

NAVER D-Commerce Report

2021

Part 1. Digital Growth of Offline SMEs through NAVER SmartStore

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EXECUTIVE SUMMARY

NAVER SmartStore, helping offline SMEs' digital business expansion and growth

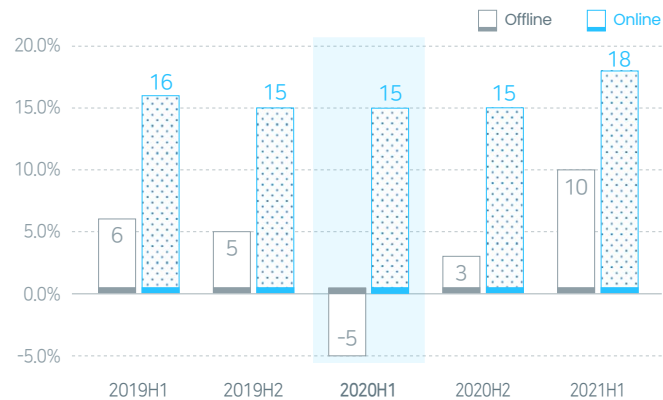
During COVID-19, the smooth digital transformation and growth of small and medium-sized enterprises (SMEs) have emerged as an important and urgent social task given the high proportion of self-employment in Korea's economic structure. NAVER has worked for the successful digital transformation of offline SMEs for a long time by providing business tools, services, and support programs through various 'Shopping Windows' such as Local Market Grocery Shopping, Farm-to-Consumer, Local Specialties, Furniture Workshop, and Handmade Shoes Street. As a result of the efforts to expand and grow offline SMEs' digital businesses, as of end of October 2021, a total of 30,000 offline sellers are active on NAVER's 'Shopping Window.' And as of November, a total of 146 traditional markets are open on NAVER's 'Local Market Grocery Shopping.'

A research team led by Professor Choi Boreum of University of Seoul surveyed 4,306 sellers and collected secondary data to analyze how offline businesses are overcoming the crisis and scaling-up through NAVER SmartStore, and how digital tools offered by NAVER's SmartStore affected seller satisfaction and sales growth. The research team discovered the following key points.

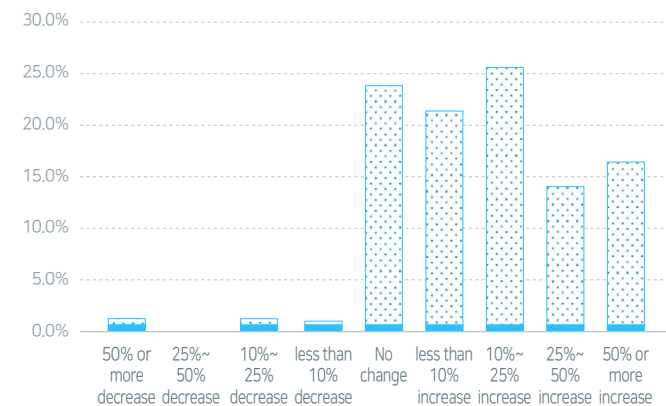
Offline SMEs offset offline sales drops and increased online sales through NAVER SmartStore

According to the survey, offline SMEs experienced 5% offline sales decreases in the first half of 2020 due to COVID-19, but also experienced 15% online sales growth through NAVER SmartStore, thereby offsetting the offline sales drops through digital transformation. In addition, 75.5% of sellers that participated in the survey experienced sales growth after switching to running both offline and online operations, with 16% of sellers experiencing 50% or more sales increases.

