

POP CULTURES:  
A COMPARATIVE ANALYSIS OF THE AMERICAN AND SOUTH KOREAN  
RECORD INDUSTRIES

by

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A Thesis Proposal Submitted to the Faculty of  
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Master of Science

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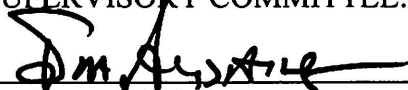
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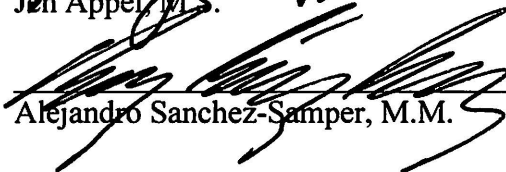
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This thesis was prepared under the direction of the candidate's thesis advisor, Dr. Ira Abrams, Department of Music, and has been approved by the members of her supervisory committee. It was submitted to the faculty of the College of Business and was accepted in partial fulfillment of the requirements for the degree of Master of Science.


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## ABSTRACT

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As the oldest recording industry in the world, the United States has set industry standards regarding record labels, publishing, live entertainment and music services. Since the beginning of the 20<sup>th</sup> century, American music has become a staple in worldwide pop culture, spreading to all four corners of the world. Indeed, the U.S. music industry has held the number one position in the ranking of the world's top 10 largest music markets since its first record label, Columbia Records, was founded in 1887. However, a relatively new genre of music is rapidly taking over the world's pop music scene: South Korean pop music, otherwise known as K-pop. This thesis analyzes the similarities and differences between the two diverse music industries – with an emphasis on pop music – by first delving into the copyright and recording aspects of the business, followed by identifying key differences in each industry's standards and aesthetics, and finally examining media consumption and marketing implications in the two countries.

## DEDICATION

This manuscript is dedicated to my parents and my brothers, whose unwavering love and support encouraged me to pursue my dreams.

POP CULTURES:  
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## I. INTRODUCTION

As the largest and oldest recorded music industry, the U.S.' position as the biggest music market in world remains uncontested. Since the late 1880s, it has provided industry standards regarding record labels, publishing, live entertainment and music services. However, the industry started facing major obstacles in the late 1990s when the Internet was introduced to the masses. Along with it came the grand-scale illegal sharing and downloads of music files. The rise of music piracy in the digital age and the subsequent decline in music sales has led the U.S. to shift many of its sources of revenue away from the recording side of the business. After holding steady at a record low of approximately \$15 billion for nearly four years, 2016 marks the second consecutive year of revenue growth in the U.S. since the 1990s (Nicolaou, 2016). Although the increase was meager with only a one per cent change between 2014 and 2015 (IFPI, 2016), total revenue is forecasted to continue to increase annually, reaching \$18 billion in 2020 (Statista, 2016). This growth is due primarily to paid streaming services such as Spotify and Apple Music offsetting the continual decline of physical sales. Streaming revenue surpassed digital downloads in 2015 and became the number one revenue source of recorded music in 2015 (IFPI, 2016).

Whereas annual revenue for record music has slowly started to increase since the early 2010s in the majority of the largest markets in the world, the music industry in South Korea (henceforth, Korea) has continually experienced tremendous growth over the past decade. In 2005, the Korean music market ranked 33<sup>rd</sup> in the world, and by 2014,

it had shot up the list to 8<sup>th</sup> place (IFPI, 2013). Even though its ranking has not changed in the last two years, the Korean music market grew by 12.4 per cent between 2014 and 2015 (IFPI, 2016). This thesis seeks to explain how the Korean music industry grew exponentially in less than two decades by comparing its strategies to those employed by the U.S. record industry. The major differences between the two industries are each country's history, legislation and government investment, all of which affect the copyright laws, the way record labels operate and develop artists, the industry structure and standards, and media consumption. In this manuscript, Revised Romanization will be used for the transcription of Korean words, and Korean names will be written with last name followed by first name.

## II. HISTORY

Before delving into the different aspects of the American and Korean record industries, a brief lesson in the history of each country is needed to understand how their music industries were created and developed. In the case of the United States, its musical history will be examined, from the formation of the first record label to the current state of the pop industry. As for Korea, whose modern music business is less than 30 years old, its history will be traced back to Japanese colonialism in the first half of the 20<sup>th</sup> century.

### **United States**

#### **Brief History**

The recording industry in which music is sold as a fixed, tangible product didn't start until the introduction of the phonograph by Thomas Edison in 1877 and the gramophone by Emile Berliner a decade later (Cosper, n.d.). These two innovations enabled sounds to be recorded and reproduced onto discs, and the first record labels, such as Columbia Records and Victor Records, were created from companies that mass produced these cylinders (Cosper, n.d.). Founded in the early 1900s, Columbia Records still stands today as the oldest record label in the U.S. (Columbia Records, n.d.), while Victor Records was absorbed by the Radio Corporation of America in the 1920s and later renamed RCA (Cosper, n.d.). The record industry in the U.S. continued to evolve as more record labels emerged and new technology was developed, such as cassettes in the 1960s, compact discs in the 1980s and MP3s in the 1990s (Shuker, 2001).

Though many scholars have failed to agree on one clear definition of popular music (Shuker, 2001), pop music in this manuscript means mainstream music that appeals to and is consumed by the masses. One author, Frith, identified “commercial imperatives” as one of the four identifying characteristics of pop music, meaning that it is a manufactured product whose purpose is to generate revenue for record labels (Rojek, 2011). The other three identifiers of pop music, according to Frith, are “general appeal,” “light entertainment” and “personal identification” (Rojek, 2011). Before the 1960s, the industry was a singles market geared toward teenagers and young adults. This was primarily due to the early vinyl formats that limited the number and length of songs that could be recorded on one disc. In the 1970s, as physical formats evolved and increased their song capacity, the market shifted from singles to albums, which benefitted record companies because albums have longer shelf lives than singles (Rojek, 2011), as well as higher profit margins. However, the rapid decline of physical album sales in the digital age has brought the industry back to a singles market led by online retailers such as Apple Inc.’s iTunes.

Various authors (Shaw, 1974; Shuker, 2001; Rojek, 2011; Stanley, 2014) have traced the history of modern pop music, starting with the emergence of rock ‘n’ roll in the mid-1950s. The popularity of rock ‘n’ roll post-World War II is attributed to the need for young Baby Boomers to separate themselves from their parents’ culture and find a musical identity of their own they could associate with and belong to (Shuker, 2001). Each subsequent era is generally identified by prominent artists and bands, such as Elvis Presley, The Beatles, Bob Dylan, Michael Jackson, Madonna, Nirvana and Beyoncé. A plethora of musical genres and sub-genres developed from rock ‘n’ roll, which itself is a

musical hybrid of blues and country, such as punk, grunge, hip hop, rap, R&B and house (Rojek, 2011).

Today, the musical trends of the pop music industry can be identified through the online music publication, Billboard, whose comprehensive Hot 100 chart continually displays the biggest hit singles of the week. American acts generally dominate the chart, although many of the producers behind the hits come from overseas. For example, with an outstanding 64 top 10 hits, the biggest hitmaker in recent history is the Swedish producer and composer Max Martin, who has written songs for pop superstars Britney Spears, Taylor Swift and Katy Perry (Cragg, 2016). Furthermore, the pop industry in the U.S. is becoming increasingly globalized as more and more foreign acts enter the market. For instance, foreign artists from England, Canada and Jamaica have topped the Hot 100 chart for a record 32 weeks from July 2015 to February 2016 (Trust, 2016).

### **How Streaming is Saving the Industry**

After nearly two decades of steady revenue decline, the record industry is at last improving and experiencing growth due to music streaming services that are offsetting the losses incurred by the decline of physical sales. Overall, streaming accounted for 47 per cent of all U.S. recorded music revenue in the first half of 2016 (Friedlander, 2016), and PwC predicts streaming revenue will continue to increase and help worldwide trade revenues reach \$47.7 billion by 2020 (PwC, 2016). Furthermore, according to BuzzAngle Music's 2016 report, audio streams in the U.S. reached a record peak of 250.7 billion, which amounts to an 86.7 per cent increase from 2015 (BuzzAngle Music, 2017). After streaming giants Spotify and Apple Music announced in 2016 that the services had reached 40 million and 20 million paying subscribers respectively, it has been reported

that music streaming surpassed 100 million paying subscriptions worldwide (Nicolaou, 2017). Although the formula differs by format, a streaming service typically pays 60 per cent to record labels for the use of the master recordings and 10 per cent to publishers and composers, keeping 30 per cent for themselves (Nicolaou, 2017).

Despite becoming the industry's saving grace, publishers and songwriters alike have expressed their discontent and sued Spotify for failing to pay mechanical royalties. In 2015, two class-action suits were filed against the Swedish service by the National Music Publishers Association (NMPA) and by David Lowery, an artist rights advocate and the head of the law firm Camper Van Beethoven and Cracker. Both lawsuits sought up to \$150 million in damages (Levine, 2016). The NMPA settled with the streaming service in 2016 for \$30 million (Christman, 2016), while Lowery continues to fight on the behalf of songwriters and publishers.

