

# The Decoupling within the Korean Music Streaming Industry: The Growth of YouTube Music and the Downturn of MelOn

Yujun Park<sup>\*</sup>, Seongcheol Kim<sup>°</sup>

## ABSTRACT

YouTube has assisted the Korean music industry by enabling the globalization of K-pop with a utilization of global audience and recommendation algorithms. YouTube and YouTube Music - a subsidiary service of itself - have not only become influential enough to represent the global media trend but have also been impeding local regions. Therefore, it is critical to understand the rise of YouTube Music and the downturn of local leader, MelOn. The purpose of this study is to investigate the unprecedented decoupling phenomenon in the Korean music streaming industry, exploring the factors that led to the lost momentum of local leader, MelOn, and the global player YouTube Music's outperformance of MelOn. A mixed method, combining a business model and SWOT analysis, was conducted to discover the competitiveness of each service provider. The findings indicate that MelOn is inescapably losing consumers to the global giant owning competitiveness across multiple dimensions. The research holds practical implications to sustain the local music industry and provides an academic lens to analyze similar cases in other local industries threatened by global players.

**Key Words** : Korean music streaming industry, K-pop, YouTube Music, MelOn, SWOT analysis, business model

## I. Introduction

YouTube Music was launched as a global service in November 2015. Although the early stages of its entry into the Korean market hardly showed any impact for years, growth suddenly began in 2019 along with a significant increase in YouTube Premium subscribers. A mere 250K monthly active users (MAU) in the Korean music streaming industry has reached 5.21 million as of April 2023<sup>[20,27]</sup>. Meanwhile, MelOn, the once-dominant leader of the Korean music streaming industry, experienced a loss of momentum, and its market share fell from its peak of 62.2% to 29.9%<sup>[7,9]</sup>. Once MelOn was the “best

seller” among multiple competitors in its home ground; YouTube Music has managed to penetrate a foreign market occupied by the local leader and eventually garnered the most MAU for the music streaming service in the local region. Hence, it can be inferred that YouTube Music may retain and deliver differentiating value propositions to local consumers that MelOn did not provide.

To date, there has been a paucity of research comparing local and global music streaming services to examine the factors that induce an increase or decrease in market growth, specifically in Korea. This gap in research shows the necessity of studying MelOn's lost momentum and its once-dominant

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• First Author : School of Media and Communication, Korea University, maskedbeast@korea.ac.kr, 학생회원

° Corresponding Author : School of Media and Communication, Korea University, hiddentrees@korea.ac.kr, 종신회원

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market share absorbed by the foreign latecomer YouTube Music. YouTube Music is noteworthy because other global players, such as Apple Music and Spotify, have also entered the Korean music streaming market. However, their influence on users is scarce, contributing to less than 2% of the total market share to date<sup>[12,32]</sup>.

In summary, this simultaneous dynamic, in which MelOn is going downhill and YouTube Music is experiencing remarkable growth, is seemingly abnormal, indicating what is called a decoupling phenomenon. This phenomenon has been observed in other platform industries. There are multiple foreign intruders in local domains, as exemplified by Google in the search engine market, Netflix in the OTT market, and eBay in the e-commerce market<sup>[13,19,28]</sup>. Accordingly, it is critical to examine the key factors that led to the unprecedented growth of global players and the downturn of local incumbent players. Thus, the aim of this study is to analyze the factors leading to MelOn losing market dominance in its home ground, as well as the factors leading to the growth of YouTube Music. An adaptive research framework combining a business model and SWOT analysis was used to investigate the differentiating values of MelOn and YouTube Music in the Korean music streaming industry.

## II. Literature Review

### 2.1 YouTube, the enabler of the globalization of K-pop

YouTube opened a universal channel which can amass and distribute media contents from global users, acting as an online platform embedded with social media service. Its significance lies in the contribution to the change of the media consumption from traditional media to new media via the Internet, preferably known as the Over-the-top (OTT) service<sup>[3]</sup>. Acknowledging YouTube as a global mainstream, relevant business stakeholders, including K-pop entertainment firms, started to utilize it as a strategic fortress<sup>[22]</sup>. Eventually, the impact of YouTube on K-pop industry led to an accumulation of new audience and networks from local and external

domains, enlarging the culture of fandom community<sup>[23]</sup>.

Previous studies confirmed that YouTube, from a macroeconomic perspective, has assisted the Korean music industry by enabling the globalization of K-pop with a utilization of global audience and recommendation algorithms<sup>[22,23]</sup>. However, academia has not yet explored a microeconomic view regarding how YouTube has affected the birth land of K-pop. YouTube and YouTube Music - a subsidiary service of itself - has not only become influential enough to represent the global media trend but also been impeding local regions. So, it is critical to understand the factors leading to the growth of YouTube Music in the Korean music industry. An academic attempt to understand the prevailing dominance by YouTube Music may lead to new insights for restoring the competitiveness of local music industry in Korea.