Half yearly sales growth rates for online and offline operations



Change in sales after becoming omnichannel

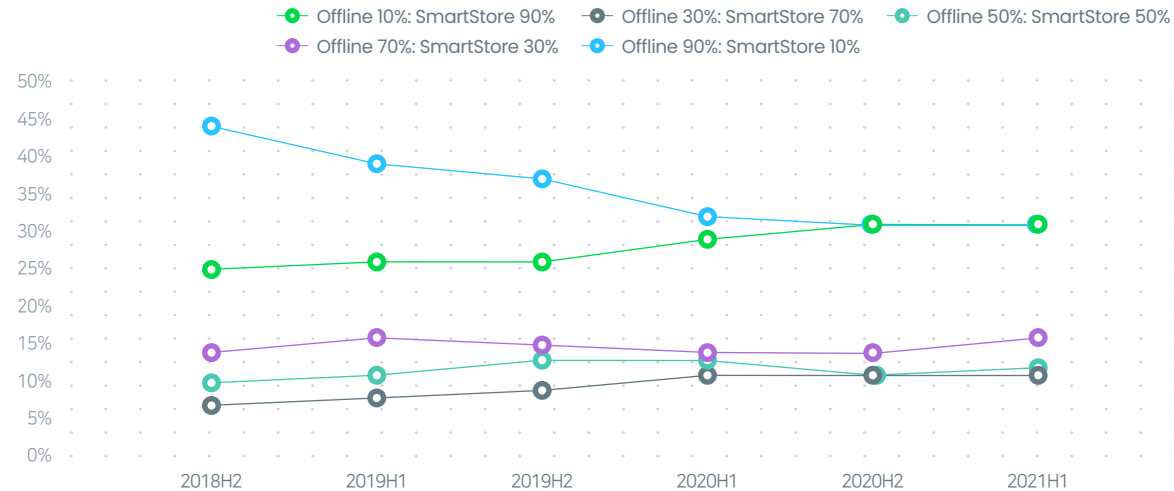




Sales channel diversification from increasing share of online sales

Offline sellers are achieving online competitiveness and expanding their share of online sales through various services, technological tools, and support programs that NAVER provides for online business expansion and growth of offline sellers. While the share of sellers who have 90% of their total sales occurring offline decreased every year from 44% in 2018 to 31% in 2021, the share of sellers who have 90% of their total sales occurring online gradually increased from 25% to 32% during the same period.

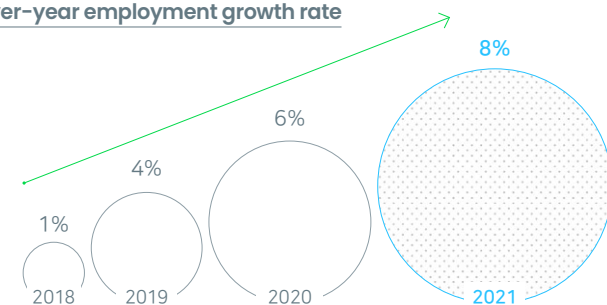
Change in share of online and offline sales



Scale-up effects of offline SME digital transformation such as consumer diversification and employment growth

In addition to the sales growth effect found earlier, more than 90% of offline SMEs who added online SmartStore operations enjoyed the effect of attracting new customer groups from different gender, age, and regions. The regional expansion effect was highest for the food category in particular. Above all, the annual employment growth rate of sellers continuously increased from 4% in 2019 to 6% in 2020 and 8% in the first half of 2021.

Year-over-year employment growth rate

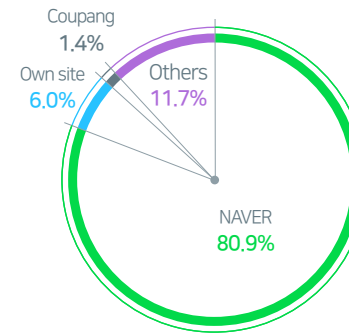




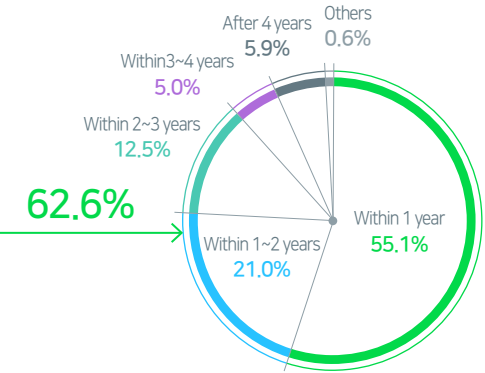
NAVER SmartStore as a stepping stone for digitally starting and growing a business

80.9% of survey participants said they started a digital business for the first time through NAVER SmartStore, of which 62.2% were multi-homing on 3.5 platforms on average. 70% of multi-homing sellers expanded their businesses to other platforms within two years, confirming that NAVER established itself as an effective technology platform for digitally starting and growing a business.

