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Korean trends – Danish opportunities



Accessing the South Korean market with Svanemærket

On 14th March 2018, South Korean company *Pigeon* was forced to remove their popular fabric deodorizer from the shelves when it turned out that the product contained a toxic material. A week later, a leading South Korean cosmetic company, *Amore Pacific*, issued an official apology for spiking their eyeliners and concealer creams with carcinogenic heavy metals. Both companies are now giving voluntary refunds to disgruntled customers.

In effect, these recent scandals are just two from a long list of consumer scandals that have struck South Korea in recent years. For the past ten years, toxic chemicals have turned up in a number of personal products, from sanitary napkins to baby diapers and toothpaste. *Chemo-phobia* has

become a mainstream word, and South Korean consumers are demanding safe and eco-friendly products as never before. According to one report, the market size for Eco-label products in South Korea has grown from around DKK 8.4 billion in 2001 to over DKK 206 billion in 2014.¹

This trend is now being reflected in the European trade statistics, with Germany as the main frontrunner. According to the UN Comtrade database, German exports within HS-code 919600 (Sanitary towels, tampons and napkins for babies (etc.)) increased more than 13-fold from 2012 to 2016, and while the German-South Korean statistics still have not been updated for 2017, the latest Korean statistics suggest an even stronger rise for 2017 and 2018. Now, from 2017, the Nordic countries seem to be gaining momentum. Especially Denmark. From 2016 to 2017 Danish exports to South Korea increased more than 6-fold within HS-code 919600. Finnish exports doubled. Swedish data for 2017 still are not available on the Comtrade database.²

This briefing takes a closer look at the recent scandals in South Korea, and ensuing export opportunities. What is the market development within specific market categories? Which companies have seized the moment? Why was 2017 a turning point for Nordic – and especially Danish – companies? And what needs to be done to capitalize on this development?

A list of scandals

First, a brief introduction to the most important South Korean consumer scandals since 2010:

- *Humidifier disinfectant*: In April 2011, hundreds of people were hospitalized with severe respiratory problems. 10 months later a government agency announced that the ailment was caused by chemicals used in humidifier disinfectant (used to disinfect water in appliances that regulate indoor humidity).³ In August 2016, the *Asian Citizen's Center for Environment*, a South Korean NGO, announced that 919 people had died from the incident.⁴ The humidifier-scandal was the first of its kind, initiating a fear for consumer-related chemicals, and distrust towards the government institutions responsible for safeguarding consumer interests.
- *Tooth paste*: In 2014, parabens were found in popular South Korean toothpastes. Again in 2016, 12 toothpaste brands – covering 25 % of the South Korean market – were found containing CMIT/MIT, the same toxic chemical that triggered the humidifier-scandal.⁵
- *Sanitary napkin*: In March 2017, a South Korean professor of environmental chemistry and *Korea Women's Environmental Network (KWEN)*, an NGO, claimed that 10 top-selling sanitary napkin contained carcinogenic chemical substances beyond the safety levels.⁶ After the investigation, more than 3,000 South Korean women claimed negative side-effects of a sanitary napkin products "Lillian" which were produced by Kleannara, a South Korean company. This triggered a government investigation into all sanitary napkin products retailed in South Korea. In September

¹ Lee, J.Y. (2016). Present situation and Issues of green washing (친환경 위장제품(그린워싱)의 현황과 과제). *Gyeonggi Research Institute*, No.245.

² The Comtrade database is updated continuously for countries and products groups. Thus, at the time of writing (10 April 2018), export statistics for 2017 from Germany, Sweden, The Netherlands and France were not updated. Data for Denmark, Finland and Italy were updated.

³ The chemicals mentioned by *Korea Centers for Disease Control & Prevention* were PHMG, PGH & CMIT/MIT

⁴ Kim, S. (2016, September 6), Your breath, the breath someone will never be able to take again (당신들의 숨 누군가에겐 다시 없을 숨). [Hankyoreh](#).

⁵ Kang, J. (2016, September 26). Toxic material found in toothpaste (치약에도 '가습기 살균제' 성분). [JTBC](#).

