

Enhancing the Role of SMEs  
in the Global Value Chain:  
A Case Study of the Korean Film  
Industry

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# Agenda

- Overview of Korean Film Industry (KFI)
- Global Competitiveness of KFI
  - Five Forces Model Analysis
  - Cluster Analysis
  - Global Value Chain Analysis
- Major Players in KFI
  - MK Pictures
  - CJ Entertainment
  - ShowBox
  - Lotte Cinema
- Outlook of KFI

# Overview of Korean Film Industry

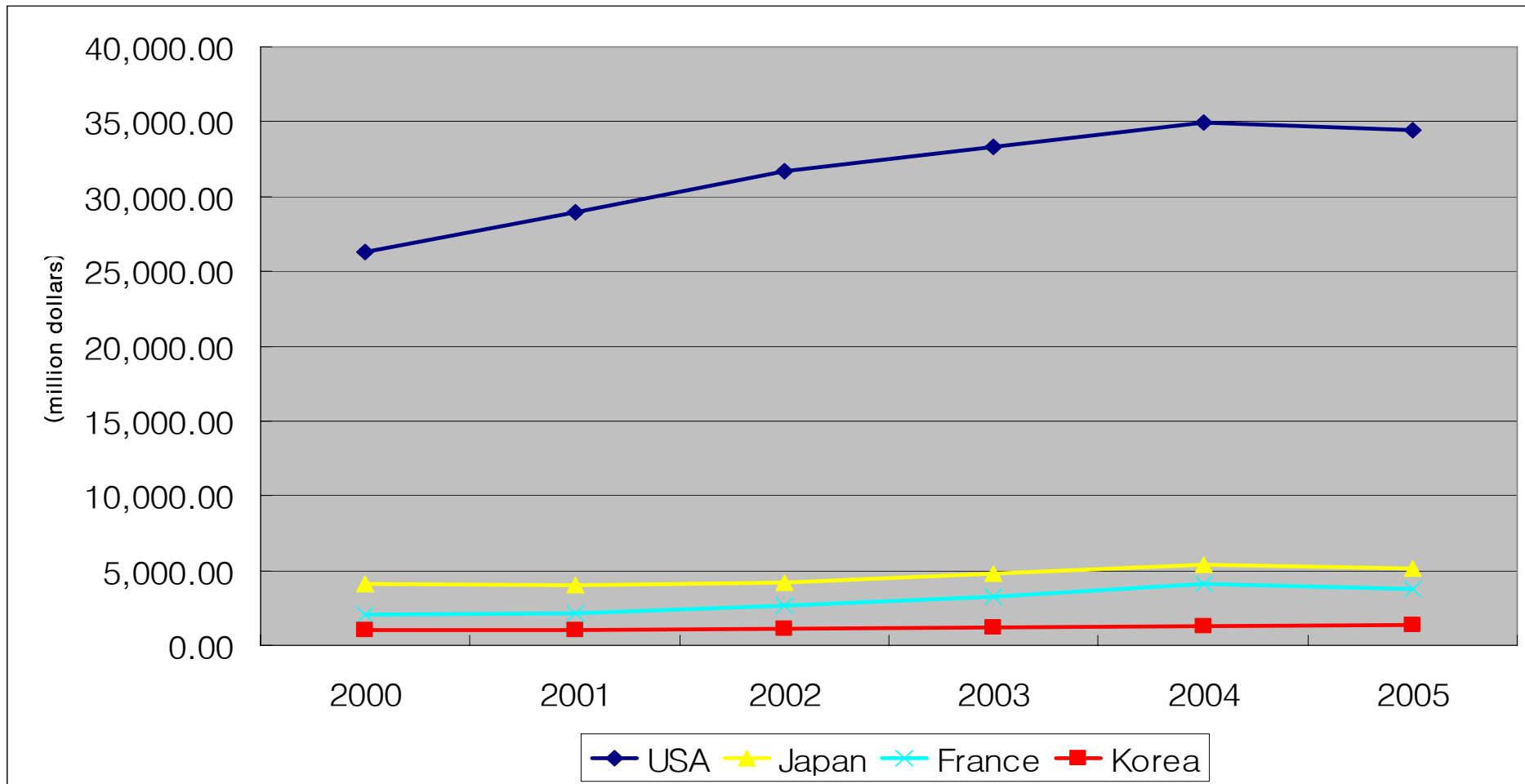
# Korean Film Industry in Last Five Decades

- **1950s – 1970s:**
  - After Korean War, fast growth of film production
  - Government support
- **1970s–1980s:**
  - Military government
  - Government control on film production
- **1990s:**
  - Democratization
  - Renaissance of production and distribution
- **2000s:**
  - Gaining global recognition

# Korean Film Industry in 2006

- The 9<sup>th</sup> largest market in the world
  - **US**: US\$ 34.3 billion vs. **Korea**: US\$ 1.4 billion
- Film Industry Infrastructure
  - **# of theater** – 306
  - **# of screen** – 1,847 (6.04 screens per theater)
- Korean films released – 108
- Foreign films imported – 237
- Average production cost per film
  - **US**: US\$ 40–50 million vs. **Korea**: US\$ 4.4 million
- Number of Admissions
  - 85 million
  - 2.98 admissions per Capita

