SOUTH KOREA 2021
LEADING THE WAY: RESILIENCE, PERSPECTIVES & INNOVATIONS

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GAME CHANGERS

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SOUTH KOREA 2021 LEADING THE WAY: RESILIENCE, PERSPECTIVES & INNOVATIONS.

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IPSOS FLAIR: UNDERSTAND TO FORESEE

Henri Wallard
Deputy CEO

In 2019, when we launched the first edition of Ipsos Flair in South Korea, the tone was proactive. We recalled the “miracle of the Han River”, an expression echoing the “miracle on the Rhine”, used to describe the economic rebirth of West Germany after the Second World War. In his 1961 New Year’s speech, Chang Myon, Prime Minister of South Korea’s Second Republic, quoted this expression and urged South Koreans to stand firm in the difficulties to create the conditions for a similar economic recovery.

After the economic hit of the Covid-19 pandemic in the first half of 2020, the Bank of Korea estimates that growth should represent at least 3% in 2021. In the context of global crisis, this would make Korea the least impacted OECD country and allow it to become the world’s 9th largest economy this year, up three places from 2019.

This second edition of Ipsos Flair is therefore all the more interesting given that, while so many other countries in the world are embroiled in the health and economic problems, South Korea continues to take the lead and makes it possible to picture what could be the “New World”.

This has been Flair’s job since its creation in 2005: to analyze the values and attitudes of consumer-citizens and their view of all the players in society (brands, advertising, companies, media, politicians, etc.) in a number of countries around the world to provide substantial analysis and recommend the best strategies. Flair is instinct and intuition, the ability to capture the atmosphere of a country, to perceive the right direction, to know when to act … It is also another way of looking, considering survey results as sociological symptoms to understand the reality of relationships between people and everything around them.

To do this, Ipsos teams assess market potential and interpret market trends, combining a variety of methods ranging from surveys to qualitative sources and social media, to name a few, with know-how, science and technology. Our experts help clients develop and strengthen their brands and build long-term relationships with their clients. They test advertising and study audience responses to various media and measure public opinion around the world.

This second publication summarizes the knowledge and experience acquired by our research teams in South Korea, both on what permanent changes the crisis has brought, as well as on the new strategies requires for the each category: Public Affairs, FMCG, Consumer Trends, Automotive, Home appliances and Electronics, IT and Digital trends, Media.

So, I’m proud to be able to share our new edition and grateful for our teams. Thanks to our experts, I invite you to discover how South Korea can be considered as one of the pilot countries of the “Day After Tomorrrow”.

Enjoy your reading!

EDITORIAL

Yves Bardon

Ipsos Flair Programme Director, Ipsos Knowledge Centre

Covid-19 has revealed and accelerated phenomena and trends that will grow in the coming years in both South Korea and the rest of the world.

REVELATIONS

The virus has highlighted our vulnerability. Since 2002, the year of the SARS (which also spread to around thirty countries from China), and 2009 (H1N1), experts were already warning on the risks of a pandemic.

The health crisis also revealed that other risks and challenges lay ahead.

Climate change, resource problems, floods or storms, rising sea levels, water stress, reduction in biodiversity, etc. are among the points related to environmental issues.

Ageing population, a lower fertility rate, issues related to the level of dependency of the weakest, age-related pathologies, impact both demography and the health of populations.

Korea is a good example of this point of view. The birth rate has been declining for years and in 2020 the number of births was for the first time lower than the number of deaths (275,815 vs. 307,764). According to the Ministry of the Interior, in 2067, South Korea’s population is expected to be just 39 million and the median age will be 62.

Several reasons are mentioned to explain such a low birth rate: the costs of educating children, soaring real estate prices.

The issue of inequality in income and status polarizes societies. In South Korea, inequalities between men and women, especially in wages[1], are becoming a point of tension . I n 2020 as in 2019, South Korea was ranked 108th out of 153 countries globally on gender equality carried out by the World Economic Forum, advancing 10 places in three years[2]. This is the sign of a social transformation following the demonstrations of 2018 and the #MeToo movement which is now expressed in the presence of feminists in politics. In April 2020, a new party presented for the first time all-female candidate shortlists.

Another challenge, this time geopolitical and economic, is connecting new relationships between countries, such as the Regional Comprehensive Economic Partnership (RCEP) signed at the end of 2020 at the initiative of China with Indonesia, Thailand, Singapore, Malaysia, the Philippines, Vietnam, Burma, Cambodia, Laos, Brunei, Japan, South Korea, Australia and New Zealand. This partnership contains more than two billion people, 30% of global GDP and more alliance reversals or less some with the United States and the Commonwealth.

By the same logic, the change of polarities with the asserted predominance of Asia: with the exception of the United States (second), four of the five countries at the top of the 2024 GDP ranking carried out by the IMF will be in the APAC region. This includes China in first, India third, Japan fourth, and Indonesia fifth.

The world of work will also evolve with even more automation, artificial intelligence and robotization. This has been branded the fourth industrial revolution at the Davos Forum 2021, where the focus was on 'The Great Reset'[3].

Becoming aware of the reality of these trends and confronting them is a major challenge for South Korea.

ACCELERATIONS

We saw during the pandemic that most transformations were carried out under pressure with often far-reaching consequences. In the first half of 2020, the suicide rate of Korean women aged between 20 to 30 years old increased by 40% compared to the same period in 2019. In response, Prime Minister Chung Sye-kyun said: “It is difficult to say what effect the Covid-19 will have, in the long term, on a country which already has one of the highest suicide rates. raised in the world. ” .

Among the reasons identified by the Korean Women’s Development Institute is the economic consequences of the pandemic-617,000 women lost their jobs from February to April 2020 compared 401,000 men, but also there is the harassment, which existed before the crisis. It should also be noted that, as shown in the survey carried out by Ipsos for the World Economic Forum, 51% of South Koreans fear that the employment situation will deteriorate in 2021, their top worry[4].

Another new change brought about by the pandemic is that contact with others has become a major worry. This is because the outside world and “people” can be viewed as risks with the ease at which the virus can be transmitted. The virus and the fear of contamination has reversed the inside / out relationship.

Previously, the outdoors was synonymous with freedom, meetings, new discoveries . Indoors has not only become perceived as cocooning and home sweet home, but with the limit of its four walls, routine, isolation, and even boredom. Outside is still synonymous with risk, inside with security and freedom.

With the integration of new technologies into our daily lives, accelerated to unimaginable proportions, they have emerged as the most effective way to overcome the obstacles to the continuity of professional and personal life. In all areas, health, work, education, leisure, commerce, technology has dominated - telemedicine or teleconsultation, teleworking, tele-education, platforms, online shopping, video interview on dating sites. It has enabled, even encouraged, the passage from “in contact” to “without contact” in this constrained and remote world resulting from anti-contamination measures. During the crisis, while technologies did not replace real interactions, they nonetheless prolonged them, whether within the workplace or with family and friends.

As also shown in an Ipsos survey for the World Economic Forum, the development of access to digital tools and technologies is at the top of what will improve in 2021 . Followed by the possibilities for training and education. In South Korea, for example, 44% of the population surveyed believe that the development and availability of digital tools and technologies will progress further this year .

Conversely, on all other subjects, the pace of climate change, jobs, health, inequalities, international relations, 2021 carries everything except a message of hope. In South Korea in particular, where - after unemployment - the biggest worries are climate change (47%) and inequalities (29%).

CHOICES AND ACTIONS

The biggest challenge now is to move from the transformation undergone to the transformation chosen, so that the world without contact is also a world of pleasure.

Whatever the health situation, the basic motivations have not changed: to gain material comfort. From the caves of prehistoric man to the most impressive shopping mall, it seems that the human trajectory is indeed the same, gaining in comfort, well-being and pleasure.

This trend was confirmed in South Korea, during the Korea Sale Festa 2020 (the Korean equivalent of Black Friday running from November 1 to 15). The sales of the eight largest online shopping platforms (notably Coupang, eBay Korea and 11th Street) grew 27% compared to the same period in 2019. The volume of online purchases was 3.19 trillion won (US $ 2.86 billion), higher than the total sales of department stores and large hypermarkets, whose turnover increased by only 1% for fear of contamination in the “offline” world.

In the United States, while more than 300,000 people had died of Covid-19 at this time, from Thanksgiving to the end of Black Friday, online sales represented 23.5 billion dollars in revenue (+23 % / 2019); Cyber Monday is not to be outdone with $ 10.8 billion (+ 15.1% / 2019).

2021 is also an opportunity to remember that their ability to transform has enabled the world’s largest groups to overcome the greatest crises. Kellogg’s, P&G, Heinz, Nestlé lived through 1929; McDonald’s, Sony, Apple were born in the 1970s; Google, Amazon, Ebay were born near the Internet Bubble explosion. Who will be the Covid-19 babies? Korean robotics companies? Amazon?

Technologies will be at the heart of the transition from the transformations undergone to the transformations chosen, from reaction to anticipation, from defensive to offensive. It is not by chance that in 2021, technologies were at the heart of the various issues discussed at Davos, in particular in the context of the fourth industrial revolution in connection with artificial intelligence. 63% of the presidents of the largest global groups consider that AI will have a greater impact than that of the internet. And it is no pure coincidence that our experts tackle the different facets of technologies in the daily life of Korean people in our new edition of Ipsos Flair in South Korea.

And it’s no coincidence that our title is Leading the Way, Resilience, Perspectives & Innovations.

Resilience despite Covid-19, thanks to its exports which benefit from the Chinese recovery, the “zoom boom” and a GDP growth of 1.1% in the final quarter of 2020 after +2.1% in the previous quarter. By comparison, the economy of eurozone countries shrank by more than 7% and Japan’s GDP fell by 5%.

Outlook, because South Korea could experience 3% growth in 2021 while the prospect of collective immunity in the second half of the year could support demand.

Innovations, because that is the condition for transforming and inventing society as well as businesses, brands and companies, and the world of tomorrow. As early as 2019, South Korea launched the world’s first 5G smartphone, a step ahead!

The prolonging of this unprecedented pandemic is expected to make 2021 another difficult year.

THE VIEW OF THE CEO

Yang Kil
Ipsos in South Korea

Society requires new changes and developments with the creation of a new environment as a result of Covid-19.

As Charles Darwin said: “It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change.” Adjusting to new changes in response to a new environment has become a necessity.

I am very proud that South Korea was selected again this year for Ipsos Flair to gain the opportunity of introducing the South Korean market as well as its consumers. As this year’s report focuses on the changes caused by Covid-19, I hope it will bring insight into identifying new trends and creating business strategies for the post-Covid-19 era.

With aims to create a comprehensive and in-depth report, Ipsos Korea created a TF team of senior researchers who have extensive experience in researching various industries and have a deep understanding for business strategies.

I would like to thank these researchers for helping construct a highly professional report through surveys and desk research while handling other projects as well. Special thanks to Dongkoo Kang, Seungheon Han, Sang Yoo, Changyub Lee, JungAh Lee, Heon Choi, Dohie Kim and Eunhae Yoo.

I hope readers find this report insightful and would appreciate the sharing of this report as well as any type of feedback.

CONTENTS

“Do you know why there are more home runs in a breaking ball than a fastball?

It’s harder to hit, but as long as you hit it, the breaking ball with more rotation is more powerful and flies farther away. Is there a breaking ball in front of me that is harder and harder than others? Congratulations. You’ve been given a great opportunity to hit a home run.”

Hyunjin Ryu

SOUTH KOREA IN 2021

PREDICTIONS FOR 2021

At the end of December 2019, the previous edition of Ipsos Global Advisor Predictions showed that 75% globally thought that 2020 would be a better year than the previous one, compared to 62% of South Koreans. Because of the Covid-19, 79% of South Koreans (70% globally) say 2020 was a bad year for themselves and their families. In terms of whether 2020 was a bad year for their country, 92% of South Koreans (90% globally) say this is the case. Our predictions survey found only two-thirds (65%) of South Koreans feel 2021 will be better than 2020. This compares to 77% globally who feel this will be the case, with China the most optimistic (94%), and European countries the most pessimistic for the new year.

HERE ARE SOUTH KOREANS' PREDICTIONS FOR 2021

- 54% of South Koreans believe that the economic situation will be better in 2021, exactly at the level of the global average.
- 36% of South Koreans believe their country's economy will have fully recovered from the effects of the Covid-19 pandemic by 2021 vs. 32% globally.
- 39% of South Koreans believe that life will return to normal vs. 41% of the world's inhabitants.
- 26% of South Koreans think the world will get better as a result of the Covid-19 crisis Vs. 30% globally.
- Most likely for 77% of South Koreans say income inequality will grow in 2021.
- Only 37% of South Koreans believe that women's pay will be equal to men's in 2021, compared to 40% globally
- And, even with a vaccine, things shouldn't really change: 75% of South Koreans will still wear a mask for most people, compared to 61% globally.

OTHER WORRIES ARE ASSOCIATED WITH 2021:

- 69% of South Koreans fear a new pandemic linked to a new virus, just behind Malaysians (70%) Vs. 47% globally.
- Global warming remains another cause for concern, with 84% of South Koreans believing that temperatures will rise globally (75% globally).

COUNTRY OVERVIEW

Eunhae Yoo
Knowledge Manager, MSU

After the first confirmed case of Covid-19 was reported in South Korea on January 20, 2020, cases continued to surge until the end of February, a second wave of cases was observed in mid-August, and cases started to rise again in mid-November. Cases were most prevalent amongst those in their 20s (5,707) per 100,000 people and the mortality rate of the overall population is 1.67% which is highest amongst those in their 80s at 19.45%. However, according to the Covid-19 Global Response Index[1] of 33 OECD countries and mortality rate per one million people, South Korea is ranked in first place[2] with a score of 0.90 and 5.00 people. This is largely due to its quick response to the spread of the virus and the cooperation of its people through the wearing of masks.

The outbreak of Covid-19 has caused numerous changes to many aspects of life including the economy, industry, the labour market, leisure activities, and culture, which were primarily caused by the rise of a contactless society.

Unlike how manufacturing and construction industries were most impacted by the financial crisis, industries that require a lot of contact such as the service industry (retail, food, tourism, education) were most impacted by the spread of Covid-19.

In addition, disposable income has increased on the previous year after the outbreak while consumption has decreased due to the uncertainties of a pandemic and social distancing. More specifically, clothing, shoes, and education services are the main areas in which consumption has decreased.

On the other hand, deliveries per person have increased from 25 boxes in 2010 to 54 boxes in 2019, highlighting that a single person makes an online order at least once a week (those above 15 years of age make orders of 99 boxes per person, twice a week). As people are restricted from outdoor activities, there has also been a surge in home-cooked meals and food deliveries, which in turn increased sales of food delivery services. Sales of online food services in August 2020 have recorded 1.71 trillion won (a ninefold increase since January 2017).

Unfortunately, an increase in food delivery services has caused the increase of plastic waste, which raised efforts to establish a policy on the use of sustainable packaging. Therefore, the government needs to take a stronger stance on preventing the polarization of various areas due to pandemic.

FLAIR KOREA 2021 SUMMARY

In last year's report, six keywords were selected to describe consumption trends in South Korean society. For this year's report, a greater focus is given to the changes caused by the outbreak of the virus.

These changes are described according to the seven industries listed below: Public, Consumer trends, FMCG, Automotive, Home Appliances & Electronics, IT & platforms, and Media. As researchers we would like to examine new, changed, or unchanged trends after the outbreak of Covid-19 as well as the trends that will accelerate during the era that follows the pandemic, in order to predict the potential rise of specific businesses.

PUBLIC

The South Korean government's response to Covid-19 has been evaluated somewhat positively, but concerns regarding infection are still prevalent. Half the population also think that routines will not go back to pre-Covid-19 times and that consumption, leisure, and social activities will continue to change.

Social distancing, remote work, flexible working hours, and contactless activities have become a norm and the prolonged practice of such norms are expected to become a new standard long term.

CONSUMER TRENDS

With the increased time spent at home due to the increase in remote work and online classes, there has been a rise in noise complaints which in turn influenced consumers to consider noise as a key buying factor when purchasing home appliances such as refrigerators.

When observing the types of food that were delivered before and after the pandemic, people started ordering dessert, which created a new generation of consumers.

Consumers are constantly trying to find new solutions to problems since the start of the pandemic. Therefore, comprehensive analyses must be made using data to examine consumers in a drastically changing environment.

FMCG

The pandemic has brought multiple economic problems, causing the consumer confidence to decline. However, areas that satisfy the changing needs of consumers due to their new lifestyles, experienced significant growth. Because people spend more time at home, consumption for products related to indoor activities have increased and terms such as ‘homeconomy’ have increasingly been used.

There has been a rise in consumption for necessity goods and products related to indoor activities, which have primarily been purchased through online channels, live commerce channels, as early-morning deliveries, or as regular subscriptions. The use of these purchase methods have accelerated due to the spread of Covid-19. Thus, if the pandemic had not taken place, it would have taken a greater number of years for such purchase methods to become a norm in society.

AUTOMOTIVE

During the past year, consumers have shown greater interest for automobiles, which in turn brought changes to the South Korean automotive market. These changes were primarily caused by the growing interest for electric vehicles, which being started to be used as a form of personal space due to restrictions of outdoor activities, and the expansion of digital services providing greater opportunities for manufacturers.

With greater access to information, consumers can use various channels to share their experiences online. Therefore, online platforms have influenced the increasing popularity of Tesla, car camping, and contactless services provided by manufacturers.

HOME APPLIANCES & ELECTRONICS

Due to the implementation of social distancing measures, people started spending a greater amount of time at home, which in turn increased the demand for convenient and premium household appliances that help decrease efforts for household chores.

Online distribution channels have led the growth of sales of home appliances and electronics in 2020. Out of all retail products, the sales of home appliances and electronics remain the second largest after the sales of food.

IT & PLATFORM

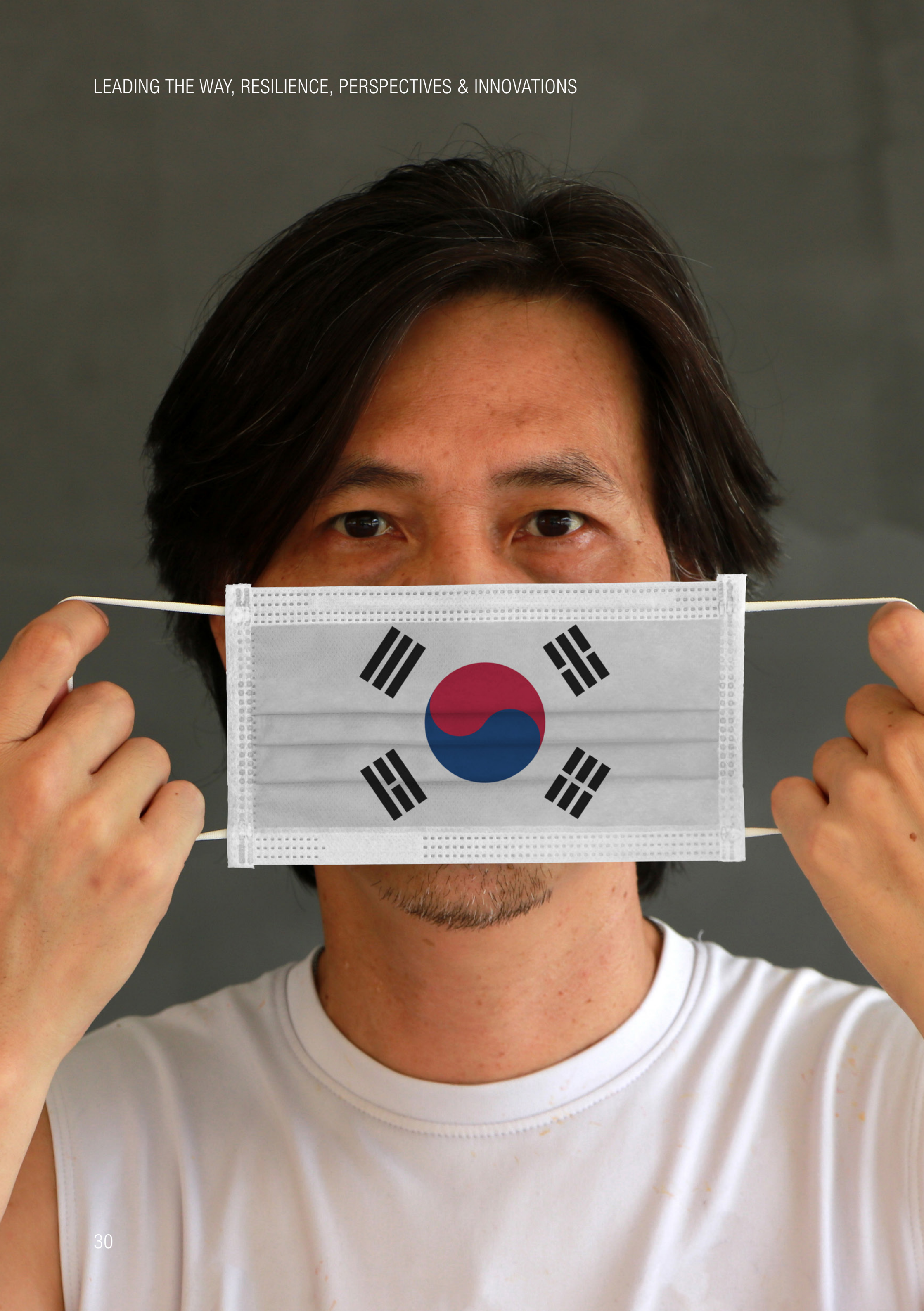
The rise of contactless services has accelerated digital and online lifestyles, which in turn promoted the growth of the eCommerce market this past year. The consumption of online content at home as a leisure activity has become a norm. Hence, although certain changes caused by Covid-19 remain a crisis, the pandemic has also brought new innovative opportunities.

Such opportunities include the rise of new technologies related to online services and mobile devices that raises potential for the development of content and platforms.

MEDIA

As consumers started to spend a greater amount of time at home, media consumption has significantly increased. While the overall advertising market is expected to stagnate, consumption for digital media is expected to record a significant growth rate. With the growth of the advertising market due to the rise of new media, advertisements with disclaimers have gained greater attention due to the controversies related to false advertising.

As changes in media consumption are accelerating, consumers are increasingly paying subscription fees to avoid exposure to advertisements. In response to such changes, content is constantly evolving and businesses that have quickly responded to these trends gained success.



TRENDS & MARKETS

PUBLIC AFFAIRS

Dongkoo Kang

Project Manager, Public Affairs

Kangshin_Seo

Group Leader, Public Affairs

IN A NUTSHELL

The outbreak of Covid-19 in January 2020 has affected quality of life for everyone due to the restrictions put on gatherings, movements, as well as economic and cultural activities. With efforts to respond to the pandemic, the South Korean government has focused on transparency regarding the sharing of information with citizens and established a plan for the Korean New Deal, to be implemented after the pandemic.

Therefore, social perceptions, government response, public opinion and projections regarding Covid-19 will be explained in this report using the results of public opinion polls and secondary sources. Although the South Korean government is being positively evaluated for its response to Covid-19, fears of being infected amongst citizens remain high. Numerous changes have been brought to society as social activities decreased while contactless services rose and more people have been feeling a greater sense of depression and isolation compared to pre-Covid-19 times.

Approximately half of the population believe that society will not return to normal after the end of the pandemic and expect that there will be significant changes in consumption as well as leisure and social activities.

Due to the recent rise in changes such as social distancing measures, remote work, and flexible working hours, new lifestyles caused by the pandemic are expected to create a new standard of living in the coming years.

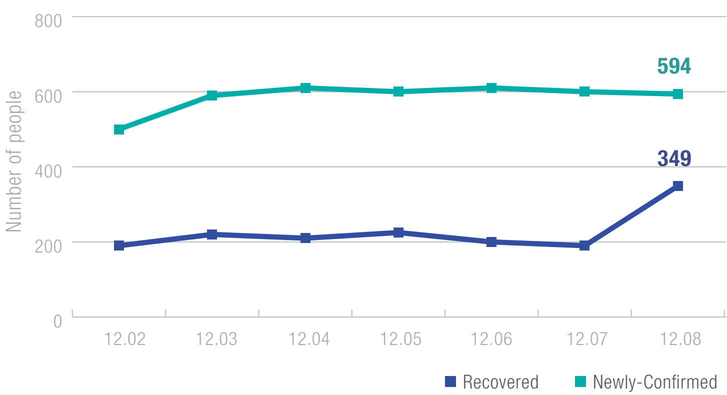
In 2021, the rollout for vaccines and treatments for Covid-19 are expected to take place. Although it is uncertain whether society will be brought back to normal, or whether current lifestyles will be maintained after the end of the pandemic, society has definitely developed in positive ways by experiencing crises. Therefore, positive social changes can be expected to take place even after the end of Covid-19.

COVID-19 SITUATION IN SOUTH KOREA

The first case of Covid-19 in South Korea was confirmed by a Chinese woman on January 29, 2020[1]. Cases then started to rapidly spread in February, which were mostly linked to the Shincheonji Church of Jesus in Daegu.

In response to the outbreak of Covid-19 in South Korea, the government imposed restrictions on social distancing, wearing masks, postponing the reopening of schools, remote work, online learning, and travel starting March. However, newly-confirmed cases started to rise again in November, reaching an average of 500 per day. South Korea is now in its third wave of infections, in which newly-confirmed cases are expected to show another increasing trend.

Figure 1 Newly-Confirmed and Recovered Cases Per Day



Ministry of Health and Welfare, http://ncov.mohw.go.kr/

PUBLIC PERCEPTIONS CAUSED BY COVID-19

LOWER QUALITY OF LIFE

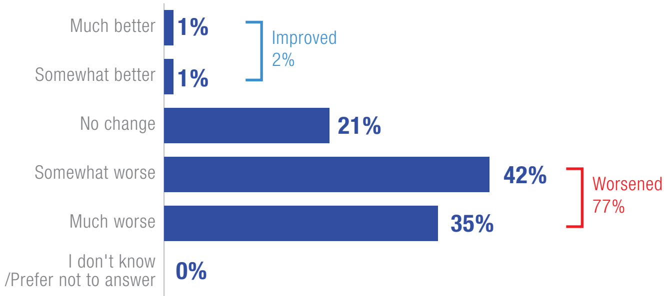
According to an Ipsos survey, most (80%) people were concerned about catching Covid-19 and six out of 10 people (62%) thought they were likely to be infected as October 2020.

When asked about changes in people’s live since the outbreak of Covid-19, 42% of respondents said that quality of life has ‘somewhat worsened’, 35% of respondents agreed that quality of life has ‘severely worsened’, and the majority of respondents(77%) noted that quality of life ‘worsened’.

Those who believed that quality of life has ‘severely worsened’ were primarily people who were directly impacted by the decrease in consumption and restrictions on business operations such as the self-employed (89%), as well as 84% of parents with school-age children.

Figure 2 Changes in Daily Life Due to COVID-19

Q. After the outbreak of COVID-19, how has your life changed compared to pre-COVID-19 times? (Based on respondents who said quality of life severely worsened or somewhat worsened)



Ipsos-SBS Public Opinion Poll, Polling Period: October 5~7, 2020

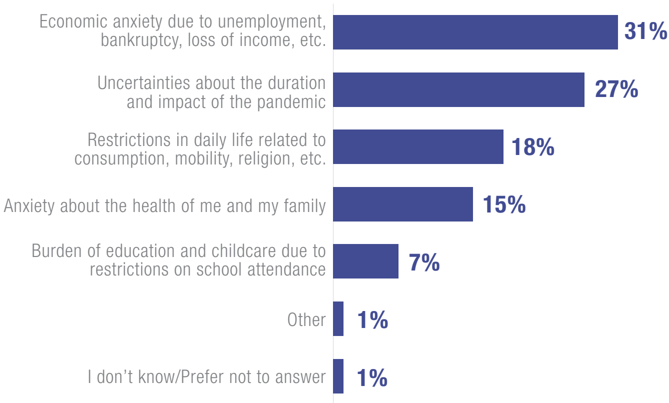
With 31%, 'economic anxiety' was the biggest reason for the decrease in quality of life. This was primarily due to structural changes in organizations and loss of income or bankruptcies for small businesses. 'Uncertainties about the duration and impact of the pandemic' came in second with 27%, followed by 'restrictions in daily life' with 18%.

Self-employed workers (51%), blue-collar workers (43%), and those with a household income of less than 5 million won comprised the majority of those who selected 'economy anxiety' as the main reason for lower quality of life.

Therefore, self-employed workers, factory workers, and people with low incomes experienced a higher level of economic anxiety compared to other groups.

Figure 3 Reasons for declining quality of life

Q. Which of the following is the biggest reason you feel that quality of life worsened? (Based on respondents who said quality of life severely worsened or somewhat worsened)



Ipsos-SBS Public Opinion Poll, Polling Period: October 5~7, 2020

RISING UNEMPLOYMENT

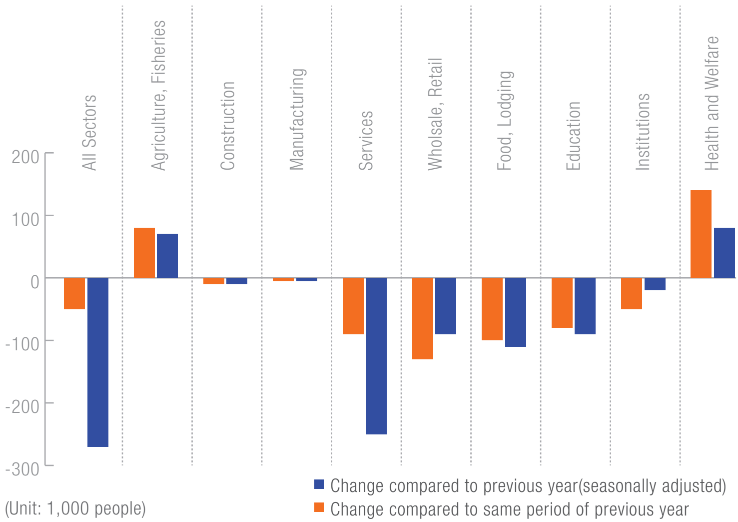
As the impact of Covid-19 started to be reflected in the labour market in March, it has revealed that most sectors experienced a decline in employment, excluding the agriculture and fisheries industries, as well as those involving contactless services. Reduced employment was particularly noticeable among businesses providing services that require frequent face-to-face contact as they were hard-hit by the outbreak of the pandemic.

In the past, efforts were made to expand employment opportunities through government funds to minimize risks in the labour market caused by several macroeconomic factors. However, because the implementation of this approach is limited given the current situation, employment of civil service, such as those related to public administration, healthcare, and social welfare has declined.

More specifically, the number of people employed decreased by approximately 60,000 people during the first half of 2020 compared to the same period the previous year, whereas this number decreased to around 270,000 people compared to 2019 as a whole. The decline in employment was especially notable in the services sector.

Employment in the services sector started to recover when newly-confirmed cases started to decrease in May due to stimulus checks and other domestic efforts. However, the economy is expected to decline again after the resurgence of Covid-19 cases in November.

Figure 4 Change in Employment by Sector



Statistics Korea, "Economically Active Population Survey," Annual Reports

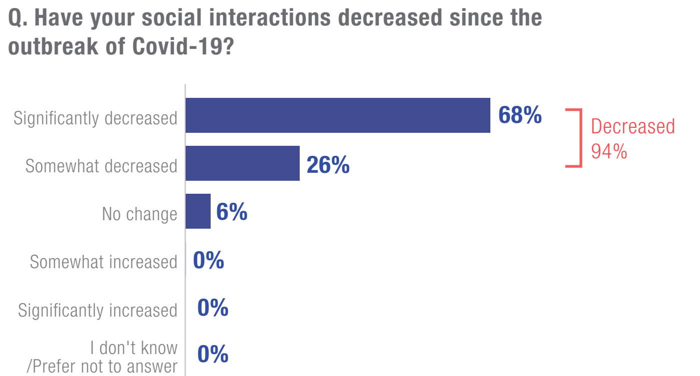
The enforcement of social distancing measures had a significant influence on changing consumption behaviors, which in turn had a direct impact on the labour market and on specific industries.

Employment patterns are also changing due to efforts or organizations to decrease face-to-face contact in the workplace. The increase in remote work and automation has raised concerns about job opportunities for the unemployed and employment retention for those in work.

PSYCHOLOGICAL STRESS AND COVID-19 BLUES

More than two-thirds (68%) of respondents said that social interactions have ‘significantly decreased’ and 26% said they have ‘somewhat decreased’. Thus, the majority of respondents (94%) have reduced social interactions due to the pandemic.

Figure 5 Frequency of Social Gathering After the Outbreak of COVID-19



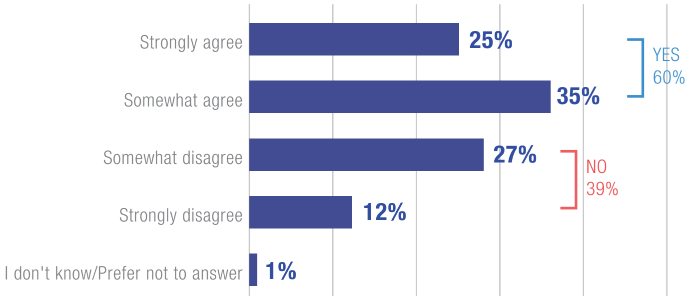
Source: Ipsos-SBS Public Opinion Poll, Polling Period: September 14~16, 2020

60% of respondents said that they became more socially-isolated, which shows that the majority of respondents faced greater disconnection due to the pandemic. On the other hand, 27% of respondents said that they did not really feel disconnected and 12% said they did not feel disconnected at all, which shows that 39% of respondents were not impacted by the feeling of disconnectedness due to the pandemic.

Survey results show that the sense of disconnectedness was more prevalent amongst people who are 60 years and older, homemakers, and from low-income groups.

Figure 6 Isolation During COVID-19

Q. Are you more isolated/disconnected because of Covid-19?

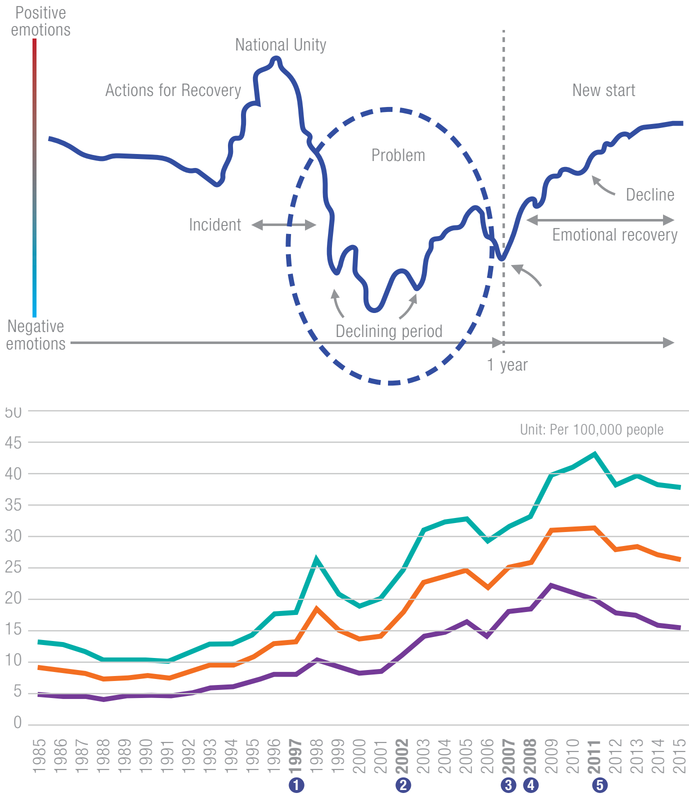


Ipsos-SBS Public Opinion Poll, Polling Period: September 14~16, 2020

Social distancing measures that were implemented to prevent the spread of Covid-19 have worsened feelings of disconnectedness and depression among individuals. Such sentiments are expected to escalate among those who have been laid off, are facing financial difficulties, or in older age groups especially due to the increased amount of time spent at home.

Although the government is actively providing safety net programs to vulnerable groups through food donations, provision of living spaces, and unemployment benefits, there is a need for greater support in providing healthcare for the protection of mental health.

Figure 7 Emotional Response Following Outbreak of COVID-19



1 Korean Financial Crisis
1997–2010

Economic growth rate: **-5.3%**
Corporate bankruptcies: **20,000**
Unemployed: **1.7 million people**

2 Korean Economic Crisis
2002–2003

Credit card crisis
Household debt: **400 trillion won**
Delinquent cardholders: **3.5 million people**

3 Global Financial Crisis
2007–2008

Decrease in exports
Decrease in investments
Decrease in consumption

4 Suicide of Choi Jin-sil
(October 2008)

1000 --> 1800 people

Same method used by
80% of people

5 Paraquat ban
Production ban after Nov 2011

Ban of sale, preservation,
use after October 2012
Decrease of 477 people since 2011

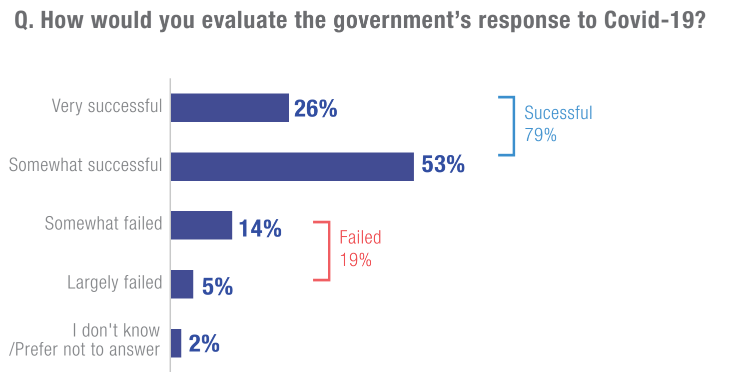
National Assembly Seminar for 'Establishing Plan to Resolve COVID-19 Blues' June 29, 2020

2. GOVERNMENT RESPONSE TO COVID-19

EVALUATION OF GOVERNMENT'S RESPONSE TO COVID-19

As of October 2020, eight out of 10 people (79.4%) had positive opinions towards the government's response to Covid-19, with beliefs that the government's preventative measures were successful.

Figure 8 Evaluation of Government's Response to Covid-19

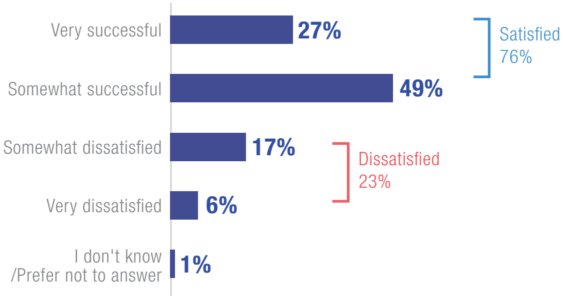


Ipsos-SBS Public Opinion Poll, Polling Period: October 5~7, 2020

Three-quarters (76%) of respondents were satisfied with the government's efforts of sharing information about Covid-19 and confirmed cases through channels such as public safety alerts, websites, and tracking systems.

Figure 9 Evaluation of Government's Response to Covid-19

Q. How satisfied are you with the government's efforts of sharing information about Covid-19?



Ipsos-SBS Public Opinion Poll, Polling Period: October 5~7, 2020

SOCIAL DISTANCING / STIMULUS CHECKS

With the continuous increase of newly-confirmed cases, the social distancing level was raised to 2.5 to the Seoul metropolitan area in December. The basic precautions include washing your hands with soap, covering your mouth and nose with your sleeve when sneezing or coughing, and wearing a mask when outdoors[2].

From June 2020, various distancing measures have been unified under the term 'social distancing', in which such measures have been divided into various levels depending on the severity of the situation. The three social distancing levels have been further subdivided into five levels, which started being implemented on November 7th. In order to minimize confusion among the general public, the social distancing levels are labeled using numbers such as 1.5 and 2.5.

Figure 10 Image-Restructuring of Social Distancing Levels

Level 1	Level 1.5	Level 2	Level 2.5	Level 3
Routine	Regional		Nationwide	
Routing Social Distancing	**Start of Regional Spread**	**Rapid Regional Spread, Start of Nationwide Spread**	**Nationwide Spread**	**Nationwide Pandemic**
(Seoul metropolitan area) **Less than 100 people** (Other regions) **Less than 30 people** (Less than 10 people for Gangwon and Jeju)	(Seoul metropolitan area) **More than 100 people** (Other regions) **More than 30 people** (More than 10 people for Gangwon and Jeju)	***Upgrade if 1 of 3 situations is met** **1) Cases double or more than double on the basis of level 1.5** 2) Continuous outbreaks in 2 or more regions 3) Over **300 people nationwide**	**More than 400~500 people nationwide** or rapid increase of cases (ex: doubling of cases)	**More than 800~1,000 people nationwide** or rapid increase of cases (ex: doubling of cases)

Ministry of Health and Welfare, http://ncov.mohw.go.kr/

In order to boost the economy by encouraging consumption and supporting low-income households, the government provided two rounds of stimulus checks. All citizens were applicable for the first round of stimulus checks in May whereas small business owners and underprivileged or low-income households were only allowed to apply in the second round of stimulus checks in September.

The first round of stimulus checks was the first time in which the government initiated a one-time subsidy program by providing cash for all citizens. All citizens were applicable for the first round of stimulus checks primarily due to the lack of time to select specific recipients. However, particular recipients of the stimulus checks were selected for the second round of stimulus checks due to financial reasons and support from the opposition party, although there have been controversies surrounding the lack of social consensus on eligibility criteria.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PLAN FOR KOREAN NEW DEAL

The Korean New Deal policy is a development strategy for overcoming crises and gaining global economic leadership after the end of Covid-19. For the future implementation of the Korean New Deal, the South Korean government established a plan for economic recovery and overcoming economic uncertainties.

