

Project Dissertation Report on

**THE K-POP LENS: ANALYSING K-POP FROM A
BUSINESS PERSPECTIVE**

Submitted By

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CERTIFICATE FROM THE INSTITUTE

This is to certify that the project report titled “THE K-POP LENS: ANALYSING K-POP FROM A BUSINESS PERSPECTIVE” is an original and bonafide work carried out by Ms. Barkha Jaju of MBA 2019-21 Batch and was submitted to Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-110042 in the partial fulfilment of the requirement for the award of the degree of “Master in Business Administration”.

DECLARATION

This is to certify that I have completed my Major Research Project titled “THE K-POP LENS: ANALYSING K-POP FROM A BUSINESS PERSPECTIVE”. This work was done under the supervision and guidance of Dr. Deep Shree, Assistant Professor, Marketing, DSM, DTU in the partial fulfilment of the requirement for the award of the degree of “Master in Business Administration” from “Delhi School of Management, Delhi Technological University.” It is also certified that the project of mine is an original work and the same has not been submitted earlier elsewhere.

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EXECUTIVE SUMMARY

Kpop is currently the 6th largest music industry across the globe and has been growing continuously for the past 10 years. They have also started investing in opportunities to increase their international presence as well. Yet despite the huge potential of the industry, little research had been done to understand the kpop industry and its business model.

This paper aims to analyze the reasons behind the exponential growth and the factors that led to the rise of the Korean music industry in such a short time from a business perspective. This paper will focus on understanding the different business strategies that entertainment companies have adopted including goals and vision, how they hire their creative and managerial talent used by the Kpop entertainment companies that have accomplished the global takeover by Kpop over the music industry.

Research has been done to understand the egocentric strategies that have helped the industry along with consumer oriented strategies as well. Papers have also analyzed the cultural aspects and factors that have led to the growth of kpop. But not a lot of research has been done to better understand the kpop industry from a management perspective. For this reason, I have chosen to take up this study.

To attain these objectives, I have chosen to use Porter's diamond model and a dynamic version for the music industry to better understand the same. These models will help shed light on the business model, the working and strategies adopted by the companies within the industry. The study also analyzes the supporting industries that have benefited from the growth of the kpop industry.

The analysis showed that the industry has not only benefited highly from consumer oriented strategies and its highly popular fandom culture but also globalization and internationalization strategies that have aided in the growth of the industry. It also shed light on how the internet and digitization have helped the growth of the industry.

The results can be further used to better understand how other music industries can learn from Korean music industry and apply similar methods to replicate their success. Also, this study can be used to analyze how different consumer centric industries across the world can use these strategies and apply them to cross cultural barriers and grow their business internationally as well.

TABLE OF CONTENT

INTRODUCTION	1
INTRODUCTION	1
BACKGROUND OF THE STUDY	3
OBJECTIVE OF THE STUDY	5
PROBLEM STATEMENT	6
SCOPE OF THE STUDY	6
LITERATURE REVIEW	7
KPOP AND ITS DEFINING CHARACTERISTICS	7
KOREAN WAVE AND GLOBALIZATION	9
DIGITALIZATION	10
1. DIGITALIZATION 1.0	11
2. DIGITALIZATION 2.0	11
SOCIAL MEDIA	12
THE FUNCTIONING OF THE MUSIC INDUSTRY	13
1. ARTIST AND THE STAR MAKING PROCESS	14
2. SUPPLY CHAIN OF KPOP INDUSTRY	15
THE SOUTH KOREAN GOVERNMENT	17
MUSIC AND ENTERTAINMENT PRODUCTION COMPANIES	18
TOP LEADING MUSIC GROUPS	20
THEORETICAL FRAMEWORK AND METHODOLOGY	25
PORTER’S DIAMOND MODEL	25
DYNAMIC FRAMEWORK OF MUSIC INDUSTRY	32
FINDINGS, DISCUSSION AND RECOMMENDATIONS	36
FINDINGS	36
RECOMMENDATIONS	49
LIMITATIONS OF THE STUDY	50
CONCLUSION	52
REFERNCES	53
APPENDIX	63

INTRODUCTION

Introduction

Music is a key part of our everyday lives. It plays with somebody's head phones at the shopping centers, on the radio. Artists from all over the world can use the internet and social media to play on every continent.

Music has undergone many changes not only how it's formed and composed but how it is managed and made into a profit generating industry as well. And as one of the biggest profit generating industries around the globe, it becomes important and necessary to analyze its strategies and business plans.

The industry has gone through many changes. Average westerner may remember names like Halsey, Ariana Grande and Coldplay when asked about the most famous artists. Artists such as Eminem, NF, or One Direction may also be. Notwithstanding the labels, the artists we remember may be one. The key element is that they come from the US or another big English-speaking nation. From being entirely focused on Western music to being blended with different cultures and their expressions, music has evolved a lot and made Korean music industry an integral part of global music. And an important factor in the same is globalization and digital convergence alongside the culture, media integration and industrial transformation as well.

There is no question that the American music industry is a global power. It was generally assumed that this cultural environment will not change for the foreseeable future, but these assumptions have been questioned by the advent of global Korean pop culture as in the past few years the popular and dynamic K-Pop industry has been established by South Korea, which has a population of about 51 million in comparison to the US (331 million), Canada (38 million) and UK (68 million) which are a few of the largest English speaking countries (World Population Review, 2021). Many saw it as mostly restricted to East and Southeast Asia, where Confucian beliefs or other cultural characteristics are shared. However, in recent years' developments have come into great contrast with perspectives such as the exportation of a large amount of Korean

Music has disseminated to more countries and a growing international fame for Korean Pop and Pop Music in a wide variety of countries.

Korean pop is currently the 6th largest music industry on the basis of retail value of the market as per IFPI 2020 (International Federation of Phonographic Industry, 2020). These developments have made Kpop an important topic to study and understand as most of the content uses Korean language which is spoken by approximately 70 million people across the globe compared to 570 million who speak English.

To date, several studies have explored the global rise of K-pop and/or Korean music. Although these studies have significant findings and consequences, few academic activities have focused on the business and management strategies and their implications and analysis to understand the growing kpop industry. Most of the appearances have focused widely on the cultural implications it has on South Korea as well as other countries where Kpop has created fans for itself. Therefore, this paper focuses on the commercial and managerial strategies and activities done by the companies in the Korean music industry and understand them better.

In order to explore one of the aspects of this success, I have chosen to use Porter's diamond model as it uses a detailed and systematic analytical method. Along with this, I have also used the dynamic framework of the music industry that has been developed further on the Diamond model and helps analyze the impact of digitalization over the eras on the music industry and how it has aided in the growth, hybridization and globalization of the music industry.

The study further argues that Digitalization has had a huge impact on the rise of Korean industry. For this reason, I have also analyzed the impact of the internet era, its emergence and reutilization of the Korean music industry.

The paper is presented as follows: We first review the literature that has examined the characteristics of K-pop, a brief of Korean wave and globalization and digitalization and how the government has contributed to the promotion of kpop. This is followed by the functioning of the Korean music industry and the Kpop value chain to better understand why kpop has attained

such a mass international coverage. Following this, Porter's diamond model and its logic in this situation is applied. We then analyze the reciprocity between technological advancement and the Korean music industry, coupled with its impact on digital transformation of the industry using the dynamic framework of the music industry. Next, we discuss how evolution became generalized and adopted by other entertainment companies along with guidelines for cultural policies in an era of digitization. The paper concludes with a summary of implications to be drawn from the analysis, limitations of the study and suggests areas for further study.

Background of the Study

To understand the background of the study it is important to understand Hallyu (Korean Wave) and the history of Kpop.

About Hallyu

Hallyu is a Korean pop culture phenomenon that became prominent in Southeast Asia and mainland China in the late 1990s. Hallyu is a term that was coined by the Chinese media to describe the cultural wave from South Korea referencing the enthusiasm of youngsters towards Korean culture like Korean dramas and Korean Music.

Hallyu began as an attempt at free speech and portraying a more positive picture of South Korea has turned into a worldwide phenomenon. Korea's rapid economic transition from one of the world's poorest countries in the 1950s to membership in the Organization for Economic Cooperation and Development (OECD) in 1996 astounded the world, and it is often referred to as the "Miracle on the Han River."

Within the 1950s and 1990s, Korea became a major power in the globe. This was due to the Korean wave that not only boosted their economy but also changed the viewpoint of other countries towards Korea. The Korean Wave has also had a variety of economic and cultural ramifications like the increase of the export of music to other countries, betterment of brand value for Korean product promotion and increase in tourism as well due to people being

interested in the Korean culture. Hallyu has affected industries like beauty, fashion, tourism and even medical tourism in the country where the trend is highly affected by the kpop stars.

The evolution of Hallyu has been dramatic and has evolved throughout the decades as well and become what audiences love and appreciate. Earlier in the 20th century, the music in south Korea became highly westernized. This would go on till creators in Korea found self-expression in the form of music and dramas. The effect of Hallyu could be felt in China in the late 1990s with youngsters really enjoying them and it started in Vietnam, around the same time as the release of Korean Drama 'Winter Sonata'.

In 2004, Korean drama 'Winter Sonata' created a boom of tourists from Japan due to its rising popularity which led to a rise in tourism in the country by 35.5% in comparison to last year as per Korea Tourism Organization (KTO) survey in 2004. Shows like 'First Love' and 'Medical Brother' also helped attract a young generation of consumers towards Korean Dramas.

Currently Social media and digitalization has given rise to a strong and modern cultural industry. Interest in Korean food, cosmetics, fashion, Korean language learning, and Korean music is growing as a result of the Korean Wave, which includes drama and K-pop. This results in K-pop concerts, concert tours, and other forms of entertainment resulting in visits to Korea providing opportunities for shopping, language learning, and cultural tourism. This indicated that the popularity of the Korean Wave is rapidly increasing, as is the number of international tourists.

Kpop

The debut of the boy band 'Seo Taiji and the Boys' in 1992 marked a turning point in South Korean popular music with hip-hop and rapping, as well as reggae and electronic music, all introduced by the group. Seo Taiji and the Boys were the first artists to combine singing and dancing in their shows, not only bringing new musical styles to the industry but adding a visual element as well. Since then, new music and performance considerations have emerged in South Korea, with grouping being the standard and the staging choice being singing and dancing simultaneously.

