

# Advertising Challenges in Korea

Oct. 22, 2014

JaeKook Lee  
KPMA Executive Director



# Contents

1. Overview of the Pharmaceutical Market in Korea
2. Changes in Pharmaceutical Ads in Korea
3. The Present of Pharmaceutical Ads in Korea
4. The Prior Review System for pharmaceutical Ads in Korea
5. Outlook and Challenges of Pharmaceutical Ads in Korea

# Overview of the Pharmaceutical Market in Korea

The pharmaceutical market in Korea is worth 19 trillion KRW, accounting for 1.9% (14th) of the global market.

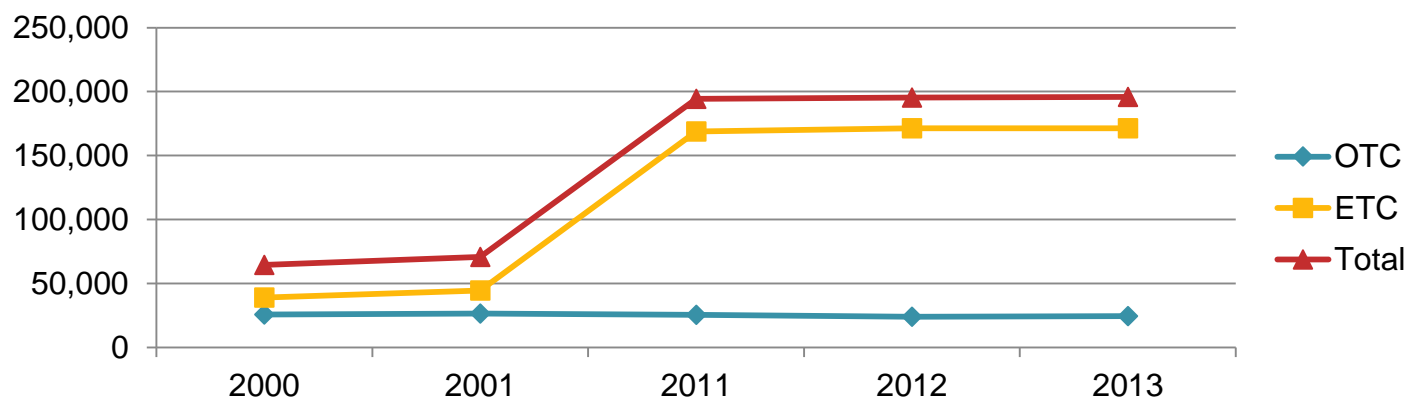
In Korea, there are 274 companies that make finished drugs as of end-2013, producing 23,552 items in total. Of these, 15,353 are ETC drugs and 8,199 are OTC drugs.

The share of OTC that is allowed for mass advertising has been significantly reduced since the separation of drug prescription and dispensing in August 2000, in contrast to the rapid growth of ETC. The share of ETC and OTC is 82.5% and 17.5% as of end-2013, showing a large gap.

## ■ Pharmaceuticals Production in Korea (Source: KPMA)

(Unit: 100M KRW)

	2000	2001	2011	2012	2013
OTC	25,615	26,350	75,393	23,964	24,487
ETC	38,940	44,404	168,861	171,329	171,342
TOTAL	64,555	70,755	194,254	195,253	195,829



# Changes in Pharmaceutical Ads in Korea

## Early 1900s

The pharmaceutical industry in Korea has 117 years of history since 'Dong Wha Yak Bang', the first pharmaceutical company established in 1897. Drug advertising represents the growth of the drug industry, as seen in the evolution of 'Whal Myung su' ads, Korea's first new medicine made by the company.



### Whal Myung Su (活命水)

- It is Korea's first new medicine, developed by Dong Wha Yak Bang (the first pharmaceutical company in Korea), as a first-aid drug for the stomach.
- The ads began in earnest through printed media since the 1920s.