### 2.2 Downturn of MelOn and the rise of YouTube Music

Korea had been autonomously providing digital music since the early 2000s. MelOn, one of the country's first music platforms, was launched in 2004 and accumulated nearly four million members in its first year through aggressive promotions supported by its parent company, SK Telecom. Eventually, MelOn had experienced its golden era, peaking 62.2% of market share in the local music streaming industry in 2017<sup>[7]</sup>. Despite of its reputation as the local leader in the music streaming industry, it has lost substantial numbers of local users and the firmness of its business model is now in question - MelOn has been losing consumers since 2018 and been outstripped by a gigantic competitor, not from the local domain, but from the global scene: YouTube Music.

Google launched YouTube Music as its own music streaming service in November 2015 under a freemium model. Its early stage in local domain, however, was stagnant. It merely accounted for 250K MAU, which is equivalent to 2.2% market share in 2017. Nevertheless, its growth started to accelerate, peaking up to 5.21 million MAU as of April 2023<sup>[17,27]</sup>. YouTube Music has taken over the local domain by owning the most local users in the Korean

music industry, outrunning MelOn which own 4.59 million MAU. MelOn no longer holds the title as the leading player in the home ground industry. Not all foreign streaming services have shown such growth in the Korean market: Apple Music, the first migrant to the local industry, still resides at more or less 2% of local market share<sup>[32]</sup>. Spotify, the global leader of the music streaming industry, also opened its service to local users in February 2021, but its influence is similar to that of Apple Music<sup>[12]</sup>.

In sum, MelOn, once the most prominent player in the local industry, has lost its momentum and has been losing decade-long market dominance, whereas YouTube Music, a subsidiary service within YouTube Premium, has managed to display atypical growth in a preoccupied market. The success of YouTube Music bears no resemblance to Apple Music or Spotify – the other latecomers to the local arena – as it is the only foreign entrant that has invigorated a meaningful influx of local users. Such a decoupling phenomenon within the local domain is worth an in-depth investigation.

### 2.3 Previous research on competitive factors of music streaming service

A systematic review of academic literature was conducted to understand the previous findings of competitive attributes of music streaming services that link to the decoupling phenomenon between MelOn and YouTube Music in the local domain. A primitive study in exploring switching intention of mobile music service found that the quality of interface, service, and price positively affect customer loyalty to the currently using service. It also articulated that the service quality and attractiveness of alternative services have a positive influence on switching intention<sup>[20]</sup>. Another study found that hedonic motivation, performance expectancy, habit, and price values all acted as significant factors for the intention to use a music streaming service and repurchase intention<sup>[24]</sup>. Similar research supported all four factors of a previous study and additionally supplemented new dimensions such as personalization and perceived freemium-premium fit to better articulate the relevance to drivers of customer

purchase to music streaming service<sup>[1]</sup>. A survey-based study showed that Koreans prioritize lack of advertisement over the advanced music recommendation function when choosing preference for music streaming service<sup>[15]</sup>. It also showed a willingness to pay of \$7.88 for a music streaming service by Korean participants while that of the U.S. participants was \$14.55, indicating that Korean consumers are willing to pay far less than the U.S. consumers for the music streaming service<sup>[15]</sup>.

In terms of a switching cost to a different music streaming service, research found that the economic factors were found significant as a moderator for switching costs, meaning that consumers are price-sensitive and willing to switch to a different service to pay less if possible<sup>[31]</sup>. Such finding is parallel with a case study of Bandcamp which identified the provision of free service and absence of advertisements as the critical success factors of a music streaming service<sup>[6]</sup>. In a nutshell, the findings of previous research overlap where the price value – including the value of complimentary service – is a critical factor to determine the competitiveness; hedonic motivation, performance expectancy, habit, and lack of advertisements were also found to be significant factors to consider for the business model. Table 1 shows a systematic review of previous articles that discovered factors contributing to the competitiveness of music streaming services.

