OPPORTUNITIES AND CHALLENGES FOR KOREAN IT INDUSTRY IN THE AGE OF DIGITAL CONVERGENCE

Entrepreneurship in Asian High-Tech Industries
Skilling Auditorium, Stanford University

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KI ICA Silicon Valley

May 8, 2007
Agenda:

• The Competitiveness Of Korean IT industry
• Characteristics of typical Korean Entrepreneurs:
  - Challenges and Opportunities for Korean SMEs in the US
• KII CA Silicon Valley Programs
• Q&As
What is KIICA?

KIICA is a non-profit organization designed to promote Korea’s best IT products.
Mission – KIICA Silicon Valley

“Our mission is to establish and promote thriving partnerships between U.S. IT channels & Korean IT client companies, and provide an effective gateway for Korean IT companies to successfully penetrate the United States marketplace.”
### ’06 Worldwide IT Exports By Korea

<table>
<thead>
<tr>
<th>Product Category</th>
<th>USD $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Communication</td>
<td>$27,959M</td>
</tr>
<tr>
<td>Semiconductor</td>
<td>$20,230M</td>
</tr>
<tr>
<td>Semiconductor-Memory</td>
<td>$17,114M</td>
</tr>
<tr>
<td>Display Panel</td>
<td>$16,835M</td>
</tr>
<tr>
<td>Monitor (LCD, CRT)</td>
<td>$6,792M</td>
</tr>
<tr>
<td>Digital TV &amp; TV components</td>
<td>$6,780M</td>
</tr>
<tr>
<td>Server/ IT components</td>
<td>$5,926M</td>
</tr>
<tr>
<td>Computer (Laptop, PDA, PC)</td>
<td>$3,411M</td>
</tr>
<tr>
<td>Storage (HDD, ODD, portable)</td>
<td>$3,136M</td>
</tr>
<tr>
<td>Digital Media</td>
<td>$2,283M</td>
</tr>
<tr>
<td>Rechargeable Battery</td>
<td>$829M</td>
</tr>
<tr>
<td>Digital Audio Accessories</td>
<td>$745M</td>
</tr>
<tr>
<td>Set-Top-Box</td>
<td>$655M</td>
</tr>
<tr>
<td>Printer/ Copier</td>
<td>$531M</td>
</tr>
<tr>
<td>Telematics (Navigation, GPS)</td>
<td>$163M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$113,389M</strong></td>
</tr>
</tbody>
</table>
u-IT839 Strategy

**Service**
- 8 Services
  - HSDPA/W-CDMA Service
  - WiBro Service
  - Broadband Convergence
  - DMB/DTV Service
  - u-Home Service
  - Telematics/Location-based Service
  - RFID/USN Application
  - IT Service

**Product**
- 9 Products
  - Mobile Telecom/Telematics Devices
  - Broadband/Home NW Devices
  - Digital TV/Broadcasting Devices
  - NG Computing/Peripherals
  - Intelligent Service Robot
  - IT SoC/Convergence/Parts
  - RFID/USN Devices
  - Embedded SW
  - Digital Contents/SW Solution

**Infrastructure**
- Broadband Convergence Network
- u-Sensor Network
- Soft Infraware

**3 Infrastructure**
- Service
- Product
- Infrastructure
Key Issues for Korean IT Companies
Typical characteristics of small to medium-size ventures at iPark

- Enthusiasm for their technology
- Product Centric Approach instead of Customer-Value driven
  - Vs. Taiwanese & Chinese & with deep roots in Silicon Valley
- **Lack Marketing expertise**: Most CEOs have R&D background
  - Vague Product Positioning
  - Poor understanding of competition
  - Undefined target segments
  - Little understanding of US Channels
  - Cost-plus pricing
- **Only a Few ready for US with**
  - Experienced Management
  - Mature products
  - Solid Financial Plan
  - Long-term Vision

Potential Partners
Looking for partners and investors that complement their skills
- Channel
- Market Requirements
- PR
- International savvy
- Good network
- Complementary technology
Key Issues to address - Korean IT Companies
Why They failed? How KIICA can help?

Every Step Can Be A CHASM Unless Obstacles are Removed

Set up MKTG & Sales operations
Target the right market segments
Penetrate proper channels
Close deals

Revenue growth

• Localization
• Packaging
• Local Operation & Offices
• Local Staffing
• Support Infrastructure
• Value Chain Understanding

• Competitive Analysis
• Identifying penetration segment
• Differentiators
• Product Positioning
• Market driven Pricing
• Introductory PR
• Trade Shows
• Incentive Schedule

• Tactical Channel Plan
• Setting up Sales Team
• Channel Networking
• Promotion
• Training of Support Team

• HQ Support for Deals
• Incentive Management

Most Korean IT companies failed to cross the chasm in the US.

