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The South Korean Music Industry

The Rise and Success of ‘K-Pop’

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Bachelor's Thesis

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1. Introduction

The year is 2005. The global recorded music industry revenue is a total of 20 billion American dollars (all currency applied will be in USD and noted with \$). Even though this is undoubtedly a hefty sum, the global recorded music industry has lost \$3.3 billion since the new millennium started. Internet piracy is widespread and the online video-sharing site, YouTube, is launched this year as well. What no one could predict was what the future held for the global music industry. It took ten years for the global music industry to start showing positive figures once again since its heyday. After losing an additional \$4.3 billion, the total revenue of the music industry in 2016 landed on \$15.7 billion dollars (“Global Market Overview” 2017).

The year is 2005. South Korea (here on Korea) ranks as the thirty-third largest music market (in terms of total revenue) in the world according to the International Federation for Phonographic Industry’s (IFPI) official reports. However, in comparison to the rest of the world, Korea has been showing positive figures almost every year since then. In 2007 they climbed to twenty-seventh, in 2009 they came in at fourteenth, and then in 2012, they were the eleventh largest music market. By 2014, Korea broke into the top ten of all global music markets, also having the strongest overall growth (+19.2 percent). Currently, in 2016 they are ranked as the eighth largest recorded music market (IFPI n.d., “Market Overview” 2015). Since early 2013, Korea joined the United Kingdom (U.K.), the United States (U.S.), and Sweden, as one of only four countries in the world to export more music than import (Lindvall 2013a).

This thesis aims to clarify how Korea rose to become a world leading recorded music industry. To do this, it will answer the following questions:

- How has South Korea since 2005 become a global superpower in the 2017 music industry?
- What differentiated the Korean music industry from the rest of the world?
- What strategy is used to export a cultural product able to attract and compete within foreign markets?
- And finally, how has Scandinavia contributed to the development of Korean pop music into a global phenomenon?

Korean popular music, also known as ‘K-pop’, has become a true phenomenon attracting fans from all over the world and is a part of the Korean wave (an English transcription of the Korean term *Hallyu*). However, with globalization and new possibilities in foreign markets, there are challenges and difficulties when it comes to selling products to global consumers. Many have debated whether it is more viable to keep or remove cultural elements or as Chen refers it to, “cultural odor” from cultural products targeted for an international audience.

When it comes to cultural products such as K-pop, it is argued that removing cultural odor is essential in order for consumers to adopt cultural products. Consumers, who are gradually becoming more global minded, could then inscribe own personal meaning, yet also, it may create a shared experience between different cultures creating one common pan-Asian culture, something that is desired by many East Asian consumers.

On the other hand, some people claim that retaining cultural odor is necessary in order to differentiate products and connect them to the origin (Chen 2015).

There are two main theories that attempt to explain the reason behind the K-pop phenomenon. First, many scholars argue that K-pop “rests on the concept of cultural hybridity or Pop Asianism” and not a new cultural force (Oh 2013, pp. 389). The success of *Hallyu* as a whole is mainly attributed to the fact that the Korean culture inherits a supernational hybrid of characters (Kim 2015). There are three major archetypes the advocates of this theory suggest K-pop stems from.

First and foremost, there is the circular argument. Korean popular music stems from Chinese and Japanese culture and their earlier global success. K-pop is a hybridity of the grand Asian cultures, China and Japan, and was therefore bound to succeed considering the advancements of Asian culture (Oh 2013).

Secondly, it is the exploitation of cultural resonance. With regards to Korean cultural products, Roald H. Maliangkay states that they are:

common among Chinese consumers, their selection of Korean products may in part stem from the strong connection of these products with Chinese culture itself. If the cultural similarity is a major factor, then, it may not be so important that the product derives from Korea. [...] Will Chinese consumers continue to favor Korean entertainment when they find that domestic products are just as good and Show a similar degree of economic and technological success (q.b. Oh & Park

2012, pp. 367)?

For example, the dance from PSY's widely popular hit single 'Gangnam Style' is based on traditional Korean horse dancing. This dance resonated with American culture, which allowed Americans form a connection with PSY's song. Through this, 'Gangnam Style' managed to find vast success across the U.S. (Oh 2013).

Lastly, is the argument that K-pop is a hybrid between Western pop music and Korean culture. Also, K-pop acts as a filter for Western products, adapting them to an Asian market (van der Ploeg 2016). K-pop has a Western origin and simply mimics the concept of singing and dancing at the same time from Michael Jackson (Oh 2013). K-pop has reached global success unmatched by Chinese, Japanese, or Indian music because of K-pop's utilization of Western creativity (Park 2013).

However, a Korean scholar, Ingyu Oh, quickly dismisses this theory stating that this kind of circular argument does not explain how K-pop became successful because it "wrongfully assumes K-pop is similar to Chinese or Japanese popular music (Oh 2013, pp. 400)." The argument reduces the entire Korean music industry to a mimetic machine, which lacks creativity and originality (Park 2013). Furthermore, Oh questions why other East Asian music industries such as Taiwan have not been globally successful if cultural hybridity is credited for the advancement of Korean music. Also, if simply resonating with Americans' appeal for Cowboys and copying Michael Jackson is the key to success, this would easily be exploited even further by other countries as well.

Instead, Oh proposes another theory, which seems to be more commonly applied today among scholars. This theory implies that there is, in fact, nothing in K-pop that could be considered "Korean" (Oh 2013). Just as Keewoong Lee, a sociologist at Yonsei University, said in an interview with *The Wall Street Journal*: "The key to K-pop's worldwide success is not its Korean-ness, but the lack of it (Russell 2012)." Korean popular music today might possibly have no influence from traditional Korea music. K-pop is dance orientated, mixes foreign languages, and written in an eight-note diatonic scale. This is very different from the traditional Confucian influenced style, which used to dominate the Korean music scene, where singers stood still and sung in a five-note pentatonic scale (Lie 2012). K-pop is rather a combination of the liberalization of the music market in Asia as well as the rest of the world. He mentions four causes which are central.

First of all, he claims that Korean singers have a distinct physique that has given them an advantage compared to the Japanese and Chinese. This distinct physique is a result of evolution,

mutation or/and plastic surgery. Secondly, the democratization of Korea caused previous bans and censorship to be lifted, enabling the consumption of both Japanese and Western music. This led to a more diverse and creative cultural market and opened foreign markets such as Japan, which was not possible under former dictatorship. Third, technological advancements with computers, the Internet, and social media have created a form of virtual cosmopolitanism where people around the world can enjoy Korean cultural products even without knowing the Korean language. The global K-pop phenomenon would not have been possible without it. Lastly, the global capitalist economy has opened up new dominant markets such as China, India, Latin America and South East Asia (Oh 2013).

Since K-pop has been so heavily influenced by Western music, one can ask what the “Korean-ness” in South Korean music is. The mix of global elements due to K-pop collaboration with foreign stylists, choreographers and music producers, makes the Korean aspect ambiguous (Rånes 2014). Furthermore, as Gil-Sung Park argues, K-pop does not simply mimic foreign material but is instead a product of global collaboration through a division of labor. Korean contemporary music’s global following is widely credited to the development of social media networks and not solely due to a pan-Asian cultural hybridity. Without services such as YouTube and Facebook, the global dissemination of K-pop would not have been possible (Park 2013). This will be discussed more in detail in this paper.

K-pop today signifies the exportation of music, which is made in Korea for global consumers. It was necessary for K-pop to globalize because of the small local market and a previously large problem with illegal downloading in South Korea. It was not until the 21st-century that K-pop gained global attention. Earlier, Europe and the U.S. (which will further on in this paper be referred to as West) did not pay any interest to Korean musical talents. The music simply was not Western at all. Local music, ‘trot’, which is considerably different to today's pop music, dominated Korea (Oh 2013). It is notable that up until 2016, an estimated 80 percent of the songs recorded for the K-pop market is produced or written by musicians based in either the U.S. or Europe, with a majority of the Europeans hailing from Scandinavia. Many hit songs from Korea’s most famous artists are either written or produced by Scandinavians (Blume 2016). Between which exact years this is referring to is not stated. K-pop has only started to actively outsource foreign talent since 1995 and therefore, it could be speculated that it is within this time frame (1995-2016) that 80 percent of Korea pop music is either written or produced by the West.

The ones orchestrating the success of K-pop are the Korean music labels. Unique to the Korean music industry is how their music labels are different from a traditional Western music label. As will

be discussed more specifically later, these labels do not only publish music, they are behind every aspect of it. They discover, sign and train talents, as well as control the production and publication of their music. They are today more commonly referred to as agencies or entertainment companies.

The Korean music industry is led by three main large agencies: Star Museum (SM) Entertainment, Yang Goon (YG) Entertainment, and Jin-Young Park (JYP) Entertainment. SM Entertainment is the largest and has arguably been the most important label for the development of K-pop (Oh 2013).

According to research conducted by Korea Advanced Institute of Science and Technology (KAIST) University examining individual companies in 2010, SM Entertainment had an income of \$78.55 million, which was the twentieth largest of all enterprises in the world. However, they had the highest profit ratio out of all the top twenty countries that year beating Sony-Music, Apple-Music and Universal Music Group to name a few (Lee 2014).

In order to answer how the Korean music industry reached its level of success, I have gathered my information from six distinct areas. I have utilized articles written by scholars, analyzed the thoughts from K-pop enthusiasts on blogs, and collected news surrounding Korean idols from various *Hallyu* news outlets as well as from newspapers and magazines. This paper also contains information from a documentary produced in Sweden, which has been uploaded in three parts to YouTube. Furthermore, Pelle Lidell, a Swedish A&R (Artist and Repertoire, a person who signs songwriters/producers and place their songs with labels and artists) who currently works at Ekko Music, allowed me to conduct an interview with him. He is actively working together with SM Entertainment. This interview was conducted in Swedish at his office. The style of the interview was free flowing. However, I did bring up some pre-planned questions, all of which will be listed in the appendix. All other sources besides the interview and documentary are in either English or Korean.

These six unique sources help to provide a broader perspective as previous articles omit either the perspective of K-pop fans or the viewpoint of K-pop fieldworkers. This thesis will also be the only extensive paper I have come across which cover several significant fields, such as a background of *Hallyu* and soft power, influence of the legislative instances, exportation and differentiation methods, as well as revenue collection. Furthermore, this project will give a comprehensive overview on the prosperity of the Korean music industry and how various strategies have been applied along with the advancements of media technologies since 2005 to further its evolution.

This thesis is, therefore, structured as follows. Firstly, the paper briefly examines the Korean wave as well as the notion of soft power, which is the foundation K-pop's success. Secondly, with

the background of *Hallyu*, section three will examine how popular music in Korea managed to diffuse around the world due to external factors from outside the industry, such as the government and the development of media technologies. Section four will delve into how Korean music agencies operates today and their strategies to reach a global market. The last section will be a conclusion that will reiterate and summarize all the points made in the paper.

2. The Korean Wave

K-pop was not the product that first sparked off the Korean Wave. In fact, its global success can be attributed in part to earlier South Korean cultural products gaining worldwide recognition and popularity. Some scholars refer to K-pop as “*Shin-Hallyu*”, the new Korean wave, or the Korean Wave 2.0.

The term *Hallyu* was invented to describe the expanding popularity of South Korean popular culture in China during the late 1990s by the Chinese press. Scholars like Bok-Rae Kim and Steven Chen both argue that Korean dramas and movies originally fueled the Korean wave. Kim describes the Korean wave as a developing phenomenon undergoing three generations, *Hallyu* 1.0, which lasted from 1995 to 2005, *Hallyu* 2.0, from 2006 to recent years and *Hallyu* 3.0, which is what *Hallyu* is transitioning into today (Kim 2015).

In order to help understand how Korean music amassed such a huge following of global consumers, this section will briefly examine the background of the Korean Wave and how South Korea’s music played a major role in the evolution of *Hallyu*.

2.1. Korea as a Soft Power

According to Joseph S. Nye, the power to change another’s behavior to one’s liking can be exercised in three distinct ways: force, payment or attraction. In particular, the method of attraction is what Nye refers to as “soft power” (Nye 2006). Soft power examines how a country exercises its power through the calculated management of its perceived image (Martinroll 2017). Generally, there are three main resources from which a country can harvest soft power: political values, foreign policies, as well as culture (Nye 2006). A prime example of this can be seen from the way the U.S. has created a unique and desirable image for itself through the propagation of Hollywood movies, stars and even the advertisement of products such as iPhones and Levis jeans. This is the trajectory that Korea intends to take with *Hallyu* (Martinroll 2017).

