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국제학석사학위논문

**Analyzing the Competitiveness of Entertainment Management  
Companies of Korea and Japan**

한국과 일본의 연예기획사들의 경쟁력 분석

2017년 2월

서울대학교 국제대학원

국제학과 국제통상전공

이 제 호

**Analyzing the Competitiveness of Entertainment Management  
Companies of Korea and Japan**

A Thesis Presented

by

**Lee, Jaeho**

to

A dissertation submitted in partial fulfillment  
of the requirements for the degree of Master  
of International Studies in the subject  
of International Commerce

**Graduate School of International Studies**

**Seoul National University**

**Seoul, Republic of Korea**

February 2017

**THESIS ACCEPTANCE CERTIFICATE**

**Analyzing the Competitiveness of Entertainment Management  
Agencies of Korea and Japan**

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## **ABSTRACT**

### **Analyzing the Competitiveness of Entertainment Management Companies of Korea and Japan**

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The entertainment industry of Korea has grown rapidly and is believed to have abundant potential. Major entertainment management companies (hereafter EMCs) such as SM Entertainment and YG Entertainment have enjoyed tremendous success domestically and globally. There were numerous factors in the success of the EMCs. By developing comprehensive business systems that combined major value chain activities such as production, distribution, wholesale, licensing, management, agency and internet mobile contents business, EMCs were able to create new values and minimize risks. Furthermore, by combining the different elements of success, the EMCs were able to create a unique point of competitiveness of their own. The following thesis shows that all of these success factors of the EMCs can be categorized into two main strategic points, benchmarking and convergence. The business systems of several Korean and Japanese EMCs will be reviewed to analyze the competitiveness of the Korean EMCs stemming from these two strategic points. This research also looks to derive the future implications of the Korean EMCs.

**Keywords:** Entertainment, Management, SM Entertainment, Benchmarking, Convergence

**Student ID:** 2015-25010

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## 1. INTRODUCTION

The Korean entertainment industry and business has grown enormously in the last two decades along with the spread of the Korean Wave syndrome. The first Korean Wave syndrome started in China in the late 1990s with the popularity of the Korean drama <What is Love>. After this success, Korean dramas such as <The Winter Sonata> and <The Great Jang-Geum> were exported to Asian countries such as China, Japan and Taiwan and gained tremendous popularity.

**Figure 1: <The Great Jang-Geum>**



Source: IMDb (2004)

Starting in the year 2000, Korean idol groups and their music raised a boom in Japan and China and initiated the next Korean Wave syndrome which is continuing to this day. Today, Korean cultural contents such as music, dramas, movies and variety programs have been continuing to remain popular not just in Asia but worldwide. According to the New York Times,

in the year 2013, there were 987 K-Pop fan clubs with more than nine million members worldwide. Over seven million people watched the music videos of K-Pop singers on YouTube and tickets of concerts and performances of Korean singers are often times sold out as soon as they are released.<sup>1</sup>

**Figure 2: <The Winter Sonata>**



Source: IMDb (2002)

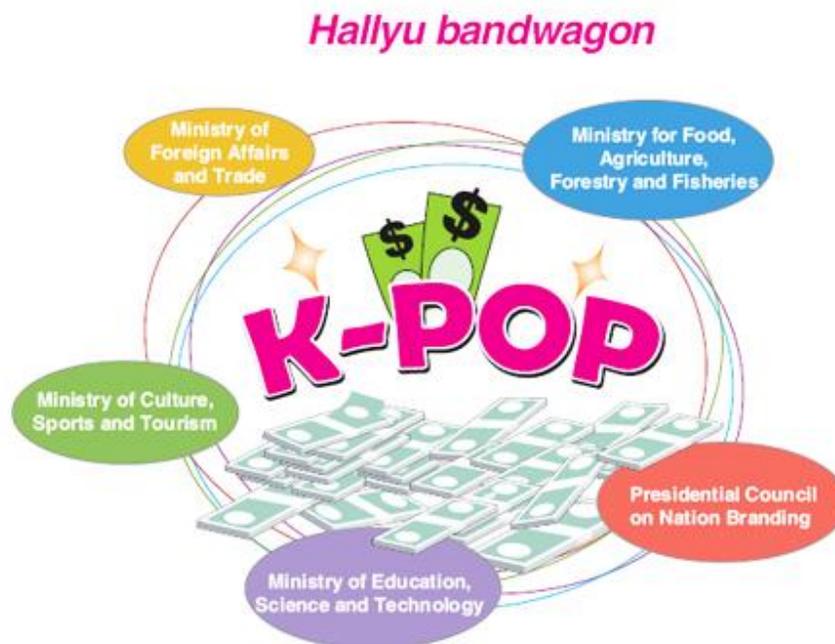
The entertainment business has played an important role in the Korean economy and society as well. The spread of Korean entertainment contents has increased the number of foreign tourists coming to Korea and the demand for various Korean products has increased as well. Many tourists come to Korea to attend concerts and fan meetings of Korean stars, leading to the overall flourishing of the Korean tourist industry. According to a statistical report by the Korean Tourist Organization (KTO), approximately 980 million foreign tourists visited Korea in 2011 and almost 70 percent of them came from countries where the Korean celebrities were

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<sup>1</sup> Jang(2009)

enjoying popularity. Also, according to the Ministry of Culture, Sports and Tourism's <2011 Investigation of Status of Foreign Tourists Report>, one of the top ten purposes of visiting Korea was to visit movie sites or to attend fan meetings of Korean celebrities. With the expansion of the Korean entertainment industry and its various contents, other industries such as the service, manufacturing and cosmetics industries have also expanded its overseas sales and have been recording record high revenues.

**Figure 3: Korean Wave (Hallyu) Bandwagon**

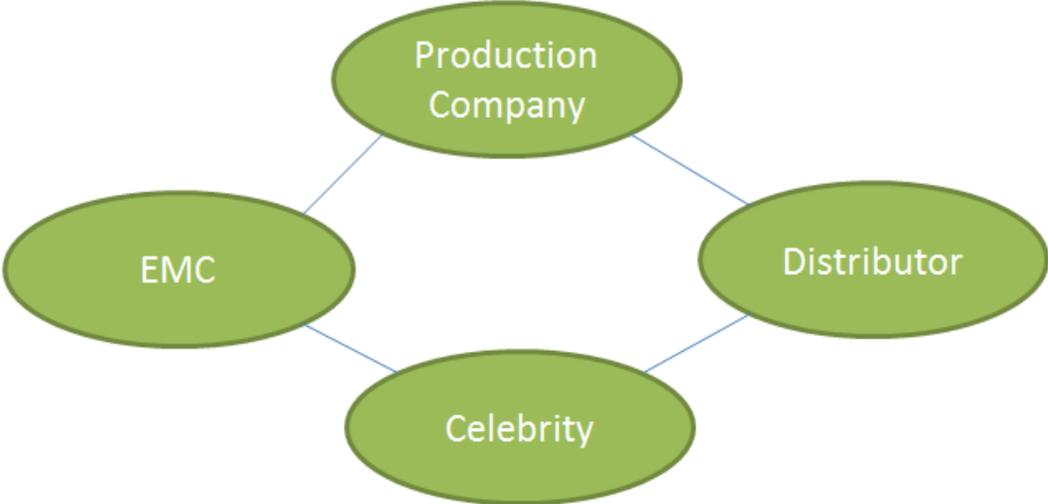


Source: The Korea Times (2012)

Despite its relatively short history, the Korean entertainment industry has achieved great success. The efficient business systems and the efforts of the Korean EMC's have played a

major part in the growth of the industry. The EMC business of Korea has grown dramatically as the EMCs have increased their roles and become major players of the entertainment industry. According to a report by the Korea Creative Contents Agency, EMCs have become one of the four main elements of the production and distribution of contents in Korea along with production companies, distribution companies and celebrities.<sup>2</sup>

**Figure 4: Four Key Elements of Contents Production and Distribution**



Source: Korea Creative Content Agency Report (2013)

