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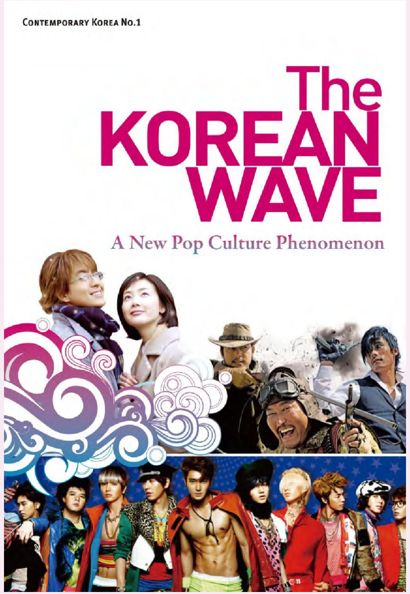
FRIEND & FRIENDS

HOW DO NEWLY EMERGING KOREAN ENTERTAINMENT COMPANIES STRIVE IN THE K-POP MUSIC INDUSTRY?

Research questions

- What are strategies that big companies have been used to make them be market leaders for over 20 years?
- What are strategies did Big Hits company used to make them successful and be able to overcome the big firms?
- What are strategies do the small firms used to survive in this highly competitive market?

Industry Background



Industry Background: Social Network Sites

Trainee System

DATA COLLECTION

Based on qualitative secondary data

S-C-P ANALYSIS MODEL

Methodology

RESULTS

Based on SCP analysis

MARKET STRUCTURE

NUMBER OF PLAYERS

More than 100 companies in the industry

BARRIERS TO ENTRY

Low barrier to entry, but high barrier to dominate due to the capital requirement

CONCENTRATION

The market is considered as Oligopoly market

MARKET VALUE OF BIG 4 COMPANIES

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SM ENTERTAINMENT

Strategies used by big firms

Big Hit Entertainment

Strategies used by Big Hit Ent.

FNC ENTERTAINMENT

Strategies used by small firms

CONDUCT

Big Firm Strategies

1. VERTICAL AND HORIZONTAL INTEGRATION

2. INTERNATIONAL MARKET PENETRATION STRATEGY

3. FIRST-MOVER STRATEGY

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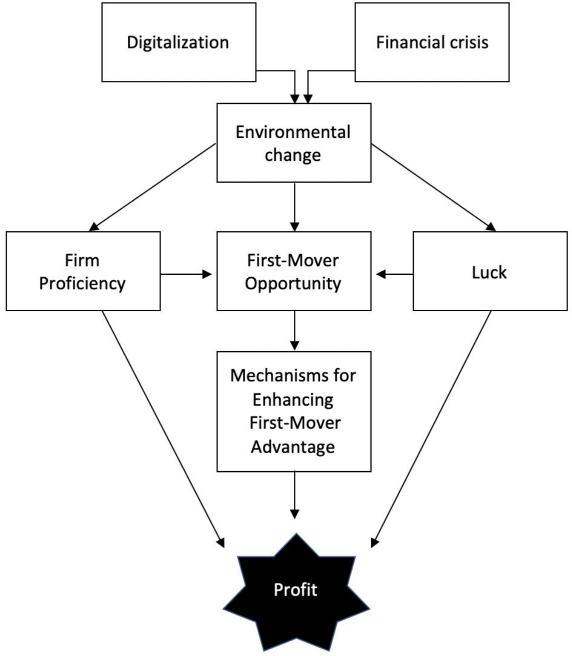
First mover strategy



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

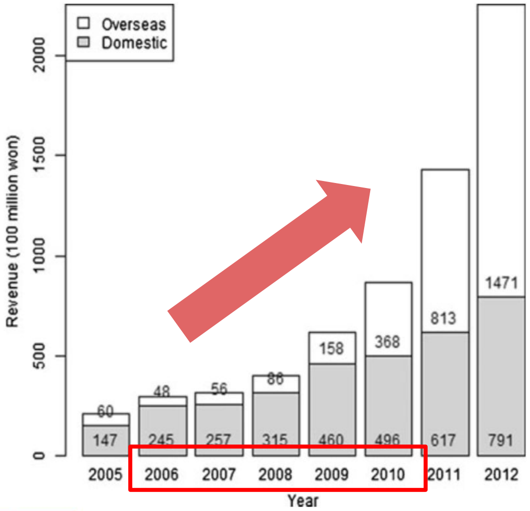


Fig. 1 SM Entertainment: Domestic and overseas revenue, 2005–2012. Source: KDB Daewoo Securities Research Center [12]

