

Chapter 8

Policy Evaluation: Korea

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CHAPTER 8

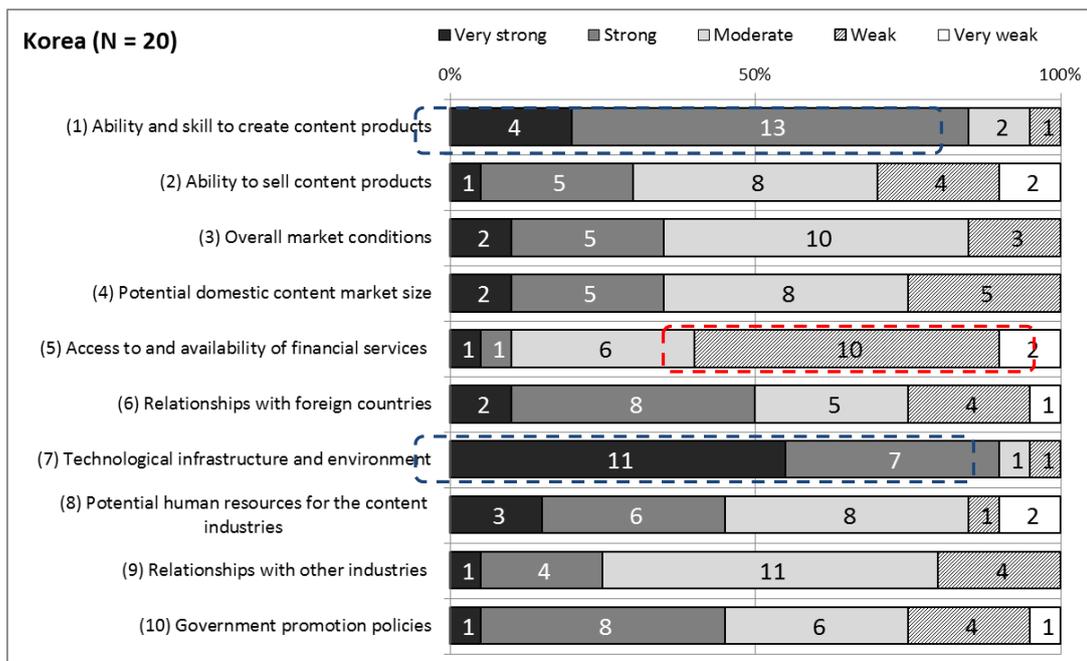
Policy Evaluation: Korea

1.1. Strength/Weakness, Opportunity/Threat (SWOT) Analysis Strengths and Weaknesses: Survey Results

Figure 8-1 shows strengths and weaknesses, and Figure 8-2, strengths and weaknesses by respondent category. The majority of respondents recognise ‘technological infrastructure and environment’ (7) and ‘ability and skill to create content products’ (1) as the industry’s strengths. An item that is more than 50 percent ‘very strong’ and ‘strong’ combined is considered a strength. Item (7) was shared by all stakeholders, and item (1) was strongly recognised by policymakers.

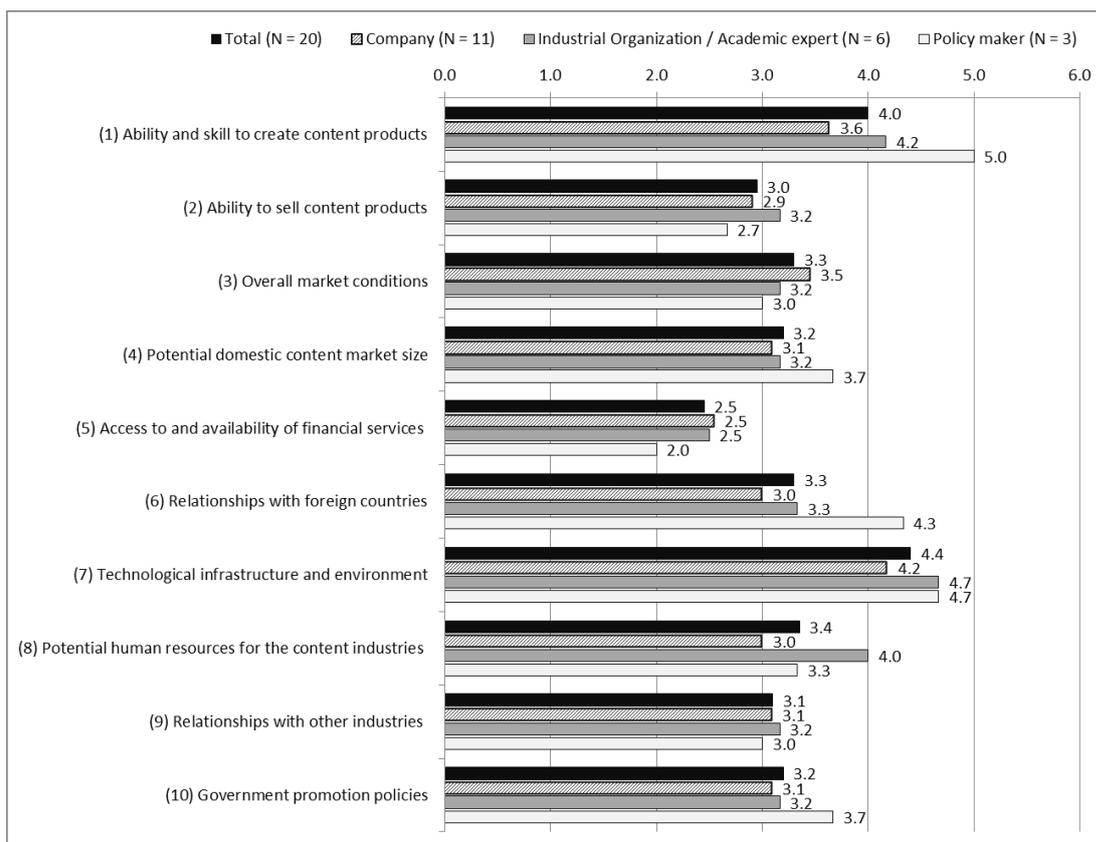
‘Accessibility and availability to financial services’ (5) is considered a weakness because ‘very weak’ and ‘weak’ combined exceed 50 percent. It is recognised as a weakness especially by policymakers.

