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The K-Wave and Its Impact on the South Korean Economy

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SENIOR THESIS APPROVAL

This Honors thesis entitled

**“The K-Wave and Its Impact
on the South Korean Economy”**

written by

Jessica Johnson

and submitted in partial fulfillment of the requirements for completion of the Carl Goodson Honors Program meets the criteria for acceptance and has been approved by the undersigned readers.

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Hallyu: The Korean Wave

During the last few years, Korean entertainment has captivated audiences globally. *Parasite* became the first foreign film to win Best Picture at the Oscars, BTS was nominated for a Grammy Award, and *Squid Game* was one of the most popular TV shows of 2021.

The South Korean Financial Crisis of 1997-1998 has incited debate, much of which is outside the scope of this study.¹ But one undeniable result of the aftermath of the crisis was the Korean Wave, or Hallyu(한류)—flow-wave—that swept over the following twenty years and influenced culture throughout the world. Affecting film, television, music, and other aspects of pop culture, the K-Wave has had widespread financial and cultural impacts. According to Dr. Jimmyn Parc of the University of Malaya and Seoul National University, “The direct economic contribution of Hallyu—the ‘Korean wave’ of popular culture—is small, but the benefits to Korea can extend well beyond the culture industry.”²

However, not all its effects have been considered positive, with some critics implying the popularity of ultra-thin K-pop stars is causing a rise in eating disorders in addition to other body image issues.³ However, on the other side of the debate, are individuals who claim that some aspects of the K-Wave have drastically improved their mental health. A popular subset of the K-Wave phenomena that has garnered the attention of mental health professionals is South Korean television shows, known collectively as K-dramas. Van Ta Park PhD, MPH is a proponent of the idea that K-dramas can be used to improve mental health. Park claims that K-dramas, especially ones that deal with mental health issues, are helping to destigmatize mental health issues specifically in young Asian-Americans. In addition to young Asian-Americans, many people

¹ (Koo n.d.)

² (“Korea’s Cultural Exports and Soft Power: Understanding the True Scale of This Trend” n.d.)

³ (“Child Health - Alarm over Kids’ Obsession with Looking Thin, Finger at Korean Pop Culture - Telegraph India” n.d.)

have found watching K-dramas to be therapeutic and this is part of the reason why they have become popular enough to be considered part of the K-Wave.⁴

The Film and TV Industry:

The Expansion of Netflix into Korean Content

It can be difficult to follow the development of such a far-reaching pop culture phenomenon, but a key part of the rise in the popularity of K-dramas worldwide has been Netflix's expansion into K-dramas. According to SLL, Studio LuluLala, a subsidiary of JTBC — a leading South Korean cable company, CEO Jung Kyung-moon,

Korean dramas have key strengths in terms of popularity and creativity. In particular, Korean dramas deal with themes that everyone can relate to while they also have the distinctive storytelling and authentic materials which seem fresh to global audiences. Also, highly efficient production cost would be another reason. The cost of production is soaring, but it is still significantly less expensive than Hollywood, and it is also a major competitive edge of k-content that it continues to produce high-quality works.⁵

As a result, "SLL plans to invest ₩3 trillion⁶ during the next few years with the aim of producing 30 TV series and five films."⁷

Netflix Expansion in South Korea

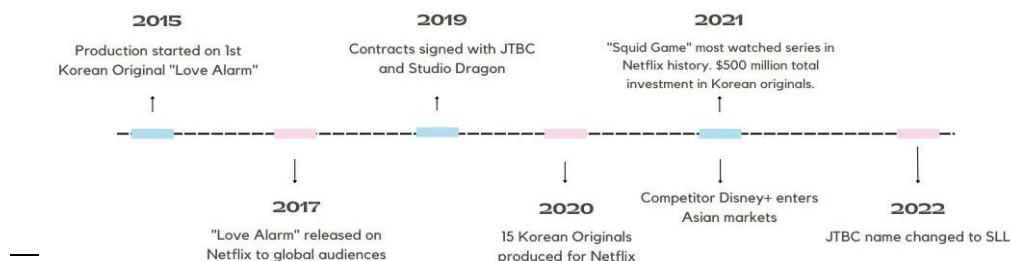


Figure 1

⁴ ("How Korean Dramas Are Being Used To Promote Mental Health" n.d.)

⁵ ("How SLL Plans To Expand On This Year's K-Drama And Film Success" n.d.)

⁶ South Korean Won. Current Exchange Rate: ₩1 = \$0.0077

⁷ ("How SLL Plans To Expand On This Year's K-Drama And Film Success" n.d.)

Netflix Enters Hallyu in a Big Way

Netflix has become a large producer in the K-drama industry in response to audience demand. According to an article published by CNBC in 2017, after entering the Asian market in 2015, Netflix started production on its first K-drama “Love Alarm” which was based on a webtoon already popular in South Korea. Netflix began production in 2017 hoping to expand its horizons and increase its user base in South Korea, where it was not popular, so it was hoping that native content would help bolster its popularity. Netflix hoped to capitalize on the developing Hallyu trend by broadcasting original and exclusive content worldwide.⁸

Korean content began to become valuable to media companies like Netflix because it has “high production value and the content travels,” said Vivek Couto, executive director of consultants Media Partners Asia. However, at this time the main consumers of Korean content were still primarily Southeast Asia and China. In fact, Korean content was popular enough in China to catch the attention of the government. China’s government began to discourage the distribution of Korean content in response to the United States’ deployment of the Terminal High Altitude Area Defense System on the Korean Peninsula.⁹

To further the expansion Netflix signed two long-term contracts in November 2019 with Korean production companies Studio Dragon and J Contenttree. The two contracts would bring forty Korean dramas to Netflix over the next three years. These contracts benefited Netflix by giving them a firm foothold in both South Korean audiences and in the distribution of Korean content. They also provided the Korean content companies with an exciting opportunity to expand into the world’s largest broadcast market: North America. This was especially advantageous for the companies after China’s restriction of South Korean content after the

⁸ (“Netflix Bets on Korean Drama for Expansion” n.d.)

⁹ (“How SLL Plans To Expand On This Year’s K-Drama And Film Success” n.d.)

deployment of the Terminal High Altitude Area Defense system. Studio Dragon did not simply rely on Netflix however and planned a major overseas expansion by setting up a base in the United States.¹⁰

Studio Dragon

Studio Dragon is South Korea's largest scripted television production house and is under South Korea's largest entertainment company, CJENM Group, which owns assets in the television and music industry—including seventeen television channels. The three-year partnership, which began in 2020, guaranteed both original content and international distribution rights to Netflix for other Studio Dragon productions. The agreement was for production of twenty-one dramas over the three years including two to three Netflix originals. After the announcement of the partnership, 53 "buy" recommendations for Studio Dragon's stock (KOSDAQ: 253450) emerged.¹¹

J Contenttree

J Contenttree is a part of the South Korean company JoongAng Holdings LTD. The company owns television network JTBC, which changed its name to SLL in 2022 to reflect their diversified portfolio of cable channels including TVN, SBS, and KBS. The unique trait about this network is that it partnered with both Netflix and Disney+ to produce original content. Some of the Netflix Originals the network has helped produce include *Itaewon Class* and *My Liberation Notes*, both of which were widely successful both in Korea and other countries. SLL believes that K-content can continue to grow as long as it is innovative. The company's plan in 2022 was to invest \$2.42 billion in the production of thirty television series and five films.¹²

¹⁰ ("Netflix Buys Big into K-Dramas – Asia Times" n.d.)

