

2019 Coupang Mini Business Impact Report

Small giants working with Coupang

coupang



Coupang supports the growth of 50,000 small giants

Coupang is on a mission to create a world where our customers ask, “How did I ever live without Coupang?” To accomplish this mission, Coupang is relentlessly bringing innovations that make our customers’ lives 100 times better – offering all the products customers want at lowest price, enabling easy and convenient search and payment system and providing fast and friendly delivery. Our strenuous efforts to create an unprecedented shopping experience benefits not only the customers but also, in the process, helps the many businesses that work towards the exceeding customer expectations.

As a platform, Coupang provides manufacturers and sellers the opportunity to reach customers. These platform users include a full spectrum of businesses from large conglomerates, one-person businesses, startups led by millennials to small farms that grow fresh produces and more. In this report, Coupang focuses on very small companies with annual revenues of KRW 3B and below.

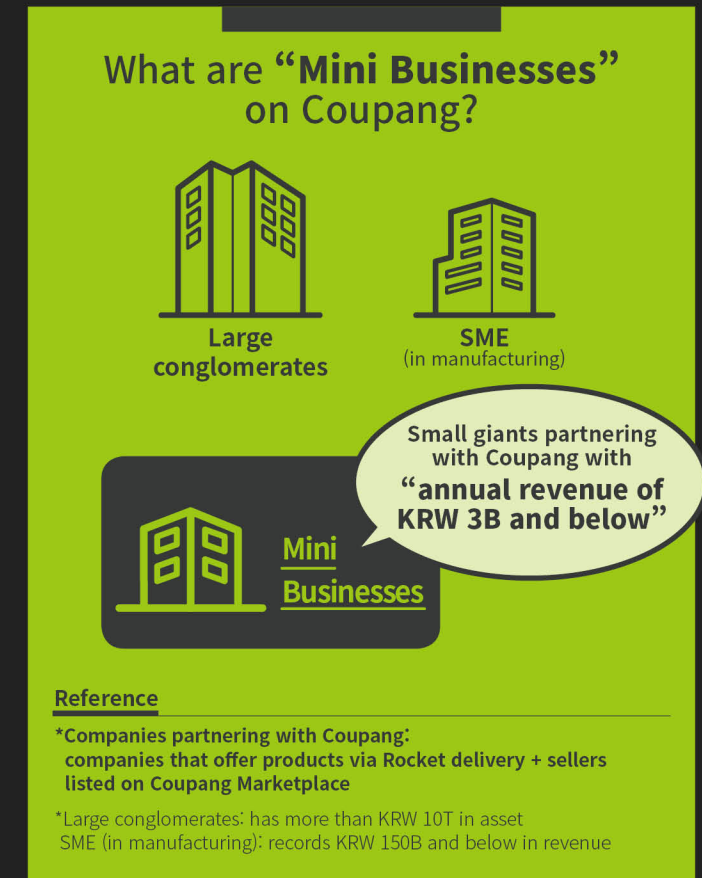
There is no legal term that refers to companies in this revenue bracket. These companies are similar to regular ‘startups’ in size and growth pace, but the fundamental difference lies in that their goal is in healthy, sturdy growth rather than exponential scale-up. We call them ‘Mini Businesses.’ And while Coupang is the largest and fastest growing ecommerce company in South Korea, many of the 50,000+ Mini Businesses working with Coupang are growing at an even faster pace than us.

Coupang strongly believes that these Mini Businesses are and will become the solid foundation in Korean economy growth. They are the friendly faces next door, the real key players in Korean economy, and we will do our part in leveling the playing field and supporting their growth as a trustworthy partner.

Through the first rendition of ‘2019 Coupang Mini Business Impact Report’ we aspire to substantiate the socioeconomic value and impact of Mini Businesses. We worked with experts at KPMG Samjong Accounting Corp. to research, interpret and analyze the success case of Mini Businesses working with Coupang. In quantifying job and societal value creation, we derived a conservative estimate in order to prevent exaggeration of results.

