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Newsletter focused on audio/video/data conferencing Korean Conferencing Market Report January 2005

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Korea Conferencing Market Report Written by Keisuke Hashimoto, k@cna.jp

We have reported, as Asia Report series, conferencing markets of India, China, Taiwan, Thailand, Singapore, Hong Kong, Vietnam since early 2003. And in this report, we do a report on Korean market.

After visiting seven countries abovementioned, my impression is that these Asian countries share a common interest in video or it is a prevailed perception in these countries. And as opposed to that, western countries such as North America and Europe are places where people see audio conferencing more viable than video. However, it seems that Singapore and Hong Kong share a similar tendency in the usage of conferencing with the western countries.

Except China that surpassed Japan in video market, all these Asian countries that I covered in the Asia Report series are still at early stage of the conferencing adoption. However, with the advent of the wave of globalism propelled by economic growth, I assume that these countries will see rises in awareness in conferencing as business infrastructure to support their business activities.

In Vietnam, a company that I interviewed told me that they see the potential of conferencing tools will rise as they enjoy economic growth after joining WTO or World Trade Organization.

To wrap up the Asia Report Series, this time, I interviewed six Korean companies, five of which I visited in Seoul during January 17th to 20th, one another was by IP video after I came back to Japan, to get the bird's eye view of the trends in the market.

First and foremost, my impression is that Korea is really going ahead of others in the world in terms of IP broadband ubiquity. And I was surprised to know that telecom providers terminated BRI ISDN

services at the end of 2004, which I think is a reflection of again the ubiquity of IP broadband prevailed both at home and in offices. However, I heard that PRI services will be provided for awhile to support user requirements.

In Korea, IP video is quite a trend there. Depending on companies that I interviewed, they told me that 80% to 100% of end users companies in Korea are using IP for their video meetings. And of course, Korean government is a big user of video conferencing.

We saw a trend in Korea that IP video related services are coming in despite the fact that some are saying that the market adoption in Korea is slow like others.

KT and Hanaro Telecom initiated IP videophone services in Korea last autumn to penetrate into consumer video market.

And when you look at business video, telecom providers in the country will commence, sometime at the end of this year or the beginning of the next year, IP-VPN video service bundling video endpoint rental and network services. In addition, combined solution of mobile video and SIP phones and the like will be provided as service.

So that the bottom line is that lots of things are going on to pave a way for wider adoption of video conferencing in Korea.

And PC based web conferencing started to pick up in Korea as well.

Together with all of these, many in the country see that conferencing market will expand going forward.

In this report, I interviewed companies in the order of CXP, Modern High Technologies (WebEx partner), C&S Technologies, UHAN PRESEN (Aethra partner), Sony Korea, Polycom Korea.

CXP

<http://www.globiz21.co.kr>



Doo Mae Chun, President

Seoul based CXP is a Korean company established in December, 1999. CXP is formerly called as "Ohmylove" at its inception. The company develops consumer oriented video chat software dubbed, "Ohmylove" and business oriented software "Globiz21". The shareholders of CXP are such as Samsung Trading and KTF.

When we look at Japan, they have partners such as IBE, MessageOne, Fujitsu, Dentsu, IT Frontier, Hitachi Advance Digital. And Frepernetworks who is PC based video web conferencing service provider in Japan standardizes on Globiz21 for its ASP video service.

CXP released Globiz21 in February, 2000 when not so many PC based videoconferencing solutions were around as opposed to hardware video conferencing products.

Therefore, they came up with an idea of Globiz21 that is easy to install and manage on a day to day operation while the software meets the business requirements. And Globiz21 is among such PC based video system leveraging ActiveX technology. When it comes to the naming of Globiz21, according to CXP, they wanted to convey an implicit message by the name such as "global business in the Internet Age", "21st Century" that implies "being advanced and sophisticated".

With regard to the software itself, Globiz21 supports up to 4, 7, 13, 16, 25 participants in a conference depending on customer requirements. And the software is customizable in that regard that accommodates up to 300 participants in a single conference. And of course, you can hear and see your member participants in a

conference availed by video and audio capability and it comes with features such as data sharing, white-boarding, chatting, message forwarding along with some particular specialized features associated with conference host. However, the software is quite easy to operate, and network friendly with simple user interface.

