

Competitive behavior in the Korean search market

MIT Students

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Firm background

- Founded in 1995, Daum is the 2nd largest web portal in South Korea, offering services such as e-mail, search, online communities, maps, shopping, news, and much more

Portal

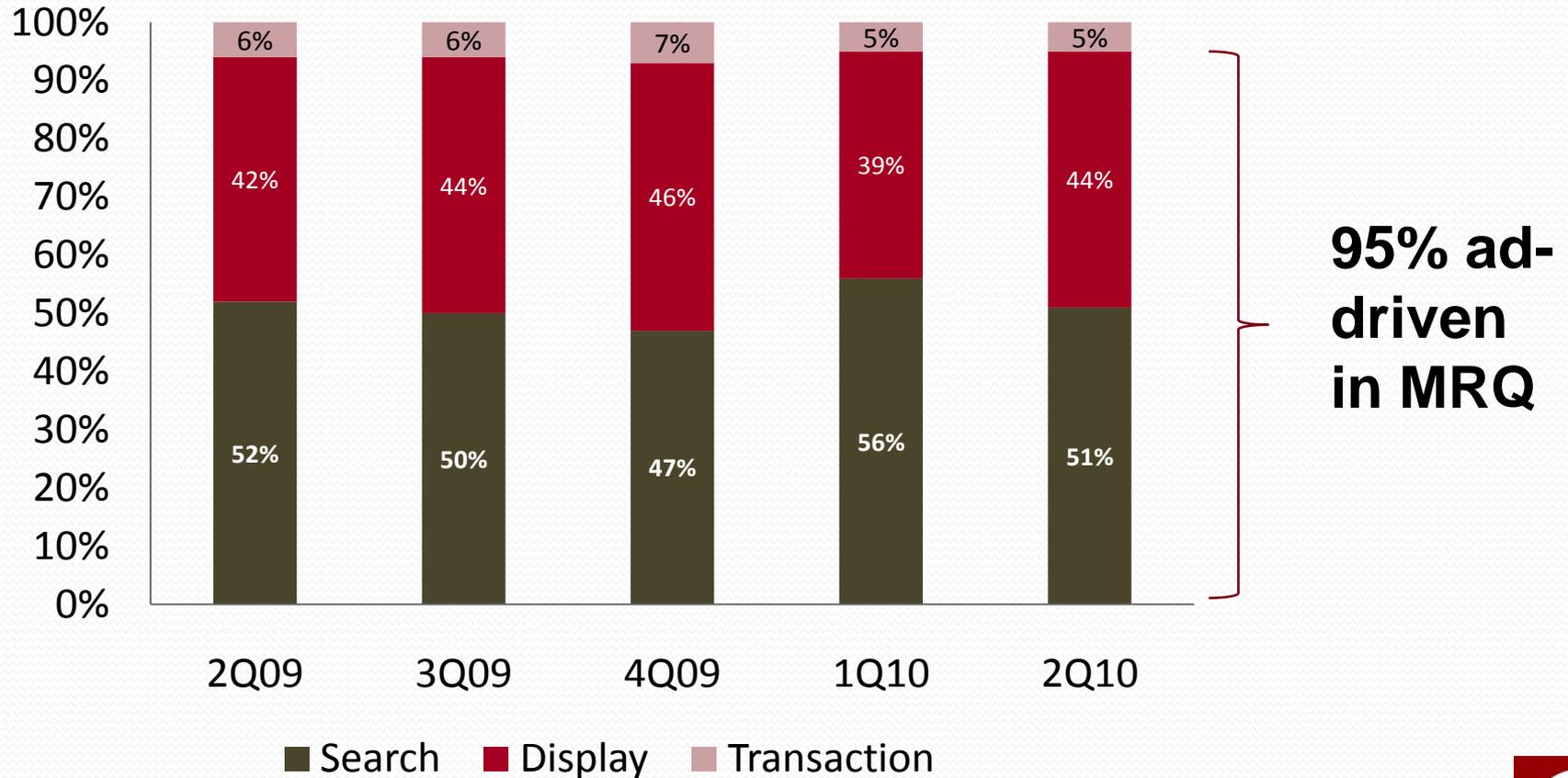
