



ISSN: 2288-7709 © 2020 KODISA & ICMA.
http://www.icma.or.kr
doi: http://dx.doi.org/10.20482/jemm.2020.8.3.1

Smart Study's Strategy in the Kids Content Industry: VRIO Framework*

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Received: August 18, 2020. Revised: August 31, 2020. Accepted: September 16, 2020.

Abstract

Purpose: Korea has a long history of kid's content industries. Also, Korea's kid's content market has been thriving for a long time, but recently, a company called Smart Study has sharply raised Korea's status because of its competitive advantage and capability in the kid's content industry. **Research design, data and methodology:** This research has explored and examined how Smart Study was successful in kid's content industries. Also, the research examined the present and potential competitors in the kid's content industry. **Results:** We investigated and explored how they were different from other Korean kid industries through value, rare, inimitability, and organization (VRIO) framework. **Conclusions:** One of the primary reasons for their success is because Smart Study has strengths in marketing that brand character and making consumers loyal to the company. Lastly, this paper attempted to explain how they have promoted their company and investigated how other companies promote themselves in the kid's content industry. This paper has limitations. We could not explain all the fields of kid content. The kids' content has developed tremendously, but there are many hidden parts. It has been successful in Korea and is still growing and proliferating. Also, there is a slight lack of scarcity in distribution methods.

Keywords: Smart Study, Value, Rare, Inimitability, Organization, Branding, Localization.

JEL Classification Code: M10, M15

1. Introduction

What is the second-hottest video ever with 5.1 billion views in the mega-scale YouTube world? Surprisingly, it is 'Baby Shark' Children's Song by Pink Fong, a character of a small Korean company called Smart Study. How could this small company make this milestone? Korean parents say that YouTube is essential when feeding their children. Children are told to listen and follow the lessons from the main character of the YouTube animation. Among them, Pink Fong's popularity is truly influential. The Korean kids' content industry has been promising and encouraging. However, one simple video on YouTube would not have produced such a great outcome and impact on the kids' industry.

The secret lies in Smart Study's management strategy. This paper explores the present kids' industries in Korea. Furthermore, it will examine Smart Study's present and potential competitors. Also, introduce Smart Study, such as how they

* Acknowledgements: This work was supported by Incheon National University Research Grant in 2019

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start their business or where their current position is in kids' industries. Moreover, this research paper will convey the success factors from the competitors. The research will apply the VRIO framework to analyze Smart Study's strength, value, rare, and organization in this industry. This paper will also attempt to explain how Smart Study promoted their company, and their ways would help other companies to promote themselves.

2. Kids' Content Industries

2.1. The development process of the Korean Kids Content industry

Korea has a long history of kid content industries. It dates back to the 1980s. Before childcare facilities such as daycare centers were common in Korea, children under about 7~8 years old did not have a chance to receive an education until they received an elementary education. Thus, in the early 1980s, when television became more common in Korea, TV programs aimed at kids appeared. That was the 'PPoPPoPPo' has been aired on Munhwa Broadcasting Corporation (MBC) since 1981 (Lee, 2019). With "PPoPPoPPo" sweeping the incredible popularity, the kids' contents market began to proliferate. Since then, various TV programs have become popular. The infant and child industry has steadily grown through television. But, as kindergartens and daycare centers become more common, focused on commerciality than public interest, kid programs have been gradually declining since the 2000s.

However, from 2010, the kid content market was booming again because of the emergence of YouTube, which is a platform for uploading videos freely, allowing users to access contents anytime, anywhere, without turning on the television (Kim, 2019). The universalization of smartphones enabled people to watch YouTube through their smartphones anywhere, regardless of time and place. As a result, kids' content has expanded its scope to YouTube (Lee, 2019).

