
Global Hallyu Report (November)

Survey Overview

Survey Regions: Four Countries

- Asia (Japan, Indonesia)
- Europe (Spain)
- Africa (Nigeria)

Survey Method

- KOFICE correspondents, local and international news, other reports, etc.

Survey Content

- K-drama, K-pop, film, Hallyu tourism, Hallyu economics, Hallyu culture and arts, Hallyu and traditional culture, etc.

Survey Period

- November 1-30, 2016 (four weeks)
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I. Hallyu Trend in Korea

□ Hallyu Industry

■ K-Beauty: Post-Asia Corporate Strategy

- Increase in K-drama viewership led to an increase in the popularity of Hallyu stars and the use of Korean cosmetics. Such sudden increase in Korean cosmetics sales is expected to contribute to the growth of the Korean cosmetics market. On Guanggun Jie (光棍節)*, a Chinese national holiday on November 11, a Korean cosmetics sale in China reached a record-breaking USD 20 billion, proving once again that China is a major market for Korean cosmetics.

* Guanggun Jie (光棍節): Also known as “Singles’ Day,” this day became China’s answer to Black Friday when Alibaba, the largest e-commerce company in China, began holding sales on the Tmall online store back in 2009. The tradition has continued every year for seven years, becoming a major shopping festival rivaling the US’s Black Friday.

- A recent survey of 400 Chinese consumers (394 valid responses) indicated that the consumers’ attachment to the Hallyu star model for the product led consumers to become interested in the respective product or brand. Chinese consumers seem to place more trust on brands that use their favorite Hallyu stars as models, who lend more credibility to the respective products or brands.
- However, Korean cosmetics depend heavily on the Chinese market for its revenue in Asia, which can clearly play out as a weakness. Chinese revenue accounts for 54.7% and 42% of all the overseas revenue for AmorePacific and LG Household & Health Care, respectively.
- In contrast, AmorePacific’s revenue from the North American market accounts for only 3.3% of its total overseas revenue. Revenue in Europe is at a similar level. At LG Household & Health Care, revenue from the US and European markets also remain at a mere 1.1% and 0.3%, respectively.
- However, with the recent changes in the Chinese consumers’ consumption patterns, consumers now prefer functional cosmetics that best fit their skin type, while local Chinese brands are becoming more competitive, thus necessitating new strategies for the Korean cosmetics industry.

※ KOFICE NOTE

Accelerating global expansion through localization and premium branding

- ✓ “Localization” and “Premium Branding” are the new strategies undertaken by Korean cosmetics companies to expand their global reach after their huge success in the Sino-centric market in Asia, thanks to the popularity of Hallyu.
- ✓ Successful cases of the localization strategy include examples from Claire’s Korea and It’s Skin. Claire’s Korea launched the Guérison Red Ginseng product, which uses horse oil, a favorite ingredient among Chinese consumers. The product was an instant hit among Chinese tourists, selling out within 2 weeks of its launch last month, and within 40 minutes of its release in Shilla Duty Free.
- ✓ It’s Skin has put its exports to China in full throttle through its cross-border e-commerce online store and with “Snail Cream” as their flagship product. Revenue for the 3Q in China alone amounts to almost USD 2 million. Duty-free store revenue increased by 42.5% compared to last year. The most popular products are Snail Red Ginseng Eye Cream, Snail Mask Sheets, Snail Cream, Snail Foam, and Snail Red Ginseng Cream.
- ✓ As a strategy for global expansion, AmorePacific and LG H&HC are pursuing “Premium Branding.” AmorePacific launched its global flagship brand “AMOREPACIFIC,” finding its way into prestigious venues like Bergdorf Goodman to promote it as a premium brand.
- ✓ LG H&HC marketed its cosmetics line, “The History of Whoo,” as a “royal” brand, surpassing Louis Vuitton as the best-selling brand in duty-free shops in Korea. The TV commercial features Lee Young-ae as a consort to the queen, while samples were given out in premium hotels. The brand also selectively sponsored events that fit the image of a “modern queen”—women leaders’ conference and top-tier designer fashion shows.
- ✓ With premium branding strategy, The History of Whoo continues to expand in the most prestigious department stores across China’s larger cities, including Ba Bai Ban and Jiuguang of Shanghai and SKP of Beijing. Currently, there are 150 The History of Whoo stores across China. Revenue in China increased by 197% compared to that of the previous year.

