GUIDELINE FROM AJ.

Literature Review

- **Should be previous research papers on competition in the music/media content industry (but could in other countries).**
- **Search on jstor.org for the papers. Then, synthesize.**

Methodology

- **Mention how you will find information – web search, literature review**
- **Use SCP as a framework for analysis – Mention what SCP is in ½ page.**

Industry and Competition Analysis

- **SCP framework**
- **Structure – players, barrier to entry, concentration (ใช้ revenue, market value, concentration ratio 4), etc.**
- **Conduct – Competition strategy --- Focus on strategies which sustain the position of the big firms. Add deep analysis on 1-2 important strategies. You may need to draw some graphs or refer to some textbooks.**
- **Performance --- show some trend that the big firms have always been the big players.**

Conclusion

Introduction

Nowadays, the word K-pop may become a catchy word for many people in recent years, especially teenagers which we believed is not only in Thailand. The word K-pop stands for Korean pop music. However, this day, the word K-pop is not represented only by pop music but also other kinds of music like hip hop, rock, etc. which originated from South Korea. We cannot deny that the Korean music industry now has influenced many music industries all around the world. It has created and increased the awareness of Korean culture which generated the music export value of South Korea up to 512.6 million U.S. dollars or more than 0.3 percent of its GDP in 2017. (Statista,2019)

Korean pop music has a long history but we will focus on the origin of the modern K-pop era. The starting point of modern K-pop music was in 1995 by the establishment of the first K-pop company called SM entertainment, followed by JYP entertainment in 1996 and YG entertainment in 1997. In the same year 1997, when a catastrophic financial crisis hit Asia, the South Korean government had the same idea as Lee Soo-man the founder of SM entertainment that the culture could be the country's next export industry. Therefore, the government vowed to dedicate at least 1% of the entire state budget to fostering and supporting the cultural industry, and those 3 companies are ready to take advantage. (Explained Documentary, 2018) Having those support and the growth of the industry itself makes a lot of people want to join in this interesting industry. Over hundred companies are in the industry right now.

But what is interesting is that for more than 2 decades, since the first three companies were established, no one was able to replace these top three companies' positions even though they have tried to be fully completed. That situation has led many people to have the same questions in their minds, whether or not other companies that have similar or smaller sizes will have the opportunity to replace the top three big companies. Yet, after our group did a rough run through the information about this topic, we found that in 2016, the popularity of a boy group named BTS has emerged. This boy band comes from a small company “Big Hit entertainment”, which has just two boy groups and a solo artist. Moreover, this company once has declared bankruptcy. But due to the incredible popularity emerging of BTS around the world, the company has climbed up to be the number one company in the K-pop industry today. So, we want to know what strategies have been used by this company to conquer those top 3rd and the strategy that has been used by top and other sizes of firms in the K-pop music industry.

Even though we have read many papers about the K-pop industry, various aspects are being discussed, including marketing and operating strategy as well. However, our group saw none of them consider, analyze and compare the strategy used with those companies as a whole. Thus, in this paper, we aim to study, analyze and compare strategies used by the top companies, the company that can beat those top 3rd firms and other smaller size companies to compare the similarities and differences in their strategies and what are the key factors that make them successful in their way. For example, we will study how and why no one cannot beat the top three companies over 20 years, what strategies that they used? How Big Hit company can conquer the difficulty and become the number one company in the K-pop industry in terms of revenue in 2018. And what strategy that other companies use to survive in this highly competitive industry.

However, we might not be able to study and analyze all Korean music companies due to the time-limited and a large number of companies who stay in this industry. Thus, we will focus only on very well-known companies or the top 6 companies. Furthermore, after we all know about the factors and strategies that those top companies use, we want to analyze further on whether or not those other small companies will be able to adapt or replicate the factors or strategies of big companies and become successful like Big Hit entertainment or those companies have its core competencies which made it unique and hard to copy.

At the end of this paper, we would like to discuss the future of the competition in the music industry in South Korea. We will look at the future strategic plan of each big company that they will do to maintain their positions and sustain for the future. What factors that could downgrade a company like what YG entertainment experiences. As I said above, the Big Hit company is a very small company which has limited artists and staff, so our group wants to know how they are going to survive in a long-term company compared to other big companies. All of these questions will be reviewed through the SCP analysis method.

Literature Review

Technology and globalization have made the world closer, so has the music industry. According to Sumiko Asai (2008), “technological progress also led to the transformation of the firm organization and the marketing strategies in the music industry”. IFPI Global music report 2019 states the overall picture of the global music market in 2018 that global music industry revenue grew 9.7 % higher than last year and had a 34-percent rise on streaming service revenue growth which the service adds up to 46.9% of the overall share in global music revenues.

Having advanced digitalisation and the Internet lead to a huge impact on the content industry, especially in two main areas: distribution channels and content. First, with more variety of distribution channels, consumers now can easily access more content from various media channels. Second, due to the increase of distribution channels, thus, media companies have greater abilities to disseminate limitless amounts of information. However, it would lead to a bigger problem than having a limited distribution channel, which is the scarcity of attractive content. Therefore, in response, content providers should promote more on delivering popular, impressive contents on those media channels(Asai, 2008).