Unlike most developed countries, Korea dedicates a significant amount of its reserves to export pop culture with the goal to establish itself as a leading global soft power.

In addition to hard power resources, most notably a robust military force, the South Korean

government utilizes the soft power strategy to enhance its global standing and visibility. This strategy was first carried out in response to the economic turmoil that Korea underwent during the 1990s.

Through the exertion of soft power, Korea aimed to progress economically through globalization. The former South Korean president, Myung-Bak Lee (who served as the Korean president between 2008-2013) employed the catchphrase, “Global Korea” in his political agenda. In addition, he established the Presidential Council on National Competitiveness, which sought to promote the Korean brand by enhancing the image and prestige of Korea. This ultimately led to Korean products and services to be more lucrative and highly valued (Kalinowski & Cho 2012).

2.2. The Rise of *Hallyu*

In the early 1990s, the Korean government stopped enforcing state-owned media co-operations, and even encouraged private investments into media, entertainment, and other industries. This gave rise to new channels being aired. To further fill airtime, broadcasting stations produced a plethora of low budget dramas, which mainly targeted middle-aged woman. In 1991, the government enforced a quota on television companies, pressuring them to acquire a certain number of dramas from independent producers. This implementation help lay the foundation for the Korean Wave (Chen 2015, Negus 2015. Rånes 2014) and provided the precedence for the first stage of *Hallyu*, which was the popularization of K-dramas in China (namely, the dramas ‘What is Love About’, 1997 and ‘Stars in My Heart’, 1999) and Japan (‘Winter Sonata’, 2002 and ‘Dae Jang Geum’, 2003) (Chen 2015).

By the same token, it was during this time that the Korean policymakers and media outlets realized that their cultural product was not only a financially viable export product but also a means to control the global image of South Korea. This led to the utilization of soft power. In 1994, the Presidential Advisory Board of Science and Technology of Korea showed that the box office earnings of the Jurassic Park movie were equivalent to that of 1.5 million exported Hyundai cars. It is widely agreed upon that this is the point when the government realized the importance and influence of the cultural industries. It is also the springboard for a paradigm shift where the government would lay the foundation for *Hallyu* (Chen 2015).

However, according to several scholars, the economic crisis faced by South Korea during the mid-1990s provided the impetus for the rise of *Hallyu* (Negus 2015). Other than causing a huge blow to the financial sector of Korea, this crisis led to the retraction of many international investors and

stakeholders who were wary of the fluctuating market. It thus came as no surprise that the country “lost foreign direct investments, lacked tourism and faced global skepticism (Martinroll 2017).” As a response to the crisis, the South Korean government decided to shift their focus from a national modernization project to a global one (Negus 2015).

The K-drama *Winter Sonata* in particular played an indispensable role in the first rise of *Hallyu*. It became an overnight success in Japan when it was first released in 2002. Many scholars today believe this to be the start of the Korean wave. Initially, the success of *Hallyu* was solely attributed to K-dramas (Lie 2012). Between 1995 and 2007, the total revenue for Korean dramas grew from \$5.5 million to an astounding \$150.9 million (Jin 2012). I speculate that since the drama is well produced, it managed to be carried by four factors that are arguably the reasons for the success of *Hallyu*, the Korean government, technological developments, the diaspora of the Korean people, and cultural similarities. These four factors will be further discussed in next chapter but in relation to K-pop.

South Korean music was, however, not completely irrelevant during this era with the Korean boy band High Five of Teenagers (H.O.T) instigating the craze for K-pop in China and the singer BoA amassing an immense following in Japan. Along with a few other artists, H.O.T and BoA laid the foundation for K-pop stars today (Chen 2015, Lee 2014, Kim 2015). This period of the Korean Wave opened new markets and turned the eyes of consumers in China, Japan, and Taiwan towards Korean products (Kim 2015).

In contrast to *Hallyu* 1.0, which appealed to mainly middle-aged women, *Hallyu* 2.0 attracted young people from Asia, North America, and Europe through the proliferation of vibrant and energetic music. (Chen 2015, Oh & Park 2012) *Hallyu* 2.0 is most widely believed to have begun in 2006 as digital technologies developed, thus, easing the diffusion of Korean cultural content, in particular, K-pop. The main driving force for the rise of *Hallyu* 3.0 is the popularization of the K-brand. With the rising success of K-pop, consumers are eager to try new products from South Korea, one of which is Korean fashion (Kim 2015).

It is incontrovertible that *Hallyu* has been an extremely profitable commodity for the Republic of Korea both financially and culturally. It has also played a crucial role in building South Korea’s image since 1999. In 2004 the total net revenue of *Hallyu* was approximately \$1.87 billion. This staggering figure multiplied to an estimated total of \$11.6 billion in 2014 (Martinroll 2017). BBC also notes that K-pop exclusively contributes with \$2 billion per year to the Korean economy (q.b. Seabrook 2012). How these numbers are calculated is not explicitly stated in neither of my sources, but I speculate that it is the total revenue including sales from merchandise, concerts, movies,

dramas, music, tourism, as well as from other related businesses. Furthermore, the success of *Hallyu* has greatly contributed to the growth of tourism in South Korea. In a survey conducted by the Korean Tourism Organization in 2013, it was discovered that as many as 60 percent of all tourists who visited Korea consumed South Korean cultural products in their respective countries.

In 2015, Korea made a total of \$15.2 billion from the 13 million tourists visiting the country. This figure is set to grow at an annual rate of 3.3 percent. In addition to this, the government's steady investments in *Hallyu* attractions will continue to allow South Korea's tourism sector to thrive.

Currently, the "K-Culture Valley", which is a *Hallyu* inspired theme park, is under construction and will officially launch in 2017. This theme park will showcase quintessentially Korean cultural contents, such as film studios, restaurants, concerts, and merchandise all in one area, thus, catering to and attracting numerous fans worldwide (Kim 2015, Martinroll 2017).

Hallyu 1.0 set a firm foundation for the rise of South Korean music as it broke into the foreign markets of China and Japan as well as generated global interest in Korean cultural products. One can only speculate if K-pop would have been equally successful if K-dramas had not first paved the way for entering into these new markets. But without the local government's interest and efforts to improve South Korea's image enabling the rise of *Hallyu*, it would have greatly aggravated the possibility for K-pop's recent advancement.

3. Factors Behind the K-pop Phenomenon

As discussed in the previous section, *Hallyu* 1.0 opened up new markets, created a more heterogeneous consumer base for Korean products, and laid the foundation for South Korean music to reach a global audience. This section will provide a more in depth view of how social changes were crucial to the advancement of K-pop. It will also discuss how *Hallyu* 2.0 managed to gain relevance across borders as well as the reasons for the South Korean music industry's success.

There are four main areas mainly discussed amongst scholars when trying to explain the recent sweep of *Hallyu*. Steven Chen discusses in his research *Cultural technology: A framework for marketing cultural exports – analysis of Hallyu (the Korean wave)* all four underlying factors contributing to the global success of South Korean music industry: (1) the development of media technologies (such as the Internet and YouTube), (2) the South Korean government (sanctioning the influx of foreign pop music and enforcing copyrights), (3) the resonance of the Korean cultural products with other East Asian cultures, and (4) the diaspora of the Korean people.

3.1 The Development of Media Technologies

That Korea would have great success in exporting music was inconceivable up until the mid-1990s. Before that, Korea's music industry catered almost exclusively to their domestic audience, with a few trot singers and classical musicians being the exception. Despite SM Entertainment's efforts during the early 1990s to export Korean music, they were met with lukewarm response (Lie 2012).

The actual motivation behind K-pop's sustaining popularity cannot be credited to either industrial context or state support (Kim 2015). Instead, the most important social change for the success of K-pop was the enhancement of media technologies. With the rise of broadcasting TV and music videos popularity growing since the launch of the American TV-channel Music Television (MTV) in the early 1980s, K-pop was suitable for its era of music video showcasing very photogenic singers and dancers. K-pop was a form of pop perfectionism consistent of catchy melodies, attractive idols, captivating choreography and fashionable clothing.

There were especially two significant developments during this period that lead the music market towards digitalization. The MP3 player, which was invented in 1996, allowed music to be portable

digitally. Also, YouTube, which launched in 2005, allowed the dissemination of music videos around the world (Lie 2012) and is today the largest distributor of K-pop today being the backbone of the whole music industry in Korea (Oh & Park 2012). Korea was also the first music market to generate more the half of the revenue from digital music as early as 2006 (in comparison, the global rate was 38 percent in 2012) (Mulligan 2013). Korea has been much more efficient and better in embracing the transition to a digital music industry than both Japan and the West (Parc, Messerlin & Moon 2016). This is why K-pop has managed to achieve wide global success in comparison to Japanese pop music. Japanese pop music had its peak during an era where conditions such as technological transformations and cultural globalization not were ripe (Lie 2012). With digital music growing and more technological advancements, also piracy rapidly spread across South Korea during this period (which will be further discussed in the next section), which drastically damaged the music market. In an effort to re-attract consumers, the local music industry together with South Korea's major telecommunication companies Sun Kyung Telecom (SK), Korean Telecom Freetel (KTF) and Lucky Goldstar (LG) (who used it as a means to increase data service revenues in a period of expanding mobile sale) offered cheap music services (Raymundo 2017). This pattern is replicated today across the globe and mobile platform providers became leading for the circulation of recorded music replacing traditional wholesalers and retailers (Negus 2015).

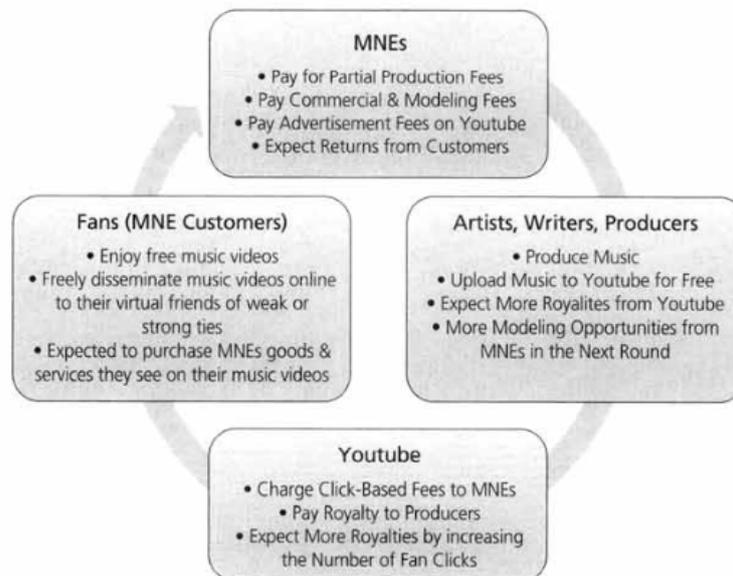
Furthermore, with the development of social network services (SNS), new benefits were apparent in connecting fans and also attracting new ones. Compared to tours, CDs, TV, and even digital tracks, social media (most specifically YouTube but also Twitter and Facebook) is easily accessible thanks to advanced mobile platforms and the Internet. These SNS does not require consumers' timely presence, are portable, have an ongoing community thanks to social medias practicality disseminating music and leaving comments, and most importantly, it is free. YouTube and other social media networks, share the promotion and distributions qualities CDs and radio have separately. The only restriction consumers have when using YouTube is that they are required to watch a commercial before the video.

This has led to a new type of business referred to as "*Business to Business*" (B2B) strategy. It was difficult to imagine how digital music could be profitable because of the widespread piracy but has been combated by selling virtual commercial space to multinational enterprises (MNE), and thus enabling content to be consummated free of charge. In comparison to the "*Business to Consumer*" (B2C) strategy (which focus of selling products directly to the consumer), the B2B strategy focuses on selling content to MNE, which largely reduces marketing and transaction costs. This is, however, a risk since the content is free and relies on the royalty revenues of an untested product's appeal to

consumers.

Nonetheless, this strategy is implemented today broadly by all K-pop agencies because of the successive growth of YouTube and how Korean music have prospered from it. SM Entertainment is the leading model for the B2B strategy in Korea garnishing almost \$40 million (45 billion KRW (X-rates.com)) in 2010 which accounted for 80 percent of their total revenue, with 81 percent of the royalties coming from abroad. In comparison YG Entertainment's total revenue from B2B in 2010 was 40 percent, however, the total income for royalty fee has been growing exponentially every year from 2006 to 2010 (Oh & Park 2012).

