

Unite as Small Fish and Dream Big Like a Whale: The Story of Yello Mobile*

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At the time of its birth, Yello Mobile believed that a fast-paced paradigm shift from a PC era to a mobile era was unfolding. With no presence of a single strong competitor, Yello Mobile saw that there were first-mover advantages and an array of undervalued firms that were full of potential. To take advantage of these two aspects, the firm came up with a novel way of growth. It had a unique vision of creating a platform company where diverse mobile startups coexisted. Some labeled it as M&A others said it was an alliance. Within two years, it impressively acquired over 70 companies. Those in favor praised it as a paradigm change for startup growth, while others voiced concern over the long term feasibility and sustainability of its strategic choices. Nevertheless, it is important to understand how this new mechanism was working and unfolding as the company grew within a fledgling mobile market.

Key Words: alliance, entrepreneurship, M&A, startup, venture

Prologue¹⁾

Mr. Lee Sanghyuk, founder and CEO of Yello Mobile sipped his coffee at the stylish lounge of Yello Mobile headquarters located in Garosugil Shinsadong. The lounge, called Club Yello had a café like atmosphere, with hip neon sign decors in the color, well yello.

Garosugil was a trendy district better known for its chic shops and Instagram famous restaurants. People walking by seemed to either be in the modeling industry or some sort of fashion business, to say the least. Known as Seoul's Soho to foreigners, it is perhaps the last place you would expect the headquarters of a big firm. The café Club Yello was full of its usual hustle and bustle,

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1) This case was intended to provide an opportunity to think about the appropriateness of the corporate strategy of the venture company in the early stage. In order to encourage free discussion, this case was described as of 2016, four years after its establishment. Yello Mobile changed its name in 2018, and its current name is Yello.

it would pass as a café except many were carrying laptops and actually seemed to be in meetings with clients over coffee. If you looked even more closely, these people did not seem to all work for the same company. That was right, Yello Mobile was home to approximately 80 mobile-related startups.

“Unite as small fish and dream big like a whale”
– Lee Sang Hyuk, Founder and CEO of Yello Mobile(Lim, 2014)

1. Introduction

With the fast-paced economic development of emerging markets such as China, Korea's hitherto competitive manufacturing industries are struggling. In efforts to find new growth engines that will boost the nation's economy, the Korean government has emphasized the importance of entrepreneurship and creativity. This has led to a flux of new policies, funding, and initiatives that help promote startups, encouraging innovation and creativity among young entrepreneurs. Universities alike were quick to follow, becoming startup incubators. They created 'Venture Management' majors and provided courses on entrepreneurial management. Increasingly, young entrepreneurs joined the startup bandwagon hoping to become the next Mark Zuckerberg. Despite efforts to create favorable environments for startups, however, these young businesses still con-

tinue to face significant challenges.

Park(2014) described three main difficulties that mobile startups come across. First, the difficulty of marketing services and products, second, the lack of professional management skills and the absence of adequate management systems, and third, the lack of funding to support startups in their initial years. Many startups, in fact, fail to overcome one or more of the above-mentioned difficulties and eventually exit the market. Within a couple of years, they run out of money or are unable to overcome competition. Despite the host of difficulties that startups encounter, one firm, in particular, is making quite a name for itself within the startup community. With an innovative and unique strategy, Yello Mobile which focuses on mobile e-commerce and media services, dreams of becoming 'Asia's No. 1 Mobile media group.' Just after two years of its creation, the firm is valued at a billion dollars while at the same time continuously racking up big investment deals surprising many in the industry(Kang, 2014).

The short history of this firm is quite extraordinary. Initially established in August 2012 under the name of Imarketing Korea, within two years, it acquired over 70 mobile-focused startups. As of 2016 December, it has 86. Its business area is quite diverse as the company's general strategy is to acquire any mobile startup that is at the top of their game or shows promising potential, ultimately aiming to create an 'alliance' of various mobile-focused services. Lee Sang Hyuk, CEO, and

founder of Yello Mobile has experienced for himself the aforementioned three difficulties that startups encounter. Before Yello Mobile, he created 'MyOne Card' a service that integrates points or mileages of credit cards into one card. His struggle to survive as 'small fish' in the big sea led him to realize that by bringing small companies together, a difference could be made. This is the idea behind Yello Mobile. It aims to become an umbrella company that serves as a mobile platform for a variety of smaller mobile services.

"From finding ways to do business to marketing and HR management, too much must be dealt with for a small startup company to succeed. Then I came up with the idea of bringing these small companies together to create synergies in different ways"

– Lee Sang Hyuk, CEO (Ahn, 2014)

The 'small fish' dreaming of becoming the 'big fish' by joining forces did not limit itself to a specific service area. Yello Mobile's business portfolio covers various areas, from shopping to marketing, advertising, digital agencies, mobile contents, mobile community-related services, social marketing and information providing services. Recently it has also ventured into travel and financial services. Its record of successfully striking big investment deals, one after another is also another reason why Yello Mobile is all the buzz in the tech scene. In 2014, it received around 30 billion won of funding from DSC Investment and the state-run Industrial Bank of Korea (IBK). Shortly after, Silicon Valley based in-

vestment firm Formation 8, injected another 120 billion won. It valued Yello Mobile at about 1.2 trillion won (Kang, 2014). Such events indicate the positive recognition of its potential and business strategy by the market.

"As Asia's leading mobile group, we wish to combine Korea's mobile platform services with foreign local networks creating synergies and continuing to develop new businesses. We plan to enthusiastically expand and benefit from first-mover advantages as the market for international mobile-focused services grows."

– Lee Sang Hyuk, Founder and CEO of Yello Mobile (Han, 2015)

Yello Mobile is experimenting with a new and innovative strategy assuming the role of an umbrella company acting as a partner, incubator, investor and accelerator. It has opened new opportunities for small startups that previously had a small voice in the market. However, this unprecedented business model has also raised voices of concern. The rapid pace of expansion is risky as it can become vulnerable when subjected to unfavorable market or economic conditions such as a swift downturn. Moreover, overly fast expansion has led experts to question actual synergy effects. After all, too many chefs spoil the broth. Some worry that startups may choose to exit or cash out following an IPO instead of sharing Yello Mobile's long term visions. Will Yello Mobile continue to succeed despite such doubts and concerns? At this stage, it is important to take some time to understand Yello Mobile's strategies in greater

depth and discuss some of the key issues and problems that the company must tackle in order to successfully continue its journey.

II. Company Overview: Yello Mobile

2.1 The creation of Yello Mobile: How it all started

Lee Sang Hyuk, CEO of Yello Mobile graduated from KAIST with a master's degree in management science. After working in a big Korean firm for a while, he created MyOne Card. An early pioneer back then, creating a startup, despite small, was anything but difficult. This experience allowed him to become well aware of the challenges of a start-up and how much effort it took to run such a business. He later sold MyOne Card to Daum Communications and joined the company as their local business executive. One day, examining the hundreds of business cards on his desk, he soon realized that among the numerous startups, those that survived and thrived were platform companies such as 'Naver,' 'Nexon,' and 'NCsoft.' This is how he came up with the idea of a platform company made up of many small startups. Why mobile? At the time, Lee felt that there was a unique opportunity in the Korean market where mobile usage was skyrocketing. Smartphone penetration was nearing a significant 75% of the population. The country was already pre-

paring to transition its wireless infrastructure to cutting edge 5G technologies. Following widespread use of mobile phones, he felt that mobile commerce and marketing was exploding too quickly for any one company to be dominant. Thus, he approached several small mobile commerce companies about joining forces and created Yello Mobile in 2013(Choi, 2014).

