

배달의 민족: The Delivery Nation

Introduction

On a wintery December afternoon in Seoul, Mike Kim reviewed his presentation for Baedal Minjok's (pronounced "Bay-dah-lee Min-choke" 배달의 민족) strategic growth plans for the coming year. A San Francisco native, Mike joined Baedal Minjok - South Korea's premier food delivery service, one year ago in November 2014 as its Senior Director in Corporate Development. Recruited directly by Baedal Minjok's CEO Kim Bong-Jin, Mike moved from Silicon Valley to Seoul to lead the company's global business strategy and accelerate its growth in the Asia-Pacific regional market.

In the past 5 years since its founding in March 2011, Baedal Minjok has grown rapidly from a small startup to the number one food delivery service in South Korea, commanding 70% market share of an industry estimated at 1 trillion won (\$862 million [USD]). Averaging 2 million orders a month and 1,816 phone calls an hour¹, the food delivery app known for its playful, colorful user interface characterized by uniquely Korean cartoon illustrations. It hosts an impressive 150,000 of the estimated 450,000 restaurants in South Korea², on its platform - the largest listing directory of food outlets in the country. (See **Exhibit 1** for Visitors to Top 3 Food Delivery Service Applications and **Exhibit 2** for Visitors to the Baedal Minjok site).

Mike and his team had been exploring expanding the business beyond South Korea, leveraging on the strengths of the enterprise that had attributed to its phenomenal success at home. After months of due diligence and research, talks had been initiated with LINE, Japan's leading mobile messenger service to launch a joint venture food delivery service in Japan. As Mike walked to his meeting with Kim Bong-Jin and the executive team, he wondered what an international expansion would mean for the enterprise.

¹ http://www.woowahan.com/?page_id=40

² Korean Food-Order Directory Service Seeks to Build 'Delivery Nation'

<http://blogs.wsj.com/korearealtime/2015/01/23/korean-food-order-directory-service-seeks-to-build-delivery-nation/> (accessed April 2016)

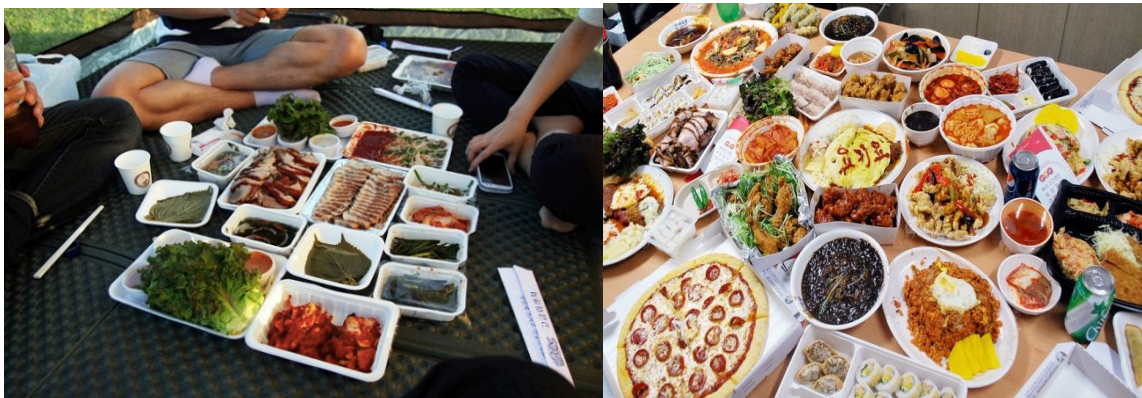
This case was prepared by Joanna Ghazali under the supervision of professor Gregory L. Stoller as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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Baedal Minjok (“The Delivery Nation”)

Woowa Brothers Corp (“Elegant Brothers”) was founded by two brothers in 2010 - Kim Bong-Jin, a designer, and Kim Kwang-Soo, an engineer. Their company launched Baedal Minjok in 2011 as a restaurant listing service.

Decades of intense competition in South Korea’s food and beverage industry have led restaurants and food outlets to seek competitive advantages by offering a myriad of convenience services in a bid to secure more customers. According to the Korea Foodservice Industry Association, Korea has 12 restaurants per 1,000 people – more than twice the concentration of Japan and 6 times as many as the United States, with 7,400 new fried chicken restaurants open each year in South Korea³. By comparison, Boston has approximately 2,000+ restaurants and 10,000+ in New York City. As a result, nearly all restaurants in South Korea maintain delivery services in the form of motorcycle riders that bring food ordered via telephone call to a location specified by the customer. In Seoul, people are not limited by the requirement of an address, and are able to order food to be delivered to them under a tree in a park, at an unmarked spot along the beach, or even from a moving bus! Speed and convenience are characteristic of nearly all local food delivery services. South Koreans can have nearly any type of food delivered to them 24/7, all year round. Here are some examples below:



Food deliveries in South Korea can be delivered anywhere and in wide varieties
Sources: www.luckyturtles.com ; www.craigslistrichmond.com (accessed April 2016)

³ Restaurant Boom Bodes Ill for Korea Economy
<http://www.wsj.com/articles/SB10001424127887324549004579064990665622138> (accessed April 2016)

Before Baedal Minjok, most restaurants relied on printed flyers containing the menu, phone number and hours of operation as means of soliciting orders. These flyers were handed out on the street outside the shop, slipped under the doors of homes, and under the windshield wipers of parked cars. South Koreans desiring a hot meal at the end of a long work day were limited to their personal collection of flyers, usually from the near vicinity of the residence. Once deciding on a restaurant, a hungry customer would place an order via phone call to the restaurant.

Within half an hour, the food would be delivered in a metal box with shelves, or a plastic box with a lid containing individually packed portions of food in bowls, plates and trays. Unlike conventional food deliveries elsewhere in the world, 50% of South Koreans receive a lot of disposable dining and drinkware. For the others, they receive plates, bowls, chopsticks and other cutlery made of durable materials similar to those used in the restaurant or the home (i.e., metal or plastic). The delivery men usually hand over the plates and bowls to the customers without the delivery box, especially in Chinese restaurants and for fried chicken. The above pictures show Korean foods, and as Korean foods contains many of the plates and soups, and it comes with many side dishes, the Korean foods are delivered with the large delivery plates. So, in many cases, customers have to put the plates and bowls into plastic grocery bags and leave them outside the house for the delivery men to collect them.



