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 last-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 a 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 with all abilities they have. That scenario 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 study what strategies have been used by this company to conquer those top 3rd and what strategies that have 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 that has been 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 around 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 big companies have its core competencies which made them 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. Many authors (e.g.Datta, Knox and Bronnenberg,2017; Asai, 2008) points out that Technology has changed how the music industry functions, its marketing strategy, and its 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 with 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 as well as the evidence from the IFPI Global music report 2019, 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. First, with more variety of distribution channels, consumers now can easily access more content from various media channels which would benefit both firms and customers. 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 to that situation, content providers should promote more on delivering popular, impressive contents on those media channels. (Asai, 2008)

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.

The rapid change in technological 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), Messerlin and Shin (2017) is linked to Asai (2008) research; there are 3 main marketing strategies generally used by music companies. The first strategy as mentioned above is to promote by having concerts. Secondly, the tie-up system applied for commercial messages on television and signature tunes in television dramas and films when the audio recordings are released in order 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" which will be discussed 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 social networking service (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. They had used partially English in lyrics 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 Idol system which comes from traineeship 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.

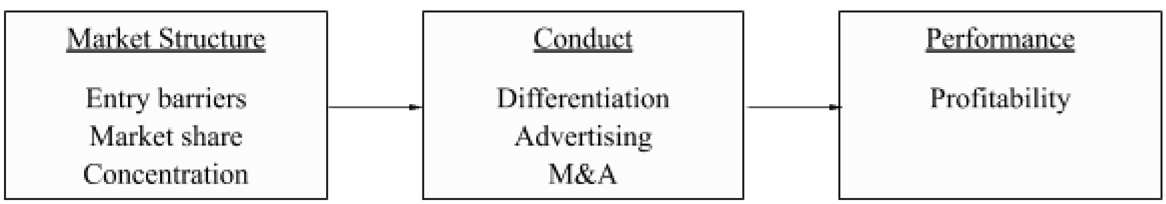
Methodology

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 investigate 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 correlation among market structure, competitive behavior, and performance in analyzing how newly emerging Korean entertainment houses struggle with their challenges in identifying the potentially successful business strategies in the Korean popular music industry; barriers to entry, market share, and concentration (market structure) plus product differentiation, ~~advertising, and M&A (firm behavior) are examined to figure out~~ their impact on the performance of Korean entertainment firms.



Data collection

This paper uses a qualitative method to answer the research questions using a variety of data sources. For the purposes of this finding, the primary data, in which researchers collected data directly from the participants, was gathered by the mean of in-depth interviews; the set of open-ended questions were predetermined. The related research, journal, book, and articles, including news and documentary, were utilized as a secondary data collection to conduct the SCP model analysis and obtain the most accurate analysis result. In addition, the collected data were applied to indicate (1) the structure of K-POP entertainment marketing, (2) business background and related information Korean entertainment companies. These sources of data have been 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.

RESULTS

- **Structure**

The market structure of Korean popular music industry can be analyzed by several factors; the number of firms, barriers to K-POP industry, large companies' market share, concentration to determine the level of competition and market power.

Barriers to Entry

In entertainment markets such as the Korean pop music industry, when new enterprises enter the market, they 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. For the K-POP market, the main delivery channels are media companies and television stations; thus, it is difficult to introduce new idol groups or new albums to be well-known if they are not promoted, given the intense competition among existing firms. This, hence, raises the costs of potential competitors. In addition, some big firms have a strong relationship with national TV stations, namely KBS, MBC, and SBS, as well as have invested in broadcasting companies. So, there are high barriers for new entrants to enter in this entertainment industry.

Market Share of four big companies

The market share of the top four entertainment agencies in the K-POP market is obtained by investigating the market sales of Korean entertainment firms. 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. Annual earnings for top 4 Korean entertainment companies

(Unit: KRW bn)

	Market Cap.	Revenue				Operating Profit				Net Profit			
		16	**17**	**18**	**19F**	**16**	**17**	**18**	**19F**	**16**	**17**	**18**	**19F**
Big Hit Entertainment	*4000	35.2	92.4	214	587.2	10.4	32.5	64.1	98.7	9	24.6	50.2	72.4
SM Entertainment	878	350	365	612	662	11	48	49	79	4	31	27	54
JYP Entertainment	667	74	102	125	155	14	19	29	39	16	24	32	41
YG Entertainment	608	322	350	286	273	32	24	10	12	12	16	20	39

*Due to limitations in the study, data gathering is restricted as Big Hit Entertainment is not listed; thus, given the company's performance, market capitalization of Big Hit company is valued approximately at 4 trillion won.

