



# Food for thought

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Four key trends Australian food and  
beverage exporters need to know  
before entering the Korean market.







# About the Australia-Korea Business Council

This report has been developed by the Australia-Korean Business Council (AKBC). The AKBC is the leading national body committed to strengthening the Australia-Korea bilateral relationship. We exist on behalf of our members to deepen economic ties by connecting businesses, communicating opportunities and championing mutually beneficial policy and commercial outcomes.

The AKBC was established in 1978 to promote two-way trade and investment with Korea through economic cooperation, dialogue and cultural understanding. Our counterpart in Korea, the Korea-Australia Business Council (KABC) was established in the same year, and we maintain a close relationship through our annual AKBC-KABC Joint Meeting.

The AKBC is chaired by the Hon Simon Crean and led by an Executive Committee of outstanding industry and government leaders. We have a diverse membership base that includes government, business and academic institutions, all with wide ranging commercial interests in Korea.

Korea is one of Australia's largest bilateral trading partners and the opportunities for deepened engagement and economic success are increasing, particularly as many Australian businesses look to diversify their export markets.

# Food for thought

Four key trends Australian food and beverage exporters need to know before entering the Korean market.

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With more and more exporters observing the benefits of the Korea-Australia Free Trade Agreement, it can be easy to overlook some of the key trends and demographic drivers shaping consumer behaviour in Korea. The following report by the Australia-Korea Business Council outlines these trends and canvasses some of the most important cultural intricacies that are critical to successfully doing business in Korea.





# 1 | Introduction

Korea has a population twice that of Australia living in an area that is less than half the size of Victoria. More than 70 per cent of that land is mountainous, creating a highly urbanised landscape with little room for agriculture. Unsurprisingly, about 50 per cent of Korea's food needs are imported from overseas to meet domestic demand. And with Australian food and beverage exporters searching for new trade markets as a result of tensions with China, Korea is a prime market for exporters to target.

The Korea-Australia Free Trade Agreement (KAFTA), which came into force in December 2014, has resulted in more than 99 per cent of Australia's goods exports to Korea eligible to enter duty-free or with preferential access. For example, Australian goods such as wheat, raw sugar, seafood, cherries, almonds and wine attract little to zero tariffs. On 1 January 2021 the eight round of KAFTA tariff cuts come into effect, delivering benefits across a range of agricultural commodities. For example, beef tariffs will fall from 21.3 per cent to 18.6 per cent with the beef safeguard increasing to 174,087 tonnes and lamb tariffs will fall from 6.7 per cent to 4.5 per cent. The most recent KAFTA Joint Committee meeting recognised the increase in the two-way KAFTA preference utilisation rate, which was over 96 per cent for trade in goods in 2019.<sup>1</sup> And in January 2022, further progress on this front was made as the Australian Government announced that new market access was granted for southern rock lobster exports to Korea as well as further market access improvements for table grapes, citrus and meat products.<sup>2</sup>

Building upon the strong legacy of KAFTA, 2021 saw Australia and Korea celebrate the 60th year of diplomatic relations, capped by the President of the Republic of Korea, His Excellency Mr Moon Jae-in, visiting Australia to formally elevate our nations' relationship to a Comprehensive Strategic Partnership (CSP). The CSP will be underpinned by cooperation across three pillars: strategic and security; economic, innovation and technology; and people-to-people exchange. Under this second pillar – building on the first meeting of the Korea-Australia Committee on Agricultural Cooperation in 2021 – our two nations agreed to deepen ties on agriculture.

[1] Department of Foreign Affairs and Trade - *Fourth Meeting of the Korea-Australia Free Trade Agreement Joint Committee*, 9 December 2020

[2] Media Release, *Motion in the Ocean, rock lobsters to South Korea*, The Hon David Littleproud MP, Minister for Agriculture and Northern Australia 14 January 2022