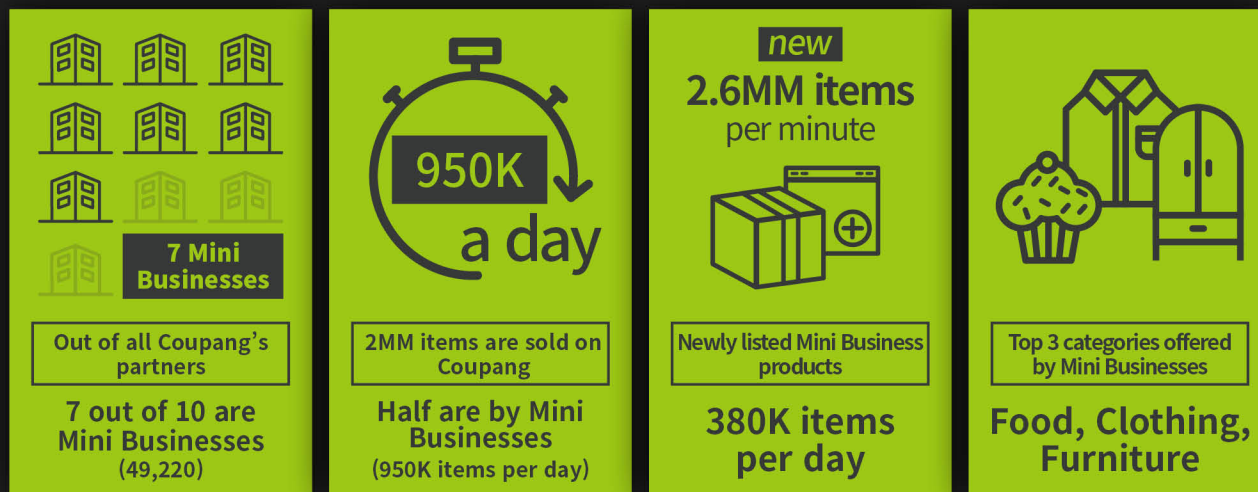
Coupang will continue in our endeavor towards better, even more innovative customer experience. And we are confident that our endeavor will increase the number of Mini Business partners from 50K to 100K to 1M in the near future.

Coupang supports the brighter future for Mini, but not so mini Businesses on our platform!



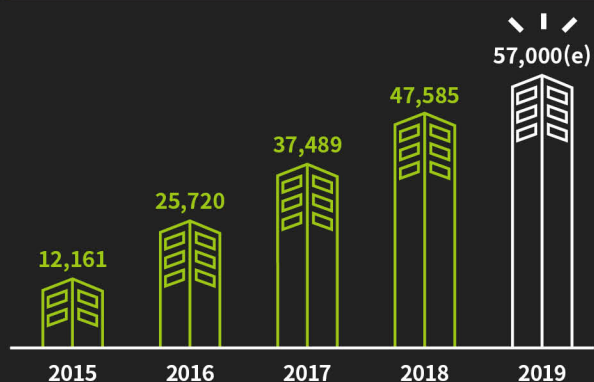
50,000 Korean Mini Businesses work with Coupang

Seven out of ten partnering companies to Coupang are Mini Businesses. On Coupang, they do not need to worry about monthly rents of running a physical store—they can solely focus on providing better products at a more competitive price and quality while reaping a huge success by tapping into Coupang's convenient sales, payment and delivery system.



*as of Q2 2019

The number of Mini Businesses working with Coupang



Coupang's strong customer base and its forte in convenient sale system attracted 10K+ Mini Businesses every year

Expert Review

Jeon Seong-min,
a professor of Management
at Gachon university

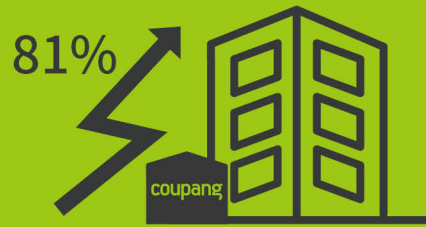


According to an analysis, more than 90% of SMEs say system and marketing challenges are the two largest setbacks hindering their growth¹⁾. Given this study, it seems almost natural that more than 10,000 Mini Businesses are joining Coupang every year where they can enjoy the benefits of selling on Coupang. As a researcher and a consumer, I welcome the changes brought on by Coupang where large, medium and mini companies can compete in the level playing field, solely with their product competitiveness. In addition, Rocket Delivery lifts the burden of Mini Businesses so that they can focus more on production and development of their products, resulting in their qualitative and quantitative growth. I expect that this virtuous cycle in which Coupang's growth is driven by Mini Businesses' accomplishments, will have positive impact in ecommerce ecosystem in the future.

