

Business Ecosystem and Reverse Salient: The Development of the Mobile Music Business in Japan and Korea



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1. RQ and Research Background

Research Question:

How is a new business created and developed over time?

The Proper Understanding:

Enables managers to find essential success factors

Prevents managers from making critical errors

For this Goal:

Move analytical focus up from a single business to a collection of related business and social institutions

Adopt “Business Ecosystem” perspective (Moore, 1993; Iansiti and Levien, 2004)

2. Analytical Viewpoint



Industrial Organization Economics:

- Focuses on competing business firms producing replaceable goods or services
- Effectively applicable only for a established industry

Business Ecosystem Perspective:

- Has holistic view identifying a system level problem that obstruct business development as a whole
- Valuable when disruptive technological innovation brings potential of new business development

2. Analytical Viewpoint



Business Ecosystem:

Composed of not only focal business but also variety of interdependent, interactive businesses (organizational actors, markets, technologies, social institutions)

Reverse Salient (Hughes, 1983, 1987) :

A part or component that has fallen behind in progress

Sets the direction and speed of business ecosystem development

Plays a key role in shaping the structure of the focal business

3. Research Design



- Empirical field is the development of mobile music business in Japan and Korea
- They are frontrunner in mobile technological advances, service diffusion, domestic market developments
- However, direction and speed of mobile music business development and its market size are different
- We analyze the underlying mechanism that caused the different industrial developments

3. Research Design

Introduction Time of Mobile Music Business

Business Types	Japan	Korea
Ringing Melody	1999/12	2000/8
Ringing Song	2002/12	2002/11
Full-Track Music DL	2004/11	2002/11
Ubiquitous Music	–	2004/11