First online platform used



Multi-homing: period using two or more online platforms

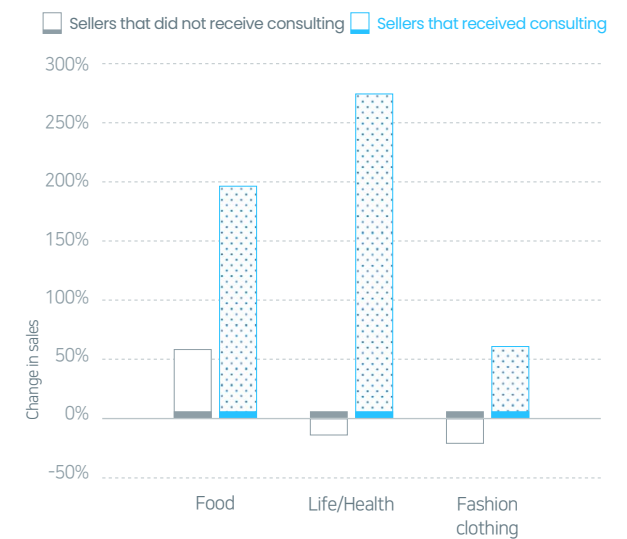
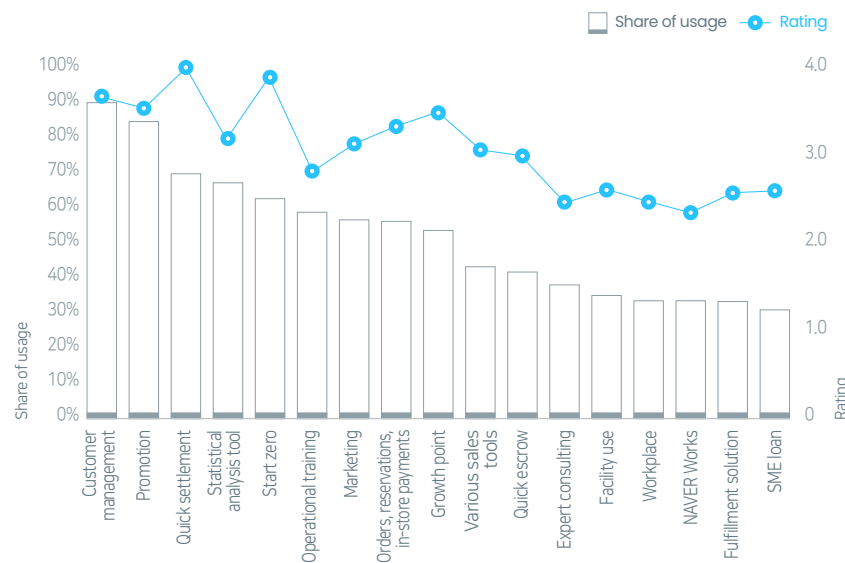


62.6%



High seller satisfaction and sales growth effect from sales tools, services, and support programs provided by NAVER

Lastly, based on the survey results of usage and satisfaction of the various sales support tools, services, and programs provided by NAVER for seller digital transformation and growth, customer management, promotion, and statistical analysis tools showed high usage and satisfaction levels. Start Zero and Growth Point also showed high satisfaction levels. In addition, the research team analyzed the average rate of change in sales from 2019(pre-consulting) to 2021(post-consulting) for sellers that received free consulting at least once in 2020, such as consulting on detailed page, search ads, data analysis, and product photos. Analysis of these sellers showed that those that used the consulting service experienced much higher sales growth rates than those that did not receive consulting. In particular, sellers in the Life/Health category that did not receive consulting experienced a decrease of about 15% in sales, while those that received consulting in the same category showed a 278% growth in sales.