When it comes to installation issue, end users do not have to purchase new hardware server to install the software so that they can protect their hitherto investment in servers. And they can deploy the software in end user organizations without costly investment.

Globiz21 has "standard" and "enterprise" editions. CXP developed standard edition in the first place followed by "enterprise". What are the differences?

Both editions share the same basic features such as mentioned above. However, in the enterprise edition, they added recording and viewing feature as enhancement to the standard edition. Also, they support multi-language user interface such as Japanese, Korean, English, and Chinese to meet various user requirements.

Video codec used in the Globiz21 is "APC" developed by KDDI and it is currently implemented in the software. However, as H.264 is coming into the mainstream, they are planning to implement H.264 as well in addition to APC.

Added to H.264 as future plan of their development, they plan to develop various modules to enhance features for Globiz21.

Who has deployed Globiz21? Looking at Japan, electric store chain Kojima Denki purchased the Globiz21 in a customizable mode and installed the software at 250 locations scattered around the country for internal meeting and training.

And Yansen Pharmer, a pharmaceutical company has 700 medical sales staff who are using Globiz21 for internal meetings and thereby slashed costs amounting to 230 million Japanese Yen or 2.2 million USD on a yearly basis.

Others are companies such as securities, power supply, universities, municipal governments.

In Korea, a large auto company is using this Globiz21 at 23 sales and 1,200 auto repairing centers

nationwide.

They are trying to enhance communications among employees and partners for internal meetings and trainings.

In addition, telecom, electric appliances, painting, police, government, schools are their major users of Globiz21.

At this moment, for their international business, Japan is the largest for them. "Japan is certainly the largest market as of today for us. However, we are planning to expand our business into North America and Europe as the next new markets for us". According to CXP CEO Doo Mae Chun.

Mr. Doo Mae Chun studied in France during when he was a collage student and came back to Korea to develop a program tailored for English language education in 1994. After that, in 1996-1997, He developed "LoveHunt", JAVA based chat program.



Globiz21

In 1999, when the Internet became ubiquitous, popular, and used by many, he came up with an idea of "Ohmylove" video chat software followed by a launch of a company with the same name.

According to CEO, Ohmylove had a huge traction from the market. In one month from its software release, the user number reached 300,000, in three months, one million. And by November 2001, the user number reached seven million.

According to Mr. Doo Mae Chun, "Before video chat came in, text chat was quite popular and used by many people. However, text chat has its own limitation. As opposed to that, video chat allows users to reconnect

with your friends or family sharing intimate feelings or has power to make personal relations closer than text chat despite the location where you are. The reconnection could take place via video chat listening to dialects spoken by your friends or families at a distant, music played along the video chat, etc.. was popular especially among the young."

Since this video chat "culture" penetrated deep into the young generation, they got lots of news media coverage on our Ohmylove video chat software, which help them increase the market awareness towards video chatting. And also through grapevine or the word of mouth, it helped video chat to be popular communication tool among the young people. According to CEO Doo Mae Chun, there are now in Korea dozens of companies selling video chat software.

It probably means that the young people do not think that text chatting is enough to satisfy their communications needs. But they already have had "text chatting culture". And it help them smoothly migrate into video chatting, that took place at the rapid pace.

Mr. Doo Mae Chun continues," When people graduate from schools, they will make new friends though various meetings. It could be a party, or introduction from your office colleagues or friends or relatives. However, it has the physical and geographical limitation. Through communication tools such as video chat has changed the way we get to know, interact with, share information or knowledge with other people. I know that some people have got married by getting to know each other by video chat."

While most people are using video chatting in a "sound" way, some others like teenagers are using it in a negative way. Mr. Doo Mae Chun says, "The video chatting as I view it has both sides of a coin like the Internet. It may be a good thing on one side, but the other side has the negative aspect such as in this case, online pornography kind of thing. It is our urgent issue for video chat industry in Korea to tackle this problem that has haunted us in the past since the dawn of video chat usage."