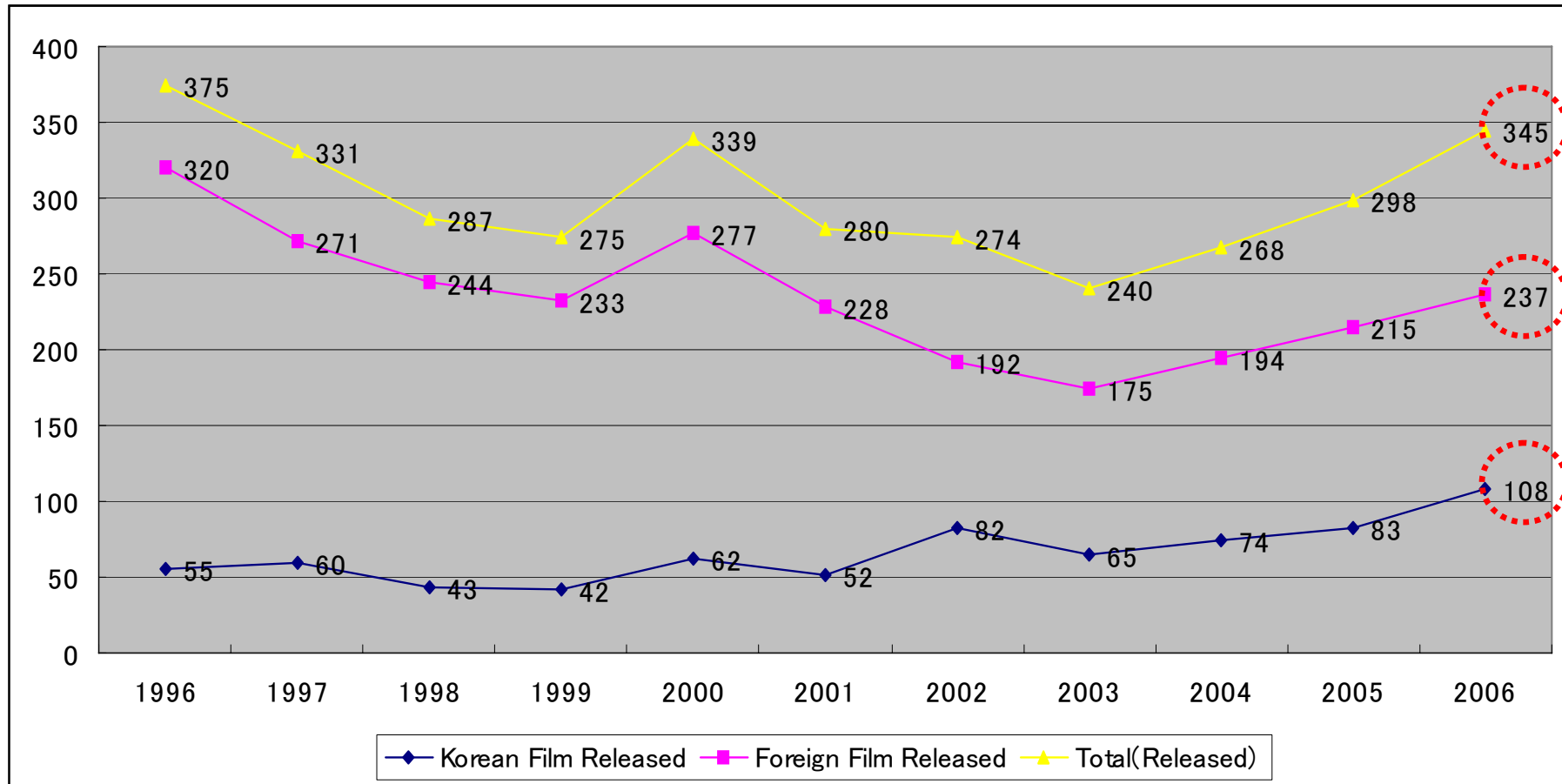
# Korean Film Industry in the World (Top 10)



Average Mkt share of other Top 10 countries for the 6 years (2000~2005) were as follows. Great Britain: 9.9%, Germany: 4.6%, Spain: 2.6%, Italy: 2.5%, Australia: 2.4%, India: 2.2%

Korean Mkt Size: 999(00), 1,002(01), 1,124(02), 1,222(03), 1,311(04), 1,410(05)

