



ISSN: 2586-7342

KJFHC website: <http://acoms.accesson.kr/kjfhc>doi: <http://dx.doi.org/10.13106/kjfhc.2023.vol9.no5.7>

# Ice Cream Market and Future Development in Korea\*

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Received: October 24, 2023. Revised: November 13, 2023. Accepted: November 17, 2023.

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## Abstract

**Purpose:** The purpose of this study is to analyze current trends in the Korean ice cream industry and determine how these trends affect the competitiveness of each ice cream company. **Method:** This study was conducted by reviewing existing related literature and collecting and analyzing data from news articles, corporate reports, and existing researchers' studies related to the ice cream industry. **Results:** The Korean ice cream industry is growing and developing through the collaboration of fun marketing with taste, quality, and fun elements, and the young MZ generation can be said to be the main customer base. In terms of quality, premium ice cream made with high-quality domestic ingredients has recently been gaining popularity, and ice cream with reduced fat and sugar, such as plant-based substitutes, is also gaining popularity among consumers. **Conclusions and Implications:** The results of this study highlight the need for continued innovation in the Korean ice cream industry. The industry must also capitalize on the growth of online sales and the global appeal of Korean pop culture. Sustainability efforts, technology adoption, and strategic collaboration are key drivers for future industry success, and social media engagement must be integrated into marketing strategies to increase brand awareness and consumer loyalty.

**Keywords:** Ice Cream, Premium, Popularity, Sustainable

**Major Classification Code:** M11, M19, M31, L66

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## 1. Introduction

Europe stands out as the primary market region for the ice cream industry. This preeminence can be attributed to the growing consumer inclination to view ice cream as a form of leisure, which has, in turn, powered significant growth during the review period. Additionally, the

introduction of innovative and enticing flavors has been a key driver in propelling this market segment forward.

Among the various distribution channels, the Off-Trade category has emerged as the most rapidly expanding contributor to the ice cream market. This substantial growth is largely facilitated by the Off-Trade's online presence, which has been invigorated by the advent of the experimental economy and the burgeoning influence of

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\* This research was supported by 2023 eulji university University Innovation Support Project grant funded.

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social media platforms. These factors are collectively broadening the outreach to consumers within the market.

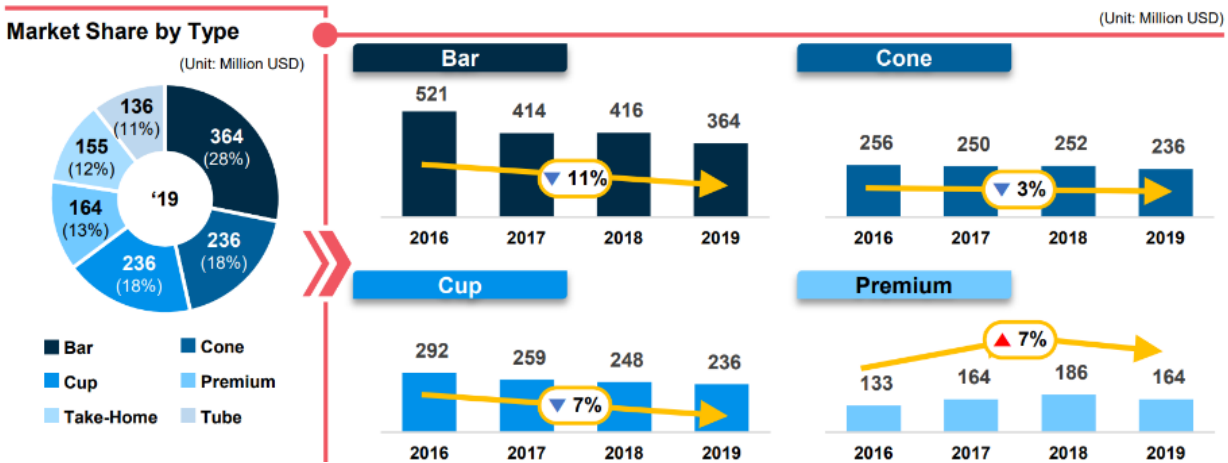
Remarkably, the South American segment demonstrates the highest growth rate, signifying its status as the swiftest growing region. In South America, the surge in health and wellness trends has shaped consumer preferences, leading to a strong demand for low-fat, lactose-free, calcium-rich, gluten-free, and low-sugar ice cream products.

