Service Industries

Since the 1960s, the Korean industrial structure has changed from traditional agriculture, forestry, and livestock-based primary industries to manufacturing-based secondary industries led by the government’s manufacturing promotion policies. This manufacturing peaked in the 1980s. Currently, service industries are growing continuously and have become the main foundation of the Korean economy.

Service industries provide non-production products, including commerce, food and lodging, tourism, transportation, communication, finance, real estate, retail, and so forth. Unlike manufacturing, the final products of service industries are non-material—they cannot be stored and have to be consumed immediately. Consequently, production and consumption in service industries cannot be separated by time and space and have to be integrated, i.e., the time and place of production and consumption are the same. However, with the recent developments in communication technology and the changes in how society regards copyrights, the previous limitation of time and space has, to a certain extent, been removed for some service industry products.

The spectrum of service industries is almost limitless as it includes all types of economic activities that satisfy human desires apart from material goods. The activities are diverse and vary from simple labor to complex, knowledge-based activities and from satisfying individual needs to assisting with various other production activities. Moreover, as the scale of the economy enlarges and the standard of living improves, the demand for various service sectors becomes more diverse and rapidly changing. As a result, the number of service industry products has expanded, and the activities have become more complex. Producer services, those services assisting businesses in conducting their operations, have gained more attention in recent years and have played important roles as they produce new jobs by counterbalancing the job losses caused by the factory automation in the manufacturing sector. Producer services are also important because they provide high-tech jobs and stabilize other industrial activities.

Traditionally the Korean industrial structure was centered on primary industries. However, the manufacturing sector has accelerated since the 1990s when the government-led industrialization policy realized the five-year economic plans. The rapidly growing manufacturing industry trend eventually peaked in the 1990s and started to slow down. On the other hand, service industries have continued to grow until today. In 2019, the number of service industry business establishments had reached about 3.6 million and accounted for 65.7% of the total number of industrial establishments. These were approximately 16.9 million service workers, which accounted for 74.5% of the total number of employees. The total sales for service industries were about 3.2 trillion (57% dollar), 40.2% of the total industrial sales. The service industry has continued to show growth annually.

When comparing service industry employment among the metropolitan cities and provinces, the number of service employees in Seoul was 4.58 million, or 27.2% of the total number of service employees. In the other metropolitan cities and provinces, the number of service employees in Seoul was 4.58 million, or 27.2% of the total number of service employees. When comparing service industry employment among the metropolitan cities and provinces, the number of service employees in Seoul was 4.58 million, or 27.2% of the total number of service employees.

Growth of Service Industries

Today the service industry is a dominant industry in Korea. Traditionally the Korean industrial structure was centered on primary industries. However, the manufacturing sector has accelerated since the 1990s when the government-led industrialization policy realized the five-year economic plans. The rapidly growing manufacturing industry trend eventually peaked in the 1990s and started to slow down. On the other hand, service industries have continued to grow until today. In 2019, the number of service industry business establishments had reached about 3.6 million and accounted for 65.7% of the total number of industrial establishments. These were approximately 16.9 million service workers, which accounted for 74.5% of the total number of employees. The total sales for service industries were about 3.2 trillion (57% dollar), 40.2% of the total industrial sales. The service industry has continued to show growth annually.

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The rapid industrialization after the Korean war has improved the overall standard of living, followed by increased purchasing power and rising demand for a variety of goods. As automobiles became readily available, both the distance traveled to purchase goods and the amount spent per visit have increased. In addition, rates online banking made electronic shopping more readily available with easy access to the internet. The retail shopping patterns of Korean society have to respond to the socio-economic environment and the changes in consumer lifestyles. Over the past, the retail structure was relatively simple, with corner grocery stores, traditional open-air markets, and department stores. However, after the 1970s, retail became more diversified. Supermarkets were first introduced, followed by convenience stores, discount stores, all-inclusive, one-stop stores, TV home shopping, and online shopping malls.