¹¹ ("Netflix Bets on Korean Drama for Expansion" n.d.)

¹² ("How SLL Plans To Expand On This Year's K-Drama And Film Success" n.d.)

Netflix's contract with J Contenttree, and by extension, JoongAng Holdings LTD, held similar terms to Studio Dragon's contract. J Contenttree contracted to produce twenty-two to twenty-three dramas in three years with Netflix owning all overseas broadcast rights.¹³ Eighteen recommendations for J Contenttree's stock (KRX: 036420) appeared after the partnership was announced with no sell recommendations.

Impact

The impact of these two contracts began emerging in 2020 as Netflix produced 15 Korean originals during the year. While many of these dramas were very successful, the drama that was to have the most impact did not come until the next year.

This drama, produced in 2021, was named *Squid Game*. Netflix had been very hopeful about its South Korean expansion from its initial investment in 2015, but the level of success *Squid Game* achieved was unprecedented. It was the most watched series in Netflix history with 95% of the viewership coming from outside South Korea. This statistic considers all Netflix content, not just international content. In October of 2021, *Squid Game* was the #1 show in over ninety countries, including the United States.¹⁴ The series won six Emmys, three BAFTAs, and one Golden Globe.¹⁵ The series was so well respected that it inspired many to watch other Korean dramas on the platform and thereby further increased the success of the genre.

Other K-drama success stories for Netflix included the original series *Hellbound* also released in 2021 and ranked Number 1 in Netflix's Top 10 in 34 countries. The film *The Silent Sea* also made it to the number one spot on the weekly top ten list for non-English content. Some

¹³ ("Netflix Bets on Korean Drama for Expansion" n.d.)

¹⁴ ("Squid Game' Is Now The #1 Show In 90 Different Countries" n.d.)

¹⁵ ("Ojing-Eo Geim - Awards - IMDb" n.d.)

other highly successful dramas included the zombie thriller drama *All of Us Are Dead*, and the Korean version of the Spanish show *Money Heist*.¹⁶

This success with K-dramas encouraged Netflix to double down on Korean content in 2022. Its plan at the end of 2021 was to release 25 Korean films and series throughout 2022, which was its largest number of productions in the region in its history. In 2021, Netflix invested more than \$500 million in Korean content including movies and television series and planned to increase that investment in 2022. Netflix has carved out a lead as a provider of Korean content internationally with more than 130 Korean titles launched; however, competition is increasing from the likes of Disney+, which launched 7 Korean titles when it expanded into South Korea in 2021.¹⁷

Netflix and Beyond: The Role of Competition

South Korean producers expect to benefit from the competition between streaming services Apple TV+, Disney+, and HBO Max, but Netflix had the first mover advantage with its long contracts with J Contenttree and Studio Dragon. Disney+ did not enter Asian markets until 2021, while Netflix produced its first Korean original in 2017. One of the reasons international streaming services are drawn to K-dramas is their success, but it is also because of how cheap they are to make. American-made dramas average \$3.4 million an episode while the most expensive K-drama produced was only \$2.3 million an episode.¹⁸ Due to the popularity and low cost of the content, it is reasonable to assume that streaming services will continue to invest in Korean content. However, only time will prove if that is the case.

¹⁶ (“Netflix to Release 25 Korean Originals in 2022: See the Full List – The Hollywood Reporter” n.d.)

¹⁷ Ibid.

¹⁸ (“Netflix Bets on Korean Drama for Expansion” n.d.)

The Music Industry

The South Korean music industry has arguably been the biggest part of the K-Wave with artists like BTS, Blackpink, NCT, Stray Kids, and Twice taking global audiences by storm. This is a very recent phenomenon with articles written merely 10 years ago making statements like:

While the pretty boys and girls of K-pop enjoy enormous popularity around Asia, that has not been replicated in lucrative Western markets. "K-pop can be a niche, but I don't think it will break through in the West. They try too hard, they are too rigid," says Daniel Tudor, author of *Korea: The Impossible Country*. "I feel that K-pop is too controlled; the big companies see music too much as a product."¹⁹

K-pop groups proved this article wrong in the following years with artists like J-Hope of BTS and Tomorrow X Together headlining at Chicago's Lollapalooza, Blackpink headlining at the Coachella music festival, BTS performing at the Grammys and being nominated for three awards, and many groups performing U.S. tours to sold out crowds, including Stray Kids, Seventeen, BTS, Ateez, Twice, BlackPink, and TXT.²⁰ The economic effects of this growth in popularity can be studied by examining three of the biggest music corporations in South Korea, known as the Big Three.

The Big Three

The Big Three consists of SM entertainment, JYP entertainment, and YG entertainment.²¹

¹⁹ ("Korea's S.M. Entertainment: The Company That Created K-Pop" n.d.)

²⁰ ("The Grammys | GRAMMY.Com" n.d.)

²¹ ("What Is the Big 3 in K-Pop?" n.d.)

JYP Entertainment

JYP Entertainment's main goal is to be the "Leader in Entertainment".²² While it is difficult to establish who has a right to this title, JYP Entertainment has been hot and growing for the last few years. It has experienced solid success with its older groups 2PM, TWICE, GOT7, Rain, Wonder Girls, Miss A, and DAY6 but has also seen great success in the debut of its experimental group Stray Kids, girl group ITZY, rock group Xdinary Heroes, and its newest group NMIXX.

History

JYP Entertainment was founded on April 25, 1996 under the name JYPE by singer-songwriter Park Jin-young. The company changed its name in 2001 to JYP Entertainment. The first group under JYP Entertainment management was the boy group g.o.d (Groove Over Dose) which debuted in 1999. However, the company's first major success was with the debut of solo artist Jung Ji-Hoon under the stage name Rain.²³ Rain achieved major success with the release of his album *It's Raining* in 2004 which sold 153,577 copies. This was JYP Entertainment's most successful album since its foundation and started the company on the trajectory to becoming one of The Big Three.

JYP Entertainment continued to build on the success of Rain by debuting new groups, training them in the style that Park Jin-young had established. JYP Entertainment debuted more than 13 groups over the next decade, including Wonder Girls, who debuted in 2007, followed by 2PM and 2AM in 2008, Miss A in 2010, GOT7 in 2014, Day6 and TWICE in 2015, Stray Kids

²² ("JYP Entertainment - HISTORY" n.d.)

²³ ("What Is the Big 3 in K-Pop?" n.d.)

and Boy Story in 2018, YAOCHEN in 2019, NiziU in 2020, Xdinary Heroes in 2021, and finally NMIXX in 2022. JYP Entertainment currently has eleven groups under management.²⁴

JYP Entertainment is a dynamic company and has multiple subsidiaries including JYP360 and JYP Pictures Incorporated. The company currently has three international subsidiaries: JYP USA, founded in 2022; JYP Japan, founded in 2010; and JYP China, founded in 2008, that are developing local groups to help further JYP Entertainment's reach into the global market.²⁵

Stock Performance

JYP Entertainment had its IPO on August 26, 2001, at a price of ₩2,970,000. The stock saw a sharp decline over the next ten years and was trading at around ₩3,300 on January 3, 2010—a decline of 99.89%. However, the stock has seen a substantial improvement in the last few years. As of April 8, 2023, its price was ₩77,900 a share which is an improvement of 2260.61% from 2010 levels.²⁶ This improvement was drastic in 2022 with a 70% jump in stock price and a break above ₩60,000 for the first time since its IPO.²⁷

This jump in stock price was encouraged by significant foreign investment. JYP Entertainment currently has 35,497 shares outstanding, of which 15,201, or 42.82%, are held by foreign investors. According to an article from *The Korea Economic Daily*, in the price hike of 2022: “Foreign and institutional investors led the buying spree. As of Jan. 27, foreigners and institutions bought 45.2 billion and 51.6 billion won [₩] worth of JYP shares while retail

²⁴ (“JYP Entertainment - HISTORY” n.d.)

