
MARKETING MIX OF THE MUSIC INDUSTRY IN THE UNITED STATES AND SOUTH KOREA

RUYI ZHAO

TUTOR: DAVID ARNOTT

CODE: EW113

INTERNATIONAL BUSINESS ECONOMICS – FINAL YEAR PROJECT

UNIVERSITAT POMPEU FABRA

2015/2016



Universitat
Pompeu Fabra
Barcelona

Index

Abstract	3
Introduction	4
1. Music Industry	5
1.1. The U.S. Music Industry.....	6
1.2. The South Korean Music Industry	7
2. Study Framework	8
2.1. Conceptual Framework.....	8
2.2. Study subjects.....	9
3. Empirical Study	10
3.1. Product.....	10
3.2. Place/ Distribution.....	13
3.3. Price.....	15
3.4. Promotion.....	17
4. Conclusions	19
References	20
Annex	25

Abstract

Even though many (probably most) people, would think that the music industry is still growing, figures show that this sector is shrinking. However, the United States and South Korea reported good trends on their revenues. This paper aims to provide a better understanding of the music industry of an emerging country (South Korea) compared to the leader in the industry (the United States). The four elements of the marketing mix are used to explore their music industry and to identify the differences and similarities behind their successes. This study shows that their promotion of the music industry is fairly similar, the place is similar, but the distribution strategy is different, and their product and price are completely different. The similarities found are mainly related to the globalization through the internet. By contrast, the differences are derived from historical, cultural and economic aspects.

Introduction

Can you guess which is the common point between: a family watching a TV show in Beijing (China), a woman shopping at a mall in Durban (South Africa), a businessman taking a taxi in Toronto (Canada), a couple eating in a restaurant in Bogota (Colombia), a group of friends in a nightclub in Ibiza (Spain) and a model strutting in a fashion show in Sydney (Australia)? Well, the answer is that all of them are hearing American popular music. Unquestionably, thanks to technological advances and globalization, the American popular music has spread around the world and holds a dominant global position in the music market.

However, during the last decade, the popular music from South Korea (known as K-pop) started gaining attention in the global music industry. Furthermore, PSY's "Gangnam Style" (2012) triggered its global expansion.

Although the global music industry is shrinking, the industry in America and South Korea is increasing. Hence, the question that arises is "How differently (or similarly) is the music industry in the United States and South Korea marketed to achieve worldwide success in times where the global music market is shrinking?"

Previous studies have shown the characteristics of the music industry in South Korea and its key success factors, but it has never been addressed from the marketing point of view. Moreover, there has been little work done about the American music industry. Therefore, this paper aims to address the previous question by exploring the marketing mix used by the music industry in the United States and South Korea. Furthermore, Justin Bieber and EXO are taken as subjects of example.

The paper is structured in 4 sections. First, it provides a first glimpse of the music industry in the U.S. and South Korea. Next, it introduces the conceptual framework that will be followed and the subjects studied. Then, it presents the marketing mix of the music industry of the two countries. Finally, it concludes the paper by providing some of the reasons behind the findings.

1. Music Industry

This section is devoted to providing a general outlook of the music industry in the United States (hereafter U.S.) and South Korea, as well as their global presence.

Nowadays, thanks to the technological advances, people can listen and hear music everywhere, from restaurants to stadiums. Therefore, many (probably most) people, would think that despite the decrease in physical revenues, the music industry is still growing. However, as depicted in figure 1, the shift from physical to digital spending happened together with a significant decrease in the music industry revenue (Parry, Bustinza, & Vendrell-Herrero, 2012) by 31.64% from 2004 to 2014. This is because the absolute increase in digital sales is smaller than the absolute decrease in physical sales.

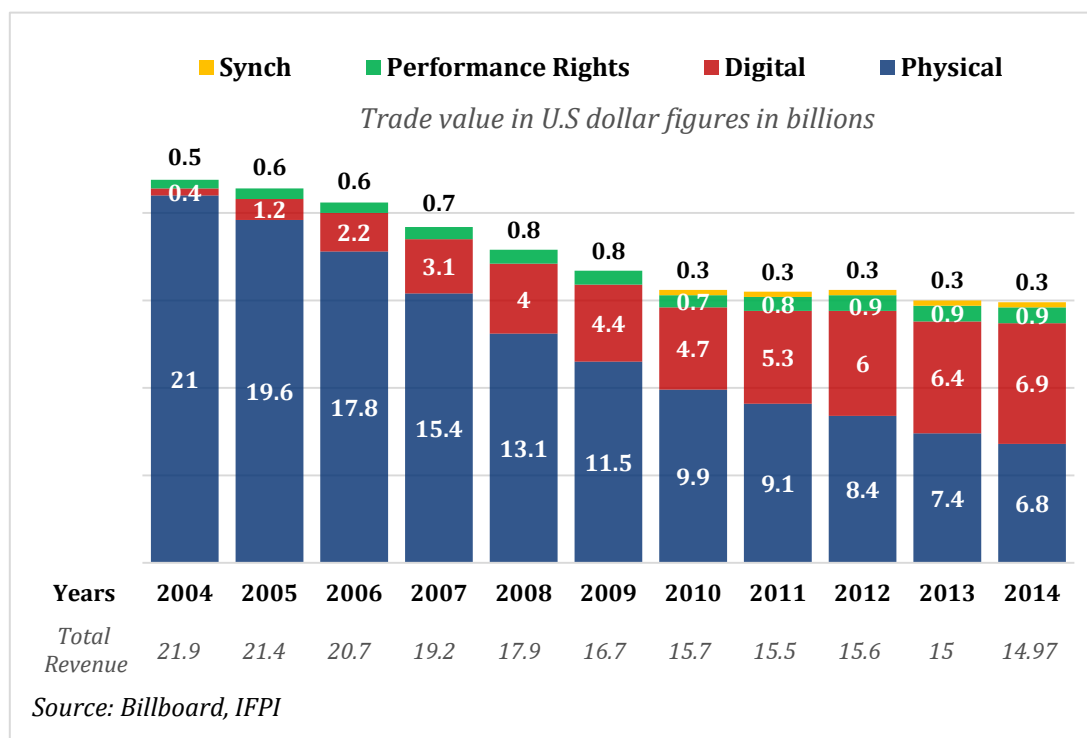


Figure 1: Global Recorded Music Industry Revenue 2004-2014

1.1. *The U.S. Music Industry*

Despite the decline in the global recorded music revenue, the U.S. is still one of the countries that have experienced an increasing trend in the industry's revenue ([see Annex 1](#)). The U.S. market with \$4.9 billion in trade value, which counts for 33% of the global revenue, is positioned as the largest music market ([see Annex 2](#)).