The reasons for establishing the Korean New Deal are as follows: First, the global economy has been experiencing the worst economic downturn and unemployment rate since the Great Depression due to the imposition of various restrictions in response to the spread of Covid-19. The OECD is expected to experience the biggest loss of income since the Great Depression at the end of 2021. Thus, there are growing concerns about a vicious cycle of ‘decline in income → contraction of demand → mass unemployment’ without the protection of jobs and response to domestic demand.

Second, the social and economic damages of a pandemic are likely to be concentrated among vulnerable groups and classes, which will eventually reduce investments and have lasting effects on the labour market.

Third, the unprecedented outbreak of Covid-19 is causing major changes to the overall economic and social structure. However, slow responses to structural changes such as accelerated digitalization and expansion of green economy efforts will likely result in negative growth due to a rapid slowdown in productivity levels.

Figure 11 Restructuring of social distancing levels

The **New Deal** was established in the US to overcome the effects of the **Great Depression** during the **1930s.**

▷ Focused on **relief**, **recovery**, and reform on the basis of **social agreement**.

	Objective	Major Programs
1 Relief	Relief of mass unemployment and stability of people's livelihoods	Development of Tennessee River Basin, cultural sector, etc.
2 Recovery	Economic recovery to levels before the Great Depression	Support for industrial recovery, revitalization of rural economy, etc.
3 Reform	Reform of social and market imbalances	Reform of labor system, social security system, etc.

Not only refers to efforts for economic recovery but also refers to the philosophical/ideological/systemic transformation of laissez-faire policies, money capitalism, and welfare system.

Ministry of Economy and Finance, "Korean New Deal Plan," July 14, 2020

Through the Digital and Green New Deals, the Korean New Deal will help strengthen social safety nets by reforming national systems through large-scale investments and innovation.

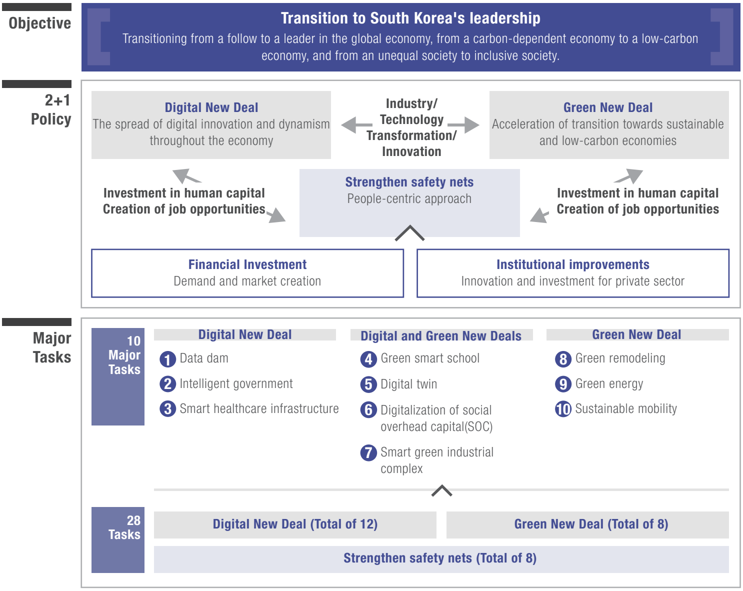
The ‘Digital New Deal’ aims for the expansion of digital technologies through the development of the e-government infrastructure and services. To achieve this goal, there is a need for shaping the ICT infrastructure and data economy through data collection, standardization, and processing to raise competitiveness of industries by fostering new businesses and accelerating the digital transformation of major businesses.

Secondly, the ‘Green New Deal’ aims to create an eco-friendly and low-carbon environment by through the achievement of net-zero emissions and promotion of a green economy. The establishment of sustainable infrastructure and strengthening of sustainable industries are essential for the implementation of the Green New Deal.

Thirdly, ‘strengthening safety nets’ is necessary to ease anxieties caused by unemployment, reduce income disparities, and raise the competitiveness of key economic players. Through such efforts, bureaucratic loopholes will be closed and employment opportunities will be provided.

The Korean New Deal plans to invest 160 trillion won to create 1.9 million jobs by 2025. Therefore, through the Korean New Deal, the government plans to minimize economic damages, support normalization of the economic activities, and respond to structural changes.

Figure 12 Korean New Deal



Ministry of Economy and Finance, "Korean New Deal Plan," July 14, 2020

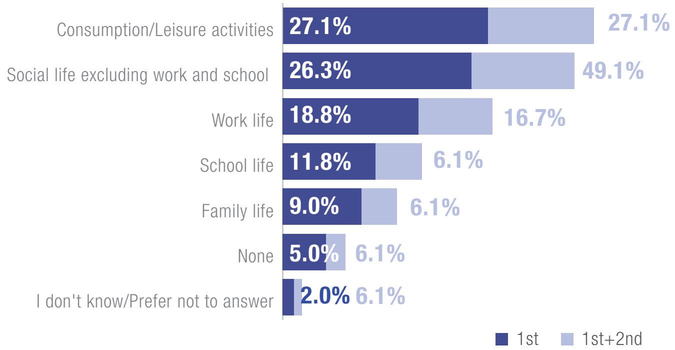
3. CHANGES IN CONSUMPTION AND SOCIAL TRENDS

According to an Ipsos-SBS survey, 'consumption/leisure activities' (27%) and 'social activities excluding work and school' (26%) are expected to change the most after the pandemic compared to before the outbreak of Covid-19. During the pandemic, people only go outdoors when necessary, which changed their consumption behaviors as well as their social and leisure activities.

Many parents believe that 'school life (24%)' will change the most after the pandemic when making comparisons to pre-Covid-19 times. Once new Covid-19 cases started to increase, there have been drastic changes to the learning environment especially through the implementation of e-learning platforms, which is the primary reason why parents felt that 'school life' changed the most since the outbreak of Covid-19 and believe that it will continue to change in the future.

Figure 13 Changes in Daily Life After the End of COVID-19

Q. Which areas of life will be the most different after the end of the pandemic when making comparisons to pre-COVID-19 times? Please select 2 in order.



Ipsos-SBS Public Opinion Poll, Polling Period: October 5~7, 2020

CHARACTERISTICS OF NEW CONSUMPTION TRENDS

The media utilized ‘anxiety’, ‘depression’, and ‘prolong’ as keywords to describe consumer sentiments for the first four months after Covid-19 first arrived However, the main keywords of consumption trends mentioned in media content included ‘Untact’, ‘Contactless’, ‘Homeconomy’, and ‘Remote Work’.

Unlike the financial crisis, Covid-19 has brought fundamental changes to consumer behavior. According to KPMG’s reports about consumption trends, there are five major consumption trends that were observed since the outbreak of Covid-19. These are:

1. Contactless services
2. Increase in indoor activities (homeconomy)
3. Essential values related to health, security, safety, and family
4. Recovery of Covid-19 blues (AnxietyCARE)
5. Increased consumption for oneself (egoism).

Such trends have not only changed traditional channels such as retail, delivery services, home appliances, and gaming, but also had a significant influence on culture including our leisure activities.

TREND FOR PUBLIC SERVICES: 1. PUBLIC EDUCATION

Covid-19 has completely changed the education system. In response to the spread of cases, education went online in April 2020 while schools reopened in May but were required to provide both online and offline classes.

The government has made efforts to minimize gaps in education so that students who were unable to attend classes due to infections or quarantine didn't fall behind. In order to protect education rights for students, the government also aimed to provide education opportunities through various online services.

WIDENING LEARNING GAP

Although IT in South Korea is considered exceptional compared to most other countries, educational institutions were not able to use technology effectively when it came to providing online education. For example, as online education became more prevalent due to Covid-19, issues related to accessing resources, widening gap in education opportunities, disclosure of private lives of educators and students, copyright, and effectiveness in learning have started to rise.

With the prolonging of the pandemic, there has been heightened concerns regarding the presence of an 'educational divide'. Especially for elementary school students, having working parents and coming from underprivileged families makes it extremely difficult for such students to close the education gap with those from privileged families.

Students that came from families that were unable to provide conditions for class attendance had a low learning performance compared to those who were able to pay for private education to fill any gaps from remote learning.

However, the method of helping underprivileged students catch up with their peers from privileged families still remains unknown. Therefore, it is expected that basic knowledge for all subjects will decline more significantly compared to the previous years despite offline classes comprising of 20~30% of the school semester.

EXPANSION OF ONLINE EDUCATION

Online education services have been on the rise due to the prolonging of Covid-19. Most students are taking classes at home and have been carefully participating in private offline classes due to fears of getting infected. The growth in platforms such as Zoom has influenced the expansion of online education.

#1. Lee Bo-hee, a white-collar worker and mother of an elementary school student and a kindergartner, recently found an English tutor in September. This is because due to social distancing restrictions that rose to level 2.5 at the end of August, the nearby English academy shut down. Because of fears of being infected, English tutor sessions take place twice a week on Zoom. However, Lee’s first child is already used to Zoom session and online classes so is naturally adapting to the given situation.

#2. The online coding education service WizSchool launched ‘WizLive’, a live online coding tutor service for elementary and middle school students, in January 2020. Current and past developers teach students through live classes while sharing screens with students for visual support. Depending on the course level (Javascript·Python), classes are 130-140,000 won per month (once a week, 40 minutes). Despite the high costs, classes are in high demand. During the past 3 months, monthly sales increased by 100%.

IT-based startups such as Edutech are currently leading the online education market. This is because such companies provide services that avoid unilateral education methods that require listening to classes just by playing videos.

According to education professionals, online classes are expected to remain a part of the education system even after the end of the pandemic. The infrastructure and content of online education is also expected to become more important as the education system itself will most likely be based on the division between ‘pre-Covid-19’ and ‘post-Covid-19’ experiences.

TREND FOR PUBLIC SERVICES: 2. HEALTH/HEALTHCARE

Due to the declaration of a state emergency after newly confirmed cases started to peak in Daegu in February 2020, the government temporarily allowed 'contactless' healthcare services through phone calls and alternative prescriptions. Such temporary services comprised of consultations with doctors, which was followed by delivering prescriptions to designated pharmacies. Although numerous improvements could have been made on this approach, such efforts were viewed as meaningful by implementing contactless healthcare services that were controversial in the past.

Contactless healthcare services include the use of phone calls, email, video calls, and chats for doctors to provide medical services to patients. Such services define a comprehensive diagnosis of patients through video calls, phone calls, secondary findings, data examination, monitoring, and remote operations.

According to a consumer perception survey regarding contactless services, it has been revealed that there is a high demand for healthcare-related contactless services. Although the experience in such contactless services remained low at 1%, it has been shown that preferences for development for contactless healthcare services had high response rates of 25%. Therefore, the emergence of contactless services in the healthcare industry, and increased preferences for such services, are expected to create numerous changes to healthcare.

When observing processes of telemedicine, patients must first fill-out a survey or answer questions regarding symptoms and will be provided online resources such as medical records, medical history, and x-rays. Through devices such as wearables, patients will then gather and provide personal information such as blood sugar levels, weight, electrocardiograms, and diet. Then, through contactless methods, patients will select a doctor and date for a consultation. The biggest advantage of telemedicine is that patients can be diagnosed through devices such as mobile phones and computers regardless of their location.

Cases of telemedicine were nonexistent in South Korea before the allowance of contactless healthcare services in February 2020 due to medical law. Therefore, services related to telemedicine were mostly provided in overseas markets. The main barrier to the implementation of telemedicine in South Korea is patients' high accessibility to the nation's healthcare system.

However, patient demand for telemedicine is increasing in South Korea due to Covid-19 and the need for monitoring patients with chronic diseases or for preventative purposes.

Before the outbreak of Covid-19, healthcare services were focused on sick patients and older generations. However, healthy patients are expected to be subject to such services during the post-Covid-19 era. Therefore, it can be inferred that the demand for healthcare services will rise while service providers such as doctors and nurses will decline.

In other words, it can be forecasted that traditional healthcare services will not be able to fulfill the high demand of healthcare services after the end of the pandemic. In conclusion telemedicine can be a solution to providing healthcare even with limited resources, through a strengthened prevention-diagnosis-monitoring process.

TREND FOR PUBLIC SERVICES: 3. TRAVEL

Domestic and overseas travel have faced number limitations due to travel restrictions. Regarding travel during the pandemic, most responded that they would consider hygiene first and then ‘high density crowds’.

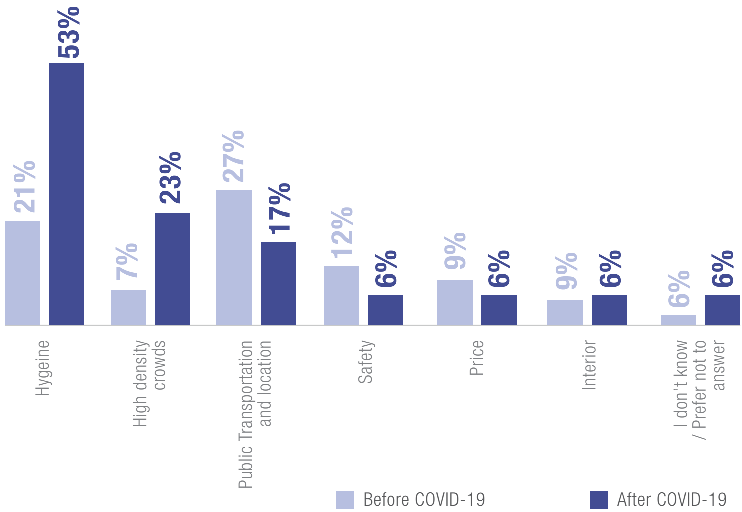
Prioritizing hygiene when considering travel during the pandemic was not a response that was concentrated amongst certain respondents, but was an opinion that was held across all types of respondents. Before the pandemic, most respondents replied that ‘public transportation and location’ were the most important factors to consider when traveling. However, hygiene and ‘high density crowds’ have been considered as more important than ‘public transportation and location’ after the outbreak of Covid-19.

As the level of safety decrease with the spread of Covid-19, overseas travel dies down while demand for domestic travel increases. Most countries are restricting overseas travel to minimize newly confirmed Covid-19 cases and to promote domestic travel.

Domestic travel has been perceived as a form of ‘leisure’ instead of ‘travel’. Trends related to healthy leisure activities have been on the rise as more people started to walk or use bicycles instead of using public transportation or shared vehicles. Therefore, it can be expected that people will no longer associate travel with spending time and money for long-distance trips, but will start associating travel as a leisure activity for spending time at nearby places such as parks.

Figure 14 Accommodation Selection Before and After COVID-19

Q. If you were to travel after Covid-19, what is the most important factor you would consider when selecting an accommodation?



Ipsos-SBS Public Opinion Survey, Survey Period: 2020.9.14~16

As social distancing measures became stronger due to the prolonging of the pandemic, the tourism industry has been making efforts to attract consumers by emphasizing hygienic services. The global tourism industry has also created a certification standard to prove the hygiene and safety of businesses, which made it important for businesses to share information and remain transparent with consumers. Until the end of the pandemic, it can be expected that the tourism industry will develop a standard for hygiene management by the end of the pandemic and that operations of businesses will mostly focus on hygiene.

Figure 15 Fostering of Tourism Industry for those Experiencing COVID-19 Blue

<Fostering of Tourism Industry for those Experiencing COVID-19 Blues>

The Minsitry of Culture, Sports, and Tourism selected Gangwon-do(Pyeongchang, Jeongseon, Donghae) as wellness tourism locations. Gangwon-do will develop its tourism market by marketing specific foods, smells, and sounds for its wellness tourism program that is centered around locations such as Yongpyong Resort, Park Roche Resort, and Donghae Mureung Health Forest. It will also develop services related to the wellness tourism program by raising the quality of services and increasing employment opportunities by recruiting members who will work to provide tourism services or work to develop/manage the program.

Ministry of Culture, Sports, and Tourism "Fostering of Tourism Industry for Those Experiencing COVID-19 Blues", 2020-05-18

Consumers have greater preferences for travel centered around nature for emotional wellness and an improved immune system due to Covid-19. It is expected that people will continue to want to travel to unpopulated and outdoor areas. In response to such trends, there has been a high demand for travel to national parks and recreation sites instead of popular locations for tourism due to preferences for nature that makes social distancing possible.

It is also expected that wellness tourism will grow further due to people's desires to heal their mental state from the pandemic and to enhance their health as well as their quality of life. Foreigners who traveled to 'wellness locations' recommended by the Ministry of Culture, Sports, and Tourism increased from 127,000 people in 2018 to 245,000 people in 2019, a 93% increase.

The digital transformation of the tourism industry is accelerating. It is expected that the industry will grow further by focusing on providing services related to hygiene and safety. Through big data and AI, personalized information of tourists will be provided so that they can experience travel destinations in advance through VR and AR technology, which will lead to the development of 'smart tourism cities' and promoted by marketing tourism services that are high in demand.

Figure 16 Mobile Concierge Service/ 'Telefonica AR Tourism Service' in Spain

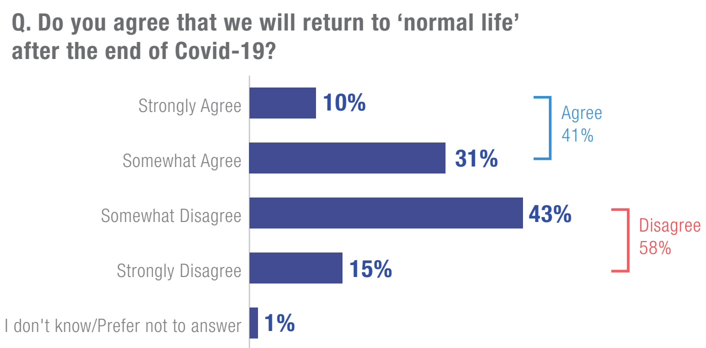
(Left) E Today, "Walkerhill Hotel Launches First AI- Based Chatbot Service" 2020-02-20
(Right) The Fastmode, "Telefonica, MediaPro Showcase AR Over 50 on Tourist Buses"

4. LIFE AFTER THE END OF COVID-19

According to the Ipsos-SBS Public Opinion Survey, six out of 10 respondents (58%) believe that returning to 'normal life' would be difficult after the end of Covid-19. Those who disagreed that 'normal life' would be brought back after the end of the pandemic was especially high amongst self-employed workers who were highly impacted by Covid-19 with 65%.

Self-employed workers seemed to have thought this way because they directly experienced changed consumer behaviors by experiencing numerous difficulties through the implementation of social distancing measures.

Figure 17 Return to 'Normal Life' After the End of COVID-19



Ipsos-SBS Public Opinion Survey, Survey Period: 2020.10.5~7

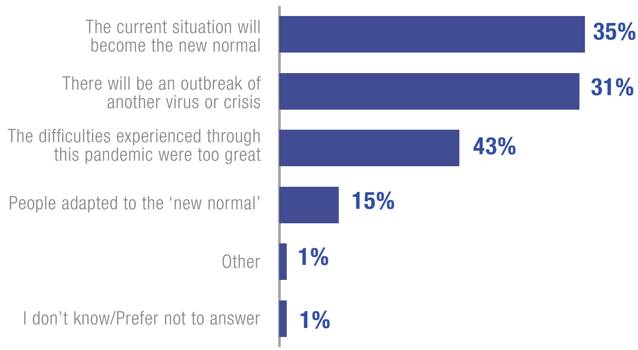
The top reasons for people responding that 'normal life' will not be brought back after the pandemic were that the 'current situation will become the new normal' (35%) and that 'there will be an outbreak of another virus or crisis' (34%).

There were differences in responses depending on age group. Most of those in their 40s responded that the 'current situation will become the new normal' (18-29 41%, 30s 42%, 40s 40%)' while those in their 50s responded that 'we will need to prepare for the outbreak of another virus or crisis' (43%)'. Those in their 60s had high response rates for the 'difficulties experienced through this pandemic were to great'(35%)'.

Those below 40 years of age who think that 'normal life' will not be brought back have accepted the 'new normal'. On the other hand, those in their 60s have shown that they have suffered greatly from the pandemic because they have experienced numerous difficulties related to the economy and health as they are in the high risk group.

Figure 18 Reasons for not Being Able to Return to 'Normal Life' After COVID-19

Q. What is the primary reason that we will not return to 'normal life' after Covid-19?



Ipsos-SBS Public Opinion Survey, Survey Period: 2020.10.5~7

FMCG

Seungheon Han
Project Manager, Innovation

IN A NUTSHELL

Covid-19 forced people to quickly adapt to a rapidly changing environment and develop a new lifestyle.

In addition to global changes including travel restrictions and the collapse of value chains, South Korea also experienced drastic changes due to social distancing measures and the increase in remote work. The economy was particularly impacted by Covid-19, causing the consumer confidence index to show a continuous decrease. However, the outbreak of Covid-19 should not only be regarded as a crisis. Areas that satisfied consumers' new needs saw significant growth. As consumers started spending a greater amount of time at home, consumption of goods and services related to indoor activities surged and the term 'homeconomy' came to rise.

Although we are currently living with Covid-19, we must prepare for the post-Covid-19 era. It would be a good starting point for businesses to consider whether such changes will be temporary or long-lasting in terms of being able to cause significant changes to future lifestyles.

Covid-19 can be expected to die down soon. Positive social changes are expected to take place even after the end of Covid-19. However, consumer perceptions and market structures that changed due to the pandemic are unlikely to return to the state they were in before the outbreak of the virus. While consumers did not find it necessary to get desserts delivered to their homes, Covid-19 has changed consumers through the surge in dessert deliveries.

Therefore, businesses must prepare for a new set of changes to occur beyond the pandemic.

WHAT EFFECT DID COVID-19 HAVE ON SOUTH KOREAN CONSUMERS?

In the well-known South Korean TV series ‘Delicious Rendezvous’, infamous chef and food researcher Baek Jong-won works with other celebrities to create recipes using local products that can be sold in specific regions with aims of increasing their economy. The region’s economy can be boosted as many people tend to visit and purchase the products of regions that were featured on the show.

Due to Baek Jong-won’s fame, restaurants that were featured on ‘Delicious Rendezvous’ became hugely popular. However, changes had to be made to the show, especially regarding the selling of local products, due to the application of stringent social distancing measures. Therefore, the show started to share recipes through live broadcasts, changed the way it sold local products, and even delivered products locally and abroad, which made the show popular on a global scale.

Therefore, what effect did Covid-19 have on South Korean consumers?

There were changes in consumer sentiments, consumption categories, consumption methods, and consumption attitudes.

First, there is a need to delve into consumer sentiments as they are directly related to purchasing power. In other words, the present and future economy can be determined by looking at whether consumer sentiments are positive or negative.

Second, changes in consumption categories are meaningful because they directly reveal changes in consumption trends. In South Korea, necessities and household-related goods became the main areas of consumption. In addition, because Covid-19 impacted consumption methods and attitudes, it would be important to touch on these two aspects. It is also important to highlight consumption methods including online platforms, early morning deliveries, live eCommerce, and subscription services that rose rapidly due to Covid-19.

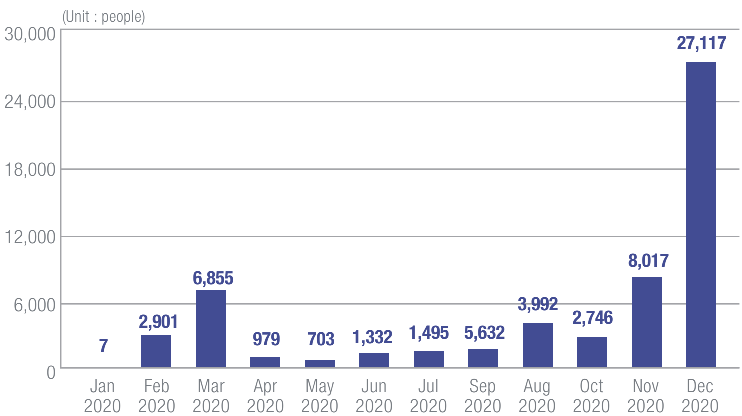
Lastly, it is also necessary to examine the new trends that were introduced during the with-Covid-19 era that may change during the post-Covid-19 era.

1. PERCEPTION CHANGES DUE TO THE SPREAD OF COVID-19

1-1. TRENDS AND PERCEPTIONS OF CONFIRMED CASES OF COVID-19

According to a study conducted by Ipsos, more than 90% of South Korean consumers appeared to be concerned about the seriousness of Covid-19. Although the number of those concerned decreased when newly confirmed cases also decreased in June after surging in March, many are still concerned about the negative impacts Covid-19 has on all aspects of society rather than about the virus itself.

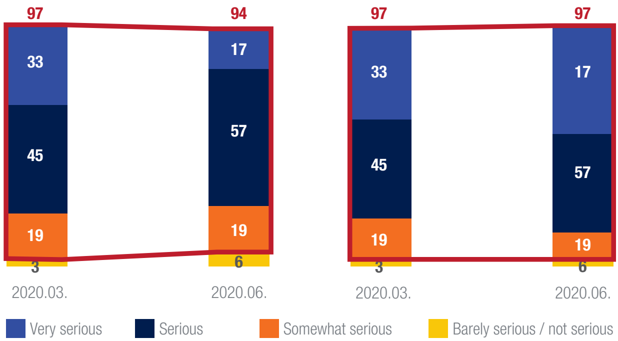
Figure 1 Monthly Trend of Newly Confirmed Cases



Korea Disease Control and Prevention Agency, Reorganization of Daily Number of Confirmed Cases

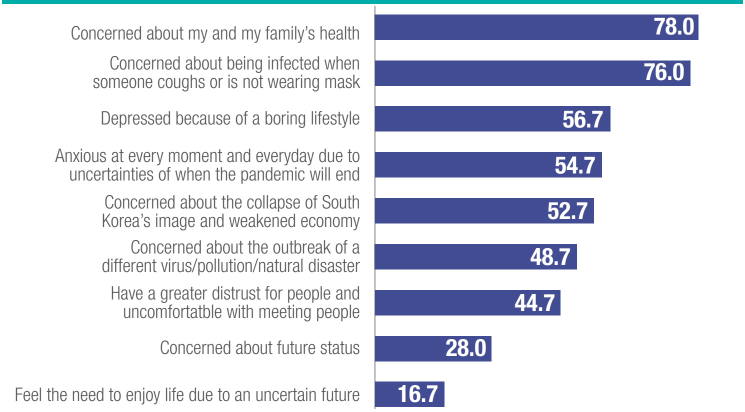
When observing the psychological changes caused by Covid-19, concerns about infections including the health of oneself and one's family remained the greatest. As much as it has become difficult to meet people, many people started developing a greater sense of depression due to a boring lifestyle and started developing concerns due to uncertainties about when the pandemic will come to an end. While people fear being infected by Covid-19, they also feel frustrated from living a restricted lifestyle.

Figure 2 Seriousness of COVID-19 and Level of Concerns of COVID-19



Ipsos (2020)

Figure 3 Psychological Changes Due to COVID-19



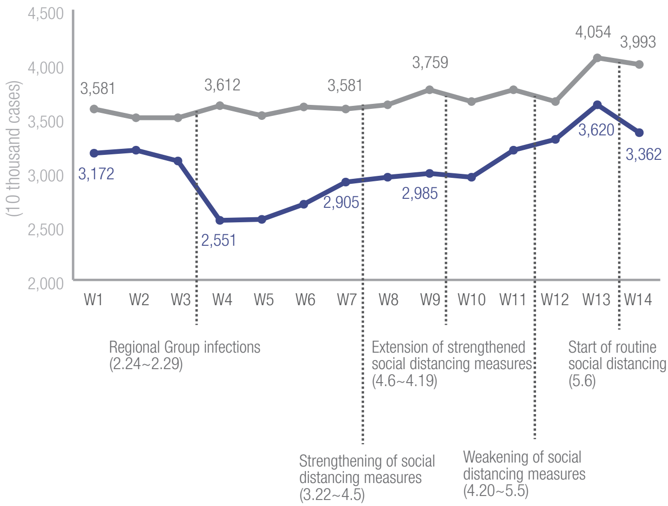
Ipsos (2020)

"When taking online classes for a long period of time, I cannot focus because I feel depressed from not being able to meet my friends. When will I be able to freely leave the house?" (Student)

"I spend all day at home because I cannot go to the senior citizen center. I feel hopeless and depressed everyday." (Senior citizen)

According to a mobile study conducted by Statistics Korea, population movements significantly decreased compared to the previous year. Population movements declined 30% on the previous year, when Covid-19 broke out in February 2020.

Figure 4 Weekly Population Movements From February~May 2019, 2020



1) Daily average population movements for 14 weeks. Week 1 = 1st week of February 2020(Feb 3~9), Week 14 = 2nd week of May 2020(May 4~10)
2) Daily average population movements for 14 weeks. Week 1 = 1st week of February 2019(Feb 4~10), Week 14 = 2nd week of May 2019(May 6~12)

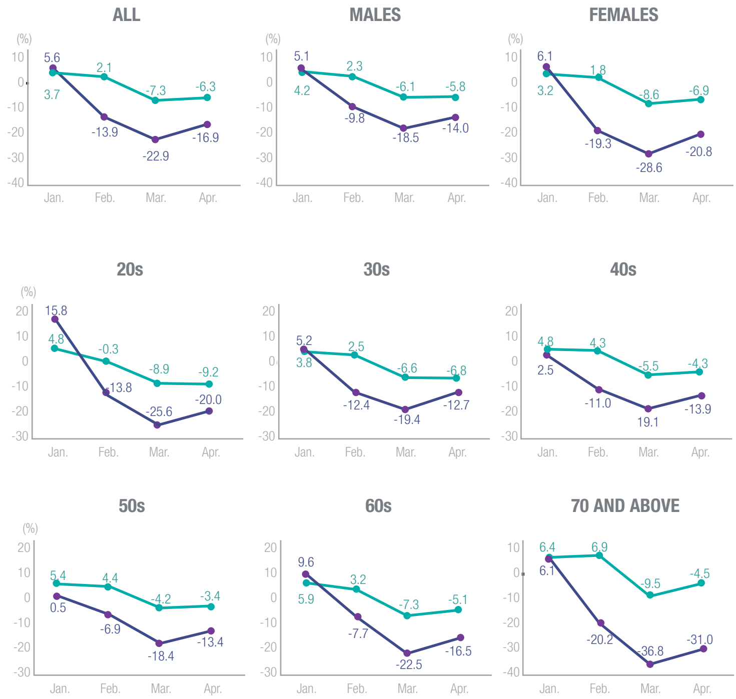
Statistics Korea "Observing Population Movements and Changes in Consumption After the Outbreak of COVID-19 Through Big Data"

There are also concerns about the economy, with nearly half of respondents concerned about a weakened economy and about their future status.

"Sales have decreased significantly compared to before. They have decreased by around 30%. I do not think we can easily go back to pre-Covid-19 times." (Seoul restaurant owner)

Card transactions per person decreased significantly in March after the surge in group infections took place between February 20 to 29, which is a trend similar to that of population movements.

Figure 5 Trend of Population Movements and Card Transactions(Since Previous Year)



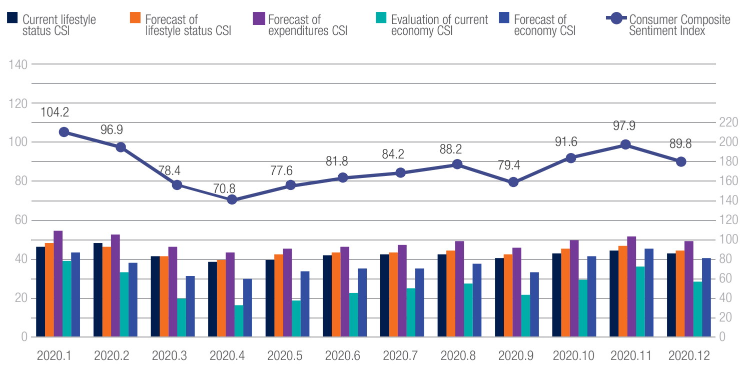
SKT Mobile Population Movement(2019~2020), KCB Card Transactions(2019~2020)

1-2. CHANGES IN CONSUMER SENTIMENTS

The prolonging of the pandemic is causing a negative influence on consumer sentiments. According to a comprehensive measure of consumer sentiment that reflects the current economic situation, the Consumer Composite Sentiment Index (CCSI) provided by the Bank of Korea was highest in January 2020 with a score of 104.2, which decreased to below 100 starting February when newly confirmed cases started to surge.

Although the CCSI started to increase in May, it decreased again in September when newly confirmed cases surged again, increased in October, then decreased once again in December when cases rapidly started to rise again. Regarding the CCSI related to the evaluation of the current economy, a score of around 50 is being retained, with the forecast of the economy being less than 80. Because this index is less than 100, negative forecasts of the economy continue to be observed.

Figure 6 Trend of Consumers Based on Survey Results

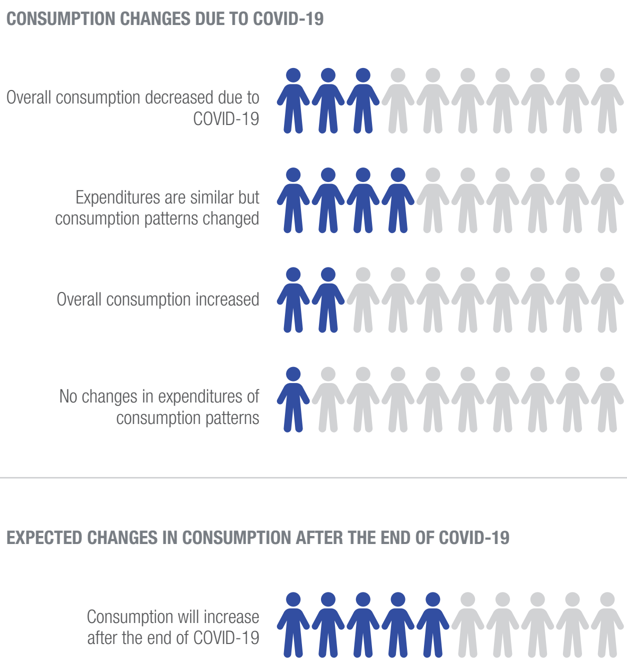


Bank of Korea

Depending on the increase in newly confirmed cases in December 2020, it can be expected that a long period of time will be needed for the CCSI to provide a positive figure.

According to a study conducted by Ipsos, three out of ten people experienced a decrease in consumption due to Covid-19, and four out of ten experienced a change in consumption patterns. In addition, five out of ten responded that they expect their expenditures to increase after the end of the pandemic.

Figure 7 Consumption Changes Due to COVID-19



Ipsos (2020)

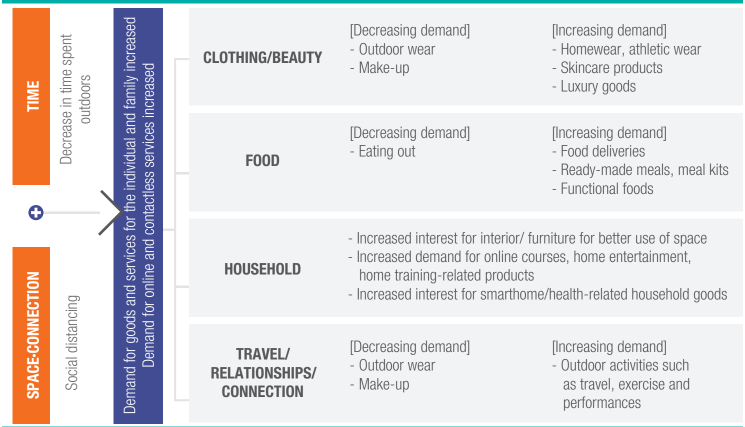
2. CHANGES IN CONSUMER BEHAVIOR BROUGHT BY COVID-19

2-1. CHANGES IN CONSUMPTION CATEGORIES

Covid-19 brought numerous changes to the lifestyles of consumers. Due to heightened concerns about Covid-19 infections, perceptions and behaviors revolving around hygiene, health, and safety strengthened or increased. In addition, time spent outdoors decreased due to strengthened social distancing measures and adopting more isolated lifestyles. This is turn led to a rise in demand for goods and services for individuals and family while communication with others primarily took the form of contactless methods.

Such changes in lifestyles also caused a change in consumption. Because lifestyles related to clothes, food, and household changed, consumption for goods and services related to such aspects also changed.

Figure 8 Changes Caused by COVID-19(Clothing, Food, Household Connection)



Ipsos

The fashion and beauty industries were negatively impacted from the beginning of the pandemic. Normally, consumers purchase clothes or cosmetics after trying them while shopping at brick-and-mortar stores. However, as people started to spend less time outdoors, their time spent shopping offline also decreased. This was especially because people started purchasing less clothes and cosmetics due to decreased social activities. Home-cooked meals were also on the rise, which decreased the number of people eating-out. Household-related businesses showed increased concerns for delayed construction projects and overseas transactions.

On the other hand, as more people started to spend more time at home, the demand for homewear, seasonless clothing, and athletic wear rapidly increased. According to a media report, the sales of homewear during the first half of the year increased significantly compared to the previous year. Particularly, there was a surge in demand for pyjamas, sleepwear, and clothes that can be comfortably worn at home.

In addition, with the prolonging of the pandemic, fashion trends related to face masks came to rise, such as mask chains, which became a must-have item.

“I work while wearing a shirt as a top and sweats as bottoms. Based on just my attire, it is difficult to tell whether I have a job or not. Because only the top half of my body shows on video calls, I choose to wear comfortable bottoms while attending online meetings.” (White-collar worker)

“There are many instances in which I have to take off my mask such as when having lunch or a cup of coffee. Because it is unsanitary to leave my mask on surfaces, I purchased a mask chain to keep my mask clean and prevent myself from losing my mask.” (White-collar worker)

Figure 9 Increase in Sales of Homewear

Increase in Sales of Homewear

Pajamas from 'Jaju' Increase in sales during first half of the year (since previous year)	**511%**
Pajamas from 'Spao' Increase in sales during first half of the year (since previous year)	**50%**

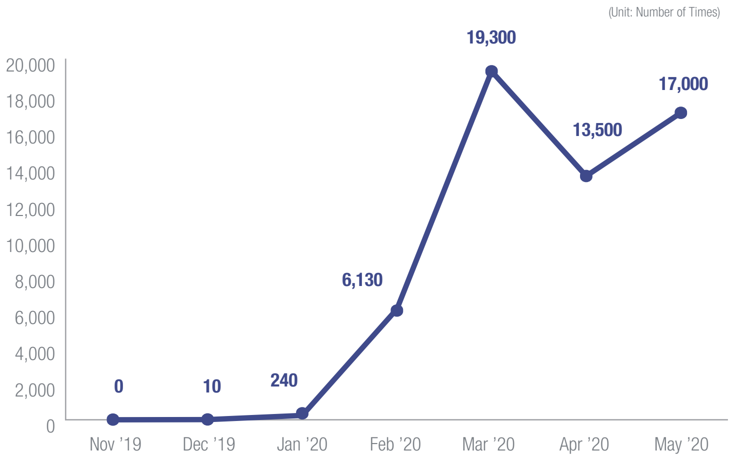
Increase in Sales of Homewear on G Market Since Previous year (01.08.2020 – 30.09.2020)

Pajamas	**53%**
Pajama Sets	**124%**
Easywear (indoorwear, socks, blindfolds, etc.)	**37%**

Chosun Biz "Homewear Over Suits Due to COVID-19" Popularity of Seasonless Clothing 2020-10-06

Regarding cosmetics, there has been an increase in demand for haircare, bodycare, and skincare products. According to a study conducted by Ipsos in 2020, there was an increased demand for hygiene or cleansing products such as hand sanitizers, handwash, and cleansers due to heightened interests for safety and pollution. There has also been an increase in demand for calming, revitalizing, regenerating, and moisturizing products due to acne and redness created from wearing masks from long periods of time as well as washing the face often.

Figure 10 Searches Related to Troubled Skin from Face Masks



Statistics Korea Blog, "Troubled Skin from Face Masks" 2020-06-16

Demand for make-up products decreased as people started spending less time outdoors. However, lip-care products that help moisturize lips from wearing face masks for long periods of time, and eye make-up products have been experiencing increased demand.

Figure 11 Increase in Consumption by Beauty Product

	CATEGORY	NET INCREASE		CATEGORY	NET INCREASE		CATEGORY	NET INCREASE
B	Hand sanitizer		H	Wash-off hair pack/treatment		M	Eye base/top-coat	
B	Hand soap		H	Rinse/conditioner		M	Lip tint	
B	Hand cream		B	Body scrub		M	Eye liner	
S	Cream		B	Body mist		M	Cake foundation	
S	Essence/Serum		S	Peeling/scrub		M	Primer/Makeup base	
B	Body lotion/cream/oil		B	Foot cream		M	Mascara	
S	Cleanser		S	Beauty devices		M	Cushion foundation	
B	Body shower gel/soap		H	Leave-in hair treatment/oil/mist		M	Lip gloss	
S	Facial Mask		H	All-in-one product		M	Eye shadow	
S	Skin/toner		S	UV protector		M	Powder/pack	
H	Shampoo		B	Deodorant		M	Liquid foundation	
S	Ampoule		B	Perfume		M	Concealer	
H	Scalp care product		M	Eyebrow		M	Lipstick	
S	Mist		S	Lips & eyes remover		M	Highlighter/shading	
M	Lip balm		M	Tone-up/BB/CC cream		M	Blusher	
S	Eye cream		M	Makeup fixer				
S	Lotion/emulsion		M	Lip liner				

H: Hair care I **B:** Body care I **S:** Skincare I **M:** Makeup
*Net Increase = Increase reponse % - Decrease response%

Percentage of increase in top 20% — **Percentage of increase in bottom 20%**

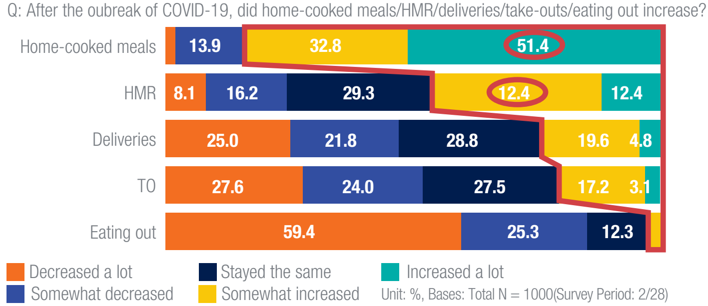
Ipsos (2020)

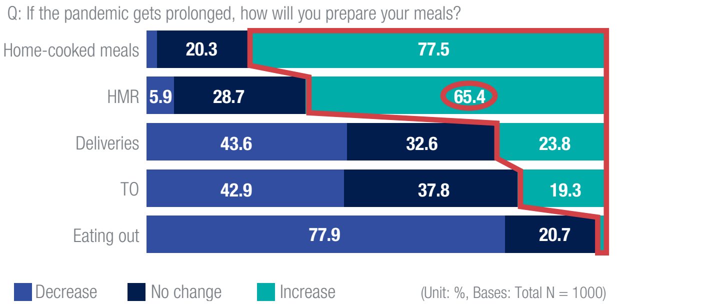
Consumption in food products have changed due to increased time spent with family and decreased opportunities for dining out. According to the Korea Agro-Fisheries & Food Trade Corporation, 74% of consumers agree that purchases of food categories have changed since before the start of the pandemic.