Many authors (e.g. Datta, Knox and Bronnenberg, 2017; Asai, 2008) point out that Technology has also changed how the music industry functions and consumer behavior in music consumption. The traditional way of distributing music was through mass media; good examples are, radio, television, as well as audio recordings and live concerts. But after the invention of the internet, it established a strong foundation for music distribution channels, downloading and streaming music on the internet has become easier and highly popular among young consumers. Steaming is presently taking over the music industry which you can see the evidence from the success of the Apple iTunes and Spotify Music Store revenue.

With digitalization, refer to Sarah brand (2017) , many firms are looking for new ways to adopt new technologies to their marketing strategies and music production. The advance in technology helps reduce the costs of producing , distributing, and enhance the quality of music in the industry. Since more people are able to produce music, more innovation and diversity in music are created speedily along the way which can serve a wider range of music lovers, leading to a higher market competitiveness as Pras, Guastavino and Lavoire (2013) suggested.

Due to the rapid change in technology transformation and higher competition in the music industry, firms need to adjust their sales promotion strategies and activities to cope with the changing of media format. From many research that we have read, we found that Brand (2017) is linked to Asai (2008) research; there are 4 main marketing strategies generally used by music companies. The first strategy is the traditional way which is promoted by having concerts. Secondly, the tie-up system, firms sought ties with media organizations to advertise their audio recordings. Thirdly, word-of-mouth strategy which, nowadays, not only means face-to-face communication but also the spread of information through the internet as well. Moreover, Wang and Shaver (2014) found that when leading or dominating firms make moves, small firms are likely to reposition themselves to differentiate from dominant firms to gain benefit from serving other target groups. However, there are some losing small firms that are not willing to shift from its current place since they are still satisfied with the current benefit. But in Japanese and Korean pop music industry, they have another interesting and unique strategy which is called the “ Idol system”. We will discuss further in the next chapter.

At the beginning of the literature review, we said the Internet has an impact on both the distribution channel part and content part. For the content part, content has a bargaining power when customers use platforms for different purposes making content providers differentiate. Most findings reveal that if any company wishes to attract consumers to use the app, it must have enough content to compete; for instance, large music platforms are collaborating with record companies to increase awareness (Gamble, Chen, & Dutta, 2019).

INDUSTRY BACKGROUND

The Hallyu or Korean Wave has been flawlessly expanding in the past decade. It has brought not only Korean Pop music but also the Korean culture to global attention. A decade ago, you would never think of having Korean barbecue while listening to K-POP music. We, K-POP fans, still remember those good old days when we were already happy listening to Korean songs in regular cafes in Thailand. The K-POP phenomenon that makes this K-POP music industry successful happened from three contributions: performance, traineeship, and SNS.

Korean Pop is not only a music genre, but it is a performance. Before the liberalization of Korean music industry in the early 1980s, singers used radio and CDs to deliver their songs to listeners; it was all about music. Fast forward to the present, the technological advances in media have made music itself not only just about music. A good song does not get popular without a good marketing strategy which may include a music video, promotional videos, chereograpy and live performances.

K-POP offers more than just a song, it offers music with catchy hooks with stunning choreography. It uses hooks to produce earworms to stick and repeat their music in the global's ears even though it is in Korean and uses partially English to make music listeners obsessed with its music since it's an universal language. Moreover, The different colors of music concepts also make it stand out in the world market; It has all kinds of music one could ask for pop, indy, jazz, EDM, electronic, and etc.

The traineeship system and social media are what differentiates it from other music industries in the world; it uses the hardworking friendly neighborhood girl/boy groups to demonstrate how much effort it takes to be an idol. Generally, a trainee has to go through a training program for at least 2 to 3 years before making a debut. However, there are a lot of them that might take up to 10 years before actually getting to debut; some might even fail along the way. This results in excessive support from fans since they know the whole story of the artists and do not want them to fail in the path they have chosen. Additionally, the K-POP industry was the very first music industry to promote the hardship of what artists have to go through on social network sites or SNS to the world's music market. Later on, it started using SNS to promote every single thing ranging from music production to artists' personal life, so as an early comer, K-pop has established many channels and platforms on SNS, for example, YouTube and Vlive.

Methodology

To analyze the competitive environment between top firms and small firms of the Korean pop music industry, this paper will be applied to a conceptual and analytical framework.

Theoretical Framework

In this study, the analysis has been presented based on the conceptual framework and application of industrial organization theory, particularly the "Structure-Conduct-Performance" (SCP) paradigm, to examine strategies and rivalries in South Korea's music industry. The SCP approach of industrial organization economics attempts to explain the structure of the market that industry performance is determined by the behavior of firms within the market. The model is implemented to describe the relation between market structure, competitive behavior, and performance in analyzing how newly emerging

Korean entertainment houses struggle with their challenges in identifying potentially successful business strategies in the Korean popular music (K-POP) industry.