▶ Whal Myung Su Ad in a Daily (July, 1929)

# Changes in Pharmaceutical Ads in Korea

## the 1960s

Pharmaceutical ads led the ad market since the early 1960s with the rise of commercial broadcasting: Pharmaceuticals took up 7 out of top 10 advertisers (by revenue) in 1969.



▶ Panpyrin (cold medicine) Ad by Dong-A Pharm. in the 1960s

### ▶ Top 10 Advertisers in 1969

	1969
1	Dong-A Pharm. 128
2	Hanil Pharm. 91
3	Handok Pharm. 84
4	Yuhan Corp. 81
5	Chong Kun Dang 71
6	Haitai Confectionary 64
7	Dong-A Pharm. 61
8	Yungjin Pharm. 58
9	Korea Pfizer 57
10	LG Chem. 52

\* Source: Ad Yearbook of Cheil Worldwide, 1989



# Changes in Pharmaceutical Ads in Korea

the 1970s ~

Pharmaceutical ads have changed in many aspects including product lines, advertising media and models, reflecting the times characterized by the economic growth (a.k.a. the miracle of the Han River) and the 1988 Seoul Olympics.



► Wongiso (supplement) ad in the 1970s of Industrialization



► Ursa (hepatic drug) ad by Daewoong Pharm., an official sponsor for the 1988 Seoul Olympics



► Bacchus (energy drink) ad by Dong-A Pharm. with Ji-sung Park (ex-midfielder for Manchester United)

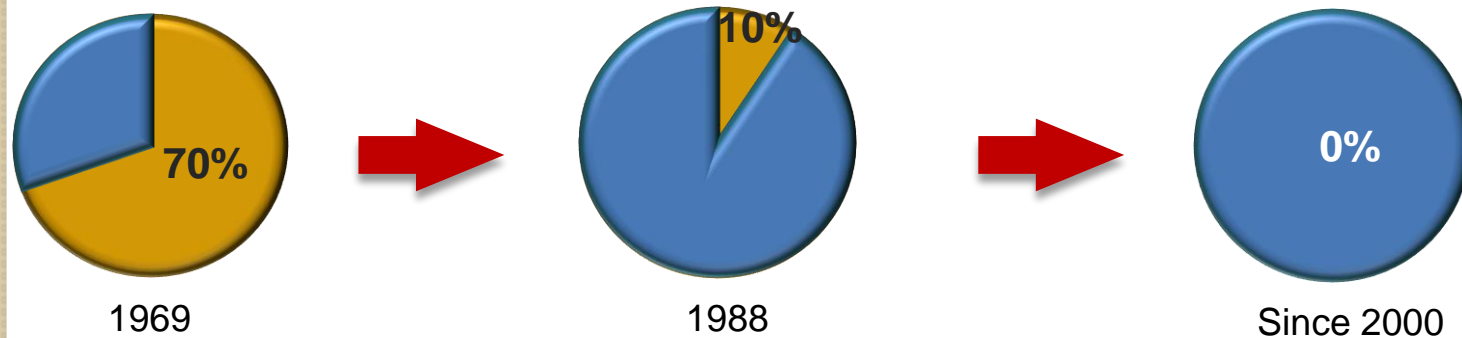


► Lemona (vitamin supplement) ad by Kyung Nam Pharm. with Su-hyeon Kim (celebrity actor)

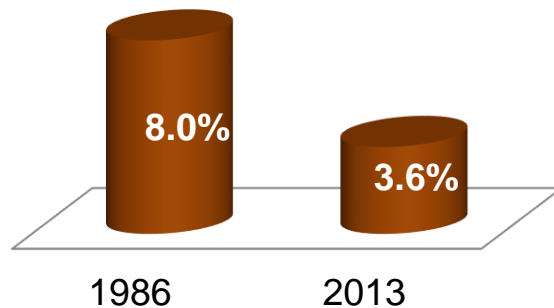
# Changes in Pharmaceutical Ads in Korea

The pharmaceutical industry, which took up the largest share in the ad market in the 1960s, began shrinking due to various factors since the 1970s: the government's promotion of heavy industries and regulations on advertising such as prohibition of energy drink ads. In particular, while OTC was allowed for advertising, OTC ads began spiraling downward as well, having a reduced share in the pharmaceutical market since the drug prescription-dispensing separation in 2000.