■ Incheon Airport’s Seinustar and “Hallyu” Experience Service

- Incheon Airport has recently launched several new services for customers. First, its “MOU for Attracting Foreign Tourists and Transferring Passengers” with KBS signed on November 17 should be noted.
- Through the MOU, KBS2 will provide audience seats for Music Bank reserved for passengers transferring through Incheon Airport. Each week, 50 passengers with up to a 72-hour layover in Incheon will be granted the opportunity to monit

or Music Bank.

- The MOU will mitigate the issue of lack of opportunity to enjoy Hallyu culture.*
 - * According to a 2014 survey by the Korea Tourism Organization, majority of tourists picked Hallyu as the most representative content of Korea (50.2%). However, many criticized that there were insufficient tourist infrastructure and opportunities to experience the Hallyu culture.
- In order to accommodate tourists coming from warmer climates, such as Southern China and Southeast Asia, Incheon Airport began Seinustar**, a winter apparel rental service that began on November 17.
 - ** Seinustar: An innovative O2O (Online-to-Off-Line) clothing sharing service mainly for Chinese and Southeast Asian tourists. The project was awarded to Smile Banner System in 2015 for winning the contest sponsored by Incheon Airport.
- In the future, the service will also collaborate with leading Korean fashion companies and designers to provide unique hanbok, K-pop costumes, and accessories. It also plans to allow customers to purchase rental outfits or accessories that they liked.
- Incheon Airport’s Music Bank tickets and the Seinustar winter apparel rental service demonstrates that Hallyu plays a central role in the strategy to enhance the tourists’ level of satisfaction during their visit in Korea.

Tourists using services provided by Seinustar



* Photo: Yujin Cho, Asia Economics



* Photo: Smile Banner System’s Blog

Hallyu Tourism

Target “Sanker” Instead of “Youker”

- Recently, China’s National Tourist Office has ordered a 20% cut in the number of Youkers (遊客, mass tourist groups from China) to Korea and Thailand, in response to issues such as coercive shopping and low quality room and board. This is expected to have an adverse effect on Korean tourist and distribution industries.
- The Korean tourist industry is already shifting its focus from Youker to Sanker (散客, private tourists from China). According to a November 10 press release from the Korea Tourism Office (KTO), Sankers comprised 59.1% of tourists from China, outgrowing the number of group tourists.
 - * Sanker (散客): This terminology refers to Chinese tourists who come on their own, as opposed to joining a tourist group. They prefer “experience-oriented shopping” that allows them to experience daily life in Korea, instead of focusing on shopping itself. They are “smart shoppers,” adept at finding information on products through their smartphones, and preparing shopping lists beforehand. Unlike mass-group tourists, Sankers do not buy in bulk; rather they choose a variety of products that suit their taste.
- According to analysis, the main reason behind the increase in Sankers is due to the shift in Chinese tourism from a “retirement trip” type of event to a “younger travel experience” for people in their 20s to 30s. This analysis coincides with the conclusion of LG Economic Research Institute’s “Youker’s Economics” report, which says that it is becoming clear that Chinese tourists are relying more on the Internet and smartphone apps than travel agencies to arrange their trips.
- Sankers are shopping more than ever before, with 68% of their travel expenses spent on shopping. Compared to tourists from other countries and Youkers, Sankers spend 19.4% and 31% more, respectively, and are thus expected to have a positive effect on Korea’s domestic retailers.

※ KOFICE NOTE

Hallyu and experience-oriented events are major strategies for targeting Sankers.

