



COVER STORY

Atomy's Bold Moves

Making '1 Trillion Won Sales' History With Absolute Price and Absolute Quality

'Atomy rewrites network marketing history' - the catchphrase has been put forward by Atomy since its establishment. Today, the multi-million dollar network marketing company is living up to this motto, expanding its empire beyond the domestic market in Korea.

Atomy's explosive growth is attributed to the company's CEO, Mr Park Han-Gill. He advocates standard and principle management to dispel myths and bad credits (public's confusion over network marketing which is a legal distribution model and a pyramid scheme) associated with network marketing.

Atomy is strengthening its brand identity by putting forward 'Absolute Price, Absolute Quality' strategy - a legitimate distribution model to create jobs and benefit consumers. To Atomy, its direct competitors are not network marketing companies, but various distribution channels. Today, the company is challenging conventional distribution channels such as shopping malls, discount stores, online malls and home shopping networks. Atomy's surge in sales is a testament to its continued effort. Last year, Atomy recorded sales of 778.4 billion won (based on individual financial statement), product return rate of 0.15% and the lowest sales management cost in the domestic network marketing industry, making it the most sought after network marketing brand (second largest) in Korea. Atomy's high sales growth rate has allowed the company to carry out its dramatic overseas expansion and surpass the growth rate of Amway, the biggest network marketing company in Korea.

Atomy is painting a big picture. The multi-million-dollar company aspires to expand its empire beyond its domestic borders, to become a number one distribution company worldwide. Since setting up an overseas office in Seattle back in 2010, Atomy has established its presence in ten countries in just seven years. Industry analysts foresee that Atomy's growth will accelerate if the company successfully enters China and India. Can Atomy's dream of becoming the 'global distribution hub' come true? Fortune Korea looks into the rise of Atomy, a young eight-year-old company that is fast approaching the '1 trillion won sales' mark.

Article by Ha Je Heon azzuru@hmgp.co.kr Photo by Cha Byung Seon acha@hmgp.co.kr



Photo: CEO Park Han-Gill's widely known as 'Assistant Manager Park' amongst Atomy's staffs. He openly interacts with all his staffs and often shares new business ideas with them.

01 Secret to Atomy's Enduring Competitive Advantage

Strengthening product power through thorough quality control Eliminating price bubbles by reducing sales management cost

Atomy is one of the fastest growing network marketing company that advocates 'Absolute Price, Absolute Quality' strategy. Fortune Korea find out the rise and current dominance of Atomy in the domestic network marketing industry.

Article by Ha Je Heon azzuru@hmgp.co.kr Photo by Cha Byung Seon acha@hmgp.co.kr

'Atomy' - this name may be unfamiliar to some of our readers. Founded in 2009, Atomy is a network marketing company started in Korea. The young eight-year-old company has witnessed an explosive growth since its establishment and is currently the second largest company in Korea's network marketing industry. Atomy recorded the sales of 778.4 billion won (excluding overseas sales) last year, an 11.6% rise from the previous year's sale. Since 2010, Atomy is continuing a double-digit growth. As Atomy's revenue grows, the industry experts predicts that the company will soon take over Amway as the leading network marketing company in Korea.

The term network marketing is synonymous with multi-level marketing. To date, there is a negative association attached to the business model. Network marketing is a perfectly legal and legitimate form of distribution. A cooperative has also been established by the industry members to prevent consumer and member exploitation and damages. With this basic background information, there is no reason to show prejudice toward Atomy's business model.

Atomy's Number One Priority: Price and Quality

"I hear that the phrase 'just like Atomy' is spreading like wildfire amongst the network marketing industry insiders. I believe that Atomy is fast becoming a textbook example of how a network marketing company should operate. Despite much effort, I understand that the network marketing business model has been a frequent subject of criticism. Criticism was due to some illegitimate network marketing companies which emphasise high initial start-up costs and exaggerated pyramid compensation schemes that resulted in victims."

CEO Park Han-Gill said he is saddened by the negative associations attached to the business model that give even healthy and legitimate network marketing companies a bad name. A simple explanation of a network marketing business is that it is an online shopping channel with membership programme but no physical store. If you register as a member of the company, you can purchase a quality product at a discounted price. At Atomy, the membership also allows you to get a refund for a product that you return. For the members who have significantly contributed to the company's sales growth, he or she will be rewarded according to the compensation programme. According to Korea Fair Trade Commission (KFTC), last year's Atomy membership size was 280 million members. Today, a growing number of Atomy members actively pursue healthy businesses through the company.

"Network marketing is just one of the many distribution channels. As the industry matures, it is increasingly contributing to Korea's growth. What we need to do is to overcome the stereotypes about a network marketing business. We should also look into developing policies to help the industry to advance", said Mr Han Sang Lin, a professor at Hanyang University in Korea.

Atomy's historic growth can be attributed to CEO Park Han-Gill's "Absolute Price, Absolute Quality" principles. Atomy's competitive advantage can be clearly represented by the Four Ps of marketing - Product, Price, Place and Promotion.

The first secret to Atomy's success lies in its high quality products. Today, Atomy's products range from health supplements to cosmetics to food items such as shampoo, dish washing liquid, instant noodles and men's undershirts. Atomy is supplied with all these products from its "team members (Atomy addresses all its suppliers using this term as it believes the supplier and the distributor have to work as a team to achieve the best result)" - the suppliers who can manufacture products that can satisfy Atomy's "Absolute Price, Absolute Quality" strategy. Product quality is always Atomy's top priority. "No customer would complain if your product's quality worth significantly more than its price. At Atomy, our efforts are spent mostly on making sure we inform our customers about the origins of all ingredients used in our products, packaging, labelling, as well as guaranteeing customer safety and convenience", explained CEO Park Han-Gill.

Every year, Atomy thoroughly inform its "team members" about the company's quality management policies. It also makes sure they register all their concerns and challenges. Alongside these efforts, Atomy collaborates with SGS Korea, the world's leading inspection, verification, testing and certification company to conduct product quality examinations every two to three years, to encourage its "team members" to continuously monitor and improve the quality of their products.

