

Strategic Marketing Planning in South Korea

**Finnish company entering South Korean beauty market: Case Lu-
mene**

Abstract

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Title of the thesis Strategic Marketing Planning in South Korea Finnish company entering South Korean beauty market: Case Lumene		
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<p>Abstract</p> <p>The thesis focuses on the development of a strategic marketing plan for Lumene Oy to enter the beauty market in South Korea. The research objectives aim to investigate the phenomenon of the strategic marketing planning process according to theoretical knowledge and practical constituent on the basis of Lumene company. In 2014, the company had an attempt to enter the South Korean market, however, there is no relevant data associated with it now. The beauty industry in South Korea is diverse, it gives brands new opportunities for business expansion. Lumene already has experience of entering the global market and gains success in such countries as the USA and Russia. The thesis includes an analysis of the country's marketing environment with the purpose to illustrate the main differences between South Korea and Finland and describe factors of influence towards strategic decisions.</p> <p>The theoretical framework explains the concepts of the marketing environment itself and strategic marketing planning. The section includes visualization related to the strategic process for the comprehensible picture. The information used in the research was acquired through academic literature sources, books, articles, magazines, case studies, reports, statistics, and online blogs.</p> <p>The empirical framework is based on practical research regarding the macro-environment in South Korea and necessary data about Lumene company. The marketing environment is drawn by PEST-analysis, while essential information for a strategic marketing plan about the company is gathered from official web-sources and case studies. In addition, thesis includes an analysis of the beauty industry after the COVID-19 impact.</p> <p>The last chapter summarizes theoretical and empirical knowledge and creates a research solution expressed by a strategic marketing plan. The research results do not provide an unquestionable plan for the case company, the entire reasoning is a proposal on the basis of findings that can be adjusted in the future.</p>		

Keywords

strategic management, strategic marketing planning, marketing environment, South Korea, Lumene Oy

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1 Introduction

1.1 Research background

It is a well-known fact that the rise of Asia has been an influential part of world history not only from the political and cultural perspectives, but also from the economic. The Asian economy has shown an enormous breakthrough and rapid growth, and there is a worldwide known concept of the Four Asian Tigers, consisting of China, Taiwan, Hong Kong, and South Korea, which for a fairly short period of time were able to achieve outstanding results from economic perspective (Khanna 2019).

In the thesis, South Korea was chosen as the main study objective and example of successful and prompt economic development. The country was almost unknown for business expansion until the recent years. South Korea is popular among the audience because of its high-quality beauty market and skincare products that are currently popular to be exported all over the world.

At the moment, South Korean beauty industry is able to fully compete with American and European brands. Since 2012, the country has received rapidly growing attention from consumers. There is a concept called "*Hallyu*" or the Korean wave, which stands for the global impact of Korean culture towards various areas, starting from fashion and ending with the music. The K-beauty phenomenon, as one of the biggest parts of Korean wave, was gradually taking over the beauty and healthcare market, as South Korea is famous particularly for this segment. (The Business of Fashion 2018.)

The cosmetic market in South Korea has been growing steadily from 2012. At the time of 2018, the beauty market size is valued higher than 9.3 billion USD, and the annual growth rate is considered to be around 4,3% until 2023 (Statista.com 2020). According to the Korea Customs Service, during the past several years, the export rate on beauty products has grown from 1 billion to more than 2.5 billion US dollars (The Business of Fashion 2018). Moreover, there is a growing demand for import activities all over the world, which makes South Korea an influential part of the global beauty market. South Korean beauty environment gives a lot of opportunities for cosmetic brands, therefore, many international companies are now looking to expand their business there or to cooperate with Korean firms.

Lumene is a Finnish beauty company that manufactures its production in Finland and operates around the whole world. The brand has more than 6 departments in other countries and is considered to be the most famous Nordic and Finnish beauty brand. The company gained success in such countries as the USA, Russia, and Scandinavian region. Around

50% of the revenue belongs to Finnish market but the rest states for the foreign markets. (Lumene Profile 2020.) Thanks to Lumene's international success, the company is considered to be relevant study objective in the context of South Korean market. The brand has already tried to expand business to South Korea, however, there is no active data and lack of information regarding the attempt except thesis studies and small interviews with company's representatives.

Lumene's attempt to enter South Korean beauty market was in 2014, and since that time, there is no relevant information, therefore, let us assume that business operations in the region are weak or currently non-active. The author was not able to find any information about Lumene on South Korean market neither in Finnish nor Korean language. The most recent data related to Lumene's experience in South Korea is represented by Ella Korpela (2016) in her thesis arranged an interview with Lumene's representative. Further, the author refers to this interview with a view to support the study by internal outlook.

Relationships between Finland and South Korea are strong, and have been developing since 1980, now Finland sees South Korea as the most significant partner in trade business in Asia. Economic relations of these two countries are they steadily tied, and personal relationships also enable positive business interaction, since this is especially important while cooperating with South Koreans. (Korhonen et al. 2005.) Koreans perceive Finland as a welfare innovative country that has a work-balanced lifestyle and pleasant combination of nature and urban styles. It should be noted that still the majority of Korean society does not know much about Finland and Finnish companies. There are some brands that are well-known in South Korea (e.g. Finnair, Nokia, Neste, etc.), therefore, Finland and South Korea have potential in solid cooperation activities. (Suominen 2020.)

1.2 Thesis objectives

The purposes of the thesis are aimed to investigate strategic marketing planning phenomenon and accompanying concept of marketing environment in order to build a plan for entering the South Korean market. Objectives of the study are divided into two general and several accompanying goals to achieve during the analysis process.

The major objectives of the thesis are the following:

- Define and explore the elements that should be considered when developing efficient strategic marketing plan for South Korean beauty market.
- Build strategic marketing plan for Lumene entering Korean market on the basis of theoretical and empirical researches.

Supportive objectives include:

- Show Korean and Finnish cultural differences that affect marketing decisions.
- Explore South Korean customer buying behavior.
- Exemplify beauty market changes due to COVID-19 crisis as an example of adverse economic circumstances.

The research result is built in accordance with theoretical analysis portrayed in Chapters 2 and 3, and practical research of the beauty marketing environment of South Korea and Lumene's initial data related to the topic.

1.3 Delimitations of the study

The thesis topic is valuable to discover in the current reality when the beauty industry of South Korea has consistently captured the attention and recognition of audience all over the world, and now it is at their peak. It is aimed to provide validity and credibility qualities to exemplify possible scenario. The study might be used by other Finnish organizations in the future as an example of entering a South Korean market, therefore, it is necessary to indicate delimitations that are included for the systematic and accurate picture.

Firstly, the research focuses on Finland and South Korea only, thus, the results are probably not suitable for organizations from other countries. Cultural differences of the chosen countries are represented in the thesis chapters, for this reason, business entities of other regions are responsible for their own case. In addition, the thesis is focused particularly on the skincare cosmetic industry due to the wideness of South Korean beauty market with a view to narrow the studied area. The author does not state that conditions are the same for other market segments.

Secondly, the strategic marketing plan is elaborated specifically for Lumene. This Finnish brand was chosen for the research because of its relatively large experience and recognition among buyers from different countries of the world. This fact creates the opportunity to analyze possible way of business expansion to Asia as well, and since Lumene has already focused on South Korea, the country still can be their potential target.

Thirdly, it should be emphasized that the result of the study is not entirely accurate and unquestionable. There is no exact strategic marketing strategy that is able to lead a company to successful business export, it is always individual. Nowadays, everything changes rapidly in dependency of uncontrollable factors, thus, the thesis outcome does not form absolutely applicable marketing strategy. The study can become a starting point or a hint

for firms that have the goal to expand in the South Korean market. The company size does not matter, the research can be applied to both small and large organizations.

Lastly, the described content might not be relevant after some time due to changes in the company, case countries and around the world. The readers interested in the research topic should take into account key trends and factors of influence during a particular time period in order to adapt the knowledge to the situation.

1.4 Research questions

With a view to structure and discover the strategic marketing process in more detailed and exact way, there was chosen the general question that leads the research:

- How may strategic marketing plan for Lumene be built in order to be more present in the beauty market in South Korea?

Moreover, the principal question is needed to be supported by several sub-questions in order to investigate both the marketing and strategic planning concepts, therefore, it aids to formulate a feasible strategy and make a clearer outcome:

- How does marketing environment in South Korea look like nowadays?
- Which elements should be considered when developing a strategic marketing plan?

1.5 Thesis structure

The thesis is designed to follow both theoretical and practical outcomes in order to integrate them to the single solution. It was decided to separate the research into two different stages to build apparent image of the topic analyzing and results interpreting processes. The first stage of the thesis is exploratory. It is divided into two theoretical stages, the combination of which forms a theoretical framework based on the secondary data acquired from the variety of sources.

Theoretical framework is separated into two chapters that discover marketing environment and strategic marketing planning concepts respectively. Marketing environment phenomenon is presented by key theory of environmental forces analysis that illustrates differences between Finland and South Korea. Strategic marketing planning phenomenon is studied on the basis of strategic management and marketing related concepts to form a structure that is an essential part of the outcome. The theoretical content is taken from the academic sources, documentary, statistic data, and Internet. All sources are noted in the references, the readers might find some valuable material to discover.

The second major stage of the thesis focuses on the empirical research, and the objectives of this part are to explore South Korean marketing environment in accordance with acquired theory, to present the case company, and to find out a solution. The general practical part is not separated into several independent chapters, however, they represent a few individual sub-topics of the main one that later are integrated to the single result and summarized in the summary chapter. The final chapter of the thesis sums up answers to the research questions, formulates outcome, which is represented by strategic marketing plan.

1.6 Research method

Since the thesis includes empirical research to supplement the study with authentic information and the author's inferences, the qualitative research method was chosen as an approach of data acquisition. Practical analysis aims to support the study by relevant market conditions of South Korean beauty industry and compare it to Finnish one in order to define elements necessary for strategic marketing plan elaboration. The reason for choosing the qualitative method as a way to collect empirical data is that the research problem requires practical knowledge that, in this case, can be represented only by experience and present circumstances.

By applying qualitative research method, the marketing environment of South Korea and its industry effect are presented in the empirical chapter. The data gathered from the sources forms a structured picture of differences between two countries with a view to illustrate marketing decisions suitable particularly for South Korean environment. In addition, the goal of the thesis is to build strategic marketing plan for Lumene expansion, thus, the company data is acquired from the available sources and analyzed in accordance with the discovered theory.

2 Marketing Environment

2.1 Introduction to international business

At the moment, the world changes extremely fast: something that used to be an innovation a few years ago now has already become common and outdated. Along with the world, absolutely all areas of activity change, every day there are noticeable changes in the society, politics, economy, and technology; this is the reason why each of the world's dimensions must keep up with the times. Business field is no exception, especially today when there are a huge number of various companies all over the world. Years ago, almost all business organizations used to operate only in the domestic market with a fear to expand beyond it. Nowadays, in the era of globalization, international business operations and exports to foreign markets have become the need, even a mandatory activity, without which companies will not be able to take top positions and overcome the massive competition.

Relatively recently, companies around the world have begun to use all the resources they have, including the ability to export goods to the international market. Day by day, the interconnection of goods, services, resources, and money around the world grows and becomes stronger, as business organizations seek to capture markets in different geographical locations. This phenomenon is called the process of globalization that states for the development and growth of the relationships between economic, political, cultural, and technological sectors among people, economies, and national institutions. (Wild & Wild 2016, 35.) Thanks to the globalization, spheres rapidly develop and erase international and governmental borders to allow organizations to compete on the foreign markets (Albaum & Duerr 2011, 7-8).

According to Wild and Wild (2016, 52-53), the concept of international market is fundamentally different from the domestic one in many factors. The most obvious difference is cultural aspects, since each country has its own cultural values, not to mention political and legal characteristics that have a huge impact on business decisions as well. In order to make a successful attempt to enter a foreign market, organizations need to take into consideration these differences and fully comply with the rules of a particular country, adapt a product or service according to many factors that may differ radically from the domestic market. Doubtless, the modification process of products or services for a new foreign market requires a special approach, and for it there is a term called internationalization, which is the main activity that accompanies the globalization.

The concept of internationalization means the set of activities aimed to design goods or services and domestic operations in order to encourage extension to the global market, as

determined by Albaum and Duerr (2011). In other words, the internationalization process helps organizations of any size develop new or modify existing products or services for international trade, including exports. The new environment always contains its own rules and exceptions: countries have their own policies related to economic, political, socio-cultural and technological characteristics. Internationalization helps to minimize the risks and overcome the challenges associated with the process of entering a foreign market.

Business entities should make sure that their internal environment and position in the local market are stable enough, and resources allow them to expand their business before the development of a strategy for a foreign region. Since the new environment is always fraught with a large number of risks and difficulties, companies must take into account research of marketing operations on the scale of a country's market, as it is stated by Albaum and Duerr (2011, 23-24):

- conduct data related to the market, and proceed through market analysis
- plan the product/service line, its development and modification on the basis of foreign customers perception and needs
- define possible logistics chain in the foreign region
- investigate appropriate promotion activities to inform foreign customers
- analyze pricing for manufactured goods/services in the foreign country framework to stay profitable enough for handling business operations
- work on company's internal and external structure and management process.

The above points should be taken into account when entering the international market as well. There are many complex aspects that are points of difference between these two types of markets, and the majority of it is explained in the following chapters. The international marketing approaches will help companies that are interested in export to understand where to start and which elements should be explored in advance.

2.2 Marketing environment

Before delving into the specifics of international marketing, it is important to know what it actually stands for, and what are the differences between international and domestic marketing. According to Onkvist and Shaw (2004, 3-5), domestic marketing means a combination of marketing activities limited by the region of marketer's or company's country. International marketing in turn is a transnational set of marketing practices developed to meet independent and institutional entities' needs overseas. It should be emphasized that domestic and international marketing differ by the scale, but they do not have the same approaches.

A foreign market is a new environment for any company. In order to discover it and take into account aspects when developing a strategic plan for entering the market, it is needed to familiarize with the marketing environment. Marketing environment is a variety of elements that influence marketing management decisions, and it is represented by two large dimensions: micro- and macroenvironment. (Armstrong et al. 2017, 96-97.) Both of these concepts are filled with factors of influence that could be seen from the Figure 1 down below:

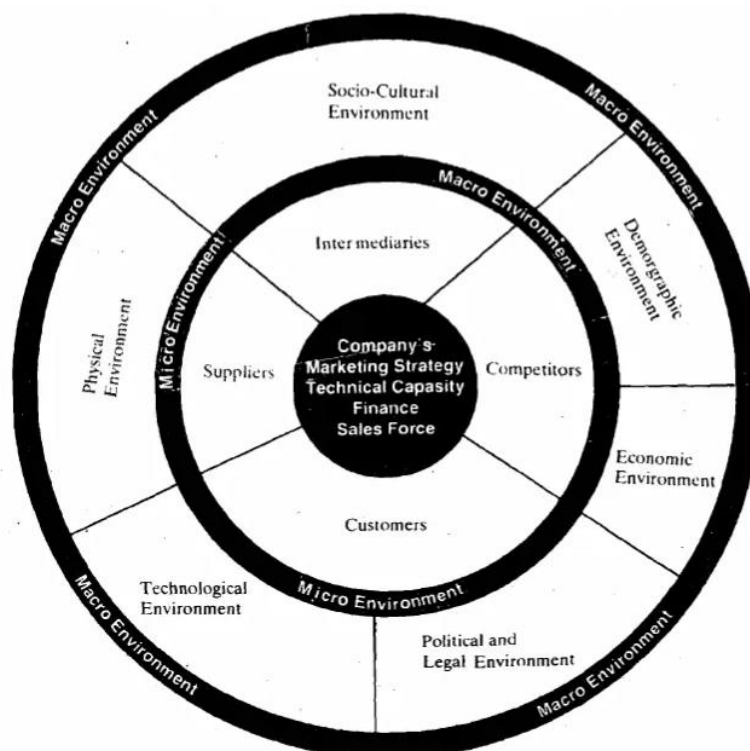


Figure 1. Marketing environment (Armstrong et al. 2017)

It could be seen from the scheme that microenvironment represents the internal elements that affect strategical operations and overall wellbeing of a company. In other words, microenvironment consists of all the factors that should be controlled on the domestic level. While structuring business activities, it is important to consider each of the factors, therefore, entities will be able to build relationships with stakeholders (customers, suppliers, etc.) and control local market changes by tracking the competitors.

