

# KRU GROUP: Leaving The Legacy For Betterment

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## Prologue

Dato Norman sang KRU's hit song "Awat," which had once been the whistling of young people, in between wiping and composing the platinum CDs of the KRU group one by one. No matter how calm he appeared, he couldn't seem to get one question out of his head.

"Who will take over as my successor? What will happen to KRU if I am no longer here?"

Will KRU be forgotten in the future?"

## Background of KRU Group

KRU is a Malaysian singing group founded in 1992 by three brothers, Norman, Yusry, and Edry Abdul Halim. KRU expanded its sphere even further by establishing its own recording label, KRU Records. KRU, in addition to revolutionizing the Malaysian music industry, set KRU Studios, their own company focusing on the Malaysian media and entertainment industry. After 25 years together, the group announced its disbandment on April 18, 2018, during their final concert at Istana Budaya Kuala Lumpur. In the 1990s, KRU was the most popular rap group among teenagers. Despite facing numerous challenges throughout their involvement in the industry, they continue to have a strong presence in Malaysian music. KRU announced their disbandment following their highly successful 'Konsert Gergasi KRU25. The final concert was held at Istana Budaya for three days, from May 4 to 6, 2018, with 100% of tickets sold. The decision was reached by Norman, Yusry, and Edry, according to Norman, as the group leader. KRU has no plans to do a reunion show in the future because each member is very busy with their respective personal lives and careers. Norman also informed us that the KRU entity would continue to operate normally. KRU is a multi-faceted, award-winning media and creative content company based in Malaysia's capital, Kuala Lumpur. Today, the company is a leading film, music, talent management, events, digital content, and media company in Malaysia, as well as a global emerging brand. The KRU journey in the local entertainment industry is fascinating to investigate. It can be explained through five different eras. Each era has its own story to tell.

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## KEYWORDS

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## Disclaimer

This case is written solely for educational purposes and is not intended to represent successful or unsuccessful managerial decision-making. The authors may have disguised names; financial and other recognizable information to protect confidentiality.

## **Era 1.0: Inception of KRU**

"Interest, talent, and destiny."

It is described in Era 1.0 how the legendary musician group KRU came to be formed. It all started with a combination of 'interest, talent, and destiny.' That is the origin story of KRU. Even when Malay music was conquered by overly romantic songs (locally known as jiwang) and rock ballads, their passion for music encouraged them to continue producing songs of various genres. They also worked tirelessly on songs even though they didn't know anyone in the industry and didn't have enough money. Finally, their talent drew the attention of EMI Malaysia, who signed the KRU siblings as artists. It was as if their long-awaited wish had finally come true. The opportunity to work as a recording artist was regarded as a dream come true. Something they never expected to happen so soon. They became entrepreneurs inadvertently after accepting the offer because they had a manager working for them. They didn't care what other people had to offer; they'd work on it first until it was successful. They did everything they could without realizing it was part of the KRU branding process.

Apart from their technical skills, their passion for music and ability to compose songs led them to establish KRU Records, their very own recording company, in KRU Era 1.0. KRU Records signed the first artist to their label, a band called ELITE. Despite receiving offers from other prestigious record labels, KRU chose to remain under the EMI label. EMI offered a lucrative contract worth RM1.5 million, a sizable sum. They then established KRU Motion Pictures. They decided to take out an RM7.5 million bank loan. A risky but necessary step to ensure KRU's survival. The sky isn't always straightforward. In 1997, there was an economic crisis.

Everything they planned suffered a severe setback, including TV shows; TV stations refused to buy their products. Furthermore, KRU Mania concerts were prohibited in some states. Frequently, the planned did not occur; instead, the unplanned happened. Several issues arose. Debts continued to mount, and Norman, as the eldest brother, assumed leadership. Norman took care of things one at a time, putting priorities first. Everything, according to him, required adequate time to be addressed; there was no need to rush because it would affect the outcomes later. Thanks to their tireless efforts, it took them about three years to recover and ensure KRU's continued survival in the industry. They began the recovery process in 2001 by producing a slew of television shows. From there, they began acquiring sound equipment, which they used in various events, including the launch of KLIA and KLCC, as well as the national independence celebration three times, through Bizarre Events, a company they founded. Era 1.0 was regarded as a time for KRU to become acquainted with the entertainment and business worlds. Despite their youth, they persevered through the trials and tribulations to ensure their survival.

