

CO-MARKETING ALLIANCES BOOM IN DOMESTIC MARKET

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Co-marketing Alliances Are Proliferating

Since the economic tough times or the so-called "IMF era" began, economic hardships such as the decrease in income due to mass unemployment or wage cuts, the stagnation of the stock market, and the chain bankruptcy of businesses have caused the Korean public's propensity to consume to shrink considerably. Hence, the Korean domestic market is heavily depressed, which is hurting firms' earnings as they face rising business expenses.

Since sales have been reduced drastically, many companies are exploring diversified ways to boost business. However, the general decrease in marketing budgets due to the shortage of funds is constraining aggressive marketing activities to promote sales, doubling the seriousness of the problem.

Therefore many domestic companies are developing and utilizing various marketing strategies and techniques to heighten the effect with minimal outlay. Among them, co-marketing alliances have recently emerged as a very practical and effective technique.

A co-marketing alliance is a marketing technique to achieve low cost-high efficiency through an alliance between companies who pursue selling, advertising, and public relations together. From the 1980s, co-marketing alliances have been very popular in the U.S. and European companies, and it has spread to Korean companies after Korea entered the IMF era.

In this article, we will first define the co-marketing alliance concept, then explain some cases undertaken in the domestic market, and

finally suggest some strategic implications.

What Is a Co-marketing Alliance?

A co-marketing alliance is a lateral relationship between independent firms to enhance marketability by combining each others' marketing resources and programs. In other words, it means that firms, whether they are in the same or entirely different fields, seek to enhance their mutual benefit by working together on their advertising, PR, and other marketing activities to share target customers.

Especially when under a limited budget situation in difficult times, firms can improve their corporate image and sales through co-marketing alliances, and it results in a win-win effect for the involved or participating firms. And through mutual decrease in marketing costs it benefits affiliated companies and consumers as well.

What Kind of Co-marketing Alliances are Undertaken?

Nowadays co-marketing alliances are undertaken actively in the domestic market between not only businesses in the same field or competitors, but also entirely different types of businesses.

Co-Brands: Mostly co-brands are undertaken by small and medium-sized enterprises to raise their level of recognition and to decrease their costs.

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As a typical example, 13 small and medium-sized leather goods companies developed the co-brand 'Capacci', to better compete against larger enterprises. Furniture, cosmetics, and other companies have developed and utilized co-brand as well.

Co-Selling: Since the beginning of the IMF bailout program, one kind of business that was severely afflicted was the jewelry store business. Therefore, they cooperated with DeBeers, the best diamond company in the world, to target the wedding-preparation market and proved successful in their efforts.

The jewelry stores in a representative jewelry shopping district, the Chongro 3rd and 4th street area in Seoul, and DeBeers launched a 'Diamond Wedding Present Campaign' on the condition that all sorts of diamond goods were to be sold 20% off from the open market price. After starting the promotion, the stores attracted many visitors and inquiries, so sales increased in a short time.

Manufacturing-Distributing Alliance: Strategic alliances of manufacturing-distributing have been adopted because manufacturers can utilize distributors' sales network and distributors satisfy their need for adequate product assortments.

Sang-a Pharmaceutical Co. made a contract with Amway Korea, a multi-level distributor, to sell anti-electromagnetic wave device through Amway's network, and Daewoong Pharmaceutical Co. is also selling 'Daewoong DHA', health food supplement through the multi-level distributor SMK.

Customer Sharing: Working collaboration with department stores, movie theaters, and educational institutes located in the same selling area, family dining restaurants have

obtained a synergy effect by sharing customers.

Bennigans' Trade Center branch and Chonho branch formed an affiliation with Hyundai Department Store to offer 10% off of food prices and free soft drinks for Hyundai Department Store credit card members. And in connection with nearby-located movie theaters, Bennigans' Ewha Womans University branch serves free soft drinks to customers who show theater admission tickets. Also the movie theaters discount ₩1,500 for an admission ticket for possessors of Bennigans' Ewha branch dining receipts (over ₩30,000).

Co-Sales Promotion: After Samsung Card and Ssangyong Oil Refining Co. signed a contract for a business alliance, they proceeded with a co-sales promotion campaign. That is, if Samsung Card members use Ssangyong gas stations, it get a rebate of ₩50 per liter. Ssangyong gas stations' sales doubled during one month, while the percentage of card utilization also increased, making this of the most successful examples.

The 'Best & Best Festival', which was undertaken by SK Telecom and Samsung Electronics from this past April to May, is another co-sales promotion case. In the case of SK Telecom mobile telephone subscribers who use Samsung digital phones, if they had averaged ₩25,000 per monthly charge over 30 months, they were able to replace their old phones with the latest models at a very low cost. It was a very synergistic strategy because SK Telecom could lure new customers and keep regular customers, and while Samsung Electronics could increase its sales and maintain its market share.

Selling Alliances: As another resultant phenomena of the IMF era, there has been a sharp drop in hotel customers, so hotels have devel-

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oped collaborative products to overcome regional limits and to provide more various services through connections with competitors.

Hotels located in different regions like the Plaza Hotel in Seoul, the Hyundai Hotel in Kyongju, and the Haeundae Hotel in Pusan, have allied to better serve and to increase customer satisfaction by letting their fitness center or hotel club members receive benefits at other hotels. For example, if Plaza Hotel members visit the Hyundai Hotel, they can receive 20-30% off from the guest room fee and 10% off from eating and drinking fees. Hyundai and Haeundae Hotel members can receive similar discount benefits when they visit Plaza Hotel as well.

In addition, the LG Home Shopping Channel 45 and Lotte Department Store formed a selling alliance on the condition that Lotte Department's products be sold through the LG channel. By virtue of this alliance, LG can spread the range of their selling products, while Lotte can expand its sales network.

In addition to above cases, co-utilization of distribution facilities, joint sales force, co-advertising, and so forth are also being used.

Strategic Implications

When the domestic market is completely opened to foreign goods, foreign companies are expected to start doing business in full swing in Korea. Here increased cooperation and alliances between domestic companies is anticipated.

Moreover the market situation facing domestic companies has been more competitive with increasing globalization and openness, and so Korean companies must secure strong marketing competence to survive.

In this situation, utilization of co-marketing alliances is a very effective alternative for fortifying one's marketing competence and securing competitiveness. Through co-marketing alliances, companies can achieve cost reduction, market development, product diversification, acquirement of marketing skill, and risk reduction.

Therefore, based on the importance of co-marketing alliances, deeper and more systematic study should take place in order to apply co-marketing alliance techniques in a practical and effective manner. **VIP**

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Survey of Foreigners *(Cont'd from p. 18)*

cern that pursuing restructuring without stimulus measures could cause Korea to lose its growth potential.

Korea's Credibility and Future Foreign Investment

When asked what is most important if Korea is to raise its overseas credibility, the most common answers were an attitudinal change among the Korean government and

people (32.3%), and completing restructuring of the financial sector (32.2%).

On a brighter note, the majority (67.2%) answered that they thought foreign investment in Korea would increase in the future. To back that up, regarding their own investment plans, 58.2% said that they planned further investment in Korea, with most of them planning to do so within the next two years. **VIP**

Note: For more information about the detailed results of this survey, please contact the editorial staff.