Table 1. Systematic review of previous articles

	Price value (complimentary)	Hedonic motivation	Habit	Performance expectancy (service quality)	Personalization (recommendation service)	Freemium-Premium service	Lack of advertisement
Lee, 2012	✓			✓			
Park, 2020	✓	✓	✓	✓			
Barata et al., 2021	✓	✓	✓	✓	✓	✓	
Kim et al., 2017	✓						✓
Yang, 2016	✓						
Gerogiannis et al., 2016	✓						✓

### 2.4 Business model framework

The analysis of this research is based on the utilization of business model proposed by Johnson and

his colleagues<sup>[11]</sup>. A business model is an essential blueprint for every corporation to establish its process of creating, achieving, delivering, and selling value to consumers. This research applied the reinvented framework of business models proposed by Johnson and his colleagues to realize not only the importance of innovation for new businesses but also the customer's needs; the business model constructs a blueprint to fulfill those needs effectively<sup>[11]</sup>. According to the proposed framework, an innovative business model is composed of four components: customer value proposition (CVP), key resources, profit formula, and key processes<sup>[11]</sup>. A well-established business model retains competitive factors for each element which lead to success or a sustainable settlement of the firm.

Going further, this paper adopted an adaptive theoretical framework which combines the business model framework and SWOT analysis. Proposed by Albert Humphrey in the 1960s at the Stanford Research Institute, SWOT analysis was first intended to explain the accountability and objectivity of a certain process or a business<sup>[26]</sup>. SW refers to the strengths and weaknesses, corresponding to the internal factors of the organization that either help or hinder the achievement of business goals. OT refers to the opportunity and threats, exploring the external factors outside the business structure that affect the sustainability and profitability of the business.

At such times where global players have entered the local market and the COVID-19 pandemic has exerted a vicious impact on society and the economy, it is critical to encompass not only the companies' business model but also the environmental factors surrounding the industry for their potential to deliver values to consumers. To this end, this study further extends the range of analysis, observing the internal characteristics of the company and exploring the external factors that affect the music streaming industry and the platform companies therein. Therefore, this paper seeks to approach the research question as the following.

*RQ: What internal and external factors of MelOn and YouTube Music are causing the decoupling within*

*the Korean music streaming industry?*

### III. Methodology

The analysis was based on an exploratory case study of MelOn and YouTube Music. Case studies are useful academic methods to identify success factors of a music streaming service, such as Bandcamp or Spotify<sup>[6,30]</sup>. It is an appropriate research design to obtain a detailed appreciation of a subject, organization, event, or phenomenon in a real-life context<sup>[4]</sup>. An in-depth investigation of MelOn and YouTube Music within the local domain illuminated a thorough and logical understanding of competitive business factors in the Korean market. Therefore, a vigorous exploration of secondary data was performed, not only to elucidate the elements of business models, but also to realize the environmental factors that surround and affect the business model of each service. Furthermore, interviews with relevant music industry experts were conducted from February to March 2022, to include realistic opinions from multiple perspectives. The semi-constructed interview format enabled a flexible structure of the catalogues and a casual conversation with the interviewees, which was useful to collect open-ended answers and guide a free road of thoughts for each question<sup>[5]</sup>.

A total of 13 interviewees contributed to the research, assured of the confidentiality of private information, including their workplace. Information of the participant's specific field of profession are displayed in Table 2 to assist in understanding their response in the context of each background.

Table 2. Profile of interviewees

Number	Profession	Category
Interviewee 1	Marketing	Music Streaming Service
Interviewee 2	Marketing	
Interviewee 3	Service Manager	Music Industry Service
Interviewee 4	Platform DJ	Playlist Creators
Interviewee 5	Platform DJ	
Interviewee 6	CEO	Record Label
Interviewee 7	Marketing	
Interviewee 8	Composer	Music Professionals
Interviewee 9	Sessionist (Bassist)	
Interviewee 10	Sessionist (Cellist)	
Interviewee 11	Singer	
Interviewee 12	Media & Communication	Researchers
Interviewee 13	Business & Data Informatics	

## IV. Results

### 4.1 Profile of MelOn and YouTube Music

MelOn was launched in November 2004. Although SK Telecom was the original parent company to provide a local service, it sold MelOn to Kakao in 2018, a national conglomerate of online platform services. As of April 2023, MelOn’s MAU resides in 4.59 million, which holds the second rank of all music streaming services in the domestic market<sup>[17]</sup>. There are 15 subscribing options ranging from KRW 4,800 to KRW 29,900 to use the streaming service.

On the other hand, YouTube Music was introduced as a global service in November 2015. Its parent company YouTube Music is Google, the multinational technology conglomerate specialized in internet-related services. It accounts for 8.9% of global music streaming market share as of the second quarter of 2022, positioning the fifth rank within the competition<sup>[21]</sup>. YouTube Music owns 5.21 million MAUs in the local domain, holding to the largest user base<sup>[17]</sup>. Local users can enjoy YouTube Music either by subscribing to YouTube Premium or YouTube Music, which are KRW 9,500 and KRW 7,900 per month respectively. Although YouTube Music is available only through the subscribing options in Korea, all contents on YouTube (including music) is still available with the freemium service while MelOn is solely based on a subscription model. A summary of the profile for YouTube Music and MelOn is displayed on Table 3.

