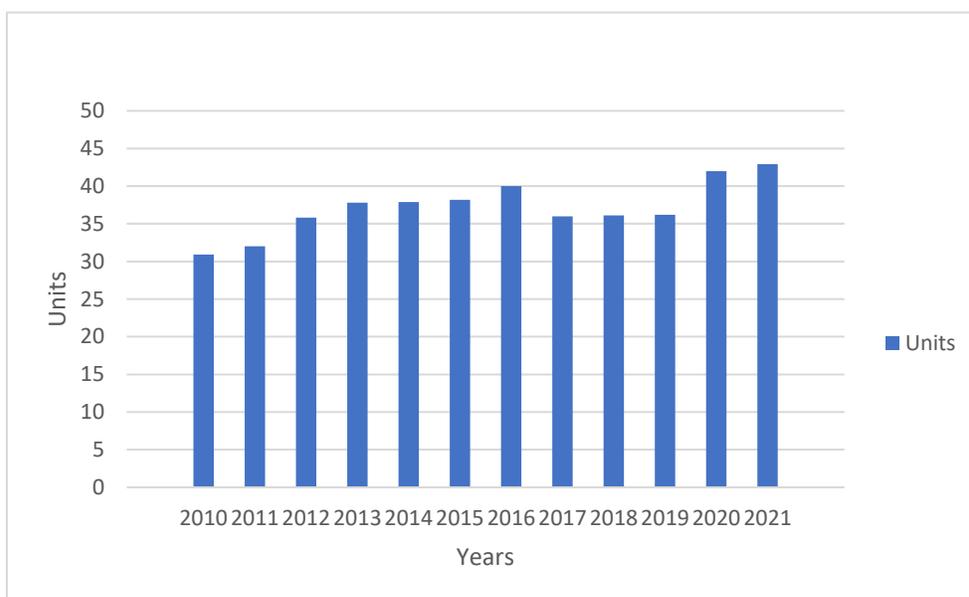


Fig 1.3 Government debt to GDP ratio 2010-2020

Source: Ministry of strategy and finance, South Korea (Jankings, 2021)

Table 1.2

Human development index

YEAR	VALUE	CHANGE %
2019	0,92	0,22
2018	0,91	0,22
2017	0,91	0,22
2016	0,91	0,33
2015	0,91	0,33
2014	0,90	0,33
2013	0,90	0,33

2012	0,90	0,34
2011	0,90	0,67
2010	0,89	1,37
2009	0,88	(0,34)
2008	0,88	

Source: Knoema.com (Kaizen, 2020)

A composite index measuring average achievements in three basic dimensions of human development a long and healthy life, knowledge and a good standard of living. 1 equal to the most developed countries. In 2019 the human development index for the Republic of Korea was 0,92 score. From a score of 0,82 in 2000 to 0,92 score in 2019 the index was growing at an average of 0,57%.

The statistic on figure 1.4 below shows the unemployment rate in South Korea from 2016 to 2021, with projections up until 2026. In 2020, the unemployment rate in South Korea was at around 3.94 percent, due to the pandemic making it the highest it has ever been in a very long time. In 2021 it was able to be reduced, going forward from 2022 to 2025 are future prediction of what the unemployment rate will look like.

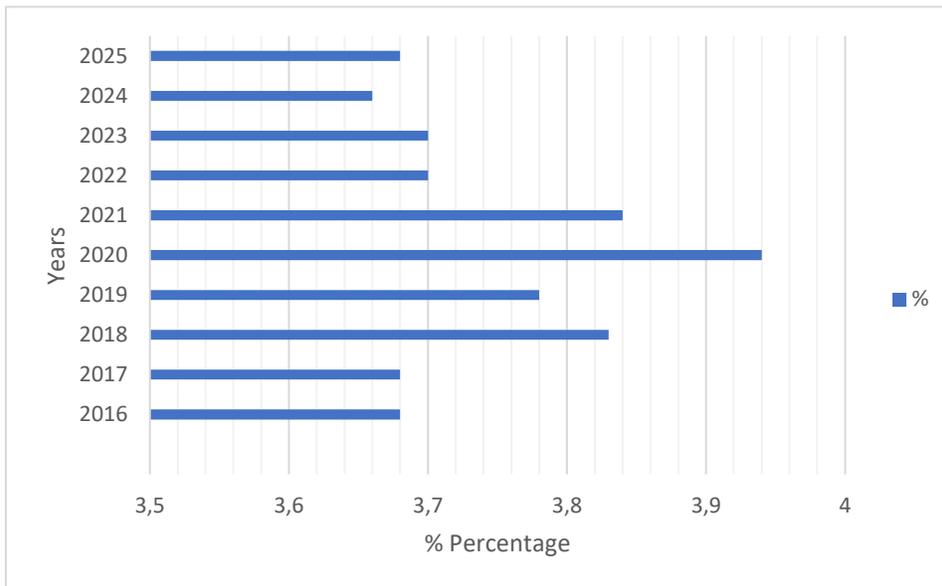


Fig 1.4 Unemployment rate%

Source : Statista (O'Neal, 2021)

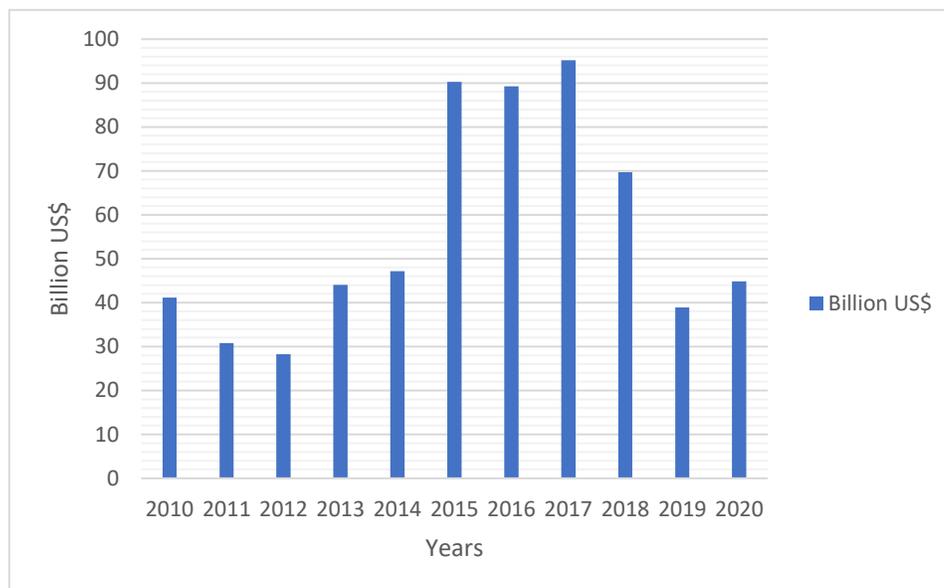


Fig 1.5 Trade balance

Source: Statista (O'Neill, 2021)

In 2021, the average annual household expenditure in South Korea amounted to approximately 27.7 million South Korean won, a slight increase from the previous year. The 2021 amount was the highest average expenditure since 2012 Appendix A shows all the figure. (Yoon, 2021)

The figure in Appendix b shows the distribution of the average monthly consumption items among the general population in South Korea during 2019. According to the data, the average monthly consumption of a households with one person is US \$1,296, with most (17.9%) being spent on housing, electricity, gas and water bills. In contrast, in a family with 4 people, the average monthly consumption is about US \$3,380 and the main expenditure (15.8%) is on education. (Gayle's,2021

CHAPTER 2

ANALYSIS OF E-COMMERCE MARKET ACTIVITY IN SOUTH KOREA.

2.1. Impact of e-commerce on South Korean economy

E-commerce has been a contributing factor to the development of the South Korean economy and it has been a market that keeps growing and generating profit each year exceeding the year before. The 2.1 below shows the rate at which e-commerce has generated income and profits for online businesses in South Korea, as it shows each year there was a significant growth. This also shows how big the growth in 2020 was due to the pandemic that affected a lot of markets. It positively affected the e-commerce market in South Korea by increasing the consumers from all over the world. With the graph below the number of sales generated are represented in the form of trillion Korean won, this is within a space of 10 years from 2009 until 2020 and as the graph shows there are some significant changes in each year as the sales volume keeps going up.