⁶ Seo, J. (2017, September 5). Gov't reveals sanitary pads with VOCs. [Korea Joongqang Daily](#).

2017, the official investigation concluded that there was no cause for alarm.⁷ However, the fear of chemicals in sanitary napkins persists.

- *Baby products:* In January 2017, South Korea was struck by two scandals relating to baby products. First, P&G's flagship diaper brand "Pampers baby dry" – which had a 14 % market share in South Korea – was found containing dioxin and pesticides.⁸ The product was promptly removed from the market.⁹ In January, Yuhan-Kimberly, the biggest South Korean producer of hygiene products for women and children, admitted to adding excessive amounts of methanol to 10 of their products for infants.¹⁰ Later in 2017, a number of baby mats caused severe rash to babies.¹¹

The many scandals have led to a veritable "chemo-phobia" in South Korea, not just increasing demand for natural, eco-friendly products, but also fueling a widespread distrust of the official Korean certificate system, especially the official KC-mark (Korea Certificate). This certificate covered both the deadly humidifier disinfectants and the toxic baby mats.

Other factors add to this distrust. Firstly, the Korean certificate system is extremely (and increasingly) complex. From 2000 to 2017, the number of certificates covering South Korean consumer products increased from 75 to 174, creating confusion amongst the consumers.¹² Secondly, the general trust in the public system has been decreasing. South Korea slid further down on the international Corruption Perceptions Index, from # 44 in 2014 to # 51 in 2017.¹³

South Korea going ECO & EURO

The table below shows exports to South Korea for products within HS-code 969100. For countries where Comtrade data for 2017 are unavailable, data have been collected from the national Korean statistical office (marked with a dotted line on graph and red text in table).

⁷ Park, S. (2017, September 28). An investigation on all the sanitary pad products from Ministry of Food and Drug Safety. Lillian, got complains of side effects from 3000 people, is not hazardous (식약처 생리대 전수조사 '부작용 호소 3 천명' 릴리안도 '인체 위해성 없어'). [Joongqang Ilbo](#).

⁸ The scandal also affected France.

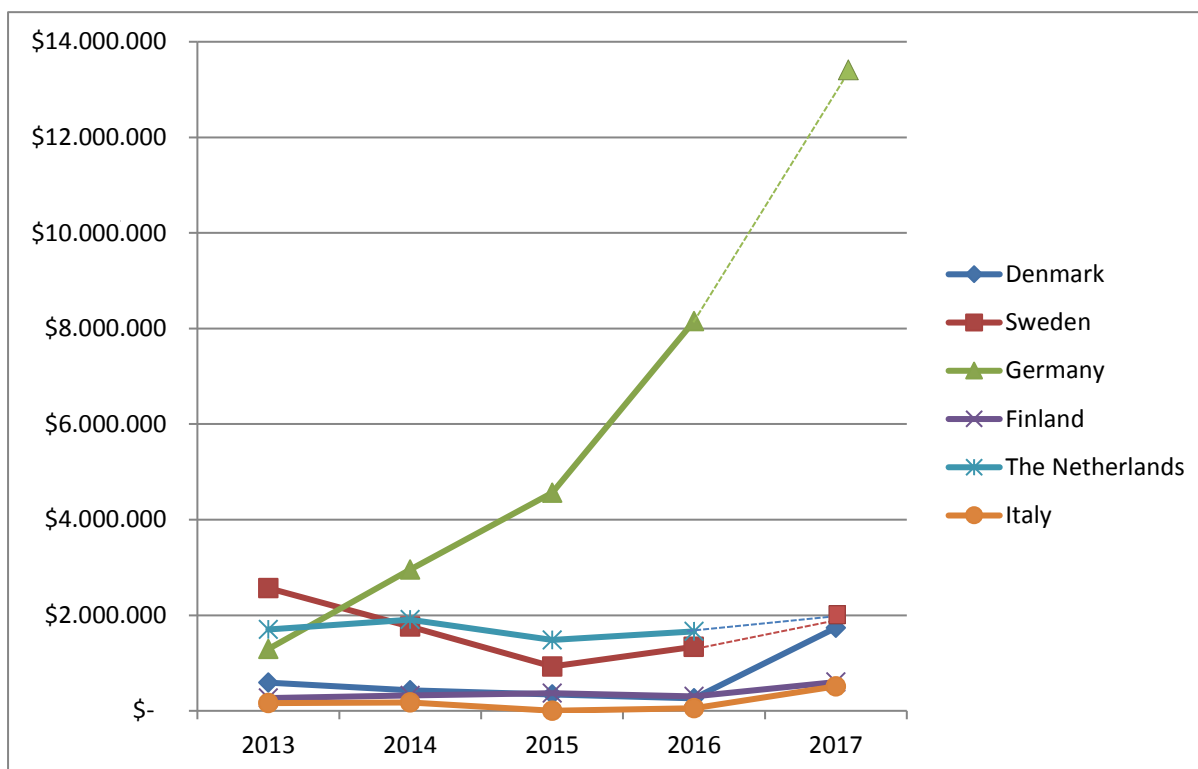
⁹ Sim, Y (2017, February 4). How much was 'a trace of toxic' detected from diaper? (기저귀에서 나온 '독성물질' 극미량 얼마였을까?). [SBS](#).