According to an analysis of the country's YouTube channel, which saw the most significant increase in the number of global subscribers as of November 2015, the viewing time of content aimed at kids increased by 95% compared to the previous year (Dong, 2019). In addition to the YouTube area, various kid content industries have begun to develop because of, ironically, the declining birthrate (Dong, 2019). Figure1 shows the decreasing birth rate. Fewer numbers per household mean that parents invest more in a small number of children about 1 or 2. The cost of purchasing baby products per newborn baby increased from 2.7 million won in 2009 to 5.48 million won in 2015, a sharp rise to 12.5% annually (Kim et al., 2017). This phenomenon has led to the emergence of new words such as Gold kids and 8-pocket (Lee, 2019). These days, parents of kids are between the age of 30~40. The generation of millennials who have used smartphones since they were in their 20s. Due to the influence of parents who are familiar with digital devices, their children have also become accustomed to accessing kids' content on mobile devices. With various applications and media such as Netflix appearing, the kid content market is growing even more.

2-2. The scale of the Korean Kids Content industry

So far, the scale of the Korean kid content market should be seen as an early stage. Also, it is hard to estimate accurately because new media platforms, such as YouTube, continue to emerge. But one thing is sure, the scale is growing at an enormous amount. According to Figure1, even with the number of births declining, the figure rose almost twice from 21.2 trillion won in 2011 to 38.9 trillion won in 2015. Also, kids' contents have a large share of IPTV part, and as of the first of 2017, the IPTV industry's viewing rate of kids content video on demand (VOD) was close to 50% for Korea Telecommunication (KT), SK Broadband, and LG U-Plus (Kim et al., 2017). Also, sales of local content producers have continued to rise, for example, Smart Study, the producer of "Pink Fong," saw its sales rise 61.5% in 2018 from 2015. Furthermore, IKONIX, which produces "Pororo" and "Little Bus Tayo," saw its sales increase by 17.3% annually between 2015 and 2018 (Lee, 2019).

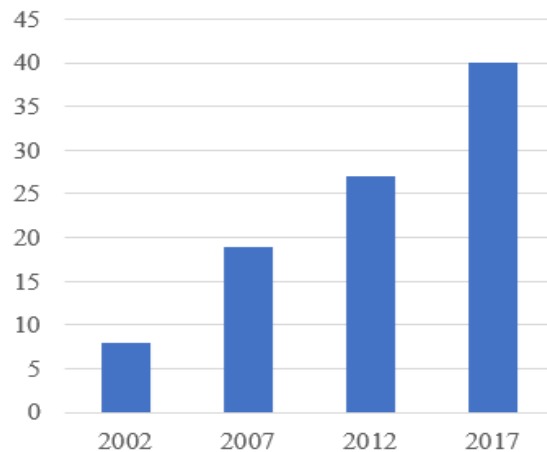


Figure1: Scale of Korean Kid Contents Industry. Source: KT Economic Lab. Unit:Trillion won,

2-3. Smart Study Competitors

Study is now on the road map to a renowned company due to "Pink Fong." It is a company that was established in 2010. Before that, there was a company that dominated the Korean kids' contents industry: IKONIX.

IKONIX was established in 2001 with the aim of globalizing creative animation in Korea, and it includes animation planning, character licensing business, and animation import and export (Kim & Choi, 2015). Choi Jong-il is representative of IKONIX, and its representative animations are "Porong Porong Pororo" and "Little Bus Tayo." IKONIX started on a reasonably small scale at the time of its launch, so it was unable to take charge of the overall animation, and eventually co-produced with other companies (Kim & Choi, 2015). That is how "Pororo" was born, and the result was a great success. Starting with its first broadcast in 2003, "Pororo" topped the animated ratings with 5% viewership during Education Broadcasting System (EBS) and has been a success in character, publishing, toys, and DVD markets (Kim, 2011). In 2017, IKONIX's sales reached 63.9 billion won, more than doubling from 31.5 billion won in 2013, and will rise to 111.1 billion won in sales if the combined sales of its subsidiaries are added (Kim, 2018).

Another competitor is called Carrie Soft, which is children and family entertainment. It is a specialized company and kid MCN company established in October 2014, and its co-chair directors are Kwon Won-sook and Park Chang-shin. At the time, there were only three executives and employees, and the sales for the three months since its establishment were only 170,000 won. It was YouTube that allowed them to grow. Among Carrie Soft's creators, the most famous Carrie's YouTube channel, "Carrie and Toys Friends," now has 1.98 million subscribers, recording more than 2.6 billion views in 2016 (Dong, 2019). Carrie soft produced VOD content and entered IPTV, with monthly purchases reaching 100,000 and becoming the top 10% in sales (Kim et al., 2017). Its sales rose sharply from 600 million won in 2015 to 5.1 billion won in 2016, and 6.5 billion won in 2017 (Dong, 2019). Currently, Carrie soft has about 270 million subscribers worldwide.

3. Smart Study

3.1. What is Smart Study?

Smart Study, which marks its 10th anniversary this year, was established in June 2010, and Kim Min-Seok is the CEO. Smart Study is a content company that produces, distributes, and serves online and offline contents such as "Pink Fong," early childhood education, games, and animation, just like its competitors (Kim, 2018). The representative Kim has focused on the global market since he first founded Smart Study in 2010. Also, since smartphones became common at that time, the goal was

to optimize mobile devices. As its name suggests, Smart Study initially tried to create a 'mobile academy' with an emphasis on education. They released the English fairy tale book application by referring to the kindergarten textbook, followed by the children's song app without much expectation (Park, 2018).

Contrary to expectations, however, consumers are interested in the fun children's song app, not the English fairy tale book app. Thus, Smart Study did not miss this opportunity and immediately started the kid content industry, such as the children's song (Park et al., 2019). That is how "Pink Fong" was born.



Figure 2. The Image of Pink Fong. Source: Smart Study

Since then, Smart Study has posted high profits, with sales of 105.5 billion won for the whole of 2019, up 164 percent from a year earlier and operating profit of 34.7 billion won. The company's sales and operating profit is 76 billion won and 31 billion won, with an operating profit ratio of 41 percent (Smart Study, 2020).

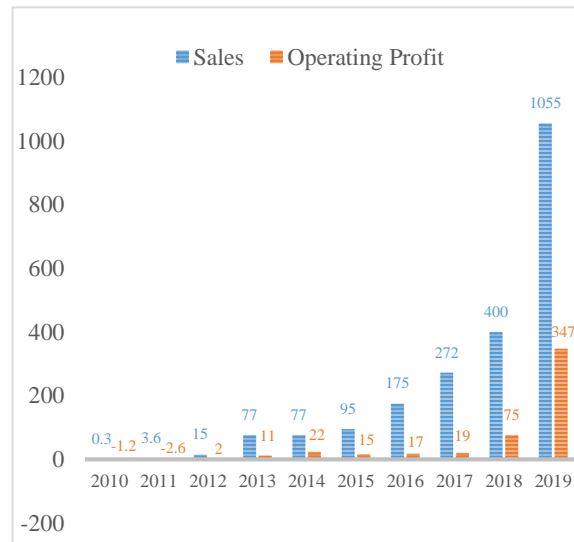


Figure 3. Smart Study's Profit. Source: Smart Study. Unit: A hundred million won

3.2. Success Strategies for Smart Study

After starting to develop children's songs, the "Pink Fong Shark Family", which was first released in 2015, recorded high number of views. They surveyed countries with high views through YouTube data analysis and began localizing them according to their culture and language (Nam, 2019). This localization project is the first success strategy of Smart Study. For example, they 'localized' the popular content 'Fire Truck Song' with the sound of sirens from different countries. Taiwanese parents hate the phrase "public security" written on Chinese police cars, so they need to be careful about erasing and sending it out. Like this, they worked hard to produce content by considering and thinking about every little thing from their point of view (Han, 2019).

Also, representative Kim decided to brand children's songs featuring characters while developing "Pink Fong." He decided to play an 8-second-long intro without missing the introduction of all the contents featuring "Pink Fong," Children's song album always features a jingle called "Pink Fong!" (Jo, 2019). This obsession with brands is the second success strategy of Smart Study. He called it a brand obsession. Given that infants are less able to concentrate than adults, eight seconds in video content is never short. However, the logo video featuring a pink fox character along with the sound of "Pink Fong!" is so popular that children jump up even in their sleep. "This is the result of persistent efforts over the past eight years to consistently expose the intro in front of all content regardless of platform.", CEO Kim said. He also said, "I'm proud that the obsession with consistently exposing the intros played a major role until the "Pink Fong" brand was considered successful." (Jo, 2019). These repetitive tactics are called Drill and Kill in terms of pedagogy for children.

Furthermore, this tactic was successful because infants tend to repeat. They enjoy watching it repeatedly when the contents of their main character and the contents of the video are in sync with what they already know. Moreover, children want to listen to the songs they have already heard before rather than listening to new music (Yang, 2018).

Next, their unique organizational culture is also noticeable. "Work is part of life, and life at work should be fun. That's how the content gets fun.", CEO Kim said. This Autonomous and horizontal organizational culture is the third success strategy of Smart Study. It gives members maximum autonomy to efficiently perform their tasks. First, employees can decide their commuting time to maximize the efficiency of their Work (Jung, 2014). They said that commuting time is not essential, but work itself is crucial, and it is vital to bring out the fundamental desire to do better. While most companies tend to lose voluntary motivation from their members as they grow up, Smart Study has had an autonomous culture from the start and naturally remain like DNA. Smart Study members can take a vacation for the desired date and period and work independently without time and space constraints. They can work from home, cafe, and a shared office if they want (Jung, 2018). Also, they do not set a uniform standard when evaluating each other and leave it to their organizations. They say that the evaluation method should also be different because different types of work are different. "Our rule number one is 'not making rules' for

employees' creativity. That's why we can develop 1,000 videos a year." CEO Kim said. Lastly, they call each other 'nickname + nim.' That is how everyone calls it, regardless of position, can reduce unnecessary communication and increase efficiency (Jo, 2019).

As Figure 3 shows, these success strategies have led to a massive increase in Smart Study profit. They also created a very encouraging record that 50 percent of sales in 2019 came from North America (Park, 2018). This does not just mean the success of Smart Study, but it also implies that it can be the driving force behind Korea's stagnant kid industry.

4. Implication

This paper examined and explored Smart Study in contents industries' in three aspects: contents, promotion, marketing. The internal resources with three characteristics were defined as: the capability to provide various contents in various ways, the capability to inform clearly who they are, and the capability to localize them for multiple countries. Smart Study was evaluated based on the three internal resources. Table 1 shows the VRIO framework of Smart Study Research.

4.1. Smart Study Value

The performance or sales improvement of a company can show the value of its internal resources. Thus, the value of internal resources and capabilities was determined through the increase in sales of Smart Study.

The three internal resources and capabilities defined earlier have been internalized without any abnormality since the establishment of Smart Study. As Figure 3 shows, Smart Study has achieved rapid sales quickly by making good use of their internal resources and capabilities. For example, the profit of 2019 has proliferated compared to 2018 (Smart Study, 2020). It also shows that in North America, the major character market, they have successfully localized toys and food that suit their tastes by signing licensing contracts with famous companies like Hasbro and Kellogg (Lee & Chung, 2019). Kim said the brand's strength enabled 'One Source Multi-Use.' In other words, there are countless content distribution pipes (Jo, 2019). And While there is little progress in earnings from 2013 to 2015, it almost doubles its return in 2016, when the baby shark agitation became popular due to the Smart Study's branding technology (Smart Study, 2020).

