

Status & Future of Digital Content Industry

By Choi Young-Ho
 Head of Strategic Planning Division
 Korea Culture & Content Agency

One of the special characteristics that distinguishes 'digital culture & content' from other industries is that it is basically using a "digital" container for "analog" content. Therefore, diverse and different studies of the industrialization era are required to fully understand the nature and future of this industry. Not only the government but also academic circles should make common efforts to expand the cultural content industry.

The cultural content era has already arrived. With rapid growth of domestic IT infrastructure, supply of mobile communication networks, broadband, etc. since the 1990s, in particular, a fertile environment for digital content is spreading all the more. Cultural content encompasses cultural goods composed of cultural elements with human emotion and imagination as original sources creating economic value.

The de-facto ratio of the cultural industry among all industries is, in fact, tremendous. For example, at US\$298.4 billion, the global broadcasting market size surpasses the US\$222.9 billion of the semiconductor industry market. However, Korea's global market share is still insignificant: whereas the nation's semiconductor share is 10%, its share in broadcasting only slightly exceeds the 2% level.

The cultural content industry's employment creation effect also is quite high. The growth rate of the cultural content industry is three times that of GDP and the industry's employment inducement coefficient is 15.9 persons per one billion won investment, ranking second only to agriculture & fisheries. The cultural industry has important implications for Korea as well from the aspect that it has huge export potential.

Although Korea exports a large quantity of mobile phones, etc., the profit the nation earns from this is very low considering the fact that many foreign-made parts are used. On



the other hand, cultural content consists of 100% Korean-owned properties and therefore the entire profits therefrom accrues to the nation. Furthermore, the domestic cultural industry is emerging rapidly as a 'future source to feed the people' with growth projected at 94 trillion won in 2010.

Since the culture industry is a business with great growth potential, advanced countries like the United States, Japan, etc. are responding quickly. U.S. media content exports amount to US\$90 billion annually, the second largest after the defense industry.

Korea also is ramping up efforts in the field. After a five-year plan for promotion of the cultural industry was announced in 1999, the Korea Culture & Content Agency was established in 2001. In January this year, the cultural industry was selected as a 'Future Promising Industry for 2020.'

Despite strenuous endeavors, results have been poor so far in reality. Korea's culture & content industry's competitiveness (12.44) lags far behind the U.S. (31.41) and U.K. (20.48), and it is even being chased closely by China (6.53). In the film industry, Korea's competitiveness is at the level of the world's top three, at 3.74, but observers point out that it is still disproportionate.

'Smart Home Network Show 2007' Successful

'Smart Home Network Show 2007,' which was held May 30-June 2 at KINTEX, Goyang City, Gyeonggi-do, harvested significant fruit by achieving US\$164 million in export negotiations.

A total of about 18,000 visitors, including some 850 foreigners, viewed the four-day show, one of the world's largest home network-related events.

At the show, which marked its third anniversary this year, Korean exhibitors, in particular, showcased a wide variety of products grafting mobile communication and home network applications based on a strong IT nation's infrastructure.

A total of 114 companies, including six overseas firms from the United States, China, Japan, France, etc., participated in the show, held under the theme 'Ubiquitous Home & City,' and exhibited about 12,000 home network-related products, such as digital information home appliances, home security devices, intelligent robots and home entertainment equipment.

Separate operation of an intelligent home network technology demonstration hall, which enabled visitors to experience ubiquitous technologies directly, also received a good response. The fact that the show organizer invited about 1,000 buyers from China, Japan, etc. in cooperation with Korea Trade-Investment Promotion Agency (KOTRA) to boost exports of home network products also was of particular help to participating firms.

It was quite significant as well that as home network industry leaders, three government ministries, Ministry of Commerce, Industry and Energy (MOCIE), Ministry of Information and Communication (MIC) and Ministry of Construction and Transportation (MOCT), jointly supported the show.

To ensure development of the show and to enhance results for the participating firms, four co-organizers, Korea Home Network Industries Association (HNA), KEA, KINTEX, and Institute of Control, Automation and Systems Engineers (ICASE) also held diverse auxiliary events, such as a seminar on activation of u-home construction and a home network idea contest, as well as Korea-China one-on-one export talks.

Led by Samsung Electronics and LG Electronics, major domestic enterprises, including KT, SK Telecom, Taihan Wizhome, Daelim I&S, and small and medium-sized



venture companies exhibited their state-of-the-art home network equipment, solutions, etc. at 453 booths.

At the show, Samsung Electronics debuted a system that can control home lighting, gas valves, boilers, etc. with a single exclusive terminal. With this system, users can monitor the entire home environment on a TV screen. Noting that living room-centered culture is spreading rapidly, Samsung explained that it developed the system to match the trend. Samsung managing director Kim Young-Soo added that in the future home networks would evolve from 'home automation' to 'home entertainment.'

SK Telecom also debuted a 'mobile phone security system' for which it has concluded pilot service. Manager Hong Ye-Jin of the company's public relations office said, "For example, when home invaders enter, the SK security system notifies the invasion directly to the mobile phone. Of particular note, customers can check the real-time situation on the mobile phone through a CCTV system installed in the home." SK Telecom commercialized this service in early May and is applying it to apartments built by SK E&C.

To facilitate home network industries, related ministries also spared no support for participation, reflecting the government's policy resolve to stimulate the home network industry at an early date and also to secure competitiveness in the global market. MOCIE operated the ministry's intelligent home network technology demonstration hall enabling for visitors to review nine home network-related policy tasks at a glance. MIC and MOCT also organized and operated home network policy publicity halls, which presented related policy achievements and future goals.