KOREA AUSTRALIA  
호주 한국  
1961-2021

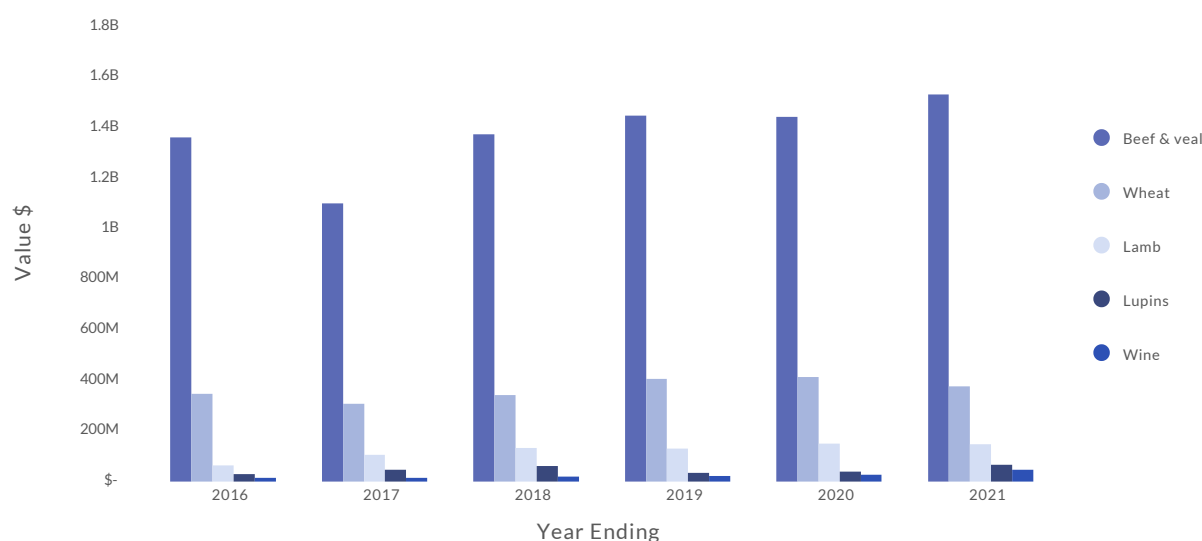
# AN TABLE



KAFTA has levelled the international playing field vying for the Korean market – its benefits are clear and the opportunity to enhance cooperation in agriculture through the CSP are promising. Yet, while Korea may be our fourth largest trading partner, we have traditionally not been active (with notable exceptions, like beef) in the food and beverage market. This opens opportunities for Australian exporters to leverage and expand upon Australia’s strong reputation as a high-quality producer of clean, green and premium products. In particular, combined with a tailored and targeted market entry and promotional strategy, Australian exporters of premium packaged and premium fresh food and beverages have a strong growth opportunity in the Korean market.

Before taking that plunge, there are key trends and notable aspects of Korean culture that exporters should understand to maximise their investment, time and long-term success in the Korean market.

**Figure One: Value of Australian exports to Korea**



Source: ABS

## 2 | A demographic shift

Korea's population is defined by two key trends: an ageing population and a low birth rate. These demographic drivers have converged to the point that the Korean population has begun to decline. With approximately 15 per cent of Korea's population aged 60 years or older, a new industry nicknamed 실버 산업 or 'industry for the elderly' has emerged. But if we look deeper, Korea also has a burgeoning class of sophisticated, educated and cosmopolitan youth, many of whom have studied or travelled abroad and have disposable income to spend on innovative food and beverage products. This expanding class of young people is eager to try new things – innovative and exciting flavours and textures, beyond the traditional Korean diet. Recent data from Mintel suggests that 47 per cent of South Koreans are looking for new flavours and foods to try, with a large percentage of consumers also willing to pay more for food and drink that are customised to their specific nutritional needs.<sup>3</sup> Young people are interested in trying new tastes and accessing a more diverse range of products. This has led to a relatively new trend, of creating new foods by mixing traditional Korean dishes to create hybrid ones, such as jjapaguri (a combination of two popular instant noodle brands), which was featured and made famous from its appearance in the film 'Parasite' and also rabokki (a combination of instant noodles and rice cakes).

The growing middle-class and ageing population has also created more single-person households, which now make up 39 per cent of total households. And with more and more Koreans breaking tradition by leaving home before they marry (or choosing not to marry), the popularity of packaged convenience foods and frozen and ready-to-eat meals, has similarly expanded into the aisles of convenience stores found on nearly every corner. This, together with a new trend of 'Honbap', meaning eating alone, as well as the prolonged coronavirus pandemic has driven up demand for meal kits. The e-commerce site WeMakePrice reported in February 2020 that sales of home meal replacements (HMR) increased by 178.54% compared to the previous month.<sup>4</sup> HMRs, of which Fresheasy Co. is the dominant leader in Korea, are no longer limited to rice and noodles – they have expanded to include soup, pasta, salads, lunchboxes and traditional Korean side dishes with also significant demand for restaurant quality meals as an alternative to restaurant dining. This also suits the Korean culture of long working hours, which leaves limited time for food preparation and shopping in-store.

**Key insight:** Each demographic in Korea have different characteristics and the drivers and behaviour of your target group of consumers is key to success in Korea.

[3] Australian Food & Grocery Council, *Consumer behaviour and food and beverage trends report on South Korea*, April 2021

[4] Source: Sisa Focus







## CASE STUDY

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# Manbulloo Limited

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Manbulloo, produces mangoes on seven plantations in the Northern Territory and Queensland, exporting around 100 tonnes of R2E2 mangoes to Korea annually.

Manbulloo Managing Director Marie Piccone said the company exported just eight tonnes of mangoes in 2010, the first year of export to Korea. The launch of KAFTA increased export growth to Korea for Manbulloo. Since 2014, Korean import tariffs on Australian mangoes have gradually dropped annually, from 30 per cent to 3 per cent in January 2022. Tariffs will be zero in January 2023.

Manbulloo employs more than 220 people at the peak of the mango harvest and also exports mangoes to the US, Canada, New Zealand and China as well as Korea.

Ms Piccone said: “The most important key to establishing and growing the market was finding a great partner in Korea and focusing really hard on communication and information flow – be consistent, open and honest. If there is a glitch, be upfront about the reason for this and work through the solutions with your local partner. While we do that in every market, information sharing is especially important between our Korean partners and us.

“Being a reliable supplier is also key, as well as staying in the market for the long haul. You can’t dip in and out. That is destabilising for partners, customers and the market as a whole.”

Manbulloo’s large sized R2E2 mango variety is the product most in demand. A breakthrough came when Costco stocked their R2E2 mangoes in 2015. “It was tremendously successful from the outset, after seven weeks in store,

Manbulloo R2E2 mango sales were equal in dollar terms to Thai mango stock sales at Costco. At the time those Thai mangoes had been sold in Korean Costco stores for seven years,” said Ms Piccone.

Mango Road (Manbulloo’s export company) partners with Seoul-based distributor Jinwon Trading Company and Ms Piccone says she has great respect for Manbulloo’s close, long-term mutually beneficial relationship with the distributor. “It’s been vital to our mutual success,” she said. The mangoes are also a good cultural fit – many Koreans enjoy high-quality fruit, to eat at home and to share often as a special but regular treat as well as to give as gifts.

