Creating demand for foreign brands in a 'home run' market: tobacco company tactics in South Korea following market liberalisation

Sungkyu Lee,[1] Kelley Lee,[2,3] Chris Holden[4]

[1]Center for Tobacco Control Research and Education, University of California, San Francisco, California, USA
[2]Faculty of Health Sciences, Simon Fraser University, Burnaby, British Columbia, Canada
[3]Centre on Global Change and Health, London School of Hygiene and Tropical Medicine, London, UK
[4]Department of Social Policy and Social Work, University of York, Heslington, York, UK

Correspondence to
Dr Sungkyu Lee, Center for Tobacco Control Research and Education, University of California, San Francisco, 530 Parnassus Avenue, Suite 366, San Francisco, CA 94143, USA; sungkyu.lee@ucsf.edu

Received 22 March 2012
Accepted 10 October 2012
Published Online First 14 November 2012

To cite: Lee S, Lee K, Holden C. *Tob Control* 2014;**23**:e8.

ABSTRACT

Objective To analyse the tactics transnational tobacco companies (TTCs) used to increase market share in South Korea after market liberalisation in 1988, and the subsequent impact of TTCs' activities on the domestic industry and ultimately public health.

Methods Internal tobacco industry documents were searched iteratively and analysed by keyword related to strategies for increasing market share in Korea since liberalisation.

Results Following market liberalisation, TTCs faced entrenched cultural and institutional barriers in Korea which hindered increased sales of cigarette imports. TTCs identified population groups more favourably inclined towards imported brands, developed new distribution channels and used promotional activities targeting these groups. The growth in market share by TTCs suggests that these activities were successful at challenging the Korea Tobacco & Ginseng Corporation (KTGC) monopoly. In response, KTGC shifted to a proactive marketing approach and adopted strategies similar to TTCs. This, in turn, made the Korean market highly competitive. Findings show that, after market liberalisation, there was an upward trend in cigarette consumption and smoking prevalence among the targeted population groups, notably youth and young women.

Conclusions Governments engaging in trade negotiations that may lead to the opening of domestic tobacco markets need a fuller understanding of previous industry activities for expanding into emerging markets as well as how the domestic industry can change accordingly. To protect public health, the adoption of comprehensive tobacco control measures, guided by WHO Framework Convention on Tobacco Control, are needed as part of such negotiations.

INTRODUCTION

During the 1980s, South Korea (hereafter Korea) experienced intense pressure from the US government to liberalise its tobacco market. The USA had a growing trade deficit with Asia, while transnational tobacco companies (TTCs) were attracted to the region's expanding economies, large population and high male cigarette consumption.[1–5] In 1988, the Korean government lifted its longstanding restrictions on cigarette imports. Market liberalisation opened the way for TTCs, such as Philip Morris (PM), British America Tobacco (BAT) and Japan Tobacco International (JTI), to enter a previously closed market dominated by the state monopoly, Korea Tobacco & Ginseng Corporation (KTGC).[6] Subsequently, TTCs and KTGC have competed fiercely for a share of a lucrative market where 67% of adult males smoked.[7]

Analysis of trade and tobacco to date has focused on events leading up to, and immediately after, market liberalisation.[4 8–11] Limited attention has been given to how TTCs act after market access, notably when confronted with continued barriers to increasing market share, as well as how the domestic industry adapts to a more liberalised market. We analyse the strategies used by TTCs in Korea since 1988 to gain market share for foreign brands following trade liberalisation. Previous analyses show market entry is immediately followed by intense and sophisticated advertising and promotional activities.[1 4 11–15] We argue that these activities were particularly important in Korea where brand loyalty was underpinned by strong feelings of nationalism and antiforeign sentiment. Yet, TTCs increased market share from 2.9% in 1988 to 41.7% by 2009.[16] We also examine how this was countered by KTGC (KT&G (Korea Tomorrow and Global) since 2002) which adapted to increased competition by mirroring the marketing and corporate social responsibility (CSR) activities of TTCs. A fuller understanding of the interplay between TTC and KTGC strategies offers important lessons for strengthening tobacco control in other emerging markets.

METHODOLOGY

Tobacco industry documents in the Legacy Tobacco Documents Library were searched iteratively between January 2009 and December 2011 using keywords 'Korea+marketing strategy', 'Korea +advertising strategy', 'Korea+promotion', as well as follow-up terms generated by initial searches, which yielded 1289 documents. After excluding unrelated documents and duplicates, 456 documents were used. Forster's analysis of company documentation using hermeneutics, the theory of interpretation whereby social and historical context is applied to interpret or give meaning to text, was employed. This methodology consisted of 'iteratively reviewing data to construct an account that is coherent, supported by the evidence, and deeply contextualised'.[17 18] Documents were organised by date, company and three subthemes: changing public attitudes; developing distribution channels; and advertising and promotion activities. They were then clustered to identify higher order themes and build a narrative, and triangulated using primary and secondary sources, including industry publications and websites, tobacco control materials, media reports from the National Library of Korea, scholarly journals, policy documents and legislation from the Statutes of the Republic of Korea website. While most documentation was available in English, Korean language sources were translated by one of the authors and corroborated by a second bilingual reader. The three authors corroborated the interpretation of each document to ensure validity and reliability.