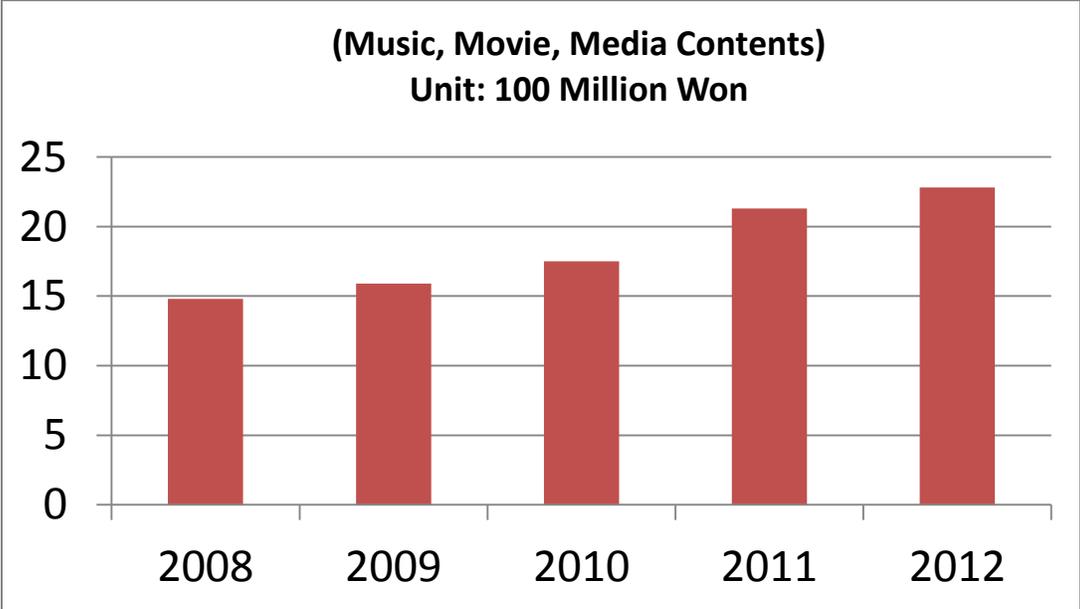
The growth of the EMCs can be attributed to various factors. The overall growth of the entertainment industry, increased use of digital technology and the success in the global markets were some factors that contributed to the growth of the EMCs. The overall growth of the entertainment industry stemming from increased demand, the input of digital technology and the universalization of the multi-channel and multi-media generation gave more room for EMCs to

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<sup>2</sup> Baek (2012)

expand their business significantly. Also, societal phenomenon such as the Korean Wave syndrome initiated mainly by the spread of Korean music and dramas, has allowed Korean EMCs to penetrate into foreign markets all around the world and generate revenue far exceeding their domestic revenue.<sup>3</sup>

**Figure 5: Market size of the Korean Entertainment Industry**



Source: Korea Creative Contents Agency (2012)

While these external environmental factors served as advantages for the growth of the EMCs, the internal abilities of the EMCs that enabled them to take advantage of the external environment was what truly contributed to their rapid growth. The EMCs' abilities to produce successful celebrities, other various cultural contents and products have provided a root for their success. Major EMCs such as SM Entertainment and YG Entertainment have discovered,

<sup>3</sup> Lee (2012)

trained and produced many celebrities who are leading the Korean Wave syndrome today. During an interview with the Financial Times, an employee of SM Entertainment stated that "We Find the Talent, Train the Talent and Produce the Talent. We are the only company in the world to do that". As seen through this quote, the unique comprehensive business systems of the Korean EMCs such as SM Entertainment were core factors to the success of the EMCs. Through their efficient business models, the EMC's have developed and launched their products strategically in the domestic and global markets and have enjoyed great success. EMCs have become the leading producers of cultural products that create very high added value. They develop the resources for star marketing, engage in strategically planning and deriving the resources and allocate their labor properly to maximize their values.<sup>4</sup> Furthermore, the EMCs play a core role in the overseas market penetration of the Korean celebrities which have served as the number one success factor for the Korean entertainment industry and the Korean EMCs. To analyze competitiveness points of the EMCs, this thesis will conduct case studies of several Korean and Japanese EMCs to discover the strategic points and to categorize them of into several categories. By doing so, this thesis aims to discover, summarize and analyze the core elements of the successful strategies of the EMCs.

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<sup>4</sup> Lee (2012)

## 2. LITERATURE REVIEW

### 2.1 EMCs of Korea

The EMC business first started in Korea in the 1960s as a personal manager system. Under this system, each celebrity had one manager or agent that was responsible for arranging the celebrity's schedule of the different entertainment activities. This personal manager system evolved into an agency system where similar tasks were carried out by an agency instead of one agent. Then, adapting to the market's demand, the agency system once again evolved into a comprehensive management company system which became the foundation of today's EMC system.<sup>5</sup> Currently, Korean EMCs not only engage in their traditional business operations such as managing celebrities and producing music and various contents, but also engage in the distribution and even wholesale of the contents. Their business operations include establishing various cultural contents such as music labels, TV dramas, TV shows, movies and concerts, as well as penetrating into new business areas such as fashion and franchise restaurants. Essentially, they run a parallel business system covering various activities of the value chain.<sup>6</sup>

As previously stated in the introduction of this thesis, the EMCs have become main agents of the production of various contents. They exercise vast influence using their top star celebrities in the various stages starting with casting to producing movies, variety shows and performances. With the expansion of the Korean entertainment industry, the total market size has increased to add up to approximately two billion dollars. This triggered the M&A of small and medium sized EMCs and served as a chance for large conglomerates to begin investing in

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<sup>5</sup> Lee (2012)

<sup>6</sup> Baek (2012)

the industry which led to the formation of major powerful influential EMCs. Also, the EMCs with different areas of expertise began crossing the border and getting into each other's spheres which led many of them to become large corporation style comprehensive companies. Currently, according to a report by the Korean Financial Supervisory Service, there are over 200 registered EMCs in Korea. However, the market is dominated by a few top major EMCs such as SM Entertainment, YG Entertainment and JYP Entertainment. The total revenue of the major EMCs makes up approximately 70 percent of the total market revenue of the Korean EMC business.<sup>7</sup>

**Figure 6: Major Korean EMCs**



Source: Etoday (2012)

Most of the major Korean EMCs operate their business mainly on the development of idol stars. They develop their star candidates through selecting the candidates with potential by

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<sup>7</sup> Lee (2012)

holding auditions, train the selected trainees using their unique and strict training program and develop the trainees into professional celebrities based on their knowhow and the direction of investment based on their strategic judgement. SM Entertainment paved the way for this system by introducing the concept of idol stars and the audition-training system to the Korean entertainment industry. YG, JYP and other major EMCs have followed SM's lead and implemented this audition-trainee system and have continuously improved their system. Recently, the EMCs have been using their systematic comprehensive star system that includes image training of the stars, marketing activities and other related activities to efficiently discover, train and produce their trainees into star celebrities and to help them succeed after they have made their debut. Usually, the EMCs select one best member from each idol group as their ace, and use them to enhance the group's popularity and public awareness. Even after the debut, the idol groups are managed under a strict training camp style system where they follow the EMC's strict guidance in all areas of their daily lives.

As the EMC business has expanded and a systematic system has been established, many skilled celebrities have been produced. This can be seen as a result of the accumulated knowhow coming from their stacked experience. The idol groups of today are skilled in many ways. They have appealing appearances, are skilled at singing and dancing and can even speak multiple languages. Many idol groups are actively conducting their entertainment activities in various fields. Jun-Soo Kim and Yu-Chun Park of the idol group 'JYJ', has been holding concerts and appearing in television dramas, movies and musicals. The idol group 'Big Bang' has appeared in television dramas, movies, variety shows, and has been actively holding concerts in Korea and the rest of the world. Many Korean stars have been appearing in major Japanese television

dramas. Je-Jung Kim and Yu-Chun Park of 'JYJ' appeared in dramas <Hard to say I love you> and <Beautiful Love> each. The idol group 'Kara', composed of four attractive girls, also appeared in the drama <URAKARA>.<sup>8</sup> The Japanese satellite television BS Japan has been showing the Korean television programs <Music Bank>, <My family's Honor>, <Sign> and <The Golden Fish>, receiving positive reactions from the public.