This was followed by Korean artist Psy's viral hit "Gangnam Style" which took the world by storm in 2012. It continues to be the kpop song with the most views on YouTube crossing 4 billion views in 2021 (officialpsy, 2012). The Korean music industry's content export rose by 21.0 percent over the previous year, and overall annual growth rate was 41.7 percent in 2014 (). By late 2015, boy group 'BigBang' became a part of the top 10 highest grossing tickets sales for a concert. This trend would continue with groups like BTS and Blackpink becoming one of the most well-known kpop groups across the world.

The whole transition from a small music industry to the 6th largest industry has been rather unique. Thus, it is important to understand the business and management strategies and actions that have led to the rising popularity, hybridity and globalization of Kpop across the world. This rising growth and development of the industry motivated the topic of this research as Korean music internationally is still a rather new phenomenon and business and management of the industry in depth has not been done at a major scale. And existing research focuses highly on cultural and hybridization impact of Korean culture across the world. This has inspired the topic of this research.

Objective of the study

Primary Objective

The primary objective of this study is

1. To analyze the factors that led to the rise and continuous growth of the Korean music industry.
2. To understand Korean music industry from a business perspective.

Secondary Objective

These include:

1. To understand kpop aside from the fandom culture and how music contributes to the same.
2. To understand how entertainment companies are using the limited resources at hand to develop the kpop music industry further.

Problem Statement

The kpop industry has existed since the 1980s and a fair share of research by western researchers have been done on the industry as well. These research papers have had their primary focus on either understanding the industry from a cultural standpoint or understanding the fandom culture in the industry.

But through this research paper, I am trying to analyze the Korean music industry from a business and management perspective and how effective strategizing and implementation has led to the immense growth of this particular music industry.

Also through this research, I am also analyzing how Korea has impacted its additional or adjoining industries with the growth of kpop like the tourism and beauty industry.

Scope of the study

The study focuses on Korean music industry and it analyses the factors that led to the rise of the k-pop industry despite its comparatively small size in comparison to the western pop music industry.

It also analyses the strategy that different entertainment companies have used to grow their market as well. This is all done using the Porter's diamond model and a dynamic version for the music industry.

For this study, the theory analyzed is from the beginning of the kpop music industry along with its current data and figures and how it has grown and expanded to other countries as well.

This study aims to analyze these factors and get a better understanding of the working of Korean music industry and its various business and technological aspects as well.

LITERATURE REVIEW

Kpop and its defining characteristics

Kpop or Korean pop can be defined using the following characteristics:

1. Traineeship System

The traineeship system is one of the biggest defining features of K-pop. The traineeship system essentially means that entertainment companies train their trainees to become idols. This system was developed to ensure that idols can present a perfect image to the public which makes them easily marketable to the audience.

The training process usually starts when either an individual audition to become a trainee or is scouted by talent agents. Auditions are usually done not only in Korea but also countries like China, Thailand and Japan. Companies look for talent through these auditions by looking at skills like singing, dancing and composing skills in individuals. These auditions usually happen once a year or more depending upon the company.

Whereas scouting is totally different. Scouting essentially means that a representative of the company saw you and asked you to audition to be a trainee. These scouts are free to audition whenever they wish to. This scouting is usually based on the visual appeal of an individual.

Once selected through the audition process, the trainees have to sign a contract with the entertainment company confirming that they will train with the company. The daily training can include singing lessons with vocal coaches, dance lessons, composing and many more. This lesson plan is usually designed on the basis of each individuals' skills and what they need to work on and further enhance. This training usually starts at 5 in the morning. After their early morning lessons, they attend school. Trainees can be as young as 10 years old when they join the program. But the majority of the time, they are still

teenagers who need to go to school. So after attending school till 3, they further train till 11 after which they head back to their living spaces. At the end of each month, they are evaluated and scored for their performances. And the trainees repeat this process all over again. This training period can be as long as the agency sees fit and finds a group where you fit the best.

In case a trainee wishes to leave and cancel the contract, they are liable to pay a fee to cover all the expenses the company had to bear to train them. This usually makes it hard for young trainees to leave the program.

This system basically highlights the principle that differentiates Kpop from other music industries, i.e, stars are made. This means that with enough hard work and commitment, anyone can become a star.

2. Idol Culture

Idol culture is very prominent in kpop. The whole industry is built around idols. Idols are basically performers who are a fruit of the traineeship system and are now managed by their training company. The idol culture in Korea basically promotes a perfect celebrity who can sing, dance and act and remain accessible to fans. The companies make sure that the artists maintain a perfect image, essentially avoiding any sort of scandals. This idol culture is basically revolving around the fandom culture where fans highly look up to their idols.

Idol culture has also led to idol worshiping as well and created an obsession around these artists. This is one of the reasons why idols are not allowed to date publicly at least during the start of their careers.

3. Group Structure

This is also an important characteristic of Kpop. Kpop trainees usually debut as a group rather than solo artists. This is because a group can appeal to multiple people with

different tastes. The number of idols in a group can vary anywhere from three (Orange Caramel) to as high as twenty-one (NCT) as well.

Usually a group structure allows companies to put different individuals who can speak different languages so that individuals can associate with them. Like in the case of the boyband 'GOT7' who have seven members, including one Chinese member, one Thai member and one American member. Boyband 'NCT' has Korean, Chinese, Japanese, Hong Kong, Taiwan, America and Canada citizens as their members. This also leads to making it easier to promote in these countries as people in these countries can understand the group through the members who can speak their language, thereby effectively breaking the language barrier as well.

The group structure also helps bands be more creative and produce different kinds of music in comparison to a solo artist. Also, this helps in the dancing aspect as well, as groups can dance in various formations and engage the audience by creating visual movement as well.

3. Mass Appeal

Due to the presence of pop music that is composed by foreign artists as well, music created by these groups also has a mass appeal. Alongside this, having members from different countries also creates more appeal as they can communicate with different languages easily. The group structure also helps keep audiences of these groups engaged when the group is either on hiatus or taking a break by keeping them engaged in the band as there are multiple members to keep the band active even if it is momentarily.

Korean wave and Globalization

The Korean wave has taken over the globe. This includes not only music but also beauty, fashion and how foreign countries perceive Korea as well.

Globalization has given a rise to tourism in the country. This is due to the fact that outsiders are visiting the country to visit locations where their idols have been to and maybe even get a chance

to meet them as well. It has also given rise to medical tourism in the country as people are now visiting the country to get cosmetic medical treatments which happen to be cheaper in Korea due to widespread demand for plastic surgery in the country.

Globalization has also given rise to the fashion culture that is flowing outwards from the country. Individuals are buying from brands that their favorite idols are wearing in attempts to replicate their looks. This has also given a huge boom to the apparel industry in Korea and promoted new and unique styles of clothing to be developed as well.

Hallyu has also given a chance to the Korean government to control to a certain degree how their country is viewed in the eyes of others and promote their culture in other countries as well.

But Korean wave has also had an impact on various countries including the USA, Canada and Asian countries like India and Philippines as well. As a result of the major shift in population and richness of new "rocks aesthetic" markets, and a certain decay of tradition between the so-called peripheral States, and an envy or yearning for the American way of life, the global spread of pop music to a transnational industry from its roots within the USA was brought about.

In terms of the effect on globalization and localization, the K-pop may also be affected by the culture-oriented research stream. K-pop is also regarded as a transcultural commodity as a catalyst or an integral part of modern globalization, or as a case study of globalization and localization practices.

Also, Korean culture has become one of the most popular pop cultures of current times and has formed an integral part of pop referencing across the globe. This also highlights the hybridity of pop culture as cultures from other countries have also adopted the Korean culture the same way Korean pop music was influenced by western pop music.

Digitalization

Digitalization is basically the cultural change that groups have observed due to the invention of the Internet. Digitalization can be grouped into two phases, namely, Digitalization 1.0 and Digitalization 2.0.

1. Digitalization 1.0

Digitalization 1.0 started with the invention of the World wide web in 1989. This emergence of the internet highly promoted business and communication across the globe even though access to the internet was still considered a luxury as the only internet connections available were dial-up.

Digitalization 1.0 was also the end of the analog era as everything that required huge gears to access certain formats was now being converted to digital formats like mp3 that were not present in physical mode but as a digital file in either a CD or cell phones.

Text messaging has also become a huge cultural phenomenon along with online forums and communities where people could talk and share files with each other. This helped music from other cultures that was initially limited to local regions due to bulky inventory to spread across the globe easily as without the internet globalization and outsourcing would have been a difficult feat to achieve. But it also gave rise to concerns like copyright and trademark issues as files could be shared without copyright regulations causing a huge loss to companies.

2. Digitalization 2.0

Digitalization 2.0 started in 2005 with the internet becoming a huge part of individuals' daily routine. By late 2005, population on the internet had increased to a whopping 1 billion (*One Billion People Online!* - EMarketer, 2006) rising to over 2 billion by the late 2012. This number has continued to rise with 50% of the world being connected in 2016 and that number rising to 67% in 2020 (*World Internet Users Statistics and 2021 World Population Stats*, 2021).

This increasing number of the population online had given a further boost to globalization and cultures of different countries merging together. This gave rise to new online communities such as Facebook and Instagram as well where people could share

their thoughts and ideas through the visual medium.

Social media

Social media is one of the biggest products of web 2.0. Routinization of the internet has prompted people to use various platforms like YouTube, Instagram, Spotify and even regional platforms like Vlive and Weverse.

YouTube

YouTube is a video based platform that is owned and operated by google. YouTube was created in 2005 and it has since been a cultural phenomenon in digitalization. It has made available a huge video content library which is available to use for free excluding the content under the premium feature.

YouTube played a huge role in the transition of K-pop from audio to visual as Korean entertainment companies were the first few ones to create a YouTube channel. Currently YouTube has over 2.3 billion users which is approximately 79% of the people on the internet (*YouTube Revenue and Usage Statistics (2021)*, 2018).

YouTube also gave rise to Kpop with the majority of K-pop groups or their entertainment agencies now having their own YouTube channel. This is because YouTube has no physical limitations in its music format. Viewers can quickly find a music video anytime and anywhere while they have a mobile internet. The computer with a YouTube application. In addition, YouTube offers fans free K-pop content without being bundled.