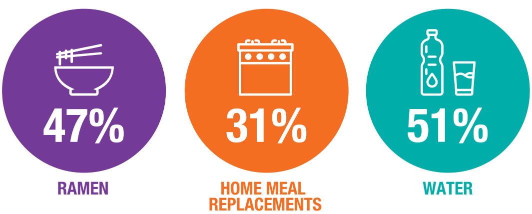
It has been shown that consumers purchased food products more often and spent more on groceries. It has also been analyzed that there was a high demand for food products with long expiry dates at the beginning of the pandemic such as ramen, frozen foods and home meal replacements(HMR). However, with the prolonging of the pandemic, people started to make more home-cooked meals due to increased concerns about their health which in turn influenced them to purchase products such as meal-kits and sauces.

According to a report created by Daishin Securities, deliveries for ramen, HMR, and water after Covid-19 amounted to 47%, 31%, and 51%, respectively.

Figure 12 Changes in meal preparations due to COVID-19





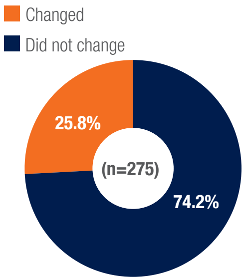


*Based on February 2020, since previous month

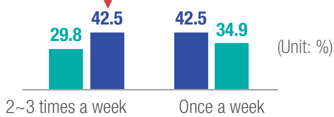
Chosun Biz "2020 Forecast for Home Meal Replacements(HMR) Trends– CJ CheilJedang" 2020-03-22
Daishin Securities Research Center "POST COVID-19 Part3 Corona THRU"

Figure 13 Changes in Consumption for Food Products After COVID-19

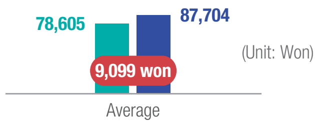
CHANGES IN MAINLY CONSUMED FOOD CATEGORIES



FREQUENCY OF PURCHASING FOOD PRODUCTS



CHANGE IN AVERAGE COSTS PER GROCERY TRIP



CHANGES IN FOOD TRENDS BEFORE AND AFTER COVID-19

Rank	Category	Change
1	Functional food	▲ 2
2	Baby food	▼ 1
3	Cereal	▼ 1
4	Dried food	▲ 9
5	Yoghurt	▼ 3
6	Ready-made meal	▲ 3
7	Bread/Jam/Honey/Syrup	▲ 9
8	Pie/Cake	▲ 2
9	Candy/Jelly/Gum	▼ 1
10	General Snacks	▲ 5

*Source: Umsun Data Lab
('20.1.~1., based on 600 thousand users)

CONSUMPTION CHANGE AND REASON BEFORE AND AFTER COVID-19 BY CATEGORY

For all categories, "increase in consumption for home-cooked meals" ranked 1st (Average 69.8%)

Category	Increased (%) (n=275)	Main Reason (Overlapping Responses)
HMR	64.7	Emergency (27.5%), Health(26.4%)
Ramen	64	Emergency (33.0%), Increased snack consumption (22.8%)
Processed meat	63.3	Emergency (27.6%), Health (26.4%)
Functional food	49.5	Health (40.4%), Emergency (25.7%)
Processed dairy	45.1	Increased snack consumption (30.5%), Emergency (26.3%)
Bread/Rice cake	42.9	Increased snack consumption (30.5%), Emergency (26.3%)
Seasoning/Sauce	38.9	Emergency (29.9%), Increased snack consumption (21.5%)

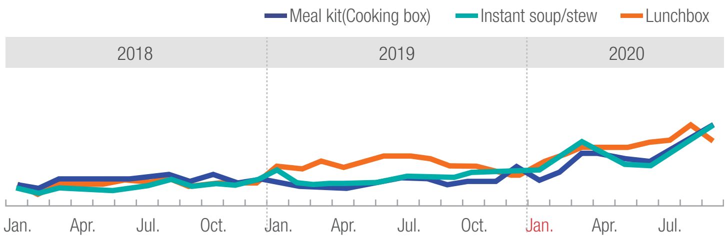
Food categories that increased in purchases other than the ones included in the survey (14 categories)? (174 Cases)
1st: Salad (21.3%) / 2nd: Vegetables (20.1%) / 3rd Fruits (18.3%)

*Source: aT, Surveys for changes in consumption for food products after COVID-19 ('20.10.)
*Based on 'Increased' responses, only top 7 categories out of 14 are listed

aT 'Market Report Newsletter 2nd Week of November – Food Products Related to COVID-19' 2020-11-11

Demand for food products within the HMR market changed depending on the time period during the pandemic. During the beginning of the pandemic, instant rice, hotdogs, dumplings, and other frozen foods that provide convenient meals were high in demand. However, as the pandemic progressed, consumption for meal-kits increased and interest for products that provide hearty meals such as lunchboxes and instant soups/stews started to rise.

Figure 14 Food Categories that Gained Interest After the Prolonging of COVID-19



* Naver Data Lab, Trends of Clicks in Shopping Sites ('18.1 ~ '20.9) / Cannot compare differences in interests between categories using above graph

Meal-kit	**PRESTIGE MEAL-KIT** • Expanded menu selection: Korean, western, Chinese, Japanese, noodles/pasta, instant/late-night meals, etc. • Continuous popularity of mille feuille nabe and increased interest for meal-kits suitable for homeparty after COVID-19 • Popular restaurants such as 63Buffet Pavilion, Thailand by BUA recently launched meal-kits
Instant Soup/ Stew	**BIBIGO INSTANT SOUP/STEW** • Diverse range of products including ox-bone soup, chicken soup, beef soup, short rib soup, seaweed soup • Continuous popularity of ox-bone soup and increased interest for loach soup after COVID-19 • Increase in consumption for nutritious foods including chicken soup, ox-bone soup, and squid porridge that are substitutes of dining out
Lunchbox	**'GO ON A' DIET, 'GO ON A' LUNCHBOX** • Is a healthy lunchbox brand that gained success due to the increased demand of lunchboxes and by targeting those who intend to control their diet • Includes a wide variety of menus that are tasty and nutrious, but are only 338 calories per lunchbox

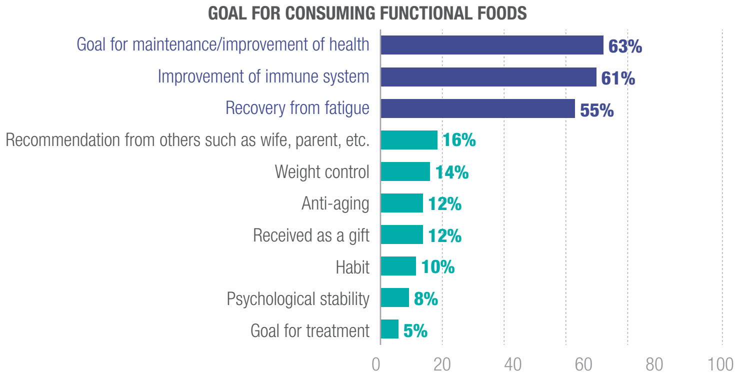
aT 'Market Report Newsletter 2nd Week of November – Food Products Related to COVID-19' 2020-11-11

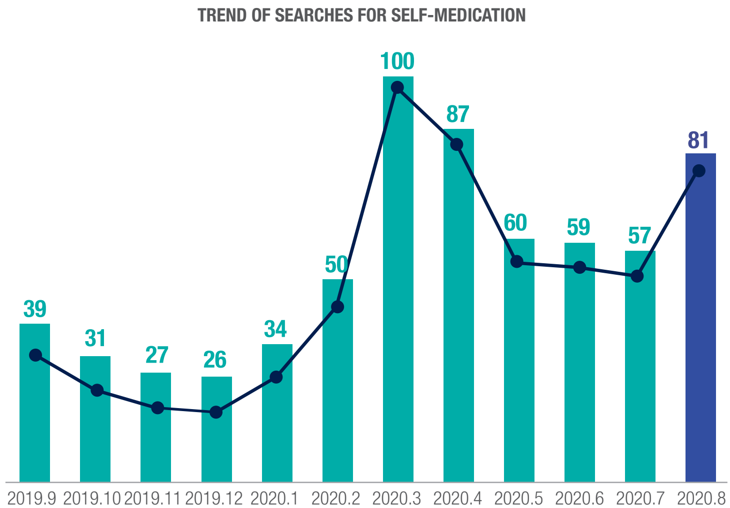
As same-day and early morning deliveries become more common, purchasing methods for food products on online platforms are becoming more convenient while the diversification of HMR and meal-kits are providing more options for consumers. Convenient meal replacements (CMR) that do not require a preparation process have also started to enter the market, which not only provide convenience but are also tasty and nutritious.

As more people started valuing the importance of health after the spread of Covid-19, the demand for functional food products increased. According to the search words that trended on Naver, interests for self-diagnosis increased after the outbreak of the pandemic and surged after newly confirmed cases peaked in March and August.

According to the ‘Functional Food Market and Consumer Survey’ conducted by the Korea Health Supplements Association, the South Korean functional food market expanded by 7% in 2020 compared to the previous year, which is expected to reach a size of 4.98 trillion won[1]. In addition, the Ministry of Agriculture, Food, and Rural Affairs analyzed that the functional foods market is rapidly increasing due to Covid-19, with the sales of its top five businesses having increased by 20% in the first quarter of 2020 compared to the previous year.

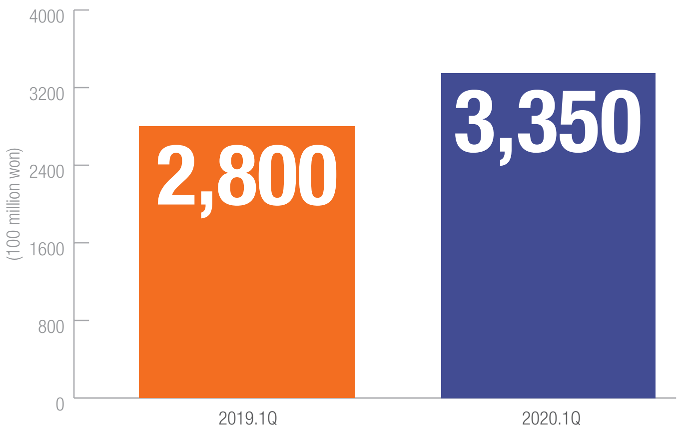
Figure 15 Self-Diagnosis Trend after COVID-19





KFAA Advertising Information Center '2020 Functional Food Market·Consumer Report, Mezzo Media' 2020-09-11

Figure 16 Sales of Top 5 Functional Food Businesses During 1st Quarter



Samjong KPMG "Analysis of Influence of Consumer Goods Market After COVID-19" 2020-06-17

The importance of living spaces heightened as people started to spend more time at home, raising the perception that home is a place for rest. Because students are taking online classes and parents are working from home, many people became interested in creating 'home offices', which in turn increased the demand for furniture designed for working and studying.

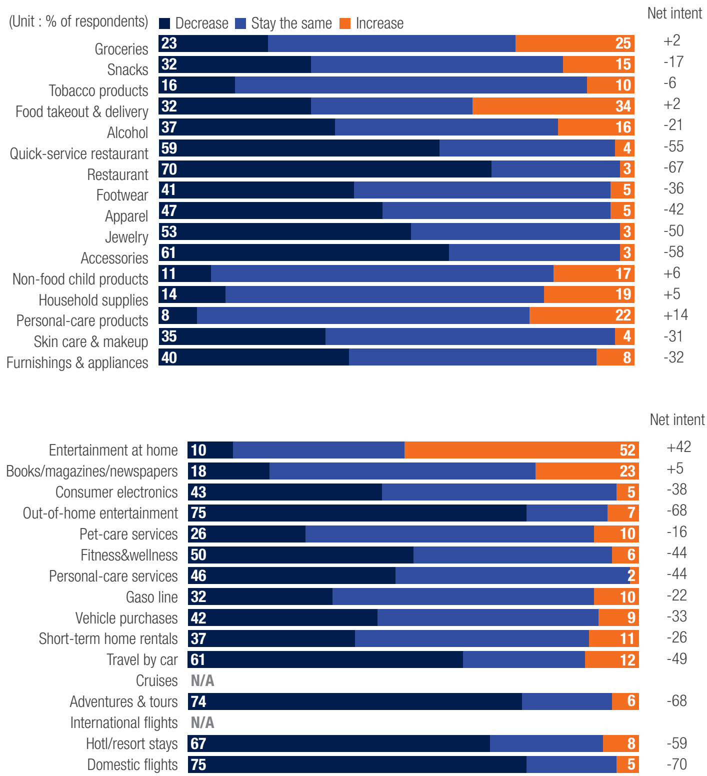
Moreover, interests for 'DIY interior designing' also increased. Thus, South Korea's top interior design company Hanssem experienced an increase in sales by 236% during the third quarter of 2020 compare to the previous year. This is primarily because there was a rise in demand for remodeling services as well as furniture. South Korea's second top interior design company Hyundai Livart recorded an increase in operating profits during the same period which equated to 29%.

Home gyms have also been becoming more common due to the increase in demand for home workouts, which in turn increased sales for fitness-related products. Because it became harder for people to partake in cultural activities, consumption for products related to home entertainment also increased.

Staycations have become a trend due to travel restrictions. In addition, many of those who saved up for overseas travel ended up purchasing luxury goods. According to the sales trends of retail companies in July by the South Korean Ministry of Trade, Industry, and Energy, overall sales of Lotte, Hyundai, and Shinsegae department stores decreased by 2% since the previous year while sales of foreign brands surged by 33%. This is caused by compensation consumption, in which consumers purchase goods to satisfy their desires suppressed by Covid-19.

Such observations are also supported by McKinsey’s survey results, which found that the demand for the majority of product categories were to decrease in demand. However, categories that were expected to increase in demand include food, food deliveries, baby products, necessity goods, home entertainment products, books/magazines. Therefore, it can be interpreted that the demand for necessity goods and goods that satisfy changed lifestyles caused by Covid-19 increased.

Figure 17 Expected Spending Per Category



McKinsey (2020.6.30)

Covid-19 not only impacted the consumption of certain product categories but also impacted consumption methods. Changes to purchasing channels and methods accelerated over time, which also changed consumers' key buying factors. Thus, it became more important for brands to sell goods and services by considering the changed key buying factors.

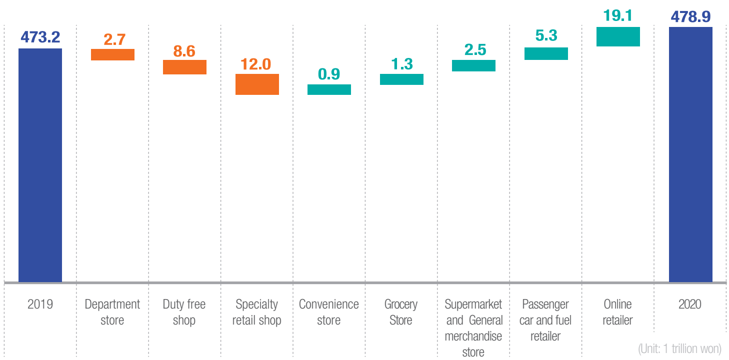
2-2. CHANGES IN CONSUMPTION METHODS

SURGE IN CONSUMPTION THROUGH ONLINE AND MOBILE PLATFORMS

It can be argued that purchasing channels and methods changed the most out of all consumption factors. Even before the pandemic, purchasing channels have been transitioning towards online and mobile shopping platforms. However, the outbreak of Covid-19 has accelerated this transition.

According to an analysis by a securities firm, retail sales increased by 1.2% in 2020 since the previous year, which amounts to around 479 trillion won. When considering inflation, such figures actually represent no growth. While sales of most offline retail channels decreased, those of online channels rapidly increased.

Figure 18 Increase in Retail Sales by Channel



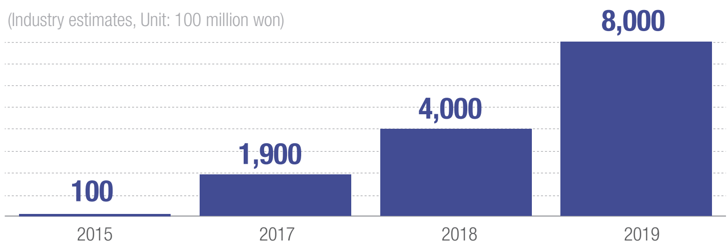
Shinsegae Group "E-Mart's Turn Around is Not a Temporary Phenomenon – Eugene Investment Corporation" 2020-11-30

According to online shopping trends by Statistics Korea, transactions for online shopping in March 2020 amounted to 12.5825 trillion won (+11.8% yoy). When observing each product category, food products amounted to 1.6371 trillion won (+59.4% yoy), food services 1.2519 trillion won (+75.8% yoy), and necessity goods 1.2454 trillion won (+46.9% yoy), which all represent a significant growth since the outbreak of the pandemic.[2]

RAPID GROWTH OF EARLY MORNING DELIVERIES

Early morning delivery services must be examined when observing the rapid rise of online shopping. Early morning delivery services are those that deliver products that were ordered the previous night by the next morning. Because offline shopping became difficult and more people started to make home-cooked meals during the pandemic, businesses started providing early morning delivery services so that consumers can get food products delivered at an early time of day. Market Kurly first launched this type of service in 2015 and since then the market has increased from 10 billion won to 800 billion won in 2019, an 80-fold increase. Furthermore, people eating out less often and spending an increased amount of time at home is expected to lead to the further growth of early morning delivery services.

Figure 19 Size of Early Morning Delivery Service Market



Korea Customs News "Early Morning Deliveries for Fresh Produce Favored by Single-Person Households and Working Moms"

As early morning delivery services started to growth rapidly, there have been numerous businesses that entered and exited the market. Following the launch of early morning delivery services by Market Kurly, retail channels such as online shopping malls, grocery stores, supermarkets, and home shopping platforms as well as manufacturers started to provide such services, creating a greater amount of competition within the market.

Figure 20 Entry of Businesses Providing Early Morning Delivery Services

Business	Category	Date entered market
Market Kurly	Online	2015
Baemin Fresh / Baemin Chan	Online	2015 (shut down 2018)
Hello Nature	Online	2016
GS Fresh	Grocery store	2017
Lotte Mart	Supermarket	2017
Coupang	Online	2018
SSG (E-Mart until 2018)	Supermarket	2018
Hyundai Home Shopping	Home shopping	2018 (shut down 2020)
Hyundai Department Store	Department store	2018
Oasis	Online	2018
Lotte Super	Grocery store	2018
Lotte Home Shopping	Home shopping	2019 (shut down 2020)
Dongwon Mall (Linked with Hyundai Home Shopping)	Manufacturer	2019 (shut down 2020)

aT 'Food Market and Consumer Trends Report 2020', Ipsos

According to the Food Market and Consumer Trends Report published by the Korea Agro-Fisheries & Food Trade Corporation in 2020, it has been shown that early morning deliveries deal with a wider range of product categories including fresh produce and meats unlike general online shopping malls.

Figure 21 Analysis of Products Added to Shopping Carts

aT 'Food Market and Consumer Trends Report 2020', Ipsos

Early delivery services have been more commonly used because they have shorter delivery times and provide an extensive range of products including fresh produce for consumers.

RISE IN INTERESTS FOR LIVE ECOMMERCE

As social distancing became a norm during the pandemic, connecting with others through online channels has become a necessity. This trend helped coin the term 'ontact', which is a combination of the words online and contact.

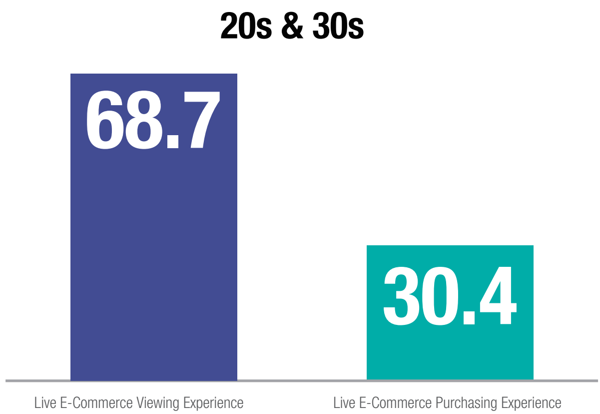
In response to such a trend, ontact services including live eCommerce achieved significant growth. Live eCommerce is a channel for selling products through online, live broadcasts while communicating with consumers. Kyobo Securities expects the live eCommerce market to expand from 400 billion won in 2020 to 10 trillion won by 2023. Considering this significant growth rate, many businesses are showing greater interests for live eCommerce and preparing to launch related services. For example, Naver's live eCommerce service 'Shopping Live' that launched in July 2020 gained a total of 45 million subscribers by November. As of November, the number of sellers increased by 20% and the number of contents increased by 40% since the previous month while sales in November rose by 340% since August.

Figure 22 Use of Live E-Commerce Platforms in Online Shopping Malls

Kakao Commerce	Service Name	Kakao Shopping Live
	Characteristic	Show host introduces product, ripple effect and expansion caused by use of Kakao Talk
TMON	Service Name	TMON Select
	Characteristic	Exposure to advertisements by having sellers directly communicate with consumers
wemakeprice	Service Name	Wonder Shopping
	Characteristic	Shown as online variety program/1.5 million cumulative views, 70% increase in transactions
11st	Service Name	Live beauty broadcast
	Characteristic	Virtual make-up experience/15% of consumers are females in their 20s, sales increased by 68%
Lotte Home Shopping	Service Name	Cooking broadcast - Virtual beauty
	Characteristic	Use of communication channels popular amongst millennials/ Broadcast during prime time and twice a week
SK Stoa	Service Name	Pickcast - SBS Pick
	Characteristic	Provides 'Snack Culture' videos and sells merchandise/Mobile live service to launch within this year
Hi-Mart	Service Name	Heart Live
	Characteristic	30 minute live broadcast on mobile app/20 thousand cumulative viewers
Hyundai Department Store	Service Name	Department store Window Live
	Characteristic	Monthly sales of male apparel - young fashion comprise of 30%/ Views reached 50 thousand
Lotte Department Store	Service Name	100LIVE
	Characteristic	Use of offline stores as studios/Users increased by 10-fold compared to early days of service
AK Plaza	Service Name	Mobile live broadcasts
	Characteristic	Increased to 8~10 broadcasts/Recorded 55 million won in sales per 50 minutes, Operation of 'new channel team'

KCA, ET News "[Issue Analysis] Media Commerce, New Generation of Online Shopping" (2020-05-24)

Figure 23 Viewing and Purchasing Experience on Live E-Commerce Channel



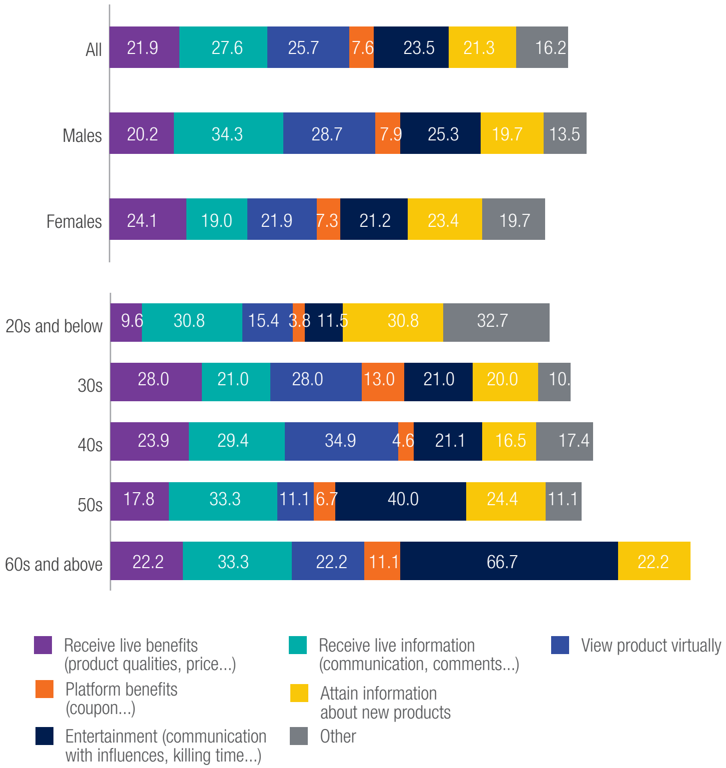
Ipsos (2020)

According to a survey conducted by Ipsos, 69% of those in their 20s and 30s have experience in viewing live eCommerce broadcasts while 30% have experience in purchasing products from live eCommerce channels.

According to the Korea Agro-Fisheries & Food Trade Corporation, consumers gain information about a product through live communication methods and virtually experience the product through the show host by watching live broadcasts. It has appeared that males generally watch such broadcasts with the goal of attaining information while females generally watch them to get benefits, communicate with influencers, and watch entertaining content.

Figure 24 Reasons for Watching Live E-Commerce Broadcasts

(Unit: %, Allowed overlapping responses)



aT 'Market Report Newsletter 2nd Week of October – Ontact Marketing for Food' 2020-10-07

While those in their 20s and 30s are used to watching video content, middle-aged consumers are more used to watching home shopping channels on TV. However, the live eCommerce market is expected to growth further after middle-aged consumers start entering the online shopping market.

RISE OF SUBSCRIPTION SERVICE MARKET

The subscription service market started to rise during the pandemic. Although subscription services are relatively new in South Korea, they started to gain more attention as businesses started to expand on common subscription delivery services involving newspapers, milk, and yoghurt. More people started using subscription services after they started to become more dependent on big data and digital technologies, which allowed for such services to become personalized to satisfy the needs of individual consumers.

The use of services such as Netflix surged due to the increased popularity of contactless services. Furthermore, various subscription services related to music, food, cars, and education are being introduced in South Korea.

Figure 25 Structure of Subscription Service Models

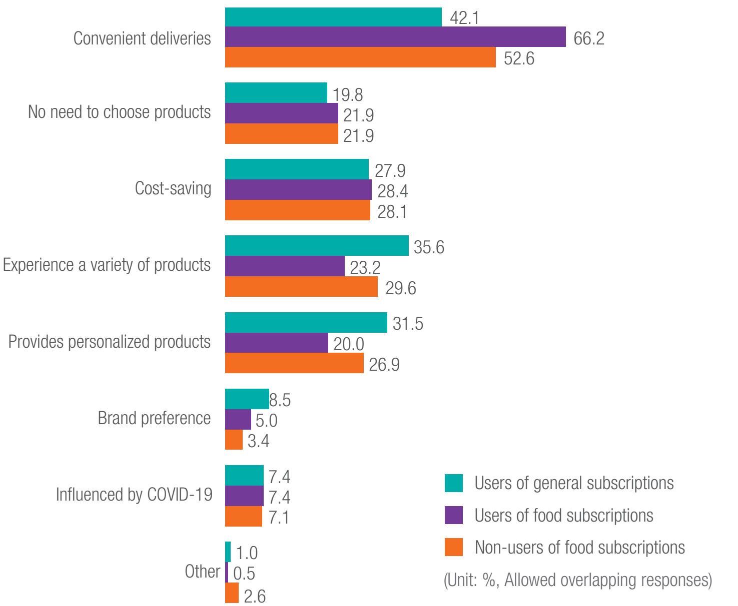
Type	Unlimited	Regular Delivery	Rental
Characteristics	Subscribers can use unlimited products and services within designated time period Possible for use at any time and location	Delivery of product at regular time intervals Focused on regular delivery of necessity goods	Subscribers use and return product or service during subscription period Allows subscriber to experience expensive artwork at reasonable prices
Service Example	**NETFLIX** (Media) Provides unlimited video content	**KUKKA** (Flower) Delivery of flowers at designated dates	**OPEN GALLERY** (Artwork) Artwork rental service for designated time period

aT 'Market Report Newsletter 2nd Week of August – Food Subscription Market' 2020-08-12

The main reason for people using subscription services is because of convenience. According to a study conducted by the Korea Agro-Fisheries & Food Trade Corporation, it has been revealed that people use food subscriptions because they provide a higher level of convenience compared to other subscription services.

Other reasons for using food subscriptions include being able to experience a wide range of products and personalized services. When it comes to subscription services, product diversity seems to remain a more significant factor compared to brand influence since consumers want to satisfy their needs and desire personalized services.

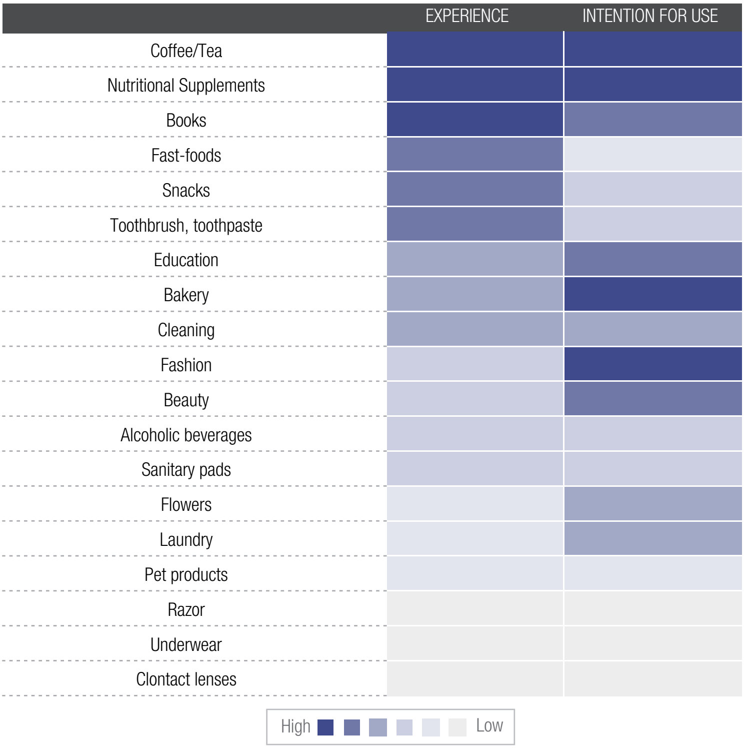
Figure 26 Food Subscription Services/Reason of Interest



aT 'Market Report Newsletter 2nd Week of August – Food Subscription Market' 2020-08-12

According to a survey by Ipsos, females in their 20s~40s were most likely to subscribe to coffee, followed by functional food and book subscriptions. It has been revealed that these consumers would be open to subscribing to bakeries and fashion-related services in the future. As subscription services are diversifying, it can be expected that an increasing number of people will have experienced subscription services from various categories.

Figure 27 Experience and Intention in Using Subscription Services



Ipsos (2020)

2-3. CHANGES IN CONSUMPTION ATTITUDES

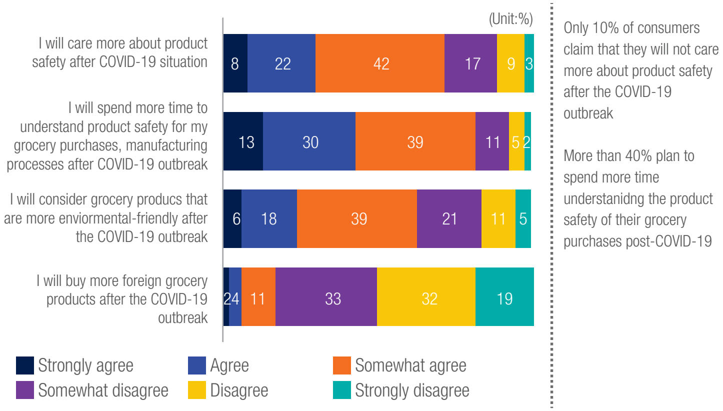
RISE IN HEALTH AND SAFETY

Consumers increasingly started to value ‘health and safety’ since the outbreak of Covid-19. Therefore, consumption for hygiene products (cleanser, sanitizer, face masks, etc.) as well as products such as dishwashers and air dressers increased. However, in response to the heightened importance of health and safety, not only did products related to such values increase, but also key factors when purchasing products changed.

According to the EY Future Consumer Index, 53% of global consumers responded that the pandemic changed their lifestyles and values and 62% of consumers responded that they are more interested in taking care of their health. Health-oriented consumers are emerging as the main consumers during the post-Covid-19 era, in which 57% of these consumers consider health factors when purchasing products and 26% of all consumers prefer purchasing products from safe brands.

Based on a survey conducted by McKinsey in June 2020, 40% of South Korean consumers revealed that they plan to contribute more time in understanding the safety of the food products they purchase, while only 10% of consumers responded that they will not care about the safety of their products.

Figure 28 Perceptions Regarding Product Safety



McKinsey (2020.6.30.)

According to the 'Food Consumption Trend Survey' that was published by the Korea Rural Economic Institute (KREI) in 2020, 35% of households purchase eco-friendly food products at least once a month. Reasons for purchasing eco-friendly food products include safety (48%), health (36%), and taste (9%)[3].

INCREASE IN IMPORTANCE FOR BRAND TRUSTWORTHINESS

Survey results presented by Ipsos also show similar trends. 72% of consumers believe that brands have a responsibility to help the society during the pandemic while 71% responded that they have a greater interest for brands that help consumers during the pandemic. Consumers expect businesses to actively take on significant roles during a crisis.

Figure 29 Consumers' Expectations for Brands

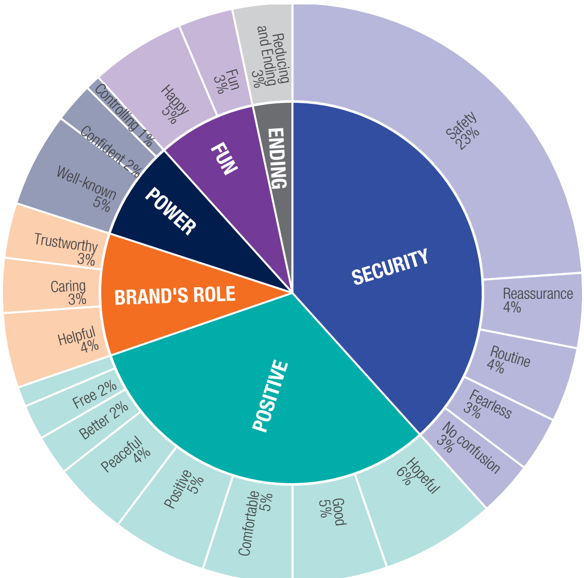
Businesses have a responsibility to help society during the pandemic **72%**

I am interested in attaining more information about brands that can help me during a crisis **71%**

I want to consistently attain information about brands and businesses **70%**

Ipsos (2020)

Figure 30 Expectations for Brands Through Advertisements



Ipsos (2020)

In addition, consumers expect positive messages about safety in advertisements during the pandemic. Because consumers desire safety and reassurance, they expect hopeful, comfortable, and positive messages about safety rather than messages that instill greater fear and confusion.

According to a survey conducted by Ipsos in Korea, consumers started valuing trustworthy brands and they became more interested in the safety of products. In addition, the importance of high-quality/functional brands and eco-friendly brands have also increased.

The importance of products that can be consumed or applied to the body such as food or cosmetic products heightened as well. Hence, manufacturers and retailers must pay greater attention to constructing a trustworthy brand image through the delivery of safety-related messages.

Figure 31 Important Brand Factors to Consider When Purchasing Products

Ipsos (2020)

3. FORECASTS FOR THE POST-COVID-19 ERA

People are getting tired of fighting against unprecedented outbreaks of diseases and different health professionals are predicting different time periods as to when the pandemic will end, which shows that no one is certain about the current situation.

However, some professionals do believe that there will be a ‘psychological end’ to Covid-19 sometime during the fall or winter of 2021 with vaccine rollouts and decreased mortality rates amongst those at high risk. Therefore, even if the virus is expected to remain present even after the middle of 2021, it can be expected that wearing face masks may not entirely be necessary by the end of the year.

On the other hand, there are other professionals who predict that Covid-19 will be reoccurring like the seasonal flu. As a result, it can also be expected that safety measures, such as being required to wear a face mask, will change depending on alerts related to Covid-19. Although there are numerous predictions regarding the time period and seriousness of the pandemic, it can be agreed that there is hope that society may go back to normal. However, as the term ‘with Covid-19’ implies, it is expected that certain lifestyles will go back to normal whereas others will be maintained when regarding the situation from a consumer’s perspective.

3-1. WHAT WILL MAINTAIN VS. WHAT WILL RECOVER

RECOVERY OF BUSINESSES THAT SUFFERED FROM COVID-19

Once we recover from the pandemic, people will increasingly partake in outdoor activities again. Depending on the recovery from the pandemic, consumers will start to consume products and services that they were not able to purchase for an extensive period of time. Therefore, demand for certain product categories will increase, while it may surge for others.

According to a survey that was conducted by Ipsos, females in their 20s~40s responded that they would like to partake in cultural activities (museums, art galleries, plays, concerts, etc.), travel overseas, watch movies at movie theaters, in decreasing order of priority. As a result of the increase in outdoor activities, demand of certain product categories will also change. Regarding the apparel and beauty industries, demand for homewear and athletic wear will shift to outdoor clothing while demand for skincare products will shift to make-up products due to increased time spent outdoors. In relation to the food industry, demand for eating out will be on the rise.

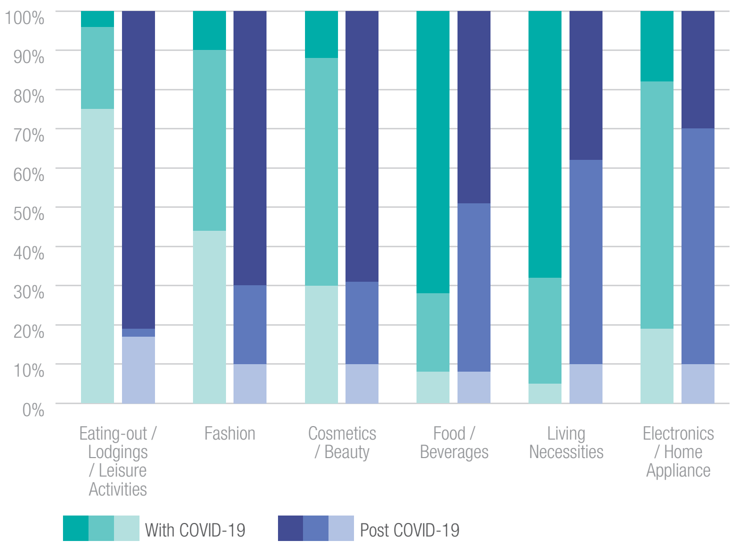
Our research found demand for restaurants/lodging/leisure, fashion/consumer goods, cosmetic/beauty products will increase during the post-Covid-19 era. Demand for food and necessity goods is expected to rise or reach levels similar to that during the pandemic.

Figure 32 Most Desired Activities Once COVID-19 Cases Die Down

1	Enjoy art works (visiting museum, gallery, watching the play, musical, concert/festival)
2	Travel abroad
3	Watch movie at the theatre
4	Indoor sports (fitness, Pilates, Yoga, etc.)
5	Visit Spa, public bath
6	Domestic travel
7	Dine out
8	Shopping at the offline stores
9	Outdoor activities (camping, surfing, etc.)
10	Go to see a dermatologist

Ipsos(2020)

Figure 33 Changes in Predicted Consumption Due to COVID-19



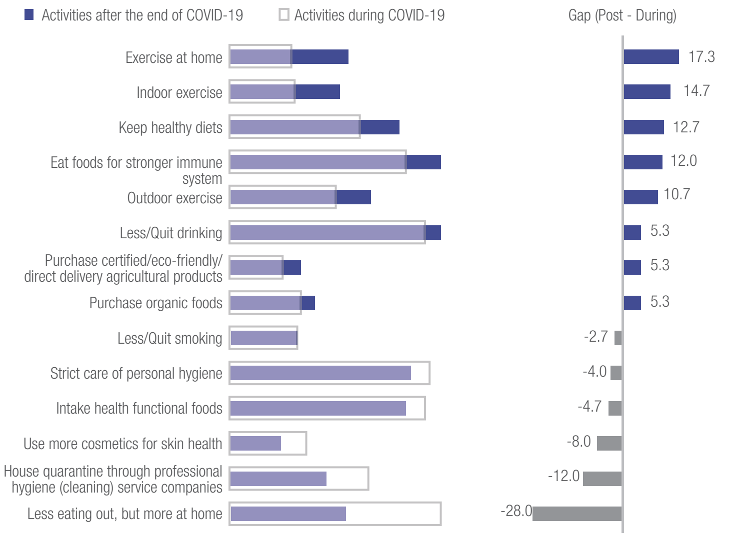
Ipsos(2020)

NEW NORMAL BROUGHT BY COVID-19

Lifestyles that were created or strengthened because of Covid-19 will most likely be maintained or combined with those that were common before the outbreak of the virus once the pandemic ends.

