

## **South Korea Third-Party Logistics (3PL) Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

Market Report | 2023-01-23 | 200 pages | Mordor Intelligence

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### **Report description:**

The South Korea Third-Party Logistics (3PL) Market is expected to register a CAGR of more than 6% during the forecast period.

#### Key Highlights

South Korea is advantageously present between two world-class importers: China to the west and Japan, another Asian economic powerhouse, to the east. It relies on third-party logistics for trade.

South Korea is among the top five 3PL markets in the Asia-Pacific area. Over the last ten years, South Korea's logistics business has exploded, with multinational, big manufacturing, and wholesale enterprises. These companies have focused on internal and external supply chain efficiency and effectiveness to save logistical costs.

With the development of e-commerce, the volume of shipments increased, and there is a need to improve the demand for 3PL companies to handle orders continuously. It resulted in competition to deliver goods of good quality, making retailers seek logistics hubs in the Greater Seoul area.

Due to the spread of COVID-19, third-party logistical challenges for exporting enterprises were severe in 2020, as both air and sea freight charges were raised. It was a year in which air freight saw a significant increase in rates. It is due to increased demand amid a supply shortage, while sea freight saw a rise in freight rates. Logistics issues were complicated, such as port congestion due to increased cargo volume and a lack of empty containers.

Before the onset of COVID-19, governments put high tariffs on traditional staple foods (7.9%), with more than 90% of food being subject to non-tariff obstacles. The quarantine policy in the early stages of the COVID-19 outbreak resulted in a reduction of agricultural production personnel, the closure of agricultural and fishery products processing companies, and the suspension of logistics and transportation. It caused China's supply of agricultural and marine products and preparations to fall short of demand.

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## South Korea Third-Party Logistics (3PL) Market Trends

### Boom in Air Cargo contributing to 3PL market in South Korea

Export performance by air and sea in 2020 was mixed, as a significantly greater setback occurred. The revenue generated by aviation climbed by 11.4% in 2020, totaling USD 183 billion, supporting the 3PL market of the country during the pandemic. Exports of air freight further increased significantly in 2021. In 2021, the exports of high-value-added products such as displays (OLEDs), computers (SSDs), semiconductors, and pharmaceuticals exhibited considerable growth, according to the reputation for higher air cargo exports. On the other hand, even though maritime cargo exports were generally slow, secondary battery exports showed an upward trend that stood out.

The proportion of air cargo exports increased. In particular, in the case of exports to Germany, the proportion of air cargo exports increased.

In August 2021, Korean Air (the largest airline and flag carrier in South Korea) reported a 31% increase in second-quarter profit, driven by record revenue in its cargo business, which continues to support the airline amid a lack of passenger flights. The Korean flag carrier said revenue in the second quarter of 2021 rose 16% from one year ago to KRW 1.95 trillion (USD 1.7 billion), and operating profit rose to KRW 196.9 billion (USD 0.15 billion). Its cargo division achieved revenue of KRW 1.51 billion (USD 1.19 million), which South Korea said was the highest in its history, owing to companies restocking in anticipation of economic recovery and a shortage of capacity in the shipping industry.

### Growth of E-commerce

South Korea's e-commerce market ranks among the most developed in the world and has been on sustained growth for the past few years. It is supported by the country's robust technology infrastructure, which ensures the availability of high-speed Internet and a significant number of tech-savvy customers. South Korea is the sixth-largest market for e-commerce, with a revenue of USD 92 billion in 2021, placing it ahead of France and Germany.

With an increase of 14%, the South Korean e-commerce market contributed to a worldwide growth rate of 29% in 2021. Revenues for e-commerce continue to increase. New markets are emerging, and existing markets also have the potential for further development. Global growth will continue over the next few years. It will be propelled by East and Southeast Asia, with their expanding middle class and lagging offline shopping infrastructure.

The most significant player in the South Korean e-commerce Market is [coupang.com](https://www.coupang.com). The store had a revenue of USD 16.6 billion in 2021, followed by [ssg.com](https://www.ssg.com) with USD 1.5 billion and [yes24.com](https://www.yes24.com) with USD 541 million. Altogether, the top three stores account for 20% of online revenue in South Korea. Store rankings are according to every store that generates revenue in South Korea. These stores can either have a national focus and only sell in their primary country or operate globally. For this evaluation, only income created in South Korea was considered.

### South Korea Third-Party Logistics (3PL) Market Competitor Analysis

The third-party logistics (3PL) market in South Korea is fragmented, with a mix of foreign and local businesses, such as CJ Logistics, Pants Logistics, and Lotte Global Logistics, among the leading competitors. Consistent economic growth, the rapid expansion of e-commerce retailers such as Coupang, Wemakeprice, 11street, G-Market, and TMON, as well as the desire to achieve carbon-neutral operations, are driving increasing demand for third-party logistics businesses. Companies are concentrating on incorporating automation into their processes and upgrading their energy sources to reduce their carbon footprint.

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South Korean gas stations have partnered with courier service providers, subletting their buildings as logistics hubs and bringing a new dynamic to the local delivery business. Hyundai Oil Bank Co., a major refiner in South Korea, has entered into a strategic relationship with Coupang Inc., an e-commerce business, to establish a gas station-based logistics system.

Additional Benefits:

The market estimate (ME) sheet in Excel format  
3 months of analyst support

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