

E-COMMERCE IN SOUTH KOREA: A CANADIAN PERSPECTIVE

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EXECUTIVE SUMMARY

This report focuses on e-commerce opportunities for Canadian firms in South Korea, one of the world's most connected markets. Korea is not for the faint-hearted: consumers are very sophisticated and markets are very competitive. Nevertheless, for Canadian firms with excellent offerings and a willingness to provide excellent service, coupled with patience and an ability to build good relationships at all levels, Korea offers significant opportunities.

The report proceeds as follows: First, it provides a broad overview of the nation of South Korea with particular focus on e-commerce and online connectivity in that country. Second, it describes the methodology employed in conducting this study. Then it goes into more detail on the context of e-commerce in Korea, with particular emphasis on the Korean e-commerce customer. Following that, a simple six-step e-commerce purchasing and consumption process is outlined, and each is examined with particular reference to Korea.

Next, a section is devoted to issues surrounding products and brands in Korea, with specific reference to product categories, luxury offerings, and issues of variety and uniqueness. Online behaviour in Korea is then discussed, with specific attention given to search engines in Korea, the evolution of mobile use, social media, and social media influencers. There are a number of important days that are celebrated in Korea, all of which entail special meals and gift-giving, and these are described and summarized.

The main stakeholders in e-commerce in Korea are addressed next, and here the focus is on the main e-commerce platforms, how they operate, and what distinguishes them from each other. Business-to-business e-commerce is also considered. Then the technology and infrastructure landscape is described, with attention also given to intellectual property, consumer protection, personal information privacy, logistics, import authorization, and taxes and duties.

An important aspect of the report is a discussion of the marketing considerations facing Canadian firms contemplating e-commerce ventures in South Korea. The well-known 4 Cs, 4 Ps framework provides some guidelines and caveats to Canadian firms with regard to their e-commerce marketing strategies. There are also details of Canadian government assistance to Canadian firms thinking about e-commerce ventures in South Korea.

Two case studies of e-commerce ventures in South Korea are also presented, namely Yogiyo and Pinkfong. These ventures are described and learning points drawn from them for decision-makers contemplating entry into the Korean market or searching for other business opportunities in that country.

Finally, the results of a study that compares a large sample of Canadian consumers and their Korean counterparts are presented. Particular focus is on the use of electronic devices and online behaviours, including shopping habits, social media usage, and attitudes toward online privacy.

INTRODUCTION

South Korea is one of the world's most connected countries, where the overwhelming majority of households have access to the internet. The country is also very urbanized and well-developed, and is highly ranked in the World Bank Logistics ranking, above other leading Asian e-commerce markets such as China, India, and Taiwan.

E-commerce is of great importance in this market. In 2017, the country had the highest level of e-commerce penetration in the Asia Pacific region (74%) and cross-border e-commerce reached US\$2.0B.¹ It is ranked as the third-largest e-commerce market globally, with 16% of all the country's retail sales taking place online in the same year.²

The expansion of e-commerce has been boosted by the high internet penetration in South Korea, which is one of the world leaders in IT infrastructure and high-speed technology. Most households have access to the internet and mobile phones. South Korea also boasts the world's highest average internet connection speed, at 24.6 Mbps.³

To successfully penetrate the South Korean market, there are several key issues that Canadian firms wishing to do business there should consider. Obviously, just as in entering any foreign market, firms need to analyze and understand the political and regulatory environment, socio-cultural norms, the economy, and the technological environment. In the case of South Korea, however, Canadian firms should be particularly alert to the following: South Korea's population, at 51.3 million, is 1.38 times that of Canada, at 37.3 million. Moreover, the population density of South Korea (503 people per km²) is more than 120 times that of Canada.⁴ Whereas Canada is a very sparsely populated country, with a population concentrated in a small number of large cities along the US border, South Korea is one of the world's most densely populated countries, with the population spread across the country in many large cities and towns. This presents considerable logistics advantages to South Korean firms operating locally; goods do not have to travel vast distances from sellers to buyers, and a greater number of smaller warehouse facilities can be operated in many cities and towns.

Second, the internet and mobile phone technology situation in South Korea is much further advanced than in Canada: networks are much faster, devices are far less expensive, and Koreans have more immediate access to the latest in device technologies because Samsung, one of the leading manufacturers, is based in South Korea. Using mobile data is expensive in both countries, each of which is in the top five most costly per gigabyte nations, along with Switzerland, the United States, and China.⁵ The provider market in each country is dominated by three large

¹ Retrieved from: <https://www.export.gov/article?id=Korea-eCommerce> Accessed on July 1, 2019.

² Retrieved from: Ecommerce Spend Per Capita – *Ecommerce Foundation: Global B2C Ecommerce Report*, www.ecommercefoundation.org/reports. Accessed on July 1, 2019.

³ Commonwealth of Australia and Austrade. 2017. *E-Commerce in Korea: A Guide for Australian Business*. Canberra, Australia.

⁴ Retrieved from: <http://worldpopulationreview.com> Accessed on July 1, 2019.

⁵ Retrieved from: <https://www.forbes.com/sites/niallmccarthy/2019/03/05/the-cost-of-mobile-internet-around-the-world-infographic/#5aed633d226e> Accessed on July 1, 2019.

companies. In Canada, the main players are Rogers, Bell, and Telus; in South Korea, the market is dominated by KT, LG UPlus, and SK Telecom. South Korea became the first country in Asia to launch 5G networks in March 2019.⁶ Predictions for when 5G will come to Canada are for late 2020.⁷

Canadian firms should focus on providing a convenient end-to-end online shopping process, because this is what Korean consumers are used to from local providers. For example, while most customers in Korea expect same-day delivery for the majority of their purchases, and at most three days, in March this year, e-commerce companies and retail giants rolled out a “dawn delivery” service, which allows orders to be placed as late as midnight, with deliveries guaranteed to arrive by 7 a.m. the next day. Daily necessities and perishable fresh food products are popular items for dawn delivery.⁸ Canadian firms can also expect to spend effort and money on advertising. Interestingly, while total advertising spending in Korea (at US\$12.55B) was higher than that for Canada (at US\$10.76B), advertising per capita numbers are roughly the same for the two countries. However, for Canadian firms this means that reaching significant consumer markets through advertising is challenging and expensive, since the average Korean consumer is already being exposed to US\$236 in advertising spending per year.⁹ Cutting through this clutter will require carefully targeted campaigns and astute media selection.

Korean consumers are very tech-savvy and have access to the best technologies – the nation ranked second to Iceland on the 2017 Information and Communication Technology (ICT) index, whereas Canada only ranked 29th.¹⁰ Korean consumers are familiar with how to shop online, and they expect high-end user interfaces, convenient payment methods, and fast delivery. Korean consumers (55%)¹¹ also spend far more time on average than their Canadian counterparts (12%)¹² on public transit. This has many implications – public transit users are more likely to engage with their mobile devices than other commuters; they will be more exposed to messages in stations and on platforms; and they will be more likely to shop in smaller quantities unless they order online because they will personally have to carry items home. Finally, an interesting difference between South Korea and North America in general is the large numbers of older consumers in Korea who are online and actively shopping. More than five million Koreans aged 60 and over are surfing the web, over half of the age group, mostly for instant messaging. Meanwhile, only 30% of their US peers aged 65 and over own a smartphone,¹³ and the numbers for Canada are 69% of 55- to 64-year-olds and 18% of those 75 years or older.¹⁴

⁶ Retrieved from: <https://asia.nikkei.com/Business/Companies/South-Korea-moves-up-5G-mobile-network-launch-to-March> Accessed on July 1, 2019.

⁷ Retrieved from: <https://www.lifewire.com/5g-canada-4582444> Accessed on July 1, 2019.

⁸ Retrieved from: <https://www.straitstimes.com/asia/east-asia/dawn-delivery-in-south-korea-takes-retail-industry-by-storm> Accessed on July 1, 2019.

⁹ Retrieved from: <https://www.statista.com/statistics/273736/advertising-expenditure-in-the-worlds-largest-ad-markets/> Accessed on July 1, 2019.

¹⁰ Retrieved from: <https://www.itu.int/net4/ITU-D/idi/2017/index.html> Accessed on July 1, 2019.

¹¹ Retrieved from: <https://www.worldatlas.com/articles/countries-with-the-highest-public-transit-use.html> Accessed on July 1, 2019.

¹² Retrieved from: https://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-012-x/99-012-x2011003_1-eng.cfm Accessed on July 1, 2019.

¹³ Retrieved from: <https://www.forbes.com/sites/elaineramirez/2017/01/31/nearly-100-of-households-in-south-korea-now-have-internet-access-thanks-to-seniors/#58bf3e2b5572> Accessed on July 1, 2019.

¹⁴ Retrieved from: <https://mobilesyrup.com/2017/11/14/76-percent-canadians-owned-smartphone-2016-statscan-survey/> Accessed on July 1, 2019.

SOUTH KOREA: THE COUNTRY, THE ECONOMY

The Republic of Korea, commonly referred to as South Korea (or often, simply, Korea) is a mountainous country and home to over 51 million people. The capital, Seoul, is the country's largest city, with a growing population of over 10 million. The country is a developed one and is governed as a constitutional democracy. It ranks high on the Human Development Index, which is calculated based on factors such as income, life expectancy, and education. South Korea is one of the world's most densely populated countries. The majority of the population tends to be in or close to the larger cities.

South Korea is a wealthy economy, with a total gross domestic product (GDP) of over US\$1.4T. It is a leader in industry and technology, and its economy continues to grow, with a GDP per capita currently at just above US\$27,000 and expected to reach over US\$31,000 by 2021. It is the 14th-richest country in the world, according to the World Bank's rankings.

The Korean economy was closed off to foreign firms until the mid-1990s, when regulatory changes opened up access to foreign firms. Today, the country's economy and markets are dominated by export-oriented companies. South Korea exported US\$4.72B of goods to Canada in 2017, leveraging the free trade agreement between the two countries that began in 2015. Over the last 10 years, South Korean exports globally have been on the rise and include items such as cars, electronic goods, and petroleum products.

South Korea is a highly digital environment and a global leader in technology; therefore, it is no surprise that e-commerce is becoming a part of everyday life. Great access to broadband, high connectivity speed, high mobile phone penetration rates, and the emergence of new online platforms and networks all support internet usage and online shopping behaviour.

METHODOLOGY

This report has been created with the practitioner in mind, to satisfy the objective of providing Canadian firms with an understanding of e-commerce in South Korea.

The research has been conducted based on a theoretical approach through a lens of providing practical and accessible insights. The methodology is based on multiple sources of data, including secondary data, significant literature reviews, data analysis, statistics, and case studies.

The researchers have synthesized literature on consumption behaviour, patterns, trends, and consumer tastes and preferences. Statistical analysis has been conducted using data professionally collected by a large market research organization as part of its annual research program. The sample includes 1,001 individuals from Canada and 500 individuals from South Korea. Both samples aimed to be as representative as possible.

Additionally, the researchers have identified two case studies to give insights about the challenges and opportunities that face firms desiring to operate, or already operating, in South Korea. These have been crafted using secondary data to provide the readers of the report with examples of what has happened in real cases in the recent past.

THE SOUTH KOREAN E-COMMERCE CONTEXT

Being one of the world's most connected countries, e-commerce is a key component of overall consumer behaviour in South Korea. The growth has been consistent over the years. In 2016, approximately 44% of Koreans participated in cross-border online shopping.¹⁵ In 2017, the country had the highest level of e-commerce penetration in the Asia Pacific region (74%), and cross-border e-commerce reached US\$2.0B.¹⁶ The majority of the cross-border purchases are made from the United States (48%), followed by China (15%) and Japan 13%).¹⁷ Domestic online purchases in Korea, including purchases on PCs and mobile phones, reached US\$69.2B in 2017, up from US\$55.9B in 2016. By December 2017, domestic electronic commerce made up more than one-quarter of Korea's total retail industry.¹⁸

Customers in South Korea spend a great proportion of their disposable income on online shopping. Over 30% of South Koreans spend more than half of their total monthly disposable income on internet purchases.¹⁹ By late 2017 there were an estimated 30.5 million e-commerce users in South Korea, with an additional 1.33 million users expected to be shopping online by 2021.²⁰ Four years from now, these almost 32 million e-commerce users are expected to spend an annual average of over US\$1,000 per person online.²¹

Customer Context

Well-Informed and Technologically Skilled Customers with High Expectations

South Korea takes education more seriously than most of the world's nations. The Organisation for Economic Co-operation and Development (OECD) ranked the country second only to Singapore in the 2014 national rankings of students' math and science scores, with average student scores exceeding 540.²² As a result, South Korea has one of the world's most-educated labour forces; 85% of adults aged 25-64 have completed upper secondary education, higher

¹⁵ Retrieved from: <http://www.agr.gc.ca/resources/prod/Internet-Internet/MISB-DGSIM/ATS-SEA/PDF/6831-eng.pdf> Accessed on July 1, 2019.

¹⁶ Retrieved from: <https://www.export.gov/article?id=Korea-eCommerce> Accessed on July 1, 2019.

¹⁷ Retrieved from: International Post Corporation (2019). Cross-Border E-Commerce Shopper Survey 2018, downloaded from: <https://www.ipc.be/services/markets-and-regulations/cross-border-shopper-survey> Accessed on July 1, 2019.

¹⁸ Retrieved from: <https://www.export.gov/article?id=Korea-eCommerce> Accessed on July 1, 2019.

¹⁹ Retrieved from: <https://www.forbes.com/sites/elaineramirez/2017/01/31/nearly-100-of-households-in-south-korea-now-have-internet-access-thanks-to-seniors/#58bf3e2b5572> Accessed on July 1, 2019.

²⁰ Retrieved from: <https://www.eshopworld.com/blog/south-korea-ecommerce-insights-2017/> Accessed on July 1, 2019.

²¹ Retrieved from: <https://www.eshopworld.com/blog/south-korea-ecommerce-insights-2017/> Accessed on July 1, 2019.

²² Retrieved from: <https://www.theatlantic.com/education/archive/2016/11/south-korean-seniors-have-been-preparing-for-today-since-kindergarten/508031/> Accessed on July 1, 2019.

than the OECD average of 76%.²³ In our studied sample, the South Korean sample was more educated compared to respondents in Canada (75.2% graduating university versus only 41.0%). Koreans have strong technological skills and are ranked with Canadians as among the world's most entrepreneurial citizens.²⁴ They are among the world's top credit card users and expect their online purchasing process to be efficient. There is a high interest in quality and luxury goods,²⁵ and environmental and health claims carry weight in the decision process. They use online resources for the full purchasing process, from exploration to post-purchase reviews.

South Koreans dedicate time to researching and purchasing the best products they can find. Price is important but it generally comes second to high quality. They dedicate time to discovering new products and sharing their interests with others.²⁶

Highly Connected Customers

By the end of 2017 South Korea had an internet penetration rate of 95.1%, one of the highest in the world. By comparison, Canada's internet penetration rate is estimated by the Canadian Internet Registration Authority (CIRA) to be around 90%.²⁷ All Korean age groups between 10 and 59 show internet usage of 99.9%, and even those between 60 and 69 show a usage of 88.8%. In 2018, Korean consumers in the 10-19 age group spent the most time online, at an average of 189 minutes a day, and this decreases slightly in a linear fashion over the age groups, although even those over 50 spent an average of 131 minutes per day on the internet. In similar fashion, 24.5% of Koreans spent 7-14 hours online per week, while 24.9% spent 14-21 hours, 25.8% spent 21-35 hours, and 8.7% spent 35 hours or more.²⁸

Health and Wellness Conscious

South Koreans have high concern for personal health. This is evidenced by a steady increase in the number of health-care service providers per capita (doctors and nurses) and number of hospital beds per capita, and a life expectancy at birth of 82.4 years in 2016,²⁹ almost identical to Canada's at 82.3 years.³⁰ The obesity rate in South Korea increased slightly over the 10 years from 2008 to 2017, when it stood at 34.1%; this is still almost half that of Canada, which was around 64% in 2017.³¹

South Korea and Canada face different, although equally serious environmental problems. South Korea is confronted with air pollution in large cities; acid rain; water pollution from the discharge

²³ Retrieved from: <https://web.archive.org/web/20160608105147/http://www.oecdbetterlifeindex.org/countries/korea> Accessed on July 1, 2019.

²⁴ Retrieved from: <https://www.usnews.com/news/best-countries/entrepreneurship-rankings> Accessed on July 1, 2019.

²⁵ Retrieved from: <https://cpp-luxury.com/south-koreas-growing-dominance-as-a-luxury-market/> Accessed on July 1, 2019.

²⁶ Retrieved from: <https://en.portal.santandertrade.com/analyse-markets/south-korea/reaching-the-consumers> Accessed on July 1, 2019.

²⁷ Retrieved from: <https://www.thepeterboroughexaminer.com/living-story/8201308-canadian-internet-usage-is-at-90-/> Accessed on July 1, 2019.

²⁸ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/984795/south-korea-time-used-for-mobile-internet-weekdays-by-age/> Accessed on July 1, 2019.

²⁹ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/study/61197/health-care-in-south-korea/> Accessed on July 1, 2019.

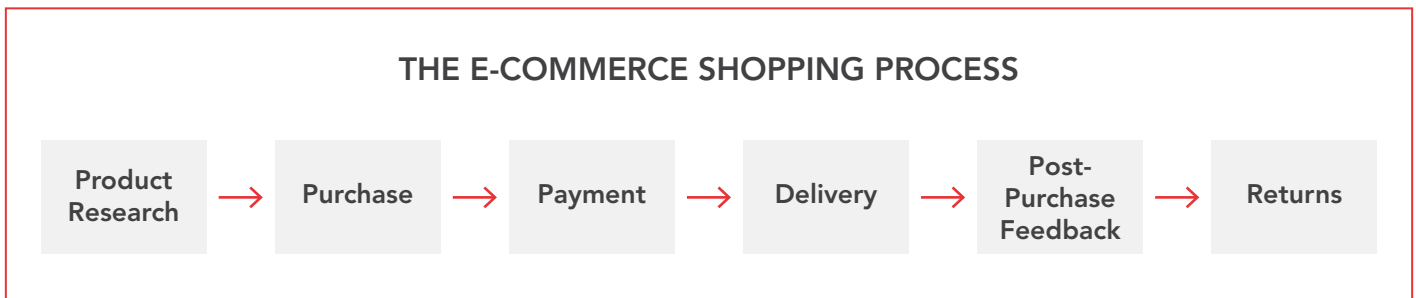
³⁰ Retrieved from: <https://yourhealthsystem.cihi.ca/hsp/inbrief?lang=en#!/indicators/011/life-expectancy-at-birth/mapC1:mapLevel2/> Accessed on July 1, 2019.

³¹ Retrieved from: <https://www.canada.ca/en/public-health/services/publications/healthy-living/obesity-excess-weight-rates-canadian-adults.html> Accessed on July 1, 2019.

of sewage and industrial effluents; and the consequences of drift net fishing. Canada is faced with air pollution and resulting acid rain severely affecting lakes and damaging forests; metal smelting, coal-burning utilities, and vehicle emissions impacting agricultural and forest productivity; and ocean waters becoming contaminated due to agricultural, industrial, mining, and forestry activities.³² While the green movement has been active and prominent in Canada for some time, the Green Party in Korea was only established in 2012, and although still very small, remains active.³³

The E-commerce Shopping Process

There are many models of the online purchasing process, mostly based on so-called “hierarchy of effects” models, the first of which were referred to by Berthon, Watson, and Pitt in 1995.³⁴ These all view the online purchasing process as a hierarchy of activities that a shopper goes through, from first becoming aware of their needs and searching for information, through purchase, payment, receiving their purchases, and then providing feedback, or perhaps returning their purchases. We present a simple example of one of these hierarchical models in the diagram below:



South Korean consumers use online resources for the full e-commerce shopping process, from exploration and product research to providing post-purchase reviews. They expect to be directed throughout the online buying process. These consumers favour a simple and easy-to-use service and process. Online retailing is showcasing a strong convergence with other platforms. For example, internet sites, social network services, and TV home purchasing services all provide online shopping functions. The popularity of these platforms is on the rise, driven by the desire for a one-stop option to research, purchase (including online payment), and provide product reviews. Around 3.92 million mobile transaction payments per day were made in Korea during 2018.³⁵ The average daily value of mobile payment transactions made in South Korea in 2018, by type of provider (in billion South Korean won) was 53.14 to offline establishments, 48.63 to online retailers/manufacturers, and 24.25 to online communication technologies. The main online payment platforms used were Samsung Pay, SSG Pay, Smile Pay, and L Pay.

³² Retrieved from: <https://www.nationmaster.com/country-info/stats/Environment/Current-issues> Accessed on July 1, 2019.

³³ Retrieved from: <http://www.kgreens.org/english/> Accessed on July 1, 2019.

³⁴ Berthon, Pierre, Leyland F. Pitt, and Richard T. Watson. 1996. “The World Wide Web as an advertising medium.” *Journal of Advertising Research* 36. 1: 43-54; see also Watson, Richard T., Pierre Berthon, Leyland F. Pitt, and George M. Zinkhan. 2014. “Electronic commerce: The strategic perspective.” Fort Worth, TX: The Dryden Press.

³⁵ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/1015526/south-korea-m-payment-transactions-daily-number/> Accessed on July 1, 2019.

Product Research

Online shoppers in South Korea tend to search and buy online, with 45% of consumers following this path. A smaller percentage will search in store but buy online (14%), and 11% will search online but buy in store.³⁶ Some media attention was given in Korea around 2010 to the reviews of so-called “Twinsumers,”³⁷ shopping behaviour that essentially means that one purchases products based on the reviews of others that people feel are similar to them in preferences and values (their online “twin”). More recently, this phenomenon has become less significant as consumers turn more to major online influencers, for example, the Kardashians in North America and Jungkook in Korea, who has more than 6.2 million followers on Instagram.

Purchase

When considering which online provider to use, research in 2014 indicated that South Korean consumers contemplate a variety of factors, including the availability of product details and photos (23%), consumer or peer reviews (21%), product selection (18%), and retailer’s reputation (10%), among other factors such as delivery speed, return policy, pick-up location options, and convenience, as well as the number of delivery options available.³⁸

In the same study,³⁹ South Korean online shoppers were least satisfied with their ability to live chat with retailers to ask questions, create an account, and store their information on the platform for future use, their ability to find or contact a customer service representative, and their ability to find an online retailer’s return policy.

South Korean customers cross-border shop online primarily in three ways:

1. Purchasing directly from an organization’s website (~38%);
2. Using deputy purchasing agents who purchase the products for consumers and then have them shipped to Korea (~33%); and
3. Using local e-commerce websites that assist foreign vendors (~29%).

Consumers will use deputy purchasing agencies when there are barriers to online cross-border shopping, such as language considerations or concerns with the transaction process. For a commission fee, the agency will handle any inquiries and issues that may arise. The typical commission fee for this service is 10% to 20% based on the price of the goods.⁴⁰ For products in high demand, these agencies can sometimes be seen as distributors in South Korea. Large deputy purchasing agents include Poombuy, Wizwid, Narrshop, and Njoy New York.

