



# MOBILE CONTENT & APPLICATIONS

## MARKET OPPORTUNITY PROFILE | **KOREA**

### MARKET OVERVIEW

With a mobile penetration rate of 98 per cent and high usage rates of content-intensive terminals such as Portable Media Players (PMPs), Digital Media Broadcasting (DMBs), MP3s and smart phones, Korea is considered to be on the leading edge of mobile broadband. All three Korean wireless telecom operators SK Telecom, olleh KT and LGU+ have also been expanding their 3G and 4G networks. According to statistics from the National IT Industry Promotion Agency, 2008 turnover in the industry was US\$178 billion. Mobile content and applications sector are now considered to be the second largest sector within the new media industry in Korea. It is difficult to estimate the number of firms in this sector in Korea, since lines are quickly blurring between mobile content and other digital content. Many Korean firms that are engaged in the mobile content space manage other services such as animation, games and digital film. There are three issues in the Korean wireless telecom space that can have an impact on any engagement with content and application providers and telecom operators.

#### **CHALLENGING ENVIRONMENT FOR FOREIGN VENDORS:**

The Korean market is characterized by the existence of specialized services such as DMB, WiBro, WIPI, WAP, etc. which are generally not available in North America or have largely been unsuccessful in other markets such as Europe. This creates a tough environment for content and application providers that may not have the necessary service or experience demanded by South Korean firms.

#### **KOREAN MOBILE CONTENT AND APPLICATION PLAYERS ARE LEADERS:**

Given Korea's leadership in mobile technology, Korean vendors and operators have taken along local companies to provide content and applications unique to Korean sensibilities. This has created a "glass bubble" which may be hard for foreign firms to break.

#### **MOBILE CONTENT IS QUICKLY CONVERGING WITH OTHER DIGITAL MEDIA:**

From the end-user point of view, there is a rapid convergence between digital media (such as online games) and mobile media. Korean online gaming firms are quickly moving into the mobile content business and Korean telecom operators are quick to

capitalize on proven revenue models (such as online games) and apply them to their operations. This creates established service networks that may be difficult for foreign firms to break, including B.C.-based mobile content and application providers.

\* National research on the condition of the IT/SW industry by the National IT Industry Promotion Agency in 2009

## OPPORTUNITIES

Being on the leading edge of mobile broadband has affected the digital content industry in Korea in every conceivable way, with content providers increasingly adapting to the mobile medium. While this trend of fixed-to-mobile substitution has been underway in Korea for some time, marketers, developers and content providers are only now beginning to adapt the dynamic interfaces such as cameras and GPS unique to the mobile medium to bring emotional branding to mobile users. This emotional branding and experience-based marketing are generally unavailable via the PC medium and are considered to be the next big thing in the evolution of the digital content and new media industry in Korea.

Should B.C.-based firms enter the Korean mobile content and applications space, they can expect the entire range of value-added services on offer with an established operator-centred revenue share or flat-fee model in place. Typically, operators deal with both content syndicators and content developers. In an effort to inform the B.C. industry about market opportunities in this sector, IE Market Research Corp. undertook a survey of Korean mobile content and application firms on the types of opportunities available to B.C.-based firms in the Korean market.

## REGULATORY / COMPETITIVE ENVIRONMENT

Korean mobile content and application players are global leaders. Korean firms such as Infobank Corp. (embedded applications), Danal Inc., FDIK, ebilling (mobile payment systems), Com2us Corp., Mdocks Corp., Gamevil Inc., Softmax (mobile games and entertainment) and MeOn, Dosirak and Musicon (mobile music and pictures) are fairly strong, innovative players with world-class capabilities.

Infobank Corp. is a leading Korean provider of mobile game production, mobile software development and mobile content. Established in 1995, the company supplies software used in three-quarters of all mobile securities trading in Korea and is a leading developer of cellphone-friendly websites. Infobank helped construct www.n-TOP.com for SK Telecom (the world's first software-only decoder-based multimedia wireless service for the 3G air interface) and LG Telecom's popular cellphone karaoke site.