Figure 8-1: Strengths and Weaknesses



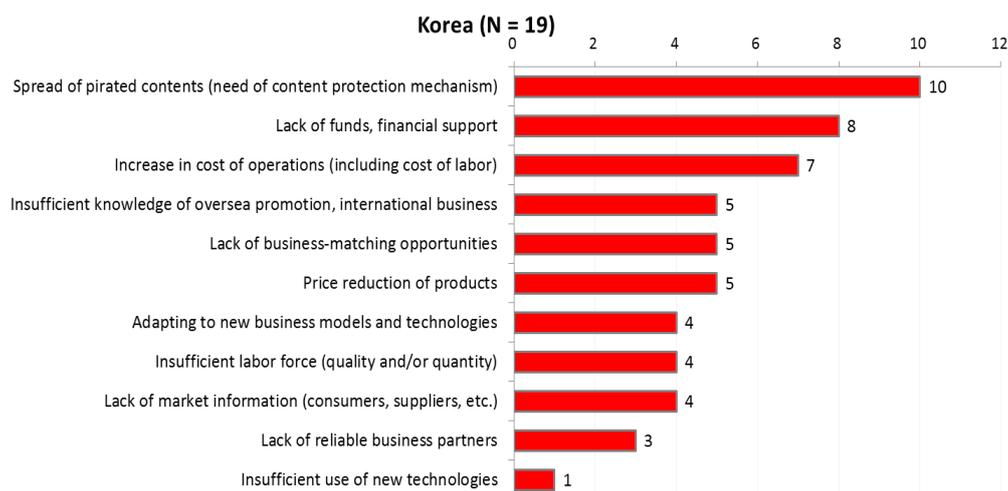
Source: Evaluation Survey of Content Industry Promotion Policies.

Figure 8-2: Strength and Weakness: Respondent Comparison



Source: Evaluation Survey of Content Industry Promotion Policies.

Figure 8-3: Current Challenges: Survey Results



Source: Evaluation Survey of Content Industry Promotion Policies.

Table 8-1: Free Descriptive Answers Regarding Current and Future Challenges

Category	Comment
Company	<ul style="list-style-type: none"> • Spread of pirated content, lack of reliable business partners, and absence of market information [1,2,3/4] • Lack of relevant business opportunities and increased operating costs [2/4] • Increasing operating costs, insufficient labour, and insufficient foreign sales promotion or international business knowledge [2/4] • Difficulty in applying new business models and technologies, absence of subsidies and financial support, and spread of pirated content [1/1,2] • Absence of market information (consumers, suppliers, etc.), insufficient overseas sales promotion, and insufficient international business knowledge [1,2,3,4/1,2,3]
Industrial organisation and academic expert	<ul style="list-style-type: none"> • In the case of TV broadcasters, insufficient outsourced production cost [1/3] • Spread of pirated content, increased operating costs and product prices [1,2,3/-] • Difficulty applying new business models and technologies, insufficient labour (quality/number), and lack of stable relationships with business partners [1,2,3/-] • Decline in domestic production due to imports from the United States [2/4] • Necessity of balance between fostering domestic production and market demand [1,3/3,4,5] • Necessity of strengthening content (such as TV programmes) import regulations [1,3/3,4,5]
Policymaker	<ul style="list-style-type: none"> • The spread of pirated content, increased operating costs (including labour), and insufficient knowledge of overseas sales promotion or international business • Increased operating costs (including labour), spread of content that allegedly infringes on copyright (content protection mechanism is needed), and insufficient subsidies and financial support • Lack of relevant business opportunities, insufficient overseas sales promotion or international business knowledge, and lack of relationships with business partners

Note: Numbers after each comment describe the sector and operation the respondent is engaged in.

[1 = TV program, 2 = film, 3 = animation, 4 = games, 5 = music, '-' = no response /

1 = production, 2 = post-production, 3 = broadcasting, 4 = distribution, 5 = sales, 6 =

purchase/aggregation, 7 = manufacturing, '-' = no response]

Source: Evaluation Survey of Content Industry Promotion Policies.

1.2. Current and Future Challenges

Figure 8-3 shows the survey results for current challenges facing the content industry. The votes are highest (10/19) for 'spread of pirated content' and 'lack of funds, financial support' as second.

Some respondents raised issues regarding the balance between domestic production and purchase of imported content, as the industry is investing in imported content (Table 8-1). This relates to other issues raised regarding constraints on production costs as seen in cases where TV broadcasters cannot outsource sufficient budget to production houses.

