

# ***New Retail Research of Korean Fresh Products in the Post-COVID Era***

## ***--Take Coupang Rocket Delivery as an Example***

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**Abstract:** Premised on the growth of e-commerce industry and increased consumer income levels in South Korea, the consumer preferences has a significant change. This transformation is marked by a transition from mere price preferences to a focus on product quality. Consumers are no longer content with merely seeking affordability; instead, they now demand superior product quality and efficient logistics. Leveraging a robust infrastructure and a well-developed logistics network, South Korea has pioneered a novel retail model that blends online and offline elements, prominently exemplified by the Coupang Rocket Delivery system. With individuals seeking isolation and risk reduction during the COVID-19 pandemic, the model of Rocket Delivery has fostered exceptional growth. In this new paradigm, Coupang emerges as the quintessential representative of South Korea's network-driven retail enterprises, adapting swiftly to the evolving circumstances. The post-pandemic scenario forecasts even deeper convergence of online and offline operations for e-commerce enterprises. To navigate the challenges of this new retail era, an adept utilization of modern logistics, artificial intelligence, and other advanced technologies is imperative.

**Keywords:** new retail, e-commerce, fresh market, coupang, house economy

## **1. Introduction**

In light of the COVID-19 pandemic's impact on South Korea, the retail landscape has undergone significant transformations. While the traditional retail sector in South Korea faced a decline of 1% in sales during 2020 due to the pandemic, the online retail industry experienced remarkable growth, witnessing a 20% increase, as reported by the Ministry of Industry, Trade, and Business Resources [1]. This trend of growth has persisted as the pandemic continued, with online retail expanding by 26.5% in 2021. The surge in online retail has played a crucial role in stabilizing the Korean consumer market by driving domestic consumption, fostering innovation, and enabling market growth [2].

The e-commerce landscape is currently undergoing a phase of deepening transformation. Advances in technologies such as big data, cloud computing, and mobile internet are unleashing the economic and social potential of the internet, fostering the evolution towards "Globalization 3.0." However, as consumer preferences evolve and the online consumer base matures, traditional e-commerce models have encountered developmental bottlenecks, struggling to meet emerging market demands. In response to these challenges, a novel retail concept has emerged.

Referred to as "new retail," this concept, according to China's Ali Institute, revolves around placing the consumer experience at the core of a data-driven, multifaceted retail approach[3]. This transition involves a shift from singular retail formats to multiple ones and from "goods + services" to a broader ecosystem encompassing "goods + services + content + other" elements. More specifically, it signifies a departure from the notion of standalone e-commerce platforms and emphasizes the integration of online and offline realms, combining them seamlessly into a unified business model often denoted as "online + offline + logistics" .

Within this context, new retail enterprises fuse online services and offline experiences, intertwining online shopping with efficient offline logistics to offer customers rapid and convenient delivery services. As this evolution in retail continues to unfold, it aligns with the demand for enhanced customer experiences and the optimization of supply chain dynamics.

## **2. Background and characteristics of the new retail industry in South Korea**

### **2.1. New retail background**

In 2015, Market Kully (Market) revolutionized the retail landscape by introducing the pioneering concept of early morning delivery in South Korea. This innovative approach allowed customers to place orders the night before and receive their fresh products the next morning, redefining convenience and speed in the shopping experience. The concept quickly gained widespread acceptance among consumers, leading to a rapid expansion of the early morning delivery model across the country.

Within just three years, from 2015 to 2018, Market Kully witnessed an astounding growth in its membership base, soaring from 600,000 to an impressive 3 million. This success not only solidified Market Kully's position as a market leader but also served as a catalyst for other companies to explore the potential of early morning delivery. One notable entrant into this burgeoning sector was coupang, which launched its services in 2018.

Coupang, inspired by Market Kully's success, swiftly expanded its early morning delivery network to cover the entire South Korean market within a remarkable 12-week timeframe. The competitive landscape was transformed as coupang's efficient and extensive service network resonated with consumers, further driving the popularity of early morning delivery.