Large-scale department stores grew continuously in the early 1980s and the early 1990s, but in the 1990s and 2000s, the market for discount box stores has been saturated, so that the growth of box stores has slowed down. Since 2000, the market for discount box stores has been saturated, so that the growth of box stores has slowed down and the market for discount box stores has been saturated, so that the growth of box stores has slowed down. Since 2000, the market for discount box stores has been saturated, so that the growth of box stores has slowed down.

Convenience stores, although they have relatively small business space and limited goods, have the advantage of being close to business hours and great accessibility. In the early 1990s, convenience stores grew continuously, with the start of the Korean culture and the liberal and social atmosphere after the Seoul Olympics of 1988. After a brief slump during the financial crisis in 1990, the number of business establishments increased tremendously.

After the large discount box stores were first introduced in 1993, they were through the wave of the Internet. With the availability of automobiles and large refrigerators, consumers’ shopping patterns have shifted toward Internet shopping. Long-distance shopping trips, weekend one-stop shopping, and buying in bulk depression; however, the number of establishments remained small. Convenience stores, although they have relatively small business space and limited goods, have the advantage of being close to business hours and great accessibility. In the early 1990s, convenience stores grew continuously, with the start of the Korean culture and the liberal and social atmosphere after the Seoul Olympics of 1988. After a brief slump during the financial crisis in 1990, the number of businesses establishments increased tremendously.

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With the growth of manufacturing, the economy expands and income levels improve; the volume of commodities transacted domestically and internationally become larger and more diverse. The distribution industry is a service sector that connects producers with consumers. Wholesale trade refers to economic activities for which intermediaries conduct business for resale to retailers or to manufacturers, construction builders, and restaurant operators who utilize the raw materials. Unlike retail trading, wholesalers do not deal with individual final consumers but instead trade from one large retailer to another large retailer. The wholesale of typical consumer goods—food and beverage products—tends to be located near industrial parks. Traditionally, wholesalers that deal with machinery and equipment and related goods tend to be located closer to the consumer than the producers. The wholesalers of typical consumer goods—food and beverage and household goods—are very closely located to the population concentration. Usually, the large wholesale markets are divided by cities and provinces so that they tend to be located at the edges of or adjacent to their designated cities and provinces. On the other hand, wholesalers that deal with machinery and equipment and related products tend to be located near industrial parks. Traditionally, wholesale markets that deal with construction materials, steel goods, and heating equipment tend to be located in large cities with higher population and income levels. With the places where people work and live becoming more geographically spread out and leisure activities becoming more available, eating out away from home increases. The food and beverage service industries are one of the largest contributors to the nation’s GDP. In 2019, the wholesaling businesses accounted for 9.0% of the total number of service industries and employed 7.9% of the total number of service workers. The overall trend for wholesale industries in the late 1990s showed that the wholesaling industry had grown continuously except for two short economic setbacks. The geographical distribution of wholesalers indicates that most wholesaling businesses are located in major metropolitan areas and their locations have the highest purchasing power and the greatest demand for wholesale trade.

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Economic growth has increased the flow of goods and people between regions. The transportation industry transports passengers and cargo to benefit all its supporting businesses (e.g., warehousing and terminal facilities) and its management (e.g., logistics and distribution services).

Like the tourism industry, the transportation industry is rather sensitive to economic fluctuations. In 2009, the customary slowdowns of the world economy dampened the transportation industry. The demand for transportation is higher in major cities with more demand for logistics distribution. Warehouses are usually in the suburbs or exurbs due to the higher land values and the traffic congestion in the hearts of cities. The number of short-term stays outside the home has increased along with the growth of business trips for inter-regional economic cooperation and leisure travels thanks to the five-day workweek. The lodging business is an industrial activity that provides short-term accommodations, campgrounds, and camping facilities of various types to the general public or members. Arts, sports, and leisure-related service businesses include performing arts and stadiums, golf courses, ski resorts, and fitness facilities, including performing arts, self-employed artists, and performance-related service businesses. The lodging industry, arts, sports, and leisure-related service industries are concentrated in urban areas. However, they are also developed in rural areas with a demand for tourism, showing a more even distribution.