**Figure 7: <Hard to Say I Love you>**



Source: Google (2013)

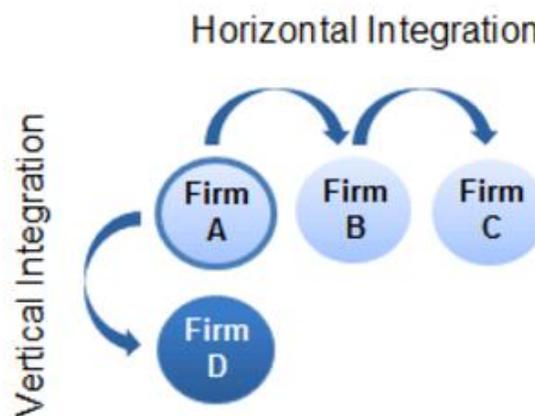
The penetration of foreign markets was the number one contributing factor in the success of the EMCs. The foreign market often times is different from the domestic market in many ways. Therefore, in order to secure competitiveness in the foreign market, a strategic approach was needed. The global strategy of businesses occurs on two large levels (Han, 1998). First, it is critical to exploit the actual economies of scale. Second, businesses should maximize the

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<sup>8</sup> Cho (2013)

economies of scale using the resources of the outside investors. Thus, businesses tend to go overseas to take advantage of the environmental characteristics of an overseas market or to neutralize the environment risks. The penetration of foreign markets or globalization of business often times involves the diversification of the company's business activities. Diversification of businesses can be divided into vertical diversification and horizontal diversification depending on the direction of the diversification. Vertical diversification refers to diversifying its business in areas that are vertically related in the value chain. This includes the addition of the production and distribution process and the utilization of the surplus resources of the company. Horizontal diversification means going into a new market with the company's current product or technology (Han, 1998). The foreign market penetration strategy of the EMCs of Korea can be seen as a way of horizontal diversification.

**Figure 8: Vertical Diversification vs. Horizontal Diversification**



Source: Strategic Management Insight (2013)

Ever since the year 2000, the roles of the EMCs have been facilitated numerous researches on this area were conducted. Professor Lee M.H. of the University of Suwon pointed out that the comprehensive business style EMCs have been producing and distributing idol stars and have been contributing majorly to the spread of the Korean Wave. Lee also conducted research on the business diversification of the Korean EMCs and analyzed the case of SM Entertainment, IHQ and Yedang Entertainment. Since 2000, the entertainment market size expanded to reach eighteen trillion dollars, serving as a chance for many small and medium sized companies to merge. Also, many companies that specialized in one area started to move into each other's business areas and promoted the enlargement and the combination of the different areas of business such as record producing, movie producing and star management. Companies that were once specialized in one area of business turned into multifunctional companies and diversified their business operations combining management with contents production and contents distribution. The EMCs used this strategy to maximize synergistic effects using their resources and to diversify their revenue streams to minimize their risks. By diversifying their business portfolios, they could minimize risks from the inevitable risks in the entertainment industry (Lee, 2009). The research on K-Pop's overseas market penetration strategy by Jang (2009) points out several strategies by major Korean EMCs. SM's overseas market penetration strategy was to use their music production system to create the largest revenue from Asia's largest music market, the Japanese market and to prepare for the emerging Chinese market by producing local celebrities. YG Entertainment always had the U.S. market as their target due to their hip-hop style of music. JYP emphasized their connection with local artists and producers in their overseas market penetration strategy.

## 2.11 SM Entertainment

The most prominent foreign market penetration strategy of SM Entertainment was clearly their diversification of business. Diversification of business has many benefits with generating synergistic effects with current resources and the minimization of risks being the top two.<sup>9</sup> SM's diversification strategy is composed of putting entertainment in the center and generating many additional values in different areas. In an unpredictable economy, it is hard to guarantee long term and stable revenue only from the revenue coming from star related television, record sales and advertisement sales. Thus, SM has been searching for the solution to the dreadful market situation of the Korean record industry since the late 1990s in the foreign market in an age where there are no borders to music due to advanced IT technology and Social Media services. The business diversification of the record industry can be seen as a 360 degree business strategy (Han, 2013).

The center of SM's foreign market strategy is their performance related businesses. Starting with their female dance sensation 'BoA' in 2001, SM has penetrated to the markets of Japan, China, the Middle East, Arab, U.S., South America, Australia and Europe, expanding their influence in each region or nation. The most popular performance by far in these countries was the SM concert that enabled the audience to meet all of the SM's singers at once. In the case of Japan, most of the concerts starring SM's singers are sold out within minutes as soon as the tickets are released. All the tickets of the <SM Town Live World Tour in Paris> were sold out in fifteen minutes of release (Visitkorea, 2013).

SM Entertainment has also advanced into the movie and drama production business. SM's first product was the documentary style movie <I am> (2012) which showed all the stages

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<sup>9</sup> Lee (2012)

that SM's singers went through starting with the trainee stage up to the current stage (Naver, 2013). Also, <SM Town Live in Tokyo 3D> brought in 6,800 people on the first day of its release in Japan and showed the influence of K-Pop in the movie industry. According to the local distributor of the movie Avex, this was a very high record for a K-Pop related movie. SM has also advanced into the television programs of the local country. In October 2012, SM's 'TVXQ's new hit <Catch me> was used as the opening song for the U.S.A.'s number one talk show <Live! With Kelly & Michael>. As 'TVXQ's new hit came out, the MC's of the program naturally danced to the music. This was a special occasion because the hit had not even been released in Korea. This instance proved that the pop culture industry of the U.S. has begun to show interest in the Korean entertainment business and K-Pop. It also showed that the demand for Korean entertainment contents did not only come from the mania level but from the general public of the U.S.

SM also engages in exporting its copyrights to overseas markets. The first television drama that SM created <To My Beautiful Lady>, starring main characters Seoli from the idol group '(f(x))' and Minho from the 'ShiNee', recorded very low ratings of 4~5 percent. However, SM made up for the low domestic ratings by exporting its rights of the drama to overseas countries such as Japan, China and Taiwan. The popularity of the SM's stars in Japan enabled SM to sign at a much higher price than the average price of a Korean drama. SM signed for approximately 240,000 dollars per episode. This price was even higher than the price per episode of the drama <The Moon that Embraces the Sun>, a drama that recorded a much higher domestic rating of 42.2 percent.<sup>10</sup>

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<sup>10</sup> Lee (2012)

There were many factors that enabled SM's stars to gain much popularity in foreign countries as well. However, their most relevant strategy was discovering the strong points of each individual or group and efficiently bringing them out to the public (Kotler, 1994). In a major EMC like SM, most of their stars were systematically produced to target the foreign market from their training days. The singing, dancing and acting skills are a fundamental skillset and each group was formed to meet the different tastes of the audience. As a way of doing so, most of the groups have fluent English speakers in them as well as fluent speakers in other foreign languages such as Japanese and Chinese. The EMCs are thus able to prepare themselves for the global market by putting themselves in a position to secure the popular appeal of the public. Apart from these strategies, SM entertainment has conducted a series of different strategies to advance their idol groups to the foreign markets. The following are some of the key strategies.

### Localization

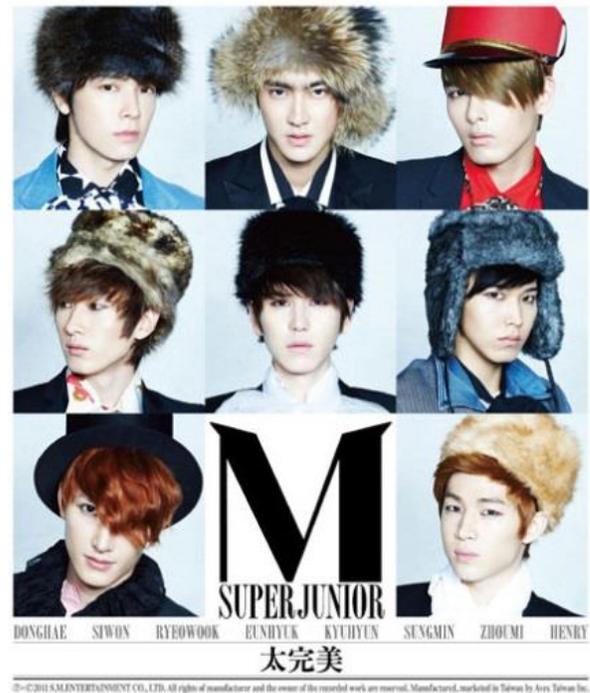
One of the key elements of SM's success was their localization strategy. In order to get lots of support from the local market, SM focused on localization strategies for each market. At times, SM introduced new idol groups but other times they merely reorganized existing groups or added one new group member with the nationality of the targeted country to match the demand of the local market. SM has considered going global in the formation stages of its idol groups. Groups such as 'SuperJunior', '(f(x))' and 'EXO-M', were specifically formed to go overseas. The idol group 'SuperJunior' contains a spin-off aspect. They have several versions such as 'SuperJunior-M', 'SuperJunior-T' and 'SuperJunior Happy'.<sup>11</sup> The 'M' in 'SuperJunior-M'

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<sup>11</sup> Lee (2014)

stands for Mandarin. This group is composed of foreign members such as Zhoumi from China and Henry from Canada. 'SuperJunior Happy' is composed of members that are popular in Japan such as Leeteuk, Yesung, Kangin, Shindong, Sungmin and Eunhyuk. 'SuperJunior' has a variety of line ups when they are conducting their domestic activities as well. For example, 'SuperJunior K.R.Y.' was formed in November 2006 with the three members Kyuhyun, Ryeowook and Yesung. SuperJunior-T, a group specifically designed to match the tastes of the middle aged, is composed of Leeteuk, Heechul, Kangin, Shindong, Eunhyuk and Sungmin.

**Figure 9: 'SuperJunior Happy' and 'SuperJunior M'**



Source: SM Entertainment (2011)

The idol group 'Girls Generation' also launched a new version called 'Girls Generation-Tae-Ti-Seo'. This group was formed with three members from 'Girls Generation', Tae-yun, Tiffany and Seohyun. The group gained lots of popularity and received numerous awards. '(f(x))' also has several foreigner members like Victoria from China, Krystal and Amber from the U.S. and Seoli and Luna from Korea. The group is getting lots of popularity especially in China and Southeast Asia. The idol group 'EXO' is divided into two versions, 'EXO-K' and 'EXO-M'. 'EXO-K' is the version that mostly conducts its entertainment activities in Korea while 'EXO-M' focuses mainly on the Chinese market. While 'EXO-K' is made up of Korean members, 'EXO-M' has foreigner members from China and Canada. As seen in these examples, SM has implemented a localization strategy by creating several versions of one idol group based on the target market's needs and this strategy is proving to be successful as SM's global business continues to grow.

**Figure 10: 'EXO-M' and 'EXO K'**



Source: SM Entertainment (2014)

### Front & Back Marketing

SM Entertainment is engaging in a very active marketing strategy as well. SM's celebrities are not only performing in concerts and other performances but also starring as models for various global brands which exposes them to the global market. There are several cases of this. 'TVXQ', signed an advertisement contract with the global apparel brand Lacoste in September 2012. Following this contract signing, TVXQ was invited to the Lacoste Creative Director's first collection (Simin Newspaper, 2013). The domestic cosmetic brand Misha has been using 'TVXQ' as their main model throughout the whole Asian continent (Naver news, 2013). Misha is trying to take advantage of TVXQ's positive image and their popularity in Asia.

'SuperJunior-M' was selected as the main model of Pepsi in China. Originally, the Pepsi model spot was reserved for the most popular stars in Asia such as Jay Chou, Jolin Tsai and Louis Koo. The selection of 'SuperJunior-M' demonstrated the high level of popularity of them in China.

#### Differentiation Strategy for each Country

Another uniqueness of SM's business strategy is their pin point strategy for each country. SM has been using different strategies depending on the time and the celebrity.<sup>12</sup> Their wide lineup that consists of S.E.S. before the year 2000, 'BoA' and 'TVXQ' during the early 2000s, and 'Girls Generation', 'SuperJunior' and 'ShiNee' after 2011 shows that SM's Japanese market strategy differentiates depending on the singer and the time frame (Yoo, 2005; Kim, 2007).

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<sup>12</sup> Han (2013)

## SM's Japanese Market Strategy

### S.E.S.

'S.E.S.' was the first idol formed with the goal of breaking into the Japanese market. S.E.S. called for a pan-Asia group with members with international backgrounds in the United States, Japan and Korea. Three months after their debut, S.E.S. announced their plan to go abroad to Japan. While it is hard to say that S.E.S. achieved success in Japan, through this experience, SM learned about the important factors in going overseas such as language, partnership with local companies, securing of distribution channels and market research (TV daily, 2013).

**Figure 11: S.E.S.**



Source: SM Entertainment (2014)

## BoA

'BoA' was created with the goal of targeting both the Korean and foreign markets. When BoA first went to Japan in 1999, the first thing she did was to receive Japanese language lessons from a Japanese NHK announcer. SM realized that without mastering the language, it would be hard to appear in popular television shows and hard to achieve popularity as a singer. Along with Japanese language lessons, BoA received systematic singing, dancing and acting lessons from the Horipro Academy, a famous entertainment educational institution in Japan. In the developmental stage of her album, BoA received private dancing lessons from one of the best Japanese dancers Sakuma Masahide and Nakasawa Gazuhi (Jung, 2011). To differentiate from national singers of Japan such as Amuro Namie and Utada Hikaru who focused on smooth J-pop style music and calm stage manners, BoA came out with powerful dance moves and R&B style dance music. Also, to compensate for the lack of local network and expertise in the Japanese entertainment industry, BoA signed a contract with the major Japanese EMC Avex Corporation and relied on Avex's marketing strategies and network to establish a strategy fit for the Japanese market. As a result, BoA was able to delete her past image from Korea and strictly localize for Japan and achieved massive success.

## TVXQ

Before going to Japan, 'TVXQ' was already a top level star in Korea. However, at the time of their Japanese debut, 'TVXQ' was practically unknown to the Japanese people. Similar to the case of BoA, 'TVXQ' was first launched in Korea targeting the foreign market. Similar to BoA's case, Avex took charge of 'TVXQ's management in Japan. However, at that time and up to nowadays, the Japanese idol market was dominated by a major EMC called Johnny's &

Associates. Essentially, all the major television broadcasting stations were and still are relying on the celebrities of Johnny's so it was very hard for 'TVXQ' who basically had no choice but to sign with Avex, to survive in the Japanese market. In order to avoid directly competing with Japanese idol groups, 'TVXQ' positioned themselves as a skilled acapella group and steadily began to make a name for them. Because they were unknown at the time, they did not have a chance to appear on popular television shows and usually appeared in small scaled performances. They even sang in shopping malls and had free street performances. After two years of non-stardom, 'TVXQ' began to see light after 2007. Their differentiation strategy from Japanese idols along with their attractive appearance and talented singing skills ended up matching the demand of the market.<sup>13</sup>

**Figure 12: 'TVXQ's Staircase Performance in Japan**



Source: SM Entertainment (2014)

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<sup>13</sup> Lee (2014)

### Girls Generation, SuperJunior, ShiNee (Penetration Strategy)

Starting with 'Girls Generation', SM abandoned their localization strategy and instead pursued the penetration strategy. This was possible due to the spread and sporadic increased number of users of Social media such as YouTube. Even before they came to Japan, Girls Generation was already popular among Japanese fans through digital streams such as YouTube, Facebook and LINE. Because they were already popular and had many potential fans, SM launched a large showcase of their hit song <Genie>. SM tried to walk along the flow of the Japanese K-Pop market and diversified their singer line up. They also signed partnership agreements with Avex, Universal Music Japan and EMI Japan. 'ShiNee' signed with EMI Japan and debuted in Japan in 2012 and (f(x)) debuted in Japan in 2013. 'SuperJunior' released their hit song <Beautiful Lady> in the Japanese language and sold 100 thousand copies without any promotion activities and achieved the 2<sup>nd</sup> place in the Oricon single weekly chart.

### **SM's Chinese Market Strategy**

Because China is a communist country, the transaction of record albums is conducted by newspaper publishers. The newspaper publisher is a national agency that controls all record album transactions in China and is in charge of the production, importation, exportation and all other related activities of music albums of singers. This means that although China is opening up its economy, it is still highly controlled by the government. Therefore, the collaboration with local businesses is more important than any other market. Also, it is important to first gain popularity to the local people. SM did not instantly send their singers to Japan but chose to gain popularity before going into the Chinese market. They used other distribution channels to export their singers' albums and let the Chinese public get used to SM's singers first. After succeeding in exposing themselves to the Chinese public through various distribution channels, SM sent

their singers to China to held concerts which were sold out instantly as soon as the tickets were on sale.