Table 3. Profile of MelOn and YouTube Music

	MelOn	YouTube Music
Launch date	November 2004	November 2015
Market target	Local	Global
Parent company (Previous parent company)	Kakao (SKT)	Google
Local MAU (rank)	4.59 mil. (Second)	5.21 mil. (First)
Subscribing options	15 options	YouTube Music YouTube Premium
Price option (with VAT)	From KRW 4,800 (5,280) to KRW 29,900 (32,890)	KRW 7,900 (8,690) or KRW 9,500 (10,450)

\*VAT (Value Added Tax) is an additional fee of 10% increase to the original price.

### 4.2 External Factors

The external factors of SWOT analysis were explored first to extend the environmental understanding of the Korean music streaming industry prior to deconstructing the companies’ business models, and also to provide information on the extent to which external factors act as either opportunity or threat to the companies’ value chains, discussed in the next section.

#### 4.2.1 Opportunity

*Bundle Effect.* With the onset of the COVID-19 pandemic in early 2020, the global community enacted social distancing measures and unconditional bans on overseas travel to minimize the spread of the virus. The sudden halt of outdoor activities and increase of indoor life at home meant YouTube experienced a surge of Premium subscriptions in multiple countries, including Korea. According to data provided by Hyundai Card, the total amount of subscription fees to YouTube Premium increased up to KRW 13.33 billion in two years, an approximate 1,120% increase<sup>[14]</sup>. Moreover, YouTube became the most frequently used service when consuming music - while 39.3% of respondents listened to music on YouTube in 2019, this figure grew to 59.4% in 2021, outnumbering MelOn by 3.8%<sup>[16]</sup>. As the overall trend of increasing consumption of YouTube Premium seems evident, such a phenomenon implies that the increase of YouTube Premium subscription induced the increase of YouTube Music’s market share as a “bundle effect”<sup>[18]</sup>. In other words, the upsurge of subscriptions to YouTube Premium contributed to easier access to YouTube Music (Interviewee 2).

Although most consumers initially subscribe to YouTube Premium with the intention to enjoy video content without the interruption of advertisements, they eventually utilize both media services for the sake of price efficiency after they realize they had free access to YouTube Music (Interviewee 8, 9, 11, 12). In a nutshell, it can be inferred that a meaningful proportion of those who subscribed to YouTube Premium during the pandemic may have switched their music streaming services to YouTube Music to remove the unnecessary financial cost of other

services, including MelOn (Interviewee 2).

#### 4.2.2 Threat

*Change of Music Consumption Behaviour.* Caused by the pandemic, the decrease of commute time and increase of idle time at home has changed the consuming behaviour of music from listening to audio to watching video, leading to a shift of users from the music streaming platform to the video platform. Globally, the consumption of music streaming platforms has decreased by 9.2% and the consumption of music videos increased by 13.4% right after the quarantine measure began on March 26th<sup>[2]</sup>. This is in line with the previous study which shows that countries around the globe, including Korea, experienced a shift of music consumption from audio tracks to the video-based contents through YouTube after the COVID outbreak<sup>[29]</sup>. Likewise, the financial report of record labels proved that the primary income source has also shifted from streaming music services to YouTube since 2020 (Interviewee 6).

Additionally, following the market trend of music consumption, entertainment firms have also been utilizing YouTube to reinforce its influence as a mainstream of K-pop by promoting newly released music and artists to the global fandom (Interviewee 3). Suddenly having lost their main sources of income from offline concerts and world tours due to quarantine regulations, the entertainment firms mitigated the situation by extending their pipeline to YouTube (Interviewee 6). In a nutshell, YouTube has become a complement to the music streaming service, such as MelOn, to consume and promote music for users and business actors.

### 4.3 Internal Factors

This section depicts the internal attributes of the music streaming platforms, which indicate the strength and weakness of each business model. A comparison of YouTube Music and MelOn's competitive advantages are explored by analysing the common features and functionalities provided to consumers as a music streaming service provider.

#### 4.3.1 The customer value proposition (CVP)

According to Johnson, the CVP is what the company presents to convince customers to buy or use their product/service. It is the reflection of the company's brand and gives a glimpse of the overall evaluation of the firm's worth to consumers<sup>[11]</sup>. In this section, the paper focuses on the values delivered by platforms which represent the competitiveness of the business.

*Accessibility.* First, MelOn is behind the competitiveness in delivering music as it obliges users registration and subscription while YouTube is based on a freemium model (Interviewee 3). Furthermore, the decrease of MelOn's MAUs, along with those of all other music streaming services in Korea, has been affected by the gradual increase of free music listeners on YouTube, causing an escape phenomenon (Interviewee 1). The openness of YouTube develops a vantage point in terms of accessibility to users compared to MelOn, and eventually leads to users' switching intention for their music streaming service. Its strength in accessibility eventually cumulates herd of potential Premium subscribers who may also realize complimentary access to YouTube Music and induce increase of music streaming service users as well, mentioned as bundle effect.