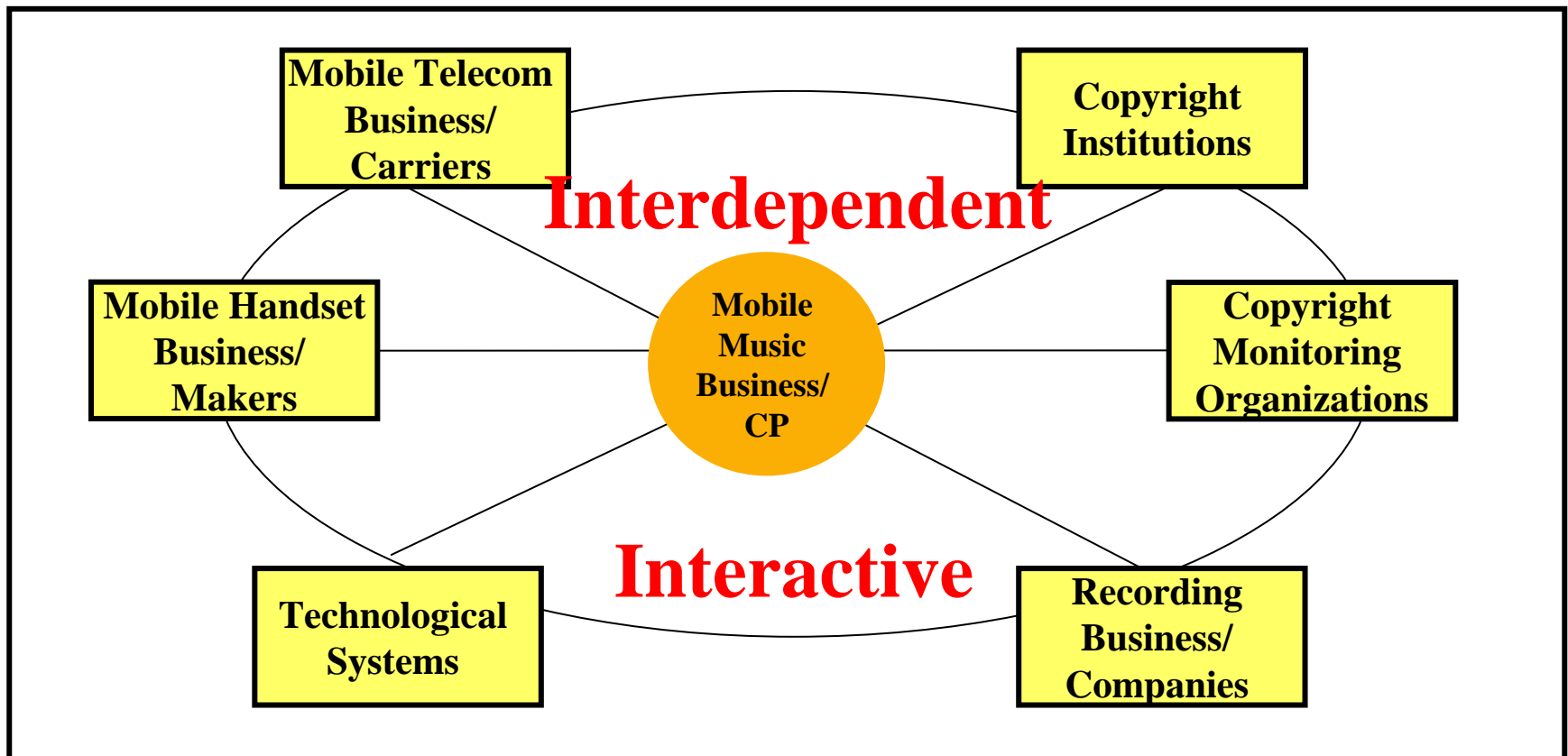
3. Research Design

Mobile Music Business Market Size in Japan and Korea (Million US Dollar)

		2000	2001	2002	2003	2004
Japan	Offline	6,174	5,934	5,808	5,319	5,202
	Online	134	519	689	929	1,149
	PC-based Internet	-	16	25	32	50
	Mobile Internet	134	503	664	897	1,099
	Total	6,308	6,453	6,497	6,248	6,351
Korea	Offline	410	373	286	183	134
	Online	44	91	134	184	201
	PC-based Internet	14	28	5	8	17
	Mobile Internet	30	63	129	176	184
	Total	454	464	420	367	335