³⁶ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/study/29755/e-commerce-in-south-korea-statista-dossier/> Accessed on July 1, 2019.

³⁷ Retrieved from: http://www.koreatimes.co.kr/www/news/biz/2016/10/123_78894.html Accessed on July 1, 2019

³⁸ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/study/29755/e-commerce-in-south-korea-statista-dossier/> Accessed on July 1, 2019.

³⁹ Retrieved from: Statista 2014: <https://www.statista.com/statistics/441685/consumer-satisfaction-search-browsing-experience-online-korea/> Accessed on July 1, 2019.

⁴⁰ Commonwealth of Australia and Austrade. 2017. *E-Commerce in Korea: A Guide for Australian Business*. Canberra, Australia.

Payment

With regard to card use, it is important to distinguish between credit cards and debit cards as plastic cards consumers use for payment. As far back as 2011, South Korea became the most plastic-oriented country in the world, with consumers there using plastic – a credit or debit card – on average 129.7 times per year, compared to Canada at 89.6 times per year. Canadians have a higher penetration of *credit* cards than Koreans, with 83% of Canadian individuals owning at least one credit card in 2017 versus 64% of Koreans.⁴¹ In 2017, Korean households had the highest average number of cards, at 6.7 cards per household.⁴² According to the Korean Consumer Agency (KCA), “By 2016 only about 20% of all payments in Korea were being made with cash – among the lowest in the world – according to the Bank of Korea. The central bank of Korea is aiming for the country to go cashless by 2020, beginning with plans to phase out coins so as to reduce the cost of minting them. It has already cut back on issuing paper money.”⁴³ The KCA is a government organization, which was founded on the guiding principle of protecting consumer rights and interests, promoting rational consumption, and contributing to the development of the nation’s economy.⁴⁴

In South Korea, 34% of consumers use social media payment gateways such as Kakao Pay and Naver Pay when shopping online on their mobile device.⁴⁵ An additional 29% prefer using a bank payment app, such as Samsung Card and mpocket.⁴⁶

One of South Korea’s biggest e-commerce platforms, WeMakePrice, also known as Wemepu, is integrating cryptocurrencies such as Bitcoin, Ethereum, and Litecoin in collaboration with Bithumb, the nation’s biggest cryptocurrency exchange. The collaboration will allow WeMakePrice to accept cryptocurrencies as part of the existing payment platform, OneThePay. Users will not have to register with Bithumb in order to pay for goods and services as the application will be fully integrated into their current infrastructure. However, while cryptocurrencies are a hot topic, caution is recommended because recently the government has placed very strict regulations on the trading of cryptocurrencies by citizens and foreigners alike.

Delivery

When consumers make a purchase online, the products may be delivered via a delivery agency office. In South Korea, the number of specialized package-posting companies is increasing. Prior to 2009, South Koreans living abroad, international students, and small enterprises provided this service. Since then, Malltail has opened distribution centres in the United States and has begun providing this service, focusing at first on Korean customers. Malltail describes itself as the leading parcel-forwarding service in Asia, with over a million users. Its infrastructure enables it to reach customers over many thousands of miles and provides a parcel-forwarding service

⁴¹ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/675371/ownership-of-credit-cards-globally-by-country/> Accessed on July 1, 2019.

⁴² Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/650858/credit-cards-per-household-by-country/> Accessed on July 1, 2019.

⁴³ Retrieved from: <https://www.straitstimes.com/asia/card-not-cash-is-king-in-south-korea> Accessed on July 1, 2019.

⁴⁴ Retrieved from: <http://english.kca.go.kr/index.do> Accessed on July 1, 2019.

⁴⁵ Retrieved from: <https://www.statista.com/statistics/653865/south-korea-leading-types-of-mobile-payment-services/> Accessed on July 1, 2019.

⁴⁶ Retrieved from: <https://www.statista.com/statistics/653865/south-korea-leading-types-of-mobile-payment-services/> Accessed on July 1, 2019.

where packages are received from one party and delivered to the customer's door. In addition to this basic forwarding service, Malltail provides various services to overcome the shortcomings of international online shopping markets.⁴⁷

Nowadays Malltail provides services and solutions for consumers shopping in other countries as well, including the United States, Japan, China, and Germany. The company provides customers with a unique local address that they can use to complete shipping information on e-commerce sites outside of their home nation. Malltail will also inspect the merchandise purchased by its customers, and when necessary, repackage it appropriately for international air shipping, and then ensure that the customer's purchases are delivered to their door. In addition, it provides the service of completing customs declarations and handling import duties.⁴⁸

The other main delivery agencies that now offer international shipping services to South Korea include iporter, Ehanex, New York Girls, Postbay, and Ohmyzip. These organizations do business in the United States, the United Kingdom, Germany, China, and Japan and often strategically place their warehouses and distribution centres in cities with little or no government taxes.

In the Korean context it is important to differentiate between delivery agencies such as Malltail and deputy purchasing agencies. Malltail provides the service of giving the customer the convenience of having a local address in another country that a supplier can ship to, inspecting and repackaging the goods, and then shipping them to the customer's door with all customs formalities being handled. A deputy purchasing agency (DPA) is a true agent in the sense that it transacts on the customer's behalf. After instruction, the DPA then buys the product on the customer's behalf and delivers it to the customer's home in Korea. However, some DPAs (e.g. Poombuy and Narrshop) are also able to fulfil the functions of parcel-forwarding services.

With the growth of e-commerce, there has also been an increase in business services that support cross-border trade, such as international shipping assistance companies. For instance, Lotte Global Logistics developed an international shipping support company called iDeLiVer. These types of companies offer their customers a local shipping address or warehouse in the desired country where they can have their goods sent. The company will then deliver the order on their client's behalf. In some cases, these support companies also offer ordering services.

Despite high expectations for logistics and delivery, price still remains a factor. Consumers are willing to wait for a product to arrive if there is a significant cost saving.⁴⁹

Post-purchase – Reviews and Feedback

Koreans are very active on social media: as of January 2019, South Korea had the third-highest rate of active social media users in the world.⁵⁰ South Korean consumers produce a high volume of content in the form of reviews and feedback online, providing useful information concerning products specialized to individual consumers. Consumer reviews online are a strong factor in online

⁴⁷ Retrieved from: <https://www.malltailusa.com/malltail> Accessed on July 1, 2019.

⁴⁸ Retrieved from: <https://www.malltailusa.com/malltail> Accessed on July 1, 2019.

⁴⁹ For example: <https://en.portal.santandertrade.com/analyse-markets/south-korea/reaching-the-consumers>; <https://import-export.societegenerale.fr/en/country/south-korea/market-consumer> Accessed on: July 1, 2019.

⁵⁰ Retrieved from: <https://www.statista.com/statistics/282846/regular-social-networking-usage-penetration-worldwide-by-country/> Accessed on July 1, 2019.

marketing success and are highlighted as an important element in making purchasing decisions.

Returns

It is important to keep the customer relationship strong by providing high-quality after-sales service. Like in Canada, customers generally expect a simple and flexible return policy for unused goods. According to a recent study, 8% of online consumers in South Korea consider a retailer's return policy when comparison shopping. In addition, the same study found that 29% of online shoppers in South Korea are satisfied with the ability to find a retailer's return policy during the product search phase.⁵¹

Products and Brands

Product Categories

By the end of 2017, total South Korean e-commerce revenue across all product categories hit US\$21.38B, and is expected to grow to US\$32.6B by 2021.⁵² Popular products that are foreign sourced and bought from online retailers are cosmetics, food, health products and dietary supplements, apparel and footwear, and electronics. Fashion, specifically, is currently a leading product category in South Korea, accounting for US\$7B market share, followed by toys, hobbies, and do-it-yourself (decorating, repairing, or making things for the home oneself), which generate US\$4.9B in sales. Travel and reservation services through Korean e-commerce platforms are also popular. Domestic electronic commerce makes up to a quarter of South Korea's total retail industry sales.

Cosmopolitan and Luxury Inclined Consumers

Overall, South Korean consumption behaviour mirrors other developed economies' consumption behaviours.⁵³ Here brand names are important, and there is a decreasing focus on only buying products made in South Korea, especially when price is a factor and non-domestic products are offered at lower prices. South Korean consumers are mindful of their spending; however, high-end luxury spending is still common.⁵⁴ Indeed, management consulting firm McKinsey's identified Korea as a major market for luxury goods as far back as 2010: "Luxury is a \$4 billion industry, accounting for more than 15% of all fashion spending. It is also becoming part of the fabric of Korean life."⁵⁵ More recently it has been noted that South Korea's fashion market makes annual sales of US\$18B at current exchange rates and was expected to grow 3% in 2018 from 2017, partly

⁵¹ Retrieved from: Statista /study_id29755_e-commerce-in-south-korea-statista-dossier.pdf, p26. Accessed on July 10, 2019.

⁵² Retrieved from: <https://www.eshopworld.com/blog/south-korea-ecommerce-insights-2017/> Accessed on July 10, 2019.

⁵³ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/348197/south-korea-ecommerce-category-sales/> Accessed on July 10, 2019.

⁵⁴ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/974873/south-korea-fashion-products-direct-overseas-sales-by-country-and-region/> Accessed on July 10, 2019.

⁵⁵ Among the most important sources supporting this trend: Salsberg, Brian, and Martine Jae-Eun Shin. 2010. "South Korea: Living it up in luxury." McKinsey & Co. https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Marketing%20and%20Sales/Our%20Insights/South%20Korea%20Living%20it%20up%20in%20luxury/9-CSI_2010%20Korea%20Luxury%20Report.ashx Accessed on July 10, 2019; see also Park, Hye-Jung, Nancy J. Rabolt, and Kyung Sook Jeon. 2008. "Purchasing global luxury brands among young Korean consumers." *Journal of Fashion Marketing and Management: An International Journal* 12. 2: 244-259; <https://www-statista-com.proxy.lib.sfu.ca/statistics/974873/south-korea-fashion-products-direct-overseas-sales-by-country-and-region/>; and <https://www.export.gov/article?id=Korea-eCommerce> Accessed on July 10, 2019.

due to the popularity of mobile e-commerce, which accounted for US\$9.6B in sales.⁵⁶ Online purchases from foreign retailers are steadily increasing due to price-hunting. This is especially prevalent when less-expensive prices are found using foreign websites, even after accounting for international shipping fees and import duties.

Variety and Uniqueness

Appearance is important in South Korea. As in most developed societies, apparel and fashion items are increasingly used, especially by youth, to express their individuality in what has traditionally been a rather uniform society. One avenue to achieve this is by using foreign brands that are viewed as unique due to the limited volume available. Further, Korean beauty products are gaining ground on the international stage thanks not only to the increased international appreciation of Korean pop music, fashion, and culture, but great innovations in chemistry and bioscience. Korean beauty products are known to not only be fashionable but functional as well. While the Korean market would therefore present a tough challenge for Canadian manufacturers⁵⁷ to crack, there may yet be e-commerce opportunities for those Canadian firms desiring to import beauty care products from Korea.

Online Behaviour

There are many aspects of South Korean online behaviour that are similar to those in Canada. For example, 44% of all internet users in South Korea watch videos online on a daily basis,⁵⁸ slightly more than the 26% of Canadians who reported doing so in 2016.⁵⁹ In the early 2000s, domestic platforms such as Naver, Tistory, and Cyworld were most popular; however, online behaviour in the country is beginning to change. In recent years, social media platforms such as YouTube and Facebook have made significant ground in Korea; however, KakaoTalk, a local instant messaging application, is equally popular.

South Korea has a blend of Korean and international search engines available. Among the most popular are Naver.com, Daum.net, Tistory.com, and Google.

The five most popular website properties in Korea in 2018 are shown and described in the table below:⁶⁰

⁵⁶ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/973358/south-korea-fashion-industry-market-size/> Accessed on July 10, 2019.

⁵⁷ Retrieved from: <https://www.cbc.ca/life/style/the-up-and-coming-canadian-beauty-brands-that-are-going-to-be-huge-in-2019-1.4943272> Accessed on July 10, 2019.

⁵⁸ Retrieved from: Statista 2018 study_id23775_internet-usage-in-south-korea-statista-dossier.pdf, p. 22 Accessed on July 10, 2019.

⁵⁹ Retrieved from: <https://cira.ca/factbook/domain-industry-data-and-canadian-Internet-trends/internet-use-canada> Accessed on July 10, 2019.

⁶⁰ Retrieved from: Statista 2018 study_id23775_internet-usage-in-south-korea-statista-dossier.pdf, p. 23 Accessed on July 10, 2019.

WEBSITE	NUMBER OF UNIQUE VISITORS (MILLIONS) IN 2018	DESCRIPTION	ORIGIN
Naver.com	29.1	The first web portal in Korea to develop and use its own search engine, and also the first operator to introduce a comprehensive search feature that compiles search results from various categories and presents them in a single page. Now provides services such as email and news as well as the online Q&A platform Knowledge iN.	Founded in South Korea in 1999.
Daum.net	21.8	Web portal very similar to Naver offering web-based email, a message service, forums, shopping, and news and webtoon services. Purchased pioneer search engine Lycos for US\$95.4M in 2004 as a way of building search capacity; sold Lycos for US\$36M in 2010.	Founded in 1997. Owned by Kakao Corporation.
Tistory.com	17.0	A blog-publishing service that allows private or multi-user blogs. As of 2007, all services were acquired by Daum.	Started by Tatter and Company, a blogging platform developing company that developed the software Tattertools with Daum in 2006.
Youtube.com	13.51	US-based video-sharing website headquartered in San Bruno, California. Acquired by Google in 2006 for US\$1.6B. Now a Google subsidiary.	Started by three former PayPal employees in 2005.
Google.com	13.17	An American multinational technology company that specializes in internet-related services and products, which include online advertising technologies, cloud computing, software, and hardware, but still mainly thought of as the world's most popular search engine. Google had 1.9 billion active monthly users. ⁶¹	Founded in 1998 by Larry Page and Sergey Brin in Silicon Valley.

⁶¹ Retrieved from: <https://techjury.net/stats-about/google/> Accessed on July 10, 2019.

Mobile Evolution

The mobile evolution is entrenched in South Korea. Overall internet penetration in South Korea is over 92%, and mobile penetration is at almost 80%. In 2017, 40.18 million people used the internet on their mobile phones in South Korea, with an estimated 41.75 million in 2019, and that number expected to rise to 42.97 million by 2022. The penetration rate in 2017 was 78.13%, with an estimate of 80.48% in 2019. It is expected to reach 82% by 2022. In 2017, mobile e-commerce accounted for 52% of internet sales in South Korea.⁶²

Mobile e-commerce is the main driver of the explosive e-commerce growth. While online shopping grew by 19.2% in 2017, mobile e-commerce increased by 34.6%. Purchases from mobile platforms make up 61% of the total market value.⁶³

Social Media

South Korea has a high social media penetration rate. By 2018, 49.1% of males and 47.1% of females in South Korea used social media.⁶⁴ The highest number of social media users were in the 18-24 age group, where 82.1% of the group used social media, and the lowest were in the 64+ age group, where 6.9% were users.⁶⁵ There are differences by age group with regard to the trust in news appearing on social media: while 22% of Koreans older than 55 would trust news on social media, only 12% of those in the 25-34 age group would do so.⁶⁶

Social Media Platforms

With regard to social media, two indicators are important. The first is that of penetration, or what percentage of the population uses them. The second is that of usage frequency, or which social medium a person would use most frequently. The leading social media networks in South Korea in 2018 by level of penetration are:⁶⁷

1. YouTube (74%);
2. Facebook (62%);
3. KakaoTalk (58%);
4. Instagram (39%);
5. Google Plus (29%);
6. Twitter (38%);
7. Facebook Messenger (24%);

⁶² Retrieved from: Statista 2018 study_id23775_internet-usage-in-south-korea-statista-dossier.pdf Accessed on July 10, 2019.

⁶³ Retrieved from: Statista 2018 study_id29755_e-commerce-in-south-korea-statista-dossier.pdf Accessed on July 10, 2019.

⁶⁴ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/771534/south-korea-social-media-penetration-by-gender/> Accessed on July 10, 2019.

⁶⁵ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/763718/south-korea-social-media-penetration-by-age-group/> Accessed on July 10, 2019.

⁶⁶ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/982036/south-korea-news-social-media-trust-by-age/> Accessed on July 10, 2019.

⁶⁷ Retrieved from: Statista study_id23775_internet-usage-in-south-korea-statista-dossier.pdf. p. 31 Accessed on July 10, 2019.

8. LINE (15%);
9. Skype (10%);
10. Tumbler (10%);
11. Twitch TV (8%); and
12. WeChat (7%).

In 2018, Facebook was the most popular social media platform in South Korea, with around 28.9% of survey respondents in that year stating that they used it the most frequently out of all the other social media services. The other leading social media in South Korea by frequency of use in 2018 are shown below.⁶⁸

1. Facebook (28.9%);
2. Kakao Story (23.8%);
3. Instagram (17.4%);
4. Twitter (12.5%); and
5. Naver Band (12.5%).

Social Media Influencers

Fashion trends are important and influencers such as pop stars, celebrities, and actors have a strong impact on consumer preferences. As of January 2018, South Korea had approximately 43 million active social media users. In September 2017, South Korea had the highest rate of social media penetration among all Asia Pacific countries at 84%.⁶⁹ Given the ongoing growth of social media networks and users in the country, influencers are an important aspect of the e-commerce landscape. Similar to North America, in South Korea, influencer marketing is growing, with 15% of consumers buying products that they have seen on social media. In 2018, Lee Minho was the leading social media influencer on Facebook, with 17.5 million fans, followed by Hi-Mart (1.7 million), PSY (10.8 million), BIGBANG (10.7 million), and 2NE1 (9.0 million).⁷⁰ Instagram has also become a very relevant barometer of social trends in South Korea.⁷¹ The four Korean influencers currently with the most followers on Instagram are EXO_CY (17.9 million followers),⁷² Sehun (16.4 million followers),⁷³ BIGBANG (16.2 million followers),⁷⁴ and Beakhyunee (15 million followers).⁷⁵

⁶⁸ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/763748/south-korea-most-popular-social-media/> Accessed on July 10, 2019.

⁶⁹ Retrieved from: Statista study_id23775_internet-usage-in-south-korea-statista-dossier.pdf Accessed on July 10, 2019.

⁷⁰ <https://www.socialbakers.com/statistics/facebook/pages/total/south-korea/> Accessed on July 10, 2019.

⁷¹ Retrieved from: <https://www.soompi.com/article/1280711wpp/instagram-korea-reveals-2018s-popular-accounts> Accessed on July 10, 2019.

⁷² Retrieved from: https://www.instagram.com/real_pcy?hl=en Accessed on July 10, 2019.

⁷³ Retrieved from: <https://www.instagram.com/oohsehun?hl=en> Accessed on July 10, 2019.

⁷⁴ Retrieved from: <https://www.instagram.com/xxxibgdrgn?hl=en> Accessed on July 10, 2019.

⁷⁵ Retrieved from: https://www.instagram.com/baekhyunee_exo?hl=en Accessed on July 10, 2019.

As in North America, in South Korea brands are seen as part of the customer’s self-expression and an indication of social status. Social media influencers are key in this market as their preferences and endorsements can impact consumer decision-making and set future trends. As influencers often come from the entertainment industry, live streaming and fandoms are trends of particular interest.

Women in Korea shop online slightly more than do men, with 57% of women reporting having made an online purchase in 2015 versus 50% of men.⁷⁶ Those aged 20-29 (81.2%) and those aged 20-29 (78.2) were the most prolific online shoppers in Korea in the same year. The most cited reasons for shopping online by Koreans in 2018 were (in order of mention): convenience (55%), price (54%), easy payment (25%), and quick and convenient shipping (24%).⁷⁷

Shopping Events and Timing

There are a number of important days of celebration in South Korea that impact consumer shopping and consumption behaviour. Some of the more important ones are described briefly in the table below, and the implications for e-commerce explained. From an e-commerce perspective, this means getting the website geared up for seasonal purchasing, making sure that the most desired purchases are available and adequately promoted, and ensuring that logistics and deliveries are geared up to make on-time delivery of orders.^{78,79} It is also important to note that many stores and all post offices are closed during these times.

CELEBRATION DAY	WHEN CELEBRATED	BRIEF DESCRIPTION	E-COMMERCE IMPLICATIONS ⁸⁰
Seollal	1st day of Korean lunar calendar (usually January/February), three-day duration	This is a time for remembering ancestors, visiting family, enjoying great food, and having fun. ⁸¹	Seollal is one of the three biggest buying holidays in South Korea. ⁸² Many stores are closed during this time, and so much of the purchasing of gifts and food to be prepared occurs before the holiday. Nowadays many of these purchases occur online to avoid the rush and

⁷⁶ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/226786/share-of-internet-shoppers-in-south-korea-by-gender/> Accessed on July 10, 2019.

⁷⁷ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/952289/reasons-online-shopping-south-korea/> Accessed on July 10, 2019.

⁷⁸ Retrieved from: <https://www.janio.asia/post/lunar-new-year-holiday-series-how-to-prepare-for-e-commerce-sales> Accessed on July 10, 2019.

⁷⁹ Retrieved from: <https://www.janio.asia/post/lunar-new-year-holiday-series-how-to-prepare-for-e-commerce-sales> Accessed on July 10, 2019.

⁸⁰ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/226782/share-of-internet-shoppers-in-south-korea-by-age-group/> Accessed on July 10, 2019.

⁸¹ Retrieved from: <https://asiasociety.org/korea/seollal-korean-lunar-new-year> Accessed on July 10, 2019.

⁸² Retrieved from: <https://blog.payza.eu/e-commerce/country-spotlight/country-spotlight-south-korea-shows-strong-e-commerce-growth/> Accessed on July 10, 2019.

CELEBRATION DAY	WHEN CELEBRATED	BRIEF DESCRIPTION	E-COMMERCE IMPLICATIONS
Seollal			the heavy traffic of the holiday. Gifts for parents are part of the celebration and include ginseng, honey, health products, massage chairs, toiletry gift sets, and food treats. ⁸³
Chuseok (also known as Korean Thanksgiving Day in English)	15 days of the 8th month of the lunar calendar on the full moon. ⁸⁴ Lasts three days.	Chuseok was originally a harvest festival, but in modern Korea it is an occasion for families and friends to get together and enjoy good food and companionship. ⁸⁵	Since this is a time of gift-giving and also the purchase of celebratory foods, sales of these items increase by around 20% in the period leading up to the holiday. ⁸⁶ For example, in 2018 overall sales for the month of September increased 6.9% due to Chuseok shopping, ⁸⁷ with online purchases increasing even higher at 8.6%. Both brick-and-mortar and online stores tend to have special promotions prior to this holiday, but astute Korean shoppers also seek bargains online in other countries. ⁸⁸
Christmas	December 25	Estimates are that 29% of the South Korean population follow the Christian faith, and the majority of these are Catholics. ⁸⁹ These Koreans celebrate Christmas more as a religious occasion with less emphasis on gift-giving. ⁹⁰ However, as in many other countries, many Koreans who are not Christian also celebrate the holiday. South Korea is the only Southeast Asian country to recognize Christmas as a national holiday.	Christmas spirit, as in many Western nations, begins in Korea in early December, when stores decorate and people begin to plan get-togethers and gifts for others. More uniquely, and especially among secular Koreans, Christmas is celebrated as a time of romance (because Seollal and Chuseok are already time for families), and so the emphasis where gifts are given is on one's romantic partner. Travel and hotels are especially busy at this time, so online bookings of these services increase dramatically. ⁹¹

⁸³ Retrieved from: https://english.visitkorea.or.kr/enu/ATR/SI_EN_3_6.jsp?cid=941952 Accessed on July 10, 2019.

