

Current State, Problems and Promotion of Coupang*

¹ Jung-Hwa Seo, ² Se-Jin Kim, ³ Myoung-Kil Youn

1. *First Author*, Dept. of Medical IT & Marketing, Eulji University, Korea, E-mail: saeam111@naver.com.
2. *Second Author*, Dept. of Convergence Industry, Seoul Venture University, Korea, E-mail: arzoo99@nate.com.
3. *Corresponding Author*, Dept. of Medical IT & Marketing, Eulji University, Korea, E-mail: retail21@daum.net.

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Abstract

Purpose – Local social commerce market has grown up remarkably. And, Coupang has shown new delivery strategy of rocket delivery. Making new paradigm at local market, Coupang has expanded market scale. This study investigated state of local social commerce market, weight and promotion strategy of Coupang market to find out competitiveness edge of Coupang.

Research design, data, and methodology – The study investigated state and concept of social commerce to find out state, problems and competitiveness of social commerce. New distribution service was short of precedent studies. Statistical analysis and experimental analysis were not used, and interview was done to investigate three of social commerce businesses.

Results – CRM construction is insufficient to have poor system, Local delivery system could not be made enough at overnight delivery and customers were dissatisfied with ties with another company. Promotion shall be done by delivery system for increase of profitability, funding for more investment, chatbot to build new customer control system, and new delivery system to produce profit.

Conclusions – Coupang and others have grown up rapidly to worsen profit and to jeopardize survival. Excessive initial investment has threatened the businesses, for instance, low sales of Amazon, excessive expenses, bench marking of logistics system, and others.

Keywords: Coupang, State and Problems, Promotion, Amazon, Alibaba.

1. Introduction

E-commerce market that is based on open market by various assortment of commodities and price competitiveness has competed owing to social commerce and new business. Three of local social commerce, such as Ticket Monster, Coupang and We-make-price, had recorded sales of 50 billion KRW in 2002 to have annual growth of 77.8% of 4.5 trillion KRW in 2014 and to grow up rapidly.

Coupang was founded on July 1, 2010 with paid-in capital of 30 billion KRW and employees of 800 persons to establish quick delivery system of rocket delivery (Kim, Yu, & Park, 2017). Coupang established rocket delivery system to expand door-to-door logistics business despite of operating loss. Coupang took the highest position of delivery business.

As such, local social commerce market has grown up remarkably. Coupang has shown new delivery strategy of rocket delivery. Coupang has made new paradigm at local delivery market to expand its market scale quickly. This study investigated state of local social market and market weight and strategy to find out elements of competitiveness of going concern. The study has examined state and concept of social commerce to disclose state, problems and competitiveness.

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2. State and Concept of Social Commerce

This chapter has examined state and concept of social commerce market. The subject of new distribution is short of precedent studies. So, the study investigated current studies not relying upon statistical analysis, and interviewed professionals and/or experts of three big companies.

2.1. State and Characteristics

Coupage has state and characteristics: Direct buying occupied 88.87% of 88.7% of the sales. In February 2017, Coupage distributed report material of suspension of sales of local products such as local discount coupon and restaurant to announce conversion into Internet shopping mall and to terminate social commerce business. Coupage could not expect of entry into Internet market at low margin and not to expand consumption market. Currently, mobile device and smart phone market have grown up to expand application.

The change had an advantage of sales promotion than direct buying when intermediary of existing product (Goldstein, Irvine, & Kandel, 2009). Businessmen liked to control and deliver product by themselves to improve service quality.

Social commerce has grown up greatly to increase investment steadily and constantly. Chairman Sohn Jeong-eui had invested about 1.6 trillion KRW. Nonetheless, social commerce businesses had recorded poor business performance. Coupage had the poorest business performance among the three companies. Coupage had recorded as much as 565.2 billion KRW of deficit despite sales of 782.2 billion KRW up than 2015 by 924.1 billion KRW of sales in 2016. Coupage built up logistics yard with area of 102 soccer ball game fields until 2015 to keep large quantity of commodities by direct buying service. By taking advantage of rocket delivery, Coupage had increased not only base but also men power. Coupage succeeded in expanding scope of business in the nation to increase expenses. In other words, Coupage had competitiveness edge than competitors and increased expenses. Competitors chased to let Coupage men have different shape compared with initial stage. Coupage could have competitiveness edge of delivery and logistics system at social commerce market with special and quick delivery service, and had problems of low profit and bad economy of social commerce market and low quality of Coupage men.