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Connecting the World to Ubiquitous Korea
Reaching Break-Even Point is Most Critical

Korean IT companies do not reach revenue goals as quickly as planned because of common obstacles that impede reaching “hockey stick” growth.

- **Product Differentiation**
- **Customer Credibility**
- **Break Even Point**
- **Long Term Profits**

4-5 years on average to reach break-even point for Korean company.

**Key Points**:
- Typical Quitting time ~$2M Loss
- BEP Time Gap
- Accumulated Loss
- Profits Fuel Rapid Expansion
- References Bring New Customers
- Big Deal Customer Confidence

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Jbiquitous Korea
KIICA’s Immediate Value to Client’s companies:
Stop repeating the same mistakes

- Education & Consulting (in US & Korea)
- Share Success & failure Stories
- Share resources & US connections

Typical cost lost:
* $200-300K/yr – Maintaining US office
* $1-2M/yr – for active Marketing programs
* Opportunity Cost
Foundation for Success – Successful US Market Penetration

1. Financial Stability
   - P&L for 6Q
   - Funding source & investment plan

2. CEO Commitment
   - CEO’s Vision
   - Management track records
   - Willing to hire local professionals
   - Willing to track the metric with KIICA

3. Market Readiness
   - Marketing plan
   - Channel Penetration Plan
   - Demand Generation Plan
   - Support Plan
   - Prepared for Logistics

4. Product Readiness
   - Differentiator
   - Mature products
   - Localization Ready for US Launch
   - Success Potential within 18 months

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KIICA Service Model

Tier 1
Focused Companies

Industry & Channel Specific Partners

US IT Channels & Buyers

Korean IT Companies

Industry/Product Sweet Spot Based
Success model: Nasdaq, M&A, Tech Alliance, Funding

Over 20,000 IT companies
In Korea – KIICA HQs Support

Education
Rigorous selection
Preparation for US Op

Orientation
Setup
Resource
Refined Service Levels
Country Marketing

Predefined “Success”
Revenue driven
Industry marketing
Bi-Directional Approach
Vertical/niche market
Lead by success examples

Matching Korea’s Best Products with Top US Channel Partners
Recent Highlights

NASDAQ listings
2 KIICA Silicon Valley client companies
• Pixelplus: CMOS imaging sensors solution
• Leadis: Small panel display enhancement solution

GIO Forum
Opened a doorway to U.S. and global IPO opportunities

International Cooperation
DMB/WiBro MOU between Alberta Canada and KIICA Silicon Valley

Venture Capital Circle
Connect IT Korea to top 50 U.S. venture capital firms

IT Korea Media Day
Promote emerging technology firms of Korea to top North American press

Telecom Service Providers Investment Forum
Connect IT Korea to top U.S. telecommunications service providers and venture capital firms

Awards
High Tech Businessmen of the Year – KACC
International Business Development – Gartner
International Partnership – IT Channel Vision
Best Software Product – Retail Vision
Best Product – Retail Vision
IT – Primary Growth Engine for Korea

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Export (In $US)</td>
<td>$71B</td>
<td>$94B</td>
<td>$102B</td>
<td>$113B</td>
<td>$220B est.</td>
</tr>
</tbody>
</table>

P: Preliminary

(Source: ITX)

1st DRAM 45%
1st CDMA Handset 40%
1st TFT-LCD/FDP 41%
1st IT839
1st IT839

(Source: IDC 2006)

IT839 will Create Emerging World’s Best products
Digital TV, Next Gen Wireless, Robotic, Home Network, RFID…
## Korean Economy – Now and Future

### Real GDP Growth (1970-2006)

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (US$887B)</th>
<th>Imports (US$309B)</th>
<th>Exports (US$326B)</th>
<th>Trade Volume (US$635B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>$100B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>$200B</td>
<td></td>
<td></td>
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<tr>
<td>1990</td>
<td>$400B</td>
<td></td>
<td></td>
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<tr>
<td>2000</td>
<td>$600B</td>
<td></td>
<td></td>
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<tr>
<td>2003</td>
<td>$800B</td>
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<tr>
<td>2004</td>
<td>$800B</td>
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<tr>
<td>2006</td>
<td>$800B</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

* US$ 887B

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Source: Ministry of Finance and Economy Republic of Korea

### Export/Import Trend (2000-2006)

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$150B</td>
<td>$200B</td>
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<tr>
<td>2001</td>
<td>$150B</td>
<td>$225B</td>
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<tr>
<td>2002</td>
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<td>$250B</td>
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<tr>
<td>2003</td>
<td>$150B</td>
<td>$275B</td>
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<td>$300B</td>
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<tr>
<td>2005</td>
<td>$150B</td>
<td>$325B</td>
</tr>
<tr>
<td>2006</td>
<td>$150B</td>
<td>$325B</td>
</tr>
</tbody>
</table>

* US$326B, 2006

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Source: Ministry of Finance and Economy Republic of Korea
Thank you
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