



Bridging the 5014 km gap between India & South Korea



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Foreword



Trade and economic relations between India and the Republic of Korea(Korea) have gathered momentum in recent years with annual bilateral trade reaching \$21.5 billion in 2018, crossing the \$20billion mark for the first time. Bilateral trade in Jan - Nov 2019 recorded \$19.05 billion. During President Jae-in Moon's visit to India in July 2018, it was agreed that India and South Korea would work to leverage opportunities arising from complementation and work to increase bilateral trade to \$ 50 Billion by 2030. We are constantly driving to strengthen trade and economic ties.

Understanding the cultural gaps and business practices between India and South Korea is essential for Indian and Korean business persons to succeed in these two complex markets and societies. I am sure this report will be of relevance to business enterprises in India and South Korea. I wish you all the very best.

H. E. Sripriya Ranganathan

Ambassador of India to Republic of Korea

Introduction



THE GAIN is a global accelerator based in Bangalore, India with a vision to enable cross-border collaboration for startups. THE GAIN has been working closely with the South Korean startup ecosystem over the past couple of years. Both markets are not easy to access for foreign entrepreneurs. Hence, We felt the need of a reference guide to bridge the cultural gap and enable stronger business collaboration between the two countries, especially at the startup level. This white paper, “Bridging the 5014 km gap between India & South Korea”, addresses the areas of growth, business collaboration and cultural practices in the two countries.

We would like to acknowledge the efforts of several individuals in the creation of this paper. Firstly, our thanks to the Indian Embassy to Republic of Korea under the leadership of Ambassador H. E. Sripriya Ranganathan for their guidance and continued support.

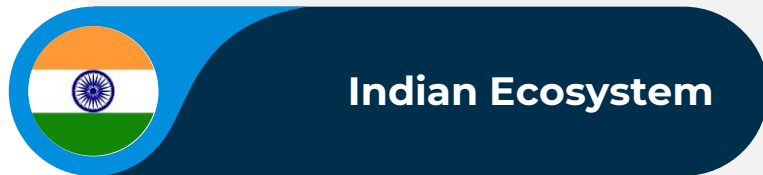
We would like to thank Dharmik Sai Mikkilineni, Korea Country Manager at THE GAIN, Pratham Bhat, Management Intern at THE GAIN & MBA student at T A Pai Management Institute, Prof. Dr Anirban Ghatak, Institute of Management, Christ University along with MBA students Arkaprabha Das, Rida Ahmed & Lopamudra Dash, who have all played a role in creating the white paper.

Poornima Shenoy

Co-Founder, THE GAIN

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1. Startup Ecosystem Overview



- **39,000+** Active Startups¹
- **24** Unicorns²
- **335+** Accelerators & Incubators²
- **192** Venture Capital (VC)* Firms³
- **13,045** IPRs granted in 2018⁴
- **\$11 Billion** investment raised by startups in 2018⁵

Note: All \$ are US Dollars



- **36,000+** Startups⁶
- **11** Unicorns⁷
- **47+** Accelerators & Incubators⁸
- **165** Venture Capital (VC)** Firms⁹
- **119,012 IPRs** granted in 2018¹⁰
- **\$2.9 Billion** investment raised by startups in 2018⁹

