

A Study on Home-Shopping Model in Mongolia

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Abstract

According to the degree how the information communication, technology and various basic given conditions are working, most of all enterprises in 21 century are running utilizing information technology. Mongolia is also driving forward for the 2010 year goal and the information technological environment is fast developing in Mongolia.

By the tendency of fast moving development of information and technological change will make a road to be possible implementing the Home-Shopping in Mongolia.

To meet the changeable tendency and countermeasures of Mongolian environment, e-Business policies are necessary.

In this paper I like to point out why the Mongolian enterprises should have been interest on e-Business and on the ground of the necessity on it. I like to suggest some models for Mongolia.

1. The present status quo of Mongolia Economy

Mongolia has weak economic structure and economic growth is influenced greatly by stock farming and primary industry such as mining. As Mongolia has depended on politically and economically in Soviet Union (the Russia) 60 years, the base of manufacturing industry was not made up, and manufacturing industry did not develop owing to the shortage of the investment and technology and the high increase of bank interests rate etc..

Since the poor employee's riot the last 1990 spring, Mongolia is adopted the politics innovation and converted in market economic structure when termination of political subordinate relationship with the Russia. But, a postulate of domestic economy in

Mongolia was begun to worsen by an outside loan the blackout from the Russia and CMEA (Council for Mutual Economic Cooperation) caused Mongolian economy worse in January 1, 1991.

Mongol economy in maintained by the foreign fund because of Mongol economy is not formed in the field of week and not sufficient social and industrial ground. Mongolia formed Standby Agreement with IMF in 1991 years July, this became opportunity that do contribute Mongolia.¹⁾

<1-1> The Present status of Mongolia Economy

	Units	2000	2001	2002	2003	2004	2005
Nominal GDP	billion dollars	0.95	1.02	1.10	1.19	1.40	1.57
Real GDP Growth rate	%	1.1	1.0	4.0	5.6	10.7	6.2

1) The Mongolian Economy and Directions for Economic cooperation with Mongolia, Jae-Wan Cheong and Min-Woo Ryu, Korea Institute for International Economic Policy, 2006. 8. 14, p. 12

1 person's GDP	dollars	395	420	451	480	560	636
Price	%	11.6	8.2	0.2	5.0	8.2	12.7
Export Growth Rate	•	30.1	12.3	3.2	16.1	36.0	23.4
Import Growth Rate	•	19.8	12.8	8.6	9.8	22.4	13.4
Balance of Account/GDP	•	-17.8	-16.6	-16.0	-12.6	-9.8	-8.0
Unemployment	•	4.7	4.6	3.4	2.6	3.6	-
Foreign Debt	million dollars	754	899	986	1,237	1,338	-
Foreign Exchange Reserve	a hundred million dollars	1.88	2.07	2.26	1.78	2.05	2.68

sources : 「Monthly Bulletin of Statistics」, National Statistical Officer of Mongolia, 2007. 12

From 1991 to 2002, a banking innovation and a state enterprise's privatization are proceeding actively for economic stability as delivering aim of 2900 million dollars from the UN, Japan, United States of America, World Bank. The Trade Development Bank (TDB), is Mongolia maximum government management became consortium bank in Switzerland bank, the agriculture bank is sold in Japan financial institution, and several state enterprises are progressing in sale. Also, Mongolia is driving actively an investment of other Northeast Asia countries and the western countries by establishing Free Economic Zones (FEZs), and effort to invite a capital and technology of advanced nation continually.

Characteristic of Mongolia economy is a wide land and much resources, and industrial structure of depending on stock farming, and receiving much effect with the Chinese and Russia yet, and can summarize in economy of abroad dependence and industrial structure, absence of manufacturing industry etc. Though Mongol economy is stabilizing after system conversion, this is effect of acceleration of restructuring and growth of private sector, and lively an inducement of foreign capital, and economy is growing gradually.

One of the merit of Mongolia mine resources comprises of 30% of the total territory, and the amount of resources is the tenth wealthy countries in the world. Mongol has resources bronze, molybdenum, tungsten, iron, tin etc.. Even though Mongolia has much resources. She don't excavate them fully and developing on the technique Russia, Canada, Japan and China.

<1-2> The Present status of Mainly a Mine Resources of Mongolia

item	units	2000	2002	2004
coal	thousand ton	5,185	5,693	7,092
fluorspar	"	734	514	468
cooper	"	358	376	371
gold	kg	11,808	12,097	19,418

sources : National Statistical Officer of Mongolia, *ibid.*,

2. The present status quo of Mongolia Internet Service

Mongolia internet service industry is early stage yet. The Total computer users were being 120.8 peoples per

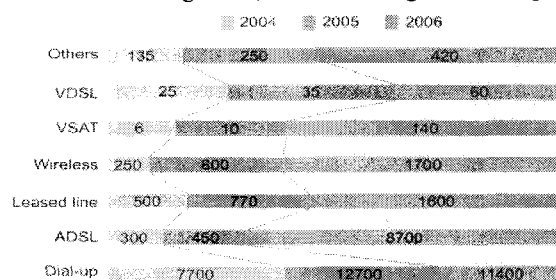
1,000 persons in 2006, is using computer about 300,000 peoples on the whole.