1.3 Strength/Weakness, Opportunity/Threat (SWOT) Analysis: Update of the FY2012 Report

The update of the ‘Study on the Development Potential of the Content Industry in East Asia and ASEAN Region’ (FY2012 Report) (Table 8-2) takes into account the survey results as well as recent market trends (Chapter 2) and policies (Chapter 4).

Korea’s strengths are its high-technological infrastructure and environment and its ability to create content products. With the current well-established system to support content export, and success in developing overseas markets and trade, Korea has seen the popularity of its content rise domestically and internationally—a phenomenon with ripple effects on other business fields.

Although Korea already has a mature market, most stakeholders consider access to financial infrastructure still weak. In terms of distribution, the market still suffers from the spread of pirated content. Increase in cost of production adds another layer of burden on content business companies.

As for the external environment, the high diffusion of network infrastructure, the presence of Korean companies in the global market, and high expectations on Korean content by media-related companies abroad can be considered opportunities.

On the other hand, Korea’s depopulation and aging society, language barriers, long-term economic depression, and decline in consumption are threats to the industry.

Table 8-2: SWOT Analysis—Korea

Internal	
<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> ● Technological infrastructure and environment ● Ability and skill to create content products (e.g. programme planning and producing ability) ● Popularity of ‘Korean made’ content (drama and music) ● Ripple effects on tourism and industrial products ● Overseas promotion based on cooperation between the government and private companies ● High presence in overseas markets (established content overseas and networks with other countries) ● Lower production costs and content prices (especially compared with Japan) 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> ● Limited access to and availability of financial services ● Limited domestic market ● Lack of storytelling ability ● Immature market caused by piracy and devaluation of content purchase price ● Insufficient overseas sales promotion or international business experience
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> ● High penetration of the Internet, fixed broadband, mobile network, and smartphones ● Presence of Korean companies overseas and their good standing in business ● Expectations on Korean content by media-related companies abroad 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> ● Depopulation and aging society ● Language barriers ● Long-term economic depression and shrinking consumption
External	

SWOT = strength/weakness, opportunity/threat.

Source: Authors.

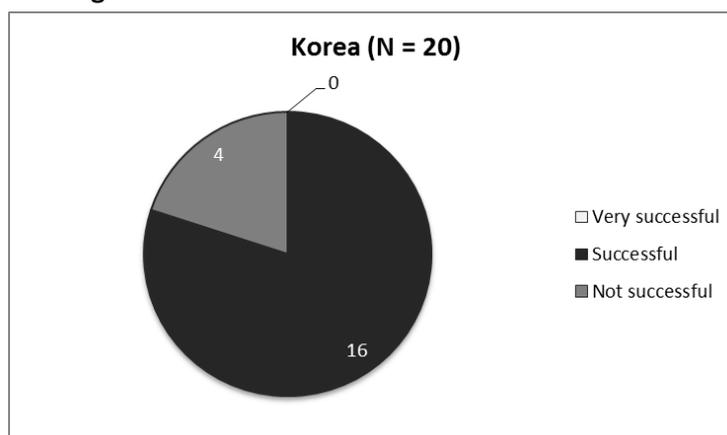
2. Policy Evaluation

2.1. Overall Evaluation

Figure 8-4 shows the survey results of the overall assessment of related policies. Sixteen out of twenty respondents (80 percent) indicate a positive result (‘successful’), with none evaluated the policies as ‘very successful’.

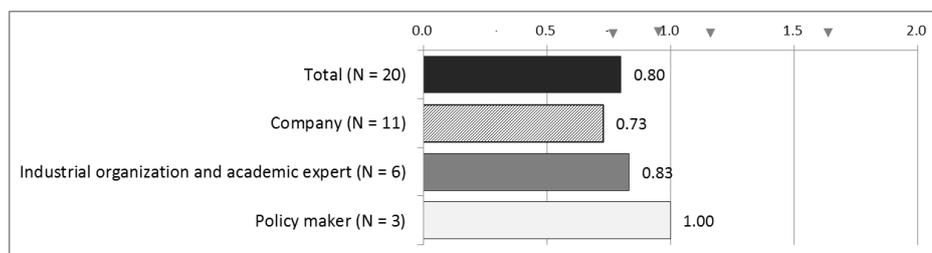
Figure 8-5 shows the score for each respondent category, indicating the gap between stakeholders.

Figure 8-4: Overall Assessment of Content Policies



Source: Evaluation Survey of Content Industry Promotion Policies.

**Figure 8-5: Overall Assessment of Content Policies:
Score per Respondent Category**



Note: Figures indicate weighted average of number of respondents and weight (very successful = 2, successful = 1, not successful = 0).

Source: Evaluation Survey of Content Industry Promotion Policies.

