Korea Coffee Market
Insight & Trend

ICO Meetings – Private Sector Consultative Board 38th meeting
5 March 2014
London, United Kingdom
I
History and Evolution of Coffee

II
Economic Statistics of Korea Coffee Market

III
Outlook and Trends of Coffee Industry in Korea
History and Evolution of Coffee

- **Introduction of Coffee in Korea**
  - 1895: King Gojong from Russian legation

- **Dispersion of Coffee**
  - 1950: Korean War

- **Familiarization of Coffee**
  - 1968: Dong Suh Food Co., Ltd start to produce Instant Coffee

- **Coffee Industry Settle & Development**
  - 2000-2012: Diversification of Coffee & Creation of Cultural Value

- **Initiation of Café boom**
  - 1999: Starbucks Coffee in Seoul
1. Market Growth

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Market Share of Coffee in Korea Beverage industry

- Coffee: 53%
- Milk & Soy milk & Cocoa: 4%
- Soft Drink: 8%
- Juice: 10%
- Green Tea: 4%
- ETC: 21%
1. Market Growth

Annual Growth of Korea Coffee Market
Grown by 265% (2007→2012)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (Billion $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1.558</td>
</tr>
<tr>
<td>2008</td>
<td>1.913</td>
</tr>
<tr>
<td>2009</td>
<td>2.352</td>
</tr>
<tr>
<td>2010</td>
<td>2.937</td>
</tr>
<tr>
<td>2011</td>
<td>3.691</td>
</tr>
<tr>
<td>2012</td>
<td>4.13</td>
</tr>
</tbody>
</table>

Unit: Billion ($)

Source: Nielsen Korea / 2012
Economic Statistics of Korea Coffee Market

1. Market Growth

Market Portion of Coffee in Korea (%)

- **2007**: Instant Coffee 28%, RTD (Ready to Drink) 18%, Coffee shop business 22%
- **2008**: Instant Coffee 29%, RTD (Ready to Drink) 19%, Coffee shop business 22%
- **2009**: Instant Coffee 30%, RTD (Ready to Drink) 22%, Coffee shop business 28%
- **2010**: Instant Coffee 33%, RTD (Ready to Drink) 24%, Coffee shop business 33%
- **2011**: Instant Coffee 37%, RTD (Ready to Drink) 24%, Coffee shop business 39%

Source: Nielsen Korea / 2011
Import of Coffee in Korea

2007: 91 Ton, $231 Million
2008: 107 Ton, $331 Million
2009: 105 Ton, $311 Million
2010: 117 Ton, $416 Million
2011: 130 Ton, $717 Million
2012: 125 Ton, $600 Million

Source: Global Trade Atlas, HS0901 (Coffee W/N Roast or Decaff.), 2012 (Coffee Extracts Essence & Concentrate)
2. Imports

Import of Green Beans in Korea

Ton

$ Million

Source: Korea International Trade Association (KITA), HS0901, (Coffee W/N Roast or Decaff)
2. Imports

Import of Roasted Beans in Korea

Ton


$ Million

37,049 (2008) → 90,526 (2011)

Source: Korea International Trade Association (KITA), HS0901, (Coffee W/N Roast or Decaff)
2. Imports

Import of Instant Coffee in Korea

- Ton:
  - 2009: 2.346
  - 2010: 2.875
  - 2011: 6.678
  - 2012: 7.437

- Million:
  - 2009: 14.705
  - 2010: 22.852
  - 2011: 80.712
  - 2012: 104.323

Source: Korea International Trade Association (KITA), HS21011
3. Consumption

Number of Cups per Capita / per Year

127% Increased

- 2005: 213
- 2013: 484

- 2007: 247
- 2008: 289
- 2009: 281
- 2010: 309
- 2011: 338

Number of Cups
3. Consumption

Number of Coffee Shops in Korea

- **Total Number of Coffee shops**
  - 2006: 1,600
  - 2013: 20,000

- **5 Major brand Number of coffee shops**
  - 2006: 1,000
  - 2013: 2,700
### 3. Consumption

#### Number of Major Brand Coffee Shops in Korea (2012)

<table>
<thead>
<tr>
<th>Major brand</th>
<th>Numbers</th>
<th>Sales (M$)</th>
<th>Profit (M$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starbucks (US)</td>
<td>554</td>
<td>369</td>
<td>23</td>
</tr>
<tr>
<td>Cafe Bene (Domestic)</td>
<td>811</td>
<td>199</td>
<td>9</td>
</tr>
<tr>
<td>Coffee Bean (US)</td>
<td>244</td>
<td>130</td>
<td>4</td>
</tr>
<tr>
<td>TOM&amp;TOMS (Domestic)</td>
<td>360</td>
<td>59</td>
<td>6</td>
</tr>
<tr>
<td>Hollys (Domestic)</td>
<td>396</td>
<td>54</td>
<td>5</td>
</tr>
</tbody>
</table>
More than 100% annual growth since 2005

Income Improvement and Westernization dietary life →
Rapid Growth in Coffee Consumption

Coffee Market Diversification with various categories of coffee
(Instant Coffee, Coffee Mix, RTD Coffee, Roasted Bean Coffee)