Spotify isn't the only service to have come under fire; the social networking sites YouTube and Facebook have also been pursued by publishers for their liability to copyright infringement. As a free video platform, YouTube follows a different model from Spotify and Apple Music. Unlike the two music streaming services, music on YouTube is uploaded by third party users who generally don't seek the necessary licenses from record labels and publishers before doing so. In an effort to reduce copyright infringement, the Google-owned streaming platform introduced the Content ID system, which scans uploaded videos "against a database of files that have been submitted to [YouTube] by content owners" (YouTube, n.d.). Additionally, YouTube has allegedly compensated the music industry with \$1 billion from advertising revenue in 2016 (Nicolaou, 2017). Music publishers' next target is world's largest social network,



Facebook. Similarly to YouTube, videos that contain copyrighted material are uploaded on Facebook by users who didn't acquire the appropriate licenses. However, Facebook currently lacks a system that tracks the unlicensed material uploaded on its site, though it is reportedly developing one (Nicolaou, 2016). Pushed by music publishers, streaming services and social networking platforms are working to improve the music streaming landscape and pay a fair share of royalties to copyright owners.

## **South Korea**

### **Brief History**

The beginning of Korea's music industry can be traced back to the 1930s, during Japanese colonial rule (1910-1945). Known as *gayo*, the popular music styles at the time included jazz, ballads and the French style of *chanson*, with the most popular being the traditional *teuroteu* – the Korean pronunciation of trot, derived from foxtrot (Oh and Lee, 2014). The majority of record labels present at the time were Japanese-owned subsidiaries of American labels, such as Columbia, Victor and Polydor, although some Korean labels existed such as Chieron and New Korea (East Asian History, 2011). However, after the end of the Japanese colonial rule and the subsequent American occupation, these styles of music were censored and often banned during Korea's military dictatorship (1960-1987) because of their overwhelming Japanese and American influences (Oh and Lee, 2014). The content of the music was also deemed to be vulgar and to incite pro-Japanese sentiment. Nonetheless, despite the government censorship, Western music remained popular in Korea up until the end of the 1990s. By 1993, the Korean music industry consisted of 70 per cent foreign music and 30 per cent traditional

Korean music (Kim, 2015). This percentage split quickly changed at the turn of this century.

In 1997, Korea was hit by the Asian financial crisis and the then President Kim Dae-jung's solution to save the country's economy was to invest in the entertainment sector. The subsequent phenomenon is known as *Hallyu* (Korean Wave), a term coined by the Chinese media to refer to the exportation of Korea's popular culture to neighboring Asian countries (Fisher, 2014). The effects of *Hallyu* were first seen in 2003 when the Korean drama *Winter Sonata* aired in Japan and created a frenzy among Japanese housewives (Hong, 2014). As with any exploitable product or service, the Korean government was quick to capitalize on *Hallyu* and actively promoted its global expansion. Similar to American pop culture in the 20<sup>th</sup> century, Korean pop culture has become the country's soft power. As foreign countries increasingly import Korean drama series and movies, interest in Korean culture has grown around the world, which has led to higher rates of tourism in the country and higher consumption of Korean food and products, such as Samsung electronic devices. According to a report published by the Korean Trade Investment Promotion Agency, Korea earned \$5 billion from the sale of all *Hallyu* goods – movies, dramas, music, video games, etc. – in 2015 (McCafferty, 2016). The Korean Wave has become so important to Korea's economy that a Popular Culture Industry Division was created within the Ministry of Culture, Sport and Tourism (Hong, 2014). Its purpose is to research and develop new innovations to enhance the various components of *Hallyu*, including K-pop.

### **K-pop: “South Korea’s Greatest Export”**

When mentioning Korea’s most popular exports, one would think of the country’s multinational conglomerates Samsung or LG or even the car manufacturer Hyundai. However, a Time magazine article published in 2012 claimed K-pop to be “South Korea’s Greatest Export” to express the genre’s growing popularity outside of Korea (Mahr, 2012). What exactly is K-pop? K-pop is the abbreviation given by non-Koreans to refer to Korean pop music. It serves as an umbrella term to define a broad musical genre that incorporates various styles of music such as R&B, rock and EDM. Unlike traditional Korean music such as *pansori*, K-pop is not inherently Korean and is rather heavily influenced by Europop and American hip-hop. A typical K-pop song has an electronic base, catchy hooks with nonsensical English lyrics and a rap verse or two. In some cases, the tracks are composed by North American and European songwriters and producers and are then acquired by Korean entertainment companies through sub-publishers. Other times, the Korean labels contract Western songwriters and DJs to produce songs specifically for its acts. Despite the popularity of the word K-pop, Koreans still refer to their popular music as *gayo*.

As part of the Korean Wave, the government heavily invests in K-pop both domestically and internationally in ways that have never been seen in the United States. For instance, \$91 million were allocated to the music industry in 2009 to offset the revenue loss generated by music piracy (Hong, 2014). Other investments include the gentrification of the Changdong district in northern Seoul, which was announced in 2016. The government plans to transform Changdong into a modern K-pop destination and cultural hub for locals and tourists alike. The project involves the construction of “concert

halls, a music school, recording studios, art galleries and a K-pop museum,” including a 20,000-seat arena (McCafferty, 2016). The Chinese American journalist Jeff Yang contends: “when people buy into K-pop, they buy into a lifestyle. K-pop is pop culture as a lifestyle brand” (Hong, 2014). The government’s development of K-pop doesn’t stop in Korea; since the 1980s, around 25 Korean Culture Centres have been formed around the world (Hong, 2014). The Korean government allocates funds to the centres to propagate Korean culture in the countries they are located in. For instance, in 2011, the director of the Korean Culture Centre in Paris, Choi Jun-ho, requested funds to produce the very first K-pop concert in Europe. After tickets were sold out in 15 minutes, a second concert date was announced (Hong, 2014).

Many K-pop artists have tried to expand their success past their main foreign markets – Japan, China, Taiwan and Hong Kong – and break into the United States, but to no avail. K-pop biggest success story came in a form of a satirical song and humorous music video. PSY’s “Gangnam Style,” which parodies the wealthy of the Gangnam district in Seoul, was released July 15, 2012 and has since become the most viewed music video on YouTube with more than 2.7 billion views as of January 2017. Interestingly, PSY is an atypical artist in Korean and is even known as the “class-clown of K-pop” (Hong, 2014). Despite the fact that no other K-pop artist has been able to recreate the success of PSY and “Gangnam Style,” K-pop has spread beyond Asia and reached the Middle East, Europe and the Americas. As mentioned previously, the first K-pop concert in Europe was held in 2011, but North America has since held the most K-pop concerts after Japan and China, with 116 shows between 2013 and 2016 (Benjamin, 2016). The penetration of Korean music in North America in the last decade led Billboard to launch

its Billboard K-pop Hot 100 chart in 2011 (Lee & Nornes, 2015) and Apple's music store iTunes to introduce its K-pop music chart in 2016.

Another indication of K-pop's growing popularity in the West is the annual cultural and music convention, KCON. Hailed as the "first convention dedicated to All Things Hallyu," KCON was first launched in 2012 in Irvine, California. The annual event is produced by CJ E&M, Korea's largest media conglomerate, and Mnet, a Korean music television network. Since its inception, KCON has expanded to New York, Abu Dhabi, Japan, Paris and Mexico City. KCON 2015's dates drew in an audience of more than 90,000 fans in the U.S. and Japan (Mnet, 2016).

### III. COPYRIGHT

This chapter addresses the issues of copyright, performing rights organizations and music piracy. Copyright is the foundation of the record industry, as it promotes the creation of new musical compositions from songwriters and composers and ensures they are compensated appropriately. The U.S. and Korean governments developed copyright acts to protect original works in the 1900s, and both countries' laws have since been amended to incorporate legislation to protect digital copyrighted materials.

#### **United States**

##### **The Copyright Act of 1976**

The United States Copyright Act, which was first passed in 1909 and later amended in 1976, guarantees the protection of an original work of authorship fixed in a tangible medium of expression for a limited period of time. The right to copyrighted works is granted by the U.S. Constitution to “promote the progress of science and useful arts” (Schulenberg, 2005). As per the Copyright Act of 1976, the works protected include musical works and sound recordings. The copyright of any work created after 1978 expires 70 years after the death of the last living author. The owner of a copyright is granted six exclusive rights among which the most important are: the right to reproduce the work, the right to distribute it, the right to make derivatives of the work and the right to publicly perform the copyrighted work. Various licenses are issued by copyright owners or third party organizations to grant individuals or companies the exclusive rights in and to copyrighted works, such as mechanical licenses for the reproduction of songs

and blanket licenses for the public performances. However, there are cases in which the unlicensed use of and the public's access of copyrighted works are protected by the Fair Use doctrine of the U.S. Copyright Act. If the compositions are used to critique, comment and parody, or are used for teaching purposes, then permission from the copyright holder to use the compositions is not required, nor does he or she have to be compensated for it. In order to qualify as fair use in the cases of critiquing, commenting and parodying, the work must be transformative, although no definition is provided for how transformative the composition must be (Stanford, 2013).

In 1998, the Digital Millennium Copyright Act (DMCA) was enacted and added to the Copyright Act of 1976 to accommodate for the emergence of the Internet and digital copyrighted material, in accordance with the World Intellectual Property Organization Performances and Phonograms Treaty ratified in Geneva in 1996 (Schulenberg, 2005). The DMCA laid the groundwork and penalties for copyright infringement, including illegal file sharing (Brabec & Brabec, 2011). Moreover, even though the U.S. Copyright Act of 1909 recognized the public performance of a musical composition as an exclusive right of the copyright holder, it wasn't until 1917 that the U.S. Supreme Court ruled that songwriters and publishers must be compensated for it. In *Herbert v. Shanley, Co.* (1917), Victor Herbert, a famous American composer, sued the Shanley Company, a hotel, for having professional singers and an orchestra perform his copyrighted musical composition to entertain the hotel's guests. Even though the performance was not done for profit, the plaintiff contended that it infringed on his exclusive rights as a copyright owner. Mr. Justice Holmes ruled in the plaintiff's favor and opined: "If the rights under the copyright are infringed only by a performance where

money is taken at the door, they are very imperfectly protected.” (*Herbert v. Shanley Co.*, 1917). This ruling became an important precedent for performing rights societies to function efficiently.