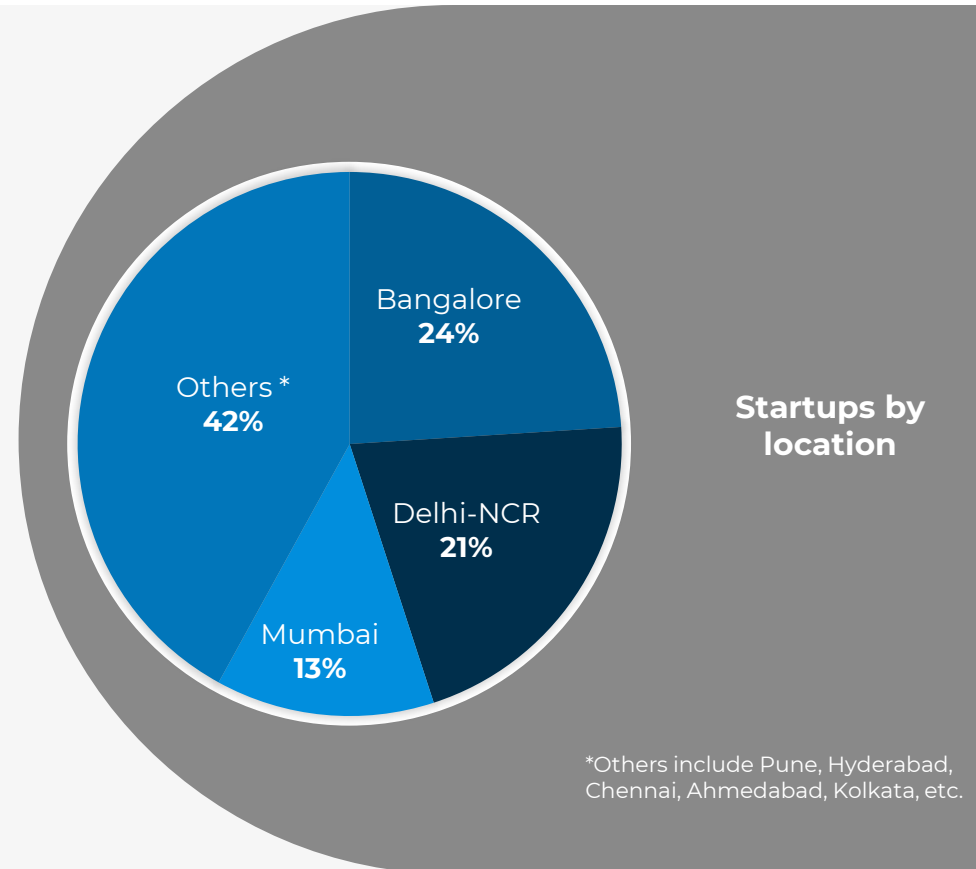
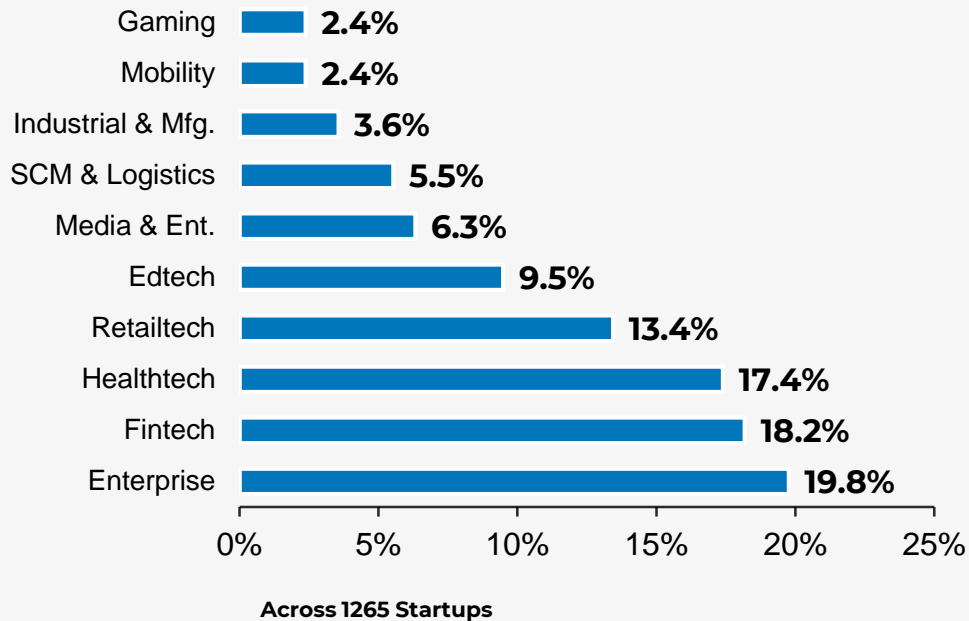
* Domestic VC firms listed with SEBI, India

** Domestic VC firms listed with KVCA, South Korea

Sources: 1- [Inc42](#) 2- [NASSCOM, India](#) 3- [SEBI, Govt. of India](#) 4- [IP India report](#) 5- [Inc42](#) 6- Seoul Startup Ecosystem At a Glance 2019 by Economic Policy Office, SMG, South Korea; [Innovation South Korea](#) 7- [CB Insights](#) 8- [Tracxn – Investor List, South Korea](#) 9- [Korea Venture Capital Association, South Korea](#) 10- [WIPO](#)

