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Master's Thesis of International Studies

Internationalization of Webtoon Platform

**- A Case Study of Naver and Kakao in Japan and
USA -**

웹툰 플랫폼의 국제화
-네이버와 카카오의 일본과 미국 진출 사례를
중심으로-

February 2023

**Graduate School of International Studies
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Internationalization of Webtoon Platform

**- A Case Study of Naver and Kakao in Japan and
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**Submitting a master's thesis of
International Area Studies**

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Abstract

The global comic industry, led by the United States and Japan, has significant impact on related industries such as animation, film, and character creation. Despite the advent of the internet, the comic industry has remained resilient, but is undergoing changes due to the growth of mobile technology and the rise of webtoon platforms.

Webtoon, a form of digital comic originating from South Korea, are optimized for web and mobile viewing, is creating a new market in the comic industry. Since the introduction of Naver Webtoon's overseas expansion in 2014, the webtoon industry has experienced rapid growth over the past eight years globally. In Q4 of 2021, six out of the top ten comic apps in terms of consumer spending were Korean webtoon apps. This study aims to examine the factors contributing to the global success of Korean webtoons platforms in their accelerated internationalization, especially in the face of competition from incumbent players.

While there have been numerous studies on multinational enterprises and internationalization, these studies have primarily focused on the advanced multinational enterprises with a competitive advantage. In contrast, studies on the internationalization of emerging countries or latecomers are limited. This study aims to address this gap by analyzing the internationalization strategies of Korean webtoon platforms and identifying the challenges and success factors involved.

To achieve this goal, the entry strategies of Naver and Kakao, two major players in the Korean webtoon industry, will be analyzed using Mathew's LLL(Linkage, Leverage, Learning) theory. The mature comic markets of the United States and Japan will also be studied to understand the strategies and performance of webtoon platforms in these countries. Moreover, the strategies of latecomers in the industry will be evaluated to understand their impact on the accelerated internationalization.

This study seeks to contribute to the literature by enhancing our understanding of latecomers' accelerated internationalization strategies. Through the application of international business theories, the study aims to shed light on

the drivers of accelerated internationalization in the webtoon industry.

Keyword : Naver, Kakao, Webtoon, Accelerated Internationalization, LLL,
Multinational Enterprise

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Abbreviations

IP	Intellectual Property
MNE	Multinational Enterprise
MAU	Monthly Active Users

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I. Introduction

The growth of the internet has significantly impacted various industries, causing a shift towards digital activities and the emergence of new forms of cultural content. The comic industry is a traditional publishing industry that has been instrumental in disseminating cultural content globally. Comics are predominantly produced in countries such as Japan and the United States, and they have emerged as a potent source of intellectual property(IP), with popular characters such as Demon Slayer(鬼滅の刃) in Japan and the Avengers series in Marvel being adapted into various media forms including character, animation, and film. Despite the advent of the internet, the comic industry was slow to adopt new technologies, with physical publications continuing to dominate the market. However, with the proliferation of mobile apps and the rise of digital natives as the main consumer demographic, the comic industry is undergoing a shift from offline to online, and the market share of digital comics is gradually increasing. The industry has become a source of valuable intellectual property and the trend towards digital comics is growing as the market share for digital comics increases.

Webtoon—a portmanteau of “web” and “cartoon- refers to web-based comics that originated in South Korea in the early 2000s. The rapid growth and expansion of Korean-style webtoon platforms were notably amplified with the entry of Naver into the international market in 2014. The global digital comic market is expected to reach 1.345 billion dollars in 2022^①, and Korean companies now dominate the global comic app segment, with six out of the top ten consumer spending apps owned by Korean companies.^② Naver and Kakao, leading webtoon platform operators, have established themselves as successful content platforms for comics and have evolved into a global platform for content producers and

^① the Korea’s National IT Industry Promotion Agency

^② Data and Analysis platform, data.ai, Q4 2021 report

consumers.^③

This study aims to analyze the internationalization and multinationalization of IT-based contents platforms, with a focus on the accelerated internationalization of Naver and Kakao in Japan and the US markets. Mathews' (2006a, 2017b) LLL theory will be employed to analyze the drivers of internationalization of these webtoon platforms within the comic industry in Japan and the US markets. The emphasis on the webtoon industry and the analysis of Naver and Kakao's internationalization strategies contributes to a deeper understanding of the internationalization of content platforms, which is distinct from previous research mainly focused on the internationalization of developed countries and traditional manufacturing companies.

^③ In this thesis, Naver and Kakao are referred to as "Naver" and "Kakao" respectively, to maintain consistency in reference to the companies as they employ varying service brand names in different countries.

II. Literature Review

1.1 Existing Studies of FDI

The study of motivations for multinational enterprises (MNEs) to engage in foreign entry has resulted in the development of several theories with distinct perspectives since S. Hymer first initiated research on the topic in 1960. Two prominent theories that analyze foreign entry based on a company's internal advantages are Hymer's (1960) monopolistic advantage theory and Buckley and Casson's (1976) internalization theory. Hymer's monopolistic advantage theory posits that companies with monopolistic advantages enter foreign markets to dominate imperfect markets and maximize profits. Buckley and Casson's internalization theory, adopted as a theory of foreign direct investment, views foreign entry as the process of creating markets within the company.

The field of foreign direct investment theory is complex, encompassing various concepts. Dunning proposed an integrative framework that encompasses monopolistic advantage theory, internalization theory, and location theory. This framework, known as the OLI paradigm, consists of three elements: ownership advantages, location advantages, and internalization advantages. Ownership advantages refer to a company's proprietary elements, such as its patents, trademarks, and brand power, as well as its ability to leverage its competitiveness in its home country to quickly gain a foothold in foreign markets. Location advantages refer to benefits a company can reap by entering a specific target country, such as low production costs, skilled labor, robust infrastructure, abundant natural resources, or large consumer markets. Internalization advantages refer to the belief that companies can achieve greater benefits by internalizing their foreign business operations instead of participating indirectly, such as through exports. The theory of transaction costs, which suggests that internal transactions are more efficient and cost-effective than those in the market, also applies. Based on Dunning's

eclectic theory, a company's choice of entry mode into a foreign market is influenced by its ownership, location, and internalization advantages. The alignment of these advantages can determine the company's preference for licensing, mergers and acquisitions, or greenfield investment as its mode of entry.

The advent of OLI paradigm came about when the internationalization of companies from developed countries was not as active. However, as companies from developing countries, particularly in East Asia, became more involved in foreign markets, the limitations of existing theories, such as the OLI paradigm that primarily explains the internationalization of developed countries, became apparent. This marked the beginning of foreign entry by companies without the same ownership advantages as their developed country counterparts. Many scholars have pointed out that foreign direct investment (FDI) in developed and developing countries cannot be treated as equivalent, as there are distinct differences between the two. Additionally, the OLI paradigm possesses the limitation of being a static observation that compares one point in time to another, rather than continually observing a company's overseas expansion (Mathews, 2006a). Furthermore, the paradigm fails to address the critical issue of the speed of internationalization, which plays a crucial role in the success of emerging market multinational enterprises (EMMNEs) (Thite *et al.*, 2015).

There are three widely recognized patterns of internationalization in the International Business (IB) literature. The first is the Uppsala Internationalization framework, which portrays internationalization as a gradual process. The second is the "born global" pattern, which emphasizes the early involvement of companies in international markets, operating as global players from their inception. The third pattern is accelerated internationalization (AI), which focuses on the pace of a company's internationalization and may not necessarily involve small or young companies (Tan & Mathews, 2014).

1.2 Theoretical Framework

The Mathews' LLL framework was created to explore the strategies that emerging or latecomer companies can use to compete in the global economy. While traditional international business (IB) theories, such as the OLI paradigm, have focused on the competitive advantages of companies from advanced countries, many firms from emerging countries are without such advantages. The LLL framework provides a resource-based approach to the accelerated internationalization of multinational enterprises from the periphery, with a focus on resource linkage, leverage, and learning. Unlike the OLI framework, which is based on microeconomic reasoning, the LLL framework is based on strategic reasoning.

