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HOW KOREAN BRANDS SOAR II



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ALL OVER THE WORLD

LESSONS FROM KOREA'S
TOP 10 WINNING CASES

CHUNG K. KIM
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THE 1000 YEARS' TREASURES
SEOUL, KOREA

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PREFACE

Recently, Korean products and brands have become very popular in all corners of the globe. The success stories of Korean global companies such as Samsung, Hyundai, and LG are featured by the global media like *Time*, *Bloomberg Businessweek*, and *Fortune*. The stories of their leaders are also in big demand in such magazines. In addition to the big companies or brands, even some small and medium-sized ones are impressing markets around the world. MAMA, Nongshim ShinRamyun, MIDAS IT, Sulwhasoo are quickly establishing their leadership in each category of the global market.

The recent Korean surge is not limited to the commercial field. K-pop and “Hallyu” (Korean Wave), such as Psy, 2NE1, Girls’ Generation and Super Junior, are hitting the major cities of the Western world such as Paris, London, and New York. Also, Seoul as a city brand has become one of the most attractive cultural places that people want to visit. Bibimbap (a traditional Korean dish) brands, such as Jeonju Bibimbap, CJ Bibigo, and Han’s Bibimbap, have expanded their popularity in major cities across the world. All these Korean brands have marveled global audiences with much power and energy.

Many people are curious how such Korean companies and cultural brands, which were not appreciated this much five to ten years ago, became incredibly successful in such a short period of time. The success stories of Korean brands seem mysterious. Not only people outside of Korea but also Koreans, especially the young, wonder how Korean companies and brands achieved this miraculous performance. They often ask how the companies turned their discouraging backgrounds or humble starts into such a great success.

Fortunately, the research institution, KIMF, was established at a very apt time to encourage research on the details of how Korean brands have been so successful. The ultimate purpose of KIMF is to generate top quality management knowledge not just for helping sales and increasing profits, but more importantly for touching the hearts of people, especially

the young people who are in preparation for their businesses and careers. We believe that the best way to learn is by exposing ourselves to the best cases and examples.

Thus, we opened a case competition for college students at the national level where students could choose any case, whether a company, brand, or leader, and complete a case study as a team. Hundreds of students participated and challenged themselves in the first national level competition of its kind. The first and second competition events held in 2011 and 2013 respectively were all very successful. In the first event, about 70 teams applied, representing most major colleges and universities in Korea, and a very interesting thing happened: the news about the competition spread overseas. The excited students had called their friends who were studying abroad to team up together to compete for the prize. As a result, our competition went beyond the national level to the global level. Among others, colleges represented by international students included Northwestern, Emory, and Cornell in the USA, UBC, Queen's University, York University in Canada, Keio University in Japan, and Peking University in China.

The top 10 cases were chosen among more than 70 applications in each competition. They were chosen not according to the value or reputation of the brands, but according to the quality of contents and the team's presentation. The more clearly and accurately a case highlights how the company or brand overcame difficulties and crises and soared up high, the higher the quality and presentations were. The cases were reviewed by the evaluation committee, which included both academics and practitioners.

We would like to give special thanks to Professor Yi You-jae of Seoul National University, Professor Lee Moon-kyu of Yonsei University, Mr. Kim Young-dong of KBS (Korean Broadcasting System), and Mr. Chang Young-chin of Cheil Worldwide, who willingly took the time to evaluate and give valuable comments for the participating young minds.

The first volume of the top 10 cases was published as a book, *How Korean Brands Soar* all over the world. Since it was made available through Amazon in a Kindle version, people can access the contents anytime, in any device, and anywhere across the world. One of the leading CEOs of Europe's top companies, who visited Korea to see what's happening in Korea, commented to us that they have read *How Korean Brands Soar* and found that it is far more exciting and helpful than any other books recently written on the subject of the recent Korean success. This means that the success stories of Korean Brands featured in

How Korean Brands Soar has attracted the attention not only from average people who want to thrive in their careers, but also from top business CEOs who desire to lead their business to soar in the fast-changing, turbulent, and disruptive environments.

Now, we are delighted to unveil the second volume of How Korean Brands Soar. The companies and brands chosen as the top 10 Korean brands include Samsung Galaxy Series, Seoul City, Hyundai Heavy Industries, CJ O Shopping, KT, Nongshim Shin Ramyun, MAMA, Sulwhasoo, Bibimbap, and MIDAS IT.

In the second volume, as in the first, the selected cases, combined together, reveal how Korean companies and brands overcame difficulties and crises, and soared above the clouds of the world in such a short period of time. The top 10 cases selected turned out to be a collection of fascinating and compelling stories about the recent surge of the Korean products and cultures on the stage of the world market. These cases highlight the Korean leaders' passions and breakthrough strategies applied as these successful Korean leaders and companies rapidly turned their small starts into explosive successes even during crises.

The top 10 cases will reveal the story of how they prepared their wings for the future so that they could move the hearts of people all over the world. Although a summary of these cases that follows in the keynote paper would be interesting and informative by itself, you will enjoy reading each story in detail.

These stories are very engaging to read because they are written by the nation's young minds who applied dynamic views and approaches in researching their own country's brands. Be noted, however, their view does not necessarily reflect the view of editors. It is also noted that some of the expressions may be read less fluently since most of the authors are Koreans to whom English is their second and foreign language.

Nevertheless, you will enjoy the exciting stories of how Korean top brands turned their humble origins or crises into great opportunities and explosive successes in such a short span of time. We are sure that you will be engaged in reading them because you will be exposed to the hidden stories that had not been told before. We strongly believe that some of the stories will give you invaluable insights and lessons for you on how then you can prepare your business or career to soar like eagles.

We are sure that the success stories of Korean brands contain invaluable treasures for those who want a turning point for their

businesses or careers. We hope you find the treasures as the covered leaders and companies had done so from others. As Isaac Newton once mentioned, to learn from history is like standing on the shoulder of a giant. When you stand on the shoulder of a giant, you can see farther and accordingly prepare in advance.

We would like to thank those who gave support for these meaningful and successful events. Our first thanks go to the Ministry of Culture, Sports, and Tourism, which fully sponsored the 2nd national case competition event. Our deep thanks also go to Professor Chay Jong-bom, the Dean of the Business School of Sungkyunkwan University (SKKU), who not only arranged facility and financial support, but also came to the event to deliver a congratulatory address for participants in the 2nd competition event. We also give our special thanks to Dr. Rhee Woo-hun, the president of SKKU business alumni association, who contributed as the event hosting chair. Our special thanks also go to Mr. Kim Sang-kon, Deputy Director, Ministry of Trade, Industry, and Energy, who participated in the 2nd event and provided constructive comments and directions for the future.

We give special thanks also to the 100 Eagle Members who have been very supportive in providing the opportunity for the young people to participate in this enriching event and granting financial awards to the winners. Their names were featured as MVPs who share the vision of making a dent in the universe, in the section of The 100 Eagle Members at Appendix. Let's give them a big round of applause. We also thank those winners who willingly donated about 10% of their financial awards back so that they can be used to help other students. We also thank the MBA students and all alumni (EMBA and IMBA), especially IMBA's Evergreen Association and its president, Dr. Lee Sang-kil, and Research Club members at Sungkyunkwan University who share the same vision and always give full support for us.

Our special thanks go to Mr. Kang Yong-suk, the President of Sambo Art, who has been very supportive for our publication. Without him, this volume would not be possible. Finally, we would like to thank Joseph Kim at UCLA, and Jennifer Kim at Pepperdine University, who assisted in the exhaustive editing process as Assistant Editors during their internship at KIMF. Finally, we would like to thank you all, including volunteers and staff, who share the vision of making a dent in the universe and made the impossible possible.

Editors' Note: Expressions, Korean Names and Spellings

The editors of this book have made every effort to correct mistakes in the text, especially mechanical errors such as grammar, punctuation, spelling and capitalization. However, we have left intact some sentences, phrases and expressions that may appear odd or awkward to some native speakers or readers more fluent in English. Keep in mind that these cases were written, for the most part, by undergraduate Korean students who are writing in their second language. We have thus chosen to leave their writing "as is" as long as it is clear and unambiguous rather than convert every word and sentence into standard American English. The writing, therefore, reflects the best efforts of the students and not the expertise or fluency of the editors. It is further noted that expression styles and views about cases do not necessarily reflect the editors' view.

Korean names are sometimes confusing to readers from other countries as they are often written and spelled in different ways. Traditionally, Korean family names or surnames come first and given names, which are most often two syllables, come second. For example, the name of the current president of Korea is Park Geun Hye. Her family name is "Park" and her given name is "Geun-hye." The same is true for the current Secretary-General of the United Nations, the Korean national, Ban Ki Moon.

However, nowadays younger generation Koreans, especially those who have lived, worked or studied abroad, write their names differently. Some prefer that their given names come first and their family or surname last as is the case with most western names. For example, two of the co-editors of this book use this style, Mina Jun and Miyea Kim, both of whom are now teaching at Sungkyunkwan University. Their given names (Mina and Miyea) come first and their family names (Jun and Kim) last. Also, note that they do not separate or hyphenate their given names (first names) into two distinct syllables as do many other Koreans.

What is even more confusing to some is that many Korean publications have adopted their own style with respect to Korean names. For instance, *The Korea Herald*, Korea's leading nationwide English language daily newspaper uses the following style: Park Geun-hye and Ban Ki-moon. They always have the family name first and capitalize the first syllable of the given name; they then hyphenate the given name and give the second syllable a lower case letter. This is their own style, which they use consistently so as not to confuse their readers with respect to Korean names. (Note: they do *not* use commas in names as some Koreans now do when they write their names, e.g. Ban, Ki Moon)

The spelling of some Korean names is also at issue and confusing to some readers. The Korean major league baseball pitcher (now retired), who started his long career with the Los Angeles Dodgers, spells his name Park Chan-ho. However, the famed Korean female golf sensation, Pak Se-ri, has the exact same family name but spells it somewhat closer to the actual pronunciation. (“Park” is the Americanized spelling of this common Korean family name.) The name is also spelled by some as “Bak” or “Bahk,” which is actually closest to the correct pronunciation as there is little or no “r” sound in the name.

As there are literally hundreds of Korean names in this book, the editors have decided not to impose one set style on Korean names. We have chosen rather to present Korean names differently or in the manner that the person prefers. The reader should thus be aware that some Korean names have a different form than others and sometimes a different spelling. This may also be true for some place or city names. While there are some official spellings now being promoted by the Korean government, one should know that these “official” spellings have not yet caught on universally in Korea or around the world. “Pusan” used to be the official spelling of Korea’s second largest city on the southeast coast; the city name is now spelled “Busan,” somewhat closer to its correct pronunciation. Thus, the many differences in spellings that one may encounter in the text of this book.

KEYNOTE PAPER

Searching for the Korean Ways of
Making a Dent in the Universe !!

Searching for the Korean Ways of Making a Dent in the Universe II: Analysis of Top 10 Winning Korean Brands

Chung Kim, Greg Pratt, Mina Jun, Miyea Kim, Jeongsoo Han, and Joshua Kim*

Many people including business leaders around the world are curious as to how Korean brands are soaring recently in stages of the world market. For example, Samsung is ranked 8th in the 2013 top 100 global brand list by Interbrand. This is a significant jump from the 17th ranking in 2011. Other strong Korean brands have also soared. Hyundai was ranked 43rd while Kia 83rd in the recent top 100 global brand list. Several other Korean brands are rapidly growing and will marvel the hearts of the people around the world. The Korean wave is not limited to commercial products; it is also strongly felt in the cultural industry, too. Korean singers and idol groups such as Psy, Girls' Generation, Super Junior, among many others, have led the Korean pop music (K-pop) fever all over the world. Recently, for example, Psy rose as a world star and his music video, 'Gangnam Style,' became a new icon brand. As of February 8, 2014, the music video has been viewed over 1.9 billion times on YouTube, and it is the site's most watched video.

Given that the Korean War, between 1950 and 1953, rendered the country a wretched mess only 60 years ago, it is miraculous that Korea and Korean businesses were able to achieve today's success within such a short period of time. Therefore, it is not surprising that people are curious how Korean brands made such fast growth in such a short time.

Considering this rapid rise of products and brands from Korea, we have looked deeper into how Korean brands have soared globally by opening a Korean brand case study competition for college students. From the top ten case studies, we have learned valuable lessons and secrets that drove these Korean companies and leaders to soar all over the world. While reviewing the top cases, several common key words appeared. They include paradigm shift-based thinking, indomitable will, speed, perseverance, luck management, human-spirit and well-being, global focus, and unconventional thinking. Among them, three dominant success factors are discussed below.

Paradigm Shift Thinking and Innovative Strategy

One of the most frequently mentioned conditions under which Korean brands transform themselves into globally successful brands is a fast-changing, turbulent, and disruptive environment. They are referred to as a paradigm shift among Korean business leaders such as Mr. Yoon, Jong-yong, the former CEO of Samsung Electronics. Many Korean business leaders believe that the disruptive environments provide both lethal threats for the unprepared and great opportunities for the prepared. In an interview with one of the authors, Mr. Yoon confessed that Samsung was lucky to overcome SONY as a paradigm shift in technology from analog to digital, from offline only to online, happened during the 1990s. Samsung Electronics was able to effectively respond to the paradigm shift by its core competence, making almost impossible things possible. In the late 1990s, most Korean people including business leaders optimistically believed that it would take at least 10-20 years for Samsung to catch up with Sony. However, Samsung surpassed Sony, the undisputed number one company in significantly less time than expected, and has grown into one of the top 10 global brands in terms of brand value according to the *Bloomberg Businessweek* ranking.

As shown in the case studies of Samsung Galaxy, Seoul, Hyundai Heavy Industries, CJ O Shopping, KT, Nongshim Shin Ramyun, MAMA, Sulwhasoo, Bibimbap, and Midas IT, among others, ability to respond to paradigm shifts with their core competencies was one of the key factors for their great success. For example, Samsung foresaw the rise of mobile phones and identified core areas of customer values such as larger screen sizes and pen-writing capabilities under the fast changing situation.

The recent phenomenal success of CJ O Shopping also shows the importance of developing an innovative model based on the paradigm shift thinking. CJ O Shopping foresaw the new trends of PB (private brands), online and social media, and the exploding popularity of Korean stars and cultures through the Korean waves or Hallyu. By carefully exploring what opportunities these changes will bring for the future of the TV home shopping business, the company developed a new business model for the future, i.e., media commerce. At an award-winning ceremony, the President of CJ O Shopping, Mr. Lee Hae-sun, said, "Without our new business model, media commerce, we could not have come to the place we enjoy right now as the Korean number one, and the world number two, closing the gap toward the world number one at an incredibly fast speed."

The same is true for the success of MAMA (Mnet Asian Music Awards), which started as a small TV program, "Mnet Video Music Awards," in 1999. How could a local Korean TV music awards program become a globally successful music awards event that is annually broadcasted through more than 200 media channels including CNN, Bloomberg, AFP, EPA, Sankei, CCTV, and so on, all over the world? The key to its success was the ability to foresee paradigm shifts including K-waves or Hallyu and to transform into a new player that meets the rising demands of the new paradigm. They successfully prepared themselves to soar by foreseeing a big paradigm change that occurred especially in online media channels such as Youtube and social networks such as Facebook, which gave K-pop a big chance to spread throughout the world.

Many people do not know that the world-famous buildings such as Burj Khalifa, the world's tallest building in Dubai, Sutung Bridge, the world's longest bridge, and Korea's Incheon International Airport, the world's best airport, were built using software developed by MIDAS IT, a Korean IT company? How could a small startup create such powerful construction software? The success story of MIDAS IT also highlights the importance of innovative strategy based on paradigm shift thinking. MIDAS IT focused on customer benefits or desires rather than engineering expertise by foreseeing that the future construction software market will shift from being comprised of only a small number of professionals to a large number of average people. The salespeople always concentrated on how to best help the buyers get the maximum benefits or value out of the software.

Indomitable Will and Speedy Action

Another critical success factor is the Korean companies' and leaders' indomitable will and action with speed as highlighted in the case studies that follow. The Korean leaders all showed invincible will and fast actions to overcome any difficulties and hardships in order to achieve their main goals. Successful Korean companies and leaders are the masters of will and execution, through which they turned crises and initial failures into great opportunities, and ultimately, successes.

How did Samsung Galaxy become the number one mobile phone brand, making Apple's iPhone the second in terms of global market share? From the start when Samsung entered the smartphone market with the Galaxy brand in 2009, the company refreshed its indomitable will to beat the leader, Apple, and introduced the Galaxy series with various models and

options in a very fast way. While Apple introduced three models and options, i.e., iPhone 3, 4 and 5, Samsung presented more diverse models and options, including Galaxy S, M, R, W, M, and Y, each customized for a different segment of consumers. Samsung also introduced next generation models more frequently, from Galaxy series 2 to 5. As a result, Samsung took the number one position from Apple in the global smartphone market.

Another global Korean company, Hyundai Heavy Industries (or HHI), also started and has been successful thanks to its indomitable will and speedy actions. As presented in the case study of HHI, the story of its beginning is a manifestation of strong will and speedy action. In 1971 it looked impossible for a Korean company to start a ship building business because there were no sources of investment or funds and no infrastructure for ship building. However, Mr. Jung Joo-young, the founder, was successful in getting funds from A&P Appledore by showing the President, Mr. Charles Brook Longbottom, a 500 Korean won bill, which contained a picture of the Korean Turtle ship. Mr. Jung said that South Korea had built iron ships like these since the 16th century, which were 300 years ahead of the UK. Because of his strong will to get funds and action orientation, he decided to make his case with the Korean bill with the Turtle ship used by the legendary naval General Lee Sun-shin, rather than promoting the technical blueprints of a ship that HHI planned to make which would take a lot of time. He persuaded investors at A&P Appledore and found buyers (or contractors) and finally started the ship building business. HHI kept moving forward and differentiated itself from other competitors by introducing speedy and innovative ways of ship building, such as 'Smartship,' as presented in detail in the case study.

The example of KT (Korea Telecom) also exemplifies the significance of the strong will and speedy action. KT has been globally recognized as one of the most innovative companies as it received the most sustainable telecom award by the Dow Jones Sustainability World Index. KT is trying its best to transform itself from a local Korean telecom company to a global services company. KT is expanding its positioning from a local voice-oriented service to a global data management services including management of big data, innovative mobile payment systems, and so on. Without its indomitable will and speedy action, it could not have been possible for KT to reach its current level of success, nor ambitiously plan to achieve global success in data management services. The details of its strategy are presented in the main case study.

The Spirit of Making People Happy through "Our Own Best"

Another notable feature of the successful Korean brands is their spirit and passion for not just earning profits, but making a dent in the hearts of consumers. They regarded their customers, not as passive consumers or buyers, but as active co-creators who hold human spirits for happiness and cultural meaning.

How could a local cosmetic company, Amorepacific, once on the brink of bankruptcy due to dominance of foreign top brands such as Chanel, become a powerful brand to consumers of luxury cosmetics all over the globe? From the launching of its new brand, Sulwhasoo, in 1997, the company believed that Sulwhasoo could not succeed by following the leading foreign brands. The brand uniquely focused on human happiness and well-being through emphasizing oriental medicine-proven "natural inner beauty." The brand is currently positioned among Chinese buyers as a top premium brand distinct for embodying rich oriental cultural values and its efforts to make people happy, not merely externally, but internally as well.

The success story of Nongshim's Shin Ramyun, now a globally popular instant ramen brand, also underscores the significance of delivering consumer happiness through "our own best" products. How could Shin Ramyun become the number one brand among many top instant noodle brands in Korea as well as in China, and expand to Islamic countries so successfully? The company focused on emphasizing the spirit of Korean-styled hot and spicy taste. Koreans across all age and gender, is familiar with the spirit of "I will show best part of my blow against any enemies or any forces of darkness," deep down in his or her heart. It turned out that the hot and spicy taste positioning worked not only for Koreans, but also for people in other countries such as China, Japan, and even Islamic countries. Nongshim did not stop there, but continuously improved the quality of Shin Ramyun in terms of both taste and health to provide people with real happiness or well-being with the focus on the hot taste and hot spirit.

The case of bibimbap, a traditional Korean dish, also shares the same spirit of, "Let's rediscover our own best and share with foreigners." There are three major bibimbap brands that attempt to globalize the Korean food all over the world. They are Jeonju Bibimbap, CJ Bibigo, and Han's Bibimbap. As a result of their efforts, the bibimbap menu has become the number one choice among passengers in Korean airline companies such as Korean Air and Asiana Air. Bibimbap quickly earned recognition and

popularity in other countries such as the US and China. The focus on “our own best” and the deliverance of unconventional marketing strategy are considered as the key success factors.

The same is true with the recent development of Seoul, the capital city of South Korea. Seoul had been once devastated during the Korean War, 1950-1953, but was transformed into one of the most advanced cities in the world. Seoul is currently the city that people in Asia would want to visit the most. This recent advance is a result of Seoul’s continual effort to turn itself into a place where old traditions and new advances harmonize together to offer citizens and visitors happy moments in a friendly but distinctly Korean way. Exciting stories about the will and passion of the leaders are presented along with several innovative ways of “city marketing” in detail in the case. For example, former mayor of Seoul, Lee Myung-bak, who later became the President of Korea, is credited for his unimaginable achievement of reopening Cheonggyecheon stream as a symbol of rediscovering “our own best” that brings real happiness and well-being to both locals and visitors.

Our cases highlight several key success stories including these three major factors: paradigm shift thinking and innovative strategy, indomitable will plus speedy action and the spirit of making people happy through “our own best” products and services. Read the full stories for more details.

Searching for the Korean Ways of Making a Dent in the Universe II

By looking into the selected top 10 cases, we could examine how Korean brands turned their small starts or mediocre businesses into great global successes. Through these stories, we could learn valuable lessons on how they soared all over the world.

They all had humble beginnings and were challenged along the way. However, they focused on paradigm shifts and developed innovative strategies by linking their core competence to the rising opportunities that came from the major shifts. If they did not yet have core competence for the upcoming opportunities, they prepared them quietly in patience. Then, they shared indomitable will among the key members and acted with speed whenever possible, as highlighted in the examples of Hyundai Heavy Industries (HHI). In the midst of their hard work, the spirit of “Let’s make people happy through our own best,” dwelled. We believe that there are more valuable lessons for readers to notice and appreciate as they read each case in detail.

Again, someone might ask, "Are there any Korean ways of turning a humble start or mediocrity into great success, which could be also helpful for leaders and companies that follow the same road ahead?" We believe that the success stories of Korean brands are full of helpful lessons for those interested, especially on how they can prepare their wings for great success against the most fast-changing, turbulent, and disruptive environments.

As with K-pop, Korean ways of managing business, so-called K-management or K-marketing, is also becoming an influential wave. Like K-pop, the Korean style of management or marketing (simply "K-mgt" or "K-mkt") is dynamic, energetic, and speedy, as reviewed above. The essence of Korean management is its power to turn small starts or mediocre conditions into explosive successes even during crisis with an unimaginable speed. Korean management has become a world role model not only for business and career management but also for national development and policies around the world. For example, Korean business cases such as Samsung's are studied as a role model in top business schools such as Harvard Business School. Korean success stories such as "Saemael Woondong," a national agriculture modernization program during the 1960s and 1970s, provide lessons for developing African countries that desire transformation into the nations where people can feel happy, enjoy and even thrive, as Korea did 40 or 50 years ago. Korean management helps learners find out "their own best" to make people happy. Korean management is expected to touch the hearts of people who want to make a dent in the universe through their careers, businesses, or policies.

We sincerely hope that all those who learn from the stories and apply the lessons would be successful and soar high! As the late Steve Jobs once emphasized, "Expose yourself to the best things humans have done, and then try to apply those things into what you are doing. Make a dent in the universe." The ultimate message from the top 10 Korean cases is clear: "Find out your own bests and link them to the opportunities hidden behind paradigm shifts. Prepare your wings. The time is coming for you to soar!"

(Key Words: Korean Brands, Korean Ways, Paradigm Shift, Innovation, K-pop, K-management (or "K-mgt"), K-marketing (or "K-mkt"), Indomitable Will, Speedy Action, "Our Own Best," Happiness and Well-being, Soar on Wings.)

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THE TOP 10 WINNING CASES

Case #1. SAMSUNG GALAXY SERIES

How Samsung Galaxy Became a No.1 Brand in the World

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4. Galaxy Brand Strategy and Future Marketing Strategy Proposal
5. Conclusion

Editors' Note

Samsung's Galaxy series of cell phones and note pads have become the number one seller in the world. This case focuses on how Samsung propelled the Galaxy series to the number one position that it holds today surpassing both Nokia and Apple in the smartphone business. Recently, Samsung unveiled its Galaxy S5 phone to rave reviews and strong sales worldwide.

Executive Summary- Samsung Galaxy Series

This case study deals with the birth of Samsung Electronics' smartphone brand, Galaxy, and the process of it becoming the number one smartphone brand in the world. The study analyzes the success factors of Galaxy and further suggests the directions Galaxy should take to enhance its brand value.

The Chairman Lee Kun-hee's foresight is one of the critical factors that made it possible for Samsung to make qualitative growth in a feature phone market and develop brand value. However, iPhone released by Apple in 2007 brought crisis to Samsung. With its reputation in a feature phone market, Samsung released Galaxy S and transformed the crisis into an opportunity as a latecomer. Galaxy S targeting businessmen as its marketing strategy formed the base for Galaxy to become the number one smartphone brand. With upgraded performance and 'human digitalism', Galaxy S2 placed interaction among people as the major theme of advertisements and expanded its customer base. This established a bridgehead for Samsung to gain the world's biggest smartphone market share and lead the market.

At that time, a second crisis hit Samsung Galaxy. Apple filed a lawsuit against Samsung stating Galaxy infringed on iPhone's patent and it became the second crisis of Samsung. However, the recent ruling of the International Trade Administration (ITC) that states Apple partly violated Samsung's technology damaged Apple's image as an innovator; thus, Samsung overcame its stigma as a 'copycat'. This improved Samsung Galaxy's brand reputation by giving Samsung the image of a competitor which can rival Apple.

In addition, Samsung became an innovative brand by releasing Galaxy Note series, which combines the merits of both the smartphone and tablet with its signature hand-writing function. The Galaxy note series set remarkable sales records and proved that Galaxy has perfectly succeeded in mainstream markets.

Samsung Galaxy's success factors can be summarized as: establishment of core competence and partnership competence, shot-gun strategy, pioneering the 'Phablet' market, and Samsung's unique culture, 'Speed management.' By these factors, Samsung established itself in the center of smartphone history as a leading global smartphone brand. This case study shows in detail how Samsung had such great success with the Galaxy series.

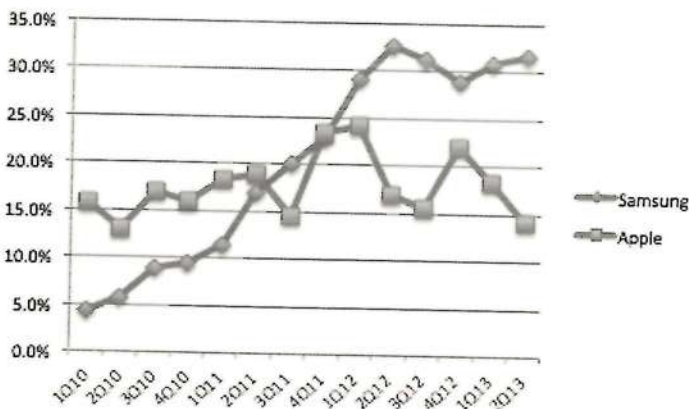
Key Words: Samsung, Galaxy, Smartphone, Phablet, Lee Kun-hee, New Power Preparation, Breakthrough, Innovation, Speed Management, iPhone, Google

1. Introduction: Why Samsung Galaxy?

1.1. Samsung Galaxy, The World's Number One Smartphone Brand

The smartphone became a necessity for modern people melting seamlessly into our lives faster than any other electronic device. It is popularized that everyone uses the internet through the smartphones anytime and anywhere nowadays. Among the smartphones that are deeply rooted in our daily lives, Korea's Samsung Galaxy is definitely the best brand. The global consulting firm, Interbrand, ranked Samsung in 8th place in the world in 2013 Best Global Brands report. The main factor of the brand power escalation is the mobile sector. Samsung won the world's biggest smartphone market share in the third quarters in 2011(22.7%, IDC) outrunning Apple, which was the unchallenged leader, and in 2012, Samsung won the number one place in the overall smartphone sales and the market share (213 million sales, 30.4%, Samsung Electronics).

FIGURE 1. Market Share of Samsung and Apple



As we can see from the Figure 1, closing the second quarter of 2013, Samsung smartphone's market share is now maintaining the number one position at 30.4%, widening the gap between Apple, which is in the second position (13.1%).

Galaxy, as the main smartphone brand of Samsung, continues starting from Galaxy S in 2010 to Galaxy S5 as of now in 2014. Galaxy Note Series, using Stylus Pen (S Pen hereafter) and more than 5 inch screen, were evaluated as the innovative products which pioneered the new market called Phablet market.

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The Galaxy Series has gained wide recognition. Galaxy S2 was awarded the best smartphone award in the world's biggest mobile communication exhibition 'Mobile World Congress (MWC) 2012' and the following year at 'MWC 2013', Galaxy S3 was awarded the best smartphone again, imprinting to the world that Galaxy is the best smartphone brand.

On March 14, 2013, 'Samsung Mobile Unpack' event was held at New York Radio City Music Hall to unveil the Galaxy S4. Samsung unveiled Galaxy S4 in front of major American and European media and Galaxy S4 received the compliment that it is the best smartphone in every term. Galaxy S4, which has been released recently, set a phenomenal record making 10 million in sales in one month after the release and is continuously writing the history of the best smartphone brand.

1.2. Rising as the Market Leader from the Fast Latecomer

From 2007, Apple released the iPhone series every year and largely contributed to popularizing the smartphone. The introduction of iPhone completely changed the dynamics of the global cell phone market. The market share of Nokia, which took up around 40% of the world's cell phone market share, started plummeting and was relegated by the sensation Apple's iPhone brought.

In this situation, Samsung took 'Fast Second' strategy and showed fast and daring decisions in the following steps. Samsung's cell phone manufacturing technology was already recognized worldwide but software was considered as a weak spot. For this, Samsung strategically cooperated with the best software company, Google, and by using Android OS, Samsung could overcome the weak spot. With all preparation, Samsung released Galaxy S, setting 2010 as the first year of smartphones. Galaxy S received rave reviews that described it to be the smartphone with the best technology and imprinted the idea that it is the only smartphone that can compete with iPhone.

Galaxy has been growing as the representative Android-based smartphone by increasing market share and brand recognition through releasing a following series. However, Apple's image as an innovative firm was strong and Samsung's image as a fast second was hard to dispel. This was the difficulty Samsung had to overcome in order to be on the top.

Samsung overcame the difficulty with Galaxy Note by imprinting an innovative image in the market. It pioneered the Phablet market which grafted the strengths of smartphones and tablets. Providing the experience of diary and hand-writing note function through the S Pen was evaluated

as creating a new direction in the smartphone market.

Galaxy Note series with the following products, Galaxy S3, S4, and S5 Samsung not only showed outstanding performance but also created a new paradigm in the global smartphone market. Galaxy has risen as the leading brand in the present smartphone market.

2. The History of Galaxy: the 5 Stages of Competition

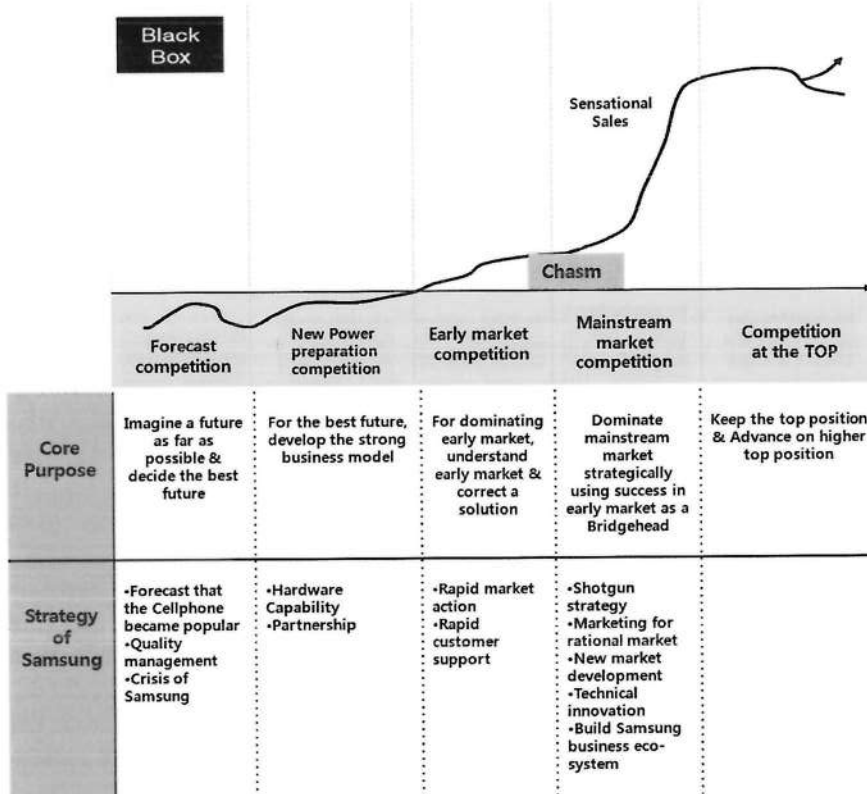
It is inevitable that firms face several small and big crisis or hardships in the process of getting on top in cold blooded market environment. Important things here are how they can handle these frequent crisis and hardships in a wise way and how can they prepare and show the competence that could change the crisis to an opportunity.

Firms that don't have understandings of incessantly changing environment will experience decline and the firms that only seek the immediate outcome will not be able to realize their dreams in global markets. Samsung faced a crisis in 2009 when iPhone 3Gs brought a sensation and changed the dynamics of the cell phone market. There is a reason why we need to pay attention to Samsung's strategy at that time. When Nokia, which was the number one global player in feature phone market, took a late action with a peace-at-any-price principle and faced a tough time, Samsung made tremendous growth by entering faster than any other players with a daring investment. Samsung leaped bigger by utilizing crisis as an opportunity and rose as the number one in smartphone market share, 3 years after it entered the smartphone market. And the force of this tremendous growth came from the realization of '5 stages of competition.'

'5 stages of competition' is a strategy analyzing frame that divides the process of brand from the small beginning step to the big success into five steps. The common point of the first class global firms is that the beginning was insignificant but they experienced tremendous growth with an opportunity or a turning point.

This case study deals with the preparation Samsung took in each step from foresight competition to mainstream market dominating competition and objectively analyzes the factors that made it to be the top player in a short time by using the framework 'the 5 stages of competition by Prof. Kim.' The following graph represents Samsung Galaxy's 5 stages of competition.

FIGURE 2. Samsung Galaxy's 5 Stages of Competition



Source: Kim (2005), *Marketing for the Future*

2.1. The Foresight of the Chairman, Lee Kun-hee

The core of Samsung's strength that made it to be the global top player in 3 years after entering the market despite the late start of Samsung in the smartphone market was Lee Kun-hee's foresight and preparation.

"First, do not be overconfident of the management result. We can overcome the challenges only by crisis consciousness. That means we have to implement 'preparation management'. Second, we have to prepare in what sector we can be the top player in 5~10 years and how we would take the market share...."

-Lee Kun-hee, during the presidents meeting, April 19th, 2002

Chairman Lee, with excellent foresight said, “There definitely comes a time when every person has one wireless device. Regard Phones highly.” He said this in the early 1990s and that made Samsung focus on the cell phone industry. Also, he declared “New Management” and said “Change everything except your children and your wife” in June 7th, 1993 in Frankfurt and after Samsung prepared an information infrastructure for the information age and reorganized the business structure centering on the core competence. Through this management philosophy, Samsung changed to a firm with changes, innovation and a sense of challenge. The “New Management” spirit became the driving force in Samsung Electronics’ success in cell phones. When defective cell phones were distributed in the market in 1995, Samsung recalled all of the cell phones and burnt them and made the executives aware of the quality oriented management and built trust with customers creating ‘Anycall’ history. In 2007, Anycall outran Motorola and rose to number 2 global brand following Nokia. Samsung’s new management spirit and the experience of competition in the feature phone market became the driving forces for Samsung to become the global top player in a short time. The chairman Lee, who resigned in 2008, returned in March, 2010 and mentioned ‘Crisis Theory’.

“Global firms are collapsing. Samsung is not an exception. Most of Samsung’s representative business and products will disappear in 10 years from now. We have to start over.”

He was aware of that Samsung’s representative products have changed by 10 years and Samsung’s future should depend on new business, new products and new technology. Samsung’s representative brand ‘Anycall’ was not an exception. Galaxy S was released in June, 2010 as a rival of iPhone in the changed global wireless communication market after the iPhone’s appearance and this was a signal for the big change of dynamics in the global smartphone market.

2.2. Samsung Electronics’ New Power Preparation

The leadership in future markets depends on outstanding core competence and partnerships a firm can build. The characteristics of new market leaders are that they have their own core competence, that they formed excellent partnerships, and that they do best to provide the right solutions through recognizing what the new market wants. Samsung also has been preparing for the leadership in the new market by building its core competence and forming partnerships for the new smartphone market.

- Core Competence: Hardware Capability

Since Samsung entered semiconductor market in 1977, it became a top player of semiconductor and memory in 1993. Also, Samsung has an experience of being a global number 2 player following Nokia in feature phone market. In order for Samsung to build its reputation as a major global firm in feature phone market, there was a continuous hardware upgrade and this experience made its hardware capability to be established as Samsung's core competence. And when Samsung took an action for smartphone market that Apple's iPhone expanded, Samsung could focus on the smartphone market with confidence in hardware which was the strong point of Samsung. Samsung already had its own AP(Application Processor) which are the main hardware for smartphone development and manufacturing, Memory semiconductor, display, camera business. Samsung's mobile AP is globally recognized, dominating AP market with Qualcomm and has been maintaining global top position since 1993 in semiconductor and memory sectors. Also, AMOLED from Samsung mobile display has overwhelming market share in AMOLED market. Samsung's original core competence was suitable for the new division called smartphone.

- Partnership Competence

After Apple's presentation of iPhone in 2007, smartphone era has begun and there was different aspect from the past market which considered hardware as the most important one. Smartphone enabled the users to select and install the applications they need and this led smartphone's popularization. Therefore, in order to catch the consumers' attention, strong software was needed. In other words, in feature phone market, the hardware strengths played the most effective role but in smartphone market, software capability became crucial as well as hardware.

For Samsung, which had hardware technology for its strength, software capability necessary for smartphone market was relatively weak. It was hard to overcome the weakness with Bada OS, which Samsung autonomously developed in a short time. In this situation, Samsung maintained its strength in hardware and strategically cooperated with global top software firms, making an opportunity to aim for world's top hardware and software capabilities. As a result, Samsung created synergy which integrated world's top hardware with the world's top software, using Google's open operating system, Android, through a strategic partnership with Google.

2.3. Competition for Dominating the Early Market

- History of Smartphone and Analysis of Early Smartphone Market

① The Appearance of Apple's iPhone and Its Effect

It was Apple which popularized smartphones but it was not Apple that developed smartphones in the first place. To define smartphone briefly, it is a 'phone just like a computer' which provides calendar, addresses, calculator, notes, e-mail, fax and such. From this definition, the first smartphone is 'Simon' developed by IBM in 1992. Starting with this product, Blackberry developed by Canada's RIM was popular in the business world before smartphone's popularization. However, Apple's first presentation of iPhone in 2007 and its release of new models added with innovation every year made Apple's iPhone 3Gs to be the smartphone market leader in 2009. After iPhone 3Gs' sensation, center of the cell phone market's business ecosystem moved from the feature phone to the smartphone. Until then, only minor mania or early adapters used smartphones. However, after the appearance of iPhone 3Gs with iOS which is intuitive and simple interface, software strength based on an app store and iTunes, and a refine design, the smartphone era truly began in the world.

② The Actions of Major Cell-phone Manufacturing Firms towards the Crisis

After the release of Apple's iPhone 3Gs in 2009, dynamics of the cell phone market completely changed. To quote Steve Jobs' expression, iPhone 3Gs has materialized 'real smart' smartphones that no other smartphones could before. The appearance of powerful iPhone became a crisis for world's wireless business firms.

While Apple was releasing innovative smartphones, RIM's Blackberry which was a byword for smartphones, could not be innovative and turned the customers away for its small screen and lack of contents.

Nokia, which has been number one player in feature phone market for 14 years, already has been internally developing internet-based smartphones similar to the level of iPhone in 2004 including touch screen. However, due to the peace-at-any-price attitude and bureaucracy, Nokia's entrance to the smartphone market lagged behind. Nokia's IT experts and the executives were certain that iPhone could not be a big threat and took the peacc-at-any-price attitude. However, Nokia did not completely give

up on smartphone business. The problems were the late entrance to the smartphone business, insufficient beginning, and especially the late progress.

③ **Samsung's Actions towards the 'First Crisis' in the Early Smartphone Market**

Even though Samsung launched a smartphone called Blackjack in 2006 and it forecasted that smartphones would be used as the phones in future, Samsung couldn't forecast that smartphones would establish as the mainstream in cell phone market when the iPhone initially appeared. Because of this, the entrance to the smartphone market was late. However, different from Nokia, Samsung took a rapid action trying to overcome the crisis resulted from iPhone's appearance faced by existing cell phone key players. At that time, Samsung earned 80% of its revenue in wireless business from feature phones but it invested daringly in smartphone business to turn the crisis into an opportunity.

On July 2008, Samsung, which had strengths in hardware, released 'OMNIA' with Windows mobile OS through the partnership with Microsoft as a rival for iPhone. However, OMNIA couldn't make an impressive result due to the slow speed which was regarded as the limitation of Windows mobile OS, shortcomings of interchangeability, and noticeable shortage of applications compared to that of App Store. Samsung released a wave phone which carried Bada OS that Samsung autonomously developed on February 2010, but the purpose of Bada OS which was the maximum realization of the functions of Apple's iOS and Google's Android had an innate limitation. Accordingly in March 2010, Samsung announced that it would focus on the launch of smartphone with Android OS which was an open OS with a high growth potential in application sector. And 'Galaxy S' which is an orchestration of Samsung cell phone's 20 year capabilities, was born.

- Galaxy S: Strategically Entering the Early Market

As the dynamics of smartphone market changes due to iPhone, Samsung decided to aggressively enter the early smartphone market. We can see the grand plan from Samsung in that Samsung resolutely abandoned 'Anycall' whose brand value amounted up to 5 trillion Won and presented the new brand 'Galaxy.' Samsung tried to maximize the product leadership by presenting 'Galaxy S' with the overall collection of its core competence and through aggressive marketing.

It is important to clarify the target market in the early market because

the competitiveness of the firm is uncertain. Completely dominating the target market can expand to other consumers, which could lead to tremendous sales. Samsung recognized these characteristics and selected 'competent businessmen' as Galaxy's target customers. Businessmen and women are the main users of initial smartphones and whose main buying factor is the hardware strength. The business person needs smartphones that can handle the work with speed and convenience rather than the sensitivity factors. Hence, Samsung emphasized the hardware strengths and Android OS to stimulate the desire of possession for Galaxy S.

① Product Strategy

As you can see from the slogan, 'Super Smart', Galaxy is the overall orchestration of Samsung's technology. Galaxy S is the product that strengthened Samsung's weaknesses on software and contents. By carrying the latest Android operating system, 2.1 version and cooperating with Google, Samsung overcame the market's unfavorable reaction on Wave and OMNIA. Moreover, by carrying Social Hub, which is an integrated communication service, Samsung enabled the users to use e-mail, messenger, Social Network Services. In terms of hardware, through 1 GHz processors and autonomously developed 4 inch Super AMOLED Display, Samsung showed the capabilities as a global hardware manufacturing firm in a flagship brand called Galaxy.

② Place Strategy

Samsung took a strategy that approached quickly to diverse sales channels in order to establish its position in the early market. It is important to draw as many consumers as possible in the early market step. This is because they could lead the post-consumers after the market expands and can become a bridgehead for tremendous sales. Therefore, Samsung tried to make it easy for consumers to buy Galaxy S. With the existing cell phone capabilities, Samsung could quickly understand each nation's communication standard and the requirements of telecommunication carriers. Samsung thus built sales channels by implementing local friendly strategy with main foreign telecommunication carriers, especially based on global SCM which is a core competence. The reason why Galaxy S was sold respectively as Captivate (AT&T), Vibrant (T-Mobile), Epic 4G (Sprint), Fascinate (Verizon) in the main market, the U.S., was that Samsung granted each carrier's demand. However, Apple at the moment had a sole supply contract with particular carriers. Apple gave an exclusive sale to AT&T

and this limited sales network became an opportunity for Samsung. Even though Galaxy S was released later than iPhone, the sales went up quickly. As of now, Samsung is maintaining the coexistence with the carriers and has supply contracts with about 800 carriers which are 4 times more than Apple has.

③ Promotion Strategy

Galaxy S's promotion is summarized as appealing the product's outstanding performance and spreading the brand of 'Galaxy'. First of all, Samsung implemented an aggressive promotion informing Galaxy's outstanding technology. In the top part of one advertisement, the letters 'LL' in the word 'Hello' looks like antenna bars. This shows the Galaxy's excellent technological skills in terms of reception and at the same time indirectly being sarcastic about iPhone 4's problems in reception. Also, when Apple approached customers with emotional marketing, Samsung used rational marketing telling why they need to buy Galaxy S, and appealed to its main target, business people. The advertisement mentioned processors and display in terms of hardware and appealed with its strong points of Android. The initial advertisement of Galaxy S tried to inform consumers that through Galaxy, business people's needs could be satisfied.

Also, with the launch of Galaxy S, Samsung exposed Android robot and Google's logo in many advertisements to inform that it's the best Android phone and the representative brand. Through the events which freely exchanged iPhone for Galaxy, Samsung could gain the attention of initial consumers and provided an opportunity to use Galaxy S.

④ Outcome

In 7 months after the release, Galaxy S made a remarkable sale. By selling 10 million units globally accumulated, Samsung dispels the market's concern on Samsung's smartphone release. This record is an encouraging outcome considering that Galaxy S is a high end premium smartphone.

Galaxy S received many raving reviews from the mainstream media. The American consumer magazine, *Consumer Reports* reported that AT&T, Verizon, Sprint and T-Mobile all selected Galaxy S as the best smartphone. *TIME* ranked Galaxy in the second position for '10 electronic devices of the year' and *Forbes* introduced Galaxy S as the most successful cell phone for the year. As a result, Samsung walked shoulder to shoulder with Apple and formed a base to exceed iPhone.

- Galaxy S2: Satisfying the Customers with Upgrades

Samsung established itself as 'Fast Second' as Galaxy S succeeded in the early market. Especially when other competitors were in a hurry to catch up with iPhone's hardware capabilities, Samsung's Galaxy S was recognized for its outstanding technology and became the representative Android smartphone. However, Samsung needed more outcomes in order to form a leadership in the early market and further in the mainstream market. And Galaxy S2 is presented to the market with the slogan, 'The Smartphone Revolution.'

It was necessary for Galaxy S2 to take over Galaxy S's success and make tremendous sales in order to build market leadership. The success in the early market gives the abilities to overcome the market shrinking and continues on to the market leadership in the mainstream market. In other words, the strategic aim for the early market is to experience the success in the mainstream market beforehand. For this, Galaxy S2 targeted a bigger market than Galaxy S did. This is for bringing up the size of the market and procuring new consumers. Galaxy S2 puts 'Human Digitalism' at the front of marketing, which explains Galaxy's existence for the user to pursue more human values in lives and emphasizes human friendly smartness. This redefinition of "smart" shows Galaxy's reinterpretation on technology that secures human's sensibility. While Galaxy S targeted businessmen with its outstanding performance, Galaxy S2 targeted 'everyone who had young thoughts' who wanted to realize convenient lives by smartphones.

Also, Galaxy S2, using Samsung's world class hardware capabilities, exhibited evolution from Galaxy S in every perspective. With improved speed and touch, bigger display and clear image quality, it confirmed Galaxy's reputation. It was made with 8.49mm, which was the thinnest in the world at that moment, emphasizing slimness in terms of design.

① Promotion

Galaxy S2 showed it was the best product by emphasizing upgraded design and technology in a marketing code. Also, it tried to bring about tremendous sales by expanding the consumer base and emphasizing 'human digitalism'. It implemented an aggressive marketing strategy to prepare to form a leadership in mainstream market.

First of all, Galaxy S2 emphasized slimness and it drew people's attention before its release. The teaser shows the sides of Galaxy S2 with a phrase, 'The Next Galaxy S'. In the advertisement after the release, it

shows putting Galaxy through the door crevice and emphasized the slimness of the design. By emphasizing the slimness, the advertisements tried to show that Galaxy S2 is a product that combines high technology and effective design.

There is an advertisement which highlighted Galaxy S2's performance. It emphasizes Galaxy S2'S CPU by saying it has become faster for the busy modern person. This is an advertisement, which not only emphasized hardware but showed 'human digitalism' by the phrase 'for your time to go slow'.

Above this, Samsung implemented an active sports marketing. It sponsored the international soccer club, Chelsea, the Asian Games and the Winter-Summer Olympics. It promoted the brand in diverse ways such as installing Samsung advertisement boards at the stadiums and providing cell phones as the prizes at the award ceremonies. Also, as the official sponsor of 2012 London Olympics, Samsung implemented marketing by delivering Galaxy S2 to David Beckham who was the Olympics ambassador at that time. The sports stage contributed to publicizing Galaxy S2 to the world and increasing the sales.

② Outcome

Galaxy S2 sets a tremendous sales record. By getting favorable reviews right after its release, 10 million sales were achieved in just 5 months. This continued to the stage in which Galaxy gained the leadership surpassing the status that Galaxy held iPhone in check. Galaxy S2 resulted in Samsung Electronics to take up the number one smartphone market share in the world (22.7%, IDC) in the third quarter of 2011, surpassing Apple (13.8%, IDC). With this success, it was awarded 'the best smartphone of the year' at MWC 2012 and more and got recognition both from the consumers and the experts. Through this, Galaxy succeeded in building an image of a smartphone which has both excellent performance and convenience. This became the competence-base upon Samsung could build leadership and maintain the top position in mainstream market.

2.4. Competitions for Dominating Mainstream Market

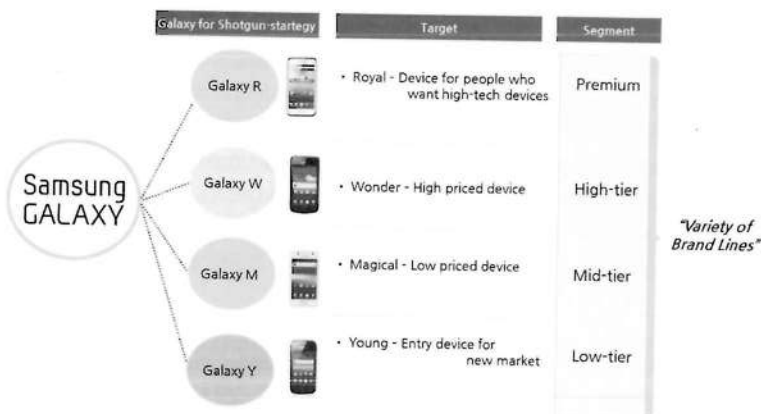
- Galaxy R, W, M, Y: Securing Wider Customer Base

When Apple was pursuing a strategy to release only premium smartphones in the high-end market, Samsung took a ‘shot-gun strategy’ in order to build the bridgehead for the mainstream market. Samsung tried to meet every customer’s needs through the diverse spectrum of devices in order to outrun Apple. This strategy made it successful to achieve leadership domination in the entire mainstream market and prepare for the expansion of the mainstream market.

Galaxy W, Galaxy M Pro, Galaxy Y and Galaxy Y Pro that were presented at IFA 2011, which started from September 2nd, 2011 in Berlin, were released under this strategy. With simultaneously releasing a diverse spectrum of devices, Samsung felt the needs to distinguish the Galaxy series by the target customer and the characteristics of the devices. Therefore, Galaxy was classified in 5 categories and given an alphabet for each class as a smartphone naming strategy. Thereupon, the top flagship model ‘S’(Super Smart), a premium model targeting those who are in favor of cutting edge technology ‘R’(Royal), high-tier model ‘W’(Wonder), mass market model ‘M’(Magical), and entry model for emerging market ‘Y’(Young) were classified.

By releasing diverse models of smartphones simultaneously, Samsung made it possible to target Omni directionally and gave wider choices compared to iPhone, which was concentrated on customized specifications. This strategy enabled Samsung to arrange a wider base of customers and increase market share rapidly in a short time.

TABLE 1. Galaxy’s Shot-gun Strategy



- Galaxy Note Series: Expanding the Market with Innovations

In the early smartphone market, open OS and touch UI (User Interface) became de-facto-standard and it was generally thought that the segments do not exist. However, with the appearance of Galaxy Note, segments came to existence in the smartphone market. With the new concept of 'Phablet', Samsung found the customers' detailed needs that the established smartphone couldn't recognize. Galaxy Note could effectively secure the new customers with the new device which expanded the mainstream market.

The new category "Phablet" which was created due to the Galaxy Note, is a compound word combining smartphone and tablet, meaning a smartphone with 5 inches or more display. Smartphones with big screens have bigger entertainment utilization and there exists a 'saw tooth effect' which means that people do not use small devices after using the big screen. And therefore it is certain that Phablet is a meaningful premium product.

The common idea for the appropriate sizes of smartphone display was not exceeding 4.5 inches. However, Galaxy Note's 5.29 inch and Galaxy Note 2's 5.55 inch display broke the existing idea. Different from the concern that it would make Galaxy Note hard to succeed because the big screen is hard to use with one hand, it provided entertainment utilization and better transportability than tablets, which made it gain popularity. Also, the Stylus Pen, which is included in the Galaxy Note, made it possible for more exquisite work than using hands, which made the users play the role of producers who produce various contents. The release of Galaxy Note made Samsung realize the new image of 'innovation'.

① Galaxy Note 1: Opening Phablet Era by Integrating Smartphone and Tablet

Galaxy S2 formed a firm base in the global market by selling 10 million units in 5 months. However, as the posthumous work of Steve Jobs, iPhone 4S released in October 14th, 2011, quickly increased its sales approaching loyal customers of Apple as a value more than just a product itself. Also, Samsung could not dispel the image of 'Fast Second'. For this, Samsung released Galaxy Note, which contains UX design and tried to leap forward as the number one smartphone company as an innovative company.

Galaxy Note was released in 70 countries worldwide starting from England on October 27th, 2011. Galaxy Note provided users with convenience with a big screen of 5.29 inch HD SUPER AMOLED

display and an S Pen, which could detect writing pressure in 256 steps, enabled fast and meticulous writings. The main characteristic of Galaxy Note is that UX design was grafted in products. It came from the thinking that wanted to make a diary-sized smartphone, which can make the users free from carrying diary, notes, tablet PCs, and smartphones. This suggested a new life style for users with experiences with notes and diaries by providing a flip cover which is a diary sized and an S Pen.

② Galaxy Note 2: Adding Innovation to Innovation

While succeeding with the image of innovation, Samsung released Galaxy Note 2 with the best technology and innovation in order to be the leading player in Phablet market. Also, with two track system of Galaxy S3 and Galaxy Note 2, it competed with iPhone 5, which was released at that time.

Galaxy Note 2 provided upgraded convenience from the existing model. First of all, 'Air View' is a function which enables the users to preview diverse contents without touching with the S Pen. 'Multi Window', which was used in Galaxy Note 2 for the first time, provided the best multitasking environment by dividing into 2 screens which are size controllable and enables the users to simultaneously use many functions such as video, internet, photos, and messages.

'Easy Clip' is a function that lets the users capture anywhere on the screen in any shape by using the S Pen and it's useful when the user wants to make new contents. Also, Galaxy Note 2 provided the function 'Idea Sketch' which uses Samsung's own application 'S Note' to enter the name of the objects and expresses visually. In other words, Galaxy Note 2 applied strengthened UX and provided the experience of the users producing the contents and exhibited 'Technology for humans.'

③ Outcome

Galaxy Note sold 5 million in 3 months and Galaxy Note 2 set a record of selling 3 million after 37 days and 5 million in 2 months respectively. Also, various media recommended Galaxy Note and Galaxy Note 2, regarding them as remarkable Phablets. Bloomberg also evaluated that the 'S Pen is a useful invention for the users who want creativity'. According to Strategy Analytics, a global market research firm in December 2nd, 2012, Samsung had set a market share record of 78% in the world Phablet market in the third quarters of 2012 and established itself as a market leader. Through this, it is undoubted that Samsung has opened the Phablet era.

The success of the Galaxy Note series is meaningful in a sense that it has added innovation to the image of Galaxy's brand image. Samsung grew rapidly in a short time with the Galaxy Series but still lacked the innovative image due to the late action in the early market. However, with the Galaxy Note Series, Samsung pioneered the new market called Phablet and became a market leader. In other words, with leading innovation in smartphone market, Samsung could build a reputation and image in niche and segment markets and this became the bridgehead of the rapid sales in the mainstream market.

- Galaxy S3: Suggesting the New Paradigm

The success of Galaxy S and S2 formed Galaxy's image of the high performance smartphone brand with the best hardware specifications. However, the size and weights have already been optimized and the mainstream market approached to the mature stage that it's hard to differentiate the products solely with hardware performance from those of the competitors. Therefore, Samsung did not settle for the present market and thought how to suggest the new paradigm as the leading player in the smartphone market. As a result, it decided to build the paradigm centering the user and the human enhancing 'human digitalism' which was used for Galaxy S2 to expand the size of the market. Galaxy's new paradigm, 'Designed for humans' focusing on human values' and 'Minimal Organic' emphasizing curves instead of straight lines made a differentiation that other firms could not easily imitate.

① Effective Strategy: Humanism Promotion

The representative advertisement of Galaxy S3, 'A Day in the Life' gives a feeling of watching a movie showing the beautiful moments of family with the design. With the slogan, 'designed for humans' on the front, there is an intention to strengthen the position of a 'Human Phone' which understands people and touches the sensibility centering on human.

Meanwhile, Samsung released an advertisement which compared the pictures and functions of Galaxy S3 with those of iPhone 5. With the phrase 'It doesn't take a genius', the advertisement directly compares Galaxy S3's hardware characteristics and software characteristics, showing the heightened reputation of Galaxy.

Beside this, by exposing the products continuously during the Olympics, which between 1 billion and 300 million people watch, Samsung has resulted in a big marketing effect. Specifically, by installing a 'Galaxy Studio' in London and launching 'Samsung: Take part 2012' application

enabled people to enjoy the Olympics everywhere in the world.

② Outcome

With the highest performance designed for humans, Galaxy S3's initial release was implemented simultaneously in 28 countries, which outran the 9 countries Apple's iPhone launched in, and stirred up the sales from the initial release. With sales exceeding 30 million in 5 months after the release, Galaxy S3 took up the smartphone market 3 times faster than the last series. Especially since the Galaxy's brand power was enhanced, even after the release of iPhone 5, the sales of Galaxy S3 steadily went up. As a result, Samsung maintains the top position (29%, IDC) outrunning Apple (22%, IDC) by 7% in the fourth quarters of 2012. Consumer Reports selected Galaxy as the best phone of the year and European Consumer Reports ranked Galaxy S3 in the number one position and at MWC, which is the biggest mobile exhibition, Galaxy S3 is awarded as the best smartphone in 2013 following Galaxy S2 in 2012. With a series of success, Galaxy proves to be the number one smartphone brand in the world and strengthens its position. Samsung, from the 'fast second' following Apple, has become the best company that leads the smartphone business, suggesting the new paradigm and standard.

③ Second Crisis: Patent Lawsuits and Samsung's Efforts to Overcome

The patent war between Samsung Electronics and Apple was as fierce as the product and marketing war between them. The meaning of the patent war is not insignificant. Starting from Apple's lawsuit on April, 2011, the patent war had spread to 9 countries including Korea, the U.S, Japan, England and Australia with 30 global patent lawsuits. While it was a razor-thin match with various standards and issues in different countries, Samsung particularly struggled in the U.S, the birthplace of Apple. Especially the first lawsuits on the merits of the California court and ITC's patent infringement investigation, which lasted for 2 years since 2011, was dealt with intensively by media starting from the beginning of 2013 when Galaxy S3 was at its prime and caught people's attention. Getting a ruling on patent infringement in a big country such as the U.S could damage the image of the firm not merely in the U.S but also globally and this became a crisis for Samsung.

First, the first lawsuits on the merits of the California court triggered by Apple on April, 2011, ruled that Samsung has to compensate \$599.5m to Apple after the two years of the ruling process. Samsung immediately appealed and in February the same year, Apple tried to progress the

second lawsuits on the merits, which is UI patent infringement lawsuit. However, the court's recommendation of progression of the second one after finishing the first lawsuit made the war become long term and made Samsung continue with the fights.

Meanwhile, under the supervision of the ITC, which screen firms' trade problems and advise the president, Samsung and Apple's patent fights progressed. Compared to the previously mentioned court's rulings, ITC's rulings could influence the reference for import prohibitions including the U.S and other countries. For the lawsuit of both companies infringing each other' patents in June and July of 2011, ITC sided with Apple in September and October of 2012, stating only Samsung infringed on Apple's patents and Samsung claimed a retrial immediately. A surprising event happened to the patent lawsuits which were considered as a crisis to Samsung. With 5 delayed rulings, the ITC ruled among the 4 lawsuits Samsung filed against Apple that Apple infringed on Samsung's 3G patent which overturned the initial rulings. As a result, the innovative image of Apple, which had been leading the lawsuits, was damaged. This worked as a turning point for Samsung to dispel the image of 'copycat,' which Apple has been arguing for constantly.

Paradoxically, Apple's aggressive lawsuits against Samsung contributed to Samsung's global awareness. After Apple's lawsuit in April, 2011, people's recognition changed. And this change was that there has been a new strong player that could threaten Apple, which had been the strongest player in the smartphone market for over 2 years. Through Apple's lawsuits, people started to consider Samsung as a 'competing firm' which can rival Apple.

This thought moved on to the natural interests on the Galaxy S of Samsung. Especially, when the attention for the lawsuits peaked, it worked as strong advertisement effects for Galaxy S3, which was the main product of Samsung at that time. By both continuously dealing with the lawsuits and concentrating on marketing strategies that emphasize Galaxy's innovative functions and sensibility, Samsung could wisely overcome the crisis dealing with a huge rival, Apple, and built a reputation as a global firm.

- Galaxy S4: Maintain the Top Position

With the continuous successes of the Galaxy series, Samsung and Apple's positions started to change. In particular, Apple which built its image with innovation, failed to bring the favorable reactions for iPhone 5 in 2012 and Samsung's era had begun. However, Samsung could not

hold on to the original success method which was through partnership. Google, which acquired Motorola and was preparing an 'X phone', was becoming a competitor rather than a cooperator and the upward standardization of smartphone performance enabled other manufacturing firms to get aid from telecommunication carriers. In this situation, Galaxy had to provide new ways to touch the consumers who had become used to the outstanding performance and prepare for Samsung's own business ecosystem rather than the partnership it had with Google and telecommunication carriers.

① Building Samsung's Own Business Ecosystem

Samsung tried to break from a cooperation business ecosystem and build its own business ecosystem. The most representative tries were M-VOIP function, Samsung Hub and Watch On. M-VOIP is a calling service through data networks which can bring down the profits of telecommunication carriers. This enhanced the functions of Chat On, which is Samsung mobile messenger, and showed that Samsung was focused on the end user.

Samsung Hub and Watch On give a hint on a breakout of the Android ecosystem. Samsung Hub is a multimedia contents store which integrates hub services such as music, video, readers, games and running. Samsung Watch On is a service that provides integrated remote control functions through mobile devices. Through this, Samsung tried to build its own business ecosystem by sharing contents among Samsung electronic devices regardless of OS. Galaxy S4 is a product which suggested the new vision and strategies of Samsung by showing a business ecosystem of integrating smart TVs, tablet PCs and digital cameras and Samsung's own UI offer.

② Galaxy S4 and Its Relationship with Humans

Galaxy S4 was released with a slogan of 'Life Companion' and emphasized the image of 'relationship,' which gives the users special emotional experiences. On the contrary to the past smartphones focusing on the users' convenience, Samsung presents 'relationship' as the brand image for Galaxy S4, and has stressed the product's value on its ability to facilitate the user's human relationship as a 'life companion'. To execute such a brand image, Samsung included features that could allow Galaxy S4 to become an intimate part of the user's life.

Acknowledging that people enjoy reminiscing on the past, Samsung included several features that refer to this sentiment. Those features

include ‘Sound and Shot’, which records voice into photograph, and ‘Dual Shot,’ which integrates the photographer into the photograph. Also, with features such as ‘Group Play’, Samsung focuses on the strong connection among the Galaxy S4 users. With ‘S Health’ which tracks and monitors user’s workouts and daily intake according to the user’s current surroundings, Samsung further stresses the role of Galaxy S4 as the life companion to its users.