These days, Coupage has given customized service with search engine and data control technology, one touch paying service and FDS.

Coupage has its own distribution system among e-commerce businesses in Korea to build up quick delivery system quicker than competitors.

Coupage has opened logistics warehouses to employ about 1,000 delivery men and to deliver daily necessities, baby goods, beauty care products, furniture, food, pet products and others quickly. Coupage men are said to be kind. Coupage has delivery system with quick delivery and kind service.

Coupage buys products directly from overseas to require delivery time 2 to 3 days less. Coupage delivers free of charge when customer buys 29,800KRW or more, and accepts all kinds of payment and makes customer verify place his commodity in realtime.

Coupage men could collect customer information by special application based on big data to deliver. Coupage shares application of customer service to let Coupage men do easily.

Coupage has given regular delivery service with high IT service to give regular delivery service. For example, consumer who has applied to regular delivery of powder milk can verify automatic supply of milk and diaper in accordance with age of the baby because Coupage has constructed commodity and gave customized service by retrieval engine.

Amazon one touch payment service allows customers to pay without password and fingerprint input. At irregular buying pattern of customer, FDS asks for input of password (Asia Today, 2018).

Three of social commerce companies such as Coupage, Ticket monster and We-make-price started social commerce from the month of release of commodity each region. In 2010 at initial stage of social commerce business, store keeper could advertise his shop by joint buying of small merchant business and customers could make use of services in inexpensive price. Currently, the weight fell down below than 20%. Delivery of commodities of social commerce fell down 95% to be similar to weight of open market commodity and to do social commerce of open market and to do open market of social commerce (The Korea Chamber of Commerce & Industry, 2015). In 2017, Coupage is thought to record sales of 3 trillion KRW, and in 2016, We-make-price recorded deficit of 63.6 trillion KRW, 155.1 billion KRW of Timon and 565.2 billion KRW of Coupage. In 2017, the situation was similar.

Coupang had cumulative investment attraction of about 1.6 trillion KRW, and in 2016 had cumulative operating loss of more than trillion KRW. Total of e-commerce increased, and operating income and loss decreased.

Rocket delivery of base of direct buying requires large amount of expense. Operating cost of distribution center largely occupies labor cost. Coupang is concentrated on rocket delivery being competitiveness edge. Coupang recently leased Home Plus' Cheonan distribution center for a long time because of stock keeping unit and expansion of Coupang man's delivery place. Having distribution centers of Incheon, Icheon, Deokpyeong, Gwangju Gyeonggi, Jangji-dong Seoul and Chilgok Gyeongbuk, Coupang added Cheonan distribution center to expand service coverage and to increase delivery ability (Asia Today, 2018).

Social commerce made change to be open market and to produce problem. Number of existing sales business has decreased, and no discovery of new income model cannot expect of development.