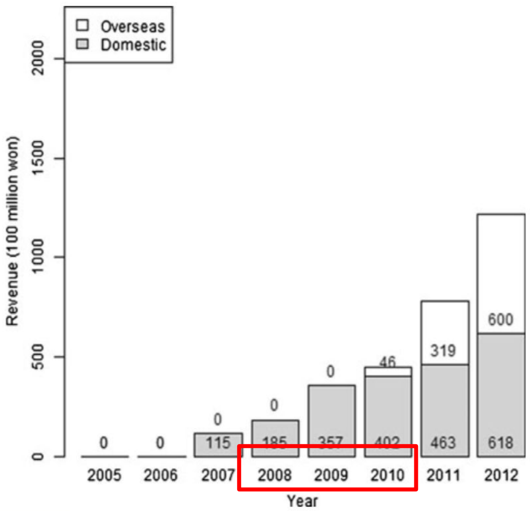


Fig. 2 YG Entertainment: Domestic and overseas revenue, 2005–2012. Source: KDB Daewoo Securities Research Center [13]

SM ENTERTAINMENT

ENTERTAINMENT

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International market penetration strategies

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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

Localized star

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The Vertical and Horizontal integration

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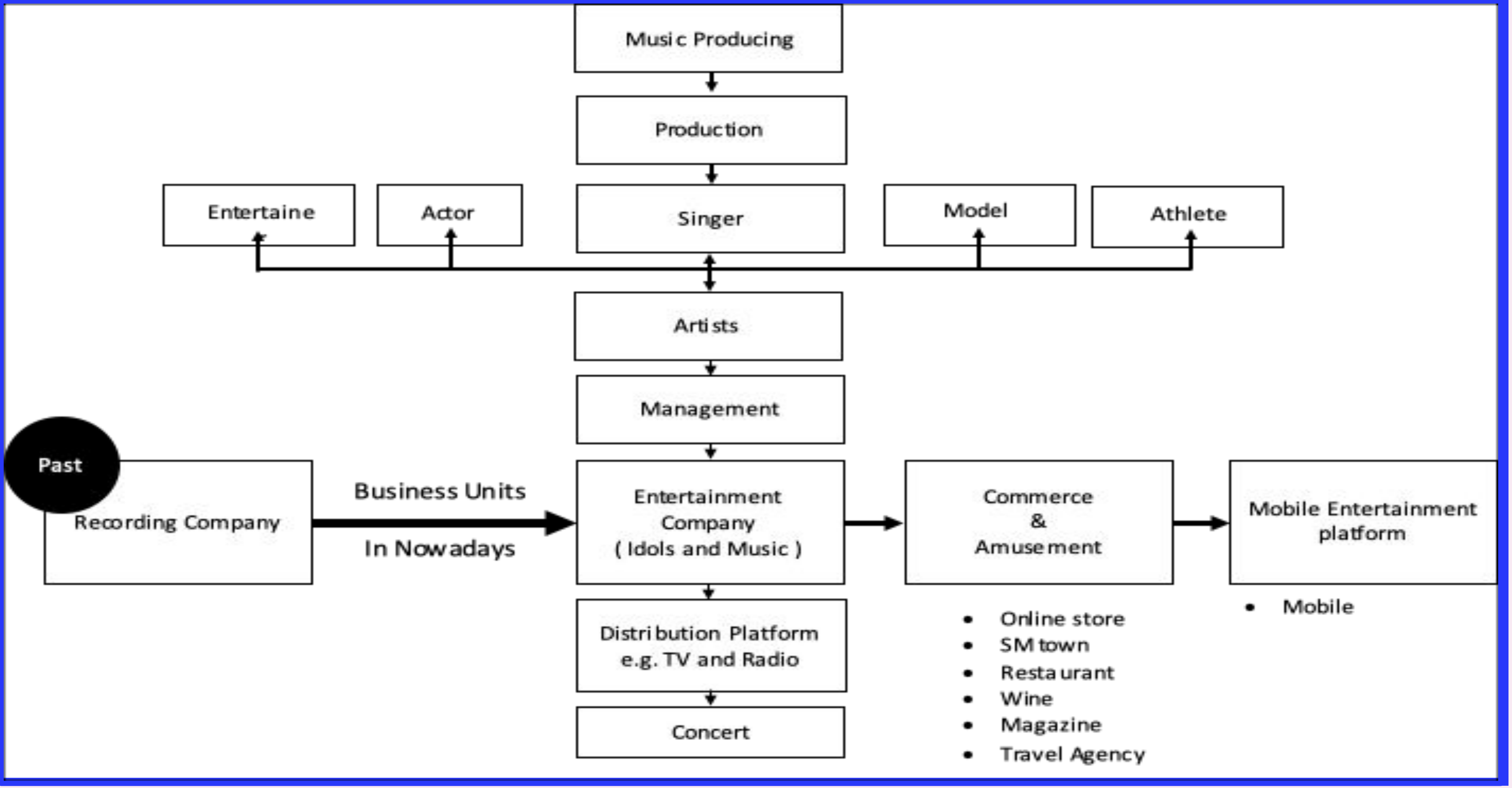