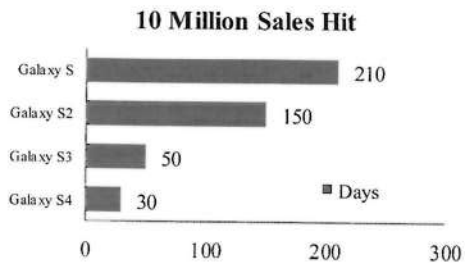
③ Promotion

Samsung has executed the brand-focused marketing of Galaxy S4 by running ‘Life Companion’ themed campaigns and opening offline stores. With tetra logic brand film campaign, “My S4 Story,” Samsung conveyed the philosophy – the true definition of the product as a life companion. Billboards were installed adjacent to the landmarks in countries such as the United Kingdom, Hong Kong, the Netherlands, Singapore, and China so that Samsung emphasized Galaxy S4 as a life companion that helps facilitate human relationships.

Also, Samsung opened offline stores for the consumers to experience its products so as to increase customer loyalty. Starting from the opening of its first store in London, Samsung opened its Samsung Experience Store for the presentation of existing products, and for diverse brand marketing events ranging from new product showcases to cooking classes. Through such experiential marketing, Samsung demonstrated the compatibility of the Galaxy series to other products and doing so, increased brand awareness and diversified the distribution network.

④ Outcomes

Galaxy S4 has sold 10 million in the debut month and has broken the record of 20 million the following month. This record has conquered its predecessor, Galaxy S3’s “10 million in 50 days, 20 million in 100 days” record. Moreover, Galaxy S4 has received favorable remarks from numerous prominent international organizations, and has also been nominated Top Smartphone by *Consumer Report*. With the favorable reception, records of Galaxy S4 has reached the apex of the Galaxy series records and allowed Samsung to continue with the number 1 brand title. Furthermore, parting from the existent business ecosystem created by Google and mobile carriers, Samsung has successfully launched its own business ecosystem, and thus has presented its vision and strategy in the market.

FIGURE 3. How Long Galaxy Took to Reach 10 Million Sales Hit

3. The Secrets to Galaxy's Achievement in the Market

Although Galaxy had debuted later than Apple's iPhone in the smartphone market, the reason Galaxy surpassed iPhone's records and stepped up as the number one smartphone brand could be narrowed down to five significant characteristics: exceptional hardware capability, strategic partnerships, shot-gun strategy, innovation in Galaxy Note, and Samsung's inherent organizational culture.

3.1. Exceptional Hardware Capability

Even though Samsung has entered the smartphone market when Apple had predominant presence, Samsung overcame Apple's presence with the strength in hardware. Samsung possesses the capability of producing smartphone core parts, such as the application processor (AP), baseband, and DRAM. Especially with the application processor, Samsung is predominant in the multi-core AP market.

Also, whereas the other smartphone manufacturers outsource the core parts, Samsung insources the whole process; thus, it not only has benefits in delivery, production cost and product quality, but in a hardware that is promptly responsive to the market's need. This ability was the foundation for the three S's – speed, screen, slim – that has been the motto for Galaxy S, which debuts with a huge success. Every launch of new Galaxy series device has showcased the most up-to-date technology and the highest performance at the time, allowing the Galaxy series to be positioned as the number one brand in the smartphone market.

3.2. Strategic Partnerships

Samsung has been acknowledging the fact that it cannot make the future market alone, but could make a bigger and more attractive market if it cooperates, and thus it made a vertical alliance and partnerships to

succeed with the Galaxy series.

The first partnership was with Google. With Android that has been well accepted by the market for a long time, Google allowed Galaxy systematic stability and reliability. Also, the fact that it is an open source system gave Galaxy an opportunity to secure standard market style. The partnership with Google allowed Galaxy not merely to complement Samsung's weakness in software but to enhance its brand power. Furthermore, Samsung, in collaboration with Google, launched the Google reference phone, Nexus S, and Galaxy Nexus, which carries the most up-to-date Android system and thus could serve as a reference to the other smartphone manufacturers in the market. With collaboration showing that Samsung is in a close cooperative relationship with Google, it assures the credibility of Galaxy to the Android users and a positive awareness of the brand.

Second, Samsung partnered with the mobile carriers to raise the sales to such high extent. The assistance from the mobile carrier is crucial for the smartphone manufacturer, because if the mobile carrier selects a device as its main device of service, it becomes easier to sell directly to the consumers and thus has a higher possibility to raise the sale. By understanding the different mobile communications standards and the mobile carriers' needs according to different countries, Samsung built close relationships with various international mobile carriers, and utilized these relationships to the full extent. Samsung's biggest rival, Apple, on the other hand, disallowed any specifications of mobile carriers, such as the carrier's logo or software installation, and had a lesser partnership than Samsung. Since mobile carriers and mobile manufacturers are inevitably coexistent, Samsung, by signing supply contracts with approximately 800 mobile carriers worldwide – four times more than those that signed with Apple, could raise the sales to such number, even without its own retail store.

3.3. Shot-gun Strategy

Samsung executed the shot-gun strategy by having Galaxy S series as the main model and producing a wider range of products from luxurious premium brands to mid-range brands. Whereas Apple focused only on the customized specification and gave lesser selection to the consumers, Samsung's shot-gun strategy has encompassed a larger group of consumers.

After the release of Galaxy S, Samsung initiated a lineup of mid-range products such as Ace, Neo and Gio, whereas after the release of Galaxy

S2, Samsung further systemized the lineup by providing various Galaxy models such as Galaxy S, Galaxy R, Galaxy W, Galaxy M, and Galaxy Y: S (Super Smart) as the high-end flagship model, R (Royal) as the premium model, W (Wonder) as the high-end model, M (Magical) as the mid-range popular model, Y (Young) as the model targeted towards younger users. In the smartphone markets of developed countries, the smartphone penetration rate has reached 80%, and it is perceived that markets in other countries are to follow this rate in the near future. Furthermore, the high-end smartphone market growth rate is dwindling, whereas the mid-range smartphone market is growing conspicuously. Apple, which insisted on the small number of high-end models, is now releasing a mid-range smartphone, iPhone 5C, whereas Samsung, which already has a wider range of models, has foreseen the future market and now has the benefit of prior occupation in the market.

3.4. Innovation with Galaxy Note

With Galaxy Note armed with an S Pen and 5-inch screen, Samsung has opened up a new market for “Phablet” (phone+tablet), and thus enabled its Galaxy brand image to become creative and innovative. Whereas Steve Jobs of Apple argued that no one would want to use a pen anymore in introducing the iPhone in 2007, Samsung’s release of Galaxy Note that included the ‘S Pen’ in October 2011 has disproved him and greatly influenced the market. This successful reception of Galaxy Note could be narrowed down to three reasons. First, by providing a big screen with an S Pen, Galaxy Note referred to the nostalgic sentiment of keeping a diary, and also satisfied the users that are uncomfortable with using touchscreen with their hands. Second, by letting the user input more with the S Pen into the Galaxy Note, the role of the user has expanded from a passive receiver of produced contents to an active producer of contents. This expansion also allowed Galaxy Note to provide more contents to its users both quantitatively and qualitatively. Lastly, by providing more vivid vision via a larger screen and yet maintaining it as small enough for mobility, Galaxy Note is optimized for entertainment contents, and allows convenience to frequent data users. In other words, Galaxy Note satisfies users with both the function of a smartphone and that of a tablet.

3.5. Samsung's Inherent Organizational Culture

In every corporation’s successful strategy, there is an inherent organizational culture that is not imitable: for Samsung’s Galaxy, it was Samsung’s speed operation. Speed operation has been the driving force

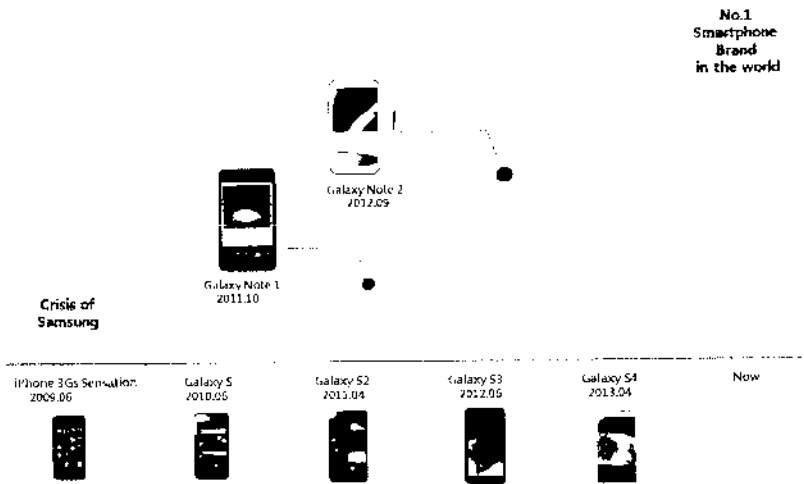
for Samsung to survive in the fast-paced industry, and has led various strategic factors to succeed. Samsung's speed operation comes from horizontal development system for prompt decision, exceptional bonus according to achievement, and a relentless sense of crisis that forbids settling for status quo.

First, in order to formulate an organization capable of prompt determination and execution, Samsung Electronics developed a horizontal development system and overcame the temporal, physical, and geographical limitations. Also, along with Samsung's prompt organizational planning and development system, its competent global SCM enabled it to capture the optimal opportunity to enter the market.

The second factor is the clear, exceptional bonus system that is not bound to position and that allows every employee to participate in the attack management and helps formulate a diligent organizational culture.

Lastly, the unique sense of crisis that does not settle for status quo is also indicative of the culture that is prone to innovation. In the past, Lee Kun-hee, the chairman of Samsung Group, has declared emergency management even when Samsung was making high net profits. This embedded sense of crisis is the definitive factor that has prepared Galaxy to survive in the ever-changing digital market as well as to step up as the global best mobile brand.

FIGURE 4. A Brief History of Galaxy



4. Galaxy Brand Strategy and Future Marketing Strategy Proposal

After the first launch in 2010, Galaxy is now leading the global smartphone market; however, in order to do so, Samsung has experimented and made bold decisions. In the shifting mobile phone market, Samsung boldly deserted its Anycall brand, which was worth approximately five trillion won back then, and newly designed and developed the Galaxy brand. Competing with the other global brands' preexisting influences in the market, Samsung has successfully executed Galaxy brand strategy, which can be summarized into three factors.

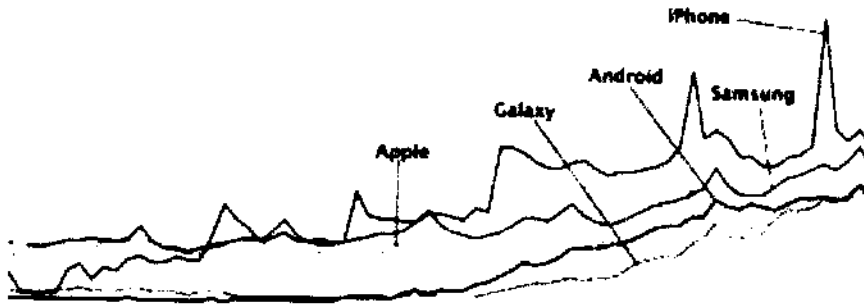
First, it is the making of the Galaxy brand into Samsung's flagship brand. Galaxy is the first brand that Samsung executed worldwide as one unified brand. To do so, Samsung suffered through various trials and errors. The early brand strategy had weaker global integration than is now: in the Korean and Chinese markets, Samsung continued using the Anycall brand; and in other markets, it used different names and composition for the products to fulfill the requests from different local businesses. For this reason, when Galaxy S2 was released, the brand awareness for Galaxy was conspicuously low. Moreover, when Galaxy was first released, it was named differently: in the Korean market, it was named Galaxy S (SK T), Galaxy U (LG U+), Galaxy K (KT) upon the requests of mobile carriers; and in the US market, it was named Captivate (AT&T), Vibrant (T-Mobile), and Fascinate (Verizon). At first, this differentiation upon request of individual mobile carriers helped Samsung enter and settle in the global market, for Apple was selling its iPhone only via AT&T. However, as for consumers using different mobile carriers, this brand strategy was a great confusion. In order to improve this, Samsung grouped all the products that were using the Android platform under the 'Galaxy' brand, executed the integration strategy and arranged individual products with number and alphabet initial. Gradually, this process allowed the unified Galaxy brand to not only become competent enough to survive in the market, but also become the sole competitor to Apple's iPhone.

Second, it is the establishment of Galaxy's human-friendly brand identity. Prior to Galaxy, Samsung has only been focusing on the technical competency, and employed the best celebrity at the time to emphasize its product's quality and high-end technology. However, with Galaxy, Samsung is striving to stress that the Galaxy brand is human-friendly and sentimental. Whereas the earlier Galaxy S slogans were 'super smart,' 'smartphone evolution' that focuses on the technological

competence and ambition, the later slogans include ‘designed for humans,’ and ‘life companion’ which stresses more on the humanistic side as the core of its design. Furthermore, Galaxy’s human-friendly brand identity has been developed not only with the product design but also with technology. With earlier products, Samsung focused on the convenience provided by the user interface, UI, which is evaluated by usability, accessibility and convenience; whereas with more recent products, it stresses the holistic experience of the product provided by the user experience, UX, which is evaluated by how the user feels about and is satisfied with UI. In other words, the Galaxy products have become a convenient part of the user’s life to the extent that the user cannot perceive the technology as behind them.

Lastly, it is utilizing Google’s Android as a safeguard in building Galaxy’s early brand assets. As Samsung was entering the smartphone market, it had various challenges to tackle: the weakness of Samsung’s own Bada OS, building Galaxy’s early brand assets, and the fact that the release of its Android smartphone is later than those of most of its competitors. In order to clear the tasks in hand, Samsung secured exclusive possession of Android trademark rights. With the release of Galaxy, Samsung stressed and advertised to the consumers the equation that Android phone is Samsung Galaxy. In fact, earlier Galaxy models stress Android and Google logos on the product’s exterior. The strategy focused more on how Galaxy would blend in with the preeminent influence of Google and Android in the market than making its own brand presence. This brand safeguard strategy was also a crucial decision that enhanced awareness to the consumers of the fact that Samsung overcame the challenges in entering the smartphone market. As the Galaxy series gained attention of the press and raised high sales, Samsung Electronics started focusing more on Samsung and the Galaxy brand than Google and Android, and started establishing Galaxy as a brand. As a result, Galaxy’s global awareness has begun to surpass that of Android.

FIGURE 5. Google Search Trend



Source : Google

4.1. Galaxy Brand's Current Status

Even though Galaxy is now at the apex of the smartphone market, it is facing new challenges. The first challenge is the slowdown in the high-end smartphone market. Though Samsung Electronics does possess other mid-range brands as well, its sales mostly come from the flagship model; thus it will have to consider slowdown as momentous. The sales increase has been showing the worst growth in Europe, and the penetration rate of high-end smartphones in the markets in other developed countries is posited that it would near 80%. Since the rate in the developing countries is also likely to reach that of developed countries in the near future, the number of potential consumers will decrease and will thus lessen the opportunities in the high-end market.

The second challenge is the rapid advance of Chinese corporations in the mid-range smartphone market. Whereas the high-end market is dwindling, the mid-range market is expanding. Galaxy does possess mid-range products such as the Galaxy M and Z, yet the Chinese corporations such as Renovo, Yulong, ZTE, and Huawei are threatening Galaxy's mid-range products in their domestic market and in the markets in emerging nations with their price competitiveness. Chinese smartphone manufacturers now occupy 20% of the global smartphone market, but more importantly are now displacing the Galaxy series in the market in China at a fast pace.

The last challenge is the limitation to smartphone hardware performance development and the competitors' entrances into the smart device market. High-end smartphones are now installed with specifications such as full HD and octa-core CPU and moreover, the upswing is being standardized.

For Samsung, which was a relatively precedent manufacturer of hardware and also has been stressing hardware as its vital strength, current standardization is not in Samsung's favor. Furthermore, since it relies on Google's Android for Galaxy's software, Samsung should presuppose how it should proceed with the partnership with Google and should also enhance its own software. With the software becoming more crucial in the smart industry, competitors, such as Google and Apple, are developing new smart devices based on their strengths in software, and now are preparing for the next generation.

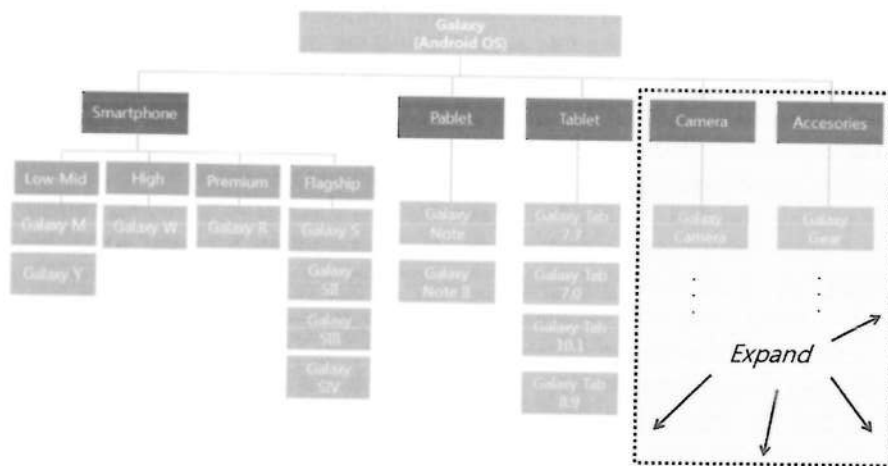
In other words, the slowdown in smartphone market growth; rapid advance of mid-range smartphone manufacturers; and Apple and Google's releases of wearable devices for the next generation are threats to Samsung's status and could also become a new crisis. Thus, we propose that Samsung expands the Galaxy brand to enter the emerging smart wearable device market, in order to break through this crisis and gain new opportunities from it. The emerging market has a good outlook, and if Samsung utilizes Galaxy, which already has an established global brand asset, it could enter the market with more ease. Also, if Samsung could connect more diverse smart devices into its cross device system, the 'Galaxy Ecosystem,' Galaxy could continually gain opportunities to standardize the market as Samsung Electronics' representative brand.

4.2. Galaxy Brand's Marketing Strategy Proposal

For Samsung Electronics to grow Galaxy's brand asset, it should think beyond the high-end smartphone market, and execute a strategy that expands and enhances the brand to enter the prospective smart wearable device market.

To do so, Samsung must analyze Galaxy as a brand asset more specifically and concretely in order to decide to which extent it could include the new products, so that the inclusion would not damage the brand itself. To maintain the brand and to utilize it to the extent that it is not damaged, Samsung must seek for similar characteristics between the upcoming innovations and the existing Galaxy series. By deriving the common characteristics from the Galaxy brand, by connecting them with the innovative products' individual characteristics, and by continually informing the consumers of these innovations, Samsung, through continual exposure, can manifest the 'new, but still powerful' Galaxy power once again.

TABLE 2. Galaxy's Brand Architecture



5. Conclusion

As discussed, Samsung's mega global brand Galaxy has successfully created new brand power by accurately presupposing the trend of mobile history, and through properly responding to the trend and exceptional strategy. Starting from the chairman Lee Kun-hee's declaration of 'New Management' based on the quality innovation and on the pre-estimation of crisis from rapid shift in the market, Samsung's utilization of its strength in mobile hardware and the complement of its software through strategic partnerships have enabled the birth of Galaxy S in 2011.

This early model, Galaxy S could enter the global mobile market through an active marketing strategy; and the following S2 could build a strong foundation in the market by focusing on the user's needs and sensibilities. After settling in the mainstream global mobile market, Samsung executed the shot-gun strategy and developed the mid-range models as well as the premium models to satisfy larger groups of consumers.

Furthermore, with the Galaxy Note, a new concept of mobile called "Phablet" Samsung has been evaluated as uniquely innovative and praised that it developed and expanded a new market; and also, the Galaxy Note with the Galaxy S Series has been loved by the public as extraordinary products which have enhanced the value of the Galaxy

brand. And the relatively recent products, Galaxy S3 and S4 set a record of shortening the time to reach the 10 million sales point and are still setting records globally now. This was an inevitable outcome coming from the process of those two series delivering mobile values through the touching moments in consumers' daily lives. Continuing the best success in the mobile history and with the impending release of new mobile Galaxy Note 3, Samsung's Galaxy is recognized as Korea's proud brand which gained victory in a competitive global mobile market. Of course it is meaningful that the history of one brand's success is not about settling but about incessant running for the future targeting a bigger focus and aims.

The lesson that can be learned from the success story of Samsung's Galaxy is rather simple: Focus on what you can do the best and what you like the most. Through many advertisements for marketing, it is easy to see that the Samsung itself has confidence and love for Galaxy, just as the external customers who are globally showing interests and love for Galaxy. Galaxy touched customers from all over the world with Samsung's selecting and concentrating on the valuable business and its passion. We hope that this report, which analyzed the rather short but glorious journey of a brand, would help other countless Korean firms to step out for future challenges. In addition, we hope that this report become meaningful for future marketers who want to find and develop what they like and what they can do in each one's position and who strive for the better tomorrow.

* This case received the best award among about 70 group contestants in the 2nd national case competition by KIMF in 2013.

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Case #2. SEOUL

Seoul's Marketing Strategy to Rise to the Top of the World: City Branding Perspective

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2. History and Challenge of Seoul
3. Seoul, the Beginning of City-Branding and the Results
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7. Summary and Conclusion

Editors' Note

This case focuses on how Seoul, the capital city of South Korea, has successfully marketed itself in a relatively short period of time. It highlights in detail how Seoul has transformed itself to become one of the top tourist destinations in the world as well as one of the top ten cities for meetings, conferences and conventions.

Executive Summary – Seoul

Seoul, the capital city of the Republic of Korea, has become part of the world's economic power. In this case study, we examine the beginning of Seoul's city branding, difficulties, and recovery mechanisms to learn valuable lessons from their story.

Seoul has been the capital of the Republic of Korea for more than 600 years. However, it is a recent phenomenon that the city has become one of the top cities with high-quality infrastructure in the world. After the Korean War in 1950, Seoul was divided into two parts, full of anxiety and became a Third World city; therefore, no one had been fascinated by it. Basic infrastructures have been built, but there had not been a unique image differentiated from the surrounding major cities. Moreover, there had been a lack of capital and attractive elements for tourists. In response, the local government of Seoul decided to start branding the city to maintain the dynamic image of Seoul led by the World Cup in 2002.

At the time of Seoul's city branding, other nations in East Asia had already invested millions for doing so, recognizing the importance of city branding. Therefore, Seoul started city branding by building infrastructures under a title 'Hi Seoul'. As a result, Seoul has grown rapidly thanks to its locational advantage and the so-called "Korean Wave". However, Seoul has encountered problems because of the unchanged stereotypes of people from other countries about Seoul. To cope with this, Seoul has started from the bottom again, and this has become a turning point for Seoul. In doing so, the city has carried out integrated branding rather than a temporal one focusing on analysis on surrounding environments and market segmentation. Through these, the government has increased marketing costs, for the purposes of coping with the segmented overseas market environment. Further, it has improved hardware-like elements including the surrounding environment of the Han River and built an eco-culture city. The results have been very successful. That is to say, there have been huge improvements in terms of the number of tourists coming to Seoul and the perception of Seoul by other nations.

Today, Seoul is a beloved city, not merely a well-known city. Seoul has experienced crisis but sorted it out through wise strategic governance and marketing over foreign nations. The final task would be going a step further as a global city. Seoul is where nature and city coexist, urban area and tradition coexist, and internet is available everywhere - where present, past, and future coexist together. The city is not only the No.1 city of the 50 million people of the Republic of Korea, but also of the entire world. This case presents how Seoul has become so successful in its achievement of its current status.

Key Words: Hi Seoul, City Branding, Strategic Governance, Integrated Marketing Communication, Strategic Investment

1. Introduction: Seoul Today from Yesterday

Seoul, the center of the Republic of Korea, is the hub of politics, society, economics and culture. Currently, over 10 million people are living in the city and core organizations are concentrated here. In addition, about 25% of financial businesses are in place; therefore, it can be seen as the heart of the Republic of Korea. Further, Seoul is the center of culture and art in which cultural heritages of the Republic of Korea (herein after referred to as the ROK) are concentrated; numerous old castles, palaces, and remains of cultural heritage coexist with modern buildings and forests taking over tradition. Finally, the urban area harmonizes with nature including the Han River, Seoul Forest and Namsan Park. Seoul has already become one of the top 10 cities with international prestige.

However, it has not been very long since Seoul has become known to others. The ROK started experiencing poverty after the Korean War beginning in the 1950s. However, the ROK has recovered and grown rapidly within a very short time as a result of economic development policy and manufacturing business. Then the ROK held the '88 Olympics, which was the largest international festival in Seoul in 1988. Since then, Seoul has started to become famous and the 2002 Korea-Japan World Cup has enhanced the status of Seoul. As large-scale festivals have been held and Seoul has become famous, the government has felt the needs of setting up a positive image of the city. In this way, Seoul's city branding has started seeing the city as a product.

From the beginning of its birth to the present time, Seoul has been constantly carrying out city marketing despite many setbacks. As a result, Seoul has become one of the top 10 cities, the top 6th nation for urban competitiveness and the top 11th nation for tourism. Based on the central location in North-East Asia and the world's top information network technology, Seoul is becoming one of the world's top cities through successful city branding.

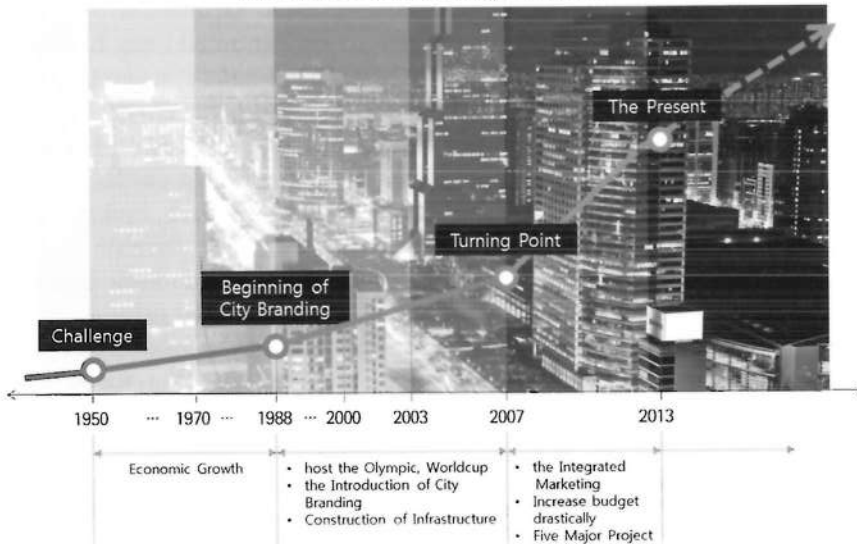
We will present, especially from the perspective of city branding, how Seoul transformed itself into one of the technologically and culturally richest cities in the world.

2. History and Challenge of Seoul

Currently, Seoul has the world's best IT infrastructure and systemic public transport system which connects every corner of the metro area. Sixty years ago, however, Seoul was one of the ruined cities. Now we

turn to the history and challenges Seoul has faced and the fundamental directions it took.

FIGURE 1. The History of Seoul



2.1. From the Beginning to the Current Status of Seoul

Seoul has been the core city of the modern Republic of Korea for 2,000 years during the ancient times, middle ages and today. The current Seoul was built after independence. Then the city experienced war, became ruined and poor. However, continuous efforts at recovery have resulted in massive economic growth which has been named 'The Miracle of Han River.' Following that, international festivals including the '88 Olympics and 2002 Korea-Japan World Cup were held in Seoul, resulting in the introduction of city branding. In addition, city marketing has started with urban development. Since the late 2000s, prediction-based investment, strategic approach and development of city facilities have been carried out to the risks of initial stage of marketing which has resulted in huge growth both inside and outside. As a result, Seoul, which was previously a Third World or underdeveloped city, has transformed itself into an attractive and beloved city.

2.2. Seoul, the Metropolis of the World after Overcoming Crisis

As a result of independence on the 15th of August in 1945, Gyeongseong, which was the capital of the colony of Japan, changed to

Seoul, the capital of the Republic of Korea. When the ROK was established in 1949, Seoul came to be Seoul Metropolitan city. At that time, the city seemed to grow as a stable city in the future. However, the War of 6.25, which started in June in 1950 and continued until September in 1953, completely ruined the city. About 5,000 government buildings were destroyed. A countless number of public facilities, business buildings, and general companies were destroyed as well. After the war, Seoul could not recover and modernization had ended as failure. Seoul had become poorer with the avulsion of war. The citizens of Seoul had lost places for living and families struggled to live again. The people grabbed spades to reconnect destroyed bridges and built fabrics or sugar plants. As a result, Seoul underwent a small but noticeable difference. The government under President Park Chung-hee, during the 1960s, focused on economic growth. There was over 9% of average growth until the end of 1970 and other nations have called this 'the Miracle of Han River.' Through such efforts, Seoul has become a big city gradually. Gangnam exemplifies the history of growth of the city very well. Gangnam had been a rural area before it became a part of Seoul in 1963. In 1970, the government of Seoul established residential areas and city bus lines. Furthermore, it promoted movement into the area by reducing taxes and moved the historically significant high schools of Gangbuk to the area. Accordingly, Gangnam has since become the hub of education and is now the center of education, culture, residence and entertainment. Gangnam, which changed from a forest to a city, can be seen as a good model for fast growth.

While the rapid growth and city development continued, the 1986 Seoul Asian Games held in the city and the 1988 Seoul Olympics was successfully held based on the know-how obtained from the past experiences. Seoul gained attention from the other nations through the festival in which 160 nations participated. However, Seoul started city branding to go one step further in that the city has felt the need to market the city as a product to compete in the world.

3. Seoul, the Beginning of City-Branding and the Results

3.1. Construction of City's Infrastructure

Before the city's brand marketing, Seoul tried to build up the city's infrastructure. The Cheonggyecheon Creek, which runs across Jongnogu and Junggu (Seoul's center), is a representative example. The Chconggyecheon was restored to create a natural space within the urban

area in which the people and nature could coexist. The restoration of Cheonggye brought a decrease of urban heat island effects and purified the atmospheric environment. In addition, it has created Seoul, the face of the ROK as an emerging environmental city. Cheonggye's restoration has caught many people's interests as it resulted in over 1,700,000 visitors during the festival and more than 1,000,000 visitors immediately following its opening. In fact, 10 countries around the world and 36 foreign presses reported Cheonggye's restoration and it achieved excellent results such as winning the best public administration of Biennale Architecture, and having its documentary broadcasted on the Discovery Channel. Cheonggye Creek has an estimated number of 3,000,000 tourists visiting every year. In other words, it is an important touchstone showing Seoul's competitiveness in the world.

In addition, Seoul developed the Seoul Forest located in downtown Seoul. It is the first park in which citizens participated in all processes - from planning to operating the park. It's also a significant park in that it has accomplished a balanced development by building a park in the Northeastern area. Along with Cheonggye, Seoul Forest is a bridgehead to a construct green network in Seoul.

Also, Seoul reformed its public transportation. With the increasing number of cars, traffic jams were daily occurrences, which had become Seoul's endemic problem. So, the city began to reform its public transportation in 2005. An intra-city bus was introduced, which divided the city by blue and green buses and added a high-tech system with transportation cards. In fact, such a system was applied as a combined fare to allow more citizens to use public transportation. Seoul public transportation reform gave great results that achieved allocating intervals, improved passing speed, and increased the use of public transportation. This innovative reform drew to acclaim the world award at The Metropolis Award in Berlin.

3.2. The Beginning of City Branding: Competition Situation, STP, and Concrete Marketing Activity

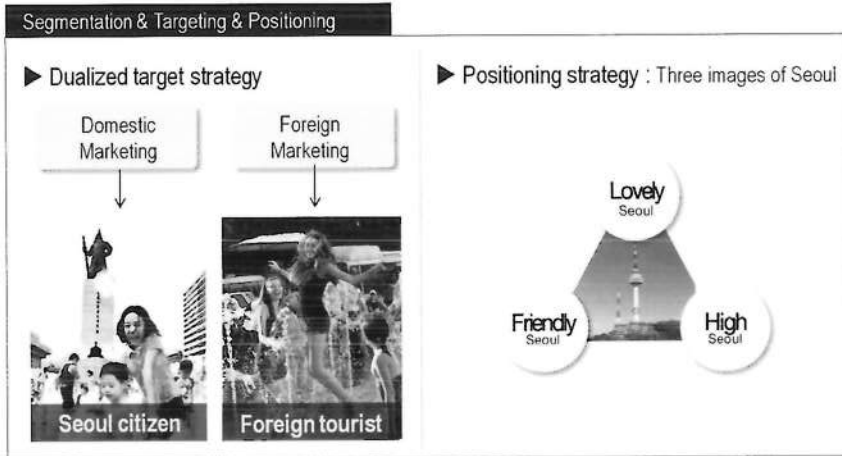
With the launch of the autonomous local government system in 1995 and after holding several international events, Seoul spurred the city's branding after the 2000s. When Seoul began branding the city, major cities of Asia such as Singapore and Hong Kong had already invested tens of billions of dollars for city marketing. These cities had preceded city branding consistently, investing more than fifty million dollars each year. As a result, Singapore had an increase of tourists by 35% compared

with the previous year. By the time Seoul began city branding, the major cities of Asia had already been aware of the importance of city branding and shaped the future to invest resolutely. In comparison, Seoul was a latecomer in the city branding market. As such, before entering the city branding market, Seoul had to revise its thoroughgoing analysis.

With the introduction of 'Hi Seoul' as the city's brand before the World Cup of 2002, Seoul began to build its image. It established its status externally as the twenty-first century world central city preparing the World Cup and aimed to establish itself as a new millennium city in which the citizens could enjoy an improved quality of life and have a sense of pride. Although the city's branding began under the name of Culture World Cup, it still lacked several things. For example, it made an inefficient department for Culture World Cup's planning, which could prepare for the World Cup. Due to the lack of a cooperation system and mutual contact of related departments, it was poorly organized. To solve this problem, Seoul set up the first department of combined departments to be in charge of marketing called the 'City Marketing Task Team.' With an organized office in charge of city branding with marketing planning, media associations and brand management, the City Marketing Task Team became the leading branding marketing in the ROK.

Initially, Seoul had divided its marketing strategy into domestic marketing which targeted 'Seoul citizens' and foreign marketing which targeted 'foreign tourists.' There was a chance of vitalizing the culture of the urban community in domestic marketing. Foreign marketing was focused on China, Japan, and the ASEAN countries in which Seoul had invested over 80% of its marketing budget. From this, Seoul tried to create three images of Seoul with its brand slogan; 'Hi Seoul.' The first image of Seoul was 'Lovely Seoul,' which tried to equalize the developmental regions and create harmony. The second image was 'Friendly Seoul' to make Seoul an open and friendly place. The third image was 'Hi Seoul' targeting Seoul as a first class city with the world's best transportation, economy, environment, and administration.

FIGURE 2. The STP Strategy of 'Hi Seoul'



Under the slogan 'Hi Seoul,' a specified marketing plan had been applied. First, it was for citizens to promote domestic policies undertaken by what or whom? Thus, Seoul began to promote civic policies in order to improve brand images. It was to push brand license business in CI management, and character business. Now, let's look at the brand, symbol, and emblem of Seoul.

- Brand Name of Seoul: Hi Seoul – Soul of Asia

'Hi' represents the appeal of lively, bright Seoul as the English greeting 'Hi' is used all over the world. It is also pronounced as 'high,' which represents the vision of Seoul to be a globally significant city, that is, going beyond the capital of the Republic of Korea. 'Soul' is not only pronounced similar to 'Seoul,' but also represents that Seoul is the center of Asia. 'Soul of Asia' implies the vision of going forward to the center of the world through combining Asia's tradition and as a high tech civilization.

FIGURE 3. Brand of Seoul



- Symbol: Hae-Chi

'Hae-Chi' represents the historical tradition and culture characteristic image of Seoul. It is also a representative symbol which was created by

cultural sensitivity in order to give Seoul citizens hopes and dreams. 'Hae-Chi' implies not only an image of a divine animal fighting for fire or disaster, but it also signifies the guardian which protects Seoul and brings fortune and happiness.

FIGURE 4. Symbol of Seoul



- Emblem: City of History and Vitality

The emblem is the main factor in the CI of Seoul and the representative visual symbol of Seoul. The emblem expresses the human-centered city of Seoul by embodying the shape of a vibrant person by describing the Korean word 'Seoul' into the sun, mountain, and the Han River.

Also, Seoul started using 'New Media,' a bilateral governmental promotion on the web such that the city began to diversify the practical use in the media. After the World Cup in 2002, the target of promotion vastly enlarged from general citizens up to housewives, kids, and even the disabled. Moreover, Seoul introduced an open marketing activity (intensified in collecting of citizens' opinion) and expected to arouse the participation of Seoul citizens. For example, Seoul has been running the honorary ambassador of administration and supported to create and run the web site by revitalizing the 'Seoul Love community' since 2004. Seoul carried out the marketing activity in the name of 'External Marketing' including 5 strategies.

FIGURE 5. Emblem of Seoul



Foreign marketing was the core sector for improving the image of 'Seoul' as a brand. Seoul started to modify foreign markings of roads, and tourist spots. Another strategy used was companies actively starting marketing channels aimed at foreigners. Eventually, it executed various overseas promotions through foreign media and the Arirang TV system.

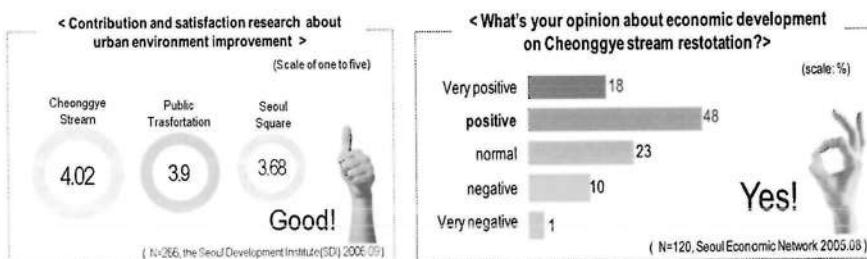
Also, with the completion of Cheonggyecheon stream, the city enhanced marketing, sending off an environment message relating to Cheonggyecheon stream, and naturally increasing the promotion of Cheonggyecheon stream. After that, Seoul started to enhance place marketing with Cheonggyecheon stream as an international conference. Next, Seoul concentrated on culture and sports marketing. In order to build up the 'Hi Seoul' image, Seoul developed an advertising manual, logo song, and character in 2003, and held the 'Hi Seoul Festival,' one of the world's famous festivals. Seoul planned a marketing strategy using Seoul-based sports team for sports marketing, and in 2006, the Asian X-games were held. In convention marketing, Seoul has been supporting the convention industry since 2004. In the following year, 2005, Seoul promoted itself as an ideal city for doing business, and a business hub city of Asia to be connected to this support with the attraction of investment. For example, Seoul had a nine hundred billion won investment effect by making a contract with AIG to build IFC Seoul.

3.3. The Result of the Beginning of City Branding

- Improving Citizen Satisfaction by Building Dynamic City Infrastructure

As the above questionnaire shows, citizens evaluated Seoul's active construction of city infrastructure highly at the beginning of Seoul city branding. In 2006, the Cheonggyecheon stream restoration and the public transportation reform received high marks as surveyed about all policies. Especially, Cheonggyecheon stream restoration was a policy that many citizens evaluated as successful. In <figure 6>, over half of the respondents said that Cheonggyecheon stream restoration contributed to the economic development of Seoul. In other words, the active construction of city infrastructure in the early 2000's was evaluated very positively in creating an identity and improving the environment of Seoul.

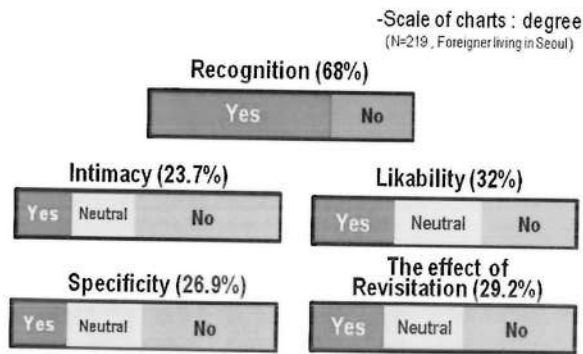
FIGURE 6. The Survey of Citizens' Satisfaction about Infrastructure



- Negative Recognition of Foreigners Who Live in Seoul about City Branding

According to a survey conducted by the Seoul Development Institute (SDI), 70% of all foreigners who have lived in Seoul for more than 6 months answered that they knew ‘Hi Seoul’, but did not give a positive answer in other categories. The positive responses on the other five categories aside from recognizing the ‘Hi Seoul’ was less than one-third. According to this survey, awareness of ‘Hi Seoul’ was high, but intimacy, likability, pragmatically of ‘Hi Seoul’ was low.

FIGURE 7. Survey of the Recognition of ‘HI Seoul’



The Seoul Development Institute(SDI), 2006.09

Above all, although Seoul’s brand image was ‘intimacy’, it had serious problems for the degree of intimacy recorded 23.7%. Therefore, city managers needed a different approach in city branding strategy.

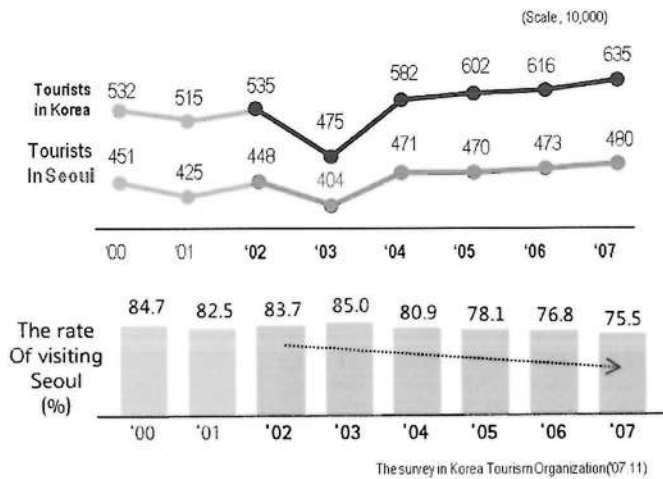
- Stagnancy of the Number of Tourists and Decreasing the Rate of Visiting Seoul

The number of tourists who visited Seoul continued as a small increase (0.9%), while the number of tourists who visited the Republic of Korea represented an average growth rate of 2.5% per annum. The rate of tourists who visited Seoul among tourists who visited the ROK decreased from 84% in 2002 to 76% in 2007. It is clear that despite the city branding of Seoul, the number of tourists who visited Seoul did not increase by much.

There are two reasons that the result of marketing was poor in the beginning of city branding: budget and the approach to city marketing. First, the budget of the marketing team who assumed city marketing was

3.4 billion won which was not enough for city competitiveness and priority. Second, in approach to city marketing, Seoul increased only the frequency of media exposure without discussing the identity and the vision of Seoul. In other words, it appeared sporadically without strategic goals about the differentiated image Seoul. The need for continuous city marketing is the greatest then, not from peripheral, sporadic promotion but systematic, consistent promotion under strategic, a long-term demand survey.

FIGURE 8. The Transition of Foreign Tourists in Seoul



4. Turning Point of Seoul

At the beginning of Seoul's City Branding, results were weak in comparison to Seoul's efforts. Therefore, Seoul had to change its marketing strategies to make them more effective. To make matters worse, in 2006, North Korea's provocation of war made the world return to regarding Seoul as an unsafe city exposed to war risks. As well as a reduction in the degree of confidence in the ROK, overseas investment and the number of foreign visitors to Seoul fell sharply. Owing to the prolonged North Korean crisis, the public sentiment that became nervous was also making matters things worse. Likewise Seoul faced a critical situation in the early stages of the city's branding.

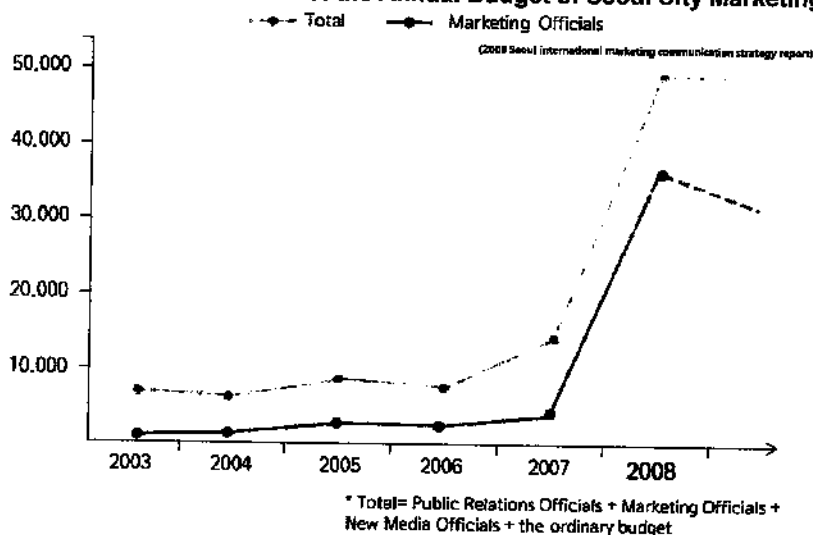
A turning point was necessary for Seoul to overcome the crisis and to stand up again. At this time, the 4th mayor Oh Se-hoon was inaugurated

and there were significant changes in the history of the Seoul brand. In 2007, Seoul had begun to change drastically by Oh Se-hoon declaration, "This year 2007 will be the starting point for concentrating on generating Seoul's brand power."

4.1. Far-Sighted Wise Investment

First, Seoul brought visible change in branding strategy by increasing the marketing budget on an enormous scale. In 2007, the marketing budget was only 4 billion won, but the next year, Seoul increased the budget of the city marketing about 10 times to 40 billion won. It was the most unprecedented decision ever that increased the budget of one field from the local government by 10 times.

FIGURE 9. The Transition of the Annual Budget of Seoul City Marketing



The reason why Seoul made this policy decision can be summarized into three parts. First, competition between cities throughout the world was becoming increasingly fierce. At that time, cities in China were quickly emerging and Hong Kong, Singapore, Thailand, and Malaysia's cities were repositioned with a new look. Because of changes in the competitive landscape, it is hard to survive in this fierce competition unless we make the brand appreciate in value not by a mere urban development but by each city's differentiated image. Therefore, Seoul administrators and experts grasped this desperate situation and attempted to increase the marketing budget unusually.

Second, Seoul predicted that the tourism industry would become one of the growth engines of Seoul. Now the 'jobless growth era' requires significant capital investment, but most of the equipment is automated so that phenomenon that employment is not created no matter how much industry grows has appeared and the activated tourism industry can have a rising employment effect and make the local communities obtain high economic benefits. In 2006, Compared to most advanced cities' tourism industries which share more than 10% of GRDP (Gross Regional Domestic Product), Seoul's tourism industry's was less than 7%. In this situation, action to promote the development was necessary. Seoul judged that it is possible to achieve sustainable growth in the long term if Seoul brings foreign capital and superior manpower into Seoul by raising the city's brand.

Lastly, Seoul believed that promoting its tourism industry and attracting investment by city branding would lead to growth. When geese fly, the 'head goose' leads the way. So Seoul could be considered an important role in developing the ROK by raising its competitiveness, to play brand value, and investment value like the 'lead goose.'

Due to these three main reasons, major administration experts of Seoul made an unusual decision to increase the budget of the city marketing about 10 times. It was a far-sighted decision and its achievement was recognized by the world's leading media and experts. Also, among Seoul citizens, consensus that city branding is necessary had been developed more and more. Eventually, increasing the budget for enhancing Seoul's brand was for the future growth rather than for the present and it is enough to say that it was a turning point of Seoul's branding.

4.2. City Branding through Strategic and Integrated Approach

The second turning point was an innovative change of marketing strategy. Seoul implemented an aggressive marketing strategy which was started by the 4th mayor. It is an integrated marketing communication deviated from a simple promotion.

In 2007, a marketing communication strategy of Seoul was similar to a marketing strategy of a company. It was comprised of a city environment analysis, market segmentation, setting a target, positioning, and campaign concept. Analyzing the city environment, relatively low awareness and a lack of distinction were pointed out as shortcomings in Seoul. Also, Seoul selected China, Japan, Singapore and Hong Kong as competitors considering geographical proximity and similarity of tourism themes.

Then, Seoul chose China and Japan as major markets considering intentions to visit the ROK and the potential for growth of tourists. As a growth market, Seoul selected Hong Kong, Singapore, among other Asian cities. Next, Seoul selected its main target market very specifically. Considering tourism type, tourist proportion by each country and so on, Seoul selected Chinese in their 20s-40s, Japanese in the Dankai generation (a baby boom generation in 1947~1949) and women in their 20s-40s, Southeast Asian women in their 20s-40s as main targets. Also, Seoul set its position as city brand market using 'Emotional Modernity' and delivered a sentimental, modern city image through the various mass media.

Since 2007, Seoul has been maintaining this strategy. Seoul departmentalized the target more specifically, tried communication country-by-country and region-by-region, it caught the tourism trend, and finally gained success. At that time, the purpose of foreign tourism was changing from not only seeing but also experiencing. Seoul noticed this trend and made a new marketing positioning, 'My Soul Story'. And as a lower concept, Seoul established a country-by-country communication message considering a purpose and type of tourism; 'Stylish Story' for China, 'Humanistic Story' for Japan, 'Fantastic Story' for Southeast Asia, 'Inspirational Story' for the Americas.

Also, domestically, Seoul set up an integrated, strategic marketing campaign. Seoul started a strategic promotion system and strengthened the promotion system. Seoul managed a promotion business conference and held a cooperative conference of an independent organization regularly. Since 2007, Seoul promoted pre-planning of primary policy business and strategic promotion through integrated promotion and marketing strategy. Seoul pushed the diversification of promotion and Public Relations for each target. For example, Seoul published a restoration business white paper of the Chunggyecheon Stream and managed the 'Hi Seoul bookstore.' Also, Seoul held promotions using the electronic display and subway PDP. Since 2008, Seoul strengthened its promotion cooperative system 'together with all departments of Seoul and managed an honorary ambassador program for Seoul. And the city operated an integrated promotion strategy and published 'Seoul Love,' a general Public Relations magazine.

Because of the strategic and integrated marketing, Seoul was selected as 'the most desirable city to visit in a year' among potential customers within ages 28 to 54 in China, Japan, and Thailand (Before the strategic marketing, the grade was: China 5th, Japan 4th, Thailand 1st) and the e 7%

compared with the previous year, totaling 6.9million. This positive result is related to Seoul's strategic marketing. In 2009, the number of tourists visiting the ROK was 7.82 million and had increased 14.4% compared with previous years. And in 2010, the number was 8.8 million, which had increased 12.5% compared with previous years. In this way, the number of tourists visiting the ROK had been increasing. Following Nielson Company's research of 600 foreign tourists visiting Seoul in 2010, the biggest reason for visiting Seoul was 'Watching an advertisement or Drama about Seoul.' It means that foreign marketing promotion of Seoul is a core cause for attracting foreign tourists.

4.3. To Be a Clean and Attractive World City

Seoul has been making an effort to improve its own value. Its goal was '10th World City in 2010' and declared a vision 'A clean, attractive world city, Seoul' to have their competitiveness and to make a large profit. And they enhanced their own value by promoting '5 core projects,' as shown in detail as follows.

The first project was the 'Economic & Cultural City marketing project.' The contents were 'downtown reinvention, creating tourist attractions, commercialization and international events and conventions.'

The second project was 'Urban balanced development projects.' The main contents were the creation of four industrial belts: Downtown creative industry belt; the southwest high-tech industry belt; the northeast NIT industry belt; the southeast IT industry belt), pushing Newtown continuously, regional distribution of commercial business functions and resolving gaps in education by supporting a backward environment.'

The third one was 'The Han River Renaissance project.' The main purpose was 'Damaged Han River restoration, Reorganization of urban spatial structure with the Han River as the center to rediscover the value of the Han River and to make a brand.'

The fourth project was 'Upgrading citizen's happiness project. This was achieved by 'Improving the quality of citizen's life by not only concentrating on macroscopic public utility enterprises but also protecting alienated social groups'. As a result of this project, Seoul strengthened the social safety net to protect alienated social groups (senior citizens, handicapped citizens, teenagers, children, women, beneficiaries of national basic livelihood).

The final project was 'Clean & Green Seoul project'. This project was 'Clean Seoul's air and create 3.3million m² of green lungs for healing and preventing disease'. Especially, the 'Clean & Green Seoul project' is a

stepwise, planned project among 5 projects. For this project, Seoul upgraded the 'Dongdaemun' area as the best place for design and fashion.

FIGURE 10. The Three Projects to be a 'Clean & Attractive World City'



As a result, Seoul made 50 'Design Seoul Streets' in total. Furthermore, Seoul built 'Dongdaemun Design Plaza (DDP)' using high-tech construction techniques, the Yeouido financial district and Magok high-tech industrial site. With this effort, on the 16th June 2009, Seoul won a grand prize awards 'The Company of Republic of Korea 2009'. Also, Seoul was chosen as '2010 World Design Capital' because of a 'design Seoul project'. And Seoul enhanced its own city competitiveness ranking from 27th in 2006 to 9th 2010.

5. Key Success Factors of Seoul

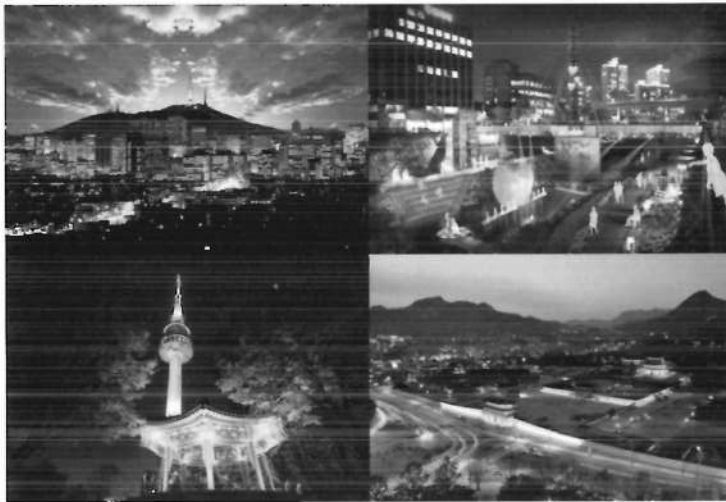
We have so far covered the beginning of Seoul, the predicaments that Seoul has gone through, and how Seoul overcame them. How Seoul managed past challenges and arrived at where it is now can be summarized in three parts.

5.1. Enhance the Value of Seoul

The reason why Seoul now has a stronger global presence in the world is because Seoul has made continuous efforts to enhance its own brand value. It has improved its urban environment to acquire competitiveness as a 21st century city. Seoul, under the vision '*Seoul, the*

advanced city in the 21st century', promoted the Cheonggyecheon Stream restoration project at the national level in the big picture. This project transformed surrounding areas into international finance and business-centered clusters with cutting-edge information and high value added industry.

FIGURE 11. Landscape of Seoul



This contributed to the increase in the competitiveness of Seoul as a big city in terms of industry and culture. In addition, Seoul Forest and Dream Forest Seoul were created as a part of the nature/human-centered urban environment development, which is pursued by many advanced countries. Seoul also improved its public transformation system to the level of other developed countries' for the convenience of its citizens and tourists. Five core projects including the 'Urban Renaissance' ameliorated major tourist attractions in Seoul and made further connections to specific urban development, including air quality improvements. Near the Han River area, Seoul established major tourist attractions for various entertainments, such as the night view. Also, the city constructed neat design streets with simpler building signs, becoming closer to a global city. These developments harmonized well with Seoul's existing traditional palaces *Gogung* (Gyeongbokgung and Changgyeong - gung) and nature, producing a supreme value. These resulted in the elevation of the image of Seoul, which accordingly led to its urban competitiveness and brand value enhancement.

5.2. Strategic Governance

To develop a successful city brand, it is indispensable to organize a strategic, well-ordered management system. The organization in charge should systematically carry out the security of the budget, project planning and implementation, management and promotion of a city brand and a place marketing strategy. Local governments, citizens, and authorities also need to take part in establishing an organic network to increase the citizen participation rate, develop city brand, and continuously manage city brand assets. Seoul has displayed an outstanding ability in these respects, which served an important role in making Seoul successful today.

- Systematic Management Organization for Branding Seoul

Seoul founded the Department of Urban Marketing Promotion in 2001. Promoting Seoul throughout the world as the host city of 2002 World Cup, Seoul branding promotion system was first established. It later added more departments: the Chief Spokesperson in 2003, a total of 8 departments under the Public Relations and Marketing Officials, and lastly the New Media Officials in 2009.

FIGURE 12. Management System



First, the Public Relations Officials include promotion strategy, promotion plan, mass media cooperation, mass media management, mass media operation, and promotion development teams. The Marketing officials manage strategy plans, marketing cooperation, promotion, overseas press, and analysis inspection teams. Finally, the New Media officials operate New Media policy, new media management, and new media promotion teams. As listed above, the department has separated its authorities and sub-teams so that it could operate more professionally and systematically. Whilst concentrating on Seoul promotion and foreign marketing through this systematical promotion planning, the Seoul brand can spread to foreigners as well as its citizen.

- Promotion on Seoul Administration and Invigorating Citizens' Participation

In terms of city branding, the important idea is not only to let citizens have pride in their city and pursue integration, but also to allow strangers to know this city. Seoul, besides external marketing, has internally made many efforts to integrate its citizens. These efforts started immediately after it attempted city branding. It has extended its integration policy to lower class citizens like the poor and the disabled, using diverse promotion channels. The two-way Internet broadcasting communication has helped the spread of New Media unlike the conventional one-way broadcasting. As the result of this effort, the UN and the American Society of Administrative Professionals (ASAP) selected Seoul as the top-tier city in e-governance evaluation, comparing the websites of the governments for the Top 100 cities.

Promoting its administration, in 2007, Seoul presented the goal 'Making open administration with more participation from citizen' and initiated various business and promotions, which strengthen communication with citizens. Since 2007, it has monitored domestic/abroad administration, strengthening the bond with the citizen networks through a variety of projects and promotional events. Gwanghwamun Square opened in 2009 and other various events were held so that people can experience Seoul. What's more, Seoul has reinforced communication with people through Social media and by canvassing the public.

5.3. Strategic Overseas Marketing

Another reason for Seoul's success is its strategic overseas marketing. From 2008, Seoul has strengthened overseas marketing, drawing more foreign tourists and boosting its city brand. It has targeted the major

markets based on the inbound size (the number of visitors multiplied by the average expense per capita) and the growing rate, delivering communication messages through differentiated strategies considering the targets' preferences. Seoul has done multilateral commercials and promotion events through a number of channels. Seoul has built its brand image of 'a better living, better business, want-to-go Seoul' with this effective marketing communication.

- Bold Investment

After 2008, Seoul invested heavily on marketing to make Seoul stronger. The year of 2008 was the turning point for the marketing of Seoul, unprecedentedly increasing its marketing budget to 40 billion won, a ten-fold scale compared to its previous year's budget. As seen in the graph above, 79% of the budget went into overseas marketing.

Within the limited budget, Seoul carried out product or brand marketing through diverse mass media and channels, focusing on strategic concentration areas. The brand marketing utilized TV, internet, outdoor commercials, and promotion particularly putting them into the hot places not only in Asia, but also in the U.S. and Europe. Setting more budget for marketing and putting a focused investment on overseas marketing bore the result of branding Seoul as a global city.

- Communication Strategy through Thorough Target Analysis

When building marketing strategies, it is important to divide the market into several sub-markets and then to target the customers. In 2008, the beginning year of branding Seoul through STP, Seoul carefully chose eleven target countries considering market attractiveness (market growth rate multiplied by expense, the cutoff line was \$100 million). In light of different images and attractions each country had of Seoul, they implemented a regionally based positioning strategy.

The year 2009 is when STP strategy became more profound, concentrating more on the targeted market and carrying out the globalization strategy with choice and concentration. Seoul set the strategy depending on the countries, dividing them into three groups upon communication levels: main targets, sub-targets and other targets. To maximize the communication efficiency of main targets and sub-targets, it carried out sub-segmenting based on the segmentation variables. Through this, Seoul was able to make customized messages for them to visit Seoul after looking at their reasons for visiting and traveling to Seoul.

Media communication strategy also required thorough target analysis. Depending on target countries, it analyzed the number of monthly visitors to Seoul and the level of media exposure, choosing commercial concentration period, target media, and sub-target media channel. On TV, famous celebrities in each country such as Kaige Chen, Murakami, Ryu and George Winston appeared. In the U.S. and Western Europe, the worldwide magazines including *Time* and *Newsweek* also supported the plan to promote Seoul Administration. As a result, Seoul's TV commercial made more than one million hits and replies on YouTube within a week, at the same time opening a brand channel Seoul YouTube. The comprehensive overseas marketing that Seoul took an initiative was ranked at the top among the ten major cities in terms of promotion activity. In the same year, AC Nielson reported that China, Japan and Thailand selected Seoul as the most attractive city to visit within one year, which was a concrete result from Seoul's overseas marketing.

As seen above, each target country's target-segmentation maximized the campaign's success rate and efficiency, analyzing differentiated tools and choosing the marketing direction. When campaigning through precise target marketing, marketing expense could be reduced, being more efficient.

5.4. Korean Ways Leading the Success

- Korean's 'ppalli-ppalli (quickly quickly)' Culture: Koreans in a Hurry

Seoul's public transportation is among the best around the world when it comes to its fare and convenience. Exclusively comfortable, it has its root in Korean cultures' 'ppalli-ppalli.' Ppalli-ppalli culture means Koreans' hurrying spirit, representing their diligence and fidelity. It has allowed Koreans to utilize public transportation almost anytime all over the weekend.

The ROK, the IT kingdom, is known for having the fastest Internet network. It has broad networks, which cover all its territory. The smartphone started to spread out since 2010, and about nine out of ten Koreans now have at least one smartphone, connecting the whole ROK with unbelievably fast speed. People, whether old or young, have become used to using smartphones already and take advantage of them from all aspects of the life. Seoul effectively promoted Seoul Administration reflecting its own Korean IT environment, using New Media, websites, and social media to attract more participation from citizens. It resulted in

Seoul getting selected as the best city in e-governance evaluation, which compares 100 major cities' websites worldwide.

- Korean Insight to Read the World

The ROK, deeply rooted in Confucianism, has other-centered culture instead of a self-absorbed one, resulting in more empathy and sympathy level than other some other cultures. The main reason why the ROK has developed up to this level today despite its tiny territory and scarce resources compared to other advanced countries is its ability to understand different countries and cultures, and pioneer the new way. A number of Korean top-tier brands, including Seoul, have a common key that has led to success: localization. Korean companies and entrepreneurs did not stick to their own world, but instead, focused more on the local area and adjusted themselves to its taste. It is inevitable for customers to welcome Korean brands with high-quality commodities and localized strategies. Thus, the Seoul brand marketing succeeded. Regarding the development of Seoul, not only quantitative improvements related to the number of tourists were carried out, but also qualitative results were made by examining and reflecting customers' needs into the city development planning.

- Korean Bold Drive

Korean brands commonly have speedy top-down management and risk taking traits. Once there is an opportunity, they are willing to take all the risks and invest with bravery, making all progresses run very fast. Recently, the world economy and structure are dramatically changing, pushing companies to evade as much risk as possible, which is the opposite of the ROK. This distinguishing characteristic of Korean companies must be outstanding. For example, Seoul had invested a huge budget in 2008, ten-fold more compared to the previous year when the whole world was suffering from the financial crisis. It was only possible because the ROK had a strong momentum. As a result, 2008 became the year Seoul started its city marketing and the starting point of its transformation in to "Global Seoul."

6. Marketing Strategy Suggestions

6.1. City 'Seoul,' Which Has a Distinct Identity

Nowadays, "City" does not simply signify regional meaning, but is commercialized as a brand. As such, many cities are certainly needed to

bring an attractive image. Because the brand images of a city acts as an important role which imprints cities on the outside world. Taking this into consideration, many leading cities have already presented their images to visitors and the public, and have made systematic branding-progress to maintain their images. As a result, many cities are familiar than countries: New York City rather than America, Paris rather than France, Tokyo rather than Japan, and Sydney rather than Australia. These cities have their distinct images. What about Seoul? Does Seoul have its distinct image?

We conducted a survey about the image of Seoul with foreign students who have lived in Seoul and foreigners who have visited Myeong-dong. As a result, we could learn that Seoul has failed to establish a distinctive brand image and it needs to develop its identity. Also, according to a survey conducted by Seoul Development Institute, asking about the image of Seoul among foreign visitors, it seems that “dynamic city” represents Seoul for the most part. However, it involves various images such as modernity, technological development and entertainment, rather to be a simple image. In the golden age of city brands, Seoul should prepare and deliver its brand identity which is more distinctive than other cities in competition.

