From B2C to B2B:
Selling Korean Pop Music in the Age of New Social Media*

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The once prevailing myth held among scholars of East Asian Studies that Hallyu, or the Korean Wave, was over has now lost much of its credibility, as Korean TV dramas continue to attract and maintain an impressive audience base in Japan, China, Taiwan, South East Asia, and the Middle East. Particularly interesting is the resurgence

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of the popularity of Korean pop music not only in Asia but also in Europe and North America as well. This paper discusses the impact of new social media on the sudden explosion of K-pop popularity. We argue that the Korean entertainment industry is now rapidly changing its conventional business model from the audience-based B2C strategy to a new social media-dependent B2B model. In this new model Google through its subsidiary company YouTube acts as a key provider of the new social media market to the K-pop music industry that is now targeting royalty income as its main source of revenue. We use both archival and in-depth interview data to arrive at our conclusion that major Korean K-pop talent agencies, including SM, JYP, and YG, are exploiting a large profit potential through new social media and the B2B model.

Key Words: K-pop, YouTube, SM Entertainment, New Social Media, Hallyu

I. Introduction

When the Korean pop music group Girls’ Generation appeared in an Intel advertisement in 2011, holding Intel logos and product symbols, mainstream scholars of Asian Studies were flabbergasted at the shocking revelation. The prevalent myth they had persistently held onto could no longer be validated: Hallyu, or the Korean Wave, is all but dead. In an official email to an author of a Hallyu paper submitted to Asian Studies Review, editor Peter Jackson (2009) wrote:

Both reviewers note that the paper’s argument [on Hallyu] is somewhat out of date, and that Winter Sonata has already been significantly studied and written about elsewhere, meaning that the K-wave boom is largely over and the paper needs to be recast in a more historical light.

Without realizing the fundamental reasons for the initial Hallyu boom, which could still be the same catalyst for its continuing popularity, scholars of Asian Studies like Jackson boastfully proclaimed
that Hallyu was dead. However, in the same year when Jackson made his ill-conceived and over-reaching statement about the end of Hallyu in Asia, Japanese children bought half a million copies of a Korean comic book series, The Survival Series. Between 2008 and 2010, more than three million copies of the same comic book series were sold in China, while the numbers for Taiwan and Thailand were two million and 1.5 million, respectively (Joong-Ang Ilbo, February 28, 2011). 2009 was arguably another successful year for Hallyu. That year, the new Korean version TV drama series, Boys Over Flowers (Hana yori Dango) and its praise from Japanese, Taiwanese, and Chinese fans. Also notable in 2009, singer and actor Jang Geun Seok also had his first successful fan meeting in Japan in the same year.

The second significance about the appearance of Girls’ Generation on the Intel advertisement is that it also shattered the second myth about the Hallyu boom: that the Chinese and Japanese love affair with Korean movies, TV dramas, and pop music is solely because the three countries share similar culture or have high levels of cultural proximity through Confucian values (see inter alia, Chang, 2006; Kang, 2006; Lee, 2006; H. Park, 2006; Maliangkay, 2010). In his highly Eurocentric understanding of the Hallyu boom in China, Maliangkay (2010: 37) explains his logic of cultural proximity in the following way:

Although the term “Korean Wave” is common among Chinese consumers, their selection of Korean products may in part stem from the strong connection of these products with Chinese culture itself. If cultural similarity is a major factor, then, it may not be so important that the products derive from Korea. [...] Will Chinese consumers continue to favor Korean entertainment when they find that domestic products are just as good and show a similar degree of economic and technological success?

The above statement is a typical misunderstanding rampant among Australian or Commonwealth scholars of Asian Studies, who mistakenly believe, without any evidence, that China is the largest market for Hallyu. In fact, the biggest and most loyal market for Hallyu is Japan, a country that doesn’t consider itself similar to Korea
in cultural or economic terms. Even if Japanese domestic products are far better and show a higher degree of economic and technological success than Korea, it is the Japanese fans that purchase Korean Hallyu products the most in the world (Maeilgyeongje Hallyubonsaek Project Team, 2012: 120).

For many Japanese and Korean scholars of Hallyu, it is cultural hybridization between Western universalism and Asian exoticism (or particularism) that is pivotal in attracting transnational audiences (Iwabuchi, 2004; S. Park, 2006; Hirata, 2008; Ryoo, 2009; Shim, 2006, 2011). This line of thinking can still advocate the similar culture (or cultural hybridization) argument, ostensibly in supporting the reason Japan is the number one importer of Korean popular culture is none other than their cultural proximity. However, Japanese animation has penetrated all corners of the world as a universal form of popular culture, whereas Indian Bollywood films have no such success in the Chinese, Korean, or Japanese markets. This means that cultural hybridization is a functional notion at its best not being able to distinguish regional cultures from universal ones. This is why Chua (2012: 119-120) laments about the fact that only Japan and Korea are exporters of popular culture in East Asia, while China is reduced merely to the status of the audience of the two forms of dissimilar cultural products.

Furthermore, although the cultural proximity argument miserably fails to explain why Japanese and Korean popular culture, especially K-pop, is now globally well-known, the hybrid tenet can still claim to explain their universal success in the world: both Japanese and Korean pop culture are now similar to Western universal pop culture. However, the functionalist tenet remains a complete silence as to why Chinese pop culture, especially Gangtai pop culture, is not regionally or globally popular at all: why only Japanese and Korean pop culture? Furthermore, the argument has never made a correct prediction about K-pop’s recent success, as it also too quickly proclaimed the end of the Hallyu boom (Ishita et al., 2007).

