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# A Study on the Distribution Platform Business based on Shinsegae Group\*

So Hyung KIM<sup>1</sup>

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## Abstract

**Purpose:** This study deals with the strategic direction of platform business in the 4th Industrial Revolution. In a changing industrial environment, companies that leverage platform businesses can benefit greatly. Platform business is especially important in the distribution industry, so a variety of case analysis studies are needed. In this study, the Shinsegae Group, a platform leader, was selected and case-analyzed to learn more about the growth and development of platform businesses in the distribution industry. **Research design, data and Methodology:** Various literature research on platform business and secondary data of the distribution industry were reviewed. In this study, additionally, the interview method was used to discuss the development of more platform businesses through the Shinsegae and E-mart related departments. **Results:** This study investigated the development process and success of distribution platforms. First, a successful platform business builds multi distribution channels. Second, a successful distribution platform business attracts many participants. Third, a successful distribution develops various private label products to build a sustainable platform system. **Conclusions and Implications:** This study could provide a good example for the growth of companies with distribution platform business. Further implications were discussed.

**Keywords :** Platform Business, Distribution Platforms, Platform Leaders, Shinsegae, Emart, Private Brand Products

**JEL Classification Code :** M20, M15, M16, M10.

## 1. Introduction

In the modern economy in which the importance of online environment has been increased, the corporate shift to the platform business using digital platforms is not selective, but is indispensable (Täuscher & Laudien, 2018; Chou & Shy, 1990). The platform business is a new model with which managers can create value and profits by connecting potential sellers to buyers within their own

platforms (Kim, 2014; Eisape, 2019; Lee & Kim, 2019; Täuscher & Laudien, 2018).

The businesses using platforms themselves have existed even in the traditional industrial structure. Department stores, credit card companies, etc. may seem to be characterized by outdated platforms, in that two-sided market of consumers and sellers existed and could mediate the transaction between them (Chang, 2020; Kim, 2014). Such domains, however, could not be easily developed into the platform business, since they only created limited network effects due to matching cost under the analogue environment (Fu, Gu, Xie, & Ye., 2017; Täuscher & Laudien, 2018; Chou & Shy, 1990; Chang et al., 2016).

Such a limit has come to be possibly overcome, along with the development of digital technology. The establishment, extension and improvement of platforms are much more favorable to providers under the digital environment. Consumers' access to such platforms is greatly improved due to the development of internet and

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1 First Author and Corresponding Author. Assistant Professor, Department of Trade, Kyonggi University, 154-42, Gwanggyosan-ro, Yeongtong-gu, Suwon-si, Gyeonggi-do, South Korea; Email: shkim2@kgu.ac.kr

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mobiles. The development of such digital technology may trigger the growth of the platform business (Van & Parker, 2017; Park, Kim, & Minshall, 2020; Täuscher & Laudien, 2018)

In the newly changing business environment, companies using the platform business can largely enjoy four effects. First, they can achieve high rates of return on investment for a short period. Second, they may provide the foundation of a new business model. Third, they can function as core engines for service-based economy. Fourth, they can gain a competitive advantage over others, which cannot use platforms, by defining strategic grades. Companies have been able to establish platform business models because of the reasons mentioned above (Van & Parker, 2017; Rahman & Thelen, 2019).

Van and Parker(2017) also suggested following success factors by examining successful platform business models: first, they have had enough openness; second, they were launched by only focusing on core functions; third, they concentrated more efforts on the establishment of networked effects and qualitative improvements, rather than short-term profits; forth, they created substantial value and fairly shared it with platform participants; fifth, they succeeded in making good relationship with participants. These characteristics are the most important and most representative factors (Tauscher & Laudien, 2018; Rahman & Thelen, 2019; Yun, Won, Park, Yang, & Zhao, 2017).

## **1.2. The Importance of Platform Business in Distribution Industry**

The core of the distribution industry is to purchase products from producers and deliver them quickly and conveniently to consumers (Ellinger, Ellinger, & Keller, 2003; Wang, 2011; Smedlune, 2012; Fu et al., 2021).

Wang (2011) defines distribution and retail as the management form of retail companies to meet different consumption needs, and specifically retails by location, size, target market, product assortment, store arrangement, operation management, and service functions. It was considered possible to classify the womb.