# Korean & Foreign Films Released per Year

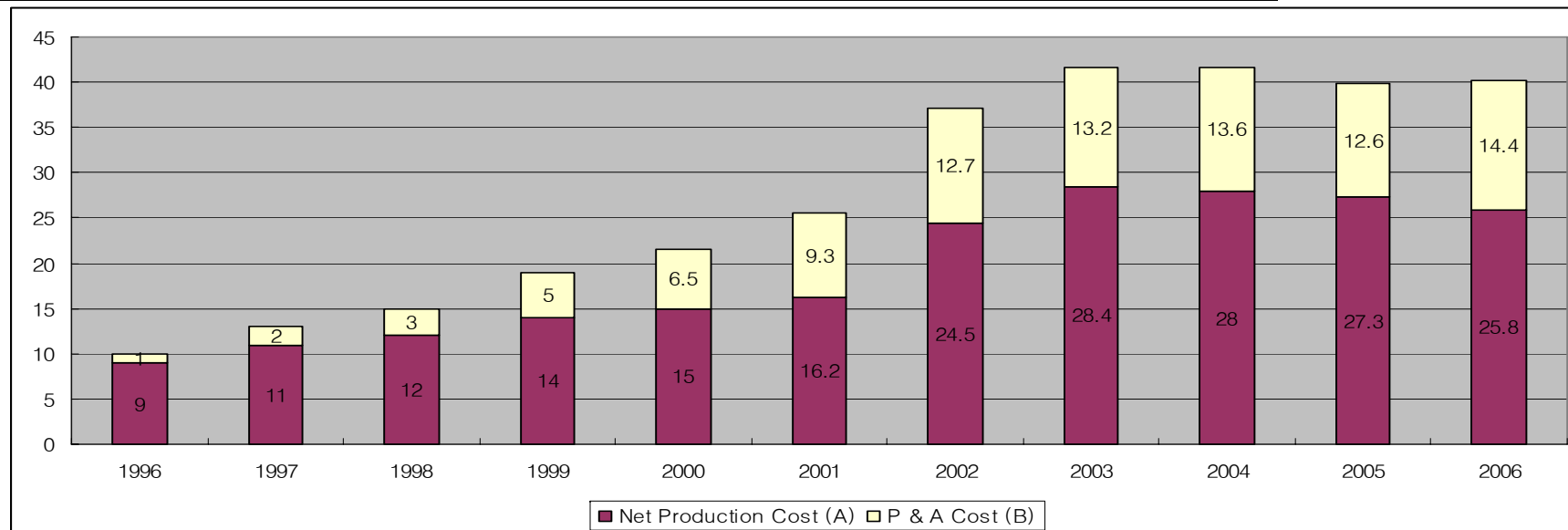


# Production Costs of Korean Films by Year

Year	Net Production Cost (A)	P & A Cost (B)	Total Production Cost (A + B)	Number of films produced	Estimated Total Yearly Production Cost
1996	9	1	10	65	650
1997	11	2	13	59	767
1998	12	3	15	43	645
1999	14	5	19	49	931
2000	15	6.5	21.5	59	1269
2001	16.2	9.3	25.5	65	1658
2002	24.5	12.7	37.2	78	2902
2003	28.4	13.2	41.6	80	3328
2004	28	13.6	41.6	82	3411
2005	27.3	12.6	39.9	87	3471
2006	25.8	14.4	40.2	110	4422

(unit: hundred million KRW)

