

Korea Broadband

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As of 4/2005, the South Korean government reported 12.2M broadband users, ~75% of Korea's ~16M households. By comparison, approximately 30% of 110M US households now have broadband access.

DSL serves ~57% of the broadband Korean market, followed by cable modems (~34%) and apartment LANs (~9%). Major suppliers include Korea Telecom 6.09M (DSL, apartment LAN), Hanaro Telecom 2.73M (DSL, cable modem, apartment LAN), and ThruNet 1.28M (cable).

South Korea's leadership in broadband can be linked to its unique demographic and market characteristics.

Density. One distinctive attribute is Korea's high population density, with 70% of households in the seven largest cities and 40% in urban apartments. Such households can be readily served via DSLs, including higher-speed DSLs, more so than in the US.

Competition. Intense competition among a few capable and aggressive providers, including providers of apartment LANs (local area networks), has driven prices down, led to attractive service packaging, and raised awareness.

By comparison, while the US broadband market is moving towards greater competitive intensity, until recently the US DSL providers have been much less effective competitively than their counterparts in Korea. Recently the US telcos have become more aggressive, primarily competing on price, and have been capturing about half of new broadband subscribers. Cable operators have responded primarily with cable modem service enhancements including specialized content & higher speed.

Cost. Average cost of broadband connections in Korea is ~\$33/month. For many Internet users in Korea, this is the same or less than narrowband because local residential telephone rates are usage sensitive rather than flat rate as in the US.

For Korean households running up hours of Internet charges on their primary phone line, or considering a second line for the Internet, broadband offers a compelling economic choice.

Content. The appeal of broadband connections in Korea has been enhanced by explosion of Korean Internet content.

Some of the more popular Internet content is peculiar to Korea. ~6M Korean users have personal avatars or cartoon characters that represent them when they sign on; other users in their personal networks are alerted by the appearance of their avatars and can then participate in joint activities such as online games or content sharing. Movie & video downloads are much more common in Korea than in the US due to prevalence of higher-speed DSL connections. Over 2/3rds of stock trading in Korea is now done online, and online shopping represents ~12% of all retail sales.

Culture. Koreans are fast adopters of high-tech, information-intensive products, highly receptive to marketing stories that offer education as well as entertainment.

Government. The Korean Government has been an avid cheerleader for PC ownership, Internet access, and broadband. For example, Government encourages building owners to install broadband Internet access by allowing higher prices for connected apartments.

Direct Government investment recently has focused on contributing to building the intercity portion of a 50Mbps-100Mbps "broadband convergence network" (BcN) that will serve as a platform for next generation advanced broadband services..

Lessons? Korea demonstrates how quickly broadband can supplant narrowband access. For those seeking lessons for the US, it helps to be a geographically small, densely populated country, with intensely competitive broadband providers, higher cost narrowband alternatives, and eagerly receptive consumers.