

Your Market Is Everywhere

International Market Series

South Korea

How Canadian producers can benefit from looking beyond borders



This report focuses on the state of the television and gaming industries as well as the augmented and virtual reality market in South Korea.

This document presents you with information on South Koreans' preferred genres and media consumption habits, South Korea's regulatory environment, current trade agreements with Canada, the country's major broadcasters and industry events, as well as expert advice.

Fast facts:

- ▶ South Korea boasts the world's highest level of internet penetration at 90% and fastest Internet speeds.
- ▶ At present, co-ventures by which a South Korean broadcaster is a Canadian company's production partner as opposed to a buyer, appear to represent the real opportunity in the region.
- ▶ To date, sales between Canada and South Korea have involved genres such as animation, documentary, and unscripted content. ↓
- ▶ South Korean production companies create approximately 75 dramas per year and domestic broadcasters air about 7 hours of dramatic programming per day. ↓

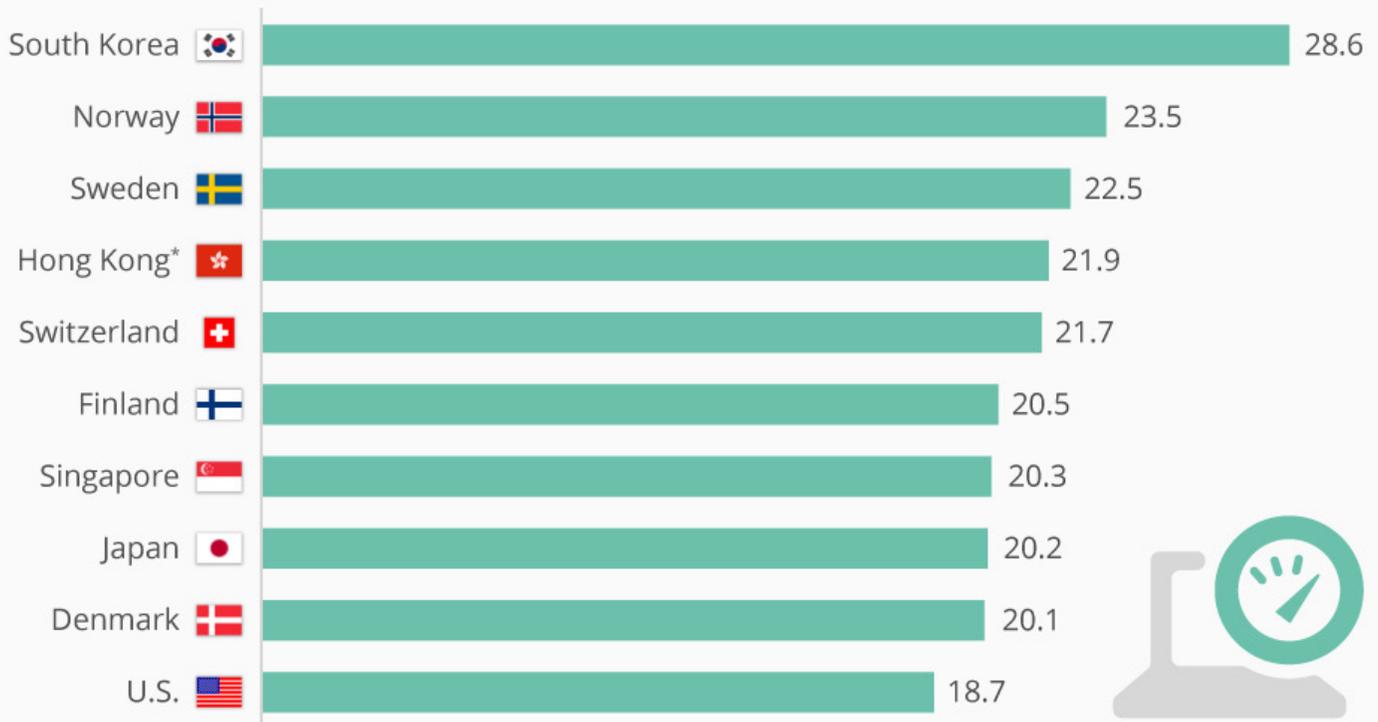
- ▶ There are approximately 14.5 million cable TV subscribers and almost two dozen cable operators in South Korea. ↓
- ▶ Although IPTV has only been available in South Korea since 2008, its user base is equal to that of cable TV, has been growing at a faster rate and is expected to exceed cable connectivity by the end of the current year. ↓
- ▶ South Korea's VR and AR market is expected to increase from a current US\$7 billion to a whopping US\$40 billion by 2020.
- ▶ The Canada-Korea Free Trade Agreement reduces or eliminates tariffs in certain markets to facilitate competitive advantages across various industry sectors, including the media and entertainment industries. ↓