Finally, the last significance of K-pop’s sudden global popularity is the emerging importance of social media, such as YouTube, through which young European fans of K-pop are said to have learned about
Korean popular music for the first time (Newsen, October 31, 2011; Cha and Kim, 2011). Indeed, YouTube is now opening up a new dedicated K-pop channel, as K-pop related videos have more than tens of millions of steady hits from Asia, Europe, and Americas every month (Chung, 2011). However, no previous study has consistently shown us the crucial role new social media has assumed in spreading K-pop to Europe. A competing argument can be made that the increasing frequency and lengthy travels by young Europeans to Japan and China allowed for natural exposure to the Hallyu phenomenon and more specifically K-pop. K-pop popularity in Europe can therefore be very similar to the spread of ginseng and kimchi to Middle Easterners and Europeans in the past, as the two Korean products were introduced to the Middle Eastern and European traders who were visiting China and Japan. Whether YouTube is a facilitating medium of K-pop popularity in Europe requires further study, as social media seems to provide easy access to K-pop artists and their music reinforcing and spurring the initial exposure to fans by means other than YouTube. Be that as it may, what’s clear about this new social media and its impact on K-pop is that the Korean singers are now shifting their income sources from traditional concerts, CD sales, and TV appearances to commercials and advertisements for global MNEs like Intel. The Intel commercial by the Girls’ Generation was possible due to the instant fame of their songs through YouTube channels.

Our research question is therefore very straightforward: Is there any empirical relationship between social media and K-pop’s popularity in Europe, not to mention its initial success in Japan, China, Thailand, and other Asian countries? If social media are pivotal in the popular music industry in the 21st century, we certainly want to know why. Briefly, our argument, based on interviews and archival research, indicates that social media is changing the entertainment industry from a fan-oriented service business (or B2C) to a big business servicing industry (or B2B) that aims to maximize the entertainment industry’s profit through such B2B revenues as royalties, commercials, and advertisements. This is because social media outlets such as YouTube facilitate the dissemination of Internet content free of charge to all
music listeners in general and K-pop fans in particular. Amidst the prevailing free entertainment contents on YouTube and other social media sites, music producers are now forced to find other sources of revenue streams.

We first provide a basic literature review on the relationship between social media and the entertainment industry, followed by a presentation of our understanding of social media in the entertainment industry, and a case study of how K-pop agencies are redesigning their business strategy from B2C to B2B in order to perpetuate K-pop’s popularity in the global village.

II. Background:
Making Sense of a New Music Industry

The rise of social media received colossal attention from the scholarly world, mainly regarding the impact of the social media on consumers. Most of the extant studies highlight the benefit of the new social media as a new marketing tool that replaces the traditional marketing media, such as TV and newspapers (Mangold and Faulds, 2009), or a new means of communication between artists and their fans in the promotion of business to consumer (B2C) strategy, that is now often used in album or CD sales (Kaplan and Haelein, 2011). However, few studies have focused on the theoretical relationship between the social media and the music industry. These new business to business (B2B) alliances act deliberately to remove artists and fans form the business deal altogether. Although K-pop is a champion of this B2B model, until now no previous study has convincingly analyzed its business process.

Mangold and Faulds (2009), for example, argued that consumer-to-consumer communication through online social media or consumer-generated media has greatly influenced the marketplace. However, they argued that social media is a hybrid strategy of promoting both B2C and C2C marketing, ignoring the huge potential the K-pop industry is seizing through B2B marketing only. Although Berman et
al. (2011) in their analysis of Britney Spears’ case put their finger on a new revenue opportunity for the entertainment industry that uses the new social media as its marketing tool, they shied away from analyzing the process of creating and adding values to the goods and services this new B2B model provides.

Those Korean and Asian scholars, concerned with the sudden upsurge of the K-pop boom, have shown tremendous efforts in making sense of the new global business phenomenon. Nonetheless, most remaining studies merely focus on the business success or audiences’ reaction to the K-pop idols or their music content, slighting the internal process of delivery of goods and services to audiences in return for massive profits (see inter alia, Ahn, 2011; Cha and Kim, 2011; Jung, 2011; Ryu, 2011; Yang, 2012).

Cha and Kim (2011), for example, analyze one virtual K-pop fan organization, the Korean Connection Association, in order to highlight the virtual communication channels between European K-pop fans and SM Entertainment. However, without any reasonable excuse, they elect not to explain how SM makes money on the Internet or why European fans fell in love with K-pop idols. In a similar vein, Ryu (2011) successfully traces how French K-pop fans first got to know K-pop, showing details of online and offline social networks dedicated to the formation of the K-pop community in France. However, she fails to analyze why European girls, not boys, fell in love with K-pop. Jung (2011) shows the most sophisticated and therefore ambitious analytical approach by analyzing their virtual or internet conversations on YouTube and other local sites in order to determine the psychological motivation behind European and Asian girls’ compulsion to K-pop. She attributes European female fandom for K-pop idols to the sexual appeal of K-pop idols, to what she calls, “manufactured versatile masculinity.” This neologism means that Korean male singers can change their masculinity from soft male to macho male images. Despite its originality, Jung’s analysis fails to see the business side of the social-media driven K-pop, where the audience contributes enormous profit to music distributors and producers without paying a single penny for the product. Nor does she succeed in explaining
why versatile masculinity appeals to Asian and European girls to begin with: are Asian and European girls lesbians or do they prefer gay males to straight boys? Or why do straight girls want bi-gendered boy bands?