For example, interests for health that increased during the pandemic is expected to remain high even after the pandemic ends. According to a study conducted by Ipsos, the demand for indoor exercise or home workouts are expected to increase further after the end of Covid-19. Lastly, interests for maintaining a healthy immune system that increased after the outbreak of Covid-19 will most likely remain at high levels even after the end of the pandemic.

Figure34 Health-Related Activities During COVID-19 VS. After COVID-19



Ipsos(2020)

In terms of consumption, use of early morning deliveries, live eCommerce platforms, and regular subscription services became a norm during the pandemic. More specifically, shopping at offline stores significantly declined whereas online consumption of food products rapidly increased.

Although trying food, fashion, and cosmetic products before purchasing them was an important factor for consumption that made brick-and-mortar stores important for the sales of these items, the emergence of live eCommerce platforms allowed for consumers to virtually experience such products, early morning delivery services allowed for deliveries to take place within a short period of time, and regular subscription services allowed for personalized services.

Therefore, due to their convenience, the use of such services is not expected to decline even after the end of the pandemic. Thus, following the expected recovery of offline channels after the end of Covid-19, online and offline channels are expected to face increased competition.

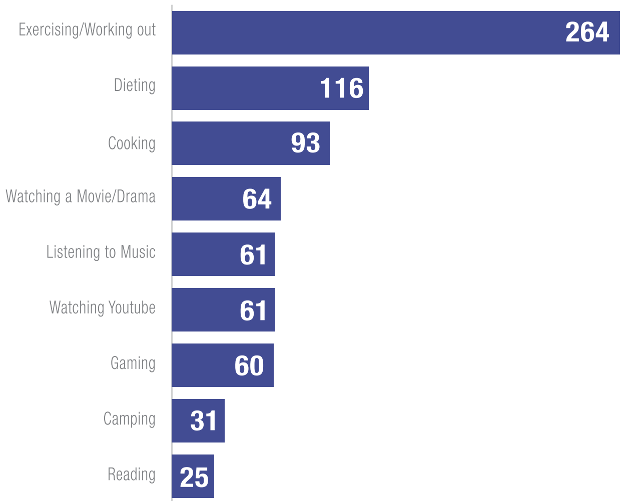
CONSUMER TRENDS

Sang Yoo
Country Service Lines Group Leader, SIA

ISSUE ONE: CHANGES IN CONSUMER BEHAVIOR DUE TO COVID-19

As more people started to work at home during the first half of 2020, there has been an increasing number of people ‘working out’, ‘cooking’, and ‘watching content’ indoors.

Figure 1 Activities included in posts related to ‘being at home’

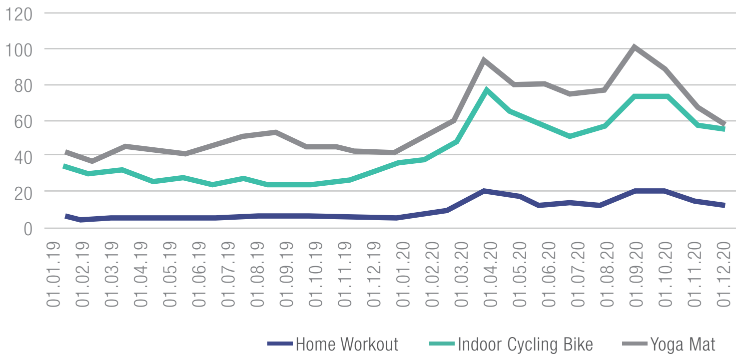


[Base: Naver Cafe/Blogs, Search term: ‘Being at home’, First half of 2020, n=27,854]

Naver DataLab

The increase in indoor activities has consequently led to an increase in consumption for related products such as fitness equipment or home appliances. Products that have been largely impacted by the spread of Covid-19 have experienced a surge in consumption during the first wave in March and the second wave in August compared to the same period during the previous year.

Figure 2 Naver search trends related to 'exercise'



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An interesting change in consumption trends is that out of all home appliances, kitchen appliances (refrigerators, microwave ovens, rice cookers, etc.) are the most impacted by Covid-19. The number of searches for washing machines and vacuum cleaners experienced marginal changes and consumers showed a greater amount of interest for TV content rather than purchasing TVs.

The reason why refrigerators and microwave ovens received a greater amount of attention after the outbreak of Covid-19 is because people have generally spent more time and effort cooking than washing clothes. It appears that consumers are interested in purchasing appliances that help reduce tedious tasks.

Figure 3 Naver search trends related to 'home appliances'

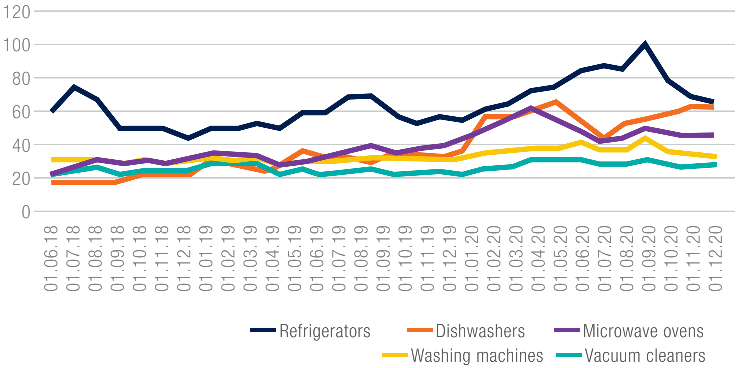

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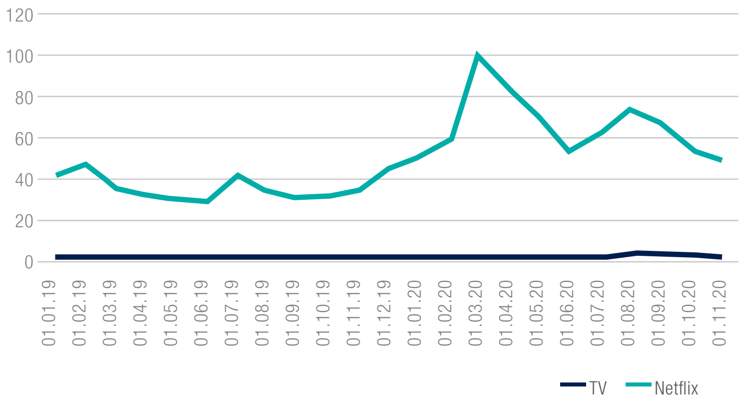
Figure 4 Naver search trends related to 'content'



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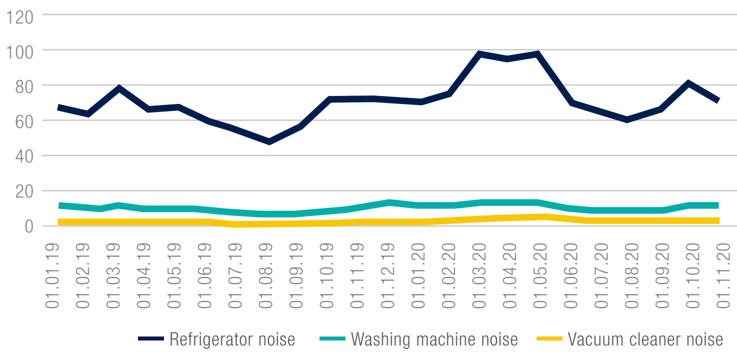
This year, the sales of home appliances including refrigerators, dish washers, and water purifiers rapidly increased. In response to the increasing demand for home appliances, manufacturers are developing more models and expanding production facilities. But has Covid-19 impacted home appliances by only increasing their demand? Or has Covid-19 also impacted consumer preferences?

PRODUCT DEVELOPMENT DURING COVID-19

It is not easy to determine exactly what refrigerator or washing machine models consumers have a preference for based on online data. However, generalizations can be made about how consumption trends are changing through different types of data. So do consumers have a preference for a certain type of refrigerator this year?

Data shows that there has been a significant increase in the number of consumers compared to the previous year who are interested in the noise levels of home appliances. Is this because the noise levels of refrigerators increased? No, but noises from home appliances seem to be irritating consumers more as they have been spending more time at home. The reason why noises from refrigerators have been receiving a lot of attention is because refrigerators are always in use unlike washing machines and vacuum cleaners.

Figure 5 Naver search trends related to 'noise levels of home appliances'



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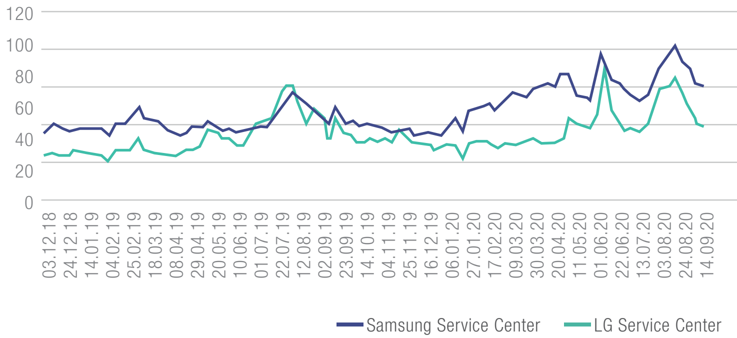
As consumers have started spending more time at home due to the pandemic, the use of electronics has also increased. Because of the higher usage rates of electronics, there has been an increase in product issues, which in turn has increased the number of requests for repair services.

As a result of using big data analytics, it has been revealed that requests for repair services have surged since the outbreak of Covid-19 compared to the previous year. There has also been an increase in requests for the exchange or refund of refrigerators due to product issues even after receiving repair services or due to high noise levels of products.

Figure 6 Naver search trends related to 'Samsung/LG Service Centers'



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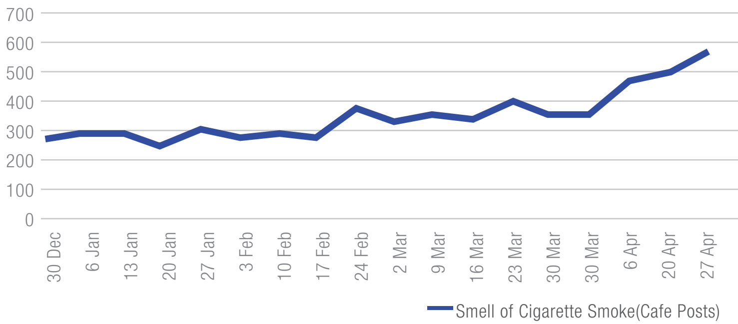
There has also been a rise in complaints regarding people's changes in behavior. The data below shows how people became more sensitive towards the 'smell of cigarette smoke'. As people became more reluctant to smoking in outdoor public spaces due to the pandemic, they started smoking in washrooms or balconies at home. Thus, posts related to complaints about the smell of cigarette smoke have rapidly increased on online communities since March.

"I decided to open the window today while folding the laundry because of the low level of air pollution, but I started to smell cigarette smoke in the house… Why would people smoke on balconies? Why would you cause trouble for other people… I feel bad for my children because they cannot leave the house due to the pandemic… but I am even more upset that I cannot even open my windows on a weekend," [Mom Café (Online Community)]

Figure 7 Number of posts on Naver blogs/cafes



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The above cases describe situations of increased sensitivity amongst consumers due to changes in environments and lifestyles. More cases related to an increase in sensitivity after the Covid-19 outbreak are described below.

The weather forecast of the Korea Meteorological Administration (KMA) in 2008 received a lot of attention for its lack of accuracy. It began with an inaccurate forecast of heavy snow in January.

People were confused whether the KMA was making weather forecasts or simply broadcasting the current situation. They also criticized the KMA for creating a lot of chaos for people heading to work and causing students to be late for college admissions.

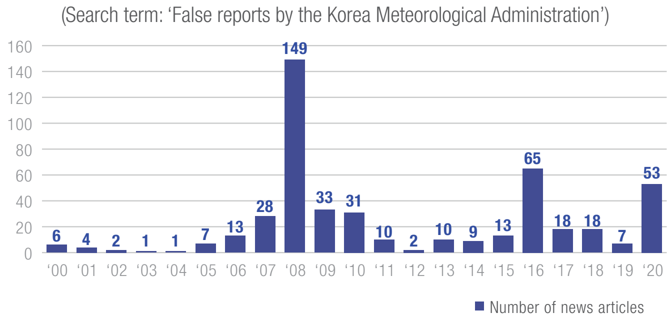
The KMA also made incorrect forecasts on snowfall in early March, which even caused the President to criticize the state-run agency.

The KMA faced severe criticism for making inaccurate heavy rain forecasts for five consecutive weekends in July.

The KMA made inaccurate forecasts for five consecutive weekends. Its forecasts for both moderate and heavy rainfalls were unreliable. Unfortunately, there were no improvements in the forecasts despite officials of the KMA postponing their summer holidays and working to make accurate forecasts for the weekend. Therefore, there were many citizens who criticized the KMA by saying that releasing inaccurate forecasts for five consecutive weeks was the biggest mistake made by the agency since its establishment.

During the past 20 years, the number of news articles regarding ‘false reports by the KMA’ was highest in 2008. What caused such false reports? Why were forecasts particularly inaccurate in 2008?

Figure 8 Search Results of News Articles on Big Kinds



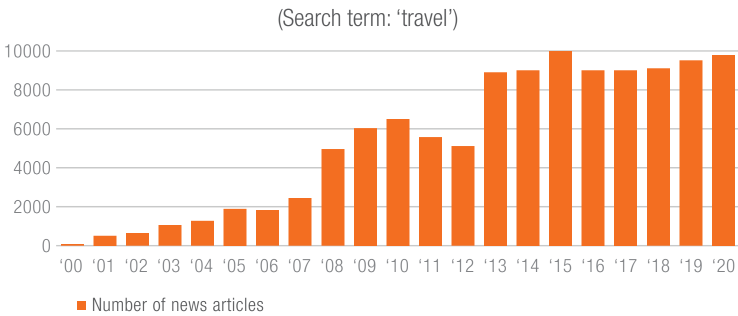
Big Kinds

According to National Assembly inspections, the accuracy of forecasts in 2008 appeared to be very similar to those of previous years. Compared to the accuracy of forecasts in 2004, which were at 85%, the accuracy of forecasts during the 5 weeks in 2008 were at 85%. In contrast, the accuracy of one-month forecasts dropped from 52% to 44% in 2002. However, the cause of this drop was not the forecasts themselves[1].

What raised concerns of the public when there was no major issue with the accuracy of forecasts? The reason behind people's concerns about weather forecasts despite the accurate reports was people's increased sensitivity to the weather. While in the past people have been more understanding towards inaccurate weather forecasts, nowadays people show an increased level of sensitivity to the weather, causing them to be easily angered by false reports. What caused the increase in sensitivity? What happened in 2008?

The biggest change that occurred in 2008 was the implementation of a five-day work week policy. More specifically, this policy has been expanded to businesses with less than twenty employees, allowing most people to rest on Saturdays. The graph below shows the number of news articles including the term 'travel'. Interests regarding travel have increased during the past two years along with the increase in economic development. However, such interests have increased the most in 2008.

Figure 9 Search Results of News Articles on Big Kinds



Big Kinds

In summary, the full implementation of the five-day work week policy has caused a surge in weekend activities as well as people's sensitivity to the weather, which in turn caused them to criticize weather forecasts with similar accuracy levels to previous years. This example well represents how people's behaviors and decisions can be influenced by their sensitivity levels.

People adapt to new environments not by simply enduring change, but by developing new standards and finding new solutions. Therefore, in 2021, it is expected that consumers will pay greater attention to noise levels of home appliances when purchasing products such as refrigerators. It is also expected that businesses will expand their service centers and will provide services for ventilation installments in homes.

The environmental changes caused by the outbreak of Covid-19 are so significant that it is difficult for consumers to determine what brought such changes. Hence, instead of linking the rise of certain issues with Covid-19, consumers will simply believe that their refrigerator needs to be repaired due to faulty production lines and that the inaccurate forecasts made by the KMA are caused by its employees.

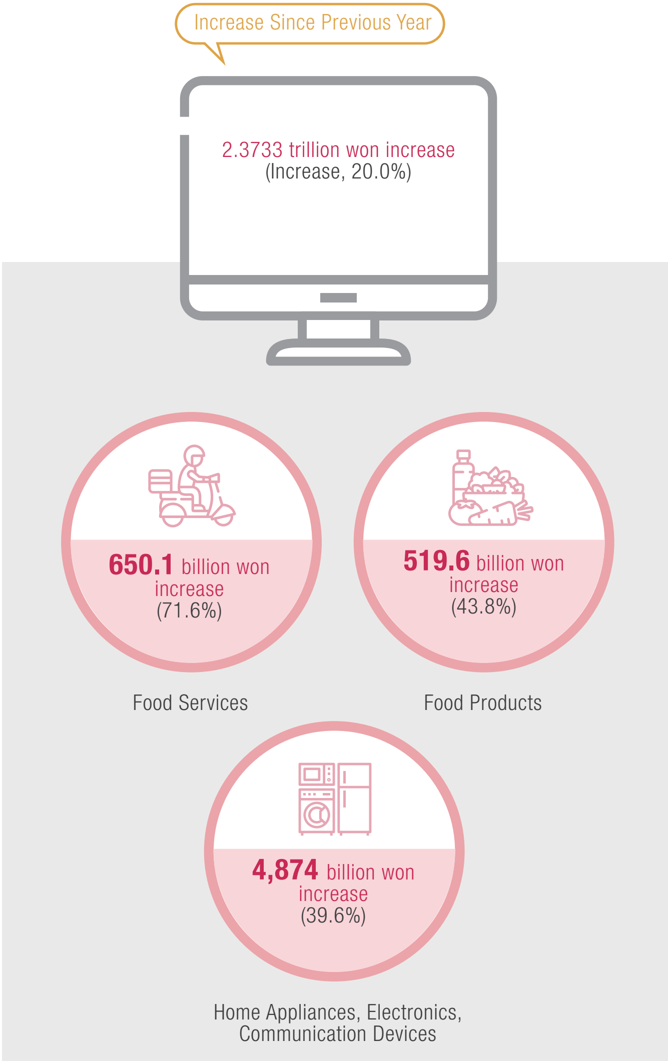
Therefore, the reason behind changes in consumption behaviors would be difficult to predict through traditional survey methods since they are primarily caused by social factors rather than individual opinions. Although certain experts in service centers may be able to better understand the root cause of certain consumption trends, there is a greater need for conducting deeper analyses of consumers' opinions and comprehensive data in the future.

POPULAR FOODS FOR DELIVERY

THE RISE OF THE DELIVERY MARKET

Although the delivery market is constantly on the rise every year, it has rapidly increased due to the outbreak of Covid-19. According to Statistics Korea, online shopping spending in October 2020 increased by 20% on the previous year, with food services recording a significant growth rate of 71.6% compared to services from other industries.

Figure 10 Online Shopping



Statistics Korea

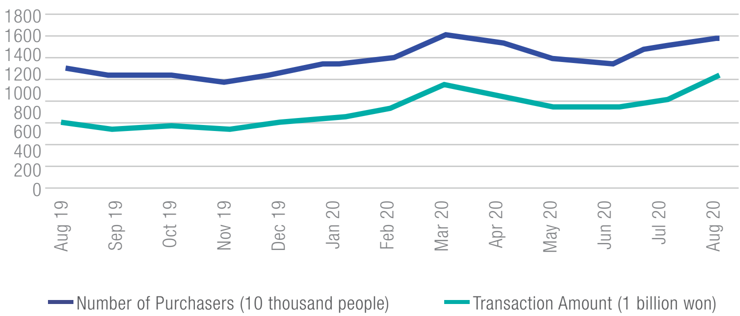
The Fair Trade Commission has also revealed that the Korean food delivery market recorded 23 trillion won in November 25, which demonstrates a growth rate of 53% compared to two years ago.

Delivery apps have played a significant role in influencing the growth of the food delivery market. According to a report published by Statistics Korea in October, out of overall online purchases for food services, mobile purchases comprised of 95.4%, which was 15% greater than the 2nd biggest industry. Therefore, mobile purchases for food services appeared to be significantly higher compared to that of other industries.

The growth of the delivery market grew rapidly due to the rise in remote work and social distancing measures after the outbreak of Covid-19.

According to WiseApp, a firm that analyzes Google Apps, the number of purchasers and estimated transaction amount on delivery apps increased greatly during the 1st wave of Covid-19 in March and the 2nd wave in August. It has also been revealed that transaction amounts peaked in August due to strengthened social distancing measures.

Figure 11 Number of Purchasers and Transaction Amount on Delivery Apps



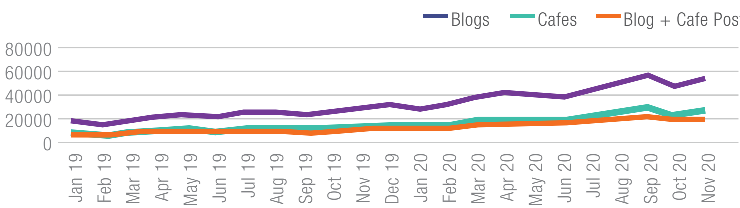
WiseApp

Person A (36 years old), who manages deliveries for pork belly, screamed of joy on the 24th. This was because social distancing measures increased to level 2. This allowed deliveries to increase by 30% compared to the previous day.

COMPETITIVE DELIVERY MARKET

Competition between businesses is expected to grow depending on the growth of the delivery app market. Since 2010, competition among Baemin, Yogiyo, and Baedaltong existed for around a decade. However, Baemin remained the leader of the food delivery market each year. As shown in the graph below, postings on Naver blogs and cafes are increasing each year as Baemin gains more users.

Figure 12 Baemin



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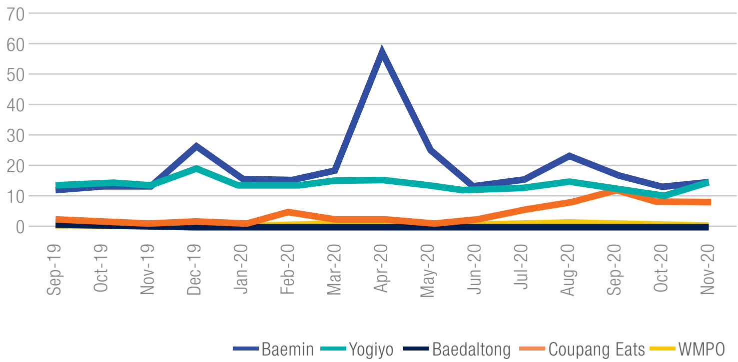
Numerous followers entered the food delivery market in 2020 and were able to gain rapid success through effective marketing and differentiation strategies. Through discounts and promotion events as well as strategies concentrated on 'one delivery per order' and 'live information of delivery trips', Coupang Eats was able to grow rapidly, replacing Baedaltong as the 3rd biggest food delivery app.

The success of food delivery apps have also been shown through Naver searches. Although Baemin and Yogiyo are ranked 1st and 2nd in the industry, Naver searches related to Coupang Eats increased along with the brand's growth, which is a threat for the top two leaders.

Figure 13 Delivery Platforms



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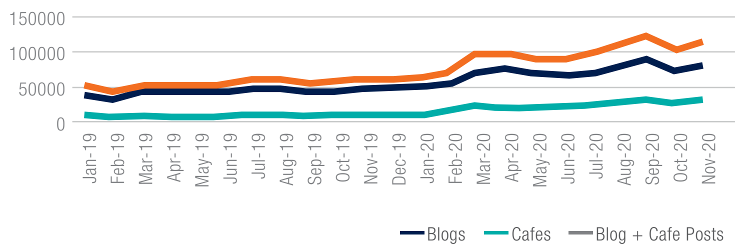
CONSUMERS PREFERENCES IN DELIVERY SERVICES

Posts related to ‘delivery orders’ have shown similar trends to delivery apps. According to the graph below, while number of posts increased gradually in 2019, number of posts increased significantly in 2020. Such posts increased rapidly during the 1st wave of Covid-19 from February to March and once again during the 2nd wave from August to September.

Figure 14 Food Deliveries



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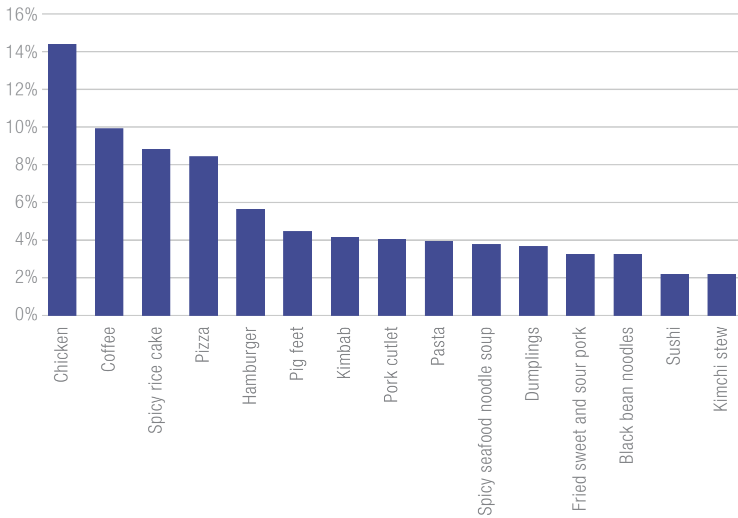
What kind of menus do consumers prefer when ordering food deliveries? In order to answer this question, 46,183 Naver posts that were uploaded from June 2019 to November 2020 were analyzed. Posts related to chicken were greatest in number, comprising of 15% of total posts. This was followed by coffee, spicy rice cake, and pizza comprising of 10%, 9%, and 8% of total posts, respectively. Posts related to coffee have been receiving a particularly great amount of attention because although there are consumers who just order coffee, it has been revealed that most consumers ordered coffee with other items such as baked goods or hamburgers.

Figure 15 Delivery Menus



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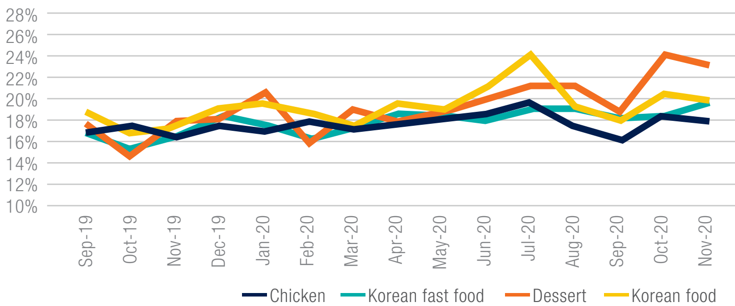
It is also meaningful to observe the types of food deliveries that were made since the end of 2019. Chicken and Korean fast food (spicy rice cake, blood sausage, etc.) are food categories that have been popular since before the pandemic and remained top choices until November 2020. However, delivery orders for coffee and desserts (cakes, ice cream, etc.) and Korean Food (stews, soups, braised dishes, etc.) have surged since 2019.

Figure 16 Food Deliveries by Food Type



Naver DataLab

As orders for Korean food increased, the diversity of menus under this food category also increased. This was primarily because most people prepared meals at home or dined out before the outbreak of Covid-19. However, due to social distancing measures and the increased amount of time at home, people started ordering more Korean food as it became difficult to prepare all three meals at home.

Deliveries for desserts surged since the end of 2019. However, it has been analyzed that the recent increased popularity in desserts was primarily due to the expansion of services provided through delivery apps and restrictions of sitting at cafes during the pandemic. Therefore, consumers developed a new need for enjoying desserts at home.

"Ordered coffee today too."

"Given the current situation, got bread and coffee delivered to my house."

"The coffee tastes good because I added an extra shot to my americano."

(2020-11-22, Naver café posting)

Do you order from Baemin often? I order from Baemin often especially during the weekends.

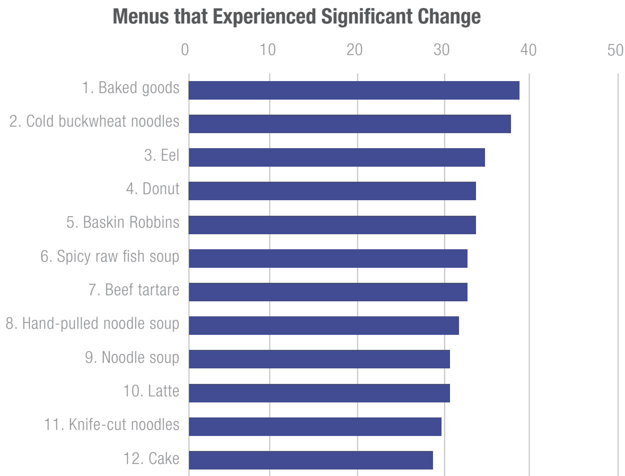
"***Because it became difficult to prepare all three meals, I try to order at least one meal during the weekend. I ordered a variety of Korean food because nowadays delivery apps have a wide variety of menus."***
(2020-10-12, Naver café posting)

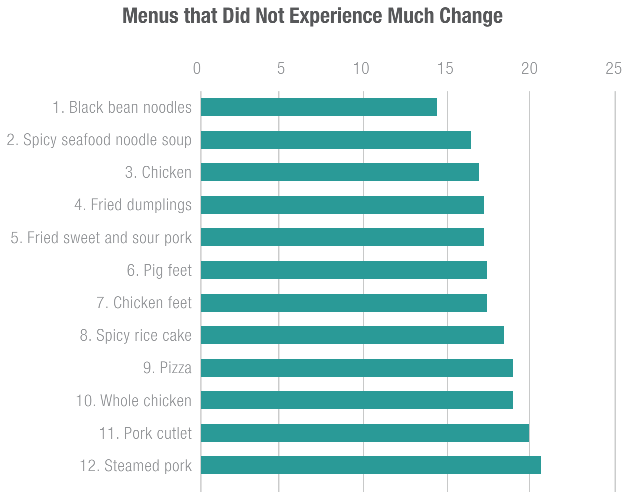
Food deliveries are expected to continue to rise. However, unlike desserts that experienced a greater increase in orders compared to delivery trips, there are menus such as chicken or Korean fast food that experienced a greater increase in delivery trips compared to orders. Therefore, menus that were impacted by the pandemic were analyzed further. What are some menus that experienced a significant change in the number of orders during the pandemic?

Figure xx is a result of indexing the standard deviation of monthly food deliveries from September 2019 to November 2020. There was a greater change if there was greater the standard deviation.

Staple menus such as black bean noodles, spicy seafood noodle soup and chicken experienced minute changes. Therefore, such menus are expected to remain popular even after the pandemic. On the other hand, baked goods, cold buckwheat noodles, eel, and donuts experienced the most significant change. Therefore, desserts, raw fish, and noodles were at the top spots due to their significant changes. This demonstrates that strategies need to be developed for such menus since there is a possibility for them to experience decreased demand after the pandemic.

Figure 17 Analysis of Changes in Monthly Orders





Naver DataLab

AUTOMOTIVE

Changyub Lee
Project Manager, MSU

IN A NUTSHELL

2020 was a difficult year for both businesses and consumers.

Due to the prolonged pandemic, the global economy was put into a recession and labour market declined due to decreased consumption. In response to Covid-19, businesses have been developing strategies to respond to changes in society and the government has been implementing policies to increase consumption and cause the economy to recover.

Consumers experienced trends related to electric vehicles, started to value the use of cars as a form of personal space due to the spread of Covid-19, and experienced services through digital channels. Consumers have also become better informed due to the information provided through various online channels, which in turn influenced such consumers to share their experiences and to be informed of the experiences of others.

The changes to the automotive market into 2021 have made conducting surveys and research to better understand consumers more significant than ever. Great attention should be given to the changes as well as efforts of automotive brands in response to the opportunities brought by the new trends.

TOPICS

Compared to the numerous industries that were negatively impacted by the spread of Covid-19, the South Korean automotive market suffered to a lesser extent. Vehicle sales in 2020 were not very different to the previous year due to the launch of new models and consumption tax cuts. Consumers actually showed greater interest in automobiles in 2020, which caused the rise in new trends and habits regarding the use of cars. People started paying more attention to Telsa, cars that would satisfy new lifestyles such as “car camping” became popular, and businesses started providing new ways of interacting with consumers through contactless services.

In order to examine the rise in trends within the automotive industry, this chapter on automotive and mobility will deal with the following topics:

I. SOUTH KOREA’S RESPONSE TO THE ELECTRIC VEHICLE ERA

II. THE CHANGING ROLE OF AUTOMOBILES

III. RISE IN SERVICE PLATFORMS FOR CONSUMERS DURING COVID-19

I. SOUTH KOREA'S RESPONSE TO THE ELECTRIC VEHICLE ERA

1. THE ACCELERATED EXPANSION OF SOUTH KOREA'S ELECTRIC VEHICLE MARKET

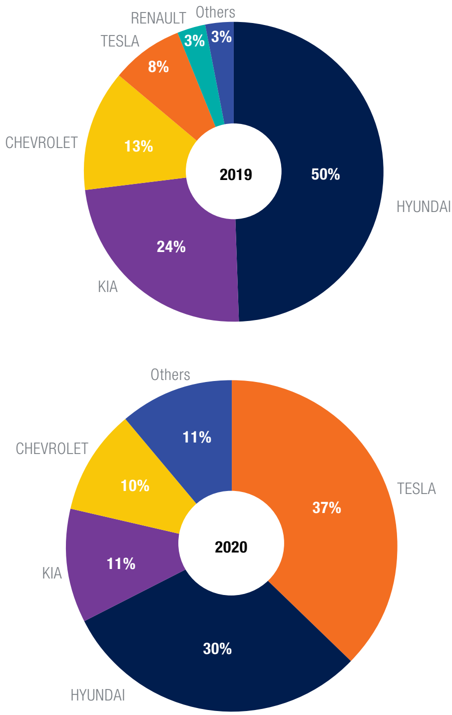
TESLA'S GROWING SIGNIFICANCE

One of the key players in the automotive industry, Tesla received a great amount of attention during the first half of 2020. Although Tesla entered the South Korean market in 2016, it was not able to record an impressive growth rate due to car prices starting at 100 million won. However, Tesla's role in the automotive industry started to change with the launch of the Model 3 in 2020.

Many consumers were interested in the brand's online sales and the new driving experiences its all-electric vehicles (EV) provide.

In 2020, Tesla has started to lead the electric vehicle market which had been dominated by domestic manufacturers. In addition to taking the top spot for recording the highest sales of electric vehicles, the Model 3 allowed Tesla to become the seventh most purchased foreign brand in South Korea by 2020.

Figure 1 EV Manufacturers M/S 2019 vs. 2020



Korea Automobile Manufacturer's Association, Korea Automobile Importers & Distributors Association, Aggregation of CARISYOU Data

The popularity of the Model 3 demonstrates a high demand for innovative electric vehicles in South Korea.

The attractive features of the Model 3 are its range of 400km after a full charge, fast-charging capabilities through the Supercharger, ability to accelerate from 0-60 mph in four seconds, and its reasonable price of 50 million won.

Tesla has also replaced buttons with a display screen certain functions including the Full Self-Driving (FSD) Capability.

Although Tesla's FSD Capability is not considered level 4 automation, it is admired by many for the high accuracy of its sensors and the use of data to create a smart driving experience.

"Replacing buttons with a display screen not only allows for a simpler design but also increased efficiency since the display screen replaced unnecessary elements of the vehicle while still providing a diverse range of functions. If there is Apple in the electronics industry, there is Tesla in the automotive industry." (Tesla Model 3 User)

"You will sign a contract as soon as you go on a test drive. Even without the FSD Capability, you will be able to have a whole new driving experience with just the autopilot option because there is no other car that provides such high-quality functions." (Tesla Model 3 User)

Figure 2 Society of Automotive Engineers Levels of Driving Automation

	SAE Level Name	Description
Level 0	No automation	The driver performs all driving tasks.
Level 1	Driver Assistance	The driver performs driving tasks which may be assisted by other functions, like steering and acceleration.
Level 2	Partial Automation	Automated functions such as those related to steering and acceleration can be in operation but the driver must remain engaged with the driving task and must monitor the environment at all times.
Level 3	Conditional Automation	Driving tasks may be operated by automated functions including steering and acceleration but the driver must be present and ready to able to take over driving tasks under limited conditions.
Level 4	High Automation	All driving tasks are operated by automated functions, but the driver must take over driving tasks during highly limited conditions.
Level 5	Full Automation	All driving tasks are operated by automated functions even without the presence of a driver.

Society of Automotive Engineers

Consumers' enthusiasm for Tesla has also grown due to the brand's unique affordability that created a new paradigm for the automotive industry, differentiating it from traditional brands and even German brands. Especially for electric vehicles, creating value through innovative methods is essential rather than simply obtaining a fixed demand through traditional approaches.

This needed to be applied to Mercedes-Benz, a brand known to have stabilized the imported car market. The launch of Mercedes' first all-electric vehicle, the EQC, received little praise due to its short range relative to its expensive price and its low differentiation compared to the GLC, a model of similar size.

Eventually, the brand supplied 200 units of the EQC to SOCAR, a South Korean car-sharing platform. But, due to low demand, SOCAR is planning to return them.

Tesla's popularity is expected to be retained for an extended period. This is because there is no other manufacturer currently providing vehicles that allow for a long range and automated functions at a reasonable price. Vehicles from other brands with a range of 400km only come in small sizes.

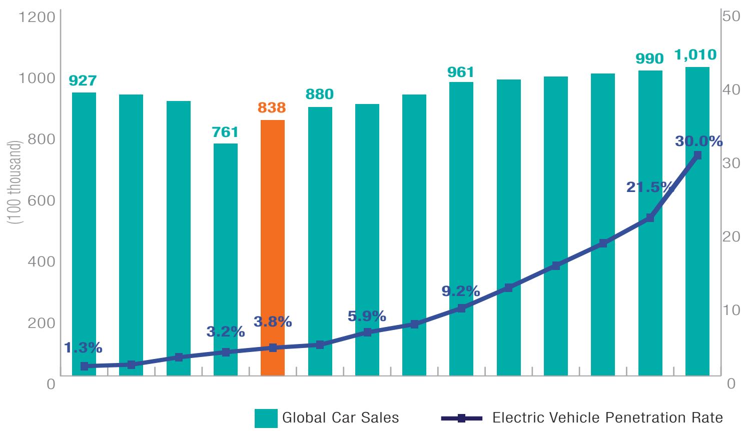
However, an increasing number of foreign and South Korean manufacturers that originally focused on producing internal-combustion-engine vehicles (ICEV) are expected to produce more electric vehicles starting in 2021, further expanding the electric vehicle market.

2021 will be the starting point for the generalization of electric vehicles within the market Tesla created. The electric vehicle market will also transition from the 'Early Adopter' stage into the 'Early Majority' stage.

PROJECTIONS FOR THE GROWTH OF THE ELECTRIC VEHICLE MARKET

The demand for electric vehicles is expected to record a continuous growth rate, with some projecting that three out of every ten vehicles will be electric by 2030. New models of electric vehicles are also expected to be launched in 2021, with increased battery power and decreased production costs.

Figure 3 Projections for the Demand of Electric Vehicles in the Global Market



Kyobo Investment Research Center

The demand of electric vehicles is expected to be less concentrated on fleet demand created by corporations, government entities, and businesses such as those providing rental services due to the increase in demand by individual consumers, which will in turn raise the number of individual registrations for electric vehicles. Demand for electric vehicles remain highly dependent on government policies.

The main policies that impacted the demand of electric vehicles are as follows:

1 GOVERNMENT SUBSIDIES

Electric vehicles are generally more expensive by at least 10 million won compared to ICEVs, which acts as a barrier for consumers from purchasing such low emission vehicles. Therefore, to increase the adoption of electric vehicles, the government has been accepting applications for subsidies: consumers can receive 4.5 to 10 million won in subsidies from the local government and up to 8 million won in subsidies from the state government, to incentivise purchases of electric vehicles.

Figure 4 Current Government Subsidies for Electric Vehicles

CITY/PROVINCE	SUBSIDY (10 THOUSAND WON)
Seoul-si	400
Busan-si	500
Daegu-si	450
Incheon-si	420
Gwangju-si	500
Daejeon-si	700
Ulsan-si	550
Sejong-si	300
Gyeonggi-do	400~600
Gangwon-do	520
Chungcheongbuk-do	800
Chungcheongnam-do	700~1,000
Jeollabuk-do	900
Jeollanam-do	720~960
Gyeongsangbuk-do	600~1,100
Gyeongsangnam-do	600~800
Jeju-do	400

Ministry of Environment, Low Emission Vehicle Portal (Based on 2021)

2 TAX INCENTIVES AND OTHER REDUCTION BENEFITS FOR USAGE FEES

Electric vehicles, which are considered first class low emission vehicles, allow for numerous incentives even after the vehicle is purchased. These benefits include tax incentives as well as discounts on toll fares and public parking fees. Small vehicles will be excluded from such incentives so that they can be provided exclusively to electric vehicle owners.

Figure 5 Incentives for Electric Vehicles

TAX INCENTIVES	DISCOUNTS FOR TOLL FARES & PUBLIC PARKING FEES
• Reduction of individual consumption tax by up to 3 million won • Reduction of education tax by up to 900 thousand won • Reduction of acquisition tax by 1.4 million won • Vehicle taxes of 130 thousand won can be paid annually in lump sum	• 50% discount on public parking fees • 50% discount on toll fares • Exemption of congestion charges (Namsan tunnel, etc.)

3 DISCOUNTS ON CHARGING FEES

Unlike ICEVs that use fuels such as diesel and LPG (liquid petroleum gas), electric vehicles operate with electricity through a charged battery. Thus, fuel costs are the equivalent of charging costs, which are currently being discounted. Discounts were provided at 50% for the first half of 2020, then 30% in the second part of the year. Even with reduction in discounts, charging costs still remain low.

Charging costs also can be discounted when vehicles are charged after 11pm, and due to their low maintenance fees which are half of those of ICEVs. Many consumers decide to purchase electric vehicles due to such incentives which make EVs an economical choice..

