7-30-2018

Strengthening Market Position through Branding “CheongKwanJang”

Kay Ryung Koo

Sang Yong Kim

Seok Kyun Kim

Jun

Follow this and additional works at: <https://amj.kma.re.kr/journal>

Part of the [Marketing Commons](#)

Recommended Citation

Koo, Kay Ryung; Kim, Sang Yong; Kim, Seok Kyun; and Jun (2018) "Strengthening Market Position through Branding “CheongKwanJang”," *Asia Marketing Journal*: Vol. 20 : Iss. 2 , Article 4.
Available at: <https://doi.org/10.15830/amj.2018.20.2.85>

This Article is brought to you for free and open access by Asia Marketing Journal. It has been accepted for inclusion in Asia Marketing Journal by an authorized editor of Asia Marketing Journal.

Strengthening Market Position through Branding “CheongKwanJang” – The Case of Korea Ginseng Corporation*

Kay Ryung Koo**
Sang Yong Kim***
Seok Kyun Kim****
Mina Jun*****

Korea Ginseng Corporation is a global ginseng company, owning one of the most leading brands in Korea, CheongKwanJang. Although Korea Ginseng Corporation was an undoubted market leader in the red ginseng market, it faced a new challenge in 2012 due to the changes in market environment. In order to keep its market leadership in a saturated and competitive market, the company decided to extend its product lines alongside the launches of new brands. In this article, the authors demonstrate the development process of the company's brand portfolio strategy to reveal how the company turned CheongKwanJang into a mega-brand. Also, this paper explores the impact of CheongKwanJang's reputation on new brands, thereby illustrating how the company successfully managed to introduce new products outside of the red ginseng category, ranging from organic food to a pet food market.

Key words: Korea Ginseng Corporation, CheongKwanJang, Brand extension strategy, Sub-branding strategy, Market entry strategy

* This study is partially supported by Korea University Business School Research Grant.

** Research Professor, Institute for Business Research & Education, Korea University (soma1129@korea.ac.kr)

*** Professor, Business School, Korea University (sangkim@korea.ac.kr)

**** Advice Professor, Aviation Service Management Department, Kookmin University (oagolf1@kookmin.ac.kr)

***** Research Professor, Business School, Korea University (phdmina@korea.ac.kr), Corresponding author

I. Introduction

Korea Ginseng Corporation, originally founded by the Korean government in 1899 and privatized in 1999, is the world's leading ginseng company, owning one of the most recognizable brands in Korea, CheongKwanJang. From 1999 to 2011, KGC, an abbreviation for 'Korea Ginseng Corporation,' witnessed an average 17.4% sales growth and retained its position at the top of the market. Along with the KGC's growth, the red ginseng market was flourished with a constant annual growth rate of 10 to 12% (Shin and Lee 2012).

Despite a huge success over the years, KGC faced a new challenge in 2012 due to the changes in the market environment. At that time, the company lost its market share from 90 percent to 70 percent and recorded its first negative growth. As the Korean Red Ginseng Monopoly Law was abrogated in the late 1990s, permitting the private companies to produce and distribute the red ginseng, such giant companies as CJ, Lotte, and Dongwon F&B eagerly entered the red ginseng market attempting to threaten the market leader, KGC. Also, and more troublesome, the red ginseng market seemed to reach its market saturation, as the size of Korea's red ginseng market had been decreased 12.3% over 2011, from \$1,300 million to \$1,140 million (Baeg and So 2013). Although KGC was still an undoubted market leader in the red ginseng

market, all the executives at KGC agreed that the introduction of a new sophisticated marketing plan seemed necessary for future growth.

A flashback to 1999. When KGC was in the process of being privatized, the company recognized that carrying on the CheongKwangJang brand name along with maintaining a superior product quality was vital for the success of KGC. In 2004, CKJ, short for CheongKwangJang, became a flagship brand of KGC. In the initial year of company's operation, KGC's mission was to solidify a leadership position in the domestic red ginseng market. The company focused on communicating KGC's products as the genuine heir of Korea's ginseng legacy. KGC brought CKJ at the forefront, and sold the company's main products such as Roots, Extract, and Tonic, under CKJ brand. From 1999 to 2000, there was a constant increase in sales achieved mainly by attracting middle-aged men, who had a strong interest in their health condition. Although this strategy seemed to be working fine, the executives at KGC were concerned that the brand might become overly 'outdated' or 'old-fashioned.' Also, depending on sales from a sole market segment would pose problems in the long run.

