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Online social network scores hit in South Korea

By Jeremy Kirk

[SK Communications Co. Ltd.](#), a subsidiary of the largest [mobile phone provider](#) in [South Korea](#), couldn't have dreamed a better scenario: millions of teenagers through people in their 30s captivated by a portal site that generates sizeable daily revenue.

In the hit-or-miss-badly business of [online social networks](#), the company's [Cyworld](#) branch has been able to capture as many as 12 million subscribers -- nearly a quarter of South Korea's population -- with up to 17 million unique visitors a month.

Cyworld, which SK acquired in August 2003, is simple: Users can create a free Web page and then buy templates, graphics, background wallpaper, music and animated characters to decorate it. Its ease of use and high popularity has drawn Koreans to create what's termed a "mini-hompy," or slang for mini-homepage.

Users purchase so-called "acorns," or online credits, to buy graphics. An acorn costs around US\$0.10. Music, for example, can cost five acorns, and the units can be purchased using a phone or credit card. Cyworld users also give them to friends, a phenomenon noticed during traditional Korean holidays, and retailers such as Shinsegae's Emart -- Korea's equivalent of Wal-Mart -- have cleverly offered acorns as a bonus for a certain purchase amounts.

It's consumers like 23-year-old Hong Eun-sook that have kept Cyworld going since September 2001 when it started and have helped draw new interest. Since Cyworld sites can be searched or randomly selected, the service has become a magnet for those with similar interests to hook up, building extensive online communities. Hong said she spends at least 10 hours a week updating her pages, answering messages left by both friends and strangers and giving acorns.

"We think of giving acorns just like giving a gift certificate," Hong said.

Acorn sales have averaged around \$150,000 a day, according to SK. For 2004, SK generated around \$110 million in sales with about half of that coming from Cyworld, according to the company. The company plans to expand its operations in Asia and the U.S.

"From the early stage of its creation, Cyworld has observed the behavior patterns of youth very closely," Yoo Hyun-oh, president of SK, wrote in a recent local newspaper column. "I do not agree to some skeptical views that see Cyworld as an interim fad."

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[April 2005](#)

[March 2005](#)

[February 2005](#)

[January 2005](#)

[December 2004](#)

[November 2004](#)

[October 2004](#)

Seizing on its popularity with youth, a South Korean politician, Park Geun-hye, set up her own Cyworld site. The chairwoman of the opposition Grand National Party has an opening page with a colorful pastoral scene with animated animals and children frolicking in a field, a design made possible with the purchase of many acorns.

Cyworld has cued in on several inclinations of Korean consumers, said Song Sauk-hun, a principal analyst with Gartner, in Seoul. Koreans maintain contact with grade school and high school friends throughout their lives, and Cyworld's network has made it easier to maintain those bonds, Song said. Similar to Korea's strict social ladder, people with Cyworld pages can restrict access to people considered their "first-degree friends," and those people can contact one another.

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"Those kind of special feelings are quite important here," Song said.

Korea's broadband Internet penetration rate of more than 70 percent makes it more convenient for people to spend a higher amount of time online, Song said. For an online social network such as Cyworld to be successful elsewhere, "I think dial-up is not enough. People have to have broadband," Song said.

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