Above: Food delivery fliers

Below: Deliveries arrive in non-disposable containers

Sources: www.vickieeisenstein.com and www.seoulistic.com (accessed April 2016)

As a result of these high industry standards for convenience, South Korean culture evolved to rely on food deliveries in everyday life. Recognizing the pain point arising from the reliance on printed flyers, Kim Bong-Jin resolved to simplify the process by aggregating the information from flyers on their new restaurant listing service - Baedal Minjok.

At the start, the team walked the streets of Seoul, collecting thousands of restaurant flyers, scanning them and providing a basic interface for users to sort through types of restaurants and neighborhoods on their mobile phones. From there, users still had to place their orders by calling the restaurants. The popularity of the listing prompted the eventual development of an increasingly sophisticated application that provided a convenient and fun user experience catapulting it into a market leader serving a nation craving late night deliveries of hot, crispy fried chicken.

Through a series of strategic acquisitions and rebranding exercises, Mike Kim and the team at Woowa Brothers Corp launched several subsidiaries over the course of 2015 to expand on the services chiefly provided by the Baedal Minjok mobile app.

The Mobile App Business Model

Baedal Minjok's platform is available on Android, iOS, Google TV, and Windows phone. Its interface features colorful Korean cartoon illustrations and is easy to use. Users can sort, filter and search through options and view pictures of menu items with prices as well as reviews written by other users. Upon receiving their order, users can snap a photo (usually of their food), and uploading it onto the review section of the business with a comment and an emoji reaction as well as a starred rating.

Listed eateries are given the option of paying monthly for a listed subscription or listing their business on the platform for free. Both paid and unpaid subscription listings provide the option of calling the restaurants directly through the phone number listed on the app to place an order. In order to track the amount of business generated by the app, Baedal Minjok provides a specially designated number for each of its the restaurants listed on its app⁴, and generates analytics from the number of calls placed to the designated numbers. In this way, both the platform and restaurant are able to quantify the value of business generated by listing on the app. Interestingly, registering so many phone numbers has designated Woowa Brothers Corp as a licensed South Korean phone company.

Restaurants with paid subscriptions unlock functionality enabling users to order food directly on the Baedal Minjok application. Businesses who choose to pay for their listing subscription have a choice of a premium subscription or a regular subscription, with premium subscribers gaining priority over regular subscribers in order of appearance on the directory list. Unpaid subscribers appear below both premium and regular paid subscribers. Regardless of the subscription choice of the restaurant, users do not incur any additional cost in ordering deliveries on the app and only pay for the food they order and the taxes and charges typically associated with dining.

Baedal Minjok's convenient in-app ordering and payment feature is the result of its partnership Kakao Pay in October 2014⁵, a payment service similar to PayPal launched August 2013 by Kakao Corp. Before the integration of Kakao Pay into the app, Baedal Minjok users could pay through credit card, mobile phone billing and mileage points; all of which required several authentication and verification steps that increased the complexity of ordering a food delivery.

⁴ Korean Food-Order Directory Service Seeks to Build 'Delivery Nation'
<http://blogs.wsj.com/korearealtime/2015/01/23/korean-food-order-directory-service-seeks-to-build-delivery-nation/> (accessed April 2016)

⁵ Baedal Minjok adopts Kakao Pay for Easier Payment Process
<http://www.techforkorea.com/2014/09/18/baedal-minjok-adopts-kakao-pay-for-easier-payment-process/> (accessed April 2016)

Until recently, Baedal Minjok as well as other food delivery services in South Korea also charged listed businesses a commission on transactions originating from the app. In July 2015, Kim Bong-Jin announced that these commissions would be terminated beginning August 2015:

“Commission fees actually make up almost 30% of our revenue,” said Kim Bong-Jin, CEO and co-founder of Woowa Brothers, in a press conference. “We won’t immediately go bankrupt [from abolishing the commission] but the decision will definitely deal a huge blow to our revenue. But we have long deliberated on this issue, and today’s decision is meant to attract more customers, rather than enlarge our revenue, and will eventually help us last longer.”⁶

Prior to the abolishment of the commission, businesses paid between 5% to 8% on each customer’s total order on the app. The move was a strategic one, positioning Baedal Minjok to compete more aggressively, with the other major player in its space – YoGiYo (요기요 “Here it is” in Korean), the South Korean subsidiary of Berlin-based Delivery Hero. In the months following the maneuver, Baedal Minjok saw significant increases in its subscription rates from restaurants. (See **Exhibit 4** for a list of competitors).

Baemin (배민) Riders

Although most restaurants provided their own delivery services, the Woowa Brothers recognized that providing their own in-house delivery service would encourage subscriptions from businesses that did not have delivery capabilities.

In June 2015, Baemin Riders was launched to support the Baedal Minjok app. In addition to enlarging the potential subscriber base, Baemin Riders increases the range of deliverable foods to dishes that require more complex handling and accurate delivery times in order to maintain freshness and quality. Users are informed when their delivery will be made by Baedal Riders, and the restaurant from which the order is placed is charged a delivery fee and a commission charge for the service.

Baedal Riders is supported by a training academy for its motorcycle delivery riders.

As at the 2015 year-end, Baemin Riders are available in the Seoul, with eventual plans for availability throughout the country.

⁶ Top delivery app scraps commissions:
<http://koreajoongangdaily.joins.com/news/article/article.aspx?aid=3007190&cloc=etc%7Cjad%7Cgooglenews> (accessed March / 2016)

Baemin Fresh

Baemin Fresh was launched August 2015 as a healthy home meal replacement alternative. For a monthly subscription fee, users would receive fresh produce such as fruits and vegetables, as well as bread, soups and juices in a box. Targeting working professionals who are typically too busy to go grocery shopping, Baemin Fresh uniquely delivers its boxes door-to-door after office hours between 10pm to 7am.



In a recent development, Baemin Fresh acquired The Food in November 2015. The Food is South Korea's top provider of traditional side dishes, or "banchan 반찬". In operation since 2005, The Food has 10 years experience in food delivery and is presently able to provide a wide array of as many as 2,500 different types of traditional Korean side dishes⁷. The acquisition is intended to expand Baemin Fresh's product offerings as well as strengthen the competitive advantages of the core business.