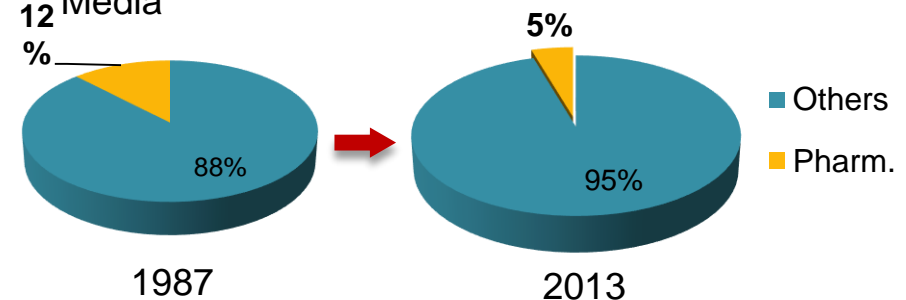
## ■ Number of Pharmaceutical Companies in Top 10 Advertisers by Year



## ■ Ratio of Ad Cost vs. Revenue of Top 20 Pharmaceutical Companies



## ■ Ratio of Pharmaceutical Ad Cost on Four Media



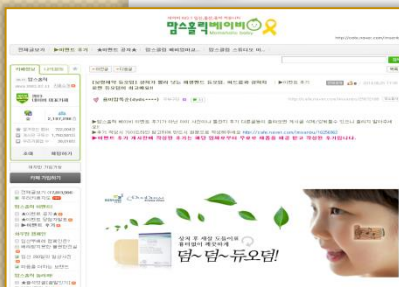
• Source: Advertising Yearbook of Cheil Worldwide

OTC drugs are directly purchased by customers, so the competition for OTC drug advertising is getting tough. Drug advertising is transforming itself: ads on famous blog sites, SNS and portals; ads in webtoons (web comics); and consumer participatory events such as a short film festival.

## Self-medication

Consumers who create information voluntarily, accept information selectively, and select media actively.

### On-line



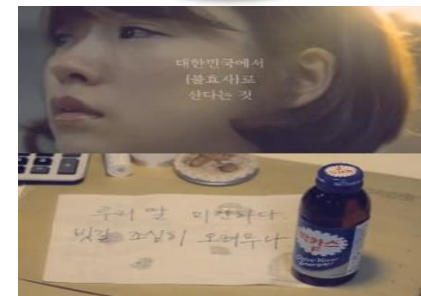
► DuoDERM (wound dressing) of Boryung Pharm. – a nursing blog site with 2 million subscribers

### New platform



► Fucidin (ointment) of Dongwha Pharm. – a Naver (Korea's largest portal) webtoon ad on