2.1 Indian Investment Landscape

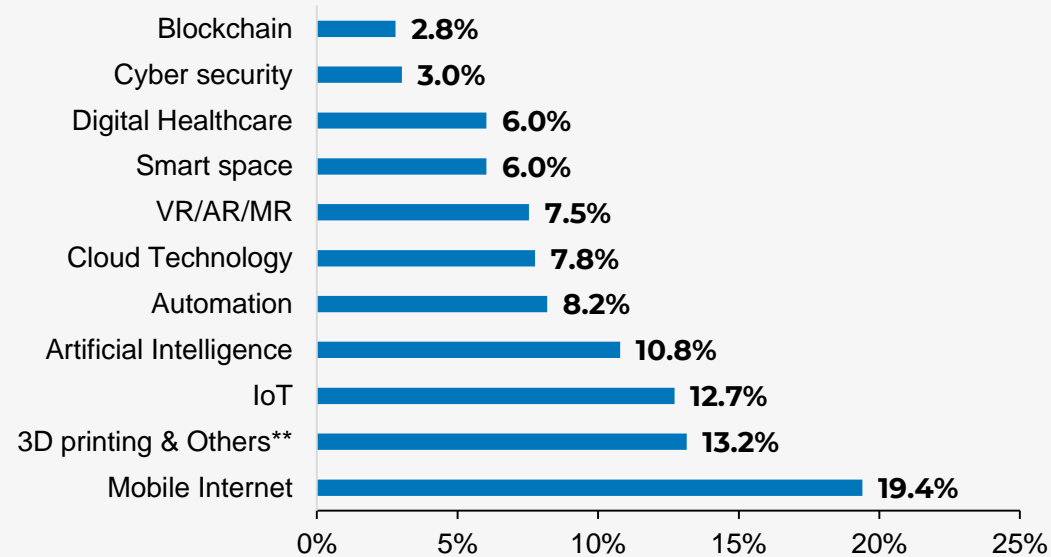
Sector wise startups funded (%) from 2014-2019



India has seen a growth in technology startups which use AI, IoT, Data Analytics and AR/VR

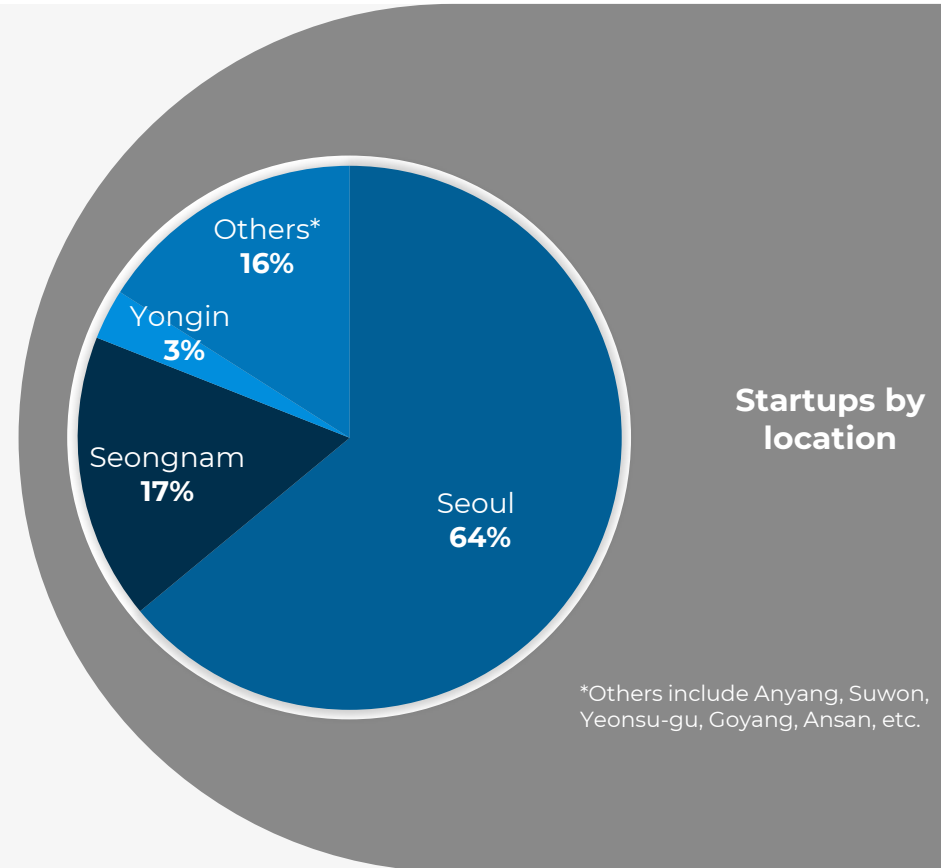
2.2 South Korean Investment Landscape

Major investment themes for 2019



Across 464 Startups

** renewable energy, advanced materials & others



*Others include Anyang, Suwon, Yeonsu-gu, Goyang, Ansan, etc.



