



# The E-commerce Market in South Korea

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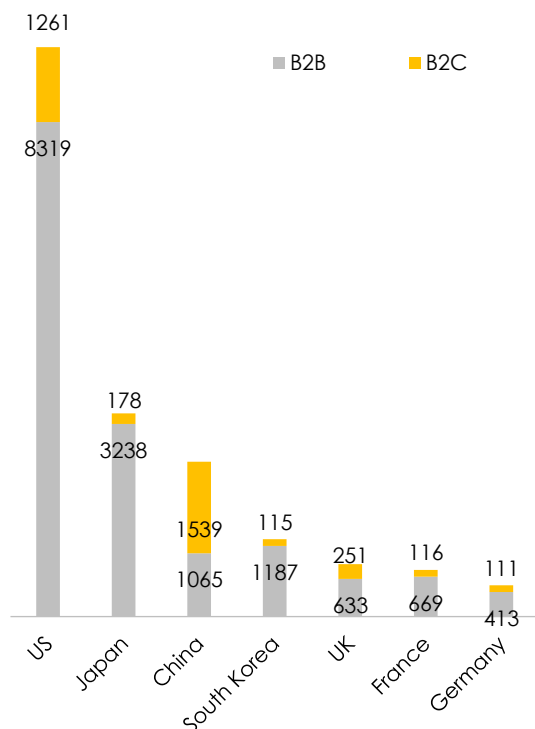
This report provides a comprehensive overview of the South Korean e-commerce market covering market trends, characteristics, consumer behavior and major players.

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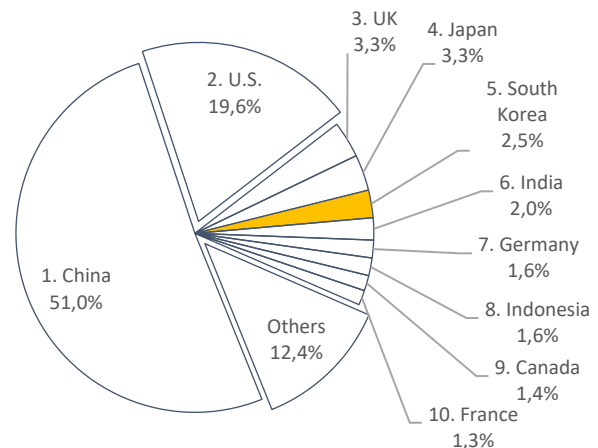
## SOUTH KOREAN E-COMMERCE: AN OVERVIEW

The South Korean e-commerce market is one of the biggest in the world. Considering only B2B and B2C e-commerce sales, South Korea is the 4th biggest market in 2023 and is expected to become the third largest by the end of this decade globally. Like in most countries, Korea's B2B market is generally larger than the B2C market. Interestingly, Korea's share of total e-commerce sales in GDP is the highest in the world at 79%, while other countries with high e-commerce sales are usually well below 50% of their GDP share besides Japan which reaches around 67%.

**Top 10 countries in e-commerce sales in 2019**  
(in Billion USD, UNCTAD)



**Global e-commerce retail market size ranking in 2023**  
(% of total worldwide retail ecommerce, eMarketer)

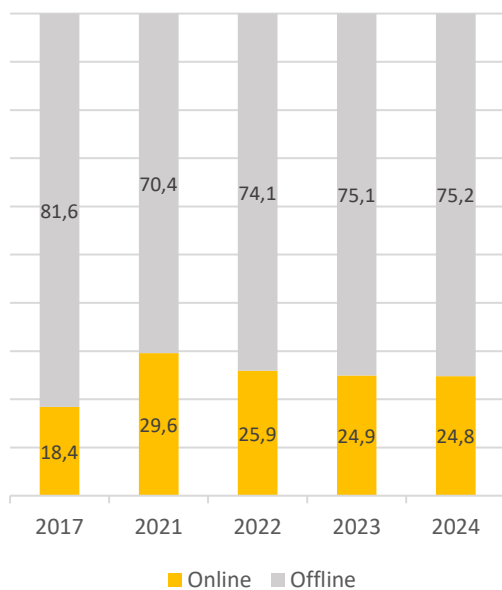


South Korea's total retail e-commerce market is the 5th largest in the world and ranked 3rd in the Asian-Pacific region in 2023. The market size was once only half as big as Germany's, which was the largest in the EU and the 5th biggest ecommerce market globally, before overtaken by South Korea in 2020. The share of retail e-commerce sales in the Republic of Korea increases steadily each year. As depicted in the table below, 18.4% of the retail sales were made online in 2017, but numbers increased significantly within 6 years peaking at almost 30% in 2021 amidst the pandemic. Covid-19 functioned as key growth driver of e-commerce retail and paved the way for an unprecedented retail digitization boom in the country.