⁸⁴ Retrieved from: Passport to Korean Culture, Korean Culture and Information Service Ministry, <http://www.korea.net/AboutUs/Ministry-of-Culture-Sports-and-Tourism> Accessed on July 10, 2019.

⁸⁵ Retrieved from: <https://asiasociety.org/korea/chuseok-korean-thanksgiving-day> Accessed on July 10, 2019.

⁸⁶ Retrieved from: <https://www.easyship.com/blog/ecommerce-shipping-to-korea> Accessed on July 10, 2019.

⁸⁷ Retrieved from: http://www.xinhuanet.com/english/2018-10/30/c_137569237.htm Accessed on July 10, 2019.

⁸⁸ Retrieved from: <https://www.nowak-partner.com/files/20170713-e-commerce-market-in-korea.pdf> Accessed on July 10, 2019.

⁸⁹ Retrieved from: <https://www.pewresearch.org/fact-tank/2014/08/12/6-facts-about-christianity-in-south-korea/> Accessed on July 10, 2019.

⁹⁰ Retrieved from: <https://www.thespruceeats.com/christmas-in-korea-2118609> Accessed on July 10, 2019.

⁹¹ Retrieved from: <https://www.forbes.com/sites/rachelpremack/2017/12/20/welcome-to-the-paradoxical-world-of-korean-christmas/#e3003267ca8b> Accessed on July 10, 2019.

CELEBRATION DAY	WHEN CELEBRATED	BRIEF DESCRIPTION	E-COMMERCE IMPLICATIONS
Family Month ⁹²	May	<p>Consists of three days:</p> <p>Children's Day (May 5) (a national holiday), when children are given gifts and treats by their parents and taken on excursions.</p> <p>Parents' Day (May 8), a day to show gratitude to parents and share a meal with them.</p> <p>Teachers' Day (May 15), a day to honour teachers by current and former students.</p>	<p>Family Month is the third-largest holiday period in Korea. Some online retailers view the entire month of May as an opportunity to increase sales. For example, Gmarket, one of the largest online retailers in Korea, holds a Family Month sale every year. A variety of products are included in the promotion, such as carnation garlands, children's toys, books, health products, electronic appliances, computers, and even massage chairs.⁹³</p> <p>According to the National Statistics Bureau of Korea, the Korean travelling population in May is the third highest, just behind Seollal and Chuseok. This means an especially busy time for online vendors of accommodation, travel, and excursions.</p>
Other significant shopping occasions:			
Valentine's Day	February 14	<p>In Korea, this is different than in the West. It is mainly women that give men gifts, often in the form of expensive delicacies like fine chocolates. Nowadays women also give gifts to other friends and colleagues, but will make a distinction between "courtesy chocolates" and the "chocolates of pure love."⁹⁴ While she will have to wait a month to receive an appropriate response to her gift to a romantic partner, it is worth it for a woman to spend appropriately (see White Day below).</p>	

⁹² Retrieved from: <https://locaria.com/business-targeting-in-korea-may-the-family-month/> Accessed on July 10, 2019.

⁹³ Retrieved from: <https://locaria.com/business-targeting-in-korea-may-the-family-month/> Accessed on July 10, 2019.

⁹⁴ Retrieved from: <https://bigthink.com/philip-perry/singles-in-south-korea-celebrate-their-own-kind-of-valentines-day-and-its-inspiring> Accessed on July 10, 2019.

CELEBRATION DAY	WHEN CELEBRATED	BRIEF DESCRIPTION	E-COMMERCE IMPLICATIONS
White Day	March 14	The man reciprocates his Valentine's gift and is expected to observe the Rule of Three: a gift three times the value of what he received in February. He can give candy, but also flowers, stuffed animals, lingerie, and even jewelry. How he responds signifies what he thinks about the relationship. If he doesn't reciprocate, this signifies that he doesn't acknowledge the relationship. If he merely gives a gift of equal value, this can signify that the relationship is over. ⁹⁵	White Day is called that for a reason: the imperative to interweave the colour white into gifts as much as possible, for example, by giving white chocolate or wrapping gifts in elegant white packaging. The more the colour white is used, the better. ⁹⁶
Pepero Day	November 11	An unofficial day in South Korea that's celebrated by exchanging boxes of Peperos, chocolate-covered cookie sticks that look like the number 1 – hence November 11 (11/11). Friends and couples give each other Peperos, one of the most famous Korean snacks, which are available at any supermarket and also online in South Korea. ⁹⁷	
Black Friday	Always the day after US Thanksgiving (November 29 in 2019)	Unofficially viewed as the beginning of the Christmas shopping season, the notion of shopping for real bargains on this day originated in the	Since consumers are prepared to spend on Black Friday if they can find real bargains, websites are advised to identify unique offerings and to make sure that these are offered at great prices. In recent years in South

⁹⁵ Retrieved from: <https://bigthink.com/philip-perry/singles-in-south-korea-celebrate-their-own-kind-of-valentines-day-and-its-inspiring> Accessed on July 10, 2019.

⁹⁶ Retrieved from: <https://bigthink.com/philip-perry/singles-in-south-korea-celebrate-their-own-kind-of-valentines-day-and-its-inspiring> Accessed on July 10, 2019.

⁹⁷ Retrieved from: <https://www.koreanclass101.com/blog/2018/11/10/pepero-day-in-korea/> Accessed on July 10, 2019.

CELEBRATION DAY	WHEN CELEBRATED	BRIEF DESCRIPTION	E-COMMERCE IMPLICATIONS
Black Friday		United States but is now observed in many other countries, including South Korea.	Korea there has been dissatisfaction with Black Friday online shopping. Major online operators, as <i>The Korea Herald</i> noted in 2018, have been accused of offering deals as “click-bait,” experiencing server crashes, offering only very limited quantities of goods at the special prices, and not delivering on time when sales are made. ⁹⁸

Main Stakeholders

E-commerce Platforms

There is a suite of South Korean retailers with different e-commerce models catering to tech-savvy yet time-crunched consumers. There are many marketplaces and online shopping malls that allow third-party vendors to sell to consumers on their sites. Most major e-commerce companies provide both apps and websites and use different avenues to gain and keep customers. For example, Coupang offers a delivery service called “Rocket Delivery” providing same-day delivery.

In 2018, the most popular online shopping options in terms of the number of unique visitors were:

PLATFORM	NUMBER OF VISITORS	NOTES
11st.co.kr	9.7 million	E-commerce platform offering a points system that customers can use for discounts on products.
Gmarket.co.kr	9.5 million	E-commerce used to buy and sell goods and services.
Auction.co.kr	8.7 million	Price comparison site and online auction company.
Interpark.com	6.7 million	Online auction and shopping mall, as well as South Korean music distributor.

⁹⁸ Retrieved from: <http://www.koreaherald.com/view.php?ud=20181118000144> Accessed on July 10, 2019.

PLATFORM	NUMBER OF VISITORS	NOTES
Wemakeprice.com	6.0 million	Online sales and advertising platform specializing in daily deals, with a wide selection of products.
Coupang.com	5.0 million	One of the fastest-growing e-commerce companies in the world, with a proprietary same-day delivery system.
Ticketmonster.co.kr	4.5 million	E-commerce site offering a wide range of products and services, including travel packages.
ssg.com	4.3 million	Online shopping mall provided by the Shinsegae Department Store.
gsshop.com	3.2 million	Online shopping platform provided by one of South Korea's leading TV shopping companies.
danawa.com	2.9 million	Originally a technology and electronics shopping mall, which now provides a broad range of offerings.

11st.co.kr is an online auction place, as well as an e-commerce mall. This e-commerce platform offers a points system that customers can use for discounts on products. It is owned by a very large South Korean telecommunications provider called SK Telecom. It is free to register as a seller on this platform. One can choose to register as an individual seller, business seller, or global seller. During registration, documents are requested, and once these have been approved products can be linked to the account. This platform also provides business training for sellers. Promotions and downloadable coupons are common here. This was the sixth most popular online property in Korea in 2018 with 9.7 million unique visitors,⁹⁹ 8.34 million of whom were actually shoppers,¹⁰⁰ reaching 28.9% of the Korean population.¹⁰¹ Its revenues for 2017 were US\$440M.¹⁰²

Gmarket.co.kr was originally founded as part of an online auction company, and this platform is used to buy and sell goods and services. It was acquired by eBay in 2009 and caters to small and

⁹⁹ Retrieved from: <https://www.statista.com/statistics/388348/korea-visit-web-properties/> Accessed on July 10, 2019.

¹⁰⁰ Retrieved from: <https://www.statista.com/statistics/388368/korea-visit-web-shopping-properties/> Accessed on July 10, 2019.

¹⁰¹ Retrieved from: <https://www.statista.com/statistics/989383/south-korea-reach-rate-e-commerce-websites-pc/> Accessed on July 10, 2019.

¹⁰² Retrieved from: <https://www.statista.com/statistics/297917/leading-e-retailers-in-south-korea-ranked-by-annual-web-e-commerce-sales/> Accessed on July 10, 2019.

medium-sized business sellers. Sellers pay a fee, which is calculated based on item price. This was the seventh most popular online property in Korea in 2018, with 9.46 million unique visitors,¹⁰³ 8.95 million of whom were actually shoppers,¹⁰⁴ reaching 30.1% of the Korean population.¹⁰⁵ Its revenues for 2017 were US\$563.48M.¹⁰⁶

Coupang.com was founded in 2013 by Bom Kim. Much like Amazon.com, Coupang.com showcases a wide range of offerings from various merchants. These include clothing, electronics, food items, household goods, and many others. The platform also has a range of delivery options, including “Rocket Delivery,” which provides deliveries within 24 hours of purchase, and “Rocket Fresh,” which provides deliveries of fresh or perishable items by 7 a.m. as long as they are ordered by midnight the day before. To achieve these fast deliveries, it employs thousands of delivery personnel – each one known as a “Coupang man.” Coupang also offers a payment service known as “RocketPay,” which is a proprietary one-touch payment system. Coupang did not feature in the top 10 most popular online properties, although it listed as the sixth most popular shopping site with 6.4 million visitors who were actually shoppers,¹⁰⁷ reaching 20.3% of the Korean population.¹⁰⁸ Its revenues for 2017 were the highest for any Korean e-commerce website at US\$2,313.29M.¹⁰⁹

The table below organizes the platforms by the type and main activity. In addition to the domestic sites, foreign sites such as Amazon.com and eBay are also often used.

General Marketplaces	Apparel Marketplaces	Department Stores and Retails	Online Auctions	Blogging Services
11st.co.kr	KakuuBasic	ssg.com	Auction.co.kr	Naver
Gmarket.co.kr	Kooding	gsshop.com	Interpark.com	Nate
WeMakePrice	YesStyle	Lottemall		Kakao
Coupang.com	MOCOBLING	Hyundai Home Shopping (TV)		

¹⁰³ Retrieved from: <https://www.statista.com/statistics/388348/korea-visit-web-properties/> Accessed on July 10, 2019.

¹⁰⁴ Retrieved from: <https://www.statista.com/statistics/388368/korea-visit-web-shopping-properties/> Accessed on July 10, 2019.

¹⁰⁵ Retrieved from: <https://www.statista.com/statistics/989383/south-korea-reach-rate-e-commerce-websites-pc/> Accessed on July 10, 2019.

¹⁰⁶ Retrieved from: <https://www.statista.com/statistics/297917/leading-e-retailers-in-south-korea-ranked-by-annual-web-e-commerce-sales/> Accessed on July 10, 2019.

¹⁰⁷ Retrieved from: <https://www.statista.com/statistics/388368/korea-visit-web-shopping-properties/> Accessed on July 10, 2019.

¹⁰⁸ Retrieved from: <https://www.statista.com/statistics/989383/south-korea-reach-rate-e-commerce-websites-pc/> Accessed on July 10, 2019.

¹⁰⁹ Retrieved from: <https://www.statista.com/statistics/297917/leading-e-retailers-in-south-korea-ranked-by-annual-web-e-commerce-sales/> Accessed on July 10, 2019.

The business-to-business (B2B) e-commerce market is very competitive, and it has been difficult for foreign companies to break into the market. While the US government's International Trade Administration's website [export.gov](http://www.export.gov)¹¹⁰ noted that B2B e-commerce market data on South Korea was not available in June 2018 (and further extensive searches confirmed this), it did report as follows: "... however, due to the explosive expansion of business to consumer (B2C) e-commerce and tough competition among e-commerce players, e-commerce companies have been looking to expand into B2B e-commerce on consumable sales to small and medium size companies."

Gmarket was the first to launch a B2B shopping site, called BizON, in 2012. It is relatively simple for a Canadian firm, or any firm for that matter, to register as a vendor on Gmarket Biz. The only documents needed are a certification of business registration, a bank statement, a copy of the passport of the representative shown on the business registration, a copy of the seller's registration form on Gmarket, and a copy of the seller's confirmation letter on Gmarket. The last two documents can be downloaded directly from the platform's very helpful website, which offers other advice and a Q&A service.¹¹¹

Auction.co.kr also has B2B sites, called Biz club for food ingredients and Biz plus for other consumables. (For an insightful video on how to register and operate on these, see <https://www.youtube.com/watch?v=sjX2AzR-z7o>.) Interpark has I Market Korea, which integrates B2B and B2C services. WeMakePrice started WeMakePrice Bizmall in 2016. With 5.4 million business owners and 3.5 million small and medium-sized companies, the B2B e-commerce market in South Korea is regarded as being very competitive.¹¹²

Technology and Infrastructure Landscape

Infrastructure

South Korea has one of the highest levels of internet penetration in the world, at 95.1%.¹¹³ Internet usage in the country has been growing steadily since 2000, when the internet penetration rate was approximately 45%. The country reached the highest internet connection speed in the world by 2017 and maintains that position to this day. In the same year, there were over 26 million unique IPv4 addresses in South Korea, compared with 142.7 million in the United States and 46.2 million in Japan. Korea also had over 21.2 million broadband subscriptions, compared with 39.2 million in Japan and 110 million in the United States.

According to Forbes,¹¹⁴ South Korea is home of the world's best internet as their internet infrastructure allows for competition that drives down prices and increases service. Thanks to market friendly initiatives by the government, private sector innovation, and high population density, South Koreans have access to multiple internet service providers. Wi-Fi is available in public spaces such as the subway, and access in rural areas is relatively high speed as well, as

¹¹⁰ Retrieved from: <https://www.export.gov/article?id=Korea-eCommerce> Accessed on July 1, 2019.

¹¹¹ Retrieved from: <http://www.koreasia.biz/how-to-become-a-foreign-seller-at-gmarket-in-korea/> Accessed on July 10, 2019.

¹¹² Retrieved from: <https://www.export.gov/article?id=Korea-eCommerce> Accessed on July 10, 2019.

¹¹³ Retrieved from: <https://www.statista.com/topics/2230/internet-usage-in-south-korea/> Accessed on July 10, 2019.

¹¹⁴ Retrieved from: <https://www.forbes.com/sites/kevinmurnane/2018/12/11/heres-how-internet-speeds-fared-for-the-worlds-fastest-and-largest-countries-in-2018/#40687fd54976> Accessed on July 10, 2019.

regulations supported the required infrastructure in these areas. Furthermore, by the first quarter of 2018, it was estimated that 60% of online transactions were made via mobile phones.

In terms of net neutrality, South Korea has strong policies that help to ensure smaller websites receive the same privileges as larger players. South Korea is actively positioning itself as a startup-friendly economy and was rated 19th in the world in this regard in 2019.¹¹⁵ While the South Korean government heralded a “creative economy drive” in 2012 to foster a startup scene nearly from scratch, the situation is still not perfect, and the country is often overlooked in favour of other markets, such as Singapore and Hong Kong. Language and cultural barriers are mentioned as a reason for this.¹¹⁶

Intellectual Property

It is illegal to sell counterfeited products on e-commerce sites and to bring any counterfeit goods into Korea via cross-border e-commerce. While Korea has strict legislation in place, it has been observed that when it comes to actual enforcement of these rights, especially in the area of counterfeits, the country still needs to move further ahead, just like most other countries around the globe.¹¹⁷

Korea has a number of acts governing intellectual property rights. The main pieces of legislation include the *Copyright Act*, *Computer Program Protection Act*, *Patent Act*, *Design Act*, *Utility Models Act*, *Trademark Act*, and *Unfair Competition Prevention and Trade Secret Protection Act*.

Companies can register intellectual property (IP) for trademarks, patents, and designs online through the Korean Intellectual Property Office (www.kipo.go.kr). Foreign organizations that do not have an office in Korea must lodge patent, design, and trademark registrations through a Korean IP attorney.

According to the Global Innovation Policy Center (GIPC)’s International IP Index of 2019, South Korea is third in Asia, after Japan and Singapore, and 13th in the world with regard to its intellectual property environment. The GIPC Index consists of five key sets of indicators to map the national intellectual property environment. In 2019 the United States was ranked first with 42.66 points, and South Korea scored 36.06. Canada was ranked 19th with a score of 29.88 points. The key points considered are: (1) patents, related rights, and limitations; (2) copyrights, related rights, and limitations; (3) trademarks, related rights, and limitations; (4) enforcement; and (5) membership and ratification of international treaties.¹¹⁸ Two Korean companies were rated in the top 10 most innovative companies in the world by number of patents granted in the United States in 2018: Samsung was second and LG Electronics was fifth.¹¹⁹ Samsung was ranked fifth of the world’s companies with the highest spending on research and development in 2018.¹²⁰

¹¹⁵ Retrieved from: <https://ceoworld.biz/2019/01/02/most-startup-friendly-countries-in-the-world-2019/> Accessed on July 10, 2019.

¹¹⁶ Retrieved from: <https://www.forbes.com/sites/elaineramirez/2017/05/25/why-entrepreneurs-come-to-south-korea-and-why-they-dont/#3a0a9667dbf5> Accessed on July 10, 2019.

¹¹⁷ Retrieved from: <http://www.koreaherald.com/view.php?ud=20180318000161> Accessed on July 10, 2019.

¹¹⁸ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/257583/gipc-international-intellectual-property-index/> Accessed on July 10, 2019.

¹¹⁹ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/227230/worlds-most-innovative-companies/> Accessed on July 10, 2019.

¹²⁰ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/265645/ranking-of-the-20-companies-with-the-highest-spending-on-research-and-development/> Accessed on July 10, 2019.

Korea's national patent office was ranked fourth in the world (after China, the United States, and Japan) for issuing the most patents.¹²¹

Consumer Protection

The Korea Consumer Agency is a government organization that was developed in 1987 in accordance with the Consumer Protection Act to implement consumer protection policies. The Framework Act on Electronic Message and Electronic Commerce (1999) and the Electronic Signature Act (1999) were developed in response to the growing e-commerce sector. In 2002, the E-Commerce Consumer Protection Act was implemented to protect buyers by outlining the fair trade of goods or services via online transactions. The E-Commerce Mediation Committee was developed to resolve disputes between consumers and providers of this platform, as well as between providers and their partners, such as payment services and telecommunication companies. For Canadian firms wishing to conduct e-commerce in Korea, this means complying with legislation that protects Korean consumer rights and understanding that consumers have a right of recourse in cases where defective or faulty goods are delivered, when marketing communication is false or misleading, or when transactions are disputed.

Personal Information

South Korea's comprehensive Personal Information Protection Act was enacted September 30, 2011, and is among the world's strictest privacy legislation. It protects privacy rights and applies to most organizations, even government departments. The legislation also includes criminal and regulatory fines and even imprisonment, and it is strictly enforced.¹²² In June 2018, South Korea became the fifth member to bind to the APEC Cross-Border Privacy Rules, along with the United States, Japan, Canada, and Mexico. These rules establish effective privacy protections while avoiding barriers to information flows and ensuring continued trade and economic growth.¹²³ For Canadian firms wishing to conduct e-commerce in South Korea, this means that privacy and data protection need to be taken seriously not simply because it is good business, but also because the consequences of any breaches can be costly and severe.

Logistics

South Korea has signed free trade agreements with a broad range of countries, supplying South Korean consumers with options, as well as supporting the export of Korean goods to other markets, particularly China. South Korea has free trade agreements with ASEAN, Australia, Canada, Chile, China, Colombia, India, New Zealand, Peru, Singapore, the European Union, the European Free Trade Association (Norway, Switzerland, Iceland, and Liechtenstein), the United States, Turkey, and Vietnam.¹²⁴ South Korea ranked 25th in the 2016 World Bank Logistics ranking, down from 24th in 2016,¹²⁵ and South Koreans have very high expectations for speedy

¹²¹ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/257114/ranking-of-the-20-countries-with-the-most-patent-applications/> Accessed on July 10, 2019.

¹²² Retrieved from: <https://iapp.org/news/a/gdpr-matchup-south-koreas-personal-information-protection-act/> Accessed on July 10, 2019.

¹²³ Retrieved from: <https://iapp.org/news/a/gdpr-matchup-the-apec-privacy-framework-and-cross-border-privacy-rules/> Accessed on July 10, 2019.

¹²⁴ Retrieved from: <https://www.export.gov/article?id=Korea-Trade-Agreements> Accessed on July 10, 2019.

¹²⁵ Retrieved from: <https://lpi.worldbank.org/international/global/2018> Accessed on July 10, 2019.

and trackable delivery. Same-day deliveries are commonly offered by domestic South Korean e-retailers such as Coupang, which announced in early January that it would offer dawn delivery, so that orders placed before midnight could be delivered by 7 a.m. the following day.¹²⁶

The country has an extensive network of first-class railways, highways, and domestic air routes. International airports and ports are the point of entry for most imported products. The major cities (Seoul, Busan, Incheon, Daegu, and Gwangyang) have modern distribution centres. This is a broad market, where both distribution methods and the use of intermediaries vary widely by product. Due to high demand, warehouses and distribution centres can be a scarce resource, and although investment in such facilities has increased, this remains a consideration.

Import Authorization, Taxes, and Duties

The Canada-Korea Free Trade Agreement (CKFTA) and Korean customs legislation are summarized in the following infographic.

CKFTA: Canada-South Korea Free Trade Agreement. Signed March 11, 2014 by Prime Minister Stephen Harper and President Park Geun-hy. Enforced January 1, 2015. South Korea eliminates 98.2% of tariffs; Canada eliminates 97.8% on mutual imports.

Two Main South Korean Customs Authorities:

Korean Customs Service (KCS) enforces legislation.
Ministry of Strategy and Finance (MOSF) develops policy.

KCS determines duty-free regulations:

Items less than US\$150 (US\$200 for US products) duty free for personal use.
Items more than US\$150, duties and taxes on top of 10% VAT.

