



Photo by Ethan Brooke from Pexels

Convenience Stores in South Korea

PROSPECTS

Channel Growth Rate in South Korea Slows Down

Convenience stores recorded strong growth over the past five years in South Korea, thanks to the increasing number of single-person households and quickly changing lifestyles. As the market matures, however, the growth rate is slowing in terms of both number of outlets and retail sales value. In addition, South Korea's government is trying to limit convenience store outlet numbers, preventing the opening of another convenience store within 50m to 100m distance to protect competition from each other. Thus, convenience store operators are expected to focus more on increasing sales value by offering various promotions and developing new private label products under the stricter regulation.

Online Delivery Makes Inroads into Convenience Stores

Even though e-commerce has impacted almost all the retailing industry, convenience stores were one of the channels that e-commerce players did not greatly affect due to the greater accessibility with numerous outlets available.

However, convenience stores also started to become more competitive by entering into partnerships with third-party delivery platform players.

For example, Bursim, which is a third-party delivery mobile app, is becoming popular for ordering smaller amounts of products from convenience stores. In addition, the largest convenience store brand, CU, entered a partnership with Yogiyo, which is a foodservice delivery mobile app, and started to take orders online and deliver the products through the app. This is becoming more popular, as highly tech-savvy South Korean consumers are already used to these types of mobile services. Moreover, convenience stores are expanding snacks, foodservice items such as sandwiches and lunch boxes, so that they can also compete with other restaurants that provide delivery services. With online delivery services, value sales at convenience stores are expected to grow further.

Mobile-based Payment Method Provides More Convenience to Consumers

Mobile-based payment is booming in South Korea, especially in the retailing industry both online and offline. Convenience stores is one of the channels where consumers frequently visit

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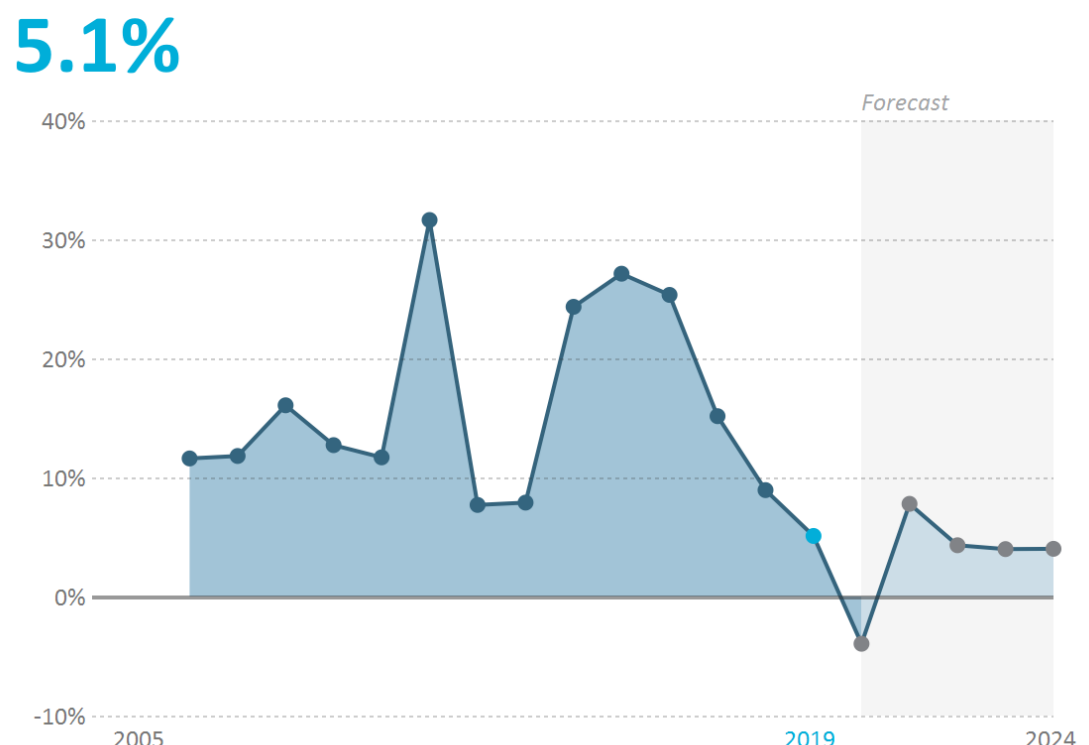
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Sales Performance of Convenience Stores in South Korea

% Y-O-Y Retail Value RSP excl Sales Tax Growth 2005-2024



offline, hence, many payment players are focusing on increasing coverage to the channel, which provides more convenience to consumers. For example, Kakao Pay, under social messaging app company Kakao Group, is giving extra cash back rewards. In addition, PayBook, under the BC card, one of the biggest credit card companies, is providing extra discounts and promotions, when consumers purchase via the mobile app at convenience stores. Moreover, emart24 is placing self-checkout machines in stores for SSG Pay users.