Another key competitive advantage of Atomy is an affordable price tag. CEO Park Han-Gill has spent much time brainstorming how he could develop high quality products at low costs so he can transfer the savings to the customers. "Quality products at affordable price are easy to sell. Atomy tries its best to set the lowest price point possible for every product it delivers. This is only possible with a strict cost control and low marketing costs. We have removed all the price bubbles", said CEO Park Han-Gill.

MINI INTERVIEW

Crown Master Park Jung Soo Shares About Atomy's Strength

Crown Master is one of Atomy's promotional titles given to its members according to their performance level. The highest promotional title one can achieve at Atomy is Imperial Master, followed by Crown Master.

Q. What is your secret to become Atomy's first Crown Master?

The only secret is my desire to succeed, my firm belief in my journey to success and perseverance that pushed me till I achieved my success.



You do not need any capital or knowledge to start Atomy business. You also do not need specialised skills or know-how. What you need to be successful at Atomy is a never-give-up spirit and perseverance. It is also important to attend educational programs such as "Success Academy" and "One Day Seminar" organised by Atomy. Not only these programs serve as a quickest way to gain accurate information about the company and its products, they also serve as a motivating platform. Communication is another important criteria. Network marketing is all about achieving a common goal with people around you. Remember to keep your promises, and prevent any conflict in advance even if it means suffering a loss.

Q. What is Atomy's unique strength that differentiates itself from its competitors?

Affordable quality products are Atomy's biggest strength. This makes it easy for the members to sell the products. The reason why I decided to start Atomy business was because I was confident that I could easily sell the company's products after using them myself. I did not need to worry about how I was going to explain Atomy. All I needed to say was, "please give it a try as this is a cheap and good product". The fact that Atomy takes charge of organising various educational programs like Success Academy is also the company's unique strength. Other unique strengths include its corporate culture that promotes cooperation amongst all its stakeholders, win-win strategy and the lectures by Dr Lee Sung Yeon, the director of Atomy Economic Research Centre.

Q. Please tell us about the customers' response to Atomy's products.

In the beginning, Atomy was given a frosty reception due to people's low awareness of the brand and the negative associations attached to a network marketing business. Today, most of the response is positive. Many consumers trust and are familiar with the brand. Unlike in the past, no one gives me a cold shoulder when I tell them I am in Atomy business. Most people would instead ask me about how they can purchase the products or if they can place an order directly with me. As for the basic skincare set, 9 out of 10 customers would make a repeat purchase.

COVER STORY Atomy's Venture to Make 'The 1 Trillion Won History'

Atomy strictly adheres to its strategy, “delivering absolute quality products at the lowest price possible to its customers”. This also demonstrates the company’s determination to devote its resources and efforts to practising the fundamentals of distribution that is creating the shortest path to connect a supplier with a customer. In many network marketing companies, the members are encouraged and often required to purchase and use the company’s products in to receive compensation in return. Some of these companies have exploited this, resulting in victims and a series of lawsuits. CEO Park Han-Gill thought that a network marketing business that sells high- priced products would fail to serve its purpose. “From the beginning, Atomy has set its competitors as distribution companies such shopping malls, discount stores, road shops and online malls. We looked into ways to provide compensations to our members while setting the price points of our products at heavily discounted levels. We found a way eventually and it revolutionised the the network marketing industry“, recalled CEO Park Han-Gill.

The driving force behind Atomy’s highway success is its members who carried out legwork relentlessly to sell the products. Atomy does not invest heavily in marketing. The viral marketing done by its members has proved successful and just as effective. Atomy is also increasingly becoming a popular business choice in the start-up industry. The business provides full-time workers with an opportunity for a side income while keeping its monthly salary. “In the beginning, network marketing business was considered by many as a repechage stage. People saw it as a platform where the retirees or the unemployed turn to for the last chance to succeed. Today, this has changed. It is not uncommon to see young talents in their 20s and 30s doing a network marketing business. I believe that the entire paradigm of the domestic market can start shifting when just 100 members in their 20s with an yearly sales of more than US\$90,000 emerges in Atomy alone. This will serve as a driving force to accelerate the company’s overseas expansion“, said CEO Park Han-Gill. In fact, Atomy is providing fair opportunities to young unemployed, retirees, baby boomers who are planning a retirement to achieve financial freedom. This means the company can become a breakthrough in creating jobs and reducing the domestic unemployment problems.



Photo: CEO Park regularly rides the electronic scooter 'Ninebot', a birthday gift he received from his staffs two years ago, around his office.

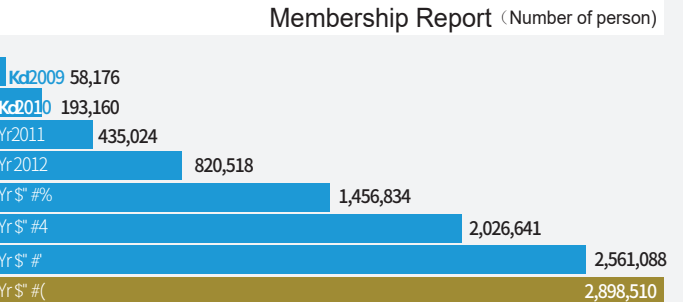
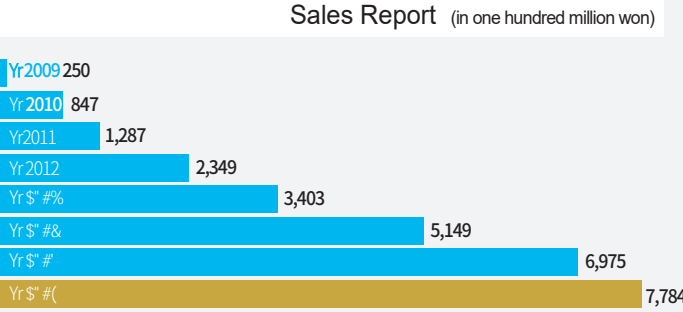
“Most domestic network marketing companies sell their products only to their members as these companies are an assembly created by people with similar interest - rational consumption. The domestic network marketing industry is experiencing an exponential growth. More people are becoming aware of its legitimacy. We need to create more public platforms in order for network marketing industry to continue to grow”, said Kim Cheon Soo, a Law Professor at Inha University and the writer of a thesis titled “The Growth And The Challenges Of The Korean Network Marketing Industry (2015)”.

