Rich Communication Suite

IMS-based Interoperability in South Korea

Latest results and lessons learnt. An update to case study originally published in April 2010.

Background

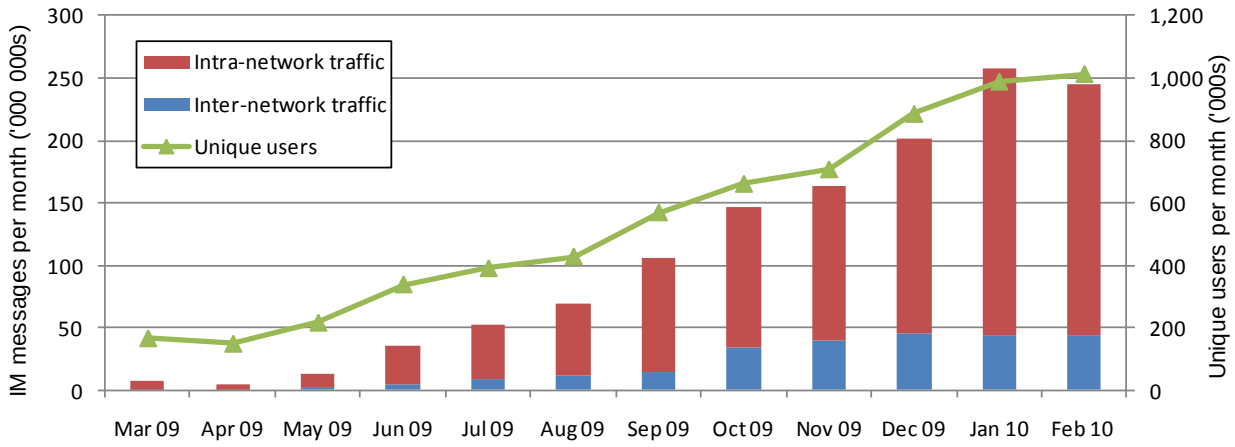
The three mobile operators in South Korea – Korea Telecom (KT), LG Telecom (LGT) and SK Telecom (SKT) – launched the world's first commercially available interoperable IMS service in March 2009. The common feature set available to all mobile customers in South Korea: presence enabled phonebook (buddy lists, login/logout, nicknames), text and mobile instant messaging including group chat and file/image transfer, is very similar to the RCS feature set. The South Korean services are also based on the same underlying standards as RCS e.g. OMA SIMPLE Presence and OMA SIMPLE IM. Therefore, consumer response to these services and lessons learnt by the pioneering South Korean operators are very relevant to the whole RCS community.

The previous case study written by the GSMA on behalf of the Korean operators was published on the RCS website in April 2010 – see http://gsmworld.com/documents/GSMA_RCS_Case_Study_South_Korea_Mar_2010.pdf. This described the process of collaboration between the operators, and the very encouraging results from the first year of operation of the service. This update reports on the performance of the services since March 2010 and highlights the implications these experiences have for the RCS community.

Interoperability is a key factor for success

As previously reported the South Korean operators saw a huge increase in IM traffic and numbers of users of their IMS-based services following the launch of interoperable services in March 2009. For example, in the first six months KT saw its IM traffic increase by 100 times since the introduction of interoperability, and the number of users increased by a staggering 54 times. SKT also experienced significant increases in traffic and unique (active) users, 30 and 6 times respectively over the first twelve months as shown in Figure 1. The relative increases experienced by SKT were lower than KT as SKT already had a significant customer base for its Mobile Messenger service prior to interoperability. With over 50% market share SKT also benefited less from interoperability than the other smaller operators. The number of SKT's mobile IM subscribers is approximately 18 times more than KT's and 6 times more than LGT's. Nevertheless, traffic between SKT's network and the other operators' networks also increased considerably as shown in Figure 1.

Figure 1: SKT's mobile IM traffic and users in first 12 months since launch of interoperability