To ameliorate various shortcomings of the extant studies of social media and its impact on K-pop, we propose to study both the business and audience side of the K-pop phenomena.

III. Social Media vs. Conventional Media for Popular Music

As we argued above, it is not easy to argue that social media was the single prime mover for K-pop’s initial spread into and success in Europe. Having said that, we still contend that YouTube has been pivotal in creating secondary users and future fans of K-pop, while maintaining the ongoing popularity of K-pop in Asia, especially in Japan, the single largest market for K-pop in terms of the real revenue K-pop producers make. YouTube was obviously critical in expanding K-pop’s popularity into Europe through the virtual personal networks European fans have established over the years using different platforms, notably Skype, Facebook, and YouTube. YouTube, along with other SNS virtual networks, has both promotional and distributional functions that radio (promotional) and CDs (distributional) used to have separately. To reiterate, the survival of the K-pop music industry, compared to their competitors in North America and Europe, depends on whether the free musical content that K-pop producers, such as SM, YG, and JYP, are willing to donate to YouTube. Additionally, these producers must continuously provide K-pop fans with high quality entertainment content that features eye catching young artists and catchy music. In this section, we discuss why social media is more convenient than conventional media for music consumers.

In addition to the fact that the K-pop content is free on YouTube, making it a lot easier for the young K-pop fan to access music videos, several other new features of the social media warrant our attention.
As Table 1 shows, new benefits are apparent, in terms of the number of restrictions fans have to cope with when they seek music entertainment in new media as compared to conventional media. Concerts and television present the highest levels of inconvenience to the audience, because music listeners must be present at a particular space and an exact time. Although television can reduce the spatial restrictions substantially, they nonetheless require viewers’ timely presence in front of the TV set, while noticeably diminishing the quality of audio and visual transmissions.

<table>
<thead>
<tr>
<th>Restrictions</th>
<th>Concert Tour</th>
<th>TV</th>
<th>CD/DVD</th>
<th>YouTube</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time</td>
<td>Time</td>
<td>Lead time</td>
<td>Sometimes short commercial before video</td>
<td></td>
</tr>
<tr>
<td>Space</td>
<td>Space</td>
<td>Storage/Search</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money</td>
<td>Advertisement/Money</td>
<td>Money</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bundling</td>
<td>Bundled</td>
<td>Unbundled</td>
<td>Bundled</td>
<td></td>
</tr>
<tr>
<td>Participation</td>
<td>Active</td>
<td>Passive</td>
<td>Passive</td>
<td>Active</td>
</tr>
<tr>
<td>Community</td>
<td>Temporary</td>
<td>None</td>
<td>None</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>

It is obvious that CDs and DVDs are portable, nullifying spatial and temporal restrictions in favor of the audience. However, CDs and DVDs are a declining business format due to rampant unchecked piracy all over the world. Also, the lead time involved in introducing the products in different markets due to licensing restrictions increases the demand of pirated materials. Collectors of CDs and DVDs also face significant shortage problems of storage space and searching difficulties, as their CD and DVD collection increases in volume and size. It’s like searching for a particular book from a library without a call number.

YouTube as a music format, however, has no such physical restrictions. Viewers can easily search a piece of music video instantly anytime and anywhere, as long as they possess a mobile internet device that features a YouTube app. Furthermore, YouTube allows fans to enjoy the free K-pop content without bundling. The conventional
long play records and CDs usually bundle several songs together in an album, making it impossible for fans to purchase singles, or a CD that contains only one song. However, with the emergence of social media and internet music shops like iTunes, unbundling or selling music piece by piece is now a new fad (Elberse, 2010). Instead of buying a whole CD, fans can now surf around the virtual music shop and eschew songs they don’t want to purchase from a particular album. Greatly increasing customer convenience by matching specific devices (i.e., Apple devices) to specific music shops (i.e., iTunes, iCloud), it also helps increase music producers’ profit by making piracy impossible. YouTube also allows music producers to sell advertisement and commercial time to MNEs, as these commercials on YouTube videos are played prior ever before each new video is played. The only slight drawback is the fact that viewers sometimes have to watch a short commercial before each music video they play.

Social media like YouTube helps audiences form a virtually networked community, which the conventional media cannot. Live concerts provide strong bonding among routine attendees. However, YouTube and other new social media reinforce such offline camaraderie by providing free and constant communication platforms among online fans. TVs and CDs cannot offer any opportunities of forming a community of fans because these devices don’t allow interactions between people of the same musical taste. YouTube, however, allows fans to leave messages on the video page itself, giving electronic contact details of the actual fans of the same artist. Not only that, YouTube also allows fans to post music videos on their Facebook community so that their Facebook friends of both strong and weak ties can instantly play them while leaving comments to the original poster. YouTube videos can easily be shared among friends of weak ties of an existing strong tie (Gilbert and Karahalios, 2009). For example, a K-pop artist can post his video on his Facebook page that contains lots of weak ties, hoping his video can spread to millions of people instantly. As long as the artist, whether real or fake, is of a strong tie with his or her producer, a well-defined business format that focuses on the utilization of the social media is extremely effective. The recent
strategy of singers sending music streams to the friends of weak ties they met in the virtual space of Sound Cloud or Twitter is a good example.

