

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

classifications	Total	Small	Medium	Large
No of company	2,953,124 (100%)	2,862,173 (96.9%)	85,998 (2.9%)	4,953 (0.2%)
No of employees	11,975,672 (100%)	7,611,440 (63.6%)	2,773,580 (23.2%)	1,590,652 (13.2%)

(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 consortiums 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

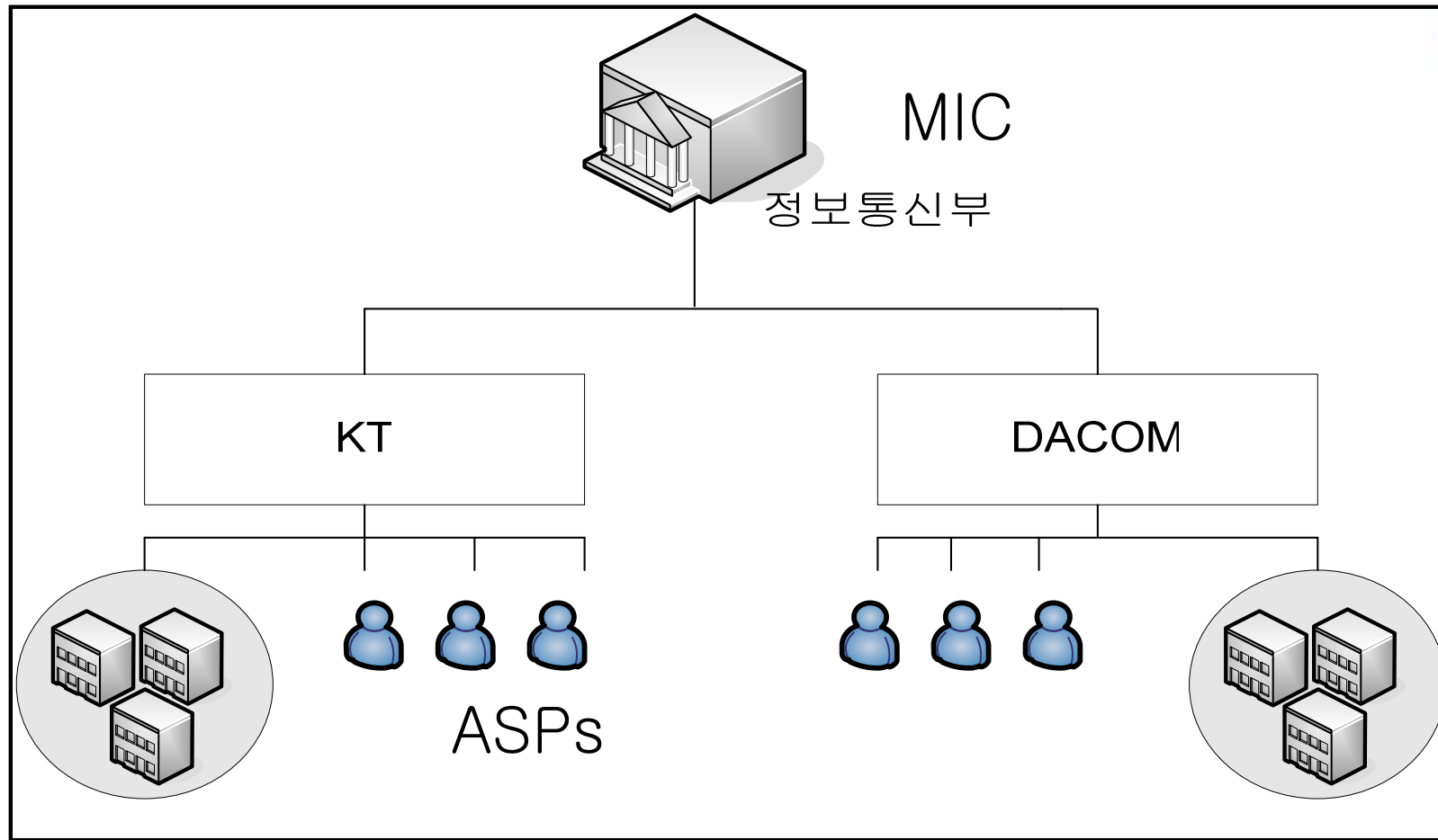
What is ASP?

- 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



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

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

DACOM Consortium

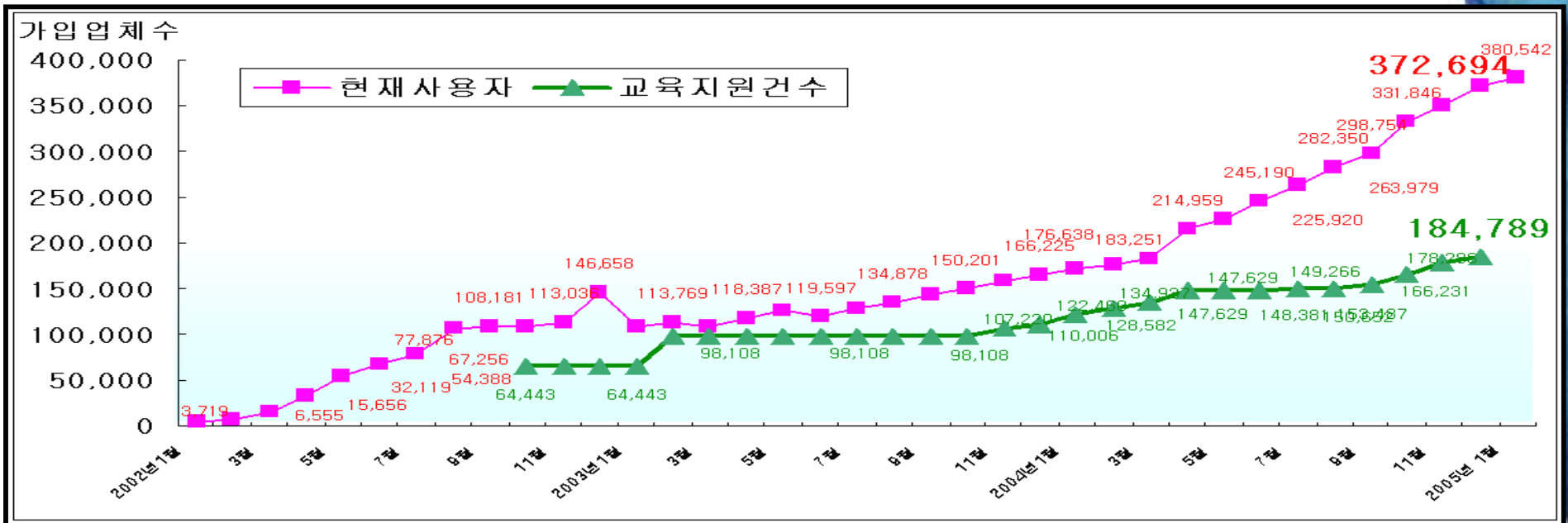
- DACOM's consortium is Ebuzmart
- Flat rate, contractual rate, usage based rate
- Services as of 2005; Web solution(6), operation service(13), customized service(8), ERP(5), security(5), information service(2), logistics, trade(3)

DACOM's business models

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

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.