The off-trade distribution channel exerts a dominant influence over the global ice cream market. Consumers within this segment exhibit a preference for purchasing ice cream from supermarkets and hypermarkets, where bulk shopping often yields discount coupons, making it a major distribution avenue for ice cream sales.

Convenience stores rank as the second-largest channel for ice cream sales, following closely behind supermarkets and hypermarkets. The extended operating hours of many convenience stores, as compared to traditional retail outlets, result in a greater availability of ice cream products throughout the day. Furthermore, the tradition of enjoying ice cream as a post-meal treat in restaurants and through foodservice channels has further propelled the growth of the worldwide ice cream market. In 2022, a notable 47% of consumers globally indulged in meals and ice cream at restaurants, with an additional 31% of consumers choosing food delivery through food service channels (Monitor Intelligence, 2023).

Lotte Confectionery) and Binggrae are expanding their overseas distribution channels to adapt. In 2022, the size of the South Korean ice cream market (retail sales of frozen desserts) decreased by 3.7% compared to the previous year, reaching 1.3073 trillion won (Yonhap News, 2023).

The South Korean ice cream market, which had surpassed 2 trillion won in 2015, has been on a continuous downward trend since. Since 2018, the market size has been shrinking annually by over 6% on average. This decline is significantly influenced by the sharp decrease in the child population, which is the primary consumer group for ice cream. According to the Ministry of Interior and Safety's population registration statistics, the domestic child population (aged 0-17) decreased by 22.8% over a decade, dropping from 9.69 million in 2012 to 7.48 million in 2021 (Global Data, 2022). The addition of sweeteners such as sugar and alternative sweeteners to ice cream, to cater to health-conscious adults, is also considered a contributing factor to the declining domestic sales. Conversely, ice cream exports are increasing. According to the International Trade Center's (ITC) Big Data Trade Map, South Korean ice cream exports amounted to \$77.65 million in the past year, marking a 7.1% increase compared to the previous year. In 2022, the main export destinations for Korean ice cream were the United States (28.0%), Philippines (12.0%), Canada (9.4%), Vietnam (8.1%), Hong Kong (6.8%), Taiwan (6.0%), China (5.0%), Russia (4.2%), and Japan (2.4%). Among them, the export value of frozen products such as ice cream increased by 39.1 per cent year-on-year to



Source: Global Agricultural Information Network, 2023

Figure 1: Global Ice Cream Type

The domestic ice cream market in South Korea is on a declining path.

The decrease in the number of key consumers, children and teenagers, is the primary reason. Consequently, major ice cream manufacturers like Lotte Confectionery (formerly

KRW 59.4 billion (Asia Economics, 2023).

In major export countries such as the United States, the Philippines, and Canada, Melona is the top-selling product. Melona has been a steady seller in the United States, with

over 250 million units sold from 2009 to 2021, securing its position as a bestseller. In Vietnam, there is a high demand for Bungeoppang ice cream. Lotte Confectionery's exports of frozen products increased by 52.6% to 20.9 billion won in the past year. Lotte Confectionery has a strategy to expand the sales of products produced by local subsidiaries, separate from exports.

In 2017, they invested approximately 70 billion won in expanding the production facilities of Have More, an Indian frozen dessert company they acquired. They manufacture products for the domestic market such as World Cone and locally specialized products. Due to the growing interest in Korean content (K-content), localization strategies, and expanded distribution channels, South Korean ice cream is becoming more accessible to local consumers. Therefore, it is expected that South Korean ice cream exports will continue to grow steadily (The JoongAng, 2023; Roh, & Yoon, 2009).