Source: SK Telecom, November 2010

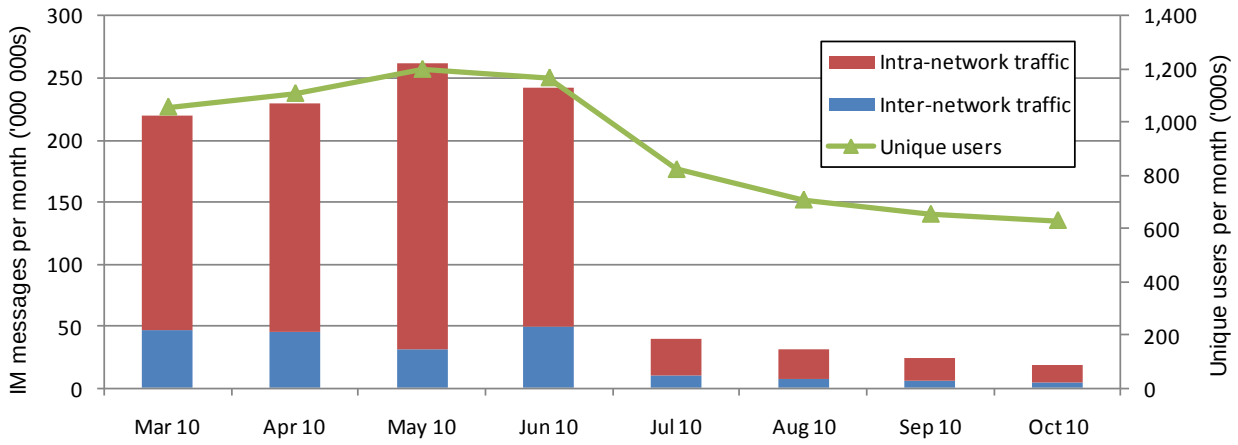
By May 2010 SKT had almost 1.2 million mobile IM unique (active) users representing a 5% penetration of its customer base; a major achievement in just over one year. The combination of easy to use and integrated presence and communications features, including interworking with SMS, multimedia based user interfaces, and interworking between all three operators clearly resulted in an attractive service proposition to its target markets: mainly the youth segment (under 30 years of age).

Furthermore, the connectivity and convenience of interoperable presence and IM services meant that additional communications, such as SMS and MMS, were triggered, leading to a growth in these types of messaging as well amongst mobile IM users. Most importantly, none of the operators experienced any cannibalisation of SMS revenues.

But interoperability alone is not enough in increasingly competitive markets

However, as can be seen from Figure 2 traffic volumes and numbers of users fell dramatically in July 2010, and have continued to fall slowly since. This can be explained by the withdrawal of special promotions offered by SK Telecom – predominantly free IM messages to the promotion group users – at the end of June 2010. For example since June 2010 SKT has charged 20 Korean won (~$0.02) per message for chat to all the users – the same charge for an SMS message.

Figure 2: SKT's mobile IM traffic and users, March - October 2010



Source: SK Telecom, November 2010

This demonstrates clearly that despite an attractive set of service features and appealing user experience, price is a very critical determinant of usage, especially in the very price sensitive youth segment. This is particularly the case in the presence of free near-substitute services, such as mobilized Internet IM and social networking services, which are becoming increasingly more easy to access thanks to the rapid penetration of the market by smartphones.

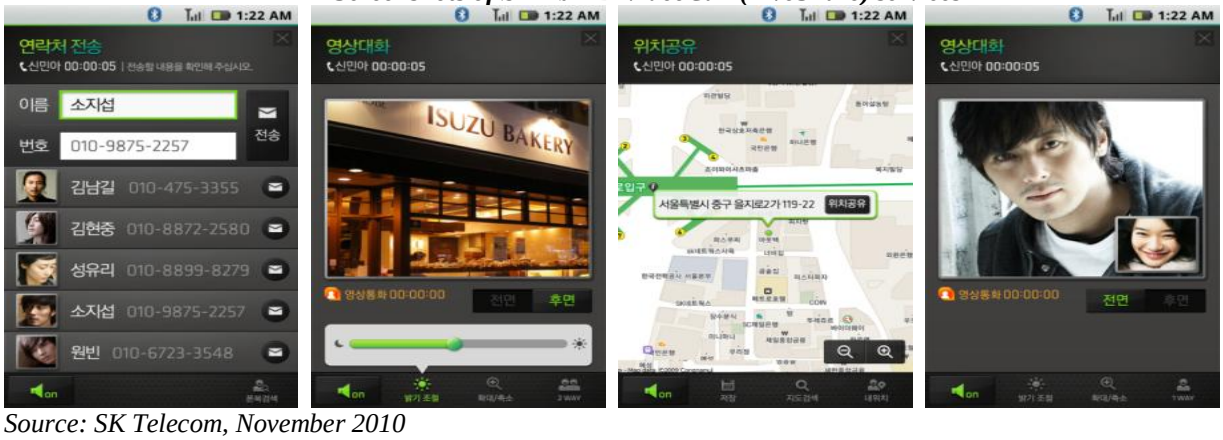
> ***"Once the free promotion was withdrawn users began to look for other alternatives that were also free. Despite our early success with our interoperable mobile IM service, we soon learnt that our pricing models should be reconsidered and our service needed to be more differentiated to compete with the free services on the Internet."***
>
> **Wooyong Choi, IMS Project Senior Manager and Chairman of Korean MIM WG, SKT**

Although every market is different and operators will adopt different pricing and marketing strategies according to their situation, the experiences from South Korea indicate that basic RCS features (presence and IM) are attractive to consumers but they will probably not justify premium pricing. As the reduction in traffic was more significant than the reduction in unique users it is possible to conclude that these RCS-like features are still valued by customers who are now being more controlled in their use.