### Participation

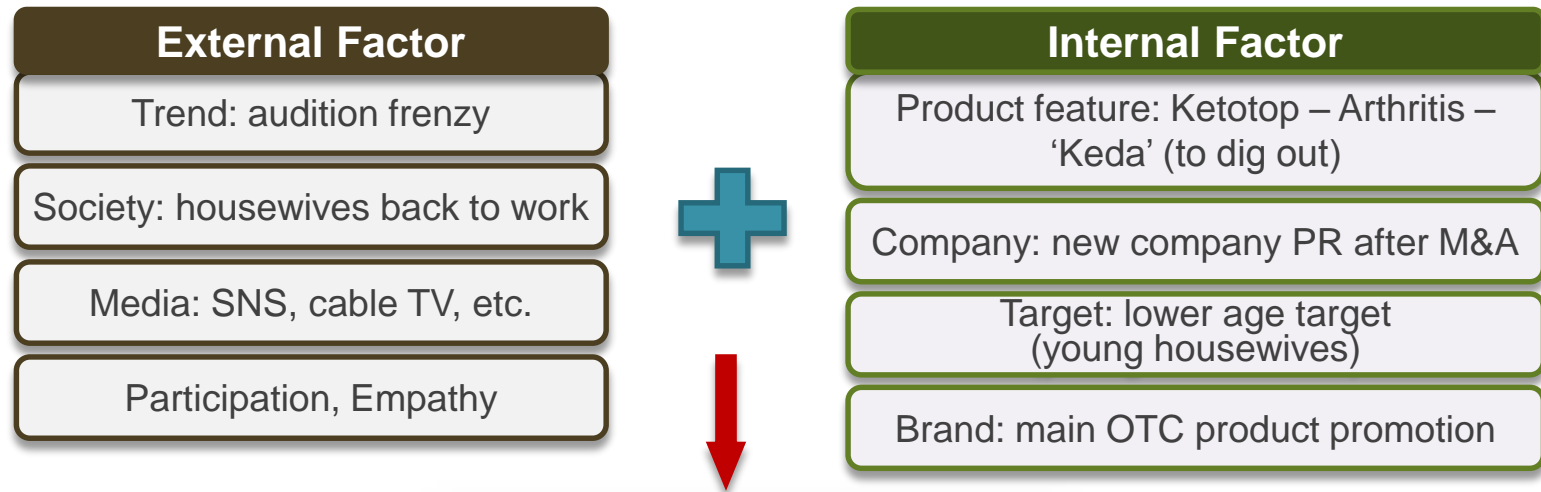


► Bacchus (energy drink) of Dong-A Pharm. – TV commercials with winning entries of a 29sec film festival



## Example of Drug Advertising: Ketotop of Handok Pharm.

Executed trans-brand strategies considering internal and external factors such as media, target, product features and trends.



# The Present of Pharmaceutical Ads in Korea

## Example of Drug Advertising: Ketotop of Handok Pharm.

Encouraged the target group (young housewives) to participate in the audition via SNS and received over 600 applicants based on storytelling ⇒ Selected the finalists through online voting and aired the live show on cable TV ⇒ The winners (housewives aged 48, 37 and 36) acting in TV commercials for Ketotop.



Song: Just look up at the sky with my wet hands.  
Times that have buried me are flying like a sigh.  
Let's dig out ('kera')! Let's dig out your youthfulness.

Narrator: Ketotop will dig out arthritis and muscle pain to help you dig out your dream. Dig out dreams – Handok Ketotop.

Subtitle: 'Dig Out Your Dream Audition' with Handok Ketotop is waiting for women aged 35 or over who have kept the dream of being a singer



## Models in terrestrial TV commercials



# The Prior Review System for Pharmaceutical Ads in Korea

In Korea, mass advertising of OTC drugs is permitted, while that of ETC drugs and raw materials is banned. Pharmaceutical ads are required to go through prior review since 1993, and the Pharmaceutical Ad Review Board of KPMA is commissioned by the Food and Drug Safety Ministry to review the ads

## ■ Composition and Operation of the Review Board (Rules on Drug Safety – Article 83)

- 10-20 board members (Currently 13 members. A 1-year term. Members from non-pharmaceutical fields allowed for consecutive terms, while members from pharmaceuticals are not.)
  - 5 members from pharmaceuticals subject to advertising review (4 locals & 1 multinational)
  - 8 external members recommended by pharmaceuticals-related associations and organizations (doctors' association, bar association, pharmacists' association, communication association, journalism association, pharmaceutical society, broadcasters' association, consumer groups, women's orgs)
- The chairperson is elected by the board members among those recommended by external groups.