Data collection

This paper, researchers use an available data collection based on qualitative secondary data analysis in order to conduct the SCP model analysis in further research. The related research, journal, book, and articles, including news and documentary, will be utilized as secondary sources to obtain the most accurate analysis result. In addition, the collected data is applied to indicate (1) the structure of K-POP entertainment marketing, (2) business background and related information Korean entertainment companies. These sources of data will be used in further SCP analysis so as to get readers to understand the overall pictures of the K-POP strategic business model and to determine the factors of Big Hit Entertainment achievement which will also conduct in terms of economics.

RESULT : SCP framework

Structure

Number of players

…

Threat of new entrants

In entertainment markets such as the Korean music industry, new entrants are required to have high initial capital investment such as physical building, recording studio, production costs associated with an album or single, training costs and other costs. Moreover, some existing firms not only have a strong relationship with national TV stations, namely KBS, MBC, and SBS, but also have invested in broadcasting companies. This, hence, raises the costs of potential competitors. It is difficult to break into this market if newly emerging companies do not have commercials and advertisements since they are not well-known. Thus, there are high barriers to entry in this entertainment industry.

Market value of four big companies

According to the financial report of 2019, the big four Korean pop companies — Big Hit Entertainment, SM Entertainment, YG Entertainment, and JYP Entertainment — have achieved meteoric growth with KRW 1677.2 billion in revenue and KRW 198.7 billion in operating profit under Korean International Financial Standards (K-IFRS). The market size of South Korean Music industry and media industry amounted to around KRW 3985.9 billion (3.28 billion US dollars).

Table 1. Earnings for top 10 media/entertainment companies

<we will provide a table for revenue>

<Notes: All figures are based on consolidated K-IFRS; SM Entertainment รวม Dream Maker and KeyEast บอจัดคอนเสิตกะนักแสดง

Source: Company Data, Mirae Asset Daewoo Research>

From considering K-POP industry characteristics, the industry's market structure looks familiar to oligopoly. That is the music industry is dominated by four large firms, which together account for almost half of the industry's market share. Apart from the company's growth table, the บอทำอย่างอื่น of the company's business has also expanded through higher profitability and revenue diversification.

Market concentration

In the case of Korean pop music industry, idols, as a final product, are trained and differentiated by concepts, brand images, music styles, fashion, and uniqueness cultivated by the companies. While music is produced, manufactured, and distributed to consumers. When looking at this industry it is obvious that production costs have been significantly lowered with the advent of the digital era. This completely restructured the K-POP entertainment companies' strategies emphasizing on in-house training and production increased the size of the entertainment houses; as a result, big firms expand faster and earn more market share, making the market concentration relatively low.

<we will provide a pie chart for the concentration>

Conduct

Big Firms

< THIS IS A VERY ROUGH DRAFT OF BIG FIRM, MORE DETAIL WILL BE PROVIDED IN THE NEXT DRAFT WITH ALL GRAPHS and TABLES WILL BE RE-GENERATE again>

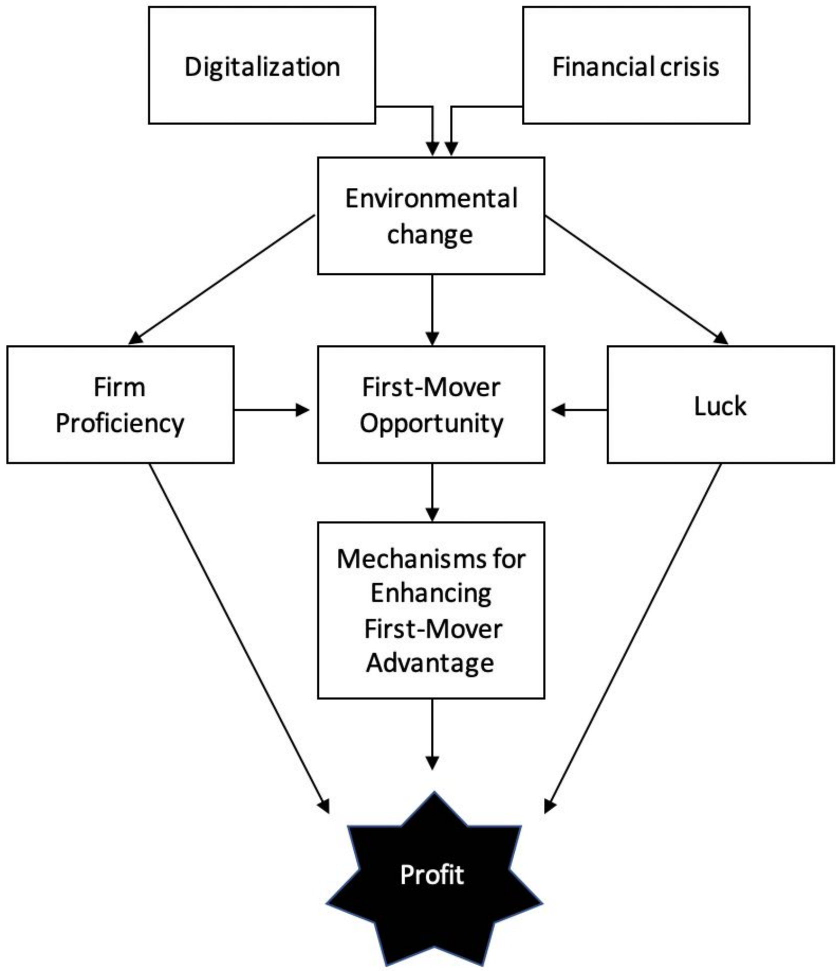
We came up with 3 main strategies which big firms in Korean pop music industry used to compete in the market: first mover advantage, foreign marketing strategy and vertical / horizontal integration.