## THE SIZE OF KOREAN E-COMMERCE

Although general online retail sales began shrinking again after 2021, South Korea continues to be the world's leading nation in this category with an online sales share of 24.9% in 2023. To put Korea's numbers into perspective, the world's average was estimated to be around 19.5% in 2023 with Europe only reaching about 13.6% in online retail sales according to a joint analysis of Statista and EcommerceDB.

**Percentage of total retail and online retail sales in South Korea** (Statista Market Insights 2023)

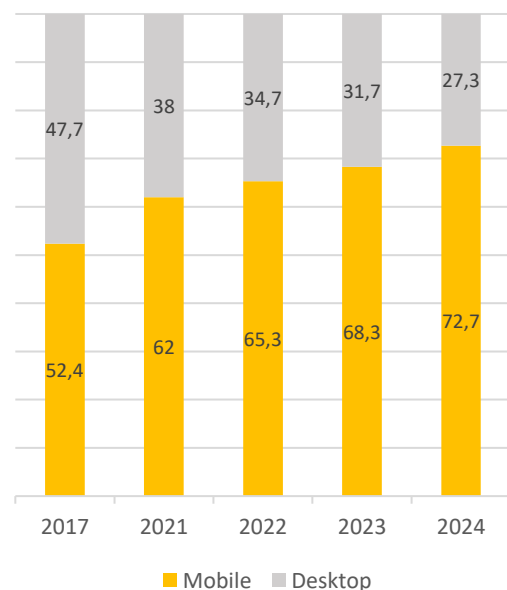


Another metric further showcasing South Korea's digitization boom and impressive ecommerce ecosystem is the share of online sales made through mobile devices and desktops. Comparing these figures gives insight into the development of online shopping consumer preferences in South Korea.

Since 2016, more than half of all e-commerce sales have been made through mobile devices. It shows that the e-commerce landscape in South Korea is not only growing rapidly but also shifting towards a mobile rather than desktop-oriented environment. Together with China, South Korea is again leading this development although the shift to mobile can be observed globally.

The implications of this development can vary greatly depending on the industry, but there is no doubt that having a strong digital presence through apps and mobile oriented services will continue to become more important in the near future.

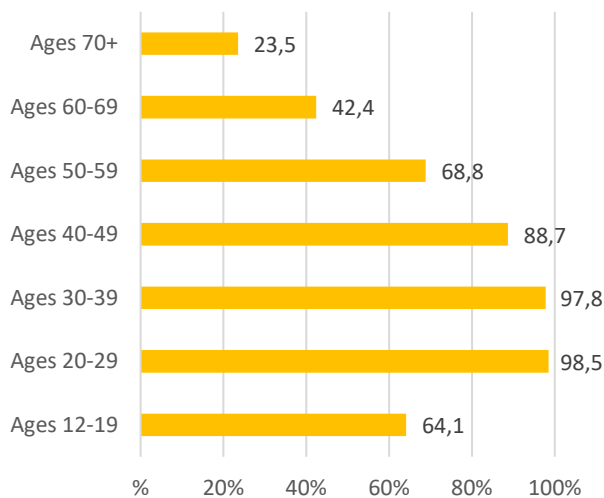
**Share of online sales made via mobile and desktop in South Korea** (Statista Market Insights 2023)



## WHO BUYS WHAT

According to the International Trade Administration, over 91% of all Koreans use the internet and mobile devices frequently. By being one of the first countries to provide widespread commercial 5G, South Korea is now the second ranked country in the world regarding mobile connection speed. As depicted below, the online shopping ratio throughout all ages is very high, reaching almost 99% between the ages of 20 and 40.

