

Changing Face of Korean Firms' Marketing Management

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I. Introduction

Not unlike many other naences and concerns. These complexities, which include changing customer values and orientations, economic stagnation, environmental decline, increasingly harsh global competition, and an assortment of other economic, political, and social problems, are creating progressively greater demands upon Korean business firms. In response to these rapidly evolving strategic and competitive demands of the 21st century, many Korean firms are now purposefully modifying their approaches to marketing.

One notable change that is currently becoming conspicuous in many Korean firms is the evolution from a marketing department approach or philosophy to the marketing performance approach. In the marketing department approach, characteristic of the previous (20th century) era, the marketing department performs traditional marketing functions such as sales and research. In the new marketing performance approach, the marking department plays a more central and critical strategic and operational role in the firm, resulting in a marketing driven organization.

In this new approach, marketing directors are expected to have comprehensive knowledge of the business, strong interpersonal skills, a capacity for true customer-oriented leadership, and a solid grounding in finance. Technical skills in advertising, sales or research are no longer sufficient for functioning as a marketing director. Marketing directors in Korean firms will need to assume leadership roles, rather than merely managerial responsibilities, providing the vision that can incorporate marketing decisions within larger organizational long-range strategies. In these leadership roles, the marketing director becomes an ombudsman for the future in the organization, helping others comprehend the activities necessary for building long-term market positions. Korean firms must thus regard the marketing concept as a management philosophy, in the sense that marketing is no longer conceptualized as a separate business function but rather as the comprehensive business essence as seen from the customer's point of view.

Marketing mangers in Korea have characterized recent marketing developments in such terms

as increasing market turbulence, shorter product life cycles, instantaneous competitive adjustments, global competition from diverse industry participants, radically new innovations, and rising product development costs. These descriptions suggest both a compression of market response time and more complex, dynamic, and unpredictable environments. They also bring attention to the need to be acutely attuned to potential market developments and to be prepared for immediate responses to both threats and opportunities. Under these environments, the role of marketing becomes that of a change agent providing guidance and direction for those types of activities necessary for meeting market demand under uncertainty.

Accordingly, marketing managers in Korea have become more interested in providing improved customer value by continuously adjusting and adapting the marketing mix to better fit evolving and emerging market segments and niches, and by developing sophisticated marketing programmes that can address the needs and expectations of all stakeholders as well as target consumers. Many of the marketing managers in Korea identify value-based brand management as the key to successfully contending with shifting market environments. They also stress the importance of reallocating marketing resources for the creation of additional consumer value and brand image.

Nonetheless, Korean marketing managers also recognize the role that the accelerating pace of technological innovation will have on the creation of new opportunities and new industries. As one example, digital convergence is now rapidly underway in Korea. The increasing inter-compatibility of broadcasting, telecommunication, and computer systems is making the emergence of a unified platform inevitable. Korean firms in the high-tech industry are currently racing to find blue-ocean opportunities that may result from this convergence, and stake a claim to establish market positions for the future. They hope to exploit these opportunities by applying unique solutions or unique technologies and thus create sustainable competitive advantages for their businesses.

This chapter begins by introducing the key issues and developments that have been emerging in Korea and that impact the conduct of marketing functions for Korean companies. Then, case studies on Samsung Electronics and AMOREPACIFIC will be presented to illustrate the brand management practices of leading Korean companies in international markets. We conclude this chapter by discussing the complex challenges that lie ahead for Korean firms.

II. Key issues and New Developments

Several key issues and developments characterize the evolution that has occurred in the last ten years regarding the approaches many Korean firms take to marketing activities. These include increased attention to brand management, a greater emphasis on brand reputation in global markets, acknowledgement of an over-reliance upon sales promotion tools, movement toward an integrated marketing communication perspective for promotional activities, calls for more socially responsible actions, and the application of marketing concepts to non-profit organizations.

1. Increased Attention to Brand Management

Throughout the 1990s, marketing managers in Korean firms typically believed that there was always a new product breakthrough just around the corner. When new products were developed, managers focused on establishing new product categories and new standards of excellence within product categories. They held beliefs that product innovations could create new markets and a corollary sales momentum of their own. New product innovations, in this doctrine, were sufficient to make organizational success self-perpetuating.

Because of this tenuous convention, many Korean firms created and applied new and exclusive brand names whenever they developed new products, combining this approach with a restructuring of the sales force in order to sell the products with short-range tactics, rather than building brand power or brand equity with long-term, consumer-focused strategies.

Prior to the millennium, there were several indications of an under-emphasis on brand building among Korean marketing efforts. First, marketing managers did not always recognize the importance of brand associations and frequently had no knowledge about how those associations differed across market segments. Additionally, marketing managers often had little investment in the long-term success of the brand, and there were few managers in typical organizations that were charged with cultivating and protecting brand equity (Aaker 1991). As a result, brand values would often erode, loyalty levels would fall, and price would often become more salient despite increased levels of selling efforts. Even though many companies launched new brands successfully, the values of those brands would frequently diminish rapidly due to competitors' rapid imitation.