As we examine the existing image, the ROK has a positive image because it has beautiful natural environment, clear four seasons and delicious food. However, as these factors are also found in Japan and China, it is considered that Korea does not have a distinct image from neighboring countries. Japan has an image as a modern city with IT technology and tourist attractions, while Hong Kong has an image which brings out shopping culture. Moreover, China builds its image as traditional culture. In comparison to these cities, Seoul does not have a typical image. Therefore, Seoul must seek for solutions for differentiation strategy to build a distinctive and sincere image.

One of the ways to make effective brand positioning is to discover a theme which makes a city distinct. As discovering a theme of a city brand becomes important, ‘Re-branding’, a strategy to rebuild a city brand image based on an adjusted plan, is remarked. Through ‘Re-branding’, in the short run, city can attract foreign visitors. From the long term point of view, a city can build its image firmly, and improve its brand value in the right and effective direction. A representative example of re-branding is Singapore. Singapore, a creative, cultured city, has established a re-branding strategy to let the world recognize its one and only Singapore image.

Like this case, Seoul should establish its re-branding program to build its identity. New images of Seoul must build the way to adapt to new environmental changes and meet the demands of the times. And also, it needs to adjust itself to the tastes of visitors. To achieve this, people in the marketing department of Seoul, outside interested parties, and foreigners should participate in this process to build the identity of Seoul. Seoul should consider geopolitical factors, historical transition, position in international society, celebrities in Seoul, architecture, natural environment, culture, and the level of technological development to draw distinct image in comparisons with other cities.

Furthermore, we recommend '24 hour-lively Seoul' to Seoul. Because Seoul has a lot of stores which stay open 24 hours and offer delivery service around the clock. Also, Seoul has many popular attractions related with night views. e can feel the attractiveness of Seoul between day and night. One can enjoy Korean cultural relics with dynamic and energetic atmospheres in Seoul. And one can enjoy awesome night views of river 'Hangang' with a young and dynamic atmosphere. To put this in perspective, if Seoul builds its image as '24 hour-lively Seoul', it can appeal to people who want a dynamic atmosphere and entertainment. '24 hour-lively Seoul' is one of suggestions from our team. Like this, Seoul must put in a great deal of effort to find the core values of the city brand.

6.2. Software City Development by City Marketing through Culture

From the 1960s, as the economy of the ROK developed, Seoul has invested in infrastructural development. Experiencing much faster development than other cities, the ROK, Seoul is ranking with world cities. However, when we entered the 21C, the underdeveloped country kept growing and a lot of cities were standardized in infrastructure and the tourist facilities. Thus, Seoul cannot survive in new competing structure with existing economical and infrastructural growth. To jump up to a bigger stage, Seoul must aggressively institute software paradigms such as creativity and culture to city development. In the future, creative software systems such as welfare, education, culture and imagination will make competitiveness to take rank with world cities. For example, London, one of the best cities to live in, has creative industries which account for 30% of all industry based on solid welfare.

As a part of this strategy, there is city marketing through culture. City marketing through culture is now at the center of the development strategy of major cities. Referring to OECD's report published in 2007, major cities in the world, such as New York, London, Tokyo, included

city marketing through culture in their city development strategy. Tokyo, which is in competition with Seoul, changed its strategy from hardware development to a cultural city by carrying out cultural exchanges.

Through continuous hardware development, now Seoul has a high-class city's appearance away from ruin after the war. From now on, Seoul must change its development strategy from physical improvement method to recreation methods using city culture. And it has already started. At 2008, Seoul planned 'The plan for creative and cultural city' and Seoul has prepared for competition with major cities in the world through cultural marketing. In addition, it also aims to be a 'Design city', and a 'Creative city'. To continue this strategy, it must pay attention to a network related to cultural marketing, which is emphasized recently. Cultural marketing can create a synergy effect, combined with various industries. The demand of the combination of tourism and cultural enterprise is increasing due to the growth of the culture industry.

As a part of cultural marketing, combined with tourism, the ROK is holding a variety of district festivals to promote regional characteristics and special products. However, not all of the festivals succeed. Some successful festivals surely exist, but also there are many festivals that are neglected. The reason is that as there are so many regional festivals, it is very hard to be differentiated from the bunch of other festivals. Especially, considering that in Seoul, it is difficult to use unique characteristics or regional products, it is much more important for Seoul to provide specialized festivals to the public. It is required to establish a total new paradigm of festivals which evokes participation of the public and reproduction of the culture. Moreover, it should help the audience to spread the word to the public and to other regional festivals.

For example, Seoul held 'Water-gun Festival' at Sinchon in 2013 to build 'young image'. Young people in Seoul lead and enjoyed a festival by using water guns as to change the image of Seoul. If festivals of Seoul could change like this example, Seoul would be able to develop more and better festivals, attract many visitors and ultimately enhance the value of Seoul.

7. Summary and Conclusion

7.1. 5 Stages of Competition Theory

As we can see thus far, Seoul had successful results through urban marketing. Thus, we will summarize the successful case of Seoul, using '5 stages of competition theory' in "Prepare your wing" by Prof. Kim.

- Foresight Competition: Development of Seoul and Acknowledge of City Branding

Experiencing a war after its independence, Seoul was called a 'devastated city'. However, as it tried to achieve economic growth and urban development, Seoul experienced urbanization and industrialization at a remarkably rapid pace. Additionally, Seoul attracted the world's attention by holding several global events such as the Asian Games, the Olympics and the 2002 World Cup. In order to maintain the attention and to establish the distinctive image, Seoul determined to brand itself through city branding. The 'City branding' became the foundation to raise its competitiveness in the city competitiveness ranking.

- New Power Preparation Competition: Preparing 'City Branding' and Birth of 'Hi Seoul'

Seoul recognized the importance of 'City branding,' and aggressively started to build its brand image. First, a propulsion team, the first marketing task force which combined city marketing tasks which were fractured into different departments, was organized in order to start differentiated city branding apart from existing local marketing. As a result, Seoul announced a brand slogan, 'Hi Seoul,' which delivered the continuous image as an example of 'I love New York' of New York City. Preparation like organizing the department and making a brand slogan played a key role in a future success.

- Dominating Early Market Competition: Making a Solid Base

After starting 'City Branding', Seoul tried to improve infrastructure, falling behind compared to the other cities. First, Seoul improved the public transportation system. As a result, it reduced traffic jams significantly and promoted the benefit of the public. And Seoul created 'the Cheonggyecheon Stream' and 'Seoul Forest,' which transformed Seoul into an eco-friendly city where nature and urban city coexist. As a result, Seoul could construct infrastructure rivaling the global big cities. Additionally, Seoul has enforced public relation activity competing with neighboring Asian cities.

- Dominating Mainstream Market Competition: Be the First by an Integrated Marketing Strategy

At the beginning, even though the marketing strategy could boost the popularity of Seoul, it failed to settle a positive image. At that time, Seoul

increased its marketing budget over 10 times and attempted an integrated marketing strategy. And the city brought about a turning point for Seoul. Seoul applied market segmentation through analyzing visitors of Seoul. By use of analysis, Seoul could develop an aggressive marketing strategy which is suitable for Seoul. Also, Seoul tried to construct cultural infrastructure, including developing the Han River. As a result, Seoul was awarded as the most popular city in Asia.

Seoul has the comparative advantage than the other cities in competition. First, Seoul has unique competitiveness compared to the major cities in Asia such as Hong Kong and Tokyo. With the continuous growth of China, Northeast Asia has grown in stature. Seoul has a geographical competence, located in the middle of China and Japan, which enables it to reach to the main cities in the two countries in 2 hours in flight. These made Seoul as a competitive city with the fact that the city has excellent urban infrastructure including IT technology.

As K-pop gains popularity, many people are interested in Seoul which is the origin of K-pop. And so, now it has become a popular place where many people are eager to visit.

Not only that, Seoul provides convenient public services through e-Government systems, fitting to the recognition of its IT technology. The export scale of e-Government in 2013 is estimated to be 450 million dollars. And Seoul has been nominated as the first in valuation of e-government in the world for five years in a row.

7.2. Lessons from the Example of Seoul

After independence, 60 years have passed. 60 years ago, the ROK was so poor that people had to worry about tomorrow's meal. And through the Korean War, the ROK looked like a barren wasteland. However, the ROK has changed from a poor country that received international aid into a developed country that supports other poor countries. Now the ROK has turned into a powerful country that ranks with Japan in East Asia. We call this, 'The miracle of Han river', and Seoul is right in the middle of this miracle. On this basis, Seoul should go to the bigger world. Now boundaries of territory are crumbling down gradually and the world is becoming a global village.

Seoul has become successful because it strengthened the city's competitiveness and made the brand value better by constant development and strategic management systems and marketing strategies. There are implications for the other metropolitan cities which dream to be a 'Second Seoul' by this drastic and active marketing.

Currently, small and medium-sized cities as well as major cities are attracting tourists by unsystematic festival events and promotions. Likewise, Seoul can give a good example to the other cities which are busy trying to promote themselves, introducing integral city marketing strategies and make them appreciate the value of branding the city. Furthermore, it can secure national competitiveness and give a lesson to other developing countries in East Asia.

7.3. The Three Things to Share with the World

- Make and Promote Bold Investment Whenever Possible

The world responds to the changing of the times. We could not catch up with the current times by reducing risk and employing safe strategies and could have more difficulty in going ahead with the times. At this very moment, it is necessary to make bold investments with a fast, driving force. The case like this drastic investment of Seoul and other first class brands in the ROK is a good model for the cities in the world which prepare the leap forward in launching a city brand with others.

- Think from the Customer's Point of View

Communication becomes more important in the global age in connecting with each other. In order to get close and communicate with the consumers more closely, we should not only know what characteristics they have and what they need but also provide the most suitable goods and services with a timely marketing strategy. We hope that the marketing strategy from the customer's point of view, which is reflected in the STP strategy of Seoul will be of some help to the city marketing strategy of other cities.

- Grasp the City's Strength and Take Advantage of It

Seoul can be attractive to foreign tourists by the strength that the environment and cultural assets coexist in it and the environmental factors such as restoring Chunggyecheon stream and Seoul Forest. In addition, it can improve the convenience of citizens by structuring a transportation system reflecting the characteristics of Korean 'ppalli-ppalli (quickly quickly)' lifestyle.

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Case #3. HYUNDAI HEAVY INDUSTRIES

Strategy to Rise to the Top of the World

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4. Market Situation as of Initial Launching
5. Status Quo
6. Success Story
7. Future Suggestions for Hyundai Heavy Industries
8. Summary and Conclusion

Editors' Note

Now the world's biggest ship builder, Hyundai Heavy Industries (HHI) has emerged from its humble beginnings, in which it literally begged for business, through nimble marketing and surprising, precedent-setting innovation in ship building techniques.

Executive Summary – Hyundai Heavy Industries

The Korean War, which started on June 25th, 1950 and lasted for about 3 years left South Korea a crippled country. South Korea's economy was especially hit hard. The South Korea we know today was only made possible by the numerous citizens who did not give up and continued to give their all towards developing South Korea.

One of the biggest contributors would be the creator of Hyundai Corporation, Chung Ju-yung. Mr. Chung started off by creating Hyundai construction and worked toward rebuilding post-war South Korea. But not only did he focus on the domestic development of South Korea, he also had his eyes overseas. His work towards trade with foreign economies had a big impact on the future of South Korea's economic development. While continuing his original business areas, he went into the cement, steel and automobile manufacturing industries and started Hyundai Heavy Industries.

Hyundai Industries built its first dry dock and got an order for an oil tanker at the same time with only a basic blueprint of a dry dock and a picture of Ulsan City's Mipoman Bay. The first ships were put to sea in 1973 and in 10 years, Hyundai became the world's leading shipbuilding corporation in the world. During this period of rapid development, Hyundai Heavy Industries created many jobs and affected the Korean economy very positively. Hyundai also was at the forefront of South Korea becoming the world's largest shipbuilding country. Since 1983, Hyundai Heavy Industries has kept its place on top of the industry and has been expanding its products and capabilities ever since.

We have researched extensively into how Hyundai Industries was able to grow at such a rapid pace and have tried to explain how it is still the most competitive company in its field. We started off with finding the beginnings of Hyundai Industries, what hardships it has been through, and how the company overcame its hard times. We also have tried to make it easier to understand the history of the corporation with relevant numbers and charts.

History is said to be a mirror of the present. We believe we can learn from how Hyundai Industries was able to overtake the previous leaders in the industry. We can also glean much information from stories of Hyundai Industries overcoming a lack of experience and financial backing, being able to actively adapt to a rapidly changing global economy and how Hyundai came to pioneer the industries' finest technologies.

With the world's economy in a rather bad state, many companies could learn many lessons from Hyundai Heavy Industries story and adapt its successful business model to their own business models.

Key Words: Hyundai Heavy Industries, Shipbuilding, Independent Technology, Challenge, Market Share, Advance to the Middle East

1. Introduction: Hyundai Heavy Industries Past and Present

1.1. Hyundai's Position as an Industry Leader

Hyundai Heavy Industries currently has 33 branches and 21 corporate bodies in 23 countries. They currently have 34 construction sites all over the world and are employing more than 6,000 Korean workers and local nationals overseas.

FIGURE 1. Hyundai Heavy Industries Overseas Branches

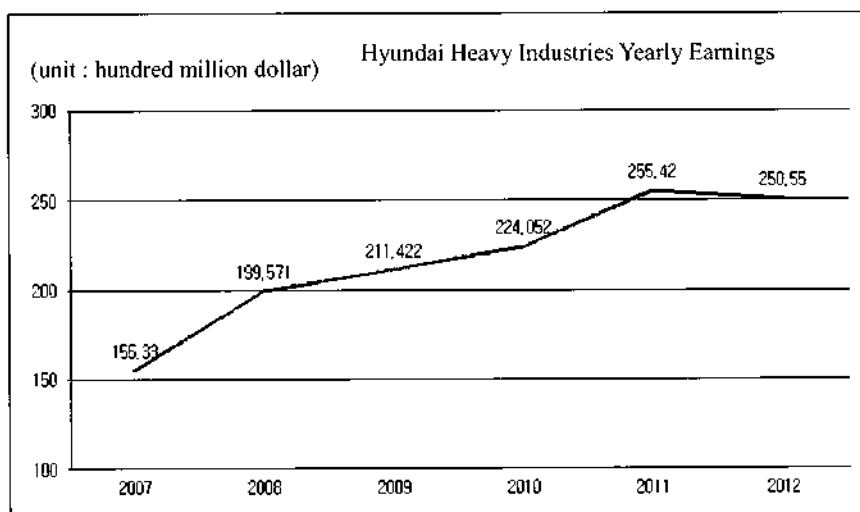


Hyundai Heavy Industries became the top shipbuilding company in the world in 1983 and has not let go of that position since. The Japanese economic weekly, "Diamond," pronounced that Hyundai Heavy Industries had become the largest shipbuilding company in the world according to production volume in 1983, in its 1985 special edition.

Hyundai Heavy Industries (herein after referred to as HHI) became the first in the world to deliver more than 100 million GT (GT, Gross Tonnage) worth of ships. It took only 40 years since March 23rd of 1972 to reach 107 million GT. Until now, HHI has delivered 1,805 ships to 285 companies in 49 countries. HHI has continued to develop new technology such as building ships on land and floating them later. 100 million of GT is about the same as the GT of 2011, which was 100.4 million GT. It is also twice the GT of orders for new ships. This amounts to about 3.2 million public buses or filling up the Seoul World Cup Stadium 29 times with water. Also, Hyundai was the first domestic company to build their

own independent LNG-FPSO (Liquefied Natural Gas-Floating Production Storage Offloading) model and in June 2011, and became the first company in the world to have on contract the new LNG-FSRU (Liquefied Natural Gas-Floating Storage and Regasification Unit) model.

FIGURE 2. Hyundai Heavy Industries Yearly Earnings



HHI currently has 11 docks in Ulsan and Gunsan and builds more than 100 ships a year. Hyundai is currently the industry leader in yearly shipbuilding tonnage, with about 13 million GT. Two affiliates of Hyundai Heavy Industries, which are Hyundai Samho Heavy Industries and Hyundai Mipo Dockyard are ranked at 5th in shipbuilding GT and 1st in medium sized vessel building, respectively. Clarkson, which is a world shipyard monitoring organization, has South Korea's total market share at 47.4%, and HHI number one as an individual corporation, with about 15% of the world's market share.

Yearly earnings of HHI have been constantly increasing since 2007, until the financial crisis in 2012 brought about recession in the shipbuilding industry. But Hyundai still is in the top spot for backlogs in the first half of 2013, and earnings in May of the same year were about 2.2 billion dollars, which was a 6.83% increase from the same time a year ago. Accumulated earnings from January to May 2013 was also at 10.17 billion dollars, which was up 2.47% from the same time last year, and

backlogs values were at 10.76 billion dollars, which was up 76.68% compared to the same time in 2012.

On top of all this, HHI independently developed a new type of ship and power generating engine called “Him Sen Engine” and has sold more than 7,000 of them as of February 2013. Developed in 2000, the “Him Sen” engine went into production in September 2001 and has become the number one engine for midsized vessels. Currently, three Korean companies, Hyundai Heavy Industries, Doosan Engines and STX Engines are at the top of the ship engine market. However, other than Hyundai’s “Him Sen” engine, most engines are licensed off other foreign company’s engines such as Germany’s Mandiesel. Because the safety of engines is the number one concern of contractors, unproven engines are rarely used. So at first, not many companies would use the “Him Sen” engine. But as time passed, its performance was proven, and now it is used in competitor’s ships including Daewoo Dockyard and Samsung Heavy Industries.

Hyundai has also built a parts factory in Brazil as of April 2013, which has Hyundai at having factories in 3 BRIC countries, along with India and China. The new factory in Rio De Janeiro, Brazil is about 6 million square feet and about 175 million dollars was invested in its construction. Its capability is about 3,000 main construction equipment parts such as wheel loaders and excavators and is the stepping point for increasing market share in South America. Each model built is to reflect the needs of local workers. With Brazil hosting the 2014 World Cup and 2016 Summer Olympics, the demand for construction machinery is bound to increase with the Brazilian government’s investment in large scale development.

HHI became the first foreign company to build a high voltage circuit breaker factory, Hyundai Electrosystems, and is trying to take an advantageous position in the emerging electric systems market in Russia. 50 million dollars was invested in this 1 million square foot factory, which can produce up to 350 high voltage breakers worth 200 million dollars a year. With the Russian government’s modernization policies of its electric grids, the demand for new high voltage circuit breakers is expected to rise sharply, with the 2012 earnings at 40 million dollars. Depending on future demand, Hyundai is ready to improve facilities as to improve production scale to 500 machines a year.

In April of 2013, Hyundai Heavy Industries was awarded the grand prize at the second annual Korean-Russian Business Awards for their work. Around the same time, Hyundai also participated in FIEE 2013, South

America's largest general electric fair and also in Hanover Messe and is solidifying its position as a major player in the general electronic systems market.

1.2. Hyundai Heavy Industries Beginnings

Hyundai Heavy Industries (HHI), which has been at the top of the shipbuilding industry since 1983, started off with a 1970 piece of paper money with a picture of a Korean Turtle ship and a photo of an empty harbor.

FIGURE 3. 1970s Korean 500 Won Bill



The founder of Hyundai, Mr. Chung Ju-yung, decided to jump into the shipbuilding industry which he had no experience in or funds to invest with. He left for London in 1971 in the hopes of finding a firm that would loan him the money he needed. He had first visited Japan, but he was kicked back because of business with China. And in Germany, he was made fun of and told to make paper boats. But Mr. Chung was not one to give up. He presented his case in front of Mr. Charles Brook Longbottom, the president of A & P Appledore. He presented him with the Korean 500 won bill that had a picture of a Korean Turtle Ship. He said that South Korea had built iron ships like these since the 16th century. "If the United Kingdom had been building ironclad ships since the 19th century, we were 300 years ahead of the United Kingdom." President Longbottom was interested in Mr. Chung's case and with his help was able to negotiate with Barclays Bank. But Barclays would still not give him the loan he needed. They said they would give a loan on the condition that he had some contract for a ship from Mr. Chung. He now had the loan he needed, but because he did not even have a ship to make, it still seemed

impossible to receive the loan. Mr. Chung took a picture of the empty Mipoman harbor of Ulsan, a 500,000:1 scale map, and a blueprint borrowed from a foreign ship building company (Scott Lisgo) for a 26,000 ton oil tanker and went to look for someone from whom to obtain a contract. Eventually he was able to win a contract for two 26,000 ton oil tankers for a Greek shipping agency, Livanos, and Hyundai Heavy Industries became the first shipbuilding company to build a ship while still constructing its dry dock. At the ground breaking ceremony of Ulsan drydock, Mr. Chung spoke that while there will be many hardships during our new endeavors, we will make this new undertaking a success with our hard work, work ethics and with the help of the government and the public. And in two years, HHI successfully delivered the two new tankers to Livanos.

Before the founding of Hyundai Heavy Industries, the largest ship made in Korea had been 17,000 ton ships and the market share of South Korean conglomerates had been at only 1%. This makes Hyundai Heavy Industries achievements worth a closer look.

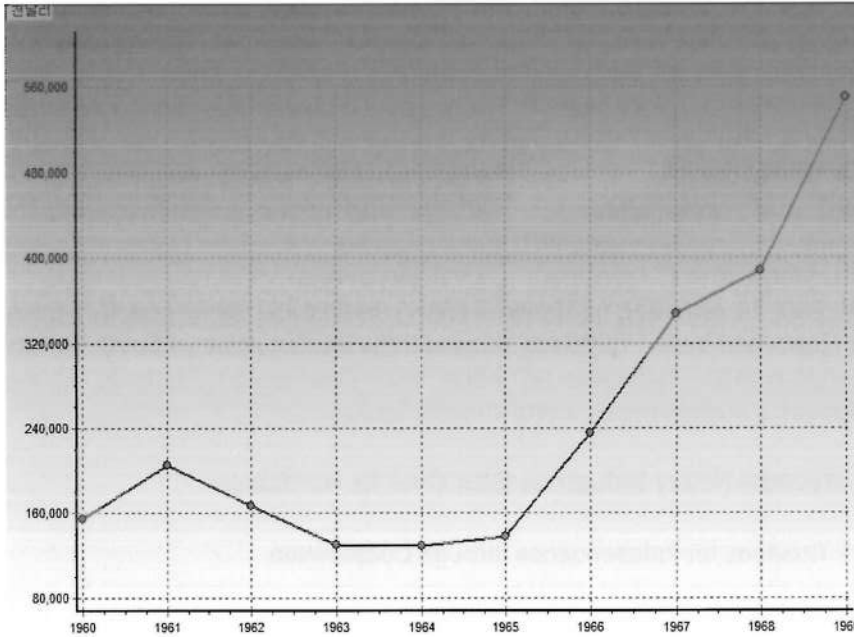
2. Hyundai Heavy Industries Gets Over Its Hardships

2.1. Chances for Independence through Cooperation

Until the latter half of 1960 when many miners and nurses went to work in Germany and we were able to obtain loans from foreign countries, the foreign currency South Korea had was in danger of being completely exhausted. Under these conditions, Hyundai Heavy Industries first went to Mitsubishi Heavy Industries of Japan for construction and technology loans. But because of Chou's 4 conditions that were set under the treaty of normalization of diplomatic relations between Japan and China, he did not succeed. Under Chou's 4 conditions, companies that invested in Korean companies could not do business in China. With Mitsubishi Heavy Industries preparing to expand in China, they could not help HHI. The Japanese Ministry of International Trade and Industry (MITI) was also interfered with negotiations. Because HHI's capabilities were still in their infancy and the shipbuilding capability of Hyundai was only about 50,000 GT at the time, MITI believed that it was impossible for Hyundai to build large vessels of more than 200,000 GT. However, if Hyundai had rushed to contract with Mitsubishi before MITI fully broke their negotiations, Hyundai might have never been able to expand its shipbuilding capabilities beyond 50,000 GT. And without Chou's 4

conditions, Hyundai might have never been able to develop its own independent technology and capabilities.

FIGURE 4. Yearly Foreign Reserve Assets of South Korea



But in 1973, with the first Oil Shock, contracts for VLCCs (Very Large Crude Carrier) dried up. As the VLCC technology was Hyundai Heavy Industries core technology, this was a very big problem for Hyundai. But Hyundai was able to diversify its variety of ships made and come out on the top of the first Oil Shock. And Hyundai tried to improve its productivity by creating Ulsan Steel Construction Corporation in 1974 (Currently KOFCO), a department of steel shots (Currently Plant Operation Headquarters) in 1975 and a repair dry dock (Currently Hyundai Mipo Dockyard) in 1976. In 1976, in order to localize the production of engines, which accounted for 10% of the final cost of ships, Hyundai started its Engine Operation Headquarters and in February of 1978, officially changed its Hyundai Heavy Industries Corporation. HHI was ranked in 5th place out of 100 of South Korea's largest corporations and stood at the forefront of South Korea's policy of pursuing mass exports. In 1980, Hyundai was ranked the 10th largest shipbuilding corporation in the world by the Japanese financial weekly, "Diamond."

Afterward, Hyundai was able to contract 10.7% of worldwide TG and exported more than 1.4 billion dollars worth of ships to become the first South Korean conglomerate to export more than 1 billion dollars and was able to overcome Mitsubishi Heavy Industries to become the world's leading shipbuilding country. With its confidence building, Hyundai changed its strategies from winning contracts for cheap ships to contracting more technology integrated ships. Hyundai was trying to take a place in the high value shipbuilding market that developed countries had monopolized until then. In November of 1983, Hyundai opened its steel welding technique research institute and in February 1984 opened a water tank test site and in October of the same year started construction on Hyundai Maritime Research Institute.

2.2. Using the Oil Shock as an Opportunity

Hyundai Heavy Industries broadened its investments not only in high value ship building but also in non-shipbuilding related fields, such as ocean development, engines, robots, heavy equipment machinery and plants. These wider investments bore fruit in the 1990's; with achievements such as building LNG transport tankers. Hyundai Heavy Industries currently has its Ocean Development Headquarters about 5 km away from its main headquarters. It currently is about 1,095,384 m² and is fully equipped with the world's top manufacturing facilities and trained personnel.

FIGURE 5. Harbor Construction of Jubail



Hyundai Heavy Industries participation in ocean development came about in 1976 when they earned the contracts for 89 upper and lower structures for loading and unloading facilities in Port Jubail of Saudi Arabia. But it was not easy to obtain contracts for the construction. With the first Oil Shock in 1973, oil prices that had started off at 1 dollar and 75 cents per barrel rose more than 5 times in less than 2 years. Middle Eastern oil exporting countries were developing their countries with their newfound oil money at the expense of the world's economy. The economic situation of South Korea was especially in bad shape. Inflation and the repayment of foreign loans had put South Korea on the brink of bankruptcy. Mr. Chung believed that the way to overcome this crisis was to earn back the oil dollars from the Middle East. With all the money flowing to the Middle East, being the country that entered the Middle Eastern market first and pioneered the construction market was absolutely critical.

TABLE 1. All of the World's Inflation Rate Rose with the First Oil Shock

| | 1973 | 1974 |
|----------------------|------|------|
| U.S.A | 5.6 | 10.2 |
| JAPAN | 12 | 26 |
| ENGLAND | 7.3 | 11.2 |
| GERMANY(WEST) | 5.8 | 6.5 |
| KOREA | 3.2 | 24.3 |

The American, Japanese and European economic world underestimated and disregarded South Korea's entering the construction industry because of its lack of technology, capital and overseas construction experience. The construction on Jubail of Saudi Arabia was a once in a century opportunity in the international construction industry. The 930 million dollar contract was 460 billion South Korean Won in then exchange rates. That amount was a quarter of the whole budget of South Korea. Until then, the Middle East construction scene was monopolized by developed countries. Hyundai had obtained information about the bid 7 months before it happened, and found out that leading construction companies in the United States, the United Kingdom, West Germany and the Netherlands had already been preparing their bids for years. The organizing party of the bid, the Saudi Arabian Communication Agency requested that William Halcrow, a technology servicing company, select 10 companies that were to be allowed to take part in the bid. The

companies selected were as follow; Brown and Root, Santa Fe, Raymond International of the United States, Costain, Tamack of the United Kingdom, Boscaris, Phillip Holsman of West Germany, Borlksteven of the Netherlands and Spivethanol of France. Mr. Chung convinced William Halcrow that Hyundai deserved a spot in the bid and was able to take the 10th and last spot in the bid. Hyundai was able to participate in the bid, but still needed 20 million dollars to pay for a bid deposit. Hyundai needed to find a bank that would keep their loan secret and loan them the full amount. Unexpectedly, Bahrain National Bank offered to loan Hyundai the full amount and went another step, offering to loan Hyundai fulfillment deposit if their bid was chosen. But Bahrain National Bank could not offer Hyundai a loan that was more than their whole capital, but with the banks help was able to obtain a loan from Saudi Arabia National Industrial Bank.

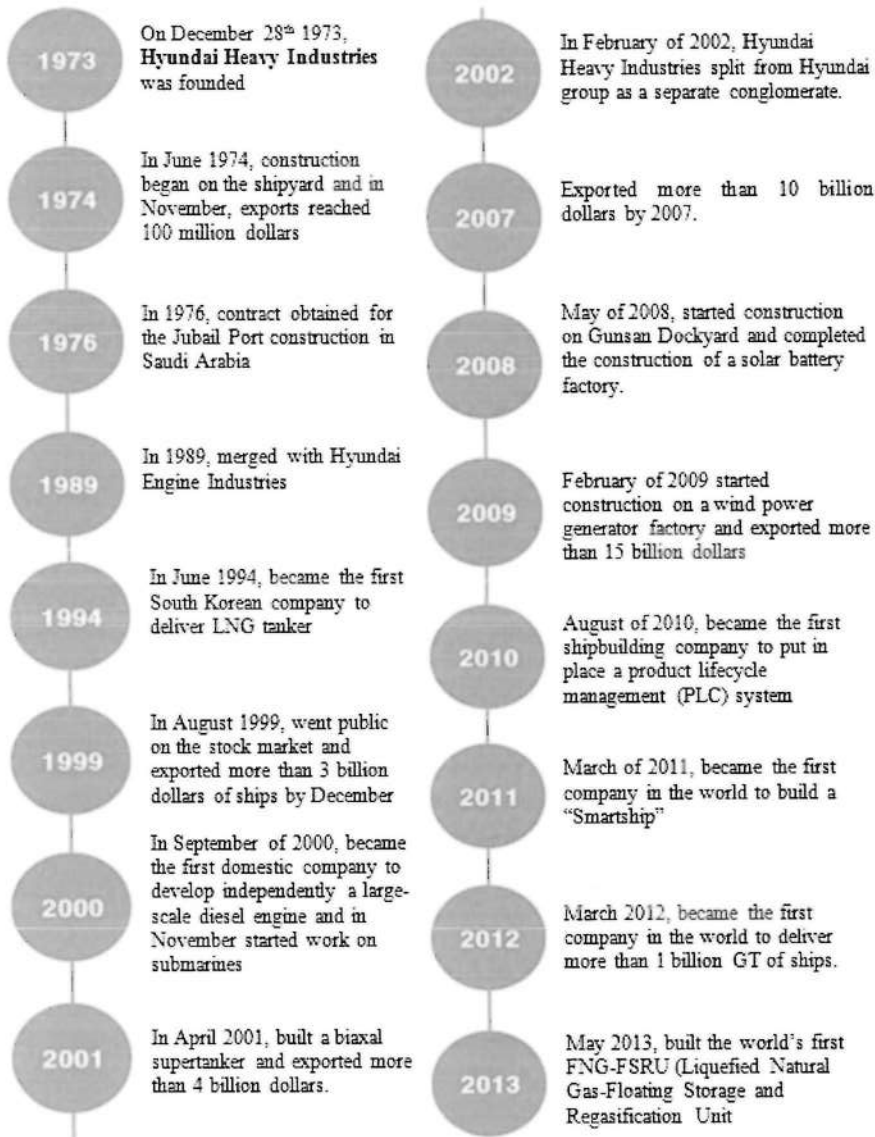
When the information that Hyundai had joined the Jubail Port development bid, competing countries tried to block Hyundai's bid in a various ways. But Mr. Chung leaked information that Hyundai was not able to come up with the bid security deposit and would give up on the bid and made competitors let up their guard.

Saudi Arabia was impressed by Hyundai's offer to reduce the construction time of 44 months by 8 months with no strings attached. Eventually Hyundai was selected as the main contractor for the construction. As of February 5th, 1976, there were 23 construction sites by 10 companies in Saudi Arabia that all together were worth 780 million dollars, so it is easy to understand to size of a 930 million dollar contract. Entering the Jubail port construction bid became Hyundai's opportunity to join the sea floating structure construction industry, which had been monopolized by a small number of companies. It is historically meaningful to Hyundai as it was the first step in its rapid growth.

3. History and Achievements of the Selected Company and Brand

3.1. A Historical Timeline of Hyundai Heavy Industries

FIGURE 6. A Historical Timeline of Hyundai Heavy Industries



3.2. Business Field Selection and Preparation

In the 1960's shipbuilding was difficult due to hardships in procuring raw materials, complex production progresses and difficult market

pioneering. Mr. Chung still chose shipbuilding because while the risk was high, shipbuilding could create many jobs for people and the opportunity for associated industries was numerous. Also, South Korea was in bad need of foreign currency, as can be seen in its sending mass numbers of miners and nurses overseas.

In February of 1970, the United States proclaimed the so-called Nixon Doctrine. It called for Asian countries to take independent responsibility of their national security while at the same time the United States would provide its allies and countries it had a profuse interest in with a nuclear umbrella. With the loss in the Vietnamese War and an international mood of détente, the United States tried to relieve its military burden.

With North Korea's continued provocation and the proclamation of the Nixon doctrine, there was a need for South Korean independent national defense capability. The president, Chung Hee Park, immediately ordered the promotion of heavy industries to the defense industry with 4 main factory constructions he believed were important, which were foundry pig factories, special steel factories, heavy machinery factories and shipbuilding dockyards. Hyundai Construction was selected as the end user for shipbuilding dockyards, which was the founding of Hyundai Heavy Industries.

“When I said I would create a dockyard, everybody disagreed with me. They said Hyundai Group, which had up until then only been in construction, could not build ships that can travel oceans. I thought different. What difference was there in was cutting steel and putting engines on ships from what we are already doing in construction sites.”
(From Mr. Chung Ju-yung's autobiography) “There might be troublesome times but there are no failures.”

3.3. Major Landmarks and Rebellion of the Princes

- Major Landmarks

By 1974 Hyundai Heavy Industries had exported more than 100 million dollars, 1 billion dollars by 1983, 5 billion dollars by 2003, 10 billion dollars by 2007 and 15 billion dollars worth of ships by 2009. Hyundai Heavy Industries major areas of operation are shipbuilding, engine machinery, plants, electronic systems and construction equipment.

HHI foundings were in the shipbuilding department of Hyundai Group created in 1970. The department of shipbuilding obtained contracts with United Kingdom companies A & P Appledore and Scott Liscow Dockyards for technology and sale in September 1971. In December of

the same year, Hyundai Ulsan Dockyards business plan was approved by the South Korean government. By February of the next year, they had obtained their first contract for 2 260,000 ton oil tankers with Livanos of Greece. In December of 1973, they separated from Hyundai Construction and became Hyundai Dockyard & Heavy Industries. The first CEO was Hyundai Group's founder, Mr. Chung Ju-yung. HHI's first dockyard was built in 1974. In April of 1975, Hyundai Heavy Industries founded Hyundai Mipo Dockyards. In 1976, Hyundai had its engine development department approved and officially created it in July of the same year. In 1978 the name was officially changed to Hyundai Heavy Industries (HHI), which is still used today. In May of 1982, Mr. Chung's sixth son, Mr. Chung Mong Joon became the fourth CEO.

The shipbuilding industry is a complicated one with having to procure different materials, researching new technology and designing and producing new ships. Future competitiveness will be determined by how future production systems will be in place to build high value ships, ocean leisure (cruise) ships and infrastructure and high quality high productivity products. From when Hyundai Heavy Industries became the industry leader in 1983, they had adhered to their market strategy of mass producing relatively cheap ships, but recently are changing towards the production of high value ships. They merged with Hyundai Special Chemical in 1981, Hyundai Ocean Development in 1985, Hyundai General Steel in 1986, Hyundai Engine Industries in 1989 and Hyundai Robot Industries, Hyundai Steel Towers Industries and Hyundai Heavy Machinery in 1993. HHI went public on the stock market in August of 1999.

- Rebellion of the Princes

Right after the IMF situation, disorder was about in Hyundai Group, the largest conglomerate in South Korea. The second son of Hyundai Group founder, Mr. Chung Mong Goo and the fifth son of Mr. Chung Ju-yung, Mr. Chung Mong Heun went head on to decide who would succeed their father as CEO. The actions of these two were the so-called "Rebellion of the Princes" in March and May of 2000. As a result, Hyundai Group was broken up, with the second son getting Hyundai Automobiles and Kia automobiles, the second son getting Hyundai Construction and Hyundai Merchant Marine and the sixth son getting Hyundai Heavy Industries and Hyundai Mipo Dockyard. Hyundai Heavy Industries group separated from the Hyundai Group as a result of the so called rebellion and its present system was formed in 2002. In January of 2002, the largest

stockholder in Hyundai Heavy Industries became Hyundai Merchant Marine. With the passing away of Mr. Chung Ju-yung the next year, affiliate companies started to separate from Hyundai Group. Hyundai Heavy Industries and Hyundai Mipo Dockyards both separated from Hyundai Group officially in February of 2002. The largest stockholder also changed to Mr. Chung Mong Joon from Hyundai Merchant Marine. In May of the same year, Hyundai Heavy Industries bought Samho Heavy Industries.

4. Market Situation as of Initial Launching

4.1. The First Brand Name and Logo

The founding of Hyundai Heavy Industries was the shipbuilding department in Hyundai Construction that was founded in 1970. In 1973, Hyundai Heavy Industries separated from Hyundai Construction to become Hyundai Dockyard & Heavy Industries. The first CEO was Hyundai Groups founder, Mr. Chung Ju-yung. It's first dockyard was built in 1974. Hyundai Heavy Industries founded Hyundai Mipo Dockyard in April, 1975. After the government's approval for engine industries, headquarters for engine production was opened in July 1976. The official name became Hyundai Heavy Industries and is still in use now.

FIGURE 7. Hyundai Heavy Industries Logo



Hyundai's logo symbolizes balance with the two triangles, which also symbolize the pyramids, with the gold and green colors symbolizing everlasting prosperity.

4.2. Competitiveness

After the rebuilding of South Korea post Korea War, there were several shipbuilding companies, which include National Daehan Shipbuilders and several independent companies, but all were considered failures. However, the industry itself continued to grow, with more than

198 companies as of the early 1960's. The economic results were small, but there was potential. In 1966, an independently developed 2,600 GT cargo ship passed ABS's safety test and 30 barge ships were exported to Vietnam in 1967.

Governmental aid came in the form of actual capital and dockyard friendly policies. In 1965, the Ministry of Commerce Industry along with the Korean Shipbuilding Committee and Korean Scientific Technology Research institute developed independent blueprints for several ships, including near-sea fishing ships, deep-sea fishing ships, deep sea cargo ships and several others to add up to about 60 kinds of ships and supplied dockyards with these blueprints.

In the 1970's several large shipbuilding companies emerged with the start of Hyundai in 1972, and Daewoo and Samsung following suit. These companies are now competing with each other for 1st, 2nd and 3rd in the shipbuilding industry.

4.3. Important Competitors

- The World's Largest Shipbuilding Country, Japan

Japan had been the world's leading shipbuilding country since 1956, when it first overcame European countries. Once having a market share of the shipbuilding industry of more than 40%, Japan has been at the forefront of high quality ships with a steady supply and constant technological developments. Even with these qualities, South Korea has overtaken Japan as the world's number one shipbuilding country as of 2003. There have been many analysis into why Japan had lost their spot at top after half a century, one of which is that during the late 1990's Japanese companies had predicted that the shipbuilding industry would go into a depression and fired many of its workers. However, South Korean shipbuilders actually invested even more money to increase shipbuilding capabilities and the shipbuilding industry actually grew larger, not smaller.

Before the Oil Shocks, the top 7 Japanese shipbuilding companies accounted for 70% of all ships dried in the world. However these companies started to lessen their capabilities with the growth of smaller companies. This lessening of shipbuilding capabilities is another reason Japan lost their number one spot.

- Mitsubishi Heavy Industries

Hyundai Heavy Industries goal in the 1990's was to overtake Mitsubishi Heavy Industries, which was considered the world's largest and best shipbuilding company. In 2001, gross earnings of Mitsubishi were 4.8 times that of Hyundai. However, Japan had been declining in population since the 1980's and was in a lack of skilled ship blueprint planners. Mitsubishi was not immune from this problem. Until then, Mitsubishi Heavy Industries was able to build a ship in the least amount of time. Even compared to other Japanese companies, Mitsubishi used about 20% less labor per ship.

FIGURE 8. Mitsubishi's logo



However, because of a lack of new trained professionals, there were many problems with designing new ships. Around the same time, there were many tankers that were ground or had leaks, which made having double hulled oil tankers a priority. Mitsubishi was not able to keep up with South Korean companies in designing new ships in this situation.

4.4. Hyundai Heavy Industries Positioning Strategies

Hyundai Heavy Industries initially wooed buyers by offering them much cheaper contracts than other ship building companies. Hyundai also tried to keep good relationships with its own contractors and tried to build their ships with self-made parts. It is easy to see their strategy from what Mr. Chung Ju-yung would say.

“First of all, we are going to treat large foreign shipbuilding companies as customers and repair large vessels for them. We will also be trying to localize parts procuring and helping our contractors grow. We also need to hasten technological developments to internally design these ships that cost several million dollars for one ship. This is how we are going to lead the global shipbuilding industry.”

(From Mr. Chung Ju-yung's autobiography) There might be troublesome times but there are no failures. To keep up with the ever changing market, Hyundai Heavy Industries merged with Hyundai Heavy Machinery, Hyundai Electric, Hyundai Robots and Hyundai Steel Towers to improve

its international competitiveness and at the same time lessen its focus on shipbuilding and become a general heavy industry company.

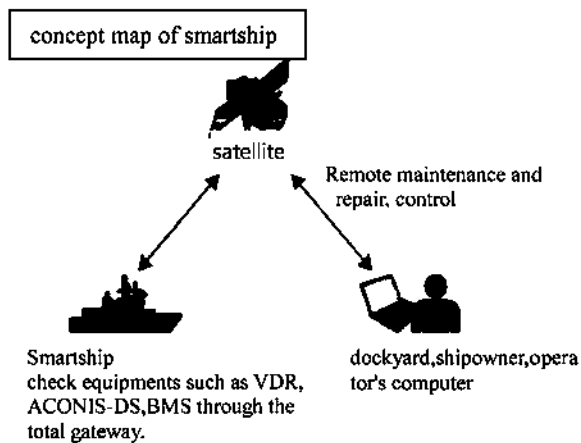
5. Status Quo

5.1. 4P Strategy

- Product: "Smartship" That can be Run and Checked through Mobile Computers

The next generation ship system that Hyundai Heavy Industries is developing, "Smartship 2.0" is showing results HHI showed up to date results of the new "Smart 2.0" and future planes at the "Initial briefing for state of the art ocean development with IT," at its Ulsan Headquarters.

FIGURE 9. Smartship Diagram



Hyundai Heavy Industries, which was the first company in the world to showcase a smartship, is in the process of developing "Smartship 2.0" together with the Ministry of Commerce and Industry, Ulsan City and several small and medium sized IT firms. This new system, which is a mix of IT and shipbuilding is to keep at bay China and other up and coming shipbuilding countries.

Smartship 2.0 is a program which is used for large vessels via satellites to log onto and send real time information back to land. While Smartship 1.0 helped captains to choose the best route, Smartship 2.0 actually allows remote control or even unmanned voyages.

Hyundai Heavy Industries' secondary goals for Smartship 2.0 are to detect abnormal climates, the strength of the ship's hull and send that information to the control center and use this information to keep the voyage safe and profitable.

They are trying to finish this venture by 2015, as to have Smartship 2.0 readily available to help through remote monitoring, tracking weather situations, nearby vessel information and future plans, on the actual market.

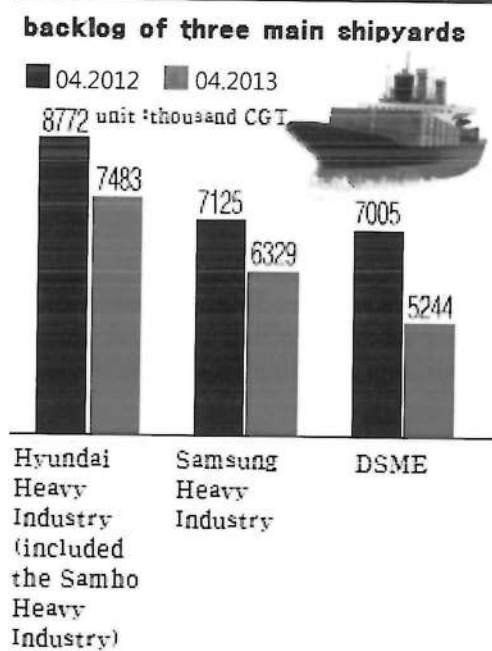
- Price: From Pricing Down To Pricing Up

Hyundai Heavy Industries decided to take a loss and contract for less than total costs. With the shipbuilding industry in a depression, Hyundai's backlog was at a record low since the world financial crisis. According to a document from inside HHI, contracted GT was at 32.3 billion dollars, which is about 18 month worth of contracts.

If you consider that in 2008, Hyundai worked with about 3 year worth of contracts, this was a big display of backlogs drying up. In this situation, HHI believed it was more important to keep up GT rather than try and keep previous prices. However, with new contracts coming at a fast rate, Hyundai decided to raise its prices. With this year's goal of contracts at 11.3 billion dollars, more than 60% of this goal had been met. This was very much in contrast with the Chinese shipbuilding industry, which was hurting from dwindling contracts.

The British maritime research institute Clarkson showed that while in terms of gross tonnage, China was at 21.2 million GT compared to 16.6 million GT for South Korea, the value of these contracts were 10.5 billion dollars and 18.5 dollars respectively. Global maritime

FIGURE 10. Companies GT Contracted



companies were willing to pay more for better vessels. This now has HHI focusing on high-productivity ships in the latter half of 2013.

- Place: European Centric Distribution Network

Hyundai Heavy Industries started off with contracting two 260,000 GT offshore oil tankers with the Greek company Livanos, and continued with 15 multipurpose barges for Kuwait's UASC and 11 container barges for Sweden's Stenarline. In the 1980s, Hyundai had contracts with Norway's Wergen and Ibarans and continued to network inside Europe.

Recently, in 2012, Hyundai Heavy Industries contracted with Norway's Fred Olsen Energy for one semi-submersible oil prospecting ship. To do this, they had to design and build the ship according to NORSOK, a Norwegian standard known to be very picky. In May of 2013, HHI contracted for 10 ships worth 300 million dollars with Italy's D'Amico. In July, they contracted with Dole Food Company for 3 770FEU fully refrigerated container ships for 165 million dollars. You can see that HHI continued to do their business centrally in Europe.

- Promotion: Improving Its Image through Social Responsibility

Hyundai Heavy Industries is one of a few domestic corporations that teaches and trains its own workers, with infrastructure in place to learn plumbing, steel welding and sheet metals. Professional skill teachers go around and teach specialized skill school students their skills. There are visits to Hyundai's facilities by middle and high school students and activities such as safety training or hands on training. They also have many programs for people of all ages. HHI also has supported an autonomous private high school in Ulsan to help local student's education

Other ways they are showing social responsibility is following: the footsteps of Hyundai's founder and finding the time to share with others. Some of this would be partnerships with senior centers, aiding traditional markets, helping out multicultural families, blood donating campaigns, disaster relief programs and so on. Recently, they have invited 660 underprivileged people to watch a play at the Hyundai Play Center. This is so that the underprivileged can also indulge in otherwise hard to see cultural activities. HHI is also visiting 40 local senior centers and is helping out senior citizens.

Lastly, Hyundai Heavy Industries is working to make sports easily accessible to everybody. They have built a year round available grass soccer field that it is open to everybody. They also run the Ulsan soccer team. They also have programs to help students play soccer from a young

age all the way to a pro team. Hyundai also focuses on helping out female soccer players as well. In this way, HHI is working to make its brand easy to see by the average citizen.

5.2. Current Competitors

- Samsung Heavy Industries Following Behind

By 2007, Samsung had obtained contracts for four years worth 21.2 billion dollars. And in 2008, they contracted 9 of 16 drill ships contracted in the world. The price of one drill ship is 940 million dollars. They also were the first shipbuilding company to contract a LNG-FPSO (Liquefied Natural Gas-Floating Production Storage Off-loading) ship and were top in the industry for high value vessels in 2008. Samsung Heavy Industries contracted 27 of 41 drill ships contracted since 2000, making it number one in the field. Its ship price on average was 270 million dollars, and it accounted for 80% of the world's high value vessel contracting. They were first in the world to build an iceberg breaking oil tanker and delivered it to Russia and built the world's largest LNG ship, at 266,000 m² and continued to break many shipbuilding related records.

Samsung Heavy Industries is reaping the fruit of investing in high value vessels contracting. On average, their ships are worth 270 million dollars, which allowed Samsung to pass its 2008 goal of contracting 15 billion dollars. Samsung also contracted 27 of 41 drill ships contracted since 2000. With high oil prices, more contracts for drill ships will follow with the development of deep sea drilling.

A 15 million dollar drill ship Samsung Heavy Industries contracted for with a merchant company in Sweden could actually drill deeper into the sea (1,000m) than the height of Mount Everest (8848m). It could withstand waves 6m high and winds of up to 41m per second. It could sustain itself in colds of up to minus 40 degrees Celsius. Samsung Heavy Industries also developed ships that could create and store LNG at the same time. One of these ships is worth more than 1 billion dollars. The company has released information that it has contracted with the United Kingdom's Alex LNG for a floating LNG-FPSO worth more than 1 billion dollars and that the ship could produce and store more than 1.7 million tons of LNG per year.

Samsung Heavy Industries also contracted with a Russian merchant company for a 70,000 GT iceberg breaking oil tanker. Samsung completed construction in 2006 and was chosen as one of 10 top new South Korean technologies in the world.

TABLE 2. Comparing Hyundai Heavy Industries and Samsung Heavy Industries

| Hyundai Heavy Industries (Shipbuilding) | Samsung Heavy Industries (Shipbuilding) |
|--|--|
| <ul style="list-style-type: none"> -Accumulated knowledge and technology -World's first LNG ship -World's largest propeller -Shortest time to make 600,00 HP engine -25 years of high quality shipbuilding -Number one in shipbuilding -World's first ground shipbuilding -World's largest land lifting -World's largest container ship | <ul style="list-style-type: none"> -Developing new technologies -World's first icebreaking oil tanker -Extreme climate use drill ships -Contracting 1 billion dollar LNG-FPSOs |

6. Success Story

6.1. Honorary President Chung Ju-yung 's Ideology to Make It Work

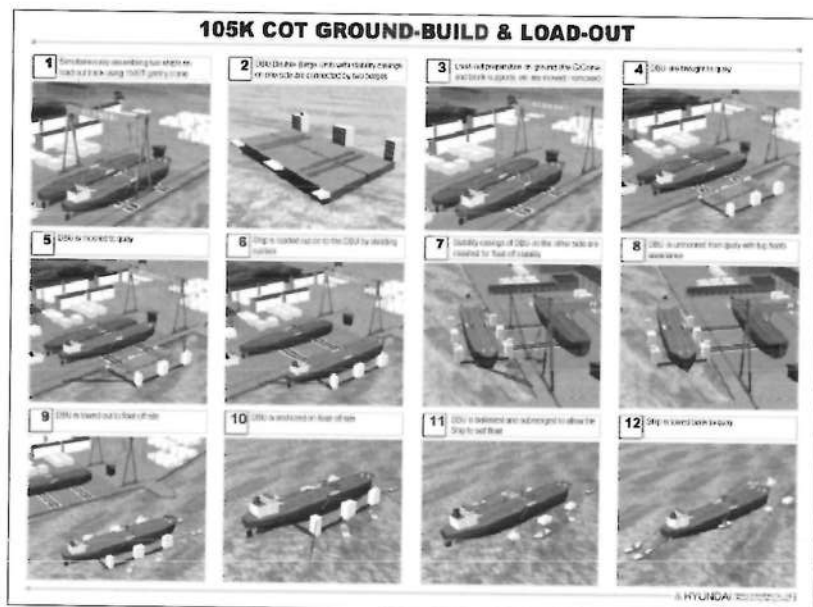
Born as a poor farmer's first son, he started business on the waste land to develop the economy after the Korean-war. He ploughed the best enterprise up in Korea with ideology in order to make it. He led the economic development known as "the miracle of the Han River" with his own characteristic sincerity and perseverance through the 70s~80s. He made highways upon highways, constructed bridges in the middle of the sea in Korea and exported cars abroad. He borrowed from a UK bank only with the confidence which could make the world's best dockyard having little experience in making ships or clients. Showing Korea's reserved strength made up of a turtle armor ship, he constructed a dockyard and obtained orders two ships at the same time. Now the success of HHI, which was likely to be impossible, is an outcome of sincerity and Hyundai's ideology.

6.2. Marketing Focus

- Reducing Shipbuilding Time

Hyundai Heavy Industries was able to build on land without a dock a large vessel in 55 work days. Within two years of ground building a 105,000 GT far sea barge ship in 85 work days, they reduced the time by 35% from keel lay to load out. When HHI first developed ground building in October of 2004, they have continued to build on it and improved on its weaknesses, which were productivity and economic feasibility.

FIGURE 11. Ground Building Layout



At the same time, Hyundai Heavy Industries used 1500 ton cranes to put 4 ships side by side as to lessen the amount of space they had to be moved. The costs were about the same as regular dockyard shipbuilding. Hyundai Heavy Industries is already experienced in this shipbuilding technique, as it has built 6 ships this way.

- Step 1~2: Large scale block building and load out preparation.
- Step 3~5: Coming alongside pier Skidway preparation and installment.

- Step 6: Lifting ship up using APS System and Skidding System to move ship to pier
- Step 7~8: Installing Stability Casing and getting ready to sail.
- Step 9~10: Using a tug boat to move to float off site and anchor.
- Step 11~12: The ship is ballasted and submerged to allow ship to float and moved back to a quay.

- Creative Load Out Method

Hyundai Samho Heavy Industries ground built the world's largest 165,000 GT oil tanker. They finished ground building the ship and successfully loaded it out to the sea. This ship was contracted in 2006 for Greek Metrostar. The length is 274 meters, the width 50 meters and a depth of 23 meters. It is about three times the size of a soccer field. It weighs 26,000 tons on its own. In early 2008, Hyundai Samho Heavy Industries finished construction on a 1,200 ton goliath cranes and floating docks to hold up to 26,000 tons weight of ships and blocks while ground-building them.

- World's First "Thinking Outside the Box Technology"

Using their new tandem flooding construction methods, Hyundai Heavy Industries was able to work on other ships while loading out one. This technology was registered domestically and is being prepared to be in 140 countries worldwide. While it already has the world's most high quality shipbuilding technologies and it continues to innovate.

Hyundai Heavy Industries was the first to develop tandem flooding methods, rather than the normal tandem method. By building ships on land rather than in docks, Hyundai Heavy Industries had already shocked the shipbuilding industry. But they were not finished with their box of tricks. They **did not** float the ship after they had completed it, they actually flooded the ship. Normal docks would allow shipbuilders to only work on one or two ships if one was getting readied to load out. The new technique allowed workers to work on several ships at the same time without worrying about stopping when the dock was filled with water.

Currently, dockyards in the world use the normal tandem method and had to stop construction on other boats for 2~3 days while one was loaded out. However, with the new tandem flooding method, these dockyards were able to work on their ship even while one was being loaded out, with the other ships partially flooded and workers able to work on the parts not underwater.

With this new construction technique, Hyundai Heavy Industries was able to reduce the average construction length about 13 days, from the average 70 days. They were also able to reduce the money going into demolishing and reinstalling installations and equipment. Hyundai Heavy Industries has built 7 ships, including 10,000 GT TEU container ships using this new technology at its number three dock, which is the largest of its kind.

Hyundai Heavy Industries has registered this technology last January, with preparations to patent the technology in more than 140 countries. With the new tandem flooding method, HHI is now able to continue shipbuilding at a faster and safe pace. Like the story of Christopher Columbus and making an egg stand up, Hyundai has proven that there are still many more opportunities in the shipbuilding industry.

6.3. The Secrets of Hyundai Heavy Industries Success

Hyundai Heavy Industries was able to top the shipbuilding industry through process innovation and technological innovations. To separate themselves from competitors, they developed their own technologies and this has led to its success.

- Process Innovation (PI)

① Variety of Pipes

By independently developing steel pipes and frames, Hyundai Heavy Industries was able to build regular ships and also specialized ships at the same time.

② Shipbuilding without a Dry Dock

To build a ship, you first have to build a huge hole in the ocean and take out the seawater. You then build the ship and refill the dock with water to float the ship out to sea. The size and number of these docks determines the capabilities of a shipbuilding company. But there is a limit to the number of dry docks that can be built around a port. By using the no dock technique to build ships on land, the productivity of a port can be increased without building more dockyards.

③ Streamlining Distribution and Utility Layout

To build a ship requires many pieces of equipment and materials. If all these materials were contracted from different companies in different locations, it would be a waste of time and money. To

solve this problem, they created a common distribution center to streamline distribution and changed the supply chain to a more linear form. This in turn increased productivity and reduced the time and effort required to build one ship.

- Fields of Technological Developments

① Production

Hyundai Heavy Industries provided its own materials and parts internally, which allowed them to build their ships cheaper than Japanese corporations. The world's largest output engine supply technology, the world's largest ground-building technology and the ability to design and build ships of different needs provides Hyundai Heavy Industries with a competitive edge compared to other shipbuilding companies.

② Human Resource Administration

Hyundai Heavy Industries has put into place many welfare programs for its workers. It currently is at 12 years of no major conflicts and is providing many amenities and benefits to its personnel. With internal job posting and bidding systems, interactive evaluation systems and domestic and international training, HHI is providing many different forms of continued education. Hyundai also runs technological classes and work schooling institutions and is working towards keeping its staff professional.

③ Stock Inventory Report and Raw Materials

The source of supplies for shipbuilding includes steel, machinery, electricity facilities and electronic systems. Excluding some items such as engines and structural steel, most items are drawn from small and medium sized firms.

④ Sales Marketing and Customer Service

The shipbuilding industry revolves around directly contracting with customers and leasing ships to firms. As such, there is no set distribution network. But South Korean shipbuilding companies have significant bargaining power. This is because their average orders on hand are more than 4.4 years, and they have competitive advantages in new gas tankers and ocean plant developments.

7. Future Suggestions for Hyundai Heavy Industries

The shipbuilding industry is sensitive to the international exchange rate, world economic growth rate and interest rates. Currently, it is true that the future economic prospect is still dark. This is true for all industries not only the shipbuilding industry. The economy has a big effect on the shipbuilding industry, which might include cancellations of contracts in the future.

Hyundai Heavy Industries needs to start looking into counter measures to survive in this economic depression and so Hyundai needs to develop its strengths and awareness of its weaknesses and calculate its future moves. Also, the pursuit of China, which recently overtook Japan for the world's second largest shipbuilding country is another factor for worry. Newcomers can develop on and improve on front runners work.

- Internal Strength: Independent Technology

Until the 1990's most shipbuilding was done in dockyards. Hyundai Heavy Industries was the first to overthrow this status quo. Hyundai developed the ground-building of ships and tandem flooding construction methods. These developments not only reduced the time needed to build a ship, but also reduced costs at the same time. The tandem flooding construction method is evidence of HHI innovation. Hyundai has to keep developing its strengths in order to keep its advantages in the market.

- Internal Weakness: Aging Work Personnel

Currently, Hyundai Heavy Industries is faced with an aging work force and a lack of new and young engineers. These are dangerous factors for a company. While Hyundai might be ok right now, with a lack of new competent personnel, this might have an impact on future technology developments. Also, with the lack of specialized personnel, HHI might have to hire these personnel overseas. Japan's Mitsubishi is one case that shows what might happen in this case. Also, many contemporaries have a mindset of trying to earn money easily, without any hardships. To overcome these risks, HHIU should increase welfare benefits for specialized positions to increase the attractiveness of these jobs. Hyundai should also work towards training new engineers starting at a new age.

- External Threats: Price Increases of Raw Materials and China Following Closely

With the financial world in a slowdown, rising inflation is also affecting and raising the price of raw materials. Hyundai Heavy Industries, however, is not really affected. This is because Hyundai already has reduced costs very much with its main technologies. But Chinese shipbuilding companies are catching up and this is a real danger. The actions a company should take in this situation is to not fall to the “First place dilemma”. While Chinese company’s technology is not top class at the moment, they have passed the Japanese for second place in the world, and are developing rapidly. However, Hyundai Heavy Industries is trying to keep its pride by focusing mostly on high value vessels. But with the economic slowdown, contracts for these high value vessels have dropped. They could return to contracting low value ships, but they should research more as to not act hastily. They have to study and research not only their strengths and weaknesses, but also those of their top competitors.

- External Opportunities: Ocean Plant Development

Hyundai Heavy Industries is focusing not only its main industry, shipbuilding, but is also contracting power plants and other land based plants. Hyundai contracted more than 2 billion dollar worth of land based plants in 2010, when the financial crisis was at its worst. And last year, they contracted more than 4.1 billion dollar worth of land plant construction, cementing its place as a player on the construction scene. Recently, in 2012, Hyundai Heavy Industries obtained the contract for 3.3 billion dollar worth of construction. Hyundai is forecasting that due to this construction contract, plant construction will gross more than 5 billion dollars in 2013. They are overcoming the depression in the shipbuilding industry by investing in other industries.

Hyundai Heavy Industries land plant development market entrance was not a fluke. Since the development of the port Jubail, Saudi Arabia in 1976, Hyundai has built its reputation over 40 years, which led to its recent Middle East contract. The plant HHI is to build is a new 2640 MW ultra-pressure crude oil power plant.

The Middle East is seeing rapid growth even as the world is experiencing financial slowdown due to rising oil prices, steady population growth and development of basic industries HHI is seeing positive results in the Middle East.

Through smart researching and planning, HHI is not just focusing on its strong area, shipbuilding, but also on other areas of heavy industries such as power plant construction and plant development, seeing opportunities there.

8. Summary and Conclusion

Founded in 1973, Hyundai Heavy Industries is one of several core South Korean corporations and is one with great influence in the world. It was not so from the beginning. The first loan and contract were hard to obtain and there were many hardships such as the world's financial crisis after the Oil Shocks. But with the founder's passion and hard work, Hyundai Heavy Industries has overcome all these problems and is still continuously working to improve itself. Never ending challenges is what have made Hyundai what it is now.

Hyundai Heavy Industries has succeeded because of its high end technological developments. Hyundai overcame disadvantages of being a follower by developing a new method of shipbuilding that reduced the days needed to build a ship. Hyundai Heavy Industries earned the trust of worldwide contractors with its land shipbuilding method and vertical load out methods. But it did not stop there. It developed the tandem flooding construction method that allowed several ships to be built at the same time by flooding ships still under construction partially when a completed boat is loaded out of the shipyard. These technological developments were the driving force behind Hyundai Heavy Industries quick but steady growth. Also, Hyundai reduced reliance on foreign firms for materials and parts. They developed ships that use engines and propellers and designed ships internally which allowed for cheaper prices compared to competitors. These products have been proven and currently are being exported to many other companies. Hyundai Heavy Industries is now expanding its fields to include ocean development, plant construction, engines, green energy and construction machines.

Hyundai Heavy Industries invested aggressively in shipbuilding when the rest of the world believed that the industry would fall in decline and lessened investments. They found opportunity were everybody only saw risk. We can learn from this that whoever challenges themselves can always find new opportunities.

Through Hyundai Heavy Industries case analysis we have learned that if we do not give up no matter the adversity, there is always light at the end of the tunnel. We also learned that we must not settle for the current

situation and must continuously work to better ourselves. Constant hard work and challenges will always pay off in the end.

Hyundai Heavy Industries success story is one that could give hope and confidence to all who are trying to overcome the ongoing world's financial crisis.

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"After researching Hyundai Heavy Industries case, it has really moved me in many ways. Previously, I did not like challenges and change. But I now know that if I am earnest and have a dream and that I can fulfill any goal that I have. I hope to keep this attitude and confidence so I do not give up in any situation. I am really thankful that I have had this opportunity."

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"I learned that companies that seem huge now started off small. And I also learned that whether it is one person or several people, the business attitude they have is what determines their future. Mr. Chung Ju-yung knew how to say yes when everyone else said no. That takes perseverance, principle and guts, which he had as a leader. His actions helped Hyundai Heavy Industries become the number one shipbuilding company not just in South Korea but in the whole world. He made even average citizens proud of our country's shipbuilding industry. I myself am one of those people and believe it is an honor to be able to research Hyundai Heavy Industries at this time."