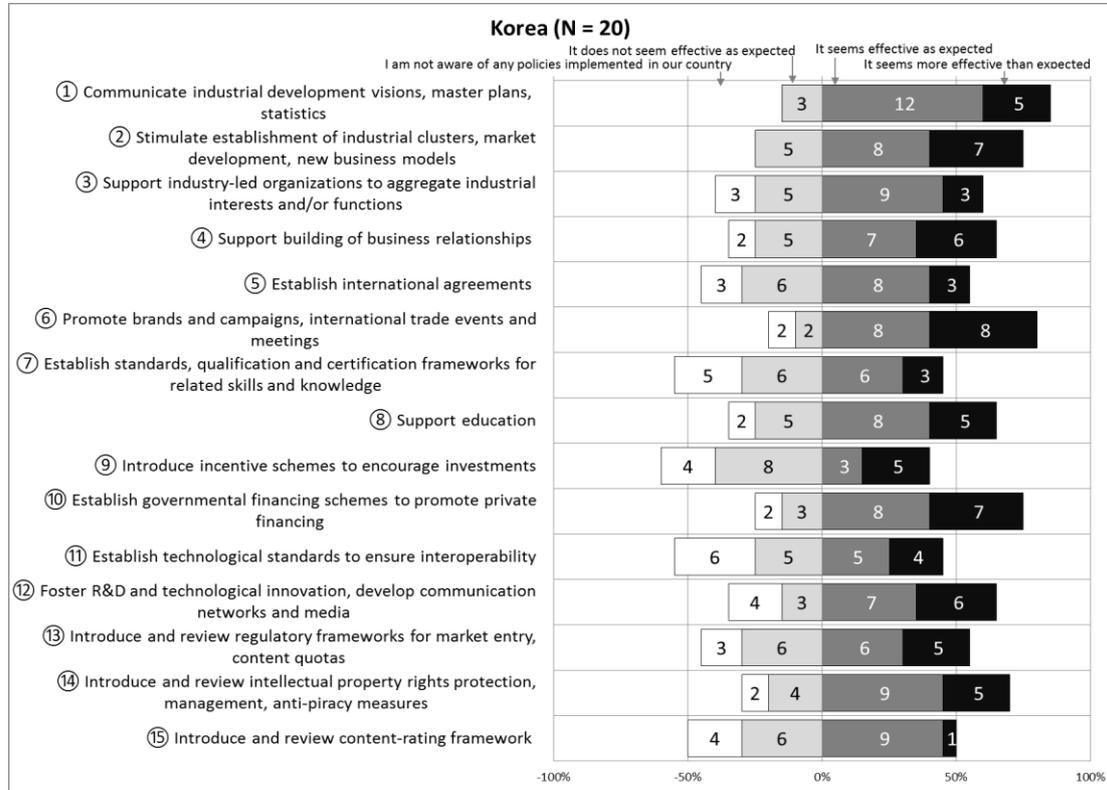
2.2. Effectiveness of Current Policies

Figure 8-6 shows the survey results on the awareness of effectiveness of each policy. The results indicate the respondents' awareness of how the policies meet their expectations. All the policies, except for #7 (Establish standards, qualification and certification frameworks for related skills and knowledge), #9 (Introduce incentive schemes to encourage investments), #11 (Establish technological standards to ensure interoperability), #15 (Introduce and review content-rating framework), are supported by the majority of respondents. Policy #6 (Promote brands and campaigns) gathered most votes for effectiveness beyond expectation.

Policy #9 (Introduce schemes to encourage investments) has the most negative votes, which corresponds to the weakness of accessibility to and availability of financial services

(see Section 1.1). Therefore, the means of raising funds need to be improved through government intervention or other approaches.

Figure 8-6 : Policy Effectiveness



Source: Evaluation Survey of Content Industry Promotion Policies.

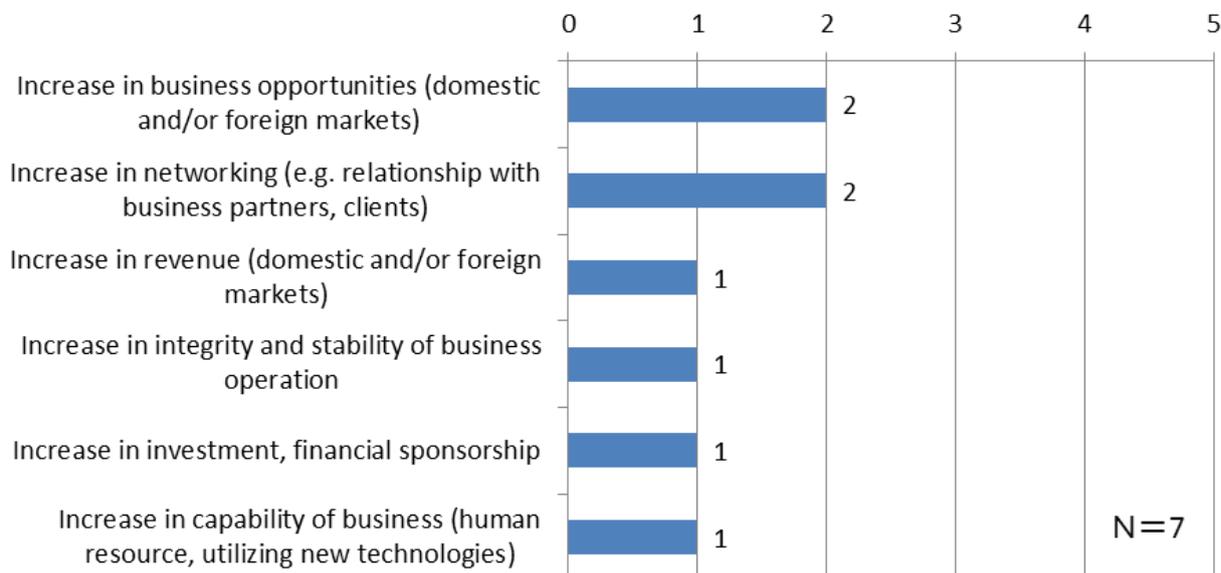
Figure 8-7 shows, in descending order, the policies considered to be highly effective. Policy #6 (Promote brands and campaigns, international trade events and meetings) has the most votes. Figure 8-8 describes the effects and outcomes resulting from #6. Most respondents have enjoyed increased business opportunities and network.