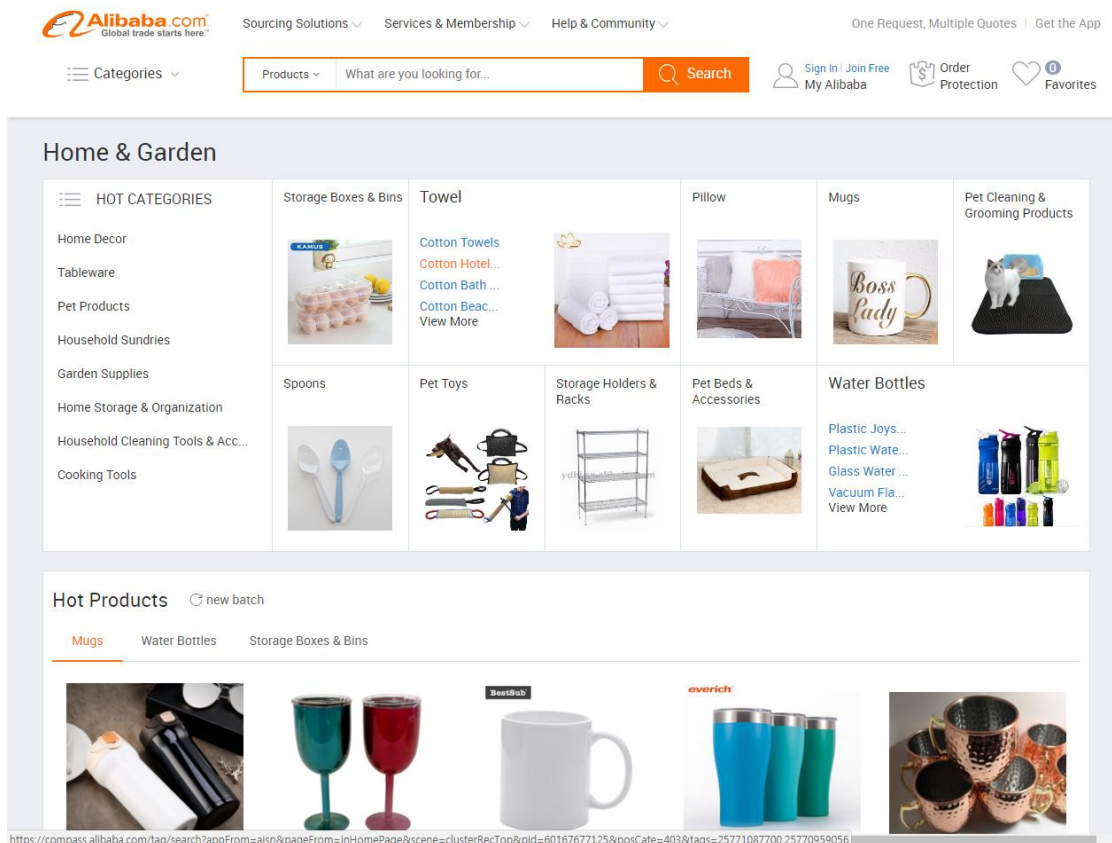
Local e-commerce business is concentrated of 'small AI' to have consumer's shopping convenience by using existing data. Shopping has been individualized. In the era of 'voice commerce' of ordering and paying by voice, small number of candidate group shall satisfy consumer's taste.

2.2. Social commerce in foreign countries

Being free from existing social commerce market, Coupang is entering into open market to build up infrastructure. But, profitability is uncertain. The study has examined other enterprises' progress.

2.2.1. Alibaba

Alibaba has home page with the largest scale of B2B in English <Figure 1>. Homepage in the Chinese is also used. Home page in Japanese is also used to invest and do business with Japanese buyers to construct platform. The way requires help from a lot of small businesses and buyer in the world to get members soon.



