

FleishmanHillard Korea 2022 Newsletter

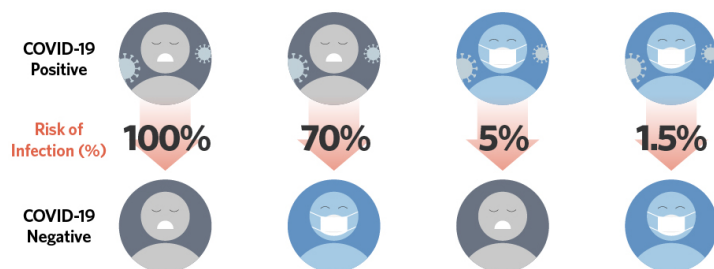
Good Deeds to Good Ends

As the new year begins, our first thoughts look upon the changes, challenges and opportunities that have shaped our past year. Naturally, our reflections bring us back to the start of the pandemic in January 2020 and have us wondering: How have we, personally and as a society, held up in the era of COVID-19? How can we persevere, and will 2022 be the year we finally overcome it?

According to a Korean trend report, 2022 Trend Monitor by Macromill Embrain, the feeling of 'stuffiness' more than 'anxiety or concern' has been the emotion most commonly shared by Koreans during the past two years. Not knowing when COVID-19 will be over, it is only natural for everyone to feel emotionally stuck and blocked. In these frustrating times, many companies have become more resilient, and have achieved antifragile business outcomes despite the past year's uncertainty.

The philosopher, Nietzsche, intuitively understood the concept of "What does not kill you, makes you stronger." Indeed, randomness, uncertainty, and disorder play important roles in generating many antifragile characteristics within our cultures, ideologies, technologies, politics, economics, legal systems, businesses, and even the growth of cities. In the current economic climate, we can see a K-shaped recovery emerging. This means certain sectors (high liquidity, technology) are responding more positively than others (small businesses, services). As such, the gap between the upper path of the K shape and the lagging path is sharply widening. The phenomenon may impact individuals and countries alike, yet it does so unevenly. This imbalance has led to a fervent debate around work, meritocracy and deepening

Effect of Mask Wearing on COVID-19 Spread



Source: Korea Disease Control and Prevention Agency (KDCA)

inequality. One of the sentiments behind these public discussions appears to be a concern for the solidifying of a winner-take-all system. Thus, some may argue, the rules of engagement ought to be redefined for fairer competition in the economy.

In this New Year newsletter, we have identified 10 global trends that business leaders should be aware of to survive and thrive in an ever-complex world. Also, we explore the individualization trend in Korean society and the serious implications for record-low birth rates as well as super-aging.

As we anticipate these trends and what this new year brings, we may want to look closely at ourselves and revisit our own roles in society. One lesson from the COVID-19 pandemic is that while individuals and their communities may not embrace the same beliefs, data has produced verifiable information we can collectively act upon. One day, I noticed a poster inside an elevator displaying COVID-19 infection rates correlated with mask-wearing practices. Taking a closer look at the numbers 70% and 5%, I had to examine the poster carefully to clearly understand the relationships and efficacy rates of mask-wearers.

Why is there such a big difference in infection rates in the two scenarios when in both cases, one person is wearing a mask? The reason is that while wearing a mask doesn't prevent us from contracting COVID-19, wearing masks can prevent the coronavirus from spreading to others. Mask-wearing is for others' benefit as much as our own. In a larger group, the benefit is mutually given and simultaneously received.

Taking 'just' actions such as wearing a mask benefits everyone, reducing the probability of COVID-19 infections. Acting for the sake of others sake, can be seen not only as a moral and an imperative, but also as necessary for improving economic aspects of society. Perhaps, the Chinese character for human being, 人, resembling two poles delicately balanced against each other, can be a reminder of this fundamental law of human society - 'just' acts lead to betterment for all.

I hope 2022 will be known as a year of 'just' acts and that we will all benefit from a more aware, considerate society.

