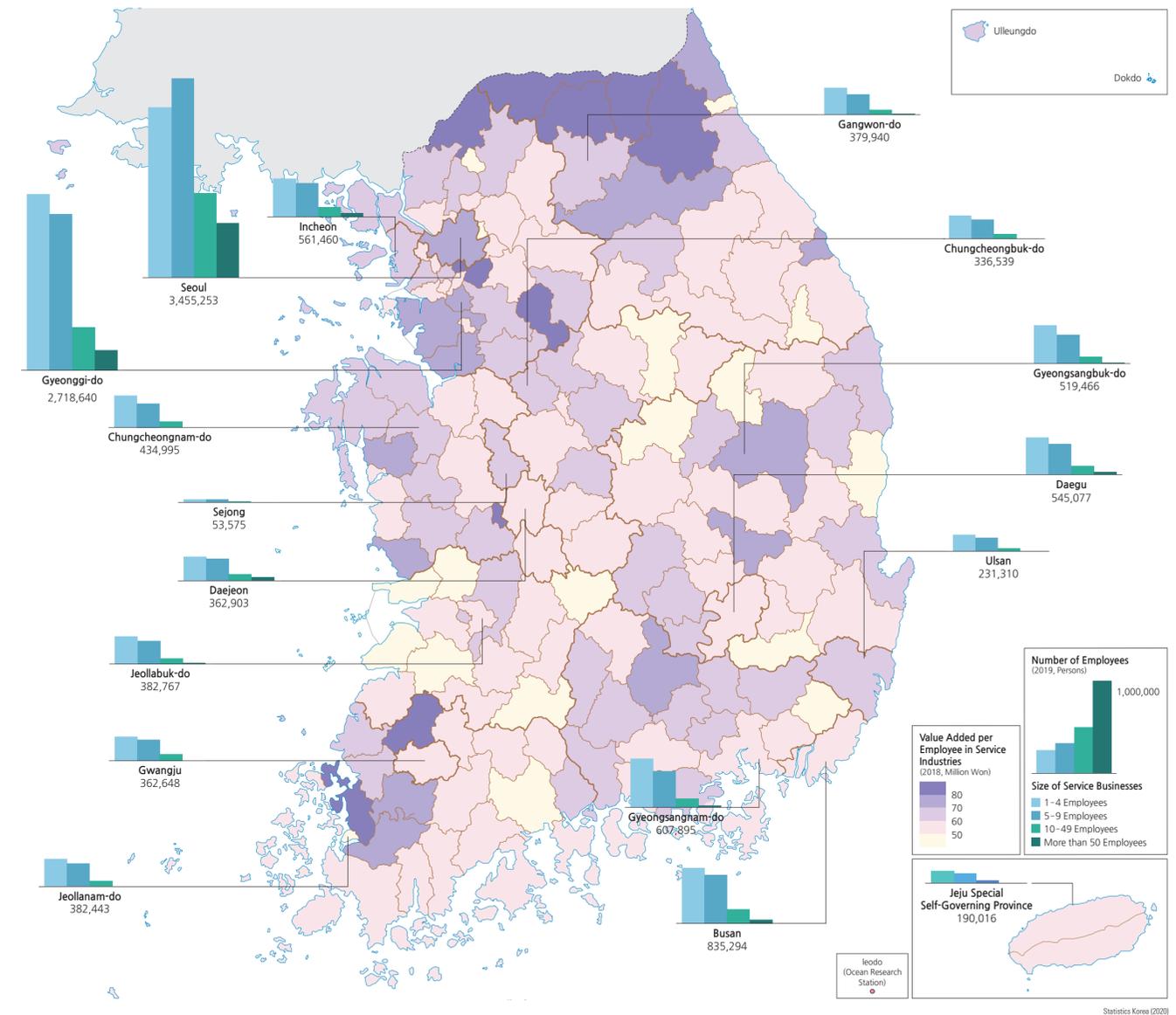


Overview of Service Industry

Service Industries



Since the 1960s, the Korean industrial structure has changed from traditional agricultural, forestry-, and livestock-based primary industries to manufacturing-based secondary industries led by the government's manufacturing promotion policies. But manufacturing reached its peak in the 1990s. Currently, service industries are growing continuously and have become the main foundation of the Korean economy.

Service industries provide non-material products, including commerce, food and lodging, tourism, transportation, communication, finance, real estate, medical care, 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 dissemination 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 certain service sectors becomes more diverse and rapidly changing. As a result, the categories of service industries have expanded, and the activities have become more complex. Producer services, those services assisting a business in conducting its operations, have gained more attention in recent years and have played important roles as they produce new jobs by counterbalancing the job losses caused partly by the factory automation in the manufacturing sector. Producer services are also important because they provide high technology jobs and vitalize other industrial activities.

Such vast and complex industrial service categories can be classified in a myriad of ways. They include service industries that handle the distribution of already produced goods such as retailing and wholesaling; transportation and communication; and finance, insurance, and real estate that manages wealth and finance. Service industries were also extended to include other personal services that satisfy individual service activities, business services that help other producer services, and public services that help individuals and the public participate in economic activities. The more common classification of service industries is the division by groups that demand services (i.e., consumer services and business services). The categories of consumer services include retail, lodging, leisure and tourism industries, personal services, and public services. Producer services include transportation, warehousing, financing, insurance, real estate, research and development, and advertising.

According to the KSIC (Korean Standard Industry Code) classification by the Bureau of Statistics, the service industries of Korea can be divided into 15 classifications: wholesale and

Classification of Service Industries in the Korean Standard Industry Code

Wholesale and Retail Trade <ul style="list-style-type: none"> • Sale of Motor Vehicles and Parts • Wholesale Trade on Own Account or on a Fee or Contract Basis • Retail Trade, except Motor Vehicles and Motorcycles 	Business Facilities Management and Business Support Services; Rental and Leasing Activities <ul style="list-style-type: none"> • Business Facilities Management and Landscape Services • Business Support Services • Rental and Leasing Activities, except Real Estate
Accommodation and Food Service Activities <ul style="list-style-type: none"> • Accommodation • Food and Beverage Service Activities 	Public Administration and Defence; Compulsory Social Security <ul style="list-style-type: none"> • Public Administration and Defence; Compulsory Social Security
Transportation and Storage <ul style="list-style-type: none"> • Land Transport and Transport via Pipelines • Water Transport • Air Transport • Warehousing and Support Activities for Transportation 	Education <ul style="list-style-type: none"> • Education
Information and Communication <ul style="list-style-type: none"> • Publishing Activities • Motion Picture, Video and Television Programme Production, Sound Recording and Music Publishing Activities • Broadcasting Activities • Postal Activities and Telecommunications • Computer Programming, Consultancy and Related Activities • Information Service Activities 	Human Health and Social Work Activities <ul style="list-style-type: none"> • Human Health Activities • Social Work Activities
Financial and Insurance Activities <ul style="list-style-type: none"> • Financial Service Activities, except Insurance and Pension Funding • Insurance and Pension Funding • Activities Auxiliary to Financial Service and Insurance Activities 	Arts, Sports and Recreation Related Services <ul style="list-style-type: none"> • Creative, Arts, and Recreation Related Services • Sports Activities and Amusement Activities
Real Estate Activities <ul style="list-style-type: none"> • Real Estate Activities 	Membership Organizations, Repair and Other Personal Services <ul style="list-style-type: none"> • Membership Organizations • Maintenance And Repair Services of Personal and Household Goods • Other Personal Services Activities
Professional, Scientific and Technical Activities <ul style="list-style-type: none"> • Research and Development • Professional Services • Architectural, Engineering, and Other Scientific Technical Services • Other Professional, Scientific, and Technical Services 	Activities of Households as Employers; Undifferentiated Goods-and Services-Producing Activities of Households for Own Use <ul style="list-style-type: none"> • Activities of Households as Employers of Domestic Personnel • Undifferentiated Goods-and Services-producing Activities of Private Households for Own Use
	Activities of Extraterritorial Organizations and Bodies <ul style="list-style-type: none"> • Activities of Extraterritorial Organizations and Bodies

retail trade/transportation and storage/accommodation and food service activities/information and communication/financial and insurance activities/professional, scientific and technical activities/business facilities management and business support services/public administration and defense/education/human health and social work activities/arts, sports, and recreation-related services/membership organizations, repair and other personal services/activities of households as employers/activities of extraterritorial organizations and bodies.