Figure 1. Supply Chain of K-pop Industry



(Oh & Park 2012, pp. 375)

As revealed in figure 1 above, this system requires Korean labels, artists, writers, and producers to upload their content to YouTube for free, and then collect royalties from YouTube based on the number of video views. The royalties are generated by MNE paying for commercial space depending on the contents consumer attraction value (Oh & Park 2012). A clear example of the Korean music industries reliance on SNS revenues happened in 2012. Korea's market grew steadily from 2008 (+25.6 percent, 2009 10.4 percent, 2010 +12.3 percent) until 2011 (+6.4 percent), but as Korea's largest social networking platform Cyworld collapsed in 2012, the Korean market lost 4.3 percent due to a staggering 25 percent loss in digital revenue (Lindvall 2013a).

Nonetheless, the growing revenues from royalties will most likely continue since SM Entertainments YouTube channel in 2017 has now become Asia's largest music channel, generating more than 10 million subscribers, further making K-pop videos an attractive market for MNE's. What is further notable being how 90 percent of the subscribed users are not from South Korea proving SM entertainments and K-pops global appeal (it should be noted that these users might either be Koreans living in a foreign country or foreign user with Korean descent) (Jennywill 2017). Therefore, as Bok-Rae Kim notes, it would only seem reasonable that the development of SNS would be the transition from *Hallyu* 1.0, to *Hallyu* 2.0, as it enables the widespread of *Hallyu* and creating a "super-national fandom" (Kim 2015).

However, it is not merely accidental that foreigners get introduced to K-pop. Even though YouTube is a free content browsing site, European consumers rarely encounter K-pop accidentally. According to an interview with dedicated foreign K-pop fans in Korea by Ingyu Oh and Gil-Sung Park, a majority tends to be introduced through hubs of Chinese and Japanese pop culture, with many young French people initially being interested in Japanese *anime* and *manga*. As these young consumers are introduced to Korean music by local K-pop communities or hubs, the subjects in question became a source of K-pop dissemination on social media (Oh & Park 2012). This would suggest that K-pop's success is built on the foundation of common grounds between Asian cultures. Chinese and Japanese products attract foreign youths who through these are introduced to K-pop.

3.2. The South Korean Government

Many scholars claim that the expansion of Korea's cultural industries was led by the central government. It was a strategy implemented in order to boost tourism and other business institutions by enhancing Korea's position as a soft power in the world (Negus 2015). In 2017, Korea's Ministry of Culture had a budget of \$500 million. The aim is to build a culture export industry worth \$10 billion by 2019. Furthermore, the government sponsors 20 to 30 percent of the funds used to nurture and export Korea pop culture products. The remaining 70 to 80 percent is made by investments from banks and private companies, which is managed by Korean Venture Investment Corporation. An additional interesting anecdote is that one-third of all venture capital in Korea is spent on the entertainment industry (Martinroll 2017).

Starting in the 1990s and 2000s, the South Korean government gave several government institutions the responsibility to market K-pop on an international level. Even though it is often argued that they work actively promoting and sharing K-pop, they do not actually produce any

themselves. Instead, these institutions directly work to promote K-pop in three ways.

First, they work actively to showcase talent and music at international events. This had led to many events, such as Incheon Asian Games in 2014 and the Thailand- Korean Cultural Center Opening Congratulatory Event, being visited by K-pop stars in order to improve relations and “help in the unity of Asia” creating a pan-Asian culture (Chen 2015).

Secondly, K-pop groups are an efficient tool to promote tourism in Korea because of their international power and influence. Different organizations often team up with stars in order to promote tourism. For example, the *Visit Korea* committee organized a concert to promote tourism in Jeju Island. Korail (Korea Railroad cooperation) did a promotion together with SM Entertainment. By the same token, Lotte Duty-free, Korea’s largest duty-free retailer, sponsored sixteen K-pop stars in order to promote South Korean tourism. Their marketing director explained that their “aim is to expand Korea's tourism industry through “Enter'tour'ment” marketing, a combination of the tourism industry and the entertainment industry” (q.b. Chen 2015, pp.34).

Lastly, K-pop agencies conducted a lot of charity work in conjunction with Korean governmental institutions. This work helps promote the talent agencies and gives K-pop stars an entry into the local market. It is essentially “a form of state-sanctioned entry into new markets” (Chen 2015, pp. 33).

Through this, the government was able to control and construct their own national image, and increase their influence, as well as push their national agenda in the East Asian region (Lie 2012).

However active or passive Korea’s government has been in the success of K-pop, it is clear that important law reformations have been made which helped the music industry in Korea to flourish. Due to political tension in the 1970s, the Korean government had banned all forms of music from, or with connections to Japan. It also prohibited the dissemination of modern music (such as rock music) coming from America for fear of corruption and degenerative influences. It was not until the 1990s that American pop and rock music began to be accepted in society. This influenced the music produced today. More importantly, the Korean government has lifted its ban of all restrictions of Japanese cultural products by 2002 (Lie 2012). This was severely damaging to the creative market in short term, as Korea could not compete with the influx of foreign culture. However, in long term, these reformations were very beneficial. It spurred the development of creativity and diversity of Korean content, which turned K-pop into what it is today (Parc, Messerlin & Moon 2016).

Nonetheless, in the 1990s, Korea was eventually listed on the priority watch list by ‘International Intellectual Property Alliance’ due to the rampant piracy growth that came along with the

technological advancements and lenient restrictions of cultural content (Negus 2015). This policy also created many accusations of plagiarism within K-pop during this time (Parc, Messerlin & Moon 2016). With pressure from both American and European organizations to combat the spread of illegal piracy, the Korean government introduced the copyright law during the mid 1990s (Negus 2015), requiring Internet online services to filter any illegal contents when asked by the content owner (“South Korea Illustrates How Good Legal Service, Combined With Strong Repertoire and a Healthy Legal Environment Can Lead to Significant Market Growth Over Time” 2017), and increasingly enforced it. In 2001, the South Korean recorded music industry went up by 50 percent in US dollars and by 2011, Korea arguably had the strictest anti-piracy law in the world. The issue with enforcing a stringent copyright regulation is that it not only monopolizes creativity but also inflates prices since an additional fee, known as ‘private copy levy’, has to be paid to use anything that is related to another’s content. This is something consumers ultimately have to pay for (Parc, Messerlin & Moon 2016). However, as K-pop’s business shifted to B2B, Korean music agencies do not pocket as much percentage of the profit. Instead, the model offers a reduced market risk since, customers, both old and new, can consume K-pop for free (Park 2013).

Furthermore, the Japanese market, which today is the largest market for Korean *Hallyu* products (Oh & Park 2012), made a significant change in 2007. The Japanese Society for Rights of Authors, Composers and Publishers (JASRAC), and the Korea Music Copyright Association (KOMCA), signed a mutual agreement where both parts agree to oversee the management of copyright, which includes both collection and distribution of royalties (“JASRAC, KOMCA Sign Copyright Deal” 2007). This was done in order to further protect copyrighted music by local legislative and accelerate the exchange of music between both parts (JASRAC 2008). Today, some perceive Korea as a “model for the future” with its sophisticated and rigorous copyright enforcement (Negus 2015).

Yet, simply strengthening the copyright is not necessarily healthy for cultural industries and can, in fact, be harmful for the development of creative content as argued by Jimmyn Parc, Patrick Messerlin, and Hwy-Chang Moon. They argue that only a well-balanced copyright regulation between creativity and monopoly is essential in order to enhance a cultural market. This ‘loose-ness’ allowed a creative revolution as young people could easily access new music from the West (although through piracy) and mimic it, which has enhanced creativity and allowed Korean music to be influenced by Western pop music. By not limiting the access of K-pop and the dissemination of it online, yet protecting revenues for the authors, it may be argued that the Korean government has managed to implement a well-balanced copyright regulation based on K-pop’s increasing success (Parc, Messerlin & Moon 2016). This might also be the reason for why the Korean music industry

has been called a “model for the future”.

I personally think that the government of Korea would only assist the continuous diffusion of a specific product if it would be beneficial and representative of Korea. Therefore, assuming that the Korean government has intentionally assisted in the inundation of the K-brand through K-pop, there would in fact be a lot of “Korean-ness” in Korean music, which is contradictory to Oh’s proposed theory. However, it may not be part of what is traditionally know as Korean but instead a form of “Neo-Korean-ness” that is taking shape.

3.3. Cultural Hybridity

The Korean society, like most of the East Asian countries, is based on Confucian values. The products originating from *Hallyu* are therefore clearly influenced by these values, which resonate with people from other East Asian countries. This causes *Hallyu* products to be more relatable and tends to make consumers think reflexively about their lives, culture, and relations. Also, the products showcase an Asian modernity, which is highly desirable throughout Eastern and South Eastern Asia (Chen 2015). For example, K-pop culture manages to capture the passion of the young Chinese population and gives them what the former generation did not (Kim 2015). Korean cultural products are arguably a fusion of the Eastern and Western elements. The consumption of Korean culture may therefore also be a sign of ‘modernity and global cosmopolitanism’ in Eastern Asia (Chen 2015).

In 2010, CNN conducted an interview with Tae-Ho Sung, senior manager in the Korean Broadcasting System's content business office. He explained that Korean dramas’ equal, or perhaps even larger success compared to Western shows in East Asia, is due to the fact that Asians can relate to it more.

Even though the languages are different, we share an Eastern mentality. We respect the father and mother and a very hierarchical society and Confucianism. So based upon that cultural background, we exchange our emotions, what we think and what we feel. There is a low cultural barrier to crossover with our content. It is kind of a syndrome. Asian people love to enjoy Korean stuff (q.b. Farrar 2010).

Hallyu products created a niche that caters to East Asian youths who did not look to European and

American cultural products. As Korean cultural products resonate more with other East Asians, it filled a void within the market, which focuses on more Confucian values. For East Asian consumers, European and American performers may appear as overly sexualized or socially deviant (with for example tattoos or song lyrics about sex). K-pop idols appear to be clean, gentle and better crafted, which will be explained and discussed later on. However, this appearance resonates and appeals towards an Asian and other more conservative markets, including the Muslim and Christian community. Furthermore, it is also possible that Korean's physical resemblance to East Asian consumers may have fostered and assisted in the success of K-pop within these markets (Lie 2012, Seabrook 2012).

This cultural unity within East Asia is also said to have nurtured collaborative efforts in order to compete with the West as leading producers and distributors of cultural content (van der Ploeg 2016).

3.4. The Korean Diaspora

As Koreans and other East Asians migrated to other locations around the world, the Korean culture became a way to stay connected to their Asian heritage (Chen 2015). South Korea is a relatively small country with an estimated population of 50.9 million according to Central Intelligence Agency's website (The World Factbook 2013). However, in 2011, Koreans were the most scattered people in the world, about 7 million across 176 countries, making the diaspora of Koreans the second largest in the world after Jews (Ro 2011). The countries with by far the largest Korean population (outside of Korea itself) are China (2.5 million), the U.S. (2.4 million) and Japan (2.2 million) (Status of Korean Diaspora 2016).

This diaspora is suggested to have laid the groundwork for the initial dissemination of *Hallyu* products. Korean immigrants, who tried to stay connected to their home culture, consumed these products and further spread them. Furthermore, these diasporic Koreans have been recruited by Korean music agencies to enter foreign markets (Chen 2015). Korean-American idols were signed by agencies as they could sing and rap in English (Park 2013). An example of this is the K-pop group 2NE1. The four-member girl-group consists of two Korean-Americans who were used to make the English lyrics in their songs, which have been frequently adopted, more authentic (van der Ploeg 2016).

Relating back to the previous factor, the diaspora of East Asians is argued to be a cornerstone for

the rise of *Hallyu*. East Asian immigrants would consume Korean cultural products because of its modern and global tendencies which combined East Asian and Western elements (Chen 2015).

What is notable is that two of the largest markets for K-pop (“Hallyu, Yeah!” 2010) is where most Koreans have migrated, namely China and Japan. However, exactly how and to what extent this has boosted K-pop and the popularity of other *Hallyu* products needs to be further studied.