Complete Product Coffee Market → $1.970 Billion

Coffee Shop Business → $2.400 Billion

Front-back Industry Development and increase of synergy effect

<table>
<thead>
<tr>
<th>Coffee Market Growth</th>
<th>2005</th>
<th>2008</th>
<th>2012</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports</td>
<td>90,619 Tons</td>
<td>107,000 Tons</td>
<td>115,000 Tons</td>
<td>484 Cups Per capita / per year</td>
</tr>
<tr>
<td>Scale</td>
<td>$0.770 Billion</td>
<td>$1.920 Billion</td>
<td>$4.130 Billion</td>
<td></td>
</tr>
<tr>
<td>Main Item</td>
<td>Instant Coffee</td>
<td>Franchise</td>
<td>Green Bean</td>
<td></td>
</tr>
<tr>
<td>Market Growth</td>
<td>148%</td>
<td></td>
<td>115%</td>
<td></td>
</tr>
</tbody>
</table>
1. Significance of Coffee Quality

Shift from Instant Coffee to Fresh Roasted Coffee

**Socio-cultural Symbolism**
- **Past**: Instant Coffee
  - Cheap, Low Quality Coffee
  - Functioned only for sleep prevention
- **Brand-awareness & Preference for High-quality, Brandized Products**
- **Today**: Roasted Coffee
  - High Quality, Cost-worth
  - Coffee that brings a sense of Self-accomplishment, Emotional benefit, Value Consciousness via Consumption

**Health & Dietary**
- **Past**: Instant Coffee Contains:
  - Sugar
  - Phosphate
  - Sodium Casein
- **Health Consciousness**
- **Today**: Preference for Clean Roasted Coffee from Country of Origin (Fertility)

**Business**
- **Past**: Excessive supply of Coffee leading to Saturation of Cafés
- **Differentiated Strategy and Entrepreneurship**
- **Today**: Production of Exclusive Quality Coffee
Outlook and Trends of Coffee Industry in Korea

2. Culturenomics

Shift from ‘Favorite Food’ product to ‘Cultural Goods’

- Coffee = Favorite Food
- Cultural Goods
- Cultural Industrialization

- Coffee
- Cultural Medium
- Dispersion of Cafés
- Knowledge Information Exchange Place

- Simple Product Consumption Market
- Culture Contents Combine
- Create Added Value
2. Culturenomics

Emergence of Collaboration Café

Hollys Coffee + Kyobo Book Store = Hollys Coffee Book Café

Twosome Place Coffee + YG Entertainment = Twosome Studio (Art Gallery + Café)
3. Development and Prospect of Korea Coffee Market
- Perspective of Cafe Show & World Coffee Leaders Forum

**Seoul Int’l Cafe Show is..**
- ‘Asia’s No.1’, UFI-certified coffee exhibition in Korea
- Test-hub for global business and cultural development of café industry
- Gateway to ultimate Asia market.

**World Coffee Leaders Forum is..**
- First professional coffee forum ever held in Asia (2012)
- Informative platform of knowledge sharing and exchange, discussing and providing a valuable insight of global coffee industry
Outlook and Trends of Coffee Industry in Korea

3. Development and Prospect of Korea Coffee Market
   - Perspective of Cafe Show & World Coffee Leaders Forum

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**Seoul Int’l Cafe Show**

### Number of Exhibitors (5 years)

- **2009**: 157 (10,368 m²)
- **2010**: 168 (10,368 m²)
- **2011**: 245 (17,737 m²)
- **2012**: 326 (17,737 m²)
- **2013**: 430 (30,000 m²)
- **2014**: 500 (36,000 m²)

### Number of Visitors (for 5 Years)

- **2009**: 35,222
- **2010**: 38,767
- **2011**: 53,420
- **2012**: 72,367
- **2013**: 101,725
- **2014**: 120,000

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**Statistics Analysis**

- Re-participation rate of Exhibitors: 80.67%
- The demand for coffee as well as market scale is expected to continuously rise, without reaching market saturation.
- More global businesses generated in Korea.
- Korea is anticipated to become the focus of coffee hub in Asia.
3. Development and Prospect of Korea Coffee Market - Perspective of Cafe Show & World Coffee Leaders Forum

World Coffee Leaders Forum

Number of Participants Growth

260 from 22 countries
865 from 34 countries

2012
2013

WCLF2013 Plenary Session Topics
Global Issues and Trends
Asian Coffee Market Insight
Speciality Coffee
Changes in Coffee Market
Coffee Leaf Rust
Coffee Price & Marketing Strategy
Relationship
Sustainability & Fair Trade

Statistics Analysis

- Increasing demand for sharing, acquiring information and knowledge of coffee market
- Growing world-wide interest in Asia coffee market
- The desire to discuss dimensional aspects of coffee environment and economy to maintain sustainable development.
4. Expansion

**Manufacturing & Processing**
- Export of Roasted Coffee processed by highly technical skills
- Manufacturing and Exportation of High-tech Machine & Equipment

**Branding Service Ability**
- International Expansion of Koreanized Café/Franchise Coffee Shops

**Korean Creative culture**
- Korean Café Culture (Barista / Products) receives world-wide fame.
- Creating & Spreading ‘Korean Wave’ in Coffee World-wide.

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**Café Bene** (Korean Coffee Franchise)
- 100th Coffee Shop opened in China

**Mann café** (Korean small coffee shop)
- Records the highest sales rate via business localization in China
4. Expansion

Creating Jobs in Service / Education / Manufacturing Business

Front back industrial development

Coffee Shop Venture Fever
- Barista
- Q-Grader
- Cupper
- Educational Institution

Coffee Education Boom
- Roasting Plant
- Confectionery & Bakery
- Distribution

Coffee R&D Promotion
- Kitchen System
- Culture Contents
- Books
- Equipment Expert
- Housing Items
- Transportation