

A Private Sector-Driven Startup Ecosystem is Going Forward in Seoul

By Discovering 2,000 Tech Startups and Providing Match-making Services with Existing Companies

April 27th, 2022

Division of Startup Policy at Seoul Metropolitan Government

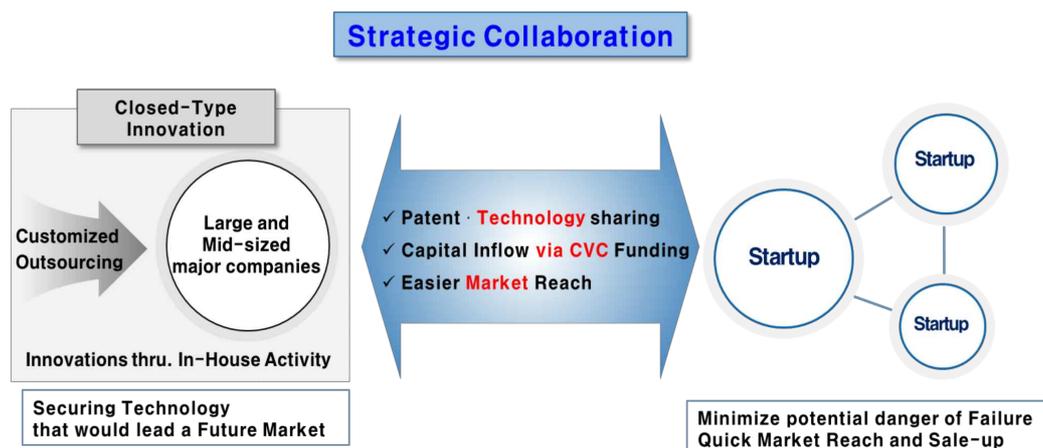
The Seoul Metropolitan Government (SMG) announced on April 26th, Tuesday that it would promote the policy called ***Open Innovation*** to build a private sector-driven startup ecosystem by breaking away from public sector-centered policies such as R&D support, business space provision, and commercialization support. The goal of this policy is to discover new 2,000 innovative technology-based startups by 2024 and then to provide match-making services for at least 1,000 startups with large and medium-sized major companies.

- ✓ *Open innovation is inter-activities among companies for higher levels of innovative performance including large and medium-sized major companies and startups, which are co-developing technologies, sharing ideas, and launching products together.¹*

Through ***Open Innovation*** activities, large and medium-sized major companies can preoccupy opportunities for partnerships with promising startups and technologies with small initial investment costs, and startups can quickly cross the Death Valley stage by introducing technologies to the market and reducing time and cost of securing sales.

- ✓ *This win-win collaborations ultimately could build a robust and resilient business ecosystem, which is composed of small and mid-sized companies, venture capital-backed companies and startups as well, and would create decent jobs by breaking away from major big company-driven growth.*

¹ 'Open innovation' is a theory proposed by Professor Henry Chesbrough at UC Berkeley in the U.S.



Open innovation has already become a universal trend for business management in multinational enterprises to secure another innovation impetuses. In particular, much more and more companies, which are in the midst of the COVID-19 and the 4th Industrial Revolution phenomenon at the same time, are joining this trend to have future growth engines flow in.

- ✓ A research by the Korea International Trade Association (KITA) indicates that 68% of the top 100 among Forbes 500 companies have already put 'Open Innovation' collaborations in action for the purpose of securing innovation impetuses by establishing strategic partnerships with startups.²

※ Collaborative partnership type: Use of corporate venture capital(62.6%), Contest(29.0%), Accelerating(24.4%), Free offering of service platforms and product lines (21.8%)

- ✓ In Korea, 49 out of 71 large companies (69%) and around 330 mid-sized major companies of 5,526 (6%) are trying to implement open innovation at the initial stage.³

