Opportunity Korea

Commercial opportunities in South Korea, a week-long programme of business insight events, 4 – 8 February 2013.

Supported by:

BRITISH AIRWAYS

PWC
Monday, February 4
15:30 – 20:00 Lancaster House, London
(Incorporating both general and focused discussion sessions in the following sectors: professional and financial services; fashion and creative industries; electronics and ICT; retail and consumer goods).

Tuesday, February 5
10:30-15:00 Edgbaston Cricket Ground, Birmingham (Incorporating both general and focused discussion sessions in the following sectors: automotive; lifestyle and home-ware goods).

Wednesday, February 6
10:30-15:00 The Etihad Stadium, Manchester (Incorporating both general and focused discussion sessions in the following sectors: pharmaceutical and healthcare; food and drink).

Thursday, February 7
10:30-15:00 MacDonald Roxburghe Hotel, Edinburgh (Incorporating both general and focused discussion sessions in the following sectors: food and drink; textiles; life sciences; ICT and the creative industries).

Friday, February 8
10:30-15:00 Leigh Court, Bristol (Incorporating both general and focused discussion sessions in the following sectors: food and drink; creative, media and design).
Capital: Seoul  
Population: 50 million  
Official languages: Korean  
(written form: Hangeul)

Currency: South Korean Won (KRW)  
Time difference from GMT: +9 hours  
Flight time from UK: 11 hours

It has a GDP of around US$1 trillion and per capita purchasing power is some US $30,000.

It is also now pursuing a low carbon agenda and has pledged to spend 2 per cent of GDP on green issues.
Scott Wightman,
HM Ambassador to the Republic of Korea

Foreword from Britain’s Ambassador to South Korea

There are exceptional opportunities for British companies in South Korea and there has never been a better time to do business here.

I have been struck, in the 15 months or so that I have been in Seoul, by the sheer dynamism of South Korea. Our bi-lateral cooperation has never been stronger and I am determined to ensure that Britain and South Korea work together as partners across a wide spectrum of important international fields.

Part of this plays out in our political relationship where we share political and economic values and collaborate closely to further our shared goals. We are working closely together on the UN Security Council, for example, where South Korea has just taken up a rotating seat. But it comes to bear most visibly in our trade and investment relationship.

We are already exporting more than ever before to South Korea – non-oil exports were up 18% in real terms last year. Total goods and services exports are higher in value terms than British exports to India, Canada, Australia or South Africa. But I am convinced we should be even more ambitious.

The opportunities across a range of sectors are truly outstanding, not least thanks to the Free Trade Agreement between the EU and Korea. Both of our Governments are committed to developing low-carbon, green-growth economies. And the global focus on the UK in 2012 only added to Korean consumers’ enthusiasm for British products and brands. Many British companies are already doing great business in South Korea too. Tesco has close to 400 stores – its largest operation outside the UK. Standard Chartered is the biggest international investor in Korea’s financial sector.

Our high-end fashion designers boast of record profits with high spending and sophisticated Korean consumers ready to pay for quality. Other companies such as Weir and Edwards have set up manufacturing units in South Korea proving that Britain’s advanced engineers can and do still make it big in the Far East.

So why are we not yet making the most of the Korean market? In my view, it is the general lack of awareness among British firms about modern Korea and what it offers that is the single greatest barrier we face.

We have planned Opportunity Korea to help us overcome this barrier. Through our programme of events up and down the UK in February and follow-up trade missions to Korea, I want more British businesses to learn about this astonishing country and to consider it as a destination for their products and services. I hope that the events and speakers we have lined up, along with our extensive offer of follow-up support will help make this a reality.

South Korea is one of the most exciting markets in Asia and indeed the world. I look forward to seeing you and helping you to grow your business here. If you identify an opportunity, or want more information about the market, please contact a member of the UK Trade & Investment team, either in the UK or in Seoul. Our contact details can be found at the end of this document.

Seoul, February 2013
As the 12th largest economy worldwide and the fourth largest in Asia, South Korea is a dynamic and vibrant place to do business. Its 50 million strong domestic population is wealthy, savvy and out to buy the best. With the introduction of the EU-South Korea Free Trade Agreement and a passion for UK goods, the country ranks among the most lucrative and exciting overseas markets for British companies with numerous and varied opportunities for export.