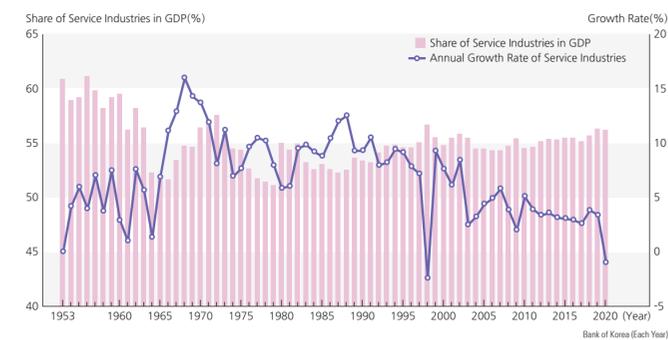
Today the service industry is a dominant industry in Korea. Traditionally the Korean industrial structure was centered on primary industries. However, the manufacturing sector has accelerated since the 1960s when the government-led industrialization policy initiated the five-year economic plans. The 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 85.5% of the total number of

industrial establishments. There were approximately 16.9 million service workers, which accounted for 74.2% of the total number of employees. The total sales for service industries were about 3.2 trillion US dollars, 60.0% of the total industrial sales. The service industry has continued its steady growth annually.

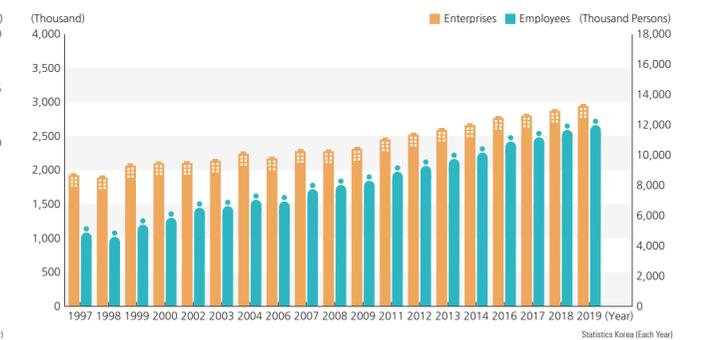
When comparing service industry employment among the metropolitan cities and provinces, the number of service employees in Seoul was 4.58 million, or 27.2% of the total number of service employees. Gyeonggi-do had 3.64 million (21.6%), and Busan had 1.13 million (6.7%). About half of the service workers were

concentrated in the Seoul Metropolitan Area (Seoul, Incheon, and Gyeonggi-do), which is similar to the geographic distribution of the population. The average number of employees per service establishment in 2019 was 4.72 persons, indicating that small businesses are dominating. In terms of the number of employees by the size of establishment, small businesses with fewer than 10 employees accounted for 45.0%, indicating that most service establishments are small- and medium-sized businesses.

Growth of Service Industries

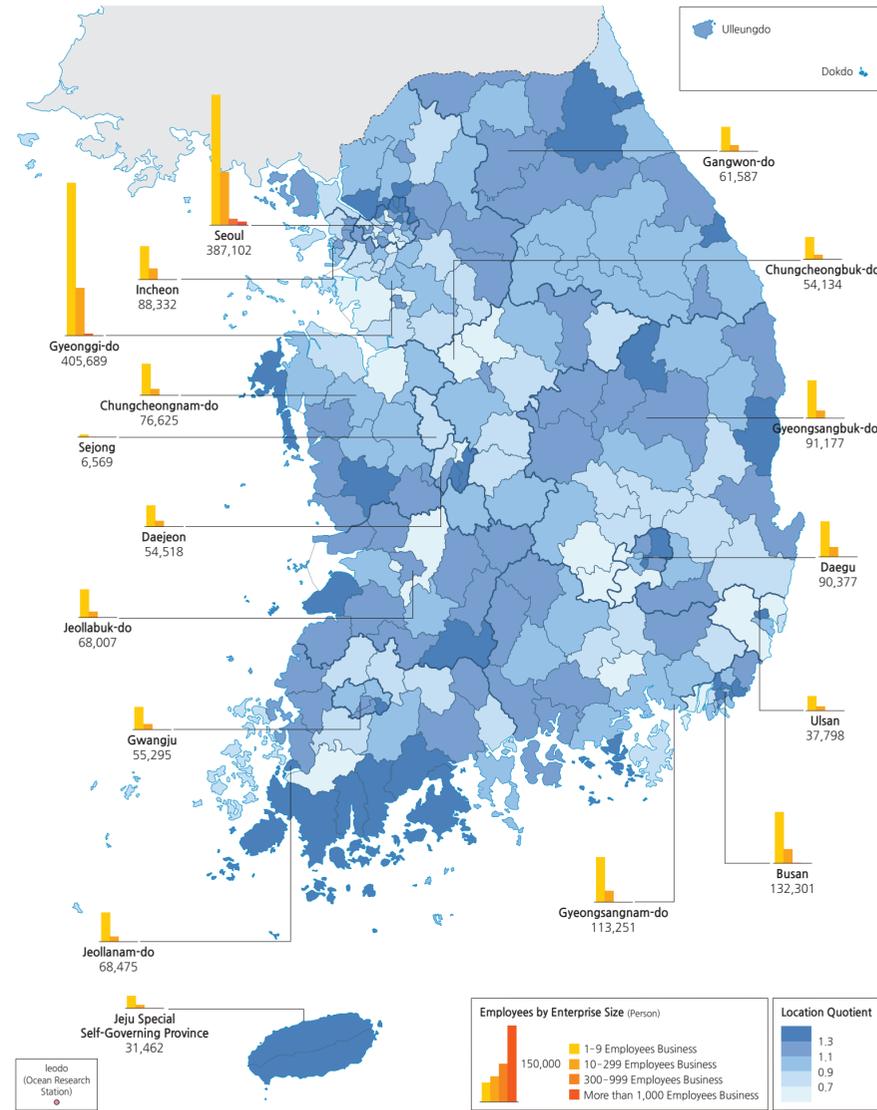


Growth of Enterprises and Employees in Service Industries

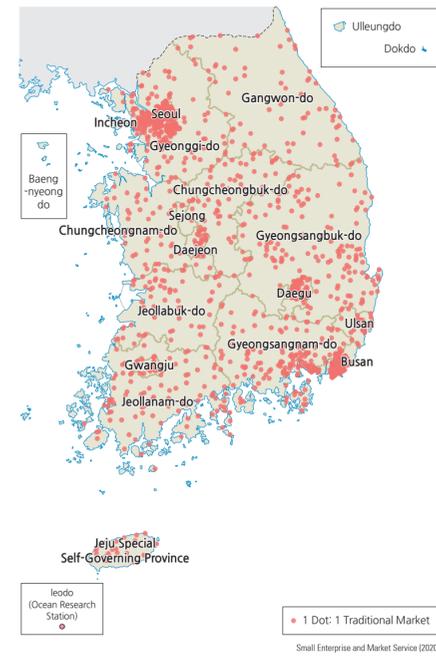


Retail Trade Services

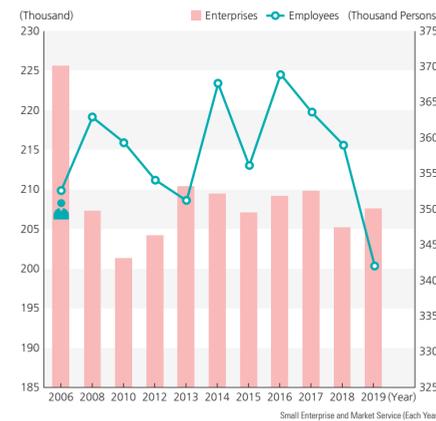
Retail Business (2019)



Traditional Markets (2020)



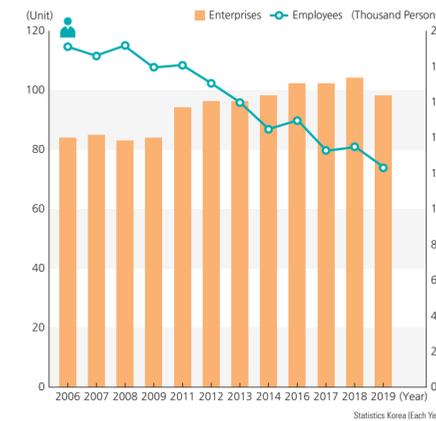
Traditional Markets (2006-2019)



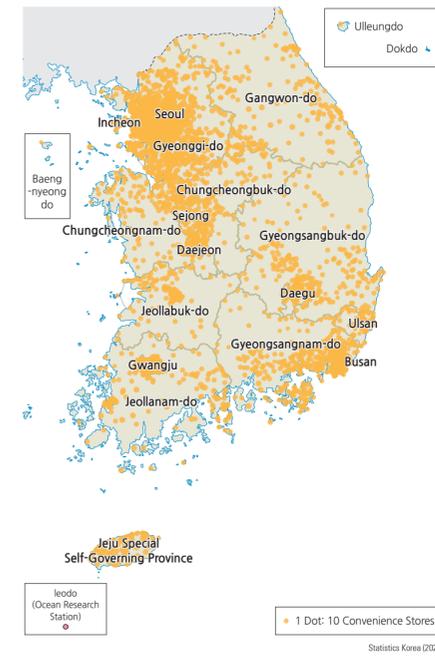
Department Stores (2019)