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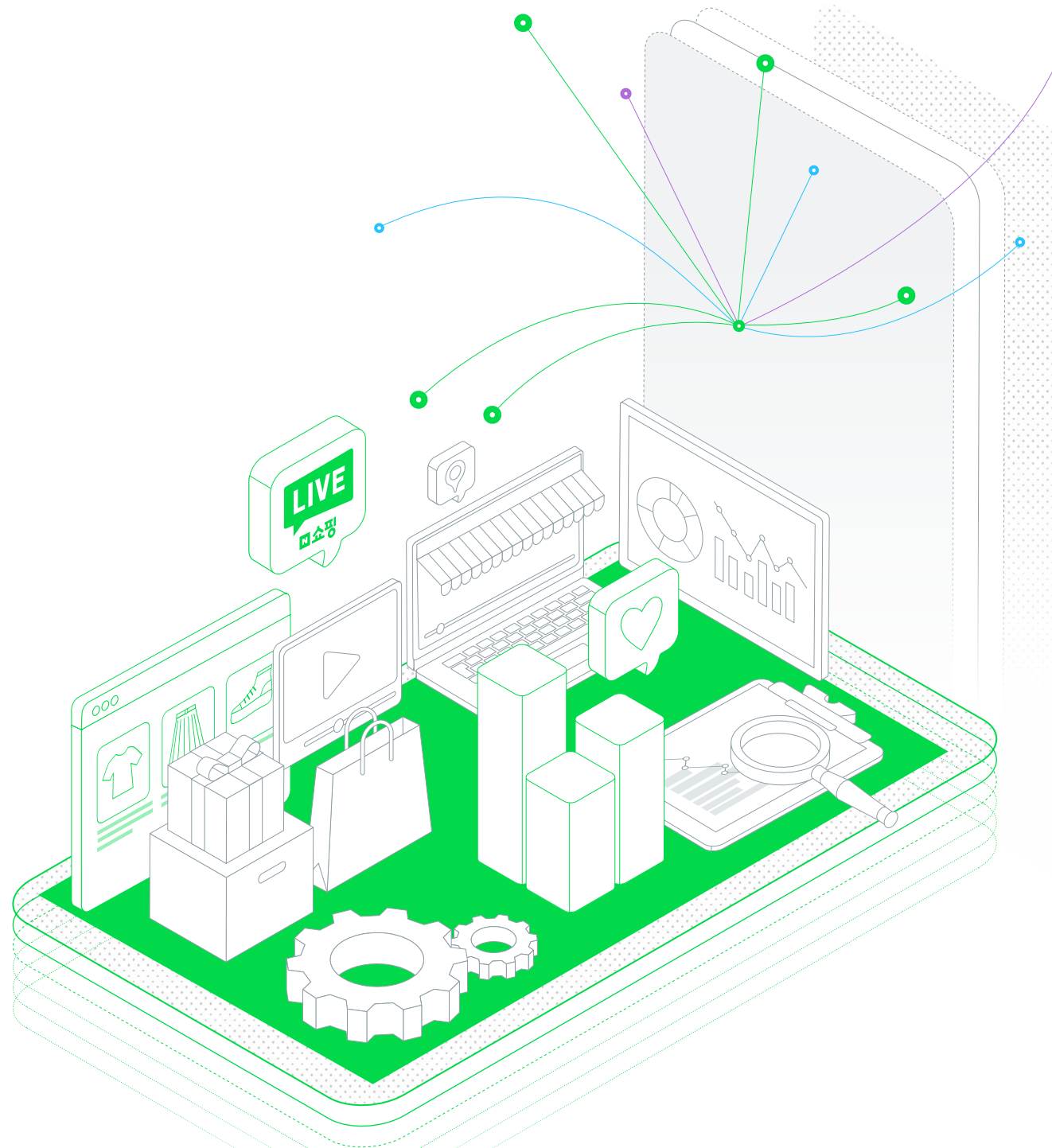
2021

