

## Executive Summary

South Korea is one of the biggest internet markets in the world, with the tenth largest population in terms of internet users. Broadband speeds are some of the fastest in the world, and the rate with which it has been adopted and developed meant that internet users in South Korea were among the first to receive television through their internet connection. It is no surprise, therefore, that this is a market that western companies have been eager to enter. However, non-Korean search engines have so far failed to break through in this market. Google accounts for less than five percent of the market, and unlike the markets in China and Japan, Baidu and Yahoo! have also been unable to break through.

There is currently a big difference between the mindset of search users in South Korea, who want their search engine to find something *for* them, and users in the west that use it as a tool to find something for themselves. Users in this market also have no prejudice about whether they click on paid-for or natural links, favouring blended search results and choosing whatever is nearest to the top. This means that western advertisers and search engines need to drastically re-work strategies to be successful here. Interestingly Yahoo! and Google's offerings in the west can actually be seen to be adapting to this difference in user culture. For example, Google Universal Search is largely based on the way market leaders in South Korea, such as Naver and Daum, shape their search results.

So what *is* the search market like in South Korea? Overall, search results are very biased. There is no real search algorithm on Naver and Daum, but rather a pre-set "push" for their own sites and those of their partners. Amongst search marketers there is an air of "pay to play" (such as clients buying links directly) in the results, and copying content into multiple places is an accepted SEO strategy. In terms of PPC, in stark contrast to western variations, a normal search in the South Korean market returns up to 40 or 50 links on the same page of results, of which only five might be 'natural' listings. Search engines favour social networks and blogs, with algorithms giving precedence to user-generated content over links from authoritative sites. Significantly, social networks have succeeded in this market where their western counterparts have failed in terms of monetising their offering through paid-for additions to users' pages.

South Korea's search engine market has a bigger 'home field advantage' than that of China. To be eligible to bid in most of the PPC categories, a business has not only to operate in South Korea, but must also be based there. While some western marketers have begun to understand how China's market works, South Korea may present the next significant challenge in terms of international search market expansion.



## Methodology

Reform's International Search Review is a series of papers based on findings in various search markets around the world. Each paper summarises web-based research with the relevant sources cited, as well as Reform's own practical experience across various local and global search marketing campaigns.

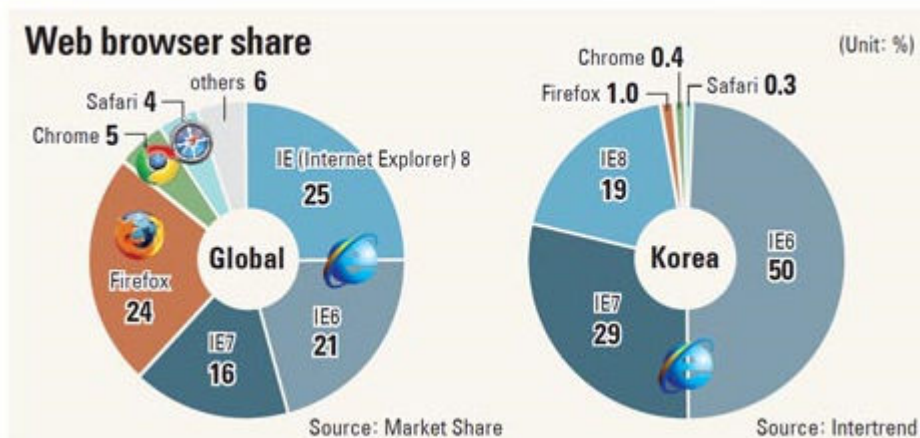
Our research looks at how search engine usage has evolved in these markets and also at how search engine marketing tactics and distribution platforms compare in these countries. Our findings are intended to help international search marketers to identify new opportunities for expansion and to plan new market strategies.

## South Korea in 2010

### Introduction

A government-led initiative during the early days of the internet to connect all residents of South Korea via broadband has led to the country becoming one of the top ten broadband user-markets globally. In general terms, it is also one of the biggest internet markets in the world, sitting in tenth place overall with over 37 million users. Mobile phone usage is also a big factor in this market; there are 45.6 million mobile users in a country with a population of 48 million. In terms of social networking in South Korea, CyWorld is the main choice for users, with western giants Facebook and MySpace almost unheard of.

Internet Explorer has an overwhelming monopoly on web browser share, with 98% of South Korean internet users choosing IE 6, 7 or 8. This is a striking example of a trend in South Korean user-behaviour; when users find one way of doing something, they stay loyal to it, and it is very difficult for new players to get a foothold.





