

Electronic Commerce in Korea

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HYO-SEUK KIM

Korea Information Society Development Institute

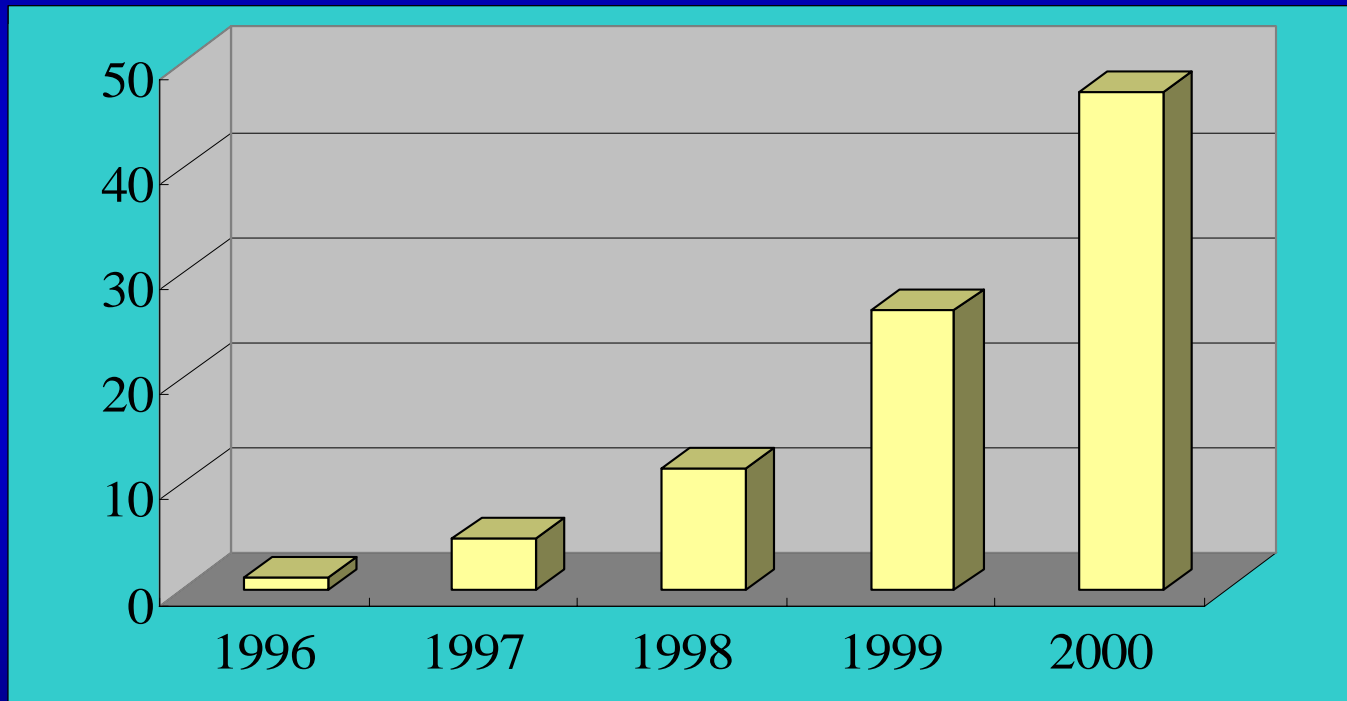
1. Introduction

- **The Purpose of this Presentation :**
The Present and Future of Electronic Commerce in Korea
- **What to talk about :**
 - The Current Status and Development Stage of EC in Korea
 - Issues of EC & Their Policy Implications
- **Organization**
 - Section 2 : The Current Status of EC in Korea
 - Section 3 : The Development Stage of EC in Korea
 - Section 4 : The Issues of EC in Korea
 - Section 5 : Policy Implications
 - Section 6 : Conclusion

2. The Current Status of EC in Korea

- The Market Size of Business-to-Consumer EC

(Million \$)

