Analysing the new marketing model for entertainment companies: a case study of SM. entertainment

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Abstract. In recent years, the metaverse have captured the general public's attention. After so many years of development, the Korean entertainment market has become more and more competitive, and SM Entertainment, as the leading Korean entertainment company, chose to catch the wave of metaverse and create a unique metaverse marketing model, which has been a great success. The aim of the paper was to explore whether SM’s "metaverse" strategy could be a new model for all entertainment companies. This paper investigated the influential factors based on the 4Is of marketing mix theory and through a SWOT analysis. The paper showed that the importance of interest and Interaction is rising in the entertainment market. It concluded that this marketing model has won because of its uniqueness; therefore, other companies cannot replicate its success. If one company wanted to take its place in the competitive market, it would need to have its own unique marketing model.

1 Introduction

1.1 Research background

With the advancement of technology, the term "metaverse" has become a buzzword that has piqued the interest of people from many walks of life. Initially, it was mostly promoted and applied in the gaming sector. Following that, additional industries tried to enter the metaverse market. Furthermore, the entertainment business is working very hard in this field.

As the most mature country in the entertainment industry, Korea has taken the lead in following the trend of "metaverse" by releasing the “Seoul Five-Year Plan for Metaverse” on November 24, 2021, announcing the creation of a "metaverse" administrative service ecology in all business areas of the city government, including economy, culture, tourism, education, and correspondence, in three phases starting in 2022 [1].

SM Entertainment (SM), a representative entertainment firm in Korea, started out by announcing to the world in 2012 that they intend to investigate and enter the metaverse era. In a public lecture at Stanford University, producer Lee Soo-man stated, "The company's core strength and management philosophy are Culture Technology (CT), which is a revolutionary strategy that applies cutting-edge technology to blend culture and technology." SM created its own "SM Culture Universe" (SMCU) in 2021, incorporating current technology, and created its own "KWANGYA" concept. The company's net profit shifted from a loss in 2020 to a profit in 2021, when it reached a new high of 123.4 billion won [2].

In response to the current situation and philosophy of SM Entertainment, it has also been studied in academia to some extent, but from different perspectives and with different focuses: Fendler focused on analysing the changes in SM's development, describing how the company shifted its focus from stage performance to cultural-technological fusion [3]. Annisa explained in detail SM's international business communication strategy in terms of internal structure, international exchange, and corporate and consumer relations [4]. Also in 2022, Weeraya and Callie studied the world's first metaverse girl group, AESPA, launched by SM. They analyzed the factors that contributed to the success of the girl group as a test case for SM's KWANGYA concept [5].

1.2 Research gap

Although there are many academic studies on SM, the rapid development of the Korean entertainment market and the change of audience preferences have led SM to boldly try to open up a "metaverse" track in order to break through the heavily invaded Korean market, to make certain changes in the company's internal and external image in order to fit in with its "SMCU" concept, and to adopt many new marketing and promotion methods to reach the aim. Although the academic community is paying more and more attention to the development of Korean entertainment and analysing it in depth from different aspects, academic research in this area is still lacking, and there is still a lack of analysis of SM's entire "metaverse" marketing strategy and its impact.

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Now that the "metaverse" has become a major trend and has brought high benefits to SM in the fierce competition of the Korean entertainment market, it is necessary to conduct an in-depth study on this issue. And this is where the research questions come in: "Can SM's 'metaverse' marketing be recognized by more consumers and become a new marketing model for all entertainment companies?" The answer to this question will not only help the public better understand the company's mode of operation and marketing strategy but also provide some reference value for other entertainment companies and contribute to the healthy development of this industry.

1.3 Structure of this paper

The following sections of this paper will analyse SM's "metaverse" marketing strategy based on the 4Is in Marketing Mix Theory and utilize the SWOT qualitative analysis method to conduct this study based on the empirical analysis throughout. After combining the theoretical knowledge with the real situation, the conclusions of this study are finally obtained and discussed, so as to summarize and make an outlook for the future.