As Korean managers began to observe in the last decade that well-managed brands provide higher and more sustainable profits to organizations, they began to recognize the benefits of

strategic brand management (Hyun, Han, Ye 2003). As a result, many Korean marketing executives now comprehend with new appreciation how strategic branding efforts can afford more consistent product demand and thus ensure a company of strong and reliable streams of future cash flow (Chaib, and Yoo 1999; Jeon, Cho, and Lee 2004). Similarly, consumers are recognized to be willing to surrender a price premium for brands that more effectively address their needs or embrace higher quality. As a result, brand managers now focus on meaningful product differentiation as a strategic tool, where the goal is to make a brand stand apart from its competitors such that consumers recognize both tangible and intangible product individuality (Ha et al. 2003). Aligned with this new focus, most Korean firms have adopted the brand manager system. Korean brand managers now consider strategies for nurturing and extending existing brands rather than merely introducing new brand names whenever new products are launched. Aligned with this approach, brand personality and identity are cultivated and communicated in a consistent manner using integrated marketing communication (IMC) methods (as discussed below).

2. Greater Emphasis on Brand Reputation in Global Markets

Along with greater emphasis on brand building, a more robust concern for building brand reputation in global markets has evolved among Korean firms. This evolution has required Korean firms to move toward higher-end products/markets in an effort to improve profitability and assure long-term brand reputation.

In the past, Korean business organizations penetrated international markets through the exploitation of cost advantages and superior efficiency. In other words, the core competitive advantage of Korean products in international markets had historically been low price. Although this strategic approach was effective in allowing Korean brands to enter crowded foreign markets, it constrained profit margins and did little to build company or brand reputations.

Thus, despite the fact that Hyundai Motors, Samsung Electronics, and AMOREPACIFIC were among the best companies in Korean industry, they suffered from weak company reputations. To ensure that sustainable profits were harvested from global markets, these firms needed to change their strategies (and reputations) from price leadership to reliable quality and credible value (Fombrun 1996). Toward this end, they created new brands and cultivated sub-brands with the specific objective of attracting higher-end consumers in global markets and building company reputation. These brand strategies are exemplified by Samsung Electronics and AMOREPACIFIC, and are illustrated in detail in the next section.

3. Acknowledgement of An Over-Reliance Upon Sales Promotion Tools

Using a broad definition of sales promotion (i.e.: Blattberg and Neslin 1990), a recent analysis found Korean advertising expenditures sluggish over the previous ten years, while sales promotion expenditures increased at a rate of 20 percent (Kim, Ahn, and Yoo 2004). It is estimated that combined consumer and trade promotion as a percentage of advertising/promotion budgets grew from about 20% in the 1970s to 55% by 2005 (Kim, Ahn, and Yoo 2004).

There are many potential explanations for these trends. First, advertising has become less effective, largely because consumers are being bombarded by excessive numbers of advertising campaigns. Second, as many product categories have matured, consumers have grown to be more price-sensitive. Third, many of these mature product categories now offer little in the way of differentiated or distinctive features or attributes. Many brands within a given product category are virtually indistinguishable from one another, and few offer unique benefits to consumers. Because of this commoditization process, manufacturers have found it more difficult to compete based upon product features, and therefore sales promotion has, by default, become the most salient marketing tool for influencing sales. Fourth, marketing managers increasingly have developed a short-term orientation due to increased competitiveness as well as internal management incentives. Finally, manufacturers have been locked in a defensive and reactive escalation of sales promotion expenditures from which they cannot withdraw, resulting in a prisoner's dilemma spiral detrimental to all players.

Although sales promotion efforts have been effective in the past at achieving short-term objectives for those companies employing them, the inherent risks and limitations of these tools created potential problems within the organizations (e.g.: short-term managerial focus), in the markets (e.g.: diminishment of brand loyalty, damage to brand quality image, and increased consumer price sensitivity), and among distributors and other channel partners (e.g.: forward buying and diversion). Although sales promotion tools could induce consumers to try a brand and even to repeatedly purchase it, they were rarely capable of creating a powerful brand franchise or a unique brand position within the competitive marketplace. Recognizing the potential harm resulting from an over-reliance upon sales promotion tools for the manipulation of consumer demand, Korean marketing managers have recently become more interested in brand-building efforts and promotion programs with a more custodial focus. Taking this longer-term approach, Korean managers have adopted the IMC (integrated marketing communication) model for enhancing promotional coordination and effectiveness.

