



# Korea: Digital Broadcasting Content and Programming

Alex Choi  
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ID:137415

## Summary

The conventional assumption is that people watch TV at home and go to a movie theater to watch motion pictures. In this “new video era,” this very simple concept is no longer comprehensive. The impact of rapid developments in this area is being felt on the hardware side as well as the content side. For hardware, PC monitors are now used like TV screens; with the purchase of a digital multimedia broadcasting (DMB) phone, an “old fashioned” cell phone now allows one to bring a TV anywhere. As for content and programming, broadcasting companies are rapidly losing their exclusive control over program scheduling. Content is now often delivered on-demand, at the convenience of the consumer. Viewers can watch either TV programs or a movie almost anytime and anywhere they want. Viewers have control over time, space, and even programming.

The digital content business touches all aspects of the entertainment industry including motion pictures, animation, and broadcasting. The technological changes of the digital revolution are breaking the boundaries between telecommunication and broadcasting – this is nowhere more true than in the area of digital media. It is expected that full-scale implementation of digital broadcasting technology will lead to explosive market demand for digital content.

The Korean digital content industry recorded impressive annual growth of 16.8 percent in 2005. In particular, the digital video sector showed high growth of 43.7 percent in 2005. Market demand for digital content grew by 18.5 percent to 8 trillion won (approximately USD 8.1 billion) in 2005. Market demand for digital content is expected to grow by an annual rate of 13 percent until 2010, with the market volume exceeding USD 10 billion in 2007 and USD 15 billion in 2010.

Digital content includes online and video games, animation, mobile content and programs, software for digital multimedia broadcasting, e-learning, GPS navigation systems, intelligent robots, and home entertainment networks. For the purposes of this market research, the focus is on digital video and broadcasting related content.

## Market Demand

Digital convergence crosses the boundaries of industries. Among them, the most noticeable convergence is between telecommunications and broadcasting. Recently accelerating convergence between these two industries is transforming the traditional market structure. Such changes in the media environment affect not only media structures, content production procedures, and format, but also the way content is distributed and consumed. The advent of new services created by convergence is sharply increasing demand for quality content. The future of the video content industry will be greatly affected by different platforms and service providers. New opportunities will occur in the areas of DMB, mobile streaming services, and IPTV.

Broadcasting companies do not exclusively control the scheduling of programs anymore. This new trend has led to what is being called an individualized media consumer. The majority of media viewers have yet to join this technologically advanced group and are referred to as traditional media consumers. The number of individualized media consumers is still not very high but continues to grow with each new advance in digital service platforms. Industry experts forecast that considerable numbers of traditional media consumers will turn their consumption to individualized media services such as Internet streaming service and IPTV by 2012. Currently, Koreans can watch one of 70 stations. The penetration rate of cable TV and digital satellite TV is changing the character of traditional terrestrial TV's by focusing on more specialized programming offered on increasingly specialized channels. These developments further deepen the trend toward individualized media consumption. As the number of

individualized media consumers increase, there is a corresponding decrease in the power of companies focusing exclusively on terrestrial TV. The result is that the line between the broadcasting and telecommunications industries is increasingly becoming blurred.

The competition to attract portable TV viewers is getting more and more fierce. As of December 2005, terrestrial providers moved into DMB, which allows viewers to watch TV via a cell phone. The rapid growth of DMB has drawn the attention of the media and consumers and is consequently becoming a hot trend. According to the Ministry of Information and Communication (MIC), over 1.6 million units of DMB-capable handsets were sold between January and September 2006. They are projecting that a total of 2.5 million DMB-capable handsets will sell by the end of 2006. The number of satellite DMB subscribers reached over 700,000 as of August 2006. These new satellite DMB services enable viewers to consume different types of video content. As an example, a free Internet Protocol TV (IPTV) provider added the 30 finalists of the Jeju independent film festival to its menu. Due to the lack of available content for example, providers have even been showing amateur videos – a provider offered the finalists of a university student contest the chance to video content.

According to the Korea IT Industry Promotion Agency, the market demand for digital video content is relatively small, approximately 5.5 billion Won, around USD 5.4 million, in 2005. However, the industry is forecasted to grow to be worth several billion dollars by 2010 as new service platforms are implemented.