The main focus of the LLL framework is on resource linkage, leverage, and learning. According to Mathews, EMMNEs differ from established MNEs in their approach to internationalization, as EMMNEs seek to acquire intangible assets (such as technology, brand power, and management expertise) to gain new competitive advantages, while established MNEs leverage their existing advantages. To overcome their latecomer disadvantage, EMMNEs adopt an outward orientation by connecting with established companies in their target markets to acquire resources and complementary assets (Mathews 2006a). Leverage involves using established relationships to overcome resource limitations and secure a competitive advantage, while learning involves applying linkage and leverage repeatedly to build the internationalizing firm's dynamic capabilities and global reach (Mathews 2017b). The goal of this process is to empower late entrants to outperform established firms in competition.

Table 1. Salient Features of the LLL framework.

Framework	Salient features
Linkage	<ul style="list-style-type: none">- Connect with established players in target markets- External resource seeking & global orientation
Leverage	<ul style="list-style-type: none">- Focus on leveraging resources through linkage
Learning	<ul style="list-style-type: none">- Repeated application of linkage and leverage- Build dynamic capabilities and global reach
Key Features	<ul style="list-style-type: none">- Light, flexible structure for Accelerated Internationalization- Relevant for latecomers, especially firms from emerging market

Source: Mathews (2006a, 2017b)

The pace of internationalization is also critical for EMMNEs. They typically pursue a rapid, rather than gradual, internationalization to overcome their latecomer disadvantage. This approach, referred to as a "springboard perspective" by Luo and Tung (2007), has dual motives of asset seeking and opportunity seeking. EMMNEs enter foreign markets mainly through global alliances and acquisitions, instead of green-field ventures, to overcome the liability of foreignness and country of origin. This differs from the entry mode of traditional MNEs, which seek to exploit their existing competitive advantages.

This study aims to identify the drivers of the accelerated internationalization of Naver and Kakao's webtoon platforms. Using a case study approach based on the LLL theory, the study collects data from the companies' IR reports, articles, research reports, and interviews with representatives after their overseas entry in 2014. While the OLI and LLL theories are often used to analyze the overall internationalization of an industry or company, this study focuses specifically on Japan and the United States, the first and second largest markets in the comic industry and the two countries where the companies have concentrated their resources. The unique characteristics of each market as cultural industries are considered in the analysis.

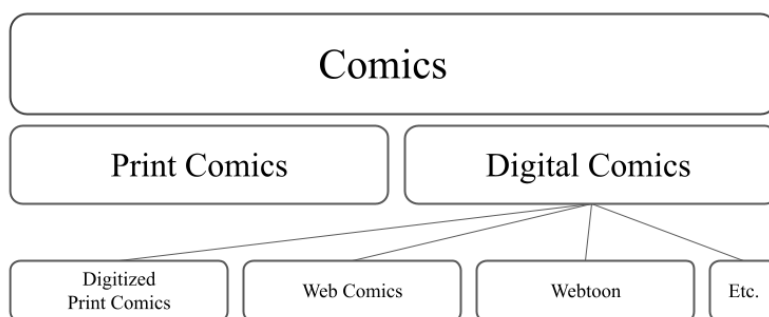
In the webtoon industry, content is considered the core resource as intangible assets. As a platform for handling cultural products, the resources in the webtoon platform are the comics themselves, and as the importance of media mix increases, artists and production studios are becoming crucial resources as well. Thite et al. (2015) suggested that the LLL framework can be used to analyze the strategies of multinational companies seeking competitive advantages in developing new markets or acquiring intangible assets. This study examines strategies based on theoretical frameworks while considering the unique characteristics of the cultural industry and the market.

III. Review of Industry and Market

1. Comics, Digital Comics and Webtoon

The advent of the Internet has led to a division in the global comic market into two distinct forms: paper-based publishing comics and digital comics, which can be viewed on digital devices such as computers and mobile phones. Digital comics are either digital versions of printed comics or web-based comics, the latter being produced specifically for the web. Among these digital comics, webtoons, a genre originating in Korea in the early 2000s, stand out as a unique form of digital comics, distinct from other online comic genres such as Japanese manga and North American digital comics.

Figure 1. Classification of Comics in terms of Format



Source: Author, based on media articles.

The term "webtoon" was first used when an Internet portal named Chollian started offering webtoon services in August 2000. This was soon followed by the launch of webtoon services by the largest Internet portals Daum and Naver in 2003 and 2004, respectively. The popularization of the term "webtoon" can be attributed to the usage of the term by Naver at the launch of its service. The webtoon industry began to grow in earnest after smart phones became popularized in 2009. In 2012, the industry successfully monetized, leading to the

development of a revenue model. By 2014, Naver and Daum, two major platforms, started to receive attention as a source of IPs by entering the overseas market. Demand for webtoons has continued to rise, and as of 2022, webtoons have become virtually synonymous with comics in Korea.

Webtoons represent a new content format optimized for the digital space, created specifically for the web, as opposed to simply digitizing existing publishing comics, a practice common in other markets during the early stages of the digital revolution. This new format, characterized by a vertical layout and color drawing, enables quick production and distribution. Webtoons are usually serialized and published once a week, with some episodes available for free and others requiring payment. This format is also known for its engaging storylines and the ability for readers to interact and communicate through comments. The Blue Ocean Strategy Institute at INSEAD noted that the success of webtoons lies in its ability to attract new readers and to create an ecosystem where users and creators can collaborate in content creation.

The growth of the webtoon market can be attributed to several factors. On the production side, webtoons have a lower barrier of entry compared to traditional published comics as there are no gatekeeping by publishers and a lower production cost, making it easier for new artists to enter the market. In terms of distribution, the rise of smart devices has facilitated the quick consumption of content through simultaneous uploading and consumption, especially among younger generations. Additionally, webtoons have become a key source material for various OTT platforms, leading to an increase in the commercial value of original IP. Marvel and DC Comics in the United States have utilized comic books as a source material to generate significant added value through licensing businesses, dramas, films, and games, in the global market (Kim & Lee, 2022).

The original IPs of webtoons and web novels can be transformed into various genres,

such as movies, dramas, animations, merchandise, and background music (OST), to maximize the value of the content. This expansion of original IPs has already been demonstrated in the US and Japan. Webtoons are gaining attention as a key source of IP content in a world where the competition to secure IP content among global OTT platforms is becoming increasingly intense. For example, the Netflix series "Sweet Home" is based on the Naver Webtoon and "Itaewon Class" is based on the Kakao Webtoon.

The Korean webtoon format was introduced to the international market with the launch of the webtoon service named "Tapastic" by Tapas Media in 2012 in the American market. Since then, several Korean webtoon platforms, such as Naver, Kakao, Ridi, and Lezhin, have successfully expanded their operations into overseas markets. The motivation for this expansion varied among large portal operators and smaller, specialized platforms. Large portal operators like Naver and Kakao sought to expand their IP businesses and economies of scale, while smaller, specialized platforms like Lezhin Comics and Ridi aimed to overcome the limitations of the small Korean market and increase their user base.

The webtoon market is in a growth stage in South Korea, but it is still in the early stages of development globally. Naver and Kakao are currently the leading players in the content industry, competing fiercely in mergers, acquisitions, and partnerships to secure IP. As of 2019, Naver held a 65% share of page views, compared to 15.6% for Kakao Page in Korea,^④ and is the leading webtoon platform in over 100 countries, including Europe and Southeast Asia. Kakao, however, is also making aggressive moves, overtaking Naver as the leading webtoon platform in Japan in 2020, and pursuing global expansion through partnerships with overseas publishers and local companies, with the aim of becoming a dominant player in the webtoon market worldwide.

The global comic book market was valued at USD 14.69 billion in 2021 and is projected

^④ Korea Creative Content Agency, '2020 Webtoon Business Status Survey'

to grow to USD 21.37 billion by 2029, demonstrating an average annual growth rate of more than 4.8%.^⑤ Within this market, the webtoon market size is estimated to be around USD 3.7 billion in 2021 and is forecasted to experience a CAGR of 36.8% from 2022 to 2030, growing at a faster pace than the overall comic book market.^⑥

2. Webtoon Market in Japan

The Japanese manga(まんが) market, which was valued at \$456.9 million in 2019 according to PricewaterhouseCoopers(PwC), demonstrates the country's prominence as the largest global comic industry. The market saw a 14.3% increase from the previous year, marking a new record and overcoming a slight decline in 2017. The consumption of manga in Japan, a leisure activity not limited to a specific age group but rather widely enjoyed by the general population, holds a significant position in mass media such as television. The popularity of manga as a leisure activity, as noted by American Sociologists Ito and Crutcher acknowledge manga as one of the popular leisure activities representing Japanese-ness, reflecting the country's culture, tradition, history, and society.