Known around the globe as an early adopter of all things high tech, South Korea is today a world force in the media, cultural, and technology industries. With a population of just over 50 million people, South Korea could be said to punch above its weight in terms of both influence and productivity. It is the country of origin of such well-known brands as Samsung, Kia and Hyundai. It is also home to the K-Pop phenomenon ignited by superstar Psy— the first artist to reach 1 billion views on YouTube for his runaway hit “Gangnam Style”—and the home base for television productions that are among the most in demand in China, Singapore, Taiwan, Hong Kong and, more recently, in western countries.

South Korea also has the world’s highest level of internet penetration at 90%¹ and fastest Internet speed.² For comparison purposes, internet penetration in Canada reached 88.5% in 2017³, and the country has ranked as high as 13th out of 92 countries in the world for internet speed and as low as 21st, with considerable variations between provinces⁴.

The Countries with the Fastest Internet

Average internet connection speed in Q1 2017 (in Mbps)



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@StatistaCharts

* Hong Kong is a Special Administrative Region of the People's Republic of China.
Source: Akamai

statista

As South Korea has developed both technologically and culturally, it has become a new avenue for Canadian media producers. Several companies have had success under multi-territory deals in Asia—including South Korea—with their factual, lifestyle, documentary and reality programming. Such multi-territory deals are often seen as ‘door openers’ for larger Asian markets and, at present, the real opportunity in the region appears to be co-ventures, by which a South Korean broadcaster is a Canadian company’s production partner as opposed to a buyer.

INSIDER TIPS

On the Korean market as a gateway to other Asian markets

“Korea is a very interesting market, it’s not as big as China but it’s a very tough market...if you’re successful in the Korean market, you can easily enter other markets as well. We are evolving, we’re more open minded and willing to work with western producers and broadcasters.”

– Jae-Hyuk Lee, senior vice president of South Korea’s largest media content company CJ E&M⁵

TRACK RECORD WITH CANADA

To date, sales between Canada and South Korea have involved genres such as animation, documentary, and unscripted content.

Notable Canadian exports to South Korea include:

- ▶ Tiffany Hsiung’s documentary titled *The Apology*. The five-year licensing deal struck with Seoul’s AK Entertainment at the 2016 Busan Content Market has resulted in a 66-screen theatrical release in Korea and China⁶;
- ▶ 9 Story Media Group’s licensing deal with Disney Channels across Asia (Korea, Japan, and the Indian subcontinent) for the animated *Numb Chucks* originally created for YTV⁷;
- ▶ Blue Ant International’s multi-territory deals in Asia for factual, lifestyle, and reality programming, including six episodes of *Warships* and season 2 of *Live Here Buy This* to South Korea’s Homestory Channel and KFN;
- ▶ Gusto Worldwide Media’s sale of 30 episodes of the cooking challenge show *A is for Apple* to South Korea’s UMAX⁸.