If it is important for the manufacturing industry to plan and sell products again through new product development or R&D investment, the distribution industry has a low ratio of R&D investment for products or technologies, and distribution margin and inventory management are evaluated as important parts (Wang, 2011; Ellinger et al., 2003).

One of the biggest changes in the distribution industry in recent years is that with the development of information and communication technology, the center of the distribution industry has rapidly shifted to online shopping centering on the Internet and mobile. In addition, the

method of inventory management is also changing to a method of providing products that consumers need at the right time based on artificial intelligence and big data, and sales promotion activities are also revitalizing customized sales promotion methods that reflect personalized consumption behaviors (Hines, Rich, & Esain, 1998; Luehrman, 1991; Filippini, 1996; Kim & Kim, 2020; Lestari & Mujito, 2020).

In this respect, the establishment of a platform has become essential in the distribution industry.

Therefore, it has become most important to challenge the development of a new distribution platform that allows retailers to plan and develop products themselves and connect producers and consumers (Hines et al., 1998).

For example, a company called Market Kurly, founded in 2014 in Korea, has emerged as an emerging powerhouse in the distribution industry that connects various producers and consumers and develops their own products. In the beginning, Market Kurly supplied food materials from morning food delivery businesses such as startups and venture companies. Kurly has a policy that prioritizes quality over cheap prices and chooses a direct purchase method. Direct transaction purchase is a method of predicting the sales quantity in advance through big data and purchasing goods from the producer in advance, rather than receiving an order from a consumer as much as the order quantity to the producer (Chen et al., 2008; Hines et al., 1998; Kim & Kim, 2020).

With this change, the department store industry is investing intensively in outlets and complex malls, and the home shopping and hypermarket industries are investing in mobile and internet malls. Excluding convenience stores and online shopping malls are actively advancing into super products. The current situation where the boundaries between distribution channels are broken has resulted in further strengthening of competition in the retail market, and mobile shopping is gradually increasing.

As described above, distribution companies are expanding investments in information and communication technologies such as big data, information security, and artificial intelligence in order to innovate distribution technology and to informatise distribution systems. No longer is the most critical factor in the success of a retailer to buy a finished product and increase sales through universal advertising. In the era of the 4<sup>th</sup> industrial revolution, the biggest challenge for the distribution industry is the development of a new distribution platform that directly develops products and connects producers and consumers.

From this point of view, in this study, I will conduct an in-depth case study by selecting Shinsegae Group, which is actively pursuing the expansion strategy of distribution platform business in distribution channels.

## 2. Company Introduction

### 2.1. Introduction of Shinsegae Group

The Shinsegae Group became a front runner in the modernization of Korean distribution industry, as it opened the Gyeongseong branch of Miscosi (the present headquarter store of Shinsegae Department Store), the first department store in Korea as well as the mother of modern ones in Oct. 24, 1930. Then, it initiated a full-fledged era of advanced modern department stores, by building Donghwa Department Store Co., Ltd in February, 1955, after Liberation. It was first launched with the firm name of Shinsegae Department Store, after it was taken over by Samsung Group in 1963. Then, it held the first bargain sale in Korea in June, 1967 and also started as the first department store directly managed by the parent company in April, 1969. It even introduced the first credit card system in July, 1969, so it has grown as a modernistic distribution company which has acquired the title of ‘the first in Korea’ many times. At last, the Shinsegae Department Store opened an era of new distribution industry, by promoting its independent management, after separating from the Samsung Group in 1991. Then, the Shinsegae Group did not limit its business domain into the department store business, but it has differentiated itself through the diversification of its business format and the innovation of contents for about 80 years, by extending the business into Shinsegae Department Store as well as distribution industry, fashion industry, food and beverage and hotel industry, even construction and IT business.

The Shinsegae Group’s business domains spreads toward many directions including distribution, fashion, food and beverage and hotel, construction, IT, etc., with its representative business recognized as the distribution business. This case study attempts to examine the distribution strategy adopted by Shinsegae, from the perspective of distribution platform business, by focusing on changes in the recent distribution business.

### 2.2. Multichannel of Shinsegae Group’s Distribution Platform

Although Shinsegae Group had managed only two distribution channels, Shinsegae Department Store and E-Mart until 90s, has promoted the multichannel environment of its distribution: it initially launched the online shopping mall(the former body of the current SSG.com of E-Mart in 2004; the first Yeosu premium outlet was launched in 2007; the first E-Mart Everyday was opened in 2009; the first E-mart Traders was opened in 2010; the convenient store, With Me, was taken over by it and transformed into E-Mart 24 and SSG.com combining E-Mart and Shinsegae’s online

mall was launched in 2014. Table 1 arranges the characteristics and each launch year of distributors under the Shinsegae Group.