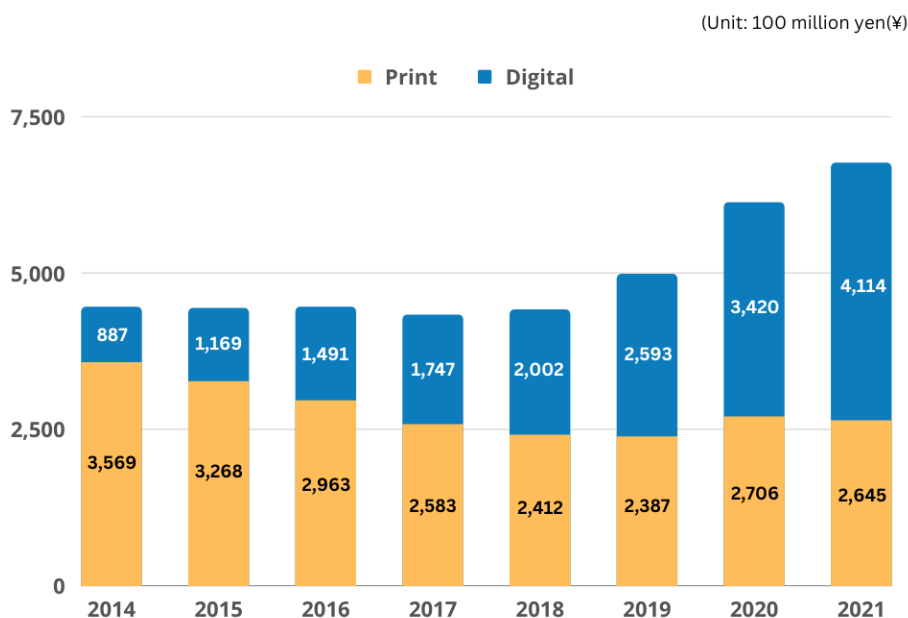
While the traditional printed manga sector remains strong in Japan, the growth of the digital manga sector is noteworthy. Figure 3 demonstrates that in 2015, the digital manga market accounted for only 26.3% of the overall Japanese manga industry, however, by 2019, it surpassed its printed counterpart for the first time with a 52.1% market share. The scale of the digital manga market in Japan grew rapidly from \$966 million in 2015 to \$2.38 billion in

^⑤ Fortune Business Insights, “Comic Book Market, 2022-2029.”

^⑥ Spherial Insights & Consulting, “Global Webtoons Market Size, Share & Trends, COVID-19 Impact Analysis Report, By Type (Romance, Comedy, Action, and Others), By Revenue Model (Subscription Based, and Advertisement Based), and By Region (North America, Europe, Asia-Pacific, Latin America, and the Middle East and Africa), Analysis and Forecast 2021 – 2030”

2019, a 246% increase in just four years. Japan has established itself as both the largest manga market and the largest digital manga market in the world.

Figure 2. Comics Sales Revenue in Japan (2014-2021)



Source: The All Japan Magazine and Book Publisher's and Editor's Association (2022)

The entrance of Korean webtoon platforms into the Japanese market in 2013 has added to the growth of the digital manga sector. The main players in the market include internet/IT companies, manga publishers, and game companies, with the first movers being internet/IT companies. Korean webtoon companies such as Kakao's Piccoma, Naver's Line Manga, and NHN's Comico, have secured a first-mover advantage in the Japanese market and offer both Korean webtoon content and a significant amount of local Japanese content to reach the local readership. In particular, local Japanese publishers have stated that while it is difficult for them to offer works by other publishers through their mobile app services, platforms such as Line Manga and Piccoma have the advantage of easily incorporating works by multiple companies,

contributing to their competitiveness.

In contrast to the Korean market where comic has shifted largely towards webtoons, there are still a significant number of manga enthusiasts in Japan. However, it has been noted that in recent times, there has been an increase in "dual users" as webtoons on mobile devices gain popularity and overtake the traditional paper manga market. Results from a joint survey conducted by Piccoma and Dentsu^⑦ indicate that, in Japan, mobile apps were the second most common means of accessing manga, with 28.6% compared to 39.6% for paper books. Of those who both read manga on paper and use manga apps, 40.1% stated that they read manga for more than four days a week, with 39.3% of them spending over 1000 JPY per month on manga.

According to a survey by MMD Research Institute on webtoon readers in Japan in 2022, Line Manga recorded a usage rate of 41.9%, while Piccoma recorded 37.3%. These two companies alone account for approximately 80% of the market share. According to a report by data.ai, a mobile market research company, in the 2nd quarter of 2022, the highest consumer spending on apps in Japan was by Piccoma and Line Manga, respectively. Japan boasts the highest Average Revenue Per Paid User (ARPPU) in the world, indicating a willingness among consumers to invest in webtoons. Naver's Line Manga and E-Book Japan serve the Japanese market with ARPPUs (as of 2nd quarter of 2022) of 35,000 JPY and 48,000 JPY, respectively, surpassing South Korea's ARPPU of 90,000 JPY.^⑧

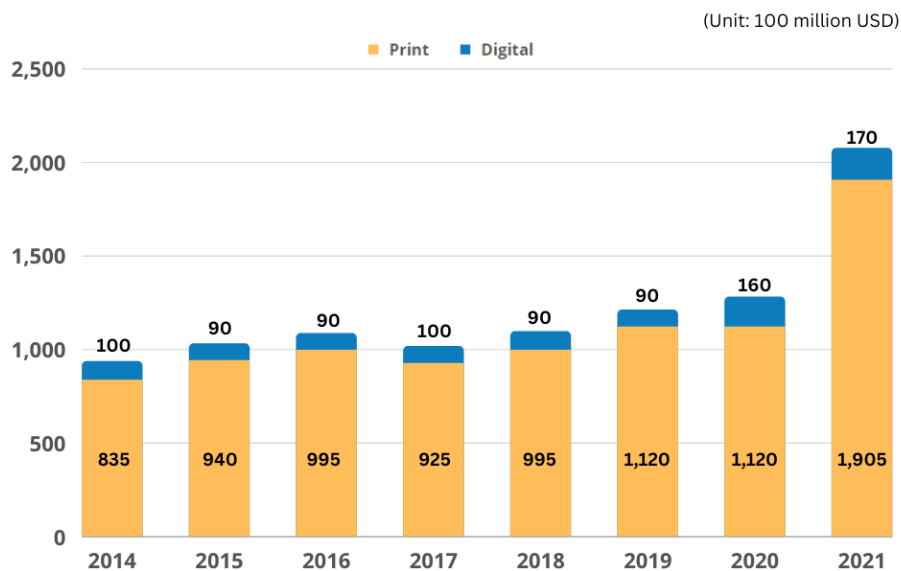
^⑦ Dentsu Inc is a global marketing and advertising agency based in Japan

^⑧ Naver Corp., Q2 2022 Earnings Call

3. Webtoon Market in U.S.

The comic industry in the United States, the second largest in the world, recorded \$1.229 billion in revenue as of 2020, according to PwC. The industry has been growing steadily since 2017, despite the COVID-19 pandemic, which has caused a decline in sales for comic book retailers. While the US comic market is primarily print-oriented, the proportion of digital comics has been growing slowly, albeit at a slower pace compared to other markets. In the mid-2010s, digital comic platforms such as Comixology launched their services in the US, but the proportion of digital comics in the market has declined from 8.8% in 2015 to 8.3% in 2020. This decline is due in part to the conventionalization of digital comics and the limited growth of the digital subscription service. However, the actual webtoon market in the US is expected to be larger, as the digital subscription service is not included in digital comic sales figures.