Part 2. Effect of NAVER ShoppingLIVE on SME Sales

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EXECUTIVE SUMMARY

ShoppingLIVE, a new sales tool for SMEs



- According to eBest Investment & Securities, the Korean live commerce market is expected to grow to approximately eight trillion won by 2023. Kyobo Securities also predicted that the Korean live commerce market will grow to 10 trillion won by 2023. Live commerce combines the advantages of online and offline such as real-time interaction between sellers and consumers. Ever since offline consumption was restricted due to COVID-19 in 2020, live commerce has been in the spotlight as a new marketing and sales/purchase tool among sellers and consumers, with the relevant market growing rapidly.
- NAVER ShoppingLIVE, which officially launched on July 30th, 2020, has achieved 700 million cumulative views and a cumulative gross merchandise volume of 500 billion won as of end of November 2021, establishing itself as the no.1 live commerce service in Korea.
- NAVER ShoppingLIVE's rapid growth can be accredited to its "open live commerce policy," which supports sellers' autonomous decisions on how to plan and execute live commerce, based on key characteristics of NAVER ShoppingLIVE such as sufficient user traffic and convenient live commerce tools, technology, payment services and platform that enable sellers to easily livestream and promote their products.¹⁾
- In particular, NAVER ShoppingLIVE, as an open live commerce platform, has lowered the entry barrier to the live commerce market, originally dominated by big brands, so that SMEs could also easily enter and operate their live commerce campaigns. Specifically, it allows SMEs to easily use ShoppingLIVE with just a smartphone. Furthermore, NAVER provides programs that support sellers to more effectively use new seller tools, such as free online courses through NAVER Business School and free studio rentals through NAVER Square, etc.

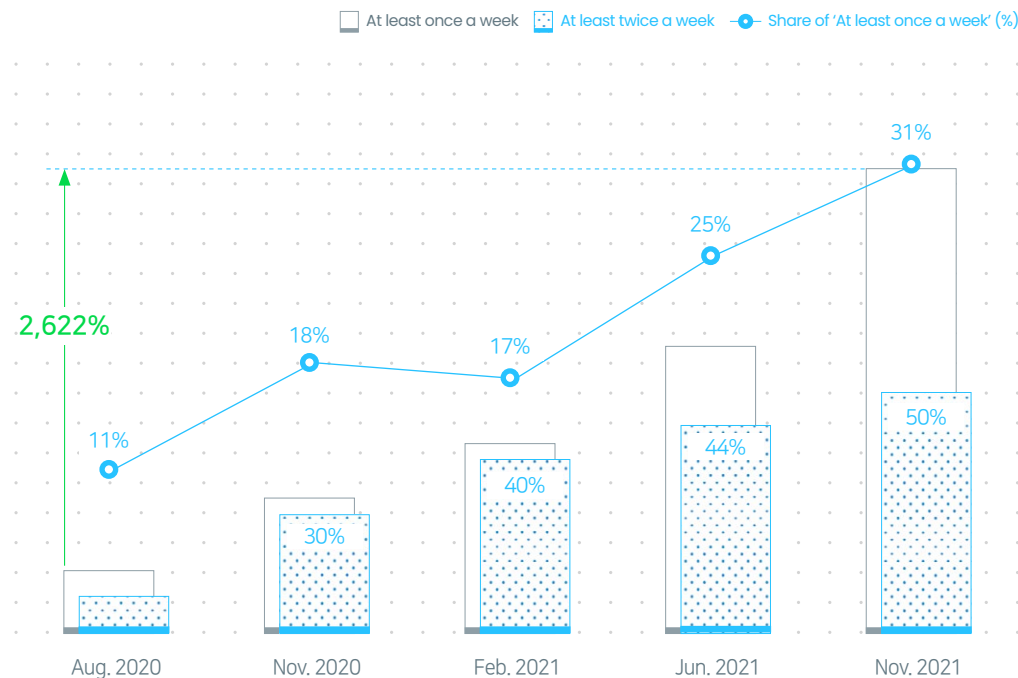
¹⁾ Source: Kyobo Securities Research Center