Note: All figures are based on consolidated K-IFRS; SM Entertainment earnings derived from contribution of media business (broadcasting, film, and music), talent agency, and travel company.

Source: Company data, Yonhap News Agency, 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.

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.

In addition, technological advances lead to constant changes in content distribution channels and business models. The entertainment agency can transform itself into a global player. This presents another opportunity for the company to level up.

❑ <u>Conduct</u>

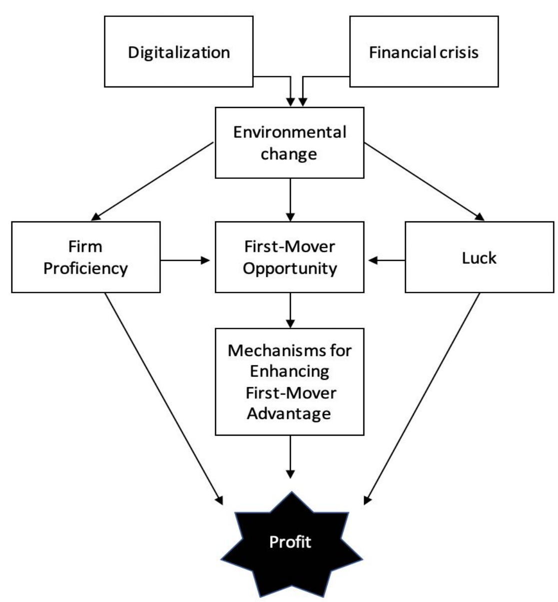
I.) Big Firms

After doing the research, we have come up with 3 main strategies which big firms in Korean pop music industry used to compete in the market: first mover advantage, foreign penetration marketing strategy and the vertical and horizontal integration.

I.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. Normally, if there are changes in the market due to economic change, digitalization or anything else, some firm who has potential to deal with those situations and the one who is just lucky will get the benefit from the change. However, firms who do not have enough potential to take the big action or do not have even luck can also get those benefits by using a first mover strategy to exploit the market for some time. Once firms use the strategy that no one ever used before and it



works, it means that some part of needs and wants in the market have more fulfilled, thus, firms are able to gain more market share and have a higher profit at the end.

Which sometimes firms could enjoy monopoly power while others have not come to compete in that segment yet.

In order 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: SM entertainment. With the advance of technology, people were more active on social media. SM entertainment saw the opportunities in those platforms, thus, it started to adopt the first mover strategy by starting to promote their products on social media; Facebook, Twitter and YouTube. Since their product is the music and music video, so, Youtube is the most suitable platform with the most positive strong response. By using YouTube to promote, it can gain attention not only within a domestic market but also the foreign consumers.

Figure 1. The basic information of social media platforms used by SM, YG, and JYP entertainment.

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

As you can see from the figure1, SM Entertainment is the first mover in the market who firstly promoted their music through social media platform (YouTube) since 2006. Meanwhile, JYP and YG Entertainment followed this strategy in 2008. We can obviously see the benefit of first mover from figure 2 and figure 3 which illustrate the comparison of revenue generated internationally and domestically from two companies: SM Entertainment and YG Entertainment, 2005 to 2012.

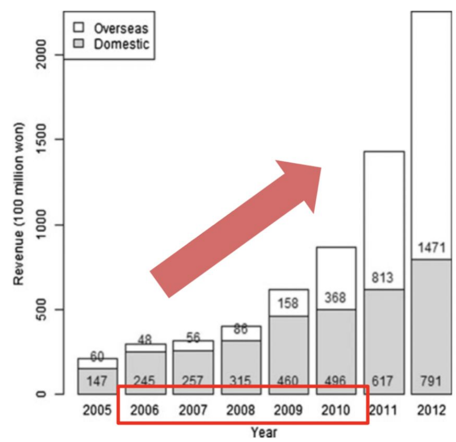


Fig.2 SM Entertainment: Domestic and overseas revenue, 2005-2012.
Source: KDB Daewoo Securities Research Center

