Lotte's move into home shopping rattles industry

By Yoo Soh-jung

When Lotte Shopping Co. announced on Aug. 2 that it had bought a majority stake in Woori Home Home Shopping, analysts shuddered at the high acquisition price.

The country's leading retailer bought the 53 percent majority stake in Woori from its largest shareholder Kyungbang Ltd. for 466.7 billion won ($496.7 million) to enter the television home-shopping business.

Most analysts criticized Lotte's purchase as a high-stake investment, as Woori is the fourth-ranked shopping network with a weak operation and relatively low asset value.

Still, the investment has been enough to shake up rival home-shopping networks over fears that Lotte's entry could weaken their competitiveness. The top three players — GS Home Shopping, CJ Home Shopping and Hyundai Home Shopping — filed a petition against Lotte to the Korea Broadcasting Commission on Aug. 19, according to industry sources.

The country's leading retailer is still waiting for the approvals from the Korean Broadcasting Commission and the Fair Trade Commission.

Industry sources said rival home-shopping channel operators filed the petition, claiming that Lotte's entry into the industry would increase their operating costs while eroding profits.

"Lotte's entry would have a big impact on the whole retail industry," said Kim Ju-han, a director of Hyundai Home Shopping's marketing and public relations division. "Lotte is already a dinosaur in the retail industry, so it's highly possible that it would secure a firm and high position in the home-shopping market."

Kim stressed that Lotte's presence would upset the nature of the industry by imposing unconventional changes.

"Most home-shopping networks generally sell products distributed by small and medium-sized enterprises, which means we play an important role in supporting and nurturing smaller market players," he said. "But this could change, because Lotte's clout in the distribution industry could affect the vendors used."

In addition to increased competition, competitors fear that the presence of the retail giant would spur sweeping changes to the home-shopping market.

While competitors would have to step up marketing, they would most likely face higher commission fees to use the best cable system operator, or sales outlet channel.

Woori's second-biggest shareholder with a 46 percent stake, Taekwang Industrial Co., is the parent company of Digital Busan Net, Korea's biggest cable company with the most system operators. Digital Busan Net provides the broadcasting services to Woori. With Lotte in the picture, cable companies may want to raise their commission fees, while Lotte may seek to acquire its own cable system operator.

"Lotte would want to get the best channel, putting pressure on competitors to react," said Lee Sang-koo, an analyst at Hyundai Securities Co.

Higher commission fees would pose an even bigger burden on TV home-shopping operating costs, analysts say.

According to Park Jin, an analyst at Woori Investment & Securities, Woori Home Shopping's operating costs amounted to 163 billion won last year, with the broadcasting commission fee eating up 36 billion won. Operating profit totaled 64 billion won.

Lee of Hyundai Securities said that Lotte's entry into the home-shopping industry would have a general negative impact on the operational costs of the existing players.

"Lotte would have to do aggressive marketing in the beginning too, so this would be another cost burden to competitors," he told The Korea Herald.

The expert noted that Lotte tends to be preoccupied with gaining market share before it gets serious about generating fat profits.

Whether Lotte's acquisition of Woori promises synergy, Lee said it is still too early to judge.

"It's still too early to predict the extent to which Lotte's entry would have an impact on the whole industry," he stressed.

The country's home-shopping market, estimated to be worth 3.3 trillion won last year, is expected to reach 3.7 trillion won this year, according to industry estimates.

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Samsung Heavy closes W635.2b ship contract

Samsung Heavy Industries Co., the world's second-largest shipbuilder, said yesterday it has clinched a 635.2 billion won ($661.5 million) order to build container ships.

The order calls for Samsung Heavy Industries to deliver five 10,000 TEU-class container ships to Hanjin Shipping Co., the nation's No. 1 shipping company, the shipbuilder said in a regulatory filing. The order makes Samsung Heavy Industries the first local shipyard to pass the $10 billion mark in terms of orders received this year, outpacing its competitors, Hyundai Heavy Industries Co., and Daewoo Marine Engineering & Shipbuilding Co., the third-largest shipbuilder worldwide.

This year, Samsung Heavy Industries has received orders worth $10.1 billion won to build 66 ships, surpassing the $7.7 billion worth of contracts it clinched for the whole of 2005. Currently, its order backlog amounts to $20 billion, enough to keep it busy for three years, the company said. (Yonhap News)

FOREIGN EXCHANGE (Aug. 25)

Currency	Basic rate	Cash (in won)	
		Selling	Buying
U.S. dollar	961.90	980.17	943.63
Euro	1,226.90	1,250.21	1,203.59
Japanese yen (per Y100)	820.94	836.53	805.35
British pound	1,812.60	1,847.03	1,778.17
Chinese yuan	120.68	129.12	112.24
Swiss franc	775.98	790.72	761.24
Hong Kong dollar	123.69	126.04	121.34
Swedish krona	133.26	135.79	130.73
Australian dollar	730.08	743.95	716.21
Danish krone	164.46	167.58	161.34
Norwegian krone	151.51	154.38	148.64
Saudi riyal	256.46	261.33	251.59
Kuwaiti dinar	3,325.96	3,389.15	3,262.77
UAE dirham	261.88	266.85	256.91
Bahraini dinar	2,551.46	2,599.93	2,502.99
Singaporean dollar	609.68	621.26	598.10
Malaysian ringgit	261.49	266.45	256.53
Canadian dollar	867.12	883.59	850.65
New Zealand dollar	610.42	622.01	598.83
Thai baht	25.55	26.03	25.07

Note: These foreign exchange rates can change at any time according to market conditions.

