

## KT ucloud Services



### Experience Innovation

#### EXECUTIVE SUMMARY

##### COMPANY PROFILE

KT is the incumbent fixed-line operator in South Korea and the country's second largest mobile operator. At the end of 2010, KT had 2.5 million Fiber to the Building (FTTB) subscribers, 2.5 million Fiber to the Home (FTTH) subscribers, and 2.4 million xDSL subscribers.

In September 2010, KT launched a suite of cloud services designed to address the data explosion emerging from the growing use of smartphones, tablets, and multimedia applications. KT's cloud services portfolio can be described as Infrastructure as a Service (IaaS) and includes data backup, storage and Content Delivery Network (CDN) services targeted at small and medium enterprises (SMEs) and consumer customers. KT intends to enrich the portfolio over time with platform-based software services.

KT ucloud services provide low-cost, on-demand infrastructure-based solutions for small and medium enterprises and consumers.

KT's SME cloud service portfolio includes virtual server services, backup and recovery, storage, database, and CDN services. KT also provides a generic, or "white-label" option for other telcos and Internet service providers (ISPs) to market cloud-based services. In addition, the operator is piloting the rental of office space bundled with cloud services for the SME market.

The ucloud consumer portfolio is called "Olleh Home." Olleh Home service pricing is based on data storage tiers ranging from 20 to 300 GB. Existing KT broadband or mobile subscribers receive discounted pricing when signing up for the cloud service, and users gain additional storage capacity referring for new subscribers.

KT is also actively promoting the adoption of cloud-based services within its own IT organization as part of a wider internal shift to more of a home-working/flexi-working environment.

### Potential Barriers

- **Leverage strengths to support cloud-based delivery.** KT is aware that it needs to successfully leverage its core assets as a telecommunications company when providing cloud-based services, including its wireline and wireless networks, data-handling capacity, billing and systems expertise, and real-estate holdings.
- **Differentiate from major cloud competitors.** KT is seeking to differentiate its cloud offerings by emphasizing superior performance, ease of installation, always-on security, and an open eco-system of content and application providers. KT sees its top competitors as Amazon, i-Cloud, various hosting companies, and Samsung, which recently announced its cloud service, WebCentry.

**Figure 1.** KT ucloud Business Services



## Opportunity

- **Develop new revenue streams.** KT is seeking to grow revenues beyond its traditional communications and broadband revenue streams by addressing the emerging market opportunity for “infrastructure on demand” services. For example, KT believes the SME sector has significant potential due to the following factors:
  - Multiple highly entrepreneurial and fast-growing small businesses in Korea, which are increasingly reliant on ICT
  - Many SMEs have not upgraded their IT systems and have both limited budgets for significant capital expenses and also limited physical office space
- **Increase customer retention.** KT is already seeing improved customer retention for broadband and smartphone customers. Expanding into cloud-based services, particularly on a subscription basis, will further strengthen customer retention over a longer timeframe as users become more reliant on KT for the delivery and support of on-demand services. KT’s significant brand and market leadership, combined with customer preferences for local providers, will also be key to differentiation.

## Strategic Partnership

Softbank is KT's primary strategic partner in ucloud for infrastructure (data centers) and cloud service implementation. A joint venture between KT and Softbank (KTSB Data Services) was announced in May 2011, at a value of US\$65 million. This partnership involves the construction of a data center in the South Korean city of Gimhae, chosen for its proximity to Japan and to submarine fibre optic cables running between the two countries. The center will consume around 6000 kW of power (roughly 10,000 servers) and will have sufficient capability to supply data services to over 1.5 billion people in a 2000 km radius. The joint venture also allows Softbank to sell cloud-based services in Japan.

In addition to the Softbank partnership, KT has collaborated with a number of providers to develop the ucloud solution. A dedicated KT cloud team has worked with a number of technology partners to develop KT's cloud offerings.

**"Proximity, security, and progress make KT ucloud the only answer."**

—Masayoshi Sohn, CEO, Softbank

## Success Metrics/Monetization

The success metrics for ucloud are targeted toward generating new revenues from SME and consumers. To that end, KT has set a revenue target of \$630 million from cloud services by 2015. As of October 2011, KT had 840 enterprise customers for its ucloud business services and 1.5 million consumer customers for the ucloud Home service.

In addition, KT is closely tracking internal cost savings from its own cloud implementation. The company estimates internal cost savings of \$12 million over a period of eight months (an 80 percent cost reduction) by migrating internal servers to KT's private cloud.

Monetization of the new cloud service is based on a twofold revenue model: monthly subscription or Pay as You Go (PAYG.) KT prices the service competitively, claiming up to a 30 percent savings over major competitor solutions. KT also envisages bundling ucloud services with other more traditional solutions such as IP Centrex in the future.

## Company Background

- [Korea Telecom web site](#)

Case study source: Cisco sponsored research developed by [Ovum](#).



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