

**KAA Annual Conference**

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# **Current Issues & Challenges In Korea Advertising Industry**

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## **Many Changes in Ad Business Environment**

- Media**
- Marketing**
- Advertisers**
- Ad Industry**
- Consumers**

## Many Changes in Ad Business Environment

- new media environment:

digital, interactive, multimedia, network...

web 2.0, blog, UGC...

DMB, IPTV...

convergence,

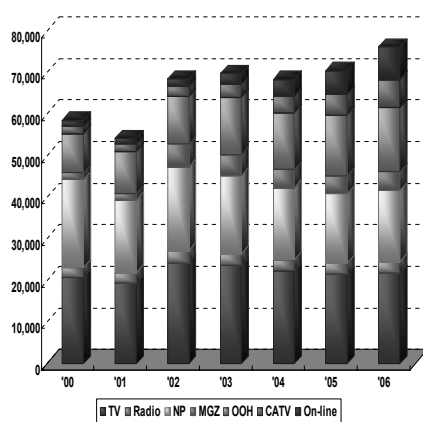
mobile, ubiquitous...

## Many Changes in Ad Business Environment

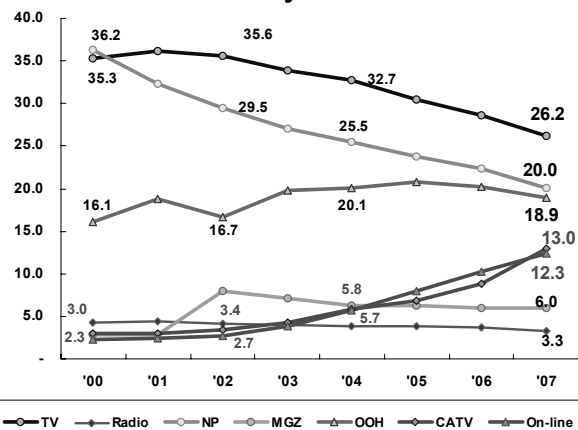
- new media environment:

- Cable, Internet are not new media any more

<ad spending by medium>



<share by medium>



Source

## Many Changes in Ad Business Environment

- **new media environment:**

- Cable, Internet are not new media any more

<growth rate by medium compared with the previous year>

medium		'01	'02	'03	'04	'05	'06
TV	-	5.5	24.8	3.0	5.6	3.8	1.6
Radio	-	4.0	17.0	2.1	3.6	1.1	4.3
NP	-	17.5	15.4	6.4	7.7	4.1	1.7
MGZ	-	4.3	249.6	8.4	15.0	2.6	5.1
OOH		8.4	11.9	21.5	0.8	6.7	5.3
CATV	-	4.8	41.9	26.9	34.4	21.7	38.1
On-line	-	5.8	44.4	45.9	45.4	44.4	37.4
Satellite						100.0	93.5
Total	-	7.5	26.5	2.0	2.1	3.1	8.2

## Many Changes in Ad Business Environment

- **new marketing paradigms:**

**IMC, CRM, DB...**

**Emotional, Aesthetic, Experiential ~**

**Buzz, WOM, Ambush...**

**CSR (corporate social responsibility)**

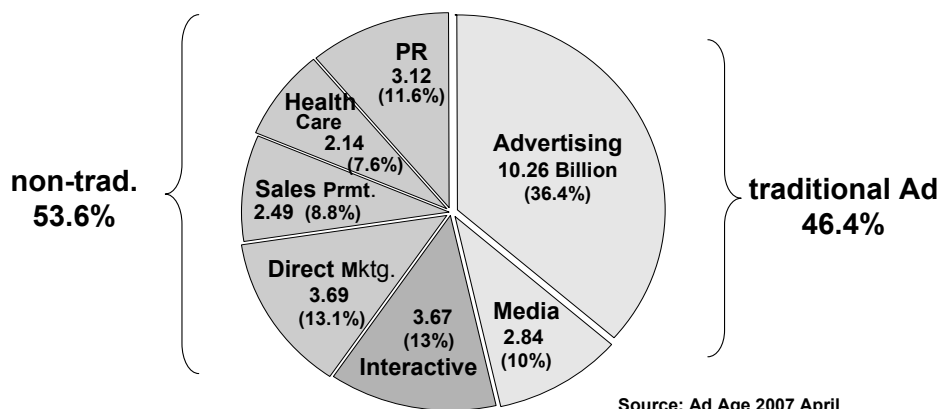
**de-marketing...**

## Many Changes in Ad Business Environment

### • new marketing paradigms:

← Not only traditional media ads, but also various new & specialized marketing tools are used.