What’s the motivation of audiences and singers of K-pop to participate in the new social media? It was once thought difficult to imagine a networked cluster of suppliers and buyers of music whose main source of revenue was only the Internet, mainly because of rampant piracy (Condroy, 2004; Siegel and Chu, 2010). The motivation and opportunity structures of YouTube are money and the availability of money in the form of commercials. By selling virtual commercial space (not time, because time is allocated unlimitedly) on YouTube channels, YouTube realized enormous revenues using the Internet. For this to be possible, artists and music producers must provide YouTube with their free musical content. Unknown singers may record their own amateur tapes and upload the video file to YouTube for free dissemination. The free uploading of their music content to the same website is extremely difficult for top class musicians, because
it is their ultimate source of revenue. No motivation should exist for the star-level singers and songwriters, not to mention their music distributors, to participate in the YouTube business model for music. For them to participate in the YouTube model there must be MNEs that are willing to pay in the form of royalties for the production and the “free” distribution of K-pop music. Although a single MNE won’t be able to pick up the entire tab alone, a consortium of MNEs can sustain the revenue structure for this formerly unimaginable supply chain. Therefore, according to this new business model, the ultimate buyer of the music is not the audience but the MNEs whose products the K-pop fans eventually end up buying (Figure 1). In other words, MNEs would not participate in this platform, either, unless the K-pop audiences are their eventual customers.

The explosion of the K-pop popularity in Europe is not solely due to a mere accidental discovery of the free K-pop content on YouTube by young E.U. music buffs. In our in-depth interviews with European K-pop fans, we noticed that only a small portion of the loyal fans that came to Korea encountered K-pop through YouTube or other social media. The majority of them confirmed a more plausible scenario of getting introduced to K-pop through hubs of Asian popular culture: Japan and China. By showing initial inclination to Japanese or Chinese culture, or by visiting these two Asian cultural hubs, young Europeans discovered K-pop through local K-pop communities either on or offline. These visitors would then act as messengers of newly learned K-pop to their own friends and social networks in their home country using social media. This is why most French K-pop fans were initially Japanese manga or anime fans (Ryu, 2011: 452). In this sense, the social media works like a facilitator of K-pop dissemination, provided that they have all the advanced features that we have described in Table 1.
IV. Strategic Choices toward B2B from B2C via YouTube

YouTube’s commercial use opened up a new business horizon for K-pop and Hallyu producers who want larger and more globalized markets beyond developing countries in Asia. Gleaned from the recent use of YouTube music videos in local bars and disc jockeys, we can easily recognize the market value of the free music content that is useful not only for end users but for other intervening businesses. If the Korean music industry can network a new business supply chain for K-pop, it is also possible for it to realize bigger revenues and profit by switching their strategic postures from the business-to-customers (B2C) model to the business-to-business (B2B) format, as long as piracy remains a fundamental flaw in the entire music industry. Selling the free content to buyers in the supply chain reduces marketing costs, transaction costs, and risks in producing untested art forms, not to mention the fact that the content is free (i.e., earns no revenue) to actual customers (Hilderbrand, 2007; Mangold and Faulds, 2009).

Figure 2. K-pop Value Chain
In the K-pop’s value chain two vendors reap the largest profits from handling K-pop in the market: MNEs and Google (Figure 2). MNEs’ main source of profit is their brand value that is often measured by their market positions (i.e., monopolistic competition in the market through technology innovation and a heavy dose of advertisements for their loyal customers), which in turn raises the value of their shares in the stock market. By buying the K-pop content and artists posing for their commercials, MNEs can enormously raise their brand value, as long as the artists and their songs attract millions of YouTube clicks daily from all over the world. Indeed, this was the reason Intel chose the Girls’ Generation for their commercial in Asia. On the other hand, Google’s main source of income is selling virtual storage space for advertisement on YouTube. The company initially invests money in procuring gargantuan virtual space, in which they build platforms of interactive communication. The virtual space with advanced and user friendly interactive communication tools will be sold to MNEs at high fees.

The second tier profiteers of the K-pop value chain include K-pop producers, their transnational joint venture and/or alliance partners, transnational song writers, and choreographers. K-pop producers discover young talents from early on, train them to be next superstars, and market them globally in the music industry. The most famous K-pop producer is SM Entertainment, along with its rivals JYP, YG Entertainment, Cube Entertainment, and others. As we will explain shortly, their main source of income is now from MNEs by “renting out” their stars to the global corporate world for commercials and other goods and services endorsement events. The producers also maintain their conventional business of producing music albums (CDs and DVDs), selling concert tickets, and organizing fan meeting events with autographed memorabilia for B2C profit opportunities. However, these conventional activities are now gradually replaced with B2B business projects, including joint venture and/or licensing agreements with local entertainment producers and distributors in Japan and the U.S., spot agreements of TV appearances with broadcasting companies and modeling agreements with MNEs. The largest
### Table 2: K-pop’s Globalization Drive

<table>
<thead>
<tr>
<th>Composers</th>
<th>Producers</th>
<th>Name/K-pop Singers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SM Entertainment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Busbee/Girls Generation</td>
<td>Teddy Riley/Girls Generation</td>
<td>BoDoo/Girls Generation</td>
</tr>
<tr>
<td>Alex James/Girls Generation</td>
<td>Polow da Don/Girls Generation</td>
<td>Thomas Troelsen/Girls Generation</td>
</tr>
<tr>
<td>Kalle Engstrom/Girls Generation</td>
<td>Willem Laseroms/Girls Generation</td>
<td>Yoji Sonoda/BoA, TVXQ</td>
</tr>
<tr>
<td>Oslo Recordings/Super Junior</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jett Hoepner/Shinee</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Misha Gabriel/BoA, SHINee</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thomas Troelsen/SHINee</td>
</tr>
<tr>
<td><strong>YG Entertainment</strong></td>
<td>will.i.am/2NE1</td>
<td>Daishi Dance/Big Bang</td>
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<tr>
<td></td>
<td>Daishi Dance/Big Bang</td>
<td>Dashi Dance/Big Bang</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dashi Dance/Shine</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dashi Dance/After School, Orange, Caramel</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dashi Dance/Rainbow</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Andrew Baterina/Jay Park</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jonie/Sord</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Andrew Baterina/TOUCH</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dashi Dance/AA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dashi Dance/TOUCH</td>
</tr>
</tbody>
</table>

*Source: Various Newspapers.*
The distributor of K-pop is undoubtedly YouTube, followed by Avex in Japan.