Also, 21 Mongolia's Aimags center and center and residential places of 88 Soums is servicing Internet to high speed optical cable network of 7,300 km.¹⁾

< 2-1> Internet Service Way of Mongolia

sources:2004~2006 Informatio and Communications Sector of Mongolia」, ICTA of Mongolia, 2006., p. 9.

1) 「2004~2006 Information and Communications Sector of Mongolia」, ICTA of Mongolia, 2006., p. 6.



Most of Internet connection dial-up way, and optical cable uses mainly connecting to computer center of Aimag.

Internet service provider(ISP) is consisted with the 8 companies, and host offer companies are the 192 companies in 2005, and a subscriber is magnified by 300,000 persons.

<2-2> The present status of ISP of Mongolia(2004)

ISP Name	nationality	establish years	connection type
MagicNet	USA	1996	satellite
MICOM	Mongolia Telecom	1999	"
MobiNet	Japan	2001	"
Sky C&C	Korea	2000	"
RailCom	Russia	2002	optical
MCSCOM	USA	2001	satellite
ErdemNet	Educational project	2002	"

sources : 「Mongolia-Korea Bi-national Seminar on ICT Policy and e-Government」, “ ICT Sector Development and Strategies of Mongolia” , KSMIS in Korea and ICTA in Mongolia, 2006., pp. 8~9.

Growth rate of domain name, while gov.mn grows by 36.4% in 2005 years to 48.3% in 2006 years, edu.mn by 36.5% to 40.0%, but org.mn come down by 30.0% to 25.5% rapidly.

<2-3> The present status of Domain name Growth of Mongolia

Domain name	2004	2005
gov.mn	36.4 %	48.3 %
edu.mn	36.5 %	40.0 %
org.mn	30.0 %	25.5 %
mn	19.0 %	11.4 %

sources : ICTA *ibid.*, p. 10

And internet use population's 95% is converged to Ulaanbaatar, and internet connection ratio is the company or school connection in the 40%, and about 100 internet cafe in the 33%, and other or home in the 11%. National Information Technology Park in Mongolia(NITP)for Mongolia Information Technology venture business development was established by Korean Government's support in 2003 and Information Technology Incubating system is established in this subsidiary, is supporting IT venture companies, and is holding software exhibition since 2003.

Mongolia hardware industry is real condition that is depending on income mainly as early stage.

In case of software industry, whole scale is not more for 800 million dollars too, and about 60 software companies are at present, but the really working companies are merely 20, which is real condition that is inheriting business through foreign countries outsourcing and technology handing down mainly.3) ICTA, *ibid.*, 2006., p. 11.

3. Home-Shopping Model Suggestions in Mongolia

As the precedent observed, internet service in Mongolia is fast developing every day. 21 Aimags and 88 Soums are connected with fiber-optic network lines with Ulaanbaatar, and it is possible to watching television broadcast and possible connecting also with wireless internet through the satellite. With this infra environment, it is possible to make implementation e-Business in Mongolia.

However, Mongolian territory is so vast and the customers are dispersed in distant areas. Therefore it is not possible to get electronic approval and inter-bank network, owing to those reasons.

The current utilizing Home-Shopping method in Mongolia is primary step such as prepaid card or a special bank-using internet shopping, and ordering some goods after watching TV, pays the price at home, shopping center or banks before the customers receiving the goods.

When we totally consider the current situations of Mongolia, owing to the vast living area and scarce populations, the Home-Shopping has not developed so far. However, under the government-oriented powerful policies on information and technological development made it possible the Home-Shopping will be gradually developed and improved for the creating the profits, furthermore through the Home-Shopping Mongolia has to make possible Home-Shopping success models for appropriateness to meet the new managerial environment.

Consequently on this paper, considering the electronic approval is hard for the time being, the payment of the goods make it possible payment in prepaid card or account transfer by customers at the between e-Business enterprises' and their agreement banks. Under this prepositions this paper suggests some models that Home-Shopping can be possible in Mongolia utilizing information technology.

3.1 Home-Shopping Model utilizing internet

As the paper stated before, Mongolia is connected with fiber-optic cables from Ulaanbaatar to 21 Aimags and 88 Soums and connected with computers between them, and wireless internet is available at the present time.