- ✓ Due to the Chinese government’s orders to decrease Youkers and the increase of Sankers, the KTO, Gangnam District, and duty-free stores in the cities are using Hallyu and experience-oriented events to attract Sankers.
- ✓ KTO participated in the three-day China International Travel Mart 2016, which began on November 11. KTO provided a virtual experience for Korea’s Best Tourist Spots and a participation event for Korea’s Big Five Festivals at the Korean Pavilion to promote various quality tourist destinations to Sankers.
- ✓ From November 17 to 26, the Gangnam District will host Hallyu star fan

meetings and showcase events in the Samseong-dong COEX area, which has been designated as a MICE Tourism Zone. The Gangnam District coordinated with major agencies to feature Hallyu stars like Block B, BTOB, SG Wannabe, and SHINee. The event is designed to attract Sankers, who have more purchasing power than Youkers.

- ✓ The increase in the number of in-city duty-free shops and Sankers has led to fierce competition among shops. Lotte Duty Free will begin its “Welcome Lotte! Welcome Seoul!” event starting in June. The event will target Sankers by providing amazing deals. Lotte also seeks to provide coupons for Lotte Hotel to benefit from tourists staying in Seoul.
- ✓ Shilla Duty Free has targeted the younger group of Sankers by introducing an easy-pay system for its mobile service. Also, it has expanded its promotion activities in the social media, such as Weibo and WeChat. In consideration of the Sankers’ preference for experience-oriented shopping, Shilla also began its “Beauty Class” program, which provides makeup lessons.

II. Hallyu Trend by Region – Asia

1. Indonesia

■ Top 10 Korean Food in Indonesian E-Commerce

- In conjunction with the Korea Sale Festa conducted by MOTIE (Ministry of Trade, Industry and Energy) and MCST (Ministry of Culture, Sports and Tourism) from September 2 to October 31, KOTRA Jakarta has launched “Korea Sale Festa: Up to 80%” through Elevenia, an Indonesian online store selling Korean products. The event lasted for 2 weeks, with 65 Korean companies participating.
- The Top 10 products by sales showed that food such as instant noodles and snacks and cosmetics took up a majority of the most popular products. The most popular foods were Samyang’s “Fire Noodle” or Buldak Bokkeum Myeon (1st place), Lotteria’s Chicken Burger (3rd place), and Gilim’s Honey Butter Almonds (5th place).
- The fire noodles were assessed to be popular because of their uncanny spiciness and relatively lower price than off-line purchases. Lotteria’s buy-one-get-one-free promotion and convenient mobile coupons was analyzed to have contributed to its success. As for the Honey Butter Almonds, the sweetness of the product appeared to have suited the local palate, while the fact that no similar products exist in Indonesia helped market the relatively expensive (IDR 90,000) snack.

From left to right, 3 of the Top 10 foods:
Buldak Bokkeum Myeon, Lotteria’s Chicken Burger, Gilim’s Honey Butter Almonds



* Photo: Gyeong-seok Lee, KOTRA Jakarta

- As for cosmetics, the competitively priced products filled the rest of the Top 10 products*. In particular, 3 of the Top 10 products were lip tints, demonstrating that lip products are leading the Indonesian makeup market, which is growing at 10% per year.

Lip tint products from Etude House, Tony Moly, The Face Shop



* Photo: Gyeong-seok Lee, KOTRA Jakarta

- * Sunsu Foundation (2nd), Etude House Darling Water Tint (4th), Tony Moly Get It Tint (6th), The Faceshop Disney Tint (7th), Etude House Eyebrow (8th), Saerom Cosmetics Shampoo Dye (9th), Faceflux Hyaluronic Acid Ampoule (10th)

※ KOFICE NOTE

The future looks bright for Korean products in Indonesia.

