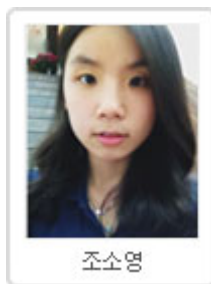


# Title: Entry Strategy to Korean Market

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- 🔊 **[00:00]** Such as agricultural product or petroleum.
- 🔊 **[00:07]** Or it could be light industrial product,
- 🔊 **[00:10]** Such as textile, shoes, maybe shoes could be imported from China.
- 🔊 **[00:17]** Heavy industrial product like machinery, equipments.
- 🔊 **[00:22]** So which one is the kind of the majority of Korean imports?
- 🔊 **[00:26]** If you look at this, about 66%, roughly two thirds of Korean imports would be heavy industrial products.
- 🔊 **[00:40]** And about 28% would be primary products.
- 🔊 **[00:46]** And the remaining probably 6 or 7 % would be light industrial product.
- 🔊 **[00:52]** So in terms of significance, light industrial product is not really a big chunk, right?
- 🔊 **[01:04]** What kind of specific heavy industrial products would they import from?

- 🔊 **[01:11]** From maybe Japan, from United States?
- 🔊 **[01:15]** Possibly medical equipments?
- 🔊 **[01:20]** Precision machinery?
- 🔊 **[01:23]** And those kind of technology-intensive product could be imported from abroad.
- 🔊 **[01:31]** There is another way to look at import if you divide it into different category,
- 🔊 **[01:37]** like raw materials, capital goods, or consumer goods.
- 🔊 **[01:48]** These are three different categories, and again,
- 🔊 **[01:52]** Korea used to import lots of crude oil, raw materials, natural resources.
- 🔊 **[02:03]** And lots of capital goods, but not many consumer goods.
- 🔊 **[02:10]** Korea imports automobiles, of course, but in terms of percentage, it's about 10% of total imports.
- 🔊 **[02:21]** And consumer goods would be just 10% of total imports.
- 🔊 **[02:28]** Look at this.
- 🔊 **[02:30]** We can see which segment is growing faster,
- 🔊 **[02:35]** and which segment is growing rather slowly.
- 🔊 **[02:38]** This is heavy industrial segment, 17.3 % increase every year.
- 🔊 **[02:47]** So this is the growing market.
- 🔊 **[02:50]** Right? This is the growing market.
- 🔊 **[02:58]** Now, so far, we looked at manufacturing sectors, manufacturing products.
- 🔊 **[03:06]** But what about service sector?

🔊 **[03:09]** Service sector in Korea has been increasing,

🔊 **[03:15]** if you look at the upper part of this table, the service sector consists of about two thirds.

🔊 **[03:24]** Two thirds of Korean GDP.

🔊 **[03:27]** It's, I think, a significant portion.

🔊 **[03:32]** And what's going to happen in the future?

🔊 **[03:36]** I would expect that this ratio may go up further in the future.

🔊 **[03:44]** As the economy becomes more advanced, economy becomes more service-oriented rather than manufacturing-oriented.

🔊 **[03:54]** So we will see further growth of the service sector.

🔊 **[03:59]** What kind of service sector Korean economy used to import from abroad?

🔊 **[04:05]** Bunch of different categories here, and what sectors growing fast, fastest among these?

🔊 **[04:13]** Could you guess?

🔊 **[04:15]** We have different sectors like transport.

🔊 **[04:18]** Transport means shipping, right?

🔊 **[04:22]** Korean companies may use foreign shipping company to send their goods abroad.

🔊 **[04:29]** Or travel, Korean tourists going abroad.

🔊 **[04:34]** Education, communication, insurance, and so forth.

🔊 **[04:39]** Actually, if you look at the growth rate, the fastest area in service sector would be education.

🔊 **[04:49]** Education sector.

🔊 **[04:51]** Although the volume is not that high, compare with transport or travel industry, but this one is growing fast.

🔊 **[05:04]** Another fast growing sector, in terms of service sector would be insurance.

🔊 **[05:10]** Insurance business in Korea.

🔊 **[05:13]** Look at insurance market in Korea, there are many foreign companies operated.

🔊 **[05:18]** And they are doing good business.

🔊 **[05:21]** Insurance business is booming in Korea.

🔊 **[05:26]** Many Korean people, especially senior citizens they would like to have their health insurance besides to their national health insurance program.

🔊 **[05:38]** Insurance market is growing.

🔊 **[05:43]** And of course, the travel industry is growing. Right?

🔊 **[05:48]** So there's certain sectors which I expect to grow further.

🔊 **[05:54]** Now, when you look at Korean market these days,

🔊 **[06:00]** There is one very significant change which would be more free trade agreements with foreign partners.

🔊 **[06:11]** So I listed some of the countries here.

🔊 **[06:14]** Korea, they are recently signed several important foreign FTA, Free Trade Agreement.

🔊 **[06:23]** And, of course, probably the most significant FTA would be FTA with United States.

🔊 **[06:32]** And an FTA with E.U., which is being implemented at this moment.

🔊 **[06:40]** E.U. and U.S. as you know would be the largest market in the world.

🔊 **[06:46]** So what are the implications?



🔊 **[06:49]** There are maybe more competition coming in Korean consumer market.

🔊 **[06:55]** Korean industrial product market.

🔊 **[06:58]** Many European firms would be interested in Korea.

🔊 **[07:00]** The U.S. firms, they come to Korean market.

🔊 **[07:04]** And of course, the many domestic companies as well.

🔊 **[07:07]** So you will see more competitions in the Korean market.

🔊 **[07:14]** We have an FTA with ASEAN, South East Asian Countries.

🔊 **[07:20]** EFTA, European Free Trade Association.

🔊 **[07:25]** Four European countries.

🔊 **[07:27]** Singapore, Chile, India, and so forth.

🔊 **[07:32]** So this is just the one piece of information,

🔊 **[07:35]** Showing us which sectors would be growing as a result of US-Korea, or Korea-US free trade agreements.

🔊 **[07:51]** Looks like many U.S. companies are likely to sell more automobiles in Korea.

🔊 **[07:57]** Or transport equipments are increasing very fast.

🔊 **[08:03]** To look at the growth rates, more than 100% precision machinery made by some U.S. companies could be imported to Korea market. So also increasing.

🔊 **[08:18]** Actually, I think there are three main competitors providing precision machinery to Korean market.

🔊 **[08:28]** Obviously U.S. is the number one type of company, Japanese companies, and maybe German companies are selling their products to Korean market.

🔊 **[08:39]** But as a result of Free Trade Agreement, with E.U. and U.S.,



🔊 **[08:47]** Probably there are more European or American machinery in Korean market replacing some Japanese machinery.

🔊 **[08:57]** And let's take a look at some other specific sectors which maybe very attractive from foreigners' perspectives.

🔊 **[09:08]** What kind of Korean market would be good for foreign companies to target in the near future?

🔊 **[09:14]** These are some of the lists I think growing.

🔊 **[09:20]** For example, one of the important characteristics of the Korean consumers.

🔊 **[09:28]** High health-conscious.

🔊 **[09:30]** They would spend lot of money for their own health.