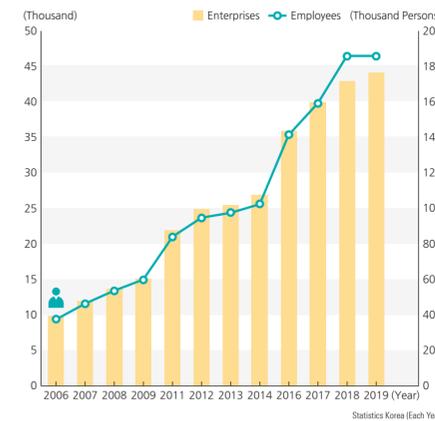
Department Stores (2006-2019)



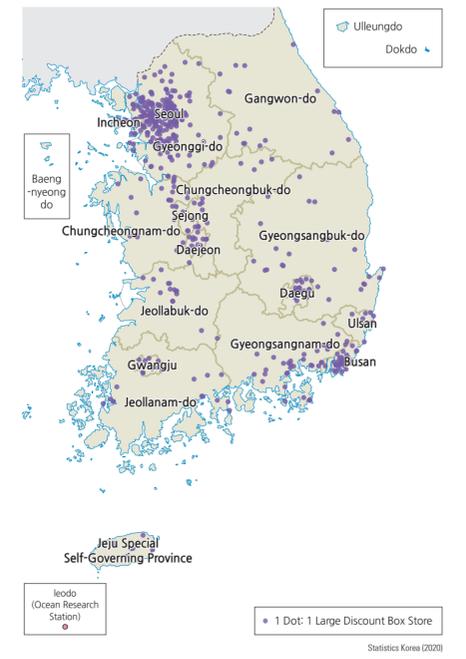
Convenience Stores (2019)



Convenience Stores (2006-2019)



Large Discount Box Stores (2019)



Large Discount Box Stores (2006-2019)



The rapid industrialization after the Korean war has improved the overall standard of living, followed by increased purchasing power and more demand for a variety of goods. As automobiles become readily available, both the distance traveled to purchase goods and the amount spent on purchases per visit have increased. In addition, safer 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 this socio-economic environment and the changes in consumer lifestyles. In 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.

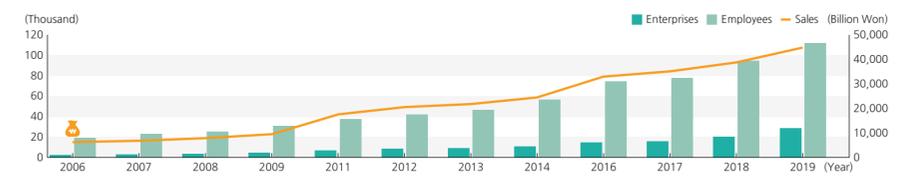
Large-scale department stores grew continuously in the early twentieth century by satisfying the demand for rare, high-quality goods. Total sales increased steadily except during times of economic

depression; however, the number of establishments remained small. Convenience stores, although they have relatively small business space and limited goods, have the advantage of long business hours and great accessibility. In the early 1990s, convenience stores grew continuously with the end of the Korean curfew system and the liberal and social atmosphere after the Seoul Olympics of 1988. After a brief slump during the financial crisis in 2009, the number of business establishments increased tremendously.

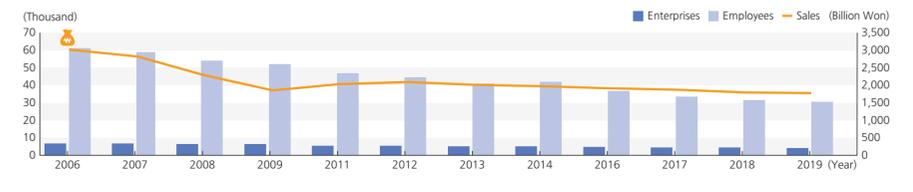
After the large discount box stores were first introduced in 1993, they went through the mediation of the IMF. With the availability of automobiles and large refrigerators, consumers' shopping patterns have shifted toward rational yet discounted purchases. Long-distance shopping trips, weekend one-stop shopping, and buying in bulk became new shopping behaviors that helped the growth of discount box stores. Since 2000, the market for discount box stores has been saturated, so that the growth of box stores has slowed down. The government has implemented several policies to protect the small retailers of the open-air markets. As a result, both small- and medium-scale retailers can coexist with the large, corporate-owned retailers. While new retail venues such as convenience stores and box stores grew, the traditional open-air market lost its popularity in retail.

With advanced information and communication technologies, e-commerce, such as TV home shopping and Internet shopping, is rapidly growing. In addition, thanks to the stabilization of electronic financial payment and delivery, online stores can handle a variety of products compared to traditional retail stores. Recently, as non-face-to-face commerce is preferred due to the spread of the COVID-19 epidemic, the growth has accelerated.

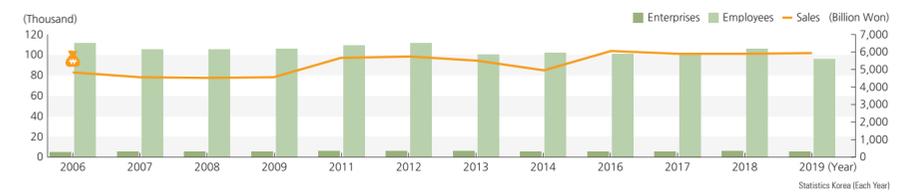
Electronic Commerce on a Fee or Contract Basis via Internet



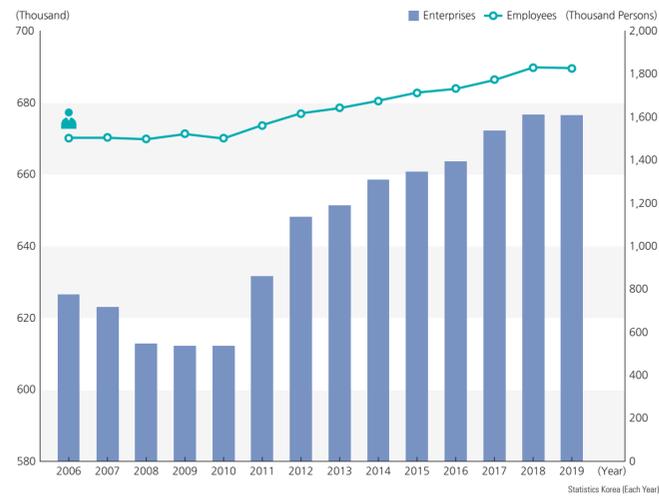
Direct Sale of Goods Delivered Directly to the Customer's Premises



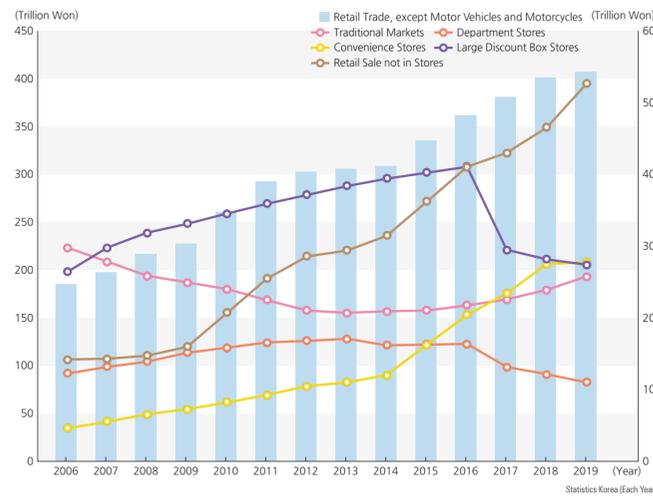
Retail Sale through Door-to-Door Sales



Enterprises and Employees in Retail Businesses (2006-2019)