The figures speak for themselves. Over the TVs and mobile phones. Samsung – the world’s As the 12th largest economy worldwide and the fourth largest in Asia, South Korea is a dynamic and vibrant place to do business. Its 50 million strong domestic population is wealthy, savvy and out to buy the best. With the introduction of the EU-South Korea Free Trade Agreement and a passion for UK goods, the country ranks among the most lucrative and exciting overseas markets for British companies with numerous and varied opportunities for export.

The figures speak for themselves. Over the next five years, the South Korean economy is set to make the 10th-largest contribution to world growth. That’s as much as the UK and more than France or Italy. Despite the global economic slowdown, South Korea’s economy grew by 3.6 per cent in 2011, the fastest in the OECD (Organisation for Economic Co-operation and Development).

South Korea is a high-tech economy. It is a world leader in electronics manufacturing, including semiconductor chips, flat-screen TVs and mobile phones. Samsung – the world’s largest electronics company – originated in South Korea. The organisation has a turnover of $190bn per annum and more than 170,000 employees. South Korea is a major player in the global economy, with a GDP of $1.5trn and a population of 50 million. The country is also wealthy, with a per capita income of $30,000 and a household savings rate of 35 per cent.

The population is highly educated. Seven per cent of the country’s entire GDP is spent on education and nearly three quarters (74 per cent) of South Koreans undertake postgraduate-level study. This creates excellent opportunities for UK educational institutions.

In July 2011, the EU-South Korea Free Trade Agreement (FTA) came into force. This historic agreement presents opportunities for greater UK-Korea trade and collaboration. Based on current trading patterns it will be worth at least £500 million per annum to the UK economy.

1. Education – South Korea is one of the largest education markets in the world. English-language training, including training delivered via e-learning, offers considerable opportunities. British English, our accent and linguistic expertise are held in high regard.

2. Financial and legal services – Korea has a highly developed and profitable financial services sector including the second largest insurance market and third largest banking market in Asia. The EU-South Korea FTA has removed some key barriers to the profitability of UK banks in the country and, gradually, allows UK law firms access to the South Korean market. There are particular opportunities for asset management companies to work alongside Korean sovereign wealth funds, including the Korean National Pension Service (the fourth largest in the world), and the Korean Investment Corporation.

3. Creative industries (Design) – South Korea’s overall design market is worth £10.6 billion. Seoul was the World Design Capital in 2010 and encouraged new and creative design concepts in and around the city. UK design is highly valued by Korean companies.

4. Life Sciences – South Korea’s rapidly ageing population and societal drivers for a healthier lifestyle ensure a wide range of opportunities, from the supply of branded drugs to over-the-counter supplements, and natural-ingredient-based products in particularly high demand. South Korea is a developed market for healthcare provision, offering niche opportunities in the supply of high-end equipment and telemedicine.
5. Global Sports – South Korea will host the Winter Olympics in 2018 in the city of Pyeongchang in Gangwon Province. British companies with expertise in managing and delivering major international sporting events are well placed to offer their services to the Korean organisers.

The following pages include detailed information on these five key sectors but we publish detailed information in more than 15 different sectors, highlighting the opportunities for British firms. Details can be found in the ‘sector briefings’ section of our website at www.ukti.gov.uk/southkorea or on our USB sticks.

The South Korean education system is based on the US model consisting of six years of elementary schooling, three years of middle-school, and three years of high school, with four-year undergraduate degrees and two-year masters degrees the norm. Pre-school children are educated in day care centres (or nurseries - at ages of two to three) and kindergartens (at four to six). Historically spending 11 out of every 14 days at school, South Korean primary and secondary school students adopted a five-day school week in March 2012. Young Korean students are now free on Saturdays and parents, teachers and local education suppliers are keen to provide various educationally enriching entertainment activities for them. The Korean Education Ministry also encourages schools to offer extra-curricular education programmes for its students.

There is a culture of paying for education at all levels in South Korea, from pre-school to college and university. Private ‘crammer’ academies (Hagwon in Korean) attract students as young as two, and cover all subjects ranging from English and maths to history and IT. The value of this market is estimated at approximately USD 20 billion. If you include pre-school children and adult education, this rises to more than USD 22 billion.

Some of the ways the FTA will influence the education sector are:

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<thead>
<tr>
<th>FTA Changes</th>
<th>Timing</th>
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<tr>
<td>Non-degree adult education will be open to foreign owned entities</td>
<td>Immediately</td>
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(Enhanced cultural co-operation) | Immediately |
(Foreign investment is now permitted) | Immediately |

(Source: European Commission)

Opportunities for UK Companies
The Korean government has emphasised the growing importance of English language in education and unveiled a roadmap to revamp the nation’s public English education provision. This has influenced not only students but also employers who wish to strengthen their employees’ English language skills as a result of globalisation.