I.) First mover advantages

First mover strategy is one of the most important factors that made SM YG and JYP entertainment have been successful companies ever since the new K-pop industry emerged. At that time, 1997, as you already know from the beginning of this paper that those top companies were founded nearly in the period of Asian financial crisis, fortunately for those firms, the Korean government decided to support and promote culture-related industry and music is one of them.

The financial support from the government and the development of digitalization have changed the music market environment. From the changing music environment, firms who have potential and luck will get the benefit from using a first mover strategy to exploit the market. Once you use the strategy that no one ever used before and it works, your firm will get the higher profit than others at the end.

In order for you to understand more clearly, we would like to show you the evidence of the success case of the firm who has adopted the first mover advantage strategy.



Due to the advance of technology, people were more active on social media. Thus, the top three music companies started to adopt the first mover strategy by starting to promote their products on social media; Facebook, Twitter and YouTube. Since their product is this music and music video, so, Youtube is the platform with the most positive response. By using YouTube to promote, it can gain attention not only within a domestic market but also the foreign consumers.

As you can see from the first figure, SM entertainment is the first mover in the market who firstly promote their music through social media (YouTube) since 2006. Meanwhile, JYP and YG Entertainment followed this strategy in 2008. We can see the benefit of first mover obviously from figure 2 and figure 3

Figure 3: Social media of Big Three K-pop Entertainment Agencies (As of Jan. 2013)

Social Media		K-pop Entertainment Agencies		
		SM Entertainment	*YG Entertainment*	*JYP Entertainment*
YouTube	Joined	March 2006	January 2008	January 2008
	Site	www.youtube.com/SMTOWN	http://www.youtube.com/YGEntertainment	http://www.youtube.com/jypentertainment
	No. of subscribers (mil.)	1.9	0.8	0.2
	No. of video views (mil.)	843.3	451.1	49.4
	No. of videos	731	156	91
Facebook	Joined	March 2011	August 2010	January 2011
	Site	www.facebook.com/smtown	www.facebook.com/ygfamily	www.facebook.com/jypnation
	Likes (mil.)	2.0	0.6	0.4
Twitter	Joined	October 2012	October 2010	November 2010
	Site	www.twitter.com/smtownglobal	www.twitter.com/ygent_official	www.twitter.com/jypnation
	Followers (thousand)	515.6	478.9	266.4

Source : Korean Pop Takes Off!, Seoul National University

which show the comparison of revenue generated overseas and domestically from 2 companies: SM entertainment and YG entertainment, 2005 to 2012.

After SM Entertainment started promoting the song via YouTube in 2006, the firm received a cumulative increase in the revenue from overseas, meanwhile, YG entertainment had no overseas revenue until 2010. Those period gaps show the full extra benefit that first mover could exploit from the market without rivals.

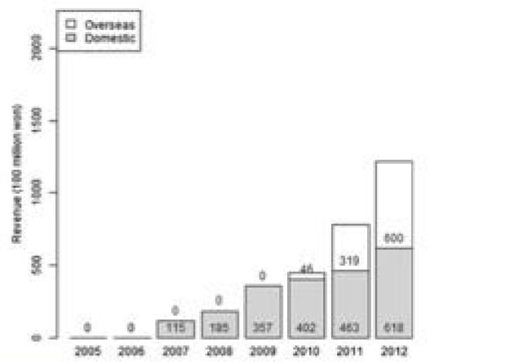


Fig. 2 YG Entertainment: Domestic and overseas revenue, 2005–2012. Source: KDB Daewoo Securities Research Center [13]

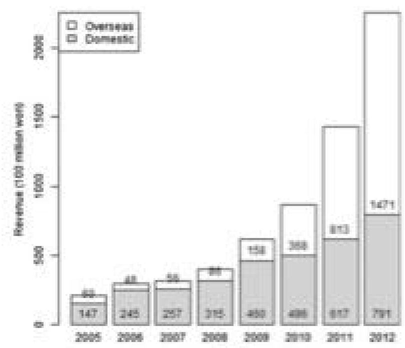


Fig. 1 SM Entertainment: Domestic and overseas revenue, 2005–2012. Source: KDB Daewoo Securities Research Center [12]

II.) *Expanding foreign market strategy*

Moreover, back to the previous figures 3 and 4, if you look at the trend of revenue, you will see that the trend of overseas sales increased gradually every year and finally surpassed the domestic revenue in 2011. Which the data in figures 4 also show the same pattern. Therefore, after seeing those data, the big companies adopt the second strategy which is expanding foreign marketing strategy because those data have shown the opportunity available and waiting for firms to get advantage.

