

From Cultural Export to Economic Engine: Examining the Role of K-Pop in the Growth of the South Korean Economy

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Abstract

This paper first focuses on the economic contributions of the Korean pop (K-pop, hereafter) industry by emphasizing the structure of the Korean entertainment industry and discussing its direct and indirect effects on the economy of South Korea. Secondly, the paper examines government policies and initiatives, discusses the role of government agencies and organizations in promoting K-pop, and evaluates their effectiveness in order to analyze government policies and support. Finally, this paper highlights the international reach and global influence of K-pop by analyzing K-pop's international market expansion and its impact on the South Korean economy. It also discusses the role of digital platforms, social media, and fan communities in promoting K-pop globally, and examines the cultural and soft power implications of K-pop's global success.

Keywords

K-pop, Economic Contribution, Cultural Exchange

1. Introduction

In 2012, PSY's "Gangnam Style", a catchy Korean electronic dance-pop music, dominated the world charts and reached a billion views on YouTube for the first time in history (Source: YouTube Official Blog), leaving a strong first impression on global listeners of South Korean music, commonly known as K-pop. Only a few years later, the emergence of BLACKPINK, a four-member girl group, and BTS, a seven-member boy group, continues the world's K-pop fascination with distinctive choreography and songs, achieving the highest-grossing female group concert tour and topping Billboard Hot 100 charts for 10 weeks.

With this elevated cultural position, K-pop's contribution to the economy of South Korea increases each year. According to the report by the International Federation of the Phonographic Industry, in 2002, Korea was ranked only 19th biggest music industry, but after 20 years in 2022, it rose to 7th, surpassing Canada, Brazil, and Australia. Through one-and-only promotion in various ways, the Korean music industry not only generates revenue from sources other than streaming like album sales and advertising partnerships, but it also generates and contributes to the growth of complementary industries.

This paper is organized as follows: background of K-pop, economic contributions of K-pop, government policies and support for the industry, international reach and global influence of K-pop, and challenges and opportunities. The paper aims to provide a thorough economic examination of K-pop's success and its effects on the South Korean economy.

2. Literature Review

"Hallyu" refers to the significantly increased popularity of Korean culture worldwide, also known as the Korean Wave. This term, which is also called Hallyu in Korean, was coined by Beijing journalists who were amazed by the rapid rise in popularity of Korean entertainment and culture in China in the mid-1990s.

Existing studies have explored the direct economic impact of Korean content industries on the Korean economy. These overall content industries include Korean movies, dramas, cuisines, and beauty and cosmetics. Several articles have been discussing the impact of the Korean Wave in certain areas like China (Jang, 2012, *The Korean Wave and Its Implications for the Korea-China Relationship, Journal of International and Area Studies*) and South America (Ko, No, Kim, & Simões, 2014, *Landing of the Wave: Hallyu in Peru and Brazil. Development and Society*). As the K-pop industry just began to grow rapidly since the 2010s, there is still a lack of studies mentioning its direct contribution to the Korean economy.

The economic contribution of overall Korean content industries has been conducted by previous studies. Bae, Chang, Park and Kim (2017) estimated inbound tourism demand and analyzed the effect of the Korean Wave and Economic indicators. Walsh (2014) investigated the Hallyu as a deliberately fostered manifestation of economic development. Parc (2021) presents the impact of Hallyu and argues who should be credited for this contribution.

Also, some studies explored specific Korean content industries instead of investigating the overall. Tjoe and Kim (2016) not only examined the effect of the Korean Wave on consumer purchase intention of Korean products in Indonesia but also investigates the image of Korea whether it can give an impact on Indonesian consumers' intention to purchase Korean products. Han and Lee (2010) examine the ties between the success of the TV drama *Winter Sonata*, produced by the Korean Broadcasting System (KBS), and the flow of tourism into Korea,

using a well-known Korean drama as a case study.

To summarize, while there have been many published research or review articles that have investigated the economic effects of the Korean Wave (Hallyu) on the Korean economy, few studies have directly addressed the relationship between K-pop and the Korean economy. As the influence of K-pop continues to grow each year, it is crucial to discuss the significance of K-pop and its contribution to the domestic economy. This study aims to examine the relationship between these two factors and provide a comprehensive understanding of K-pop's broader economic impact, particularly focusing on its derivatives.

3. Background of K-pop

3.1. The History of K-pop

Unlike other countries where people discovered music through radio, Koreans enjoyed the music through broadcasting in the 1970s, which was mostly monopolized and censored by the government. This monopoly led to constraining the free expression of singers on broadcast platforms, mostly leading to music targeting older listeners. However, after the end of the dictatorship era, the inception of K-pop began in 1993 with the emergence of the iconic group Seo Taiji and Boys. The emergence of Seo Taiji and Boys revolutionized the scene, captivating audiences with their distinctive fashion choices and innovative production rooted in hip-hop. Notably, Seo Taiji and Boys gained a strong fan base, commonly known as a "fandom". This continued their success through the 1990s, redirecting the music industry's focus away from individual artists.