²⁵ Ibid.

²⁶ (“035900.KQ Interactive Stock Chart | JYP Entertainment Corporation Stock - Yahoo Finance” n.d.)

²⁷ (“JYP Entertainment Stocks Skyrocket 70% in Three Months - KED Global” n.d.)

investors unloaded shares worth 95.1 billion won [₩].”²⁸ This shows that foreign investors are seeing the value of South Korean entertainment companies during the K-Wave.

According to the same article, the re-opening of countries to live events boosted the stock significantly. The article stated that “[l]arge scale concerts and tours are expected to resume in most Western nations” and “[t]he main driver of the price hike is the resumption of offline concerts.”¹⁷ This growth in live events is also due to the growing fan base that JYP artists like Stray Kids, Twice, and NMIXX obtained during the pandemic. The boy band Stray Kids has seen fantastic results since their debut in 2018. In 2022, Stray Kids debuted their album *Oddinary* at No. 1 on the Billboard 200, a music chart that:

ranks the most popular albums of the week in the U.S. based on multi-metric consumption as measured in equivalent album units. The album *Oddinary* also debuted at No. 1 on the Top Album Sales chart with the largest sales week of any album in 2022, with 103,000 copies sold.²⁹

Analysts and JYP expect that the increase in popularity of JYP artists during the pandemic will continue to drive ticket sales of live events and thereby increase profits.

If JYP’s stock continues this positive trajectory, it could very well become the one of the most valuable stocks on the KOSDAQ which is the secondary trading board of the KRX (Korea Exchange). According to an article from *The Korea Economic Daily*:

On Monday [April 4th, 2022], Yuanta Securities Korea set its target for JYP to above the ₩80,000 mark. If realized, the entertainment behemoth’s market capitalization will reach

²⁸ (“035900.KQ Interactive Stock Chart | JYP Entertainment Corporation Stock - Yahoo Finance” n.d.)

²⁹ Ibid.

₩2.8 trillion and become one of the 10 biggest stocks on KOSDAQ, the secondary trading board of Korea Exchange (KRX).³⁰

The year 2023 is seemingly positive for JYP Entertainment so far as the stock has seen a year-to-date, April 9th, 2023, positive change of 13.86% and a positive change of 19.69% in the last twelve months. Its dividend yield is 0.48% and its current market capitalization is ₩2,715.6 billion, which is merely ₩85 billion below the level needed for the stock to become part of the top 10 of the KOSDAQ.³¹

Financial Performance

The optimism in JYP Entertainment’s stock is supported by its strong financial results for the last few years. In the year 2022 JYP Entertainment saw revenues of ₩345.9 billion—an increase of 78.39% from ₩193.9 billion in 2021 and an increase of 177.163% from pre-pandemic level profits which were ₩124.8 billion in 2018. This increase in sales filtered down to net income, although there was no increase between 2021 and 2022. According to the company’s quarterly report this flat growth was because of increased artist fees and “one-offs.” Artist fees increased primarily due to the growth of Stray Kids and the renewal of TWICE’s contract with the company. It is unclear what the nature of the one-off expenses were, other than that they are related to the groups TWICE and NiziU and JYP360 merchandising production costs.³² JYP360 is a subsidiary of the company that focuses on fan engagement.³³

However, even with the flat growth between 2021 and 2022, the net income of ₩67.5 billion in 2022 was still an increase of 177.78% from ₩24.3 billion in 2018 pre-pandemic

³⁰ (“035900.KQ Interactive Stock Chart | JYP Entertainment Corporation Stock - Yahoo Finance” n.d.)

³¹ (“035900 | JYP Entertainment Corp. Stock Overview (S. Korea: KRX) | Barron’s” n.d.)

³² (“JYP Entertainment 2023 Investor Relations,” n.d.)

³³ (“JYP Entertainment Starts Fan-Engagement Division – Billboard” n.d.)

levels.³⁴ A visual representation of JYP Entertainment’s growth can be seen in Figure 2.³⁵ EPS slightly increased between 2021 and 2022. EPS was ₩2,380 for the 2022 period which was an increase of 0.03% from 2021 EPS of ₩2038.21, but 2021 EPS was an increase of 128.41% from 2020 EPS of ₩892.36.³⁶



Figure 2

For the fourth quarter of 2022, JYP continued to see strong demand for its artists in international audiences. Global streaming increased by 107% year-over-year while streaming overall grew 40%. The main contributors to this growth were JYP’s star groups Stray Kids and ITZY.³⁷

Revenue also increased in the fourth quarter thanks to increases in advertising, physical sales (driven by ITZY, TWICE, and Stray Kids), the U.S. tour of ITZY, and the Jakarta/Japan tour of Stray Kids. Stray Kids has been especially driving growth for the company, ranking on the Billboard 200 twice in a row in 2022 and selling three million physical albums. In view of the group’s success, JYP Entertainment planned another world tour for 2023. Financial results of the tour are currently unavailable since it is still ongoing. Twice also significantly impacted the financial results for 2022, with physical album preorders for their latest album hitting 1.7 million copies. JYP Entertainment is also planning a world tour for Twice in 2023.

³⁴ (“JYP Entertainment - FINANCIAL INFO.” n.d.)

³⁵ Ibid.

³⁶ (“035900.KR | JYP Entertainment Corp. Annual Income Statement - WSJ” n.d.)

³⁷ (“JYP IR_Factsheet_External_4Q22-23f59a58640a4c0888e5104192990659,” n.d.)

For the year 2022, physical album sales represented 36% of total revenues, streaming 25%, commercial ads 7%, concerts 5%, appearances 7%, merchandise 11%, and others (including YouTube) 21%. Of the streaming segment, 75% of total streams were from overseas while only 25% were domestic. This is an increase from 2020 where only 52% of total streams were from overseas and 2017 where only 31% of total streams were from overseas. YouTube revenues made up 31% of the other revenues segment with subscribers increasing by three million year-over-year bringing the total subscriber count of the official JYP Entertainment channel to 26.6 million.

In terms of regional revenues, South Korea still makes up the greatest percentage with 52% of total revenues coming from the country. Japan is next in line with 19%, followed by China with 4%. In the regional segment breakdown, JYP Entertainment includes an “other” regional segment which is assumed to include all other countries besides South Korea, Japan, and China. This “other” segment has grown significantly over the last five years with it constituting only 8% of revenues in 2017, but that number has grown to 25% in 2022. JYP Entertainment has been able to take advantage of the K-Wave with its global strategies.³⁸

Part of JYP Entertainment’s global strategy has been to debut local groups in other countries. It has implemented this strategy with the debut of the Chinese six-member boy group Boy Story in September of 2018. This debut was in collaboration with the Chinese conglomerate TENCENT. The company has also implemented this strategy in Japan with the debut of the nine-member girl group NiziU in December of 2020. This debut was accomplished by the joint production of JYP Entertainment and SONY Music Japan.