English Language Education
English education for pre-school children in South Korea is carried out on an industrial, nation-wide scale. This is delivered through a variety of media including: language institutions, group or one to one lessons, study materials, over the telephone and over the internet.

Many Korean companies are keen to improve their employees’ English language skills and help them reach global standards.

In general, British educational expertise is now actively sought after by South Koreans who recognise the UK’s reputation for high quality.

Online Education
South Korea’s e-learning market is one of the most promising niche areas in the educational tools and services industry. The Korean e-learning market was worth approximately US$ 2.2 billion and had an annual growth rate of 7.4% in 2011 according to the Korean National IT Industry Promotion Agency (NIPA).

With Korean government initiatives in IT infrastructure and support for the development of IT industry, e-learning education has become a viable option for many Koreans.

Over 82 percent of Koreans currently own a PC and there are over 38 million South Korean internet users. According to NIPA, in 2011 49 percent of internet users used some form of e-learning and as many as 74% of elementary, middle and high school students are believed to use the technology.
South Korea has a highly developed and profitable financial services sector including the second largest insurance market and third largest banking market in Asia. The stability of the banking sector is underpinned by strong fundamentals and proactive regulation. At less than 1%, South Korea’s non-performing loan ratio is low by regional standards. Foreign investors own some 70% of the banking sector. The relaxation of controls on cross-ownership of financial services has further opened up opportunities for market entry, acquisition and business development. As international financial services groups look to develop their footprint in Asia, a presence in Korea is becoming increasingly desirable.

### Influence of the EU-Korea FTA

The FTA contains a number of provisions on services, public procurement, intellectual property and sustainable development as well as the liberalisation of goods tariffs.

Financial services firms gain substantially from the FTA. They are now able to freely transfer data from their Korean branches and affiliates to their headquarters overseas.

FTA commitments also enable financial firms to off-shore their back office functions which previously imposed additional costs (in some cases of up to 10-20 million) for such firms setting-up operations locally.

### Opportunities for UK companies

#### Banking

There are now four strong banking groups (Shinhan, KB Kookmin, Woori & Hana) with similar asset sizes, suggesting that this highly-saturated sector could see competition intensify further. Long-term strategic investors have moved into the market in recent years, in many cases acquiring the stakes of an earlier wave of private equity buyers. The FSCMA could open up new opportunities for cross-selling to bank customers, including further development of Bancassurance and capital market businesses.

#### Asset management

The market size is still small compared with the size of other developed economies. The value of managed assets was US$274.8 billion as of end of September 2011, ranked 15th among 46 countries. The asset management sector is set for rapid growth as a result of pension reform. More than a third of the country’s 52 asset managers are now solely or jointly run by international groups.

South Korea’s retirement pension fund has consistently grown by more than 100% per year over the past several years, while private pension funds have expanded at an average of 15% per year over the same period.

#### Insurance

Insurance remains dominated by a small number of local players. However, foreign companies have made strong inroads. Foreign entry into the market has included both acquisition of existing companies and Greenfield start-ups. Recent listings of life insurers may create new investment targets.

Given the impact of the global economic crisis on the industry, there will be limited demand for insurance products over the short term. However, the growth scenario will likely change over the medium term because of Korea’s rapidly aging population. This creates ongoing demand for after-retirement protection products as well as health insurance products, including accident and illness as well as medical expense coverage.

### Sovereign Wealth Funds/Pension Funds

Particular opportunities for asset management and property management companies exist to work alongside the likes of the National Pension Service (‘NPS’). Their fund is the fourth largest pension fund in the world with assets of more than US$300 billion. In the coming years the NPS will have to outsource its increasing assets to more financial services companies, pushing up the demand for funds.

The organisation recently purchased three iconic buildings in London including HSBC HQ in Canary Wharf as well as a 12% stake in Gatwick Airport. They set up a European headquarters in London last year.

There are about 12,000 lawyers in South Korea of which around 7,000 work in Seoul. Over 600 law firms (including one-man offices) and 800 in-house lawyers operate in the country. About 2,500 lawyers are licensed each year.