K-pop producers’ B2B strategy was made possible through innovative investments in procuring young talent from Korea as well as songwriters and dance choreographers from various countries, including Japan, the U.S., and the E.U. These transnational songwriters and choreographers, whose combined income is the second largest within the K-pop value chain, are either freelancers or members of transnational entertainment companies. Given the low production cost, compared to the cost borne by producers (e.g. specific investments, risks, etc.), their profitability ratio can be higher than that of the Korean producers. As Table 2 indicates, various songwriters and choreographers from Japan, the U.S., and the E.U. have participated in the K-pop globalization drive.

K-pop artists take the lowest paycheck from the value chain, as their income is arranged *ex ante* by the contract their parents signed when they were admitted to the training camps organized and run by K-pop producers. The huge amount of specific investments borne by the producers is the excuse for low payments to the young idol groups even after their sensational success on TV and other social media. For instance, the CEO of SM Entertainment, Lee Soo Man, claimed on a TV show that his company had spent 3 billion won (roughly US$ 3 million) in training BoA, SM’s first girl singer who made an astounding success in Japan (Kim, 2012).

Producers also want to milk these idol groups in a short period of time, as evidence by the high level of specific investments in young talents (Choi, 2011). For example, Girls’ Generation and Kara, both of whom appeared in the three big time live shows aired on TV on Dec. 31st, 2011, in Korea and Japan, had to fly back and forth between the two countries, all in less than a 12 hour-period. As shown in Table 3, lawsuits against producers and member splits are frequently reported after the initial success of an idol group, as K-pop producers refused to renegotiate the “slave” contract. For example, Tong Vfang Xien Qi (TVXQ) complained that the contract period was abnormally long (13 years), and they had never been properly compensated for their labor.
Table 3. Chronology of Legal Disputes

<table>
<thead>
<tr>
<th>Year</th>
<th>Idol Groups</th>
<th>Disputes</th>
<th>Resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>Jack’s Kiss</td>
<td>Disputes with DSP Entertainment</td>
<td>Members of Jack’s Kiss unanimously decide to dissolve the idol group.</td>
</tr>
<tr>
<td>2001</td>
<td>H.O.T.</td>
<td>Disputes over remuneration with SM Entertainment</td>
<td>Tony Ahn, Jang Wu Hyeok, and Yi Jae Won decided to leave the group. H.O.T. dissolved.</td>
</tr>
<tr>
<td>2002</td>
<td>S.E.S.</td>
<td>End of contract; no contract renewal</td>
<td>Members dissolved at the end of the contract period.</td>
</tr>
<tr>
<td>2005</td>
<td>Click-B</td>
<td>Litigation against Kiss Entertainment for payment embezzlement</td>
<td>Members dissolved after litigation.</td>
</tr>
<tr>
<td>2005</td>
<td>G.O.D.</td>
<td>Disputes with Sidus-HQ</td>
<td>Group performance stopped; individual performance with other agencies.</td>
</tr>
<tr>
<td>2006</td>
<td>Shinhwa</td>
<td>Left SM at expiration of contract</td>
<td>Erected their own production agency; oldest idol group still performing.</td>
</tr>
<tr>
<td>2009</td>
<td>TVXQ</td>
<td>Micky Yoochun, Hero Jae jung, and Xiah Junsu demanded SM of immediate contract stoppage.</td>
<td>Three members complained about the 13 yr long contract, along with SM’s failure to pay the singers; 3 members left the team and formed JYJ separately from TVXQ.</td>
</tr>
<tr>
<td>2009</td>
<td>Super Junior</td>
<td>Chinese member Han Geng wins a legal battle over SM Entertainment</td>
<td>Han is actively performing in China alone.</td>
</tr>
<tr>
<td>2010</td>
<td>SS501</td>
<td>Contract with DSP Entertainment over</td>
<td>Team members left the team and joined other agencies individually.</td>
</tr>
<tr>
<td>2011</td>
<td>Kara</td>
<td>Disputes with DSP Entertainment</td>
<td>Three members threatened to leave the team; DESP agreed to their terms.</td>
</tr>
</tbody>
</table>

* Source: Kwon (2011); Sun (2011).
TVXQ is now split into two separate groups of JYJ (3 original members) and TVXQ (2 original members).

Contractual disputes are rooted in producers’ transnational business strategy that emphasizes the mass production of idol groups who possess multifunctional and transnational skills (i.e., high quality but low price). By maintaining standardized (e.g., mass production with scale economies) but multitask (e.g., singing, dancing, acting, multilingual, etc.) performance guidelines, producers can reduce their dependence on idols, simultaneously increasing the quality of performance without increasing the labor cost paid out to actual performers. Unlike the traditional American, E.U., or Japanese model of entertainment business, where the largest paycheck is paid out to star performers, the K-pop model of star management standardizes performance skills according to transnational task requirements (i.e., multi-genre and multilingual skills) in order to lower the remuneration for the stars.