This idol group phenomenon then led to competition within entertainment companies for more promising performers and offered a comprehensive entertainment package to fans. In this process, a unique "training" system was introduced. Before the entertainment companies introduce their idols to the audience, a period of vocal, dancing, and even acting was required for trainees to fit within their group's aesthetic. This training system suggests no guarantee for trainees for the debut but encourages another round of competition within themselves. Through this competition, the entertainment companies had the option to pick the best well-rounded trainees for their organizations in order to increase their probability of success.

3.2. The Emergence of Big 4 Companies

As idol culture developed, consecutive success in creating a tradition of idol groups allowed to establish four enormous entertainment agencies that are commonly known as the "big 4". This includes SM Entertainment which first pioneered the Japanese music industry with Boa and Girls' Generation, YG Entertainment which created BLACKPINK, one of the most influential girl groups globally, JYP Entertainment which succeeded in both domestic and international music markets, and HYBE Entertainment which formed one of the K-pop wave leaders, BTS.

The increasing contribution of the K-pop industry to the Korean economy can be explained by the growth of the revenue and operating margin generated from the “big 4” companies. Currently, as of 2023, all four agencies experience at least a 20% increase in their revenues. HYBE Entertainment, YG Entertainment, and JYP Entertainment generated 1st quarter operating profits of 41.5%, 461.5%, and 118.8% in 2023. **Table 1** below indicates the percent of changes in revenues and operative margins.

This exponential increase in the percentage of operating profit is, in fact, heavily influenced by the potential music release of famous K-pop idols and heavily dependent on certain idols that gained global popularity. For example, BLACKPINK (YG Entertainment) held 14 world tours which generated 40.4 billion won (31,805,534.28 USD). The revenue solely generated from BLACKPINK world tour concerts contributed about 20% of the revenues generated from YG Entertainment in the 1st quarter. Also, sales of merchandise products increased by 99.7% year-on-year. It is suggested that since the pandemic, the industry shifts its focus from nurturing more artists to powerful groups with more popularity to secure their revenues and operative margins as one group is explosive enough to stabilize the company. The decision to take fewer risks, however, comes with another concern that threatens the future of this industry.

3.3. Status of Cultural Exports of K-pop

Despite the overall downturn of the economy during the breakout of the Covid-19 pandemic, the export of K-pop has never experienced a decrease since 2018. **Table 2** suggests that starting with \$64.399 M in 2018, the K-pop music industry market demonstrated a noticeable increase in exports of \$2.23113 billion, which more than tripled four years later. The pandemic seems to have contributed to this trend; after the opportunity to interact face-to-face with artists

Table 1. The percent of changes in performances in Q1 2023 compared to that of last year.

| Entertainment | Revenues | Operative Margins |
|---------------|----------|-------------------|
| HYBE | 44% | 41.5% |
| SM | 20% | 5% |
| YG | 108% | 461.5% |
| JYP | 74% | 118.8% |

Note: The data is collected from each of the entertainment companies.

Table 2. Trends in Korean music exports over the past 5 years style.

| Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|---------------------------|--------|--------|---------|---------|---------|
| Exports (in thousands \$) | 64,399 | 74,594 | 136,201 | 220,850 | 233,113 |

Source: Korea Customs Service statistics.

disappeared because of the pandemic restrictions and lockdowns, the focus of entertainment redirected to album sales, along with promotions that could increase album sales, as well as various magazine-style photo shoots and “selfies” of members. By doing so, the album sales promotion changed the perspective of the fandoms about buying physical CDs from authentically listening to music to creating a collection for their idols. This stimulated the fandom’s desire for the collection of photo cards and demand from the fandom was increased by collecting many variants of laminated photo card of their idols and different album designs.

4. Economic Contributions of the K-pop Industry

4.1. Analysis of the Direct Economic Effects of K-pop

In 2022, Korean content (K-content) exports including K-pop hit \$12.45 billion as of 2021 with the help of the Korean wave. The direct economic effects of K-pop are best represented in three areas: 1) music sales and streaming platforms, 2) derivative industries, and 3) advertising and marketing.

1) One of the primary economic effects of K-pop is the revenue generated through music sales and streaming platforms. South Korea is one of the music industries with a strong physical CD market. However, the way people approach physical CDs is different from other markets. South Koreans consider physical CDs more of a collection rather than the original purpose of physical CDs. In fact, it is not common for South Korean households to have a CD player where they can listen to songs from CDs.