- As a result of these efforts, 31% of all ShoppingLIVE sellers are conducting live sessions at least once a week as of November 2021, which amounts to a 2,622% increase compared to the early days of the service. Among them, 50% conduct lives at least twice a week, signaling a growing number of sellers that are actively increasing the frequency of using ShoppingLIVE.
- SMEs are also actively using ShoppingLIVE as a new sales tool, with more and more success stories of SMEs exceeding monthly sales of 200 million won like 'Monotime' (fashion store), 'Korea Mask' (personal care goods), and 'Jayeonae the' (farm-to-consumer).
- Professor Jiyoung Kim's research team at Sungkyunkwan University empirically analyzed the effects of ShoppingLIVE and found its positive impacts on sales performance and its contribution to SME growth based on NAVER data as well as providing managerial implications for sellers that use ShoppingLIVE.

Rate of growth of sellers that use ShoppingLIVE at least once a week

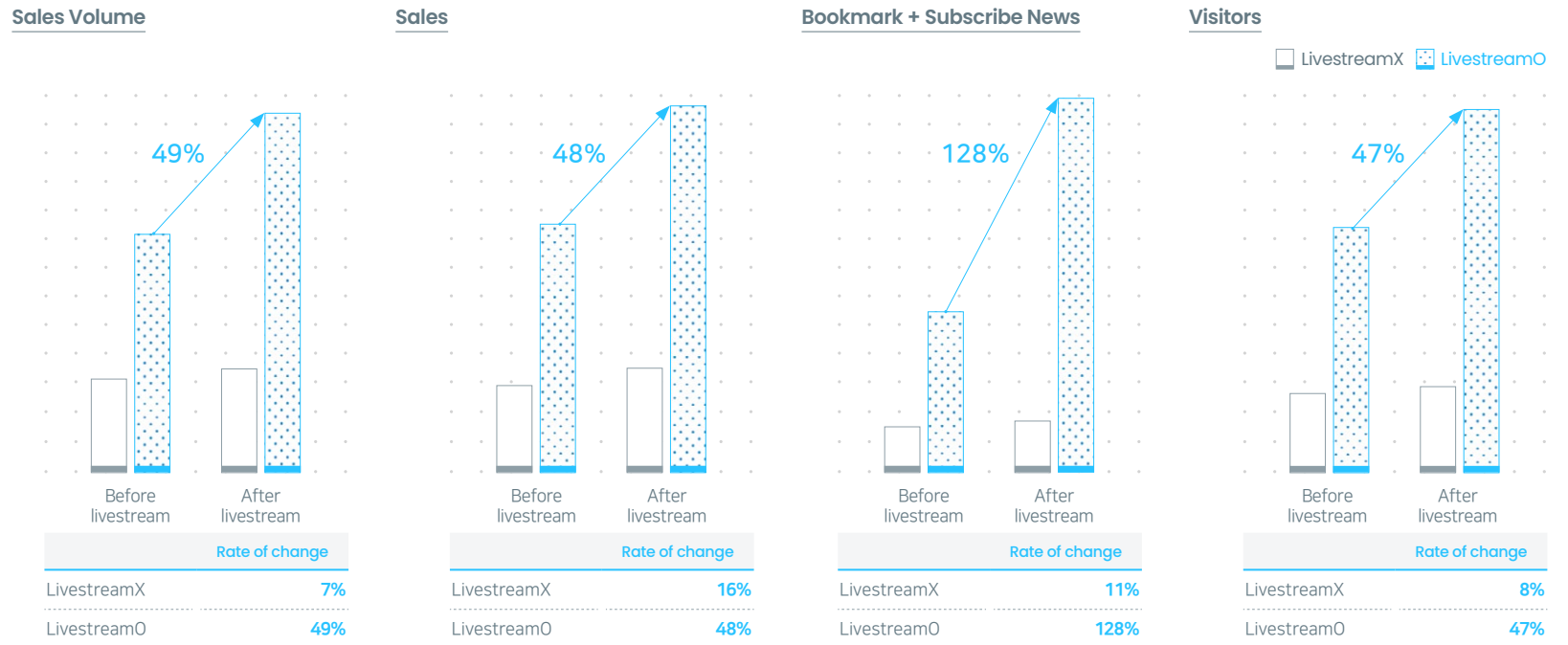


* Note: The share of 'At least twice a week' is among sellers that use ShoppingLIVE at least once a week

The results of empirical analysis showed that sellers were experiencing sales growth, customer acquisition, and marketing effects through NAVER's ShoppingLIVE. In particular, the positive effects on performance were larger for SME sellers, compared to those for bigger-sized sellers.