Korean "banchan" side dishes

Source: www.beyondthesea00.wordpress.com (accessed April 2016)

Corporate Culture

Today, the landscape of South Korea's businesses is changing. For the most part, traditional chaebols still dominate. Large business conglomerates usually controlled by a powerful founding family, these behemoths share many similarities with other traditional Asian businesses in strict hierarchy, deferment of decision making to seniority, and formal corporate culture. Yet, the recent years have seen the rise of small, agile companies run by increasingly young Koreans primarily in the urban district of Gangnam that have more in common with the start-ups of Silicon Valley. Led by the support of the Korean government's⁸ investments in developing the country into a regional tech hub for start-ups, companies such as the Woowa Brothers are part of the growing culture of innovation to hit Seoul.

When founder and CEO Kim Bong-Jin left Naver, South Korea's leading online search portal in 2010 to start Baedal Minjok, he wanted to build a different kind of company.

"In order to draw creativity from people, you need to work in a creative space. So an outsider who is not familiar with your culture should not be able to differentiate between who is the employee and who is the boss."

–Kim Bong-Jin on the design of Baedal Minjok's office.

⁷ Baemin Fresh acquires Korea's leading traditional side dish delivery service
http://besuccess.com/2015/11/baemin_en/ (accessed April 2016)

⁸ How South Korea's \$3 Billion Bet To Become A Regional Tech Startup Hub Is Paying Off
<http://www.forbes.com/sites/amyguttman/2016/01/31/why-south-koreas-3-billion-bet-to-become-a-regional-tech-startup-hub-is-paying-off/#193cb65ba2f9> (accessed April 2016)

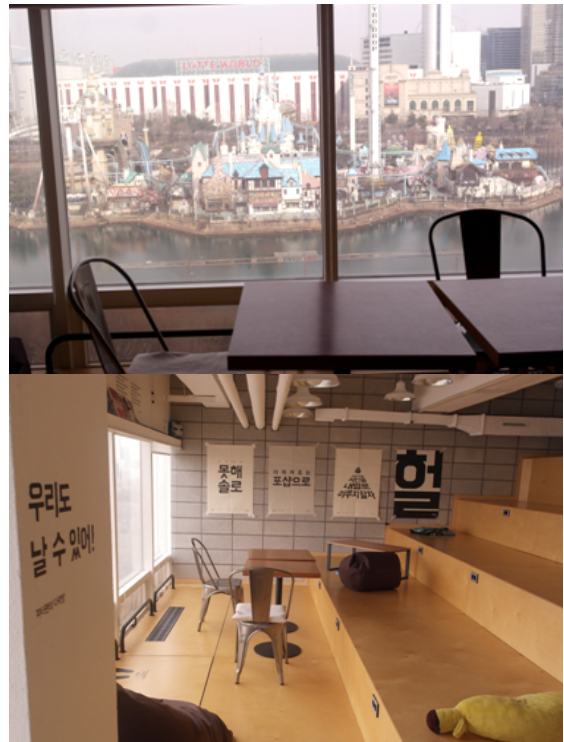
The management style set by Kim Bong-Jin is a stark difference from the usual Korean work culture. In order to build a free, collaborative environment with no hierarchy, Baedal Minjok is a flat organization that does away with special treatment for senior staff. For example, every morning at Baedal Minjok, a name is picked out of a lottery. Regardless of the person's title in the company, be it a director or a new-joiner, this person is charged with providing snacks to other employees (using funds from a corporate petty cash), as well as maintaining the cleanliness of the shared spaces. In this way, each employee is given a turn at being accountable to their colleagues. Kim Bong-Jin says that small measures that break down traditional rank barriers such as these make communication among teams a lot easier, and facilitates the sharing of ideas while building a sense of belonging to the company.

The designer turned CEO has turned Baedal Minjok into the No.1 place Koreans want to work for, winning Korea's Job Planet Top 50 Companies Employees Want To Work For Award in 2014 for the mid-size company category.

Kim Bong-Jin's employees at Baedal Minjok enjoy 4.5 day weekdays (Mondays start at 2pm), free snacks, unlimited book purchase

reimbursements, health benefits, 2-weeks paid honeymoon vacation, and 2-weeks paid maternity and paternity leave (paid paternity leave is nearly unheard of in Asia). The office looks out to the popular Lotte World theme park, and features a recreation room where employees play games including ping-pong, and a corporate kitchen with an in-house chef that makes meals for employees.

True to Kim Bong-Jin's vision, Baedal Minjok's conference room is in an attic that does not have a conventional conference table. Rather, employees sit wherever they please on a large wooden staircase to discuss ideas.



Above: View of Lotte World from Baedal Minjok offices.

Below: Unconventional stair conference room in Baedal Minjok

Source: <http://smallgiantk.blog.me/220299094761> (accessed April 2016)

When hiring, Kim Bong-Jin recruits candidates for their fit with Baedal Minjok's culture. He values hard work, collaboration, passion and team work in his employees. There is a famous sign in front of the office that states "9.01 is not 9.00" a tribute to the company's dedication to timeliness.

“Our company is not made on the backs of people who are the best of the best. This company was started by hardworking, average people. We emphasize timeliness to stay true to that virtue of working hard. If you start coming late to work, a minute here and a minute there and you will start to slip in how much attention you give to your work. If that is allowed to happen, our company will collapse.”

–Kim Bong-Jin

Under his leadership, the organization that first began with a small team building a mobile application with the help of a few developers, the company has grown to include sales people to contact and build Baedal Minjok’s relationships with restaurants, a business development team, as well as a PR and marketing team. Baedal Minjok’s marketing efforts have been key in differentiating itself from its competitors.

Marketing

Baedal Minjok’s brand is decidedly Korean. In stark contrast to its competitors (YoGiYo and BaedalTong), which are both owned by Berlin-based Delivery Hero, Baedal Minjok has built its brand on its identity as a local enterprise. Marketing campaigns are centered on nuances of Korean culture and witty wordplay with the Korean language.

