

Expansion of Korean Entertainment Company – HYBE Corporation

Tang Wai Yan

“Smooth like butter, like a criminal under cover...” Have you ever heard any K-pop songs? K-pop has become the rage over the world. The 3 biggest entertainment companies in Korea, i.e., SM Entertainment, YG Entertainment and JYP Entertainment, and HYBE Corporation had enjoyed the benefits of the technological development and both internal and external economies of scale. Have you ever wondered how HYBE Corporation successfully gained their market share and became the biggest entertainment company in Korea?

Back to 2016, HYBE Corporation was a private limited company and named BIGHIT Entertainment. Since 2016, its artist, BTS, became famous and made worldwide concerts successfully. BIGHIT Entertainment thus gained great profits due to increase in total revenue from concerts and albums sold. However, BIGHIT Entertainment was still a private limited company and could not issue shares to the public. Therefore, BIGHIT Entertainment had a limited source of capital. With its artists’ increasing popularity, in 2020 BIGHIT Entertainment decided to list on the Korean Stock Exchange. Since then, BIGHIT Entertainment changed from a private limited company to a public limited company and BIGHIT Entertainment became a subsidiary of HYBE Corporation named BIGHIT Music. Becoming a public limited company enabled HYBE Corporation to enjoy a wider source of capital by issuing shares to the public. This definitely helped HYBE Corporation gain their market share.

Expansion and integration also played a role in helping HYBE Corporation to increase its market share. HYBE Corporation gained market share through external horizontal expansion. Source Music and Pledis Entertainment were taken over by BIGHIT Entertainment. Thus, HYBE Corporation faced less competition in the entertainment industry as the number of competitors decreased after integration. What’s more, HYBE Corporation increased not only its market shares but also its market power. Thus, it had a greater influence on the market prices of artists’ concert tickets and merchandise. HYBE Corporation had also put an effort on forward expansion. Weverse, created by HYBE Corporation, was a mobile apps and web platform allowing fans interact with idols in BIGHIT Music. This apps helped HYBE Corporation to ensure market outlet for its idols and obtain first-hand market information from fans. Therefore HYBE Corporation could better understand the wants and needs of fans. Moreover, Waverse Shop, which was an accompanying e-commerce app, sold subscriptions for content on Weverse, artist-related products, and merchandise. It enabled HYBE Corporation to ensure a reliable supply of artists’ albums and merchandise and have a better control over its quality.

In addition, as the demand for artists’ merchandise and concert tickets was inelastic, HYBE Corporation could gain in total revenue by charging a higher price. To cite an instance, the jackets and bags of the collection of BTS launched recently were charged at least USD\$50, which was much higher than the price of non-BTS related jackets and bags. Suppose the

demand for artist-related products remained unchanged. Even though its price was higher, the % decrease in quantity demanded of was lower than the % increase in price due to inelastic demand. Therefore, loss in revenue was smaller than gain in revenue, and the total revenue of HYBE Corporation would increase.

HYBE Corporation has undoubtedly made a success in recent years. More and more entertainment companies in Korea adopt methods used by HYBE Corporation to expand its business. If entertainment companies in Hong Kong also adopt the same methods, will it be helpful to the music industry in Hong Kong?

(566 words)