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Cable Television In Korea:
Not Yet A Successful Cultural Buffet

By

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Cable Television in Korea:
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Cable Television in Korea: Not Yet A Successful Cultural Buffet

Cable television has just arrived in Korea. Fifty four cable operators through the nation have begun their services since March of this year. It has been four years since the first demonstration project began in 1991 but most operators are generally finding it difficult to operate their stations, partly because of program shortages and partly because of lack of subscribers.

The successful cable television operations are rare. Many failures experienced in other countries illustrate this. Even in the U.S., where cable television began broadcasting in 1948 and which now has the most advanced cable systems in the world, has had a hard time to reach the present state of development of the cable television industry. Cable television in Japan is now suffering severe financial problems caused by lack of a minimum number of subscribers, while in Europe, cable has been treated as a mere waste of national broadcast resources.

The purpose of this study is to investigate the problems of and reasons for the failure of cable broadcasting in other countries, and make suggestions for its sound development in Korea and other Asian countries which may introduce cable television in near future. This study will compare the cable experiences of the US and Japan, and will also examine audience orientations toward cable television programs.

Cable television in Korea: the present situation

In Korea, cable television is operated by three different kinds of companies: system operators (SO), program providers (PP), and cable operators. In many countries, system operators serve cable operators at the same time. The reason for separating cable operators from system operators is to lighten the financial burdens of system operators.

Currently, fifty-four SOs have been given permission for operation by the Ministry of Information and communications (MIC). The government plans to license a total of 116 SOs through the nation in the near future.

In the Seoul area, there are five regular television channels: KBS1, KBS2 (Korean Broadcasting System), MBC (Munhwa Broadcasting Corporation)
and EBS (Educational Broadcasting System) and SBS (Seoul Broadcasting System). KBS, MBC, EBS are national public broadcasting stations, while SBS is the only privately operating station. SBS is not nationally available, since it is a local station, which covers only the Seoul metropolitan area.

The SOs carry thirty-one channels and are required by the government to carry three public stations (KBS1, KBS2, EBS), one local channel, one public channel, two news channels (one general news, one economic news), two movie channels (one general movie, one pay channel), three religious channels (Christian, Buddhist, Catholic), one children's channel, two music channels, two educational channels, two woman channels, one sports channel, one Paduk (Go) channel, three entertainment channels and one home shopping channel, etc.

Although MIC announced that system operators should collect subscription fees beginning May 1, in reality few system operators are ready to do so, because there are not many subscribers who can watch cable television. Simply, cable television is not ready for viewers.

As of April 27, according to the MIC, less than one third of cable television subscribers had converters at their home and could watch cable television. Twenty four of the system operators have less than 1,000 households ready to watch their programs and nineteen system operators have between 1,000 and 2000 households.

Currently, the system operators are not collecting enough income to survive. Average system loses are about $400,000 per month. As a result, at least two SOs have almost closed their doors because of financial loses.

Programs

Once cable television systems starts, failure in cable television business is often due to bad programming. That is, the success or failure of broadcasting including cable is determined by the quality of the programs the audience watches. Furthermore, cable television, differing from on-air broadcasting, has to be subscribed, that is, audience should be willing to pay for its programs.

The bad financial state of SOs exert a bad influence on the quality of the programs of cable television. Only because they are cheap, SOs are mostly filling their broadcasting time with the old programs of existing stations, which
have been already broadcast. The more serious problem is the broadcasting of foreign films, because they have to pay royalties to use them. For this reason, the SOs broadcast only cheap, low-quality foreign films.

Program production is one of the most significant issues the cable television industry in Korea has to face. The cable television industry in Korea needs about 45,000 programs a year. Presently, only 3,513 programs had been secured, as of December, 1994. Movies represent the largest number, 1,450, while women’s programs account for 700, cultural programs 152, and children’s programs least, 27.

Another serious problem is that most of these programs are foreign-made. Originally, according to the Cable Television Act of Korea, the amount of foreign programming has been limited to 30% totally, but lately this programs was adjusted upward to 50% for news, sports and culture, and 20% for other. In Japan, there is no regulation on the amount of foreign programs on cable television. That is why American channels such as CNN, MTV and ESPN can be easily broadcast on cable systems.

