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Korea, Republic of

Product Brief

Ice Cream Market

2001

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Report Highlights:

The market for imported premium ice cream in Korea has grown by an average of 80 percent annually over the past 10 years. The U.S. dominates this small but dynamic market, with over \$5 million in sales to Korea in the year 2000. The hosting of the World Cup soccer games in 2002 should provide a platform for continued strong growth in this market segment for the next five years.

Includes PSD changes: No
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Korea Market Brief on Ice Cream

1. Market Prospects

Summary

U.S. ice cream and frozen yogurt entered the Korea market in 1986 and have enjoyed a fairly strong position. U.S. ice cream is recognized by the consumers as of better quality, of greater variety and higher in nutritional value, even though it is more expensive than the locally manufactured ice cream or that imported from other origins. In addition, a growing number of tourists in conjunction with 2002 world cup football games will expedite the increase in premium ice cream consumption.

The imported ice cream market (all is premium ice cream) in Korea has shown tremendous growth over the last ten years. Ice cream imports were \$5.6 million in 2000, up 25 times from \$220,000 in 1991. They have increased by an average of 80 percent per year over the last 10 years including the financial crisis period of 1997-1998. The U.S. has always been the largest supplying country over the last 10 years.

Imports of premium ice cream in Korea are expected to continue to increase at 15 - 20 percent over the next 3-5 years. Ice cream imports increased significantly to \$3.5 million during the first five months of 2001, up 88 percent from \$1.9 million during the same period of 2000.

Advantages

- z Relatively low tariff, 8 percent
- z Increasing consumption of ice cream
- z U.S. products superior in quality
- z Korean consumers like the taste and characteristics of U.S. ice cream

Challenges

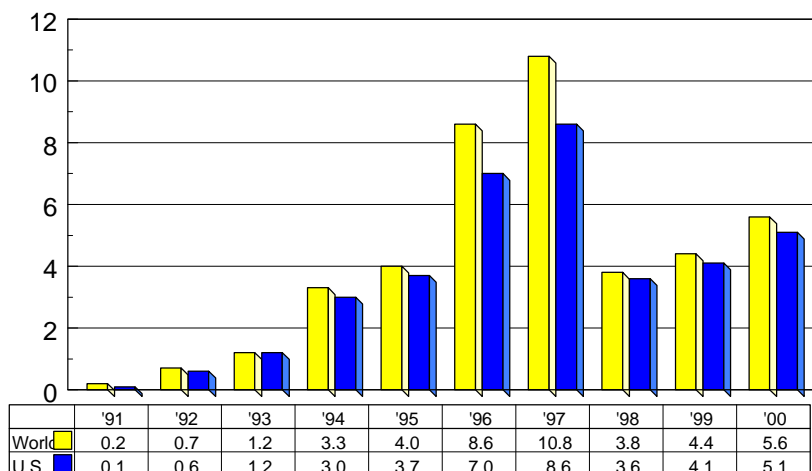
- z High prices compared with local ice cream
- z Few competitions from foreign countries

2. Market Opportunities and Threats

- z The whole Korean ice cream market was \$652 million in 1999 and \$671 million in 2000, of which 10 percent (\$66 million) was premium ice cream market (including imported and local ice cream) in 1999 and 13 percent (\$84 million) in 2000. The premium ice cream market is expected to increase 30 percent while a 15 percent increase is expected for whole ice cream market in 2001.
- z Total imports of ice cream in 2000 amounted to \$5.6 million (1,640 MT), of which \$5.1 million (1,500 MT) came from the U.S., with a market share of 91 percent, followed by Switzerland at \$342,000 and by EU at \$120,000.

Premium Ice Cream Imports from World vs U.S.

(Unit in Million Dollars)



Source: Korean Trade Information Service (KOTIS)

- z There are currently over 70 ice cream manufacturers and/or distributors in Korea, many of which are small operators. The top four companies are Lotte Confectionery, Haitai Confectionery, Binggrae and Lotte Samkang which accounted for 87 percent (\$584 million) of the whole market in 2000.
- z Before the economic crisis in 1997, there were 40 premium ice cream companies in the market. However, most of them were driven away, and only 3-4 companies survived due to the financial difficulties and listeria scare in 1998 and 1999.
- z Premium ice cream companies expanded to 10 companies in 2000 from only 3 - 4 survived companies in 1998 and 1999. Some foreign branded companies, Australian Frostyboy, Canadian Swenson and French Thiriet, launched in the Korean premium ice cream market in the spring of 2001.
- z The ice cream market has recovered resulting from various market promotions. The leading premium ice cream company, Baskin Robins (locally produced with imported ingredients), accounting for 67 percent of the premium market, operates 475 individual ice cream shops and operates 70 freezers in other retail outlets. The second leading company, Haagen Dazs with a market share of 12.3 percent, operates 11 individual ice cream shops and operates 2,600 freezers in other retail outlets, followed by Natuur (one of the major local premium ice cream manufactured by Lotte Confectionery) at 4.9% , Dollomitti at 3.8 % , TCBY at 3.6%, Coney Island at 3.3%, Dippin Dots at 3% and others at 5.6% in 2000.

3. Trends in Consumption

- z Major customers of premium ice cream are composed of the people between teenagers and thirties, but are expanding to forties - fifties. Consumers look forward to having better tastes and good-for-health ice cream that lead to the sales increase.
- z When a premium ice cream company launches in the market, it starts from grocery stores in department stores to discount stores, convenient stores, and to individual ice cream shops.
- z Premium ice cream market is not much affected by seasonal consumption (data shows only 10% sales difference between summer and winter), even though the sales of locally manufactured regular ice cream shows 50% difference between summer and winter.
- z Korean per capita consumption of ice cream is around 8.7. Kg per year, while European and U.S. annual per capita consumption are 10 Kg and 22 Kg respectively. Recovery of consumers' psychological spending will help to expand the premium ice cream market.

4. Tariff and Labeling

- z Ice cream is importable into Korea with an 8 percent tariff imposed on the CIF value.
- z The Korean language labeling requirements are as follows.
 - A. Name of the product
 - B. Type of Product
 - C. Importer's name, address and phone number
 - D. Business license number of importer
 - E. Date of manufacture or date of import (not mandatory)
 - F. Sell by date
 - G. Country of Origin
 - H. Net weight, volume or pieces
 - I. Names of ingredients by percentage, in order of greater volume
 - J. Name of place where the product can be returned or exchanged in case the product is damaged or defective.
 - K. Instructions for storage.

Although the Korean language labeling requirements appear somewhat complicated, Korean importers are aware of labeling requirements and they give exporters the negative of the label to print and sticker the Korean language labels on the product before they import any products.

5. Distribution Channel

- z Direct importers distribute imported ice cream to department stores, convenient stores, discount stores, family restaurants and bakeries.

6. Prices

- ž The price of imported premium ice cream is 3 - 5 times higher than locally produced regular ice cream. For example, the prices of imported premium ice cream and the local regular ice cream -stick bar or mini cup variety are \$2 and \$.40 respectively. (The exchange rate used is 1 US dollar equals 1,250 Korean Won.)

7. Post Contact and Further Information

For further information contact:
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