**Table 1:** Launched Shinsegae Group’s Distribution Company

Company Name	Corporate Characteristics	Launch year
Shinsegae Department	Department	1930
Emart	Supermarket	1993
Shinsegae Simon	Premium Outlet	2007
Emart Everyday	SSM	2009
Emart Traders	Warehouse type market	2010
Shinsegae Duty free shop	Duty Free Shop	2012
Emart 24	Convenience Store	2014
SSG.com	Online-Shopping Mall	2014
Shinsegae TV Shopping	Home Shopping	2015
Starfield	Complex shopping mall	2016

Source: Shinsegae IR Report

After 2000s, Shinsegae Group began to diversify the characteristics of distributors, because of demand for Omni channels of distributors, activation of online transaction, diversification of consumers’ needs and changes in purchasing patterns, and the increased necessity for diversifying businesses, caused by a lower growth rate of industry. The multi-channel strategy means that distributors such as Shinsegae Department Store extend their business domains into various retailing types and related categories of businesses.

In this regard, large commercial facilities such as Shinsegae Simon, E-Mart Traders, Star Field, etc. appeared to respond to Mall-goers, consumers with demand for malling. Malling is defined as the enjoyment of various activities such as eating out, entertaining, walking, meeting and so on, beyond shopping, while going around commercial facilities, and consumers can enjoy various kinds of shopping in convenient spaces, by recognizing large shopping malls as homelike, cultural, and surfing spaces, beyond just a shopping space.

On the other hand, Super SuperMarket (SSM) and convenient stores are extended due to different factors. New launch of large marts or department stores require a large amount of money and wider spaces, while SSM can be

launched with a small amount of money and definite spaces and can keep stable sales as it can be opened at the neighborhood of dwelling sites. The fact that convenient stores are operated 24/7 and provide various services matches with the social change, the increase of single or two person households, so SSM emerges as a new growth engine for distributors. The Shinsegae Group, therefore, decided to launch E-Mart Everyday and E-Mart 24, different from the existing department stores or large shopping malls.

Other distribution businesses such as internet shopping malls and TV home shopping could grow due to several advantages: convenient purchase for consumers and cost savings through the simplification of distribution processes for producers. This is why the Shinsegae Group took over Shinsegae TV shopping in 2015, and then SSG.com created by integrating the previous E-Mart with online shopping malls of Shinsegae Department Stores has functioned as a shopping portal for the whole affiliates of the Shinsegae Group.

As such, the Shinsegae Group has extended its distribution business by using different strategies for distribution channels, in other words, it has become a representative leader of Korean distribution businesses by employing strategies suitable for each of their characteristics.

### 3. Extension of Distribution Channels into Digital Distribution Platforms –SSG.com

In the new share subscription agreement signing ceremony, Jeong Yongjin, the vice chairman of the Shinsegae Group said on Yeonhap News in 2018, “Although it was E-Marts or department stores that have led the growth of Shinsegae Group, the future growth would be initiated by online business. We will make the online business a core distribution channel surpassing E-Marts or department stores, by concentrating Shinsegae’s core competence on it. “

Shinsegae currently concentrates its efforts on digital distribution platforms, since it probably judges that ‘online shopping’ has continuously grown and the omni channel circumstance of distribution would bring a huge profit to it.

According to <Table 2>, the sales of Korean online shopping business have grown by more than three times for just six years, from 38 trillion won in 2013 to 134 trillion won in 2019. The percentage of online business sales also has steadily grown in the total sales of Shinsegae department stores and E-Marts.

**Table 2:** The Growth of Online Shopping Industry (2013–2019)

	2013	2014	2015	2016	2017	2018	2019
Total sales of online shopping	384,979	453,025	540,556	656,170	941,858	1,137,297	1,345,830
Mobile sales	65,596	148,698	248,570	355,446	529,093	690,950	867,005
Share of mobile shopping	17.04%	32.82%	45.98%	54.17%	56.18%	60.75%	64.42%

Unit: (100million, %)

Source: Emart IR Report

In such a series of streams, the Shinsegae Group divided the online shopping mall section of E-Mart and established SSG.com by merging it with the online business department of Shinsegae.

