

THE GROWTH POTENTIAL OF E-BUSINESS

In-Suk Hwang
(e-mail: hwangis@hri.co.kr)

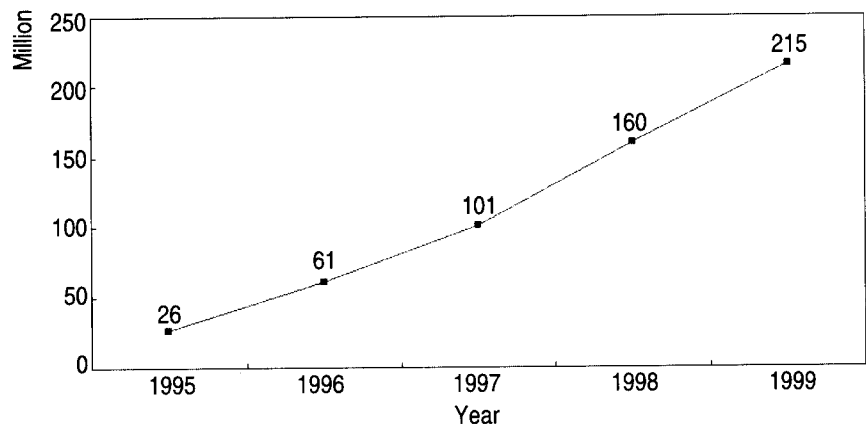
The future of e-Business from a macro viewpoint

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Experts predict that the e-Business market will boom in the near future all over the world. For example, over ninety percent of the CEOs who attended the Davos World Economic Forum this year predicted an explosion of e-Business and forecast enormous growth in the e-Business market within 3 years. If we consider the growing online population and the cost advantage of e-Business, that prediction is persuasive.

As shown in Figure 1, the number of internet users is increasing dramatically. This means that e-Business has more potential to boom in the future as the consumer market grows dramatically.

Figure 1. Number of Internet Users Worldwide



Source : Nua Internet Surveys, 2000

Note : Figures represent adults and children who have accessed the Internet at least once during the 3 months prior to being surveyed by Nua Internet Surveys.

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In addition, there is an economic reason for a future e-Business boom. Because suppliers can run a business without stores and promote their products all over the world through the internet, they can sharply reduce selling cost. Consumers can also purchase products at low prices because distribution costs are reduced. For example, if consumers purchase a car through the internet, they can save more than 2% from its normal price. In conclusion, internet commercial transactions bring a lot of utility to both suppliers and consumers. Therefore, it can be said that the future of e-Business is bright.

Growth potential of e-Business in Korea

In the second half of 1999, only 3.3 percent of Koreans bought products online and the total online purchasing by Koreans amounted to \$0.18 million, a figure that is dwarfed by the \$178 million of online purchases in the U.S. This means that commercial transactions through digital channels have not yet been activated in Korea. However, the growth potential of e-Business in Korea is higher than that of any other country for the following reasons.