4. The Korean marketing strategy

It is impossible to neglect the three leading music agencies in Korea as a large factor in the success of K-pop. In 2014, Korea was the eighth largest recorded music market in terms of sales. However, 50 percent of SM Entertainment's total sales were generated abroad, making the foreign markets extremely valuable (Parc, Messerlin & Moon 2016). For agencies to compete both locally as well as globally with more major music industries such as Japan and the U.S., staying relevant to the foreign markets and attracting new consumers is not an easy task. Even though there has been an increasing interest in Korean music, K-pop still has to overcome language and cultural barriers while competing with local products in respective markets. In order to avoid market irrelevance, Korean music agencies implemented 'cultural technologies', credited to SM Entertainments founder Soo-Man Lee, as the system to produce, market and spread their products. This system is applied for K-pop to compete and suit the local markets (Chen 2015). This section will further explain how this strategy differentiated the Korean music industry with the rest of the center markets and how they managed to compete with local markets. It will also explain how Scandinavian countries have played a role in creating the K-pop phenomenon. I have conducted an interview with Pelle Lidell in order to further examine how Korean music agencies collaborate with Scandinavian countries (in particular SM Entertainment's collaboration with Sweden) and to give a more comprehensive perspective on how SM Entertainment work.

Korean music belongs to a type of musical globalization where there has been a new global division of labor created between the actual production of music and the dissemination of it. This division of labor is what Ingyu Oh labels as G-L-G (Global-Local-Global) music market in his article "The Globalization of K-pop". The G-L-G music market refers to the process of using a global product/service (G), localizing it (L), and then distributing it again globally (G). For example, in the past, Japan exported vinyl LPs with American pop music to America since they could produce it with high quality for a low price. Still today, European talents are going to America, especially to New York and Hollywood, in order to produce and release music and enter the big lucrative market (Oh 2013).

Therefore, there are three procedures to take into consideration while examining the recent success of the South Korean music industry: (1) The outsourcing – G, (2) the localization process – L, and (3) the entry of global center markets – G.

4.1. Outsourcing

This global division of labor and manufacturing in the Korean music industry is implemented the same way as with other manufacturers. Corporations buy and import materials, which they process in their own local factories. Even though there is a difference in the method of manufacturing and distribution between the entertainment industry and other enterprises, the idea and structure behind the global division of labor and production is essentially the same. These industries need to import material and advanced technology. Usually, center markets control even the raw materials. Similarly, the Korean entertainment industry has outsourced music composers from center markets, the U.S., Britain, and Sweden (Oh 2013). Since SM Entertainment has outsourced most out of the three large music agencies in Korea and most information available on this matter relates to them, this section will largely focus on SM Entertainment.

Incorporating elements from the West appears to be necessary in order to succeed in an international market. In today's modern world, industries have to adapt to international trends and situations if one intends to compete on a global level (van der Ploeg 2016).

Korea's B2B strategy was enabled due to the outsourcing of global creativity. Both choreographers, as well as songwriters, have actively been brought from overseas to help produce K-pop's content (Oh & Park 2012). Korea's three major K-pop agencies all actively outsource creativity in order to generate hits. SM Entertainment has more actively and diversely outsourced foreign talent compared to their local competitors and has been doing so since the agency started back in 1995 (Park 2013). On the other hand, YG Entertainment is known for focusing more on local production (Paek, 2012). SM Entertainment's famous pop group S.E.S. (representing the first initial in each members' name: Sea, Eugene, Shoo) released a single as early as 1998 "Dreams Come True", which harvested foreign talent (Rånes 2014). SM Entertainment has continuously built international contacts over the years across both America and Europe. Notably, according to a spokesperson within SM Entertainment, they have built a close relationship with Universal Music Publishing Group Sweden (Oh 2011).

The entire notion of outsourcing is what K-pop is all about; nurturing a cultural product to be extremely accessible and also adaptable on the global market (van der Ploeg 2016). Global consumers have historically viewed Western, most notably the American music to be a "golden standard by which music is evaluated" (Chen 2015, pp. 39). Korea's collaboration with Western artists and producers thus allows Korean music to be more credible (Chen 2015). Furthermore, it is argued that Koreans are not creatively adept. Rather, they have developed a skill for marketing and

packaging (van der Ploeg 2016). Even Pelle Lidell told me how he always had to explain himself to other within the business to why he works so closely to the Asian market. He explained to me that the saying “it is big in Japan”, which is used when people find something (not only music) strange or foreign, is now being applied for Korea as well (P. Lidell, personal communication, April 24 2017).

Karst van der Ploeg argue in his thesis that K-pop “combines genres of what is essentially Western music styles, with some distinct Korean (arguably “Asian”) cultural elements and commercial strategies, respectively, to appeal to an international market” (van der Ploeg 2016, pp. 19). Every creative aspect is outsourced in the industry. Songwriters, producers as well as choreographers are enlisted to create K-pop (van der Ploeg 2016).

Park believes that SM’s success derives from outsourcing musical talent from around the world (Park 2013). This process has been criticized for copying and simply repackaging Western music (van der Ploeg 2016). However, outsourcing allows the Korean music industry to modify original creative work from foreign composers through an internal process that will be explained more in detail later. This allows K-pop to be a more global product (Park 2013).

Before the 1980s, Korea limited cultural importation, and the music industry was solely local. The production consisted mainly of Korean trot music. This music is a stark contrast to Western popular music as well as today’s K-pop. This made Korean music very alien to any foreign listener. Moreover, with the limited importation and consumption of Western, a musical distance was created between the two cultures. This caused Korean producers to be unable to develop pop production skills in Korea until the late 1980s (Lie 2012).

Therefore, instead of simply mimicking Western music, Korean music agencies have outsourced previously developed markets and mixed it with their own cultural components (Park 2013). Subsequently, a K-pop production is a collaboration between multiple countries. An example of this is the very successful Girls’ Generation song “I Got a Boy” (Rånes 2014). The song is credited to thirty-six songwriters and fifteen producers, hailing from Korea, Sweden, the U.S., Norway, Denmark, Netherland, Ireland, Wales, England and Morocco (Rånes, 2014).

It is possible that through outsourcing, Korea has managed to also develop local talents. When I met with Pelle Lidell, he pointed out the large difference between Korean and Western songwriters and producers back in 2009. He goes on saying:

If I compare 2009 with 2017 and look at all the new hot producers in Korea, they

were not there eight years ago. That is just looking at an eight-year perspective, the huge increase in competency... The Eastern competency level [in pop music production] today is almost on par with the Western, which is standing still.

With regards to Western influences, Lidell notes that while West has influenced Korean music, they have made it original and are “standing on their own now” (P. Lidell, personal communication, April 24 2017). He goes as far to say that he “feels a lot more eccentricity from music coming from the East” even if it is produced in the West (P. Lidell, personal communication, April 24, 2017).

Korean music agencies practice outsourcing with two methods: through foreign publishing companies or hosting writing camps. Most common is the cooperation between foreign publishing companies and A&Rs like Lidell. They receive a wide repertoire of demonstration samples (demo) of music before discussing which songs they wish to acquire for their artists. Once a demo is selected, they notify the foreign producers who will then send the instrumental version and the recorded vocals in acapella to the Korean agency. The Korean agency can then adjust the song to suit their performer. Since outsourced producers do not necessarily speak Korean, there is a process of rewriting lyrics to Korean and fine tuning the production to fit an entire K-pop group and its image. This process may range from four months to over three years. Therefore, when Western songwriters and producers write K-pop, it is essential to write songs that are compatible with the Korean language. Dsign Music’s (a Norwegian record label that has produced number of hit songs for SM Entertainment) CEO, Robin Jenssen, told the Korean Herald that compared to when they write songs for English-speaking artists, it is absolutely crucial to write a melody with more syllables. This is necessary for Korean agencies to be able to tailor the song for the Korean language (Oh 2011).

The second method requires more resources and thus cannot be applied by smaller music labels in Korea. As SM has created a large network and possess ample resources, they are able to host music camps called “Fantaisia”, which Pelle Lidell helps to arrange (Park 2013). Through these camps, SM is able to give more detailed guidelines to assist songwriters in creating their desired music. It is an opportunity for SM to have songs tailored for a specific artist (Oh 2011). In October 2013, Lidell organized along with SM representatives a “Fantaisia” camp, which brought together twenty-one composers hailing from Sweden, Norway, England, and Germany. With twenty-one composers, SM received twenty-one different tracks, which were all exclusive for SM Entertainment. These camps span over four days where they make music over the entire period. Each night the group is split up

into teams of three, one melody writer, one lyricist and one track writer (producing instrumentals). The members of these teams alternate every night. Each team is expected to produce one song per night following the guidelines from SM (S.Y. Kim 2016, Park 2013, Oh, 2011). This kind of extreme global cooperation would suggest that K-pop is a global product and strengthen the argument that there is nothing Korean in K-pop.

However, there is a strong cultural hierarchy in Korea, which governs the music production and is important to consider when creating K-pop music. In order to successfully write a song for a Korean agency, writers cannot create content on their own terms. When Korean agencies outsource material, they look for products that fit a specific artist. Therefore, it is important for writers to follow the guidelines given by these agencies that follow a top-down structure in order to control its cultural content (Rånes 2014). These guidelines often require songs to be upbeat and dance-friendly since K-pop has a big emphasis on choreography and music videos. These songs also have to follow the current trend around the world. Korean music is therefore commonly created through a formulaic hybrid of demands and markets trends. In comparison, the Western traditional form is solely based on musical and cultural premises (SVT 2012, Rånes 2014). Pelle Lidell appreciates the clarity from the Korean agencies and compares working with Korean music labels to Japanese ones, stating that he “could never get [his] head around J-pop and what the Japanese wanted” (Russel 2012).

In a 2012 episode of the Swedish culture show “Kobra”, which was broadcast on *Sveriges Television* (SVT), they discussed K-pop and how Swedish musicians make music for the Korean audience. In an interview with the Swedish production trio Trinity, who have written many successful K-pop songs, they also mentioned that they like the clarity from the Korean briefs.

They give us a reference of how they want the rhythm, of which song the lyrics are supposed to resemble, giving us a bunch of songs they want the sound to resemble. While a Western brief can be more like ‘Send us hits’ (SVT 2012).

The Swedish songwriter Sarah Lundbäck-Bell also expresses the focus of creating dance friendly music for the Korean agencies.

We try to see how it feels to move to the music [when writing]. We also add these breaks in the music, which they need for their videos because it is a very important

part for them [the Korean Agency] (SVT 2012).

This set formula for creating music is a part of cultural technology which is the blueprint invented by Soo-Man Lee through which K-pop is created and made unique. Cultural technology and its application and result in K-pop will be further explain more in the next section.

By the same token, if a demo is not up to given standards, it will simply be buried in a catalog of unpublished tracks, and not be published (Rånes 2014). SM, for example, collects around four- to five- hundred demos every year from foreign composers (S.Y. Kim 2016). A medium sized company has a total catalog of demos close to one thousand songs. Only a few of which will actually be released for public consumption. Demos that live up to an agency's demands will eventually be repackaged for the Korean market, often accompanied by a dance and music video (Rånes 2014).

SM's outsourcing strategy has evolved throughout the years with a large growing network of people from all over the world. This business network could in part be credited to Lidell (Park 2013). He was introduced to SM Entertainment through his fellow coworker and friend, Hayden Bell, after SM requested to get in touch with someone from Sweden. Lidell was kind enough to let me conduct an interview with him. A Google search on 'Sweden K-pop Production' will yield a majority of articles that refer to Pelle Lidell. Lidell's role as an A&R is to find songwriters and producers and sell their songs to music acts. Working together with an international group of songwriters, his roster sold over 10 million K-pop records in total between 2008, when he first began working with SM, and 2012 (Russell 2012). He has pitched songs to some of K-pop's most famous acts such as TVXQ, BoA, Girls' Generation and many others. Explaining the reason behind his collaboration with SM Entertainment, he stated:

They asked Hayden, who in Sweden is the person to meet? Hayden told them it's Pelle at Universal.

I [Pelle Lidell] asked them [SM Entertainment] what they wanted from me and they told me: we need hit material and great songs (P. Lidell, personal communication, April 24, 2017).

So why Scandinavia? The trend in Korean music has been to create music with fast beats. It is

meant to be choreography friendly. Chris Lee, the CEO of SM Entertainment said “When we [SM entertainment] make the music with songwriters.... We really think about the beat” (SVT 2012). The guidelines, which have been previously introduced, encourage dance friendly, upbeat and catchy melodic songs with a hook phrase and a lot of variations (Oh 2011). Music producer, Elliot Kennedy, identified that there has been a trend, which is moving towards Scandinavian songwriters’ music. Furthermore, Daniel Jenssen, who is the co-founder of Dsign, claims that Scandinavians “love to have fun, to dance and enjoy life”. This is a possible explanation behind why Scandinavians produce “catchy songs with danceable beats and a positive message” (Oh 2011). Pelle Lidell pointed out in an interview he conducted with The Wall Street Journal in 2012 that SM Entertainment “wanted a mix of U.S. beats but with a Scandinavian songwriting style” (Russell 2012).