1) <The obstacles to growth of SMEs and policy goals> by The Federation of Korean Industries, 2012

Mini Businesses are growing faster than Coupang

Mini Businesses working with Coupang grew by 81% last year, larger than the growth experienced by Coupang which saw a 60% level annual growth. This signals that Mini Businesses are driving Coupang's growth. On Coupang, lesser-known Mini Businesses can win customers if they can provide better price and service.



81%
of Mini Businesses
grew faster than Coupang



1 out of 5 Mini Businesses'
annual growth
**more than doubled on
Coupang in one year**
(8,796 businesses' revenue more than doubled)

coupang
Mini
Businesses > Avengers

KRW 2.65T
(USD 2.2B)

around USD 2B

Revenue of Mini Businesses
on Coupang last year
KRW 2.65T

*The movie "Avengers : Infinity War" raised
USD 2B worldwide

e-Chungchun

Lim Jung-ho, CEO

A maker of home medical equipment based in Gwangmyung, Gyeonggi-do



“ My business took off after joining Coupang ”

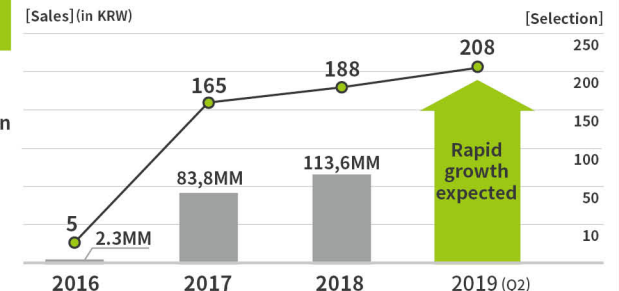
My father runs a factory manufacturing home medical equipment and I wanted to introduce and sell products which my father dedicated his passion. Our brand awareness was limited but I was confident with product quality. eChungchun's posture corrector was chosen as one of the top items for last year's Youth Business Support by the government

Coupang Marketplace's system is so easy that even newcomers to online sales can grasp the whole process from signing up to product sales. The biggest benefit a seller can reap from it is that you can expect steady sales without complex management once you set competitive price and free delivery option when you are starting.

Coupang is the best choice for starting companies with limited advertisement and promotion budget, because it brings you enhanced brand awareness and steady revenue growth with less cost. Your revenue will grow well above expectations if your product images are optimized for mobile screen, put in relevant keywords to your products and meet other requirements to expose your products at the top of search results.

e-Chungchun

Increase
of e-Chungchun's
revenue and selection
on Coupang



Hongsungpulmu, an agricultural business corporation

Park Jong-gwon, CEO

A rice cake maker based in Hongsung, Chungcheong-do



“With Coupang, I can fulfill my faith of passing down our traditional foods”

I wanted to help rice growers at a time when rice consumption is continuing to fall. Through our product, I wanted to say that rice cakes are an attractive option compared with other popular modern foods

But it was tough for a small regional company like ours to join the race in the existing retail channel.

However, there was no entry barrier in Coupang. Even lesser-known brands and companies could join the race and play fairly on the platform, solely competing with the quality of my products regardless of company size and brand awareness!