This transformative trend not only enhanced the overall shopping experience for consumers but also stimulated healthy competition among companies striving to meet the evolving demands of the market. The success of Market Kully and the subsequent rapid expansion of early morning delivery services reflect the dynamic nature of the South Korean retail sector and its adaptability to innovative concepts.

The advent of the COVID-19 pandemic in South Korea served as a catalyst for the exponential growth of early morning delivery services. Coupang, a prominent player in this sector, witnessed a remarkable surge in membership, soaring to 9 million by 2021 – a staggering 200% increase from pre-pandemic levels. Amid the pandemic, Coupang experienced a 71% increase in sales, solidifying its position with a more than 20% market share in the south Korea's online retail market. Notably, Rocket delivery emerged as a hallmark service, exemplifying the innovation within South Korea's new retail industry [4]. The pandemic not only accelerated the adoption of early morning delivery but

also propelled Coupang to unprecedented heights in terms of membership, sales, and market influence.

## **2.2. New retail characteristics in South Korea**

### **2.2.1. Deep Integration of Online and Offline Products**

The relentless march of information technology has not only transformed industries but has become a driving force for the integration of the internet across diverse societal sectors, underscoring cross-border convergence as a pivotal contemporary trend. Internet technology, perpetually pushing the boundaries of traditional industries, is fostering the seamless integration of various facets of social production. Emerging technologies are systematically dismantling conventional industrial barriers, facilitating seamless connections between upstream and downstream activities.

As network technology gains traction, a notable convergence is observed between online and offline platforms. Offline retail establishments are increasingly leveraging the power of the internet to optimize inventory turnover rates and reduce stockpiles. Simultaneously, consumer behavior data from online platforms is being sourced through offline means. This integration, often referred to as 'online + offline,' emerges as an indispensable avenue for consumer-centric marketing in the contemporary retail landscape.

This symbiotic relationship between online and offline realms represents an inescapable outcome of the evolving retail landscape. The fusion not only enhances operational efficiency for traditional businesses but also provides a holistic understanding of consumer behavior, crucial for targeted marketing strategies. The 'online + offline' model, propelled by advancements in information technology, epitomizes the dynamic synergy between virtual and physical realms, shaping a new paradigm for contemporary retail and underscoring the transformative impact of technology on the way businesses operate and interact with consumers.

### **2.2.2. Evolving Consumer-Centric Approach**

As South Korea's economy continues to flourish, accompanied by a notable increase in per capita income, there has been a discernible transformation in consumer consumption patterns. Two key trends merit attention.

1. **Elevated Quality Expectations:** With economic growth, consumers have progressively raised their standards for product quality. Beyond the traditional considerations of good quality and affordability, today's consumers demand exceptionally high standards of product quality and performance.
2. **Shift in Consumption Focus:** The burgeoning South Korean economy and the improved income levels of its citizens have led to a shift in consumer priorities. The emphasis has transitioned from satisfying basic physiological survival needs to addressing more advanced needs. Drawing from Maslow's hierarchy of needs theory, as basic needs are met, higher-level needs come to the fore. South Korean consumers now seek products that cater not only to their material needs but also their emotional and psychological well-being.

**Coupang's Innovations:** A prime exemplar of adapting to this changing landscape is Coupang. The company has spearheaded the customization of consumer experiences, leveraging cutting-edge technologies such as big data and artificial intelligence. By providing personalized shopping pages tailored to each consumer, Coupang offers a more convenient and customer-centric shopping experience.

**Diverse Product Portfolio:** Additionally, Coupang addresses the diverse needs of consumers by expanding its product lines and introducing proprietary brands. This strategic diversification enables consumers to access fresh produce through Rocket Fresh, resilient goods via Rocket Delivery, imported items via Rocket Right Angle, and even customs declaration services through Coupang.