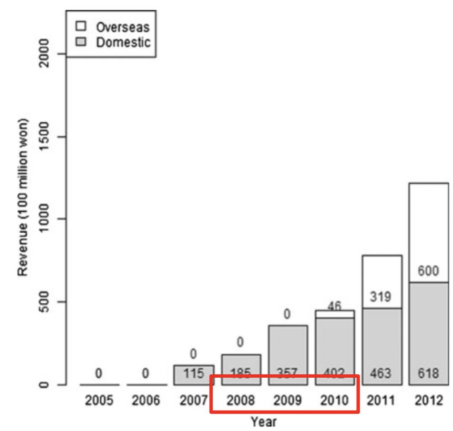


Fig.3 YG Entertainment: Domestic and overseas revenue, 2005-2012.
Source: KDB Daewoo Securities Research Center

As we know that SM Entertainment firstly started promoting their songs 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. SM entertainment is not only being that first mover in using SNS to promote their products but it also be the first mover in many strategies and that is one of the reasons why SM entertainment could maintain their position until now.

I. II.) Expanding foreign market strategy

Moreover, let go back to the previous figures 2 and 3, 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 both companies share the same pattern. Therefore, after seeing those data, the big companies have adopted 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.

Fig.4 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 this strategy is because they want to bring a new style of music and aim to attract new customers in the market. At that time, the South Korean music industry had been influenced by many cultures around the world, mainly American pop music and Japanese pop song. People turn to listening more on International music, therefore, the dominant firms tried to make their music become more international, in order to differentiate itself from other recording companies and attract more domestic and foreign customers who like to listen to western pop songs, especially for SM entertainment. On the G-L-G strategy, this strategy model is about the combination of international global professor and local composer and education in all music processes from input process, manufacturing process to distribution process. The following example will help you understand more about this strategy. So, in the first G process, SM Entertainment will try to find talented composers and choreographers from many places around the world to create wonderful demo music for them.

Then, come back to Korea to run the next L. In this process, firms will use their local composers and choreographers to transform those things that process in the first global stage, adapt and put some more Koreanese into the product such as changing the lyrics from english to korean, etc. This local process is essentially providing the education and training system. The training system in Korea, trainees not only have to practice singing and dancing skills but also have to train in many aspects such as manner, languages, and conduct performance etc. Firms have trained their trainees to become the artists who are already with whatever concept of the song it is going to be and be able to perform it well.

After the song passed through the global composition and presented by high standard artists from South Korea, here has come the last process or last G strategy. The last global process is the last process when the song is finished, already to be released and the firm will contract with the global distributors to launch the physical album to sell while frim release the song on Youtube platform, so people around the world could consume and enjoy their products.

Figure 5: 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

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

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

The first player of using this localization strategy to penetrate the big market like Chinese market was SM Entertainment, by debuting the first unit group named "Super Junior M" and firstly introducing non Korean members in a team which never happened before in the K-pop industry. After this group debuted it became very well-known in Korea and got massive good responses from Chinese fans. They got many opportunities that were offered by Chinese market. But unfortunately, this group has to disband due to the conflict about the contract between firm and one Chinese member. However, this strategy is continuously used by many firms in the K-POP industry which you can see the evidence from famous Korean artists group Blackpink that produced by YG entertainment, Twice and GOT7 from JYP entertainment, and NCT from SM entertainment, etc. I think in the case of Thailand, you can see obviously that firms could create higher engagement in Thai market from strategy. The girl group called Blackpink which consists of 4 members including one Thai girl named Lisa, this girl group has received overwhelming acceptance from Thai people, they could sell all their 3 days concert tickets at the huge hall Impact Arena Muang Thong Thani.

The benefit of having multinational members in the group, it would help you easier to penetrate your market and reach local attention without languages and culture barriers. In order to do this strategy, it also requires a lot of money since you have to set up the audition in that country that you are interested in, then bring those talented kids from many countries to learn and train in your system which it also not guarantee that the foreign trainees will stay with you until the end of the process. Which all processes might cost a lot more compared to training Korean people. Therefore, this is the strategy that big firms can use but small firms might not be able to do.