According to the Financial Supervisory Service in 2019, the establishment of SSG.com was very meaningful, in that the Shinsegae Group aimed to realize the platform business on the online site, by integrating online shopping mall sections, with a main goal to enhance the professionalism of the business domain and strengthening its competitiveness.

Beyond a mere online shopping company, the Shinsegae Group makes efforts to transform SSG.com into its digital distribution platform. The platform means an ecosystem in which a lot of providers and consumers can participate, and

also transact with each other and gain benefits they need through interaction and connection. SSG.com as the online mall integrating Shinsegae with the E-Mart comprehensively sells fashion and living items, products for young children, digital, sports equipment and food.

SSG.com not only functions as a mere online distribution platform but also can contribute to the Omni channel circumstance for extending the company’s activity domains through online and offline interactions. With Omni channels, the distribution industry can cope with both growths of the online system and decline of the offline system. Omni channels include ‘Magic Pickup Service’ allowing consumers to receive products that they selected on online sites; ‘Regular Delivery Service’ regularly delivering the package of products to consumers, which

they have often purchased; ‘SSG Delivery’ with which consumers can receive products at any time and space that they want; ‘Neo’, the logistics center dedicated for online service, which set up in Yongin and Kimpo; ‘SSG Lens’ allowing to search for related products with the camera function of mobile applications. In particular, the ‘Early Morning Delivery’ service delivering the products which consumers ordered the day before to them until early the next morning is one of main Omni-channel strategies adopted by SSG.com. Since launched by Market Kurly to Korea in 2015, the early morning delivery becomes a new paradigm for the distribution industry, as it began to be

introduced by primary online/offline distributors such as GS Retail, Coupang, etc. SSG.com also adopted it June, 2019, to cope with challenges raised by competitors and crave out for new markets. The strategies adopted by it include the diversification of deliverable products, the slowing of time allowing for order and the shortening of delivery time.

Most of online business department belonging to the E-Mart, the former body of SSG.com, or Shinsegae recorded a deficit as shown in <Table 3>, and <Table 4>. Likewise, SSG.com also showed operating profit shrink in the first year after it launched as showed in <Table 5>.

**Table 3:** Shinsegae's Online Division Sales Flow (2015~2018)

		Shinsegae			
		2015	2016	2017	2018
Online Department	Sales	6,210	8,560	10,125	7,661
	Operating profit	-120	-80	-4	52
Shinsegae total	Sales	39,740	44,300	45,808	46,342
	Operating profit	1,850	1,980	2,198	2,423
Share of online mall sales		15.6%	19.3%	22.1%	16.5%

Unit: (100million, %)

Source: Shinsegae IR Report

**Table 4:** E-Mart's Online Division Sales Flow (2015~2018)

		Emart			
		2015	2016	2017	2018
Online Department	Sales	6,625	8,386	10,503	12,573
	Operating profit	-235	-366	-126	-163
Emart Total	Sales	128,336	135,642	144,704	149,242
	Operating profit	6,294	6,332	6,384	4,893
Share of online mall sales		5.2%	6.2%	7.3%	8.4%

Unit: (100million, %)

Source: Emart IR Report

The operation activity of SSG.com is not based on PC, but on mobile environment. This reflects a tendency for people to enjoy online shopping in the mobile environment, along with the extension of cell phone supply. As shown in <Table 2> above, 64% of online shopping occurs on mobile devices. According to the statistics of the E-Mart online business department, the former body of SSG.com, the portion of mobile sales was just 8.5% in 2013 but exceeded 73.9% in 2018.

Accumulated mileage can be directly used or exchanged with coupons in purchasing partners' products, it can be reciprocally conversed with OK Cashback, since they are

connected. The upper limit of the amount of convertible money is annually 0.5 million mileages, and simultaneously the discount promotion event has been irregularly held for members enrolled in the Shinsegae mileage system.