As noted in the introduction, Sweden is one of the countries that export more music than it imports along with the U.S., the U.K. and more recently, Korea. It is impressive that Sweden has managed to be a major influence in the world of pop music despite the country’s small domestic market. What makes the case of Sweden unique is how the country has managed to sustain its success over such a long period of time. Global Swedish pop music first stemmed from the success of the Swedish pop act ABBA. Until today, the band’s music can be heard in public areas. Additionally, in 2012, ABBA sold a total of 400 million CD records worldwide, which is equivalent to the sales of The Beatles and Michael Jackson. Today, Sweden has renowned music producers, such as Max Martin, working together with the most famous Western pop stars (Lee 2012). This would be why Korea turned its outsourcing focus partially towards Northern Europe. Pelle Lidell told The Wall Street Journal:

Koreans study world markets thoroughly... At one point, something like six singles in the Billboard Top 10 were produced by Swedes. That's why they approached me (Russell 2012).

Lidell further elaborated:

Sweden had built a reputation, thanks to Max Martin, Dennis Pop, and others, that in Sweden we are hit-makers. We can make hits and produce great music (P. Lidell, personal communication, April 24, 2017).

Pelle Lidell himself, also work with famous Western pop singers such as Britney Spears, Jennifer Lopez, Celine Dion, which may have sparked SM Entertainment's interest to work alongside with him.

Also, William Pyon, co-founder of Xperimental Entertainment, noted that the trend for outsourcing Scandinavians was possibly stimulated by Max Martin and his team's work with high profile pop stars like Britney Spears (Oh 2011).

When I myself asked Lidell why the Korean agencies were so keen to collaborate with Swedish songwriters and producers he answered:

I asked them, why do you like to work with me? They said, 'when we work with Scandinavians, and especially Swedes, you listen to what we say and you analyze it. Then, you come back with a product based on our requests and have added something that makes it even better. And also, you are honorable businessmen.

They say we deliver on time and we deliver great quality. The Americans have the groove but they think we do so as well. However, we also have the melodies and the hooks. That is the Swedish way of writing music, we write one hook but there is always room for more. We are humble, come on time, and work hard. We have a strong work ethic, which impresses them. In this way, we get work, and they keep coming back. Now, after nine years of distributing, we send them [SM Entertainment] a new song every week (P. Lidell, personal communication, April 24, 2017).

Furthermore, the show "Kobra" draws parallels between Sweden and Korea to try and explain why Sweden has become one of Korea's main hit suppliers. Both countries' music industries share a common notion of picking up global trends, repackaging them and creating an end product that appeals to many within their cultural sphere (SVT, 2012).

Even though Korea first initiated collaboration with Scandinavian countries, both Sweden and Norway are eager to keep nurturing the relationship. The latter countries have domestically small

markets (Lee 2012, Rånes 2014). From an economic standpoint, the Asian market is the most lucrative, with great potential and opportunities for revenues. Therefore, harvesting this market is a practical business decision (Rånes 2014). Jenssen from Dsign discussed in an interview about the large economic possibilities of succeeding in the Asian market:

Up until now, China has been untouched and shut off. Almost no records have been sold in that enormous, potential market. We have got a head start, as we have already been active and successful in Asia the last two years (Rånes 2014, pp. 37).

This is why the Norwegian music label Dsign, follows the trends of the Korean market very closely (Oh 2011). Lidell agrees with Jenssen and further details the focus of the Western music industry. “US, Europe, North America, this is ‘worldwide’, maybe 1 billion people. That is the whole market”. He goes on explaining; “Look at Asia, China with 1.5 billion people, India 1.3 billion, Indonesia 300 million¹.... These are sleeping giants”, referring to the rapidly growing middle class across Asia (P. Lidell, personal communication, April 24, 2017).

Additionally, the fees paid to songwriters are also higher in Asia as compared to the West. Pelle Lidell tells me that the mechanical license is 20-30 percent higher in Japan compared to Sweden, and is the highest in the world. With a growing number of potential consumers in the heavily populated Asia, a market with also larger returns, the America market is becoming less of a priority for some Scandinavian production teams (Rånes 2014).

This is why Lidell believes that the Asian market will overtake the Western one day in terms of value.

Everything depends on the Chinese and Indian market. They have a growing middle class, which are the most important customers. If no war breaks out or as long as North Korea does not lose it, I would be surprised if the East Asian market was not the biggest in... well in how many years only God knows, but long term.... Everyone wants to get into the Chinese market (P. Lidell, personal communication,

¹ In 2016, China had a population off 1,37 billion people, India 1,26 billion people and Indonesia 258 million people (The World Factbook 2013).

April 24, 2017).

Moreover, Norwegian writer, Brian Christer Nebb Rånes, argues in his master thesis that what attracts Norwegian songwriters and producers to the Asian market is that it is easier to penetrate compared to the American one. He claims that domestic artists and producers dominate the American market (Rånes 2014). To what extent this statement is applicable can be argued, considering Swedish producers' widespread success in the American market. It should also be noted that like the case in America, domestic artists dominate the Korean market as well. In Korea for example, Lidell mentioned his surprise when he discovered how little Western artists matter there. Koreans want the Western sound tweaked with its own touch.

However, Pelle Lidell's vision of the music business is global. Instead of focusing solely on one market, he thinks that both Western and Asian markets should be utilized in order to give his songwriters a platform. This gives producers and songwriters an increased opportunity for establishing themselves within the industry. Thus, it is my view that the Korean market enables larger opportunities, rather than being more penetrable than the American one.

Despite the global dissemination of K-pop and the possibilities of entering the Asian market as discussed previously, the Global industry still disregards Korean music, as American music is, yet today, commonly perceived as the golden standard. "This is based on complete and utter ignorance. People do not know or understand", Lidell tells me when he explains that people are puzzled by his decision to work closely with the Asian market. He explains that there is a sense of cultural superiority in the Western pop industry that disparages Korean music and views it as being underdeveloped.

Korea is ahead in many aspects... Design, architecture, music, their eye for details. They do not do anything halfheartedly. Their perfectionism. I love it.

I have never seen such a 2.0 company [SM Entertainment] in the world... When people like me come here and see this, we start to understand. They know how to attract the fans... [We start to understand] how to promote music in the 21st century (P. Lidell, personal communication, April 24, 2017).

It is in this manner, Lidell explains how the Korean entertainment companies, and in his case, SM Entertainment, has managed to attract people such as himself to work with them.

Due to the fact that the Korean music industry has been so actively outsourcing, it has been widely claimed that rise of K-pop was derived from a cultural hybrid between the West and Korea.

Karst van der Ploeg discuss the potential Westernization of Korean music in their article. K-pop has frequently been accused of being Western pop music simply repackaged to appeal an Asian market. Even though it is undeniable that K-pop has Western influences due to its close association with Western producers and songwriters, the Westernization of K-pop is still widely debated. Some claim that K-pop's success is due to its Westernization. Since American products are too culturally foreign for the Chinese market, K-pop offers an Asian filter for Western pop culture products. Koreanized versions of Western pop music would act as a substitute for Western products by creating an imaginary Asian product, which could more easily appeal to an Asian market. K-pop is, therefore, a reinterpretation of Western commercial music, and Korea is the bridge that mediates between West and Asia (van der Ploeg 2016). This would suggest that K-pop is, in fact, a cultural hybrid between West and Korea.

However, Karst van der Ploeg argue that one cannot state that K-pop is simply an Asian filter for Western music. He notes that not every aspect of K-pop is entirely determined by the West. In fact, K-pop is an amalgamation of global influence and elements. Even though K-pop has been created on a Western pop basis, it contains other influences as well. It is argued that there is a cultural fusion taking place within Eastern Asia alongside growing American influences. Therefore, Karst van der Ploeg suggest that there is “a hybridizing globalization process going on, creating unique articulations of cultural modernity, as global (Western and Asian) influences are combined with local influences” (van der Ploeg 2016, pp. 21). This argument concurs with the proposed theory that there is, in fact, nothing Korean in K-pop. Instead, K-pop is a blend of various cultures and can be referred to as a hybridized global product.

How K-pop differentiates itself from Western music instead of simply mimicking it will be discussed in the following section.

4.2. The Localization Process

It is important to note that the global division of labor and manufacturing does not guarantee the success of a product. For starters, it is difficult to compete with the dominating center markets of

Europe, North America, and South America. To produce something that would sustain global popularity is equally challenging. It is not possible to maintain global popularity if the localization process is not creative or unique enough to attract global producers, distributors, and consumers (Oh 2013).

So how has this been accomplished by K-pop? The talent agencies are the ones behind Korea's unique system, with SM Entertainment as the pioneers. Cultural technology is the guidelines by which SM began cultivating their trainees, known as trainees, and make music discussed in previous section. This system has become the blueprint through which most agencies raise their trainees to become future idols. By applying this blueprint, the Korean music industry has managed to create a different and attractive localized product (Seabrook 2012). The three major agencies have a systematic market management system, which gives them control over their trainees' careers. They share the same core idea of educating their trainees, in specialized training systems, which are often compared to schools (Chen 2015). In an interview with SM Entertainment back in 2013, they stated that they "find talent, train talent, and produce talent. [SM] is the only company in the world to do that" (q.b. Lee 2014, pp. 78).

To then create a unique and appealing localized product, Ingyu Oh argues that K-pop agencies have a three-part strategy: Voice-dance coordination, physique, and numbers.

It is important for idols to demonstrate expertise in the entertainment field in order to satisfy consumers. By investing heavily in the recruitment and development of their trainees, top entertainment industries in Korea function like venture capital firms. This process is unique to Korea. Agencies scout new talented aspirants either through auditions or K-pop cram schools. Cram schools have become large industries in themselves as interest in K-pop has flourished exponentially and many younger Koreans aspire to become K-pop stars instead of opting for the conventional academic route.

Interest in these cram schools has most definitely spiked following the rise of *Hallyu 2.0*. At "Def Dance Skool" in South Korea, the number of students increased from four hundred in 2006 to one thousand students in 2013. Also, in a survey conducted in 2012 by the Korea Institute for Vocational Education, being an entertainer was the most popular choice of career by Korean primary, middle, and high school student, alongside teacher and doctor (Choe 2013). By 2015, 21 percent of all pre-teens in Korea wanted to be K-pop idol, thus, making it the most popular dream career (Benjamin 2015a). Young hopefuls practice and wait for their chance to impress one of YG, JYP or SM Entertainment who regularly pay a visit to these cram schools in order find future K-pop stars. The

numbers of participants in these cram school range from five hundred to one thousand in the examples provided by my sources (Power 2016, Choe 2013).

Agencies look for new young trainees and as soon as one has been discovered, agencies offer long-term contracts with music labels to aspirants, some even as long as thirteen years. Once signed, these trainees undergo rigorous training, which includes vocal, dance, language, and even acting lessons for at least five hours a day in addition to their regular school hours. Talent agencies also conduct image management training and “long-term image strategies to maximize the success of their talent” (Chen 2015, pp. 35). They provide sexual education to their trainees in order to manage their sexual temptations that come along with fame in order prevent future scandals (Chen 2015).

These contracts do not necessarily guarantee that a trainee will debut as a K-pop star. They instead give talent agencies a large pool to pick young aspirants from when forming a group (Oh 2013). On average, one in ten trainees will be casted in a K-pop act (Seabrook 2012). SM Entertainment, for example, receives 300 000 applications across nine countries every year (Salmon 2013). Just to construct one girl group, they screened one hundred hopefuls, who were selected from their pool of 300 000. Nine members were eventually selected from the group of one hundred. These nine girls had to undergo seven years of training before eventually debuting as the girl group commonly known today as Girls’ Generation (Chen 2015).

Admittedly, these contracts are controversial with many speaking out against the harsh training process. Some even argue that these are slave contracts since the agreement is extremely long term and trainees are required to work very hard without any guarantee of one day debuting. Moreover, even if a trainee manages to debut, the pay they receive tends to be very low compared to the group’s total revenue.

The Korea agencies rebut the claims of critics, stating that their program is hardly any different to other cram schools that specialize in areas such as golf, soccer, and mathematics. They also highlight the fact that they pay for the education of their trainees, which other institutions do not do. They reason that in order to recoup training costs of their idols, the salaries that these artistes receive will consequently be reduced. Also, the severity of their training routines is a means of preparing them for future stardom (Victoria² 2013). This system forces young trainees who all dream of becoming K-pop stars to work very hard from a young age.