<annual revenue by discipline (2007. U.S.)>



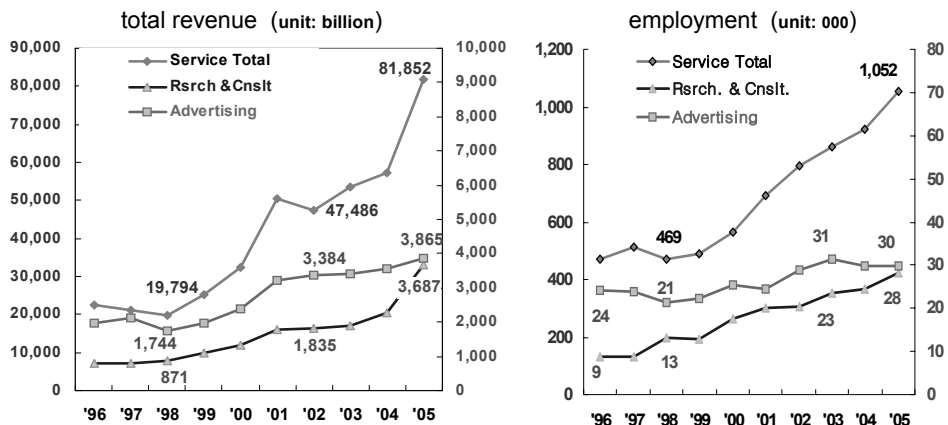
Source: Ad Age 2007 April

## Many Changes in Ad Business Environment

### • new marketing paradigms:

← Growth rate of ad industry is below the average of Korea Service Industry in terms of employment & revenue

<Trend in Korea service industry by year>



## Many Changes in Ad Business Environment

- wiser and demanding advertisers

clients' marketing man power upgraded  
cost efficiency driven..  
accountability concern..

## Many Changes in Ad Business Environment

- wiser and demanding advertisers

- PRO

predictability & clarity in client-relationship  
potential for mutual progress

- CON

lack of partnership

- too many agencies invited for a PT without rejection fee
- open competition every time even without agency's fault
- still, pitch is one thing, contract is another

## **Many Changes in Ad Business Environment**

- **new advertising industry structure:**

**noticeable growth of  
multinational Ad Agencies**

**no more in-house agency dominant market**

**specialized agency emerged:  
media agencies, creative boutiques,**

**global mega agency network :  
vertical & horizontal consolidation**

## **Many Changes in Ad Business Environment**

- **new advertising industry structure:**

- more opportunities for winning clients
- more competition among agencies
- lower margin
- scouting experienced ones  
rather than raising rookies
- global contract with global agencies of  
foreign multinational clients
- AOR: media & brand in separate agencies

## **Many Changes in Ad Business Environment**

### **• new smart & active consumers:**

**well educated, consumerism  
segmented or fragmented  
but well networked  
active communicator  
media control**

## **Many Changes in Ad Business Environment**

### **• new smart & active consumers:**

- as knowledgeable as experts  
community, blogs, discussion board, & UGC
- fast & powerful WOM  
attractive & fatal at the same time
- not simple exposure,  
but customer engagement needed
- prosumer  
new product developer  
information sharer  
DIY

## How to meet the current challenges

### • Brand coordinator

- **Perspectives not just as a communicator but as an active brand builder, manager, & consultant**
- **Seamless coordination of IMC components**
  - integrated marketing agency possible?
  - specialization is global trend: all talk & no action

## How to meet the current challenges

### • Business Coordinator

- **Perspective change from the agency for advertisers to the agency for consumers**

finding and coordinate business opportunities not only within product category but also across the categories or the industries by understanding customers' purchasing cluster



## **How to meet the current challenges**

- **Professionalism and Dignity**

- **Professional ethics**
- **Sound business philosophy & practice**
- **Self-purification system**