Spotify

Spotify is an audio streaming platform created by Swedish founder Daniel Ek. in 2006. The company is expected to expand its operation to 178 countries by the end of 2021 with 365 million monthly users currently (*Spotify — Company Info*, 2021). This helps disseminate the music to multiple countries where distribution wouldn't be possible in conditions without the internet.

Spotify is a great platform for artists as it pays royalties based on the times a song has been streamed. Usually the company pays 70% of its total revenues to record labels who then distribute it to their artists depending upon their individual agreement with the artists.

Since Spotify is an online streaming platform, there is also no need to have physical copies of albums as individuals can access these songs online without the need of any additional hardware. Various Kpop groups have moved to Spotify and similar platforms like Apple iTunes Music and Jio saavn as well.

Vlive

Vlive is a south Korean video streaming platform where idols can broadcast shows, live chats with fans and even award shows as well. This platform is widely used in Korea as initially Korean idols were having difficulty finding traction on international platforms like Instagram as consumers found it difficult to understand the platform.

So, they started using a local platform where their target demographic could easily connect with them without much difficulty as certain international apps were not available for use in countries like china which is a huge market for K-pop idols. Majority of Korean idols have an active presence on Vlive compared to other social media platforms.

Vlive has allowed for international fans a medium to interact directly with their idols and get a chance to directly communicate with them. Since these interactions are limited to only Vlive, even the app has enjoyed a lot of traction from international audiences.

The functioning of the Music industry

The Korean Music industry is different from the roots in comparison to other music industries. Although some other industries like China and Thailand have adopted a similar functioning to this music industry.

1. Artist and the star making process

The star making process is basically a process through which entertainment agencies make a star. It basically runs on the principal that a star is not born, a star is made. As per Jin-young Park of JYP entertainment, through hard work and persistence anyone with a little talent can become a star (*In Any Language, JYP Spells Success on the Global Stage*, n.d.).

As talked about earlier, the star making process starts with either scouting or auditioning for these entertainment companies who train them in language, singing, dancing and composing classes to make them more skillful. The training period can last for any period depending upon the company and what they deem fit. Artists go through vigorous training along with schooling as well to become an idol. They are also trained to have different personalities that are carefully crafted by their company or manager. This basically is their idol persona and what helps keep fans tuned in for more reality television content as well. But this crafting of personalities has also led to photocopy idols who are not unique or differentiable in any manner.

Once they are chosen to debut, either as a group or a solo act, they have to sign a contract that is 7 years long with their agencies. This contract basically gives control to the entertainment companies over the idols and their activities. Earlier these contracts used to be 13 years long. But after observing signs of abuse in the industry due to these extremely long contracts, the South Korean government intervened and made it illegal to have a contract longer than 7 years with an artist. Even though this gave artists a little more freedom from extremely long contracts that were considered slave contracts by Korean audiences, bands now started facing a 7-year curse where they would disband entirely and either have solo careers or no careers at all (Chau, 2017).

But recently due to the rising popularity of kpop groups, it has become difficult for companies to disband them. Instead bands like BIGBANG have continued performing and composing new music.

2. Supply Chain of Kpop Industry

A supply chain basically is a network of different functions that help in production of the final product for the consumer. The supply chain of the kpop industry includes MNEs (Multinational Enterprises), Artists, Writers and producers, YouTube (streaming platforms) and fans.

Multinational Enterprises pay for the initial cost of production of music like hiring composers, etc. They also invest in the artist they are managing by paying for their commercial and modelling fees and advertisements on different platforms like YouTube as well. MNEs invest in these artists by covering all forms of payment required like advertising on different platforms like offline advertising and appearance of shows and performing on shows to promote their music. This investment leads to an expectation of returns when the music is finally consumed by the customer as well. MNEs play an essential role in the supply chain as without them there would be no investment made towards the generation of the product.

Artists, writers and producers produce music and upload it on streaming platforms like Spotify and YouTube for free. Korean labels, musicians, writers and producers are required for this system to upload their content for free to YouTube, then receive YouTube royalty based on the number of video views. So is the case with Spotify who pays 70 % of its total revenue as royalties to the music agencies. This forms a source of income without investing anything in the function of distribution as these platforms distribute music on their own to consumers.

Streaming platforms pay royalties to producers on the basis of their policies. As the number of views on the content increases, so does the royalties to be paid. Also, since these streaming platforms are distributing your content to their audience, they charge the MNEs on the basis of clicks generated through their platforms. This is a win-win situation for both parties as both have to invest nothing in distribution as everything can be disseminated online to the population on the internet without much expenses like distribution and making physical copies of their content.

Lastly, due to digitalization and streaming platforms like YouTube, consumers can enjoy the music for free as this content is free to view on these platforms. They don't have to pay anything to view the content in the form of subscription fees to these providers except in certain cases when the service is designed to be based on subscription. Consumers at this stage also tend to purchase other goods produced by the MNEs due to the fandom culture who will spend money to attain what their idols are wearing or advertising. This creates a perception of the idol as a brand as well who can advertise a product to convince their fans to buy it.

This cycle continues till the time the consumers and MNEs willing to spend in order to attain either entertainment or profit by investing in advertisements for their products.

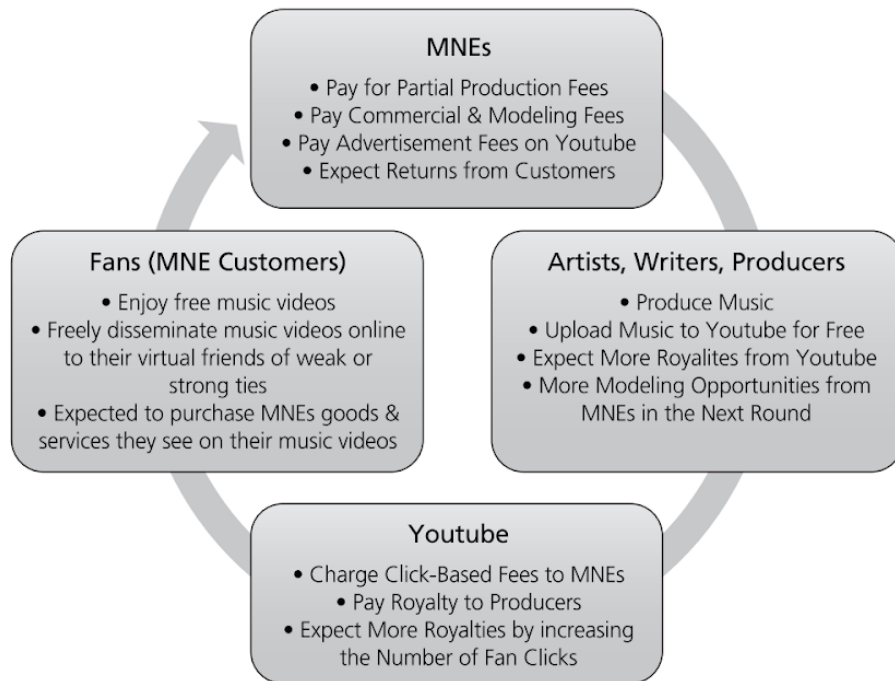


Fig. 2.1: Supply chain of Kpop Industry

The Korean music industry is also able to link up a new business supply chain for K-pop by shifting their strategic stance to a business-to-business (B2B) format, as long as piracy

remains a fundamental weakness in the entire music industry, so that it can generate larger sales and benefit.

The South Korean Government

The south Korean government has played a crucial role in the popularity of kpop and Hallyu culture across the world. This is also a direct reflection of their ideology to appear as a non-threatening country to the rest of the world.

The South Korean government assigned various government agencies responsibility for foreign marketing of K-Pop from the 1990's and 2000's onwards. Although it is often argued that they strongly promote and share K-pop, they are not producing any music on their own. They prompted Kpop in the following ways:

1. They are active at international events first of all to highlight talent and music. This led to the opening of the Congratulatory Event by K-Pop artists, including the Incheon Asia Games in 2014, and Thailand-Korean Cultural Center. Kpop artists like Red Velvet have performed in North Korea to promote their music there as well.
2. The government appoints kpop groups to promote tourism in the country. Kpop groups like BTS and BIGBANG have all featured in the *Visit Korea* campaign by the Korean government. They act as a very pivotal tool in promoting tourism as they have an international fan following who will visit the country due to their favorite idols as well. This combines both the tourism industry and entertainment industry to generate more footfall in the country.
3. In collaboration with Korean government institutions, K-pop agencies have been doing a lot of charity work. This piece contributes to promoting K-pop stars in the local market and the talent agencies. It is basically "an entering into new markets that is approved by the state"

This clearly highlights that even if the involvement of the Korean government in the development of the industry might be rather passive, they have highly contributed in promoting kpop across the globe.

Music and Entertainment production companies

These the a few of the entertainment companies in the Korean music industry:

1. SM Entertainment

SM Entertainment or Sun Museum Entertainment was founded by Lee soo-man in 1995. It is currently one of the largest entertainment companies across Asia. It is also a part of Big 3 entertainment companies by revenue in kpop as well.

SM entertainment is the group that is considered as the company that paved the path for the kpop phenomenon as we know it today. It is also behind a lot of famous kpop groups like EXO, Girls' Generation, Super Junior and Red Velvet who have a huge fan following across the globe.

SM was also the first agency to scout talent internationally and also expanded in Japan with its overseas divisions and affiliated itself with the Japanese label Avex Trax. They were also recognized by the Korean government and were awarded the Grand Prix of the Ministry of Culture and Tourism. SM Entertainment's worldwide revenues in 2020 amounted to approximately 580 billion South Koreans. The turnover fell compared to last year, where it was approximately 658 billion South Korean won (*SM Entertainment: Sales Revenue Worldwide 2020*).

SM Entertainment from Korea has been one of the most prominent and leading entertainment companies in the Asian entertainment industry of today, a cross-sectional model and a diverse growth, with its exceptionally integration of the upstream and downstream industries. Moreover, SME invests massively in each phase of the development of cultural commodities, constantly improving content quality while using

modern digital technologies to boost its competitiveness in Asia and in the international market.