Before entering a new foreign market, at first, it is necessary to pay attention to the microenvironment, since marketing success depends on a strong connection between organization's departments and on developed relationships with stakeholders. In addition to the motivation and desire towards expansion to foreign region, companies should have an experience at the local level and a conducive internal atmosphere in the company. Armstrong et

al. (2017) emphasizes that with a view to reach success, companies must make sure that their microenvironment is sufficiently well-developed and stable.

As for the macroenvironment, successful business organizations need to investigate and monitor its factors in order to adapt products or services to the environment of the foreign market. In Figure 1, macroenvironment is illustrated by socio-cultural, demographical, technological, economic, political and legal factors. All of these aspects influence marketing decisions and overall business operations, thus, any strategic decision should be adjusted according to them and their changes. Some of these elements cannot be controlled by a company, they can only be observed and monitored, and firm's internal environment adapts to them for successful operating.

Throughout the thesis, the research is mostly focused on macroenvironment.

2.3 PEST-analysis

Since macroenvironment has a complex structure with a big number of elements to consider, there is a marketing approach called PEST-analysis, (also known as PESTLE and similar acronyms) thanks to which companies are able to explore major external environment dimensions for making strategic decisions. It is commonly used among marketers to track the changes in the fields, define potential risks, and rise brand's competitiveness on the market. (Ashwin & Kelly 2013, 41.)

Usually, there are defined only four major factors of influence, however, in some cases companies may face with advanced version of the model. Based on the Wiley Encyclopedia of Management (2014) data, PEST-analysis can be seen as the following:



Figure 2. PEST-analysis (Cooper et al. 2014)

This analysis is a part of strategic planning, and it is used as a part of marketing plan as well. Thanks to PEST-analysis, marketing environment becomes clearer to business organizations. With the technique, companies are able to:

- increase the competitiveness level
- develop and adjust products/services

- investigate appropriate promotion activities
- build partnerships. (Cooper et al. 2014.)

In this research, the phenomenon of the macroenvironment in South Korea is examined in detail in Chapter 4, and it clearly interprets the current market environment and factors of influence, along with the following results. The study is focused on economic, political, demographical, and socio-cultural aspects as the most influential dimensions of marketing environment.

2.3.1 Demographical environment

Population plays an important role in terms of business decisions because it is the main response party of the selling process. Armstrong et al. (2017, 100) describe demographical environment as the set of human population features that affect market in a country. It involves such variables as nation's size, location, race, age, gender, and similar elements that characterize people. Moreover, demographical environment is closely tied with all of the other environments. For example, if elderly people become the majority of population then government will spend more money for social security issues (Ashwin & Kelly 2013, 81).

Demographics itself is a driving force for marketing nowadays because world trends are directly related to particular demographic criterion. For marketers, demographics is the main indicator for strategic decisions because it varies on the basis of people's tastes, habits, and lifestyles. Because of the leading trends in a society that are shaped in dependence with current tendencies, there will appear market changes, which can affect product or services range as well. Demographical environment divides market for different segments that are formed from people of the group with similar characteristics. Market segmentation helps companies to narrow market variables (customers, competitors, etc.), therefore, strategic decisions also become narrower.

2.3.2 Political and legal environment

It is noticeable that any business operation (including marketing) follows politics and legal policies, and for international business, political framework controls two major parts of the process, which are export and import actions. Political and economic environments are intimately interlaced, an example of this is economic sanctions created on the basis of political changes.

Political environment stands for government activities that influence business (Investopedia 2020). This environmental dimension contains legal and governmental authorities, and

countries' laws that formulates regulations for people and business entities to comply. Market changes also depend on political stability and law structure that fluctuates over the time. If business entities will not obey political environment features, there might be the legislative consequences of both home and foreign countries.

Nowadays, politics is the major global influencer. Most of the decisions are taken under political circumstances, and the state of other necessary areas fully depends on it, therefore, business organizations often choose countries with a propitious political state. However, it is still important to monitor political condition because even in a country with stable and favorable legal structure, there may appear difficulties that lead to a crisis and a decline in the economic environment. (Onkvist & Shaw 2004, 86-89.)

For business organizations, it is good to understand, which governmental structure is in a country, the law type, and which role government itself plays while affecting business and marketing decisions. Albaum and Duerr (2011, 218) determine several kinds of political intervenes and their main differences:

- government structures that stimulate export operations
- government structures that compete or substitute export operations
- government structures that prevent export operations.

The political framework controls the import and export processes. Control measures are responsible for the quantity of products for transnational operations; they regulate trade relations and are generally aimed at protecting the domestic economy from financial losses, waste of important resources, and threatening transactions that may damage physical and economic security of a country. Usually, foreign organizations, who want to enter a new market, are limited in their actions by the law but not at all, therefore, it will be possible for entities to bring a value to country's common environment (Albaum and Duerr 2011, 223-224).

2.3.3 Economic environment

It is an obvious fact that the prior factor of influence on the marketing environment is the economics of a new market, since it is impossible to establish business without an economic component. Economic environment states for the elements of economical field that have an impact on market condition and buying behavior in a particular region (Armstrong et al. 2017, 108). The changes of this dimension significantly influence selling process for both sides of it: customers' decisions and purchasing ability, market modifications, competitors' range, company's wellbeing and ability to produce goods or services. As an example, if there is a major crisis issue either in a country or in the world, people's wealth and buying

capabilities decrease because there is a need to save means, and economic is not stable enough.

Onkvist and Shaw (2004, 194) verify that economic environment depends on population and location of the region because these two attributes affect not only overall buying behavior and decisions, but also income and purchasing power. These elements formulate a part of a foreign market, and thanks to them, it is possible to trace the probable reaction towards a particular product or service produced by a company. There is a need to investigate economic aspects in order to understand customers' buying behavior and potential response to offers.

Income of the population and purchasing capabilities are linked with the economic environment. Low-income regions do not always represent customers that will not have an interest to purchase a product, same for the high-income countries. For company's better understanding of foreign area's financial condition, there is a term called Gross National Income (also known as GNI) that illustrates country's wealth by calculating the total amount of money that was earned by population (Investopedia 2020). Onkvist and Shaw (2004, 198-199) describe that GNI numbers represent, to which extent a country belongs to:

- less-developed (low income, high birth rate, limited infrastructure)
- early-developing (primary evolved infrastructure, poor income rate, irregular market growth)
- semi-developed (industrial rise, growing income, relatively stable market)
- developed (prosperous infrastructure, high income, well-developed industrial sphere, low population increase, irregular negative market changes)
- communist (the individual type of countries, could be assigned to any of the above according to the circumstances).

The GNI indexes only represent the countries current financial positions but there are several factors of influence that should be taken into account because they form a market itself. Armstrong et al. (2017, 109) define nation's income, interest rate, living cost, saving structure to be the prime influencers on the state of the market. For this reason, business entities must follow and adapt to economic environment changes, therefore, they will have less risks to fail on the foreign market and more possibilities to get advantages from any economic circumstances.

2.3.4 Socio-cultural environment

Along with the demographic data, it is customary to study the socio-cultural environment, since it is also directly related to the people. For a marketer, culture should be the primary point to consider because it affects products' design, meaning, and even admissibility. Cultural differences between nations influence behavior, habits, tastes, and other personal characteristics, therefore, there is an impact on market. Adaptation of a product or service only based on the language is not enough, it is important to understand cultural characteristics, and how they affect buyers in a given region.

Socio-cultural environment states for combination of traditional beliefs and national values shared by a society that affect market and business decisions. It is considered to be the most influenceable dimension in terms of effect towards other environments. For example, cultural aspects have a huge impact on political field, and because of it, there may appear new governmental policies and laws. Culture is considered to be the major force during decision making process, which makes it to be extremely valuable for strategic marketing plan. (Onkvist & Shaw 2004, 155.)

According to Albaum and Duerr (2011, 185), there is a list of features that define a culture:

- values and attitude towards time, work, wealth, etc.
- language (native, additional)
- religion (traditions, rituals, prohibition, etc.)
- education
- law and politics
- social stratum.

Cultural beliefs are completely different in many countries, for instance, something that is appropriate in one region will be totally unacceptable in another one. The best way to deal with socio-cultural environment is to learn about cultural differences. Especially it is necessary to consider culture as the general point of distinction when Asia becomes a choice for business expansion because Asian culture is entirely dissimilar from the European or Western. (Onkvist and Shaw 2004, 156.)

2.3.5 Hofstede model

Since culture is a complex phenomenon to study, there is a need to define aspects that are able to differ one culture from another. To understand and structure cultural distinct points, the Hofstede model of cultural dimensions describes national culture issues. The model

implies the comparison of different regions in terms of culture. There are several measurement indexes, which can be compared to each other while comparative research between two or more countries. (Hofstede et al. 2010, 31.) It is defined as following:

- **Power distance.** Power distance is a dimension, according to which less powerful members and entities in a society accept hierarchy and power allocation. It is measured from the highest to the lowest index based on the attitude towards social hierarchy between members and organizations that varies in different countries. (Hofstede et al. 2010, 61-62.)
- **Individualism versus Collectivism.** These two extents are compared between each other. Individualism is a dimension that shows a culture, where relations among society members are not tight, and the majority tends to be independent. Collectivism is opposite: it represents a society where people have a tendency to group together and protect each other. (Hofstede et al. 2010, 92.)
- **Masculinity versus femininity.** These two extents are also seen as comparative pair. Masculinity and femininity describe societies, in which gender roles are either strictly separated or equally intersected. Masculine culture is more aggressive, goal-seeking, competitive, and strong; feminine culture welcomes cooperation, takes care of the weak members of a society, and is more restrained. (Hofstede et al. 2010, 138-139.)
- **Uncertainty avoidance.** Uncertainty avoidance is seen as a dimension that illustrates a culture, where society either is threatened by obscure changes or is adaptive to them. It is measured from the highest to the lowest score, as well. (Hofstede et al. 2010, 191.)

Cultural differences between societies can be measured by this model, which is available on the official Hofstede Insights' website: <https://www.hofstede-insights.com/>. The results of the comparison are represented by a graph and interpreted as an analysis that describes the main distinct points. Since this research is dedicated to a Finnish company in South Korean society, the Hofstede comparison of these two regions is discovered in Chapter 4.

3 Strategic Marketing

In this chapter, the phenomenon of strategic marketing planning is presented as one of the general parts of the thesis. The section includes such aspects as external and internal analyses, the study of the consumer and competitor environment, as well as SWOT analysis, which is significantly essential when entering a foreign market.

3.1 Strategic management

At the moment, there is an uncountable number of companies of different sizes in the world. In order to become successful business organization, it is not enough for firms to create plain long-term strategies aimed at a few simple goals. Operating in a local market is a complex process, however, entering a new foreign market implies even more sustainability and strategic thinking abilities. Business entities who are willing to export their products or services internationally need a structured plan of actions, in which each point is meticulously thought out and developed for specific market and customer segment in particular country.

Strategic management is divided to several main stages that include operations, decisions, and analyses of a company aimed to increase the competitive advantage on a market. It connects all the departments in a company, consisting of finance, logistics, production, and marketing, and the main purpose of strategic management is to synchronize all business sections with each other in order to accomplish organization's goals. (Dess et al. 2014, 7.)

The process of strategic management is represented by three activities. Strategy analysis or analyses stage stands for elaboration of organization's mission and vision statements, and strategic objectives to be taken into consideration. Strategy formulation or decisions part links research and actual operations stages in the process, therefore, strategy implementation is the last general activity of the strategic management. (Dess et al. 2014, 9.) Strategic management aids not only to pave the way to competitive position on the market, but also forms company's internal culture and behavior.

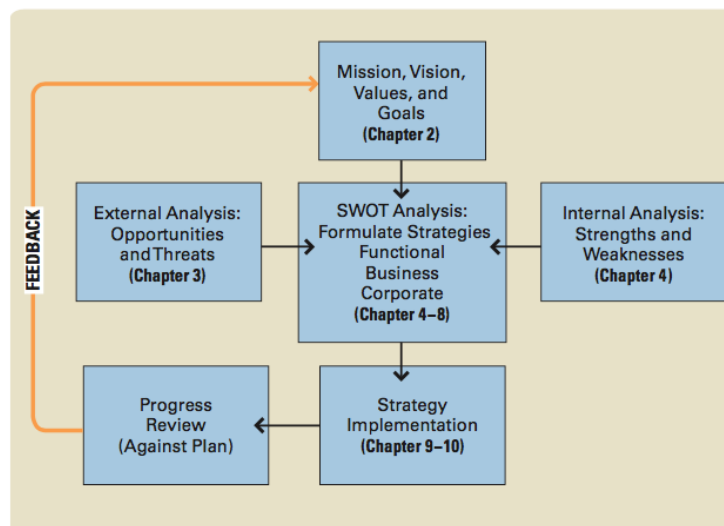


Figure 3. Strategic Management process (Hill & Jones 2012, 8)

As it is seen from Figure 3, strategic management process includes different stages that lead company to its goals. The table shows that the formulation of the strategy depends on various aspects that must be completed one after another for the result. (Hill & Jones 2012, 8-10.)

Firstly, the strategy formulation activity starts with evaluation of the aims and objectives that should be reached, they generate organizational mission, vision, and goals. Secondly, external environment of a company should be analyzed, including macroenvironment in case of exporting to a foreign market. It helps to define company's operational opportunities and probable threats that should be avoided. Thirdly, internal environment research is essential because it determines both strong and weak points of a firm. Therefore, the combination of these steps directs to the decisions stage that consists of SWOT analysis and the strategy formulation. After this step, it is possible to implement the strategy.

The thesis does not focus on strategic management as a whole, it aims to investigate the phenomenon of strategic marketing planning process that is described in the following sub-chapters.

3.2 Strategic marketing

Strategic management itself is wide and complex procedure that concentrates on planning process for long-term periods of time in general, all company's departments are involved in it and integrated with each other. However, strategic marketing constitutes only single stage in company's development and is directed at developing operations that aim to achieve specific organizational goals, especially the ones related to market competition. Strategic

marketing is esteemed as a core framework for the future business strategy. (Wilson & Gillian 2012, 19.)

The phenomenon of strategic marketing focuses on planning, elaborating, and performing stages that aids not only to satisfy customers' needs, but mainly to increase competitive advantage on the market and adapt to its changes. It answers several major questions:

- which market should be targeted, and what are the goal and objectives
- what is company's competitive advantage, and how to accentuate it
- how to enter a new market. (Drummond et al. 2008, pp. 11-15, 246).

While going internationally, strategic marketing helps companies to define their competitive advantage on domestic market and the ways to position it on a foreign market. In comparison with marketing management, strategic marketing's main focus is to gain competitiveness, and it is extremely important in terms of entering a completely new market. In other words, it combines together goals of both marketing and strategic managements.

3.3 Marketing concepts influencing the strategy

Entering a new market is always a challenge for companies because it is overly broad and have a lot of customers with different needs even in the framework of single industry. To structure and narrow the market with a goal to operate more efficiency, there are several concepts elaborated that aid to define the niche and potential range of consumers. They are combined into acronym named STP that stands for coherent processes of segmentation, targeting, and positioning (Nordhielm 2006, 79).

Segmentation process relates to activities aimed to divide existing market and consumer range to sub-segments of target audience (Nordhielm 2006, 79). In general, segmentation aids to split industry into more strategically controlled groups in order to make better offers. It is common to segment the market according four main dimensions, which are based on demographics, location, behavior, and psychological differences (Nordhielm 2006, 65-67).

As Nordhielm (2006, 82) states, *targeting* is the next step that follows after the market division into segments. It aids to identify the particular audience to be focused that will be interested in company's production or services. During this stage, the area of operation and product range become narrower and more specific.