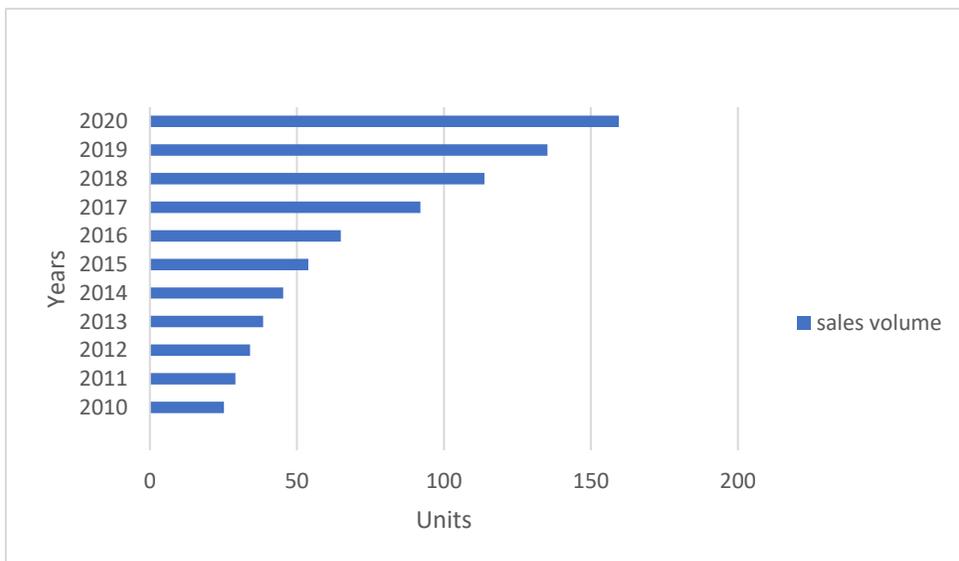


Fig 2.1 E-commerce sales volume 2010-2020

Source: Statista (Jobst, 2021)

Since the first Corona case was confirmed in January 2020, online sales have increased compared to the same month of the previous year, rose to 34.3%, while offline sales fell by up to -17.6%. In particular, the older generation who used to prefer to purchase offline became new online consumers drove the rapid growth of online sales. In response to the demand, the online market is rapidly evolving. Foods used to be preferred to purchase offline due to the concern on freshness.

However, since the pandemic, the lifestyle of contactless-as possible was fashion, so grocery shopping not a non-exception. Besides, the deliveries kept getting faster and faster; therefore, there was no reason why the online food market was not growing. In line with the growing mobile shoppers, the mobile base live-commerce market is growing. The live commerce market accounts for about 2% of the total online shopping market, which is still insignificant. However, it has the highest purchase conversion rate of 20% compared to the other e-commerce market forms: 0.37% for traditional e-commerce purchases, 6-10% for social e-commerce. According to the live commerce market forecast data, the live commerce market size was 3 trillion won in 2020 and 4 trillion won in 2021. However, it is expected to be about 10 trillion won- market in 2023, so live commerce is predicted to be the centre of e-commerce.

While the year-to-year change in online purchases was larger 44% in the United States, South Korean e-commerce companies secured 26% of total domestic retail sales in 2020. By contrast, U.S. counterparts only claimed 14% of total sales in their home market. (View, 2020)

E-commerce has played a major role in modernizing South Korea and in the past 10 years it has helped the economy grow in tremendous ways, the major players of the e-commerce market do not only consist of internationally

recognized companies known for e-commerce like Alibaba, Amazon, JD.com, eBay. However, the ecommerce market of South Korea also has its own major players that includes G-market, 11street, Auction.co, Interpark.com and Coupang.com, all of which have made changes and a lot of moves in the ecommerce market.

G-market is an e-commerce marketplace in South Korea, this company was established in the year 2000, since then they have been in the market. They were acquired in 2009 by eBay this helped the company to enlarge even more bigger masses at this point the website is used by up to 64% of the population. Since G-market was the first e-commerce company in South Korea it paved the way for other companies that were able to follow behind. This was a platform for the Korean market made by Korean founders which meant they knew exactly what the market was lacking and were able to address and achieve it through their company. Main products sold include accessories, fashion and clothing, food and beverages, electronics, cosmetics and beauty products. (Bae, 2020)

11street is another e-commerce company in South Korea mainly known in the Korean e-commerce market space, this company was established in 2011, in 2016 it held the first position as the most visited platform it later on lost this position to G market. It includes a wide range of products that are similar to those offered by the G-market. What sets it apart from other companies is that it provides a cross border e-commerce platform that serves clients worldwide. This brings a huge impact on the Korean market by exposing Korean goods and products to the world sharing the uniqueness of the goods as well as creating even more jobs in the country positively impacting the market in South Korea. (Suen, 2021)

Auction. co is another e-commerce company in South Korea which was established in 1998 ranking as the 3rd most visited platform, however making it

the number 1 website that supplies gadgets and auctions products in cooperation with numerous internationally recognized companies that include Samsung, Phillip's, LG, Microsoft, Asus and Lenovo. Even though the platform is only offered in Korea with only Korean language it still is able to reach masses in the country bringing something unique and resourceful to the market since there is no other e-commerce company doing what it does as big as it is in the country. (Staff, 2011)

Interpark.com which was founded in 1996 provides a shopping website for consumers and it also provides online auction services. What makes it stand out even more is how it acts as a record distributor of the entertainment and music industry. This platform is offered in different languages like English, Chinese and Japanese and is also able to distribute to 230 different countries, products offered include collectibles, appliances, computers, furniture, jewellery and equipment.

Coupang.com is an e-commerce platform, it is also one the biggest online retailers in all of Korea, it was established in the year 2010 and one of the major investors is Softbank invested 2 billion USD in the company. It is also known for its distribution network that offer the same day or next day delivery, hence they are known for the prompt delivery technique when the customer orders. It has been proven that 70% of Koreans live within a 10 minutes radius of a Coupang logistics centre which makes it very ideal, and as long as a customer makes an order before midnight the day before they can receive it 7am in the morning which is faster than next day delivery services that are offered by Amazon. What Coupang is doing is a major advancement and it brings sustainability in saving time for customers and it is a very convenient way of operating. (Savitz, 2021)

2.2. Trends of South Korea e-commerce market development

South Korea's e-commerce market keeps on expanding that also means the market share keeps on increasing going to the market leaders. In the retail e-commerce sector eBay takes the lead in taking all the market share making it the market leader, however in South Korea different competitors have been interested in trying to acquire the company this includes large conglomerates such as Shunsegare group and Lotte group.

For the two companies the acquisition of eBay would mean conquering both the offline and online presence, this would also be a unique situation in South Korea because none of the companies have been able to do this. To be able to do this different marketing strategies have to be considered when dealing with the different sectors. It is yet to be determined if such a development in the acquisition of eBay will help the ecommerce market or affect both short and long term.

The figure below, fig 2.2 shows the e-commerce retail market from 2015 to 2020 with comparison to the world progress and South Korea's progression as well. This just goes to show how the market has been able to gradually change for the better over the years, this has been due to several factors such as the development of the major players in the retail e-commerce market in South Korea who have been able to find ways to captivate the consumers. The factor that trump's all factors for such a development or advancement is the deep internet penetration, and it has the highest average internet connection speed globally.



Fig 2.2 Retail value Rsp sales tax in USD million

Source: Euromonitor International (Feris,2021)

Just like any other nation South Korea was affected by the pandemic, unemployment rose and many changes had to be made in order to adjust to the changes that were happening changing life as we know it. However the e-commerce market was also able to gain from this due to social distancing measures, e-commerce businesses were able to take on areas that were not met anymore and it accelerated the sales. According to Global data analytics the sales increased exponentially in 2020 the e-commerce market was estimated at KRW104.0 trillion (US\$90.1bn) which was shown as annual growth of 22.3% which is expected to grow more than that in the future.

The development in the market also showed statistics that stated that the online sales of food delivery services, food and beverages, and household goods grew 61.5%, 39.4 % and 48.9% respectively in the June of 2020 compared to the year before. The changes not only benefited the e-commerce market but it also overflowed to sectors like payment providers since consumers preferred using them as a payment method.

The figure, fig 2.3 below shows the e-commerce value in South Korea from 2016 until 2021 all shown in units, this goes to show how the value has kept on increasing each year. Over the units for 2020 and 2021 the higher growth, which goes to show that the pandemic has brought about a permanent change in the way consumers buy, even though things have changed since the pandemic began the numbers for e-commerce will keep increasing because consumers now behave in a different way. This has also attracted international companies to launch companies in South Korea, this already started happening in June 2020 when a Canada based e-commerce company called Shopify and also Facebook launched Facebook shops which allows merchants to set up online shops and shop digitally.

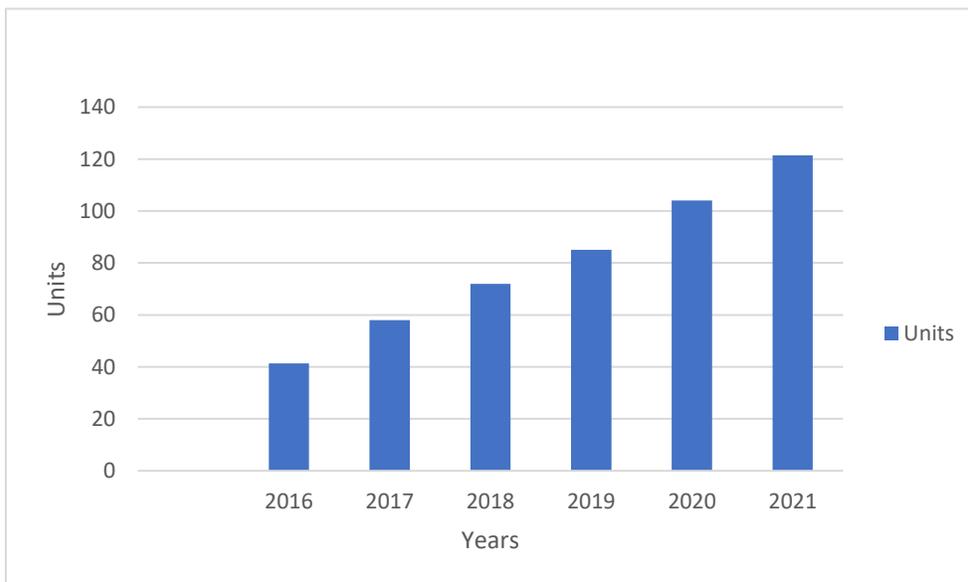


Fig 2.3 South Korea E-commerce value

Source: Global data (Terrel, 2021)

2.3. Ranking and overview of e- commerce of South Korea outside of the country

South Korea is the sixth largest market for e-commerce with a revenue of US\$80 billion in 2020, placing it ahead of France and behind Germany. With this subchapter there will be different comparison's of South Korea's e-commerce market with other e-commerce markets of different countries internationally recognized economies to be good.