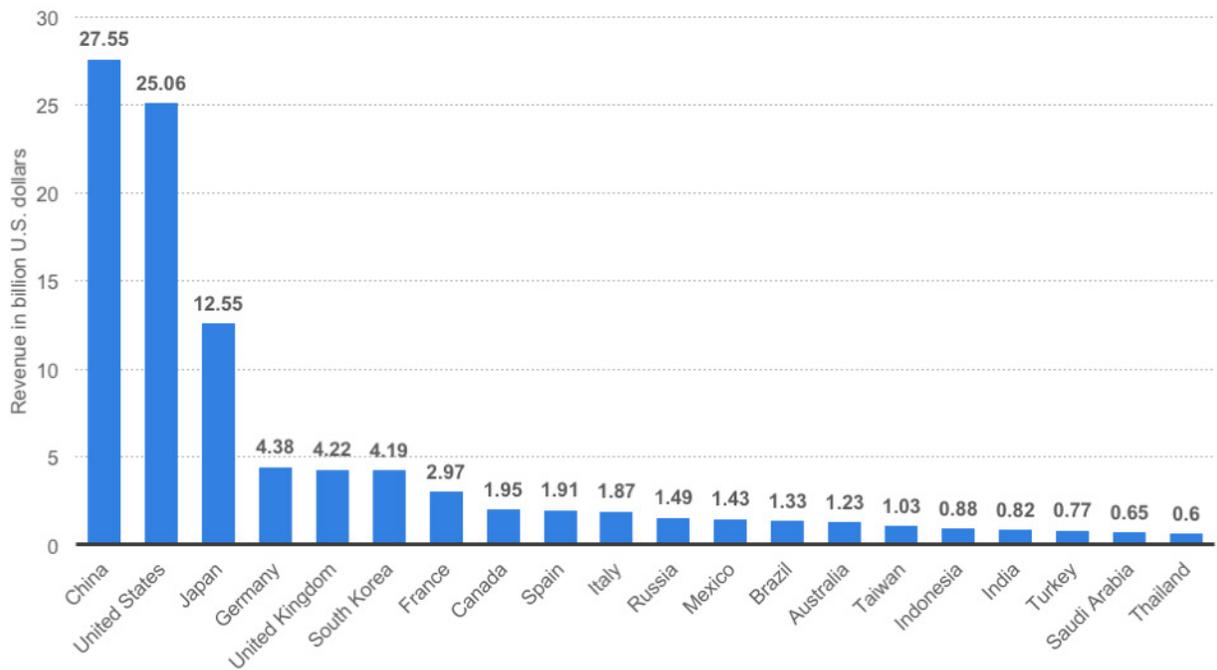
A development in the area of co-productions between English-speaking markets and Asia can be seen in the London (UK) agency *The Bridge*, which also operates offices in Seoul and Bangkok. It has been acting as a connector and broker for TV, film and animation co-production opportunities between English-speaking producers in the West and companies in Asia. “It’s actually been such a successful model,” says Amanda Groom, Managing Director of *The Bridge*, “that [other] Asian nations... like Malaysia and Thailand are starting to copy the same model.”

SUCCESSFUL GENRES

Games

South Korea is the world's sixth largest gaming market, with revenues of \$4.19 billion (USD) in 2017¹⁰.

Leading gaming markets worldwide as of June 2017, by gaming revenue (in billion U.S. dollars)



Note: Worldwide; June 2017; figures are estimates

Source: Newzoo

statista

All of the top video game companies are located in Seoul. They include Gravity, NCSoft, Ndoors, Nexon, Naver Corporation and Phantagram¹¹. In a survey of game playing habits of South Koreans aged over 18, 51.5% of respondents reported playing games on their computer or laptop, followed by 50.3% indicating that they played games on their smartphone. A further 16.8% reported using a portable gaming device, whereas 15% used a gaming console such as an Xbox¹².

In a country with such a high penetration of mobile devices, not to mention the world's fastest internet speeds, one might expect a higher rate of gaming on smartphones. Gaming is certainly at a fever pitch in the country, given the fact that South Korea is also home to rehabilitation centres that treat thousands of youth addicted to the internet annually¹³.

The answer to the riddle of a relatively modest level of gaming on smartphones lies in the fact that millions of Koreans play in one of the country's 20,000 "PC bangs" (i.e., gaming rooms). For about a dollar per hour, avid gamers can hang out in a social environment not unlike a bar or mall, and use the PC bang's lightning-fast connection to take on multiple players¹⁴. But those are just the "civilians". Indeed, there is also a high profile tier of professional gamers in South Korea, known across the country as celebrities, who have signed lucrative contracts and endorsement deals and participate in nationally televised cyber competitions¹⁵.