“Asian consumers and South Koreans are prepared to spend significant money on fruit because they value fruit,” she said. “For many Koreans fruit, including our mangoes, are an everyday ‘luxury’ healthy treat – many Koreans spend on fruit in the same way Australians or Europeans spend on patisserie items and flowers.”

She credits her team for the success they have had and said the focus on quality is paramount. “For example, in the induction process for pickers, it is explained that if you don’t pick carefully then there is sap burn and those actions have an impact all the way down the supply chain to the customer. Our customers are incredibly important to us and we want them to be happy. Contracts can be lost if any area of the business is not best practice, from picking to packing to business development. Everyone in the whole team is important and respected for the part they play in consumers enjoying our product.





Image: GS Shop promotion of Manbulloo mangoes – 20 Nov 2020

“Another vital key to our success has been our team’s commitment,” Ms Piccone said. “The road to export is never paved with gold and you can’t expect super profits from the outset or in the long term. But it is another important and profitable market segment. You can’t be fickle and our team and service providers have persevered when we have had everything against us – rain at harvest, breakdowns, freight issues, politics, and ships not sailing etc!”

The support of strategic government export initiatives and individual efforts by politicians have also been crucial to Manbulloo’s continued export growth to Korea.

Initially, in setting up, Trade and Investment Queensland was instrumental at the market research stage and in facilitating introductions. “Austrade and other Australian government agencies have also supported us when political hiccups and protocol issues have occurred. Furthermore, state and government agencies have been brilliant in supporting promotional activities and facilitating networking.”

The past two years have been gruelling, with the pandemic making business harder. Like many producers, Manbulloo was worried they would struggle to find pickers. Just after Covid hit in March 2020, the company was desperate to secure a reliable workforce for the coming mango season. Eventually with the help of NT Farmers, the Northern Territory Government

and the Federal Government, Manbulloo and two other companies chartered planes filled with Vanuatuan nationals from the small island state. Just before the first charter flight was due to depart Vanuatu, there were some “hiccups”. Ms Piccone says she is eternally grateful and thankful that Prime Minister Scott Morrison talked directly with the Prime Minister of Vanuatu, the Hon Bob Loughman and his cabinet. After Prime Minister Morrison’s personal discussion and phone call with Mr Loughman and his cabinet, the plane took off, the employees arrived, the season harvest happened successfully including export orders to Korea being filled and everyone stayed safe while in Australia. The Federal Government’s support of the workers from Vanuatu coming to Australia was largely to ensure that Australian farmers had enough workers to pick and pack food for Australians and for important export markets while also keeping farmers in business during the pandemic. “It has also been really good for the workers’ families back in Vanuatu. They have an income being sent from relatives in Australia during Covid times when less money in circulating in the South Pacific economies.

“Industry groups, especially the Australia-Korea Business Council, have also been crucial – for networking, access to information and business development support,” said Ms Piccone.

### 3 | E-commerce, high-design and online reviews

Purchasing behaviour for food and beverages is unique to Korea and needs to be well understood to effectively market and distribute foreign products. Firstly, Koreans are very discerning buyers. Low prices do not have the same effect in Korea as they do in Australia. Koreans are, for the most part, savvy buyers who take great pride in showcasing new products to their family and friends. They are also heavily reliant and influenced by e-commerce, using their mobiles and other devices to go about their daily business. Online shopping platforms and mobile commerce, or m-commerce, are increasingly being used by busy Koreans, with popular online grocery platforms including G-Market, Market Kurly and Coupang soaring in popularity over the past several years and particularly amidst COVID-19. To accommodate this behaviour, retailers offer impressive delivery timeframes with some campaigns promising to deliver by 7am for orders that are placed by 11pm the night prior. Like all discerning customers, Koreans want and expect a detailed explanation of information relating to the product, with particular emphasis and consideration given to labels, such as non-GMO, gluten free, organic and detailed ingredient lists.

With few Australian products currently featured on these platforms, there is greater scope for Australian exporters to consider them as a channel to market. E-commerce can be a profitable business, with one online retailer offering one Australian mango for just over AU\$23. Profit margins in this distribution channel will vary depending on importer agents involved and terms of sales contracts. While some e-commerce pathways may generate minimal profit margin, gaining significant brand awareness can still be deemed beneficial.

Another channel to market – often overlooked – is TV shopping (also known as home shopping in Korea), which is a popular way to purchase household items including groceries in Korea, especially among middle aged men and women. A recent case study on the success of this channel is Australian Table Grapes, which sold \$700,500 over six sessions – twice the number sold in-stores.<sup>5</sup>

Packaging is an important factor in decision making and must be tailored to the Korean audience – whether that be young professionals, middle aged men and women or older generations. This is especially important when gift giving and a simple glimpse at any online retail store will demonstrate the premium packaging expectations. Two traditional holidays in Korea where gift giving is central to the custom are Lunar New Year and Korean Thanksgiving. Special promotions are often given in the lead up to these two holiday periods. Consumers in Korea are also becoming more waste conscious with consumers demanding more recyclable materials – an example of this is the shift from juice being sold in plastic containers to now being sold in recyclable cartons. Korea has also introduced recycling laws that promote these changes.