Two Main Types of Custom Clearance

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graph TD; A[Two Main Types of Custom Clearance] --> B[Manifest Clearance (rapid entry)]; A --> C[Standard Customs Clearance];
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Manifest Clearance (rapid entry)

Basic customs check on approved goods with detailed invoice.
Takes 1–2 days.

Standard Customs Clearance

On restricted goods.
Takes 2–9 days.

¹²⁶ Retrieved from: <https://www.straitstimes.com/asia/east-asia/dawn-delivery-in-south-korea-takes-retail-industry-by-storm>
Accessed on July 10, 2019.

Obviously CKFTA provides numerous opportunities for trade between the two countries. Despite resistance from firms on both sides (for example, the auto industry in Canada and agriculture in South Korea), from a Canadian e-commerce perspective the agreement makes it simpler to either directly set up an online presence in South Korea or to distribute through a Korean online platform. Moreover, the reduction in tariffs on the majority of products afforded by CKFTA enables Canadian firms to compete on a more or less level footing in South Korea. Data for 2017 indicate that CKFTA has had a positive effect for Canadian exporters overall, with an approximate 25% increase in trade for 2017 over 2016.¹²⁷ This also had a very positive benefit on the balance of trade with Korea for Canada, turning it in Canada's favour.¹²⁸ Apart from mining and agricultural commodities, among the diverse range of Canadian exports for which Korea is a major trade partner are pet food,¹²⁹ services,¹³⁰ and vodka.¹³¹ Product categories in which Korea is a major market for Canadian exports and that lend themselves ideally to e-commerce are apparel (Canadian exports to Korea were C\$25M in 2018),¹³² exercise equipment (US\$12.272M in 2018),¹³³ wine (C\$2.39M in 2016), and ice wine (2,097,000 litres in 2017).¹³⁴

For information about the Canada-Korea Free Trade Agreement (CKFTA), visit: <http://international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/korea-coree/overview-apercu.aspx?lang=eng> (last accessed on July 10, 2019).

Product Import Logistics

As of 2015, people who purchase products online have been encouraged to get an e-clearance registration number called a Personal Customs Clearance Code, also known as an Individual Customs Number. These numbers are issued by the Korea Customs Service to expedite the clearance process. A resident registration number can also be used to receive products from cross-border e-commerce. In 2016, 3.4 million Koreans had an Individual Customs Number. Women accounted for 56% of the total number issued. Individuals in their thirties represented approximately 45%.

¹²⁷ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/657600/south-korea-imported-goods-value-from-canada-since-free-trade-agreement/> Accessed on July 10, 2019.

¹²⁸ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/657609/south-korea-trade-balance-with-canada-since-free-trade-agreement/> Accessed on July 10, 2019.

¹²⁹ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/661775/south-korea-pet-food-import-value-from-canada/> Accessed on July 10, 2019.

¹³⁰ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/463795/canadian-trade-balance-of-services-by-country/> Accessed on July 10, 2019.

¹³¹ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/556911/vodka-export-value-destination-canada/> Accessed on July 10, 2019.

¹³² Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/484722/leading-export-countries-for-apparel-canada/> Accessed on July 10, 2019.

¹³³ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/559221/exercise-equipment-export-value-destination-canada/> Accessed on July 10, 2019.

¹³⁴ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/889940/ice-wine-export-volume-canada-destination/> Accessed on July 10, 2019.

For Canadian Firms Contemplating E-commerce in South Korea: Marketing Considerations

E-commerce in South Korea is expected to continue to grow and develop, with more domestic and foreign players entering the market. South Korea is expected to show particularly strong growth in total e-commerce revenue. Statista¹³⁵ projects that retail e-commerce sales in South Korea will be US\$68,554M in 2019 and increase to US\$80,305M by 2023. Average revenue per user is also expected to continue to steadily increase.

The busy lifestyle of consumers and their high fluency with digital technology makes e-commerce an attractive alternative to spending time travelling to stores and shopping. Combining the ample infrastructure and technology savviness with growing disposable incomes, consumers are expected to continue to seek products that offer convenience.

Canada is already a top 10 provider of agri-food and seafood products to Korea, and is also active in other markets. Additionally, the free trade agreement with Canada continues to open up interesting avenues to enter the market. The Canadian Trade Commissioner Service¹³⁶ for South Korea is a resource to potentially draw upon when looking to further commercial relationships in the region. Areas that are expected to continue to be on the rise are food related, such as convenient packaged food, where sales have been seen to grow steadily.

Other product areas that continue to warrant attention include consumer products, forestry and wood, and sustainable technologies.

From the perspective of a Canadian firm considering some kind of e-commerce initiative in South Korea, there is much that is positive, as evidenced in this report so far. The country is availed of the best internet technology in the world, and its citizens are not only among the world's highest users of smartphones but are also willing to embrace innovations and new technologies. Korea is an appealing and lucrative market, and CKFTA means that for it will be easy for Canadian firms to enter the market, at least from an administrative perspective. The average Korean is reasonably wealthy by world standards: per capita income (in 2017) is around US\$39,400, and of the major nations in Asia, only Taiwan (US\$50,300) and Japan (US\$42,800) were higher, compared to Canada at US\$44,300.¹³⁷ This means that Koreans have high discretionary income and are willing to spend it on themselves and their families, to enjoy new offerings and to celebrate special holidays.

However, as Korean marketing consultant Olivia Song points out, many major Western brands have been fooled into thinking that the Korean market is an easy one to enter and have experienced serious problems in doing so as a result. She points to firms such as Walmart, Carrefour, and Uber and argues that firms that adopt an over-simplified strategy of transplanting to Korea what they have done in their home markets will usually fail. In doing so they seriously underestimate the uniqueness of the Korean market.¹³⁸ Dr. Chang Hoon Oh, William Saywell

¹³⁵ Retrieved from: <https://www.statista.com/outlook/243/125/ecommerce/south-korea> Accessed on July 10, 2019.

¹³⁶ Retrieved from: <https://www.tradecommissioner.gc.ca/e-f/kr/index.htm> Accessed on July 10, 2019.

¹³⁷ Retrieved from: <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html> Accessed on July 10, 2019.

¹³⁸ Retrieved from: <https://medium.com/@swansong719/marketing-in-korea-5-essential-tips-to-get-you-started-e96c8eac3c76> Accessed on July 10, 2019.

Professor in Asia Pacific Studies at Simon Fraser University’s Beedie School of Business and a Korean-Canadian international business expert, remarks, “The biggest issue that Canadian firms will face in Korea is market dynamics and business practices. Everything changes so quickly in Korea, and Koreans really go for trendy services and products. Canadian firms are not familiar with these dynamics and thus it would not be easy for Canadian firms to adjust their business practices and decision-making under such dynamics. I fear that most of them won’t be able to move fast enough.”¹³⁹

The 4 Cs, 4 Ps framework¹⁴⁰ can be used here for Canadian firms considering an e-commerce initiative in South Korea. To be able to identify its target market effectively, a firm must first understand who its Customers are, who its Competitors are, who its Collaborators are, and what its Competence is. To be able to optimally meet the needs of its customers, a firm must be able to offer them something unique that its competitors cannot match, because they do not have the collaborators that the firm has, and do not possess the necessary competence.

Once the firm has identified its target market, it can then construct its marketing mix using the 4 Ps: Product, Price, Place, and Promotion. This means that the firm must provide its target market with the right product (or service, nowadays more commonly referred to as the offering), at the right price, make it available at the place the customer desires it (nowadays more commonly referred to as distribution), and promote the offering to the customer accordingly (nowadays more commonly referred to as marketing communication, which encompasses advertising, personal selling, public relations efforts, online communication, and promotional tactics). This simple framework is illustrated in the figure below and forms the basis of our discussion on targeting the Korean e-commerce market by Canadian firms that follows.



¹³⁹ Personal interview, Dr. Chang Hoon Oh, Vancouver, June 20, 2019.

¹⁴⁰ E.g. Silk, Alvin J. 2006. *What is Marketing?* Boston, MA: Harvard Business School Press.

The 4 Cs

Customers

Koreans are reasonably affluent, sophisticated customers who are highly connected and in principle represent an attractive online market. However, there are some barriers that need to be understood. First, language can be a major stumbling block to many foreign online marketers. While most Koreans under the age of 60 today have at least a moderate understanding of English – and this is equally true for both genders¹⁴¹ – potential Canadian e-commerce marketers should understand that communicating in Korean is mandatory and that a simple translation from English will probably not work.¹⁴² It will be worth spending money on messages that are culturally optimized rather than simply translated.

Second, while optimizing search on Google might work well in Canada, Naver is far more popular in Korea (used by 92% of the population, versus Google's 65% in 2017).¹⁴³ Naver uses its own proprietary marketing tools and its entire interface is in Korean, which means that a firm contemplating an e-commerce initiative would need to acquire these Naver skills in order to reach Naver users.

Third, due to the high rate of penetration of smartphones in Korea, accompanied by the fastest mobile connection speed in the world, a majority of Koreans are accessing the internet primarily on their mobile devices today.¹⁴⁴ This means that entrants to the e-commerce market in South Korea need to optimize their content for mobile devices, rather than simply porting desktop websites to mobile devices, where lack-of-fit mistakes will be readily apparent. Also, because Korean consumers frequently interact with their devices in public spaces, this means that they might not always turn the sound on. So providing headlines and text on video that can summarize the crux of the message and can be followed on smartphones is a really good idea.

Competitors

In many offering categories there are established Korean firms with brands that are both world leaders and enjoy local dominance. Obvious examples are Hyundai in automobiles, Samsung in mobile devices, and LG in electronics. However, there are also other offering categories that might be less obvious to outsiders, such as beauty care products. US and European firms, such as the French brand Sephora, that have attempted to enter the Korean market have found that the local loyalty to homegrown products of equal quality that are sold at lower prices is a very tough force to deal with.¹⁴⁵ In addition, Korean firms in these categories have long track records and a superb understanding of the market. So, a Canadian firm pondering whether to enter the South Korean market should make a very careful study of the competitors already in the market, as well as potential entrants.

¹⁴¹ Retrieved from: <https://www.ef.com/ca/epi/regions/asia/south-korea/> Accessed on July 10, 2019.

¹⁴² Retrieved from: <https://koreanconsulting.com/search-engine-marketing-in-korea/> Accessed on July 10, 2019.

¹⁴³ Retrieved from: <https://www.statista.com/forecasts/826419/popular-search-engines-in-south-korea> Accessed on July 10, 2019.

¹⁴⁴ Retrieved from: <https://debatereport.com/scitech/interad-5-keys-to-korean-digital-marketing-strategies-for-content-marketing-2018/4475/> Accessed on July 10, 2019.

¹⁴⁵ Retrieved from: <https://medium.com/@swansong719/marketing-in-korea-5-essential-tips-to-get-you-started-e96c8eac3c76> Accessed on July 10, 2019.

Collaborators

The term “collaborators” refers to all the external parties that a firm must rely on to reach its target market effectively. These typically include suppliers, intermediaries, systems providers, service providers such as delivery firms, and, in many instances, government at local and national levels. A firm needs to have all of these on its side to effectively target and serve customers. For Canadian firms contemplating the Korean e-commerce market, this means that managing relationships effectively is essential for success.¹⁴⁶ Starting and maintaining relationships takes time and requires resources. For example, the ride hailing service Uber, while successful in many countries, failed badly in Korea when entering in 2013 because it seemed to have ignored the importance of relationships with the local taxi industry, municipalities, and the government. Uber was obliged to exit Korea in 2015.¹⁴⁷ Only recently (in April 2019) has Uber once more entered the Korean market, but not in its usual ride hailing format. Instead, the company has partnered with local taxi operators to start a service called Uber Taxi. Under this format, Uber customers can use the Uber app in Korea to hail a taxi partner.¹⁴⁸

Competence

There are three main kinds of competence that Canadian firms desiring to enter the e-commerce arena in South Korea will either need to have, develop, or acquire. First, they will need online marketing skills to conceptualize offerings online in a way that appeals to a sophisticated and connected market. While this could perhaps be said of any e-commerce venture anywhere, it should be realized that the Korean market is truly sophisticated and truly connected, far more than most other nations. This has the effect of creating a virtuous circle akin to that argued by Michael Porter’s¹⁴⁹ “diamond model” of a nation’s competitive advantage. The framework would contend that South Korea has a national advantage in e-commerce because it has strong related and supporting industries to e-commerce (e.g. smartphone and components manufacturers), the factor conditions (skills in internet technologies), and intense rivalry among local e-commerce firms, which causes them to compete fiercely against each other. All of these are in place and these in turn create sophisticated demand conditions – consumers who expect and receive the best, and in so doing further incite suppliers and the industry to do even better. In simple terms, South Korean online consumers won’t settle for second best when they already have the best. Entrants that don’t understand this will fail.

Second, Canadian firms wishing to enter the Korean e-commerce market will need to have technical skills above and beyond those used in home markets. For example, maximizing search optimization on Google is a hard task: the tools are complicated and real skills are expensive and rare. Now factor in the fact that Korea operates in another language entirely, and that Google skills, scarce as they may be, are not nearly enough. When Naver is the Korean search engine of choice and requires entirely different skills to manage and optimize, the magnitude of the challenge becomes apparent.

¹⁴⁶ For example, see <https://www.channeladvisor.com/about/news-events/press-releases/channeladvisor-and-interpark-announce-new-strategic-partnership-to-accelerate-e-commerce-sales-in-south-korea/> Accessed on July 10, 2019.

¹⁴⁷ Retrieved from: <https://blog.indiway.com/transportation-get-around-south-korea> Accessed on July 10, 2019.

¹⁴⁸ Retrieved from: <https://pulseneews.co.kr/view.php?year=2019&no=201813> Accessed on July 10, 2019.

¹⁴⁹ Porter, Michael E. 1993. *The Competitive Advantage of Nations*. Cambridge, MA: Harvard Business School Management Programs.

Third, as alluded above, Canadian firms desiring to enter the e-commerce market in Korea will require the skills to build extensive local relationships with parties not directly related to the offering itself. These include internet service providers, courier delivery services, financial institutions, and government departments, in addition to all manner of local partners.

The 4 Ps

Product

Decisions concerning the offering will not only include the design and conceptualization of the offering itself but also issues such as branding, packaging, labelling, sizes, quantities, and warranties. Shipping offerings purchased online will require strong, secure packaging for the product itself but also for its shipping and delivery. Korea also has specific labelling requirements for products such as pharmaceuticals, as well as for organic and functional food and food produced through biotechnology.¹⁵⁰ There is also extensive legislation in Korea covering product liabilities and warranties.¹⁵¹

Price

It has long been known that the internet has been a price leveller, because its overall effect has been to reduce search costs for consumers and make markets more efficient.¹⁵² This is certainly the case in Korea, where almost everyone is connected and search engines are used. However, the pricing situation is even more complex in that Korean consumers are used to getting many things for free – free samples are everywhere, and ticket prices for most events are low.¹⁵³ For Canadian firms desirous of entering the Korean e-commerce market, this means paying careful attention to competitive prices and finding ways of creative sampling. These might include physical sampling of products, such as food and drink or health-care products at retail locations and public spaces, electronic couponing whereby consumers receive free samples by submitting a virtual coupon online, or “freemium” strategies for non-physical offerings, whereby a consumer can obtain the basic service for free but will need to pay for more advanced features.

However, as Korean marketing specialist Grace Song notes, while Korean consumers are very price conscious, this does not mean that they’re unwilling to part with money. She observes that FOMO (fear of missing out) is a strong drive among many Korean consumers, and this means that they are quick to adopt new offerings and are willing to pay high prices for these.¹⁵⁴

¹⁵⁰ For a broad description of these requirements, see <https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Update%20to%20Korea's%20New%20Biotech%20Labeling%20Requirements%20Seoul%20Korea%20-%20Republic%20of%206-23-2017.pdf> Accessed on July 10, 2019.

¹⁵¹ For an extensive guide, see [https://uk.practicallaw.thomsonreuters.com/w-017-6785?transitionType=Default&contextData=\(sc.Default\)&firstPage=true&comp=pluk&bhcp=1](https://uk.practicallaw.thomsonreuters.com/w-017-6785?transitionType=Default&contextData=(sc.Default)&firstPage=true&comp=pluk&bhcp=1) Accessed on July 10, 2019.

¹⁵² Pitt, Leyland F., Pierre Berthon, Richard T. Watson, and Michael Ewing. 2001. “Pricing strategy and the net.” *Business Horizons* 44. 2:45.

¹⁵³ Retrieved from: <https://medium.com/@swansong719/marketing-in-korea-5-essential-tips-to-get-you-started-e96c8eac3c76> Accessed on July 10, 2019.

¹⁵⁴ Retrieved from: <https://medium.com/@swansong719/marketing-in-korea-5-essential-tips-to-get-you-started-e96c8eac3c76> Accessed on July 10, 2019.

Distribution (Place)

In simple terms, distribution strategy is about determining the path a product or service will take from the time it is produced until the customer takes possession of it. There are two aspects to this: first, who takes title to the offering as it moves along this route, that is, who owns it, and second, what physical path the offering will take. For a Canadian firm desiring to enter the Korean e-commerce market, this means that two sets of decisions need to be made. First, whether taking title will be simple, as, for example, when a Korean consumer procures the offering directly off the Canadian firm's website, or whether it will of necessity be more complex, if the Canadian firm chooses instead to use intermediaries such as import agents, wholesalers, or large or small Korean online presences, which can range from mega sites such as Coupang, to niche players in specialist categories. Second, especially in the case of physical goods, whether the Canadian firm is shipping from Canada or via a warehouse facility in Korea, and whether a third party such as a courier delivery service will be part of the supply chain in either both countries or in Korea alone. These observations bring us back to the admonition to either have, build, or acquire the skills to manage relationships; in this case either with other channel members or members of the physical supply chain.

For most Canadian firms this will require considerable time spent researching potential partners and then in all likelihood being on the ground in Korea to negotiate and strategize with them. Local expertise is crucial, and foreign firms that have been successful in Korea are those that have spent a lot of time finding strong local partners and building relationships with them, in order to obtain expertise at understanding local dynamics and avoiding costly local blunders.¹⁵⁵ Firms that succeed in working with foreign partners in online environments are those that (1) exert considerable resources and time to identifying them; (2) carefully examine their current portfolio of partners and evaluate these; (3) spend time exploring just how well a potential partner markets themselves, which can be a giveaway; and (4), don't expect the channel partner to do all the work. This is true in any international marketing situation; however, in the really dynamic Korean e-commerce arena, paying careful attention to these guidelines will definitely mean the difference between success and failure.

Promotion

Promotion, a convenient word because it starts with a P, is more properly conceived of as marketing communication, or how a firm will communicate with its target market. There are many ways in which a firm can do this, including mass media advertising, personal selling, publicity and public relations, and all manner of promotional methods such as samples, competitions, and coupons. In the age of e-commerce all of these tools can be combined, so that advertising (informing, persuading, and reminding), selling (undertaking transactions), publicity and public relations (news reports, blogs, social media presence), and all manner of promotional tactics can be conducted online. In the well-connected Korean e-commerce market, there are a number of specific issues that online Canadian marketing communicators should take note of.

First, a very large number of Korean consumers use social media in a variety of forms. While Facebook was used by 28.9% of Korean consumers in 2018 and Instagram by 17.4%, social media

¹⁵⁵ Retrieved from: <https://medium.com/@swansong719/marketing-in-korea-5-essential-tips-to-get-you-started-e96c8eac3c76>
Accessed on July 10, 2019.

unique to Korea such as KakaoStory (23.8%) and Naver Band (12.5) also command a significant presence.¹⁵⁶ Canadian firms considering using social media tools as part of their marketing communication armoury would be well-advised to incorporate local social media, and will probably have to pay for local expertise in order to do that. One of the benefits of using social media is that users do a lot of the work for you by spreading the message through word of mouth, but getting that to happen is easier said than done. One of the mechanisms that works very effectively in Korea is that of influencers, discussed briefly in the next paragraph.

Second, there is evidence that using celebrities and influencers in marketing communication works more effectively in South Korea than in Anglo nations such as the United Kingdom, the United States, and Canada. More than 40% of television advertising in South Korea features celebrities, compared to 12% in the United Kingdom, 10% in the United States, and 5% in Canada, according to the international marketing research firm Kantar Millward Brown.¹⁵⁷ While use of celebrities might not directly equate to effectiveness, the large differences in numbers suggest that using celebrities and influencers works more strongly in Korea. Quite simply, Korean marketers are doing it because it works there. This means that Canadian firms seeking an e-commerce presence in Korea should seriously consider incorporating, depending of course on budget, either a celebrity, such as actress Gianna Jun, or a significant local influencer on social media into their online marketing communication strategy.

Third, localization of marketing communication is critical in Korea, and this does not simply mean translation. Foreign brands that have succeeded in Korea have all gone beyond translation and developed content that is directly relevant to Korean audiences, including sensitivity to cultural, historical, and political contexts.¹⁵⁸ For an excellent summary in English of why simple written translation from English into the Korean language is beset with problems, see the post “Korean Localization: Unique Challenges of a Unique Language.”¹⁵⁹

Canadian Government Help in Entering the Korean and Other Markets

For Canadian firms wishing to enter the Korean market, the most important government office is the Trade Commissioner Service. This government department has representative offices in more than 160 cities internationally. The website¹⁶⁰ provides information on how the department can assist Canadian firms with funding and support programs, and in becoming part of trade missions and events. It also provides information on Canada’s trade agreements and country-specific information on tariffs, sanctions, and export controls.

¹⁵⁶ Retrieved from: <https://www-statista-com.proxy.lib.sfu.ca/statistics/763748/south-korea-most-popular-social-media/> Accessed on July 10, 2019.

¹⁵⁷ Retrieved from: <http://www.millwardbrown.com/mb-global/our-thinking/articles-opinion/articles/brand-matters/2018/celebrities-shine-in-ad-campaigns> Accessed on July 10, 2019.

¹⁵⁸ Retrieved from: <https://medium.com/@swansong719/marketing-in-korea-5-essential-tips-to-get-you-started-e96c8eac3c76> Accessed on July 10, 2019.

¹⁵⁹ Retrieved from: <https://www.mtlinguasoft.com/korean-localization-unique-challenges-of-a-unique-language/> Accessed on July 10, 2019.

¹⁶⁰ Retrieved from: https://www.tradecommissioner.gc.ca/trade_commissioners-delegues_commerciaux/index.aspx?lang=eng Accessed on July 10, 2019.

The Canadian Trade Commissioner for South Korea is based in Seoul at:
21, Jeongdong-gil, Jung-gu
Seoul, 04518
Tel: (82-2) 3783-6000
Email: SEOUL-TD@international.gc.ca

It's website can be found at <https://www.tradecommissioner.gc.ca/korea-republic-coreerepublique/office-bureau/index.aspx?lang=eng&office=SEOUL>. On this website there is information on country market facts (such as the etiquette of doing business in Korea), market reports, trade events, and information on visits by Canadian firms.