In fact, according to the IFPI's "Recording Industry in Numbers" report, since 2000 the U.S. has always been the leader in the ranking of the top 20 largest music markets. This dominant position is expected of a country that, with Thomas Edison's invention of the "talking machine" (1877), gave birth to the recording industry (Toll, 1982). Furthermore, the U.S. is also the place where the music industry grew up, raised by other inventions such as the radio, recording discs, cassette tapes, Compact Discs and MP3 (Weissman, 2015).

Large global corporations were the first and main ones operating in the recording industry. Alternatively, new independent producers emerged with new music genres. These companies recruited and marketed people with talent, both inside and outside the U.S. while simultaneously spreading the American music to the global audience (Crothers, 2013). Since large producers were more likely to survive, the major record labels soon conquered the American music industry. Nowadays the music industry in the U.S. is dominated by the "Big Three" record labels (Universal Music Group, Sony Music Entertainment, and Warner Music Group), which are also the leaders in international music production and distribution (Burkart, 2014).

The worldwide diffusion of the American music owes a great deal to the distributional and promotional media launched in the U.S., such as MTV, YouTube, iTunes, Facebook and Twitter (Sahlman, 2014). The preeminence of the American music can be seen in the world's top 10 selling digital singles (2014), as 7 of them are sung by American singers (IFPI, 2015a).

1.2. The South Korean Music Industry

South Korea is another country that has a quite prominent increasing trend in the music industry ([see Annex 3](#)). In 2014, South Korea with a revenue of \$265.8 million (an increase of 19.2% with respect to the previous year) was ranked 8th in the top 20 music sales market while, at the same time, it was the country with the highest percentage growth in that ranking (IFPI, 2015b). Moreover, during the last years, South Korea had improved its position in the global music industry significantly, from 15th (2009) to 8th (2014) ([see Annex 2](#)).

South Korea's music industry revenue mainly comes from its mainstream popular music genre, K-pop (abbreviation for Korean Popular Music), which comprises a wide range of styles, such as pop, dance, rock, electronic music, R&B, and hip-hop. (Um, Sung, & Fuhr, 2014). K-pop was first introduced in the 1990s by S.M. Entertainment, YG Entertainment and JYP Entertainment (known as the "Big Three" in K-pop) (Meza & Park, 2015).

K-pop went step by step in building its global presence: China, Vietnam, and Taiwan in 1999, Japan in the mid-2000s and America in late 2000s (Tuk, 2012). By 2011, the total amount of K-pop videos' views on YouTube reached 2.3 billion in 235 countries (Seo, 2012). However, the global success of K-pop is due in great part to the social media and its associated participatory culture, which contributed to the global hit of Psy's "Gangnam Style" (Um, Sung, & Fuhr, 2014). Since then, "Gangnam Style" became the most viewed (2.4 billion) and liked (10 million) video on YouTube (officialpsy, 2012).

The takeaways from this section are (1) the global music industry is shrinking, (2) the music industry in the U.S. and South Korea is increasing and (3) the American and South Korean music are disseminated around the world. Therefore, the question that arises is "How differently (or similarly) is the music industry in the U.S. and South Korea marketed to achieve a worldwide success in times where the global music market is shrinking?" The next section will present the framework that will be followed to address the question.

2. Study Framework

Before stepping into the main part of this paper, this section is dedicated to present the conceptual framework and the subjects that will be used to carry out the study.

2.1. Conceptual Framework

The marketing mix has always been a very popular topic in the research field and, lately, it became subject to an intense debate about its predominant marketing management paradigm (Constantinides, 2006). Nevertheless, the marketing mix is still a tool widely accepted among marketers (Goi, 2009).

The term “marketing mix” can be defined as a business tool that comprises all controllable actions that a company can take to satisfy its customers. It is typically classified into four major groups (four Ps): product, place, price and promotion (Perreault & McCarthy, 2002). Moreover, each element of the marketing mix can influence consumer’s decision making in several ways (Peter & Donnelly, 2007).

- **Product:** “A product is anything that can be offered to a market to satisfy a want or need, including physical goods, services, experiences, events, persons, places, properties, organizations, information, and ideas” (Kotler & Keller, 2012, p. 325). Many attributes of a product can affect consumer’s behavior, for instance, the physical appearance of a product can attract customers that will end up purchasing it (Peter & Donnelly, 2007).
- **Place/Distribution:** “Place is concerned with all the decisions involved in getting the “right” product to the target market’s place” (Perreault & McCarthy, 2002, p. 48). Distribution also can influence customers in several ways, for example, evidence shows that convenience takes a significant role in consumer’s purchase decision (Jaravaza & Chitando, 2013).
- **Price:** “Price is the amount of money customers must pay to obtain the product” (Kotler, Armstrong, & Harris, 2013, p. 53). Previous studies have demonstrated that the price has a direct impact on consumers’ satisfaction. Depending on customers’ perception of price fairness they may change their preferences for competing

alternatives (Alba, Mela, Shimp, & Urbany, 1999; Herrmann, Xia, Monroe, & Huber, 2007; Bertrand, Karlan, Mullainathan, Shafir, & Zinman, 2010).

- **Promotion:** “Promotion refers to activities that communicate the merits of the product and persuade target customers to buy it” (Kotler & Armstrong, 2013, p. 77). Research shows that sales promotions affect consumers’ perception of the product, thereby triggering their purchase decisions (Hao, 2008; Shrestha, 2012).

2.2. Study subjects

This paper focuses on studying the music industry in the U.S. and South Korea, particularly, pop music. However, to illustrate a better picture of the industry, one symbolic act from each country is selected as a subject of example. The two artists chosen are Justin Bieber and EXO.