Figure 3. Comics Sales Revenue in North America (2014-2021)



Source: Statista, Comics and graphic novel sales revenue in North America from 2013 to 2021

The popularity of comics in the US has been driven largely by the success of Marvel Comics and DC Comics, two of the most well-known graphic novel publishers. The adaptations of their works into movies have gained worldwide popularity, leading to a significant increase in comic book sales. In the US, however, comics are still primarily consumed by young males, who enjoy superhero works from Marvel and DC. According to market research firm Statista, Marvel held 46.76% of the total comic book sales in the US in 2019, while DC held 27.58%. These two publishers dominate 80% of the overall comic book market, with superhero comics dominating the best-selling rankings. Japanese comics are also popular in the US.

The growth and development of the American comic industry cannot be discussed without including the impact of the Hollywood film industry. The American comic industry has expanded into film, broadcast media, and gaming based on IPs, creating effective media mixes. In fact, for the past 25 years, the group with the highest profitability among original works released in US theaters has been "Based on Comic/Graphic Novel".^⑨

While the global pandemic has caused a decline in sales for comic book retailers, major publishers such as Marvel and DC have adopted a "digital first" strategy. Diamond Comics, which dominates offline comic distribution in the US, stopped comic distribution in 2020. However, the US has been slow to respond to the rapid growth of Korean platforms, which have embraced digital distribution and exclusive digital content.\

The US webtoon market was formed through the aggressive foray of Korean webtoon platforms into the North American market. Digital content is spreading in North America through collaboration with Korean webtoon platforms or the adoption of formats by local contents companies. In the 2022 US market comic app revenue rankings, including Naver's Webtoon , Kakao's Tapas, and TappyToon, invested in by Naver, more than five Korean

^⑨ Statista, Average revenue of film in the U.S. and Canada 1995-2022, by selected source material

webtoons ranking in the top 10.¹⁰

¹⁰ Google Play, Top Grossing Comic App in the United States

IV. Naver Analysis

1. Naver Webtoon Overview

Naver, South Korea's leading Internet Company. The company has its roots in a corporate venture established within Samsung SDS in 1997, before being spun off in 1999 to launch its portal business. Over the years, Naver has undergone various mergers and acquisitions to bolster its platform capabilities, and has diversified its offerings to include e-commerce, community services, and entertainment.

In 2015, Naver introduced the Company-in-Company (CIC) model, which provides organizational independence in areas such as human resources, finance, and overall management, enabling high-potential organizations to independently implement their ideas. One such organization is Naver Webtoon, which started as a small service with just one developer and one manager in 2004, but has since become Naver's first CIC. The service has since established its vision as the "No.1 Global Storytech Platform," and in 2017, it was incorporated as a separate corporation. With the aim of furthering its global expansion, Naver Webtoon relocated its headquarters to the US in 2020 and is considering a listing on the US stock market.

As of the end of 2022, the webtoon service - including Naver Webtoon in South Korea, LINE Webtoon in Southeast Asia, WEBTOON in North America, Central and South America, Europe, and LINE MANGA in Japan - had a monthly user base of 85 million people,^⑪ surpassing the population of South Korea and establishing itself as the world's leading webtoon platform. The integration of web novels has increased the number of MAUs to 134 million.^⑫ The service is currently available in 10 different languages and is offered in over

^⑪ Naver Webtoon. Q2 2022 Earnings Call

^⑫ Naver Webtoon. As of March, 2022

100 countries. According to Sensor Tower, a mobile data analysis company, the service was ranked 10th in the global app revenue rankings in the first half of 2022.

2. Naver Webtoon's Internationalization

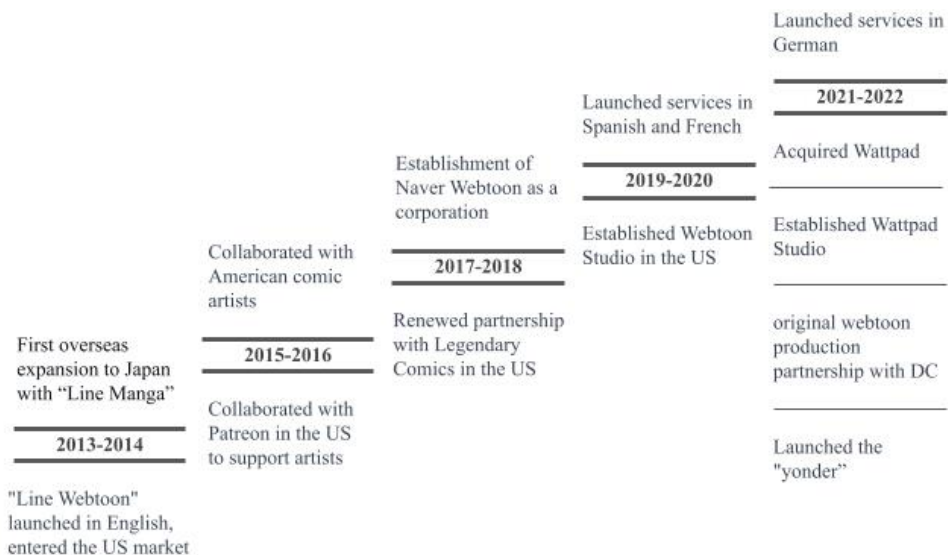
In April 2013, Naver Webtoon embarked on its internationalization journey through the use of its subsidiary, the Japan-based mobile messaging service Line. The widespread adoption of Line in Japan presented Naver with a unique opportunity to expand its user base and establish its presence in the market. The following year, Naver furthered its international expansion by launching Line Webtoon in English, making it available in the United States and Taiwan.

In 2018, Naver established a subsidiary company, Line Digital Frontier, dedicated solely to the Webtoon business as part of its efforts to grow its presence in Japan. In May 2020, the US Webtoon Entertainment Corporation merged its previously separated businesses in South Korea, the US, and Japan, relocating its base to the US, symbolizing the company's full-fledged global expansion. This was further solidified with the acquisition of Wattpad, the world's largest webnovel platform, in 2021, and the acquisition of 100% of EBIJ, a subsidiary of Softbank Group's e-book company in Japan, in 2022, solidifying Naver's status as the world's largest webtoon and webnovel platform.

The expansion of Naver Webtoon beyond the Korean market began in 2013, as the company aimed to pursue globalization. Having launched its app in 2010 and established a solid user base in the domestic market, Naver shifted its focus to overseas markets to broaden its IP portfolio and attract international users. Starting in Japan in 2013, Naver has entered markets in the US, Southeast Asia. In 2022, Naver established a European subsidiary in an

effort to further penetrate the European market. The growth trend in overseas sales of Naver Webtoon can be seen from the increasing proportion of its revenue generated from abroad, reaching 63% in the second quarter of 2022.¹³ The CEO of Naver Webtoon, Kim Jun-koo, who has overseen the company's operations since 2004, has stated that their vision is to become a global-scale post-Disney from Asia. Naver Webtoon aspires to achieve this through the distribution of its IPs and content through the Naver Webtoon platform.

Figure 4. Timeline of the International development: Naver



Source: Author, based on corporate reports, company websites and media reports.

The approach to Naver Webtoon's overseas expansion entails various tactics, but at its core, it revolves around the establishment of a content value chain, the acquisition of original IPs, and the extension and replication of these IPs through animation and film. To achieve these goals, Naver has formed strong partnerships with leading publishers to both distribute its content through its platform and collaborate in the production of original content. Additionally,

¹³ Naver Webtoon. Q2 2022 Earnings Call

it provides opportunities for aspiring webtoon artists to showcase their work through initiatives like Challenge League, which adopts a business model similar to that of YouTube. Naver Webtoon also implements a multi-platform strategy in each target market through proactive M&A activities, equity investments, and joint ventures, with the goal of securing original IPs and promoting the video production and development of these IPs on a global scale.

3. Naver's LLL

Linkage and Leverage in Japan

Line Manga, a subsidiary of Naver, has embarked on its overseas services by translating over 60 popular Korean webtoons into Japanese and offering them for free. The format of webtoons and the entry into the Japanese market of Korean webtoons represented a new challenge, but thanks to the brand power and platform power of Line, a Naver affiliate, Line Manga was able to quickly establish itself in the Japanese market. In addition to its integration with the messaging platform, which allowed for easier user acquisition compared to new platforms, Line Manga already had a high level of brand trust among the general public.