While terrestrial TV networks provide the majority of TV content even in these emerging high-tech areas, others are now competing to provide content, such as cable TV networks, Internet service providers, and telecommunication service providers. IPTV has advantages compared to the existing services. For one, viewers can watch IPTV through TV screens with high definition quality via an Internet connection, as opposed to watching TV through a PC monitor utilizing streaming services. Also, viewers can select whatever they choose to watch. As IPTV is in its infancy, one of the easiest ways to enter the IPTV content market is to provide content for Video On Demand (VOD) services. Even though real time IPTV service is not yet provided in Korea, telecommunication service providers are collaborating with existing content providers to offer the most popular programs. This puts Internet service providers one step closer to entering the broadcasting market. Hanaro Telecom started this type of service called Hana TV in July 2006 for its Internet subscribers. The company announced that the number of Hana TV subscribers reached 40,000 in two months.

## Market Data

The Korean digital content industry has been growing strongly, with annual growth of 16.8 percent in 2005. In particular, the digital video sector registered an incredible growth of 43.7 percent in 2005 due to the stable growth of new services, including digital satellite broadcasting and digital multimedia broadcasting. Market demand for digital content grew by 18.5 percent to 8 trillion won (USD 8.1 billion) in 2005, affected by high growth in online games and digital video. Market demand for digital content is expected to growth by an average of 13 percent annually until 2010 with the market volume exceeding USD 10 billion in 2007 and USD 15 billion in 2010. The table shows the total revenue of digital content market by category.

Digital Media Content Revenue by category

Unit: USD million

Category	2003	2004	Growth Rate (%)
Digital Content Production	64.47	80.14	18.5
Internet Broadcasting	66.86	71.99	2.5
Digital Satellite TV	96.96	180.46	77.3
Computer Graphics	12.10	14.98	17.9
Streaming Movies (Internet)	11.39	13.39	11.9
Mobile Video (phone)	36.20	46.46	22.3
Total	287.92	407.43	34.8

Source: Korea IT Industry Promotion Agency (2005)

Note: "Growth Rate" calculated based on data in Korean Won

The increase in the number of broadcasting channels and video content service platforms will lead to increased demand for programs that are offered on these channels. However, the market supply of content for new broadcasting services cannot keep up with market demand as new digitalized services are introduced at a rapid pace. This indicates that sharing content between platforms and the globalization and importation of content will be inevitable.

After the introduction of cable TV in Korea in 1995, the production of original content increased, and production companies became more and more specialized. As a result, the market demand for sharing video content has been increasing. Currently, the production market structure of video content consists of terrestrial TV operators, cable TV operators, digital satellite TV operators, and independent production companies (including program providers). In this highly competitive market, it is important to secure quality content. Outsourcing production is one means to fulfill market needs. Terrestrial TV started outsourcing production in 1991. The table below shows outsourcing of production for terrestrial TV in 2005. Currently almost 90 percent of terrestrial TV's drama shows and mini series are outsourced, and cable TV is rapidly joining this trend.

Status of Outsourced Production for Terrestrial TV

		Outsourced Production		In-house Production		Total	
		Time (hrs.)	# of Shows	Time (hrs.)	# of Shows	Time (hrs.)	# of Shows
KBS	Nationwide	5,892	5,699	0	0	5,892	5,699
MBC	Nationwide	8,245	3,002	1,715	809	9,960	3,811
EBS	Regional	8,987	1,550	0	0	8,987	1,550
SBS	Regional	2,170	2,003	505	435	2,675	2,438
Others	Nationwide	1,385	919	60	1	1,445	920
Grand Total		26,679	13,173	2,280	1,245	28,959	14,418

Source: Korean Broadcasting Commission (2005)

### Best Prospects

The market demand for broadcasting video content is increasing as broadcasting platforms diversify. The number of channels have almost doubled from 61 to 115 in four years. It is estimated the content for broadcasting services for all media will be 880,000 hours this year. High quality content will be experiencing increasing demand as new services come on-line, such as DMB, data broadcasting, mobile service, and T-commerce.

According to a market report entitled, "Status Report of the Import and Export of Korean Broadcasting in 2005" by the Korean Broadcasting Institute, Korea exported USD 123 million worth of broadcasting programs which was an increase of 72.8 percent over 2004. Meanwhile, Korea imported USD 36 million worth of broadcast programs, an increase of 18.9 percent over 2004. Korean content exports were dominated by drama programs and mini series, which comprised over 90 percent of total exports. The major imported content came in the areas of documentaries and dramas, a substantial number of which came from the U.S.

Although IPTV has competitive advantages in technology, the industry is concerned about the shortage of supply of content. The cost of content, including procuring necessary intellectual property right (IPR) approvals, are important in determining if they are competitive in the market. While the new platform service providers are keen to air the best foreign content, high costs can be prohibitive.