**Table 5:** SSG Quarterly Sales and Operating Profit

Quater	19.1Q	19.2Q	19.3Q	19.4Q
Sales	1765	2078	2266	2488
Operating profit	-108	-113	-235	-174

Unit: KRW 100million

Source: Shinsegae IR Report

The SSG Pay, an easy payment program available in companies under the Shinsegae Group or other partners, was launched in July, 2015. As a part of Fintech (a compound word meaning the convergence between finance and IT technology), the easy payment system means a series of services allowing consumers to pay only by electronic devices such as cell phones or tablet PC, etc. on online or offline environment (Kang, 2018; Lee & Teo, 2015)

Since the Shinsegae mileage is automatically reserved whenever the SSG Pay is used, the degree of connection between two services is very high. Additional account is available if products are purchased by using the SSG Pay in any affiliates of the Shinsegae Group, and compensation is provided according to previous month usage. The promotion for SSG Pay members has been irregularly implemented (Zhu & Iansiti, 2012; Kang, 2018).

The SSG pay may be meaningful, in that it results in an indirect effect in the platform business. Such an indirect

effect often occurs in the platform business, and the role of complementary goods becomes more important, as the higher the number of users of platforms, the higher the number of potential customers (Dowling, 1997). As the SSG Pay becomes more convenient and its indirect effects such as related discount or the reserve service is stronger, complementary goods comes to play a more important role, which can be used as a very important strategy, because users can gain benefit by accepting the platform (Zhu & Iansiti, 2012).

Customers can read the existing newspapers or advertising bills by using the E-Mart app and also receive coupons or card discount through the one-stop service. They can search for, immediately book, pick up and pay for various products, easily managing receipts by using mobile devices and gain more benefits with e-stamps. It is also possible to simply pay for a product only by touching a button, if one stores his/her payment information on the configuration of the SSG Pay.

**Table 6:** E-Mart Mall's Mobile Shopping Sales Share (2013~2018)

Year	2013	2014	2015	2016	2017	2018
Mobile sales share	8.5%	24.6%	44.0%	56.0%	63.8%	73.9%

Source: E Mart IR Report

The SSG apps, the core of the platform, has grown into a large platform connected with pages including E-Mart, Shinsegae Mall, Shinsegae Department Store, Traders, early morning delivery service, Casamia, CHICOR, Howdy, Star Field, Premium Outlet, etc. In particular, the E-Mart app, among SSG apps, makes much effort to communicate with customers, to reliably function as a platform channel, in the era in which shopping channels are diversified and the convenience is more important than ever.

In 2019, the E-Mart app conducted a questionnaire survey about customers' needs, products, services, events, etc. and evaluated the satisfaction with them by each item.

The E-Mart has sought to change itself, by directly listening to customers' voices at the whole stages from the development of products such as Peacock to customer satisfaction.

Choi Hunhak, an E-Mart marketer said, "we operated the E-Mart app questionnaire system ahead of 2020, the new year, to enhance customer value and reinforce the communication with customers", emphasizing that such a measure aimed to increase the reliability of products and services provided by E-Mart, No.1 superstore.

**Table 7:** Shinsegae's Performance by Representative Business Unit

	2020 Q1		2019 Q1		Increase rate(%)	
	Total sales	Operating profit	Total sales	Operating profit	Total sales	Operating profit
E Mart	27,807	846	28,389	1,120	-2.1	-24.5
Traders	6,711	175	5,509	143	21.8	22.4
Nobrand	2,871	-182	2,616	-213	9.7	-
Total	37,867	854	37,031	1,068	2.3	-20

Unit: KRW 100 million

Source: E Mart IR report (2020)

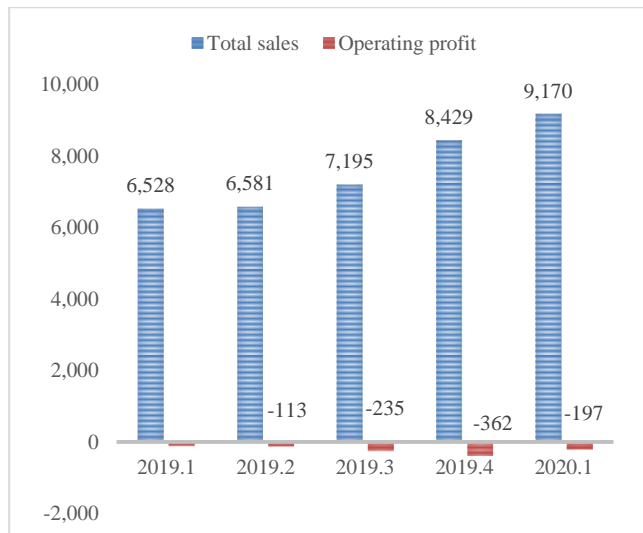
It entirely reorganized the Deli corner, by detecting problems through a series of questionnaires based on the E-Mart platform and reflecting customers' voices on it. In

2021, E-Mart wholly remodeled about 30 Deli stores across the country into 'Kitchen Deli' and changed fresh and prepared food, after the renewal. Then, the food sales ratio



was increased by 98.9%, compared to 2019, and the Deli sales ratio was significantly increased from 4-5% to 8%, of the whole E-Mart sales, after the renewal.

