

Consumer Issues in South Korea in 2017-2018

1. Demographic Changes

The number of elderly people (aged over 65) in South Korea hit 6.8 million in 2016, comprising 13.6% of its total population. But now, South Korea reached a threshold 14% of total population and became an “aged society” in 2017. This was much quicker than expected (2018) and other developed countries. It took Japan 24 years to go from an aging society to an aged one, Germany 40 years and France 115 years, whereas to took the South Korea 17 years since 2002.

At the same time, South Korea recorded the lowest fertility rate country (for 16 years in a row), barely more than one child per woman (1.05 births per woman). This lowest fertility rate also resulted in the world's fastest-aging developed economy, with a population comprised of more elderly people than young people.

Another significant observation in population change is growing number of single-living household. As of November 2016, the population of single-person household was 5.18 million (27.9%) and it is projected to increase up 36.3% in 2045. A single-person household will become the most common type across South Korea in 2019.

Also, the nationality of South Korea population gets more diverse. The foreign nationals in South Korea amounted to 1,410 thousand persons, accounting for 2.8% of the total population. The Chinese nationals occupied 50% of the total foreign nationals.

2. Economic Condition and 4th Industrial Revolution

3.

The stagflation of world economy, increase in interest rate in the U.S., and continuous slow-growth of U.S., Chinese, Europe economy, uncertainty over the world economy stays out longer and it will likely persist for a while. Thus, the global economy has been recording lower growth rates than expected. As for the South Korean economy,

After political scandal of a high-profile corruption in the Korean society, the present's impeachment, new government strategy, “income-led growth” driven by increased public employment, higher social spending and rise in the minimum wage, and raising taxes on the corporations and the wealthiest has implemented.

South Korea shows slightly recovery in all economic indicators of GDP, economic growth, consumption growth between 2016 and 2017 as displayed in Table 1 below.

The average monthly household income amounted to 4,399 thousand won in 2016, up 0.5% from 2015.

Korea's private consumption expenditure was reported at 191.59 USD bn in Dec 2017. This records an increase from the previous number of 185.34 USD bn for Sep 2017.

More than anything, the importance of ICT as a growth engine that helps overcome the economic downturn in Korea is highlighted more than ever. Industries such as finance,

medical services and education are growing in accordance with ICT industries.

<Table 1 Economic Indicators of South Korea between 2013 and 2017>

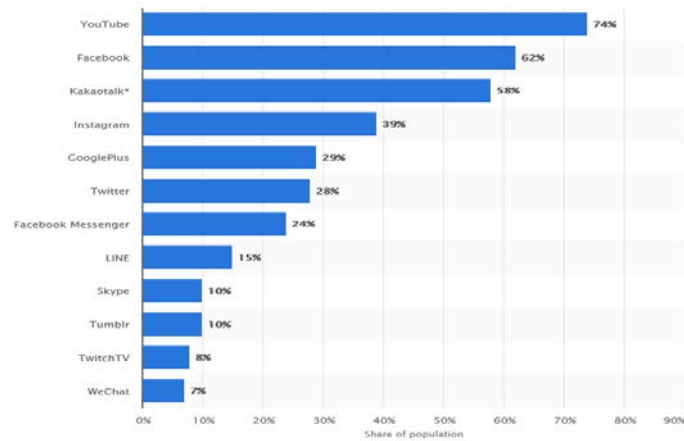
	2013	2014	2015	2016	2017
Population (million)	50.4	50.7	51.0	51.2	51.5
GDP per capital (USD)	25,896	27,815	27,096	27,608	29,745
GDP (USD bn)	1,306	1,412	1,382	1,415	1,531
Economic Growth (GDP)	2.9	3.3	2.8	2.9	3.1
Consumption Growth (%)	1.9	1.8	2.2	2.9	3.1
Policy interest rate (%)	2.50	2.00	1.50	1.25	1.50

The rapid innovation and diffusion of Information and Communication Technology (ICT) over the past few decades has changed the economy especially in the industrialized countries. Modern economic activities have largely carried out using ICT features. The South Korean government began to acknowledge the importance of ICT diffusion and technological convergence as a new drive of economic growth. Production in the ICT sector in 2017 is forecast to increase by 4.8% year on year to 456 trillion won.

The influence of ICT (Intelligent Information Technology) has changed the way of consumer transaction, consumption life, even consumption paradigm. Production and consumption are converged by being shared through a comprehensive connection platform in real time. Moreover, usage and sharing is more highlighted than ownership. More convenient smart consumption life and highly personalized consumption optimized for individual demand are anticipated.

This statistic presents the social network penetration in South Korea. As of the third quarter 2017, 84 percent of the population were active social media users. The most popular social platform was YouTube with a 74 percent penetration rate. South Korea ranks among the countries with the [highest number of monthly active social media users in the Asia Pacific region](#) - as of January 2017, close to 42 million users in South Korea accessed social networks on a monthly basis. Despite local competition from KakaoTalk, [Facebook is also popular in South Korea](#) with the local audience being projected to reach 15.4 million users in 2021.