Five leading video chat software makers including CXP are now closely working in concerted way to eradicate emerging porno-oriented usage prevailing

among the young. Some of the issues that they are currently discussing are verification of video chat user, financial damage caused by this wrongdoing in the video chatting usage. They are trying to find a better way to track the video chat users and their usage records, and also preventing spoofing etc..

However, dozens of companies are trying to do business in this video chat market, some companies are trying to make profits out of doing "negative things" on the video chatting business. However, the video chat industry is trying to address the issues and also to work together with government to make appropriate laws to make such "illegitimate acts" strictly enforced.

Modern High Technologies

<http://www.okmodern.com>



Mr. Michael Kim, President

Modern High Technologies was found in 1992 with 15 employees and 1.9 million USD on yearly revenue. The company is a partner for WebEx in Korea.

Besides WebEx business in Korea, the company's main business is focused on CAD software business that is used for design for optical lens, electronics, and clothes. And they sell solutions combining WebEx's online meeting capability coupled with CAD software that they develop.

The company is located in an area of Seoul that is called, "Silicon Valley" of Seoul. The area used to be where many factories used to be there, but many of them were now been shut down and torn down to build High Tech office district in Seoul.

While in Seoul, I visited the company and interviewed President Michael Km.

He graduated from a university as electronics computing major, and found his company in 1991 under the name of "Modern Technologies", which was later changed to "Modern High Technologies" as its current name of the company.

The company provides engineering services to companies such as large electronics giants, optical makers in Korea. In Korea, optical related business whose technology is used in areas such as video, CD, and LCD are rapidly expanding year by year. And along with the expanding business trend, as for CAD software for optical lens designing, they sold more than 200 licenses to date and many electronics companies in Korea are using their CAD software for electronics designing. Also, they have sold their CAD software to Japanese companies as well. In optical lens industry, Mr. Michael Kim is well-known as a pioneer.

Added to their own CAD software, they also handle US born CAD software, but many in Korean are using their CAD software.

As for fashion industry, Modern High Technologies has provided CAD software dubbed,"SPD-Look" since 2001. Up to now, they have sold more than 400 licenses shipped the software to Hong Kong and China as well.

Main business pillar for Modern High Technologies since its inception has been CAD software development. Why are they looking at online meeting? It is because it looks quite a different business from CAD software. Mr. Michael Kim answers," I had a particular interest in online business and ASP business model because I

온라인 디자인기획및 상담



have had a feeling that in the near future, all the software package will be delivered based on ASP

business so that end users basically will not own software on their local PCs. And I felt that, through day to day sales travel routines, I have been wasting time and cost associated with travel, which could have been otherwise used for more productive and effective work. Therefore, I thought that ASP based online meetings will become the mainstream in the near future. And I learned from my partner in Japan that there were online meeting services by WebEx. Then, I contacted WebEx and our company became WebEx's partner in Korea. Currently WebEx Hong Kong is providing support to us in Korea.

WebEx is planning to launch its own office some time in the near future in Korea. However, Modern High Technologies has been in a way, a liaison for WebEx business in Korea. And as said, WebEx Hong Kong is responsible for Korea market. And WebEx Japan is basically responsible only for Japan market.

WebEx together with Modern High Technology started WebEx services for Korean market in October 2003. Initially, four people in Modern High Technology worked on marketing, sales, and technical support tasks and as the result, they could gain 18 corporate users.

From this year, 2005, they changed how to conduct sales business. In Modern High Technology, they assigned WebEx services staff for each of their optical, electronic engineering, and fashion groups to work on and deliver combined solution of CAD and WebEx services. And by this, each group can provide a whole sales cycle starting from initial sales presentation, demonstration, end user training, technical & customer support.

Of course, customers can just purchase CAD software, or WebEx services or combined solution of both.

In this interview, I asked Mr. Michael Kim to provide our readers with some case studies relevant to the combined solution optimized for fashion, electronic engineering, and optical.

As for the combined solution tailored for fashion, Modern High Technology offers SPD-Look Online Software design solution combining SPD-Look CAD software with WebEx online meeting services.

