Contribution to WTIM-12 session

SOURCE: Korea Association for ICT Promotion (KAIT), Republic of Korea

TITLE: e-Commerce in Korea
e-Commerce in Korea

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I. e-Commerce in Korea

History of e-Commerce in Korea

- 1992
  - Introduction to the concept of e-commerce

- 1996
  - Founded ‘INTERPARK’, the first cyber shopping mall in Korea

- 1999
  - Established and revised e-Commerce regulation

- 2011
  - e-Commerce transaction reached KRW 999 trillion (US$886 bn)

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I. e-Commerce in Korea

Usage of e-Commerce (no. of usage, %)

<table>
<thead>
<tr>
<th>Year</th>
<th>Use</th>
<th>Non-Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>2,402,468</td>
<td>3,449,646</td>
</tr>
<tr>
<td>2010</td>
<td>2,810,467</td>
<td>3,920,613</td>
</tr>
</tbody>
</table>

20.8% of companies uses e-Commerce

Sales effect through e-Commerce implementation (No. of companies, %)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of companies</th>
<th>Ratio to 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>20,800,000</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>25,000,000</td>
<td>120.1%</td>
</tr>
</tbody>
</table>

Reduction of Treatment Cost (53.1%)

I. e-Commerce in Korea

Usage of e-Commerce by Industries


II. e-Commerce in Korea

Scale of e-Commerce

Total e-commerce turnover was KRW 999 trillion (US$ 829bn) in 2011

II. e-Commerce in Korea

B2B e-Commerce

- B2B e-Commerce market was KRW 913 trillion (US$ 758bn) in 2011
- Manufacturing occupied 69.7% of the total B2B e-commerce transaction in 2011 (increased 21.1%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Turnover (Trillion won)</th>
<th>YoY (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>154,950</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>46,930</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>72,850</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>76,500</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>82,640</td>
<td></td>
</tr>
<tr>
<td>2011p</td>
<td>114,250</td>
<td></td>
</tr>
</tbody>
</table>


I. e-Commerce in Korea

B2G e-commerce in Korea (%)

- Construction Contract: 46.0%
- Purchase of goods and services: 53.8%

In 2011:
- Total Transaction in B2G = KRW 58 trillion (US$ 48 bn) (↑ 10.6%)
- Portion of the Purchase of Goods and Services in B2G = 53.4% (↓ 4.7%)

Cyber Shopping Transaction in Korea (trillion won/billion dollars, %)

In 2011:
- Customer-to-Customer: 36.3%
- Business-to-Business: 63.7%
- Turnover (Cyber Shopping) = KRW 29 trillion (US$ 24bn)

I. e-Commerce in Korea

Transactions Value by Group of Commodities

Transactions value by group of commodities in Korea (%)


Factors of e-Commerce Vitalization in Korea

- Advanced broadband and high level of internet users
- Secured personal identity authentication
- Tightened Regulation for the Consumer Protection
- Strategic Significances of e-commerce to all sized businesses
II. Measuring methodology

Measuring Methodology of e-Commerce

Method of e-Commerce Survey

- Interviewing Survey by Statistics Korea’s regional and branch offices
- Electronic Survey using CASI(Computer-Assisted Self-Interviewing)

<table>
<thead>
<tr>
<th>Category</th>
<th>Classification</th>
<th>Detail</th>
<th>Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>e-Commerce Survey (Quarterly)</td>
<td>B2B</td>
<td>• Complete enumeration survey(1,368 Companies)</td>
<td>• Total buying and selling transactions</td>
</tr>
<tr>
<td></td>
<td>B2G</td>
<td>• Listed companies, KOSDAQ* listed companies, Public companies, e-market places, other e-Commerce companies</td>
<td></td>
</tr>
<tr>
<td>Cyber Shopping mall Survey (Monthly)</td>
<td>B2C, C2C</td>
<td>• Public Procurement Service, Defense Acquisition Program Administration, Korea Post</td>
<td>• The transaction value of ‘Purchase of goods and services’ and ‘Construction contract’</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Administration data of Public Procurement Service are used</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Sampling Survey(cyber shopping malls with ability to sell products over the internet)</td>
<td>• The transaction by products, payment mode, delivery mode.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 1,026 Cyber Shopping malls(2nd Quarter, 2012)</td>
<td></td>
</tr>
</tbody>
</table>

*Korea Securities Dealers Automated Quotation

II. Measuring methodology

Issues of e-Commerce Survey

- Lack of Monitoring Systems
  - Companies continuously come and go
- Selection of Survey respondents
  - Quality of Survey
- Need of Cooperation Network
III. e-Commerce & ICT Policy in Korea

The effect of e-commerce on ICT Policy in Korea

- Reform the Regulation in e-Commerce
  - Use as political information
  - Legislation (e.g. Act on the Consumer Protection in the Electronic Commerce Transactions)

- Introduce the scheme to vitalize the e-Commerce
  - Respond to consumers demand
  - Contribution to the development and innovation of ICT

IV. Implication

- Outstanding ICT Infrastructure in Korea
- Combination of traditional commerce and other e-commerce
- Needs of Provisions for Information Protection
V. Appendix

Korea Association for ICT Promotion

- Established in 1987
- An Affiliated organization of Korea Communications Commission
- Manages and controls ICT policies in Korea
- Produces and analyzes ICT statistics & Indicators

ICT Trend in Korea

- ICT became the core tool to proactively cope with future uncertainty and crises.
- The ICT industry occupied 8.0% of the domestic GDP in 2011.
- The ICT industry achieved a 9.6% annual average growth rate since 2006, which was far above the GDP growth rate of the same period (3.8%).

Korea recorded a trade surplus in ICT goods and services of US$ 78 billion in 2010, and US$ 75 billion in 2011.
Comparing this amount with Korea’s total trade surplus during the same year of US$ 33 billion gives a very good idea just how important the contribution of ICT is.

Source: Bank of Korea & KAIT (Korea Association for ICT Promotion) (2012)
Thank You!