With an increase of 32%, the South Korean e-commerce market contributes to the worldwide growth rate of 29% in 2020. New markets keep emerging, and existing markets also have the potential for further development. Global growth keeps on continuing even for the years to come. This will keep happening due to East and Southeast Asia, expanding middle class and lagging offline shopping infrastructure.

The e-commerce market includes online sales of physical goods to a private end user (B2C). This has been a market that keeps on growing in the South Korean economy, even though some companies taking over are not internally recognized they are still making huge profits and showing how the South Korean e-commerce is more capable. The table 2.1 below shows the major players in the e-commerce market also including some international companies with the net worth presented as well represented in million dollars. (Yohnan,2021)

Table 2.1

The top online e-commerce stores in South Korea

1. Coupang	US\$10,882m
2. Ssg.com	US\$1,412m
3. Yes24.com	US\$43,3

4. Gsshop.com	US\$407
5. Apple.com	US\$376

Source: Statista (Kelo, 2021)

In the figure below, figure 2.4 are different country's showing retail e-commerce sales with South Korea in the top 5 ranking on the 5th place. Showing how South Korea is ranked amongst some of the biggest economies in the world shows that e-commerce in South Korea is a very thriving sector and even though most e-commerce companies are only locally known, it seems in the near future with such sales some of them can be internationally recognized soon.

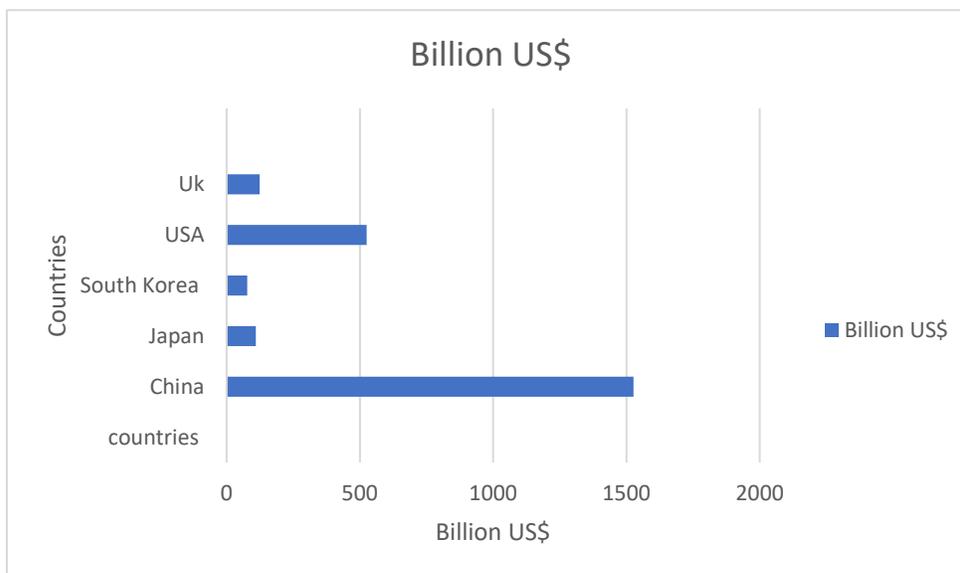


Fig 2.4 Retail E-commerce sales penetration by country 2020

Source: emarketer (Jobst, 2021)

Figure 2.5 shows the e-commerce sales growth rate with comparison to other G7 economies, showing how South Korea is able to achieve growth sales

higher or close to some countries. Even though the comparison between China and the South is much more distant, South Korea is still doing very well.

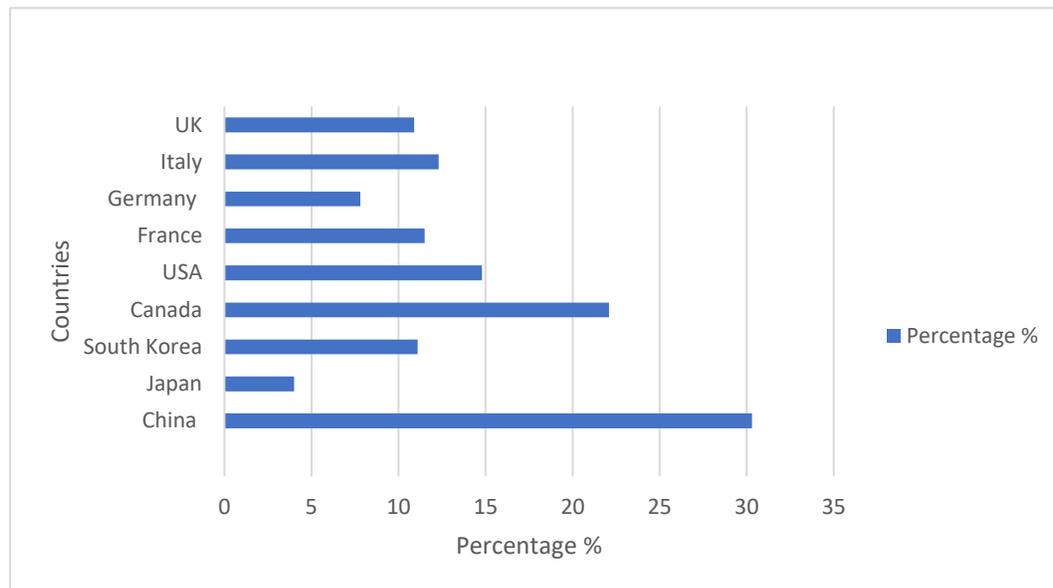


Fig 2.5 Retail E-commerce sales growth rate by country 2020

Source: emarketer (Nguyen, 2019)

Table 2.2

Leading countries ranked by retail e-commerce sales in 2020 and 2021 (in billion US\$)

Characteristics	2020	2021
China	2,296.95	2,779.31
United States	794.5	843.15
UK	180.39	169.02
Japan	141.26	144.08

South Korea	110.6	120.56
Germany	96.86	101.51
France	73.8	80
India	55.35	67.53
Canada	39.22	44.12
Spain	34.6	37.12

Source: Statista (Coppola, 2021)

The numbers shown above in table 2.2 show the ranking of the leading retail e-commerce markets globally, which are based on the sales made for 2020 and 2021. As it shows, the USA will reach US\$794.5 billion in 2020 and US\$843.15 billion in 2021. However, China is in the lead having in 2020 US\$2,296.95 billion, South Korea is not too far behind, it is ranking 5th on the list and has managed to make sales up to US\$110.6 billion in 2020 in the retail e-commerce sales.

Table 2.3

Top 5 developing economies in the UNCTAD B2C E-commerce index 2020

2020 Rank	Economy	Share of individuals using the internet (2019)	Secure internet servers	2020 index value	Index value change 2019 to 2020 data	Rank 2019

4	Singapore	89	94	94	-0,3	3
10	China, Hong Kong SAR	92	88	91	0,3	14
18	South Korea	96	68	89	0,0	19
30	Malaysia	84	71	81	1,5	31
37	United Arab Emirates	99	61	78	0,0	28

Source: UNCTAD (Kendal, 2020)

The table 2.3. shows the different comparisons made by the United Nations conference on trade and development.

Global ecommerce sales for year end 2021 are projected to reach \$4,891 trillion making it a 14,3% rise from 2020, which shows that sales keep increasing in the e-commerce market. Different companies are contributors to this sales number. A breakdown into the countries involved in these sales show that China holds up to 52,1 percent of all the e-commerce sales globally. The \$2,78 trillion generated by China in sales is expected to keep rising, this amount exceeds the total market share for the countries shown on the figure 2.6 below.