Justin Bieber is a Canadian pop singer signed by Island Records (a division of Universal Music Group¹), and he primarily operates in the U.S. He has many albums and singles that went platinum² in several countries (Billboard, 2015). Bieber developed a strong global fan base, named “Beliebers”. According to Forbes Magazine, in 2014, he was one of the top 100 most powerful celebrities in the world (Forbes, 2015).

EXO is a 9-member South Korean boy band, formed by S.M. Entertainment³ in 2012, with members from South Korea and China. They became the first million sellers in the country during the last 12 years (KpopStarz, 2014). Same as Justin, EXO also has a strong global fan base, called EXO-Ls. In 2015, EXO was chosen as the most influential South Korean celebrity by Forbes magazine (Herman, 2015).

This section described the four elements of the marketing mix and their impact on consumer behavior, as well as the subjects of study. The next section is going to present the marketing mix of the music industry in the U.S. and South Korea.

¹ Universal Music Group is an American worldwide music corporation founded in 1934. After its acquisition of EMI Music in 2012, it became the largest music corporation in the world.

² “Go platinum” in the U.S. means that a single or album has sold over 1million units. However, the quantity may vary depending on the country.

³ S.M. Entertainment is a South Korean entertainment company founded in 1995. Nowadays it is the largest entertainment company in South Korea.

3. Empirical Study

This section is intended to define the music industry in the U.S. and South Korea from a marketing point of view by exploring the four elements (4Ps) of the marketing mix.

3.1. Product

There is a distinction between the product and the format that this is delivered. In the case of the music industry, music is the core product and can be delivered in different formats such as singles, studio albums or extended plays in a physical or digital format (Hull & Hutchison, 2011). Music involves three elements: the performer (singer), the performance (visual and auditory) and the music composition (song and lyrics) (Lathrop & Pettigrew, 1999). In a record label, Artist and Repertoire (A&R) department is responsible for studying the consumer tastes and finding creative elements to satisfy them while keeping up with the trend (Hull & Hutchison, 2011). The outcome is highly attached to the production process; therefore, the process of making music should be considered.

Pre-production

In the U.S. most singers are discovered by talent scouts or people that are in the recording industry and then recommended to a recording label (Thompson, 2013). They can be discovered through many ways, such as social media, showcase, competitions or demo tapes. Hence, artists need to “sell” themselves to get signed, with the premise that they are talented enough to debut.

In the case of Justin Bieber, he was discovered by Scooter Braun on YouTube. Braun recommended him to Usher, who led the signature of the contract with Raymond Braun Media Group⁴ and, later, with Island Records (Mitchell, 2009).

By contrast, South Korea follows a different system. The entertainment agencies have talent scouts and auditions around the world to recruit young (mainly Asian)

⁴ Raymond Braun Media Group (RBMG) is a joint venture record label between Scooter Braun’s Schoolboy Records and R&B superstar Usher Raymond.

trainees that have the potential to be a star (by looks and/or talent) (Leung, 2012). After the recruitment process, they will be trained for several years to develop their singing, dancing, and foreign language skills, and also fitness (KCIS, 2011). Once the company decided to debut a band⁵, some trainees are selected to be trained together. The company makes sure that all selected members are talented enough to make their debut.

Former members of EXO were recruited in Canada, China, and South Korea, some by looks (Sehun, Lay) and others by talent (Chen, Baekhyun). They have been trained from 11 months up to 6 years.

Production

The music production process is universal, since the same pattern is followed (composing, songwriting, tracking/recording, mixing, mastering and manufacturing) and the same personnel is involved (artist, producers, songwriters, mixers, audio engineer, and master engineer) (Anderton, Dubber, & James, 2013). Additionally, more personnel is required to make the music video.

Nonetheless, the two countries follow a different strategy. The production process in the U.S. is internalized, and the artist is also a songwriter of his songs. Whereas in South Korea the process is globalized (Seo, 2012) and typically the artist has no involvement in the creation process (see Table 1).

Song (Artist)	Songwriters		Producer	Choreographer
	Lyrics	Music		
“What do you mean?” (Justin Bieber)	Justin Bieber (Canada), Jason Boyd (U.S.), Mason “Mdl” Levy (U.S.)		MDL (U.S.), Justin Bieber (Canada)	-
“Call me baby” (EXO)	Joo Yoon-Kyung (South Korea), Jan8 (South Korea), Kim Dong-Hyun (South Korea)	Teddy Riley (U.S.), DOM (-), Lee Hyun-Seung (South Korea), J.SOL (U.S.), Dantae Johnson (British)	Lee Soo-man (South Korea)	Nappytabs (U.S.)

Source: iTunes, WoW!Korea

Table 1: Credits of the songs “What do you mean” (Justin Bieber) and “Call me maybe” (EXO)

⁵ Unlike in western countries, where most acts are soloists, the South Korean music industry is characterized by bands.

Music

Music is the outcome of the whole production process. Each song or album has its own characteristics that make it unique in the music market. However, as a consequence of globalization, music hybridity can be found.

Music can be classified in many genres, and each one has its distinct style. As mentioned before, pop music is selected as the genre to be studied. Pop music is characterized to have: a verse-chorus structure, melodic tunes and repetitive choruses that make it catchy. Apart from these common features, there are differences between American and South Korean pop music.

American pop music is more sexual oriented (visually and aurally) and sometimes it contains a dance part in the music video, but the musical content is deemed to be more important for success than the visual content. Since the singer contributes in the writing process, part of the song's originality comes from the artist.

Whereas, in K-pop, lyrics are about innocent love and artists dance in a perfect synchronization to the music during the entire song. Moreover, the visual appearance of the artists is conceived to be more important than their talent (Leung, 2012). The visual content is considered to be at least (if not more) as important as the musical content. The uniqueness of the music does not come from the artist, but from the production team.

Table 2 represents an example of the lyrical content.