*Quality of Music Playlist.* Secondly, YouTube Music has gained competitiveness in the local music streaming market through the quality of its music playlists. For instance, YouTube has yielded famous local "YouTubers" who share music playlists in a video format. These creators - or preferably called platform DJs - not only provide a great selection of music but also eye-catching visualizations synchronized to the mood of the music. The dynamic of music consumption has expanded to a visual format and incorporates the harmony of music and imagery. Once the previous music consumption was based on listening to the weekly top 10 chart provided by MelOn; then, the users' music consumption behaviour shifted to watching high-quality playlists on YouTube (Interviewee 10).

Furthermore, YouTube Music is competitive in providing personal recommendations of music.

YouTube Music furnishes a multi-sided interaction with consumers by continuously obtaining user data to read and react to individuals' activities, such as their history of listened music, searched artists, or liked songs, and then recommends music accordingly. This automated curation based on the algorithm technology is critical to providing a personalized experience of listening to music and increasing the usability of YouTube Music (Interviewee 4, 5). Although MelOn also launched its own automated music playlist service in October 2021, its functionality is deemed to be at a premature stage and retains paucity to provide personalized experience to multiple users (Interviewee 2, 5, 7, 10).

#### 4.3.2 Key resources

The primary key resource of a music streaming platform refers to the music library the company owns and provides to consumers. YouTube Music has competitive advantages compared to MelOn in terms of collecting and delivering music, through the provision of global music and music-related content retrieved from YouTube.

*Provision of Global Music.* YouTube Music is a worldwide service, meaning it not only holds a collection of local tracks but also global tracks. On the other hand, MelOn is a local player and therefore primarily focuses on providing local music to consumers, facing limitations in providing global music as diverse as global players. MelOn once boasted having the largest music library in Korea but eventually stopped its propaganda as the global players emerged in the domestic market (Interviewee 1). MelOn may be competitive in providing local content with an early collection of local tracks since its foundation in 2004, but users who feel the need to expand their music horizons will prefer to use YouTube Music rather than MelOn because of its lack of competitiveness in foreign music collections (Interviewee 8, 10, 12, 13).

*Expanded Definition of Music Library.* YouTube Music, as a subsidiary service within YouTube, demonstrates a wider definition of music library compared to ordinary music streaming services. It not only provides officially released tracks and music

videos by the record labels, but also embraces millions of music-related contents uploaded on YouTube. The service can meet the users' needs that are not necessarily released as official tracks, such as concert videos, performance clips, song covers by famous YouTubers, and other variations of music contents. Therefore, YouTube Music goes beyond a traditional music streaming service by expanding the range of contents delivered to users (Interviewee 10, 11, 12, 13). MelOn, on the other hand, is yet perceived as a traditional music streaming service because it is constrained to only providing officially released music. Similar with other ordinary music streaming service providers, the music library of MelOn is limited to its original definition, confining itself to seek expansion of its music library.

#### 4.3.3 Profit formula

Profit formula describes the structure of a corporation's profit earnings. In this section, the paper describes the pricing options of subscription to each music streaming service, in terms of simplicity and price.

*Simple and Cheap.* YouTube Music offers two subscribing options. First, local consumers can pay a monthly fee of YouTube Premium, equivalent to KRW 9,500 per month. Those who prefer watching YouTube without advertisements and listening to music would choose the Premium subscription. The second option would be subscribing to only YouTube Music, which is KRW 7,900 per month, for those music listeners who do not watch YouTube or mind watching ads. Considering that the standard subscription of MelOn is KRW 10,900 per month, consumers who prioritize economic efficiency and price value may prefer YouTube Music and YouTube Premium because both options cost less than that of MelOn. Furthermore, the subscription options for YouTube Music are simple in terms of understanding the user's possible choices and price range.

*Excessive and Expensive.* MelOn, on the other hand, provides complicated and expensive subscribing options compared to YouTube Music. Out of 25 subscribing options, 10 correspond to either the download options of contents or the educational

services. The remaining 15 are to determine the price options for music streaming subscriptions, consisting of various combinations with high-definition music, 30 days only, mobile only, inclusion of MP3 downloads, offline mode availability, and more. Accordingly, the price range of music streaming services varies from KRW 4,800 to KRW 29,900 per month, depending on which option the user prefers. While MelOn provides a variety of features and a diverse price range to allow users to make the best decision that suit them, an excessive list of conditions with overly priced subscriptions rather reflect less efficiency in finding the best option for individual preferences from the user’s perspective.