I.III.) Vertical and Horizontal integration

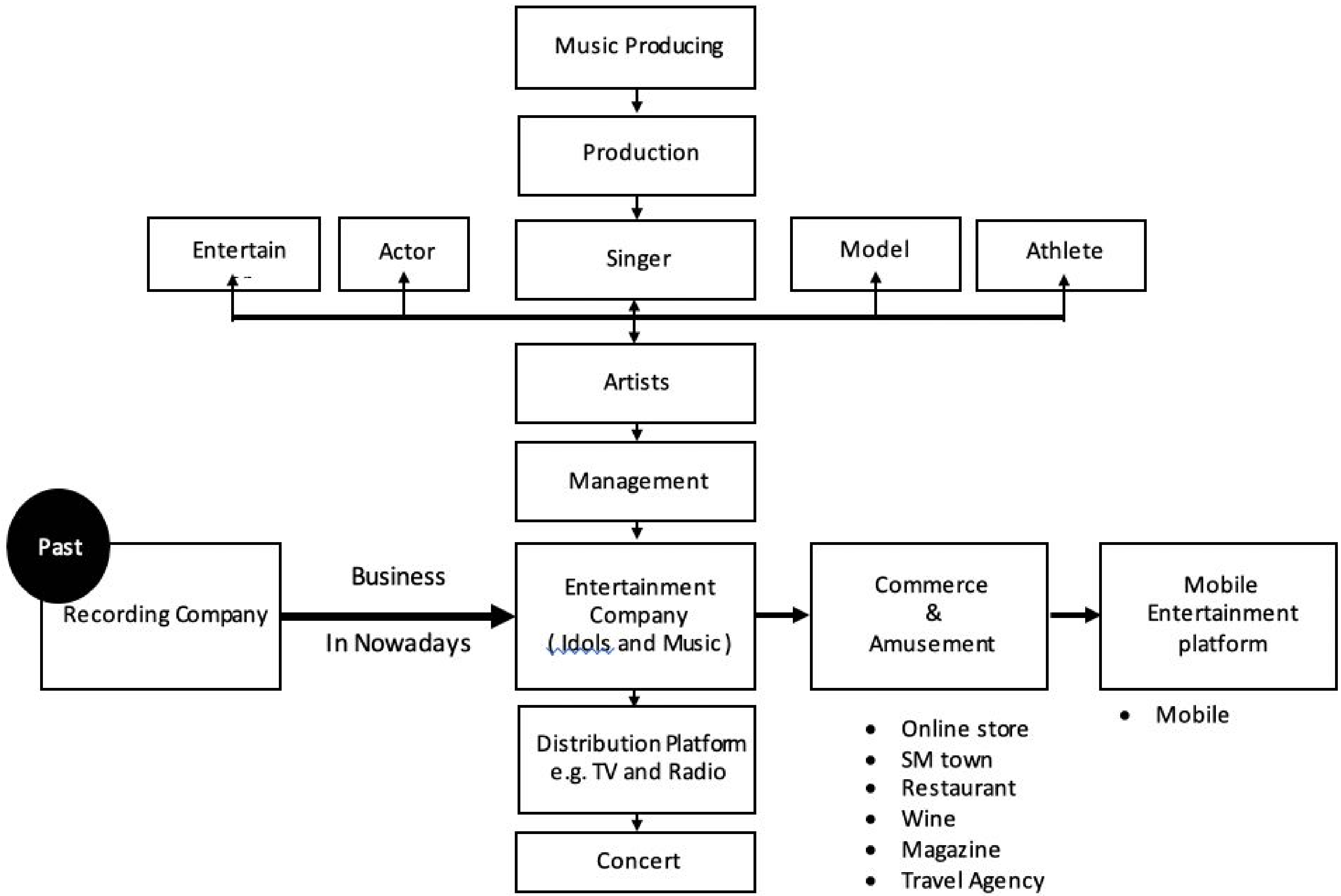
One good case study of implementing this method is SM Entertainment, since it has expanded its business extensively. Originally SM entertainment was just a small recording company but it was the first mover in terms of strategy and the first company in the new era of Korean music, thus it got a lot of financial support from both government and private firms. Since the big companies have a large amount of financial resources, they try to gain more profit by expanding their business both in the vertical and horizontal aspects.

In the vertical aspect, SM entertainment has all music production processes as you can see from figure 6. SM entertainment has their own from production of the original master tapes to manufacturing and distributing the music. It has a connection network with composers and choreographers more than 500 people around the world, have their own production studios and know-how, it has its own trainees and artists, it has licence and copyright and it has owned factories to produce physical albums and other goods.

SM entertainment has connections with local and global distributors, moreover, it has invested in broadcasting firms like television and radio which has a place for them to distribute their products. And they also have their owned concert production team. Therefore, I can imply that all transactions that create in this circular belong to SM entertainment.

In the horizontal aspect, SM entertainment tries to expand their market segment and serve more needs in the market but they can not do it under the name SM entertainment since if they do so, they might lack a firm identity. Thus, the company uses horizontal integration by acquiring those small companies who have potential to grow further. SM entertainment will provide them with financial support and other resources such as know-how and managers to control the small companies.