“What do you mean” (Justin Bieber)	[...] First you wanna go to the left then you wanna turn right Wanna argue all day, make love all night First you're up, then you're down and then between Oh, I really want to know... [...]
“Call me baby” (EXO)	[...] Baby girl, even among all the greed and all the words You showed that you believe in me Even if everyone changes and leaves me, you are my lady All I need is for you to hold my hand [...]
<i>Source: musixmatch, kpolyrics</i>	

Table 2: Lyrics of the songs “What do you mean” (Justin Bieber) and “Call me baby” (EXO)

3.2. Place/ Distribution

Once music has been recorded and manufactured, it needs to be made available on the market. Depending on the format, recorded music can be sold in a variety of locations (Hull & Hutchison, 2011). Since the main goal of distribution is to provide convenience, companies should make their music available at the most common places to purchase it.

As previously mentioned, the proportion of global physical sales have been diminished in favor of digital sales, and by 2014, they equaled ([see figure 1](#)). Digital sales represented 71% in the U.S.⁶ and 58% in South Korea while physical sales represented 26% and 38% respectively (Mandy, 2015).

Physical distribution

Customers can purchase physical albums from local retail stores or online stores such as Amazon (the U.S.) or Gmarket (South Korea). Distributors are the ones in charge of delivering albums to retail stores.

From one side, each one of the major recording labels in the U.S. has its own international distribution network (Universal Music Group's UMVD, Sony Music Entertainment's SME and Warner Music Group's WEA⁷) (Anderton, Dubber, & James, 2013). From the other side, in 2010 South Korea's major entertainment companies (S.M. Entertainment, YG Entertainment, and JYP Entertainment) together with other businesses, established a joint venture (KMP Holdings⁸) to distribute their music in South Korea; whereas for overseas distribution they rely on international distributors (Shin & Kim, 2013).

Since Justin Bieber is operating under The Island Def Jam Music Group (a division of Universal Music Group), his music is distributed through UMVD. EXO is under SM Entertainment. Therefore, their music is being circulated by KT Music in South Korea, and by AVEX and Universal Music in other countries.

⁶ Includes digital performance rights distributions by SoundExchange

⁷ Updated with the acquisition of EMI by Universal Music Group in 2012

⁸ In 2012 KMP Holdings was acquired by KT Music

Digital distribution

As previously mentioned, digital sales represent the major source of income of the music industry.

In the U.S., there are many online retailers, but the most important one is iTunes followed by Amazon MP3 and Google Play Music (Crupnick, 2015). The best way to get placement on iTunes Store is through a digital distributor (IODA, TuneCore or The Orchard) (Hutchison, 2013).

Besides using iTunes and Google Play Music, South Korea also has its own digital stores where the most popular one is MelOn followed by Genie and Mnet (Tistory, 2015). Genie is owned by KT Music, which SM Entertainment is one of the shareholders. However, to make it more convenient to their costumers, their music is also available on other digital platforms.

Moreover, distribution is not only distribution for sale, but also online streaming and music media distribution (synchronization and public performance) (Anderton, Dubber, & James, 2013). For instance, streaming music services, such as Spotify (the U.S.) or MelOn (South Korea), pays royalties to the owners of the music (Spotify, 2013).

3.3. Price

According to Lathrop and Pettigrew (1999), in the music industry prices are quite standardized, so companies should mainly focus on balancing the costs and the number of estimated sales while keeping in mind the expected profit.

Nowadays, there are two main ways to “consume” music⁹: purchasing from a retailer or through a streaming service.

In the U.S. customers can buy songs individually through online retailers. Since 2009, depending on what labels charge Apple, iTunes will charge one of three price points: \$0.69, \$0.99 and \$1.29 (the most common one) (Apple, 2009). Customers can also purchase the entire album (physical or digital) for an average price of \$8.60 ([see Annex 4](#)). However, nowadays streaming services are gaining momentum over traditional purchases (Crupnick, 2015). With Spotify people can listen to music for free with ads (Spotify free) or paying a monthly fee (Spotify Premium) of \$9.99. The benefits of Spotify Premium is that users can listen to any song without the distraction of ads, offline and with high-definition sound (Spotify, 2015).

However, in South Korea is not possible to buy just one song, With MelOn, people can pre-pay a monthly fee for a package of a certain number of downloads (min. 30 max. 150). With the pre-paid package, a song can cost from ₩93.33 (\$0.06) to ₩216.67 (\$0.19) ([see Annex 5](#)). Similarly, the only way to buy an entire digital album is by purchasing a pre-paid package and then download all the songs of the album. It can be noticed that the price of MelOn for digital songs is much lower than in the U.S. with iTunes; with the price of buying one song on iTunes (\$1.29), people can buy roughly 7 to 22 songs on MelOn. There are two main reasons why prices are so much lower in South Korea:

- **Discourage piracy.** Charging low prices for digital songs will incentive people to purchase music legally (Chiu, Lin, Lee, Nieh, & Chen, 2008). Because they will perceive it as very cheap and they will be indifferent between buying music legally and pirating it.

⁹ Here we refer to the consumption when customers pay to listen music.

- **Entry barrier.** Having low prices in the market will avoid the entrance of foreign competitors (Messerlin & Shin, 2013). Companies are reluctant to enter a market with low profit; this is why iTunes, the most popular music store in the world, has no service in South Korea.

Despite that, the average price of K-pop physical albums is \$10.8 ([see Annex 4](#)), which is slightly higher than the American ones because they also come with additional elements such as photo books and collective photo cards. Moreover, MelOn also offers a streaming service similar to Spotify with a similar price: streaming without ads for \$5.64 and streaming with offline downloads for \$8.24.

3.4. Promotion

Promotion of a recording involves all the activities of informing and motivating the buyer, including publicity, advertising, radio promotion, retail promotion, music videos, grassroots marketing, new media marketing, tour support and special markets and products (Hull & Hutchison, 2011). This paper focuses on the main ones used by the American and South Korean music industry to promote an artist's new album/song.

Since the early 1980s with the introduction of MTV, music video has become an essential part of the recording industry, as they are perceived to be an effective way to promote artists while having an indirect impact on sales (Banks, 1997). Moreover, recent years, social media became a rising tool for viral marketing¹⁰ (Miller & Lammas, 2010). YouTube is an obvious example of the mix of the two elements; it is a social media that provides a platform to start a viral campaign by sharing music videos through other social sites (Facebook, Twitter). YouTube is used both in the U.S. and South Korea as one of the main tools to promote music. However, even though online promotions are gaining popularity in the recording industry, traditional mass media platforms (press, radio, televisions) are still essential promotional tools in the music industry (Anderton, Dubber, & James, 2013).