RESULTS

Barriers to increasing market share

Ahead of liberalisation, BAT subsidiary Brown & Williamson identified Korea as a 'home run' market, because of its 'very significant volume and share growth opportunity.'[19] Korea was already a sizeable tobacco market, ranked 12th in the world in the mid-1980s, with an annual cigarette consumption of 80–85 billion sticks.[20] High smoking prevalence among adult male subjects (71% in 1985) was a particular attraction, while low prevalence among adult female subjects (8% in 1985) was seen as an opportunity for potential future growth.[15 21]

Despite achieving market access in 1988, TTCs faced three barriers to gaining market share from KTGC. The most significant was strong nationalist and antiforeign feelings among the population, arising from American pressures over trade policy,[15 22 23] but allegedly stoked by KTGC.[24] When foreign brands began to be distributed, boycotts were promoted using references to 'Korea's Opium War' and the US as 'the envoy of death'.[25] Domestic tobacco producers, represented by the Federation of the Tobacco Production Guild, initiated placards stating 'Be proud citizens by using domestic cigarettes'.[26] One high school principal installed a banner on a school which read, 'Those who smoke imported cigarettes are traitors to the country'.[27] Korean print and broadcast media during this period carried daily coverage of antiforeign sentiments towards imported cigarettes.[28 29] A BAT document describes the core messages of this media coverage:

- Imports constitute an 'invasion'.
- Foreign advertising, promotions and sponsorships are unfair, illegal and exaggerated.
- Import tar and nicotine contents are higher than for domestic products and give the impression that imported products are 'unsafe' when compared to domestic products.
- Non-smokers, minors and women are the main targets of foreign companies.
- Smoking Korean cigarettes benefits the country tax-wise at both the national and local levels.[30]

A second barrier was the distribution of foreign brands. Under the 1989 Tobacco Business Act (TBA), retailers selling imported cigarettes required licensing by KTGC. During this period, around 90% of Korean cigarette retailers were 'mom and pop' stores, owned by older Koreans loyal to domestic brands.[31] TTCs argued that this retail distribution system hindered import sales.[31 32]

A third barrier was marketing restrictions under the TBA. Initially, point-of-sale, selected print media, and sponsorship of selected cultural, social and sporting events were allowed. Over time, restrictions increased and TTCs were required to adapt accordingly.

TTCs' tactics for gaining market share

Identifying target population groups

PM conducted market research to identify groups amenable to smoking foreign brands. First, this research identified young adult male smokers (18–24 years) as less nationalistic in their attitudes.[33] Targeting this group was expected to gain PM a foothold in the Korean market, increase visibility and gradually change broader cultural attitudes.[22] Second, PM focused on 'starters', those recently taking up smoking but not yet committed to a specific brand. PM believed this to be 'the prime development target market…to build the import segment in the Korean market'.[34] Female subjects aged 18–24 years were also recognised as an opportunity for growth.[15] Female smoking rates in Korea remained low and changing cultural attitudes were recognised as a key opportunity.[34]

Developing new distribution channels and cooperative relationships with retailers

TTCs recognised that the distribution channels to reach their targeted populations needed improvement. An opportunity to do so emerged when independently-owned 'mom and pop' stores began to give way to franchised convenience stores in response to changing consumer preference. TTCs sought to develop cooperative relationships with convenience stores to increase distribution and visibility of their brands.[31 32] For example, TTCs delivered stock more often to reduce shop inventory costs, and paid 10% of total sales to retailers (compared with 9% by KTGC).[25] TTCs offered storeowners gifts for stocking their brands, such as lighters which could be sold for additional income. As one BAT document stated, this tactic 'was almost required for import manufacturers…to keep distribution'.[31]

TTCs also invested heavily in vending machines to improve distribution. While KTGC made little use of such machines before 1989, RJ Reynolds (RJR) and PM installed 3000 and 4000 machines respectively in Seoul and other cities to gain a number of advantages.[35] First, they made foreign brands more accessible to targeted population groups, notably young female subjects who could find it socially awkward to buy from retail shops. Second, amid restrictions on most tobacco marketing and advertising, vending machines allowed point-of-sale advertising. With no regulations on vending machines until 1993, such advertising could be displayed where young people congregated such as entertainment venues and shopping areas.[36]

Circumventing marketing restrictions

Under the TBA, tobacco advertising was permitted in a given magazine once per week to a maximum of 120 magazine insertions per year per brand family.[37] BAT conducted research to understand which magazines matched the target groups for particular brands, with plans to use imported women's magazines translated into Korean, such as *Vogue*, *Elle* and *Marie Claire*, as a 'gateway' to target young women.[38 39]

The TBA also restricted tobacco advertising on billboards and posters except at point-of-sale,[37] although this was poorly enforced. Following market liberalisation, TTC advertising quickly covered busy streets in large cities. The best example is Seoul's 'Daehak-Ro' (University Road), a well-known gathering point for young people, which RJR assessed as the key location to introduce its leading brand *Salem*. After large numbers of branded signs and sunshades were installed, the street became known as 'Salem Street'.[25]

Promotion of tobacco products, through free samples and special gifts, competitions or discounts, was only permitted through retail outlets under the TBA.[37] Documents describe TTCs extending promotion to other venues such as bars, night clubs and coffee shops, where target groups gathered.[36] For example, Brown & Williamson promoted *Finesse* in coffee shops where young females gathered,[40] and initiated 'night life campaigns' in bars and clubs to promote *Kent* among young adults.[41] While unlicensed by KTGC to sell cigarettes directly,[37] these venues purchased stock from licensed retailers for resale to customers on site. TTCs saw this as an opportunity to distribute free samples and to develop 'underground dealers' to distribute imported cigarettes.[42] [43] A BAT market report recommended the company 'expand coffee shop and night-life programs to cover all areas in Korea, and continue to lead in these important areas of import segment growth'.[44]

A related tactic was providing free gifts, such as lighters, pens and calculators, to customers buying large quantities.[25] This practise was permitted under the Korean Fair Trade Regulations, which treated cigarettes as a consumer product,[45] for gifts up to 10% of the product's retail price.[45] However, documents describe TTCs offering gifts in excess of this limit.[40] [46] For example, RJR provided cigarette lighters worth 2400 won (US$2.40) to purchasers of *More* ten-packs costing 10 000 won (US$10).[47]

CSR to overcome cultural barriers

The 1995 National Health Promotion Act (NHPA) prohibited cigarette sales to youth and regulated vending machine locations.[48] In 2001 the TBA was significantly amended following the privatisation of KTGC. KTGC's manufacturing monopoly was abolished, and its influence over tobacco leaf cultivation and cigarette sales/distribution was eliminated.[49] Stronger tobacco control measures were also adopted during this period, with the Korean market described as becoming 'darker'.[50] [51] Promotional materials could not be distributed outside retail outlets, and the limit on magazine advertisements per brand was reduced from 120 to 60 per year.[52]