"Due to the absence of engines and other mechanical parts, there is no need for frequent repair services, which helps lower long-term maintenance costs. Since charging fees are also low, electric vehicles are very economical." (BMW i3 User)

"There are a couple of places that provide free charging services. Even if additional fees are charged, they only amount to a few thousand won. Maintenance fees probably amount to just 10~15% of those of ICEVs." (BMW i3 User)

"I tend to drive to nearby locations because I do not need to pay fuel costs. Since there is need to preheat the vehicle, there is no fuel consumption and there is no burden in paying for low charging costs." (Tesla Model 3 User)

The future sales of electric vehicles will be highly dependent on the maintenance of incentive policies for consumers.

Efforts to expand the electric vehicle market have been revealed with the announcement of the Korean New Deal[1] by President Moon Jae-in. The Korean New Deal plan was briefly mentioned during the 5th Emergency Economic Council Meeting on April 22, and described in more detail on July 14.

As part of the Korean New Deal, the Green New Deal describes the future of sustainable mobility through the expansion of infrastructure to increase the use of low emission vehicles such as electric and fuel cell electric vehicles.

Figure 6 Main Content of Korean New Deal

DIGITAL NEW DEAL

GREEN NEW DEAL

STRENGTHENING OF SAFETY

NETS BALANCED REGIONAL DEVELOPMENT

Figure 7 Objective of Future Sustainable Mobility

CURRENT STATE		FUTURE STATE	
Mass emission of greenhouse gases and fine dust due to fuel-centered transportation system		Re-establishment of future market through reduction of pollutants and expansion of green mobility centered on electric and fuel cell electric vehicles.	
Performance Indicator	2020	2022	2025
Electric Vehicle Supply	9.1 thousand units (2019)	430 thousand units	1.13 million units
Fuel Cell Electric Vehicle Supply	5 thousand units (2019)	6.7 thousand units	200 thousand units
Early Vehicle Disposal (including disposal of old diesel vehicles)	1.06 million units	1.72 million units	2.22 million units (2024)
LPG Transition of Old Diesel Vehicles	1.5 thousand units	60 thousand units	150 thousand units

Public reports of Cheong Wa Dae and related ministries (2020-07-14)

According to the government, investments of 20.3 trillion won will be made with aims of supplying up to 1.13 electric vehicles by 2025. Within the Seoul Metropolitan Area, the Seoul Metropolitan Government is planning to transform 50% of buses into electric and fuel cell electric buses by 2025 and is aiming to revise a bill to ban the registration of ICEVs by 2035.

With the growing number of consumers and strengthening of policies and incentives, the electric vehicle market has become an essential market.

2. THE DIFFERENCE BETWEEN INTENTIONS AND REALITY

ELIMINATING INCONVENIENCES OF CHARGING ELECTRIC VEHICLES IS KEY

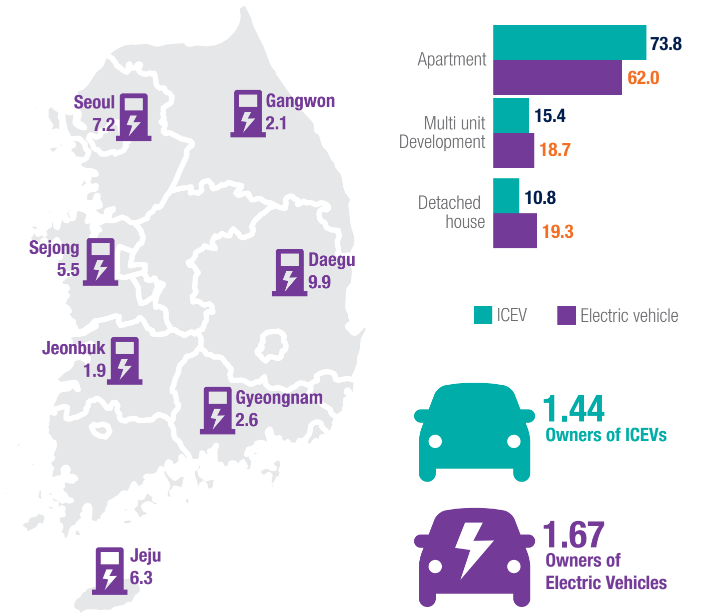
Concerns related to charging electric vehicles remain despite the government's efforts to expand infrastructure and manufacturers' will to invest.

This is because supply is expected to be insufficient to meet the high demand of electric vehicles. Currently, 7.2 electric vehicles are registered per charging station in Seoul, showing their high demand.

If purchases of electric vehicles increase further, there is a need for an increase in charging stations as well. However, because electric vehicle owners are concentrated in larger cities and mostly live in apartments, the installation of personal charging stations is difficult. Therefore, excluding those living in detached houses, most people use public charging stations or mobile chargers.

Owners of electric vehicles generally own more vehicles compared to owners of ICEVs.This means that, because many electric vehicle owners own two or more vehicles, they can easily use alternative vehicles if charging becomes difficult. So, if regulations strengthen around electric vehicles, it is likely that more inconveniences will arise.

Figure 8 Electric Vehicles



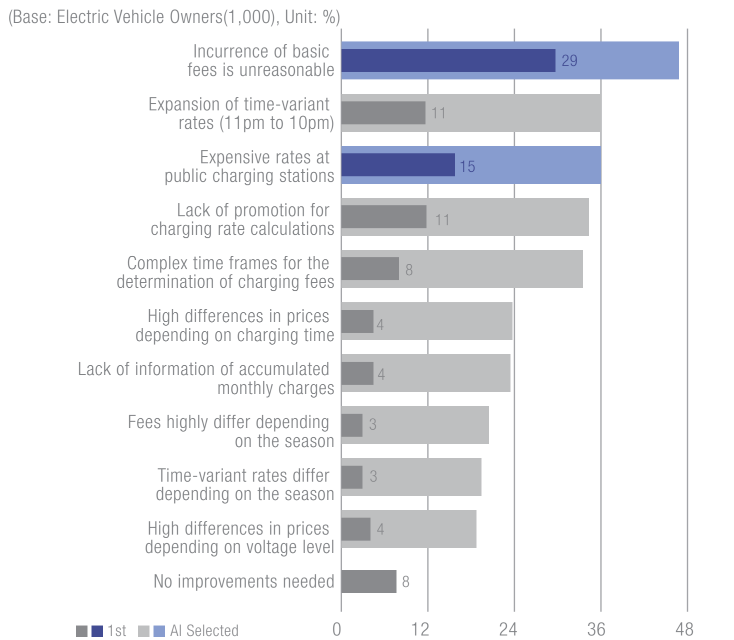
Low Emission Vehicle Portal (2020. 06)/ KPX Electric Vehicle User Study

ELECTRIC VEHICLES NO LONGER ECONOMICAL

Low maintenance costs, one of the greatest advantages of electric vehicles, have now become a thing of the past. Discounts for charging fees have already dropped from 50% to 30% and are planned to further decrease to 10% by July 2021 or June 2022, then eliminated by July 2022.

There are also rising concerns regarding future maintenance costs of electric vehicles once monthly basic fees for charging services that were previously exempted at 100% start to be incurred.

Figure 9 Concerns About Regulations Regarding Charging Fees



KPX Electric Vehicle User Study

"I am willing to change my car to an ICEV if charging rates more than double. Charging rates will probably go up to 520 won per kWh. Such charging rates should be controlled by the Ministry of Environment/ Korea Electric Power Corporation but should also be dependent on the supply-demand principle. I think around 200 won per kWh should be the limit."

Figure 10 Plan for Changes in Charging Rate Discounts

CATEGORY	DISCOUNT			
Application Period	Jan 1, 2017 – Jun 2020	Jul 2020 – Jun 2021	Jul 2021 – Jun 2022	Jul 2022~
Basic Fee	100% Exemption	50% Exemption	25% Exemption	0%
Electricity Fee	50% Exemption	30% Exemption	10% Exemption	

KPX Electric Vehicle User Study

Subsidies granted for purchasing electric vehicles are also declining. The primary cause of the decrease in such government incentives was the increase in demand for low emission vehicles. There are still many consumers who are interested in electric vehicles, but those who purchase them are proportional to the subsidies that are currently available. Therefore, if the total amount of subsidies from both local and central governments decreases to less than 10 million won, electric vehicle purchases will also decline.

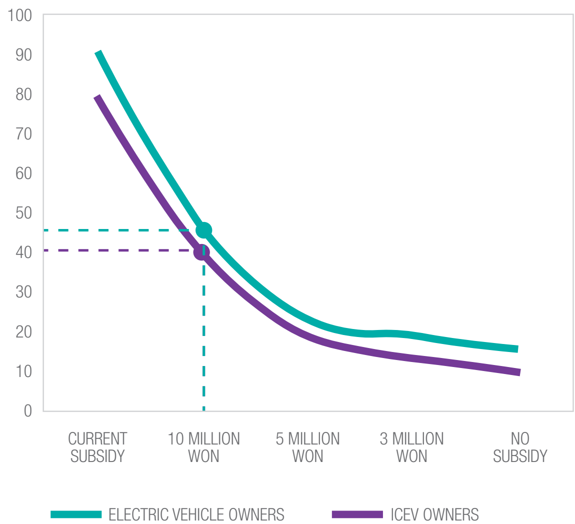
Currently, prices of electric vehicles are much lower compared to ICEVs of the same size. However, if prices of electric vehicles remain the same even after the reduction of subsidies, it can be expected that less consumers would be willing to purchase such low emission vehicles.

Figure 11 Changes in Subsidies for Electric Vehicles

2013–2015	Lump sum subsidy of 15 million won
2016	Lump sum subsidy of 12 million won
2017	Lump sum subsidy of 14 million won
2018	Variable subsidy of 10.17 million – 12 million won (Based on battery capacity, range, etc.)
2019	Variable subsidy of 7.56 million~9 million won
2020	Variable subsidy of 6.05 million – 8.2 million won (Based on fuel efficiency, range, etc.)

KPX Electric Vehicle User Study

Figure 12 Ownership by Subsidy Amount



KPX Electric Vehicle User Study

NEED FOR IMPROVING SAFETY PERCEPTIONS OF ELECTRIC VEHICLES

There has been a rise in concerns over the safety of electric vehicles due to cases of electric vehicles catching on fire in October and November of 2020. As such incidents occurred globally across different vehicle models, consumers started questioning the safety of batteries and brands started recalling products. However, the battery safety is not the only concern for consumers.

Many are also concerned about the declining performance of batteries over time. Such concerns stemmed from beliefs that batteries of electric vehicles would decline in performance similarly to those of smartphones. Therefore, due to high battery costs, consumers believe that the decline in battery power would eventually lead to high replacement costs for electric vehicles.

There has also been a rise in concerns regarding the control functions and software of electric vehicles. Electric vehicles that replaced buttons with software programs for the operation of control functions may experience issues with driver assistance or sensor systems that may in turn cause driving accidents.

For example, Tesla users have complained that Tesla's autopilot function that allows semi-autonomous driving has brought them to dangerous situations on the road. There has also been an accident involving the Tesla Model X in which the software shutdown during an accident, preventing the vehicle door from opening when it caught on fire, and eventually resulting in the death of the driver.

As adoption rates of electric vehicles increase, accidents and problems related to electric vehicles are becoming social issues. Repeated reports of accidents involving electric vehicles on media channels will most likely cause the loss of potential buyers.

This makes it important to improve consumers' safety perceptions of electric vehicles.

3. THE SIGNIFICANCE OF MANUFACTURERS' ROLES

EFFORTS TO RAISE SECURITY LEVELS

"Drives 100km with a 5-minute charge!"

With the unveiling of its 'E-GMP' platform for electric vehicles, Hyundai Motor Group promoted the improved range and battery capacity of its electric vehicles. Toyota also introduced its solid-state battery technology, revealing that its electric vehicles will allow a 500km drive with just a 5-minute charge.

Although manufacturers are making investments to develop technologies that allow for longer ranges and improved battery efficiency, they remain lukewarm about the increased safety of electric vehicles. While efforts for technology development and the launch of new models are being widely promoted, concerns surrounding the safety of electric vehicles are not being resolved.

On December 2020, the city of Ulsan and the Ministry of Land, Infrastructure, and Transport decided to establish the first hydrogen vehicle inspection center to raise safety levels of electric vehicles. The inspection centre is planned to go under construction in 2021 and be completed by 2024 to provide one-stop services and to improve safety perceptions of hydrogen vehicles.

The establishment of an inspection centre became highly significant especially due to projections that the demand for electric vehicles will increase further in coming months and years. Although new models of electric vehicles are scheduled to be launched in 2021, the completion of the inspection centre may require an extended period of time depending on the demands of the government and related institutions. This will require manufacturers to execute quality and safety tests based on stricter guidelines to increase the safety levels of electric vehicles

EFFORTS FOR IMPROVED CHARGING EXPERIENCE

Despite safety concerns, the biggest inconvenience of charging electric vehicles remains charging them. Fortunately, electric vehicles and their batteries are being improved to minimize this inconvenience, and manufacturers are aiming to attract consumers by providing membership services.

Such services include the free installation of home charging units, the provision of cards for free charging services, and the availability of apps for managing charging services. Consumers are particularly attracted by the free charging services provided by luxury brands along with the cost benefits of electric vehicles.

Figure 13 Memberships of Electric Vehicle Owners by Manufacturer

BMW	MERCEDES-BENZ
ChargeNow card for free charging services (550 thousand won for i3)	Free installation of home charging unit or free use of public charging station for 1 year
AUDI	**TESLA**
1 million won in credits for 5 years + Free installation of home charging unit or additional 2 million won in credits	Unlimited supercharging (Applicable to Model S and X)

Refer to each manufacturer's website

The provision of financial benefits are strategic methods for brands to attract potential consumers and to increase sales of electric vehicles, which makes it difficult for such temporary benefits to replace the inconveniences related to charging electric vehicles. Yet, manufacturers' efforts to provide differentiated charging benefits according to the current infrastructure need to be evaluated within a positive light. However, in order to effectively reduce the inconveniences of charging electric vehicles, there needs to be an increase in public charging stations especially in major cities and at dealerships.

Although there are numerous concerns regarding electric vehicles such as those related to safety issues, initial costs, and charging, it is expected that these vehicles will bring greater benefits in the near future. Great attention will be given to the efforts of manufacturers aiming to provide a better environment for electric vehicle owners along with the launch of new models in 2021.

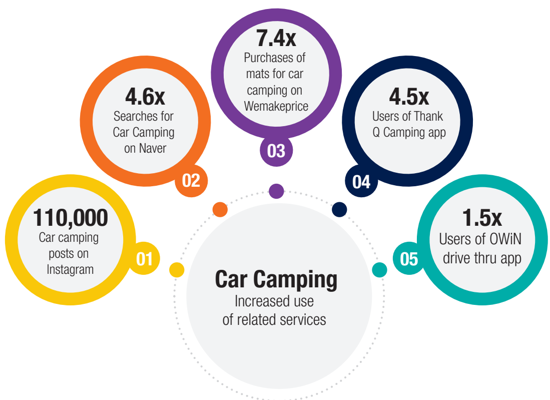
II. THE CHANGING ROLE OF VEHICLES

1. CAR CAMPING TREND

INCREASED DEMAND FOR CAR CAMPING

Actress Kyung Su-jin and her car has received a lot of attention due to a recent episode of MBC's 'I Live Alone'. This is because this episode showed the actress 'car camping' near the Han River. The term car camping, or 'cha-bak' in Korean, is a slang term that was created recently to define a new leisure activity of camping in one's car or staying overnight in one's car. Car camping has drawn a lot of attention and has become a trend during the past year. According to a study conducted by Tinder, car camping was one of the top trends amongst Gen-Z individuals in 2020. The products and keywords related to car camping were also the top search terms for this year.

Figure 14 The Popularity of 'Car Camping'



Weekly DongA (2020. 07. 06)

According to Shinhan Card's Big Data Center, a greater number of people have been visiting recreational forests and camping sites: people making trips to camping sites have increased by more than 200% compared to the previous year. According to Interpark, sales of camping equipment more than doubled compared to the previous year.

There are three reasons as to why car camping has become so popular:

1 MINIMAL CAMPING

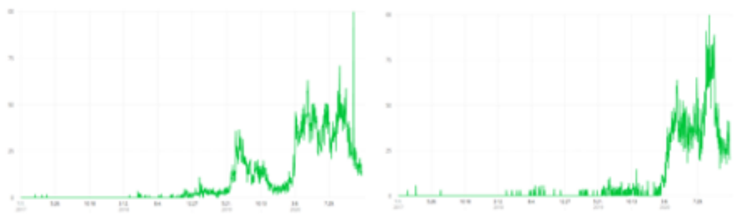
First, 'minimal camping' has gained a lot of popularity as more people started make trips out of the city with expectations of being able to camp anytime, and anywhere. In the past, when camping was a popular leisure activity, people were required to carry around heavy camping equipment and to find a spacious area for the setting up of large tents, which eventually became burdensome to traditional campers. However, with the introduction of car camping, people were able to camp with just their car and minimal equipment. This saved campers from paying for accommodation while allowing them to customize their space such as by adding fairy lights or using tarps.

2 OUTDOOR CAMPING ANYWHERE IN NATURE

Second, the advantage of car camping is that camping is possible at any location as long as there is a car. People can easily camp at locations that are completely out of the city and that provide a nice view, which is an attractive point for the increasing number of people who want a peaceful getaway. This explains why many people visit the highlands or plains to enjoy a nice view during the day and to see the milky way at night. We have seen a surge in searches related to the best locations for car camping on search engines.

Areas that have been highly rated by campers have even been called 'sacred locations', and are still high in demand during the winter season. Out of these highly-rated locations, 'Chungoksan Six Hundred Majigi' in Pyeongchang has become a hotspot, attracting an average of 200 to 300 cars during the weekend. An 'Eco Healing Road' has recently been constructed in Pyeongchang, which has also been receiving a lot of praise.

Figure 15 Searches Related to 'Car Camping'



Naver DataLab <Search Trends>

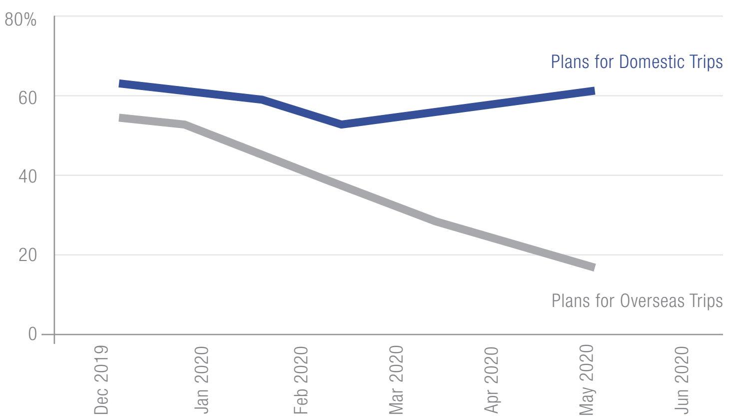
3 CONTACTLESS GETAWAY DURING COVID-19

Third, social distancing and the need to avoid public spaces due to the prolonging of the pandemic has caused people to go on ‘contactless getaways’.

Consumer spending on domestic trips has not been as negatively impacted as that on overseas trips and cultural activities, which has experienced a significant decline. This is because people are able to travel with their own cars and because social distancing measures are well-practiced in the country. To avoid highly populated locations, people started making trips to non-touristy areas such as provincial parks and forests, with smaller groups of people[2].

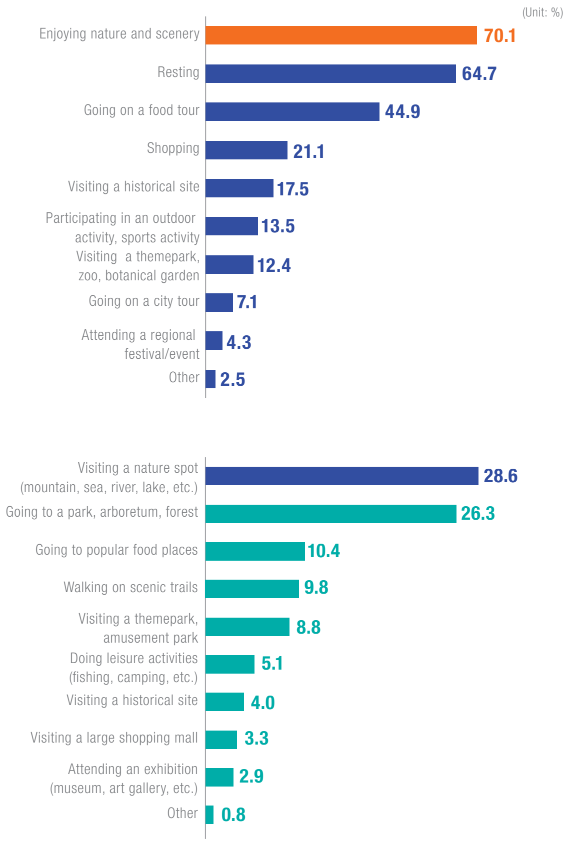
According to Gyeonggi Research Institute’s study on the status and perceptions of domestic trips after the outbreak of Covid-19, four in 10 people say they have gone on a domestic trip to relieve stress. Out of these people, 70% traveled to the suburbs to enjoy nature and nice scenery.

Figure 16 Plans for Overseas vs. Domestic Trips After COVID-19



Naver Post ‘Scrap’, Consumer Insight ‘Survey Results of Weekly Travel Plans’

Figure 17 Domestic Activities After COVID-19 (Multiple Answers)



Gyeonggi Research Institute, 'Study on the Status and Perceptions of Domestic Trips after COVID-19'

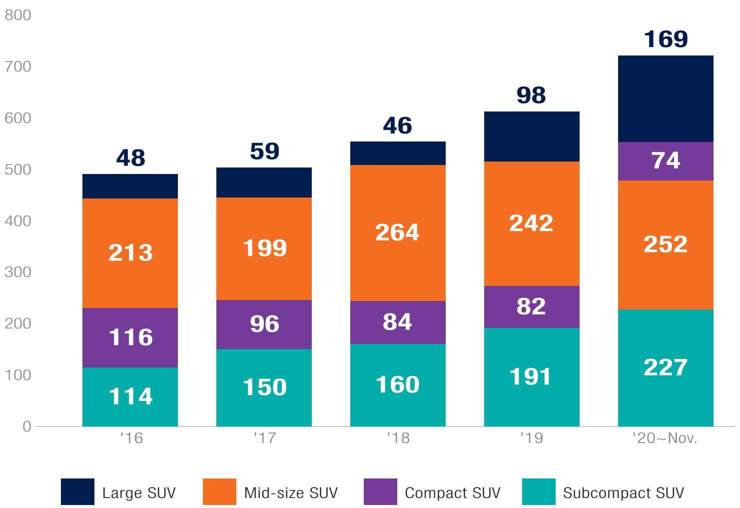
It is necessary to have a car in order to travel to nature spots while social distancing. This is because staying in one's personal vehicle is much safer than staying overnight at public accommodations such as a hotel. In addition, traveling with a car guarantees a beautiful scenery.

2. CARS BECOME A PART OF LIVING SPACE

Recently, the value of cars has been transforming into an additional 'living space' for individuals.

The changes in lifestyles are significantly influencing consumer behavior. This in turn caused the consistently high demand for SUVs due to their large space, which makes them suitable for leisure activities and camping. Although there has been a rise in sales for all types of SUVs, the demand for large SUVs has significantly increased during the last two years.

Figure 18 Sales of SUVs by Type



KAMA / KAIDA DB

Due to lowered oil prices and changes in consumers' lifestyles focused on outdoor and leisure activities, the demand for SUVs is continuously on the rise, causing automobile manufacturers to launch new SUV models in the domestic market.

Following the launch of Hyundai's Genesis GV80, SUVs from American manufacturers which typically are high in demand are being planned to launch soon, raising projections that various players will compete to try to dominate the SUV market. More specifically, Chevrolet is considering the launch of the Tahoe, a larger model compared to the Traverse which launched in 2019 while Cadillac launched the new Escalade and Lincoln launched the new Aviator.

Car camping is one of the factors influencing SUV purchases, which is supported by Encar's study revealing that large SUVs are one of the most preferred vehicles for car camping. According to this trend, manufacturers are making marketing efforts to focus on promoting the use of space such as through the folding of seats. Such efforts are also applicable to subcompact SUVs, with greater emphasis on the use of rear seats and the trunk for the expansion of space. Chevrolet promoted the Trailblazer, a recently launched model, by emphasizing the creation of a larger trunk space through the folding of rear seats. On the other hand, SsangYong marketed the Tivoli Air by emphasizing its large trunk space, which allows for an adult to comfortably lie down inside the vehicle. SsangYong also launched the 'Tivoli Air Cha-Bak Experience' event to provide a free camping gift for purchasers of the Tivoli Air.

In October 2020, Hyundai Motor Company introduced its new test drive program to provide test drives as well as car camping experiences for consumers. This meant consumers were able to test drive the SantaFe SUV and were provided with equipment such as tablets, Bluetooth speakers, mini tables, and relax chairs for a camping experience.

The brand's marketing efforts focused on emphasizing the experience of new lifestyles through automobiles.

SUVs have evolved away from the traditional use of vehicles by satisfying consumers' needs for travel, providing an alternative space for consumers, and adapting to the Covid-19 situation. This explains why the total demand for SUVs in South Korea have caught up with the demand for sedans, and SUVs are currently the most common type of vehicle in the market. It can be expected that SUV models will be further expanded and that consumers will show a greater interest for new models that are expected to launch.

The differentiating point between older and newer models of SUVs will depend on the use of space, which makes it more important for manufacturers to create products suitable to consumers' lifestyles.

ENHANCED ATMOSPHERE THROUGH VARIOUS AND LUXURIOUS INTERIOR DESIGNS

As the 'use of space' has gained greater significance, consumers have started to value the 'atmosphere' of their vehicles. In response, manufacturers made efforts to rapidly develop their products to adapt to changing needs such as by adding functions to enhance safety and convenience or various elements to interior design. Such features would have been elements for only luxury vehicles in the past, but now they are being applied to the mass market. Manufacturers are looking into new differentiating points for upcoming models.

1 HIGH QUALITY MATERIALS

Manufacturers have started to use higher quality materials for vehicles such as real wood or leather and fabrics to replace plastics. Improved materials not only satisfy the senses but also guarantee greater durability for individual parts and an enhanced atmosphere.

2 VARIETY OF COLORS

The interior of a vehicle can also be enhanced through unique colors. Although there are preferential differences amongst consumers, manufacturers provide higher trim levels to provide a differentiated interior to consumers through the use of unique colors. With brighter colors, two-tone designs can provide a more vibrant and cozy atmosphere unlike the use of dark, single tones.

Another factor that enhances the atmosphere of cars is ambient lighting. As more vehicles started installing ambient light for a wider range of purposes, new models of smaller vehicles also started providing options of ambient lighting for consumers. With the increased demand for ambient lighting, manufacturers are differentiating products from competitors by providing a greater selection of light colors. Consumers can also customize the lighting of their vehicle by selecting colors according to their preferences and adjusting the intensity.

3 RAPID DIGITALIZATION

The implementation of digital technologies in vehicles is providing new driving experiences. Instrument clusters have been transforming from analog to digital devices and navigation systems have been displayed on panoramic displays since 2019. Furthermore, an increased number of digital services are being provided on wider display screens, which allows for online shopping, web surfing, digital pay services through fingerprint authentication, and voice assistant technology through collabourations with companies such as Kakao.

In addition, cameras are being built in to replace black boxes and action cameras are being used to record memorable journeys. Manufacturers have also started to include augmented reality (AR) navigation systems in vehicles for more detailed navigation services.

Currently, Tesla is providing one of the most diverse range of digital functions because it is continuously aiming to expand the services provided through its large touchscreen display.

All functions for Tesla vehicles are controlled through this screen, which can also be used as a multimedia device. Through the touchscreen, users can use various apps such as YouTube and TuneIn, which can provide a source of entertainment while the vehicle is being charged. Tesla also offers OTA (over-the-air) software updates to provide free, entertaining content.

Korean consumers now have higher expectations when it comes to purchasing vehicles. In addition to the basics that are required for a vehicle, consumers now demand valuable experiences. This means the differentiation of products no longer just depends on horsepower, speed, and specifications such as the dimensions of the vehicle. Rather than making purchasing decisions based on the size of cars, consumers are increasingly looking for unique interior designs and systems compatible with smartphones that have become basic qualities of cars. This has largely been influenced by consumers being exposed to new cultures and trends through YouTube, social media platforms, and car-sharing experiences.

Vehicles have transformed from a means of transportation to a ‘living space’, providing an area for relaxation, dates, meals, and even overnight trips. This has made searching for unique travel locations a hobby for many as they seek to enjoy scenic views within the comfort of their own personal space. Consequently, the role of vehicles has expanded in recent times, allowing consumers to experience new lifestyles.

III. COMMUNICATION STRATEGIES DURING COVID-19

1. CONTACTLESS METHODS OF COMMUNICATION WITH CONSUMERS

ENVIRONMENTAL CHANGES BEYOND THE LIMITATION OF SPACE

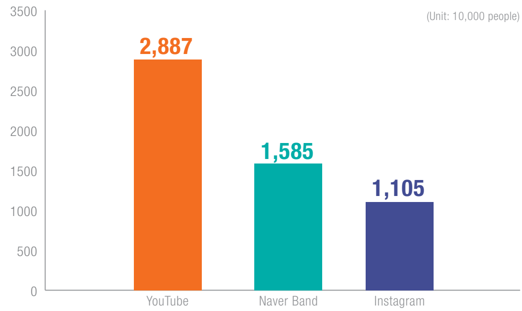
In March 2020, the G20 Summit was launched as a video conference for the first time as world leaders agreed to hold the international conference through the use of digital channels. In another area, the South Korean boy band BTS hosted an online concert in June and October in order to interact with fans. Due to the spread of Covid-19 and the social distancing measures of 2020, the influence of digital channels has accelerated. Students who were taught by teachers in classes now take online classes at home while businesses host meetings through video platforms.

During the past year, transitions toward a digital society accelerated and became a natural part of everyone's lives. In order to interact with consumers regardless of location, businesses started to provide a more content through digital channels. Automotive manufacturers also provided new content such as videos on YouTube so that consumers can have easier access to information through online channels.

YouTube has proven to be one of the most important channels for consumers to access during the Covid-19 era. The usage rate of YouTube increased rapidly due to decreased outdoor activities and increased media consumption. Information provided through online channels became increasingly influential.

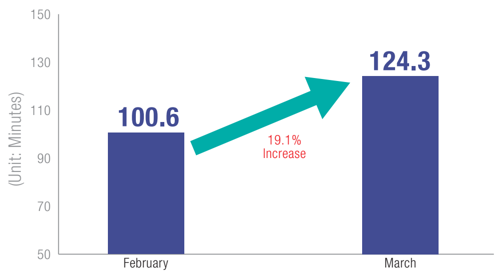
According to the digital advertising firm Incross, YouTube was ranked 1st amongst video platforms during the peak of Covid-19 in March 2020, with the number of users up significantly compared to the previous year. The Korea Onlinead Association revealed that digital video advertisements showed significant growth in 2020 due to the increased consumption of such content by Millennials and Zoomers as well as those of 50 years and older.

Figure 19 Visitors of Video Platforms in March 2020



Incross, <Media Data Clipping Report> 2020. 05

Figure 20 Change in Time Spent on YouTube Since Previous Month



Incross, <Media Data Clipping Report> 2020. 05

A NEW FORM OF CUSTOMER INTERACTION:

As the importance of video platforms such as YouTube increase, South Korean automotive brands started creating content on such platforms to communicate with new consumers. For example, Hyundai Motor Company recently released a digital unboxing video.

With the launch of the All New Avante in April 2020, Hyundai uploaded a ‘digital unboxing’ video on YouTube. Although South Korean consumers have been exposed to many unboxing videos related to digital devices such as smartphones and fashion products, it was the first time they were exposed to a digital unboxing video for cars.

Traditionally, the launch of new car models takes place through presentations and large-scale lavidsh launc events in the presence of public press. The continuation of this strategy became difficult due to Covid-19 and saw brands turn instead to online media channels.

The unboxing video for the All New Avante featured a famous influencer who reviewed the product. This resulted in the video recording 180,000 views and receiving lots of feedback from viewers. Although consumers were not able to view the product in person, they were able to easily experience and receive information about the car digitally through YouTube. This was considered a successful marketing strategy.

Figure 21 Positive Response to the Digital Unboxing of the All New Avante

RANK	POSITIVE RESPONSE	TOP 2% OF 7-POINT SCALE, N=258
1	Easy access to information due to decreased limitations regarding location	36.6
2	New approach to online launching events	35.0
3	Professional and trustworthy due to involvement of professional developers	32.3
4	Good emphasis of advantages of new vehicle	31.1
5	Helpful for the promotion of the All New Avante	30.7

Hyundai Motor Company YouTube Channel

Along with the digital unboxing of the All New Avante, Hyundai also introduced the new SantaFe and the new Tucson through YouTube. Product launches and marketing through digital channels is expected to continuously rise due to the increasing influence of online channels. Therefore the use of such channels will become a necessity for brands regardless of Covid-19.

Digital channels have clearly become significantly important as more people started to watch live concerts at home, students started to participate in online classes, and businesses started to host online meetings.

2. CHANGES IN TRADITIONAL SALES CHANNELS

INTRODUCTION OF ONLINE SALES CHANNELS IN AUTOMOTIVE MARKET

Contactless services have also been introduced in the automotive market. Following the online purchase registration processes provided on Tesla's homepage, automotive brands have increasingly been providing sales services through online platforms due to Covid-19.

Peugeot's official domestic seller Hanbul Motors sold 508 sedans on Naver Smartstore by collabourating with the platform. Although the sales period of Peugeot cars was limited, this event received a great amount of attention due to the discounts and additional benefits on Naver Smartstore.

In November 2020, BMW Korea introduced limited 25th anniversary editions of three models online: the M2 CS BMW Korea, the dark shadow edition of X7 M50i, and the carbon black edition of M340i sedan, which were all sold on BMW's online sales channel, BMW Shop Online.

Cars were also sold on home shopping channels on TV. SsangYong collabourated with CJ O Shopping to introduce the limited edition of Tivoli Air, launching an event for 1000 limited purchases. The brand also hosted live broadcasts on CJ O Shopping's YouTube channel and CJmall, which allowed many consumers to access such broadcasts on mobile devices.

Renault-Samsung also accepted pre-registrations during the launch of the XM3 while Jeep established its online sales channel in March 2020.

The automotive industry expects online sales channels to expand further in the future due to Covid-19. When making comparisons with the overseas market, online sales channels in South Korea are still in the developing stage. However, online sale trends are most likely to increase due to the increased significance of digital channels. Although the increased use of online channels may decrease revenues for dealerships and raise controversies regarding the employment of dealers, online sales are expected to cause an overall increase in sales for automotive manufacturers.

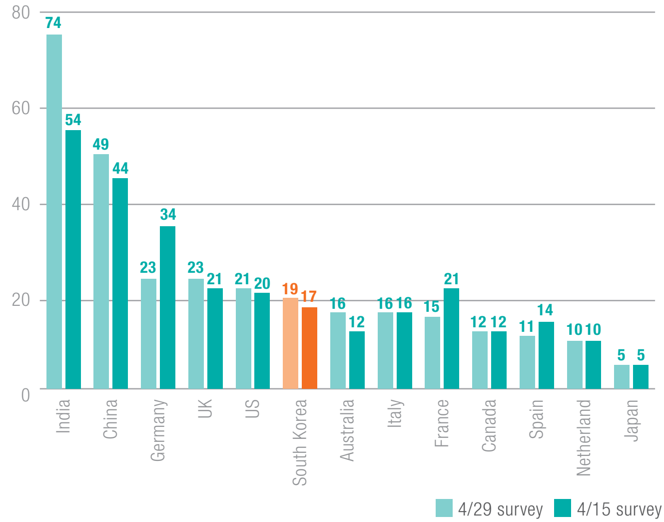
Figure 22 Online Sales of Global Automotive Manufacturers

Mercedes-Benz	Expansion of online sales by 25% by 2025
Ford	Collabouration with Alibaba for online sales
Tesla	Sales of cars only through online channels
Volvo	Online sales since previous year
Hyundai, Kia	Online sales channels available only in overseas markets

Korea Economy, "Sales of Hyundai·Kia Cars Online…Only South Korea Excluded" May 28, 2020

According to the Global Consumer Behavior Study by Deloitte, 19% of South Korean consumers intend to purchase cars through online channels. This figure is an average percentage across the 13 countries surveyed, but this does not account for the online sales channels in South Korea provided by Hyundai and Kia, South Korea's leading automotive manufacturers.

Figure 23 Intent to Purchase Cars Through Online Channels



Deloitte, Global Consumer Behavior Study

Automotive brands launching and selling cars through online channels is a big change. Although testing and experiencing vehicles in-person has always remained important, the expansion of digital channels and growth of online content have allowed for high-quality information to be delivered to consumers.

As channels diversify, more customers are able to find the information that they are looking for, rather than information provided by manufacturers and salespersons.

This is another reason online sales channel for cars are on the rise.

HOME APPLIANCES & ELECTRONICS

JungAh Lee
Team Leader, MSU

IN A NUTSHELL

We could say that the outbreak of Covid-19 has created numerous changes in society and continues to do so to this day. However, most of these changes are not exactly new, but represent a continuation and acceleration of existing trends.

Changes in lifestyles and consumption trends due to the spread of Covid-19 had a large impact on the home appliances and electronics market.

Demand for convenient and premium home appliances that help reduce household labour surged as people started spending more time at home especially, with the rise of remote working and online education due to enforced social distancing measures.

Additionally, purchases of televisions and display devices (laptops, tablets, monitors, etc.) also rose rapidly as content consumption for TV shows, video content, and movies increased.

This raises an important question of whether the high growth of sales for home appliances and electronics in 2020 will be retained even after the pandemic due to the perception that they are essential goods or will decline because their sales were largely impacted by the outbreak of an unprecedented pandemic.

Online retail channels led the growth of sales for home appliances and electronics in 2020.

Since the peak of Covid-19, online platforms have positioned themselves at the centre of retail sales. Because such channels have become a part of people's lifestyles, it can be expected that they will experienced continued growth even after the pandemic.

The market for home appliances and electronics has experienced an incredible growth rate in 2020 due to the outbreak of Covid-19. Because certain products have been perceived as essential during the pandemic, attention should be given to whether the sales of such products will continue to increase or finally start to decrease after the end of Covid-19.

Consumers increasingly approved of online channels due to their convenience, which explains their continued use.

HOME APPLIANCES AND ELECTRONICS WITH HIGHER GROWTH POTENTIAL DUE TO COVID-19

1-ACCELERATED LIFESTYLE AND CONSUMPTION TRENDS

Covid-19 created very different types of expectations at the same time, some more standard and expected (such as relating to entertainment, culture and information) and others more unprecedented such as new interests in sanitation , as the outbreak of the pandemic made purchases of health-related and sanitary appliances mandatory.

In response to travel restrictions, people started making plans for domestic travel and even showed great interest in camping (including car camping) as they appeared to be safer methods of travel. Because the demand for camping is expected to rise continuously, home appliance and electronics brands are aiming to expand their line of small or mini home appliances to target campers. Such products are also suitable for single-person households, which are also increasing rapidly in South Korea. Therefore, the small and mini home appliances market seems to have great potential for future growth.

HOME OFFICE

The biggest change that took place since the start of the pandemic was the increase in demand for 'contactless' services which in turn influenced the rise of remote work and online education.

Although remote work has previously been allowed by certain companies to enable more flexible working arrangements, Covid-19 rapidly increased the number of companies implementing this work policy across numerous industries.

According to Ipsos' Single-Person Household survey conducted in September 2020, one in four people reported having worked from home as a result of Covid-19.

Compared to the 8% of white-collar workers who worked remotely for reasons others than Covid-19, the proportion of those doing so because of the pandemic was three times higher.

Although significant differences do not exist across different genders and age groups, females and employees of younger generations had slightly more experience working from home.

Figure 1 Experience in Remote Work

	All	M	F	20s	30s	40s	50s
Have experience working from home due to Covid-19	**25%**	**23%**	**27%**	**29%**	**26%**	**24%**	**19%**
Have experience working from home but was not because of Covid-19	8%	9%	7%	8%	7%	8%	10%
Have no experience working from home	67%	68%	66%	63%	67%	68%	71%

Ipsos, Single-Person Households Survey (2020.09)

As Covid-19 cases showed no signs of decreasing, schools and universities postponed semesters and started offering online education through online classes.

As people spent more time at home due to the increase in remote work, online education, and enforcement of social distancing measures, people had more time and opportunity to engage in family or solo activities. In response, convenient and premium home appliances have been on the rise to reduce the burden of the ever-present household labour.

SANITATION

People have also showed greater interests in sanitation and quality of life since the outbreak of the pandemic.

According to Ipsos' Single-Person Household survey, around 72% of respondents are increasingly worried about their health due to Covid-19. More specifically, females and those in their 50s have been showing greater concerns for their health compared to males and those in younger generations.

Figure 2 Agreement Level for Issues Related to COVID-19 (5-Point Scale)

	All	M	F	20s	30s	40s	50s
Agree (5 points) + Somewhat agree (4)	72%	67%	**78%**	70%	71%	69%	**77%**
Agree (5 points)	26%	20%	**35%**	29%	25%	23%	28%

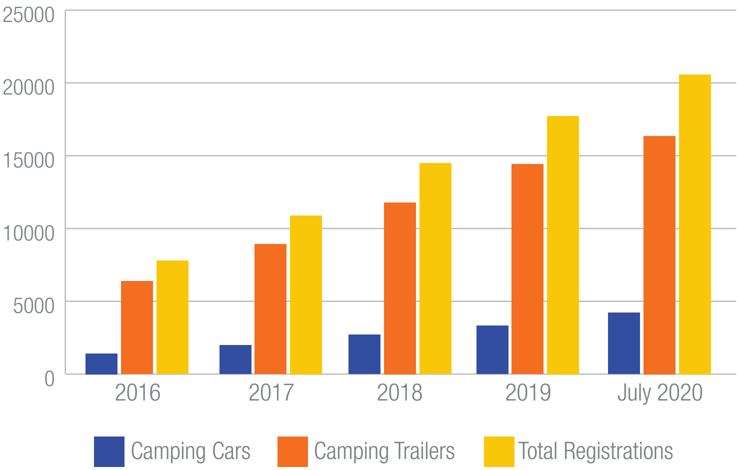
Single-Person Household Survey (Ipsos, 2020. 08)

TRAVEL

The travel industry was one of the most significantly impacted industries due to the rise in travel restrictions and higher demand for domestic travel. Despite international travel being highly restricted, the desire for travel in general has been maintained. With the rise in demand for domestic travel, people have been in search for safe yet entertaining methods of travel. In response, camping, or more specifically car camping, have proved to be popular options.

