

The economy of south korea case study

[Business](#)



Introduction The main purpose of this report is to analyze the beef and wine markets in South Korea with two theories of consumer behavior as following, social classes include the income of different levels of class and their behavior toward beef and wine. In addition, in this report, the attitudes of consumer will also be taken into account as the main focus to evaluate the points of marketing strategy and how South Korean consumers buying behavior different from Australian.

With social class and attitude these two aspects of consumer behavior can provide the Australian beef and wine producers the better information about their target market and to understand how they response to the importing products. Background The economy of South Korea is ranked eleventh in the world and third among Asian countries, thus unquestionably South Korea consumer has a certain buying power and might be a potential market for Australia. From Department of Environment and Primary Industries 2012, with a GDP of \$46 trillion (USDA, 2011), the economy of South Korea was ranked 11th largest in the world in 2010.

Approximately 6.

1% economy declined in 2010 and it brings per capita of buying power about \$30,000 USD (CIA, 2011). The demand for the healthy products and with high quality food is increasing in South Korean market. Owing to the climatic reasons and the capacity of the land is limited in South Korea to expand the farms and wine vineyard thus Australia has been one of main exporter to South Korea. According to government report, for Australian wine South Korea has become an important export market. In 2008, approximately 1.

9 million liters of wine, which of wine per liter \$6. 71 ADD.

More than 73% of exports to South Korea from Australia are bottled products and the soft packs are popular, about 26% of Australian exports. Red is the color of the choice, occupied 73% of Australian shipments (Clark, 2009).

South Korea is the third largest export country for Australian beef, about thirteen percent of export volume that Australia export to global and \$750 million of return to the Australian red meat industry. For Australian Cattle Council to work on progressing an Free Trade Agreement with South Korea is a first priority for the beef industry to make sure that any opportunity is grasped and stay competitive in this market.

Social class position in South Korea According to the theory of Coffman, social class could be divided into several parts, which Include upper-uppers, lower-uppers, upper middles, middle class, working class as well as lower class. The consumer behavior varies from class to class. In general, the social structure of South Korea is a fairly mature structure of the Institutionalizes countries. On ten top AT ten social structure Is upper-upper, wanly accounts for 4. 3%. Lower-uppers ranks second, with the percentage of 23.

9%, followed by upper middles at 24. 8% and middle class at 8. %. Working class has the largest proportion of 29. 7%. At the bottom is lower class, which takes up 8.

4% (Kim et al. 013). Base on Chiffon's theory income is one of the ways to position social class. In addition occupation and education are also index to position level of social class. In 2012 South Koreans gross national income <https://assignbuster.com/the-economy-of-south-korea-case-study/>

(IN) per capita reached \$22700. On the basis of the statistics of the middle class standard in 2012, those people whose income is over 150% of IN per capita are classified as upper class, with the income of \$34050(Lund et al. 010). While those people whose income is about IN per capita are classified as middle class, those people whose income is under IN ere capita are classified as lower class. Source: [http://www. Exacerbates. Org/search/view-conference-proceedings](http://www.Exacerbates.Org/search/view-conference-proceedings).

Asps? Id= 6836 Consumption behavior from different social class The beef market and wine market are chosen in order to analysis the consumer behavior from different levels of social class in South Korea. The beef in Korean market can be classified into two groups; one is domestic beef, the other one is imported beef.

For domestic beef, the price of top-level is \$62 per kilogram (Young et al. 2012). While the average price of domestic beef is \$45 per kilogram.

However, the rice of imported beef is much cheaper, the average price of which is only about \$23 per kilogram (Young et al. 2012). Talking about the significant difference in price of imported beef and domestic beef in South Korea, a fact that cannot be ignored is the national protection consciousness of most Koreans. Taking the mobile phone market as an example, market share of state-owned brand is over ninety percent, of which Samsungtakes up almost half.

Similarly, although imported beef are much cheaper than those produced in South Korea, people would choose latter if their economic notations permit,

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which cause the price of domestic beef in South Korean are higher. Various social classes present various behaviors towards beef. For upper class, they can afford domestic beef, and most of these people have strong national protection consciousness. As a result, they will absolutely support domestic beef. When they timeout, they will also choose high-end restaurants, which purchase domestic beef as raw material.

Compared with upper class, the consumer behavior of middle class and working class at home doesn't make much difference on account of national protection consciousness. However, when they go out for meals, they might choose general restaurants, which use imported beef to cut the cost. For lower class, they are quite sensitive to price, especially necessities of life such as food. Their income each month is no more than \$2000 (Kim et al. 2013). While the average price of domestic beef is almost \$50, which amounts to 2.

5% of income.

Compared with domestic beef, imported beef could reduce the burden on food. As a result, lower class will choose imported beef. From the analysis above, it can be found that national protection consciousness and price play an important role in consumer behavior in South Korea, which is different from Australia. For an Australia exporter, potential marketing opportunity lies in supply for general restaurants. Imported wine takes up almost tenure Tours AT well market In south n Korea.

Australian wine imports ranks fifth, after France, Chile, America and Italy.

In order to seize potential marketing opportunity, Australia exporters should keep high quality. Moreover, free trade agreement would also enhance Australian wine imports effectively (You et al. 2013). Consumer behavior towards imported wine and grape from Australia shares a lot of similarities.