A fashion designing company has its headquarters in Pusan and has its design department in Seoul is one

that is benefiting from using this combined solution. Employees of the company frequently travel to China as their main business is in China and their contracted factory is there. They use the SPD-look fashion CAD coupled with WebEx online meeting services for design meeting connecting the China factory and design department in Seoul, or for meetings in which design department staff get approval from headquarters in Pusan for such as releasing date for new products.

When you look at electronic engineering application, a large heavy industries company that design and assemble large ships in its dockyard. Their headquarters is located in Seoul; dockyards in Ulsan and Pusan. They use the combined solution to have remote collaborative meetings sharing CAD designs enabled by the combined solution of CAD software and WebEx online meetings.

As for optical application, a leading Korean electronics company is using the combined solution enabling remote online meetings connecting semiconductor R&D department, factory, and suppliers as they are located nationwide. Until Modern High Technologies proposed to them to use the combined solution, the company's employees used to travel a lot physically between R&D and factory for product development meetings. However, with the CAD software and WebEx online meetings, they can now hold collaborative and interactive meetings more effectively over long distances.

According to Mr. Michael Kim of the company, "WebEx itself is providing online meetings services such as Meeting Center, Support Center, Training Center, Event Center on a global market, however, due to the characteristics of local Korean market, currently Modern High Technology sees Meeting Center and Support Center are more suitable for the local market. We have a customer using WebEx online services, who is using currently 10 ports may expand it to 120 ports depending on the outcome of their internal usage. And we know end users who are choosing web conferencing rather than conventional videoconferencing because they see data and application sharing capability is easier in web conferencing than in videoconferencing."

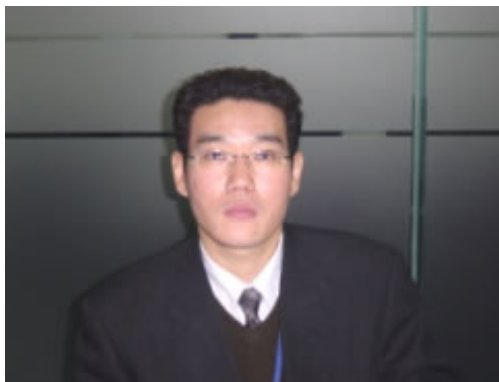
As far as I talk to people in Korea, how they view

meetings in a company is almost the same. They put higher importance on in-person meetings.

Those who understand the benefits of online meetings are mainly large companies who operate globally. Therefore, Mr. Michael Kim thinks that the conferencing industry in Korea needs to do some activities to increase awareness in the market. Therefore, people will start recognizing the benefit of online meetings and hopefully start using it on a daily basis as their workflow enhancement tool. He plans to organize some seminars in Seoul some time in the near future.

C&S Technologies

<http://www.cnstec.com>



Kyoung Dong Park, Sales Manager

C&S Technologies was found in August 1993 by Seung-mo Seo who headed semiconductor development team in Samsung Electronics. C&S Technologies develops products such as video/audio processors in semiconductor department; SIP& H.323 videophones and remote surveillance system in system integration department. They have achievements in the development of chips that are used in receivers of Digital Multimedia Broadcasting equipment.

C&S Technologies 64 employees engaged in the R&D section with 40 employees working for its subsidiary called, C&S Network, and also, C&S Network that is responsible for manufacturing. The company has been traded on KOSDAQ since August 2000 and they have partners like Kin Mirai Tusin in Tokyo.

They company is currently developing Vizfone videophones that are SIP and H.323 interoperable. As

product line-up, low end videophones starting from CIP-4500 to standard CIP-5000, and high end CIP-6000 that they are working on now.

Depending on the models, specification of each model varies, however, basically all models are operable in IP and PSTN networks and it supports SIP and H.323 as mentioned. And all models support external audio and video input/output IrDA, RS-232C, and USB port with CHTML and HTML browsing capability. And they develop wireless LAN capability for high end videophones.

