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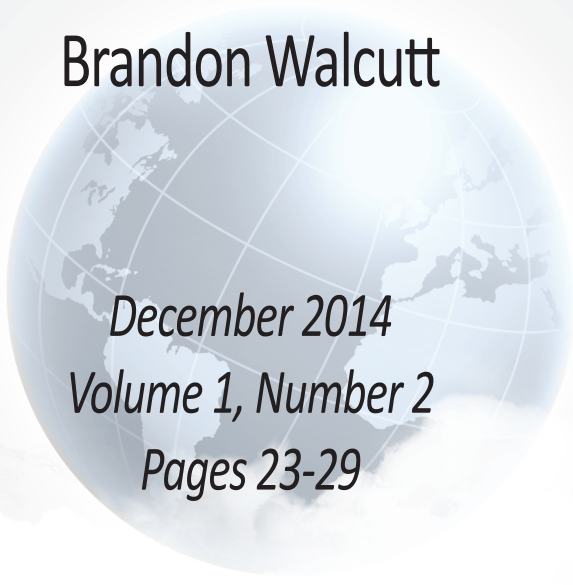
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Pepero Day: Creation and Evolution of a "Holiday"

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Abstract

This teaching case provides an overview of a reportedly manufacturer-created "holiday" celebrated by South Koreans every year. Based on the case, students will discuss the benefits and liabilities of the manufacturer's activities as well as identify any ethical breaches that may also have occurred. The case is oriented towards low to mid-level undergraduate students and can be taught within a one hour class with little required outside student preparation.

Keywords: Pepero Day, Lotte Confectionary Co., Ezaki Glico Co., South Korea, holiday commercialization

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Introduction

In today's world, marketers enjoy a growing number of commercialized or newly invented holidays (Han; Schmidt; Wojcik). One of these recent holidays that perfectly exemplifies the power of modern marketing is South Korea's Pepero Day, which is celebrated annually on November 11. Peperos are cookie sticks that have been dipped in chocolate or a similar sweet substance and are often covered with various types of nuts or sprinkles. The Pepero Day holiday has proven itself vital to the financial viability of its manufacturer, Lotte Confectionary Co., by earning it roughly 50% of the firm's annual sales, or about \$81.6 million, within a three month window surrounding the holiday (Gale). This case will discuss the legend surrounding the foundation of the day, related products, method of celebration, marketing approach, competition and future of the holiday.

Pepero Day: The Legend

There are actually two stories behind the Pepero Day legend. The first and more widely-used "official" story is said to start in 1994 when two teenage girls exchanged Peperos. The exchange was predicated on the belief that this would make both girls as tall and slender as a Pepero. The 11/11 date was chosen as it reminded the girls of the snack. Through the resulting fad and urban legend, this fabled date was expanded to rumor that people could lose weight if they consumed 11 boxes of Peperos at 11:11:11am on November 11. The second story is credited to a Korean middle school girl who gave Peperos to her friends in hopes of them growing tall and thin like the cookies themselves (Imatoe-Yun).

One issue slightly dampening the holiday spirit is the inability to authenticate either legend. Although local media sources, as well as Lotte itself, continually quote the "official" story behind the legend, many celebrants doubt the claims and put forward other, more understandable explanations. The chief assertion by naysayers is simply that Pepero Day was created by Lotte Confectionary as a marketing ploy to sell more products. Another problem with the legend stems from doubts that weight loss through the consumption of Peperos seems highly unlikely given the sugar and fat content of the ingredients.

Despite the potential in-authenticity of the originating legends and the doubt of the use of Pepero Day as a valid weight loss program, South Koreans still find enjoyment in the celebration of this holiday.

Product

Peperos, made by South Korea's Lotte Confectionary Co., are a type of cookie stick. There are reportedly nine different flavors currently marketed that include chocolate, strawberry, almond, peanut, white cookie chocolate, melon, nude (chocolate in the center), nude tiramisu cheese and nude lemon cheese (Lotte Confectionary Co.).

Another product that is similar to Pepero, called Pocky, is marketed by Ezaki Glico Co., a Japanese company. Pocky is a very similar product to Pepero in that it is also based on a cookie stick that is coated with different types of chocolate or other flavorings.