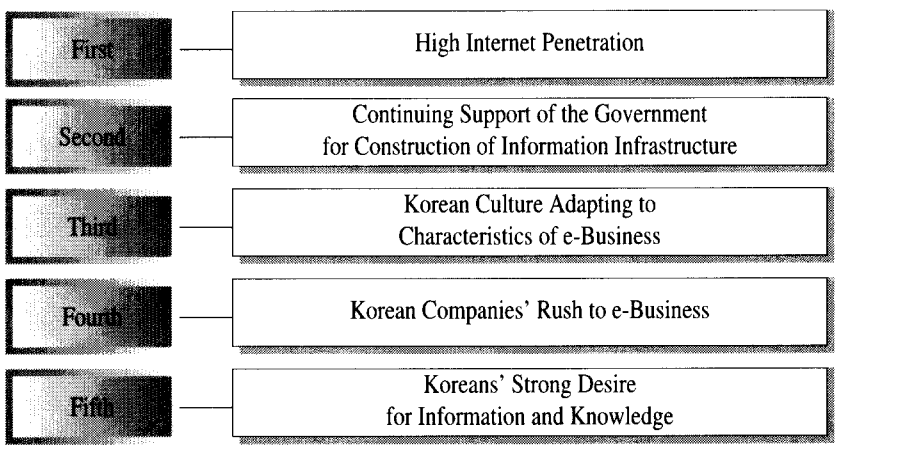
First, Korea was evaluated by the foreign press as having the best information infrastructure in Asia, including the highest proportion of internet users to total population. According to recently released surveys by an internet tracking firm, the number of Korean internet users was over 10.5 million as of January 2000, and the government said that 10 million users had accessed the internet at the end of 1999. That is, almost a quarter of Korea's population used the internet for various purposes. The government estimates that internet penetration across Korea will almost double by the year 2003. The dramatic growth in internet penetration is also expected to boost Korean PC ownership. The government expects that almost all Korean adults will have their own PCs by 2003. This means that Korea has great potential to boom in the e-Business in the not-too-distant future.

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Second, the continuing support of the government is helping to set the foundation for e-Business. The government has strived for the early construction of information infrastructure and the creation of new information and knowledge-related business and jobs since it announced "Cyber Korea 21" in March, 1999. The government's efforts also helped Koreans become acquainted with the digital environment and made Korea the top in Asia in the level of information infrastructure. In 2000, the Ministry of Information & Communication also decided to invest \$49 million in information infrastructure. Such support by the government will help Korea's e-Business boom in the near future.

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Figure 2. Reasons for an e-Business Boom in Korea



A third reason for the bright prospects of e-Business can be found in Korean culture. Koreans are known for their tendency to do things quickly, popularly known as the "hurry up" culture. One advantage of e-Business is its speed in transmitting information and commercial transactions. Therefore, it is expected that e-Business will be popular among Koreans as they get more access to the internet.

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The eagerness of Korean companies to enter e-Business is a fourth reason. In addition to venture companies, big business groups have also recently established plans to strengthen e-Business activities. For example, Hyundai announced that it would give top priority to e-Business and planned to invest \$42 million in e-Business activities this year. Samsung also decided to double its investment in the e-Business sector to some \$17.6 million, compared to last year's \$ 8.8 million for the world's top e-Business player. On the other hand, LG has earmarked \$ 6.3 million for advertising of its e-Business. Strategic alliances are also booming among Korean companies of all sizes to improve their competitiveness in e-Business. For example, Korea's leading companies including Hyundai Motor, Samsung Electronics and LG Telecom recently agreed to launch a giant Internet website for joint marketing and promotion. Medium and small-sized companies are also seeking business partnerships with promising venture companies.

The strong desire of Koreans for information and knowledge, which comes from the country's relatively high education level, can be noted as the last reason. Those desires are expected to increase the frequency of Internet use, which will in turn influence the frequency of online purchase.

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According to a certain survey, it is estimated that the size of the e-Business market will increase three-fold from last year's. For example, online stock trading accounted for close to 50 percent of total trading on the Korean stock market recently, up from 29 percent in August 1999. This dramatic growth also suggests that Korea's e-Business market still has a high growth potential.

Problems to be solved to activate e-Business

Relatively high charges for internet use have become an obstacle to the progress of e-Business. However, because internet service companies in Korea are continuously lowering charges, the problem is expected to be solved sooner or later.

Security and safety problems are also great obstacles to the progress of e-Business. People are not certain that public and private information on the internet is fully protected. Therefore, consumers are worried about the inappropriate use of their personal information and online payments especially in case of international commerce. Therefore, to activate e-Business, it is necessary to improve security on the internet as soon as possible.

Finally, if product delivery is made promptly and the quality of delivered products are fully guaranteed, the future of e-Business will be more promising. **VIP**