FleishmanHillard Korea
Yvonne Park

Individualizing and Super-aging Korea

Nano-Society

Korean society is rapidly becoming more individualistic. Professor Nan-do Kim from Seoul National University's Department of Consumer Science coined the term 'nano society' in Trend in Korea 2022 to characterize how Korean society is increasingly fragmented. Whether customers, family members, employees, or citizens, South Korea is transitioning into a society where individuals seek respect for their personal values and tastes. On issues where there are diverging opinions, people more easily challenge authorities that have traditionally enjoyed stout hierarchal power. Today, we may observe increasing incidences of disobedience. Considering the highly independent nature of Korean people, this attitude is expected to continue. While it may be an inconvenient reality for organizations, people are indeed becoming more outspoken with their opinions, particularly as social media platforms encourage the expression of divergent points of view. In organizations that engage their workforce in a community-centered management structure, leadership will need to accept nano-society as the new normal and refresh their management style striving to recognize their staffs' individual views.

In a Spring 2021 survey titled "What makes life meaningful?" conducted by the Pew Research Center, responses from South Korea provide insight to the types of individualization forming within South Korean society. In 14 of the 17 countries surveyed, "family" ranked first among the factors that give meaning to one's life. Only three countries prioritized others: South Korea (material well-being and health), Spain (health, material well-being, and occupation), and Taiwan (society and material well-being). Also, South Korea was the only country among

While family, careers, material well-being, friends and health are all top sources of meaning, they vary in importance across publics surveyed

Ranked choice among 17 topics coded as part of what gives people meaning in life

	1st choice	2nd	3rd	4th	5th
Australia	Family	Occupation	Friends	Material well-being	Society
New Zealand	Family	Occupation	Friends	Material well-being	Society
Sweden	Family	Occupation	Friends	Material well-being/Health	
France	Family	Occupation	Health	Material well-being	Friends
Greece	Family	Occupation	Health	Friends	Hobbies
Germany	Family	Occupation/Health		Material well-being/General Positive	
Canada	Family	Occupation	Material well-being	Friends	Society
Singapore	Family	Occupation	Society	Material well-being	Friends
Italy	Family/Occupation		Material well-being	Health	Friends
Netherlands	Family	Material well-being	Health	Friends	Occupation
Belgium	Family	Material well-being	Occupation	Health	Friends
Japan	Family	Material well-being	Occupation/Health		Hobbies
UK	Family	Friends	Hobbies	Occupation	Health
U.S.	Family	Friends	Material well-being	Occupation	Faith
Spain	Health	Material well-being	Occupation	Family	Society
South Korea	Material well-being	Health	Family	General Positive	Society/Freedom
Taiwan	Society	Material well-being	Family	Freedom	Hobbies

Note: Open-ended question. Rank reflects where the topic fell in a list of 17 sources of meaning that were coded. See Appendix A for more information.

Source: Spring 2021 Global Attitudes Survey, Q36.

"What Makes Life Meaningful? Views From 17 Advanced Economies"

PEW RESEARCH CENTER

the 17 surveyed where material well-being was the top source of meaning. When analyzing the responses from South Korea, individual-oriented factors such as "material well-being," "health," and "freedom" took priority over relationship-oriented contributors such as "family" and "society."

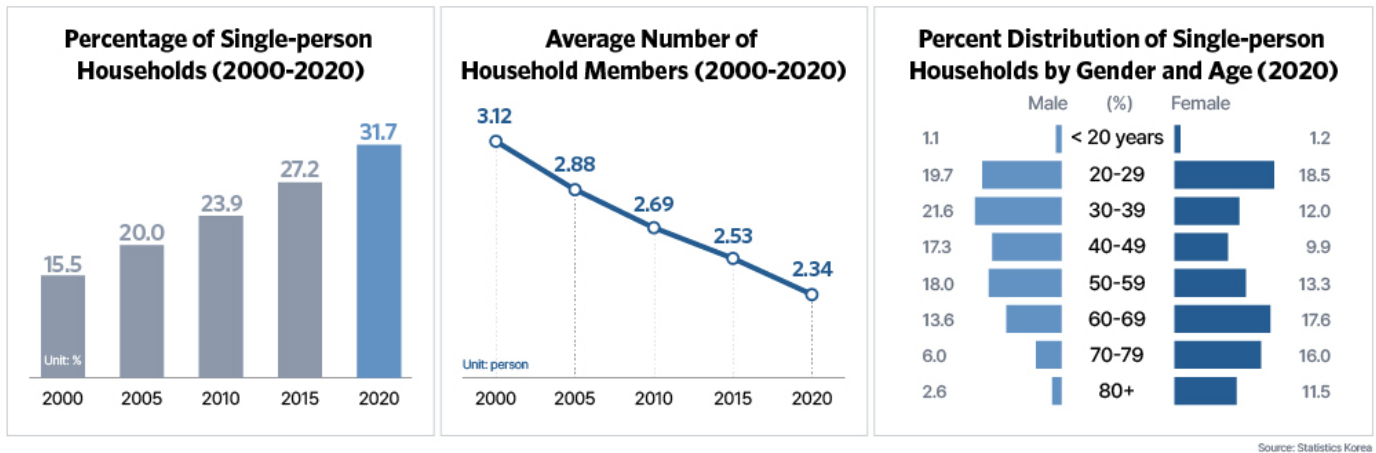
As society rapidly becomes more individualized, securing stability in one's life may have become more important than ever. Beyond merely a matter of prioritizing what is important, it seems many may be finding it difficult to prescribe any meaning to these important priorities at all.