K-pop trainees receive regimented training after they are selected as students from the periodically scheduled mass auditions. Idol education includes singing, dancing, and acting abilities in addition to harsh physical training to “sculpt” upper body muscles and/or maintain the glamorous feminine body shape that Koreans call “S-line.” Facial or other cosmetic surgeries and strict dietary control to maintain desired weight ranges are part of the training package, which are all paid for by producers (Song, 2011). In rare cases, trainees are banned from cell phones for up to a year continuously in order to alienate them from outside contacts. The end product these K-pop trainees provide to the global fans and their bosses is musical and entertainment perfection that can be replicated by lots of other students in the training pool. During his interview with Fuji TV, Koike Kazuhiko, CEO of Universal Music, Japan, commented that: Korean idol groups have “professional perfectionism in music, vocal, dancing, visual presentation, and entertainment, and this kind of perfectionism doesn’t exist in Japan” (Jung, 2010: 7).

Manufactured K-pop idols and stars can relieve producers of the shortage of star-level performers, although performances by these
stars are all standardized and/or choreographed. When creativity is manufactured, and stars are trained according to the manual, it is hard to tell if K-pop’s artistic value will continue (Park, 2011). It is no coincidence that some of the European fans that we interviewed think that these singers are heavily trained like robots or soldiers:

K-pop stars’ dancing styles are the most different feature. They have a uniform style, looked trained but artistic. Their songs are catchy; they look perfect and cute but sometimes I feel like it is too much.

In an interview with Young-Min Kim, CEO of SM Entertainment, he acknowledge the elitist nature of the whole training system at SM:

I know our training system is elitist, and therefore we see many dropouts from our rigid training everyday. We have no idea how to help the dropouts. I am just worried that too many young kids want to volunteer and compete for our head start programs. Honestly, we have no idea how to help the dropouts. But I can assure that SM does not violate their human rights or sexually abuse them. That I can guarantee.

Given the above value chain with a new transnational strategy in entertainment business, a natural strategic evolution in business is to shift its traditional customer basis from B2C to B2B. This shift would not guarantee revenue or profit maximization, but it would award Korean K-pop producers with reduced risk in their investments, as long as their big business customers buy their free music content or even participate as investors in music production. Strategic business shifts from B2C to B2B can be gleaned from the changing emphasis on B2B related business portfolios within SM Entertainment and YG Entertainment between 2004 and 2010. Strategic choices of expanding revenues in the areas of licensing and royalty (e.g. selling production and marketing rights of music in foreign countries; use of music for business purposes including social media broadcasting and karaoke bars), appearance fees (e.g. actual participation in TV shows or corporate events), sponsorship contributions (e.g. monetary contribution to music production), and advertising (e.g. all types of corporate
endorsement activities) are clearly noticeable.

SM Entertainment is the champion and industry leader of this new B2B business model for the K-pop industry. Its total B2B revenue accounted for 80% of total sales in 2010. YG also demonstrates an abrupt increase in B2B revenues from 12% in 2006 to 35% in 2009 and to 40% in 2010 (Figure 3). What’s shocking in the new trend of B2B in the K-pop industry is the exponential growth of royalty income starting from 2009 (Figure 4). Overseas royalties constituted 81% of total royalty income for SM in 2010. The explosion of royalty income is parallel to the YouTube revolution, which shares advertisement royalty with music producers. SM has a dedicated YouTube channel, called SM Town in order to maximize the collection of YouTube based royalty income. Since the snowballing royalty income is the backbone of the entire industry, SM founder, Lee Soo Man, went a step further to propose to replace the Korean individual income tax with all Hallyu royalties earned from overseas (MK News, August 17, 2011).

Figure 3. Rising Revenues from B2B Portfolio (SM& YG)

* Source: Financial Supervisory Service Dart.
The structure of royalty sharing works like this. YouTube installs commercials on every music video that is uploaded by producers and has an enormous number of clicking. Whenever a fan clicks on a video and watches the advertisement that is played before the free music content, royalty is charged to the advertiser. As the number of clicks increases, so does the royalty. Roughly, digital distributors take 70% of the total royalty income, while SM takes the rest 30% (MK News, August 17, 2011). YouTube’s share of the profit with SM is not known, as the contract between the two corporations prohibit revealing such business secrets. This is the reason Google, along with MNEs who upload advertisements, reap the largest profit in this industry. MNEs’ main short-term benefit is brand name recognition among Hallyu fans throughout the world who later intentionally or unintentionally choose to purchase goods and services they keep seeing on YouTube before each music videos. To perpetuate this business structure, YouTube even purchased a new company called Rights.

1. In an interview, SM’s CEO Young-Min Kim hinted at the fact that the profit sharing “should be an equal split of 50%-50%.”
Flow to better calculate and distribute YouTube’s royalty income to producers (Sisario, 2011). The key difference between the conventional royalty distribution scheme and that of K-pop producers is that the royalty income is taken by the producers, not by the Korean singers for the latter’s case.