Figure 8-7: Policies Regarded as Effective



Source: Evaluation Survey of Content Industry Promotion Policies.

**Figure 8-8: Effects and Outcomes as a Result of for Policy #6
(Promote brands and campaigns, international trade events and meetings)**

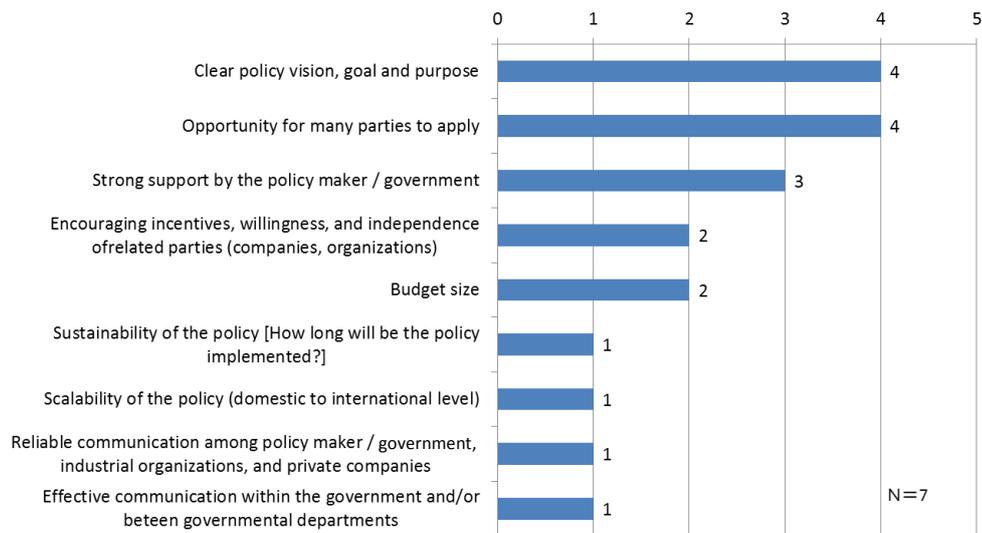


Source: Evaluation Survey of Content Industry Promotion Policies.

2.3. Key Success Factor

Figure 8-9 shows what respondents consider an important element (key success factor) for maximising the effectiveness of policy #6 (Promote brands and campaigns, international trade events and meetings). The respondents consider ‘definite policy vision, goal and purpose’ and ‘opportunity for many parties to apply’ important factors.

**Figure 8-9: Key Success Factor of Policy #6
(Promote brands and campaigns, international trade events and meetings)**



Source: Evaluation Survey of Content Industry Promotion Policies.

2.4. Challenges

Figure 8-10 shows the policies considered to face challenges. Policy #14 (Protect intellectual property rights) has the majority of votes. Figure 8-11 shows the difficulties and constraints of #14, where ‘subject/entity of the policy’ is considered the most difficult element.

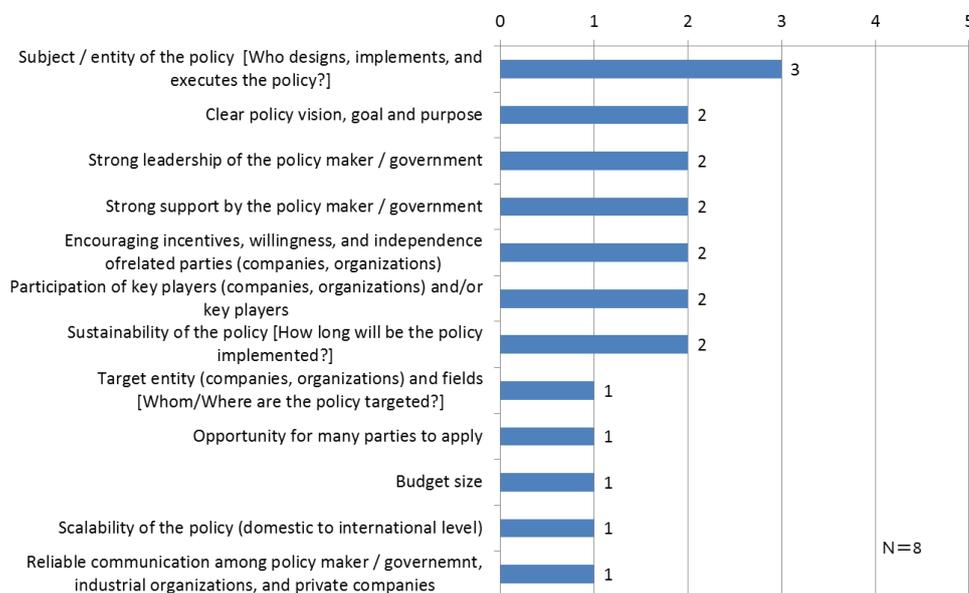
Figure 8-10: Policies Needing Improvement



Source: Evaluation Survey of Content Industry Promotion Policies.

Figure 8-11: Difficulties and Constraints of Policy #14

(Introduce and review intellectual property rights protection, management, and anti-piracy measures)



Source: Evaluation Survey of Content Industry Promotion Policies.