2. JYP Entertainment

JYP entertainment was founded by Jin-young park in 1997. It is one of South Korea's largest entertainment companies, serves as a record label, a talent agency, a producer of music, an event manager, a production concert and music publishing business. The corporation also operates different subsidiaries and branches around the world. JYP entertainment is also part of the Big 3 entertainment companies based on revenue. The company has debuted multiple famous groups like 2PM, Wonder Girls, GOT7, Twice, Itzy and soloist Rain to name a few.

In March 2010, JYP formed KMP Holdings as its official distributor of releases from these firms in a joint enterprise with SM Entertainment, YG Entertainment, Star Empire, Media Line, CAN Entertainment and Music Factory Entertainment. The same year, the company also became a major stakeholder in J. Tunes Entertainment.

JYPE's worldwide revenue in 2020 amounted to approximately 144,399 million Korean won. The turnover fell compared to last year, where it was approximately 155,436 million South Korean won (*JYP Entertainment: Sales Revenue Worldwide 2020*).

3. YG Entertainment

YG entertainment was founded by hang Hyun-Suk in 1996. The business functions in the form of a record label, a talent agency and a company for production of music, event and concert managers. In addition, YG PLUS, a subsidiary that includes an apparel label, a golf management agency and a cosmetics brand, operates a variety of companies under a separate publicly traded business.

The company has multiple notable artists like BigBang, iKon, Blackpink, Park Bom, 2NE1, CL, Sandara Park and treasure. In 2012 YG was internationally recognized by the global success of Psy's Gangnam Style as a viral video. The first time on the iTunes

Music Video Charts was August 21. This achievement was a first for an artist from South Korea.

YG entertainment's worldwide revenue in 2020 amounted to approximately 80.4 billion Korean won. The turnover rose compared to last year, where it was approximately 253,579 million Korean won (Wall Street Journal, 2020).

4. Big Hit Entertainment

Big Hit entertainment is an entertainment group established by Bang si-hyuk in 2005. It was recently rebranded as Big Hit music by HYBE, its parent company in March 2021. Big hit music is behind the musical powerhouse BTS, who have attained world-wide success through their music. They also have other boy groups like TXT under their label as well. In 2010, JYP Entertainment concluded a joint management deal for boy group 2AM. That was also the year when the company signed RM from the global mega boy group BTS.

Recently the company also merged with Ithaca Holdings, a company with scooter Braun and collectively formed Big Hit Music. Through this merger, Scooter Braun has also joined the board for Big Hit.

Big Hit music's worldwide revenue in 2020 amounted to approximately 796.3 billion Korean won. The turnover rose compared to last year, where it was approximately 587.2 billion Korean won (Soompi, 2021).

Top leading Music groups

These are a few leading groups in kpop currently. They are:

1. EXO

EXO is a kpop group managed by SM entertainment. EXO debuted in the music industry in 2012 with 12 members namely Suho, Baekhyun, Chanyeol, D.O., Kai, Sehun, Xiumin, Lay, Chen Kris, Luhan, and Tao in which 6 were from China and the rest from Korean descent. The company debuted members who speak two languages as the company wanted to expand further in the Chinese market.

EXO's debut album 'XOXO' sold over a million copies in Korea and their single 'Growl' was a huge commercial success as well. Over the years, EXO has been breaking multiple records and topping billboard US charts as well. This has made them a huge global success with over 7.7 million followers on their global fan club page. The band has also sold more than 2 million physical copies of their latest album and has 3.7 million monthly listeners on Spotify as well (*Spotify*, 2021).

The band members are also brand ambassadors for multiple international fashion houses such as Gucci and Dior. They also promote multiple skincare and beauty lines along with the 'Visit Korea' campaign and Samsung sponsorships as well.

The band is one of the Top Five Most Impressive Celebrities on the Forbes Korea Power List between 2014 and 2018. It was named by numerous media outlets as "Kings of K-pop" and the "Most important boyband in the world."

The band is currently worth 950 million USD (Benavidez, 2021) and is more likely to rise in further years with each band member also pursuing solo activities as well with multiple sold out concerts across the globe as well.

2. Twice

Twice is a Kpop girl group managed by JYP entertainment. Twice debuted in 2015 with members Nayeon, Momo, Mina, Sana, Jihyo, Dahyun, Chaeyoung, Tzuyu and Jeongyeon. The members were chosen from a trainee survival show called 'Sixteen'. This gave the group more exposure even before their debut. This is one of the reasons why twice fandom 'Once' are very active with the group's activity as well.

They rose to fame after their single 'Cheer Up' which was a huge hit in Korea even winning song of the year on many Asian award shows like melon music awards. They also found international success by topping the billboard charts with their single 'Likey

You'. Their album in 2019 'Fancy you' sold 3.75 million copies in Korea. As of now, twice has sold over 10 million copies in Korea and Japan.

The group is also referred to as the nation's girl group by media and fans due to their presence in the Korean market. They also debuted on Canadian hot 100 with their single 'Feel Special'. They currently have 6.2 million monthly listeners on Spotify (Spotify,2021) and over 8 billion views on YouTube (YouTube,2021).

The band is currently worth 35 million USD and are on the path of international fame with their 'cute concept' music as well.

3. BlackPink

Blackpink is currently one of the most popular kpop girl groups across the globe. They debuted in 2016 under YG entertainment with members Jisoo, Jennie, Rose and Lisa.

Blackpink rose to international fame with their debut album 'Square one' which was featured on the billboard world digital song sales for 'Boombayah' as well. Blackpink also became the first female group to receive a certification from RIAA (Recording Industry Association of America) for the highest views for a kpop music video for their song 'ddu-du-ddu-du' and also the first female group to sell 100 million copies of their album 'The Album' which was released in 2020. The band also charted number 13 on billboard hot 100 for their single 'IceCream' which featured Selena Gomez. Their singles 'Kill this Love' and 'How you like that' both set new records for the most viewed music video on YouTube in 24 hours.

The band has collaborated with many international artists like Dua Lipa, Selena Gomez, Cardi B and Lady Gaga for various singles throughout the course of their careers. This has given them an extremely high international exposure. Due to this, they also became the first kpop act to perform at Coachella as well.

The group currently has 17 million total views on YouTube and 14.7 million monthly listeners on Spotify as well (Spotify, 2021).

The members are also brand ambassadors for fashion labels like Gucci, Yves Saint Laurent, Dior and Celine as well and have a net worth of 34 million USD as per IB times.

4. BTS

BTS is a boy group under big hit music that debuted in 2013. It consists of seven members namely RM, Jin, Suga, j-Hope, Jimin, Taehyung and Jungkook. The group debuted under the hip hop genre but over the years their style has changed and developed to a semi hip hop and pop music genre.

Even though the group's first album did not attain much traction, their second album 'Wings' sold a million copies in 2016. They were also the first group to get a certification from RIAA (Recording Industry Association of America) for 'Mic Drop'. They were also the first group to top the Billboard Hot 100 with their album 'Love Yourself: Tear' in 2018. They also became the first group since the Beatles to attain four top singles on the Billboard charts. They even appeared in the Forbes list of 100 most influential people in the top 25. Later in 2021, they also became the first act with all South Korean members to be nominated for a Grammy.

The band has collaborated with many international artists like Halsey for their single 'Boy with Luv', Steve Aoki for 'Mic Drop' and many other artists like The Chainsmokers, Nicki Minaj and Jason Derulo as well. Throughout their careers, BTS has been honored in various ways, including six American Music Awards, five Billboard Music Awards and 24 Golden Disk Awards.

The members are also brand ambassadors for fashion labels like Louis Vuitton and technology giant Samsung as well.

The group currently has 5.5 billion views in total on YouTube and 31.4 million monthly listeners on Spotify as well with over 20 million copies of their album sold only in Korea. The group is currently worth a whopping 100 million USD (Chulet, 2021).

THEORETICAL FRAMEWORK AND METHODOLOGY

A critical review of the literature shows that a broader perspective is needed to understand the rise of Kpop globally from a business point of view. For this reason, Porter's Diamond Model of National Competitive Advantage of Industries (Porter, 1990) along with further developments done by Parc and Kim (2020) will provide the most support in understanding the same as Kpop. The Diamond approach is a business analytical tool which will provide a way to analyze and understand competitive advantages that industries or groups possess and developments done by Parc and Kim will offer a global perspective to this study.

Porter's Diamond Model

The Diamond Model was developed by Michael Porter in 1990. Porter claims that in this age of globalization, competitiveness is the most significant "asset" for winning in international competition. He devised a series of arguments to back up his claim. He developed the "diamond model" for a thorough examination of national competitiveness and to better understand competitive advantages that industries, groups or nations possess due to availability of certain factors and to illustrate how governments can serve as catalysts in improving a country's competitiveness in a global economy. The porter's Diamond model has the following factors:

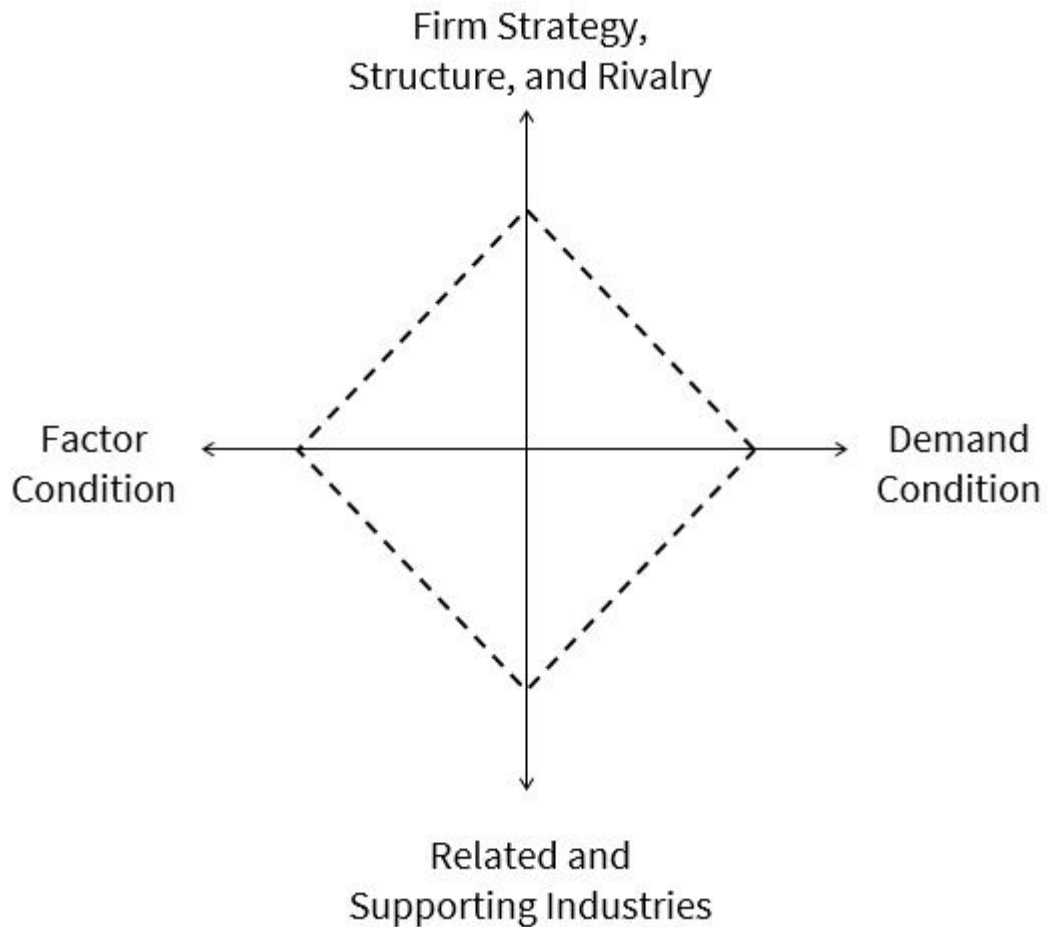


Fig. 3.1: Porter's Diamond Model

1. Firm strategy, structure and rivalry

This factor refers to the fundamental fact that rivalry drives companies to find new ways to maximize productivity and create technical advances. Domestic competition is also essential for international competitiveness because it forces companies to develop specific and long-term strengths and capabilities. The degree of rivalry, the concentration of market power, and the ability of competing companies to access a country's market all play a role.

Domestic competition is also essential for international competitiveness because it forces companies to develop specific and long-term strengths and capabilities. When there is a lot of competition and rivalry, it keeps businesses on their toes, and they strive to outdo each other by creating more creative and high-quality goods and services. The Japanese car industry is a clear example of this, with fierce competition between Nissan, Honda, Toyota, Suzuki,

Mitsubishi, and Subaru. They have gained as a result of their own fierce domestic rivalry and become more competitive in international markets, as well. Another example is Germany, which has a luxury car industry. With firm strategy and rivalry, we can see that there is fierce competition among many car manufacturers, and as a result, they compete fiercely and continue to produce more creative and high-quality products. In the end, this would only benefit businesses as they reach the global market. In the Five Forces model, this argument is linked to competitor forces and obstacles to new business entrants.

Firms are arranged differently in different countries, as are their targets. A variety of factors can influence it. They are:

- **Social Factors:** The macro environment of the organization is made up of social influences. It entails researching demographics as well as potential buyers. These factors aid in determining the market's potential size. Consumer behavior is heavily influenced by social expectations and stresses. The following are some things to think about:
 - Cultural Aspects & Perceptions
 - Health Consciousness
 - Population Growth Rates
 - Age Distribution
 - Career Attitudes

It also involves research into population development, age distribution, and job attitudes, among other things.

- **Political Factors:** Political factors include federal legislation as well as any industry-specific or business-specific laws. When you look at political influences, you're looking at how the government intervenes in the economy and other factors that can impact a business. The following are some of them:
 - Tax Policy
 - Trade Restrictions
 - Tariffs
 - Bureaucracy

It also entails researching tax policy, including any deductions, job laws, environmental laws, and so on.

- **Legal Factors:** There is often uncertainty regarding the difference between political and legal factors in the context of a PESTEL analysis. Legal factors pertain to any legal forces that define what a business can or cannot do. Political factors involve the relationship between business and the government. Political and legal factors can intersect when governmental bodies introduce legislation and policies that affect how businesses operate.

Legal Factors include the following:

- Industry Regulations
 - Licenses & Permits
 - Labor Laws
 - Intellectual Property
-
- **Economic Factors:** Economic factors consider the various aspects of the economy and how the outlook in each region will affect your business. Central banks and other government agencies are typically the ones that assess and publish these economic indicators. It assesses the economic climate by looking at macroeconomic indicators such as interest rates, economic growth, exchange rates, and inflation rates. The following are some of them:
 - Economic Growth rates
 - Interest Rates
 - Exchange Rates
 - Inflation
 - Unemployment Rates

These factors also aid in determining demand, product costing, expansion, and development.

2. Factor Condition

This factor includes the nation's development capital, such as infrastructure, labor force, property, and natural resources. As per Porter, "A country does not inherit but rather produces the most critical factors of production—such as professional human capital or a scientific base". A lack of less relevant factors, such as an unskilled labor force or raw material access, can be mitigated by technology or the implementation of what Porter refers to as "a global strategy". The endowment of a factor can be divided into two types:

- "In-house" services/extremely advanced resources: These include any equipment or service that is highly advanced in comparison to other competitors and nations like very advanced machinery.
- Natural resources: Natural Resources include anything that is available to a nation because of its geographical location. These are also referred to as basic factors.

Basic factors, according to Porter, do not create competitive advantage because they can be acquired by any corporation. Advanced factor conditions are the only way to gain a competitive advantage. Specialization and skilled knowledge and skills, as well as the availability of capital and infrastructure, are examples of advanced or "made" tools.

Porter also discovered that countries with weaknesses in one or more factors were forced to innovate to solve these issues. For example: Japanese companies faced high energy costs and were forced to create energy efficient goods and processes, which were later demanded globally.

3. Related Supporting industries

This factor refers to industries that work together to facilitate other industries. The involvement of related and supporting sectors lays the groundwork for the primary industry to succeed. This includes components like industries and groups that work either upstream, i.e., use a certain industry's product in their product or service like distributing, etc. or downstream, i.e., provides products or services that the industry being analyzed uses. This included supplying raw material to other industries as well. Suppliers, in particular, are critical to boosting innovation by providing more reliable and higher-quality inputs, timely feedback, and short contact lines.

In order to provide additional value to consumers and remain competitive, businesses often form alliances and collaborations with other businesses. This promotes creativity by sharing ideas among industries. And considering the level of openness and information transfer, this may stimulate creativity. Depending upon the industry, the role of related supporting industries is important for fostering growth of many sectors. National competitive strengths are also correlated with "clusters" of sectors, which is a key concept here. The recent surge in startup activity has fueled the renovation. Innumerable mergers between these startups and various industrial behemoths have resulted in the development of competitive advantage.

For Example: Sweden's pulp and paper industries are backed up by a network of related industries such as packaging, chemicals, wood processing, conveyor systems, and truck manufacturing. Many of these supporting sectors have also risen to prominence on a global scale.

4. Demand Conditions

This factor refers to the scale and nature of a product's customer base, which also drives product innovation and improvement. The power and complexity of domestic consumer demand are the most important characteristics here. The more sophisticated and demanding their local customers are, the more pressure is put on them to innovate, be more efficient, and improve the quality of their products. As a result, it is expected that their competitive advantage will grow as customer sophistication increases in their home markets, putting more pressure on local sellers.

The fact that local customers face sophisticated demand conditions also leads companies to grow, innovate and improve quality. In an effort to meet the demanding domestic market, companies have the potential to reach new heights and gain early insight into customers' future needs across borders.

Nations gain a competitive edge in industries where local consumers have a better or earlier image of emerging consumer needs, and where demanding customers press businesses to

innovate faster and achieve longer-term competitive advantages than their international competitors.

Larger, more competitive consumer markets would necessitate and intensify the need to distinguish and evolve, as well as simply provide companies with more market size. This is because more demands ultimately bring with them more challenges, but these challenges drive businesses to innovate and change. Demand conditions always speak of the 'home demand' that affects the success of a certain industry in a certain country. Demand conditions always speak of the 'home demand' that affects the success of a certain industry in a certain country. The size of the industry, the market's growth rate, and other factors are all measures of home demand.

Take, for example, Germany, which is home to some of the world's most prestigious car manufacturers, including Mercedes-Benz, BMW, and Porsche. When it comes to the high-performance segment of the global automotive industry, German automakers have dominated. However, they have a much weaker position in the market for low-cost, mass-produced automobiles. This can be traced back to a domestic market that has historically requested high engineering quality. Furthermore, Germany's transportation system, which includes Autobahns, tends to favor high-performance vehicles.

Porter theories that the four variables reflect four interrelated determinants that determine national comparative economic advantage. Factor factors, demand conditions, related and supporting industries, firm strategy, structure, and competition, are all determinants in the national context that can accelerate or decelerate the rate of success of a particular firm in a particular industry in a particular country.

This success will contribute to the generation of domestic demand, which increases competition in the global market and, as a result, gives a company a competitive advantage.

Dynamic Framework of Music Industry

Developed on the Porter’s Diamond Approach, this framework focuses on the basic principles such as how to produce better (or more appealing) music, how to distribute it more widely, how to consume more efficiently, and how to manage all of these functions more effectively (Parc and Kim, 2020).

Factor	Sub-factors	Changes
Distributors	Hardware	Analog → Digital
	Software	Domestic providers → International suppliers
Producers	Basic	Offline → Online
	Advanced	Audio sound → Visual images
Consumers	Size	Album (bundle of songs) → Song (a piece of music)
	Quality	Possessing → Accessing
Business context	Structure	Specialization → Integration
	Synergy	Limited interaction → Synergetic network

Fig. 3.2: Dynamic framework of Music Industry

The framework has 4 factors, namely: distributors, producers, consumers, and business context. Further, each factor has two sub factors differentiated by the degree of development and sophistication. The less sophisticated factors were introduced at the time of emergence of the internet (Digitalization 1.0). The more sophisticated ones are the factors introduced after the Internet became a part of daily routines (Digitalization 2.0). The routinization of the Internet has made the other set of factors less sophisticated as those factors were developed when the Internet was introduced. These sub factors and how they have changed is shown in the following table. The factors are further explained as follows:

Digitalization 1.0: Emergence of the Internet

1. Distributors: From Analog to Digital

Hardware in distributors is the way music is distributed in the course of changes from analog to digital. In Analog, sound is directly recorded to the media in the form of

magnetic tape in analog recording. This is referred to as the "master tape" in a recording studio, and it is then circulated to replicate the original recording. Analog distribution media include vinyl albums, cassette tapes, and 8-track tapes. This form of media was often bulky and cumbersome to distribute as it took a lot of space.