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"There is no future for those who do not challenge themselves. This is what I believe was most important from this case report. Looking back at myself, I was content with the present and not willing to take risks. However, Hyundai Heavy Industries jumped into what seemed to many impossible situations, and never gave up. They have given me the strength to try new things. I believe that this report will have a big impact on my future life."

Case #4. CJ O SHOPPING

Korean Home-Shopping: How It Surprised the World through Its Localized Korean-Wave Platform Strategy

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5. CJ O Shopping's Success Strategies
6. CJ O Shopping's Present and Future Suggestions
7. Conclusion and Summary

Editors' note

O shopping is now a global player in home shopping via cable TV. This case analyzes how CJ, which stands for CheilJedang, O shopping marketed itself worldwide to become one of the world's top home shopping venues.

Executive Summary – CJ O Shopping

TV home shopping, introduced by the spread of cable TV, is making a huge difference to customer's shopping culture. Since the beginning of 39 Shopping in 1995 as a TV home shopping pioneer, CJ O Shopping has been leading online distribution for 17 years.

CJ O Shopping has opened a new prospect in the field of the home-shopping industry at home and abroad. It has found ways to differentiate itself from competition by using new media commerce. Using the 'Korean Wave platform,' which integrates shopping and entertainment, CJ O Shopping has made inroads into China, Japan, the Republic of Turkey and three other countries including eight locations. It also has differentiated itself from the patterns of USA home-shopping on-air media, and introduced 'K-Brand', one of the Korean home-shopping models, which became one of the biggest 'Korean Home-shopping' trends.

CJ O Shopping has been awarded the following: TV Home-Shopping number one position eleven years in a row in NCSI, TV Home-Shopping number one position seven years in a row in NBCI, Internet Shopping-Mall number one position four years in a row, Excellent E-Trust Certificate Holder Grand Prize (Ministry of Knowledge Economy, National IT Industry Promotion Agency), Home-Shopping number one position two years in a row in KSI, TV Home-Shopping number one position seven years in a row, Korea Distribution Grand Prize Presidential Citation in GS1 Korea as well as Distribution Innovation Awards in FAPRA. These awards prove that CJ O Shopping has been cherished by many customers.

CJ O Shopping is continuously evolving as a Korean-style Shoppertainment in the world. This case study presents how CJ O Shopping has become so successful in transforming itself into a globally powerful brand.

Key Words: Korean Home-Shopping, Surprised the World through Localized Korean-Wave Platform Strategy

1. CJ O Shopping's Position and Beginning: From Number Two to the Number One

Since its inception, CJ O Shopping's operating earnings have reached the best business profit among the Korean home-shopping firms listed on the KOSDAQ for the first quarter in 2013. CJ O Shopping's business profits amounted to 138.8 billion won with a 9.18% increase. It had been in second place, but finally pushed aside GS Home shopping to recapture first place.

CJ O Shopping has since then opened a new prospect in the field of the home-shopping industry at home and abroad. It found ways to differentiate itself from the competition by using new media commerce. Using the 'Korean Wave platform', which integrates shopping and entertainment, CJ O Shopping has made inroads into China, Japan, the Republic of Turkey and three other countries including eight locations. CJ O Shopping also has differentiated itself from the patterns of USA home-shopping on-air media, and introduced 'K-Brand', one of the Korean home-shopping models, which became one of the biggest 'Korean Home-shopping' trends. This trend opened a new market for Korean small firms in the global market, and through CJ O Shopping's oversea platform, the small firms generated approximately 170 billion won in sales. Furthermore, CJ IMC (International Merchandising Company) was established as a subsidiary company, and CJ O Shopping strengthened product supply capability as well as its sourcing functionality in order to settle in the global markets. CJ IMC actually sold a variety of products such as Australian Blackmores, Korean Jeju Samdasoo and many more successfully in overseas markets. Since CJ O Shopping completed Asian-Belt, it has been Asia's number one online distribution enterprise and its overseas volume went up to 1 trillion won in 2011 to break a record. It climbed to more than 1 trillion 400 billion won in 2012, which is more than a half the domestic volume handled. CJ O Shopping became the global number two, closing the gap to the global top home shopping company, QVC in the USA.

CJ O Shopping's boom on the up and up has a different signification in terms of opening new shopping markets. Particularly, it has emerged as the leader in the shopping industry and has changed the paradigm related to traditional shopping concepts. CJ O Shopping entered the market where technology enables one to find out product information as well as to purchase and pay for it by just clicking a TV remote control connected to the network. It further entered the mobile commerce market at the head

and created a brand new platform. It also introduced the ONLY ONE brand development strategy based on PB products and the ONLY ONE format added a new meaning to broadcast program development.

Furthermore, CJ O Shopping has been awarded the following: TV Home-Shopping number one position eleven years in a row in NCSI, TV Home-Shopping number one position seven years in a row in NBCI, Internet Shopping-Mall number one position four years in a row, Excellent E-Trust Certificate Holder Grand Prize (Ministry of Knowledge Economy, National IT Industry Promotion Agency), Home-Shopping number one position two years in a row in KSI, TV Home-Shopping number one position seven years in a row, Korea Distribution Grand Prize Presidential Citation in GS1 Korea as well as Distribution Innovation Awards in FAPRA. These awards prove that CJ O Shopping has been very successful in its journey towards a top global home shopping company. We will present the details on how CJ O Shopping made such an unbelievable achievement.

2. CJ O Shopping's History and Challenge

2.1. CJ O Shopping's Process of Development

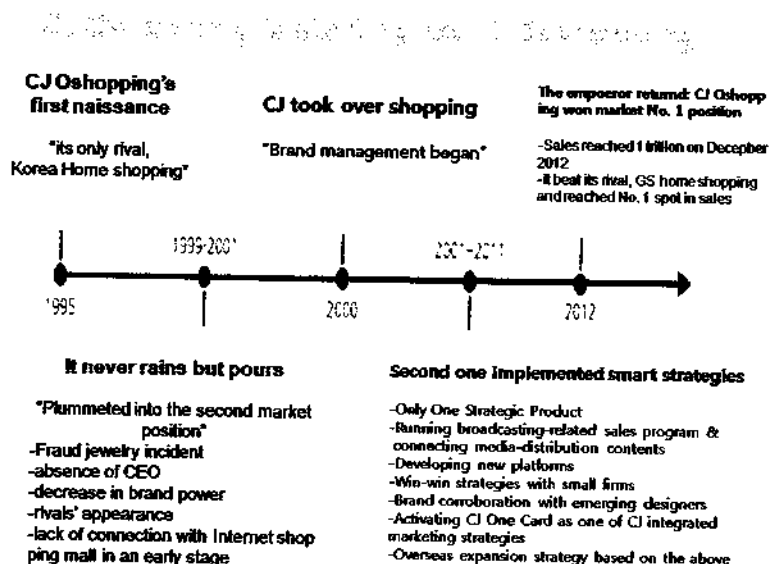
The cable TV industry was introduced as a part of the cultural level enhancement policy in Korea. As part of this, 39 Shopping was chosen as a Home-Shopping Genre Program Supplier in 1995, so that its TV home-shopping could start going on the air at the head.

39 Shopping grew in customer-related creation, and dominated the TV home-shopping market in advance. However, many unfavorable conditions were intertwined in 1999 that caused 39 Shopping to yield its number one market position. Finally, 39 Shopping was received in damaged condition by CJ.

After this, CJ 39 Shopping changed its name to CJ O Shopping and attempted to make a comeback by operating an On-Air related sales program, connecting media-distribution contents, thereby creating a win-win strategy with small firms, establishing the East CJ in Shanghai, China, and entering aggressively oversea markets.

CJ O Shopping finally accomplished TV Home-Shopping's no.1 position eleven years in a row in NCSI, Internet Shopping-Mall no.1 position nine years in a row in 2012 and it had managed to surpass 1 trillion won of sales volume in the home-shopping industry at the head. Finally, CJ O Shopping was the crown ahead of GS home shopping on December, 2012 in the home-shopping industry in terms of sales.

FIGURE 1. CJ O Shopping's Starting Point, 39shopping



2.2. CJ O Shopping Has Arrived Safe in the Blue Ocean.

On October, 1994, home-shopping channels were introduced because of the Composite Cable Broadcasting Act. There were pros and cons caused by this Act. The Pros were the following: (1) an increase in receiver's benefits; (2) the motive power for PP market growth; (3) improvement in distribution system. However, there were also cons at the same time. First, it would encourage customers to overspend. Second, it also would give traditional distribution systems a shock. Finally, it would eventually aggravate customer uneasiness. Therefore, free competitive introduction based on market principles was delayed. That was why only two firms were selected as the first choice to carry out public interests that were expected to negotiate pros and cons. According to this direction of policy, Korea Home-Shopping and Home-Shopping TV (now CJ O Shopping) were launched as two business operators. At the beginning, few responded positively to means of unfamiliar purchase and the total number of Cable TV subscriptions was very low. However, CJ O Shopping experienced change in the name of the channel and major shareholders were suffering from the IMF period. After this economical and financial hardship, the TV Home-Shopping industry was growing so fast due to an increase in the total number of cable TV subscription, the extension of credit card utilization, the advance of the home-delivery

service industry and an expansion of e-commerce payment solutions.

Since 2001, the government had noticed potential of growth in the home-shopping industry. Therefore, the government had attempted to stop these two oligopolists by means of the Korea Communications Commission. The government additionally approved Hyundai Home Shopping, Lotte Home Shopping, NS Home Shopping and Home & Shopping. Eventually, competition among home shopping malls was keen and there had been an increase in the Home-Shopping industry.

2.3. Finding the Future in the Present Market.

The total number of cable subscriptions in Korea Cable TV Networks was over 14.91 million subscribers (ending in December 2012) and the total number of Broadband Internet Network Services subscriptions was over 18.25 million subscribers (ending in December 2012). Korea has the highest Broadband Internet Network Services penetration rate in the world. This industry secures the certain number of potential customers and the change in customers' needs seems to be highly marketable.

Home shopping's customer base is mainly housewives who have the final say for purchases. Housewives tend to be very interested in TV home shopping because of its entertainment factors, a wide variety of goods and life information. Recently, the number of male customers continues to rise due to a wide variety of goods and services. Easy Internet access and advanced website security allowing easily young people to purchase goods in internet shopping malls.

Consumer buying patterns are aiming at convenience and rationality through the change in life style. TV home shopping is competitive in that customers can buy direct from the manufacturer and they do not have to deal with the middlemen. That is why TV home shopping has competitive prices. A full refund and any exchange within 30 days policy continue to raise consumer confidence. Therefore, there has been an increase in the home shopping utilization rate as well as the re-buying rate. Customer confidence and strong brand image retained including internet shopping and catalog sales became the foundation of internet shopping. The base of the online shopping business was established on a delivery system, payment system convenience, and information about products and customers. The home shopping business operators have strengthened TV home shopping as major business sectors through internet shopping malls, catalog sales, and extension of sales volume. With this, there was an increase of 4.1 % in 2012 compared with the previous year in the domestic distribution market on account of the spread of smart devices

and internet shopping (According to the National Statistical Office, the total amount in the sales of individual business status continues to rise).

2.4. Overcoming the Market Number Two Position

39 Shopping (now CJ O Shopping) was at the start the market number one, but it was relegated to second best caused by accidents and failures in strategies. 39 Shopping sold jewelry made of glass as genuine stones in 1999. It drew forth a strong protest from Customer Organizations and customer trust plummeted. When this issue was finally spread out in the mass media, it did not put 39 Shopping in a flattering light. Also, the founder of this company put an end to himself suffering from the company's shameful scandal and this absence of a CEO was sufficient to sway public opinion. At that time, Korea Home Shopping dominated the home shopping market in advance by bringing in solid financial structure and adopting a reliable brand image.

Finally, it changed itself to LG Home Shopping (now GS Home Shopping). LG Home Shopping improved the image of leading conglomerates and increased customer confidence and recognition that held its place as the top Korean TV home shopping channel. That made CJ O Shopping (previously 39 Shopping) the market number 2.

Also, there was a lack of connection with Internet shopping malls in the early stage. When high-speed Internet access and Internet-users grew incredibly, CJ O Shopping was unable to enter into the internet shopping mall market. The early amount of sales volume went up to 6.4bn won, but it was weak compared to GS Shop that recorded 100.8bn won in sales.

CJ O Shopping had a limited range of housewife customers in their 40s and the competition among Lotte Home Shopping, NS Home Shopping, and Home & Shopping seemed to be overheating. Therefore, CJ O Shopping's growth rate was falling because of their cut-throat competition.

To recapture the market number one position, CJ O Shopping tried hard to extend a variety of distribution channels such as Internet malls, T-commerce, mobile commerce, and ground wave DMB and began its proactive diversification through CJ's integrated marketing. Also, CJ O Shopping differentiated itself from others by creating new platforms at the head, and developed ONLY ONE products in order to overcome the recession. Eventually, there emerged decent profit growth and advancement and globally led the Korean Home Shopping wave as a leader in six countries in eight locations.

3. Market Situation and Marketing Strategy at the Release Date

3.1. CJ O Shopping CI's Evolutionary Process

In the beginning of 1994, its brand name was named after HSTV, the abbreviation for television. However, its name was changed to 39 Shopping in 1996 because its name based on the name of channel was way more difficult than the rival company, Hi Shopping, and its name was not easily recognized. The reason the TV channel was also changed to 39 was to standardize the name of 39 Group.

After 39 Shopping was acquired by CJ group, its name was altered to CJ39 Shopping in order to hold the fame with accompanying its brand name of 39 Shopping. At the same time, CJ39 Shopping attempted to introduce its new name that was connected to the CI of 39 Shopping as a Home Shopping company and one of CheilJedang's branches.

FIGURE 2. The Name of Company and Channel Changed to CJ39shopping (2000)



In 2002, CJ Home Shopping, having successfully introduced CJ Shopping Channel, was known as having successfully changed its name to 'CJ Home Shopping with the CJ symbol while throwing out the brand name of 39 Shopping. The slogan *Wise Shopping* appearing on the paper advertisement, appealed to the major customers, and improved the way it marketed to women.

FIGURE 3. The Name of Company and Channel Changed to CJ Home Shopping (2002)



In 2009, it changed its name to 'CJ O Shopping' again in order to expand its sales activities by means of TV Home Shopping and various media as well. Since Home Shopping had a limited meaning of 'Shopping at Home' CJ O Shopping' introduced the concept of Optimum, which meant that people could shop whenever and wherever, and people could benefit from on-line and on-air business concepts and receive the best products and service at the same time. These meanings could get along with the core business philosophy, ONLY ONE, emphasized by CJ group.

These management policies meant that customers could go shopping whenever and wherever and find the shopping service suitable for their life style. CJ O Shopping had both meanings in that it was recognized as Origin, the first Home Shopping in Korea, and as "OK" in that customers could get something whenever they wanted. This made it possible for people to remember its name for a long time. Also, this name was capable of effortlessly being used in the global market.

FIGURE 4. The Name of Company and Channel Changed to CJ O Shopping (2009)



3.2. Early Home Shopping Market Situations and Other Competitors' Emergence

Despite the aftereffects of the so-called IMF crisis, the two major home shopping firms had recorded a black-ink balance and these two were growing explosively at the same time. Since 1994, the inception of the home shopping industry in Korea, LG Home Shopping and 39 Shopping had led the home shopping market. 39 Home Shopping was a winner until 1997, but LG Home Shopping became the market winner while gaining 60% market share sales because of full support from the LG group in 1997. Also, it was growing explosively right after the IMF era and in 1998 its organization was successfully aimed at concentrating on sales. On July 1998, the customers who bought were more than a million, and on January 2000, its stocks were listed on the KOSDAQ and in terms of sales volume, they placed right after QVC as the first in the USA, and HSN as the second strongest in the USA.

When there was a good outlook for the Home Shopping industry, and the business climate was very good, many firms gathered like clouds while attempting to participate in this market. Particularly, before three years buyout, the home shopping market recorded over a 20% rate of economic growth and the participation of professional home shopping firms as well as new participation from global companies and the major firms took on a new aspect. For example, in terms of catalogs, Daewoo, Doosan, SK, and Kolong were already in this business. At the same time, the global home shopping firms such as Otto, Shapper, Spiegel, Freemans, Rahoodtt, Sensukai, and Nissen were already in or trying to get into this market. Furthermore, many cable CATVs had home shopping channels and in on-line, LG, Samsung, Hansol, Lotte, and Shinsegye including 700 other firms were attempting to build up cyber shopping malls.

In the distribution market, TV home shopping was particularly growing fast, and many experts for this market took a positive aspect in TV home shopping industry. Many off-line types of business including department stores were experiencing saturation and had reached a plateau. However, the size of the online shopping the many home shopping-related firms were trying to enter was very small but the rate of growth was getting higher and higher than ever before.

3.3. The Initial Marketing Strategy and Early Marketing Strategy after Buyout

In the beginning of the business, its marketing strategies were concentrated on relationship marketing activities towards supply companies. It concluded an agreement with the Korca Federation of

Small and Medium Business and Small Business Distribution Center in order to find a market for small companies and to sell excellent products from small business with the assistance of cooperation. The company programmed excellent small company exhibitions of commodity and small company TV department stores on a regular basis. In the IMF period, this strategy satisfied customers who wanted frugal purchases and supply companies for maintenance of a relation as well. The company established solid relationships with the logistics business industry and delivery service enterprise in order to deliver fast and deal with returned goods rapidly. Eventually, this effort led to customer satisfaction.

Among home shopping electronic commerce businesses, the company got certification series from the ISO at the very first in this industry and strengthened quality management. It also tested products' performance quality three or five times before the company sent free samples to customers. Also, the company dealt with the goods for disabled people that they could not easily get in the market. Especially, it handled idea products and works of art in order to target a niche market for disabled people. At first, the company opened its TV broadcasting schedule and attracted customers to pre-order. Also, it provided 'within 30 days return and exchange policy' to customers and accepting 'Happy Call Policy' it improved immediately the difficulties customers had. It provided the differentiated service for customer satisfaction such as designated date delivery, order in advance, night delivery service, 5% real reserve benefit, interest-free installment plan after purchasing 50,000 won, and double-points according to usage results.

As strategies of the company policy, the company established the first largest scale call center where 120 professional telemarketers accepted phone orders for 24 hours on October 1997. Due to this strategy, the volume of orders had approximately tripled. Moreover, the company established electronic payments systems and automation advanced physical distribution systems in total line with the capital CityKoff and AFJC increased. Right after, it modernized its distribution center. With this new information system, the cutting-edge information infra was established such as product order & delivery, customer management, and product analysis, among other areas. Also, this system integrated computers with telephones that enabled them to build up databases for customers and eventually it opened up new vistas of DB marketing.

To strengthen home shopping, the company took over Korea Telecomm Cable TV and embarked upon an internet shopping mall business which was a hot trend at that time. The cyber shopping mall, i39, entered the

online market on July 1998, and during this time period, the company aggressively strengthened online business expansion strategy.

Its website was divided into a variety of categories such as the store of computer & workaround for teenagers and the jewelry shop for women and housewives. Also, it provided the visiting customers the corner of the webzine about monthly customer information, 'Customer Country.' The company promoted show hosts instead of models or broadcasters who could professionally present products and demonstrate the products by themselves. This made it possible for customers to directly participate in the show asking the questions at the same time. This strategy increased ratings as well as sales volume. The marketing strategy of a 100% refund policy stimulated the instinct of desire for products and promoted sales a great deal.

The company was deeply engaged in a variety of social works such as residential environment improvement business, environmental campaigns, cyber computer classes targeting housewives who were computer illiterate. Also, it implemented its co-marketing strategy with Doosan Tower for increasing the sales volume for clothing by teenagers through outdoor stage fashion shows and live ceremonies.

After it was taken over by the CJ group, this company implemented various strategies through the core competencies: "Creative & Speed," during the recession period. CJ39 Shopping enlarged its product pool twice compared to the previous year and secured double providers for products so that it could provide excellent products at a small margin. With this strategy, it was trying to produce a great number of steady sellers.

As from July right after it was received by CheilJedang, it advertised on public TV networks for the first time in the home shopping industry. The concept of advertisements was capable of promoting recognition and brand reliability. By using Kim Hca-Ja as a main model, it was highlighting that 39 Shopping became a new member of CheilJedang the Korean housewives liked the most.

Moreover, the company-wide competencies were concentrated on catching up with the advertisements LG was carrying aggressively forward by means of hanging ads in the subway as well as follow-up TV ads.

3.4. Targeting for 30s~50s Women and Men under 30

Since the number of cable TV subscribers continued to rise, it was possible for the Korean TV home shopping industry to explosively grow.

In 1995, there were 556,000 subscribers and in 2001, there were more than 5,630,000 subscribers. The more cable TV subscribers the more TV home shopping channels were exposed to viewers. Ultimately, this trend led to an increase in the numbers of home shopping customers. Unlike offline stores, TV home shopping was not limited to space and time and customers can shop for 365 days and 24 hours anytime they wanted to.

Among customers in its customer database, the 30s~50s housewives were the major target to focus on. Although there was a difference among different products, they had a major impact on purchase and used catalogs to buy the products. These customers took up 76.3% per page online, the average visiting time on the website and the average days of visiting the website exceeded the ones of male customers. This phenomenon was attributed to the fact that the female customers who were actively using TV home shopping channels were also actively engaged in visiting the website. After this phenomenon, the company was trying to expand the target levels up to the point that included young customers. The 30s customers were beginning to represent 37.6% and 31.3% for 20s customers in the total number of visitors. Especially, the male customers under 30 began to emerge as another main target and the company implemented differentiated multi-media strategies in order to maximize its profit while expecting it to be a synergy effect.

3.5. The Initial Marketing Performance and Customer Reactions

Before the buyout, the company was operating in the black three years in a row. It recorded its annual sales 25 billion won and its net profit six million won in 1996; its annual sales were 120 billion won and its net profit 34 million won in 1997; its annual sales approximately 300 billion won and its net profit about 40 million won in 1998.

Although the growth rate was in a steady place, the change of name to CJ39 Shopping propelled it to implement strategic marketing, which made its high growth possible, and enlarged its market share. Last year (2012) the company won first market place beating its rival, GS Home Shopping, in terms of business profits and net profits. The various strategies played the role of locomotives for continuous growth and it had gained the brand image from CheilJedang like a halo effect.

Finally, they had drawn a huge and impassioned response from customers. The brand power from CheilJedang was very sufficient to cover the flaws caused by the so-called 'false jewelry incident' and 'false wild ginseng incident.' Furthermore, customers tend to buy products without considering product manufacturers, but with taking into account

a home shopping business's reliability. 39 Shopping was able to grow steeply with the brand power, which came from CheilJedang, and reached up to the level of reliability LG Home Shopping retained. 39 Shopping positively turned its image with merchandising and reliability. Then, customers changed their attitude towards 39 Shopping and started buying products. This was a determined factor for the increase in sales.

TABLE 1. Major Home Shopping Business Sale Change (unit : 100 million won)

| Major home shopping business sale change(unit : 100million won) | | | | | | |
|---|-------|-------|-------|-------|-------|--------|
| Division | 2003 | 2005 | 2007 | 2009 | 2011 | 2012 |
| CJ Oshopping | 4,003 | 4,516 | 5,188 | 6,441 | 8,947 | 10,773 |
| (growth rate) | - | 12.8 | 14.9 | 24.2 | 38.9 | 20.4 |
| GS Home shopping | 5,394 | 5,256 | 5,929 | 6,939 | 9,216 | 10,195 |
| (growth rate) | - | -2.6 | 12.8 | 17.0 | 32.8 | 10.6 |

(Source: the Financial Supervisory Service)

4. CJ O Shopping's Turning Point Strategies

4.1. Cooperation with Small Firms and Win-win Project Implementation

'One countryside for one masstige' was the win-win relation program on TV home shopping, which would discover farming villages' superb products and not have the commission for the sale and broadcasting production costs. There was no commission for the sale until the accomplishment of three hundred million in terms of the sale and there was instead a development fund which would explain the 2% profits of the total profits for the farming and fishing community local residents. This development fund supported their education and helped them in producing excellent local products. 'One countryside for one masstige school' provided consulting services to locals in order to achieve sustainable development.

Therefore, the Small and Medium Business Administration extended 'one countryside for one masstige' joint ventures into four firms with help from CJ O Shopping. Like 'one company for one masstige' and 'one countryside for one masstige,' CJ O Shopping was paying for the costs caused by broadcasting the applicable products of the small firms, and there has been no commission for the sale until the achievement of two hundred million won in total sales.

4.2. The Strategic Marketing for Meeting Customers' Needs

- A Rapid and Safe Delivery Service, Sincere Product Introduction, as well as Thorough A/S and Return Policy

Instead of exaggerated advertisement, the company continued to implement its marketing strategies that focused on providing a rapid and safe delivery service, sincere product introduction, as well as thoroughly dealing with A/S and return policy

- PB Products Revitalization for Customers who Value Their Individuality and Personality

In 1999, CJ O Shopping launched 'GEM ART', 'NY212', 'MITA BAG', 'SONGZIO HOMME' that created a boom in PB products to young women. Then, CJ O Shopping launched other PB brand lines such as 'REPERE', 'Skyn Island', 'SEP' in cosmetic lines and 'odense' in the North Europe style kitchen appliance line, 'Fidelia' in the underwear line, 'DEMIN' and Basic A+G in fashion brands. These were for customers who value their individuality and personality. Its PB brands have been on a roll.

-Creating New Platforms according to Trends

CJ O Shopping established a Korean Home Shopping model based on shoppertainment. Through online and mobile devices, CJ O Shopping has been developing new platforms while reflecting the market situations on its products and taking trends into account.

Korean Shoppertainment: ONLY ONE way to break the existing home shopping method was a new concept of combining shopping and entertainment in media commerce conducted by renowned fashion stylist, Mr. Jeong Yungi Programs 'celebshop' product launches and fashion has succeeded in breaking the recession. Celebshop's cumulative order amount was more than 100 billion won in 2012. CJ O Shopping's ONLY ONE brand strategy succeeded to meet the needs of the customers. Other brands were 'style-air', 'Perfect Runway', 'Fashion Jackpot Time'. Program planning, and a variety of fashion. 2012.11 Jackpot time recorded sales month of over 10 billion won in one month. If customers upload their pictures and videos, buyers can make a call to inquire about their purchase through calls, SNS, email or contact information listed on SNS. This offered a free product-dealing market place between smart phone users. This market application showed its popular search ratings and registered time of the products, and made it possible for buyers to find

out the selective products near to them based on location-based service. Unlike previous group purchase models, it acquired a symbolic value in terms of individual collaborative social commerce.

Another different form of social commerce, CJ O'clock application, was beyond the basic purchasing function and analyzed individual shopping patterns to provide individualized services. 'Today's Customized Products' informed customers about suitable products for them by using the individually analyzed database. This application strengthened its recommendation and share functions between customers through SNS or Kakaotalk Plus function. Also, since the application market secured a supply of various competitive products, a type of social commerce group purchase attracted customers' attention, which led to an increase in sales. An SNS-connected system, 'BuzzBuddy,' allowed customers to communicate and share TV O'clock's popular products over the Internet in real-time. Smart-Guide also offered the services that included discount books, free delivery products, and benefits accompanying the purchase. The service type was totally transformed to the types of service including 'MD's product recommendation video' and 'specialized product time.' CJ O Shopping developed TV O'clock as a way of social commerce. TV O'clock integrated the concept of social commerce with the concept of TV home shopping so that it enabled customers to benefit in various age ranges. The major portion of TV O'clock customers was 5-10 years older than the one of Internet O'clock and O'clock applications. It introduced T-Commerce for the first time in the home shopping industry, which enabled customers to buy the products on air in real-time just by using a remote control without a call, to pay or check out delivery information, and to participate in various events in real time. Eventually, this process enabled synergetic purchases on TV O'clock.

Another strategic platform was the NScreen service. On April 2012, CJmall Style Zone was established in Sadang Station. This establishment narrowed down the point of customer interaction in order to ultimately strengthen customer relations. The company also created a digital space to provide a new type of shopping experience. This played a very important role in leading trends while providing a smart shopping service. People could experience CJ O Shopping's representative products on transparent LCD and a touch screen and also they were capable of experiencing a virtual fitting through the above technologies. Moreover, there was a collaborative space where the participants could upload the above data to their SNS and link or email it.

On March 2012, CJ O Shopping established a strategic alliance with

Google and opened a YouTube Shopping Channel. In this channel, visitors purchased the products by just clicking them as they appeared on the videos and the visitors were naturally led to the online shopping mall while watching the videos. All content was able to be connected to individual SNS accounts and SNS pages were also attracting purchases at the same time.

The company created its catalog application in which customers would be able to play the specific images in the 'CJ Catalog videos' based on an augmented reality method. The service of touch screen offered convenience in that it directly made it possible to reach its call center.

CJ O Shopping enforced leading strategies not only online but also offline. First of all, it opened 1st Look Market for the first time in offline stores. With this, it rapidly caught customers' needs and recent trends while sourcing hot items on the customer interaction point. Also, it was providing customer-friendly services while meeting customers in person. Since customers could decide whether to purchase or not after wearing the items or touching them, this strategy has been catching the customers' mind without hesitation. CJ O Shopping also opened 'RiMo,' a show room bus, where customers directly experience shopping in 2009.

According to its sales merchandise ratio in 2010, its clothing sector occupies 54.8% in the total products for sale. Especially, its clothing sector in relation to PB products is growing by more than 15~20%. Now, CJ O Shopping is operating 'Shoedazzle,' a private shoe specialty store, that is proposing 10~15 new items to individual customer's showroom. Also, it is making a room, 'Style O Sanda,' for customers to do a styling job in the virtual fitting room before purchase. The differentiated strategy on Shoedazzle is that shoe experts monthly select the 10~15 customized shoes for individual customers and put the recommendation lists in their showroom. That is, customers do not have to look in every nook and cranny on the website, but just shop for their interested shopping area and purchase the products in that area. In the case of Style O Sanda, the most unique character of this mall is as if offline fitting rooms were moved to the virtual fitting room offered by this mall. Customers do not have to directly wear the clothes but they can do a styling job the way they want by wearing clothes or accessories. The reason CJ O Shopping opened this kind of mall is to overcome the obstacles or limits caused by TV home shopping. On TV home shopping, the company is not capable of targeting a minority of customer groups in a strategic way. However, an Internet mall is different. There can be a nearly infinite number of possibilities for each individual taste. The company should concentrate on increasing a

number of PB products in Sheodazzle and Style O Sanda so that customers pursuing different styles from others are eager to shop. At the same time, an increase in sales of PB products resulted from getting rid of the commission from brand product sales.

Moreover, the company promoted PB products for customers who valued their own distinct individuality. The above products were characterized with 'Curation products' that CJ O Shopping experts recommended. It also grouped products according to major customers' lifecycle. It launched Korea DMB-CJ Shopping and ground wave DMB home shopping broadcasting system while diversifying customer interaction points.

4.3. Customized Black-Consumer Marketing

CJ O Shopping treated black consumers as a VIP although they were dangerously and damagingly wrong due to the fact they requested frequent returns after purchasing products. Among shopping malls, CJ O Shopping opened a new community named 'Hyeon-go-e-sa' targeting the customers listed on black lists. The company listened to what they had to say and took their ideas to heart in order to utilize useful strategies.

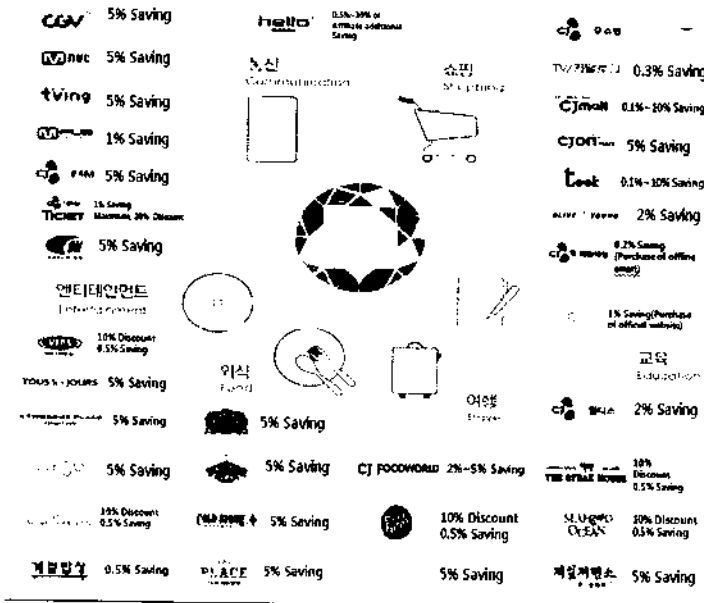
4.4. Neuro-marketing

CJ O Shopping applied a neuro-marketing strategy to pricing decisions preparing for entering the Chinese market. Especially, it focused on the price Chinese people would accept and take into account without hesitation. According to fMRI data targeted on them, it was determined that the price sold in home shopping market did not exceed 150-340 ¥. In recent data, CJ O Shopping has been uniquely recording surpluses among major distribution enterprises.

4.5. CJ Integrated Marketing

CJ One Card enabled it to integrate membership cards' points and save the points in one card such as shopping, restaurants, and entertainment including CJ brands. CJ integrated marketing strengthened the connections between groups and created a synergy effect towards CJ O Shopping while increasing in frequent accessibility.

**FIGURE5. CJ ONE Card Activation (2013)
CJ ONE with a Variety of Lifestyle Brands**



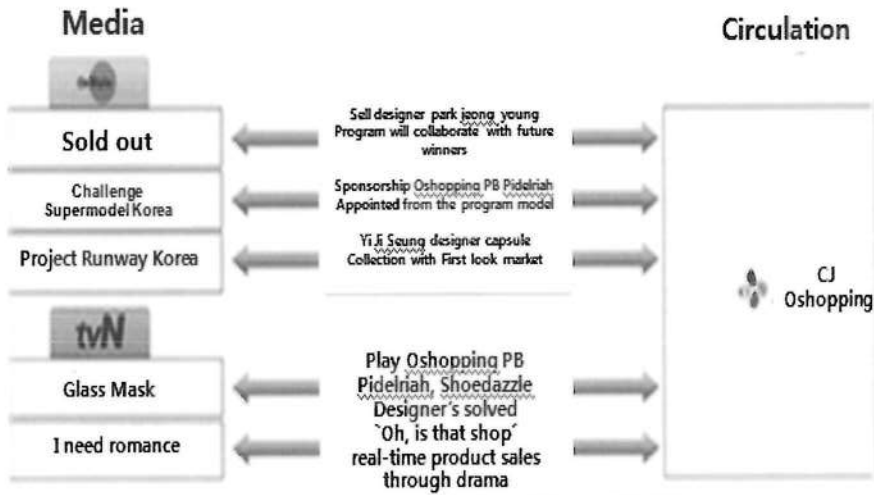
(Source : <http://www.cjone.com/cjportal/hpmf01Q1Main.do>)

5. CJ O Shopping Success Strategies

What on earth made the company that was always second position the market number one? How could it be possible for the company to command the whole world especially in the global home shopping markets?

First, it used its resources well. Its cable casters and its technologies were well utilized while increasing in sales. Second, 'Only One Product' and 'Only Way Method' satisfied appropriately customers' various needs. Third, it had no scruples about changing the name of company while accepting new platforms at the same time. It was a natural outcome because the company never stopped catching network trends. That is, its best strengths ultimately satisfied customers' needs and hung on tight to the changes caused by the beginning of a new era.

FIGURE6. CJ Group Media, Status of Distribution Related Content

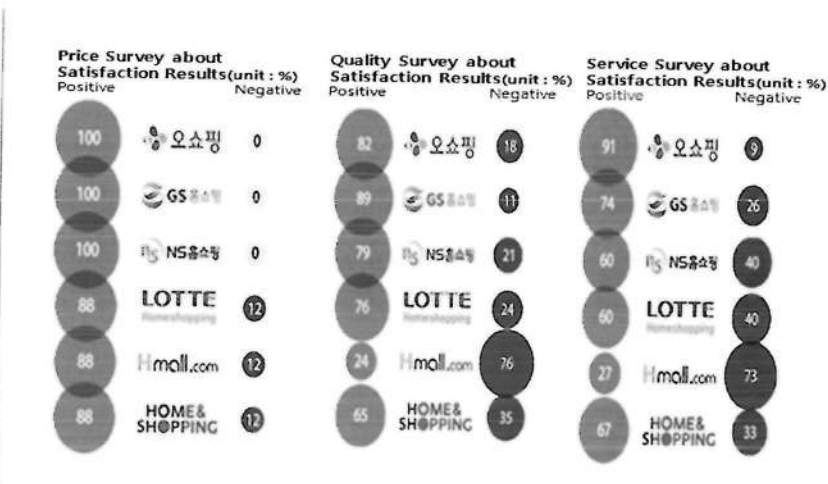


(source: <http://rbeod1.blog.me/60184077428>)

6. CJ O Shopping's Present and Future Suggestions

6.1. Comparison Analysis between Rivals

FIGURE 7. Price-Quality-Service Survey about Satisfaction Results between Rivals



During data analysis period: from December 1st 2012 ~ February 28th 2013
 Subject of data analysis: 690 press news, Daum, Agora, portal blogs, its café, and Naver Jisickin.
 Number of data analyzed: major contents 60,000, replies 368,399
 (source: http://www.ebuzz.co.kr/news/cresearch/2746076_4998.html)

6.2. CJ O Shopping's SWOT

CJ O Shopping's strength is the image from CJ's corporate image. Another strength is that it has the largest scale distribution center in Siheung, Gyeonggi-do, and CJ GLS as its subsidiary company that is rapidly operating its distribution system. The company has quite a number of home shopping success stories overseas because it opened successfully Shanghai East CJ Home Shopping in 2004, Chunchun CJ in 2008, India in 2009 and the South CJ in 2011. However, its low brand awareness and deactivation in Internet shopping malls are simultaneously weaknesses.

The opportunities are the following: an increase in mobile shopping owing to the spread of smart phones, synergetic effects in terms of new media linkage, an extension in global markets and invigoration for PB products. The threats are the factors are heating up market competition

and the fact that the costs of transmission commissions are going up.

6.3. CJ O Shopping's Future Strategy Recommendations

CJ O Shopping has to nip the exaggerated advertisements in the bud. Instead, it should introduce honestly products that will never bring about customers complaints.

TABLE2. Home Shopping-related Damage Relief Recelpt Current Conditions and Cost of Damage

| Parts | 2014 | 2015 | 2016 | 2017 | Total |
|-----------------------------|-------------|-------------|-------------|-------------|--------------|
| The number of damage | 172 | 198 | 181 | 181 | 732 |
| The cost of damage | ₩1,200 | ₩1,115 | ₩1,100 | ₩1,100 | ₩4,515 |

(Sources: Korea Consumer Agency)

- PB Products Revitalization for Customers Who Value Their Individuality and Personality

We believe that CJ O Shopping should stretch its PB brand lines in order to give customers' purchase intention a boost and to make sales charges lower accompanied with an increase in PB sales volume at the same time. Based on the above, it is expected that its PB product reinforcement strategies will hire up-and-coming foreign designers and introduce foreign small firms' products. This will make CJ O Shopping a global home shopping market leader.

- Glocalization Strategy for Global Markets

CJ O Shopping should try the following: (1) choose its partner companies which have power in a place of interest, (2) share business goals, (3) establish joint businesses, (4) establish an appropriate entry strategy for CJ O Shopping, and (5) actively get into the global markets.

With pre-planned strategies, for the developing countries, CJ O Shopping should dominate the market in advance and integrate the markets under the same language areas. For the United States and Europe, CJ O Shopping should enter these markets after strengthening its global foundation of growth. Last, for the potential markets, it should study target areas first and train human resources that can work in these areas and fill in the gap in no time. Therefore, we must forecast that it should

divide into three regions and make respectively plans for each individual area.

CJ O Shopping should not only attempt to introduce global brands into global markets, but also to implement a globalization strategy in reflecting the specific local characteristics and building win-win strategies with small firms in those areas. Foreign customers tend to like companies which do not seek their own interests but benefit their own country. Also, CJ O Shopping should support target country's small companies and their own cultures that had been already successful strategies in Korea. If CJ O Shopping stops being an agent that only introduces Korean products and foreign products, and tries to help the target countries' economy and cultures, overseas customers will be more familiar with CJ O Shopping.

CJ O Shopping should hold to its original overseas advancement strategy, 'trust establishment,' in order to keep the market number one position in Korea, Asia, and ultimately in global markets. In this process, CJ O Shopping's core competencies will play a main role. CJ O Shopping should enhance its broadcasting facilities, call centers, and logistic management including infra-operating competencies and try its best so as to develop its business model and to train global talent pools.

If CJ O Shopping builds its strong trust relationship with local customers, the target country's global marketing will be definitely successful. CJ O Shopping should try to be given priority of place in the domestic home shopping industry, to utilize Korean marketing methods, to implement localization strategies, to obtain its brand awareness, to aggressively do overseas sales and finally to continue to differentiate it from other competitors.

7. Conclusion and Summary

CJ O Shopping is continuously evolving as a Korean Shoppertainment. This makes it a pioneer among the domestic home shopping firms. TV home shopping, introduced by the spread of cable TV, is making a huge difference to customer's shopping culture. Since the beginning of 39 Shopping in 1995 as a TV home shopping pioneer, CJ O Shopping has been leading online distribution for 17 years.

With an increase in the number of IPTV, internet or social media, CJ O Shopping with each medium is supplying its service in its optimized process condition and enhancing its quality screen while taking into account its accurate color sense and texture. Now, CJ O Shopping is

entering China, Japan, Vietnam, Taipei, and Turkey including six more countries and till the end of 2013 it will enter two more countries. In the central axis of the so-called Korean wave, there are not enough resources, but culture. CJ has as its strength to create cultures many people can enjoy. Also, CJ O Shopping is spreading an excellent shopping culture. Now, customers tend to turn on the TV for shopping. CJ O Shopping is developing a type of broadcasting system which integrates entertainment, information and shopping into one and building up the Korean home shopping system. CJ O Shopping is expected to keep up its good performance through fashion, Hair Beauty, kitchen appliances, PB brands, synergy effects between its affiliates, and mobile and shoppertainment as a differentiated Korean home shopping model.

‘O! SHOPPING HIMALAYA’ as its slogan

‘Leading trends for customers, creating lifestyle and innovative shopping vale’ as its vision

In conclusion, CJ O Shopping has provided optimized shopping for customer lifestyle and become the world’s best media shopping company as its mission. As a result, CJ O Shopping is establishing an excellent business model based on a service of gratitude to one’s country and co-existence and planning to globally spread products and the cultural contents in Korea. We conclude with cheering CJ O Shopping, Korea Shoppertainment.

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Case #5. KT

How KT has become the No.1 Brand in the ICT Industry

Kim Hamieroo, Seoul National University
Kim Jiyeon, Hankuk University of Foreign Studies
Lee Hana, Sungshin Women's University



Contents

1. Introduction
2. The History of How KT Has Become a First-class Brand
3. KT, Brand as a Product
4. KT, Brand as an Organization
5. KT, Brand as a Symbol
6. KT, Brand as a Person
7. Conclusion and Future Recommendations

Editors' Note

KT, or Korea Telecom, has emerged as a strong global information and communication company after its humble beginnings as a government-run fixed line operator of office and home phones. The company now uses lower case characters' as its logo – kt – to reinforce what it sees as its still humble, user friendly products and services.

Executive Summary – KT

A company in Korea received the honor for 2013 global 500 brands presented by Brand Finance and placed 1st place for 3 years in a row with the highest Dow Jones Sustainability Index wireless telecommunication sector. Jez Frampton, the chairman of Interbrand, a global consulting company said, "From 2009 and onwards, the company has become one of the top companies representing Korea with strong passion and will for brand management". This company is KT.

Until 2008, KT had not garnered much attention in terms of brand value. However, in 2009, it experienced a major turnover after the M&A of KT and KTF. KT underwent major innovation in brand management and as a result has become a company with high brand quality not just in Korea, but throughout the world, just in 4 years.

We have paid attention to KT's superb capability of making a brand. We have tried to find an answer to the question: "what has KT done to increase the brand value in such a short span of time?" To answer the question, we have used David Aaker's brand identity model and investigated the products, organization, symbol, and individuality.

As a result, we have found out that KT had 4 main sources of constructing brand identity. KT's brand management could be a paragon for one of the successful cases of strategic brand construction. Therefore, we introduce KT, which is one of the top Korean companies with the superb capability of brand construction.

Key Words: KT, Strategic Brand Management, Brand Value, Innovation, Olleh Brand Identity Model, Information and Communication, Technology (ICT)

1. Introduction: KT, the First-class Brand

How has KT, as one of the companies that made staggering progress, built a strong brand in the domestic market as well as the global market? Korea's remarkable economic growth gave birth to global brands such as Samsung, Hyundai, and LG. In the relatively short period of time, we have paid attention to a company that made its own strategic brand management, making remarkable achievements among the domestic telecommunications companies. This company is KT, the nation's first leading ICT company.

KT was originally a public company, and it was privatized in 2002. Until 2009, however, consumers who previously knew KT considered the company to be enormous but inefficient. However, they were taken to the air with KT's then-CEO, Lee Seok-Chae's inauguration in 2009. The merger between KT-KTF marked the start and KT began to flare thereafter. KT has transformed into a leading innovator in the global ICT convergence enterprising market.

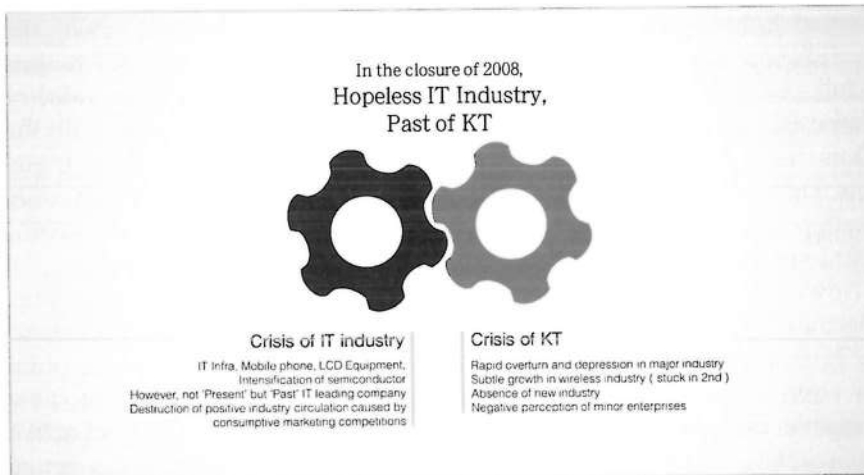
At the time in 2008, the global brand evaluation consulting firm called Brand Finance did not even include KT on the list. But in 2013, KT ranked 225th by the Global 500 (Global 500). Not only this, among the world's top 500 companies in telecommunications, competitor KT ranked 32nd, beating SKT (41st) and LG U + (78th) to the highest brand value of domestic carriers recorded. In addition, KT has been registered with the Dow Jones Sustainability Index since its first incorporation in 2010 and has been selected as one of the global leading companies with truly equipped aspects for the first place for three consecutive years (2011, 2012 and 2013) over wired and wireless communications sectors.

However, building a brand results in complex decision problems. Because of this, superior technology--simply well-made advertisements or high-quality product-- cannot be the solution to the problem. In order to build a strong brand, enterprise brand management should consider tangible and intangible elements as well as strategic and proactive approaches. In this case study, we examine how KT built such a strong brand.

2. The History of How KT Has Become a First-class Brand

At the time of privatization in 2002, KT not only exercised a monopoly in the wired communications markets, but also among wireless communications providers. Also, at that time, KT was a public company as a subsidiary of the nation's largest communication company, KTF. However, the rapid growth of the wireless industry, accompanying decline in profitability of the wired telecommunications industry, left negative effects on KT.

Based on wireless communication, the business growth of SKT ranked first for the wireless communications market. KTF just remained in classical conditions without finding any breakthrough. Therefore, KTF could not follow up to the gap between SKT, a leading company and itself. So KT suffered a serious business downturn in 2008 because of a continuous decrease in sales and profitability. In addition, at the end of 2008, Cho Young – Su, president of subsidiary KTF and Nam Jung – Su, president of KT, were charged with corruption. Finally, KT confronted the desperate situation as a crisis of succession to the redemption right.



In this situation, KT replaced its president with the Ministry of Information and Communication Minister, Lee Seok-Chae, in 2009. Since then, KT has propelled numerous innovations and changes with the three core keywords 'innovation', 'efficiency', and 'ownership'. This has been the driving force to overcome the crisis, as well as the achievement of a first-class brand.

If so, what did KT do during the last four years, and how were they reborn as the first leading brand? We reach the conclusion that KT has a strategic and enterprising brand management. Thus, we have tried to analyze it on the basis of David Aacker's 'build brand identity model.'

We examined the KT brand from four different angles, i.e., (1) as a product, (2) as an organization, (3) as a symbol, and (4) as a person as in the following sections.

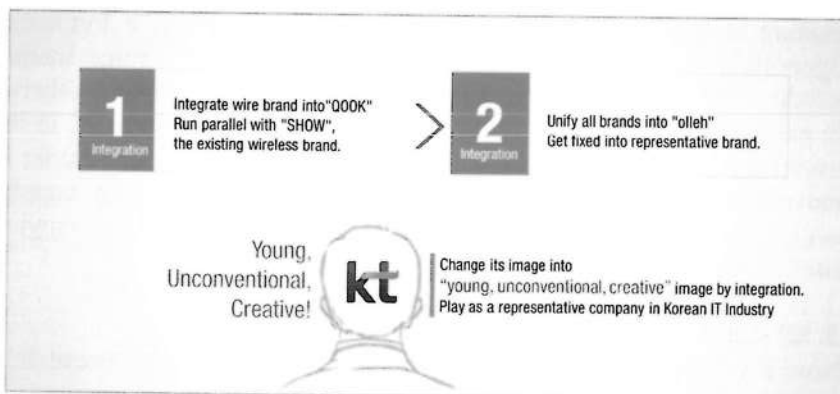
3. KT, Brand as a Product

3.1. Service Brand 'Olleh'

KT has been developed through brand building strategies to lead the convergence market. In 2011, KT tried to integrate wired and wireless industries into a single brand, 'Olleh.'

The first step of integration was to bundle customer service segments into a single brand, 'QOOK'. And KT has operated personal customer sector 3W (WiBro • Mobile Communications • Wireless Internet), and 'SHOW' in parallel. Then, KT launched 'Olleh', the overall integrated service, as the next step in 2011.

Since then, KT strengthened the brand preferences and customer satisfaction of 'Olleh' by enhancing the awareness and reality-based IMC strategies. Through that, KT obtained "a young, innovative, creative" brand image. To sum up, KT became a leading company in the ICT sector with clear and integrated brand strategies.



In particular, Olleh received good reviews through systematic planning and brand management organization. KT achieved an increase in its brand value under the unified brand strategy, which points to proceeding successful settlements and making innovative ideas, and communicating effectively. As a result, in the closure of the 2011, KT received an award from the Ministry of Knowledge Economy and the Institute for Industrial Policy Studies, 'Republic of Korea Brand Award,' 'A Presidential Award.' This was only a year after integrating their brands.

3.2. The Introduction of the iPhone

In November 2009, KT released the iPhone exclusively in Korea, for the first time. When the iPhone was first released in the United States two years ago, the characteristics of the domestic telecom market and entry barriers, like the duty of WIFI equipment, made it difficult to enter the Korean domestic market. Therefore, the introduction of the iPhone resulted in the business model innovation to the past voice communicating business model.

Those movements of KT gave a big impact in the industry. The iPhone was called a syndrome, and it received huge popularity, dragging numerous domestic consumers. 'iPhone' recorded sales of 400,000 units in just 100 days from launching. Moreover, the number of Smartphone subscribers increased up to approximately 58% in 2012, by the third quarter, which was only about 1.7% in 2009, in earnest.

In addition, the iPhone raised the consumer's eye. It stimulated domestic phone manufacturers to strengthen their Smartphone manufacturing capacity. Moreover, it started a change in Smartphone markets. The structure of large domestic companies has changed from one dominated oligopolistic structure to a more broadened consumer choice market including various foreign enterprises like HTC Blackberry among others.

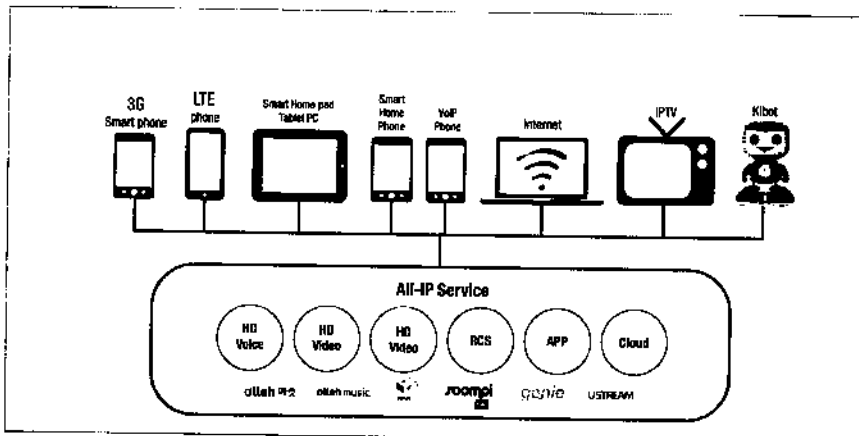
In particular, it was an opportunity for recognition to consumers, in the meantime, always behind SKT who had strong brand image as a leader in innovation. In addition, while the iPhone has led to monopoly supply, many Smartphone consumers had moved massively to KT, occupying benefits from the market.

3.3. ICT Convergence Leader

Now KT is leaping ahead with the corporate vision of a 'global ICT convergence leader.' For this, KT is providing various convergence services that combine contents, not restricted to the existing communication services. Services such as Video streaming services' oil

stream, Korean language information site 'sumpi,' Wired and wireless music portal Ole Music', the music content applications 'Genie' App Store' Ole Market', one of the day app store 'Oasis', are prime examples.

Moreover, KT is at the forefront, providing a single IP - based All-IP services with integrated voice, data, multimedia services, network services of a smart TV, smartphones and tablet, although each type of network connection methods to one terminal of a wireless network. This enables customers to use a variety of convergence without limitation of the environment. Not only this, KT is steadily expanding externally in the field of non-telecom businesses to build the ICT convergence platform, acquiring BC Card, Kumho Rent-A-Car and SkyLife.

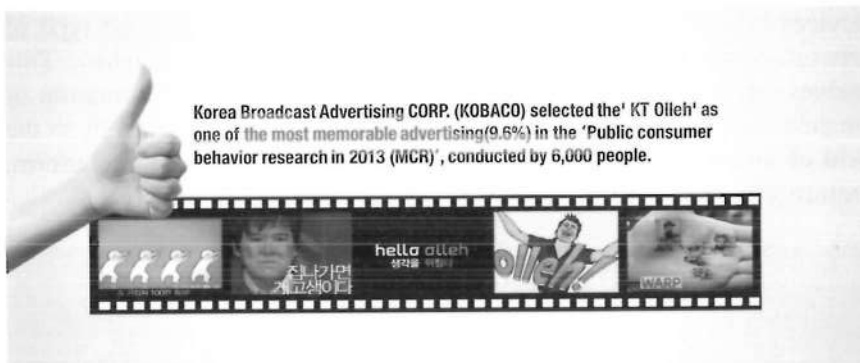


Thus, the convergence of non-communication sectors led to the synergistic performances. KT in 2012 grew 11.8% year-over-year with an increase in sales and recorded 23.7903 trillion won. Among the three non-communication sector affiliates (BC Card, KT SkyLife, KT Rental) of the total sales grew 30.9% last year (132.3 billion won) with an increase of 4.4199 trillion won and operating profit of 32.4% (717 billion won) with an increase of 293 billion won. The positive performance was nearly finished. Now KT has grown to be a global media distribution service over Carrier Group KT, a global ICT convergence leader.

3.4. KT's Advertisements

As soon as you hear the word KT, there are numerous commercial messages that pop up in your mind. After KT and KTF had merged, KT's commercial ads had striking changes. Commercial messages such as 'Own the World, Na,' 'Korea Team Fighting!,' 'KTF-like Thoughts,' 'Do

the Show!,’ and ‘If You Leave Home, You Suffer Like Hell’ are spoken about in consumers’ daily lives. They mouth-marketed KT’s image. With the start of the combined brand, ‘Olleh,’ KT received a title of ‘KT which has fun advertisement.’



‘Olleh’ is a slogan which has a fresh look and a creative meaning and has in mind the customer’s worth and new way of management. From the customer’s point-of-view, ‘new consumer worth’ and in the company and the employee’s point-of-view, ‘endless effort to manage’ are what they remind us of.

‘Olleh’ has a number of meanings. Type up the exclamatory word, ‘hello’ backwards. Do you see it? Olleh. This is the creativity of the word. Olleh is also a small, narrow pathway located on Jeju Island. There are various meanings through which we can comprehend the word. This is to socially interact with the consumers and this shows the future of Olleh as an IT enterprise. Likewise, ‘Olleh’, which contains various meanings, is unique in that it is stuck in one’s head. This is the positive result.

In January 2012, in order to communicate the exclusive ‘Fast Speed’ in the LTE market, KT branded a communicating method called LTE WARP. By rewriting Chanson’s ‘Padam Padam’ to ‘Parum Parum Parum,’ KT made a melody that anyone could easily follow and sing to promote the brand. ‘Parum Parum Parum’ background music’s popularity went far. It was included not only in the TVCM but also through marketing communication events such as, Shout WARP, WARP game and LTE WARP Running Man event. The brand awareness and popularity grew extremely.

This advertisement campaign did not follow the traditional way of sending commercial messages but rather ignites consumer’s curiosity, and this makes the campaign worthy. In addition to this, ‘LTE WARP’

campaign advertisements received two awards, First Place and 3rd Place in the areas of Advertisement Video and Unified Media Advertisement Campaign in 2012 Korea's Best Advertisement Award Ceremony.

4. KT: Brand as an Organization

4.1. KT-KTF Merger

In 2009, KT decided to merge with its subsidiary company KTF in order to strengthen in the competition. At that time, the aftermath of the economic crisis had been left in a period. So the government had negative perceptions about the merger expenses and the financial burden, and other communication companies opposed the merger of large communication companies to be their competitor. It was not a good moment to merge the two organizations. However, KT got the support of stakeholders by nominating new services and benefits to consumers and the merger benefits such as national competitiveness.

Eventually, by the base of their bold drive and rapid decision making, KT got the final approval from the government: having a 3 month merger declaration period. Quick to complete the merger, the launch of the new KT was announced. Also, since KT had been born as the only integrated wired/wireless communication company, it drew full-scale group management systems by proposing a new vision which was: 'convergence-based global leader ICT leap.'

4.2. Organization Innovation

By the start of the merger of KT and KTF, KT sped up the innovation of organizational structure in earnest. KT primarily touched the unique ineffectiveness of the state-owned company and placed more emphasis on safety to overcome, to transfigure the company as an organization oriented on innovation and creativity.

First of all, KT, in order to reform the enlarged organization, replaced the front office staff at the official suggestion targeting the directors in order to boost the reduction of organization scale. There were many controversies going on, but then-CEO, Lee Suk-Chae, steadily carried forward the plan, and it was the largest reduction ever of the organization.

Also, the annual salary system replaced the wages system that was maintained for 30 years. Also, the organization removed the Level System of regular government service and privileged government position and established new incentives. Through all these systems, the company motivated employees and achieved success. The reform of the

organization system enabled KT to become the leading national brand.

4.3. Smart Working

For the KT employee's innovation and balanced work life, and for their work process innovation between the company and culture, the company pushed and held "Smart Working" processes using their core competency, which is "The Information and Communication Technologies."

Smart Working is a working environment using ICT (Information and Communication Technology), such as mobile systems and video conference systems, to work 'Whenever' and 'Wherever' the employees wanted.

KT enforced the Smart Working system in a number of ways to increase the utilization of idle labor, and to maximize productivity and be on the way to sustainable growth to prepare for the future. By working at home or at Smart Working Centers (offices near by the employee's house), employees can work by Remote Systems, an option to work flexible hours, and in the 'Smart Family Program', which gave them the opportunity to work three days per week if the employee has a child who is under the age of 13. Also, the company provided the system of "in/out work time wherever", and "mobile office systems" which gave employees the opportunity to work on the spot of selling/servicing the clients.

KT is still practicing the Smart Working system on four different domains: company culture, institutions and processes, ICT solutions, and space. This system provides opportunities to families and persons to be compatible and work with flexible options; Smart Working thus provided employees opportunities to work independently and promoted creative activities. Also, it encouraged positive changes in the working process by bring out high quality of work and good results.

On April 2012, Sungsil University-Industry Cooperation did research on KT's new recruits and 54% of the employees answered: "The work at home system affected the company selection." It showed that the Smart Working system as the critical factor in the recruiting process. Also, it brought forth positive images of the company by showing a business innovation-oriented company.

With the innovation management of the company, KT brought about a big impact on the capabilities of employees and also brought positive images of the organization. Those outside the company also admit the results of the company was awarded in 2012 Republic of Korea "Global GPTW Grand Prize" (supervised by GWP Korea), "2012 Good Company Excellent Culture Company" (supervised by Digital Chosun News),

"2012 Good Job, Happy Company Minister Award for Best Company" (Ministry of Culture, Sports and Tourism), and "2013 Republic of Korea's Top Job" (supervised by AON Hewitt).

5. KT, Brand as a Symbol: Design Management Strategy

KT attempted new alterations after the M&A of KT and KTF. This new attempt initiated mainly on the corporation's slogan and logo. Firstly, the slogan was changed from 'All new KT' to 'Olleh KT' and got rid of the tedious blue color and adapted a red and black blend on their new brand logo in order to emphasize softness. As the corporation brand, including the affiliates, KT had abandoned the capital letter CI (kt), and chose to use small letters (kt) in order to enhance the friendliness level towards the customers. This was some kind of an expression of their willingness to become a customer centered firm, and the flapping flag shape shows the global brand's status that tends to expand throughout the global market. Furthermore, the color red of the CI stands for the passion, revolution and the warm emotion towards the customers, and the color black represents the code of trust. With the combination of two colors, KT tried to express their strong will of building up new stories and changed the values that they aim for.

These changes made an opportunity for the company to make their customers to acknowledge the KT brand differently. Furthermore, KT was also successful in changing their old brand acknowledgement as a simple telecommunication company to an ICT convergence group brand by expanding their business to the non-telecommunication business field, and bringing about the visual integration of the CI as one whole group.

"Design management is essential, in order to survive in global competitive markets."

KT kt
Change into communicative and innovative BI

"kt has consistently been insisted 'Design management' for past 4 years."

kt

"No.1 Convergence group brand"
No.1 Korean ICT convergence company KT

6. KT, Brand as a Person

6.1. 'Olleh Management

After the merger, referred to as the second establishment, KT put forward 'Olleh management,' a new management paradigm. This new management method is defined by the rapid flow of ideas and continuous innovation, aiming to bring customer happiness through the creation of new customer value. In this regard, KT has set four major management targets and worked to maximize stakeholder value. These four major management targets include: 'Reverse Management,' which aims to think from the customers' perspective, 'Future Management,' making customers' dreams come to life, 'Communicative Management,' reading customers' minds, and 'Customer Satisfaction Management,' which works to maximize customer happiness. Especially within the social and customer relationships factors, KT has earned much positive social recognition through its outreach activities and customer satisfaction activities.

6.2. KT and Social Responsibility

KT vastly consists of "Love Sharing," "IT Sharing" and Culture Sharing" and through these three areas KT contributes various activities for the society.

| Sharing IT | Sharing Love | Sharing Culture | Strategic social contribution projects |
|---|--|---|--|
| <p>IT for everyone through sharing</p> <ul style="list-style-type: none"> Intensive support to relieve IT disparity IT supporters (23 teams, 200 people) Smart Academy IT education for underprivileged groups IPTV support for underprivileged groups SW expert training | <p>Love for everyone through sharing</p> <ul style="list-style-type: none"> Intensive support for underprivileged children Love Volunteer Corps (100 teams, 31,000 people) KT Dream Center (21) Olleh student volunteer (145 people) Love for Children network Dream Together (e.g. Center etc.) KT Search for Sound project (10 years and continuing) KT labor management youth scholarship project Global CSV KT-Severance Hospital partnership project | <p>Culture for everyone through sharing</p> <ul style="list-style-type: none"> KT's MocoNat project Olleh Square KT chamber hall K1 sport teams Dream, an arts education program For under privileged youth | <ul style="list-style-type: none"> 21 Dream Centers all over Korea to serve local children Love for Children network (24 member companies, Yangpyeong Dream Center) Global CSV - creating foundations for social social contribution efforts (e.g. learning center) |

"Now social contribution should be transformed to include a company's goal and social worth like CSV(Creating Shared Value). This CSV can work effectively in a group rather than an individual. KT will intensify its networking and collaborating skills in order to become a CSV which can solve social problems." – Lee Soek-Chae

Mainly, in order to systematically change employees' individual volunteering to a group volunteering system, in 2001, the Love Volunteering Group, a volunteer group for employees was formed. This volunteer group was steadily developed and in 2012, there are approximately 400 teams all over South Korea, and they have volunteered 3,633 times and 155,000 hours. The group has 31,061 members and has performed 1,142 various activities. Moreover, the "Children Love Enterprise Network," 'Dream Together,' which aims to make a better world, volunteers to help those in need in society; these include, Social Frontiers and 'Olleh' University Volunteering Group among others.