The finance service industry, excluding the insurance and annuity service industries, encompasses a wide range of businesses that manage funds. This industry tends to be concentrated in the six major metropolitan areas, including Seoul, with a rather active flow of capital. Insurance services manage funds to provide risk management services to hedge against the uncertainty risk of short or long-term losses of life or property. Annuity services manage and manage guaranteed retirement funds or provident retirement funds. Mutual benefit associations for individuals or groups and pension deduction companies are in this category. Insurance and annuity service industries have a relatively higher urban concentration than finance services. The real estate industry involves managing, renting, purchasing, and selling owned or leased buildings, land, and other real estates (excluding cemetery lots). The real estate industry constitutes the highest proportion of the FIRE industries and tends to be concentrated in large metropolitan areas where population movement is most active.
Korea has accomplished industrialization in a short period, and presently it is at the leading edge related industrial activities are highly concentrated in large cities.

With the development and dissemination of data storage and processing devices and communication devices such as computers, the Internet, and wireless telephones, analysis and exchange of information have become easier and more active. Furthermore, various activities creatively facing information with knowledge bring about socio-economic values and revitalization of the economy. Information and communication businesses refer to industrial activities that produce, transmit, and supply information and cultural products or provide communication services, data processing, and other information services. It is divided into the publishing business, value-added record production and distribution business, broadcasting business, postal and communication business, computer programming, system integration, and management business, and information service business.

Traditionally, information was communicated by text in documents or books, or by voice over the phone or radio. However, as communication and broadcasting networks become more sophisticated and cheaper, they are being delivered as images through personal computers and TVs. Contents planned and created in various fields such as news, learning, culture, and entertainment are distributed through these information and communication media. The content industry encompasses publishing, comics, movies, TV, games, animation, broadcasting, advertisements, characters, knowledge content, and content solution industries. As a consequence, knowledge and information has become easier anytime, anywhere, but related industrial activities are highly concentrated in large cities.

Professional, scientific, and technological skill services, as a typical producer service, support other businesses in acquiring expertise and efficiency in management by performing professional, scientific, and technological tasks by contract on behalf of other businesses. Conventionally, the products in these service industries are consumed at the time services are rendered. For the same reason, the above business services used to be classified as non-tradable. However, changes in perceptions for patents and copyrights led such services to be considered commodities that can be traded. Also, as service industries and technological products can be the main drivers for improved production and competitiveness in manufacturing, service industries have become more closely related to manufacturing industries.

Since highly specialized knowledge and revalued workers are the major requirements for service industries, business services tend to be concentrated in large metropolitan areas where many educational institutions are located. Within large cities, they tend to be concentrated in the central business districts of the city where the majority of their customers are located. In Seoul, they are concentrated in Gangnam, Seocho, and Yongsan.

Korea has accomplished industrialization in a short period, and presently it is at the leading edge of informatization. Information analysis and exchange have become easier and more active with the development and supply of computers, internet, and the equipment for data processing and communication. Furthermore, with the creative fusion of knowledge covering all kinds of information, Korea has become a more knowledge-based and information-active society that keeps stride with the communication. Furthermore, with the development and dissemination of data storage and processing devices and communication devices such as computers, the Internet, and wireless telephones, analysis and exchange of information have become easier and more active. Furthermore, various activities creatively facing information with knowledge bring about socio-economic values and revitalization of the economy. Information and communication businesses refer to industrial activities that produce, transmit, and supply information and cultural products or provide communication services, data processing, and other information services. It is divided into the publishing business, value-added record production and distribution business, broadcasting business, postal and communication business, computer programming, system integration, and management business, and information service business.

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