## South Korea - Market Statistics

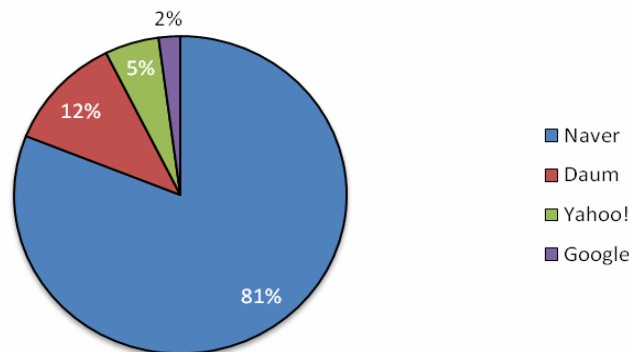
**Internet usage:** 37,475,800 users as of June 2009<sup>1</sup>

**Internet Penetration:** 77.3% (ranked 12th)<sup>2</sup>

**Broadband penetration:** 95%<sup>3</sup>

**Search Market Share:** Naver – 77%, Daum – 11%, Yahoo! – 5%, Google – 2%<sup>4</sup>

South Korean search engine market share



Other sites worth mentioning include Empas, Paran, and analytics site Rankey.com – all of which would be perhaps worth reviewing for more market-related information. Microsoft's Bing has little or no search presence to date in South Korea.

## SEO & PPC in South Korea

The biggest mistake many global companies make when trying to enter the South Korean search market is that they approach it in the same way as they would in the West. Factors such as content relevance and link strength, which are important for Google in the UK/US, are not as relevant on Naver or Daum which account for close to 90% of the market share in South Korea.

For these two largest search engines, the key objective is to push users to other parts of their network or towards paying clientele, in a similar method to that employed by Baidu in China. While Google is a search technology that tries to identify and classify all of the information on the internet, Naver, is more of a Korean-language database, created for South Koreans to help them collectively answer questions.<sup>5</sup> It does not search the internet, and search results are secondary on this engine to Naver's own results or 'preferred sites'. It is only through understanding this that companies will get a better idea of what it takes to penetrate this market.

<sup>1</sup> <http://www.internetworldstats.com/asia.htm>

<sup>2</sup> ITU and Internet World Stats - 2009

<sup>3</sup> <http://arstechnica.com/tech-policy/news/2009/06/us-20th-in-broadband-penetration-trails-s-South-Korea-estonia.ars>

<sup>4</sup> Source of data: Nielsen / Koreandclick.com – Jan 2010

<sup>5</sup> <http://www.Koreainformationsociety.com/>



The South Korean search market heavily favours user generated content (UGC), and paid search is skewed towards paid for placement for businesses. The implication for those targeting this market is that SEO should probably be sidelined in favour of a focus on social media and viral marketing.

That said, penetrating this market through PPC is also very difficult, and opportunities for foreign sites are very limited. PPC on Daum and Naver is partially run by Yahoo!/Overture, however, contrary to many people's belief, this is only on a small scale.<sup>6</sup> Daum will use one or two Overture PPC links on the top of a results page and Naver will only use one (even this agreement is set to end soon), a fact which is particularly pertinent when one takes in to account the fact that there are usually 40-50 links on every page.

Despite these limitations, Yahoo!/Overture links are probably an international client's best opportunity to gain immediate visibility in PPC in South Korea, particularly as Google AdWords does not currently reach many users in this country. All other PPC placements on Naver require a business to be located within South Korea. This strategy should be combined with saturation of local engines, and through creating blog content and Q&A replies on Naver and Daum's networks. For western businesses, hiring someone who is fluent in Korean may be required, as creating Korean-language content is key in a market where link building and other traditional western SEO strategies take a back seat to tactics such as copying existing content to make a brand become more visible.

Another significant difference with the PPC market in South Korea is that sites are able to bid for multiple pages with the same keywords, so the same landing page could be reached via a redirect from ten different links in the same search results. Imagine AdWords without any of the affiliate restrictions. A quick search for 'Hyundai' (in the Korean Spelling: 현대) on Naver highlights this very clearly.<sup>7</sup> The same "car loan" site buys the top four links in PPC for that brand, where as in Google, each site can only have one PPC link.