Digital form uses encoding sound as discrete signals in digital audio. Audio is recorded in analog format. Later on, Analog-to-digital conversion (ADC) converts the audio to digital format, which can then be distributed on CD, DVD, or downloaded over the Internet.

2. Producers: From Offline to Online

Basic in producers signifies that as music production moves from offline to online, it undergoes changes to improve and cater to a wider audience. Producers were able to reach a wider audience by the means of globalization and internationalization. This helped them create a global reach for the music and fostered collaborations that has helped in more people listening to their music.

Also, because of the disparity in market size and awareness of market shifts from offline to online, and thus from domestic to global, different sensitive strategies have emerged.

3. Consumers: From Albums to Songs

Size in consumers suggest the scale at which music is consumed. Before Digitalization, consumers would indulge themselves in complete albums from a singer as it was not possible to purchase and listen to individual songs. But now, due to the introduction of the internet, consumers can enjoy individual songs. The transition of consumers from albums to songs also denotes the change in quantity of music consumption as well.

4. Business Context: From Specialization to Integration

Business context is about how to make all activities run more effectively. Earlier, effectiveness relied on specialization. This means that to facilitate effectiveness, businesses would try to specialize in certain areas to have the maximum profit and best growth and development in that area. Whereas now the business structure relies more on

integration. This means that instead of specializing in a certain field, Growth is now fostered by the degree of interdependence among various functions in a business.

This also shows that the structure of business has evolved as other specialized functions are now easy to avail from different sources.

Digitalization 2.0: Routinization of the Internet

1. Distributors: From Domestic Providers to International Suppliers

Due to routinization, the form of distribution of music has evolved. It has now shifted from physical copies to new software. Software refers to how music is distributed through the Internet and online platforms, particularly from a domestic to an international context.

Earlier, domestic providers could easily distribute music in domestic regions through tangible copies of music. But to foster international demand and distribution, it has shifted from tangible copies of music to streaming music on platforms like Spotify and Sound Cloud.

2. Producers: From Audio Songs to Visual Images

Advanced in Producers denote how to create more appealing music, which has resulted in the formation of a diverse fan base; with smart devices, the latest shift is from audio sound to visual images. Production of music has now shifted from audio songs in mp3 formats to Visual imagery that includes album covers, teasers and music videos for songs and albums.

3. Consumers: From Possessing to Accessing

Quality in consumers refers to consumption of music from different perspectives. This also indicates the shift from possession of songs to accessing different media other than music as well as quality of derived content has tremendously improved due to mass

availability of the internet.

4. Business Context: From Limited Interaction to Synergetic Network

In Business context, synergy refers to the degree of coordination that different business activities can produce. Earlier, interaction among teams and team members was a difficult task as there was a lack of communication and coordination among different teams. The Internet has brought synergy in business activities as multiple teams can now easily interact with each other through the internet.

Synergy among different functions can create more opportunities as well as help in creating and innovating at a more global level.

FINDINGS, DISCUSSION AND RECOMMENDATIONS

Findings

Porter's Diamond Model

This diamond approach has been utilized to analyze K-pop in this study. As a result, in terms of the music industry's structure, this method is detailed enough to cover Firm strategy, structure, and competition, Factor Condition, Related Supporting Industries, and Demand Conditions, which covers the entire industry and is sufficient enough to be extended to an overview of the Korean music industry.

- Korean firm strategy, structure and rivalry

This factor refers to the fundamental fact that rivalry drives companies to find new ways to maximize productivity and create technical advances. The national background in which businesses operate has a significant impact on how businesses are created, structured, and operated, as well as their strategy and organizational structure. Domestic competition is also essential for international competitiveness because it forces companies to develop specific and long-term strengths and capabilities. It is the competition in the domestic market that drives quality and innovation. When there is a lot of competition and rivalry, it keeps businesses on their toes, and they strive to outdo each other by creating more creative and high-quality goods and services.

A great example of domestic competition in the Kpop industry is between SM Entertainment, YG Entertainment, JYP Entertainment and Big Hit. These companies operate in the same market and are created, structured and operated very similarly as well. This competition among these big companies pushes them to do better due to domestic competition and has pushed them to create long-term strengths and USP in the market. Like YG entertainment has not only created one of the biggest K-pop groups like Blackpink but also BigBang which was a Korean phenomenon. These companies are always striving to outdo each other by creating new and unique strategies for their K-pop groups. This domestic competition has led to these groups striving in the international market as well.

Another aspect of the same includes the marketing strategy used by the industry. How companies in K-pop market their groups have evolved over time. Due to immense competition within the industry, the companies have tried to create new and unique ways to market their product of K-pop. An example of this is when companies started investing in creating unique fandoms for their groups and developing a relationship with them. Like fans of Blackpink are called “Blinks” and BTS fans are referred to as “Army”. Meeting your fans, as shown in figure 4.1, listening to what they want, and responding to their requests are all important steps in cultivating relationships with them. This creates a loyal fandom who will help groups survive in this highly competitive market. These companies also create unique jingles, fan chats or gestures that are unique to each group and at times serves as an identifier to the group as well.

- **Korean Factor Condition**

The competitive advantage factor of the Korean music industry has mainly been the recruitment regime and the systematic training process that every individual aspiring to be a K-pop idol has to go through.

Young Individuals are either scouted or audition to get a spot in an entertainment agency. This process can start as young as 10 years old. After passing the auditions and being accepted into an agency, the trainee will sign a contract with the company and become an official trainee. However, hundreds of other trainees are vying for a small number of spots on the team, so the environment is very pressured and a lot of dedication is required. This training includes singing, dancing, acting, and even language lessons. This is all done alongside schooling as the majority of trainees are still in school. As per Rojak Daily, Students' regular schedules begin as early as 5 a.m. and end as late as 1 a.m. the following day. At the end of each month, these organizations conduct a so-called "monthly assessment" to assess the trainees' progress and success increasing the pressure on trainees even more. This training period can last from 5 to 10 years depending upon the company. In case a trainee chose to quit, a large sum needs to be paid to the company as the company bears the cost of training for these individuals. Also, these trainees are groomed from a very young age

to present a perfect image. This is shown in Figure 4.2. These advanced resources have made it possible for entertainment companies to create products that are very successful in the market.

- Korean Related Supporting industries

This factor refers to industries that work together to facilitate other industries. The involvement of related and supporting sectors lays the groundwork for the primary industry to succeed. This includes components like industries and groups that work either upstream, i.e., use a certain industry's product in their product or service like distributing, etc. or downstream, i.e., provides products or services that the industry being analyzed uses.

In Kpop, Upstream industries would include brands that use Kpop idols to promote and market their products and services. For example: EXO has been promoting cosmetics brand 'Nature Republic' since 2013. EXO member Sehun has also been the brand ambassador for fashion powerhouse Dior. There are multiple groups and Kpop idols promoting different kinds of products like Blackpink and BTS promoting Samsung as well. BTS also created a limited edition of Samsung Galaxy S20 in 2020.

This also includes organizations using idols to promote their ideologies like in the case of UNICEF and BTS. UNICEF appointed BTS as their Goodwill Ambassadors and also awarded them with the 2020 UNICEF Inspire Award for their 'Love Myself' campaign. Recently, the South Korea government also appointed Kpop group "Itzy" as honorary brand ambassadors for South Korean tourism. For the promotion, Itzy appeared in many video clips promoting Korea tourism by showcasing the country's beauty.

Downstream industries would include groups that provide service to the Kpop industry. This includes various industries like fashion houses providing clothing to idol groups. This also includes services like producing music and teams that market their music as well.

This factor would also include industries collaborating with each other to foster growth and reach new audiences. And considering the level of openness and information transfer, this

may stimulate creativity. Depending upon the industry, the role of related supporting industries is important for fostering growth of many sectors.

SM Entertainment, South Korea's top entertainment agency, has a strategic relationship with Alibaba Group Holding, China's e-commerce behemoth. Alibaba, China's largest online commerce group, bought shares in SM Entertainment for \$US30 million (\$43 million) in 2016, acquiring a 4% stake in the Kosdaq-listed company.

Big Hit also recently formed a merger with Scooter Braun's company 'Ithaca Holdings' to form HYBE entertainment. This will open new doors for the company to expand further in America. Also, Kpop groups collaborating with western singers and producers like BTS collaborating with Steve Aoki for "Waste It on Me", Halsey for their song "Boy with Luv" and Nicki Minaj for their song "Idol". Other groups like Blackpink have also collaborated with artists like Selena Gomez for their song "Icecream". There are multiple instances of kpop brands collaborating with other artists in order to widen their audience and create a mutually beneficial alliance.

- **Korean Demand Conditions**

This factor refers to the scale and nature of a product's customer base, which also drives product innovation and improvement. The power and complexity of domestic consumer demand are the most important characteristics here. The more sophisticated and demanding their local customers are, the more pressure is put on them to innovate, be more efficient, and improve the quality of their products. As a result, it is expected that their competitive advantage will grow as customer sophistication increases in their home markets, putting more pressure on local sellers.

Fandom culture is extremely popular in Korea. Young women in their teens and twenties who use social media and mobile devices make up the majority of K-audience. Instead of only listening to songs from albums, they prefer to consume music and music videos through the internet and mobile devices.

Due to the web 2.0 creation, K-pop fans are not only listening to their favorite band's music, but they are also openly consuming and producing content in the online world. Cover dance videos of K-pop songs, for example, have become a common form of online entertainment among K-pop fans.

Korean Fans are very demanding when it comes to Kpop idols. Idols need to not only maintain perfect discographies to survive in the market for a long run but also look and act perfectly to remain in the good books of these fans. This has become more prevalent with the increase in number of fans within Korea only.

This also translates to an almost obsessive fandom culture as well. So, alongside music, entertainment companies are also selling large amounts of merchandise and a chance to meet their idols in person as well. This is also one of the reasons for the huge popularity of fan meets with over 25,000 people attending a BTS fan meet in Busan, South Korea all alone.