4.3.4 Key process

The key process accounts for the corporation’s methods to deliver their values to consumers<sup>[11]</sup>. In terms of music streaming service, the study focuses on how MelOn and YouTube Music strategize partnerships with local companies to gain more users in Korea.

*Diverse and Maximal.* MelOn has a long history of partnering with companies from other industries to deliver various promotions and induce an influx of potential users. For instance, with its current parent company Kakao Entertainment, MelOn consistently associates its subscription with the promotion of gift cards of KakaoPage, a webtoon platform. Moreover, despite SKT’s withdrawal from MelOn and sale of it to Kakao, a promotion of special subscription of MelOn to only SKT members is still effective, possibly indicating an ongoing reciprocity relationship between the two companies. It also once cooperated with movie theatre company Megabox to offer discount coupons of movie tickets to subscribers. Membership upgrades and free coupons to stay at Shilla Hotel also exemplify the diversity of MelOn’s promotions with businesses from other sectors to approach new users in maximal methods. Accordingly, MelOn has been consistently constructing partnerships with other companies as one of its major strategies to deliver consumers supplementary value periodically, and therefore seeks to create a lock-in effect with its subscribers.

*Indirect and Minimal.* YouTube Music, on the other hand, hardly shows partnership strategies to promote its music streaming service. However, Google rather promotes YouTube Premium to develop partnerships with the local conglomerates. For instance, Google has cooperated with national telecommunications companies LG UPlus and KT to promote YouTube Premium. Specifically, LG UPlus provides YouTube Premium Pack as a combination of a network service and a subscription to YouTube Premium in one package. KT provides a complementary three months of YouTube Premium to all consumers registered in its mobile membership. Simply put, LG and KT both assist Google to broaden its user parameters through a user base of nearly 3.2 million in total. Samsung also formed a partnership with YouTube to provide three or four months of Premium subscription to their customers, depending on the device they choose to purchase. Such a promotion strategy implies that YouTube Premium is a primary target to commercialize its service, whereas YouTube Music is rather a lower priority to develop partnerships for promotion as well. However, Google may expect the bundle effect to increase the usage of YouTube Music

In a nutshell, MelOn, unlike other elements of the business model, is competitive in terms of key process compared to YouTube Music with the aid of a well-configured strategy to develop multiple channels through various partnerships with local firms and induce influx of new users from other industries and lock-in effect. A list of partnership strategies to promote YouTube Music and MelOn is provided on Table 4. Finally, Table 5 and Table 6 summarize the key factors of each service contributing to the competitiveness of firms and environmental factors surrounding them as well.

Table 4. List of partnership strategies by YouTube Music and MelOn

YouTube Music Indirect and Minimal		MelOn Diverse and Maximal	
Industry	Partnership	Industry	Partnership
Telecommunication	(LG UPlus, KT) Partnership to promote YouTube Premium subscription	Webtoon	(Kakao Page) promotions of gift cards
		Hotel	(SKT) consistent membership promotion (Shilla) upgrade memberships and gift cards (Megabox) discount coupons for movies (L.F Mall) discount coupons for shopping (Twosome Place) discount coupons for cakes (Millie) promotion of Bluetooth speakers (Bose) giveaway event for Bluetooth speakers (SOCAR) discount coupons for renting vehicles
Smartphone	(Samsung) 4 months free of YouTube Premium for the purchase of Galaxy S22	Movie Theatre	
		E-commerce	
		Cafe	
		Online Bookstore	
		Speaker	
		Car Rental	



Table 5. Summary of SWOT analysis of YouTube Music

YouTube Music				
	Internal factors		External factors	
	Strength	Weakness	Opportunity	Threat
Customer value proposition	Accessibility	-	"Bundle effect" cause by an upsurge of YouTube Premium during the COVID-19 pandemic	-
Key resource	Expanded definition of music library	-		
Profit formula	Simple and cheap subscriptions	-		
Key process	-	Indirect and minimal		

Table 6. Summary of SWOT analysis of MelOn

MelOn				
	Internal factors		External factors	
	Strength	Weakness	Opportunity	Threat
Customer value proposition	-	Lack of quality music playlist	-	Change of music consumption from audio to video during the COVID-19 pandemic
Key resource	-	Lack of competitiveness in music library		
Profit formula	-	Excessive and expensive subscriptions		
Key process	Diverse and maximal			