40 hundred million KRW = US\$ 4.4 million





# Admissions & Attendance Per Capita

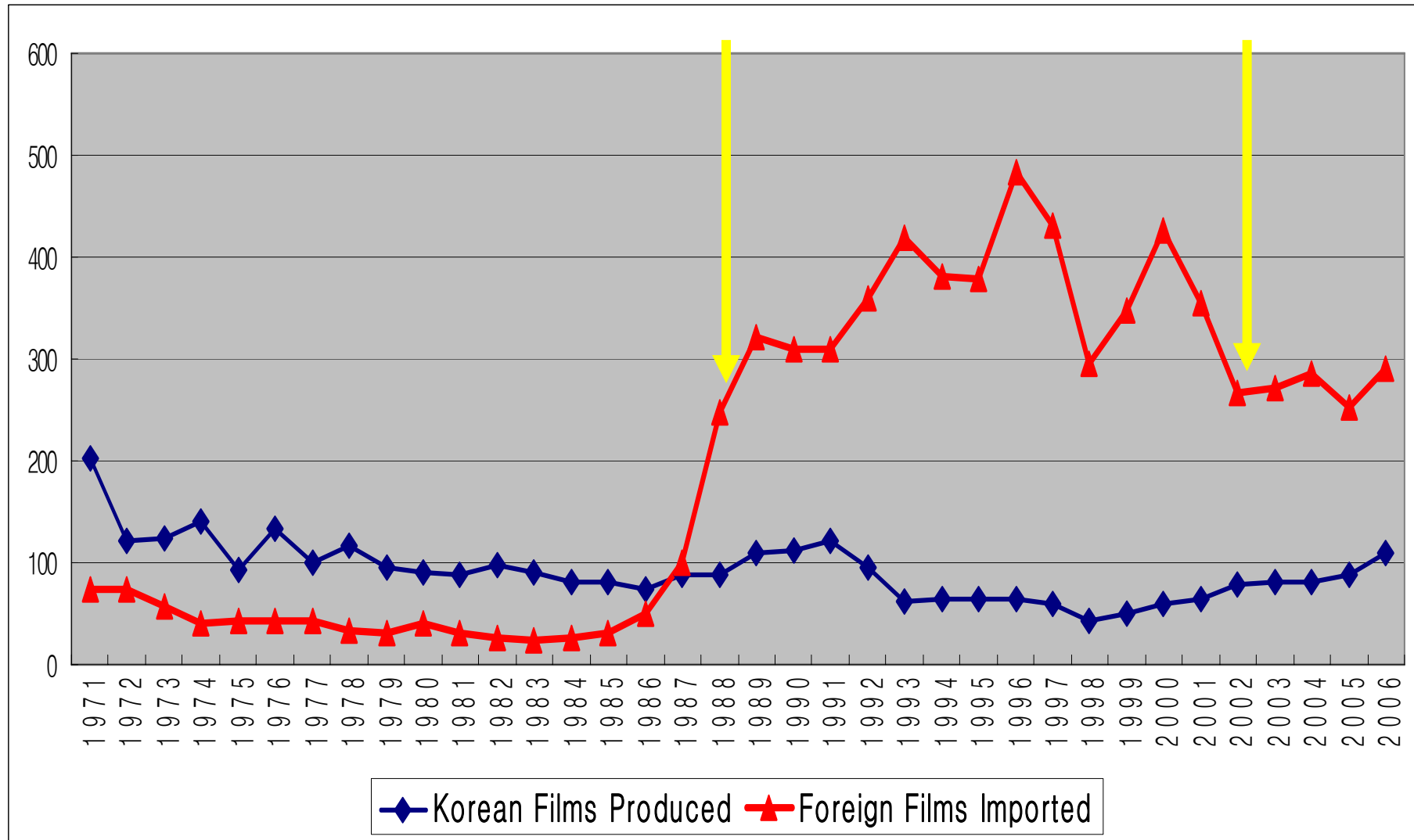
(unit : ten thousand)

Division	Korean Films			Foreign Films			Total Admissions	Average Attendance per capita
	Admissions	Market Share	Average Attendance per capita	Admissions	Market Share	Average Attendance per capita		
1995	944	20.90%	0.21	3,569	79.10%	0.79	4,513	1.0
1996	976	23.10%	0.19	3,244	76.90%	0.71	4,220	0.9
1997	1,212	25.50%	0.23	3,540	74.50%	0.77	4,752	1.0
1998	1,259	25.10%	0.29	3,759	74.90%	0.81	5,018	1.1
1999	2,172	39.70%	0.5	3,300	60.30%	0.7	5,472	1.2
2000	2,271	35.10%	0.41	4,191	64.90%	0.89	6,462	1.3
2001	4,481	50.10%	0.96	4,455	49.90%	0.94	8,936	1.9
2002	5,082	48.30%	1.07	5,431	51.70%	1.13	10,513	2.2
2003	6,391	53.49%	1.32	5,556	46.51%	1.15	11,947	2.47
2004	8,019	59.33%	1.65	5,498	40.67%	1.13	13,517	2.78
2005	8,544	58.71%	1.75	6,008	41.29%	1.23	14,552	2.98