Therefore, 32,000 programs have to be produced locally. The production companies have various kinds of difficulties: money, manpower, and equipment. The number of independent production companies is thus quite limited in this country.

The problem for this lack of programs is mainly because the existing broadcasting companies have had their own productions only for internal use, and this has been a major barrier to the growth of independent production companies. Even worse, the movie industry has not grown enough to provide movies to cable television companies.

By contrast foreign cable television industries are supplied with abundant programs produced by many independent production companies. Especially in the U.S., about 200 movies are produced annually, and these fill about 400 television broadcasting hours.

Cable Construction

Another problem for Korean cable television is a delay of cable network construction. This has become the most important reason for the delays in
start-up of cable television broadcasting.

In 1993, the government chose Korea Telecommunications (KT), Korea's domestic telephone monopoly, the Korea Electric Power Corporation (KEPCO), and Dacom, an international telephone company as three cable operators. Later, Dacom was dropped because none of the program providers (PP) and SOs wanted to contract with the company.

One of the problems was the confusion of the means to transmit cable television programs. That is, KT wanted a mix of optical fiber and satellite, while KEPCO wanted to use only optical fiber. It was found in May that KT made contracts with twelve PPs and nineteen SOs, while KEPCO did with nine PPs and thirty-two SOs.

There are three main problems of cable construction: First is incomplete preparation of cable operators for construction (viz., lack of technical experts, shortage of cable materials, and lack of cable construction experience). Second is the nature of the government bureaucracy. Although cable operators insisted that cable television broadcasting be postponed because of possible problems due to hasty cable construction, MIC ignored their concerns. Also, government policy to divide cable television industry into three different areas (SO, PP and cable operators, especially the separation of cable operators from SOs) caused a general lack of coordination among the three kinds of companies. The separation of cable construction was originally purposed to apply the theory of open competition to settle the cable television industry earlier. However, the result is that difficulties in cable construction has delayed the possibility of early establishment of a cable industry in Korea.

In Japan, SOs are responsible for cable construction. Although the responsibility makes a heavier financial burden for SOs, it not only brings earlier and timely cable construction, but also they provides more opportunities to participate in telecommunication business at the same time.1)

Business operations

The revenues of cable television mainly comes from cable subscription fees.

1) Inomata Eiki, "CATV in Japan," KCTA, p. 4.
with a small amount from advertising sales. In the U.S., ninety percent of
revenues come from subscription fees, nine percent from lease of converters,
and one percent from advertising sales. The failure of cable television in Japan
was mostly due to high installation and subscription fees.

—In the U.S., the cable television business has done fairly well. Sixty percent
of total households subscribe to cable television. American cable television is
so popular because there are many channels the audience can watch. About
fifty-five percent of cable operators have an average of thirty or more channels.
Although cable television in Japan is generally viewed as a failure, its future
is not completely gloomy. According to a cable industry survey by the Weekly
Nikei, 72.8% of the respondents were sure about the possible profitability of
their business, while only 5.8% were not.2

The current rate of subscribing households in Japan is only 24.3% of total
households. As a result, many cable television companies are suffered severe
financial losses despite government assistance. Statistics show that average
annual revenues of cable television companies reach only $4 million, while
expenditures amount to $6 million. As of the end of 1993, although the number
of cable television companies (thirty-one companies) in the black has increased,
many more companies (109 companies) are in the red.3

In Japan, installation fees are particularly high, as much as $300, while it is
only $40 in the U.S. and $100 in Korea. Monthly subscription fees in Japan are
also more expensive than other countries ($25). In Korea, they are $18, and in
the U.S. $15. In the U.S., new movies and live sports can be seen on
PPV (pay-per-view) channels for an average of $5 for movies and $15-30 for
live sports. In Korea, there is one pay channel (for $10) and no PPV service is
offered.

Audience

(Audience Characteristics)

Concerning the characteristics of the Korean cable television audience, Rhee
(1992), found that it is highly educated, high income, and a professional with

2) Yamazaki Dakayasu, "CATV in Japan," Cable Television, 1994, 6, p. 27.
average family size of two. These numbers differ from those of American audience found by Sparkes (1983). He found that American subscribers have lower education and income.

