Small Enterprise Informatization Project of Korea

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Jaechon Park
ITIP, Inha University
Background

- **World No 1 Infrastructure**
  - Penetration rate of broadband Internet; 24.9%
    - OECD average is 10.2% (as of 2004)

- **Digital Divide in utilization**
  - IT utilization for small companies is 28.1%
    - Large companies’ were 100%

MIC introduced “Small Enterprise Informatization Project (2001–2004)”
## Domestic Enterprises by size

<table>
<thead>
<tr>
<th>classification</th>
<th>Total</th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,953,124 (100%)</td>
<td>2,862,173 (96.9%)</td>
<td>85,998 (2.9%)</td>
<td>4,953 (0.2%)</td>
</tr>
<tr>
<td>No of company</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>11,975,672 (100%)</td>
<td>7,611,440 (63.6%)</td>
<td>2,773,580 (23.2%)</td>
<td>1,590,652 (13.2%)</td>
</tr>
</tbody>
</table>

(Source: SME Cooperative Union, SME statistics, 2004. 3)
Barriers to Informatization of Small Enterprises

- Low awareness of IT
  - Focus on short term profit
  - No interest in new investment

- Poor financial and personnel management
  - No long term planning
  - No quality managers
  - Family style management

- Low IT utilization rate
  - Lack of knowledge of Internet and Computer.
Policy Initiative

- MIC established “Small Enterprise Informatization Project”
  Phase 1: 2001. 9 ~ 2004. 12

- ASP consortia lead by carriers carried out the project.

- ‘Rent IT’, ASP, was applied.
Overview of the project

- Carriers provide infrastructure and initiate ASP consortium.

- Target market: small companies with 50 or less employees.

- Basic service, value-added service and customized services are being provided.
What is ASP?

- ASP (Application Service Provider) is a company who provides application services through Centrally Managed Facility and pre-packaged software.

- User does not develop but rent, or outsource, the applications.

- ASP provides customized applications for a specific business, such as eye glass retail stores and beauty salon.
Advantages of ASP

- User can focus his core business.
  
  User does not have to worry about IT tech.  
  He can buy and use IT services

- User can escape from risks of IT development and subsequent large investment.

- User can adjust himself to rapid development of IT.  
  When you need, you can buy and use.

  Small company can use IT with low cost.
Participants

- MIC
  - KT
    - ASPs
  - DACOM
KT consortium

- KT consortium is named “BUZMEKA”

- Pricing: flat rate, monthly and yearly, Usage based rate, contract

- Services as of 2005; in-company tasks(15), inter-company tasks(5), CRM e-biz(10), customized services by business type(16)
## KT’s Business models

<table>
<thead>
<tr>
<th>services</th>
<th>functions</th>
<th>Pricing (won)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anyeye</td>
<td>Eye glasses store management service; customer relations management, revenue analysis, statistics, direct marketing, accounting</td>
<td>18,000/mon</td>
</tr>
<tr>
<td>Worlbest Taekwon</td>
<td>Gym management, education video, global information</td>
<td>150,000/mon</td>
</tr>
<tr>
<td>Logistics</td>
<td>SCM, parcel tracking, inventory, settlement services</td>
<td>Contract price</td>
</tr>
<tr>
<td>Inn management</td>
<td>Online public relations management, reservations and payment management, agent management, information service</td>
<td>10,000/mon</td>
</tr>
<tr>
<td>MyiSafe</td>
<td>Finger print enrollment checking, total management solution</td>
<td>25,000/mon</td>
</tr>
<tr>
<td>Hairzzang</td>
<td>Beauty salon management, revenue analysis, sales management, SMS, E-mail, E-Coupon</td>
<td>35,000/mon</td>
</tr>
</tbody>
</table>
DACOM Consortium

- DACOM’s consortium is Ebuzmart
- Flat rate, contractual rate, usage based rate
- Services as of 2005; Web solution(6), operation service(13), customized service(8), ERP(5), security(5), information service(2), logistics, trade(3)
## DACOM’s business models

<table>
<thead>
<tr>
<th>services</th>
<th>applications</th>
<th>Pricing (won)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WebHard</td>
<td>Storage service; file archive, retrieval, editing</td>
<td>14,300/mon</td>
</tr>
<tr>
<td></td>
<td>File sharing</td>
<td></td>
</tr>
<tr>
<td>eCredit</td>
<td>E-payment service, money transfer, internet banking</td>
<td>Contractual rate</td>
</tr>
<tr>
<td>CRM</td>
<td>Customer statistics, e-mail, SMS, CRM</td>
<td>9,000/mon</td>
</tr>
<tr>
<td>Video conference</td>
<td>Business conference service; one2one or many2many.</td>
<td>50,000/mon</td>
</tr>
<tr>
<td>Beauty salon management</td>
<td>Hairstyle analysis, morphing, inventory management, collective procurement</td>
<td>30,000/mon</td>
</tr>
</tbody>
</table>
Achievements

- 370,000 users in 1st stage (2001–2004)
- Low psychological and financial entry barriers for small companies
- Increased public awareness of small enterprise informatization
Trial and error

- Only 2 consortiums, out of initial 5, remain. KT and Dacom continue to run the consortiums for the 2nd stage.
  Large carriers can continue to run the business

- ASP cannot provide 1:1 customized services.
  ASP is centralized service provision system.

- Subscribe but do not use situation
  Government subsidy attracts small company to subscribe. But they do not use actively.
Future Tasks

- Web service based ASP
  Web service could provide standardized service platform

- Library of ASP services could provide better access for user to select services with suitability.

- Detailed market segmentation by business type is necessary in order to provide customized solution.
**Lessons**

- Small enterprise informatization is essential for digital economy.
- Collaboration of government and carriers can provide infrastructure and incentive for small company to adopt IT.
- ASP lowers barriers for small company to utilize IT.
- A new business model can be created by government policy.