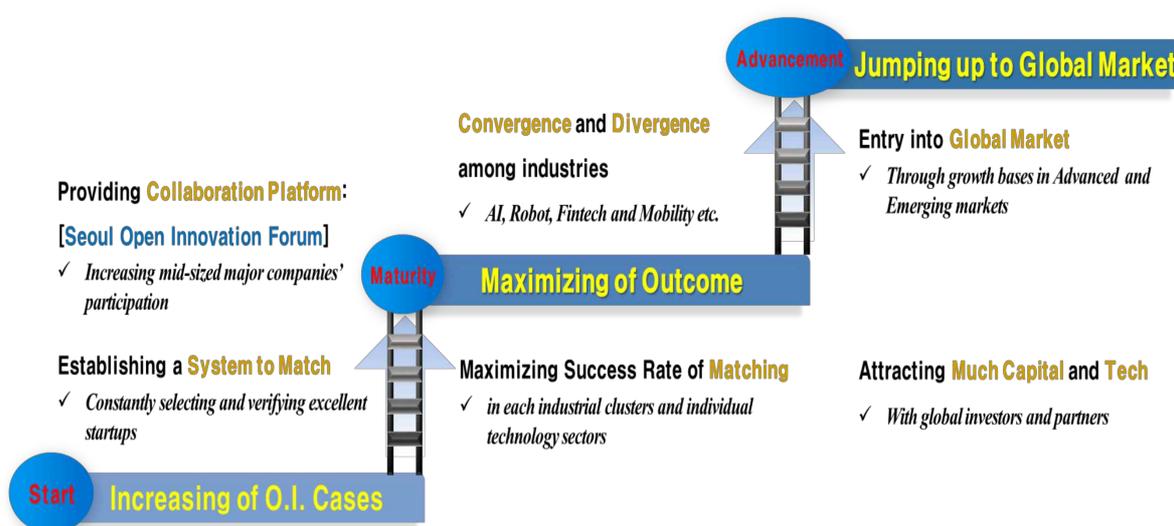
² KITA, *Current Status and Implications of Open Innovation between Major Global Companies and Startups*, Trade Focus 35th, October, 2019.

³ Open innovation cases of large companies by SMG (2022) and Mid-sized companies' cases by Korean Statistics Office (2020)

Since 2019, the SMG has supported Open Innovation collaboration between 42 large and medium-sized major companies and 213 startups through special accelerating programs at the Seoul Startup Hub-Gongdeok/ M+ and the Seoul Bio Hub-Hongneung, where promising startups have signed 100 technological collaboration agreements with existing companies and have finally attracted 20 direct investments worth USD 7.2 million from large companies such as POSCO and S-Oil etc.

- ✓ Such policy efforts by SMG has also invited a number of startups which can grow faster and pioneer new overseas markets through collaborations with global companies such as Benz Korea, Johnson & Johnson, and Novartis.

The SMG announced that it would persistently carry out three major policy drives with aiming at making Seoul a global hub of Open Innovation: ① **Drastically increasing collaboration cases** by attracting much more participating companies from individual industry sectors, ② **Maximizing performance** from Open Innovation by widening opportunities for convergence and divergence among industries such as Robot, Fintech, Artificial Intelligence, Bio-Medical etc., and ③ **Providing opportunities to collaborate with global companies** through overseas growth bases for startups.



First, the SMG will catalyze the increase of Open Innovation cases by supporting collaborations between companies through “Seoul Open Innovation Forum” which would be composed of large and medium-sized major companies and startups. This initiative would be expected to increase the number of participating companies, 42 as for now to 200 or more over the next three years (2022~2024).