**South Korean online shopping ratio by age group** (2022 Statista, KWDI)



Food delivery, groceries, electronics, daily necessities, travel services, clothing, and cosmetics are what Koreans purchase online the most. Before the pandemic, travel services were the leading category, but since 2022 food services (mainly delivery) have emerged as the most popular choice among Koreans.

According to data of the Korea Statistics Agency (2023) and the International Trade Administration (2022), the food service and food & beverage category reached around 13% in 2021 and jumped to 17.7% in 2022. At the same time, clothing increased by 4% from around 8 to over 12% in 2022.

Home appliances & electronics such as household goods are consistently in high demand making up 10.1% and 11% respectively among total online transactions. Travel services have not recovered since the pandemic making up only approximately 5% compared to over 12% in 2019 (KOSTAT 2020). On the contrary, the cosmetics sector has been consistently growing throughout the years peaking at 7.4% in 2022.

Besides local marketplaces, Koreans increasingly shop overseas and spent over 4.5 billion USD abroad in 2021. Nearly 41% of purchases came from US, but also China is significantly increasing its online presence in South Korea lately. Koreans are currently making frequent purchases from more than 30 other nations as a result of their changing shopping habits.

## CONSUMER BEHAVIOR AND CUSTOMER EXPECTATIONS

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For Korean consumers, time, convenience, and efficiency are extremely important but only in alignment with their moral standards and ethics.

**Time is money.** Consumers prefer a simple, straight forward shopping process and fast delivery. As a result, convenient online payment systems have developed rapidly in combination with highly optimized local logistics. Many online retailers define their payment and logistic systems as key success factor of their business.

In Korea, the e-commerce giants Coupang and Emart serve as prime examples of successful and innovative e-commerce. Initially, Coupang was a social commerce website, and Emart was an offline supermarket chain. However, over the past decade they started optimizing their logistics and first launched a next-day delivery service, which then evolved into a half-day delivery service with free returns for its members. Consequently, Coupang has significantly expanded its market share based on its fast delivery. Emart is still one of the largest offline supermarket chains, but lately underwent a rapid digitization process shifting more and more towards its online grocery offerings. In general, online versions of other major supermarket chains such as Homeplus, Lotte Mart, or GS supermarket provide fast delivery within a few hours after ordering during daytime.

Moreover, Emart now provides an early-morning grocery delivery service promising overnight delivery for orders made before midnight.

As of now, these fast delivery systems are mostly only available in major cities and the Seoul Metropolitan Area, where approximately 50% of South Korea's population resides.

**Simplicity is key.** The most frequently used payment method in online shopping used to be credit card or bank transaction. In overseas online stores, basic credit card and user information is usually required to make a purchase, but the Korean system for credit card purchases was way more complicated. To pay by credit card online, customers had to install various applications or go through a holder verification process. To avoid such inconveniences, online platforms have quickly introduced their own simplified in-app purchase system like SSG Pay (Emart), Naver Pay (Naver), or Rocket Pay (Coupang). They allow users to set up a credit card or a bank account once and then repeatedly pay through a much simpler verification process like face-scan or password. According to the Bank of Korea, popularity of in-app purchasing systems has soared and is expected to grow substantially in the future.

**Mobile shopping is on the rise.** As discussed before, shopping via mobile devices such as smartphones and tablets has long surpassed conventional computer online shopping. This development is not only related to the excellent mobile and internet infrastructure but also to the lifestyle of most Koreans. Half of the Korean population, approximately 25 million people, reside in the Seoul Metropolitan Area. As Korea lacks space to develop new residential areas, cities are densely populated, and citizens are often forced to commute multiple hours daily as they cannot afford living in city centers. Hence, Koreans spend much time using public transport. Time, during which they read, watch videos or, more often, do all kinds of online shopping. Thus, it is crucial for companies to understand this development and the resulting change in shopping behavior.

**Price matters.** One of the main reasons why people shop online, even if an offline store close by offers the same product, are discounts and convenience. Many local grocery stores even offer home delivery after shopping and convenience stores are open 24 hours a day every few hundred meters. Still, many people shop online because of the low prices and frequent discounts. A decade ago, online shopping was slow but sometimes more affordable. Nowadays, with the emergence of one-day or half-day delivery and much better streamlined logistics, online shopping is fast, convenient and usually more affordable.

