



Research on the K-pop Value Chain: A Case Study of K-pop Artist Group BTS

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Abstract. It could be said that K-pop idol group BTS winning Grammy Awards is a signal showing that K-pop has opened the American market. What is more, its history-making success in the whole Korean entertainment industry was made under many restrictions caused by the COVID-19 pandemic as well as a monopolization by the 3 biggest entertainment companies in Korea. In fact, a mature K-pop value chain has already been made by those 3 companies, which means BTS barely has a chance of victory. Therefore, numerous scholars and businessmen start to learn the reasons for its success in order to make a new successful group and keep sustainable development of the K-pop industry. As a model of success, BTS has provided effective strategies for the following K-pop groups. Through observational research of BTS, this paper aims to reveal its strategies for success under COVID-19. It can be concluded that BTS's success lies in the creation of profound lyrics, the application of new techniques, and the construction of a new fandom platform.

Keywords: K-pop · Value chain · Strategy · BTS

1 Introduction

Nowadays, K-pop has attracted many people's attention, especially the K-pop artist group BTS since it won a good reputation worldwide. BTS has not only been awarded the Grammy Awards, but also delivered a series of live speeches about climate change, the digital community, vaccines, and the power of youth to change the future. Besides, more than 1 million people watched BTS's online video performance "Permission to Dance" which was shot in the United Nations. People have different opinions on how BTS could get such a huge success. The Korean entertainment industry's pattern has been basically set under the monopolization of the 3 biggest entertainment companies (SM Entertainment, YG Entertainment, and JYP Entertainment). In practice, BTS went through a tough time during its early phase due to economic difficulties and accusations of its debut. Some researchers suggested that the success of BTS was an inevitable result since the K-pop industry has been developing through several phases. Some researchers stated that BTS has its own distinguishing features which diversify the whole K-pop industry. To them, BTS has proved to be a symbol of times beyond K-pop. This paper first gives a brief overview of the recent history, current development, and different

generations of K-pop. Then, it reveals and analyzes the difference between BTS and general K-pop. Through observational research, BTS's strategies for success are explored and suggestions are put forward so that the Korean entertainment industry can scale new heights in a non-contact generation.

2 Recent History of K-pop

The word 'K-pop' first appeared in the Oxford English Dictionary in 2002. It was defined as pop music from South Korea. It has become a main industry in Korea. Prior to the research of Kang-Junman [1], the role of K-pop was largely unknown. In August 1981, MTV (Music Television) emerged in America and then entered its peak in the 2000s. At that time, MTV was shown on 42 channels to nearly 400 million people from 166 countries. Lee-Sooman, who was well-known as a popular singer, was amazed by the success of MTV and changed the whole Korean music industry from 'music we listen' to 'music we see'. This decision has boosted the development of the South Korean music industry. He emphasized his core idea that making K-pop can be regarded as a kind of CT (culture technology), which is used to codify systematic culture and export it all over the world. With the development of the Internet, the music video of 'Gangnam Style' by PSY has already got 4.3 billion views and become a symbol of South Korea. Now, Lee-sooman is holding a post as the CEO of SM Entertainment, which has become one of the 4 most representative entertainment companies in South Korea. The other three are JYP Entertainment, YG Entertainment, and HYBE Entertainment. A number of studies have begun to examine the model of the K-pop development system. Lee-Jangwu claimed that the success of K-pop is not accidental. It is a result of momentum centered M-ies model which makes K-pop continuously expand. Through the M-ies model, he inferred 3 K-pop innovation strategies which are Idolization, Monetization, and Glocalization [2]. Researchers Seo-Minsoo and Kim-Hosang concluded 4 reasons why K-pop succeeds: 1) it is due to the high-quality music with superb performance such as knife group dance, electronic sound, toxicity HOOK song regardless of the lyrics' meaning. 2) It is because of the competitive performance and style through a systematic making system. 3) Glocalization is applied to trans-country members. 4) Fandom is built through SNS. They also pointed out that this formula for success is limited to Asia. There are failure examples when it comes to America [3, 4].