Busting Anti-Network Marketing Myths

CEO Park Han-Gill first set up Atomy in a 700 square feet office located at Bongcheon-dong, Gwanak Gu in Seoul. The name Atomy is a combination of the word “Atom”, the smallest constituent unit of ordinary matter and the word for “Beauty”, read as “Mi” in Korean. CEO Park Han-Gill explains that there was another reason behind the name. Back in 2000, he set up an online mall named “iamkorea.com”. The online mall was one of the three internet shopping malls in Korea that sells thousands of different products. “The website sold more 100,000 lifestyle products. It was a huge failure because the business model was too ahead of time. We are talking about an era when PCs were less common”, said CEO Park Han-Gill.

After closing down his online mall, CEO Park Han-Gill saw a news on HemoHIM, the health supplement that can help to boost one’s immunity made by Korea Atomic Energy Research Institute (KAERI). “I called up KAERI immediately and told them I am interested in selling their products. I only thought of obtaining an authorised dealer agreement, as I believed that the demand for a product made by a trusted institute would be high. Ironically, the demand for the product was very low. It was like stepping

Atomy’s Explosive Growth (figures are based on Atomy Korea)



CEO Park Han-Gill's journey to success was not a smooth-sailing one. In the early stage of Atomy business, he could not even register his business due to a bad credit rating. With no extra staff and money to pay for office rental, he bought a small secondhand car and used the space as his office. “Some time later, I borrowed an empty sewing factory to use as my office on terms that stated I would pay for its monthly rental. I still vividly remember how I first hung the company signboard. Making a plastic signboard would cost be \$20 and in order to save the money, I used a piece of A4 paper instead. In fact, that paper signboard remained on our office door until the company’s monthly sales reached \$446,000”, said CEO Park Han-Gill.

Atomy is a result of CEO Park Han-Gill's aspiration and years of hard labour. His love for the company is already well known amongst the employees, and is as deep as his knowledge about the business. In Atomy, CEO Park Han-Gill is commonly known as “Assistant Manager Park” due to his immense interest in everything about the company. For instance, “Assistant Manager Park” would display his handmade animal dolls at the book cafe located at the first floor of Atomy headquarter.

In June 2016, Atomy held a groundbreaking ceremony for its new headquarter and Training Centre. Atomy’s new home, located in Woongjin-dong, Gongju city in South Chungcheong province, consists of 16,000 square metres buildings with two and four-level basements constructed on 33,739 square metres site. Facilities include an auditorium, office spaces, as well as a leisure and sports hub made up of a swimming pool, a bowling alley, basketball and badminton courts, a gym, etc. “Atomy will change the negative face of network marketing industry. In order for the change to take place, we have to ensure our employee welfare. I believe a healthy corporate culture completes Atomy’s business. We will continue to strive to create the best working environment for our employees”, said CEO Park Han-Gill.

What Atomy Employees Say About Atomy’s Corporate Culture



Atomy has a horizontal organisational structure. The employees decide their own titles for external uses, and holds no title in the office. Due to such corporate culture, the employees are highly encouraged to freely discuss their ideas with everyone in the company. Executing projects before an official briefing about the plans is also a culture unique to Atomy. The employees can decide their own overseas business trips whenever they like. Atomy’s finance department processes and compensates all claims submitted by the employees.

“Atomy’s horizontal organisational structure is well represented in its work promotion methods. Regardless of their positions, staffs from various departments gather to share their ideas to push the project forward. This group brainstorming process significantly increases the company’s chance to develop an innovative idea. Such culture is unique to Atomy, and is almost unheard of in the companies with a vertical organisational structure”, said Mr Lee Jin Wook from Atomy’s Business Support team.

CEO Park Han-Gill emphasises that doing nothing because you are afraid of failure is worse than the failing itself. He introduces this notion as “Chutzpah spirit”. Chutzpah spirit in Hebrew means the quality of audacity that is not bound to formality and authority.

In Atomy’s headquarter, every task is performed on project basis. From a newly-hired to the CEO, a project leader chooses his or her team members, and the team is dismantled once the project ends.

“I once choose CEO Park Han-Gill as a member of my project team. He fully committed himself in the project and carried out the given tasks more diligently than any other team member. I feel that Atomy’s biggest strength lies in its open, non-authoritative corporate culture. The environment that encourages everyone to freely voice their ideas and opinions without having to worry about pleasing the bosses allows the company to stay ahead of the business innovation game. That is one factor that significantly differentiates Atomy from other companies”, said Ms Choi Da In from the Marketing team.

02 Interview with Atomy CEO, Mr Park Han-Gill

“Collaboration is the key driving force behind the company’s growth. We aim to become a company that creates a virtuous cycle by providing more jobs.”

Atomy, one of Korea’s largest network marketing company, is set to take over the industry’s Number 1 firm Amway with its revolutionary business model. The company has constantly been in the spotlight for introducing an innovative management style that promotes “Absolute Price, Absolute Quality” strategy, an inventory management system without a procurement department, amoeba-style project management, maintaining the lowest product return and sales management cost, etc. We met the man behind Atomy’s 8 years history, CEO Park Han-Gill at the Atomy headquarter in Gongju city in South Chungcheong province. During the conversation with Fortune Korea, he humorously shared on Atomy’s past, present and future.

Interview by Editor Jung Jae Woong junajung98@hmgp.co.kr Edited by Kim Byeong Joo bjh1127@hmgp.co.kr Photo by Cha Byeong Sun acha@hmgp.co.kr

Q You have recently moved your headquarter from Seoul to Gongju City in South Chungcheong province. How does it feel to move away from the hustle and bustle of the city?