Digital & ICT technology startups continue to lead the way for innovation in South Korea

3.1 Indian Business Landscape

Some key sectors



E-commerce¹

- India is the fastest growing E-commerce market globally at **30% CAGR** till 2026
- India's E-commerce market to reach **\$200 Billion** by 2026
- Walmart's acquisition of Flipkart for **\$16 Billion** has opened up entry into the India market



Fintech²

- India is Asia's leading fintech funding target market with **\$286 Million** across 29 deals in Q1 of 2019
- India is ranked the **3rd largest** fintech ecosystem globally
- India's projected fintech transaction value will be **\$137.8 Billion** by 2023; growing at ~ **20% CAGR** from 2019



Healthcare³

- India's healthcare market will be **\$372 Billion** by 2022
- Telemedicine is legal in India and a fast emerging segment having seen **20% CAGR** during 2016-2020
- India has the world's largest government funded health scheme - Ayushman Bharat with **121 Million** health cards issued as of February 2020^{3,1}

3.2 South Korean Business Landscape

Some key sectors



E-commerce¹

- **5th largest** E-commerce market in the world^{1.1}
- Internet penetration of ~ **93%** and highest average internet connection speed globally^{1.2}
- **61.5%** of E-commerce sales happen on mobile devices^{1.3}



Information & Communications Technology (ICT)²

- **Global leader** in semiconductor, mobile phone and 5G industries
- **Ranked #4** in digital transformation index & **#2** in industry connectivity index in Asia in 2018^{2.1}
- Setup a national artificial intelligence (AI) strategy with **\$1.95 Billion** investment plan by 2022^{2.2}



Gaming³

- South Korea's gaming industry is the **4th largest** in the world
- **\$5.6 Billion** in revenue in 2018 with ~ **29 Million** players
- In 2018, Bluehole raised **\$500 Million** to become a unicorn. In 2017, Netmarble raised **\$2.3 Billion** via the country's **2nd** largest IPO

3.3 Government Initiatives In India For Indian Companies

India is the **2nd** largest economy globally in terms of population as of 2019 (**1.37 billion+**)¹

India is the **5th** largest economy globally in terms of nominal GDP as of 2019 (**\$2.94 trillion+**)²

Self Certification

- Self-compliance under 3 environmental & 6 labor laws

Income Tax Exemption

- 3 consecutive years
- Exemptions on capital gains
- Investments above Fair Market Value

Patent Application & IPR Protections

- New fast track process
- Up to 80% rebate in filing patents
- Financial support to MSMEs for international patent filing



Potential \$1.4 Billion³ fund for MSMEs

Reserve Bank of India (RBI) has proposed a ~\$1.4 Billion Fund Of Funds to support Venture Capital VC and Private Equity PE funds investing in MSME sector

Easier Public Procurement Norms

- Get listed as seller to the government through one-stop portal online
- More startup-friendly policies such as exemptions on prior experience and prior turnover

Visa On Arrival

- South Korean Citizens can avail Visa On Arrival in India
- Visa On Arrival provided is 60 days for business visitors

3.4 Government Initiatives in South Korea

South Korea ranks **28** globally in terms of population as of 2019 (**51 million+**)¹

South Korea is the **12th** largest economy globally in terms of nominal GDP as of 2019 (**\$1.63 trillion+**)²

Global Pipeline for Talent

- Expedited startup visa
- Accommodation voucher for expats
- One-stop support agency

Techspace 1000

- Building new cluster facilities for 1000 startups focusing on Biotech, AI, VR/AR & Advanced Manufacturing

To address Virus outbreak

- Tax benefits to SMEs with outbreak of COVID-19
- Tax payment due date extended up to 12 months



Strategic Investment for Growth

- Seed investment with public fund as a catalyst
- Seoul Future Growth Fund for early stage startups (\$1.2 Billion)

Private-led Accelerating Platform

- “Seoul Startup Platform” to connect startups with investors and public agencies domestically and globally

Seoul Testbed

- 500 innovative products to be tested by 2023



Multi-level support being provided by Korean Government for startups starting from Ideation level entrepreneurs

