



Korea: Educational Materials Market

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Summary

The market for educational materials in Korea is dominated by non-U.S. suppliers, but several niche opportunities for U.S. products exist. While market demographics are changing, the societal focus on education means that there is still considerable demand for education-related products. Educational materials are categorized by age group and use, such as stationery, textbooks, educational instruments, software, and office supplies. In general, the market demand for educational materials is seasonal, and suppliers are required to maintain certain inventory levels to accommodate this. Traditionally, the educational materials industry was considered low-end and a labor-intensive industry. As Korea continues its economic development, the market is going through tremendous changes. Consumers no longer look to low-end products; they are willing to spend money on products that are ergonomic, stylish, environmentally-friendly, and of high quality. Manufacturers seeking to capitalize on these trends are upgrading their products by utilizing advanced technologies as well as after-market services. Keeping up with the market trends and consumers' needs are the key factors for survival in this market. The main areas where U.S. firms have a competitive advantage are in educational software and English as a second language (ESL) materials. Another factor to consider is increased consumer awareness of and potential demand for U.S. brands thanks to the publicity generated by the Korea-U.S. Free Trade Agreement (KORUS-FTA) negotiations.

Market Demand

Korea's rapid economic development has led to higher living expenses as well as lower birthrates. Korea is one of the lowest birthrate countries in the world, with around 1.17 children per family. Low birthrates have a dramatic effect on education-related industries. Education-related industries used to sell large quantities of products at low prices. That is no longer the case as there are fewer children to supply and consumers demand higher-quality products. However, the combination of fewer children and increased incomes means that there is more money to invest per child.

Koreans are beginning formal and informal education at a younger age. Educational opportunities for younger children in special areas such as foreign languages and sciences are expanding. When it comes to education, Korean parents opt for the best quality possible. The industry is capitalizing on these social trends to compensate for declining sales caused by the declining birthrate. This has spurred innovation and led to the creation of new business models and collaboration with related areas, especially with Hagwon (frequently referred to as "cram schools," which are extracurricular private education institutes providing supplemental education for all general academic subjects, especially English).

Korea's economic development has also resulted in higher disposable household incomes. This extra income has facilitated greater choices, improved shopping environments, and reliance on high tech capabilities. These changes in consumers behavior led business to restructure, shifted commercial power to consumers, and reduced the product life cycle. Consumers' preferences are now demanding that educational materials producers focus on updated designs and increased functionality and be available in any neighborhood store, which has raised prices. These changes are altering the distribution channel structure.

The industry needs to prepare inventory according to the seasonal market demand. Sales revenue is relatively high at the beginning of terms, but drops off in the intervening months.

As the educational material industry has been affected by new technologies and production materials, it is a dynamic one, with new items appearing frequently. The constants, however, are stationery, office supplies, character products (i.e., materials featuring famous or copyrighted characters or images), and teaching materials. Initially, educational materials were low-tech and production was labor-intensive. Gradually the industry has entered the high-tech age as consumers place greater emphasis on design, materials, quality, and functionality.

Take ball-point pens for example. , The industry used to focus solely on their functionality, but the pens in the market these days are designed with ergonomics and aesthetics in mind.

There are around 1,000 educational material-related companies in Korea, but market demand has remained around USD three to four billion for years. The biggest reasons for the market's stagnation are the introduction of computers, the proliferation of emails, and the low birthrate. In recognition of the current social status, the industry has devised strategies to find new markets and upgrade product quality and appeal to overcome the current difficulties. Fewer children do not mean a completely bleak picture for the educational materials industry, however, with families now possessing more money to spend per child. Through upgrading products, the industry is increasing the price point of the products to boost revenue. Higher pricing compensates for diminished manufacturing quantity. While it is true that the low birthrate hits the quantity of products manufactured, the market demand for upscale products has increased as parents are willing to invest more and more for their children's education. The industry segment focusing on teaching materials, which is divided into main materials and auxiliary materials in conjunction with regular school education, is looking for new business models to increase revenue despite the decreasing birthrate. The industry is building Internet shopping malls, and creating games and toys to expand market share for famous animated characters. Also they plan to enter the Hagwon-supply business, focusing on educational materials using famous animated characters.

Market Data

Korea has a single-track 6-3-3-4 education system, which maintains a single line of school levels. The following types of schools have been established for preschool, primary, and secondary education. Compulsory education in Korea is up to middle school, or through the 9th year.

- 1) Kindergartens
- 2) Primary Schools & Civic Schools (i.e., schools for those who did not finish regular primary school education – often rural)
- 3) Middle Schools & Civic High Schools (i.e., schools for those who did not finish regular middle school education – often rural)
- 4) High Schools & Vocational High Schools
- 5) Special Schools (i.e., schools focusing on special programs: foreign languages, sciences, and the arts)
- 6) Miscellaneous Schools (i.e., schools for those with special needs or mentally-challenged)

Within the field of higher education, the following types of schools have been established.

- 1) Universities
- 2) Industrial Universities
- 3) Teachers' Colleges
- 4) Junior Colleges
- 5) Correspondence-Class Universities
- 6) Technical Colleges
- 7) Miscellaneous Schools (i.e., schools that award two- and four-year college equivalent degrees)

The number of schools, teachers, and students in 2006 are shown in the table below.