## 2. Players in the Ice Cream Market

In South Korea, the ice cream specialty store market is dominated by Baskin-Robbins, and this trend has intensified, especially with the onset of COVID-19. A significant example of this is Cold Stone Creamery, which re-entered the domestic market in 2018 but closed its last branch last year, marking the end of its business in South Korea. The polarization in the ice cream specialty store market is expected to persist. While chicken has become a staple food, ice cream is enjoyed by specific consumer groups, resulting in limited overall demand.

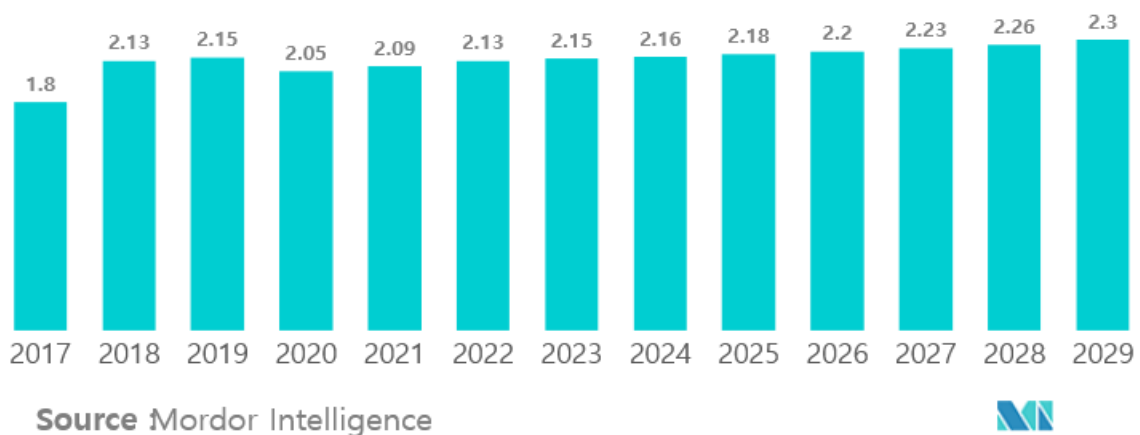
remain as it is (Weiss, 2012). In particular, it is crucial to pay attention to SPC's expansion of brands by utilizing its existing franchise business experience and capabilities. SPC has extensively built a logistics procurement system for ingredients like oil, reducing additional costs and allowing the expansion of large-scale businesses. This structure naturally leads to the elimination of competing companies (Lee et al., 2017).

Lotte Confectionery, due to the popularity of its subscription-based service 'Monthly Snacks,' has also introduced the 'Monthly Nattur' service. Subscribers to 'Monthly Nattur' receive Nattur products once a month, with different themes applied each month, offering a variety of products. You can apply for 'Monthly Nattur' through the official Instagram accounts of Lotte Confectionery and Nattur (Janzer, 2020).

Häagen-Dazs believes that the best ice cream starts with high-quality ingredients and is made without synthetic colors or artificial flavors. In fact, the founder of Häagen-Dazs spent a whopping 6 years searching for the perfect quality strawberries to use in their strawberry ice cream. Over the 60-plus years since its inception, Häagen-Dazs has remained committed to delivering premium ice cream with a dedication to craftsmanship.

This commitment has made Häagen-Dazs a beloved premium ice cream brand among consumers worldwide. Among the various flavors offered by Häagen-Dazs, their core flavors, including vanilla, strawberry, and chocolate, have contributed to establishing Häagen-Dazs as the "best ice cream brand" and the "ice cream of ice creams."

Consumers appreciate Häagen-Dazs for its use of premium ingredients, and other factors such as taste balance



Source: Mordor Intelligence, 2023

**Figure 2:** Per Capita Consumption of Ice Cream, Kg, Global, 2017 – 2029

Baskin-Robbins needs to surpass its current consumer demand to sustain growth, or the market structure will

and creamy texture also rank high among the reasons why people love Häagen-Dazs.

