



Korea's Apparel Industry

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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

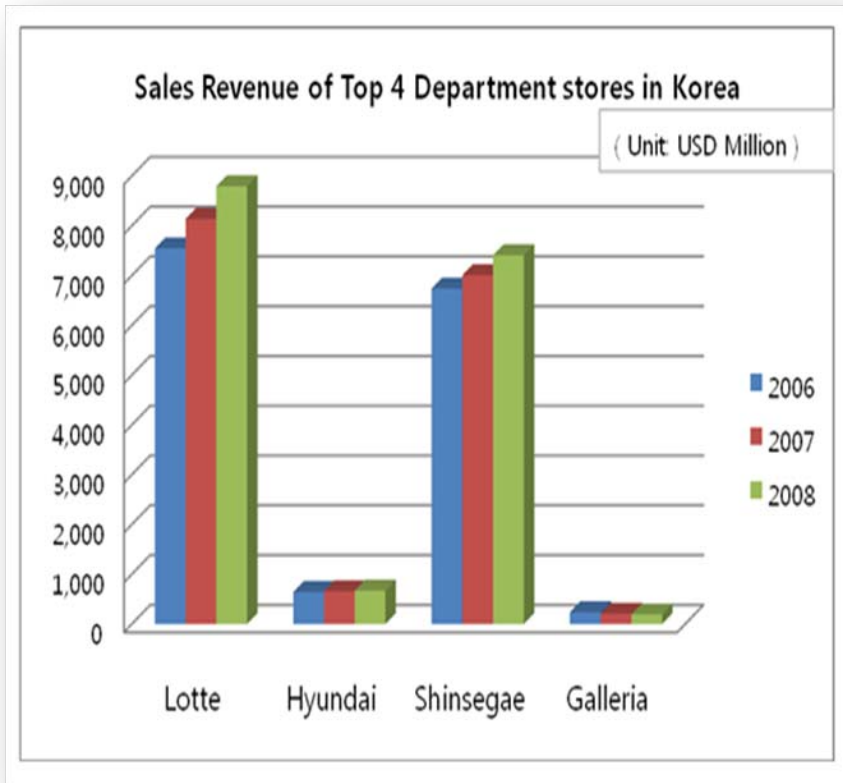
- Starting summer of 2009, consumer confidence in spending began to rise, although the economy has not fully recovered
- According to Korea Financial News, sales of prestige products, cosmetics, and men's apparel at major department stores in August marked highest since the recession, a sign of the economy's 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



Ownership	Company	Number of Stores	Website
Lotte Shopping	Lotte Dept. Store	31	http://dpt.lotteshopping.com/shopping/eng
Shinsegae	Shinsegae Dept. Store	8	http://department.shinsegae.com
Hyundai Dept. Store	Hyundai Dept. Store	11	http://www.ehyundai.com
Hanhwa Stores	Galleria Dept. Store	8	http://www.galleria.co.kr

(Source: Each company's official website)



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)

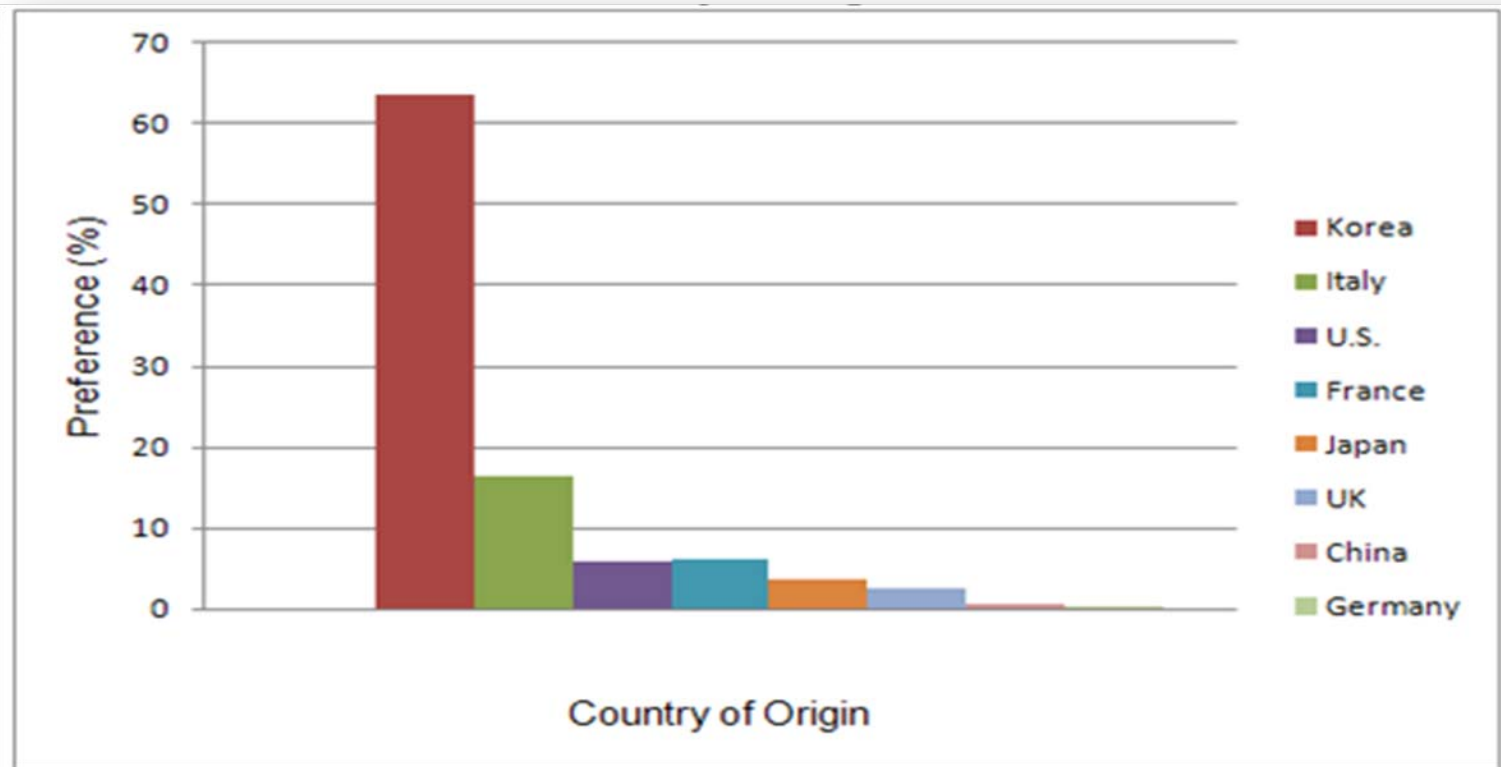
Market Share of Fashion Industry in 2009

(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



Best Prospect in Fashion Industry - I

- 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

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