### V. Discussion

After an overview of the SWOT analysis of YouTube Music and MelOn, three major findings are derived. First, MelOn, or any other local music streaming platform, is not competing with YouTube Music, but with its big brother YouTube, the global online media service. YouTube Music is merely a subsidiary service which selectively provides music and music-related content in a form of music streaming interface. YouTube has a vantage point in not only delivering unmet needs of interactive networks among users who share similar taste of music but also collecting diverse variations of music content worldwide due to voluntary uploads by K-pop businesses and individuals. Specifically, the establishment of YouTube’s music library is a down-top model operated by the participation of users – a prevalent nature of open platform – while the collection of music for music streaming services is a top-down model where the library managers need to perform a decision-making process to determine which labels to contract/recontract to distribute music. A reversed mechanism of music collection has the

inevitable consequence wherein MelOn confronts inaccessible resource which only YouTube and YouTube Music can deliver. Furthermore, its value chain rooted in the freemium model enhances competitiveness compared to those of local platforms and consequently induces influx of entertainment firms and audience. Lastly, as a user-centric platform, YouTube has collected metadata of users which is the vital source for the delivery of personalized music playlists to individual users with high accuracy. Perhaps it is inescapable for MelOn, or any other local music streaming platform, to lose consumers to this global giant who is competitive in multiple dimensions, eventually generating the decoupling in the local domain.

Second, MelOn is on the verge of losing its brand value as a representative of a local music streaming service. In early years, MelOn used to sustain its brand value as the national music chart for nearly two decades. MelOn had become a metonym of a weekly chart music in Korea, similar with the identity of Billboard, a long-running antecedent and representative of global pop charts. However, since 2018, the credibility of MelOn’s music chart was questioned due to the accusation of falsifying downloads and streams of music. Furthermore, MelOn was also charged with an embezzlement of copyright commission, equivalent to \$14 million USD, by operating a ghost record company. The criticisms towards MelOn eventually resulted in loss of trust among local consumers.

Lastly, Google recognizes that its platform services have a differential factor in price value and seeks to fortify its competitiveness by reinforcing the app store market policy. In September 2020, Google announced a new policy to obligate an in-app payment for all applications in Google Play and collect 15-30% of commission fees of all in-app payments. The imposition was enhanced in March 2022 by adding a removal of app services from the store unless they comply with the new policy. Eventually, MelOn, as well as other local players, had no choice but to increase subscription fees to keep sustainability of business<sup>[25]</sup>. On the contrary, YouTube and YouTube Music, unaffected by their own policy, retained their

price range, furthering their price value and competitiveness compared to local competitors. Eventually, Google's political strategy to widen the gap of price value successfully induced YouTube Music to accumulate the largest user base in the preoccupied market and become the most dominant player, replacing MelOn. Contributing to 76% of app market share, Google is capable of developing a lock-in effect among app developers with a possession of high network centrality and data resources regardless of policy change, dominating the app store market<sup>[8,25]</sup>. Therefore, MelOn, as well as other local platforms, are biting the bullet to stay in the largest app distributor, Google Play.

## VI. Conclusion

This study investigates the factors leading to the downturn of MelOn, the local leader, and the growth of YouTube Music, a global player in the Korean music streaming industry. The local domain is experiencing decoupling at a significant level, where MelOn has reached the end of its golden era, and YouTube Music, unlike other global players, has managed to not only survive in the local domain but has also outperform the local leader, eventually conquering the largest user base compared to all other services. The study utilized a combination of business models and SWOT analysis to scrutinize the internal factors of each company with the elements presented by the business model and examined the environmental factors that affected both the music streaming industry and the companies therein.

The case study of MelOn and YouTube Music has several academic implications. First, it adopts an adaptive theoretical framework to combine a business model framework and SWOT analysis. This framework may also apply to similar studies in other industries. In Korea, Naver is competing with Google for its search engine, and local OTT players are struggling with Netflix and Disney in the home ground. E-commerce is also an emerging market in which eBay has already entered the local market and Amazon is a latent competitor. The framework may enable researchers to systematically understand the

key values contained within the business, analyze competitive capacities, and reveal the surroundings that account for future guidelines for firms to adapt accordingly and survive fierce competition. Furthermore, other countries experiencing similar issues owing to the overwhelming dispersion of global platforms may apply this research framework and learn critical lessons related to the sustainability of local businesses. This study also successfully explored the decoupling phenomenon to reveal the competitive factors between local and global competitors, and the environmental factors that accelerated this phenomenon. Accordingly, this study provides guidance for similar case studies or future research that requires the analysis of competitive factors among local and global competitors.