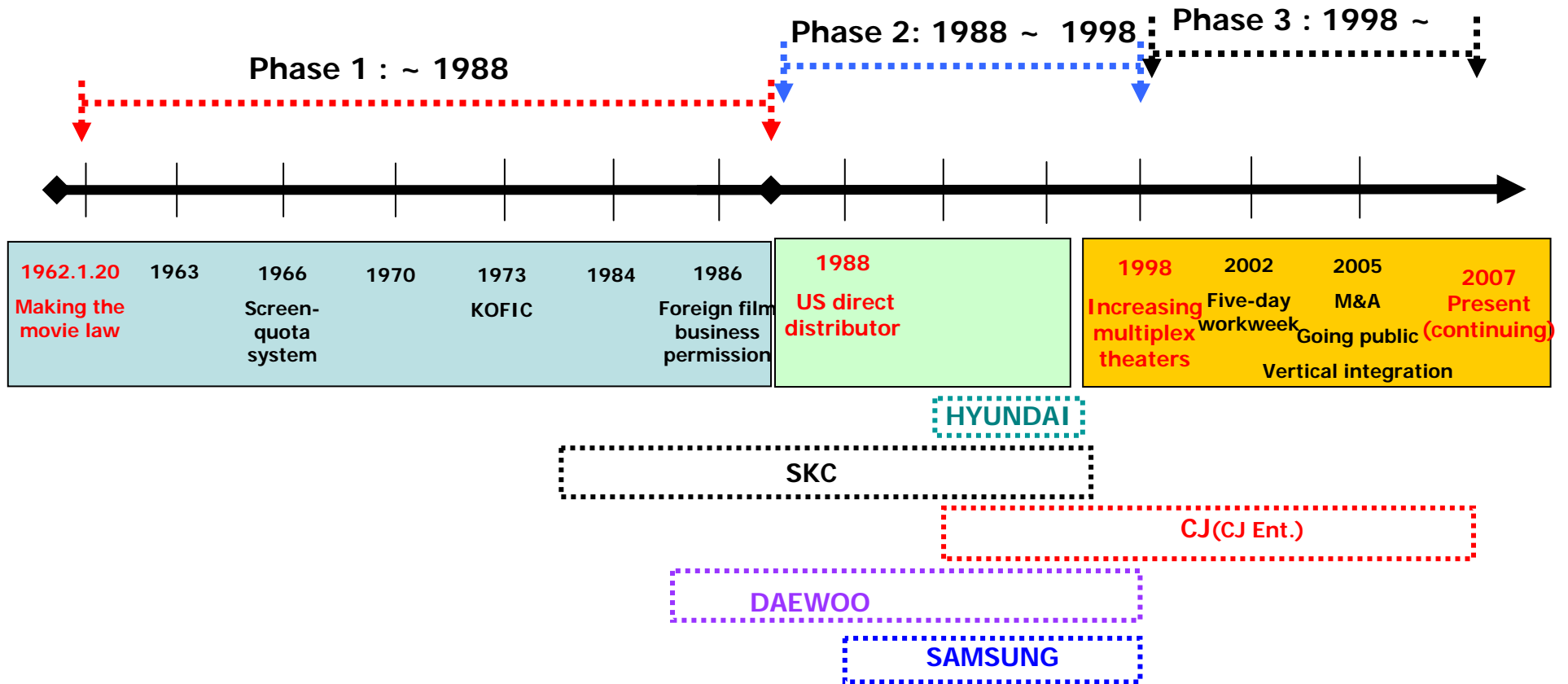
# Global Competitiveness of Korean Film Industry

- **Five Forces Model Analysis**
- **Cluster Analysis**
- **Global Value Chain Analysis**