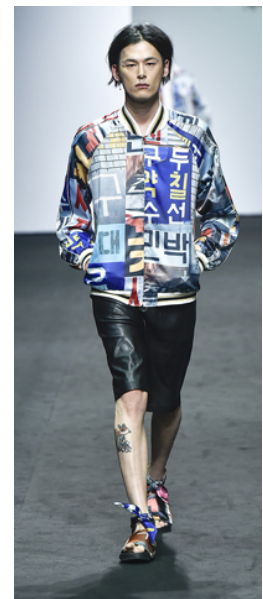
Its name, Baedal Minjok has a particularly poignant example of the company’s creative use of linguistics. South Koreans have historically referred to themselves as Baedal Minjok or “the people of the land of light” - Minjok meaning “people”, and Baedal originating from the Korean word Balkdal, or “the mountain of light”. The word Baedal however, can also mean “delivery”, which is where the Woowa Brother’s derived the name of their platform to mean “Delivery People”, or “Delivery Nation” as it is commonly known.

The company’s advertisements are characterized by a solid white background, and witty black text usually in reference to an inside joke for Korean people playing on words relating to food. In addition to sidewalk advertisements, the company began running a nationwide annual a word play contest in 2015 in collaboration with Mexicana, a well-known Korean fried chicken chain, challenging the public to submit funny or memorable phrases in the Korean language, with the prize of free fried chicken for contest winners. (So, the 1st place winner can receive 365 fried chickens for one year around).



Baedal Minjok’s characteristic advertisements featuring slogans
 Source: Brand Mythicization; Korean Food Delivery Service “Baedal Minjok”⁹

In collaboration with Korean fashion designer Kye Han-Hee, Baedal Minjok ran the Baemin X Kye¹⁰ fashion show in October 2015 (*photo to the right*). The show featured clothing designs inspired by Hangeul, the Korean alphabet and was geared towards teenagers and Koreans in their early twenties.



The company has also created three 3 different font types – Hana, Jua and Do-Hyun and made them publically available for free. The fonts are named after Kim Bong-Jin’s own daughter and other staff. These fonts are used on the mobile app as well as in their marketing materials as a tool in building the company’s unique brand identity, instantly recognizable by the public. Although initially intended for marketing uses, the fonts have since become very popular and are found on the presentation slides of Korean college students and on television networks as subtitles. The popularity of the fonts was well lauded as support for the Korean language, for which there are few fonts available.

⁹ Brand Mythicization; Korean Food Delivery Service “Baedal Minjok” - Applying Roland Barthes’ Deconstruction Analysis <https://medium.com/@juwon/brand-mythicization-korean-food-delivery-service-baedal-minjok-applying-roland-barthes-b7ef1841edb3#.t170ci1o8> (accessed April 2016)

¹⁰ Baemin X Kye fashion show inspired by Hangeul http://www.koreatimes.co.kr/www/news/culture/2015/10/199_189068.html (accessed April 2016)

The company began noticeably increasing its marketing presence after its series C funding in March 2014 from Japanese venture capital firm CyberAgent Ventures¹¹, which invested \$12 million (USD) into Woowa Brothers. (See **Exhibit 3** for background on the company's funding, as well as the **Exhibit Appendices** for more information). CyberAgent's expertise in marketing propelled the Woowa Brothers to begin a nationwide series of television commercials in 2014. Despite its small size and financial constraints, the company spent aggressively on advertising. Its investments in marketing secured popular Korean blockbuster action movie actor Ryu Seung-Ryong as Baedal Minjok's spokesperson, and HS Advertising, Korea's top advertising company to run its campaigns.

Throughout 2014 and 2015, the company went on to win several awards for their high budget television advertisements made to look like mini action movies. The ads are often funny and overtly dramatic in how seriously food is taken, and won the company the 2014 Korean Ad Award, one of three advertising awards won in a single year.

The company ran targeted campaigns in print media, such as: "New fall item - Burgundy marinated chicken," in a fashion magazine; and "As your stock prices rise, you may want to spend it on chicken." in a finance magazine. It also ran parody advertisements of its competitors, often purchasing advertising space next to or opposite of one of its competitors.¹² *(photo below)*



¹¹ <http://besuccess.com/2014/12/ceo-of-baedal-minjeok-talks-about-how-he-succeeded-in-raising-36-million-from-goldman-sachs-part-1/> (accessed April 2016)

¹² http://blog.naver.com/1st_navi/220419096650 (accessed April 2016)

Competition

The delivery food app market is highly concentrated, with 90% of the 1 trillion won market held by three major operators – Baedal Minjok, YoGiYo and Baedaltong.

In December 2014 Delivery Hero, the parent company of the second largest operator YoGiYo purchased the third largest food delivery service, Baedaltong. The two companies have a combined 48.6% of the total market share in the industry. Despite market rumors, the two companies publically maintain that the platforms will remain separate entities and will not be merged. The purchaser, Delivery Hero¹³ is a global network of online ordering platforms for food with more than 200,000 partner restaurants worldwide. Operating in 33 markets across five continents, the multinational corporation is valued at \$3.1 billion (USD). It's investment in acquiring Baedaltong is seen as a further commitment to its plans to expand its presence in Asia, in which its operations are currently limited to South Korea.

Established in June 2012, YoGiYo is a subsidiary of Delivery Hero. Similar to its competitor Baedal Minjok, YoGiYo secured an exclusive partnership with Butake, a transportation company delivering food from restaurants that do not deliver. The most obvious differentiating factor for YoGiYo is its functionality in English (Baedal Minjok's platform is solely in Korean), making the platform popular with expats and tourists.

The third largest player, Baedaltong was the first to provide food delivery services through a mobile application. The key defining feature of the application is its “click to call and order” button on the Baedaltong app, which YoGiYo introduced in its own app in June 2015.¹⁴ Baedaltong's application are also solely in Korean and has the look and feel of more conventional food directory listings.

Aside from the three major players in the food delivery application industry, there are several other smaller competitors that offer related value propositions that offer some competition to the Baedal Minjok, which offers a suite of directory, recommendation, logistics facilitation, online payment and review services.