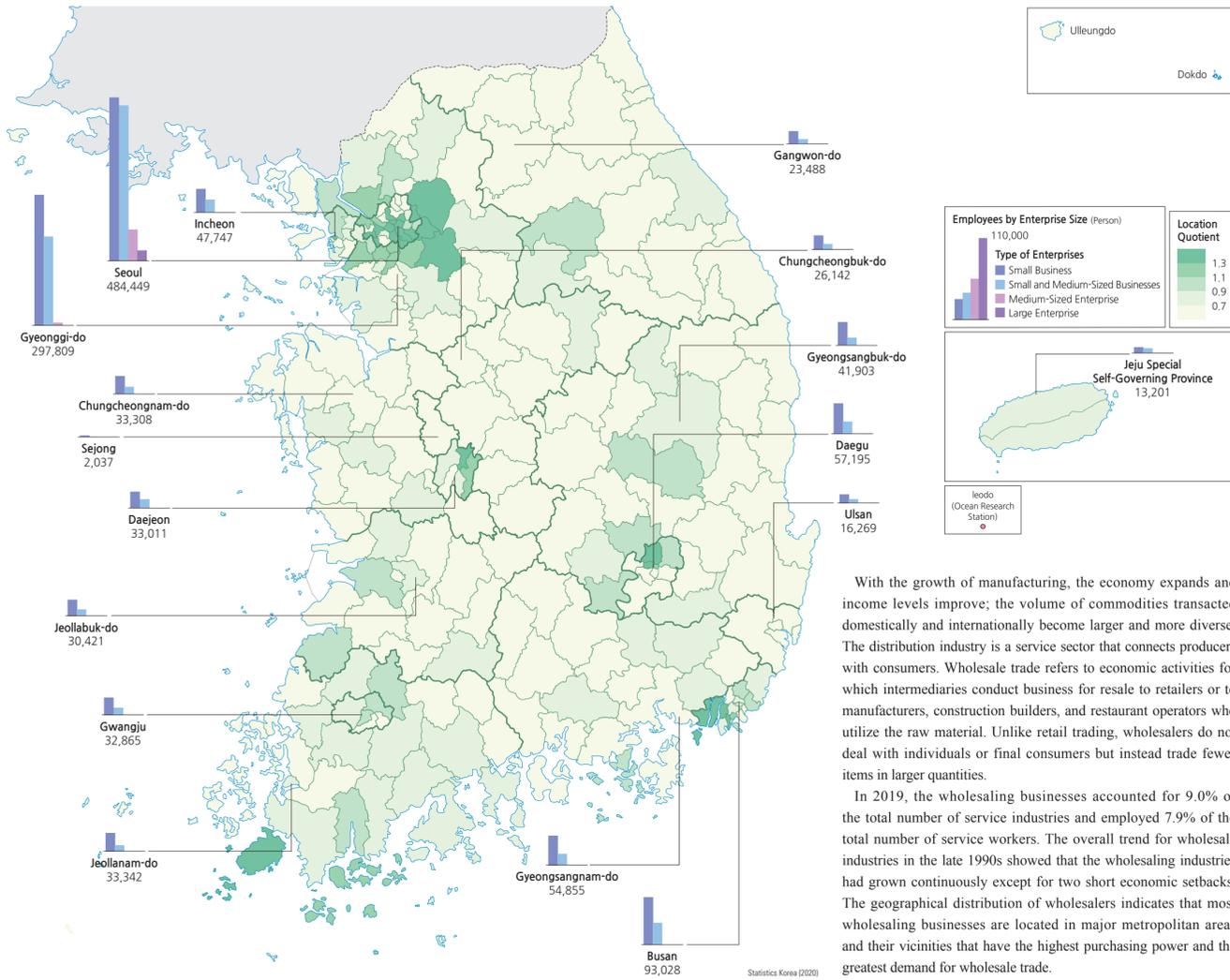


Total Sales by the Type of Retail Businesses (2006-2019)



Wholesale Trade Services

Wholesaling (2019)

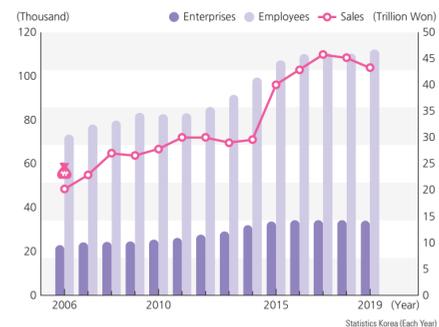


With the growth of manufacturing, the economy expands and income levels improve; the volume of commodities transacted domestically and internationally become larger and more diverse. The distribution industry is a service sector that connects producers with consumers. Wholesale trade refers to economic activities for which intermediaries conduct business for resale to retailers or to manufacturers, construction builders, and restaurant operators who utilize the raw material. Unlike retail trading, wholesalers do not deal with individuals or final consumers but instead trade fewer items in larger quantities.

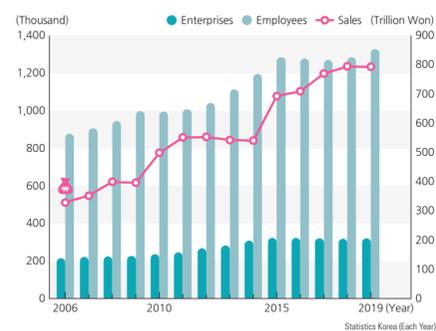
In 2019, the wholesaling businesses accounted for 9.0% of the total number of service industries and employed 7.9% of the total number of service workers. The overall trend for wholesaling industries in the late 1990s showed that the wholesaling industries had grown continuously except for two short economic setbacks. The geographical distribution of wholesalers indicates that most wholesaling businesses are located in major metropolitan areas and their vicinities that have the highest purchasing power and the greatest demand for wholesale trade.

Wholesaling can be further divided into categories of food and beverage, cigarette wholesaling, household goods wholesaling, mechanical equipment and related goods wholesaling, construction material, steel goods, and heating equipment. Wholesaling traders tend to be located closer to the consumers than the producers. The wholesale of typical consumer goods—food and beverage and household goods—is very closely located in 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, wholesale traders that deal with mechanical 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 a higher demand for construction. With the fast suburbanization process, they tend to be located in the exurbs and suburbs of metropolitan areas where most new construction takes place.

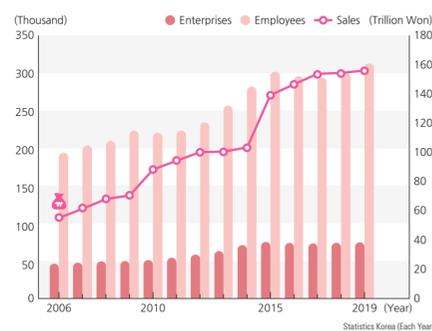
Wholesale of Construction Materials, Hardware and Heating and Air Conditioning Equipment



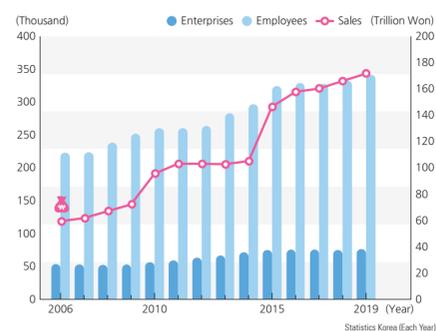
Wholesaling



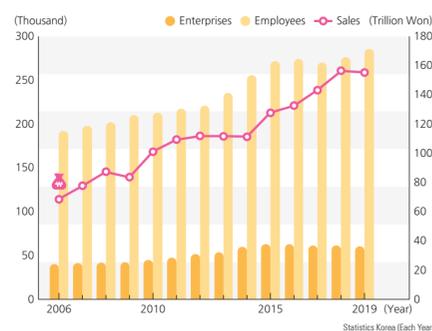
Wholesale of Food, Beverages, and Tabaccos