Additionally, various price-comparison platforms and websites make it even easier for the consumer to find the best deals online. These further fuels cross-border shopping, as depending on products and price, some products can be purchased considerably cheaper abroad.

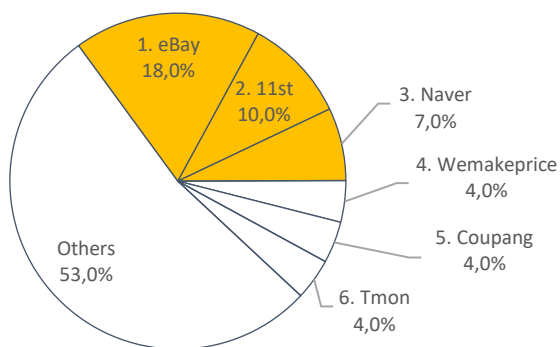
**Conscious consumption rules.** Values and ethics affect shopping more than ever before, and Korea is no exception. Korean society is still heavily influenced by Confucian values and a strong sense of community. Hence, consumers not only consider price or quality when making a purchase decision, but also tend to care about the ethics or culture of the company. According to a survey conducted by Korea Research, 62% of 1,000 respondents said, "Even if one does not violate the law or cause social harm directly, consumers shall consider the social impact when it comes to consumption". Notably, the MZ generation (a term used in South Korea referring to Millennials and Generation Z) is at the center of this development. One example of this attitude is the boycott of Coupang after a firefighter was killed in one of Coupang's warehouses due to safety negligence. Coupang lost 470 thousand members within 3 days after the fire, and nearly 25% of all members in their 20s deleted their accounts. Interestingly, besides the traditional boycott, the so-called "buy-cott" is also common in Korea where consumers support companies with goodwill by buying more of their products.

## KOREAN ONLINE MARKETPLACES

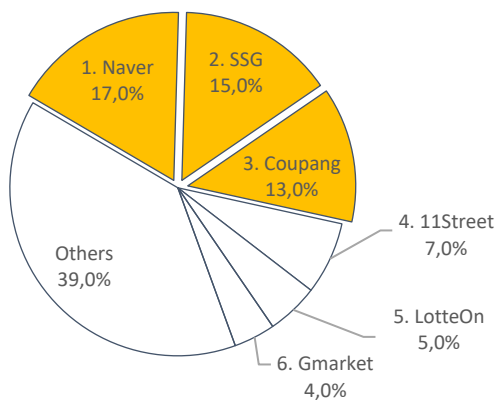
There are numerous online shops, but major open market platforms attract the majority of frequent online shoppers.

### Major open market platforms

2016



2022



In Korea, three major brands are leading the domestic e-commerce market: Naver Coupang, and SSG E-commerce. Together they hold a total market share of about 45%.

Although Coupang is the smallest out of the top 3 measured by total market share, the company is leading in several other categories.

Coupang was the most commonly used e-commerce service, accounting for 37.7% of responses, according to research by the consumer data analysis platform Opensurvey on 2.500 Koreans between the ages of 20 and 59. Based on the survey, Coupang's average weekly purchase rate was 1.5, while Naver or 11Street reached only 1.01.

The poll also revealed that Coupang users spent an average of 49.500 won (\$38.6) per person each week. Gmarket ranked second place with 47.700 won and 11th Street such as Naver came in third and fourth with 46,500 won and 44.000 won respectively.

**Naver** is the most popular search engine in Korea with over 52% total market share and Naver Shopping already being one of its main pillars. In 2016, it had a market share of only 7%, but jumped to over 17% in 2022 therefore growing significantly faster than the market average. Two advantages drove the development of Naver-Shopping: 'high search engine market share' and 'smart store ecosystem'. Initially, Naver lacked proper logistics but was able to overcome this hurdle by building a close partnership with CJ Logistics, Korea's biggest logistic company. However, Naver's actual strength lies within its ability to leverage its digital ecosystem consisting of Naver Pay, the Naver Search Engine and other services the company provides. As of 2023, Naver Pay has reached such a dominant market position that other major platforms and retailers allow Naver Pay as payment option due to its convenience.