🔊 **[09:36]** Look at your parents, your grandparents or any your uncles, aunts.

🔊 **[09:44]** They are spending a lot to buy health-related products.

🔊 **[09:50]** For this reason, I think this sector is really growing fast.

🔊 **[09:56]** They are taking some supplements every day.

🔊 **[10:02]** So that's kind of a new change today.

🔊 **[10:07]** Medical products, pharmaceutical products.

🔊 **[10:13]** There is strong demands for those kinds of products in Korea.

🔊 **[10:16]** Obviously Korean people are living longer and longer than before.

🔊 **[10:22]** And many senior citizens, they need those kinds of products.

🔊 **[10:30]** Medical equipments market is growing here.

🔊 **[10:36]** How about automotive parts and accessories?

🔊 **[10:39]** Some U.S., or maybe European automobile part suppliers could find a



big market in Korea.

🔊 [10:51] How about broadcasting equipments?

🔊 [10:55] Wireless broadband equipment?

🔊 [11:00] Computer software or pollution control equipment?

🔊 [11:05] So there are bunch of smaller segments, I think, available for foreign companies.

🔊 [11:15] Of course, defense industry equipments.

🔊 [11:20] Now, so far, we looked at manufacturing sectors.

🔊 [11:24] What service sectors may be attractive to foreigners?

🔊 [11:29] What kind of service sectors would be very promising for foreign companies?

🔊 [11:35] There are several.

🔊 [11:37] I think number one would be finance and banking sectors.

🔊 [11:43] Unlike manufacturing sectors, Korean banks are not that competitive.

🔊 [11:50] They are not internationally competitive.

🔊 [11:53] Insurance companies, Korean domestic insurance company still lagging behind.

🔊 [11:58] So from foreign companies' perspectives, they could find good opportunities.

🔊 [12:04] Finance, banking, insurance.

🔊 [12:04] That is a big market available for them, I think.

🔊 [12:13] How about medical service? Medical service.

🔊 [12:19] And of course, these days some Korean company would like to join venture with the Western hospital chains.



🔊 [12:29] They want to set up wonderful hospital facilities.

🔊 [12:35] Maybe in Song-do, which is newly developed area near Incheon.

🔊 [12:43] This is another interesting area.

🔊 [12:46] Educational service.

🔊 [12:51] Do you know that in Jeju Island, I heard that there is an international school just open in Jeju island.

🔊 [13:02] And which kind of people are they targeting?

🔊 [13:07] Let's say international high school in Jeju Island.

🔊 [13:15] Of course, there may be some Koreans who would like to attend to those international schools,

🔊 [13:21] But many students may come from China, in China.

🔊 [13:28] And Jeju Island, they have very generous, sort of, immigration policy.

🔊 [13:37] So foreigners can stay up to what, one month without having visa.

🔊 [13:44] So many Chinese businessmen would like to set up their office in Jeju Island.

🔊 [13:52] And they may bring their kids.

🔊 [13:57] Education service.

🔊 [13:59] I think it's growing.

🔊 [14:02] Broadcasting programming.

🔊 [14:05] Korean consumers would like to see more diverse foreign dramas.

🔊 [14:12] Perhaps European companies, so U.S. companies could provide their own shows, dramas.

🔊 [14:20] So that could be one, I think, possible market, service market.





🔊 [14:29] Legal and accounting service.

🔊 [14:33] As Korean firms are engaging more international business, there may be some international business disputes,

🔊 [14:42] And they need service from well-known law firms or accounting firms, consulting firms.

🔊 [14:51] I think this market is also promising.

🔊 [14:56] And as you know, in the legal sectors already, strong foreign companies coming to Korean markets.

🔊 [15:08] As in consulting service market.

🔊 [15:19] All right, so, so far, we have looked that kind of areas that foreigners might be in interest with.

🔊 [15:31] So how could we do a business in Korea if you are foreigners.

🔊 [15:35] Or maybe in different ways, of course, in terms of mode of entry, the easiest way would be through export or import.

🔊 [15:49] So you can export certain products from your base to Korea.

🔊 [15:56] Or you can import product from Korea to supply into your country.

🔊 [16:04] So that could be the easiest way doing business, right?

🔊 [16:09] And if you are really serious about Korean market, you can make some big investments, adjoin venture with foreign investment venture.

🔊 [16:19] Adjoin venture.

🔊 [16:20] Or you could have some kind of contractual arrangement such as licensing agreement with Korean companies.

🔊 [16:30] You can provide some technology to Korean companies, through licensing arrangements.

🔊 [16:36] Or you can provide operating know-how to Korean partner through



franchising agreement.

🔊 **[16:43]** So, those are the kind of contractual arrangement.

🔊 **[16:47]** With a bunch of different ways, they could do business with a Korean partner.

🔊 **[17:05]** And ease to do business in Korea.

🔊 **[17:10]** According to this information, relatively I think Korea is a country that can do business easily compared with Brazil or China.

🔊 **[17:25]** According to this information, this is the ranking.

🔊 **[17:30]** So the higher ranking means country which is difficult to operate due to regular trades constraints, legal constraints, and so forth.

🔊 **[17:44]** China, Brazil, India.

🔊 **[17:48]** In terms of easiness, this is very tough market.

🔊 **[17:52]** Although these markets are big enough and describe many foreign companies are traffic.

🔊 **[18:01]** But if you want to do a business in those big countries you have to be really prepared to deal with all kinds of difficulties, initial difficulties.

🔊 **[18:12]** But in case of Korea, relatively easy to set up your office, perhaps.

🔊 **[18:24]** In what aspects, Korean would be easier to operate their, or in what aspect you have to expect difficulties.

🔊 **[18:41]** Overall, it's a 19.

🔊 **[18:34]** But if you look at the different aspect of doing business, different rankings here.

🔊 **[18:51]** So probably the difficult part in doing business in Korea would be either employing workers.

🔊 **[18:59]** That's not easy.

🔊 **[19:00]** Why?

🔊 **[19:01]** Probably strict labor law requirements and may not be easy to hire somebody

🔊 **[19:09]** But also it may not be easy to lay off because of the legal constraints.

🔊 **[19:16]** So, 150. Another difficult area doing business in Korea would be protecting investors.

🔊 **[19:27]** Very high ranking, 73.

🔊 **[19:29]** Or registering properties, things like that.

🔊 **[19:34]** But besides all, I think, it is relatively easy to them for enforcing contracts, or closing a business, not a big deal in Korea.

🔊 **[19:51]** Which country would be the easiest country to do business?

🔊 **[19:56]** Looks like New Zealand has to be very convenient place to do business as a foreigner.

🔊 **[20:06]** New Zealand and Japan.

🔊 **[20:10]** Except this tax system in Japan may look very complicated, right?

🔊 **[20:17]** 123.

🔊 **[20:20]** Korea still could be problematic for foreigners' perspectives, 49.

🔊 **[20:27]** But other than that, Japan is also a good country to do business.

🔊 **[20:35]** Yes? I think, right.

🔊 **[20:42]** Two aspects.

🔊 **[20:44]** Number one would be, it's not easy to find good quality managers or dedicated workers.