### **Performing Rights Organizations**

There are four performing rights organizations currently active in the United States: the American Society of Composers, Authors and Publishers (ASCAP); the Broadcast Music, Inc. (BMI); SESAC; and SoundExchange. The former two are public, nonprofit societies that follow a consent decree, whereas SESAC is a private company, and SoundExchange is a digital collecting society. All four performing rights organizations issue licenses – usually in the form of blanket licenses – to public venues and collect the fees. The societies then monitor the public performances of their writers and publishing members’ compositions throughout the United States on a yearly basis. The method of monitoring differs with each venue in which music is publicly performed or transmitted. Using the sampled data they collect throughout the year, the societies pay their registered members after deducting a percentage for the organizations’ operation expenses. Each organization uses its own formula to calculate how much royalties is owed to the copyright holders. This system is by no means accurate, and two composers who co-wrote a song and are affiliated with two different performing rights organizations are very likely to receive a different amount of royalties for the same song. Composers and publishers only have to register to one of the three non-digital societies to receive public performance monies. Although songwriters and publishers can own parts of the same song, their share are paid separately by the performing rights organizations to ensure both parties are compensated fairly and equally.



Founded in 1914, the American Society of Composers, Authors and Publishers, otherwise known as ASCAP, was the first association to compensate composers and publishers for the public performance of their songs (Brabec & Brabec, 2011). With 600,000 registered members in the United States (ASCAP, n.d.), ASCAP is the second largest of the three performing rights organizations. Its catalogue contains more than 10 million songs, and it reportedly made more than \$1 billion in revenue in 2015 and distributed a total of \$867.4 million to its registered members (ASCAP, 2016). The composers, songwriters and publishers affiliated with ASCAP receive their performing rights royalties quarterly.

Moreover, BMI, which stands for Broadcast Music, Inc., was founded in 1939 by members of the radio broadcasting industry to compete against ASCAP (Brabec & Brabec, 2011). BMI is currently the largest performing rights society in the United States with more than 750,000 members and 12 million registered musical compositions in its repertoire (BMI, n.d.). The two performing rights organizations only license nondramatic musical compositions. ASCAP and BMI differ in that the former is contractually obligated to have its members' best interest as a priority, whereas the latter is not. ASCAP's membership agreement states that the society will "in good faith use its best endeavors to promote and carry out the objects for which it was organized, and to hold and apply all royalties, profits, benefits and advantages arising from the exploitation of the rights assigned to it by its several members, including the [copyright owner]" (ASCAP, n.d.). On the other hand, according to the rate court decision in *United States v. ASCAP* (2001), "BMI's agreements with its writers and publishers contain no contractual obligation for BMI to represent the interests of writers and publishers in BMI's license

negotiations with third parties” (AIMP, n.d., p. 17). Indeed, BMI’s member agreement states that it is “not intended to be a fiduciary relationship with respect to any of the rights or obligations hereunder” (BMI, n.d.).

SESAC, the smallest of the three non-digital collecting societies, was established in 1930 and currently manages the licensing rights of more than 400,000 compositions from 30,000 associated songwriters, composers and publishers (SESAC, n.d.). Whereas ASCAP and BMI have open memberships, SESAC’s member registration is exclusive and can only be done through invitation. In addition, SESAC pays its affiliates royalties on a monthly basis rather than quarterly. In 2015, SESAC acquired the Harry Fox Agency, the largest U.S. organization that licenses mechanical rights for the reproduction of musical compositions. The acquisition was enacted in an effort to create “a simplified and more efficient, multi-rights, multi-territory licensing model” to provide its affiliated composers and publishers with a one-stop shop for music licensing (SESAC, 2015).

Moreover, an online performance rights organization, called SoundExchange, was founded in 2003 to track and collect performance royalties for the digital transmission of sound recordings (SoundExchange, n.d.). With the assistance of IFPI, SoundExchange implemented an International Standard Recording Code database to manage information on more than 30 million sound recordings, and in 2016, the collecting society reportedly distributed \$884 million in royalties to affiliated record labels and artists (Christman, 2017).

### **Music Piracy**

Music piracy has plagued the worldwide record industry since the late 1990s. In May 1999, Shawn Fanning, John Fanning and Sean Parker launched the first online peer-

to-peer file sharing service, Napster, which provided Internet users around the world a platform where they could exchange any MP3 file with one another. Within its first five months of operation, Napster had four million songs in circulation, and at its peak, it had reached 70 million active users globally (Nieva, 2013). The Recording Industry Association of America (RIAA), along with many record companies, sued Napster for copyright infringement. The court sided with the plaintiffs, and in 2001, Napster was ordered to either change its format as a company or shut down completely. The company chose the former, and today, Napster is merged with the music streaming service Rhapsody. During the time it operated as a file-sharing service, record companies also sued approximately 18,000 Napster users who had illegally downloaded music (Lamont, 2013).

Despite the termination of Napster as a peer-to-peer file-sharing service, music piracy persists today. An estimated 20 per cent of “fixed-line internet users worldwide regularly access services offering copyright infringing music” (IFPI, 2015). The U.S. government has intervened many times, with the FBI shutting down various illegal downloading and torrent sites such as MegaUpload and Limewire. Additionally, through the Copyright Alert System established in 2013, the five largest Internet service providers in the U.S. have tried to penalize individual copyright offenders by blocking their Internet service after six repeat offenses, though the system is reportedly ineffective (Internet Security Task Force, 2015).

## **South Korea**

### **The Copyright Act of 1986**

Much like the U.S. Copyright Act, Korea's copyright act went through various amendments over the last century to adapt to the ever-changing landscape of music recording and distribution. Modeled after Japan's Copyright Act of 1899, The Korean National Assembly enacted the country's first Copyright Act in 1957 (Youm, 1999). Under this Act, the academic and artistic works of authors were protected, including musical works, dramas, cinema, paintings, sculpture, etc. The copyright for original works lasted for the life of the author plus 30 years, while the copyright for translated works lasted five years (Youm, 1999). The statute also recognized the notion of fair use, though its definition differs slightly from the American doctrine. For instance, parody is not included among the acts allowed, but plagiarism with no intent of publishing is. Moreover, the Korean Copyright Act doesn't expressly delineate the types of protection guaranteed to the author of the work.

Due to the lack of enforcement of the law, the Copyright Act of 1957 was amended in 1986 and later revised in 1997, 2000 and most recently in 2009 (Moon & Kim, 2011). The changes included an extension of 20 years to the term of the copyright, the work for hire concept in which the employer owns the copyright rather than the employee, the steps to register a copyright and allowing courts to grant injunctions for copyright infringement (Youm, 1999). The amount of damages due are calculated by estimating the "profits gained by the infringement plus the amount which the complainant could have earned in excess of the defendant's profits" (Youm, 1999). The "Three Strikes" policy against the illegal download of copyrighted works such as music, movies

and books, was added in the 2009 revision of the Act (Moon & Kim, 2011). Furthermore, one aspect recognized in Korea's Copyright Act that is not in its U.S. counterpart is the protection of *droit moral* or moral rights. Outlined in the Berne Convention, which Korea acceded to in 1996 (WIPO, n.d.), the moral rights policy states that:

Independently of the author's economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation, or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation.

(Schulenberg, 2005)

In other words, contrary to the aftermath of copyright transfers in the U.S., authors in Korea retain control of the copyrighted work and "the right to maintain the identity of contents, form, and title of his work" (Youm, 1999). Copyright infringers of an author's moral rights can be penalized with up to three years of imprisonment or a fine of \$3,750 (Youm, 1999).

### **Performing Rights Organizations**

Korea's first and largest performing rights society, the Korean Music Copyright Association, or KOMCA, was founded in 1964 by the Korea Record Writers Association (KOMCA, n.d.). The organization represents both "the right of public transmission and the mechanical reproduction rights" (CISAC, n.d.). Just as with ASCAP, BMI and SESAC, all rights are entrusted to KOMCA when a member registers, and public establishments, including broadcasting networks, pay an annual blanket license. In 2015, KOMCA allegedly distributed to its members KRW137 billion (KOMCA, n.d.), or

approximately \$116 million. In 2007, KOMCA signed a reciprocal copyright deal with Japan's collecting society, JASRAC, in which each organization handles each other's copyright management within their countries. In other words, KOMCA now collects and distributes the royalties of JASRAC-registered songs in Korea, and vice-versa (Billboard, 2007). As a result of the deal, Korea's collection of music royalties from public display of sound recordings to live performances in Japan sharply increased. For example, KOMCA reported in 2013 that music royalties from Japan surpassed KRW10 billion (Chosun, 2013).

In 2014, a new performing rights organization was created under the discretion of the Ministry of Culture, Sport and Tourism and disrupted KOMCA's 50 years of monopolistic hold over performing rights in Korea. The Korean Society of Composers, Authors and Publishers (KOSCAP), as it is called, was founded to "create competition and extend the rights of [music] creators" (Yim, 2014). Unlike its competitor, KOSCAP allows its members to choose which rights to entrust to the organization (Yim, 2014). This is known as a partial withdrawal of rights, which ASCAP and BMI are currently fighting the U.S. Department of Justice to permit (Zalesin, 2016). Another dissimilitude between the two societies is the royalty distribution system of licensed songs played on television. KOMCA pays less for instrumental music played in the background of television programs than it does for songs with lyrics, while KOSCAP doesn't differentiate between the two. Rather, it distributes the royalty according to the duration of the song played (Yim, 2015). Problems continued to arise for KOMCA when in 2015 songwriters and composers complained about the society's payment system and lack of transparency. The dispute over royalty distribution led KOMCA to reform its payment

system to pay composers and songwriters based on the number of plays of an individual song rather than an inclusion payment (AllKpop, 2015).