The main reason behind this is the well-established digital music market. South Korea currently has 13 available streaming platforms that give South Koreans access to listening to music. (VIBE, Melon, Bugs, Soribada, Genie Music, Kakao Music, FLO, Bandcamp, Spotify, Apple Music, Soundcloud, TIDAL, YouTube music, and DEEZER). The digitalization of listening to music allows music to be more accessible.

Plus, fandom culture and the incentive of purchasing physical CDs don’t stop people from purchasing CDs. The aim for all fandoms is for their idols to succeed and buying CDs will help. Every Korean music show takes into account the number of physical CDs sold to their music charts. The more purchasing happens, the more likely the idol will be recognized and appreciated. This encourages the fandoms to get more copies of the physical CDs, eventually leading to a strong physical CD market. Not only that, but physical CDs contain more features than just a “CD”. Plenty of photoshoots and one of the various photocards are available on the CD. This stimulates the fandoms to collect as many photo cards as they can afford. This results in enormous sales figures for albums and singles from fans all over the world, contributing to the growth of the industry and the sustainability of artists, companies, and even stakeholders.

2) Along with K-pop’s exponential growth, derivative industries were able to thrive and offer various products and services. Whether domestic or interna-

tional, the power of K-pop gives the opportunity to international audiences to familiarize themselves with Korean culture, which has an impact on derivative industries. Here are the main industries that have benefited from K-pop or the Korean wave:

- **Media and Broadcasting:** Originally, the media and broadcasting industry in South Korea was directly targeted domestically. However, as Korean idols gained popularity worldwide, with the help of subtitles, many Korean shows are now available to many international audiences. The international audience's dedicated viewership and readership leads to advertising revenue and sponsorships for media companies, directly affecting the economy.
- **Fashion and Beauty:** The demand for the South Korean fashion and beauty industry is mostly derived from South Korean content. Looks and aesthetics of Korean idols inspired fans to emulate their fashion. This led to more frequent collaborations between idols and fashion industries in the form of special editions or ambassadors.

3) The effects of K-pop even extend to the advertising and marketing sector of the economy. As the status and influence of K-pop idols increase, they are sought as representatives of famous brands. Since the artist's fandom is very strong, the demand for K-pop artists who can maintain both the trendiness and brand image that young people seek has increased to promote the brand to more customers. It should be noted that collaborations with brands are not only limited to domestic brands but are also connected with famous international brands. For example, in the case of New Jeans, a girl group from HYBE Entertainment that debuted in July 2022, all five members were selected as ambassadors for luxury brands such as Gucci, Burberry, Armani Beauty, Chanel, Dior, Yves Saint Laurent Beauty, etc. The increasing number of cross-marketing collaborations suggests that K-pop's influence has grown.

4.2. Analysis of the Indirect Economic Effects of K-pop

K-pop's influence on the economy of South Korea surpasses the few direct economic effects mentioned above. It does not limit its power to K-pop-related industries, but to other industries that lead to the growth of the country in general. Here are key aspects to discuss regarding the indirect economic effects of K-pop:

- **Tourism:** South Korea's tourism industry developed at a much faster speed than usual due to a surge in the demand for foreign visitors. It is recorded that there were only 300,000 visitors in 1998, but Korea recorded 17.5 million visitors in 2019 thanks to the globalization and influence of Korean content. While Korean content don't account for 100% of the surge in tourism, it is widely proven through previous research papers that there is a relationship between Korean content and foreign tourists. For example, when analyzing the effect of Hallyu (Korean Wave) on tourism in South Korea, it was found that the influence of the Korean Wave through the Hallyu content has a great influence on foreign tourists visiting Korea (Bae et al., 2017). Although there

was a decline in the number of visitors during the pandemic, Korea is currently in the position of welcoming foreign visitors again with a higher status of K-contents that has become increasingly popular in recent years.

- **Technological Advancements:** The K-pop industry adds the best of technology in the realm of digital knowledge and fan engagement. K-pop agencies and artists use innovative technologies and platforms to connect artists with all the world's top performers with technologies like social media, live streaming, and virtual reality. For example, Aespa, who debuted under SM Entertainment, creates an aesthetic for the group using AI and the reality of the wilderness. SM Entertainment has developed an app called "SMTOWN AR" that allows people to explore the AR content of K-pop idol groups when they scan merchandise in the app. The collective's creative endeavours prepare people for technological development by examining new frontiers in K-pop and providing a sense of the future of K-pop.
- **Content Platforms:** The relationship between digital streaming platforms and music, especially K-pop, is inseparable. By bringing together K-pop music, music videos, variety shows, and other related content, platforms increase user engagement and subscription rates. In particular, the streaming platform, which is dominated by young people, provides opportunities to produce K-pop content, a youth-dominated market, and generate profits, while meeting and helping the music industry related to digital streaming platforms.