Big Firm Strategies

Key takeaway

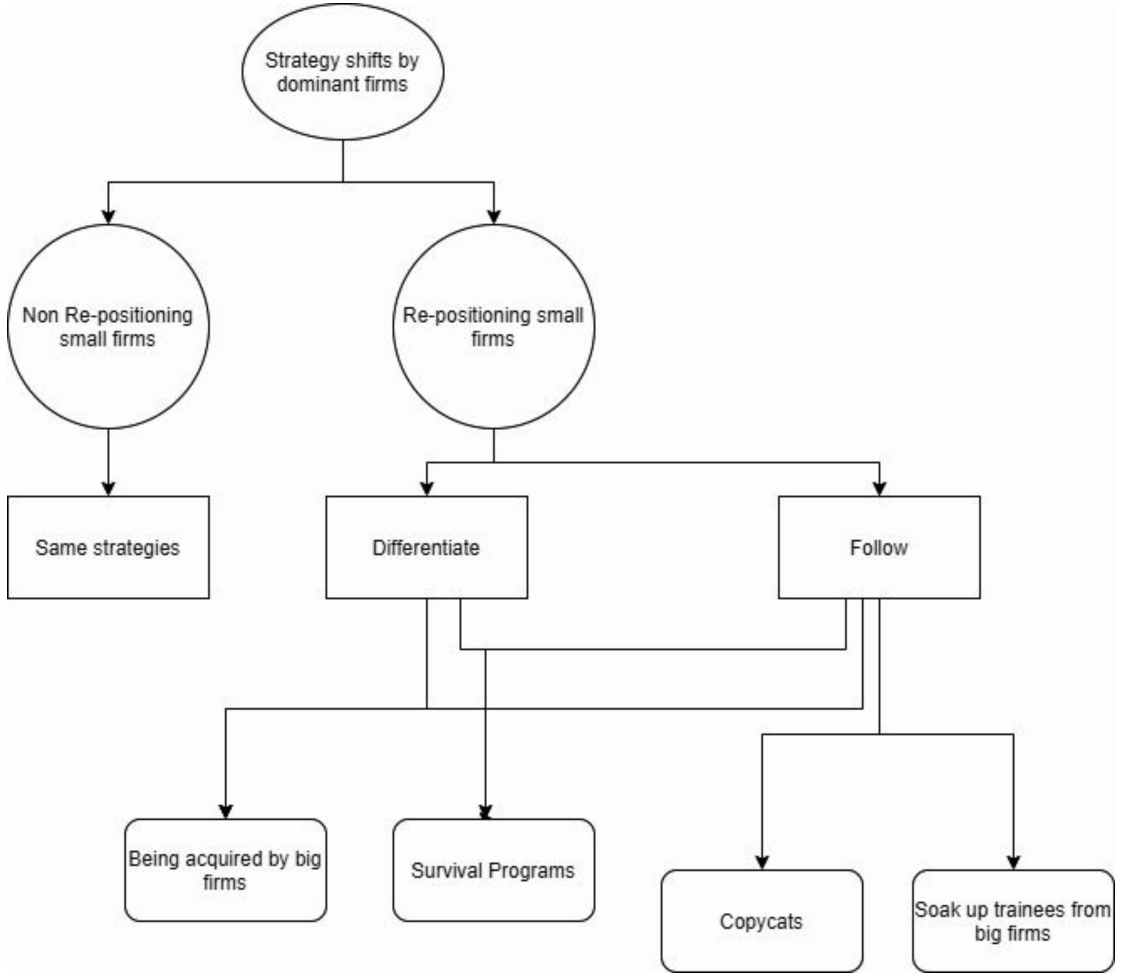
- To put all strategies mentioned into practice, it will consume tons of investment capital, therefore, the barriers for small firms to even compete with big firms in term of investment have been set.
- Although big firms use same strategies but what enables them to stay big and not beat each other head off is differentiation.