### **File-Sharing and Anti-Piracy**

Korea's own version of Napster, called Soribada, was developed and launched in May 2000 by brothers Yang Sean and Il-hwan (Russell, 2008). Within less than three years, Soribada registered 15 million users. The peer-to-peer service went through many changes over the years as it was continually sued for copyright infringement by the Recording Industry Association of Korea (RIAK), an organization composed of 133 record labels, and the Korean Association of Phonogram Producers (KAPP), the society that collects online and mobile music royalties (Russell, 2008). After settling with the two associations and other music labels, Soribada continues to exist today as an active streaming service and music retailer that charges its users a monthly fee to access its song catalog.

Today, the Ministry of Culture, Sport and Tourism is in charge of legislating and enforcing Korea's copyright and anti-piracy policies. For instance, the Ministry passed a law in 2009 to regulate the royalty collection of Korea's insanely popular *noraebangs*, or karaoke rooms (Hong, 2014). Together with the Korean Communications Commission, the Ministry of Culture has blocked many Korean sites that infringe on copyright (IFPI, 2013). Some scholars (Kwon & Kim, 2013; Howard, 2014) attribute the increase in anti-piracy laws to the annual growth of the Korean record industry in the 21<sup>st</sup> century.

## IV. RECORD LABELS

Record labels around the world have the same purpose: to sign contracts with artists to then record, sell and promote music. However, key differences between record labels in the U.S. and in Korea are their size and functions, as well as their recruitment process and talent development.

### **United States**

#### **The Big Three**

Commonly referred to as the major labels, the three largest recording companies in the world are Universal Music Group, Sony Music Entertainment and Warner Music Group. All three are multinational music firms headquartered in the United States, though the first two are wholly-owned subsidiaries of foreign companies. Together, the three majors manage 80 per cent of all recorded music in the world (Nicolaou, 2017). With approximately 50 record labels and subsidiaries on nearly every continent, Universal Music Group (UMG) is the world's market share leader in recorded music at 34 per cent (Vivendi, 2016). UMG, whose parent company is the French media conglomerate Vivendi, has three major areas of business: recorded music, music publishing and merchandising (Vivendi, 2015). In the recorded music sector, UMG owns various record labels in the U.S., including Republic Records, Def Jam Recordings, Island Records and Interscope Geffen A&M Records, all of which are home to some of the biggest international popstars. In 2012, UMG strengthened its leadership position by acquiring the British music group EMI – which used to be the world's fourth largest music firm –



from Citigroup for \$1.9 billion (Wikström, 2013). Furthermore, the Vivendi-owned company is a major competitor in the music publishing sector with Universal Music Publishing Group, which owns and manages a catalog of more than three million copyrighted songs and compositions (Vivendi, 2015). Finally, UMG's subsidiary Bravado manufactures all merchandise products for UMG artists (Vivendi, 2015).

As the second largest music company in the world, Sony Music Entertainment's history began in 1888 with the foundation of the American Record Corporation (ARC). In the early 1930s, ACR was bought by CBS Records after it had acquired the oldest record label in the U.S., Columbia Records. After a series of mergers and acquisitions, CBS Records' ownership was evenly split between the television broadcasting company CBS and the Japanese conglomerate Sony Corporation, until the latter fully acquired the label in 1987 and renamed it Sony Music Entertainment in 2004 (Disanti, 2016). Today, Sony Music owns 12 music labels in the U.S., including Columbia Records, RCA Records and Epic Records. The remaining nine labels all specialize in one of the following genres: country music, Latin music, Christian/gospel music and classical music (Sony Music Entertainment, n.d.). Moreover, Sony Corporation owns Sony/ATV Music Publishing, which is the largest music publishing company in the world with a catalog that includes Michael Jackson and The Beatles' song repertoire. Prior to Sony Corp.'s full acquisition of the publishing house in 2016, Sony/ATV was co-owned with the estate of the late Michael Jackson (Christman, 2016).

Warner Music Group (WMG), the smallest of the three major music companies, was first founded in 1958 as Warner Bros. Records and has since become a division of the film company Time Warner Inc. In the past two decades, WMG has changed

ownership twice. First, Bronfman Group, a group of private investors, acquired WMG in 2004 for \$2.6 billion (Smith & Goldsmith, 2003) and in 2011, WMG was acquired by the holding company Access Industries for \$3.3 billion (Christman, 2011). WMG owns various labels around the world, including Asylum Records, Atlantic Records and Fueled by Ramen, and represents global superstars such as Celine Dion, Justin Timberlake and Bruce Springsteen. WMG also owns Warner/Chappell Music, a major player in the music publishing sector.

### **Indie labels**

The remaining 20 per cent of the world's recorded music market is controlled by independent record labels, or indie labels. Compared to the major labels, indie labels' artist rosters are significantly smaller, as are their offices; independent labels have around 20 employees, in comparison to the 10,000 employees working at Universal Music Group (Toren, 2012). Despite their budget limitations, indie labels are generally known to invest more into their artists and their development than major labels because they focus on specific genres of music. Consequently, indie artists are also typically given more creative freedom as they are not pressured to churn out hit after hit like major label artists are. Due to the indie labels' ability to nurture talent, it became common practice starting in the second half of the 20<sup>th</sup> century for major labels to wait until an indie artist reached a certain level of success before either buying their contract or acquiring the indie label as a whole (Wikström, 2013). However, many artists have refused to sign with a major label or have left a major in favor of an indie label, with some, such as the late artist Prince, even comparing record contracts to slavery (Kreps, 2015). Others bypass record labels entirely and fund their albums and tours through fan fundraising websites such as

Indiegogo or GoFundMe. An example of an independent artist who became successful without being signed to a record label is Chance The Rapper, who won the Best New Artist award at the 2017 Grammy Awards.

### **Record Deals**

A record deal typically begins with an A&R (artists and repertoire) representative. Part of an A&R person's job is to scout for talent and recruit new artists to the music company. New talent today can be found in public spaces performing live, on online social networks such as YouTube or SoundCloud, or through competitive reality shows (the latter will be discussed in a later section). The A&R person then presents the promising act to label executives who ultimately decide whether or not to sign the artist. After signing a recording contract with a music company, an artist is given an advance that covers his or her living expenses for the months leading up to the album release. The label also pays for the majority of expenses during an album cycle, including recording and producer costs, tour support and all marketing and promotion-related costs. Once an album is planned, the A&R representative finds producers and songwriters to work with the artist, and the recording process for an album can range between a couple of weeks to a few months.

Artists typically sign a three to five-album record deal. The reason for this is because record labels want to recover the time, effort and money spent in nurturing an artist and developing his or her craft. Between advances, including recording costs, video production, tour support, marketing and promotion costs, a major label will spend between \$500,000 and \$2 million to break an artist in the U.S. (IFPI, 2016) Therefore, the A&R representative or producer must find artists who possess the most commercial

potential and marketability. Still, in a highly competitive and increasingly saturated market, breaking an artist in the U.S. takes more than just money – some labels predict one in four artists will fail to reach commercial success (IFPI, 2016)– and so recoupment of all investment costs is rarely guaranteed. Even if some marketing and promotion costs are non-recoupable, an artist would need to sell hundreds of thousands of albums to reimburse the advances. Due to the fact that record companies take substantial risk in investing in artists to nurture them and develop their talent, artists are generally stripped of all creative control in the music recording process. Furthermore, these costs are generally recouped against the artist’s royalties, meaning that the artist will not receive his or her share of artist income until the label’s investment is reimbursed.

Understandably, the label’s expenses and artist royalty percentage all depend on each individual contract. As a result, under-performing artists or artists tailored toward niche markets are more likely to be dropped from the label in favor of commercially successful artists who may appeal to a broader audience.

Before streaming income started compensating for the decline of music sales, record labels were struggling to stay in business by just selling albums. As a result, in order to increase the return on investment, it has become a standard practice in the industry for artists to sign 360 deals with record companies. In 360 deals, which are also called multi-rights deals, the companies tap into all of an artist’s revenue sources: publishing, touring, merchandise, sponsorships and endorsements, among others. Again, the percentage the label receives from each income stream differs according to the artist’s contract, though it is estimated that the label’s share from non-record sources ranges between 10 and 30 per cent (Passman, 2012). The first major multi-rights deal was signed

between Madonna and the world's largest concert promoter Live Nation in 2007. The singer was offered a \$120 million contract to “sell three albums, promote concert tours, sell merchandise and license her name for sponsorship deals” (Wikström, 2013). The following year, the rapper Jay-Z signed a contract with Live Nation for \$150 million to start a joint venture, called Roc Nation. As of today, more than 350 artists have made similar deals with Live Nation (Live Nation, n.d.).

## **South Korea**

### **The Big Three**

Credited as the pioneer of the K-pop industry model and idol culture, Lee Soo-man founded the first major and most successful entertainment company in Korea in 1993 and named it SM Entertainment after his initials. Lee got his start in the music scene as a radio disk jockey where he learned the musical preferences of Koreans (Russell, 2008). After losing his first major artist to a drug arrest in the 1990s, Lee systematized the development of artists and cultivated the K-pop manual, which he called “cultural technology” (Seabrook, 2015). The manual details the keys to success for K-pop stars, from the music to produce to the outfit to wear in each country they promote in or visit (Kang, 2014). To prove the importance of cultural technology at SM Entertainment, the company's most recently-debuted boy group is named NCT, short for Neo Culture Technology. Home to some of the biggest K-pop stars in the world such as BoA, Girls' Generation and EXO, SM Entertainment reported to have made \$77.4 million in gross sales in the first quarter of 2016, up 139.8 per cent from the previous year (Castillo, 2016).

