

Open Innovation in Korea: Perspectives from SK Planet

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Innovation in Korea: The Chaebol Style

On 24th October, we had SK Planet at Stanford with Kihyun Jung who introduced to us the entrepreneurial ecosystems in South Korea. Historically, South Korea has been a country largely dominated by “Chaebols,” or family-owned business conglomerates, and it was with no surprise that this new SK group affiliate, SK Planet was created in October 2011 with over 20 other. Since then, SK Planet has made significant strides in improving the mobile internet startup sphere in South Korea, bringing in new US software startup experiences to South Korea and using South Korea as a test-bed for major launches for US startups. Finally the concept of being mobile is awakening in the fastest connected country in the world.

However, how could this allow SK to compete in the increasingly mobile environment in South Korea? And how would this allow SK to compete with other internet giants like Naver, Daum while not cannibalizing its own lines of products, like Nate and Cyworld?

As the name itself indicates, SK planet is an enabler of “platforms” with “network” capacity. The platform business has never been so great with the iOS ecosystems creating a unified experience for all and therefore completely capturing the consumer’s appetite in high-end quality services. With other platforms, we can essentially see that a well-functional platform would allow companies to tap into the advantage of each component of the platform and therefore with the fringing effects, a customer is attracted and could not leave the core. This was largely spearheaded by the low cost or even free offerings of internet services and the marginal cost is almost zero to add additional services onto the same platform.

Like other platform services that provide a holistic experience to its customers like iOS or Tencent (for this, I mean the users would need to have a single username to enjoy all services that collaborate with each other), the South Korean giant is innovating the concept of platform by exactly incorporating the very element of South Korean Chaebol.

For example, the portfolio company, M&Service is a payment service that is offered to not only a wide range of business sectors, including gas station, restaurants, but also to the very own SK company’s affiliates like SK Telecom, SK Energy, SK Walker Hill Hotel. By investing in the company and seeing the company grow, SK could incorporate with lower cost than if it were to acquire such a company into its portfolio. Also, another distinguishing factor is fact that most of the carriers are not concerned with developing in-house mobile

applications, as they do not have direct access to people's handheld devices. However, with a Chaebol's business model, SK might be more willing to give it a try as a way to diversify across new business opportunities.

Here we have to mention Planet X, which is a VC-like corporate investment into small startups that might eventually be acquired by the company. Just like many internal investment branch, M&As are happening almost every day. However, what marked the difference between South Korean SK and other companies in the world is the political and societal expectation of a startup in South Korea, that is, it is hard to start a company in South Korea with big competitors like Samsung and SK, who have vertical integration in almost every single industry, and if there were no investment body like Planet X, people might not be that willing to take the risk.

Currently, SK Planet's offering ranges from digital content, integrated commerce and marketing communications. And they have made significant stride in M&A, selling off startup companies or incorporating with other SK services recently.

With that, I believe SK Planet could go far; not only because it is sitting on top of a huge Chaebol, but also leveraging the opportunities in the new era of mobile internet.