In wake of the economic crisis, also known as the “IMF Era,” South Korea (from hereon referred to as Korea) is undergoing transformation in all walks of life. Perhaps the hardest hit business in Korea has been advertising and while estimates, vary total advertising billings may have been reduced as much as 50% in 1998 as compared to 1997. A timely question then is whether the economic crisis has brought about change in the attitudes and practices of advertising.

Almost concurrent to the decrease in advertising spending has been an upsurge in the interest of brand management and in brand equity. While it was common to report about the tens of billions of dollars that foreign brands were worth, Koreans were astonished to learn that a domestic brand such as Anycall was worth about 400 million dollars.

The main purpose of this study was to examine the state of advertising and brand building in Korea. Given the important relationship between brand building and advertising we aimed to ascertain the degree to which the link between the two activities were present.

Stage 1: Qualitative Study

A two-stage qualitative and quantitative study was conducted beginning in May. The first stage consisted of a series of qualitative interviews with marketing managers and academics about advertising and brand building in Korea. The qualitative portion set out to uncover deep-rooted attitudes about advertising and brand building in Korea. In turn these responses were used to form major propositions to be tested by the quantitative analyses. Because of requests for confidentiality the responses are reported only in anonymous fashion. The companies interviewed were the following:

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1 Not to be quoted without permission from the author.
Some of the more pervasive findings about advertising and brand building were the following:

**Importance of brand building**

In general, companies are aware of the importance of brand building. But there is a great variance in terms of definition of brand building, its measurement, and overall management. Many companies refer to it as “brand power” and this may because of the attention paid to brand equity. Only a few companies had measurement systems in place (either inside or outside the company) to gauge brand equity and monitor its level. Among the successful brands there was a conviction that “**strong brands helped these companies to pull them through the IMF crisis.**”

**Key Issues related to brand building**

In the interviews it quickly became apparent that for many companies brand building is subject to many corporate considerations and outright constraints. There is a strong impression that the line between
corporate branding and product branding is somewhat blurred. Among the chief considerations or constraints are:

- contribution of brands and advertising to the salesforce
- pressure to be competitive with rival companies and brands
- price reduction demands from distribution
- pressure to introduce new hit products with new brands
- pressure to increase price with new brands and regulatory constraints prohibiting price increases for leading existing brands
- one successful company said “*having a big brand hurts the salesforce in being more aggressive and that it stifles innovation.*”

Since many, if not most, of the above factors are short term in nature they tend to discourage investment in long term and consistent brand building.

Common Best Practices of Brand Leaders

Despite the barriers listed above, the leading companies in Korea do attempt to build and maintain brands through practices such as the following:

- linkage of brand equity to marketing mix variables, especially advertising
- one seasoning brand has used the same actress for over 25 years
- one noodle brand as an absolute rule avoids price competition
- one noodle brand uses the same Korean concept and same package across all its 70 world-wide markets
- one company attempts renewal and refreshing of the brand and tries to maintain the quality such as the use of new materials
- a very famous Korean soft drink brand has never extended the brand to other products
- the same company above has reduced its number of brands by 50%
- some companies create “marketing centers” that integrate R&D, marketing, production and sales decisions via regular meetings
- one successful food company that had overcome a bad reputation stated: “*we develop a strong brand concept and identity as the major objective and once that is established we worry about corporate identity.*”
Strong brands as perceived by Interviewees

Competitor brands that were perceived as being strong by the interviewees are the following

- Pulmuone
- Chungjungwon
- Moguchon
- Dongwon
- Dashida
- Ottugi
- Shinramyun
- Baeksul
- Chilsung
- Powerade
- Never Stop
- Kamchikee etc.

Advertising

The IMF crisis has hurt the ability of many firms to advertise. Most of the companies interviewed saw their advertising budgets cut. Chief reason is that the budget is determined not by the marketing department but allocated by the planning or financial departments. In other words, marketing does not have “charge of their own destiny.” The strong suggestion is that budget allocation is based on “affordable budgets.”

