Korea’s Apparel Industry

By Grace Sung
Commercial Specialist
Commercial Service Korea
Recession

• Korea joined the world’s recession in October 2008
• Korean Won was weakening against U.S. Dollar and went up about 60% at one point (from KW 900 to KW 1,500)
• This halted many companies from investing & importing. The Korean Won has since stabilized.
• Now:
  - USD 1 = KW 1,150
  - EU 1 = KW 1,600
  - JPY 1 = KW 1,200
Bouncing Back

• Starting summer of 2009, consumer confidence in spending began to rise, although the economy has not fully recovered
• According to Korea Financial News, sales of prestige products, cosmetics, and men’s apparel at major department stores in August marked highest since the recession, a sign of the economy’s recovery
• The GDP in 2008 = USD 853 billion
• Economic growth in 2008 = 2.2%
• Samsung Economic Research Institute’s estimated economic growth in 2010 = 4.3%
Korea’s Retail Structure – Dept. Stores

- Department stores do not directly purchase and import goods but only rent out floor space to the brands by receiving 15 – 35% commission from sales
- The major department stores are run by large Conglomerates – Lotte (Lotte Shopping), Shinsegae (subsidiary of Samsung), Hyundai (Hyundai Group), Galleria (Hanhwa)
- Department stores are for luxury and branded goods
Profile of Four Major Dept. Stores

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Company</th>
<th>Number of Stores</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shinsegae</td>
<td>Shinsegae Dept. Store</td>
<td>8</td>
<td><a href="http://department.shinsegae.com">http://department.shinsegae.com</a></td>
</tr>
<tr>
<td>Hanwha Stores</td>
<td>Galleria Dept. Store</td>
<td>8</td>
<td><a href="http://www.galleria.co.kr">http://www.galleria.co.kr</a></td>
</tr>
</tbody>
</table>

(Source: Each company’s official website)

![Graph showing sales revenue of top 4 department stores in Korea.](Image)
Korea’s Retail Structure – Discount Stores

- Discount stores are also mostly operated by large conglomerates – Tesco (Samsung), E-Mart (Samsung), Lotte Mart (Lotte), etc.
- Discount stores are also operating on commissions instead of direct purchase/imports
- Discount stores are about providing value at cheaper price
- Products that are sold in discount stores are “forbidden” to be sold in department stores
Duty on Fashion Items

- Apparel and accessories: 8%
- Leather and leather goods: 8%
- Textile: 8%
- For exact duty on your product line, please visit: [http://english.customs.go.kr/kcsweb/user.tdf?a=user.customtariff.CustomTariffApp&c=1001&mc=ENGLISH_INFORMATION_KOREA](http://english.customs.go.kr/kcsweb/user.tdf?a=user.customtariff.CustomTariffApp&c=1001&mc=ENGLISH_INFORMATION_KOREA) (only works when entering 10 digit HS code)
Market Share of Fashion Industry in 2009

(Unit: USD Billion / USD 1 = KW 1,200)

(Source: Fashionbiz Magazine, www.fashionbiz.co.kr)
Preference on Country of Origin

(Source: Korea Fashion Industry Market Trend 2009)
Some of U.S. Brands in Korea

- Brands that are currently doing business in Korea: Banana Republic, Coach, DKNY, Donna Karen, Juicy Couture, Gap, Marc Jacobs, Nautica, Polo, Dr. Martin, Ralph Lauren, Reebok, Jill Stuart, Guess, Elie Tahari, Theory, Tommy Hilfiger, etc.
- Brands that Koreans are seeking: Ann Taylor, Ann Klein, Urban Outfitters, Abercrombie, Old Navy, Liz Claiborne, Jones New York, etc.
Market Trends in 2009

- Many Korean fashion companies were focused on staying “alive” in the economy recession.
- About 20 small and medium sized fashion companies went out of business during 2008 and 2009.
- Demand for fashion accessories and men’s casual wear had increased, along with “fast fashion” brands, such as Uniqlo, Zara, Mango, etc.
- Luxury brands, such as Louis Vuitton, had seen the most sales in 2009 due to upper class Koreans continuing to shop and in-bound visitors from Japan and China.
Market Forecast for 2010

• Large fashion companies will continue to do well and may be the only ones surviving in the market
• Many companies plan to focus on re-launching their brands or coming up with their second line, instead of launching a whole new brand
• Fashion accessories, sportswear, luxury goods will be in demand
• Very high-end products were never affected by the recession (ex: sales of Louis Vuitton and Estee Lauder in Korea have recorded highest ever)
• Luxury products market was USD 2 billion in 2009, showing 19% growth from 2008
• The big six brands (Gucci, Chanel, Louis Vuitton, Hermes, Prada, and Ferragamo) take up 30% of the luxury market
• Koreans are very brand conscious – high end brands and even casual global fashion brands are still in demand
• The “second brand” of prestige brands (Marc by Marc Jacobs, etc.) are in demand in this market, when consumers are still recovering from the recession
• Off price goods are also in demand by many discount stores
Best Prospect in Fashion Industry - II

- Outdoor wear and sportswear will continue to be in demand with more Koreans’ lifestyle evolving in ‘wellness’
- Koreans favor brands that can offer all fashion items, from apparel to jewelry and shoes. Globally well known women’s wear brands that can offer this one-stop-shopping venue will be in demand
The End

• Questions:
  Grace Sung
  grace.sung@mail.doc.gov
  Tel: 82-2-397-4324

• IPR Tool Kit for Korea: