Exploring the Issues for the Success of Multichannel Network Businesses in Korea

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ABSTRACT

With the increasing popularity of online video content like YouTube carries, multichannel network (MCN) businesses have appeared. MCNs are organizations that partner with individual creators. They support production, promotion, copyright management, monetization, and share a portion of the revenue. The activation of the MCN industry is indispensable for the growth of a rich content environment. Despite the diverse stakeholder relationships that characterize the MCN industry (e.g., the MCN, creator, brand, advertising agency, platform, and users) most previous studies focused only on the perspectives of the creators and MCN participants. This study aims to identify each stakeholder’s viewpoint. Using an interview-based systems approach, we interviewed 40 stakeholders in the MCN industry. After using a Causal Loop Diagram (CLD) to analyze the key factors and interactions among the diverse stakeholders, we suggest activation propositions. This study offers theoretical and practical implications through comprehensive understanding of six different perspectives within this industry.

KEYWORDS

Branded Content, Causal Loop Diagram, CLD, Creator, Individual Media, MCN, Multichannel Network, System Dynamics, YouTube

INTRODUCTION

With the increasing popularity of watching videos on smart devices, personal broadcasting by individual creators has become part of the major media. Personal media refer to content produced and performed by individual content creators through the Internet video platform. According to Defy Media’s 2014 surveyzza (Defy Media, 2015), viewers aged 13 to 24 in the United States watched social media like YouTube an average of 11.3 hours a day, while regular broadcasts for only 8.3 hours a day. These figures show that the influence of these personal creators already exceeds that of stars of pop culture and movies. According to Variety (2014), eight of the top 10 most influential stars in the United States in 2015 were from YouTube. YouTube star PewDiePie gained 47 million globally in 2015 while earning US$12 million in revenue from YouTube (Variety, 2015).

The Chinese are also huge fans of creator content, with the MCN Wang Hong a highly popular purveyor of such content. Wang Hong (网红) is an abbreviation of Wang Hong Hongrun (网络红人), which is a combination of “Internet” (网络) and “popular person” (红人). Popular Wang Hong are highly successful financially by selling goods through their media. Zhang Dayi, one of China’s best-known Wang Hong, reportedly earns US$46 million a year. It is much higher than top Chinese actress, Fan Bingbin, who earns about US$21 million a year (BBC, 2016). The Wang Hong economy has a value of more than US$16 billion in the apparel market, which is one sixth of the total online
apparel market (KOTRA, 2016). The Chinese data analysis company Analysis (易观智库) predicts that the Wang Hong industry will grow to US$15.1 billion by 2018, up from US$3.7 billion in 2015.

As the influence of creators grows, Multi Channel Network (MCN), an industry that manages and commercializes creators, has emerged. The MCN industry is spreading worldwide with the popularity of creator content. Google estimates that by 2020 creator media will account for more than 70% of YouTube content (KyunghyangNews, 2018). MCN businesses support production, promotion, copyright management, and monetization and share a portion of the revenue. Among the MCN businesses all over the world, the case of Korea is noteworthy. Korea’s growing MCN industry is led by firms. Similar implications are present in other countries where the MCN industry is beginning. Korea’s MCN has implications for other countries because it is stabilizing its revenue model with content such as K-pop and K-beauty that is competitive globally.

Existing research related to the MCN industry remains at the level of analyzing the industry’s current status without dealing with its main issue. Many studies describe the current status of the industry in the new screen ecology (Kang, 2015; Cunningham & Silver, 2016; Kim, 2016). Some have examined the business model of the industry (Gardner, 2015; Song, 2016; Koh & Yoon, 2016), but most of these used a literature review method and limited interviews. Some recent studies have examined the relationships of stakeholders in MCN industry. Gardner and Lehnert (2016) focused on the relationship between MCN companies and creators. Yim (2016) researched the difference between legacy media and MCN companies. Lee and Song (2016) studied users’ acceptance of creator content.

Activation of the MCN industry is essential for activation of a new media ecology. The biggest problem of the industry recently has been the lack of monetization despite its increased scale. Nevertheless, most of the previous studies do not deal with the major issues, but only the overall status of the industry. And although the MCN is an industry of diverse stakeholder relationships (i.e., MCN participants, MCN creators, brand managers, advertising agency account executives, platform participants, and users), most previous studies have focused on the creators and MCN participants (Koh & Yoon, 2016; Lee & Song, 2016). The views of numerous other stakeholders have not been considered.

Our research is motivated by this gap in the research and also by the practical problems faced by MCN service providers in leveraging monetization of the industry. Thus, this study aims to explore issues in the MCN businesses and suggest propositions for its success in Korea. Activation strategies in Korea have implications for other countries that are introducing MCNs. For this purpose, we examine the viewpoints of participating stakeholders. Using an interview-based exploratory approach, we interview 40 stakeholders in six major categories of stakeholders. The 40 interviewees consist of 24 experts and 16 users. The MCN participants especially are carefully selected from six different representative MCN companies. Based on the data collected through the interviews, we analyze the interactions among the diverse stakeholders by using a causal loop diagram (CLD) and suggest propositions for each issue. These propositions are validated by expert focus group discussions (FGD). After one validation, the issues and propositions are revalidated a year later. This study offers theoretical and practical implications through comprehensive understanding of six different perspectives.

CONCEPTUAL BACKGROUND

MCN Concept and Industry Status

The MCN concept was first defined by Google. “Multi-Channel Networks (MCNs) are entities that affiliate with multiple YouTube channels, often to offer assistance in areas such as product, programming, funding, cross-promotion, partner management, digital rights management, monetization/sales, and/or audience development (YouTube, 2018).” Previous studies also defined the MCN concept similarly. “An MCN is any entity or organization that partners with content creators or directly produces a variety of distinctive content and works to perform business and
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