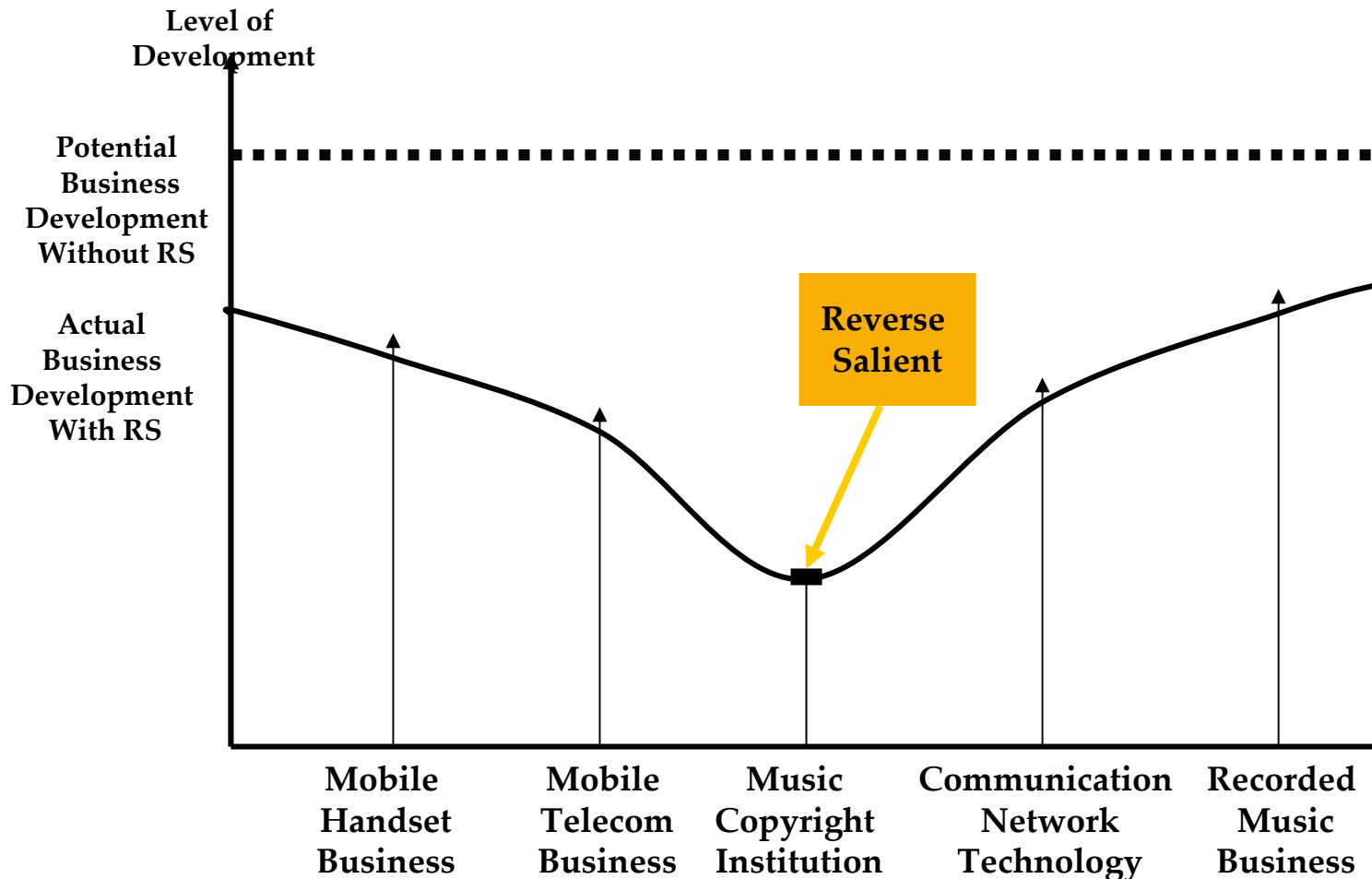
3. Research Design

Mobile Music Business Ecosystem



3. Research Design

Impact of Reverse Salient



4. Development of Mobile Music Business



Success of 「Ringing Melody」 Business in Japan

- Copyright management is very simple (fee only to composer)
- Japan' ringing melody made largest online contents market as early as in 2002(664M\$)
- Copyright organizations realized smooth, effective coordination for open use with official rules
- JASRAC effectively monitored illegal, free melody sites, protecting legal markets
- Former wired-Karaoke companies became early winner

4. Development of Mobile Music Business



「Ringing Melody」 Business in Korea

- 8% of CP's revenue was paid as copyright fee, allowing free promotional services to increase mobile users
- No effective copyright coordination was made for melody
- Carriers did not open the accurate DL data, decreasing copyright management transparency
- IT-based new companies became winners, supported by carriers

4. Development of Mobile Music Business



Music DL Business in Japan

- Copyright management is very complex including recording company's "neighboring copyright"
- No formal organization for open, collective neighboring copyright management
- Joint venture by major recording companies dominated market, restricting number of CPs, further market growth, and users' convenience
- Mobile music business is complementary to offline CD market, JFTC recommended open copyright uses

