

# Korean Liquor Industry & Marketing Board

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## Introduction

The “makgeolli wave” that was formed in Japan has arrived in Korea, the home of the rice wine, and its popularity is increasing in the Korean market. The booming makgeolli market is an absolute source of optimism for Korea’s traditional liquor industry, as the resurrection of makgeolli could open a new renaissance of traditional liquor production. Expectation that the popularity of makgeolli will increase the demand for Korean rice is also significantly stronger.

However, the reality that the Korean traditional liquor industry is facing is not that rosy. On the production side, the number of breweries that produce liquor using locally-produced ingredients is small. Products that are produced from natural ingredients are also just a few. There are even certain products brewed entirely from imported ingredients and flavoured with chemical additives that are sold with shameless claims as “traditional” liquor. On the distribution side, conscientious breweries that make quality products with excellent ingredients are experiencing tremendous difficulties establishing routes for sale.

The comeback of makgeolli is serving as a springboard on which traditional liquor producers can take off again. By taking advantage of this opportunity, traditional liquor breweries should overcome the usual difficulties they have faced in the market. More than anything else, there is a need for innovation in marketing. The limitation in information, organization, and capital for sales should be addressed. The necessity for co-operative partnerships among small-sized traditional breweries is increasing so that they can jointly establish and implement marketing strategies, promote the traditional liquor industry, and facilitate exports of traditional liquor products. One of the tools that can be utilized to achieve the goal is a marketing board.

In other countries, farmers or small-scale agricultural product processing companies generally create marketing boards as a means to generate strong marketing power. A marketing board is an excellent tool that agriculture-based business owners, who can hardly control their production and have weak capital and organizational power, to overcome their marketing weakness and achieve a marketing effect as great as that of large corporations.

Some argue that the National Agricultural Cooperative Federation (NACF) should be expanded to include rural residents while retaining its identity as a producer co-op. The argument is that primary regional co-ops at the city or county level should be organized (while NACF is establishing an entity responsible for joint business projects and marketing endeavors), secondary wider-area co-ops should encompass several primary co-ops or farmers who produce same crops. Also, marketing boards specialized in individual crops should be organized as the tertiary, nationwide level for the commercialization and market control of their specialty crops (Kim, G. T. 2009).

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A marketing board is a distribution entity that is related to co-ops, trading orders, and market negotiation associations and is granted comprehensive authority on the production and distribution of its crop of interest. If the Korean traditional liquor industry can effectively use the marketing board system, it will be able to not only overcome their difficulties in the current reality but also have an opportunity to make inroads into overseas markets.

The Korean Ministry for Food, Agriculture, Forestry and Fisheries has started considering a marketing board for traditional liquor and is showing resolution to address the problems with the traditional liquor industry through the marketing board based on the following suggested functions of the marketing board:

- 1) Shift traditional breweries' individual marketing efforts to joint marketing by the marketing board.
- 2) Strengthen the synergic effect of the joint marketing and increase sales.
- 3) Develop the marketing board into a strong organization exclusively in charge of ingredient procurement, production, and sales.
- 4) Issue quality certification, perform joint marketing and promotion, develop representative liquor brands, establish liquor distribution order, share information, and recommend major policies regarding traditional liquor.

This research study defines the concept and structure of marketing boards that fit the reality facing Korea's traditional liquor industry. Based on the definitions, this study suggests a comprehensive strategy to establish efficient marketing boards.

Most of Korea's traditional breweries are minor players in terms of capital and organization, and they produce only a few varieties in small quantities. Their sales largely depend on seasonal demands primarily on traditional holidays. While some products are selected as liquor for the toast during state events attracting media and market attention, such temporary attention hardly contributes to revenues in a stable, long-term manner. Instead, attempts to increase production capacity to meet such short-term jump in demand often cause troubles to the breweries.

Moreover, the ingredients, raw material processing, brewing procedures, and marketing methods are very different from one brewery to another. Quality control is done on the individual brewery level. This situation has not changed for a long time, causing confusion among consumers when they choose traditional liquor as well as damaging the perceived reliability of traditional liquor products.

Other obstacles to the growth of the traditional liquor industry include the lack of benchmark targets in terms of product quality and market development, and the absence of an organization that leads the industry. Of course, associations, organizations, and groups devoted to the promotion of traditional liquor are being formed. However, there is no organization yet that can represent the entire industry or lead the breweries.

It is impossible to address all of the diverse and chronic problems overnight. A marketing board for traditional liquor where the government and traditional liquor makers participate could be a desirable solution to the common problems shared by the traditional liquor industry.

A marketing board for traditional liquor can be a key to open the door of the second renaissance of traditional liquor. To make this become a reality, the aforementioned

factors of competitiveness in the value chain should be systematically secured. The functional roles that a traditional liquor marketing board should play include the following:

- 1) Market support: Joint market development / informational support.
- 2) Strategic support: Cooperative farming / raw material verification / marketing.
- 3) Product support: R&D / quality / facility / management.
- 4) HR support: Talent pool / recruitment / training.

The adoption and operation of a marketing board for traditional liquor must be a litmus test to see if the troubled Korean traditional liquor industry may be revived or not. The first and foremost merit of a marketing board is that it is an organization that aims to address the weaknesses of the overall industry and pursues the shared prosperity for the stakeholders in the traditional liquor industry. There have been no such attempts in Korea's traditional liquor industry so far. Therefore, the establishment and operation of a traditional liquor marketing board could provide an epoch-making turning point for traditional liquor of Korea.

A close look at the success factors of internationally renowned premium liquor products reveals that the union and co-operation of the producers and other related parties are strong and solid. For shared prosperity for the traditional liquor industry of Korea, the industry participants and stakeholders should understand one another and make necessary compromises.

A traditional liquor marketing board is a strong co-operative win-win system backed by legislative support where not only producers but also the government and public organizations participate. No matter how excellent the system is, it cannot be successful without the traditional liquor industry members' awareness of and passion for the system. If the members of the industry leave the old business paradigm which emerged in the gloomy past and actively participate in the marketing board movement with a forward-looking attitude, the marketing board would make significant accomplishments even in very early stages.

## **Conclusions**

Now is a perfect opportunity that cannot be missed to make endeavors to strengthen the basis of traditionalism in the liquor industry and to globalize Korea's traditional liquor. The traditional liquor industry should overcome the consequences of the mistakes it made in the past 100 years by awakening to the reality and through thorough preparation and implementation of correct strategies. The government's resolve and the market condition are all favourable. The problem is the insufficient readiness of traditional liquor producers that are supposed to lead the traditional liquor industry of Korea.