Search

E-Mail

Cafe

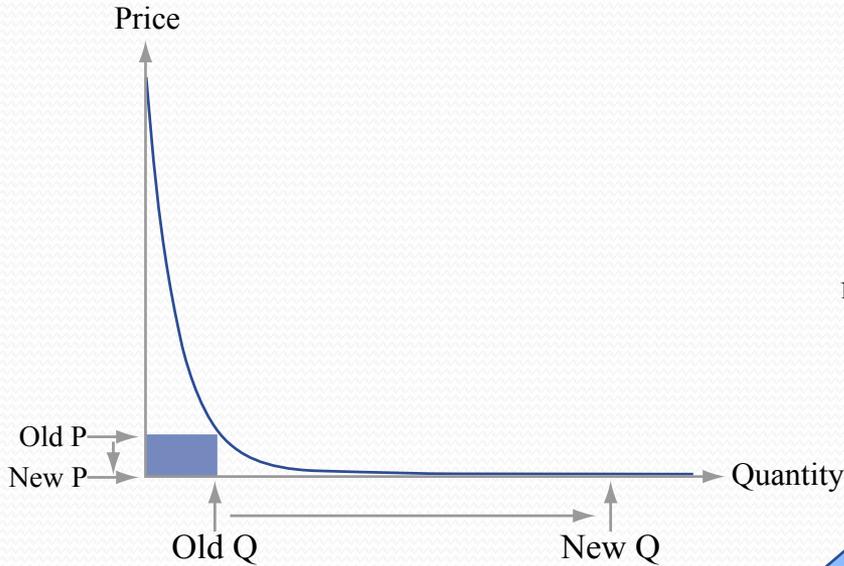
Daum's business is mostly ad-driven

Daum % of revenues by business segment



It competes in a two-sided market

User Demand



Advertiser Demand

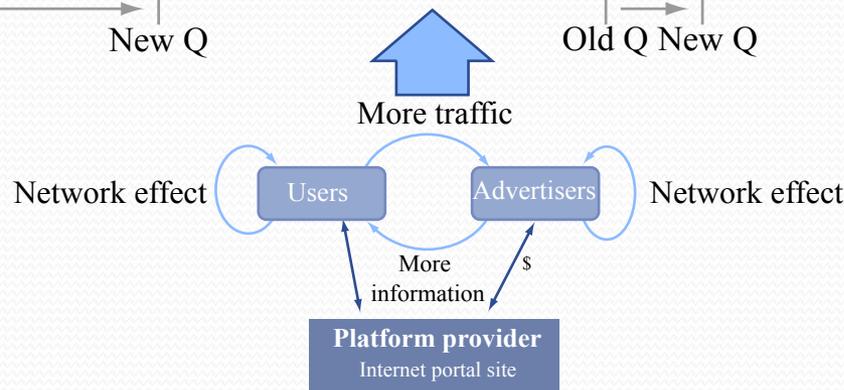
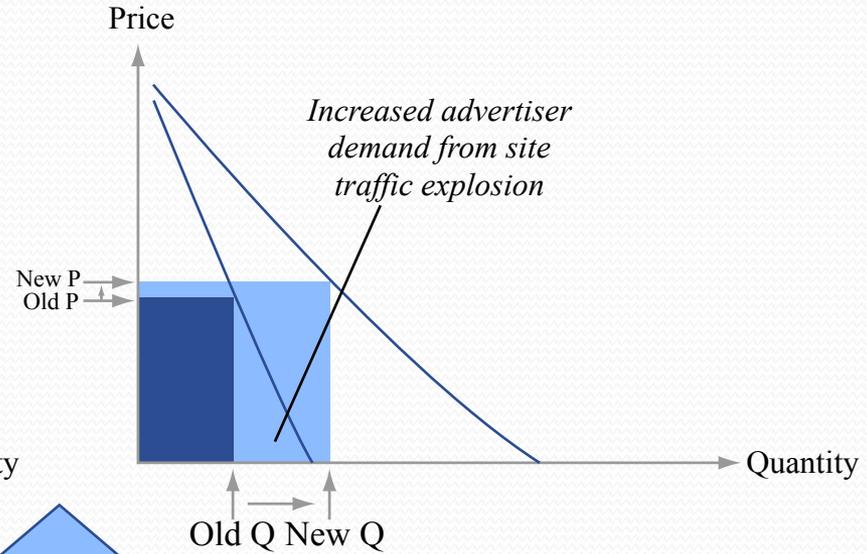


Image by MIT OpenCourseWare.