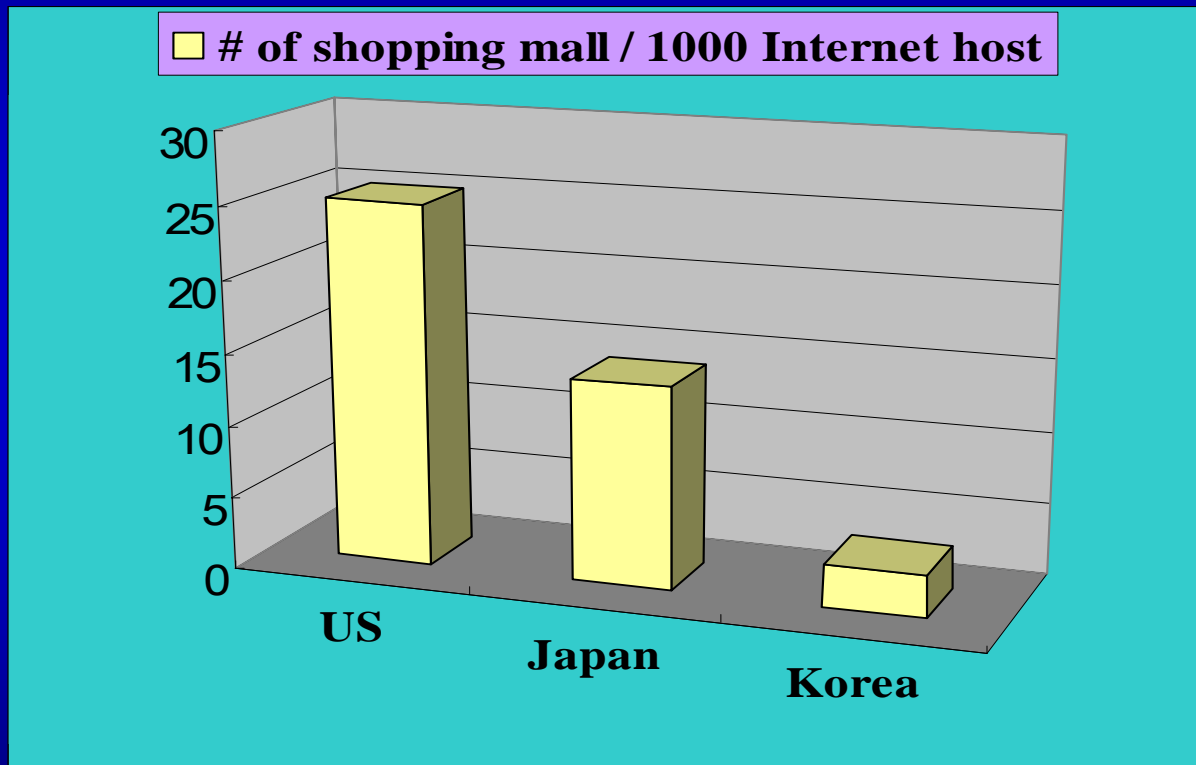


Source : Computer & Communication Association of Korea (CCPAK)