Purchased Peperos or Pepero-like snacks are not the only method of celebrating the holiday. One common approach to the Pepero phenomenon is not to give purchased snacks, but to make one's own using special Pepero creation kits or even simply dipping long, skinny bread

rolls into molten chocolate. A more expensive variation can also be had by purchasing some of the high-end, hand-made equivalents at one of Seoul's department stores.

Celebration

November 11th is widely celebrated by thousands of Koreans of all age groups. On the days leading up to the holiday, stores, ranging from small neighborhood marts to Korea's largest and most prestigious department stores create colorful, towering displays of the different assorted varieties of the snack. The Peperos are then typically purchased by the younger generation, and given to their loved ones or company co-workers to show love or appreciation.

Celebration of this "holiday" can sometimes be a trying, stressful proposition. Korea's workplace has a "relationship-centered culture" which can "cause excessive competition and shatter cooperation among office teams" by individuals who are trying to fulfill perceived social obligations that may not be appreciated or can even be seen as excessive ingratiation by their co-workers. This stress often leads to almost a company-wide anxiety with individuals trying to decide whether or not to give Pepero gifts on this "holiday" (Hise).

Marketing Approach

In terms of marketing, Pepero Day in South Korea is hard to miss or ignore. Most retail establishments utilize, at minimum, either some sort of advertisements or a direct marketing display or both. The marketing displays are often comprised of simple boxes of Peperos or much more complex and extravagant premium gift baskets that sometimes even contain plush animals or Pepero replicas (Imatoe-Yun).

Other marketing strategies are also used to promote Peperos or similar products which even include the use of a K-pop group called Girl's Day who has modified songs to promote Pocky, a Pepero competitor, and even provide fan days to further promote the product.

Competition

Lotte's primary competitor to the Pepero is the Pocky that is produced by Ezaki Glico Co. of Japan. As previously noted, Pocky is a very similar product to Pepero in that it is based on a cookie stick that is coated with different types of chocolate and other coatings. According to Pocky, Pepero copied the concept of their cookie when the product was launched thirty one years ago (Hise). This is a claim that Lotte denies (Gale). Glico had not made a major fuss over the perceived transgression at that time as each company had only maintained presences in their respective homelands. This imitation, however, could be vindicated when Glico launched a "Pocky Day" in Japan about 5 years ago. Lotte says that Glico's marketing ploy is a direct copy of Pepero's holiday (Gale).

Until 2013, there had been relatively few issues between the two firms. In 2011, though, Ezaki Glico launched a joint venture with Korea's Haitai to begin their expansion into the Korean market. Since then, the two companies have been directly competing in the domestic market. This move shows Glico's resolve to capture a piece of the market, which is reinforced by the plans of the local joint venture to earn roughly equivalent to \$48 million by 2018 (Gale).

Future

The future of Pepero Day is not written in stone. If the past can represent the future, consumers can expect a continual evolution of Pepero-based product offerings including

different flavors and packaging being offered during the holiday. Also, heavy domestic competition can also be expected considering Glico hopes to make a heavy impact in the local market. In addition, with both Lotte and Glico looking to expand their markets, it is expected for them to begin a move overseas so Pepero Day may actually expand internationally. Lastly, there has been a growing resistance to the practice of Pepero Day and many are turning to alternative products such as non-Pepero specific goods. Overall, the future of Pepero, in general, can be expected to continue, but eventual changes can be expected.

Questions for Discussion

1. Created or not, how did Lotte take advantage of the Pepero legend to develop the current holiday?
2. Are there any liabilities to the approach that Lotte has taken?
3. How would you describe the external Pepero market in which Lotte operates? Use a Porter's model or similar approach to complete this description.
4. Do you believe that Lotte committed an ethical breach if it used the Pocky as a benchmark? Are Glico's actions any different with the creation of Pocky Day? Should either company have taken further action against the other competitor?
5. How can Lotte best compete against Glico now that they are sharing the same market?
6. What other companies or products in your domestic markets could benefit from the creation of a similar holiday? Would it be possible to duplicate the same levels of success?

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