4. Trade agreements & impact: India & South Korea



- Oldest preferential tariff agreement between 6 countries in the Asia Pacific region
- Top five sectors for preferential tariffs:
 - Aquaculture
 - Hand woven textiles
 - Iron & Manganese ore
 - Communication equipment
 - 2D/3D Computer Graphics
- The agreement contributes to 28.09% share of Korea's total exports and 9.72% of India's total exports^{4,5}

APTA¹

Asia-Pacific Trade Agreement



- Avoids double taxation for business
- Reduction in withholding tax from 15% to 10% on royalties/fees for technical services and from 15% to 10% on interest income
- Transfer pricing adjustments are now possible through bilateral advance pricing arrangements (APA) or Mutual Agreement Procedures (MAP)

DTAA²

Double Taxation Avoidance Agreement



- Free trade agreement between India and South Korea signed in 2009
- Commits to lower or eliminate import tariffs in trade for goods & services
- Over the next decade, the CEPA will cover 90% of Indian goods and 85% of Korean goods
- Indian exports to South Korea was \$5.89 billion in 2018
- South Korean exports to India was \$15.61 billion in 2018

CEPA³

Comprehensive Economic Partnership Agreement

5.1 Corporate Case Study

- First smartphone and consumer electronics company to **achieve \$10 billion** in India
- **20%** jump in revenue in FY18-19 from FY17-18
- Five R&D centers and one design center in India
- **70,000** employees in India
- Samsung holds 20%+ of Indian smartphone market share as of FY 18-19; 2nd largest market share after Xiaomi in India
- Samsung R&D Bangalore wins the National Intellectual Property Award 2018
- **250-300** patents filed every year
- Samsung has set up the largest mobile manufacturing facility in entire world in India.



- Acquired Daewoo Commercial Vehicle Company for **\$102 Million**
- Tata Daewoo is the second-largest heavy commercial vehicle manufacturer in South Korea
- Tata Daewoo has exported over **14,000** heavy duty trucks to over **40** countries
- Received “**1 Billion** dollars export” and “**2 Billion** dollars export” award by the Government of South Korea
- Tata Daewoo's large-sized truck market share in South Korea is estimated at **30%** plus



Samsung and Tata Motors are two successful examples of successful cross-border enterprise between India and South Korea.

5.2 Cultural Practices – An Overview



India

- Traditional companies are hierarchical
- Tolerance for the unexpected is high
- Indian culture values humility
- Work & family are the center of one's life
- Acceptance of imperfection
- “Jugaad” mentality - an innovative short term fix to a problem using limited resources; “Adjust” is the word often used
- Seeks profit faster; preference to price over value
- There is less emphasis on leisure



South Korea

- Leans towards a hierarchical society
- Employees depend/wait for orders
- Commit to long-term relationships
- Loyalty is important
- Strong need for rules and regulations
- Motivation is having job security; there has been a gradual shift towards entrepreneurship
- Seek steady market share growth instead of faster profits
- Objective is to stay in business long-term

5.3 Business Practices In India



Etiquette typically requires a handshake



People nodding their heads can mean “Yes”, “No” or “Maybe”



Usual norm is for meetings to start & finish late and for interruptions to occur



Showing the soles of feet or shoes, or pointing feet towards anyone is considered disrespectful & insulting



English is the preferred language of business



Indians base their decisions on data as much as on trust and intuition



Gift giving & receiving with overseas partners is considered acceptable



Interference of work in personal life is common

5.4 Business Practices In South Korea



Punctuality is absolutely essential



Meeting cancellations or changes are not considered professional



Shaking hands is common with a bow



Preserving “kibun” (face, honor, and personal dignity) is important



Decision making follows formal procedure with approval from senior executives



Building connection and trust is considered essential for business relations



Exchanging business cards is a vital part of the first meeting



Exchanging gifts is a common practice

6. Insights From Primary Research

In order to validate the critical points in this report, a survey was conducted with ~10 respondents each from South Korea and India. The respondents were primarily startups who have had experience in cross border business in the respective countries.