All lawyers are required to become members of the Korea Bar Association. The number of lawyers is expected to double in the next five years as the Korean Government liberalises legal services. Currently South Korea still has the lowest number of lawyers per capita in the OECD, making it a potentially strong market for UK law firms.

In 2012, annual revenue generated from the domestic legal services market was USD$2-3 billion. This is comparable to the annual turnover of Clifford Chance (United Kingdom) and Baker & McKenzie (United States). While Clifford Chance, the world’s largest legal company has some 30 branches in over 20 countries, Korea’s largest, Kim & Chang, does not have a single overseas branch.

Korea’s top six law firms employ 10 percent of the country’s lawyers, earning half of the industry’s sales. However, in the Asia-Pacific market only one Korean firm is ranked in the top 20.

Currently, there are about 3-4 UK & US law firms in receipt of an operating licence from the Ministry of Justice to set up an office in Korea. Approximately 15-16 more companies are currently applying for the licence. Clifford Chance opened an office in August 2012 and DLA Piper will open an office later this year. Herbert Smith Freehills is also applying for a licence.
Influence of the EU-Korea FTA
New revenue opportunities have been generated by the enhanced protection of Intellectual Property Rights and an extended copyright period the FTA has brought. The legal services element of the FTA identifies a three stage, time-based process for opening up the Korean legal system:

First Stage: Solicitors and other EU law firms will have the right to establish a branch office to offer advice on foreign and international law. Foreign lawyers are permitted to use their home country titles in their home country language. By using their home country titles domestic and foreign clients can be confident that they are receiving advice from an attorney legally registered in a specific jurisdiction.

Second stage: This will begin no later than July 2013, permits a foreign law firm to fee share with a Korean law firm, either on a project–by–project basis or on an ongoing basis.

Third stage: This will begin no later than July 2016, will permit Korean and foreign lawyers to go into partnership together and allow foreign law firms to employ Korean lawyers.

Opportunities for UK companies
Foreign–licensed attorneys already play a vital role in cross-border transactions involving, among other areas of law, mergers and acquisitions, financial and securities dealings and joint ventures. However, local companies dominate in other areas such as litigation.

There may also be opportunities in niche markets such as shipping and construction where UK law firms already have considerable expertise.

Design and creative industries
South Korea is an export–oriented economy and a number of Korean manufacturing companies are currently competing to gain a larger share of the global marketplace. To succeed in this endeavour, Korean companies are making investments in developing new design concepts.

One of the ways they are doing this is by establishing closer partnerships with overseas companies with a strong track record in innovation. Many UK design companies such as Seymourpowell, Tangerine, and Knirrer Dufort already work with well–established Korean clients from a number of diverse sectors including ICT, retail, advanced engineering and medical device manufacturing in order to provide a wide range of services. Typically these include product packaging, brand identity management, corporate visibility and design research.

UK design firms have a high profile in South Korea and local companies appreciate Britain’s reputation for strong creative credentials.

Influence of the EU-Korea FTA
The FTA has ushered in enhanced protection for Intellectual Property Rights and extended copyright regulation. This has improved opportunities for UK companies in service industries where the UK is traditionally strong and South Korea weak.

Opportunities for UK companies
Product / Packaging Design and Brand identity
International collaboration is seen as essential in these fields. South Korean consumers have rapidly changing tastes and a strong desire for products with innovative designs. In addition, South Korean exporting companies are compelled to continue to provide goods and services featuring high quality and innovative designs in order to compete and differentiate themselves in the global marketplace. There is an increasing demand for creative designs from companies operating in the electronics, food & drink, medical devices, and other consumer goods sectors.

To respond to these growing demands, South Korean companies, including ICT giants like Samsung, LG, as well as large retailers like Shinsegae, CJ, and Amore Pacific, work with UK design agencies on their product/packaging design and branding.

Design Consulting
Increasing numbers of Korean companies seek professional advice and design solutions in both the local and global market. However, very few domestic design consultancies possess the necessary skills to meet this demand. This has generated significant opportunities for UK design agencies particularly for those with a proven record in design research and strategy for corporate design.

Public Design
The Seoul City government has shown a strong desire to redesign the City since it was designated as 2010’s World Design Capital by the International Council of Societies of Industrial Design (ICSID).

It has already introduced some design projects for public spaces in Seoul. Dongdaemun Design Park & Plaza (one of the City’s major design projects) was designed by a famous UK architect Zaha Hadid and is scheduled to open at the end of 2013.