From 2001 to 2010, KGC made a new attempt to gain a foothold in the red ginseng market, by developing a new product and building an internal CRM platform. At the time, the executives recognized the necessity of market expansion and therefore decided to launch

several new products. To improve its chances of success, the company created an individual brand name for each product while maintaining an association with CKJ. The company established sub-brands under CKJ so that the new products could have the leverage of CKJ's brand power yet highlight the differences from the existing products. After the introduction of new products, the number of customers dramatically increased, and more importantly, the company's customer portfolio was significantly diversified. As more consumers flowed in, the better customer management was required. In 2009, the company launched a membership program, and only a year later, one million customers were registered. By 2011, the company had gathered approximately 277 million customer data in their hand.

Back to 2012. Throughout the years, the company had achieved a significant competitive advantage by building the strong brand power of CKJ and accumulating a massive customer data. The executives at KGC recognized the company could overcome the market saturation *only* if KGC could better utilize the company's core strengths. In 2013, the company decided to introduce several new brands by reflecting customer needs, which in turn, led to an increase in customers' engagement towards KGC.

In this article, we explore how KGC has strengthened its market leadership in the red ginseng market before and after the challenge in 2012 through a brand strategy. The breakdown of this study is as follows: 1) company background,

2) company's core brand strategy, 3) evolution of CKJ product line, 4) introduction of non-CKJ brands and, 5) conclusion (firm performance and future challenges of KGC).

II. Company background: KGC (Korea Ginseng Corp.)

KGC is widely known for '6-year-grown Korean red ginseng,' resulting from the constant investment in R&D, and high standards of purity and quality assurance. The company annually spends \$20 million in R&D to improve its product quality. KGC's a superior product quality control has made the company prosper for over a century.

In 1899, during the era of the Korean Empire, 'Samjungkwa,' the forerunner of the present KGC, was founded to manage and export Korean red ginseng effectively and efficiently. Although the government enacted the Korean Red Ginseng Monopoly Law to monopolize the red ginseng market in 1908, the market was overflowing with non-government-sanctioned products. By differentiating Korean ginseng from the counterfeits, the government raised its standards of quality control and developed a trademark, CheongKwanJang, to guarantee the highest-quality ginseng made by the Korean government. At that time, the label CKJ represented 'the government-assured, reliable

product, packaged in a government-sanctioned factory.'

The government renamed Samjungkwa to 'Korea Tobacco and Ginseng Corporation' in 1989, and after the decade, KGC was newly founded as the government decided to spin off the red ginseng sector. After completing privatization in 2002, the company rebuilt CKJ as the company's flagship brand. Since its foundation, the company had shown an average of 17.4% in sales growth year after year. In 2011, KGC recorded revenues of \$940 million but, only a year later, revenues declined to \$831 million. The internal report suggested that this result was due to the high level of competition and the decreases in market demand.

III. The Development Process of the Company's Core Brand Strategy

In the initial years of the firm's operation, the executives at KGC decided to add new products to the company's product line to facilitate entering new markets. The company named this plan a 'customer lifespan strategy.' First, the company decided to develop a new product, which could fulfill the youth segment's needs. Given the consumers who experienced KGC products at an early age, the executives predicted, consumers might continuously purchase CKJ by the time they show interests in health

food. In this way, the executives believed confidently that the company could foster potential buyers along with bringing in immediate revenue. Secondly, the company decided to manufacture a specialized product with a focus on gender by adding a dietary ingredient to the red ginseng. By developing a function-oriented product, the company expected to expand its business from the red ginseng to the vitamin and dietary supplement market.

During the new product development process of 'customer lifespan strategy,' the company's core brand strategy was settled - a new product should have its brand while retaining the association with CKJ. In practice, many firms introduce the new product by using the name of a well-established brand to leverage a firm's intangible asset (Tauber 1988); to reduce consumers' risks by providing consumers with familiar information through an established brand (Aaker and Keller 1990; Bhat and Reddy 2001); and to generate communication efficiencies which in turn lead to cost advantages (Morein 1975). This strategy is referred to as a line extension, whereby a well-known brand is used to enter a new market segment (Aaker and Keller 1990). Through a line extension, the company expected that the probability of consumers' new product trial as well as a product purchase would rise, as consumers could infer the quality of the product through the name of CKJ.