In other so-called 'dark markets', TTCs met stronger regulation with the initiation of CSR campaigns.[53–55] For example, in 1999 PM donated dozens of refrigerated vans with the PM logo to deliver fresh food to the poor with the catchphrase 'Philip Morris delivers love', in partnership with Korea's largest charity, Community Chest of Korea. Similarly, BAT Korea worked with community groups to help disabled people, winning an award in 2007 from the Mayor of Naju City.[56] As elsewhere[57–59] youth smoking prevention programmes were a key part of PM Korea's CSR efforts , focusing on encouraging convenience store owners not to sell cigarettes to under 19s (as stipulated by the NHPA).[60] BAT Korea conducted the 'I love I' youth smoking prevention campaign, and created a BAT Leadership Academy for college students.[61] In 2003, BAT Korea published its first social report 'against a background of increasing efforts to introduce tobacco related regulation'.[62]

Along with CSR activities, PM Korea and BAT Korea initiated the so-called 'below-the-line' tactics to improve sales. Both companies paid a 'listing fee' of a few million won (a few thousand US dollars), on a monthly or yearly basis, to convenience stores to place their brands in eye-catching spots, despite the TBA prohibiting payments to cigarette retailers.[63] TTCs also sponsored private parties for young people, with invitations given to current or potential consumers of the companies' products, and those with personal links with party organisers. Although the companies officially denied sponsorship of these parties, a newspaper interview with a party organiser reported that tobacco companies support all or half of the costs for parties, and use them as a chance to advertise their brands to attendees.[63]

Response of KTGC to market liberalisation

Initiation of marketing strategy to compete with TTCs

A RJR document describes the Korean market before liberalisation as follows: 'there was no advertising or very limited in the case of Korea because the government monopoly didn't need to advertise'.[64] However, following TTCs' market access in 1988, KTGC's own marketing activities dramatically increased.

From the early 1990s, Korean nationalism, which initially hindered TTCs' sales, began to weaken, leading to an increased desire for better quality (often imported) products. A 1993 PM document describes a downward trend in nationalist attitudes among Koreans towards foreign cigarette brands, from 85% in 1991 to 78% in 1993.[65] Furthermore, the higher price of TTC brands became less of a problem amid rapid economic development. A PM General Consumer Tracking Study found that the opinion—'Imported cigarettes are too expensive'—among Korean smokers significantly decreased from 61% in 1991 to 28% by 1993.[65] This change can be explained by the falling price of imported cigarettes after liberalisation, and higher incomes among Koreans.

During this early phase of liberalisation, when KTGC had little experience of market competition, it focused on thwarting TTCs' activities by using its remaining monopoly power. A RJR document describes how KTGC allegedly behaved:

> [KTGC] personnel tore down, defaced, and covered point-of-sale posters, shop signs, and awnings of importers…Threats were made against retailers regarding license renewal if they continued to allow import point-of-sale (POS) materials at their establishments.[20]

A 1989 PM document also claimed:

> The Monopoly [KTGC] has also appealed to retailers' sense of national pride, by claiming that they are hurting local farmers through the sale of imported cigarettes. The Monopoly has supported the efforts of its union to discourage the public from purchasing imported cigarettes.[66]

These tactics continued into the mid-1990s[24] when proposed measures to strengthen tobacco control led to closer industry cooperation. Rapid changes to the market environment and the attitudes of Koreans also prompted the company to increasingly compete on product grounds. Thus, KTGC moved quickly to preserve customer loyalty by developing and upgrading products to protect itself from losing market share. First, KTGC developed new products of comparable quality to compete with TTCs' leading products, notably *Mild Seven*, *Virginia Slims*, *Marlboro*, *Finesse*, *Kent*, *Vantage* and *Yves St. Laurent*, which together accounted for around 89% of import sales.[32] Second, in response to TTCs' targeting of female population with brands like *Finesse*, KTGC developed new brands such as *Lilac*, *Jade* and *Rose*.[67] Third, a PM document predicted that 'KTGC's interest in co-operating with a competitor, to gain either international trademarks or advanced technology, is likely to increase as imports penetrate further into the market'.[68] As predicted, KTGC sought joint development of new products with foreign companies, such as JTI, from 2000.[69]

Privatisation and reimaging of KTGC

Upon privatisation in 2002, the newly named KT&G intensified its competitive efforts. As PM Korea and BAT Korea gained market share, KT&G applied similar tactics to TTCs in the form of below-the-line and CSR activities. The latter, in particular, have been important for promoting the company's positive image.

One tactic used by KT&G for this purpose has been to use print and broadcast media. Under the 1995 NHPA, marketing, advertising and promotion of tobacco products through the media became more restricted. KT&G responded by promoting the company itself, rather than its products, as socially-responsible and youth-oriented. By employing celebrities in its advertising campaigns, the company sought to increase awareness and positive associations of its new name. This continued until 2007 when tobacco control advocates raised concerns about KT&G's use of the media in this way.[70]

KT&G's below-the-line activities included providing retailers with subsidies, prohibited under the TBA, in an attempt to build preferential relationships.[71] KT&G also provided heavily branded facilities for smokers at retail outlets such as motorway services (figure 1). In return, the company secured the right to sell its brands exclusively to motorway service users.[72] In June 2008, KT&G was fined around US$100 000 by the Fair Trade Commission for these tactics.[71 73]

From the mid-2000s, KT&G also engaged heavily in CSR activities. KT&G launched its CSR activities in earnest in 2003 by establishing the KT&G Welfare Foundation focused on four main areas: social welfare (eg, financial support to non-government organisations); social responsibility (eg, youth smoking prevention programme); social value creation (eg, educating and giving financial support to college students); and environment protection (eg, developing better technology for tobacco farming to protect the environment). While PM Korea and BAT Korea spent no more than 0.01% of their cigarette sales in Korea on such activities in 2009,[74] KT&G spent more than 1% in both the domestic and international markets on CSR activities.[74]