Therefore, demand for camping sites and the number of camping vehicle registrations in 2020 increased significantly.

Figure 3 Registrations for Camping Cars and Camping Trailers



Ministry of Land, Infrastructure, and Transport

Lastly, as the demand for contactless services surged due to Covid-19, retail channels started providing more online services.

Although offline channels had already been transitioning to online platforms, Covid-19 is accelerating this transition due to the rise in demand for contactless services.

1-2. CHANGES IN TRENDS IN HOME APPLIANCES AND ELECTRONICS DUE TO COVID-19

What are some of the trends that have been accelerated due to Covid-19 and have they impacted the home appliances and electronics market? Regarding such trends, we will examine the rise in products that have satisfied consumers' needs and also products that have high potential for growth in the future.

KITCHEN APPLIANCES

With the increased amount of time spent at home, convenient and premium home appliances have gained popularity due to their ability in helping reduce household labour. The demand for such home appliances have increased particularly because instead of measuring price against quality, consumers started preferring premium products that provide a greater sense of convenience by helping reduce the amount of time and effort spent on household chores.

According to sales reports of one of South Korea's top home appliance retail channels, ETLAND, sales of dishwashers, microwaves, and air fryers increased by 516%, 37%, and 46% respectively comapred to since the previous year. This is attributed to the increasing number of spending time making home-cooked meals following the outbreak of Covid-19[1].

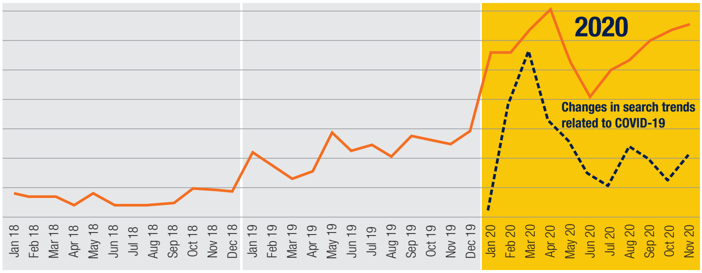
The penetration rate of dishwashers in South Korean homes is estimated to be at 15%. According to the home appliances industry, sales of dishwashers recorded 70 thousand units in 2017, 100 thousand in 2018, 200 thousand in 2019, and is expected to increase by 50% the following year, exceeding 300 thousand units in 2020[2].

Based on South Korea's top open-market platform 11st, 50% of consumers who purchased dishwashers from January to August 2020 were male. Traditionally, dishwashers were viewed as a staple kitchen appliance that were commonly used by females in their 40s. However, male consumers comprised of 45.3% of total consumers of dishwashers in 2018, in which this figure continuously increased during the following years to reach close to 50%. During this period, male consumers increased by 145% while female consumers increased by 133%[3].

The increasing number of males purchasing dishwashers reflects an increased activity in the domestic sphere of home-cooking and cleaning. The proportion of consumers buying air fryers during the same period had an almost equal gender split too, with male consumers comprising 44%.

Based on analyses of search trends related to dishwashers from January 2018 to November 2020 by South Korea's top portal site Naver, it has been confirmed that searches for dishwashers surged in 2020. In this way, the spread of Covid-19 has increased dishwasher sales.

Figure 4 Changes in Search Trends for 'Dishwasher' on Naver



Naver DataLab, search trends only reveal relative trends

HEALTH AND SANITARY APPLIANCES

According to an electronics and securities firm, the South Korean market for sanitary appliances including air purifiers, dryers, and clothing care appliances was at 2.15 million units in 2019, and is expected to increase to 2.9 million units in 2020, a 35% increase.

Figure 5 COVID-19 Consumption Trends by Industry

INDUSTRY	MAIN DESCRIPTION	5 CONSUMPTION TRENDS RELATED TO Covid-19				
Retail	Polarization of offline/online consumption	●				
O2O/Delivery	Diversification of delivery services due to increase in use of delivery services	●	○			
Food	Change in food lifestyles due to Covid-19	●		●	○	
Home furnish-ings	Rise in interests for interior design after Covid-19	●	●			
Home electronics	Increased interests for home appliances related to health and sanitation to raise quality of life	○	●	○	○	
Fashion	Polarization through increased sales of low-cost homewear and luxury fashion goods		○		○	●
Cosmetics	Greater interests for functional, skincare, and sanitary products compared to make-up products	●			●	○
Game	Increase in sales of games played at home due to 'Covid-19 fatigue'.	●	●	○		
Movie/video content	Growth of streaming platforms and OTT market and decline in movie theaters	●	●			
Music/ performance	Cancellation of offline performances and increase in online broadcasts	●				○
Education	Diversification of online education services due to increased needs for online classes	●	○			
PC/Mobile devices	Increase in demand for laptops and low-cost phones due to rise in remote work and online education	●	○			
Automotive	Rise in vehicle purchases through online channels instead of dealerships	●				○
Real estate services	Confirmation of property listings through PropTech	●				
Finances	Increase in online financial and healthcare services	●		●		

Contactless Homeconomy Fundamental Value Anxiety CARE Egoism

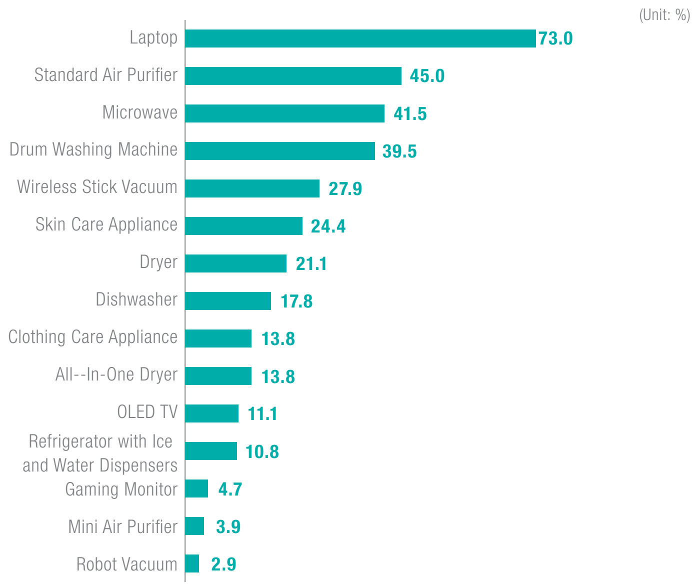
● Relatively strong association ○ Relatively weak association

Samjong KPMG Economic Research Institute

The size of the dryer market was at 1.5 million units in 2019, which is expected to increase to 2 million units by 2020, a 33% increase. The clothing care appliance market is also expected to increase by one-third, from 450 thousand units in 2019 to 600 thousand units in 2020.

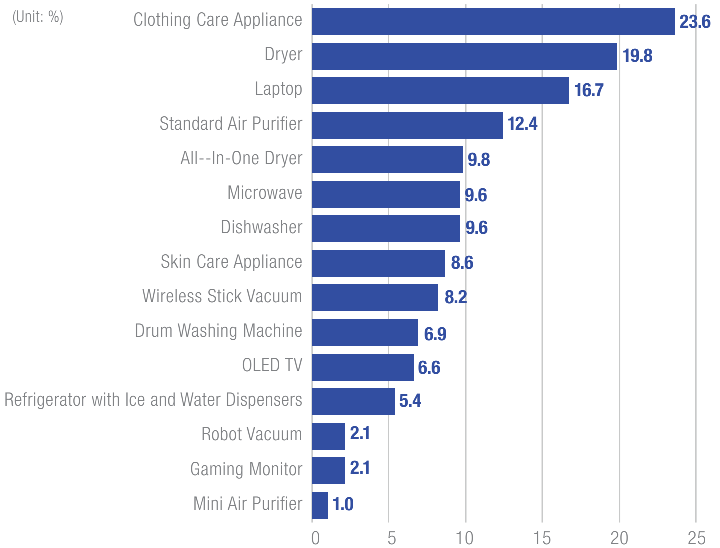
According to a survey conducted by Ipsos in 2020, health-related and sanitary appliances are expected to grow continuously in the future, and when respondents were asked about the top 3 appliances they intend to purchase, clothing care appliances and dryers were ranked 1st and 2nd respectively. The penetration rate of both products were just at 14% and 21%, but such figures are expected to increase by 20- and 24-percentage points.

Figure 6 Currently Owned Products (2020.05)



Forecasts for Penetration Rate of Home Appliances and Electronics (Ipsos, 2020. 06)

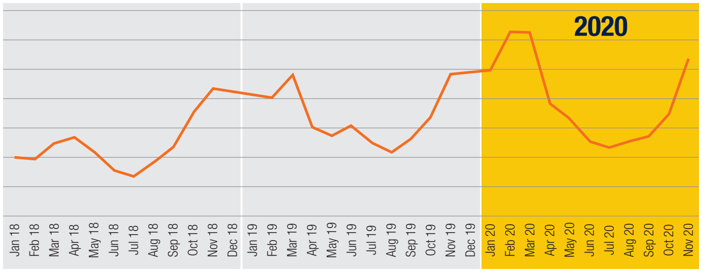
Figure 7 Products Intended for Future Purchases (Top3)



Forecasts for Penetration Rate of Home Appliances and Electronics (Ipsos, 2020. 06)

When observing the change in search trends related to ‘stylers’, ‘air dressers’, and ‘clothing care appliances’ on Naver, it has been confirmed that monthly searches for such terms have increased in 2020 since the previous year. Searches for such terms have surged particularly during February and March of 2020, which was when newly confirmed cases of Covid-19 rapidly increased.

Figure 8 Changes in Search Trends for ‘Clothing Care Appliances’ on Naver



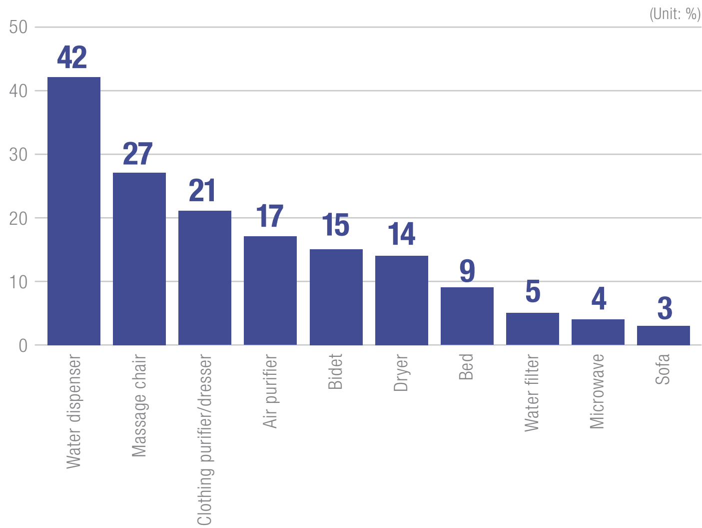
Naver DataLab, search trends only reveal relative trends

A survey conducted by Ipsos in June 2020 reveals that penetration rates of health-related and sanitary appliances would remain at high levels in the next three years[4].

Penetration rates of dryers are expected to increase from 16% in 2019 to 26% by the end of 2020 while that of clothing care appliances such as stylers and air dressers are expected to increase from 10% to 19% during the same time period. Thus, the penetration of both dryers and clothing care appliances are expected to increase by around 10%.

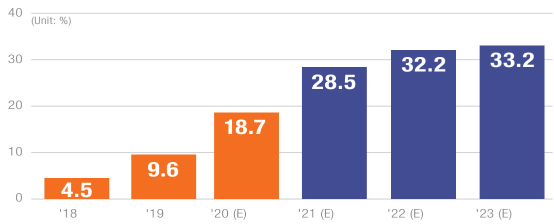
In addition, single-person households selected sanitary appliances such as clothing care appliances, air purifiers, and driers as the top products they would like to rent.

Figure 9 Home Appliances /Furniture Intended for Future Use Via Rental Services



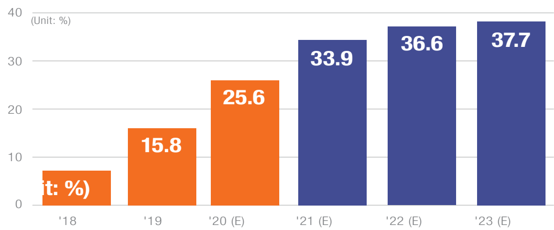
Single-Person Household Survey (Ipsos, 2020. 08)

Figure 10 Changes in Expected Penetration Rates of 'Clothing Care Appliances'



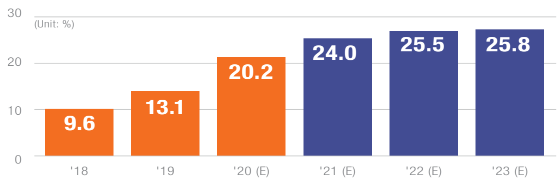
Main Home Appliances & Electronics Future Supply Rate Forecast Survey(Ipsos, 2020.06)

Figure 11 Changes in Expected Penetration Rates of 'Dryers'



Main Home Appliances & Electronics Future Supply Rate Forecast Survey(Ipsos, 2020.06

Figure 12 Changes in Expected Penetration Rates of 'Dishwashers'



Main Home Appliances & Electronics Future Supply Rate Forecast Survey(Ipsos, 2020.06

POPULARITY OF SMALL/MINI HOME APPLIANCES AND OUTDOOR PORTABLE APPLIANCES

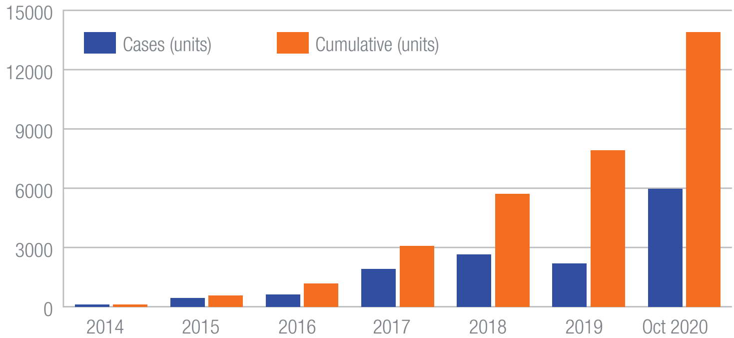
The number of campers has been increasing consistently since the past couple of years. According the '2018 Camping Status Survey' by Camping Outdoor and Grand Korea Leisure (GKL), it has been confirmed that camping-related businesses are constantly on the rise.

Several new trends for domestic travel have been created due to overseas travel restrictions. With the increased demand for camping, trends such as car camping and travelling to uncommon destinations have gained popularity.

Travelling by car is generally a safe and accessible mode of travel that allows people to remain isolated from others, and has in this way been useful and popular during Covid-19. As previously mentioned, car camping has received a large amount of attention because it not only provides a method of travel but also provides an accommodation for travelers.

The Korea Transportation Safety Authority revealed that cases of tuned camping cars have increased by over 250% in 2020 compared to the previous year[5].

Figure 13 Cases of Car Tuned Camping Cars by Year (2014 ~ 2020)



Data extraction period: October 31, 2020
2019.2.28 ~ 2019.10.31 1,529 units – 2020.2.28 ~ 2020.10.31 5,618 units (4,089 units)

Korea Transportation Safety Authority, Analysis of Statistics of Tuned Camping Cars (2020-11-17)

In response to the increased demand of camping in South Korea since the outbreak of Covid-19, manufacturers of home appliances and electronics have also expanded product lines related to camping.

LG Electronics developed a portable speaker and beam projector suitable for the outdoors to provide entertainment products targeted for campers. LG Electronics also launched an online camping exhibition right before the summer vacation period in June 2020 to introduce its products designed for campers including portable speakers, beam projects, portable induction cooktops, and ‘Pocket Photo’, a photo developer for smartphone photos.

SK Magic launched a portable induction cooktop for outdoor use which gained a lot of attention through market efforts targeted towards campers.

Samsung Electronics released its first model of a portable induction cooktop called ‘The Plate’ in 2020, by marketing how it can be used both indoors and outdoors.

Samsung Electronics also released ‘The Terrace’, which is a TV that can be used both indoors and outdoors, including camping sites. The brand first launched this product in the US market, by introducing a completely new concept of TVs to consumers. Samsung Electronics revealed its plans to first market the product in the US and Canada, where many consumers would find a use for this in their detached houses and backyards.

Many electronics manufacturers are making efforts to launch products for camping trips because such products can also target single-person households. Recently, manufacturers of home appliances have also been working to create a new brand identity by concentrating on launching products suitable for single- and two-person households as well as high-performing products for multi-person households.

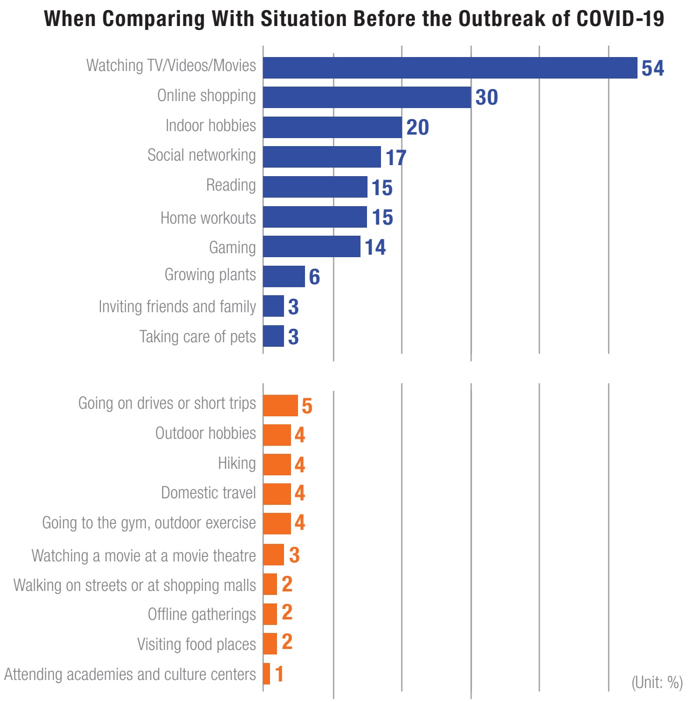
GROWTH OF DISPLAY DEVICES DUE TO INCREASED TIME SPENT AT HOME DURING THE PANDEMIC

According to Ipsos' survey regarding single-person households, time spent at home has significantly increased during the pandemic. More than half of the respondents have revealed spending more time watching TV or video content while staying indoors at home.

Online shopping, social media activities, home workouts, and gaming are other activities that have also increased.

Which activities people chose to do were observed to be highly dependent on gender and generational factors. Those from older age groups such as Gen Xers or baby boomers showed a slight increase in media consumption. On the other hand, gender differences were noticeable amongst millennials. Gaming increased amongst males while online shopping, social media activities, and home workouts increased significantly for females.

Figure 14 Increase in Activities After Outbreak of COVID-19



Single-Person Household Survey (Ipsos, 2020. 08)

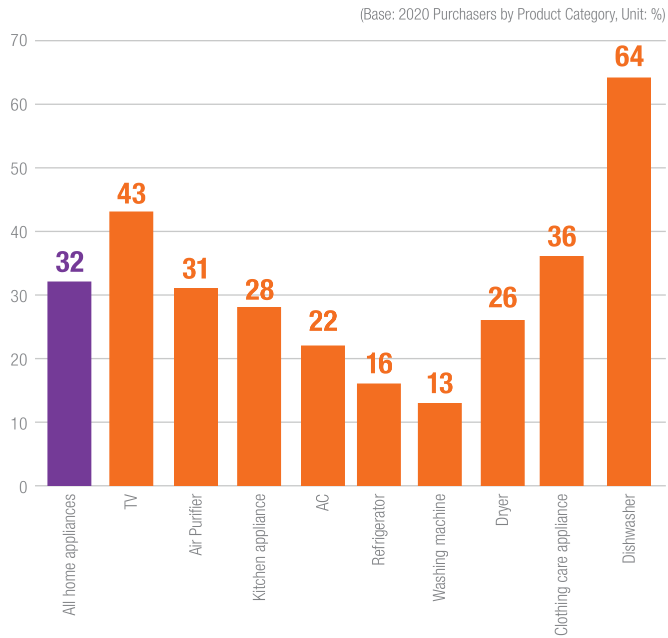
The increase in indoor activities in 2020 have in turn influenced the increase in sales of display products such as TVs, laptops, monitors, and tablets.

According to a survey conducted by Ipsos, 37% of consumers from single-person households who purchased home appliances and electronics in 2020 responded that they purchased such items due to Covid-19 while 43% of those who purchased TVs responded that their purchases were influenced by Covid-19.

According to the price comparison site Danawa, sales of laptops increased by 52% and sales of desktop computers increased by 32% in March 2020 compared to the previous month. According to wemakeprice, purchasers of laptops from March 12th to April 1st increased by 44% vs. the previous year. Analysts report that the rise in remote work and online education caused the increase in purchasers of PCs.

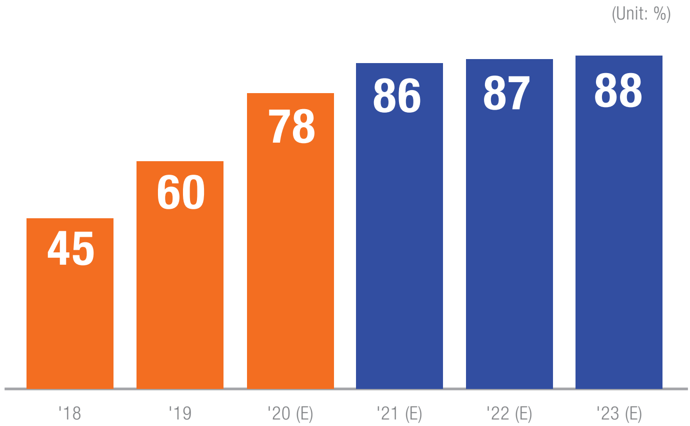
According to a survey conducted by Ipsos, the penetration rate of laptops is expected to increase from 60% in 2019 to 78% by the end of 2020, and reaching 86% in 2021.

Figure 15 Purchases Made Due to COVID-19



Single-Person Household Survey (Ipsos, 2020)

Figure 16 Expected Changes in Penetration Rates of 'Laptops'

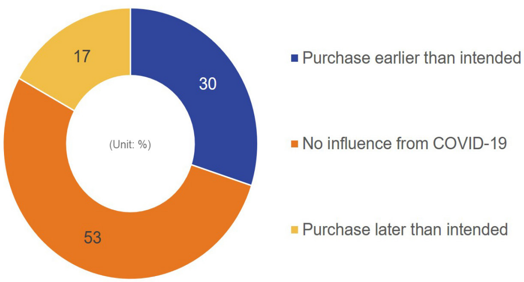


Forecasts for Penetration Rate of Home Appliances and Electronics (Ipsos, 2020. 06)

CHANGES IN PURCHASING DUE TO COVID-19

An Ipsos survey on TV purchase intention conducted across six countries shows similar results to a survey that was conducted in South Korea.

Figure 17 Influence of COVID-19 on Purchase Period of TVs



Ipsos(2020)

The Ipsos survey was conducted in 6 countries including the US, Europe, and China in 2020. Based on the survey results, 30% said they intend on purchasing a TV earlier than expected. This purchasing decision was largely influenced by Covid-19, since such consumers had increased savings from changes caused by the pandemic, for example remote working.

Figure 18 Influence of COVID-19 on Purchasing Period of Those Who Intend to Purchase TVs

Ipsos(2020)

2. RAPID GROWTH OF ONLINE CHANNELS DUE TO COVID-19

Sales on online retail channels have surged due to the increase in online consumption and indoor activities caused by the spread of Covid-19.

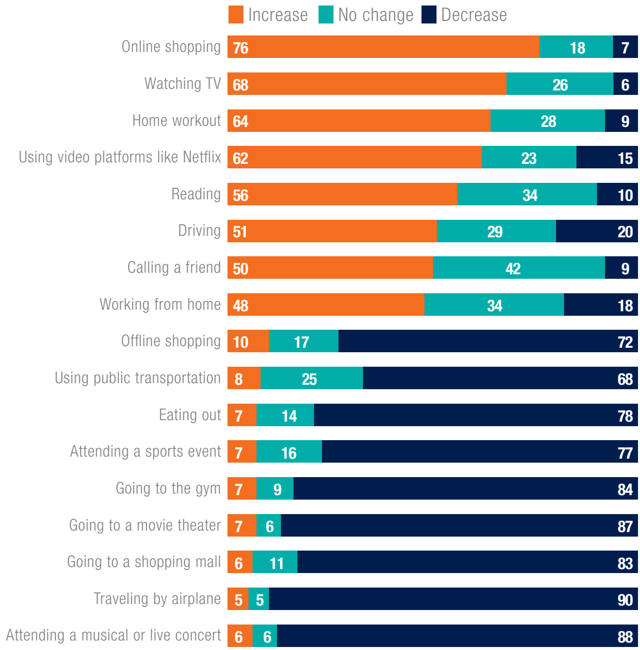
Before the pandemic, retail channels have been transitioning from offline to online. However, this transition has accelerated once the demand for contactless services surged after the outbreak of Covid-19. The transition to online channels played a significant role in influencing the growth of the market for home appliances and electronics despite the presence of a pandemic.

The report on the 'Analysis of Consumption Trends During Covid-19' by Criteo (criteo.co.kr) includes results of a global survey that describes the activities expected to increase or decrease due to Covid-19. The survey results show consumers from most countries responded that they expect their time spent on Netflix or watching TV would increase the most while most consumers from South Korea responded that they expect online shopping to increase the most (1st, 76%).

Online shopping increased most significantly in Russia (4th, 39%), US (5th, 52%), Sweden (5th, 51%), and Japan (5th, 32%). However, based on the responses of South Korean consumers, online shopping in South Korea is expected to be even greater than the countries listed.

Figure 19 Perception Changes Towards Activities Before and After COVID-19

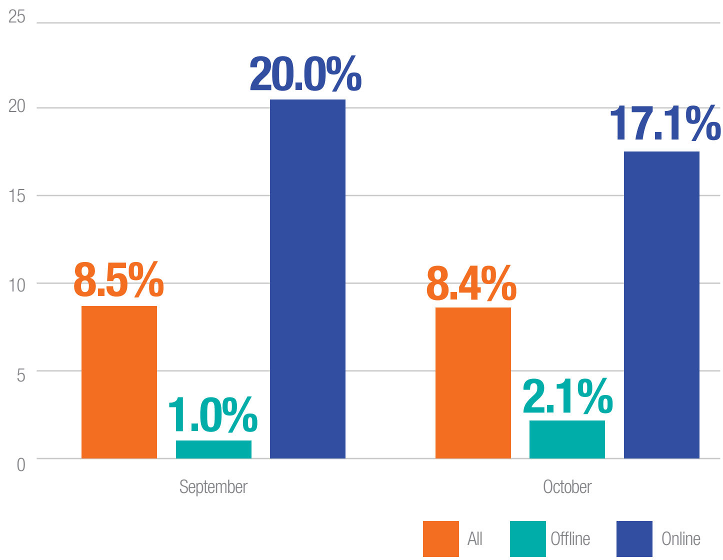
(South Korean consumers, n=967, Unit: %)



Criteo, Report on the Analysis of Consumption Trends During COVID-19 (2020. 04. 29)

According to the South Korean Ministry of Trade, Industry, and Energy, while sales of offline retail channels increased by 1% and 2% in September and October 2020 respectively since the previous year, sales of online retail channels increased by 20% and 17% during the same time period compared to the previous year.

Figure 20 Increase in Sales on Offline and Online Channels



Statistics Korea

When observing the increase in sales of online channels by product category, sales of home appliances and electronics increased by 26%, which was the 3rd most purchased product category after food (60%) and books (32%). The sales of home appliances and electronics was shown to be higher than the average increase in online sales. This product category, therefore, played a significant role in increasing the overall sales through online channels.

INCREASE IN ONLINE SHOPPING PURCHASES FOR HOME APPLIANCES

When observing online purchases in October 2020 by product category, purchases for services decreased by 2.7%, while purchases for home appliances increased by 37.9% since the previous year.

More specifically, purchases of computer and related devices increased by 33.3% and purchases of home appliances, electronics, and communication devices increased by 39.6%, which exceed the average increase of overall online purchases(20% since previous year).

PROSPECTS FOR ACCELERATED GROWTH OF E-COMMERCE MARKET DUE TO COVID-19

According to GfK's Point of Sales (PoS) Tracking, online sales have been growing continuously even many weeks after the Covid-19 peak. Consumption of goods were concentrated on online channels during May when offline sales channels started recording positive growth. Following May, sales of online channels started to accelerate further.

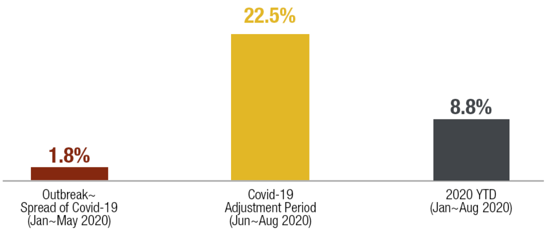
Sales from online channels showed a consistent growth rate from January to May 2020, which was when most other channels suffered greatly.

During the Covid-19 adjustment period (June~August 2020), sales through online channels doubled in growth compared to offline, recording 33%. Cumulative growth of online channels was at 19% from January to August, which is two times greater than the market average of 8.8%. Although online sales that suffered from June to August are recovering from changing consumer sentiments, the South Korean home appliances market is still highly dependent on online channels.

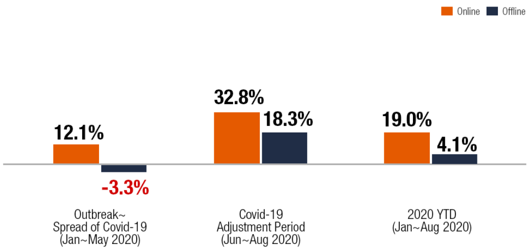
Out of online channels, social commerce has experienced rapid growth. Although social commerce only comprises of 10% of the entire market, its growth rate has still been significant.

Figure 21 Sasles of Online Channels

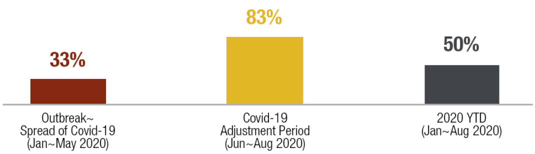
Overall Home Appliances Market



Online vs. Offline Growth Rate



Growth Rate of Social

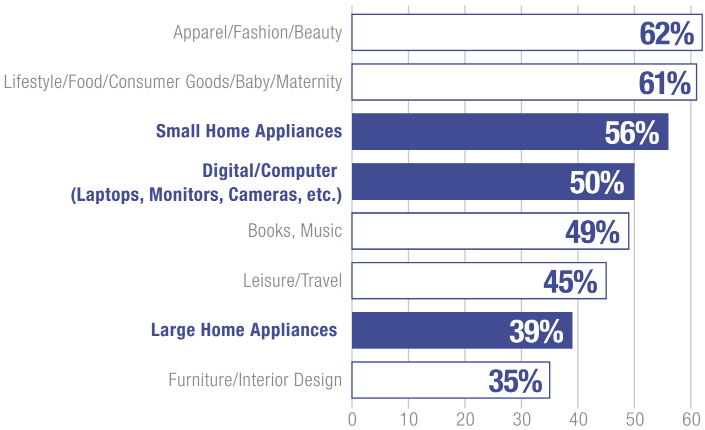


GfK Point of Sales Tracking, GfK Korea's estimates for 49 home appliances in South Korea

CHANGES IN ONLINE PURCHASING ATTITUDES FOR HOME APPLIANCES AND ELECTRONICS

According to a survey conducted by Ipsos[6], small home appliances, digital devices/computers, and large home appliances comprised of 56%, 50%, and 40% of intended home appliances and electronics respectively. Therefore, online channels for home appliances and electronics are expected to grow continuously.

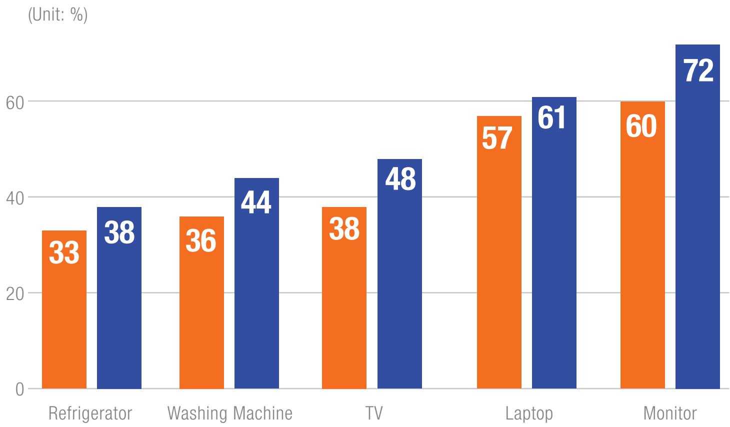
Figure 22 Online Purchasing Intent by Product Category



Forecast for Penetration Rate of Home Appliances and Electronics (Ipsos, 2020. 06)

When comparing purchases on online channels before (~2019) and after (January~May 2020) the pandemic, purchases of refrigerators, washing machines, TVs, laptops, and monitors increase after the outbreak of Covid-19. More specifically, purchases of TVs and monitors increased by more than 10%.

Figure 24 Changes in Online Purchases After COVID-19 by Product Category



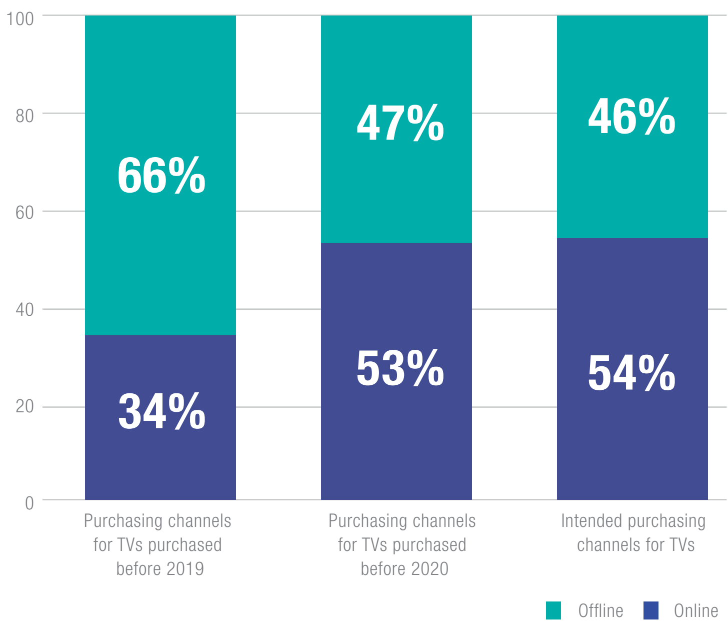
Forecast for Penetration Rate of Home Appliances and Electronics (Ipsos, 2020. 06)

Such trends have also been observed in Ipsos' survey of TV intenders that was conducted across 6 countries.

According to a survey of TV intenders that was conducted across 6 different countries including the US, Europe, and China in October 2020, purchases of TVs through online channels were at 34% before the pandemic(before 2019), which was half of that of offline channels. However, purchases of TVs through online channels increased to 55% after the outbreak of Covid-19, a 20% increase.

Such figures demonstrate a significant growth rate since times when consumers preferred to purchase TVs through offline channels TV in order to check and test products in person.

Figure 25 Changes in TV Purchasing Channels



TV Purchase Intender Survey for 6 Countries (Ipsos, 2020. 10)

In conclusion, consumers developed an increased satisfaction for online channels due to their convenience, which explains their continued use of such channels. Online platforms have started to be at the centre of retail sales since the peak of Covid-19. Because such channels have become a part of people's lifestyles, it can be expected that they will experienced continued growth even after the pandemic.

IT & PLATFORM

Heon Choi

Team Leader, MSU

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IN A NUTSHELL

With the outbreak of Covid-19, there have been numerous unexpected changes to different aspects of our lives that we have always taken for granted.

Although there are still possibilities for unpredictable changes to occur in the future, new opportunities have been created with the rise of online and mobile technologies allowing for the production of different platforms and content.

As much as consumers have been able to quickly adapt to the 'New Normal', it is expected that older generations will also be able to further utilize more elabourate content in the upcoming months and years.

Consequently, changes that resulted because of Covid-19 not only created a crisis but also provided opportunities for innovation, which raises expectations for a new era of online platforms and content.

CHANGES IN DIGITAL/ONLINE LIFESTYLE DUE TO COVID-19

SOCIETAL CHANGES DUE TO COVID-19

Due to the outbreak of an unprecedented virus, numerous changes to lifestyles have been introduced, which caused society to change completely. One of the greatest changes include the decrease in social activities and interactions with others, accelerated digital and online lifestyles while influencing the rapid growth of the e-commerce market. Therefore, the consumption of online content at home has increased and the developments we thought would only occur in the space of years have taken place immediately due to Covid-19.

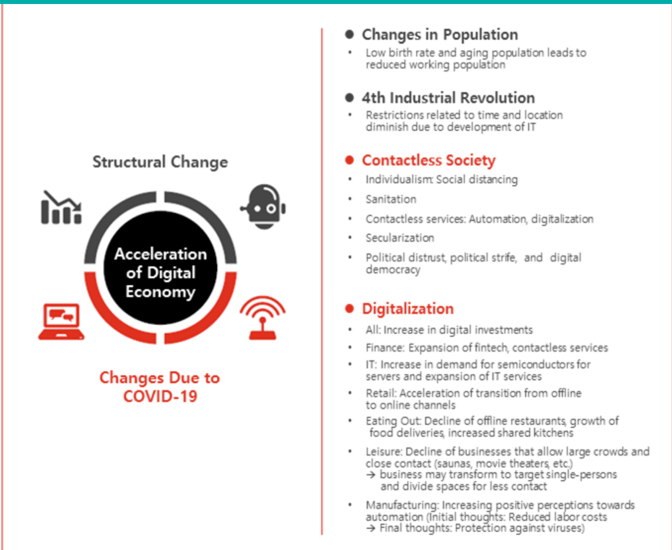
At the end of January 2020, South Koreans were just getting back to their routines after their New Year holidays. While adults were planning professional goals for the upcoming year, children were getting ready for a new semester. Those who were about to start their first day at work, university, and school were especially looking forward to the start of a new year. However, with the sudden outbreak of Covid-19, all of these sentiments had to be put aside, and people had to remain patient at home for the foreseeable future.

THE ACCELERATION TOWARDS A DIGITAL ECONOMY

The societal changes that took place right after the Covid-19 outbreak can be regarded as parallel to those that took place during the Digital Revolution in the United States during the 1990s. The term 'digital economy' encompasses a variety of online platforms and the activities related to them. In other words, it can defined as a series of activities derived by the use of digital data. Apart from its definition, the rise of online platforms and technologies contributing to the acceleration towards a digital economy since the outbreak of Covid-19 is what deserves a great amount of attention.

With the development of IT helping limit the restrictions on time and space, South Korea is experiencing numerous structural changes including the decrease in working population and the transition into the Fourth Industrial Revolution. Due to Covid-19, South Korea is also going through numerous social, political, and economic changes due to the rise of contactless and online activities that are further accelerating the digital economy in the region.

Figure 1 Digital Economy



PwC Report 2020.4

THE ACCELERATION OF ONLINE AND SMART WORK

What are the consequences of a digital economy?

From the perspective of a consumer, consequences may include digitalization whereas from the perspective of a business and a manufacturer, consequences may include the implementation of smart work and automation.

Due to the acceleration of a digital economy, shopping, education, and healthcare services are being provided through digital platforms for consumers. On the other hand, businesses are implementing smart work systems by allowing flexible work hours and manufacturers are utilizing robots and machines to automate production processes.

Therefore, such consequences have accelerated the pace of South Korea's digital transformation.

Figure 2 Digital Transfomation in Korean Society

PwC Report 2020.4

According to the government's plan for a 'Korean New Deal'[1], the unprecedented outbreak of the novel coronavirus has caused changes in the perceptions of key economic players which in turn influenced structural changes to the South Korean economy and society as a whole. Such structural changes include the increased demand for contactless services which further accelerated South Korea's digital economy. This phenomenon can be explained by Microsoft CEO Satya Nadella's statement regarding how "Microsoft saw 2 years of digital transformation in 2 months."

Digitalization has rapidly taken place through the replacement of offline consumption with the surge of online shopping and delivery services as well as the rise of smart work services, remote work culture, and online learning. Employees who are unable to work at the office utilized smart work services and digital platforms at home while students engaged with educators virtually throughout the semester.

According to the findings of Ipsos' survey[2] conducted in 2020, the outbreak of Covid-19 has caused numerous changes to the lifestyles of people from all generations. University students in their early 20s start their day by listening to online courses and spend their free time with leisure activities at home. Newlyweds in their 30s work from home, do home workouts through YouTube videos, and buy groceries online to prepare for meals. Parents in their 40s work from home while monitoring their children during online classes, and actively look for digital content that can entertain the whole family. Lastly, consumers in their 50s are struggling to adapt to the new digital environment by attempting to use online services and viewing online content through digital devices they have never used before.