In conclusion, South Korea's evolving retail sector underscores the importance of addressing the dynamic preferences and needs of today's consumers. Beyond traditional considerations of price and quality, companies like Coupang are at the forefront of

this transformation, employing technology and personalization to meet the demands of discerning consumers, who are now seeking products that fulfill not only their material desires but also their spiritual aspirations.

### 2.2.3. Intelligent Production and Operations

Under the transformative influence of the Internet+ strategy, the retail sector has witnessed the establishment of advanced intelligent logistics and business systems. Leveraging technologies such as big data, artificial intelligence (AI), and cloud-based Internet of Things (IoT), this evolution has reshaped the landscape of production and operations. The development of Internet finance has overcome payment obstacles in e-commerce, while big data technology facilitates swift product location for consumers, significantly enhancing the overall shopping experience.

Artificial intelligence plays a pivotal role in aligning merchant products with market demand, reducing losses in the supply chain through decision support and automation. Cloud-based ecosystems process data from both upstream and downstream industrial chains, enabling global optimization with robust data processing capabilities. The Internet of Things ensures real-time commodity data upload, facilitating seamless online and offline integration. This integration improves operational efficiency, reduces turnover costs, and enhances user experiences.

Examining Coupang as a case study reveals a proactive pursuit of front-end and back-end intelligence integration. Front-end intelligence involves collecting valuable consumer behavior data during transactions, allowing for the construction of personalized consumer behavior models based on factors such as consumption frequency, preferences, and mobile data. This, in turn, facilitates member benefits and targeted product recommendations. On the back end, intelligence integration spans store operations, warehousing, logistics, infrastructure, retailer procurement, and personnel and administrative management. This holistic approach achieves global optimization through robust data processing, enhancing supply speed, accuracy, product safety, and workforce efficiency, ultimately leading to cost reduction and profit improvement [5].

In summary, the adoption of Internet+ strategies, coupled with advanced technologies, has revolutionized the production and operations in the retail sector. The success of companies like Coupang exemplifies the crucial role of intelligent systems in optimizing processes, reducing costs, and ultimately increasing profitability in the dynamic and competitive landscape of modern retail [6].

## 3. SWOT Analysis of Coupang Group in the South Korean New Retail Industry

The SWOT analysis method, which systematically evaluates an organization's Strengths (S), Weaknesses (W), Opportunities (O), and Threats (T), is employed to assess the position of the Coupang Group in South Korea's new retail sector. This analysis aims to delve into the internal and external factors influencing Coupang's strategic landscape. By identifying strengths and opportunities, the study aims to leverage these aspects for sustainable growth. Simultaneously, addressing weaknesses and threats will be crucial for mitigating risks and fortifying Coupang's competitive stance in the dynamic South Korean new retail industry. Through this comprehensive analysis, the study seeks to provide insights that inform strategic decision-making and position Coupang effectively in the evolving market landscape.

### Strengths (S)

Coupang Group boasts a formidable strength in its dominant market share within South Korea's fresh products new retail sector. Central to this success is the strategic placement of over 100 expansive logistics centers across the country, reflecting a commitment to proximity to consumers. This approach has resulted in an impressive 70% consumer coverage within a 10-kilometer radius, a strategic move that has significantly elevated Coupang's logistics delivery speed .

The establishment of strategically located logistics and storage centers has not only expedited delivery but has also facilitated Coupang Group's provision of free fresh product delivery and doorstep return services. This innovative approach not only enhances the overall shopping experience for consumers but also serves to effectively reduce operational costs, contributing to Coupang's competitive edge.

Beyond logistics, Coupang Group's consumer-centric service philosophy stands out as another significant strength. By consistently delivering a high-quality consumer experience, the company has successfully fostered user loyalty, cultivated a stable customer base, and maintained its leading market position. This dedication to customer satisfaction aligns with the evolving expectations of modern consumers, reinforcing Coupang's resilience and prominence in the competitive landscape of South Korea's new retail sector.