### 3. Ice Cream Market Consumption Trends

#### 3.1. Unique Taste

South Korean consumers frequently consume and generally prefer foods that combine spicy and sweet flavors, such as tteokbokki. In addition, the interest in spicy and sweet foods is increasing due to the stress of staying at home longer due to COVID-19. In South Korea, spicy ice cream products have been launched, and consumers have reacted with shock to the innovative changes in the existing ice cream products, and the new products have received a lot of attention on social media. (Deloitte, 2021).

#### 3.2. Fun Collaboration

As the consumer base that is enthusiastic about the Newtro (New + Retro) B-class sensibility is expanding, especially the MZ generation, the ice cream industry is also utilizing viral marketing by launching exotic cola products. There are more and more cases of communicating with Funsumer (Fun + Consumer) by posting virtual products for April Fool's Day on SNS. Lotte Confectionery's ice cream Meron Eaten Joss Bar was limited to 2 million pieces and was designed to give fun and enjoyment to ice cream lovers (Lee, & Kim, 2021).

#### 3.3. Health and Vegan

Recently, vegan ice cream has been gaining attention due to the increase in the number of vegetarians, the spread of value consumption among the MZ generation, and the increase in selective vegetarian consumption for health and diet. In May 2021, Lotte Confectionery's Natur vegan ice cream exceeded 70,000 units in cumulative sales within two months of its launch. Natur Vegan Ice Cream was the first ice cream to be certified as vegan in Korea, meaning that it was the first ice cream to be certified as vegan in Korea using only pure plant-based ingredients (Food Information Statistics System, 2022).

### 4. Development Directions for the Ice Cream Industry

South Korea's ice cream market is growing, with demand for both traditional and modern flavors on the rise. This is especially true among younger consumers, who prefer high-quality, unique ice creams. A distinct recent trend is the popularity of premium ice cream products. Consumers are willing to pay more for premium quality, great taste, and locally sourced ingredients. Hence the rise of boutique

premium ice cream can be seen. In line with global health and wellness trends, there's a growing preference for healthier ice cream options such as low-fat, low-sugar, and lactose-free varieties. Some companies are even exploring innovative ingredients like plant-based milk to cater to health-conscious consumers. Innovation is pivotal for staying competitive in the ice cream industry. Companies are continuously experimenting with new flavors and product formats, including diverse ingredients, textures, and serving methods. To create excitement and a sense of urgency among consumers, seasonal and limited-time offerings like holiday or summer-themed ice cream desserts have gained popularity as effective marketing strategies.

Online sales and ice cream delivery have surged in popularity, especially due to the COVID-19 pandemic's impact. Consequently, ice cream manufacturers are expanding their online presence and bolstering delivery services to reach a wider customer base. South Korean ice cream producers are exploring international markets, leveraging the global interest in Korean brands, including K-pop and K-drama, to promote Korean ice cream brands abroad. In keeping with the wider trend of sustainability, the ice cream industry is focusing on eco-friendly packaging and sustainable ingredient sourcing as environmental consciousness grows among consumers.

Efficiency gains and cost savings are achievable through the utilization of technology and automation in the production process. This enables companies to meet growing demand while maintaining product quality. Collaborations with other players in the food and beverage industry, as well as other brand partnerships, can lead to the creation of unique products and marketing campaigns to attract a broader customer base. Engagement with consumers through social media and various digital platforms is paramount in marketing ice cream products.

User-generated content and partnerships with influencers can be powerful tools for promotion and driving sales. The outlook for the South Korean ice cream industry is largely optimistic, as it demonstrates a willingness to adapt to evolving consumer preferences and introduce fresh flavors and formats. However, fierce competition necessitates a continued focus on innovation and market awareness.

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