KB

Harry Shum, managing director of Microsoft Research Asia, and child genius Song Yoo-geun meet for a roundtable discussion at Microsoft Research Asia. Microsoft Korea

'It's important a child genius feels happy'

By Hwang Si-young

BEIJING — "Work hard, play harder" is what typifies the philosophy of Microsoft Research Asia (MSRA), the largest research laboratory of Microsoft Inc. with around 200 researchers from all around the world.

Harry Shum, managing director of MSRA, and Korean child prodigy Song Yoo-geun had a roundtable meeting on Thursday, which was attended by Microsoft Korea staffers, interns and reporters.

Song — born in November 1997 and just shy of 9 years old — is a freshman at the Physics Department of Inha University in Incheon, west of Seoul. The physics genius' dream is to make flying cars, based on the superstring theory that defies Newton's law of gravity.

"Song has a high chance of becoming 'super successful.' Therefore, it's important he feels happy and has fun," said Shum, who himself entered into Nanjing University — now called Southeast University — at 13. Shum received a master's degree at the University of Hong Kong and a doctorate in robotics from the School of Computer Science at Carnegie Mellon University.

"Well, I can only talk about my own experience. I've never had friends of my age. So I tried to have my own fun and play with other college students. I didn't study. I only played soccer during my university years."

Shum suggested playing bridge, as he emphasized Song needs to hang out more with college students.

When Song asked Shum if he could start research work at MSRA after 10 years, Shum said he would be most welcome.

Shum also said Song needs to "expand his horizons" when asked about the need to study abroad.

It's a common perception that a child genius has great potential for analysis but lacks in his ability to socialize. But this was clearly not the case for Shum, who now oversees all research activities and collaboration with universities in the Asia-Pacific region for Microsoft. He is also one of more or less 20 "distinguished researchers" of Microsoft.

As a fellow of the Institute of Electrical and Electronics Engineers, or IEEE, Shum has published over 100 papers on computer vision, computer graphics, pattern recognition, statistical learning and robotic. He holds more than 20 U.S. patents, according to Microsoft.

When asked if there is any "culture" shared among smart researchers at MSRA, Shum said "being passionate, engaging and hardworking" characterized the researchers here, the same as the culture of Microsoft.

Microsoft has research labs in Redmond, San Francisco, Cambridge, China, Silicon Valley and India. Around 750 researchers are working at these labs, according to MSRA.

"MSRA is developing technologies that will be used in five or 10 years. These include user interface, digital media, networking and systems, digital entertainment and Web search & mining. We're trying to think out of box so that we can stay ahead of our competitors," Shum said.

The research lab, focused on graphics and search, is currently developing "pen computing." It allows users to enter information and use commands on their computer just as they do with pen on paper. The technology was demonstrated when Microsoft chairman Bill Gates met Chinese President Hu Jintao in China.

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Daehan shares stay high despite 'troubled assets'

By Park Jung-youn

Shares of Daehan Synthetic Fiber Co. rose to the exchange-imposed daily limit of 15 percent for three consecutive days including yesterday, after a corporate governance fund spearheaded by Jang Ha-sung, a dean of Korea University Business School, acquired a 5 percent-plus stake in the company earlier this week.

Shares of Daehan Synthetic have risen nearly 52 percent since their Aug. 23 opening price of 65,400 won to 99,300 won yesterday, posting a near-15 percent jump each day. The rally started when Korea Corporate Governance Fund said in its regulatory filing to the Financial Supervisory Service that it acquired 68,406 shares — a 5.15 percent stake — in Daehan Synthetic with the intention of management participation.

In the filing, KCGF said its wants to improve Daehan Synthetic's corporate transparency, increase dividends and sell idle assets.

"Daehan Synthetic has got ample assets and potential, but it is also troubled with corporate governance issues. A market cap that is a fragment of its total assets explains it," Jang said.

Daehan Synthetic holds assets totaling nearly 290 billion won ($306 million), with a market cap of 114.7 billion won as of yesterday. At the time KCGF purchased its stake in Daehan Synthetic, its market cap stood at one-fifth of the company's total assets.

"Two weeks prior to KCGF's acquisition of the shares, I addressed my questions to the company management, and am currently waiting to hear from them," he added.

Parties closely affiliated with Taekwang Group, the parent company of Daehan Synthetic, hold 54.53 percent stake in the company. These include the group chairman Lee Ho-jin (14.04 percent) and Taekwang Industrial Co. (16.74 percent).

Including those owned by Taekwang Group's corporate affiliates and personal affiliates of its chairman, the Taekwang-friendly shareholders control nearly 72.2 percent

Shares of Taekwang Industrial likewise gained 8.55 percent or 49,000 won yesterday, and Hungkuk Ssangyong Fire and Marine Insurance Co., an insurance arm of Taekwang Group, dipped 460 won or 6.66 percent to 6,450 won, after a 15 percent jump the day before.

"I am not entirely sure what seems to the problem. I think our share prices are overvalued at the current level," said a Daehan Synthetic official who declined to be named.

Daehan Synthetic's PBR was 0.33, and its affiliate Taekwang Industrial, 0.34 percent.

KCGF has a capital base of about 120 billion won, which is managed by the New-York based Lazard Asset Management LLC., in consultation with the Seoul-based Center for Good Corporate Governance to identify its future targets. Market rumors have it that KCGF has already identified and started buying into three other companies.

Meanwhile, market experts say influencing management decisions at Daehan Synthetic will not be an easy job for KCGF. Some speculate that with 72.2 percent stake already in the company, it may buy up more to delist the company from the exchange.

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