Enhanced services will be key to differentiation and long term success

The South Korean operators recognized the need to add further value and differentiation to the basic communications feature set initially offered to the market. In recent months, both SKT and KT have enhanced their service propositions with enriched multimedia and video capabilities and greater integration with Internet IM and social networking services. For example, SKT has also re-launched its LiveShare service under the name of HDVideoCall, which shares very similar features to RCS "Enriched Call" i.e. during a 3G (circuit switched) voice call users are able to share multimedia content and video over the packet switched IMS network. HDVideoCall now offers video sharing in real time at far greater video quality/resolution than before. In addition to in-call content sharing, users can, for example, share their locations on a map and draw images together on the display.

Screenshots of SKT's HD VideoCall (LiveShare) services



Source: SK Telecom, November 2010

KT's showTalk service now provides access to Twitter, and facilitates communication between RCS and non-RCs users. There has also been more emphasis on adding "fun factors" in its communication features such as emoticons, flash-cons, location information and flexible user interfaces for expressions of personalized lifestyles.

> ***"KT believes RCS should now become one of the major packet based services of Korean telcos. This means that it will not just be an IM service anymore and we should not expect that customers will pay per message for mobile IM anymore. Multimedia, such as PS video call is an attractive service of MNOs and many value added services from legacy CS service can be migrated to PS network without a big challenge. Furthermore, the mesh-up with mobile VoIP based on LTE networks will be very useful for subscribers in the shape of RCS. So, we plan to escalate the technical level of interoperation to support many types of multimedia services in IMS with RCS client."***
>
> **Ji Su Park, Manager, Smart Comm Development Team, KT Corp.**

Lessons for RCS

The significant growth in users and traffic for the South Korea IMS-based services provides evidence that RCS services are likely to be well received by consumers elsewhere too, especially in the youth segment. The capability of these services to trigger incremental communications is also encouraging for potential RCS operators. However, the negative reaction to the introduction of charges for these services are an important warning to potential RCS operators.

It seems unlikely that RCS will be a revenue generator in its own right, but evidence from South Korea suggest that it can serve as a useful tool to protect existing communications revenues, and help to strengthen the customer-operator relationship. By providing services that are aligned with consumers' communications behaviours and preferences, as determined by their experience of Internet-based services such as IM and social networking, operators are in a better position to satisfy their customers' evolving communications requirements and compete with the growing number of 'over the top' (OTT) communications services.

The experience of the South Korean operators also serves to demonstrate the potential need for RCS to add further differentiation and added value, to limit the migration of communications usage to 'free' OTT services. Exploiting convergence between mobile and broadband access, rich multimedia communications, and interoperability with established Internet-services as well as with each other are just a few steps being taken by the South Korean operators to address this.

However, achieving interoperability in South Korea had its challenges thanks to different service scenarios and features among the operators. The adoption of a common global standard, such as RCS, should make things easier but the complexities and time needed for successful interoperability testing must not be under-estimated. The South Korean operators are now focused on greater collaboration in terms of co-marketing, handset development and creating additional value propositions beyond chat to improve awareness and access to their services.

> ***The experiences of the South Korean operators are very relevant for operators considering the launch of RCS. The positive response of consumers to the service proposition provides some proof of the potential appeal of RCS features and the benefits of interoperability. However, the more recent downturn in usage is a clear indicator that operators must accept that they are competing with free 'OTT' Internet-based communications services, and that as smartphones proliferate the competition will intensify. To continue to satisfy the evolving requirements and expectations of their customers, especially the young and "tech savvy" ones, they must respond quickly by launching RCS services to further enrich their customers' communications services experience. At the same time, operators must be prepared to adapt their traditional telco-business models to enable them to compete more effectively. The telecoms industry is entering a new era of convergence and competition. RCS provides a platform on which operators can leverage service opportunities afforded by convergence and build new value propositions to strengthen their relationships with their customers.***