

# Overview of Korean Startup Ecosystem

**NAM Sang-yirl**  
**Korea Information Society Development Institute (KISDI)**

**WSIS Forum 2017**  
**Monday 12th June (14h30-18h15, ITU Tower Room A)**



## CONTENT

Korean Economy and Structural Changes

Policy Responses

Progress

Startup Ecosystem in Korea

Implications

## Korean Economy: Decades of Economic Growth

- GDP: from \$1.3 billion in 1953 to \$1.4 trillion in 2016
- GDP per capita: from \$66 in 1953 to \$27,533 in 2016
- From an ODA recipient to a donor country (OECD DAC's 24<sup>th</sup> member, November 2009)

## Structural Changes and Future Uncertainty

- Decreasing (share of) economically active population, more generally ageing population:  
from 72.6% (37.0 mil.) in 2016 to 56.5% (28.9 mil.) in 2040
- Decreasing potential growth rate:  
from 4.0% (2006-10) to 3.0% (2016-20), and 1.4% (2031-35)
- Increasing youth unemployment rate (age 19-29):  
from 8.3% in February 2012 to 12.5% in February 2016

## Policy Responses

- Short term: extensive macroeconomic policies, e.g. stimulus fiscal and monetary policies
  - Long term: structural reform, to identify and develop new sources of economic growth (rather than depending upon traditional factors of production, labor and capital)
- \* Facilitate to develop “Innovation Ecosystem”: by fostering and forming clusters of startups and SMEs with creative ideas and technology

## Policy Responses (continue)

### Regional Clusters of Innovation Ecosystem

\* 17 clusters by region

- To stimulate entrepreneurship: by discovering and nurturing startups and SMEs, and supporting commercialization with mentoring and one-stop legal, financial, patent-related services in any region
- To foster regional flagship industries: by matching startups with large enterprises having experience and business networks (eg. Samsung, LG, Hyundai, SK, KT, Naver,...)
- To facilitate startups in global business advancement and cooperation: by utilizing global innovation assets such as financial capital, technology, experienced entrepreneurs and technology workers (eg. software engineers), and markets

## Progress

- No. of startups and SMEs supported: 1,713 as of January 2017, from 45 as of January 2015
  - Investment: \$ 445.4 million as of January 2017, from \$11.6 million as of January 2015
- \* Investment has been also made by linked large enterprises by regional cluster



## Startup Ecosystem in Korea

(\* based on *Korean Startup Ecosystem Forum White Paper 2016* and *Global Startup Ecosystem Ranking (GSER) 2015*)

- The White Paper is survey and interview results of 295 startups in Seoul and Gyeonggi Province.
- It is to evaluate current Korean startup ecosystem, and to identify some characteristics of Korean startups, possibly, in comparison with global startup ecosystems in the GSER 2015 by Compass.

## Startup Ecosystem in Korea (continue)

### Key Findings:

- 39% are located in the Gangnam District, Seoul (where 81% of VCs residing, over 3,000 startup-related events as of 2015) and 22% in Seongnam City
  - \* factors affecting startups' location: low office rent 46%, worker and business accessibility 26%, supporting organizations/facilities 15%
- 51% are in the mobile Internet industry, followed by IoT (21%) and intelligence service automation (14%)
- Average 2.7 founding members and average initial investment of \$27K (lean startup)
- Average length of time until Series A investment is 4 years (average investment \$1.2M relative to \$6.8M in Silicon Valley)



## Startup Ecosystem in Korea (continue)

- An average Korean entrepreneur is:  
male (92%), 30's (49%),  
engineer (52%), English speaking (30%),  
co-foundership (95%), more than 5 year work experience  
with previous entrepreneurial experience (42%)
- Entrepreneurs with master degree or higher are 35% (similar to Silicon Valley figures)
- International-member presence is at 17% (relative to Silicon Valley 45%)
- Female CEOs are at 9% (relative to Silicon Valley 24%),  
while female employees are at 32% (relative to Silicon Valley 29%, London 24%)
- Average SW engineer salary: \$36K (relative to Silicon Valley \$118K)

## Startup Ecosystem in Korea (continue)

The most funded sectors vary by financing stage:

- Seed/Angel level: food
  - Pre-Series A: real estate
  - Series A: advertisement, game, travel
  - Series B: food, lifestyle
  - Series C: finance, advertisement, game, fashion, beauty, commerce, entertainment
- \* the number of early-stage startups (eg. less than 1 year to 3 years) funded have been increasing

## Startup Ecosystem in Korea (continue)

- Active role of the government in creating startup-friendly policies is evaluated quite positively by startups (eg. 37% rated national government positively, relative to Silicon Valley figure 11%)

\* Supplemented by the efforts of angel investors, accelerators, large enterprises, supporting agencies, as well as the media

- Startups with global market access are 21.4% and those with revenues from global market are 11.9%

\* by country and region: North America 20.7%, Japan 20.1%, China 15.9%

## Implications

- Government policy and active role of linked large enterprises: important in creating startup-friendly policies and building startup ecosystem
- Startups are Active in diverse sectors: mostly utilizing ICTs, such as mobile Internet, IoT, and intelligent service automation
- Lean startup and global market access: important, esp. North America and neighboring large economies such as Japan and China as global markets
- Utilization of global innovation assets: need to establish increased diversity through global expansion and inclusion of investment towards women and international members

\* Korea has the comparative advantage of high quality software engineers and women workers with relatively low salary



Thank you for your attention!

NAM Sang-yirl

[synam@kisdi.re.kr](mailto:synam@kisdi.re.kr)

Korea Information Society Development Institute (KISDI)