#### Weaknesses (W)

Coupang Group grapples with a notable weakness stemming from capital turnover challenges, a consequence of its rapid expansion during the pandemic. Despite the strategic establishment of over 100 logistics centers across South Korea, the company incurred a substantial 120 billion won loss in 2021, impacting its financial health. This underscores the delicate balance between expansion and financial sustainability, urging a careful reassessment of Coupang's growth strategies.

Furthermore, a significant weakness lies in the relatively narrow scope of Coupang Group's business lines. The company's primary focus on the new retail sector, while successful, poses a risk due to limited industry diversification. Unlike some competitors, Coupang lacks a substantial presence in broader e-commerce markets, internet infrastructure, mobile communication, and related fields. This narrow focus exposes the company to potential market fluctuations within its confined operational space.

The entrance of Naver Group, South Korea's leading internet company, into the new retail sector presents a formidable external threat to Coupang Group. Leveraging its established portal operations, search engine capabilities, mobile communication business, and substantial cash reserves, Naver poses a significant competitive challenge. Naver's diversified portfolio and financial strength enable it to explore innovative strategies and counter Coupang's market dominance effectively.

In light of these challenges, Coupang Group needs to reassess its expansion strategies, considering the delicate balance between growth and financial sustainability. Diversification into complementary industries may mitigate risks associated with a narrow focus, and strategic financial management becomes imperative to address the capital turnover challenges. The competitive threat from Naver underscores the importance of continuous innovation and adaptability to maintain Coupang's leadership position in the rapidly evolving South Korean new retail sector.

#### Opportunities (O)

South Korea's e-commerce market stands as the 12th largest globally, offering a lucrative landscape for growth. With a market size of \$128 billion in 2019, the Ministry of Industry and Commerce projects an expansion to \$206 billion by 2024. This substantial growth opportunity positions Coupang Group favorably to capitalize on the burgeoning e-commerce sector.

The South Korean government's positive stance toward mobile payments further enhances Coupang's prospects. With minimal restrictions on the mobile payment market, the environment is conducive for Coupang to leverage mobile payment services effectively. This facilitates a seamless online shopping experience, stimulates consumer spending, and ultimately contributes to the growth of Coupang's sales.

In the wake of challenges faced by the traditional retail sector due to the COVID-19 pandemic, South Korea's offline retail industry has struggled to generate revenue. This scenario presents an opportune moment for Coupang Group to diversify into offline retail. By leveraging data-driven logistics and strategically establishing small and medium-sized stores in urban areas, Coupang aims

to bridge the gap between online and offline commerce. This innovative approach not only enhances consumer experiences but also reduces operational costs. Through this expansion, Coupang seeks to grow its user base and solidify its position as a comprehensive retail solution provider in the evolving South Korean market.

#### Threats (T)

Coupang Group faces a formidable threat from its primary rival, Naver Group, which has entered the new retail sector through an alliance with CJ Korea Express Logistics Group, challenging Coupang's dominant position. Naver Group, as a leading internet enterprise in South Korea, possesses cutting-edge search engine technology, deep expertise in artificial intelligence, mobile communication, and internet mobile payment. Its diverse business portfolio, including portals, search engines, and a comprehensive mobile app ecosystem, seamlessly integrates with its new retail business.

Naver Pay, Naver Group's mobile payment app, offers a more flexible mobile payment experience compared to Coupang Pay. While Coupang maintains an advantage in the food and fresh products sectors and boasts an independent high-quality logistics system, Naver Smart Store excels in high-value segments such as fashion, beauty, and hairdressing. This diversified offering positions Naver Group as a formidable competitor across various retail segments.

Furthermore, Naver Group has secured same-day and next-day delivery capabilities through its partnership with CJ Korea Express, directly challenging Coupang Group's delivery services. With robust financial backing, Naver Group leverages CJ Korea Express Group's established logistics network, avoiding the need for extensive expansion and mitigating cash flow pressures.