This study also has practical implications for the industry. For MelOn managers, the top priority is to restore the brand value and credibility of the service. MelOn will not be able to break out of a downturn without regaining trust among users. In December 2021, Kakao launched an advisory conference to create an environment in which fair music charts could be provided. Movements to restore credibility will only be effective when they are neither superficial nor temporary measures and should be a continuous process until the public recognizes the effort. Furthermore, MelOn needs to seek a market strategy that can differentiate its original value from that of YouTube Music; it needs to restore and reinforce its value as the original identity of a local music streaming provider to differentiate itself from foreign players. For instance, MelOn should deliver value to reattract K-pop fandom communities. Fandom communities are not individuals but rather a bulk of the population, significantly contributing to the in/outflow of users from one streaming service to others. Despite the stigmatic dispute, MelOn used to be a battlefield of fandoms, where they engaged in listening to their favorite artists' music repeatedly to place artists at a higher rank on weekly charts. Aside from what is right or wrong, this custom enabled MelOn to hold a herd of subscribers derived from fandom culture. Similarly, MelOn's next mission to regain consumers is to create a legitimate online

community where K-pop fandoms are motivated to interact within its platform once again. Additionally, it is important to find the appropriate price value of the subscriptions and simplify the excessive number of subscription options so that the influx of potential consumers can be maximized.

MelOn's strategy should no longer be concerned with the dominance of the market but should focus on sustainability. Not only is the market already overflowing with local and global competitors, but the prevalence of global players' music charts among the public has grown simultaneously, fading the representativeness of MelOn's chart. According to the findings, MelOn lacks robustness in its original identity as a local music streaming provider. Particularly in the era of K-pop globalization, the process of delivering music to both local and global listeners on music-streaming platforms is critical. Losing local consumers to global players such as YouTube Music may lead to an economic loss of streaming income by cutting music royalty shares for foreign latecomers. The sustainability and autonomy of the local music industry may be questioned if practitioners fail to resolve the increasing dominance of global platforms. Therefore, interdisciplinary research between industry and academia is encouraged to restore the solidity of local streaming platforms, including MelOn, and develop a homegrown global streamline of K-pop distribution.

YouTube's primary business model is premium subscription because it originally established the service as a video platform, and has 50 million subscribers as of 2021<sup>[10]</sup>. Therefore, Google may be more focused on the marketing and operation of YouTube premiums, while YouTube Music is utilized as a tool to optimize profits from premium subscriptions. In other words, YouTube Music as a subsidiary service is likely to be heavily assisted by YouTube's primary value chains. Furthermore, YouTube is a global service provider, meaning that it focuses on performing a universal strategy on all continents rather than developing regional approaches. It may be unfeasible for YouTube to plan a local strategy customized for the Korean industry unless its market size and potential benefits become

considerable enough to be considered by the headquarters. In conclusion, managers should focus on maintaining the stability and consistent software development of YouTube Music to sustain or enhance the overall user experience of premium subscriptions, more than just an ad-free video platform. Such measures will not only ensure the safe delivery of supplementary services but will also eventually reinforce the lock-in effect of premium subscribers.

This study had some limitations. This study is based on an exploratory analysis utilizing secondary data and interviews with experts in the music industry. The objectivity of this study may be strengthened by including quantitative data via surveys or user data crawled from music-streaming platforms. In addition, this paper constrained its case study to Melon and YouTube Music. Although YouTube Music represents the most expeditive and significant growth in market share in Korea, there are also other local players that have displayed growth, such as Genie and Flo. Furthermore, YouTube Music is not the only global player who has entered the local arena; Apple and Spotify are still struggling to maintain their businesses in Korea, regardless of their dominance in the global market. Therefore, it may be critical for future research to embrace other music streaming services and compare their business values and strategies to fully understand the overall music streaming industry in Korea.

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#### Yujun Park



Aug. 2021 : Bachelor of Industrial Engineering and Management, Korea University, Double Major in International Studies  
Aug. 2023 : Master of Media & Communication, Korea University

<Research Interests> Media industry, Music streaming industry, Entertainment business  
[ORCID:0000-0001-9628-5861]

## Seongcheol Kim



Feb. 1987 : Bachelor of B.A.  
College of Business, Seoul  
National University

Feb. 1989 : M.B.A., Department  
of Business Administration,  
Graduate School of Seoul  
National University

Mar. 1996 : M.A., Department of Telecommunication,  
College of Communication Arts and Sciences,  
Michigan State University

Dec. 2000 : Ph.D., Department of Telecommunication,  
College of Communication Arts and Sciences,  
Michigan State University

Mar. 2008~Present : Professor, School of Media &  
Communication, Korea University

Jun. 2016~Present : Board member, International  
Telecommunications Society (ITS)

May. 2020~Present : Co-editor of Digital Business  
(SCOPUS-indexed journal)

Jul. 2020~Present : Director, Smart Media Service  
Research Center (SSRC)

<Research Interests> New media, Digital business,  
Media industry

[ORCID:0000-0001-6703-4465]