Wholesale of Household Goods

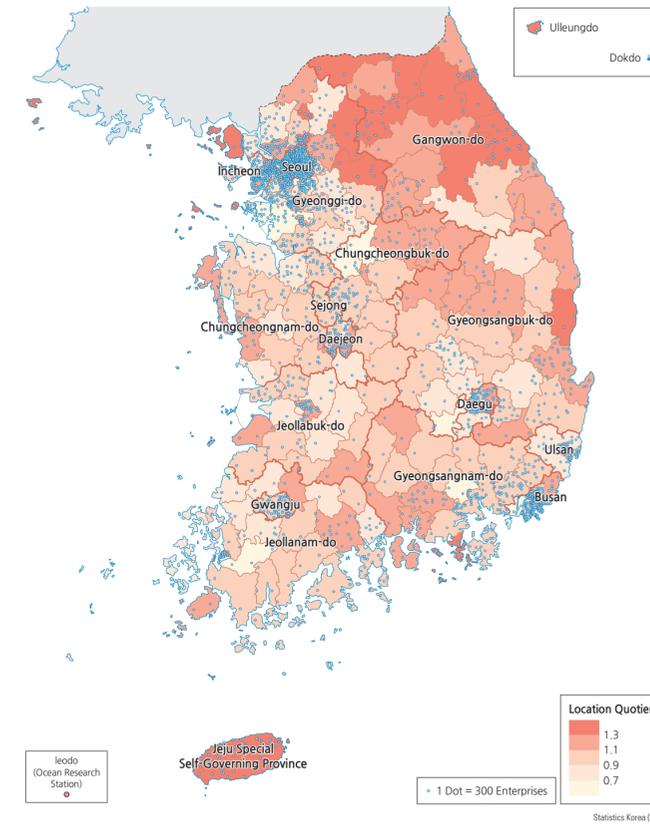


Wholesale of Machinery Equipment and Supplies



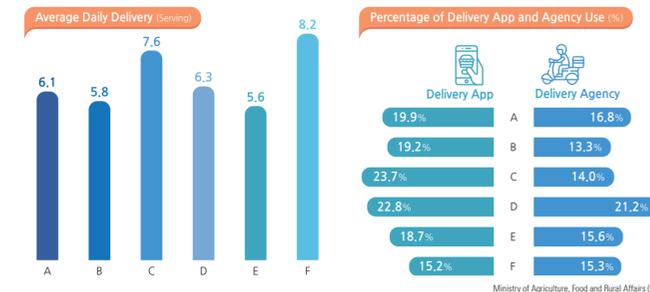
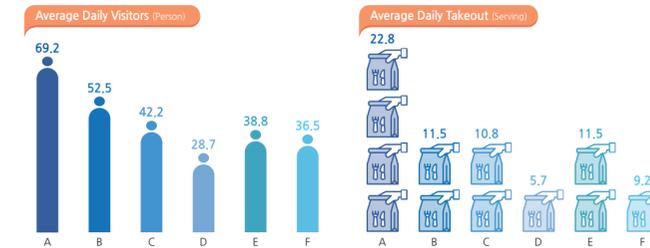
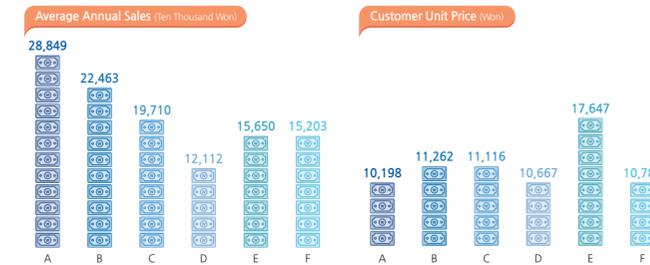
Food and Beverage Service Activities

Food and Beverage Service Activities (2020)

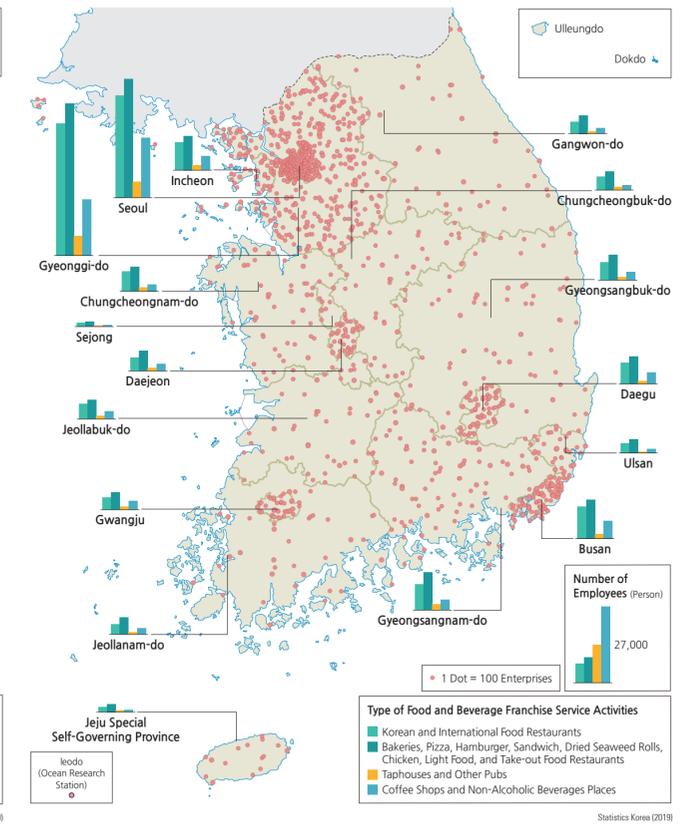


Catering Industry (2020)

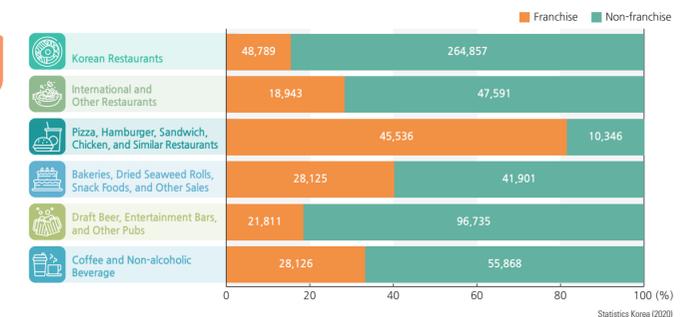
A: Seoul Region (Seoul)
 B: Gyeongin Region (Gyeonggi, Incheon)
 C: Chungcheong Region (Daejeon, Chungnam, Chungbuk, Sejong)
 D: Honam Jeju Region (Gwangju, Jeonnam, Jeonbuk, Jeju)
 E: Gyeongsangnam Region (Busan, Ulsan, Gyeongnam)
 F: Gyeongsangbuk Region (Daegu, Gyeongbuk, Gangwon)



Food and Beverage Service Activities Franchise (2019)



Percentage of Franchises Food Service Activities



When the places where people work and live become geographically farther apart and leisure activities become readily available, eating out away from home increases. The food and beverage service industries represent the economic activities that include any facilities for cooking and consuming food prepared for customers directly within the compound. The facilities include restaurants, diners, snack bars, cafes, bakeries, and drinking places. It also includes takeout and delivery services, catering, and cooking for customers on location upon request.

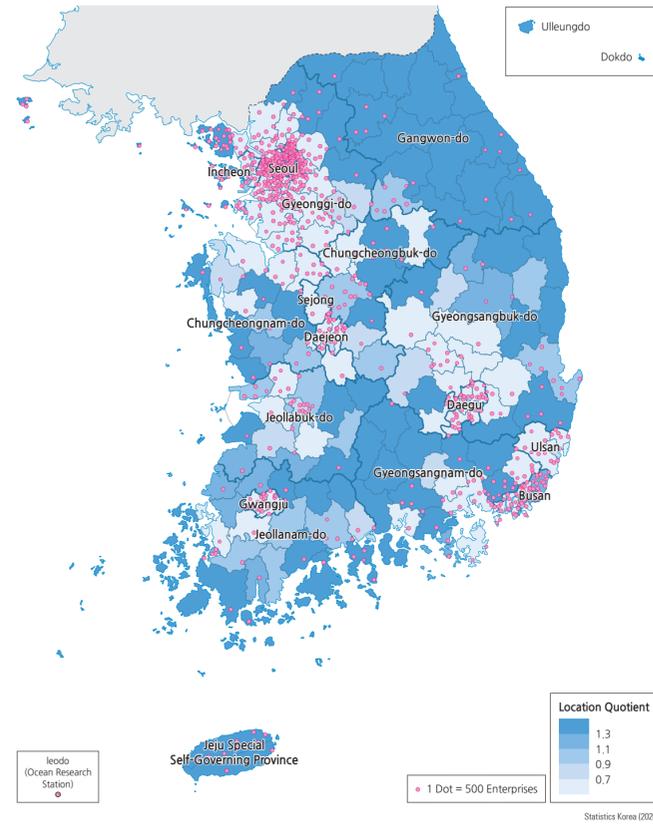
Although there have been some momentary declines, the overall pattern for the establishments, employees, and sales in the food and beverage service industries have grown steadily. In 2019, there were about 727,000 total food industry establishments, with 2.2 million total employees and 125 billion US dollars in total sales. These numbers represent an increase since 2006 of 33.0% for the number of establishments, 51.1% for the number of employees, and 183.7% for total sales. Food industry establishments tend to be concentrated in metropolitan areas where the population density is higher, while lodging businesses show an overall balanced distribution pattern, including rural areas with tourist attractions.

The food and beverage service industries, just like the retail industries, also are getting dominated by franchise businesses. Franchisors recruit franchisees and provide them the right to use the trade name and trademark, the right to sell products, and technology in exchange for a franchise fee. As a result, the franchisors can expand their business numerically and geographically with little capital. In addition, franchisees can enjoy attracting customers by receiving raw materials and technology and relying on the brand value of the franchise business. Consumers can receive the same reliable service in a familiar store environment in any location.