[5] Hort Innovation, *Marketing snapshot* 2019/20, November 2020





Image: Promotion of Pure Australian Wagyu in Korea

Feeding into this aesthetic is the influence of social media and digital marketing via YouTube, Facebook and Instagram, where ‘influencers’ are used to target and persuade specific audiences. In particular, Instagram is a very popular social media platform used by the younger generation and offers strong results in promoting products. Product integrations or product placements are key, but to date, has been sorely underutilised. Watching one episode of any Korean drama on Netflix will demonstrate how prevalent and embedded product placements are in K-dramas.

As an example, BBQ Olive Chicken and Subway appear several times in the recent Korean drama hit “Crash Landing on You” series. With the growing rise and popularity of Korean dramas on Netflix, and more broadly the rise of Korea’s soft power, tapping into its popularity should not be overlooked. Younger Korean consumers are also using food as a source of entertainment, with many Korean consumers willing to try new products advertised on Instagram. Further, when international travel resumes, Australian governments will have an opportunity to work with Korean broadcasters of travel shows to showcase not only Australian tourism experiences, but also to promote Australia’s agriculture sector and reinforce Australia’s clean and green image.

A final thing to note is the impact of online reviews. Like many other markets, Korean consumers are also strongly influenced by product review systems. Prior to their purchases, Koreans do tend to read online reviews and, once an item has been bought, share their own product review.

**Key insight:** Purchasing behaviour, packaging and promotion are three key areas that exporters need to get right. Effort and care in these areas are required, which can take time and money.

## CASE STUDY

# Australian Agricultural Company (AACo)

Beef exporter Australian Agricultural Company (AACo), which runs 340,000 head of cattle in Queensland and Northern Territory, has seen its trade with Korea grow by 30 times over the past 18 years. The company began with an initial supply of less than 100 metric tonnes in 2003 and now supplies more than 3,000 metric tonnes per annum.

It operates several brands, including Darling Downs Wagyu which is a household name in Korea.

To grow its exports, AACo has worked with Emart and its distributor, OK Meats, over many years. AACo knew that it could provide a reliable supply of quality, healthy beef and have supplied that. It said that the strong partnership with Emart and OK Meats has allowed the company to grow as demand has grown. “We realised early on in our dealings with South Korea, the strength and value of the supply chain that was before us,” AACo said. “We didn’t want the opportunity in South Korea to be purely transactional, so we needed to rapidly establish trust and a real partnership with OK Meats and Emart.

“This allowed us, over the years, to work very closely with our partners and understand what the consumer wanted from our products and adjust our production systems to suit. Darling Downs has strong brand awareness and Korean customers know the consistent quality they can expect with Darling Downs.”

AACo operates 26 stations farms and feedlots that cover 6.4 million hectares of land. That equals roughly 1 per cent of Australia’s land mass.



“The 18-year partnership that we have with South Korea, makes it one of our most stable and important markets,” AACo said. “With a strong retail partner, such as Emart, we are able to work together to influence the products and volumes we want to showcase to their large customer base.”

Respect and understanding, both the culture and the customers you are serving, is a good starting point to growing a successful business in Korea. Communication is also important. One of our employees lives in Korea. He works directly in the marketplace and further helps to develop our relationship with OK Meats and EMart, so we can grow in the same direction over the coming years.



## CASE STUDY

## BASP Trading

Melbourne-based BASP Trading, owned and run by Buddhika Ariyagama, exports poultry, pork and beef offal to Korea and also has plans to focus on the organic supply of cheese and milk. The company trades around \$10million of product annually. BASP says – with more international trade assistance from the Australian Government and national trade bodies strategically focused on chicken and pork – the company’s exports could rise substantially. They have learnt that government support was vital in the Korean market.

Ariyagama is originally from Sri Lanka and BASP exports to other countries including Malaysia. It has a staff of three full-time and one part-time workers and began sending offal to Korea in 2017.

Much of the trade is chicken feet. The skin and meat from the chicken feet is taken off and deep fried for Korean snacks. Often the chicken feet scratchings are served with a special sauce and used as an accompaniment to alcoholic drinks.

“We first started exporting poultry offal and by-products (including gizzards, feet and livers) and have managed to build a customer base which features some of the largest food service companies in Korea,” he said. “The majority of our products are exported from Australia and we have helped some of Australia’s largest poultry and pork processors in the country to build a loyal customer base in South Korea for their products.” For chicken producers, these companies are household names that include Steggles and, for pork, BASP sources from Linley Valley Pork in Western Australia.

“We offer a top-quality Australian product at a very competitive price and, over the years, we specialised in the export of offal and by-products because previously, it was not a market segment that had been tapped to a large scale. Our main competition is from USA, South America and EU countries but Australia’s great reputation as a safe, green producer gives an added advantage over our competition.”



Ariyagama said, in his business experience, larger players in Korea generally operated with high levels of integrity but he had learnt to be cautious with medium and small-scale operators and to check the history behind them.

He urged Australian federal and state governments to give the chicken and pork industry more support in terms of international trade promotion.

“I would like to see some support from trade bodies and organisations in the poultry and pork sector to help promote Australian poultry and pork offals and other by-products in South Korea,” he said. “The Australian beef and lamb industry has been always represented and promoted well in the South Korean market as opposed to poultry and pork products, hence some timely action is needed for the poultry and pork product sector now. The beef sector, which includes Meat and Livestock Australia, is very active. Poultry is not a very big export industry right now but it could be much bigger. Aside from Korea, Vietnam is a market with potential.”

In his experience the Korean government works closely with private companies. There had been a problem with a quality issue at one stage and the Korean Trade-Investment Promotion Agency (KOTRA) immediately became involved. BASP worked well with KOTRA and the company to sort out the issue and improve the relationship between BASP and the importer.