**파워링크** [AD] 파워링크 등록 >

1. [현대캐피탈 대출상담사 편상민](http://loanplanner.hyundaicapital.com/aaa111) - 구로금융지점, 전국 직장인, 사업자 신속한 대출서비스, 카드론 및 현금서비스 전환  
<http://loanplanner.hyundaicapital.com/aaa111>
2. [현대캐피탈 대출상담사 이소영](http://loanplanner.hyundaicapital.com/imyourlp) - 조회기록 없이 대출가능여부 확인, 추가, 대환대출, 채무통합  
<http://loanplanner.hyundaicapital.com/imyourlp>
3. [현대캐피탈 대출상담사 김관훈](http://loanplanner.hyundaicapital.com/payback) - 신용안심가조회, 안전한2금융권대출, 대출신청부터 승인까지 빠르고 안전한 책임진행  
<http://loanplanner.hyundaicapital.com/payback>

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**플러스링크** [AD] 플러스링크 등록 >

④ [현대캐피탈 대출상담사 주정훈](http://loanplanner.hyundaicapital.com/lp5968) - 현대, 조회기록없는 가조회로 빠른상담, 전국무방문, 당일대출상담  
현금서비스, 사금융, 채무통합, 저금리대환대출, 24시무료상담, 안전한 제2금융권  
<http://loanplanner.hyundaicapital.com/lp5968>

The quality of natural search results in Naver and Daum for non-Korean keywords is poor, with scraper sites and "unsafe" URLs often listed in the results. This is partially because foreign language content is not patrolled and users only tend to use Google if they want to find non-Korean content.

<sup>6</sup> [http://searchmarketing.yahoo.com/international.php?country=South Korea](http://searchmarketing.yahoo.com/international.php?country=South%20Korea) and [http://www.myoverture.co.kr/regi Vic/esu\\_sponsorsearch.asp?overurl=KR0051](http://www.myoverture.co.kr/regi Vic/esu_sponsorsearch.asp?overurl=KR0051)

<sup>7</sup> See: [http://search.naver.com/search.naver?sm=tab\\_h ty&where=nexearch&query=%C7%F6%B4%EB&x=0&y=0](http://search.naver.com/search.naver?sm=tab_h ty&where=nexearch&query=%C7%F6%B4%EB&x=0&y=0)



## Social Networking in South Korea

CyWorld is the biggest web community in South Korea, and there are many similarities between it and Facebook in the way that users create their own homepage and connect to 'buddies'. Over 90% of South Koreans in their twenties currently have accounts in CyWorld.<sup>8</sup>

The most striking thing about social networks in South Korea is that they have succeeded where their western counterparts have not in terms of monetising their offering. For example, Qzone made over \$1 billion last year, of which only 13% came from advertising revenue<sup>9</sup>, whereas its western equivalents, Facebook and MySpace are almost fully dependent on advertising. The way that Qzone and CyWorld make their money is through the sale of a range of widgets such as background music or wallpaper to customise user pages. In some respects the payment model could be compared to that of the iPhone app market; most of the content is free, but users pay for 'add-ons' to make their profile unique to them. It is interesting that whereas in the west any attempts to monetise social networks have failed (the speed with which Friends Reunited lost users following the rise of the free networks is perhaps an obvious example of this), social networkers in South Korea have been open to paying to enhance their experience.

Like social networks in the west, many companies have used CyWorld to promote product launches, while top celebrities have successfully used it as a portal to chat with fans. It also integrates with mobile phone usage, and users can upload/share videos through it. With CyWorld dominating the market in South Korea, competitors from the US such as Facebook and MySpace have struggled, the latter having actually closed their regional office in 2009. Other popular western social network applications, such as Twitter, Delicious and LinkedIn do not factor at all here, though similar networks do exist such as me2day.net which is now owned by Naver. Just how unknown Facebook is throughout not just South Korea, but also China and Japan, is exemplified by the fact that there are more users of the network in Hong Kong, with its total population of 7 million, than there are in Japan, South Korea and China combined (China has a population of 1.3 billion, South Korea, 48 million and Japan, 127 million).<sup>10</sup>

Western social networks have not broken into this market but as South Korean search engines favour user-generated content, social media is a highly important aspect of the digital mix in South Korea.

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<sup>8</sup> Techcrunch - Feb 2009

<sup>9</sup> Reuters/Social Networking Watch

<sup>10</sup> <http://www.comscore.com/press/release.asp?press=2774>



## Search Engines in South Korea

### Naver

Naver is the big leader in the South Korean search market, and has a homepage portal which looks similar to that of Yahoo! in the US. However upon entering a search, the layout becomes drastically different. Many pages have close to forty or fifty different links, made up mostly of PPC and links to other Naver content. Naver puts PPC links into several different categories such as 'Pro Links', 'Sponsored Links', 'Power Links', 'Plus Links' and 'Business Links'. A standard search will return up to four or five of each of these types of results, which soon amounts to a huge number of links.