## **Era 2.0: Expansion**

They began to consider entering the business world by purchasing assets for the future. They used RM 1.5 million in funds from Warner Music and bank loans. The band was quickly signed to Warner Asia, who released their debut single, "Canggih." KRU went on to record and release over ten more albums. The band

used their regional success to diversify their interests. The KRU Studios family of companies became involved in entertainment ventures such as film, marketing, music production, and advertising. They already had their own production company, Bizarre Event, at the time. They founded KRU Motion Pictures, a recording studio for DB Loven and Bizarre Events. At the same time, they owe a significant amount of money to the bank to purchase a building. Norman realized he had made a mistake because, at the time, he was 25 years old and had not faced a challenge since 1992. At the same time, they did not rely solely on KRU to generate income through presentation because they had their own recording artist. Fitri Hakim, Forteen, Hazury, Iqwan Alif, Jaclyn Victor, Mojo, and Wings are among the label's artists who perform in both English and Malay. Because of opposition from government-owned radio and television stations, their music received little airtime, so much so that nine of ten songs from their debut album, Canggih, were banned from radio in 1992. After several state political leaders objected, their concerts were even banned. At the time, the trio was planning a 15-city tour across the country. Several state chief ministers, on the other hand, were vehemently opposed to the live concerts, claiming that they were unIslamic and had a corrupting influence on Malaysian values.

KRU's music drew so much attention that it was even discussed in Cabinet meetings. With their rap songs and foreign hip-hop image, KRU struggled to break into the mainstream. Supporters were few and far between, particularly at RTM stations, which were known throughout the 1990s as influential gatekeepers for music, film, and other media.

"We make phases of the investment. Let's look at what song we need to record investment, and another investment is for our show equipment. Only a small room we started. Use what we have. Use what we have. We purchased the building more conveniently."

Every day, a plethora of new opportunities for musicians emerge. In the music industry, everything grows quickly and unstoppably. New young stars, sometimes even teenagers, emerge almost daily, offering flawless tracks that cost them (or their parents) thousands of dollars. They don't have time to work on themselves and their music, to go on the road and gain life experience to feed their art: they need to start making money quickly in order to recoup their initial investment. Of course, "losers" were never popular in the music industry. It has always been a business: money was and continues to be the primary focus of the entire supply chain.

### **Era 3.0: Make a strategic turn**

They began producing films during the KRU Era 3.0, and every film they made was a success. It demonstrates that their business model was successful at the time, as movies accounted for nearly 70% of their income. Norman believes that businesses should be reviewed every five years. For example, they begin with 2006 and work their way up to 2010. The success of the singing industry had an impact on film production, including the administrative and publishing aspects. They were able to fortify their position and become a brand in the international arena. Their businesses have been merged into one entity known as KRU Studios, and they even have international branches. The positive growth in the

business world is a source of pride for the three siblings and those who follow their media and entertainment career progression.

"We borrowed to create the film *Cicakman*. The film we made has been well received, Alhamdulillah. Except for the building, we managed to clear many debts. We have experienced a precious experience."

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Many promotional practises used in the music industry in the past are no longer effective or relevant. These shifts are critical to the rise and fall of icons and businesses. To survive, musicians have suddenly realised that the realisation from record labels comes with a massive task of self-driven revamps and overhauls. Consumers have discovered new ways to listen to music without the use of a media-curated filter or advertising supported by major labels. In turn, musicians must learn how to be entrepreneurs in order to compete for these "spots" through entrepreneurial tasks imposed on them.

#### **Era 4.0: Exploring New Trend**

KRU is exploring a new field of animation because they have the expertise and want to enter the animated film export market. The company is now well-known for its award-winning and high-end CGI (computer generated imagery) productions in the form of feature films, series, branded content, and commercials in both English and Malay. As it establishes itself as an influential international independent film studio, KRU Studios intends to broaden its offerings by releasing a variety of content genres through its sub-labels. KRU is proud to have established business relationships with local media conglomerates like Astro and Media Prima, OTT platforms like Netflix and WeTV, and multinational film distributors like Universal Pictures and Lionsgate. KRU Studios has produced and released over 20 feature films and over 300 hours of television series to date. The *Cicakman* trilogy, *Hikayat Merong Mahawangsa*, and *Magika* are among our box office hits. "*Ribbit*," "*Wheely*," and "*Upin & Ipin Jeng Jeng Jeng*" are among the films they've made in collaboration with Les Copaque.

They established KRU Academy in 2012, and it was inaugurated by Malaysia's fourth Prime Minister, Y. A. Bhg Tun Dr. Mahathir Mohamad. Malaysian Skills Certificate and Diploma programs in creative and animation fields are available at the academy. They began operations at the Cyberjaya Knowledge Workers Development Center (KDC), with funding from the Department of Skills Development (JPK), Multimedia Development Corporation (MDeC), and Multimedia University (MMU). At the time, they announced a Corporate Social Responsibility program called "*Creative X Press*," which was launched by

Malaysia's Deputy Prime Minister, Y. A. B. Tan Sri Muhyiddin Yassin. 3000 students from across the country participated in the program. Other organizations, such as Felda and the Bank Rakyat Foundation, have also contributed to KRU Academy to assist students. KRU also runs short-term up-skilling and re-skilling professional training programmes in the creative industry and digital economy, which have included underprivileged youths who have been funded by Yayasan KRU. However, they are aware that there are issues when doing too many things at once, each of which must be managed separately. Norman has purchased a stake in Yusry and Edry because they no longer wish to be involved in the management of KRU Groups. They considered the 4.0 era to be the most difficult.