From the start of its operations, Line Manga has established partnerships with over 50 publishers, including renowned Japanese publishers such as Shueisha, Kodansha, and Shogakukan, to offer competitive digital content. Furthermore, to enhance local content in Japan and discover local artists, Line Manga established the "Indies" amateur participation system locally. By actively involving Japanese publishers and local artists in this manner, Line Manga reduced cultural differences and ensured local adaptability.

In March 2022, Softbank Group's subsidiary company specializing in e-books, "EBIJ Initiative Japan," was fully acquired by Naver. The EBIJ's e-book platform, "E-book Japan,"

boasts over 800,000 works, with a transaction rate for comic content constituting 95%.¹⁴ This acquisition has established a competitive position for the company not only in the mobile market, but also on the web. As a result, Naver has grown to become the largest mobile webtoon/manga platform in Japan, featuring over 800,000 works, including digital manga from local publishers. The combined transaction volume between Line Manga and E-book Japan reached 800 billion JPY, with a combined MAU base of 20 million.¹⁵

The next step for Naver following this acquisition is to further strengthening its IP value chain through webtoons-videos. To achieve this, Naver established StudioToon, a joint venture with Japanese broadcaster TBS, renowned for producing popular dramas such as "Boys Over Flowers," and the Japanese webtoon production company, Shine Partners. The strategy involves mining local IP, then selecting and visualizing it with TBS as the main actor, in order to establish a strong presence in the Japanese content market and target the Japanese market as a whole. Moreover, in an effort to penetrate the local market, CJ ENM, a Korean media content producer, along with Studio Dragon, among others, will establish Studio Dragon Japan in Japan for the purpose of producing video contents from webtoon.

Linkage and Leverage in U.S.

Upon entering the US market, Naver faced the challenge of introducing the concept of "webtoon" to an unfamiliar audience. To overcome this, the company undertook various collaborative initiatives with local industries, including local partnerships, technological alliances, artist ecosystem, mergers and acquisitions, and investments. One notable partnership was Naver's "creative partnership" with DC Comics, a major player in the local market. This collaboration resulted in the production of the first original webtoon story, "Batman: Wayne

¹⁴ Publishing Perspective, "South Korea's Webtoon Acquires Ebook Initiative Japan"

¹⁵ Yonhap News, "Naver Webtoon, acquired EBIJ"

Family Adventure," which received 50 million views.¹⁶ Further plans include the creation of three more original webtoons and the strengthening of the partnership.

Naver's strategy was to attract DC Comics fans to webtoons by producing and serializing new, previously unpublished content, rather than converting existing comics into webtoon format. Collaboration, the "Marvel Webtoon Project" with Marvel, involved the production of existing comics in webtoon format for mobile environments. Through these partnerships, Naver successfully attracted existing comic fans in the North American market to its platform.

Additionally, Naver introduced the "Challenge League" system, known as "Canvas," in the US, which provided a platform for 100,000 amateur artists to serialize their works. The North American comic market was dominated by DC Comics and Marvel, leaving limited opportunities for amateur artists. Canvas, however, allowed amateur artists to serialize their works, form fan clubs, and even receive formal serialization opportunities, thus creating a successful "creator economy." In 2016, Naver partnered with the US membership subscription platform, Patreon, to allow readers to donate, and in 2020, invested in the platform. Through this collaboration, Naver demonstrated the different cultural support practices in North America and attracted more creators to the market at its entry stage.

Naver has launched its multi-platform strategy in the United States through strategic mergers and acquisitions. To expand its intellectual property offerings beyond webtoons, Naver acquired Wattpad, a leading global platform for web novels, where notable works such as the Kissing Booth and the Martian, which have been adapted into movies, originated. The platform boasts 570,000 creators and 100 million unique IPs, which Naver plans to leverage to produce webtoons that are optimized for the local market. Naver has also invested in Contents First, the second largest webtoon platform in the US, TappyToon, becoming its first shareholder.

¹⁶ Money Today, "The new Batman DC comic will be revealed on Naver Webtoon."

According to data.ai, Naver Webtoon ranked first in terms of MAUs in the US webtoon and web novel market (excluding Wattpad and TappyToon) in 2021, and recorded a dominant position in terms of revenue in the comic category of the app market. Naver, in its efforts to create a global IP value chain, is not only expanding its webtoons offerings but is also acquiring key IPs like Disney, through monetization models and film production. In 2021, Naver established the Wattpad WEBTOON Studios to promote video adaptations based on the secured IPs. According to Naver, over 100 story IPs from Webtoon and Wattpad are in the process of being produced as TV series, films or animation.¹⁷

In order to achieve its goal, Naver has entered into partnerships with three video production studios in North America. The company has collaborated with Vertigo Entertainment, a film production company responsible for productions such as The Lego Movie (2014) and It (2017), Rooster Teeth Studios, an animation studio, and Bound Entertainment, which participated in the production of Snowpiercer (2013) and Netflix's original Okja (2017), to produce a science-fiction TV series that will be broadcast in the US.

Learning

Naver has established a strategy of global expansion through the implementation of successful business models from its home market in Korea, such as the Challenge League, and through various means of localization, merger and acquisition, equity investment, and joint ventures. The webtoon platform presents a unique opportunity for revenue generation through the production of TV series for content platforms such as Netflix, attracting both well-known publishers and popular comic creators and consumers. Naver boasts a diverse range of high-quality content, not only in Korean webtoons, but also in Japanese manga and American comics, and is continuously expanding its global user base.

¹⁷ Naver Corp. 2022 Q1 Quarterly Report

A prime example of Naver's approach to value creation is the IP value chain, which is exemplified by the integration of webtoons to videos contents. Notable cases include the Naver webtoons "Sweet Home" and "All of Us Are Dead," which were adapted and went on to perform well on Netflix. The latter, despite being more than a decade past its initial serialization, experienced remarkable growth with an 80-fold increase in weekly views and a 59-fold increase in transaction volume following its release on Netflix.¹⁸ In the United States, the Wattpad WEBTOON Studio is producing the Naver original content "Lore Olympus," which won the digital book of the year award at the 2022 Harvey Awards. In Japan, local creators and EBIJ are actively pursuing the video adaptation of webtoons, leveraging IP secured from EBIJ, with the goal of creating a cyclical relationship where webtoon consumers are drawn to video content, and video consumers are in turn driven to webtoons.

¹⁸ Naver Webtoon Corp. "Naver Webtoon's "Now Our School" saw an 80-fold increase in views after the release as a Netflix series."

V. Kakao Analysis

5.1 Kakao Webtoon Overview

Kakao Corporation launched its mobile messenger app, KakaoTalk in 2010 and has since become the largest mobile messenger in South Korea. As an IT company, Kakao permeates all areas, including shopping, transportation, finance, and payments. In order to expand its comprehensive content offerings, Kakao established KakaoPage in July 2010 and it has since entered the webtoon and web novel fields. In 2014, the company further consolidated its position in the webtoon market through the acquisition of Daum, a prominent internet webtoon platform and first to start the webtoon platform. Kakao expanded into the North American market through strategic partnerships in 2014 and made its direct entry into the Japanese market for the first time in 2016.

Kakao offers webtoon services through KakaoPage (South Korea), KakaoWebtoon (South Korea, Southeast Asia), Piccoma (Japan, France), and Tapas (North America). As of 2022, Piccoma, Kakao's global webtoon platform, boasts over 10 million MAUs.¹⁹ According to global app data analysis platform data.ai in its "2022 Mobile Status Report," Piccoma ranked 1st in overall app revenue (including games) in Japan, 1st in global comic app revenue, and 6th in overall global app revenue. With only one app, Kakao Piccoma was ranked 8th in overall revenue. The platform currently operates in over ten countries and preparations are underway for its listing on the Japan Stock Exchange in 2023.