FoodFly¹⁵ is another food delivery service that operates from its mobile application and its website serving certain districts within the city of Seoul. In addition to restaurant location, order placement and delivery, FoodFly's differentiator is its facilitation of deliveries from sit-in restaurants that do not offer a delivery options. This strategic positioning has resulted in its stronger focus as a bike delivery business than an online platform enterprise.

¹³ <http://www.deliveryhero.com/> (accessed April 2016)

¹⁴ Delivery Hero turns around Korean market, taking over leadership

http://www.dgap.de/dgap/News/dgap_media/delivery-hero-turns-around-korean-market-taking-over-leadership/?newsID=929407 (accessed April 2016)

¹⁵ <http://www.foodfly.co.kr/> (accessed April 2016)

Ynot-Takeout¹⁶ is a food delivery platform similar to FoodFly, that is more of a bike delivery business within Seoul. Ynot motorbike delivery drivers deliver primarily foreign cuisine offering to customers from American, Asian, European, Indian and Middle-Eastern restaurants based in the city. The website prides itself as Seoul's first fully bilingual restaurant delivery where customers are able to place orders in either English or Korean.

MangoPlate is a restaurant review platform similar to Yelp. It features a personalized recommendation algorithm¹⁷ to notify users of restaurant deals based on their location, social network history and culinary preferences. Although currently lossmaking, MangoPlate has plans to begin monetization. It is positioned well to take over the space left by the former food review platform incumbent, WingSpoon, which was shut down by the government because of issues with fake reviews and manipulation by restaurants.

The Japanese Opportunity

A year ago in November 2014, Goldman Sachs (who is also invested in GrubHub, a successful publicly listed food delivery service) invested 40 billion won (about \$36 million [USD]) in a Series D round of funding into the Woowa Brothers. Parts of the capital had been invested in the strategic acquisitions of Baemin Riders and Baemin Fresh, the growth of which was expected to fuel domestic growth for Baedal Minjok in the coming years, together with a geographic expansion of the mobile application to further parts of South Korea. However, the funds remaining still provided the Woowa Brothers with significant runway with which other areas of business development could be pursued.

In the longer term, new areas of growth could be identified beyond Korean borders. Mike and his team had observed potentially promising similarities between Tokyo and Seoul that could be indicative of an opportunity for a similar food delivery application launch there. An opportunity was presenting itself to the team in the form of a joint venture with LINE. The primary mobile messenger service in Japan owned by Naver, LINE had recently expressed interest in a joint project with the Woowa Brothers.

The food delivery industry in Japan was not yet as competitive as in Korea, but there were definitely existing players in that market. Mike wondered if the competitive advantages Baedal Minjok had cultivated in Korea could be replicated in a new market, especially one with such distinct culture. As Mike left for his meeting, he made note of the issues to be discussed. (See **Exhibit 5** for background on LINE).

¹⁶ <http://www.ynot-takeout.com/> (accessed April 2016)

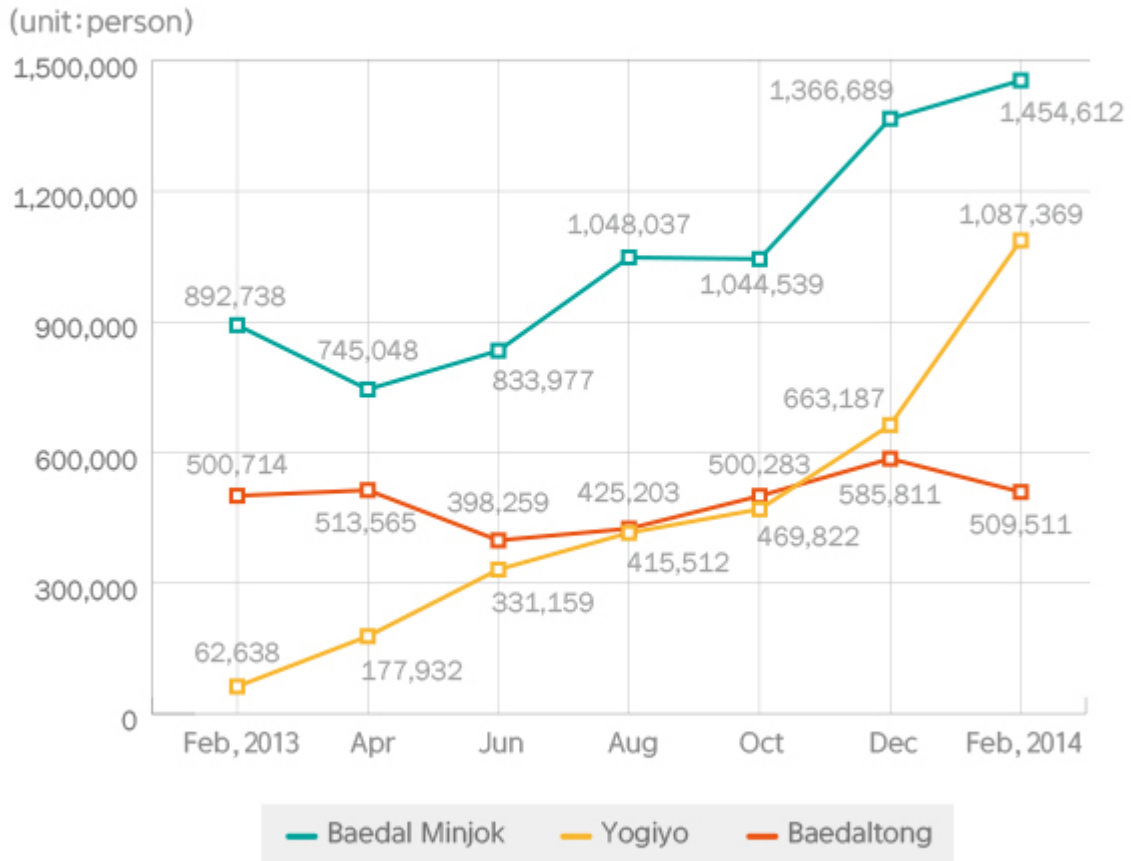
¹⁷ Mangoplate, Korea's Answer To Yelp, Lands \$6.1M And Eyes Expansions Across Asia <http://techcrunch.com/2015/06/30/mangoplate-plates-up-6-1-million/> (accessed April 2016)

Study Questions

1. Should the Woowa Brothers expand internationally into Japan? Explain.
2. What are the Baedal Minjok's key competitive advantages? What are the company's potential areas of improvement? What problems are the company facing?
3. Recommend a possible strategy for the expansion into Japan. You may consider the potential partnership with LINE, or propose a separate strategy.
4. What would such an international expansion require in order to succeed? (for example in terms of set up, infrastructure, business relationships, etc.)
5. What other opportunities can Baedal Minjok pursue domestically within Korea?