In future, BASP will continue to concentrate on the Korean market, and hopes to provide organic flour, milk, butter and cheese as the organic sector in Korea is growing. “We want to expand our product lines and work with direct food service companies,” he said.





CREDIT: Photo by Nataliya Vaitkevich



## 4 | Aftermath of COVID-19

The turn to e-commerce and convenience has only increased over the last two years since the rise of the COVID-19, with more and more Koreans exercising social distancing and purchasing their food and beverages online. The pandemic has further accelerated online sales with a large percentage of Korean consumers turning to e-commerce for a safer alternative to shopping centres and bricks and mortar stores. For instance, online platforms, such as SSG.com, saw its sales increase by 40 per cent in the first quarter of 2020, compared to the same period the previous year. And CJ CheilJedang, a major food processor specialising in HMRs, reported a 16.2 per cent increase in its first quarter sales.

But COVID-19 has also sparked the health consciousness of Koreans who have increased their demand for health-focused products, which they are willing to pay a premium to improve their health. Items including vitamins, ginseng, and ferments to boost your immune system have been in high demand, and functional snacks, gut health products, plant-based and customised nutrition foods have gained popularity across the country. There is also growing interest in organic foods, as well as specialty foods such as dairy products, olive oil, wine and baby food. Terminology that promotes health benefits such as “non-antibiotic,” “functional benefits,” “organic ingredients” and “source of minerals/vitamin” may assist in differentiating your product. However given strict regulations by the Korean Government on health claims, exporters need to carefully consult their local partners to ensure they meet the relevant requirements before promoting these claims. Korean consumers are also biased towards Korean traditional ingredients such as rice, green tea and beancurd.

As global tourism remains subdued due to the long lasting impacts of COVID-19, in lieu of new experiences, Koreans are interested in trying new foods from countries overseas; an imperfect solution that offers some an element of ‘escapism.’

Critically, global supply chains are still intact and being maintained and connected by government investment. The short-term Austrade-run International Freight Assistance Mechanism (IFAM) program, for example, has kept international freight routes and flights operating into and out of Australia. The Australian Government in late August announced a further \$260.9 million in funding to extend IFAM until the middle of 2022.

Similarly, the Agricultural Trade and Market Access Cooperation Program (ATMAC) seeks to develop strategic partnerships with trade-disrupted industries to support their expansion and diversification. With increased investment in ATMAC through expanded Agri-Business Expansion Initiative (ABEI) grant funding, more than 5,000 agribusinesses have now received grants help them become globally competitive. In January 2022, \$500,000 in ABEI funding was awarded to the Australian Food and Wine Collaboration Group - comprising Dairy Australia, Meat & Livestock Australia, Hort Innovation, Wine Australia and Seafood Industry Australia - to promote premium Australian food and wine in South Korea and several other South-East Asian markets.

**Key insight:** Study how COVID-19 has impacted your product and how your product may be viewed in the current climate.

## CASE STUDY

## Inter B&F

Seoul-based importer, Inter B&F, was founded in 2014. It is a subsidiary of the family-owned Kuk Dong Group, which has been distributing various goods since 1984.

A food and beverage company, Inter B&F, has 12 employees and annual sales in 2021 were 16 billion won. It is an exclusive importer and distributor of the Australian beverage brand, Bundaberg Brewed Drinks, which has popular varieties including Pink Grapefruit, Ginger Beer, Lemon Lime and Bitters and Tropical Mango. The company also distributes Fiji Water and VitaCoco.

Inter B&F's vision is to introduce well-known international and trending products to Korean Consumers, so they too can experience the enjoyment of brands. They continue to build a portfolio of international products with a focus on premium and wellness including dairy products as well as fruit juice that everyone can enjoy from young children to elderly.

Currently, Bundaberg holds the highest portion of sales turnover within Inter B&F's portfolio. The drinks are distributed throughout Korea's food and beverages channels including; international retailer Costco, and local premium retailers such as E-mart, Home plus, and LOTTE Mart; Hyundai Department Store; LOTTE Department Store; Galleria Department Store; and AK plaza. Bundaberg is also available in franchise coffee shops including The Coffee Bean & Tea Leaf, and premium e-commerce channels including Coupang, Market Kurly, Hello Nature and Kakao.

For Korean's, Australia is well-known, and the country is held in high regard as an beautiful and attractive destination to travel and it also holds a strong reputation for producing high-quality



IMAGE: Bundaberg display in COSTCO Korea

products. Because of this, Korean consumers view Australian products as clean, trustworthy and safe. "Perception of a clean and safe image of Australian products is an advantageous among the premium product group," Inter B&F said. "In addition, in comparison to other countries, prospective and existing importers and exporters have excellent support from the Federal and State governments, as well as associated trade organisations like the Australian Korean Business. This government support is a big help for companies when they start to engage, trust and partner."

Bundaberg sales are targeted in the trending 'slow drink' (슬로우 드링크) segment of the non-alcoholic beverage sector. All Bundaberg products are traditionally brewed (also known as fermented) with real ingredients to extract real flavour and taste. Fermentation is well-known in Korea for its strong well-being properties and because of this Bundaberg's product attributes are highly desired. Bundaberg's target consumer is both male and female, but their current strongest demographic is female's in their 20's and 30's who favour the Pink Grapefruit flavour.