Classification		Schools	Students	Teachers
Pre-Primary Education	Kindergartens	8,290	545,812	32,096
	Subtotal	8,290	545,812	32,096
Primary Education	Primary Schools	5,732	3,924,973	163,642
	Civic Schools	1	70	3
	Subtotal	5,733	3,924,973	163,645
Middle School Education	Middle Schools	2,999	2,075,311	106,919
	Civic High Schools	4	172	8
	Miscellaneous Schools	8	4,178	197
	Subtotal	3,011	2,079,661	107,124
High	High Schools	1,437	1,281,508	81,183

School Education	Vocational High Schools	707	494,349	36,750
	Correspondence-Class High Schools	39	13,448	-
	Miscellaneous Schools	8	13,448	224
	Special Schools	143	23,394	5,970
	Subtotal	2,334	1,814,677	124,127
Junior College Education	Junior Colleges	152	817,997	11,857
	Colleges Attached to Industrial Firms	1	63	-
	Distance Learning Colleges	2	3,600	18
	Miscellaneous Schools	1	39	4
	Subtotal	156	821,699	11,879
University Education	Universities	175	1,888,436	51,859
	Teachers' Colleges	11	25,881	857
	Industrial Universities	14	180,435	2,117
	Technical Colleges	1	195	-
	Correspondence-Class Universities	1	273,417	134
	Distance Learning Universities	15	64,658	347
	Miscellaneous Schools	3	1,027	18
	Subtotal	220	2,434,049	55,332
Graduate School Education	Subtotal	1,051	290,029	1,990

Source: Ministry of Education and Human Resources Development

The import market for stationery in the first half of 2006 was USD 263 million, an increase of 40 percent over 2005, and represented 45.7 percent of overall market demand. The largest imported products were paper-related (USD 69.9 million, representing 31.5 percent of total imports and an increase of 59.8 percent). Indonesia, Thailand, and China were the largest suppliers. Ball-point pens recorded USD 38.8 million in imports, representing a 43.7 percent increase. Imports of painting-related products were USD 657 million, a 9.8 percent increase. The import of office supplies was worth USD 20.92 million, an increase of 61.2 percent.

Korea is also a significant exporter of stationery with USD 222 million exported in 2006, an increase of five percent over 2005. The main items exported were writing instruments(USD 45 million, a decrease of 6.1 percent), paper-related products such as calendars and cards, notebooks (USD 36 million, a 3.6 percent decrease), painting-related products (USD 16 million, a decrease of 6.2 percent), and plastic-related products (USD 8.4 million, a decrease of 19 percent).

Export and Import in first half of 2006 and 2005 by items

(Unit: USD/%)

Classification	Export			Import		
	2006 1~6	2005 1~6	Variation (%)	2006 1~6	2005 1~6	Variation (%)
Album	7,328,101	8,850,534	-17.2	1,453,865	866,028	67.9
Paper-related stationery	36,771,563	38,161,093	-3.6	69,899,328	43,732,774	59.8
Writing stationery	44,590,301	47,482,978	-6.1	38,834,538	33,449,053	16.1
Painting materials	15,657,021	16,689,261	-6.2	6,756,189	6,152,977	9.8
Metal-related	18,640,864	19,243,807	-3.1	9,809,799	8,230,689	19.2
Office supplies	36,524,101	25,070,392	45.7	20,924,891	12,983,432	61.2
Drawing-related	3,429,065	8,331,035	-58.8	5,643,408	5,107,037	10.5
Ink ribbons	18,275,054	17,415,153	4.9	6,982,973	6,238,325	11.9
Plastic-related	8,388,036	10,354,055	-19.0	4,434,835	3,555,043	24.7
Others	72,960,563	58,404,978	24.9	56,960,315	37,321,259	52.5
Total	262,564,669	250,003,286	5.0	221,669,144	157,636,617	40.6

Source: Korea Stationery September 2006

The market demand for educational materials for young children is estimated at around USD three billion, and is expanding rapidly. The desire to “raise my child specially” among Korean parents, combined with the low birthrate, has greatly increased the investment per child. Dramatic growth has been seen in the education market for children from ages 3 to 12 ages. Market demand for high priced children’s books, educational instruments, audio/video tapes, and blocks are increasing as the age of children commence formal education becomes lower and the interest in the educational needs of gifted children increases. According to a survey, around 75 percent of children who are three years old are enrolled in specialized education programs.

One of the areas of strongest growth in market demand is for toys,- the market is estimated at around USD 750 million. Substantial growth has been achieved as new characters and cutting-edge technology are introduced. The market demand for toys utilizing characters, such as the Teletubbies and Pocket Monster, is growing rapidly and it shows the market potential for child-related businesses and products.

Precise statistics are difficult to find, but ESL materials are in great demand. Considering the plethora of English teaching institutes in Seoul and throughout Korea, English textbooks, software, and overseas English training materials are estimated to draw a market demand of around USD four to five billion.