Groups also try to continuously better themselves to keep the fans happy. This has led to a huge degree of innovation with the Korean music industry all alone, like trying different genres of music and different types of concepts for every new album they release to please as many fans as possible.

Digitalization 1.0: Emergence of the Internet

During the emergence of the Internet during the 1990s, the music industry in Korea had reacted rather positively to digitalization compared to other nations like Japan and US. This led to faster changes and adaptation of different digital tools across South Korea.

- **Distributors: From Analog to Digital**

During the 1990s, with the emergence of the internet, there was a shift from using vinyl albums, cassette tapes, and 8-track tapes to distribute music. These were very expensive as the music sold in these formats was initially from western pop music as Korean pop had not been popularized across the country. But with the emergence of the internet, companies now shifted to MP3 music or streaming online. During this time, personal digital devices such as Minidisc players and later MP3 players were introduced. Personal ads from those looking to

share music with other users were frequently featured in online communities, which strengthened bonds among fans of a particular band or artist.

The shift from Analog to Digital was fast in Korea primarily due to the fact that physical sales were not that high in the country and also piracy or illegal copying of music became easier due to the internet. This pushed the use of tools like CDs that would help in piracy across the music industry. With lax intellectual property rights (IPRs) legislation and widespread piracy, tech-savvy teenagers began extracting songs from CDs and sharing them with their peers. With lax intellectual property rights (IPRs) legislation and widespread piracy, tech-savvy teenagers began extracting songs from CDs and sharing them with their peers.

Also, during this time, a Korean solo rapper by the name of Cho PD released an online album in 1998 featuring 8 songs that became a huge hit online. This further made Korean music companies to realize the potential of digital distribution which led to more digital albums to be released across Korea.

- Producers: From Offline to Online

With the rise of Online popularity of K-pop compared to offline reach, the global popularity of the same has also risen. This has prompted producers or Entertainment companies to produce products (groups and music) that could appeal to international audiences as well. This shift was bilateral in nature as the scope of the market along with the expected rise in the domestic market was observed.

As a result, entertainment companies started to employ bilingual artists who could not only sing but rap in English, which helped them break into new markets and cater to international audiences.

Also, in order to reach the larger international markets in the late 1990s, Korean entertainment agencies went beyond merely including English lyrics and began giving

language lessons to singers and/or employing singers who could speak and sing in foreign languages such as English or Japanese.

A prominent example of this is a group called “S.E.S” which was managed by SM entertainment who could speak in both English and Japanese.

By the late 1990s, they had also expanded to recruiting trainees from America and soon after Thailand and China as well. This not only led to higher sales in both online and offline mode, but also changed the way entertainment companies were producing music. They even went further by collaborating with western artists such as FloRida and BoA who were both big names in their respective countries. This trend has been seen on a continuous rise from the late 2000s and is still growing continuously with artists from the 2nd generation of kpop collaborating with international artists like Wendy from Red Velvet and John Legend.

This has also created a global impact of South Korean culture across Asia and other western countries as Kpop has crossed language barriers to create new fans and new markets all across the globe.

- Consumers: From Albums to Songs

With the emergence of the internet, the way consumers shop and consumer intentions have also drastically changed. It became easier to get your hands on one or a few songs that you liked on the digital medium rather than purchasing a complete album or CD. The Internet made it easier to access songs that were popular or were liked by the individual and they could signal them out of the whole album easily. This was also popular when CDs were the norm. Young people would trace MP3 files of the songs they liked or others wanted on online communities and forums.

With the change in consumer behavior, there has also been a change in the way entertainment companies function and release new albums and songs. Now, rather than releasing a whole album that contained anywhere from 6 to 20 songs or even more, producers now focused on releasing a few songs that they thought the audiences would find attractive and engaging, that have higher marketing capabilities as well.

Also, in the late 1990s, Korean music industry also adopted the ‘Single Album’ strategy from its Japanese counterparts. These single albums only contain one or two singles that were highly marketed in several countries and also increased sales as well.

For this very purpose, K-pop entertainment companies started hiring artists from other countries such as Finland and Scandinavia, which not only helped them make a few marketable tracks but also make K-pop more modern and appealing to a wider audience in comparison to just Korea, China and Japan. This was also the case of S.E.S. whose several songs were composed by Finnish composers and songwriters.

These strategies have also recently been adopted by K-pop powerhouse BTS who have released multiple singles, mini albums containing approximately 5 songs and even repacked versions of their songs.

This song-oriented approach, combined with online dissemination, proved to be the main factor in K-pop being more easily and rapidly disseminated around the world, having recognized shifts in consumer behavior.

- **Business Context: From Specialization to Integration**

The music industry had to meet requirements, create songs more quickly and widen the market from domestic to global, making the broadcast of Music faster online due to rising competition in the industry.

The album distribution is closely associated with their sales, which are a traditional revenue source. If distribution does not work successfully due to negatives such as piracy in Korea, other parties may try to resolve this dysfunctional section when seen from the development side, alternate means. Under this situation, new broadcasters have played the part played by music sources such as radio and television in increasing singer's and band's commercial reputation. In particular, with a substantial increase in the size of the music industry, an even stronger factor has been the quality of production in quantity and distribution.

Lee Soo-man, founder of SM entertainment, through the process of training, instead of scouting for young talent which was highly unpredictable the majority of the time, integrated the important functions of training, producing, distributing and managing together. This also led to the formation of k-pop as people around the globe know it. This process was referred to as “chaebolization” in Korea (Parc, 2015).

It has also allowed Korean firms, when negotiating with foreign companies abroad, to have more negotiating power. Corporate Optimization and Integration structure increased the competitiveness of K-pop and its international success through easier dissemination.

Digitalization 2.0: Routinization of the Internet

Digitalization 2.0 brought around social media and made connecting an experiencing global culture easier. The rise of social media received colossal attention from the scholarly world, mainly regarding the impact of the social media on consumers. Routinization of the internet essentially meant that the internet was a part of daily routines of every individual and everyone had the globe at their fingertips.

- **Distributors: From Domestic Providers to International Suppliers**

With the routinization of the internet, the distribution of music had shifted from hardware to software. This essentially meant that music that was earlier available for distribution to primarily domestic providers and internationally was available through the medium of piracy due to weak intellectual copyright laws was now available at the tips of everyone’s fingertips by the medium of online streaming platforms like YouTube, Spotify and Facebook.

Even though these international streaming platforms were interested in having Korea pop songs on their platforms, there were a lot of barriers to this. If they were to charge highly for these streaming platforms to younger generations, they would retort to piracy. And if the streaming fees were not appropriate and did not satisfy the royalty expectations of the musicians and the companies that managed them, they would withdraw their participation leading to the removal of the pool of kpop songs from these platforms.

This gave domestic providers in Korea such as genie a cost advantage over international suppliers. And since the music industry in Korea was booming, International participants wanted to keenly enter the market. This led to international players paying high prices to enter the Korean music market making entertainment companies have a positive view towards these foreign entrants. This opportunity led to easier distribution of kpop in the international market with these international suppliers doing a great job of disseminating the music.

Also, since idols were using domestic apps such as Vlive, fans recorded these live streams and distributed them on platforms like YouTube which is an international distribution platform. Another case of this is fans using their platform to distribute various forms of content like fan made videos of concerts, videos translating their music to other languages and fan meetings for various social media platforms. And since none of this User generated content is based to any copyright laws, it can be easily distributed by anyone.

User Generated content like shown videos translating the Korean lyrics has also helped artists to reach out to fans and listeners who do not understand the language and help them emotionally connect with the listeners which would not be possible without breaking the language barriers.

- Producers: From Audio Songs to Visual Images

Digitalization has pushed the consumer from audio to visual imagery as there has been a transition from CDs and MP3 players to songs being available on visual platforms like YouTube and on shows across Television channels like MTV. This will strengthen music as an important marketing and promotional tool and improve the impact of a fully integrated audio and visual image.

In any instance, visual images have been a very integral part of pop music across the globe. Music videos of songs have visibly accelerated the sales of albums. And it is no different for Kpop either who have adopted a style of synchronized dancing to their songs. A popular

example of this is Gangnam style by Psy who went on to become a global hit with approximately 4 billion views currently on YouTube and fans replicating the hook step from the music video. Also, other music videos like Blackpink ‘Kill this love” have over 1.2 billion views and BTS broke all records by gaining 100 million views for their music video ‘Dynamite’ in 24 hours on YouTube.

Performers	Year	Titles	Clicks YouTube (million)	Native speakers (million)	Clicks per native speaker
Mega-hits					
Psy	2012	Gangnam style	2463	56	43.98
Justin Bieber	2010	Baby	1247	360	3.46
Stromae	2013	Papaouti	308	74	4.16
UK/USA					
Adele	2010	Rolling in the deep	765	360	2.13
Adele	2015	Hello	545	360	1.51
Justin Bieber	2015	What do you mean	380	360	1.06
Justin Bieber	2015	Sorry	230	360	0.64
Total			1920	1440	1.33
Korea					
BigBang	2012	Fantastic Baby	187	56	3.34
BigBang	2015	BangBangBang	83	56	1.48
2NE1	2011	I am the best	138	56	2.46
Girls Generation	2011	The Boys	129	56	2.30
Girls Generation	2013	I got a boy	148	56	2.64
Girls Generation	2015	Party	47	56	0.84
Total			732	336	2.18
France					
<i>Music benefiting from the French radio-quotas policy</i>					
Johnny Hallyday	2007	Je te promets	10	74	0.13
Mylène Farmer	2010	Oui mais non	7	74	0.09
Stromae	2013	Formidable	131	74	1.77
<i>Music not benefiting from the French radio-quotas policy</i>					
Daft Punk	2013	Get lucky	237	360	0.66
David Guetta	2014	Dangerous	105	360	0.29
Japan					
AKB48	2010	Heavy Rotation	121	125	0.97
Exile	2014	24 World	12	125	0.09
E-girls	2015	Anniversary!	11	125	0.09

Fig. 4.3: Kpop music’s digital visibility (2015)

As the table above shows, it has high digital visibility with high global reach even in comparison to artists based in western countries. YouTube clicks on these music videos have a high percentage of clicks from foreign listeners. This clearly shows that due to digitalization, kpop was able to create a global audience for itself.