These findings suggest two things. First concerns the different income levels of Koreans and Americans. The subscription fee is generally expensive for the Korean audience, while it is not for the American audience.

The second concerns the different stage of cable television introduction in the two countries. To Koreans, cable television is a new medium and they have yet to seriously consider subscription, while cable TV has been accepted for over forty years in America. In Korea, only innovators and early adopters, to use Rogers(1983) term, can subscribe to the new medium. They are usually more cosmopolitan, highly educated and have higher incomes.

(Orientations Toward Cable Television Programs)

In 1992, subscribers to experimental cable television were asked about their orientations. Respondents were found to watch existing television channel from one to three hours on weekdays, four to five hours on Saturdays, more than five hours on Sundays and holidays. Their favorite programs were news, drama and movies. Concerning existing television stations, most respondents answered that they were neither particularly satisfied or unsatisfied with its programs since the reason they watch the existing television programs was it was the only available television to watch (i.e., they have no other forms of broadcasting). Those who said that they were not satisfied, noted that there were not enough programs to watch or information to get, and too many commercials.

(Orientations towards cable television)

Most respondents did not have much knowledge about cable television

4) Dongshin Rhee, "A Study on the Use of Cable Television", A project for Korean Telecommunication, 1992
7) Rhee, op.cit., 1992
(73.6%), or did not know anything about it (22%), and more people did not know about demonstration projects (know only a little, 68.3%, or know nothing 27.4%).

Most favorite channels they selected were movie (71.9%) and news (50.4%), while most favorite services were crime/disaster prevention, medical treatment, shopping information, and ticket reservation service.

Concerning the role of cable television, respondents answered that variety is more important than the specialization of programs (55% and 23% respectively). This means that the television audience feels that existing television does not have enough different kinds of programs to watch.

(Orientation toward entertainment programs)

Most favorite entertainment programs respondents chose were movies (36.4%), drama (31.7%), comedies (17%) and variety shows (6.9%). Male and female respondents differed on the kind of entertainment program they preferred: males preferred movies, while female preferred dramas.

Concerning problems of drama programs, the respondents thought that the drama programs were short on variety (30.8%), unrealistic (23.2%), immoral (14.5%) and inartistic (11.8%).

On the problems of variety shows, they thought that hosts of the programs were not talented, there was too much repetition of the same songs and singers, and frequent imitation of foreign variety programs.

On the problems of comedy programs, the respondents pointed out vulgar speech and action (54.6%), and poor subject matter (33.3%).

Foreign films were criticized for being too violent (23%) and there were too many reruns (28.7%). Also, respondents thought the movies were unreal. Though movies were popular programs on television, movie theatres are not popular among Koreans. About half of the respondents said they did not go to theatre to see movies. Only a bit less than ten percent of Koreans go to movies more than once a month and 13.5% go once every two or three months.

Concerning the problems of foreign movies, respondents noted violence (41.7%) and "cultural imperialism" (26.4%). Korean movies were criticized for their poor subject matter (30.8%), inartistic nature and lack of realism. This criticism of Korean movies may be interpreted to mean that foreign movies had
generally better quality, partly because only better movies were imported for more profits.

(Orientations toward local information)
Among important local issues, they were most interested in education, traffic, and pollution. Their information source for local issues were neighbors, residents meetings(ban-sang-hoe), and local news media. However only 60% of the respondents knew of the existence of the local press in their residential area. Most of them (80%) recognized the need for new local media, such as cable television and local newspapers.

Shopping information is an important part of cable television services. The study found that people shopped at the different places according to kinds of goods they wanted to buy. For clothes, they mostly went to department stores, to street shops for cosmetics and furniture, apartment stores for food, to department stores and door to door salesmen for electronic goods. Shopping information was mostly obtained from newspapers, television, and pamphlets. Newspapers were used most for shopping (35%).

(Orientations toward culture and education programs)
Among cultural programs, respondents were most interested in nature and history/geography programs. The most favorite music programs were movie music, classical music and Korean traditional pop songs(kayo).