The *positioning* approach is the last part of STP marketing, and it stands for a marketing technique that creates and forms a specific perception regarding a product or service in target customers minds (Wilson & Gillian 2012, 353). By positioning, companies are able to present their product in a desired way and explain why their offer is more valuable than

competitors'. To elaborate positioning strategy, it is necessary first to define competitive advantage and then emphasize it for the positioning concept that will build proper brand image.

3.4 Strategic marketing planning

As Drummond et al. (2008, 11-14) claim, marketing identifies how a company should communicate with its internal and external environments. Any strategy requires marketing planning in order to be more responsive to consumers and valuable in terms of market. Therefore, it can be assumed that strategic marketing planning combines the connection between customers, competitors, and internal corporate aspects. Strategic marketing planning is described as the structured process of goals establishment, analysis of internal and external environments, suitable product development, and strategy implementation. Companies might follow and adapt market changes effectively when they plan current and future activities. (Drummond et al. 2008, 250-252.)

Based on the information outlined in the previous sub-chapters, it is possible to build a scheme of strategic marketing planning for the clearer picture. The theoretical framework supports the Figure 2 down below, it is drawn according to Drummond et al. (2008, 250) and Wilson and Gilligan (2012) inferences for the subsequent thesis structure:

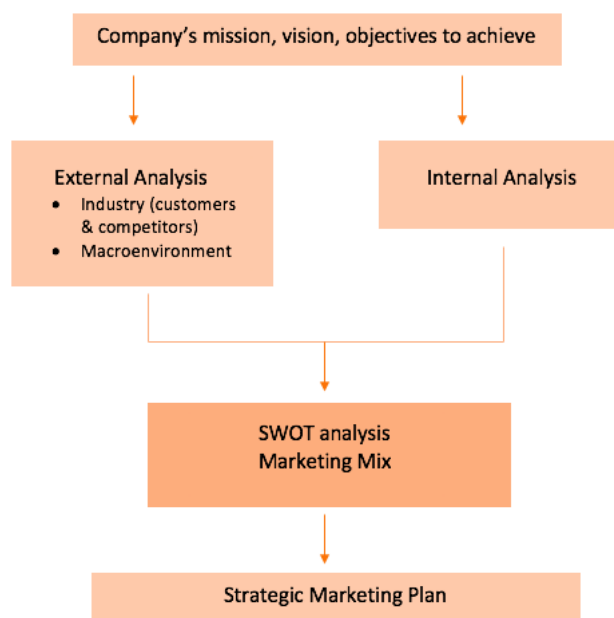


Figure 4. Strategic marketing planning process

3.4.1 Internal analysis

Wilson and Gilligan explain (2012, 47) that internal research contains such variables as company's organizational performance (e.g. goods and services quality, brand reputation, product range, employees' proficiency, etc.) and the main operations (e.g. marketing, planning, finance, R&D, etc.). Additionally, it implies the analysis of the relationship between operations and its effectiveness. If external analysis helps to determine outer opportunities and threats, then internal analysis establishes company's strong and weak sides. The insight of these four concepts is aimed to boost profitability, avoid risky circumstances and gain a foothold on the market.

3.4.2 External analysis

The principal priority for any company who is willing to enter a foreign market is to analyze the new environment, because it is vital to define opportunities and possible threats in the region, which can be forecasted and beware in the future. According to Hill and Jones (2012, 9), external analysis means the research of operational industry of a company, national culture of a country, and macroenvironment in general. Starting point in the external research is to identify issues related to the industry, in which a company operates. It contains such elements as competitors and customer analysis, customer buying behaviour, trend products and consumer needs. (Hill & Jones 2012, 56-57.)

3.4.3 Customer analysis

Marketing itself has become more than just a set of advertisement approaches. For now, to understand how marketing works in a particular industry, marketers should pay attention to customers and their purchasing behaviour when drawing up a strategic marketing plan. It is necessary to define the driving forces of their buying decisions, therefore, companies might be able to forecast possible response to the manufactured products or services. All customers are always divided into segments with different variables (gender, age, location, etc.) but product reaction varies as well as consumers expectations regarding the brand. Wilson and Gilligan (2012, 171-172) describe buying behaviour as a customer's decision process before making a purchase, which is driven by their personal intentions and brands' market positions

The analysis of customer behaviour needs is done by strategic marketers in order to understand purchasing incentives that are affected by marketing activities. Buying behaviour is managed by two general factors:

- personal characteristics: cultural, social (status, family), individual (identity parameters, lifestyle, financial health), psychological (motives, beliefs)
- external characteristics (factors of environment and marketing mix). (Wilson and Gilligan 2012, 171-174.)

3.4.4 Competitor analysis

As it was mentioned previously, new environment always has established professionals who have managed to earn the loyalty and trust of customers, which helps them to be the preferred choice while purchasing behaviour process. Competitor analysis is a part of external research, it follows the discovering of potential business rivals in a specific industry that has market power and might influence customers purchasing decisions in a choice between a new entrant and a known brand (Wilson & Gilligan 2012, 227).

With a view to understand competitors' environment, newcomers should make a research regarding strengths and weaknesses of other brands that have customer recognition. These two indicators of market success are driven by company's positioning ability, offerings (product range and diversity, pricing), resources to produce, and applied strategies (Wilson & Gilligan 2012, 227). By exploring the major picture of the competition, newcomers are able to know about the market and adapt to the current circumstances to increase the competitive advantage.

3.4.5 SWOT

It follows from the previous sub-chapters that through two types of analysis, companies are able to understand their strengths, weaknesses, opportunities, and threats of the new market. These items together form the acronym named SWOT analysis that currently is regularly used by strategists and marketers around the world. (Wilson & Gilligan 2012, 53.) Basically, SWOT makes a summary of both outer and local environments, and aids to increase competitiveness on the market. The main goal of SWOT analysis is to determine strategic steps to beat competitors by emphasizing strength points, forecasting weak aspects and risks, and reducing unexpected losses (Wilson & Gilligan 2012, 54).

Dess et al. (2014, 42) define four general SWOT aims to follow by a company:

- develop strong perspectives
- eliminate or avoid weak points
- discover new opportunities of an industry and market, and employ them
- prevent risks and dangerous circumstances that might harm business.

SWOT analysis is extremely helpful and essential for organizations that plan to export products or services to a foreign market. New environment is always unstable and have a big number of unknown and risky situations that can not only harm the brand, but also lead to large financial losses and subsequent crisis. SWOT analysis does not require special analytical knowledge and is considered to be the most common and simple model that might become a basis for strategic planning (Dess et al. 2014, 72).

3.5 Marketing Mix

The concept of marketing mix is well-known among marketers and strategists. It aims to investigate and build company's general elements that relate to the marketing process. Marketing mix is also known as 4 P's model that is a set of variables including Product, Price, Place, and Promotion.

In the model, product means both goods and services offered for the buyers that has its own attributes (design, quality, brand name, etc.), benefits to satisfy customer needs, and marketing support activities (e.g. distribution, post-purchase service). Buying decision depends on these elements, and for the companies, the main goal is to meet consumers expectations and to fulfil their needs through the product. Price associates with the product, it is the most apparent attribute because the offer is usually evaluated by this extent. It is a substantial part of strategy elaboration, since it connects all the P's in a model together. Place shows availability of a product or service for a buyer in terms of distribution and location. In this element, companies develop supply channels aimed to distribute goods and services qualitatively and conveniently. Promotion variable contains advertising operations, personal selling, product placement, and other elements that refer to marketing activities. Promotional aspect is important because it builds customers perception regarding a brand. (Wilson & Gilligan 2012, 498-499, 517-519, 530, 523-524.)

The developed version of marketing mix became 7 P's model that is supplemented by three additional items with a view to affect customers' decisions. The reason for this is that marketing environment has become more complex and competitive, therefore, companies needed additional variables to measure competitive advantage and distinguish the market. The elements are the following:

- Physical evidence. It stands for the tangible and visible attributes that encircle a product or service and indicate its quality, including not only goods related aspects (e.g. layout, design), but also company's design (e.g. staff uniform, building decoration) that can be experienced by a customer. The measurement helps buyers to evaluate the quality of a product and level of service.

- People. By people, it is considered to assess organization's personnel that has huge influence towards consumers' perception of a brand. Company's staff at each level of the working process needs to be trained and qualified to provide good-quality services and build favourable image of both products and services.
- Process. The last dimension of the model means the mix of activities, during which a product or service is purchased and received. For example, it includes delivery operations, online platform maintenance, restaurant service. (Wilson & Gilligan 2012, 534-535.)

Doubtless, marketing mix aspects play the key role in evaluating competitors' performance and increasing the competitive advantage. All of the elements should be integrated between each other into a single both tangible and intangible image of a company.

4 Empirical research

This is the general part of the thesis that includes empirical research and case company supportive data necessary to build strategic marketing plan. The chapter contains several main goals to accomplish during the analysis, all of them form thesis objectives:

- Explore the marketing environment in South Korea.
- Describe the phenomenon of Korean Wave and its influence.
- Observe market conditions during COVID-19 pandemic.
- Represent Lumene's current situation according to strategic marketing plan variables.
- Build strategic marketing plan for Lumene to enter beauty market in South Korea.

4.1 Marketing environment in South Korea

As it was mentioned in Chapter 2.2, a foreign region is always a challenge for international companies that seek to operate on both domestic level and overseas. According to Albaum and Duerr (2011, 174-175), differences represented in marketing environment dimensions have a huge impact on marketing decisions.

The Republic of Korea or South Korea is a democratic country located in East Asia, currently with the population over 51 million people. It shares a border with North Korea (also known as Democratic People's Republic of Korea) to the north and extends to the south between China and Japan. The capital states in Seoul, and the national language is Korean. The country is well-known for its major breakthrough and rapid economic growth that in less than 40 years has transformed the country from one of the poorest Asian regions to the fourth largest world's metropolitan economy. Nowadays, South Korean industry is famous for its entertainment market (TV-shows or K-dramas, cinematography, musical direction of K-pop), fashion, high-quality plastic surgery, and cosmetics. (Korea.net 2020.)

4.1.1 Demographical environment

Demographical environment in South Korea is extremely wide, at the time of 2020, it has over than 51.2 million people. On the basis of Statista.com research, the sex ratio is nearly equal, percentage parity is around 98.38%, medium age is 40.2 and 43.4 for male and female respectively. Despite the fact that on a relatively small territory of the peninsula there is a dense population stratum, the birth rate is extremely low and is considered to be a significant social issue. (Korea.net 2020.) The growth rate in the country is represented below, it has reached a record low coefficient for the year 2020:

South Korea Growth Rate



Figure 5. Growth rate in South Korea (World Population Review 2020)

According to Korean government statement, fertility rate in South Korea is one of the lowest in the world, which means that South Korean women have less than one child in average. The reason for this is high costs for education, housing, and complexity of resuming a job after maternity leave. Average lifespan there is listed at 82 years, and South Korea is considered to be one of the fastest aging countries (Korea.net 2020).

South Korea is a country with rather huge population amount, as World's Population review (2020) states, the density index is considered to be around 515 people per square kilometer, and it makes South Korea to be the one of the densest countries in the world. For contrast, population density range in Finland is 18 people per km². The majority of nation is concentrated in the capital city Seoul (around 13 m.) and because of the peninsula's mountainous terrain, more than 60% of the land is unoccupied.

It was noted that South Korea was able to surpass poverty in extremely short period of time, and it had a huge impact towards social issues as well. The country is deeply urbanized, during its history, it focused on turbulent industrialization development, which made them to gain the position of the fourth largest Asian economy but also prominent demographic decline. On top of that, marriage index has also fallen sharply during past years. (Quick 2019.) Basically, for now, South Korea faces major social crisis that leads to the situation when there are no enough youngsters to replace elderly people.

South Korea meets all the criteria to be stated as developed country. It has sustainable economics, advanced healthcare system, innovative infrastructure, and solid social security. The South Korean society from early childhood is hardworking and seeks to receive good education in order to start successful career and create positive social image since it

is essential for Koreans. The country is one of the most educated regions in OECD (Organization for Economic Cooperation and Development), the average Korean person between 15 and 25 is more skilled than the majority of represents from other countries (OECD iLibrary 2020). This claims that South Korea has a high level of educating.

University diploma of one of the leading institutions in the country is highly appreciated and means a lot in building both working and personal relationships. Koreans often base their opinions on an individual's education and career experience. It is difficult for Koreans to get accepted to the universities due to high competition rate and large number of applicants who are equally well-educated. Because of this issue, studying is the most important part of youth and life in general for South Korean people, therefore, it makes them to feel pressure and even depression (Feke 2015). According to OECD organization, the country is placed first among the residents in terms of suicide rate, the top reasons are psychological despair, family matters, education and employment failures. Due to overstated standard of educational and labor boundaries, South Korea has the lowest index in the context of life satisfaction (OECD iLibrary 2020).

South Korean ethnical diversity is not large as it usually is in promptly developed industrialized countries. During its long history, it stays one of the most homogeneous regions in the world with approximately 95% of Korean ethnicity population. The rest includes such ethnic groups as Chinese, American, Vietnamese, Thai, Japanese, and other. Because of the fact that Korean culture is capturing the world, the number of foreigners visiting and staying in the country has rapidly increased as well as the number of marriages between South Koreans and foreigners. Most of the international guests come to the country for tourism, employment, and study. (Cho et al. 2017.)

4.1.2 Political and legal environment

South Korea has democratic and presidential political regime in the country. The presidential election goes every five year after the public vote without re-election right in the future. Until 1948, the country was controlled by the US government, which had its own impact on South Korean governmental structure. Political system in the country is similar to the USA's, there is division of powers: legislative, executive, and judicial.

The president (now it is Moon Jaeln) has the main authority: he makes principal decisions, has the right to choose the prime minister, who follows him in relation to the power distribution. The parliament includes 300 deputies whose term of office lasts for four years, and it has the responsibility of laws consideration and the state budget, either approving or reject-

ing candidates chosen by the president for top government positions and validating agreements on the international level. The judicial powers depend on three main courts: the Supreme, the Appellate, and the constitutional. (Hierarchy Structure.com 2020.)

The country has multiparty structure, the main ones are considered to be Democratic Party (is socially liberal, supports human rights, strives to enhance relationships with North Korea) and Liberty Korea Party (right-wing, is based on conservative values, appreciates patriotism) (Nordea Trade 2020). According to BBC News from 15 April 2020, Democratic Party won 168 seats in the elections, it was the first time when the majority has voted for this party from 1987 after the democracy became the dominate power.

South Korea is one of the most diplomatic and cooperative countries in the world. It maintains international relationships with more than 190 countries and is a part of UNESCO, APEC, International Monetary Fund, OECD, and many other international associations. The country is known for the development of projects aimed at protecting the ecology to improve world environment and bring useful value to the international community. In addition, South Korea strongly supports developing regions (e.g. Pakistan, South Sudan) by providing fund programs. (Korea.net 2020.)

Diplomatic cooperation between Finland and South Korea has started in 1973, and it is still developing in a positive way by reversible support. At the moment of 2004, export from Finland and import from South Korea has reached approximately 305 million and 420 million euros respectively. Finland tends to export mostly chemical goods, mechanical equipment, metal and steel commodities; South Korea export products include similar range with addition of electronics. (Diplomacy Korea 2004.) In 2020, there appeared Finnair direct flight from Helsinki to Busan (second biggest city), it was decided during the presidential meeting in 2019 in order to strengthen relations between the countries (Choi 2019). For now, Finnish companies have a will to entry South Korean markets and become more presence for South Korean customer.

For Finnish business entities, it is hard to enter South Korean market due to the interethnic differences in standards and tariffs. From 2011, the Free Trade Agreement between South Korea and European Union became active and helped Finnish organizations to receive competitive advantage while entering South Korean market and becoming recognizable in Asia. The agricultural and industrial wares custom tariffs were removed as well as non-tariff trade barriers were established for machinery, medicine, and electronics in 2019. (Finland Abroad 2020.)