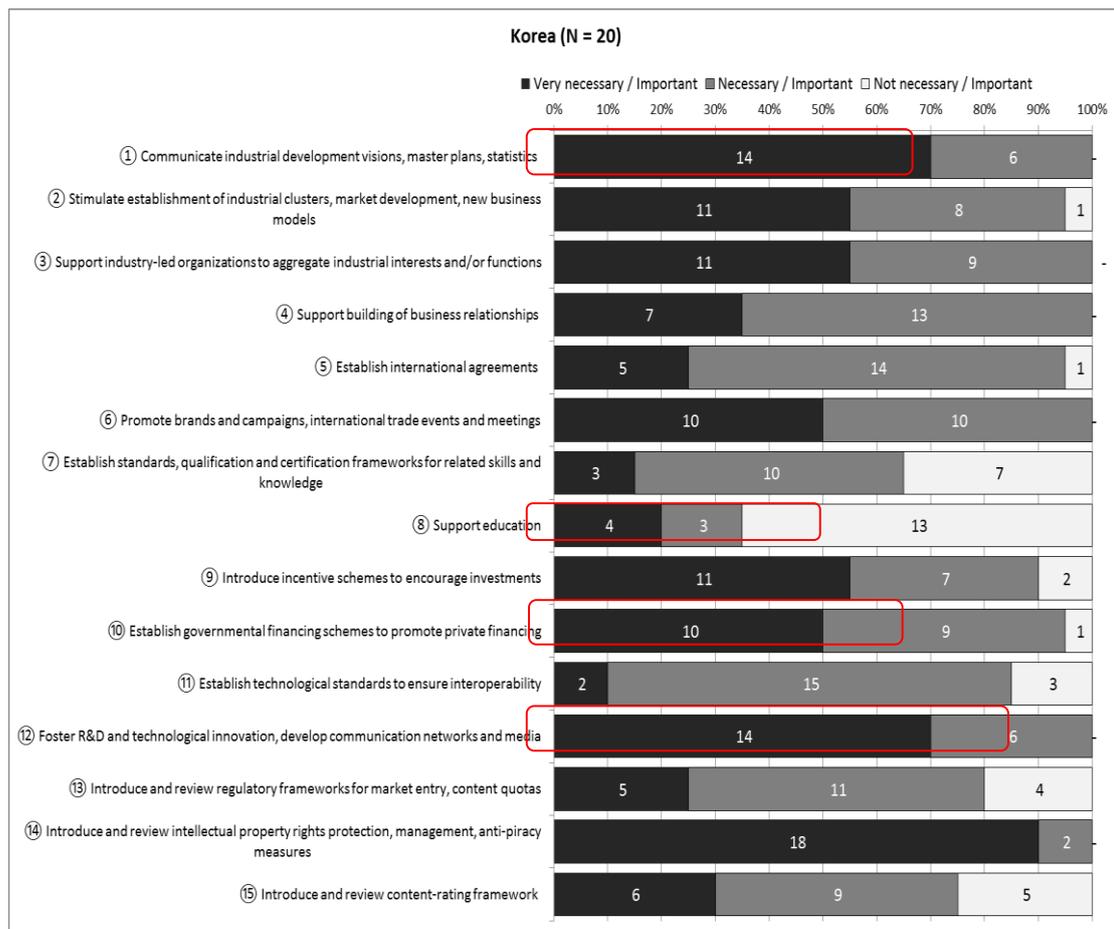
2.5. Necessity of Current Policies and Expectations

Figure 8-12 shows the survey results on necessity of policy. Considered most necessary are #14 (Protect intellectual property rights), #1 (Communicate industrial development visions, master plans, statistics), and #12 (Foster research and development

and technological innovation, develop communication networks and media).

Figure 8-13 shows the respondents' expectations of policies, irrespective of current implementation. The majority of respondents expect an increase in business opportunities.

Figure 8-12: Necessity of Policies



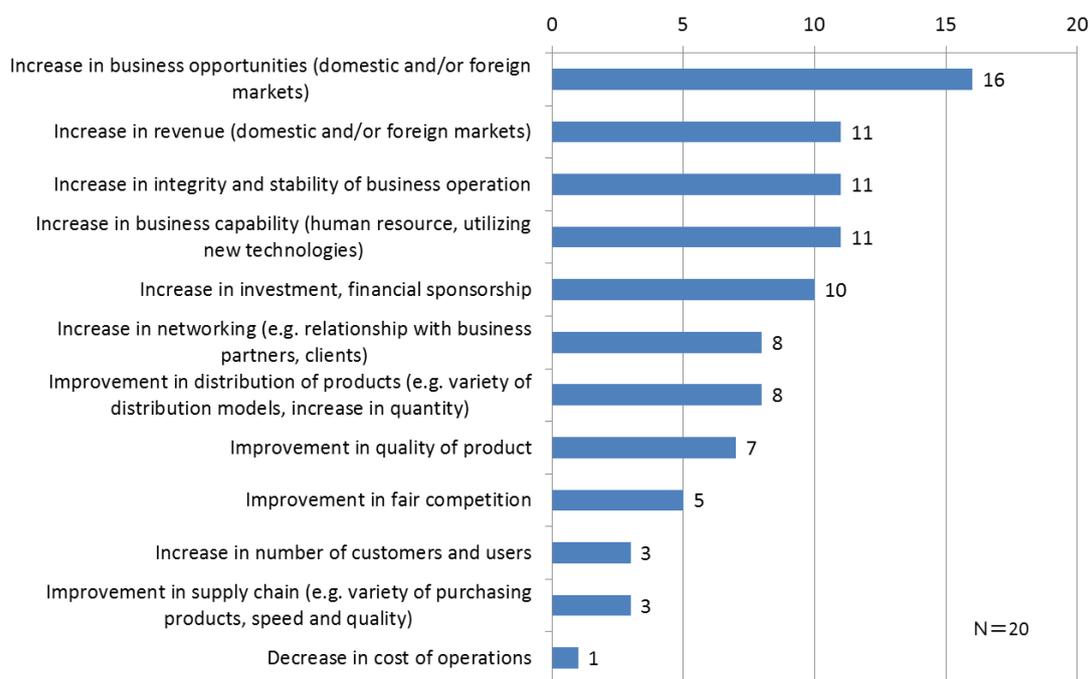
Source: Evaluation Survey of Content Industry Promotion Policies.

