



**SOUTH KOREA IS ONE OF ASIA'S** most important sports markets. While it doesn't have the economic clout of Japan or the growth potential of China, a number of structural factors make it a highly attractive target for most organisations in the sector's value chain.

Chief among these is the strength of its economy. Currently ranked 15th in the world by GDP, it is one of the few major markets that did not go into recession during 2009. This year it is performing even better, with the International Monetary Fund predicting annual growth of five to six per cent. Combine this structural strength with a large population (49 million), an advanced media landscape, brand-conscious, export-oriented corporations and a well-developed social infrastructure, and you have all the ingredients for a vibrant sports marketing model.

Indeed, factors like these explain why South Korea has a good strike rate when it comes to

hosting major sports events. After the Seoul Olympics in 1988 and the jointly-hosted FIFA World Cup with Japan in 2002, 2011 will see Daegu become the first mainland Asian venue to host the IAAF World Athletics Championships (Japan hosted the event in 1991 and 2007).

The appeal for the IAAF is obvious. On one hand, the federation is virtually guaranteed to get a well-organised event in a state-of-the-art venue with strong commercial support. On the other, it gets to develop its agenda in a market ripe for expansion.

These points are illustrated in a number of ways. In terms of venue, Daegu was a World Cup host in 2002, which means it is well-equipped to handle the traffic that the IAAF event will bring. No surprise then to hear IAAF president Lamine Diack report his satisfaction at the infrastructural and commercial progress being made, particularly against a backdrop of global recession.

After naming Daegu as host, the IAAF was

able to sign up Korean consumer electronics giant Samsung as a top-tier sponsor, to sit alongside other leading brands like TDK, Toyota, adidas, Epson, Seiko, VTB and Mondo. A few months later, Samsung (which was founded in Daegu) then extended its relationship with the IAAF by becoming title sponsor of the Diamond League in the two years leading to Daegu.

#### **Development Potential**

Korea's consistent investment in sport has seen it move progressively up the Olympic medal tables in recent years - coming seventh at Beijing 2008 and a best-ever fifth at Vancouver 2010. Against that backdrop, there's no question now is an opportune moment for the IAAF to visit Korea.

The appeal of Korea almost directly counterbalances the kind of concerns that accompany hosting events in India, something that was evident in the showdown between the



# EYES TO THE EAST

The massive industrial entities of South Korea have helped support the development of a sophisticated sports sector. But what lies beneath the surface of sport in a nation known as a powerhouse of Asian football, and a proven host of mega-events? **Andy Fry** reports.

A South Korea fan during the 2002 World Cup - Getty Images Sport

two countries for the right to host the 2014 Asian Games. While the Korean city of Incheon wooed Olympic Council of Asia delegates with an offer of \$20 million to provide sports experts and training facilities to countries with less developed sports programmes, the Indian Olympic Association found itself hamstrung by a distinct lack of political support. No surprise then that Incheon won by 32 votes to 13 and is widely expected to do a better job of the Asian Games than India did with the Commonwealth Games (see box on page 60).

Daegu 2011 and Incheon 2014 are both important landmarks. But the really big question for Korea's sports sector now is whether the PyeongChang region can finally get the job of hosting the Winter Olympics. Having narrowly lost to Vancouver in 2010 and Sochi in 2014, it is up against Anney and Munich to host the 2018 edition. An International Olympic Committee (IOC) decision on the host is due in July 2011.

While it is impossible to second guess IOC decision-making, it is hard to fault PyeongChang, which some observers have wittily described as "an Olympic Games host city without a scheduled date". Leaving aside the success of Korea's winter sports athletes and its ongoing commitment to the Olympic cause, there's also the fact that the South Korean government continues to invest in winter sports, most recently funding a training centre near PyeongChang.