COMPETITIVE LANDSCAPE

GS25 Overtakes CU to Become Number One in South Korea

CU and GS25 are the two largest convenience store fascias in South Korea and have been competing intensely to take the number one spot. GS25 ranked number one convenience store in 2019 in terms of both number of outlets and retail sales value, while CU used to have the greatest number of outlets in 2018. Both CU and GS25 are aggressively developing food items for the increasing number

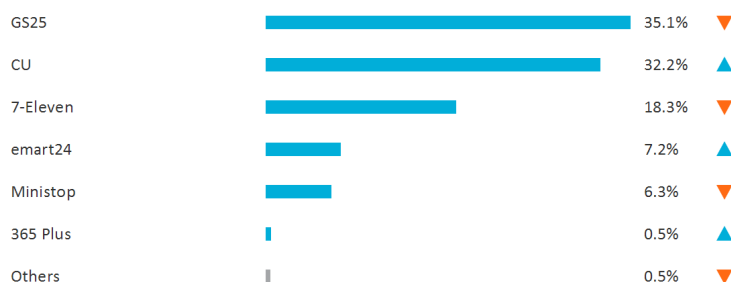
of single- or two-person households, for example, fruit packages for one person, and salads and sandwiches as a simple meal. In addition, CU is undertaking a strategy to increase the size of outlet space for newly-opened outlets to improve its food category so that consumers can easily purchase and eat the food in store. While both CU and GS25 have started to seek further opportunities abroad such as in Vietnam, competition between the two is expected to become more intense.

Emart24 Expands Rapidly Thanks to its Parent Company, Shinsegae, One of the Largest Retailing Companies

While CU and GS25 are competing with each other, other players are also speeding to catch up. 7-Eleven, the third largest player, has over 10,000 outlets in South Korea, while emart24, which came into the market late in 2014, is aggressively opening new stores, thanks to its parent, Shinsegae Group, which is one of the largest retailing groups operating across various channels in South Korea. ■

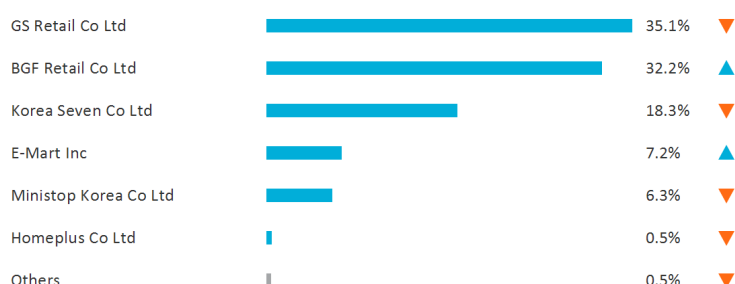
Brand Shares of Convenience Stores in South Korea

% Share (LBN) - Retail Value RSP excl Sales Tax - 2019



Company Shares of Convenience Stores in South Korea

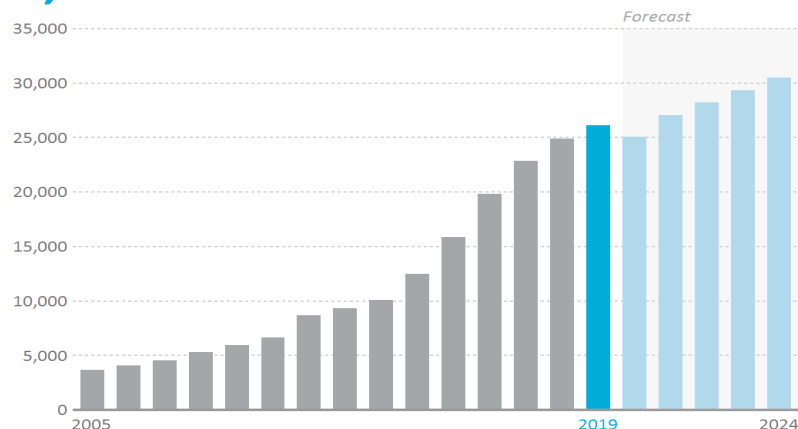
% Share (NBO) - Retail Value RSP excl Sales Tax - 2019



Sales of Convenience Stores in South Korea

Retail Value RSP excl Sales Tax - KRW billion - Current - 2005-2024

26,026



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