ShoppingLIVE effects on sales growth and customer acquisition

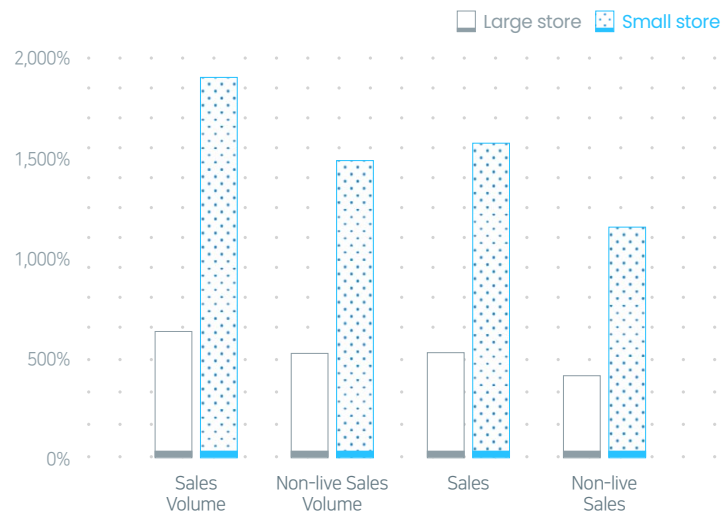


- Stores that used ShoppingLIVE performed substantially better than those that did not use ShoppingLIVE in terms of sales.
 - While stores that used ShoppingLIVE experienced an average growth rate of 49% and 48% in sales volume and sales respectively between before and after livestreaming, stores that did not use ShoppingLIVE only grew at a rate of 7% and 16% respectively.
- ShoppingLIVE is contributing to marketing such as acquiring regular customers
 - The average growth rates in the number of 'bookmarks + subscription to store news' and visitors for stores that used ShoppingLIVE were 128% and 47% respectively. On the other hand, stores that did not use ShoppingLIVE experienced 11% and 8% growth rates respectively.
- In addition, these sales growth and marketing effects of ShoppingLIVE were found to have not only direct short-term performance effects, but also positive long-term effects on the store's performance on the whole.



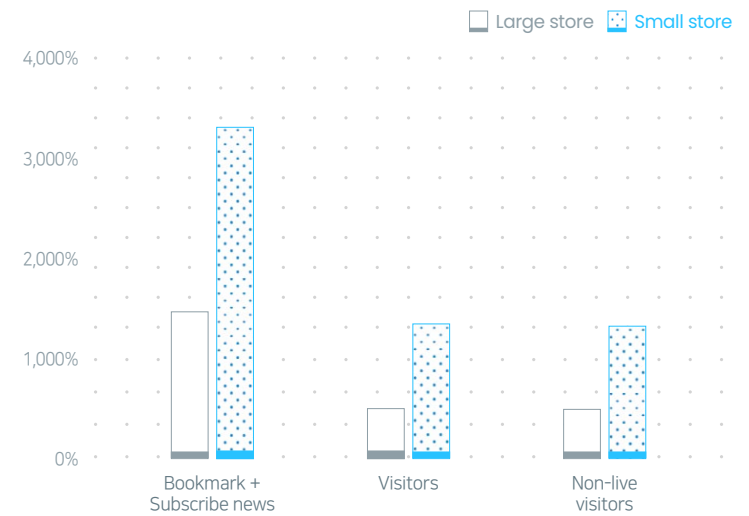
ShoppingLIVE's effect on SMEs

Sales growth rate after streaming on ShoppingLIVE



	Sales volume growth rate	Non-live Sales volume growth rate	Sales growth rate	Non-live sales growth rate
Large	635%	528%	531%	419%
Small	1,895%	1,485%	1,575%	1,156%