Key Issues in Advertising

At least in the marketing departments advertising is perceived as a vital activity for business. There is, therefore, great frustration with the cuts in the marketing budget. That is the major issue but other issues are the following:

- measuring advertising effectiveness and linkage to ad money spent
- using non-advertising promotional tools in place of advertising and measuring their effectiveness
-some companies mentioned integrating brand considerations into their advertising strategy
-pushing a product through the distribution is not as effective as before and now much more pull through advertising is required; “whereas before it was 70:30 push and pull, now it is more like 50:50”

Creativity in Advertising

Since a major criterion of advertising success is creativity, we examined manager’ prevailing attitudes on this subject. Many perceived creativity to be important but the successful companies and brands emphasized that “creativity was effective only when there was a strong brand concept.”

Stage 2: Quantitative Analysis

The second stage of the analysis was to conduct a survey of marketers and agencies in Korea. A multinational research firm Taylor Nelson Sofres conducted 200 face to face interviews in June with a diverse sample of both marketing and advertising agency personnel. More specifically, 120 firms were sampled from the Bibliography of Manufacturers published by the Chamber of Commerce and Industry including 50 respondents in positions of marketing manager or above. Also 80 advertising agency personnel were sampled from 37 agencies represented in Korea including 40 account management personnel and 40 creative executives.

The survey instrument was modeled after a similar study conducted in Japan by Ogilvy & Mather in May of 1998. We hoped that the similarities between the two survey instruments would allow cross-country comparisons as well as individual country analyses.

Given the results of the qualitative study the main thrust of the quantitative analysis was to confirm the strength of the relationships between advertising, brand building, and market performance as shown in the diagram below.

Figure 1: Roads to Market Success
Figure 1 illustrates the many different paths to market success. A very traditional path used in Korea has been the advertising and market success relationship. Advertising spending in Korea has dramatically risen over the last 20 years and surpassed the 7 trillion won mark in 1996. What is not clear from discussions conducted through the qualitative study is the strength of the brand building and market performance relationship. This is because even though companies purport to believe in brand building specific verbal responses about brand building indicated not only lack of concrete measures but also the high incidence of obstacles towards the building of brands. A key relationship shown in Figure 1 is that between advertising and brand building. The two constructs share a symbiotic relationship; advertising helps companies to build brands and having strong brands facilitates the task of advertising. One of the main queries of this research was to establish the link between advertising and brand building. This report will concentrate on the link between advertising and brand building. This report will concentrate on the responses of the clients.

Clients’ Attitudes towards Advertising

We see from table 1 the perceived role of advertising is characterized by a strong linkage with brand association but secondarily with corporate considerations. It confirms initial findings from the qualitative research that advertising is still seen as being a short term tool to increase awareness of the brand or the company, and in that context to also further distribution and salesforce matters. Brand building issues such as improving product image, while reported, ranks far lower in terms of overall responses.

Table 1: Role of Advertising (1, 2 or 3 ranked responses)

<table>
<thead>
<tr>
<th>1. Increase brand awareness</th>
<th>72%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Increase corporate image</td>
<td>54%</td>
</tr>
<tr>
<td>3. Support distribution/sales</td>
<td>44%</td>
</tr>
<tr>
<td>4. Attract new users to the brand</td>
<td>35%</td>
</tr>
<tr>
<td>5. Improve the product image</td>
<td>31%</td>
</tr>
<tr>
<td>total 300%</td>
<td></td>
</tr>
</tbody>
</table>
Table 2 looks at perceived factors for success in advertising. We see that people are sensitive to long term strategic perspectives. An interesting response is the high numbers shown for “moving” creativity. Korea is often portrayed as being an emotional culture and their ads as exemplified by Dashida, Choco Pie, Kyungdong Boilers, and Sejin Computers have reflected this trait.