In the past, strategic focus drifted...

Multi-window

Daum media

- News
- Open community
- Try to globalize

Daum UCC media

- Video service
- Open community

Mobile

1995~2001

2002~2005

2006-2007

2008~2009

2009~

NAVER

Search

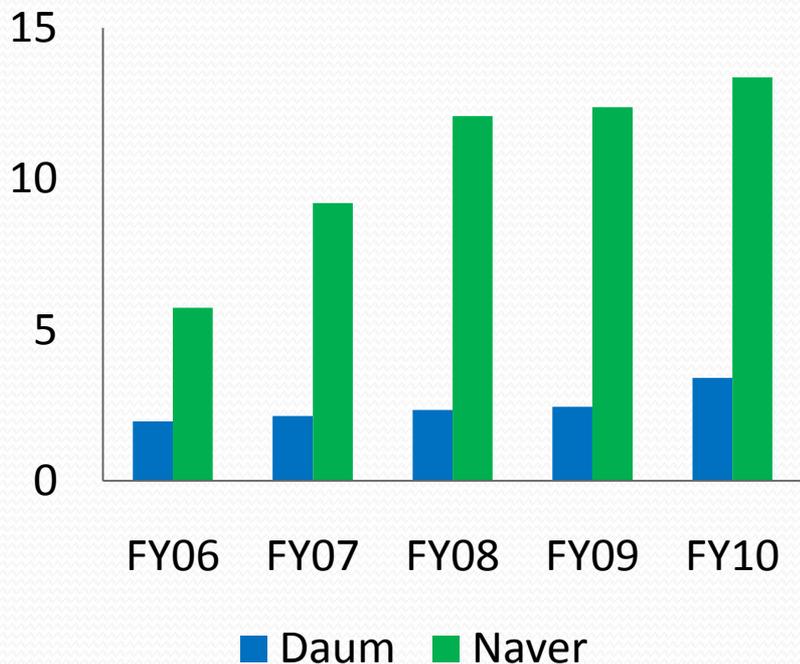
Local Search

Open the Korean Internet world

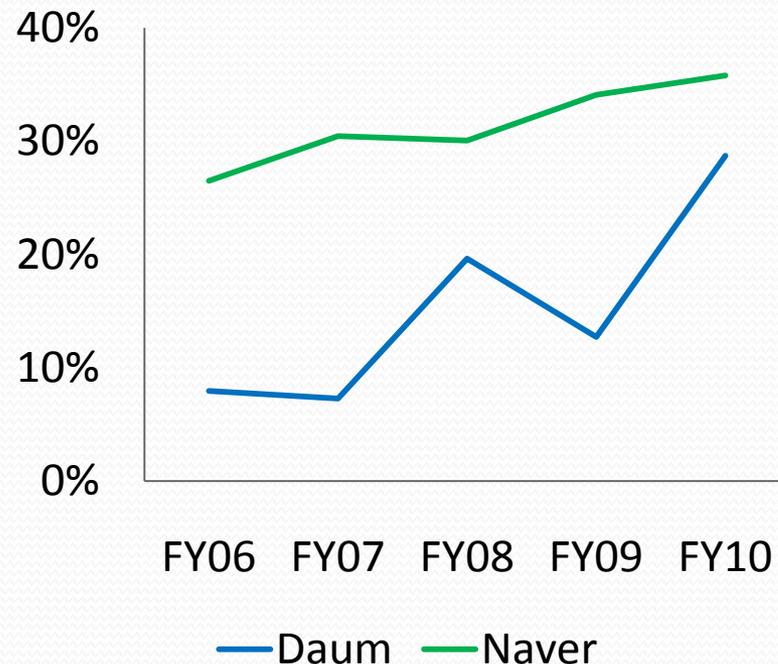
- Free email
- Online community

... and now must play catch up with the competition

Revenues



Net Profit Margin

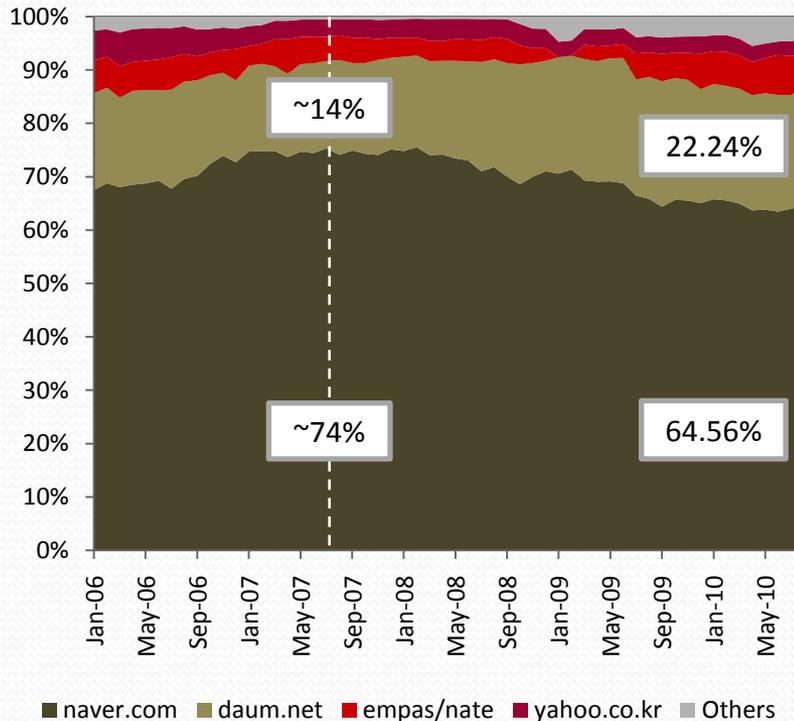


Market capitalization

- Daum: 108.2bn won
 - Naver: 928.7bn won
- 8.6x difference**

Daum has begun gaining ground

Search Market Share (by query)