Public health implications of market liberalisation

From 1981 to 1986, total cigarette consumption increased on average by 1.4%. After liberalisation, between 1987 and 1993, consumption significantly increased by 5.1% on average (table 1). Total cigarette sales by volume also increased sharply (around 25%), from 81.4 billion in 1991 to 101.7 billion sticks in 1992.[31 75] Since 1994, cigarette consumption has fluctuated, which seems to be related to the government's cigarette tax policy, as well as a decrease in tobacco use among older people. Importantly, TTCs and KTGC's activities targeted younger populations for which smoking prevalence has not declined and, in some age groups, has increased.[76 77]

The comparison of market share between domestic and imported brands represents how the marketing activities of TTCs influenced tobacco use in Korea (table 1). Excluding a substantial decrease of 54.6% in 1998, due to the Asian economic crisis, TTCs achieved increased sales almost every year. Furthermore, market competition between TTCs and KTGC appears to have turned Korean smokers into heavier smokers. The rise in total cigarette consumption after liberalisation might be explained by a proportionate growth in the number of smokers amid population growth in Korea from 38 to 47 million between 1980 and 2000.[78] However, per capita cigarette consumption also steadily increased, suggesting that volume increases were due to smokers consuming 200 cigarettes per capita on average more by 1999 (table 1).

The limited data on smoking prevalence among Korean 16–18-year-olds suggest that market liberalisation, and subsequent tobacco industry activities, might have had the greatest impact on this age group (table 2). Among Korean youths, in principle those legally protected from tobacco marketing, 23% of male subjects aged 16–18 years smoked in 1988. This rate increased to 32% in 1991 after market liberalisation, peaking at 35.3% in 1997.[21] The smoking rate of female subjects aged 16–18 years increased from 2.4% in 1991 to 10.7% by 2000.[21]

Figure 1 KT&G logoed sun shades and ashtrays are installed in one of Korea's motorway service stations. The photo was taken by Bok Kun Lee, the secretary general of Youth No Smoking and Alcohol Association. KT&G, Korea Tomorrow and Global.

DISCUSSION

This paper analyses the varied tactics that TTCs used to stimulate demand for their brands in Korea following market liberalisation. Previous studies of Asia focus on barriers to market access which TTCs have overcome by exerting pressure through trade negotiations, establishing joint ventures and other investments, and cigarette smuggling.[8 79–81] In Korea, after TTCs gained market access in 1988, significant cultural and institutional barriers remained. KTGC's dominance of the market posed continued barriers. Both PM Korea and BAT Korea initiated aggressive and below-the-line marketing tactics, established new distribution channels and launched wide-ranging CSR initiatives. This was especially notable given that this was achieved during a period of strengthening tobacco control measures in Korea. The introduction of the NHPA in 1995 and subsequent revisions, and the revision of the TBA in 2001, were intended to create a tougher regulatory environment for the tobacco industry in Korea. Nevertheless, the increase in market share held by TTCs over time suggests that their strategies were successful. By 1995, TTCs held almost 13% of market share, rising to 27% by 2005 (table 1). By 2012, TTCs held 43% of the Korean market, with PM holding the largest share among TTCs at 17%.[82]

The findings of this paper raise important implications for tobacco control in Korea and globally. First, this analysis shows that tobacco control measures require ongoing adaptation after liberalisation of tobacco markets to remain effective. As well as anticipating increased competition between domestic and TTCs, regulators must recognise that companies will employ new tactics and activities that seek to exploit non-enforcement, ambiguities or gaps in existing measures.

Second, the tobacco industry in Korea has been regulated by two sets of regulations which reflect a tension between economic and public health policy goals. The TBA, under the Ministry of Finance, and the NHPA, under the jurisdiction of the Ministry of Health, represent potential conflicts in how the industry should be regulated. While the TBA supports the industry as a financially important and profitable sector, the NHPA seeks to minimise its harmful public health effects and, ultimately, reduce tobacco consumption. The Korean government continues to demonstrate a duality in its approach to the regulation of the tobacco industry, seeking to reconcile perceived economic benefits with its public health costs. This compromise

Table 1 Total cigarette consumption, cigarette consumption of domestic and imported brands, and per capita cigarette consumption from 1981 to 2007 in South Korea

Year	Total consumption (million)	Variation (%)	Domestic cigarette consumption (million)	Variation (%)	Imported cigarette consumption (million)	Variation (%)	Per capita consumption (number of cigarettes)	Variation (%)	Key event
1981	73 112						1888		
1982	73 986	1.2					1882	−0.3	
1983	74 751	1.0					1873	−0.5	
1984	76 575	2.4					1895	1.2	
1985	77 557	1.3					1901	0.3	
1986	78 303	1.0					1900	0.0	Limited market liberalisation with import quotas
1987	81 712	4.4					1964	3.4	
1988	87 329	6.9					1873	−4.6	Completed market liberalisation
1989	92 133	5.6					1895	1.2	
1990	95 475	3.6	91 274	3.9	4201	−0.8	1901	0.3	
1991	98 235	2.9	93 323	2.2	4912	16.9	1900	0.0	
1992	101 438	3.3	95 960	2.8	5478	11.5	1964	3.4	
1993	105 337	3.8	98 384	2.5	6953	26.9	2405	22.5	
1994	96 140	−8.7	87 581	−11.0	8559	23.1	2163	−10.1	First cigarette tax increase (120 won per pack)
1995	97 348	1.3	84 877	−3.1	12 471	45.7	2230	3.1	The National Health Promotion Act was enacted
1996	102 738	5.5	91 299	7.6	11 439	−8.3	2342	5.0	Cigarette tax increase (164 won per pack)
1997	99 668	−3.0	88 069	−3.5	11 599	1.4	2271	−3.0	Cigarette tax increase (two won per pack)
1998	106 550	6.9	101 289	15.0	5261	−54.6	2303	1.4	
1999	95 670	−10.0	89 457	−11.7	6213	18.1	2052	−10.9	
2000	104 945	10.0	95 076	6.3	9869	58.8			
2001	98 917	−5.7	83 416	−12.3	15 501	57.1			Cigarette tax increase (121 won per pack)
2002	91 956	−7.0	72 486	−13.1	19 470	25.6			Cigarette tax increase (158 won per pack)
2003	96 925	5.4	74 386	2.6	22 540	15.8			
2004	106 511	10.0	82 305	10.7	24 207	7.4			
2005	82 322	−22.7	60 072	−17.0	22 250	−8.1			Cigarette tax increase (409 won per pack)
2006	87 724	6.6	62 587	4.2	25 137	13.0			
2007	91 855	4.7	63 582	1.6	28 273	12.5			