FUTURE OUTLOOK

South Korea is a vibrant, very highly developed e-commerce market that has grown rapidly, and there are a number of factors that suggest this growth will continue into the future. First, the technology and online infrastructure in Korea is among the best in the world. The massive development investments by major local firms, such as Samsung continuing rapid progress in mobile devices, and the adoption of 5G networks that lead the world, will drive e-commerce forward.

Second, as this report has indicated, Korean consumers are now 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 if current trends provide any indication of the future, their use of online platforms will continue to grow. They demand a wide selection of new offerings and the logistics that enable these to be delivered on demand. When they are unable to satisfy their needs on the local market, they will turn 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.¹⁶¹ This represents tremendous opportunities for foreign firms with the right offerings and the right e-commerce strategy in place to enter a very attractive market.

Third, while both technological developments and a large market that is willing and keen to purchase online make Korea a very attractive market, Canadian firms would do well to remember that the market is intensely competitive and that local firms are aggressive in the pursuit of both Korean and overseas markets. Moreover, the pace of change is extremely rapid, which will make merely keeping up a challenge.

Perhaps the most interesting changes in the Korean e-commerce environment in the future will come from government. Online trading permits a reduction in transaction costs (the costs of search, evaluation, negotiation, etc.), and this allows consumers to obtain offerings at lower prices than in traditional offline markets.¹⁶² 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.¹⁶³ Their research 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. The Korean government is almost certainly aware of this and the benefits that it brings. Under this scenario there will be even more opportunities for foreign firms (and Canadian firms in particular, given CKFTA) to conduct online business with Korean firms and consumers.

¹⁶¹ See Korea Customs Service (www.customs.go.kr) Accessed on July 10, 2019.

¹⁶² Strader, Troy J., and Michael J. Shaw. 1997. "Characteristics of electronic markets." *Decision Support Systems* 21. 3:185-198.

¹⁶³ Cho, Yoonkyo, Taehwan Kim, and Jaewhak Roh. 2019. "An analysis of the effects of electronic commerce on the Korean economy using the CGE model." *Electronic Commerce Research*. 1-24.

CONCLUSION

South Korea might appear daunting to Canadian firms considering market entry by means of e-commerce. There are a number of challenges. The market is intensely competitive, and major local companies present serious challenges to potential entrants. Consumers are sophisticated and demanding and are accustomed to being served rapidly and well. The pace of change in the e-commerce environment is among the most rapid in the world, and some experts have expressed concern that Canadian firms might not be able to adapt their practices and strategies rapidly enough to succeed.¹⁶⁴

Nevertheless, there is much that makes e-commerce entry into South Korea an enticing business option. While the country is small in area, its economy is the third largest in Asia after China and Japan; its GDP ranked 12th in 2018 (Canada ranked 10th) and it is the world's seventh-largest exporter.¹⁶⁵ This means that consumers are generally well-off and are prepared to spend their money on offerings that provide novelty, quality, and good value. The country's delivery and logistics services are second to none, which makes the shipping of offerings purchased online extremely efficient and inexpensive. These indicators are readily apparent, but there is an additional reason to seriously consider South Korea as a market for e-commerce: because the pace of change is so dynamic, the country provides an excellent opportunity for entering firms to learn and keep abreast of developments in the e-commerce sphere. South Korea can be seen as a bellwether in the broad field of technological innovation in general, and for e-commerce in particular. What happens in South Korea today will inevitably happen in other parts of the world in the future, in the e-commerce domain. By being present, studying, and learning from what is happening, Canadian firms might profit financially, but they will almost certainly gain transferable knowledge from being present and active in this dynamic market.

¹⁶⁴ Personal interview, Dr. Chang Hoon Oh, Vancouver, June 20, 2019.

¹⁶⁵ Retrieved from: <https://databank.worldbank.org/data/download/GDP.pdf> Accessed on July 10, 2019.

CASE STUDIES

Case Study I: Yogiyo

Food Delivery in Korea

Long before the advent of food delivery apps such as Skip the Dishes and Door Dash in North America, fast courier delivery of meals was well-established in Korea. Back in the 1960s and 1970s, Korean households were able to order fast food for home delivery by simply calling a restaurant's number and having a meal delivered to their homes or place of work in a very short time. The high population density in urban environments, as opposed to the more spread-out populations in North American suburbs, made this a more feasible business not only for restaurants and courier services, but also for other convenience goods and services providers such as dry cleaners and mom-and-pop convenience stores. When the internet became a reality in the 1990s, Koreans began to order online as well. Apps on smart devices accelerated the trend even further, and as this happened, the competition in the Korean fast food delivery service industry intensified. A major player is Yogiyo.

Yogiyo and Delivery Hero

Yogiyo is a significant competitor in the Korean food delivery service industry. It is a member of RGP Group Korea Ltd., a company that was founded in Seoul in 2011.¹⁶⁶ In December 2018, RGP (restaurant growth partner) Group Korea announced that it would be changing its name to Delivery Hero Korea (DHK).¹⁶⁷ According to DHK CEO Kang Shin-bong, the name change was intended to highlight the importance of the Korean market as one of the largest and most important global markets that Delivery Hero is present in. RGP Korea was established in late 2011 as a regional affiliate of Delivery Hero. Yogiyo was a service launched by RGP at the time of its establishment, and RGP then acquired two other Korean food delivery services, Baedaltong in 2014 and Foodfly in 2017.¹⁶⁸

Delivery Hero is a German company based in Berlin and listed on the Frankfurt Stock Exchange. The company was founded in May 2011 by Niklas Östberg, whose vision was to be the world's number one food ordering company. It operates in countries in Europe, Asia, Latin America, and the Middle East, and has partnerships with more than a quarter of a million restaurants.¹⁶⁹ It claims to have delivered more than 369 million orders in 2018. Delivery Hero has a policy that foreign offices should run autonomously in a way best suited to each country.¹⁷⁰

¹⁶⁶ Retrieved from: <https://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=214472757> Accessed on July 10, 2019.

¹⁶⁷ Retrieved from: <http://koreajoongangdaily.joins.com/news/article/article.aspx?aid=3056458> Accessed on July 10, 2019.

¹⁶⁸ Retrieved from: <http://koreajoongangdaily.joins.com/news/article/article.aspx?aid=3056458> Accessed on July 10, 2019.

¹⁶⁹ Retrieved from: <https://techcrunch.com/2012/08/27/take-out-wars-heat-up-delivery-hero-raises-further-50m-to-race-just-eat-to-global-domination/> Accessed on July 10, 2019.

¹⁷⁰ Ibid.

Kang Shin-bong, an MBA graduate of Duke University's Fuqua School of Business, joined RGP Korea in January 2016 as the chief operating officer, and was then named CEO of the company in July 2017. Previously he was a marketing executive at eBay China as well as for the APEC region, and led the acquisition of eBay Korea's Gmarket.¹⁷¹

The Korean Food Delivery Market

While Koreans have been enthusiastic consumers of fast delivered food for many years, Korea is still a very dynamic market in this regard, and the recent past has seen many changes. Advances in mobile technologies and changing demographics have mainly driven these changes.¹⁷² Whereas previously Koreans would order from printed menus by phone, or on websites via home or office desktop computers, the advent of apps on mobile devices now enables ordering and payment to happen with just a few clicks.

Korean demographics are also changing, and there are more single person households in large Korean cities today than previously. These consumers prefer to order in than to eat out on their own. The Korean market research firm Macromill Embrain¹⁷³ surveyed 1,000 Koreans of both genders between the ages of 15 and 59 in the first half of 2018 concerning their attitudes toward delivered food and food ordering apps. The study indicated that more than 70% of respondents had used a food delivery app, and that the use of food delivery apps, rather than conventional phone orders, had increased by almost 50% between 2017 and 2018.¹⁷⁴ Not surprisingly, younger consumers were more likely to use food ordering apps, and more than half of the respondents stated that the main reasons for using an app were being able to search, order, and pay for the service on one platform. A number of consumers did indicate their concerns that the pricing policies of food delivery apps were not transparent, and they were concerned with the split of the ticket price between profit to the restaurant and profit to the delivery company behind the app.

Competition in the Korean Food Delivery App Industry

There are two main players in the Korean food delivery app industry, although there is also a host of smaller firms. The first is Baedal Minjok, which according to most reports is the largest player in the industry.¹⁷⁵ The company was backed by major investors including Goldman Sachs, venture capitalists, and the Korean internet giant Naver when it launched in 2011.¹⁷⁶ A study by Korean app data analysis firm Incross¹⁷⁷ reported in 2019 that Baedal Minjok had enjoyed app and web traffic of 6.39 million visitors for the month of April. Yogiyo was second with 3.68 million. Burger King was third with 1.23 million, and the Asian fast food chain Lotteria, which originated in Tokyo, was fourth with 630,000 visitors. Baedaltong, also owned by DHK, came in fifth.¹⁷⁸ Interestingly, both Burger King and Lotteria had grown faster in the past year than had Baedal Minjok and Yogiyo.

¹⁷¹ Retrieved from: <https://www.deliveryhero.com/brands/yogiyo/> Accessed on July 10, 2019.

¹⁷² Retrieved from: <http://www.koreaherald.com/view.php?ud=20180613000182> Accessed on July 10, 2019.

¹⁷³ Retrieved from: <http://www.embrain.com/eng/intro/intro1.asp> Accessed on July 10, 2019.

¹⁷⁴ Retrieved from: <http://www.koreaherald.com/view.php?ud=20180613000182> Accessed on July 10, 2019.

¹⁷⁵ Retrieved from: <https://pulsenews.co.kr/view.php?year=2019&no=408648> Accessed on July 10, 2019.

¹⁷⁶ Retrieved from: <http://www.koreaherald.com/view.php?ud=20180613000182> Accessed on July 10, 2019.

¹⁷⁷ Retrieved from: <https://www.incross.com/en/about-incross/aboutus/> Accessed on July 10, 2019.

¹⁷⁸ Retrieved from: <https://pulsenews.co.kr/view.php?year=2019&no=408648> Accessed on July 10, 2019.

Baedal Minjok was especially visible as a brand because of its independent delivery service called Baemin Riders, a team of motorcycle delivery riders who had been part of the workforce the company gained when it acquired a service provider called Dubaki Call in 2017. Dressed in their attractive light blue uniforms and on their similarly coloured scooters,¹⁷⁹ the Baemin Riders deliver from restaurants that don't offer delivery services of their own, for an additional fee, and in this way provide diners with more choice. Seemingly in retaliation, DHK acquired Barogo Riders for Yogiyo for US\$18.5M in May 2018, having already purchased Foodfly in 2017. Barogo Riders is a similar motorcycle delivery service whose riders also wear distinctive uniforms. The proliferation of these delivery services in the capital, Seoul, prompted the city's Metropolitan Police Agency to sign a memorandum of agreement with all the major delivery companies, including Yogiyo and Baedal Minjok, in January 2018 to promote safe motorcycle riding.¹⁸⁰

Investment in the industry was significant, especially in the year 2015, and it continues unabated. Baedal Minjok received KRW\$54.3B of investment in 2012, and this was surpassed by Delivery Hero's KRW65.9B investment in Yogiyo in the same year. Delivery Hero invested a further US\$35M in Yogiyo in 2015.¹⁸¹ "Korea is a successful and key market for Delivery Hero," said Delivery Hero PR Manager Bodo von Braunmühl at the time. "We won't hold back on investments that will inevitable enable Yogiyo to provide the most suitable solution." Delivery Hero founder Östberg was equally optimistic about Yogiyo's future, stating that the holding company would continue to invest in Yogiyo in order for it to diversify the service that would improve user experiences and bring additional revenue for Yogiyo's restaurant partners.¹⁸²

Key Takeaways

- Smartphone apps have changed many industries, from ride sharing and accommodation to the food delivery business. While the food delivery business had existed in Korea for many years, it was the advent of apps that enabled the industry to enter the phase of rapid growth that the Yogiyo case illustrates. Whereas ordering by phone and then from a computer-based website had been convenient, only apps could provide the real benefit of one-stop purchasing, by integrating selection, ordering, and payment into one transaction. This is not unique to the food delivery business; the same principles apply in a host of other settings. It would be almost impossible to enter many markets in Korea today without having a fast, reliable, and well-designed mobile app.
- The Korean market is intensely competitive and dynamic. As successful as Yogiyo appears to be, there are a number of other very strong competitors. Almost paradoxically, apps have allowed more traditional restaurant chains, such as Burger King and Lotteria, to become major players in the mobile e-commerce market once more, witnessed by their rapid growth. The intense and ever-changing competitive scenario requires that managers monitor the competitive situation and continually revise and update their strategies.

¹⁷⁹ Retrieved from: <http://www.koreaherald.com/view.php?ud=20180613000182> Accessed on July 10, 2019.

¹⁸⁰ Retrieved from: <http://www.koreaherald.com/view.php?ud=20180116000663> Accessed on July 10, 2019.

¹⁸¹ Ibid.

¹⁸² Retrieved from: <http://en.koreaportal.com/articles/985/20150922/korean-food-delivery-yogiyo-biggest-investment.htm> Accessed on July 10, 2019.

- Consider why a German firm would enter the Korean market, which it already knows to be highly competitive. The reasons may be twofold: First, the execution of the Korean subsidiary's strategy is still left almost entirely to local executives, trusting that they will know the local market environment far better and be able to execute decisions there. Second, there is much to learn internationally from operating a firm successfully in a highly competitive market like Korea. After that, less competitive and dynamic markets that the holding company might decide to enter will be relatively easy by comparison.
- Understand how changes in local demographics can create opportunities. In the case of Korea, for example, an increase in the number of small single-occupant dwellings means a change in the way that people dine. By understanding this change, and developing a solution to it, the home food delivery industry capitalized on a very attractive market.

Case Study II: Pinkfong and Baby Shark

The Baby Shark Phenomenon

In a video on YouTube that has almost 1.8 billion views to date, a very cute toddler asks Amazon's digital assistant to "Play Baby Shark."¹⁸³ Alexa gets it very wrong the first time, and the toddler quickly stops it and repeats her demand. Alexa gets it wrong again, and this time the frustrated tot shouts it down before repeating her request. Now Alexa plays the version of the song Baby Shark by Johnny Only, which is the right song, but not the version she wants. In frustration the child hails her mother for help. Her mom gets Alexa to play the version of the song her daughter is looking for: Pinkfong's Baby Shark. The toddler yells her delight and immediately begins to sing along with the song, and to do all the hand movements that accompany it on the song's YouTube video. It is one of the most watched YouTube videos of all time, with almost three billion downloads.¹⁸⁴

Pinkfong and Baby Shark

The Baby Shark video features two cute, very young kids singing a very simple song about a family of sharks. It is filmed against a simple series of animated cartoon backdrops. The words are very simple, with each verse introducing a new family member, starting with baby, and moving through the parents and grandparents, and simply ending on "doo doo doo." As each family member is introduced, the kids in the video do hand movements to mimic the character. In the last verse the shark family decide to go hunting, but the kids happily manage to escape by hiding safely in a large shell. The song is simple enough for children as young as two or three to learn the words, and to mimic the actions of the kids in the video.

The Baby Shark video possesses all of the characteristics of a property that has been referred to as "stickiness." Stickiness, as defined by Malcolm Gladwell¹⁸⁵ in his bestselling book, *The Tipping Point*, is the requirement for a successful message to be memorable to the extent that it can create change and spur someone to action. Gladwell uses the children's TV classic *Sesame Street* to illustrate how stickiness works. The producers of the show realized that the attention span of the average five-year-old was very short, and that for a kids' TV show to hold the attention of its audience it would have to be crafted with the specific purpose of doing this. Indeed, the producers would test scenes for future episodes of the show by showing them to sample audiences of small children, and then deliberately trying to distract these audience members while the scene was playing. For example, people would walk by carrying food, or enter the room and do something silly. If the distraction was successful, these scenes were removed from the show, under the reasoning that child audiences would not watch them because they were distracted. Arguably Baby Shark has been hugely successful because it possesses all the characteristics of stickiness: movement; simple repetitive lyrics and a very simple melody; and a call to action – children are encouraged to mimic the actions of the kids in the video.

The song was released in 2016 by the Korean children's entertainment and education company Pinkfong, and the video was placed on YouTube. The song first went viral in South Korea, followed

¹⁸³ Retrieved from: <https://www.youtube.com/watch?v=JzfBedGaljU> Accessed on July 10, 2019.

¹⁸⁴ Retrieved from: <https://www.youtube.com/watch?v=XqZsoesa55w> Accessed on July 10, 2019.

¹⁸⁵ Gladwell, Malcolm. 2006. *The Tipping Point: How Little Things Can Make a Big Difference*. New York, NY: Little, Brown.

by the rest of Asia in 2017. The rest of the world quickly took up the song and the video in 2018. By January 2019 the Baby Shark song featured on the Billboard Top 40 charts in the United States, where it enjoyed a 20-week streak, and also reached number six on the singles charts in the United Kingdom. The Baby Shark song was also featured on the Ellen DeGeneres Show and on James Cordon's Late Late Show, where it was performed by Josh Groban and Sophie Turner. It was also mentioned on social media by major influencers such as Kendall Jenner and Cardi B.¹⁸⁶

Headquartered in Seoul, South Korea, Pinkfong is an entertainment company that targets families with young children around the world with content suitable for the education and entertainment of children. The company, whose brand is represented by a playful pink fox,¹⁸⁷ has a library of over 4,000 songs and stories in its library, and has won many awards from online giants such as Amazon Video, YouTube, and Google Play.

Pinkfong and SmartStudy

Pinkfong is a subsidiary of SmartStudy. Also based in Seoul, Korea, SmartStudy is a company founded in 2010 that focuses on children's entertainment and education. It produces videos featuring a range of characters, and these are in a number of languages, including Korean, English, Chinese, Spanish, and Russian. Its mobile app, which provides content to users, has been downloaded 150 million times by smartphone and tablet owners in more than 100 countries.¹⁸⁸ SmartStudy's CEO Kim Min-seok, aged 38, is the largest shareholder in the company, owning 23.1% of the stock. He is the son of Kim Jin-yong, CEO of Samsung Publishing, which is the second largest shareholder in SmartStudy, with 20.8% of the shares. According to reports in late 2018, SmartStudy was considering a public stock offering in 2020, having sent a request for proposals to major Korean securities firms.¹⁸⁹

In a recent interview, Pinkfong's US-based CEO, Bin Jeong, talked of the company's founding and its current strategy.¹⁹⁰ From her LinkedIn page,¹⁹¹ Bin Jeong notes that she has led the company's international business development efforts focused on the US market, to open more distribution channels for digital content, apps, and offline products. She has particularly focused on Pinkfong's YouTube operations, paying special attention to metrics. Previously she had worked in digital marketing within the arts and entertainment industries.

Jeong explains that Pinkfong was established in Korea in 2010, and opened its US office in 2016, where SmartStudy was already present and employed more than 150 people. Pinkfong's objective with regard to content, she argues, is not to get the highest number of views; rather, its obligation is to produce quality educational content for kids. The company consults with educators, scholars, and child psychologists in its attempts to create materials that will work best for the education and entertainment of children, rather than simply attract lots of downloads.

¹⁸⁶ Retrieved from: <https://www.cbc.ca/radio/q/thursday-january-24-2019-steffi-didomenicantonio-johnny-only-and-more-1.4989911/the-long-complicated-history-of-baby-shark-and-the-artist-fighting-for-credit-1.4989936> Accessed on July 10, 2019.

¹⁸⁷ Retrieved from: <https://thesavvyscreener.com/2017/08/14/pinkfong-qa/> Accessed on July 10, 2019.

¹⁸⁸ Retrieved from: <http://www.theinvestor.co.kr/view.php?ud=20181101000668> Accessed on July 10, 2019.

¹⁸⁹ Retrieved from: <http://www.theinvestor.co.kr/view.php?ud=20181101000668> Accessed on July 10, 2019.

¹⁹⁰ Retrieved from: <https://thesavvyscreener.com/2017/08/14/pinkfong-qa/> Accessed on July 10, 2019.

¹⁹¹ Retrieved from: <https://www.linkedin.com/in/bin-jeong-711766a9/> Accessed on July 10, 2019.

Jeong is also mindful of the cultural differences between the markets Pinkfong serves. “Because we deliver our content worldwide, we have to consider the cultural differences between countries. What is considered appropriate for kids in one country might not be in another,” she says.¹⁹² Pinkfong, she goes on to say, focuses on learning videos for children, but also on apps for mobile devices, games, songbooks, and more recently, toys. Other than Baby Shark, its other most popular videos include “Police Car” and “The Lion.” The company has already concluded deals with major online operators such as Amazon Prime and YouTube for the provision of content. Pinkfong’s future plans include further development of characters and animation series, expansion into other product offerings, and broadening the age appeal of its offerings.

Expanding Baby Shark

Baby Shark has expanded well beyond the original video. In June 2019, Pinkfong acknowledged that Baby Shark had enabled it to increase its revenues by 47% over the previous year.¹⁹³ Apart from the original video, revenues were boosted by almost 40 licensing deals, including those with well-known companies such as WowWee, Harper Collins, and toy manufacturer Hasbro. These covered a wide range of offerings, including toys, health and beauty accessories, food, publishing, and clothing. The Baby Shark range of products on Amazon.com sold out only two days after becoming available in the first half of 2019.¹⁹⁴ The brand is now also featured in concert tours in a number of countries including the United States, the United Kingdom, and Canada, where Pinkfong is working with children’s media company Nickelodeon, and Round Room Live, a premier live entertainment company that has worked with famous brands such as The Rolling Stones.^{195,196}

Nickelodeon has been particularly enthusiastic about the Baby Shark opportunity and will develop a new original animated series based on Baby Shark for distribution worldwide.¹⁹⁷ This will be accompanied by a host of other product categories that Nickelodeon will cultivate in partnership with Viacom. Pam Kaufman, president of Viacom Nickelodeon Consumer Products, says, “Our outstanding creative teams are moving fast to get more Baby Shark product across multiple categories to retailers, and our content team is excited to develop a terrific original animated series that will bring this property to new heights and even more fans.”¹⁹⁸ There is even speculation that apps will be developed on Amazon’s Alexa and Google Home’s voice assistants to further engage kids and their families with Baby Shark.¹⁹⁹ One of Pinkfong’s founders, Seungkyu Lee, informed news company Bloomberg that the company was working to develop a stage musical that would debut in North America.²⁰⁰

¹⁹² Retrieved from: <https://thesavvyscreener.com/2017/08/14/pinkfong-qa/> Accessed on July 10, 2019.

¹⁹³ Retrieved from: <https://www.cnbc.com/2019/06/17/viral-baby-shark-song-to-expand-brand-to-tv-concerts-and-more.html>; <https://www.licenseglobal.com/television/pinkfong-s-baby-shark-gets-spin-series> Accessed on July 10, 2019.

¹⁹⁴ Retrieved from: <https://www.cnbc.com/2019/06/17/viral-baby-shark-song-to-expand-brand-to-tv-concerts-and-more.html> Accessed on July 10, 2019.

¹⁹⁵ Retrieved from: <https://roundroompresents.com/current/> Accessed on July 10, 2019.

¹⁹⁶ Retrieved from: <https://www.entertainmentone.com/companies/round-room/> Accessed on July 10, 2019.