Boy Story’s accomplishments include “Ranked No.1 in ‘QQ Music Video Chart’ and ‘Weibo Asia Music Chart’ upon the debut.” NiziU accomplishments include “Ranked No.1 in

³⁸ (“035900.KR | JYP Entertainment Corp. Annual Income Statement - WSJ” n.d.)

ORICON Chart in Japan with pre-release digital songs and topped all 64 local chart incl. Line Music. Sold out their first major tour in Japan including 15time ARENA & 4time DOME TOUR in 2H 2022.”³⁹

Growth Strategies

JYP Entertainment plans to further its growth and expand its market share through three strategic ways: strengthening the core business, global expansion by localization, and new business expansion.⁴⁰

Part A of the expansion will involve “developing additional artist line-up to target various market & audience.”⁴¹ JYP Entertainment has a wide range of genres and moods in their groups, ranging from the pop rock of Day6 to the dance pop style of TWICE to the experimental style of Stray Kids. JYP is already making great progress in the diversification of its groups so it should not be hard for the company to continue in this expansion. Part A will also include “Maximizing Efficiency: Achieve greater efficiency through process innovation and focusing on the core biz.”⁴² JYP Entertainment’s operating margin has not seen as much improvement as its growth in sales would lead individuals to believe. It rose to 31% in 2020 but in 2022 it fell back to 2019 levels of 28%. There are definite improvements that could be made in this area, but they may not come to fruition until JYP sees more return on its foreign investments.

Part B of the expansion will involve “[l]ocaliz[ing] our core system to target local music market by forming a strategic partnership.”⁴³ As mentioned in the discussion of JYP Entertainment’s fourth quarter results, the company has already debuted two international groups, Boy Story in China and NiziU in Japan. The company plans to continue building on the

³⁹ (“JYP Entertainment 2023 Investor Relations,” n.d.)

⁴⁰ (“JYP IR_Factsheet_External_4Q22-23f59a58640a4c0888e5104192990659,” n.d.)

⁴¹ Ibid.

⁴² (“JYP Entertainment 2023 Investor Relations,” n.d.)

⁴³ Ibid.

partnerships these groups established with local companies. JYP Entertainment plans to debut another group in China named Project C. The hope is that this project will strengthen its partnership with Chinese conglomerate TENCENT, which it worked with in the debut of Boy Story. In Japan, JYP is hoping to continue working with SONY Music Japan and debut a sibling group to NiziU currently named NiziU II. In the U.S. it plans to debut a group currently known as A2K. This group would be JYP Entertainment's first local group in United States. It plans to debut this group in a partnership with Republic Records, which is owned by Universal Music Group and manages such artists as Taylor Swift, Ariana Grande, and The Weeknd. This partnership would be extremely beneficial to both companies as Republic Records already has such a strong share of the U.S. market, but JYP Entertainment can bring the knowledge that has allowed K-pop to conquer broad international markets.

Part C of the expansion involving new business opportunities is vague in the report, which states that it is “[s]eeking out potential strategic partners / IP licensing businesses / future contents”.⁴⁴ As this is discussed in a separate section from the partnerships with TENCENT, SONY Music Japan, and Republic Records, it seems safe to say that JYP Entertainment is planning to expand into other products. It is mentioned in the report that JYP considers the ecommerce, NFT, and Metaverse expansion to be important, but it seems that the company is focusing less on this segment that it is on its new segment managing actors and actresses. This segment is the subsidiary JYP Pictures Inc. Not much is said about this segment in the financial reports, but it seems reasonable to assume that new strategic partners may be sought out in this segment in order to fit the “future contents” part of the strategy. The IP licensing business is probably referring to JYP360 which is a subsidiary of the company that focuses on fan meetings, as mentioned earlier, but it also deals with artists' IP or intellectual property rights. Based on the

⁴⁴ (“JYP Entertainment 2023 Investor Relations,” n.d.)

financial statements, it is unclear whether JYP Entertainment plans to expand this area or not, but it is a definite possibility.

YG Entertainment

YG Entertainment is another well-established entertainment company. Home to such formidably popular groups as Blackpink, the most globally successful group after BTS, BIGBANG, EPIK HIGH, and wildly popular solo artist Psy, YG Entertainment has fostered a reputation for quality that places it firmly in the Big Three of the South Korean music industry.

History

YG Entertainment was founded in March of 1996 by Yang Hyun Suk, a former rapper and songwriter who was mainly known for his membership in the group Seo Tae Ji and Boys. The company debuted its first group, Keep Six, the same year. Keep Six was a hip-hop group that fit well with Yang Hyun Suk's expertise.⁴⁵

YG Entertainment debuted many groups and solo artists in the following years. Perhaps most recognizable in their long history of artists is the solo artist Psy, who released his song "Gangnam Style" under YG Entertainment in 2012. "Gangnam Style" was a cultural phenomenon that spread across the globe, charting at number 2 on the Billboard Hot 100, and it was many Americans first introduction to K-pop.⁴⁶

Another significant group to debut under YG was Blackpink in the year 2016. Blackpink became a global sensation, becoming the first Asian act to headline at the Coachella music

⁴⁵ ("YG ENTERTAINMENT" n.d.)

⁴⁶ ("PSY" n.d.)

festival, the first K-pop girl group to win a VMA, and breaking the record for strongest music video debut in YouTube history with 56.7 million views in 24 hours.⁴⁷

Unfortunately, YG has been involved in several scandals that have tainted public opinion of the company. In 2019, the founder Yang Hyun Suk resigned as head of the company, “when it became clear that the agency was mired in a series of inter-linked scandals. These stretched from drugs to prostitution and an allegedly corrupt relationship with the police.”⁴⁸ The scandals stemmed from an artist under YG management, Seungri from BIGBANG. Seungri was part owner of a nightclub that was involved in prostitution, drug distribution, police corruption, and illegal spy camera footage. Evidence from recovered text messages implicated Seungri in the crimes. The artist pled guilty and was sentenced to eighteen months in prison.⁴⁹

Thankfully, YG Entertainment still has very successful artists that have not succumbed to scandals. Based on the success of these artists, it does seem that the company has a talent for selecting and training individuals. In its 27-year history it has seen success that no one would have expected. Now, under the new leadership of co-CEOs Hwang Bo Kyung and Yang Min Suk, it is continuing to grow and expand with offices in Japan, Hong Kong, and the United States.⁵⁰

Stock Performance

YG Entertainment had its IPO on November 20, 2011 at ₩25,550 a share. As of April 8, 2023, its stock price was ₩61,500 a share, which is a growth of 140.705% over the 12-year period.⁵¹ The stock has seen a year-to-date positive change of 37.97% and a negative 12-month change of -2.26%. Its current market capitalization is ₩1.14 trillion and it has a dividend yield

⁴⁷ (“BLACKPINK: Times the K-Pop Group Made History – Billboard” n.d.)

⁴⁸ (“Yang Hyun-Suk, Former Head YG Entertainment, Not Guilty of Blackmail - Variety” n.d.)