Exhibit 1: Visitors to Food Delivery Service Applications

Visitors to Korean Top 3 Delivery Service Apps



< Source: KoreanClick >

Source: <http://koreabizwire.com/kobiz-stats-visitors-to-korean-top3-delivery-service-apps/7603> (accessed April 2016)
<http://koreabizwire.com/war-of-food-delivery-apps/7592> (accessed April 2016)

Exhibit 2: Visitors to Baedal Minjok

Source: Total Unique Visitors to Baedal Minjok Increases by 80% Over the Past Year
<http://www.techforkorea.com/2014/12/28/total-unique-visitors-to-baedal-minjok-increases-by-80-over-the-past-year/> (accessed April 2016)

Monthly Statistics for PC and Mobile

Y axis: numbers of unique visitors

X axis: months of the year 2014

Blue line: Baedal Minjok

Red Line: YogiYo

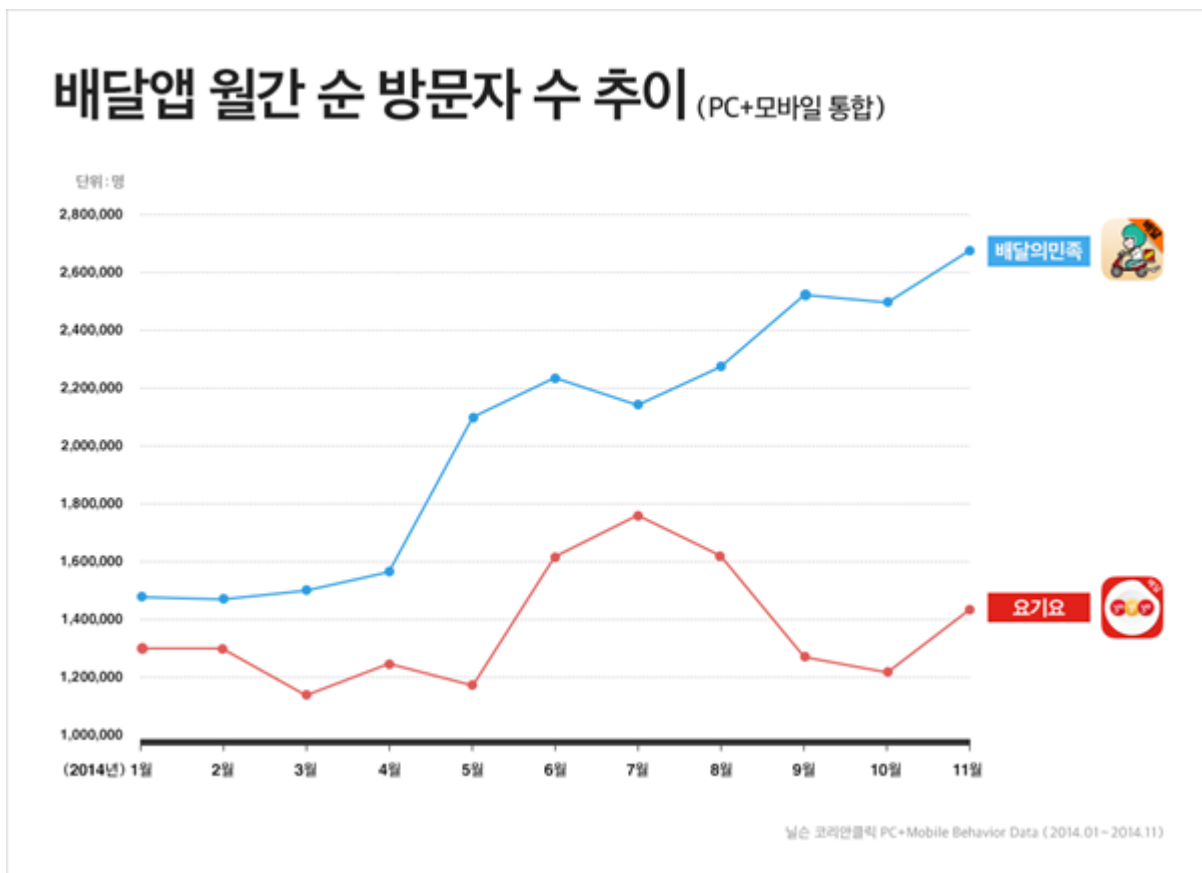


Exhibit 3: Funding Rounds

Source: CEO of Baedal Minjok Talks About How He Succeeded In Raising \$36 Million (USD) From Goldman Sachs

<http://besuccess.com/2014/12/ceo-of-baedal-minjeok-talks-about-how-he-succeeded-in-raising-36-million-from-goldman-sachs-part-1/> (accessed April 2016)

Funding Rounds:

Series A: 2010 Bon Angels - \$300,000

Kim initially met the CEO of Bon Angels (a prominent domestic VC) as a designer and a founder. Their relationship has developed from that initial meeting to a point Kim never imagined. And now Bon Angels is one of the key investors that has helped Kim build the financial planning back bone of his company. Kim sees Bon Angels as a ‘savior when Kim had nothing in his possession’. Kim explained that Bon Angels have become a trusted running mate as the company grew, faced fresh challenges, raised additional capital and continues to grow as more than a domestic food delivery brand.

Series B: 2012, Altos Ventures, Stone Bridge Capital, IMM Investment - \$2.2 million (USD)

Kim’s relationship with Bon Angels lead to into contact with Han Kim, Korea’s representative from Altos Ventures (a Silicon Valley VC firm with a strong Korean interest). Han Kim was initially interested in the service but was hesitant to fund. At that point, Altos Ventures had an interest in both Delivery Hero's ‘YoGiYo’ and Woowa Bros (Kim’s company that built Baedal Minjok). But after Kim was able to demonstrate six months of rapid growth, Altos Ventures joined their series B round of funding. Also joining that round were Stone Bridge Capital and IMM investment.

