Overview of Korean Startup Ecosystem

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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 24th 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 (e.g. 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!

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