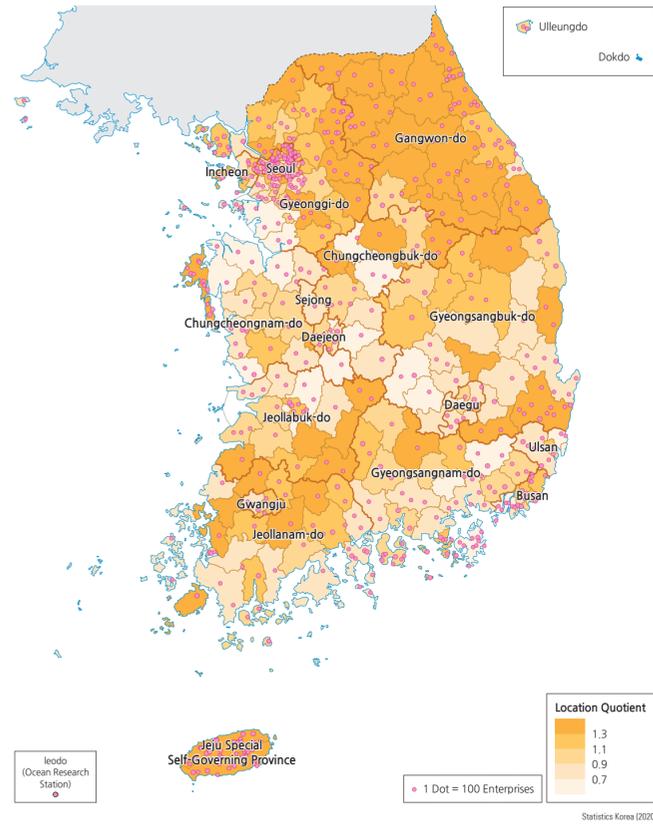
As digital platform services using mobile internet are introduced into the food and beverage service industries, food delivery services are being widely provided. As the platform company receives a certain fee and handles advertising, order processing, delivery, and payment, restaurants that previously could not operate their own delivery service can expand the market. The recent increase in demand for food delivery due to the COVID-19 pandemic also contributed to the growth in the digital platform based food and beverage service industries.

Transportation, Storage, Accommodation, Arts, Sports, and Leisure-related Services

Transportation and Storage (2019)



Accommodation (2019)



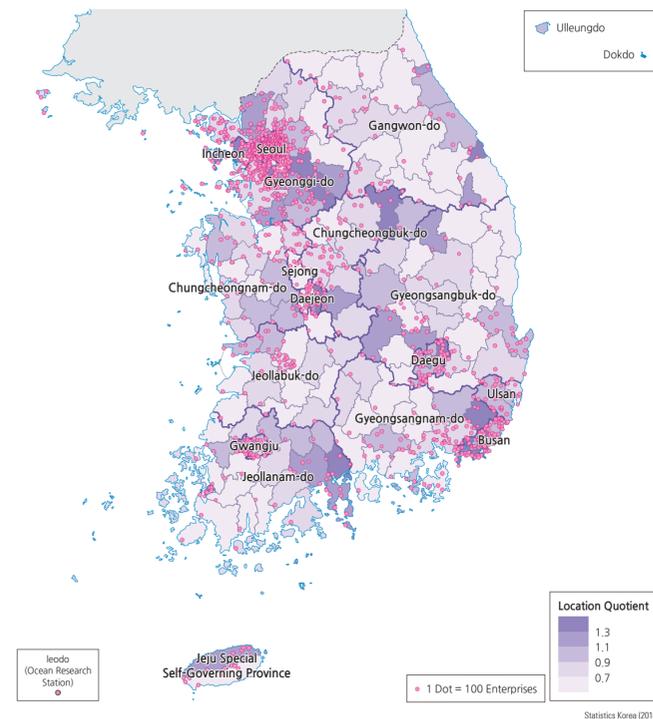
Economic growth has increased the flow of goods and people between regions. The transportation industry transports passengers and cargo to benefit all its supporting businesses (e.g. warehousing and terminal facilities) and its management (e.g. logistics and distribution services).

Like the tourism industry, the transportation industry is rather sensitive to economic fluctuations. In 2009, the momentary slowdown of the world economy depressed 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

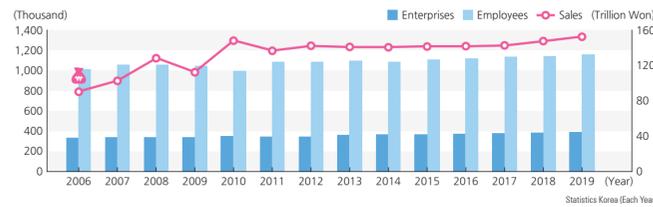
lodging business is an industrial activity that provides short-term accommodations, campgrounds, and camping facilities of various types to the general public or members.

Art, 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 facilities, libraries, museums, historic site management, zoos, botanical gardens, natural parks, swimming pools, bowling alleys, billiard room operation business, and other sports, leisure, and entertainment-related service businesses. The lodging industry, art, 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.

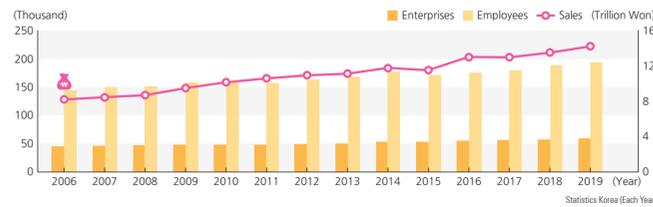
Arts, Sports, and Leisure-Related Services (2015-2018)



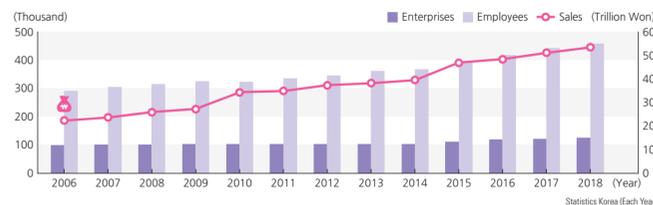
Storage (2006-2019)



Accommodation (2006-2019)

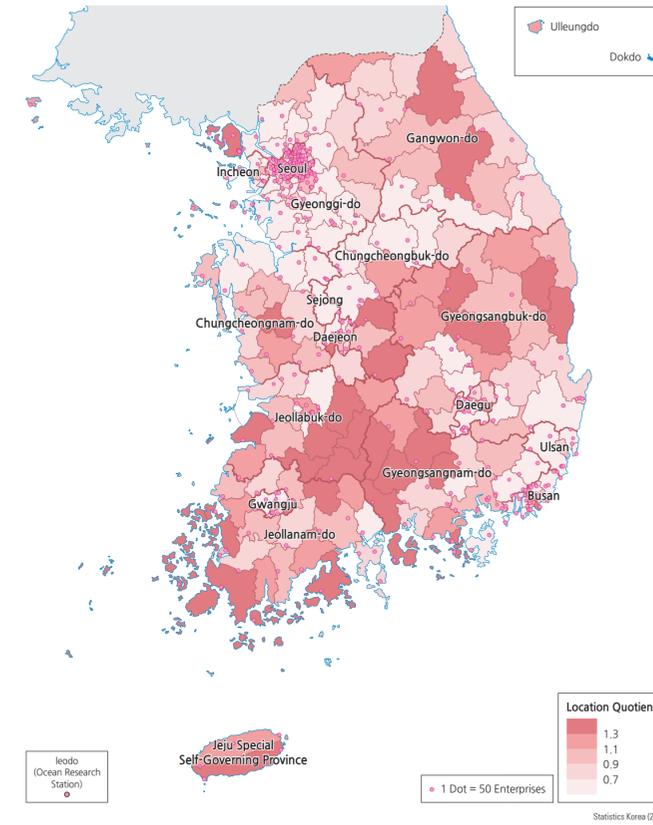


Arts, Sports, and Leisure-related Services (2006-2019)

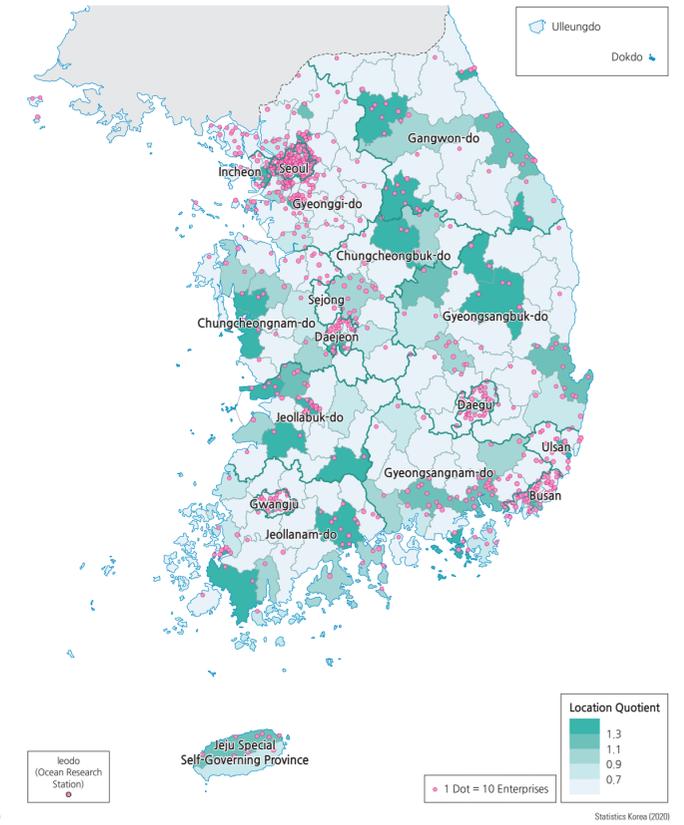


Finance, Insurance, and Real Estate (FIRE Industries)