KT, which considers its core competencies to be IT-based CSR activities, is widely performing social work. With the advent of state-of-the-art IT equipment generated for a new form of digital divide 'Smart Academy and smart sharing in the warm Smart World combine "to create a leading representative of the KT sharing activities." In addition, the aging society and the lives of retirees will be able to find a second for the next three years with a total of 10 million retirees and the use of IT training for 10,000 people for the opportunity of sharing talent using the "Dream Teacher" program.

Music related cultural business is closely related to KT's identity as the carrier's main goal is to contribute to the goal of spreading 'sound' to the world. For example, Ole Square Chamber Hall's concert admission revenue was used by 'KT Finding Sound,' which is a branch that supports deaf children.

In addition, KT founded the sports teams such as a professional basketball team, professional baseball team and professional video game team. KT has been contributing to the development of amateur sports and cultural development by discovering and developing future prospects. Moreover, to expand the base of unpopular sports, KT is operating female hockey athletes and fire players, since 1984.

Through these social contributions, KT is recognized as a brand of authenticity, based on the company's core competencies and expertise in social contribution activities through a consistent and persistent mission on behalf of stakeholders.

6.3. KT, Striding forward in Customer Communications

KT created the industry's first social media team in Korea. Currently, KT uses various SNS channels including Facebook, Twitter, google+, YouTube, Pinterest and blogs, to achieve ongoing meaningful customer

communication in the PR, Marketing and CS fields.

KT's SNS communication was initially composed of information content, but steadily and gradually evolved with the continued creation of participatory and empathy-inducing contents. KT maintains its position as a leader of Social Media PR and Marketing through campaigns such as the social photographer campaign 'I am a Photographer', the Korea telecommunications chronicling campaign 'Korean Telecommunication Chronicles', the participatory diary making campaign and the '2013 Social Digital Diary.'

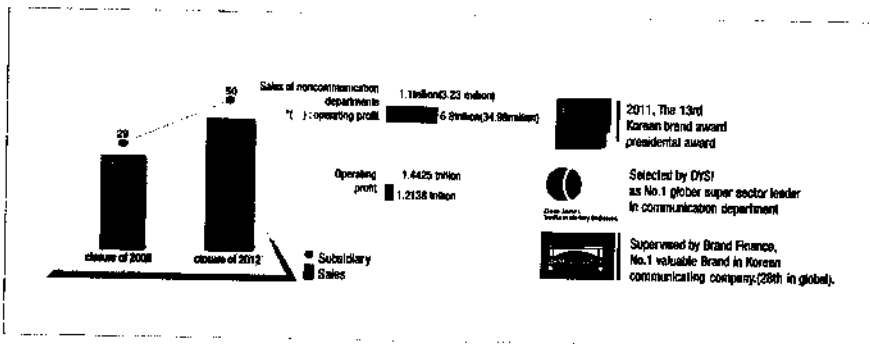
Also, in the CS field, KT has expanded its SNS CS channel to include Facebook and is processing an average of a thousand customer enquiries daily. This was also linked to the 'olleh 24h' campaign, and earned much customer applause. Thus, KT's social media is a real-time expanded platform with a high communication efficiency and network strength, continuously strengthening customer relationships through the integration of advertisements, brand, and promotion.

Such communication methods are with no doubt the ruling factors behind KT's numerous nominations in the National Customer Satisfaction Index (NCSI) as 1st place in the Hi-speed internet/IPTV/International calling category, the internet phone category for 2 consecutive years, the local calling category for 7 consecutive years, and the long-distance calling category for 13 consecutive years.

7. Conclusion and Future Recommendations

7.1 KT's Integrated Brand Strategy

The negative publicity is still not figured out about KT. So, the status of KT is inefficient like dinosaurs of ICT industry. Therefore, KT still remains in second, always hidden behind the industry leader brand 'SKT'. However, KT has become a no.1 Korean brand in the communication industry. "What did KT do to be reborn as a world-class brand?" The question was the reason why we are in this study.



As discussed above, KT has been progressing in building a consistent brand of 'Products, organizations, individuals, symbolic' dimensions, with the inauguration of then-CEO Lee Seok-Chae in 2009, who declared "Olleh management." And four years later, KT is called the 'Innovative global leader in ICT convergence', recognized for its global value. The brand building strategies of KT have been the best example of brand strategies. Especially, they show that we should manage brands in a wide enterprising level with a long-term perspective, rather than being limited to simple and partial marketing activities and outward behaviors.

7.2. Recommendations for KT's Future: "Beyond the First Class, to be Reborn as a Great Company"

Then, what should KT do to go beyond a first-class brand? Here are three suggestions we add to finish this study.

First, KT should strengthen global capacity. The domestic telecom market is already in a mature phase. And there is a clear limitation in expanding its scale. Because of this, the importance of the global market has long been emphasized and KT tries to create a smart Northeast ecosystem in cooperation with China (China Mobile) and Japan (NTT

DoCoMo).

In addition, then-CEO Lee Seok-Chae, recently attended the African summit innovation held in Rwanda. He tried to advance KT to the African continent, and signed a contract with five Asian countries (India, Vietnam, Philippines, Laos, and Cambodia), showing vigorous global expansion moves.

But in 2007, a subsidiary of KT, the Russian Maritime Provinces NTC (New Telephone Company) had only surpassed 1 million contributions to society with the best selection of companies, other than the noticeable achievements. KT should be more active in exploiting global markets and creating a revenue model. It will strengthen the brand identity as a global leader.

How KT can be a great company over good companies?

- Strengthening of Globality
- Brand integration between communication and noncommunication area
- Complete independence from Governmental forces.

Second, the integration of the communication and non-communication department is necessary. Since then-CEO Lee Seok-Chae had taken over KT in 2009, KT had been continuing to expand its capacity to non-communication sectors to be an ICT convergence leader.

As a result, in 2012, sales and operating profit of non-communication group companies has grown up to 252% and 381% respectively, compared to 2009. Moreover in 2013, KT also reaped the sustainable growth in non-communication sectors, unlike the communication sector. However, when viewed from the perspective of a brand, the convergence and synergy effect between the communication and non-communication fields is questionable.

With the change of CI, KT has succeeded in grouping its subsidiaries into a single integrated visual. But customers still only think of KT as the only company with excellent communication skills. And these innovations in the communication sector are not leading to the expansion of the non-communication sector. So, KT should deliver its values to the customers: how they create synergy effects and how they converge into one brand. Thus, not as a simple communication brand leader, KT should

be stamped as an ICT convergence leader to the public.

Third, KT should achieve complete independence from the government. Although KT was privatized in 2002, more than 10 years have passed already. But KT is still considered to be actually non-privative. With the redemption of the president Nam Jung-Su in 2008, the recent resignation of then-CEO Lee Seok-Chae shows the matter of intertwined human resourcing and governmental forces in KT.

This KT is not entirely free from the government from time to time and became the subject of political controversy. And KT has long been pointed out frequently because of unfair personnel practices, in particular, the process of replacing the head who had been the representative of corruption, embezzlement and breach of trust. Those numbers of allegations have led to distrust of the management brand reputation, which has caused the decline of brand trust.

Thus, KT needs to be independent from the government and the political regime. The first step is to not be affected by those practices, with human resource management. Through these, KT should not depend on the government to ensure the takeovers, in order to be born again as a trusted brand.

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"I dream to communicate and inspire others around me. I believe in myself and that inspirations can be found anywhere and everywhere."

Case #6. NONGSHIM SHIN RAMYUN

How Nongshim Shin Ramyun Has Achieved a Global Success

Jung Hye-in, Peking University
Yang Hye-jin, Peking University
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Contents

1. Introduction
2. History and Challenge of Shin Ramyun
3. Market Condition at the Launch of Shin Ramyun and Its Marketing Strategy
4. Turning Points
5. The Success Factors
6. Proposed Marketing Strategy
7. Conclusion

Editors' Note

Nongshim is the name of one of Korea's biggest food companies. A central part of its domestic and now global growth has been the introduction and sales of Shin Ramyun (sometimes spelled "Ramen" in western countries). Ramyun is a spicy, well-seasoned noodle dish, which is very simply prepared with hot water, making it a convenient, healthy and relatively inexpensive fast food that is now popular all over the world.

Executive Summary – Nongshim Shin Ramyun

The Chinese call it noodles, the Japanese call it ramen, the Italians call it spaghetti while Koreans call it Ramyun. Since the difficult times of the 1960s in Korea, Ramyun has become the national food loved by people of all ages and both sexes. As a national food, Ramyun has been gradually standing out; thus, the Ramyun market is becoming highly competitive. Each year, a variety of new products appear; in order to survive the competition, many brands improve their existing products and focus on developing new products. In this red ocean, interestingly, Shin Ramyun continuously ranks first.

In the 1980s, Nongshim, a Korean food company, surpassed Sanyo Ramyun, which was the earliest ramyun at that time with AnSungTangMyun; thus its market share ranked first. However, Nongshim conducted continuous research in order to keep its first place. Shin Ramyun came to market in 1986. At that time, Shin Ramyun differed from other Ramyun with its beef soup and spicy taste, and launched an arbitrary selection and other selections. At first, in 1989, with the industrial tallow disturbance of Sanyo Ramyun, Shin Ramyun taking the high-end route attracted tremendous attention naturally and finally became the national ramyun. However, the turning point we observed is the so-called IMF foreign exchange crisis. Despite the circumstance of economic recession, Nongshim did not cut down production, but built up advanced factories in Europe and the USA. Furthermore, Nongshim marketed actively and reached its highest sales.

Nongshim Shin Ramyun continuously ranks as the first in the domestic ramyun market and strengthens its position overseas now. Taking 2012 as an example, the cumulative sales of Shin Ramyun reached 22 billion packages. Its total revenue in one year reached 206.22 million dollars, and rose by 19.49 million compared with last year. This presentation highlights the success factors on how Nongshim Shin Ramyun has achieved such unimaginable success.

Key Words: Nongshim Shin Ramyun, Food Company, Instant Noodle, Ramyun

1. Introduction

Brand Stock is a professional organization for brand value evaluation. For the 2012 food brand value evaluation, the BrandStock Top Index (BSTI, BrandStock Top Index, 1000 points as full mark) of the Korean Nongshim Shin Ramyun is 906.44 points. With the slogan of “spicy taste loved by Koreans”, Shin Ramyun has won the love of consumers since its launch until now and has become the first brand in the national ramyun industry.

When launching, Nongshim created high-end value in advance; the setting launched price was twice that of its competitor Sanyo Ramyun, aiming to launch the brand of “Shin Ramyun.” Later when Nongshim entered the overseas market, it also tried to take the high-end route and took the first step into overseas markets in 1996 with the Chinese market as a goal. Currently, Shin Ramyun has done marketing suitable for each country in overseas areas like Europe, the Middle East, Southeast Asia, among others. As a result, the overseas sale of Shin Ramyun reached about 0.2 billion dollars last year, and increased by 14% compared to the 0.17 billion in 2010.

Shin Ramyun takes quite a lot of effort to attain such a scale. This paper performs a case study on the success of Shin Ramyun in the domestic market and world markets and analyzes Shin Ramyun’s unique success factors: specific sporting and aggressive marketing and marketing catering to the trend of the times. The price of Shin Ramyun is higher than that of other brands and its branding strategy is magnanimous; thus, it fully meets the requirements of the consumers. The success of Shin Ramyun results in the communication with its consumers; therefore, after a period of time, Shin Ramyun has won the trust of the consumers and formed brand power, thus becoming the national ramyun.

This paper surveys the case of Shin Ramyun as a unique brand to conduct “high-end oriented” marketing in the ramyun industry and its black marketing and suggests that creating premium value is very important for an enterprise.

And lastly, this paper surveys and analyzes Shin Ramyun’s crisis response strategy and existing marketing to explore its new development strategy. This paper draws the outline of the future development blueprint with reference to the past and present of Shin Ramyun. It is favorable for the authors to know the domestic brand power and the importance of value, and has a profound significance.

2. History and Challenge of Shin Ramyun

Nongshim Co., Ltd. 1 set up Lotte Industrial Co., Ltd. as parent company with 5 million dollars in September 18, 1965. Daebang factory in Seoul was completed in January 1966 to officially start ramyun production. In the late 1970s, Nongshim Shin Ramyun had a certain reaction and occupied a certain position in the domestic food industry. In 1978, the company name was officially changed from the original Lotte Industrial Co., Ltd. into Nongshim Co., Ltd. It developed the earliest domestic instant noodles with soybean paste. In the 1980s, the company gradually expanded investment in equipment to promote the modernization of its production system, and what's more, the research and development has brought about great achievements, with so many efforts such that today's Shin Ramyun comes into being.

The birth of Shin Ramyun is as follows. Nongshim leaps to the first place with AnSungTangMyunas a new ramyun is needed to develop in order to keep its first place. Nongshim put the hope of its masterpiece on the new product, so 0.8 billion packages of Shin Ramyun are sold in one year; Shin Ramyun is thus the protagonist of myth as well as the dutiful son product of Nongshim. Since its launch in 1986, Shin Ramyun has sold 20 billion packages in total, with about 0.8 billion in one year at home on average; the average sales in one day is 3 million packages, ranking first in individual ramyun consumption and occupying 25% of the Korean ramyun market sales.

Shin Ramyun uses beef soup as a major ingredient, mixes vacuum-concentrated beef powder with various natural condiments and is made by spicy beef soup coming from authentic home dishes. The special reason for Shin Ramyun's launch is that the majority of the ramyuns at that time are original taste; thus Nongshim grasped the needs of the consumers and according to the market trend to put forward spicy ramyun, which was of great risk as well as a challenge for Nongshim of the day. Shin Ramyun differed from ramyun of other brands with its spicy taste, and tried to take the high-end route as the ramyun price at that time the price of Sanyo was 100 won while that of AnSungTangMyun was 120 won; thus the price of Shin Ramyun is twice of that of its rival - 200 won, thus forming an image of high quality. Its sales rose up quickly after its launch; the quarterly sales in the first year after launch reached 3 billion won. With 46.2% market share in 1986, 53.2% market share in 1988 and 58% market share in 1989, the quick development of Shin Ramyun made Nongshim the leader of ramyun industry. During the Seoul Olympic

Games period in 1988, Nongshim was selected as the official enterprise for ramyun provision, which fully established Nongshim's status in the ramyun industry. Shin Ramyun developed into a famous brand in the ramyun industry.

However, the prosperity of Shin Ramyun decreased with its launch of clear soup ramyun in 2012. This is mainly because of change of consumer's taste and the limit of domestic market development, as well as that Shin Ramyun did not accurately grasp the trend of the consumers. The quick contraction (over 10%) of the domestic market with a scale of 1900 billion won per year also made a great impact. In the past, each citizen eats one package of ramyun every 5 days on average; now each eats one package of ramyun every 6 days, the sales dropped significantly, in addition, because of the gradual diversification of the types of instant foods, the continuous threats of its competitors and the change of the consumers' taste.

Shin Ramyun, which was gradually forgotten by the consumers, returned in 2013. Shin Ramyun took back the first place in domestic ramyun sales and has remained the first and occupied 25% domestic ramyun market share so far. In the "100 Brands of Republic of Korea in the Second Quarter of 2013" released by BrandStock in July 1, 2013, Shin Ramyun ranks 12th and first in the food sector. Shin Ramyun was also awarded as the most popular ramyun in the whole country. According to the "Nationwide Ramyun Popularity Guide" analyzed by the AC Nielson ramyun sales data, the sales of Shin Ramyun now ranks first in 8 of 9 regions in the country.

Shin Ramyun has taken on an impetus to wipe out the humiliation of 2012 to expand its sales scope to over 80 countries overseas. The reason of Shin Ramyun's high popularity is sticking to "Korea's spicy taste" all over the world, which is the focus of Nongshim Shin Ramyun's marketing strategy. From the sales of Shin Ramyun in the Chinese market, it fully takes advantage of its spicy taste. The sales of Nongshim are about 0.12 billion won, and plan to reach 0.165 billion won by the end of the year. Shin Ramyun is the first ramyun brand selected as the plane snacks for American Airlines, which has caused great repercussions in Europe. Shin Ramyun wins high popularity in Islamic states, in fact, Muslim Shin Ramyun's sales rose quickly around September as Muslim Ramyun mainly aims at the countries in Islamic cultural circles, it is a kind of Shin Ramyun made by soybean protein soup. With an aggressive marketing strategy that conforms to the local conditions and ramyun with specific Korean spicy taste, the export amount of Shin Ramyun in the

first half of this year has reached more than 1 million dollars; this is also called the “Oldies but Goldies” marketing strategy. Shin Ramyun sticks to the Korean spicy taste, at the same time, it respects the culture of each country; this marketing strategy is of full research value and thus it deserves to be called “KOREA NO.1” brand.

3. Market Condition at the Launch of Shin Ramyun and Its Marketing Strategy

3.1. Market Analysis of Each Year

Because of the cereal underproduction in 1960s, the domestic food was not self-sufficient. As a part of encouraging a mixed diet, Sanyo Foods received the government subsidies in order to solve the problem of food shortage through the technical cooperation with Japanese Myojo ramyun. On September 15, 1963, Sanyo launched the earliest domestic ramyun-Sanyo Ramyun; by the end of 1970s, Sanyo Ramyun remained the leading brand in the domestic ramyun market. Two years after the launch of Sanyo Ramyun, Lotte Industrial (Nongshim) first used beef soup to produce Lotte Ramyun, gradually activating the domestic ramyun market. In the 1970s, with Sanyo Ramyun and Lotte Ramyun as the leader, all kinds of ramyuns came to market and ramyun gradually became the representative instant food for the consumers. In the ramyun market at that time, Sanyo and Lotte Industrial (Nongshim) formed a competitive situation. Sanyo, owning solid brand image, occupied 70% of the market share, obtaining absolute advantage; however, Lotte Industrial, as the successor, fought to occupy the position of Sanyo Foods. “Beef Ramyun” launched by Lotte Industrial in 1970s had high popularity together with smooth financial flow, it gradually took a place in the ramyun industry. Later in 1975, the advertising copy of “elder brother first, younger brother first” was released. The advertisement of Nongshim Ramyun caused great repercussion; thus the trade name of the company was changed into Nongshim, advancing towards the leading position in the ramyun industry.

In the 1980s, because of the modernization of core technology and production technology in technological development, the ramyun industry developed rapidly. The successor ramyun brands (Nongshim, Xizizi, Yakult, and Ottogi), which fully met the diversified and high-end oriented requirement of the consumers came to market continuously and formed tension for Sanyo Foods. Nongshim made sure to differ from other companies’ products and to enhance competitiveness while Sanyo

Foods focused on improving the quality of Sanyo Ramyun but ignored the launch of new products. The attack of the successors made Sanyo Foods to fall behind in the competition, the tallow disturbance in 1989 made things worse for Sanyo Foods. Nongshim, as the up-rising enterprise, gradually became the leader of the ramyun industry. The spicy taste put forward by Nongshim in 1986 decisively increased the winning index of Nongshim to make it the No.1 brand in the ramyun industry.

In the 1990s, with the rapid expansion of western food culture and the generalization of a dining out culture, box-packed ramyun and functional ramyun came to market in quantity. Most of the ramyun brands focused on developing new products of high quality while seeking for the development of ramyun's quality and quantity. In the 1990s, with Nongshim as the center, not only all kinds of product containers sprung out, but also a lot of none-fried healthy noodles like frozen noodles and raw noodles as well as various products showed up in the market to activate the ramyun market. Especially in 1998, the scale of the domestic ramyun market reached 1 trillion won. The 1990s was also the period of ramyun entering the overseas market. Nongshim exported ramyun to Shanghai and Qingdao of China from the 1990s. Paldo Food also started to provide ramyun to Asian markets, gradually entering the leap period in domestic ramyun history.

In 2000, the ramyun market began to focus on the physical health of the consumers, to decrease calories and to reduce chemical additives, aiming at making healthy and high-end ramyun products. According to the current market situation and in order to meet the health requirements of the consumers, Nongshim aimed at developing and launching all kinds of products that conform to the market trend. Sanyo Foods also pushed forward "delicious ramyun" with over 60 healthy materials and functional material. In 2000, Sanyo Foods launched products favorable for the consumers' body.

In 2010, through the TV program "Qualification of Men," Goo Goo Ramyun attracted the attention of the citizens, spawning a trend of clear soup ramyun. Goo Goo Ramyun's sales never fell since its launch. The sales of November in 2011 reached over twice of the sales of the first Shin Ramyun at home. Then there appeared many competitive brands, like Zangpeng, Noodles with Shredded Chicken, among others. The market for clear soup ramyun became more competitive than ever. However, because of the social-economic recession, the consumers diminished their desire for trying new tastes and began to choose the familiar spicy ramyun, the clear soup ramyun boom faded away quickly.

Therefore, the market share of Shin Ramyun took on a quick recovery trend and Shin Ramyun was also identified as the stronger product in the ramyun industry.

3.2. Successive Rivals

Sanyo Foods launched the earliest ramyun at home in 1963 and became the leader of the ramyun market. But since the 1970s, Nongshim, as the successive enterprise, launched all kinds of new products and began to overwhelm Sanyo Foods. The beef ramyun launched by Nongshim in 1971 won high popularity with 23% market share, and it launched Nongshim Ramyun in October 1975 to gain a leap in development. With the investment in equipment, modernization of production systems and automation of its business, Nongshim strengthened its production and management systems and developed new products. Nongshim with a continuous rising trend launched AnSungTangMyun in the early 1980s, which drew the attention of the citizens and ranked first in the ramyun industry, thus surpassing the market share of Sanyo Foods.

Nongshim sped up the development in the ramyun market with the launch of new products; meanwhile, it needed to increase its strategy and competitiveness. Through thorough prior research, Nongshim grasped the favorite and commonly selected taste by the Korean to launch new spicy Shin Ramyun. The powder soup bases contain all kinds of dried vegetables, chili powder and dried seasoning, thus becoming brand soup bases with certain competitiveness, which differed from other ramyun and raised the ramyun flavor to new levels. What's more, in order to manifest the specific spicy taste of Shin Ramyun, Nongshim researchers made efforts to develop the chili material for over one year, to analyze all kinds of materials and to mix ingredients again, then to mix the noodles with spicy soup. At that time, the majority of the ramyun market was ramyuns with thick soya bean taste and some original tastes (milk ramyun, beef ramyun and Sanyo Ramyun). Shin Ramyun thus stood out with its specific spicy taste, meeting the requirements of the consumers, receiving high popularity among the Korean consumers, its sales continued to rise after its launch; the quarterly sales of the first year after launch reached 3 billion won.

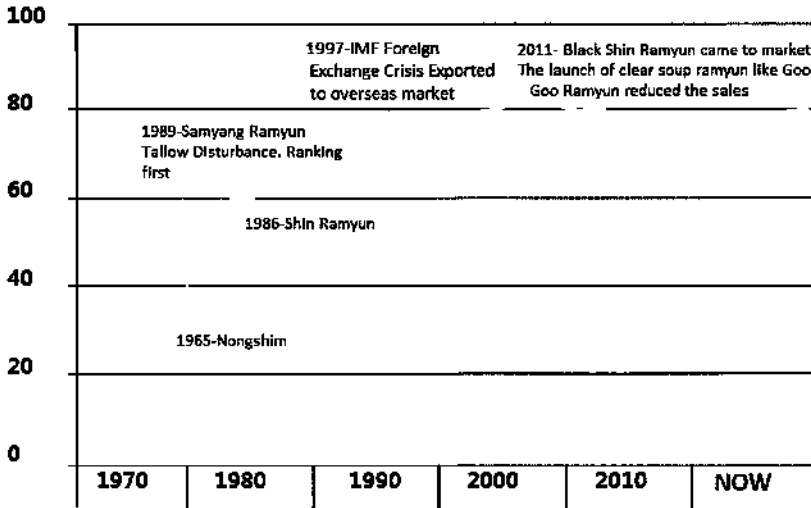
Compared with ramyun of other brands, Shin Ramyun had different quality and a high-end image; it was launched with a high price. Despite its high price, the sales of Shin Ramyun continued to rise. The reason was that it provided Korean traditional spicy ramyun to meet the needs of the consumer while launching a product of high quality.

FIGURE 1. Ramyun Market Share in 1985



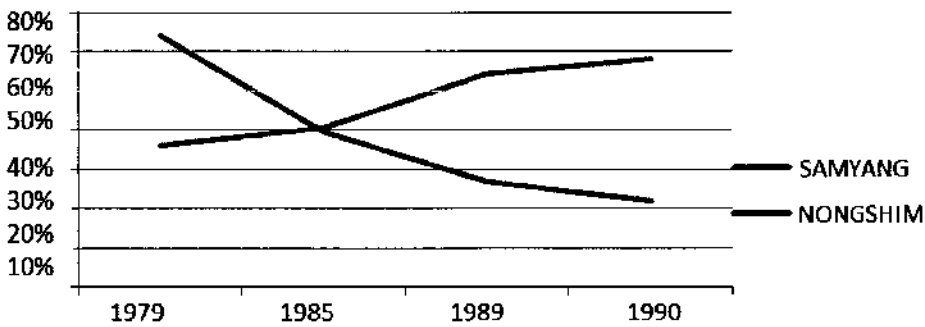
Shin Ramyun was firstly launched in 1980s, when the economy developed quickly and the citizens' problem of food and clothing had been solved, at that time, the consumers gradually changed their view on ramyun and the original substituted food was gradually changed into snacks. Therefore, the consumers began to pursue ramyun of new tastes, competitive brands like Nongshim, Ottogi, Xizizi, and Paldo Food and others and, launched new products so as to meet the requirements of the consumers. After the launch of Shin Ramyun, its rivals launched various new products like WangGaiZi, sesame ramyun, spaghetti, hot ramyun, twist ramyun, spicy soybean ramyun to win the love of the consumers, but Shin Ramyun won high popularity with its epoch-making marketing strategy to become the national ramyun.

FIGURE 2. History of Shin Ramyun



On the other hand, Nongshim developed and launched all kinds of new employees were laid off and the factories suspended production; market share fell down quickly. Taking this as an opportunity, Shin Ramyun developed into the first place in the ramyun industry and has won the love of consumers until now.

FIGURE 3. Ramyun Market Share of Samyang and Nongshim



3.3. Marketing Strategy

- 4P Analysis

① Product

Different Design and Taste

When Shin Ramyun was launched in 1986, the majority of the ramyun brands at that time were material or company name-oriented, like beef ramyun, Sanyo Ramyun, and pickle ramyun. Shin Ramyun broke the traditional concept. The health legislation of the times stipulated that the borrowed word on the food package should be smaller than Korean; Nongshim applied for a law revision and gained a license for change to explicitly express the product concept of spicy taste and become the world brand. Therefore, the “Shin, which means “new” in Korean,” in Shin Ramyun was emphasized in Chinese characters to define the brand concept and deliver a high-end image. Red and black were used as the main colors to help the consumers fully recognize the spicy taste of the product as well as make the product stand out when displayed in stores.

The spicy taste – the core competitiveness of Shin Ramyun - not only drew great attention at home, but also was insisted on in overseas market. The spicy taste in foreign diets is hot, but Korea’s spicy taste is a mixed taste fermented from chili sauce.

The spicy ingredients in Shin Ramyun are (1) Paprika, (2) Spicy flavor powder, (3) Garlic fermentation seasoning powder, (4) Extract of capsicum, (5) Ginger Extract, and (6) Chili powder. Most of the materials are used to make pickles, so it has a traditional Korean spicy taste. Moreover, Shin Ramyun stuck to using beef soup as soup bases. Shin Ramyun not only stuck to the traditional Korean spicy taste, but also introduced Korean food to the world.

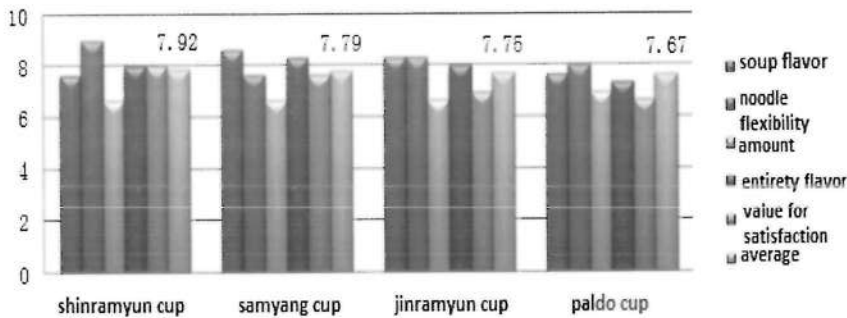
Shin Ramyun developed and launched special products while sticking to the traditional Korean spicy taste, that is, to launch marketing activities on the basis of the “Oldies but Goldies” strategy. Nongshim classified the overseas market according to the region, race and religion and launched Muslim Shin Ramyun for Muslims. Grasping the taste of Muslims, now Shin Ramyun exports Muslim Shin Ramyun to nine Islamic states such as Indonesia, Saudi Arabia, Qatar and UAE. The sales of the first half year of 2013 reached 1 million dollars. Shin Ramyun sticks to the spicy taste, through market segmentation, according to the rising food needs during the Islamic festival of Ramadan; thus, Shin Ramyun has implemented aggressive marketing and achieved great success. New shrimp tasting

Shin Ramyun, combining Korean spicy taste with shrimp flavor, are also invented for those Chinese who cannot accept a strictly spicy taste. Shin Ramyun takes corresponding solutions in accordance with the situations of different countries. The market segmentation and traditional Korean taste of Shin Ramyun have thus made great achievements in overseas markets.

Container Ramyun

Dissatisfied with the status quo, Shin Ramyun conducted market analyses continuously. Given the unhealthy living habits of some contemporary people, Shin Ramyun has launched container ramyun, thus expanding the brand influence. Taking the shortage of bagged ramyun's limit by time and space into account, box-packed Shin Ramyun cannot be limited by any space and can be consumed instantly and easily. In July 2008, during the Sports Seoul, box-packed Shin Ramyun functioned as the domestic provider of box-packed ramyun. The result of the comparison with four other products (box-packed Shin Ramyun, box-packed Sanyo Ramyun, box-packed Jin Ramyun, and Paldo Food box lunch) showed that box-packed Shin Ramyun scored 7.92 points with the full marks as 10, ranking first.

FIGURE 4. Comparison and Evaluation of Domestic Representative Box-packed Ramyuns



In May, 2013, Nongshim's box-packed Shin Ramyun was selected as the plane snacks by American Airline one of the largest in the world. With no passenger differentiation, American Airlines provides Shin Ramyun as the plane snacks, serving over 5,000 box-packed Shin Ramyun each month. Later, Shin Ramyun was also selected as the plane snacks by many airlines, like Korean Air and AirAsia Airline, Air France, British Airways, Hawaiian Airlines and Cebu Air.

TABLE 1. Comparison between Shin Ramyun Packages of Korea, China, and Japan

| | Korea | China | Japan |
|----------------------|---|--|--|
| Seasoner | Mushroom, green Chinese onion, carrot soup powder | Consumption fork, mushroom, carrot, green Chinese onion, soup powder | Richer mushroom, green Onion, carrot, egg, soup powder |
| Ramyun Volume | 44g | 65g | 61g |
| Price | 800 won | 4 yuan (760 won) | 100 ¥ (1140 won) |

When entering the overseas market, box-packed Shin Ramyun still sticks to the Korean spicy taste and conducts the Oldies but Goldies marketing strategy. According to the local situation of each country, the spicy strength is adjusted, especially in Japan, where box-packed ramyun wins overwhelming support so the product is more high-class than those in other countries. The price of box-packed Shin Ramyun in Japan is higher than that of other countries, emphasizing the differentiation of the quality. Not only seasoning eggs is added in the soup, but also the quantity is larger than that in Korea, conforming to the local situation.

Food Hygiene and Food Safety

Shin Ramyun pays attention to food hygiene & food safety while emphasizing the product design, taste and container, deeply realizing the responsibility of the food manufacturing industry, Shin Ramyun aims at providing safe and sanitary products for the consumers. Because a food safety incident is the main factor for the plunge of brand value, most enterprises pay much attention to sanitary control. According to the current situation of the market, Nongshim sets up an exhibition room for displaying ramyun and fast food and works hard to ensure the professional building of food manufacturing, which not only improves the efficiency of food manufacturing but also further strengthens food hygiene. From February, 2007, Nongshim declared MSG FREE - no longer using any MSG, and using additives extracted from natural raw materials to improve the food safety. Although MSG is a food additive (chemical seasoner), excessive intake will lead to all kinds of side effects like headaches, nausea and powerlessness, it is a kind of hazardous substance that does harm to the human body. Shin Ramyun not only takes

full account of food hygiene, but also takes the health of the consumers into account; thus, it is trusted and loved by the consumers. Since consumers recently put increasing emphasis on their health, Shin Ramyun significantly reduces the content of sodium and invented Muslim Shin Ramyun for the Muslim, focusing on providing healthy and tidy food. Nongshim aims at providing more sanitary and safer products to the consumers, running a “consumers-trusted” program.

Consumers-trusted program strengthens food safety by upgrading the production plants, declares the food hygiene claim clause and forms the “consumer reception modernization” program to ensure food safety. Through consumers-trusted program, all crafts in product manufacturing are managed and improved to enhance the trust of the consumers. In consumers-trusted program, a Food Safety Consultative Group is set up to guarantee the smooth operation of the program.

② Price

In 1986, taking high-end quality as an advantage, Shin Ramyun entered the Korean market with a price higher than rival ramyun. At that time, the prices of other ramyuns were between 100 and 200 won; Shin Ramyun adopted a high price strategy to set its price as 200 won, emphasizing its high-end image. In the early 1990s, because of the economic recession and the tallow disturbance in the domestic market, Sanyo Foods launched high price ramyun priced at 300 won to respond to the interruption of production. The high-end strategy of Shin Ramyun gradually showed its boundary. Other rival companies launched high-price ramyuns; however, Shin Ramyun adopted the high-end strategy from the start-up stage and raised the overall standard price in the ramyun market. With the disappearance of its price competitiveness, Shin Ramyun no longer needs to emphasize its high-end image. Therefore, Shin Ramyun gradually got rid of the image of a high-end ramyun, did marketing orientation with kinder image and began to conduct marketing of its market positioning. It took the images of common citizens as advertising spokespersons and began to approach the consumer. Shin Ramyun did not want to approach the consumer with an image of an abnormally high price, different from the initial prediction of Shin Ramyun and the friendly Korean spicy taste made Shin Ramyun the national ramyun. Consequently, Shin Ramyun was listed as MB index centralized management items in 2008 and selected as a strong brand in a depressed economy according to the BSTI (Brand Stock Top Index) released by BrandStock, which means Shin

Ramyun had changed into a national ramyun from high-end ramyun.

At present, when entering the global market, Shin Ramyun takes the original high price policy and the price of Shin Ramyun in overseas market is a little high. Especially in the Chinese market, it is selected as the main target by about 60 million upper-middle class consumers. China is the largest producing country and consumption country of ramyun, occupying 50% of the ramyun throughout the whole world. With the development of the Chinese economy, the relevant need for food processing industry is increasing quickly. Since it is predicted that the consumption of high-quality products will go up, Shin Ramyun is targeted to the high-income people. The high price strategy of Shin Ramyun runs counter to the low price sales mode of most Chinese rival brands. The prices of ramyuns in Chinese market are 1-2 won on average while the price of Shin Ramyun (bagged) is 2.8 won, higher than other. Shin Ramyun takes low price route and chooses the marketing strategy of strengthening its competitiveness by raising brand profile and product strength, which differs from other foreign ramyun brands.

On the other hand, in 2009, Nongshim made a dollar exchange comparison aiming at the prices of one package of Shin Ramyun in ten countries and published the comparison index. According to the index, around the world, the country with the highest Shin Ramyun price was Germany; compared with that of Europe and the United States, the price in Asia was relatively low. With the Shin Ramyun index, Nongshim estimated the price standard and appropriate exchange rate of each country to know the world market changes reflected by Shin Ramyun in advance.

③ Place

Build Safety System by Strengthening Distribution Process

In 2008, because of the foreign body disturbance like rat head shrimp strip, cockroach Shin Ramyun, moth Lo mein, among other food scares, the Korean consumers paid more and more attention to food hygiene and safety. Most of the food safety incidents took place in the manufacturing and distribution process, so in order to improve its distribution structure and ensure safe distribution network, Nongshim spent the budget of 40 billion won on items like zero claim, customer reception modernization, upgrading of production plant, and innovation in freshness management from the production link to the distribution link such that problems should be reduced as much as possible to run a “consumers-trusted program.”

Firstly, in order to strength food hygiene and safety, Nongshim added 19 foreign body check machines in the production area on the basis of 92 ones and improved and intensified the function of foreign body check machines. Nongshim made all efforts to ensure food safety and invented another new machine in May 2013 to testify to its food safety. A system that can record all videos of the production process and distribution within the most recent 6 months was set up to minimize the claims. Meanwhile, the food safety system of the suppliers providing soup powders and dried seasoning was reinforced; a HACCP system was introduced to develop safe cooperation system continuously. HACCP analyzed relevant factors of the material needed in making food, the production process, water, distribution process and consumer's food intake process and established key management standards. HACCP also made a comprehensive and thorough management system for food hygiene. By the above ways, Shin Ramyun reduced the doubts of the consumers on food to prevent food safety incidents in advance.

In addition to the foreign body check system, Nongshim introduced a check system applied in product checks aiming at manufacturing date, package weight and product knowledge checking and brought in its own proprietary technology to store the whole X-Ray video of products, and production comprehensive operation management systems like 24-hour foreign body tracking, HACCP and a comprehensive operation management system. In order to deal with the compensation disputes caused by food safety it quickly and systematically established a "mobile meeting room" that can conduct video meetings. In the case of a claim, the consumers would be responded to within four hours, and measures would be effectively taken to handle the claim dispute. All the efforts Nongshim has since made not only prevents food safety incidents like the one in 2008, but also raises the consumers' trust and brand effect by ensuring a safe distribution process.

Systematic and Wide-ranging Distribution Network

In the domestic market, Shin Ramyun is sold by Mega Supermarket Distribution Chain Corporation operated directly by Nongshim and Nongshim's wide-ranging distribution network like exclusive shops with high distribution proportions. It also possesses the advantage of having distribution within large stores. The firm basic distribution construction of Nongshim fully improves the efficiency of Shin Ramyun's distribution. Through the direct operation of large logistics centers, the inventory can be managed systematically and effectively. The earliest domestic GPS

Automatic Volume Limiter System (AVLS) was introduced, the best delivery route was discovered, the arrival time is automatized thus ensuring the status of preserved running roots, which are monitored, Through all of this, the best distribution effect is achieved, the logistics cost is significantly reduced, and so the price competitiveness is increased.

Nongshim's systematic distribution network is more developed in overseas markets. Especially in Japan, an indirect way of distribution is adopted, selling in large supermarkets and spreading naturally in small and medium-sized supermarkets, which expands the scope of the market gradually. Targeted at convenience stores like 7-eleven, LAWSON, Circle K among others the number of stores that supply Shin Ramyun has increased continuously.

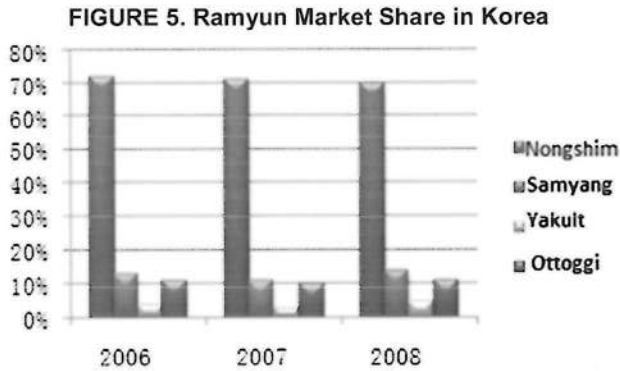
In the United States, Shin Ramyun is fully trusted and has a good reputation, so it signs direct sales agreements with Wal-Mart Supermarkets owning the largest distribution network in the United States to conduct 1:1 direct sales. Because of Nongshim's direct sales agreement, Shin Ramyun sold in Wal-Mart takes the lead in American sales. Based on this wide-range distribution network, the products of Nongshim see a rise in its sales in the United States.

Nongshim has also signed ramyun sales contract with Morrison, one of Britain's four big distribution companies, Migros Group, the largest distribution enterprise in Switzerland, and many airport stores in Netherlands. Nongshim has expanded its distribution network in overseas markets with the aim of increasing the overseas sales of Shin Ramyun. This systematic and scientific distribution network provides impetus for the success of Shin Ramyun, as well as becoming one of the biggest advantages.

④ Promotion

The Promotion Strategy Shin Ramyun Should Take in Ramyun Market

With the popularity of AnSungTangMyun as an impetus, Nongshim jumped to the first place in ramyun industry in 1985. At that time, Nongshim sat in the first place stably, created need continuously, so it needed a strategy that can further drive the market development. Thus, Nongshim was promoted to launch Shin Ramyun. Shin Ramyun defines the market orientation and brand image of a spicy product. Spicy taste catering to the Korean's taste aims at the specific market in ramyun industry, thus becoming the earliest successful case of spicy ramyun. Moreover, the consumers could clearly recognize the product orientation, thus increasing the market sales of Shin Ramyun.



The market share is shown in Figure 5. Nongshim has a stable customer group, occupying 70%, which is the highest. Through promotion, the growth status of market share is observed so as to discuss an appropriate strategy that can ensure Shin Ramyun's highest share. The above-mentioned crises can lead to the decline of Nongshim's market share. So we should deal with the crises and risks to maintaining the market share.

The sales target of Nongshim in 2015 is 4 trillion won, with 500 billion won as profit (profit margin: 12%). On the basis of the slogan: Do Dream World Best, all crises and risk are overcome to realize the company's sale dreams.

Advertisement and Sports Marketing

At the beginning of Shin Ramyun's launch, through the advertisement "Shin Ramyun that makes men cry," Since Nongshim caused the strong reaction of the consumers with the Korean's favorite spicy taste, the universality and worldliness of Shin Ramyun focused on improving the image and status of the leading brand in the domestic market. Actors with kind images (Kang Bu-ja, Choi Soo-jong, Jin-long wan) or sportsmen (Park Ji-sung, Choi Min-ho) were invited as models to shoot commercials, giving the consumer a kind image. Meanwhile, the spicy taste of Shin Ramyun was vigorously promoted in overseas markets. Especially in Chinese market, the slogan of advertisement quoted the sentence of Deng Xiaoping: "The boy who does not eat spicy things cannot grow into a man" to stimulate the sentimental demand of the consumers, thus inducing the consumer to accept the spicy taste of Shin Ramyun quickly. Inviting representative professional football players as models and using aggressive localized advertisement marketing strategy left a deep impression on consumers. When Shin Ramyun firstly entered the Chinese

market, in order to instill the consumer's awareness of boiling ramyun and promote the spicy taste effectively, taste meetings were held in department stores and large discount stores with large floating populations so as to improve the popularity. This aggressive marketing strategy created a different market position in the Chinese market to directly promote the sales. The so-called Hallyu boom, like K-POP, traditional culture spread to Korean food became of the hot trend in Japan, Korean stars like T-ARA, BEAST were invited as models to make TV commercials, which had a good effect in terms of publicity. Korean trade fairs were held to introduce the spicy taste of Korea. Advertisements were put on buses and trains to improve the popularity and brand image of Shin Ramyun.

Shin Ramyun conducts not only advertisement marketing, but also sports marketing to make a publicity strategy and improve the brand value. Shin Ramyun improved its brand influence by being appointed as the official goods of the France 1998 World Cup, becoming the official support enterprise of the national football team and supporting the celebration of World Cup's final 16 teams. This implemented all kinds of promotion activities. In the 2002 World Cup, Shin Ramyun's image was connected with the youth and passion of the consumers for the World Cup, and so a red package was chosen to enhance the brand strength. Since then, Shin Ramyun was positioned as a famous product brand image and its NO.1 brand status in the ramyun market was stabilized, which gave Shin Ramyun an advantage in future ramyun competitive markets.

Donation Marketing

With a firm market positioning, Shin Ramyun has developed into the leading brand in today's ramyun industry. One of the reasons is that Shin Ramyun impresses consumers with its brand image; meanwhile, a powerful marketing strategy helps a lot. Shin Ramyun has adopted donation marketing to improve its brand value and brand vitality. In 1955, Nongshim set up Huayan Foundation, which developed into the Youlchon Foundation and has supported the scholarship career, academic, cultural and research activities as well as organized activities like Love Concerts and Happiness Fund. In November, 2008, Nongshim organized social contribution activities with 1,601 consumers as objects; 88% of the consumers appeared on the scene. Social contribution activities of the enterprise have thus become a necessary element. The Happiness Fund is targeted at its former staff and receives Spontaneous applications to support unfortunate teenagers, people in orphanages and nursing homes

as well as disabled teenagers. Through the Corporation Social Responsibility (CSR), Shin Ramyun has taken on the responsibility of the leader in the ramyun industry and raised the trust of the consumers.

Love Concert, which started from 2000, aims to help the unfortunate neighbors. The concert held by SBS gathers two packages of Shin Ramyun from its customers as an entrance ticket. The donated ramyuns are distributed mainly to the single family heads, elderly people living alone and unfortunate neighbors. By this way, Nongshim makes contributions to society. Through donations, Shin Ramyun indirectly sells Shin Ramyun taking advantage of the consumer psychology that they want to purchase happiness, killing two birds with one stone and obtaining a dual effect. This epoch-making marketing strategy not only drew the attention of consumers, but also showed the brand vitality of Shin Ramyun as the no.1 brand.

- SWOT Analysis

① Strength

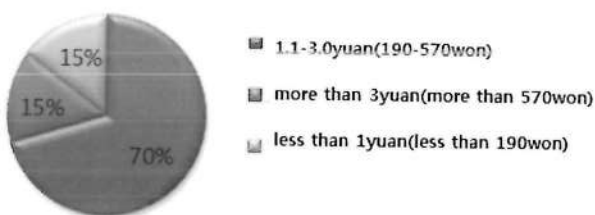
Currently, Shin Ramyun reaches a 25% market share in the over one trillion market; it is the NO.1 brand in the ramyun industry as well as the earliest spicy ramyun brand. The initial market positioning leaves the first impression to the consumers. The spicy taste gives a deeper impression to the consumer compared with product image. When the customers buy products, the first impression becomes the purchase impetus (Trout, Al 2002). Taking advantage of this consumption psychology, Shin Ramyun uses red and black as the main package colors when entering the Korean market to carry out effective market positioning. So Shin Ramyun is more attractive than other goods when displaying; the consumers quickly realize that spicy ramyun equals Shin Ramyun. The Chinese character Shin is used to show the brand characteristics and improve the product image. The firm brand positioning of Shin Ramyun makes it different from other brands and gives it an advantage in fierce brand competition—possessing unshakable strength compared with other ramyun brands like hot ramyun, really hot, among others.

TABLE 2. SWOT Analysis

| | |
|---|---|
| <p>Strength</p> <ul style="list-style-type: none"> - “spicy ramyun” the earliest market positioning - Brand awareness, packaging Distribution - high price policy differentiation marketing | <p>Weakness</p> <ul style="list-style-type: none"> - High price policy - Spicy taste |
| <p>Opportunity</p> <ul style="list-style-type: none"> - Potential in Chinese market - Hallyu boom - Like Korean spicy ramyun | <p>Threat</p> <ul style="list-style-type: none"> - Lose weight, Lohas era - Substituted food appears - Launch of imitation products - Highly competitive ramyun market |

Shin Ramyun owns large logistics center and a wide-range distribution network, introduced the earliest domestic GPS positioning system and enlarges sales through the systematic and scientific distribution network. It also provides impetus for development. Spicy ramyun with certain features like Muslim Shin Ramyun, Shrimp Shin Ramyun have been launched in overseas markets to cater to the local market. “Oldies but Goldies” strategy is adopted to stick to traditional Korean spicy taste and emphasizes the difference from other brands, making it a brand with special competitiveness in the ramyun market.

FIGURE 6. Comparison of Average Ramyun Prices by Chinese Consumers



② Weakness

At the beginning of entering the Chinese market, the high price policy limited the main consumer class to the middle class and the spicy taste was strange to the foreign consumers, both of which were the weakness

of Shin Ramyun. Although the high price strategy helped build a brand image with high-end positioning, it influenced the consumption directly and faces the risk of demand reduction. The average ramyun prices of Chinese consumers are 1.1-1.3 won, occupying 70.4% of the whole. Despite the consumption status in the Chinese market, Shin Ramyun insists on the high price strategy. To ensure successful high price market positioning, the product price should be judged directly by the consumers. Compared with ramyuns of other brands, Shin Ramyun uses ingredients of high quality, emphasizes food hygiene and safety and communicates with the consumers to improve the brand value, which have become the main stepping stones of high price market positioning.

Shin Ramyun keeps the product feature, spicy taste, and carries out all kinds of marketing activities to attract the local customers. In Japan, Shin Ramyun taste meetings are held to introduce the traditional Korean spicy taste to the Japanese who don't like spicy taste. Go Competition is also held in China, sponsored by Nongshim. Finally the weakness of Shin Ramyun is changed into strengths and helps win the love of the consumers.

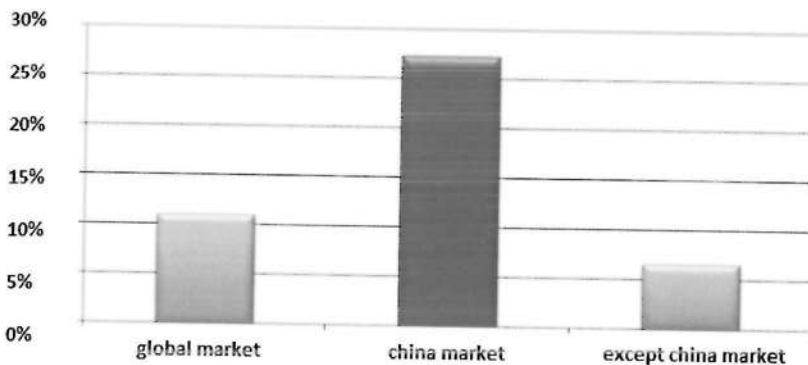
③ Opportunity

In the severe competition with other brands, Shin Ramyun maintains a state of peace and seeks new opportunities in overseas market according to the domestic ramyun market status. Especially with the sustainable development of the Chinese economy, Shin Ramyun notices the increasing demand for processed foods in China and the possibility of ramyun market development. It has entered the Chinese market with a series of aggressive marketing strategies. When Shin Ramyun was exported to China, the growth rate of annual average ramyun market in China was 27.3%; the future direction of the ramyun market is clear, and with China's joining the WTO in 2011, China attracted more and more investment from foreign enterprises to be in a market with unlimited potential. With the development of Chinese economy, the national income level becomes higher and higher, the number of middle class is increasing, demand for high-quality and high-price goods is also increasing.

So Nongshim positions the Chinese market as the most promising market; what's more, the failure of Sanyo's entering the Chinese market provides background information on the Chinese market. Chinese have high reliability and preference for Korean goods, which becomes one advantage of Shin Ramyun's entering the Chinese market. At present, China is the great power of ramyun which occupies 1/3 global ramyun

consumption market and its ramyun market will expand in the future. At the beginning of Shin Ramyun's entering the Chinese market, there were over 100 types of ramyun. However, ramyun was not familiar to Chinese consumers and ramyun design and promotion were insufficient. The appearance of Master Kong, a Taiwanese brand, set off a boom in the ramyun market. United with the uprising brand Uni-President, Master Kong occupied over 70% of the market share in the Chinese ramyun market. In such a situation, Shin Ramyun, as an overseas food, had a high price and low popularity at the beginning. Shin Ramyun insisted on the Korean spicy taste, which is quite different from that of Master Kong, Uni-President, etc., publicized the differentiation and superiority of bagged ramyun through aggressive marketing. The prices in the market were relatively low at that time, so the enterprises could not only save cost but also attract foreign investment, and various legal systems were adjusted oriented at investment enterprise. As the only high-end product in the ramyun market, Shin Ramyun won the love of Chinese consumers.

FIGURE7. Annual Average Ramyun Market Growth Rate in 1990-2001

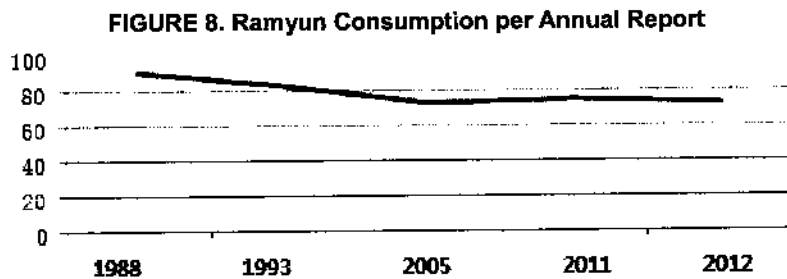


Shin Ramyun tried to enter the Japan market taking advantage of Hallyu like K-POP as an opportunity. Shin Ramyun attracted the attention of more and more Japanese by Hallyu, taste meetings were held to effectively publicize the spicy taste of Shin Ramyun to the local consumers. "Below the Line" (BTL) strategy was also employed to publicize Shin Ramyun, putting advertisement on buses and the logo of Shin Ramyun on the airport luggage carts impressed on the consumers' mind. Through careful analysis of overseas markets, Shin Ramyun with high quality that conforms to the characteristics of Japanese market was launched and improved sales significantly.

The Korean's love for spicy taste provides a good opportunity for Shin Ramyun to become the leading brand in ramyun industry. In 2011, because of the Goo Goo Ramyun boom, the sales of Shin Ramyun declined for a while; however, after selling clear soup ramyun for less than 6 months, the consumers began to seek for spicy ramyun again. The Shin Ramyun regained the first place in the ramyun industry and the sales of clear soup ramyun declined sharply. Through this case, we can see that most of consumers prefer a familiar and favorite taste. The perfect market positioning of spicy ramyun becomes the biggest advantage of Shin Ramyun.

④ Threat

There comes the so-called Lohas boom around the world recently and the consumption of fast food with high calories decreases sharply and the sales of ramyun shrinks somewhat. With the development of foreign food culture, the food that replaces ramyun, like bread, hamburgers and instant food increases gradually. Thus, Shin Ramyun faces unprecedented risk. In fact, a lot of disgust toward the instant food of the consumers comes into being recently in the United States. The performance of fast food enterprises continues to decline. From this case, we can see that the consumers pay more and more attention to health, and so demand for Lohas goods increases and the sales of instant food decreases gradually.



With fierce ramyun competition in the Chinese market, there has appeared some misinformation that a cancerogenic substance was detected from Shin Ramyun. At the same time, imitation products of Shin Ramyun came to market and many rivals held back the development of Shin Ramyun. However, Shin Ramyun maintains its first place in a twenty-year period, which cannot be ignored even in the domestic market. In order to develop into a global brand, enter the overseas markets and

take a place in global K-Food, Shin Ramyun makes perfect marketing strategy in the aspects of Product, Price, Place, and Promotion so that it can achieve today's success. Through systematic market analysis, Shin Ramyun makes up for its weaknesses and grasps the opportunity to improve its competitiveness.

4. Turning Points

If the market positioning is an indication of an industry leader, it will go ahead to possess the market advantage and hold a special position in the deep hearts of the consumers just like a first love, so it is a significant advantage. To be the industry leader requires certain conditions, just like Coca Cola and IBM. As mentioned above, Shin Ramyun is not the first ramyun brand; the first brand in the Korean ramyun market was the Sanyo Ramyun launched by Sanyo Foods in 1963, which provided a good opportunity for Nongshim Shin Ramyun to steadily occupy the first place.

Taking the opportunity of the tallow disturbance, Shin Ramyun leaped to be the first in ramyun industry, which is a large achievement in terms of its financial strength. Being not careful in the tallow disturbance will even be a heavy blow for Shin Ramyun. Palm oil, instead of tallow was used when producing Shin Ramyun, which turned the crisis into a business opportunity. Without the tallow disturbance of its rival, it is difficult for Shin Ramyun to achieve today's results. So when is the turning point?

It is the so-called IMF foreign exchange crisis in 1997. It is possible that many people have doubts as to how the IMF becomes the turning point. In 1998, when Nongshim Shin Ramyun encountered the IMF, different from other companies were on the verge of bankruptcy; and so, its sales went up by about 20%, its debt ratio decreased from 305% in 1997 to 260%, and the sales in December 1998 topped 1 trillion won for the first time; all of these were due to the IMF crisis. At that time, Nongshim began to build up advanced factories in Gumi; all stages in ramyun production realized automation and high efficiency. The factories in Gumi undertook 70% of Shin Ramyun's production (EBN 2010).

Although economic stagnation will lead to consumption shrinkage, the sales of brands familiar to the consumers increased instead. The reason is that the consumers prefer to buy familiar products instead of unauthorized new products during an economic recession. Ramyun products like Shin Ramyun did not invest large amounts in marketing

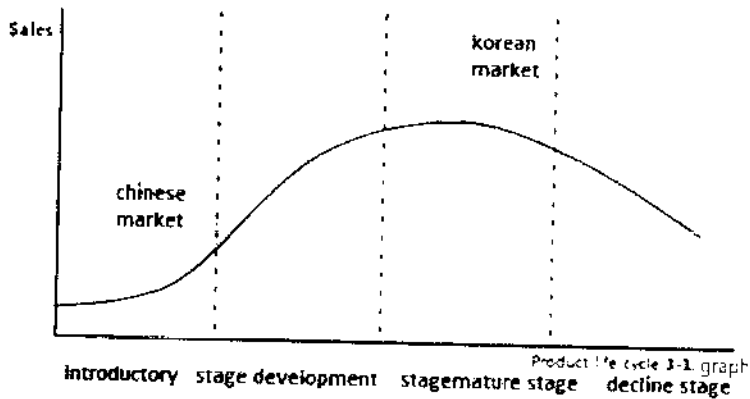
advertising costs, so they gained a certain advantage in the aspect of price competitiveness. In fact, during the IMF era, the selling price of Shin Ramyun was 236 won; on the surface of it, Nongshim Shin Ramyun realized prosperity through the IMF crisis, but it was not.

After the 1960s, the ramyun market developed quickly; the speed of development slowed down in the 1990s, especially after 1995, it showed a tendency of decline. The ramyun sales were 3.79 billion in 1999 and 3.63 billion in 2002, the average annual decline was 1.4%. Thus, there is an obvious boundary in the market itself. In order to survive in this mature market, many enterprises managed with a concentrated effort through strengthening sales promotion and lowering the price.

At that time, Nongshim was fully aware of the limits of the domestic market and began to accept the challenge of the domestic market while maintaining its first place since 1995. Because of the high popularity of Shin Ramyun, there existed a certain boundary even when the sales of new products increased. Thus, Nongshim needed to break the limit. Since Nongshim had occupied a relatively high market share in the small domestic market, it needed to develop new products to create new demand; that is why the research and development costs kept going up. Due to the vast research and development costs, a new consumption market was needed to obtain high interest. Because the main raw material, wheat meal and palm oil, entirely relied on imports, the cost might increase or decrease with the change of the exchange rate; there also existed a remittance risk, entering the overseas market and directly accepting the provision of raw materials would avoid the above problems. As an essential individual proprietorship, in order to change the easeful attitude of the staff, Nongshim needed to accept new challenges (Korea Economic Daily 2005).

Transforming the crisis into a business opportunity, Nongshim believed that the stable stage of the market was the opportunity to expand the market. The most difficult thing was to get familiar with the market, invest decisively and open new consumption markets. In particular, in the overseas market, the Chinese market became more and more globalized. Different from Korea, China set up a ramyun market in the 1990s. Although the development speed and individual ramyun consumption was relatively low in China at that time, China was still the largest ramyun market in the world. Under this judgment, the Chinese market began to integrate with the global market. Now in China, Shin Ramyun ranks first in overseas ramyun brands sales. The sales are increasing not only in China, but also in other places in the world.

FIGURE 9.5 Stage of Market Sales



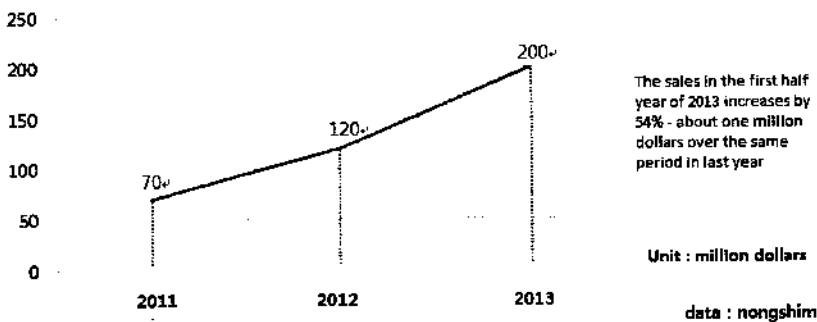
5. The Success Factors

Shin Ramyun's first factor for success was the different taste. The different taste became the core of Shin Ramyun's success. In the 1970s, the trend in the Korean ramyun market was beef ramyun. At that time, many ramyun enterprises launched beef ramyuns, which was also the first product of Nongshim. However, Nongshim sought opportunities in order to survive the fierce competition in the ramyun market. The opportunity Nongshim sought was spicy taste. By the end of 1980s, the soup of Ramyun was beef soup and most of the ramyuns were with plain tastes. In such a market, the taste of Shin Ramyun was attractive to the consumers; the deep flavor and spicy taste of Shin Ramyun became the biggest secret for its popularity with citizens. Shin Ramyun ranked first in the ramyun industry with spicy taste. In addition, Shin Ramyun had another recipe for success, that is, Shin Ramyun was the first spicy ramyun at home, which impressed consumers a lot; so it occupies a special position in the heart of the consumers, just like a first love. People thought that spicy ramyun is Shin Ramyun, even without any advertising. Thus, Shin Ramyun has left a deep impression on the minds of the consumers, so that Shin Ramyun had price competitiveness. That's why Shin Ramyun became a strong brand during the economic recession. During an economic recession, the consumers prefer to buy familiar products instead of new products. This "first love" marketing strategy obtained a great success in overseas markets. The spicy taste made Shin

Ramyun different from other ramyuns, drew the attention of the local consumers in overseas market, and deepened the impression of the foreign consumers. Korean's favorite spicy taste became the advantage of Shin Ramyun in the market and helped it to become the leader in the global ramyun market.

The second factor for Shin Ramyun's success was the communication with the consumers. So far, Shin Ramyun has been exported to over 80 countries; acting as the "Folk" diplomat. Shin Ramyun won high popularity in many regions like Japan, China, Swiss, Himalayas, and the Middle East, many of which are remarkable countries such as the countries in the Islamic cultural circle. How should Shin Ramyun permeate into their culture? It is the Muslim Shin Ramyun, with soup bases developed from soybean protein, to occupy the countries in Islamic cultural circles. The sales of Shin Ramyun increased before and after the Ramadan.

FIGURE 10. Sales Volume of Muslim Shin Ramyun in 2011 through 2013



How did Nongshim generate the idea of developing Muslim Shin Ramyun? It was through the communication with the consumers. Muslim Shin Ramyun is the product developed according to the consumers' idea. The reason why Nongshim can secure its first place is the communication with the consumers. Shin Ramyun keeps its communication with the consumers after its launch to adjust the ramyun taste according to the consumer's wishes. With the development of the times, the taste of the consumers changed a lot. Shin Ramyun conducted research and development on the ramyun taste after its launch. Shin Ramyun conducted surveys on the consumers, the number of which was five times than that of the other ramyun brands. Shin Ramyun interviewed the consumers on the ramyun quality so as to distinguish the desired tastes. Shin Ramyun spent a good deal of money on the research and

development in this aspect. Thanks to these communication and efforts, Shin Ramyun can maintain such a high consumer loyalty, which is the key element of Shin Ramyun to respond to the depression and develop into a powerful brand. So far, Shin Ramyun still keeps the communication with the consumers. Because of the MSG disturbance from the early 1990s till now, Shin Ramyun only uses American beef from 2000 and declared that all products of Nongshim were MSG Free in 2007. With the coming of the so-called Lohas era, Shin Ramyun reduced the content of sodium and developed soup bases with rich protein to meet the requirements of consumers. Shin Ramyun keeps communication with the consumers and constructs brand image; both have become important factors of Shin Ramyun keeping a foothold and occupying overseas markets. Operate Brand Management Systems and thereby strengthen the high-end features of the product. Shin Ramyun's high-end image is accepted around the world. What is most important is that Shin Ramyun takes Korean's favorite spicy taste, which has epoch-making meaning. Now the Korean spicy taste enters the global market to spread Korean food culture to the whole world.