Table 2: Success Factors for Advertising (1, 2 or 3 ranked responses)

1. Long term perspectives/good strategies 56%
2. “Moving” creativity 42%
3. Sufficient budget 38%
4. Focused targets and their understanding 28%
5. Good products and reasonable price 23%
6. Effective marketing research 20%
7. Break-through creativity 16%
8. Tie-up with other promotions 13%

The “real story” about Table 2, however, are the low scores for focused targets, good products and reasonable price, effective marketing research, break-through creativity and tie-up with other promotions. These are the underpinnings of effective advertising in the long run, and yet are not strongly represented. Moreover, they also act as key ingredients of solid brand building, and because they are not strong the linkage between advertising and brand building will likewise be weak.

In Table 3, we also look at the perceived reasons for the failure of advertising. The striking aspect of this table are the high scores for creativity
in terms of its mismatch with strategy, and also the general lack of impact of advertising creativity. The mismatch of creative and strategy, within which we may expect branding strategy to be included, is consistent with the lack of a connection between advertising and brand building as asserted above. We also see that while marketing research and focused targets were not seen as key ingredients for success, what is ironic is that when ads fail clients are quick to point fingers at these very factors.

Table 3: Reasons for failure of advertising (1, 2 or 3 ranked responses)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Mismatch between creative &amp; strategy</td>
<td>47%</td>
</tr>
<tr>
<td>2. Lack of creative impact</td>
<td>43%</td>
</tr>
<tr>
<td>3. Poor research</td>
<td>39%</td>
</tr>
<tr>
<td>4. Insufficient budget</td>
<td>38%</td>
</tr>
<tr>
<td>5. Unfocused target market</td>
<td>34%</td>
</tr>
<tr>
<td>total</td>
<td>300%</td>
</tr>
</tbody>
</table>

The overall evaluation of advertising is shown in Table 4. We see that there is a wide distribution of evaluation by clients of their current advertising campaigns. In short, it is hard to generalize but this much is clear, not all people are satisfied; there are many almost half of the clients sample who perceive their current advertising to be less than effective.
Clients’ Attitudes towards Brand Building

We have assessed the attitudes of Korean clients towards their advertising. Here we will examine how these same clients feel about the building of their brands. In Table 5 below we see how much they deem important the building of their brands. For sake of comparisons we have also shown the responses of Japanese clients to the same question. What is quite remarkable is that about a third of the clients have either no plans or are interested but have no idea about how to go about building brands. In turn the percentage of clients who have initiated brand building in a big way is less than 10 percent. This figure is way below the high percentage shown for the same response on the part of Japanese clients. Perhaps given the longer recessionary period in Japan, their firms have begun building brands in earnest as part of their strategy to overcome slower demand. We hope this portends a similar trend happening in Korea in years to come. Nonetheless, for the time being the actual interest in brand building is not as high as
people have purported or as this author expected before initiating this research.
To determine the possible reasons for the relative lack of brand building in Korea we examined various responses related to brand building and brand management. Table 6 shows how people define and understand brands. We see that there are many different types of responses. There is no single response that people perceived as meaning brands. In a way we can interpret this result as reflecting the wide scope of the meaning of brands and its management. But on the other hand we may interpret it also the potential misunderstanding of brands. The first and third highest response mentioned “symbols” and although that is a part of brands it deals with the superficial aspect of brands. Moreover, the third and fourth responses mention “corporate value” and “company symbol” and thus they strongly suggest that many clients do not separate corporate branding from product branding. Also revealing are the low numbers for modern brand aspects such as “connection of product and consumer” and “power that draws consumer preference.” These responses combined imply that the conceptualization of brands and brand management is limited to the tangible aspects of brands and that clients still link it to corporate interests.
### Table 6: Meaning of Brands (1, 2 or 3 ranked responses)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Brand Meaning</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Symbol of product’s characteristics/image</td>
<td>27%</td>
</tr>
<tr>
<td>2</td>
<td>Total language of product</td>
<td>17%</td>
</tr>
<tr>
<td>3</td>
<td>Symbol of corporate value</td>
<td>15%</td>
</tr>
<tr>
<td>4</td>
<td>Symbol of company</td>
<td>13%</td>
</tr>
<tr>
<td>7</td>
<td>Product value</td>
<td>5%</td>
</tr>
<tr>
<td>8</td>
<td>Connection of consumer &amp; product</td>
<td>3%</td>
</tr>
<tr>
<td>9</td>
<td>Power that draws consumer preference</td>
<td>3%</td>
</tr>
</tbody>
</table>