Due to the dwindling music sales that began in the early 2000s, SM Entertainment ventured into other areas of the entertainment industry by merging with or acquiring new media platforms and distributors (Russell, 2008). For example, the management company has ventured in the food service industry by opening a five-story restaurant in Seoul that doubles as a dance lounge in the nighttime (Lim, 2016). More than a decade since its inception, SM Entertainment has stayed ahead of the curve. For instance, in 2016, the company debuted a digital music project called SM Station where a new single was released every Friday for an entire year, starting in February. The project allowed SM Entertainment artists to experiment with different genres from jazz to EDM to heavy metal and involved collaborations with a variety of local and international producers, composers and brands, including the Swedish DJ Alesso and Coca-Cola. A music video accompanied each single release. Following the release of the 52<sup>nd</sup> single, SM Entertainment announced its plans for a second season of SM Station that will feature more collaborations with foreign artists.

After SM Entertainment's initial hit with its first Western-style boy group H.O.T. in 1996, others quickly followed Lee's model, with the two most successful being Yang Hyun-suk and Park Jin-young, both of whom also started their careers as musicians. In 1992, Yang "Goon" Hyun-suk debuted as one of the members of Seo Taiji & Boys, Korea's first hip-hop group. The group gained massive popularity among the youth for its rap music and baggy outfits that had never been heard or seen in Korea before. Seo Taiji & Boys disbanded in 1996, and Yang established his own music company, YG Entertainment a year later (Seabrook, 2012). Some of YG Entertainment's most successful artists include PSY, Big Bang and 2NE1. Since its inception, YG

Entertainment has remained a close second behind SM Entertainment in terms of yearly music sales. YG Entertainment's first quarter gross income in 2016 amounted to \$62.2 million, a 64.3 per cent increase from the previous year (Castillo, 2016). Both SM Entertainment and YG Entertainment have reported that music sales in Korea only account for around 20 to 30 percent of their total sales, with another 50 per cent coming from sales in foreign countries, primarily Japan and China (Kim, 2015). The third largest music company in Korea is JYP Entertainment, named after its founder, Park Jin-young. Park debuted as a solo singer in 1994 under the stage name J.Y. Park and, despite establishing JYP Entertainment in 1997 (Nakayama, 2010), has continued his career as an artist, with his latest album *24/34* being released in 2015. J.Y. Park is also renowned in Korea as a record producer, having produced many of his artists' records. The company's first girl group, the Wonder Girls, were the first K-pop act to break into the U.S. market and to chart on Billboard's Hot 100 chart in 2009 with their song "Nobody," which was produced by J.Y. Park himself (Korea Times, 2009).

### **The Industrialization of K-pop**

While giving a special lecture at Stanford University in California, Lee Soo-man asserted that "even America has been unable to establish a management system like ours. Recruiting young trainees, signing them to long-term contracts and putting them through years of extensive training – this just can't happen here" (Kang, 2014). Indeed, the K-pop model has not been recreated by major record labels in the U.S. Unlike in the States where musicians are signed to record labels by A&Rs, aspiring K-pop stars are recruited by entertainment companies at a young age, either through open auditions or by talent scouts. For major companies, the auditions are not only held in Korea, but in China,

Japan, Thailand, the U.S. and Canada as well. These auditions are highly selective where one out of 250 applicants is accepted by a mid-sized company. For one of the top three companies, only one out of 1,000 applicants is admitted (Lie, 2014). Once enrolled as a trainee, the student begins an average of five years of practice with no guarantee of professional debut; only one out of 10 trainees generally reaches that stage (Seabrook, 2012). The trainees are given classes in singing, dancing, rapping, foreign languages, and professional etiquette, among others. JYP Entertainment allegedly offers 67 courses to its students (Lie, 2014). The trainees must also pass through monthly evaluations where their progress is assessed by agency staff. Once the company decides to debut a new group, it selects the members from its pool of trainees. Whereas Western groups have typically a maximum of five members, the number of members in K-pop groups range from four to 13. The members are carefully selected to fit the group concept planned by the agency and can go through various changes before the official debut date. In an article published by the French publication, *Le Monde*, SM Entertainment's current CEO Kim Young-min explained:

We imagine the concepts that will be brought to life in approximately two years. We monitor around 20 students in training. We search for the one who best fits the concept and who is capable of enrolling in the trend of the moment. If we want to form a group, we determine who fits best with whom. [...] Between the enrollment to the academy and the release of the first single, the creation of a new concept costs between 150 and 200 million won.

(Mesmer, 2011, my translation).



When a trainee is selected to debut either as a solo artist or in a boy or girl group, the individual signs a formal contract with the agency. Whereas the duration of record deals in the U.S. are generally based on the number of albums that are to be released, record deals in Korea are long-term and can last up to 15 years (Bevan, 2012). While critics have repeatedly called out the K-pop training system for its slave-like contracts (Williamson, 2011; Oh, 2013), others argue that aspiring pop stars working hard in the music industry are not much different from students working hard to pass the college entrance exam (Hong, 2014). However, there have been cases of entertainment companies being sued by its artists. For instance, members of the boy groups TVXQ, Super Junior and EXO have sued SM Entertainment for their 13-year contracts and poor working conditions. According to the various lawsuits that were filed between 2009 and 2015, the plaintiffs alleged that the contracts were too long and restrictive, that the individuals were made to perform even when injured or sick, and that they were paid unfairly low compensation (Kuoch, 2014). A transcript of TVXQ's court hearing translated by a fan of the group revealed that SM Entertainment's accounting department settled artist income every six months due to the artists' inconsistent monthly activities, and that the company often gave its artists advances to pay for insurance and housing expenses, among others. The transcript also disclosed that TVXQ were guaranteed 50 million KRW additional payment if sales for each album exceeded 500,000 copies (True TVXQ, 2011). TVXQ dissolved in 2012 after the group settled with SM Entertainment, while the suing members of Super Junior and EXO have left their respective groups. SM Entertainment was not the only company under fire for its unjust contracts; after TVXQ's

lawsuits, it was found that the contracts of 230 artists from 19 other agencies similar contained unlawful clauses (Howard, 2014).

In contrast to industry standards in the U.S. where managers and booking agents are separate entities from record labels, entertainment agencies in Korea are a one-stop shop for artists. They serve as a record label, publishing house, management company, publicity agency, concert production company and training academy. All of these services are located in one place: inside the agencies' facilities, below the offices of top management, are built-in recording studios, dance studios, classrooms, private training room, cafeterias and sometimes even dormitories where the artists and trainees are lodged. When signed as an artist, the agency provides the individual a team composed of personal and business managers, a booking agent and a publicist. These all-encompassing entertainment agencies control, monitor and craft every aspect of the artists' careers, from their music to their appearance and all the way to their online activities on social media. A minor scandal, including dating news or a drug charge, can derail or severely damage an idol's career in an instant. Furthermore, artists in Korea are more than just singers: they're entertainers. Within their lifespan as an idol, which on average lasts five to seven years, artists can venture into diverse entertainment paths, including but not limited to solo careers, acting in movies, dramas or musicals, and hosting and guesting on variety shows.

## V. ARTIST PROMOTIONS

This chapter examines the different tools and strategies used to package an artist in the U.S. and Korea. As briefly discussed previously in the chapter on record labels, pop acts in each country are groomed and developed differently depending on industry standards and consumer preferences. While the U.S. music market favors solo artists with raw talent who worked hard to reach stardom, the Korean music market prefers large boy groups and girl groups who trained for years in singing, dancing and rapping.

### **United States**

#### **Music videos: the rise and fall of MTV**

Although artists had started using videos to promote their music prior to the 1980s, the launch of MTV in 1981 normalized the use of music videos and made it a standard promotional tool for all artists. Indeed, by 1991, 80 per cent of Billboard's Hot 100 hits was accompanied by a music video (Shuker, 2001). Today, the rate is nearly 100 percent. Originally called "MTV: Music Channel," MTV began as a television channel that played music videos non-stop, 24 hours a day, seven days a week. Its format proved to be profitable due to record labels financing the programming rather than the network, and MTV quickly expanded to Europe, Asia – including Korea – and Latin America before the turn of the century (Shucker, 2001). Enough exposure on MTV could propel an emerging artist into stardom, as was the case with Madonna. As a result, record labels allocated larger budgets for video productions in order to "beat the extravagance of the competition" (Wikström, 2013). To date, the most expensive music video ever produced

is Michael Jackson and Janet Jackson's 1995 hit "Scream," which had a production cost of \$7 million (McIntyre, 2014).

Over the years, MTV changed its programming and began replacing the diffusion of music videos with reality programs and scripted shows. By 2005, music clips only constituted 25 per cent of MTV's total programming (Ohlsson, 2012). The percentage continued to diminish, especially with the emergence of YouTube and other social networks in the late 2000s. Audiences no longer needed to rely on MTV to watch music videos. However, MTV continues to celebrate music videos with its annual MTV Video Music Awards, which started in 1984. Additionally, the network's new president Sean Atkins announced in 2016 the revamping of MTV's programming to include more music shows such as the live music series "Wonderland" and the return of the live acoustic performances in "Unplugged" (Zeitchik, 2016). Music videos in the 2010s continue to have a major impact on the record industry not only as a form of artistic expression, but also as a way to increase Billboard chart positions (more on that later).

