

Topic and Research Question

This master's thesis aims at approaching the online organic grocery industry in East Asia by analysing the following research question: *How attractive is the online organic grocery industry in South Korea and China for new entrants coming from European countries?*

This research question is additionally supported by the following three sub-questions:

- (1) *How similar/different are the perceptions towards the notion 'organic' in China, South Korea, and the European Union to/from each other?*
- (2) *What are the characteristics of China's and South Korea's online organic grocery industry and how similar/different are they to/from each other?*
- (3) *What is the local value of European organic food products in China and South Korea?*

State of the Art

Scientific papers dealing with either "online grocery stores" or "organic food" in terms of China and South Korea do exist. However, the number of such scientific papers is still relatively small. The majority of all studies found have analysed the consumption behaviour of Chinese people towards organic food products, as well as the development of the organic grocery industry in China. In terms of online grocery stores in China and South Korea, and the South Korean food consumption behaviour towards organic food products, scientific papers do exist, though not many. Furthermore, research on the online organic grocery industry in China and South Korea, in a comparative way, is still non-existent. Neither is there a research, which specifically focuses either on the online organic grocery industry in China or South Korea.

Methodology and Approach

To answer the main research question, a modified version of Michael Porter's Five Forces (Figure 1) was applied. Based on secondary literature, it was decided to incorporate the component "complementors" into the model. In addition, the existence of mutual dependencies of all components was factored in. However, the outermost layer of the model additionally shows, which factors may have an influence on the online organic grocery industry in South Korea and China from the outside. The focus of the analysis in this

master's thesis though solely concentrates on the dynamics within the industry.

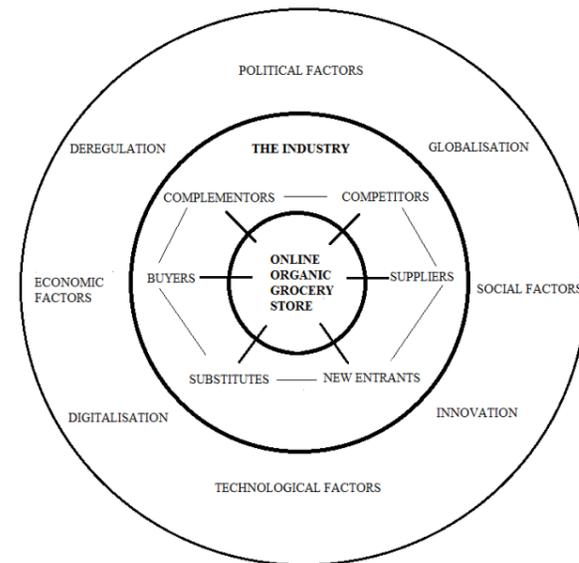


Figure 1 Modified Five Forces model

To find out, whether the perceptions towards the notion 'organic' in China, South Korea, and the European Union are similar/different to/from each other, the European organic regulations were adduced and later on compared with the regulations from South Korea and China. Moreover, in order to get a better understanding of the online organic grocery industry in China and South Korea, the marketing-mix concept, which consists of the 4 Ps (Product, Price, Place and Promotion), was applied to three selected online grocery stores of each country. Online grocery stores found were ranked according to their popularity estimates, which were provided by alexa.com. However, the selection of the three shops was not based on their rank, but on the number of organic food products in their assortment, since a popular online organic grocery store did not automatically provide a great number of organic food products. Choosing a store that does provide relatively many organic food products would provide the research with more data regarding organic food varieties for instance. To determine, whether organic food products are rather expensive or not, food products were selected and compared with conventional food product prices, provided by numbeo.com. Additional content for the analysis was gathered by analysing the drivers behind the development of the organic grocery industry in China and South Korea.

Main Facts

Rising export opportunities, growing safety concern, and the rising income level of people living in Chinese cities have led to a rapid growth of the Chinese organic grocery industry. This has welcomed the emergence of fake Chinese organic logos, but also the import of foreign organic food products. However, it was possible to find fifteen online grocery stores that sell organic food products in China. If it is not a store that explicitly targets expats living in China, the organic assortments are mainly filled with regional products, while organic vegetables often represent the biggest category, though organic fruits are almost non-existent. European imported organic food products play a rather minor role. However, products, such as wine, baby food, tomato sauces, pasta, jam, honey, cereals, oils and soy milk are to be found in the selected Chinese online grocery stores. These products are imported from France, Germany, Italy, Austria and Denmark. Prices of organic food products can be 2 to 8 times higher compared to their conventional counterparts.

In South Korea, environmental friendliness and health consciousness are drivers behind the growth of the organic grocery industry. Altogether, it was possible to find thirteen online grocery stores that sell organic food products in South Korea. Two of three regarded shops indicate that the assortments do not often contain much organic fresh produce. However, 11 to 19 percent of the whole assortment are filled with European organic processed food products. On average, around 60 percent of all products are produced in South Korea. Imported European products involve oils, pasta, sauces, tea, vinegar, snacks, soft drinks, chocolate and spices. These products are imported from England, Spain, Switzerland, Belgium, Austria, Italy, France, the Netherlands, Germany and Denmark. Prices of organic food products can be 1 to 3 times higher compared to their conventional counterparts.

Results

Based on the empirical results, it was possible to conclude that both, the Chinese and South Korean online grocery industries, are attractive, respectively profitable industries for new entrants (= online grocery store selling organic food products) coming from the European Union. Suppliers of both industries cannot be defined as a strong threat to new entrants yet, and the degree of rivalry within these two industries is also not significantly high yet. What may affect new entrants

coming from the EU is the existence of substitutes (e.g. European vs. regional products). With regard to the forces 'threat of buyers' and 'threat of new entrants', there are factors that may enhance industry profitability, but also factors that may decrease industry profitability. However, the South Korean online organic grocery industry may be a bit more attractive to new entrants coming from the European Union, due to the arrangement between the EU and South Korea, which allows imports to either country without any additional certification procedures. Furthermore, foreign, respectively European organic food products, tend to be more accepted in the South Korean online organic grocery industry, as the ratio of imported organic food products in the assortment of the shops is much higher than in China. China's online organic grocery industry predominantly fills its assortments with regional and fresh produce, so that imports of European organic processed food products have played a minor role until now. However, in the scope of concern with food quality and health issues among the Chinese citizens, European organic food is nevertheless regarded as high quality food in China.

References

All references can be found in the full version of the MA thesis available at <http://othes.univie.ac.at>.

About the Author

Sylvia Luu holds a B.A. degree in "Economy and Culture of China" from the University of Hamburg – an interdisciplinary programme consisting of elements of Business Administration, Economics and Chinese studies. Currently, she is also a student at the University of Graz, studying towards a M.Sc. degree in Business Administration, while focusing on Supply Chain Management and Entrepreneurship. In the M.A programme at the University of Vienna, she focused her research on market opportunities, food consumption culture and health issues in East Asia.

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