Pink Grapefruit is the biggest selling flavour and sells more units than their iconic Ginger Beer, their #1 product in Australia. There is strong appeal and preference for Pink Grapefruit flavour in South Korea, plus the attractiveness



of the liquid, bottle and packaging make it a desired product to share and enjoy at home, at a café or on social media. The company uses social media platforms to grow the brand in Korea, as well as undertakes activity such as mass sampling, retail off-locations and invests in e-commerce.

### **Any tips for Australian producers/exporters?**

There is a fantastic opportunity for Australian goods in the Korean Market. However, like any new market, exporters should undertake detailed market research and due diligence to ensure best chance for success. The company said, from a product point of view, exporters have a greater chance of success if the product has been tried, tested and selling well in the Australian domestic market. Koreans are always very interested in how well-known the product is in its country of origin. If it is popular in Australia, this will be received favourably by Korean consumers.

When selecting an in-market partner, one should have a clear understanding of the capability of this partner, including their ability to supply the relevant food and beverage channels, as well be confident in their knowledge of the grocery category. The partner must also demonstrate a commitment to the brand, Bundaberg sees this through Inter B&F's love and passion for their products, their willingness to share insights and be transparent in their dealings in the market and their long-term commitment and vision for the brand.

From an importer's point of view, the first thing Inter B&F look for, when they source new brands, is whether the brand displays good potential as long-term business partners. It is very important that the brand comes with a long-term commitment to the region. The most important thing for Inter B&F is to have a partner who works collaboratively, who has a willingness to understand the market and adapt their brand to cultural trends/nuances.

Korean consumers are usually quite sensitive to the packaging of the product and its ingredients. When it comes to premium products, quality

is paramount and their quality expectations are extremely high. As an example: when Bundaberg Ginger Beer is displayed in a department store, if the front label is even a little off, consumers do not choose the product and will locate and purchase a well-labelled Ginger Beer with pristine packaging. Moreover, at Costco – where sales are through a box unit – if the box is wrinkled or damaged, Korean consumers tend not to buy that box and purchase a box without damage. Packaging quality is important to Korean consumers.

Inter B&F strategically focuses on one product per category. If there are several products in the same category, it can create potential conflicts and sometimes dilute attention and focus of brand to another. Therefore, with Bundaberg, the focus is on the carbonated soft drink category while Fiji Water is in the water category. Currently, Inter B&F is looking for a fruit juice product for the fruit juice category. As a long-term based plan, Inter B&F would like to expand its business in dairy products, milk products and snacks.

Currently, Inter B&F is in discussion with an Australian company that has a fruit farm and can process fruit juice products for potential partners. Inter B&F, ideally, wants to source a fruit juice has no additives. Austrade Seoul team has been helping us to find a right partner, it said.

If there is a problem with manufacturers, we find a solution by analysing data and the current issue (taking into account market specificity), the company said. Communications are honest and open. The best way to understand the market is to visit the market and the Bundaberg team, for example, visited Korea several times to see the distribution channels and have face-to-face meetings with sales/marketing teams to discuss the issues and solutions, the company said.

Whenever a problem or issue occurred, a report which contains the situation or issue has been shared with several stakeholders to discuss and find ways to resolve the issue.

## 5 | Importance of origin

The origin of food plays an important role in the perception of 'high quality' among Koreans. Luckily, and rightly, Australia enjoys a strong reputation in Korea, with Koreans associating Australian produce as being high quality, clean and green. Australia has a strong record in Korea for compliance with regulatory requirements and safety standards. Only few countries enjoy this reputation. To this end, exporters often use Australian iconography such as kangaroos and koalas to generate positive and premium sentiment among consumers. However, Australian exporters should use all the marketing tools at their disposal to capitalise on the 'single origin' value of the Australian brand. For example, in-country marketing and surrounding promotional material is often overlooked or underestimated, but plays a key role in differentiating Australian products, both in-store and online.

A great example of this is premium beef, promoted by Meat & Livestock Australia (MLA) with great success. Australian beef is incredibly popular and highly trusted by Korean families and remains a favourite among imported beef, thanks to its high-quality, origin, and marketing as "grass fed".

MLA invests in a wide range of consumer awareness, trade and promotional campaigns and activities under the 'True Aussie Beef and Lamb' ("Hoju Chungjung Woo") branding. This has contributed to Korea becoming Australia's second largest export market for Australian beef, which according to MLA accounted for 21 per cent of all Australian beef exports in November 2021.



Source: AACo



As discerning consumers in terms of food safety, biosecurity, innovation and environmental impact, Koreans are keen to understand what sits behind Australia's clean and green image. This presents an opportunity for Australian government and industry to leverage promotional activities to tell this story, much like MLA has successfully done.

The significance of origin has even been incorporated into law – it is mandatory for Korean retailers to disclose the origin of meat products. Next time you order from a McDonalds in Korea, you will likely see 'hojusan', which means "Australian origin" next to the Big Mac and many of its beef menu items.

Businesses that have a marketable 'hero' ingredient could consider partnering with local manufacturers to ensure localised preparation methods and appeal to the Korean market. This will improve marketability as Koreans generally seek products that have been locally produced or grown. This was demonstrated by E-mart's recent promotion "power of local food."

Australian fresh fruit and vegetables also enjoy the advantage of counter-seasonality, which has contributed to recent success stories including mangoes, cherries, table grapes, navel oranges and potatoes. Exporters should note that fresh fruit and vegetables must be produced, packed and labelled in accordance with Korea's strict phytosanitary requirements. Further, market aspirants should also understand that like their neighbours in Japan, Korea is a market for premium produce. Blemished fruit or second-grade product will likely not succeed.



