Stella Yoon – Managing Director, French-Korean Chamber of Commerce and Industry (FKCCI)



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The French-Korean Chamber of Commerce and Industry (FKCCI) has grown rapidly in the last decade, both in terms of members and revenues. Its managing director, Stella Yoon, explains how the chamber has adapted its capabilities and services to the changing needs of French companies and identified the hurdles facing Korean companies wishing to operate in France. She also breaks down the key drivers influencing French-Korean trade and investment.

Ms Yoon, before taking the leadership position at FKCCI, you oversaw its business consulting department where you managed to increase revenues by 500% in 5 years. What was your magic formula?

Firstly, I think I came at the right time. When I joined the chamber almost nine years ago, the business consulting department only employed three people whereas there are now seven. Overall, the FKCCI was a much smaller structure than it is currently, not only in terms of human resources but also in terms of member companies and services provided. As a result, there were a lot of opportunities for growth. One of the opportunities was the fact that the chamber rarely assisted Korean organizations wanting to increase their presence in France. I thus took the initiative to sign partnerships with local trade and business institutions, notably the Korean Chamber of Commerce, the Korea Trade-Investment Promotion Agency (KOTRA), the Korean Federation of SMEs (KBIZ), as

well as with municipalities and regions which had projects to develop trade with France but lacked assistance. Lastly, we approached large conglomerates. Whereas it might seem like these groups already have the internal capabilities to enter the French market, it is not really the case. My team and I achieved a lot of success by being able to identify their need for assistance.

Could you describe in more detail the needs of these large Korean conglomerates?

The needs are specific to each case, but I can give one example. One company had the ambition to bring a large French white goods retailer in Korea. They had trouble identifying the right contact and get in touch with this person. Contrary to what Koreans believe, the large chaebols are not necessarily well-known in Western countries. While French consumers are well aware of Samsung, a group such as Lotte does not enjoy the same brand awareness. The FKCCI can help educate French companies on the importance of these Korean firms and how they can benefit from doing business with them. As opposed to Korean companies which usually adopt an opportunistic mindset to business, French companies are generally more prudent.

On the other side of the coin, what are the needs of French companies, how have they evolved and how can the FKCCI answer them?

Nine years ago, French companies requested more basic services, such as market information. Nowadays, most companies already have access to this data. What they need from us now is more personalized assistance. It is extremely difficult to identify and approach the right contact in Korea, especially when one does not have an established network here. This is usually the case in Asian countries.

As a matter of example, I met a young French entrepreneur at an event called ‘South Korea Days’ (Journées Corée du Sud) organized in a regional chamber of commerce in France. He explained his project to develop his business in South Korea. We first performed a feasibility study and determine there was an opportunity for him on the market. The second step was to find distributors interested in his products. We created a qualified list of contacts and organized one-on-one B2B meetings between them and the French exporter. During those meetings, we acted as a facilitator by translating not only the words being said but deciphering and explaining the meaning behind them that is influenced by the cultural context: what is this person really asking? what does it mean when a Korean person does not answer? Finally, we studied the financial credibility of the Korean

partner and worked with law firms to write the contract.

If the exporter does not have a legal entity in Korea but wants to develop its activities further, we are able to hire a young French business developer in our Business Center for two years dedicated to the company. We can then assist the exporter in creating an affiliate or subsidiary in Korea and recruit staff. In a nutshell, we provide customized support to companies from beginning to end.

What are the key challenges French companies have to face when doing business in Korea?

Generally speaking, Korea remains a country where investors are confident about economic prospects. The rule of law is well-established, and the economy is growing steadily. South Korea's GDP/capita has already surpassed Spain and Italy and is approaching that of France.

Nonetheless, foreign companies operating in the country are concerned that the fast increase in minimum wage implemented by the Moon government will hinder their ability to hire and put pressure on profits. Korea is now undergoing a cultural transition regarding the value of work. Young Koreans are increasingly demanding more work-life balance. All companies must adapt to this new approach to work.

The differences in corporate culture and organizational management between French and Korean companies can also pose a challenge. Korean companies are highly hierarchical whereas French companies tend to adopt a flatter management structure. This hierarchical structure influences how projects are run and how team members communicate. For instance, information from lower-level employees must go through multiple intermediaries before reaching top management. Reporting and validation processes are also more complex. As a result, completing the same project requires more people in Korea than in France. There clearly is a productivity and performance issue in Korea.