🔊 **[20:54]** Yes, this is the perception, of course, in the foreign perspective managers,

🔊 [21:00] But I think the harder part, harder part would be a lay off practice according to Korean labor law.

🔊 [21:10] You cannot really easily lay off exiting employees, right?

🔊 [21:15] Especially for workers or employees over two years.

🔊 [21:22] If they keep employment for over two years.

🔊 [21:25] You could not really lay off those people easily.

🔊 [21:30] So those kinds of things could be very problematic for foreigners.

🔊 [21:38] The flexibility in labor market.

🔊 [21:41] We tend to have very inflexible labor market in Korea.

🔊 [21:47] But if you look at U.S. or New Zealand, Hong Kong, layoff practice, it's not a big deal.

🔊 [21:55] Employees, they don't have any problems in accepting layoff decision from the management.

🔊 [22:06] They can probably go to another company rather easily.

🔊 [22:10] (Students speaking) Yes, how are foreigners view when they come to work in Korea like...

🔊 [22:17] (Students speaking) Are they welcomed or is there sort of underline protectionism?

🔊 [22:23] You mean the

🔊 [22:24] (Students speaking) Like foreign companies, foreigners...

🔊 [22:29] It used to be kind of, lot of prejudices, perhaps, against foreign companies working in Korea in the past.

🔊 [22:44] But not anymore.

🔊 [22:46] For example, probably ten to fifteen years ago, KU college graduates.

🔊 [22:53] When they choose their company after graduation, they would strongly favor domestic firms.

🔊 [23:06] It would be very rare case for K.U. graduates to choose foreign [23:11] for their first place of employment.

🔊 [23:14] But these days, I don't think there is any big distinction between domestic firms and foreign firms.

🔊 [23:23] Couple of years ago, one of my female students, the graduate, she chose to go to Loreal.

🔊 [23:33] She was a one of the excellent students.

🔊 [23:37] She was very proud of working for Loreal.

🔊 [23:41] But ten years, or fifteen years ago,

🔊 [23:43] I think probably the most Korean students would go for Samsung electronics or Hundai motors for domestic products.

🔊 [23:52] So I think there's not much distinctions from students' perspective.

🔊 [23:58] And also, the average citizen.

🔊 [24:01] They don't mind foreign companies coming to Korea these days.

🔊 [24:07] And actually, they may welcome foreign companies.

🔊 [24:11] Government officials, they are very eager to attract foreign investors.

🔊 [24:17] So the attitude, I think, has been changing a lot these days.

🔊 [24:25] However, I think, many NGO groups, the Korean NGO groups, are watching carefully about their business practices

🔊 [24:39] Whether they're paying taxes, whether they avoid taxes,

🔊 [24:45] And this could be very sensitive issues.

🔊 [24:48] So I think it's fair to say that many foreign firms are more subject to surveillance of lot of NGOs, relative to domestic firms.

🔊 **[25:01]** But other than that, I think there is no any kind of discrimination against foreign firms today.

🔊 **[25:16]** All right, so let's move to another topic area.

🔊 **[25:23]** Which would be... Consumers.

🔊 **[25:27]** When we look at Korean consumers, or Korean market at the micro level.

🔊 **[25:33]** Now, whenever you look at the new market, especially consumer goods market.

🔊 **[25:39]** The first thing you might want to check would be their demographics.

🔊 **[25:44]** Whether they are old, they are young, or are they male or female.

🔊 **[25:50]** What kind of educational background do they have?

🔊 **[25:54]** Those kind of demographic information, I think, would be very useful to understand your target consumers.

🔊 **[26:04]** So this is the kind of demographic change of the last twenty years or so.

🔊 **[26:14]** What change is significant here?

🔊 **[26:22]** Demographic transition.

🔊 **[26:25]** There will be more old people.

🔊 **[26:28]** There may be less younger people in Korea market.

🔊 **[26:33]** So for example, if you look at this category, people under twenty.

🔊 **[26:40]** In 1990, there were about 36 percent of population under twenty.

🔊 **[26:47]** Year 2010 today, only 23 percent, so about what?

🔊 **[26:56]** 13 percent decreased in terms of ratio.

- 🔊 **[27:02]** I think this is very fast change in just twenty years.
- 🔊 **[27:11]** Look at these categories people over 65 used to be 5.1 percent.
- 🔊 **[27:19]** Today, 13 percent.
- 🔊 **[27:21]** More than double, in percentage.
- 🔊 **[27:28]** Big change in demographics.
- 🔊 **[27:31]** So I think that's one thing we need to remember.
- 🔊 **[27:35]** What are the implications?
- 🔊 **[27:39]** There may be less growing opportunity available for those markets, for this young people.
- 🔊 **[27:47]** There may be more growing opportunity available for senior citizen market.
- 🔊 **[27:56]** So another market-growing these days.
- 🔊 **[28:04]** Medical service, pharmaceutical product, right?
- 🔊 **[28:12]** Those markets are growing fast.
- 🔊 **[28:13]** And actually, this trend, is happening in many Asian countries.
- 🔊 **[28:21]** I heard that China is also entering similar cycle, more old people.
- 🔊 **[28:29]** Japan already entered this stage about ten years ago.
- 🔊 **[29:34]** So I think this is kind of regional problem in a way.
- 🔊 **[28:49]** Another important change.
- 🔊 **[28:51]** If you look at the Korean consumer market.
- 🔊 **[28:56]** More women in workplace.
- 🔊 **[29:01]** They used to stay at home, taking care of children.

🔊 [29:06] But more women are pursuing their own professional careers.

🔊 [29:12] They earn very high income, they enjoy high spending power these days.

🔊 [29:20] And I think that's one big change in Korean market.

🔊 [29:24] More participation of women in education and labor force.

🔊 [29:31] That's a big change.

🔊 [29:33] A big change.

🔊 [29:42] There are some other sort of characteristics for general trends of Korean consumers.

🔊 [29:50] Let's take look at those.

🔊 [29:55] If you look at Korea, most people, I think, live in urban areas.

🔊 [30:05] More than 80%, 80% of Korean consumers are living in urban area.

🔊 [30:10] Where?

🔊 [30:12] In all the major cities in Korea.

🔊 [30:15] Seoul, metropolitan areas covers about 20 million people, out of 48% of total population.

🔊 [30:25] And the second largest city, Busan, a harbor, the southern Busan.

🔊 [30:32] Incheon, Daegu, maybe Kwangjoo, Dae-jeon.

🔊 [30:38] If you look at.

🔊 [30:40] So at those five or six metropolitan areas, you cover virtually 85% of Korean market.

🔊 [30:50] So I think compare with other countries like Japan or China.

🔊 [30:56] It's a big easier to reach your target person.