Also, in Korea, to promote kpop idols, it becomes essential to take part in television and reality to shows as these shows are highly liked by the Korean audience and a spot on these

shows like 'Running Man' can help boost the artists' popularity in Korea. So, BTS, in order to tackle the problem of not being able to get a spot on these shows used the medium of creating their own reality show 'Run BTS', which was a part of the BTS Universe, which was available to watch on Vlive and used the medium of Vlive to interact with their fans during the start of their careers. Fans would record this show and post it on YouTube for fans from other countries to be able to see them as well

But shows like 'Running Man' are not available for other countries to watch. And due to copyrights, even fans can't post these episodes. So by creating a show that was easily available across the globe, BTS was able to create a fandom all over the globe. The show now has 3 seasons and 141 episodes with the highest viewership of 15.8 million viewers.

Shows like this also helped fans connect with their favorite artists and create a more loyal fan base as well. This consumer-oriented approach also helps fans have a visual image of their favorite groups as well.

- Consumers: From Possessing to Accessing

The transfer from possessing to accessing essentially indicates the change in consumer behavior from possessing physical albums in form of cassettes and CDs to accessing the music from streaming platforms like Spotify and YouTube.

With advancement in technology like the invention of smartphones and tablets and with the shift from analog to digital, online streaming platforms have become easier to access as the internet has become a routine part of our lives. This has made a shift in possessing music in the form of digital files and in hardware like CDs to streaming using the internet.

Initially, entertainment companies had made use of services where users could store music virtually and share these files. But later on focused more on music streaming services like melon which was introduced in 2004. Now entertainment companies have created their own channels on platforms like YouTube and can easily post music there. This has made music

more easily accessible to people around the globe. Also, due to broader and quicker online diffusion in comparison to offline albums, online fans can easily access K-pop songs.

Also, due to their online presence, it becomes easier to promote the groups and their music. For example: Kpop groups like BTS upload their dance practices online which helped them get more traction online.

Overall, the shift from possession to accessing has helped companies not only reach audiences faster and increase market scope but also help create a stronger fandom due to their online interaction with fans which wouldn't be possible on such a large scale in the physical mode.

- **Business Context: From Limited Interaction to Synergetic Network**

Digitalization has helped businesses become more synergistic in comparison to the limited interactions they had in the past. Synergy with other functions and networks has helped create a business structure that can function with different elements all together and make the most out of all of them. When all functions work in synergy, this also helps foster better performance in different aspects as well.

When the Korean music industry worked with limited interaction with other functions and industries, they were able to create a product using only their specialties. But with the rise of digitalization and mass consumption of multiple genres of music, it becomes important to create music that appeals to a wider audience.

For example: The kpop mega hit 'Gangnam Style' was made in collaboration with Psy from YG entertainment along with Scooter Braun and schoolboy records. Companies like SM entertainment also branched out to Finnish song writers to create songs for their artists.

Another example of synergy within the organization was when BTS from Big Hit entertainment was having a hard time promoting their music. This prompted a member of BTS to collaborate with other composers around the company who were focused on different

genres to create songs for BTS. This helped them gain attention from audiences in Korea and launch their careers to new heights.

Also, recently the chairman of HYBE, Bang Si Hyuk created a new partnership with Ithaca Holdings and CEO Scooter Braun. He also commented that, "This new partnership with Ithaca Holdings is a new challenge that no one could have imagined. Based on the accomplishments and know-how that our two companies have accumulated over the years along with our expertise, we will produce great synergy through close collaboration that goes beyond borders and cultural barriers."

"This collaboration would be a starting point for HYBE's creative structures and healing skills to be used for artists' careers at the beginning of United States work," continued Ithaca Holdings CEO Scooter Braun. "It will not only allow current artists to grow their careers, but will also help many artists to take on various opportunities on the world market."

Based on the achievements and knowledge gained by both our companies with our experience over the years, we will generate great synergies through close cooperation, which transcends borders and cultural barriers.

Recommendations

The research concludes with findings related to the impact of globalization and digitalization on the Korean music industry and how the strategies implemented helped the industry to grow further. In regards to this, these are a few recommendations for future study:

1. Further research can be carried out to have an in-depth explanation of the working of individual entertainment companies. This can help demonstrate how different strategies have led to different growth levels as well.
2. This same topic can be segregated to different kpop groups as well and understand and compare their USP and unique strategies from groups of the same generation as well.
3. Another important topic could be to study the impact of Hallyu on different geographical locations and how companies have used different strategies, if any, to promote kpop.

4. The Korean government participation in the popularization of Hallyu can be observed from the critically reviewed literature. Further research can be conducted to understand how the Korean government has aided in the growth of Hallyu and whether the same can be applied to different countries as well.
5. Another topic for research could be to study the impact of Hallyu on other products and industries such as the beauty and fashion industry and how they have impacted and/or changed the consumer perception towards these products as well.
6. Research can also be conducted to study the change in the brand image of brands that are being endorsed by Korean idols as well to better understand the branding power of kpop idols as well.
7. Also, existing research on various cultural topics can be updated as well as majority research conducted in the field is becoming outdated and does not study the in depth implications of social media as well.

Limitations of the study

Despite in-depth analysis of the strategies, there are bound to be a few limitations not addressed by the paper. The first is that Korean music is still a rather new phenomenon and business and management of the industry in depth has not been done at a major scale. And existing research focuses highly on cultural and hybridization impact of Korean culture across the world, thereby limiting the data available.

Further, Porter's Diamond Model is not considered an adequate model to address the position of Multinational corporations and it is heavily influenced by factors outside of a country. It also focuses on industries like manufacturing and consulting companies as well.

The model also only addresses the domestic country and no other nations. This prompted the supporting to use a different model that was built on the diamond model to have as accurate analysis as possible.

Another constraint is the study's time length. Kpop is a continuously evolving industry and research done in current times is bound to become outdated with changes and development in the industry.

CONCLUSION

It's been close to two decades since K-pop first became popular around the world, and the trend has only continued to grow. In this regard, it's important to consider why K-pop has become so popular around the world, thereby concluding with the critical conclusion of the study.

Through this analysis, we can tell that Kpop has had a major impact due to digitalization and globalization. In this regard, kpop has used multiple strategies like consumer-orientation and collaboration with other industries to grow the domestic market. Also, since the domestic market was extremely competitive and critical, kpop always pushed towards the strategy of innovation and creativity through marketing and management as well.

Also, it is clear that a huge part of the major dissemination of kpop is due to social media and platforms like YouTube and Spotify as well who have made it easier to reach to the global audience and do it at a regular pace as well. This has made for a small country like Korea to compete with music giants like the American music industry as well. And through multiple collaborations like Big Hit with Ithaca Holdings and scooter Braun has opened more opportunities for further global reach despite the language barrier.

The industry also has a unique take on the artists as well. The industry promotes the strategy of training and working on creating an idol as a brand rather than just an artist. This not only provides opportunities to the market also but any commodity or service they might choose to associate with.

In conclusion, these strategies have provided a chance for Kpop to become a huge cultural as well as business influence to other industries as well who can adapt from their strategies and apply it there. This can also create more opportunities for other industries and countries as well.

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APPENDIX

Fig. 2.1: Supply chain of Kpop Industry: *From B2C to B2B: Selling Korean Pop Music in the Age of New Social Media*. (n.d.). Semantic Scholar. Retrieved May 19, 2021, from <https://d3i71xaburhd42.cloudfront.net/374df185790ce84a71420e96a003e4778da8a95f/11-Figure1-1.png>

Fig 3.1 Porter's Diamond Model: (N.d.). Retrieved May 9, 2021, from <https://www.researchgate.net/profile/Jimmyn-Parc/publication/323512323/figure/fig1/AS:599653120745472@1519979853018/The-Diamond-Model-Porter-72.png>

Fig 3.2 Dynamic framework of Music Industry: (N.d.). Retrieved May 19, 2021, from <https://www.researchgate.net/profile/Jimmyn-Parc/publication/345902682/figure/tbl1/AS:958173921964032@1605457873483/Dynamic-framework-of-music-industry.png>

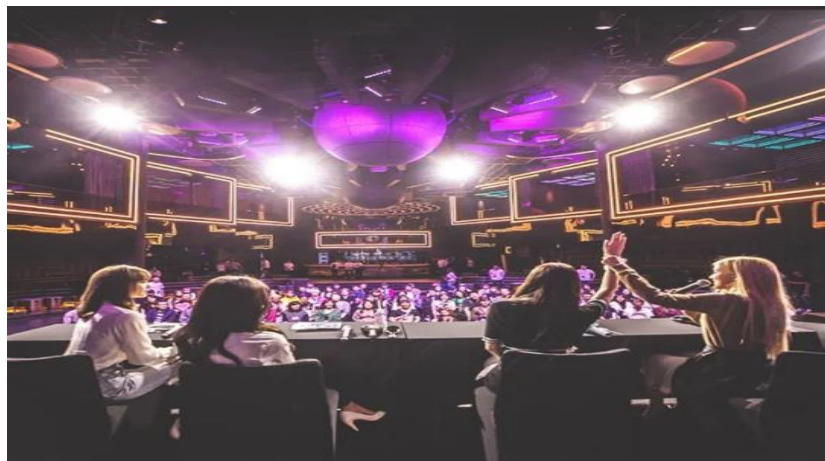


Fig. 4.1: Blackpink fan meet in Seoul in September, 2019: (N.d.). Retrieved May 19, 2021, from <https://i2.wp.com/blackpinkupdate.com/wp-content/uploads/2019/09/2-BLACKPINK-Fan-Meeting-Event-at-Paradise-City-on-20-September-2019.jpg?fit=576%2C1024&ssl=1>

Groups will host multiple fan meets like in the above picture to help create a more consumer and fan-oriented platform for themselves. This helps companies create higher loyalty among the fandom.



Fig. 4.2: This shows Girl group Blackpink Training before their debut: (N.d.). Retrieved May 19, 2021, from <https://www.asianjunkie.com/wp-content/uploads/2016/07/BLACKPINKDance.png>

Since entertainment companies are training their trainees since a young age, they are able to groom and teach them necessary skills they deem important for the success of the group.

Fig. 4.3: Kpop music's digital visibility (2015): Messerlin, P. A., & Shin, W. (2017). The success of k-pop: How big and why so fast? *Asian Journal of Social Science*, 45(4/5), 409–439.

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