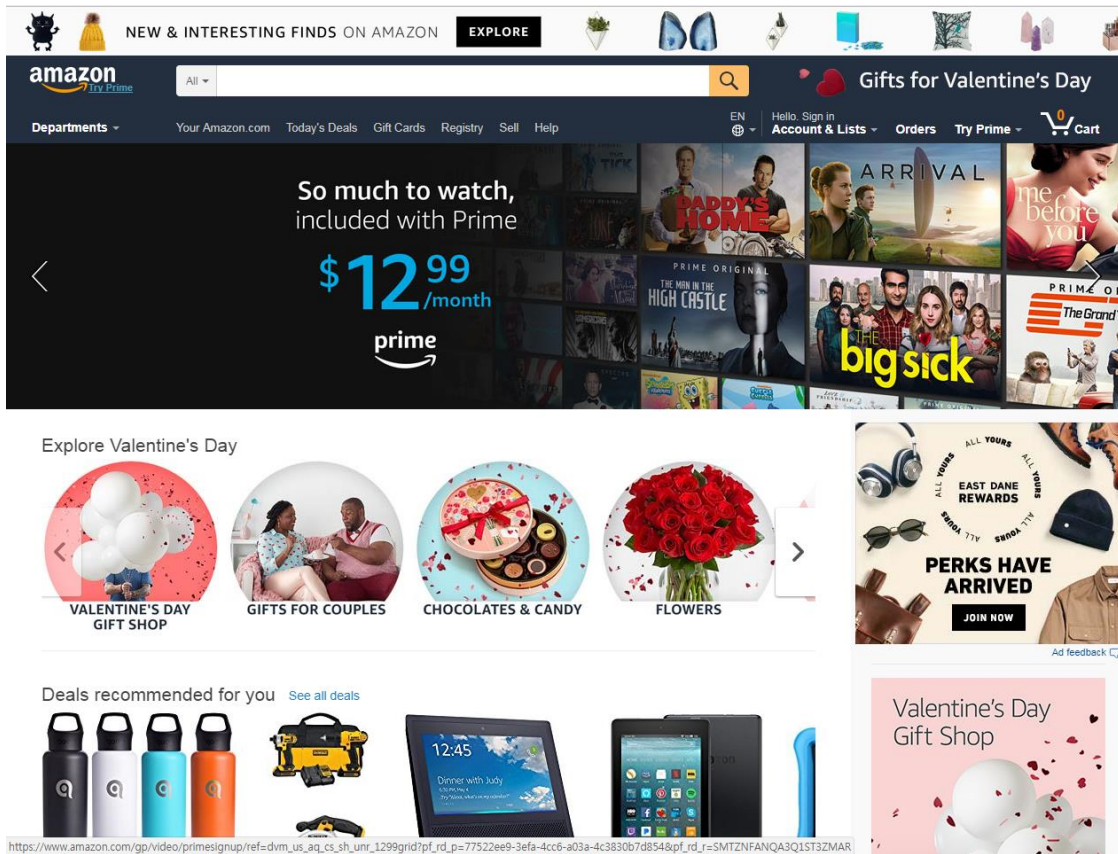
<Figure 1> Alibaba homepage

Alibaba homepage's first page has shown joint venture company for small businesses, labor workers and buying of goods at wholesale price. Alibaba informs small businesses of product information to advertise and consideration. Alibaba invited business and public relation experts to teach working level workers. Alibaba gave small business trade opportunity in home country and another countries and to make credit information site and to expand information exchange and marketing channels. People in the world were allowed to make use of Alibaba website in English and to play role of B2B e-commerce. Customers in the world made use of Alibaba website to supply commodities in the world and to let small businesses meet buyers.

2.2.3. Amazon

Amazon has dominated market of distribution, logistics and food starting from online bookstore to produce new word of 'amazoned' in the United States. Amazon has innovated distribution. To take actions against Amazon, Walmart has introduced new technologies such as artificial intelligence and virtual reality.

Not only Amazon but also has divided world online and offline distribution into two to compete each other. Amazon strengthened omni channel by taking over Whole Food Market to take actions against changing management environment and to satisfy customer's needs. Customer's online and offline experience has integrated omni channel.



<Figure 2> Amazon homepage

In 2017, Amazon took over Whole Food Market that was one of the largest issues of food distribution business. Amazon could expand business area by 13.7 billion dollars M&A, and Whole Food Market also strengthened competitiveness. In the first week of M&A, sales increased to be short of stock and to have good business. Amazon made use of offline shop to raise brand cognition and to advertize prime membership. For instance, prime members are allowed to pay online price even if common customers pay regular price. Amazon's M&A gave conventional type of supermarket businesses great impulse to find out a solution. IBIS World Report of market survey organization said that consumers buying food online in the United States would be common to be likely to increase greatly in the future. After 2018, online and offline distribution of food distribution is likely to compete more. Until

2017, American online distribution business recorded growth rate of 12.3% last five years. Amazon has occupied 21% of market share of American distribution market.

Amazon expanded food business by takeover of Whole Food Market, Amazon Books' offline and strengthened strategic partnership with offline competitors and to put omni channel strategy into practice. Amazon gave smart home experience service at offline shop. Customers could experience Amazon Echo and Fire TV and other smart home devices to return product to the shop and to increase customer convenience. Amazon has expanded state-of-the-art technology as well. Amazon has developed Alexa with AI technology to expand smart speaker Amazon echo and to make Eco dot, Eco plus and Eco show. These days, Amazon has shown unattended supermarket using 'Amazon Go' app. Cameras on the ceiling detect customer's selection to let customer not to calculate separately. When leaving shop, customer shall be given invoice to pay by credit card. Before entering Amazon Go shop, app shall be scanned to pay when picking a commodity up and to pay and to delete payment when putting commodity on the stand. Offline shop without cashier has removed standby line of customers in front of cashier stand.

2.3. Concept of social commerce

2.3.1. Social commerce

Social commerce is a kind of e-commerce using social media and online media to add SNS to e-commerce. In 2005, terminology of social commerce was firstly introduced by Yahoo to access user's rating of product information and to explain collection of online shopping tools. (Zhou, Zhang, & Zimmermann, 2013).

Social commerce mediates large quantity of joint buying to get income because it informs selling person to gather buying persons and to save seller's advertising expenses. Income may increase depending upon gathering scale not to spend much money when many persons are not gathered.

Commodities are sold out at restaurants and cafeteria, and musical and play places, skin care and hair care shops, airplane and tourism places. In 2010, social commerce made appearance for the first time in Korea.

