

South Korea Third-Party Logistics (3PL) - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2020 - 2029

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Report description:

The South Korea Third-Party Logistics Market size is estimated at USD 28.60 billion in 2024, and is expected to reach USD 34.89 billion by 2029, growing at a CAGR of 4.05% during the forecast period (2024-2029).

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 one of the top five 3PL markets in Asia-Pacific. The logistics industry in Korea has rapidly grown over the past ten years, with multinational, major manufacturing, and wholesale companies concentrated on the internal and external efficiency and effectiveness of supply chains to reduce logistics 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 in the Country is Driving the Market

South Korea is the sixth-largest e-commerce market in the world, with a projected revenue of USD 118 billion for the full year 2022, after China, the United States, Japan, Germany and the United Kingdom. With the deepening of economic globalization, disputes between Russia and Ukraine have gradually spread to South Korea.

South Korea's online retail sales accounted for 32% of total retail sales, second only to China (46%) and the United Kingdom (36%). Countries with developed e-commerce industries such as Indonesia (20%) and the United States (16%).

By category, fashion products account for the bulk of the Korean e-commerce market revenue, with an estimated revenue of USD 41 billion in 2025, followed by electronics (USD 27 billion), beauty & health & personal care & home care (USD 19 billion), Toys & Hobbies & DIY (USD 17 billion).

According to Industry Experts, South Korean e-commerce revenue is expected to maintain an annual growth rate of 4% in the next few years, while global revenue is forecast to increase by 10% during the same period, and will increase by 12% in 2025. The proportion of online shopping in South Korea is expected to remain relatively stable at 39% in 2025, up from 37% in 2022.

South Korea Third Party Logistics (3PL) Industry Overview

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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