Total 300%

In Table 7, we also examined the factors related to success in brands and brand management. We see a positive pattern in the first three responses where there is a high incidence reported for long term vision, clear brand positioning, and a consistent marketing strategy. These are all hallmarks of good brand building. The big surprise, however, are the very low numbers reported for integral aspects of brand building such as understanding of the target market, good advertising, and the need to have a global perspective. The numbers shown for the last factor is remarkable in light of the IMF crisis in Korea. One of the mandates of the International Monetary Fund bailout was that Korea open up its markets. Indeed many markets have now been liberalized and many foreign companies have entered Korea or actually acquired local firms. In effect Korea is de facto a global market, even its local markets whether the clients think it is or not.
Table 7: Factors for Success in Brands (1, 2 or 3 ranked responses)

1. Long term vision 51%
2. Clear brand positioning 47%
3. Consistent marketing strategy 41%
9. Understands the target 9%
10. Good advertising 9%
13. Global perspective 5%

Total 300%

Table 8 shows the perceived contribution of advertising to brand building. This result was perhaps the most perplexing of all the responses. It is clearly evident that respondents are all over the distribution forming a “normal curve.” In a way it is a most unremarkable result and strongly suggests that there is no relationship between advertising and brand building.

Table 8: Perceived Contribution of Advertising to Brand Building (Clients)

<table>
<thead>
<tr>
<th>Advertising Effectiveness</th>
<th>0</th>
<th>5</th>
<th>10</th>
<th>15</th>
<th>20</th>
<th>25</th>
<th>30</th>
</tr>
</thead>
<tbody>
<tr>
<td>percentage</td>
<td>none</td>
<td>average</td>
<td>very high</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>30</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Satisfaction of Agencies’ Services by Clients and Agencies

Although the main thrust of this report was to examine clients’ attitudes towards advertising and branding, we include here some results related to the relationship between clients and their advertising agencies. They shed light on the problems uncovered about advertising and brand building.

Table 9 shows the services that clients are satisfied with about their agencies. Table 10 shows the same question but from the perspective of the agencies, i.e. their perceptions about what they are doing well vis-à-vis their clients. Comparing tables 9 and 10 demonstrate that while there are some converging responses such as media, nonetheless, there are more differences both in the rank order and magnitude of responses. In particular, integrated marketing seen as the number one satisfactory service by agencies was about the fifth for clients and its magnitude was much lower. Even more noteworthy is the absence of creativity, highly prized by agencies but not even listed in the top five responses for clients.

Table 9: Satisfaction with Agencies Services (Clients)

1. Media 23%
2. Footwork 21%
3. Know target 20%
4. Planning 20%
5. Integrated Marketing 19%

Table 10: Satisfaction with Agencies Services (Agencies)

1. Integrated Marketing 39%
2. Creativity 36%
3. Planning 34%
4. Media 30%
5. Research 28%
Tables 11 and 12 show the clients’ and agencies perception about dissatisfactory services performed by agencies. These tables more or less confirm the suspicions created by tables 9 and 10. For example, the number one complaint by far for the clients is creativity. Even though agencies also admit to creativity as being a problem, the rank and magnitude is far lower than that for clients. A key problem area for clients is brand building and even the agencies list that as being one of the major sources of dissatisfaction.