2 Literature review

2.1 Definition

Marketing mix theory is a framework for describing and analysing marketing strategies, and it is frequently used in product creation, brand management, advertising, and promotion. This theory was first proposed by American marketer Neil Borden in the 1950s and has undergone several evolutions since then [6]. Marketing Mix Theory provides a straightforward and practical framework for businesses to optimize their marketing activities in order to better fulfil consumer demand while increasing market share and profits. The 4Is of marketing mix theory arose and became popular in the 1990s and were proposed by Don Schultz [7]. With the development of online media and the beginning of information overload, traditional marketing theory has been unable to meet the needs of the audience; thus, the 4Is of marketing mix theory were born. Through the analysis of market demand, product positioning, and marketing strategy, the 4Is combination provides a new way of analysing marketing, including four major principles, which are:

Interesting Principle: As people's attention spans are becoming increasingly short, the information generated must be immediately intriguing to customers within a restricted time frame in order to keep the audience.

Interest principle: marketing activities need to provide benefits to the target audience, both in terms of material instances and other hidden benefits;

Interaction principle: instead of allowing consumers to simply receive information, they are involved in the marketing process, bringing into benefits.

Individuality principle: through individualized marketing, the psychological satisfaction of "focusing attention" of the consumer can aid in the successful implementation of marketing. When these features are combined, it is clear that marketing mix theory of 4Is is better suited for the pursuit of a broad range of marketing information dissemination as a marketing strategy guiding the principles of network and new media marketing.

2.2 Important results

The more interesting a product is, the higher the consumer's willingness to purchase it. This is especially important for the entertainment industry. In Cui's study, she took IQIYI's "Idol Trainee" as an example and summarized the success of this show as "meeting the audience's novelty psychology. The success of this program is attributed to meeting the new mentality of the audience, which has successfully attracted the audience's attention [8]. This principle also applies to short video platforms. In Shi's analysis of short video marketing, she pointed out the relationship between interestingness and marketing [9]. Video design is monotonous and lacks fun; it will not attract the attention of consumers [9]. This also shows that interesting has a positive effect on marketing campaigns.

The purpose of marketing is to interest, but that interests should go both ways. If the product provides more interests to the consumer, the intention to purchase will grow, and the brand will be able to grow more smoothly in the long run. For example, when Zhou and Sun studied the new media marketing strategy of the movie "Life Matters" from the perspective of marketing mix theory of 4Is, they found that the movie targeted different age groups and different hobby groups for precise emotional benefit satisfaction marketing, thus generating emotional resonance and obtaining high box office [10]. In addition, the content, functions, and services that the product can provide can also be used as interests to stimulate purchase intentions. Gao pointed out in her study on the example of the WeChat Reading APP that the more comprehensive the content information provided by the APP to users, the more it can be recognized by users and the more it can enhance user stickiness [11]. This also supports the importance of the interest principle.

The factor of interaction has become more and more important and could have a significant positive effect on consumers’ purchase intentions. Similar results have been tested by Theodore Levitt, who pointed out that instead of trying to get buyers to buy what they already have, they try to produce what buyers are willing to buy [12]. The application of online features to communicate and interact with audiences can better guide and stimulate their willingness to shop [12].

In 2021, Wang also pointed out that with the deep development of the new media era, the connection between publishing enterprises and readers is no longer one-way publisher-reader, but a two-way interaction mode of publishing enterprise-reader-publishing enterprise [13]. The emphasis is on enhancing the interactive effect to obtain marketing success. And in the analysis of the marketing path innovation of "Oriental
Selection", Kang Boren also started from the marketing mix theory of 4Is and finally concluded that a good interactive atmosphere makes it easier to create a comfortable consumption environment [14].

Individual marketing can accurately grasp the audience's psychology by meeting the "I have but other people do not have" sense of access, so as to boost the marketing process. Sun and Zhao conducted a study on the brand based on the marketing mix theory using case studies and found that Florasis makes full use of big data to grasp the information of consumer groups and see the real motivation behind consumers' purchasing behaviour with extreme insight [15]. This idea was also mentioned by Qin and others in their study, which focused on developing personalized products and selecting spokespeople from a fan's perspective and received a good response [16].

2.3 Summary

Combining the above literature, the author concludes that the more the communication subject conforms to the marketing mix theory of 4Is, the more it can contribute to the success of marketing behaviour. As a product of the rapid development of new media, the marketing mix theory is widely recognized in today's era of high-speed Internet development, and its core lies in audience-centred interaction, which is precisely applicable to the analysis of entertainment companies when combined with its own characteristics.

In summary, this research could hypothesize that there is a high degree of fit between the marketing mix theory with 4Is items and SM Entertainment's "metaverse" marketing strategy. The following will be based on the marketing mix theory to further study the impact and significance of its marketing strategy to answer the questions of this study.