¹⁰ Kim, J. (2017, January 14). Methanol detected from wet wipes of Yuhan Kimberly exceeded safety standard. Recall all the products (유한킴벌리 물티슈 메탄올 초과 검출 '전 제품 회수'). [KBS](#).

¹¹ Kim, Y. (2017, June 12). New-material baby product causes 'rash and cough' (신소재 유아용품 '발진, 기침' 논란). [KBS](#).

¹² Lee, M. (2017, September 7). 'We trusted the government'. Betrayal from the certification system ('정부 믿었는데. 인증제도의 배신'). [Sisa Journal](#).

¹³ Transparency International



| | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------|-----------|-----------|-----------|-----------|------------|
| Denmark | 592,560 | 425,924 | 342,404 | 261,101 | 1,736,925 |
| Sweden | 2,567,582 | 1,760,263 | 928,017 | 1,337,673 | 1,853,000 |
| Germany | 1,292,647 | 2,952,036 | 4,559,764 | 8,155,031 | 13,298,000 |
| Finland | 266,829 | 323,801 | 367,722 | 298,637 | 601,507 |
| The Netherlands | 1,700,275 | 1,906,748 | 1,482,834 | 1,662,796 | 1,947,000 |
| Italy | 161,445 | 176,584 | 1,475 | 55,488 | 512,325 |

HS CODE: 961900 / Unit: USD 1000¹⁴

It seems clear, that the demand for safe and reliable products from European companies is on the rise. This section covers the development in demand for products most affected by the recent scandals, i.e. sanitary napkins, baby diapers, detergent and baby powdered milk.

- Sanitary napkins

During the past five years, the market for sanitary napkins in South Korea has increased by 8.2 % every year, reaching DKK 1.73 billion in 2016.¹⁵ After the sanitary napkin scandal in March 2017, the demand for safe sanitary napkins grew substantially, as reflected in the table below.

¹⁴ UN Comtrade

¹⁵ Ministry of Food and Drug Safety

| Year | Import | |
|------|-------------------------|-----------------|
| | Amount (million DKK) | Increase (%) |
| 2017 | 1,184 | 4.9 |
| 2016 | 1,129 | 19.5 |
| 2015 | 945 | 12.3 |
| 2014 | 840 | 4.8 |

*Imports to South Korea of sanitary napkins and baby diaper products.*¹⁶

Especially two European sanitary products – Voukkoset (Finland) and Corman (Italy) – became popular in the South Korean market after the scandal. Both companies started retailing their sanitary napkin products in South Korea from 2017, both online and in major health & beauty stores. Due to the sudden increase in demand for the products after the scandal, most of their products were sold out during 2017.