Credit: Meat and Livestock Australia

## The rise of wine consumption in Korea

Australian wine is yet to fully take off in Korea, but data suggests a shift in Korean consumer preferences may be underway. 2021 saw Korea jump from Australia's 15th wine export market by value to 10th – the largest leap by any country on the list. Whilst the elimination of tariffs on Australian wine under the 2014 KAFTA certainly set the wheels of change in motion, there is a range of social and political factors further driving its increasing popularity in the Korean market.

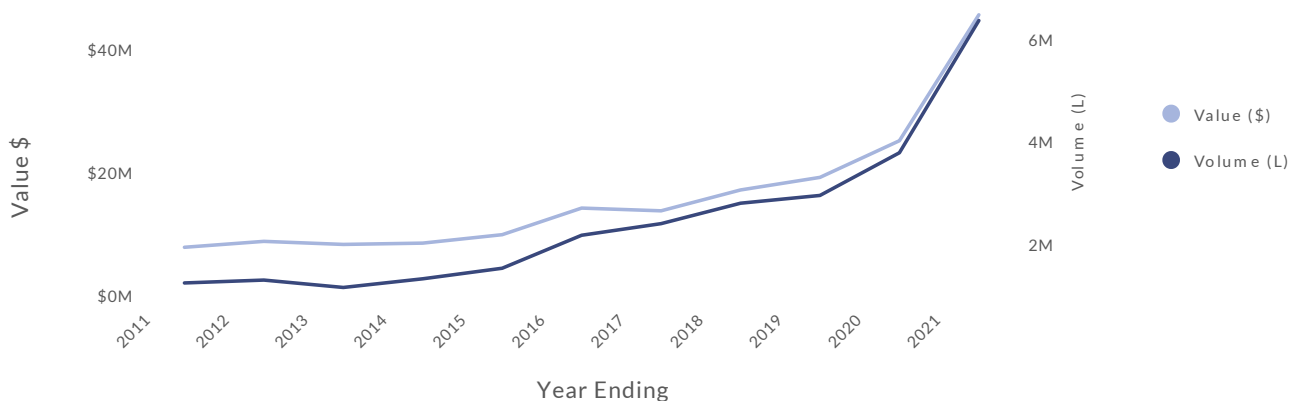
Understanding the shift towards drinking wine requires consideration of Korea's wider drinking culture. Alcohol has long played an important role in socialising for many Koreans – congregating with your colleagues after a hard day's work is a feature of Korean culture called "Hweshick" whereby sharing a drink in the name of relationship building is an accepted element of corporate culture in Korea. However, the more health-conscious younger generations – less willing to sacrifice three to four nights a week of their personal time – have begun to push back against this cultural norm.

This trend towards prioritising wellbeing when consuming alcohol has led to a shift in many people's beverage of choice. Soju and beer remain the overwhelming favourites amongst Koreans, accounting for a combined 74.1 per cent of alcohol purchased in 2020. However, routinely consuming soju does not align with the younger demographic's push for a healthier drinking culture, meaning there is a growing demand for lower alcohol-content alternatives. There has been a 31 per cent increase in weekly wine drinkers from 2017 to 2021 in Korea, reflecting these changing attitudes amongst the population.

Putting down the soju in favour of something lighter won't itself guarantee uptake of Australian wine. 93 per cent of wine sold in Korea is imported and the market is fiercely contested. Chile is by far the most popular source, accounting for 28 per cent of market share by volume. Italy, France, Spain, and the US round out the top five, with these countries representing a combined 78 per cent of the import market.

It was the emergence of the KAFTA that allowed Australia to get its foot in the door and break into the market, which saw the 15 per cent tariff on Australian wines being imported into Korea scrapped overnight. Signed in December 2014, the impact was immediately apparent as the figure below shows.

### Value and volume of Australian Wine Exports to Korea over time



Source: Wine Australia





IMAGE: Wine Australia, Australian Wine Grand Tasting 2017, Seoul, Korea

Whilst it was the strengthening of Australia and Korea's economic ties that kick started this upward trend, it is the well-publicised disruptions to trade to China that is responsible for the sharp uptick from 2020 to 2021. Seeking to offset the impact of China's economic sanctions, Korea has since been classified as a market of high priority for many Australian wine makers. Wine exports have risen significantly with this increased focus on the Korean market, increasing to \$45.5 million over the 12 months to September 2021, representing an increase of 81.5 per cent from the previous year.

This increased exposure in the Korean market has translated to steadily improving perception of the quality of Australian wine amongst Korean locals. A study commissioned by Wine Intelligence shows Korean wine drinkers rating Australian wine as 6.51 out of 10 in 2017, before leaping to 7.23 in 2021 – the largest growth over that period in all markets. The reputation of Australian wine is also indirectly bolstered by Australia's highly regarded premium beef, as the opportunity to pair food and beverage that share a single origin greatly appeals to the trend-oriented Korean population. In terms of measuring which variety of Australian wine has seen the most success, Korean palates' have shown a preference for red, with Shiraz making up just under half of the total value of exports (\$20.8 million), followed by cabernet sauvignon (\$9.0 million).

Strategies to further Australia's progress in this market include running education courses and high-level taskings for buyers such as Lotte Group and importers as well as using reputable wine makers to facilitate introductions. Further, when borders reopen, inviting leading Korean influencers to Australia to experience Australia's winery landscape first-hand should be strongly considered to bolster our strong image and reputation.

With both the quantity and perceived quality of Australian wine steadily on the rise in Korea, Australia is well positioned to become a big-time player in this market in the years to come – we'll drink to that!