3 Current Development of K-pop

The whole world has suffered from the COVID-19 pandemic since 2020. It influences people's work, lifestyle, communication, etc. Therefore, work and study were limited and then converted to online. It inflicted heavy losses on the entertainment industry during the quarantine. *The Record Label Industry Association of Korea* researched 30 Korean music-related companies and reported that more than 26.3 billion won has been lost, in other words, 78% of sales amount has been declined from 2019 to 2020 [5]. However, it can be seen from Fig. 1 that the Sound Source Export Record of K-pop has an increase of 62.1% compared with the previous year. It reached a historical peak in 2021 [6]. Moreover, in Fig. 2, it can be found that there were nearly 7.5 billion K-pop

related Tweets from July 2020 to June 2021, which has broken a ten-year record on Twitter [7]. In other words, people all over the world pay closer attention to K-pop than at any time even though most of the offline concerts and fan meetings were canceled. During this time, the worldwide K-pop idol group BTS, the first K-pop group to enter the American market, has been nominated for the Grammy Awards for the third year in a row. COVID-19 has attacked many industries but had little impact on K-pop. A crucial reason for this is that K-pop has already formed a mature system and kept developing with time. COVID-19 was a threat to K-pop at first, but then it changed into an opportunity.

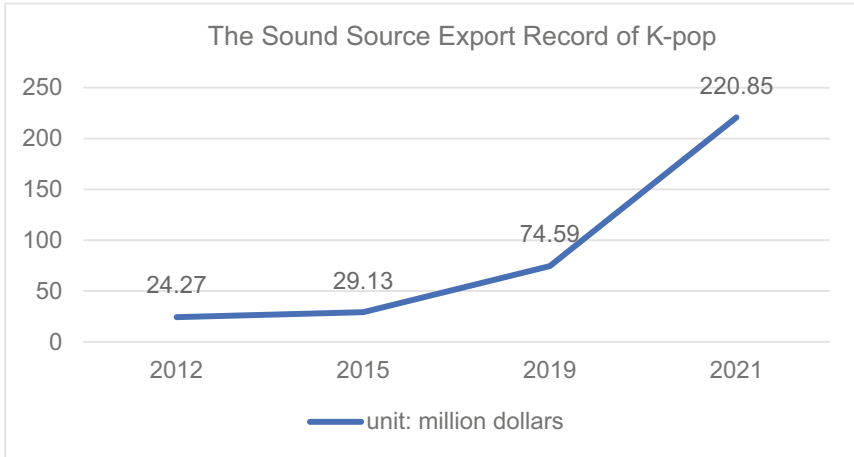


Fig. 1. The sound source export record of K-pop [6].

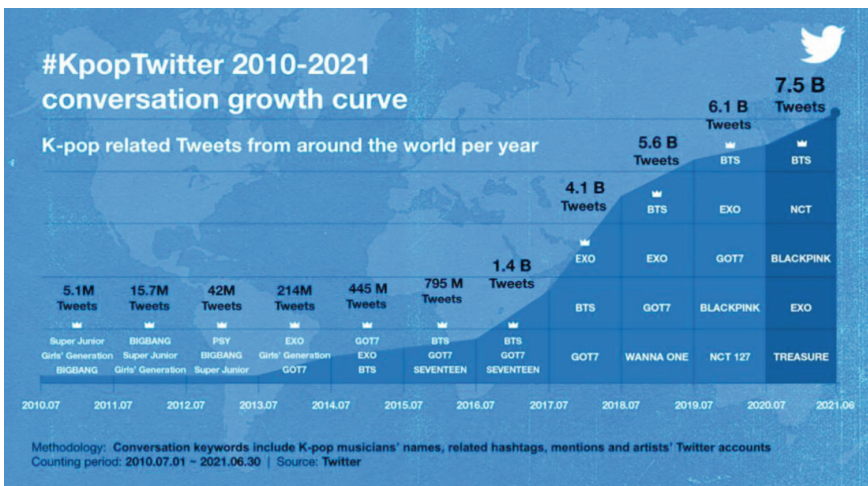


Fig. 2. #KpopTwitter 2010–2021 conversation growth curve [7].