The benefit that big firm would get from doing vertical and horizontal integration are to increase the competitiveness in the market, having more market power, be able to control the cost, increase firm competitive advantage, increase barrier to entry to potential firms and the firm would be able to capture both upstream and downstream profit.


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

II.) BIG HIT COMPANY

In this part, we are doing in-depth interviews in which the pattern of the question is set. The strategies that the company used can be classified into 3 main points: company-controlled strategy, product differentiation, and marketing strategy.

III.) Small Firms

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

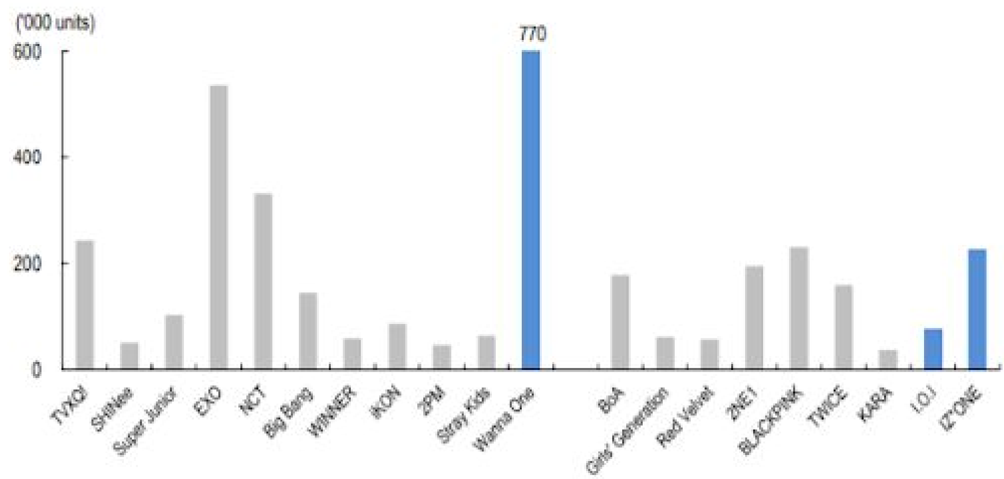
In every market except monopoly, there must be dominant and small firms. Once dominant firms make moves, small firms are likely to reposition themselves to differentiate or follow the dominant firms. Same goes to the K-POP industry. There are a lot of small companies that try to follow the trends settled 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 of the song "Call Me Baby".

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 grow bigger in 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. It later became a blast and received the Rookie Artist Award from Golden Disc Award 2017, the yearly greatest award ceremony for singers. In the following year, Produce 101 season 2 debuted another boy group "Wanna One" and added outstanding first album sales of 770,000 copies.