4. Development of Mobile Music Business

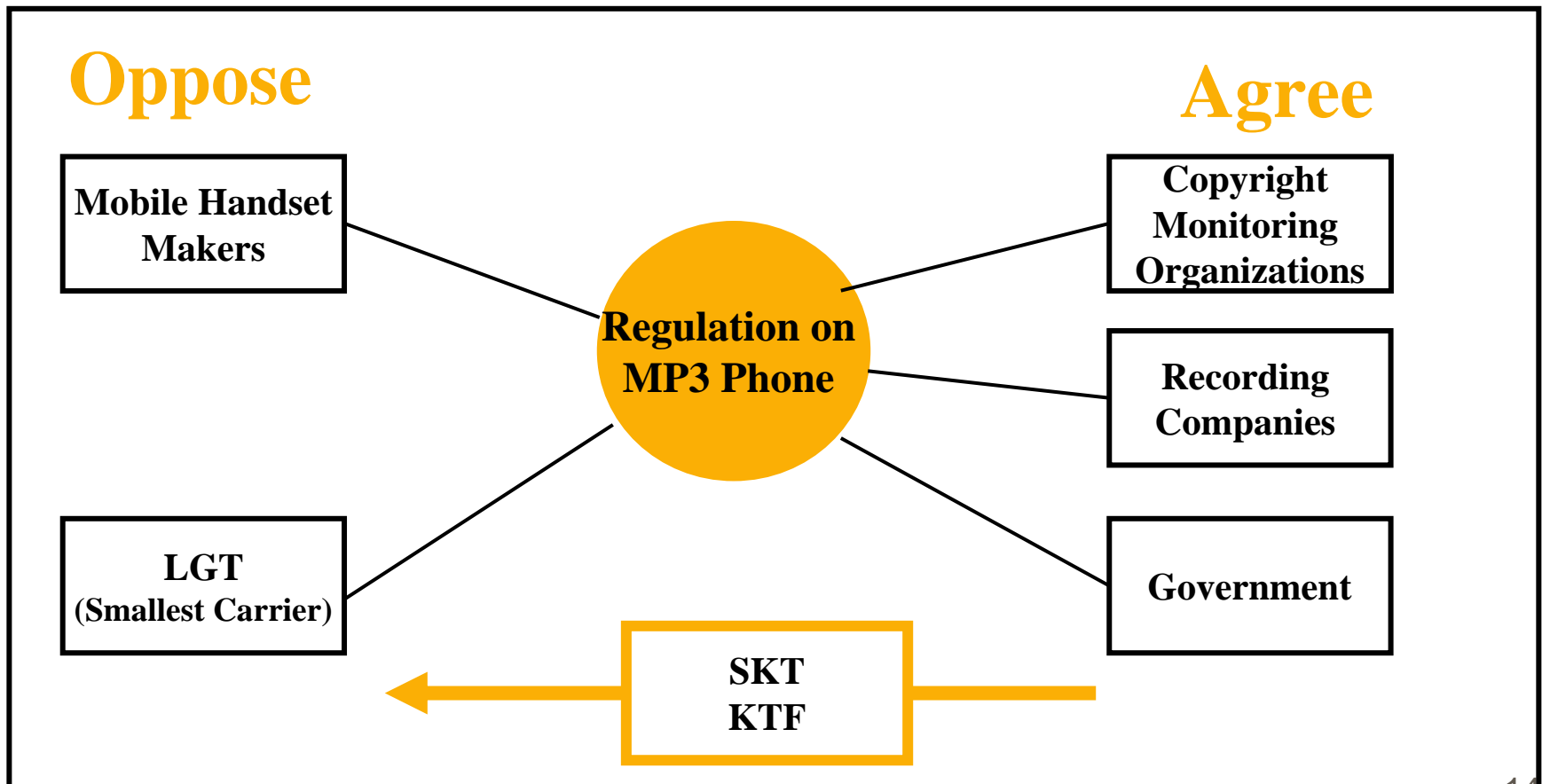


Music DL Business in Korea

- Because of illegal DL in fixed Internet and government policy, formal organization for open, collective management of neighboring copyright established in the early time (in 2003)
- New music services became introduced in accordance with technological advance, led by carriers' competition
- Introduction of MP3Phone not only caused conflicts of interests among related industries, but also introduced radical business model (U-Music)