By clearly differentiating the line extensions

from the existing products, the company embraced a sub-branding strategy. Sub-brands are brands connected to a master or parent brand, with or without modification to that parent brand. According to Aaker and Joachimsthaler (2000), the advantages of building sub-brands under the parent brand are as follows: (1) adding new attribute or application associations; (2) signaling a breakthrough in newness; and (3) each creating its own brand personality. Thus, developing a sub-brand affiliated with a parent brand allowed the company to differentiate a new product by highlighting an additional value which the new products provided, but at the same time formulating a primary frame of reference through a parent brand.

By 2009, KGC owned following sub-brands under CKJ name: CKJ Korean Red Ginseng Roots and CKJ Korean Red Ginseng Extract for heavy users and loyal customers; Honge Janggoon for children; I-Pass for teenagers; CKJ Korean Red Ginseng Tonic for seniors; Hwa-Ae-Rak Bon for women; and Hong-Cheon-Woong for men.

In every product package, the parent brand, CKJ, is included as a trademark to ensure that all new products are associated with CKJ. A brand logo comprises two red ginseng roots, a taegeuk mark, and six stars, symbolizing the product is genuine 6-year-grown Korean red ginseng, while the red background indicates the company's passion for producing the world's best red ginseng (see Figure 1). The executives

believed that each new brand could take advantage of the trust built from the parent brand, CKJ, and easily tap into new markets.

〈Figure 1〉 CKJ's Logo

Source: KGC's Website

IV. The Evolution of the CKJ Product Line: Building CKJ into a Mega Brand

In this section, we will describe the development process of KGC's brand portfolio strategy to understand how KGC turned CKJ into a mega brand.

Since 2012, the company actively expanded its product line with the vision of one day evolving into a leading company in the global health products market. The executives recognized that retaining a superior brand in the red ginseng market was a necessary condition for going to a new market. Therefore, the company

consistently concentrated on strengthening the CKJ name to become a super-mega brand in the current market, with a strong belief that CKJ was the key to success in future category expansion.

Unlike other competitors, KGC accumulated rich consumer data through an internal CRM platform since 2007. This data suggested that KGC successfully extended its customer base through constant development of new products over the years. For instance, 'Hong-E-Jang-Goon,' generating 10 percent of the company's sales by 2011, attracted young moms from the 20s to 30s (Shin and Lee 2012) and became one of KGC's flagship products over the years. Still, the middle-aged group made up the most powerful buyer group at KGC, and the executives recognized the need to draw the young adults' attention (ages 20 to 39) to survive in a stagnant and competitive market. By 2011, the company acquired various customers in terms of an age group: 39.2% of the company's customers were in their 40s, followed by 20 to 30s (38.2%), and 50 to 60s (29.5%) (Shin and Lee 2012).

Based on this data, the company decided to launch two main brands 'CKJ Korean Red Ginseng Everytime' and 'Hwa-Ae-Rak' in 2013, maintaining the same brand strategy, which it established in the early 2000s.

First, 'CKJ Everytime,' formerly known as 'CKJ Korean Red Ginseng Everytime' was introduced to attract a young adult segment.

This product consisted of an identical ingredient as 'CKJ Korean Red Ginseng Extract' but was diluted with purified water and packaged in stick pouches. By using a portable pouch containing a daily recommended dose for the red ginseng extract, consumers could easily ingest the red ginseng, literally, anywhere, or anytime. Indeed, this product stretched out customers' consumption occasions towards the red ginseng. To effectively vitalize customers' engagement with 'CKJ Everytime,' the company strived to build a strong association between the product and its usage context. Thus, as part of a new marketing campaign, a special package, primarily linking the product with outdoor activities, was introduced. For instance, in 2015, the company launched 'Everytime Golf Edition,' a gift set of 'CKJ Everytime' and a golf-related product (e.g., golf ball or golf cap). Recently, the company also introduced 'Everytime Traveling Edition' (see Figure 2).