Speaking about the South Korean gaming market at the annual MIGS (Montreal International Games Summit), San Francisco-based gaming consultant Josh Burns pointed out that "a top grossing game is a 1GB download... [and] you can download it in

under a minute on the network there.”¹⁶ He also cautioned that western games have limited appeal in the Korean market¹⁷ and that Korean companies wishing to expand to western markets experience similar cross-border challenges. Yoon Songyee of top Korean gaming company NCSoft pointed this out: “Western players pay attention to narratives and their experience within the game... but don’t necessarily spend a lot of time trying to understand the saga and legend behind it.” She also noted that in contrast to Koreans, who enjoy playing in social group environments, Westerners “...like being heroes... and are more likely to play solo.”¹⁸

While the South Korean gaming market may not be the easiest for a western company to penetrate, the approach adopted by the multinational game company Ubisoft—which operates studios in Halifax, Montreal, and Toronto—is worth noting. For the past decade, Ubisoft has focused on localization as well as the subsequent sales and marketing of its products for the South Korean market¹⁹.

Formats

A top exporter to the world of formats such as *Genius Game*, *Look What Your Hubby Did*, and *Let’s Go Time Travelers*, South Korea is also known for online oddities such as “[Mukbang](#)”, i.e., videos of extended eating sessions that often net millions of views each and for which some creators earn up to \$10,000 per month²⁰.

Twists on conventional cooking shows that combine elements of talk shows, game shows or travel shows are also a popular genre in South Korea, and they are often licensed for localization abroad. As noted above, Canada’s Gusto Worldwide Media has had success exporting alphabet-based cooking challenge show *A is for Apple* to South Korean channel UMAX.

INSIDER TIPS

On adapting programs for western audiences

“Because of the cultural and industry differences, it is a challenge to adapt shows. It’s not easy, but multiple parties are trying, and sooner or later it’ll happen.”

– Keo Lee, development executive for Korea’s 3AD²¹

It turns out that formats make for good business. As pointed out by Lee Jun-geun, director general of KOCCA (Korea Creative Content Agency), “the entire growth rate of the foreign broadcasting market is around 3 to 5 percent [while] the growth rate of the format market is approximately 10 percent.”²² In China, South Korean formats are particularly popular and hold a market share of over 14%²³. In 2016, the first unscripted Korean format was selected for adaptation by a U.S. network; NBC acquired the senior citizen reality show *Grandpas Over Flowers*²⁴.

Drama

The South Korean culture’s global popularity is referred to as “The Korean Wave”—or “Hallyu”—and it has proliferated around the world through the phenomena of K-pop and K-drama, fictional programs and soap operas usually featuring young and attractive stars, eye-catching fashion, and romantic narratives. In South Korea, television drama is more than just a form of entertainment; it is also a way of life that shapes and reflects tastes, values and styles. Also, it often does so in a way that could be described as ‘family friendly’ by incorporating themes such as the importance of education, the centrality of the family structure, and respecting one’s elders²⁵. It is therefore not

surprising that South Korean production companies create approximately 75 dramas per year and that broadcasters air about 7 hours of dramatic programming per day²⁶. Unlike North American television shows, which must generally be renewed every year, South Korean dramas tend to be produced in batches of 20 to 30 episodes at a time²⁷.

South Korea's dramas are also enormously popular beyond the country's borders. For example, the romantic drama *Descendants of the Sun*, available in China on the iQiyi video streaming platform, has been so popular with Chinese audiences that it netted 1.7 billion views as of spring 2017. Stated in other terms, that is more views than the country's total number of inhabitants²⁸.

Descendants of the Sun has become so influential that, according to one estimate, it has driven \$261 million worth of business to South Korea in the form of tourism, cultural products and brands featured in the program³⁰. Another example of K-drama garnering an audience outside of the country's borders is the online series *Dramaworld*, a collaboration between the U.S., China, and South Korea, which has 40 million monthly viewers—only 20% of which are Asian³¹.