Estimates: 1998~2000

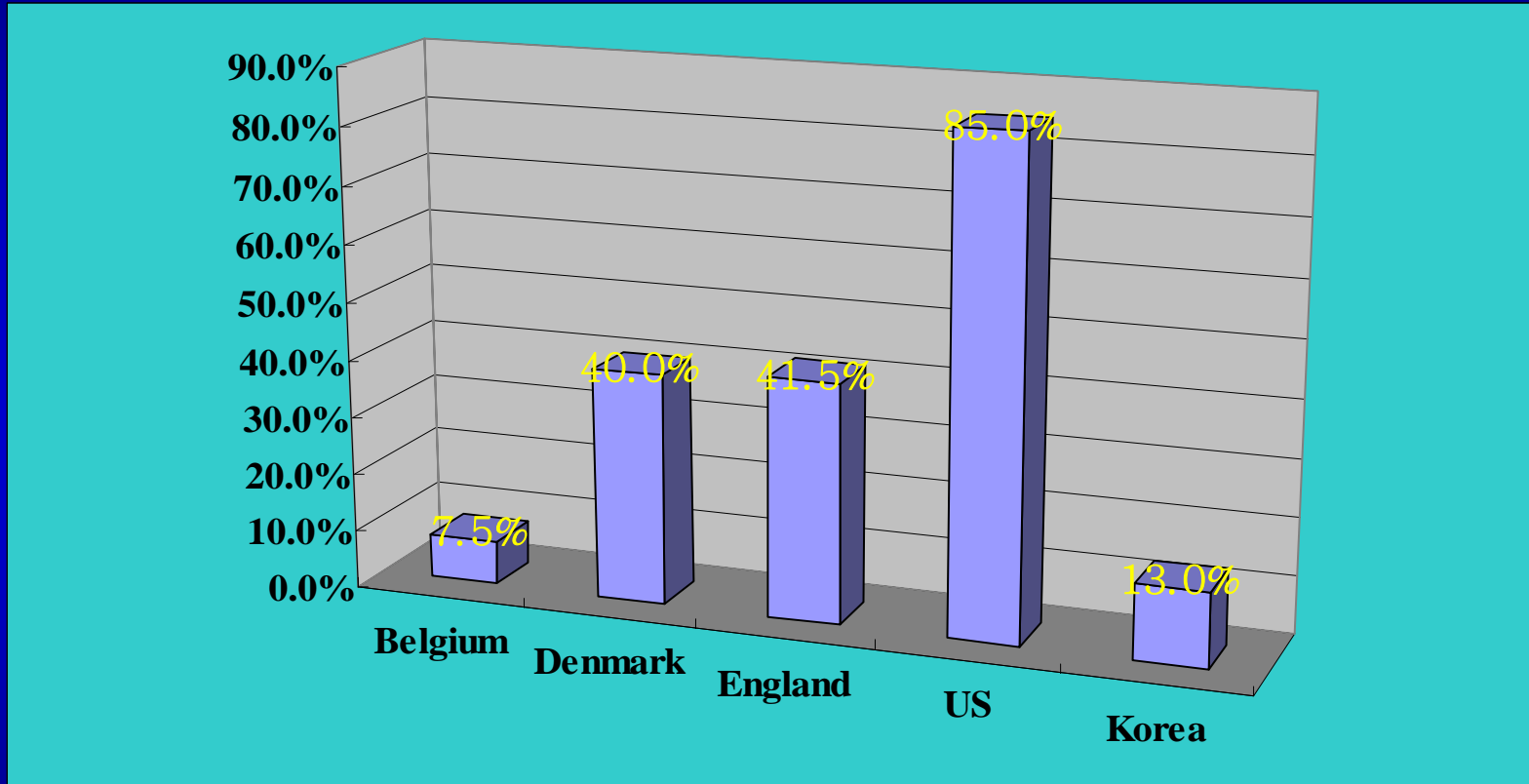
2. The Current Status of EC in Korea

- The Number of Internet Shopping Malls per 1,000 Internet Hosts