Second, the company rebuilt a women's line to serve middle-aged and young adult segments' demands separately. In the past, the company had only one specialized product for women, 'Hwa-Ae-Rak Bon,' mainly communicating it as a functional health product especially effective for menopause. However, the increases in young female buyers at KGC further motivated the company to produce a more generalized women's product, which could improve female customers' overall health.

Nevertheless, middle-aged women were KGC's

〈Figure 2〉 The Examples of a Product Extension

Source: KGC's Website

principal customers; the company also regarded the young female segment as noticeably valuable because this group tended to engage in cross-buying behavior. They often bought additional products for their husbands or parents on the way to buy a product for their children, and even naturally transitioned into 'I-pass' customers over time, as their children grew up.

Therefore, the company repositioned 'Hwa-Ae-Rak Bon' as a general health boosting product, mainly targeting the young segment, and chose a young female celebrity as an advertising spokesperson or model. Also, the company launched a premium line for middle-aged women, more specialized product for menopause at a higher price. By effectively managing the women's line, the company introduced a new master brand, 'Hwa-Ae-Rak,' generally known as 'Women's Balance' in the global market, to represent a whole female product produced by KGC. Accordingly, 'Hwa-Ae-Rak Jin' (Women's Balance Premium),

and 'Hwa-Ae-Rak Bon' (Women's Balance) became the subordinate brands affiliated with the master brand. Also, the company diversified the product packaging from liquid pouches to tablets (see Figure 3).

Over the years, both products, 'CKJ Everytime' and 'Hwa-Ae-Rak,' successfully settled down in the red ginseng market and became one of the company's flagship products. For instance, 'CKJ Everytime' recorded an average 140% sales growth each year since its introduction. In 2017, the internal analysis suggested that 25% of 'CKJ Everytime' sales were generated by people in their 20s-30s, while this segment generally accounted for 10% of total KGC's revenue.

Due to the active line extensions under the CKJ name, CKJ could make a prestigious reputation for itself in the red ginseng market and become a symbol of trust by representing a superior quality made from a genuine Korean red ginseng. It was time for KGC to expand

〈Figure 3〉 Women's Product Line

Source: KGC's Website

into other new categories rather than concentrating only on the red ginseng market. Hence, the company's executives began to set their eyes on new markets or opportunities.

V. Introduction of Non-CKJ Brands: Using CKJ's Reputation for the Expansion

In this section, we will explore how KGC used CKJ's brand power to expand its business from an organic food market to a pet food market. Specifically, we will discuss each new product's brand strategy in chronological order, namely by focusing on the most representative brands which KGC introduced from 2010 to 2015 (All of the KGC's brands are shown in Figure 4).

From the beginning, the top management at KGC agreed on using the brand power of CKJ in an attempt to settle down in a new market.

This approach generally refers to a brand extension strategy. It is widely accepted that a brand extension leads to a positive evaluation of extended products, as consumers often transfer positive attitudes towards the parent brand to its extension when there is a significant similarity between the parent and the extension (Aaker and Joachimsthaler 2000; Bhat and Reddy 2001; Boush and Loken 1991). However, it sometimes dilutes the parent brand's name when extended-brand attributes are inconsistent with the parent brand's beliefs (Loken and John 1993).

Thus, it was important for the company to find a way of better utilizing the brand of CKJ, while not hurting CKJ's legacy during the process of category expansion. As a result, the company created an individual brand representing its category but using CKJ brand power to communicate with consumers more effectively. To achieve its goal, the company manipulated the level of dependency between a new brand and CKJ with respect to the product category.

〈Figure 4〉 KGC Brand Portfolio

Source: KGC's Website

'Good Base' was originally launched in 2010 as a low-priced red ginseng brand but extended into a healthy organic food brand over the years, containing natural ingredients subsidiary to the red ginseng. These days, the company introduces 'Good Base' as a family brand of CKJ and mainly communicates that all 'Good Base' products are strictly managed by CKJ's safety control system to meet a high-quality standard that CKJ holds. As 'Good Base' serves a low-priced nutritional supplement market, the name CKJ appears in the product as little as possible.