Talking to *SportBusiness International* earlier this year, PyeongChang 2018 bid leader Yang-Ho Cho spelt out the plus points when he said: "One-and-a-half million foreign visitors come to enjoy our winter sport facilities and spectacular scenery every year and this continues to increase. Asia's population is young, eager, dynamic and growing. We firmly believe the Olympic ideals will reach millions of new hearts and minds if PyeongChang is selected. Over the last decade we have continued to listen to and

learn from the Olympic Family and delivered on our commitments to the IOC. We have built state-of-the-art facilities, completed roads and rail lines, constructed top class hotels and welcome new participants to our international 'Dream Programme'. We have introduced almost 1,000 young people from 42 countries to winter sports, with three becoming Olympians at the 2010 Vancouver Games."

If Korea doesn't land the 2018 Winter Olympics, it's not the end of the story - because the country is also in the running for the 2022 FIFA World Cup (due to be decided on December 2), with FIFA vice president Chung Mong-joon championing the bid.

While the biggest threat to its chances is probably the USA, Korea can point to its co-hosting of 2002, the rising power of its national football team, its infrastructure and the opportunity to leave a legacy within Asia. Chung Mong-joon summed this up recently when he



said: "When FIFA decides the host, members consider economic value, social infrastructure, climate and so on. But the most important factor is what kind of legacy is generated. If the World Cup is held in Korea, it will support world football and promote peace and prosperity in East Asia. It could be a splendid legacy."

That message certainly seems to be resonating with FIFA, which sent an inspection team to South Korea earlier this year.

Commenting on that trip, Harold Mayne-Nicholls, who is leading the FIFA delegation around the various bidding countries, said: "I was here for the 2002 World Cup. After eight years, I was able to see the legacy of the World Cup is not only the stadiums but seems to impact everybody in this country. Coming back to the stadiums, the maintenance gave us a good impression and the passion for the game seems to be growing every day."

While hosting either of these mega-events is by no means a given, it is factors like those which brought the IAAF to Daegu, the Asian Games to Incheon and also put South Korea on the Formula One circuit for the first time this season.

For Formula One, this is good news for a number of reasons. Firstly, because of the popularity of motor sports in Korea. Secondly, because it sits in a similar timezone to key territories such as China and Japan. Thirdly, because of the strength and influence of Korea's automotive industry (Hyundai and Kia for example). And finally, because Korean companies represent a rich new sponsorship opportunity for the Formula One circuit. Already this year, consumer electronics firm LG signed up as an official partner of Formula One and as a sponsor of the high-flying Red Bull F1 racing team. Such decisions were undoubtedly made easier by Formula One's debut in Korea.

### Protectionism Strong

So far, so good. But it would be wrong to portray South Korea in an overly simplistic fashion. Not to be ignored is the political uncertainty that comes with being next door to rogue state North Korea. It is also important to note that South Korea, like China and Japan, has a strong protectionist streak that can make it difficult to do business with.

If Korean sports bodies want to host your event, it is in safe hands. If the government wants to back investment in mobile and broadband, it gets done. If Korea's export-oriented conglomerates want to sponsor your sports property (FIFA World Cup, Formula One, Chelsea et al.) then you have a powerful and well-resourced ally. But if you're trying to force Korean executives to do something against their will, you may well encounter resistance.

The classic example of this is TV sports rights, which have proved hugely controversial in recent years. The background to this is that Korea's three main terrestrial broadcasters (KBS, SBS and MBC) have historically kept rights fees down by operating as a cartel in the case of flagship sports rights. However international sports rights holders with a strong fanbase in the country have worked hard in the last decade to get round this obstacle - arguing that this collaborative approach undervalues their assets.

The first to have some success was Major League Baseball (MLB), which opted to bypass the big three by working with Korean agency IB Sports to find new broadcasting outlets for its live content. However the watershed moment came in 2006 when the IOC managed to persuade SBS to break away from the terrestrial cartel and sign an exclusive deal for the four Olympic Games from 2010 to 2016 for a reported \$72.5 million. This rift between the broadcasters then deepened when SBS followed up with an exclusive (and reported \$130 million) deal for the rights for the 2010 and 2014 FIFA World Cups, a move that resulted in accusations of double-dealing and a series of bitter legal stand-offs.

