

PURCHASING BEHAVIOR OF “NET GENERATION” IN KOREA

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A Hot Strategic Issue

Recently, “Net-Generation Marketing” has emerged as a hot trend among domestic businesses. The “Net Generation” is a group of youth in their teens and early twenties who are familiar with computer technology and spend many hours freely surfing the Internet. In other words, the Net Generation recognize the virtual world as a major part of their actual life. Many companies are taking growing interest in the Net-Generation Marketing because the Net Generation are expected to become more and more important in terms of target marketing.

The purchasing power of teenagers has become stronger than ever, even though the purchasing power of the entire nation was drained severely in 1998 due to the economic crisis. The Net Generation are completely different from other generations in that their demand for products and services is not usually affected by economic fluctuations. This is because they manage their spending to be funded not by themselves but by their parents.

Moreover, consumption by this generation is more enhanced by all kinds of information obtained easily through various communication channels like the Internet. As a result, the Net Generation can be expected to lead the consumer behavior trend in the domestic market by affecting the purchasing decisions of other market players.

Who Are the Net Generation?

Don Tapscott, a U.S. scholar of information and sociology, first used the term “Net Generation”. He foresaw that the Net Generation would rise as a major power of the coming century in his book *Growing Up Digital: The Rise of the Net Generation*. The “Net Generation” according to Tapscott is a term referring to those aged between 2 and 22 years who consider Internet interfaces as friendly living tools. They are IT-oriented generation who enjoy online conversations freely through computer networks, do shopping at electronic stores and exchange knowledge through the Internet. To them, information network system is a vital infrastructure which provides boundless virtual space and community. Unlike the baby-boomers who obtained information mainly through one-way TV, the progressive Net Generation prefers two-way communication in the cyberspace.

The Net Generation possess considerable purchasing power. According to a survey conducted by Hankook Research at the end of 1998, the total expenses of teenagers, mostly belonging to the Net Generation, amount to

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nearly 2.6 trillion won. However, the actual purchasing power would be greater if additional spending is supported by their parents. Furthermore, the Net Generation are found to exert influence on other family members in decision-making of purchasing products and services. Consequently, it is expected that the

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purchasing power of the Net Generation will grow stronger as time passes because they are becoming to be major influential market agents. The fact that so many companies speed up their entries into the Net Generation market verifies the market value of their energetic purchasing power.

Second, the Net Generation when purchasing give priority to satisfying their curiosities and desires through free consumption and not to the actual purpose of products.

The characteristics of purchasing behavior and propensity to consume of the Net Generation in the domestic market can be summarized as the following. First, the Net Generation are less reluctant to buy expensive products because they have grown up in a relatively affluent socio-economic environment. As they are highly sensitive and receptive to new trends, their purchasing behavior is mostly based on images and designs rather than on prices or genuine quality. Second, the Net Generation when purchasing give priority to satisfying their curiosities and desires through free

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consumption and not to the actual purpose of products. As a result, they prefer products that can render them fun and entertainment. Third, the Net Generation tend to act as prosumers, rather than consumers in the traditional sense. Exposed to a very elastic market environment, they want customized products and services. Finally, the Net Generation emphasize their individuality. In the same context, their creative and sensitive inclinations lead to relatively low preference to top brands.

Cases of Net-Generation Marketing and Implications

Similar to those of other countries, the marketing strategies of domestic companies often focus on this youth population represented as the Net Generation in this decade, which follows the X-Generation in the 80s and the New Generation in the 70s. Especially, owing to the characteristics of highly elastic market demand, the telecommunications industry is striving to attract the Net Generation with various differentiated services.

(Case 1: SK Telecom) As Korea's largest mobile phone service carrier, SK Telecom hit new records in sales volume for a single brand soon after it launched the "TTL" brand two months ago.¹⁾ More than 250,000 customers enlisted as new members in just 40 days. Providing handsets with voguish designs, economical pricing and various extra services like discount coupons, this differentiated service evoked teenagers to form a sense of belonging to a unique subgroup. This successful strategy contributed to increasing their market share in the cutthroat competition in the telecommunications market.

1) Although "TTL" does not stand for any particularity, it stands for "Time To Love", "Total Love", "Teletubby Love" and many other terms that are familiar to the young generation.

(Case 2: KT Freetel) KT Freetel, a major PCS (Personal Communication Service) provider, also pursued an aggressive marketing strategy to draw the Net Generation by changing its brand name from 'PCS 016' to '㉠016'. The new brand is chiefly geared to the combination of voice traffic and individual network services. ㉠ is a comprehensive sign that covers catchy terms beginning with the alphabet N, such as the Net Generation, Network, Nature and Next Generation.

(Case 3: Others Providers) In response to this trend, other competitors such as LG Telecom and Hansol PCS are also putting all their efforts in addressing new brand marketing strategies to increase their market share and sustain core competitiveness in the Net Generation market. Other shopping centers demonstrate good examples of the "Net-Generation Marketing". TechnoMart, a shopping mall hosting stores selling information technology products and electronic appliances, is practicing the "Net-Generation Marketing" based on its analysis that more than 80% of their visitors and about 50% of gross sales are directly linked to the Net Generation. It opened a game theme park, hosting events for teens every month, such as Techno Song Festival, and rearranged the

product mix. Fashion shopping malls, e.g. Doosan Tower and Migliore, and apparel firms like Cheil Industries Inc. addressed Internet portal services and web magazines providing fashion information and related news as their key marketing tools.

It is clear that the Net Generation shows unique characteristics in decision-making and in purchasing behavior, which are substantially different from those of the older generations. Moreover, they will play as key customers in the new millenium market so that companies have no choice but to adopt new marketing strategies that utilize more advanced Internet tools and cyberspace in order to effectively appeal to the Net Generation. By the time the Net Generation position themselves as fully active consuming entities, e-shopping may show a significant improvement from the current state. To survive in such a competitive business environment, companies will need to continuously follow up on new marketing tools based on new ways of thinking and behavioral patterns of the Net Generation. **VIP**

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Table 1. Examples of Net-Generation Marketing in the Domestic Market

Industry	Company	Major Net-Generation Marketing
Telecommunications	SK Telecom	TTL Brand Strategy - New price system and TTL world tour team
	KT Freetel	㉠016 Brand and PersNet strategy
	LG Telecom	019 EZ Web service
	Hansol PCS	Two numbers service Ad-free service
Electronics Malls	TechnoMart	Game theme park Techno Song Festival
Fashion Shopping Centers	Doosan Tower	"Doota Generation" strategy - Amateur talent and fashion shows Auto road show/International dance competition