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**Report Highlights:**

COVID-19 has changed how South Korean consumers purchase products and what they purchase. Consumers are increasingly buying their products online, eating at home, and are more focused of food safety. Online grocery retailers are benefiting from these trends, while restaurants have suffered.

## COVID-19 Impact Korean Food Market

Up until August 10, 14,626 people have tested positive for COVID 19 in Korea with 305 reported deaths. While Korea has managed to avoid the high infections and mortality seen in some other countries, the virus has had a large impact on the economy and consumer behavior. Korea Credit Data announced that sales using credit cards in June were 10 percent below 2019 levels. Korea's GDP fell 3.3 percent in the second quarter, mostly due to weaker exports.

The Korean government has implemented social distancing to control the spread of COVID-19. On June 28, the Ministry of Health and Welfare created three categories of social distancing. Level one allows people to carry out most normal activities while taking precautions to limit spread of the virus. Level two recommends people reduce group gatherings and avoid crowded facilities such as underground shopping centers. Under level three social distancing guidelines, the government recommends people stay at home and prohibits all meetings (with certain special exemptions). Most locations are currently at level one, including Seoul. Some select locations, such as GwangJu and Cheonnam, are at level two.

Division	Social Distancing		
	Level 1	Level 2	Level 3
Daily Confirmed Cases	Under 50	50~100	More than 100~200
Unclear Infection Route Ratio	Under 5%	-	Dramatic Increase
Current Status of Group Outbreaks	Reduced or Under Control	Continual Increase	Dramatic Increase
Clear Infection Route Ratio	Increase or more than 80%	-	-

[Source: Korean CDC – Updates on COVID-19 in the Republic of Korea – June 28](#)

Restaurant sales have fallen due to social distancing guidelines and consumer caution. At the same time, grocery stores have seen increased sales as more people eat at home. Emart Traders had 21.8 sales growth in the first quarter of 2020 compared with 2019's first quarter sales. Online sales have surged as people look for safer ways to shop during the pandemic. Online platform such SSG.com saw its sales for first quarter of 2020 increase by 40 percent compared to the same period last year. Customers are turning to delivery and takeout services, with some delivery companies experiencing 30 percent increases in sales.

### Consumer Traffic

According to a survey by Meritz Securities in April, 82.5 percent of people planned to eat out less. Schools were closed for an extended period of time and many still have alternating school schedules to increase social distancing. This has dramatically reduced demand from school cafeterias. Universities and colleges are also offering a mix of offline and online lectures. Many companies are still allowing increased use of telework, reducing consumer traffic in business districts.

## **Retail Trends**

Consumers are reducing visits to restaurants and are purchasing more online and ordering takeout. The e-commerce site 'We Make Price' reported that sales of home meal replacements (HMRs) in February jumped 490 percent and delivery sales increased 41.7 percent. Warehouse style grocery stores have also seen sales increases. Department stores, in contrast, have seen sales decline and are now trying to adapt to the new retail market. As an example, Hyundai Department Store is entering the online delivery business and increasing HMR products on its shelves.

## **Consumption Trends**

Four major Korean consumption trends are: health, home, safety, and online. More people are looking for healthy functional food such as vitamin, ginseng, and fermented food to boost their immune system. E-commerce site Tmon reported sales of healthy functional food have risen by 140 percent. There is also strong demand for convenient options for eating at home, such as HMRs and restaurant meal replacements (RMRs). CJ CheilJedang, a major food processor specializing in HMRs, reported first quarter sales increased by 16.2 percent.

People are also looking for safe alternatives to traveling. Camping has become more popular and sales of camping food and equipment have surged. According to the convenience store CU, sales in stores near camping areas have doubled compared to last year. Finally, online sales have skyrocketed. KB Kookmin Card reported that online delivery sales from February to March increased by fifty percent. This dramatic increase was mainly due to increased app-use by those in their 40s and 50s, with their online delivery app use increasing 135 percent and 95 percent respectively.

## **Restaurants and Food Service**

The restaurant and lodging industries have been hit hard by COVID-19. Credit card sales at these locations were down 6.8 percent in June compared to last year. As an example, E-land's restaurant business sales from January to July in 2020 declined by 40 percent, leading to reductions in new investments and the closing thirty restaurants. However, restaurant meal replacements (RMR) are on the rise. According to Market Kurly, sales of RMR from early 2020 to June were 178 percent higher than during the same period last year. Restaurants are becoming more automated with robots replacing humans, such as at 'Dilly Plate' from Delivery Heroes and Dalcomm's robot cafés. As of June, 85 robots from 'Dilly Plate' are serving food in 68 restaurants.

## **Imports**

The strong dollar and increasing freight costs are making it difficult for importers to do business. Although the dollar has recently weakened, the exchange rate is still creating challenges for importers. Korean importers report they face continued supply chain disruptions in the United States, but that imports from Europe are less effected. Korea's agricultural imports from the world in June were down 2.6 percent compared to last year. Agricultural imports from Korea's two largest agricultural suppliers, the United States and China, were down 5.1 percent and 2.3 percent respectively compared to last year.