Best Prospects

As the statistics show, the best prospects for most U.S. suppliers to the Korean educational material market are not in the traditional, low-tech areas of stationery and writing implements. Valuable niche market opportunities do exist, however.

One such area is for educational materials for children between the ages of three to five. The area of gifted children also offers some opportunities, given its fast growth rate. A need also exists for materials focusing on English language learning programs and science education for young children.

Most Korean students spend long hours at study. In order to minimize the fatigue of long hours “hitting the books,” environment-friendly, ergonomically-designed educational materials are becoming more and more popular.

English learning materials and software for students of any age, which have a proven track record for quality and effectiveness, have good potential as Koreans invest much time and money to attain fluency in English.

A unique trend in Korea is utilizing popular animated characters to draw the attention of consumers to particular educational materials. So opportunities exist for those possessing such intellectual property rights to partner with manufacturers or marketers to display on various educational materials.

Key Suppliers

Given the low cost of manufacturing, China provides most of the educational materials in Korea. Paper-related educational materials are sourced from South East Asian countries such as Indonesia and Thailand, as well China. High-end furniture for children is mainly supplied from European countries. Successful suppliers in the market work with partners in Korea to market and distribute their products. The main reason to work with local partners is to ensure the products are customized to meet the characteristics required of educational materials.

Many English language learning related materials including software are from either the U.K. or U.S. However, test preparation books for TOFEL, TOEIC, and other English test related books, are mainly provided by Korean publishers. It is recommended that U.S. firms focus on the high-end niche market. Examples of such possibilities include, utilizing cartoon characters for educational materials, supplying English language learning materials including software, and marketing ergonomically-designed products.

Prospective Buyers

Companies selling educational materials are generally small and medium sized. The market is characterized by a large supply of items available and the seasonal nature of business. A few big players lead the Korean market. They have nationwide store chains and control the market. Alpha Stationery (www.alpha.co.kr), Morning Glory (www.morningglory.co.kr), and Barunson (www.barunson.co.kr) cover mainly the stationery side. Art Box (www.artbox.co.kr), Fancy Core, and Young Art (www.youngart.co.kr) cover mainly character-related areas. Books, CDs, and office supplies are covered by big book stores, Kyobo Book Center (www.kyobobook.co.kr) and Youngpoong Book Center (www.ypbooks.co.kr), as well as office supply specialists Dream Office (www.dreamoffice.com), Best Office (www.bestoffice.co.kr), and Dream Depot (www.dreamdepot.co.kr).

Individual schools and district offices for education have their own budgets to purchase educational materials, however budgets are limited and the procurement rules make small sales prohibitive. Working with local partners is recommended if you are interested in gaining access to this area.

Market Entry

The tariff for imported educational materials varies from zero to eight percent. If the Korea-U.S. FTA is implemented, tariffs will likely decrease. For further information, please contact CS Korea to obtain detail. Here are the examples of tariffs:

Books: no duty
Papers for printing and for writing: five to eight percent
Stationery: eight percent
Toys, puzzles and miniatures: eight percent
Notebooks, binders, and workbooks: eight percent
Furniture for education: eight percent
Monitors and projectors: eight percent

For many reasons, it is always recommended to have a local partner in Korea to do business.

Market Issues & Obstacles

There are no obstacles to entering the Korean market. However, we recommend you vigilantly protect your intellectual property rights (IPR). For businesses interested in filing for IPR or copyright protections, please visit the CS Korea website and click on the IPR Toolkit which will provide basic information:

<http://www.buyusa.gov/korea/en/iprtoolkit.html>

Trade Events

Seoul International Book Fair 2007

Date: June 1 ~ 6, 2007

Venue: COEX Pacific and Indian Hall

Website: <http://www.sibf.or.kr/2007/eng/index.asp>

Seoul Character Fair 2007

Date: July 25 ~ 29, 2007

Venue: COEX Pacific Hall

Website: <http://www.characterfair.org/2007/eng/main.asp>

Seoul International Stationery Fair 2007

Date: October 18 ~ 21, 2007

Venue: COEX Atlantic Hall

Website: <http://eng.ksic.co.kr/index.php>

EDUCARE 2007 Fall

Date: November 15 ~ 18, 2007

Venue: COEX Pacific Hall

Website: <http://www.educare.co.kr/eng/01.html>

English Expo & Conference 2007

Date: December 6 ~ 9, 2007

Venue: COEX Indian Hall

Website: <http://englishexpo.co.kr/2006/eng/default.asp>

Resources & Key Contacts

Ministry of Culture & Tourism

<http://www.mct.go.kr/english/index.jsp>

Korea Intellectual Property Office

<http://www.kipo.go.kr/kpo2/ek/?catmenu=KIPOENG>

Korea Stationery Industry Cooperative

<http://eng.ksic.co.kr/index.php>

Korean Publishers Association

<http://eng.kpa21.or.kr/main/index.htm>

For More Information

The U.S. Commercial Service in Seoul, Korea can be contacted via e-mail at: alex.choi@mail.doc.gov;
Phone: 822 397- 4466; Fax: 822 739-1628; or visit our website: <http://www.buyusa.gov/korea>

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