2. The Current Status of EC in Korea

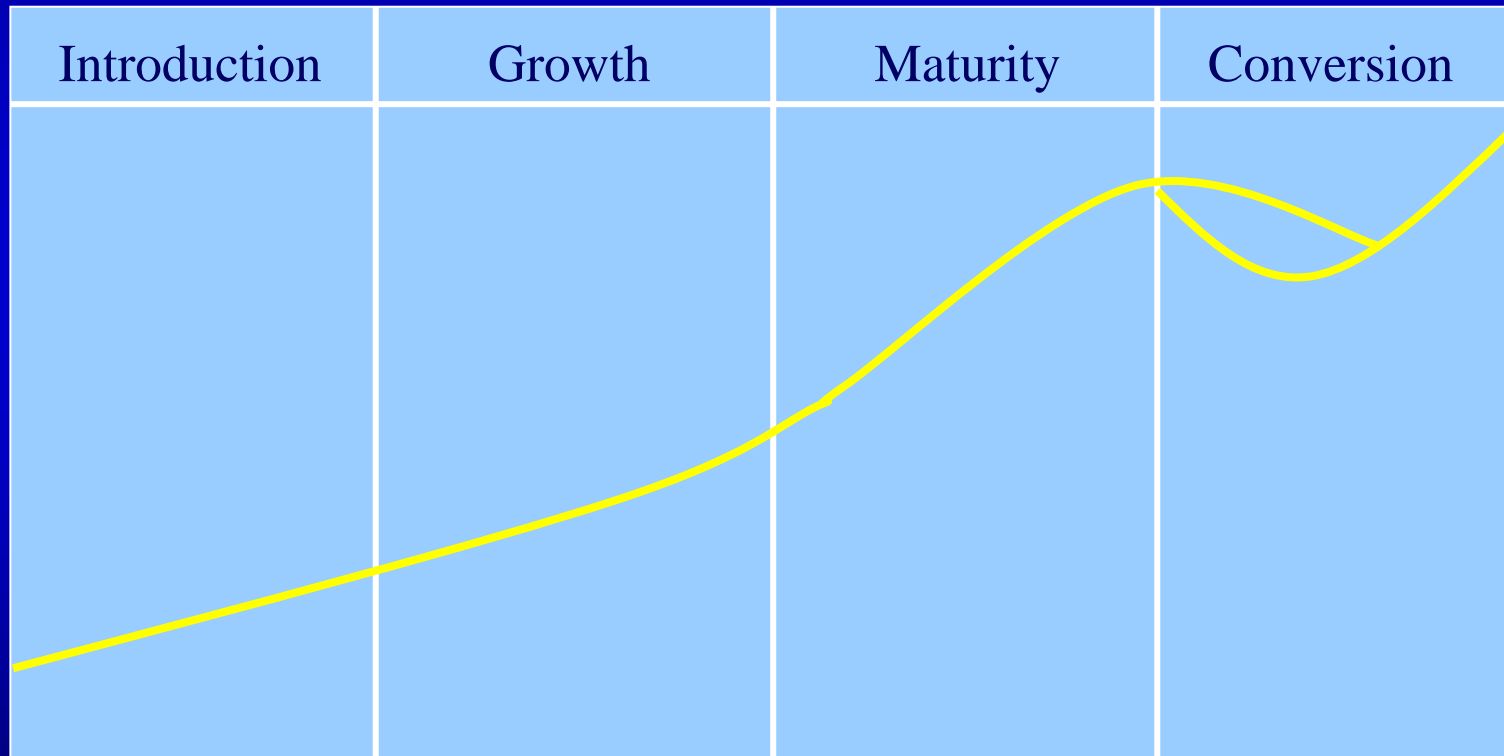
- The number of firms using EDI / Total number of firms