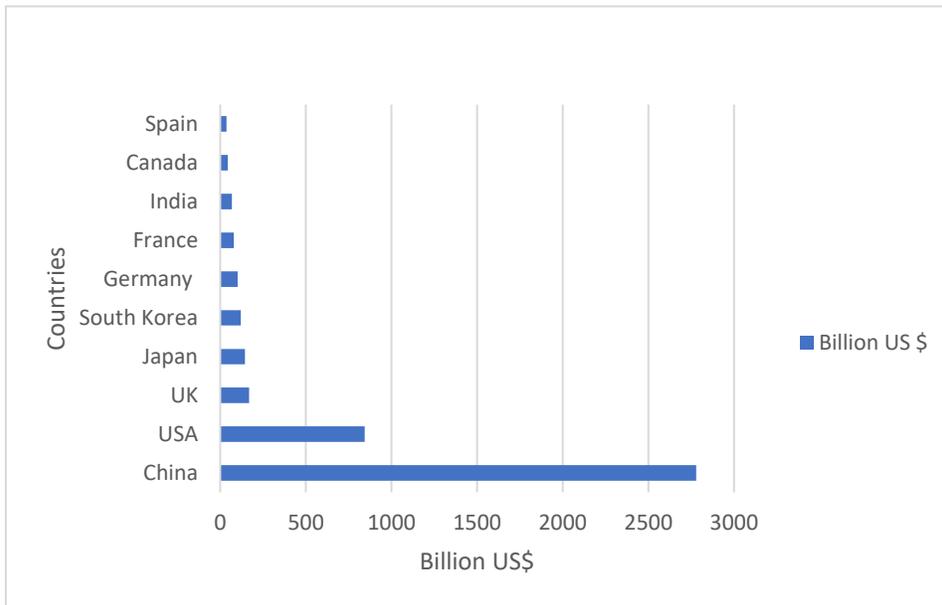


Fig 2.6 E-commerce comparison's with different countries

Source: Statista (Coppola, 202)

Following China is the USA having 6,1 percent projected rise for the e-commerce market by the end of 2021 and having \$843,15 billion which is less than a third of China's. Following is U.K in having the 3rd largest ecommerce sales reaching up to \$169,02 billion and is looking to have a 6,3 % in sales by the end of 2021. Holding the 4th position is Japan with an expected rise of 2,0% by the end of year having \$144,08 billion. South Korea holds the 4th position in the countries having the highest e-commerce sales worldwide with \$120,56 billion and having a 9,0 % sales increase prediction by the end of 2021.

2.4 Swot analysis of South Korea e-commerce market

Some of the challenges faced by western companies attempting to conduct business in Korea include unique industry standards, this common to every foreigner conducting business, resistance to foreign business models, and

competition and price pressures from domestic manufacturers. In addition to these challenges, foreign exporters of agricultural commodities must navigate multiple import regulations and testing requirements if they are aiming on using agricultural materials in products to be sold on the e-commerce market.

Despite these challenges, firms that are innovative, patient, and committed to entering the Korean market will find business to be rewarding and Koreans to be eager and loyal customers. The Korean consumers are quick to adapt new technologies, and many foreign firms have found their technological products to be well-received in the country.

The Korea-U.S. Free Trade Agreement (KORUS FTA), which was last amended in March 2018, has helped facilitate bilateral trade, making Korea an attractive market for U.S and other foreign companies to enter. With more than 92 percent of tariffs having been reduced or obsolete, U.S. products are becoming increasingly cost-competitive. In addition to U.S. products, EU products have enjoyed reduced or no tariffs since 2011.

Another problem in the e-commerce market is that most of the local companies who are already making profits are not available to the global market, the issue is not lack of demand because now more than ever there is high demand for Korean products which were popularized by other area's such as the entertainment industry. This demand has always been there, however it keeps on increasing and now more than ever would be a good time not only stay local but go global.

Relationship Building & Social Networking just like any other market when introducing a business whether, it is a local or a foreign they have to understand the way of doing business. In this case something that both parties would have to understand is Koreans put high value on personal interaction when developing a new relationship, so they prefer to deal face-to-face. Even though

it can be a challenge due to the companies conducted on the e-commerce market it is still needed to conduct business well. Without this face-to-face little progress in negotiations from Korean counterpart.

Koreans may seek introductions or referrals from mutually connected third parties to supplement the personal interaction. Koreans enjoy socializing and participate actively in various social networks, such as religious organizations, school alumni groups, political parties, and birthplace associations. Any of these social networks can help U.S. suppliers develop or even troubleshoot their relationship with Korean business partners. Many Koreans are active users of on-line social media, such as blogs, internet communities, Facebook, and Twitter.

Although English is the most common foreign language used in Korea and is officially taught in public schools, many Koreans find it difficult to communicate in English. Therefore, foreign consumers are not always able to get access, this does not only apply with English there is also a lack of other foreign languages that belong to areas that consists of consumers with high demand. Which there is a problem that limits accessibility of goods or products, since of customers are not able to navigate sites they are not able to spend or return.

The swot analysis is a framework that can be used to measure the competitiveness of different aspects of companies, in this case the Korean e-commerce market. The swot analysis stands for strengths, weaknesses, opportunities and threats.

The strengths the Korean e-commerce market have outweighed most, the other factors that the e-commerce market has. Korea has a thriving e-commerce market and it is in the top 5 countries with the highest e-commerce revenue, making it very well known meaning it is able to have high revenues, and at the moment most of the companies in the e-commerce market are only locally known or are only known in Asia. Making it such a huge strength since the other

counterparts in the top 5 internationally recognized companies, which can be good because if the local companies venture into the foreign market, they can gain success because of the already existing success. Also, Korea is a newly industrialized economy with consumers with a high income and also the way the system is set up it is easy for consumers to keep on spending because most sites are easy to navigate. Also, this is because top companies provide fast delivery services.

Table 2.4

SWOT- analysis of e-commerce market in South Korea.

STRENGTHS	WEAKNESSES
Well known and established e-commerce market.	High costs associated with entering the market.
Sites that are easy to navigate	It can take some time for consumers to trust.
OPPORTUNITIES	THREATS
Strong consumer demand.	Language barrier.
Room and opportunity to expand in the foreign sphere.	
High rate of potential investors.	

Source: Developed by author

Opportunities for South Korea are that they have a strong consumer demand outside of the country, all it is would be a matter of expanding and accommodation foreign consumers needs. In a case like this fulfilling foreign consumer need would be making the sites possible to navigate in different parts of the world and providing access in different languages. With the way South Korea is popular due to the high revenues another opportunity is the foreign investors who are very interested in a market making such strides.

Weaknesses that come with e-commerce in Korea are that, it can be difficult for foreign investors that are looking to invest to increase profits and also benefit from the success of the market due to the language. It can also be difficult for foreign investors or business owners looking to start business with the target audience of South Korea's on the e-commerce market to thrive or get customers without a local backing.

CHAPTER 3

FORECAST ANALYSIS OF THE E-COMMERCE MARKET

3.1. Attractiveness of the South Korean e-commerce market to investors.

The following are key performance indicators that are essential in attracting investors in the e-commerce market, they all however depend on the response from the public

Table 3.1

Key performance indicators

Time on site	like it entails it this is how much time visitors are spending on a website. Generally, more time spent means they have had deeper engagements with a brand. Therefore any e-commerce business owner or investor expects to see more time spent on a potential investment or their very own business.
The bounce rate	It entails how many users exit a site after viewing only one page. If this number is high, it will lead to an investigation why visitors are

	leaving the site instead of exploring and taking more time on the site.
Page views per visit	refers to the average number of pages a user will view on a site during each visit. Again, more pages usually means more engagement. However, if it's taking users too many clicks to find the products they're looking for, the site might need a redesign. Average session duration the average amount of time a person spends on a site during a single visit is called the average session duration.
Traffic source the traffic source	entails where visitors are coming from or how they found the site. This will provide information about which channels are driving the most traffic, such as organic search, paid ads, or social media.
Mobile site traffic	monitor the total number of users who use mobile devices to access the site. Day part monitoring is looking at when site visitors come and tell which are peak traffic times.

Newsletter subscribers the number of newsletter subscribers	refers to how many users have opted into the email marketing list. If there are more subscribers, it is much more possible to reach more consumers. However, the related data, such as the demographics of the newsletter subscribers should be looked at, to make sure the target audience is reached.
Email open rate this KPI	Entails the percentage of subscribers that open their email. If it is low email open rate, new subjects lines should be tested, sometimes cleaning the list for inactive or irrelevant subscribers helps.
Email click-through rate	the percentage of those who actually clicked on a link after opening. This is arguably more important than the open rate because without clicks, one cannot drive any traffic to their site.
Social followers and fans	the number of followers or fans that a company has is a useful KPI to

	gauge customer loyalty and brand awareness. Many of those social media networks also have tools that ecommerce businesses can use to learn more about their social followers.
Average CTR the average click-through rate	The percentage of users on a page (or asset) who click on a link.
Average position the average position KPI	This demonstrates where the company is on search engine results pages. Most online retailers have the goal of being number one for their targeted keywords
Pay-per-click (PPC)	this entails how much traffic the company is successfully driving to the site.

Source : emarketer (Camilo, 2020)

The Korean e-commerce market is ranked amongst the largest ones in the world. This is not too peculiar until certain factors are considered like South Korean history. At this stage, South Korea's e-commerce market is competitive with America's e-commerce market amongst others which has a six times larger population than South Korea. This Asian country was set out on the path to democracy only in the late 1980s, and it went through the phase of accelerated

economic growth between 1960 and 1990. Earlier, it fought for its independence with two neighbouring empires: China and Japan.