Thus, many consumers have started buying the products directly from abroad, despite high price and long delivery time. Today, European sanitary napkins from Sweden (Naty), UK (Natra Care) and Germany (Jessa) are retailed from ‘Store Farm’, an online shopping platform. According to Malltail, one of the biggest proxy purchasing services in South Korea, the total amount of cross-border shipping of women’s sanitary goods increased 6.6 times in just one week in August when the sanitary napkin scandal culminated¹⁷.

- Baby goods

Despite having one of the lowest birth rates in the world, the demand for baby goods (i.e. covering diapers, toys, skin care products and powdered milk) have been increasing at a steady pace. One of the reasons – apart from increased purchasing power – is the “VIB” phenomena (Very Important Baby), where families spend increasingly more on fewer babies. Thus, the market for baby goods in South Korea has increased from around DKK 6.8 billion in 2009 to almost DKK 13.3 billion in 2015.¹⁸ This increase is especially reflected in the import statistics.

Several European baby diaper products have been retailed in South Korean market even before the crisis, but now they are getting increasingly more attention from the customers, especially via online-shops. According to the Korea Customs Service, the import of baby goods has increased by 140 % over the last 5 years. Especially Germany has captured a strong market position.

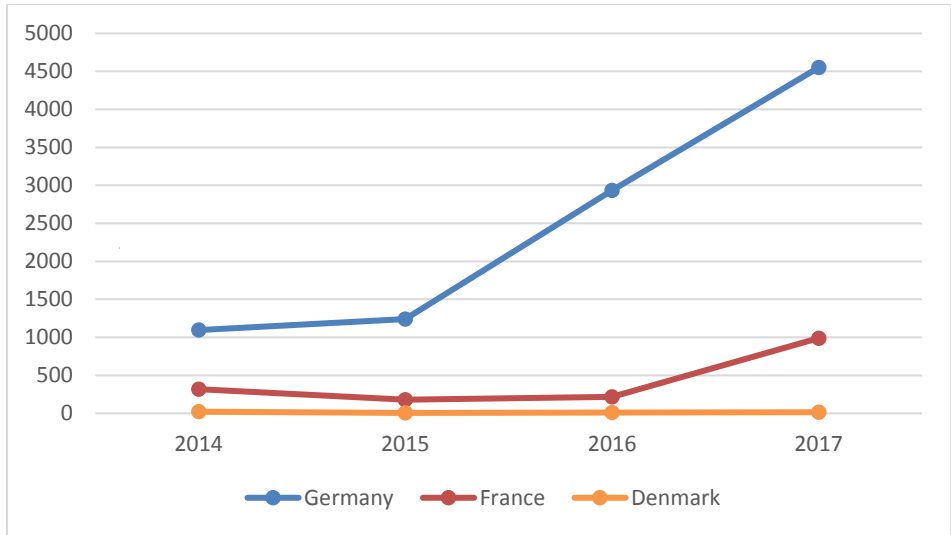
- Eco-detergent

The import of Eco-detergent from Germany (Sodasan) and France (Ecodoo) has increased remarkably in the last 4 years. Both companies base their marketing on their organic ingredients and the origin of the product – Germany and France – to which South Korean consumers have a strong trust.

¹⁶ The figures cover products in HS code 961900: Sanitary towels (pads) and tampons, napkins and napkin liners for babies, and similar articles, of any material. Source: K-stat.

¹⁷ Jung, J. & Hong, S. (2017, August 26). The Ministry of Food and Drug Safety investigates toxic materials in all sanitary napkin products which were produced and imported in the past 3 years (*식약처, 최근 3 년간 생산, 수입 모든 생리대 독성 조사*). [Joonang Ilbo](#).