Belgium & US: Data of 1996, Denmark, England & Korea: 1997
Source : ISPO (<http://www.ispo.cec.be/esis/Basic/EUbasic3.htm>),
Internet Week, March 1998, CCPAK

3. The Development Stage of EC in Korea

- The Development Stage of EC

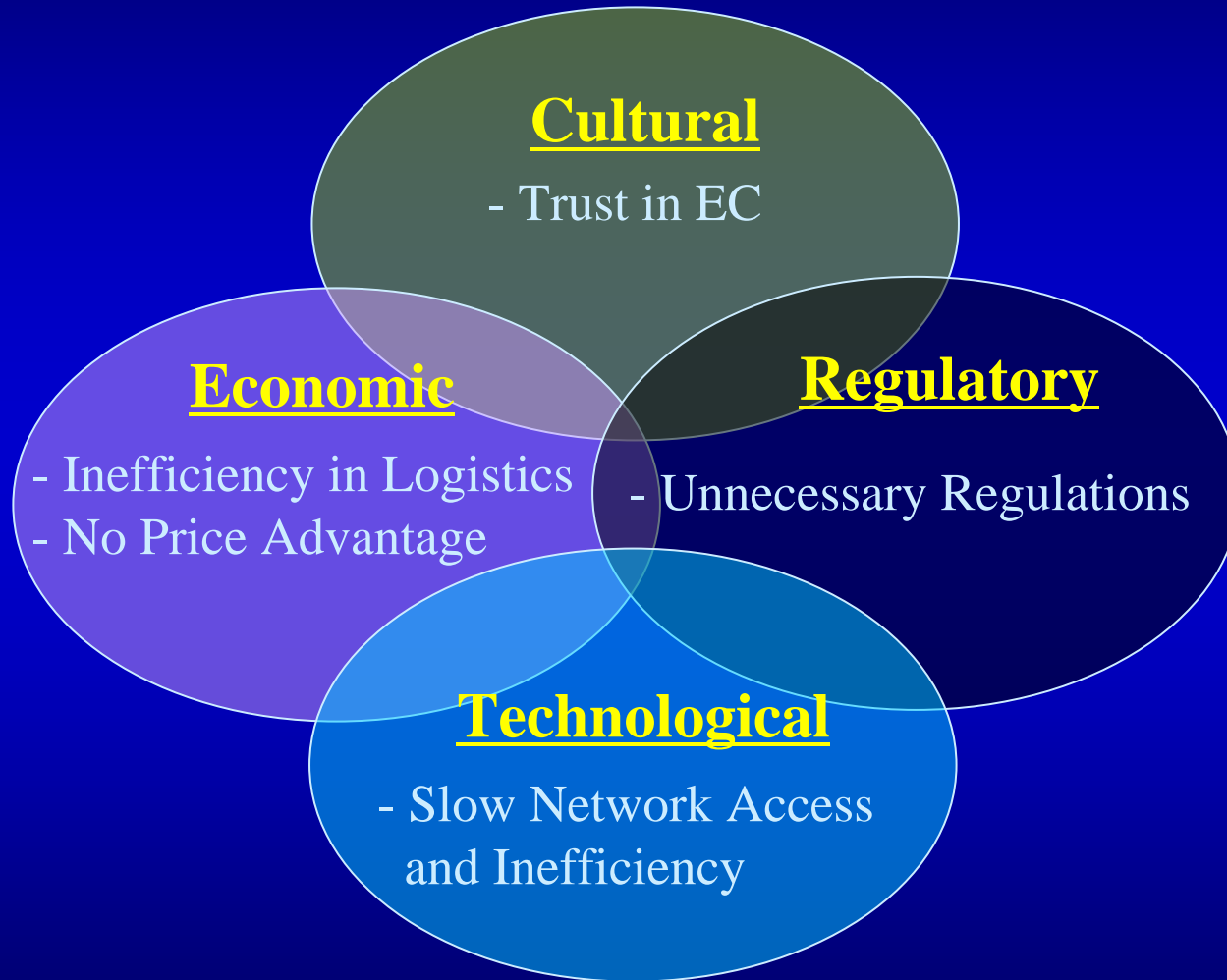


3. The Development Stage of EC in Korea

- The Characteristics of the Development Stage of EC

Aspects of Analysis		Development Stage of EC			
	Variables	Introduction	Growth	Maturity	Conversion
Cultural	Social Credibility	Low	Medium	High	Very High
	Recognition of EC	Low	Medium	High	Very High
	Risk	High	Medium	Low	Very Low
Economic	Product	Specificity	Variety	Digital	-
	Transaction Cost	High	Medium	Low	Very Low
	Sales	Low	Medium	High	Very High
Reg.	Laws & Regulations	Preparation	Specific Laws	Nationally Integrated	Internationally Integrated
	Policy & Publicity	Gov. leads	Private. leads	Customer	Universality
Tech.	Infrastructure	Development	Standardization/Diffusion	Utilization	New Paradigm
	Standardization	Low	Medium	High	Very High
	Security Level	Low	Medium	High	Very High

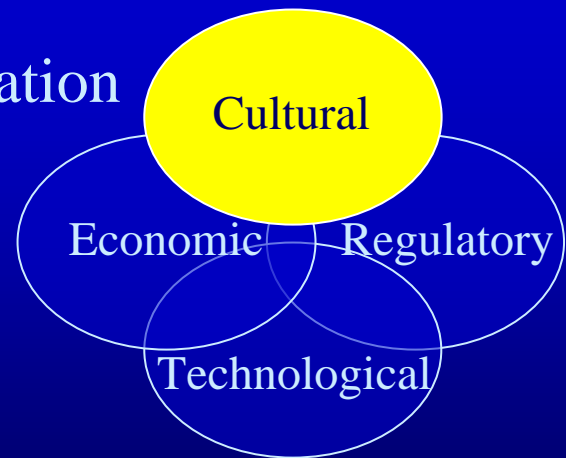
4. The Issues of EC in Korea



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Trust in EC has not been built yet

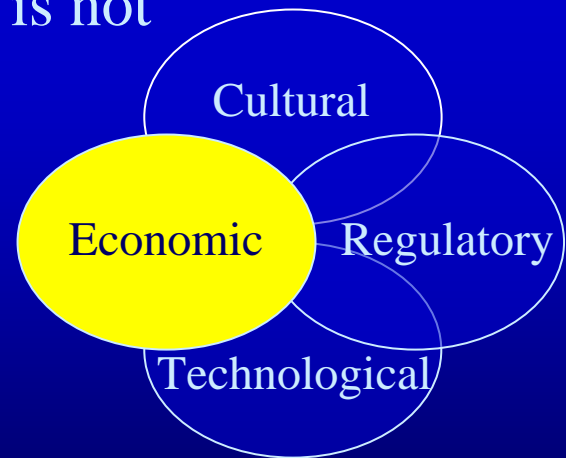
- The Conventional shopping behavior has not changed yet
(Mail Order : 5 % in the US, 0.8% in Korea)
- Housewives do not go online to shop often
- Firms have to learn sharing Information for mutual benefit