It also appears that many individuals need a 'smile agenda' – small but meaningful things that can be shared with others to bring smiles to their faces. These simple daily occurrences may be more important than pledges to world-changing ambitions, which might be emotionally overwhelming.

Separate from valuing family, there is an increasing desire to live for 'me.' According to various local surveys, there seems to be a growing distinction for values around 'being together' rather than 'living together.'

It is interesting to see that "occupations" was one of the top three sources of meaning for people in most countries surveyed but was the lowest ranked factor, at just 6%, in South Korea. Organizations will face more challenges from having their staff committed to work in an environment where individualized employees do not find meaning from their work. Jeremy Rifkin says in his book *The Empathic Civilization* that humans are a "fundamentally empathic species" – *Homo empathicus*. To enhance the quality of life for individuals in South Korea, leadership ought to look for ways to nurture empathy, as well as expand altruistic opportunities for collaboration. It may be a good idea to connect to each individual in your organization through small kindnesses. Finding meaning in life has become a necessity for individuals' improved work-life balance.

Record-low birth rate and Super-aging society



Low-birth rates and a super-aged society have long been concerns of policymakers. South Korea has had a low birth rate since 2002 and it is expected to become a super-aged society by 2025.

According to Statistics Korea, in 2020, the total South Korean population was at 51.78 million and the population will reach its peak in 2028 at 51.94 million. After that, the population will continuously decrease. In 2020, the fertility rate – the average number of children a woman bears in her lifetime – was an historic low at 0.84. The birth rate marks a new record low in fertility.

Also, 68.8% of mothers who gave birth to their first children in 2019 were in their 30s. The number of babies born in 2020 was 270,000 and Korea is the only country where the number of births decreased by 61% in merely one generation. The number of unmarried people, delays in marriage and childbirth, as well as lifestyle changes all account for this decrease.

The average number of household members continues to decline, 2.34 in 2020, or less than three people per household. Single-person households accounted for 31.7% of the total households – the highest number yet. The proportion of single female households in their 20s and 50s and the elderly is also relatively high. A professor at Seoul National University specializing in demography, Young-tae Cho, said, “It is important to create an environment where children can be born healthy, even if the parents are old. There is a need to strengthen the relevant policies regarding the issue. Childcare services and a parenting-friendly environment for employees could be excellent ESG strategies for companies to adopt.”

In March and June of 2022, there will be a presidential election and local elections, respectively. To meet the expectations of the citizens in an individualized society with a low birth rate and super-aging population, it is paramount to have an efficient fiscal expenditure.

The government’s fiscal expenditure budget in 2022 was 604.4 trillion won (USD 503.4 billion), which is an increase of 76.7% in 10 years from 342 trillion won in 2013. In an imminent transition to a super-aged society, there are many concerns with increasing fiscal expenditure, particularly in the areas of healthcare, social welfare, and employment combined, which account for the largest increase, from 28% in 2013 to 36% in 2022. From a long-term perspective, in order to enhance the quality of citizens’ lives and efficiently manage the expenditure, the government and the private sector must work together to find an innovative solution.

According to a 2020 Social Integration Survey by the Korea Institute of Public Administration, Korean society is facing conflicts in the following areas: political and social ideologies (85.4%), different social-economic statuses (82.7%), employer-employee relations (74.2%), development versus conservation of environment (68.5%), urban versus rural (62.7%), generational differences (60.9%), religion (55.4%) and gender relations (48.8%).

