CHAPTER 18

An Action Research Report of an E-Commerce Firm in South Korea

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18.1. Introduction

This chapter describes an aspect of electronic commerce; that is, advertising in South Korea. Since South Korea is a developing country, its national IT infrastructure is not developed sufficiently to support all aspects of electronic commerce as in developed countries such as the USA. Nevertheless, there are many new organisations that are trying to do business in cyberspace in South Korea. Firstly, this chapter introduces the IT environment of South Korea and the inevitable choice of direct e-mail advertising as a chief marketing tool for these cyber businesses. Secondly, the action research method used in this research, the inevitable choice of this particular research method, is described. Thirdly, the attitude towards direct e-mail advertising by end-users of cyberspace in South Korea is identified by presenting the results of an online survey with intensive interviews and a simple questionnaire, which was conducted by the action researcher as a part of the action research plan. The analysis is done qualitatively, largely due to the small sample size. Lastly, a South Korean firm’s struggle to implement and run a direct e-mail system is chronicled based on the observation of the action researcher. This example shows that, in a country with a less developed IT infrastructure, there are a lot of pitfalls for an e-commerce company to overcome in order to succeed.

18.2. National IT Infrastructure and Electronic Commerce

It is obvious that an e-commerce business in a developed country would be different from one in a less developed country. Here, “development” refers mainly to the level of national IT infrastructure development. National IT infrastructure can be defined as the vision of broadband communications that are interoperable as if a single network, easily accessible, widely distributed to all groups within a society that brings business, education, and government services directly to households, and that facilitates peer-to-peer communication within the society (Kraemer et al., 1996). This idealistic vision, however, is hard to achieve for countries with less economic resources. Nevertheless, South Korea embarked on building its national IT infrastructure in 1994 which was officially called the “Korea Information Infrastructure (KII)” project (Jeong and King, 1996). The Korean government
committed itself to promoting industries such as computer makers, telecommunication network builders, value-added service providers, multimedia firms, cable TV industries, and Internet-related companies. Since all these projects could not succeed without a substantial investment and consumer demand, the recession, which started in 1994, halted all these initiatives. With the current economic hardship situation, the South Korean government's ambitious plan needs to wait until it sees the fruits of its investment.

In the meantime, e-commerce firms in South Korea have to struggle with a national IT infrastructure which is not yet adequate for effective commercial activity. The following are aspects of e-commerce in a developing country which need to be addressed:

1. **How to create a sustainable e-commerce venture with a less developed national IT infrastructure.** Effective e-commerce activity requires a well-developed national information technology infrastructure, such as well-connected fibre optic computer networks that cover the entire country, easily available computers, and an affordable cost of network use among ordinary citizens of the country. Until now, there has been no attempt to address the difficulties facing e-commerce activities in those less developed IT infrastructure-based countries which, in fact, comprises much of the world. Before the rest of the world is wired as much as the USA, those firms that try to conduct business through the Internet will face different and difficult challenges compared to their counterparts in developed nations.

2. **How to conduct marketing for the venture.** Not only is it very difficult to establish a functioning e-commerce firm, it is even more difficult to market on the Internet. The product of an e-commerce firm is usually advertised in banner-style advertisements on Web pages, which are common and are considered to be a working solution in developed countries. However, in less developed countries such as South Korea, few people are surfing the Internet. The number of people who can afford to surf the Internet for a lengthy time is limited due to the outdated practice of the government-owned monopolistic phone company. Thus, in this environment, an e-commerce company that wants to sell a tangible product, such as computer hardware components or software items, has no choice but to create a Web page to sell those products and face the problem of how to advertise their Web pages to the small number of Web surfers in Korea. Furthermore, those e-commerce companies that sell intangible goods face an even more difficult challenge in advertising their products. In short, any e-commerce company in Korea faces the same problem in marketing; that is, how to advertise effectively in an environment in which there are only a small number of people using the Internet. Fortunately, e-commerce companies have found a way to penetrate the cyber-market through direct e-mail advertising. This direct e-mail advertising campaign is particularly useful for e-commerce companies that cannot afford their own Web page for commerce but it could cause a serious backlash from consumers who think