Korea’s growing fashion industry is an ideal test market for global companies that want to succeed in Korea and expand into other parts of Asia.

Korea’s fashion industry is attractive. It was a KRW 47 trillion (USD 43.3 billion) industry in 2013, experiencing 5.6 percent year-on-year growth. The industry’s average growth rate over the last three years has been 5.7 percent. And the scope of online (including mobile) shopping exceeded that of offline shopping in 2013 for the first time since the advent of online shopping in 2000. The purchase of products via mobile commerce has helped drive Korea’s fashion industry.

An area of the industry that is growing rapidly is sports / outdoor wear, which accounts for 29 percent of Korea’s fashion industry. The share of casual wear (17.5 percent) has also increased due to overall fashion trends and the expansion of specialty-store-retailer-of-private-label-apparel (SPA) brands. However, the shares of women and menwear are declining or showing no increase.

Though the outdoor market has grown more than 30 percent annually over the last five years, it is expected to fall following its peak (KRW 8 trillion) in 2014. A market overhaul is likely due to the excessive price competition between brands and accumulated stocks while more camping and trekking goods are produced.

The sales of global SPA brands, including Uniqlo, Zara and H&M, reached KRW 1 trillion in 2013. At present, the SPA brand market in Korea accounts for 8 percent (KRW 3 trillion) of Korea’s fashion industry. However, the market is expected to grow up to 30 percent in the near future, as Korea’s fashion industry has been recognized as the test market of global brands that strive to enter Asian markets.

The scope of fashion products will also expand to include everything from accessories to lifestyle products. Analyses show that consumers focus on value-based consumption due to the stagnant income increase following the global economic recession. Value-based consumption is closely related to the increase in purchases of fashion products via television shopping channels. These channels, which used to sell low-priced goods, have emerged as a new means of making purchases, as they have exclusive licensing for overseas brands, which they sell at prime times. As a result, sales have more than doubled.

Also, offline shopping channels, which used to be concentrat ed in department stores, have expanded to include shopping malls, street vendors, outlets, multi-brand stores and expressway rest areas. Department stores launched various luxury and SPA brands with better conditions than domestic brands where the commission is about 35 to 40 percent. Therefore, many brands are inter-

Korea’s Fashion Industry in 2013 and Its Annual Growth Rate

KRW 47 trillion (Reflects commission and additional tax)

Source: Korea Research Institute for Fashion Industry

The store of a popular Korean brand
A multi-brand shop in Korea

ested in various offline channels to sell their products.

More large-scale, multi-brand stores with various concepts continue to be built in areas of Seoul including Hongdae, Garosu-gil, Gangnam Station and Gyeongbokgung Road, as the nation’s GDP per capita has exceeded USD 30,000 and more consumers are spending on lifestyle products.

The area of Dongdaemun, also in Seoul, has been reborn as the mecca of Korea’s fashion industry with the establishment of Dongdaemun Design Plaza and renewal of Dooota shopping mall. The young designers of Dongdaemun are reviving the fashion industry by entering the domestic and overseas markets via distribution channels. The industry is executing market segmentation to attract various types of consumers.

Also noteworthy is the fact that the television drama “My Love From the Star,” which further ignited the Korean Wave and interest in Korean fashion, has shed light on the issue of a closed domestic payment system, as overseas consumers tried to purchase fashion products via online Korean stores. This issue has led to concern about the increase in overseas direct purchases. The overseas direct purchase market has grown rapidly, to USD 1.04 billion in 2013 from USD 770 million in 2012. The market is expected to grow more than 50 percent in 2014. Online shopping brands, such as Styleminda and Naning9, have applied the online-to-offline (O2O) strategy and opened offline stores. More consumers are now purchasing goods via their smartphones, blurring the boundaries of purchase channels.

To accommodate changes in consumer behavior, fashion companies have implemented omni-channel marketing strategies, including one called click & pick. In other words, companies strive to strengthen communication with consumers by allowing them to compare product prices online, purchase via smartphones and pick up products offline.

The fashion industry is using digital technology to build a decision-making system with a big data analysis system to collect consumer information and identify potential consumers; provide digital marketing for online and mobile channels; create a fashion manufacturing process with 3D printers; and develop wearable products under the Internet of Things (IoT).

The economy of Korea’s fashion industry has been positive since the second half of 2013, but it suffered significantly in the first half of 2014, as key consumers in their 40s and 50s spent less in the wake of the Sewol ferry tragedy in April. The stocks of outdoor brands have been sold at much cheaper prices in outlets and even in regular stores since August, affecting the sales of this season’s products.

The consumption of fashion, aesthetics, plastic surgery and restaurants grows exponentially when Chinese tourists visit Korea during their holiday season. Now, there are as many tourists in the areas of Gangnam, Hongdae and Yongsan as there are in Myeongdong and Jongno. Different marketing strategies have been rolled out to suit this trend. The Korean fashion brands that have stores in China are the key shopping places for Chinese tourists. Therefore, relevant fashion brands are proactively cooperating with other sectors, including finance, to attract tourists.

Chinese capital is entering Korea’s fashion industry through mergers and acquisitions, including the Chinese acquisition of Korea’s Avista in 2013 and Agbang in 2014. Opinion is divided on the Korean fashion companies that target Asian fashion. Chinese fashion. Time will tell whether the strategies are successful. Korean fashion companies are making inroads into China and other emerging markets in Asia through licensing or distribution networks rather than taking direct steps. In this way, companies not only reduce risks, but also establish advanced strategies by cooperating with local companies and exports.

Korea’s fashion market is large, vibrant and rapidly changing thanks to Korea’s leading digital technology and Korean Wave contents. It is an attractive market in which new fashion business experiments are executed based on diverse consumer patterns and active communications. Global companies aiming to enter Asian markets would benefit from recognizing Korea as a test market.

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