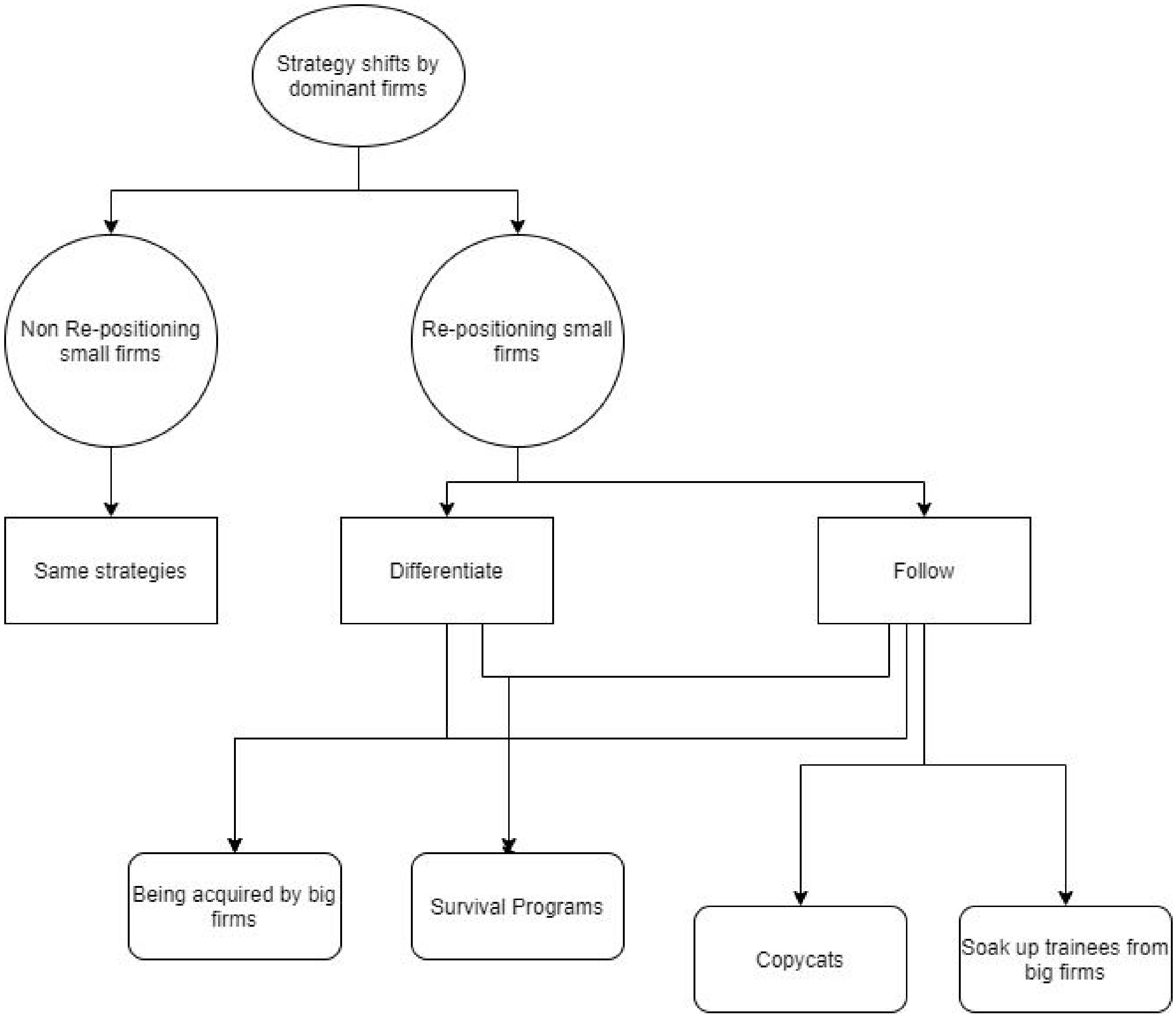
Figure 39. Major idol groups' domestic debut album sales (final)



Source: Gaon Chart, Hanteo Chart, Mirae Asset Daewoo Research

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, 3, and 4; 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's a different story. Even indie artists or singers, they usually have a company that manages their activities; for instance, Paul Kim, a former street singer who signed an exclusive contract with Neuron Music to release his songs to his fans mainly on YouTube. 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. For instance, Paul Kim, he used to be a street singer before, but in order to publish music in Korea, artists should have an agency to deal with legal issues, so he joined Neuron music in September 2017; however, his company has not made any big moves except promoting him using his songs.


Strategy shifts by dominant firms
Non Re-positioning small firms
Re-positioning small firms
Same strategies
Differentiate
Follow
Being acquired by big firms
Survival Programs
Copycats
Soak up trainees from big firms

❑ ***Performance***

Due to the evaluation of the Korean entertainment industry, there are many criteria to be concerned about in order to indicate the performance of each company. In this finding, we will consider in 4 aspects; profitability, sale of albums, digital charts, and youtube views

This shows contributions to South Korean GDP by companies and pop group BTS.

Conclusion

As our group studies how firms of all sizes in Korean music industry strive to survive in the highly competitive market. There are 3 main research questions that we mainly consider on the strategies used by big firms, Big Hit entertainment, and small firms. In order to compare the similarities and differences of strategies. For now our group is waiting for the result of Big Hit's strategy and it hasn't come out yet. Therefore, we couldn’t conclude all strategy results as a whole picture but what we can say now is that financial resources play a significant role in making that difference between big firms and small firms.

Our results are highly consistent with existing papers in the literature review in terms of the rapid technological development due to globalization since Korean Pop industry was the very first industry to take advantage of the internet as a first mover. The strategies they started to use focus much more on the Social Network Sites or SNS, for instance, YouTube, Vlive and Twitter and the trainee system that is actively promoted on SNS to catch the attention from audience who love to see behind the scenes and what contributes to a K-POP group’s success, it can be seen as a documentary. Moreover, the reposition of small firms by Wang and Shaver applies to the K-POP industry also. Small firms are likely to either adjust to big firms’ new marketing strategies or choose to enjoy the existing benefits they have from their current investment.