On information programs, respondents preferred school education programs, hobbies, and foreign language programs. Sports programs were favored more than skill programs.

Questions were asked about leisure activities, because they may be related to the use of cable television. Most favored by the respondents were movie-going, foreign travel, domestic travel, and musical instrument instruction. Caligraphy, cooking, exercise, photography, aerobic, and gardening were also relatively highly favored.

(Orientations toward sports programs)
Many respondents thought that the sports programs of existing television were not satisfactory. On the problems of the sports programs, they pointed out television’s emphasis of only a few sports, especially baseball and soccer.
Of the sports programs now being broadcast, baseball was most popular among respondents, and basketball, soccer and sports highlight programs were next. Boxing and gymnastics were relatively more popular than other sports programs.

(Advertisment owned at home)

Slightly more than three fourth of the respondents (78.4%) owned video tape players. About two thirds of the respondents (63.3%) had used the video players to record television programs, but they used them mostly to watching movie videos (55.4%), recording broadcast programs (32%), and watch video tapes they had taken by video cameras (6.2%).

Most people watched only one video tape a week, 19.6% of the video users watched two, 9.1% three, and six percent more than four. Their favorite video tapes were martial arts/action movies, love stories and war movies. American movies were more popular than Korean movies.

On the electronic devices they had at home, telephones were popular (87%), while video and audio (73.4%) were more popular than stereo TV sets (48.9%), teletext equipped TV sets (40.1%) and computers (32.6%). Parabolic antennas and video cameras were owned by 10.5% and 13.8% of respondents respectively.

Among the above media, computers are essential for receiving information services of cable television. Computers were most used by children (69.7%) and the head of the families (23.9%), mostly for children's education (34.3%), work (21.3%), and playing electronic games (19.9%). computers were used mostly for playing electronic games, not for working.

Discussion and conclusion

Japanese Cable operators listed five reasons for the failure of cable television in Japan

cable broadcasts is too local. Excessive emphasis on local issues has limited the amount of advertising sales. Thirdly, there are not enough entertainment programs. Compared with existing television, cable television is short of interesting programs. Fourth, cable has to compete with satellite broadcasting. As satellite reception antenna gets cheaper, cable television must compete with satellite broadcasting for subscribers. Fifth, Cable TV subscription procedures are too complicated.

On the other hand, the success of cable television in the United States has been achieved through four things. First is, the contribution of an open market of program production centered in Hollywood. More than seventy production companies are providing programs to more than 100 cable channels.

Second is the participation of big companies in the cable television business and the emergence of Multiple System Operators (MSO). Since the 1960's, large companies have participated in the cable business and they merged small cable television operators to form large MSOs. The MSOs have a larger size of audience with the same amount of expenditure and therefore it was easier to make profits.

Third is continuing development of new cable television technology including program transmission by satellite technology. The U.S. cable television industry has used satellite networks to transmit programs since 1975. It is cheaper and easier to send programs by satellite than cable networks and to add new channel service such as pay service. After pay services began in the U.S., the rate of subscription sharply increased.

The use of optical fiber, also, makes data transmission easier and more accurate and the age of ISDN can come sooner. The U.S. is even experimenting with FTTH (Fiber-To-The-Home), the transmission of high-speed data, and HDTV. In Japan, NVOD (near-video-on-demand) is being experimented. NVOD systems show a video according to audience demand on several channels with a certain time difference. For instance, one can watch the same video every 15 minutes or 30 minutes on different channels. It is true that the success or failure depends on the varieties of services cable television operators can offer.

Fourth is a strong government support. Whether by policy or by direct support, governments have actively supported cable television with appropriate measures in both Japan and the U.S. In the U.S., the cable television industry
has developed quickly in a relatively free market and with broad public interest, the Japanese government helps cable television operators with free loans and tax deductions, and many local governments directly participate in cable television business to enhance development of local areas.

—Taking into consideration the cable television experiences of the U.S. and Japan, the Korean cable industry should follow their example. Fortunately, the prospects for development of cable television in Korea are much better than in Japan.

