

South Korea Payments Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The South Korean payments market is expected to witness a CAGR of 8.14% over the forecast period (2023 - 2028). The payment services worldwide are rapidly moving towards adopting mobile payment applications, such as Samsung Pay, Mastercard, Apple Pay, and American Express, to accept and transfer payments, and South Korea is no way behind. With increasing internet penetration and rapid growth in online retailing, this trend is expected to continue over the forecast period.

Key Highlights

According to Statistics Korea, In the year 2021, online shoppers in South Korea spent KRW 25 on food and beverages, whereas the spending on home electric appliances, electronics and telecommunication equipment was KRW 22 trillion, followed by the amount spend on clothing is KRW 16 trillion. Further, according to ministry of science and ICT (South Korea) poll done in South Korea in 2021, almost 74.5% of the participants said they have used their credit card to make an internet purchase. The same survey found that customers spent roughly 170,000 South Korean won each month on online purchasing. Such expenditure on online purchases will create a opportunity for the studied market to grow.

In South Korea, more people are going cashless for both online and offline payments. According to the bank of Korea, only about 20 % of all payments in the country are made with cash which is among the world's lowest to leverage this growing opportunity, tech firms, credit card companies, and the government launched varied mobile payment services. As a result, the Electronic payments in South Korea increased 32.7 percent on-year in 2020, hitting a record high of KRW 705.5 billion (USD 624 million), in terms of average daily transactions, amid the COVID-19 pandemic.

According to Korea Tourism Organization, In 2021, South Korea received approximately 967 thousand inbound visitors. Visitor arrivals in South Korea have shown an overall growth since year 2000. Such huge inbound of the tourist tourists in the region will drive the payment market, due to the spending on local goods purchase in local market by visitors either by cash or e-payment. Moreover, the Covid-19 pandemic has reinforced major shifts in payment behavior by declining the usage of cash payments,

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switching from in-store to online payment methods, and adopting instant payments. These transitions have created new opportunities for payment players in South Korea.

The increase in international trade, internationalization of production, and cross-border e-commerce suggest that demand for digital cross-border payments will continue to grow globally. However, digital payments from one country to another might prove to be costlier, slower, and less transparent than domestic payments due to the complexity involved in the procedure. This might hinder the growth in the adoption of digital payments for cross-border transactions amongst the enterprises in the region, especially small and medium-sized businesses.

South Korea Payments Market Trends

Retail Industry to Drive Market Growth

The payment market in South Korea is developing with the changing customer behavior. Trends such as mobile payments, internet banking, instant payments, e-commerce, and the growing impact of regulatory agencies are affecting the payment market in the country.

The Covid-19 pandemic accelerated the growth of the e-commerce market in South Korea, and this led to the wide use of online payment sites and cashless payment options. The users found it suitable and easy to use payment methods during online shopping and transactions.

The growth opportunity is attracting international companies to launch their business in South Korea, further driving the payment market. For instance, In January 2022, Apple joined Google by allowing third-party developers to offer their alternate payment services for purchases made through the App Store. The two companies are now in compliance with the South Korean Telecommunications Business Act, which refrained the companies due to app payment monopolies.

Online retailing in South Korea for various needs like food and beverages, clothing, household items, and others have attracted the market players to expand their business through strategic acquisitions and partnerships. For instance, In May 2022, Carrot, a digital insurance platform in South Korea, announced a partnership with Naver Financial Corp. (Naver) in order to support the distribution of shopping return insurance for the merchants of Naver's online shopping platform, Smart Store.

Significant Growth in Payment is Expected due to Digital Transformation

Digitalization is enhancing processes by leveraging digital technologies and digitalized data. It advances efficiency and productivity and reduces costs for a business. Many developed and developing countries, including South Korea, are adopting digitalization to boost their economy and promote contactless services.

The government is taking initiatives in order to boost digitalization in the country because of the growing demand for the country to connect digitally to the world, resulting in a boost in the digital economy. For instance, In July 2021, the World Bank's Digital Development Global Practice launched The Korea Digital Development initiative (KoDi). The three-year initiative will help the low-and middle-income countries accelerate the digital transformation that is data-driven, secure, and green by sharing information on recent reform practices and providing country-specific technical assistance.

The government has also partnered with IT companies to further advance and develop the digital infrastructure. For instance, in April 2021, Cisco announced its partnership with South Korea's government to accelerate digitalization initiatives. Cisco will invest in 5G, cloud computing, smart factories, and IT skill development through this partnership. The initiative is aligned with the country's digital new deal strategy and the government's Industry - 4.0 policy that will better prepare the economy and south Koreans for the tech-centric industrial revolution.

Moreover, in January 2021 South Korea Government announced to spend 12.7 trillion won (USD 11.7 billion) as a part of its digital

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New Deal program with an aim to foster new technology industries. Furthermore, In 2020 the government introduced an ambitious stimulus project under the Korean New Deal initiative for an amount of 160 trillion won till 2025.

South Korea Payments Market Competitor Analysis

The South Korean payments market is highly competitive and fragmented with the presence of significant market players such as Samsung Group, NaverPay, Toss Payments Co., Ltd, Amazon.com Inc., Apple Inc., PayPal Inc., and MasterCard Inc, Visa Inc., American Express Co. The companies are introducing new offerings and continuously investing in making partnerships and acquisitions along with product development to increase the market share.

September 2022 - Alipay+, a digital payments network, has teamed with Asian mobile payment companies to make four digital wallets available in South Korea. Travelers may now pay at 120,000 retailers in South Korea using their native mobile payment apps by integrating their eWallets AlipayHK(Hong Kong), GCash(the Philippines), Touch 'n Go (Malaysia), and True Money (Thailand) with Alipay+, which is created by Ant Group.

January 2022 - NAVER Corp. launched the Commerce Solution Market beta service, which will offer various 3rd party solutions to offer various third-party solutions for SME business operations. The platform helps Smart Store sellers in scaling up their business by partnering them with tech startups to provide a suite of advanced technology services that automate business operations.

Additional Benefits:

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

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