Shinsegae is expected to continuously increase its operating profit, by extending the platform business. In particular, the high-growth and increased market share of SSG.com, along with the growing trend of it as a platform entrepreneur are also expected to improve its performance. With such growth of the platform, E-Mart succeeded in turning into profit-making 8 quarters after the 3rd quarter in 2018, and each growth rate of the existing stores was increased up to 4.9% for superstores and 22.8% for Traders, respectively in September, 2019. Of them, the growth of SSG.com, an e-commerce platform resulted in remarkable performance. The increase in non-contact purchase of groceries such as fresh food suitable for the non-contact consumption trend due to the prolongation of COVID-19 could bring about the rise of total sales and the decline of the deficit gap. The 1st quarter sales of SSG.com were 91.7 billion won, which was increased by more than 40%, compared to 2019.



Unit: KRW 100million

Source: E-mart IR report (2020)

**Figure 1:** SSG.com's Total Sales and Operation Profit by Quarters

#### 4. Platform Leadership and Extension of PB Products

The platform leader means a company pursuing innovation across the whole industry, to create the evolving system by assembling technological pieces being separately developed. This platform leader is very important for the

complexation of products and the competition among platforms, in other words, it plays important role in managing the competition among associations or the relationship among platform members (Mills, 1995).

Platform leaders show the characteristics of creating their own products without relying on other companies' products. Shinsegae Group is also adopting a strategy to strengthen PB products (Mills, 1995).

The Shinsegae Group did not concentrate its efforts on distributing the produces from different companies but pursued the integration as a platform leader, through PB products. In this regard, one of distinct changes about which the Shinsegae Group has brought in the distribution business is the activation of Private Brand (PB). The PB product was initially introduced by Sainsbury, an English food distribution company in the late 19th century and gradually extended to the world, and is now established as a prerequisite for the operation of Korean distributors (Richardson, Jain, & Dick, 1996). Since Schutte (1969) defined PB as the store brand attached to products by distributors, not by manufacturers, many academic studies have been conducted (Richardson et al., 1996; Ailawadi, Pauwels, & Steenkamp, 2008; DelVecchio, 2001; Mills, 1995).

The Shinsegae Group first launched E-Plus milk as a superstore's PB product in 1997. It initially had hard time since Korean consumers had no idea about PB products. Based on the supply contract with Maeil Dairy which ranked second in dairy market share, however, it made efforts to publicize that PB products are cheap but have good quality and began to earnestly introduce them. Then, it extended the PB products by creating a strong alliance with Pulmuone, No.1 fresh food manufacturer, and now deal with 9 kinds of brands including sports, fashion and pat foods and supplies, beyond food groups provided by E-Marts.

For example, the representative brand of PB products is No Brand of the E-Mart. The E-Mart has developed the No Brand, a symbol of cost-effectiveness, as the nurturing platform of Korean medium and small-sized companies. In 2017, the E-Mart held 'the Ceremony of Business Agreement between the Small and Medium Industry Promotion Corporation and the E-Mart No Brand' for promoting the platform, the growth basis for superior medium and small-sized companies. Such agreement aimed to discover superior medium and small-sized, increase their sales by using the platform, and therefore, actively crave out foreign export channels. The E-Mart plans a strategy for increasing the quality of products, lowering their prices and marketing costs and extending foreign export channels for medium and small-sized companies, beyond domestic channels, by being directly responsible for the designing, selling and marketing of No Brand products and allowing

medium and small-sized partners to concentrate on the production of them, to increase medium and small-sized start-up companies with the No Brand sales of 1 billion won or more.

For the Shinsegae department store, ‘Bundershop’, a premium select shop launched in 2000, might be the first store brand. As Bundershop was established as a PB brand, it gradually extended related industries and consequently now operates 20 department store brands under six categories such as women’s dress, men’s dresses, young children, beauty, accessory and living. Main brands include ‘Elaconic’, a store specializing in lingerie and lounge wear, and ‘Chicor’ a beauty shop.