Naver includes the 'top 10 queries of the day' on the right side of the page, something that Google is trying to replicate with its integration of 'Hot Trends' in the US. A search for a pop-oriented search such as the name of an actress highlights another similarity between Naver and Google, more specifically Google Universal Search. Results in this instance would include the actress' profile, images, some natural search listings, news articles, Naver blogs, non-Naver blogs, Naver Q&As (similar to Yahoo! Answers), shopping sites, videos, 'cafés' (which behave like forums), academic results, books results from the Naver shop, music listings, including music available for sale and 'local map' listings. Again, with up to 4 or 5 of each of these kinds of results, this amounts to around forty listings on one page, of which only a few results would be truly 'natural' search listings.

Western markets looking at regions such as South Korea for inspiration in expanding their market share should take into account that they are dealing with a different type of user. There is currently a big difference between the mindset of search users in South Korea and users in the west. In the west, search is used as a tool by a user to find something, whereas South Korean users want their search engine to find something *for* them. It is also worth noting that results in Naver are location-targeted to a point, although searches from the US and UK produce a lot of English language filler, often in the form of the same site listed over and over again with scraped content on multiple pages.

Examples of just how many paid search results appear on a page can be seen in a search for competitive terms such as "car insurance" (자동차 보험). The first 19 links are all various types of PPC, followed by a "definition" of "car insurance" and then "Naver Kin" which is like Yahoo! Answers in some ways. After all that, then you'll see five natural search results.



An even broader example is this image of what your typical result in “Naver” will look like. The term used here is a translation of “guitars” and almost all links are either from Naver’s own site or via PPC. The “directory sites” at the end are from Naver’s own directory, done in a way similar to how Dmoz supplied Google results in Google’s early days.

## Daum

South Korea’s second strongest search engine also puts an emphasis on paid links which appear at the top of the page, and again there are similarities with our western equivalents. Comparable with Naver’s system of different types of paid links, Daum uses ‘Special Links’, ‘Café Links’, Q&A forums and ‘Biz Site’ links, which are similar to the integrated directory listings in Yahoo’s natural search results. Daum also includes a continually updating list of the top 20 searches over the past hour. Any natural search results appear in different positions for different terms, sometimes near the bottom of the page, sometimes at the edge of the fold, which affects how valuable they can be to an advertiser. Blog links and book listings are also included on the page, and specific terms generate different ‘types’ of result. For example, a search



for the Korean translation of 'baseball' might include all of the above, as well as bulletin board listings and even downloadable games.

One difference between Daum and Naver is that next to each 'type' of link is an option to alter your search results so that they are complied mostly of that specific kind. For example, if you chose this option on a natural search link you would be presented with a very familiar looking page with two PPC links at the top, and ten natural links below. The same top links as you have just seen are repeated on this re-configured page which means that results are skewed heavily in favour of top five rankings, but even more so for the number one listing which sometimes get a 'special' position.

### Google

Google is not a major competitor in South Korea, with estimates having it in the range of 2- 5% of market share, however this is a market where it has tried to restructure its look and feel to some extent, trying to make it more like a "portal" (displayed below).



PPC and SEO results appear in the same places as they do on western versions of Google (SEO is named “베스트 웹 문서” which means, “best websites”), however below the main results you will also find a variety of video, blog and image options too which are actually integrated within the natural results. This is more familiar across western markets, where many people refer to it as ‘Google Universal’. Although traffic levels are low, bidding on PPC in Google.co.kr is active, especially for retail keywords, which suggests that traffic is of some value.

A quick look at SEO results on Google.co.kr, highlights just how little concern Korean sites have for natural listings. For example, a very competitive term such as “car insurance” (자동차 보험) has poorly optimised sites/pages ranking at the top of the natural results. (See image below).



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- 이미지
- Q&A
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- 더보기

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www.kyobodirect.co.kr/ - 저장된 페이지 - 유사한 페이지

**셀렉트O.1애크스@닛셀발행매달 - (2면목명)**  
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www.incar.co.kr/ - 저장된 페이지 - 유사한 페이지

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In this example, PPC results were highly competitive for the term “ car insurance”, but the top three sites on the SEO side included a link with an unfriendly “temp redirect” to another site, a flash page and a site built with a frameset (three big SEO no-no’s if you ever want to compete in a more competitive market).

## Summary and forecast

What is particularly striking about the South Korean search market from a western perspective is just how much inspiration it has given to recent developments for Google and Yahoo! in the west. This is especially the case for the way in which Yahoo! Answers and Google Universal have been set up. Another interesting take-out is the way in which Google has altered its offering in South Korea in an attempt to conform to the South Korean market; whereas in most countries Google’s offering is almost identical, Google South Korea has had to adapt, integrating natural results, images and videos on the right hand side of a page.