After opening up market in 1987, South Korea has become one of the fastest-growing countries of wine consumption in Asia. More and more people begin to enjoy the high quality wine and the consumption keeps rising (You et al. 2013).

In South Korea, people drink wine for fun rather than just boozing. Some people are even eager to read related books and join online activities on a monthly basis.

It could be said that drinking wine has become a common social method. From this point of view, the consumer's of wine is not only upper class, but also working class and lower class. Owing to unique good land and a lot of world-class outstanding winemakers, together with the world's most strict management and production process, Australian wine has become a synonym for high quality and low price.

Thus, there is no doubt that working class and lower class will regard Australian wine as their choice. During the first eight months of 2013, wine imports reached 22.

387 million liters, rising 23.5% from last year. And average price of imported wine has fallen by 3.6% to 4256 won (\$3.97) per bottle. This also increases the consumption of wine (You et al.

2011). Consumer Attitude Consumer attitude is another important part that can influence consumer behavior, consumer attitude linked with elements of emotion from people; it is the result of learning. (Coffman, 2011) According to the learning of the products, consumers can understand the characteristics of product, moreover, with consumers' personal hobbies or their values, it will reflect different consumer attitude. In fact, attitude consists of three major components: cognitive, affective and conation. Cognitive Cognitive component refers to a certain object containing the evaluation of consumer wariness of the significance and understanding in favor or against for the products, which includes all consumer objects outside thoughts, beliefs and knowledge.

There is an example which can express how cognitive influence consumers' attitude. A food company shows fake content advertisement to the public; it will cause the consumers' disliking emotion to all food manufacturing industry. Therefore, for Australian companies who want to expand their business to South Korea, provide a good product cognitive to the consumers will be an important thing. However, the impasses should have their own strategies for different consumers who have different need for cognition. High need for cognition consumers It means the consumers who will have positive attitudes and more likely the company offer more product-related information to them. (Coffman, 2011) For example, house, cars.

In addition, for South Korea consumers, Australian wine will be high-involvement products, they need more time and products information to understand. -Low need Tort cognition consumers This is a group of people who will be more attracted by the attractive models and celebrities than
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products itself. Coffman, 2011) For example: drink, food. For Australia exporters, Beef will be a choice to the South Korea market.

Affective Affective component refers to the individual consumer's emotional experience for certain objects, including the evaluation of persons or things, hobbies and emotional reactions. Some consumers objectively evaluate the scale of external things in emotional intensity as the center, good or strong emotion when its evaluation, this may cause a good attitude.

For example, it will let consumers feel comfortable and approachable when they find products come from their hometown, usually, nonusers will transfer their emotion to the products and finally purchase the products or services.

Hence, the affective element will affect consumer behavior indirectly, so if Australian products want to obtain a good brand attitude to South Korea consumers, integrate their products with South Korea traditional culture will be more suitable. For example, although Australian wine history is much more recent than French wine history, it still has less market than French wine, because French wine producers claimed to not pay attention to the consumer and produce wine according to their own vision. Gordon et al. 006) but this cannot fit for Asian market, the consumers will more focus on product culture.

Conation Conation component refers to certain goods or services that consumer want to react, including the expression of speech and behavior. For instance, if Consumers loved the Blue-ray discs, consumers are more willing to share their feeling to others, if they have chance, they will buy one. Similarly, if consumers dislike something, they will also talk to other and it

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will create a bad image of this product to consumers, which will be a bad news for the company.

From now on, Australian wine industry faced the pressure from other countries. Like: Chile, South Africa, Peru and Brazil (DIP 2010) therefore, if Australian wine want to enter South Korea market, they should move fast. Recommendations and opportunity of exporting to South Korea Beef Firstly, as the above mentioned about domestic and imported beef, the price of local beef is higher than the imported one, the big difference between two products could be a factor to determent the sales of beef, as not everyone or household can afford to the price of Korean beef.

Secondly, in past few years there was foot and mouth ease of pork occurred and the mad cow disease problem of American beef imported to South Korea. As a result, there creates more opportunities for Australian beef to take over as the first leading imported beef in South Korea, also the South Korean consumers resistance to buy U. S beef, thus the Australia is likely to expand its market share In o n Korea Wine As known, in South Korea, people drink wine for social with friends or colleagues is inseparable part of their culture. It is undoubtedly that drinking wine is the social tool for them.

The outlook for Australian wine is optimistic as the wine is generally accepted for the South Korean consumers despite the upper or lower social classes. However, South Korea is definitely a great market for Australia, there is still more effort for the Australian wine exporters to do, it is advisable that they need to find a feasible channel to advertise their wine and convince the South Korean consumer believe their wine is healthier and

better than the competitors such as French, Chilean and local wines in order to increase the sales and maintain being a competitive player in South Korean market.

Conclusion In conclusion, the report uses theory of attitude and social class position to analyze the characteristic of South Korean consumer behavior and prospective of Australian export to South Korea. In attitude part, the report mentioned how three personal factors like conation, affect and cognition impact the consumer psychology potentially and then make a decision. In addition, the social class positions assess various consumer behaviors in different economy, education and occupation. According to culinary culture in South Korea, the report chooses beef, red wine and grape as export product from Australia.