According to Mr. Kyoung Dong Park, Japan sales manager, "We develop IP videophones based on our core technology all the way from embedded chips to manufacturing of each videophone. And we have know-how in mass production, and have easy to customize videophones with various models is our advantage over our competitors in the market. We have conducted interoperability testing with other videoconferencing endpoints, gateway, gatekeeper, MCUs from various vendors in the market."

Last fall, in Korea, KT and Hanaro Telecom respectively started IP videophone services; "Allup Prime" for KT and "Digital visual phone service" for Hanaro Telecom as consumer broadband services. In Hanaro's videophone service, CIP-4500/5000videophones are ones that are only officially approved terminals for their service.

They have two chips that are available on the market today and the chips are used for IP videophones and remote surveillance system. They have One Chip multimedia processor "Jupiter", and "Uranus" that supports MPEG4.



Mr. Kypung Dong Park says, "Before Jupiter, it used to process audio and video respectively on two separate chips. But now it is done on a single chip. We support MPEG4 on Uranus chip, however, we plan to implement H.264 in the near future."

Jupiter is used for CIP-4500/5000/5500 videophones currently available on the market. Uranus chip will be implemented on high end CIP-6000 videophone under being developed.

Information provided by C&S for CNA Report Japan

KT visual telephone service Allup Prime	The service launched: November 16 th ,2004 Next generation multimedia services that support video chat and videoconferencing, chatting, on-line lecturing, email messaging. 4000KWON for installation, 1000KWON for monthly usage charge, 30KWON per minute
Hanaro Telecom visual telephone service Digital Visual Telephone services	The service launched: October 18 th ,2004 3000KWON per month, 90KWON per 3 minutes C&S' CIP-4500/5000 are officially approved terminals used for this service.

UHAN PRESEN

<http://www.u-presen.co.kr>



Mr. Ko, Jin Hyu

UHAN PRESEN is a company established in 1994

and is based in Seoul offering solutions such as videoconferencing, e-learning, audio and visual equipment system integration. President of the company is Sin Jung Sic. The number of employee is about 20.

UHAN PRESEN is currently offering Aethra's videoconferencing system for Korean market and also provides integrated solution combining audio & visual and videoconferencing system.

This company did a name change last year from U-HAN MEDIA to U-HAN PRESEN and then made a reseller agreement to sell Aethra's videoconferencing system in Korea.

In this interview, I talked with Mr. Ko, Jin Hyun(pictured left bottom) who is responsible for video products sales. This one hour interview was done by IP video connecting between his office in Seoul and mine in

Funabashi, near Tokyo. IP video connection was stable and quite good both in terms of video and audio quality even though the connection was over the public Internet.

I really wanted to meet them while I was in Seoul but I could not have a chance to do it so it was an interview done over IP video. This interview was arranged by the courtesy of Felix Tan who is based in Aethra Hong Kong.

With regard to video



conferencing business, UHAN PRESEN takes care of system design to installation on the customer premises based on customer requirements.

As for solutions for education, they offer PRESEN WINNER or remote education solution. Added to that, they also offer internet broadcast system, document conferencing system, integrated audio& visual system that can be installed at conference rooms, movie theaters, outdoor theaters, athletic facilities. And last year, they partnered with Aethra to deliver not only videoconferencing system, but also deliver integrated solution combining AV system and videoconferencing system.

With regard to partnership with Aethra, Mr. Ko, Jin Hyun says, "We think that Aethra's products are good in terms of cost performance related to capability and functionality as opposed to pricing. So we also think that Aethra products are good ones for us to offer to our customers."

I asked him a question regarding how people in Korea are using videoconferencing. He told me that even though there were some users who have ISDN videoconferencing at 384kbps or using satellite for videoconferencing, it was safe to say that many are using IP video as well."

At the end of December last year, Korea's telecom providers terminated ISDN services as ISDN demand has been diminishing so rapidly in the country.

So sooner or later, ISDN services could become virtually zero subscriber in the near future. Demand for IP network is rapidly expanding as market and it will penetrate into many Korean companies.

As for Korea's video market according to Mr. Ko, Jin Hyun, the number has reached 4 million USD, and this number is forecasted to reach 10 million in 2005. He did not disclose the source that supports these numbers, however.