Gamevil Inc. is Korea's largest mobile game publisher. Established in 2000, Gamevil currently has a portfolio of 60+ mobile games and has produced at least a dozen award winners. In 2004, Gamevil launched the world's first LBS-based full network mobile simulation game called June Three Kingdoms. In 2005, Gamevil's wildly successful Skipping Stone won the E3 2005 "Game of the Show" award by MSNBC and was nominated as the best mobile game by the Mobile Choice Consumer Awards. Gamevil publishes "Train City" by LIFO Interactive on Facebook and has partnerships and licensing agreements with over 38 handset vendors, telecom operators and software providers. These include Vodafone, Samsung, AT&T, Verizon Wireless, Nokia and Sony Ericsson.

Com2us Corporation, established in 1998, is one of the leading mobile game developers in Korea. The company has a long history of technical achievement in mobile games. In 2001, for example, Com2us had the largest selection of mobile games with 20 WAP and 30 VM games. In 2002, Com2us launched the first mobile network games in the Korean market (games such as Go Stop, Rebel Pebble and Reversi). Com2us has a wide range of licensing and service agreements with some of the largest wireless telecom operators in the world. These include Vodafone, AT&T, T-Mobile, China Unicom, NTT DoCoMo, Nokia, Motorola, Qualcomm and Disney. First Data International Korea Co., Ltd. advanced into the Korean mobile applications market in 2005 after it acquired Korean Mobile Payment Services. Throughout Korea, First Data International offers credit card payment services with the ability for merchants to securely accept payments via a mobile phone using RF technology.

The Ministry of Culture, Sports and Tourism handles the overall regulatory issues in this sector. It is responsible for policy development, copyright, game industry regulation and content promotion. The Ministry of Knowledge Economy has overall responsibility for ICT development in Korea. Business associations such as the Korea Creative Content Agency and National IT Industry Promotion Agency are important industry associations that B.C.-based firms might want to contact during field missions to Korea.

## MARKET ENTRY STRATEGY

In terms of marketing and market entry strategies, B.C.-based content and application providers interested in the Korean market would be well advised to establish local operations run by locals with extensive contacts within Korean wireless telecom operators. The business strategy in Korea needs to be operator-centric because South Korean telecom operators are quick to capitalize on proven revenue models and apply them to their operations. Korea's experience with WAP is illustrative. In 2001, Korea had nine million 2.5G mobile subscribers using high speed (80 Kbps) WAP, Java and MMS enabled handsets. Unlike European, U.S. and Canadian operators, the strategy for Korean operators is to partner up with media companies, content developers and syndicators to create massive amounts of content and services for the new generation of mobile handsets and networks. Korean operators also adopted

a revenue share model, giving their content providers up to 70 per cent of revenues. This allowed South Korean content developers and syndicators to become leaders in this space and establish solid relationships with operators providing fresh content at reasonable prices.

Communication service providers in Korea are going to provide full-fledged 3.9 generation services from 2011, which can lead the expansion of mobile content and applications. Domestic mobile content has developed through the closed market led by the communication service providers that have dealt with established feature phones based on the Korean standard WIPI until 2009. On the contrary, the introduction of the iPhone (Apple) by one of Korea's top communication service providers KT has been causing mobile content and applications to grow explosively since 2010.

Given that mobile applications are not quickly accepted by Korean industry, governments and businesses have been drawing specific images to construct virtual environments such as Mobile Office and Smart Works. The SI market which is relevant to mobile applications has been growing rapidly. (\* The Ministry of Public Administration and Security reports that 50 more Smart Works Centres are going to be open by 2015 all around the country and "mobile offices" have been under construction as a business model for "administration services based on the smartphone.") Therefore, B.C. companies are advised to form associations with major Korean SI corporations and participate in projects offered by public offices. Korean companies are not superior in software applications in diverse industry fields among Organization for Economic Co-operation and Development (OECD) countries. In spite of market expansion, there are difficulties in supplying experts and making profits in content. As a result, B.C. companies should examine the M&A of small domestic businesses to successfully enter the Korean market.