Basically, the Korean audience has a favorable feeling about cable television. According to Rhee (1992), the number of people who want to subscribe to cable television is limited (only 18.5%) in 1991, but a recent study by Korean Cable Committee found that this rate had sharply increased to more than half of the respondents (63.3%) by 1992. The difference between the two studies can be attributed to differences in the characteristics of the respondents. Rhee studied residents in Mokdong, which is heavily populated by apartment residents and where an experimental cable system operated. Their orientation toward the subscription to cable television was affected by feelings toward experimental cable television, which was generally unfavorable. Respondents in the second study were selected by a national sampling, and most have never experienced cable television service.

Another hopeful sign for Korean cable television is that the Korean audience is not satisfied with existing Korean television. Rhee (1991) found that only 7.7% were satisfied with programs of existing television. This relates directly to the poor state of Korean broadcasting environment. There are only four nationally broadcasting stations.

What is worse is that these stations operate only in early morning and evening hours. There is no day time television. Television broadcasting is prohibited during the daylight hours without any clear justification. Some say it is for conservation of electric power, others say preserve the korean working ethic.9)

9) These causes an on-and-off blackout of news when a disaster or important news event occurs. Several weeks ago in May, there was a gas explosion in Taegu, one of the most populous city in Korea, which killed about one hundred people. Since it happened during the day, no broadcasting station could
Of course, a shortage of good programs and lack of variety on existing channels can also help cable television industry grow faster in Korea. The situation is different in Japan, where there are already all kinds of broadcasting services in metropolitan areas. That is why the Japanese cable television industry develops more in local and agricultural areas rather than metropolitan areas. If operating in an urban area, cable television should include what the existing television does not include (e.g., satellite broadcasting or specialized channel such as an economic channel, etc.) Otherwise, they will not be profitable.

There are a couple of things any broadcaster should bear in mind. First, to introduce a new form of medium into a society, its role has to be clearly defined. The role of cable television in Korea has not been made clear. In fact, it is one of the major purposes of this study to find a realistic goal of Korean cable television, on which a cable policy should be based.

The role of cable television should be defined in relation to the role of existing media. In this context, one can think of two different functions of cable television as a new medium in Korea. The first is its competitive function in relation to the existing media. In many countries, cable television plays a role as a rival medium which influences viewership of existing media, usually negatively. The other role of is a reinforcing function, i.e., it reinforces or complements a weak point of existing media.

The above findings on the Korean audience suggest that it is not satisfied with existing broadcasting. The major reasons were that broadcast programs lack variety and good quality. This means that, in Korea, the reinforcing function of cable television may be more important than the competitive function.

One further point that should be considered in programming policy is that Korean cable television should program not only according to the audience tastes, but also in order to develop new audience tastes. For instance, sports programs in existing media have been limited in numbers and focus on a handful of sports. The Korean audience does not have enough choices of many different sports. Showing different sports programs, cable television should report the incident because the stations needed a permit from the Ministry of Information and no station could obtain it.
develop the tastes of the Korean audience for many different sports programs such as skiing, bowling, auto racing, and others, similar to diversified sports programming in the U.S., such as ESPN.

The introduction of foreign capital into the cable television industry will also be important. Currently, the cable television market in Korea is not open to foreign capital and no foreign cable television is allowed in the country. CNN is attempting to directly operate a channel, but it will be impossible for the time being. American cable television has attempted to invest in foreign cable television such as in Argentina (TCI) and Japan. In Argentina, American companies are collecting forty-five percent of total subscription fee in the country.\(^{10}\)

Easing regulations on cable television, too, is a sure way to create a successful cable television operation. Last December, Japan liberalized regulation of its cable television: First, they abolished rules disallowing oligopolistic ownership of cable companies in local markets. Second, it allowed cable companies to enter the telecommunication industry. Third, it introduced foreign capital into cable television industry. Fourth, it offered entry into the pilot business in the fusion field of broadcasting and telecommunication.

In conclusion, cable television is just budding in Korea. Voices criticizing its advent suggest it is too early to introduce cable television into the country, where existing television is not satisfying the Korean audience’s need in many ways. They suggest that existing television should be reinforced first before cable television is introduced. Government should listen to these voices, so that cable television does not become an example of waste in a country of few national resources.