There is a wide range of business opportunities for UK design agencies with expertise in areas such as architecture/landscape design, interior design, public design and design consulting.

Life sciences
Total domestic healthcare expenditure in South Korea has grown steadily from about 4.4% GDP in 1990 to 7.1% of in 2010, with an annual growth rate around 9%, twice as high as the OECD average. Part of this is a result of one of the world’s most rapidly ageing populations. In 2010, the percentage of the population over 65 was 11%, it is forecast to be over 20% by 2025.

Biotechnology
The biotech industry is one of the fastest growing industries in Korea and has grown rapidly with a constant annual growth rate in excess of 10%. Korea is the 8th strongest biotechnology nation globally with particular technology advantages and skills in stem cell research. The Korean government considers biotechnology as the next new growth engine for the nation. Thus, there is strong government support for the acquisition of core technologies and the development of biotechnology infrastructure. The South Korea bio pharmaceutical market is forecasted to reach a value of £1.1 billion during 2013, with further growth expected.

Pharmaceuticals
Korea is the 13th largest international pharmaceuticals market, accounting for some 1.5% of global market share in 2012. By 2020, the Korean government aims to become the 7th largest pharmaceutical producing nation, accounting for 4.5% of the total global market. The Korean pharmaceuticals market has traditionally been generics–oriented, but recent industrial investments have enabled an increased focus on new drug discovery. The market was worth around £10.9 billion in 2012 with an annual growth rate of around 8%. Since 1999, Korea has developed 19 unique new drugs.
Medical Devices
The Korean medical device market accounts for 1.3% of global market share. The market was worth around £2.3 billion in 2012 with an annual growth rate of around 7%. The market is mainly serviced by imports, accounting for 65% of the total market, largely from the US, Germany and Japan.

Influence of the EU-Korea FTA
Some of the ways the FTA will influence the Life Sciences sector are:

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<tr>
<th>Item</th>
<th>Change in Tariff</th>
<th>Timing</th>
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<tbody>
<tr>
<td>Biotechnology</td>
<td>Up to 8%</td>
<td>Now</td>
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<tr>
<td>Pharmaceuticals</td>
<td>8%</td>
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<tr>
<td>Medicines</td>
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<tr>
<td>Medical devices</td>
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(Source: European Commission)

Opportunities for UK companies
There are opportunities for R&D collaboration and technology transfer in the fields of oncology, cardiology, drug discovery, metabolic diseases, vaccines, neuroscience, stem cells, cancer theranostics, tissue engineering and regenerative medicine.

Biotechnology
There is a growing demand for drugs to treat lifestyle related diseases such as hypertension, diabetes, and cancer. Korean companies are looking for overseas technology and experience which they can license in and further develop.

The clinical trials are becoming more common place locally but there is high demand for international partnerships to conform to global standards.

Pharmaceuticals
There is a strong demand for both licensing in and out of pharmaceutical products/technology. Korea has strong credentials in the traditional fermentation, antibiotics and diagnostic industries. Global outsourcing, partnerships and M&A are also becoming a more accepted approach to R&D and product development in Korea.

Opportunities for UK companies
South Korea has established world class football and baseball leagues. They also have a proven track record of holding large scale sporting and entertainment events. Those foreign companies that succeed in Korea differentiate themselves from the local offer.

The South Korean Government has a strong focus on moving the country to a low carbon economy. Both Incheon and Gwangju have expressed a desire to host eco-friendly games, using low carbon and green building techniques.

There are opportunities for companies who excel in:
- Marketing and ticketing
- Hospitality & catering
- Advanced IT (where not available locally)
- Green building and design, including stadium and accommodation construction
- Low carbon solutions
- Legacy planning

Global sports
Sports and exercise are valued in Korean society. South Korea has a tradition of excellence on the global stage – particularly in baseball (Olympic champions), football, speed skating, ice skating and in multi-disciplined events. In the 2010 Asian Games, South Korea came second in terms of total medal tally.

South Korea has hosted several iconic sporting events in the past, including the 1988 Summer Olympics in Seoul, the FIFA football World Cup in 2002, and the IAAF World Athletics Championships in Daegu in 2011.

Korea has an ambitious programme to host additional major sporting events including:

- **Incheon Asian Games 2014**
  - Incheon is home to 2.8 million people, and is one hour from Seoul. In Korea, the Asian Games are bigger than the Olympics. The Games in Incheon will feature 36 sports held at 50 competition venues. 37 of the venues will be in Incheon with 13 others in five co-hosting cities. 24 venues will be new builds.
  - There is a desire to host eco-friendly games with the emphasis on green building and green technologies.