4. Movement Toward An Integrated Marketing Communication Perspective

In past decades, many Korean firms built strong barriers around the various marketing and promotional functions and managed them separately, with the corollary potential for different budgets, different views of the market, and different goals and objectives. These companies generally failed to recognize that in order to effectively communicate a consistent and relevant brand image to target consumers, the diverse range of marketing and promotional tools must be implemented and administered in a coordinated fashion. In the present decade, many Korean firms have acknowledged these past weaknesses and have changed their strategic perspectives to embrace the integrated marketing communication (IMC) model in which all of the various promotional elements and marketing activities that communicate with an organization's customers are harmonized.

There are number of reasons why Korean marketers have recently adopted the standards embodied in the integrated marketing communication approach. One fundamental reason is that marketers now recognize the value of strategically integrating the various communication functions rather than allowing them to operate autonomously. By coordinating their marketing communication efforts, companies can avoid duplication and take advantage of synergy among various communication tools, thus building their brands more efficiently and effectively (Sirgy 1998). The majority of Korean marketing managers interviewed for this chapter argued that the IMC approach is one of the easiest ways by which a company can maximize the return on its marketing and promotion investment. The rapid growth and development of database marketing activities has also encouraged Korean marketing managers to adopt an IMC perspective. Many companies have been utilizing computers to assemble databases containing customer information, and marketers have employed this information to target consumers through a variety of direct-marketing methods (e.g.: telemarketing, direct response advertising, and internet promotion), rather than relying on mass media outlets for traditional advertising (Kim, Hong, Shin, and Kang 2005).

As we mentioned before, Korean firms have come to recognize the importance of brand building efforts. As a result, they now have a greater interest in developing and implementing IMC programs, since communication efforts are the ultimate process by which a cohesive brand identity or image can be developed (Kim, Ahn , and Yoo 2004). Those Korean marketers interviewed indicated that the IMC concept is highly valuable because it provides greater consistency in marketing communication programs, reduces media waste, and gives a company a competitive edge when it is effectively applied. Nonetheless, they also mentioned that it

was not easy to develop and implement an IMC perspective at the corporate level, because different managers were typically in charge of each communication mix. They argued that firms need to change their management systems to horizontal and flexible team structures under the supervision of master communication directors in order to be able to successfully implement the IMC concept.

5. Calls for More Socially Responsible Marketing Actions

In the past decade, two major movements in Korean society have emerged. These are consumerism and environmentalism. Because some people have come to view business as the cause of a variety of economic and social ills, grass-roots movements have arisen from time to time with the goal of monitoring and enforcing corporate responsibility. As a response to these movements, Korean firms have begun to take proactive actions toward socially responsible marketing (Lee, Whang, and Ahn 2003). Recognizing the consumer's right to information and protection, many Korean firms have responded positively to consumerism and environmentalism in order to better address consumer needs (Yoo, Kwon, and Lee 2004; Cho 2005).

Underlying this new embrace of socially responsible marketing, Korean firms acknowledge that neglecting consumer and societal long-term interests represents a disservice to consumers and society. Consistent with this recognition, they have begun to define their mission in broad social terms rather than along narrow product lines, and have implemented marketing decisions by considering long-term societal and consumer interests as well as consumer wants and company goals. Enlightened companies now often require managers to engage in societal or community service on a regular basis, and regularly invest large quantities of capital for the development of environmentally friendly products and resource-efficient production, and to protect the public from environmental harm (Oh, Lim, and Shin 2005; Lee, Whang, and Ahn 2003).

6. The Application of Marketing Concepts to Nonprofit Organizations

In Korea's past, marketing has been most widely applied in the business sector. In recent years, however, marketing has also become a major component in the strategies of many nonprofit organizations, such as colleges (Kwak, Yoo, and Youn 2006), hospitals (Whang 2006), museums, and even government agencies (Noh, Park, and Kwak 2006). For example, many Korean hospitals have traditionally experienced capacity underutilization in every department.

As hospital costs and corresponding room rates have soared in recent years, administrators have become cognizant of the potential benefits to be offered by marketing methods. Severance hospital at Yonsei University has recently renovated and modernized its facilities in order to provide superior patient services and improved convenience. It has upgraded its services and surroundings (i.e., room facilities, dining services, medical examinations and treatments, etc.) in order to attract and satisfy higher-end customers. Similarly, many private Korean colleges, facing declining enrollments and rising costs, have been implementing marketing strategies and concepts to be able to better compete for students and to improve fund-raising efforts. Toward this end, they have more clearly defined target markets, improved their communication and promotion processes, and enhanced their response to student needs and wants. Furthermore, co-marketing, mergers, and other joint ventures between Korean colleges and universities are now frequently initiated to improve the effectiveness of administrations (Park 2006).