Since UHAN PRESEN partnered with Aethra last year, they have sold products to the Korea Military Services, Korea Air Forces, and when you look at commercial sector, Texas Instruments Korea, USENTECH have purchased Aethra's products from UHAN PRESEN.

The Korea Military Services deployed Vega Star set top video system at Daejeon Center and 20 military

locations for exchange of military information and for order from the commander in chief. And Korea Air Forces deployed Vega Star Gold at the headquarters in Korea and Korean troops in Kuwait now carry two sets of portable video system Voyager using videoconferencing for reporting to the headquarters and to give orders from the commander at the headquarters to the troops in Kuwait.

Sony Korea

<http://www.sony.co.kr>



Mr. Izumi Sugibayashi, Team Leader/Vice General Manager

Sony Korea's office is located in a tall building in Samsung business district in Seoul, housing tenants like Sony and other major international companies.

For this interview, Sony Korea's Izumi Sugibayashi vice general manager sat down with me for more than one hour to talk about what Sony in terms of video business is doing in this country.

Mr. Izumi Sugibayashi has been in Korea for the past four years and feels that Korean economy has been rapidly expanding to have reached 10,000USD per capita GDP and the Korean government announced recently that the government has set a target to reach 20,000USD per capita GDP in the near future.

Mr. Sugibayashi is responsible for marketing and sales of products for business users such as of course, videoconferencing system as well as broadcasting equipment.

He points out that while in Japan, Sony Marketing Inc. takes care of marketing and sales of Sony products, Sony offices in other countries will play a role similar to that of Sony Marketing in Japan.

The first thing that he talked about in the interview was that high penetration rate in broadband. Why? One

thing is that population density is quite high in this country and there are many people who live in apartment areas. And in addition, not only consumers are broadband users, but also companies in Korea are rapidly migrating to IP broadband infrastructure for data communications, which all of these put Korea at the forefront of global broadband trend.

As a result, in Korea, telecom providers such as KT put an end to its ISDN services. In most cases, when it comes to videoconferencing, IP is the norm.

One example is that the building that houses Sony Korea has optical fibers installed all over, and the tenants can make the use of the optical fibers for broadband connectivity.



In Korea, according to Mr. Sugibayashi, ISDN is widely used for videoconferencing. However, telecom cost was expensive so that it had a limited market demand except demand from government sector. But things have changed since the advent of broadband services, people have started to see IP videoconferencing as viable tool because of the flat rate availed by the broadband services that can keep the cost as minimum as possible from end user perspective.

The same as in Japan, in Korea, the most popular video product among PCS videoconferencing system series is PCS-1 according to Sony Korea. However, they had some opportunities to sell PCS-TL50 to SOHO users.

I asked Mr. Sugibayashi, "What is the strength of Sony in the market?" He answered, "Sony's advantage lies in the fact that Sony has broad spectrum of best of breed products and system solutions ranging from AV,

videoconferencing, to broadcasting system, which meets various market needs. Therefore, we can combine all of these respective products on our portfolio to deliver an integrated solution to a customer in a way that suits the customer's requirement. Added to that, we have global service network to enable and support the solution delivery. That is where our core strength is."

Mr. Sugibayashi told me some case studies during the interview, and they are as follows.

The first case study is that a construction company in Korea who is using IP monitoring system together with IP videoconferencing system. They installed the IP monitoring system at their construction sites with IP videoconferencing system at their headquarters to see how work is done and is progressing according to a plan.



The next one is that a software company whose headquarters are in Seoul and software development team in the island of Jeju. They use IP videoconferencing system connecting their head office staff in Seoul and engineers in Jeju in order to enhance workflow process associated with software development.

The third one is related to educational application related to medical area. IP videoconferencing shows surgery operation to a distant doctors or medical students as part of medical education. Sony's videoconferencing system is used in this case as well.

With regard to the size of the Korean market, Mr. Sugihara points out the fact that in Korea, there is not a market report specifically dealing with conferencing area. However, his speculation is that there are 1,500 videoconferencing units shipped yearly in this country.