4. The Issues of EC in Korea

Inefficiency in Logistics

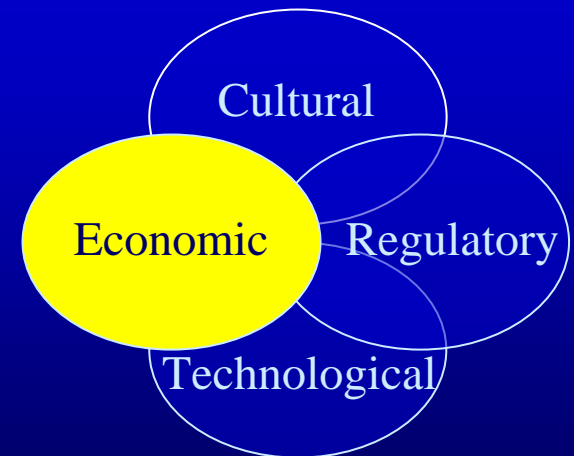
- The Logistics Cost: 10~30% of the Revenue
 - The ratio of the delivery cost to the price of the commodity is high
 - The delivery service of post offices is not professional
 - Inventory management and logistics at the level of individual firms are not efficient



4. The Issues of EC in Korea

No Price Advantage of Cyber Shopping

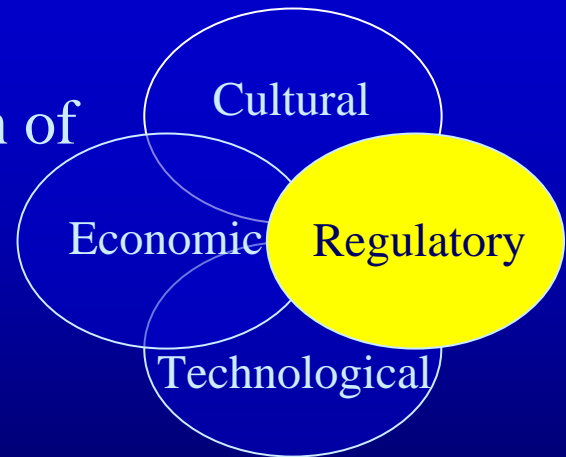
- Most cyber department stores set the prices of commodities the same as those in the conventional stores.
- The prices of books are the same whether bookstores are cyber or real.



4. The Issues of EC in Korea

Unnecessary Regulations in the Market of EDI and Internet Banking

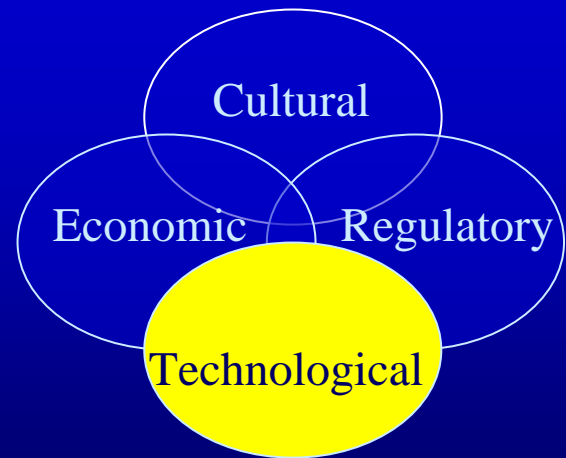
- Prices of the EDI services related to international trade are regulated by the government, and several areas are monopolized by Korea Trade Network.
- Internet banking is prohibited by reason of network security.