These conflicts are more likely to deepen as South Korea becomes a more individualized society. Regardless of who wins the presidential election, the next government will need to provide a more thorough and refined analysis regarding efficient fiscal expenditure and communicate well with the citizens.



2022 Global Trends & Insights

We have highlighted 10 global trends that will likely shape the business environment in 2022. We hope this curation will help you seek new opportunities, manage risks, navigate the business landscape and pivot.

1. Web 3.0

Web 3.0 refers to a more intelligent and personalized form of the internet. The main purpose of Web 1.0, the earliest version of the internet that was introduced in the 1990s, was for users to search for information. Web 2.0 of the 2000s shifted focus to social connectivity, allowing a wide scale of users to interact, share, and freely access information. The next internet revolution, Web 3.0 is believed to be more user-specific, allowing seamless retrieval of a particular piece of information from a vast amount of data enabled by computers with enhanced cognition.

Using a decentralized web and encrypted data based on technological advances in blockchain and cloud computing, Web 3.0 captures a flexible system without permission from a central authority. Web 3.0 even allows for a democratic decision-making process among users through governance tokens, which serve as rights to vote on decisions that influence their community. Web 3.0 also introduces new ownership models that blur the lines among creators, businesses, and communities within the metaverse. This emergence of Web 3.0 is spurring anticipation of new wealth and opportunities among new generations that have typically been left out of the traditional asset and investment market. However, the application and impact of Web 3.0 should be carefully assessed as various interests are intertwined with its evolution.

2. Virtual Assets / Cryptocurrency

The number of consumers trading crypto is projected to double in the next 12 months as consumers move from buying cryptocurrencies as investment assets to exchanging them in payments and transfers. (Activate Consulting, Activate Technology & Outlook 2022).

New virtual asset products and services are introduced by the centralized exchange. As the exchange volume is expanded by the decentralized exchange, cryptocurrency will become more significant in the financial market. While Bitcoin (BTC), Ethereum (ETH), and Crypto.com Coin (CRO) are the main driving forces in the industry, various altcoins that focus on providing an alternative solution to the transaction process and environmental concerns have gained acceptance and monetary value. Moreover, the impact of innovation is likely to flow into other sectors such as e-commerce, video games, data, and NFTs.

Cryptocurrencies are becoming more institutionalized in the U.S. as the country has begun to construct a global framework for crypto regulation and to offer a cryptocurrency custody service for big investment managers. Cryptocurrency's entrance into Wall Street seems to be a success as the traditional financial giants have accepted Bitcoin as legal assets. Investments in cryptocurrency are piling into the market. Rakuten launched Rakuten Wallet, a crypto wallet and exchange platform by the Japanese e-commerce giant, to provide crypto asset margin trading services. The exchange volume between Bitcoin and national legal tender by country signals cryptocurrency's institutionalization. The U.S. comes in first as its exchange volume accounts for 46% of the global exchange volume followed by Japan

at 36.4%. While the number of virtual asset users including cryptocurrency is increasing in South Korea, many blockchain businesses are leaving the country due to uncertainties caused by lack of clear policies and relocating overseas. The departure is unfortunate as blockchain technology can be applied to various sectors advancing the society.

Given the complexities involved in the virtual asset market structure, the outlook on the adoption of virtual assets is not all that rosy. Many concerns and worries swirling around the issues of price manipulation and data breaches in the virtual assets market consistently make headlines. These issues urgently call for technology innovations, understanding of the requirements to be a financial service provider as well as the need for the government to build a sound regulatory framework and taxation system to gain consumer trust. The South Korean government needs to come up with a viable legal framework and taxation system through in-depth interactions and dialogues with consumers, investors, banks, and virtual asset companies. The concepts and terminologies also need to be defined clearly.

3. Climate Action

While there have been persistent political controversies surrounding the climate change strategy, the 26th UN Climate Change Conference of the Parties (COP26) has made it clear that the implementation of a concrete and detailed plan to combat climate change is imperative. The key outcomes from the UN Climate Talks in Glasgow include 151 countries' submission of new climate plans, known as nationally determined contributions, or NDCs to slash their emissions by 2030 to close the gap to limiting global warming to 1.5 degrees Celsius, phasing down the use of unabated coal, phasing out inefficient subsidies for fossil fuels, and doubling the funding provided to developing countries for adaptation by 2025. COP27 will take place in Egypt in 2022, and COP28 will be held in UAE in 2023.