4 Different Generations of K-pop

K-pop has been divided into several phases over its history. Research into the K-pop generation has a long history. Lee-Inhye and Kwon-Sangjib classified the development of K-pop into 4 generations [8]. The first generation of K-pop (1997 ~ 2000) is when H.O.T. performed in China and raised a ‘Korean Wave’ in 1999. The second generation of K-pop (2001 ~ 2009) expands its business from China to Japan and Southeast Asia. The K-pop artist BoA won first place on Japan’s Oricon Chart. The group TVXQ made a concert in Tokyo Dome and it is the first K-pop artist group to perform in Tokyo Dome in history. The third generation of K-pop (2010 ~ 2016) relies on exportation to China, Japan, France, and Southeast Asia. The overseas fandom culture has been settled down because of the K-pop group ‘Bigbang’ and the K-pop artist PSY got second place on the billboard singles chart. However, due to the settlement of the THAAD (Terminal High Altitude Area Dense), South Korea and China suffered an unreconciled circumstance and the general public started expressing anti-South Korea sentiments. The fourth generation of K-pop (2017 ~ present), also known as the BTS Paradigm defined by the researcher, focuses on BTS’s achievements. BTS is basically active worldwide, especially in America. It was invited to the ‘2017 American Music Award’ and got successive first place on the Billboard Chart from 2018 to 2020. The awards from America also made BTS a well-known K-pop idol group in other countries.

5 The Value Chain of K-pop

K-pop keeps developing over the years. Many researchers studied and summarized the K-pop value chain, the core part of which is shown in Fig. 3 [9]. The artists need to practice as a trainee for a period of time until the entertainment company permits them to debut. Originally, each company makes an audition after they came up with a concept. Therefore, each artist has to serve the existing concept after they debut. After the debut, the entertainment company got the intellectual property and use it in promotion part such as OSMU (One Source Multi Use). This K-pop value chain has already applied to 3 generations in history but it could just be discussed in the context of virus free. Due to the non-contact and non-gather policies, the value chain is also being affected. Especially in the business strategy part.

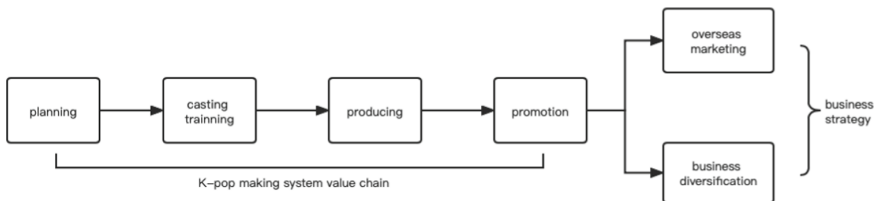


Fig. 3. The value chain of K-pop [9].

6 BTS'S Strategies for Success

The reason why BTS become so popular in the United States lies in the distinction between collectivism and individualism [10]. First, America has a totally different artistic system compared to Korea. From the 1990s to the 2000s, boy and girl groups were made at first but split up in the end since the popular members went solo. Therefore, one reason that BTS attracts much attention is that they show sincere unity and teamwork to fans. Second, the management system and audition format between America and South Korea are different. American artists prefer to sign the contract in a short time, however, K-pop artists dedicate a large proportion of their life to an entertainment company. Third, K-pop entertainment companies have already prepared a plan for the concept and storytelling before the audition. The whole audition is serving for the plan. But the United States entertainment companies select artists based on their own charm. The target of the audition directly decides the result. Choi-Seonghun indicates that the reasons for BTS's success are not based on the existing pattern of K-pop mentioned in Sect. 5 of this paper. BTS is different in the constitution of members and ways of storytelling, and it has its own methods of platform building [11].

6.1 Profound Lyrics

As stated before, K-pop entertainment companies prefer to apply glocalization strategies by including foreign members or creating foreign lyrics in order to exploit overseas markets. Even though the existing pattern does work well in Asian markets, it has a limitation when exporting to European and American markets. BTS reserved traditional Korean emotion when making content. Meanwhile, they did not put aggressive rap or simple sentences in their lyrics, but insightful and philosophical thoughts in an attempt to communicate with their fans. Regardless of gender, age, race, religion, hierarchy, and sexual identity, everyone could enjoy the ideology of their works.

6.2 Online Channel

With the development of science and technology, BTS members do not continue the original mysticism K-pop style but choose to share their private life on several SNS (Social Networking Services) platforms to narrow the distance between them and their fans. In previous years, K-pop idols would follow the strategy to join the official reality show. However, BTS did not follow that way but made a YouTube official channel online, starting on Dec 17, 2012, called BANGTANTV which has attracted 72.1 million followers.