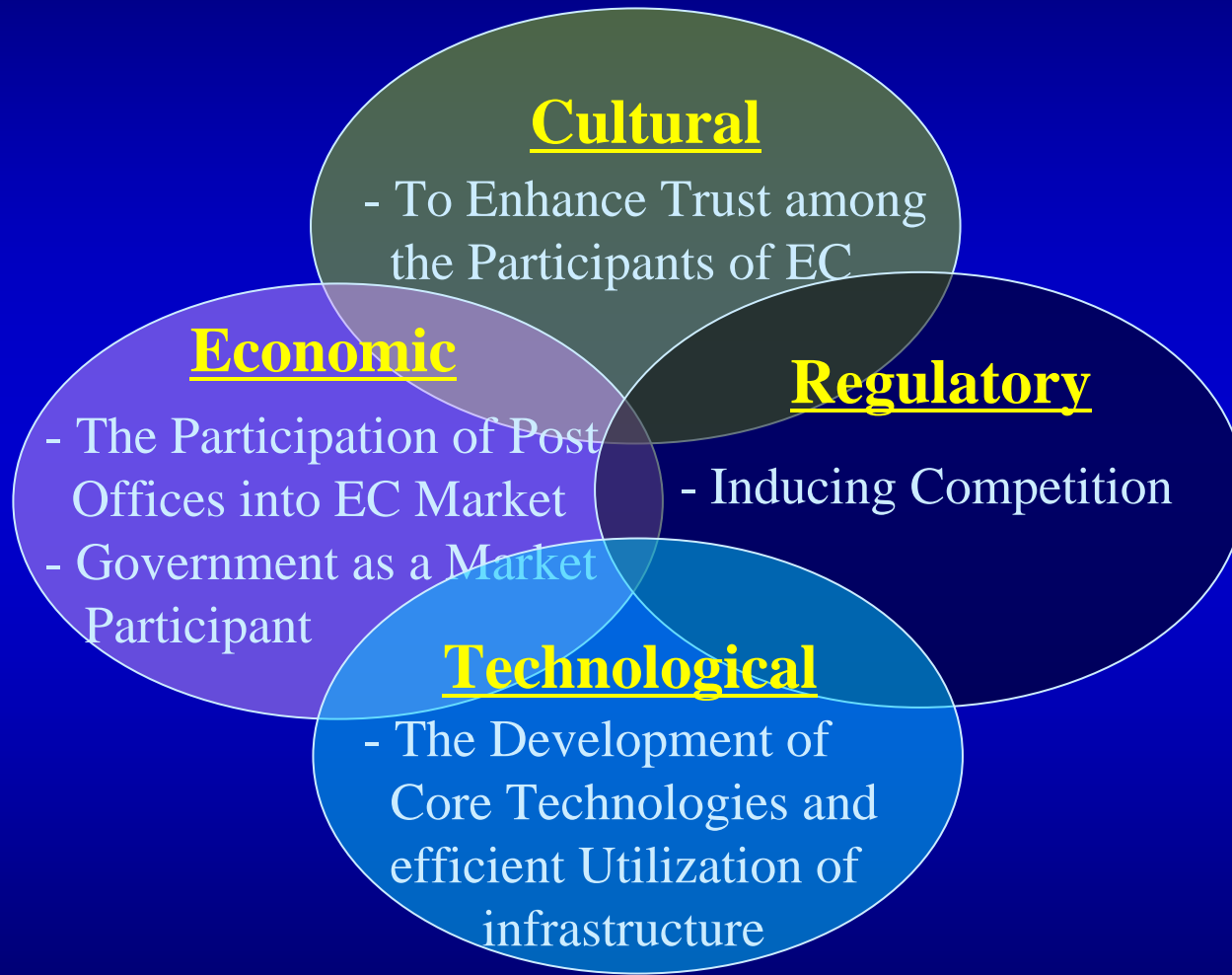
4. The Issues of EC in Korea

Slow Network Access and Inefficient Utilization

- Connectivity through modem is not good enough.
- The Prices for services aimed at corporate users are higher than those of the US.
(T1 : 36%, T3: 100%)