In South Korea, books, images, videos, blogs, references, maps, profiles, answers, etc are all integrated with paid and sponsored links in search results, so the formula probably favours the more aggressive marketer and big brands that have the resources to cover all of these elements. A brand can appear for each of the different types of result on a page, and as only the very top few results of each type appear, there is a big opportunity for brands to saturate the listings. In the west, this is much harder to do, although as Google Universal Search develops, it is becoming more and more possible.

The South Korean search market is a rare instance where neither Yahoo! nor Google have any command. In fact, in 2009 they actually worked together, for example with Yahoo! connecting its local search service Gugi with Google South Korea’s map listings – yet few noticed.<sup>11</sup> National loyalty is a key component to users here, and it is unlikely that Naver will be dethroned as the main search engine of choice any time soon. That said, Google is still trying to work within this market (unlike its experience in

<sup>11</sup> Mashable, Feb 09



China). They are partnering with local companies such as Samsung on product releases such as the S-Pad (yes, it is a lot like an iPad) and are reported to be building a Google Android TV to bring Google straight into viewers' homes.<sup>12</sup>

Korean products have a huge advantage in their home market and unlike many other markets in the world South Korea is not welcoming companies like Google with open arms. Currently the only major opportunities for foreign advertisers are the Overture/Yahoo! links for PPC, which do at least sometimes get the number one position, or a more viral SEO strategy, based on creating content in the right places on existing sites in a similar strategy to brand saturation. When it comes to building content, quantity beats quality in this market.

This is a search market where users have no prejudice about whether they click on paid-for or natural links, preferring to choose whatever is nearest to the top. This makes it potentially a good market for paid search marketers. Naver and Daum are the two dominant search engines, but popular portals in South Korea worth mentioning include Paran.com and Empas.com. Whichever engine you choose, however, the key to this market appears to be anything but natural search.

**The next issue of the Reform International Search Review will be Issue 4: Japan**

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<sup>12</sup> <http://www.Koreaherald.com/national/Detail.jsp?newsMLId=20100426000631>



## About the Reform International Search Review

While information on the search engine marketing industry in the US and UK is readily available, insight into other search markets around the world can sometimes be harder to find and is often contradictory. As a result, Reform's international team of search marketing consultants is pleased to present the third of several research papers on other key and emerging search markets around the world.

With many western marketers increasingly adopting a global perspective and with internet usage, mobile usage and broadband internet access rapidly developing in several countries, having the right kinds of knowledge and information are the key to success. At the same time, many marketers within these 'unchartered' countries are only beginning to see what the benefits of search engine marketing are, with SEO and PPC both in early stages of development in some cases. As transparency in ROI is key in today's global businesses, search marketing is starting to take centre stage.

With its International Search Reviews, Reform adopts both a business and a consumer perspective in examining each local search market, so that its findings will help brands to understand local search behaviour, and to develop the most effective strategies for converting this behaviour into meaningful engagement and customer conversion through search.

With major western search engine players such as Google and Yahoo! focusing their international strategic efforts on targeting new users in Asia, this territory seemed an appropriate starting point for Reform's international search marketing research globetrotting. Customised interfaces and applications which attempt to cater for the huge range of internet users across Asia are only the tip of the iceberg as we begin to monitor market development. User interaction and requirements with search engines are varied from market to market, and Reform uses this local knowledge to gain insight in order to shape audience planning strategies.

## About Reform

Reform is a search marketing business with offices in London and New York. We have unrivalled experience as leaders, innovators and practitioners in the search market. We design and implement practical search solutions for brands and businesses – from SEO and PPC to strategic and operational planning and auditing, product development, training, agency and technology selection, and market research.

At Reform we believe that search is an essential communications and business planning tool. Search facilitates a better understanding of target markets, consumer behaviour, and competitor strategy – insight which not only informs marketing but business-wide intelligence.

Reform delivers transformational search that drives meaningful business growth for our clients, including brands, in-house search and procurement teams, agencies, investors and trade bodies. Clients include



the IPA, England 2018, The Chartered Institute of Personnel & Development, Toptable and Angel Investment Network.

Join the debate on innovation and change in the search industry with our LinkedIn group, The Reformers. We welcome discussion and comment from search practitioners and specialists, as well as questions and insights from anyone interested in learning more about how search can impact their business positively. Please contact: Amanda Davie, [amanda@reformdigital.co.uk](mailto:amanda@reformdigital.co.uk), 020 3178 3086.