► Share of search queries is growing...

Aug 2010 Monthly UV/PV

Domain	UV	PV (000s)
Naver	31,031,414	24,590,337
Daum	28,925,149	17,356,675
Nate	24,652,649	7,322,468
Yahoo!	16,514,010	2,137,653

Domain	PVs (000s)		
	News	E-mail	Café
Daum	3,152,332	2,313,115	5,586,706
Naver	1,379,158	1,585,868	5,166,377
Nate	1,865,440	1,027,160	497,766
Yahoo!	580,500	165,767	-

► ...and share of Unique Visitors and Page Views is highly competitive



Daum's new strategy has 3 elements

1 Mobile

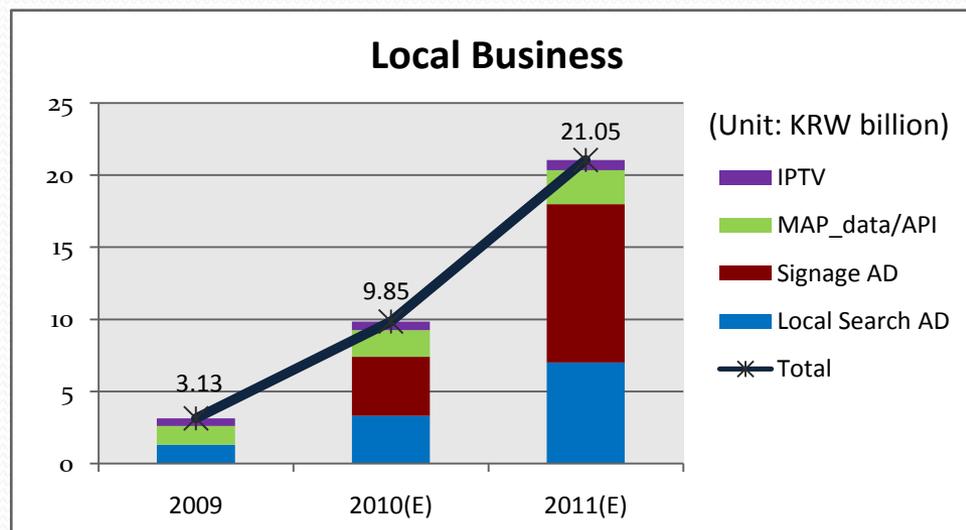
2 Kiosk

3 IPTV

- Each is a part of a broader “multi-screen” strategy
- Focus is on providing more targeted local services, and expanding untapped network of local advertisers