Now, realizing the potential of his company, Kim began serious planning for future expansion and growth with his new VCs. Il-Hwan Kim representative of Stone Bridge Capital gave crucial advice about Kim’s global expansion strategy and IMM investment paved the administrative route towards Series C.

Series C: Altos Ventures, Stone Bridge Capital, IMM Investment and Cyber Agent - \$12 Million (USD)

Once YoGiYo (now Baedal Minjok’s chief local competitor) landed in Korea, they progressed with an aggressive campaign of TV commercials, to gain brand presence. In fact, the campaign was so successful that when Kim spoke about his company with new connections, their response was often; “Ah, so it’s like YoGiYo?” Kim realized quickly that his first mover advantage was being undermined by a more active competitor. In order to regain the upper hand he worked with previous investment partners to execute the next stage of his company’s growth.

Despite their success, many VCs they approached felt that Woowa Bros. valuations were too inflated. In short they struggled to find VCs domestically that could help them get to the next

level. However, thanks to their growing network of previous investors they were able to connect with Cyber Agent from Japan, also an expert in marketing.

With their new partners, their advertising campaign was adjusted to reflect the needs of different market segments more accurately. Following recommendations, they pursued more targeted campaigns, such as: "New fall item - Burgundy marinated chicken," in a fashion magazine. Another targeted a finance magazine: "As your stock prices rise, you may want to spend it on chicken." A font designed in-house, along with integrated Ad material and a celebrity-driven Ad campaign brought in three advertising awards in a single year.

Series C investment thus proved a vital step towards raising the value of the Baedal Minjok brand.

Series D: Goldman Sachs - \$36 Million (USD)

Kim explained that the initial reason to meet Goldman Sachs wasn't about investment. Han Kim of Altos Ventures recommended discussing with the US-based finance giant to discuss their ideas about an Initial Public Offering (IPO). When Goldman looked into Baedal Minjok's data, they suggested a discussion with the 'GS team.' Kim initially thought that GS was a third party organization, but of course it was the internal venture investment arm of Goldman Sachs.

Because Goldman Sachs had previously funded GrubHub in New York, they had a keen interest in the food delivery market, which Baedal Minjok was now leading in Korea. On account of Woowa Bros' positive growth and Goldman Sachs' bold investment strategy, the unexpected \$36 million (USD) investment happened.

Exhibit 4: Competitors

<https://www.10mag.com/food-for-thought-koreas-swift-food-delivery-culture/>

Apps At-A-Glance: Six Food Delivery Services to Get You Started

1. YoGiYo (www.yogiyo.co.kr)

Where: Nationwide

How: Online, Smartphone app

Food: Various

Language: Korean, auto-translates to English

One of the top three, YoGiYo's popularity is in its simplicity. A streamlined, no-frills layout with clear pictures and minimalist design make it easy for even the most technologically-challenged to navigate.

Instructions: Set location, choose food type and a list of restaurants in your area will appear. Make your selection, checkout and wait for a knock on the door. Simple!



2. Bird Riders (www.brfd.co.kr)

Where: Seoul

How: Register then order through their website

Food: Various; mostly Western

Language: Korean, English

This food courier service delivers orders from restaurants that don't have delivery options. They can also stop at the convenience store for extras on the way to your house.

Instructions: Create an account with your email then link as many addresses to that account as you want. Choose where to have food delivered, choose a restaurant, order and confirm. Then, as their website says, "relax".



3. Baedal Minjok (www.baemin.com)

Where: Nationwide

How: Online, Smartphone app

Food: Various

Language: Korean

Another of the delivery kingpins, this works in a similar way to YoGiYo, only the site is in Korean.

Instructions: Select the type of food you want, choose from the list of restaurants and place your order. It's possible to pay through your phone contract as well as cash, card etc.



4. Ynot Takeout (www.ynot-takeout.com)

Where: Seoul

How: Online, Kakao, or phone

Food: Various; mostly international

Language: Korean, English

Instructions: See here <http://www.ynot-takeout.com/how-to-order/>.



5. 해주세요 (www.pinkpage.com)

Where: Seoul

How: Call

Food: Various, plus errands

Language: Korean

The English translation is “Please Do It”, where “it” means anything you need done when you’re short for time. Food delivery, dry cleaning, driver’s license renewed, you name it.

Instructions: Place your order the old fashioned way: Call them up and explain what you want. Their site has a list of errands they do.



Portions of article excluded per US Federal copyright law guidelines.

Exhibit 5: LINE

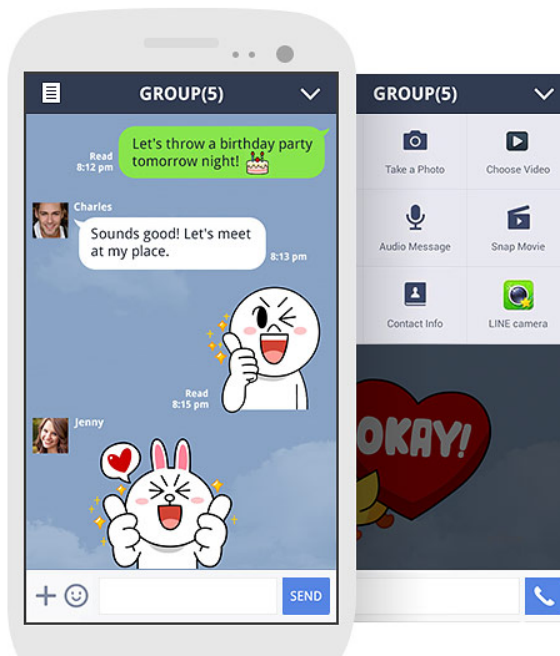
Source: Line Corp website

About LINE Corporation

LINE Corporation is based in Japan. It was renamed from NHN Japan Corporation on April 1, 2013, and operates the LINE, NAVER matome, and livedoor web service businesses. Since launching LINE in June 2011, LINE Corporation has placed the core of its business upon the service and actively pushed for the further expansion of the service on a global scale, as well as accelerating the development of LINE as a platform.