Apolitical economic implication of this B2B model or the foreign royalty-driven income structure of the K-pop industry is that K-pop is substantially dependent on foreign music distributors, either offline or online, especially that of Japan (offline) and the U.S. (online). Unless China, where there is no YouTube service, starts paying for the K-pop music in the future, Japanese and the U.S. distributors will still be the dominant content buyers of K-pop music. This also means that the postcolonial nature of the K-pop will continue to be pugnaciously reliant on imperial cultural distributors that are connected with music consumers in G7 countries, including Japan, the E.U., and North America. This is why cultural hybridization is all but the postcolonial perpetuation of center-driven world capitalist system (i.e., the empire strikes back). This is also exactly the same as Samsung’s profit structure which is largely dependent on Google and/or Apple, the two biggest consumers of Samsung products in the world. The fact that Samsung Electronics is the world’s largest producer of electronic devices, including smart phones through which K-pop fans download their favorite music, does not allow them to circumvent global distributor giants.

V. Virtual Audience in K-pop Social Media

In the new business cycle of the K-pop industry that relies on social media on the one hand and MNEs on the other, the seemingly least significant group of participants is the audience who constantly click on virtual and free K-pop content every day to eventually help deliver profits to Google, K-pop producers, and MNEs. Albeit seemingly unimportant, K-pop audiences are in fact the single most important group of non-paying customers (except for their ultimate con-
sumption of MNEs’ goods and services) who will determine the future fate of K-pop’s business value. If they shift their allegiance to other alternatives of music to K-pop, the whole K-pop industry, which is also supplying actors and actresses to the Hallyu drama and movie industries, will wobble in a matter of months. The ultimate demise of the K-pop industry would not, however, do any harm to MNEs and Google who will simply continue on to provide new genres of free music content to the audience clickers.

Whether these audience clickers are really buying MNEs’ products is a completely different issue with which this paper cannot deal within the provided space. To answer this question, we need to study the real impact of MNEs’ advertisements on audience clickers’ consumer behavior. What’s clear, however, is that these audience clickers tend to move around both geographically and virtually in search of new content. The real question for our purpose is therefore which content they are looking for and why. Within the entire K-pop fandom, we notice that the majority K-pop fans are middle-aged Japanese women (during initial K-pop fandom formation) and young women from Asia, North America, and Europe (during “Hallyu 2.0,” the recent K-pop fandom formation). Based on our interviews and other extant studies, we know that these female K-pop fans are formerly U.S. or U.K. music fanatics (in the case of Japanese middle aged women) or formerly Japanese or Chinese music fans (in the case of European girls) (Oh, 2011; Ryu, 2011). Since one of us has already dealt with the issue of why middle aged Japanese women have switched their allegiance to K-drama and K-pop (Oh, 2011), we will briefly discuss the same process of switching allegiances among young European girls who suddenly became loyal K-pop fans.

Unlike the middle aged Japanese women fans, young European female fans of K-pop show a strong tendency of searching for post-colonial content that satisfies European women’s desire. Most of them were first exposed to Japanese or Chinese culture for a similar reason: exotic, but feminine, postcolonial culture for European women.

At first, I was interested in Japanese culture, but via YouTube’s related
videos, I got to know Korean culture. I introduced Japanese culture to my friend, and she told me that Korean culture is better. So, she showed me videos from Beast and that’s how I first got to know K-pop.

I wanted to visit somewhere different and far from home. Since I knew about Korean culture and familiar with it, I decided to come to Korea and explore more. Images of Korea have been always good to me. I think it’s exotic and interesting. However, still, not many people in Europe know about Korea.

I had choices to go to Japan, Korea, and Taiwan, but people around me told me to go to Korea because Japan’s popularity has decreased and it seems like outdated, while Korean popularity is increasing, and the Korean Wave has become a big thing.

Each of these testimonies from four different young female European K-pop fans unanimously indicate geographical or cultural (virtual) migration in search of an exotic ideal land where they can indulge in an exotic culture for their personal satisfaction, which is gender-specific. It is our finding that European young girls’ deep-rooted desire is to release their gendered and postcolonial melancholia concomitantly. As was also the case for the middle aged Japanese women (Oh, 2011), European girls apparently suffered from gendered melancholia in the form of the repressive human relations between sexes during the formation of girls’ gender identity, which continue to their adulthood. It is also obvious that these girls want to relieve their gendered melancholia through postcolonial melancholia in the form of punishing European men by symbolically and/or physically embracing postcolonial men.

K-pop is more girlish, and the K-pop culture is more for girls. I think since K-pop is mostly dance pop music, group music, and focused on choreographies, males don’t find that appealing about this culture.

In the past France also had boy bands, and their performance was similar

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2. For gendered melancholia, see Butler (1995); for postcolonial melancholia, see Gilroy (2005).
to Korean boy bands. But French boy bands did not like to do any stupid stuff like dressing up as women. People say that Korean culture itself is more congenial for girls, and I agree with that.

When I show other people video clips or pictures of K-pop stars (boy band members), people say they look gay, but when they listen to music, they all think music is good.

When I was in France, I got free tickets to SM concerts through my dad. I saw that the tickets had been totally sold out after 5 minutes. In Korean concerts, so many fancy performances and things girls would love to see (such as taking off their shirts, flying over the air with special equipment, fireworks) happen. It is different from European concerts. K-pop singers also change clothes frequently during the show.

Western singers show sexy images but Koreans have a cuter image. I don’t know about men’s perspectives but to me, Japanese and Korean are like something small and cute that Europeans don’t find appealing. Fashion and thoughts are closer to a feminine side rather than masculine. Also, it was interesting to see male entertainers acting charming on show programs.