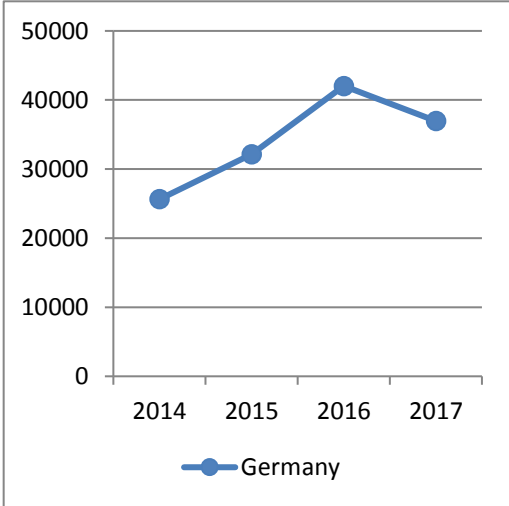
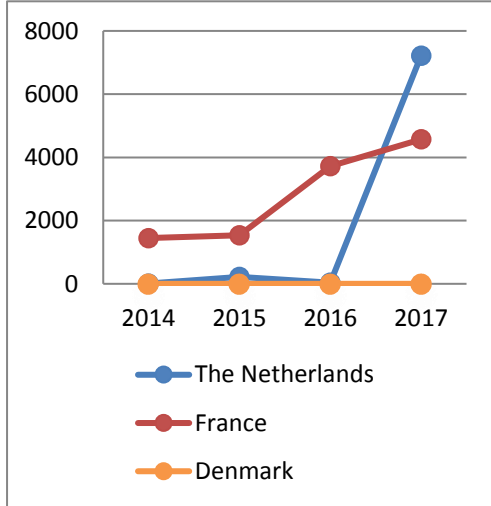
¹⁸ Statistics Korea, Hyundai research institute



HS CODE: 3402201000 / Unit: USD 1000¹⁹

- Baby powdered milk

The safety concerns for baby powdered milk started with the Chinese melamine scandal in 2008 creating a higher demand for 'premium' powdered milk from European countries. Especially, the import of baby powdered milk from the Netherlands (Aptamil) increased noticeably from 2016. In March 2017, Aptamil was imported by E-mart, reaching sales of around DKK 3.4 million in the first month.²⁰



HS CODE: 1901101010 / Unit: USD 1000²¹

¹⁹ Korea Customs Service

²⁰ Song, J. (2017, April 17). For Aptamil, Seoul mothers are coming back to E-mart (*아파트밀이 뭐기에, 이마트로 발길 돌린 서울 엄마들*). [Money Today](#).

²¹ Korea Customs Service

Sending Svanemærket to South Korea

In August 2017 – at the height of the chemo-paranoia – one of South Korea's largest newspapers carried a major article on the Nordic consumer certificate, Svanemærket, praising it for its strict regulations and trustworthy controls. According to the article, “the label ensures that no toxic materials exist in the products” and concluded that the system is “thoroughly managed”.²²

The positive review of Svanemærket corresponded with a general perception of Scandinavia and Denmark as model societies. Several South Korean TV programs have reported on the Danish society, elaborating on concepts as “flexicurity”, “equal work culture”, “work/life balance” and a strong welfare society. Denmark is famous for being one of “the happiest country in the world” and even “hygge” is a recognized phenomenon. Cafés called “Hygge” are now springing up in Korea. The Danish educational system has also made its mark. South Korea has an extremely competitive education system, and holds a world record in adolescent suicides, and consequently South Korea has shown a growing interest in Danish educational concepts, especially “Efterskoler” and “Højskoler”.

The strong Danish brand and the positive perception of Svanemærket seem to have been a turning point for Danish companies looking to South Korea. Abena, producing baby diapers and present in South Korea for over a decade, had a strong year in 2017, and Mininor, another baby goods producer, saw itself promoted by private bloggers as being “Danish” and “eco-friendly”.

The success is reflected in recently published statistics from the Comtrade database (early April): From 2016 to 2017 Danish exports in HS-code 969100 increased by 660 %, from USD 261,101 to USD 1,736,925 (and Finland doubled from USD 298,637 to USD 601,507 – figures for Sweden, Germany and The Netherlands still aren't available).