Not wanting to miss out on the momentum of the Korean Wave, Netflix began adding South Korean dramas and soap operas to its programming slate in early 2017³². Meanwhile, other K-drama shows have been attracting cult followings as far away as the Middle East and parts of Africa³³.

INSIDER TIPS

On online platforms and the international success of K-drama

“The real popularity of K-drama started from just the original dramas being made accessible online. Then people started hearing about these incredible numbers—millions of people a month out of the U.S. and all these countries outside Korea watching, and people were very intrigued.”

– Angela Killoren, chief operating officer of CJ E&M America²⁹

MAJOR BROADCASTERS

South Korea has five main terrestrial broadcasters, three of which are public and two, private:

Public broadcasters

- ▶ KBS (Korean Broadcasting System)
- ▶ MBC (Munhwa Broadcasting Corporation)
- ▶ EBS (Educational Broadcasting System)

Private broadcasters

- ▶ SBS (Seoul Broadcasting System)
- ▶ JTV (Jeonju Television Corporation)

Cable television

There are approximately 14.5 million cable TV subscribers in South Korea³⁴ and almost two dozen cable operators nationwide, including TV Chosun, JTBC, Channel A, and Tooniverse. These pay channels cover genres ranging from dramas and movies to sports, recreational and game shows as well as children's programming.

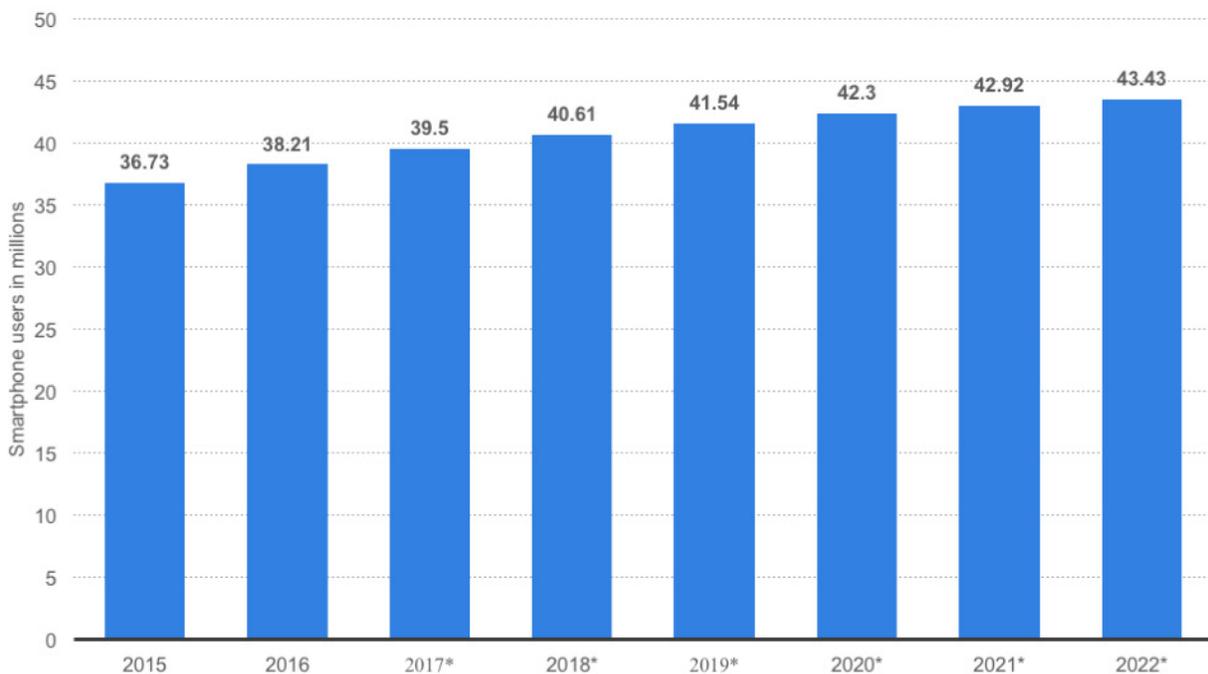
OTHER DELIVERY PLATFORMS

As one of the world's most intensive regions in terms of R&D³⁵, South Koreans tend to be early tech adopters with a high level of technological sophistication and appetite for digital media content such as mobile apps, online entertainment, music, games, mobile, and apps delivered across a variety of platforms and devices.