### **Packaging the Artist**

The debate between artistry and image isn't new, particularly in the pop genre. As explained before, the purpose of pop music is to reach mass audiences to generate revenue for record labels. Therefore, it can be argued that artistry isn't a priority for record labels, although artistry and talent itself could also be said to be subjective. With today's music technology, such as autotune, even a person with basic vocal talent can become a recording artist. However, in order to prevail in the pop industry, an artist needs more than just raw talent. Pop stars need to be entertaining and have an appealing look and personality to garner a fanbase. An artist's image is complex: he or she must appear

to be relatable and unattainable at the same time. The author Kooijman explained it best by contending that “stars are constructed as being both ordinary, enabling fans to identify with them, and extraordinary, enabling fans to admire them” (2008). Social media has bridged the gap between an artist and his or her fans by facilitating two-way conversation flow. Coupled with tabloids and entertainment news outlets, fans have become hyper attentive to their role model’s every move. With their everyday lives under strong scrutiny, one wrong word or action can damage the career of a pop star.

Moreover, the K-pop factory isn’t the only one that manufactures pop acts for mass appeal and consumption. Though not as systematized or extensively executed as it is in Korea, the U.S. has had a long history of manufactured pop acts, particularly of boy groups and girl groups. From the New Kids on the Block to \*NSYNC to the Pussycat Dolls to Fifth Harmony, music executives have recruited members and assembled them into groups either behind-the-scenes or on television reality competitions. For instance, the Pussycat Dolls, which started out as a burlesque dance troupe in the 1990s, was created by Robin Atin who decided to turn the group into pop/dance recording artists in the mid-2000s (Benjamin, 2011). The lead singer and frontwoman of the group, Nicole Scherzinger, was recruited through open auditions and is the only member whose name is notably recognizable. The Pussycat Dolls became a commercial success under Interscope, scoring four top 10 Billboard hits. In cases like this one, members of the group are “merely salaried employees of the record label” (Wikström, 2013) and are therefore dispensable; case in point, members of the group have either been kicked out or have left on their own accord over the years. Due to the interchangeability of members and lack of longevity in the industry, pop groups in the U.S. aren’t as common as solo artists.

In the pop industry, record companies, along with personal managers, are generally the ones who choose the music and image of an artist. Understandably, record labels, which invest in artist development, music production and marketing, decide on the album track list and the singles to be released. In a typical album cycle, an artist first releases a lead single a couple of months prior to the release of an EP or full-length album. A music video for the single is released soon after and the song is sent to radio stations to receive airplay. The artist then appears on morning news programs and talk shows to perform and promote the single. Once the single has gained enough traction on radio and on the Billboard charts, the album is released, followed by a second promotional single. All announcements related to the singles and albums are sent to the press by the artist's publicist. Despite the decline of physical sales, physical copies of albums are still sold in certain retail stores such as Target, Walmart and Best Buy. For the rest of the album cycle, the artist promotes every subsequent single release and eventually plans a concert tour in North America and other markets to promote the album. Even though it has been established that K-pop has become a global phenomenon, foreign markets, especially Canada and Europe, are still more receptive to U.S. artists and their music.

## **South Korea**

### **The Uniformity of Groups**

As we have seen in the previous section, the U.S. pop music industry is primarily composed of solo artists. In Korea, on the other hand, boy groups and girl groups are the norm, though teenagers and young adults are also the primary target audiences. In this context, groups are identified as multiple individuals singing and dancing pop songs

together in the manner of \*NSYNC or the Spice Girls. As is the case with the majority of Western boy bands and girl groups that have appeared in the last few decades, Korean groups are 100 per cent manufactured and groomed by their entertainment agencies. Even K-pop bands where each member plays an instrument, though few and far in between, are industry products, such as JYP Entertainment's Day6 and FNC Entertainment's CNBlue and F.T. Island.

As discussed earlier, Korean music labels' first step before debuting a new group is to conceive a concept. The components of a concept include the genre of music, the outfits, the hair styles and color, and the marketing campaign (Hong, 2014). The concepts usually fall within the following categories: cute and innocent, sexy or sporty for girl groups, and hip-hop, school uniform or boyfriend for boy groups. After a concept is chosen, label executives hand pick the members that best fit the concept from its batch of current trainees. Once the lineup is finalized, the members train as a unit to build a team bond and achieve uniformity. Although group cohesion is part of the formula that has helped K-pop become a global phenomenon, the notion didn't originate in Korea. For example, uniformity in girl groups was popularized in the U.S. in the 1960s with groups like The Supremes and The Chiffons because the visual conformity and the interchangeability of members appealed to teenage girls' fantasies of becoming a girl group member (Maliangkay, 2015). Since the 1990s, the importance of uniformity in Western groups has lessened, and the members' individuality is now emphasized and marketed according to specific characteristics such as looks and personality traits.

Nonetheless, uniformity remains very much present in K-pop groups, though a line is subtly drawn between cohesiveness and identicality. While different members

must look and perform like they belong in the same group, they cannot be perceived as a replica of one another that the music industry factory has manufactured. For example, in performances, girl groups are often dressed and styled identically and are made to dance in synchronization, which doesn't leave much room for individuality to seep through. Photo and video shoots for pictorials, commercials and album packaging are another case in which group harmony is promoted. However, as we will see in a later chapter, Korean entertainment programs provide the opportunity for idols to show the public their individual charms and talents.

### **Packaging the Artist**

In K-pop groups, members are assigned roles according to their skill specialty. First, every group has a leader, either appointed by the label or the other members, who keeps the group in check and acts as medium between the members and the agency. Then, depending on its size, each group has at least one main vocalist who is usually in charge of singing the chorus or the high notes at the end of a song and one main dancer who leads the dance breaks in performances. A main rapper is usually also added to a group's lineup, though it is more common in boy groups than in girl groups. While the singing and dancing skill level of each member differs, they are all expected to perform the dance routines in perfect synchronization. As a visual genre, dance routines have become such an integral part of K-pop that the groups often release dance versions of their music videos, along with dance practice videos where the idols are seen practicing their choreographies in a dance studio. Consequently, the most popular K-pop songs are easily identifiable by their key dance moves. For instance, PSY's "Gangnam Style" is



characterized by the ‘horse dance’ while Girls’ Generation’s hit song “Gee” is known for its ‘crab leg dance’.

According to Billboard, an estimated 100 K-pop groups debut each year (Herman, 2016), with only a dozen or so making a name for themselves. In an oversaturated market, K-pop rookies must promote themselves extensively and frequently to stand out among the masses and not be forgotten by the public. The newer groups generally release an EP – or mini album as it is referred as in Korea – every six months. Only established acts who have built a strong following over the years can permit themselves to release a full-length album once a year. An album cycle in the Korean record industry differs vastly from the standard in the U.S. Although albums are not dropped unannounced à la Beyoncé, the lead time between an album announcement and its release is typically a week or two. Entertainment agencies alert the public and fans of an upcoming album release by posting teaser pictures and videos of the group on social media. In the Korean industry, instead of releasing a single months before the album drops, the single, music video and album are all released on the same day. The artists then promote their single and album by performing on music shows and entertainment programs and by scheduling album signing events. Even though the Korean market focuses on digital sales and streaming, physical albums are manufactured and sold for fans. Instead of simply selling albums in a glass CD case with a small booklet containing the song credits, the record labels add value to the packaging to increase sales. A typical K-pop album comes in the form of a book filled with dozens of photos taken of the group and its members. Additionally, one random photo card of one member of the group is inserted inside the book for fans to collect.

Over time, groups show their growth by experimenting with nuanced genres and musical styles. If a concept isn't appealing to audiences, the group can quickly rebrand itself and go a different route for their next comeback. Whereas solo endeavors within Western music groups usually indicate an eventual break up, it is the norm for K-pop groups. As mentioned earlier, idols – usually the main and lead vocalists – can branch off from their groups and become solo acts or members of subunits when the main group has ended its promotion period. Solo and subunit projects allow members to showcase their vocal skills and experiment with new sounds. For instance, Girls' Generation debuted as nine members in 2007. Within their nearly 10-year long career, the group has released five Korean studio albums and three Japanese studio albums. In 2012, the group debuted its first subunit named Girls' Generation - TTS after the initials of the unit's three members. The subunit has since released three studio EPs, and, between 2015 and 2017, each of the three members of Girls' Generation – TTS has released at least one solo EP.

Evidently, Korea is K-pop's biggest market, but the small size of its population, saturated industry and dwindling music sales related to piracy have led entertainment companies to reach an impasse early on in the genre's development. As a result, entertainment companies have sought to maximize their profits by expanding their artists' fanbase and promoting overseas. K-pop's biggest markets outside of Korea are China and Japan, and artists have tried to tap into both by releasing Chinese and Japanese versions of their hit Korean songs. Other groups have done full-scaled promotions and released full-length albums in Chinese and Japanese. While the majority of idol groups have English names (i.e. Big Bang, Red Velvet and Blackpink), it is common for those with Korean names to translate them in order to appeal to foreign markets. For instance,

arguably the biggest Asian girl group since the birth of K-pop is SM Entertainment's So Nyuh Shi Dae, or SNSD for short. Internationally, the group is known as Girls' Generation, but when promoting in Japan, the group's second biggest market after Korea, the girls call themselves Shōjo Jidai. Other groups, such as Big Bang, BTS and BEAST, have also expanded past Asia and toured the Americas and Europe, though none have been able to crack the U.S. as PSY has done with "Gangnam Style."