6. Proposed Marketing Strategy

Currently, the global ramyun marketing is in a saturated state. At home, although Shin Ramyun has specific market share, new products of the rivals swell up and the Korean enterprises also have fierce competition even in overseas markets. Relying on the current marketing strategy is not enough, so new breakthrough marketing proposals should be put forward to increase sales.

First, develop new containers. What Nongshim sells generally are container ramyun and bagged ramyun. Now, however, through the popular "Real Men" broadcasting, people pay more and more attention to instant food. The container of instant food is the traditional heat-emitting food container used in the army. Only by grabbing the rope can the container emit heat, so it is more convenient than the present ramyun container. Thus when traveling or climbing the hills, ramyun can be eaten without hot water, so it is a convenient food for the domestic climbers and travelers. Many travelers and climbers from countries like the Swiss Jungti'au Region of 4000 meters, Nepal around the Himalayas, and Chile near the South Pole, like eating box-packed Shin Ramyun. In overseas markets, box-packed Shin Ramyun is a kind of instant heat-emitting container; and so ramyun is consumed with deep love from the climbers

and travelers. In order to publicize this heat-emitting container ramyun, a marketing strategy of promoting with travel goods is adopted. The consumers of various classes are involved in the promotion to experience the convenience of heat-emitting containers. The consumers get to know the convenience of the box-packed Shin Ramyun through direct experience and all kinds of promotional advertisements, thus promoting the sales.

Second, as the leading brand in the ramyun industry, Shin Ramyun delivers its sense of responsibility to the nation through common advertising and public service advertising. In fact, although Shin Ramyun has a good brand image with consumers, the nation has no image awareness for Nongshim, so advertising is used to improve the enterprise image. With the development of the times, people pay more and more attention to their health, which has had a large impact on ramyun sales. Even some ramyun brands have begun to reduce the sodium content to meet the needs of Lohas. As Korea's representative ramyun, Shin Ramyun is more responsible than ramyuns of its rivals and considers the health of the nation in advance. Through public service advertising and Shin Ramyun advertising, Nongshim has introduced the method of eating ramyun healthily, and thereby has improved the national trust and makes a significant contribution to enabling the nation to eat safe ramyun. In the current food market, other convenient snacks are liked by people and become the rivals of ramyun, so Shin Ramyun needs to further solidify its position in the food market. The advantage of ramyun's convenience is shown through advertising, making the consumers realize that ramyun is a representative convenient food, thus making Shin Ramyun possess certain advantages in the face of fierce market competition.

Third, at present, there are many developing countries who do not know Shin Ramyun well, so we need to expand CSR activities in developing countries. At home, people's attention should be drawn to the products as well as the public goods of the enterprise. CSR activities are very important to the enterprises. CSR activities like the Love Concert are held at home. CSR activities are held through Hallyu abroad. This CSR activity not only publicizes Korean culture, but also provides good promotional opportunities for Shin Ramyun. The "Nongshim Plan" cooperates with Kim Hyun-Joong's fan club to support the children's cancer fund. For some developing countries, although aggressive marketing strategy is important, populist policy is also important. Thus with Hallyu as the medium, Korean enterprises conduct love outreach with local people to strengthen the understanding and respect of people

on Korean society and adopts populist policy aiming at local consumers on the basis of mutual communication to improve the brand image.

Fourth, Nongshim must try to conduct comparison marketing in the Chinese market. At the beginning of entering the Chinese market, the market price was relatively low, which not only saves the cost for the enterprise, but also better reorganizes the foreign enterprise investment encouragement policy. Since China joined the WTO, the investment condition is better and better, the social economy develops quickly, and national income and the number of middle-class consumers increases gradually, so the demand for goods of high quality and high price increases naturally. Nongshim positions itself in the Chinese market as the market with the highest development possibility, so Shin Ramyun joined with Want Want-Taiwan food enterprise to invest in importing Shin Ramyun. However, in a later period, because of the ownership problem, Shin Ramyun began to make the sole investment from 1996. At that time, although there existed over 100 types, ramyun was not familiar to Chinese consumers. The appearance of the Taiwan brand Master Kong drove the development of the ramyun market. Master Kong combined with the later Uni-President to occupy over a 70% ramyun market share. Shin Ramyun ranked first in foreign brands in the Chinese ramyun market, but its market share is lower than that of Master Kong and Uni-President. Master Kong and Uni-President are low price ramyun brands, with common citizens as target customers while high price Shin Ramyun aims at the middle class, so there is a certain difference in the ramyun sales in Chinese market. If Shin Ramyun keeps taking the high-end route and makes clear the difference with Chinese ramyuns, it will win a deeper understanding from the local customers. By virtue of special manufacturing methods and Korean spicy taste and through the comparison with Chinese popular ramyuns, Shin Ramyun testifies its advantages to Chinese consumers. In advertising, Shin Ramyun is compared with rival ramyun, making middle class and ordinary citizens deeply realize the high value of Shin Ramyun. Shin Ramyun not only differs from Chinese ramyuns in taste, but also possesses rigorous food safety systems to ensure the food safety of Nongshim products. Nongshim pays attention to safety problems of manufacturing factories as well as hygiene and the safety of the distribution network. If Chinese consumers know Nongshim's rigorous food safety system, they will further understand the high grade of Shin Ramyun.

The last proposed marketing strategy is to publicize Shin Ramyun through communication with the consumers. Now Shin Ramyun should

follow up the quick development steps of marketing times and keep challenging with new marketing strategies. In order to display the best advertising effect to the consumers, promotion activities with direct participation and communication of the consumers should be adopted. For example, promotional activities with “the healthiest ramyun consumption and cooking method” as subject are held to significantly to increase the participation degree of the consumers. What’s more, with the development of SNS, Shin Ramyun publicizes its promotion activities through SNS so as to increase the participation degree of the citizens within a short time. Through these kinds of promotional activities, the communication between Shin Ramyun and the consumers is strengthened, and the attention of the consumers on Shin Ramyun is increased, so that the brand image of Shin Ramyun is publicized effectively.

7. Conclusion

“Shin Ramyun, Show the Korean’s spicy taste!”

During the food-related crisis and the IMF crisis, Shin Ramyun sought for the development of new products while sticking to the original taste, believing in the principles of trust and tenacity to become the crystalline of Korean culture. During economic recession, Shin Ramyun was chosen as powerful brand and became the representative food of Korea. At present, people at home and abroad are familiar with the spicy taste of Korea, gradually realizing the globalization of Korean food culture.

In the fierce ramyun market competition in Korea, Shin Ramyun wins the trust of the consumers with its quality and feature so as to keep its first place in domestic ramyun industry. At the beginning of entering domestic market, Shin Ramyun established the earliest status of spicy ramyun, formed stable brand image and became the leading brand in domestic ramyun market. Being the first to realize the importance of market positioning and leading the development tendency of current ramyun industry through differentiation marketing make Shin Ramyun possess certain advantage in fierce market competition.

Having no respect for the status quo, Shin Ramyun expands its overseas market. It quickly grasps the development space in Chinese ramyun market through systematic and segmented market analysis and ranks first in foreign ramyun brands now. Although Shin Ramyun makes a series of marketing strategies different from those of other rivals, it is difficult to realize localization thoroughly. For overseas consumers who are not familiar with the spicy taste, the selling strategy of Shin Ramyun faces

certain challenge and risk. Nongshim adheres to the principle “best Koreanization, best globalization,” based on trust on its own brand, and enters the overseas market sportingly, bringing the specific spicy taste to the overseas consumers and dominating the trend in overseas ramyun market. Different from other brands, Nongshim’s specialization becomes its competitiveness; it makes appropriate marketing strategy conforming to the local market situation and reduces the distance between the consumers and Korean food.

Currently healthy food gradually becomes the center consumption trend. Because of the diversification of substituted food, the consumption of domestic ramyun is trending downward, a state of stagnation shows up in ramyun market. However, according to market analysis reports, the content of MSG and sodium should be reduced, clean products should be provided to the consumers, food hygiene should be strengthened to ensure the health and life quality of the consumers. High-end products and Lohas goods come to market continuously now, although Nongshim launched black Shin Ramyun, it failed to build a stable brand image.

Although ramyun comes from China and Japan, the Korean spicy taste spread around the world. Shin Ramyun is excellent in all fields like quality, taste, design and distribution, thus becoming the leader in global ramyun market. Shin Ramyun has been a national snack food to fill the stomach, and also become the medium for the world to know Korea. In the future, Shin Ramyun will continue to improve its characteristics and brand value, win the trust of the consumers with high-quality products and make effort to become leading brand in the global ramyun market.

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Case #7. MAMA (Mnet Asian Music Awards)

CJ E&M's Journey to Asia's Grammy Awards

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Editors' Note

This case highlights the emergence of Mnet Asian music awards (MAMA) festival and TV show that now rivals the Grammy Awards in the US. MAMA has been successfully marketed to dozens of countries as the premier music awards broadcast and cablecast showcasing the very best of Asian music as well as the top production values of its creators.

Executive Summary – MAMA

The Korean Wave, Hallyu, which initiated along with the rise of Korean dramas, expanded globally and continued to the New Korean Wave driven by K-pop. The popularity of K-pop first emerged separately in different Asian countries, but is now entering a new phase with various factors. K-pop is evolving into Asia's most popular music.

K-pop spread to Asia in late 2000s via Digital Road including the internet and mobile services and created crowds of enthusiastic fans. However, hardly any top-down efforts were made to meet this voluntary demand. Mnet Asian Music Awards ("MAMA" from here on) was born to act on such requests as a cultural event that can encompass Asian popular music and function as a representative platform.

Mnet was previously the host of 'Youngsang Eumak Daesang' (meaning Video Music Contest translated literally) as Korea's major cable TV music channel and received widespread support from music fans. In 2009 it changed its name to Mnet Asian Music Awards and aimed for a brand-new identity: the World's first pan-Asian music award. From 2010 it took on the challenge by going overseas for the first time in the Korean entertainment history and it is now meeting more and more fans in major Asian cities.

MAMA successfully differentiated itself from other events by actively reacting to the needs of international K-pop fans that most of the existing cultural events could not achieve. It is serving its purpose not only as a festival but also as a place for networking and arousing interest in Korean pop culture. MAMA has become the most representative cultural content that goes beyond a music award.

The success of MAMA holds a significant meaning in that this award suggests that K-pop is not a temporary spike but will be developing and evolving. Needs for an organized and long-term system are identified through this event.

Having established a wide variety of distribution channels both online and offline, CJ Entertainment and Media (CJ E&M) made bold decisions and raised MAMA's brand value. MAMA lives up to its reputation as Asia's largest music festival and a forum for cultural exchange focused on K-pop. Its development will continue without stopping.

Key Words: Hallyu (Korean Wave), K-pop, K-culture, Asian Music Awards

1. Introduction

1.1. Mnet Asian Music Awards

Mnet Asian Music Awards (MAMA) is Asia's biggest annual music festival that showcases the hottest tunes and performances that marked the year in Asia. Not only does this help boost the image of K-pop, but it also serves the role as promoting Asian music to the world.

MAMA was formerly "Mnet Video Music Awards," which started from 1999 as Korea's first dedicated music video festival. After Mnet was amalgamated with KMTV, it transformed into "Mnet KM Music Video Festival" (MKMF). MAMA is currently recognized as the next-generation music awards that center on creditable performances with unconventional shows and various collaboration works.

MKMF made aggressive efforts to expand overseas in accordance with the pan-Asian phenomenon, Hallyu or the so-called Korean Wave, from the mid 2000's. Because K-pop gained its position as a representative genre of Asia, MKMF could search for ways to become a festival for the entire Asian populations. After MKMF successfully re-branded itself as MAMA at its first attempt, it has transformed into a truly pan-Asian music awards moving the venues outside of Korea each year. MAMA has been hosted in major Asian cities and its exceptional performances were broadcasted on numerous media channels in 85 different countries including TVB (the second over-the-air commercial television station in Hong Kong) and Hunan Satellites in China.

As a leading music awards show of Asia centering around K-pop, MAMA provides basic functions are as follows: (1) Help boost sales in the music industry both directly and indirectly, (2) Discover new faces and genres by showcasing various kinds of music shows, (3) Bring tourism income benefits for the host country, and (4) Open a place for entities working in the music industry including artists, production companies, distributors and so forth. Thanks to its unique background -- an international event that is hosted by a Korean company -- as well as serving the purpose of a regular music awards, MAMA expands the base of K-pop, enhances the image of Korea and seeks the way to upgrade the level of the whole Asian popular music industry thus ultimately achieving pan-Asian unity.

1.2. Purpose of Study

The cultural industry shows great potential in the modern world in that it has unlimited possibilities to combine with other industries. Starting

with the Hallyu featuring K-dramas in the 1990s, the value of Korean contents was appreciated worldwide and the cultural industry has continued to develop relentlessly until now. Now K-pop has replaced its position with K-dramas and planted itself as the core of the Hallyu trend. Having outstanding resources and strategies K-pop succeeded in securing the contents that will appeal to the world. At present, what it needs for a bigger success is the media that connect the world and accelerate the Hallyu wave without stopping.

Through a good deal of research, our team reckoned that MAMA is catching up with the timely demand and thought it was a good opportunity to scrutinize how the Korean cultural industry got that way and how it will progress.

MAMA became the number one music awards due to the production company's superb planning ability and a wide range of media channels on and offline. The birth of a music festival focused on K-pop means that Asian pop music can enter into the major international music markets and this implies more than what is stated here since Asian culture power is rising fast. Through this study we can examine MAMA's branding strategies towards the new market with the understanding of Asia's marketability. We will discover some new strategies and directions that will boost the culture power of Korea.

1.3. Definitions

In this paper we found three words that are not precisely defined. They are (1) K-pop, (2) Hallyu, and (3) Popular music awards. These words shall be used in the following meanings.

- K-pop

The meaning of K-pop varies from 'All types of popular music that are created in Korea' to 'Dance music of Korean idol groups.' We considered locality and globality in balance and will use this word as 'Pieces of music sung by Korean idol groups that targeted international audiences produced by a Korean company.'

- Hallyu

Hallyu means enjoying Korean entertainment contents that are spread throughout the world. The word itself means the flow of something Korean, but Hallyu covers a wide range of Korean culture. Not only does it include dramas and music but also tourism, sports, fashion and even medical care, all of which can be included in the concept.

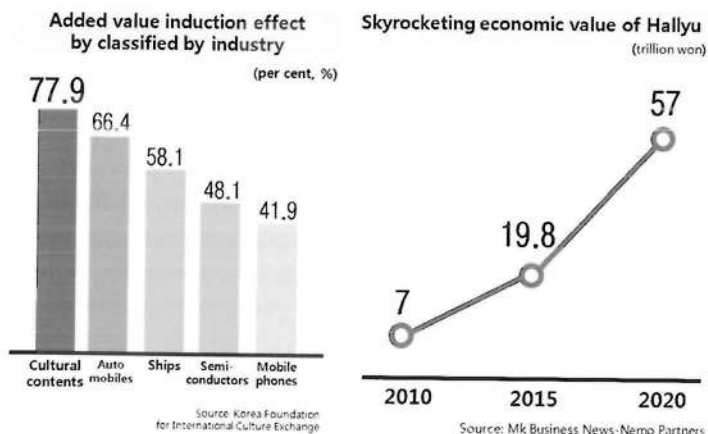
- Popular Music Awards

Popular music awards are events giving a prize according to certain criteria. Artists settle and celebrate a year on this occasion and the awards draw a tremendous number of people's attention through broadcasting. Nations with huge music industries tend to have a number of well-known awards such as the US, the UK and Japan. Renowned music awards have diverse criteria of giving a prizes and collecting related information. In other countries there are largely two ways to select a winner. One is evaluation by experts, and the other is evaluation by the public. In the case of public evaluation there are objective ones and subjective ones that count.

2. The MAMA History

The power of culture holds infinite value that cannot be calculated with economic logic. One cannot deny the fact that the Hallyu craze creates a positive image for the country. Furthermore, the interest that initiated from Korean entertainment contents leads to continued interest for the country and generates added value from tourism to electronic goods.

The power of culture affects a wider range of areas and therefore this is considered as an important index indicating a nation's position in the international community. Such power of culture is now our driving force and Korea is practicing the role as the leader of Asian culture power. MAMA is at the heart of this plan adding a global image to Korea.



2.1. Background of MAMA

How did MAMA take the road not taken and become successful? How did everything start? We can analyze MAMA's journey into three parts. First one is Hallyu, pivoting on K-pop. Hallyu started with Korean dramas and got bigger with K-pop in the 2000s, and now has expanded to Korean culture in general. Originally focused in Japan, China and South-east Asia, the Hallyu phenomenon flew further to Europe, North America and even South America which is practically the whole world, and is leading a new trend of the world culture.

Hallyu made an enormous growth thanks to the development of media in particular. The advent of the internet and social media changed the way information travels for good and the speed and the effects of trends is incomparable. *Time*, an American weekly news magazine, also mentioned that social media such as YouTube was the key factor that made Hallyu a world-wide syndrome. This magazine published a lengthy article "Korean Pop, with Online Help, Goes Global" on its website on the 26th of August, 2010 and offered a detailed analysis. *Time* explained that various kinds of social media such as YouTube, Twitter and Facebook were a great help for Hallyu to expand. As this magazine pointed out, Hallyu is no longer a culture of our own but an international phenomenon. Hallyu centering on K-pop is also facing a change via MAMA.

MAMA has firmly established its position as a medium for spreading the K-pop craze and conveys Korean contents to the world. Thanks to its aggressive efforts MAMA has become the front-runner and representing force that induces continuous attention for K-pop lovers. MAMA prevents Hallyu fans from isolating their interest to certain stars or songs. It helps them enlarge their scope of interest and provide them with more opportunities to be engaged.

Second one is the media platform of CJ E&M that produces MAMA. CJ Entertainment and Media (CJ E&M) is Korea's one and only contents enterprise and maximized its influence by reaching economy of scale in the contents industry -- production, sales, distribution. Thus, CJ E&M benefited most by exporting its contents and met with the new trend of Hallyu. As the leading company in the culture business, it successfully adapted to the changed environment and put the best foot forward. The company readied itself for expanding into the global market by reinforcing its control over the contents market, diversifying the portfolio and establishing overseas networks.

CJ E&M's overseas channels can be reached not only in Asia but across the whole globe including the United States and Europe. This greatly

increases the accessibility of watching MAMA on television and mobile. The company is providing the service with different types of platforms. Such improvements in broadcasting took place year by year and especially in 2012 nearly two hundred international presses participated including Hunan Satellites and CCTV from China, Sankei, Tokyo Press Agency from Japan, TVB from Hong Kong, AP, AFP and many more. In addition to this TVB, Hunan TV and Fox International Channels took part as partners. The show was broadcasted live in 16 countries including America, Japan, Taiwan, Singapore and Australia, and the recorded version was broadcasted in 69 countries including France, Finland, Greece, the Netherlands, the United Arab Emirates and Bangladesh.

Never was in Korea's broadcasting history a single program approachable in 20 different online platforms in 2012 to increase the accessibility of K-pop fans across the world. This suggests that more countries are broadcasting MAMA compared to the previous two years and that the company succeeded in expanding the routes for diffusing Asian songs and popular culture. CJ E&M's media platforms exclusively prepared for the ones who are interested in the Hallyu syndrome and made MAMA a fascinating festival, and through this process it was loved by more people.

Third one is the MKMF. There were several key players in the Korean music award industry. Year-end music awards by the nation's three major public TV networks, Golden Disk, Melon Music Award and Seoul Music Awards are the three. But there was much criticism for the year-end music awards of the public TV stations since they were not equipped with appropriate examination standards and prize giving details. There was also a controversy over its fairness and some personal stakes between a broadcasting company and a production company. To overcome such harsh criticism the TV networks transformed the format of the show and changed music awards into music festivals. For this reason the need for a powerful and well-reputed music awards was created and MAMA filled in the gap.

2.2. Growth of MAMA

The reason that MAMA attained success in a fairly short period of time is because CJ E&M's music channel Mnet had know-how in running a music award from its previous experience. MKMF was a good footing for MAMA. MKMF developed fast as years went by and compensated for the common defects of Korean music awards such as giving prizes away to all participants and having unclear standards. It also tried to showcase

performance-centered shows that were not conventional. Here is a list of awards that were conducted by Mnet.

History of Mnet-hosted Music Awards Including MAMA

| Year | Award Name | Date | Place |
|------|------------------------------|-----------------------|--------------|
| 1999 | Mnet Youngsang Eumak Daesang | 27 th Nov. | Seoul, Korea |
| 2000 | Mnet Music video Festival | 24 th Nov. | Seoul, Korea |
| 2001 | Mnet Music video Festival | 23 rd Nov. | Seoul, Korea |
| 2002 | Mnet Music video Festival | 29 th Nov. | Seoul, Korea |
| 2003 | Mnet Music video Festival | 27 th Nov. | Seoul, Korea |
| 2004 | Mnet KM Music Video Festival | 4 th Dec. | Seoul, Korea |
| 2005 | Mnet KM Music Video Festival | 27 th Nov. | Seoul, Korea |
| 2006 | Mnet KM Music Festival | 25 th Nov. | Seoul, Korea |
| 2007 | Mnet KM Music Festival | 17 th Nov. | Seoul, Korea |
| 2008 | Mnet KM Music Festival | 15 th Nov. | Seoul, Korea |
| 2009 | Mnet Asian Music Award | 21 st Nov. | Seoul, Korea |
| 2010 | Mnet Asian Music Award | 28 th Nov. | Macau, China |
| 2011 | Mnet Asian Music Award | 29 th Nov. | Singapore |
| 2012 | Mnet Asian Music Award | 30 th Nov. | Hong Kong |

1999
Mnet Youngsang
Eumak Daesang

2000 ~ 2003
Mnet Music
video Festival

2004 ~ 2005
Mnet KM Music
Video Festival

2006 ~ 2008
Mnet KM
Music Festival



2009 ~
Mnet Asian
Music Award

In 1999 Mnet started the “Mnet Video Music Awards,” which were formerly MAMA. It was the nation’s first and biggest event to honor music videos. “Mnet Video Music Awards” went on to become the “Mnet Music Video Festival” (MMF) emphasizing that this event is an award as well as a festival through music and videos. Then it was merged with a

similar festival called “Korean Music Award” provided by KMTV and became “Mnet KM Music Video Festival” (MKMF). From 2006 it enlarged its scope from music videos to the general popular music and accordingly the name of the event changed once again to “Mnet KM Music Festival” (MKMF). As the top-tier popular music award in Asia, MKMF got the limelight with unconventional and original shows and claimed to support 'Music awards that go beyond a music award'. Moreover, this show did not bide in the domestic market. It tried to advance step by step inviting Asian artists outside of Korea and showed various types of performances to live up to its Asian-wide reputation.

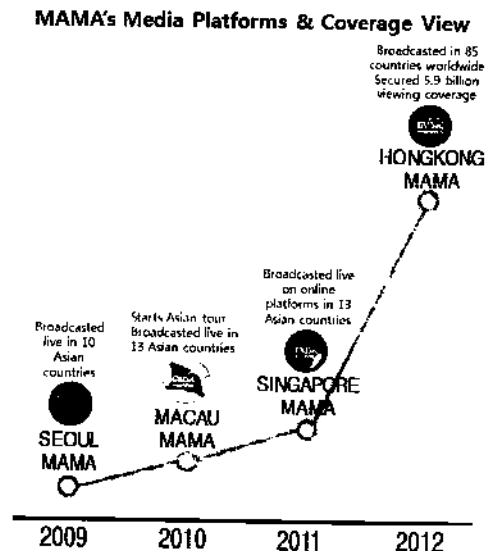
Mnet's music awards have evolved over the course of time as mentioned earlier. In order to meet the newly created demands it became highly audience-friendly and solidified the foundation for leading the culture of Asia onwards.

2.3. The Start of MAMA's Overseas Career

In the year of 2009, when Hallyu kicked into high gear, Mnet abolished MKMF. Shortly after that they created the Mnet Asian Music Awards, a truly global music award that can be enjoyed by the whole of Asia. In 2009 the award that claimed a slogan as 'Asian Wave' was successfully launched in Jamsil, Seoul. Then it went global from 2010. Its stages were far from conventional like the year-end shows from the standard channels. They were bold and expanded the target audience by a great deal.

Park, Gwang-Won, the president of Mnet, expressed his opinions in October 2010 in an interview with Kukmin Ilbo. "60 per cent of the world population resides in Asia. We especially focused on the fact that the purchasing power of twenty-somethings is growing fast. Since there was no representative Asian music award in the world entertainment industry, we created MAMA."

K-pop's competitiveness is rising. At present the profit of

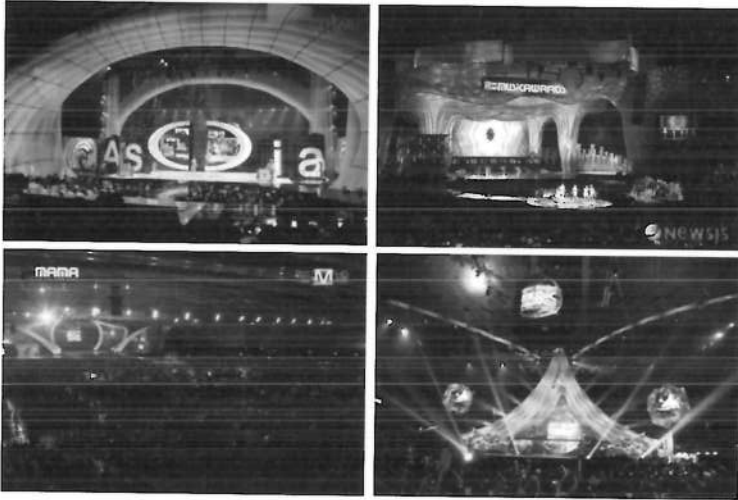


tickets sold at a world tour of a huge star reaches from 80 million to 1 billion won. MAMA is imposing positive impacts on the Korean music industry expanding the pie.

MAMA was held in the Venetian resort, Macau, China on 28th November, 2010 under the concept of ONE ASIA implying that this award bonds Asia through music. It attracted ten thousand people, too. In this year the Far East Movement from the United States, Zhangjie and iMe from China, Chemistry from Japan and other artists from all around the world participated as well as Korean singers. The total investment sums up to four billion won and its coverage on media was wide, too. The show was broadcasted live on TVB, the largest standard TV channel in Hong Kong, MediaCorp from Singapore and still other major channels in South-east Asia. It was also broadcasted by satellite in North America, Oceania and Europe covering nineteen billion viewers worldwide.

But 2010 MAMA showed some flaws as well as it was the first attempt that was ever tried in the Korean music award industry. 2011 MAMA, which was held in the Singapore Indoor Stadium, was in the spotlight after making up for faults from the past year. With approximately ten thousand in the audience MAMA invited hottest K-pop stars as well as Koda Kumi from Japan, Vision Wei and Lang Lang from China, and Will.i.am., Dr. Dre, and Snoop Dogg from the United States. Will.i.am disclosed his newest songs at the stage and received fervent response thanks to the collaboration show with a popular K-pop girl group 2NE1. As shown here we can know how big MAMA has become considering that a lot of super stars are making their ways to MAMA.

In 2011 MAMA was broadcasted live in thirteen different countries including Singapore, Japan and Thailand, and nineteen billion viewers could watch it afterwards in China, America, France and many more. It was also broadcasted live on thirteen digital platforms such as Sohu.com and YouTube, and it was estimated to have attracted one billion viewers. MAMA became a place where musical communication of the artist and fans take place. It took a step forward for becoming Asia's best music award.

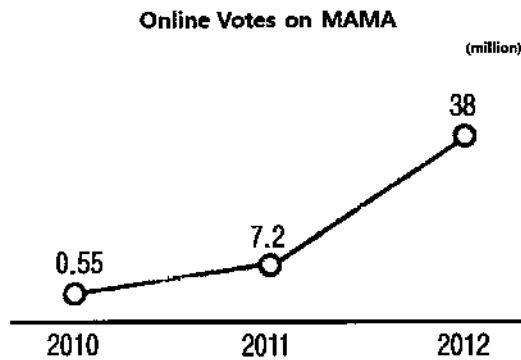


Source: Star Today, NEWSIS, The Herald News

2.4. MAMA's Today

2012 MAMA created a wonderful show which unites the artists and fans into one under the slogan: 'Music Makes One.' The 2012 MAMA was held in the Hong Kong Convention & Exhibition Centre with six thousand in the audience. The splendid line-up was continued this year too having invited B.O.B and Adam Lambert. The award solidified its global position showcasing various collaboration works. Some of the famous Korean stars who showed up as nominators are Jung-Gi Song, Woo-Seong Jeong, Seung-Heon Song, Chae-Young Han, Wang Lee Hom and Jackie Chan.

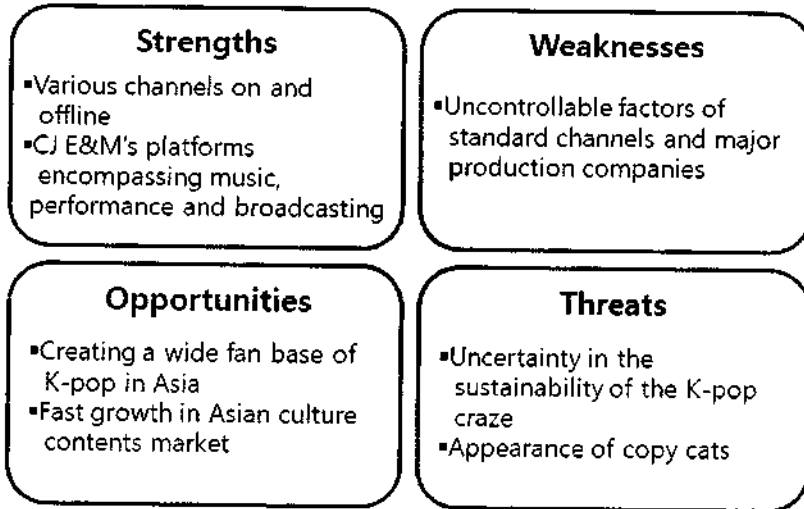
In 2012, with world star Psy's appearance at the event, crowds of reporters swarmed. 300 reporters from 200 media gathered in Hong Kong including CNN, Bloomberg, AFP, EPA, Sankei, CCTV and so forth. Billboard.com, amongst many media, mentioned that "The MAMAs are in the vein of the Grammy Awards in Asia." This clearly shows that MAMA is recognized as a truly global music award.



Another aspect that shows MAMA's changed status is increased fan votes on the internet. The votes take up from 10 per cent to 30 per cent and this reflects their active participation. When MAMA was first held outside of Korea in 2010 the total votes remained under 1 million, but only in 2 years the number of votes soared to 38 million. The fact that most of the votes are coming from outside of Korea, this suggests that MAMA is not an event of Korea solely, but a pan-Asian event. With the growth of Hallyu, MAMA constructed media platforms and is leading the music business in Asia. MAMA expanded overseas in the past 3 years and is playing its role as the leader in K-Culture.

3. MAMA - Evolution of K-pop Contents

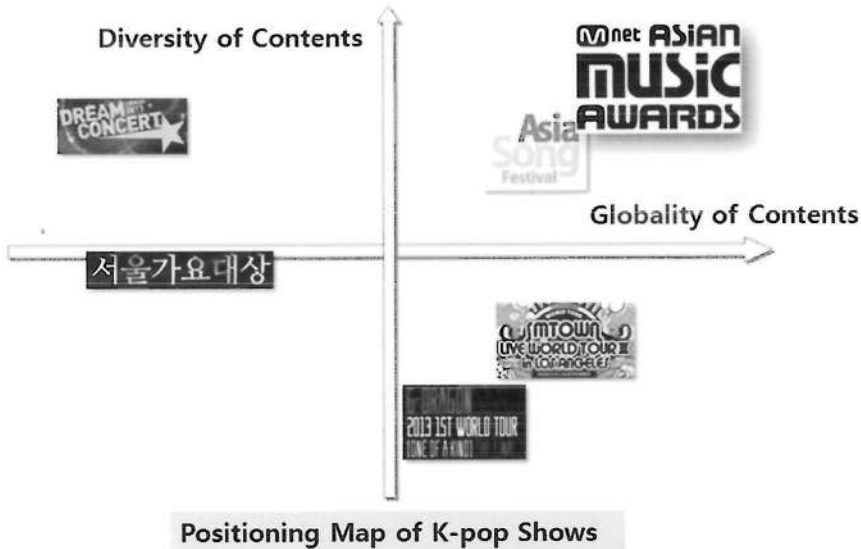
MAMA has developed in the past 15 years. It encompasses all of Asia and provides shows that are never seen before. This makes MAMA more than just an annual event and enables MAMA to make a meteoric rise in the world music industry. Here is MAMA's SWOT analysis.



Considering MAMA's strengths and opportunities what differentiates MAMA from other existing K-pop shows and other cultural events is this festival conveys unbeatably various contents to a wide range of channels. We should be aware of this fact and then investigate what markets MAMA should target and estimate its status in the marketing context.

3.1. MAMA's Marketing Position

Since the globalization of K-pop the demand for Korean popular music contents diversified throughout Asia. To meet the needs of fans wanting to see K-pop stars before them Korean production companies, broadcasting companies, non-profit foundations increased overseas performances and prepared for alternative channels such as internet live-stream. But they could not satisfy fans neither in quantity nor in quality. K-pop fans in Asia did not enjoy the luxury of experiencing K-pop contents as a whole since most of the concerts before MAMA were one-off events, concentrated on a few artists.



The definition of a total K-pop experience is as follows: K-pop that is introduced in many different languages other than in Korean through numerous media. K-pop that perfectly meets the needs of fans from many different countries. K-pop that suggests a big picture of K-pop not only limited to certain artists. K-pop that introduces new genres and artists, thus sustaining the needs and newly created preferences. An event that fulfills the aforementioned aspects is what Asian fans truly need which K-pop experience.

MAMA showed its first attempt to get closer to fans' desires more than any of the other K-pop performances have been able to fulfill. Many factors are responsible for its success. Its identity as Asia's representative music award program is solid. Its format can effectively hold various artists; and lastly, CJ E&M's media handling ability on and offline is very professional.

3.2. MAMA's Turning Point

The highest risk that MAMA took ever since it changed its name from MKMF to MAMA is its decision to host the festival overseas. MAMA went through a lot of changes when it decided to take the event to the Venetian Resort in Macau, China. The number of international broadcasting entities increased from 3 to 10 and the budget soared to 4

billion won just for a four-hour music festival. CJ E&M must have put forth a lot of consideration before making this decision.

We can estimate how concerned they were in an interview with a staff at CJ E&M. "The toughest parts were securing media channels and profit structure. In the beginning it was quite difficult to acquire sponsorship due to our low brand awareness."

Responses from MAMA's first international show were skeptical too, since some of the side effects were revealed. The biggest problem was they didn't reach a consensus with other major players in the K-pop industry such as production companies and broadcasting companies. The most important factor in MAMA is K-pop artists. Whether they show up or not makes a huge difference. The lack of cooperation with other parties caused trouble when it was first launched in another country in 2010.

The outcome was rather disappointing. They could have retreated from their original plan and come back to Korea, but they didn't. They even increased the scale of the event and headed overseas. In 2011 they went to Singapore and the show was broadcasted in 20 countries and the number of staff reached up to 1,200 people. And in 2012 the show was aired in 69 countries and the number of staff increased to 2000.

Despite the disappointing outcome in the very beginning of the project, they didn't stop going global and succeeded in a short time. Some of the flaws were complemented too. They invite the best artists, acquired more sponsorship and increased the sales of contents, thus increasing their profitability. In 2010 MAMA chose not to go back to its past despite the hardship. Consequently, it is now where it stands.

4. MAMA's Role

4.1. Festival beyond Awards

MAMA's definition is limited to an award, but it is more than that. Hundreds of artists walk on the red carpet and there are outdoor stages around the venue prepared for everyone who comes to enjoy the festival. There is no tense atmosphere as in other year-end awards. Prize-giving is one aspect of this whole event, but mostly the festival consists of glamorous performances. MAMA is an international festival that showcases the most loved songs and artists and enhances the position of K-pop. It promotes Asian music, simultaneously bonding Asia.

At the same time MAMA provides an opportunity for a multitude of parties in the Asian music industries to build a business network and exchange their thoughts. MAMA enables different parties to cooperate,

collaborate and accomplish contracts. Through MAMA we can expect to boost the power of Asian music by building a network and communication.

4.2. Forum for Spreading K-pop

MAMA can be a forum for spreading K-pop music. A music award's role in the music business is distribution. For distributors of K-pop songs, a music award verifies the preferences of listeners and consumers of their contents. The fact that the artists are awarded at MAMA, it guarantees the quality of their music and this is quite meaningful. This process reduces the uncertainty when selecting what contents to consume.

Also, MAMA can be an effective channel to international fans since they have limited accessibility to K-pop. There are not enough media channels to meet the needs. MAMA introduces not only popular genres, but also some relatively new ones that are not familiar with them. According to the party concerned, the current condition of K-pop is defined as a "transition period to secure the genre." Beyond artists including PSY, Big Bang, Girls' Generation congeal to form K-pop individually, MAMA propels the systematization of K-pop. Since the inroad into the Asia, MAMA fulfills the role of introducing K-pop music and endeavors to keep of ripple effect through idol singers who lead the K-pop and "Hallyu" trends. This is MAMA's role and has meaning to be a valuable attempt forming the favor of K-pop as a genre by appealing to many Asian fans.

4.3. Marketing Event with a Strong Ripple Effect

MAMA has meaning as a marketing medium for K-pop which has brought K-pop to the world. In addition, MAMA has meaning as the cultural event broadcasted to many countries in Asia. So, MAMA is considered a chance for marketing to numerous companies. Thinking of the possibility for MAMA as a marketing medium makes us discover meaning of the birth of an awards ceremony having earning power itself over MAMA as the cultural event. Through this, we will have expectation for the birth of MAMA to be free of economic limitations, to take a leap of scale and composition of stage.

The Grammy Museum in America is exhibition space of The Grammy Awards in history. The archived materials in The Grammy Museum are symbolic of history for the America music industry. Awarding artists who have shown a noticeable success in USA and all over the world for nearly 60 years, the Grammy Award has won recognition of its prestige and

finally become the best popular music event where people celebrate all achievement of artists in the American music market for one year.

Accordingly it is growing as global event beyond a simple ceremony. And so, the Grammy Awards reinforce their function as a marketing channel naturally. Global companies like Coca-Cola and Toyota make stand out marketing chances in awards ceremony by sponsoring the Grammy Awards.

Not only this. Through the cultural events, companies searching for marketing chances participate in ceremonies. For instance, Hyundai motors group has sponsored "The Academy Awards" in America quite recently and Samsung made a bold move as well.

As MAMA grows rapidly, the possibility of a marketing channel is magnified as well. Global companies like P&G and UNIQLO have sponsored the event for marketing value in the MAMA.

In many cases, Dr. Dre who launched brand of headphones "Beats by Dre" participated in the 2011 MAMA for Beats by Dre marketing in Asia. Dr. Dre's performance with famous rapper Snoop dog got the attention in MAMA. Also, this performance showed up as a ripple effect of the MAMA.

Ceremony awards receive the attention of many viewers; similarly, a large number of events do as well, but ceremony awards have the meaning of marketing beyond a scale. As showed, the connection between a cultural event and a company, it is a marketing chance to bring the company or purpose of company to the attention of the consumer. This is the reason why a company prefers ceremony awards for marketing.

To improve the aspect of marketing events in ceremony awards makes events for earning profits and it completes MAMA perfectly. So, MAMA has huge probability because of the synergy effect in marketing.

5. Promising Perspective of MAMA

5.1. The Limitations of MAMA

As mentioned above, MAMA has gained high status as the representative award of K-pop and has continued successful moves. However, there are some problems for MAMA to deal with to become a competitive global event.

First, the participation rate of foreign artists' is still low. It is obvious that Hallyu based on K-pop is the driving force of popular culture which sweeps forth in Asia. However, there's evidence pointing that MAMA is more likely to be a K-pop festival which only occurs in Asia rather than a

music festival for all of Asia, which means that MAMA could be no more than a 'Geographical' Asian music festival. It is true that there have been efforts to increase the rates of foreign artist participations as MAMA is expanding the awarding section for foreign artists. Though, 90 percent of performance stages still lean too much towards on Korean artists. There's the possibility that people would point out the identity of MAMA, which stands for an Asian music festival because of low foreign artists' participation.

Second, it may be asked whether MAMA has the originality of performance. One of the most important things to hold a dominant position in a competitive market is inimitability. Especially, securing the quality of performance is most important in the performing arts content industry, which is measured by not only advanced technology and production ability but inspiration and creativity. However, the performing arts content of MAMA is insufficiently competitive. Because performances of MAMA lack originality in comparison with other K-pop performing contents including performances of the public TV networks and KBS Music Bank's world tour event. In this behalf, the party concerned about problems of K-pop shows and suggests the opinion as follows.

“In this day and age, it is the Warring states period of K-pop shows. Nevertheless, MAMA is beloved by many people in the world because of the absence of the K-pop live performance for overseas fans. But, as the internet develops, accessibility is becoming increasingly easy to various contents. In this background, only if MAMA implants in the mind of many people the idea of performing content differentiation is MAMA the top of brand in K-pop Shows. As a cable TV station, Mnet, which is made up of musically talented persons and has the possibility of making high quality K-pop shows, is agonizing over the originality for MAMA's performance as a key point in solving peripheral problems like the risk of high foreign production costs.”

5.2. The Proposal for MAMA

Crisis and determination with perseverance took MAMA to the top of ceremony awards in Asia. MAMA has tried to achieve a unique position differentiated other ceremony awards and this effort will be done now and forever. Supporting MAMA's walk to be number one, we suggest a few things based on our analysis results of MAMA's brand history.

First, MAMA needs to increase involvement of foreign artists. To achieve recognition as the aptly named Mnet Asian Music Awards,

MAMA must have public confidence abroad. So, MAMA needs to involve overseas fans with great interest. Even though MAMA was born of Hallyu, it must be music awards that covers the full spectrum of popular music in Asia and focuses on national reconciliation. Therefore, MAMA can be expected to play the pivotal role for keeping up the “Hallyu” boom and pushing into the world market in the long term. But, there needs to be a delicate effort to keep the optimum level of performing importance because the performing importance of K-Pop artists who have name value controls a lot of attention in music awards. Through involvement of foreign artists, Golden Disk in Japan and MTV Europe Music Awards are successful foreign case studies which secure local diversity and global appeal.

In the case of Golden Disk in Japan, despite the domestic music awards, it made the awarding section for foreign artists in order to grab the attention of overseas markets. This shows the music awards improve the global appeal of J-Pop. MTV Europe Music Awards (EMA), opening in various parts of the Europe since 1994, reflects the opinions of European countries. Also, EMA considers impartial standards irrespective of economic strength or population in a country by imposing ways of examination and has applied importance of all countries equally. Like this, through the institutional strategy, EMA established the imperial foundation and encouraged artists of various countries to participate. As a result, EMA is well appreciated as a global music awards. This case of EMA is full of suggestions for MAMA. As an event embracing one culture, benchmarking of EMA similar to MAMA is a part of an effort to encourage the participation in Asian nations and to improve the global appeal of awards.

Another way to improve the representativeness of awards and to rise the degree of Asian nations’ participation is active utilization of collaboration performance. According to the interview with a party, the main attraction of MAMA is MAMA has collaboration performances between native artists and foreign artists. The best performance of 2011 MAMA in Singapore was a collaboration performance with CL of 2NE1 and Will.I.am of Black eyed peas. This collaboration performance showed the birth of a new stage, when each other’s different inspiration merges in different languages. In addition, the 2012 MAMA in Hong Kong’s collaboration performance with ballad singer K-Will and global rapper B.O.B proved K-pop artist’s capability as well as the possibility of broader collaboration performances. We can expect a desirable result of foreign artist component ratio, if MAMA plans more creative

collaborations with diverse and colorful artists in Asia.

Second, this is our suggestion about the originality of performances and improvement of quality for MAMA. To keep the distinct brand, MAMA should be doing more to recognize that MAMA's performance is unique and original to people. To do that, MAMA needs to put forth a systematic effort to improve the overall quality of performances. Actually, MAMA institutes several systems to secure the quality of performances. This system is "one stage-one producer", and it helps the professional planning process in accordance with entrusting the stage task of performing genre for 10 producers in MAMA.

The opening awards abroad have many limitations in the process of performance progress compared with the opening awards in Korea. In this situation, the production crew of MAMA is making relentless efforts to keep up the quality of performances. Based on this effort, if Mnet makes good use of internal know-how organizationally, troubles in various situations are resolved.

Mnet is a cablecasting company that deals with music contents intensively unlike the three channels of public TV in Korea. Mnet's know-how is made up of music, performance, broadcast contents in a history of fifteen years, including K-Pop show "M Countdown" and the groundbreaking music broadcasting "superstar K". This know-how is the matchless property of Mnet. The know-how will feed into the planning process of MAMA through ceaseless efforts to reserve insight and put knowledge to practical use from various contents, and that is to say advanced performance quality in MAMA.

Third, the inherent concept of MAMA consolidates the strength of CJ E&M, host of MAMA. Park, Gwang-Won, the president of Mnet expressed his opinions in 2010 in an interview. He said that "Mnet makes music awards representative in Asia beyond the Grammy Awards." However, MAMA has a different background to set directivity of progress by contrast with the Grammy Awards. Most famous ceremony awards like Brit Awards and Golden Disk have been hosted by a special organization of music associations or aggregate corporations rather than private enterprise. Several ceremony awards are hosted by some institute individually. The Grammy Awards are hosted by The National Academy of Recording Arts and Sciences (NARAS), Brit Awards are hosted by the British Phonograph Industry (BPI) and Golden Disk is hosted by the Recording Industry Association of Japan (RIAJ). These are the continuing events to contribute to the development of the music industry for decades, and these events are rightfully famous. In comparison, MTV

Networks Inc. hosting the MTV Video Music Awards (VMA) is private enterprise which has been held as a ceremony awards over nearly three decades. Even if VMA started alternatives to the video part of the Grammy Awards, at present, it is sanctioned by excellent music awards and is loved by all. Successful reasons for the VMA starting as a latecomer in music awards are as follows. Firstly, VMA provides many people with various visual treats to direct drastic and preposterous performances on the basis of unconventionality in cable broadcasting channels. Secondly, it authorizes many music fans to vote the prize winner rather than Grammy Awards. In VMA, the number of votes by music fans plays a role in determining the prize winner. This is MTV's strategy to solve the problem of public confidence. So, it is very suggestive for CJ E&M, to adopt a similar position as MTV.

6. Conclusion – MAMA, the Ongoing Legacy

The first reason that Asian-wide pop music awards such as MAMA could emerge from Korea would be the circumstantial change that K-pop is now being enjoyed throughout the entire Asian region. However, it is also not right to ignore all the other factors that have brought K-pop to its current position and simply concludes that the success of MAMA was possible solely because of the K-pop syndrome. The success of MAMA was possible because spontaneous demands for K-pop in each Asian country were met with the effort from the main players in the Korean music industry.

Online media channels, represented by YouTube, and social media such as Facebook gave K-pop a chance to be spread throughout the world. Accordingly, spontaneous demand for K-pop that was just a small musical trend in each nation had become larger and larger until it started to threaten the main stream local music industry.

The success driven by spontaneous needs, which is also called bottom-up success, is a remarkable achievement. However, in order for K-pop to be more than just a one-time phenomenon, it is clear that top-down support and management should be given to the K-pop ecosystem.

Nonetheless, there were only little attempts among the main players in the Korean music industry to support the K-pop syndrome in the long term perspective. Government and broadcasting companies were taking a practical approach to K-pop and only focused on its short term utility and increasing their market shares in domestic markets. Management companies were relying on star power and concentrated on making the

most out of the powerful artists under their management. K-pop was missing a long term supporter who can step out and face all the challenges relentlessly.

Surely, there was an example. Asian song festivals, which were hosted by Korean culture and art foundations, can be an example of the top-down movement. Asian song festivals were targeting to be the musical events that can be enjoyed all around Asia and invited various artists from different Asian nations to the festivals. However, there were some crucial weaknesses soon to be revealed. Even when they clarified the identity of the events as Asian-wide music festivals, Asian song festivals still focused on Korean audiences only and didn't put enough effort to drag attentions from music fans in other nations. Furthermore, for the last 2 years Asian song festivals were hosted as subsidiary cultural events for 2011 Daegu World Championships and the 2012 Yeosu Expo, which made it hard for the festivals to be recognized as original, independent musical events.

Under these circumstances, a role of an integrated media company in K-pop was highlighted. CJ E&M, the biggest media company currently in Korea, has become one of the most powerful companies in culture, music, and the TV industry after acquiring several major cable channels and became the largest program provider with the largest distribution capacity. CJ E&M soon became the most qualified company to support K-pop with top-down forces.

To focus on the immediate financial success of K-pop would only be a short term, narrow sighted strategy. For the long lasting success of the K-pop syndrome, organized support from the corporate level or nation level was required. And that is what CJ E&M did through MAMA.

MAMA was not designed to be one time event that attracts immediate attention. There were countless questions about whether the direction that MAMA was heading was worthwhile, which is to be the biggest pop music awards in Asia, in spite of all the worries concerning the poor profitability of hosting the ceremony overseas. It is clear that they could save lots of money when MAMA was hosted inside Korea, where they can utilize infrastructures and networks much more easily.

However, after 4 years have gone by, there are some clear signs witnessed that all the hardships and challenges were worth the price. All of the efforts, including enlarging the scale of the concert, taking it overseas, and widening the media coverage to 80 different nations, which would have seemed meaningless in the short term, turned out to be the meaningful process of expanding the total pie of K-pop.

MAMA can work as a K-pop platform that drags attentions from all Asian regions constantly. That is why it is called K-pop expo. MAMA can be the cultural event that can represent the K-pop syndrome by celebrating the achievement of the K-pop music industry every year, just as the Grammys represents the American music industry.

7. Wrap-up

The day when we first met three months ago was the day that we decided to gather together and chase the same goal with the friends with same interest about pop culture. We became a team, built a strong tie together, and went through the hot summer with even hotter passion. Those 100 days of discussing, communicating, and collaborating gave us the joy of knowing and discovering more and more about the pop culture that we love and we grew ourselves to be a better team and better persons. When we remember the day that we named our team ‘樂one,’ hoping that music would make us one like it is addressed in the motto of MAMA, the day when we celebrated together after passing the first assessment, the day when we kept on smiling even when we were totally exhausted after staying up the whole night on the project, all those memories are very precious especially because the project itself has been a touching and fulfilling experience. As we study about the project, we discovered how much of fun and joy Korean culture contents can bring to the world and we sincerely appreciated the process of learning new aspects of K-culture with great team members who cares about each other. The faith we had about the happiness that culture brings to humanity and about ourselves helped us make such a great memories.

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Case #8. SULWHASOO

How Sulwhasoo Rises to the Top of the World

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Cho Byung-Woo, Dongguk University
Wang Hong-Jin, Dongguk University



Contents

1. Sulwhasoo and Its Current Status
2. Brand History and Some Adversities that Sulwhasoo Overcame
3. The Birth of Sulwhasoo and Its Domestic Market Advance
4. Foreign Market Entry of the Sulwhasoo Brand
5. The Key to Success
6. Conclusion

Editors' Note

The product name is “Sulwhasoo” and the company that makes it and markets it around the world is Amorepacific. The reader should note that Amorepacific is sometimes written as “AmorePacific” or as one word all in lower case, “amorepacific.” However you spell it, the company is now one of South Korea’s most valuable blue chip stocks and the product, the completely organic Sulwhasoo skin cream, is a number one seller not only in Korea and China but around the world.

Executive Summary - Sulwhasoo

Sulwhasoo, a signature product of South Korea's leading cosmetic company, Amorepacific, is an oriental medicine-based cosmetic brand. It created new markets of oriental medicine-based cosmetics through culture marketing. Unlike existing Korean brands, Sulwhasoo made a huge success both in the USA and China, which are the largest markets in the world. This has enabled Amorepacific to become a leader in the global market. Therefore, we examined how Sulwhasoo became such a strong cosmetic brand.

When the domestic market started to face a slowdown of growth, Sulwhasoo chose to challenge the international market (2004-Hong Kong, 2010~2011: the USA, China). Although competitors targeting niche markets prevented Amorepacific from growing rapidly, Amorepacific overcame the situation by building a wide customer base and utilizing advanced technology. Sulwhasoo differentiated distribution channels by selling products only in department stores, duty-free shops, and door-to-door sales.

The key factors to become a No.1 brand are (1) differentiated strategy that created a new market, (2) technology-based products, (3) culture marketing to attract customers, and (4) keeping pace with the trends in the market. This case study presents the details on how Sulwhasoo made such great achievements.

Key Words: Premium Strategy, Cultural Marketing, Oriental Medicine Cosmetics, Customer-oriented Strategy, Product Differentiation

1. Sulwhasoo and Its Current Status

Sulwhasoo, a product based on oriental medicine and prestigious image, is leading the market in the cosmetics industry. Particularly, Sulwhasoo shows record-high sales in the department stores. Also, it not only captures the eyes of consumers in the United States and China but also raises brand awareness on the international level. Sulwhasoo is targeting people of the upper class and being able to sell products in large cities in China which in return bring the company huge revenue. Even, in the United States, the renowned department store, Neiman Marcus, asked if they can sell Sulwhasoo. It was also offered to sell in the Bergdorf Goodman department store in June, 2010. The Bergdorf Goodman department store is famous for its strict regulations about interior design, but it exceptionally acknowledged Sulwhasoo with flower patterns and allowed the product to be sold in a large volume.

Amorepacific has various brands which range from Sulwhasoo to Hera, Primera, Innisfree among many others. The company has international competitive power with advanced technology. Its total amount of market price is 534,900,000 KW (Korean Won) and the stock price is approximately 900,000 KW. Stocks of Amorepacific are known to be profitable. In particular, the company is planning on reaching 1.2 trillion KW in 2015 and 5 trillion KW in 2020 with overseas sales. The number of employees in other countries is roughly 5,800, which exceeded the number in Korea (4,700) last year. Amorepacific focuses on recruiting global talents and employing a large number of local employees.

There are three major reasons why we chose to examine the case of Sulwhasoo. First, Sulwhasoo, by combining oriental medicine and culture marketing, is ranked 1st in the domestic market. Sulwhasoo created a new market in Korea with the idea of making oriental medicine-based cosmetics. This helped the company have the no.1 market share in the domestic market. However, there were difficulties that Sulwhasoo faced. We are going to find out how Sulwhasoo overcame the hardships.

Second, a premium policy of Sulwhasoo improved the image of the brand. Sulwhasoo sold a variety of products through the department stores, and duty-free shops which boosted the premium image of Sulwhasoo. The premium image made consumers feel that they are special. Consumers felt satisfied when using trendy products. Therefore, end-users purchase not only products but also satisfaction. We will now shed light on the strategy that kept pace with the new trend.

Third, Sulwhasoo has a huge potential. Sulwhasoo first tried to break into the Hong Kong market and make a success. After that, Sulwhasoo tapped into the biggest economic markets such as the United States and China. As it did in Korea, Sulwhasoo could survive in the highly competitive markets by targeting the people of the upper class in those countries. This shows that Sulwhasoo has an enormous potential to be successful in any market. This case study will focus on how Sulwhasoo became so successful not only in Korea, but also in foreign countries such as China.

2. Brand History and Some Adversities that Sulwhasoo Overcame

The major timeline of brand history is organized in Table 1 for readers. We will focus on explaining what adversities Sulwhasoo overcame to become a powerful global brand. Three critical adversities that Sulwhasoo overcame are as follows.

2.1. Slowdown of Growth in the Domestic Market

Sulwhasoo had been growing by the end of 2002 and it met a slowdown of growth after that. With this in mind, Sulwhasoo first tried to step into the Hong Kong market hoping overseas markets would bring them greater success. The Hong Kong market attracted a lot of attention for the company because it had a huge number of travelers with purchasing power. Another reason was that Hong Kong was not anymore under colonial control by Britain but rather China. Therefore, the Hong Kong market could be a stepping stone for the larger market such as China. Trying to penetrate the foreign market as a strategy to overcome the low sales did help the company to get over the situation they faced. We will discuss more in detail about this and provide ideas for a new market creation.

2.2. Competitors

Sulwhasoo used to be the sole oriental medicine-based cosmetics which dominated the Korean market without being threatened by competitors until 2005. However, one of the competitors, LG care, produced oriental medicine-based cosmetics products. After LG care starting to sell a similar type of product in the market, Amorepacific lost a significant amount of market share.

2.3. Financial Crisis in 2008

The financial crisis in 2008 had a huge impact on the cosmetics industry as a whole. It seemed that profits of Amorepacific were on the increase between in 2008 and in 2010, but the figure turned out to be slower than that of before. We will go over the precise date and find out what we can do about it.

TABLE 1. Brand History of Sulwhasoo

| History of Sulwhasoo | |
|----------------------|--|
| 1967 | Starting to research 'Chinese medicine treatment with ginseng' |
| 1972 | Obtain a patent on an extraction of ginseng ingredients |
| 1973 | The first ginseng cosmetics 'Jinsaengsammi' |
| 1975 | New release of 'Sammi' in domestic market and exports of 22 items in international markets |
| 1981 | Exports and overseas release of 'Sammijin' |
| 1987 | The birth of Sulwhasoo that integrated skin physiology into oriental medicine |
| 1990~1996 | Decision on production of differentiated products as a response to the imports of foreign luxury cosmetics |
| 1997 | Release of Sulwhasoo, co-developed by Kyung Hee University Korean Medicine |
| 2002~2004 | Success in domestic market with no.1 brand power |
| 2004 | Making headway into the overseas market. Sulwhasoo's entered in Hong Kong market and first renewal |
| 2005 | Market entry of the second mover 'LG care' which decreased sales of Amorepacific Change of company name from Pacific to AMOREPACIFIC and its efforts to become a global brand |
| 2009 | 'Sulwhasoo spa,' second renewal |
| 2010 | Sulwhasoo entered in the United States market |
| 2011 | Sulwhasoo's entered in China market |
| 2012 | Sulwhasoo's entered in Singapore market |

3. The Birth of Sulwhasoo and Its Domestic Market Advance

3.1. Market Situation around the Birth of Sulwhasoo

A crisis Amorepacific faced due to imports of foreign cosmetics in the 1990s. In the middle 1990s, as the number of imported foreign cosmetics increased, they accounted for a larger and larger amount of market share in the Korean market. In order for Amorepacific to get over the situation, they made a decision to produce products that have different features from foreign cosmetics, which was 'Sulwhasoo.'

3.2. Target Consumers

The Sulwhasoo brand targets those consumers who are in pursuit of the well-being trend as well as those who place full confidence in oriental medicine products. That is, not only those who are older than 35-year-old women but also who have purchasing power at the same time.

According to the '7-year cycle', women tend to experience a change inside and outside the body. At the age of 35, they will notice skin aging. At the age of 42, they will have gray hair and skin aging may speed up more than ever before. Sulwhasoo brand can be a solution for those women experiencing these rapid changes in their body. Therefore, Sulwhasoo tries to come up with strategies that can seek profits in the long run.

3.3. Concept of the Sulwhasoo Brand: 'Premium Cosmetics'

Cosmetics used to be a means for women to express themselves in a delicate way. That is why the premium image of products highly affects the number of purchases made by consumers. Sulwhasoo took this into consideration and attracted a large pool of targeted consumers.

- Brand Philosophy of Sulwhasoo

The brand philosophy of Sulwhasoo started from the proverb, 'A beautiful face is a silent commendation.' This derived from our thought that looking good is as important as being a good person. The brand philosophy tried to show its national beauty to the people in the world. With effectiveness of its oriental medicine features and oriental sensitivity combined together, Sulwhasoo captured the attention of potential consumers.

- Sulwhasoo's Exclusive Design

① Container Design

Sulwhasoo introduced classy product designs. The design shows oriental sensitivity. Sulwhasoo expressed its confidence through the design of it. Sulwhasoo gained consumers' confidence with the help of its design. The design contains distinctive curves and it even took its usages into consideration

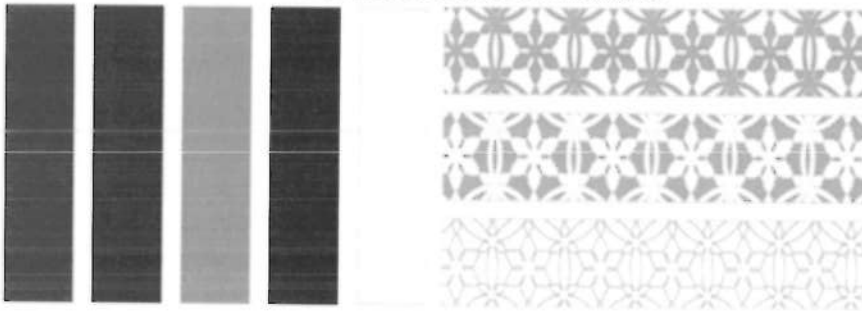
FIGURE 1. Sulwhasoo Container



② Colors and Patterns

Including the Korean traditional five colors, it has a variety of colors. Each color represents each product line. The color gold conveys a premium brand image. The shape of a Japanese apricot flower is Sulwhasoo's pattern that was inspired by the shape of a flower at Buddhist temples and it looks like a wall full of flowers that guarded the home of women in the kingdom. The shape of a hexagon similar to a turtle's back means good health and long life. It is the simply embodied flower petal of 6 pieces and looks like beautiful and ideal. The shape of modernly reinterpreted Sulwhasoo gives consumers a premium image.

FIGURE 2. Sulwhasoo Colors and Patterns



3.4. Marketing Strategy in the Domestic Market

- High Price Strategy

High price strategy: The high price strategy turned out to be the best choice for Amorepacific because they could make a considerable profit.

Moreover, the high quality image of products was stamped on consumers' memory, which allowed Amorepacific to make more profits. The design of Sulwhasoo containers was based on technologies targeting to be recognized as classy oriental medicine products. Sulwhasoo expressed its confidence with the design and built trust with consumers.

Premium marketing: Amorepacific guarantees the high quality of products produced in accordance with its concept which is a 'luxurious culture brand' so that it set a relatively higher price for all products. Limited editions and special editions could be seen as a premium marketing strategy.

- Differentiation Strategy

To attain a higher brand image, the company was in need of a new brand strategy. To be able to do this, Amorepacific had to come up with new marketing strategies.

Differentiation of distribution channels: Sulwhasoo differentiated distribution channels by selling Sulwhasoo products only through the department stores and door-to-door sales. As a result, Amorepacific dominated the high price cosmetics market and Sulwhasoo became the main item for the company.

Blue Ocean strategy: In the early days of market advance, Amorepacific showed its true qualities with the design of products as well as marketing strategies. Advertisements with celebrities, distributing samples and discount price sales can be classified as differentiated blue Ocean strategies.

- Culture Marketing Strategy

Culture marketing: Amorepacific provided a differentiated culture marketing strategy by using selected materials and advertising products with master craftsman who were designated as an intangible cultural asset. Also, the company insisted on distributing products only through the department stores, door-to-door sales and tax-free sales.

Culture directing strategy: Products are expressive of their culture. The design of the containers shows it the most in particular that it has Korean beauty and it built up confidence by letting consumers know the effectiveness of oriental medicine products.

FIGURE 3. 'Sulwhasoo's Culture Event with Ten Artists



- Consciousness-raising Strategy

Coexistence/Win-win marketing: Amorepacific supported the creation of Sulwha club run by 35 important figures and with the help of those members of the club the company promoted products with various marketing strategies.

Marketing with public interest: By allowing the public to be included in the profit-making process of the company, the company killed two birds with one stone. Sulwha Maven club let members of the club accumulate points based on their performances. Accumulated points with proceeds from the sales of products were used to support the cultural activities.

FIGURE 4. Maven Club Logo



- PR Strategy

Promotion targeting customers of affiliated companies: Those in their 20s and 30s who joined the Hera membership are expected to get samples hoping this might lead them to purchase Sulwhasoo products.