Smartphones

South Korea was one of the first countries to witness the explosive growth of smartphones, with the locally manufactured and lower cost Android-based handsets made by Samsung and LG readily available. In 2017, the country boasted 39.5 million mobile phone users³⁶, i.e., just over 81% of the population. Also, all of the country's mobile devices in use are smartphones and, therefore, internet enabled.

Number of smartphone users in South Korea from 2015 to 2022 (in millions)*



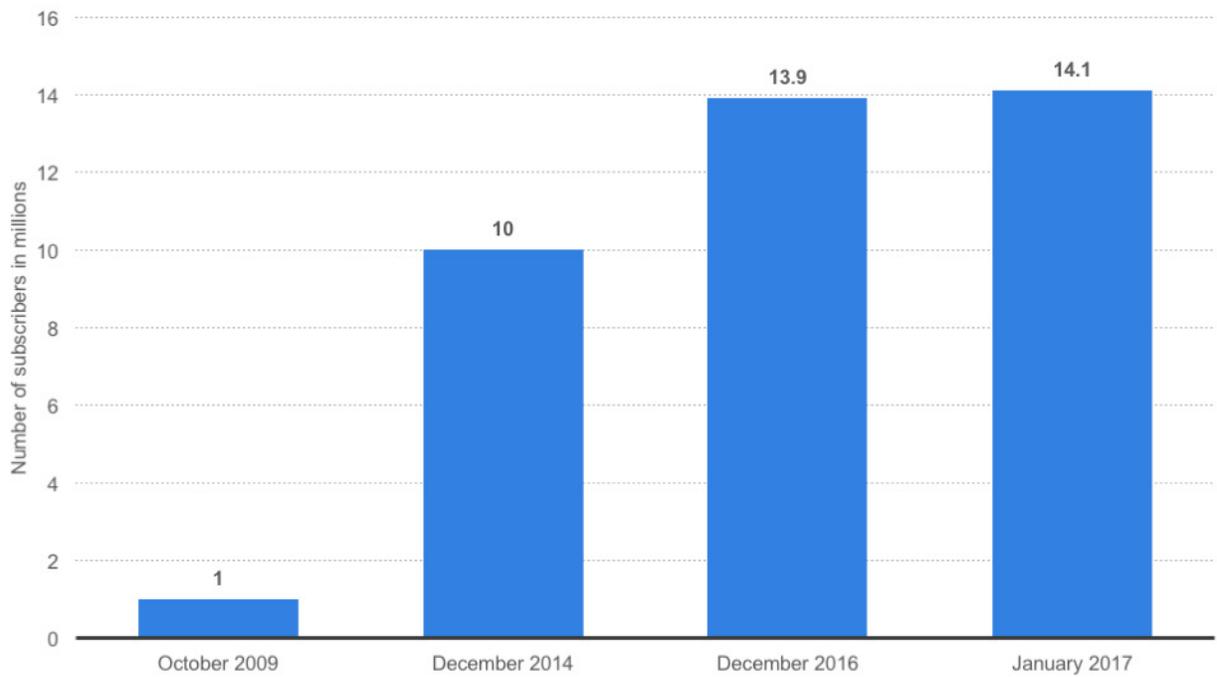
Note: South Korea; 2015 to 2016; Individuals of any age who own at least one smartphone and use the smartphone(s) at least once per month.

Source: Statista DMO

IPTV (Internet Protocol TV)

South Korea was a pioneer of television programming delivered over the Internet. The number of IPTV users in South Korea as of early 2017 was 14.1 million, with provision spread across the following fixed-line operators: KT Corp., SK Broadband Co., and LG Uplus Corp.