Most of the U.S. record companies have shifted their marketing budget towards digital promotion as it allows to target more directly to potential customers. However, companies have to deal with the high online marketing costs and keep advertising on traditional media for artist awareness (IFPI, 2014). On the one hand, during the first stage of the promotion cycle artists may have more appearance on TV shows, such as “The Tonight Show”, “The Ellen DeGeneres Show” and “The Today Show”, together with intensive radio airplay. Then, after a short period, artists will start their world tour promoting their new album. On the other hand, artists constantly post new contents on their social sites (Facebook, Twitter, Instagram) to keep their fans engaged even after the promotion period.

¹⁰ According to Hutson (2013), viral marketing is a strategy that motivates people to pass the marketing message to their friends, disseminating the message exponentially each time it reaches a wider audience.

A month before the release of his new single “What do you mean?”, Justin Bieber started the countdown on Twitter by posting every day a photo with a celebrity holding up a sign with the title of the song. His active presence on social media together with a strong promotional background in all kinds of media contributed to the success of his single. In just one week, his single ranked No. 1 Song on the Billboard Hot 100 chart (Trust, 2015).

Similarly, K-pop artists also use different kinds of media to promote their music. Among them, social media is the foremost one. According to previous studies (Cha & Kim, 2011; Oh & Park, 2012), social media has been one of the key factors in rising K-pop’s global popularity. K-pop artists also use the same social networks as their fans (YouTube, Twitter, Facebook, and Instagram), which allows an easier way to interact with their global fans. In contrast to the U.S., South Korean music industry gives much more weight to TV appearances. Music programs is a fundamental way to promote music in South Korea. K-pop artists appear massively on music programs during their promotion cycle to make their “debut” and “comeback¹¹” (Leung, 2012). Each music show every week awards the artist whose song has been ranked first in their chart. Furthermore, k-pop artists appear frequently on popular reality shows (Running man, Star King, Infinite Challenge), and they might even have their own reality shows.

As a result of their intensive promotions on music programs, EXO’s single “Call me baby” has received 18 music show trophies (Kokoberry, 2015). Moreover, thanks to the social media, EXO’s album EXODUS topped the iTunes charts in many countries where SM Entertainment did not do any promotion (Ddangha, 2015).

The upshot of this section is that the marketing mix used by the U.S. music industry is mainly different from the one employed in South Korea with some similarities. The next section will provide a conclusion of this paper.

¹¹ Different than the way this term is used in the West, in k-pop the term “comeback” means the stage when the artist return with a new album/single, even s/he has not been on hiatus.

4. Conclusions

This part concludes the paper with a brief review of the main findings, a description of the limitations and a suggestion for further research.

Nowadays, people can listen and hear music everywhere. The technological advances triggered the popularity of music. Physical sales lost market share in favor of digital sales, but the absolute increase in digital sales is smaller than the absolute decrease in physical sales, which led to the reduction in the market size. Therefore, the technology also “ruined” the music industry.

However, given that the U.S. and South Korea reported good signs about their music industry over the past years, this paper attempted to explore the 4Ps of the marketing mix of their music industry to identify the similarities and differences behind their successes.

This study found some similarities between the music industry in the U.S. and South Korea, which are mainly related to the globalization through the internet. For instance, they both use popular social media (YouTube, Twitter, and Facebook) and popular online music stores (iTunes, Google Play Music).

However, the music industries in these countries have their own idiosyncrasies, and that is why more differences than similarities are found. These differences are derived from several factors. For example, the lyrics of South Korean songs are about innocent love because they cannot contain certain topics such as violence, drugs, tobaccos, or sex, due to cultural values and government regulations (Jang & Kim, 2013). Also, since the American major labels are the leaders in the global music industry, they do not need to rely on external distributors, whereas South Korean companies do. Moreover, the music industry in South Korea is small compared to the U.S.; thereby they need to protect their market from foreign competitors by cutting their prices to prevent foreign competition.

This paper presented the general characteristics of the popular music industry in the U.S. and South Korea without taking into account some exceptions. Additionally, this article is made based on the information available and accessible by the author, and the time and space constraints have set some limitations to the scope of the study.

For further research, primary sources such as interviews with the major players in the music industry (songwriters, artist managers, record labels, distributors) should be gathered to have a complete picture of the marketing mix employed by the music industry in the U.S. and South Korea.