The South Korean government has pledged in 2020 that it will achieve carbon neutrality by 2050, also revised its goal, cutting its greenhouse gas emission target to 40% below 2018 levels by 2030 from its initial goal of 26.3%. The Carbon Neutrality Bill ("Carbon Neutrality and Green Growth Act for the Climate Change") will take effect on March 25th, 2022.

Our FH Authenticity Gap Research shows that brands' engagement in greenwashing without any real actions is likely to backfire. Consumers perceive greenwashing as an unwillingness to participate in climate change actions and call for strong retaliation against these companies by keeping them out of the policy decision-making.

Generation Z, who places great emphasis on climate change action, prefer jobs and companies that have positive social and environmental impact. From food to fashion to lifestyle, green products will occupy not only a larger mind space but also a bigger shelf space. Lab-grown meat alternatives and plant-based eggs are moving from the lab to the plate, as the conscious consumption of food becomes another way to reduce carbon footprint. These trends are likely to become more common and popular. Retail brands are also becoming more ambitious to take part in climate change mitigation by prohibiting the use of plastic products and self-providing electricity by using renewable energy.



FH Authenticity Gap Research

4. mRNA Therapeutics

mRNA therapeutics that have never been used for medical treatments have brought a breakthrough in the coronavirus vaccine race. There have been concerns surrounding this new technology associated with genetic information. The pandemic has skyrocketed mRNA vaccines into the mainstream setting unprecedented advancement in medicine as well as the prospect of superhuman immunity to future viruses. Researchers posit that mRNA therapeutics could help in eradicating cancers, HIV, tropical diseases, and even provide mere mortals with a level of powerful immunity.

As data-driven healthcare goes mainstream, the combination of mRNA therapeutics, pharmaceutical, bio, and AI technologies will heat up the investment and innovation race among competitors.

5. Global-tainment

South Korea became a cultural juggernaut as its entertainment industry successfully captured the hearts of consumers worldwide with K-pop and K-drama waves spearheaded by BTS and Squid Game. The desire for entertainment has skyrocketed amid the pandemic, and various OTT platforms now allow consumers to rapidly, almost instantly in real-time, access cultural content worldwide. M&As and investments in large-scale OTT production studios are also adding more value to the global media landscape.

Amidst the ever-growing cultural and creative content, it has become important to establish a sound IP pipeline as well as to create and discover 'super IPs.' As of the end of 2020, Korea's intellectual property product (IPPS) assets increased by 0.29 times the GDP, which is not only larger but also faster in terms of the rate of increase compared to other major countries. With the globalization of K-contents and technological advancements, the capability to increase added value by collaborating with experts in the global knowledge service industry such as law, finance, technology, risk management, and communication consulting will become more important.

6. Super Users

Technology & Media Prospect 2022 published by Activate consulting shows that tech and media corporations in the U.S. are taking notice of super users, who account for 26% of total users. These educated and wealthy users tend to spend more time engaged in e-commerce, VR, music, social media, podcast, and video games than any other users. The total e-Commerce expenditure of super users is more than three times that of other users. For users who are adept at multi-tasking, the number of hours in a day is not limited to 24 hours as super users can spend up to 17 hours a day consuming technology and media.

For these super users, 'gotcha power,' the ability to get rare products or services that cannot be easily attained just because one has money or time, is one of the most important abilities. They are early adopters who actively engage themselves in both online and offline events as well as digital healthcare services. They also actively share their own experiences regarding products and services and willingly recommend brands to others. The success of tech companies now depends on their ability to capture and resonate with the minds of super users.

7. D2C / All-to-All

Many businesses are going direct-to-consumers (D2C) by creating their own platforms without relying on the middlemen. This transition to D2C allows businesses to reduce costs as well as provides opportunities for them to directly interact with consumers and secure consumer data. In adopting a D2C business model, the channel through which the brand communicates with the consumer is very important. The digital commerce landscape is rapidly changing as the content and commerce community are becoming more integrated. The businesses going direct are attempting to provide personalized services tailored to specific customer preferences and habits in real-time by interacting directly with the consumers. Obtaining the right permissions from users has become important.