## **Exports**

Korea's agricultural exports fell 0.3 percent in June compared to last year. Exports to China fell by 5.4 percent. However, agricultural exports to the United States increased 26 percent due to strong sales growth in processed products such as instant noodles. There is a rising demand for Korean processed foods and functional foods, including instant noodles, kimchi, ginseng, and citrus tea.

## **Logistics**

Freight costs and shipping delays have increased, creating challenges for importers and exporters. According to the NEX, the price of air freight from the United States to Korea is approximately \$1.15-1.55 per kilogram whereas ocean freight costs are approximately \$495 per 20ft container and \$528 per 40ft container. Busan Customs is offering rapid clearance in Busan port to reduce freight cost for companies. The Korean government is trying to help exporters with logistics costs. The Ministry of SMEs and Startups is paying 30 percent of SMEs air freight cost for exports between July and August 2020 up to a maximum of 4,200 dollars.

## **Domestic Production**

Food supplies are stable. The price of agricultural products rose 4.6 percent in 2020, May. Prices have been pushed up by government stimulus measures aimed at boosting demand. The government is providing aid packages to farmers as part of COVID-19 economic support packages. Some citizens and social organizations are urging the government to immediately implement policies to supply organic agricultural food packages to elementary, middle, and high school students with school meal budgets to prevent school catering companies from going bankrupt.

Farmers have reported a shortage of migrant labor due to COVID-19. Jeonju province started an agricultural human resources support room on April 1 to address the problem. The Jeonju office supported 122,266 agricultural laborers, which helped resolve the shortage. The Ministry of Agriculture, Food and Rural Affairs announced in April that they would run twenty-two more agricultural human resources support rooms starting on April 13<sup>th</sup> in areas where there are agricultural labor shortages.

## News Stories on COVID-19 Impact on Food Market

### [Korean Government to Provide \\$9 Restaurant Voucher to 3.3 Million People in August](#)

*HanKyung, 7-08-2020, Korean*

Summary: The Korean government announced a plan to provide a \$9 restaurant voucher to 3.3 million people in August to support the restaurant industry. The voucher will be provided in credit card reward points to the first 3.3 million consumers who eat in restaurants five times. Consumers will need to use the same credit card to have their five restaurant visits counted.

### ['CJ The Market' On-line HMR Store Reaches Two Million Registered Users](#)

*HanKyung, 7-08-2020, Korean*

Summary: Cheiljedang (CJ), the leading food processor in South Korea, reported on July 8 that over two million consumers have registered on its on-line HMR since the store launched a year ago. CJ The Market offers various HMR prepared foods made by the company. The store generated 600,000 orders during the first half of 2020.

### [Lotte Eats Smart Phone App Reaches 200,000 Orders a Month](#)

*HanKyung, 7-09-2020, Korean*

Summary: Lotte Eats, a smart phone home delivery app launched by Lotte in February this year, reported that the number of orders increased sharply to 200,000 in June. Lotte Eats allows consumers to place home delivery orders from all restaurants under Lotte, including Lotteria burger shops, Crispy Kreme doughnut shops, TGI Friday restaurants, and Angel in Us cafés.

### [Hypermarket Stores Expand Distilled Spirits Offers as Consumers Lose Access to Duty-Free Shops](#)

*DongA, 7-12-2020, Korean*

Summary: Korean consumers used to purchase a large amount of distilled spirits in duty-free shops during international trips. Since COVID-19, consumers have increased purchases of distilled spirits in hypermarket stores as they lost access to duty-free shops. EMART reported that its distilled spirits sales increased by 29 percent during April through June this year. Lotte Mart also reported 28 percent sales growth during March through June. Both EMART and Lotte Mart have increased distilled spirits offers in their stores to capitalize on the opportunity.

### [Hanwoo Beef Price Declines as Consumers Run out of Government COVID-19 Relief Funds](#)

*DongA, 7-14-2020, Korean*

Summary: The retail price of Hanwoo beef fell below 100,000 won (\$83 USD) per kilogram on July 13. The price stayed over 100,000 won over the last three weeks (peaking at 102,517 won on July 1) when the government COVID-19 relief funds were provided to Korean families. The retail price of local pork belly cut meat also went down to 22,529 won (\$19 USD) per kilogram on July 10. The price had peaked at 24,000 in mid-June.

### [After COVID-19 ... Who Will Grasp the 'Big Rebound'](#)

*Maeil Economy, 7-23-2020, Korean*

Summary: Although COVID-19 is still spreading throughout the world, countries trying to continue grow their economies will need to prepare for a post COVID-19 era. According to SM C&C's 'After COVID-19' report, consumption will recover once the pandemic is under control. Some business and services sectors will do better than before which will lead to a big rebound. The big rebound is expected

to be driven by ten consumption trends which are safety, individualism, gourmet at home, replacement market, education at home, non-face-to-face culture, increased online consumption, upgraded social media, non-face-to-face work, and domestic focus. In particular, the strengthening individualism and gourmet at home will continue to drive growth in products related to cooking at home and home meal replacement.