Policies about IT are generally conducted in three institutes in Korea.

- 1) The Ministry of Culture, Sports and Tourism: Policies to foster the content industry and copyright, and the preparation of infrastructure
- 2) The Ministry of Knowledge Economy: Fostering the ICT industry and developing related policies (sporting development of the SW/HW industry composing content)
- 3) The Communications Commission: Oversees policies and regulations for broadcasting and communications (Permission for radio regulation, selecting broadcasts, supervising regulations, etc.)

## KEY CONTACTS

### **Asia Pacific Business Centre, Vancouver**

Suite 288 - 800 Hornby Street  
Vancouver, B.C. V6Z 2C5  
Tel: 1-603-660-9727  
Email: [asia.pacific@gov.bc.ca](mailto:asia.pacific@gov.bc.ca)  
[www.tted.gov.bc.ca/APTI/Pages/AsiaPacificBusinessCentre.aspx](http://www.tted.gov.bc.ca/APTI/Pages/AsiaPacificBusinessCentre.aspx)

### **British Columbia Ministry of Technology, Trade Economic and Development – International Business Development**

Branch Suite 288 - 800 Hornby Street  
Vancouver, B.C. V6Z 2C5  
Tel: 1-604-660-2399  
Email: [Asia.Pacific@gov.bc.ca](mailto:Asia.Pacific@gov.bc.ca)

### **British Columbia Trade & Investment Office - South Korea**

Managing Director 41F Gangnam Finance Center Yeoksam  
1-dong, Gangnam-gu Seoul 135-984 Korea  
Email: [Asia.Pacific@gov.bc.ca](mailto:Asia.Pacific@gov.bc.ca)

### **The Canadian Embassy in Seoul**

16-1, Jeong-dong,  
Jung-gu, CPO Box  
6299, Seoul, Korea 100-662  
Tel: 822-3783-6000  
Fax: 822-3783-6239  
[www.dfait-maeci.gc.ca/world/embassies/korea/menueen.asp](http://www.dfait-maeci.gc.ca/world/embassies/korea/menueen.asp)

### **Ministry of Culture, Sports and Tourism (MCST)**

Director Tel: 82-2-3704-9114  
[www.mcst.go.kr](http://www.mcst.go.kr), <http://www.mcst.go.kr/english/index.jsp>

### **Ministry of Knowledge Economy (MKE)**

Tel: 82-2-1577-0900,  
Email: [webmke@mke.go.kr](mailto:webmke@mke.go.kr),  
[www.mke.go.kr/language/eng/](http://www.mke.go.kr/language/eng/)

### **Infobank Corp.**

Tel: 82-2-2189-1400  
[www.infobank.net/](http://www.infobank.net/)

### **Gamevil Inc.**

Tel: 82-2-1588-4263  
[www.gamevil.com](http://www.gamevil.com)

### **Com2us Corporation**

Tel: 82-2-6292-2000  
[www.com2us.com](http://www.com2us.com)

### **Softmax Corporation**

Tel: 82-2-598-2554  
[www.softmax.co.kr/](http://www.softmax.co.kr/)

### Softfamily Inc.

President  
Tel: 82-2-1588-8355  
www.ebilling.co.kr

### First Data International Korea Co.,Ltd.

President  
Tel: 82-2-1544-7300  
www.kmps.co.kr/http://www.firstdata.com/ (English parent company website)

### Bugs Music

President  
Tel: 82-2-2033-0000  
www.bugs.co.kr/

## LINKS & REFERENCES

- Korea Animation Producers' Association (KAPA)  
www.koreaanimation.or.kr/
- Korea Mobile Internet Association (MOIBA)  
www.kiba.or.kr
- Korea Creative Content Agency (KOCCA)  
www.kocca.kr/
- Korea Association of Game Industry (KAOGI)  
www.gamek.or.kr/
- Korean Game Developers Association (KGDA)  
www.kgda.or.kr/

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