Korean Pavilion at COMPUTEX 2007 Receives Spotlight

According to a survey of 12 domestic IT venture companies that participated in the Korean pavilion at COMPUTEX Taipei 2007, business talks conducted during the exhibition period were tentatively valued at over US\$60 million. COMPUTEX 2007 ended on June 9.

In the Korean pavilion organized jointly by KEA and Korea Trade-Investment Promotion Agency (KOTRA), 12 companies joined in a 16-booth exhibit and showcased diverse high-tech products, including computer parts, peripheral equipment, software and multimedia devices.

The 12 participants were SoundGraph, 3R System, Allinone Display, Uniwide Technologies, Yuhanhitec, GM Corp., VL System, Sarotechy, Savitmicro, Mtron, KraftKorea and Posbank.

Mtron, which specializes in flash memory disk (F-SSD), expects to accelerate its advance into the U.S. market with a large-scale export contract equivalent to US\$10 million with a U.S. semiconductor distributor in the final stage. GM Corporation, which debuted a vertical open-type PC case (R2 'TOAST'), said that it is promoting annual export contracts worth US\$10 million with large Japanese and Indian



distribution firms.

As for its newly exhibited thermal receipt printer, Posbank signed an annual export contract worth US\$1 million in exports with U.S. POS system on an OEM basis, thereby planning full-fledged marketing activities in American markets. The company is also promoting an exclusive annual sales contract for over US\$900,000 with a renowned Vietnamese firm.

Korean Techs Attract Buyers at IFSEC '07

Samsung Electronics, LG Electronics and 80 small and medium-sized domestic companies participating in 'IFSEC 2007' held May 21-24 in Birmingham, U.K., verified once again that Korea is a world security technology leader by showcasing new state-of-the-art security products.

A total of 802 companies from 70 countries, including Sony, GE Security, Siemens, ADI, Aix Communications, CIC Secure, Honeywell, Samsung Electronics, LG Electronics, etc., joined the exhibition, which marked its 37th anniversary this year with about 40,000 visitors from 110 countries.

KEA and KOTRA jointly organized a 47-booth Korean pavilion for 41 domestic firms, including CNB Technology, Argus, KTV Global and 4NSYS. This year, in particular, excellent small and medium-sized makers of security devices and equipment based in Gyeonggi-do, including iCanTek, Woonwoo, GSP Systems, K-Pro Tech, KoDiTec, TBT, GST, LinuDix, etc. also joined the Korean pavilion.

A survey of the 41 firms participating in the Korean pavilion



found that they achieved excellent results -- US\$270 million in business talks and US\$80 million in contacts -- with buyers from around the world, including the U.K., Germany, Turkey, Eastern Europe, etc., during the exhibition period.

Global e-Trade Deals Double in 2006

Korean companies carried out more than 50,000 international e-trade transactions last year, according to a government report.

The Ministry of Commerce, Industry and Energy (MOCIE), which helped set up Korea's u-Trade Hub system, said 54,649 electronic contracts and business letters were exchanged via the Internet between Korean and overseas trading companies in 2006.

This is a more than two-fold gain from the 26,502 cases reported for the previous year. In 2004, when the hub system was first set up to allow business contracts to be

exchanged online, the ministry counted 3,905 deals.

"This represents a clear indication that e-trade, which has taken root inside the country, is making inroads in global transactions," said Jung Soon-Nam, head of the ministry's Trade Policy Bureau.

Most of the companies that carried out business online were large conglomerates such as Hyundai Motor Co., Hyundai Hyosco and SK Networks Co.

The official said e-trade has resulted in more than 370 million won in cost reductions for Hyosco alone in 2006.



The u-Trade Hub system allows companies to exchange various trade-related documents, including invoices and bill of lading.

Terror-Prevention International RFID Standards Nearing

Establishment of international standards for e-Seal, which is designed to prevent the illegal movement of dangerous materials, such as nuclear materials and biological weapons, used in terror attacks, has entered the final stage. e-Seal is a container seal device utilizing RFID technology that enables automatic, remote confirmation of sealed status.

Since the September 11, 2001, terrorist

attacks on the United States, ISO has been developing international standards for e-Seal. At the KATS-organized 'ISO/TC104 & SC Plenary Meetings' held on May 7-9 in Busan, about 60 participants from 17 countries examined terror-prevention international standards for e-Seal, a container identification and electronic sealing device that applies RFID technology to freight containers.

ISO/TC104 (Freight containers) is a technical committee that develops, examines and establishes international standards related to container size, testing methods, RFID applications, etc. TC104 consists of three SCs (subcommittees): SC1 (General purpose containers), SC2 (Special purpose containers) and SC4 (Identification and communication).

Hynix Looks to R&D for Future Growth Engines



Hynix President Kim Jong-Kap recently announced, "Hynix's strategy is shifting from the production of DRAM and NAND flash to more high value-added products. With the forging of new strategic alliances, we are on our way to becoming a world-class enterprise within 10 years."

At a strategy workshop held at Hynix

headquarters in the Ichon complex in Kyonggi-do, the company set the goal of developing a world-best product each year through 2012 and to rank among the world's top three companies in the field by 2010. In terms of enterprise value and technology, it aims to lead the world in 2017.

Among its current developments tapped to be a leading product in the near term is the high-yield next-generation P-RAM. In the medium and longer term,

Hynix intends to maximize its manufacturing capacity and R&D potential.

Kim noted that up to now the company has focused on production-site management innovation including higher productivity and lower costs. However, in order to add new growth engines in the mid and long term, it plans to increase its R&D to turnover ratio from the current 6% to 10% by 2010.