4.3. How K-pop Issues Affect the Korean Stock Market

In K-pop-related stocks, the supply and demand of idols decide whether to fluctuate or not. As of 2023, Korea owns multiples of entertainment-related stocks available in KOSPI and KOSDAQ. The fact that such various and big entertainment-related stocks are weighted in the South Korean stock market indicates that K-pop has a certain influence within the country. As the stock market is even heavily influenced by the small negativity, news about idols fluctuates in the market.

One of the factors that put pressure on K-pop artists' reputations and stock price is scandals, which can cause a decline in public sentiment. The most common example is committing an illegal act or even going viral for dating rumors as the main consumers of K-pop are young people who are very sensitive regarding dating. It can encourage investors to stop investing due to concerns about prospects, which in turn can affect share prices.

In Korea's entertainment system, the company's affiliation affects the artist's style rather than the artists', and as the contract is renewed every specific year, group members may be replaced or left. This can lead to uncertainty and negatively affect investor confidence, potentially leading to a decline in stock prices. There were also a few cases where the scandals led to member replacement or departure. For example, one of the most famous members in (G)I-DLE, Sooyeon,

was accused of bullying in middle school and she had to depart from the company and the group, which caused instability for her respective entertainment company.

Also, the success in music and popularity of K-pop artists has a strong positive relationship with the stock prices of their respective entertainment companies. Investors can make different choices depending on the ability of entertainment to nurture new individuals or groups. Investors naturally prefer artists who have achieved significant commercial success at home and abroad, and this positive investment sentiment contributes to a rise in stock prices. On the other hand, stocks of companies that fail to nurture artists for margins could lead to a share price decline, along with potential concerns.

As K-pop artists gain popularity and gain larger fan bases worldwide, they can generate new revenue through world tours, increased album sales, and consistently high merchandising and endorsements. This global market entry can be seen as a positive sign for investors that could lead to potential share price appreciation.

Finally, overall market sentiment and investor perceptions of the K-pop industry may have the most significant impact on entertainment agency stocks. Indeed, in a business where stock prices are impacted by the announcement of an idol's new song alone, positive news such as a successful comeback (artists releasing new music following their last release), chart-topping, or noteworthy collaboration can generate enthusiasm among investors, potentially leading to a share price appreciation. However, negative news, such as controversy or declining sales, can dampen investor sentiment and lead to a decline in stock prices.

5. Government Policies and Support for the K-pop Industry

The support from the South Korean government helped develop a favorable environment for not only K-pop but also South Korean culture itself. The government's support contains initiatives and policies targeted at the South Korean music industry, which eventually seeks cultural exchange, helps agencies establish the conditions for developing talented idols, and enhances their international status.

5.1. Examination of Government Initiatives and Policies

In 2008, the South Korean government officially created the Ministry of Culture, Sports, and Tourism. Additionally, due to a huge demand for South Korean content both domestically and internationally, the government established Korea Creative Content Agency (KOCCA). These agencies aim to facilitate the promotion of South Korean content including K-pop. This development in the cultural content industry infers that the government acknowledges the increasing demand for and the international popularity of K-pop.

With these central government agencies dedicated to creating content, the government also supported the K-pop industry by providing both financial and

educational support to nurture talent. The government works with entertainment companies to provide support to trainees to receive comprehensive education and builds infrastructure for situations where they cannot go to school. The government also financially provides grants, loans with low interest, and subsidies to agencies to help them build capital for their companies. This financial support is used for K-pop content such as music video production and album production, or as money to run the company, which helps the company alleviate financial pressure and stabilizes investment.

Finally, the government contributes to the development of infrastructure and facilities through KOCCA and The Ministry of Culture, Sports, and Tourism. It also sponsors K-pop music awards through government agencies and includes financial support to maintain the venue. This support simultaneously supports various industries, including the K-pop industry, and consequently encourages overall economic growth.

The South Korean government's agenda and policies have so far contributed significantly to the growth of K-pop and helped maintain its immense popularity. By establishing cultural content government agencies for K-content to help the industry thrive, the government provides the necessary infrastructure and financial help to both entertainment agencies and trainees.

5.2. Discussion of the Role of Government Agencies and Organizations in Promoting K-pop

According to the description on the official website, the Ministry of Culture, Sports, and Tourism "develops and implements a wide range of policies to promote culture, arts, sports, tourism, and religion to provide cultural opportunities to the public. Korean Culture and Information Service belong to the ministry." As explained above, the Ministry of Culture, Sports and Tourism is a key institution that observes and promotes K-pop more deeply by dividing it into several small branches such as the Korea Creative Content Agency.