- **Gwangju Universiade 2015**
  - Gwangju is home to 1.45 million people and will be 55 minutes from Seoul when the KTX fast train line is completed later in 2013. The Universiade will host 7,000 athletes from 170 countries. The games will feature 21 sports. There will be 77 separate facilities, including a new aquatics centre and a multipurpose hall.

- **Pyeongchang Winter Olympics 2018**
  - The city of Pyeongchang in Gangwon Province will host the Winter Olympics in 2018. The games will be centred in two clusters – the Alpensia cluster and the coastal cluster.

No venue will be more than 30 minutes apart. There will be 13 competition venues. Seven are existing venues which will all be updated. Six venues will be new builds.

Opportunities for UK companies
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- Green building and design, including stadium and accommodation construction
- Low carbon solutions
- Legacy planning
UK Trade & Investment’s top-tips for doing business in South Korea

Koreans are experienced with international business. However, UK companies that accommodate cultural peculiarities will find interaction easier and more effective.

Communication:
While many Koreans are comfortable communicating in English, many talented and capable Koreans are not. Accommodate your language to your audience. Speak in clear, basic English. Do not rely solely on verbal communication but reiterate your messages in writing.

Cultural differences also influence communication. Traditional culture favours harmony rather than confrontation often causing Westerners to understand silence as acceptance. Negative questions are understood differently and ‘yes/no’ questions are unreliable. Ask questions from several directions to verify that the message has been successfully communicated. Your counterpart is unlikely to request clarification even if understanding is not complete.

When making presentations, minimise words and maximise graphs, charts and visuals that can communicate across languages and cultures.

Korea is a country where things can happen extremely quickly. Same day response is expected for Westerners, fellow Koreans often will not be aware of the Anglicized name so may not know who is being discussed. Titles are very important among Koreans and are used when addressing individuals. The most common address in Korean is surname and title, for example “Director Lee”.

Caution with Numbers:
Simple things like numbers can lead to a breakdown in business relations. Korean counting indicates the units of time that a condition existed. As a result, the practice is to start counting at 1 (you are 1 year old when you are born, an overnight trip is a 2 day trip). Large numbers are confusing as Northeast Asia counts in groups of 4 digits (10,000, 100,000, 000) rather than in thousands. This makes converting large numbers between English and Korean quite challenging. To a Korean, 5 million is 500 ten thousands. When clarity is critical, write out the entire number with all its digits or use specific dates and times for starting and ending. Avoid culture bound references to time such as Easter which will not be familiar to Koreans.

Likewise, Koreans may refer to events in the lunar calendar (Lunar New Year, Chuseok) that will be unfamiliar to Westerners. Seek clarification when you are unsure.

Hierarchy:
All Korean relationships are hierarchical. The individual in the ‘superior’ position is treated with respect while the ‘junior’ is subservient (to the point of rudeness by Western values). Age, position in the company, education, and marital status all determine one’s ‘rank’ in society. Westerners are often surprised that they are asked very specific and even personal questions when they first meet a Korean. Your counterpart is trying to determine where you fit in the hierarchy. Your ‘rank’ can have a major impact on who is willing to meet you and the nature of the dialogue (relative position). Titles are hierarchical rather than functional in Korean companies. Know your counterpart and how he fits within his organization.

Relationships:
Everything depends on personal relationships. One can ‘borrow’ relationships and introductions are very helpful but successful business requires one to build ones’ own relationships. Devote time getting to know your counterparts both professionally and personally. Work on developing your relationships just as you would your professional skills. Mix business with pleasure. Develop, sustain and grow your personal network.

Gifts:
The culture of gift giving persists in Korea, particularly for formal meetings and meetings between very senior people. Also, when travelling overseas, taking a gift for your host (and reciprocating) is not uncommon. For working level business meetings, gifts are rare. However, hosting meals is expected.

Eating:
Eating is an important component of building relationships and ‘bonding’ in Korea. It is rare for a meeting that ends near mealtime not to result in an invitation by the ‘host’. It is common for the host to pay for the meal. Sharing the cost of the meal (in a business setting) is unheard of in Korea – be prepared to invite your guest. Seminars and workshops always include a meal – usually hosted by the event sponsor.