- 🔊 **[31:01]** Because Korean consumers are living in very focused areas.
- 🔊 **[31:08]** That is, I think, the interesting fact.
- 🔊 **[31:12]** Also, majority of Korean consumers are living in apartments.
- 🔊 **[31:21]** Apartment.
- 🔊 **[31:22]** Rather than separate house.
- 🔊 **[31:25]** Communal living environment.
- 🔊 **[31:28]** So it's easier to target those consumers.
- 🔊 **[31:34]** I guess, in case of China, their urban percentage of people living in urban area is still less than 40%.
- 🔊 **[31:45]** About 60%, more than 60% of Chinese consumers are living in rural area.
- 🔊 **[31:53]** So from marketer's point of view, it's not easy to reach those consumers.
- 🔊 **[32:00]** But if you look at Hong kong, Singapore, Korea.
- 🔊 **[32:04]** It's very easy to reach the target consumers.
- 🔊 **[32:11]** Another interesting trend.
- 🔊 **[32:14]** It is, how many people are living under one roof in Korea.
- 🔊 **[32:25]** Three or four, right?
- 🔊 **[32:29]** We used to have five or six household members in 1970s, 80s.
- 🔊 **[32:37]** So looks like there is a smaller household size than before.
- 🔊 **[32:43]** And interesting trend would be the increasing one-member households.
- 🔊 **[32:50]** Increasing single households.

- 🔊 **[32:53]** So, two facts coming together.
- 🔊 **[32:56]** If you look at the number of households, it is increasing.
- 🔊 **[33:00]** But if you look at the size of households, it's decreasing.
- 🔊 **[33:03]** That is the trend.
- 🔊 **[33:06]** I think same is true to Japan.
- 🔊 **[33:13]** And I heard that in Seoul area, about twenty percent of Seoul households is basically single-person household.
- 🔊 **[33:24]** That's big change from ten years ago.
- 🔊 **[33:30]** Now, what are the implications?
- 🔊 **[33:33]** If you know this facts.
- 🔊 **[33:35]** Let's say you're selling home-appliance product in Seoul.
- 🔊 **[33:41]** What implication does it bring?
- 🔊 **[33:52]** Okay, so company need to make product smaller?
- 🔊 **[33:57]** Smaller product does not necessarily mean cheap product.
- 🔊 **[34:04]** Smaller product could be smarter product, right?
- 🔊 **[34:08]** So consumers really want small but smarter product than before.
- 🔊 **[34:14]** Especially, if you're living alone, you don't have much space to put large, large refrigerator.
- 🔊 **[34:22]** You'll need really small size refrigerator.
- 🔊 **[34:26]** Small size oven.
- 🔊 **[34:30]** Now this may be, kind of, an important characteristics of Korean consumers in terms of cultural orientations.

🔊 [34:40] They're highly collectivistic.

🔊 [34:44] And they have very high uncertainty avoidance.

🔊 [34:49] These are, I think, kinds of values that Korean consumers may have.

🔊 [34:55] So what does it mean?

🔊 [34:57] Collectivistic?

🔊 [34:59] And at the same time, they avoid uncertainty.

🔊 [35:00] ... They avoid uncertainty.

🔊 [35:06] (student speaking) They may really care about the opinion from the reference group?

🔊 [35:09] (student speaking) So for example the friends close to you or the family members or the relative's opinions ...

🔊 [35:21] Important role of reference groups such as family members, friends, word of mouth is very important

🔊 [35:30] If you hear something from your friend and you just believe it. Right.

🔊 [35:37] So that I think is very important.

🔊 [35:41] Another thing, maybe sometimes companies they use very celebrity at what time.

🔊 [35:53] That kind of thing may be very effective in Korean markets.

🔊 [35:58] Because they can easily believe in what celebrity may say.

🔊 [36:08] Internet communications are very widely popular these days

🔊 [36:14] So advertising through internet could be good tools of the company's perspective.

🔊 [36:22] I think there is a strong intergeneration gap for example in all generation they are very much price-sensitive.

- 🔊 **[36:33]** The frugality may be very important virtue for them.
- 🔊 **[36:38]** But for young generations they would like to have fancy design.
- 🔊 **[36:45]** They want to have luxury brand product.
- 🔊 **[36:48]** So they may have to pay very high price.
- 🔊 **[36:52]** So depending on which target you focus, probably emphasize either low pricing or luxury brand image.
- 🔊 **[37:05]** Those are some of the stuff you can talk about Korean consumers.
- 🔊 **[37:14]** One more thing before we take a break, I don't know whether I showed this picture in the first week.
- 🔊 **[37:22]** Now if you look at for a new product a diffusion process to mass market this is the kind of cycle you may see in the western market.
- 🔊 **[37:35]** Suppose a company introduced new product in the market.
- 🔊 **[37:42]** Could be... let's say new iphone, iphone 5 and then what?
- 🔊 **[37:51]** Some people would like to buy those new models as quickly as possible even though they may have to pay very high price.
- 🔊 **[37:59]** We call them as innovators but there are the other groups who just wait until everybody got it, they would be called laggards.
- 🔊 **[38:16]** But most people may be in the between, so according to this model about one third of total consumers make for early majority groups.
- 🔊 **[38:32]** And another one third would be late majority groups.
- 🔊 **[38:36]** So these consist of two third of total market.
- 🔊 **[38:40]** And the remaining one third would be divided up into three groups – innovators, early adopters, and laggards.
- 🔊 **[38:50]** There's a kind of nice normal distribution curve over time.

🔊 [38:59] Adoption process.

🔊 [39:00] But the question would be, “would this model be held in Korean market?”

🔊 [39:05] Or “would there be a slightly different curve for Korean market and other Asian market?”

🔊 [39:14] This may be one possible scenario I think as you see this curve is a bit squeeze to your left hand side.

🔊 [39:26] So what are the big difference between this curve and the previous one.

🔊 [39:32] (student speaking) Maybe in Korea there are a lot more of early majorities?

🔊 [39:36] (student speaking) So I think they tend to experience faster than other countries?

🔊 [39:42] The proportion of this group, early majority looks much higher than just one third, maybe forty percent of entire consumers or even higher.

🔊 [39:53] And also the early majority group, this market is created much earlier than in the western market.

🔊 [40:03] Why is it so?

🔊 [40:06] So I think the one best example would be the smart phone.

🔊 [40:14] Yesterday there was news report saying in Korea there were twenty million smart phone already sold.

🔊 [40:23] The highest growth rate in the world.

🔊 [40:26] The smart phone adoption rate is the highest in Korea.

🔊 [40:30] So why do you think the so quick adoption process of smart phone in Korea?

🔊 [40:36] I mean you may have it, I have it, your brothers and sisters even though they may be in elementary school or high school, middle school, they have their own smart phones.

🔊 [40:49] So what happened?

🔊 [40:51] How would you explain that kind of phenomenon in Korea in smart phone?

🔊 [40:58] (Student speaking) Um, I guess there's several reasons,

🔊 [41:00] (Student speaking) one reason may be that Korea has the highest use of internet in the world, high-tech and that's very easy to communicate information and...

🔊 [41:12] (student speaking) Also the fact that Korea is very collectivist and the trends,

🔊 [41:15] (student speaking) If there is a trend then everybody wants to have the same thing

🔊 [41:20] (student speaking) And wants to be in the group that has new thing and because it elevates the status in the group.

🔊 [41:30] (student speaking) So I think there are several reasons.

🔊 [41:33] Okay, so there is a strong group norm, if somebody has it everybody else has to have it.

🔊 [41:43] Especially that kind of group norm is very strong for younger people, high school students, maybe college students.