⁴⁹ (“Korea’s Burning Sun Scandal Reveals a K-Pop Crime Cartel - Variety” n.d.)

⁵⁰ (“YG ENTERTAINMENT” n.d.)

⁵¹ (“YG Entertainment Inc. (122870.KQ) Stock Price, News, Quote & History - Yahoo Finance” n.d.)

of 0.41%.⁵² It has 18.66 million shares outstanding, however, no information could be found on the extent of foreign investment in the company beyond the fact that Chinese conglomerate TENCENT owns a 4.5 percent stake in the company.⁵³

Financial Performance

YG entertainment saw a significant improvement in its financials between the years 2021 and 2022. Revenues increased by 21.62% from ₩321,636 million in 2021 to ₩391,175 million in 2022. Net income also saw a drastic improvement of 403.50% from ₩6,679 million in 2021 to ₩33,637 million in 2022. EPS had a similar increase of 401.90% from ₩363.58 million in 2021 to ₩1827.20 million in 2022.⁵⁴

Unfortunately, it is very difficult to unearth the reasons for this change since YG Entertainment does not release many documents for its foreign investors. The documents that are available are in Korean and the author of this paper does not feel comfortable with attempting to translate the documents for fear she will spread misinformation.

Growth Strategies

The growth strategy of YG Entertainment is composed of three parts: 1) the continued new development and production of new content; 2) “One Source Multi Use Strategy”⁵⁵; and 3) expansion to the global market.

The continued new development and production of new content strategy aims to maintain YG Entertainment’s reputation for quality by continued improvements in its in-house producing system and in the casting and training of new recruits. YG Entertainment wants to become the “most preferred brand” in the entertainment industry and it believes that a large part of that lies

⁵² (“122870 | YG Entertainment Inc. Stock Overview (S. Korea: KRX) | Barron’s” n.d.)

⁵³ (“Tencent Invests in South Korea’s YG Entertainment - Business - Chinadaily.Com.Cn” n.d.)

⁵⁴ (“122870.KR | YG Entertainment Inc. Annual Income Statement - WSJ” n.d.)

⁵⁵ (“YG ENTERTAINMENT” n.d.)

in the quality of its artists. The company believes that its training structure is “unmatched” and if it continues with its current trajectory, it will continue to lead in the global market.⁵⁶

The One Source Multi Use Strategy is intended to bring more diversified content to the business model. According to YG Entertainment’s website: “Through the OSMU strategy, YG Entertainment is expanding its diversified contents business model. YS is leading the initiative for digital music that can be adapted to a variety of platforms and devices, going beyond the basic album and concert activities.”⁵⁷ The company wants to bring in more revenues from areas beyond the traditional streams of album and concert sales and consolidate to bring in revenues from advertising, characters, and games.⁵⁸

YG Entertainment’s expansion to the global market strategy intends to do just what it says. In its own words, YG Entertainment is “aiming for the world”.⁵⁹ The company already has a solid foothold in Japan with its Japanese label YGEX, which was a joint venture with a Japanese company AVEX. The main new expansion will therefore be in the United States and Europe, but YG Entertainment says little as to what the expansion will look like.

SM Entertainment

SM Entertainment owns some of the most globally successful artists in K-pop including groups that started the K-Wave like SHINee, TVXQ, Super Junior and Girls’ Generation, but it also owns new groups that are very popular globally, including NCT, NCT 127, and aespa.

⁵⁶ (“YG ENTERTAINMENT” n.d.)

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ Ibid.

History

Founded in February 1995 by Lee So Man, SM Entertainment is considered one of the first companies to have an impact on the K-Wave.⁶⁰ In fact, Forbes went so far as to call it “The Company That Created K-pop” and said that the key to its success was the marketing of “bands as brands.”⁶¹ The company developed a boot-camp style training system for its artists that turned highly talented individuals into professionals in a very short time, as its goal was to not sign artists but rather build them from the ground up. The company has been criticized for its intense practices but Hahn Dae-Soo, a former S.M. Entertainment artist, admires the business acumen of the founder, saying in an interview with Forbes: “I wish I'd had Lee Soo-Man when I was in my 20s and 30s... Before Lee it was, Music is my life, I don't care if I'm rich or poor.' Now you can love music and be a millionaire!”⁶²

SM Entertainment’s own website echoes the sentiments of this article, saying it was: the first company in the industry to introduce systematic casting, training, producing, and management systems, and it has been discovering unique content by pinpointing demands for music and cultural trends... In 1997, SM Entertainment became the first company in the Korean entertainment industry to enter foreign markets and made remarkable achievements as the leader of Hallyu, or the Korean Wave.⁶³

As can be seen from this quote, SM believes that it is the leader of the K-Wave and, according to the metrics, it seems to have proof for this claim. SM Entertainment entered the global market only two years after it was established as a company, with its first international office, SM Entertainment Japan, established in 2001. It was the first company in the

⁶⁰ (“SM Entertainment Group” n.d.)

⁶¹ (“Korea’s S.M. Entertainment: The Company That Created K-Pop” n.d.)

⁶² Ibid.

⁶³ (“SM Entertainment Group” n.d.)

entertainment industry listed on the KOSDAQ (Korea Securities Dealers Association).⁶⁴ It had its IPO in 2000, a mere five years after its establishment.

SM Entertainment is striving to “lead the entertainment industry until Korea becomes a ‘Cultural Powerhouse’ as well as an ‘Economic Powerhouse’ based on the idea that our economy will reach its heights only when our culture wins the heart of the entire world.”⁶⁵

As can be seen from the above quote, SM Entertainment does not want to succeed just for profit—there is also a sense of responsibility to succeed to promote Korea itself as a country to the world. There seems to be a great sense of pride in the country, but also an urge to prove and improve it.

Stock Performance

SM Entertainment had its IPO on April 27, 2000 priced at ₩13,337.90 a share. As of April 7, 2023, its stock price is ₩97,600 a share which is a growth of around 631% over the twenty-three-year period. The stock has seen a year-to-date positive change of 27.25% and a positive 12-month change of 30.31%. Its current market capitalization is ₩2,285 billion and it has a dividend yield of 1.23%. It has 23.83 million shares outstanding of which 4.067 million or 17.07% are held by foreign investors.⁶⁶

Financial Performance

76.8% of the company’s revenues come from album and digital music sales, 25.1% comes from TV, advertisements, and events, 7.5% is from concerts, 39.8% is from licensing, and 1.9% is from other activities. The company’s net income was down in the fourth quarter by 2.8% to ₩9.3 billion from ₩19.7 billion in the year 2021, but the company explains the decline was because of a one-time real estate sale of 19.7 billion which led to an inflated gain in 2021. This

⁶⁴ (“KOSDAQ Quote - Korea Securities Dealers Association KOSDAQ Index - Bloomberg Markets” n.d.)

⁶⁵ (“SM Entertainment Group” n.d.)

