Sector Profile
For Information & Communications Technology (ICT)
In The Korea Market

1.0 MARKET STRUCTURE[1]

1.1 Size

Korea is one of the fastest growing ICT markets globally with advanced infrastructure and active consumers that are early adopters of new technologies and products. ICT accounts for 17% of Korea's GDP and 40% of its total exports. Korea ranks among the top countries in the world for Internet usage. More than 75% of the population use the Internet. 93.8% of all Koreans use a mobile phone, and 92.8% of households subscribe to broadband Internet in 2008.

The Korean ICT market consists of ICT services (facilities-based telecommunication, resale services, value-added services and broadcasting services), ICT equipment (telecommunication equipment, information equipment, broadcasting equipment and parts) and software/computing services (package software, computing services, digital content development and database services).

The total ICT market size was estimated at US$261 billion in 2008. ICT equipment accounted for 71% (U$187 billion) of this, followed by ICT services at 20% (U$53 billion), and software/computing services at 9% (U$22 billion).

1.2 Growth Rate

(Unit: U$ Million)

Year	2005	2006	2007	2008
Market Size	232,457	268,038	288,067	261,370
Export	102,333	113,261	125,082	126,222
Import	53,950	58,913	64,749	68,010

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*Exchange rate: 1 U$ = KW1,024.31 in 2005, KW929.60 in 2006, KW929.2 in 2007 and KW1,102.59 in 2008
**Source: Korean Association of Information and Telecommunication

Korea's ICT imports have grown strongly mainly due to imports of components/parts which comprised 70% of ICT imports in 2008. Because the industry depends on imported parts, Korea's ICT imports will continue to grow with the industry. Components/parts and telecommunication equipment are the main ICT export items, accounting for 53% and 30% of ICT exports respectively.

1.3 Known Factors Influencing Growth Rate

With the saturation of the fixed-line telephone market in Korea, local service providers are promoting Internet Protocol services as well as developing new high speed Internet services. The demand for large-scale equipment is likely to rise because communication service providers need to improve their network infrastructure in a market where high-speed broadband Internet such as FTTH prevails, and an IPTV service is being introduced. Local mobile telecommunication companies are trying to expand their subscriber base providing consolidated services including broadband, VoIP and IPTV. Contents and services will lead the growth in the sector.

Also Korea will spend more than 4.2 trillion won (about $3.38 billion) over the next five years to develop green technology solutions in electronics products and communications services to reduce energy consumption, lower costs and boost manufacturing productivity. The ``green'' products will include low-power devices in personal computers, televisions, displays and servers.

The country also plans to build a next-generation Internet network that is about 10 times faster than current broadband services.

Policymakers will work with telecommunications operators to build a foundation for the next-generation Internet network by 2012, and also advance the networks for WiBro, a homegrown wireless technology, and upcoming fourth-generation (4G) communication services.

2.0 COMPETITIVE ENVIRONMENT

2.1 Major Players in the Market

Most leading multinational equipment manufacturers are operating in Korea including IBM, HP, Cisco, 3Com, Jupiter, Lucent Technology, Motorola, Alcatel, Qualcomm, and Siemens. The major local equipment manufacturers are Samsung, LG, Daewoo, and Hyundai. All local companies rely on imported technologies, parts and components.

In computing services, 10 large local systems integration companies (including Samsung SDS, LG CNS and SK C&C) account for about 80% of the total market. The remaining 20% of the market is supplied by foreign companies and local SME's. Large Korean conglomerates (including Samsung, LG, SK and Hyundai) and local and foreign banks demand most of these computing services.

In web service and digital contents areas, creative local players are dominating the market. Large multinational companies are trying to penetrate the Korean market to get their new products tested by the active consumer group in Korea.

2.2 Marketing Strategies and Distribution

Both domestic and foreign equipment manufacturers supply direct to telecommunication service providers, usually on a tender basis. End-users (i.e. operators) generally do not conduct business direct with foreign suppliers outside Korea. A local presence, through agency representation, branch office or joint co-operation with a domestic company, is therefore necessary as operators expect prompt in-market maintenance and after-sales service.

Major projects commonly include equipment supply, installation and maintenance contracts. Therefore, it is important to have the capacity to handle all customer requirements, and to keep communication channels open with buyers at all times.

Korean customers have a strong preference for customised services by services/software providers. Foreign vendors are often expected to accommodate requests for modifications to their original software products in consideration of the local language and business environment.

3.0 REGULATORY OVERVIEW

3.1 Duties/taxes

Most telecommunications equipment and components are imported under HS Code headings 8517, 8525, 8527 and 8529. Please check with New Zealand Trade & Enterprise for the current duty rates for individual products. A 10% VAT (which applies to both local and imported products) is imposed on the gross value of imports.

No import taxes are imposed on software products coming into Korea.

3.2 Regulatory and Licensing Restrictions or Difficulties

The importation of telecoms equipment is not restricted. However in some cases, products should be tested and approved by the appropriate authorities prior to import. The import of software is not restricted and no regulations exist in relation to technical standards and labelling.

Korea Telecom and private service providers all have their own specifications and approval processes. A local agent or representative of any overseas supplier should be able to assist in obtaining the necessary approvals.

4.0 RECOMMENDED STRATEGIES

Many well-known overseas players and strong local suppliers are active in this established market. Therefore New Zealand companies may find it difficult to penetrate this market without a good reputation and a strong technological advantage. Innovative and specialised New Zealand companies, however, should consider opportunities to promote their products and services in Korea as it is one of the biggest and fastest growing ICT markets in the world.

New Zealand exporters interested in entering the market are recommended to identify opportunities with leading local manufacturers/distributors. Research, product development, marketing and sales co-operation could be through an agency agreement; joint research; technical licensing; a joint venture or a strategic alliance. Such co-operation offers product and market development opportunities, cost savings, assistance in acquiring approvals, and access to established distribution channels.

Participation in ICT related events such as World IT Show2009 (June. 2009), Korea Electronics Show 2009 (October. 2009) and Korea, Australia and New Zealand Broadband Summit (Nov, 2009) and working with Korean industry associations through NZTE, are cost effective ways to identify appropriate local ‘partners’. NZTE can also provide customised market research and other assistance to exporters looking at market opportunities and entry.

Prepared by:
New Zealand Trade and Enterprise, Seoul
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