Even government agencies now show an increased interest in marketing. Most public enterprises have devised programmes to measure and enhance customer satisfaction, for example. Various government bureaus are now designing social marketing campaigns in order to encourage energy conservation and concern for the environment, or to discourage smoking, excessive drinking, and drug use. Similarly, public parties are hiring marketing specialists to better communicate their political ideals and principles. This continued growth of nonprofit and public sector marketing presents new challenges and opportunities for marketing specialists.

III. Case Studies

1. Samsung Electronics: Global Premium Brand Strategy

The key for Samsung's future is to have premium brands in global markets.

- Kunhee Lee, Chairman, Samsung Group -

Since its founding in 1938, Samsung has maintained a mission statement that has propelled its own evolution and guided its responses to new developments in the world: Electronic contribution to the nations, Priority to human resources, Pursuit of rationalism. Each slogan represents significant moments in Samsung's history, reflecting different stages of the

company's growth from a domestic industrial leader into a global consumer electronics powerhouse. In the 1990's, Samsung transformed its mission statement to keep pace with its growing global operations, rapid changes in the world economy, and escalating competition from well-established rivals. Its vision and mission are outlined in Figure 1.

▶ Insert Figure 1 here

Since 1999, Samsung Electronics has made a key strategic move toward global premium branding. Before 1999, Samsung Electronics was recognized as a reasonably priced brand in global markets. Its strategic move can be classified into two phases and is outlined as follows.

(1) Phase 1 (1999-2004): Building Global Brand Awareness

Prior to 1999, Samsung Electronics positioned itself as a value brand in global markets. Consistent with this positioning, it was perceived as a reasonably priced brand with reasonable quality, and as such, it needed to focus on achieving credibility in international markets. Anticipating a digital era in the future, Samsung Electronics began in 1999 to position itself as a digital technology leader and launched a global brand communication strategy to establish and build this position. At this stage, its focus was upon building a corporate brand (Samsung Electronics) rather than individual sub-brands and brand names, due to limited resources and budgets. The brand essence was conceived to be wow, simple, inclusive. Company positioning was designed to communicate an easier, richer, and more enjoyable life through technology, and the Samsung brand slogan was Samsung DigitAll: Everyone's Invited. At this phase, its target markets were conceptualized as consisting of sensible brand buyers. That is, it tried to appeal to reasonable consumers seeking performance, durability, user friendliness, manufacturer reputation, and overall value. The core idea of the brand campaign was focused upon the conceptual benefits of product technology and functionality. Over the course of this campaign, declining brand awareness (attributed to increased advertising clutter) constrained Samsung to concentrate upon brand differentiation and message consistency. At this time, an IMC (integrated marketing communication) perspective was adopted, incorporating various formats and targets such as sporting event sponsorships and brand showcases, compatible with mass media outlets such as television. At the end of this phase, Samsung evaluated its brand campaign and recognized that its approach had inadequate appeal and influence with targeted customers, and lacked coherence across campaigns. At this point, Samsung Electronics began to modify their brand strategy, evolving its approach into what we will denote as its 2nd strategic phase.

(2) Phase 2 (2005-present): Achieving a Premium Brand Image

Due to the successes of the branding campaign at Phase 1, consumers in international markets began to recognize Samsung Electronics as a reliable and credible manufacturer. Nonetheless, Samsung Electronics was not entirely satisfied with these results. At the end of Phase 1, the company performed an analysis of its relative growth in brand status and the performance of its business portfolio. This research indicated that market transitions had occurred in which desirable target consumers had migrated toward premium segments. Subsequent to this analysis, Samsung Electronics modified its strategic focus, with the goal of repositioning itself as a premium brand in order to better meet the needs of quality-focused consumers. To align the organization with these new focus and goals, Samsung Electronics reorganized to become a market oriented enterprise. In this endeavor, it now attempts to provide unique solutions that address customer needs through the expansion of its CRM (customer relationship management)-based marketing platform. Further, it has developed a digital network platform that improves technological compatibility between products.

Overall, then, the key objective for Phase 2 of Samsung Electronics' strategic promotional plan was to achieve a premium brand image in global markets. As a long-term objective, Samsung Electronics aims to become an iconic brand with strong brand loyalty and a position of industry leadership. To achieve this objective, it has carefully developed its Phase 2 brand strategy program. In order to execute its Phase 2 branding and promotional strategies, Samsung Electronics implemented a number of tactical decisions. First, Samsung Electronics changed its target market. Its new target consumers were defined as those individuals embracing more lavish life styles and seeking premium product experiences. In other words, Samsung changed its target market away from value-oriented or price-conscious sensible consumers and toward style- and technology-conscious seekers of premium brands. These new consumers were envisioned as imaginative, outgoing, social, and curious-looking for stylish premium products that would enrich their lives and life styles. In making this change, Samsung acknowledged that this new segment of consumers have a greater appreciation for quality and technological excellence, more refined sensory and aesthetic awareness and assessment, and greater economic empowerment.