- ✓ *In cooperation with startups, existing enterprises, the Federation of Middle Market Enterprises and the KOSDAQ Association, the "Seoul Open Innovation Forum" will be held at every corner of Seoul's main startup clusters and then suggest target projects expected to be solved and discover new opportunities for collaborations among companies.*

※ *Participation cases expected (total): 80 ('22.) ⇒ 120 ('23.) ⇒ 200 or more ('24)*

This year, 80 large and medium-sized major companies, which are twice as many as usual, will participate in Open Innovation and this number includes 40 new participants such as BMS, Kakao and Shinhan Financial Group. In particular, starting this year, many startups, whose technology bases are in AI, Bio and Fintech and which have been accelerated by Seoul's individual startup support facilities within industrial clusters, would be expected to participate in this program.

- ✓ *Due to COVID-19, growing popularity with mobile shopping and sharing economy these days, collaboration regarding commercialization of service platform has been a hot spot in open innovation cases. However, for the sound long term economic growth, it is necessary for introducing higher value-added and deep tech-based collaborations within open innovation cases.*

※ *Ratio of Service platform to startup business models: 4.5% ('16.) ⇒ 12.5% ('20)*

- ✓ *In order to foster new growth industries such as AI, Bio and Fintech, the SMG will focus on strengthening corporate ventures with large and medium-sized major companies located in main industrial clusters such as Yangjae (AI and Robot), Magok (R&D) and Yeouido (Fintech).*

-Successful Stories from ‘Open Innovation’ cases in Seoul-

POSCO found out the growth potential in “Petnow,” an AI pet-tech startup (located in AI Yangjae Hub) and invested in it (through linkage with Seoul Startup Hub Gongdeok, 2021). Afterwards, the startup received the Best Innovation Award at the International Consumer Electronics Show (CES) in 2022 and is now getting ready to enter the U.S. pet market, which is 100 times bigger than the domestic one.

“K Power,” which had been struggling to expand their business due to a lack of funds such as initial investment costs, even with technologies and strategies for manufacturing eco-friendly industrial boilers, had its profit model verified by “S-oil” through the “S-oil×Seoul Startup Open Innovation” program (through linkage with Seoul Startup Hub Gongdeok, Sept, 2021~April, 2022). And the startup is expanding its business model by establishing a corporation in Vietnam.

In order to efficiently promote Open innovation in Seoul, the SMG will introduce a new supporting function, “open innovation center” in seven major startup clusters including Yangjae, Hongneung and Gongdeok, and it will provide PoC opportunities for startups from Fintech and bio-medical sectors. The centers will operate a system to select and discover the potentialities of 2,000 innovative startups in collaboration with 200 large and medium-sized major companies and venture capitals.

✓ *Seven Open Innovation centers are supposed to open in a timely manner from this April.*

※ *Seoul Startup Hubs (Gongdeok, Seongsu, Changdong, and M+) and three main business facilities within industrial clusters (AI Yangjae Hub, Seoul Fintech Lab, and Seoul Bio Hub).*

✓ *These centers will identify the demand of large and medium-sized major companies and support match-making between large and medium-sized major companies and startups through a well-designed selection platform in collaboration with private VCs and associations.*

✓ *The success rate of matching between startups and other types of companies (large, mid-sized, VCs) will be effectively increased by systematically integrating and sorting*

startups' industries, technology types, technology maturities, investment stages and references, through "Start-up Plus", which was newly introduced this April as an online start-up ecosystem platform in Seoul.

Second, the performance of open innovation will be maximized by widening opportunities for convergence and divergence among industries such as Robot, Bio-Medical and Artificial Intelligence, and diversifying collaboration contact points between clusters and industries. In order to maximize the opportunities for selecting innovative companies with technologies that could meet the needs of large and medium-sized companies, match-making programs such as public open competition will be enhanced to an extent.