Financial Service Activities (2019)



Insurance and Pension Funding (2019)

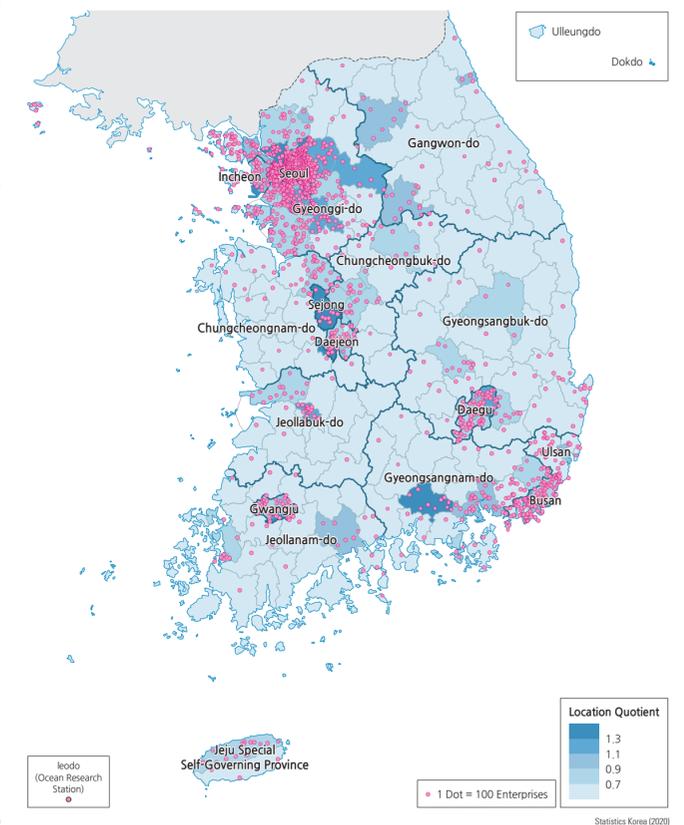


The service industry can be divided into consumer services directly to consumers and producer services for businesses' production activities. Consumer services include retail, food, lodging, tourism, and mostly individual services. Producer services include marketing, survey, research and development, advertising, accounting, consulting, finance, insurance and real estate, leasing, and others. Among producer services, finance, insurance, and real estate are called FIRE industries, based on the initials of those businesses. In 2019, about 198,000 FIRE industry establishments hired 1.1 million employees and produced 775 billion US dollars in total sales. Although FIRE industries do not actively create finished products or construct new buildings, they support industries that do. Unlike consumer services that tend to be located near consumers, business services are located near the businesses they serve, especially where the information is readily available.

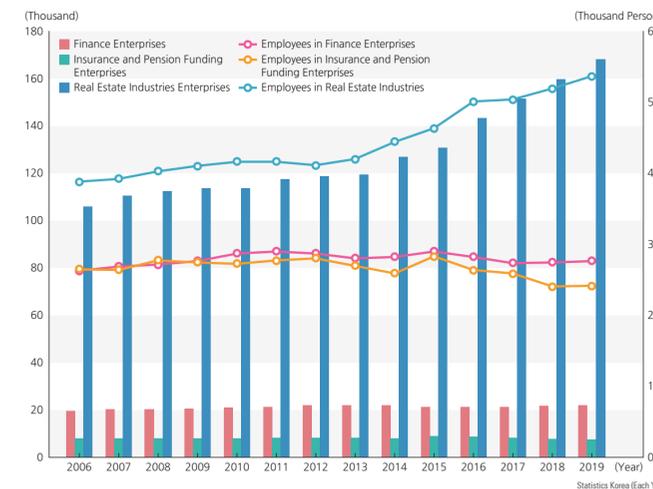
The finance service industry, excluding the insurance and annuity service industries, encompasses a broad range of businesses that manage funds. This industry tends to be concentrated in the six greater metropolitan areas, including Seoul, with a rather active flow of capital. Insurance services raise funds to provide risk management services to hedge against the uncertainty risk of short or long-term losses of life or property. Annuity services create and manage guaranteed retirement funds or post-retirement income 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.

Real Estate Industries (2020)

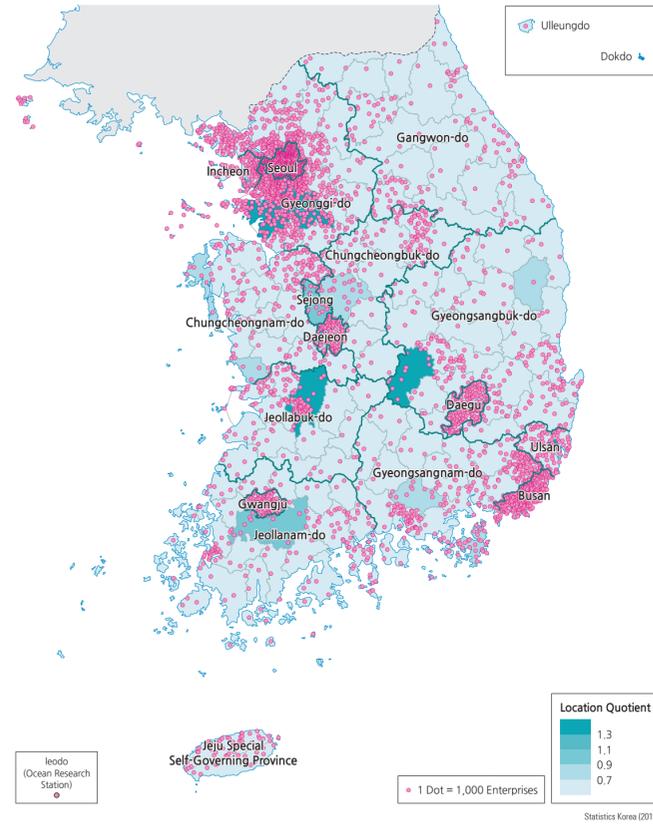


Finance, Insurance, Pension Funding, and Real Estate Industries Trends

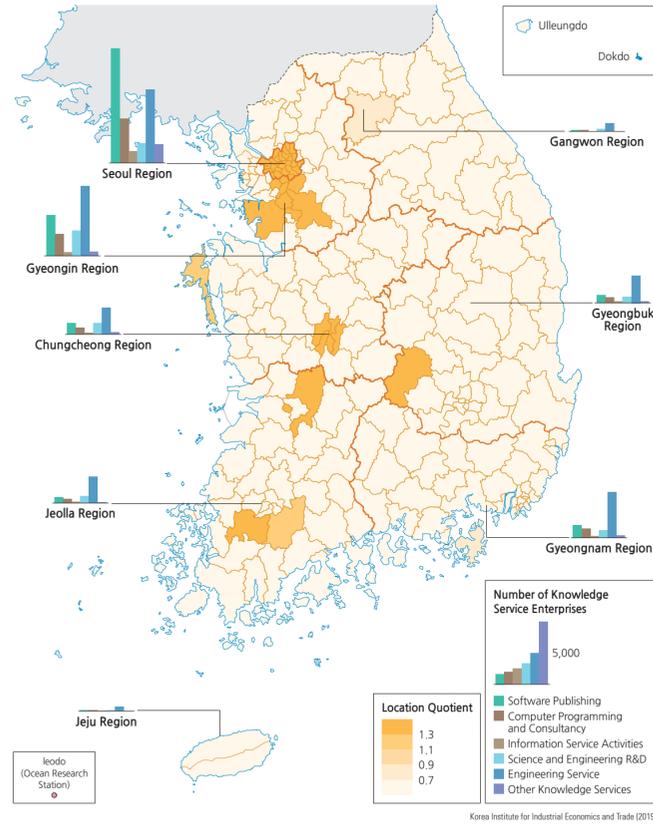


Professional, Scientific, and Technical Services

Professional, Scientific and Technical Service Activities (2019)