In terms of cosmetics business, thanks to Free Trade Agreement in 2014, the trade tariffs and administrative obstacles were lowered, which allowed European cosmetic brands to

gain competition and offer production on South Korean market more freely (European Commission 2014). For now, there is an organization called Team Finland that aims to support Finnish companies in terms of business expansion to South Korea. The organization helps to deal with emerging problematic issues, promotes Finnish firms in the country, and establish negotiations between two sides of the export and import processes (Finland Abroad 2020). By cooperation with Team Finland, it is possible for companies to enter South Korean industry, not to suffer from competitiveness, and attract Korean customers.

Regulatory environment of cosmetic market in South Korea

According to International Trade Administration (2020), any of cosmetic product should go through the Korea Ministry of Food and Drug Administration (known as acronym MFDA) and correspond to its regulatory policies. The beauty production is separated per two categories in accordance with the Korean Cosmetic Product Act (KCPA): functional (e.g. tanning, whitening and anti-wrinkle creams, sun protection products, hair products including hair dye), and general cosmetics. There are several possibilities for foreign exporters to enter cosmetic market under regulatory policy of the Korean Cosmetics Act:

1. Cosmetic sales
2. Responsible cosmetic distribution
3. Custom cosmetic. (Cosmetics Act 17250/2020, section 1.)

Business entities must register themselves as a part of MFDA and test the provided production according to the policies in terms of quality, safety, and effectiveness. The functional cosmetics should be particularly evaluated by the Ministry because of the complex ingredients that always have restrictions and may be inappropriate or new for South Korean beauty market. A company needs to have qualification and correspond MFDA tests requirements regarding materials and actual products. The MFDA needs to be informed about all product manufacturing or distribution data. If the production does not meet the requirements or is declared to be harmless for public health, a company must repeal the application. In case of successful approval by the Ministry, the production is able to receive certification with 3 years validation period. (Cosmetics Act 17250/2020, section 1 & 2.)

The Cosmetics Act also covers such regulatory aspect as labelling. The labelling requirements that should be printed on the packaging include the product name and price, brand's trade credits, ingredients, product volume, manufacturing date and number, usage date, functional cosmetic logo (if the product applies to functional cosmetic), and cautions.

The production, which matches the following list of restrictions, is prohibited to be exported, sold or manufactured:

- cosmetic goods (especially functional) that failed the testing, did not correspond with the safety requirements, were assigned to be harmless, were not reported to the MFDA, were manufactured under unsanitary
- spoiled and damaged cosmetics
- cosmetic production that includes pathogens, artificial materials, and other harmless substances that are dangerous for public usage
- cosmetics that contains such ingredients as rhino or tiger bones and extracts;
- animal tested cosmetics (including animal tested ingredients)
- cosmetics that was sold illegally without proper documentation and registration. (Cosmetics Act 17250/2020, section 2.)

In 2019, South Korean government applied Recycling Act that encompasses any production type available on the market including cosmetics. According to Recycling Act 857/2019, the cosmetic goods with packaging that is negative for recycling (e.g. includes polyvinyl chloride, PET Plastic) is restricted.

4.1.3 Economic environment

As it was noted during the analysis, South Korea has 11th biggest economy in the world and is considered to be developed country. The country is in the list of high-income regions, it was able to stabilize the economic environment even at the peak of crisis and become one of the fastest growing economies all over the world. (OECD 2020.)

Form early beginning, the economic system in South Korea was represented by family-owned conglomerates, also known as *chaebols*. *Chaebol* is a business group that is managed by families aimed at supporting financial health of the country (e.g. Samsung, LG are *chaebols*). By applying *chaebols* as a part of country's economic support in 1960, South Korea turned from one of the poorest to one of the most prosperous countries in the world. (Kim & Vogel 2011, 265.) In 2016, *chaebols* occupied about 75% of the economy; there are more than 10 largest *chaebols* in South Korea, and they own around 180 registered companies (Statista.com 2018). *Chaebols* made South Korea to be export-oriented country that could enter the international arena, and for now, chaebol groups stabilize financial environment of the country by maintaining such powerful business sectors as automobile, ship-building, electronics, steel, and tourism.

At the moment of 2020, the country's GDP is 328 million USD and has a negative decline for 2.1% compared to the previous year, however, South Korea was able to overcome the COVID-19 outbreak, and the rate is forecasted to increase for 3% (\$1.7 billion) in 2021. GNI per capita has decreased for more than 4% in 2019 and is predicted to fall down even more

due to the pandemic. (Lee 2020.) In terms of annual average income of South Koreans, it has been raising constantly and now reached around 29,500 USD, women earn only around 65% of what men earn. South Koreans tend to save money, however, they like shopping. The consumption expenditure consists of housing (18.4%), food and non-alcoholic beverages (13.8%), transport (12%), public services (restaurants, hotels; 8%), fashion (6%), healthcare (5.6%), and other. (Trade Markets 2020b.)

The unemployment rate is expressed by 3.2 percent, what places South Korea in the list of areas with the lowest unemployment indices. As Statistics Korea Survey (2019) conducts, South Koreans have reached the highest rate level in terms of economically active society from 2009: more than 28 million people had a job or were seeking it. At the moment of 2020, the employed population has separated to agriculture sector (4.9%), industry (25%), and service (70%). In general, South Koreans mostly work as office employees, salesclerks, and in the entertainment industry, which is significantly intense and wide. In the context of doing business in South Korea, the country's business environment rank is scored at 7.30 and placed 26th, which makes it to be favorable for business export. (Trade Markets.com 2020a.)

Chaebols made South Korea become export-oriented country to reach economic success, and for now, it is the 5th and 9th largest world's exporter and importer respectively. Trade activities represent around 80% of country's GDP. In 2020, South Korean export operations have declined for 7% because of the virus outbreak, however, previously, country exported steadily and progressively, mostly to China (\$11.7B), the USA (\$6.6B), and Vietnam (\$4.2B). The graph below illustrates export growth in South Korea from 2018:

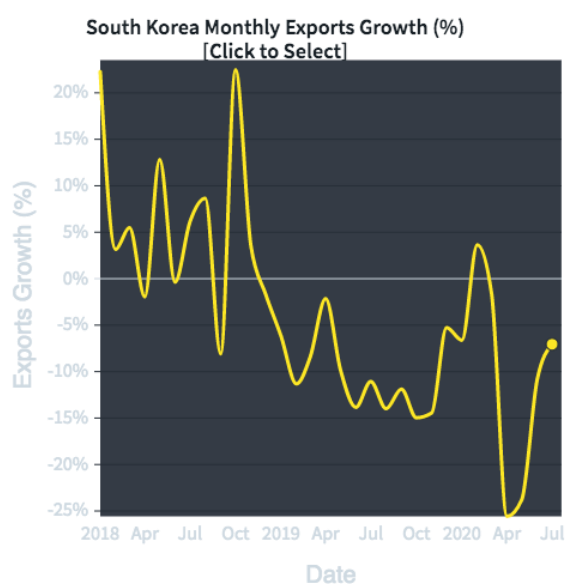


Figure 6. Export Growth in South Korea (OEC World 2020)

According to Ministry of Food and Drug Safety (MFDS), the beauty industry trade of South Korea has increased for around 25% from 2015, the demand for South Korean cosmetic production grew for over than 4%. There is globally growing attention to K-beauty industry due to the active influence of the Korean Wave, and now, it makes the country to strengthen its title of *cosmetics powerhouse*. The South Korean cosmetics is popular to be exported to such locations as China (47%), the USA, Japan, and others; among European countries, there are France, Germany, Italy, etc. The most exported beauty sector is considered to be skincare goods. (Lim 2020.)

South Korea tends not only to export cosmetics but also import this category. The amount of imported operations gradually increased during past years, the top countries are the USA, France, and Japan. South Korea imports such beauty sectors as skincare goods (48%), haircare production (14%), decorative cosmetics (14%), and perfumery (11%). As experts state, there is a strong potential for companies who provides derma and multi-functional products, hair loss and care goods, and organic production, South Korean customers are currently attracted to these beauty categories. People in South Korea tend to shop online, the most preferable distribution channel for international brands is to export goods to famous online marketplaces or drugstore retailers. (International Trade Administration 2020.)

Finland and South Korea do not cooperate a lot in terms of cosmetics export and import. According to Bearel online store that sells Korean cosmetics in Finland, K-beauty goods are popular among Finnish customers, the most famous brands are Tony Moly, Missha, Holika Holika, Skinfood, and Frudia (Bearel.com 2020). In comparison, South Koreans are not familiar with beauty industry of Finland because currently, there are no Finnish cosmetic brands available in South Korea. Finnish companies provide international shipping of their goods, however, there is no available information in the Internet regarding possibility to buy Finnish beauty products through a Korean distributor.

4.1.4 Socio-cultural environment

South Korea has a long and extensive history. The cultural environment of this country is unique, and South Koreans are proud of their inimitable cultural heritage and historical facts. Korean culture was mostly shaped by Confucianism that also has immortalized strict cultural hierarchy in the country over the years. The Confucianism explains the majority of cultural peculiarities and values that South Koreans have. For example, according to ideology, the relationships between people are appreciated and highly depend on age, social positions, and authority; the family remains the most important value; the society is hard-working, honest, and seeks to be in the constant process of education throughout the lifetime (Connor 2002).

Before 1945, Korea was a single state under colonial regime of Japan, but due to Japan's defeat in World War II the country has been divided into two independent states that were taken under control of the Soviet Union and the USA. This historical change affected South Korean culture a lot because American culture had its mark on the socio-cultural formations that can be seen now. South Korea is a unique example of mixing Western and Eastern cultures, while remaining committed to its cultural origins.

South Korea is not exceptionally religious country nowadays, the choice of religion is up to an individual. Around 45% of the society refers to a particular religion that includes Protestantism (more than 19%), Buddhism, Christianity, Catholicism, and other (Korea.net 2020). Some of South Koreans assign themselves to several religions at once by following all traditions, however, Confucianism still plays an important role in building the behavior and thought frame of the nation. The most outstanding example of the Confucianism effect is respect for elderly people that is the base of the relationships in South Korean society. Since family is extremely important, there is a big number of events, traditions, and rituals dedicated to family members and gathering (Clark 2000, 30-31).

The thesis does not focus on the variety of socio-cultural features in South Korea, it aims to investigate elements that affect marketing environment dimensions and marketing decisions.

Socio-cultural comparison of Finland and South Korea

Here and further, Finland and South Korea are represented by blue and purple colors respectively.

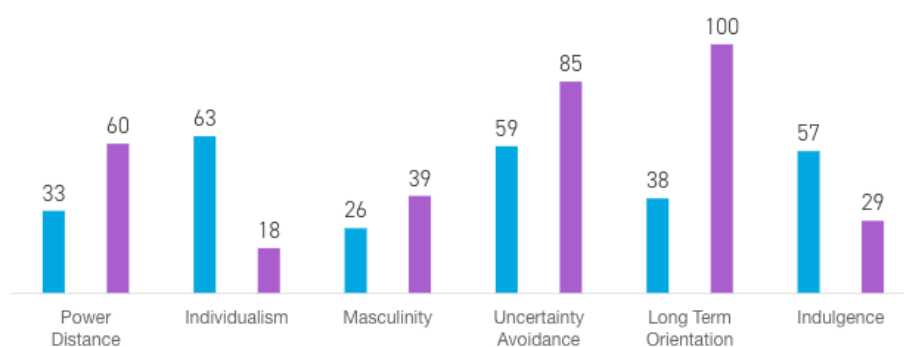


Figure 7. Hofstede model comparison of Finland and South Korea (Hofstede Insights 2020)

In terms of Power Distance, it can be clearly seen that South Koreans respect hierarchy system, when each individual has a status, and needs to deal with others' position in the society. South Korean people always unquestioningly follow the decisions of someone who is older or has more power, and this can be explained by the influence of Confucianism

commandments. From the early childhood, children learn to respect their parents and elder siblings, and to be obedient to decisions that affect future life decisions (e.g. educational path). At some point, there is inequality in South Korean society that affects attitude, beliefs, values, and lifestyle in general. In contrast, Finland has low power distance ratio, which indicates that Finns tend to be free and independent from hierarchical boundaries. The social position or age does not play a key role in building relationships and making decisions processes, everything is mostly based on experience. Finnish society is more formal in communication, has a freedom of speech and equal rights regardless of the title.

The next dimension shows that Finland represents individualistic nation and South Korea collectivistic. The members of society with high individualism rate usually refer themselves as independent identities that do not have strong bond with others and take care only about close relatives. Finnish people are individualists, who prefer to stay slightly detached and does not afraid to express own point of view. This fact differs South Koreans because they, as a collectivistic society, perceive ties between people as important part of the culture. Family and community are vital for South Koreans, they have steady sharing culture that is reflected in anything, e.g. serving single dishes for everyone during the gatherings. Additionally, the members of collectivistic regions pay huge attention to what they say, and do not speak out against the majority's view. That is why South Koreans are sensitive to failures and any kind of embarrassments that give reasons for public judgment (Buja 2016). Because of the strong connection between people and tendency to operate as a united society, South Koreans intensely depend on someone's opinion and always wait for the positive assessment.

Both Finland and South Korea are generally assumed to have feminine society. Finnish people, as a feminine nation, are humble and conservative, tend to create positive relationships with others; it is important for them to find a common solution and avoid conflicts, which makes them be more flexible in decision-making process. South Korea has almost a borderline index between two concepts, but the rate is still low. Previously, South Korean society had femininity characteristics indeed because of the Confucianism ideology but now things have slightly changed. Society became more masculine due to the raising competition in any aspect of life; it strives to compete a lot to achieve goals and become the best, thus, it is assumed to consider South Koreans as self-oriented individuals. (Buja 2016.) It can be proven by their extreme passion and perseverance to study and work.

Uncertainty avoidance rate of both countries is relatively high, therefore, both of them have a preference to prevent unfamiliar occasions. This fact explains the necessity of both societies to follow rules that can protect them from unexpected circumstances, otherwise, the

members will feel threatened in controversial situations. Finns and South Koreans appreciate hard work, punctuality, and busyness. South Korea has higher index and is one of the most uncertainty avoiding regions in the world (Hofstede Insights 2020). Because of the immense uncertainty avoidance rate, South Koreans can be impatient and have a need to remain in constant motion for the goals assumption. South Korea is a country with dynamic lifestyle where individuals seek to work qualitatively and promptly at the same time.

Finland and South Korea are seen as opposite short-term oriented and long-term oriented regions. Finns tend not to save means for longer periods, they focus more on short-term results and current circumstances. In comparison, South Korea is one of the most pragmatic countries in the world. People there are extremely long-term oriented, it is essential for them to work for the best future for next generations, to save means, to build long-term relationships. South Koreans respect cultural traditions and are proud of their national heritage that influences both business and personal performance.

The last but not least dimension represents South Korea as restraint society with low index and Finland as indulgence with quite high. Because of the rigid hierarchy system and tendency to be obedient to rules, some of the actions are restricted, thus, it makes South Koreans to be continuously subordinate by social standards (Buja 2016). Public norms shape society's behavior and affect their life satisfaction level, members of society do not pay much attention to leisure time and follow the opinion of the majority. Finland, on the contrary, is an indulgent region, where Finns are mostly optimistic and not limited by social norms. Finnish people assess the freedom of speech, pay attention to personal happiness, and are usually driven by the emotions regarding any issue.

4.1.5 The Korean Wave

The Korean Wave phenomenon or *Hallyu* started to become popular since 90s, it was driven mostly by entertainment industry. *Hallyu* is the phenomenon that describes the influence of Korean cultural features towards international industries and customers. Korean wave was able to capture attention of people globally by growing popularity of Korean TV-shows (K-dramas), music (K-pop), online games, cosmetics (K-beauty), and national cuisine. Entertainment production of South Korea was successfully spreading all over the world despite the language barrier and attract foreign consumers. Around 17 million tourists have visited the country in 2019. Since the retail industry of South Korea is extremely massive and dynamic, travellers spend a lot of money; this fact helped the country to develop from economical perspective and increase the level of export activities. (Marinescu 2014.)