At the time, Yello Mobile focused on creating marketing platforms or tools where small local businesses such as restaurants and coffee shops could promote their business. Previously these local businesses relied on printed coupon books, leaflets or flyers to market their business. Mr. Lee wanted to bring this to the mobile platform. The small alliance between mobile commerce companies led Mr. Lee to believe that it could be a way for growth and making a difference.

2.2 The business portfolio of Yello Mobile

"Our mission is to provide users with mobile apps that can be used 24 hours a day, seven days a week. We cater to users with lifestyles that are more mobile than ever."

- Yello Mobile company website

Yello Mobile wants to cover virtually anything and everything mobile. Their portfolio focuses on key areas which are mobile shopping platform, mobile advertising, travel, mobile contents/community, and local business. Details on these key five areas are shown in <Table 1, 2>. The following sections are a summary of the industry characteristics and

<Table 1> Yello Mobile's Business Portfolio (As of June 30, 2014)

Mobile Shopping Platform	Mobile Contents / Community	Mobile Advertisements	Travel	Local Business
Coocha	Pikicast	Future Stream Networks	Tour Baksa	Yello O2O
Couponmoa	1km	Adqua	Jeju.com	Yello Design
Price Area	Jihachul	Purplefriends	Jeju Mobile	Yello Information
Post Bay	Poing	Emotion	Ticket Mania	Yello Marketing China
	Alarmon	Inno Birds	Wishbeen	
		Dmajor		
		Recobell		
		Yello Story		
		Dodam communications		
		Adplus		

Source: Yello Mobile preliminary investment guide(2015)

<Table 2> Yello Mobile's Financial Summary by Business Segment (Unit: 1,000 KRW)

Business Sector	2016		2014	
	Revenue	Ratio	Revenue	Ratio
Mobile Shopping Platform	88,559,414	20	7,304,232	6.7
Mobile Contents / Community	8,099,389	2	732,228	0.7
Mobile Advertisements	115,561,734	26	70,041,494	64
Travel	43,377,252	10	10,934,356	10
Local Business	187,172,438	42	17,461,814	16

Source: Yello Mobile Annual Report

competitive environment of each business sector and the core services provided by Yello Mobile. The following sections refer to the Yello Mobile preliminary investment guide (2015) and the annual report provided by Yello Mobile.

2.2.1 Mobile Shopping Platform

The shopping media sector focuses on collecting and categorizing all shopping-related

information and providing such information through mobile apps. Customers can access information on prices, price comparisons, deals, product details, and product reviews. These apps make a profit off ads and commission when the actual purchase occurs. The proportion of mobile shopping in the domestic e-commerce market is increasing. The share of mobile shopping in total online shopping increased from 32.8% in 2014 to 53.5% in 2016 and is expected to continue to

increase (Table 3). The mobile industry generally does not have high barriers to entry in terms of facility investment and service composition. The benefits of high awareness of first movers or leading companies are strong. Nevertheless, the mobile industry is fundamentally an area of extreme business change. In addition, if the dominant companies in the market such as Naver in the existing internet-based market and Kakao in the messenger service market enter the shopping media business in earnest, there is a concern that overall profitability will decline.

The two biggest services in the shopping media sector are Coocha and Couponmoa. With the growth of online shopping, various forms of online shopping such as social commerce, open markets, and home shopping developed. CooCha takes advantage of South Koreans' interest in mobile commerce by aggregating the best deals of the day from various mobile marketplaces. As of September 2015, the cumulative app download has reached 14 million and monthly users amount to 7 million. With a famous Korean comedian as their TV and print advertisement model, CooCha has been steadily growing. According

to a report by Digital Daily, CooCha surpassed traditional big players in the online shopping scene such as 'Auction,' '11st' and 'Gmarket,' in terms of app traffic (Shim, 2015).

The shopping media sector has already made its way to foreign markets. The most noticeable is PriceArea which is an Indonesia based online shopping site. It claims to be one of the largest price comparison sites in Indonesia in terms of web traffic. It generates over 1.4 million visits per month and has over 17 million products registered in its database. With the M&A, PriceArea plans to leverage its game by enhancing its mobile services. (Table 4) illustrates the percentage of revenue within each type of shopping platform in Yello Mobile.

2.2.2 Mobile Contents / Community

The mobile contents and community apps sector focuses on content creation and generating traffic for content users in a specific area. Based on this, it helps advertising and digital item businesses generate revenue. In the PC based web era, portal sites were at the center of content creation and distribution through mediums such as online communities,

(Table 3) Online Shopping Volume Trends (unit: billion won)

2014		2015		2016	
Online		Online		Online	
	Mobile		Mobile		Mobile
453,025	148,698	538,883	244,645	649,134	347,031
Mobile shopping ratio: 32.8%		Mobile shopping ratio: 45.4%		Mobile shopping ratio: 53.5%	

source: Statistics Korea(2017), December 2016 and yearly Online shopping trend

〈Table 4〉 Percentage of Revenue in Yello Mobile's shopping platform

Type of business	Percentage of revenue	Type of Commission
Social Commerce	39	CPC(Cost Per Click)*
Open Market	22	CPS(Cost Per Sales)**
Online Shopping Mall	12	CPS(Cost Per Sales)
Other	27	CPC(Cost Per Click)

* CPC: amount an advertiser pays based on the number of times a visitor clicks on an advertisement

** CPS: amount an advertiser pays for each sale generated by an advertisement

Source: Yello Mobile preliminary investment guide(2015)

blogs, and social media websites. They covered a wide variety of content. However, in the mobile era, these contents are divided into finer categories. Each app is tailored towards providing specific content that fit into certain categories. In a sense, they act like smaller specialized portals. Due to the transition to the mobile era, traffic based on mobile devices continues to increase. The demand for mobile content is not largely changed due to economic fluctuations, because there is no cost for the consumer. However, as the main revenue base for this business is advertising revenue generated from individual apps, there are concerns that advertisers will be reduced due to economic fluctuations. At present, interest in mobile advertising is increasing due to the increase in traffic of mobile devices, which leads to an increase in the price of advertising, thereby improving profitability. Therefore, this business sector can expect synergy with Yello Mobile's advertising and shopping media divisions. Like other business sectors, The business sector is also expected to face fierce competition if large portal and messenger

companies with capital and a wide user base jump into the industry.

Yello Mobile provides services such as 'Pikicast,' '1km,' and 'Alarmon.' Pikicast is a content platform which provides contents for entertainment. Under the slogan 'make the world happy,' they describe themselves as a mobile contents creator and curator. Optimized for mobile phone users who want entertainment, they strive to enhance in-house content creating abilities through services such as 'pikitoon,' 'pikipictures,' and 'piki on-air.' The cumulative app download is 11 million while monthly traffic is around 2.7 million.

'1km' is Korea's number one location-based social dating service. Based on one's location, the app allows users within a 1km radius to chat 1:1 or create clubs for those who share similar interests. Based on the growth potential of this service, Yello Mobile has plans to take it global, most recently it established a joint venture with Taiwan based digital marketing company 'Hiiiir' and hopes to target the Taiwanese market.

2.2.3 Mobile Advertisement

The advertisement sector aims to become a one-stop answer to digital marketing. It covers everything from creative digital marketing strategies to mobile ad network platforms and SNS viral marketing platforms. Simply put, it concerns whatever is necessary to help users reach their target audience. Just like traditional ads, mobile ads connect advertisers with customers, which in this case are mobile users. Mobile advertising refers to advertisements provided through mobile devices, such as smartphones and tablet PCs. Mobile advertisements are classified into search type, display type, reward type, and message advertising type. A search type is a form of advertisement that induces access to the website of the advertiser concerned when a user enters a search word. Display advertising is a way to expose the advertisement to the user through a banner in the form of text or image. A reward type is a form in which the user can receive rewards such as points when the user watches the advertisement. The message type is a method of sending an advertisement such as a text or an image in an SMS or MMS form.

In the advertising industry, value chains are typically comprised of advertisers, ad agencies, ad networks, and solution providers and finally the target audience. Yello Mobile focuses on the networks and solutions element. Advertisements must be created and tailored to mobile-optimized sites and apps. They should

also appear on appropriate apps targeting the intended audience. The mobile advertising market is experiencing unprecedented growth as the smartphone penetration rate steadily increases. According to the Korea Internet and Security Agency (2014), traditional broadcasting and print advertisements which make up over 50% percent of the ad market are showing negative growth while web-based advertisements are also showing sluggish growth. The growth for mobile-based advertisements, on the other hand, has been exploding. <Table 5> illustrates an overview of Korea's current marketing industry. As the domestic mobile advertising market grows, global companies such as Google and Facebook are gradually paying attention to the domestic market, and fierce competition is anticipated as domestic large companies such as Naver and Kakao are strengthening their related-businesses.

'Cauly,' and 'Withblog' are examples of advertisement services provided by Yello Mobile. 'Cauly' introduces itself as the mobile advertising network platform. It makes a profit by connecting advertisers with mobile apps and websites, focusing on matching specific apps with certain target audiences. Depending on the advertiser's needs it analyzes app user's age, sex, time of use and patterns of use to efficiently target ads to the right users. Currently, it sends out ads to 42million mobile users per month through 15,000 apps. Yello Mobile also acquired Adplus, an Indonesian digital advertising company. Adplus is Indonesia's

<Table 5> Korean Marketing industry overview

Type	Advertising cost(100 million won)			Growth Rate(%)		Composition(%)	
	2013	2012	2011	2013	2012	2013	2012
Broadcasting*	35,712	36,071	36,343	-1.0	-0.7	37.2	38.5
Print**	20,097	21,620	22,328	-7.0	-3.2	20.9	23.0
Internet***	20,030	19,540	18,560	2.5	5.3	20.9	20.8
Mobile	4,600	2,100	600	119.0	250.0	4.8	2.2
Outdoor advertising	9,645	9,105	8,448	5.9	7.8	10.1	9.7
Advertisement production and other	5,810	5,418	5,725	7.2	-5.4	6.1	5.8
Total	95,893	93,854	92,004	2.2	2.0	100.0	100.0

* Sum of advertising costs of TV, Radio, IPTV, Satellite TV, and DMB

** Sum of print media advertising costs, newspapers and magazines

*** Sum of advertising costs of search advertising and internet display advertising

Source: Cheil Marketing Year book(2014), Korea Internet and Security Agency(2014)

third-largest digital advertising company in terms of market share, launched in 2012, the company uses strategic media placements and display networks. Adplus has done media campaigns for international companies such as Dannon, Samsung, Nokia, Chevrolet, Minute Maid, and Coca Cola.

2.2.4 Travel

The travel sector covers everything travel related, bringing it to the mobile platform. It brings together travel companies that wish to offer their services through mobile devices allowing users to easily plan and book trips and share their experiences with other users. The travel industry is divided into inbound travel and outbound travel. Inbound travel means travel within Korea and includes travel by foreigners and Koreans. Outbound travel mainly refers to the overseas travel of Koreans, usually involving the sale of tickets and

accommodation. The travel industry is exposed to seasonal, economic and currency fluctuations. The demand for travel increases during summer and winter when students' vacations and office workers are concentrated. The travel industry is heavily influenced by economic and currency fluctuations.

Yello Mobile feels that the travel industry is at a turning point, as online and mobile markets are expanding and need for innovative ways to approach the market is increasing. Due to K-pop, K-beauty and the Korean Wave among many others, Korea is among the world's 20th most visited countries in the world and Asia's 6th. For domestic travel, regarded as a developed country in many respects, many Koreans are increasingly turning to quality leisure and travel for spending their spare time.

With such a rapidly growing tourism industry, Yello Mobile has been quick to acquire companies such as 'Wishbeen,' 'Tour Baksa,' 'Wooripension' and 'Jeju.com.' Under

the slogan 'make your wish into been!,' Wishbeen helps facilitate the travel planning and sharing process by connecting users to other travelers who are willing to share their knowledge and expertise. It not only provides information on the best tourist attractions, but also maps, transportation, time, and expense. Users can also look at other people's itineraries to help them plan their own trips. Wooripension is a guesthouse rental service and has been No.1 in its sector for over 10 years. Without brand names like the big hotel chains, guesthouse users rely on other traveler's reviews. Guest house owners are happy to have a marketing platform and guest house users are satisfied with reliable reviews. Under Yello Mobile, Wooripension provides reservation and search services for over 3,000 guest houses optimized for the mobile user.

Entry barriers to the travel industry are low. No special skills are required and it is possible to start a business with a small amount of capital. Each travel agency is developing various travel services based on business know-how, but it is difficult to obtain a competitive advantage through service differentiation because it is difficult to obtain legal protection. Nevertheless, the competitiveness of large travel agencies such as Hana Tour or Mode Tour is strong based on the strength of the brand of travel agency itself.

2.2.5 Local Business

The local business has a business model

that provides IT solutions for offline retailers and earns profits in return. Local business can cover anything that crosses the border between the two, from marketing, consulting, customer relationship management, B2B commerce and so forth. Users can easily access offline business services through online mediums. The company collects and provides local information necessary for daily life such as restaurants, hospitals, lodging, and fashion, and users communicate with each other by writing reviews. In this process, service providers can earn profits from marketing fees. With the spread of smartphones, the size of local services is increasing rapidly. While e-commerce is on the rise, offline commerce is still huge. Traditional offline commerce and mobile-based services are expected to generate significant synergies. The mobile coupon business, which is a representative service of local businesses, generally provides coupons of offline catering companies through mobile services. Revenue is generated through banner ads, coupon registration fees, and preferred exposure. The mobile coupon business is rapidly replacing the paper coupon method. The hospital information brokerage services connect hospitals and patients by providing comprehensive information about hospitals owned by service providers. Goodoc of Yello Mobile allows users to search for over 90,000 hospitals and pharmacies nationwide. It provides customized information based on location, time, or needs. Looking for a pharmacy open on a Sunday? Ask Goodoc. It also provides

ratings on hospitals and doctors, reviews and information on doctor credentials. Another O2O service, Pinspace, offers over 650 venues for parties, weddings meetings, workshops, photoshoots or pop up stores to name a few. Users can reserve unique venues such as public bathhouses, bowling alleys, casinos or hanok (traditional Korean house) for whatever type of event. The creator of Pinspace realized that not all spaces were occupied 24/7 and by creating a platform where such venue owners could connect with potential users, the great value could be created.

III. Strategy and Core Value of Yello Mobile

3.1 Rapid growth through M&As

Yello Mobile believed that at the time of its birth, a paradigm shift to a mobile era was unfolding. They believed that this shift was a great opportunity for the two following reasons. First, it allowed them the opportunity to gain first-mover advantages if they acted fast. Second, firm values within the mobile industry were greatly undervalued at the time. Hence, given the market context, Yello Mobile developed a rapid growth strategy based on active M&A.

CEO Lee greatly valued the importance of gaining first-mover advantages in the fledgling mobile industry. In the computer-based era,

once major search engines and portal sites dominated key points of contact with internet users, it became a gateway to an array of services such as price comparison sites, travel, real estate, and shopping. These services could be effectively navigated with ease, all within one search engine or portal sites. However, as users moved on to smartphones, individual apps stopped at offering single services. Users were required to download different apps for each service. Hence it became important to gain first-mover advantages and quickly lock in customers in each service area(Sung, 2015).

“When a user downloads a subway app, unless the app is really bad, they will not bother downloading a different app. They will just stick with their initial download. Moreover, since the app only focuses on specializing in a single feature, the room for differentiation for the next best subway app is usually small.”

– CEO, Lee Sang Hyuk(Sung, 2015)

Because of such industry characteristics, Yello Mobile focused on dominating major contact points for each individual service. They believed that gaining first-mover advantages for each contact point would enable them to later reap benefits as they realized synergy effects.

Market entry normally occurs through greenfield or M&A. Greenfield requires developing and sourcing all resources and capabilities required for the business. The pros involve better control over all aspects of the business with a strong commitment to the

market. On the other hand, a zero base approach is usually costly and requires time for profits to materialize. Market entry through M&As enables faster access to the market as an established firm. The cons, however, involve unforeseen problems or difficulty during the post-merger integration period. Merging two firms with entirely different cultures and routines is often tricky and many times leads to M&A failure.

In the case of Yello Mobile, entering the market as a greenfield was not ideal as it lacked both the resources and capabilities. Moreover, it felt the timing was an important aspect. Yello Mobile felt the need to quickly seize opportunities that emerged as paradigms shifted from a computer-based to a mobile-based era. Hence a greenfield approach that required greater time was not a good option. Moreover, since Yello Mobile's acquisition strategy did not involve full integration, it was free of many of the problems associated with post-merger integration. Through its unique M&A approach, it became allies with many of the already leading and well-established firms in the mobile sector. This was a win-win situation for both the target and acquiring firms. Target firms could focus on what they did best and rely on Yello Mobile for general business-related operations such as legal or marketing. Yello Mobile could benefit by quickly entering markets and businesses with great growth potential. It can also expect synergies such as traffic sharing with other acquired companies.

During the acquisition process, Yello Mobile claims that 'speed' is its key competitive advantage. Once Yello Mobile feels that the target firm is heading in the right direction in its respectable market, the CEO himself initiates a fast-paced acquisition process. The decision to acquire the firm is made within two or three meetings. Yello Mobile believes that such speed is what sets them apart from large conglomerates that take considerably longer in evaluating potential target companies and reaching acquisition decisions. There was actually a case where a large conglomerate was evaluating a target firm for over 6 months when Yello Mobile successfully stepped in and acquired the company over three meetings.

Of course, the acquisition process was not always easy. Some target firms simply failed to overcome the feeling of being 'conquered' or 'selling out' a firm they put so much effort into creating. Others cast doubt in Yello Mobile's unprecedented ways of M&As. However, CEO Lee did not give up, persuading startups to share his vision. Asking them to take a journey that would become much easier when taken together. The history of key M&A events is shown in (table 6).

"A long and difficult road when traveled alone, together within a platform company, things could be easier and faster. Many startup companies shared this vision and it is the reason why Yello Mobile has become what it is today."

– Lim Jin Seok Strategy Director, Yello Mobile(Choi, 2014)

<Table 6> Brief History of Yello Mobile

Year	History
2012	August, founded iMarketing Korea August, acquired iMarket, NowMarketing September, acquired Pensionjjang, Bluestay, and Orangesky October, Acquired Tobe
2013	March, third party allotment for a paid-in capital increase, 500 million won investment from DSC investment April, acquired Wooripension June, signed service transfer contract for Couponmoa, Hopenmoa, acquired iDesign July, acquired Life Market and Goodoc September, third party allotment for a paid-in capital increase, 10billion won investment from DSC investment, LB investment, SL investment, and Stone Bridge Capital October, statutory merger of Pensionjjang, BlueStay, Nowmarketing Korea, Orange Sky, Goodoc which were previously 100% affiliates, company name change -before change: iMarketing Korea -after change: YelloMobile
2014	January, statutory merger of Life Market which was previously an affiliate, acquired lkm February, established Yello Digital Marketing March, acquired Malangstudio April, 205billion won investment by DSC Investment, DS Investment Consulting, SL Investment, Meritz Securities, Stone Bridge Capital May, established Yello With Us, Jungle People July, moved the location of corporate HQ

Source: Yello Mobile preliminary investment guide(2015)

3.2 Core values

The unprecedented growth and the flush of funds have put Yello Mobile in the spotlight. Its unique business strategy which brings together small companies through M&A's was unheard of in the Korean startup scene. Whilst thousands of startups have been formed over the last few years, there has been an incredibly small number of M&As(Choi, 2015). This is in part due to an unsophisticated M&A and financial market to fund such projects and the dominating presence of chaebols (big business groups) which prefer in house

development over acquisition. Then, how does Yello Mobile make it work? What is the secret to their innovative business strategy?

Before explaining Yello Mobile's business model, it is important to understand how much importance it puts on its core value. The company's business model and strategy are all a result of adhering to and preserving this core value, entrepreneurship. Within Yello Mobile, there exists a unique position that is not normally found in other companies. The CYO(Chief Yellopreneurship Officer) makes sure that the new startups that become part of the company are able to preserve their

entrepreneurial identities guaranteeing their managerial freedom. Yello Mobile believes that this is key for much of the creativity and innovation that drives startups to success, and does not want this to be harmed in any way when startups join the company. CYO Kim Hyun Young explained in an in-depth interview, the story behind the formation of this unique position in the company.

“As I joined the company, I came up with something called the ‘CCE’ principle. CCE stands for collaboration, co-shared value and, entrepreneurship. Time passed and we realized entrepreneurship was the most important among the three and renamed it to the ECC principle, only to realize later again that ‘entrepreneurship’ does not exist at the same level as the other two but stands above all else. It is the most important value in this company. This is how we ended up with a position called CYO.”

– Excerpts from the interview with Kim Hyun Young, CYO of Yello Mobile

Yello Mobile strongly believes that startups grow through the passion, belief and leadership of entrepreneurs and such entrepreneurship is irreplaceable. Rather than working for someone else, when working for oneself, one’s own beliefs, and vision, that is when great progress is made. Hence, Yello Mobile works hard to help preserve the key elements of entrepreneurship that first inspired startup founders. It also values unique company cultures that are nurtured in each startup. When CEO Lee first sold MyOne Card to Daum Communications in 2011, he felt that he had

lost his entrepreneurial way and become a ‘businessman.’ Lee did not want this to happen in Yello Mobile.

“We cannot just acquire firms, and make them part of a bigger corporate strategy. The founders of the startups do not want to become ‘just another employee’ of the company. We cannot let this happen when they have worked so hard, put so much passion and become great leaders to make their firm competitive.”

– Excerpts from interview with Kim Hyun Young, CYO of Yello Mobile

Yello Mobile believes that the growth and survival of firms depend on entrepreneurship. With this core value in mind, it manages the business according to the ‘Yelloway.’

Among the main reasons for merging with another organization is that the union will help attain strategic goals faster and is more cost-effective than if the company is to do it on its own. However, creating value from acquisition integration is a challenge. The post-merger integration (PMI) process is anything but complex. Despite expectations for synergies between combined organizations, the amount of organizational change involved in integration can be very complex and disruptive to the task environment. Culture clashes communication combination of human resource policies, disruption of social contexts and psychological issues are among the many difficulties that influence post-acquisition synergies. New policies, new systems, new reporting relationships, different cultures, and values may

directly affect employee performance and productivity.

Specifically, acquisitions are believed to be a greater strain for members of the target firm (Jemison & Sitkin, 1986). Since the acquirer's characteristics are often seen as the prevailing standard, target firms are expected to follow them. This can be dangerous for startups since it can directly harm their distinctive ways of doing business which is often a source of competitive advantage. On a more personal level, as target firms lose their economic and legal independence, the aura of conquest and superiority could lead to greater stress, insecurity, anxiety and even anger deterring firm productivity and performance. Hambrick and Cannella(1993) examined in a study how M&As lead to acquired firm executive turnover. Like CEO Lee, many executives report feeling dissatisfied, ultimately choosing to resign and look for options elsewhere. Walsh(1989) reported in a study that 61 percent of acquired firm executives resigned within five years. Since startups are often small and tight-knit, operating under the strong leadership of their founding CEO, the departure of such a significant figure could be detrimental.

Yello Mobile's approach to M&A is much different from those discussed above. Under Yello Mobile's M&A, target firm executives retain full management rights. They are allowed to continue business operations almost as if they were a completely independent company. It is made sure that unique com-

pany cultures and characteristics are well preserved. This differs from traditional M&A approaches that aim for synergy creation through partial or complete integration. Yello Mobile refers to this as 'independent yet working together' where companies work together while maintaining independence.

"We focus on collaboration, not integration. So it's not really M&A but rather alliance building."

– Lim Jin Seok, Strategy Director, Yello Mobile (Choi, 2014)

Yello Mobile believes that forced integration and synergy comes with too big of a cost. It will hurt much of the entrepreneurial edge that makes these startups so unique and competitive. They believe that once within this alliance, companies will naturally find the best way and the best people to work with.

Such management philosophy is well illustrated in the way Yello Mobile manages its M&As. Most of Yello Mobile's M&As are done through equity swaps that give Yello Mobile 100% or a majority stake. The target firm, in turn, receives a stake at Yello Mobile through capital increase by issuance of new stocks. As Yello Mobile continues to merge with new firms, the number of stakeholders in Yello Mobile naturally increases. Yello Mobile believes this is the best way to grow as an alliance of entrepreneurs which does not stop at simply growing in size but serves as a coalition where small startups can share long term visions and create a sustainable system.

"I believe that equity swaps are the best way to safeguard the entrepreneurial spirit. If it is not an equity swap, firms will eventually look for exit. Our goal is in sharing a vision in forming an alliance, developing each individual company."

– Excerpts from interview with Kim Hyun Young, CYO

Yello Mobile focuses on acknowledging and valuing each individual firm's independence and its unique organizational characteristics while providing support and realizing synergies with other firms within the company. It aims to serve as a platform which allows independent firms to focus on what they do best and enhance their competitiveness. Many of the startups that Yello Mobile acquires often have a competitive edge but lack support systems in areas such as marketing, human resource, legal and finance. This can become a stumbling block for small startups directly affecting their chances of success and even survival. Under the big umbrella of Yello Mobile, startups can focus on their core competencies not worrying about other general managerial requirements.

"Our role is in creating an environment where the performance of acquired companies can be further enhanced. Respecting entrepreneurship and trying our best to support them is our duty."

– Excerpts from interview with Kim Hyun Young, CYO

IV. The future and challenges for Yello Mobile

4.1 Achievements of Yello Mobile: Creating Synergies

The benefits of a platform company lie in creating an environment for startups that allow them to focus on what they do best. Most startups start from a single bright idea or technology which have great potential. However, actually bringing it out as a product to the market requires a lot of resources and time. As aforementioned at the beginning of this case study, many startups fail to overcome these challenges. They must focus on developing their core competency based on the bright idea all while making sure to get adequate funding, oversee legal issues, accounting, hire the right people and manage general business operations which is in many cases a lot to handle, even resulting to the loss in core competency. Yello Mobile understands the difficulties faced by startups more than anyone else and aims to provide the supports that many startups desperately need. As it focuses on providing support, it can also take advantage of economies of scale. For example, it would be difficult and costly for each individual firm to hire professionals required for operating its business. If Yello Mobile shares professionals such as a web developer or a designer, human resource efficiency can be maximized to a greater extent.

Moreover, startups under the Yello Mobile umbrella can also share their expertise with one another. Within this big community, they can use resources according to their needs, easily access professionals which may have been previously costly and also enhance the product quality and service. 'Woori Pension' which had joined Yello Mobile was able to get help from professionals at 'Emotion' another firm at Yello Mobile, on improving their user interface(UI). This eventually led to a 50% increase in profits for Woori Pension. Had Woori Pension not been part of the Yello Mobile family, they would have found it difficult and costly to go ahead with the UI improvement process.

Another synergy effect created through Yello Mobile is in traffic sharing. Goodoc, provider of hospital related-information was suffering from losses before it joined Yello Mobile. Initially, Goodoc had spent a lot on constructing its DB of hospitals nationwide and lacked funds to invest in marketing activities. Since many Koreans tend to rely on referrals by friends or chose hospitals located near their homes, marketing was essential to attract people to the Goodoc app. Nonetheless investing significantly in marketing was difficult for a startup. This situation changed as Goodoc joined Yello Mobile. Couponmoa, a social commerce site offering deals and coupons introduced a beauty-related deal for a dermatology hospital registered in the Goodoc service. This naturally led Couponmoa users to Goodoc and helped increase traffic. Such

traffic sharing eventually allowed Goodoc to recover its losses and become profitable. In a similar case 'Pensionmoa' which is a site that helps book hotels was able to share traffic and increase its sales by 90%(Ahn, 2014).

The alliance also positively influenced the financial aspects of startups. As Yello Mobile's vision and potential became increasingly known to the public, raising funds became easier. After its establishment in 2012 August, Yello Mobile successfully raised over 23 billion won (Kim, 2015). As it grew in size, it could also invest more aggressively. For example, Coocha, a social commerce site offering hot deals, was able to hire Shin Dong Yeop, an A-list comedian starring in Korea's Saturday Night Live for its ad campaign. The campaign was a huge success. The number of Coocha app downloads was 3 million in 2014 March, but this jumped to 5 million the following September and 7 million in December(Shim, 2015). Overall, Yello Mobile's operating income has steadily increased since its establishment in 2012. Yello Mobile believed that this growth is due to diversification of revenue sources through aggressive acquisitions during the growth of the mobile-based industry. <Table 7> shows the changes in sales of Yello Mobile since its establishment in 2012.

4.2 The future and challenges for Yello Mobile

Yello Mobile's amazing growth has made it one of the hottest companies in the startup

〈Table 7〉 Revenue Trends of Yello Mobile (Unit: KRW)

	2016	2015	2014	2013	2012
Sales revenue	442,770,227,737	313,798,280,796	96,322,533,019	9,021,237,871	67,890,000
Operating Income	(28,044,876,504)	(47,747,819,413)	(8,188,730,031)	2,030,389,136	(152,251,527)
Net Income	(142,453,108,366)	(84,881,758,721)	(13,256,488,141)	1,475,422,210	(763,309,742)

Source: Yello Mobile Annual Report

scene. However, there also exists voices of concern over its future and long-term prospects. Yello Mobile recorded 400 billion won in sales in 2016. The improvement is slowly materializing, however total operating loss amounted to 28 billion won. Continuous losses despite the buzz have led worried investors to doubt whether Yello Mobile's equity swap strategy has just ended up creating a big bubble. Yello Mobile looks at this situation from a different perspective. Because it has a relatively short history of four years, it believes that it should not be assessed solely by the amount of losses. The shift to a mobile paradigm is in its early stages and therefore it is inadequate to prematurely discuss its success or failure. Rather than focus on the amount of loss, it believes that a deeper understanding of the characteristics of the loss and changes in performance is necessary. Looking closely at individual business sectors, 3rd quarter sales amount to 23.6 billion won for shopping, 2.5 billion won for media, 35.5 billion won for advertisement, 12.6 billion won for travel and 45.9 billion won for O2O. CEO Lee claims that these results show that Yello Mobile's financial performance is slowly but surely

improving.