Lifestyle trends that have arisen due to Covid-19 will be described in more detail in the following sections. Such trends primarily revolve around the terms "digital, platform, and content." The five trends explored below therefore have a close relation to these key words.

1. TIME SPENT ON LEISURE ACTIVITIES AND DIGITAL DEVICES HAVE SURGED FOLLOWING THE INCREASED TIME SPENT AT HOME.

Inevitably, people started spending more time online due to the greater amount of time spent indoors. Time spent online has also increased because of people's need to work from home and to maintain relationships with others, which in turn also changed their consumption habits.

"I was the vocalist of my university's band club but was not able to go to karaoke rooms or meet my friends. However, after I found numerous instrumental videos on YouTube, I was able to sing with a bluetooth microphone at home." (University student, 20s, Kwak OO)[3]

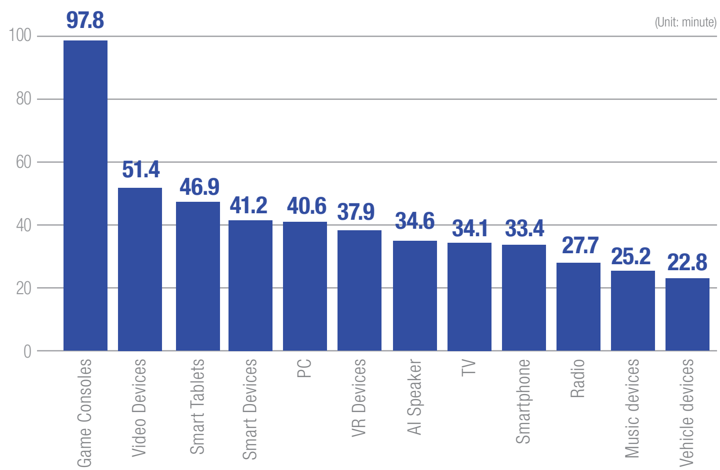
"I used to try out new food places with my friend, but I now order food or groceries through the delivery apps Baemin or Market Kurly, which allowed me to cook more often than before. Nowadays, I also prefer watching the news over other types of videos on YouTube and tend to purchase more books since I can't go to the library." (University student, 20s, Yoo OO)[3]

"Before the oubreak of Covid-19, I used to spend a lot of time outdoors. I did a lot of exercise, I liked meeting friends, and I liked visiting new food places. However, once the spread of Covid-19 worsened in February, I decided to reduce my time spent outdoors. I started communicating with my friends through messaging apps like KakaoTalk, which inevitably increased my time at home." (50s, Lee OO)[3]

"I had no choice but to spend the majority of my time at home due to Covid-19. Because my family members started coming home early or working from home, I tend to cook all three meals in the kitchen. I also engage in more home activities such as surfing the internet."
(60s, Cho OO) [3]

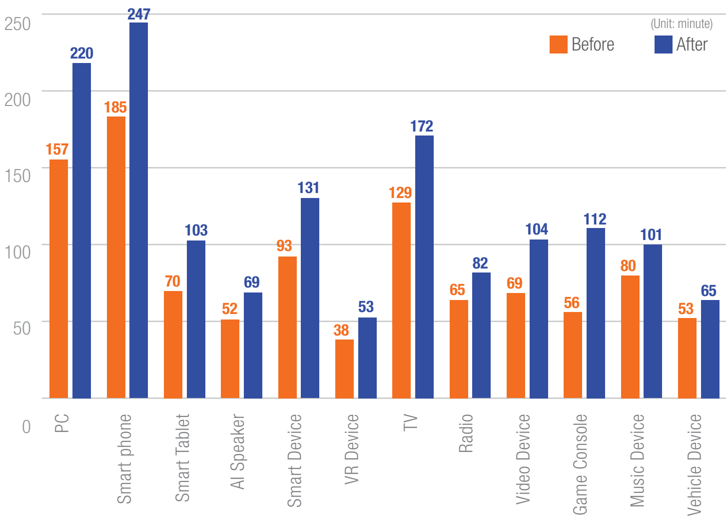
As a result of Covid-19, the sales of game consoles, display devices and tablets increased the most, whereas the time spent on smartphones was recorded to the be the highest, followed by the time spent on PCs and watching TV.

Figure 3 Change in Usage Rate of Digital Devices Before and After COVID-19



Korea Creative Content Agency (KOCCA)

Figure 4 Change in Usage Time of Digital Devices and Before and After COVID-19



Korea Creative Content Agency (KOCCA)

2. NEW FORMS OF COMMUNICATION HAVE COME TO RISE DUE TO THE PANDEMIC AND SOCIAL DISTANCING.

The use of video chat services has notably increased since the start of the pandemic. These services have not only facilitated online conversations but also allowed for interactive online gaming sessions. Consequently, messaging traffic on Facebook has increased due to the high volume of messages and video calls and users of Microsoft collabouration software tools have increased by 40% in a single week. Such programs become prevalent especially amongst those in their 20s and 30s who started meeting friends online.

"Before the pandemic, I used to meet my friends every other day for drinks or meals, but once I started spending more time at home after the outbreak, I try to spend my energy on indoor activities. I workout at home by watching videos on YouTube and communicate with friends through Discord or KakaoTalk." (University student, 20s, Park OO)[4]

3. CASES OF WORKING FROM HOME AND ONLINE LEARNING HAVE SURGED.

Homes have transformed into offices and classrooms, which is one of the biggest transformations since the spread of Covid-19. The transition to e-learning has been facilitated through Google Classroom, and lectures as well as meetings have increasingly taken place online through Zoom, Google Hangouts, and Microsoft Teams.

"As a student, I have been taking classes online since the university decided to transition to e-learning." (University student, 20s, Park OO)[5]

"I feel frustrated because I cannot meet people and I cannot exercise. My children are also frustrated because of online classes and because our family cannot continue our weekly camping trips." (White-collar worker, 40s, Jeong OO)[5]

"As an owner of a manufacturing busines, I have been directly impacted by Covid-19. This is because the consumption of clothes has plummeted since the outbreak, which in turn decreased the manufacturing and exporting of clothes. Because I have been working from home and my child who is a high schooler has only gone to school half the time, I tend to prepare meals more often than usual." (50s, Jeong OO)[5]

4. E-COMMERCE AND ONLINE SHOPPING SALES HAVE INCREASED.

Tech giants operating large online platforms were able to flourish despite the devastating impact of Covid-19 on the economy. Grocery-delivery apps such as Coupang and Market Kurly and food delivery apps such as Baemin and Yogiyo have rapidly replaced eating out at restaurants and cafes. In addition, online shopping sales have set a record due to the increased demand for masks, hand sanitizers, and other consumer goods. As a result, most consumers feel as if shopping has been replaced by online platforms.

"I used to go to outlet shopping malls or supermarkets with my family until the Covid-19 outbreak. After the spread of the virus, I sometimes made trips to local grocery stores to buy essential goods immediately and at a cheap price. However, as local grocery stores started to increase the prices of their goods, I started ordering products online through Coupang." (White-collar worker, 40s, Park OO)[6]

"I used to eat out often but after the pandemic, started ordering food such as chicken and pork through the delivery apps Yogiyo or Baemin. I also order groceries including snacks through B-Mart on Baemin."
(50s, Lee OO)[6]

"I used to go grocery shopping to pick up my own groceries, but because of Covid-19, I started to use e-commerce apps such as G-Market, GS Fresh, or Coupang. Now, I order groceries online much more frequently compared to before." (Homemaker, 30s, Kim OO)[6]

5. STREAMING SERVICES HAVE BECOME A PREFERRED MEDIUM FOR ACCESSING ONLINE CONTENT BECAUSE IT ALLOWS FOR STREAMERS TO ACCESS THEIR DESIRED CONTENT AT ANY TIME AND PLACE.

Following the closure of movie theaters due to Covid-19, people started to increase their time spent on YouTube and Netflix, which in turn allowed these businesses to gain an opportunity for earning new subscribers.

"Because my child has not been able to go to school, I have been spending a lot more time with my child at home and have also been spending a lot more time on YouTube and Instagram. This is especially true for YouTube because I spend more time on the platform trying to find content that I can show my child for educational purposes. My husband has also been spending more time at home since he has been working less hours." (Homemaker, 30s, Kim OO)[6]

"My daily routine consists of making breakfast, cleaning the house after my husband leaves for work, and learning cooking recipes through cooking channels on YouTube. I also watch videos from real estate channels since I have an interest for real estate and in the afternoon I watch videos from Thankyou BUBU's channel while doing a home workout. Once my husband returns from work in the evening, I prepare dinner, then talk about real estate and watch videos on YouTube with my husband. Because of my love for animals, I watch many animal-related videos and then watch videos that help my go to sleep at night. Therefore, I use my smartphone all day until I fall asleep." (Homemaker, 30s Kim OO)[6]

CHANGES IN CONSUMPTION TRENDS DUE TO COVID-19

Consumption trends that have been gradually changing since a few years ago have been accelerating due to the transition to online platforms following the outbreak of Covid-19.[7]

1. THE FALL OF OFFLINE BUSINESSES.

Offline sales have dramatically decreased after consumers in their 40s and 60s have switched from offline to online shopping. Sales in brick-and-mortar stores have decreased to the point where experts predict that department stores, supermarkets, specialty stores (e.g. Costco, Daiso), and services that cannot be transitioned to online (e.g. billiard rooms) will only be able to continue business in the long-run.

2. THERE HAS BEEN AN INCREASE IN SUBCONTRACTORS FOR ONLINE SERVICES AND EMPLOYEES FOR DIGITAL PLATFORMS.

Due to the increased preference for contactless services and online platforms, it can be predicted that offline businesses will adopt strategies involving the subcontracting of online businesses for OEM or ODM services. In addition, employees for digital platforms such as riders to deliver food for delivery apps have increased due to the growth of online services.

3. THE INTEGRATION OF ONLINE SERVICES INTO OFFLINE BUSINESSES.

Offline businesses have aimed to adapt to the new environment created by Covid-19 by implementing online services.

4. THE INCREASE OF SELF-EMPLOYED WORKERS CONDUCTING

BUSINESSES ONLINE.

Self-employed workers with offline businesses are expected to transition to online platforms. Because online businesses prevent businessowners from paying a deposit or monthly rent for a certain type of property and allow for marketing activities to be conducted through online content or social media platforms, online businesses provide a more attractive business environment for the self-employed.

Figure 5 Online Transition and Integration

PwC Report 2020.4

OFFLINE VS. ONLINE CONSUMPTION POLARIZATION

As was mentioned before, the successes and failures of online and offline businesses are likely to become more apparent.

Since the first two months of 2020 after the outbreak of Covid-19, revenues of major offline businesses such as airlines, film production companies, amusement parks, lodging services, restaurants, and supermarkets continue to decrease whereas revenues of online shopping and delivery services are continuously increasing. Major offline businesses are also expected to make greater online investments due to these phenomena.

Sales of grocery stores such as Lotte Super have declined rapidly. Since May of 2019, the sales of grocery stores decreased the most (-12.4%), followed by supermarkets (-9.7%), and department stores (-7.4%). Convenience stores have not been significantly affected by the outbreak of Covid-19 and recorded an increase of sales by 0.8% since 2019 because they enable consumers to quickly purchase essential goods, minimizing the risk of contracting the virus.

Figure 6 Increase in Sales for Major Retailers

Source: Ministry of Trade, Industry, and Energy(2020.06) 'Press Release: 'May 2020 Sales of Major Retailers Increase by 2.0% Since Previous Year', Statistics Korea 'Online Shopping Trends'
Note 1: Increases are from previous year of May 2020
Note 2: The numbers on the chart may vary due to the differences in range and samples in the two sources provided by Statistics Korea: 'Service Business Trends' and 'Online Shopping Trends'

Ministry of Trade, Industry, and Energy, Statistics Korea, KPMG COVID-19 Business Report (2020. 7)

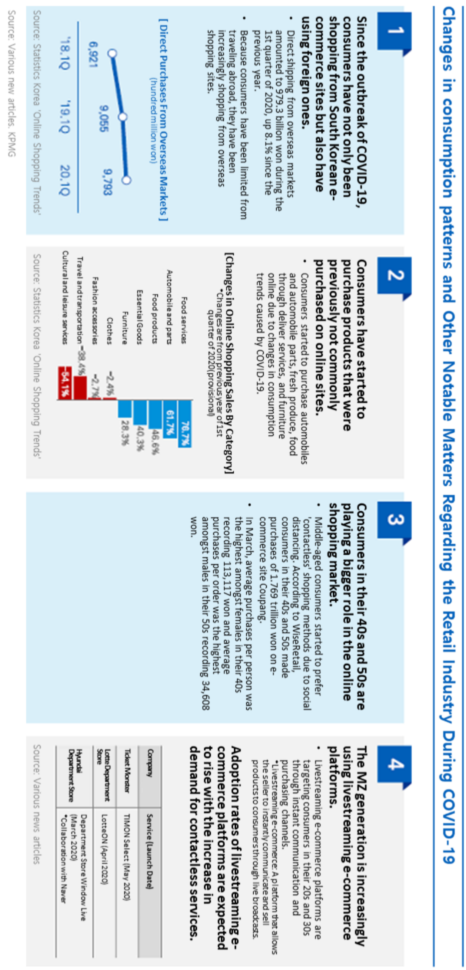
There has been an increase in online consumption for products not easily or frequently bought in this way in the past such as cars/car parts or fresh produce like meats and vegetables due to the spread of Covid-19, which have also been actively purchased on foreign sites.

When looking at different generations, consumers in their 40s and 50s have started to play a bigger role in the e-commerce market. According to WiseRetail, the increase in middle-aged consumers purchasing items through online platforms allowed for e-commerce site Coupang to record 1.769 trillion won worth of purchases just from consumers in their 40s and 50s from February to March of 2020. On the other hand, consumers in their 20s and 30s have shown greater interest in livestreaming e-commerce.

Contactless shopping options are being preferred as Covid-19 cases rise and fears of contracting the virus escalate. Consumption of essential goods and groceries through online shopping and delivery platforms are continuously increasing. Consumers are also utilizing services that allow for products to be delivered within a shorter amount of time by limiting the amount of items that can be placed in their online shopping cart. Therefore, businesses are trying to further limit the number of products that can be purchased at a single time to also further shorten the delivery time.

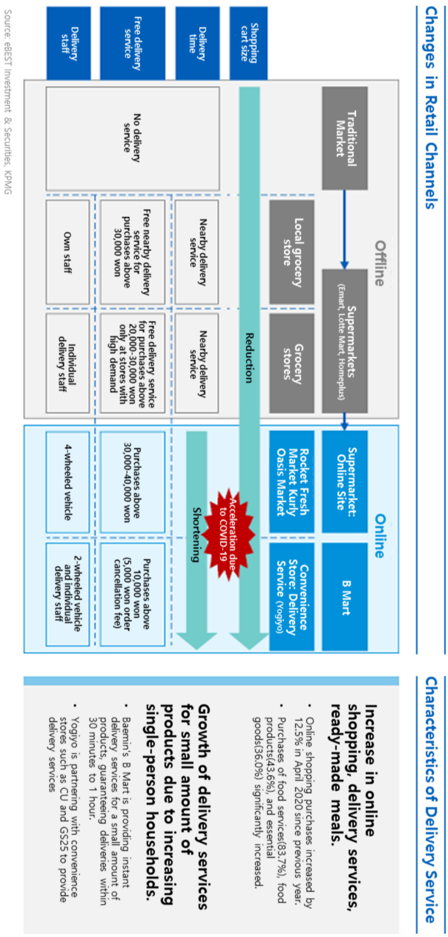
Convenience stores and B-Mart, Baemin’s grocery-delivery service, are examples of businesses providing instant delivery services for a small amount of products, which are suitable for single-person households.

Figure 7 Changes in consumption patterns and Other Notable Matters Regarding



Major news platforms, Samjeong KPMG Economic Ressearch Institute

Figure 8 Changes in Retail Channels



Ebest Investment & Securities, Samjeong KPMG Economic Research Insititute

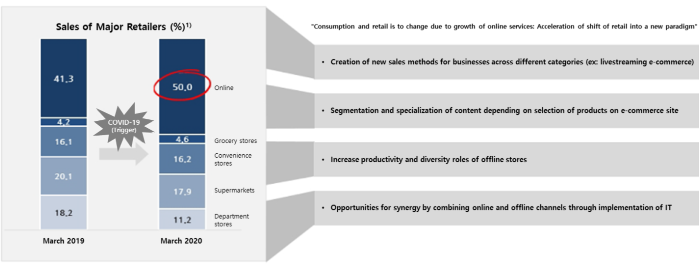
2. THE GROWTH OF E-COMMERCE PLATFORMS AND NEW E-COMMERCE TRENDS

2-1. THE GROWTH OF E-COMMERCE PLATFORMS DUE TO COVID-19

THE RISE OF MOBILE SHOPPING

As the demand for contactless shopping methods increase due to Covid-19, many businesses have transitioned into online platforms. This has allowed for the creation of a new market through the blurring of boundaries between industries and the diversified forms of competition that came into place. The increase in number of businesses transitioning from offline to online services is expected to accelerate, especially due to the rise of individualism and digital technologies.

Figure 9 Sales of major retailers



1) Ministry of Trade, Industry, and Energy (Sales of major retailers)

Ministry of Trade, Industry, and Energy

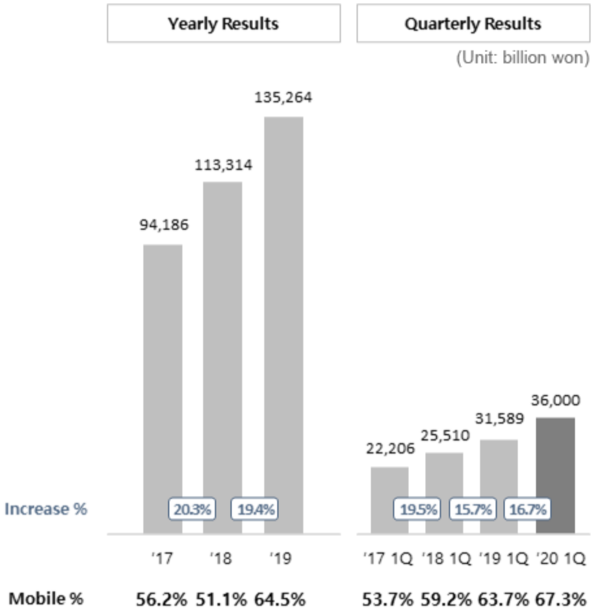
According to the ‘Sales of Major Retailers’ by the Ministry of Trade, Industry and Energy, online sales during the first quarter of 2020 reached 37 trillion won, which is 16.7% higher than during the previous year. On the other hand, sales for fashion, travel, and other related industries have decreased since 2019, which makes 2020 the first year the fashion industry has experienced a decline in sales.

The e-commerce market continues to grow at a double-digit rate and recorded sales of 37 trillion won during the first quarter of 2020, especially due to the growth of mobile shopping, increased demand of essential goods, and greater number of businesses transitioning into online platforms.

Mobile sales are continuously showing an increasing trend, comprising of 70% of total online sales. Purchases from overseas channels have also increased by 12.2% since 2019, maintaining a positive growth rate due to product diversity and price competitiveness.

In March 2020, online shopping sales recorded a growth rate of 31% since the previous year, with sales of groceries and HMR recording a growth rate of 51% and 22%, respectively. Market Kurly, an e-commerce platform for early morning deliveries of fresh produce, recorded monthly sales of 40 to 50 billion won before the outbreak of Covid-19, while in contrast, it recorded monthly sales of almost 100 billion won after the outbreak. O2O (Online-to-Offline) delivery services for groceries are projected to grow continuously.

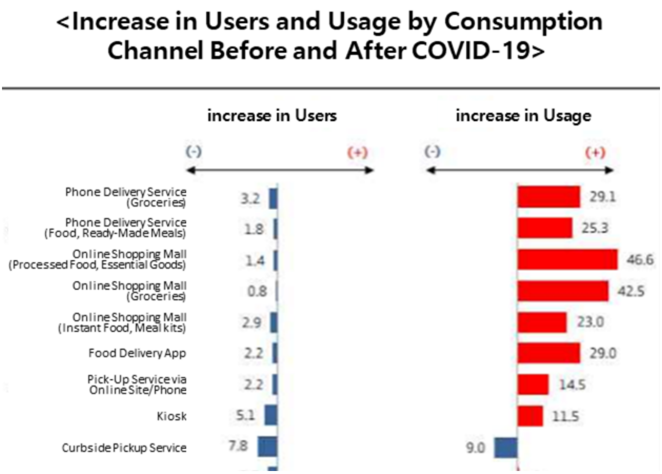
Figure 10 Online Transation and Mobile Usage

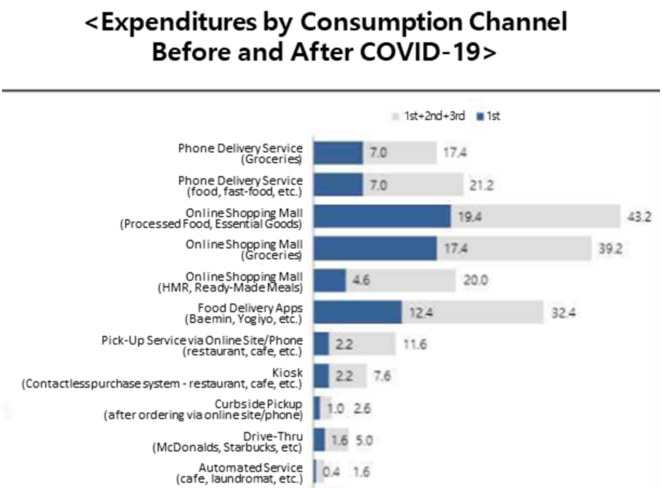


Statistics Korea

There has been a surge in contactless purchases that have been made mostly through online shopping sites, then delivery apps, followed by phone delivery services. Usage rates of online shopping sites for food products, and essential goods have increased by over 40% and usage rates of food delivery apps and phone food delivery services have increased by almost 30%. Similar results have been shown for the sales of such services[8].

Figure 11 Consumption Channel Before and After Covid-19



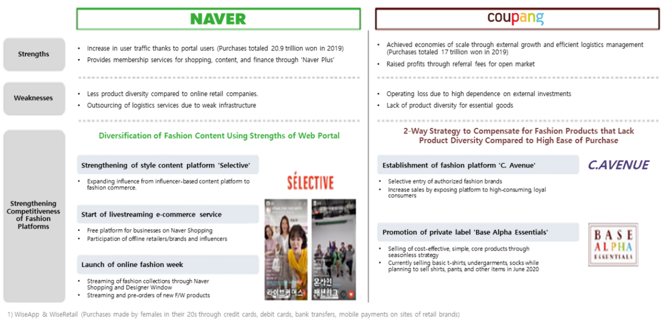


Gyeonggi Research Institute(Contactless Purchases and Strategies for Small Businesses During the COVID-19 Pandemic; June 25, 2020)

According to Samsung Design Net's 'Retail Trends in the First Half of 2020', Naver and Coupang, South Korea's e-commerce giants, are in a two-way race for expanding their influence in the e-commerce market. They are constantly making efforts to improve online services by developing their content regarding commerce, fintech, logistics, and memberships. With Naver and Coupang ranking 1st and 2nd in terms of sales respectively, and aiming to further expand their business activities, the e-commerce market is expected to grow at a rapid rate.

Naver has partnered with online and offline retailers, brands, and influencers to establish an ecosystem that extends from search, store, and payment options to marketing opportunities. On the other hand, Coupang is an online shopping platform that maximizes purchasing and delivery convenience through the addition of a fashion sector as well as a private label under the name 'Base Alpha Essentials'. Consumers have spent a total time of 71.09 million hours on Coupang's platform from January to April of 2019, up 138% during the same period of 2020, equivalent to a total of 169.48 million hours.

Figure 12 Naver vs Coupang



WiseApp & WiseRetail

Consumers' time spent on the Market Kurly platform from January to April of 2020 recorded 3.28 million hours, up 101% from the same period last year. Baemin's users also recorded 3.431 million hours, a 62% increase from the previous year.

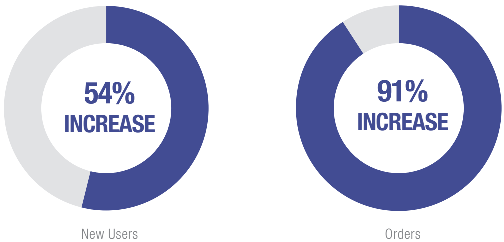
The start-up that recorded the highest growth rate was Carrot Market, recording a total usage time of 17.52 million hours from January to April of 2019, which increased to 49.9 million hours during the same period the following year, equivalent to a 184% growth rate.

Figure 13 Online Shopping/Delivery App Usage Time

igaworks

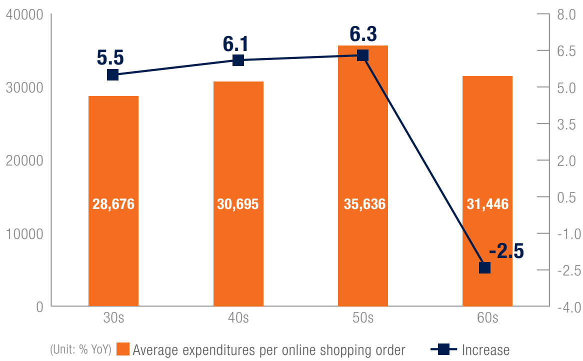
When observing each generation, online shopping amongst middle-aged consumers increased the most. Many middle-aged consumers were attracted to Market Kurly, in which its number of new members increased by 54% and its number of orders increased by 90%. Those in their 50s were shown to have spent the most per order when compared to other age groups.

Figure 14 Patterns of Market Kurly Users in their 50s



Various new articles, Kyobo Securities Research Center

Figure 15 Increase in Expenditures Per Online Shopping Order by Age Group



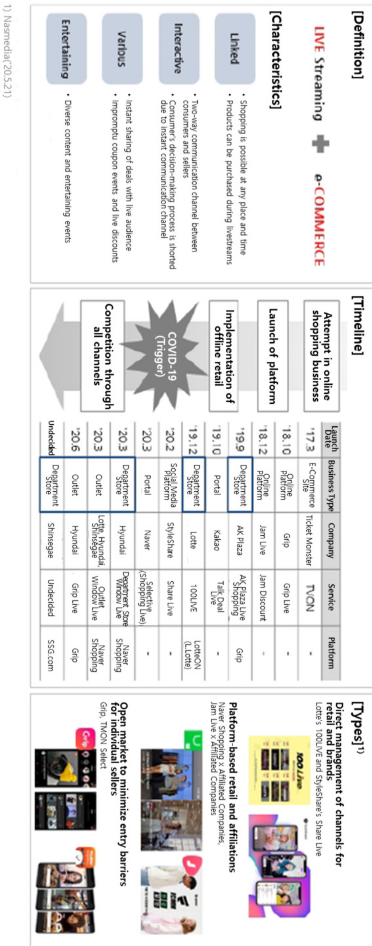
Nielsen Korea, Kyobo Securities Research Center

NEW E-COMMERCE TRENDS: CONTACTLESS O2O, LIVE STREAMING, ETC.

Following the outbreak of Covid-19, greater attention has been given to new online platforms such as those related to livestreaming e-commerce. Livestreaming e-commerce is a business model that incorporates live broadcasting methods for the selling of goods and services. Livestreaming e-commerce platforms have been gaining an incredible amount of popularity because they allow consumers to watch livestreams and make purchases on an app through their mobile phones, which is the reason why livestreaming e-commerce was coined ‘Mobile Home Shopping’.

Livestreaming e-commerce allows for online shopping to take place anywhere and at any time and also provides a two-way communication channel for both the seller and the consumer. This helps shorten the consumer’s decision-making process because the consumer can ask about certain products or services and get immediate feedback through the livestream. Through live broadcasts, sellers can also offer impromptu events through a wide range of benefits including coupons for viewers. Lastly, viewers can participate in livestreams not only to gain information on a certain product or service but also to enjoy different types of content provided on the platform.

Figure 16 Samsung Design Net Retail Trends in the First Half of 2020



Nasmedia('20.5.21)

The first company to provide a service related to livestreaming e-commerce was Ticket Monster through the launch of 'TVON' in 2017, which was followed by the launch of 'Grip' and 'Jam Live' in 2018. The first official livestreaming e-commerce platform in South Korea was 'Grip', which rapidly gained popularity after the Covid-19 outbreak. Grip is a start-up founded by former Naver and Kakao employees and led by CEO Kim Hanna who has experience in building 'Jam Live'. Grip currently works with approximately 2,100 businesses, which quadrupled since October 2019. The number of livestreams has also increased from an average of 10 per day to an average of 80 per day. In March of 2020, sales surged by 233% from the previous month, which demonstrates the potential growth rate of the business for the upcoming years.

As livestreaming e-commerce platforms such as Grip and Jam Live have gained a tremendous amount of interest particularly by those of the MZ generation (millennials and Generation Z), various channels including department stores, portal sites, social media platforms have attempted to host livestreams to sell products and services. Because more players have started to engage in livestreaming e-commerce following the outbreak of Covid-19, there has been greater competition in the e-commerce market.

Figure 17 Livestreaming E-Commerce Participation by Company

Business Type	Company	Service	Platform	Affiliate	Launch Date	Characteristics
Department Store	AK Plaza	AK Plaza Live Shopping	Grip	Grip	'19.9	• 8-10 livestreams in a single day (Completed 200 livestreams in 4 months) • Number of Cumulative followers: 20,000
	Lotte	100 LIVE	L.Lotte	Mobidoo (Sauce Live)	'19.12	• Livestream of 1 brand in a singel day • 20 fold increase of view count in 6 months since launch
	Hyundai	Deparment Store Window Live	Naver Shopping	Naver Shopping	'20.3	• CC Collect recorded sales of 20million won after 40 minute livestream in February
	Shinsegae	Undecided	SSG.com	Mind Mark	Undecided	• Established in May as Shinsegae's TV content creation firm
Outlet	Lotte, Hyundai, Shinsegae	Outlet Window Live	Naver Shopping	Naver Shopping	'20.4	• Lotte Paju Adidas recorded a view count of 4.6 million views and sales of 2.4 billion won in April
Specialty Store	Lotte Hi-Mart	Heart Live	Hi-Mart Mall	Grip	'20.3	• Livestreams take place twice a week. Viewer count increased to 20,000 people in April since the previous month.
Convenience Store	GS25	Live Pre-Orders	Grip		'20.5	• First convenience store to start live pre-order service • Hosted pre-orders of new private label items

BusinessType	Company	Service	Launch Date	Characteristics
Online	TMON	TVON	'17.3	• 5-6 livestreams in a single day • Livestreams feature show hosts and celebrity guests
	Grip	Grip Live	'18.10	• Number of cumulative downloads in April 2020: 700,000 • Number of brands: 2,000
	Jam Live	Jam Discount	'18.12	• Expanded livestreaming e-commerce channel to include mobile quiz show • Number of viewers simulataneously logged onto FCMM in January: 30,000
	StyleShare	29TV	'20.1	• Promotes products through engaging 29-second videos • Provides short-form videos
		Share Live	'20.2	• Collaboration with creators, brands, and MCNs • Livestreams include regular corners and seasonal plans
	Interpark	InterparkTV	'20.3	• Livestreams take place every Tuesdays and Thursdays on the Interpark App • Livestreams feature show hosts and product merchandiser
	Naver	Live Commerce Tool	'20.3	• Operation of 'Selective' on Naver Shopping • Participants can include department stores, outlets, brands, businesses
	Kakao	Kakao Shopping Live (Talk Deal Live)	'20.5 ('19.10)	• Consumers can watch livestreams, purchase products, and participate in events all on the KakaoTalk app • Livestream for Fila sneakers recorded 20,000 people in May
	Facebook	Facebook Shop	2020	• Provides free establishment of online stores on social media platforms • Use of links for purchasing products during livestreams

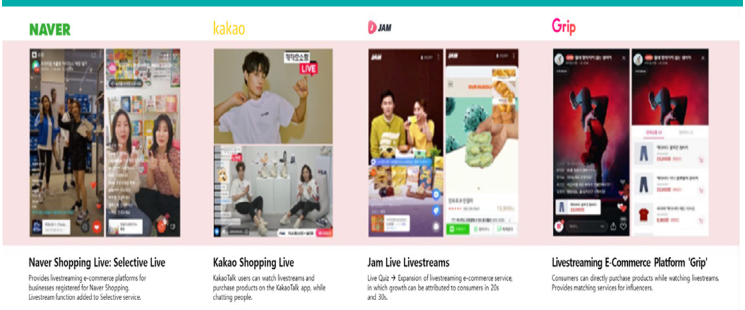
Nasmedia('20.5.21)

LIVESTREAMING E-COMMERCE SERVICES COME IN MANY DIFFERENT FORMS.

1. Businesses like Lotte Department Store or Style Share focus on the retail and brand aspects of e-commerce, which explains why their operations take place on their own individual platforms.
2. Naver Shopping and Jam Live have a greater focus on the platform itself, which is the reason why they partner with different retailers and brands.
3. Grip and Ticket Monster focus on individual sellers by minimizing entry barriers and providing an open market so that sellers can approach consumers through various differentiation strategies.

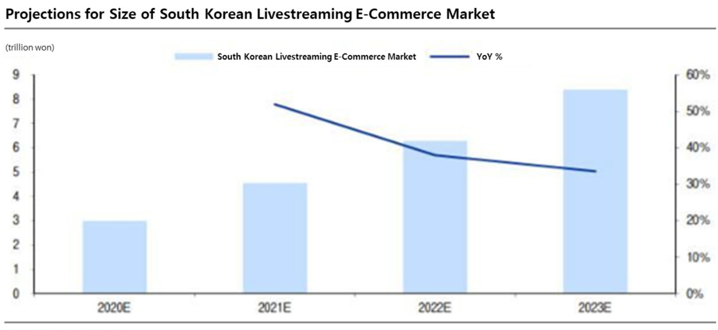
Other businesses like Lotte Hi-Mart and GS25 have partnered with Grip to implement livestreaming e-platforms and later used social media platforms such as Facebook or Instagram to incorporate livestreaming strategies into their online stores through the use of links and hashtags, which demonstrates potential for further transformation of the livestreaming e-commerce market.

Figure 18 Live Commerce Channels in Korea



The livestreaming e-commerce market is expected to grow to reach an estimated revenue of 8 trillion won by the end of 2020. Great attention will be given to whether various channels will continue to dominate the livestreaming e-commerce market or whether certain key players such as large corporations or online platform businesses will take over the livestreaming e-commerce market. It will also be of great interest whether users of livestreaming e-commerce platforms will expand beyond consumers from the MZ generation to those from other generational cohorts.

Figure 19 Projections for Size of South Korean Livestreaming E-Commerce Market



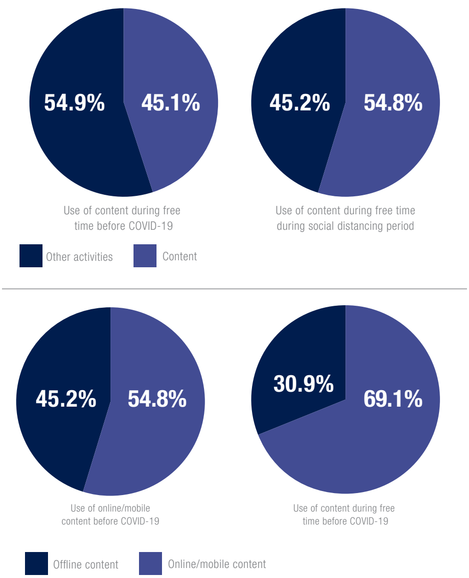
Ebest Investment & Securities

3. THE GROWTH OF DIGITAL MEDIA PLATFORMS AND NEW DIGITAL MEDIA TRENDS

3-1. GROWTH OF DIGITAL MEDIA PLATFORMS DUE TO COVID-19

While the movie and entertainment industries have declined due to Covid-19, media that can be consumed in a 'contactless' way such as OTT (Over-The-Top), games, and webtoons, have gained great interest.

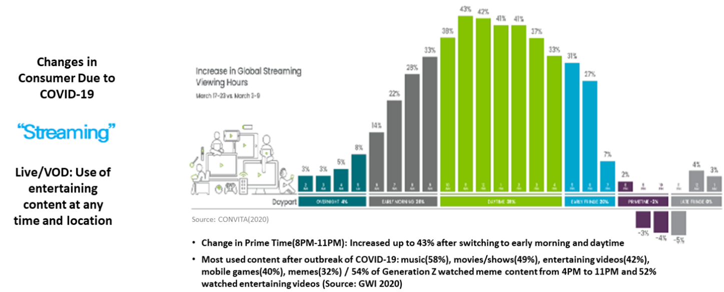
Figure 20 Approach to Content During Times of Social Distancing



KOCCA(2020). <N CONTENT>, vol. 15

The demand for music, movies, shows, entertaining videos, and mobile games have surged after Covid-19 particularly because they can be consumed at any time and place.

Figure 21 Increase in Global Streaming



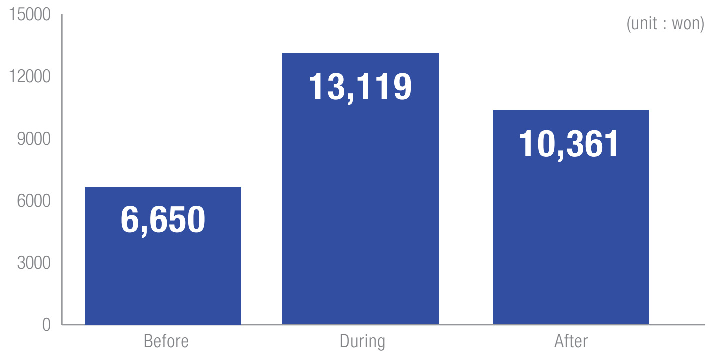
CONVITA(2020)

Gaming has received a negative light after WHO recognized Gaming Disorder as a mental health condition. However, following the spread of Covid-19, gaming has become one of the most preferred leisure activities during the time of social distancing. There has also been an increase in gamers since the start of the pandemic, especially since Nintendo's Animal Crossing became a global trend. The rapid increase in the game's popularity can be analyzed to have occurred because it provides a digital representation of people's lives before the pandemic. According to App Annie, a mobile data and analytics firm, game downloads amounted to 15.1 million during the 4th week of February 2020, compared to 10.9 downloads the previous year, showing a 35% increase.

Expenditure on digital content such as videos, music, and webtoons/web novels have increased significantly since the outbreak of Covid-19 and are expected to increase at a similar rate even after the pandemic.

When observing each type of digital content, video content recorded average monthly expenditures of 6,650 won before the pandemic, which increased to 13,119 won after the outbreak of the virus. After the end of the pandemic, such expenditures are expected to reach 10,361, which is still 55.8% higher than that of the pre-Covid-19 era.

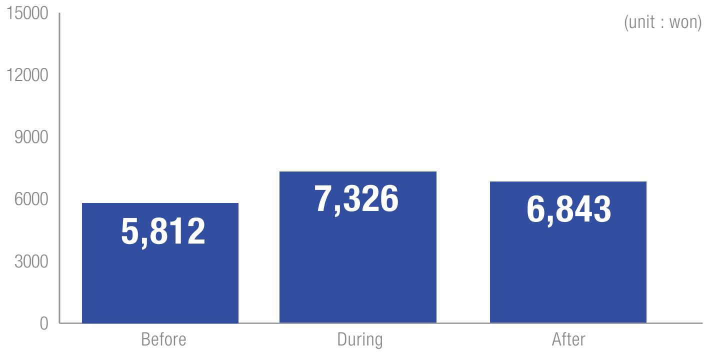
Figure 22 Average Monthly Expenditures of Video Platforms



KOCCA

Before the outbreak of Covid-19, average monthly expenditures of music platforms were at 5,812 won, which increased by 26% and to 7,326 won after the outbreak. Such expenditures are expected to become 6,843 won after the end of the pandemic, which is 17.7% higher than that during the pre-Covid-19 era.

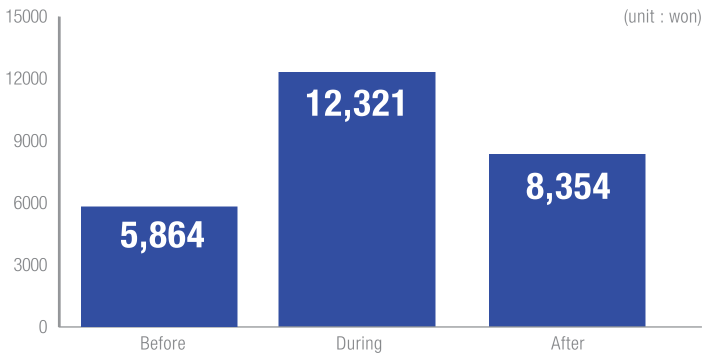
Figure 23 Average Monthly Expenditures of Music Platforms



KOCCA

Monthly average expenditures for webtoons/web novels before the pandemic were 5,864 won, doubling to 12,321 won after the outbreak of the novel coronavirus. Such expenditures are estimated to become 8,354 won after the end of the pandemic, which is 42.5% higher than that during pre-Covid-19 times.

Figure 24 Average Monthly Expenditures of Webtoon/ Web Novel Platforms



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Webtoons, one of South Korea's most popular form of digital content, have been recording a significant growth rate since the start of the pandemic. This can be attributed to their low cost, which allows for consumers to purchase webtoons despite declining economic conditions due to Covid-19. Korean webtoon platforms such as Daum & Naver have expanded their business models through monthly subscriptions, advertisements, original content, IP development, secondary works, and retail.