## ■ Process



<http://ad.kpma.or.kr>

Fee: 66,000 KRW  
(VAT included)

# The Prior Review System for Pharmaceutical Ads in Korea

## ■ Ad Review Status by Media

(Unit: review count)

Year	2009	2010	2011	2012	2013	2014.6	Total
Print	502	628	682	886	908	631	4,237
Broadcasting	339	362	510	421	558	364	2,554
Online	91	142	159	637	711	472	2,212
Total	932	1,132	1,351	1,944	2,177	1,467	9,003

- Rapid increase in the number of online review
- Preference of multimedia including TV and online

## ■ Ad Review Result

(Unit: review count)

Year	2009	2010	2011	2012	2013	2014.6	Total
Review Count	932	1,132	1,351	1,944	2,177	1,467	7,536
Judgment	Pass	474	719	917	1,508	1,831	5,449
	Re-review	402	365	404	400	327	1,898
	Fail	56	48	30	36	19	189
Re-review Rate (%)	49.14	36.48	32.12	22.43	15.89	15.61	25.72

- 9,003 reviews from 2009 to 2014.06 (monthly average of 114 reviews)
- Re-review rate (Fix/Re-review + Not Suitable against the Total): 49.1% → 25.7%

# The Prior Review System for Pharmaceutical Ads in Korea

## ■ Major Prohibitions in Drug Advertising (from Rules on Drug Safety)

- ✓ Ads that clearly or apparently slander other products whether true or not
- ✓ Ads that offer giveaways such as rewards and freebies
- ✓ Ads that use its product name in commercial songs or call it repeatedly
- ✓ Ads that could cause misuse or abuse of drugs
- ✓ Ads that use absolute expressions like 'the best' and 'national champion'
- ✓ Ads that compare pre- and post-efficacy of drugs, indicating or implying the result of use
- ✓ Ads for children's drugs in TV programs or printed materials (magazine, etc.) for children





# The Prior Review System for Pharmaceutical Ads in Korea

Korea's prior review system for drug advertising is globally unique, which is very distinctive and powerful regulatory device for drug advertising. Furthermore, critical voices have been raised during parliamentary inspections and by civil organizations, which results in stricter regulations by the Food and Drug Safety Ministry. All this has negative influence on the growth and autonomy of drug advertising.



# Outlook and Challenges of Pharmaceutical Ads in Korea

## More Media Mix

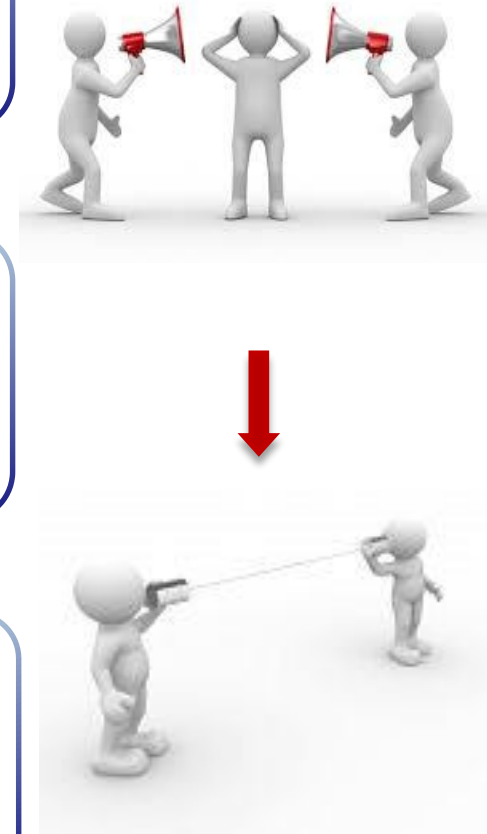
Drug advertising is getting personal and diversified, shifting from mass media to social media. Media mix strategy is expected to spread, which is to share contents, generated by consumers in SNS environments, through mass media.

## Better Communication

Pharmaceutical companies need to keep identifying consumer needs and provide suitable information, instead of just delivering products. Drug advertising will increasingly attempt to share 'value beyond drugs' to maximize empathy for 'the future with pharmaceuticals'.

## Lighter Prior Review System

For the growth of Korea's OTC industry and advertising, more autonomy should be given, instead of a regulatory prior review system rarely seen in other countries, through policy and environmental changes. Now with the development of multi-media and consumers judging information on their own, the review system needs improvement.



Thank you!