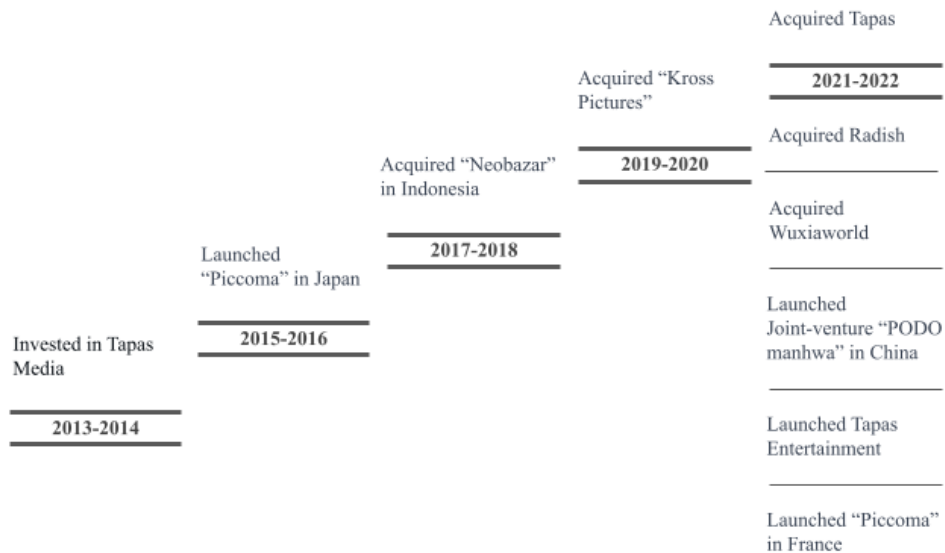
¹⁹ Kakao Corp., Q3 2022 Earnings Call

5.2 Kakao Webtoon's Internationalization

Kakao initiated its entry into the North American market in 2014 through a strategic alliance with Tapas Media which operates Tapas an online platform for webtoon. This marked the company's first foray into the region through the translation of existing contents. Subsequently, in 2016, Kakao introduced the webtoon platform "Piccoma" in Japan through its local subsidiary, Kakao Piccoma. In 2018, the company broadened its reach in Southeast Asia by merging with Indonesian online comic platform, "Neobazar." In 2020, Kakao acquired Kross Pictures, a production firm that operates "Kross Comics," the first Indian online comic platform, and creates movies and dramas primarily in India, Japan, China, and the United States. The following year, Kakao joined forces with Tencent to launch the webtoon and web novel platform "PODO manhwa" in China through a joint venture. Kakao also expanded its presence in Southeast Asia with expansions into Taiwan and Thailand. In 2022, the company launched "Piccoma" in France and entered the European market.

Kakao's entry into the US market was made through IP licensing, but in 2021 the company opted for a direct entry through M&A instead of through Kakao Webtoons or Piccoma in Japan. That year, it acquired Tapas, the first webtoon platform in the US, followed by the acquisitions of Radish, a North American web novel platform, and Wuxiaworld, a Hong Kong-based English fantasy web novel platform. In 2022, Tapas and Radish were merged and established as the new firm, "Tapas Entertainment."

Figure 5. Timeline of the International development: Kakao



Source: Author, based on corporate reports, company websites and media reports.

Kakao's entry into the webtoon platform business was initiated through the acquisition of Daum in 2014. However, its direct entry into the market was comparatively delayed until 2016. Despite Daum being the pioneer webtoon platform in Korea with a well-established foundation, it took time for Kakao to secure a successful IP and test the 'wait or pay' model. In the initial stages of its business, the company was not actively involved in overseas expansion. However, the launch of Piccoma in Japan marked a turning point, as the service was able to overcome its disadvantage as a latecomer and secured the first position in sales among manga apps in Japan, surpassing other Korean platforms and Japanese publishers' platforms in 2020.²⁰

Kakao is executing international diversification through various methods, including the establishment of direct corporations in Japan and France, entry through mergers and acquisitions in the US, and joint ventures in China. The key strategy for its overseas expansion

²⁰ Data and Analysis platform, data.ai

involves providing verified IPs, specifically tailored to the local situation of each country. Kakao aims to offer premium webtoon services and distinguish itself from Naver Webtoon, which focuses on supporting amateur writers. To this end, the company has acquired over 10,000 original IPs.²¹ The 2021 acquisitions of Tapas and Radish has resulted in the scale of local creators associated with Kakao reaching 100,000. Although Kakao has entered fewer countries in comparison to Naver, its webtoon platform revenue reflects a significant contribution from overseas sales, accounting for 80% of the total transaction amount in the 2nd quarter of 2022.²²

5.3 Kakao Webtoon's LLL

Linkage and Leverage in Japan

In 2011, Kakao established a joint venture with Yahoo! Japan and introduced its popular messaging app, KakaoTalk, to the Japanese market. Despite entering the market two months after the competing messenger, Naver Line, Kakao failed to gain significant market share and eventually separated with Yahoo! Japan in 2014. Just prior to the retreat from Japan, Kim Jae-yong was appointed as the new CEO of Kakao Japan²³ and he proposed a shift towards a comics content business, despite opposition from the Kakao headquarters. Piccoma, a webtoon and web novel platform emerged as the outcome of this new direction. The brand name is a combination of "pixel," which refers to digital image units, and "coma," which means a scene in Japanese.

At the time, Japan had over 100 digital comic services. Korean IT companies such as

²¹ www.economist.co.kr

²² Kakao Corp., Q2 2022 Earnings Call

²³ Kakao changed its corporate name to "Kakao Piccoma" in November 2021

Line Network and Comico had entered the market, and major comic publishers had taken over the digital comic market since 2014. As a latecomer to the market, securing works for Piccoma was a priority, but with low platform recognition, it was difficult to persuade publishers. After being rejected by several publishers, Kakao signed a supply contract with two small publishers and secured 80 works, launching the service in April 2016. The number of real-time users in the first month was 13 and daily sales were 200 yen.²⁴

From its inception, the service adopted the innovative "wait or pay (待てば ¥0)" business model, which had driven the success of KakaoPage in Korea. The model entailed offering a free viewing voucher for the next episode after reading one episode, and waiting for 23 hours before generating the voucher. This incentivized users to either pay to access the next episode immediately or to visit the app daily and wait to view it for free, thus fostering customer loyalty and daily engagement with the app. In Japan, where paid content was more widely accepted compared to Korea, publishers initially did not fully embrace the idea of dividing comic books into several parts and charging for each installment. However, as more publishers began to embrace this model and form partnerships with Piccoma. In 2017, Piccoma secured over 1300 manga titles and entered into a strategic collaboration with Kodansha, distributing 3-4 manga titles from it. The following year, Kodansha sought to expand its offerings to Piccoma by 100 works, but Piccoma adopted a "Content First" philosophy and focused on gradually increasing the number of works they could deliver effectively.

The key to Piccoma's growth lies in its strategic partnerships with Japanese publishers. In a market dominated by supplier superiority, Piccoma's CEO, Kim Jaeyong, made personal visits to publishers from the early stages of the business to secure content. The platform now offers over 34,000 contents in collaboration with over 130 Japanese publishers, including

²⁴ Kakao Corporation Official Website and Interview of CEO

major comic publishers such as Kodansha, Kadokawa, Shogakukan, and Shonen Champion. In December 2022, to secure local Japanese content IP, Piccoma became the largest shareholder with an 8.9% stake in Kadokawa, a comprehensive content company with a long history in Japanese culture and media. As Piccoma's business model continues to thrive, nearly all digital comic platforms in Japan are imitating it. The number of works available under the "wait for pay" model has surpassed 14,000.

Kakao has overcome its initial limitations, now seeks to enhance its collaboration with publishers by launching the digital comic platform, "Piccoverse". The platform aims to serve as a hub for Japanese publishers to upload their comic IPs for digital publication, and the revenue model through previews is also expected to be implemented. Piccoverse seeks to take advantage of the aggregation effect of publishers in the Japanese market by providing IP-related services centered around publishers. The background of the launch of Piccoverse is rooted in the efforts of Japanese publishers to establish their own platform. However, these efforts were unsuccessful in attracting a significant user base. Hence, the objective is to utilize the IT technology and platform of Piccoma to enable traditional publishers to produce and distribute content and establish a position as a platform operator.