Source: Kim[83] and Ann[84].
Cigarette consumption describes official trade figures.
The decrease of consumption in 1998 was due to Asian economic crisis which led to significant outflows of foreign capital.
1000 won=US$1.

falls short of the strong and comprehensive approach to tobacco control stipulated for State Parties under WHO Framework Convention on Tobacco Control (FCTC). The result is a regulatory space left open for TTCs and KT&G to fiercely compete for market share, especially targeting youth and young female populations. This is well-illustrated by the sharp increase in CSR activities by TTCs and KT&G (KTGC's new name after privatisation in 2002) in Korea which is intended to improve public perceptions of the industry and maintain this regulatory ambiguity.[53–55] KT&G's expenditure on CSR increased from US$50.7 million in 2007 to US$62.6 million in 2009.[85] The growth of such activities require particular attention given the requirements of Article 13 and 5.3 of the FCTC to ban all forms of sponsorship and CSR activities by tobacco companies.[86] Enforcement of these articles will need to take account of KT&G's simultaneous involvement in health-related businesses, notably pharmaceuticals and biotechnology, given that it remains best known for tobacco.

Third, the response by KT&G to increased competition from TTCs took place amid globalisation of the tobacco industry. Prior to market liberalisation, KT&G dominated the Korean market and did not need to engage in substantial marketing

Table 2 Smoking prevalence among Korean youths by gender and age

Gender	Year	High school students (%)		
		16 years	17 years	18 years
Male	1988	9.5	19.1	40.4
	1989	17.3	26.8	50.0
	1991	14.3	38.2	44.8
	1993	13.6	24.9	40.2
	1995	15.2	30.3	33.2
	1997	21.6	41.0	41.6
	1999	24.7	31.1	41.0
	2000	19.9	29.8	37.9
	2001	10.1	32.6	29.6
	2002	15.8	24.2	30.2
	2003	21.4	20.0	25.2
	2004	10.8	17.3	21.5
	2005	12.6	22.1	13.2
	2006	18.1	21.9	22.4
	2007	19.1	15.3	13.3
	2008	15.9	21.0	17.8
Female	1991	1.3	1.9	4.3
	1993	1.2	2.7	2.6
	1995	3.8	5.1	5.6
	1997	9.9	7.2	7.3
	1999	10.5	7.4	5.3
	2000	12.2	10.0	10.5
	2001	9.6	6.1	7.3
	2002	8.5	9.6	3.5
	2003	6.8	7.6	5.3
	2004	9.2	8.5	4.9
	2005	5.2	8.1	5.9
	2006	6.3	4.7	4.8
	2007	6.6	3.9	5.4
	2008	3.3	4.5	2.6

Source: Korean Association of Smoking or Health.[89]
Standardised to 1988 population.

activities. The aggressive marketing environment created by intense competition, and the public health consequences, is a situation well-described in other emerging markets.[87 88] The transformation of KT&G, from a protected publicly-owned domestic monopoly to a privatised company facing fierce competition from TTCs, may herald the rise of a new TTC. As reflected in its change of company name, to 'Korea Tomorrow and Global', corporate executives recognise that the company's future now lies beyond its domestic origins. KT&G now faces pressures to find its own emerging markets to compensate for loss of domestic market share. Like BAT, PM and JTI decades before, the Korean company has begun to expand exports (especially to Eastern Europe and the Middle East), establish subsidiaries in target markets to produce its brands locally (eg, Turkey) and acquire other tobacco companies (eg, KT&G competed with PM for a controlling stake in Sampoerna, Indonesia's largest tobacco company) The impact of market liberalisation, not only on domestic tobacco markets, but on the creation of new TTCs, requires closer attention in future research.

CONCLUSIONS

The continued liberalisation of tobacco markets worldwide, prompted by regional and bilateral trade agreements, remains a key driver in the ongoing globalisation of the tobacco industry. Understanding of the earlier waves of liberalisation, such as the opening of Asian markets from the 1980s, remains relevant to countries facing similar pressures today. Much can be learned about the need to enforce comprehensive tobacco control measures stipulated under the FCTC prior to market liberalisation, and to remain vigilant to the changing tactics and strategies of tobacco companies as they adapt to competition. Importantly, the findings from this paper show that such changes to domestic markets, in turn, have an impact on the globalisation of the tobacco industry. KT&G, like the China National Tobacco Corporation and Eastern Corporation in Egypt, will likely turn to growing new markets abroad, prompted to become TTCs in their own right as a result of market liberalisation. This new process of emerging TTCs will unfold over coming decades and will require far greater understanding of the dual and dynamic relationship between globalisation and the tobacco industry.

What is already known?

The varied strategies used by transnational tobacco companies, such as joint venture agreements, foreign direct investment and smuggling, to gain footholds in closed markets is now well-documented. Pressure exerted through trade negotiations to open such markets, especially in Asia, has also been well-described. Increases in smoking prevalence and cigarette consumption, with the development of more competitive markets, have been observed.

What does this study add?