2.1. Policy Prioritisation

Figure 8-14 maps the effectiveness and necessity of each policy. The results are converted into deviation values to relatively map the results. Each plot describes the policy activity. Overall, policies in Korea seem to be relatively efficient because plots representing each policy are close to the 45-degree line. Seven policies have higher effectiveness than necessity. On the other hand, policies #3 (Support industry-led organisations to aggregate

industrial interests and/or functions) and #9 (Introduce incentive schemes to encourage investments) are in high demand, but their effectiveness is not as high as the expectations.

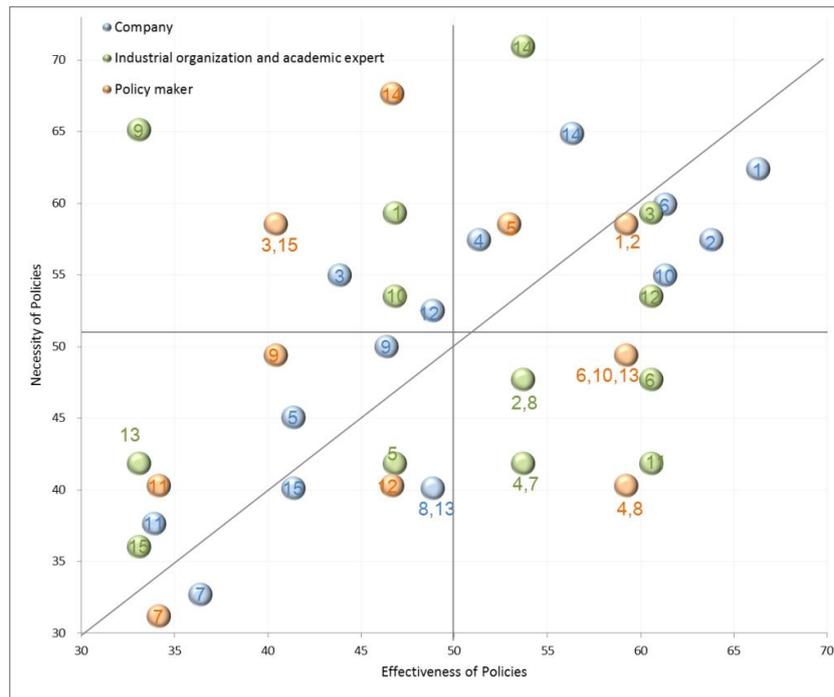
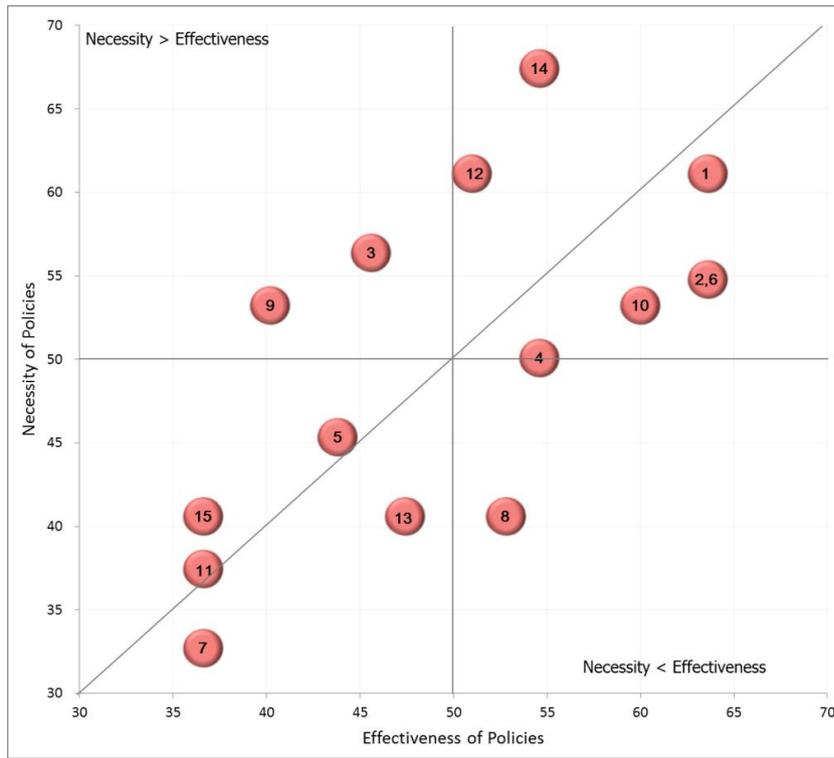
Figure 8-13: Expectations of Implemented Policies



Source: Evaluation Survey of Content Industry Promotion Policies.