Hallyu was not the only factor that affected South Korea development, however, it is considered to be a sensation, which increased the overall market share, revenues, and made South Korea to be recognizable abroad. In 2019, the effect of Korean Wave contributed to the country's economy more than 12 billion USD. (Roll 2020.) Researchers consider that the success of Korean Wave phenomenon depends on how the product is presented and how it differs from other cultures. Korean culture remains to some extent an Asian culture, but the mix of Western and Asian features creates its identity and attracts both Eastern buyers, as well as European and Western ones. The Korean Wave has built a positive image about the country, especially during the last decade. Entertainment industry was able to change people's perception regarding South Korea.

Many world-famous brands such as Gucci, Chanel, Saint Laurent, Calvin Klein and many others chose official ambassadors from South Korea to promote the brand (Roll 2020). Not only fashion brands were attracted to South Korea: beauty companies (e.g. Chanel Beauty, Jo Malone London, Givenchy Beauty) were promoted by South Korean public figures as well. Because of the greatly developed entertainment industry, both South Koreans and foreign customers are influenced by popular artists.

Entertainment industry has the biggest effect towards people because South Korean entertainment companies handle several sectors simultaneously (dramas, music, PR, concerts, commercial products, etc.). The biggest entertainment companies are SM Entertainment (\$580 billion revenue in 2019), BigHit (\$495 billion), YG Entertainment (\$233.2 billion), and JYP Entertainment (\$136.4 billion) (Statista.com 2020a). Since the product and service range of these companies is wide, there are a lot of cross-industry collaborations and interactions. For the vivid example, after K-pop boy-group BTS from BigHit agency became exceptionally well-known in the world, a huge number of brands across all the industries (e.g. Puma, Hyundai, Baskin Robbins, Samsung) were battling for collaboration with them. Moreover, BTS' entertainment agency created own brand BT21 (includes cosmetics) that generated revenue in the amount of \$83 million in 2019 (Statista.com 2020a).

The media content of entertainment agencies is massive, it acquires all the industries at once. Entertainment companies manage different K-pop all-male or all-female groups that are very popular inside and outside of the country. The content provided by entertainment brands is always creative, qualitative, and diverse, probably because of this music videos of K-pop artists are able to reach more than 100 million views on YouTube less than in 24 hours. Furthermore, tickets for BTS concert in New York at Citi Field (capacity of 41.000) were sold out in less than 20 minutes (Billboard.com 2018). South Korea's music industry has a huge influence on people, including their purchasing decisions; this is the reason why

brands tend to choose many Korean artists for product promotion. Fans all over the world are ready to purchase any production related to a star, cosmetics industry is not an exception. The collaboration with South Korean public figure is a great opportunity for a brand to become recognizable even in the foreign environment.

4.2 COVID-19 influence on beauty industry

As the rest of the world, South Korea has faced COVID-19 pandemic. The virus has started to spread intensively in March 2020 with in average 500 people infected daily, however, already in April, the amount of diseased decreased until 20 cases per day. South Korea showed enormous example of structured and responsible fight against the virus, when people fully complied with the measures and restrictions. The country quickly adapted to detection procedure, started to quarantine diseased patients and provide free high-quality treatment, which helped to prevent further spread of COVID-19. There was no official lockdown (except borders closure), the majority of restaurants and business remained open under specific limitations, thus, the country was able to maintain economic situation. South Korea managed the pandemic better than any of OECD members not only in terms of business: economics decreases only for 0.8%. (Martin & Yoon 2020.)

Despite the prompt public reaction and cases downfall, the economic layout of the country has suffered. According to Korea Economic Survey (2020) provided by OECD, GDP index falls down by almost 3%, the amount of export and import activities has decreased by 7% and 4% respectively. The major problem for South Korean economy as for the export-driven country is considered to be the export operations and cross-border trade that has prominently declined (Larsen 2020).

The beauty industry of South Korea has its own negative losses, especially in terms of offline sales that decreased for 45%, but the active online shopping stimulated the cosmetics market stay afloat. The most apparent change on the beauty market because of the COVID-19 pandemic is consumers' response. Since the beginning of the outbreak, customers tend to purchase personal care and hygiene goods, they started to care more about product ingredients to be safe, transparent, and organic. The experts defined several K-beauty trends appeared due to the pandemic circumstances that may be helpful for cosmetic brands strategic decisions:

- active interest to personal hygiene production (hygiene sanitizers, spray for masks, hand washers, etc.)

- growing demand for care cosmetics because of the constant masks wearing and usage of sanitizers that dry skin (moisturizing creams, anti-trouble care cosmetics, sensitive skin goods, etc.)
- decline of makeup cosmetics purchases since the majority of people works remotely and wears masks. For example, lipstick sales dropped down for 20%
- consumer interest in care production with such immunity boosting ingredients as vitamin C to protect skin
- customers demand for water and sweat proof cosmetic products that stay fresh after mask wearing and do not leave makeup remains on a mask
- vigorous online marketing and PR activities that sell goods and attract customers better. (Sohn 2020.)

Brands that provide natural organic cosmetics aimed at personal care will have South Korean customers interest nowadays, it is assumed that this tendency will last for a long time in future. For the market entry after COVID-19 pandemic, companies should be responsible for quality of their products and adjust product line to current beauty trends.

5 Strategic Marketing Plan for Lumene on South Korean beauty market

5.1 Lumene background

Lumene is Finnish beauty company that was launched in 1970 and used to be under the Noiro Oy (belonged to pharmaceutical company) until 2008, when it was established as an independent brand. Lumene develops and manufactures production in Finland, but the range of market operations is among such countries as Sweden, Norway, Poland, Estonia, the USA, and Russia. Lumene provides worldwide shipping as well. According to the interview with Tiina Isohanni, who is the lead manager of product development team, Lumene's brand name stands for the lake *Lummenne*, which is located in Kuhmoinen, Finland, and for Latin word *lumen* that translates as light. The meaning represents the Nordic nature side that is promoted through products and organic ingredients, and the effect of glowing skin (Clark 2020).

Company's mission is to highlight people's beauty by natural mineral- and plant-based ingredients. Lumene positions itself as a company that provides cosmetics manufactured from handpicked natural botanicals from North, for example, arctic spring water, birch sap, wild cloudberry, blueberry, bilberry, cotton grass, pine bark extract, etc. Currently, Lumene is the leading Nordic cosmetic company and the most famous beauty brand in Finland. The main idea of Lumene is to offer high-quality vegan products for improving the beauty by natural ingredients. (Lumene Website 2020.)

5.1.1 Internal analysis

Lumene is the first beauty brand in the world, which manufactures cosmetics based on the natural arctic materials extracted from berries, trees, grass, and other botanical kinds, which makes the brand to be unique on any market. The company operates on the international market under two brands: Lumene (skincare, decorative products) and Cutrin (haircare cosmetics). Almost 50% of the sales belongs to the foreign markets, for example, Lumene owns subsidiary company in Russia and the USA. There are over 500 employees in the company, the majority of which works in Finland, while the rest locates in other countries of operation. (Lumene Website 2020.) Lumene's annual revenue is approximately 60 million USD (Financial Statements 2018).

The company's brand image is highly positive. Customers assume it to be high-quality and organic brand with relatively low price in comparison with other similar companies. According to the variety of surveys, almost 97% of Finnish respondents use Lumene's production

and are satisfied with its effect. (Finland Volume.) The most essential brand value of Lumene is to provide not only high-quality production but also excellent service until customer receives the product. Furthermore, Lumene cares about environmental issues: Lumene's cosmetics is plant-based, and the company tries to focus more on side ingredients of food and wood industries to save nature. (Komppa 2019, 25.)

The strategic approach of Lumene contains two main ideas, which make the brand to be eco-friendly and cruelty-free. As it is stated on Lumene website (2020), the company cares about ecological environment, therefore, product packaging is manufactured in accordance with recycling restrictions in order to decrease the usage of complex components and provide biodegradable packaging. In addition, the brand is strictly against animal testing.

The most noticeable competitive advantage for the brand is the way of manufacturing products: the combination of rare and organic materials and innovative approach provides gentle skincare procedures that has therapeutic impact. By such strategic attitude, Lumene not only ensures customers safety, but also keeps and contributes Finnish culture to the public. Production of Lumene is manufactured in Finland, the company has own R&D department and laboratories with high-quality equipment and innovative technology approach. Each of a product is tested and evaluated in accordance with dermatological safety policies and restrictions. The product line is in a constant development because of the Finnish changing climate that gives new organic ingredients each season. At the moment of 2020, Lumene's assortment is divided per 8 main product lines for skincare routine that vary based on the cosmetic features (e.g. product line with vitamin C, anti-aging solutions, moisturizers, skin soothing).

The recognition of Lumene among customers of the beauty segment is high, and the company maintains active marketing campaigns. For example, Lumene's marketing activities include advertising in the Internet and social media (e.g. *Lumene Finland* Instagram reached 42.5 thousand followers, *Lumene Russia* has 67 thousand), TV-promotion, beauty public events (product presentations), and constant elaboration of goods with new ingredients. Lumene's marketing policy is based on the strategy that aims to educate the audience through advertising actions. (Finland Volume.)

It was mentioned before that Lumene had an attempt to enter South Korean market, and they have expanded their business in this area. In 2014, Lumene announced that the company tries to broaden operating area to Asia, since the launch in Scandinavia countries, Russia, and the USA was successful. As a part of organizations strategy aimed at market growth, Lumene chose Tekes agency (stands for Finnish Funding Agency for Technology and Innovation) for the partnership as a support while entering South Korean market. With

Tekes assistance, the company was able to elaborate business model and strategy for gaining market share in new region within two years. Currently, there is no relevant information about Lumene's operations in South Korea, however, at the moment of 2016, products were exported to the country by domestic supply company and were stocked until necessity. There was official South Korean business representor of Lumene that provided market targeting and maintaining, and marketing activities, the brand was promoted mostly through commercial TV-channel.

Lumene did not provide the whole product line for South Korean region. Before the official launch, it was decided to focus more on cosmetic products for men and women over 35. Firstly, the company has done a research, results of which has shown growing demand for beauty goods among South Korean men because of the increasing popularity of K-pop artists and actors that participated in the majority of advertising campaigns. Men in South Korea tend to take care about their skin and beauty, therefore, they often buy both skincare and makeup cosmetics; a lot of tourists from other Asian countries are also under the influence of K-pop wave that affected them to buy beauty products. Secondly, Lumene's main promotion channel was TV advertising, and the targeted audience was women over 40 years old, thus, Lumene promoted specifically anti-aging and brightening skin cosmetics suitable for particular age group. (Korpela 2016, 27-29.)

5.1.2 External analysis

The analysis of the external environment is represented in Chapter 4 as marketing environment of South Korea.

5.1.3 Competitor analysis

South Korean beauty market is exceptionally large and diverse, there are thousands of brands that have already caught customers' attention and a large number of newcomers. While Lumene's first attempt of market expansion, the company was surprised by the competitiveness rate and enormous diversity of beauty brands (Korpela 2016, 27). It needs to be emphasized that due to the demand of customers for organic-based cosmetics, the number of companies producing natural products has significantly increased. There is a huge number of brands that are not as large as the ones described in competitor analysis, but they are also known among the audience. Since the beauty market in South Korea is a popular and profitable niche, many new custom beauty brands are emerging. Due to the incalculable amount and lack of information in English, the research is not able to cover the entire beauty market.

Based on the previous experience of Lumene, the author assumes that the most propitious entry mode in the present circumstances is expanding through online platforms, therefore, the following competitor research does not focus on the overall market image. The analysis is based on the statistical survey that was conducted in 2019 regarding the most preferred online service to purchase skincare beauty goods:

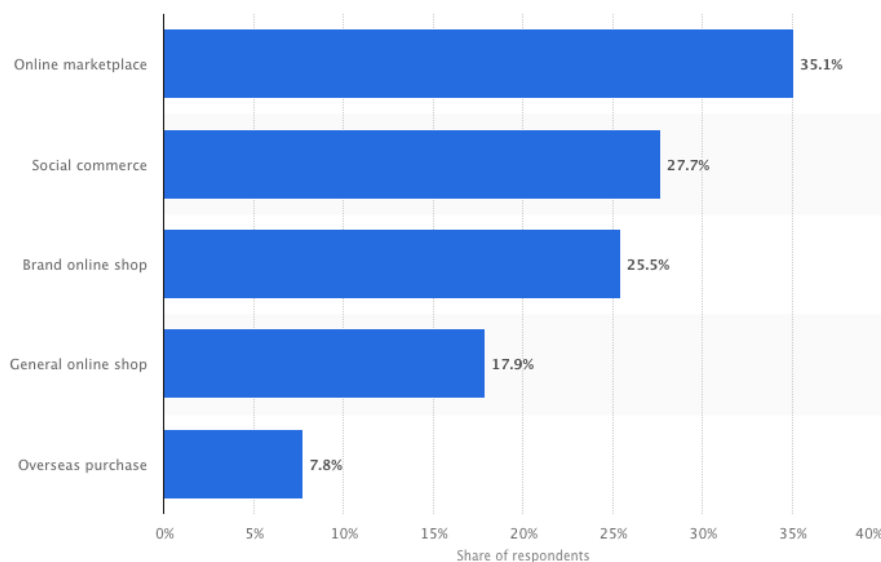


Figure 8. Places South Koreans shop online for skincare cosmetics (Statista.com 2019b)

As it is seen from the graph, the majority of respondents shop in online marketplaces because of its comfortability and wide variety of brands. Among marketplaces are such well-known platforms as Coupang, GMarket (under eBay Korea), Amazon, Daiso Mall (low-cost production), Lotte, iStyle24 (cosmetics and fashion only). In case of particularly beauty products, drugstore retailers are a popular place to shop both offline and online. There are famous stores as Olive Young, LOHB's, Lalavla, and Chicor. These shops stock a huge number of domestic and foreign cosmetic brands of any price category and quality. In the marketplaces, it is possible to find any cosmetic product, it is auspicious niche for the newcomers, however, it also contains a big number of longstanding famous brands that have gained customers recognition and loyalty.

Lumene provides both skincare and makeup solutions but the way of manufacturing products based on natural botanical ingredients gives the brand a huge competitive advantage because it is completely new for the South Korean consumer. Nordic organic components make Lumene to be outstanding among other competitors. Additionally, this fact narrows the competitor range. South Korean cosmetic companies also have well-known brands, which position themselves as 100% organic and plant based cosmetic manufacturers. Ac-

According to the interview with Riikka Söderlund (2016), who is head of communication department, Lumene considers South Korean brand *The Face Shop* to be their main competitor because its production is also based on organic elements such as minerals, fruit and plant extracts, and other (Korpela 2016, 28). The main difference between these two brands are ingredients, which are both extracted from nature, but from Nordic and Eastern. *The Face Shop* is extremely popular among South Korean customers, it is subsidiary company of LG Group and is placed second and third among the most frequently purchased skincare and makeup brands respectively (Yu 2019).

Besides *The Face Shop*, there are more powerful companies to compete on South Korean market. Since Lumene is positioned as organic brand, the competitor range is narrowed by brands with natural production. There is no possibility to provide a single source of proof in terms of market competition, thus, the researcher investigated GlobalData (2020) analytic company's researches regarding South Korean cosmetic market. According to the variety of market assessments and forecasts, some of the potential competitors are presented below:

Innisfree. The brand is maintained by Amore Pacific, the stores are located in more than 16 countries, including the USA, United Arab Emirates, and Canada, the shipping is available worldwide. The production line of Innisfree is based on organic ingredients extracted from Jeju nature, which makes it exceptionally popular among customers because Jeju Island is the most famous tourism destination and a meaningful part of South Korea's cultural heritage. Despite the rare ingredients used while manufacturing process, Innisfree's prices are relatively low compared to other brands, even though the products are from high-quality category. Innisfree's yearly revenue is approximately 487 million USD, and market share is above 4.1% (Statista.com 2019a).