¹⁹⁷ Retrieved from: <https://www.businesswire.com/news/home/20190605005609/en/Pinkfong-s-Baby-Shark-Joins-Nickelodeon-Family> Accessed on July 10, 2019.

¹⁹⁸ Ibid.

¹⁹⁹ Retrieved from: <https://www.usatoday.com/story/life/allthemoms/2019/01/24/creators-baby-shark-bringing-videos-netflix/2667210002/> Accessed on July 10, 2019.

²⁰⁰ Ibid.

Intellectual Property Controversy

The Liberty Korea Party (LKP), a right-wing political party in that country, decided to use a Johnny Only²⁰¹ version of the Baby Shark song in 2018²⁰² that had been on YouTube since 2011 to promote candidates in its political campaigns. Only gave them permission to use it because the song was in the public domain – it was an old German folk song called “Kleiner Hai” (or “small shark”).²⁰³

In late 2018, SmartStudy threatened a copyright infringement suit. Johnny Only’s YouTube page was soon flooded with comments from Koreans, mostly supporting him. One post encouraged him to take legal action against Pinkfong, while another wrote in English, “As I am a Korean, I am disgraceful to this case. Last, I am sorry.”²⁰⁴

He contacted a Korean intellectual property lawyer, not to claim copyright or to seek compensation, but simply to obtain a Korean court ruling, “on what they think regarding the issue between Pinkfong and my version.”²⁰⁵ Pinkfong has not responded to the suit as far as can be ascertained. Seunghyun Yoon, SmartStudy’s marketing manager, has said simply, “we took a fresh twist and recreated on a traditional singalong chant by adding upbeat rhythms and fresh melody. We have a team of content creators based in South Korea that plans and directs the design, choreography, storyboarding and localization of Pinkfong’s content.”^{206,207}

Baby Shark: The Future

After very successful live shows in other countries including the United Kingdom,²⁰⁸ in June 2019, Pinkfong and Round Room Live announced that they were partnering to embark on a 100-city tour of the United States and Canada with a Baby Shark show that would deliver a “fully immersive concert experience.”^{209,210} In the show, Baby Shark joins up with his friend, Pinkfong (the little pink fox), to sing and dance such songs as “Five Little Monkeys” and “Wheels on the Bus,” both of which are songs that parents have sung to and with their children over many generations, and of course, the Baby Shark song. Tickets for the shows in North America were already available on the online booking website, StubHub.²¹¹ Naturally there are also a multitude of opportunities for children and their guardians to further engage with the Baby Shark brand

²⁰¹ Retrieved from: <https://www.youtube.com/watch?v=hkHdx0yWaow> Accessed on July 10, 2019.

²⁰² Retrieved from: <https://www.cbc.ca/radio/q/thursday-january-24-2019-steffi-didomenicantonio-johnny-only-and-more-1.4989911/the-long-complicated-history-of-baby-shark-and-the-artist-fighting-for-credit-1.4989936> Accessed on July 10, 2019.

²⁰³ Retrieved from: <https://www.rollingstone.com/music/music-news/baby-shark-charts-784755/> Accessed on July 10, 2019.

²⁰⁴ Retrieved from: <https://www.cbc.ca/radio/q/thursday-january-24-2019-steffi-didomenicantonio-johnny-only-and-more-1.4989911/the-long-complicated-history-of-baby-shark-and-the-artist-fighting-for-credit-1.4989936> Accessed on July 10, 2019.

²⁰⁵ At the time of writing, the courts in Korea have not yet delivered a decision on this.

²⁰⁶ Retrieved from: <https://www.cbc.ca/radio/q/thursday-january-24-2019-steffi-didomenicantonio-johnny-only-and-more-1.4989911/the-long-complicated-history-of-baby-shark-and-the-artist-fighting-for-credit-1.4989936> Accessed on July 10, 2019.

²⁰⁷ Retrieved from: <https://www.vulture.com/2019/01/how-death-dismemberment-and-jesus-made-baby-shark-a-hit.html> Accessed on July 10, 2019.

²⁰⁸ Retrieved from: <https://www.birminghammail.co.uk/special-features/kidtrapolis-baby-shark-event-easter-15787983> Accessed on July 10, 2019.

²⁰⁹ Retrieved from: <https://www.ctvnews.ca/entertainment/baby-shark-live-to-tour-100-north-american-cities-1.4465066> Accessed on July 10, 2019.

²¹⁰ Retrieved from: <https://roundroompresents.com/current/> Accessed on July 10, 2019.

²¹¹ Retrieved from: <https://www.stubhub.ca/pinkfong-baby-shark-live-musical-tickets/grouping/50028036/> Accessed on July 10, 2019.

at the shows, with the prospect of seeing and photographing the characters at intervals,²¹² and purchasing merchandise including clothing and toys.

Pinkfong continues to expand the Baby Shark brand both online and in the real world. A selection of Baby Shark toys were displayed in January 2019 at the annual Toy Fair at Olympia London, one of the world's major toy exhibitions. Baby Shark Sound Books are carefully designed to ensure an optimal learning experience for children aged 0-3. Each book carries 10 songs and is available in English, Chinese, and Korean. There are also stuffed toys such as the Shark Family Sound Doll whose tummy can be squeezed to hear a "Shark Song." On September 6, 2018, shares in Samsung Publishing (which, as already stated, owns a 20% stake in SmartStudy) surged 13.2% in one day's trading on the Seoul Stock Exchange, having already increased in value by 76% over the previous year. This was attributed to the fact that on August 31, 2018, the Baby Shark song had become the first children's song to make it to the UK Top 40.²¹³

The Baby Shark success story illustrates how a successful e-commerce venture can originate from a very basic idea: a simple concept, in this case a catchy tune with elementary lyrics and a rudimentary but fun video. Pinkfong used YouTube as an essentially free broadcast medium to reach a global market; this could only realistically have been done in an online environment. The power of the internet allowed the video to touch almost three billion people. Once this effect has been achieved, further growth opportunities are almost endless in both online and brick-and-mortar settings. The Baby Shark YouTube video becomes a meme²¹⁴ that can then be propagated online in the form of further videos, games, apps, and e-reader books. It also permits the firm to create a range of tangible offerings, such as clothing and toys, that can be marketed both online and in brick-and-mortar stores, as well as producing or franchising live entertainment in theatres, for which tickets can be sold online.

Key Takeaways

- Understand how things go viral in online environments. Of the millions of posts every day on social media, only a handful garner more than a million responses. Great content is not enough on its own, although this is a prerequisite. First, this content must touch at least one of the basic human emotions, such as anger, sadness, disgust, or in the case of the Baby Shark video, both joy and fear.²¹⁵ Second, the social media message always needs an accelerant in order to diffuse rapidly, and this usually comes in the form of broadcast media. This can be likened to starting a fire: making a fire requires fuel, but getting it going strongly usually requires an accelerant. In the Baby Shark case, the really cute and well-produced content supplied the fuel. While the company is not forthcoming on this, behind the scenes was almost certainly a well-oiled publicity machine spreading the news about the video to television channels and other mass media to act as an accelerant.

²¹² Retrieved from: <https://www.birminghammail.co.uk/special-features/kidtropolis-baby-shark-event-easter-15787983> Accessed on July 10, 2019.

²¹³ Retrieved from: <https://www.cnbc.com/2018/09/06/baby-shark-samsung-publishing-stock-soars-on-success-of-viral-song.html> Accessed on July 10, 2019.

²¹⁴ A meme is an image, video, piece of text, etc., typically humorous in nature, that is copied and spread rapidly by internet users, often with slight variations. (Oxford English Dictionary)

²¹⁵ Ekman, Paul. 1992. "An argument for basic emotions." *Cognition & Emotion* 6. 3-4:169-200.

- Understand the benefit of “platform” strategies.²¹⁶ In a very real sense Baby Shark provides a platform from which Pinkfong can build both a business for itself and for its collaborators. This has many of the characteristics associated with both major and minor platform success stories, and suggests ways in which an original simple idea can be used as the platform to grow a successful business in a multitude of ways. At a very large level, for example, Disney has used simple, formulaic animated movies, mostly based on folk tales (e.g. Snow White, Cinderella, Aladdin) as platforms to sell a host of other offerings in addition to the original. These have included games, toys, and clothing. At a much smaller level, Dave Carroll, a Canadian musician, recorded a song called “United Breaks Guitars” and placed the video on YouTube as a form of protest when United Airlines indeed broke his expensive guitar on a flight and refused to compensate him. The “fuel” – the video – was excellent, funny, and entertaining. It was also helped by an accelerant: the story was picked up by all the major news media, which further accelerated the number of YouTube downloads (1.9 million by June 2019).²¹⁷ Carroll was obviously able to monetize the video downloads on YouTube. More importantly, however, he also used it as a platform to sell a book about the incident; to act as a spokesperson for Taylor guitars, travel consultants, and service training companies; to sell a range of merchandise such as T-shirts and mugs; and to give talks on service quality and act as a consultant and motivational speaker for many large companies.²¹⁸

Baby Shark has afforded Pinkfong a platform from which it can build a very substantial business. The original video has enabled the company to expand into publishing, live performances, toys, and a whole range of other offerings.
- Understand the importance of stickiness, namely, designing messages, especially online ones, to be memorable so that they can create change and spur people to action. This does not only apply to markets of young consumers; it applies to customers of all ages.
- Understand the power of alliances. Pinkfong has not attempted to monetize everything concerning Baby Shark for itself. While this may have been an attractive proposition, the company does not have unlimited resources, and instead, has sought partners all over the world, who serve a variety of different markets, and have different skills and resources. For Canadian firms desirous of entering the Korean market (and indeed others), this means that finding suitable partners with whom to form alliances is important and potentially rewarding. Firms could either market their own content through a partner like Pinkfong, or align with Pinkfong to represent it in either a broad or specific manner in the home country.
- Be culturally sensitive. Pinkfong has made sure to be culturally sensitive in selling its content online in different countries. While simple kids’ videos such as Baby Shark might seem innocuous, it is worth ensuring that whatever is placed online does not offend members of other cultures.

²¹⁶ See <https://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/the-right-digital-platform-strategy> Accessed on July 10, 2019.

²¹⁷ Retrieved from: <https://www.youtube.com/watch?v=5YGc4zOqozo> Accessed on July 10, 2019.

²¹⁸ See Deighton, John. 2009. *United Breaks Guitars, Harvard Business School Case 9-510-057*, Boston, MA: Harvard Business School Publishing.

- Be wary of intellectual property issues. The Pinkfong Baby Shark case raises important issues regarding intellectual property. First there is the issue of content that might be viewed in some countries as being in the public domain. For example, an old folk song whose composer might not even be identified, or for which the content has long expired. Second there is the issue of disputing an intellectual property issue in a jurisdiction outside of the home country.
- Understand the power and opportunities that conducting natural online experiments can provide. Producing a simple video such as Baby Shark is relatively inexpensive, and broadcasting it initially is essentially free. While not all videos will go viral or achieve the spectacular online success of the Baby Shark video, the odds of success increase in relation to the number of attempts to gain public attention. While the hit rate on successes might be low, a success even a tenth the magnitude of Baby Shark can result in major payoffs.

APPENDIX

Digital Technology in South Korea and Canada - A Comparison of Digital Device Ownership, Digital Media Consumption, and Digital Behaviour

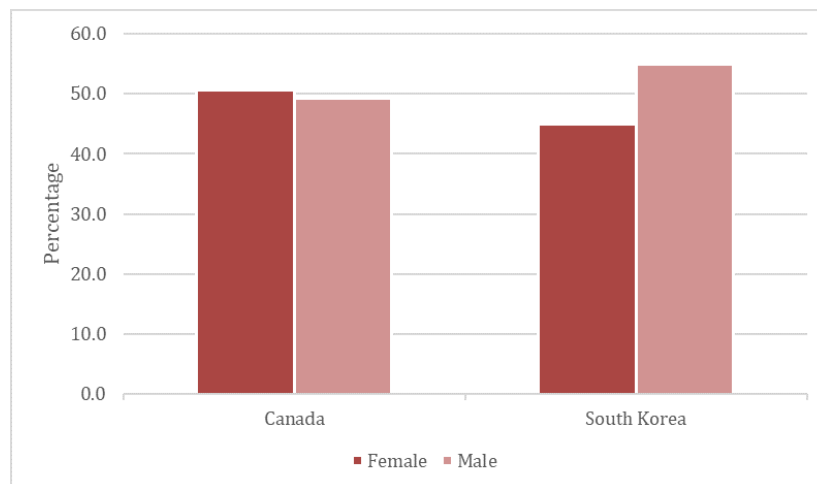
1.0 Sample Panel Introduction

This data was professionally collected by a large market research organization as part of their annual research program. The sample panel includes 1,001 individuals from Canada and 500 individuals from South Korea. Both the Canadian and South Korean sample aimed to be as representative as possible.

2.0 Sample Panel Statistics

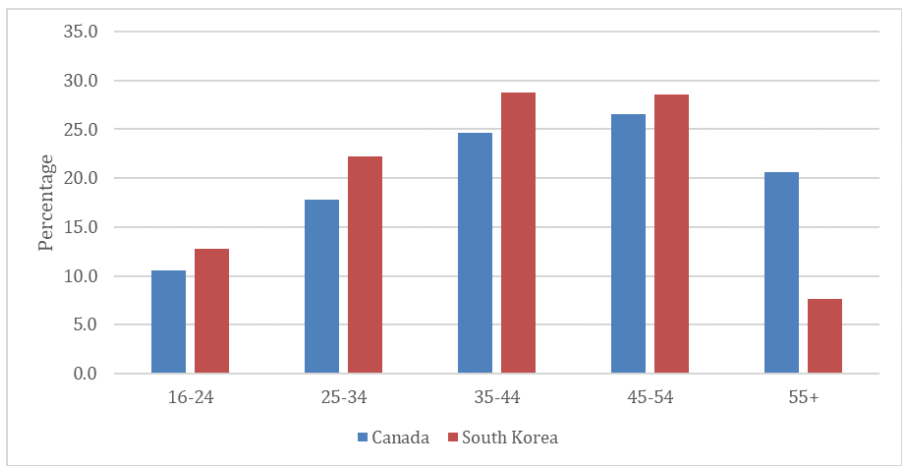
The Canadian sample is balanced in terms of gender, with 49.3% men and 50.7% women (see Figure 2.1). The South Korean sample had slightly fewer women with 45% and slightly more men with 55%.

Fig. 2.1: Gender mix (%)



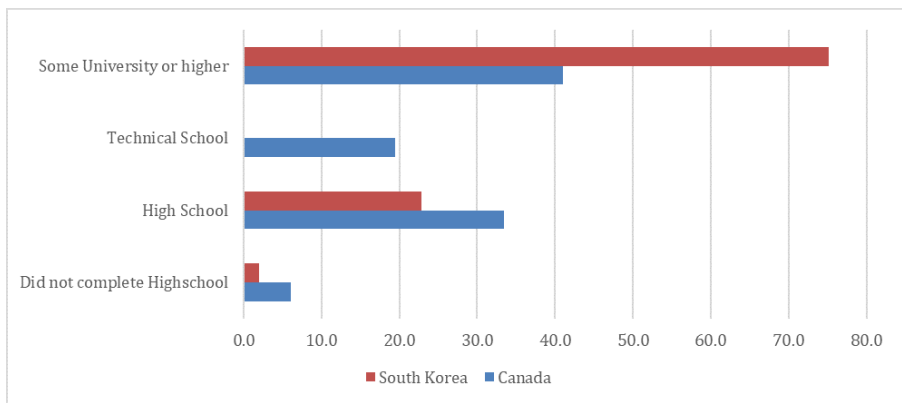
The average age of the sample was older in Canada, at 42.9 years of age, than in South Korea at 39.1 (see Figure 2.2). The Canadian sample was evenly distributed around the average age, but the South Korean sample was younger, with 7.6% of the sample being above 55, compared to 20.6% in the Canadian sample.

Fig. 2.2: Age distribution (%)



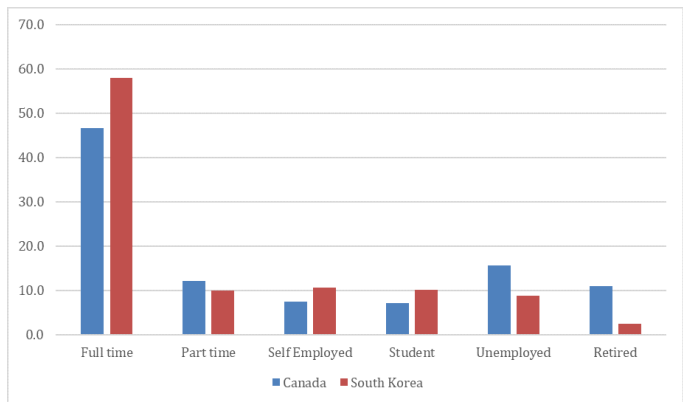
In terms of education completed, the South Korean sample was more educated, with 75.2% graduating university, versus only 41.0% in Canada (see Figure 2.3). Similarly, only 2.0% of the South Korean sample did not complete high school, compared to 6.1% in the Canadian sample.

Fig. 2.3: Education distribution (%)



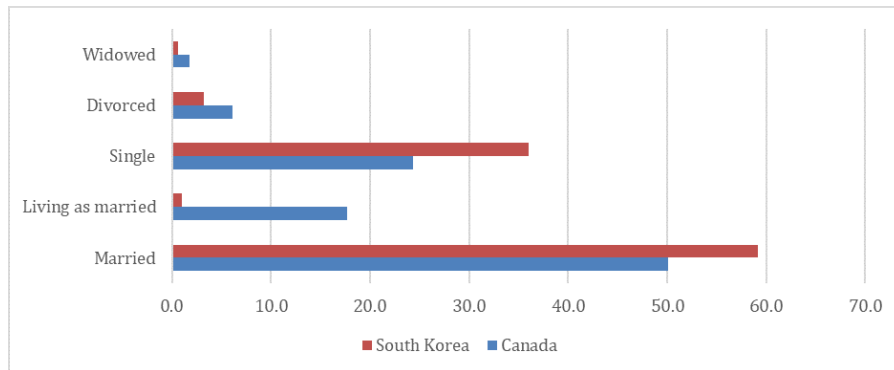
In terms of employment status, the largest group of individuals were employed full time, with 58.0% in the South Korean sample and 46.6% in the Canadian sample (see Figure 2.4). Only 8.8% of the South Korean sample reported being unemployed, compared to 15.7% of the Canadian sample. In line with the Canadian sample being slightly older, the Canadian sample included 11.0% of retired participants versus only 2.4% in the South Korean sample.

Fig. 2.4: Employment status (%)



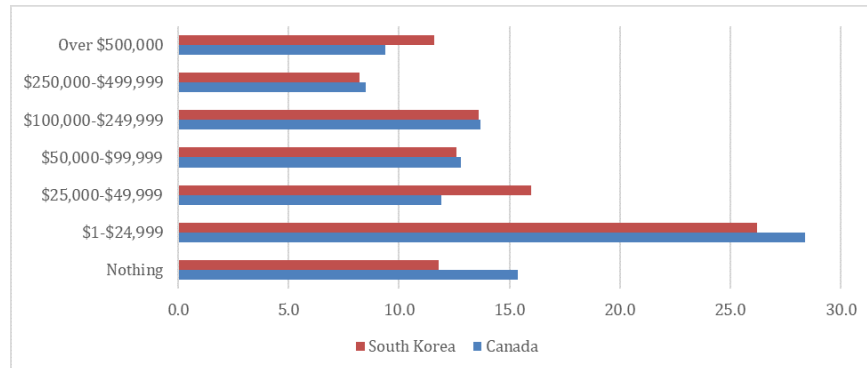
In terms of marital status, most people in both countries were married, with 59.2% in the South Korean sample and 50.1% in the Canadian sample. Only 1.0% of the South Korean sample reported living as married, while this designation was more common, 17.7%, in the Canadian sample. Many respondents in both countries stated they were single, with 36.0% in South Korea and 24.3% in Canada.

Fig. 2.5: Marital status (%)



In terms of household investable assets, South Korean respondents on average reported that they hold more than individuals in the Canadian sample. Some individuals (11.8%) in the South Korean sample reported having no household investable assets, compared to 15.4% in the Canadian sample (see Figure 2.6).

Fig. 2.6: Investable household assets (%)

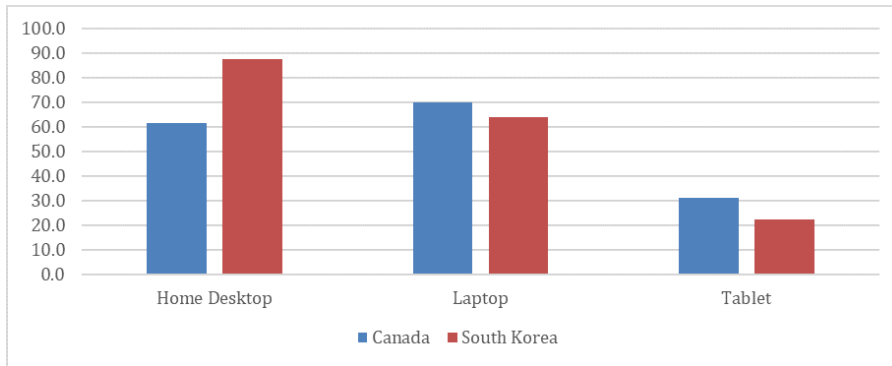


3.0 Digital Device Ownership

Before investigating the extent to which digital technology has penetrated the daily lives of individuals in South Korea and Canada, it is important to assess their access to or ownership of basic digital technology.

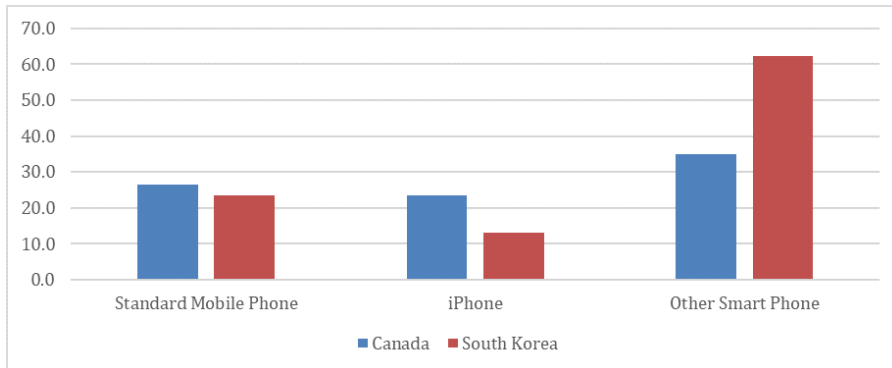
Most individuals in both countries seemed to have access to at least one personal computer at home, with some having access to more than one computing device (see Figure 3.1). The South Korean sample reported having access to desktops (87.6%), laptops (64.0%), and tablet computers (22.2%). The South Korean sample reported owning more (87.6%) home desktops than the Canadian sample (61.6%).