Rice used by Hongsungpulmu in 2018



244,200Kg



serves one rice meal to
4.4MM people

One third of total Hongsungpulmu revenue is generated on Coupang

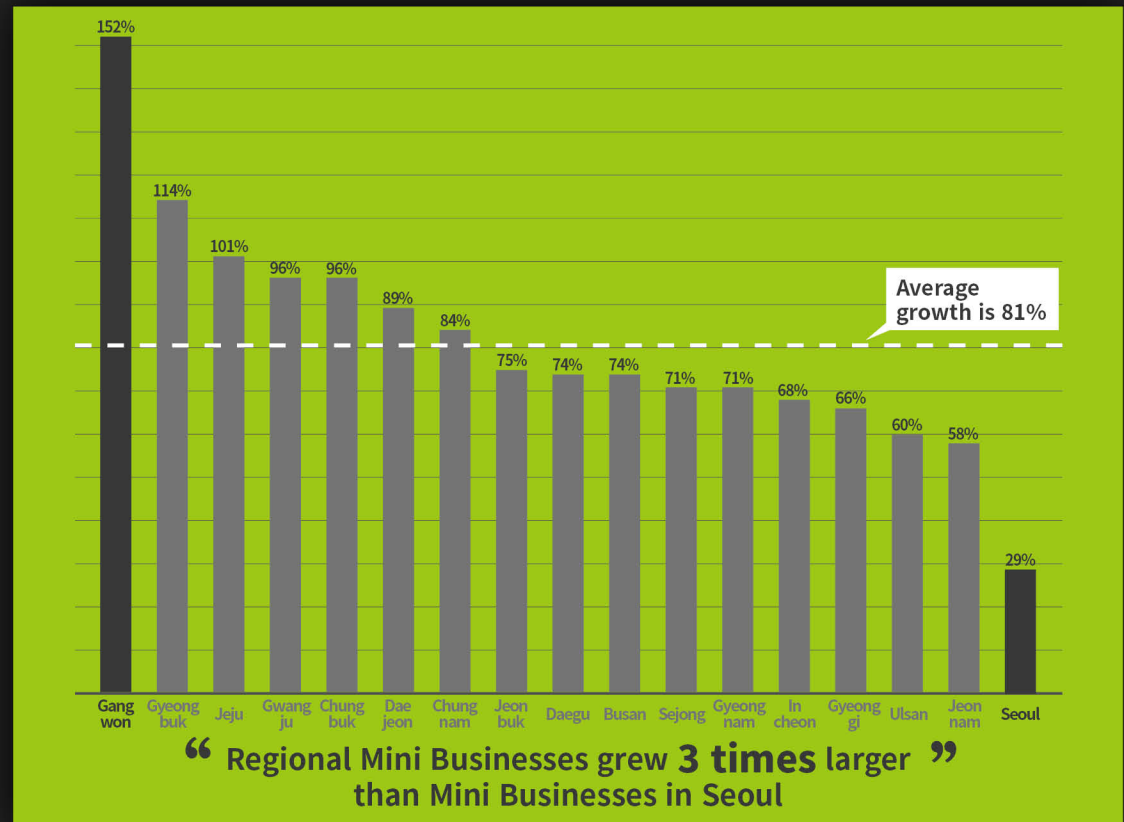
*One person consumed 61kg of rice annually in 2018

The growth of Mini Businesses on Coupang boosts local economy

More than half of the Mini Businesses working with Coupang are located outside of Seoul. On Coupang, a rice cake maker in Hongseong Chungcheongnam-do, a master wooden craftman in Namwon Jeollabuk-do, a citrus grower on Jeju Island can all easily introduce their products and services to customers at a better price regardless of where they are based.

Revenue growth of Mini Businesses on Coupang by regions (Q2 2018 vs. Q2 2019)

➤ Mini Businesses on Coupang that are located outside of Seoul experienced larger growth than those in Seoul



Expert Review

Kang Hyung-goo,
a professor of Management
at Hanyang University



The growth of ecommerce means a significant increase in customer convenience, but it also means expansion of reach from sellers' point of view. In particular, a nationwide logistics infrastructure built by Coupang enables Mini Businesses with limited access to delivery staffs and system to reap higher benefit from the infrastructure. The social value created by Coupang as a platform is second to none in that it encourages its own business and the sellers to grow together.