About LINE Plus Corporation

LINE Plus Corporation was established in March 2013 in South Korea as a subsidiary of LINE Corporation. It supports LINE's global business development with programmers, designers, marketers, sales personnel, and PR managers of 50 different nationalities working together.



Free Messaging Whenever, Wherever

Exchange free instant messages with friends whenever and wherever with one-on-one and group chats.

LINE is available on all smartphone devices (iPhone, Android, Windows Phone, Blackberry, Nokia) and even on your PC.

LINE's Global Offices



About the Future:

In October 2014, the Woowa Brothers launched Line Wow, a food delivery app with Japan's Line (owned by Naver Inc.) delivering premium lunch boxes. There are plans to link Line Wow with a mobile payment service, LinePay.



OTHER PIECES OF INFORMATION

Japanese venture capital company CyberAgent Ventures, which invested in Baedal Minjok, estimates that Korea's delivery market is worth 12 trillion won (\$11 billion [USD]), the third-largest in the world after the United States and EU.

But of those deliveries, only 1 trillion are made through apps, accounting for less than 10 percent of all deliveries. This shows that there is huge growth potential for Korea's delivery apps.

The company said South Korea's food-delivery market stands at around 12 trillion won to 14 trillion won annually, adding the application takes up around 1.7 trillion won of the combined volume.

Baedal Minjok announced on January 14 that its transaction amount passed the 1-trillion-won level last year. Baedal Minjok's transaction amount totaled about 1.19 trillion won last year, up 58% year on year.

Baedal Minjok's annual transaction amount has been on an upward trend, rising from 320 billion won in 2013 to 750 billion won in 2014, and 1.19 trillion won last year. The nation's No. 2 and No. 3 food delivery service apps including YoGiYo and Baedaltong are also enjoying healthy growth. YoGiYo enjoyed a 45-percent growth in the number of food deliveries, while Baedaltong marked a 21-percent rise. The overall transactions of the nation's food service delivery apps are estimated to have exceeded 2 trillion won last month.

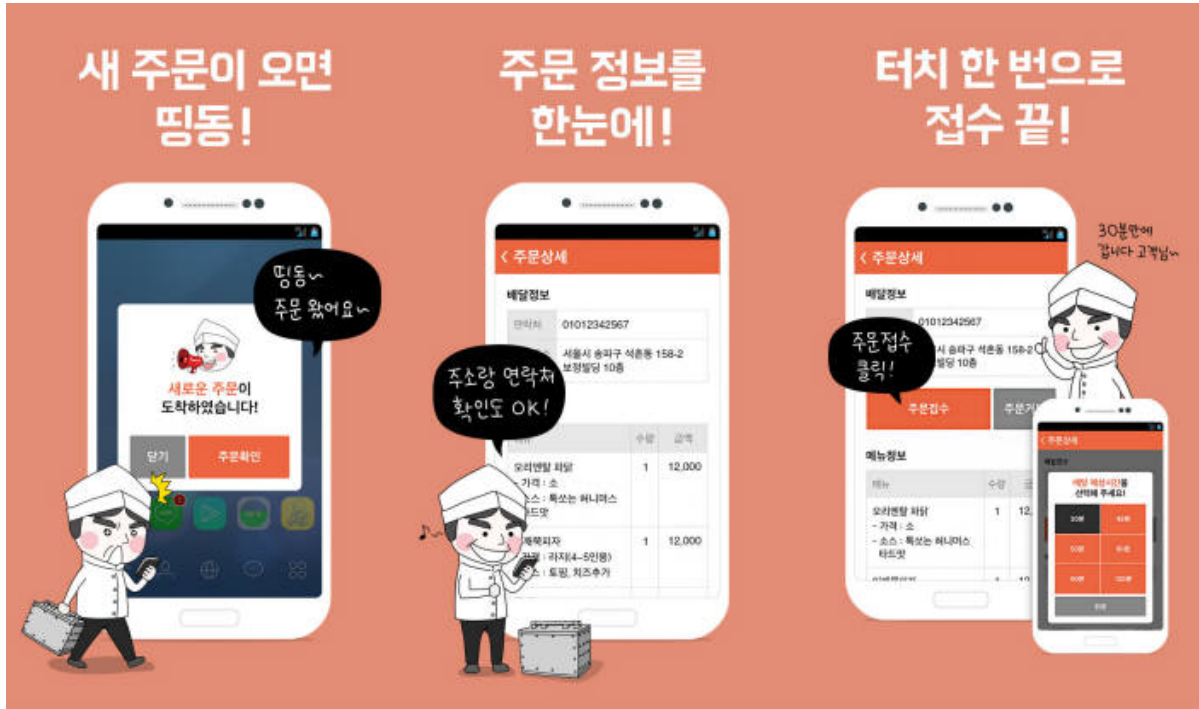
Key factors behind such a robust growth of food delivery service apps include their decision not to get commissions from franchisees. After these apps gave up their rights to receive commissions, the volume of orders shot up by about 30 percent, leading to an increase in their overall sales.

<http://english.hankyung.com/news/apps/news.view?c1=04&nkey=201601160948231>

(accessed April 2016)

Starting late 2015, Koreans can use corporate meal vouchers to get Baemin Fresh deliveries: In Korea, companies usually subsidize meals for their employees through meal vouchers that employees give to certain restaurants that take them. There's a company that converts the lunch vouchers into cash or transferable to Baemin Fresh deliveries. The mobile application that allows you to receive your tickets through the app, rather than physical tickets is called Vendys. (Vendys.co.kr – accessed April 2016)

The “Baedal Minjok Order-taking App” released on June 2 can be used for delivery business owners who selected the “app” order taking method.
<http://koreabizwire.com/woowa-brothers-develops-order-taking-app-for-restaurant-operators/11390> (accessed April 2016)



<http://koreabizwire.com/woowa-brothers-develops-order-taking-app-for-restaurant-operators/11390>
 (accessed April 2016)

There is an interesting in depth marketing analysis on Baedal’s marketing analysis on this page:

<https://medium.com/@juwon/brand-mythicization-korean-food-delivery-service-baedal-minjok-applying-roland-barthes-b7ef1841edb3#.bbolrfa1o>
 (accessed April 2016)