In order to make a lot of profit from foreign countries we found that big firms are doing two main strategies : G-L-G strategy and localized star strategy.

Table 2. K-pop's G-L-G' Process

	Global	Local	Global'
Input Process	European, American, Japanese composers	Competing local composers	Competing non-European, non-American, non-Japanese composers
Manufacturing Process	Competing European, American, Japanese entertainment co.'s & choreographers	Education & Training Choreograph Musical variation Refining	Competing Chinese, Latin American, Middle Eastern, African, Southeast Asian entertainment co.'s
Distribution Process	Competing regional distributors	Competing local distributors	Japanese, European, American distributors

- For the first strategy, G-L-G strategy or the global-local-global strategy. This strategy was firstly used in Korean music industry around the early 2000s by SM entertainment. The reason why firms implement is strategy is because they want to serve the right need to the right consumer. They especially focus on the USA and japan market since they are the top 2 largest music markets in the world. They are trying to attract more foreign consumers and also domestic consumers who like to consume music from western countries.

    - Explain deeper on G-L-G strategy

      SM entertainment tries to find talented composers and choreography from many places around the world to create wonderful music.

- The " localized star " is the 2 main strategies in doing foreign marketing strategy.

Figure 2: Views of K-pop music videos on Youtube (by country)

Country	Views	Country	Views
Japan	113,543,684	Saudi Arabia	10,312,005
Thailand	99,514,297	France	9,707,334
USA	94,876,024	Australia	9,358,642
Taiwan	73,160,633	UK	8,278,441
Korea	57,281,182	Brazil	6,049,920
Vietnam	56,770,902	Germany	5,588,687
Philippines	38,833,639	Russia	1,287,345
Canada	20,859,251	Egypt	630,000

Source: Jeong (2011b) and Noh (2011)

As you can see from the chart above, you will see that Japan, Thailand and USA are the most view of K-pop music video on YouTube and link to the research paper of Sereemanopat (2011) on the topic of adaptations of South Korean leading music company marketing strategy in globalization case study in Thailand market were stated that the big firm used this strategy in order to create a higher engagement

The first player of using this localization strategy to penetrate the big market in Chinese market was SM Entertainment, by debuting the first unit group named “Super Junior M”.

There is attention toward the group about using the technique of localized star debut between 2009 to

2010 such as F(x), MissA, and 2PM. Between the gold era of 2PM, The first Thai member in a group of 2PM, name “Nichkhun Horvejkul”

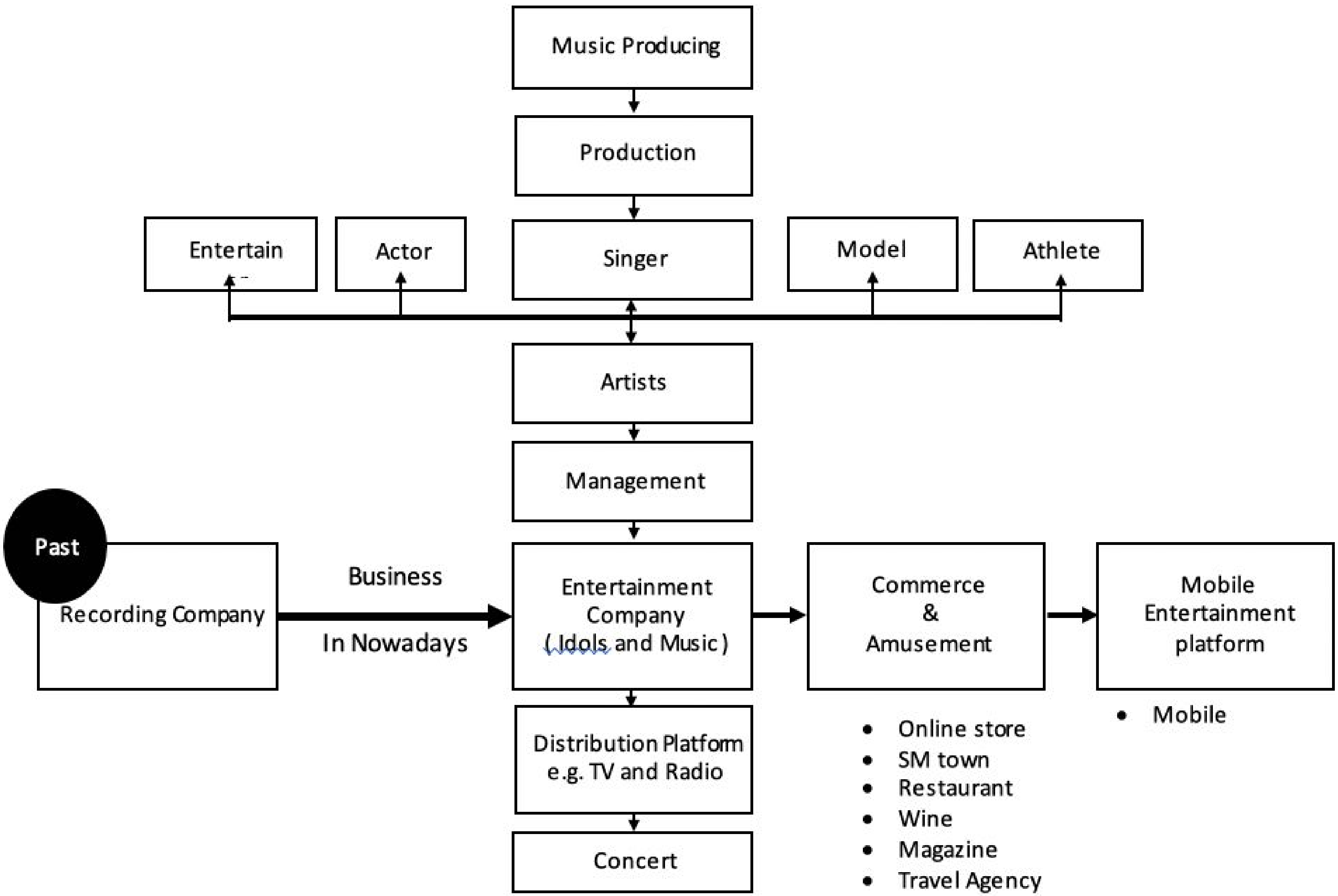
He is the Thai-American nationality who has abilities on foreign speaking and the leader of open the Southeast Asian markets. In addition, he is not only successful on international and domestic promotion, but he is also successful on narrowing the difficulties towards the Korean attitude about to open more on working in multiculturalism. (Fuhr 15 June , 2015).