It was a right move. There is less traffic and stress, and I feel more at peace. The only concern is that some people now think Atomy is a “provincial company”. Some people looking for jobs are hesitant about applying for a position with Atomy due to the company’s location. Nevertheless, I believe this would not pose a big problem once they find out more about Atomy’s business.

Q Understand you have faced many challenges in the beginning phase of this business. How did you manage the business in those days?

What I emphasised from the beginning was that a company should not have any debt. I stressed not a “daily payment”, but a “daily settlement”. My business philosophy is simply - even if the company closes down today, there should not be anyone visiting it the next day to collect an overdue payment. The challenges I faced in the past have brought Atomy to where it is today. My family suffered in the process. There were times when I could not even afford to pay for my children’s lunch. I would like to take this opportunity to thank my family for supporting me through the tough times.

Q Atomy practices a unique and revolutionary business management style. Does this also apply to the company’s inventory management?

Atomy has a unique corporate system. A good example is the absence of a procurement department. Every new product order and procurement is managed by Atomy’s “team members”. The “team members” regularly monitor Atomy’s inventory levels through the internet to ensure a healthy flow of goods. Payments for every new batch of inventory are made immediately, regardless of the sales. I see the warehouses as not a “storage space”, but where constant “interchange of goods” takes place. There should be a constant flow of products. For example, our warehouse packs about 35,000 to 40,000 boxes everyday, and they leave our warehouse within the next three days. The higher the level of your inventory becomes, the lower the company’s sales gets, and this can endanger the company’s survival in a long run.

Q Atomy’s practice of the win-win strategy with its “team members” have been positively received by many.

For every product category, Atomy works with a single supplier. We do not divide the supply of the products in each category into multiple vendors. We encourage and support them in their R&D efforts to help them improve the quality of their products or the manufacturing process. We do not push all responsibilities to the “team members” when a problem arises. Of course, there is a condition here. If the problem was caused by an unethical or fraudulent activity by the “team member”, Atomy reserves the right to dissolve its partnership with them. Atomy also builds trust with its “team members” by providing financial support. For instance, we tell our “team members” to approach us for help if they are facing financial difficulties instead of getting a bank loan. If the loan amount is manageable, we provide the sum on a no interest term. This support system allows the “team members” to trust our pricing policy 100%. Further, we do not set an yearly sales target as we feel that setting a high target only puts more pressure on the “team members” which may force them to take drastic measures to meet the target and jeopardising the trust built over the years.

Photo: June 28. Throughout the 3-hour interview held at Atomy Headquarter at Gongju city in South Chungcheong province CEO Park Han-Gill confidently shared about his pride in Atomy.





Photo: Atomy regularly organises various educational programmes such as Success Academy, One Day Seminar, Town Seminar and Side Job Seminar to support its members' business. The picture shows Atomy's Success Academy that aims to provide a direction to its members on work- life balance and share on the key to success, held every month at 7 different locations across Korea.

Q We understand Atomy has set its competitors as average distribution companies, not other network marketing firms. Can you tell us more?

A legitimate network marketing business is just one of many distribution models. It is only natural that a distribution company competes against other distribution channel. Minus the stereotype about network marketing, you can understand that a network marketing business indeed a distribution business. Atomy advocates "Absolute Price, Absolute Quality" principle, and distributes quality products at prices lower than any other distribution channels.

Q Since its establishment in 2009, Atomy has quickly expanded its footprint beyond the domestic market. How are its overseas offices performing, and how is Atomy received worldwide?

Currently, Atomy is present in 10 countries including USA, Japan, Singapore, Taiwan and Mexico. The response we have received from the local consumers is very encouraging. The current overseas membership size is more than 1 million and we expect the overseas sales to surpass US\$180 million this year.

Q What is the key to Atomy's highway expansion in the overseas markets?

Atomy's first key to success in the overseas markets is the "Absolute Price, Absolute Quality" strategy. A quality product with an affordable price tag works anywhere. The second key to success is collaborative culture. Atomy's members believe that they are responsible for each other's growth and development. Such mindset has allowed Atomy Korea members to lead the overseas members to their success. Atomy would not have been able to achieve today's success without the support for the company's overseas ventures by Atomy Korea members.

Q It seems like Atomy's biggest agenda today is entering China, home to one of the largest network marketing industries in the world. How is it progressing? China has a complex set up process for network marketing companies. Atomy has recently held a bilateral investment agreement signing ceremony with Yantai city in China. We believe that we can obtain network marketing business approval in China by 2019. Atomy will continue to operate based on its "masstige (a term that combines the words "mass" and "prestige" which refers to affordable premium goods" strategy in China. We will continue to deliver premium quality products to our Chinese customers at the lowest price possible, and distribute massage products manufactured in China to other overseas markets using the GSGS(Global Sourcing, Global Sales) strategy.

Q Tell us more about Atomy's GSGS strategy.

Atomy is a global distribution company. GSGS strategy refers to selling products that are sourced globally in various markets. Atomy will continue to source products that fit its massage strategy globally and sell them to any market with the right level of demand.

Q Atomy aims to become a "small but mighty" company. What is the company doing to achieve this goal?

Atomy practises Amoeba-style project management. Any employee with a new project idea becomes the leader of the project group and chooses his or her team members. This improves communication amongst the members, effectively motivates them and teaches them about the importance of challenging themselves. This is what we call "Chutzpah spirit" - the quality of audacity that is not bound to formality and authority. I give each and every employee an authority to carry out his or her project, but I do not place responsibility on their shoulders. I believe that such practice will transform Atomy into a small but powerful company.

Q Atomy has recorded the largest membership size in the network marketing industry in just 8 years. The company also has one of the lowest sales management cost. Can you share more about the key to good performance?