< Penetration of leading social networks in South Korea as of 3rd quarter 2017>



Due to strong technological and mobile adoption, South Korea is one of the biggest e-commerce market worldwide. Retail e-commerce market is the 7th largest in the world and ranked the 3rd largest in the Asian-Pacific region. Although the retail sales on e-commerce is only 10% of the world sales, it is steadily taken up the retail market. South Korea has the highest development index of Information and Communication Technology (ICT), the future of the e-commerce is bright (ranked 1st from 2010 to 2016, except 2013 and 2014 by International Telecommunication Union).

The most popular online shopping categories were online travel arrangement and reservation services, home electronics and appliances, and fashion and apparel. Online platform have introduced their own payment system in order to simplify the payment process (SSG Pay, Payco, Naver Pay, KakaoPay are examples).

Last 3 years, the market for online shopping through mobile devices grew by 93.1% in each year, 45.4% of online shopping is made through mobile device in 2016.

<Table 2 Top 7 Countries Ranked by Retail E-Commerce Sales Worldwide: in Billion USD>

Rank	Country	2013	2014	2015	2016	2017	2018
1	China	\$315.75	\$426.26	\$562.66	\$714.58	\$871.79	\$1,011.28
2	US	\$264.20	\$305.65	\$349.06	\$394.43	\$442.55	\$493.89
3	UK	\$70.39	\$82.00	\$93.89	\$104.22	\$114.64	\$124.96
4	Japan	\$62.13	\$70.83	\$79.33	\$88.06	\$96.87	\$106.07
5	Germany	\$51.91	\$63.38	\$73.46	\$82.93	\$91.97	\$99.33
6	France	\$34.21	\$38.36	\$42.62	\$46.13	\$49.71	\$53.26
7	South Korea	\$29.30	\$33.11	\$36.76	\$40.43	\$44.07	\$47.82

4. Political Change

As two summit of the Present of U.S. and the leader of North Korea had a historic meeting in Singapore in June 12 2018, numerous actions have been followed to establish some peace-keeping mechanism through “Denuclearization” in North Korea.

Although there has been research regarding how to prepare for the unification between South and North Korea in every part of the country.

- The Consumption Life Adaptation of North Korean Female Defectors
- Development and Evaluation of Family Life Education Program for North Korean Defector Adolescents in South Korea
- The Level of Consumer Competency of North Korean Defectors

Also several consumer organizations and the Korean Consumer Agency had a forum for preparing for the integrated consumer policy after unification since 2015. It emphasized the importance of role of consumer education as the first step to integrate and adjust daily lives as consumers between South and North Koreans in the unified society.

In addition to political change, there have been significant issues in South Korean society. South Korean National Assembly passed a bill that cut the maximum working hours from 68 hours down to 52 hours last Feb 28, 2018 and this became effective on July 1 2018. In 2016, it was reported that South Koreans worked an average 2,069 hours in 2017, more than any country in the OECD countries. This will make all public holidays mandatory paid days off. Despite some concerns about lowering productivity by limiting working hours, it could influence the lifestyle of average workers by enjoying more time with family and spending more time and money for their health and leisure.

5. Research Trends in Consumer Economics

Recent research topics in the consumer field are widely ranged from the topics that have been steadily studies to new ones related to 4th industrial revolution or sharing economy. There have been steady topics in the field of consumer sciences *including consumer expenditures (education, health, leisure), consumer finance, exploration of various psychological factors, in decision-making process, green consumption, sustainability, ethic/unethical consumer behavior, consumption value, consumer happiness, online/mobile information search, and Chinese consumer behavior.*

It is noteworthy that lists of articles published in consumer research journals as newly emerging topics as follows:

- Conceptualization and Scale-Development of Consumer Literacy on Mobile Advertising
- Consumer Perception and Response to Online Tracking and Policy Implications for Privacy Protection
- A Study on the Types of Chinese Women Cosmetics Consumers
- The Influences of Korean Wave and Product Image on Cross-border Shopping Intention for Korean Cosmetics in China
- Consumers' Perception on Personal Information and Its Usage in Big Data Environment
- The Differences of Perceptions among Consumers, Corporations and Government on the Consumers' Social Responsibility

- Effect of Retro-design on Product Attitude and Purchase Intention towards High-Technology Product: Mediating Effect of Perceived Newness
- Who is More Vulnerable to Financial Fraud? Financial Fraud and Related Factors
- A Study on Consumer's Recognition, Perception and Future Image of the Fourth Industrial Revolution
- Does the Online Blog Help Consumer's Wise Choice?
- The Effect of Economic Powerless on Symbolic Consumption
- The Impact of Cultural Capital and Economic Capital on the Consumption of Cultural Arts among Baby Boomer Generation of South Korea
- An Analysis of Product-Service System (PSS) from Consumer's Daily Life Perspective and Their Purchase Intention
- Consumers' Experiences of Collaborative Consumption Based on Sharing Economy Service