- ✓ The success of Korean food products and cosmetics in the Indonesian e-commerce market sheds light on the importance of sale strategy and outlook for Korean products.
- ✓ Elevenia, the Korean online store which offered this sales promotion, expects that smaller Korean companies can sufficiently compete in Indonesia; save for the more famous brands, many of the best-selling products are lesser-known brands.
- ✓ The lesser-known brands are advised to offer competitive pricing and offer a variety of samples to market their products in Indonesia.
- ✓ Promising products include baby products. Given the lack of online stores for such products and the high prices in Indonesia, a low entry barrier in terms of pricing should be allowed. Selling baby products like bottle sterilizers and apparel for pregnant women at competitive prices through online and off-line methods will be the core strategy.
- ✓ The Indonesian e-commerce market is expected to become the third largest in Asia after China and India (USD 130 billion). The Indonesian government's announcement for the related laws and road map* presents an even brighter prospect for the market.

* In May 2016, the Indonesian government announced a new law allowing limited entry of foreign companies into Indonesia's e-commerce market. In October, the Indonesian government announced the e-commerce system road map for 2015 to 2019.

2. Japan

■ Finding a Survival Strategy for Hallyu through Multiculturalism in Shin Okubo, the Korea Town in Japan

- The birthplace of Hallyu and once the hub for its propagation, Japan has seen the Hallyu trend recede over the years. Asahi Shimbun reported on November 15 that the number of Korea-related stores in Shin Okubo* of Shinjuku in Tokyo decreased dramatically**.

* Shin Okubo (新大久保), Shinjuku (新宿) District, Tokyo: During the 2002 Korea-Japan World Cup, Hallyu shops and Korean restaurants mushroomed all over, eventually developing into a Korea Town. Hallyu fans and Korean food enthusiasts frequented this neighborhood, turning it into the “No. 1 Hallyu Street”

** As reported in the statistics collected by the Shinjuku Korean Merchant Association, the number of Korea-related stores went from 500 in Spring 2012 to 320 in August 2016, showing a 36% reduction.

- Despite its popularity as the “No. 1 Hallyu Street” in the past, Shin Okubo was frequented by anti-Korean protestors and hate speech against Korea since President Lee Myung-bak’s visit to Dokdo in 2012 also occurred. This served as the main reason for Shin Okubo’s decline as the center of Hallyu.
- Other Asian restaurants are filling the gaps left by the disappearing Korean restaurants. The number of Indian, Nepalese, Thai, and Vietnamese restaurants increased, and a kebab cart has also appeared. In addition to restaurants, Chinese duty-free shops and PC-cafes for the Vietnamese have also appeared, accelerating the “Hallyu-exit” trend.
- In order to overcome this crisis, Korean business owners are now focusing on transforming the neighborhood into a multicultural shopping area where multiple cultures can coexist, rather than insisting on preserving the Hallyu identity.
- As part of the effort to revitalize business in the area, a free “K-Shuttle” provides transportation between Shinjuku Station, Tokyo Metropolitan Government Building, and Okubo six times a day on Fridays, weekends, and holidays.

※ KOFICE NOTE

The flame of Hallyu continues to flicker in Japan.

- ✓ The efforts of Shin Okubo merchants to sustain Hallyu, along with activities of K-pop artists and the launch of KMA Japan—a Hallyu media network—are

expected to rekindle the Hallyu trend in Japan

- ✓ K-pop artists are sustaining their popularity in Japan. On October 31, K-pop group 2PM topped the Oricon Daily Chart with its 11th single in Japan, “Promise (I’ll Be) Japanese Ver.” On November 2, the band CNBLUE began its 5-year anniversary tour in Japan.
- ✓ Major Japanese media outlets, entertainment companies, and organizations are also cooperating to carry on Hallyu. A group of over 50 major Japanese media outlets, including NHK, and Korean companies like KNTV, Mnet, LINE, and Hallyupia gathered together to launch the Korean Media Association Japan (KMA Japan) on November 25.
- ✓ KMA Japan set “Tokyo Statement for Revitalization of Hallyu in 2017” as its slogan. It announced its plan to revitalize and expand Hallyu by promoting cooperation between media as Hallyu in Japan has suffered from regulations and neglect in the media for its lack of originality and sensationalism.