Some in the media are mentioning the 2000 Littauer-tech scandal. They are worried that Yello Mobile is walking a similar path. In 2000, Littauer-tech acquired several Korean startups growing in size. Its market value once was nearing 1 trillion won. However, it was internally unstable and soon delisted from the stock market. Discussions about Littauer-tech emerged because of the similar strategies taken for firm growth. Like Yello Mobile, it used the equity swap strategy. Yello Mobile strongly believes that it is very different from Littauer-tech. Littauer-tech used the IT boom to their advantage, racking up investments and even acquiring insolvent companies. To maintain its overvalued stock prices, the company was focusing on external growth but being haphazardly managed which led to its eventual collapse. Yello Mobile argues that it is inherently different. Based on sustainability, it carefully selects business areas and target companies with great potential. Post-acquisition, it makes sure that it becomes an incubator and accelerator for growth, providing support which will help sustained growth. Together, it aims to share a long

term vision of a mobile media group based on the creation of a mobile platform.

Up until now, Yello Mobile's experimental strategy to dominate the mobile market at a time of paradigm shift is deemed somewhat successful. However, for this success to continue, it is time for Yello Mobile to realize greater synergy effects among the many companies under its realm. More importantly, it should start showing a profit. Since Yello Mobile's business model is anything but new, it is still early to hastily conclude its success. Whether this union of small fish will allow them to become the big whale they dream of, is yet to be seen. Will Yello Mobile be able to achieve their dream?

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고래를 꿈꾸는 물고기 연합: 옐로 모바일

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요 약

옐로 모바일은 '스타트업 지주사'라는 새로운 모델을 실험하며 벤처 업계의 뜨거운 관심을 받았다. 옐로 모바일은 모바일 기기 기반의 인터넷 패러다임으로의 전환기를 기회로 인식하고, 이를 활용하기 위해 새로운 성장 전략을 수립하였다. 옐로 모바일은 다양한 모바일 기반 벤처 기업이 공존하는 플랫폼 기업이라는 비전을 제시하였다. 창업 이후 2년 만에 70개 이상의 회사를 인수하며 공격적으로 성장한 옐로 모바일은 큰 규모의 투자 유치를 성사시키며 장밋빛 미래를 꿈꾸었다. 하지만 시장에는 여전히 이러한 전략의 타당성과 지속 가능성에 대한 우려가 존재한다. 옐로 모바일이 수립한 전략의 적절성과 산적한 과제들이 무엇인지에 대한 논의가 필요하다. 이에 본 사례는 옐로모바일의 성장과정과 전략을 정리하였다.

주제어: 기업가정신, 벤처, 스타트업, 인수합병(M&A), 제휴

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<Teaching Note>

Unite as Small Fish and Dream Big Like a Whale: The Story of Yello Mobile

Synopsis

At the time of its birth, Yello Mobile believed that a fast-paced paradigm shift to a mobile era from a PC era was unfolding. Considering it an opportunity, the firm believed that there existed first-mover advantages and an array of undervalued firms that were full of potential. To take advantage of these two aspects, Yello Mobile came up with a novel way of growth. Some labeled it as M&A others said it was an alliance. Whichever the case, it was an unprecedented novel approach. With its relatively short history, it is yet too early to determine whether such strategic choices were a success or failure. Nevertheless, it is important to understand how this new mechanism was working and unfolding as the company grew within a fledgling mobile market.

Within the mobile industry, locking in customers is important. Key contact points are mobile apps which focus on specific service areas. Apps often offer simple services and because of this, there exists little room for differentiation. For example, subway apps offer similar services. Unless the app is very bad,

customers usually do not bother downloading another subway app. In a mobile market that was just beginning to grow, Yello Mobile believed that initially locking in customers through such first-mover advantage contact points was important. Hence it put great importance in speed, skipping normal prolonged M&A revision processes it sped up its acquisition process, some only taking three days.

Startups often begin with a single bright idea. Many of these ideas are indeed great but the journey for these ideas to actually materialize is not very easy. Startups struggle to make a profit as they deal with general managerial and HR and funding challenges all while maintaining an entrepreneurial edge. Yello Mobile believed that it could recognize startups that were undervalued yet full of potential. By inviting them to work under the aegis of Yello Mobile, it believed that it could inject much of the general managerial and financial help that startups needed and allow them to focus on their bright idea.

As the paradigm quickly shifted from a computer-based era to a mobile era, Yello Mobile felt that a greenfield approach would be too time-consuming to gain first-mover

advantages for major customer contact points. Hence it opted for M&As. At the same time, because Yello Mobile strongly believed in the importance of maintaining an entrepreneurial edge, unlike traditional M&As, it guaranteed complete managerial freedom of its target companies. Through a unique equity swap system, Yello Mobile acquired 100% or majority stake of the target firm. The target firm, in turn, received a stake at Yello Mobile. The firm believed that this would lead to an alliance-building where small startups could gather to share long term visions and a sustainable ecosystem for the new mobile era.

Teaching Point

The purpose of this case concerns learning about Yello Mobile's novel strategic approach to business. Not perfectly falling into M&A, alliance nor a simple partnership, this case aims to understand Yello Mobile's unprecedented ways of growth especially during a time which the firm believes was a period of market paradigm shift. The case is designed for those who are unfamiliar with M&A and startup literature, intended to be taught within an hour and requiring an hour of outside classroom preparation. A case of typical M&A can be referred to Suh and Ko (2017), Lee and Park (2019), and Lee and Park (2018).

The overall objective of this case is to enhance the reader's understanding of the

Korean startup industry and how the novel approach by Yello Mobile was a well-justified (or otherwise) considering market conditions. By analyzing Yello Mobile's strategic approaches and key success factors, students can learn about Yello Mobile's differentiated strategy. The following questions will help students to think more in-depth about the company's strategic choices.

Assignment Question

1. How do you evaluate the appropriateness of the concept of 'venture alliance' conceived by Yello Mobile?
2. What do you think about Yello Mobile's perspective of the mobile paradigm? It talks about the importance of speed and gaining first-mover advantages, do you agree?
3. What may be the shortcomings of a 'startup alliance'? Do you agree with Yello Mobile's equity swap-based M&A approach to achieve this?

Analysis

1. How do you evaluate the appropriateness of the concept of 'venture alliance' conceived by Yello Mobile?

In order to evaluate the appropriateness of the strategies of Yello Mobile, it is necessary to understand the Korean venture industry. Over the years, the number of startups in Korea has continuously increased. However, their survival rates are among the lowest compared to OECD member states (KITA, 2015). Startups often fail to overcome financial strain and reach profit-making stages. Market exit occurs even before meaningful results and bright ideas are lost under the shadows of harsh business environments. The presence of an active venture capital industry is important for the critical role it plays in the very survival of startups. Yet, despite an increase in venture capital funds, due to a comparably underdeveloped exit market, most venture investments are done by a select few big venture capital firms on bigger and more noticeable startups. Funding continues to be a challenge to many smaller startups.

This section reviews the Korean startup scene and the venture capital industry. This will allow a better understanding of the success and significance of Yello Mobile's strategies, and how such unprecedented strategic choices allowed the firm to attain its position as the number 1 mobile startup scene.

1) History and status of the Korean startups

A startup is an entrepreneurial venture usually with high growth potential offering an innovative and creative product or service. In Korea, it is legally described as "a small

business that has sophisticated technology or high growth potential recognized by the government as requiring support." (The Act on Special Measures for the Promotion of Venture Businesses, article 2, paragraph 2). The history of Korean startups dates back to the 80s, many startups originated from universities or labs which were at the forefront of cutting edge technology research. The most representative example of an early Korean startup is Qnix Computer founded by chairman Lee Bun Choen who was at the time a university professor at KAIST University. Qnix was a success, recording surpluses within a year. Sambo Computer (also known as Trigem Computer), which is the first Korean company to manufacture personal computers is also originally a startup. It was founded by Chairman Lee Yong Tae who had just returned after his PhD in the US. 'Medison' famous for its ultrasound healthcare devices is also a startup. Chairman Lee Min Wha founded the company with his friends based on this research while a PhD student at KAIST University. Humax the digital setup box company and Bit Computer are also among the first generation startups in Korea.