TABLE 2. PR Strategy of Sulwhasoo

| Price | Differentiation | Culture Marketing | Consciousness-raising strategy | PR strategy |
|--|---|--|---|---|
| High price strategy, Premium marketing | Differentiation of distribution channels, Blue Ocean strategy | Culture marketing strategy, Culture directing strategy, and 'Culduct' strategy | Coexistence / Win-win marketing, Marketing with public interest | Promotion targeting customers of affiliated companies |

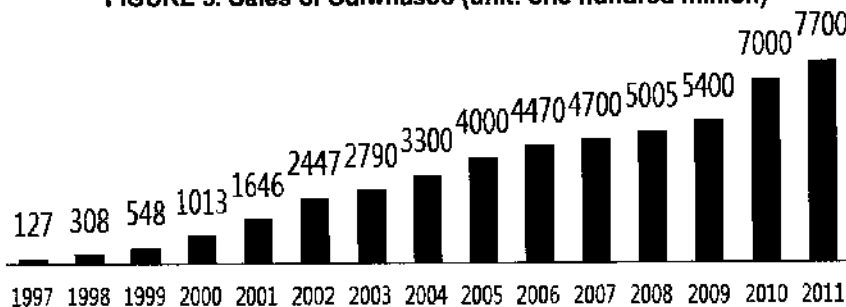
3.5. Marketing Performance and Consumer Reaction

Sulwhasoo established high-price strategies by combining traditional Korean beauty and the effectiveness of oriental medicine into its products. Ceaseless product development, design research, and differentiation of the distribution channels are the steps Amorepacific took. Sulwhasoo's marketing strategy had a huge influence on the consumers' purchases. Sulwhasoo increased sales by considering purchasing disposition.

Also, Amorepacific tried many different things such as 'Sulwha Maven Club', 'Sulwha Club' to raise the level of satisfaction. Among them, 'Sulwha Maven Club' let members of the club accumulate points based on their performances. Accumulated points with proceeds from the sales of products were used to support the cultural activities.

Sulwhasoo became the number one brand power in 2002, in 2003, and in 2004. Sulwhasoo is now thought to be a good product for middle-aged women and a premium brand.

FIGURE 5. Sales of Sulwhasoo (unit: one hundred million)



Source: 97-08' Maeil Kyungje (2009.02) / 09' Hankuk Kyungje (2010.06) / 10' E-Daily (2011.02) / 11' Kyunghyang Shinmun (2012.10)

4. Foreign Market Entry of the Sulwhasoo Brand

4.1. Foreign Market Situation

There are two fundamental reasons why Amorepacific decided to advance in foreign markets. First of all, Amorepacific faced deepening market competition in Korea. The second reason was the increased number of imported cosmetics. In the early 1990s, when Amorepacific made a decision to see the bigger market, more than 30 percent of the domestic market was dominated by global cosmetics brands who had brand power and implemented aggressive marketing strategies. Added to that, a labor dispute also made Amorepacific break into foreign markets even quicker and it was Sulwhasoo products that they sold in international markets.

- Increased Competition in Korea

In the 1990s, the cosmetics industry was not thought to be a profitable field of business. The rate of growth in the cosmetics industry was slowing down. In addition, intensifying competition in the domestic market was in progress. To overcome this situation, Amorepacific needed to develop high quality brands as well as the capital for marketing. Therefore, it was too risky to do more business in the Korean market.

- A Rapid Increase of Imported Cosmetics

We can see from the above table that the number of imported cosmetics was on the increase and Korea recorded a trade deficit. In this market situation, Amorepacific had no other choice but to look around at the bigger markets instead of being more involved in the Korean market.

- Slower Sale Growth in 2003 and the Start of Global Management in 2004

Sales have been down in 2003 compared with 2001 and in 2002. Based on this fact we can conclude that the company needed to advance into foreign markets. Thereafter, Amorepacific left their first footprints in Hong Kong

- The Fall of a Growth Rate and the Building a Global Image because of the Market Expansion of LG Care

Sulwhasoo showed record-high sales growth for a few years due to international market advance. However, sales were down again between in 2005 and in 2006. This is mainly because LG care started to do business in the cosmetics industry. The sales growth rate of Sulwhasoo

was approximately 7%, while O-hui and Whoo, the main product of its competitor LG care, showed a 23% growth rate. Amorepacific responded to this by changing its name from Pacific to Amorepacific to be able to take a bigger share in the market.

4.2. Sulwhasoo's International Market Entrance

FIGURE 6. Timeline of Sulwhasoo's International Market Entrance



Sulwhasoo's international market entry - Hong Kong in 2004, the United States in 2010, China in 2011, and Singapore in 2012

After extending its business into Hong Kong in 2004, Amorepacific limited its distribution channel only to the fancy department stores and exclusive shopping areas. For the first half of the year in 2011, having 40% of the market share in Hong Kong, it could establish premium brand image. Also, apparently, there was a reason for the market advance in Hong Kong rather than in any other country. When succeeding in making profits in Hong Kong, Amorepacific would link the know-how to nearby countries including China, Singapore, and the rest of the countries of Southeast Asia. In addition, Amorepacific chose Hong Kong, and the United States, because these are the countries that have the most potential and power in the world.

Accounting for a larger market share would be great for exporters. However, from the perspective of the importers, it would not be good news owing to the intensifying competition. An era of internationalization would mean that companies are bound to analyze various market situations.

Generally, nations in the northern hemisphere are important agents of economic activity. Therefore, we will focus on China in Asia, and the United States in North America

4.3. Entering the Chinese market

- Market Potential in China

China showed unprecedented GDP growth between in 2010 and in 2011. Growth of the economy led urbanization. This let the rural population move to a metropolis, naturally making them more interested in cosmetics products.

In China, people coined a new word called “Beauty Economy,” which showed the popularity of beauty products. According to a survey in 2010, the scale of the cosmetics market was estimated to be 9,500,000,000,000KW (about 9.5 billion US dollar), which is 1.5 times larger than that of in Korea.

Moreover, the metropolises in China such as Beijing, Shanghai, and Guangzhou had a population of up to 20,000,000 respectively. The rest of the 35 cities have a population of 7,500,000 each. That is, the market in China is enormous and has a lot of potential. Sulwhasoo, therefore, found the Chinese market to be a very attractive market to go into.

- The Increase of High-income Brackets in China

The number of high-income brackets surged followed by the rapid GDP growth in 2010. According to the report by the China Market Institute, the number of high-income groups increased 16% per year and half of the people in this group were formed between 2006 and 2010. This group apparently had the purchasing power and tended to prefer to buy quality products that have a great brand image.

This number increase of high-income people and their preference for premium brands are the main reasons why Sulwhasoo tried to enter the Chinese market.

- A Sense of Intimacy toward Korean Products

From the late 1990s to the present time, the Korean wave gained popularity throughout this period. This trend played an integral role for Chinese people to be interested in Korean products. Furthermore, Korean companies in China did provide the best follow-up services so far. Therefore, this largely improved Chinese customer satisfaction. This familiarity that existing companies established is one of the major backgrounds for Sulwhasoo’s market advance.

① SWOT Analysis of the Chinese Market

TABLE 3. SWOT Analysis of the Chinese Market

| Strength | Weakness |
|--|---|
| <ul style="list-style-type: none"> - Premium brand image - Accumulated marketing know-how based on earlier success | <ul style="list-style-type: none"> - Marketing expenses - Last-mover disadvantage |
| Opportunity | Threats |
| <ul style="list-style-type: none"> - Expectation of an uplift in sales - Reduction of customs duties - Increased interest in cosmetics - Favorable toward Korean products due to the Korean wave | <ul style="list-style-type: none"> - Rapid growth of Chinese cosmetics market - China joins WTO: more competitors |

② Culture in China

Woman's High Status in Society

Unlike other countries in Asia, woman's social status in China shows relatively similar to that of man's. Women and men are thought to have the same rights to make a decision at home. 49% of the population in China is women and 300,000,000 women are participating in the economic activities, which is 30 times more than that of the number of women in Korea. Chinese women enjoy 4 times more shopping than Chinese men. Also, they not only have a tendency to use products for a shorter period than that of the usage of men but also enjoy letting other people know the features of products that they are in using.

Saving One's Face

Sulwhasoo is targeting those women living in metropolises who always try to keep their face. They, therefore, prefer buying imported brands and extremely rely on brand assessing the quality of products based on that. Not to mention the fact that they are not at all sensitive to any discounts, promotions, or public relations.

An Increasing Number of People Get Sick due to Air Pollution

China is known to have bad air pollution mainly owing to yellow dust. More and more people have to see a dermatologist for skin diseases. This has mainly resulted from air pollutions. This brought people to pay attention to natural skin care cosmetics products.

Well-being Trend

The well-being trend is focusing on everything that is healthier such as organic food, working out regularly and using quality products. People now are interested in the materials and sources of any products that they are using. Since this means that they are affordable to buy items more than ever before, we can conclude that their income has risen such that they have turned their eyes to eco-friendly or healthier products.

Korean Beauty Resulting from the Korean Wave

Pop culture such as Korean dramas and K-Pop is now going on to include the Korean beauty wave. Specifically, organic cosmetics such as Sulwhasoo are getting a lot of attention from consumers. This became more famous through word-of-mouth.

More Premium Cosmetics Stores in Big Cities

China is now offering spaces for premium cosmetics stores. For instance, cities such as Shanghai and Beijing where commercial development is in progress are occupied by premium cosmetics stores. More than 52% of the upper class who turned out to have the purchasing power resides in those cities mainly because they can afford those products.

Chinese Women Enjoy Shopping and Rely on the Word of Mouth

According to a report by the LG Economic Research Institute, Chinese women tend to do shopping 4 times more than Chinese men. While shopping, Chinese women normally spend 12.9% of their shopping expenses in beauty treatment products. The marriage age has increased in the nation, and we can see a rapid rise in the number of single women. Single women usually shows high consumption level and so-called 'high-paying white collar women' who are thought to earn more than 8,000 yuan per month are now emerging rapidly. This top 1% of consumers believes that the virtue of life is to consume products and is very consumption-oriented. Chinese women are likely to hear from the experience of others, and this largely affects their consumption of products.

Value of Sulwhasoo

Sulwhasoo obtained technology based on oriental medicine science for 40 years and succeeded in establishing a premium brand image. Also, by being able to keep up with hot trends such as well-being and the Korean wave, the company now is putting more value on its Sulwhasoo brand.

③ Marketing Strategies in China

TABLE 4. Marketing Strategies in China
Marketing strategies in the Chinese market

| | |
|---|---|
| The same marketing as domestic marketing | <ul style="list-style-type: none"> -High-price marketing: Sulwhasoo targets those higher-income groups in China. Amorepacific opened two stores in the department stores after one month of its launch. They had eight stores in 2001. -VIP marketing: Specialized staffs were designated to provide quality service to VIP customers. |
| The same but differentiated marketing | <ul style="list-style-type: none"> -Oriental medicine: In China, it used to be very difficult to find skin care products that were filled with the scent of oriental medicine. Along with this, consumers tend to think that oriental medicine products are beneficial for their skin, so that Sulwhasoo with the scent of ginseng became very popular. |
| Differentiated marketing | <ul style="list-style-type: none"> -Target Hallyu fans in China: Japanese people look up to Korean celebrities' skin so that they have much interest in Korean cosmetics. Korean cosmetics usually target teens and those in their twenties. However, since Sulwhasoo targeted those in their thirties and forties, it met the needs of Hallyu fans. Also, Sulwhasoo shows more than a 70% of repurchase rate. |

④ Success story

Appeal to Those Highly Paid White Collar Women

Sulwhasoo made its target those highly paid white collar women who are thought to be the top 1% of the population. Those older than 35-year-old women are the essential target because they are the most able to afford and apt to purchase items more than any other group of the population. Sulwhasoo made money out of selling products to this group.

Word-of-Mouth Marketing

Amorepacific researched to find out the purchasing patterns of their consumers. The company made its conclusion that word-of-mouth plays a significant role for their consumption. Therefore, word-of-mouth marketing became a main source of marketing strategies.

By taking advantage of this word-of-mouth strategy, Sulwhasoo became popular even before its launch in China. It could be sold in a large scale even though it was sold 5 years later than LG care products. After entering the Chinese market, Sulwhasoo firmly established its brand image through the word-of-mouth marketing strategy, showing a 70% of repurchase rate.

Marketing with the Help of the Korean Wave

Chinese people often look up to the skin of Korean celebrities. That is, they are often favorable to Korean cosmetics products. Knowing that existing Korean cosmetics products aimed at those teenagers and those in their 20s, Sulwhasoo made its decision to concentrate on those in their 30s, and in their 40s. Sulwhasoo could appeal to those targeted groups since Sulwhasoo is made of oriental medicine products. This group also showed more than a 70% of repurchase rate.

Oriental Medicine Products

There used to be no oriental medicine products in China. Therefore, Sulwhasoo's moisture cream with ginseng smell was a huge surprise in the Chinese market. Also, ginseng ingredients often thought to be good for skin grasped Chinese consumers attention. One thing that Amorepacific made its commitment to was to let them be accustomed to those oriental medicine products by explaining the pros and cons of the products in detail.

Analysis of Population

1,100,000,000 people out of 1,300,000,000 live in big cities, which show a higher density in cities. Women are likely to be involved in economic activities. Women have almost the same social status as men. To be able to figure this out, Amorepacific surveyed 3,000 local consumers before making its launch in China.

Trendy Product, Sulwhasoo

Using quality ingredients and oriental medicine as a source of their products, Sulwhasoo laid the foundation in the Chinese market. The fact

that Chinese people were not repulsed by the oriental medicine products was one of the reasons of its success, too. Luckily, Sulwhasoo products did not need to go through any legal process or customs at that moment.

Moreover, Chinese people were favorable to Korean products with the help of K-Pop and the Korean wave. Those who experienced Korean Beauty showed a high repurchase rate with brand loyalty. By instantly responding to trends in China, it helped make sales accelerated as a whole.

Sales Performance

The total sales in China after Sulwhasoo's launch were significantly increased. Thus, the launch into China was very successful.

4.4. Entering the American Market

- Continuous Cosmetics Market Growth in the U.S.

Cosmetics and beauty treatment industries in the United States are estimated to be the largest market in the world. Except when the sales scale went down 0.1% in 2009, sales in the cosmetics industry were on the rise. Sulwhasoo turned to find a bigger market fearing the saturated Korean market situation.

The sales scale of anti-aging cosmetics exceeded that of the skin care market by 2% between 2006 and 2008. Aiming for the same group of consumers, the increase of the sales scale of the anti-aging cosmetics market became an essential reason for Amorepacific's market advance in the U.S.

- Oriental Medicine Products were of Interest to Americans

From the early 2000s to today, Americans were becoming more and more interested in oriental medicine products. One thing and the last thing they can do to overcome western medicine was turn to oriental medicine. Oriental medicine and acupuncture are being used to relieve pain. Also, people at multinational pharmaceutical companies read a lot of oriental medical volumes for their reference.

- Americans Value Brand Image

Brand image is assessed in terms of its technology, design, and freshness. Brand image is not something that can be built within a short period of time. Therefore, to meet the needs of American consumers, it is recommended to avoid a low price strategy and a short-term policy.

- Americans Value Design

The design of Sulwhasoo products is highly recognized because it captured oriental beauty in a modern way. Wrapping design is also an important factor. Consumers not aware of any features of the product have to make choices by looking at its cover. Visual factors expressed by its wrapping design have to be a great means to promote sales. Thus, wrapping design does its part in attracting consumers.

- Organic as well as Eco-friendly Trends

An eco-friendly way of life is becoming a new lifestyle trend these days making natural beauty products popular. More recently, natural cosmetics products including the beauty treatment market and make-up products are popular. This is because carcinogens have been detected in mercury-based cosmetics products as well as in some premium cosmetics products. People now are in pursuit of organic cosmetics products.

- Brand Value of Sulwhasoo

Sulwhasoo has an oriental medicine based technology, a premium design, and uses organic natural materials for cosmetics products. Sulwhasoo also has freshness that Americans value the most.

- Marketing Strategies in the U.S.

① Premium Marketing

Amorepacific mainly focused on the fact that Americans generally find the Orient to be mysteriously attractive. With this in mind, in 2010, Amorepacific could be part of Bergdorf Goodman by turning oriental beauty into a modern style. Bergdorf Goodman also chose Sulwhasoo as an optimal brand that can satisfy New Yorkers' interests in Asian culture. High price strategy: Sulwhasoo set the price higher than the price set in Korea to provide high quality products.

② Interior Showing Oriental Beauty

Sulwhasoo showed its oriental beauty by engraving interiors with flowery patterns and Chinese characters. Even though there used to be a strict restriction on interior design, Bergdorf Goodman exceptionally allowed Amorepacific to design interiors their own way. This is not even originally a differentiated way of marketing strategy from the one being used in Korea, but a great strategy that can appeal to those in other countries, which is why this is not exactly the same but a differentiated marketing strategy.

③ Experience based Marketing

Sulwhasoo built-up its image by letting customers experience ‘Oriental Beauty’ in ‘Spa Salon.’

FIGURE 7. Sulwhasoo ‘Spa Salon’



5. The Key to Success

The key to success can be summarized with five points. Details are presented as follows.

5.1. Oriental Medicine Brand Identity

Sulwhasoo’s oriental medicine philosophy melted into visual factors such as the color and package. Pottery shaped containers with traditional ‘Oh-bang’ colors showed the products’ unique characteristics. Additional gold color showed its noble image. The oriental medicine brand identity was more than these colors. Amorepacific even added more. Especially, Sulwhasoo Spas helped establish the oriental medicine brand image by providing oriental types of skin care solutions. Sulwhasoo Spas played an integral role not only in Korea but also in other countries including China’s Hong Kong. These various activities were the main factors contributing to the highly recognized brand identity. Sulwhasoo, in conclusion, is an optimized cosmetic for those looking for oriental medicine products.

5.2. Technological Features

The quality of Sulwhasoo products was a driving force for the success Sulwhasoo products have gone through. First of all, all oriental medicine materials for a finished good are domestically produced. 200 different

types of Chinese herbs are being cultivated. Scientific product research is underway as well. Amorepacific formed a task force studying more about Sulwhasoo products. 500 people in the Kyung Hee University, Kang Won University, and Ewha Women's University are participating in the process of product development. As an outcome, Sulwhasoo has 200 patents and 300 research papers. This effort allows Sulwhasoo products to survive in the more competitive markets.

5.3. Culture Marketing

Selected materials and emotional design are the concepts for the Sulwhasoo products. Craftsmen designated as intangible cultural assets showed up in the TV advertisements, differentiating the product from the competitors who hire models for the advertisements. Also, for the concept of a culture brand, Amorepacific distributed products only through department stores, door-to-door sales, and tax-free goods on board flights. They tried to combine Korean culture and oriental beauty in the design of the containers.

Besides, in connection with corporate social responsibilities, Amorepacific is using a culture marketing strategy. Corporate social responsibility is a form of corporate self-regulation integrated into a business model. Corporate social responsibility is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. For instance, by creating 'Sulwha maven club', it allows members to accumulate points that can be used later to experience traditional culture. Being connected to various cultures, Sulwhasoo conveys its colors very well. Culture marketing, thus, basically plays an essential role drawing consumer's attention.

5.4. Premium Strategy

For women, they can express their image through the cosmetics products. Sulwhasoo took purchasing disposition into consideration and set a premium image at the head of their strategies. People can sense a feeling of exclusivity in the package design of Sulwhasoo.

Sulwhasoo even differentiated its distribution channels. From the moment when it launched Sulwhasoo products, it was only available either in the department stores or door-to-door sales. By doing this, Sulwhasoo accounted for more and more market share, to become a main brand. Unlike any usual marketing strategies such as handing out samples

and a price cutting sales, Amorepacific even differentiated its advertisement. Also, they try to meet the needs of high class people by providing them with limited editions and special editions.

5.5. Driving Force of International Market Expansion

Sulwhasoo made eye-opening progress in the international markets with the help of the premium strategies. The first step was in Hong Kong. In Hong Kong, Sulwhasoo had the support of most of the upper class people. Plus, the premium strategy was also a critical success factor.

In China, upper class people take into account brand and quality when purchasing cosmetics products. Sulwhasoo gratified their desires by being equipped with a premium brand, high-price, and great quality. Also, Amorepacific came up with local marketing strategies for the local consumers and tried to meet the needs of white collar women. Word-of-mouth marketing strategy turned out to be effective as well.

Premium marketing was used in the U.S. as well. Even the high-price strategy helped in boosting sales. Amorepacific proved its value by being part of the best Bergdorf Goodman department store in 2010. The oriental medicine brand identity, premium strategy, and so on are the main causes for Sulwhasoo's success in the United States.

Sulwhasoo holds a special place in consumers' heart from the Hong Kong market advance in 2004, the US in 2010, the China in 2011, and Singapore in 2013. Now, Amorepacific is ready for another challenge in Southeast Asia.

6. Conclusion

We have researched how Sulwhasoo succeeded in both national and international markets and proposed some ideas. Three crises that Sulwhasoo faced were due to saturation of the domestic market, the economic downturn and not enough market research. By knowing this, we proposed alternatives for these crises. From now on, we will come to a conclusion in terms of the economy as well as marketing.

6.1. For Making Profits

Amorepacific made profits targeting a niche market. According to the National Statistical Office, the population of Korea is 51,047,880 people in 2013. When Sulwhasoo first tapped international markets the population of Korea was 48,423,799 people in 2004. Economists argue that a nation should at least have a 100,000,000 population for domestic

market activation. However, Korea is not reaching that figure yet. Therefore, it was necessary to look around for more profits.

6.2. For Changing the Way of Thinking and Benchmarking

Subprime mortgages forced the world into a financial crisis in 2008. Sulwhasoo, who used high price and premium marketing strategies, showed relatively slower growth due to the economic recession. This allowed customers to seek cheaper price products. However, it did not make sense to change their marketing strategies. If that had happened, those who favored Sulwhasoo products were likely to turn their face away. In this case, it was important to benchmark those similar cases which made us take a closer look at Japans' situation. Even though they faced the same circumstances, they captured customers' hearts with inner beauty products. By changing one's way of thinking about cosmetics products, they approached customers in a more friendly way.

All companies are dependent on external stimulus. When thinking differently in these situations, companies can survive. In this sense, we propose edible cosmetics products, which combine the characteristics of oriental medicine and inner beauty.

6.3. For Trend Lead

It is common sense that companies take the role of product production and consumers purchase these products. The 20th century is the time of 4C (Consumer, Cost, Convenience and Communication). Consumers do not make a purchase only if products are good enough. Consumers do make a purchase to be able to be happy with the use of them. To capture consumers' hearts, companies need to establish brand image, provide convenience to customers and communicate with them.

When competitors stepped in the market where Sulwhasoo was leading, Amorepacific took that into account. It turned out that Amorepacific was not doing enough research for consumer behavior because they were monopolizing the market. From this experience, Sulwhasoo paved the new way for reform. They analyzed consumers' behavior to be able to provide them with the best service and proposed Big Data as an alternative. Foreign companies are making use of Big Data. However, Korean companies are not necessarily taking advantage of it. Analysis of Big Data would help companies lead the market.

Especially, a localization strategy and premium marketing strategy together with Big Data acquisition would allow Amorepacific to be successful in foreign markets. With this marketing contest, we learned

how companies make decisions when it comes to marketing. Amorepacific dominated domestic market by selling the oriental medicine product Sulwhasoo, which has different characteristics from those foreign cosmetics. Surprisingly, it remains the number one oriental medicine brand in the international level with various differentiated marketing strategies. Sulwhasoo could make it by overcoming a couple of difficulties that they faced and judging market situations coolly.

Second, with Sulwhasoo's case analysis, we studied the field of international marketing and the need for it. Amorepacific started global management to overcome intensifying competition in the domestic market and the increase of imported foreign cosmetics. Now, Sulwhasoo went into a lot of Asian countries and the United States. Sulwhasoo's case let us realize the importance of market research and demographic as well as regional features. Finally, a company has to have different international marketing strategies depending on countries.

This marketing contest helped us grow in three different ways. First of all, it broadened our perspective. We happened to put ourselves into consumers' shoes and thought a lot from their view. Second, we realized the significance of group work. For example, we assigned different works to individuals and solved problems by communication and compromise. Last, it was a whole new different experience for us. This was because we were able to meet experts in the marketing field and learned a lot from them.

Sulwhasoo succeeded in differentiating its product by making people understand that Sulwhasoo is an authentic oriental medicine brand. Not only did it make use of traditional five colors on the pottery, but also it used high quality oriental medicine materials. This did help Amorepacific have brand identification. In short, the very Korean-style beauty becomes competitive enough to break the entry barriers of global brands. Based on domestic culture and characteristics, we hope Amorepacific could find out new originative items and become an example to everyone who would like to jump up to be a global brand in the world.

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"I learned many things from this contest. Amorepacific found chance from fail. After all, they succeeded on the world market. Amorepacific products faced stiffer competition from other company items in the global market. We research number one cosmetics brand in Korea. It is very good experience. Based on these things, I dream to grow further."

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"This project was a great opportunity making me foresee my future through past experiences. Analysis of a company in a detailed way let me comprehend how the company could obtain brand power in the international market. By looking at this process, I felt that I could always control myself whenever I face any hardships."

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"There exists a great number of markets and numerous products come out as well. This contest let us know more about the stories of those products. The most important thing for us was to elaborate stories of the products as marketing strategies. The marketing strategies of Sulwhasoo would act as a huge stimulus in making my own story."

Case #9. BIBIMBAP

How Has Bibimbap, a Traditional Korean Style Food, Become a Beloved Food in the World?

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Jeonju Bibimbap, CJ Bibigo and Han's Bibimbap
5. Successful Factors of Bibimbap
6. Future Directions and Conclusions

Editors' Note

This case study is about the successful marketing on a global scale of a traditional Korean food called "Bi-bim-bap." Bibimbap is a mix of rice and vegetables that can be mixed with ground beef or pork or served vegetarian style with carrots, cucumbers, mushrooms and a variety of other vegetables, which makes it a very colorful dish. It is easy to prepare and can be served cold or hot (dol-sot-bi-bim-bap) and often with a fried egg on top. The individual diner can add red pepper paste or sesame oil to suit their own taste; thus, it can be eaten spicy or mild. It is considered a healthy dish that is low in calories and high in vitamin and mineral content and thus its popularity in terms of wellness or as Koreans say, the "well-being" movement.

Executive Summary - Bibimbap

The global eating-out market scale has grown to 4.9 trillion dollars in 2009. One of the growth factors is the emergence of the corporate foodservice enterprise. They built a large network of direct sales while expanding their area of business being based on the franchise business.

Recent analysis of global food trends shows that bibimbap was selected as a world food title among Korean foods. Bibimbap's cooking process is easy and it can be standardized. So bibimbap has been thoroughly studied and national support has made it a leading national brand. Even though junk food has been devaluated, the fast food market has shown a steady growth of 4-6% per year. Today's consumers also prefer a low-fat, low-carb and low-calorie diet. Therefore, traditional Asian food is particularly preferred. Bibimbap is in accordance with world trends (well-being and fast) and the menu itself has no shortcomings for the global audience. Thus, if bibimbap is released in overseas markets, it is likely to pick up popularity and build a good reputation and awareness for Korean food in general.

This case study targets overseas markets to know if the Korean traditional food, bibimbap, can become a world class brand in the food market within the next 10 years. Therefore, we present methods as to how it can become a no.1 brand by analyzing several examples and examining the strengths and weaknesses of various bibimbap brands such as Jeonju Bibimbap, CJ Bibigo and Han's Bibimbap.

Keywords; Bibimbap, Korean Traditional Food, Well-being, Korean Food

1. Introduction

Food could be a symbol of a country's culture. Food which is blended with its natural environment becomes a mirror to a unique culture and lifestyle that varies from country to country. Now, food culture has become a symbol of a country beyond solving hunger. So each country's marketing of its food is important to the country's food culture globalization movement. Korea has shown a similar movement. Korean food has a unique, deep history that makes it special, and famous journals of the world have introduced the high quality of Korean food. However, despite the excellence of Korean food, the value of Korean food has not been properly evaluated yet. So now, we wish to give the world a chance to taste and experience Korea's best dishes. A few years ago, the Korean government stressed on the possibility of the globalizing the Korean food. Through the globalization of Korean food, many value adding businesses and employments can be produced. The opportunity to experience the Korean culture can make strengthened relationships with the world. To do this, Korean food industry makes a lot of brands in order to join the world food industry.

1.1. Need for the Globalization of Korean Food

The world food market is larger than the IT, automobile, or steel market and has great potential to improve. Korean food has distinct features such as "well-being" and "healthfulness," so it fits well in the world market today. It has the potential to be enjoyed all over the world. Korean food is typically very nutritious, well-balanced, and culturally rich.

1.2. Reason for Subject Selection

After Korea went through struggles like the Japanese occupation, independence, and the Korean War just 60 years ago, the Korean economy was the least developed and even received aid from the Philippines. However, after time past passed, Korea has developed its economy, which received much support from many countries; however, today it has become a donor country. The growth of industrial development is the main reason Korea exports through Samsung, Hyundai and LG. In addition, the World Cup, the Olympics and the UN General Assembly were all held on the Korean peninsula in Northeast Asia. Thus, this proves that Korea has high quality brand power. However, in terms of the economic development of Korea's national

brand index sector, traditional culture sector has been undervalued compared to other sectors. Overall rates are high but, traditional cultural has risen just a little bit compared to the other sectors.

1.3. The History and Challenges of Bibimbap

Bibimbap's history is not derived from a well-known academic. From ancient times, bibimbap was the main food because making it is relatively easy and it is easy to eat. Koreans ate bibimbap from ancient times in the forms of "Jeonju bibimbap," "Heju bibimbap," and "Sanchae bibimbap" named after ingredients used or regions of origin. Today, Korean bibimbaps have the basic elements of nutritional ingredients and that means bibimbap has the hidden wisdom of our ancestors.

Bibimbap is first mentioned in literature in the late 1800s. Since then, there are several hypotheses in many ancient books. Regardless of these hypotheses, bibimbap can do many things on behalf of our country. Using these characteristics, bibimbap has slowly become known to the world as the pride of Korea as the best and most famous Korean food.

2. The Early Days of Bibimbap: Crisis and Adversity

In the 1980s and 1990s, Korean culture was very strange and also had a low brand presence. In this situation, mixing the rice did not take into account the current tastes, so it was not welcome. Traditional bibimbap did not overcome the cultural differences. Because of the low brand position, marketing had no effect on the world stage. In contrast, Chinese and Japanese had hit the world market through specialized marketing. The Japanese have formed a high-class food culture. Many kinds of Japanese foods are served at a nice restaurant. Chinese food, which is based on the taste of home, was focused on high-class and popularity. Japanese and Chinese food solidified their positions in the world market; Korean food becomes more difficult to market.

3. Turning Point

The Bibimbap brand captured the world slowly and gradually become famous in the world market. A great interest came from very '88 Olympics in Seoul. These summer Olympics boosted value of the country. Depending on the higher value, many people became interested in Korean cultures. At that time, all foreign visitors including actors and singers watching the Olympics had a very good feeling about the taste of bibimbap. They gave the introduction to their friends or wrote about it in

magazines and journals. The two representative foods of Korea (Kimchi and Bulgogi) were recognized as a large crowd and bibimbap was not recognized as a representative Korean food. The turning point was Korea's entertainment program. In December 2010, the program made bibimbap ads. Through these ads, Bibimbap became a representative food of Korea.

Colorful images like red, yellow, and blue were so impressive in the program ads. Ads started with the play Nanta's, one of Korea's popular performances. In the musical, a variety of bibimbap ingredients are metaphorically expressed with Korea traditional music, taekwondo, fan dance, Ganggangsullae and a mask dance. It is not enough time to express many things but the process contains the meaning of harmony.

The MBC program team suggested that the government and Professor Se Kyoung-duck make the ad together. Starting with New York Times Square outdoor advertising, the ads were broadcasted in the entire United States. America's largest cable TV network including CNN and ESPN, ESPN2, Food Network, Cooking Channel, TAN TV were exposed to a total of 273 times. The ad spread quickly on the internet and the 75 million exceeded the number of YouTube Views. Related Videos of more than 100 were registered in Europe, Asia, the Middle East and Africa YouTube. Recently, actress Lee Young-ae joined the bibimbap advertising and it has been shown in Seoul's Gangnam station. Exposure of 150 times a day and is expected to continue until the end of the year.

Then, Bibimbap for young people was recognized as a main brand in Korean food. Following such trends, Bibimbap was then in the airplanes. Local tailored methods made Bibimbap the best Korea brand without emphasis on tradition.

4. The Case Studies on Three Bibimbap Brands: Jeonju Bibimbap, CJ Bibigo and Han's Bibimbap

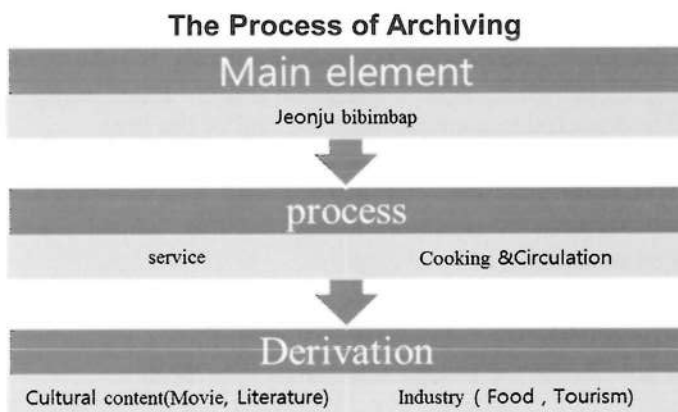
4.1. Jeonju Bibimbap

Jeonju Bibimbap since the early 2000s has promoted the globalization strategy. Jeonju city cooperated with famous restaurants. So, ingredients and recipes were standardized. The Character which is called BiBiMi was developed also. The Korea Food Research Institute and Jeonju city invented "Fast made Bibimbap" for convenience and sold about W2~3 billion in annual revenues. Exports which began in 2005 amounted to \$100,000 and grew in size gradually. The early days focused on the United States and Japan. Later, people who preferred vegetarian-style

bibimbap, known in Korea as “mountain vegetable bibimbap” were from France, UK, and Western Europe. However, international awareness about Bibimbap still has a long way to go. Jeonju’s bibimbap budget is only 100 thousand US dollars. The amount is lacking compared to Japan. This budget is not enough to support international public relations and stores. Song Ha-jin, the mayor of Jeonju, said that he will support more economic capital and develop a marketing strategy.

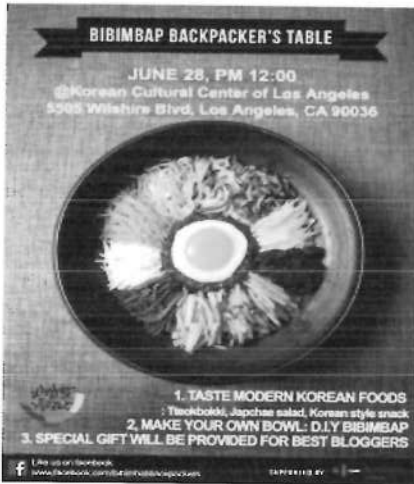
- Jeonju Bibimbap’s Marketing: Archiving Marketing

Archiving is a means that preserves the cultural resources, so a precious tradition is systematically managed by the government. Through this effect by the region’s food culture preservation is that it can make the foundation of modern development. Jeonju development and tourism resources can be seen as part of archiving marketing. The purpose of the archive is that bibimbap leads the food culture as a resource of tradition. Jeonju is a city of great taste and fashion. Many kinds of traditional art and culture are well preserved in the city. We divide bibimbap into three main elements (main element, process, derivation).



- Jeonju’s City-Level Marketing: Festival Marketing

Jeonju has several efforts separate from other cities. Bibimbap Festivals, which have existed from 2009, have been totally reformed. A festival provides a lot of events like music. Take charge of Jeonju City, a company which is called Jeonju Bibimbap Factory produces 800~900 bibimbaps per hour for export abroad as well as domestic consumption. Employees of the plant classify ingredients into a container.



4.2. CJ Bibigo

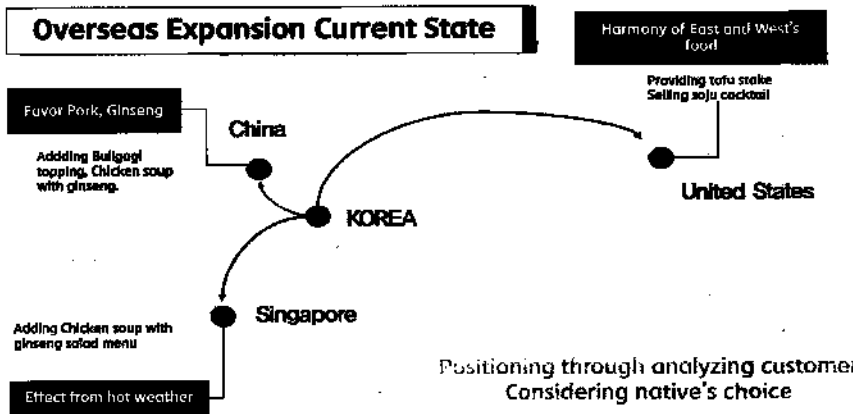
- CJ Bibigo

Bibigo to easily pronounce for foreigners as a compound that is combined with 'to go' and Korean 'mix' is a Korean food global brand. Also it is Quick Service Restaurant that is DIY (Do It Yourself) food style to choose directly rice, sources and various toppings for customer.

- Its Overseas Expansion

Opening a place of business simultaneously in China (Beijing), United States (LA) and in Singapore, CJ has promoted a global eating out business in earnest in May of 2010. CJ Foodville's sales scale is about 1 trillion won; it is insignificant in terms of the total of 70 trillion won a year eating out market share of the total market share.

Now, 'Bibigo' launched the capital city's international airport's fourth store in China (Beijing) in February of 2013 and then opened its first store in Indonesia for a total of 15 stores. Recently, they won an award, a partner of the year, from Tesco, a large distribution enterprise.



This award to a brand, among Tesco's suppliers, that acted marketing activity successfully and gained good results in sales is awarded by Tesco. So far the winners include Coca-Cola, Nestle, and Motorola in their respective fields. The category where Bibigo has won this year is the sector of new growth market and foreign food.

Last year, Bibigo, not only one of new neighbor brand with first in sales but also had a high record by promoting steadily sampling events of customer's agreement. And they had gained good reputation in the way that rapid replenishment service provides customers with convenience.

In the global food sector to which it belongs, Bibigo has competed with the Japanese, Chinese, and Indian. It also competed against other Asian foods as well as foods from various countries, such as Poland and Mexico. In particular, after entering formally Tesco in Oct 2012 and it is taken 8 months for Bibigo to accomplish all this, which is significant.

In the UK market, compared to other countries of the European Union, residents of to the new food culture is known to be relatively small. Because of this, preference for the Asian food market is high and the growth potential of the relevant market is high.

- CJ Bibigo Overseas Marketing Strategy

① Promoting Group "BIBIMBAP Travel Event"

Led by Prof. Seo Kyeong-Duck, starting from Beijing for 8 months, rounding the major cities in 40 countries, this group has announced its brand by having about 100 tasting events. And they have the role of

volunteer by propagating “Meal Share” to citizens of the world to eat a meal in a heartfelt way. Their activity gives a warm and positive image to citizens of the world. In July of 2012, also they targeted the US and the UK’s top universities and have promoted, rounding major cities including LA, Chicago, New York and Boston.

② K-pop Culture and Marketing through SNS

Thanks to the Korean wave that blows around the world, CJ tries to use Korean stars as marketing tools. By making channels including UCC, SNS, they approach customers.

③ Social Contribution Agreement with Singapore World Vision

Beginning in Singapore, CJ expand their social contribution activity abroad to contribute to the local community. Bibigo has signed an agreement for social contributions with Singapore World Vision and then has pledged to participate actively in boosting activities. As a result, they will donate Bibigo’s 2% of sales and sponsor alien children. They also donated their 2% of sales to World Vision for ‘Love Lunch Business’ with CJ Donors Camp. Bibigo officials said that they have expanded CSR activities to communicate with the local community.

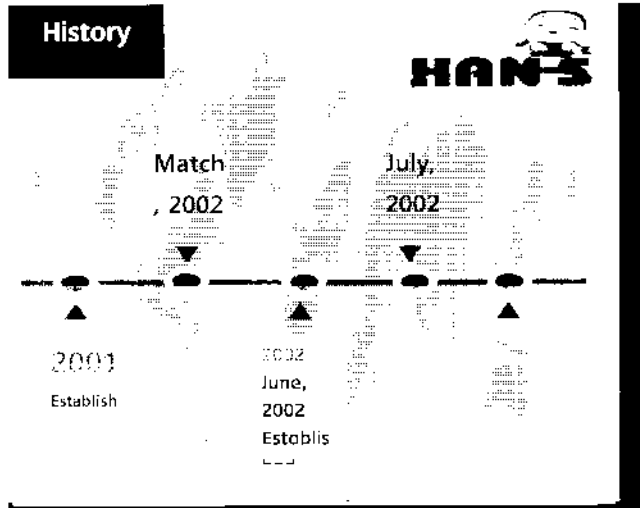
4.3. Han’s Bibimbap

- Brand Launching, the Name ‘Whaban’

Han’s bibimbap has announced a new menu called ‘Jinju bibimbap’ to make a new trend in the domestic market previously known of ‘Jeonju bibimbap.’ In addition, they start full-fledged franchise business with the aim for globalization and branding of local regional cuisine. In order to increase the competitiveness mutually exclusive of chain stores, the brand name also filed as a trademark to “Whaban” which is an alias for Jinju bibimbap, in January 2006, Han’s Bibimbap had registered the trademark with the patent office.

- Overseas Expansion of Han's Bibimbap

Han’s bibimbap, which operates 23 chains in the country, is provided to expand its consumer groups by eating and drinking in the store; also, they provided a takeaway their menu with use of a disposable container. As of the above, Han’s bibimbap was directed to a sort of fast food.



If you look at the overseas situation of Hans bibimbap, it established a U.S. subsidiary in October 2001, trying U.S. expansion with location No. 6 in July 2003; the first store in Java town of LA opened in December 2001 open and to expand into China, they established the China branch and opened a Dangdae store in Beijing, China in June 2002. In June 2002, Han's bibimbap established itself in Australia and in New Zealand by signing a master franchise agreement for that region. As a result, the first store opened in Sydney in the same year. Also Han's Bibimbap had negotiated with McDonald's JAPAN for sale of the bibimbap at McDonald's in the store. They were carried out negotiations with Thailand and Canada. Han's bibimbap was the first professional bibimbap franchise to be acclaimed worldwide unlike any other franchise. That it can be able to provide a food product in the form of takeout, minimizing the size of the store is to reduce the founding costs. Mainly in and around LA in the USA, a total of six stores opened. The first store was located in Java Town the, second shop was located in Japan Town, and third and fourth shops were placed in Korean Town. LA Times reported that LA's Regional Media introduced the Han's bibimbap in their top stories that called "Hot Bibimbap" as a main professional Bibimbap restaurant. At that time, each store in the United States tried to increase their gross income to \$40,000 a month or more. Stores in the United States, China, Australia and New Zealand, have been managed through the local incorporation office. This office operates ingredients other than major things such as red pepper paste that is produced directly

from headquarters and provides for each merchant to allow the local procurement of other ingredients. In addition, to keep intact the concept of bibimbap, it is also responsible for the local menu development work such as adding a topping that matches the local taste.

- Entry Strategy in International Market

Han's Bibimbap has followed these three slogans: Quickly provide bibimbap; serve professionally and variously; make it easy to enjoy. And as their overseas expansion strategy is localized with a low price and a distribution structure through the slogans above. As part of the local strategy, the United States advance at that time, they conducted a localization strategy to open stores around LA that many Koreans are living in, and to develop a source that meets the mouth of the local people. In addition, they selected that vegetables and additional material that local people preferred. These strategies, was actually one strategy to maintain the freshness of food by selling material in the field. Not just these efforts were used; they quick-froze ingredients when they delivered over long distance in order to maintain freshness.

Han's bibimbap's designation of menu also uses a distinguished Korean name such as bibimbap and Ttukbaegi (Korean traditional soup dish). However, to prevent people's confusion they wrote on the side additional explanations as a local language. The second strategy is price. In the average price of \$10 within the price was formulated, it was offered at a low price. Thus, the reason to sell at affordable prices can be found in the operating system. Stores open at least 1.5 flat as possible and precooked foods while cooking, so they did not need a lot of manpower. Finally, the localization of distribution methods and materials procurement through the rapid freezing tried to maintain freshness. As a result, cooperation with local trade area was also achieved.

- Limitations and Failure Factors of Han's Bibimbap

In spite of the early prosperity of Han's Bibimbap, their position in the franchise market was contracted in the international fields. Eventually, subsidiaries in the United States and other major countries have led to a situation in which withdrawn from the market occurred. We will try to point out some problems with this situation. First, capital strength was very small compared to the market size; second, a marketing strategy that emphasizes only publicity instead of taste; third, a public relations strategy that does not take into account the characteristics of the local market; fourth, lack of research infrastructure to acquire continuously the

taste of the local area; and a distribution network of ingredient transfer. Initially, Han's Bibimbap started with small capitalization to expand into the U.S. market of \$1,000,000. This scale to the level of infrastructure could not be continuously managed and due to the shabby scale of capital they were limited to the area nearby Korean town in Los Angeles when promoting. They even relied on word of mouth from the local Koreans. In a situation that was not able to invest constantly development of taste of various menus caused failure to ensure customers. Finally, a limited-type of materials distribution range was not able to raise a large area.

In terms of Korean food globalization, this was the first through the franchising of bibimbap and if there is significance of Han's Bibimbap it is the initial the globalization of bibimbap.

5. Successful Factors of Bibimbap

5.1. Items that Match the Latest Trends

More people have tried to eat well-being food because they ARE concerned with their health. The sale of fast food has been decreasing since 2002. With the increased interest in health 36% of adults in the United States said, "We will choose vegetarian dishes rather than meat-based food, if restaurants prepare a variety of vegetarian dishes to us. If there is a variety of vegetarian dish to from, we will choose vegetarian rather than a meat-centered menu." Especially, McDonald's, Burger King, Wendy's, KFC and other fast food companies had been sued by obese patients because of responsibility that they have sold obesity and disease-causing meals. Increasing their concern of health also, it leads to raise the natural ingredients food and vegetables such as Korean food, but on the other hand, traditionally the food such as steak or burger is decreasing. In terms of ingredients, the balance of acidic (rice and meat) and alkaline (vegetables) are good for everyone's health particularly.

5.2. Standardization and Individualization of Bibimbap

Bibimbap can be served as fast as existing fast-food because all of the ingredients are already prepared. Ingredients are just put on the bowl when customer orders. In addition, plastic bowls can allow customers to enjoy their meals anytime, anywhere. Not only this simplification, but also this way can offer consistency of taste to all customers. The chaff that makes bibimbap follows the standard recipe and customers adjust their preference to add some sesame oil or pepper. Through this act,

bibimbap is the only food in the world to have such simplicity and versatility. So we can assure that bibimbap has both standardization and individualization. Let's think about this point of view. Bibimbap may be better than pizza or burgers that only focus on standardization. Thus, bibimbap that having standardization and individualization, has the advantage of easy recipes easy to employees employed by locals to be one that is also worth noting.

5.3. Combination with a Variety of Sources

One of bibimbap's sauce nutrients is Capsaicin, that spicy red pepper flavor ingredients that stimulate the mouth and stomach and increase appetite. Also, it gives the body the ability to break down fat. Rich in vitamin A, this is also one of the advantages of bibimbap. Through the study of NWF the survey institute of United State, the recent trend of taste is spicy because that taste can stimulate a human's appetite, and it is well known for diet. One more forecast study of NRA the institute of the United State, there is also a result of taste tend to pursue a new taste that they have never experienced more and more favorite food of American. The sources of spicy chili sauce, Tabasco, and other things, but those sauces just have a poignant flavor. But red pepper paste has a sweet taste and is not only spicy compared to others. This can be known to be the most appropriate time such that Korean food can be globalized exactly even when examining the change in status of the catering market in the United States.

5.4. Increasing Awareness

In the study of variety of foreigners, bibimbap is selected in first place menu evaluation of Korean food. One example that can prove this is the food served on commercial many planes is bibimbap, which is increasing day by day. Being able to provide a Korean style combination of hot pepper paste, vegetables, and rice, bibimbap has become popular with foreigners as well. The International Air Transport Association (IATA), which issues a by the bi-monthly paper, "Air Line International," bibimbap was awarded the "Mercury Award," which is the honor of the best meals by International Flight Cruise Association (IFCA) in February 1998. It was only after six months since Korean Air had served it as a part of their international menu. Likewise, foreigners who are to travelling to Korea or taking bibimbap as a flight meal gave positive evaluation and wanted to eat bibimbap in their country.

6. Future Directions and Conclusions

Like the example above, not only at the national levels, but companies contributing to improve the national image and generating revenue by using bibimbab in business. However, pizza in Italy and sushi in Japan have had more than 50 years for globalization; with bibimbap, we have not yet reached the true effort toward globalization as much as Japan or Italy. Thus, for making bibimbap more popular, the marketing strategy is important to continue to develop. We must be able to be localized through the development of fusion bibimbap or packed bibimbap to appeal to the tastes of foreign.

We think about the way to register the name of “KoreaBibap” as a symbol to represent Korean food. This symbolic word can make the bibimbap known for a representative food not only with domestic people but also Foreigners.

Next, finding a paired item would expect synergies. As we know coke is a paired item with burgers. If we find this kind of beverages or develop that, we can make a better result.

Third, we should make sub-menus for greater diversification and standardization. Namely, a strategy for once allowed to fast food of the bibimbap itself, we developed a sub-menu to develop into a variety of products to standardize bibimbap for the masses. For example, we can find various types of burgers in the fast-food branches. Like this, if bibimbap could be served to meet the customer’s tastes and customer’s will be satisfied with bibimbap.

Last, local fresh ingredients and the most that can be delivered with the best quality to consumers, it is important to ensure good distribution channels. Ingredients that can be procured from local materials should gain the shortest distance of distribution networks for the freshness of groceries.

As mentioned above, our traditional food bibimbap has a lot of possibilities to get a world market. Bibimbap tastes the same every everywhere, so you can be able to realize that the standardized fast food can satisfy customers in accordance with toppings. There are many advantages of bibimbap such as simple cooking methods and rich nutrients. Through this strong point, bibimbap gain the title of a well-being food.

Fast food has the strong point like quick cooking time. However, fast food declines in Asia since 2002 due to the well-being trend. As we saw in the previous study, steady growth in the United States and Europe has

been on the fast food market because bibimbap has rich nutrients. Thus, bibimbap is considered a good franchise item on the overseas market. Marketing was enough to cause the world's people concern by Lee Young-ae and PSY. Local firms developed many kinds of menus to meet the demand. SNS is main strategy of marketing through person to person and word of mouth. Using famous brands and MBC program were very successful and now bibimbap's brand value has continually soared.

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“Jeon-ju which I live in is famous for Bibimbap. As a resident of the city, I am happy to introduce bibimbap as the representative of Korea food. Through this survey, I learn many things like marketing strategies, globalization and the Greatness of Korean. Lastly, thank you for KIMF.”

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*“I am happy to write review! Start was very poor but we did it! I appreciate KIMF's officer because she helped our team sincerely. I knew that faith is very important in team project. As a citizen in Jeon-ju, I was happy to announce our local-products to world. Also I knew bibimbap's new information in detail. :)
Yet again, i thank to KIMF for giving this opportunity.”*

Lee Young-hyun, (leeyoung278@nate.com)

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“During this period of making our document, it was good experience to me. I hope someday Korean food widely known in the world and people know superiority of our traditional cuisine. Again, I was very happy and rewarding experience with my works.”

Case #10. MIDAS IT

MIDAS IT's Marketing Strategy to Rise to the Top

Joo Ye-jin, Yeungnam University
Park Hye-min, Yeungnam University
Han Kyung, Yeungnam University



Content

1. The Hands of Midas, MIDAS IT, Born in Software-barren Korea
2. History and Challenges of MIDAS IT
3. Market Conditions, Competition, and Marketing Strategies at the Time of Product Release
4. Turing Point: the Most Significant Factor Leading to the Top
5. Summary of the Success Factors
6. Marketing Strategy Guidelines for the Future
7. Summary and Conclusion

Editors' Note

South Korea is known for many things, but one of them is not software development. This case is about an exception, MIDAS IT, which developed and successfully marketed worldwide what many consider to be the best software programs to calculate and predict a structure's integrity and worthiness. In the face of a growing number of natural disasters, it is now popular with engineers and architects around the world and remains an entirely home-grown Korean product.

Executive Summary – MIDAS IT

This case study analyzes the business strategy and success factors of how the Korean Company MIDAS became the No. 1 brand in the software market which other developed countries once dominated. While such companies relied on technology itself, MIDAS IT attempted to choose a differentiated strategy. MIDAS IT not only searched the customer's needs based on their country and culture, but also developed MIDAS's own technology.

MIDAS considered the characteristics of the human brain. By developing effective software that spends minimum energy, they attracted many customers. Because MIDAS was not the first one in the field, they carefully planned the localization strategy, and mass marketing strategy. As MIDAS grew, it faced limitations in growth.

However, MIDAS IT's CEO, Lee Hyung-woo, led the company to overcome such difficulties. He focused on people who work for the company and strove to assure their welfare based on the idea that "People are the most valuable asset," which is the human-oriented vision of MIDAS. This started MIDAS's humanistic management practices. With this business strategy, job efficiency rose and, as a result, sales grew.

In this way, MIDAS IT made great success in the software market by using differentiated marketing strategies and a humanistic management approach. Now MIDAS is a leading company in its field.

Keywords; MIDAS IT, Software Industry, Face Maker Strategy, Mass Marketing, Humanistic Strategy

1. The Hands of Midas, MIDAS IT, Born in Software Barren Korea

How many people know that these famous structures ‘Burj khalifa’ in Dubai, the world’s tallest building, ‘Sutung Bridge’ in China, the world’s longest bridge, ‘Beijing Stadium,’ the symbol of 2008 Beijing Olympic, Korea’s Incheon International Airport, the world’s best airport, were built by using MIDAS IT’s software which is our country’s enterprise?

Korea’s small, hidden champion MIDAS IT has reputations; “top of the world in the CAE field for 7 years after it was founded,” “annual average growth of 29% for 11 years,” “Developed a high-tech source that only seven countries own,” “An enterprise whose sales increased 37 times in 11 years,” and “No.1 market share in the world.”

With an adventurous, creative and enterprising spirit, MIDAS IT is now considered an exemplary case of Korea’s small businesses by constructing monumental buildings all around the world. Concentrating on what people want rather than what people need was enough for MIDAS IT to get people’s attention along with their high level of technology. This attention has continued to bring forth people’s curiosity about MIDAS IT. How did MIDAS IT from Korea succeed so quickly?

First of all, let us simply introduce this enterprise. MIDAS IT develops and releases engineering software and provides structure field engineering services and web business solutions. Analyzing the internal structure of a construction project is the main job of MIDAS IT. For instance, if a client wants to make an earthquake-proof facility, MIDAS IT would analyze the earthquake situation and patterns. That is, MIDAS IT makes simulations when designing the building or machine to test its safety and durability.

1.1. A Small Country, Korea Achieves Technology Self-Reliance

As we learned from the collapse of the Samping department store and the Seongsu Bridge, the lack of the technology, which tests a structure’s durability, can lead to immeasurable loss of life. When CEO Lee Hyung-woo worked at POSCO engineering, he promised to design blast furnaces by advancing technology because there were many difficulties in using the technology of the developed country’s software programs. After one year, although he made software at an elementary level with team members, they decided that nobody should use it except them. But then, opportunity knocked. Former chairman of POSCO, Yu sang-bu, recognized the potential of the technologies that Lee Hyung-woo developed and provided support funds, which enable MIDAS IT to begin.

In 1989, when MIDAS IT started program development, the country imported technology from other countries because Korea didn't have technology to use domestically. Because the USA and Japan were the entrance barriers in the field, no company tried to enter the technology development field. At that time, MIDAS IT challenged with spirits of "Technology independence" and "Conquer the world software market."

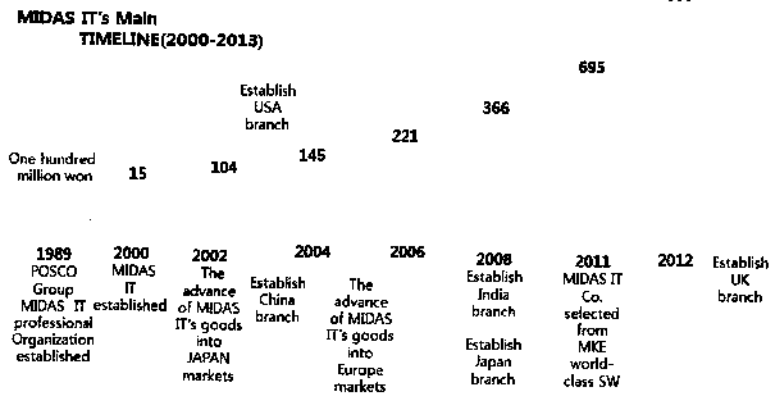
However, everyone laughed at MIDAS saying, "How can a small venture business make advanced technology that only 5 or 6 countries have?" However, they never gave up. And then, after seven years, the software program "MIDAS GEN" was born with pure domestic technology in 1996. World Engineering Technique praised them, saying, "Korea's tiny giant achieved a miracle." MIDAS IT took first place in domestic market share after 2 years, and now they take top rank in the construction CAE field. What kind of strategy did they use to predict future markets, and how did they become the top ranked software company from Korea, a technologically barren country?

2. History and Challenges of MIDAS IT

2.1 The History of MIDAS IT

MIDAS IT, launched as a special group in 1989, started as an IT field number one special venture from POSCO Construction in September of 2000. Starting with 20 people, now there're 409 executives and staff members at home and abroad. Like the 2002 World Cup miracle, the miracle that MIDAS entered the world market was started. MIDAS expanded their effect from the USA to India, Japan, China and the UK by founding branches abroad. Besides, making contracts with each country's agent, MIDAS's construction program is now used all over the world.

FIGURE1. MIDAS IT's Milestone



2.2. How MIDAS IT Comes Out into the World

There is something in common between Japan's Hyatt Regency Hakone Hotel, Samsung's CEO Lee Kun-hee and Daewoo's wall TV. The common thing is that they got hints from customer's complaints. To provide value, which is unfamiliar to customers, the company showed that customer's inconveniences were an opportunity and took it positively. Moreover, the company looked for the negative actively.

That's why MIDAS concentrated on the internal environment, especially in human resources rather than the external environment such as the economic situation or a computer's action. The reason CEO Lee Hyoung-woo could found MIDAS was that he craved new "Customer Value." If he had been satisfied with what he had in POSCO, one of the largest companies in Korea, he could have lived without any problems. But it is not what he thought of as happiness. He tried hard not only for his own happiness but also for improvements which could get rid of complaints. This became the trigger of MIDAS's foundation.

In 1989, Lee was employed as a recruit in the DSME, and he started to learn some technology for his job. This was the very time the labor dispute got worse, so the company couldn't run its duties normally. He toyed with turnover at that time, so he moved to POSCO engineering in Pohang. However, expectations turned to disappointment. There was nobody to work with, and there was nothing which is basically necessary to proceed with the job at hand.

It was a disastrous situation. However, he didn't accept this disaster. So he looked for some co-workers. Finally he found a qualified person. Then

he needed to get basic equipment like computers. At that time, a computer was an extravagant item. So, it took 6 months to get an answer to buy the computers from the company. To buy computers, he needed to get permission at least 10 times from the finance department and the inspection department and so on. Although he did his best for the company, nobody supported him. So he started to feel disappointment, and felt disappointed in company officials. Suddenly, he received his retirement allowance from his prior company 3.5 million won. He didn't hesitate but run to the electric market and bought a computer that wasn't the best but not the worst for about 1.5 million won. However, the bigger problem was the software. It was 6 times as expensive as the hardware! The company answered by saying he should wait until next year, but he couldn't keep waiting. Because he couldn't start without software, he needed to find another way. So he started to make some money. However, the only way to make some money was mortgaging his apartment. So he went to the software market, bringing his apartment contract document. He didn't let his wife know this. "This is the contract document where I live. Please take it as a mortgage and lend us your program for a year. I'm working for POSCO. And I promise POSCO will pay the bill in the next year."

The market's boss was embarrassed by his sudden suggestion, but he lent his program, Lee's sincerity and passion thus affected this case. Getting the facilities and systems they needed, "MIDAS Development Organization" was thus established. The software, he borrowed from the software market, was the best one made by a world-class American company. Although it had brand-new core technology and function, it was not perfectly fit for construction. And it took two or three weeks getting some solutions for problems they had; they also paid an extra charge. However this solution should be interpreted and changed in order to use it properly. Needless to say they had a communication problem.

To solve this problem, developing the program that reflected domestic conditions was an inevitable process. Many major construction companies such as Hyundai or Samsung, tried to hire elite personnel who studied abroad and tried developing the program, but they all failed to develop it. So, Lee thought of ways to solve the problems, which their borrowed program had and added a few functions. In other words, he was thinking about making some small program of his own. However, although he had good intentions, he was doing what his company didn't permit. Naturally, nobody accepted what he was doing at that time. It was a high-risk job to develop the program. Therefore, he did his job at the

time and developed the program at night with his team members independently.

By the time the program was completed, there was a chance to show their capability. It was 1991, and Lee was senior manager. His main task was examining the structural stability of a project. He got a request to design a detailed structure of a blast furnace based on a basic design from the leading Japanese steel engineering company, Company I. The company decided to replace the four main columns when they changed the blast furnace. POSCO felt pressure because it took a lot of money to replace the columns. Unlike what they expected, MIDAS's development organization and Company I made different solutions. MIDAS's development organization suggested, using their own program, that Company I could use the columns without changing them but by simply reinforcing them. And they reported to the person who was in charge of that. POSCO was embarrassed because they didn't ask to examine the reinforcement, but they wanted to invest in MIDAS's suggestion because it could save enormous replacement costs. But they couldn't decide it immediately. Although MIDAS's program was almost accomplished, it was at the stage that they use the program only in the MIDAS team. As a result, nobody guaranteed its' skill objectively. Finally, POSCO invited Company I's technology team to compare and examine the results. Then a fierce debate started on the results. Company I didn't step back, because MIDAS was just a beginner in the field.

When lunch time came, Company I said that they needed to have a conference alone. Then, after lunch time Company I admitted MIDAS's result was right. Before they left POSCO, Company I offered unexpected suggestions. Technicians admitted MIDAS's program was outstanding and this was the beginning of MIDAS's launch in Japan. And company I said that they will be the agency for MIDAS. It was the first time that MIDAS's development and organization skills were commended externally. It was a pleasure for MIDAS to get suggestions from Company I. However, MIDAS had no choice but turn it down because there software was not developed for common use. So, it was not enough to export the program. By the way, it became a source of pride and self-esteem since they were readmitted by Japan, which was the leading country at the time in the software technology field. After this, a rumor spread saying, 'Korean technology won over the Japanese.'

MIDAS software's usage had thus been expended quickly, and after the official request from architects, MIDAS developed general software. This event became a great turning point and became a chance to realize

technical independence; it also showed the possibility that Korean software technology could march abroad. Nowadays customers have a variety of choices. So, the products, which don't reflect customers' needs, fall behind in the competition. However, customers tend to use the same product they used before and were satisfied with. So, most of the products which have customer loyalty are the first brand in the field. Like the carbonated drinks market that has a high entrance barrier with brands such as Coca-Cola or Pepsi, many markets have the same phenomenon. So, it is hard for copycat products to succeed in those markets. MIDAS's "Family Program" made by pure domestic software technology, MIDAS GEN, was released 1996. But the software market couldn't avoid the risk of entrance barriers. At that time, a few countries like America and many countries in Europe had a competition advantage in the software market, and people couldn't find Korean software at all. In Korea, Company D supplied analysis programs from abroad while Company I monopolized hardware selling and distribution. And market scale was less than a billion won. So, Korea had to rely on a monopoly market as the demand was extremely small. And another reason is that there were limitations to announcing and promoting MIDAS's program.

However, MIDAS turned the weakness of a powerful program to the strength of their program. Unlike the other companies that focused only on core technology, MIDAS concentrated on what people needed. And this made MIDAS's success. First of all, MIDAS tried to develop three dimensional graphics modeling technology to mark a difference with their competitors, although they had poor facilities and systems. Also, unlike foreign companies, which only cared about the interpretation part, MIDAS cared about not only the interpretation part but also member design. So they built total automated solutions. Only 5 to 6 leading groups possessed those skills at the time. And those skills are now used as a standard to estimate a country's level. MIDAS thus had the quality and created the clients' satisfaction.

3. Market Conditions, Competition and Marketing Strategies at the Time of Product Release

3.1 MIDAS's Software "MIDAS GEN"

Currently, MIDAS IT sales of its "Family Program" is segmented by their usage in several fields such as structural, civil, ground and electronic engineering. Among them, the first released product, MIDAS GEN, was released in 1996. MIDAS GEN was a software program providing

automatic solutions to not only experts but general users. The strength of MIDAS GEN differentiating it from competitors was in providing a comfortable and productive product focused on users. All software programs from MIDAS, the CEO said, must be software programs that are derived from only one reason: making software anyone can easily use. After all, MIDAS GEN was thus created. This is clearly presented in the logo. They always attached the statement: “Integrated design systems for building and general structures” in advertising materials. This phrase became the symbol of MIDAS IT. And MIDAS IT not only released MIDAS GEN also provided interfaces to enable anyone to easily use the program. Therefore, providing offline and online education each month, MIDAS IT enabled customers to utilize programs in a short time. With technological materials putting practical examples, they have run an education center. Besides, they showed service as a package providing technical support needed for implementing projects through a customer support center.