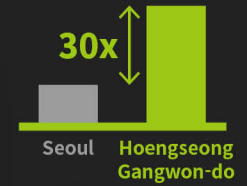


Highest average revenue

Namyangju Gyeonggi-do
2.5 times higher than the national average

Hoengseong Gangwon-do
30 times faster growth than the counterparts in Seoul

Highest revenue growth



Highest item selection

Sejong
3 times the national average



Highest revenue in the 2nd half of 2019

Dangjin Chungcheongnam-do

Daegu

Highest contribution to GRDP *

* GRDP: Gross Regional Domestic Product



2x average growth

Sunchang Jeollabuk-do



Around 60% of Mini Businesses working with Coupang are located **outside of Seoul**

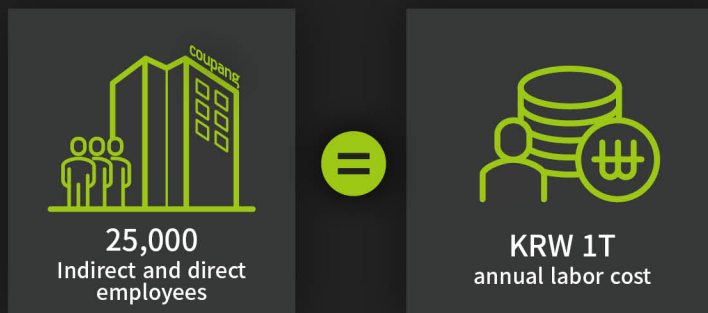
The growth of Mini Businesses means more jobs

The robust growth of the Mini Businesses brings job creation as well as growth of local economy. As customers shop more Mini Businesses' products, production increases, resulting in more jobs. Coupang also plays its part by providing a better platform for Mini Businesses by advancing its systems and services while increasing its own employment every year, including engineers, product experts, logistics experts, CS and delivery employees.

Job creation by Mini Businesses last year



Coupang's employees supporting Mini Businesses



Sources

- 1) Employment Inducement Coefficient = 20.2 people / KRW 1B, Bank of Korea
- 2) The number of jobs created by Samsung Electronics, Kia Motors, SK Group, LG Chemical, Lotte Group, Hanhwa Group, Shinsegae Group, Korean Air and CJ Group (Q3 and Q4 in 2018)

MIKOINT

Park Suk-jong, CEO

A maker of hobby products based in Geumchun, Seoul City

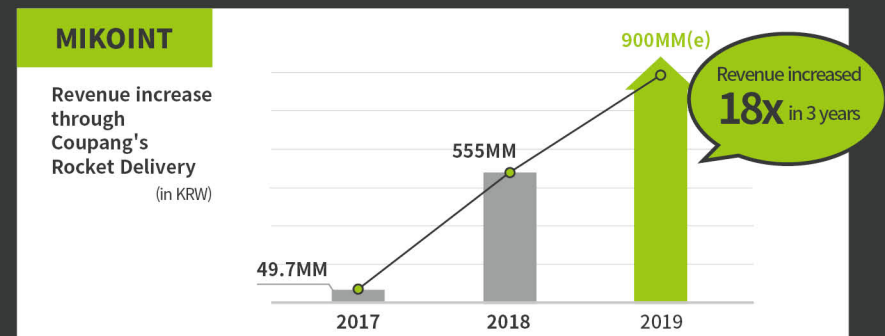


“ Thanks to Coupang, our production and employees grew ”

We're experiencing an exponential revenue growth every year after listing items on Coupang. Last year's year-over-year revenue growth was 200%, and amidst the growth, items sold via Rocket Delivery saw 1100% growth. We expect to see an overall 300% YoY growth in the first half of this year.

We started out as a company with three employees but now we have ten. We categorized cardboard boxes by size and stored our products differently. Thanks to these efforts our production efficiency substantially improved.

Thanks to Coupang, our staffs' result of hard work, "Art Joy DIY Famous Painting Drawing Kit" became well-known to customers, exposing our brand "Art Joy" on web portal's related searches.



Expert Review

Yoo Byung-joon,
a professor of Management
at Seoul National University



In an ecommerce market, when sales grow threefold, operating expenses increase 2.6 times on average¹⁾ However, Rocket Delivery can mitigate a significant portion of the costs previously incurred by the seller (shipping, customer service, etc.) based on its direct purchase system, thereby increasing the operating profit of the Mini Business. Namwon Wooden Craft Company saw its sales increase tenfold in four years since joining Coupang, while its Selling and General Administrative expenses only increased by three percent. This demonstrates a new type of growth model that differs from conventional platforms. The presence of Rocket Delivery has broadened the scope of opportunities for robust growth, even for small businesses.