🔊 [41:52] That's why. We talked about the high collectivistic tendency of Korean consumers.

🔊 [42:00] That may be part of this story, high collectivistic culture.

🔊 [42:07] I guess probably certain extend same is true for Chinese consumers.

🔊 [42:17] Correct me if I am wrong but I suspect that for young Chinese people they also buy very fancy, nice expensive smart phone these days.

🔊 [42:28] Am I wrong?

🔊 [42:30] Anybody could comment?

🔊 **[42:33]** Because of the peer pressure, because of the high collectivistic tendency.

🔊 **[42:40]** (Student speaking) I think you are right because now in China also there is a trend as in Korea,

🔊 **[42:45]** (student speaking) Chinese younger generation tends to like new and fashionable things.

🔊 **[42:52]** (student speaking) Especially high technology things like smart phones.

🔊 **[42:57]** Okay, especially for high tech products, younger people, Chinese, Korean, and Japanese they are very similar in their consumption, maybe their consumer spending pattern.

🔊 **[43:16]** Perhaps.... Thank you... Another example I can give you automobile.

🔊 **[43:24]** If you look at automobile in China or in Korea, I went to Shanghai last year.

🔊 **[43:32]** I was really surprised to see there are so many luxury brands of automobiles in Shanghai.

🔊 **[43:41]** BMW, Benz, the Toyota brand what is it uh, Lexus,

🔊 **[43:50]** so many big large luxury cars like in Seoul but if you go to perhaps some European cities you don't see that many luxury models.

🔊 **[44:06]** So I suspect perhaps Korean consumers or Chinese consumers view automobile as a status symbol

🔊 **[44:15]** And if somebody, one of a friends buy big automobiles you are pressured to buy that big automobile.

🔊 **[44:25]** Group oriented or group norm because of the group norm.

🔊 **[44:30]** And that's why early majority market is huge, but let me ask this question.

🔊 **[44:40]** Would all the product, would all the consumer product would go through this kind of squeeze adoption cycle?

🔊 **[44:53]** In other words Asian consumers, Chinese, Korean consumers are they

always interested in buying most updated model, luxury expensive ones?

🔊 [45:11] Or are they certain product categories where Asian consumers want to buy cheapest one?

🔊 [45:26] It's hard to say, it's hard to generalize but I think it really depends on how the product are consumed.

🔊 [45:36] If the products are consumed in public setting,

🔊 [45:40] Everybody would know what dress you are wearing then I think people are paying a lot of money to buy brands dress.

🔊 [45:53] But I don't know this, maybe not a good example, underwear, right?

🔊 [46:02] Nobody knows what kind of underwear you are wearing,

🔊 [46:05] For those kind of products, I think still in Korean consumers, Chinese consumers are very price sensitive.

🔊 [46:13] They don't need to pay a lot to buy luxury goods.

🔊 [46:18] So it depends on the situation.

🔊 [46:20] Whether the products are consumed in public setting or private setting.

🔊 [46:26] That could be one factor affecting the choice.

🔊 [46:29] So shall we move on?

🔊 [46:36] There are several major economic research institutes in Korea.

🔊 [46:42] And one of them would be LG economic research institutes

🔊 [46:48] And they did a very interesting study about Korean consumer life style recently 2011.

🔊 [46:58] So this should be very current.

🔊 [47:02] This is the way they looked at Korean consumers.

🔊 [47:04] They chose seven key words describing Korean consumers and those





seven key words are this.

🔊 **[47:18]** Body, Meaning, Individualism, Realism, Home, e-socializing, and Mobility.

🔊 **[47:27]** What are those?

🔊 **[47:26]** First of all, number one key words according to this study would be Body.

🔊 **[47:38]** In other words, Korean consumers are very much health conscious right?

🔊 **[47:43]** They are very much interested in taking part in exercise or they may buy certain expensive fashion clothing for them.

🔊 **[47:59]** So the body, physical appearance or health, that could be very important part of Korean consumers.

🔊 **[48:08]** And as you may know, the cosmetic surgery is very popular in Korea.

🔊 **[48:15]** I don't know whether any other country that have more cosmetic surgery cases than in Korean.

🔊 **[48:23]** But from what I hear mass media, cosmetic surgeries is very popular not only for female but also male right?

🔊 **[48:35]** Even young students, especially when they have a very important job interview, they wouldn't mind spending millions won for plastic surgery.

🔊 **[48:47]** But I think that definitely tells us this, the importance of physical appearance of body and health consciousness.

🔊 **[48:55]** Another key word would be the meaning.

🔊 **[48:59]** Here it refers to new social values such as these days people are interested in saving energy.

🔊 **[49:14]** This is a global concern how we could save energy.

🔊 **[49:18]** How we could minimize pollution.

🔊 **[49:22]** There's this new emerging social values or helping poor people things



like that.

🔊 **[49:29]** Especially young people, becoming more interested in participating those kinds of activities.

🔊 **[49:38]** That's what meaning is about here.

🔊 **[49:42]** Individualism, quite obviously Korean consumers became more individualistic than before

🔊 **[49:50]** Especially young people, I guess same is true to Chinese consumers

🔊 **[49:55]** If you look at very young Chinese student, they may look very individualistic unlike typical Chinese.

🔊 **[50:03]** Same is true in Korea.

🔊 **[50:06]** So individualism is one of the key words.

🔊 **[50:11]** The realism which basically means practicalism.

🔊 **[50:15]** Some, especially young consumers, they want to be practical in their consuming behaviors.

🔊 **[50:21]** In other words they are interested in low price.

🔊 **[50:26]** They may go to large scale retail chains instead of going to convenience stores to save money.

🔊 **[50:39]** Practicalism or realism is one of the key words.

🔊 **[50:45]** Home, home orientation, family orientation.

🔊 **[50:48]** As you will see, Korean consumers are very much family orientation.

🔊 **[50:53]** Family orientated, they want to have a good relation with their spouse, with their children,

🔊 **[51:00]** And they try to spend more time with their family members.

🔊 **[51:05]** In the past, if you look at Korean family structure the husband would go out for work early in the morning like in seven o'clock, early in the morning and come

back before midnight.

🔊 **[51:21]** They don't stay at home except perhaps Sunday,

🔊 **[51:28]** But during the Sunday they mostly sleep.

🔊 **[51:33]** Right? Because they are very tired after full days one week schedule.

🔊 **[51:39]** But family members are complaining about their dads.

🔊 **[51:43]** But now it's changing slowly according to their study.

🔊 **[51:47]** And I think one of the reasons would be, we recently adopted five weekday system.

🔊 **[51:57]** Most companies, most organizations they work only five days from Monday to Friday.

🔊 **[52:03]** So Saturday, Sunday you can take it easy with your family members, you can go on a vacation with your family.

🔊 **[52:12]** Family is very important.

🔊 **[52:18]** E-socialization is quite obvious, people communicate through SNS right?

🔊 **[52:23]** Mobility? Most people have handphone.

🔊 **[52:28]** They do business through emails, smart phones.

🔊 **[52:37]** So these are some of the key words they identified.