And Sony itself is wants to gain more stronghold and is trying to grasp some more shares in the video market as many of ISDN based videoconferencing endpoints are recently becoming obsolete and need to be replaced by new models that accommodate the recent advent of IP broadband ubiquity.

As far as I talk to any Sony people, they say in chorus that Sony's corporate image is more or less supplier of consumer electronic appliances that is widely accepted perception in the market. And it has ironically weakened the perceived corporate image of Sony as videoconferencing vendor. Sony seems to me that the company wants to turn that around as far as video conferencing business is concerned.

Mr. Sugihara also talked about his view on companies in Korea. "Korean companies make decisions on "top-down basis" and they are very flexible in new dynamic corporate environments. And their adaptability to new technologies is thereby positive and very high. This is because they have so many new born companies are coming into business. Therefore, we see that IT spending including videoconferencing in this country will be very positive going forward."

He showed me some data that indicates the fact that so many new born companies launched in this country in recent years (This data is compiled by Seoul University of Art).

The data says that there are 2.14 million companies registered in this country in 2001. Top 100 large companies in 1965, who have survived after 30 years in 1995 are just 15 of them. The rise and fall of great "corporate" powers are absolutely applicable here.

Going forward. Regarding their video business, they are trying to cultivate potential demand in Christian churches scattered nationwide. Just in Seoul, there are more than 50,000 churches as it is evidenced by the fact that 24% of the total population in the country is followers of Christianity. (Data based on Ministry of Foreign Affairs in Tokyo) The churches are broadcasting followers' meetings to local branches that are located at distant places. They see this is an untapped market for their video business.

Polycom Korea

<http://www.polycom-korea.co.kr/>



Ah Ri Kim, Marketing administrator(left), Sukjoon Choi, Sales Manager

Polycom Korea was opened in November 2003 in Seoul. Polycom Korea itself has marketing and sales support functions to facilitate reseller partners' business in this country when delivering Polycom products and solutions to the market. Polycom has a commanding position in the conferencing market which is more than 80%.

Right now in Korea, they have six reseller partners who sell Polycom products. Currently they are conducting reorganizations with regard to partnership structure. However, they work with KPCOM, CPS Technologies, and Sanyang Data System who are major partners for Polycom.

Among them, the largest partner is KPCOM. KPCOM is not only selling Polycom products but also offers audio bridging services.

While KPCOM takes comprehensive approaches in sales of Polycom products including audio endpoints like SoundStation, CPS Technologies and Sanyang Data System are more focused on video endpoints and network infrastructure products.

Polycom Korea has contracted with three large telecommunications services providers. Among them was the one with a leading network service provider who have business plan to not only sell Polycom products but also provide IP-VPN videoconferencing services bundled with Polycom products starting 2006.

This is among the most important business partnership for Polycom Korea. I am not allowed to disclose the name of the network service provider in

this Korea report.

Currently this service provider is providing trial services to its group companies to see how commercial services can be implemented and provided from both business and technical aspects and getting feedback from the users to be reflected in the future roll-out of the services slated to be in 2006.

The planned services will be flat rate monthly charge basis by which end users will pay monthly rental fee of Polycom endpoints together with network usage fee. In addition to video service, VoIP service will also be provided.

There is another ongoing project in which Polycom Korea is working with a large mobile operator in Korea. With this project, what they are trying to do and aiming at is to implement 3G W-CDMA services enabling mobile videophone communications regardless of the network differences.

In this planned services, they will offer not only point-to-point video communications service having conventional IP videophones and W-CDMA mobile videophones in a mix mode, but also multipoint bridging service that allows up to 16 simultaneous participants with continuous presence.

Enabling technology that is working behind all of this is Polycom's network infrastructure products such as MGC multipoint bridging unit, gateway that provides protocol conversion between SIP and H.324M. H.324M is video enabling technology implemented in W-CDMA mobile phones.

Why SIP? SIP is a technological trend and is already implemented in the mobile operator's IP network infrastructure. Therefore, IP videophones will be operable on SIP protocol.