References

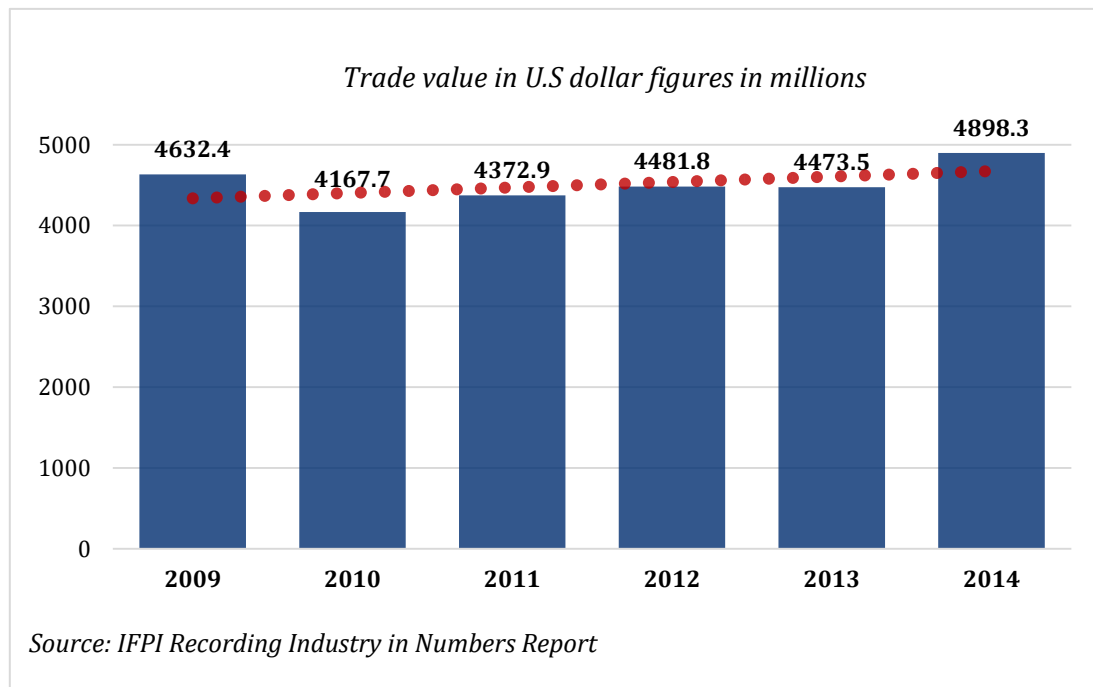
- Alba, J. W., Mela, C. F., Shimp, T. A., & Urbany, J. E. (1999). The effect of discount frequency and depth on consumer price judgements. *Journal of Consumer Research*, 26(2), 99-114.
- Anderton, C., Dubber, A., & James, M. (2013). *Understanding the Music Industries*. SAGE Publications.
- Apple. (2009, January 6). *Changes Coming to the iTunes Store*. Retrieved November 17, 2015, from Apple: <http://www.apple.com/pr/library/2009/01/06Changes-Coming-to-the-iTunes-Store.html>
- Banks, J. (1997). Video in the machine: the incorporation of music video into the recording industry. *Popular Music*, 16(3), 293-309.
- Bertrand, M., Karlan, D., Mullainathan, S., Shafir, E., & Zinman, J. (2010). What's Advertising Content Worth? Evidence from a Consumer Credit Marketing Field Experiment. *The Quarterly Journal of Economics*, 125(1), 263-306.
- Billboard. (2015). *Justin Bieber Biography*. Retrieved from Billboard.com: <http://www.billboard.com/artist/305459/justin-bieber/biography>
- Burkart, P. (2014). Music in the Cloud and Digital Sublime. *Popular Music and Society*, 37(4), 393-407.
- Cha, H., & Kim, S. (2011). A Case Study on Korean Wave: Focused on K-POP Concert by Korean Idol Group in Paris, June 2011. *Multimedia, Computer Graphics and Broadcasting*, 263, 153-162.
- Chiu, H.-C., Lin, Y.-M., Lee, M., Nieh, M.-E., & Chen, H.-C. (2008). How to discourage online music piracy. *International Journal of Management and Enterprise Development*, 5(6), 723-738.
- Constantinides, E. (2006). The Marketing Mix Revisited: Towards the 21st Century Marketing. *Journal of Marketing Management*, 22(3-4), 407-438.
- Crothers, L. (2013). *Globalization and American Popular Culture*. Plymouth: Rowman & Littlefield Publishers.

- Crupnick, R. (2015, April 9). *One Third of US Consumers Still Buy Music Downloads, Even as Streaming Gains Momentum*. Retrieved November 17, 2015, from Music Watch: <http://www.musicwatchinc.com/blog/one-third-of-us-consumers-still-buy-music-downloads-even-as-streaming-gains-momentum/>
- Ddangha. (2015, March 30). *EXO Tops Various iTunes Charts around the World with "EXODUS"*. Retrieved November 20, 2015, from Soompi: <http://www.soompi.com/2015/03/30/exo-tops-various-itunes-charts-around-the-world-with-exodus/>
- Forbes. (2015). *Justin Bieber Profile*. Retrieved from Forbes.com: <http://www.forbes.com/profile/justin-bieber/>
- Goi, C. (2009). A Review of Marketing Mix: 4Ps or More? *International Journal of Marketing Studies*, 1(1), 2-15.
- Hao, L.-g. (2008). How business sales promotion schemes to affect consumer behavior: Theory review. *East China Economic Management*, 22(4), 132-136.
- Herman, T. (2015, March 4). *EXO Top Forbes Korea List Of Most Powerful Korean Celebrities Despite Recent Lineup Changes*. Retrieved from KpopStarz.com: <http://www.kpopstarz.com/articles/180536/20150304/exo-top-forbes-korea-list-of-most-powerful-korean-celebrities.htm>
- Herrmann, A., Xia, L., Monroe, K. B., & Huber, F. (2007). The influence of price fairness on customer satisfaction: an empirical test in the context of automobile purchases. *Journal of Product & Brand Management*, 16(1), 49-58.
- Hull, G. P., & Hutchison, T. (2011). *Music Business and Recording Industry : Delivering Music in the Twenty-First Century* (3rd ed.). New York: Taylow and Francis.
- Hutchison, T. (2013). *Web Marketing for The Music Business* (2nd ed.). Burlington: Focal Press.
- IFPI. (2014). *Investing in Music*. IFPI.
- IFPI. (2015a, April 14). *IFPI publishes Digital Music Report 2015*. Retrieved from IFPI: <http://www.ifpi.org/news/Global-digital-music-revenues-match-physical-format-sales-for-first-time>

- IFPI. (2015b). *Recording Industry in Numbers 2014*. London: International Federation of the Phonographic Industries.
- Jang, W., & Kim, Y. (2013). Envisaging the Sociocultural Dynamics of K-pop: Time/Space Hybridity, Red Queen's Race, and Cosmopolitan Striving. *Korea Journal*, 53(4), 83-106.
- Jaravaza, D. C., & Chitando, P. (2013). The role of store location in influencing customers store choice. *Journal of Emerging Trends in Economics and Management Sciences*, 4(3), 302-307.
- KCIS. (2011). *K-POP: A New Force in Pop Music*. Seoul: Korean Culture and Information Service Ministry of Culture, Sports and Tourism.
- Kokoberry. (2015, May 2). *EXO Gets 18th Music Show Win for "Call Me Baby" on "Music Core"*. Retrieved November 20, 2015, from Soompi: <http://www.soompi.com/2015/05/02/exo-gets-18th-music-show-win-for-call-me-baby-on-music-core/>
- Kotler, P., & Armstrong, G. (2013). *Principles of Marketing, Global Edition* (15th ed.). Harlow: Pearson Education Limited.
- Kotler, P., & Keller, K. L. (2012). *Marketing Management* (14th ed.). Upper Saddle River: Prentice Hall.
- Kotler, P., Armstrong, G., & Harris, L. (2013). *Principles of Marketing European Edition* (6th ed.). Harlow: Pearson Education Limited.
- KpopStarz. (2014, January 7). *SM-YG-JYP Entertainment New Idol Group War? WINNER, GOT7, SM Rookies*. Retrieved from KpopStarz.com: <http://www.kpopstarz.com/articles/72447/20140107/sm-yg-jyp-entertainment-new-idol-group-war-winner-got7.htm>
- Lathrop, T., & Pettigrew, J. J. (1999). *This Business of Music Marketing and Promotion*. New York: Billboard Books.
- Leung, S. (2012). Catching the K-Pop Wave: Globality in the Production, Distribution, and Consumption of South Korean Popular Music. *Senior Capstone Projects*, Paper 149.