This phenomenon of boys becoming either feminine or impersonating gay boys is what Jung (2011) calls “manufactured versatile masculinity,” by which these boy bands can express different layers of masculinity from macho images to soft feminine ones. However, we need to know why versatile masculinity satisfies European girls’ feminine desires. As the above five testimonies indicate, “feminine” or “gay” Asian boys who look cute and manicured are not masculine or aggressive, unlike the macho image that goes with European men (as was expressed in the last quote above). Cute images give confidence to the girls who then think that they can dominate these boys. Punishing white men therefore relieves their gendered and postcolonial melancholia simultaneously by embracing these boys in front of their white males in their own society.

In addition to their individual psychological needs, however, what is vital in the successful formation of the European K-pop fandom is the free access to YouTube, as we explained above:
Back in Finland it is not broadcasted. So, I saw it only through YouTube. After I came to Korea, I watched K-pop singers performing on TV, but I prefer YouTube because I can choose videos I want to see. There is no way to watch them on TV in France, but on YouTube I can watch everything I want, and also am able to see their videos again and again. So, I can see how they dance.

More convenient to watch via Internet because I don’t have to wait, and I can also find everything I need easily on YouTube.

To the advertisements they have to watch before enjoying their K-pop content, we find differing reactions from the interviewees. As one interviewee indicated, we can also predict a sizable amount of female fans actively shop MNE products:

To some extent, commercials are annoying. But since you don’t have to pay in order to watch the video, I guess that’s something you have to accept.

I have seen some commercials before the clip and I cannot skip. So, it’s really annoying. There is no such thing in France.

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

The above testimonies are what SM’s CEO Young-Min Kim had expected when he decided to upload free music on YouTube for the first time in Korea. In an interview with CEO Kim, he explained the logic of this new business model in the following way:

SM had no local network with TV stations or music distributors, including on-line platforms and portals, in China or Japan. When I looked at the Chinese and Japanese platforms, the top 20 most downloaded videos were all local products. The break came when the Japanese iPhone pre-loaded YouTube on every iPhone Softbank sold in Japan. I immediately noticed that YouTube was going to replace local platforms in Japan, which would allow more global music videos like our Super Junior’s music to be available to the Japanese audience. Furthermore, YouTube
reveals the total number of instant click hits to every viewer. When I experimented with our first music video that I uploaded to YouTube, the clicks instantly increased to hundreds of thousands, topping the day’s top 20 list. I didn’t really care about whether our music would appeal international audiences; I believed that YouTube would certainly give us a chance.

Kim’s testimony confirms our working hypothesis that universal content comes second to the availability of a universal digital platform. Kim further elaborated on the universality of digital platforms by saying that: “unlike TV and radio, YouTube is the first global mechanism that allows producers like us to advertise our music while instantly selling it by charging fees either to downloaders or to advertisers.”

When girls go crazy for postcolonial boys, there is always a lingering question of possible punishment, this time by white men. During the colonial times, a typical lie the white girls used to defend themselves from such punishments was that the colonial boys tried to rape them. Technically, the only probable punishment white men can inflict upon these white girls would be not marrying them (i.e., therefore, not handing down male wealth to the betraying women). However, this threat is negligible now, as such a threat doesn’t exit at all or white men still marry white girls despite their affection with postcolonial entertainers. European and Asian girls seem more or less freed from such social stigma:

One of my friends did not understand why I like this culture when I do not understand the lyrics and language. My family does not like K-pop but tends to ignore the fact that I like it, and my parents don’t really care. Mother did not like the idea of buying concert tickets because it is too expensive and she thinks I can do many other things with that money. My sister tried to mediate and support me but my mother still does not like it.
VI. Conclusion

In this study we found some support for the research question: Is there any empirical relationship between social media and K-pop’s popularity in Europe, not to mention its initial success in Japan, China, Thailand, and other Asian countries? We also found evidence of a new tendency of the Korean entertainment industry shifting its strategy from B2C to B2B. The transition to social media has, on the whole, played a significant role facilitating the validation of this new business model that transfers the largest sum of business profit to music distributors, such as YouTube.

Although young female K-pop fans in Europe emerged as the most significant supporters for this new business model, their motivational basis was not much different from that of the middle aged Japanese Hallyu fans: gendered and postcolonial melancholia. Main Korean entertainment firms such as SM, JYP, and YG are banking on feminine melancholia (e.g. use of versatile masculinities and pro-feminine messages) to maximize their profitability through a new business alliance with global MNEs as commercial and royalty providers on the one hand and with Google as a main music distributor on the other. It is there for e expected that the Korean entertainment firms will further harness their B2B business strategies as the age of new social media matures.

The implication of this study is that Hallyu is neither a new business model that is distinctively different from the dominant Korean export industries, as long as the entire profit structure of the industry depends on exports and foreign distributors for its survival. Nor is it a new art form that is distinctively Korean or something that can be universalized for the rest of Asia, as long as K-pop is manufactured collectively by artists and producers from global music industries. The only Korean element that is unique to the Korean culture is its tendency to mass produce not only the K-pop music but musicians as well through the elitist and Spartan training system. The entire B2B Hallyu business model hinges on the elite training system of the would-be K-pop idols and their transnational fans who might have no
idea why they receive free music content on the internet. Through new social media, or rather the interaction on online communities, teenagers and young adults unknowingly provide the basis for a business platform by which adult music producers can reap windfall profits.

Further studies can be designed based on our initial observation, such as studying the relationship between Google commercials and the consumer behavior of young K-pop fans. Investigating whether Google and MNEs take the largest cut in this social media Hallyu industry can also be designed based on empirical data. Melancholia among young K-pop fans in Europe can be further studied using larger interview samples.

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