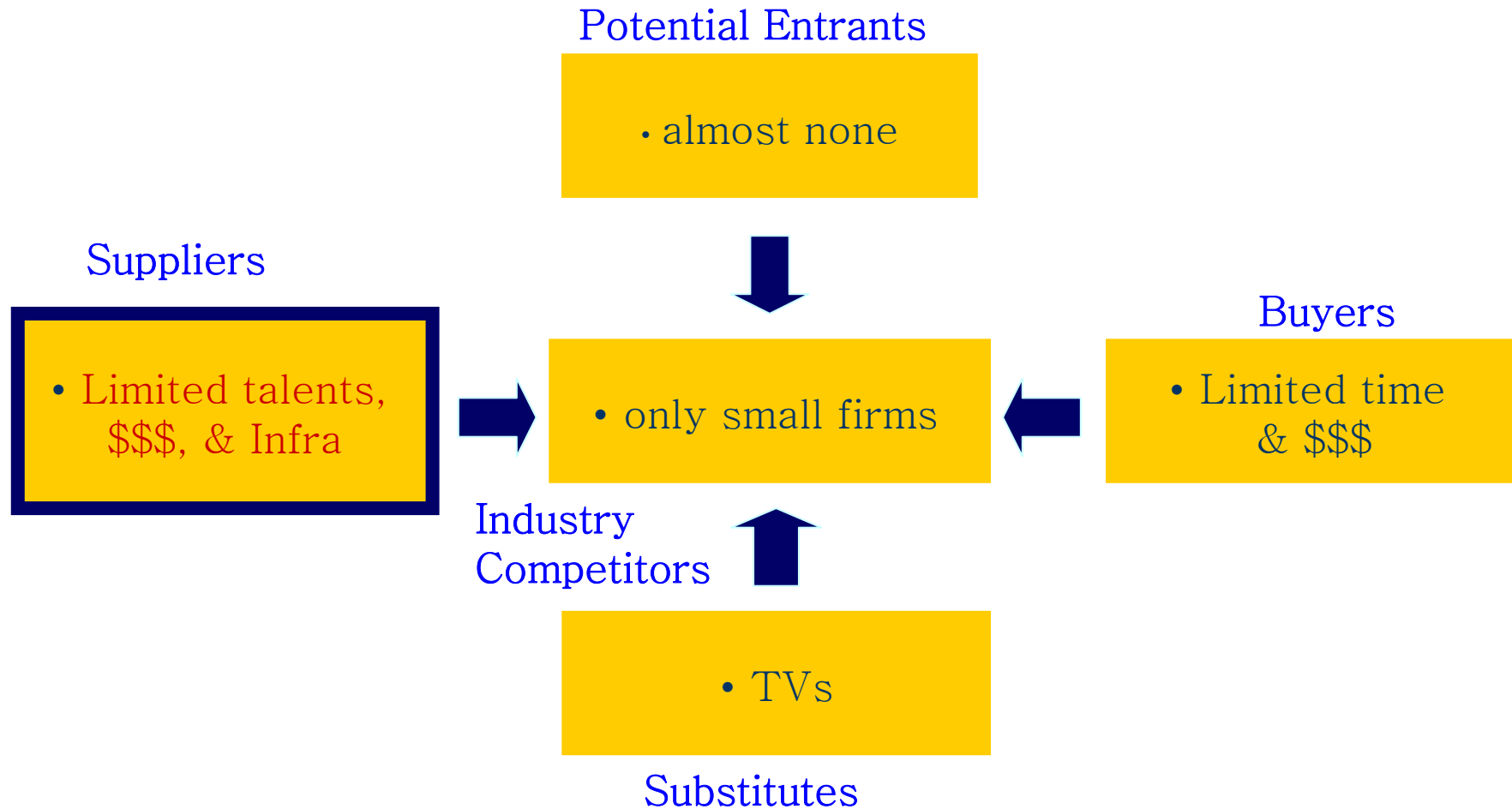
# Evolution of Korean Film Industry



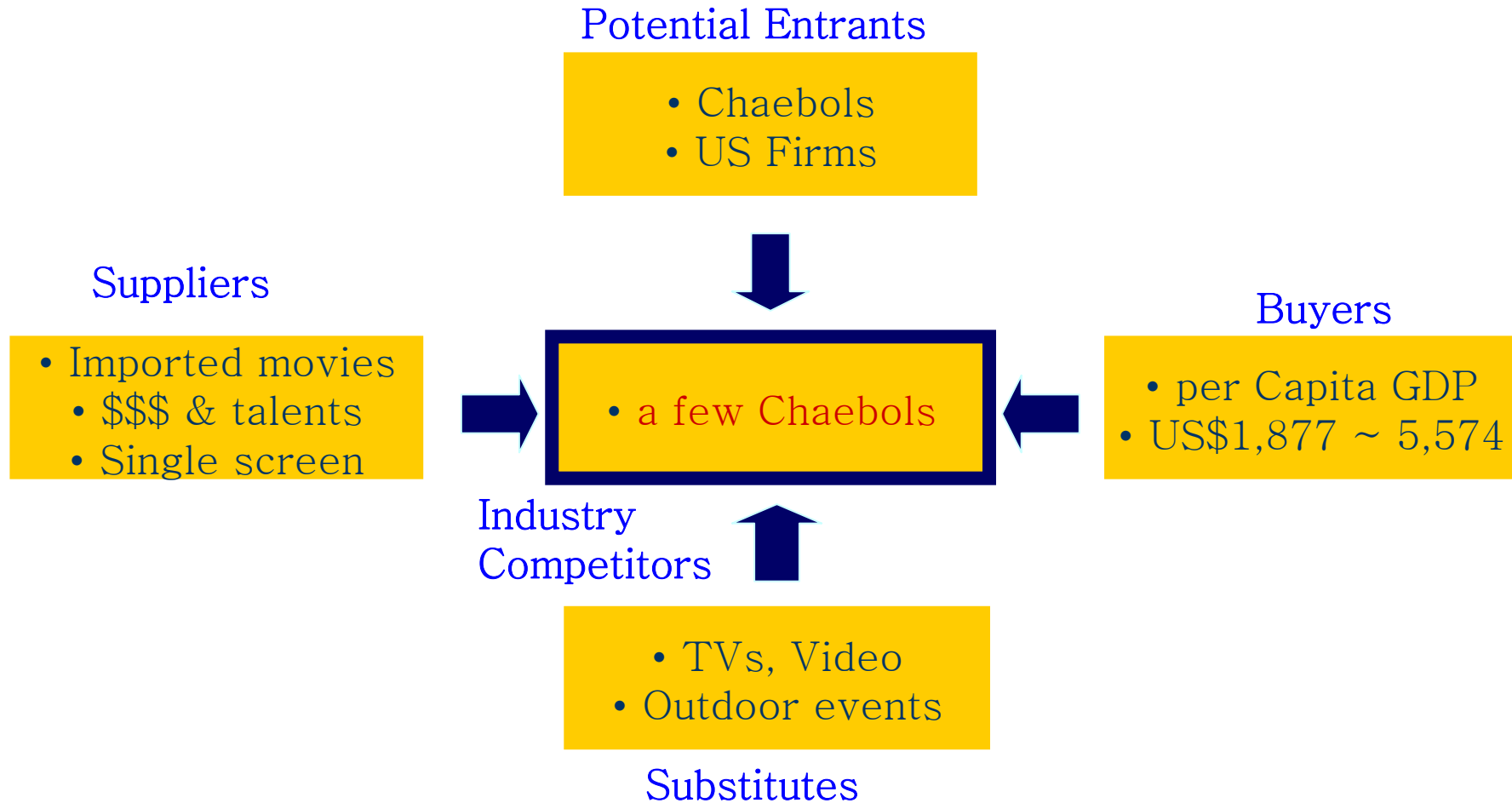
# Evolution of Korean Film Industry in the Institutional Perspective



