

## MEDIA REPORT 13

### Summary

In the AP News article, “Twitch says it’s withdrawing from the South Korean market over expensive network fees”, written by Kim Tong-Hyung reports on Twitch’s plan to shut down its struggling business in South Korea. Twitch is a popular video service platform that is planning to close its business in South Korea, a decision made by its chief executive blamed on allegedly “prohibitively expensive” costs for operating in the country. Dan Clancy stated that the network fees that the company has been paying to South Korean internet operators were 10x more than most other markets, so they had to make the difficult decision to shut down Twitch's business in Korea on Feb. 27, 2024. Due to this, Twitch was able to lower costs by limiting video quality. Twitch has also downgraded the quality of its video services in South Korea to the resolution of 720p to 1080p in September 2022 due to the need to reduce costs. Last that same year, Twitch had also blocked South Korean streamers from uploading video-on-demand content. This decision drew vehement complaints from South Korean users and is thought to have encouraged many to switch to other services like YouTube or South Korean streaming sites like Afreeca TV. Twitch is also likely to face tougher competition in South Korea next year with Naver(the biggest domestic internet company, reportedly planning to launch live streaming services for online video game leagues). The planned withdrawal from South Korea represents South Korean business struggles at Twitch, which announced in March that it was laying off 400 employees, stating that its “user and revenue growth has not kept pace with our expectations.”

Clancy stated that Twitch has been operating in Korea at a significant loss, and unfortunately, there is no pathway forward for our business to run more sustainably in that country. South Korean telecommunications companies that operate internet networks have also feuded in recent years with global content providers like Network and Google(which complained of excessively high charges). Netflix stated that they reached an agreement with South Korea

Broadband(South Korean internet provider) to end a legal dispute over network fees. However, the companies seem to not release the terms of their settlement. Jung Sang-wook(an official from the Korea Telecommunications Operators Association, an industry lobby composed of the country's major telecommunications providers) stated that he had no way of verifying Clancy's claims about network fees, which are negotiated individually between companies and sealed with non-disclosure agreements. Other services like Afreeca TV have been making profits, so Twitch's decision could be based on the company's broader management problems because Twitch's decision to lower the resolution of its videos caused many users to complain to telecoms providers that were "providing services smoothly without any problems."

#### Personal Opinion

Overall, I strongly agree with Twitch's plan to shut down its business in South Korea because the fees the company pays to South Korean internet operators are 10 times more than most other markets. Twitch has also tried to lower costs by limiting video quality but that caused complaints from South Korean users and encouraged many others to switch to other services like YouTube or South Korean streaming sites like Afreeca TV. There have also been other frauds between South Korean telecommunications companies and global content providers like Network and Google which have also complained about excessively high charges. I agree that AfreecaTV should replace Twitch in South Korea because Afreeca TV has been making profits and Twitch's decision to lower the resolution of its videos caused complaints.

#### Citation

Tong-Hyung, K. "Twitch says it's withdrawing from the South Korean market over expensive network fees". AP NEWS. Associated Press, December 7, 2023  
<https://apnews.com/article/south-korea-twitch-network-fees-fcbd14738fcdc911069f82f76cb62afa>