Coupang helps to focus on core business selling opportunities

Mini Businesses working with Coupang have access to search, sales and payment systems, nationwide logistics infrastructure, and a customer service all year round—all which are results of Coupang's years of investment. Rocket Delivery reduces the costs and efforts of selling and managing products including platform management costs, inventory management costs, product packaging and delivery costs, and CS costs for sales. With Coupang, Mini Businesses can focus on investment in developing a better product and growth.

Search & Discovery/payment system



Technology that enables
one-touch payment
while searching/recommending
among 200MM+ items

Storage and inventory management



102 logistics hubs that covers
the entire nation,
logistics infrastructure
that make up
193 soccer fields in size

Packaging and delivery



Rocket Delivery
delivering Mini Businesses' product

Customer Service



Coupang directly handling CS
for Mini Businesses

1) FY Financial Statements 2014-2018 on five ecommerce companies (including Coupang)



mom's

Park Eun-ah, CEO

A baby food manufacturer based in Seongnam Gyeonggi-do

“ Thanks to Coupang, I’m now eyeing ” overseas expansion

When our company first joined Coupang Marketplace, our revenue was KRW 40K. Within a year, revenue jumped by 370 times. I couldn't believe it. It was me who developed mom's products, but it was Coupang that positioned our products to become famous online. Coupang guided our way towards growth. The platform thoroughly explained about the assortment of products suitable for online sales, and detailed information about marketing and advertising.

70% of mom's overall revenue comes from Coupang. For me, Coupang is an essential communication channel to reach out to customers and also a partner to rely on in the long run.

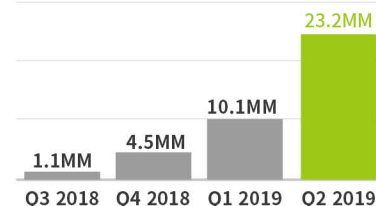
We could accelerate overseas expansion thanks to Coupang. Overseas buyers took interest in our products when we mentioned our products' availability on Coupang. From this October, we will be offering mom's baby food to Chinese consumers.

Customer reviews on Coupang was a huge help in developing mom's products. I studied the market comparing the reviews of similar products in the similar price range and I could also read the candid reviews of mom's customers.

As CEO, I want to focus on making positive impact in our society, rather than focusing on scaling up. Sometimes, customers call me asking about our product. At the end of the conversation, I always tell them to call me up whenever they have more questions, even in the middle of the night. I know what it's like to be a parent to a newborn. I don't want our company to just focus on sales—I want our company to grow along with our customers.

mom's

Revenue of mom's on
Coupang Marketplace (in KRW)



| mom's baby food going global



Coupang's cost-effective advertisement that drives revenue and brand awareness

Mini Businesses with lower brand awareness can expose their products on Coupang, the largest ecommerce company in Korea within their available budget. Coupang paves the way for Mini Businesses' expansion with a reasonable pay-per-actual-click advertisement model that will only charge Mini Businesses within their set budget (starting from KRW 10K).



Mini Businesses recording the highest revenue from Coupang's product advertisement service in 2019

earned KRW 18.9B



Mini Business that reaped the most from advertisement

ROAS* 4500%

* ROAS=Return On Ad Spent

Namwon Wooden Craft Company

Noh Dong-sik, CEO

A Korean Traditional Wooden Utensil Manufacturer based in Namwon Jeollanam-do



"I have faith in Coupang's advertisement system"

Namwon Wooden Craft Company is a third-generation family business designated as Intangible Cultural Heritage (no.11-3) by the government. Although our company itself isn't big, we have pride in manufacturing wooden utensils at their highest quality. But quality doesn't mean anything if I cannot find the right selling location to reach customers. That's why I relied on Coupang's Product Advertisement system since its launch. All I have to do is set my advertisement budget. Coupang's system will take care the rest to expose my product in the most effective way possible. I have faith in Coupang's advertisement system because I've seen with my own eyes the sharp revenue increase after we used the advertising service.