🔊 **[52:39]** So based on this seven key words, they tried to kind of group the consumer group.

🔊 **[52:50]** Using what they call cluster analysis, I don't want to talk about what cluster analysis is about.

🔊 **[52:57]** But the idea behind this two group people divide into several meaning groups.

🔊 **[53:07]** That's what cluster analysis is about.

🔊 **[53:09]** Using seven criteria we talked about.

🔊 **[53:12]** So this cluster one two three and four.

🔊 **[53:19]** So the largest chunk here cluster one could be characterized as very home oriented and very health oriented

🔊 **[53:30]** Looking for new social values and individualistic.

🔊 **[53:35]** But as you can see here, the different grade here that shows us the degree in terms of age bracket.

🔊 **[53:49]** For example, ten people in the tenth, twenty up to fifties.

🔊 **[53:54]** So for example, individualism, people in their twenties are very strong on individualism in this clusters.

🔊 **[54:07]** How about health conscious people? People in their fifties they are very strong.

🔊 **[54:15]** Young people, specially people in the tenth they don't care much about their health

🔊 **[54:20]** That's why they smoke, they drink a lot but as you get older and older you may be health conscious.

🔊 **[54:30]** There's another group, another cluster showing which would be basically home oriented.

🔊 **[54:37]** They want to spend more time with their family.

🔊 **[54:40]** Who are they? They are mostly people in the thirties, forties, nearly fifties, the old people.

🔊 **[54:46]** Maybe your dad or your mother right?

🔊 **[54:53]** And two more clusters, one is e-socializing group, who are they?

🔊 **[55:00]** Mostly young people, people in tenth or twenties.

🔊 **[55:05]** Particularly twenties.

🔊 **[55:07]** And mobility is another cluster, people in the twenties and thirties...different I think uh, different kind of picture of Korean consumers.

🔊 **[55:25]** So anyway I don't want to get into all the details but just to give you some draft characteristics of Korean consumers in terms of difference age bracket.

🔊 **[55:40]** So people in the tenth, very young Korean consumers who are they?

🔊 **[55:44]** They are characterized as highly individualistic in their value system.

🔊 **[55:52]** Highly individualistic right?

🔊 **[55:57]** How about people in their twenties?

🔊 **[56:01]** They are highly mobile people, also they are very much interested in e-socialization.

🔊 **[56:09]** They are using SNS, so those are the typical characteristics.

🔊 **[56:17]** So if you are targeting this group, this consumers in Korea maybe SNS could be very useful to promote your brand, your product.

🔊 **[56:30]** Or advertising through internet could be very effective tool.

🔊 **[56:39]** However if you look at people in the thirties, forties, fifties, one common thing we can observe here, they are very much home oriented.

🔊 **[56:59]** Depending on different age bracket we see slightly different profile of Korean consumers and of course you can take a look at other aspects as well.

🔊 **[57:10]** For example people in the fifties, I am in the fifties, e-socialization.

🔊 **[57:15]** They don't really use SNS, right?

🔊 **[57:22]** Relative to people in the twenties or tenth.

🔊 **[57:25]** So you can bring some profiles of each customer groups in terms of age bracket.

🔊 **[57:35]** Right, so some other useful information to know,

🔊 **[57:40]** If you really want to understand Korean people, or Korean consumers



particular.

🔊 **[57:50]** What makes them happy in their life?

🔊 **[57:57]** Very open handed question.

🔊 **[57:59]** I guess Korean students here are mostly in this bracket right? Twenties? Would you agree?

🔊 **[58:13]** You don't realize you are already, you never get ill,

🔊 **[58:17]** So you never know the importance of health but according to this survey, large scale survey the health makes young people very happy.

🔊 **[58:31]** Family is another important matter.

🔊 **[58:32]** Good family relations, if you have parents who are still living, you feel happy, you appreciate their effort.

🔊 **[58:41]** Now, look at thirty, forty, fifties, very similar.

🔊 **[58:46]** Health, family, health, family, health, family.

🔊 **[58:50]** So in a way I think Korean people are quite typical.

🔊 **[59:03]** At least you have the good health, good family life,

🔊 **[59:26]** You probably chances high that your life is very happy in Korea.

🔊 **[59:12]** But there are other stuff which makes them happy like a job of course, good social life or children,

🔊 **[59:24]** But it's interesting to notice children is more important than spouse.

🔊 **[59:30]** This may not be true for western countries,

🔊 **[59:33]** I will say spouse would be more important than children for American, German, French,

🔊 **[59:44]** I may be wrong I don't know in China but probably quite similar to this.

🔊 **[59:55]** The average Chinese they feel happy if they think they are healthy and



they have a good family, good children.

🔊 **[60:04]** The other question.

🔊 **[60:07]** Stress.

🔊 **[60:10]** As a human being, we all have stress, different kinds of stress.

🔊 **[60:15]** What would make them stressful?

🔊 **[60:22]** Here most of you are in this bracket right? In twenties.

🔊 **[60:28]** Number one worry for you would be finding a job, career.

🔊 **[60:32]** Career would be very important matter for most young people here, right? No wonder.

🔊 **[60:40]** And then maybe family income/expense, that's very important.

🔊 **[60:46]** Once you get a job you always try to minimize expense so I...more money that's another important matter for you.

🔊 **[60:55]** That's why it's also common number one factor regardless of age bracket, family income/expense.

🔊 **[61:11]** So we have recent the election, Seoul mayor election.

🔊 **[61:19]** And as you know people in their twenties, thirties, and forties were very upset about the current government and many people predict perhaps the region could be....

🔊 **[61:33]** They think they were worse enough in terms of the economy.

🔊 **[61:36]** Income is getting limited, you have to spend more because of the higher inflation and that made them very angry.

🔊 **[61:46]** In the recent election...

🔊 **[61:50]** Now, this information would compare Japanese and Korean.

🔊 **[61:57]** The Japanese and Korean, who would be basically single living alone.

🔊 **[62:01]** There are lots of Japanese people who living alone, the increasing number of Korea who are living alone.

🔊 **[62:09]** According to this survey for Japanese sample as you see the majority of Japanese sample.

🔊 **[62:18]** They have been living alone for long period of time.

🔊 **[62:24]** More than ten years.

🔊 **[62:26]** Look at Korean sample, only ten percent have been living alone for that long period.

🔊 **[62:34]** Most people maybe living alone less than three years also, that's a kind of difference but...

🔊 **[62:47]** In other information available here.

🔊 **[62:54]** Degree of happiness.

🔊 **[62:56]** Are they happy? Probably the survey asked them whether they are happy or not.

🔊 **[63:03]** And also they asked whether they will be happy in five years from now.

🔊 **[63:07]** Degree of happiness in five years.

🔊 **[63:14]** We see quite difference between the two groups, Japanese and Korean.

🔊 **[63:18]** If you look at Japanese sample, degree of happiness is not much different between today and five years from now.

🔊 **[63:24]** How about Koreans?

🔊 **[63:32]** Most Korean single believe that they are going to be happier in five years [?63:40]

🔊 **[63:42]** What would make them happier in the next five year period?

🔊 **[63:50]** Number one factor, for Korean sample would be health.





🔊 **[63:56]** How about Japanese?