3 Method

3.1 Research design

In this study, qualitative research was used to do a SWOT analysis of SM Entertainment. Qualitative research is frequently undertaken using literature analysis, observation, and empirical study to gather information and analyse it using non-quantitative metrics in order to reach research results and understand the features of objects. SWOT analysis is commonly used for corporate strategy analysis, covering the internal and external competitive environment and the situation under competitive conditions, which can clearly identify a company's resource strengths and weaknesses, better understand the opportunities and threats it faces, and assist the company in developing a more suitable development strategy in the future [17]. The research looks into whether SM's "metaverse" marketing technique can be applied to entire industries. To answer this question, it is necessary to have a more detailed understanding of the overall strategy's characteristics as well as fully recognize the reality of SM's situation and environmental changes, such as strengths, weaknesses, opportunities, and threats, in order to make a more accurate generalization. As a result, qualitative SWOT analysis is the most appropriate strategy for this investigation.

3.2 SM. Entertainment

SM Entertainment was founded in 1995 as a pioneer in the Korean entertainment industry and is a comprehensive entertainment group that leads the Korean Wave and K-Pop trends worldwide. Initially focusing on music production, the company expanded its business scope after launching several famous idol groups and has now become a large entertainment media group covering music production, record sales, film and drama investment and production, derivatives development, and consumer goods retail [18].

However, unlike most similar entertainment companies in the market today, SM has adopted a more innovative marketing approach to explore new markets: it has proposed its own worldview, the "KWANGYA" concept, which operates on two levels of logic, divided into IP core and technical support. The first is to build a story through music and videos to shape the SMCU and establish the story of the brand's metaverse; the second is to promote the infrastructure of the SMCU through the layout of XR, blockchain, digital currency, and other cutting-edge technologies, so as to prepare for the realization of the SMCU and the development of more markets [19]. These measures can be collectively referred to as SM's "metaverse" marketing. This marketing approach has outstanding features, which can be summarized as follows: (1) innovative and forward-looking; (2) multi-dimensional emotional interaction; (3) high level of customer engagement; and (4) comprehensive service.

Since Lee Soo-man proposed this concept in 2016, SM has been preparing for its implementation, and in 2020, the "KWANGYA" concept was really implemented. Since the operation of this model, the company has opened up a new track in the increasingly saturated Korean entertainment market, attracting more people's interest and shaping a unique corporate culture. It has also helped the company's performance pick up tremendously. Although there have been various hiccups during this period, the benefits of this marketing strategy outweigh the disadvantages for SM.

3.3 SWOT analysis

3.3.1 Strength

The key attributes for SM are interest and interaction, whereas the features of individuality are not yet apparent at this point in development, and there is still room for progress. The interesting principle is primarily produced by SM's artist team; being the most active and eye-catching group, they symbolize the extent of the company's appeal to the audience. The most widespread application of SM's "metaverse" marketing is the launch
of artist groups under the SMCU system, and for the first time, SM has created a new group to complement the existing concept, NCT (New Cultural Technology), which is the first group to be promoted around the world under the brand name [20]. This group fully embodies the goal that SM has been pursuing, which is the integration of "creativity", "development" and "expansion", and in their many comebacks, NCT has built up a whole worldview and a complete story system through music and music videos. In 2020, SM created a unique "metaverse girl group" called AESPA, in which each member has an AI doppelganger called "ae" based on the data they uploaded on the Internet, in addition to the four real members. Actually, it is also a manifestation of the principle of Individuality. In their story plot, they fought alongside "Ae" in the "KWANGYA" and eventually returned to the "Real World". These unique and interesting features make SM's series of products more interesting and appealing to netizens and fans compared to other competitors.

Interaction is another highlight of SM that attracts audiences. Both technically and conceptually, SM always takes into account the user's experience and is committed to providing a more realistic scenario. On the whole, the "metaverse" technology it utilizes makes the interaction channels between producers and consumers more fluid and diverse.

In June 2021, SM signed a business agreement with KAIST Research Corporation to work on metaverse research, stating that SMCU is a new hybrid video content that combines the C of Cartoon, the A of Animation, the W of Webtoon, the M of Motion Graphic, the N of Novel in one big story, and this is the origin of "CAWMAN" [21]. For example, it has introduced new technologies such as XR in its concert label "Beyond Live" to revolutionize the stage and turn the imaginary world of "KWANGYA" into reality; it has added AR plug-ins to its branded retail products so that consumers can scan the products and enter the "KWANGYA". The company has also developed "BUBBLE" software, which allows fans to enter one-on-one chat rooms, etc. These measures have brought the company closer to consumers, making the "interaction" of the marketing mix theory better realized and contributing to the success of SM's marketing model.