4.2. Smart Study Rarity

The branding technique of Smart Study is simple but very powerful and requires high consistency. At the beginning of a Smart Study's Pink Fong video, the intro of the same video is always played repeatedly. Naturally, children will listen to the intro whenever they encounter Pink Fong, and later they will notice Pink Fong just by listening to the intro. "This is the result of persistent efforts over the past eight years to consistently expose the intro in front of all content regardless of platform," CEO Kim said. They also registered the 'Pink Fong' jingle as a sound trademark (Jo, 2019). There are no special introductions in the case of Pororo of IKONIX and Carrie TV from Carrie Soft. Even if they make an intro, it is expected to take at least a few years to catch up with the time Smart Study invested in the intro. Localization capability is also a specific part of what other companies cannot follow. Through YouTube data analysis, they produced various language versions of animations, including English-speaking countries, Japan, China, and even Spain (Nam et al., 2019). This capability is enough for other competitors to follow and execute. They localized the popular content 'Fire Truck Song' and the various sounds of sirens from all over the world. Also, the word 'public security' written in the Chinese police car in Taiwan is a sensitive part; thus, they deleted it and sent it out. "Sensitivity and music are known as universal, but things that are close to real life should be focused locally.", CEO Kim explained (Joo, 2019). "Pororo" of IKONIX also had great success in exporting abroad but did not change the country's localization details.

4.3. Smart Study Inimitability

Although the rarity of a company is essential, it is also vital that competitors cannot imitate it easily. Smart Study has invested as much as three years in branding to impress consumers (Kim & Kim, 2019). They have spent a long time informing themselves early at the video persistently and repeatedly. Even when they were unknown, they were constantly known until they shone one day, and the public finally recognized their branding technique. Smart Study has exposed a total of 10 billion

Pink Fong Intro through online and offline so far (Jo, 2019). It is difficult for other companies to follow because it is an act that should be done steadily since the brand was first created. Companies that have already established brands and promoted themselves in different ways, or that have not consistently promoted themselves in the same way from the beginning cannot follow this method. Even if they start now, it will take quite a time and money while catching up with Smart Study.

While branding capability is inimitable, the marketing capability of Smart Study isn't. For example, in the case of Pororo of IKONIX, the contents of the video were not changed because there was no need for localization. In the case of localization of language, it was localized exactly for the exporting country. In other words, competitors could localize, but they did not because they didn't have to (Kim, 2011). It means that the marketing capability of Smart Study has imitability.

4.4. Smart Study Organization

For the internal resources or capabilities to be expressed as the competitiveness of the actual company, an organization that makes them possible is necessary. Pororo of IKONIX, already a famous kids content brand in Korea, had previously monopolized the market, and since then, the success of Smart Study has not seemed easy.

However, Smart Study proved that they were right, not merely by copying them, but by running them in their own way. The obsession with brands, the Smart Study's ability, is the DNA that all employees have (Jung, 2018). When the Smart Study was first founded, people of similar tendencies took the initiative to throw ideas and implement them without hesitation. Employees worked autonomously under the big framework of 'brand obsession' and were able to help each other and achieve great results under the autonomous horizontal organizational culture.

Table 1. VRIO Framework of Smart Study

Division	Resource & Capability	Value	Rarity	Imitability	Organization	Competitive implication	Economic Performance
Distribution	The capability to provide contents in various ways	Yes	No	-	-	Comp. Dis.Adv.	Below Normal
Promotion	Branding technology that makes consumers loyal to the brand	Yes	Yes	Yes	Yes	Sustained. Comp.Adv	Above Normal
Marketing	The capability to localize them for various countries	Yes	Yes	No	-	Temp. Comp.Adv	Normal

5. Conclusion

This paper analyzed Smart Study, one of the most famous companies in the kids' content business, which is rapidly emerging these days, and the company's internal resources and capabilities through the VRIO Framework. Smart Study's internal resources and capabilities are the ability to provide content in various ways in the distribution part, branding technology that makes consumers loyal to the brand in the promotion part, and the capability to localize them for multiple countries in the marketing part. The internal resources and capabilities of Smart Study were analyzed in frameworks such as value, rarity, inimitability, and organization.

This paper has limitations. We could not explain all the fields of kid content. The kids' content has developed tremendously, but there are many hidden parts. It has been successful in Korea and is still growing and proliferating. Also, there is a slight lack of scarcity in distribution methods. The fact that Pink Fong cannot be found on Netflix, which has a 54 percent market share and 61 percent in the English-speaking world on the global streaming platform, is a big blow. Of course, Smart Study stands out on YouTube and IPTV, but because competitors are already doing enough, it is a fact that they are less competitive in the distribution part (Lee & Park, 2018). Therefore, future works need to explore these limitations.

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