The PB product representative for convenient stores is the packed lunch. The current convenient store packed lunch market is recognized as an industry showing remarkable growth. Although the total sales of it were 130 billion won in 2015, they increased to 400 billion won by more than three times in 2018. According to Don-A newspaper, they are expected to exceed 500 billion won in 2019. The E-Mart 24 also deals with convenience food in the name of ‘Fresh Food’, such as packed lunch, Gimbab, sandwiches, etc. Other products such as Ramyeon, cookies, toilet paper, etc are also sold in the name of ‘Aimi’, except for packed lunch.

Such PB products independently developed are naturally sold on online markets, and therefore, settled down in the platform business. Differentiated products or technologies are required for the Shinsegae Group to be a successful platform leader and lead the system, so it has fostered the competence for creating the platforms and supporting a variety of complementary assets on them.

Another prerequisite to become a platform leader is a clear definition of business areas. Based on the understanding of the whole system, it needs to clarify the roles of platforms and complementary assets and the boundary of them. Although the Shinsegae Group have developed and created a variety of PB products, it would not be able to be a platform leader, until it can make companies that develop contents or complementary products believe that it would not step on their toes but pursue the co-existence with them. The mutual trust is therefore very important in maintain many new complementary products.

Shinsegae satisfies the needs of consumers by allowing brands that can be reliable based on a definite criterion to open shops, by establishing the trust with involving companies. In addition, it makes efforts to satisfy consumer’s purchasing needs, promote convenience and reinforcing communication, by craving out foreign distribution networks, and therefore, attracting various brands and signing several contracts of products with Korean famous brands.

## 5. Conclusions and Implication

In the existing industrial economy era, the manufacturing industry through the economy of scale has been used as a growth engine (Mitchell & Onvural, 1996).

As the technological innovation was achieved in the early 20th century, mass production became possible and access to mass markets was increased, and therefore, the success of businesses has depended on the economy of scale. In the Fourth Industrial Revolution Era, however, the core competence shifted from the economy of scale to the economy of unscaled (Mitchell & Onvural, 1996; Taneja, 2018).

The most significant change was the emergence of the platform business, which was caused by the activation of mediation conditions in terms of supply and demand, along with the development of IT. In particular, the great expansion in the sorts and scales of participants in the platforms, which was promoted by the extension of mobile devices, gave more opportunities for the platform business to grow.

From this perspective, the Shinsegae distribution platform is a case most prominently showing the growth of platform business. The Shinsegae distribution platform’s strengths that have been analyzed can be summarized:

First, Shinsegae has shifted the distribution platform from a single-channel to multi-channels. The SSG app has been transformed into a multi-channel app connected with as many as 13 pages including E-Mart Mall, Shinsegae Mall, Traders, Shinsegae Department Store, Casamia, CHICOR, Shinsegae TV Shopping, Howdy, Star Field, Premium Outlet. Consumers can now enjoy convenient shopping across items and industries, just in one click (Beliveau, De Santa-Eulalia, Mosconi, & Cadieux, 2018; Smedlund, 2012; Van & Parker, 2017).

Second, the Shinsegae distribution platform attracts many participants. The main asset of the platform business is a network placing producers and consumers at the same platform. The value of a platform depends on how many participants it can attract, compared to competitors. SSG.com has attracted a variety of participants including E-Mart, Shinsegae Mall, Star Field, Traders, CHIKOR, etc., and therefore, the value may occur along with the extension of the network, as a good circulation ring for attracting more participants brings about higher value.

Third, it has established the platform ecosystem by developing a variety of PB products and cooperating with many medium and small-sized companies. Medium and small-sized companies account for a huge portion of the Korean business. The win-win cooperation platform is established and channels into foreign markets are craved for, by establishing the platform ecosystem together with medium and small-sized companies, rather than large companies-based one.



In conclusion, the platform business is suitable for the economy of unscaled, since it can more quickly cope with the needs and conditions of changing markets, by borrowing a large amount of assets, and therefore, spending much less money and effort, if needed (Taneja, 2018)

Therefore, Shinsegae seems to achieve continuous growth in the future, as its strategy for activating platform services connecting all online E-Mart markets belonging to department stores and the E-Mart was very effective.

This case study would be able to provide the cases of successful platform businesses to a variety of companies, which intend to be transformed into digital distribution companies

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