## VI. IT'S A HIT!

From different online music retailers to streaming services, the U.S. and Korean record industries have distinctly different qualifications for defining a hit song or album in each country. At the turn of the century, when the Internet led to increased rates of music consumption and piracy, the U.S. music industry struggled to adapt to the changing environment of the record industry, while Korea was the first to embrace the digitalization of its music industry.

### **United States**

#### **Apple's iTunes Store**

The biggest and most successful retailer of digital music is Apple Inc.'s iTunes, whose online store first launched in April 2003. The music hub became an instant success, selling one million songs in its first week (McElhearn, 2016). The success of Apple's other products, such as the iPhone and the iPod, helped popularize the company's music store. In 2008, iTunes surpassed both Best Buy and Wal-Mart as the biggest retailer of music in the United States (Bangeman, 2008), and by 2013, it was the seller of approximately two-thirds of all digital music sales around the world (Pepitone & Goldman, 2013). Apple's iTunes Store sells singles and individual tracks for the price of either 99 cents or \$1.29 for popular songs and keeps a fee of 30 per cent of the sale. The remaining 70 per cent is paid to the record label that then distributes the money accordingly, including paying the 9.1 cents of mechanical royalties to the copyright owner (Knopper, 2013). Included in the iTunes store are the top songs chart and the top

album chart, both of which are updated hourly to reflect the top selling songs and albums in the past 24 hours. Other online music retailers have surfaced following iTunes' success, such as Amazon Music and Google Play. These retailers have made it easier for consumers to access and purchase music that can be instantly downloaded to any computer, MP3 player and smartphone device.

### **Streaming Services**

Spotify and Apple Music were previously discussed in the first chapter as the leading music streaming services and saviors of the music industry. Other prominent streaming services include Tidal, Amazon's Prime Music and Pandora. Like Spotify and Apple Music, Tidal and Prime Music are interactive, subscription-based services that give users access to their music catalog for a monthly fee. In Spotify's case, a free version of the service is available where an advertisement is played in between every few songs, whereas Prime Music is offered to Amazon's Prime users at no additional charge. On the other hand, Pandora is a non-interactive service that acts as a hybrid between Internet radio and streaming services. Users can listen to playlists that are curated according to genre and artist similarity, but they cannot choose which song will be played next. Pandora primarily generates revenue through advertisements, although it has 4.3 million paying subscribers (Fingas, 2017). Despite the increase in total amount of royalties paid to copyright owners in recent years, the royalty paid by music streaming services per song stream to artists and song copyright holders remains abysmal. Reports vary because none of the streaming companies have disclosed the exact figure, but on average, Spotify and Pandora pay 0.0011 cents and 0.0019 cents per song stream, respectively, while Tidal is aiming to pay 0.007 cents per play (Yerdon, 2017).

Streaming services, in particular Spotify, give insight on the most popular songs in any given week. Spotify keeps track of the number of daily and total streams each song in its catalog receives and even offers statistics of where in the world each song was played. One of the service's features is its multitude of charts available. Spotify has 50 charts from 50 different countries – Korea not being one of them – that compile the daily top 50 most streamed songs in each country. Furthermore, a global chart assembles the 50 most streamed songs worldwide every day. When comparing the top 50 charts from the top 10 largest music markets in the world, the most streamed song in the U.S. generally receives more than one million streams per day, widely surpassing the number of streams the top song in every other country receives.

### **Billboard and Certifications**

The biggest indicator of a song or album's popularity is the American music publication, Billboard. Billboard tracks the best-selling singles and albums every week on its Hot 100 and Billboard 200 charts, among others. Prior to November 2014, the formula Billboard used to rank the best-selling albums of the week only included physical and digital sales, which Nielsen SoundScan has tabulated since 1991. According to Silvio Pietroluongo, Billboard's vice president of charts, Billboard changed its formula starting on the tracking week of November 30, 2014 to include streams and individual tracks to make the chart "a better representation of music consumption activity" (Minsker, 2014). Every 1,500 song streams on any streaming service is now equivalent to one album sale and is referred to as a stream equivalent album (SEA). Additionally, every 10 individual tracks of an album purchased on a digital music retailer is equivalent to one album sale in what is called a track equivalent album, or TEA (Pallotta, 2014). Stream equivalent

albums and track equivalent albums can significantly impact the number of sales an album receives and even alter the ranking on the Billboard charts.

Moreover, Billboard's formula for the Hot 100 chart, which was launched in 1958, was also revamped in the last decade to include radio airplay, music video plays and streams. Billboard first began computing streaming points to its Hot 100 chart in 2007 with AOL Music and Yahoo! Music, followed by Spotify in 2012 (Molanphy, 2015), Apple Music in 2015 and Pandora in 2017 (Billboard Staff, 2017). The results of Billboard's weekly music charts are relative, and with the importance given to streaming points and radio airplay, they can easily be manipulated by various agents, including record labels and fans.

One music organization that recognizes and rewards artists for their success in the industry is the Recording Industry Association of America (RIAA). Four different award certifications are given to songs and albums that achieve a certain number of sales. For both, they are required to sell at least 500,000 units to receive a Gold Certification, 1,000,000 for a Platinum Certification, 2,000,000 or more for a multi-platinum certification and 10,000,000 for a Diamond certification. In 2013, 55 years after it awarded the first Gold Certification, the RIAA added on-demand audio and music video streams to its digital single certification qualifications, with 150 streams equating to one unit of sale (RIAA, 2013). Three years later, the RIAA began including streams to its album certifications using Billboard's SEA and TEA formula (RIAA, 2016). Even with the addition of streams, only two albums have received a Diamond Certification in the U.S. since 2010: the British singer Adele has sold more than 10,000,000 units of her albums *21* (2011) and *25* (2015).

## **Award Shows**

From the Billboard Music Awards to the American Music Awards, music award shows in the U.S. have commemorated achievements in the recording industry by awarding artists with various prizes. The most acclaimed music award show is the GRAMMY Awards, presented by The Recording Academy annually since 1959. While the winners at the Billboard Music Awards and the American Music Awards are chosen based on a mix of public votes and sales data, the nomination and voting processes at the GRAMMY Awards are exclusive to the members and committee of The Recording Academy “without regard to album sales or chart position” (Grammy, n.d.). Members of the Academy and registered record labels submit nominations for singles, albums and music videos, all of which are then screened for eligibility and classified into 83 categories from 30 genres (Grammy, n.d.). In the nomination and final voting processes, members can each vote in a maximum of 15 categories, as well as for the Record of the Year, Album of the Year, Song of the Year and Best New Artist categories. The results are tabulated by a third party organization, and the awards are presented by industry peers on the night of the ceremony. Throughout the telecast, 20 or so of the most popular artists of the previous year take the stage to perform their current hit song.

## **South Korea**

While the U.S. music industry struggled to adapt to the digital era at the turn of the century, Korea embraced it full-heartedly starting at the end of the 20<sup>th</sup> century. In 1994, the Korean government installed Internet broadband all over the country, giving Internet access to the entire population (Hong, 2014). This early adoption of the digital realm has allowed the Korean music industry to become “the world’s leading market in



digital distribution” (Bernstein, Sekine and Weissman, 2007). For instance, in 2015, revenue collected from music subscription services accounted for 53 per cent of total recorded music revenue in Korea, compared to 14.3 per cent of total recorded music revenue in the U.S. (Peoples, 2016).

### **Music Charts**

Similar to Apple’s iTunes chart and Apple Music, South Korea has eight online music charts that serve as digital retailers and streaming services: MelOn, Mnet, Bugs, olleh, Soribada, Genie, Naver and Monkey3. With the objective of maintaining fairness on all eight charts, the Ministry of Culture announced in February 2017 a new music chart reform that will affect the real-time ranking of songs. Rather than displaying the top 100 most downloaded and streamed songs every hour like the iTunes chart does, the Korean charts will now only reflect the real-time rankings of songs from 12 p.m. to 6 p.m. Idol groups typically release new music at midnight when few users are online, which leads to fans easily manipulating the rankings with mass streaming. The new format is expected to be implemented in March (Jun, 2017). MelOn, the biggest retailer of them all, was launched in 2004 by SK Telecom, Korea’s largest mobile company (Lee, 2009), and is operated by Loen Entertainment, one of the biggest Korean music and distribution companies (Peoples, 2016). MelOn was the first music streaming service in the world to reach one million paying subscribers and has recorded a total of 28 million users in 2016 (Peoples, 2016), which is more than half of South Korea’s total population (Worldometers, 2017). Its monthly subscription fee and song repertoire is significantly smaller than Western streaming services; Koreans pay \$5.60 monthly to access 2.6

million songs on MelOn compared to Americans who pay \$9.99 monthly to access more than 40 million songs on Apple Music (Digital Trends, 2016).

Another indication of a song's weekly popularity is achieving what Koreans call a "perfect all-kill." Instiz is a Korean news portal that reports on K-pop idol news, among other things. Instiz continuously monitors the comprehensive real-time and daily charts of all eight music services and compiles the data onto its own iChart where every song is ranked according to the number of downloads and streams it received within the last 24 hours. The Instiz iChart is "the only online music chart rankings integration" in Korea and is "updated every half hour of every hour" (Instiz, 2017). A "perfect all-kill" is achieved when a song reaches the number one spot on all of the real-time and daily charts of the eight music services, as well as the number one spot on Instiz' real-time and weekly iChart. An example of a "perfect all-kill" as shown on the Instiz iChart displayed in Figure 1 below. Obtaining a perfect all-kill is highly prized among K-pop stars and fans, as it is hard to achieve in a digital market where new songs are released every other day.