Number of Internet Protocol Television (IPTV) subscribers in South Korea as of January 2017 (in millions)

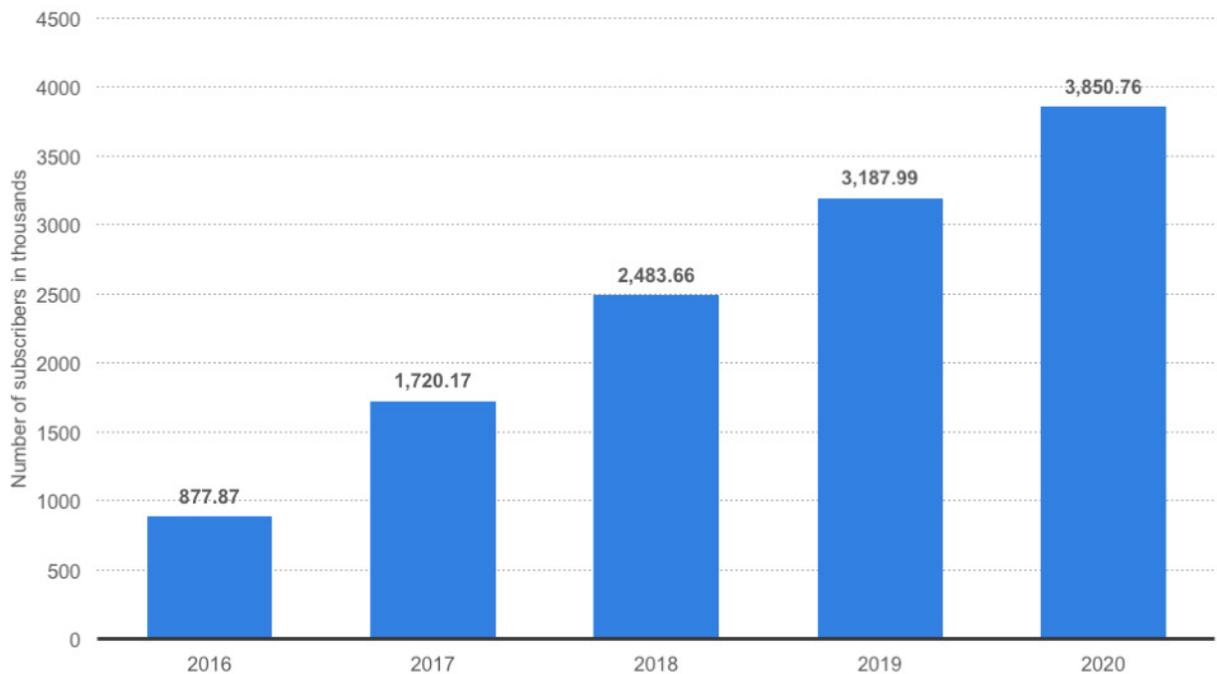


Source: Yonhap

Although IPTV has only been available in South Korea since 2008, its user base is equal to that of cable TV, has been growing at a faster rate and is expected to exceed cable connectivity by the end of the current year³⁷.

Netflix has only been available in South Korea since early 2016. As a result, it has achieved limited penetration in absolute numbers, having reached 'only' approximately 1.7 million people in 2017. However, the growth rate has been impressive. Between 2016 and 2017, the number of Netflix users in South Korea grew by about 50% and a similar growth rate is projected for the 2017–2018 period.

Estimated number of active streaming subscribers to Netflix in South Korea from 2016 to 2020 (in 1,000s)



Note: South Korea; 2016; all figures are estimates

Source: Nakono

VR (Virtual Reality) and AR (Augmented Reality)

South Korea's leading position in R&D, internet connectivity, and smartphone penetration makes it a natural contender in the burgeoning fields of VR and AR. Hardware manufacturer Samsung, wireless telecommunications operator SK Telecom, and Korea Telecom (the country's largest telephone company) all have their sights set on leveraging their user base and/or content offerings for a VR and AR market expected to increase from a current US\$7 billion to a whopping US\$40 billion by 2020^{38,39}.