Product advertisement expense
KRW 590K



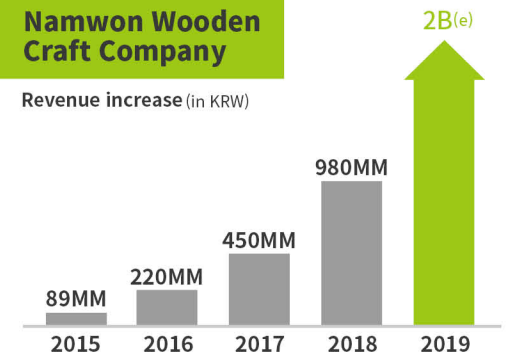
revenue from product advertisement

22MM

(ROAS 3800%)

Namwon Wooden Craft Company

Revenue increase (in KRW)



Coupang Partners is an online affiliated marketing system that supports individuals aspiring to become content creator

Coupang gives opportunities for growth to individuals and Mini Businesses that create and upload creative contents on their social media accounts such as blogs, YouTube and Facebook. Individual creators, influencers and Mini Businesses are earning extra revenue through Coupang Partners, an online affiliated marketing system.

**Member
count**



Members to Coupang Partners
increased by 20 times
within a year after launch

**Top 50
individual
member**



An average monthly revenue of
reach KRW 2,325,505
(Q2, 2019)

**Highest
monthly
revenue**



Top individual earner
**makes more than
KRW 11MM a month**
(Q2, 2019)

Coupang Partners is a system in which individual content creators, influencers and Mini Businesses introduce items listed on Coupang via their channels and media. When actual purchase is made through the referral, Coupang pays commission to the introducers.



Coupang supports a brighter future for small giants on Coupang!

Coupang provides a platform supporting the growth of Mini Businesses and strives to create a healthy ecommerce ecosystem. Coupang helps Mini Businesses to develop a stable future if they focus on their core business.

Technologies bringing the best shopping experience



- 2,000 engineers
- Product exposure based on product competitiveness
- Recommends more than 300MM products everyday
- Data and marketing solution that boosts revenue

Policies and services to help the success of Mini Businesses



- Product ads that boost sales
- Online/offline seller training program
- Coupang Partners that help individual content creators



Connecting Mini Businesses with Customers

- Large-scale logistics infrastructure enabling next-day, dawn and same-day delivery
- Half of the Korean populations are Coupang customers
- Scores the highest mobile traffic in Korea
- #1 in Consumer Satisfaction (Korea Consumer Agency, Sep 2019)

Expert Review

Kim Jung-nam (Jake),
Sustainability Practice Lead in KPMG Strategy Consulting Group



Recently, CEOs from some of the world's largest companies got together at the Business Roundtable to redefine the purpose of a corporation to promote the benefit of all stakeholders - customers, employees, suppliers, communities and shareholders. This is a promising sign that companies are becoming more and more aware of the need for shared growth within the society.

Coupang, in association with KPMG, has published this material report studying the socioeconomic correlation between Coupang, their business partners and local communities. KPMG works with clients such as Coupang, from over 50 offices in 60 countries around the world, on sustainable growth and societal value creation strategies. Among the numerous global companies that work with KPMG International, it is a rare occasion to find one that drills down on its actual impact on business partners. Upon taking a close look at Coupang's data and policies in preparation of the report, KPMG was able to confirm that Coupang takes all possible measures to make sure every stakeholder is given a fair chance to grow on Coupang's platform.

The key success factor of growth in Mini Businesses working with Coupang is undoubtedly in Coupang's devotion towards 'customer satisfaction.' A virtuous cycle is created from Coupang's sales platform providing optimum customer experience, which drives business growth for partners, which in turn enables Coupang to grow into a more inclusive and innovative company.

Coupang's business model creates value not only for Coupang in terms of revenue but also, and more so, for the customers, suppliers and local communities that are directly and indirectly involved in the process. We at KPMG hope Coupang's pioneering efforts and conviction promote the notion of societal value and impact creation in other companies.