"We intend to expand internationally once we have conquered the local box office, but when we do so, things beyond our control occur, such as digital disruptions, oversupply of film, and the production of animation is very expensive."

It cannot be denied that modern technology and the Internet have made it incredibly simple for even a bedroom musician to release their music to a global audience, but this has the unintended consequence of inundating the audience with a flood of music and choices.

### **Era 5.0: The Digital Disruption**

"Era 5.0 is our e-commerce era which we going to launch soon. So, we are a media company, we are a digital media company. We are also an eCommerce marketplace."

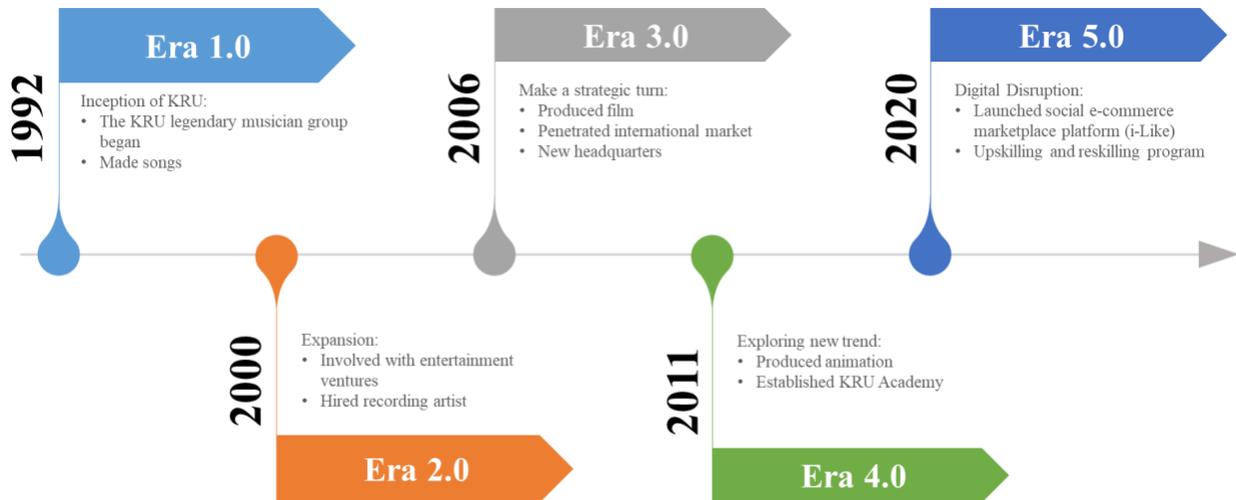
KRU will launch a social e-commerce platform called "iLike" via a website and Android and iOS apps. The iLike platform distinguishes itself by providing a plethora of exclusive media icon products not available on competing platforms. Furthermore, iLike offers an eco-system in which participating media icons and "influencers" (whether graduates, homemakers, or professionals) can generate income while assisting local entrepreneurs in marketing their products locally and internationally. This platform sells both physical and digital products, such as audiobooks. Product listing on the iLike platform is entirely free, and merchants can offer many SKUs. iLike also provides production services for advertising materials and digital media packages. KRU also provides short-term upskilling and reskilling training programs, as well as e-learning for entrepreneurs and influencers, beginning in November 2020 with our "Social E-Commerce" programs. "So, we're a media company, specifically a digital media company. We also operate an eCommerce marketplace."

Norman and his brothers have big plans for KRU Music, which will celebrate its 25th anniversary in 2021, including promoting Malaysian acts on the global stage in the next three to five years. "We will soon be collaborating with partners in Sweden and even Korea. The overall goal is to expose our artists to a wider audience." This was significant because the music industry has long struggled with a small and highly segmented local market.

Norman hopes to list the company on the stock exchange in the near future. Following that, Norman intends to hand over the company's management to a younger generation in order to keep up with the

changing times of technology. Norman anticipates that KRU will enter the 6.0 era, which he believes will venture into the field of IoT.

For many years, the music industry has attempted to resist the technological changes that our society has experienced. As a result, it is left teetering on the edge of change, uncertain, hesitant, and befuddled. Upcoming musicians must imagine new ways to fit into this paradigm in order to build a sustainable career independently, often turning their backs on the mainstream world and accepting that they will be less famous but more profitable.



**Illustration 1: Five Era of KRU Group**

## Epilogue

The KRU brand has been around for more than two decades. Despite numerous challenges, KRU built an empire that has become a model for other industry players. Dato Norman is adamant that KRU's legacy be preserved. "I will ensure that KRU remains a superior brand!" Pap! His PA patted Dato Norman's shoulder. "Dato! The audition process is about to begin. The participants are all set. Can we begin now?" Dato Norman awoke from his trance.

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