- Mandy. (2015, May 27). *WHAT'S UP? GLOBAL MUSIC SALES*. Retrieved November 5, 2015, from Billboard Radio China: <http://www.billboardradiochina.com/story/What-s-Up-Global-Music-Sales-en>
- Messerlin, P. A., & Shin, W. (2013). The K-pop Wave: An Economic Analysis.
- Meza, X. V., & Park, H. (2015). Globalization of cultural products: a webometric analysis of Kpop in Spanish-speaking countries. *Qual.Quant*, 49(4), 135-1360.
- Miller, R., & Lammas, N. (2010). Social media and its implications for viral marketing. *Asia Pacific Public Relations Journal*, 11(1), 1-9.
- Mitchell, G. (2009, April 28). *Usher Introduces Teen Singer Justin Bieber*. Retrieved November 7, 2015, from Billboard: <http://www.billboard.com/articles/news/268791/usher-introduces-teen-singer-justin-bieber>
- officialpsy. (2012, July 15). *PSY - GANGNAM STYLE(강남스타일) M/V*. Retrieved November 2, 2015, from YouTube: <https://www.youtube.com/watch?v=9bZkp7q19f0>
- Oh, I., & Park, G.-s. (2012). From B2C to B2B: Selling Korean Pop Music in the Age of New Social Media. *Korea Observer*, 43(3), 365-397.
- Parry, G., Bustinza, O. F., & Vendrell-Herrero, F. (2012). Servitization and Value Co-production in the UK Music Industry: An empirical study of consumer attitudes. *International Journal of Production Economics*, 135(1), 320-332.
- Perreault, W. D., & McCarthy, E. J. (2002). *Basic Marketing: A Global-Managerial Approach* (14th ed.). New York: McGraw-Hill/Irwin.
- Peter, P. J., & Donnelly, J. H. (2007). *Marketing Management: Knowledge and Skills* (8th ed.). Boston: McGraw-Hill/Irwin.
- Sahlman, J. Digital music distribution channels for independent bands. *Master thesis*. Laurea University of Applied Sciences.
- Seo, M.-S. (2012). Lessons from K-pop's Global Success. *SERI Quarterly*, 5(3), 60-66.
- Shin, S. I., & Kim, L. (2013). Organizing K-Pop: Emergence and Market Making of Large Korean Entertainment Houses, 1980-2010. *East Asia*, 30(4), 255-272.

- Shrestha, A. Effects of Sales Promotion on Purchasing Decision of Customer: A Case Study of Baskin Robbins Ice-Cream Franchise Thailand. *Master Thesis*. The Graduate School of Bangkok University.
- Spotify. (2013). *Spotify Explained*. Retrieved November 12, 2015, from Spotify Artists: <http://www.spotifyartists.com/spotify-explained/>
- Spotify. (2015). *Spotify Premium*. Retrieved November 17, 2015, from Spotify: <https://www.spotify.com/us/premium/>
- Tistory. (2015, July 29). *Market Share Analysis of Digital Music Retailers*. Retrieved November 18, 2015, from Tistory: <http://yulizen.tistory.com/191>
- Toll, R. C. (1982). *The Entertainment Machine*. Oxford: Oxford University Press.
- Trust, G. (2015, September 8). *Justin Bieber Scores First Hot 100 No. 1 With Debut of 'What Do You Mean?'*. Retrieved November 19, 2015, from Billboard: <http://www.billboard.com/articles/columns/chart-beat/6685975/justin-bieber-what-do-you-mean-first-hot-100-number-one>
- Tuk, W. The Korean Wave: Who are behind the success of Korean popular culture? *Master Thesis*. Leiden University.
- Um, H., Sung, S.-Y., & Fuhr, M. (2014). *K-pop on the Global Platform: European Audience Reception and Contexts*. Seoul: Korea Foundation of International Culture Exchange(KOFICE).
- Weissman, D. (2015). *Understanding the Music Business*. New York: Routledge.

Annex**Annex 1:****Figure 2:** United States Recorded Music Industry Revenue 2009-2014

Annex 2:

	2014	sales	2013	sales	2012	sales	2011	sales	2010	sales	2009	sales
1	USA	4898.3	USA	4473.5	USA	4481.8	USA	4372.9	USA	4167.7	USA	4632.4
2	Japan	2627.9	Japan	3012	Japan	4422	Japan	4087.7	Japan	3958.6	Japan	4049.6
3	Germany	1404.8	Germany	1365.1	UK	1325.8	Germany	1473.7	Germany	1412.2	UK	1573.8
4	UK	1334.6	UK	1303.5	Germany	1297.9	UK	1433.7	UK	1378.5	Germany	1533.3
5	France	842.8	France	956.2	France	907.6	France	1002.2	France	866.1	France	947.7
6	Australia	376.1	Australia	430.8	Australia	507.4	Australia	475.2	Canada	394.2	Canada	395.9
7	Canada	342.5	Canada	424.1	Canada	453.5	Canada	434	Australia	392.7	Australia	381.6
8	S.Korea	265.8	Italy	238.8	Brazil	257.2	Brazil	262.6	Netherlands	261.4	Netherlands	265.4
9	Brazil	246.5	Brazil	227.9	Italy	217.5	Netherlands	240.2	Italy	237.1	Italy	252
10	Italy	235.2	S.Korea	221.3	Netherlands	216.3	Italy	239.9	Brazil	228.5	Spain	245.9
11	Netherlands	204.8	Netherlands	205.6	S.Korea	187.5	S.Korea	199.5	Spain	186.5	Brazil	203.7
12	Sweden	189.4	Sweden	194.2	Sweden	176.7	Spain	190	S.Korea	178.4	Switzerland	177.7
13	Spain	181.1	Spain	150.7	Spain	166.6	Switzerland	158.3	Switzerland	161.6	Belgium	167.1
14	Mexico	130.3	Mexico	135.4	India	146.7	Sweden	155.3	India	159	Austria	145.1
15	Norway	119.9	Norway	120	Mexico	144.5	Mexico	141.2	Belgium	149.7	S.Korea	144.8
	Global	14966	Global	15029.5	Global	16480.6	Global	16645.9	Global	15932.2	Global	17026