Second, Samsung Electronics identified three harmonic elements of its new brand essence as sensory premium, technology leadership, and design focused. In this effort, it recognized stylish, sensuous, glamorous, and distinctive as emerging attributes of new premium brands. Consistent with these desired attributes, Samsung endeavored to excel in designing and developing aesthetically and technologically superior products. Based on these new target

market profiles and brand essence statements, Samsung Electronics began the process to reposition itself as the premium brand that allows seekers of abundant life styles to push the boundaries of their existences through sensational design and cutting-edge technology.

In order to make the organizational execution of these strategic brand re-positioning elements possible, Samsung Electronics developed an improved brand management program and a more coherent communication strategy framework. Because of growing demands on sub-brands due to the diversification of its business portfolio and the proliferation of new product categories, Samsung Electronics developed specific decision criteria and processes for the creation and validation of brands and sub-brands. To accomplish this task, it re-examined its single master brand strategy (i.e., the corporate brand building strategy of Phase 1) and set about to establish a new brand architecture system. This new system retained Samsung Electronics' single master brand strategy, but enhanced it by allowing sub-brands to be created with limited approval (Hyun, Han, Ye 2003). The criteria established for sub-brand creation was the existence of substantial product differentiation with clear competitive boundaries, unique product attributes for the sub-brand which distinctly differentiated it from the master brand, the absence of potential for channel conflict, significant long-term financial prospects, and sufficient organizational capabilities and resources for managing the overall brand architecture. Samsung also devised a corporate decision-making process and a hierarchy for creating and implementing sub-brands. In this process, the Global Brand Manager (GBM) would propose the introduction of the sub-brand, the General Manager of Operations (GMO) would then assess opportunities at level one, and finally the GBM/GMO would jointly validate the analyses and develop a final proposal at level two. Members of the management committee then make a final decision on the creation of the proposed sub-brand, and the GBM/GMO develop execution guidelines for introducing the new sub-brand.

Complementary to the creation of this brand management process and architecture, Samsung Electronics also developed a detailed brand communication strategy for promoting a master brand and associated sub-brands. In doing so, it formulated two guiding principles for its brand communication strategy. First, communication activities would be required to create or reinforce an emotional bonding process between consumers and Samsung brands, with the overall goal of cultivating a premium brand image. Toward this goal, the communication concepts and creative guidelines for every campaign would be expected to focus on emotional benefits rather than technical benefits to the target customers. Second, communication teams would be required to develop holistic marketing communication plans based on the standardized planning process, and in line with the launch of a new brand or sub-brand. Samsung Electronics emphasized

consistency in communication messages and the look & feel of every contact point. Because consumers are expected to receive diverse information through various contact points, Samsung Electronics wanted to provide harmonious messages across all communication methods.

As a result of these new branding and communication efforts, Samsung Electronics' performance in global markets has already shown considerable improvement. It has recently achieved a global top-tier position for unaided brand awareness through the increase in the proportion of premium products in its product portfolio. Samsung Electronics' brand value has increased from \$8.31 billion (USD) to \$16.16 billion (USD) in 2006, and it has overtaken Sony in overall brand value. Nonetheless, Samsung Electronics still has a long road ahead on the way to global dominance. It needs to devise a more specific strategic vision in order to fortify its premium brand image in the global markets. Toward this end, it needs to refine its mega brand platform by incorporating more specific action plans for building its brand identity. It further needs to devise strategic guidelines for achieving balance between its corporate brand and its individual sub-brands.

2. AMOREPACIFIC Corp. : Toward Becoming a Top Global Company

We focused our efforts on increasing shareholder value through constant innovation and active expansion into the global market.

- Kyung-Bae Suh, President and CEO, AMOREPACIFIC-

AMOREPACIFIC was founded in 1945, and its continuous pioneering in the Korean cosmetics industry has enabled it to maintain a strong number one market share position. Since its foundation, it has emphasized the experimental spirit as a business philosophy. As a result, AMOREPACIFIC became the first company in the Korean cosmetics industry to air mass-media ads (1955), to introduce a direct-sales system (1964), to export brands to foreign markets (1964), to build a research and development centre (1954), and to establish corporate divisions in foreign countries.

AMOREPACIFIC has identified beauty and health as two timeless values worthy of pursuit. In efforts to embody these values, it has strengthened its R&D facilities and expanded its expertise in the new product development process with an emphasis on customer orientation (Jeon, and Baek 2003). Furthermore, it adopted the policy of total commitment in 1993, translating this idea into action by initiating the Amore Pacific Green Program and setting

environmental guidelines and policy objectives in 1999. These policies were in accordance with the company's managerial philosophy that placed environmental stewardship as its core value. Thus, the AMOREPACIFIC brands represented the culminations of its ongoing efforts to help women from all walks of life achieve beauty. AMOREPACIFIC's strategic evolution can be classified into two phases, and is outlined in the following section.