The brand is considered to be the most influential competitor for Lumene because of its popularity not only among South Koreans, but also among other Asian customers: Innisfree has around 1.1% of market share in China. One of the factors of brand's popularity is its ambassadors, who are famous South Korean actor *Lee MinHo* and K-pop star *YoonA* from girl-group *Girls' Generation*; these two artists are popular among the Asian audience, thus, this fact helped to increase brand awareness and recognition.

Innisfree provides both skincare and makeup cosmetics, body and haircare products for any gender and age groups. The product line consists of more than 20 collections varied by Jeju Island ingredients (e.g. volcanic cluster, cherry blossom, pomegranate, Jeju tangerine) (Innisfree Website 2020). Customer range of Innisfree is diverse because different collections have cosmetic solutions for any skin type and age for both women and men.

Because of affordable prices, Innisfree is in active demand among youngsters but middle age (45-55) also purchase brand's goods. According to statistics, each South Korean customer has bought Innisfree products at least once. Innisfree's main strengths are appropriate for the majority prices, eco-friendly policies, recyclable packaging, and natural ingredients. However, Innisfree allows animal testing within the law restrictions in particular countries, for example, in China, animal testing is required by law for any foreign cosmetics. Moreover, Innisfree do not position themselves as a vegan brand. (Ethical Elephant 2020.) In the context of advantages against the Lumene, components of Innisfree production are more familiar to South Korean buyer than Nordic botanicals, which can be a possible threat for Finnish brand. Despite this fact, Lumene still can be assumed as more organic and plant-based company than Innisfree, since Korean brand uses more artificial cosmetic components.

Nature Republic. Nature Republic stores are located around South Korea and in other Asian countries (Taiwan, Singapore, Malaysia). Company takes 8th place in top of the most purchased skincare brands, and it is well-known for its strategic concept to offer goods from earth. As all the other organic brands, Nature Republic's products are based on botanic and bio ingredients, for example, aloe, snail secretion, calendula, shea butter, etc., and are suitable for any skin type, age, and gender. The company also uses Jeju Island nature products, however, their concept is not associated with Jeju as Innisfree's brand positioning. Compared to other organic cosmetic manufacturers, Nature Republic's product line contains a big number of skincare solutions for treatment, therefore, it is known generally for care products, not for makeup. Nature Republic is one of the most famous South Korean brands on both domestic and foreign markets mostly due to models that represent it. Among brand ambassadors, there are two popular K-pop boy groups *EXO* and *NCT127*, what doubled the interest in the company and customers trust. (Nature Republic Website 2020.)



Figure 9. NCT127 for Nature Republic (Nature Republic Website 2019)

There were several negative points found during the research. According to the Doc Reviews web-platform (2016), despite innovative organic approach, customers were unsatisfied with Nature Republic due to allergic reactions after products application. Additionally, it was revealed during the testing that used components are not as natural as it is promoted by the company; some ingredients were considered to be chemical and artificial. Even though Nature Republic has high recognition among consumers, overall brand image is not that positive.

Aromatica. The company is considered to be the gold standard of organic cosmetics in South Korea. Aromatica is a part of Vegan Society, they do not allow usage of animal-based elements in their products. Furthermore, the company is certified Ecocert organic and is verified by EWG (Environmentally Working Group) as nations first; it was chosen by EWG as safe beauty champion in 2011. Brand's mission is to save both skin and nature, it is strongly eco-friendly, vegan and cruelty-free. As in Lumene, Aromatica's products are fully based on ingredients extracted from nature in order to provide high-quality beauty solutions (skincare, makeup, haircare, body care). (Aromatica Website 2020.) It is well-known among buyers as damaged skin treatment cosmetics, thus, it is a powerful competitor in terms of customers trust because its quality is tested by the time and experience of the large audience.

There are several foreign brands that received a recognition in South Korea and may be a potential threat for Lumene:

- Clinique (the USA)
- Shiseido (Japan)
- L'Occitane (France)
- Estee Lauder (the USA)
- Vichy (as a part of L'oreal; France). (International Trade Administration 2016.)

5.1.4 Customer analysis

South Korean customers tend to shop a lot not only to satisfy basic needs but also for maintaining the overall image and social status. It is common to spend money on any kind of goods even from high price category, if these goods are popular and trendy. South Koreans seek to follow the majority's decision regarding a product. The main reason for this is cultural feature of collectivistic society that is described by the effect of Confucianism ideology. South Korean consumers often depends on the majority's opinion and choose a brand based on its popularity and others' reviews. South Korea is considered to have a brand-conscious society, because of brands' diversity, there is a constant change of currently

popular companies among the audience. (Chang 2007, 143-149.) Foreign companies face struggling while trying to beat the extreme competition in South Korea, therefore, it is necessary for a brand to have positive reputation and be well-known at least in some region for gaining a portion of South Korean consumers' recognition.

In South Korea, people make purchases either in the department stores or online. The offline shopping has powerful and large infrastructure. Seoul is called Asian shopping capital because of the extensive shopping environment, there are several districts dedicated to area with stores. For example, Myeongdong district is known among South Koreans and foreigners as the biggest shopping place in Seoul. It is surrounded by department stores, there is an uncountable number of retail stores, outlets, and restaurants inside of it. Around 2 million people in average visit Myeongdong daily. Other famous shopping places are considered to be Lotte Department Store (Lotte Group is one of the biggest *chaebols*), Dongdaemun district (over 30.000 stores), Hongdae, and Gangnam district (luxury brands mostly) (Sandra L. 2018).

The online shopping along with delivery system are exceptionally developed and designed for people's convenience. In general, the average order from online platform may be delivered in few hours, the longest waiting time is less than three days. According to Statista.com (2020b), South Korea has one of the largest e-commerce markets, more than 90% of society use internet and online services. The survey was conducted in 2019 for young and middle-aged South Koreans, the results showed that 97% of respondents prefer online shopping because of its comfortability and prompt delivery.

Customers in South Korea tend to carefully approach a purchase, they have high expectations before the decision-making process. Brand awareness is important for them, however, it is not common to stay loyal for a particular company or a product. Due to the enormous number of cosmetic brands, South Koreans always try the new ones, especially if a firm will get recognition among the audience. (Hänninen 2020.) South Korean beauty market is extremely wide and has a lot of opportunities to choose from, therefore, customers are strict while assessing new cosmetic brand or a product. Based on the research and cultural characteristics, the experts have defined several key factors that mostly affect South Korean customers during cosmetics purchasing process:

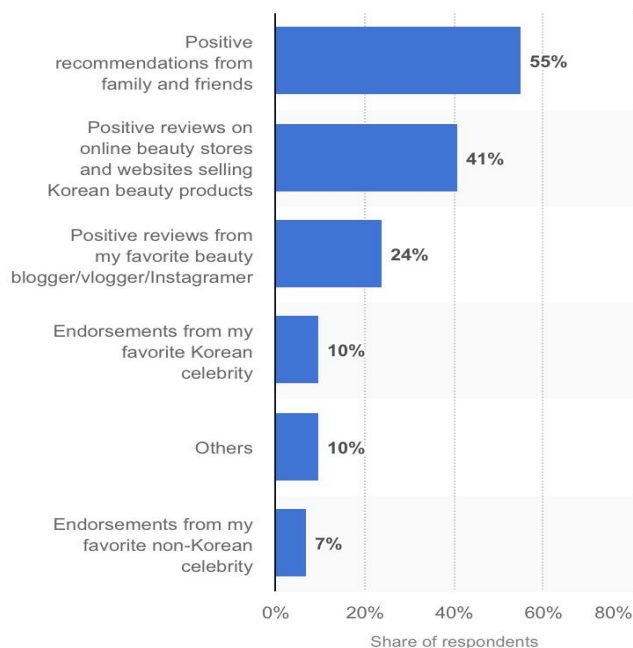


Figure 10. Main factors influencing consumers to try skincare cosmetic products in South Korea (Statista. com 2020c)

The majority of the respondents trusts to the opinion of their relatives and friends while making a particular purchase. The second and third places are taken by social media influence, which has a powerful effect on South Koreans' perception regarding a brand. The most popular platform for the consumers' feedback and reviews is called Naver. After assessing the need, South Korean customer usually goes to Naver to find the information related to the product or service and to read the reviews of others. There are plenty of forums with different discussion topics, customers are able to build expectations and opinion about a brand. The most requested and discussed issue is most often the composition and ingredients of a product that should be natural and safe. In addition, there is a tendency to compare prices, Naver platform provide all the necessary content for this. When the purchase was made and despite the fact was is successful or not, South Korean consumer will share it in social media (Instagram, Facebook, KakaoTalk). (Parsons & Su 2017.)

It was mentioned before that both women and men actively purchase cosmetic products. South Korea is known as a country with the highest cosmetics purchase rate among men in the world (Euromonitor 2019). South Koreans men take care about their skin, some of them apply only skin and pore treatment and moisturizing products, certain amount buy makeup products to naturally highlight their beauty. Similar as for women, there is a tendency to buy anti-aging, brightening products, face masks and moisturizing mists. One of the reasons for South Korean beauty market to be that large and world famous is that the society there pays utmost attention to skincare and entire look. For example, the prior thing

to be evaluated while hiring an individual as an employee is appearance and style. People in South Korea are taught from childhood about taking care of skin, therefore, they start to use anti-aging products earlier than other nations.

South Koreans are known for their perfect skin that ages and loses its freshness comparatively slowly. Climate in the peninsula region is not steadily hot or cold, it depends on the season; during winter period, the temperature becomes rather lower, the weather is cold and windy. In comparison with Finland, there is no much snow, however, the wind is stronger, therefore, the weather is frostier. In winter, South Koreans skin becomes drier what makes them to buy more hydrating and moisturizing products. During late spring, summer and early autumn time, the humidity level becomes higher than 79% on average, and since South Koreans skin tends to be oily, in summer, greasy jellies start to work actively. Despite these features, the skin of South Korean people is often affected by bright sunlight (it makes to buy SPF-protection and brightening skin products), heat, and dust. The last issue is considered to be the major social issue, there is a special emergency alert about respiratory menace when the dust amount in the air exceeds the safe level. Toxic pollution is intense during winter and spring period and spreads between South Korea and China. The dust occurrence has several reasons, e.g. an outcome of coal power plants, rapid industrialization, Chinese “yellow dust” from factories, natural Asian dust storms. (Bicker 2019.) The combination of these external influences affect skin and become the reason to purchase mostly moisturizing and treatment products. In 2020, South Korean customer notably cares about safety of the purchased cosmetics. There is a high demand on production manufactured from natural materials what gives Lumene a competitive advantage.

South Korean customer beauty needs are based on the special multi-step routine, which became relatively famous in the world lately because of its effectiveness. The cosmetic procedure is done in accordance with coherent step-by-step process that varies from 5 to 10 main steps. The routine includes such cosmetic products as:

- cleanser (usually oil)
- foaming cleanser for deep cleansing
- an exfoliant for skin peeling (it is not used every day)
- moisturizing toner
- essence
- serum for deep hydration/treatment products
- a sheet mask (optional)
- eye cream
- moisturizing product

- night cream/primer/SPF-protection product, it depends when the procedure is done. (Santos 2019.)

Based on the customer analysis, it is possible to build the general image of South Korean consumer that is represented by the table below. South Korean consumer:

Factor of influence	Result
Culture	<ul style="list-style-type: none"> • has tendency to follow a particular trend and rely on the choice and opinion of the majority (collectivistic attitude) • is subject to the effect of Korean Wave (e.g. doubled recognition due to cooperation with popular public figure)
Social position (social strata, family, etc.)	<ul style="list-style-type: none"> • tends to make a purchase to display social status • is picky while assessing market newcomer because of brand diversity • is ready to spend money for high-quality cosmetics if it is proved by experience of others or brand reputation • compares prices
Personal factors (age, gender, etc.)	<ul style="list-style-type: none"> • is well-educated in terms of cosmetics since childhood • starts to use anti-aging solutions early • due to the public tendencies, climate, personal features, etc., most often purchases moisturizing, brightening and lightning products, products with Vitamin C, face masks, and anti-aging cosmetics
Psychological factors (motivation for a purchase)	<ul style="list-style-type: none"> • is affected by social media (e.g. positive reviews of other users) • is motivated to purchase beauty goods for confident look and groomed appearance to receive positive public assessment

<p>External factors (environmental, marketing mix, etc.)</p>	<p>Environmental: while entering the market, brands should take into account current environmental features. For example, COVID-19 outbreak stimulated demand for damaged skin and anti-print production.</p> <p>Marketing Mix: brand positioning regarding marketing mix is important due to the market wideness. South Korean consumers pay attention to accurate interconnection between product, its price, availability, and accompanying marketing activities.</p>
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Table 1. South Koreans buying behavior factors of influence and outcomes

5.1.5 SWOT

Before potential market entry, a company should build a sustainable strategy, which is always based on SWOT-analysis that includes necessary elements to consider in advance. Lumene have successful experience of entering international markets and gaining foreign customers recognition, moreover, the company is familiar with South Korean beauty market and industry. Any strategic plan is built in accordance with SWOT-analysis, thus, the following table is based on the research described in the previous chapters and illustrates Lumene's strengths and weaknesses, potential market threats and opportunities in the context of South Korean environment:

Strengths	Weaknesses
<ul style="list-style-type: none"> • northern origin: brand image, positioning and reputation • 100% natural approach and organic ingredients • product quality proved by majority's experience and success in foreign regions • experience, popularity on domestic level, and international success • locally manufactured production • eco-friendly, cruelty-free, and recycling politics • website comfortability and developed content in social media. 	<ul style="list-style-type: none"> • unfamiliar for South Korean consumer Nordic botanic ingredients • relatively unknown compared to other foreign cosmetic brands • inactive social promotion, lack of information about the brand • weak promotion channel in the past.
Opportunities	Threats

<ul style="list-style-type: none"> • previous experience on South Korean market as possible recognition among acquainted audience • market growth and customers tendency to try new products • comparably small niche of organic brands. 	<ul style="list-style-type: none"> • influence of other powerful brands, competitive environment • environmental uncontrollable issues, e.g. import challenges • COVID-19 effect on economy and business • cultural barrier.
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Table 2. SWOT-analysis of Lumene

Strengths. First of all, Lumene is unique brand for South Korean market because of its Nordic origin. Western and European cultures are familiar to South Koreans, however, they do not know much about Finland. General brand image and Finnish culture concept create powerful and attractive brand's identity to capture consumers attention and stand out from competitors. Arctic concept differs a lot from Eastern, thus, customers might be attracted by its otherness and uniqueness. Secondly, Lumene's synergy of long experience and buyers' recognition in other international regions proves products' quality and ensures to build trust despite unusual components of cosmetics. Since South Korean society tends to compare brands and trust to the majority's opinion, it is possible to promptly receive customers recognition because of the international success, especially in the USA market. This fact gives Lumene influential competitive advantage and puts it on par with well-known foreign brands.

Thirdly, production of Lumene is manufactured in Finland, which proves that organic ingredients are handpicked. It gives customers brand transparency feeling and aids to build trust. A big number of tests showed that Lumene's products are truly organic and based on botanical items. Additionally, success on domestic level illustrates production quality. In case of Lumene, the company was able to become the most purchased Finnish cosmetic brand not only in Finland but among entire Scandinavian area. Furthermore, South Koreans appreciate company's behavior in terms of social matters. Lumene takes a favorable opportune position since it supports ecology despite the use of natural products, opposes animal testing, and seeks to use recyclable packaging for its products.

Lastly, Lumene is Finnish brand but it breaks the language barrier and provides content on different languages. Brand's social media accounts are separated by countries of operation and maintained on certain language. If the company creates *Lumene Korea* Instagram account, customers will be attracted and pleased by this action because of their prioritized attitude in terms of culture.