Source: IFPI's "Recording Industry in Numbers" report

Table 3: Recorded Music Sales Top 15 Markets Summary (Trade value in U.S dollar figures in millions)

Annex 3:

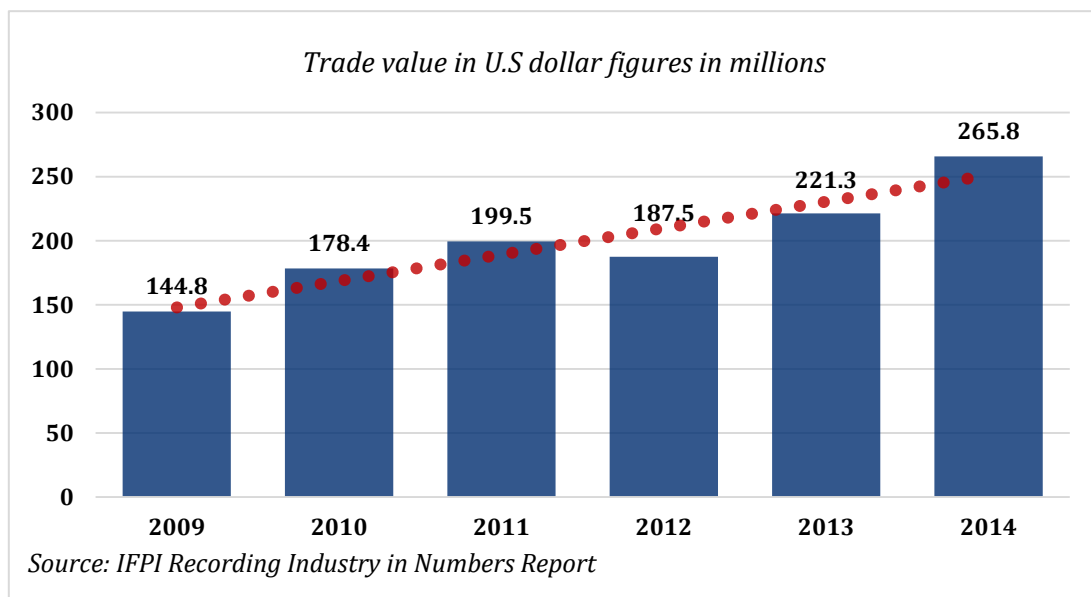


Figure 3: South Korea Recorded Music Industry Revenue 2009-2014

Annex 4:

Artist (Album)	Digital			Physical	
	Single song	Album	Song per album	Album	Song per album
Justin Bieber (Purpose)	\$1.29	\$6.99	\$0.54	\$15.99 ¹²	\$0.88
Megan Trainor (Title)	\$1.29	\$9.99	\$0.91	\$9.99	\$0.66
Imagine Dragons (Smoke+Mirrors)	\$1.29	\$7.99	\$0.61	\$6.99	\$0.53
Coldplay (A Head Full of Dreams)	\$1.29	\$9.99	\$0.91	\$9.99	\$0.91
Lana del Rey (Honeymoon)	\$1.29	\$7.99	\$0.57	\$6.99	\$0.50
EXO (EXODUS)	\$1.29	\$11.99	\$1.20	\$10.89 (₩12,400)	\$1.09 (₩1,240)
f(x) (4 Walls)	\$1.29	\$10.99	\$1.10	\$10.45 (₩11,900)	\$1.05 (₩1,190)
Ailee (VIVID)	\$1.29	\$9.99	\$0.91	\$9.84 (₩11,200)	\$0.98 (₩1,120)
FTISLAND (I Will)	\$1.29	\$9.99	\$0.91	\$11.42 (₩13,000)	\$1.04 (₩1,182)
Wonder Girls (Reboot)	\$1.29	\$11.99	\$0.99	\$11.42 (₩13,000)	\$0.88 (₩1,000)

Source: iTunes, Amazon and Gmarket

Table 4: Digital (iTunes) and Physical prices for music in the U.S and South Korea

¹² Deluxe edition

Annex 5:

Service	Price	Price per song
Streaming only	₩6,500 (\$5.64)	
Streaming + unlimited DRM downloads	₩9,500 (\$8.24)	
Pre-paid 30 download package	₩6,500 (\$5.64)	₩216.67 (\$0.19)
Pre-paid 40 download package	₩7,500 (\$6.50)	₩187.50 (\$0.16)
Pre-paid 50 download package	₩8,500 (\$7.37)	₩170 (\$0.15)
Pre-paid 100 download package	₩10,500 (\$9.10)	₩105 (\$0.09)
Pre-paid 150 download package	₩14,000 (\$12.14)	₩93.33 (\$0.08)
Streaming + pre-paid 30 download package	₩9,500 (\$8.24)	
Streaming + pre-paid 40 download package	₩10,500 (\$9.10)	
Streaming + pre-paid 50 download package	₩11,500 (\$9.97)	
Streaming + pre-paid 100 download package	₩13,500 (\$11.71)	
Streaming + pre-paid 150 download package	₩17,000 (\$14.74)	
<i>Source: MelOn (All services listed are for 30 days).</i>		
<i>USD prices are obtained from the exchange rate on 29/11/2015</i>		

Table 5: MelOn prices for different services