We strictly adhere to "Absolute Price, Absolute Quality" principle. We try our best to maintain low sales management cost to remove unnecessary costs and to keep the absolute price and quality in our products. A price point is determined by the fixed and variable costs and a sales margin. If you try to lower the cost of ingredients, it may affect the product quality. If you try to reduce the margin, it may endanger the company's survival. The only way to guarantee the product's quality, maintain a certain level of margin and provide a low price point is to reduce the costs. Atomy is able to perform its "Absolute Price, Absolute Quality" strategy by correctly demonstrating the above. This has also resulted in a rapid expansion of its membership.

Q You promised your members that you will give US\$892,000 (10 billion won) in a forklift to Atomy's first Imperial Master (highest member title). Please tell us more about Atomy's member grading and compensation systems.

((Laughs)) If you exchange 10 billion won to 10,000 won notes, you end up with 100,000 10,000

won notes. Each of these notes weighs 1g, so they will weigh about 100kg in total. I promised my members that I will give deliver these notes using a forklift to Atomy's first Imperial Master. Atomy currently has 7 member grades. Some unique features are the presence of a sponsor upper limit and a one server system. The sponsor upper limit ensures fairer distribution of compensation by preventing it from being concentrated on a few specific members. One server system allows the same compensation system to apply in every country.

Q You once said selling Atomy products is a very easy task and talked about the "as I wish rule". What is an "as I wish rule"?

The reason why many people find sales difficult is because they have to brainstorm various ways to make potential customers buy their products. Salespeople often carefully select their words when they face a potential customer. But as they speak, such concerns evaporate as the final decision eventually lies in the hands of the potential buyer. "As I wish rule" basically conveys that you do not have to worry in advance about whether the potential buy will make a purchase. You have to have a faith in the products you are selling - trust that affordable and high-quality Atomy products benefit those who buy them. Just like talking about good food or film, share your own experience using the products and leave the decision-making to the potential buyer. You will find sales much easier this way. Everyone decides whether they want to buy or ignore a product as they wish. (laughs)

Q If you are a salesperson selling Atomy products to a first-time customer, how will you sell the products?

I will tell them to first use the products without a question. I have absolute faith in my products. The customer will then choose to make a repeat purchase on his or her own. The high repeat purchase level is a testament to our healthy distribution practices and a key to Atomy's rapid growth.

Q What is Atomy's ultimate goal?

Atomy is a company existing for the people. As societal problems such as a high unemployment rate amongst the young generation and poverty amongst the senior citizens become more prevalent, I believe Atomy, together with the rest of the network marketing industry are able to assist in solving these issues. Atomy can help to create a virtuous cycle that involves a part of profit made by a working class to be returned to the society, instead of purchasing all lifestyle products from the conglomerates. I hope one day Atomy proves itself as a consumer-centric distribution model that can bring happiness to all its management and members, and positively influence the society.

Establishing Presence in 10 Overseas Markets in 7 Years Atomy Is Set to Put Its Flag In China and India

Atomy's positive overseas performance has contributed to the company's highway success. Since its first overseas venture in USA in 2010, Atomy has been systematically executing its overseas expansion plans. We look into its journey in the global market. Article by Kim Byung Joo bjh1127@hmgp.co.kr

In 2015, for the first time in the domestic network marketing history, Atomy has won US\$20 million Top Exports Award. In the following year, Atomy broke its own record by receiving the US\$30 million Top Exports Awards, a hurdle that no other company in the 30 years of domestic network marketing history has overcome. Before this, Amway maintained the highest exports record of US\$10 million in the network marketing industry in Korea, awarded in 2002. Atomy surpassed this record in 2013, and this year, it has been confirmed as the recipient of the award for making US\$50 million export. Atomy is the first Korean network marketing company that officially announced its overseas expansion. Atomy set up its first overseas office in Seattle, USA in May, 2015, only a year after the company was founded in 2009. Many experts voiced concerns over Atomy's first overseas venture, claiming that the network marketing industry in USA is already high saturated. Atomy soon proved that all these worries were in vain by achieving a significant performance in a short span of time in the new market.

Atomy's first sales in USA was US\$4 million. In the following year, Atomy hit US\$7.7 million sales, experiencing almost a twofold jump. The continuous growth in Atomy's sales in the market has resulted in the sales of US\$24 million last year. Atomy personnel stated that the company's success in USA proved that its universal philosophy - good products can be sold anywhere - can be communicated worldwide.

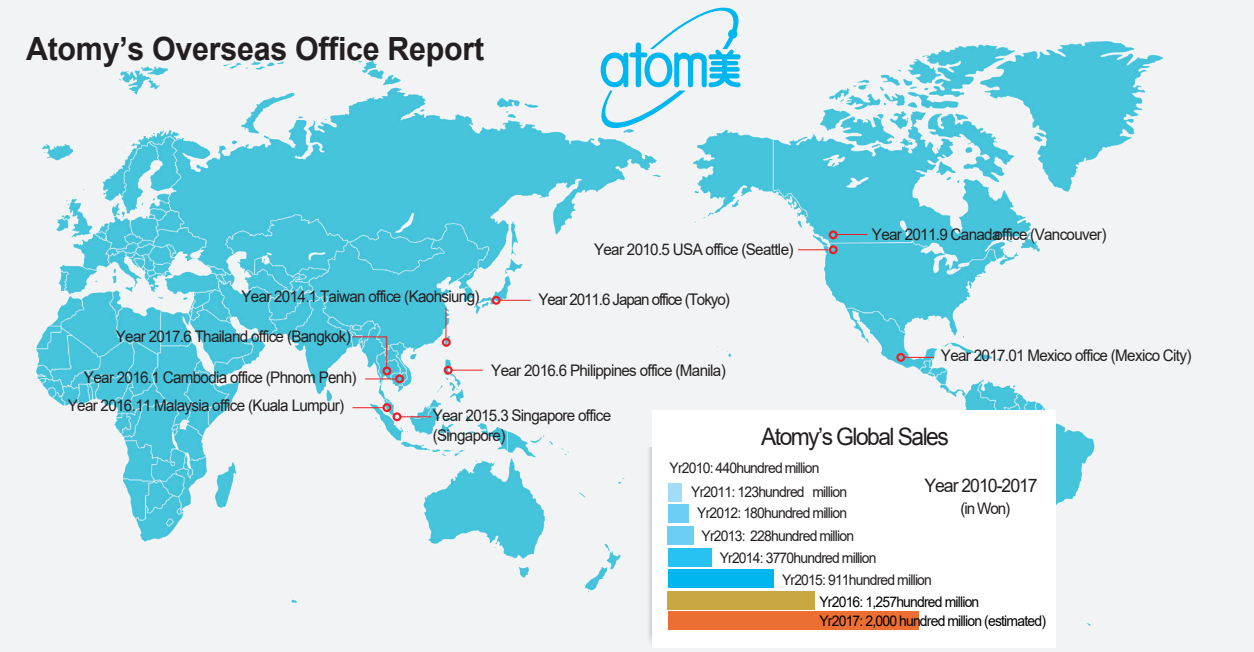
After realising the potential of overseas markets in USA, in 2011, Atomy turned its attention to Japan. Japan, alongside USA, had one of the biggest global network marketing industries. Hopes were high, but the market entry was not as smooth as expected. Despite the immense size of the industry, the market was showing a negative growth after the 1996 depression. Japanese consumers who take great pride in their domestic brands also gave cold shoulders to Atomy, a brand they were unfamiliar with.