The success of 'Good Base' motivated the company to introduce a premium cosmeceutical (cosmetics + pharmaceutical) brand, 'Dong-In-Bi,' in 2012. As the red ginseng was a core

ingredient of its new products, the company aggressively used the reputation of CKJ as well as the legacy of the company during the promotion of a new product. However, in the product package, neither CKJ nor KGC's name was bluntly exposed. Instead, the company put a number 1899 in the product package - the year the original company was founded - to make an association with following words: a heritage, craftsmanship, authenticity, and so forth.

In 2014, the company launched an additional premium brand, 'Cheon-Nok,' an oriental health product made from deer antlers. As these products involved more safety and credibility concerns from customers, the company also decided to use CKJ's brand more visibly in the

new product. Therefore, the company created an independent brand 'Cheon-Nok' yet, endorsed by CKJ, to differentiate a new brand from the existing CKJ brand. This was done while backing up the product's superior product quality through CKJ's reputation. The executive's decision on CKJ endorsement of 'Cheon-Nok' represents how CKJ affirms that Cheon-Nok would deliver on its brand promise. Therefore, an independent logo for new brand was developed, but at the same time, CKJ's logo was included in the product package. To clearly distinguish that a new brand is not directly affiliated with CKJ, the color of CKJ's logo was changed from a red to brown.

Finally, in 2015, the company developed a premium pet food brand, 'Ginipet' - a compound word of ginseng, I, and pet - to attract consumers who show great interest in the health of pets. The internal analysis indicated that most of the target consumers seemed to worry about the pet food's ingredients foremost in their choice decisions. To increase customer trust towards 'Ginipet,' the company decided to add CKJ's logo to the product, without any changes, as a certification to ensure that all 'Ginipet' products were made from a high-quality, six-years red ginseng.

A summary of the brand strategy of each product is presented in Figure 5 and Table 1.

〈Figure 5〉 Different Brand Strategies across Product Categories

Source: KGC's Website

〈Table 1〉 Summary of KGC's Brand Strategy

	CKJ	Good Base	Cheon-Nok	Donginbi	Ginipet
Brand
Market	Dietary and supplement (Red ginseng)	Dietary and supplement (Natural & organic food)	Dietary and supplement (Deer antler)	Cosmetic	Pet food
Positioning	Premium red ginseng with trust, and heritage	Genuine natural and organic food assured by KGC	Made from New Zealand deer antler endorsed by CKJ	Premium red ginseng cosmetics	Premium health pet food
Price	Mid to high	Low to mid	Premium	Premium	Mid to high
Place	(Main) Drugstore, department store, duty-free shop (Sub) Home shopping, online store	(Main) Grocery store, online store, homeshopping (Sub) Department store	(Main) Drugstore, department store, duty-free shop (Sub) Grocery store	(Main) Department store, duty-free shop (Sub) Online store	(Main) Pet shop, animal hospital (Sub) Online, grocery store, department store
Brand strategy	Sub-brands affiliated with CKJ	Family brand associated with CKJ	Endorsed brand (Cheon-Nok by CKJ)	Individual brand Direct assurance by KGC	Individual brand Indirect assurance by KGC (Guarantee for the quality of ingredients through CKJ)

Source: KGC's internal report

VI. Conclusion

Although there were a few threats in 2012, it is unquestionable that KGC was the leading company in the red ginseng market having the most representative brand in Korea, as evidenced by retaining its position as Korea's most trusted brand over the years (see Figure 6).

One of the managers at KGC commented, 'Our active investment on CKJ leads CKJ to develop as a core DNA of our company. Indeed,

customers' strong loyalty towards CKJ brings the opportunity to extend our business. These days, we invest 30% [of] our budget on CKJ in maintaining superior quality, while spending the rest on non-CKJ brands to strengthen our brand portfolio.'

Due to the success of new products, the company soon restored its sales after the downturn in 2012 and has shown an average 11% in sales growth since 2014 (see Figure 7). Also, 494 million customers, nearly a 100% increase from 2011, had joined the company's membership

〈Figure 6〉 Winning Brand Awards

Source: KGC's internal report

〈Figure 7〉 KGC's Sales: 1999 to 2017

Source: KGC's internal report

program by 2017.