6.3 New Fandom Platform

In the meanwhile, HYBE Entertainment intends to use the app 'Weverse' made in June 2019 to get rid of K-pop artists' dependence on other SNS. The company's own artists BTS and TOMORROW × TOGETHER joined the app in Oct 2020. Other entertainment companies' K-pop artists such as GFRIEND and BLACKPINK also followed the action

and created their own fandom communities on Weverse. Weverse is a community where K-pop artists can post their life and thoughts, or even communicate with their fans, similar to other platforms such as Facebook and Instagram. However, HYBE Entertainment made it in order to separate K-pop artists from the existing platforms and then build a platform only for K-pop. Under the existing K-pop value chain, K-pop focuses on overseas marketing and business diversification. Through the case of ‘BANG BANG CON THE LIVE’ and ‘Weverse’, the K-pop industry is desirous to avoid the risks of distance and build its own place for fandom.

6.4 Online Concerts with New Technology

During the period of COVID-19, BTS used AR/VR and Live-Streaming technology in their online concert ‘BANG BANG CON THE LIVE’ (Fig. 4). This kind of online concert was first held free of charge on April 18th and 19th through YouTube. Then the concert was charged on June 14th, 2020, and has made a record to be the world’s biggest paid online concert. Based on the popularity that has accumulated before the epidemic, the concert streamed for nearly 100 min and drew 756,000 viewers from 107 countries or regions, including South Korea, the United States, China, Britain, and Japan [12].

From the report of Shinhan Finance Invest (Table 1), based on the paid online concert on June 14th, the number of viewers has increased three times. The income of one person increased from 0.48 billion won to 3.3 billion won. The main reason is that BTS already has a strong fandom base, furthermore, people who do not know the group were also curious so the possibility of purchase has also increased.



Fig. 4. The online concert of BTS combining AR/VR and Live-Streaming technology [13].

Table 1. Shinhan Finance Invest Report [14].

Comparison of offline vs. Online concert performance of BTS						
From	Offline	Online (free)	Online (paid)	Online (paid)	Online (paid)	Online (paid)
Concert Name	Speak Yourself: The Final	Bang Bang Con	Bang Bang Con The Live	Map of the Soul ON:E	HYBE Labels New Year's Live	Permission to Dance on Stage
Time	2019	2020, Apr.	2020, Jun.	2020, Oct.	2020, Dec.	2021, Oct.
Run Time	150min* 3times = 450min	23h = 1380min	90min	150min*2times = 300min	180min	150min
Audience Figures	150,000	4,000,000	760,000	990,000		Undisclosed information
Broadcasting Countries			107	191		197
MD sales	8.4 billion won	37.2 billion won	15.4 billion won			
Ticket sales	13.2 billion won	0	14.4 billion won	54.1 billion won		
Ticket price	88,000 won	free	Membership: 29,000 won Non-membership:39,000 won	The lowest price: 49,500 won High-definition: 59,500 won Package: 71,000 won	39,500–59,500 won Replay: 39,000	49,500–74,500 won
Earnings per minute	48 million won	27 million won	330 million won	Ticket only: 180 million won With MD: Estimates of more than 300 million won		
Comparison			3 times more revenue than the first paid, offline stadium performance	Twice the price of tickets compared to Bang Bang Concert the Live	All HYBE Label Artists performed	Provide 'Multi View' service

7 Conclusion

The unexpected COVID-19 pandemic broke up the inherent K-pop spread mode. The original pattern of K-pop has failed due to quarantine and limitations. In response to this crisis, BTS's company HYBE Entertainment made some new strategies that were proven to be a great success. First, a free online concert on YouTube was held for a trial, and then paid online concerts were launched to solve the regional restrictions problems. Second, HYBE Entertainment company's own fan platform was built to make the fandom manageable and get rid of the dependence on other SNS platforms. In summary, this

paper has considered K-pop's future direction of progress based on the original value chain. It is necessary to develop fandom first based on the original pattern when a new group debuts. The reasons can be concluded as follows. First, even though K-pop has been acceptable in the United States, it is based on its popularity before they come into the United State market. In another word, this kind of strategy could not be matched with K-pop artists who just debuted. Second, K-pop in the United States is in its infancy which means the risks are as great as the returns. In a word, conservatively combining new patterns and original ones is a better way to develop forward.

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