

# *The Influence of BTS on the Expansion of Its Affiliated Company*

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**Abstract:** There are many articles related to the Korean entertainment industry, but there are very few descriptions and analyses of individual groups or artists. Therefore, the research topic of this paper is the influence of BTS on the expansion of its affiliated company. This paper examines the impact of BTS on the company from three perspectives: the impact of BTS on the company's profitability, the company's popularity, and the company's strategic direction. Bighit has gone from being on the brink of bankruptcy to being one of the top four entertainment companies, and it's a credit to BTS. In 2016 BTS released the album *The Most Beautiful Moment in Life* which made Bighit's first turnaround, and the company's name gradually began to be known to the public and received its first investment, which Bighit also relied on to get out of trouble, and in 2018 BTS released the album *Love Yourself*, which once again caused a sensation and started its concert tour. BTS's high popularity could lead to good popularity for new groups to be launched in the future; the success of BTS in the US and Korea also led HYBE (Original Bighit Entertainment) to focus on these markets and to launch groups such as TXT for the Korean market. Therefore, it is found that BTS has a significant impact on the expansion of the company in terms of company size, market share, company popularity, acquisition, and strategic markets.

**Keywords:** Korean entertainment, expansion, popularity

## 1. Introduction

In 2022, HYBE took over a third of the entire Korean pop album market with just eight albums. HYBE (formerly Bighit Entertainment), a Korean entertainment company, is divided into Label, Solution, and Platform, and its artists include BTS and TXT. According to its fiscal financial statement in 2021, its operating profit reached \$19.3 million, 29% higher than SM, which is known as the top three entertainment companies in Korea [1], with Bighit Music (the label which BTS belongs to) accounting for most of the operating profit. From being on the verge of bankruptcy in 2015 to being the most profitable entertainment company by 2022, it is clear that BTS has had a significant impact on the development of its affiliated companies - Bighit's fortunes have been reversed with the launch of the cosmic group BTS. BTS is a Korean Boyband that consists 7 members— (the following are in order of age) Jin, who is the vice lead singer and the facade (who has been seen as the most handsome by the company); Suga, who is the rapper and producer of the team; J-Hope is responsible for the lead dancer and vice lead singer; RM is the team leader, rapper, and producer; Jimin is the lead dancer and lead singer; V is vice lead singer; Jungkook is the ACE of

the team—he is the lead singer, lead dancer, and rapper. RM is the first member, and the company values his talent and original ability. Suga relied on his original lyrics and songs to be selected for the Bighit talent show; Jin is favored by the company staff because of his good looks. J-hope participated in the Bighit talent show and stood out for his excellent dancing ability; Jungkook was also chosen by Bighit for his singing voice; V originally went to the show with a friend and was selected because of his unique bass; Jimin was also selected during the Bighit talent show. The group had practiced for about 3 years together before their debut, although some of the members had already been practicing for years. It's also an excellent strategy for entertainment companies to get members with unique talents and form a group with lead singers, lead dancers, rappers, and producers who cover almost all the elements needed in popular music. BTS's affiliated company was founded by Bang Si-hyuk in 2005, Bighit was on the verge of bankruptcy after paying a huge amount of money due to the GLAM group's rumor issue between 2014 and 2015, but in 2016, BTS's 4th album *The Most Beautiful Moment in Life* became a hit and received 12.5 billion won in investment and successfully transformed itself get rid of the bankruptcy [2]. In 2017, Bighit's net profit had risen to 24.6 billion won, an increase of 173% compared to the same period; then in 2018, BTS launched a live hand game, and in 2019, a new male group TXT was launched, and in 2020, BTS officially changed its name to HYBE after successfully entering the European and American markets with its English album *Dynamite* and acquired PLEDIS ENTERTAINMENT, WEVERSE and other companies, HYBE also took three positions in the annual Top 10 artists to list at the 2022 MMA Awards. This paper will look at the impact of BTS on the company's profitability, the impact on its popularity, and the impact on HYBE's strategic marketing from three perspectives to examine how much of an impact BTS has had on the development of its affiliated companies.

## **2. Impact on the Company's Profitability**

### **2.1. The Rapid Growth of the Company's Size**

From being on the verge of bankruptcy in 2014 to becoming the richest Korean entertainment company in 2023; from a small two-story studio in 2014 to a new HYBE building with a total area of 60,000 square meters and a building value of 17.1 billion won in 2023—HYBE's growth has been rapid and visible to the naked eye, and this growth is mainly due to BTS. From 2014 to 2019, BTS, as the only male group under Bighit, has been the main economic source of Bighit from album, concert, and peripheral product sales by itself. In 2014-2015, Bighit paid out a huge amount of money due to the extortion case [3] of its girl group GLAM, which led to the company being on the verge of bankruptcy; BTS released *The Most Beautiful Moment in Life* album in 2015 and left a big mark in the history of KPOP. *The Most Beautiful Moment in Life*'s lead single *I need you* brings the first champion for BTS [4], and it sold nearly 5 million copies [5], and since then, the names BTS and Bighit have become known to the public. This is also why China's Legend Capital noticed Bighit and invested in it in 2016 [6] (the first investment Bighit received) - a move that brought Bighit completely out of the brink of bankruptcy.