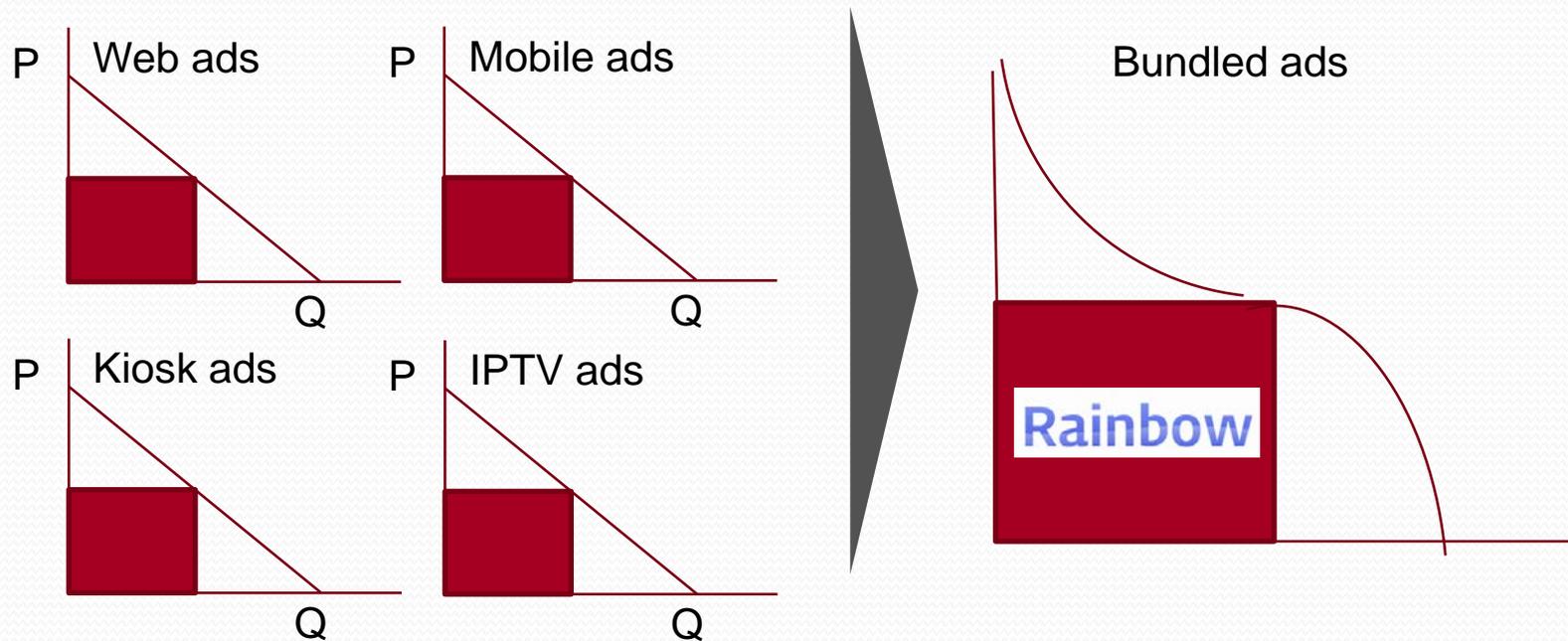
New platforms allow for greater focus on local search

- Customers segmented by geo-targeting, geo-location keywords, and IP addresses across multiple platforms using “Rainbow System” for local ad sales
 - Mobile, IPTV, Kiosks
- Expose right customers to right ads
- Expected to drive significant revenue growth