The success of startups in the 80s led to greater interest and became a boom by the late 90s. The rapid expansion of the internet led to the birth and growth of many IT firms. The government also saw it as means to revive the economy following the 1997 Asian financial crisis. A series of government initiatives led to the creation of now well-known firms

such as Naver, Interpark and Auction. However, following the collapse of the dot.com bubble in the US in early 2000, Korean startups were also at risk. Among the 455 startup firms listed in KOSDAQ from 1998 to 2001, only 238 survived(Cho, 2013). Over-expansion of businesses based on optimistic forecasts led to liquidity problems. Coupled with stock price manipulation and accounting scandals, many startups lost competitiveness. The growth of startups decreased during this period but was soon revived with the advent of smartphones. Smartphone app related startups have been increasing and the much talked about mobile messenger app Kakao Talk, which has now merged with Daum is also a startup founded around this time period.

Based on creative ideas and innovative technologies, startups create added value and new jobs, providing enough incentives for the government to actively encourage and support them at a national level. Such government initiatives have created a more favorable environment for business and its number has been growing every year. In 2016, the number of startups has amounted to 30 thousand.

Despite the increase in the number of startups, its survival rate is still disappointing. According to the Korea International Trade Association, the survival rate of startups in 2013 was only 41%. This is one of the lowest among the 17 major OECD economies. Small startups find it particularly hard to make it through economic downturns and financial crises that occur both within and out of the

country. Especially, important startups based on innovative technology whose contribution to the general economy tend to be quite big, experience financial strain during its mid-stages (3-7 years following establishment). With the lack of resources for collateral, obtaining loans is often difficult. Smaller startups also suffer from insufficient interest from angel investors and venture capitals(KITA, 2015). According to a study in 2013 by the Small and Medium Business Administration on startup firms, only 3.9% answered that they were receiving funding by venture capitals and only 1.9% reported investments by angel investors (SMBA, 2013).

2) History and status of the Korean venture capitals

Venture capitals refer to capital that is invested in firms with high risk but great growth potential. Since startups are usually small and suffer from credibility issues that inhibit normal funding, venture capitals play a key role in the growth of startups. Venture capitals may be similar to other financial institutions in that they provide equity to firms. However, they differ in the way which such equity is provided. Ordinary firms receive loans in exchange for collateral and are expected to pay back at a pre-determined interest rate. Venture capitals, on the other hand, invest in firms in exchange for a stake at the company. This means that while providing capital, they immediately also become major

stake-holders. This allows them to participate in the management of the startup and entitles them to future profits (or losses) of the firm. Often, venture capitals assume not only financial roles but actively supports and provides advice on basic management activities such as marketing and human resource management. Nevertheless, the ultimate goal of venture capital is generating profit through an exit event such as selling the company shares in an initial public offering or M&A.

The first Korean venture capital dates back to 1974 when the government took initiative and established the Korea Technology Advancement Corporation to commercialize technologies developed by a government-backed research center. Other venture capitals began to emerge around 1981, the Korea Technology Banking Corporation, Korea Development Financing Corporation, and the Korea Technology Finance Corporation to name a few. As of 2014, 113 VC companies are registered and active, managing around 13.3 trillion won, of which 5.1 trillion won was invested in 3,060 firms (KISTEP, 2015). In 2014, a total of 91 firms newly received investment and total investment amount increased by 18.4% compared to the previous year, which resulted in an average investment amount of 1.82 billion won per firm (KISTEP, 2015). Distribution of investment amount was concentrated around the 300 million won and below the mark, with 214 firms, 18 firms received over 10 billion won. The investment was concentrated in the technology sector (35.2%), general man-

ufacturing followed (22.5%) and cultural contents were third largest (20.6%). Table 2 shows the investment status of venture capital firms. Startups 7 years or older were likely to receive the most amount of funding and a more or less fair split for those under 3 years and between 3 to 7 years.

The overall increase in investment is welcome, however, investment tends to be concentrated on a select few firms and many startups still suffer from the lack of funding. Based on 2015 reports, investment in the top 10 startup firms amount to 800 billion won, which is 38.7% of the total investment amount (Chun & Kim, 2016). The reason why such concentration exists despite overall growth in the amount of investment is because of an underdeveloped exit market. Since many startups find their ultimate goal in exit, a well-developed exit market is important. Unlike the US, M&As have not been an effective exit tool. The Korean M&A market is small, with not many active companies that are willing and able to go through with M&A. Moreover, M&As involve handing over the management rights of the company. There exists a general negative perception that M&As are hostile, seen as a means of corporate restructuring or means for appropriating key technology and knowledge. On the other hand, IPOs usually allow startups to raise more money, but exit through an IPO takes greater time as meeting requirements for an IPO do not happen overnight. Among the two modes of exit, Korean startups usually opt

for the later. The average time required for an IPO in Korea is 14.2 years(KISTEP, 2015). For such reasons, venture capitals that aim to profit through IPO tend to prefer investing in startups that are 7years or older(Cho, Kang and Kim, 2014). Table 3 shows yearly percentage of types of exit taken by startups and table 4 shows the number of IPOs and the average time it took for an IPO.

3) Case studies on Korean mobile-based startups

Despite an unfavorable startup environment, there exist startups that have shown exceptional growth and success. This section introduces some startups that are currently number one in their respective categories and sheds light as to why they were so successful.

- SOCAR

SOCAR is a car-sharing service. It was initially launched in the island of Jeju with only 30 cars. It later expanded to 54 cities with over 1,900 service stations. Similar to city bikes, people who need this service rent the cars at service points conveniently located near places such as subway stations and residential areas. The basic business model is similar to the already existing rental car services. However, basic rent time unit starts at 10 minutes and accessibility is greatly enhanced through numerous access points in prime locations.

Despite fierce competition from competitors, SOCAR has so far maintained its position as a top player within its market. The competitiveness of a car-sharing system comes from the number of service stations and the number of cars owned. The second-biggest car-sharing company is Greencar whose mother company is Lotte, a big conglomerate in Korea. Taking advantage of the resources and know-how on distribution networks in Lotte, it has been aggressively expanding its business. However, SOCAR responded with equally fierce investments in its parking lots and service cars not giving up its position as a market leader. Behind SOCAR's expansion lies its success in attracting large investment deals. It secured over 18 billion won from Bain capital and received investment of over 590 billion won from SK, a major conglomerate in Korea. Based on these deals, SOCAR was able to increase the number of cars to 3200, 1900 service stations and 1.3million users and members for its service(Chun, 2016).

- Baedal-eui Minjok

Baedal-eui Minjok, which roughly translates as 'Delivering People,' is a mobile application that replaces the traditional food delivering system which relies on fliers with the smartphone. Users can browse, choose menus and pay using a single app. Since its creation in 2010, it has shown an average of 87% yearly growth and is currently the number one food delivery app, processing over 730 mil-

lion orders a month (Lee, 2016).

The founder of Baedal-eui Minjok, Kim Bong Jin, believes that the reason behind the success in the highly competitive food delivery app sector is due to its focus on the basics and corporate culture based on diligence (Bang, 2014). While competitors updated their apps once a month, Baedal-eui Minjok updated it up to 3-4 times a month, making sure that customer demands were met and dissatisfaction taken care of. This led customers to believe that the company was making great efforts to listen to what they had to say. Moreover, the frequent updates were possible due to the corporate culture that values diligence. Through his experience of many failures, CEO Kim believes that even creativity stems from diligence. Also, the company hired actor Ryu Seung Ryong for their TV advertisement series which turned out to be a great success. This advertisement series received the Korea Association for Advertising and Public Relations 'Advertisement of the Year' award in 2014.