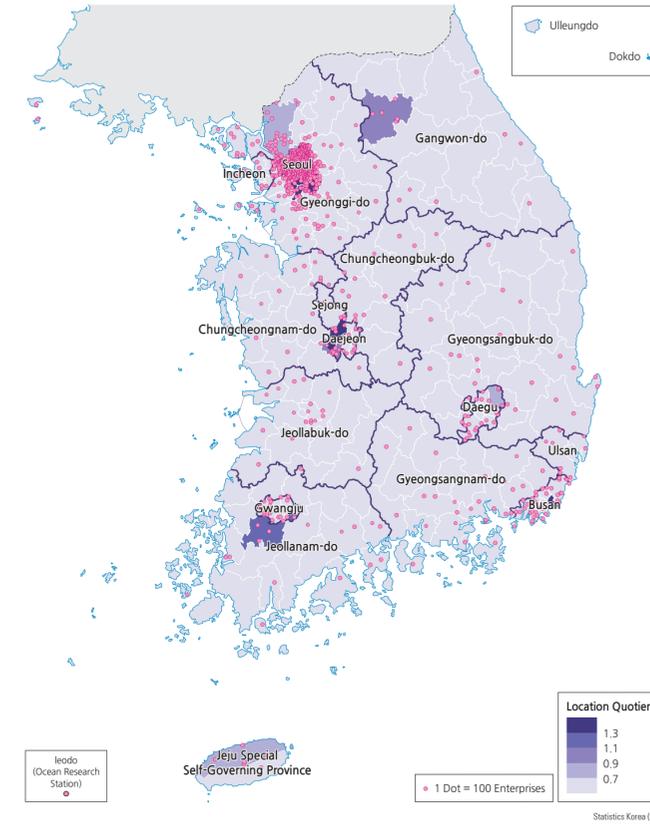


Knowledge Services (2019)

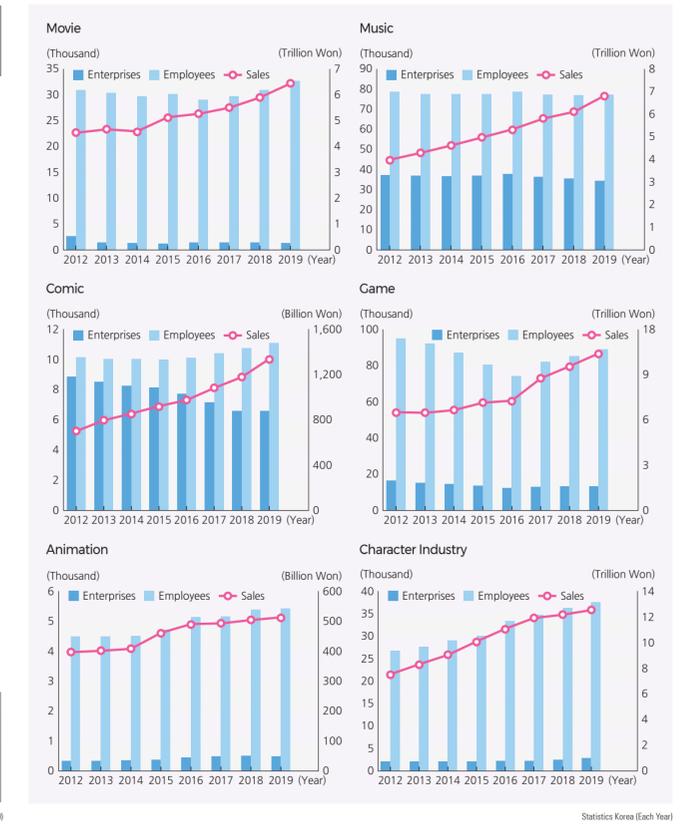


Information and Communication Services

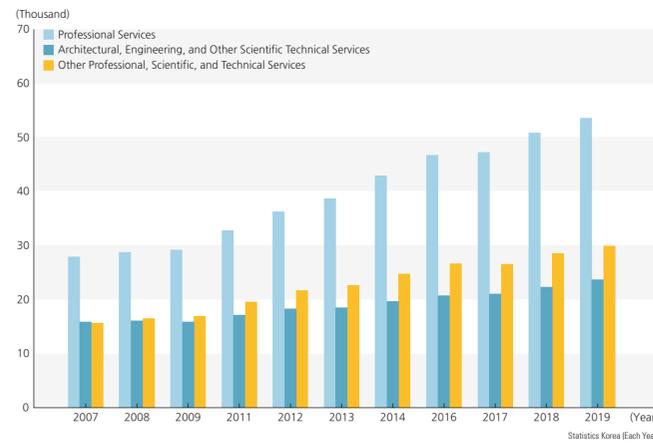
Information and Communication (2019)



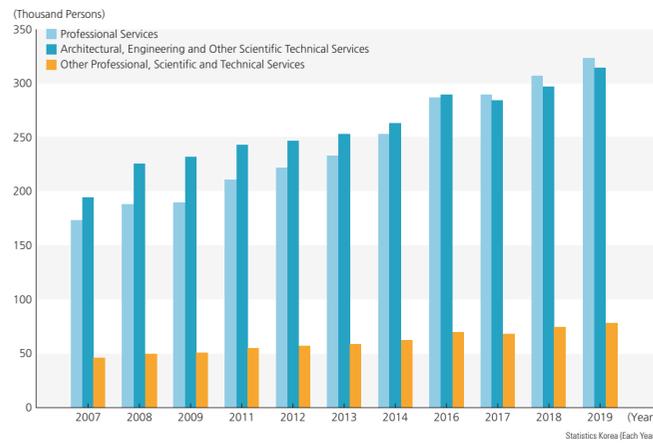
Major Contents Industries



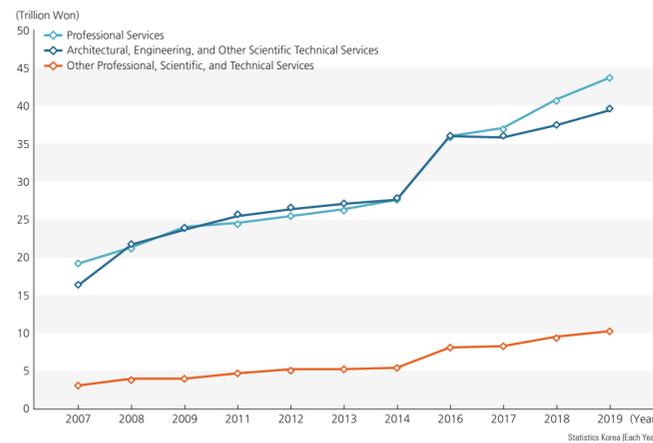
Professional, Scientific and Technical Service Activities (Enterprises) (2007-2019)



Professional, Scientific and Technical Service Activities (Employees) (2007-2019)



Professional, Scientific and Technical Service Activities (Sales) (2007-2019)

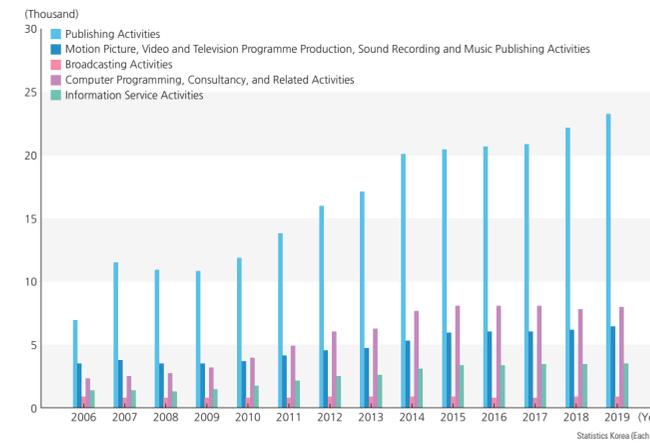


Professional, scientific, and technological skill services, as a typical producer service, support other businesses in acquiring expertise and efficiency in management by performing professional, scientific, and technological tasks by contract on behalf of other businesses. Conventionally, the products 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 perception for patents and copyrights led such services to be considered commodities that can be traded. Also, as service industry products can be the main drivers for improved production and competitiveness in manufacturing, service industries have become more intimately related to manufacturing industries.

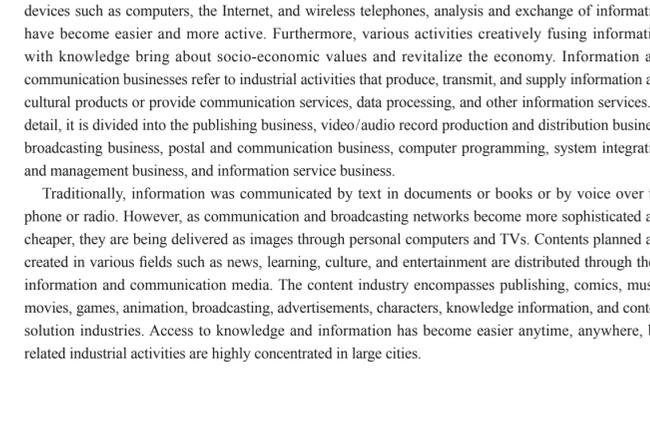
Since highly specialized knowledge and well-educated workers are the major requirements for service industries, business services tend to be concentrated in large metropolitan areas where many educational institutions are located. Within large cities, they tend to be concentrated in the central business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

Korea has accomplished industrialization in a short period, and presently it is at the leading edge of informationalization. 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 development of technology and industry.

Information and Communication (Enterprises) (2006-2019)



Information and Communication (Employees) (2006-2019)



Information and Communication (Sale) (2006-2019)