Despite the challenges, Atomy also proved its growth potential in Japan. Atomy recorded sales of US\$3 million in its first year in Japan. Last year, the figure rose to US\$13 million which was more than 4 times that of its first year's sales.

Success in Japan has a special meaning to Atomy, not only because of the positive sales growth experienced in the market, but as it signified that a country with a highly sophisticated network marketing industry has acknowledged Atomy's differentiated distribution and management model. "The first person who brought Atomy to Japan was not a Korean, but a Japanese. He is a well-known professor who visited Korea to promote a Japanese business model. He eventually fell in love with Atomy's system. Due to the products' high quality, word of mouth spread fast in the country, allowing Atomy's second overseas office to quickly settle in. Atomy began to take root in not just the Korean community in Japan, but also the local community without much marketing effort", said CEO Park Han-Gill.

One unique traits of Atomy's overseas business is that majority of its local members are non-Koreans. As for Japan, more than 70% of the registered Atomy members are Japanese. Likewise in USA, more than half of the local membership is made up of Americans. As the business continues to expand amongst the locals, Atomy hopes to see more potential to increase its overseas footprint, and is actively channeling its resources to the global market.

Atomy's Overseas Office Report



Following the setup of its overseas offices in USA and Japan, Atomy has established its presence in 10 countries including Canada, Taiwan and Singapore. The overseas sales has jumped by almost 30 times, from US\$4 million in 2010 to US\$112 million last year. CEO Park Han-Gill believes that products should be at the centre of pioneering a new global market, and aims to continue to develop products that can Atomy can confidently introduce to the international market.

Atomy's current focus markets are China and India. Both markets boast huge size and immense growth potential. Last December, Atomy has built its first bridge with China Atomy by holding a bilateral investment agreement signing ceremony with Yantai city. Atomy expects to get its network marketing business approval in China in 2019. With the approval, Atomy plans to kickstart the distribution its masstige products to consumers worldwide.

Currently, Atomy is developing a F&B industry cluster "Atomy Orot" on the 720,000 square feet land it acquired in Gongju city in South Chungcheong province. The company aims to gather capable F&B companies and support their R&D and product development efforts. China is the key target market for this cluster. "Many Chinese have low faith in their domestic products. They acknowledge the quality of Korean products and I hope to compete in the market by introducing the food and baby products manufactured in the cluster", said CEO Park Han-Gill.

Atomy has already set up an office in Yantai, China. Beginning this September, Atomy will begin manufacturing one of its top 5 sellers, toothbrushes, in a local factory. It aims to complete the construction of its local HemoHIM factory in 2019.

India is another up and coming market next to China. Atomy has been paying a close attention to the market's rapid growth after the PM Narendra Modi took over the Indian government. Internally, Atomy is appointing a director to manage its office in India. After the company finds its director, it will actively start its business amongst the local community.

Besides setting up an office, Atomy has also been participating in various social activities in India. CEO Park Han-Gill has personally set out to build a school for the underprivileged children in the country. Not only such contribution is part of the company's community service efforts, it also reflects CEO Park Han-Gill's business philosophy.

"For the past 10 years, I have focused on creating a system that makes money. These days, I am trying to create a system can spend money well. Donation is a common form of the system. I wanted to build on it and develop one that can extend and recreate positive influence to many. I thought building a school could be a good solution to this. Children with a good education are more likely to create positive synergy as they enter the society in the future", said CEO Park Han-Gill.

High-quality products and customer-centric marketing have played an important role in Atomy's global success. As Atomy continues to expand its wings overseas, its international sales is expected to hit US\$178 million this year. Atomy's ultimate goal is not to become a number one distribution company in Korea, but to become the number one global firm. With a bright prospect for future growth and all eyes on Atomy, its dream may come true one day.

COVER STORY Atomy's Venture to Make 'The 1 Trillion Won History'



Photo: March, 2016. CEO Park Han-Gill visiting Phutmoggot primary school in Cambodia.



Photo: With the success of Atomy Cafe Arabica, one of Atomy's "team members" McNulty Korea became the first domestic coffee brand to be listed on KOSDAQ.