Nonetheless, the agencies even maintain their control over inaugurated artists (Chen 2015). The

² Certain authors go by usernames and full name will, therefore, not be stated in cases such as Victoria, Airi., Beansss, Hania. In these cases, username will be noted in the bibliography.

strict contracts trainees sign prior to debuting binds these idols for several years to the agency. These contracts also govern idols' personal lives. The rules of these contracts prohibit association with the opposite sex, drinking and even prevent stars from spending time in places with bad reputations (Victoria 2013). They are expected to always express a certain impression in accordance with their idol image, which is closely monitored. A simple slip revealing an image not in accordance with the public expectations can be very damaging to the career of the idol (Barry 2012).

Hwa-Young Lee of BOYS24 was for example released from his agency CJ Entertainment & Media Music Performance Division. They terminated his contract since a scandal blew up after he was caught insulting fans (Kichi 2017). Also, Sungmin Lee from SM Entertainment's boy band Super Junior, has been accused of ruining the band's image ever since his marriage in 2014. After the news broke in June 2017 that he would be returning to the band after 2 years of military service, fans have demanded the expulsion of Sungmin from the group (mkim93 2017, Beansss 2017a). To date, there is still no resolution to this situation.

On the other hand, it can be argued that it is reasonable for agencies to have such strong influence over the personal lives of their idols as negative news stories surrounding stars can affect agencies economically. For example, in 2015, it was revealed that Suzy, a singer from JYP Entertainment's girl group Miss A, was in a relationship with the widely popular Korean actor, Lee Min Ho. JYP Entertainment's stock prices, which had earlier gone up in the same month, dropped about 5 cents at the end of the day (Herman 2015). Furthermore, after rumors that YG Entertainment's Park Bom had been smuggling drugs into Korea went viral in 2014, YG Entertainment's stock prices fell significantly. Over the course of a month, their stock prices declined by approximately \$8.50 (kafox 2016). Whether other external factors contributed to the decline of stock prices remains inconclusive. What more is that Soo-Man Lee's first successful artist, Hyun-Jin Young, back in 1989, was arrested for drugs just prior to reaching wider recognition. This sparked Soo-Man Lee to initiate this firm control over idols to prevent these instances (Seabrook 2012).

Moreover, idols also possess restricted creative freedom. K-pop groups are created to portray the image that is predetermined and closely monitored by the agency. Their content is supposed to enhance their image. This inevitably limits artist's freedom to express his or her own creativity. The music is regulated by the agencies who, in many cases, do not allow idols to participate in the production process (Zaykova 2016, Hania 2015). They adapt the images of K-pop groups to resonate with the maturity of their fans. For instance, Girls' Generation, debuted in 2007 with their song "Into the New World", which showcased them singing about teenage dreams while wearing school girl uniforms. In 2009, they sang about their first love in their hit single "Gee", while wearing colorful

clothing. However, in 2010, when they released their single “Run Devil Run” they all wore tighter and more seductive black clothes (Chen 2015).

Korean K-pop groups manage to gain global attention partially because of their physical appeal. Both male and female idols in K-pop share idealistic features such as a slim and tall frame coupled with feminine looks and cute facial expressions. Ingyu Oh claims that this is a result of a “long process of evolution or mutation (or simply through cosmetic surgeries)” (Oh 2013, pp. 404). He even goes as far to say that Koreans “look much sexier and trimmed than their competitors from other countries” (Oh 2013, pp. 403). Oh adapts a very ethnocentric view, which is problematic since whether someone’s looks are appealing or not is very subjective and hard to put in comparison with people from other origins. Considering that many K-pop idols today are from other countries, as previously mentioned, it is even harder to claim that Koreans would be sexier or more trimmed than foreign K-pop stars (who are also very popular among consumers). However, looks do play a major part in the construction of K-pop today, by which these stars captivate mostly young Asian and Western female fans (Oh 2013).

The Korean society is known for having a very high beauty standard, to the extent that plastic surgery is widely popularized and even encouraged. Several agencies place more emphasis on recruiting attractive looking people. However, many trainees and idols across all agencies in Korea undergo plastic surgery either before or after debuting in order to fit the ideal beauty standard (Yu 2014, Pak 2015, Hoi 2013, Hellokpop Community 2014). Even during their development as trainees in academies, they go through regular fitness training as well as both skin and other beauty therapies (Oh 2013). This has caused K-pop idols’ looks to strike a chord with their audience.

However, this standard of beauty differs very much from how beauty was perceived in traditional Korea. The notion of plastic surgery strongly contradicts with the Confucian philosophy. According to Confucianism, one's body is a precious gift from one’s parents. It is something that should not be desecrated. Some would even refuse to cut their hair or fingernails in order to abide by this teaching. Historically, Korea valued a rounder and chubbier appearance. During the 1980s, the most popular idols were not skinny or fit like the ones gracing the screens today. They were significantly chubbier. Through these examples, Lie argues that the standard of beauty has changed so rapidly and to such an extent that it has lost touch with what is essentially ‘Korean’. Therefore, Lie suggests that there is nothing Korean in K-pop (Lie 2012).

It is notable that Korean agencies have a particular formula for launching idols. K-pop idols rarely debut as a solo act but are instead launched to the public as a whole group. These groups are most commonly divided by gender. With the skills developed during their time as trainees, the stars sing and dance simultaneously, executing their performance with perfect synchronization. This started back in 1996 after SM Entertainment conducted a market research with teenagers to see what type of music and singers appealed to them. The result was a boy-, girl-band template, which is still applied today (Oh 2013).

Even though the Western music industry releases pop acts as groups as well, there is something comparatively peculiar about K-pop bands. By Western standards, music groups usually do not exceed more than four to five members. While there are cases where K-pop groups adhere to that formula, it is very common for a group to transcend those numbers. Many famous K-pop groups today consist of nine to twelve members. Dr. Shin Dong Kim at Hallym University in Korea, was asked to explain why this strategy is commonly implemented in Korea. He points out three key factors for why Korean agencies use this approach. Firstly, it is about practicality. “Musicians are running on terribly tight schedules... With a large number of performers, you can meet the demand with more flexibility. When someone is sick or leaving the group, the management company can still do the show with less risk.” Through this, agencies relieve themselves of leaning too heavily on one idol to be responsible for promotion. They can also keep their schedule going in the absence of an idol (Rachelle D 2014). As much as Korean agencies want to have big stars out of commercial interest, they do not want to create a situation where one idol becomes indispensable for the label (van der Ploeg 2016).

The second reason is that it enables agencies to target several markets at once. “Members of large groups can re-package themselves into small groups or even a soloist, and eventually make the group much more diverse... They can cover a wide spectrum of fan demands from fast dancing to slow ballads.” This is practiced regularly by agencies. An example of this is SM Entertainment’s popular K-pop group, EXO, which debuted in 2012 with twelve members. However, even though they are one band, the group is divided into two six-member units, EXO-K and EXO-M. They both sing and perform the same songs, but EXO-K sings and performs in Korean while EXO-M is designed to cater to the Chinese audience and therefore sings and performs in Mandarin. In this way, they manage to engage a wider audience while still keeping the brand name (Rachelle D 2014). This is why it may not be sufficient to simply be talented in singing, dancing or possess good looks to succeed in K-pop. Members are selected very carefully by agencies and in order to target a global audience, “the ‘internationality’ of an artist has become another desirable trait” (van der Ploeg 2016,

pp. 12).

Lastly, larger groups attract a broader spectrum of fans. “As fans’ taste and preferences are diverse, the more a group has members, the better it can serve the fans’ tastes.... In other words, you can find at least one or two boys or girls of your own taste from the large groups. In a sense, the large groups reduce the risk of unpredictable fan enthusiasm” (Rachelle D 2014).

This system is truly unique to Korea even though it was initially inspired by Japan. Soo-Man Lee, points out that this kind of system is not feasible in the U.S. and made possible in Korea because East Asia’s cultural industries developed later.

The U.S. could not establish a management system like ours. Picking trainees, signing a long-term contract, and teaching trainees for a long period of time, this just cannot happen in the U.S. American agencies are hired as sub-contractors after an artist has grown and gained popularity on their own. As a result, the agencies only play roles of sub-contractors, and cannot make long-term investments in singer-hopefuls. However, in Korea and Japan, whose cultural industries developed later, agencies were free to make such contracts (q.b. Chen 2015, pp. 36).

Since entertainment companies cannot sign contracts longer than seven years with their launched artistes, people refer to these contractual periods as the seven-year curse in K-pop. For a group to be active throughout its seven year stint without disruptions before signing new contracts is very rare (KpopJoA 2017). Therefore, entertainment companies in Korea utilize their idols to the fullest extent during this period of time. Oh and Park claim that this is particularly evident through some agencies’ investments in pop acts. An example of this is how both Girls’ Generation and Kara, two girl groups from SM, had in 2011, three live shows each over a span of twelve hours in both Korea and Japan (Oh & Park 2012). This exploitation of idols is further evident from the rate that K-pop idols release songs. A successful group is usually expected to release a full length album every eighteenth month and a five-song mini album every year (Seabrook 2012).

In K-pop, they have a completely different tempo of releasing music. Here [the West], in best case scenario, an artist releases a new album every second year.

There they release a new album every year, and in between they sometimes release an EP (extended play, a mini album) or perhaps feature in another album (P. Lidell, personal communication, April 24, 2017).

I argue that this localization process, the culture technology it is built upon, is how the Korean music industry manages to differentiate itself in the global market. The localization process makes K-pop unique and helps attract new consumers. It is a method designed to cater to fans. By implementing this system, entertainment companies have nurtured a unique image and reputation for themselves. Since human error is inevitable, companies enforce strict policies to prevent situations that could potentially be destructive to their reputation. When examining K-pop blogs on the Internet, the idols themselves act like products living out the fantasies of their fans. This has been possible through the cultivation of idol images. Scandals could potentially harm these fantasies as it shatters the illusion that the idol belong exclusively to the fans. By keeping stars single and scandal free, companies mold their stars into the model of an ideal boy-/girlfriend. Fans are thus able to live out their fantasies of one day attracting the attention of their ideal types (Airi. 2014, Nabeela 2012).

4.3. Entering Global Center Markets

4.3.1. Modes of Entry

To begin with, the Korean domestic market is large and cannot be overlooked. In 2014, Korea had the eighth largest domestic market in terms of recorded music market sales in the world (Parc, Messerlin & Moon 2016). However, since 1998, the Korean music industry has been focusing a lot of its resources on entering foreign markets (Park 2013). The primary target markets for Korean music have been Japan and China. More recently, there is a significant increase in exportation to South East Asia (Chen 2015). Korea has had the most success in the world's second largest popular music market, Japan (Park 2013). K-pop's success abroad keeps growing. During the first three quarters of 2015, SM made a 41 percent increase of \$30 million in profit while its total revenue grew by 14 percent to about \$200 million. SM announced that this growth was due to increased revenue from the foreign markets of Japan and China. SM Entertainment collected \$10 million from China alone during the second quarter, which was a 110 percent increase compared to the previous year (Kang 2016).

When entering foreign markets with cultural products, there are several factors one needs to

consider. Which markets are the primary targets? How does one adapt the product to be consumer friendly to the local market? What is required to enter the market?

When it comes to cultural products such as K-pop, it is argued that removing cultural odor is essential in order for consumers to adopt cultural products. Consumers, who are gradually becoming more global minded, can then inscribe own personal meaning to these products. It may also create a shared experience among different cultures, thus, creating a common pan-Asian culture that is desired by many East Asian consumers. However, some people claim that retaining cultural odor is necessary in order to differentiate products and connect them to the origin (Chen, 2015).

In order to enter foreign markets, there are four different methods to position one's products. They are more commonly known as modes of global market entry: exporting, strategic alliances/joint ventures, licensing and foreign direct investment (Chen 2015). Korea actively utilizes three of these strategies today in order to market products abroad. As most of my information is based on SM Entertainment's activities, I cannot say that these practices are applied by all agencies, including the big three. However, since K-pop has had wide success across all the same markets, it may be assumed that they share a similar approach to the subject matter.

The only strategy not applied by Korean labels is the foreign direct investment. Foraging direct investment implies that industries open offices or factories directly in target markets in order to control distribution and production. In order to use this strategy productively, one needs to have good insight on the local market (Chen 2015). Pelle Lidell briefly explains why SM Entertainment have decided not to apply this approach:

If you want to enter the Chinese market early, and you do as Warner [Music], Sony [Music], and so on have done. They open offices in Hong Kong, Shanghai, Beijing and do you think that will work? You need a big player within who works on a governmental level.... There are more than sixty cities in China with at least 1 million citizens. To then build an infrastructure as a non Chinese company, it is impossible.