Table 11: Dissatisfaction with Agencies Services (Clients)

1. Creativity 38%
2. Brand building 26%
3. Planning 18%
4. Integrated Marketing 13%
5. Research 11%

Table 12: Dissatisfaction with Agencies Services (Agencies)

1. Money 20%
2. Integrated Marketing 19%
3. Creativity 18%
4. Brand building 16%
5. Planning 15%

Finally, the last two tables 13 and 14 show the decision-makers of advertising matters as perceived by clients and agencies. The two tables are almost mirror images of each other; the message is clear that in Korea, the presidents or chairmen of companies have the “loudest voice” in advertising decisions. After them the advertising or marketing directors have the greatest say. This result is hardly surprising given the hierarchical management structure and style that is prevalent in Korea. Moreover, this in and of itself is not a problem. In fact in Western markets sometimes too much power is given to inexperienced category or brand managers often to the dismay of advertising agencies. This centralized chain of command only becomes a problem when the top manager or management are not marketing or brand
minded. Unfortunately for many companies that is certainly the case. One
suspects given the consistency of the quantitative results and also based on
the qualitative study that the strong influence of corporate interests in brand
management and the lack of a link between advertising and brand building is
perpetuated by the decision-making structure.

Table 13: Final Advertising Decision Maker (Clients)

1. President 43%
2. Ad Director 36%
3. Gen. Manager 14%
4. Brand Manager 5%
5. Sect. Manager 2%

Table 14: Final Advertising Decision Maker (Agencies)

1. President 55%
2. Ad Director 31%
3. Gen. Manager 11%
4. Brand Manager 1%

**Examples of Successful Ads and Brands**

This study also asked clients to list what they perceived to be good ads or
brands. The small sample did not permit a convergence of ads or brands
commonly perceived as being good. One suspects that many clients listed
their own ads or brands. This is similar to a situation where a class elects a
president but has each students pick him or herself in an anonymous ballot.
But despite these circumstances, for the ads and brands that attained a
reasonable number of responses it points to their perceived effectiveness. In
particular, we see that the number of respondents reporting Speed O11 as
being a good advertising campaign as well as a good brand is very high.
Other ads identified as effective are Buy Korea, LG Corporate ad, and
Leganza. What is clear from these responses is that product and brand
centered ads are seen as effective as opposed to the many corporate ads that
some companies have aired. The notable exception is LG and this company
of course invested heavily in a “I love LG” corporate image campaign from 1996 to 1997.

As for effective brands, many of the ones cited are foreign brands such as Coca Cola and Nike. But what is undeniable is that still in Korea the local brands are strongly identified. As noted above, Speed O11 is identified as a strong brand as well as a strong ad. Also the well known Anycall and EF Sonata, two examples referred to in the context of high brand equity in Korea, are identified by clients as effective brands.

Conclusions

The aim of this study was to determine the potential for change in the Korean advertising landscape on two fronts. One, we wanted to assess a shift away from corporate branding to more product based brand management that tends to be the norm in Western markets. Two, we wanted to see how strongly connected advertising was in terms of brand building. Towards these ends, we can conclude the following:

1) Even though we expected interest in brand building and its relationship to advertising to be high as determined by the qualitative study, the quantitative study showed that this interest is not widespread.
2) There is a very strong corporation as brand mentality remaining in Korea and this is reflected not only in brand objectives but in advertising objectives as well.
3) A major finding is that, at least among the clients, there is a “link missing” between advertising and brand building in Korea. Both activities were pursued independently of the other with bridging activities kept to a minimum.
4) The leading brands in Korea are leading the trend towards greater product-based brand conceptualization and management. This is most clear from the on-site visits to category leaders. Also the ads and brands identified as effective in the quantitative survey bear out this proposition.

In the West historically companies have emphasized product based brand management and in doing so have often understated the company wide
issues and equity that brands may help generate. In Korea, coming from a different background where companies, especially the conglomerates known as the “Chaebol,” were omnipresent and almighty management, marketing and branding included, directly related to the corporation. But now the times “they are a changing” in Korea and companies by necessity must respond to the marketplace with stronger concepts, easily identifiable and focused faces. No longer do the familiar but generalized “good-at-everything” faces suffice. But rather in wake of hyper-competition products must stand for something that has meaning and value to consumers. In short, companies need brands. This does not mean the demise of the Chaebols or corporate brands in Korea. On the contrary, building brands will help Korean companies build or rebuild corporations.