

Abstract

Analysis of the Food Service Sector in Seoul

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This research aims to provide information about the status of the food service sector in Seoul and its policy implications by conducting quantitative analysis, field research and consultation meetings.

In 2013, Seoul's food service sector accounted for 10.4% of Seoul's industrial sectors and 6.7% of total employment.. Total sales have been growing at an average of 5.7% per annum during 2006~2013. Even though Seoul's food service sector has sustained its growth trend for years, its business environment is getting worse.

From analysis, we found five problems affecting the food service sector in Seoul. First, Seoul's food service sector consists mainly of small scale establishments which are vulnerable to economic change. The percentage of small scale establishments that employ less than 5 employees is 79.3%. Chicken shops (92.4%), noodle houses (90.9%) and Korean style restaurants (82.4%) constitute an especially high proportion of small scale establishments. Second, the business environment for the food service sector is worsening. The growth of sales has been less than that of expenses for years, and it is more severe in the small scale businesses. Third, a low entry barrier results in a huge inflow of newcomers, and thus produces a saturated market that generates a huge outflow of establishments.. Fourth, the ratio of distribution cost to food ingredient cost is high, at almost 50%. Fifth, there is a labor shortage issue. The food service sector in Seoul experienced lack of labor force at 4.7% in 2015 compared with 2.1% in all industrial sectors. One reason for the shortage is poor working

conditions. On average, employees in Seoul's food service sector work more but paid less compared average for all business.

Some policy implications derived from the analysis are as follows. First, considerable policy support is required for stable and sustainable growth of the food service sector, such as promoting mentoring programs and firming up qualification processes. Second, development of infrastructures is needed. Supporting construction of logistics centers for food ingredients and a direct system might aid in reducing the cost of food ingredients.. Third, further studies are needed for policy making. The characteristics of the food service sector in Seoul are different at the district level and the restaurant level so that in depth studies will be required to develop policies.



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