Piccoma collaborates with publishing companies to showcase a diverse range of content, including not only Japanese but also Korean content with original IP. Out of the over 20,000 contents available on the platform, webtoons constitute less than 2% of the total, with about 80% of these being Korean works and accounting for more than half of the total sales. Piccoma has translated popular Korean webtoons such as "Solo Leveling" and "Itaewon Class" into Japanese, changing the title of "Itaewon Class" to "Roppongi Class", which has garnered increased popularity. A joint survey conducted by Piccoma and Dentsu in 2019 revealed that 75% of comic app users access both paper media and the app, attracting not only traditional comic readers who are centered on Japanese publisher works, but also young

women in their 10s to 30s who had not previously read comics through paper media, as new readers, through popular genres of Korean webtoons such as romance fantasy.

Linkage and Leverage in U.S.

Kakao's entry into the United States market was facilitated through a series of strategic mergers and acquisitions, differing from its approach in Japan where it established a subsidiary to launch its services. In 2013, Kakao merged with Daum Communications, resulting in the acquisition of Daum's stake in Tapas Media. Following this acquisition, Kakao collaborated with KakaoPage to localize Korean content and bring it to the American market. In 2021, with the aim of becoming the leading entertainment company in North America, Kakao acquired full control of Tapas shares.

Kakao's expansion strategy in the region involves the implementation of the "novel-comics" business model, which utilizes web novels as original intellectual properties (IPs) to produce webtoons and expand into other media formats such as dramas and movies through super IP projects that connect webtoons to video productions. To further its goal, Kakao has acquired North American web novel platform Radish, which caters to millennial women who enjoy romantic and fantasy content, as well as WuxiaWorld, the world's largest Asian fantasy web novel platform based in Hong Kong.

In 2022, Kakao completed a strategic merger between Tapas Media and Radish Media, resulting in the establishment of Tapas Entertainment. The three platforms - Tapas, Radish, and WuxiaWorld - will be maintained as separate entities, each targeting distinct demographic groups. Tapas targets a younger audience, Radish targets millennial women who enjoy romantic works, and WuxiaWorld is primarily used by male audiences interested in Asian fantasy.

The success of the novel-comics business model is reflected in the high sales generated

from original IPs. For instance, 90% of Radish's sales are attributed to its own IPs, which have a strong and dedicated fan base. In the case of WuxiaWorld, while Kakao's IPs account for only 5% of total content, they still contribute 25% of total sales. Despite Kakao's IPs accounting for a relatively low proportion of content, 1%, in Tapas, they still account for 70% of total sales. To further drive growth in North America, Kakao plans to actively supply its superior IPs to Tapas, Radish, and WuxiaWorld and to collaborate with the 10,000-member local creator community in Tapas and Radish to create local IPs. The aim is to achieve more aggressive sales growth in North America.

Learning

Kakao's foray into the international arena is driven by its objective of creating new markets and securing and localizing original IPs. In Japan, Kakao has been perceived as having created a new market rather than simply competing with the existing one. Unlike other firms that target comic book enthusiasts, Piccoma aims to attract content consumers who prefer to access content on their smartphones with ease, positioning itself as a provider of "snack content." This positioning strategy has effectively broadened its target audience, attracting not only comic book fans but also a wider range of light readers. The company intends to maintain this snack content approach in the US and European markets.

In the Japanese market, despite Kakao's original IPs constituting only 2% of the total, they contribute to 50% of the company's revenue, highlighting the importance of IPs. The firm has implemented an aggressive Mergers and Acquisitions (M&A) strategy to enter the North American market and actively secure original IPss. Furthermore, in 2021, Kakao established a joint venture in Japan with South Korean webtoon production company Story ZAK, named Sherpa Studio, and started publishing multiple webtoons on Piccoma. In February 2021, the

company also established its first Korean subsidiary, the webtoon content production studio "Studio1pic," to produce content for Piccoma serialization and global expansion. The goal is to merge Japan's world-class IPs, from the largest manga market, with Korean production expertise to lead the global webtoon market and produce competitive webtoon content. The company operates three studios in Tokyo and Seoul, and is continuously expanding its work lineup by releasing 1 to 2 new works daily. It is also actively pursuing localization, through its own translation team and by acquiring multilingual translation company Kiwi Media Company in 2021.

Kakao, having devised a multi-platform strategy through M&A in the US, is pursuing its super IP strategy. This strategy entails expansion into multiple fields, such as movies, dramas, audio content, metaverse, games, animation, and others, based on global platforms and a diverse range of IPs beyond webtoons and web novels. The company has established a partnership with the leading US agency, the Creative Artists Agency, and has signed approximately five video contracts.

VI. Discussion

This study undertakes an analysis of the accelerated internationalization of the Korean webtoon platforms, with a focus on the cases of Naver and Kakao, the leading companies in this field. The objective is to understand the strategies employed by these companies in their successful overseas expansion into the Japanese and United States markets.

Drawing from international business theory, this research seeks to move beyond traditional cultural studies and examine the specific tactics used by Naver and Kakao, as well as the key factors that contributed to their success. Unlike other content industries, such as music, movies, and dramas, which typically utilize licensing or exporting as a means of entering foreign markets, Naver and Kakao opted to enter through direct investments, through both greenfield and brownfield strategies.

The analysis aims to delve beyond mere numerical metrics of success, such as user numbers, revenue, and market share, to uncover the deeper implications of these companies' strategies in the dominant manga markets of Japan and the noble comics of the United States. Ultimately, this research seeks to provide insight into the significant role that linkage, leverage, learning plays in the speed of internationalization in the content platform industry.

Upon entering a foreign market, multinational enterprises (MNEs) encounter two challenges: the liability of foreignness (Hymer, 1976) and the liability of country of origin. While the former affects all MNEs, the latter presents a greater disadvantage to MNEs from emerging markets, as their home country lacks global dominance (Chang, Mellahi, & Wilkinson, 2009:76). The Korean webtoon platforms faced a similar challenge upon entering foreign markets as latecomers, such as Japan and the United States, where the comic industry was larger and more developed.

In their efforts to overcome the liability of foreignness and the liability of their country of

origin, Naver and Kakao embarked on proactive strategies for localizing their content in the foreign markets they entered. In Japan, the companies established partnerships for the purpose of uploading localized content (linkage) and appealing to existing comic fans (leverage), thereby generating ongoing inflows and producing original content tailored to the market, thus creating a lock-in effect (learning). In the US, Naver focused on expanding its network to incumbent players such as DC and Marvel and leveraging resources to mitigate the hurdles, while Kakao chose to overcome the hurdles through acquiring and merging with established platforms in the English-speaking world.

The success and accelerated internationalization by Naver and Kakao, Korean webtoon platforms, was influenced by multiple factors besides LLL. The rise of mobile apps and the shift towards consuming content on smartphones presented an opportunity for webtoons, which were designed to be scrolled vertically and thus easily consumed as snack content. In contrast, traditional publishers faced significant costs in transitioning from print to digital, while Korean webtoon platforms, born as IT companies, had no such legacy costs. New entrants from emerging economies were better positioned to take advantage of this shift as they were less entrenched in the existing print system. The characteristics of comics as cultural products also played a role in accelerating the internationalization of the content industry.

In the case of Kakao, its success in Japan can be attributed to the popularity of its cultural products such as "Solo Leveling." These works changed the perception of Korean comics and webtoon platforms among Japanese readers and had a significant impact on the market. In the content industry, the influence and spread of content is as important as the strategy and business model of a company. The success of a particular work, such as "Demon Slayer" of Japan or "Star Wars," of US is directly linked to the success of the company, and thus, this uniqueness should be included in analyzing a company based on its content. (Yoon & Lee, 2021)

During the period in which Naver and Kakao embarked on international expansion, the market was populated by numerous competitors. There were also Korean webtoon platforms that ventured into Japan and the US, with a minimal time difference, as well as leading businesses in those countries that pursued digitization efforts. Despite this competition, Naver and Kakao's dominance in the market can be attributed to their respective platform effects and advantages. Small to medium specialized Korean webtoon platforms encountered challenges in adapting their proprietary intellectual property to align with the local cultures and lifestyles in the target countries. These platforms often serialized niche works, such as BL (Boy's Love), GL (Girl's Love), and adult content, as opposed to more mainstream works featured on larger serialization platforms. Limitations in enhancing their services arose from difficulties in translation, securing a human network, and securing sufficient budget for international expansion, as well as the varying genres each company aimed to target.