(1) Phase 1: Securing the Number One Position in Domestic Markets: Individual Brand Strategy

By implementing the business philosophy articulated above, AMOREPACIFIC has outperformed domestic competitors and has also successfully repelled fierce attacks from renowned foreign brands on its domestic markets. Initially, it utilized an individual brand strategy to compete with powerful foreign brands, and achieved steady growth in both the door-to-door (direct-sales) and department store distribution channels. In order to more effectively contend with both foreign and domestic competitors, AMOREPACIFIC differentiated its distribution channels and developed separate brand names and brand strategies for each channel. Two of these brands, Sulwhasoo and HERA, have established premium brand images and outperformed well-known foreign brands at department stores.

In addition, AMOREPACIFIC recognized the potential for rapidly changing specialty outlets, and it fortified its prestige image with innovative channel strategies. It introduced a new concept store called the Hue Place, and brand shop chains Innisfree Herb Station that feature complete lines of affordable cosmetic products aimed at younger markets. It also recognized that there were unique and unmet needs among Korean consumers, and endeavored to satisfy those needs with high quality products and customized services. With rapidly changing markets, agile competitors, and the emergence of innovative competitive products derived from technological advances, AMOREPACIFIC has also tried to achieve greater flexibility in its marketing programs by streamlining the product development process and by encouraging profitable innovation. For example, its Laneige Sliding Pact has been particularly popular due to its innovative design, and products such as the IOPE Magic Effector and the Mamonde Total Solution have enjoyed wide popularity for their ease of use and unique qualities.

(2) Phase 2: Building Global Brands in Global Markets

AMOREPACIFIC has defined its mission as achieving a reputation for expertise in the creation and distribution of cosmetics and personal care products to enhance the beauty and health of its customers, and to become the industry leader in global markets. In accordance with this

mission, AMOREPACIFIC has engaged in innovative efforts to become a global company backed by a potent brand portfolio and customer-centered services. While commemorating its 60-year history in 2005, Kyung-Bae Suh, President and CEO of AMOREPACIFIC, declared Growth through Innovation as a corporate catch phrase and decided to conduct active expansion into the global marketplace. More specifically, he resolved to direct the company's efforts toward five key areas: creating customer value, global expansion, balanced marketing, overall cost reduction, and Six-Sigma quality programmes.

AMOREPACIFIC has made great progress in expanding its sales and growing the number of stores it operates in China, France and the United States. It also adopted the corporate structure of a holding company in 2006 to accelerate the establishment of a global management system. Under this holding company structure, it expects to fulfill global standards of corporate governance and a pursuit of expanded company transparency. Furthermore, AMOREPACIFIC has adopted a management philosophy of socially conscious capitalism with its commitment to eco-friendly practices and transparent management.

AMOREPACIFIC has also accelerated its globalization efforts to in order to fortify its position as a true global company. It has expanded its operation in numerous Asian countries to strengthen its presence in those markets. In its attempt to penetrate foreign markets, it has targeted high-end customers and tried to build a prestige image. In building this reputation, AMOREPACIFIC has paid respect to the profound wisdom contained in Eastern approaches to beauty. More specifically, it believed in the holistic perspective that humans are inseparable from nature, and that the body is inseparable from the mind. It attempted to achieve harmony between nature and science with the integration of Eastern spirit and Western technology. As such, AMOREPACIFIC has incorporated Korean ideals of unique beauty into its global brand.

Along with its premium brand strategy, AMOREPACIFIC opened its flagship store AMOREPACIFIC Beauty Gallery and Spa in New York and it also became the first Korean cosmetic brand to gain entrance into Bergdorf Goodman, the world's most prestigious department store. AMOREPACIFIC also opened its counters in 25 Neiman Marcus stores across the United States, including New York, Washington D. C., Los Angeles, and Las Vegas. With growing success in the U. S. marketplace, it made a great effort in 2006 to initiate and sustain a successful position in Japan market that is well known for its highly sophisticated customers. AMOREPACIFIC launched the Lolita Lempicka fragrance brand in France in 1997, and continues to build upon its success in that country. In 2006, these efforts won AMOREPACIFIC the mark of distinction Legion d'honneur, one of the highest awards given to a commercial enterprise by the French government.

AMOREPACIFIC has made substantial progress toward becoming a top global company, but it has a long way to go before it can claim success in achieving this objective. It needs to develop worldwide distribution channel systems, build a global information network, improve its marketing expertise in foreign markets, and increase corporate flexibility in order to cope with growing market dynamism. To survive and triumph in the fierce competitive environments of the global cosmetic industry, AMOREPACIFIC must be capable of constantly monitoring and adapting to a wide range of market shifts, fortifying its repertoire to be able to execute the continuous and sophisticated fine-tuning of its marketing programmes and approaches.