🔊 **[63:59]** Health yes very important factor but that's not the most important factor.

🔊 **[64:04]** The most important factor seems to be leisure activities, cultural life.

🔊 **[64:12]** If you look at other key factors for Korean sample, friendship would make them happy.

🔊 **[64:22]** Good relations with parents also big factor.

🔊 **[64:28]** Look at this side friendship and parents would be also important factor but in terms of degree, it's not that significant.

🔊 **[64:42]** There are many factors which would make Koreans happier compare with Japanese counter part.

🔊 **[64:52]** So if you look at only this piece of information, looks like Japanese society is not really dynamic, relative to Korean society, I might be wrong.

🔊 **[65:14]** Now one more piece of information, leisure activities.

🔊 **[65:21]** What kind of leisure activities would Korean consumers be involved in everyday life.

🔊 **[65:28]** I mean this could be very interesting information to understand Korean consumers.

🔊 **[65:38]** How they manage their life especially what kind of leisure activities they want to engage in.

🔊 **[65:43]** Number one important thing would be watching TV, watching TV is predominant form of leisure activity.

🔊 **[65:53]** I don't know whether this could be part of leisure activity or not but if you define as a passive leisure it could be included.

🔊 **[66:03]** Watching TV, especially old people, senior citizens they watch three hours, four hours every day.

🔊 **[66:17]** What will be the next?



🔊 **[66:22]** Internet chatting right? Games, listening music.

🔊 **[66:30]** I'm sure you do a lot chatting, listening music every day.

🔊 **[66:36]** I think compare with western consumers probably Korean consumers are less engaged on this side.

🔊 **[66:48]** For example active leisure, go to the gym, hiking, running, watching films or watching sports game, participating religious activities things like that.

🔊 **[67:05]** So, mostly I think...relatively speaking relative to western consumers Korean are engaged in this type of activity.

🔊 **[67:17]** So the implication is very clear, TV advertising is very important.

🔊 **[67:25]** They are watching two or three four hours every day, so TV advertising could be very important at the way to promote your brand, your corporate image about Korean consumers would be this.

🔊 **[67:41]** Many people these days especially they were hit badly by economic recession and they lost their jobs and their income may be reduced so for those type of consumers they probably be very much price sensitive.

🔊 **[68:01]** They would be very price sensitive, the price is very important fact for them.

🔊 **[68:06]** But there is another group of consumers who would be looking for luxury brand image at the same time.

🔊 **[68:16]** So I think the two extreme segments emerging at the same time.

🔊 **[68:26]** Maybe one same person or the certain occasions they may go for expensive brand image and they are willing to pay high price but for another occasion they may be very price sensitive.

🔊 **[68:43]** ...Their nation you know whether it could be private use or public use that could be one factor.

🔊 **[68:56]** Now, this may be some of the implications for marketing managers.

🔊 **[69:04]** We know that there are many single household as I mentioned, single household they don't need large quantity of groups.

🔊 [69:18] Have you been to Costco?

🔊 [69:19] Costco is one of the retail chains in Korea but if you go to Costco probably you may have to buy a bulk, the large units.

🔊 [69:31] If you have five or six family members Costco could be a good place to shop but if you live alone you don't need go to Costco right?

🔊 [69:43] Because you are interested in smaller quantity or smaller size.

🔊 [69:50] So that is one of the implications.

🔊 [69:52] Now suppose you don't have your own family members, you live alone,

🔊 [1:09:58] What kind of consumer spending pattern? We can predict.

🔊 [1:10:06] You have income but you don't have children to support.

🔊 [1:10:09] You don't have spouse to support.

🔊 [1:10:12] They have more discretionally power of the income.

🔊 [1:10:18] They could spend whatever things they want to spend.

🔊 [1:10:22] It could be travel or it could be very expensive hobby items whatever you made it.

🔊 [1:10:30] More discretionally power for certain segment especially single household.

🔊 [1:10:50] Just one easy question, Koreans are buying many foreign brands these days. Why, why do you think Koreans buy foreign brands? There may be different reasons to buy foreign brands. Anybody?

🔊 [1:11:17] (student speaking) for some luxurious brands I think they buy the best for the showing off reasons.

🔊 [1:11:20] Showing off their statues? May be? Yes! Okay, that very expensive watch they want to show off to other people. That could be one of reasons.

🔊 [1:11:36] (student speaking) But on the other hands, some Chinese brands they have cheaper prices but good quality, so maybe that's the reason why Korean

people buy foreign brands.

🔊 **[1:11:51]** Okay, so for Chinese brands, I am not saying all the Chinese brands are cheap and inexpensive but most Chinese brands in Korea market tend to be less expensive I guess.

🔊 **[1:12:03]** So if you are very much price sensitive, you may buy Vietnamese brands or Chinese brands.

🔊 **[1:12:13]** Two years ago, I spent almost two-hundred dollars to buy tie.

🔊 **[1:12:23]** Rarely do I buy tie for myself. If I have to buy, I would buy cheap one, but that particular occasion I paid two hundred dollars. Why? Because that tie is not for me. It is a gift, gift to somebody I owe a lot.

🔊 **[1:12:46]** So, sometimes Koreans buy foreign brands for gifts, right.

🔊 **[1:12:54]** And then for gift items you are not really prices sensitivity. You may be willing to pay a lot to buy luxury brands.

🔊 **[1:13:07]** Many Korean are buying high price liquor whiskey, winds for gifts.

🔊 **[1:13:16]** So that may be all kinds of reasons to buy foreign brands.

🔊 **[1:13:26]** The points I was trying to list all possible reason as a foreign company.

🔊 **[1:13:35]** You might want to know specific motivations of buying behavior of Korean consumers.

🔊 **[1:13:43]** Unless you understand why they are buying these foreign brands it is not easy to come up with the right marketing strategies.

🔊 **[1:13:53]** Different occasions I am sure probably many of this could be similarly applicable to China's consumers.

🔊 **[1:14:02]** When they buy foreign brands they may have this kind of occasions.

🔊 **[1:14:11]** Sometimes, they want to have their own life style.

🔊 **[1:14:18]** For example, I like hiking a lot and some hiking people they want to spend three hundred dollars to buy a pair of shoes, hiking shoes. Three hundred



dollars!

🔊[1:14:37] The average person never buys that kinds of expensive shoes but this is his or her hobby.

🔊[1:14:45] They may also pay two hundred dollars to buy outdoor, you know, to gift. What is it, too special hyper material, I just forgot the name. Very expensive you know jacket, two hundred dollars. They made in Swiss or in German. That is for their own hobby.

🔊[1:15:24] Now, I will give you some kind of ideas who is leading consumer groups in East Asia.

🔊[1:15:32] It is interesting to see at us. It is different profile.

🔊[1:15:37] First of all, for Japanese who are leading spenders for Japanese? According to this information, females who are in their twenty's leading consumer groups, the young Japanese office lady.

🔊[1:15:58] They are spending a lot.

🔊[1:15:59] They go to Hawaii one week vacation.

🔊[1:16:04] They spend a lot to buy expensive foreign brands.

🔊[1:16:09] How about Korea? Who would be leading consumers?