- How transnational tobacco companies (TTCs) respond to continued barriers to build market share after gaining market access, and how their strategies impact on the domestic tobacco industry, has been given limited attention to date.
- This paper shows that market liberalisation is only one aspect of the changing strategies used by TTCs expanding into emerging markets.
- This paper undertakes the first industry document-based analysis of TTCs' strategies in South Korea to overcome cultural and institutional barriers against imported brands after market liberalisation. It analyses how these strategies influenced the behaviour of domestic tobacco company which, in turn, led to further adaptation by TTCs.
- The findings have important implications for governments seeking to protect public health through tobacco control policies during market liberalisation and from the ongoing strategies used by transnational and domestic tobacco companies competing for market share.

Contributors SL, KL and CH conceived the core ideas of the study and agreed on the key focus and methodology. SL collected the data and prepared the initial draft of the manuscript. KL revised the manuscript and reviewed it for final submission. CH reviewed each of the drafts and corroborated the analysis.

Funding This research was funded in part by the National Cancer Institute, US National Institutes of Health, Grant No. CA-091021. The funder played no role in the decision to submit the article or in its preparation.

Competing interests None.

Provenance and peer review Not commissioned; externally peer reviewed.

Data sharing statement All tobacco industry documents are freely available at http://www.legacy.library.ucsf.edu/

REFERENCES

1 Wen CP, Cheng TY, Eriksen MP, *et al*. The impact of the cigarette market opening in Taiwan. *Tob Control* 2005;14(Suppl 1):i4–9.