Weaknesses. Firstly, Finnish nature is unfamiliar to average South Korean individual. In comparison with local organic brands, Lumene's ingredients are unknown and may be a

cause for mistrust. Secondly, Lumene is comparably smaller than other foreign competitors that affect brand's recognition on the market. Thirdly, during the research, the author faced with a problem of data shortage either because of the language barrier or the lack of publications about the brand by Lumene itself. Since South Koreans tend to make a research regarding a company before the purchase, it is necessary to provide a lot of informative content. The last weakness to be considered is weak promotion channel used by Lumene on South Korean market in the past. According to statistics, TV advertising in South Korea attracts narrower audience than other promotional channels (social media, collaboration, etc.). Brand awareness among South Koreans is low, and it let us assume that previous promotion activities were inefficient.

Opportunities. Previous experience of Lumene in South Korea gives great opportunities for further business development. The company is familiar with the environment and audience, has native partners, and experience of import activities to the country. Second major opportunity is South Korean customers tendency to try new products because of the constantly growing market. Society in South Korea commonly is not loyal to a particular brand, they may try a foreign production if it is promoted by the majority and becomes famous. The third opportune factor for Lumene is the size of niche for specifically organic brands. There is a lot of products based on natural ingredients from the majority of beauty companies, however, there is not that much brands that position themselves as organic manufacturer. It may be a reason for growing customers' attention.

Threats. The major threat for Lumene in South Korea is the beauty market size and indestructible competitiveness, however, there is a high possibility that Lumene's strengths will help to outstand among competitors, mostly because of its uniqueness. Secondly, marketing environment dimensions rapidly change, and it is not possible to control them in most of the cases. There might appear some challenges that will make Lumene to revise export policies and change strategic decisions. The company needs to monitor the changes and adapt to them in order to maintain the business in the foreign environment. Therefore, COVID-19 pandemic is an illustration of uncontrollable factor that influenced marketing environment a lot. Since COVID-19 outbreak is still in the progress in South Korea at the moment of research conduction, Lumene needs to analyze the current country's situation and forecasts for the future that can change current market picture (e.g. current leaders in organic beauty niche).

Lastly, even after elaboration of strategy in accordance with cultural features, there still may appear problematic issues due to cultural barrier. Finnish and South Korean cultures are completely different from each other, and South Koreans are sensitive in the context of

culture, especially in case of foreign company that tries to enter Korean environment. Each of Lumene's strategic step and marketing activity needs to be passed through the prism of culture and ethics, therefore, as not to cause public excitement and destroy the brand's reputation.

5.2 Strategic Marketing Plan

There is no available information regarding beauty brands from Finland on South Korean market that are actively promoted or available in local online and offline stores. As it is stated by Hänninen (2020), there are several elements to be taken into account for Finnish companies in order to successfully enter the market and attract customers in South Korea:

- follow current beauty trends in the country
- adjust production line, marketing activities and brand image to South Korean taste
- provide competitive costs in terms of shipping
- ensure the offered production is always available for the fast delivery
- maintain persistent customer service
- allow Korean payment methods (e.g. Kakao Pay)
- label and package production properly.

It is fairly to note that the process of entering a new foreign market is a major change for a company that implies setting of clear strategy, which should not be aimed at achieving long-term goals. In the case of Lumene, the company has already had experience in the South Korean market, but at the moment, due to the lack of relevant data regarding Lumene's market operations in South Korea, process of business expansion is either suspended or weak. Lumene did not create social networks adapted for Korean audience to get closer to customers, and in general, South Korea seems to be a country available for product shipment, rather than complete operating market (e.g. as *Lumene the USA*, *Lumene Sweden*). Based on this assertion, it is possible to assume that currently Lumene do not have any active marketing plan for South Korean market, except TV-advertising experience in the past.

The following statements do not guarantee successful and genuine strategic marketing approach, it is based on the research findings and researcher's experience. It is a possible plan of actions for potential market entry as a case study.

5.2.1 Goal, objectives, target market

As it was described in Chapter 3.2 that before the development of strategic marketing plan, the company should establish market objectives and goals that plan strives to achieve. Due to powerful competition and large brand diversity, it is not possible for Lumene to gain a portion of market share in the beginning, however, the brand is able to receive customers recognition. During the research, it was illustrated that South Korean society has a tendency to heed the opinion of majority. This fact gives Lumene opportunities for acquiring audience attention. In other words, if small group of consumers will get to know the brand production, there is a high possibility to be spread among their social circle and people in the Internet because of the product review publication. Doubtless, Lumene's main goal is to enter the market and receive a part of people's recognition among other organic brands. To achieve it, it is necessary to elaborate marketing activities that will be efficient particularly for South Korean audience.

The range of possible market objectives may include the following:

1. Improve brand recognition among target audience.
2. Develop *Lumene Korea* social networks and provide website pages available in Korean language. It was noted that South Korean society is sensitive to their culture. Nowadays, only about 10% of natives are able to speak English, mostly these are people under 30. There is a possibility to translate pages when it is necessary for a customer, however, if Lumene adds South Korean language-based social media and website, it will increase consumers trust and encourage them to pay attention to the brand.
3. Increase the audience in social media (Instagram, Facebook) by coherent content plan, advertising campaigns and 24/7 customer service. Lumene's content is Instagram is aesthetic and steady, it varies by the color palette with each season, thus, it looks unique and elaborated. Audience in South Korea (especially those under 40) pay a lot of attention to brand's image, social media/website aesthetic, and overall picture that helps them to build a specific perception. In case of working with South Korean society, it is important to focus on social media development and promotion. Moreover, since Lumene is located abroad, and it is not planned to open offline stores in South Korea in near future, online networks are the only channel that may build relationships between consumers and company.
4. Optional: launch a new product or product line developed specifically for South Korean consumers and promote this message. Customers appreciate when company emphasizes the importance of providing the best for the audience. If Lumene will

create a new product particularly for South Korea and will advertise it, there is a possibility to receive higher recognition faster.

After the proposed market goal and objectives are defined, it is important to choose the audience to focus on. It was described in Chapter 3.3 that STP marketing concepts aid to narrow the market and position a company among the chosen customer group. During the previous attempt of market expansion to South Korea, Lumene's target audience varied among TV-channel viewers who were mostly women over 40. Since the research provides different promotion methods and tactics to enter the market, target audience should be evaluated again.

It was noted that now, there is only one possible way for Lumene to enter South Korean beauty market and avoid huge losses at the same time: online development. Both men and women purchase beauty products in South Korea, therefore, it is supposed that target audience cannot be limited only by women. Lumene has a big number of product lines aimed to achieve completely different effects, and all of them should be provided for South Korean customer as they are provided on other operation markets. Lumene's products are unique for Asian region, therefore, it is better to make all product lines available in South Korea because it may attract bigger audience. There is no proven response to particular product range or specific audience due to the number of competitors and large diverse audience. In South Korea, almost everyone purchases cosmetics, it may be unnecessary to choose a particular buyer segment. As a proposal, at first, Lumene may offer and advertise all of the products but the target audience (those who purchase goods more frequently) and the most popular products will be defined over time. In the beginning, it is suitable to segment the audience from 20 to 45 by distinct product lines, later the target consumer group will become more precise based on the response and further development on South Korean market.

5.2.2 Competitive advantage

The prior purpose of strategic marketing planning process is to determine competitive advantage and emphasize it through marketing activities with a view to succeed on the new market. According to SWOT-analysis and research in general, Lumene has strong competitive advantage and potential to become a foreign brand that outstands among competitors. Despite the market wideness, Lumene's niche is companies, which are based on organic production manufacturing, and this fact narrows the competitor range. The company will become an example of Nordic cosmetic producer since Lumene is the most famous beauty goods manufacturer from Northern region. Success in the USA gives Lumene great competitive advantage compared to other local companies because of South Korean customers' tendency to trust foreign brands, especially if it is well-sold in the USA.

Lumene's experience proves that ingredients are 100% organic and safe for usage, therefore, customers should not be doubting the quality of products of absolutely new cosmetics brand for them. The company was able to create innovative approach of science and botanic ingredients synergy while products manufacturing. As it was noted previously, South Koreans appreciate organic brands and purchase them often. While the COVID-19 pandemic is still active, people evaluate skincare and makeup solutions more precisely in terms of safety and effects that will occur during the product usage. Lumene's goods fully comply with the requirements and preferences of customers in the current circumstances. Furthermore, the company has positive reputation and was not caught in any adverse scandals that contribute to a negative attitude to the brand.

Additionally, the product line of Lumene gives them opportunities to develop on South Korean market because of its heterogeneity and ability to be adjusted to any customer. In the internal research, it was analysed that Lumene's production includes a big number of moisturizing and anti-aging products. South Korean consumers mostly purchase hydrating goods on average, nowadays, because of the COVID-19 effect, there is doubled demand on moisturizing and calming skin, and vitamin C products. It is fairly to assume that Lumene's product range is suitable for South Korean market and makes it opportune to acquire customers of different age group, skin type, and lifestyle.

5.2.3 Marketing Mix

The following marketing mix analysis is described on the basis of findings that were emphasized in the previous chapters. It is summarized combination of researcher's thoughts and inferences that formulate not an entirely credible solution but a proposal, which may be suitable for Lumene's potential strategic plan.

Product

Assortment of Lumene is wide and diverse, thus, it is expedient to provide each product line in South Korea because various products are able to attract more customers. However, some of the goods may be promoted more in comparison with others in order to ensure sufficient resources allocation. The researcher has determined several preferable product lines to be advertised in South Korea in accordance with Lumene's environment and customers/competitors' analyses. The proposed choice argumentation is described as follows:

- Nordic-C or VALO. The products of this collection include Vitamic-C component and provide brightening the skin effect, which is attractive for South Korean consumers. Firstly, it was mentioned previously that society in South Korea has a tendency to purchase products that are aimed at lightening and brightening skin. The reason for

this comes from the culture since light pale skin is considered to be beautiful and healthy. South Koreans have tanned skin, thus, they often use lightening creams and skin products. Secondly, VALO line contains a number of moisturizing goods, particularly face masks, eye patches, essences and serums that are in high demand among the audience due to the popularity of 10-steps skincare routine. Hydrating face masks full of vitamins are in the top of cosmetics purchases according to statistics. Moreover, Yellow concept of Nordic-C collection is able to catch people's attention because it is bright and is represented by sun and lemon (vitamin C), which may be associated with robust health. In the context of COVID-19 pandemic, society started to care more about their immune system, and vitamin C is known as natural immunity booster. Consequently, customers may be interested in cosmetic products contained vitamin C.

- Nordic Hydra or LÄHDE, Nordic Hydra Care or ARKTIS. The products of these two collections has the same goal to deeply hydrate the skin, and it is mentioned before that it is essential for the average South Korean cosmetics buyer. South Koreans are well-educated regarding cosmetics since their childhood, thus, they are aware of constant correlation between external factors and skin condition. There is superior demand for hydration solutions in the society due to the skin type peculiarity and climate of the peninsula throughout the whole year. It can be seen that South Korean cosmetic brands manufacture mostly moisturizing products since customers actively purchase this category. Thanks to the diversity of hydrating items in both lines, it is possible to use Finnish cosmetics as a part of 10-step skincare routine, for example, Lumene has a large variety of serums, essences, cleansers and creams. Hydrating collections of Lumene have to be promoted in South Korea since there is significant possibility for assertive response from consumers.
- Nordic Ageless or AJATON. It is obvious from the line name that products effect is focused on the elimination of the features, which accompany skin aging process (wrinkles, creases, dark stains, etc.). As it was mentioned in Chapter 5.1.4, South Koreans take care about their skin since early age, therefore, they start to use anti-aging products earlier than average foreign customer. Both young and older people are interested in anti-aging goods that contributes to increasing amount of potential orders and spread of Lumene among the audience.
- Nordic Detox. The product line is strongly associated with Finnish forests that may catch the attention of the target audience since Nordic forest is completely different from Eastern. Furthermore, Lumene points out that Detox collection is elaborated for people who live in the cities with environmental pollution and urbanized areas. South Korea's ecological environment in the urban regions is seriously damaged by

air pollution from factories and transport; pollution is one of the reasons for the dust, which appears throughout the year and is dangerous not only for health but also for skin. Such environmental features of Korean peninsula make consumers to purchase skincare goods for skin protection, thus, Detox product line will be suitable for the area.

- Lumene for men. The product line is not illustrated on the official website, but there is information found that Lumene launched collection for men. The researcher assumes that some of the positions from this assortment (e.g. shaving and cleansing foam, fresh lotion) may be promoted on South Korean market as well. The majority of beauty companies in South Korea does not divide cosmetic products by gender as foreign companies do, however, such variety may be attractive for some consumer category (e.g. older generation). Besides, Lumene needs to promote all the product lines with a message that it is suitable for both men and women in order to increase recognition of any gender.

Price

Elaboration of pricing strategy may become a challenging process for an organization because a lot of aspects needs to be taken into account. By applying prices on production, companies should consider both perspectives of increasing profitability to maintain business and attracting consumers. The price usually represents a product because it tells customers about brand in general: the quality and overall image. Moreover, it facilitates decision-making process while comparison of products among different companies that are competitors to each other. Pricing strategy contributes to competitive advantage by supporting other elements of marketing mix.

There are many various pricing strategies that differ by strategic approach and goals to be reached during the selling process. According to Whalley (2010), there is a pricing matrix that includes 12 distinct strategies that are aimed at diverse purposes. The pricing strategies are distinguished by product's and service's quality, market condition, competition, and preferable way of gaining market share. Companies are able to choose several pricing strategies at once in order to adjust to particular situation and reach a number of goals at the same time.

In accordance with Lumene pricing list, the average prices vary approximately around 20-30 USD per product for skincare cosmetics, there are some items that cost over 40 USD. Lumene's pricing offers fit into the average price for skincare products in the category of organic brands. The proposed pricing strategies are chosen because of Lumene's success on the international market and global brand awareness. The company cannot set low

prices for gaining market share because brand image does not match with such concept; it can build wrong perception regarding Lumene among customers. The author assumes that the most suitable pricing strategies for Lumene in the context of South Korean market penetration are the following:

- *Competitor pricing* is suitable for markets with high competitiveness. This type of strategic pricing approach will allow Lumene adapt to market changes on the basis of current competitors pricing policies. It is essential for Lumene to track competitors' prices because of the market wideness.
- *Product line pricing* is convenient in case of Lumene since the company provides diverse variety of product lines with different features (e.g. premium products). Different collections can be priced variously in dependence with element used in manufacturing, effect after usage, etc.
- *Promotional or Bundle pricing* is popular among companies in South Korea because they often provide promotional activities that offer some product for free after the actual purchase (e.g. 1+1, 2+1 offers that always affect consumers' decisions). It is possible for Lumene to choose comparably small items for such pricing strategy, for example, free face masks, lip balms, etc. The products might not be sold for free as a gift but with reduced price in order to contribute to sales.
- *Geographical pricing* that varies because of the shipping costs in current circumstances. It is impossible to forecast the amount of expenses that Lumene will face during shipment. Therefore, geographical pricing adaptation will be suitable for Lumene to save extra costs and provide sufficient service since company operates internationally.

The company needs to control changes of pricing trends for particular production among competitors in the niche in order to keep up with them and acquire buyers by beneficial offers.

Place

It was described before that Lumene has only one way of goods distribution to South Korean customers. There is no possibility to open offline stores currently, moreover, it may be excessively costly and unnecessarily in the beginning of launch. Consequently, based on findings, it is planned for Lumene to provide production through online website and distribute it to customers. During the previous experience in South Korea, Lumene have been using domestic partner for goods warehousing that assisted them when the products were ordered. It secured the company to deliver orders quickly since delivering process takes a lot of time due to Finland and South Korea locations.

Lumene should ensure order lead time and overall delivery service to be fast and qualitative in order to fulfil not only expectations regarding the product but also service in general. South Koreans got used to receive ordered production on the same day or on the next day at the latest. Lumene needs to make sure that their supply chain allows prompt shipment to South Korea, or the goods provided in the country are stocked there in order to provide good customer services. It is assumed that the less expensive and the most auspicious way of goods distribution is to stock them in local warehouses through native intermediary. This kind of products supply will increase customer responsiveness and provide the audience with good-quality service.