According to the estimates provided by Statista, in 2020, as many as 92% of Koreans used the internet. By comparison the result for Poles was 81%.

- Over 50% of Koreans aged 60 or above actively use the internet.
- In the United States, the share of regular internet users in the same age group reaches merely 30%.

What therefore follows, is that launching products in South Korea gives companies a golden opportunity to broaden their target audiences exponentially. A product which populates a niche in the domestic market can gain huge market share in Korea. At the moment there is a growing interest in foreign suppliers. Each year there is an increase in the amount of money that Koreans leave in the bank accounts of foreign companies. (Samuel, 2021)

Amongst the most “absorbent” industries are fashion and beauty those are the best areas to invest in even though venturing into the Korean e-commerce market requires an in-depth analysis with enough research and resources an investor can be able to capture a sizable market share for the goods or services launched into the ecommerce market and in a unique case the products can gain a distinguished trait since it will be foreign.

The Korean e-commerce market is governed by a consumerist society. A factor that offers benefits right from the beginning is the mere nature of consumers' shopping habits. Koreans are not loyal to any specific brands, and demonstrate an openness towards change and experimenting. Companies have to regularly refresh their image to keep up with the rapidly developing market and uphold customers' interest hence frequent modifications to packaging and launches of new product lines. Making a space any new comes in the market to be able to penetrate and capture the attention of consumers.

It is estimated that in 2023 about 94% of Koreans will use e-commerce platforms. Not infrequently, online purchases instead of meeting daily needs are to testify to the buyer's social or financial status.

It is certainly more difficult to enter the Korean e-commerce market than its European counterparts. The whole process calls for thorough preparations and an in-depth market analysis, including but not limited to consumer behaviour, guidelines related to commercial communication, most efficient marketing strategies and specific SEO requirements. The venture is, however, highly lucrative. The Korean market is fairly receptive, open to everything new. It is still far from being overfilled with foreign brands. It can generate a good effect that more often than not is downright unachievable in the markets closest to our own.

South Korea's digital buyer penetration is 2nd highest amongst the other countries, even though some major European countries like Netherlands, Switzerland, Denmark and Sweden exceed South Korea in digital buyer penetration the total e-commerce sales for South Korea are higher. The digital buyer penetration is essential to know for investors since this will be able to help in discovering whether investing in an e-commerce market is profitable. As it shows on fig 3.1 South Korea's digital buyer penetration is very high.

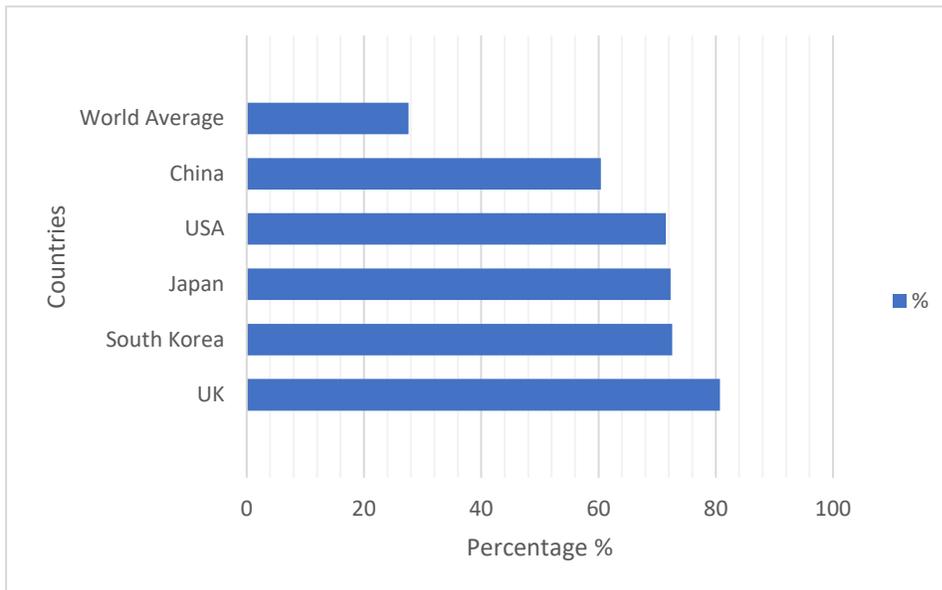


Fig 3.1 Digital buyer penetration as a percentage of population 2020

Source: eMarketer 2020 (Nguyen, 2020)

Most of South Korea's e-commerce revenue/sales are generated from mobile devices, it is very convenient for anyone since anything can easily be bought using mobile devices. As it shows on fig 3.2 South Korea's mobile e-commerce sales are ranking in the 2nd place from China. This is very important to take into account when creating a website or platform in which the consumers will buy products from, they should be mobile friendly and easily accessible. For investors or any business who wants to penetrate this market it would be essential to have this in account since most of the sales will eventually happen on mobile devices.

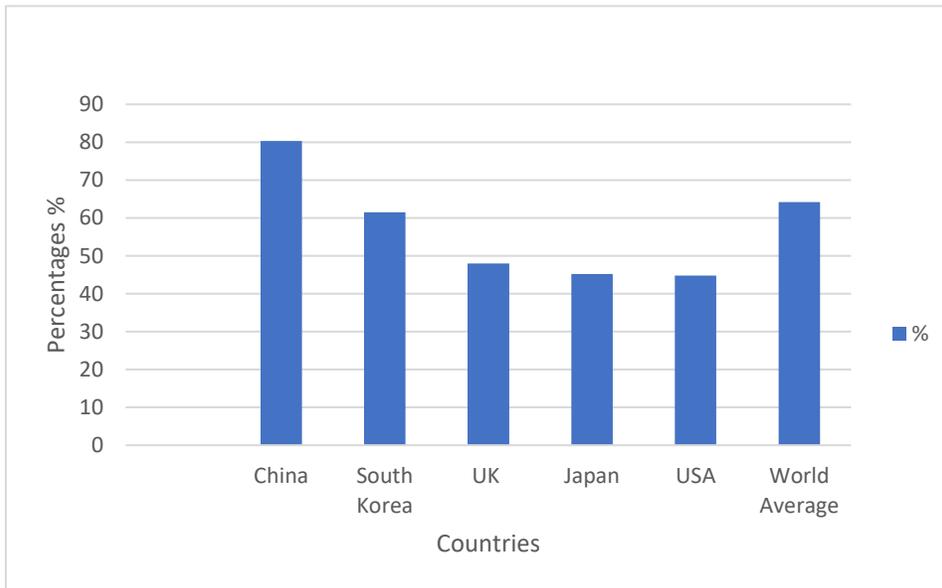


Fig 3.2 Mobile e-commerce sales penetration as a % of retail e-commerce sales

2020. Source: eMarketer (Kai, 2020)

As for the mobile e-commerce growth rate it is shown below on fig 3.3 showing how South Korea's growth rate is compatible with that of China and USA. This shows mobile e-commerce is important and should be researched when looking to penetrate the e-commerce market in South Korea.

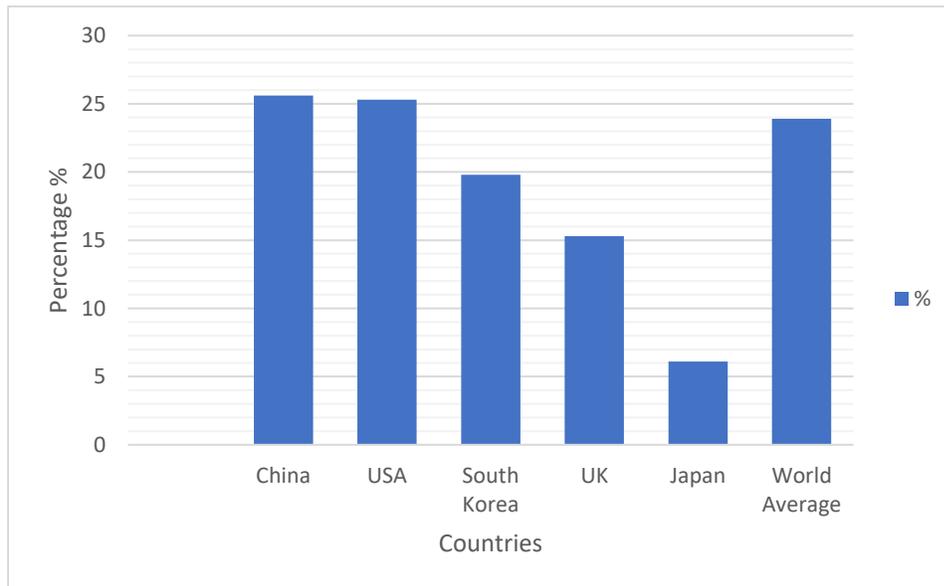


Fig 3.3 Mobile e-commerce growth rate

Source: eMarketer (Riaki, 2020)

Fig 3.4 below shows the top business to customers (b2c) platforms in South Korea as well as the purchase % from the consumers. It is also important to take note of the market leader of South Korean e-commerce Coupang. Coupang has been able to penetrate the market and gain a very huge market share compared to its counterparts. Internationally it is known as the Amazon of South Korea however at the rate it is going at it has surpassed what Amazon is doing in more than one way. In 2017 Coupang Performance exceeded that of Amazon, with year 3 the dollar retention was 346% whilst Amazon's was only 278%.