Fig. 3.1: Own a computer (%)



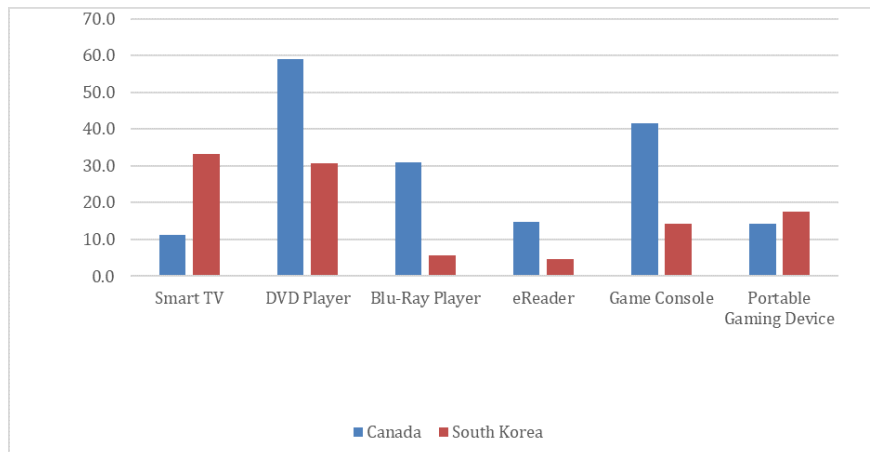
The picture changes slightly when examining mobile phone ownership (see Figure 3.2). The South Korean sample reported owning more other smartphones (62.4%), compared to 34.9% of the Canadian sample. With the Canadian sample, 23.6% reported owning an iPhone, while only 13.2% of the South Korean sample reported owning an iPhone.

Fig. 3.2: Own a mobile phone (%)



In terms of home electronic devices, the Canadian sample reported higher percentages of ownership of DVD players, e-readers, and game consoles (see Figure 3.3). Smart TVs are relatively more popular with the South Korean sample (33.2%) than the Canadian sample (11.1%).

Fig. 3.3: Home electronics devices ownership (%)



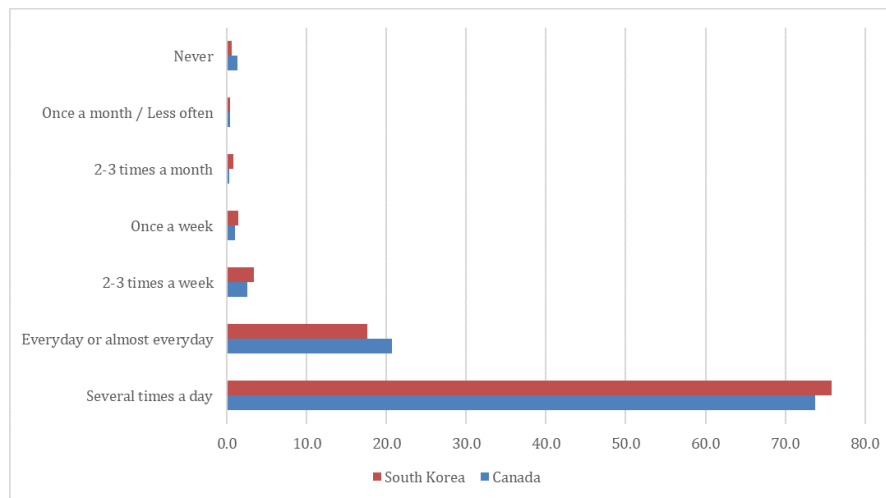
In short, although there are some differences in device ownership, digital technologies are pervasive in both South Korea and Canada, with most individuals reporting that they own digital devices.

Digital Media Consumption

Media consumption has been changing with the widespread adoption of the internet and associated web and networking technologies. First, individuals reported their overall internet usage, then questions drilled down to understand how these individuals consume media both in offline and online contexts. Finally, the survey explored the extent to which they used social media and the reasons for that use.

As expected, internet usage was pervasive among individual in both countries (see Figure 4.1). Of the Canadian sample, 94.5% reported using the internet at least every day or almost every day. This was echoed by the South Korean sample, where 93.4% reported using the internet at least every day or almost every day.

Fig. 4.1: Internet use (%)



Television (TV) habits have been largely offline in both the Canadian (77.3%) and South Korean (75.2%) samples, with reports that individuals watch conventional TV at least once a day or almost every day. This contrasts with online TV use in both samples, with South Korea (18.8%) and Canada (14.9%) watching every day or almost every day (see Figures 4.2 and 4.3). Conventional TV seems widely adopted in both countries, with only a relatively small percentage in each country reporting they do not watch it (South Korea: 3.2%; Canada: 4.9%). Furthermore, the spread of online TV media has been more pervasive in South Korea among the sample, with only 14.8% reporting they never use online TV. This is contrasted by the Canadian sample, in which 44.8% reported never using online TV.

Fig. 4.2: Conventional TV use (%)

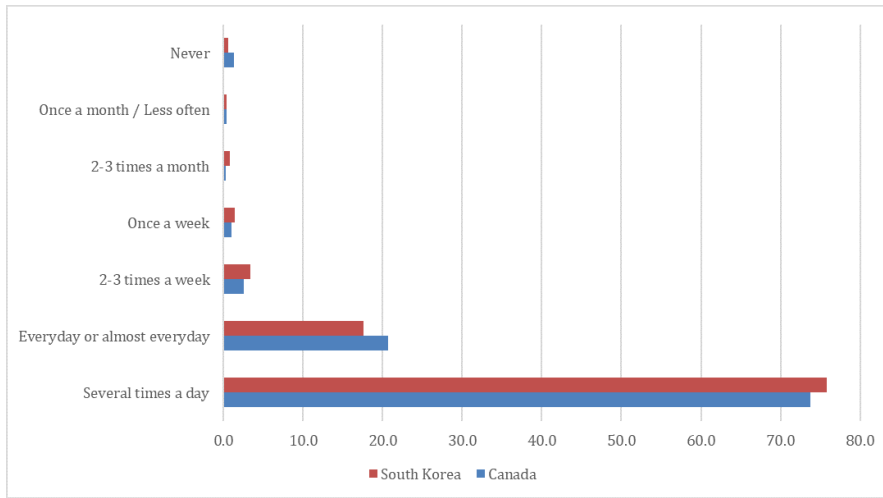
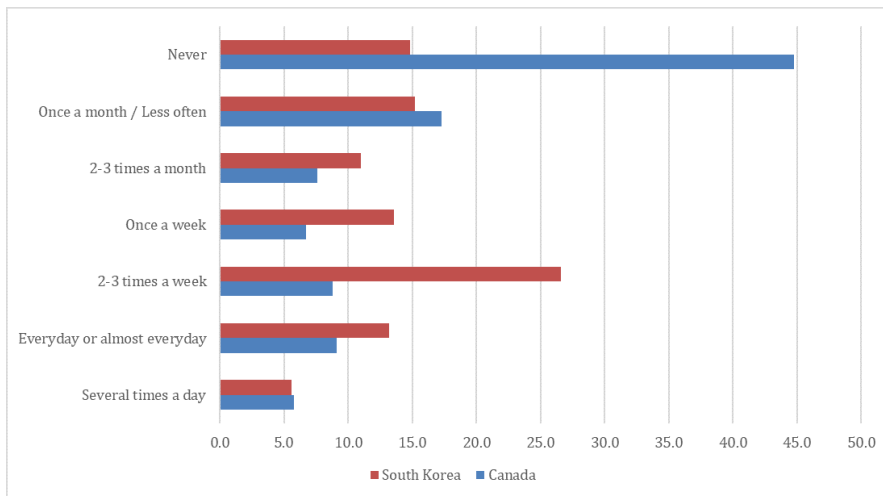


Fig. 4.3: Online TV use (%)



In terms of how people access news, South Korean individuals seemed to rely more on digital (74.0%) newspapers at least once a day or almost every day than print (27.8%) (see Figures 4.4 and 4.5). However, the Canadian sample reported much smaller percentages of relying at least once a day on digital (33.1%) newspapers, and similarly with print (23.5%).

Fig. 4.4: Print newspaper use (%)

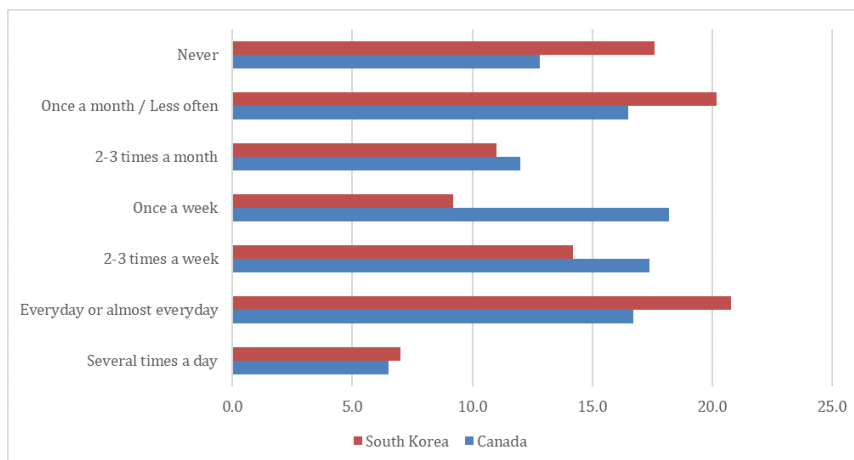
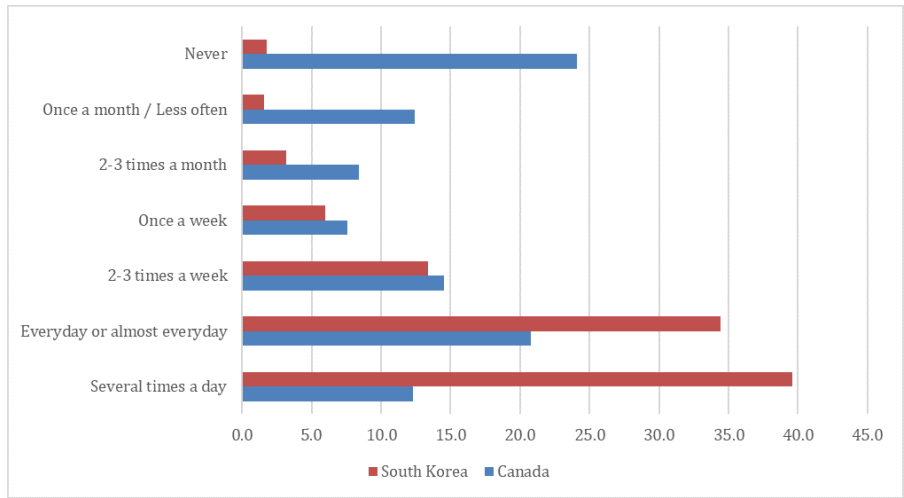


Fig. 4.5: Digital newspaper use (%)



Whereas newspapers were not as widely used in Canada compared to South Korea in the study, 55.8% of the Canadian sample used conventional radio, compared to only 25.6% of the South Korean sample (see Figures 4.6 and 4.7). However, this pattern does not carry over to digital radio media, as many individuals in both countries report not using or rarely using radio on the internet.

Fig. 4.6: Conventional radio use (%)

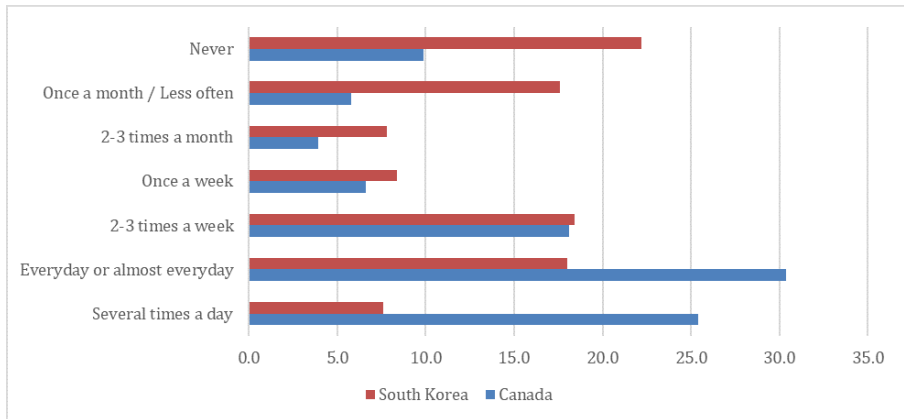
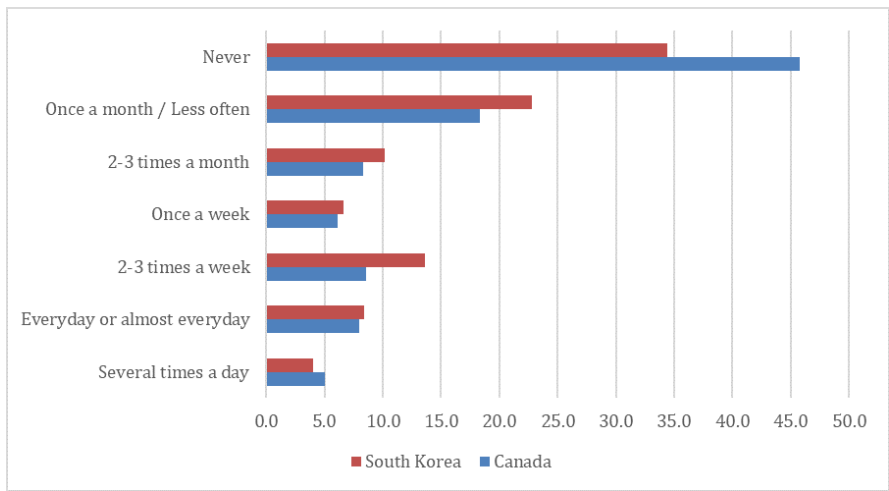


Fig. 4.7: Digital radio use (%)



Canadians reported similar usage of magazines in print formats compared to South Koreans (see Figure 4.8). Digital magazines were especially unpopular among the Canadian sample, with 51.1% reporting never using the medium, whereas only 24.2% of the South Korean sample responded the same way (see Figure 4.9).

Fig. 4.8: Print magazine use (%)

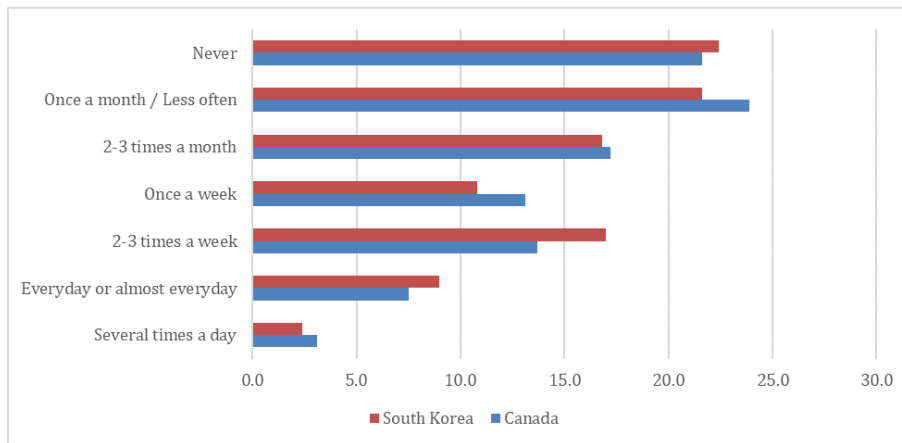
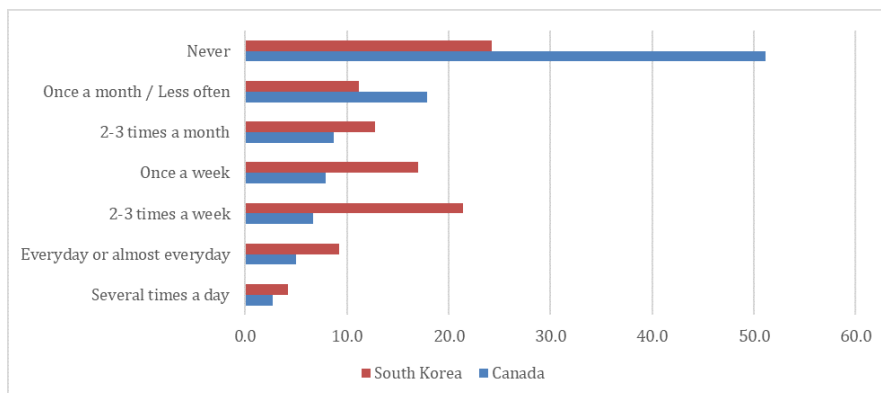
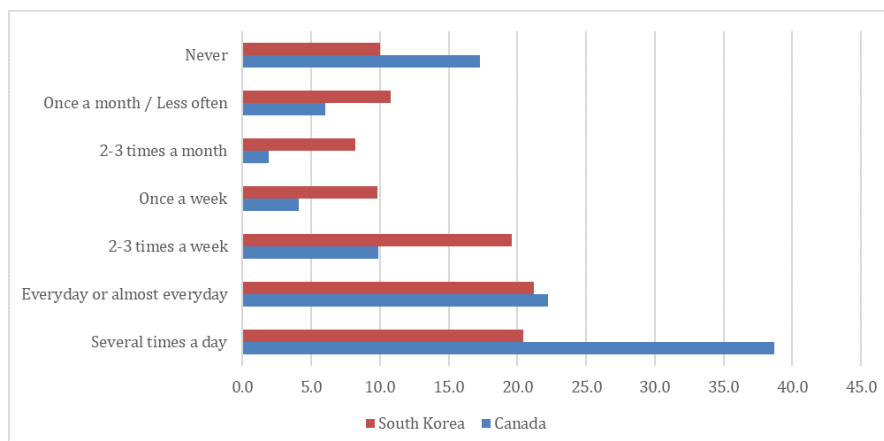


Fig. 4.9: Digital magazine use (%)



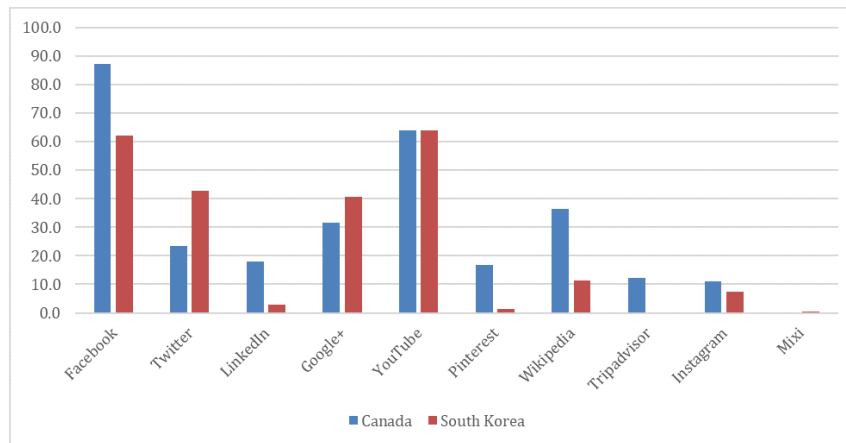
Canadians reported using social media sites more frequently than South Koreans, with over 60.9% of Canadian individuals in Canada using these services at least once a day or almost every day, versus 41.6% in South Korea (see Figure 4.10).

Fig. 4.10: Social media use (%)



Some platforms were popular with individuals in both countries, such as Facebook and YouTube, but others were more popular with South Koreans, such as Twitter (see Figure 4.11). LinkedIn was more popular with Canadian social media users (18.1%) than South Koreans (2.8%).

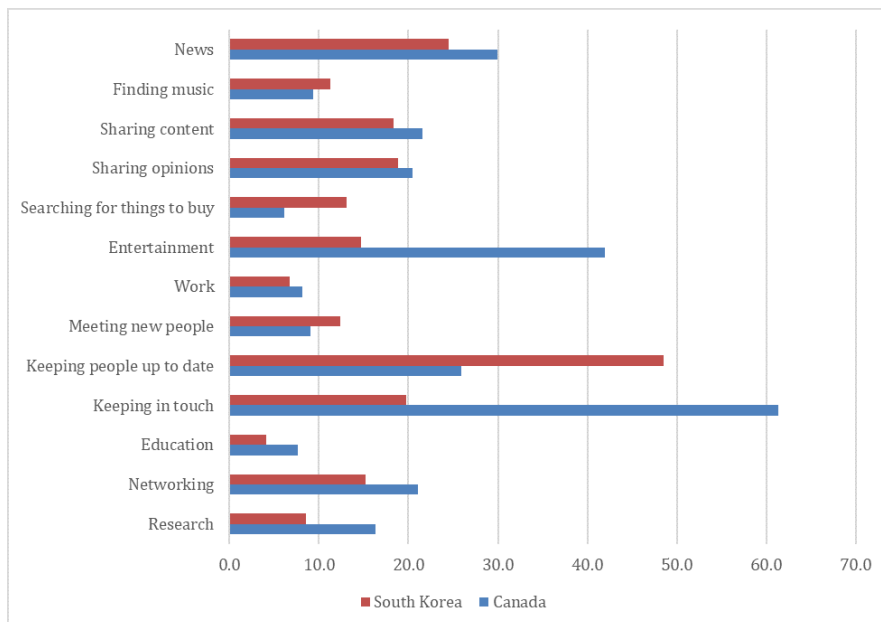
Fig. 4.11: Platform access within the last month (% of social media users)*



* Reporting only where use was above 9% in at least one country

Social media users in the South Korean sample reported a narrow range of reasons for using social media sites, such as keeping people up to date (48.5%) and news (24.5%) (see Figure 4.12). However, individuals in the Canadian sample reported using social media for keeping in touch (61.3%), entertainment (42.0%), news (29.9%), sharing content (21.6%), networking (21.1%), and sharing opinions (20.5%).

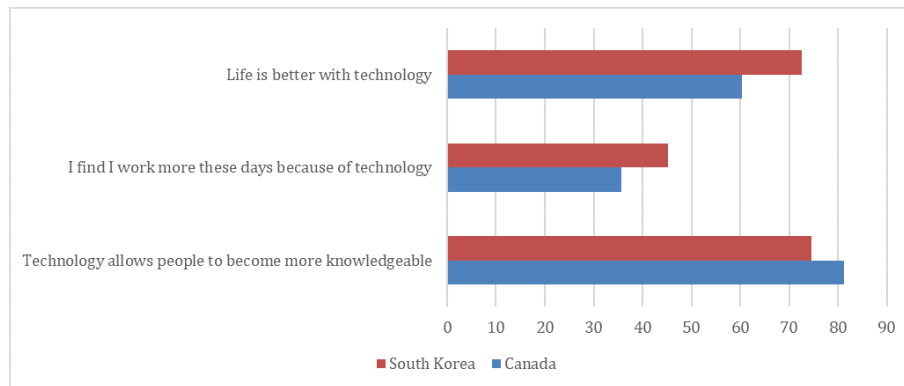
Fig. 4.12: Reasons for using social media (% of social media users)



5.0 Digital Attitudes and Behaviour

Digital technology has changed the way individuals live their lives in both South Korea and Canada. First, this report examines attitudes toward technology, including attitudes toward privacy in general, surveillance programs, and personal information collection and control. Then, the report digs deeper into the topic and asks how individuals feel about their privacy when there is a measurable benefit to the provision of their personal information: personalization. Finally, the report explores how these attitudes are seen via reported behaviour regarding online and mobile protection measures.