**Key insight:** While Australian food and beverages are relatively 'new' to the Korean public, this comparative advantage can be leveraged in connection with Australia's broader reputation of 'clean, green and premium'.

## CASE STUDY

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# Tulloch Wines

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Tulloch Wines, a fourth-generation wine company located in the Hunter Valley in New South Wales, is a mid-size Australian wine producer and a small exporter.

Justina Tulloch, who is in charge of New Markets & Export, said: “We are thrilled to have our first export order, on the water right now, heading to Korea. It is worth \$A30,000 for a total of 250 x 9L cases.” Ms Tulloch described the Korean market development as a significant milestone for the business.

Tulloch Wines, she said, took advantage of the additional export support and guidance offered by the Federal and New South Wales Governments including Investment NSW’s Going Global programs which have run throughout 2020/2021. “Tulloch Wines was selected to participate in the South Korea and India programs and, as a result, we subsequently managed to connect with our new partner in Korea,” she said.

The Going Global program, Ms Tulloch said, was set up to assist businesses throughout Covid and it has helped Tulloch Wines a great deal. She also said that Covid has indirectly levelled the playing field and some smaller exporters like Tulloch Wines have had more opportunity. In the past, the firm may have only managed one trip overseas each year to visit potential customers in Asia.

When ‘virtual’ online meetings became commonplace, all wine companies conducted business online and there were more opportunities for a winery such as Tulloch Wines.

Ms Tulloch also said Austrade was extremely helpful in assisting it to deliver samples to potential customers and government support played a vital role in creating new markets for Australian exporters. She said many of the successful learnings, in terms of marketing, which the Australian Government employed focusing on China in previous years – including translations of marketing material – could be incorporated to grow Korean trade.

She said she had found Tulloch Wines’ Korean partner to be highly professional and looked forward to a long mutually-beneficial working relationship. “They had a five-year plan and were happy to pay upfront, so we were happy to enter into an exclusivity agreement with them,” she said.

Why did the company decide to export to Korea? “With the loss of the China market as a viable export destination for our wines, Tulloch Wines (like most other Australian wine companies) was actively looking to explore and enter new markets,” she said. “We have been focused on Asia as our primary export market for the past 10 years and the Korean market was one market that we felt aligned with our brand and position. Australian wine exports to Korea have seen solid growth through the pandemic. More Koreans are drinking wine at home and the overall wine market is maturing.”





Image: Tasting at Tulloch Wines

“We are really excited to be working with our new partner in Korea. For Tulloch Wines what we have learned from past experience is that our brand tends to get a bit ‘lost’ in new markets when we work with larger distributors/wholesalers. Our brand sweet spot for export is working with smaller boutique wine importers that do service on premise but also have their own strong direct to consumer offering. Our new partner in Korea is actually the first digital wine subscription platform in the market. They have seen really impressive growth in the past 12 months and as a result are now rolling out a number of ‘bricks and mortar’ wine concept stores to conduct wine experiences and tastings across Korea to complement their online offering. We see this partnership as an exciting growth opportunity in a market that is hungry for wine education.”

“As our partner is a digital wine subscription service, their customers are a younger demographic that are willing to be more adventurous in their wine education journey. What we have traditionally seen in new Asian markets is a tendency from distributors to mostly stick with the traditionally safe Australian reds. Another reason we are very excited with this new Korean partnership is the bulk of their first order is for our aromatic white varietals including our benchmark Tulloch Verdelho but they have also ordered Vermentino, Semillon Sauvignon Blanc, Pinot Gris, Verscato, Prosecco and late picked Verdelho. Of course there is still some Tulloch Pokolbin Dry Red Shiraz in there as well!”





고기가 부드럽고 맛있어서  
아이들이 좋아해요



온라인 구매지만  
호주청정우라 안심됩니다

온라인으로 간편하게  
**쿡!**

신선함이 그대로  
**COOK!**



**모두가 만족한 선택**  
**호주청정우**



신선하고 맛있어서  
항상 만족합니다



호주청정우

SSG.COM

MARKET Kurly

coupang

GS Fresh Mall.

롯데마트

Homeplus

#### TRANSLATION

- Top left: Kids like it because it's soft and delicious.
- Top right: Although purchased online, I feel relieved because it is True Aussie Beef
- Centre: KUK! Simply order online COOK! Fresh as it is. Everybody's Satisfied Selection. True Aussie Beef
- Bottom left: Image of True Aussie Beef on mobile device
- Bottom right: It is fresh and delicious, so I feel always satisfied.

Credit: Meat and Livestock Australia



# 6 | Conclusion

This snapshot of the key market drivers and trends in the Korean food and beverage market provides some preliminary opportunities and considerations for Australian exporters. If you are an exporter and thinking of entering the Korean market, these insights should be used in consultation with a range of other information, before market entry plans are developed.

Local partnerships are strongly encouraged to help you better understand the culture and consumer behaviour, and a strong effort should be made to build and nurture relationships with distribution and marketing channels, such as the hypermarkets.

There are several government and private organisations that are able to provide advice on key considerations of the Korean market, including technical and promotional areas. Austrade, the Australian Embassy in Seoul (who has an agricultural specialist) and the AKBC are all good starting points for new entrants to the market.

The AKBC is in the process of establishing a food and beverage sub-committee and if you are interested in getting involved please contact us. The AKBC also regularly runs Korean Cultural Training Programs for its members to help them better understand Korean business culture and how to succeed in the Korean market.

For more information, please visit our [website](#) and stay up-to-date by following us on [LinkedIn](#).

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## For further information



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