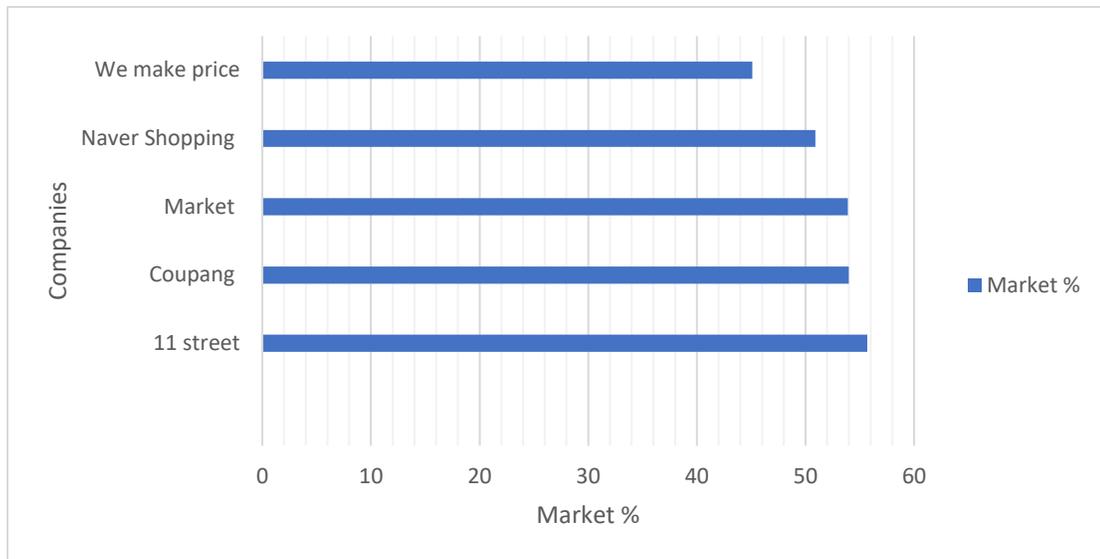


Fig 3.4 Top B2C e-commerce platforms in South Korea
(%purchases made)

Source: eMarketer (Travis, 2020)

In March of 2021 Coupang disclosed that it was seeking 3.6 billion at a potential \$51 billion valuation on the New York stock exchange. The consumers are even more likely to spend money on Coupang compared to other e-commerce sites. This was not only shown within other South Korean e-commerce companies but also other international companies. Even comparing the customer retention with companies like eBay, Etsy, Walmart and Alibaba, customers are more prone to come back to the website and use more money. The figure 3.5 below shows the comparisons between different companies.

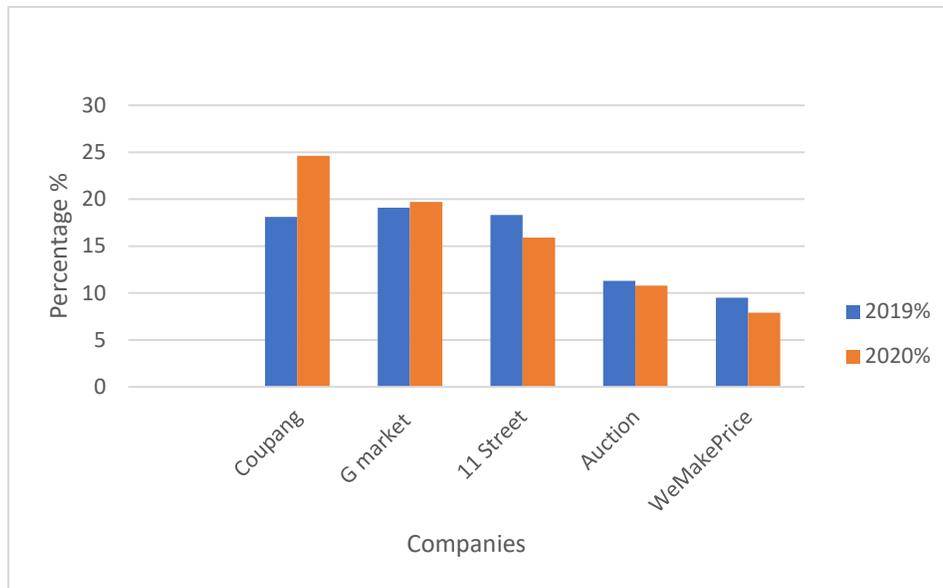


Fig 3.5 Korea's E-commerce market share

Source: Goodwater (Lerado, 2021)

3.2 Forecast on South Korean e-commerce economy

The Republic of South Korea has a very developed e-commerce market that keeps growing at a rapid rate, and with that it has numerous factors that suggest that the growth will keep on increasing. The massive development investments by major local firms, such as Samsung increase rapid progress in mobile devices, and the adoption of 5G networks that lead South Korea on the radar, this is something that seems to not be changing any time soon hence e-commerce will directly affect the economy by developing it.

To begin with a high percentage of the population Korean consumers are almost all online, particularly on mobile devices. They are generally well-educated and economically prosperous. They are also sophisticated and accustomed to the online environment, and current trends almost always provide

an indication of the future, the use of online platforms will continue to grow. There is a wide selection of new offerings and the logistics that enable these to be delivered on demand. When they are unable to satisfy the needs on the local market, there would be a shift to foreign online platforms, as suggested by strong trends in recent data.

There were 14.94 million foreign direct online transactions worth US\$1.32B in the first half of 2018, representing increases of around 36% and 35%, respectively, over the same period in the previous year. With this in mind due to e-commerce the population of South Korea will keep benefiting due to exposure since the population is not only buying local but international products. (Shaffing, 2019)

Both technological developments and a large market that is willing and keen to purchase online make Korea a very attractive market. Moreover, some of these technological advancements show that the future of South Korea is going in a good direction. The most interesting changes in the Korean e-commerce environment in the future will come from the government. Online trading permits a reduction in transaction costs, the costs of search, evaluation, negotiation, and this allows consumers to obtain offerings at lower prices than in traditional offline markets.

The Korean economists Cho, Kim, and Roh argue “that there are spillover effects when transaction costs are reduced in one industry to other industries and that these ultimately affect the economy as a whole”. Another factor shows that when the Korean government reduced tariffs on foreign online trade, foreign direct online purchasing reduced transaction costs and thereby increased the welfare of the Korean economy overall. They recommend that policy-makers pursue initiatives that make e-commerce more active in more diverse industries.

Although the major marketplaces cover Korean e-commerce heavily, they are rather local and none of them are yet listed in the global top 20. However, the pandemic escalated the growth of the Korean e-commerce market. Corona and Post-Corona. Which goes to show that the future e-commerce market for South Korea is promising. Online sales have increased compared to the same month of the previous year, rising to 34.3%, while offline sales fell by up to -17.6%. In particular, the older generation who used to prefer to purchase offline became new online consumers drove the rapid growth of online sales. In response to the demand, the online market is rapidly evolving. Foods used to be preferred to purchase offline due to the concern on freshness. (Khurana, 2020)

However, since the pandemic, the lifestyle of contactless consumers have changed in different sectors. Sales have risen with a lot of the same consumers leaning towards e-commerce. With this, companies like Coupang have been getting faster and faster, therefore showing there are very visible and tangible results that the e-commerce market will keep influencing different facets of the South Korea economy. Live commerce will be the mainstream of the livelihoods of the consumers in line with the growing mobile shoppers, the mobile base live-commerce market is growing.

The live commerce market accounts for about 2% of the total online shopping market, which is still insignificant. However, it has the highest purchase conversion rate of 20% compared to the other e-commerce market forms: 0.37% for traditional e-commerce purchases, 6-10% for social e-commerce. According to the live commerce market forecast data, the live commerce market size was 3 trillion won in 2020 and 4 trillion won in 2021. However, it is expected to be about 10 trillion won- market in 2023, the live commerce is predicted to be the center of e-commerce showing how the number of online users will keep increasing due to this. (Sana, 2021)

Social value management will be the must which goes on to showcase how in terms of shopping, the consumers will consider the social values of the products/services or their providers, such as the environment, ethics, social responsibility. Considering the core group of "this meaning out" is Gen Z generation who will become the backbone of the society and the economic core presently, it can be hard to survive without value management as a product/service provider. Hence having and working on a good social value management is something very important and looking into the future this will affect how businesses are presented in terms of social value management.

The figure 3.6 presents the e-commerce market revenue in South Korea in 2020, and provides a forecast until 2025. E-commerce revenue in South Korea is expected to grow to 99,2 billion U.S. dollars in 2025.