This is why SM instead focuses on strategic alliances/joint ventures. Lidell goes on explaining:

Alibaba has made a huge deal with SM.... Alibaba is the world's largest retail company with an estimated value of 1.8 trillion Swedish crowns [\$214 billion³]. They want a repertoire for the Chinese market. The Chinese kids' favorites are SM Entertainment's biggest acts. SM gets the infrastructure while Alibaba gets the content (P. Lidell, personal communication, April 24, 2017).

In this manner, SM enters into a strategic alliance/joint venture with Alibaba. Strategic alliances/joint ventures take place when two or more firms cooperate by sharing risks and profits so as to enter international markets. This strategy is implemented by some K-pop agencies in order to distribute music and find new local talent (Chen 2015). Just as Korean agencies have outsourced center markets, they actively engage local distributors to distribute their products. Korea has worked with companies like Alibaba in China and Avex in Japan to disseminate their products overseas (Oh 2013). Today, YouTube is the largest distributor of K-pop and Avex in Japan is the second largest (Oh & Park 2012). This strategy is also implemented through collaboration between foreign and local Korean artists. Korean agencies have been arranging collaborations with local stars, especially with China, as a means to enter its lucrative market (Chen 2015).

The second mode of entry implemented by the Korean music agencies is exportation. Compared to the collaboration between foreign and local artist mentioned before, it is more common today that talent agencies recruit young aspirants from other countries, teach their trainees foreign languages, and promote and export them as a part of a Korean pop act. This method has, according to Chen, proved to be more organic. Instead of having a contrived collaboration, they construct a globally targeted K-pop group (Chen 2015).

SM began cultivating idols suitable for target markets since the early 2000s. In order to localize products, SM started educating trainees in foreign languages. Singing the songs in the local languages has facilitated certain groups to enter foreign markets, especially in K-pop's largest market, Japan (Lee 2014, Chen 2015). As K-pop has continuously grown and spread, they have contracted foreign artists directly from China, Japan and Thailand, in order to penetrate respective target market (Parc, Messerlin & Moon 2016). The popular girl group F(x) is a good example of this. This group consists of five girls with heritages from China, Korea, Taiwan, and the U.S. They were branded as "the girl group of Asia" and had intentions of becoming a global K-pop group. Another example that generated much buzz was when JYP Entertainment's boy band 2PM recruited an

³ As of June 2017, Alibaba had a market value of \$360 billion (Jing 2017).

American-born Thai-Chinese. This boosted the group's popularity in Thailand.

Therefore, in order to further allow Korean acts to penetrate foreign markets, Korean agencies have to focus on educating trainees in foreign languages such as Chinese and Japanese to enhance their performance in these primary markets. This method enables K-pop groups to overcome language and cultural barriers and facilitates their entrance into foreign markets successfully (Chen 2015). Lidell explains that in East Asia, “people do not want Rihanna’s [American pop singer] new album. They can enjoy the music, but they want to see their own local stars singing in Mandarin, Korean or Japanese” (P. Lidell, personal communication, April 24, 2017). This would suggest that the removal of cultural odor is necessary for the widespread dissemination of K-pop. It also implies that the success of Korean music is due to a cultural hybridity adapted by K-pop.

However, this strategy is unsuitable for the American market. JYP tried to launch one of its most popular artists, Rain, in the U.S. during the 2000s. Compared to the reception Korean idols received in Asia, Americans adopted an ethnocentric view, viewing the West as the golden standard. Rain never managed to establish himself as an artist in the U.S. after he was labeled as unauthentic and accused of simply mimicking Western music. The cultural difference between how Korea and the West produce music is too great for K-pop to establish itself in the American mainstream market. Along with foreign musicians, Americans feel that the music is overly produced and hence, takes on an artificial quality. The Korean agencies saw music as too much of a product. Even though K-pop might be a niche, it is very difficult for it to breakthrough in the West (Negus 2015, Salmon 2013).

Chen states that the mode of exportation is the most used method to sell products in foreign markets by Korean entertainment companies (Chen 2015). 15 percent of all K-pop music revenue is collected through exportation to foreign markets. Exportation is the traditional B2C strategy. It allows agencies to sell the products (merchandise, concerts, albums) to their consumers directly in foreign markets through a local entity (Oh & Park 2012, Chen 2015). However, direct exportation to local countries is gradually becoming replaced by B2B strategy, including strategic alliances and licensing, which is the third and last mode of entry (Oh & Park 2012).

This shift from B2C to B2B neither maximizes profit nor guarantees revenue. Instead, it reduces investment risks for Korean agencies as previously explained (Oh & Park 2012). Licensing implies that a cooperation allows products to be sold under their brand, yet, it is not run by the cooperation itself. Instead, companies allow their brand to be used by a local entity and collect license fees (Chen 2015). This appears to be a method that is rapidly gaining traction as agencies collect revenue from licensing agreements by signing copyright deals with a second party. More of how this is practiced

will be discussed in next section.

4.3.2. Collecting Revenue

It is easy to assume that in order to further nurture the growth and success of K-pop, agencies simply need to launch more bands and produce new music. However, this is not entirely true. Korea offered cheap music streaming services to combat the problems with illegal downloading. Still today the prices have been kept low because of the apprehension that illegal downloading will rebound. Thus, a track collects only \$0.25 from subscriptions based services, which has to be divided between the artists, songwriters, producers, and the agency. One million downloads will not even cover the cost for a music video and the prevalent fear of piracy has kept the prices down. To make up for the meager local revenue, the Korean musicians turn their attention to foreign markets in order to make up for the low domestic income (“Top of the K-Pops” 2012).

In order to generate more revenue from music, the biggest focus in foreign markets is concerts (Lee 2014). Korean acts sell out venues all over the world today. A clear example of the wide success of K-pop concerts is when YG Entertainment’s BigBang managed to sell out the 50 000-seated Tokyo Dome, something which only a handful Japanese acts have ever managed to do (Chen 2015). Also, BigBang’s concert at the Staple Center in Las Vegas 2015 was one of the top ten largest grossing concerts in the world that year (YG family 2015). The K-pop group H.O.T.’s concert in Beijing in 1999 is claimed to be the introduction of the exportation of Korean concerts (Chen 2015). SM alone had over 2.1 million attendees to their concerts between 2010 and 2012 (Lee 2014). Between 2013 and 2016, over six hundred K-pop concerts were held in Japan. This figure is three times more than in Korea. During this period, more than 1200 concerts were held outside of Korea. Most of these concerts were hosted in Japan, China and the U.S. (Benjamin 2016).

Both the domestic and international success of live performances might be a result of the intensive training and growing demand for visually appealing idols. The synergy between vocal, dance, and appearance has created large opportunities for live stage performances (Parc, Messerlin & Moon 2016).

Besides concerts, agencies frequently arrange fan meetings as a method to introduce new acts into foreign markets. These events, compared to concerts, are usually smaller in number of attendance, ranging from a few hundred to some thousands of fans. Fan meetings are used to soft launch music acts and have been especially successful for SM entertainment (Chen 2015, Lee 2014). As these fan

meetings are smaller, they are more personal. Idols get to interact more with the fans, sign autographs, and perform some songs (Chen 2015).

The final method of maximizing revenue from music is album releases in physical format. With the technological advancements of digitalized music and mobile platform providers leading the circulation of recorded music, it is widely argued that music albums are being replaced by playlists on mobile platforms (Negus 2015). The focus is shifting toward releasing singles instead of full-length albums (Guttenberg 2013). However, even though Korea is the leading market for digital music, physical albums sales have surprisingly increased over the past decade. In 2012, Korea saw for the first time in four consecutive years, a decline in music revenues. This was because of the collapse of the Korean social network site Cyworld. However, unlike the global market's negative trend in the sale of music in physical format, the Korean market saw growth in that year in physical sales and has been doing so since. ("The Curious Case of the South Korean Music Market" 2013, "Key Recording Industry Trends in 2014" 2015). The Korean way of selling physical albums is to package the albums as merchandises. They release several versions of an album, all which makes for attractive collectibles for the fans (Lindvall 2013b).

Lidell further explains this to me:

Why do Koreans sell so well? Because they package their albums as something the fans would want. They understand their fans, something which Western labels do not.... It is very consumer friendly. They cater to their fans. That is why they keep selling a large amount of physical albums. Because they identify the consumers' needs and requests.... It is because of their way of packaging (P. Lidell, personal communication, April 24, 2017).

K-pop albums are unlike the traditional CDs that are commonly released. The music is instead bundled with everything from collectible photo cards to photo books, all packed in a luxurious package. Moreover, they release several versions of each album. In 2013, Girls' Generation and Kara, released multiple versions of one album, each featuring a different member as the cover. Girls' Generation had in 2013 nine members, and it is typical for an album from the group to be released in at least five versions. Since albums have become desirable collectible items, fans often buy all the various albums (Sanchez 2017b, Lindvall 2011, Lindvall 2013a, P. Lidell personal communication

April 24 2017).

However, in order to further maximize profits, Korean agencies began diversifying their business. The shift to Hallyu 2.0 signified the diversification of Korean cultural products. Thanks to the widespread success of contemporary culture (K-pop), traditional Korean culture (Hangul [Korean script], Hansik [Korean food]) has managed to gain attention across the globe (Kim 2015). The aim for diversifying is to exhaust the company's own assets thus, maximizing profit from every product. Agencies try to fully utilize every band and K-pop idol. Today, scholars like Moon-Haeng Lee claim that what is most interesting about SM entertainment is its diversification model they employ to enter foreign markets. This is what SM Entertainment refers to as 360 degree business strategy (Lee, 2014). This is also what Lidell told me when he explained the Korea music industry's success:

We [people who work in the music industry business] wish to capitalize and earn money from music. How does one do that? It is not as simple as selling music. It is the whole package all around. They [SM Entertainment] know everything about this, 360, 100 percent. They do this a lot better than the West (P. Lidell, personal communication, April 24, 2017).

The three big entertainment industries in Korea are most commonly known for the music and artists they release. To combat the low streaming revenues from music, agencies implemented the One Source Multi Use (OSMU) strategy to diversify their business. In order for this strategy to be implemented, idols have to reach a higher level of stardom.

The original concept behind OSMU was to understand how to utilize various fields and genres and create additional value for cultural content. The successful implementation of OSMU is the key to creating a strong brand identity. It also maximizes additional value for cultural products. A brand identity is cultivated through brand equity and content equity. The brand equity is managed through active marketing decisions, which are made in order to cultivate a unique image and create a more favorable and stronger identity among consumers. If this is done successfully, the value of the brand increases (Kim 2012). I argue that K-pop's brand identity is cultivated through the localization process: filling a niche with its unique features and creation of desirable idols.

Content equity is where the OSMU strategy is applied. In order to add further value to a cultural product, it is exploited in various fields and genres. An example of a well-diversified cultural product

is Harry Potter, a book series written by J.K. Rowling. Originally a series of books, it has evolved into a wildly successful franchise. The books have been made into movies, including spin-offs following different characters. The magical world of wizards has materialized in the shape of theme parks and merchandises (Kim 2012).

Both SM and YG actively implement the OSMU strategy and diversify their businesses as much as possible (Lee 2014, YG Entertainment n.d.). According to Lee, SM's end goal is to export other various Korean cultural products, such as food, tourism, fashion, and other retail areas through K-pop.

SM Entertainment's main areas of activity, besides music and live performances, are enforcing the portrait rights of idols as well as merchandising (Lee 2014). Due to the idols' clean and innocent image, many K-pop stars are used in various placements, such as commercials, television shows, and movies (Salmon 2013). SM Entertainment signed copyright deals ensuring revenue for everything connected with their products but also for picture rights in Japan. In Professors Moon-Haeng Lee's article, it is stated that this deal cost SM Entertainment \$240 000 but has in time, brought in a total revenue of about \$43.5 million. Notwithstanding, the period of time SM took to generate this profit margin is not clearly stated. Nonetheless, it cannot be denied that this deal ensures high revenues. Even if a Korean show featuring contracted idols has subpar ratings, agencies will still make profit from portrait right royalties because of the idol's popularity (Lee 2014). Many K-pop idols are thus also active as actors. In 2015, several members from SM Entertainment's popular boy-band EXO featured in movies. At least four members of EXO will appear in Korean films in 2016 (Herman 2016).