Consequently the customers can use internet any place in Mongolia, Home-Shopping is possible.

e-Business enterprises, running parallel with the on-line and off-line sale, through the web-site inform the goods information and establish the center in Ulaanbaatar for money paying and after service. And at every Aimags and Soums are to establish networks as the function of main center. The customers get the information from the wireless or wire internet web-site and purchase the goods by telephone or internet, and the customers receive the goods after paying the price to Aimags or Soums Home-Shopping centers close from his/her residence

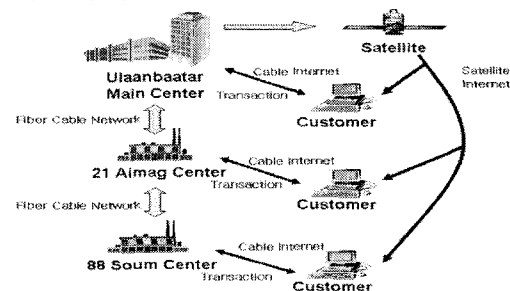


Figure. 1 Home-Shopping Model utilizing internet

3.2 Home-Shopping Model utilizing home shopping television

At present Ulaanbaatar has home shopping television broadcasting, and the customers are utilizing the broadcasting. This model also suggests Home-Shopping method relating with the internet model.

Like internet utilizing method, e-Business enterprise establish the main center in Ulaanbaatar, and every Aimags and Soums establish centers as the similar function of main center. And have the customers watch the home shopping television broadcasting through the cable and satellite, and the customers watch the goods and order the goods by telephone. Paying the money and receiving the goods are available at centers close from the customers' residence.

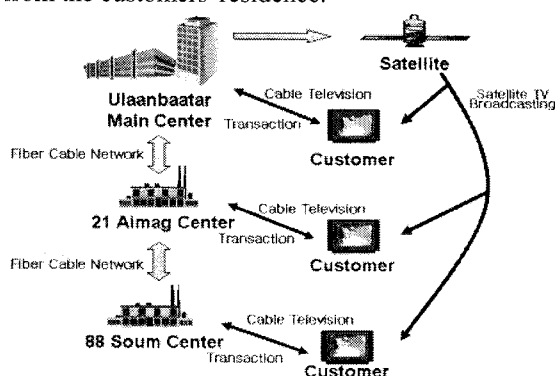


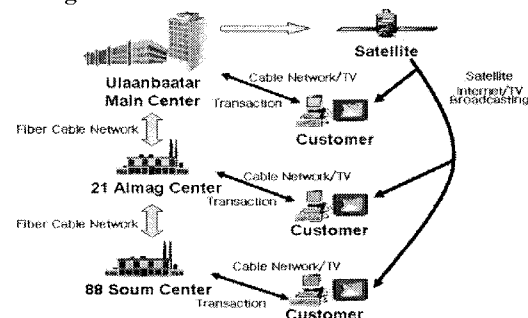
Figure. 2 Home-Shopping Model utilizing home shopping television

3.3 Home-Shopping comprehensive Model

If the two models are united the picture is as follows: Running parallel with the on-line and off-line enterprise, e-Business enterprises should run sales, order, paying money, delivery, after service and customers administration in Ulaanbaatar. And at 21 Aimags and 88 Soums run a Home-Shopping center like a main center in Ulaanbaatar. and inform the goods information and sell the goods through the TV the customers. And have the customers connect with the internet and telephone, and the customers check the goods and order them by telephone. Paying the money in electronic payment and receiving the goods are available at centers close from the customers' residence.

Home-Shopping center has the function of not only paying money and goods delivery but also after service and customers administration. And when off-line customers visit the centers, it has the function of selling goods to the customers.

Figure. 3 Home-Shopping comprehensive Model in Mongolia



4. Conclusion

Mongolia has not yet full given conditions to run the e-Business, but with the present given situations the e-Business will be possible in the near future, furthermore when Mongolia equipped with the full information communication base and the bank networks and credit society are settled down, Mongolian enterprises could produce much profits. Also all countries over the world utilize information communication technology and the customers like to have shopping at home in more comfortable and easy way. In this tendency Mongolia also the ratio of e-Business will be increased every year. With the pace of this movement, independent Home-Shopping model development is necessary in Mongolia and to meet the market changes.

Accordingly, this paper suggests some directions to develop independent Home-Shopping models utilizing home shopping television broadcasting. As the paper stated before, Mongolia is a country which has few population compared to vast territory. and information and communication base are weak. Even though it has its own weak points, Mongolian government is propelling e-Government project, With the tendency of the government policy, e-Business will be developed in a short period.

Consequently this paper suggests that Mongolian enterprises should have deep concerns on e-Business and plan for the future of Mongolian enterprises.

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