The data points companies collect from the digital interactions helps develop personalized products. But if companies want to scale up their brands, then they need to go multichannel. Business-to-business (B2B) companies providing services for D2C businesses should also keep an eye on the unmet needs of their customers' customers amidst the intricate complexities of the expanding ecosystem. India now has approximately 800 local D2C brands that are expanding into the global market after a rapid growth even amidst the dire circumstances of the pandemic. Starting with Nike's decision to sever ties with Amazon in 2019, the ongoing D2C movement among luxury brands will continue into 2022. Every company now is really a data company.

8. Governance in the Business Ecosystem

Disruptive innovations and business model innovations have been the key drivers behind business growth over the last decade. Many businesses have focused greatly on strategies to keep 'Lock-in' customers within their digital environments but may have overlooked one important element of ecosystem governance. The question has become how to become a good partner by coexisting and establishing win-win relationships with other parties in the complex business ecosystem, though this has not been a clear priority.

As the pandemic enters its' third year, the importance of risk management and trust building associated with supply chains and third-party partners is becoming increasingly evident. Companies can improve their risk management capabilities through AI, automation technology, and data business.

To better prepare for a post-pandemic future, business leaders should operate their organizations in a way that all members can respect and comply with corporate systems of compliance, communication, and culture, which can reduce delays in organization-wide decision-making processes when issues arise.

9. Identity

Companies should clarify their unique identity by creating unique cultures that attract top talents and by establishing a sound corporate vision and values. Companies that communicate well to the public will find competent employees easily. Moreover, members of the organization will feel less confused about the company's identity which will allow for more efficient business management and effective global growth strategies. Generation Z shows strong preferences for businesses that have clear purpose and an identity that embraces important social agendas.

The pandemic has left us with more time to spend by ourselves. Individuals have been using this time to reflect on their own identities. Living in the digital world, our digital identities showcased through social media and the virtual world have become nearly as important as our physical identities. One's identity is now characterized by real and virtual identities. Human beings invariably create their own stories and narratives through processes of communicating and rapport building. Since it is relatively easier to create a self or status that we would like others to see us as in digital environments, we spend more time and energy on expressing these idealized self-images rather than reflecting on our true inner self.

Brands are already grasp this new concept and build relationships with the younger generation to introduce products and services that satisfy their potential needs and wants.

The focus of our society is shifting from an 'us' to a 'me' attitude, remaking the smaller building blocks of society. Many individuals are retrenching into smaller personal spaces with increased focus on self, body, and home. These individuals choose to record their simple everyday lives and share these experiences with others pursuing similar lifestyles. The tendency to prioritize an individual's own interest and wellness over the group or community's interest are likely to intensify in the future, despite problems of social isolation and desocialization.

10. Meaning of Work

Since the outbreak of COVID-19, the number of stealth job switches has been on the rise globally. Many workers can now easily change jobs or are recommended to switch jobs as companies are opting to hire people with experience or are recruited year-round as the number of people on job switch-related platforms increase. The number of people experiencing burnout and mental health deterioration is also surging. With Generation Z craving a work-life balance and the young population under 40 finding it difficult to live financially stable lives, many people are leaving the workforce. This large-scale flee from the workforce is creating ripple effects across society.

To attract new as well as retain existing talent amid the unusual job market conditions spurred by the pandemic, corporate culture and values are becoming more important additions to monetary benefits. It is also critical for companies to explicitly communicate how they will support the well-being of their employees and how each member of the company can contribute to the growth of their own career, company and the advancement of our society.

For every individual, work goes beyond being merely an economic activity; work is an essential part of one's identity. We all constantly ask ourselves what our work says about us, whether it fits our aptitude, and through what work we can find satisfaction. Ultimately, businesses that can support their employees find joy and meaning in their daily work environment will be able to survive and thrive.



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2021 marks FleishmanHillard Korea's 20th anniversary.

Thank you for your support throughout the years.

To commemorate our 20th anniversary and to reflect on the true value of communication we had a small talk regarding "Today's work, our work."

We wish that 2022 will be a year when you find joy and meaning in your life and work.



Instagram



Interview