Agencies also allow their songs to be showcased in commercials, both domestically and internationally, in hopes of introducing their music to an international audience. In 2012, TVXQ's song "Catch Me" was used as the opening song for the American broadcasting station ABC's popular talk show "Live! With Kelly and Michael" (Lee 2014). In a 2014 Microsoft advertisement, 2NE1's popular song "I AM THE BEST" was used as backtrack promoting Microsoft's new laptop. BigBang's famous song "Fantastic Baby" can be heard in a 2012 episode of the popular American TV show "Glee", and it also played throughout the official trailer for the Hollywood movie "Pitch Perfect 2" (Benjamin 2015b, "K-Pop Song Featured in TV" 2016, KoreanWavesMedia 2014).

It is also very lucrative for companies to collaborate with K-pop stars. By collaborating with K-pop acts that have large fan bases, such as SM Entertainment's EXO, or JYP Entertainment's Twice, there is basically a minimum amount of sales guaranteed since at least 5 to 10 percent of fans can be

counted on to buy the product (Sanchez 2017a). Dedicated fans will visit the store simply for the advertisements:

I have been to SPAO [a clothing brand Super Junior is advertising] because I like SPAO; have bought glasses from the shop 2PM is advertising. Sometimes, I just visit those stores even though I do not have anything to buy. I just go to see the posters, pictures, and products at the store (q.b. Oh & Park 2012, p. 390).

Companies also produce merchandise due to K-pop's large public appeal. By releasing a product with a popular K-pop group printed on it, its value inevitably rises and these items often sell out rapidly. The French jewelry and fashion brand, Agatha Paris, managed to sell out an EXO themed suitcase almost immediately after it was launched, despite the rather steep price of \$300. Also, the Korean electronics company LG collaborated with Twice to launch a Bluetooth speaker, which sold out within fifty minutes after it went up for pre-orders. For this reason, these popular bands are valued at approximately \$8.7 million each (Sanchez 2017a)

This modern B2B model of sales is what major Korean agencies are applying more frequently (Oh & Park 2012). However, the B2C model is still heavily applied. What Korean agencies have started to do is to diversify their businesses to other fields. Both YG and SM are actively expanding their business. YG has, for example, their own modeling agency, fashion brand, cosmetic brand, restaurants, and even golf academy. SM has entered the gaming industry, launching phone games. They also have a travel agency (J.H. Kim 2016). SM Entertainment has entered the television industry and own their own production company. They create documentary series following idols from their training days to present day (Lee 2014). More impressively, SM has its own merchandise store in downtown Seoul where fans can enjoy an EXO Oreo Cheesecake at the cafe, buy chocolate shaped as their favorite member from Girls' Generation, dine at luxury restaurants, or take pictures that looks like one is sitting beside an SM Entertainment idol (Lindvall 2011, SVT 2012, Beansss 2017b). Lidell praised SM's approach:

It [SM Entertainment] is like a mini Disney. They are building a fan base. I have never seen better merchandise in the whole world of pop (P. Lidell, personal communication, April 24, 2017).

This is one of the reasons for the success for SM Entertainment. They have managed to turn bands into brands, and merchandise is becoming a bigger part of their business (Salmon 2013).

This is what appears to make the Korean music industry unique in the world. The diverse fields that Korean agencies work within allow them to maximize profit through OSMU and consequently create desirable products for the fans. Lidell emphasized how SM really understands how to reach out to their customers.

They [SM Entertainment] have the third largest [most subscribed] YouTube channel. A music label from a relatively small country like Korea. That is not simply given to you, you create that. They have created that through understanding their fans. They cater to their fans with right products, music videos, merchandise, concert tours.... They always serve their fans (P. Lidell, personal communication, April 24, 2017).

It does seem as if the strategy of the Korean music industry and a large part of its success is due to their ability to produce desirable products and cater to fans. Every aspect from creating a group, the music, to the merchandise is all planned out in great detail.

5. Conclusion

After the financial crisis in Korea during the mid-1990s, the government was intent on rebuilding the image of Korea. The goal of establishing Korea as a soft power was actively pursued through financial support and legal changes that enhanced the Korean cultural market. In order to rebuild their economy, Korea's central government made efforts to enhance their status as a soft power. This laid the foundation for the first part of the Korean Wave, *Hallyu* 1.0, in the late 1990s. Across both China and Japan, middle-aged women started consuming Korean dramas. This fueled the demand for more Korean products across East Asia, thus, precipitating the second stage of the Korean Wave.

Hallyu 2.0 saw great progress in Korean popular music. This was made possible due to four main factors. The advancement of technology (most notably the launch of YouTube in 2005), the effort from the government to keep establishing themselves as a global soft power, the diaspora of Korean people, and the cultural similarities across East Asia.

The government made significant changes in regulating the Korean copyright, which was decidedly more flexible before the success of K-pop. It should be noted, however, that the previous leniency allowed Western music to influence the local market, which played a major part in shaping the music coming from Korea today. By enforcing strict copyright regulations, Korea managed to become a leader in music streaming services and while generating sizable revenue.

Without the rise of SNS, K-pop could not have achieved the level of success that it has today. By simply uploading the music to YouTube for free, entertainment companies in Korea have made their content easily accessible to the masses. It also facilitates and encourages content sharing.

Additionally, the cultural similarities between countries in East Asia enabled Korean cultural products to attract consumers from various markets. These countries subscribe to the Confucian ideology, which is a theme that resonates throughout Korean cultural products. This makes Korean products especially relatable to the Chinese and Japanese. Moreover, Koreans are the second most diasporic people. This has helped Korean cultural products to spread across the globe.

What has been important for the further growth of the Korean music industry is the differentiation of their product from global competitors, which is in large part credited to cultural technology, the blueprint designed by SM Entertainment's founder Soo-Man Lee, from which K-pop is shaped today. Furthermore, in recent years, Korean agencies diversifying their business practices into new fields have been crucial in order to be able to successively grow.

What Korean music agencies have done exceptionally well is to continuously design products their fans desire. Everything from producing acts and music to creating merchandise establishes K-pop bands today as brands. Idols are clean cut, well groomed and physically appealing. Their image resonates with the pan-Asian quintessential and draws fans into the fanciful and idealistic world that they have created. Even though Korea was one of the first to adapt to an Internet based streaming music industry, their physical sales have shown consistent growth. This is largely attributed to companies making the product more desirable for consumers.

Furthermore, what the Korean music industry has done in order to further expand its reach and influence is to diversify their business into various fields, based on their popular acts. This has been an important aspect of the agencies' business management since the revenue collected from streaming services in Korea is very low.

By shifting from a B2C business to a B2B business, Korean agencies have prioritized safe, stable and steady profit gain instead of taking risks. This has allowed them to enter foreign markets, which accounts for 50 percent of SM's entire revenue today. Agencies apply the OSMU strategy to make up for the low revenue from streaming music as well as to maximize the profit from their sources. Though creating licensing agreements with other companies, agencies collect revenue from picture rights of idols and bands. The Korean music industry has managed to become one of the few countries in the world to export more music than they import.

The ones behind the unique Korean system are YG Entertainment, JYP Entertainment, and SM Entertainment, the three main agencies in Korea with the front-runner being SM Entertainment. The Korean music industry practices a G-L-G system where the localization system is unique to Korea and the process by which the industry manages differentiate itself.

This practice is shaped by cultural technologies. By signing long-term contracts with young hopeful aspirants, the idols are nurtured and eventually presented as products. They have to fit a concept/model that is given to them. Idols always have to live up to a certain standard of the perfect boy-/girlfriend, to allow fans to live out their fantasies. This prohibits K-pop stars from falling out of line which is why they undergo rigorous training over a long period of time. A small mistake could harm the agency financially and cost an idol his or her career. However, young people still sign these contracts even though they cannot be guaranteed a career or even much money. These contracts are

controversial and have been labeled as slave contracts by detractors.

The focus and near obsession with physical appearance in Korea has also been called into question. According to several scholars, what gives Korean entertainers an edge is their looks. It has become very important to look good and today, many Korean idols and trainees undergo plastic surgery in order to enhance their competitiveness in the industry.

Furthermore, K-pop launches a majority of their acts as groups instead of individuals who both sing and dance in perfect synchronization. This is why Korean agencies requires producers to write dance-friendly music, which will be a vital tool when producing captivating music videos. It is not uncommon for these groups to obtain as many up to twelve members. More than being a guarantee for an agency to not be too dependent on a single individual, it further allows bands to adhere to their tight schedules should a member fall ill. Groups may also attract a wider spectrum of audience as the probability of finding one member appealing increases with the group's number.

Unique to the Korean industry is how they produce bands specifically targeted towards a market. Agencies frequently recruit young people from target markets and regularly publish one album in two different versions. One sung in Korean, and the other in the target market's local language.

In order to expand to foreign markets, Korean agencies have utilized three modes of entry; exportation, joint venture/strategic alliances, and licensing. East Asia is the largest consumer of K-pop. Japan along with China are the target markets.

The main exportation activity is the hosting of concerts. Yet, possibly the most important mode of entry for the global diffusion of K-pop has been agencies' collaboration with labels in local markets. Through establishing strategic alliances with labels in foreign countries, such as Avex in Japan and Alibaba in China, Korean agencies have managed to tap into the local markets. Agencies allow the local labels to distribute and collect revenues locally while sharing profit. This is a safe method for agencies to establish themselves in foreign center markets since they are provided with preexisting infrastructure to disseminate the products. Ultimately, licensing is gaining traction as Korean agencies are constantly diversifying and growing. Thanks to a firm copyright law and collaboration with local entities, agencies can collect revenue from pictorial rights, streaming fees and merchandise. Popular artistes are commonly casted in various product placements and several idols frequently star in movies or TV-shows. This ensures collectible revenue, and the amount depends on the idols popularity. Also, other industries commonly use idols or bands as a means to promote a

product, selling it as merchandise targeted towards the fans. This is an appealing method since it guarantees a set amount sales depending on the idols' and bands' following.

To enter foreign markets, especially the Japanese market, the removal of cultural odor has been essential. Recruiting young talented people from target countries, and also educating trainees to sing in Mandarin and Japanese, has facilitated acts in establishing themselves in these markets. By removing the cultural odor, K-pop adapted to local target markets, making it more competitive.

Finally, Scandinavians have been active in the development of K-pop. Through the G-L-G model, Korea has heavily outsourced center markets in order to create a more accessible and global product. By collaborating with center markets, K-pop hopes to attain more credibility. Korea invested extensive resources to outsource Scandinavian music producers and writers because of their large success on the global scene. The Scandinavian way of writing music conforms to the Korean market very well. Scandinavians write music with many hooks and have great focus on the melody, which matches K-pop's dance and choreography orientated music style.

Sweden belongs to a select group of countries that export more music than they import. With a history of successful musicians within the global market, SM Entertainment contacted the Swedish A&R Pelle Lidell who has given numerous hit songs to them. 80 percent of all K-pop is produced and written by foreigners today, most of whom hail from the U.S., the U.K., and Scandinavia.

Through legal reformations during the 1990s and early 2000s (lifting bans on foreign pop music and copyright), the foundation of *Hallyu*, as well as the growth of SNS since 2005, Korean music managed to develop and reach out to its consumer base today. By the efforts of Soo-Man Lee's cultural technology, Korean agencies cultivated idols who resonates with people's desires. In order to create quality music, agencies began outsourcing center markets for songwriters and producers. This is how K-pop has become so successful across many countries. However, a major part of the Korean music industry's revenue is due to its diversification method.

As a result of the agencies' strategy of outsourcing center markets, their unique ways of creating desirable idols and products, their business diversification strategy, and their active use SNS, the Korean music industry managed to grow into one of the largest recorded music industries today.

Whether K-pop's success is due to "cultural hybridity" or the lack of Korean-ness may still be debated. After analyzing the data of my research and writing this thesis, I lean more to the theory of

the lack of Korean-ness. However, I do believe that there might, in fact, be a new type of Korean-ness emerging with the rise of Korean contemporary culture, perhaps a form of “Neo-Korean-ness”.

6. Appendix

Interview questions:

How have You been a part in developing Korean music?

What are the difficulties with creating Korean music as a Swede?

Why do You think SM Entertainment approached you?

How do you work differently when finding K-pop songs compared with Swedish/American?

You mentioned in previous interviews back in 2014 that you meet many who question Your cooperation with Asia, why was it so and is it so yet today?

K-pop and Asian music have gained many followers today even in the West. Could this potentially damage the Western music industry? Are they competing against each other? Is the Korean industry stealing market value from other countries such as the U.S.?

Would it be possible for the Asian music market to surpass the Western?

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