According to Polycom Korea, Polycom MGC was the top MCU compared with other MCUs sold by other vendors on BMT benchmark test in October 2004. By this result, the mobile operator selected Polycom MGC for their service enabling standard infrastructure technology.

Currently they are conducting series of test such as equipment, interoperability etc. to get ready for the commercial launch planned in the near future. Polycom Korea says that testing is going good and they are quite

confident about the future roll-out.



Another case study is that a telecom related company in Korea tested various video products on the market before actually decided on Polycom's. The company installed VSX7000s on each floor of a building that houses the company, together with MCUs. Executives



of the company are using VSX3000.

The company has the employees of more than 2,000 and has mainly utilized instant messenger to facilitate internal communications among them. So Polycom offered a solution to them to enhance the quality of the internal communications, thereby, the company is now test-driving WebOffice integrated with Polycom PVX on a large scale extending to the employees of more than 2,000. If they evaluate the integrated solution in a favorable manner resulting in purchase order, this could become one of the largest case studies in Polycom Korea.

Regarding the case studies, there is no particular vertical market that shows strong adoption of conferencing, however, case studies can be found in various end users from various sectors of the economy where many are using Polycom products.

In this opportunity, Polycom Korea has introduced to

me some interesting case studies that are found in Korea market.

Korea government is one of the largest users of video conferencing and most provincial offices are using Polycom's video products.

Turning to the education sector, Hankuk National Open University is using Polycom's videoconferencing product in their distant learning curriculum offered to working people. They work during the daytime and study online or by television broadcast during the spare time. And they have satellite classrooms at 17 locations in Korea. Each student goes to nearby satellite classroom and to attend classes via video lectured by professors at the university.

This case study is quite well-known in Korea and many other collages try to apply the video technology to their distant learning purposes.

Also, they connect campuses via video technology having professors at one campus and students at another.

There is a case study relevant to distant learning connecting Korea and Japan having lecturers located in either Japan or Korea delivering curriculum.

As for fashion industry, one company whose headquarters in Korea have factories in China, Vietnam, and Sri Lanka having all of the locations connected over video in order to have meetings for designing, color matching, etc.. to enhance productivity and time-to-market requirement.

Medical sector. One of the largest hospitals in Korea is now benefiting from the use of videoconferencing. Now doctors talk to their patients via video to perform medical check-up resulting in alleviation of patients' fear or anxiety caused by physical isolation from doctors.

Gyeonggi Provincial Fire and Disaster Headquarters has purchased 2 MGC-100, four iPower970, 31 iPower680 at their locations in the Gyeonggi area to have effective communications among fire departments in case of fire caused disaster. They now have plan to extend the use of videoconferencing up to 129 locations based on an expansion plan.

Now talking about Korean market according to Polycom Korea, the revenue for the last year's video market including monitors and related products

amounted to 35 million USD. And they expect the market to grow up to 100million USD in four years.

Import tax levied on conferencing products coming into Korea is zero percent. And type approval is governed by MIC whose Japanese counterpart is JATE.

As far as I talked to Polycom Korea people, they predict that PSTN will disappear and migrate to IP in ten years. By this, Polycom Korea is now trying to forge cooperative relations and join forces with telecom carriers in order to deliver IP centric solutions or services.

In Korea, telecom carriers terminated BRI services last December which may be an implicit turning point that shows that demand for ISDN has diminished and the market is seeing the advent of IP that is prevailing rapidly among residential and business users.

BRI service is not really a profit center business any more for telecom carriers and as a result they put an end to BRI service. However, PRI service is still generating revenue for telecom carriers. Therefore, they, for a foreseeable future, will continue delivering the service to their customers and hitherto BRI users have to either abandon the service or switch to PRI service resulted from the termination. Broadband is what is all behind.

Propelled by the changing circumstances, end users are switching from ISDN based video to IP whose pace has been quite rapid. Polycom Korea sees that more than 80% are using IP whereas the rests are ISDN in most cases. Users who are using IP have installed dedicated lines into their offices by which they conduct videoconferencing for their meetings.

When you look at SOHO or medium or small companies are using ADSL services that give you static IP addresses that is convenient or sometimes indispensable for IP videoconferencing.(End)

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