In this dynamic and competitive landscape, Coupang Group must navigate the challenges posed by Naver Group by continuously innovating and adapting to evolving market dynamics. It is crucial for Coupang to leverage its strengths in the food and fresh products sectors while addressing weaknesses and exploring new avenues for growth. This strategic approach will be essential for maintaining its competitive edge and solidifying its position in the South Korean new retail sector.

## 4. Conclusions

The current state of the new retail market in South Korea presents valuable insights that can significantly influence the trajectory of the world's e-commerce market. Experiences and lessons drawn from South Korea's new retail sector are particularly relevant to the advancement and growth of the world's burgeoning e-commerce industry. As a global player, the world's e-commerce market can benefit from the strategic approaches, innovations, and challenges faced by South Korea, providing essential guidance for the broader evolution of the world's new retail market. The cross-cultural exchange of insights between these influential markets contributes to the continuous refinement and globalization of e-commerce strategies on a global scale.

### 4.1. Prioritizing Consumer-Centric Approaches

Consumer-centricity is emerging as a pivotal competitive direction in the new retail landscape, driven by the perceived inadequacy of traditional e-commerce models to meet the increasingly complex demands of today's consumers. The shift reflects a desire for a holistic shopping experience beyond mere product transactions. Examining South Korea's new retail market dynamics provides a compelling example, where competition revolves around swiftly delivering high-quality products.

World's e-commerce enterprises can learn from this and consider transition from traditional models to consumer-centric approaches. By establishing urban logistics centers and stores in major cities using big data technology, they can position themselves closer to consumers. This not only enhances proximity but also fosters improved shopping experiences. Emphasizing quality assurance and robust



after-sales service becomes crucial in nurturing repeat consumption desires, contributing to the development of a stable and loyal consumer base. This shift towards consumer-centricity is essential for e-commerce enterprises to thrive in an evolving market where customer expectations extend beyond the mere acquisition of goods to encompass a comprehensive and satisfying shopping experience.

#### 4.2. Harnessing the Power of Technology

In the fiercely competitive landscape of new retail, technology takes center stage, and internet e-commerce enterprises must adeptly harness advanced tools such as big data, mobile internet networks, and artificial intelligence for optimal resource allocation. A notable illustration of this approach is seen in Coupang Group's consumer proximity strategy. The company not only predicts consumer demands using big data and other technologies but also proactively communicates these insights to its logistics and warehousing centers. This enables them to prepare efficiently, fostering rapid resource and information circulation within the enterprise, ultimately facilitating swift regional commodity distribution. The integration of advanced technologies becomes imperative for staying ahead in the dynamic and rapidly evolving new retail sector.

#### 4.3. Embracing the Full Spectrum of the Internet Ecology

New retail competition extends beyond e-commerce, encompassing the broader internet ecosystem. world's e-commerce enterprises should leverage internet media and financial elements for comprehensive consumer services. Collaborations with internet marketing are crucial for driving traffic, while improving the convenience and security of internet payments enhances consumer confidence and encourages purchases.

#### 4.4. Prudent Resource Management

Drawing lessons from Coupang Group's challenges amid rapid expansion and capital turnover pressure is crucial for world's internet enterprises. Emphasizing the maximization of existing resources, fostering inter-enterprise cooperation, avoiding excessive expansion, and establishing a rational new retail consumption market environment are vital strategies. These insights guide world's e-commerce enterprises towards sustainable growth and effective resource management.

In conclusion, South Korea's new retail market provides valuable lessons for world's e-commerce sector. Prioritizing consumers, harnessing technology, embracing the broader internet ecosystem, and adopting prudent resource management practices are key strategies. Implementing these approaches will enhance competitiveness and ensure sustainable growth in the dynamic landscape of new retail, aligning with evolving consumer demands and market dynamics.

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