⁶⁶ (“041510 | SM Entertainment Co. Ltd. Stock Overview (S. Korea: KRX) | Barron’s” n.d.)

argument seems to be born out by the fact that the company has seen a significant increase in its revenue, which was up 18.2% to ₩256.4 billion from ₩216.9 billion in the fourth quarter of 2021, and has seen a 70.3% increase in its operating profit up to ₩25.2 billion from ₩14.8 billion in the fourth quarter of 2021.⁶⁷

For the full year of 2022, SM Entertainment saw a revenue increase of 23.15% to ₩513.8 billion from ₩417.2 billion in 2021, and an increase of 69.79% from revenues of ₩302.6 billion in 2020. Net profit was up by 12.62% to ₩68.7 million from ₩61 million in 2021 and up 129% from ₩30 billion in 2020. As can be seen from the year-over-year growth, SM Entertainment has seen significant growth in the last three years.⁶⁸

One of the segments driving this growth is SM Entertainment's DREAM MAKER segment, which oversees live events including concerts and fan meetings. Its revenues increased from ₩8.7 billion in the fourth quarter of 2021 to ₩26.7 billion in the fourth quarter of 2022, which was an increase of 207% and was 10.4% of overall revenue. This significant increase was attributed to the improvement in the coronavirus pandemic worldwide. Live events have become allowed even in more strict countries and the company was able to capitalize on the fans it gained during the pandemic. In the fourth quarter of 2022 the company saw a large increase in its concerts, stating: "Concerts/MD/Appearance large increase: 35 times of domestic and international concerts (NCT 127 8 times, NCT DREAM 5 times, Super Junior 8 times)."⁶⁹

SM Entertainment has partnered with Hulu to distribute a variety tv show about its highly successful group NCT, which consists of 27 members and is divided into the main group (NCT) and subunit groups NCT Dream, NCT 127, NCT U, WayV, and NCT DoJaeJung. The show was released between November 16, 2022, and February 21, 2023. However, the show was not

⁶⁷ ("SM Earnings," n.d.)

⁶⁸ ("SM Entertainment" n.d.)

⁶⁹ ("SM Earnings," n.d.)

available on Hulu in all countries. The main distribution was to Hulu Japan, while TVING was responsible for the distribution of the show in South Korea.⁷⁰

Growth Strategies

SM Entertainment's plans for the year 2023 included two North American tours for two of its groups, NCT 127 and NCT Dream. North America was not the only stop listed for SM artists, with tours planned in Chile, Colombia, Mexico, Japan, Brazil, Peru, Indonesia, Thailand, and Europe for the first half of the year alone.⁷¹

SM Entertainment released a statement to its investors on March 3, 2023, to discuss its global expansion and investment strategy. According to the report, the company has observed a 78% growth rate in its physical album exports to the Americas and a 128% growth rate in Europe. Physical album exports to the Americas totaled to ₩54 billion and exports to Europe totaled ₩26.4 billion as of 2022. The company foresees continuous demand for physical albums and concerts in western countries and plans to continue exporting its Korean music in addition to expanding into artists in other countries.

For its continued expansion in the Americas, SM Entertainment sees a “[l]arge [m]arket with massive global impact” and thinks that “Rapid market entry [is] needed considering the K-pop momentum.”⁷² It is planning to “[a]ccelerate establishing local production base with [a] strategic business partner.”⁷³ SM is drawn to the Americas as the region is the #1 market in terms of size and it is a good entry point into the rest of the world because music that tops the U.S. charts tends to become popular worldwide. Also, as mentioned earlier, it is a great time for entry

⁷⁰ (“SM Earnings,” n.d.)

⁷¹ Ibid.

⁷² (“SM Global Expansion,” n.d.)

⁷³ Ibid.

as the “growth of K-pop album sales in US reached 78%.”⁷⁴ SM’s expansion plan for the U.S. has two parts. It plans to establish connections with strategic partners already in the U.S. to help market its existing groups to U.S. audiences and make local concerts easier. The second part involves debuting U.S. based artists to appeal to U.S. fans, emphasizing artistic quality. It is hoping to establish a US subsidiary for ₩60 billion in 2025.

SM Entertainment’s Japan expansion is following a similar route as it is planning on debuting two Japanese groups under the SM label, NCT Tokyo in 2023 and an unnamed team in 2024. However, neither of these groups have come into existence yet. It also hopes to establish a Japanese production center for ₩200 billion in 2025.

SM Entertainment’s growth philosophy is a mixture of organic growth through internal training and inorganic growth through acquisitions. It believes its core competency stems from the quality of its artists and wants to continue to grow its talent base through training of artists. It believes that it serves as “an agency for composers/lyricists, so they can concentrate only on creative works.”⁷⁵ It wishes to acquire more companies both at home and abroad to inorganically grow its network but then apply its core competency of training to the new artists that come under its care. In terms of these new artists, SM wants to continue to grow its strong base of Korean artists while also adding in artists from other countries. SM is forecasting that this plan of expansion focusing on its organic growth through its core competency and inorganic growth through acquisitions will lead to an additional ₩260 billion in sales for a total of ₩1.2 trillion in 2025.⁷⁶

⁷⁴ (“SM Earnings,” n.d.)

⁷⁵ Ibid.

⁷⁶ Ibid.

The New Player: HYBE Corporation

It would be remiss to talk only about the Big Three companies and not mention a significant new player in the K-pop entertainment company arena, HYBE Corporation. Formerly known as Big Hit Entertainment, HYBE started as a very small company that took a chance on a small boy group known as Bangtan Sonyeondan, or BTS. Now it is a multilabel conglomerate that owns Big Hit Entertainment, BeLIFT Lab, Source Music, Pledis Entertainment, Koz Entertainment, HYBE Labels Japan, and ADOR.⁷⁷

History

HYBE Corporation started out as Big Hit Entertainment, which was founded by music producer Bang Si-hyuk. Bang Si-hyuk originally worked with JYP Entertainment but started Big Hit Entertainment in 2005. The company struggled in its early years and Bang Si-hyuk almost gave up on the business. However, in 2013 the company formed the group BTS under the leadership of Kim Namjoon (stage name RM) with seven members total. It was this band that would soon put Big Hit Entertainment on the map.⁷⁸

BTS debuted in 2013 and, although their success was not immediate, they have become the world's biggest boyband, breaking down doors in western markets for other K-pop artists to follow. As a self-produced band, their music was filled with hopeful messages that captured hearts around the globe. Their accomplishments include three Grammy nominations, becoming the first South Korean act to be nominated in the pop categories and the first K-pop act to perform at the Grammys.⁷⁹ The band has also

collected four No. 1 songs in a span of 9 months, performed multiple sold-out stadium shows across the world, and been named TIME's Entertainer of the Year 2020. BTS has

⁷⁷ ("HYBE" n.d.)

⁷⁸ ("The Evolution of HYBE: How One Small Company Took the World by Storm - Asians Out Loud" n.d.)

⁷⁹ ("PROFILE | BTS | BIGHIT MUSIC" n.d.)

been nominated for Best Pop Duo/Group Performance for the 63rd Grammy Awards and recognized with numerous prestigious awards like the Billboard Music Awards, American Music Awards and MTV Video Music Awards.⁸⁰

BTS's list of accomplishments has turned into very real profits for the company. While in-person events were impossible during the coronavirus pandemic, BTS held an online combination concert and festival for their fans, called "Bang Bang Con", in early 2020. The event included hours of content from the band and achieved 50 million viewers, although not all the viewers were watching simultaneously.⁸¹ That same year in October, the band held an online concert for their new album "Map of the Soul: 7". The concert, named "Map of the Soul ON:E", was a ticketed event and sold nearly one million tickets for the two-day concert.⁸² Reportedly this single event earned Big Hit entertainment \$43.5 million in revenue.⁸³

In 2021, the band was finally able to perform in person in front of fans again. BTS performed their new concert "Permission to Dance On Stage" for four days in Los Angeles, California. The band sold 214,000 tickets and grossed \$33.3 million for the four-day stint which "was the largest gross for a run of shows at a single venue since 2012."⁸⁴ In similar fashion, the band's four-day long show in Las Vegas in April of 2022 was attended by 200,000 in person viewers while 402,000 viewers joined online.⁸⁵

The band's latest concert was a free concert hosted in Busan, South Korea on October 15, 2022. The concert drew in a total of 49 million people in a single day. 50,000 fans attended the show at Asiad Main stadium, while another 12,000 gathered in nearby areas to watch live

⁸⁰ ("HYBE" n.d.)