In 2020, BTS released their first English-language album, *Dynamite*, and received a Grammy nomination for the album's title track, creating a second wave of buzz about the band in Europe and the US [7]. This also set up lucrative funding for Bighit's official name change and acquisition.

### **2.2. Market Share**

Market share can effectively measure the business situation of a company and its competitive ability, the larger the market share held means that the market share of other competitors becomes smaller and can effectively bring more profit to the company, and the market share is calculated as the proportion of HYBE's album sales in the whole Korean pop album market over a period of time [8].

From the K-POP market, which was monopolized by the three major Korean entertainment companies (i.e. SM, YG, and JYP) in 2016, to the Big Four (SM, YG, JYP, HYBE) in 2022, it is inseparable from the support of BTS. In 2015, Bighit was a small, unknown company with only one male group, and in 2016, BTS became known for the first time, but it was still unable to compete with the Big three, which had many famous artists. Bighit only sold 1.45 million albums that year [9]; while in the same year, EXO, one of SM's biggest groups, sold 1.89 million albums [10], this shows the gap between Bighit and the other companies at that time. In 2020, BTS's Dynamite album sales reached 9.17 million, while YG, one of the Big Three, only sold close to 2 million, and SM's EXO only sold 40,000 that year - since then, Bighit officially surpassed the Big Three and took the top spot in sales. In 2022, HYBE took over a third of the entire Korean pop album market with just eight albums. It is clear that BTS's huge sales drove the company's market share.

### 2.3. Acquisitions

The release of BTS's Love Yourself album in 2018 rolled up a new wave of KPOP, the total impact of the Bulletproof Boys on the Korean economy was approximately \$5 billion and caused a 0.45% increase in Korea's tourism industry in 2018[11] - further proof of BTS's influence on its affiliates, and even on entire Korea's influence. Based on this considerable amount of revenue, Bighit completed its first acquisition in 2019—the acquisition of Source Music (with an 85% stake). After Dynamite tapped into the European and American markets in 2020, Bighit completed the acquisition of Pledis Entertainment [12], with artists such as SEVENTEEN. In 2021, HYBE acquired the shares of Justin Bieber and Ariana Grande's label Ithaca Holdings [13]. The acquisition of these entertainment companies, for example, companies that produce and provide similar products and services as HYBE, is known as horizontal acquisitions; horizontal acquisitions can provide companies with increased scale, which can lead to economies of scale, resulting in lower unit costs, which can help companies play a competitive advantage in the industry [14]; and can help companies expand into new markets and diversify their products, reducing competition [15]; they also can expand market share, reduce competitors, and effectively bring more profits [8]. BTS has had an indelible influence on HYBE in becoming a veritable powerhouse of K-POP.

## 3. Company Popularity

### 3.1. Number of Fans

A large number of fans means more appeal, influence, and spending power for idol groups - for entertainment companies, a large number of fans also brings more exposure, raises awareness for the company, and can create a good following for the launch of new groups; it also brings more profits for the company. The success of BTS has been attributed to the fact that from holding concerts in Japan and Atlanta, USA in 2015, to holding concerts in Los Angeles, Las Vegas and Seoul, Korea in 2021; BTS had only 32 fans when they first debuted, but today they have over 90 million followers on their social accounts, and every concert is packed to capacity. The success of BTS has also brought the company great popularity and family fans (fans who like all the groups within an entertainment company). In 2022, after BTS participated in a popular Korean show called 15 Nights of Business, the HYBE family, which had gained a strong reputation, was also invited to participate in the show [16], which also provided good publicity for other HYBE groups. Similarly, in 2020 Bighit launched the I-land talent show and invited BTS to be the mentor for one of the episodes. While BTS fans watched their artists, they accumulated enough heat for the show and launched the group ENHYPEN [17] in the same year. This gives enough popularity for these talent shows while BTS fans watched their idols and launched the group ENHYPEN at the same time [17]. ENHYPEN has received plenty of exposure since its debut, and its DIMENSION: DILEMMA album has sold more than a million

copies. HYBE even announced that they would start an HYBE family concert in 2023 [18], and was been known as "half of the KPOP groups 'concert" —and BTS is responsible for such strong popularity.

### 3.2. Internet Search Volume

The internet search volume is a sign of popularity for fans, and they feed off that popularity which can also generate more revenue for entertainment companies. There were about 170 million tweets about "BTS" on Twitter in 2022, and BTS 'official Twitter account has an impact rate score of 92, further proving its huge influence. Not only that, but BTS also gave HYBE strong name recognition. Melon, the largest music source site in Korea, revealed that BTS was the most searched boy band in 2022, SEVENTEEN (HYBE's artist) was the third, TXT, a boy band launched by Bighit in 2019, was the sixth [19]. In 2023 New Jeans (a female group launched by HYBE in 2022) is the most searched female group, and LE SSERAFIM (a female group also launched by HYBE in 2022) was number three. These figures also prove the strong popularity of HYBE today, which is also closely related to BTS.