Promotion

Promotion activities as a part of 4P's model is the powerful engine of business because elaborated advertising strategy is able to promptly acquire customers and increase brand awareness even on absolutely new foreign market. At the moment of 2020, it is essential for a company to provide continuous content in social media because now consumers tend to check social platforms before making a decision regarding a purchase. The integration of both offline and online marketing activities can deliver coherent customer experience and fully satisfy buyers' needs. Social media is the most influential channel between customers and companies because it is a direct way to know about a product. It is considered to be not a marketing activity but a whole way of maintaining business. (Smith & Zook 2011.)

Previously it was described that society in South Korea is subject to the social media influence, and for now, online networks are the most effective way to reach the audience. In case of Lumene, the company has shown well-developed activity in social media. It creates content in Instagram, makes posts for Facebook, and even has a YouTube channel (Lumene, Lumene Russia). Based on research and social media activity, Lumene's Instagram is considered to be the key social network for cooperation with customers. The brand has several Instagram accounts that are divided per countries of operation, all of them are currently active; content is also efficiently elaborated, therefore, as a proposal, it is possible for Lumene to create *Lumene Korea* Instagram account to become closer to South Korean customers.

There is a high possibility that in case if the company will create social media in Korean language, customers' awareness will quickly increase since it is always more convenient to make a product research in native language. For this, Lumene has either to hire employees with the knowledge of Korean language and culture (or native Koreans), or make a partnership with interested South Korean stakeholders that are located in the country and are familiar with business details. Creation of *Lumene Korea* account in Instagram will attract the

audience, as well as addition of Korean language on the website. Even if at first Lumene will be promoted through marketplaces or drugstore retailers, customers will have a need to check the website for more information regarding products and the brand. With a view to overcome the language barrier and present clearer brand picture, it is better for the company to add Korean language-based webpages.

Furthermore, it was mentioned that Lumene owns a YouTube channel, but the last publication is dated three years ago that let us assume it is currently inactive. Lumene may continue to make new videos for YouTube platform in order to provide more visual content about their products to represent company for customers from abroad. Marketing team of Lumene should elaborate a content plan for YouTube that will include various headings and ideas (e.g. product line presentation, unboxings, advices for healthy skin, makeup routines, promotion films, collaboration campaigns). Sufficient YouTube maintaining will increase awareness among the audience, especially since South Koreans tend to watch beauty content on YouTube platform.

Besides remote marketing, which is the only way of reaching South Korean customers now, other promotional activities may include TV-advertising (shopping channels). In addition, it is important to perform special events dedicated to particular occasions popular in South Korea (e.g. Christmas, Lunar New Year). It will express respect for the culture, which will create positive brand image, and this is essential for the foreign company while international market entry. It was mentioned above that South Koreans are sensitive to culture and history of their country and are pleased when foreigners respect it. However, the marketing team needs to be aware of South Korean cultural features because it may be dangerous to implement any advertising without proper knowledge. Some of the campaigns may become offensive or inappropriate in the framework of culture, and this may prohibit market entry at all or ruin the brand.

5.2.4 Potential market entry modes

The following inferences are based on the research and statistic data that was done in the previous chapters. The conclusions are built in accordance with findings and author's analysis.

Marketplaces

In South Korea, it is popular to shop in online marketplaces, especially for cosmetics and clothes. Delivery time does not take long, therefore, there is no need for people to spend time for offline stores visit. South Koreans of different age are busy with either work or studies, it is more comfortable for them to make an online order and wait for it while doing

personal business. As it is illustrated in Chapter 5.1.3, the most popular platform for online shopping is Coupang, a big number of cosmetic brands cooperates with the website and sells a huge amount of production particularly through it. Lumene has a possibility to offer their products through marketplaces (e.g. GMarket, Amazon Korea, iStyle24), and it will be convenient for them because the marketplace will be responsible for delivery service and become the mediator between customers and the brand. Cooperation with marketplaces will increase customers' awareness regarding Lumene and level of trust significantly faster because if they usually shop through a particular online marketplace, new brand offered by this platform will instinctively look more familiar to them. Entering the market through marketplace is beneficial for both sides of the process and reduces potential risks.

Drugstore retailers

Besides the marketplaces, retail drugstores are the opportune environment for newcomers on the market. It may be complicated to establish immediate cooperation with drugstore retailers due to enormous amount of competing companies, however, Lumene has a potential for it since it has already proved the success in other countries and is well-known abroad. The company is able to get its place on online website and at least a small amount of space for production in offline retailer chains.

The most popular and the largest drugstore retailer in South Korea is Olive Young, which provides not only cosmetics produced by South Korean brands but also from other Asian countries, from Western and Europe. For example, French brand Vichy and German brand Nivea are sold in South Korea through Olive Young. (Cosmetics Business 2016.) This drugstore retailer constantly provides marketing campaigns dedicated to special occasions (e.g. Chinese New Year) what increases customers attention. Olive Young is not the only possibility for Lumene to enter the market; there are several opportune drugstore retailers as LOHB's and Lalavla. Drugstore retail chains give a lot of opportunities that boost brand's awareness on the South Korean market. They are located in different cities around the country, it is easy to reach them almost everywhere.

Public figure collaboration

One of the favorable marketing activities for efficient market entry is to establish a collaboration with public figure that has the audience. Collaboration involves either advertising a product by a media person, or barter, during which company sends the product to a public person for advertising on social networks or elsewhere. It was mentioned before that famous artists have powerful influence towards customers buying decision in South Korea, therefore, collaboration with someone who is currently popular gives to the brand a lot of

opportunities and increases attention. This type of entry mode is not limited by popular artists (singers, dancers, members of K-pop music groups), it also includes cooperation with media figures, such as YouTubers or Instagrammers.

It may be complicated to collaborate with famous actors or K-pop groups for promotion because most of them already have contracts with brands to be their ambassador or model. Instead of this, it is possible to suggest YouTube stars to make an advertising barter. In South Korea, there is a big number of famous beauty YouTubers, but the content varies, and it is important to choose a right YouTube channel with suitable target audience. In case of Lumene, the public figure needs to specialize in the closest content area since its subscribers probably have same tastes. For example, there are such cosmetic YouTubers as *Gothamista* (beauty expert that focuses on skincare brands), *Lamuqe* (channel includes many reviews and unboxings), *Hello Pretty by Subin* (Youtuber produces many “Get Ready With Me” films where new products used during the makeup are shown), and *Liah Yoo* (channel provides skincare product reviews in lifestyle concept). There is a big number of more famous beauty figures, but YouTubers described above are the researcher’s proposal.

Exhibition

Another possibility for Lumene to promote in South Korea for market establishment is to attend beauty exhibitions. Exhibition is a great place to introduce new brand to the audience, the majority of companies there are completely new on the market. Since Lumene is well-known abroad, it may be familiar to some people that will visit the exhibition. As an example, CosmoBeauty Seoul exhibition is held every year, and promotes huge number of manufacturers from cosmetics, hygiene and sports industries from South Korea and abroad. According to International Trade Administration (2020), the event provides the audience with the latest beauty trends from 14 different countries. The exhibition is visited by more than 50.000 people, there are not only customers but also retailers, wholesalers, agents, press and other stakeholders that give opportunities to the brands. By attending such event, Lumene will gain great opportunities for the future, will possibly find partners, and will be promoted by press and media.

6 Summary

The final chapter represents the thesis conclusion on the basis of research under the title of strategic marketing plan elaboration for Lumene company on South Korean market. In this part, the answers to the research questions are summarized along with formulation of the cohesive plan based on the findings. The thesis studies the phenomenon of strategic marketing planning, and its outcome is illustrated by proposal strategic marketing plan developed for Lumene. The outcome is based on the analyses of marketing environment in South Korea and Lumene company. It is fairly to note that the final solution is not designed by company's request, it is entirely independent study, which does not provide undeniable strategic decision. The thesis idea of building strategic marketing plan is developed due to the rising popularity of South Korean beauty market and successful experience of Lumene in foreign regions.

The thesis contains three research questions. The sub-questions are aimed to be the informative base for the general question answer. The first sub-question focuses on representing current marketing environment picture as a part of external analysis of strategic marketing plan:

- How does marketing environment in South Korea look like nowadays?

To answer the question, the necessary data was conducted according to various sources. The analysis of marketing environment in South Korea is represented by demographic, political, economic, and socio-cultural dimensions of PEST-analysis in accordance with theoretical knowledge described in the second thesis chapter. Based on the findings, it can be concluded that South Korea is a developed country with dense economically active population that strives to educate themselves throughout the lifetime and reach success in terms of job; people there often seek to receive positive public assessment. South Korean society is driven by Confucianism ideology, it is collectivistic, appreciates social hierarchy, tends to work hard and comply with the public rules. South Koreans are seen as customer society that spends a lot of time for shopping in order to satisfy needs and support social image. The cosmetic market in the country is extremely wide and competitive due to the enormous number of brands, which makes consumers to be picky while making a product choice and spend a lot of time for product reviews research. During COVID-19 outbreak, South Korean beauty industry has suffered losses, but there were some trends established that may benefit to Lumene's strategic marketing plan.

The second sub-question is aimed to describe the concept of strategic marketing plan and its elements to be examined by a company:

- Which elements should be considered when developing a strategic marketing plan?

The answer to this question is illustrated in the Chapter 5 as a part of Lumene analysis on the basis of theoretical study in Chapter 3. For strategic marketing plan development, it is necessary for the company to create SWOT-analysis that represents main strong and weak sides of organization and potential opportunities and threats that may occur on the market. The SWOT-analysis is based on researches regarding company's internal and external environments along with customer and competitor study. In case of Lumene, its internal performance is efficient and successful; the company operates worldwide, has more than 6 target operation markets (Scandinavian countries, the USA, Russia), provides extensive and diverse product line suitable for different skin types and age. During previous attempt to enter South Korean market, Lumene's marketing strategy implied promotion through local TV-channel and distribution of goods while stocking it in domestic warehouses. In terms of competitors, organic brands niche is relatively various in the country, but not as big as cosmetic manufacturers in general. Lumene's main competitors are considered to be Innisfree, The Face Shop, Nature Republic, and Aromatica. The company has influential competitive advantage since it represents Nordic beauty and provides unique and innovative formula of nature and science synergy for creation of safe organic cosmetics. Lumene's SWOT-analysis described that despite potential threats, the brand has high potential to succeed on South Korean market by applying elaborated strategy.

The main research question assumes to build strategic marketing plan based on the findings through the entire thesis:

- How may strategic marketing plan for Lumene be built in order to be more present in the beauty market in South Korea?

The following table represents coherent solution and the research result:

<p style="text-align: center;">Stage 1.</p> <p style="text-align: center;">Market research collection, target objectives establishment</p>	<p>Conduct consumer- and competitor-oriented researches, product research, analysis of current market conditions and macro-environment changes, e.g.:</p> <ul style="list-style-type: none"> • product and ingredients trends • competitors offers in comparison with suggested for the promotion product line, prices; • uncontrollable market changes (COVID-19 effect, etc.). <p>Assessment of objectives to be achieved during the launch:</p> <ul style="list-style-type: none"> • improve brand recognition by constant advertising and cooperation with domestic stakeholders • define target audience • find supportive local partnership
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	<ul style="list-style-type: none"> • develop social networks in Korean language.
<p>Stage 2. SWOT-analysis, marketing budget evaluation, marketing channels analysis</p>	<ul style="list-style-type: none"> • Lumene needs to assess current SWOT elements that influence possible strategic decisions. • Marketing budget assessment is crucial because it is important to have financial stability for long-term period and own enough resources to minimize risks. • Lumene should identify its marketing channels to distribute product information to customer. For example, content for online platforms (Instagram, YouTube, Facebook) should be elaborated since it is considered to be the main channel to reach the target audience.
<p>Stage 3. Identification of product line and target audience</p>	<p>It was noted that entire product line of Lumene fits in Korean market trends. The company may focus on the following lines for more efficient strategic approach:</p> <ul style="list-style-type: none"> • Nordic-C or VALO due to demand among consumers for Vitamin C (COVID-19 effect) • Nordic Hydra or LÄHDE due to demand for moisturizing products • Nordic Ageless or AJATON for anti-aging products • Nordic Detox for urban area citizens • Lumene for men (there is no need in large product line since South Koreans do not separate beauty products per gender on average). <p>Target audience in the beginning may vary between the age of 20 and 45 among both women and men. It may be adjusted over the time because customers response cannot be forecasted.</p>
<p>Stage 4. Selection of potential market entry mode</p>	<p>After the analysis of resources and conditions, Lumene may consider potential market entry modes that are possible to apply in near future. The list is suggested by the researcher based on the findings and experiences of other foreign brands on South Korean market:</p> <ul style="list-style-type: none"> • online marketplaces (Amazon Korea, Coupang, eBay Korea, iStyle24, etc.) • drugstore retailers (Olive Young, Lalavla, LOHB's) • beauty exhibitions (Cosmobeauty Seoul Exhibition) • collaboration with public figure and further cooperation with marketplaces or retailers.
<p>Stage 5.</p>	<p>Since Finland is located far away, it is necessary for the company to find local intermediate that will assist during the distribution of goods process. For example, it may be domestic warehouses or Korean supply company. Lumene needs to</p>

Search of potential suppliers, partners, warehouses	cooperate with native representative in order to be more familiar with environment.
<p style="text-align: center;">Stage 6.</p> <p>Search of marketing employees that are familiar with Korean culture/establishment of marketing department with focus on South Korea</p>	<p>South Korean culture is completely different from Finnish, and South Koreans are sensitive to foreign entities that do not respect their cultural features. Lumene has to hire marketing employees who:</p> <ul style="list-style-type: none"> • are familiar with Asian and Korean culture • know both English/Finnish and Korean languages • are natives. <p>The establishment of marketing department with target on South Korea will help to avoid inappropriate actions during promotion activities, constant monitor and interpret changes in the country, and adapt Lumene's products and values to South Korean consumers.</p>
<p style="text-align: center;">Stage 7.</p> <p>Creation of advertising strategy</p>	<p>The stage implies elaboration of advertising strategy based on value proposition specifically for South Korean market. Based on the research, several points were defined, on which advertising strategy may be based:</p> <ul style="list-style-type: none"> • value proposition of Lumene (focusing on providing organic cosmetic for healthy skin and natural look) • promotion of unique technique used during manufacturing process (science + nature) • usage of key words to emphasize products effect, e.g. <i>glowing, shining, smooth, healthy, natural</i> • aesthetic color palette that causes specific associations among the audience, e.g. blue palette during wintertime, bright red palette for special event dedicated to Christmas • highlighting the appreciation of Korean culture through Korean language-based advertising and creation of events dedicated to special occasions.
<p style="text-align: center;">Stage 8.</p> <p>Development of social media profiles targeted on South Korean audience</p>	<p>Lumene should develop such social media accounts as Instagram (Lumene Korea) and YouTube for efficient promotion activities. Korean language will break the language barrier, visual content adapted to the audience tastes will increase buyers' attention.</p>
<p style="text-align: center;">Stage 9.</p> <p>Determine the evaluation process</p>	<p>It is essential to control the process of entering new market and respond to any change. Lumene should identify potential way of process monitoring and evaluation with a view to minimize risks and use all the opportunities that will appear. The evaluation process also involves continuous analyses of current product trends and competitors, changes in buying behavior, and macroenvironment forces. Additionally, social</p>

	media has to be monitored to measure customers reaction to particular action, e.g. promotion campaign or new product launch.
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Table 3. Strategic Marketing Plan for Lumene on South Korean market

The plan may be adjusted and modified according to company's needs and specific circumstances. The solution does not provide successful result; the stages' activities can vary since it is general proposal that is based on research findings and inferences. Overall, Lumene has great potential to enter South Korean market. Its production and manufacturing approach is able satisfy customers' needs and matches with current market trends. South Korean beauty environment is challenging, however, it gives a lot of opportunities to brands for further development. The synergy of accurately elaborated approach and appreciation of South Korean culture will help Lumene to secure its position on the market and receive recognition in completely new area of operation.

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