These agencies are primarily interested in promoting K-pop globally. They plan and support K-pop artists' concerts, fan meetings, and cultural events. They look for events to reach out to other countries, and participate in diplomatic events or cultural programs to help K-pop artists reach more people around the world.

In addition to promotion and education, these institutions serve to protect intellectual property. They apply to copyright and trademark laws to protect the rights of K-pop artists and agencies and prevent unauthorized use and duplication of content. This protection encourages citations and environments that support citation within the industry.

5.3. Evaluation of the Effectiveness of These Policies and Their Impact on the Economy

The South Korean government and government-affiliated organizations have produced effective results for the South Korean economy by implementing gov-

ernment policies. The effects of these policies are comprehensively split into four categories: 1) global popularity and export revenue, 2) cultural diplomacy, 3) job creation, and 4) enhanced national branding.

1) Global popularity and export revenue: K-pop's global success can be attributed to the support of governments and companies as well as the talent of its artists. The government has contributed to export revenues by holding domestic music awards abroad and supporting groups going on world tours to imprint K-pop's presence on more international fans. This support helps the company nurture artists and produce albums, ultimately having a positive impact on national export earnings.

2) Cultural Diplomacy: K-pop has now become the indispensable key for cultural diplomacy. As it is a part of proud music that represents the culture of South Korea, it has become the best way to strengthen diplomatic relations when heads of state visit South Korea.

3) Job creation: Growing industries using future-oriented content such as K-pop will demand more talented people. This increases the demand for workers in various entertainment fields such as promotion, production, and planning teams, thereby reducing the overall unemployment rate in South Korea. And since the K-pop industry has the most demand for creative jobs, the government's investment in the music industry leads to overall growth in the country, given that their jobs are not easily replaced.

4) Enhanced national branding: The global success of South Korean content has direct effects on South Korea's branding. Beauty products and fashions used in idol culture become popular among fandoms, and each word of singers has a tremendous influence. K-pop is an innovative and original entertainment industry that attracts tourists from all over the world and fosters a positive perception through creativity and cultural dynamism. This influences the economy of the country as a whole with tourism, trade, investment, and national status.

However, controversies and social issues still exist within the K-pop industry. Every South Korean man has an obligation to national defense excluding certain exceptions like Olympics-medal winners or people with health issues. However, it was controversial when BTS members had to complete military service while they are positively branding South Korea with K-pop. People question the standard for "exclusion from national defense obligations". These issues highlight the need for more evaluation and refinement of government policies to address social inequalities and ensure a fair and inclusive environment within the industry.

To conclude, the initiatives and policies supported by the South Korean government have been crucial in promoting the K-pop industry internationally and succeeding in its growth. Its effectiveness indicates the industry's global popularity, cultural diplomacy, job creation, and enhanced branding. Although there is still a need to address social issues discussed among the community, it is very evident that the contribution of the government is present in the currently sustainable and comprehensive environment of the K-pop industry.

6. International Reach and Global Influence of K-pop

6.1. History of International Reach and Global Influence of K-pop

When the Korean music industry redirected to prefer more idol groups than individual performers, K-pop idols, the industry noticed popularity in bigger music markets in Asia. From the 2000s onwards, entertainment agencies localize their artists to survive in the local market. For example, Boa, a 13-year-old Korean girl, learns Japanese and debuted simultaneously in Korea and Japan. In Japan, Boa only released Japanese-speaking songs and followed the production of Japanese music, leading to huge success in Japan. This case study shows the significance of Korean agencies targeting international music markets. Later in the 2010s, SM Entertainment who nurtured Boa attempts to target Mandarin-speaking countries by splitting one group into two sub-groups. Each sub-group targets different countries and they were active in different countries in different localized ways, leading to a huge success in both countries.

K-pop's attempt at international market expansion is the result of the new opportunities given to the Republic of Korea. Rapid digitalization, which began in the 2000s to coincide with the growing period of K-pop, was able to introduce K-pop to more audiences around the world, laying the groundwork for K-pop to lead the cultural trend despite shrinking markets during the pandemic. Along with that, the strategic promotion of entertainment agencies boosts the influence of K-pop.

6.2. Discussion of the Role of Digital Platforms, Social Media, and Fan Communities in Promoting K-Pop Globally

The rapid digitization of the South Korean music industry played a decisive role in transforming K-pop from a song of one country to a genre recognized worldwide. Despite this rapid digitalization, it has contributed greatly to the unprecedented level of success across the border between Korea and neighboring countries by fostering a community like social media where fans can communicate.