The early 2010s saw the onset of digitalization in the comic industry, with players facing limitations in the digitization of existing content. In Japan, the shift towards digital comics was primarily driven by large printing-based publishers who placed a strong emphasis on cultural heritage and tradition. This resulted in a slow transition to digital due to the cost of legacy systems and a reluctance to adopt innovative practices. On the other hand, the Korean webtoon platform was established by IT companies, leading to a more efficient and rapid digital transformation. In the United States, major IP companies such as Marvel and DC pursued a strategy of utilizing their own IPs to succeed in the film format rather than seeking extensive collaborations. The largest comic platform in the US, Comicxology, which is owned by Amazon, offers a diverse range of works through collaborations, however it is not optimized for mobile as an eBook platform, resulting in a relatively slow pace in the digital comic market which is focused on mobile applications.

The webtoon market has emerged in Japan and the US, with local players in these

countries following the trend of creating or distributing webtoons in collaboration with Naver and Kakao, as well as adapting the format and business models of them. Despite these efforts, it is becoming increasingly difficult for competitors to challenge the dominance of Naver and Kakao due to their established position in the market, economies of scale, and multi-platform presence, which result in network effects. The accumulation of IPs by Naver and Kakao attracts more users and artists to their platforms, as the success of webtoons being turned into movies or dramas becomes more prevalent.

The lock-in phenomenon, where existing users cannot easily leave, is also evident. In cultural content platforms, it is of utmost importance to have a vast selection of high-quality content. Naver and Kakao recognize the significance of possessing exceptional IP in Korea and have already established a foothold in the market by actively acquiring source IP from Japan and the US through linkage. The acquired source IP is not only applicable to the country of origin, but is also translated and made available in all other markets that the platform enters. The linkage strategy adopted by Naver and Kakao to secure source IP in cultural content platforms has proven to be highly effective, as seen in their cases.

The question of whether webtoons will completely replace the global comic market as they did in Korea, requires consideration of the characteristics of the existing market. Webtoons are a new model in the comic industry that has developed in Korea, completely replacing the traditional comic market there. However, in regions where traditional comic markets are strong, such as Japan and the United States, webtoons are likely to create new markets instead of replacing them, complementing the existing market. Conversely, in regions where the traditional comic market is declining, such as Southeast Asia, webtoons are expected to replace the traditional comic market as seen in Korea. It can be inferred that different strategies will be adopted based on the market.

This study is characterized by several limitations. Firstly, while an examination of accelerated globalization has been carried out, the overseas expansion period of the Naver and Kakao has only been 8 years, making it difficult to conduct more in-depth research. Additionally, the emergence of webtoons as a new media form has not yet reached 20 years, and while the Korean webtoon market is in its growth phase, the overseas webtoon market is in its introductory phase, so it is necessary to re-examine the strategies and success factors of major platforms as the market reaches its growth stage. Secondly, the limitations of the data used in the study should be noted. Naver and Kakao's webtoon businesses are both listed in Japan and Korea, respectively, but as of yet, Webtoon business enterprises remain unlisted companies and analysis had to be conducted based on the data of the parent company, leading to limitations in more concrete performance analysis. Finally, as noted in the discussion, the LLL theory, being a resource-based theory, has limitations in fully explaining internationalization strategies through just resources alone. As noted in previous studies, it is necessary to examine the institutional system, such as internal linkages, technology, and government support, in conjunction with the entrepreneurial spirit.

VI. Conclusion

This study analyzed the global market entry and international diversification strategies of the webtoon platforms, with a focus on the cases of Naver and Kakao and with reference to Mathews' LLL theory. Through a comprehensive examination of the world comic market, with particular emphasis on the US market and the Japanese market, which boasts the largest and strongest source IP in the world, the study investigated the accelerated internationalization of these two platforms with webtoons as a new format of comics.

The findings reveal that Naver and Kakao employ different strategies in their internationalization efforts. Naver established its own subsidiaries in key countries, such as Japan, the US, and France, and also built networks through local partnerships, equity investment, and M&A activities in Japan and the US. This has enabled Naver to actively pursue adaptation of source IP-based content to video-based contents. On the other hand, Kakao adopted alternative entry methods in Japan and the US. In Japan, it set up its own enterprise, while in the US it entered through M&A instead of direct establishment. In Japan, Kakao actively collaborates with local publishers to distribute local content and monetize successful IPs from Korea through localization and adaptation. In the US, it has established partnerships with major platforms and media companies to distribute its own webtoons and localize them.

Despite having entered the global market less than a decade ago, both Naver and Kakao have already achieved remarkable results in internationalization. The research highlights the importance of considering the company's situation and the characteristics of the foreign market when deciding on the most appropriate entry method for a given company. Additionally, it highlights the role that a well-established global network can play in facilitating internationalization.

However, the LLL theory alone is deemed insufficient in explaining key aspects of the latecomers' internationalization process, such as entry stages. Future research can benefit from incorporating microeconomic reasoning-based frameworks, such as the OLI framework, in combination with strategic frameworks like the LLL theory, to offer a more comprehensive understanding of the internationalization process. Furthermore, the scope of the research could be expanded to cover other contents or service platform industries for further insight.

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초록

만화 산업은 전통적인 출판 산업으로 세계 만화 시장을 선도하는 미국과 일본의 만화는 전 세계로 퍼져 나갔을 뿐만 아니라 강력한 IP의 원천으로서 애니메이션, 영화, 캐릭터 산업으로 확장되었다. 인터넷의 등장에도 흔들리지 않던 만화 시장은 모바일 기술과 웹툰 플랫폼의 등장으로 변화가 이루어지고 있다.

웹툰은 한국에서 유래된 디지털 만화로, 웹과 모바일 환경에 최적화되어 있다. 2014년 네이버 웹툰이 국외에 진출한 이래, 지난 8년간 웹툰 산업은 매우 빠른 속도로 확장해 나가고 있다. 2021년 4분기 세계 만화 앱 소비자 지출 순위 10위권 내 앱 중 한국계 웹툰 앱이 총 6개였다. 이 수치는 전체 만화 산업의 규모와 비교하였을 때는 적은 수치이지만 디지털 만화가 빠르게 점유율을 확장하고 있다는 점에서는 중요하다. 만화 산업의 변방국이던 한국은 어떻게 8년도 되지 않아 성공적으로 해외 진출 및 다국적 기업화를 이루어 냈다.

다국적 기업화와 해외직접투자에 관한 기존 연구는 많았지만, 대부분의 연구가 경쟁우위를 보유하고 있는 선진국 기업의 해외 진출에 대해 다루고 있다. 신흥국으로 대변되는 후발주자의 해외 진출, 그 중에서도 전통적인 제조 기업이 아닌 IT를 기반으로 하는 콘텐츠 플랫폼 기업에 관한 연구는 많지 않다.

본 논문은 후발주자의 해외 시장 진출과 콘텐츠 플랫폼 기업의 진출 전략에 대한 논의에 기여하기 위하여 작성하였다. 매튜의 LLL 이론을 네이버와 카카오에 적용하여 해외 진출 전략에 대한 분석을 실시하였다. 만화 산업이 성숙한 국가에서의 진출 전략과 성과를 파악하기 위해 세계 만화 시장 1위와 2위 국가인 미국과 일본 시장을 대상으로 하였다.

해당 분석들은 웹툰 플랫폼에서 경쟁 기업인 네이버와 카카오뿐만 아니라 넓은

범위의 콘텐츠 산업에서 후발주자의 가속화된 국제화 전략에 대한 이해를 높이는 데 기여하고자 한다. 이와 같이 본 논문은 국제 경영학 이론의 적용을 통해 변화하고 있는 해외 진출 전략과 빠른 국제화의 동력을 재조명하였다.

주요어 : 네이버, 카카오, 웹툰, LLL, 다국적 기업, 일본, 미국

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