The shortage of quality content to supply the growing new service platforms represents a real opportunity for U.S. content providers. The best prospects for imported content and programming are in the areas of movies, sports, animation, drama, and documentaries.

## Key Suppliers

Foreign content and programming meet the majority of the demand for Korean TV broadcasts. According to local industry sources, imports of foreign content and programming for broadcasting account for approximately 60 percent of the total demand. With a strong position in providing movies, sports, dramas, and mini-series to the Korean market, U.S. content and programming are expected to continue to enjoy dominant import market share. European content and programming in Korea are primarily documentaries, and Japanese cartoons/animation are popular in Korea. Only limited programming comes from, Japan, U.K., Australia, and China.

## Prospective Buyers

Terrestrial TV

KBC  
MBC  
SBS

Top Eight Cable TV Multi SOs/Multi PPs

Tbroad: 14 SOs  
C&M: 15 SOs  
CMB Holdings: 12 SOs  
CJ Cablenet: 11 SOs  
HCN: 11 SOs  
Qurix: 6 SOs  
On Media: 4 SOs  
NGN MSO: 2SOs

Digital Satellite operator: SkyLife

Satellite Digital Multimedia Broadcasting: TU (SK Telecom)

Terrestrial DMB operators

KBS DMB  
MBC DMB  
SBS DMB  
YTN DMB  
Korea DMB  
UI Media

## Market Entry

There are two principal channels for importing foreign programming into Korea: direct sales to program providers (PPs) and sales to distributors which, in turn, sell to the PPs. Foreign studios and distributors generally sell directly to Korean PPs through direct purchase contracts. This is a common practice for sales of movies and news. PPs generally purchase broadcasting rights for dramas and other series, etc. through local distributors.

## Market Issues & Obstacles

On March 2, 2004, the National Assembly passed the revised Broadcasting Law. The law also allows increased foreign investment in system operators (SOs) and PPs. This investment should speed up the deployment of digital cable TV, which in turn means increased opportunities for content suppliers. Revisions to the Broadcasting Law that limit corporate and foreign investment are listed in the following table.

Classification	Old Broadcasting Law		Revised Broadcasting Law	
	Big Corporations (Chaebol)	Foreign Corporations	Big Corporations (Chaebol)	Foreign Corporations
System Operators	33%	33%	No limit	49%
Program Providers	No limit	33%	No limit	49%

However, cable companies are limited to using no more than 20 percent of their channels for foreign channel retransmissions (although this is an improvement over the 10 percent limit in place until 2004). It also does not allow foreign channel retransmissions to insert local language advertisements. There is also a mandatory local content requirement of 25 percent for cable movie channels and 35 percent for cable animation channels. Local content quotas – especially for animation channels – restrict investment in Korea, as there is not enough quality local content to fill the quota. Reducing the quota would lead to more investment in Korean broadcasting and therefore to more investment in local animation to better suit local demand.

Dubbing is restricted by the Korean Broadcasting Commission (KBC). The KBC only allows for subtitles on foreign channel retransmissions. This restriction is especially an impediment for breaking, real time news, and for animation programs geared toward children who cannot yet read. Korean consumers would directly benefit from greater access to international news sources dubbed into their own language. (FYI: Foreign channels are all delivered by Korean service providers, either cable or satellite services, and these platform operators are responsible for ensuring that foreign broadcasters meet local censorship requirements.)

## Trade Events

DBC2006 was held in Pusan, the second largest city in Korea, from October 15 to October 18, 2006. This show had more than 100 booths, and the participants were mainly content providers from Europe and the U.S. As of this writing the web site is under construction for the 2007 show.

<http://www.dicafdbcm.com/closed/index.html>

## Resources & Key Contacts

Commercial Service Korea (CS Korea)  
Website: <http://www.buyusa.gov/korea/en>

Korea Broadcasting Commission (KBC)  
Website: [www.kbc.go.kr](http://www.kbc.go.kr)

Ministry of Information and Communication (MIC)  
Website: [www.mic.go.kr](http://www.mic.go.kr)

Ministry of Culture & Tourism (MCT)  
Website: [www.mct.go.kr](http://www.mct.go.kr)

Korea Cable TV Association (KCTV)  
Website: [www.kctv.go.kr](http://www.kctv.go.kr)

## For More Information

The U.S. Commercial Service in Seoul, Korea is a branch office of the U.S. Department of Commerce and the Commercial Section of the U.S. Embassy in Seoul, Korea. The office can be contacted via e-mail at: alex.choi@mail.doc.gov; Phone: 822 397-4466; Fax: 822 739-1628; or visit our website: <http://www.buyusa.gov/korea>

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