III.) *Vertical and Horizontal integration*

Since the big companies have a large amount of financial resources, they try to get more profit by expanding their business both in the vertical and horizontal aspects. One good case study of doing this method is SM entertainment, since it expands its business extensively.

<We will explain more about ….

- vertical aspects : they owned all music production processes and have connected and network with talented people in the music industry around the world.
- horizontal aspects : SM entertainment try to expand their business to cover all aspects of entertainment (singer, actor, model, entertainer and athlete)
- Moreover, SM entertainment has invested in TV boardcasting companies which can imply that they have soft power to control press and media.
- Value added : value chain/////// B2B to B2C ← can it adapt to this context???????>


Music Producing
Production
Entertain
Actor
Singer
Model
Athlete
Artists
Management
Past
Recording Company
Business
In Nowadays
Entertainment Company (Idols and Music)
Commerce & Amusement
Mobile Entertainment platform
Distribution Platform e.g. TV and Radio
Concert
• Online store
• SM town
• Restaurant
• Wine
• Magazine
• Travel Agency
• Mobile

Small firms

<We will define small firms first>

We would like to categorize small entertainment companies into 2 categories: repositioning and non-repositioning firms.

In every market except monopoly, there must be dominant and small firms. Once dominant firms make moves, small firms are likely to reposition themselves to differentiate or follow the dominant firms. Same goes to K-POP industry. There are a lot of small companies that try to follow the trend settled by dominant firms by using the same music producers and concepts. For example, when EXO's, SM Entertainment(big firm)'s boy group, song "Call Me Baby" was released, they settled the "school uniform" concept in that era and many boy groups, such as SPEED from MBK entertainment, started using the same concept to follow EXO's successful story.

Moreover, to follow the dominant firms, small firms sometimes persuade trainees from big companies to sign contacts with them with a promise to debut in a short period of time after signing. We, K-POPers, often see a lot of artists from small companies that were once well trained under big firms but somehow they got soaked up by small companies because they saw the possibility of making a debut more than when being under big ones since in this industry, it is always uncertain. A concrete example is Soyeon from the girl group T-ARA, she used to a SM entertainment's trainee and once made it to the last stage of debut preparation of Girls' Generation, Korea's second generation national girl group but MBK entertainment convinced her to sign a new contract with them and make a debut with T-ARA. Later on, both groups made huge debuts and MBK used the ties between Soyeon and Girls' Generation members to promote T-ARA. This is another way small firms use to reduce training costs.

In Silicon Valley, there are a big number of angel investors and venture capital firms, so does Korean music industry, but in the form of acquisition. In the past 10 years, the biggest acquisitions were SM Culture and Contents', SM Entertainment's subsidiary, acquisition of Woollim Entertainment worth

20 million US dollars in 2013 and BigHit Entertainment acquisition of Source Music. In order to achieve economies of scale, small firms need to seek funding opportunities; however, small firms are likely to lose control in the management level.