III. Hallyu Trend by Region – Americas · Africa

1. Spain

■ Miss Granny Breaks Record; Remade into 8 Different Languages

- Attracting 8.65 million viewers in Korea in 2014, Miss Granny has been set for remakes in Chinese, Japanese, Vietnamese, Thai, Indonesian, English, and Spanish languages, thus breaking the record for the most number of remakes.
- The Chinese remake of 20 Once Again, which was coproduced by a Korean and Chinese company, became the most successful Korea-China coproduced film. The Vietnamese remake of Sweet 20, also co-produced with Korea, even became the highest-grossing Vietnamese film at the Vietnamese box office.
- The Korean distributor for the film, CJ E&M, reached an agreement with Tyler Perry Studios' 34th Street Films* and 3Pas Studios** to coproduce an English version and Spanish version, respectively. With the target opening date in 2018, the screenplay will be adapted and localized, followed by casting.

* Tyler Perry Studios' 34th Street Films: This is a renowned production studio in the US, known for family comedy films. Its production credits include the Academy Award-nominated Precious and Boo! A Madea Halloween, currently running in theaters across the US.

** Highly popular among Hispanic audience in the United States and other Latin American countries, including Mexico, this production studio is known for Instructions Not Included, which became the fourth highest-grossing foreign language film of all time in the US.

※ Miss Granny Headed Stateside, in English and Spanish

With remakes across Asia, Miss Granny (2014; see photo) has become a paragon for the “one-source, multiuse” model of contents media. This time, it is going to the US, the largest film market in the world. CJ E&M announced on November 7 that it will partner with Tyler Perry Studios' 34th Street Film and 3pas Studio to coproduce Miss Granny in English and Spanish, respectively. These remakes are set for release in 2018 upon thorough localization, script development, and casting.

Having mustered 8.65 million theatergoers in Korea in 2014, Miss Granny set the world record for the most remakes in other languages. With the addition of English and Spanish, the film will have been recreated in a total of eight languages, including Chinese, Vietnamese, Japanese, Thai, and Indonesian. The Chinese remake of 20 Once Again became the most successful Korea-China co-produced film. The Vietnamese remake of Sweet 20 became the highest-grossing Vietnamese film of all time.

*Source: Joongang Daily: November 9, 2016

Posters of Miss Granny remakes



* Photo: Chinese, Vietnamese, Thai, and Japanese posters (clockwise)

2. Nigeria

■ Showcasing Colorful Korean Culture in Nigeria

- The Korean Embassy and Korean Cultural Center in Nigeria cohosted the 2016 Hallyu Festival in Abuja for 5 days starting on November 8. Starting with the opening concert and Korean food-tasting event on the 8th, the festival included a Korean food seminar and sales on the 9th and a Korean film festival from the 10th until the 12th).
- The opening ceremony was attended by 450 people, including diplomats, Korean corporate correspondents, and local visitors. The opening concert was highlighted by the performance of “Culture Factory SE:UM,” which performed a jazz rendition of the Nigerian folk song “Nikenike” using a combination of western and traditional Korean instruments. Nigerian percussion expert R. Maio said “The gayageum sounded beautiful and the performers all looked great, too.”
- The Korean food-tasting event that immediately followed the concert featured dishes cooked by chef specially invited from Korea and a local chef from the Hilton. Dishes and beverages like bulgogi, galbi, japchae, jeon, kimchi, misutgaru, gin

seng wine, and omija wine were introduced to entice the local palate.

- Since the establishment of the first Korean Cultural Center in Africa in 2010, this event has been taking place annually. With increasing popularity, more people have been asking for invitations to this invitation-based event. As the event continues each year with growing attendance, it is expected to have a positive impact on the spread of Hallyu throughout Africa.



* Photo: Korean Cultural Center in Nigeria