Drinking:
Health consciousness has blissfully supplanted heavy drinking with golf and other pursuits but eating and drinking remain important parts of relationship building, particularly among the over 50 age group. Drinking is serious but not casual. While it is not common to drink at lunch, often beer or wine will be served to accommodate “Western” habits.

Serious drinking is done at night and is often a drawn out affair demonstrating prowess and stamina. Be careful. Often, key commercial information is revealed at the very end of a drinking session so one needs to be alert enough to catch the message.

Meetings:
Meetings have a predictable format. It is useful to know who will participate before the meeting – in particular, it is important to know whom you have already met! The senior person enters the meeting first and seating is arranged hierarchically.

Business cards are exchanged before sitting down and several minutes of small talk follow. Receive the business cards with two hands (or at least the right hand) and study it carefully; place it face up on the table in front of you during the meeting. Treat cards with respect; they represent your counterparts’ ‘face’; provide important clues as to their importance and are a key tool for managing relationships.

You will always be offered ‘tea’ (which can also be coffee, juice, water or something else); it is awkward to refuse so better to accept even if not consumed. Wait until these rituals have been completed to commence business discussions.

Allow your counterpart plenty of time to express his opinion; avoid dominating the conversation but try to listen and understand what your counterpart is thinking. This is particularly true if your counterpart is weak at English.

Most importantly though, have fun!
During the campaign, Lotte’s department stores following their success in launching the ‘British Fair’ have set up a permanent presence in one of the stores they were able to secure on their own. At least one of the major Korean dairies, Shincheon Milk, has been able to increase sales by over 50% last year, a result of the campaign and gaining market insight and support we have received from UKTI as well as our distributor also discussed involvement in a British promotion in the Lotte department store which eventually ran just before the Olympics.

The highlight though was taking part in The British Lifestyle Showcase in Seoul hosted by the British Ambassador, Scott Wightman in his Residence garden. We joined 24 other British companies from various industry sectors, showcasing our brands to over 450 invited guests including buyers, influencers and media. Koreans are also great to do business with; they’re particularly receptive to the cachet of brands they want, they’re good at making decisions and sticking to them but at the same time have a real attention to detail. My advice though is to do your homework before visiting the market. Don’t underestimate the value of an OMIS (Overseas Market Introduction Service) offered by UKTI. It’s both effective and efficient way to get under the skin of the market and see the potential for your business before committing to a visit. After such a positive year for us in Korea, we’ll continue to establish our brand there as well as start looking at other fast emerging markets such as Taiwan, Vietnam, Malaysia, and Indonesia over the coming years.

As part of this agreement, tariffs on many goods imported to Korea from the UK are no longer imposed or are being reduced over the next few years.

Koreans are also great to do business with; they’re keen to do business and explore Korea even when you already have business there. You can’t escape the energy and drive – they’re keen to do business and there are always new opportunities. In fact, one of our biggest challenges is ensuring regular and continuous supply in the face of rapid growth of opportunities.

“I definitely think that Korea is a great place to do business as there is such a strong interest in Britain and its culture so our imported products are sought after by consumers. The biggest driver of this change is the EU-South Korea Free Trade Agreement (FTA) implemented in July 2011.”

Recent success case study: Retail

Korean businesses, politicians, media and the general public have recognised the significance of 2012 for the UK. In Seoul this translated into a broad and concerted spate of British commercial diplomacy successes. Examples include stores flying Union flags and running “We love Britain” events, a local beer company producing a “British special” and a major media outlet deploying a London 2012 bus in central Seoul.

On the back of this excitement and goodwill, in late July 2012 our Embassy in Seoul partnered with Lotte, Korea’s largest department store chain, for their British Fair.

The three-week campaign offered style-savvy Korean consumers a showcase of 16 British brands, from fashion giants Burberry and OAKS, to high-end home ware goods from Royal Albert, and traditional cheese from Lye Cross Farm. The nationwide promotion took place under the Shopping is GREAT Britain banner. Lotte’s flagship store in Seoul, at which a glitzy opening ceremony took place to an audience of excited journalists, received more than 100,000 visitors every day. The value of the British fashion and consumer goods industry in Korea is measured in seven figures every year and this promotion encouraged Korean consumers all across the country to buy British.

More immediately however, the event enabled British companies to significantly develop their brands in Korea through exposure and direct sales worth tens of thousands of pounds. Many enjoyed their first direct sales in the Korean market as a result of the campaign and gained wide brand exposure which they would not have been able to secure on their own. At least one of the British companies participating in the British Fair has set up a permanent presence in one of Lotte’s department stores following their success during the campaign.