Yet, considering the size of the Korean market and the existence of an FTA agreement between South Korea and EU, the figures are relatively low. Knowledge on the Korean market needs to be collected and disseminated. For instance: What are the industry standards for hygiene products, and which (of the many) official certifications are needed? Who are the most efficient distributors and how should they be convinced of handling Danish products in face of fierce competition? What are the best distribution channels? With over 70% of direct sales in South Korea conducted through internet and mobile devices, access to online retailing is key to success, but how should these channels be approached?²³ Who are the main European competitors (see appendix for a first preview) and why are the Germans so successful in South Korea? And finally, what is the secret behind Dutch company Nutricia's explosive success?

These are some of the questions that need to be answered before entering the South Korean market. Perhaps a common approach is needed. Svanemærket constitutes a strong selling point for Korea right now and could become a unique platform for Danish (or Nordic) products. The South Korean market is huge. A collective effort may be beneficial for all parties involved. A first step towards this end is a seminar at Asia House in May.

²² Gu, J. & Song, Y. (2017, August 28). No safety net for chemicals. Nordic 'Swan mark' can be a solution (화학물질, 안전망이 없다. 면봉도 친환경 적용. 북유럽 '백조마크'에서 답 찾아야). [Kyunghyang Shinmun](#).

²³ The International Trade Administration. U.S. Department of Commerce

Appendix: Some European companies active in South Korea

| Product (Brand) | Country (Company) | Official importer | Certification | Selling point |
|-----------------------------|----------------------------|--|---|---|
| Sanitary Napkin (Voukkoset) | Finland (Delipap Oy) | Welcron Healthcare Corporation | Certified Organic Cotton, Swan label, EU eco label, Allergy label, Key flag | <ul style="list-style-type: none"> · Svanemærket · Safety of the products · Eco-friendly · Made in Finland |
| Sanitary Napkin (Corman) | Italy (Corman Organyc) | Aim.K | Soil Association, Certiquality, ICEA, Vegan OK, SA8000 | <ul style="list-style-type: none"> · The products are made of 100% organic cotton · Eco-friendly · Organic cotton absorber (No SAP24) |
| Baby Diaper (Kindoh) | Germany (Ontex) | Kindoh Korea | Oeko-Tex Standard 100, Original derma test excellent, PEFC | <ul style="list-style-type: none"> · Original Derma test excellent · Made in Germany or Belgium · European materials |
| Baby Diaper (Libero) | Sweden (Essity) | SCA Hygiene Korea Co.Ltd → A subsidiary of SCA Group Holding B.V. | Svanemærket, FSC | <ul style="list-style-type: none"> · Svanemærket · Top-selling diapers in Scandinavia · Imported directly from Sweden · Made in Europe: Sweden / Poland |
| Baby Diaper (Eco-genesis) | UK (Ben's Land) | Ben's Land Korea | Oeko-Tex Standard 100 | <ul style="list-style-type: none"> · Ingeo fabric (Vegetable based raw material) · Eco-friendly · Product placement |
| Eco-detergent (Sodasan) | Germany (SODASAN) | Sodasan Korea → online retailer: Plain Factory | Ecocert, Eco garantie, Vegan, Original derma test excellent | <ul style="list-style-type: none"> · Natural ingredient · Original derma test excellent · Top-selling eco-detergent in Germany · Made in Germany · Developed a dish detergent product only for Korean market |
| Eco-detergent (Ecodoo) | France (Ekibio) | C&S (Chungsan) | Ecocert | <ul style="list-style-type: none"> · Natural ingredient · Eco-friendly · Made in France |
| Baby milk powder (Aptamil) | The Netherlands (Nutricia) | Emart (One of the biggest hyper supermarket chains in South Korea) | | <ul style="list-style-type: none"> · Top-selling products in 9 European countries · Produced, packaged and imported from the Netherlands · Food safety compliance |
| Baby milk powder (Holle) | Germany (Holle baby food) | Rubino Korea | Demeter, EU organic certification, CO2 neutral | <ul style="list-style-type: none"> · Organic ingredients · Zero pesticide or chemical fertilizer · Strict quality control · Eco-friendly |

²⁴ Super Absorbent Polymer