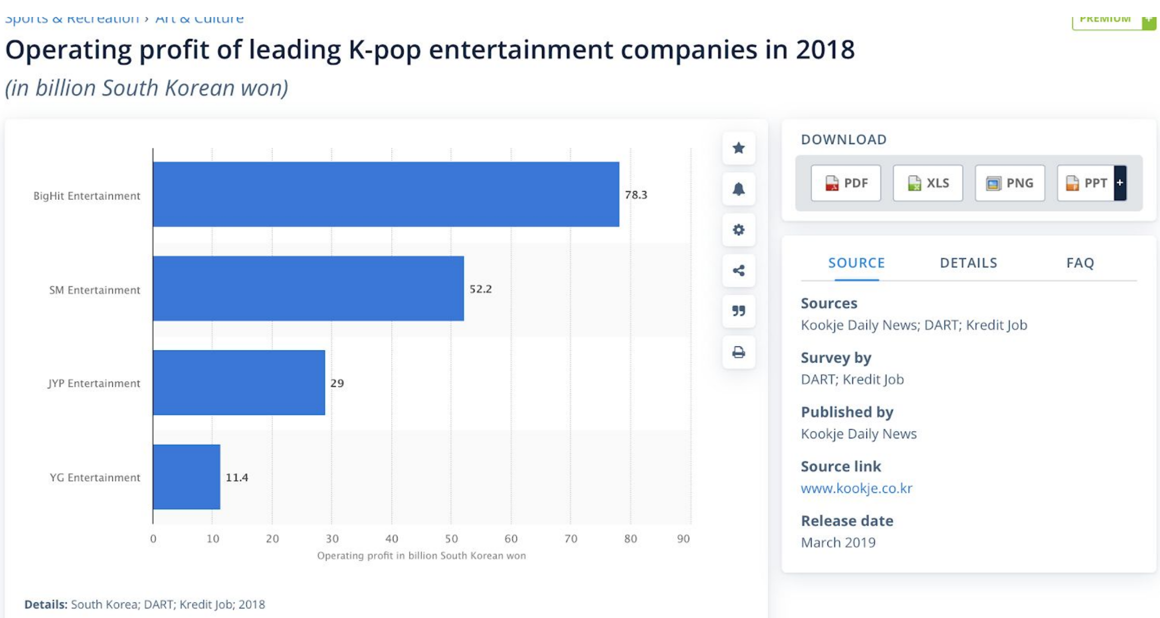
Despite all the strategies used by small firms mentioned above, recently, there was a popular survival program called "Produce 101" aired on Mnet, the most popular cable TV in Korea, that completely changed the way small firms work. Produce 101 was a show that gathered trainees from different entertainment companies to compete in different rounds until it had 11 finalists and made a debut in a group with a one-to-three-year contract. In the first season in 2016, the show successfully debuted a girl group named IOI, later became a blast and received the Rookie Artist Award from Golden Disc Award 2017, the yearly greatest award ceremony for singers. This survival-program phenomenon affected a ton of small firms because it was a shortcut to success; the costs of training, promotion and production were entirely responsible by CJ ENM. Most of big firms changed their trainees' plans to just prepare for this show which would be held yearly, but unfortunately, Ahn Joon Young admittedly reported to the police that he had manipulated the finalist list on seasons 2 and 3; therefore, the show was discontinued but there were still more producers willing to launch survival programs, such as KBS's The Unit.

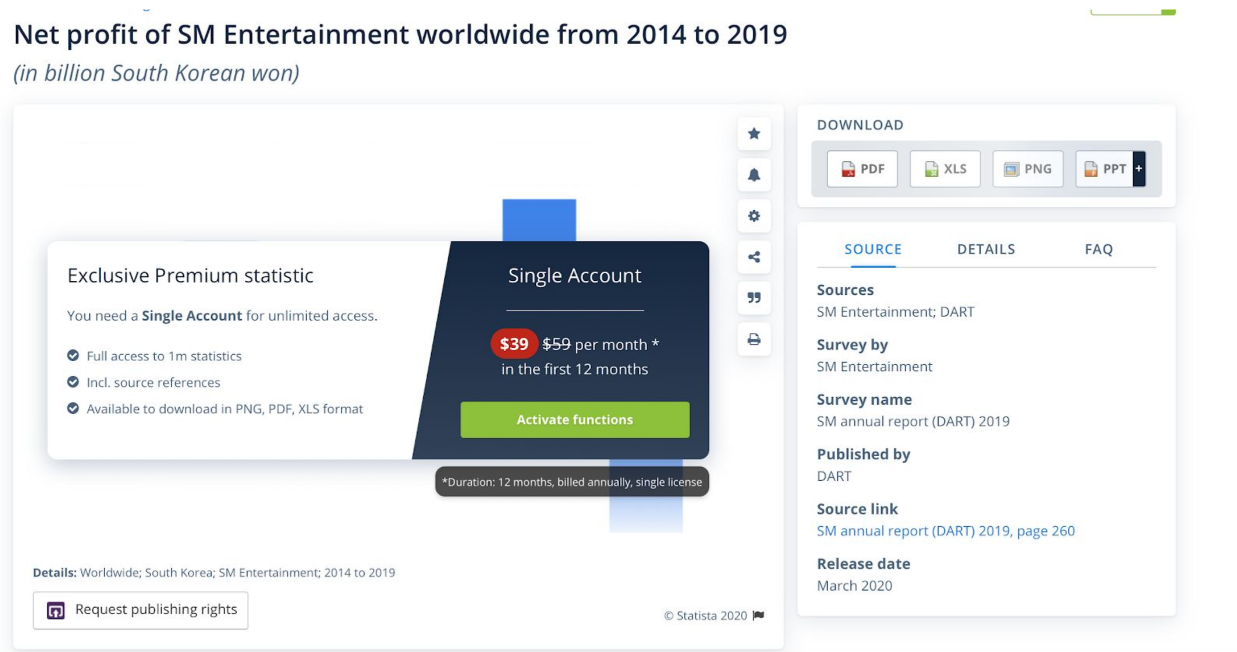
Although there are a lot of small companies repositioning themselves for a bigger pool of benefit like MBK Entertainment, there are still some of them that are reluctant to do so since there are not willing to forego the future benefits of the investment they have made or in other word, they do not wish to follow dominant firms. Indie music or independent music is a great example. Usually in other countries, indie music is produced by independent artists and they do not have management companies to manage their activities but in Korea, it is a different story. Even indie artists or singers, they usually have a company that manages their activities. These artists love their styles and tend to stick with it for lifetime, they are willing to do whatever they would like to and do not care much about the music market and reputation unlike those dominant and other small firms.

