



Coupang

What it does

Coupang is an eCommerce company known as the Amazon of South Korea. It combines first-party and third-party fulfillment retail and delivers groceries using similar infrastructure. They also have a nascent takeaway delivery business, consumer payments, they are exploring video and other online offerings, and all this is wrapped up into a prime-type membership called 'Rocket WOW'.

Why we own it

- It has the largest consumer logistics network in the country with end-to-end integration; South Korea's density means that 70% of the population live within 7 miles of a Coupang logistics centre.
- South Korean retail has historically had a culture of price gouging. Coupang is disrupting this by offering a superior customer experience and competitively priced goods that are delivered quickly (>99% of orders delivered within 24hrs).
- Coupang's structural advantage is extremely difficult for sluggish competitors to rival.
- Founder Bom Suk Kim thinks long term, rapidly iterates and has developed a culture different to most Korean corporates.

How it could be worth many times more

- Driven by a mixture of increasing spend per customer, more product categories, improving take rate and a modest uplift in customer count.
- Coupang moves the remaining chunk of the retail market online and enjoys a winner-take-most share of the \$500 billion South Korean retail market. Coupang doesn't have to be the front-end of everything, but can meaningfully add value in every transaction.
- The core appeal here is that, in retail, Coupang is more Amazon than Amazon itself. If Coupang really highlights the strength of e-commerce as a model, its approach is potentially exportable to other markets.

Where we might be wrong

- Coupang only seriously addressing the South Korean market becomes a disadvantage.
- Competition in subsegments becomes an increased threat.
- Regulatory scrutiny on Coupang's growing presence.

Short 10 questions

Can sales double in the next five years?

1

Yes, revenue growth has been rapid. More users and product categories will fuel sales growth for years to come.

Ten years and beyond?

2

Consumer expansion into video and financial services, merchant expansion by increasing 3rd party fulfillment and offering B2B business, and geographic expansion outside Korea.

Competitive advantage?

3

Unrivalled physical infrastructure, largest delivery fleet in the country, very low delivery cost and superior user experience.

Is the business culture different?

4

Notably different from most Korean corporates and an appealing place to work for employees seeking a new experience.

Customers like you? Contribute to society?

5

Attractive pricing for goods, with a high level of convenience and climate conscious packaging.

Are returns worthwhile?

6

Not yet due to heavy reinvestment.

Will they rise or fall?

7

Rise in the next 5 years as costs deflate and margin comes through.

How is capital allocated?

8

Infrastructure: fulfillment centres and delivery capabilities.

Could it be worth 5x as much?

9

5x achievable just through extrapolation of current growth rates in retail.

What doesn't the market understand?

10

Coupang has the potential to push ecommerce flywheels further than any other company.

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