3.3.2 Weakness

Starting with the internal flaws of SM, this study identifies interest as the most pressing enhancement area, where interest refers to both the company's profitability and the users' benefit.

First of all, SM's profit comes only from the sale of its artists and peripheral products; it lacks financial support, which is always a potential risk for a company with high operating costs [22]. In such a situation, it is more difficult for consumers to gain actual benefits from it, which tends to form a vicious circle.

Secondly, the internal structure and management of the company will also have an impact. Many internet users and fans have criticized SM for going through a

number of staff changes recently and for the declining quality of its production team.

Not only that, interesting can also have certain side effects here, although to a lesser extent, but still needs to be taken seriously: pursuing established concepts too much, considering only whether they are interesting and fit into SM's worldview, can easily make consumers feel aesthetic fatigue and denial.

The company's desire to serve the "KWANGYA" concept by incorporating all of its past and present products into a Marvel-style entertainment "metaverse" necessitates the reworking of past products, such as the remake of the SES song "Dreams Come True". AESPA reworked it with science-fiction elements and reinterpreted it. Moreover, all of these measures entail burdensome duties. In addition, it would deprive the company's numerous products of their individuality. Creating a composite content product that combines music, film, and science fiction elements and merges virtual and real worlds resulted in the loss of the original audience [23].

3.3.3 Opportunity

The success of SM's "metaverse" marketing strategy lies in grasping the opportunities brought by interest and individuality and responding to the trend and reality of the times, so that it has obtained remarkable success by following the trend.

One of the reasons why SM's "metaverse" marketing is profitable is that the public has been interested in the metaverse for a long time, the concept continues to grow in prominence, and there are additional social factors contributing to this. As a pan-entertainment application with discussion rooms, concerts, etc., the metaverse satisfies the public's desire for entertainment and social interaction [24]. In addition, the birth of the metaverse coincided with the outbreak of the COVID-19 epidemic, and the virtual space it provides can, to a certain extent, mitigate the effects of the epidemic on the public's daily life, work, and physical and mental health, which is both a psychological release and a spiritual compensation. This is precisely how "Interesting" functions as the user becomes more and more engrossed in the website's content, innovation, and visual impact.

The principle of individuality is most evident in the uniqueness of SM's marketing approach. The "metaverse" is an area that the entire industry has not yet ventured into, and SM's proposal takes into account each user's own mentality and even conceives customized services, all of which help to strengthen the connection with consumers.

Looking at the whole Korean entertainment market, the artist groups created by major companies are becoming more and more homogeneous in terms of style, dance, and choreography, and the "KWANGYA" created by SM has injected new vitality into this gradually weakening market and opened up new tracks in the midst of fierce competition. Having seen enough similar idol groups, SM's "metaverse" group and a series of derivative products have shown consumers that Korean
entertainment is innovative, which is unique in the K-pop industry before and today, and this uniqueness has put SM in a position that is hard to replace. In addition, SM, as the leading Korean entertainment company, has had a large market share and fan base since its inception, and its audience is sticky, which also provides opportunities for its transformation and further development.

3.3.4 Threaten

In such a fast-paced world, the market won't choose the company if it can't hold consumers' interest and attention from the beginning and for a long time.

For the current SM, there are too many competitors and competing products of the same nature in the market, which not only squeezes the space for development but also distracts consumers’ attention. From the consumer's point of view, they have many options, and the newer and more interesting they are, the more attention they will get, but such attention will not last long, so it is more important to try to prolong the freshness of the "metaverse" for the public. However, other peers are also growing rapidly, and they are working together with their promotion and operation platforms to suppress SM as a company, so the frequency of interaction with their fans is decreasing, which makes it the biggest threat for SM to ensure their marketing strategy continues smoothly and long-term.

The time lag between the launches of artist groups—more than four years for a new male group and six years for a new female group—evidences that SM has been in a lengthy transition period since it began its extensive activities to create "Studio of KWANGYA" in 2015. However, during this long period, the competition in the Korean entertainment market has increased, and other companies have been working hard to take the lead. One of the most notable companies is HYBE, which has helped BTS become the most influential boy group today by building a professional management team based on a customer-centred support system, and its popularity has far surpassed that of SM's artists [25]. Not only that, but on the business side, HYBE has also shown some potential for development in video, games, education, etc. [26]. Therefore, getting back to the top of the market in such a fierce environment will be the biggest threat to SM.