3. Manager Case Study: Simon Park, President and CEO, Interbrand Korea (New Perspective for Brand Management)

Interbrand Korea is part of Interbrand Group, the world's leading brand consulting company and part of Omnicom Group. It is the best brand consulting company in Korea with both global expertise and local understanding. Interbrand Korea was founded in 1994, and has formed strong networks with Korean companies. By the early 2000, the company recorded rapid growth in annual sales and number of clients, partly because most companies in Korea increased their attention to successful brand management.

Simon Park joined the company in 2002. Before joining Interbrand Korea, he served as country manager and marketing manager for several global companies. He found business opportunities by meeting customer needs. He recognized clients' needs for more professional and comprehensive branding services. He redesigned Interbrand's organizational structure in order to provide total services for brand management. Now Interbrand has five groups that respectively take up distinctive areas of brand management system. More specifically, the Brand Consulting Group provides services for brand valuation, brand strategy, and brand architecture. The Verbal Branding Group develops brand names, brand slogans and trade marks according to the client's specific circumstances. The Integrated Branding Group is composed of specialists who develop corporate identity, brand identity, store identity and so on, while the Global Branding Group is in charge of brand management in global markets. Lastly, the Brand Future Group deals with issues concerning paradigm shift and it also conducts researches.

Simon Park believes that brands, while intangible, are often the organization's most important asset and that they represent real financial value. That is why he focuses on the whole spectrum of branding system such as creation, enhancement, maintenance, and valuation

of brands. Given this perspective, Interbrand's mission is to partner with you to enhance the financial value of your brand and thereby maximize the return on your investment in branding by providing exceptional strategic consulting, developing world-class solutions, and raising the profile of brands in the hierarchy of corporate assets and championing their role as a key driving force of business.

Along with organizational restructuring, he introduced several creative workshops to enhance consultants' expertise and to extend their experiences. First, every consultant participates in a workshop every Friday and shares several cases in each workshop. Park expects them to build creativity and leadership through this workshop. Second, he suggests joint projects with overseas offices, if feasible. By conducting projects with international consultants, employees can accumulate advanced branding cases, while learning and obtaining global standards regarding brand management strategy. Third, Park encourages each group to invite specialists who have shown excellent leadership in the field and have discussions with them. From these meetings, they can learn about recent issues or trends in each field and also directly observe his/her passions and determined efforts for success. He also provides 'staff exchange' opportunities to the consultants. Whenever feasible, consultants are sent to offices abroad and are given the chance to work for global clients and take classes from well-known institutions. Beyond these workshops, he also supports cultural activities for the employees. He believes that participating in the cultural events such as concerts, movies, and readings can extend the range of experience, thus build creativity for the employees. Park also introduced a sabbatical leave for the employees. Every two years, consultants can take one-month sabbatical. He believes that this system can have employees recharged and help them show better performance.

In sum, Simon Park aims to provide total branding services to his clients. For this purpose, he reorganizes the structure of the company accordingly and motivates the consultants to enhance their leadership and creativity. Future performance of this company will tell whether or not the company is on the right track.

IV. Challenges

Marketing in the future will undeniably be different from marketing in 1990s and even the 2000s. The magnitude, speed, and diversity of impacts resulting from forthcoming changes in the marketing environment would be difficult to overestimate. Rapidly changing business

environments, new demographic patterns, vastly different customer needs and tastes, and unforeseeable technological developments will inevitably and irreversibly change the practice of marketing. Anticipating these changes, directors in Korean firms identify the following issues as engendering both opportunities and threats for their businesses.

1. Premium Brand Image as a Potential Competitive Edge in Global Markets

In the past, Korean firms have traditionally competed in global markets through the exploitation and refinement of cost advantages. China, Taiwan, Indonesia, Philippines, and Vietnam are now emerging as newly industrialized countries, and are thus threatening the cost advantages of Korean firms. Businesses in these countries have expanded their marketing reach and have increased their productive capacities for many products. As firms in these countries build their competitive competencies in global markets, Korean firms need to rethink and restructure their international business strategies. Under these global competitive environments, Korean firms must recognize that their cost advantages are neither unique nor sustainable, and thus they need to develop new competitive strategies in global markets in order to ensure long-term profitability.

As partially illustrated in the cases presented above, Samsung Electronics, AMOREPACIFIC, and Hyundai Motors have now begun to target higher-end consumers. These companies have launched new brand management platforms in order to develop high quality images in global markets. In doing this, an emphasis is placed on developing high quality, clever, and stylish products, enhancing customer satisfaction, and creating products that can be readily modified in color, design, functionality, performance, and/or style to satisfy consumer desires for individualization and customization. Korean top management thinking about marketing is now shifting from the previous divisional or functional mindset to the perception of marketing as a corporate philosophy, a means of encouraging continuous adaptation to markets, and as a vehicle for anticipating and encouraging company-wide innovation and change. To address organizational needs for flexibility in order to cope with market dynamism, Korean managers are now realizing the benefits that can be derived from changing marketing thought processes and methods of operation.