Naver's position was recently further solidified by partnering with Samsung Pay, enabling its over 31.5 million users to pay via smartphone in any offline store that accepts credit cards through a magnetic secure transmission system. Also, Korea's second largest payment provider Kakao Pay signed a partnership with Samsung Pay, increasing its active user base significantly to over 23 million.

**Coupang** has been known for its aggressive expansion, relying on its own well-established logistics system. The company therefore recently not only leads several categories in the ecommerce market, but also starts to challenge logistics giant CJ Logistics in the parcel delivery industry. Coupang is famous for its extremely fast delivery services only taking one or two days within Korea and less than a week for international orders for its members. Coupang's paid membership program "Wow Membership" has soared in popularity, increasing from 4.7 million members (30% of total Coupang users) in 2020 to over 10 million subscribers by the end of 2022. Over half of all Coupang users are currently subscribed to its paid membership program.

**ShinSeGae Group**, the business behind SSG E-commerce, on the other side, has been making smart acquisitions. While their marketplace SSG only held a minor market share of less than 3% before 2020, the conglomerate's total market share jumped to over 15% after acquiring 80% of eBay for over \$3.04 billion. Besides their online presence, ShinSeGae Group is one of South Korea's leading offline retailers, running one of the top 3 department store chains and the most supermarkets in the country (157 offline stores in 2022). Therefore, its online shops are

closely connected to its offline stores. For example, online Emart, Emart's digital supermarket chain, is mainly focused on groceries shopping while the department store branch recently launched an online mall for gourmet food. Also, online Emart offers direct deliveries from their offline stores to its customers.

**11Street** is SKT's open market platform, South Korea's leading telecom company with a market share of 43% in 2022. Thus, 11Street offers incentives to SKT customers by giving more benefits like regular discounts.

**LotteOn** is a marketplace consisting of Lotte department store, Lotte mart, Lohb's (drug store), HiMart (electronics), Lotte supermarkets, and Lotte home shopping. Lotte is a Korean multinational conglomerate founded by a Korean businessman in Japan. Due to historical and ongoing political issues, there has been a 'boycotting Japan' movement in recent years in Korea with Lotte often being targeted.

**Kakao Shopping** only holds less than 2% of total market share at the moment. However, the platform has great potential since it is operated by Kakao, a Korean international IT company providing South Korea's most popular messenger app with a market share of over 90%. As mentioned above, Kakao also runs one of South Korea's most popular payment services, Kakao Pay.



## FUTURE OF ECOMMERCE IN KOREA

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Although the major marketplaces dominate Korean e-commerce, they are rather local and none of them are yet listed in the global top 20. However, especially the pandemic boosted growth of Korean e-commerce companies significantly.

### **Covid-19 and the shift in consumer behavior.**

Since the first Covid-19 cases were confirmed, online sales, compared to the previous year, have increased 34.3%, while offline sales fell by up to -17.6% almost instantly. Particularly older generations who used to prefer offline shopping quickly shifted towards online marketplaces as restrictions slowed down social life. In response to the demand, parcel delivery surged by over 90% within months. Interestingly, after most restrictions were lifted, delivery and e-commerce showed sustained growth for almost one more year. However, despite growth slightly slowing down recently, Korea still belongs to the leading countries in this category.

Groceries and food delivery are the two categories which not only experienced substantial growth during the pandemic but were further able to keep a high popularity after restrictions ended. This showcases how quickly even older Korean generations not only adapt to environmental changes but also embrace developments if beneficial for their often fast-paced lifestyle.

**Live commerce is on the rise.** In line with the growing numbers of mobile shoppers, mobile based live commerce also surges in popularity. Live commerce currently accounts for about 2% of the total online shopping market, which is still insignificant. However, it has the highest purchase conversion rate of 20% compared to the other e-commerce market forms: 0.37% for traditional e-commerce purchases, 6-10% for social e-commerce. According to forecast data, the live commerce market size was 3 trillion won in 2020 and 4 trillion won in 2021. However, it is expected to reach about 10 trillion won (\$7.6 billion) by the end of 2023.

In general, the South Korean e-commerce market is defined by a high degree of innovation and a fast-paced dynamic environment where only a few, strong brands emerge as winners. Consumer behavior and preferences often change rapidly throughout all generations, creating various opportunities for businesses who can predict those changes and prepare accordingly.

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