Game Industry in the Korean Economy

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Asia Broadband Summit
Introduction to KIPA

- Established in 1998 by MIC to promote Korea IT Industry
- Non-profit, legally authorized Government Agency to promote S/W industry and D/C industry
- No of Employees : Approx. 200
- Home page : www.kipa.or.kr
Introduction to KIPA

- iPARK – Overseas office

Locations:
- London
- Beijing
- Tokyo
- Osaka
- Silicon Valley
- Shanghai
- Singapore
- Boston
**DC industry in Korea**

**Estimated market size / growth rate**

- **2002**: US $2.8 bil.
- **2007**: US $18.8 bil.
- **2010**: US $41.2 bil.

<table>
<thead>
<tr>
<th>Sector</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Game</td>
<td>32.5%</td>
</tr>
<tr>
<td>Animation</td>
<td>59.8%</td>
</tr>
<tr>
<td>Mobile contents</td>
<td>62.0%</td>
</tr>
<tr>
<td>e-Learning</td>
<td>60.3%</td>
</tr>
<tr>
<td>D-TV Contents</td>
<td>49.0%</td>
</tr>
<tr>
<td>Publishing, Music, etc</td>
<td>34.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39.9%</strong></td>
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</tbody>
</table>

Source: Reconstructed by the data from KIPA (2003)
**IT – DC – Game Industry**

Game is the Key sector in the DC industry!
Game industry in the Economy

Industry Growth Comparison

World Game Industry growth: 13.0%

World economy Growth rate (IMF, 2002): 2.8%
IT growth rate (IDC, 2002): -2.3%
Semi-conductor Revenue growth (WSTS, 2002): 2.3%

World economy Growth rate (IMF, 2002):
- Online Game: 66%
- Car: 3%
- Ship Building: -3%
- Petro Chemical: 4%
- Iron: 3%
- General Machine: 7%
- Textile: 4%
- Electronic Appliance: 6%

Fastest Growing industry: Online Game

<Korea economy>
World Game Market – Total size

(Unit: US$1 billion)  (Source: Korea Game White Paper 2004. KGDI)

CAGR 10.4%

53.9  61.3  62.1  61.1  69.1  82.8

2001 2002 2003 2004 2005 2006
World Game Market – P/F composition

(Unit: U$1 billion) (Source: Korea Game White Paper 2004. KGDI)

<table>
<thead>
<tr>
<th>Year</th>
<th>Etc</th>
<th>Console</th>
<th>Arcade</th>
<th>PC</th>
<th>Mobile</th>
<th>Online</th>
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<tbody>
<tr>
<td>1</td>
<td>3.7</td>
<td>2.9</td>
<td>18.7</td>
<td>30.0</td>
<td>28.0</td>
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<td>23.2</td>
<td>32.2</td>
<td>32.2</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Etc = A Derivative Sale
Korea Game Market – Total Size

(Unit: 1 M$, 1 U$ = 1,050 won)

(Source: Korea Game White Paper 2004. KGDI)

Including PC Café / Game room
Net Sales of Game Development

CAGR 10.1%
Korea Game Market – O/G domination

(Unit: 1 M$, 1U$=1,050 won)

(Source: Korea Game White Paper 2004. KGDI)

Excluding PC Café / Game room
Market size: FY2003 U$1.7 Bn -> FY2004 U$2.7 Bn
Online game, the fastest growing in the “game” industry
Share of “America, Europe” market is increasing
Worldwide Online gaming Market

FY 2003

Asia Pacific: 65%
- Korea: 20%
- Japan: 7%
- China: 13%
- Taiwan: 3%
- Singapore: 3%
- Thailand: 1%
- Australia: 1%
- Hong Kong: 2%

Europe: 8%

America (N, S): 28%
Export of Korean Game

Export according to a nation

China 51%
Taiwan 17%
South Asia 7%
Japan 6%
USA 6%
Etc 10%
EC 2%

Export according to a Platform

Online 84%
mobile 7%
Arcade 8%
PC 1%
**Co-relation between BB and O/G industry**

**Figure 26. Korea’s Online Gaming Market – From Birth to Maturity in Five Years**

- **R² = 0.85**
- *Strong co-relation between BB & OG (Korea case)*

*Bear Stearns Research / Aug. 2004*
Market driver: Broadband penetration

Turning point for online gaming
Game Industry Promotion Strategy

1. Technology development & infra-structure support

✓ Game engine & multi-platform technology
✓ Online game Testbed (domestic, global)
✓ Game component database
Game Industry Promotion Strategy

2. Production support

- Production facility shared service
- Pre production support
- Main production support
- Post production support
3. Oversea marketing support

- Market research service
- Seminars & conferences (Tech. + Mkt’g)
- GPP program (1:1 match-making)
- Trade shows (G-star 2005)
- gameNgame.com (GTB)
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