## **2.12 YG Entertainment**

YG Entertainment is arguably the most dominant or the second dominant EMC in the Korean entertainment industry today. YG has been originally focusing on the music business but began to go into the acting business as well in 2009, becoming a comprehensive EMC. In 2011, they were the second EMC to be listed in the KOSDAQ next to SM. Currently, they have signed famous singers such as 'Big Bang', 'Tablo', 'PSY', 'Gummy' and 'Blackpink' as well as top actors such as Kang, Dong-Won and Choi, Ji-woo. Although YG has been enjoying formidable success, they reestablished themselves in the entertainment industry through the success of PSY who achieved true global success with his hit song 'Gangnam Style' in 2012. With the spread of 'Gangnam Style', YG's annual revenue rose up to 40 billion won and the price of YG stocks rose more than 40 percent.<sup>14</sup> Thanks to this success, Yang, Hyun-Suk, the CEO and founder of YG Entertainment, became the richest entertainment CEO in Korea. YG has a diverse business model and engages in many businesses including star management, production and distribution of various contents, fashion and even franchise restaurants. As a win-win strategy, YG has signed MOUs with the R&B label M-boat and CJ E&M. The MOU with M-boat divides the line of work so that M-boat produces albums while YG takes care of the investing and marketing related activities.

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<sup>14</sup> YG Entertainment (2015)

## 2.2 EMCs of Japan

In general, the Japanese EMCs are known to have more stabilized and advanced systems compared to the Korean EMCs. The following is a case study of four major Japanese EMCs.

### 2.21 Amuse Inc.

Amuse Inc. (hereafter Amuse) is a major musician based EMC that is listed in the 1<sup>st</sup> department of the Tokyo Stock Exchange. Apart from managing celebrities, Amuse produces television programs and movies and sells DVDs and video software through its affiliated companies under its branch. The group was established in 1977. The company's star management line up consists of star celebrities that have been and currently are achieving major success as singers and actors. Some of their most renowned celebrities include 'Sasan All Stars', Fukuyama Masaharu, 'BEGIN' and 'Flumpool'. They have also produced numerous idol singers such as 'Perfume'. In addition to developing and producing popular musicians, the group has signed famous actors such as Miyake Yuji, Fukatsu Eri, Ueno Juri and Yoshidaka Yuriko (Recently appeared in the Korean drama 'Vampire Prosecutor 2' produced by OCN). Fukuyama Masaharu of appeared as the main character in the NHK drama 'Ryomaden' which focuses on the life of Japanese historical figures Iwsaki Yataro and Sakamoto Ryoma, while Ueno Juri appeared in NHK's drama the 'Nation of Princess'. Amuse has been trying to expand its management activities into the Korean and other foreign markets.<sup>15</sup> It opened offices in Seoul and Los Angeles and established affiliated companies in China. The Seoul and China offices are

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<sup>15</sup>Amuse Inc. (2016)

in charge of developing music artists and provide local copyrights solutions while the U.S. branch produces visual contents.

Apart from the star management, Amuse produces and sells various visual software and contents and has also produces many original performances. Their annual revenue of 2011 was approximately 300 million dollars. In 2008, Amuse collaborated with KDDI, a leading Japanese telecommunication company, and established <Corporation A-Sketch>, a company that was in charge of music transmission service for mobile phones, production of music CDS and DVDs, and the management of music label business. Amuse is actively participating in Asian related businesses. The <Live viewing Japan>, established in June 2011, is sending and playing Japanese movies in foreign movie theaters. Also, the actors of Amuse are appearing in many major dramas. Amuse has many affiliated and related companies that make up their comprehensive corporate style business system. They are Soft Entertainment, Taishita Label Music, A-Sketch, Amuse Edutainment, Yeshin Creative, J-Feel, Brussels, Live viewing Japan, Kirei and Amuse Korea.<sup>16</sup>

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<sup>16</sup> Wikipedia (2016)

**Figure 13: Amuse Korea INC.**



Source: Amuse Inc. (2014)

Amuse usually discovers its trainees from auditions for the drama, movies and musicals produced by their own production. In 2007 and 2009, Amuse held national auditions throughout the whole island of Japan and actively looked for talented future star candidates. When Amuse signs a trainee, they first sign a trainee contract and after a certain period of time sign official contracts. Each trainee gets assigned a manager and receives vocal and acting training. They also participate in live performances. Other than the aid directly related to entertainment, Amuse takes care of the trainees' basic living conditions by providing dormitories, and introducing schools.

## 2.22 Up-Front Group Co., Ltd.

UP-FRONT GROUP is a comprehensive EMC comprised of 25 different departments. Their departments include a record company, music publisher and a television variety program. Some of the famous celebrities include Moritaka Chisato, Morning Gusume and Horiuchi Dakao. There is a lot of collaboration among the different celebrities of the company. A unique characteristic of UP-FRONT GROUP is that one third of its revenue comes from its real estate business.<sup>17</sup> The group started to engage in the real estate business with profits that came from the success of its celebrities such as 'Morning Gusume' and Moritaka Chisato. This movement was a part of the expansion of the group's business model and was very successful. Currently, UPFRONT's main business is the music business but the company participates in a wide variety of business activities. Some of their related companies include UPFRONT Promotion, Jay-Film, UPFRONT Music Publisher, UPFRONT Works, TNX, UPFRONT International and UPFRONT Books. The annual revenue of just one related company UPFRONT Promotion in 2006 was 73 million dollars.<sup>18</sup>

UPFRONT discovers its trainees through holding the <UPFRONT Hello! Project>. This audition is held constantly and looks for individuals with the right individuality and talent. The target age group is 3<sup>rd</sup> grade to 8<sup>th</sup> grade girls. The successful candidates of the audition receive training numerous times a month in Tokyo and receive chances to participate in concerts and rehearsals of the company's celebrities.

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<sup>17</sup> Bloomberg (2015)

<sup>18</sup> Wikimedia Foundation 2016

## 2.23 Avex Group

Avex Group is one of the largest and influential EMCs of Japan. They represent some of the most popular celebrities of Japan such as Amuro Namie, TRF, Hamazaki Ayumi, M-Flo, EXILE and 'Every Little Thing'. Their 2011 term net profit added up to 50 million dollars. The group's main business is their music related business which makes up 55 percent of their revenue, followed by their management and live business making up 27 percent of their revenue. Unlike major Korean EMCs such as SM and YG where the majority of their annual revenue gets generated from management related activities, Avex group has a long well established music related business and relies less on their management business. Although management is not the main part of their company's revenue stream, AVEX still has a solid management system. It has engaged in the management business of singers and actors ever since the foundation of the company. Their management model calls producing musicians who also have the capacity to act in television dramas, movies, and musicals.<sup>19</sup> Avex may be familiar to many Korean people because of its collaboration with the Korea's SM Entertainment. Avex was in charge of the entertainment activities of SM's singers in Japan and helped artists such as 'TVXQ', 'BoA' and Exo to achieve tremendous success in Japan.

Much of this was due to Avex's dominant influence in the entertainment industry of Japan. This helped SM's Korean singers, who have not had any affiliation with Japan, become national stars in Japan. Avex looks for talent through holding auditions for a wide range of categories including vocalists, bands, sing-a song writers, actors, and models, dubbing artist, announcers, and even track makers. The audition is open to anyone at any point in time. Apart from the audition, Avex operates the Avex Artist Academy, an educational facility that provides

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<sup>19</sup> Avex Group (2016)

personalized curriculum for its students. The academy's teaching curriculum includes vocal training, dancing, acting, walking, and fitness. The time that is needed for a trainee to make an official debut differs based on ability and the situation of the market ranging from six months to several years.