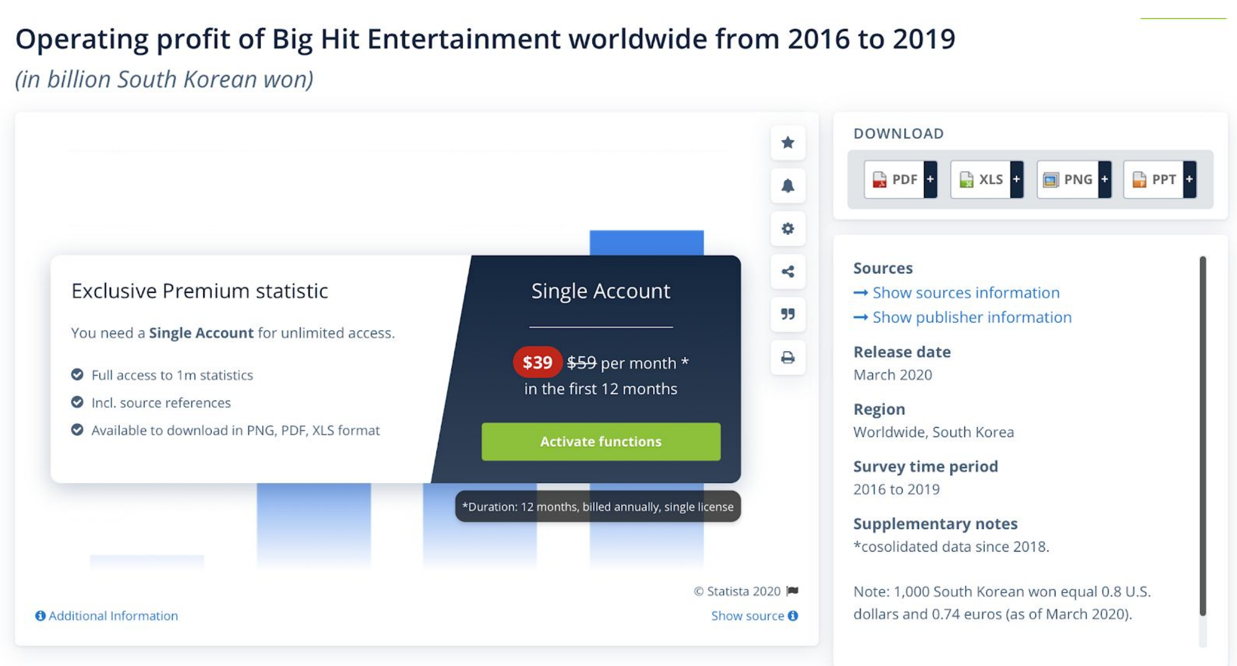
<We will provide a diagram to sum up all the strategies small firms use as a conclusion>

Performance --- show some trend that the big firms have always been the big players. <We have not done this part yet>

According the record from Statista.com







yg focus only on Bigbang ถ้าบิ๊กแบงมีปัญหา เข้ากรม ซึงรี จบ?!? แนวเพลงเดิมๆ composerคนเดิม? treasureนำเสนอ รูปแบบแบบน่ารัก มีแพลนมากขึ้น schedule slave contract vertical integration ทำแล้วเกิดอะไร? ลดcost business model comvert ทุกอย่างเป็นเงิน การที่เรามีproducerที่เปนของเรา ทำเพลงดี? คนรู้จัก? (เพลงก้ามไม่ได้เริ่มจาก0)

+ ผลประกอบการของทั้ง 4 บริษัท ที่ out standing
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บิ๊กฮิตเพลงสะท้อนสังคม เงินมากขึ้น productionดีขึ้น

- SM : ในระยะยาวก็ยังจะโอเคอยู่ (อยู่ใน globalization of k-pop paper)