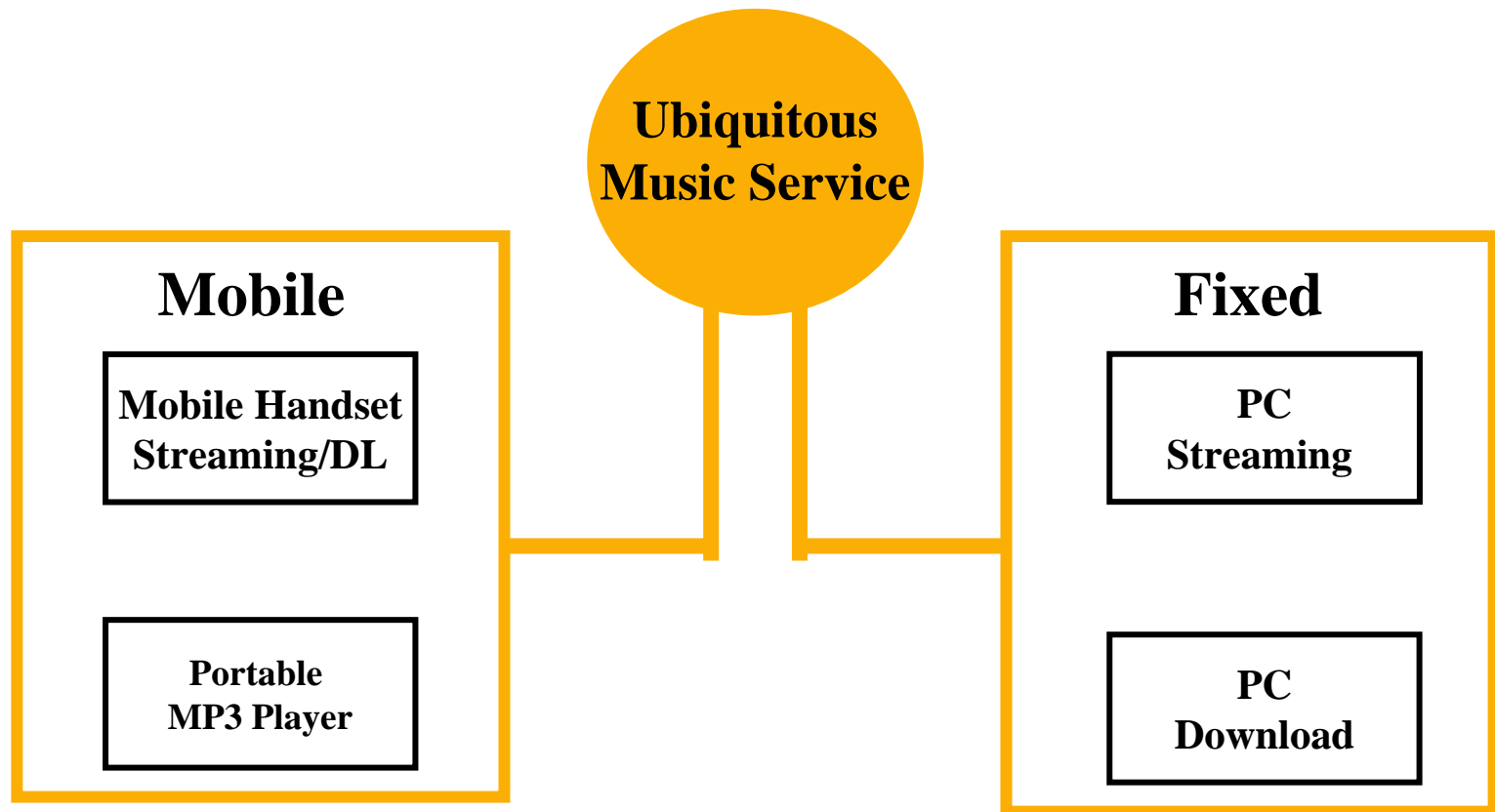
4. Development of Mobile Music Business

Complex Interests on MP3Phone Regulation (2004)



4. Development of Mobile Music Business

- Carriers internalized full-music DL service and launched “Ubiquitous Music” service



5. Discussion and Implications



- Technological development could bring new business potentials, but its materialization needs new order, and it is socially constructed
- The business development is embedded in the society and history
- Industrial power structure and copyright institution (as reverse salient) caused diverging paths between Japan and Korea

5. Discussion and Implications

Comparison between Japan and Korea

	Japan	Korea
Copyright Institution	Strong but Slow to Change	Weak but Flexible to Change
Development Speed	Slow	Fast
Market Size	Big	Very Small
Winner	Former Karaoke Recording Companies	IT Venture Mobile Carriers

5. Discussion and Implications

Development Pattern	Analytical Approach
<ul style="list-style-type: none">● Matured Business● Intra-Business Changes● Market	Industrial Organization Economics
<ul style="list-style-type: none">● Disruptive Tech Changes● Inter-Business Changes● Non-Market	Business Ecosystem Perspective

- To understand development of new business, non-economic factors, such as power structure, societal values, underlying history, become more significant