FIGURE 2. MIDAS IT's First Product and Its MIDAS GEN Logo



FIGURE 3. Summary of MIDAS GEN's Technical Support Service



3.2. The First Marketing of MIDAS

In December 2001, MIDAS IT signed a strategic technology partnership with VSL KOREA for technological improvement in MIDAS CIVIL, a PSC Module which is civil engineering software. Sharing accumulated technical know-how from VSL KOREA with MIDAS IT, the computer driven interpretation and designing technology of PSC bridges localized and prepared electricity for technology development.

MIDAS IT signed a technical cooperation agreement with VSL KOREA and had been able to integrate civil engineering structures and integrated solutions to MIDAS CIVIL. By this work, software programs could be improved to maximize and reach a technical step not only to domestic users but the world market. After a technical alliance, before disseminating the program to domestic users, MIDAS IT stipulated some proprietary strategies. The first, was selling the product at list price. The software program was an expensive product, so many demanded sticker sales rebates. Some companies intentionally devised a higher list price and provided incentives to sales people and re-used these incentives as a rebate. But MIDAS IT spread based on its management expertise and did not arbitrarily discount sales except in helping difficult customers in a promotional period once a year. Hospitality and entertainment was also prohibited. This was the expansion strategy in the domestic as well as overseas markets. When MIDAS IT entered the Chinese market, for example, it was ordinary in China for a new entrant like MIDAS IT to entertain big Chinese clients. However, it was big Chinese companies that wanted to entertain the small MIDAS IT. Negative to the price of other company's products, they knew MIDAS IT offered reasonable prices and kept to this principle. Concentrating on products and technology other than rebates worked.

The greatest strategy MIDAS IT practiced in the market was another thing. They localized their software strategy. MIDAS IT software products had started from easy-to-use software, and both local and foreign products were well received thanks to differentiated services. The software program was different in the design criteria for each country. So, it is very important to mount languages and design codes. Before MIDAS IT came out on the market, the majority of countries used non-domestic languages (USA and Europe) and it was a quite difficult environment. But MIDAS IT mounted Korean, English, Chinese and Japanese as well as Russian, Taiwanese language packages and design code to software and got a positive response.

Thus, MIDAS IT used localized strategy to advance and sell the product itself. Besides, they used their localized strategy to process their distributing and PR. And so, MIDAS IT accounted for the largest share of the domestic market, and thus they planned to expand to overseas as this worked in Japan. The localization strategy in Japan was like the story of David and Goliath.

On the road ahead, anyone might meet to fight in a disadvantageous situation like David. Have you ever heard the story of David and Goliath in the Bible? As this time, under the existing rules of the fight you are apt to be defeated if you are David. Just as David beat Goliath, you should capture the enemy's vital points at once using your own strength. If David fought Goliath with a weapon, he would be beaten at once. However, David won the fight thanks to his distant sling shot. He focused his own strengths and was not overwhelmed by the enemy's strengths. Thanks to his own frame, eventually he was able to take down the giant. Though the market share in the domestic was number one, MIDAS IT seems like David overseas. Furthermore, Japan had seismic design, so it was a powerhouse of structural analysis software that would not collapse easily. MIDAS IT considered that to win KKE (Kozo Keikaku Engineering), which is Japan's largest architectural structure planning institute, would be like grabbing victory from Goliath. Thus, they chose to plan a localization strategy reflecting Japan market's requirements through KKE rather than to directly enter the market. One of two top structural software companies seemed highly interested in products but had not seen any progress in negotiations. They immediately went to a fourth company. They used 以夷制夷 (pronounced 'eejei') strategy that negotiating with latecomers can put leading companies in the corners. The fourth company was positive in negotiations thinking they will win if they combine their sales capacity with MIDAS IT. And so, KKE offered renegotiation judging that they might lose market initiative.

MIDAS presented stronger conditions than earlier. They decided to perform promotions replacing KKE's software as MIDAS IT's software for one year and to guarantee a price of 40,000,000 yen. KKE accepted MIDAS's condition and eventually MIDAS IT's product reached the top ranking in the Japanese market thanks to KKE's full-fledged operations and use of MIDAS's software. MIDAS IT's overseas business in the early days was nothing like starting from the ground. In the preparation level of showing domestic technology software to the world market, converting existing English manuals into Hangul was the most challenging task. They needed people who are proficient in the language

as well as those who had a good understanding of its contents. The person who worked was MIDAS IT's vice president. He visited local engineering companies with President Lee Hyung-Woo and researched market surveys directly selecting development contents and analyzing competitive products carefully. In addition, while in contact with the local major software companies to build partnerships with competitors, at the same time they created a competition for the localization of natural products. Thus, according to a strategy based on well-prepared manuals, MIDAS IT could go to domestic markets as well as overseas.

3.3. Competitors of MIDAS

At the time, most companies used foreign software in the case of the domestic market. As a result of their marketing efforts, 98% of Korean companies eventually used MIDAS IT products after 2 years of releasing MIDAS GEN. This limit in domestic growth made MIDAS begin exporting. And first target market was the Japanese and Chinese markets. At the time of entry into the Japanese market, several peculiarities of the Japanese market were recognized as high barriers. Japan was a software-developed country already and had a mature market which was difficult to enter and had very strong conservative attitudes as well as a very particular design environment. It was nearly impossible for foreign software to enter the Japanese market.

The same was true of the Chinese market. Though many world companies feel attracted to China, the world's largest market, the high rate of competition makes it difficult to enter the Chinese market. In China in the beginning of 2000s, a program developed by the government (PKPM), was used relating to the safety of building structures. However, it was an older model developed over 30 years ago. The product could be applied to general road and bridge construction but had difficulties in roads and bridges that had a high degree difficulty. At this time, there was high construction demand since construction was booming in China. Chinese companies bought their programs from the USA, England and Netherlands instead of the spherical PKPM from Japan. In the meantime, MIDAS IT was determined to enter these markets.

MIDAS IT was a latecomer in both the Japanese and Chinese markets. Plus, there had not been an engineering company that was known for its attention and detail in the Chinese market. Therefore, unlike entering Japan through partnerships with local MIDAS had to go it alone. Established corporations were not difficult, but the problem was in keeping a differentiating strategy to encourage product sales. At the time,

most of the software companies were using their own methods. In this way, it was difficult to predict when customers will come. This wait-and-see style had low efficiency. Also, since customers are not constant, too much time passed to increase market share and can result in a 'growth-impossible' environment.

3.4. MIDAS's Target Market and Positioning Strategy

To indicate the prominence in the Chinese market, MIDAS IT held events explaining the benefits of the product to directly contact with the customer. Instead of traditional sales, they used netting methods. The problem in this strategy was 'how to attract potential customers?' They used e-mails to contact potential customers. And when they opened the session, it was more efficient than asking all customers to attend an exhibition. In this way, dense and intense methods of e-mailing were used. Corporate officials suffering from various alert mails do not have a strong interest in e-mail because e-mailing is a basic way of promoting something, so their response was spotty. Recognizing this situation, MIDAS IT closely considered many factors (the status of the recipient, action after receiving, favorite writing style, reading time) and sent e-mails. If they failed in reaching their plan, they placed Plan B in action.

Now, some bait was need. Technological engineers are concerned when new products or technology is developed. They concluded that opening briefing sessions related to new technology will attract engineering methods. Also, informing users of software was done so that they can reduce their work and gain more interest. And this strategy was a hit. Chinese engineers rushed to the sessions. The sales team of MIDAS IT went directly to those who attend the sessions and requested purchasing. They could grow rapidly in the Chinese market with advanced technology as a weapon.

MIDAS IT's own promotion strategy as seen in many other countries was selecting market conditions and partners through the Web or KOTRA at the preparation level, acquiring more authentic information through visits-meetings, selecting top-ranked partner in the country at the beginning and utilizing their customer's DB. After, they held large-scale technical seminars with the country's institutions or organizations and promoted their software and influence.

In addition, MIDAS IT used strategies aimed at those engineers when they directly entered a country to promote sales. Most construction business members are composed of architecture majors. Realizing that the general sales staff had difficulty in recognizing a small complaint,

they sent even inexperienced engineers to sales believing small complaints led to new challenges. MIDAS IT thus utilized two engineers when entering the Chinese market.

3.5. Performance and Consumer Reaction to Initial Marketing

Technicians want easy to use and affordable software. Clients in the field of domestic construction were construction and structural companies and they numbered more than 500. In 2000, the number of businesses using foreign company's professional programs was about 100. Moreover, even in these companies, the staff who used the software was only 1-2 people. But when MIDAS IT made easy-to-use software, users increased and the market expanded. Domestic market size was only 1.5 billion won in 2000. But the performance since then has created 13 billion won in sales as of last year. MIDAS IT can conduct structural interpretation and design services thanks to the high domestic market share of MIDAS GEN and thereby, they can reduce the outsourcing of technology and are able to create a new value-added product.

In overseas markets, MIDAS IT secured the top three structural design offices (Nit ken Design, Japanese Design, Design Yamashita Simi) and 4-of-5 construction companies (Simigi Construction, Kashima Construction, Taisei Construction, Takenaka construction companies and engineering firms) thanks to MIDAS GEN that firmly took the top market share in construction and civil engineering software. But MIDAS did not stop here. More than 300 companies are now working with MIDAS GEN and many universities such as Tokyo National University, Tokyo Institute of Technology, Kyoto University and various research firms are utilizing MIDAS GEN recognizing its correctness and reliability. In particular, it is very meaningful to recognize a Korean product's stability and reliability in the Japanese market as world-best in construction interpretation and the seismic design field.

Before MIDAS IT appeared, almost all software programs could measure only simple models and users were limited to qualified technicians. However, after releasing its IT product, they can measure even complicated models, and users are not limited as they were before.

Also, MIDAS IT, which changed an invisible value called "honesty" into a sales strategy, held on to reasonable price principles and a fair trade culture. The market became healthier and MIDAS IT got its reputation that it is now the only company that sold software products at list prices in the world.

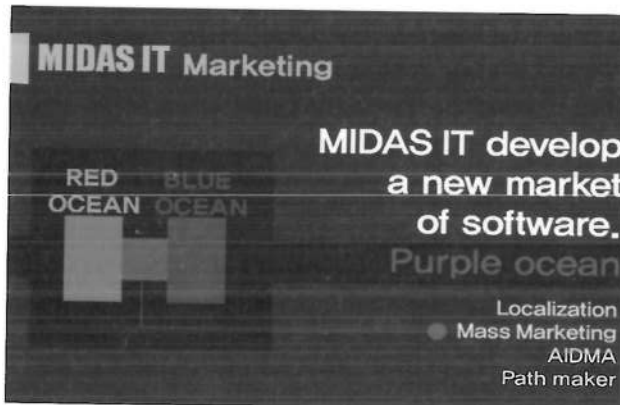
The simple truth that MIDAS IT now dominates the Japanese market with MIDAS GEN has greater implications in many ways. In situations that promoted Korea's structural software technology, MIDAS GEN gained a foothold in exporting. In addition, with the success of exports in Japan, it has built a solid foothold overall. MIDAS IT has established itself as a software company in most foreign countries. MIDAS IT's president, Lee Hyoung-Woo says, "Beyond the dreams of engineering an independent country, our ultimate goal is to make our technology as a world standard." With differentiated strategies, the company showed that it is getting closer to this goal.

4. Turing Point: the Most Significant Factor Leading to the Top

4.1. The Reason that MIDAS IT is Demanding

In early 2007, the first crisis came. In the Chinese market, it seemed purchasable customers did not buy the software as before. Thus, the momentum slowed earnings. It seemed IT couldn't earn much even though the Chinese conducted big projects such as span bridges, special bridges, and special structures such as skyscrapers because of incorrect conditions. And so, IT began to struggle.

FIGURE 4. MIDAS IT Marketing



China's market was divided into four groups depending on the size of the level soldiers handcuffed relatively clearly and the structure of the industrial design company. IT focused on targeting the Structure Company and turned to another design company. MIDAS thus shifted its

paradigm. To give direct help, they came up with a bottom-up strategy. Of course, companies want better treatment and the strategies worked. MIDAS held the promotion called ‘technique storm.’ Through this promotion, they conducted additional activities to improve the competitiveness of the technology. At the same time, they built an elementary school in China with a portion of the revenue. Foreign companies came and built schools also. As a promotion game, they became popular. It is different from what was seen in other software companies. This strategy was a big hit, and in the case of civil engineering, MIDAS received high sales volume as in the previous three years.

MIDAS, at this time, got more design companies as customers. Using advanced technologies, they attracted attention and stimulated customers’ hidden desires to follow top companies. Remembering their products, this led to more purchases. They thus applied the so-called AIDMA marketing strategy. Now is the era of oversupply. Thus, a company should develop a strategy to discover ‘Wants’ beyond simple ‘Needs.’ Because discovering ‘wants,’ rather than ‘needs,’ means finding new markets. MIDAS set its own strategy based on this market trend.

President Lee Hyoung-Woo said, “Despite software technology, the problem of low-growth in domestic software was a lack of realism. MIDAS pursued a realistic market strategy thinking IT should be idealistic but also be realistic. We worked step by step. The market was a Red Ocean, but our strategy pursued a bottom-up not top-down approach and this was the Blue Ocean.” When developing software, development technology is important but more importantly, you need to think of the right end-user customer’s practicality and convenience. MIDAS IT confirmed with their technology; they did not try to play in the market believing only technology. They overcame handicaps maximizing practicality. Memorizing the most important thing is a person’s needs and wants is a differentiation strategy, and this is the leading power to be at the top in both domestic and world market share.

4.2. The Core of Marketing Enables Explosive Sales

As we discussed earlier, MIDAS pioneered a new purple ocean with the path maker strategy focusing on customer’s complaints or desires. To be successful in terms of customer’s needs, MIDAS did not concentrate on only development. MIDAS made its own marketing strategy out of stereotypes and according to natural reasons.

When MIDAS entered the domestic construction field, the domestic market was composed of 100% foreign companies. Foreign software was expensive and difficult to use. Only a few specialists could use that software. But every engineer wanted easy-to-use and cheap software. Clients in the field of domestic architecture numbered 500 structural design and construction companies. In 2000, 20% of these clients used competitive professional programs. IT software expanded by redefining customers focus on their 'desire' and not their company. Thus, they focused on programs that every engineer can use. And thus, many technicians beyond Korea conducted designing with MIDAS software.

In the case of existing corporate clients, they limited customers to technicians and were classified as existing, potential and competitive customers. But MIDAS thought of customers as 'every people's desire' beyond a company's or technician's range. This approach made markets anywhere that you find a 'desire'. Marketing, MIDAS says, is all about targeting to every customer. Also, now widely incorporated in Japan, the president mentioned the opponent's benefits first and then discussed how to help maximize benefits. Through this discussion, MIDAS conducted strategy gaining meetings as a path to customers. Many saw this as effective in their home country and a key to success. But MIDAS changed the path through consultation, not by discussion. And they did not stop here; they picked marketing and sales methods as mass marketing, which is meeting various customers with huge nets. Mass marketing is used as a key strategy for market entry and spread, the market for control and maintenance of the software project.

MIDAS IT promoted products through promotional events twice a year. Through promotion, they could conduct sales activities to unknown customers. MIDAS completely changed the software market by only targeting a few construction technicians. But now, through mass marketing, MIDAS could use alternative effects by reconstructing customer's DB. And through this, they established their own 'MIDAS customer value system' separated by development support, technical support and training support.

In the case of the domestic and Chinese markets, they took technology lectures and seminars, technology promotion and free technical support training. But market flow was different in Europe or USA. They were technology developed countries before MIDAS released its products. However, customers who weren't satisfied with a few companies' monopoly existed. MIDAS dug for the needs of customers that had not been activated. They minimized waste and uselessness and focused on the

customer's complaints; these customers neglected utilizing existing software core technology rather than developing product technology.

With their own strength, they relieved customer's discomfort and raised capabilities in small markets. A typical example was MIDAS GEN, which was composed of intuitive interface utilizing GUI (Graphic User Interface) and "Work Tree" improving input and modeling methods in the field of FEM for a world's first. These products could lead to sales explosion because only MIDAS had this technology.

In the case of expansion in technology-developed countries, they considered geographical locations and formed a strategy focused on England and Italy. This led to a good performance. Thus, MIDAS focused on customer's "Needs" and "Wants" and they could provide their own innovative products. The core of marketing leads to you-follow-me. This is MIDAS IT's theory.

4.3. Business Difficulties for MIDAS IT

Although IT grew in the CAE field after 7 years, momentum was not the only development. IT had problems in management inside the company with a sales explosion outside of the company. Starting with 15 staff in 2000, staff exceeded 100 in 2004. Another crisis soon came. Complaints and turnover had grown. Unspoken communication took place with a few initial members but with growth in size, internal communication did not work well. The consensus on the future vision was also lacking. But it was easy to overlook the 'importance of people' when we are absorbed only in physical growth. To make a profit right away, we admit that life is a precious work in thought but we look for the expense of individuals for the growth and development of our organization at work. Then when the company was not prospering, we consider manpower adjustments first. This is the result of thinking of people as the same as other resources.

There was no time to look back and check inside since IT representatives and executives were too busy running ahead. Eventually, there were little variables in operating the company, but the biggest problem in MIDAS was it was hard to lead MIDAS to one purpose. The president had never learned the business, so this was trouble.

4.4. MIDAS IT's Marketing Strategies to Overcome the Difficulty

The president of MIDAS began to study human-related learning such as socio-biology, psychology, evolutionary biology and cognitive science. As well, he went to design the business strategy and system based on

wisdom and insight of sages such as brain scientists, Darwin's theory of evolution and the theory of Maslow's needs.

This was compared with other company's decisions as MIDAS tried designing management with the help of an external management consultant or benchmarking other companies. MIDAS was focusing on nature and tried to establish its own management philosophy rather than the technical aspects of the business. As a result, the answer was obtained that a person is the core of management and the key thing for people is happiness. MIDAS eventually concluded that they should motivate staff by making them happy. To share this thinking, they made and shared the company's vision, core values and business philosophy. This vision of MIDAS made the current slogan: "We will make the world happy with MIDAS technology."

The vision of the company made their members dream that 'we will offer happiness with products and service' and to concentrate on their own work; employees were also touched by the words: 'it is easy to use. Business efficiency is getting good'. In addition, MIDAS focused on surveying information for applicants and captured vast content on its website. They included not only the company's information but the brain science the company had studied, philosophy and culture. They focused on naturalism and humanistic management. By posting these ideas on the website, they got the effect of PR or advertising to companies and outsiders who were interested in the company. A 350:1 competition rate for jobs proved this.

The management strategy of MIDAS showed a good example to mid-sized companies. These days, during which Samsung, LG, Google, Facebook, and the corporate giants are suffering from shortages, IT software's turnover rate is 20% higher than other industry averages. However, MIDAS's turnover rate was 10%. 5% of the turnover of engineering and software development units stayed in the 1% range. This was possible because of MIDAS's humanistic management strategy. The resident said, "A person is the asset of a software company" and "since it is more reasonable to operate the knowledge industry without the whip unlike the manufacturing sector, I think giving the autonomy of infinite self-control to new employees to work is more efficient management." When a new employee comes to their first work, three books are on the desk. It is not a book related to Excel or Power Point that we usually think we'll need to work with. These are books for the formation of values: "Karma Management," "If You Have One and Knock Out," for the formation of humanism and "Carnegie Human Relations." MIDAS

tried to help employees to self-manage themselves, how to have a meaningful existence in the world and to have some reflection time. It is because, after all, the staffs of MIDAS voluntarily become the owners of the company and grow with self-management.

4.5. Beginning of the Turning Point

When MIDAS understood human psychology and behavior, the company's management strategy was humanistic and focused on employee's happiness, and they could lead voluntary commitment and a sense of responsibility rather than blind obedience. MIDAS gave a realization to their members clearly about their role while planting subjective awareness over the question 'why does the job exist?' The members who clearly understand the purpose of a job could improve their effectiveness and efficiency by constantly worrying what and how they can create and fit their results, and this leads to explosive sales of MIDAS GEN. A good example of this was the process of starting MIDAS in China.

MIDAS subsidiaries were established in November of 2002 and in the past ten years have grown at an annual average of 50%; in fact, employees grew from 5 to more than 160. China's market share in the field of civil engineering is in the top 50-60% and the entire construction sector has a market share which ranks second in the world.

When MIDAS constructed a corporation in China, representatives of Chinese corporations stepped forward with two Chinese students who wanted to target the Chinese market rather than send Koreans from the head office. In the case of other companies, typically overseas subsidiaries scout head office executives with extensive experience and careers in other companies in the same industry. But MIDAS has been able to use this strategy because by perfectly sympathizing with the sense of the company, they have already become aware of what to do and how to do it in Chinese market.

Before opening an office in China they had already promoted the program and listed the corporate phone number in web sites, as there were many phone calls for the program here and there. MIDAS showed a differentiated strategy. Although Chinese corporations only have operating entities because MIDAS headquarters developed the product, China adopts the Chinese developers of the program that required local customers to provide directly.

In addition, Chinese subsidiaries in charge translated manuals, made promotional materials and created the initial lines of supply strategies. In

the product seminars, MIDAS lectured, gave presentations and reflected at work by directly feed-backing with customers. Thanks to China's top officers and all the members running around on their own side, reacting quickly to customers, local customers were engraved with the image of a helpful company that was efficient and effective. Also, by offering greater value to customers through the fully transparent manner of sale, the positive image of the company was also able to be planted.

5. Summary of the Success Factors

5.1. MIDAS IT's Own Key Success Factors

The core of the secret marketing and business strategies to rank first in the world beyond the domestic market and maintain it was to stop being seen as stagnant without changing the core competencies of MIDAS. Also essential was the 'execution,' which was differentiated. Based on the theory of the ordinary, they make excellent results with special ways and that created MIDAS.

Above all, excellence in function of the MIDAS programs, an entry strategy according to the characteristics of each country's market and a localization strategy through strategic alliances were key components to become successful in the global software market environment. In the software market, which was saturated with a Red Ocean, they created a unique business model from pre-existing marketing strategy (Path Maker) and could create a Purple Ocean. They were able to climb in a unique position as the world's first in the field of structural analysis.

5.2. Critical Success Factors

With deterioration in the domestic and international business environment, struggling companies are increasing. Enhancing technology and sales has become a basic requirement for growth. Having a differentiated approach, increasing the value of companies and pursuing happiness of the employees ensure growth. MIDAS quickly recognized these market trends and tried to develop their own core competencies. So, they reached a unique position. MIDAS summarized their success into three factors.

First, the greatest strategy for MIDAS was to shed new light on the hidden desires of consumers and expanded the market from the market-leading technologies. Existing companies only tried to focus on making high-technology software to dominate the market. To do that, the software with the relevant skills and knowledge can be used only by a

handful of experts. However, anyone can easily use MIDAS software and circumstances have changed in the software. In 2000, the domestic market size of structural analysis software was only 1.5 billion won, but has since increased to 13 billion won.

Second, they could make a Blue Oceans from their own face-maker strategy resulting in concentrating on one minor complaint so that no one had an interested in the traditional software market; foreign companies thus made software considering its regulation and the natural environment. Consumer complaints have arisen when considering the stability of a building because accessing the stability of standards and regulations is different depending on the countries and regions and they need to assess the reliability of construction considering the possibility of earthquakes, wind speed, solar radiation and rainfall. At this point, MIDAS not only released products to meet China's environmental regulations but used local people when selling and added program functions needed by local customers by adopting Chinese software developers. The reason they can use this strategy is that competitors had overlooked consumer's change in desire.

Third, it would not have been possible to achieve these results unless they focused on developing the people. When there was internal communication difficulties after MIDAS achieved growth, the president made a business philosophy making members as owners of the company and they now have further exposure and stature. The essence of company innovation strategy was dependent on making employees feel important and happy. MIDAS's late entry into the software industry was history and it was able to rise above the world and took first rank from mid-sized companies thanks to members who worked as CEOs and had the company's support and confidence.

In addition, Gim Deuk-jung, the team leader of Global Cooperation Industry Promotion Agency says, "When expanding overseas, a product is recognized to some extent in our country and turns to overseas sales. And now, since a product life cycle is decreasing, we need to develop products to target the global market from the planning stage." Through these efforts described above, we can safely say that MIDAS is a prime example of the performance of this strategy.

6. Marketing Strategy Guidelines for the Future

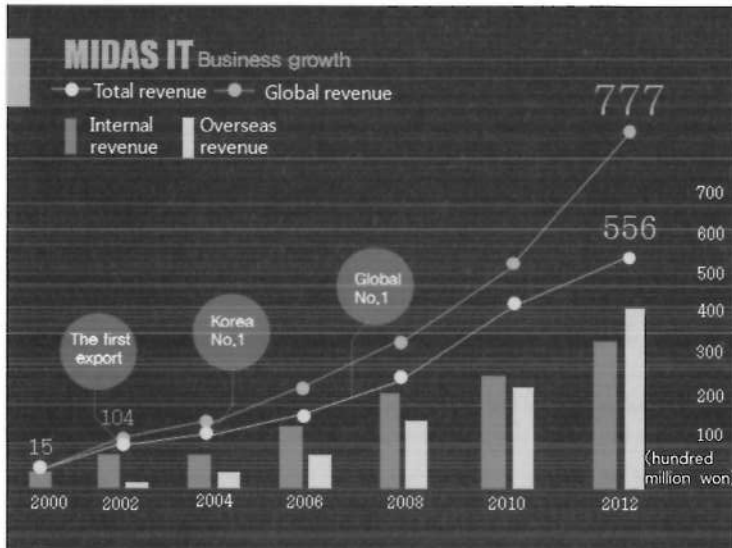
6.1. MIDAS IT's Current Environment and Competition

MIDAS has developed and commercialized a program for structural analysis and optimal design that only 5-6 countries have for the first time through 15 years in the field of science and technology. Also, they achieved competitiveness in the world market by becoming the best one in user experience and programs. In addition, they can make optimal designs in accordance with domestic and international design criteria and according to cost savings due to optimum design, they contributed to the development of the domestic technology competitiveness and to raising retention in our country by succession in commercially successful software programs. From the results that MIDAS engaged in and the different marketing and management approaches they actively spiraled in overseas markets, and they surpassed half of the portion of the overseas sales, which accounted for 53% of revenues (695 billion) in 2011. In 2012, the proportion of overseas sales further increased to 55%.

But, during the growth in MIDAS, competitors also have been devoted to combating their success. Standing water is bound to rot in one day. Though current results are best, we need to be carried away in the position of the perimeter and move forward. Worrying constantly and always challenging to do new things are the best behaviors. To this end, MIDAS is scrambling to diversify the product recently. Expanding the field of structural design software of architecture, civil engineering and geotechnical structures to machines such as cars and boats is a prime example. That is, when making goods such as cars, they make a program that makes it possible to simulate the pre-durable phase. In recent years, Hyundai and Kia Motors have joined as captive customers. MIDAS is now offering software programs predicting stiffness and fatigue life from car design. Among MIDAS products and the construction field, they keep attempting to apply their programs to other areas through accumulated technology. They also seek to incorporate simulation technology to not only engineering, but also the medical field or the environment and disaster prevention side.

In addition, since 2001, their e-Biz team started building the website in the name of 'building website businesses' as they have developed business in various areas like website business, mobile, online marketing and virtual exhibitions.

FIGURE 5. MIDAS IT Business Growth



6.2. For MIDAS IT, Now is the 'Opportunity'

Among the foreign development companies, the company's technology also reduced the scale or frequently closed their doors since their decline. China's P Company developed building structural design products and reached the market share to 90% in 2010 and seemed to threaten MIDAS. But they fell to less than 50% in 2-3 years and have limited continuous product improvements and development. S company, which developed Japan's second designing product, is in a similar situation. This phenomenon is showing that technology is not transferable to new developers but only the senior professional developers who have technology. Because of all concerned, MIDAS members are voluntarily motivated and did not lose the growth.

None of their products can continue to be successful forever. MIDAS keeps in mind that product development should not stop creating the current sales but should discover new technologies and develop new products. They have thus prepared for future markets by growing their own core capabilities and as a result, they now keep the world's No. 1 spot and are expanding their business areas in various ways.

In his book, "Prepare Your Wing," Prof. Kim presented commitment, strategic blueprints and initiative as three conditions to move into the future. Compared with the key competitors, he says they can get NEW

POWER and with wings they move on to the future, if they get initiative from differentiated core capability after they settle strategic commitments and draw a blueprint of it. We think that MIDAS will be able to continue their leading steps since MIDAS is suited to these three conditions. In the software market when technology developed countries monopolized it, MIDAS changed its position by taking the world's No. 1 spot. Though they reached the leading position, they supported technology to core competitors and want to become the world's standard rather than be monopolized by their own technology. Industry Promotion Agency Director Park Soo-Yong predicts the software business will soon be the country's national strength. MIDAS pursued its own profits as well as the target to be a Korean powerhouse as a software company. To lead this, with their own face-maker strategy, they succeed. Not stopping there, they still are running to create new innovation constantly. They found their wings and also have new power to give empowerment to their wings. So now is the time of opportunity for them. That is their secret of success.

6.3. Guidelines for Marketing Strategy to Take a Big Leap

'Good service marketing' leading to contributions to society has been mentioned frequently these days. It is the story of CSV (Creating Shared Value). It is also called "cause-related marketing" that businesses and society can offer. One company combines the public interest or society pursuits with marketing activities and is to connect product sales with contributions of cash or products. This aims to create economic and social value and not just a profit-generating machine.

A prime example of the cause marketing is 'TOMS.' Toms Shoes founder Blake Mikoseuki found the company with the 'Shoes for tomorrow' slogan and shocked with barefoot children in Argentina. He conducted a 'one for one' project donating a pair of shoes to three children when a consumer purchased a pair of shoes; his program gained popularity. Toms Shoes was able to gain popularity in terms of the usability and design of the shoe. But the "cause" of giving shoes to children was the prime reason motivating consumers to buy.

Cause marketing creates economic value as well as social services. So it is considered as a competitive advantage and "long marketing." But they should remember that they could solve social problems and join with consumers.

When MIDAS opened a marathon and ran 1km, 1,000 won piled up. And by donating this money to the needy or opening events providing a half-cooked food package, the company donates 50% of the price and the

remaining 50% is for the purchaser. This revenue is donated to the needy. But it is not because marketing cause product's benefit is not connected to donations. When MIDAS does cause marketing, it is meted to their value thinking sharing critically and will grow their core capability.

7. Summary and Conclusion

“Changing the position of a phone button is a small innovation that President Lee made. In 1993, President Lee said, “Everyone will be tweaked with a mobile phone in one hand one day.” He also said, “To use easily, we should change call buttons located below to the top of numeric buttons.” It is like the story of ‘the Columbus’ egg,’ but when the change was made, all the companies have followed. It is not easy unless we have specific creative ideas.”

The hero of this episode is Samsung Chairman Lee Kun-hee. Looking at the product from the user's perspective, he has led Samsung with specific thinking. MIDAS also made this revolution. They also want to focus on the hidden consumer's complaints and had their own unique marketing strategy as a leading face-maker and listed ordained principles such as honesty. Showing their vision slogan called “Beyond the dreams of engineering for an independent Korea, to the day when MIDAS technology become the world's standard,” President Lee motivated employees; this is the biggest success factor in MIDAS.

Before independence from the POSCO Group, they donated programs to universities and Yanbian University with the Ministry of Education for sharing structural interpretation and technology. In addition, for developing new developers, they donated 100 copies (70 billion won worth of software) to more than 400 domestic and foreign universities and related academic institutions and are preceding free education to 2,500 users.

Thus, not for their own benefit, they have supplied many things strategically by improving business capability and keeping their competitiveness. Beyond the form of mutual cooperation, they have raised talent and taken a role as a guiding light lighting the future of software. MIDAS is an example of raising dimensions by not forgetting honesty from the impoverished society, loving people sincerely and melting honesty into marketing.

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"My goal is to live a life for the community. I want to develop myself with any job and to share what I have. And I will try to do so. Through this competition, it's nice to know the best company."

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Park, Hye-min (tnalrkswd@gmail.com)

Yeungnam University 4th year, Majoring in Nano Fibers

"I still keep challenging myself to find the answer in my mind and keep growing higher. To achieve the goal of 'making me only', I will move to a place where I can develop further through Fiber Marketing or becoming a Web Graphic designer. I will provide direction to people like me of 20 when I became 30. Through this competition, I was glad to meet an example of increasing accuracy of the orientation, and I will keep getting the opportunity so that I can develop."

OTHER WINNING CASES

Case #11. SAMSUNG GALAXY NOTE SERIES

Samsung's Marketing Strategy to Rise to the Top

Kim Sung-Man, Kyung Hee University
Cho Jae-Eun, Kyung Hee University
Mun Keum-Bi, Kyung Hee University



Contents

1. Introduction
2. Samsung's Marketing Strategy
3. Conclusion

Executive Summary – Samsung Galaxy Note Series

Samsung Galaxy S series leads the smartphone market share by maintaining its NO.1 position in the world. The Galaxy S series consists of Galaxy S~S5 and the Galaxy note 1~3. The smartphone market has developed through the transformation from that of a mobile phone's role in communication to information delivery. At the beginning, the Apple iPhone led the market under the name of "innovation". The iPhone craze broke the Korean market that induced a change in Samsung. Although Samsung was faced with a crisis, they created the Galaxy S by not following traditional methods and instead challenging new methods. S means Super AMOLED, Super design, and Super application for the best smartphone in the world. The introduction of Galaxy S in the smartphone market became a driving force for first place. Since releasing the Galaxy S2, which has evolutionary hardware, people have been interested.

Samsung has succeeded in the smartphone market needed the new smartphone to grow in the world smartphone market. It is the innovative smartphone and the "Galaxy Note" that has hand-writing note function with S pen. Samsung's strategy of differentiation highlighted by the large display and s-pen stylus show their innovation. Next, they released the Galaxy S3 and S4 based on the emotional design and function. A trend of the smartphone was changed from the iPhone to Galaxy S and note series because of the slow evolution of the iPhone and an appearance of the ecofriendly and humanistic smartphone.

We summarize four viewpoints about the successive marketing strategies of the Galaxy S series. First, the advertisement and sports marketing that have improved the brand awareness. Second, Samsung now offers various services such as fast after-sales service, reliable post service and friendly marketing. Third, the periodic new product releases have consistently interested consumers. Lastly, Samsung has developed the emotional marketing that connects people with communication technologies and connects humans and nature.

Although Samsung has been first class, we suggest four future marketing strategies that will improve the Samsung brand image and gain a victory over rivals and provide an innovative smartphone for consumers. First, 'Breath, Galaxy': We propose this new slogan to raise great brand image. Second, we suggest that Samsung should adopt a multiple model strategy to occupy new market such as China, India and other countries. Third, Samsung should research their OS to be innovative. Lastly, Samsung should develop the smartphone that has a traditional Korean image which would raise Korea's status.

Finally, we dream that the Galaxy S and Note series, which have been first movers, will maintain their smartphone market share. Our team name is 'Super Sharks' because sharks should constantly move to live in the ocean. We hope that the Galaxy S and Note series, which have been first class from their inception, continually move like sharks.

Case #12. NAVER

Naver's Marketing Strategy to Rise to the Top

Park Sung Joon, Kyung Hee University
Kwon Sang Hoon, Kyung Hee University
Kim Min Jee, Sookmyung Women's University
Lee Seung Hwan, Kyung Hee University



Contents

1. Preface
2. History of Naver
3. How Did They Become No. 1?
4. Future Suggestions for Naver
5. Conclusion and Lesson

Executive Summary – Naver

In 1997, there was a venture business in Samsung SDS corporation. At that time, six new employees made the business to develop a search engine and now it is well-known as 'Naver.' What is Naver? It divided its corporation last year, but it's still a leading company in Korea as it took 14th place in KOSPI market capitalization. Moreover, it has shown successful results till now and occupies 70% of market share in the Korea internet search market. It is the best IT corporation in Korea, and it's trying to enter the global market.

Naver has been keeping the 1st position in the Korean IT industry since they jumped up their market share in a short term with breakthrough contents. However, Naver suffered from some crisis since they had entered into China, the USA and Japanese market because they went into the global market without careful planning. But Naver made huge success recently through the mobile messenger application, LINE, in the global market.

We, 'Team Navigation', thought the success story of Naver can be a great guideline for those who dream to succeed in the international market. Thus, we choose Naver as our subject for 'How Korean Brands Soar II'.

We thought we can learn three things from the story of Naver. First, from the story of being the greatest IT enterprise in Korea, we can learn the secret of success. Second, we can learn why Naver failed in foreign markets, even after being the greatest IT enterprise domestically as well as the cause of failures. Last, we learn how Naver pushed on undaunted in spite of the big failures and caught an opportunity to make a comeback. We thought the dramatic story of Naver can give us the better lessons than the story of the company, which has been on the fast track.

Case #13. YG ENTERTAINMENT

YG's Marketing Strategy to Rise to the Top

Park Noh-jin, Kangwon University
Koo Jung-seon, Kangwon University
Kim Hun-hee, Kangwon University



Contents

1. Introduction
2. YG: Journey towards Becoming the Top Entertainment Company
3. YG's Success Factors
4. Future Direction for YG
5. Conclusion

Executive Summary – YG Entertainment

YG, one of the best entertainment companies in Korea, is leading 'Hallyu' in the world through PSY, Big Bang, 2NE1, etc. Especially, the pop singer PSY of YG is prepared to jump the whole world with fun music and music videos. His song 'Gangnam Style' hit the global music industry and its music video is one of the most-watched music videos in You Tube. The success of PSY in the global music industry is attributed to YG's marketing strategy for their musicians.

YG created artists' brand images for their musicians with fun contents and characterful singers. YG did not create the brand image of artists in the short-term. YG shared their music through social media such as You Tube, Facebook, and Twitter all over the world so that their fans can interact with YG. This increased fans' loyalty for YG musicians, which enables YG to be best entertainment company. In this case study, we examine how YG became such a successful entertainment company in more detail.

Case #14. KT

Marketing Case Study of KT to Rise as a Global Corporation

Jeong Da-min, Dankook University
Kang Tae-won, Dankook University
Choi Sung-hwan, Dankook University



Contents

1. Preface
2. Global ICT Leader, KT
3. Start and Crisis of KT
4. KT, Change the Rule of Game
5. KT, Jump Up to Be the Leading Company in the World.
6. Future Suggestions for KT
7. Conclusion and Lesson

Executive Summary - KT

The key of the new economic paradigm 'creative economy' is the information and communications technology (ICT) industry in Korea. The ICT industry is a driving force that has led to the development of the Korean economy and KT has been located in the center. Since the merger with KTF, KT has achieved successful transformation of the ICT media company in the crisis situation by improving steadily.

The driving force of KT led to success by changing the paradigm of the market; it is the result of continuous development of new business to the area. The company was holding a leadership position through bold and innovative marketing plans.

However, there were adversities that KT faced. KT lost the initiative in the competition; in addition, the image of No. 2 is created as it was facing a major crisis, that is, a decline in business. It is in need of an innovative corporate image as a second mover, and a new strategy for overcoming the crisis was required.

As a result, KT had a turning point through the new opportunities from the crisis. KT was looking for the answer to crisis relief through IT, with the help of smart revolution and convergence. It means to jump to the summit successfully. Recently, the investment of KT toward "ICT New Frontier" is presented in the outlook of the bright future of the company. Above all, the strong leadership of then-CEO Lee Suk-Chae made this possible.

In this case study, focusing on the positioning strategy that was used by KT, we examined how KT changed crisis into opportunity and take a look at the way KT life has taken.

Since its launching as KTF, until today, it presents a strategy that KT has grown into a telecommunication company major brand through the study of marketing strategy and the crisis of KT. Finally, through the proposed KT marketing of the future, we suggest the means for the sustainable development of KT.

Case #15. Winia Mando 'Dimchae'

How Has the World's First Kimchi Refrigerator, Dimchae, Become so Successful?

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Lee Ga-young, Gangneung-Wonju National University
Kang Hyun-a, Gangneung-Wonju National University
Lee Ah-ram, Gangneung-Wonju National University
Lee Bo-ram, Gangneung-Wonju National University



Contents

1. Introduction
2. Dimchae's Success Story
3. Conclusion

Executive Summary – Dimchae

Korea has a distinctive traditional food, kimchi. To store kimchi at proper temperatures, a unique pot culture (the practice of burying pots containing kimchi underground in winter) has been developed in Korea. It is a kimchi refrigerator that incorporated this pot culture into home appliances. Winia Mando Dimchae has established itself firmly as Korea's number one brand in the sector of kimchi refrigerators. While Samsung and LG have been dominating the electronics market, how could Winia Mando become the leading brand in the kimchi refrigerator market? Focusing on this issue, we have analyzed the success factors of Winia Mando Dimchae.

Before the launch of Dimchae, kimchi refrigerators were first released by Goldstar and Daewoo, but those products were all unsuccessful as they failed to meet the needs of consumers. To fulfill consumer needs, Winia Mando set up a research institute for kimchi. Based on the technology that had been built up for many years in the refrigeration and air-conditioning sector including automotive and residential air conditioning, the company developed innovative technologies such as the constant temperature technology that allows for maintaining an optimal underground temperature for the storage of kimchi in the winter time, the techniques of fermenting kimchi by stages to make the taste preferred by consumers and the technology of cold storage. Along with this technological prowess, Winia Mando has been striving to satisfy consumer needs like aesthetic designs favored by women, the ergonomic design fitting Korean women's average height and one-touch buttons taking into account some housewives who are not good at handling machines. The success of Dimchae stems from this advanced technology coupled with the fulfillment of consumer needs. Another factor of the success of Dimchae was the 'word-of-mouth marketing' strategy offering selected consumers the opportunity to use Dimchae for three months for free. Currently, Winia Mando is holding on to first place in the kimchi refrigerator market and aims to expand into international markets with the launch of a new product, a side-by-side refrigerator called 'proud.'

In conclusion, the biggest success factor of Winia Mando Dimchae is carving out a niche market for the kimchi refrigerator and the core technologies which have been built up for a long time. In addition, the effective marketing strategies together with the precise recognition and the satisfaction of the needs of consumers enabled Dimchae to become a top-selling brand.

Case #16. SIMONE

SIMONE Competence to Rise to the Top of the World

Choi Byeong-Woo, Inha University

Kim Tae-Hyoung, Inha University

Seo Yong-Jun, Inha University



Contents

1. Preface
2. Challenge and History
3. SER-M Analysis
4. Success Point
5. Improvement Point and Plan
6. Future Strategy and Direction
7. Conclusion

Executive Summary – Simone

Although Simone's recognition is low in the domestic market, it is one of the best-known ODM full service companies in other countries. Since its inception in 1987, the company has developed unprecedented growth. In fact, they earned about 600 million dollars in 2012. Now, Simone produces imported fashion luxury brands' products like Coach, Michael Kors, Burberry and DKNY among others. And Simone's products occupy about 40% of the handbags at well-known international department stores.

We will analyze Simone's presence in detail via SER-M analysis. SER-M consists of four factors: Subject, Environment, Resource, and Mechanism. Simone has been growing steadily in varying environments through various factors such as Park Eun-gwan, the leader of Simone and by maintaining outstanding quality. Through SER-M Analysis, the reader can catch the success points of Simone.

Simone maintains the ascending mood. But Simone still has a lot of problems like the structural faults of the ODM industry, the outcomes of interior company mechanism and the unsystemicity of a human resource system. Now, Simone is not only just a handbag manufacturing company but also the soaring Korean handbag company. They have the possibility to be the birth of a true Korean-style international luxury brand. Samsung swept all the international electronic markets, and K-pop has spread all over the world. Korea has already laid the foundation for Korean culture contents on the world stage. Now K-Brand's recognition is gradually improving all over the world, too, through Simone.

Case #17. THREE SEVEN

Three Seven's Successful Strategy in the World Nail Clipper Market

Yang Na-young, Seoul Women's University
You Ji-sun, Seoul Women's University
Jung Ji-soo, Seoul Women's University



Contents

1. Preface
2. Three Seven's History and Challenge
3. Three Seven's Choice and Preparation
4. Three Seven's Crisis and Growth
5. Three Seven's Core Successful Key
6. Three Seven's Henceforward Marketing Strategy
7. Conclusion

Executive Summary – Three Seven

Without any doubt, a nail clipper is necessary in our lifetime. Among many nail clippers, Three Seven became a company that gripped the world market. Even though it was once just one of the small businesses in Korea, they have made outstanding growth. Definitely, it became a company that the nation should be proud of. Three Seven has held its place as an international company that was ranked NO.1 in world market share, recording more than 30 billion won in sales within a year.

Ever since its foundation in 1975 under the name of Daesung Ind, Three Seven has been producing nail clippers and manicure set products with a philosophy to convey health and beauty throughout the world. They succeeded in establishing Korea as the mecca of world nail clipper manufacturing and Three Seven as a synonym of a world nail clipper brand.

Unfortunately, they had trouble with counterfeit goods from China, trademark disputes with Boeing, the aircraft company and changes of the market conditions. But Three Seven has overcome their crisis by developing over 15 product families and expanding 50 items for each product family on the basis of a strong will and world-class technical skills. Additionally, they implemented differentiated pricing strategies for each country, such as high-quality, high-price marketing in the Chinese markets and reasonable price marketing in the United States and Europe.

A nail clipper is well-known as a promotional product. Also, for the young generation, it is popular to have a manicure. It would be a good chance for Three Seven to go one step further if they launch a new nail care product line that can attract especially young women reflecting the trend. Because there is no one who does not need a nail clipper, the market of nail clippers could be larger than now. Furthermore, we need to let people know that 43% of people use Three Seven's products.

From now on, using various strategies of marketing, we think Three Seven needs to attract people by using marketing strategy that relates Three Seven to 'Health' and 'Beauty.' Then, Three Seven will be the world's best brand of nail care products.

APPENDIX

The Winners of the Competition Team by Team

Top 10 Winning Cases

Samsung Galaxy

Park So-young, Sungkyunkwan University
Kang Jae-yeon, Ewha Womans University
Kim Han-sol, Sungkyunkwan University
Ahn Jae-han, Yonsei University
Woo Seung-pyo, Hanyang University

Seoul

Kim Ki-Ra, Sungkyunkwan University
Kim Jae-Hyun, Sungkyunkwan University
Shin You-Kyung, Sungkyunkwan University
Lee Ji-Hyun, Sungkyunkwan University
Jung You-Kyung, Sungkyunkwan University

Hyundai Heavy Industries

Yu Yang-Hwa, KoreaTech
Lee Sang-mi, KoreaTech
Kim Min-Yul, KoreaTech

CJ O Shopping

Lee Tae Hee, Kyung Hee University
Min Hye Jin, Kyung Hee University
Park Seok Ju, Kyung Hee University
Lee Eui Ryang, Kyung Hee University

KT

Kim Hamieroo, Seoul National University
Kim Jiyeon, Hankuk University of Foreign Studies
Lee Hana, Sungshin Women's University

Nongshim Shin Ramyun

Jung Hye-in, Peking University
Yang Hye-jin, Peking University
Kim Seo-yeon, Peking University
Park Tae-hyun, Peking University

Top 10 Winning Cases(Continued)

MAMA

Shin Ki Eun, Yonsei University
Lee Hyo Seok, Yonsei University
Jeon Hye In, Sookmyung Women's University
Hur Hwa Jung, Hankuk University of Foreign Studies

Sulwhasoo

Choi Yun-Jung, Dongguk University
Cho Byung-Woo, Dongguk University
Wang Hong-Jin, Dongguk University

Bibimbap

Beak Chul Min, Chonbuk National University
Kim Tae Gyun, Chonbuk National University
Lee Young Hyun, Chonbuk National University

MIDAS IT

Joo, Ye-jin, Yeungnam University
Park, Hye-min, Yeungnam University
Han, Kyung, Yeungnam University

Other Winning Cases

Samsung Galaxy Note Series

Kim Sung-Man, Kyung Hee University
Cho Jae-Eun, Kyung Hee University
Mun Keum-Bi, Kyung Hee University

Naver

Park Sung Joon, Kyung Hee University
Kwon Sang Hoon, Kyung Hee University
Kim Min Jee, Sookmyung Women's University
Lee Seung Hwan, Kyung Hee University

YG Entertainment

Park Noh-jin, Kangwon University
Koo Jung-seon, Kangwon University
Kim Hun-hee, Kangwon University

KT

Jeong Da-min, Dankook University
Kang Tae-won, Dankook University
Choi Sung-hwan, Dankook University

Dimchae

Yu Hyo-jeong, Gangneung-Wonju National University
Lee Ga-young, Gangneung-Wonju National University
Kang Hyun-a, Gangneung-Wonju National University
Lee Ah-ram, Gangneung-Wonju National University
Lee Bo-ram, Gangneung-Wonju National University

Simone

Choi Byeong-Woo, Inha University
Kim Tae-Hyoung, Inha University
Seo Yong-Jun, Inha University

Three Seven

Yang Na-young, Seoul Women's University
You Ji-sun, Seoul Women's University
Jung Ji-soo, Seoul Women's University

The Top 10 Selected Brands, Companies and Leaders

Samsung Galaxy by Samsung Electronics (CEO Kwon Oh-Hyun)

<http://www.samsung.com/sec/>

Samsung Galaxy is the number one smartphone brand in the world. As the second entrant in the smartphone market, Samsung Galaxy S and Galaxy note series outrivalled its biggest competitor, Apple iPhone.

Seoul (Mayor Park Won-soon)

<http://english.seoul.go.kr/>

Seoul is the capital city of South Korea. The city has become one of the top tourist destinations in the world as well as one of the top ten cities for international meetings, conferences and conventions in a short period of time.

Hyundai Heavy Industries (CEO Lee Jai-seong)

<http://www.hyundaiheavy.com>

Hyundai Heavy Industries (HHI) is world's biggest ship builder. The company has emerged from its humble beginning through nimble marketing and precedent-setting innovation in ship building techniques

CJ O Shopping (CEO Lee Hae Sun)

<http://www.cjoshopping.com/>

CJ O Shopping is a global player in home shopping via cable TV. The company has opened a new prospect as 'shoppertainment' in the field of the home shopping industry by using differentiated marketing strategies.

KT (CEO Hwang Chang-Gyu)

<https://www.kt.com/eng/main.jsp>

KT, a telecommunication provider, has emerged as a strong global information and communication company after its humble beginnings as a government-run fixed line operator of office and home phones.

Nongshim Shin Ramyun (CEO Park Jun)

<http://www.nongshimusa.com/our-products/meal-noodle/shin-ramyun>

Shin Ramyun is a spicy instant noodle brand of Korea's biggest food company, Nongshim. A central part of the company's domestic and global growth has been the introduction and sales of Shin Ramyun.

MAMA by CJ E&M (CEO Kang Seok Hee)

<http://mama.interest.me/history?type=winner2013>

MAMA, Mnet Asian Music Awards, now rivals the Grammy Awards in the US. It has been successfully marketed to other countries as the premier music awards showcasing the very best of Asian music as well as the top production values of its creators.

Sulwhasoo by AMOREPACIFIC (CEO Suh Kyung-Bae)

<http://www.sulwhasoo.com/>

Sulwhasoo is an oriental medicine-based cosmetic brand of Korea's leading cosmetic company, Amorepacific. The brand created new markets for oriental medicine-based cosmetics with 'culture marketing', which enabled Amorepacific to become the leader in the global cosmetic market.

Bibimbap

Bibimbap is a traditional Korean food. Bibimbap is a mix of rice and vegetables that can be served with ground beef or pork, which makes it a very colorful and tasty dish. Three major brands globalizing bibimbap are:

Jeonju Bibimbap (<http://tour-eng.jeonju.go.kr/>),

CJ Bibigo (<http://english.bibigo.co.kr/>), and,

Han's Bibimbap

MIDAS IT (CEO Lee Hyung Woo)

<http://en.midasit.com/>

MIDAS IT is an engineering software development company. It successfully marketed worldwide what many consider to be the best software programs to calculate and predict a structure's integrity and worthiness.

The 100 Eagle Members

Who Share the Vision of Making a Dent in the Universe!

* Our deep thanks go to these members who not only share the vision but also voluntarily support us so that young people could have the opportunity to participate in this enriching experience.

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KIMF and the Case Competition

About KIMF

KIMF is a research institute dedicated to creating and delivering the stories of how Korean leaders and companies soar high all over the world even through the times of difficulties and crisis. The ultimate purpose of KIMF is to generate the top quality of management knowledge that touches the hearts of young people and helps them thrive in their careers and businesses. We would like to dedicate ourselves to helping young people to prepare their wings to soar by letting them to be exposed to the concepts or academic models and the cases of the world's best companies and leaders.

About the Case Competition

The case competition is one of our core activities. We believe that it provides a great opportunity for young people, especially college students, who want to plan for their careers, to be exposed to the real stories of how the companies and leaders turn their modest beginnings into great success by overcoming their "bad luck" or difficulties. While they write their cases, searching, organizing, and summarizing materials, they have an opportunity to learn real lessons from the cases.

The first national case competition was held in 2011. We announced the case competition to all major universities and colleges in Korea so that no students are left uninformed about the exciting competition. To our surprise, we received more than 70 team applications for the competition. To make us even more marveled, applications came from thousands of miles away. As mentioned, the participants represented not only Korean universities but also foreign universities such as Northwestern, Cornell, and Emory in the US, Keio University in Japan and in Peiking University in China, among others. The intended national-level competition thus turned out to be an international one that included students who study overseas. More importantly, the final output, the top 10 cases, were

published as a book, *How Korean Brands Soar*, both in hard copies, and in an ebook available from Amazon.

The second national case competition was held in 2013. This time, the Ministry of Culture, Sports, and Tourism sponsored the event, and the Business School of Sungkyunkwan University supported it in terms of space and finance. The second event also turned out to be a great success.

We plan to continue to hold case competition events as a series. We will encourage students to be exposed to the best cases and provide a turning point for them to apply those things for their career and business development. We will continue to help our students study the cases of their own country's top companies and top leaders so that they could follow their own tradition and ways. We will also continue to publish the top quality of their cases so that people outside of Korea can share the opportunity of learning and its treasures. There are many people who have asked the question, "How did Korean companies become so successful within such a short period of time?" Now, they can read these cases and learn about what happened and how these companies and individuals have been so successful worldwide not only as commercial businesses but also culturally as shown in the K-pop music phenomena. We will continue to let the names of the winners and their works be known to the major institutions not only in Korea but also in the world.

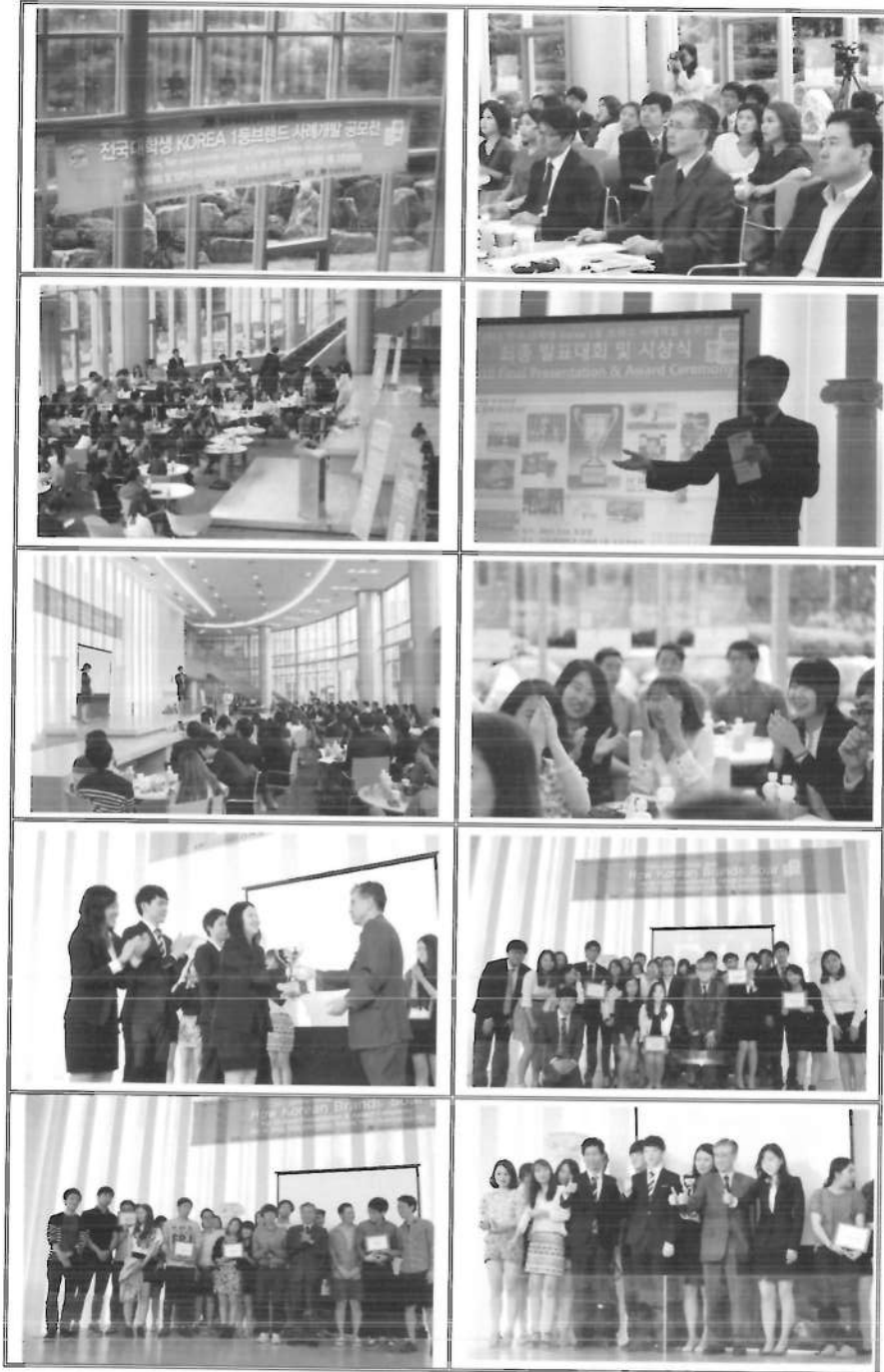
We would like to thank those who gave support for a successful event, especially to the Ministry of Culture, Sports, and Tourism for sponsoring, to the Business School of SKKU for organizing, and also to the 100 Eagle Members who share the vision of making a dent in the universe. They voluntarily sponsored us so that young people could have the opportunity to participate in this enriching experience. Many people, including student staff, volunteered to help make our events enjoyable and successful. We would like to thank all who made this almost impossible mission possible!

* The photos about the case competition are provided in the next pages. For the pictures in color and more, please refer to an Amazon Kindle eBook version available at Amazon.com.



Make a Dent in the Universe!!





Donating This Book to the World's Top 100 Universities and Others

It is our great pleasure to publish *How Korean Brands Soar I & II*, which feature the stories about how Korean companies and leaders turned their meager beginnings and mediocre conditions into explosive successes even during crises within a short period of time. Because the top 10 case studies in the volumes were chosen among those submitted by 60-70 team contestants in the 1st and 2nd national college team competitions, the case studies offer a fresh, dynamic, and insightful analyses of the most successful Korean businesses. Many readers, especially foreigners, expressed their wishes that the hard copies be made available at university libraries around the world so that people who are interested in the recent success stories of Korean companies and leaders can access our books. Responding to these global interests and needs, many supporters of the national college competition shared their vision: "Let's send the books to the world so that young students and professionals alike can benefit from reading them. Let's first donate the books to the libraries at 100 universities across the globe, from the world's top universities to the universities in developing countries, where students and leaders look for their own chance to soar."

We would like to recognize the generous supporters who not only made this book possible but also played pivotal roles in turning this vision into reality. By inscribing the names of donors below, we, the supporters and authors, hope that you will enjoy reading this book and find the courage and wisdom to make a dent in the universe.

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Messages from CEOs of Korean Award Winning Companies

“We want to make trendy lifestyles happy and meaningful. Soar through Korean brands!”

*Lee Hae Sun, CEO
CJ O Shopping*

“Change is the only constant. Wherever you are, whatever you do, challenge will present itself to push you out of your comfort zone. Embrace these opportunities that help you push the limits and continue to dream big about forging new paths.”

*Kwon Oh-Hyun, CEO
Samsung Electronics*

“We are dedicated, as an Asian Beauty Creator, to achieve the mission to find out the real beauty contained in Asia's deep wisdom and deliver it to the world customer.”

*Seo Kyoung-Bae,
Chairman & CEO
AMOREPACIFIC Corp.*

“We want to create a new era of global culture. We pursue only one spirit -- to be the first, the best and most unique.”

*Kang Seok Hee, CEO
CJ E&M*

“We want to make a dent in the universe!”

About the Editors

Chung K. Kim is a Professor of Marketing at Sungkyunkwan University (SKKU), Seoul, Korea. His research has been focused on how world-class companies and leaders create and control their own futures, and how Korean companies and leaders achieved great success. He has participated in business education and consulting to help Korean companies such as Samsung prepare their wings to achieve great global success from their mediocrity or even crises. Currently he is dedicated, through the research institution KIMF, to help business leaders, especially young people, prepare their wings for their businesses and careers.

He has been also serving various academic associations; among others, he is the President of Service Marketing Association and a Vice-president of the Korean Society of Consumer Studies. With the WMDSS (*world mobile research group*), he is also leading the cutting edge research areas of mobile consumption behaviors and mobile health. He has also been awarded the best teaching awards many times including the 2013 top teacher of the year award at Sungkyunkwan University. His lectures focus on how to create and manage businesses that touch the hearts of people rather than businesses that are preoccupied with making sales or profits. He received his MBA from Sungkyunkwan University and his Ph.D. in Marketing from the State University of New York at Buffalo. Before he joined SKKU, he had taught and been tenured at Concordia University in Montreal, Canada.

Greg Pratt is a former American broadcast journalist who wrote, produced and directed social issue and current affairs television documentaries. His work has appeared on numerous American broadcast and cable networks as well as in more than 30 countries. As a writer-producer, he has won virtually every major award for American broadcast journalists including the Edward R. Murrow Award, the Ohio State Award, four DuPont-Columbia Awards and the prestigious George Foster Peabody Award for Distinguished Broadcast Journalism, among many others. Much of his work involved Southeast Asia including a pioneering look at post-war Vietnam.

After teaching broadcast journalism in the US for four years, he began teaching in Seoul, South Korea where he has been a Lecturer/Instructor and is now a full time Professor specializing in business correspondence and various forms of business English communication. He has taught for 18 years now at Sungkyunkwan University in Seoul and has won numerous awards for his

teaching including “Best Teacher” in 2003, “Best of the Best” in 2004 and a “Distinguished Teacher Certificate” in 2007. He has a BA in English Literature from the State University of New York at Buffalo (SUNY Buffalo) and an MA in Journalism from the University of Minnesota.

Mina Jun is a Ph.D. in marketing from the Graduate School of Business in Sungkyunkwan University (SKKU), Korea. Her research has been focused on why people have attachment towards human brands and its role and implications for consumers. She has published several papers in top journals and won the best presentation paper award twice from a conference with Prof. Kim. Her pioneering work on human brands is getting widely recognized. She also teaches marketing at Sungkyunkwan University and Sookmyung Women’s University.

Miyea Kim is a Ph.D. in marketing at the Graduate School of Business in Sungkyunkwan University (SKKU), Korea. Her research has been focused on consumer’s symbolic consumption, particularly on how people behave when they feel powerless especially under economic hardship. She has published papers in top journals in Korea and won the best presentation paper award from a conference with Prof. Kim. Before she joined the Ph.D. program, she had received a master’s degree in Economics at SKKU and worked as a researcher at the Economic Research Institute, Bank of Korea. She would like to be a pioneering researcher who combines her economics background and marketing to study symbolic consumption behavior under economic hardship. She also teaches marketing at Sungkyunkwan University.

Jeongsoo Han is a Ph.D. in marketing at the Graduate School of Business in Sungkyunkwan University, Korea. His research has been focused on how marketing can improve consumers’ well-being and quality of life. He also has published papers in the top journals in Korea and won the best presentation paper award from a conference with Prof. Kim. Before he joined the Ph.D. program, he had received his master’s degree in Marketing at Georgia State University and conducted several collaborative researches projects with major organizations in the U.S. He also teaches marketing at Sungkyunkwan University.

Joshua Kim is a research assistant at the Graduate School of Business in Sungkyunkwan University, Korea. He has been assisting multiple research projects led by Prof. Kim since 2012 when he came to Korea as a Fulbright research scholar. He has co-authored papers in top journals in Korea and won the best presentation paper award from a conference with Prof. Kim. His research interests include consumer well-being, power symbolic consumption, and decision making. He plans to attend a Ph.D. program in Marketing from fall 2014. He holds a bachelor’s degree in Policy Analysis and Management from Cornell University, where he was selected as a presidential research scholar.