SBS maintained that audiences got a better



## KOREA ON THE TEE

Golf is one of Korea's big growth areas - with an estimated five million people believed to participate in the sport. One company that has taken advantage of this is Parallel Media Group (PMG), which has been active in the Asian golf market since 1995 under chairman David Ciclitira. Today, says PMG International managing director Stewart Mison, it runs two major events in Korea - with a third at the planning stage.

PMG identified Korea as a dynamic growth opportunity for their business some years ago. The flagship PMG-run event is the European Tour, Asian Tour and KPGA-sanctioned Ballantine's Championship. In 2010 host broadcaster SBS ensured maximum coverage of the tournament was delivered with over 800 hours of coverage sent to around 50 countries worldwide.

The Scotch whisky brand-sponsored Ballantine's Championship has been held at the Pinx Golf Club on Jeju Island - but next year moves to the prestigious Blackstone Resort course near Seoul. Mison says the three years at Pinx have been a real success. But he believes the €2.2 million event will be better able to tap into Korea's corporate hospitality market once it has moved closer to Seoul. "Koreans are hard-

working people - you need to make events easily accessible."

Stakeholders seem happy, with Keith Waters, chief operating officer of the European Tour, adding that the move would raise the tournament's profile even higher: "The Ballantine's Championship has become firmly established as one of the premier events in the Asian region and this move to Blackstone, a world-class venue close to the capital Seoul, will further enhance the tournament's credentials."

PMG is also active in women's golf, having renewed the sponsorship for the Korean Ladies Masters - an event co-sanctioned by the Ladies European Tour - with Daishin Securities. Down the line, says Mison, PMG also expects to launch another women's event in to the calendar.

So what does it take to do business successfully in Korea? "The key is to prove that you are in it for the long term - because that's something Korean partners respect," says Mison. "I think David [Ciclitira] was very shrewd when he decided to invest in contemporary Korean art. The link may not be immediately obvious, but his interest in Korean culture, which has resulted in exhibitions in London and Singapore, and created a connection with the historically decision-making classes in Korea."



South Korea huddle at the 2002 World Cup - Getty Images Sport

deal as a result of its breakaway, in the shape of more hours of coverage and more diversity. But the political pressure on the broadcaster became too much this year, resulting in a new agreement between the three parties which will see them revert to their cartel.

In a joint statement released in September, KBS, MBC and SBS said they would share the broadcasting rights to popular sports events based on the principle of equality, concurrently airing sports events and sharing costs. It's too early to know what this means for sports rights holders - but there is clearly a risk of a downward correction in valuations for those properties that see free-to-air as a core part of their offering.

That said, the emergence of new players in the Korean media market may act as a counterbalance to the cartel's effectiveness. This, after all, is a market where cable, mobile and super high-speed broadband have all made massive strides in recent times. In July 2010, for example, the MLB signed its latest TV rights deal with OBS, a new broadcast channel that takes over from iTV - a station that was forced to close down when the Korean Broadcasting Commission refused to renew its permit. With a reach of 24 million homes around Gyeonggi Province, Incheon and Seoul, OBS could prove to be a valuable platform for the MLB - one of the strongest foreign sports properties in Korea.

#### LPGA following suit

Another international rights holder which has elected to move away from the big three is the Ladies Professional Golf Association (LPGA), which does well in Korea thanks to the strength of homegrown golfers on its circuit.

In 2009, it decided to end a 15-year relationship with SBS and sign a rights deal with J Golf, a subsidiary of JoongAng Daily News for the period 2010 to 2014. In doing so, the LPGA is reckoned to have upped its annual rights fee from \$2.25 million to \$4.5 million, according to *TV Sports Markets*, thanks to a deal by the IMG agency.