Exploring A Win-Win Strategy With SMEs

Launch of the Atomy's 1st Partner Hunt Project

On 26 June, Atomy launched its first "Partner Hunt Project" to help the domestic SMEs with good products but low brand power and marketing capability achieve sustainable growth. As a company that advocates joint growth with all its partners, Atomy aims to provide more companies with an opportunity to bring their businesses to the global market through this project. Atomy's massive membership size can also become a solution to many SMEs which have been facing challenges in marketing its products. Atomy tries to reduce its partner companies' cash flow problems by making the full payment in cash within a week after the delivery. Companies that are selected as Atomy's new partners through this project can earn an opportunity to enter the global market and receive various financial and management assistance. The project is set to activate the domestic SME ecosystem. Atomy aims to contribute to the growth of local SMEs by exploring ways of joint growth. It believes in the importance of collaborating with quality SMEs to expand their businesses internationally. "We wish the project can result in a hit product such as HemoHIM. We will continue to work with our partners to make new history", emphasised CEO Park Han-Gill. "Our partner companies' high-quality products are the key to upholding Atomy's 'Absolute Price, Absolute Quality' principle. I hope the project can bring about an opportunity for many more companies to collaborate and grow with Atomy", he added.

04 Atomy's Corporate Culture

Keys To Atomy's Corporate Spirit - Principle-Centred Culture, Win-Win Strategy and Sharing Culture

Atomy's corporate spirit emphasises adhering to principles as failure to do so would lead to a loss of purpose. As a result, Atomy encourages its members and employees to create a principle-centred and sharing culture, and practice a win-win strategy. CEO Park Han-Gill says Atomy business's baseline is a spirit that values principle. He states that Atomy's current corporate culture is a result of such spirit presented in various forms. We find out more about the three pillars of Atomy's corporate culture.

Article by Kim Byung Joo bjh1127@hmgp.co.kr

1 Principle-Centred Culture

Network marketing is often labeled as a pyramid scheme or get-rich-quick scam. Unlike the common stereotypes, network marketing is a distribution strategy which eliminates all the middlemen and connects the suppliers with the consumers in the cheapest and the shortest route possible. Occasionally, the entire network marketing industry suffers from negative publicity due to a few illegitimate companies and members who resort to expedient ways to derive sales. They exploit the normal sales channels and may bulk purchase products for a quick and easy financial deliverance and promotion.

Atomy is making a great effort to prevent these fraudulent activities. As Atomy believes that enforcing rules and regulations is not the most effective way to eradicate the problem, it focuses on cultivating a "principle-centred" corporate culture to ensure a healthy network marketing principle take root in the company. The key to this culture is Atomy's "Absolute Price, Absolute Quality" and "valuing goodness" principles.

CEO Park especially advocates the "valuing goodness" principle which translates to "the best business strategy is honesty and vitreousness". He stresses this to all his members, emphasising that everyone has to be mindful of having a thought such as "one rotten apple cannot possibly spoil the barrel" as a single bad influence can become the cause of a company's downfall.

In its effort to uphold the principle, Atomy founded the Ethics Advisory Committee and has also been organising a series of anti-betting competitions, campaigns and UCC contests since 2012.

2 Win-Win Culture

To date, Atomy's journey has been shared with Korea's SMEs. Atomy believes in completing a three-legged race with all its partners through a close collaboration to achieve success for everyone involved. Kolmar BNH, Atomy's current biggest partner, was suffering from an impaired credit when they first began their collaborative journey with Atomy. Today, Kolmar BNH has grown into a multi-million dollar firm with its yearly revenue surpassing US\$500 million. With the partnership with Atomy, Diotech Korea's revenue has also risen to US \$13 million - 25 times jump from its past figure of US\$450,000. Alongside, all Atomy's 50 partners including Sea Global, Jinheon Food, Saerom Food and McNulty Korea have experienced a win-win growth through mutual trust and cooperation. Atomy's "Absolute Price, Absolute Quality" strategy also has its roots in its win-win corporate culture. Atomy has been supporting its partners through various means including providing financial help to continuously improve the quality and reduce the cost of the products. Atomy also ensures all payments are settled within a week after every delivery and provides necessary capital to the partners to scale up their systems.

The effectiveness of Atomy's win-win culture has been proven by the success of its partners. A good example is Atomy toothbrush, one of the brand's flagship products. Today, over 20 million of this US\$0.90 toothbrushes are sold every year. The success of Atomy toothbrush was due to Atomy's support continuously rendered to the supplier Diotech Korea. Atomy has introduced programmes and policy initiatives such as making full down payment for the product ingredient costs for Diotech Korea, paying for all batches of supplies in cash and assisting the company with factory automation.

3 Sharing Culture

Fishes cannot survive out of water and likewise, a company cannot sustain its business without the society's support. Hence, companies' CSR activities are often not regarded as a good deed, but a social responsibility it has to fulfil. Atomy's sharing culture bears such philosophy. CEO Park emphasises that a corporate's goal should extend beyond generating profit to have a positive impact on the society.

"For the last decade, I focused on creating a system that generates sales. Today, I am committing myself to create a system that can spend money for a good cause", CEO Park shared. He is currently setting up a school in India, due to open this September. Alongside, he is also working to set up an educational institution in Cambodia and South Chooncheong province in Korea. "I wish to set up at least 100 schools all over the world during my lifetime", he added. In addition, Atomy also actively carries out various CSR programme including "Free lunch programme at Phutmoggot primary school", "Gomagongju bread sharing project in Gongju city", "Atomy Share-The-Love bazaar", "Atomy Share-The-Love briquette project" and "Atomy Share-The-Love Kimchi project". It plans to launch two new initiatives, "Business incubation project for the millennials" and "Atomy charity marathon" to support the setup of a foundation for the single mums beginning in late 2017.

05 Atomy's Flagship Products

50 "Team Members" Supplying Over 200 Types of Products HemoHIM and Basic Skincare Set - Two Top Selling Products

Atomy has been enjoying explosive growth with its "Absolute Price, Absolute Quality" strategy. Fortune Korea takes a closer look at some of its flagship products. Article by Ha Je Heon azzuru@hmgp.co.kr

Atomy sells more than 200 different types of products.

From functional health supplements to skincare products to hair/makeup items to food and lifestyle goods, Atomy's products are supplied by 50 partner companies across Korea.