Since acquiring VR hardware manufacturer Oculus in 2014, Facebook has sought partnerships to develop both hardware and software for the platform. It is in this spirit that, in spring 2017, South Korea's Ministry of Science, ICT and Future Planning and Facebook entered into an agreement pursuant to which ten Korean VR and AR start-ups will receive support, mentoring and the opportunity to pitch their business to Silicon Valley. Meanwhile, the Ministry has pledged to spend 400 billion won (approximately US\$360 million) in the science and technology sector by 2020 in an attempt to streamline R&D efforts between Korea's private and public sectors⁴⁰.

TRADE AGREEMENTS WITH CANADA

Canada and South Korea are bound by an audiovisual television coproduction agreement. It can be consulted [here](#).

In addition, the [Canada-Korea Free Trade Agreement](#) (CKFTA) came into force in 2015. It reduces or eliminates tariffs in certain markets to facilitate competitive advantages across various industry sectors, including the media and entertainment industries. The CKFTA also provides Canadian companies doing business in South Korea with stronger intellectual property protections⁴¹.

REGULATORY ENVIRONMENT

As is the case with many smaller countries that are geographically surrounded by large nations with dominant cultures, South Korea imposed a quota system on films presented within its borders as early as the 1960s. Until 2006, the country's movie theatres were required to earmark 146 days per year for Korean films (this number has since been reduced to 73 days per year)⁴². Free-to-air and pay TV television channels in South Korea also carry quotas for local programming, but as there is little to no internationally produced content on these channels, the issue is largely immaterial⁴³.

At the end of December 2016, the South Korean government announced plans to deregulate its domestic pay TV industry, thereby paving the way for mergers between cable, satellite and IPTV providers. The pay TV industry has responded with its own plan to complete the conversion to fully digital TV services by early 2018. This will enable it to better compete in a rapidly shifting marketplace⁴⁴.

MAJOR INDUSTRY ASSOCIATIONS AND INITIATIVES

With agencies such as [KOCCA](#) (Korea Creative Content Agency), [KTO](#) (Korea Tourism Organization), and [KOTRA](#) (Korea Trade-Investment Promotion Agency), the Korean government recognizes the benefits of promoting popular culture and media products. In Canada, KOTRA operates [offices in Toronto and Vancouver](#).

The South Korean government supports the media and creative sectors with a variety of incentives as well as marketing and promotion assistance.

A few examples:

► The Korean government has provided support for the establishment of digital technology hubs in Anyang, Daejeon, and most notably in Seoul's recently opened [Digital Media City](#)—a megacomplex including an R&D centre, public and private sector office space, exhibit areas and a cinematheque;

► Through a partnership with the Export-Import Bank of Korea (also known as the [Korea Exim Bank](#)), [KOCCA](#) makes loans available to small companies involved in the production of television programs, games, animated series and films⁴⁵;

► Specific countries have been identified and targeted as potential partners and/or investors in media, creative, and technology projects in South Korea, with Canada occupying a spot in Tier 2 of this program, alongside China, Brazil, and Spain, and Tier 1 countries being an assortment of neighbouring Asian nations.⁴⁶

INSIDER TIPS

On English as a shared language of business in Asia

“English is often the common language when [we] work with companies from other Asian countries.”

– Narae Yuh of Seoul’s Crazy Bird Animation Studio⁴⁷

In addition to KOCCA and KOTRA, other media and entertainment industry associations in South Korea include:

- ▶ [Ministry of Culture, Sports and Tourism](#)
- ▶ [Korea Cable TV Association](#) (note: This website is not available in English)
- ▶ [Korean Film Council](#) (KOFIC)

MARKETPLACES AND TRADE EVENTS

- ▶ [Busan Content Market](#)
- ▶ [Asian Film Market](#)
- ▶ [Virtual Reality Summit](#)
- ▶ [KWebfest](#)
- ▶ [Asia Television Forum](#)

OFFICES/PERSONNEL IN CANADA

- ▶ [Korea Trade Promotion Corporation](#) (KOTRA)
- ▶ [Canada Korea Business Council](#) (CKBC)

FOOTNOTES

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