In fact, the executives at KGC predict an even brighter future in the upcoming years because of the huge success of non-CKJ brands. For instance, in 2017, 'CKJ Korean Red Ginseng

Everytime' generated \$132 million in sales, KGC's top record accomplished by a single product. At that time, 'Hwa-Ae-Rak' was placed in the second, recording \$83.9 million, followed by 'Cheon-Nok' (\$42.5 million), and 'Good

Base' (\$24.6 million).

Throughout the years, the company was not complacent over the success but constantly invested in product and brand development. The company maintained a sub-branding strategy for the introduction of new red ginseng products to reduce the risks associated with new products. The impact of the sub-branding strategy extended beyond bringing in immediate revenue, which the new products derived. More importantly, CKJ was able to enhance a brand power through sub-brands, as sub-brands created the exposure and favorable attitudes from the customers, who did not engage with CKJ in the past. With the success of new products affiliated with CKJ, the company motivated to pursue line and brand extensions.

A successful brand extension further suggests new insight for a business extension. As long as the company maintains its outstanding product quality along with the association with a healthy product, the company seems to expand its category without reaching any limits.

Recently, the company sets its eyes on the service sector as well. In 2016, the company opened a café, 'Sapoon Sapoon,' located in a major area in Seoul, serving more generalized goods such as tea, lattes or desserts made with the red ginseng, consumed in everyday life. Also, in early 2018, the company opened a health and beauty store, 'Lounge 1899,' a space where consumers can experience a wide range of the red ginseng products, from CKJ health

products to cosmetics. At the store, the company offers various services such as drinks, hand spas, and a personalized consumer consulting, so that consumers can better understand the red ginseng.

During an interview with *BusinessKorea*, one executive at KGC, pleasantly announced, "*The LOUNGE 1899 is a new concept store that provides consumers with an opportunity to understand, experience and enjoy red ginseng in numerous ways beyond a store simply selling red ginseng products. We expect to spread various red ginseng culture to not only local consumers in their 20s and 30s but also foreign tourists*" (Choi 2018).

With these efforts, the company believed that one day, such consumers' perception of 'buying the red ginseng when it is necessary' could be changed, which in turn results in opening a new opportunity for KGC. Who knows in the future we will enjoy the red ginseng cake or ice cream?

〈Received June 8, 2018〉

〈Accepted July 20, 2018〉

References

- Aaker, David A and Erich Joachimsthaler (2000), "The brand relationship spectrum: The key to the brand architecture challenge," *California Management Review*, 42(4), 8.

- Aaker, David A and Kevin Lane Keller (1990), "Consumer evaluations of brand extensions," *The Journal of Marketing*, 27-41.
- Baeg, In-Ho and Seung-Ho So (2013), "The world ginseng market and the ginseng (Korea)," *Journal of Ginseng Research*, 37 (1), 1.
- Bhat, Sobodh and Srinivas K Reddy (2001), "The impact of parent brand attribute associations and affect on brand extension evaluation," *Journal of Business Research*, 53(3), 111-22.
- Boush, David M and Barbara Loken (1991), "A process-tracing study of brand extension evaluation," *Journal of Marketing Research*, 16-28.
- Choi, Mun-hee (2018), 'Korea Ginseng Corp Opens 'LOUNGE 1899' to Tap into Health, Beauty Markets,' BusinessKorea, (accessed May 15, 2018), [available at <http://www.businesskorea.co.kr/news/articleView.html?idxno=20485>].
- Korea Ginseng Corporation, (2018), 'Korea Ginseng Corporation Website', (accessed May 15, 2018), [available at <http://globalkgc.com/>].
- Loken, Barbara and Deborah Roedder John (1993), "Diluting brand beliefs: when do brand extensions have a negative impact?," *The Journal of Marketing*, 71-84.
- Morein, Joseph A (1975), "Shift from brand to product line marketing," *Harvard Business Review*, 53(5), 56-64.
- Shin, Soo Jung and Janghyuk Lee (2012), "DBR Case study: KGC's success story," *Dong-A Business Review*, 99(2), 77-82.
- Tauber, Edward M (1988), "Brand leverage-strategy for growth in a cost-control world," *Journal of Advertising Research*, 28(4), 26-30.