BTS wrote its own music about teenager's life.

Make products /songs more accessible at different touch points common to target consumers.

BIG HIT STRATEGIES

SMALL FIRMS' STRATEGIES



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neuron music

Non Repositioning

Repositioning Small Firms

FOLLOW

Copycats

EXO

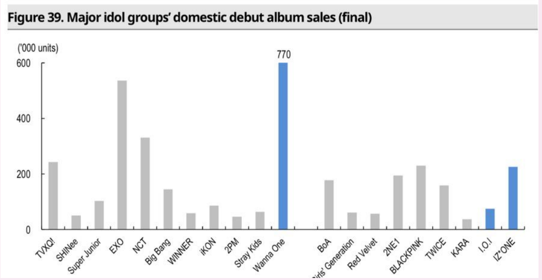
SPEED

Soak up trainees

SNSD

T-ARA

Common Strategies of all small firms



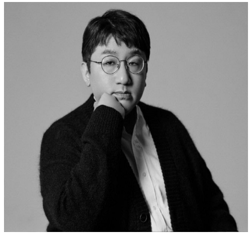
1. Survival programs

- Produce 101 series

if they hit big, they will be set for life.

Common Strategies of all small firms

2. Being acquired by big firms



Big Hit Entertainment

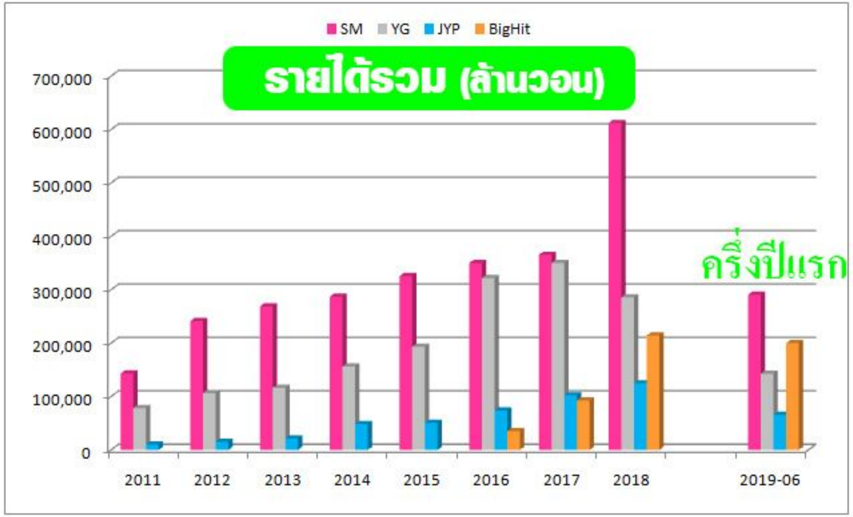
SOURCE MUSIC

SM ENTERTAINMENT

SM CULTURE & CONTENTS

woollim Entertainment

PERFORMANCE



	2011	2012	2013	2014	2015	2016	2017	2018	2019-06
SM	143,003	241,326	268,700	286,980	325,439	349,870	365,387	612,227	**290,442**
YG	78,121	106,551	116,288	156,316	193,112	321,839	349,861	285,846	**142,777**
JYP	9,923	15,067	21,324	48,482	50,557	73,645	102,242	124,821	**65,523**
BigHit						35,220	92,401	214,221	**200,100**

CONCLUSION

- Big firms : vertical and horizontal integration, foreign market penetration, first-mover
- Big Hit Ent. : differentiate
- Small firms : choose either follow or differentiate