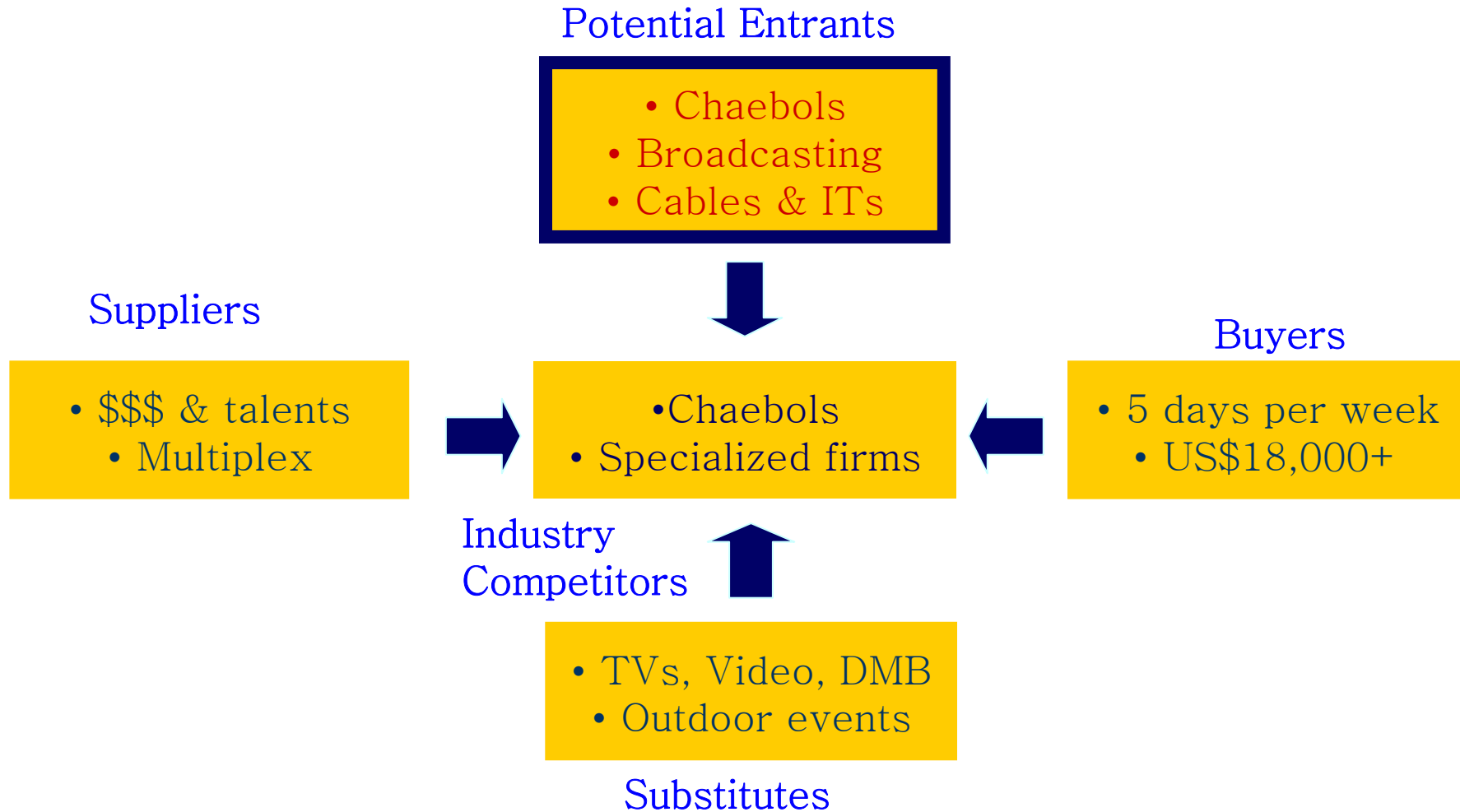
# Five Forces Model of KFI: ~ 1988



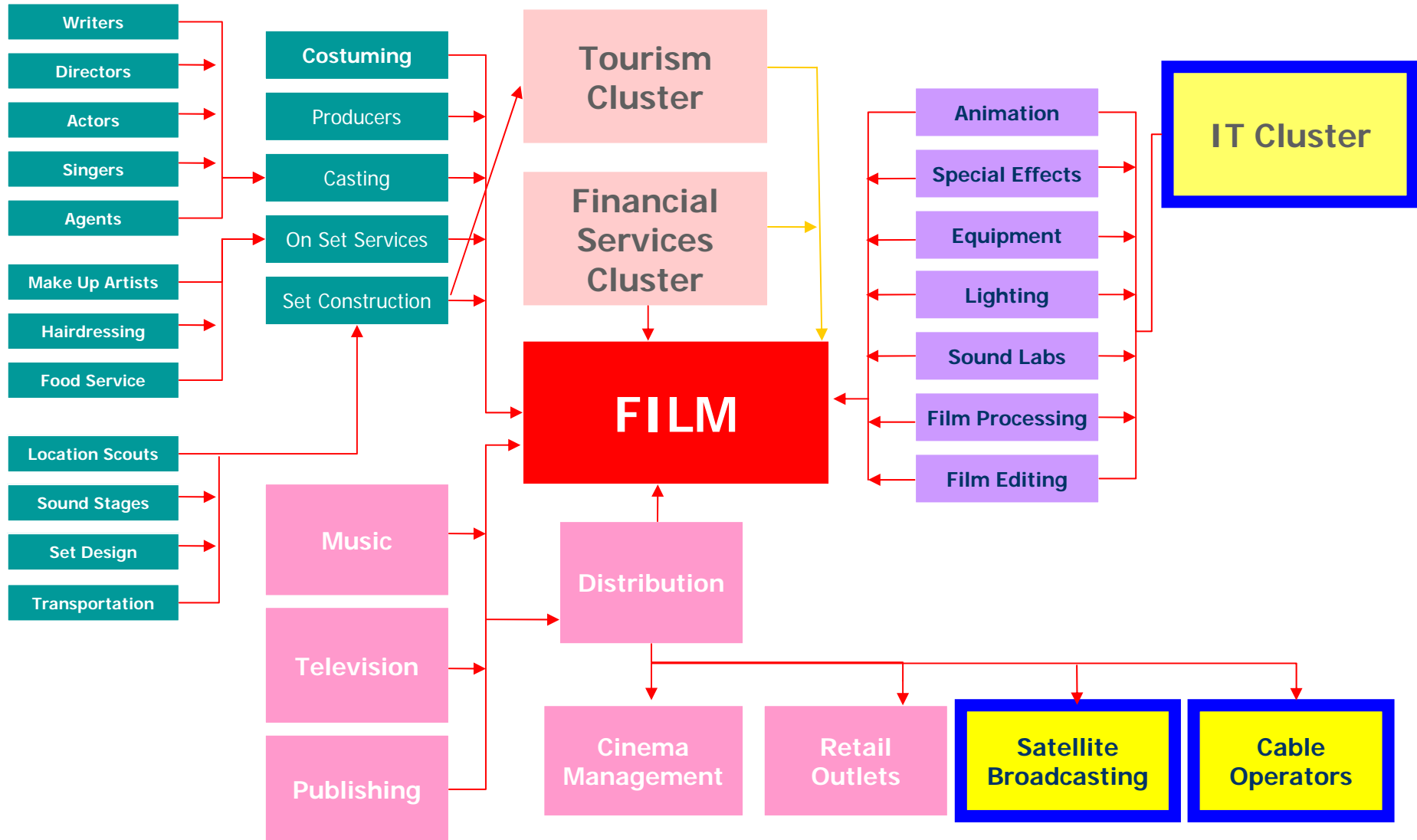
# Five Forces Model of KFI: 1988~1998



# Five Forces Model of KFI: 1998 ~ Now

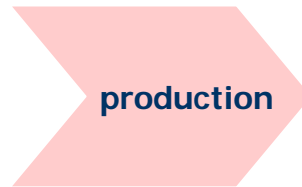


# Korean Film Industry Cluster





# Korean Players in Value Chain



US\$17 Million  
Employee: 38



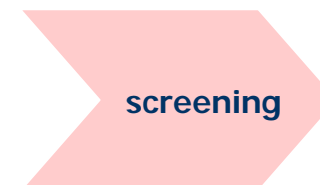
US\$138 Million  
Employee: 105



US\$97 Million  
Employee: 48



US\$120 Million  
Employee: NA



# Global Cooperation of Korean Players



- Investment from US (CAA)
- Cooperation with GDH in Japan
- Joint production and plan for screening in China



- Distribution in US
- Joint investment in Japan
- Expansion in Asian countries



- Plan for global markets
- Major stockholder of KT



- Plan for China & Vietnam

# Chaebols vs. SMEs in Korean Market



- Vertically Integrated from investment to screening
- Active in globalization
- \$\$\$
- Support from sister companies
- Acquire SMEs



Shincine

KnJ Ent

- Independent players
- Specialized in one or two segments
- \$
- Ongoing M&As
- Willing to collaborate with foreign firms

# Outlook of Korean Film Industry

# Driving Forces of Globalization in Korea

- **Global performance** of a few leading firms
- **Built-up consensus** about the limit of Korean local market
- **Accumulated experience** with many foreign local markets
  - China, USA, Asia, & EU
- Institutional change – **FTA**
- **Global talents** with language skills

# Challenges of KFI

- Except leading chaebols, most firms do not have experience, talents, & \$\$\$
- Dealing with cultural difference
- Establishing global management systems, especially HR practice
- Official communications and language
- Building up global competitiveness
- Not flexible labor market practice

# Future Strategies of KFI

- More focus on **China and Asian countries**
- More active collaboration with **foreign partners**
- **Accelerated process** of globalization due to local competition
- Diffusion of best practice **through human mobility**
- **Promising performance** in the near future

# Q&A?

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