Facilities	Main Functions of Open Innovation Center
Seoul Startup Hub-Gongdeok	Collaborations with KITA · Accs, leads Open Innovation with global companies
Seoul Startup Hub-M+	Corporate Venturing with existing companies focuses on IT · BT · GT · NT
Seoul Startup Hub-Seongsu	Match-making based on ESG (Environmental, Social and governance) demand
Seoul Startup Hub-Changdong	Securing domestic / global market reach through online & offline platform
AI Yangjae Hub	Vitalizing R&D based on AI convergence in collaboration with AI-focused Labs
Hongneung Bio Hub	Collaborating with pharmaceutical and bio-medical companies such as Novartis
Seoul Fintech Lab	Expanding cooperation with other industries such as conventional finance, AI and bio

- ✓ *Startup Hub Gongdeok, which is leading an Open Innovation policy in Seoul, will invite a total of 15 companies such as Benz Korea, P&G, Haier, Johnson & Johnson and Novartis – new participants - and Pepsi Korea, Whirlpool and Volvo etc.*
- ✓ *AI Yangjae Hub finds out promising startups especially in Robot and Mobility in collaboration with Hyundai Motors, which located in Yangjae.*
- ✓ *Seoul Bio Hub supports startups in need of connecting technological partnership with global companies such as Roche through the BMS challenge (June to November) and the accelerating program (July to September) with the University of Basel.*

- ✓ *Seoul Fintech Lab will hold the Challenge competition (October, Seoul International Finance Conference) to find out innovative Fintech companies in collaboration with Shinhan Financial Group.*

Third, SMG not only acts as a reliable “match-making platform”, but also helps verify innovative technologies and supports startups. Large and medium-sized major companies will discover and invest in startups, while the SMG will support startups’ global market reach through technology verification and global networking which are a critical factor for startups’ growth but difficult for individual companies to access. The SMG currently operates several overseas growth bases for Seoul-based startups, including ‘Seoul Startup Hub Ho Chi Minh,’ which have played a pivotal role in the step of global market reach for startups and it is supposed to add Silicon Valley and European cities on the list of global bases for startups within the next three years. The bases would be a stepping stone that helps Korean startups to reach the global market, and foreign companies can invest in promising domestic companies at the same time. In addition, various international organizations from city-to-city and business-to-business levels will be formed to expand cooperation with global companies.

- ✓ *Securing global markets by opening overseas growth bases: the SMG will secure a bridgehead for scale-up and open innovation in key markets such as Silicon Valley and European market and emerging ones such as Southeast Asia and South America. And it will also expand its global open innovation bases to more than 10 locations, including Ho Chi Minh, Vietnam (opened in May, 2021) and Bengaluru, India (to be opened in May, 2022).*
- ✓ *Participating in a global network: the SMG will take part in the GIN (Global Incubator Network) with seven excellent global cities, this June and operate a cooperative channel (Seoul Open Innovation Alliance) with the help of KITA and KOTRA.*

It will also actively leverage opportunities such as Try Everything, which is a startup festival organized by the SMG, and the International Consumer Electronics Show (CES) to promote promising Seoul-based startups to the world and expand global contact channels which enable them to connect global investors and companies.

- ✓ *The SMG will intensively strengthen startups' match-making with large and medium-sized major companies and enhance its function of connecting startups to global investors by reorganizing Try Everything (T.E. to be held in September, 2022), which has been a global startup festival held annually since 2019 for the purpose of revitalizing Seoul's startup ecosystem as follows: transforming the T.E. into a company-driven event that includes startups' pitching opportunities to ten or more large and mid-sized major companies, and providing online and offline meetups between startups and 100 or more VCs and CVCs.*
- ✓ *The SME will support startups to participate in CES, which is held in Las Vegas every January, and help pitch and exit their products in CES. Those efforts would be answered by potential collaborations with global partners.*

“Open Innovation can be a startup growth ladder which can not only enhance and reform startups' competencies but also drive a mutual growth between large and medium-sized companies and startups by collaborating with one another based on technology and ideas. SMG will support a private-led ecosystem where large and medium-sized major companies, venture companies, and startups collaborate for their common interests,” said Hwang Bo-yeon, Deputy Mayor for Economy at the SMG.