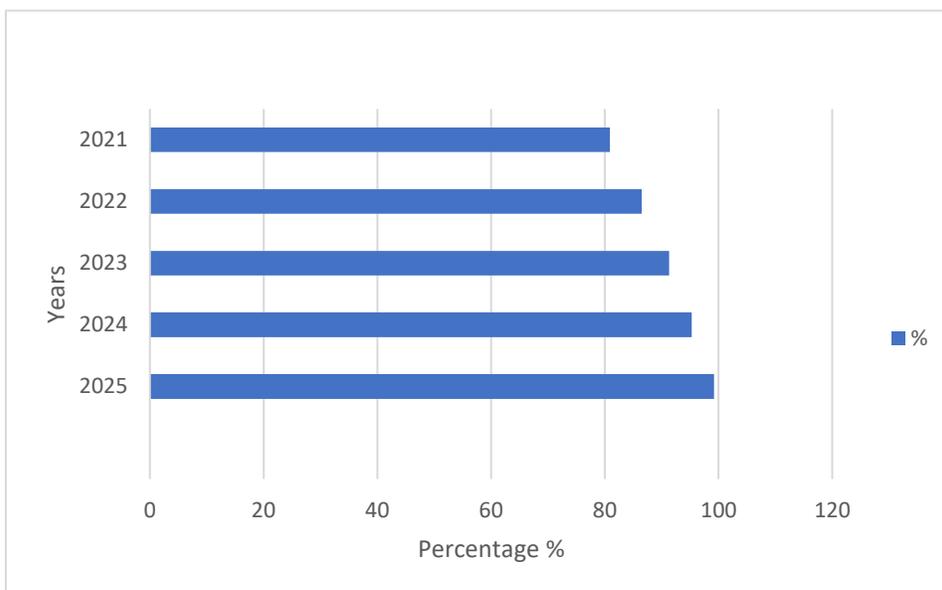


Fig 3.6 Retail e-commerce revenue

Source: Statista (Biles, 2020)

According to Global Data's E-Commerce Analytics, due to the COVID-19 pandemic and the subsequent lockdown and social distancing measures taken

by government, the e-commerce payments in South Korea increased by 22.2% in 2020 and are estimated to register similar growth of 25.4% to reach KRW131.0 trillion (US\$120.3bn) in 2021.

While sectors such as travel and accommodation were badly affected due to lockdown and travel restrictions, a strong growth was seen in grocery, electronics, and healthcare products which led to rise in overall e-commerce sales.

Apart from traditional payment solutions, new payment methods such as buy now, pay later, which keeps on gaining popularity across the Asian-Pacific markets like Australia and India, set to gain prominence in South Korea with companies like Coupang and Naver offering this service.

In August 2020, e-commerce giant Coupang launched ‘buy now and pay later’ service on a trial basis, which enabled consumers to purchase products up to KRW300,000 per month (later increased to KRW500,000). A similar buy now and pay later service was launched by online platform Naver in April 2021.

While South Korean e-commerce market is mainly driven by domestic companies, the growth opportunity is attracting international companies, which will further drive e-commerce sales. The COVID-19 pandemic has brought a lasting change in the consumer buying behaviour. At the same time, the drive to remain in the competition and cost-efficiency proved essential for companies to adopt e-commerce strategies. The uptrend is likely to continue over the next few years driven by the growing consumer preference, and the emergence of new online payment methods.” (William, 2021).

South Korea’s e-commerce market is predicted to reach US\$325.12 billion in 2025, over the period 2021-2025 figure 3.7 below shows these changes. Reasons why it is so high can be credited to factors such as mounting penetration of internet users, introduction of AI in retail, expanding urbanization, the

escalating trend of online advertising and growing usage of smartphones are set to drive the growth of the market. However, market growth can be challenged by a risk of e-commerce fraud and imprecise return policies. A few noticeable trends include rising influence of social networking platforms, accelerating growth of mobile payments and increasing adoption of advancement in technology.

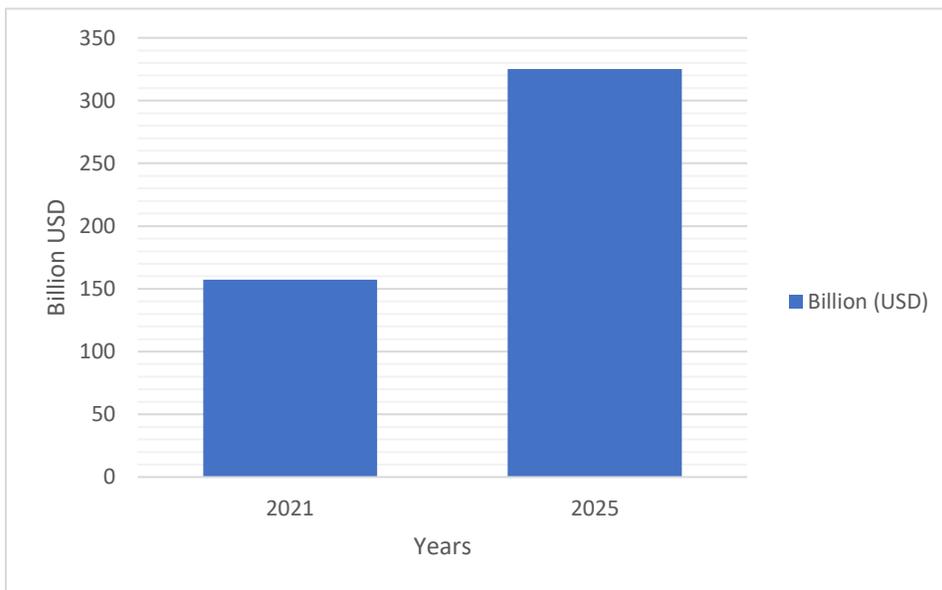


Fig 3.7 South Korea E-commerce Market

Source: Research and Markets (Lennard, 2021)

South Korea's e-commerce market can be divided into fashion, food & beverages, home electric appliances, household goods-motor vehicle parts, cosmetics, computer & related appliances, sports & leisure, travel services and others, in terms of product category.

The fashion segment is the fastest growing market, owing to the growing adoption of online shopping for clothing items as it offers wide range of options which often are not present in physical stores, increased convenience to users by

enabling easy access to e-commerce platforms anytime anywhere, surging disposable income along with expanding urbanization.

3.3. Techniques to improve e-commerce market.

The South Korean e-commerce market is doing amazing on the international market at this point it is ranked 5th globally, with the looks of it will keep going forward and accumulating even more market share. In order to stay relevant and accumulate even more than what it already has, the South Korean e-commerce market can incorporate different techniques.

South Korea is a Korean speaking nation with the waves it has made over the past years not only in the e-commerce side but also in the entertainment industry it has been able to make a big name and leave a huge print and some of these entertainment fans have translated to being international consumers for South Korea e-commerce. More so with this the South Korean e-commerce market can use this to start incorporating major languages around the world to accommodate the diverse consumers they keep accumulating all over the world.

Adding on, what would push the e-commerce market even further would be to make e-commerce platforms in South Korea accessible to the foreign masses, even though at this point some e-commerce companies have already done this it would be a wise move for other companies that have not done so to expand and be accessible to the world market. At this point the demand is high so such an expansion would be profitable.

Another aspect that can be looked at is improving and ensuring fast delivery times, even though this is why Coupang is the market leader there is no harm in improving it and even more so other companies can try to replicate this way of doing things. Since it has worked very well with Coupang other

companies can adopt and modify instilling different aspects making the unique in their own way hence improving the e-commerce market in South Korea with each company contributing to the larger scale.

More so a factor that can end up being overlooked is consumers digital penetration, at this point the consumer digital penetration is very high it is at a rate were its competitive with other giant economies. Since it is at such a high rate is important to focus on it and look for ways to keep improving it, as it stands future predictions are estimated to keep going up the work is in maintaining and improving. Below is table 3.2 showing the future consumer digital penetration showing that there will be growth in the future.

Table 3.2

Consumer digital penetration estimates

Year	Percentage %
2026	48,13
2025	48,02
2024	47,88
2023	47,71
2022	47,51
2021	47,29
2020	47,03

Source : Statistica (Jobst, 2021)

CONCLUSIONS

After looking at the history and current status of South Korea, it shows that the e-commerce market was able to grow at a fast rate due to innovation, technological developments and most of all a deep desire to innovate and accommodate the customers desires which keep changing. Over the years the market leaders have changed making space for other companies, this however was not done willingly it was due to the change in consumer taste that made everything to change and not simply remain the same. Hence the companies that were willing to change and meet customers needs were able to rise up.

E-commerce is very important in the economic development and growth of South Korea, and as the e-commerce market globally changes South Korea is recognized globally as a community that is both leading and learning from other e-commerce markets in the world. As for the place e-commerce holds on the Korean economy, it continues to be a contributing factor to the development of the nation. Due to the great success brought about by South Korean companies, more foreign investors are interested in tapping into the market.