Digital platforms and social media have completely changed the way K-pop is consumed and promoted worldwide. Unlike in the past, when direct interaction between singers and fans were relatively limited, social media apps such as Twitter, Instagram, and TikTok have narrowed the distance between singers and fans, creating an environment where artists can approach fans better. Artists, along with entertainment companies, have created bonds with fans by sharing videos such as behind-the-scenes videos, interviews, or even live broadcasts.

Even from the company's point of view, the emergence of social media and digital platforms plays a crucial role. It is easier to find a way to continue its popularity in that it is much easier to receive feedback from fans when performers have finished preparing new songs and the album is more successful than in the past. This time-space compression has become an important role to overcome the geographic limitations that threatened to maintain global popularity and expose K-pop to many people, even if a performance is not held offline.

In addition, the emergence of social media platforms has directly grown the K-pop fan community. The fandom culture created as a K-pop community is contrary to the way ordinary people generally encounter music. They share content through online communities, produce events for artists, and help artists commercially. Their power can never be underestimated because most of the real idols are supported by the fandom community. Fans' promotion of artists completely changed the marketing strategy that they had only done at the company before and showed new ripple effects.

This special promotion method of fans has emerged as a new aspect in the name of an "unpaid creator". Their joint goal is for artists to succeed and let more people know, thus they create secondary content with accessible materials and post it on social media without being paid. These videos are eventually delivered to new people, which raises more people's attention to K-pop. The most common example is to add subtitles to videos featuring certain idols and share them, which increases accessibility to international fans, not their first language. In addition, they support their favorite groups through videos that update artist-related news and reveal their abilities, such as fan art and cover videos. Although it does not provide returns for creativity directly to creators, it takes them a step closer to their ultimate goal of "success and growth of their favorite artists". As shown in **Figure 1**, the global digital creation market size has consistently increased and is projected to reach 111.8 billion USD by 2030. This implies that if the K-pop industry attempts to attract a larger audience, it is more likely to gain exposure in the global market.

Furthermore, this global fandom solves one of the challenges for the Korean music industry, the age demographic. The age group that consumes the most K-pop and participates best in fandom culture is teenagers with a relatively high amount of free time. However, Korea's teenage population is decreasing day by day due to the continued low birth rate (6.68 million teenagers in 2011 to 4.74 million teenagers in 2021), suggesting a possible decrease in domestic listeners in the future. The influx of new international audiences alleviates this problem. Eventually, it induces the Korean music industry to target not only domestic but also overseas markets.

Ultimately, this results in entertainment agencies switching the target market to global rather than domestic markets. Here is a case study of how a newly established entertainment agency targeted global music markets and succeeded.

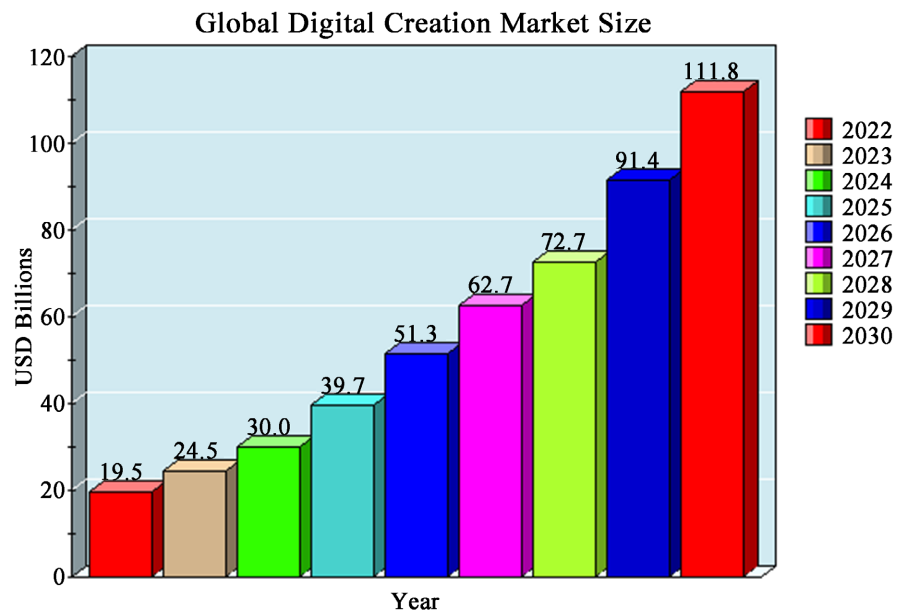
Fifty Fifty's new single "Cupid" was released in February 2023. Although Fifty Fifty is not an idol group from the "big 4" entertainment companies nor were they famous in South Korea. However, four months after their debut, they managed to enter the Billboard Hot 100 Chart. Unlike the South Korean music market where choreography, aesthetic, and performance are what make the group popular, Fifty Fifty focused on the production and genre of the song. Thanks to that, this catchy and easy-listening song went viral on social media, increasing streaming and popularity. The song "Cupid" also has two versions: one in Korean and one in English. By removing language barriers, it even at-