⁸¹ ("BTS's Online Concert Event Was A Massive Success" n.d.)

⁸² ("BTS' Virtual Map Of The Soul One Concert Recap – Billboard" n.d.)

⁸³ ("BTS' Map of the Soul ON:E' Virtual Concert Generates Enormous Revenue; Details inside | Music" n.d.)

⁸⁴ ("BTS Scores Behemoth Boxscore Numbers At SoFi Stadium – Billboard" n.d.)

⁸⁵ ("BTS' 'Permission to Dance on Stage – Las Vegas' Draws 4 Million – Billboard" n.d.)

transmissions. The remaining fans joined from all across the globe via livestream on HYBE's online streaming platform, Weverse.⁸⁶

Unfortunately for fans, this was to be the last time they would see the band for awhile, as the oldest member, Kim Seokjin, announced his enlistment in the South Korean military to fulfill his two-year mandatory military requirement. This news was quite a shock for fans who hoped to hear news of a world tour soon. The news of his enlistment was accompanied by an announcement from HYBE saying that the band will be taking a two-year hiatus so that all members can complete military service requirements and work on solo projects.⁸⁷

Although this news upset many fans, BTS members have not been idle during this time. Three of the seven members have released solo albums in the last year and one member of the group, Min Yoongi, known by the stage names Suga and Agust D, has announced a world tour to take place in the middle of 2023 following the release of his new album. The rapper will be performing at five different venues in the U.S. alone and has dates set for shows in Jakarta, Bangkok, and Singapore. Even though the band is on a break right now, fans are confident that they will return in 2025 bigger and better than ever.⁸⁸

While fans are content, what about HYBE? Well, thankfully, HYBE has not depended on just BTS for its growth over the past few years. In fact, that is why the company rebranded to HYBE from Big Hit Entertainment in March of 2021. The company wanted to be known as a multi-label conglomerate, which it has accomplished both through internal creation of new labels and external acquisitions.⁸⁹

⁸⁶ ("BTS: Concert in Busan Viewed by 50 Million Worldwide - Variety" n.d.)

⁸⁷ ("Jin of BTS Begins Mandatory Military Enlistment During Band Hiatus – Rolling Stone" n.d.)

⁸⁸ ("Suga's Agust D Tour Is Headed to Japan: See the Dates – Billboard" n.d.)

⁸⁹ ("BTS's Company Big Hit Entertainment Rebrands as HYBE | GMA News Online" n.d.)

On May 25, 2020, HYBE became the majority shareholder of the entertainment company Pledis Entertainment. This acquisition was part of Big Hit's strategy to become a multi-label structured company. Pledis Entertainment still operates under its own name and has full independence, it is simply under HYBE's banner. While Pledis is considerably smaller than HYBE, it owns a globally popular group named Seventeen. Seventeen has only grown since the acquisition with a wildly successful world tour in 2022 with plans for another one in 2023.⁹⁰

HYBE has also been developing groups of its own, most notably Tomorrow x Together, which debuted under Big Hit Entertainment on March 4, 2019; Enhypen, which debuted under BeLift Labs on November 30, 2020; Le Sserafim, which debuted under Source Music on July 20, 2022; and its newest group, New Jeans, which debuted under ADOR on August 1, 2022. These groups have already seen international success, with Tomorrow x Together and Enhypen having very successful world tours in 2022,⁹¹ ⁹² Le Sserafim's first mini-album *Antifragile* sold over a million copies,⁹³ and New Jeans song "Ditto" broke Blackpink's streaming record claiming the top spot for the highest streams of a girl group song.⁹⁴

HYBE has not been slacking in terms of foreign investment. In April of 2021, HYBE bought the American label Ithaca Holdings for \$1 billion. Ithaca Holdings manages household name artists Justin Bieber, Demi Lovato, and Ariana Grande. This move, which was accomplished through the HYBE subsidiary HYBE America, has firmly positioned HYBE in the American artist space.⁹⁵

⁹⁰ ("BTS's Agency Big Hit Becomes Majority Shareholder Of K-Pop Company Pledis, Home To Seventeen & NU'EST" n.d.)

⁹¹ ("TOMORROW X TOGETHER Announce First-Ever World Tour: See the Dates – Billboard" n.d.)

⁹² ("ENHYPEN Reveals Details for U.S. Shows on MANIFESTO Tour – Billboard" n.d.)

⁹³ ("K-Pop Band Le Sserafim Earn Their First-Ever Million-Selling Album" n.d.)

⁹⁴ ("New Jeans Song 'Ditto' Breaks Blackpink's Streaming Record" n.d.)

⁹⁵ ("HYBE, Home to BTS, Merges With Scooter Braun's Ithaca Holdings - Variety" n.d.)

HYBE Corporation has earned a spot with the major players of the K-pop industry. Some individuals are even starting to use the term “The Big Four” instead of “The Big Three”.⁹⁶ Some of the financial results of HYBE’s investments have been discussed above, but an in-depth discussion of the company’s stock and financial statements is provided below.

Stock Performance

Big Hit Entertainment had its IPO on October 11, 2020, issuing stock at ₩135,000 a share. The event was the biggest stock listing the South Korean market had seen in the last three years.⁹⁷ As of April 9, 2023, its stock price was ₩218,500 a share which is a growth of 61.85% over the two-and-a-half-year period. The stock has seen a positive year-to-date change of 27.95% and a negative twelve-month change of 21.69%.⁹⁸ Its current market capitalization is ₩8.9 trillion. It currently has 41.35 million shares outstanding of which 16.44% or 6.8 million shares are held by foreign investors.⁹⁹

Financial Performance

In the year 2022 HYBE Corporation saw revenues of ₩1,778 billion, which was an increase of 41.42% from revenues of ₩1,255.93 billion in 2021 and an increase of 489.36% from the pre-Covid revenue of ₩301.37 billion in 2018. Net income actually decreased 75.9% between 2021 and 2022, with net income from 2022 at ₩33.92 billion and net income of 2021 at ₩140.84 billion. However, 2022 net income was still an increase of 168.157% from pre-Covid net loss of -₩70.47 billion in 2018.

The earnings report available to foreign investors does not explain the difference in net income between 2021 and 2022. It does show that operating profit for the company increased by

⁹⁶ (“With Rising Stars Ateez and StayC, Smaller K-Pop Labels Take on the Big 4 | South China Morning Post” n.d.)

⁹⁷ (“BTS’s Company Big Hit Entertainment Rebrands as HYBE | GMA News Online” n.d.)

⁹⁸ (“352820 | HYBE Co. Ltd. Stock Overview (S. Korea: KRX) | Barron’s” n.d.)