## **2.24 Horipro Inc.**

Horipro Inc. is a total EMC that was established in 1960. They have numerous star celebrities such as Fukada Kyouko, Ayase Haruka, Ishihara Satomi and especially experienced in the acting sector. The company was listed in department one of the Tokyo Stock Exchange but decided to delist from the exchange in 2011 to obtain exercise more freedom in their management activities. Their annual revenue for 2006 was approximately 200 million dollars. A unique point of Horipro is their monthly wage system. Horipro pays its celebrities a pre-determined monthly wage regardless of how much work they do in that month. In an industry with high ups and downs, the monthly wage system serves as an appealing point to many celebrities and this is one of the main reasons why Horipro celebrities stay in Horipro for relatively long periods of time. Also, Horipro is well known in the industry for not having any conflicts related to unfair distribution of profit with their celebrities. This is due to their strict accounting system. In addition, Horipro is known to be very permissive of their celebrities dating in public.<sup>20</sup> Thus, they give more freedom and responsibility to their celebrities. Horipro's business area includes star management, production of dramas, movies, web based contents and music. Others include planning and producing of plays and concerts. Horipro discovers its trainees from the annual audition <Horipro talent scout caravan>. They have

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<sup>20</sup> Wikimedia Foundation 2016.

discovered many popular actresses through this audition such as Reina Sasamoto and Fujiwara Datsuya.

### **3. ANALYSIS**

#### **3.1 Benchmarking**

The first competitiveness of the Korean EMCs was their benchmarking strategy of the American and Japanese EMCs.<sup>21</sup> The founder of SM Entertainment Lee Soo Man, observed the success case of the American boy band 'New Kids on the Block' (Hereafter NKOTB). NKOTB was discovered by producers Maurice Starr and Mary Alford from holding auditions targeting teenagers in the Boston area. There, the two producers discovered fifteen year old Donnie Wahlberg who was skilled at dancing and rap and gathered some of Donnie's friends to form the idol band NKOTB. The idol band would go on to lead the American pop music industry along with R&B music. They were mainly popular to teenagers who were becoming a new major customer base of the music industry. Lee benchmarked Maurice Starr's strategy and held auditions targeting teenagers and discovered five members to form the first Korean idol group H.O.T. Lee combined hip-hop and dance and designated a specific role to each member of the group, planting a new concept of idol group in the Korean music industry. By doing so, Lee essentially gave birth to the first idol-pop producing system of Korea.<sup>22</sup>

The Korean EMC's training system of their trainees that was mentioned in the literature review section of this thesis was also a point of benchmarking from the Japanese EMCs. The training system first developed from the Japanese EMCs and has served as a role model for

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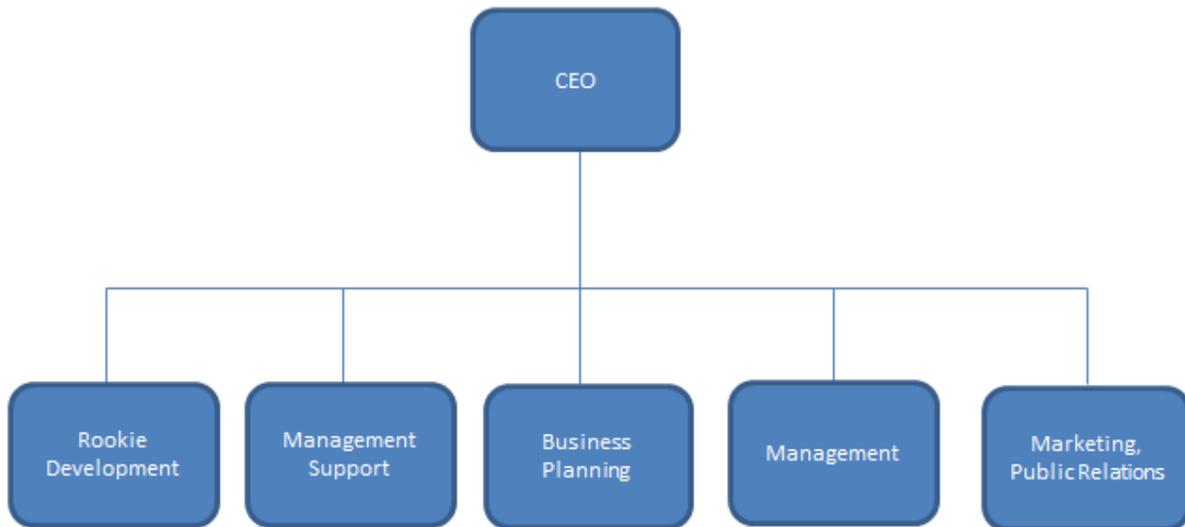
<sup>21</sup> Lee (2013)

<sup>22</sup> Park (2013)

Korean EMCs to follow. Although the Korean EMC business has a relatively short history compared to that of the U.S. and Japan, many Korean EMCs have caught up or even surpassed numerous American and Japanese EMCs largely through the production of higher quality celebrities from their Sparta style high demanding training systems. The Korean EMCs are known to have strict training programs for their trainees. Much of this was possible because the Korean EMCs went further than merely benchmarking their competitors by using an effective convergence strategy as well. Major entertainment companies effectively converged the major determinants of success into their business system and came up with unique efficient business models and strategies that enabled them to surpass their rivals.

Another instance of benchmarking of the Korean EMCs was the comprehensive business model of the Japanese EMCs. Today, many Korean EMCs have diversified their business operations and have transformed into corporation style companies with numerous business departments. Contrary to the Korean EMCs of the past that only carried out star management activities, today's EMCs today are seeking active collaboration with other areas of the entertainment industry and have become comprehensive corporation style companies. In an age where the culture based businesses are receiving lots of attention, these comprehensive EMCs are able to adapt and respond quickly to the market's demand. Due to the diversification of contents coming from the improvement of digital technology, EMCs are collaborating with telecommunication companies and establishing many affiliated companies under them to adapt to the needs of their comprehensive business model that starts from discovering the right talent, developing that talent and distributing the final product.

**Figure 14: Organizational Structure of EMCs of Korea**



Source: The Korea Times (2015)

Thus, the Korean EMCs' have successfully benchmarked the following elements of success of various EMCs of the U.S. and Japan.

(1) The production of idol groups, music and appearance styles (pretty looking boys, hip-hop style music and appearance)

(2) A Comprehensive Parallel Business Model

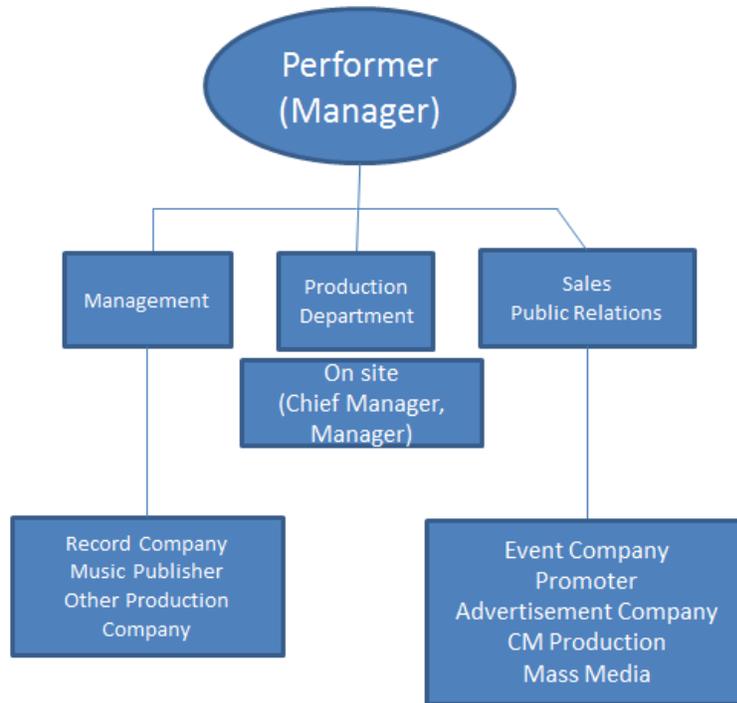
(3) Self training system of trainees

SM Entertainment, YG Entertainment and JYP Entertainment have also successfully benchmarked the business systems and strategies of foreign EMCs to achieve success. The most primary benchmarking point was the production of idol stars. Previously, the concept of idol groups did not exist in Korea. However, today, most major EMCs of Korea focus on producing

idol stars targeting the teenager audience that comprises the majority of the K-Pop audience. As mentioned previously in the introduction of this thesis, the creation of the first Korean idol group H.O.T. was based on the founder Lee Soo Man's benchmarking of NKOTB of the U.S. This gave birth to the idol production in Korea. Furthermore, SM's production of teenage pretty looking boy groups who are skilled at singing and dancing was an instance of benchmarking of the Japanese EMC 'Johnny's & Associates'. JYP Entertainment, another prominent EMC of Korea has produced its main idol group '2PM' based on the benchmarking of the Japanese idol group 'EXILE'. Both groups represent a high level of masculinity and perform acrobatic dance moves during their performances. '2PM's masculine traits enabled them to differentiate themselves from its competitors who represented the opposite style of mainly pretty feminine boys. YG Entertainment also benchmarked the hip-hop style music of the U.S. artists. The introduction of their main idol group 'Big Bang' was an experimental move to the Korean pop music industry that was not familiar with this kind of music style and appearance. The experiment turned out to be successful and 'Big Bang' succeeded in introducing and establishing a new style of music in the Korean music industry.