THE GROWTH OF OTT (OVER-THE-TOP)

OTT platforms have experienced a significant growth rate especially after the outbreak of Covid-19. Internet traffic on OTT platforms have increased by 44.4% in February 2020 compared since the previous month. Online advertising, which is highly compatible with OTT platforms, is also increasing at a rapid rate. OTT platforms were able to experience such growth rates because consumers started to stream more videos while spending a greater amount of time at home due to social distancing. Since OTT platforms rely on a subscription-based business model, consumers can enjoy a massive amount of content at a low cost, which is the primary reason why such platforms have been maintaining a strong performance even during an economic downturn and a pandemic.

"My time spent on watching videos nearly doubled because I now spend more time at home. To expose myself to different types of channels, I tried using a variety of platforms. Before, when I had less free time, I would just watch videos that were recommended through the platform's algorithm. But now, I actively search for the types of videos I want to watch from different platforms such as those related to IT and finance. I sometimes even watch videos from channels that I previously was uninterested in. For example, videos on beekeeping and piloting. From this perspective, I think the channels I watch videos from have diversified." (20s, Yoo OO)

According to a news article from Aju Business Daily, YouTube ranked 1st in the web application sector in terms of number of visitors and usage time in March 2020. YouTube stood at 28.87 million visitors, which was much higher than those of Naver Band (15.85 million) and Instagram (11.05 million), which ranked 2nd and 3rd, respectively. YouTube has ranked 1st for all sectors except for average number of visits, which makes it the most used video content platform in South Korea.

"I used to watch YouTube videos that do not require a lot of concentration such as soccer highlights instead of cooking tutorials because I would watch them after work or before going to bed. Now that I have a lot more free time in the morning, I usually watch cooking videos while working out so that I can decide what to make for breakfast." (University student, 20s, Yang OO)

"I subscribed to YouTube Premium after I started to spend more time on YouTube. Now that I pay a subscription fee every month, I spend even more time on YouTube to get a greater value out of the fixed cost." (University Student, 20s, Yoo OO)

"Once I wake up in the morning and turn on my computer, I spend the rest of my day in front of the computer. Because I have two computer monitors, I use one for YouTube videos while using the other for other tasks. This is the reason why I do not watch TV." (University student, 20s, Park O)

"As I started spending a greater amount of time at home, I started searching for video content that could help me kill time. Thanks to the YouTube algorithm that gives me video recommendations, I can easily watch videos that align with my interests. Because YouTube also recommends me a full list of videos, I can make 5 to 6 hours pass quickly by watching all the videos in that list. Sometimes, I can even find new interests along the way, which makes me spend even more time on the platform." (White-collar worker, 20s)

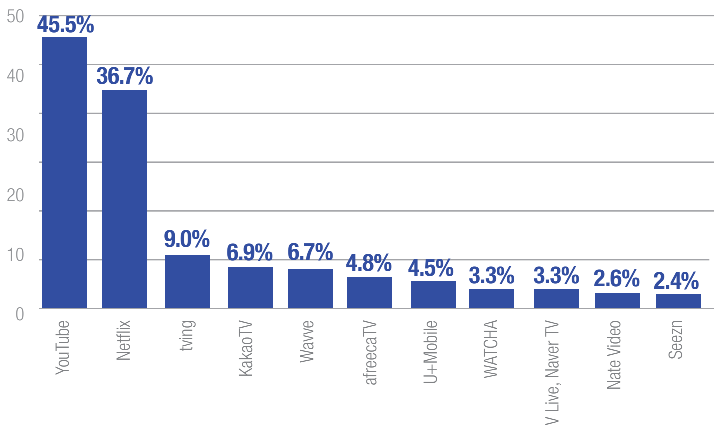
The average number of visits to major social network platforms have been 290.7, 131.2 and 123.0 times for Twitter, Facebook, and Instagram, respectively. According to Incross, these major platforms were able to record such high numbers because of their short-form video content.

"TikTok is an app that is used by many South Koreans as well as foreigners, which allows for a diverse range of creative and entertaining content. Because the videos are short, I can watch a greater number of videos, which makes me spend a longer time on the app." (University student, 20s, Kwak OO)

Covid-19 cases surged in March 2020, which caused the usage rates of many platforms to significantly increase compared to the previous month. Among such platforms, usage times for PC webpages have shown a notable growth rate. The time spent on YouTube's PC webpage was 124.3 minutes, up 19.1% since February while the time spent on Twitter's PC webpage amounted to 60.9 minutes, up 28.8% since February.

According the findings of a South Korean mobile analytics company, South Koreans spent a total of 157.91 million hours on Netflix from January to April in 2020, recording a 186% increase compared to the previous year. On the other hand, 'Wave', a South Korean OTT platform, recorded a total of 145.8 hours, a 118% increase since the previous year.

Figure 25 New Users of Video Platforms During Social Distancing Period



KOCCA(2020), <N CONTENT>, vol. 15

"I used Wave since it first launched as Oksusu, but I think Netflix is much better than Wave in terms of service quality. The biggest different between Wave and Netflix is the type of content that are provided on each platform. As Wave is a Korean company, it provides a wider range of Korean series whereas Netflix provides more American ones. Currently, the ratio of my time spent on both platforms is 9:1, with more time being spent on Netflix. (20s, Yoo OO)"

"I watched a lot of digital media content even before the outbreak of Covid-19, but out of the many platforms that are available, my time on Netflix has increased the most. I think this is because I have been trying to watch all the series and documentaries I was not able to watch before now that I have more time. (University student, 20s, Kwak OO)"

Figure 26 South Korean OTT Platforms

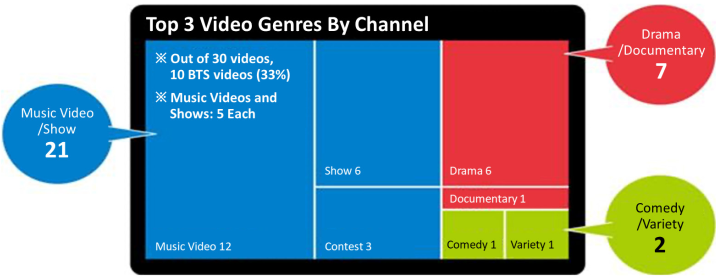
	wavve	TVING	WATCHA
OTT	Wavve	tving	WATCHA
Launch Date	September 2019	June 2010	January 2016
Compatible Devices	Mobile, PC, Tablet PC, Smart TV	Mobile, PC, Tablet PC, Smart TV	Mobile, PC, Tablet PC, Smart TV
Number of Content	102 Real-Time Channels, More Than 25,000 VOC	36 Real-Time Channels, 61,000 VOD	80,000 Korean and Foreign Movies
Monthly Subscription Fee	• Basic: 7,900 won • Standard: 10,900 won • Premium: 13,900 won	• tving Unlimited: 11,900 won • tving Unlimited Plus: 15,900 won • Movie Premium: 9,900 won	• Basic: 7,900 won • Premium: 12,900 won
Characteristics	• Provides quick VOD 6 minutes after start of live terrestrial broadcasts • Offers 5GX Multi-view service for Sports, Esports, and K-Pop performances	• Start of OTT joint venture with JTBC in October 2020 • Free viewing of 36 real-time channels • Selling of goods related to popular content	• Movie recommendations based on machine learning technology • Pre-launch movies through Watcha Exclusive service

Source: Eugene Investment

Eugene Investment & Securities, "Initiate: Media/Ads," October 14, 2020

When observing the top 3 digital media genres by online video channel it has been shown that there is a greater preference for simple and engaging content such as music videos, shows, and dramas. From December 2019 to April 2020, the most popular key words searched on Netflix were 'Korean, series, crime/ thriller, romance, reality, and variety', which show that consumers had a greater tendency to view entertaining content.

Figure 27 Popular Key Words for Video Content During COVID-19



Hankook Ilbo

THE THREATS AND OPPORTUNITIES OF CONTENT PRODUCTION AND SURVIVAL

Nowadays, it is common to think that life will not be able to go back to pre-Covid-19 times. Because living with an infectious disease has become a norm, the content industry is aiming to adapt to new changes in preparation for a prolonged Covid-19 pandemic.

Entertainment businesses have been hosting online concerts since the beginning of the pandemic and have shown that ‘contactless concerts’ have potential for further growth in the near future. The implementation of online services for the content industry is no longer a choice, but a necessity. Therefore, businesses need to create a new business model by combining offline content with online services through platforms such as YouTube or through the incorporation of technologies such as 5G and VR. Further attention will also be given to how businesses provide more entertaining and engaging content through contactless services in months to come.

NEW DIGITAL MEDIA TRENDS: SHORT-FORM CONTENT, ONLINE CONCERTS, ETC.

SHORT-FORM CONTENT EXPANDS TO DRAMAS AND CONCERTS

Mobile data and analytics firm App Annie recently released a report on Mobile Trends in 2021. App Annie raised projections regarding the significant increase of the use of apps due to the 'New Normal' and the greater amount of time spent at home. In 2021, video streaming app downloads in South Korea are expected to reach an average of 8 per smartphone, up by 80% compared to 2019. The US is expected to reach an average of 9.5, up 85%, while the UK is expected to reach an average of 7.3, up 60% from the previous year. App Annie also expects TikTok to reach 1.2 billion average monthly active users (MAU), making it eligible to join the 1 billion MAU club alongside Facebook, WhatsApp, and WeChat.

'TikTok' is a short-form video content platform that gained a lot of attention with the rise of the 'New Normal'. Amidst the prolonged pandemic, consumers are in search for 'short', 'online' content, which are the key qualities of TikTok videos.

"Before the pandemic, I used to watch TikTok videos for only 1 to 2 minutes. However, as I started to spend more time at home after the pandemic, I also started to spend more time on TikTok. Because people used to only look at their phones during their free time such as when walking to certain places or transferring to different subway lines, TikTok videos were consumed only during certain times of the day. Now that people have more free time at home, they watch more TikTok videos and for a longer period of time. This is possible because TikTok videos are extremely short, making it difficult for people to get tired of watching them." (University student, 20s, Park O)

In addition to the content on TikTok, short-form videos including short dramas and plays compatible with mobile devices are also gaining a lot of popularity. The prolonging of the pandemic has made it especially difficult for people to attend concerts and musicals, which explains the rise in consumption of short-form videos.

In September 2020, Kakao TV launched its first original content, 'Love Revolution', which is based on a webtoon series. The drama series gained a great amount of popularity amongst the younger generation, achieving 1 million views in just two days. The duration of each episode is around 10 minutes, which allows mobile users to easily watch these videos at any time and location.

Short-form content is also expanding to include other genres in addition to dramas. Such 10-minute videos are starting to portray lifestyles of different celebrities, challenges by comedians, and musical series based on performances that were originally 80 minutes long.

Although online performances have become more prevalent due to the spread of Covid-19, the reason entertainment businesses have been focusing on short-form content is because consumers are finding it increasingly difficult to concentrate on pieces that are 20 minutes or longer. Thus, short-form videos are expected to further evolve and take on many more different forms depending on the tastes and preferences of consumers.

MOBILE-OPTIMIZED, VERTICAL CONTENT

Most smartphones, like our physical orientations, are vertical in shape, which has a large influence on the way we use smartphones. According to device analytics firm ScientiaMobile, 90% of smartphone users hold their smartphones vertically when playing games or taking photos. 72% of respondents have said that they watch horizontal videos while holding their smartphones vertically, which shows that people have a preference for vertical content.

Consequently, businesses are finding a greater need to create vertical content to appeal to more consumers. The content industry is most actively aiming to provide content optimized for mobile devices when held vertically.

The leader in producing vertical content is ‘TikTok’. After TikTok gained a tremendous amount of success from its mobile-first strategy, other video content platforms started to also introduce services optimized for producing and viewing vertical videos. ‘YouTube Stories’ on YouTube and ‘IGTV’ on Instagram are typical examples of platforms for vertical content. While launching IGTV, Instagram co-founder Kevin Systrom stated that mobile content needs to evolve to adapt to the current mobile era, which is why IGTV is a platform specifically for vertical videos.

Among Korean companies, Kakao stepped into the OTT market in September 2020, with interests in producing vertical content. Kakao’s entertainment affiliate, Kakao M, introduced Kakao TV to provide streaming services that are optimized for mobile devices. Users can watch videos while sending messages on Kakao Talk without having to close any apps. Naver is also providing similar services through V Live and Naver TV, whilst making efforts to provide a greater amount of vertical content through its apps.

‘Wave’ is providing Kakao TV’s original contents such as ‘Myeoneuragi’ and ‘How To Be Thirty’ on its platform. Due to the growth of short-form content, Wave is planning to increase its investments for production of short-form videos depending on the responses of its users towards its current works.

Tving has adapted current trends by expanding its sitcom sector to include short-form dramas. Currently, tving is making efforts to also include web-drama series and other contents optimized for mobile devices.

In addition to OTT platforms, SKT gained success in the short-form video market by introducing ‘V Coloring’, a service that plays short-form videos selected or created by the receiver on the caller’s device, which already obtained over 500,000 users. Samsung Electronics launched ‘The Sero’, which is a TV that can switch from horizontal and vertical orientations. After pairing a smartphone with the Sero TV through NFC, users can stream content from social media, streaming, and gaming platforms from their mobile device through mirroring technology.

AT-HOME ONLINE CONCERTS AND PERFORMANCES

Big Hit Entertainment, the management agency behind K-Pop boy band BTS, hosted a virtual concert under the name Bang Bang Con, in April and June of 2020. As soon as the agency realized that offline concerts would not be possible after the outbreak of Covid-19, it was quick to develop a platform in-house to stream its concerts for global fans.

Bang Bang Con was able to attract fans from 107 countries, which reached up to 7.56 million viewers who were logged on simultaneously. It also resulted in MD sales of 15.4 billion won and ticket sales of 14.4 billion won, which shows the potential success of future concert platforms.

Figure 28 Big Hit Entertainment Plans to Maximize Revenues and Content Consumption

Big Hit Entertainment Plans to Maximize Revenues and Content Consumption by Hosting Hybrid Online and Offline Concert

	BTS Speak Yourself [The Final] October 2019 (3 Concerts)	BTS Bang Bang Con April 2020	BTS Bang Bang Con June 2020 (1 Concert)	Hybrid concert (Planned) October 2020
Concert Type	Offline and online concerts (150 minutes per concert X 3 concerts = 450 minutes)	Beta-test for live concert streaming (11 hours + 12 hours = 1,380 minutes)	First paid stream of live concert (on Weverse)(90 minutes)	Hybrid concert: Combination of offline performance and livestreaming (180 minutes per concert x 2 concerts = 360 minutes)
Audience /Viewers	150,000 (Offline participants)	4,000,000 (Free stream on YouTube and Weverse)	756,000 (Paid stream on Weverse: Total number of viewers logged on simultaneously)	?
Merchandise Revenue (Per 10 Minutes of Event)	8.4 billion won (190 million won)	37.2 billion won (270 million won)	15.4 billion won (1.71 billion won)	?
Ticket Revenue (Per 10 Minutes of Event)	13.2 billion won (290 million won)	Free live streaming	14.4 billion won (1.6 billion won)	?

HYBE Corporation

SM Entertainment also streamed its online concert, 'Beyond LIVE', in May 2020, which received a lot of attention from fans and global media channels including Billboard particularly because of NCT 127's performance. Billboard even published an article with the title "The 10 Best Moments of NCT 127's 'Beyond the Origin' Live Stream Concert," which first praised the 3D graphics used for its opening number "Cherry Bomb" and AR technology used for the performance of their latest single, "Kick It," which featured a virtual dragon flying around the screen. The article also praised the group's visual performance of ''Highway to Heaven," that used high-quality technology to project an actual highway on an LED screen, which made the audience feel as they were watching the performance in-person.

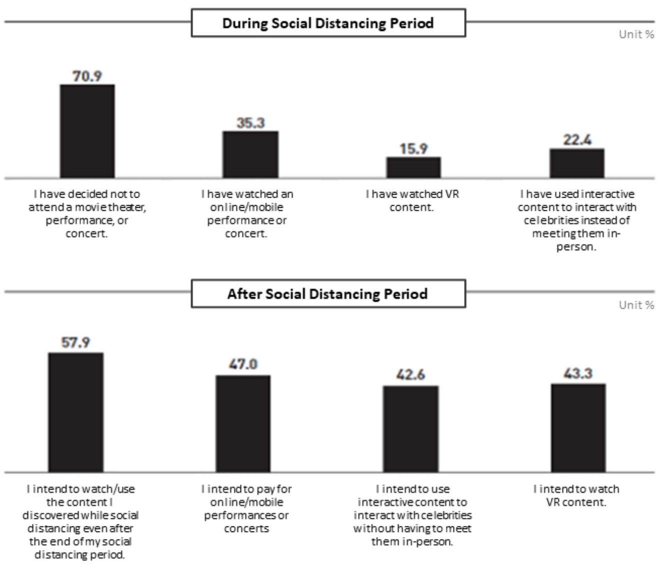
The entertainment industry, which suffered many losses due to its inability to stage offline concerts after the Covid-19 outbreak, also started to host online concerts. Such efforts even extended to broadcasting performances, livestreaming concerts, and selling content. With the entertainment industry playing a bigger role in the online market, terms such as web musicals and web plays have also come to rise.

Recently, the web-only musical ‘Killer Party’ has been drawing lots of attention from musical fans. ‘Killer Party’ is a murder mystery musical about a detective case trying to solve a murder at a mansion, which consists of 9 episodes that are each approximately 10 minutes long. The production process of the musical was well-adapted to the needs of the pandemic, since the scenes were practiced and filmed at each actor’s home.

Seoul Arts Center launched a series of short-form plays under the ‘Play Clips’ project. The short-form plays have been shortened from 90 to 40 minutes and have been divided into 5 different episodes, making them more accessible to the general audience. Unlike web drama series, short-form plays have a theatrical element, which is why the plays for ‘Play Clips’ were filmed on a stage and contain more dramatic acting styles.

After the outbreak of Covid-19, online concerts/performances, VR content, and online fan meetings have increasingly replaced movies at movie theaters and in-person concerts. The use of such online services is expected to continue even after the end of the pandemic, and it is projected that these services will experience a continuously increasing growth rate due to the increase in demand for different types of experiences through a variety of content.

Figure 29 At-Home Online Performances



KOCCA(2020), <N CONTENT>, vol. 15

MEDIA

Dohie Kim
Project Manager, CRE

IN A NUTSHELL

The advertising market was not able to avoid being impacted by the outbreak of the pandemic in 2020.

Media consumption has drastically increased as people started spending more time at home due to social distancing measures. However, while the overall advertising market is expected to stagnate, digital media is expected to experience significant growth. Changes within the advertising market depends on the growth of new media, which has been demonstrated by the prevalent use of disclaimers for ads due to the rise in controversies surrounding deceptive advertisements.

As the growth of traditional media stagnates, the size of newer advertising channels and content is continuously expanding, which is the primary reason for the growth of the overall advertising market. Because people started spending more time watching media content after the Covid-19 outbreak, a greater number of people started paying subscription fees to avoid advertisements. Due to this change in consumer behavior, businesses that were able to quickly adapt to the changes in media content were able to attain success.

Significant changes in the advertising market are also expected to occur in 2021.

South Korea’s top video content platform YouTube announced that channels that are not a part of the YouTube Partner Program (YPP) will also have to include advertisements starting 2021. As a result, users who are not subscribed to YouTube Premium (YouTube’s subscription program) are expected to be over-exposed to advertisements, and the platform is expected to receive a tremendous amount of backlash from channels that are not monetized.

Thus, greater attention should be given to whether YouTube will successfully expand its advertising market and the types of changes this expansion will bring to the overall advertising market

COMMUNICATION & ADVERTISING IN TIME OF CRISIS

ARE TV ADVERTISEMENTS NECESSARY?

"Are TV advertisements necessary when advertising budgets are limited?"

This is a question that is frequently asked by clients when advertisement studies are conducted.

Although it is difficult to give a definite answer, we have continuously mentioned to clients that "TV advertisements are necessary to increase ad reach despite their high costs."

Digital advertisements and eCommerce have a high exposure amongst those in younger generations while offline channels are primarily being targeted to those in older generations. However, because TV advertisements are effectively influencing the transition from integrated awareness to campaign awareness, TV advertisements are playing a significant role in the advertising market.

Because the role of each media type is different, the prevailing argument was that there should be a unique key performance indicator (KPI) for each media type when producing content. Thus, if TV advertisements are evaluated to be more influential in raising brand awareness, digital advertisements comprised of longer videos should have a greater focus on including more information about the product and containing an emotional factor by delivering the story of the brand or product to elevate the consumer's preferences for purchasing the product.

However, despite the benefits of TV advertisements, the advertising market is becoming more concentrated on digital advertisements.

Unlike TV advertisements, digital media is an attractive form of marketing for advertisers because they require a lower budget. Digital advertising is an impactful yet cost effective approach of marketing, which is the reason why many advertisers are increasingly preferring this method of advertising over TV advertising.

According to KOBACO (Korea Broadcast Advertising Corporation), expenditures for digital or online advertisements have surpassed that for TV advertisements in 2016 and have recorded a significant growth rate for the last five years. Thus, while overall media costs are decreasing compared to previous years, expenditures for digital advertisements are continuously on the rise.

The estimated cost for online advertisements in South Korea amount to 7.3889 trillion won, which is more than double that of TV advertisements.

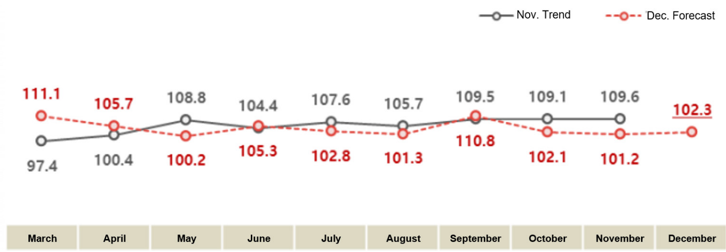
CHANGES AND ACCELERATION IN MEDIA CONSUMPTION DUE TO COVID-19

It would be difficult to describe the changes in media that occurred in 2020 without explaining the influence of Covid-19. The decrease in disposable income in South Korea caused by the pandemic had a direct impact on the sales for businesses.

The outbreak of Covid-19 not only had a negative impact on the economy but also brought fundamental changes to people's lifestyles. The application of social distancing measures restricted people from partaking in outdoor and group activities which in turn caused people to search for individual spaces rather than shared ones. As remote work and online education became more common, media consumption within living spaces also started to be on the rise. Thus, people not only watch more TV but also consume more content through video platforms such as OTT (over-the-top) services.

Despite the rise in such video platforms, Covid-19 is causing the overall advertising market to become more stagnant. According to KOBACO's KAI (Korea Advertising Index), the overall trend of the advertising industry has shown to have a lower index for the first half of the year compared to the forecasted index. Although this index has been slightly increasing during the second half of the year, it is still much lower compared to the previous year.

Figure 1 Trend of the Advertising Market and the Korea Advertising Index



KOBACO, "Influence of COVID-19 on the Media and Advertising Market," December 2020

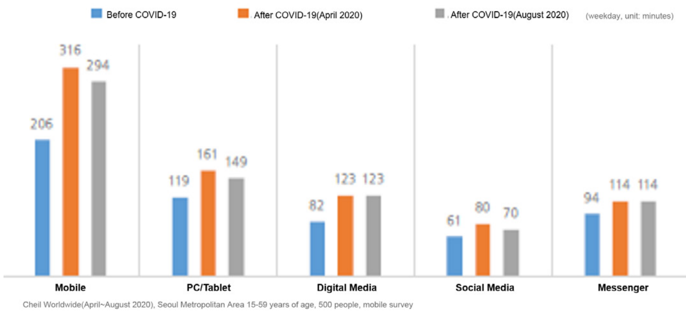
As the time spent watching TV has increased due to people spending more time at home, it has been revealed that this was largely influenced by a large number of people watching comprehensive programming TV channels and broadcasts related to Covid-19[1].

Although more people started to spend a greater amount of time watching TV, companies reduced production and investments related to advertising expenses due to the declining economy and the uncertainties brought by Covid-19. Such uncertainties include the cancellation or postponement of international sports and professional league events including the Tokyo Olympics, which were expected to be trending programs.

THE GROWTH OF THE DIGITAL ADVERTISING MARKET

Despite the economic decline and the stagnation of TV advertisements caused by Covid-19, the digital advertising market is expected to experience a continuous growth rate. Following the outbreak of the pandemic, usage rates of PC and mobile devices have surged and usage rates of digital services have been stable after experiencing an increasing trend. More specifically, time spent watching digital content has not decreased despite the fact that it previously increased by 50%.

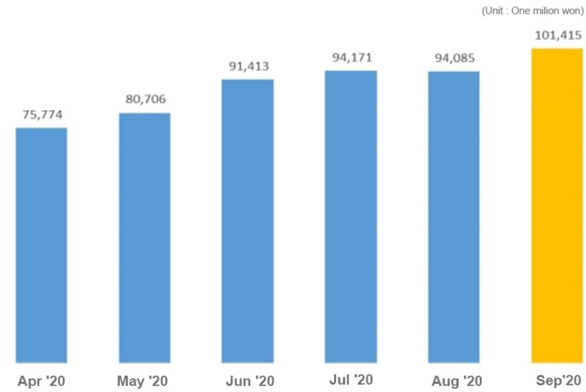
Figure 2 Changes in Usage Time of Digital Devices



KFAA, Trend of the Advertising Industry vol 326

As the term 'Covid-19 boom' implies, the digital media industry is aiming to regard the current situation as an opportunity. The operating profits of South Korea's top internet search portal, Naver, increased by 79.7% during the second quarter of 2020 compared to the previous year, while that of Kakao increased by 141.7% during the same period[2]. Kakao Talk Biz used AI technology to transition from targeted advertising to promote advertising while Naver's Smart Channel depends on performance-based ads and raised revenues through a CPC (cost per click) model. These are two types of strategies that played a significant role in increasing the sales of both services.

Figure 3 Monthly Expenses of Video Advertisements



Researchad, "Video Report," October 2020

Advertisements of both Kakao and Naver are based on mobile platforms and use AI technologies for targeting strategies, which influence consumers to search and even shop for products after being exposed to an advertisement. Kakao also launched an OTT service called Kakao TV which is an ad-based revenue model, while Naver plans to develop its webtoon service and V Live platform to expand its content platforms and digital advertisements. Therefore, Kakao and Naver are both aiming to use their services to adapt to a contactless society, respond to consumers' needs, and raise advertisers' revenues[3].

CONSUMERS MAKING PAYMENTS TO AVOID ADVERTISEMENTS

Advertising channels and content have changed in response to shifts in content consumption, which started to transition from video clips to OTT services.

Although marketers have always focused on the growth of OTT services, OTT platforms are not optimized channels for advertisements. Netflix is currently South Korea's top OTT platform in terms of usage rate, but currently does not support advertisements and will most likely continue not to. Wavve (www.wavve.com) is another OTT platform that primarily provides content from South Korea's three major broadcasting companies and also does not support advertisements other than those from live content that are identical to TV advertisements.

While CJ E&M's TVING (www.tving.com) provides independent advertisements in live content, such advertisements are very restricted and do not comprise of a large portion of the company's revenues. On the other hand, consumers who watch video clips on YouTube have increasingly been subscribing to 'YouTube Premium', an ad-free subscription service.

How can businesses expose brands to consumers who prefer using ad-free channels?

Although providing original and branded content would be ideal, doing so is nearly impossible on OTT channels. Even if companies start providing such types of content on OTT channels, the likeliness of them being selected amongst thousands of other types of content is extremely low. On YouTube, the number of views for original content largely come from the advertisements the channel provides.

In order to target subscribers of paid OTT services with advertisements, businesses should collabourate with content producers to create branded content, which is commonly known as PPL (Product Placement) advertising[4].

THE ACCELERATED EXPANSION OF PPL THROUGH OTT SERVICES

PPL advertising always remained an effective marketing method even before OTT services started gaining the spotlight. This is because this type of advertising exposes the audience to brands and products through those who are featured in the content, which effectively increases the level of engagement of consumers. PPL advertising is also cost-effective in the sense that the use of advertisement models, production, channels can all be handled within a given budget which in turn helps create effective marketing through the exposure of advertisements with premieres, re-runs, VOD, and video clips.

Users of OTT services can watch content at a preferred time and location, which makes content consumption convenient. Users of services, such as YouTube or Naver TV, that provide video clips can also be exposed to PPL advertisements within a short period of time. Therefore, because content is delivered in diverse forms nowadays, consumers can be exposed to PPL advertisements disregarding a specific time and place.

Since the past, the Korean Wave played a significant role in influencing people to consume Korean dramas and shows on a global scale. The rise in OTT services and its consumption has provided an additional channel for people to be able to consume even more content. In the past, a long period of time was required for content that was first broadcasted in South Korea to be sold and broadcasted to overseas markets. This made it nearly impossible for such content to include PPL advertisements because advertisers would not be able to market their brand within a desired period of time.

Users of OTT services no longer dislike PPL advertisements. Viewers of online content now encourage advertisers of PPL advertisements to financially support the production of their preferred content, and sometimes even contact advertisers directly. These tendencies have become a trend once creators started to explicitly thank advertisers who helped the production of their content. Creators have also been using the hashtag #MyMoneyMyPurchase since misleading ads can cause greater controversies[5].

Consumers’ interests towards PPL advertisements are demonstrated in figures measuring advertising effectiveness.

According to a campaign study conducted by Ipsos in August 2020, awareness for PPL advertisements increased from around 10% to around 50%, which is a 40% increase since the previous year. Therefore, it can be inferred that PPL advertisements played a significant role is raising overall campaign awareness. It is true that the position of certain brands and products changed since last year, which was influenced by multiple factors instead of just the popularity of the content the PPL advertisement was featured in.

However, a PPL advertisement that was featured in a well-known variety show for a single time recorded an awareness level of 50%. This shows that PPL advertisements impose a significant influence on exposure through specific content and that people’s perceptions towards PPL advertisements changed.

BOLDNESS OF PPL ADVERTISEMENTS ON TV CONTENT

Recently, there has been a show called ‘Hangout With Yoo’ by MBC that has been trying to include PPL advertisements. This deserves great attention because it is more difficult for variety shows to include PPL advertisements compared to dramas since dramas have a set storyline. Therefore, because it is usually difficult for variety shows to construct a fixed storyline while also being entertaining, most variety shows feature branded clothing worn by the celebrities.

PPL advertisements were explicitly featured in the ‘Refund Sisters’ episodes for ’Hangout With Yoo’. In one episode, Jimmy Yoo(Yoo Jae-seok) hands steamed buns to the other members while talking about production fees. While also sharing ion drinks which were also features in ‘Infinite Challenge’, Jimmy Yoo mentions that the others were destined to meet their new ‘guest’. The SUV that was featured since the debut of ‘SSAK3’ was also featured in the ‘Refund Sisters’ episodes. During the ‘SSAK3’ episodes, steak was prepared at the waiting room for ‘Music Core’ and a collection of snacks were provided at the music video set.

There were also more discreet PPL advertisements. During the interviews for selecting a manager, Jimmy Yoo hands Jo Se-ho a newly launched smartphone to test is photography skills. Once Jo receives the smartphone, he takes a photo of Jimmy Yoo aiming to make his legs look longer.

After YouTube channels started to be involved in controversies regarding ‘deceptive advertisements’, broadcasting companies became more careful about featuring PPL advertisements. tvN’s ‘Rakkinam’ earned a legal warning from the Korea Communications Standards Commission for blatantly promoting ramen, which is a sponsored product. With the continued PPL advertisements and ramen being the main concept of the show, the program was eventually determined to have gone against broadcasting standards. Because such standards still remain vague, the producers of the show were caught up in great confusion regarding the direction of the show. This shows how difficult it is for variety shows to include PPL advertisements[7].

Despite such difficulties, dramas and variety shows are increasingly including PPL advertisements which are currently being explicitly shown as a form of entertainment.

CONTROVERSIES REGARDING DECEPTIVE ADVERTISEMENTS

"Hello, this is ..."

A blank thumbnail and a concise title which reveals the identity of a specific individual. After clicking on the video, a familiar person with a sad expression and in simple clothing is making an apology. The individual then talks about how the advertisement failed to include a disclaimer while promoting a product or service. This summarizes the controversies regarding deceptive advertisements during the summer of 2020.

Well-known YouTubers including Kim Bo-kyeom, MBRO, and YangPang as well as the infamous stylist Han Hye-yeon were all involved in the 'deceptive advertisement controversy'. Because so many people were involved, including both influencers and celebrities, this controversy had a significant impact on the online broadcasting industry. Due to its impact, the term 'deceptive advertising' even became popularized to the public.

Influencers demonstrated inappropriate behavior by creating sponsored beauty, fitness, parenting, food-related content without revealing that it was an advertisement. YouTubers who were not involved in the controversy explicitly revealed their innocence while criticizing others who were involved. Some even created a list of those who were involved in the controversy or a compilation of videos showing those who apologized for their involvement. Other YouTubers who deemed themselves as innocent created reaction videos to share their sentiments of betrayal to the public.

The ‘deceptive advertisement controversy’ in 2020 revealed the interactive nature of new media. Unlike traditional media, influencers of new media including Instagram and YouTube do not only deliver information to influence others. They are at the center of a group of people who call themselves ‘subscribers’ or ‘fans’ by interacting with them. Therefore, apart from the legal issues that came to light due to this controversy, viewers emphasized their disappointment towards the presence of a moral issue because influencers falsely claimed that their content were not advertisements.

Following the ‘deceptive advertisement controversy’, YouTube started required content creators to include a label of whether their videos include a paid promotion starting September 2020. Since then, brands that remained discreet under the name of ‘influencer marketing’ started to be revealed explicitly through digital PPL advertisements[8].

YOUTUBE CHANNELS FOR EXPLICIT ADVERTISEMENTS – ONLINE VARIETY CHANNELS

During the ‘deceptive advertisement controversy’, an online variety channel that rapidly gained subscribers was Dalla Studio. It is a channel that targets various businesses for explicit advertisements to break through the controversy. Dalla Studio[9] rapidly gained subscribers right after it was created in May 2020 and has 1.12 million subscribers as of December 2020. Out of its many videos, Nego King has been gaining an increasing amount of attention which played a significant role in influencing the growth of the channel. Nego King is a variety series that features Hwang Kwang-hee who negotiates promotion deals with businesses.

BBQ’s discount event that was featured in Nego King’s first episode on August 7, 2020 gained a lot of attention by providing consumers with an exceptional deal, which raised expectations amongst consumers for upcoming videos to continue to provide them with insightful information. Following its first episode, the Nego King series uploaded videos related to franchises, consumer goods, and retail brands. Because the series continues to expand the types of businesses it features, it was able to record millions of views every time a new video was uploaded.

In collabouration with Nego King, BBQ launched a promotion event for its ‘golden olive chicken’ which was sold with two cheeseballs at 18 thousand won, a 7 thousand won discount. BBQ’s revenue during the first weekend after the video was uploaded increased by 44% since the first year, a 6.5 billion won increase. In addition, because BBQ launched this promotion event only on its app and homepage, users of its online services increased from 300 thousand to 2.5 million in a single month. Furthermore, in relation to Nego King’s content, BBQ also released a product called ‘Kwang-hee chicken’, and developed a marketing strategy by stating that Kwang-hee would be used as a brand model if Nego King's video reaches 5 million views.

By collabourating with Nego King, Skin Food also launched a promotion event in November by offering all products for 7 thousand won. This promotion went viral because there was a surge in sales which caused daily deliveries to increase by 15-fold and even delayed deliveries by two months. During the promotion period, Skin Food's main portal site ranked 1st in search rankings and its promotion video also took the top spot on YouTube for its popularity. Furthermore, Skin Food also gained a lot of attention because its consumers were denied access to the brand's homepage, which eventually led to the homepage freezing despite the brand employing an additional server to their network. Skin Food was put under the spotlight due to this promotion event especially because of the brand's previous experience of nearly shutting down.

Many businesses are currently welcoming collaborations with Nego King. This is because businesses can attain effective marketing results through the launch of promotion events while also gaining more consumer data by encouraging consumers to use their sites and apps. While businesses had to rely on delivery apps and retail channels in the past, now they can launch promotion events on their homepage and apps.

Through collabourations with Nego King, businesses are also able to reconstruct their brand image. Brands can introduce their brand by marketing a positive image to viewers of Nego King who are mostly in the younger generation. This is because Nego King's videos do not simply announce promotion events of brands but also introduce the brand based on a storyline so that consumers can have a better understanding of the brand itself.

PPL advertisements can also be widely found in online variety programs other than Nego King. Such types of content are popular amongst the MZ generation (Millennial+Generation Z) because they do not aim to solely advertise products or services but contain an entertainment factor. In addition, unlike TV broadcasts that are strict on censorship, online variety programs can explicitly reveal brand names or products, which has been positively evaluated by both consumers and businesses.

Moreover, because YouTubers being involved in deceptive advertisements recently received a lot of backlash, viewers do not seem to be against the use of explicit advertisements.

Online variety programs also allow brands to analyze specific consumers segments for target marketing.

Another strength of online variety programs is that they allow for a long-lasting marketing effect especially because content uploaded on YouTube can be accessed continuously. While being featured on well-known broadcasting programs may be burdensome for smaller businesses due to high costs, being featured on online variety programs allows the brand or product to be continuously exposed to viewers and the content may even be recommended to potential consumers based on the YouTube algorithm, which allows for target marketing.

Through online variety programs, South Korea's main retail brands including those of the food and fashion industries are aiming to communicate with the younger generation to reconstruct their brand image[10].

CONCLUSION

CONCLUSION: WITH CORONA, THE KOREAN NORMAL

Eunhae Yoo

Knowledge Manager, MSU

The difference between the financial crisis and Covid-19 is that the outbreak of the pandemic created fundamental changes to consumers' behaviors, including their lifestyles.

The rise of contactless activities have introduced new opportunities.

Such contactless activities have raised the level of convenience, such as by providing new methods of communication within a couple of months. Although there will be no absence in face-to-face activities, convenient lifestyles are expected to remain even after the end of the pandemic because the trends influenced by the spread of Covid-19 have already had a significant impact on our thoughts and behaviors.

Due to the large influence Covid-19 had on people's lifestyles, 'with Covid-19' has become a more suitable term to describe the current environment rather than 'post-Covid-19', which assumes a permanent end to the pandemic.

For last year's issue of Ipsos Flair Korea, the title 'Customized & Connected' was selected to describe South Koreans' greater focus on oneself while maintaining the ideals of collectivism. In other words, a strengthened individualistic attitude while remaining dependent to be separate as well as a part of one's community. Such a trend can be described using the term 'We & I' rather than 'You & I', which expresses people's desires to be independent while still being considered a part of a group and allows people to partake in what they like while being able to share their experiences with others.

Given the current situation, South Koreans created the term 'Ontact' by combining the terms 'Untact' and 'Online' to describe the rise of contactless activities through online services

Ironically, contactless activities have increased the level of connectivity amongst individuals which created an 'Ontact Paradigm', providing greater opportunities for the provision of connected and communication services due to the prolonging of social distancing practices.

Because it has become difficult for our society to go back to pre-Covid-19 times, businesses and consumers must adapt to the new environment that has been created by the pandemic. President Moon Jae-in's administration developed a 'test, trace, treat' strategy to effectively respond to Covid-19. This strategy was developed to respond to Covid-19 faster than infections take place.

Similarly, businesses should also adopt a ‘test, trace, treat’ strategy in order to adapt to the new environment.

As much as the outbreak of the pandemic was not expected, businesses must actively make efforts to try to adapt to the new environment through the development of technologies and provision of products and services with greater values. This is because the competitiveness of a business will have a direct influence on the competitiveness of the country.

The term ‘New Normal’ came to rise because Covid-19 has made it difficult for life to get back to normal. Unexpected events may always take place at any time, which makes it even more important for individuals to be able to respond to future crises.

Our history will be marked by pre-Covid-19 and post-Covid-19 times.

Therefore, we must create history by finding solutions to the ‘With Covid-19’ era.


NORTH KOREA
P'yŏngyang
Sŏul
SOUTH
Inch'ŏn
Taegu
Kwangju

SONG

SONG

LIFE GOES ON

One day, this world came to a stop
Without even a single warning
Because spring doesn't have any patience
With no sympathy, it arrived
The path where the footprints have been erased
The me that has fallen here
Time seems to go on alone
Without saying sorry

Today it feels like the rain is going to fall
I quickly turn sopping wet
Even now it doesn't stop
It runs even faster than those dark clouds
I knew that it would turn out this way
In the end, it turns out I'm human
It hurts

The cold that the bastard called the world gave me
Thanks to the rewind of the piled up dust that I touched
This off-beat dance that forces me to fall
When winter comes lets exhale deeply
A more hot breath

I can’t see the end
Is there even an end
My feet can’t even move oh
I’ll close my eyes for a moment
Hold my hand here
Let’s run to the future we see over there

Like an echo in the forest
Each day will keep turning, right?
Like nothing wrong has happened
Yeah life goes on
Like an arrow in the blue sky
Another day flies by again
One my pillow, on my table
Yeah life goes on
Like this again

I’ll borrow this song and send it to you
Everyone says that the world has changed completely
Thankfully our relationship
Hasn’t changed at all

Just like before, starting and ending with ‘hi’
Let’s see today and tomorrow to the end together
Even though you’re frozen, don’t hide in the dark
Because the light shines again

[Refrain]

Like an echo in the forest
Each day will keep turning, right?
Like nothing wrong has happened
Yeah life goes on
Like an arrow in the blue sky
Another day flies by again
On my pillow, on my table
Yeah life goes on
Like this again

I remember
I remember
I remember
I remember

Artist: BTS

Album: BE

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GAME CHANGERS

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10. Chosun Biz, BBQ , Sales Double After Featuring on Nego King…Greater Support for Retail Brands and Online Variety Programs (2020.10.11)

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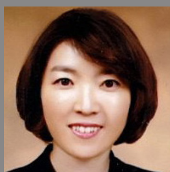


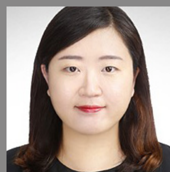

THE EXPERTS

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