2 Callard C, Chitanondh H, Weissman R. Why trade and investment liberalisation may threaten effective tobacco control efforts. *Tob Control* 2001;10:68–70.
3 Chitanondh H. *Defeat in trade victory in ealth*. Bangkok: Thailand Health Promotion Institute, 2001.
4 Lambert A, Sargent JD, Glantz SA, *et al*. How Philip Morris unlocked the Japanese cigarette market: lessons for global tobacco control. *Tob Control* 2004;13:379–87.
5 Vateesatokit P. Tailoring tobacco control efforts to the country: the example of Thailand. In: Beyer JD, Brigden LW. eds*Tobacco control policy: strategies, successes and setbacks*. Washington DC: World Bank, 2003:154–79.
6 Lee S. *The tobacco industry in South Korea since market liberalisation: implications for strengthening tobacco control. [Ph.D.]*. London: London School of Hygiene and Tropical Medicine, 2011.
7 US Cigarette Export Association. Global Tobacco Trade, U.S. Policy and American Cigarettes. 1989. RJ Reynolds. Bates No. 507610616/0682. http://legacy.library.ucsf.edu/tid/dvg24d00 (accessed 12 Mar 2009).
8 Lee K, Kinh HV, Mackenzie R, *et al*. Gaining access to Vietnam's cigarette market: British American Tobacco's strategy to enter 'a huge market which will become enormous'. *Glob Public Health* 2008;3:1–25.
9 Holden C, Lee K, Gilmore A, *et al*. Trade policy, health and corporate influence: British American Tobacco and China's accession to the World Trade Organization. *Int J Health Serv* 2010;40:421–41.
10 Lee K, Collin J. "Key to the future": British American tobacco and cigarette smuggling in China. *PLoS Med* 2006;3:e228.
11 Lee K, Gilmore AB, Collin J. Breaking and re-entering: British American Tobacco in China 1979–2000. *Tob Control* 2004;13(Suppl 2):ii88–95.
12 Shepherd P. Transnational corporations and the international cigarette industry. In: Newfarmer R. ed*Profits, progress and poverty: case studies of international industries in Latin America*. Indiana: University of Notre Dame Press Notre Dame, 1985.
13 MacKenzie R, Collin J, Sriwongcharoen K. Thailand-lighting up a dark market: British American Tobacco, sports sponsorship and the circumvention of legislation. *J Epidemiol Community Health* 2007;61:28–33.
14 Lawrence S, Collin J. Competing with kreteks: transnational tobacco companies, globalisation, and Indonesia. *Tob Control* 2004;13:96–103.
15 Lee K, Carpenter C, Challa C, *et al*. The strategic targeting of females by transnational tobacco companies in South Korea following trade liberalisation. *Global Health* 2009;5:1–10.
16 Oh SH. *KT&G chases Dunhill and Marlboro by selling other foreign brand*. Seoul: Hankook Economy, 2011.
17 Forster N. The analysis of company documentation. In: Cassell C, Symon G. eds*Qualitative methods in organisational research*. London: Sage Publications, 1994,147–166.
18 Anderson SJ, Dewhirst T, Ling PM. Every document and picture tells a story: using internal corporate document reviews, semiotics, and content analysis to assess tobacco advertising. *Tob Control* 2006;15:254–61.
19 Olges T. Seelbach Operating Planning Meeting. 01 Jul 1987. Brown & Williamson. Bates No. 620213343/3350. http://legacy.library.ucsf.edu/tid/jlx83f00 (accessed 12 May 2009).
20 RJ Reynolds International. R. J. Reynolds' Response to GAO Letter of November 20, 1989 (891120). Questions 1 & 2—Chronology of Attempts by R. J. Reynolds Tobacco International to Open Restricted Asian Markets and Representational Activities. 20 Nov 1989. RJ Reynolds. Bates No. 507619357/9378. http://legacy.library.ucsf.edu/tid/lcg24d00 (accessed 8 Jan 2009).
21 Korean Association of Smoking or Health, Gallop Korea Report of actual smoking rates in South Korea. Seoul, 2007.
22 [Philip Morris]. Marlboro Red Situation Analysis (Korea). Sep 1989. Philip Morris. Bates No. 2504026063/6072. http://legacy.library.ucsf.edu/tid/aqq19e00 (accessed 24 May 2009).
23 [Philip Morris]. Business Plan Samyang Int'l Co., Ltd. Jan 1988. Philip Morris. Bates No. 2504048347/8409. http://legacy.library.ucsf.edu/tid/amv19e00 (accessed 11 Mar 2009).
24 Chun TK. Corporate Affairs Presentation to Executive Vice President - External Affairs and General Counsel Murray H. Bring 961009 Hong Kong. 9 Oct 1996. Philip Morris. Bates No. 2074189027/9054. http://legacy.library.ucsf.edu/tid/jef52c00 (accessed 24 Jul 2009).
25 [British American Tobacco]. Foreign Cigarette Smoke Covers the Whole Nation. 15 Feb 1992. British American Tobacco. Bates No. 600503056/9. http://legacy.library.ucsf.edu/tid/mfj43a99 (accessed 10 Mar 2009).
26 Chosun-Ilbo. *Do not smoke foreign cigarettes*. Seoul: Chosun-Ilbo, 1986.
27 Chosun-Ilbo. *Those who smoke imported cigarettes are traitors to the country*. Seoul: Chosun-Ilbo, 1986.
28 Hankook-Ilbo. *Now is the time to smoke our cigarettes*. Seoul: Hankook-Ilbo, 1986.
29 Daegumail Shinmoon. *Do not smoke imported cigarettes*. Daegu: Daegumail Shinmoon, 1986.
30 [British American Tobacco]. Current Issues in Korea. British American Tobacco. Bates No. 600501434/8. http://legacy.library.ucsf.edu/tid/jcm18a99 (accessed 5 May 2009).
31 [British American Tobacco]. Korea. Apr 1993. British American Tobacco. Bates No. 500059543/55. http://legacy.library.ucsf.edu/tid/qox08a99 (accessed 5 May 2009).
32 [British American Tobacco]. Republic of Korea - Imports Picking up Market Shares. British American Tobacco. Bates No. 500224594/609. http://legacy.library.ucsf.edu/tid/yqm33a99 (accessed 5 May 2009).
33 [Philip Morris]. Marketing Research Project Proposal. 16 Feb 1994. Philip Morris. Bates No. 2504033476/3478. http://legacy.library.ucsf.edu/tid/sca42e00 (accessed 5 May 2009).
34 [Philip Morris]. Korean Cigarette Market Study. Sep 1990. Philip Morris. Bates No. 2504034023/55. http://legacy.library.ucsf.edu/tid/bda42e00 (accessed 5 May 2009).
35 Song Y. *The impact after tobacco market opening in Korea [Ph.D.]*. Seoul: Yeonsei University, 2009.
36 Pritchard RJ. Letter from RJ Pritchard to Patrick Sheehy regarding enclosed B&W International Management Letter for November 1989. 20 Dec 1989. British American Tobacco. Bates No. 201772853/62. http://legacy.library.ucsf.edu/tid/avo20a99 (accessed 20 July 2009).
37 Ministry of Finance. *Tobacco business act*. Seoul: Ministry of Finance, Republic of Korea, 1989.
38 Pha KP, Thompson K, Harrison R. 1997 General Consumer Survey: Korea - Female Sample. 26 May 1998. Brown & Williamson. Bates No. 210243698/3942. http://legacy.library.ucsf.edu/tid/ygp12d00 (accessed 20 July 2009).
39 Hong H. *Clever promotion and marketing of imported cigarettes*. Seoul: Dong-A Ilbo, 1990.
40 [Philip Morris]. Virginia Slims Below-the-Line Programs Update Hong Kong Taiwan Japan Korea. Aug 1990. Philip Morris. Bates No. 2500152276/2329. http://legacy.library.ucsf.edu/tid/sfn19e00 (accessed 3 Aug 2009).
41 [Brown & Williamson]. Brown & Williamson Tobacco Corporation 1996–1998 Plan. 1996. Brown & Williamson. Bates No. 482303783/3858. http://legacy.library.ucsf.edu/tid/gdw12d00 (accessed 3 Aug 2009).
42 Clutterbuck JF. Korea. 22 Nov 1991. British American Tobacco. Bates No. 600501202/16. http://legacy.library.ucsf.edu/tid/dam18a99 (accessed 3 Aug 2009).
43 Mendelowitz AI. Advertising and Promoting US Cigarettes in Selected Asian Countries. 31 Dec 1992. British American Tobacco. Bates No. 203114678/758. http://legacy.library.ucsf.edu/tid/eeb96a99 (accessed 3 Aug 2009).
44 Unknown. Korea: Market Overview. No Date 0000. British American Tobacco. Bates No. 800058927-33. http://legacy.library.ucsf.edu/tid/hau50a99 (accessed 3 Aug 2009).
45 [British American Tobacco]. Korea. British American Tobacco. Bates No. 600501416/21. http://legacy.library.ucsf.edu/tid/gcm18a99 (accessed 3 Aug 2009).
46 [Philip Morris]. Parliament Below-the-Line Programs. 1993. Philip Morris. Bates No. 2501222953/3015. http://legacy.library.ucsf.edu/tid/qjs32e00 (accessed 3 Aug 2009).
47 US General Accounting Office. *INTERNATIONAL TRADE advertising and promoting U.S. cigarettes in selected Asian countries*. Washington D.C: General Accounting Office, 1992.
48 Ministry of Health. *National health promotion act*. Seoul: Ministry of Health, Republic of Korea, 1995.
49 Ministry of Finance. *Tobacco business act*. Seoul: Ministry of Finance, Republic of Korea, 2001.
50 Carter SM. New frontier, new power: the retail environment in Australia's dark market. *Tob Control* 2003;12(Suppl III):iii95–101.
51 Carter SM. Going below the line: creating transportable brands for Australia's dark market. *Tob Control* 2003;12(Suppl III):iii87–94.
52 Ministry of Finance. *Tobacco business act enforcement ordinance*. Seoul: Ministry of Finance, Republic of Korea, 2001.
53 International Non-Government Coalition Against Tobacco. The "socially responsible tobacco company" - another misleading descriptor. International Non-Government Coalition Against Tobacco. http://www.ingcat.org/linked%20files/CSRstatement.pdf (accessed 10 Nov 2011).
54 Hirschhorn N. Corporate social responsibility and the tobacco industry: hope or hype? *Tob Control* 2004;13:447–53.
55 World Health Organization. Tobacco industry and corporate responsibility...an inherent contradiction. World Health Organization. http://www.who.int/tobacco/media/en/tob-industry.pdf (accessed 26 Nov 2011).
56 British American Tobacco. Corporate citizenship - local recognition. British American Tobacco. http://www.bat.com/group/sites/uk__3mnfen.nsf/vwPagesWebLive/DO6ZKMPT?opendocument&SKN=1 (accessed 20 Jun 2012).
57 Apollonio DE, Malone RE. The "We Card" program: Tobacco industry "youth smoking prevention" as industry self-preservation. *Am J Public Health* 2010;100:1188–201.
58 Landman A, Ling PM, Glantz SA. Tobacco indsutry youth smoking prevention programs: protecting the industry and hurting tobacco control. *Am J Public Health* 2002;92:917–30.
59 Carter SM. From legitimate consumers to public relations pawns: the tobacco industry and young Australians. *Tob Control* 2003;12:71–8.
60 Kim Y. *An owner of tobacco company recommend for stop smoking*. Seoul: Hankyoreh 21, 2006.
61 Chung A. *BAT launches leadership training academy*. Seoul: The Korean Times, 2005.
62 BAT Korea. *Social report 2007–2008*. Seoul: BAT Korea, 2008.
63 Lee B. *Tobacco wars hit the dance floor*. Seoul: Joongang Daily, 2008.