Atomy's top representative products are HemoHIM and Skincare Set. Sales (including the sales of single items) of these products have surpassed US\$116 million and US\$125 million respectively. As the popularity of the products grows, Atomy is closing the gap fast on Amway, the largest network marketing company in Korea.

The key to the rising popularity of the two flagship products lies in the low price tag and premium quality. HemoHIM is produced by Kolmar BNH, a joint venture by KAERI and Kolmar Korea. HemoHIM, a functional health supplement that contains active natural ingredients such as Angelica Radix, Cnidium officinale and Paeonia japonica, was first developed by KAERI's research team. The product's active ingredient mixture has been approved and recognised by Korea Food & Drug Administration (KFDA) as a supplement that can boost immune functions. Each HemoHIM pack (4 sets) contains 60 packets and it is priced at US\$70.

Atomy's flagship products. (From left) Basic skincare series, toothbrush, salted mackerel, HemoHIM

Atomy's Skincare Set was developed using KAERI's patented high-purification technology and Kolmar BNH's bio/nano technology. The product is widely known amongst its patrons as a "applyall-you-can cream" due to its proven quality, large volume and low price tag. It is especially popular with female consumers as it contains a high level of active ingredients that are effective for skin rejuvenation.

Atomy's US\$0.90 toothbrush is the brand's another bestselling product. More than 20 million Atomy toothbrushes are sold every year, and it is produced by Diotech Korea, an established manufacturer of oral care products present in USA, Japan, China and Russia. Diotech Korea has attained Q Mark, a quality guarantee standard endorsed by Korea Merchandise Testing & Research Institute. The company has also developed a toothbrush that contains antibacterial gold ions which are certified by Korea Far Infrared Association (KIFA).

Atomy's popular products also includes salted mackerel. The company is witnessing a steep rise in the salted mackerel sales which adds up to more than US \$11 million every year. The product is processed by Sea Global, a seafood processing firm with HACCP, the food safety management accreditation. The company only processes premium NORGE-certified mackerels that are guaranteed by the Norwegian government. Sea Global processes these mackerels by removing the fish heads, guts and bones. Cleaned mackerels are later aged in low-temperature. Atomy's salted mackerel is popular with housewives due to its ease of preparation. Every 2kg (14 - 16 fillets) of Atomy's salted mackerel is priced at US\$22.

"Atomy's key priority is quality of its products, and we ensure that the quality is maintained from the product conceptualisation stage to post-product launch. We continuously monitor the manufacturing process to ensure product quality. We address any product quality issue with our "Team Members" to find the best solution to the problem", said CEO Park. This, he adds, is how Atomy achieves its consistent product quality.



INTERVIEW Baek In Young, CEO/Director of Kolmar BNH

"HemoHIM and Skincare Set - The world-class products"

Atomy's two flagship products HemoHIM and basic skincare set are a result of Kolmar BNH's radiation, life science and nano technology. Fortune Korea spoke to Baek In Young (photo), the Director and CEO of Kolmar BNH about the products unique features and history.

Q. How were Atomy's flagship products HemoHIM and skincare line first developed?

In 1997, KAERI kickstarted a research project studying various herbal ingredients to create a new natural substance that can radially improve the immune system of the people working in the radiation industry. After 6 years of intensive studies, the team created a natural herbal extract mixture. In 2004, KAERI collaborated with Kolmar Korea to set up an institutional venture company Sun Bio Tech (later renamed as Kolmar BNH). Sun Bio Tech began to develop a functional health supplement, and in 2007, it launched HemoHIM. KAERI's patented high-purification technology was also used to develop Atomy's basic skincare set. Despite the proven quality of the two products, sales was slow in the beginning due to the lack of sales experience by the team. CEO Park Han-Gill's visit was a timely one - he told us that he is confident in selling goods. He quickly sold all inventories and requested for further production. That was the beginning of our partnership.

Q. Tell us about your product quality management system. Cross-checks are carried out in two to three stages throughout the manufacturing process. As for HemoHim, we control the quality of our ingredients by managing the farming process of active ingredients such as Angelica Radix, Cnidium officinale, and Paeonia japonica. The contract farming allows us to obtain ingredients with a consistent quality as our team can regularly visit the farm and inspect the farming site and process. We carry out several rounds of tests on the ingredients after the harvest and during the processing to check for any harmful substance. Every product manufactured by Kolmar BNH goes through extensive inspection from the farming to packaging processes to ensure product safety and functionality.



Q. Please share more about Atomy's product power. I can confidently say that Atomy products supplied by Kolmar BNH are of a world-class standard. They are manufactured in a factory with GMP (Good Manufacturing Practice) facilities. The products are also approved by Korea Food & Drug Administration (KFDA). We also carry out our own quality control measures. Our efforts have been proven by Atomy's product return rate which is the lowest in the network marketing industry despite the 100% refund policy. Kolmar BNH's own

product return rate has also remained low at 0.08% last year. This was made possible by Atomy's determination to deliver the best quality product to its customers at a low price.

Q. How is Atomy different from Kolmar BNH's other clients and partner companies?

Our partnerships with other companies have also remained transparent and cooperative. One difference lies in our trust in Atomy's "win-win" strategy. Atomy works with its partner companies for a long term. The company strives to maintain a relationship built upon trust and assists its "team members" to focus its efforts on developing new technologies and increasing productivity. Atomy and Kolmar BNH have kept its partnership for the last decade. We consider Atomy as a partner we can trust and grow together.

Q. What kind of synergy is Atomy's collaboration with Kolmar BNH creating?

Atomy and Kolmar BNH has grown together through role sharing. Kolmar BNH manages R&D and manufacturing of the cosmetic and health supplement products while Atomy takes care of the distribution and sales. Such collaborative relationship is a key to Kolmar BNH's continued growth in the domestic market and beyond. For instance, we are jointly entering the Chinese market with Atomy by signing a MOU on setting up a factory in China. The success is due to our trust in Atomy's distribution capability which allowed us to channel our resources to developing quality products.