As a leader in this industry, SM is also more susceptible to the targeting and joint suppression of other companies; not only that, the public will have higher expectations of it after so many years of Korean Wave's popularity, but SM's attractiveness to capital is decreasing and capital is flowing directly to its competitors. Unknown at this time is whether SM's "KWANGYA" concept explains, each person in the KWANGYA has his or her own doppelganger, which is formed according to the data he or she uploaded on the network, and each person can live in the KWANGYA according to his or her own imagination, which also highlights the importance of this model to the personalities of consumers.

However, the metaverse model requires a lot of financial, material, and human investment, and if it is to be implemented and improved, the overall workload will be quite large, and the benefits it provides to consumers are more virtual and cannot be directly realized. Therefore, many people do not understand SM's current marketing approach, and SM has been subjected to questions and controversies as a result.

These initiatives and phenomena are in line with the findings of other previous studies on the 4Is factors of marketing mix theory; that is, in the Internet era, it is more important to take advantage of the characteristics of the Internet, and the marketing process should pursue creative ideas with fun and interesting attributes and provide interactive ways and communication channels for the target audience. In addition, taking into account the psychology of consumers, personalized marketing can also help stimulate the audience's desire to consume and lead them to take further action.

And it is worth noting that this study also adds to the previous findings: the influence of the 4Is factors on consumers is not simply a linear relationship but rather under the joint influence of other factors, reflecting different characteristics at different stages. For example, based on the concept of interesting, it cannot be too single, needs to explore more forms of expression, explore more innovative points of novelty, and gives users continuous. In practicing the principle of Individuality, the enterprise should not only take into account the personal characteristics of users but also combine them with the company brand itself to create its own unique positioning. Interest may be less important than other 3Is in some situations, but it is indispensable. Interaction can be applied as a representative of personality; if one company deeply cultivates interaction and brings users a stronger sense of experience, then it can also be ahead of others in personalization.

Therefore, for SM's "metaverse" marketing, there are the following improvement measures: Firstly, innovate the form of expression, develop content outside the field of audio and video, and provide consumers with different products in a diversified way; Secondly, strengthen technical support to enhance interactive experiences, such as customizing personal AI, creating "KWANGYA" live games, and so on. Thirdly, focus on the two-way flow of interests and make the audience feel the actual benefits while making profits for the company. Finally, further shape the brand IP to become a unique and irreplaceable presence in the market so that

4 Results & discussion
consumers realize that the company they love is different from other objects.

5 Conclusion

Based on the increasing popularity of the metaverse and the increasingly competitive Korean entertainment market, this paper analyzes SM’s "metaverse" marketing based on the marketing mix theory of 4Is and examines whether this marketing model can become an industry standard in the future. It is evident from the research that the success of "metaverse" marketing is primarily attributable to the gratification of the interesting and interactive elements, but even more so to its uniqueness, which is why so many people pay attention to and support it. Once this strategy is widely implemented on the market, its benefits will progressively diminish, and it will be challenging to achieve such a successful effect at the present time. This study comes to the conclusion that not all businesses can use SM's "metaverse" marketing strategy.

The contribution of this research is to review the relevant literature and conduct a qualitative study to reaffirm the relevance of the marketing mix theory of 4Is in this field and to add to it by exploring how the 4I principle affects both companies and consumers in different contexts. In addition, some practical suggestions are made for the future development of SM, and these initiatives can also serve as a reference for other companies and industries.

However, this study has some shortcomings: First, the research perspective is not comprehensive enough; for example, the discussion of the Interest is not deep enough; second, the sample of literature is not sufficient, and the data available for reference is limited, which also makes this study have some limitations; in addition, the cases and literature selected in this study are mostly in 2020 and after, which is a narrow time frame. Finally, the summary is also subjective and needs further improvement.

In future studies, more attention needs to be paid to analysing and exploring things with a more comprehensive perspective and a better methodology, as well as expanding the relevant theoretical reserve and selecting sufficient examples to testify. In order to reduce the impact of subjective factors, other researchers should test the study's findings. And the researcher will combine the findings of this study to conduct further research so as to provide more instructive insights and provide some help to the research subjects.

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