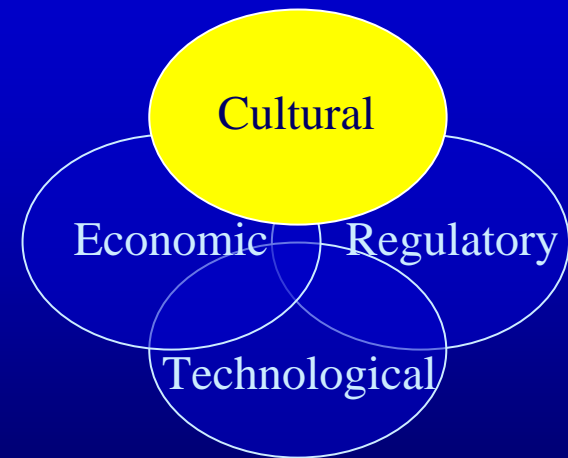
5. Policy Implications



5. Policy Implications

To Enhance Trust among the Participants of EC

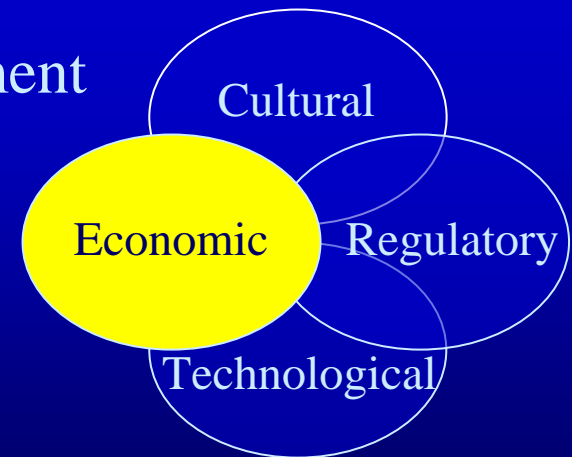
- Encourage non-profit organizations (ex. KCPB) to certify the quality of commodities traded through EC
- Support EC among small and medium enterprises



5. Policy Implications

The Participation of Post Offices into EC Market

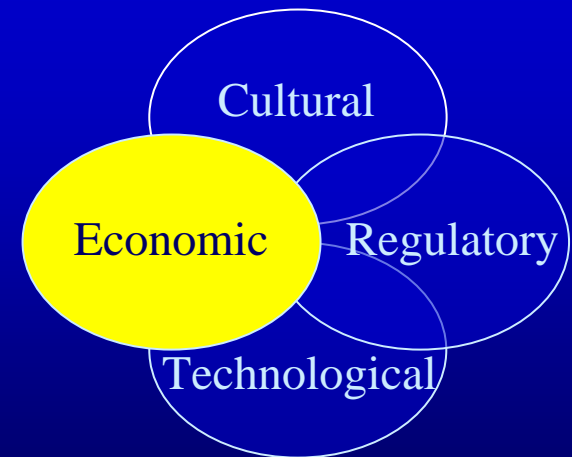
- Cooperate with private delivery services
- Sell products special and native to regions
- Electronic bill presentment and payment



5. Policy Implications

Government as a Market Participant

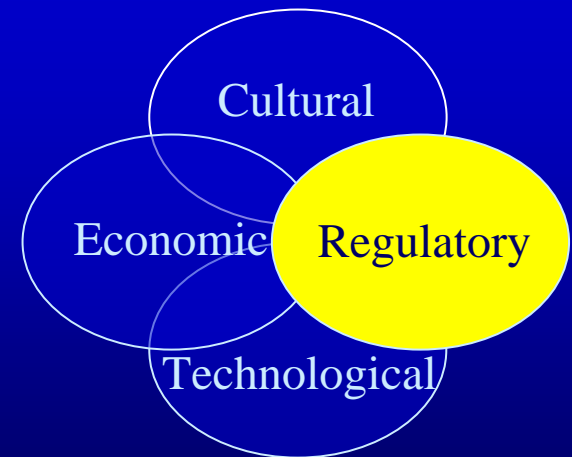
- Use EC in the procurement process of the government
- Government procurement 3 ~ 10 % of GDP



5. Policy Implications

Inducing Competition in the Market of EDI and Internet Banking

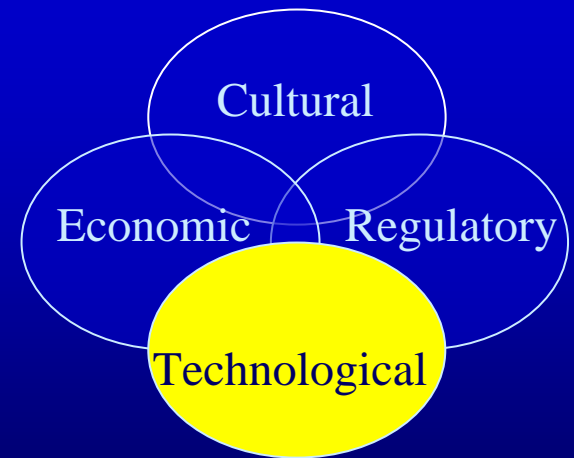
- Remove monopoly power to Korea Trade Network(KTNET)
- Deregulate the market



5. Policy Implications

The Development of core technologies and Efficient Utilization of Infrastructure

- Making the Internet faster and more accessible
- Encourage ISPs to provide various services by efficiently utilizing infrastructure



6. Conclusion

- **For EC to flourish in Korea,**
 - Consumers are encouraged to save money and time by taking advantage of EC.
 - SMEs are encouraged to improve competitiveness and access to new markets by taking advantage of EC.
 - The government needs to participate in EC market for itself, and boost competition and self-regulation in EC market.