A new ad bundling strategy will unlock additional revenue

Initial Strategy: Bundling across platforms



Follow-On Strategy: Introduce individual platform option

Local search designed to tap Longtail ad market

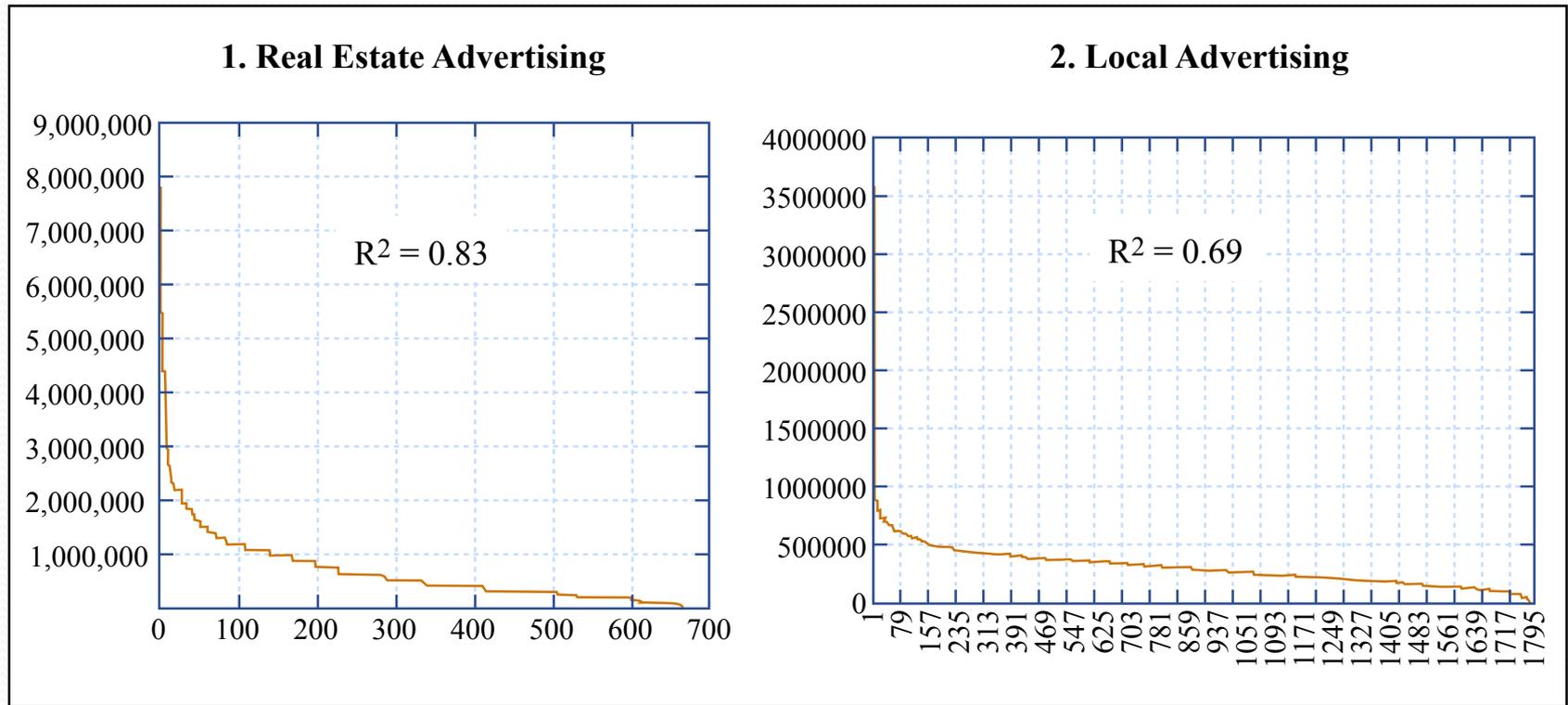


Image by MIT OpenCourseWare.

$$\ln(\text{Sales}) = 17.33 - 0.7615 * \ln(\text{Rank})$$

$$\ln(\text{Sales}) = 15.59 - 0.47628 * \ln(\text{Rank})$$

Monthly recontract rate = 25%

Questions?

Appendix

① Mobile service offerings

m.daum.net

Strategic Apps

- Optimized for mobile environments, including iPhone & Android
- Currently offering 25 services on m.daum.net(email, café, news, dictionary, stock and more) and 8 application based services

② Digital signage / Metro Kiosks

- Currently ~900 digital signs placed in 117 subway stations
- Daily average traffic of ~6mm people
- Exclusive business rights from Seoul Metro

3 IPTV

- Optimized marketing platform for local advertisers
- Expanding rapidly with the growth of digital TVs
- Collaboration with KT Qook, CJ Cable, and LG's IPTV

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15.567 The Economics of Information: Strategy, Structure and Pricing
Fall 2010

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