2. New Opportunities from New Technologies

Emerging new technologies in the digital industry provide wide-ranging opportunities for

Korean firms to gain entrance into well-established markets by allowing them to produce high-performance, user-friendly, and clever products. Fueling these opportunities is the digital convergence that is occurring in Korea, as well as globally. As broadcasting, telecommunication, and information systems become harmonized and merged, technology-driven companies are developing competitive edges in new and unique markets. These firms recognize that the pace of technological innovation will continue to accelerate, resulting in new industries and new opportunities. Perceptive firms in digital industries are currently strengthening their marketing networks in order to extend and leverage their marketing capabilities to be able to capitalize on unfolding market opportunities (Lim 2005). This process involves synchronizing the activities and competencies of a variety of independent businesses into an enhanced, coordinated, and integrated marketing organization.

New communication technologies also enable marketers to plan and implement strategies on a continuous real-time basis. Information technologies such as automated data collection and processing, satellite communications, expert systems and optimization programs, networked processors and databases, and real-time modeling are collapsing the time frame for decision making to the point where actions must be implemented immediately as new information becomes available. Because of these time pressures, organizations must build systems that can respond to new scenarios with very little deliberation or effort. These systems will become essential tools for enabling marketing managers to quickly balance supply with demand and exploit the increasingly narrow windows of future opportunity.

3. Managing the Threats and Opportunities Created by Changes in Domestic Environments

In addition to the opportunities and threats engendered by globalization and new technology (noted above), marketing managers in Korea also recognize the role of demographic shifts as creators of blue ocean business opportunity (Kim and Mauborgne 2005). No single set of forces is likely to have a greater impact upon marketing strategies and operations than evolving market demographics. It is expected that the future will bring more turbulence and greater change among demographic segments of Korean domestic markets than has occurred in the recent past. Major demographic changes that Korea will be addressing in the near future include a decreasing birth rate, the growing proportion of women in the work force, shifting socio-cultural values and life-styles, and the growth of the mature and elder markets. Top executives in Korean firms need to recognize the threats and opportunities arising from these changes and prepare detailed action plans to understand and exploit these challenges.

Lower birthrates and smaller families, along with a growing proportion of working women, have already emerged as hallmarks of 21st century Korean family demographics. The result will be a generation of smaller-sized, more mobile and portable families features that will have direct impacts upon life-styles, living standards, and product choices. These will directly yield market opportunities related to the production and delivery of products and services, prompting many companies to develop higher quality offerings to compensate for shrinking markets. Korean firms are also beginning to appreciate the growing size and influence of the 35-44 year old and the 65-and-over populations, and are restructuring their marketing activities accordingly. Because these age groups have unique needs and life styles, companies need to focus on re-defining future opportunities, developing competitively unique strategic marketing plans, and arriving at innovative and effective marketing mix decisions. Viewing the future through this demographic lens can help marketers develop a more realistic perspective of the role of their businesses in the future.

V. Conclusion

In this chapter, we outlined the impacts of marketing environments on marketing activities in Korea over the last ten years, and discussed the key issues and developments relevant to the effective implementation and operation of marketing functions for Korean companies. We presented Samsung Electronics and AMOREPACIFIC as two companies that exemplified outstanding marketing performance owing to the creation and promotion of premium brand images in global markets. We also discussed future opportunities and threats that will result from changing business environments, including the expanded globalization of markets, new technologies, and demographic shifts.

Despite the successful application of marketing concepts to their business models over the last ten years, Korean companies still have considerable room for improvement in developing and refining their marketing programs. The unstoppable progression and acceleration of evolution in market environments will require novel marketing thought processes and actions. These will likely include the improvement of enterprise flexibility, the modeling of market and competitive scenarios, the creation of optimization programs and systems, and the adoption of more entrepreneurial organizational structures and approaches to be able to rapidly capitalize on future market opportunities.

Implicitly, the challenges of the future for marketing will place a premium upon education

and training programs that can prepare executives for these inevitable challenges. To be successful in the complexity of the future, an expanded set of managerial, technical, and social skills will be essential for marketing managers. Enhanced analytic, managerial, and decision-making proficiencies will also be beneficial, as managers address the integration of marketing and R&D, develop contingency plans under turbulent competitive conditions, and implement marketing activities under international alliances and joint ventures. Marketing managers equipped with advanced skills, understanding, and foresight will be more capable of assuming key roles as change agents in the development of market-driven organizations.

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