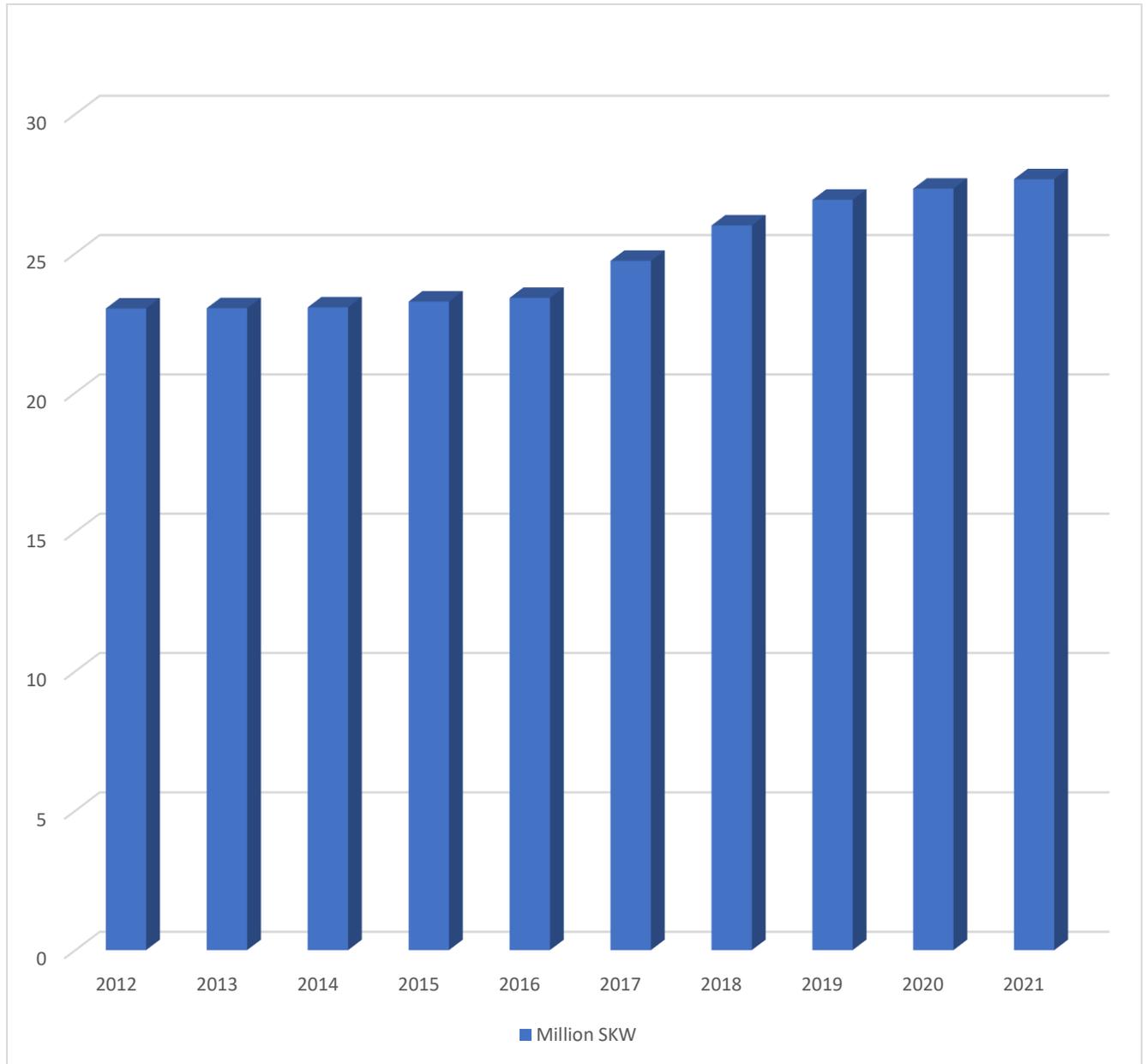
The first chapter was an introduction and overview of South Korea as an economy and E-commerce as it stands, and its rules laws and regulations in the Korean sphere. This showed different aspects which had to be highlighted in

order to fully understand what was to come after in chapters 2 and 3, the aim in which to showcase South Korea economy in which more detail on how it was able reach were it is was shared and how it is navigated as well as the biggest strengths. The e-commerce aspect was also shared in which more detail was given on how what is e-commerce is and what it is in the Korean economy

Chapter 2 was an analysis of e-commerce market activity, showing the impact of e-commerce in South Korea, forecast on how the economy will be influenced and ranking of e-commerce in South Korea. This chapter created a basis for chapter 3 it showcased the value and impact of e-commerce in Korea, the chapter showed how important e-commerce is at the same time highlighting the problems that need to be looked at. This showed regardless of how good the e-commerce market is doing change is still need to gain more, and room to develop is always there no matter the high profits. There will always be an aspect that needs a development.

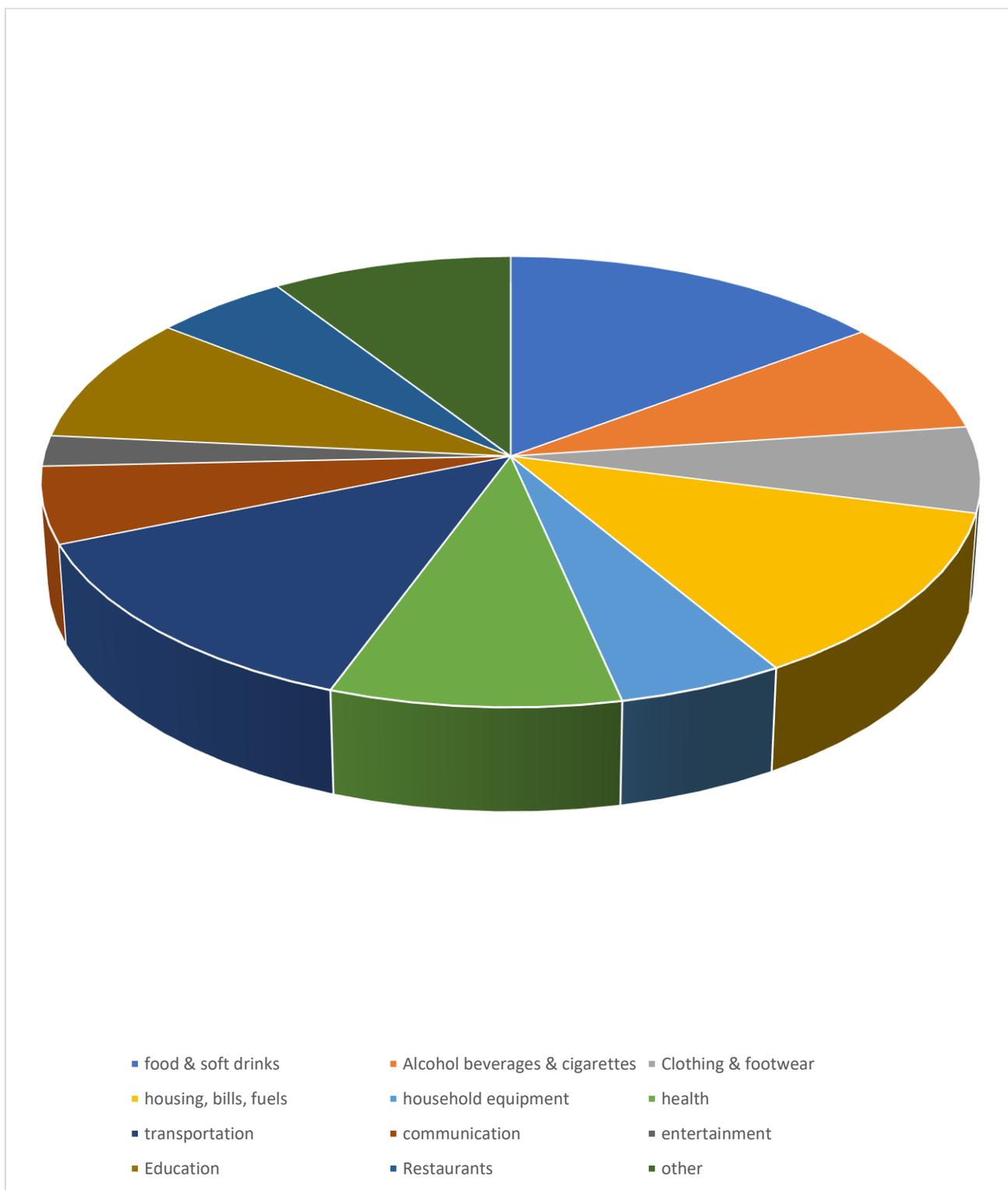
Chapter 3 Forecast analysis of e-commerce, which showed the attractiveness of the e-commerce market of South Korea to both local and foreign investors, the forecast of e-commerce in South Korea and the techniques to improve e-commerce market in South Korea. This chapter worked on the basis provided by chapter 2, making very clear that investment would be a big benefit to the country at the same time also showing that there are aspects that need to change during and after getting investment. The forecast showed a bright future for the e-commerce market, if changes are incorporated into what is already existing there is an opportunity to tap into even better spaces.

APPENDIX A

Average annual household expenditure in South
Korea (2019)

APPENDIX B

Average monthly consumption (2019)



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