## 4. Strategic Direction of the Company

### 4.1. Korean Market

Bighit didn't have much thought for the Korean market before. While the Korean music market was dominated by SM, JYP, and YG until 2016, BTS was originally created for the Chinese market—due to the fact that BTS's full name, Bangtan Boys, which is taken from Chinese characters. The full name of The Most Beautiful Moment in Life is also taken from Chinese characters. However, it gradually developed into the South Korean market after the issuance of the Korean Decree [20] in 2016. After The Most Beautiful Moment in Life was well received by the Korean people, BTS released Korean albums such as WINGS and gradually conquered the Korean market. The success of BTS has also enabled Bighit to gradually occupy the Korean market.

Based on the success of BTS in 2018 [11], Bighit gradually began to acquire some slightly well-known entertainment companies outside the three major entertainment companies in the same year, such as Pledis Entertainment and Source Music, to expand its market share in South Korea. These acquisitions also helped HYBE to get into the top four entertainment companies by 2022 and started its monopoly era. On February 10, 2023, HYBE announced that it would acquire 14.8% of the shares of Lee Soo-man, the former director of SM Company, and is about to become the largest shareholder of SM company [21] —a small company that had never been heard in the Korean market before 2016, now will acquire one of the three companies that once dominated the Korean music market. This also proves that HYBE is gradually getting rid of the name of one of the four major entertainment companies in Korea and moving towards becoming the largest company in the Korean entertainment market and monopolizing the entire Korean music market by itself, and all this is backed by the success of BTS.

### 4.2. European and American Markets

As the first group to break into the U.S. market successfully, BTS also let HYBE see the feasibility of the European and American markets. After the Love Yourself album was released in 2017, BTS gradually attracted worldwide attention, participated in American music festivals, collaborated with The Chainsmokers, and participated in the 2018 Billboard Music Awards and successfully entered the Billboard 200 in 2018 [22]. BTS's influence in the U.S. peaked in 2020 with the release of their first English album Dynamite, for which they were nominated for a Grammy and became the first

Korean artist to be nominated for a Grammy—this also shows BTS's success and its influence in Europe and the United States. The success of BTS also gave HYBE the hope to break into the U.S. market, and HYBE's ambition to break into the U.S. was demonstrated by its acquisition of shares in Justin Bieber and Ariana Grande's label Ithana Holdings in 2021 [13]. In 2022 HYBE launched a new girl group New Jeans, and the main concept of New Jeans is the American high school style, also proved that after the success of the BTS breakthrough in the United States, HYBE also began to focus on the European and American markets and started its development toward the European and American market.

## 5. Conclusion

Currently, there are relatively more articles on the Korean entertainment industry, but the description and analysis of individual groups or artists are relatively rare. This paper finds that the impact of BTS on the development of its affiliated companies is focused on three aspects: profitability, popularity, and strategic direction. First, the success of BTS brought HYBE a lot of money, which enabled HYBE to acquire other entertainment companies which have relatively smaller sizes and fame horizontally and thus gain a large market share, bringing more profit to the company - and could expand the size of the company. Secondly, the success of BTS brought the company superb popularity. Because of BTS, many people know HYBE, which laid a good foundation for HYBE later launched other new groups; at the same time, whenever BTS participated in a new group's talent show, it can bring a lot of fans this talent show, and they may be the potential audience for future album selling. Thirdly, because of the success of BTS in the Korean market, HYBE changed from abandoning the Korean market to gradually realizing the possibilities of the Korean market, followed by the launch of other groups that focus on the Korean market; because of the success of BTS to break into the United States market, this brings more possibilities for the development of HYBE in the U.S. market. New Jeans, a girls' group with the concept of The American high school style launched in 2022 by HYBE is a typical example. Finally, this paper examines the good impacts of BTS on the development of the company while at the same time, BTS may also bring possible limitations to the development of its company, such as HYBE's shareholders may think that HYBE's success is entirely due to BTS, and BTS will one day dissolve, and would develop distrusts to HYBE. Also, in order to facilitate the development of Chinese entertainment companies and the expansion of their operations, BigHit producing such cosmic superstars would be the best example and Chinese entertainment companies can complement their shortcomings by analyzing this example. For example, most Chinese groups debuted only in a few months, which reflects the lack of practicing as a team and the quality of the actual performance will be greatly reduced. Secondly, the choice of group members should be made more carefully as a group needs a vocalist, a lead dancer, a rapper and a producer. Many groups in China nowadays lack these elements, resulting in groups not being able to create their own original songs, to the extent that they may not be able to create a concept that belongs to the group after using other producers' songwriting (for example BTS's concept may be "In this world full of fake love, we should love ourselves" and they presented this well); or without a lead dancer causing an incorrect blocking... Further refinement in the above aspects can be done in the future to facilitate in-depth research on this topic.

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