- Coupang

Coupang started off as a social commerce company now established as a general online shopping mall service. Social commerce is an online-based group purchase service. Anonymous consumers gather online to buy things in bulk to take advantage of cheaper prices. For example, Coupang will offer a deal based on the condition that enough people decide to buy. Within limited time, if a certain number

of people gather to buy, Coupang is able to offer the deal, if not, the deal does not go through. Following the success of Groupon which was established in the US in 2007, many Korean firms benchmarked the business model and founded similar firms. Among them, Coupang, Ticketmonster, and Wemakeprice are the top three players where Coupang's sales are way above the latter two. Initially, the market leader was Ticketmonster, Coupang following behind. To catch up, the company improved customer satisfaction by being one of the first social commerce companies to offer refund within 7 days and 3 months in case of flawed merchandise (Kwon, 2011). Soon it became of the top social commerce company with the greatest customer satisfaction. Coupang's big break came as it hired top actress Jeon Ji Hyun which immediately boosted its brand image and was followed by a 1.2 trillion won investment by Soft Bank. With this investment, it successfully transformed itself from a simple distributor focusing on social commerce to a general retail company using cutting edge information technology to actively buy goods and build its own delivery system, which the company refers to as 'rocket delivery.' This led to a 225% increase in sales in 2015 hitting 1 trillion won in sales.

4) Success factor of Korean mobile-based Startups

If we examine the success factors of Korean startups, many of those who were successful

were often the first to enter the market seizing first-mover opportunities. Firms grew as the market itself grew. For example, SOCAR was first of its kind in the Korean car-sharing market, Coupang and Baedal-eui Minjok were not the first of its kind, but both started a business in the initial stages of market development and grew as the market expanded. Also, these firms were not hesitant in aggressively investing in order to secure or attain their positions as market leaders. As it is the case for most startups, many have bright innovative ideas but often lack the resources for realization. However, it is actually the initial stages of business where aggressive investment is most needed to establish a solid business model and create brand awareness. Above all, the three startups made bold aggressive investment moves during their initial stages, with not many competitors, they were relatively quick in increasing market share and presence. Such investments were possible due to timely investments from venture capitals. In the case of Coupang, they were fortunate to receive large investments from Softbank, an IT investment company. Based on this investment, they came up with a service called 'rocket delivery' which promises quick and reliable delivery which led to great consumer satisfaction. Unlike other online shopping sites that externalize delivery services, Coupang built its own delivery system. To this day, Coupang is investing considerably on its internalized delivery network. This strategy did put a strain on

Coupang's deficit range, however, it is not denying that its rocket delivery service is what differentiates it from its competitors and eventually led to a great increase in Coupang's overall sales. SOCAR was also able to successfully increase the number of service cars and parking spaces which are essentials to the business based on the successful attraction of investments. Hence these startups effectively acquired funding and made timely investments, such actions became key success factors allowing them to become market leaders.

The last success factor is the efforts to maintain an entrepreneurial spirit and edge even after the business grew and became stable. With an unceasing effort to cultivate a corporate culture that values challenge and creativity, firms are able to maintain success and not be overtaken by new competitors or bigger firms. Many startups often receive propositions for takeover once they have attained a certain level of success. Kim Ji Man, founder of SOCAR has received many of such propositions, however, based on the company's initial vision "the spread of rational consumption and contribution to a solution for environmental problems," it maintained its independence(Kang, 2015). Baedal-eui Minjok also believes that its survival in the fiercely competitive market was in its efforts to not lose the competitive edge it had when it was first founded(Bang, 2014).

To summarize, the common success factors of these startups are as follows. First, they

effectively captured market opportunities through first-mover advantages. Second, through investment attraction, aggressive marketing led to opportunities for expanding business and becoming number one in the business. Third, they did not forget the importance of the entrepreneurial mindset and tried hard to preserve it. A lot of the problems and challenges that startups face concerns the second and the third aspects. Despite succeeding in capturing market opportunities in the initial stages of business, many do not make it due to the failure of attracting adequate investment or end up selling their firms to a bigger firm and leaving the market entirely. In a survey by the Small and Medium Business Administration in 2013, the greatest hurdle for most startups was difficulties in attracting and managing investments (SMBA, 2013). The three startups mentioned above also admit to difficulties in attracting investment. Founder of Baedal-eui Minjok, Kim Bong Jin recalled in an interview, that prior to finalizing a successful investment deal from a Goldman Sachs backed consortium, he had meetings with almost every single venture capital company within the nation (Jung, 2014). The reality is that it is difficult to manage operations and investment attraction simultaneously whilst the business itself is not yet stable. Those who fail to overcome this hurdle chose to sell the company which leads to the loss of its competitive entrepreneurial edge. With a general overview of the Korean startup scene, it is now time to

examine how Yello Mobile came about.

Considering such a venture environment, the concept of venture union conceived by Yello Mobile is appropriate. However, the validity of this concept in practice is another matter. These problems are addressed in the following questions.

2. What do you think about Yello Mobile's perspective of the mobile paradigm? It talks about the importance of speed and gaining first-mover advantages, do you agree?

The term first-mover advantage, popularized in the late 90s through a paper by Stanford Business School professors David Montgomery and David Lieberman has been extremely popular, especially among dot-com startups. While early entry benefits definitely exist, just like the cautionary tales of dot-com bubbles, 'get fast big' may not always be the best answer. first-movers may get ahead of the game by earning time, acquiring scarce and valuable assets and get a head start in building a good customer base. However, it is important to consider the environment and market dynamics in which such advantages unfold. Within the mobile platform where technological development is fast or even disruptive, a company that may own today's cutting edge technology could easily find itself facing competition from newer better technology the next day. For

example, the advent of mobile phones replaced many car navigation systems and games are now played by mobile phones than through game consoles such as Nintendo or Playstation. Likewise, trends for social networking services move quickly from Facebook, Twitter, Snapchat and now Instagram. Mobile marketing companies focusing on a specific SNS platform may not see long term profits if it is not quick in catching up with trends.

Yello Mobile prides on the speed of its acquisition process, claiming that they can identify undervalued companies with great potential. However, if speed of technological development is fast-paced and market evolution dynamic, the value of the item or service can quickly become obsolete. New more nimble entrants not burdened by maintaining older products and service lines can jump in the competition. Getting big fast may hence be risky. Yello Mobile may end up acquiring several firms whose technologies or services become obsolete even before seeing actually meaningful synergies. Already Cashslide is rising as a fierce competitor with 18million downloads in the marketing sector. Yanolja a service connecting customers with accommodation services is another competitor in the O2O sector. first-mover advantages are durable only when it continuously succeeds to attract customers keeping up with the market dynamics. Getting it first is not the end, it is only the beginning. Correctly assessing whether this first-mover advantage is short-term or long term would be important.

3. What may be shortcomings of a 'startup alliance'? Do you agree with Yello Mobile's equity swap based M&A approach to achieve this?

Those cheering for Yello Mobile believe that the firm has successfully demonstrated a new paradigm of success for startups. Forming a startup alliance is good for several reasons, the bigger and more noticeable the company gets, the easier it is to get funding. Yello Mobile had consistently realized successful investment deals. Sharing key human resources such as lawyers or web designers can be very helpful. Moreover, affiliation with a prominent company makes it much easier to recruit talent.

However, critics are worried that its haste growth is perhaps becoming too much for the company to handle. Excessively fast expansion strategies have created problems such as conflicts among affiliates and complex business relationships. There are many lawsuits from investors and other related companies (Cha, 2019). Yello and its affiliates were accused of 28 financial lawsuits related to stock trading and loans(Kang, 2019). It is also negative news that the company has been 'disclaimer of opinion' for two consecutive years in auditing. The difficulties are getting worse as the talented people who have been together at the start of the company leave the company(Cha, 2019). These negative news also make it difficult to attract additional investment.

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