Table 8-3 describes the results of the overall analysis. It provides the performance indicator for each policy activity, describing the priority level, or the relative distance between necessity and effectiveness (see Chapter 1 for a more detailed explanation of a performance indicator). The table also provides the coefficient of variation and a normalised measure of dispersion, which describe the variance among respondent categories. The results show that policies #9 and #14 (Protect intellectual property rights) have high priority for improvement

Figure 8-14: Effectiveness vs. Necessity of Policies
 (above: average, below: by category)



Source: Evaluation Survey of Content Industry Promotion Policies.

Table 8-3: Results of Policy Evaluation Analysis

Policy Area	Policy Activities	Performance	CV Effectiveness, %	CV Necessity, %
Industry and Market Development	1. Communicate industrial development visions, master plans, statistics	1.7	14	3
	2. Stimulate establishment of industrial clusters, market development, new business-models	6.2	7	9
Organisational Schemes, Business Relationships	3. Support industry-led organisations in aggregating industrial interests and/or functions	- 7.7	18	3
	4. Support building of business relationships	3.1	6	17
International Relationships	5. Establish international agreements	- 1.1	10	15
	6. Promote brands and campaigns, international trade events and meetings	6.2	1	10
Human Resources	7. Establish standards, qualification and certification frameworks for related skills and knowledge	2.7	21	13
	8. Support education	8.6	8	8
Finance	9. Introduce incentive schemes to encourage investments	- 9.2	14	13
	10. Establish government financing schemes to promote private financing	4.7	11	4
Technology	11. Establish technological standards to ensure interoperability	- 0.6	29	4
	12. Foster research and development and technological innovation, develop communication networks and media	- 7.2	12	12
Legal Frameworks	13. Introduce and review regulatory frameworks for market entry, content quotas	4.8	23	9
	14. Introduce and review intellectual property rights protection, management, anti-piracy	- 9.1	8	4
	15. Introduce and review content-rating framework	- 2.9	10	22

CV = coefficient of variation (variation among respondent categories).

Note: 'Performance' indicates the relative distance where: (a) Figures above zero: Effectiveness outperforms necessity/expectation, (b) Figures below zero: Effectiveness underperforms necessity/expectation

Source: Authors based on Evaluation Survey of Content Industry Promotion Policies.

2. Summary

Figure 8-15 summarises the results.

Figure 8-15 : Overall Results: Korea

Content Market Conditions					
Market Size	Large (US\$ 17.3 Billion)	Market Growth	Relatively low (4.8%)	GDP Contribution	High (2.4%)
SWOT Analysis	Strengths			Weaknesses	
	<ul style="list-style-type: none"> ✓ Technological infrastructure and environment ✓ Ability and skill to create content products ✓ Potential human resource for content industries 			<ul style="list-style-type: none"> ✓ Access to and availability of financial services ✓ Ability to sell content products 	
	Challenges				
<ul style="list-style-type: none"> ✓ Spread of piracy contents ✓ Lack of funds, financial support ✓ Increasing operating costs, insufficient labor ✓ Insufficient stable relationships with business partners ✓ Balance in distribution and domestic production industry ✓ Expansion of content import regulations 					
Policy Evaluation	Policy with high effectiveness			Policy with high necessity	
	<ul style="list-style-type: none"> ✓ Promote brands and campaigns, international trade events and meetings 			<ul style="list-style-type: none"> ✓ Intellectual property rights protection 	
	↓			↓	
	Effects and outcomes			Policies facing challenges	
	<ul style="list-style-type: none"> ✓ Increase in business opportunities ✓ Increase in networking 			<ul style="list-style-type: none"> ✓ Intellectual property rights protection 	
	↓			↓	
Key success factor			Difficulties and constraints		
<ul style="list-style-type: none"> ✓ Clear policy vision, goal, and purpose ✓ Opportunity for many parties to apply 			<ul style="list-style-type: none"> ✓ Subject or entity of the policy 		
Performance : High (Effectiveness > Necessity)			Performance : Low (Effectiveness < Necessity)		
<ul style="list-style-type: none"> ✓ Support education ✓ Promote brands and campaigns, international trade events and meetings ✓ Stimulate establishment of industrial clusters, market development, new business models 			<ul style="list-style-type: none"> ✓ Introduce incentive schemes to encourage investments ✓ Introduce and review intellectual property rights protection, management, antipiracy measures ✓ Support industry-led organizations to aggregate industrial interests and/or functions 		

GDP = gross domestic product.

Source: Authors.

Korea has successfully developed the competitiveness of its content industry and driven the export market due to the international penetration of the 'Korean Wave'. It continues to boost the trend by designing initiatives for the entire industry and its sectors to enjoy further growth and development.

Korea has strengths in technological infrastructure environment and potential human resources to create content products. To leverage the strengths, government-supported promotion policies have increased business opportunities and networking for companies. Supporting education and stimulating the establishment of industrial clusters, market development, and new business models are high-performance policies.

Although the government has been laying the foundation to financially support investment to promote the growth of small firms, for instance, this is still recognised as the content industry's weakness. Policies introducing incentive schemes to encourage investment, therefore, have high priority for improvement. Similar to Japan's, Korea's content industry faces challenges regarding the spread of pirated content; thus, the need for anti-piracy measures has been strongly identified as a high priority. As a result of the rapid growth of Korea's content industry and market, the country seems to face issues related to balancing domestic production and purchase of imported products and the necessity of investing in domestic industry.