Recent success case study: Saying “Cheese” in Korea

“Tim Harrap has extensive knowledge of doing business in Asia and now, as recently appointed Head of Collaboration at Alvis Bros. Ltd, he shares his experience of growing cheese sales in Korea.”

Alvis Bros. Ltd are farmers and cheesemakers based in north Somerset – at the heart of farmhouse cheddar production. We market our cheese under the Lye Cross Farm brand and supply both conventional and organic products to major retailers in the UK as well as exporting to over 30 countries.

We have been doing business in Asia for the last three years, mainly focusing on Korea with some business also recently developed in Japan. We first found an Asian appetite for our products at a major international food show, ANUGA in Cologne in 2009. Our farmhouse cheeses caught the attention of a Korean distributor with European connections and with their help we started supplying some of the major stores including Homeplus (Tesco), Lotte and E-Mart. We also sent bulk shipments of our West Country Farmhouse Cheddar to some of the major Korean dairies.

2012 has certainly been a pivotal year for us in Korea, with sales growing by 50% in the last year. Much of this success can be attributed to market insight and support we have received from UK Trade & Investment (UKTI) as well as our focus on showcasing our brand and educating trade and consumers about our cheese and production methods.

As a long-established West Country cheese maker (we are celebrating 60 years of cheese making this year) we have a compelling story to tell. Our West Country Farmhouse Cheddar carries the PDO (Product of Designated Origin) symbol from the EU which signifies its authenticity as the original cheddar. Coupled with our long term commitment to organic cheddar production (we are the largest maker in the UK) this has enabled us to gain real traction in Korea. The PDO symbol clearly displayed on packs helps to reassure both trade and consumers of the authenticity and the quality of our cheese range.

In March last year I went on a trade mission to Korea organised by UKTI. We took part in five days of store visits, networking and sampling opportunities and met with our key dairy customers and retail buyers. As well as deepening our insight into the Korean market, our distributor also discussed our involvement in a British promotion in the Lotte department store which eventually ran just before the Olympics.

The highlight though was taking part in The British Lifestyle Showcase in Seoul hosted by the British Ambassador, Scott Wightman in his Residence garden.

We joined 24 other British companies from various industry sectors, showcasing our brands to over 450 invited guests including buyers, influencers and media. Koreans are world renowned for their love of style and are highly brand and image conscious. They’re particularly receptive to the cachet of brand ‘Britain’ and attribute a great deal of prestige to imported products; the showcase really tapped into this.

Nothing beats actually taking time to visit and explore Korea even when you already have business there. You can’t escape the energy and drive – they’re keen to do business and there are always new opportunities. In fact, one of our biggest challenges is ensuring regular and continuous supply in the face of rapid growth of opportunities.

“I definitely think that Korea is a great place to do business as there is such a strong interest in Britain and its culture so our imported products are sought after by consumers. The biggest driver of this change is the EU-South Korea Free Trade Agreement (FTA) implemented in July 2011.”

Recent success case study: "Saying ‘Cheese’ in Korea"
Opportunity Korea

Tim’s top tips for doing business in South Korea:

1. You have to be aware of their culture and history; also be aware of your own history! With a highly educated population you will be surprised how much they know about your country. Do not be caught out especially when preparing to meet potential customers.

2. Korean consumers put great deal of kudos on imported British products, so don’t be afraid to promote your products under the British banner.

3. You need to educate the consumers about your product and story – for us we have to demonstrate how different our cheese is to the sliced processed varieties.

4. Make the most of UK Trade & Investment services to help you explore and penetrate the market, they are so well informed and can really leverage their connections, which gives you a real head start when visiting the market.

As part of our package of follow-up market support for British companies in 2013 we intend to run a number of focused sector inward missions to South Korea in the following areas:

• Global Sports
• Nuclear
• Wind energy/renewables
• Green Building
• Printed Electronics
• Creative & Design
• Fashion
• Financial/Legal

If you are interested in participating one of these events please contact the in UKTI Seoul office. Our details can be found at the end of this document.

Find out more

If you are interested in pursuing business opportunities in Korea, you can register your interest on www.ukti.gov.uk and arrange for an International Trade Adviser based in your UK region to help you. The UKTI team in Seoul can also be contacted at trade.korea@fco.gov.uk. We look forward to welcoming you to Seoul soon.

Upcoming Missions to the Market

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