The decision to jettison SBS was something of a risk and has led to a legal battle between the two sides. Echoing the dispute within the KBS, MBC, SBS cartel, SBS says that the LPGA broke verbal commitments regarding rights renewals, as a result of which it held back money owed to the federation. The LPGA and IMG then filed a counterclaim for recovery of the sum.

Men's professional golf in Korea is a strong and growing sport in Korea (see box on page 60). But it too has been embroiled in commercial conflict this year. In February 2010, everything seemed to be going well when ESPN Star Sports signed a deal to air the OneAsia golf tour, a series of 11 events supported by the China Golf Association, the Korea Golf Tour, the Korea Professional Golf Association (KPGA) and the PGA of Australia.

But just a couple of months later South Korean golfers decided to boycott the event because of a perceived unfairness in the number of berths available to local players in three Korea-based OneAsia events. Having done so, the KPGA went on to complain about a "lack of consultation" on OneAsia's sponsorship strategy and its "nonsensical" approach to doing business.

In this highly-politicised and commercially complex atmosphere, it's perhaps no surprise to see that sports marketing agents like IMG have a key role to play in brokering new deal models and develop strategies for sports.

One of the more interesting agency players, mentioned earlier, is IB Sports, a Korean-based outfit which first came to prominence in 2005 following its deal with MLB. Subsequently, it achieved great exposure thanks to its relationship with Korea's young figure skating sensation Kim Yu-na.

Yu-Na has now parted company with IB. But the company has done a good job of diversifying its business, with senior vice president Yoon Seog-hwan saying that Yu-Na's contribution to overall earnings was no more than 10 per cent.

In the TV rights space, for example, IB has expanded into football, via representation deals with bodies such as the Asian Football Confederation and Italy's Serie A. In talent representation, it added a roster of footballers, golfers and martial artists. At the same time, it has established itself in the event space working with the Korean Olympic Committee (KOC), on the Incheon Asian Games and with Daegu on generating domestic sponsorship for the 2011 IAAF World Championships.

#### Domestic versus International

If there is one outstanding question, however, is how Korea's domestic sports franchises fare in comparison to their international counterparts. It's worth noting, for example, that interest in Korea's national football team (which includes a long-standing sponsorship deal with Nike) has not fully translated into support at a club level, where the K-League continues to struggle to run as a profitable enterprise.

With football fans tending to watch European Leagues, most of K-League's 15 clubs struggle to stay in the black. With average gates of just 12,500 and sporadic TV coverage, the league has been looking at ways to build support from the ground-up, with a lot of its revenue being ploughed into junior and school teams.

To succeed it probably needs greater support from the big corporate backers that spend most of their marketing dollars overseas. More support from Samsung, Hyundai, Kia and LG might help reverse the drain of top playing talent to European teams, with half of the national team squad playing in Europe.

### A UNIQUE GLOBAL CITY

For Incheon, the 2014 Asian Games is an opportunity to establish its identity on the international stage. Regarded by most as little more than an overflow of capital city Seoul, Incheon Organising Committee president Lee Yun-taek believes the games will demonstrate Incheon's "uniqueness as a global city."

The city has a lot to live up to after Doha 2006 and Guandong 2010. Indeed, Lee Yun-taek, a former president of the Korean Olympic Committee and co-chairman of the Korean World Cup Organising Committee in 2002, is hoping for something more than just a sport event. His ambition is for Incheon 2014 to be "a festival for all Asians. Asians takes up to two-thirds of the world's population and we have to deliberate on what Asia's identity is."

Part of Incheon's commitment is 'Vision 2014' - a programme to help athletes from countries that have not won medals by providing training grounds and know-how. A seven-year initiative with a \$20 million budget, 12 countries stand to benefit directly.

In terms of logistics, the main stadium in Incheon will be completed by June 2014 and has a budget of \$400 million to \$450 million. The stadium will have 72,000 seats, 40,000 of which are removable to be taken out after the 2014 Games are over. The athletes' village, meanwhile, will provide 4,500 rooms to accommodate around 20,000 visitors.