### **[Korean Economy Declines -3.3% in 2Q ... Lowest Growth since 1998](#)**

*HanKyung, 7-23-2020, Korean*

Summary: The Bank of Korea (BOK) reported that Korean Gross Domestic Production (GDP) totaled 447.9 trillion won (\$373 billion USD) in the second quarter, down 3.3 percent from the previous quarter. BOK said GDP growth was the lowest since 1998. Weak performance in the export sector (-16.6 percent) and corporate investment (-2.9 percent) due to the COVID-19 pandemic led to the GDP decline. On the other hand, consumption increased by 1.4 percent due to the government COVID-19 relief funds provided to all families.

### **[Sauce Market Sales to Exceed 2 Trillion Won This Year](#)**

*HanKyung, 7-23-2020, Korean*

Summary: The sauce market in South Korea continues to grow robustly. Retail sales of sauce products grew 35 percent over the last five years to reach 1.95 trillion won (\$1.6 billion USD) in 2019. The rapid growth is due to increased demand from the processing industry for various Home Meal Replacement (HMR) applications as well as premix sauce applications for restaurants. Processing use accounts for 80 percent of sauce market demand. Leading suppliers in the sauce market are large-scale local food processors, including Dongwon, Daesang, Ottogi, and SPC.

### **[Home Plus Stages 'International Food Festival' Promotion Targeting People Not Traveling to Foreign Destinations for Summer Vacation](#)**

*DongA, 7-23-2020, Korean*

Summary: Home Plus, a leading hypermarket grocery retailer in South Korea, launched an 'International Food Festival' promotion on July 24 which will last until August 5. Home Plus said the promotion targets consumers who used to travel to international destinations for summer vacation before COVID-19. The promotion offers some 300 specialty foods imported from popular tourist destinations, including the United States, European countries, China, Taiwan and Vietnam.

### **[With COVID-19, Robot Cafés Becomes a New Norm](#)**

*Maeil Economy, 7-24-2020, Korean*

Summary: Dalcomm's robot café 'B:eat' has opened its first store within an apartment located in Seoul Seongbuk-gu. This robot café has AI which enables customers to order their coffee online and receive a pickup alarm. By doing so they were able to greatly reduce the waiting time for customers, leading to high satisfaction in service. As COVID-19 continues, robot cafés are becoming a new norm, further stimulating the growth of 'B:eat'. This year alone 'B:eat' opened twenty robot café in places like Emart, Hyundai Premium Outlet, and universities.

### **[Convenience Food for Camping Gains Popularity](#)**

*Maeil Economy, 7-27-2020, Korean*

Summary: COVID-19 has encouraged consumers to look for outdoor activities such as camping. This new trend has ignited people's need for camping equipment and convenience food. For instance,

convenience store CU recently launched 'Convenient Camping Box' which contains popular camping meals like corn butter, sausage mix, and sausage stew. The popularity of camping has led to an increase in sales of camping food and utilities in hyper markets like E-mart as well.

### [Korean Exports, Production, and Consumer Index Continue to Rebound](#)

*Hankyung, 8-3-2020, Korean*

Summary: Korea Ministry of Industries, Trade and Resources (MITR) reported that its index for exports, production, and consumption has continued to rebound since April. Korean exports in July totaled \$42.8 billion, down 7 percent from the same month last year. But the monthly exports continued a recovery pattern after falling 26 percent in April. The Business Survey Index was 60 in July, up four points from June. The Consumer Composite Sentiment Index (CCSI) also went up by 2.4 points to 84.2 in July.

### [Korean Credit Card Spending Up 11% in June](#)

*Hankyung, 8-3-2020, Korean*

Summary: The Korea Credit Finance Association (KCFA) reported that credit card spending in Korea totaled 222 trillion won (\$185 billion USD) in the second quarter this year, up 3.9 percent from the same period last year. KCFA said that the spending growth was partly due to the government COVID-19 relief funds provided to families in May. Credit card spending grew 11 percent in June.

### [Era of Social Distancing ... Hypermarkets are Using Instagram](#)

*Maeil Economy, 8-3-2020, Korean*

Summary: With social distancing becoming the new norm, hypermarkets are focusing on online marketing to reach younger generations. As Instagram enables both pictures and short videos which can easily catch people's attention, it naturally became the preferred tool for online marketing. For instance, E-mart's private brand Peacock's official Instagram account 'Peacocktime', uploads pictures and short clips of food recipes using E-mart products. Because the contents of the videos are easy and fun, 156,000 people are following the account trying out the recipes for themselves. This has led to an increase in sales of the products introduced.

#### **Attachments:**

No Attachments.