tracts more audiences including non-K-pop listeners. Consequently, this catchy and easy-listening song goes viral on social media, increasing streaming and popularity. After this song enters the billboard and the song gets popular, the popularity of the group returns to the domestic market, generating higher revenue and gaining more popularity overall. While it might be true that luck may have played a role in the popularity of the song “Cupid” by Fifty Fifty, it is vital to consider the larger impacts and trends. The song’s success shows how one song was able to defy a K-pop standard and successfully change its strategy to target a worldwide audience, so reaching an expanded fan base. It is hard to define this case study as “lucky”. In this case study, Fifty Fifty breaks the principles that exist in the Korean music market, reversing the strategy typically used by Korean entertainment agencies.

6.3. Examination of the Cultural and Soft Power Implications of K-pop’s Global Success

The rise of foreign members in the K-pop market, which is proportional to the global popularity of K-pop, is one of the notable cultural implications. After the emergence of Chinese and Japanese members in K-pop groups in the 2000s, people all around the world have tried to become K-pop idols, from Lisa, a member of BLACKPINK from Thailand, to Fatou, a member of Black Swan from Belgium. This trend can assist the group to gain international popularity at a faster rate as it becomes possible to speak more than one language fluently and create the group’s originality using multicultural elements when making songs or choreography.

Moreover, the success of Korean content has effectively secured and promoted the image of Korean brands worldwide. By advertising to Korean brands, it



Source: Market.us.

Figure 1. Global digital content creation market size (in USD Billions) from 2022 to 2032.

exposes Korean products internationally and makes them go viral. Through endorsement, collaboration, or paid partnerships, it provides the opportunity to dig into new markets. K-pop idols strengthen South Korea's soft power by promoting goods and service made in Korea.

7. Challenges and Opportunities

The international success of K-pop has brought challenges for the South Korean music industry to overcome in the future. As K-pop's status is growing worldwide, there is a need for the K-pop industry to overcome various obstacles to maintain a global audience, not limited to domestic listeners anymore. These obstacles are the uniqueness of K-pop, competitive inducement, and the problem that needs to be overcome in order to maintain the initiative of trends. If these problems are successfully resolved, K-pop will provide opportunities for cultural and economic growth and expansion. By using these challenges as an opportunity, the K-pop industry will be able to solidify its unique position in the global music market, rather than being considered a trend that rapidly emerged and disappeared.

7.1. Discussion of Challenges Faced by the K-Pop Industry in Sustaining Its Economic Impact

In recent years, collaboration with Western music producers has become more frequent among K-pop song productions. The top ten lists of the digital annual charts in 2001 and 2021 suggest that the number of songs that overseas producers have collaborated with has increased. According to **Table 3**, there is only one foreign composer's song on the year-end music chart of 2001, whereas there are over ten foreign composers involved in the production of Korean songs, indicating a higher level of dependence on foreign resources. Although it has an incentive of providing a new perspective, it can dilute the originality of K-pop. In particular, when making songs with the goal of global success, there is an increasing tendency to localize songs according to the global ear rather than instilling the elements of Korean culture to succeed overseas. This is likely to force K-pop to be more like pop, which might lead to the departure of listeners who no longer find the uniqueness of K-pop.

In addition, a system in which individuals at a young age receive intensive training due to competition within the K-pop industry can lead to a social problem. The strategy of training entertainment for longer periods to make more perfect trainees debut causes younger and younger individuals to become trainees. However, becoming a trainee at a very young age can lead to emotional instability and a lack of proper education. In particular, social beauty standards in South Korea require strict diet control from idol trainees, and starting such behavior at a young age can lead to physical health problems in the future.

Finally, the pressure to keep the titles of being innovative and trend-driven constantly can be a challenge for K-pop as it is very difficult to manage with the

Table 3. (a) Top 10 Korean Songs in 2001 in Korea; (b) Top 10 Korean Songs in 2021 in Korea.

(a)

| Rank | Song | Artist | Composer |
|------|------------------------|---------------|---------------------|
| #1 | Already One Year | Brown Eyes | Yoon Gun |
| #2 | I Love You | Position | Ozaki Yukata |
| #3 | Sorry | Kim Gun-Mo | Kim Gun-Mo |
| #4 | Love Has Left Again | Lee Ki-Chan | Park Jin Young |
| #5 | Putting On a Make-up | Wax | Lim Ki-Hoon |
| #6 | Far Away | Park Hyo Shin | Yoon Sang |
| #7 | You Wouldn't Know | Fin K. L | Gil Ok-yun |
| #8 | Road | G.O.D | Park Jin Young |
| #9 | Shall I Love You Again | Kim Dong Ryul | Kim Dong Ryul |
| #10 | Special Night | Yangpa | Kim Deog Yoon |

Source: Melon Chart. Note: The reason why the composer of #2 is Japanese is because it is a remake of a Japanese song. The bolded names are foreign composers.