Customer growth rate after streaming on ShoppingLIVE



	Bookmark + Subscribe news growth rate	Visitor growth rate	Non-live visitor growth rate
Large	1,464%	506%	499%
Small	3,292%	1,341%	1,316%

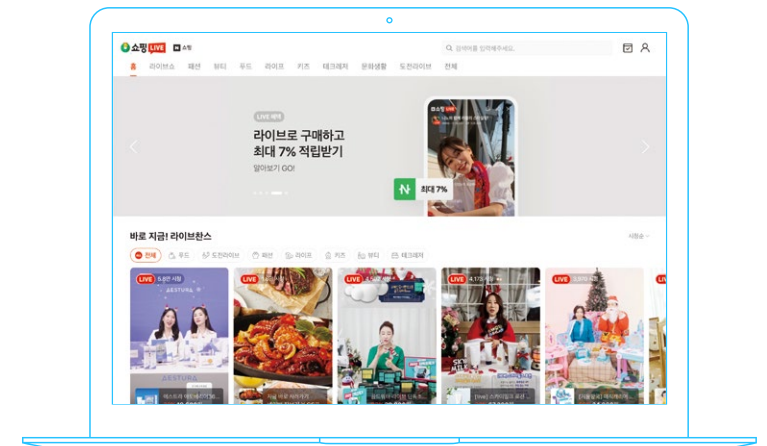
- It was found that the smaller the store, the larger the effect of the aforementioned performance boost in sales growth and customer acquisition through ShoppingLIVE.
- The sales growth rate of SMEs after participating in ShoppingLIVE was substantially larger than that of large stores.
 - The sales growth effect of SMEs (1,575%) was found to be approximately three times greater than the sales growth effect of non-SMEs (531%)
- The marketing effect of ShoppingLIVE such as acquisition of regular customers was also greater for SMEs
 - The growth rate in the number of people that 'bookmarked + subscribed to store news' and the growth rate of visitors after streaming on ShoppingLIVE for SMEs were both approximately three times greater than the respective growth rates for non-SMEs ('bookmark + subscribe news' 3,292% vs. 1,464%, visitors 1,341% vs. 506%)
- This effect also persisted in the long-term performance of ShoppingLIVE, where the growth rates of 'non-live sales volume, sales, and visitors' were approximately 2.6~2.8 times greater for SMEs than for non-SMEs.

Note: Analyzing the above store-level sales growth, customer acquisition, and performance improvement effects at the product-level also gave forth similar performance boost effects.



Implications for sellers that conduct ShoppingLIVE

- The following implications were derived after analyzing other factors that affect the sales performance of ShoppingLIVE
 - 1) The ShoppingLIVE effects strengthen when customer participation increases, such as an increase in views, comments, and hearts.
 - 2) Not only sales but also customer interest increase when various products are introduced during the livestreaming.
 - 3) ShoppingLIVE effects become larger as more customers receive livestream alerts.
- Sellers can expect to boost ShoppingLIVE's performance by properly using the following sales strategies: 1) promotions that draw customer participation such as comments and hearts, 2) introducing various products during ShoppingLIVE, and 3) livestream alerts via the 'subscribe to store news' button.
- Sungkyunkwan University Professor Jiyong Kim, who conducted the research, stated, "Live commerce, which combines the strengths of offline and online commerce and social media, is rapidly growing as it provides Korean sellers who are suffering from the COVID-19 crisis with a new opportunity." He said, "In particular, the results of empirical analysis confirmed the significant marketing effect of NAVER ShoppingLIVE, an open live commerce platform, on SME sales growth and customer acquisition. Sellers can maximize ShoppingLIVE's sales support effect by properly using NAVER's support programs such as the free seller education and studio rental programs along with various sales strategies such as promotions that draw customer participation in comments and hearts, introducing various products, and setting livestream alerts."



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