

Korean operators warn Europe of "curse" of 4G networks

Kate Holton and Leila Abboud, Reuters

(Reuters) - South Korean telecom executives have a message for European cousins who have long looked on in envy at the highly connected Asian market: Be careful what you wish for.

[South Korea](#) [1], the world's most wired country with 30 percent of its 50 million mobile users on superfast networks, has inspired many European operators ahead of their own rollout of networks based on LTE, or fourth-generation technology.

But [SK Telecom](#) [2] Co Ltd ([017670.KS](#) [3]), the country's largest operator with more than half of the market, and second player KT Corp ([030200.KS](#) [4]), told Reuters that although the rollout of faster networks had been good for consumers, they were still struggling to make money on the technology 18 months after launch.

"Our European colleagues complain that the explosion in data has not fully happened for them, that it did not come to reality," Suk-Chae Lee, the head of KT Corp, told Reuters at the Mobile World Congress on Tuesday.

"In Korea, they are data crazy. We have unprecedented demand. We cannot handle it. But the issue we have is that they are not willing to pay enough. So, the fundamental problem is, can we make any money out of it?"

[South Korea](#) [5] is often held up by European governments as the model they would most like to replicate, with superfast networks enabling millions of people to shop online, communicate and become more productive.

The country has three operators who have been forced to fight for every consumer, spending heavily on [marketing](#) [6] and handset subsidies and continually offering more for less to lure in and keep their subscribers.

"The traffic increases but the revenue does not necessarily follow," SK's chief technology officer Jae W Byun said in an interview.

"We have seen about a \$13 increase in average revenue per user compared with 3G. So, it is good money, but it may not be enough to justify the huge investment needed in LTE."

Byun added that the profitability of LTE would improve as SK expects the number of subscribers on the technology to grow to 60 percent by the end of the year, from 30 percent currently.

MORE SUBSCRIBERS

Korean operators warn Europe of "curse" of 4G networks

Published on Electronic Component News (<http://www.ecnmag.com>)

European operators such as Telefonica SA ([TEF.MC](#) [7]) and [France](#) [8] Telecom SA ([FTE.PA](#) [9]), weighed down by regulation, competition and economic woes, are betting that the billions of dollars of investment needed for 4G networks will eventually be offset by an increase in customer prices.

Their optimism will be tested when 4G services reach more subscribers in [Germany](#) [10], [France](#) [11], Scandinavia and Britain this year.

In contrast, in the United States AT&T Inc ([T.N](#) [12]) and [Verizon Communications Inc](#) [13] ([VZ.N](#) [14]) are surfing the 4G wave to grow sales and profits, but that has much to do with the fact that they have a combined 70 percent share of their home market.

The lessons from Korea are not all harsh, though.

SK's Byun said rolling out faster networks could enable a mobile operator ranked number two or three to become [market leader](#) [15] because the improvement to the consumer is so significant.

But he also noted that once one operator launched 4G, others had to follow quickly or face being left behind.

"If you want to change the game, then take a risk and invest," said Byun.

Customers of both firms on average consume 1.8 to 1.9 gigabytes of data per month, with users spending hours watching video on YouTube, browsing the web and social networking on smartphones and tablets.

According to research from Cisco, an average smartphone user on slower 3G networks consumes around 342 megabytes. South Korea's leap to 1.8 gigabytes followed an 80 percent jump in mobile data traffic on 2G, 3G and 4G networks in 2012.

"LTE is very beneficial to the people but still the big question remains, can we go on?" KT's Suk-Chae Lee said. "It is a blessing to customers but it is a curse on the operators."

The problem will likely get worse, with analysts at Citi predicting 70 percent of the country's mobile users would be on 4G networks by 2014.

SK says it cannot predict when the network will break even because it depends on [marketing](#) [6] costs. Its rival noted that with technology developing so quickly, companies have to continually develop new infrastructure, giving less time to recoup the cost.

"The question remains, how do you build out a network while ensuring that the builder gets a minimum return for their investment?" KT's Suk-Chae Lee said. "It is a dilemma."

Korean operators warn Europe of "curse" of 4G networks

Published on Electronic Component News (<http://www.ecnmag.com>)

(Additional reporting by Miyoung Kim in Seoul; Editing by Dan Lalor and David Holmes)

Source URL (retrieved on 07/05/2015 - 3:53am):

<http://www.ecnmag.com/news/2013/02/korean-operators-warn-europe-curse-4g-networks>

Links:

[1] <http://www.reuters.com/places/south-korea>

[2] http://www.reuters.com/finance/stocks/overview?symbol=SKM&lc=int_mb_1001

[3] <http://www.reuters.com/finance/stocks/overview?symbol=017670.KS>

[4] <http://www.reuters.com/finance/stocks/overview?symbol=030200.KS>

[5] http://www.reuters.com/places/south-korea?lc=int_mb_1001

[6] http://www.reuters.com/sectors/industries/overview?industryCode=93&lc=int_mb_1001

[7] <http://www.reuters.com/finance/stocks/overview?symbol=TEF.MC>

[8] <http://www.reuters.com/places/france>

[9] <http://www.reuters.com/finance/stocks/overview?symbol=FTE.PA>

[10] <http://www.reuters.com/places/germany>

[11] http://www.reuters.com/places/france?lc=int_mb_1001

[12] <http://www.reuters.com/finance/stocks/overview?symbol=T.N>

[13]

http://www.reuters.com/finance/stocks/overview?symbol=VZ&lc=int_mb_1001

[14] <http://www.reuters.com/finance/stocks/overview?symbol=VZ.N>

[15] http://www.reuters.com/finance/stocks/overview?symbol=LEDR&lc=int_mb_1001