South Korean companies typically prefer to do a thorough background check and weigh other options before evaluating a potential business opportunity

Indian companies are comfortable meeting the prospect and/or evaluating other options before making a business decision



South Korean businesses prefer to work with Korean consultants or government references to expand to the India market. It is important to note the need of having local Indian partners to work effectively in India

Indians on the other hand are comfortable with direct Joint Ventures with Korean consultants / companies



South Korean enterprises require their government support to explore India market

6. Insights From Primary Research



Business Communication & Hierarchy

- Both Indians and Koreans are comfortable to follow up via Email and “WhatsApp”/“KakaoTalk”
- Both Indian and Korean companies adhere to time to start business meetings but are flexible by 5-10 minutes
- South Korean companies tend to be more hierarchical with CEOs/CXOs taking the final business decisions of the company. In India, experienced/trusted employees are also empowered to take business decisions
- Both Indian and Korean companies are comfortable with business in formal or informal settings and comfortable with business meetings starting with an informal talk and transitioning to the business agenda

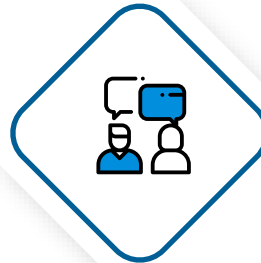


Government

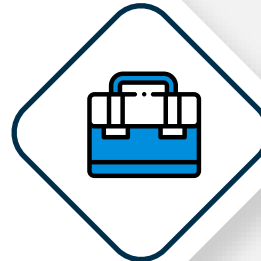
- Most Korean companies said they needed government support and funding to explore the India market
- Indian companies on the other hand do not rely on government to explore other markets
- Most Indian companies look at the Japanese market as an alternate to Korea. It is important to note that different strategies need to be adopted for Japanese and Korean markets
- Korean companies on the other hand look at Vietnam as their primary market of choice

7.1.1 Checkpoints To Do Business In India

- Informal talk at the beginning of a meeting is common
- Talks can include topics about family



- Important to identify the “right” decision-maker
- Decisions are generally taken by senior management whose presence is needed at the meeting(s) to close the deal(s)



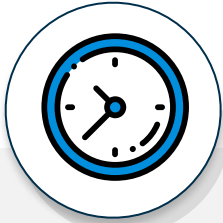
- Gifts should be given with both hands
- Gifts are typically not opened when received; they are opened at a later time



- To seek a positive answer, rephrase the question For example: if unable to secure a meeting, ask what day and time would be convenient to meet



7.1.2 Checkpoints To Do Business In India



Time

- Usual norm is to be flexible
- Interruption during meetings is not uncommon
- Cancellation or postponement of meetings not unusual



Follow-up Methodology

- The best way to follow-up is through email, WhatsApp or through a direct call
- It is common for multiple follow-ups without waiting for response
- MoU documents are given less importance in India as compared to South Korea



Communication

- Indians indirectly express disagreement to avoid conflict
- Culturally, saying “no” is considered rude
- Indians prefer saying “we’ll see” or “I will try” when they likely mean “no”
- Bring business and finance related discussions early into the discussions

7.2.1 Checkpoints To Do Business In South Korea

- Cold calls tend to work in South Korea
- Direct and face-to-face introductions can go a long way for successful partnerships

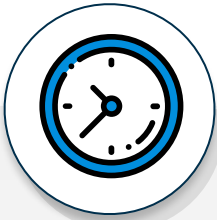
- Share visiting cards, brochures and marketing collateral during first meeting
- It is preferable to have the documents in Korean as well
- Knowing Korean language is a significant advantage to do business



- Disagreement should be handled smoothly
- Avoid contradicting someone in public

- Check the title and designation of the executive prior to the meeting

7.2.2 Checkpoints To Do Business In South Korea



Time

- Appointments to be made in advance
- Reschedule/Cancellation not considered professional
- Do not exceed the scheduled time limit of the meeting



Follow-up Methodology

- Email is the preferred mode to follow-up
- It is recommended to wait for response before following up multiple times
- “KakaoTalk” is a preferred communication medium



Communication

- South Koreans mean what they say
- Words must be chosen carefully as their literal meaning is often considered
- There should be no ambiguity while speaking. It is better to communicate simply and straight forward.

8. SUMMARY



India is a large and diverse country with many complexities. Companies looking to expand to India should come with a long-term mindset and strategy. Market segmentation and pricing strategy often play a pivotal role for the company to be successful. Efforts should be made in identifying and developing relationships with local Indian partners.



South Korea is a technologically highly advanced country with a densely populated and dynamic consumer market. Korea is not an easy market for foreigners. Companies looking to expand to Korea need to identify a Korean partner to navigate legal issues and business relations and access government grants. Learning the Korean culture and business practices is imperative to successfully enter the South Korean market.



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