🔊[1:16:15] According to this information, male in their late forty's, they have spending power in their forty's

🔊[1:16:29] How about Chinese? This is Chinese. Female, oaky female probably late twenty's or early thirty's.

🔊[1:16:39] They seem to be leading consumer groups.

🔊[1:16:42] So, depending on the nationalities.

🔊[1:16:45] You may see different leading consumer groups.

🔊[1:16:56] Alright, one more thing.

🔊[1:16:59] Now, I think this maybe equally applicable to Asian consumers, but

sometimes Asian consumers may want different types of services, different types of products, attribute.

🔊[1:17:16] Have you ever heard about the company name Club Med?

🔊[1:17:21] If you want to go on a vacation for week, probably they can provide you excellent package, the vacation package.

🔊[1:17:31] They look at two different types of consumers, western consumers and Asian consumers.

🔊[1:17:38] For typical western consumers, this is western consumers.

🔊[1:17:45] They would like to go for vacation in a remote island staying there in one place just relax under the sun maybe reading the book and after one week they thought it would be wonderful vacation.

🔊[1:18:06] But what if Club Med provide similar vacation package to Korean consumers, Korean tourists? Would they be happy? No, I don't think so.

🔊[1:18:19] Basically, Korean tourists, have you seen it, they would like to move around a lot.

🔊[1:18:25] They want to visit ten different places in Bangkok in two days. Very busy schedule.

🔊[1:18:35] They normally you know wake up maybe 6 o'clock in the morning and they return to hotel 8 o'clock in the evening. The very busy schedule.

🔊[1:18:49] So they never have time to enjoy good facility in hotel.

🔊[1:18:54] But that is what they like.

🔊[1:18:56] They want to see different temples in Bangkok, different cultural site.

🔊[1:19:03] Another interesting difference. Asian consumers, they want to go for vacation with a group, members, with other groups who are they?

🔊[1:19:14] They could be family members or they could be friends?

🔊[1:19:19] They could be colleagues in the same company working together?

🔊[1:19:24] But you know difficult western context, vacation with the colleagues



in the same company, probably never happened, right?

🔊[1:19:35] So very much group-oriented I think very much interested in learning new things tourism.

🔊[1:19:43] Different types of I think products for same tourism

🔊[1:19:56] Alright, over here, let's think about kind about advertising.

🔊[1:20:06] There are two type of advertising as you may know.

🔊[1:20:10] The first one would be the product advertising and the other one would be corporate advertising, company advertising.

🔊[1:20:18] Which type of advertising would be perceived as more important in Korean market? Can you guess?

🔊[1:20:29] Product advertising or corporate image advertising?

🔊[1:20:37] I think in the western market probably consumers would like to see more product related advertising but in case of Korea in general I think people would like to see corporate, corporate image advertising.

🔊[1:20:57] So Korean consumers would like to know this product would be made by which company rather than what kind of specific functions it may have.

🔊[1:21:10] They maybe of course interesting about knowing both information but in terms of importance they would like to know the company, company images.

🔊[1:21:21] That is more important fact when buying particular products sometimes.

🔊[1:21:28] This relatively easier to extend your brands in Korea.

🔊[1:21:31] Once you establish certain brand it easier to extend in Korea.

🔊[1:21:40] We already talked this, um, strong stereotype of perception.

🔊[1:21:51] And that is why I think initial entry strategies, initial advertising skills and strategies would be very important.

🔊[1:21:59] Once consumers have some fixed stereotype of idea, it is not easy to change, right?, so the initial strategy, entry strategy would be very important.



🔊[1:22:16] Um, in advertising it may be two different approach; one would be you can talk about all kinds of the reasons why consumers need to buy your brand or another approach would be you can use kind of emotional appear to make that product attractive to consumers.

🔊[1:22:41] In case of Korea, emotional appear is very important, emotional appear, right?

🔊[1:22:50] That is why many companies are using all kinds of visual ad or hearing ad, the music make them attractive to consumers.

🔊[1:23:04] There is one issue whenever you are going to foreign countries.

🔊[1:23:10] Whether you should target upper market first and later move down to the middle or low in the market or to go just low in the market first and later you move up.

🔊[1:23:29] That maybe two different strategies

🔊[1:23:31] Now which type of strategies would be more appropriate in case of Korea?

🔊[1:23:38] Initially targeting upper market or lower market?

🔊[1:23:45] Upper. Upper market. I mentioned you know the stereotyping

🔊[1:23:50] If you go to upper market you can build up strong brand image that could be more difficult pacific images of consumers and then of course you can move down the later station.

🔊[1:24:05] If you target the lowend the market, it is extremely difficult to diverse middle in market or high in the market in later station.

🔊[1:24:19] New promising consumer segments in Korea.

🔊[1:24:25] What are the new promising consumer market today?

🔊[1:24:31] I see at least two promising consumer market in Korea. Guess what?

🔊[1:24:38] All the people, yes! senior citizen, particularly what they called Junior-Senior



🔊[1:24:51] People in the late fifty's and maybe early sixty's the Junior-Senior, not Senior-Senior market.

🔊[1:25:00] Those market I think are growing in Korea same as to Japan.

🔊[1:25:10] I think those people, not all of them but many of them, they are able to accumulate their wealth and they enjoy their pension, um they don't have children anymore to support, so they have more discretionally power.

🔊[1:25:28] That market is growing. What other market, maybe growing?

🔊[1:25:42] We already discussed.

🔊[1:25:49] Lady's market. Professional ladies, specially living alone.

🔊[1:25:59] They have huge income, no families, so they can do whatever they want to do.

🔊[1:26:07] So, two promising market, so if you are not quite sure about Korea market probably you want to target one of these market initially.

🔊[1:26:19] Alright, so, um see, now entry strategy, how to enter to Korean market?

🔊[1:26:32] Let's see I think many of them we already discussed and this is something I want to ask if you are serious about Korean market, localization of 4Ps, 4Ps most of us we know what that means, 4Ps would be four important such as products, price, promotion and place.

🔊[1:27:08] So to make products more appealing to Korean consumers that is part of their localization strategy.

🔊[1:27:08] Just give you very simple example.

🔊[1:27:26] McDonald, they are global company selling lots of hamburgers.

🔊[1:27:33] When they come to Korea they have new menu like Kimchi burger.

🔊[1:27:40] Kimchi burger is sold only in McDonald in Korea, not anywhere.

🔊[1:27:47] If they go to Japan, Tariyaki burger is one of the local menu they are serving.

🔊[1:27:54] So the localization would be very important

🔊[1:28:00] I think we will talk about more when we will discuss Wal-Mart case after the break.

🔊[1:28:10] I think this is very very important whenever you are going to another countries.

🔊[1:28:18] How to localize your products is very important.

🔊[1:28:25] Did we discuss the DYK case, '천리마', KIA Motors in China?

🔊[1:28:32] One of their success reasons was the localization, localization in terms of products.

🔊[1:28:39] The automobile's KIA was selling was very appropriate in Chinese market conditions.

🔊[1:28:51] We will talk about more Wal-Mart case.

🔊[1:28:56] Alright, so, probably I may have to stop right here.