2.3.2. Open Market

Open market means online market place and/or online commerce market place. Being free from common type of shopping sales, open market sells commodities by intermediary (Youn & Kim, 2017; Youn & Seol, 1999), for instance, G Market, Auction and 11st street. Open market can get commission from commodity registration person in compensation for supply of the platform. Open market allows selling in inexpensive price by excluding intermediate distribution margin. Open market means open market place and/or online market place (Wikipedia (2018)). Being different from conventional type of online shopping mall, individual sellers upload commodity on Internet to sell. Open market can exclude intermediate distribution margin of online malls to connect sellers and buyers and to sell at low price.

Open market allows many sellers and buyers to sell and buy online to have no distribution margin and to be popular at inexpensive prices owing to competition of sellers, for instance, G market, Auction, 11st Street and e Bay. Social commerce is said to be exact terminology of open market.

3. Problems of Coupang

Coupang has problems (Table 1).

First, profitability was low. Coupang converts social commerce at initial stage into open market. Currently, Coupang has opened nationwide warehouse and distribution net. Coupang could not get profitability enough to keep infrastructure steadily. Expense has no alternative. It takes long time to get profitability at expansion of initial investment. For instance, Amazon (Youn & Kim, 2017).

Second, expense has increased. Until recent time, social commerce businesses spent advertising cost the most, and are reluctant to invest.

Third, growth of new customers quickly decreased. A lot of customers complained customer satisfaction at consulting service and late reply to the problems.

Fourth, delivery system had problems. Local delivery system was difficult to build up despite increase of cost at overnight delivery. Customer complaints were sent late because of ties with other companies to give feedback late.

<Table 1> Coupang's problems

Subject	Problems
Profitability Expense	-Do not get profitability: Do not get profit at excessive investment High expense: Expenses increased at much investment for infrastructure buildup and public relations
Customer control	-Dull growth of new customer: Three companies's keen competition -Customer control: Low CRM construction and system
Delivery system	-Costs increase at overnight delivery, and local delivery system is difficult to build, and customers complain expansion of ties with other companies.

4. Promotion of Coupang

Promote Coupang (Table 2). Make effort to get profit. Currently, Coupang requires a lot of expenses, and cannot produce profit enough to pay expenses. Delivery system shall be effectively built up to lessen labor cost. Finance shall be supplied at increase of the expenses like initial stage of Amazon, and loss at expansion of the scale shall be borne from point of view of long time.

<Table 2> Promotion of Coupang

Subject	Problems
Profit and expense Expenses Customer control Delivery system	-Expansion of profit: Delivery system build up, -Supply of finance for more investment to pay initial increase -New customer control system: Chatbot -Make change of delivery system to produce profit.

Second, make change of attitude of customer control. Chatbot can satisfy customer's needs. Businesses want to adopt artificial intelligence considering expenses. Customer satisfaction was thought to be the most important. It took much time to connect consulting agent. Chatbot, artificial intelligence, made appearance to solve the problem. Chatbot that learns user's questions and/or saying can reply to user's questions. Chatbot's deep learning can understand user's consumption pattern to recommend commodity. Some of businesses actually made use of Chatbot.

Third, delivery system shall make change to produce profit. Delivery expenses increased greatly because of nationwide warehouses and more than 1,000 delivery men, and had structure problems. First, labor cost shall be lessened. Not only inexpensive delivery service but also expansive delivery service can lessen number of delivery man to decrease labor cost and deficit. Make use of another style of delivery service. Have advantage of unattended delivery system. Coupang has great problem of no profit making. Innovate delivery system to produce profit. Currently, Coupang keeps warehouses in the nation and more than 1,000 delivery men to increase expenses much and to require reformation. At first, labor cost shall be lessened. Number of delivery men shall be decreased when making use of existing delivery businesses. Low labor cost can decrease deficit. Some of Amazon system can be used to have better situation. Make use of another type of delivery service. Unattended delivery system has advantages.

5. Conclusion

The study had difficulty at collecting of literature and cases because of new distribution area. Social commerce businesses could not overcome growth yet, for instance, large fixed cost, dull growth and decrease of sales. Coupang made change to be open market and to threaten survival because of bad income structure. Much investment can threaten those businesses, for instance, Amazon's low sales, much expenses. Coupang shall improve logistics system by benchmarking.

Unattended delivery and system shall be made. Chatbot service shall be made. DB of user's frequent questions shall be stored to reply immediately. The service can differentiate Coupang to grow up.

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