In 2017, South Korea became France's fourth-largest customer of France in Asia and constituted its seventh-largest global trade surplus in 2017. What makes Korea so attractive to French companies?

The EU-Korea Free Trade Agreement signed in 2011 has provided an incredible boost to French exports to Korea. In particular, the reduction of tariffs has made French food and beverage

products such as wine more price competitive compared to Japanese products for instance. Incidentally, the number of members at the chamber has skyrocketed since then.

France enjoys a favourable image among Korean consumers. France is considered as a country of craftsmanship and know-hows sharpened throughout its long history. French products are perceived as luxurious, prestigious and high-quality. France is also recognized for its scientific and engineering competency.

What are the sectors driving the growth of French exports?

When we look at the sectors that drive the growth of French exports to Korea, we find the industries where France has a competitive advantage. The sectors are quite diversified. The first is the aerospace/defence industry with companies like Airbus, Dassault, Safran and Thales. Then comes the chemical industries which include cosmetics as France is a global leader in this sector. The third most important is electronics, mainly home equipment. As one might expect, luxury is a key driver too, in fourth position. The agrobusiness come next as ‘made in France’ high-quality F&B products are in high demand. Finally, the pharmaceutical industry is in sixth place with MNCs like Sanofi, Servier and Guerbet which are active members of the chamber.

Korean exports and investments to France are not as important. For instance, in 2016, Korea was only in 37th place in terms of foreign direct investment. How do you explain this discrepancy?

Korean investments and exports to France are less important for various reasons. Investing in France is riskier than investing in Korea as corporate tax is one of the highest among OECD countries and the job market lacks flexibility. The Macron government is trying to implement changes to improve the attractivity of France as an investment destination and his promotion activities are bearing fruits. Last year, after meeting with the President, Samsung executives announced the opening of a research centre for artificial intelligence in the heart of Paris, its third biggest after Korea and the US. Naver is also present in France and invested USD 230.5 million in its local subsidiary last year with the aim to make France its gateway to the broader European market. These large investments by leading chaebols send a strong message to other Korean companies that France is an attractive place, especially when it comes to R&D and innovation.

Regarding exports, Korean companies do not usually think of France as the first destination in which to sell their products. For economic reasons and due to close geographic and cultural proximity, Korean companies tend to favour Asian markets, especially Japan and China, as well as South Eastern countries. As the largest economy in the world and due to the ease of doing business and the close economic and political ties, the US is a major destination as well. Then they will consider other English speaking countries such as Australia, Canada, New-Zealand and the UK. Moreover, geographic, cultural and linguistic hurdles make Korean companies neglect France as an export destination.

Regarding the healthcare sector, you mentioned the pharmaceutical industry is the sixth most important in terms of exports. What makes Korea attractive to French pharma companies?

Although the Korean pharmaceutical market is relatively small, it is highly attractive for French pharma companies as its domestic market is expected to grow by 10% annually surpassing the world average according to the Korea Drug Research Association. In 2018, the healthcare sector was among the ones where foreign companies generated the most profit in Korea. In recent years, the Korean government has invested a lot of funds in biopharmaceutical R&D and introduced reforms to mature its healthcare system. According to the Korea Health Industry Development Institute (KHIDI), the 46 biggest R&D-Based Korean pharmaceutical companies designated as innovators by the Ministry of Health & Welfare of Korea should increase their R&D investments to 3 billion euro by 2020. However, there are still regulatory hurdles to introduce innovative products on the market.

What would be your advice for French firms looking to do business in Korea?

The critical key to success in Korea is the ability to constantly innovate and adapt to fast-changing consumer trends. Koreans are among the most demanding customers and their tastes evolve quickly. As a result, they do not stay loyal to specific brands. If companies are unable to provide something new and different, they will fall into oblivion

When it comes to business relations, establishing trusting human relationships is paramount. Moreover, there is always one or multiple intermediaries between the seller and the final customer. The intermediary might not communicate regularly with the French company. Thus, keeping regular contact and forming a bond with the intermediary and, if possible, with the final customer,

is a critical element of success.

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