(b)

| Rank | Song | Artist | Producer |
|------|--------------------------------|-------------|---|
| #1 | Celebrity | IU | Ryan S. Jhun, IU, Jeppe London Bilsby, Lauritz Emil Christiansen, Chloe Latimer, Celine Svanback |
| #2 | Rollin | Brave Girls | Chakun, Brave Brothers, 2 champ |
| #3 | Dynamite | BTS | David Stewart, Jessica Agombar |
| #4 | Next Level | AESPA | Mario Marchetti, Adam McInnis, Sophie Curtis, Ryu Young-jin |
| #5 | Lilac | IU | Im Sooho, Dr. JO, N!ko, Woong Kim |
| #6 | Shiny Star (2020) | KyoungSeo | Kang Bom |
| #7 | Traffic Light | Lee Mu-jin | Lee Mu-jin |
| #8 | Butter | BTS | Jenna Andrews, Alex Bilowitz, Stephen Kirk, Alex Bilowitz, RM, Sebastian Garcia, Ron Perry |
| #9 | Hold my hand | IU | IU |
| #10 | I will be your shining star | Song I-han | Song I-han |

Source: Melon Chart. Note: The bolded names are foreign composers.

titles given to K-pop. Leading the trend and being innovative means that the industry has to produce something new in terms of songs, fashion, and appearance that can influence trends, and if it doesn't offer innovation, K-pop's reputation may decline, leading to a decline in the overall consumption.

7.2. Examination of the Potential Future Trends and Challenges for the K-pop Industry

Although the global success of K-pop has already been achieved, K-pop still has the possibility to continually expand. K-pop idols will continue to target new markets and penetrate more diverse markets with various marketing strategies. In particular, the fact that this Korean wave is underway now suggests further diversification in the future. An often-cited example is a collaboration with famous pop artists. This allows localization for success in a global location, which strengthens the global reach. For example, Selena Gomez helped BLACKPINK with the song "Ice Cream" to rank 13th on Billboard, the highest chart position among BLACKPINK's music, while BTS, who participated in Jawsh 685 and Jason Derulo's song Save Love, topped the charts and stayed on the Billboard chart for 31 weeks. These promotional activities give entertainment the opportunity to promote localization.

Another major challenge facing the K-pop industry is the changing digital music environment and changing consumer behavior. Traditional revenue sources such as actual album sales are declining as streaming platforms and social media dominance increases. K-pop artists need to adapt to these changes by leveraging digital platforms, communicating with fans through interactive content, and developing diverse revenue streams, including concert tours, merchandising, and branding. Embracing digital innovation, exploring new business models, and maximizing fan engagement is critical to continuous success in the ever-evolving music industry.

The industry must also maintain a delicate balance between artist welfare and commercial needs. Tight schedules, training therapy, and high expectations can take a toll on the physical and mental health of K-pop idols. Institutional and industry stakeholders should prioritize artist well-being while providing access to supportive environments, appropriate rest, and mental health resources. This balance between artistic pursuits and personal happiness will contribute to the long-term sustainability and ethical growth of the K-pop industry.

8. Conclusion

This paper explored the economic contributions of the K-pop industry, South Korean government policies and support for the K-pop industry, international reach and global influence of K-pop, and challenges and opportunities given to the Korean music market. The objective of the paper was to offer an in-depth economic approach to the success of K-pop and examine its significant impact on the South Korean economy rooted in the explosive growth of K-pop.

To delve into the economic contribution in-depth, this paper first examines the current market size of the South Korean music industry, utilizing the status of cultural exports and the existing industry traditions. It then analyzes the economic contribution by dividing it into two categories: direct and indirect economic contributions of K-pop. Within each section, the paper discusses the factors that contribute to the increased demand for Korean content and identifies the industries that have been influenced by it. Additionally, the paper explores how government policies, exemplified by the Korean Creative Content Agency and the Ministry of Culture, Sports, and Tourism, have played a role in sustaining this popularity. Lastly, the paper highlights the international reach of K-pop by focusing on the case example of Fifty Fifty.

This paper proposes new marketing strategies and policies for both government agencies and entertainment agencies to be prepared to resolve potential challenges like changing consumer behavior and social issues regarding artists. It is also very crucial to address a new alternative target audience for K-pop music as domestic listeners in South Korea can't serve as the primary audience due to the rapidly changing age demographic.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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