The Korean EMCs also benchmarked the comprehensive corporate style business systems of the Japanese EMCs. The Japanese EMCs run diverse business operations and conduct various tasks such as discovering and training future celebrities, producing and distributing various types of contents, and investing in different types of organizations and media networks. The entertainment management industry has grown to make up about one fourth of the total Japanese entertainment market size, a significant amount.

**Figure 15: Organization Structure of EMCs of Japan**



Source: The Korea Times (2015)

The Korean EMCs have adopted this type of corporate style business system. With the continuous growth the entertainment industry, the industry has turned into a potential high value-added market with 1 of the most high-efficiencies.

Another point of benchmarking by the Korean EMCs was the training system of the Japanese EMCs. Many of the Japanese EMCs have their own star development program and have been continuously developing successful celebrities from their training system. Major Japanese EMCs such as Yoshimoto Kigyo and Horipro have created the New Star Creation (NSC) and the Horipro Improvement Academy each to discover potential start candidates and to

train them into future celebrities. Other EMCs such as Johnny's & Associates and Amuse Inc. also each have their training programs. Although there is little variance, most systems are comprised of holding auditions to discover the hidden talent and selecting the candidates with potential to enroll in their training programs. This training system has been the root of the production of the numerous popular celebrities of the EMCs.

The benchmarking strategies of the Korean EMCs extend to foreign penetration strategies as well. When Girl's Generation penetrated into the U.S. market, SM benchmarked the strategy used by the legendary band 'The Beatles' when they were trying to advance to the Japanese market. 'The Beatles' first spread their music as much as possible in Japan and made their music popular before they actually visited Japan. This made it possible for 'The Beatles' to become popular in Japan even before they visited Japan. 'Girls Generation' also adopted this strategy and released their music prior to their visitation to Japan. Due to the popularity of the music, 'Girls Generation' was able to successfully hold their first concert in Japan with an audience of over 22,000 people.

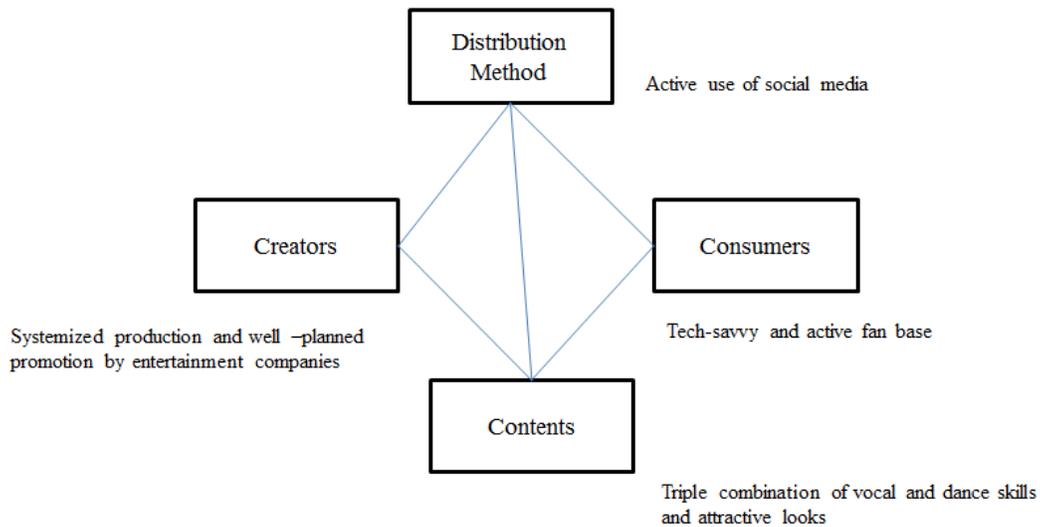
### **3.2 Convergence**

The second point of Korean EMCs was their convergence strategy. The convergence strategy was used on many levels and instances but the result was similar in that by successfully converging different elements of success, the Korean EMCs were able to create their own competitiveness. The first strategy was used to combine four different elements to create one business system. These elements of success that was converged into one business system were the creators, distribution method, consumers, and the contents. These four elements were combined efficiently to create a competitive business system. The creators, who were the EMCs

themselves, developed a systemized training system and cautiously made plans to advance into the overseas markets. They created a systemized production and well-organized promotion plan as well.

The various contents were mainly distributed using social media channels like Facebook, Twitter and YouTube. Through these channels, the contents were spread instantly. The viewers of these channels were very tech-oriented and actively shared and spread information and opinions and contributed to the spontaneous spread of various Korean contents such as K-Pop. Finally the contents and the celebrities themselves display high singing, acting, and dancing skills and also have appealing appearances. They appeal to fans and continue to be popular by continuously releasing new hits and changing their styles. These four elements were combined into one business model to create a K-Pop Diamond Model.

**Figure 16: K-Pop Diamond Model**



Source: Samsung Economic Research Institute (2012)

The primary element comes from the EMCs themselves. The EMCs created a systematic process to develop stars and cautiously shaping durable groundworks to go abroad to foreign markets. Starting from discovery of the talent, the entire process is carefully planned and artists are given training from the beginning targeting the global market. The exercise of placing unlimited numbers of star-wannabes over training and selecting only the best is one of the keys to K-Pop's competitiveness. In discovering true talent, every effort is used at finding the right candidate based on the belief that high quality raw material with abundant potential is the way to success. The trainees are chosen through diverse routes including auditions and recommendations from personal connections. "When we choose people, we first look at their talent along with their hidden potential", says Yang Hyun-suk, head of YG Entertainment. Through domestic and international auditions, the EMCs discover future celebrities from other countries. For example, SM has held annual global auditions in the various countries including China, the United States, and other countries since 2006. Annually, over 30,000 hopefuls participate in these auditions and until now only some 100 people have passed the auditions. When the trainees are selected through auditions and other methods, there is the very intense and strict training program awaiting them.

The EMCs are very selective and have no tears when selecting only the highest quality individuals to turn into future celebrities. The few that were successful are put into a boot camp style training program not only in singing and dancing but also learning foreign languages, and engage in character building and mental training programs. All trainees are strictly prohibited from smoking and drinking and those who violate these rules are often expelled from the training

programs. The trainees should be able to bear a tough and rigorous program where they are continuously put into evaluation in survival-style competitions, and push themselves to the fullest to be on the top. The way of evaluation consists of a monthly concert to assess the trainees' overall talent level, how much they have improved, and foreign language ability<sup>23</sup>

Before selecting the new members of a new idol group, the EMC decides on the image of the new group and tries out different combinations of members to discover the right fit. Then, different roles such as singing, acting are divided according to each members' strengths to generate synergistic effects of the group. The EMCs invest major time and merely on training which lasts for one to eight years in which the EMC takes care of everything from living expenses to other various costs. For example, certain groups such as 'Girls' Generation' went through five years of training, six years for 'Big Bang' and TVXQ seven years. The EMCs get their return on this investment after the trainees become celebrities and earn merely for the EMC and that is then invested in the next group of trainees.