⁹⁹ (“HYBE” n.d.)

24.9% from ₩190.25 billion in 2021 to ₩237.68 billion in 2022. This indicates that the decrease in net income was not due to slowing of sales or increase in operating expenses. However, no specific information about the cause of the decline in net income was found. EPS for the year 2022 were ₩1265.21.¹⁰⁰

Segment revenues for the year of 2022 included album sales of ₩553.85 billion, a year-over-year increase of 47%, concert sales of ₩258.18 billion, a year-over-year increase of 470.1%, ads, appearances, and management revenues of ₩161.83 billion, a year-over-year increase of 60.6%, merchandising and licensing revenues of ₩395.55 billion, a year-over-year increase of 24.8%, content revenue of ₩341.50 billion, a year-over-year decrease of 7.8%, and fan club revenues of ₩67.11 billion, a year-over-year increase of 47.1%.

Geographic revenue distribution has changed drastically in recent years. In 2017, 72% of revenues were generated in South Korea, with 9% from North America, 14% in Japan, and 5% from Asia and other regions. In 2022, 33% of revenues were from South Korea, with 32% from North America, 28% from Japan, 1% from China, and 6% from Asia and other regions. Before the pandemic, South Korea was its own market, but now North America is providing nearly equal revenues with those of South Korea.

Highlights from the year included the accomplishments of groups New Jeans, Tomorrow x Together, and Le Sserafim. New Jeans' debut album *OMG* sold one million copies in 3 weeks and charted on the Billboard Hot 100 for over 4 weeks. Tomorrow x Together's new album *The Name Chapter: Temptation* held the number one spot in 1st week album sales with sales reaching ₩2,180,800. To be noted is the fact that this ranking excluded BTS. The album charted first on the Billboard 200 chart in the first week and made Tomorrow x Together the first 4th generation K-pop artist to place within the top 10 for three weeks in a row. Le Sserafim's Japanese album

¹⁰⁰ (“4Q FY2022,” n.d.)

Fearless led to the sale of 222,000 albums in the first week placing Le Sserafim in the #1 spot of K-pop girl group 1st week for Japanese debut album. The album reached the top of 4 Oricon charts and reached cumulative sales of 250,000 albums on February 4th, 2023.

Growth Strategies

For the year ahead, HYBE Corporation is continuing with its multi-label growth strategy through the acquisitions of other companies. In its latest move, HYBE purchased a 15.8% interest in The Big Three Entertainment company SM Entertainment in February of this year. However, the market conditions of the stock had been heating up due to the South Korean tech giant Kakao's desire to take over SM Entertainment. The current ownership does not give HYBE any controlling interest in the company, as it decided not to make the full purchase until market conditions cool down. The purchase has come under scrutiny from interested parties who are concerned that a merger would give HYBE too big of an advantage in the music industry. Any thoughts on what will happen with SM Entertainment and HYBE Corporation in the next year would be pure speculation. However, it will be interesting to watch and see if these two giants of the entertainment industry complete a full merger in the next year.¹⁰¹

HYBE Corporation will continue improving and expanding its internal segments as well. The main message that HYBE wants its customers to remember is that "We Believe in Music."¹⁰² The message is all across the website and with a founder that is such a notable producer in the K-pop industry, it is clear that HYBE encourages their artists to be the best that they can be. Although some individuals have criticized K-pop in general for being too "manufactured," Bang Si-Hyuk is confident in his approach, stating in an interview with Time Magazine:

¹⁰¹ ("BTS Agency HYBE Ends Takeover Battle for K-Pop Pioneer SM Entertainment - CNN" n.d.)

¹⁰² ("HYBE" n.d.)

In the West there is this deeply embedded fantasy of the rock star — a rock star acts true to their soul and everyone must accept it as part of their individuality, and only through that does good music come. But in reality, devoting a long time to honing and training music-related skills is a tactic used in many professional art worlds. Ballerinas spend a long time in isolation focused only on ballet, but you don't hear people say ballet lacks soul or isn't art. So I think it's a matter of perspective.¹⁰³

As can be seen in this interview, Bang Si-hyuk believes in the process of training artists to become well-rounded performers, and, based on the results from the groups under his care, it is evident he has good reason for this confidence. HYBE Corporation will definitely be a company to watch as the K-Wave continues.

¹⁰³ (“The Mastermind Behind BTS Explains the K-Pop Group’s Success | Time” n.d.)

Conclusion: Economic Impact

As has been shown through this paper, South Korean film, television, and music entertainment companies have seen a drastic growth in the popularity of their products and the success of their businesses. However, this says little as to the K-Wave's impact on the South Korean economy as a whole. The interesting thing about the K-Wave phenomena is that, while it has been steadily increasing since 2005, it saw a sharp increase in the last few years since 2019. This is arguably because of several landmark events like BTS's Grammy nominations, *Parasite*'s win at the Oscars, and *Squid Game*'s multiple wins at the Emmys. However, this sharp rise in popularity coincided almost exactly with the coronavirus pandemic, which had broad negative effects on economies everywhere.

One statistic that seems to support the argument that the K-Wave has had an impact on the South Korean economy is the fact that the overall export of Korean content in 2020 increased by 16.3% from the previous year to \$11.92 billion. This contrasts with overall exports, which declined by 5.5%. The export of Korean content has seen a steady increase since 2005, but between the years 2015 and 2020, the export of Korean content has more than doubled, going from \$5.6 billion to \$11.92 billion. It is important to note that these exports are composed of 11 subareas including, "comics, music, game, movie, animation, broadcasting, advertising, character design, knowledge information and content solution[s]."¹⁰⁴ In addition to this, half of the exports were due to the game industry, which saw a growth of 23.1% in 2020. However, it is still indicated that the music, film, and television industries saw substantial growth in the exports of their products.¹⁰⁵

¹⁰⁴ ("K-Content Industry Sets Another Export Record in 2020 at \$11.92 Billion" n.d.)

¹⁰⁵ Ibid.

While this growth is impressive, cultural content exports still cannot compare to the exports of South Korea's main products, which include vehicles, semiconductors, and ships. In 2020 alone, semiconductor exports totaled \$99.18 billion and vehicle exports totaled \$37.399 billion. When compared to numbers like these, it is hard to see the significance of the content industry's export growth to \$11.92 billion, but it is still a significant contribution.

Some argue that the K-Wave's benefit to the economy is more indirect. Their argument consists of the fact that the K-Wave has increase South Korea's reputation abroad, tourism may be boosted thanks to the wave, though the country will have to come further out of the pandemic before this can be established, and the K-Wave has increased interest in the country's culture and history, which could position it more firmly in the world power structure. These benefits fall under the term "soft power", which could be a powerful tool for the years ahead.¹⁰⁶

Although the economic impact of the K-Wave is not as cut and dried as one might like it to be, the most exciting thing about it is that it is still ongoing. New K-pop groups, K-dramas, and K-films are released regularly to a consistently growing audience. Korean content has seen a meteoric rise, but now the country is firmly established as a content producer with loyal fans. A firm answer to the K-Wave's impact on the South Korean economy cannot be established now, but it will be fascinating to watch over the next few years as further impacts from the K-Wave are discovered and the K-Wave itself continues to sweep across the globe.

¹⁰⁶ ("Korea's Cultural Exports and Soft Power: Understanding the True Scale of This Trend" n.d.)

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