64 Taylor A, Chaloupka FJ, Guindon E, *et al*. The impact of trade liberalization on tobacco consumption. In: Jha P, Chaloupka F. editors*Tobacco control in developing countries*. Oxford: Oxford University Press, 2000: 343–64.

65 [Philip Morris]. General Consumer Tracking Study Korea. Nov 1993. Philip Morris. Bates No. 2504026687/6772. http://legacy.library.ucsf.edu/tid/dey32e00 (accessed 15 Jul 2009).

66 [Philip Morris]. U.S. Cigarette Exports to Asia: the Facts. Philip Morris. Bates No. 2500063535/99. http://legacy.library.ucsf.edu/tid/jfy76b00 (accessed 5 July 2009).

67 US General Accounting Office. U.S. *Trade and health issues: dichotomy between U. S. tobacco export policy and antismoking initiatives. Report to congressional requesters*. Washington D.C: General Accounting Office. http://archive.gao.gov/d24t8/141453.pdf 1990 (accessed 3 Feb 2009).

68 [Philip Morris]. Philip Morris Asia Plan. 1990. Philip Morris. Bates No. 2500066295/6557. http://legacy.library.ucsf.edu/tid/jwe42e00 (accessed 3 Feb 2009).

69 [Philip Morris]. Jt, Korea Tobacco in Joint Development Pact. 10 Nov 2000. Philip Morris. Bates No. 2080290315/0316. http://legacy.library.ucsf.edu/tid/tyr38c00 (accessed 3 Feb 2009).

70 Bang AI. *Court bans radio ads of tobacco monopoly*. Seoul: Korean Herald, 2007.

71 Jang IC. *Declining of market share: KT&G's expediency trade with retailers*. Seoul: E-Today, 2008.

72 Lee S, Lee K. South Korea: Smoke on the roads. *Tob Control* 2008;17:300.

73 Han J. *KT&G flexing muscle over woori*. Seoul: The Korea Times, 2008.

74 Lee KH. *Foreign tobacco company spend only small money for CSR*. Seoul: Asia Economy, 2009.

75 [Philip Morris]. Cigarette Export White Paper. Apr 1989. Philip Morris. Bates No. 2500057650/7720. http://legacy.library.ucsf.edu/tid/rri19e00 (accessed 3 Feb 2009).

76 Korean Association of Smoking or Health. *Actual smoking rate among adults over 19 years old*. Seoul: Korean Association of Smoking or Health, 2008.

77 Korean Association of Smoking or Health. *National health survey on smoking among middle and high school students*. Seoul: Korean Association of Smoking or Health, 2004.

78 Statistics Korea. *Population perspective*. Seoul: Statistics Korea, 2006.

79 Honjo K, Kawachi I. Effects of market liberalization on smoking in Japan. *Tob Control* 2000;9:193–200.

80 Knight J, Chapman S. "Asian yuppies...are always looking for something new and different": creating a tobacco culture among young Asians. *Tob Control* 2004;13 (Suppl 2):ii22–9.

81 Kruger R. *Ashes to ashes: America's hundred-year cigarette war, the public health, and the unabashed triumph of Philip Morris*. New York: Knopf, 1996.

82 Lee HJ. *KT&G sides with public as others raise prices*. Seoul: Joong-Ang Daily, 2012.

83 Kim WN. *A study of the tobacco pricing effect on national health [Ph.D.]* Seoul: Korea University, 2002.

84 Ann JB. *Reformation of tobacco tax* Seoul: Korea Institute for Health and Social Affairs, 2010. http://www.who.int/fctc/guidelines/article_13.pdf (accessed 25 Nov 2011).

85 KT&G. *Sustatinablity Report*. Seoul: KT&G, 2009.

86 World Health Organization. WHO framework convention on tobacco control, article 13. World Health Organization. http://www.who.int/fctc/guidelines/article_13.pdf (accessed 25 Nov 2011).

87 Gilmore AB, Mckee M. Moving East: how the transnational tobacco industry gained entry to the emerging markets of the former Soviet Union - part 1: establishing cigarette imports. *Tob Control* 2004;13:143–50.

88 Gilmore AB, Mckee M. Moving East: How the transnational tobacco industry gained entry to the emerging markets of the former Soviet Union - part II: an overview of priorities and tactics used to establish a manufacturing presence. *Tob Control* 2004;13:151–60.

89 Korean Association of Smoking or Health. A national survey on smoking among middle and high school students, 1988–2008. Korean Association of Smoking or Health. http://www.kash.or.kr/user_new/pds_view.asp (accessed 1 Nov 2011).