Fig. 5.1: Attitudes toward technology (% agree with statements)



South Koreans were generally more positive about technology in their lives than Canadians (see Figure 5.1). Specifically, 72.6% of South Koreans felt that life was better with technology, compared to only 60.3% of Canadians surveyed. Furthermore, 45.2% of South Korean and 35.6% of Canadians studied felt that they work more today due to technology. Finally, a majority of participants in both countries – South Korea: 74.6% and Canada: 81.2% – agreed that technology facilitates the exchange of information and that they felt more knowledgeable with technology.

Surveyed individuals in both countries felt that technology was part of their daily lives (see Figure 5.2). A majority of individuals in both countries felt the inability to just relax or “switch off” due to digital technologies’ impact on their life (South Korea: 61.8% and Canada: 54.8). South Koreans reported more interactions with technology than Canadians in terms of their conversations being online (South Korea: 50.4% and Canada: 33.1%) and looking at screens (South Korea: 56.2% and Canada: 63.3%). Furthermore, 66.6% of South Koreans claimed that the internet is vital to their daily lives, compared to 59.1% of Canadian individuals.

Fig. 5.2: Effects of technology on daily life (% agree with statements)

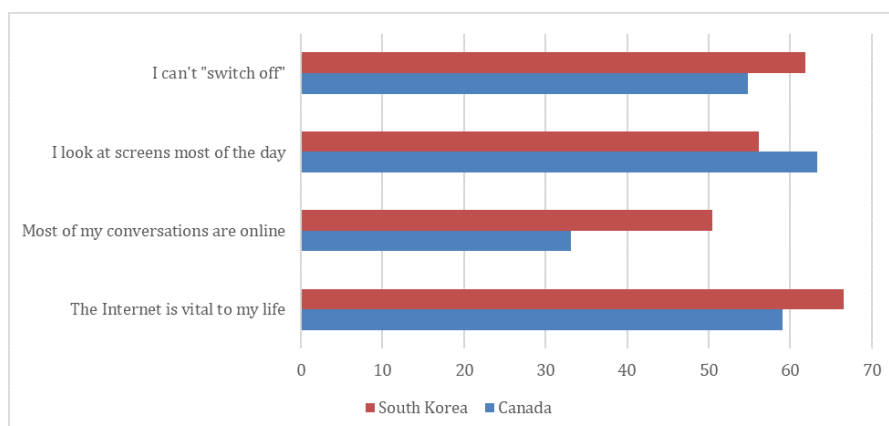
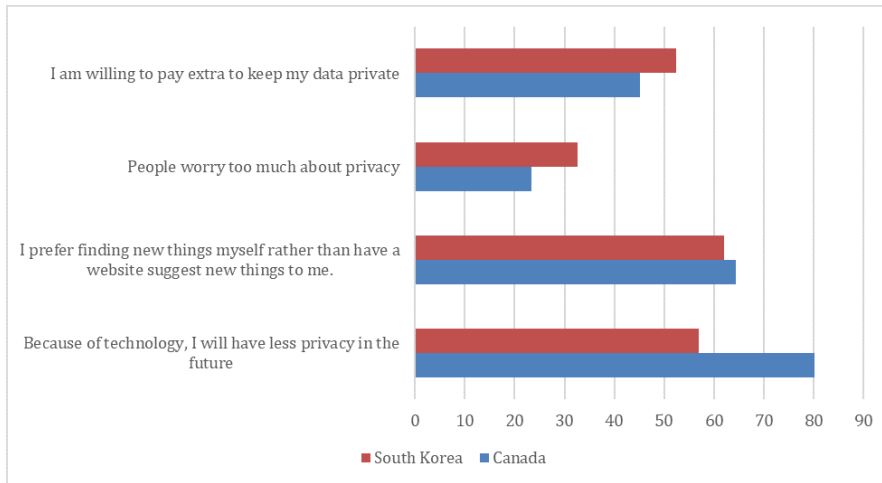


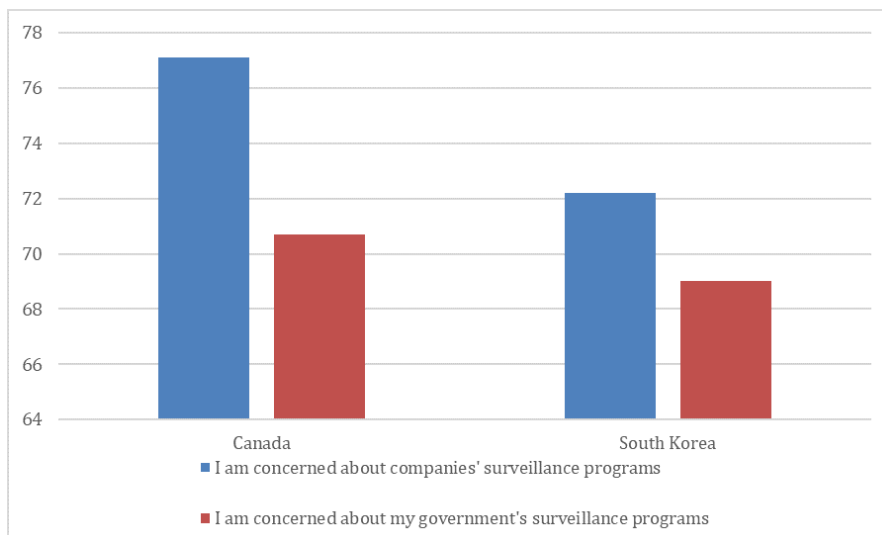
Fig. 5.3: General privacy (% agree with statements)



Turning now to attitudes specifically toward privacy, attitudes are similar for the most part (see Figure 5.3). There was general agreement in both South Korea (57.0%) and Canada (80.2%) that in the future advances in digital technology would result in less privacy. Moreover, surveyed individuals felt the same in South Korea (62.0%) and Canada (64.3%) about discovering new things: they would rather discover new things themselves than have a website suggest new things based on their personal information. However, 32.6% of South Koreans thought that people worried too much about their personal privacy, compared to only 23.4% of Canadians. Furthermore, slightly more South Koreans (52.4%) would pay more for enhanced security features than the 45.1% of Canadians who would do the same.

On the other side of the personal information privacy debate is the government and corporate surveillance programs that obtain or acquire personal information from individuals. Figure 5.4 reports the stated concern for these programs. In Canada, many individuals felt concern for both kinds of surveillance, but corporation surveillance programs evidenced slightly more concern (77.1%) compared to government surveillance programs (70.7%). South Koreans felt similar concern for corporate (72.2%) and government (69.0%) surveillance programs as Canadians.

Fig. 5.4: Concern about surveillance programs (% agree with statements)



Surveyed individuals in both countries reported similar agreement regarding the extent to which they are aware of their privacy rights under the law or perform certain privacy protection behaviours (see Figure 5.5). There was similar sentiment in both South Koreans (68.2%) and Canadians (66.8%) that they felt poorly equipped and prepared to deal with information disclosure requests from companies. However, a majority of people in both South Korea (68.4%) and Canada (70.2%) reported not performing simple information privacy protection behaviours, such as reading the terms and conditions on websites. Moreover, the majority of South Koreans (79.4%) and Canadians (78.2%) felt that there needs to be an independent regulator that manages personal information privacy and governs the actions of companies seeking to collect this personal information from consumers.

Fig. 5.5: Privacy and the law (% agree with statements)

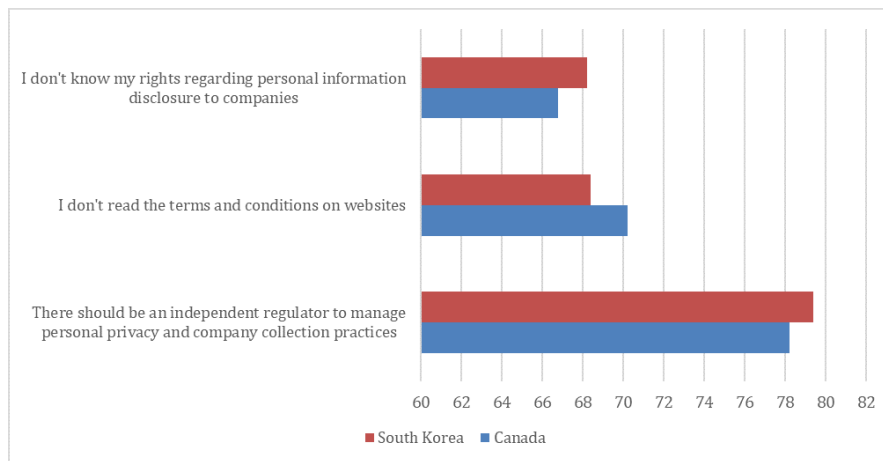
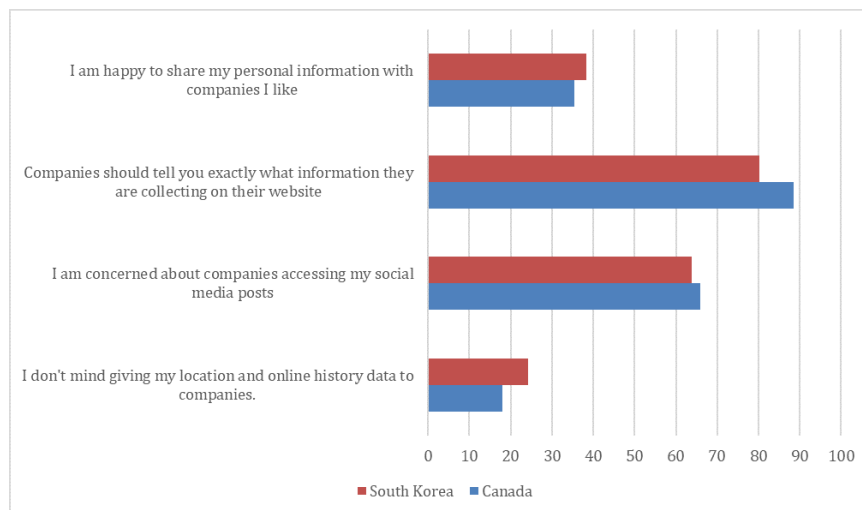


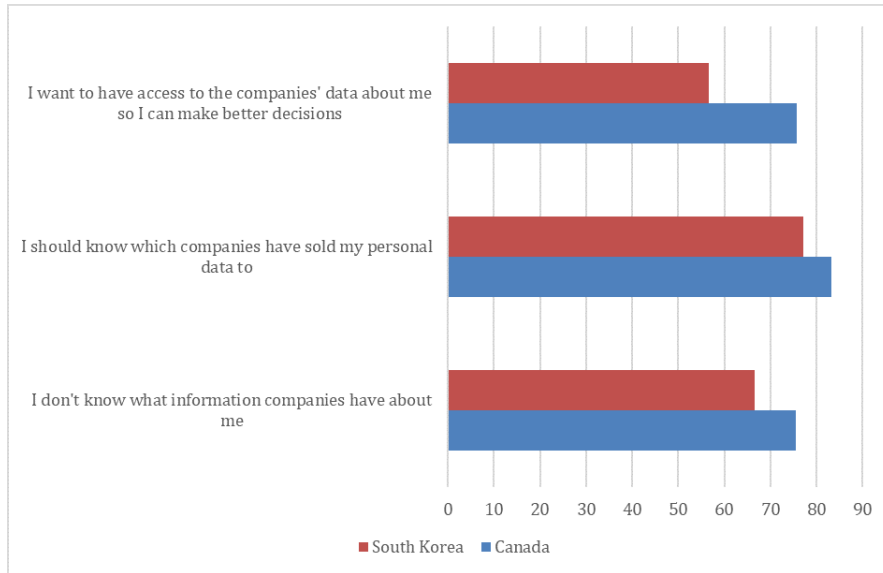
Fig. 5.6: Online collection of personal data (% agree with statements)



Looking closer at the personal information collection practices of corporations, individuals in both countries are concerned and seek transparency with these practices (see Figure 5.6). There were 38.4% of South Koreans reporting being happy to share personal information with companies they like, compared to 35.4% of Canadians who agreed. On transparency of personal information collection practices, the great majority of South Koreans (80.2%) and Canadians (88.4%) thought that companies should be clearer about the exact information being collected by corporate websites. Similarly, approximately two-thirds of South Koreans (63.8%) and Canadians (65.9%) were concerned that corporations would access their social media posts.

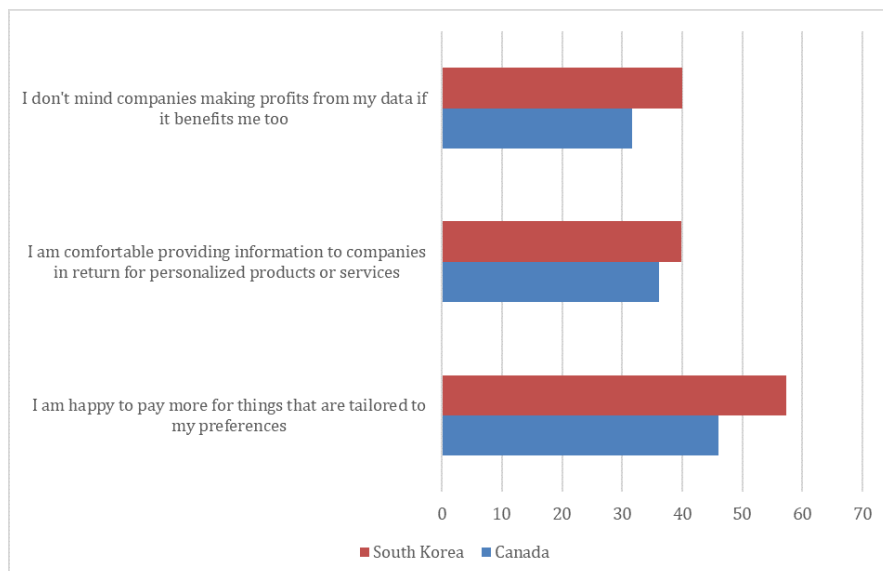
In terms of controlling the personal information after collection, both countries have similar reactions to the questions (see Figure 5.7). South Koreans (66.6%) and Canadians (75.5%) both reported that they are unsure of the information companies hold about them. Most South Koreans (77.2%) and Canadians (83.3%) feel that they should know the names of the third-party organizations that bought their personal information. Furthermore, 56.6% of South Koreans and 75.7% of Canadians would like access to the data that companies hold on them so they can make better decisions.

Fig. 5.7: Controlling personal information online (% agree with statements)



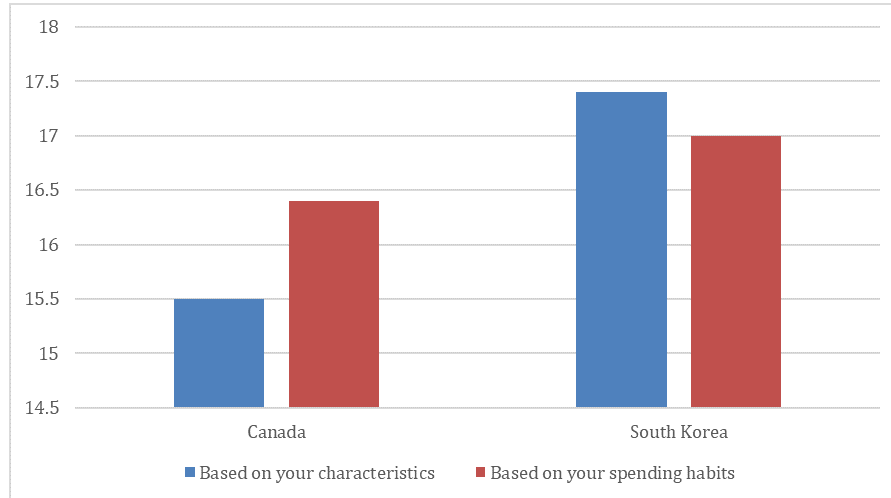
In light of these potential benefits, the next set of questions relate to how much personalization is wanted and at what privacy cost (see Figure 5.8). Overall, South Koreans saw similar benefits to personalization compared to Canadians in the study. For instance, 39.8% of South Koreans reported being happy to share personal information in return for personalized services, compared to 36.2% of Canadians. Moreover, 40.0% of these South Koreans did not have a problem with companies making profits using their personal information as long as they benefited in some way versus 31.7% of surveyed Canadians. Also, 57.4% of South Koreans and 46.0% of Canadians would be willing to pay extra for products and services that are tailored to their preferences.

Fig. 5.8: Privacy versus personalization (% agree with statements)



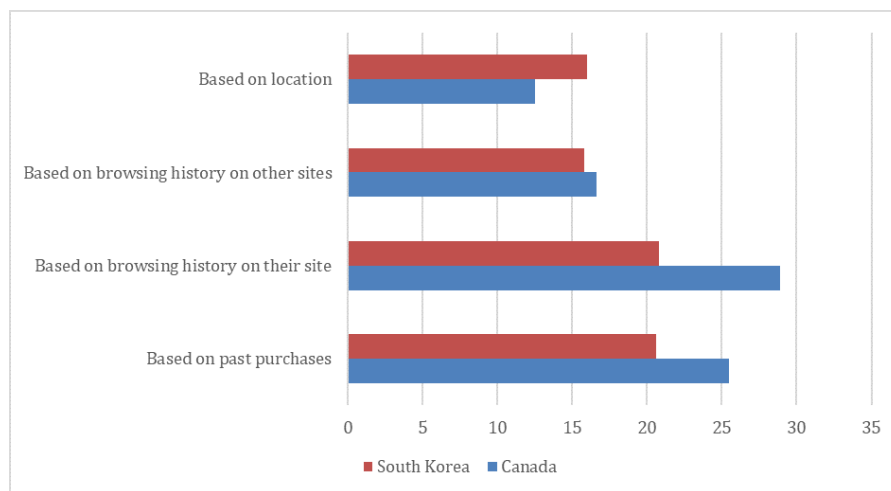
Digging further into what kind of companies the respondents would like to receive personalized services and products from, we first look at banks, then websites in general, and then specifically social media companies (see Figure 5.9). With banks, South Koreans are slightly more willing to receive personalized banking services based on their characteristics (17.4%) or their spending habits (17.0%) than Canadians (15.5% based on characteristics and 16.4% on spending habits).

Fig. 5.9: Personalized recommendations from a bank (% agree with the practice)



In terms of websites in general, again South Koreans were more comfortable receiving personalized suggestions based on location (16.0%) versus only 12.5% of Canadians. However, South Koreans were less comfortable receiving personalized suggestions based on browsing history of other sites (15.8%) versus 16.6% of Canadians, and browsing history of that site (20.8%) versus 28.9% of Canadians (see Figure 5.10). Moreover, 20.6% of surveyed South Koreans did not mind personalized suggestions where consumers had past purchases on the website, compared to 25.5% of Canadians.

Fig. 5.10: Personalized suggestions from a website (% agree with the practice)



For social media companies, South Koreans and Canadians seemed to be similarly sensitive to personalized suggestions from websites (see Figure 5.11). Only 16.4% of South Koreans and 19.4% of Canadians were comfortable having personalized suggestions based on their personal browsing history. Similarly, 19.1% of Canadians, versus 18.5% of South Koreans, were

comfortable receiving personalized suggestions from a social media company based on their own personal interests. When asked how they felt if these personalized suggestions were based on friends' interests, 19.2% of South Koreans and 14.5% of Canadians agreed with the practice.

Fig. 5.11: Personalized suggestions from a social media company (% agree with the practice)

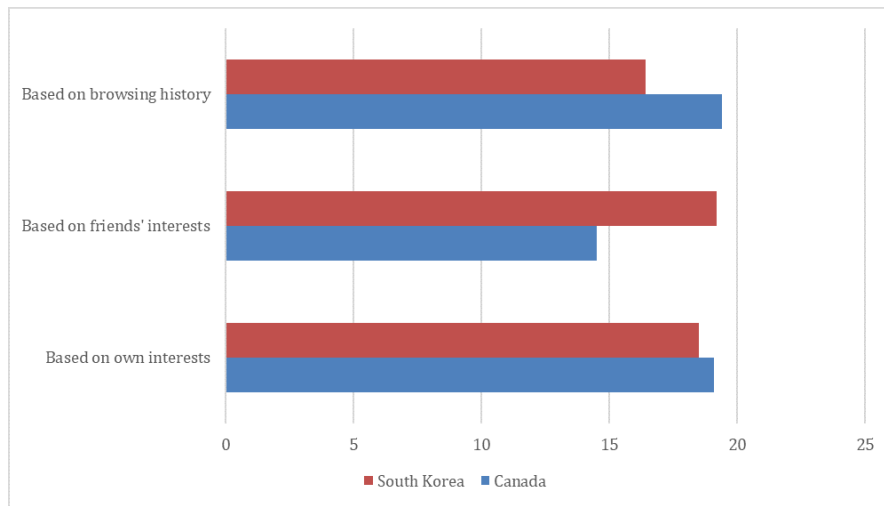
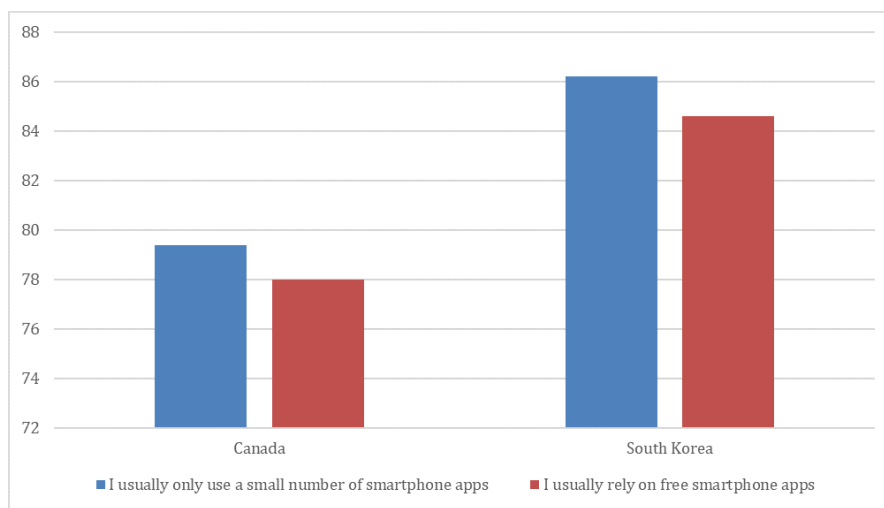


Fig. 5.12: App behaviour (% agree with statements)



Finally, regarding app behaviour, surveyed individuals in both countries reported similar behaviours (see Figure 5.12). While both countries reported relying on a small number of apps (South Korea: 86.2%; Canada: 79.4%), these apps are generally free (South Korea: 84.6%; Canada: 78.0%), and often have user agreements that require the disclosure of personal information or being allowed to track personal information such as location.

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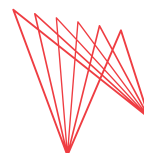


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