In order to enhance the level of production, companies scout recognized experts in each area of album production. Ideas regarding songs are openly composed from internal and external sources starting with the planning stage. SM Entertainment invites about 300 composers from around the world to participate in two conferences held annually in Korea<sup>24</sup> As a result, experts from different countries and fields of skill are widely employed in the production stage.<sup>25</sup> As a way of such international cooperation, Girls' Generation's song "Genie" (Sowlul malhaebwa) was composed by Design Group from Europe with lyrics and arrangement by Yu Yeong-jin in

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<sup>23</sup> Seo (2012)

<sup>24</sup> Seo (2012)

<sup>25</sup> Seo (2012)

Korea, and choreography by Rino Nakas1 Razalan, a Japanese-American.<sup>26</sup> In order to minimize the risk and uncertainty associated with entering foreign markets, Korean EMCs form partnerships with local EMCs, agencies, and record companies. For example, SM formed partnerships with influential companies such as Universal Japan and Avex when they entered the Japanese market.

The big picture was developed in Korea and promotion and distribution plans were adjusted by the Japanese affiliates to meet the local market. In order to overcome cultural barriers, albums just for the local market were released and local tastes and culture were reflected in the lyrics, music videos and fashion. Accordingly, K-Pop music that is recorded in the local language often comes out in local television shows, dramas, and other contents. The way of distribution was another important element of the Korean EMCs competitiveness. SM has collaborated with universal SNS networks such as YouTube, Twitter, Facebook, LINE and Kakaotalk. The number of viewers of K-Pop contents on YouTube ranges up to 800 million (Bntnews, 2013). SM shares its records, concert videos and other contents through their own channel on YouTube 'SM Town'. K-Pop stars also communicate directly with their fans worldwide through social media, keeping them updated of their latest activities. 'SuperJunior' has 3.85 million fans who follow them on Facebook, 'Girls' Generation' 2.46 million, 'Big Bang' 2.07 million, and '2NE1' 1.93 million. As the influence of YouTube continues to increase, major efforts are put into making attractive music videos that will be uploaded on YouTube. For the 'Girls' Generation' video of "The Boys", SM used the camera technique that was used in the movie 'Matrix'.

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<sup>26</sup> Lee (2013)

The last element that was converged in the K-Pop Diamond model was the contents themselves that included the music, dance and visuals. K-Pop stars have caught the attention of the global audiences with a blend of solid singing and dancing skills and attractive appearances and styles. They have great competitiveness and continuously try out innovative approaches to keep themselves fresh and competitive. A fusion of Western pop music style and Asian sentiment and simple melodies, Korean pop songs have universal and mass appeal. Songs such as the Wonder Girls' "Nobody" and Tiara's "Bo Peep" feature a repetitive hook with catchy rhythms and simple melodies. On stage, K-Pop idol groups perform perfectly orchestrated group dances interspersed with feature movements such as Girls' Generation's shuttlecock kicking dance. With each new song released, the singers come up with a new fashion style<sup>27</sup>

The Korean EMCs are also converging different commercial applications of K-Pop in order to maximize the profits. The animation and game industries are taking advantage by creating goods using K-Pop contents and stars, and thus target teenagers and the early twenties group in Korea and other foreign countries. For example, hit songs can be used as background music for games or the singers may be featured as characters. "Dance Central", a virtual dance game for MS Xbox 360, featuring songs by famous acts such as Usher and Lady Gaga, has sold over one million copies around the world (Korea Focus 2013). The Korean EMCs are benefitting a lot from these spin-off products because their contents are being advertised and being offered to the public. Korean EMCs are also enjoying success by combining tourism and K-Pop themes. Tourist packages that connect K-Pop concerts of performances with usual tourist activities such as sightseeing and shopping are being sold. It is estimated that more than one million tourists will visit Korea in 2012 for big events featuring Korean Wave stars (Korea Focus,

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<sup>27</sup> Seo (2012)

2013). These tourists spend 1.5 times more money than the average tourist in Korea. Tourism products directing fans of Korean popular culture are attracting more visitors who are willing to spend money on K-Pop contents and thus are profiting the Korean EMCs. JTB, a Japanese traveling group, arranges an annual K-Pop package tour partnering with a local duty free store. "Family Concert" is the main event of the package and is held exclusively for visitors, which in 2011 featured big-name artists such as Big Bang, Kara, Beast, and FT Island. Also, there are fan meetings in department stores featuring showcases of the stars' favorite items, displays of outfits worn in TV dramas, and star photo zones. A three-day tourist package attracted about 2,000 Chinese tourists in 2011.

Tourism that consists of entertainment related activities is also growing with the establishment of concert hall and shopping complexes dedicated to Korean Wave themes. The Samseong-dong and Cheongdam-dong area, where many EMCs are located, has turned into a tourism district. This can be mutually beneficial for the EMCs and the shops in the neighborhood as well. Converging the core elements in an entertainment business into 1 business system and converging the various entertainment contents with other clusters has been a successful convergence strategy for Korean EMCs in generating new revenue streams and also penetrating into the foreign markets.

**Figure 17: "What Travelers want to see more in Seoul"**



Source: The Korea Times (2012)

#### **4. CONCLUSION**

With the overall growth of the Korean entertainment industry, the EMCs have enjoyed tremendous success domestically and globally. SM Entertainment has exported its products to many foreign countries and has become the leader of spreading the Korean Wave and YG Entertainment has succeeded in producing a genuine world-wide sensation in the singer 'PSY'. The efforts and investment put in by SM Entertainment to its stars has enabled them to become global stars. Looking at the case of SM, one can observe that their main foreign market strategy was the diversification of their business model. Their diversification of business was not a process of diversifying their business to unrelated areas but instead was a way of generating new

values from their main area of producing music and singers. This was a result of preparing for a new paradigm of the music industry that cannot depend only on the revenue coming from selling tracks on a long term basis.

SM's successful global market strategy can also be shown in their localization strategy. More specifically, the spin-off effect of their Korean idol groups can be seen as an effective strategy. The re-formation of their groups does not guarantee success but is meaningful in that it was a way to meet the local publics' needs. This strategy was more prominent when SM was entering markets that were especially important to them such as China, Japan, and the various countries of Southeast Asia.

Although the Korean EMCs started by benchmarking the advanced systems of the U.S. and Japan, they eventually developed a unique system of their own by converging the different elements of success into one unique system of their own.<sup>28</sup> There has been numerous previous research that states the various strategies of the EMCs. However, this thesis has displayed why all the various strategies of the EMCs can be classified into two major points benchmarking and convergence. As K-Pop and a wide variety of Korean contents are getting transferred to the younger generation of the world, an attractive new "global segment" is being made. In other words, these young fans of diverse nationalities are seen as a new global market. Therefore, the Korean EMCs should take advantage of this good opportunity to penetrate into new markets to provide business opportunities for their celebrities. In order to do so, the EMCs should prepare well and make good use of network such as YouTube that are serving as the main distribution channels for the spread of Korean contents, should be made. In order to meet the characteristics

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<sup>28</sup> Lee (2013)

of the emerging and advanced markets, the Korean EMCs should continue to make good use of their two major strategies of benchmarking and convergence.

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## 국문초록

### 한국과 일본의 연예기획사들의 경쟁력 분석

한국의 연예산업은 매우 빠른 속도로 성장하였고 많은 성장 가능성을 가지고 있다. SM 엔터테인먼트와 YG 엔터테인먼트 같은 대형연예기획사들은 국내는 물론이고 전 세계적으로 큰 성공을 거두었다. 한국의 연예기획사들의 성공에는 여러 가지 요인들이 있다. 한국의 연예기획사들은 연예산업의 가치사슬에 다양한 부분들을 하나의 사업모델로 통합하여 새로운 가치를 창출해내고 리스크를 최소화하였으며 다양한 성공한 모델들의 장점들만을 모아서 그들만의 고유한 사업 시스템을 만들었다. 이러한 다양한 활동들을 크게 2 가지 전략으로 설명 될 수 있다. 첫째는 효율적인 벤치마킹 전략, 그리고 둘째는 성공적인 통합 전략이다. 본 논문에서는 몇 개의 한국과 일본의 연예기획사들의 사업시스템을 검토하고 이를 토대로 앞서 기재한 2 가지 전략에서 오는 한국의 연예기획사들의 경쟁력을 분석하였다. 또한, 한국 연예기획사들과 일본 연예기획사들의 경쟁력을 비교하고 양국의 연예기획사들과 연예 산업들의 미래의 함축성을 유도하였다.

주요어: 엔터테인먼트, 매니지먼트, SM 엔터테인먼트, 벤치마킹, 혼합

학번: 2015-25010