The Gaon Music Chart, Korea's version of the Billboard music charts, was launched in 2010 as a joint effort between the Korea Music Content Industry Association and the Ministry of Culture, Sport and Tourism (Han, 2010). Using the data collected from the major album distribution companies, online music charts and ringtone retailers, Gaon tabulates and publishes four charts weekly: the digital chart, the online chart, the album chart and the mobile chart. The top songs of the week appear on the online chart, while the digital chart combines the online and mobile charts. A fifth chart, the Gaon

chart, gathers the top results of the four charts and publishes them bi-annually (Han, 2010).

The screenshot shows a window titled 'iChart™ 2016.5.09 23:30'. The main heading is 'TWICE (트와이스) CHEER UP'. Below this is a table of chart positions:

Chart Name	Category	Rank	Change
iChart™	Weekly (Total Score)	#1	-
iChart™	Realtime (Total Score)	#1	-
Melon	Daily TOP 100 (Total)	#1	-
	Realtime	#1	-
Mnet	Total Daily	#1	-
	Total Realtime	#1	-
Bugs	Song Chart Daily	#1	-
	Song Chart Realtime	#1	-
olleh	TOP 100 (Daily)	#1	-
	TOP 100 (Realtime)	#1	-
Soribada	Total (Daily)	#1	-
	Total (Realtime)	#1	-
Genie	TOP 100 (Daily)	#1	-
	TOP 100 (Realtime)	#1	-
Naver	TOP100 Total (Daily)	#1	-
	TOP100 Total (Realtime)	#1	-
Monkey3	Total (Daily)	#1	-
	Total (Realtime)	#1	-

At the bottom, there are two informational lines: '① 멜론, 지니, 엠넷, 벅스 가산점 부여 | 상세 정보' and '① 마진입은 '100위 밖'도 의미합니다'.

Source: Instiz iChart, 2016.

Figure 1. Instiz iChart: Twice achieving a perfect all-kill with “Cheer Up.”

### Music Shows

The popularity of a K-pop song can also be measured by the number of times it wins on music shows. After releasing a single, K-pop groups and artists have the option to promote on weekly music shows, which are broadcasted on the nation’s television networks, and compete against a dozen acts for the daily grand prize. Every week, seven

channels broadcast their music shows on different days; for example, *M! Countdown* airs on Mnet every Thursday, while *Music Bank* airs on KBS every Friday and *Show! Music Core* airs on MBC every Saturday, and so on. Each music show lasts approximately one hour and a half, and at the end of each episode, a group or solo artist is crowned the winner of the week and receives a trophy. The format remains the same for all seven shows, but the criteria and percentages used to rank the top songs of the week are different. For instance, SBS' *Inkigayo* uses the following formula: digital sales count for 55 per cent, album sales count for 5 per cent, 35 per cent are given to SNS (social network services) points such as YouTube views and Twitter hashtags, and the remaining 15 per cent are split between online pre-votes and real-time live votes (SBS, 2015). All music shows are broadcasted live, although the majority of performances are pre-recorded. K-pop fans can attend either the pre-recording or live recording of a performance on each music show to cheer on their favorite idols.

### **Award Shows and Music Festivals**

On top of the weekly music shows, the most popular K-pop songs, albums and artists are commemorated at annual American-style award shows and music festivals. Some of the most prominent ones are the Golden Disc Awards and the year-end Gayo festivals. The Golden Disc Awards (GDA), which air on JTBC every January, occur on two subsequent days based on two categories; the first is dedicated to digital sales and the second to album sales. Unlike other award shows, there are no nominations. The GDA committee chooses up to 10 of the best-sellers in each category based on data collected year-round from the Gaon music charts. Only the winners are invited to the ceremonies, and they each perform a medley of their top hits of the year after receiving a *Bonsang*, or

“main prize.” On top of a *Bonsang*, the best-selling song and album of the year receives a *Daesang*, or “grand prize” (J.K., 2016).

Similar to iHeartRadio’s Jingle Ball tour, the three year-end Gayo festivals – Gayo Daechukje, Gayo Daejejeon and Gayo Daejeon – are music festivals where the most popular artists of the year are invited to perform a medley of their top hits of the year. Different groups and artists also perform collaborations and special stages where they cover popular songs of the past. However, whereas the Jingle Ball tour is sponsored by iHeartRadio and hosted by affiliated radio stations across the U.S., the Gayos are hosted by Korea’s top television networks – KBS, MBC and SBS – and are broadcasted live. Up until 2016, the festivals also served as award shows where artists received trophies for the top songs and albums of the year. However, the award portion of the shows was annulled last year due to accusations of unfairness revolving around the result decisions (SBS PopAsia, 2016).

## VII. MEDIA CONSUMPTION AND MARKETING IMPLICATIONS

This chapter analyzes not only the way music fans consume media in the U.S. and Korea, but also how artists and media corporations in each country use social media and traditional media such as television to promote music and brands. Marketing is a vital component of every music promotional campaign and recent technological advances have helped artists connect with fans instantaneously and on a deeper level. Furthermore, despite the proliferation of the Internet and social media, television is still an essential tool in breaking out artists.

### **United States**

#### **Internet and Social Networks**

The Internet revolutionized the music industry: first with Napster and peer-to-peer service, and followed by social networks. In today's market, it is vital for artists to manage accounts on the most popular social networking sites: Facebook, Instagram, Twitter and YouTube. Whether they are international superstars or up-and-coming artists, social media not only serve as promotional tools for musicians, but they also help bridge the gap between artists and fans. The various ways through which artists communicate with their fanbases include but are not limited to official website newsletters and emails, Facebook pages and personal accounts on Twitter and Instagram. Recent developments in these social networks have integrated instantaneous live broadcasting, starting with Twitter and its acquisition of the live streaming app Periscope in February 2015 (Koh & Rusli, 2015). Facebook soon followed by launching Facebook Live in August 2015 for

verified pages (Constine, 2015) and later for every Facebook user in 2016 (Zuckerberg, 2016). Instagram, which was acquired by Facebook in 2012, was the last to join the trio by launching its Instagram Live in December 2016. However, unlike Facebook Live, Instagram Live's videos are not stored on the app and cannot be replayed (Welch, 2016).

Whereas Facebook, Twitter and Instagram are social sites that can be used to share musical content and promote an artist, YouTube is a video hosting site that heavily features music-related content. First launched in 2005, YouTube was acquired by Google in 2006 and has since grown to become the leading video-sharing site with more than one billion active users (YouTube, n.d.). According to a report conducted by the marketing research company Ipsos in 2015, 57 per cent of Internet users in the top 13 music markets "have accessed music or music videos on internet music sites such as YouTube in the last six months" (IFPI, 2015). The report also indicates that 27 per cent of internet users from the top 13 music markets "listen to music on YouTube without watching the video" (IFPI, 2015). Artists use YouTube to upload video content such as music videos, tour diaries and behind-the-scenes vlogs, and in return, fans can create and post user-generated content about the artists such as reaction videos, song covers and dance covers. Moreover, YouTube has partnered with Vevo to host and stream the latter's videos on its site. Created as a joint venture by Universal Music Group and Sony Music Entertainment in 2009, Vevo is a music video distributor whose content is exclusively music related.

### **Television**

Despite being a more traditional medium of communication, television is still a valuable tool for artists to use to promote themselves and reach large audiences. Even though MTV reduced its musical content over the course of the last decade, various other

television networks including VH1, BET and Fuse broadcast shows that deal exclusively with music and artists, such as *Behind the Music*, *Lift Every Voice* and *Revealed*. For the most part, these programs document the behind-the-scenes story of musical acts.

Furthermore, one major promotional tool for artists is to appear on morning news shows, daytime talk shows and primetime talk shows to promote their new singles and albums.

For instance, the biggest morning news programs are ABC's *Good Morning America* and NBC's *The Today Show*, both of which air every morning. For each episode, a musical guest is invited to perform a couple of songs and do a short interview. Additionally, both shows have a series of weekly concerts that take place each summer in New York City.

Other popular daytime and primetime talk shows that include musical guests are *The Ellen Degeneres Show*, *The Talk*, *Jimmy Kimmel Live!* and *The Tonight Show Starring Jimmy Fallon*.

Moreover, televised talent shows, which were first popularized in Europe with the pan-European music competition *Eurovision* and the U.K.'s *Pop Idol*, *The X Factor* and *Britain's Got Talent*, aim to find the next musical superstar based on the critics of industry-experienced judges and the opinions of the audience. These unscripted reality music shows are of particular interest to record labels: first, it helps them find previously unknown musical talent, and second, contestants can accumulate a following from avid viewers who vote for them to advance in the competition every week. *Pop Idol* was the first program to cross over to the U.S. and was renamed *American Idol*. The British pop mogul Simon Cowell, who was renowned for his unabashed criticism of contestants on *Pop Idol*, joined *American Idol* as a judge. Its first season aired on the network FOX in 2002, with nearly ten thousand hopefuls between the ages of 15 and 28 auditioning in



seven cities across the U.S. (Seabrook, 2015). After the regional auditions, the singers who made it to the next stage went through various elimination rounds before the final 24 were chosen to perform during live tapings of the show in front of an audience. From there, audience members and television viewers voted weekly for their favorite performers. The contestant who received the least amount of votes was eliminated every week until ultimately one finalist was crowned the winner at the end of the season.

*American Idol's* popularity was almost instantaneous, with 23 million people watching the first season's finale (Seabrook, 2015). At its peak, the average rating of the show reached 36.4 million total viewers (Holloway, 2017). Various popstars emerged from its 15 seasons including Kelly Clarkson, Carrie Underwood, Jennifer Hudson, Chris Daughtry and Adam Lambert. At the time of writing this manuscript, *American Idol* is in talks to be revived on the network NBC (Holloway, 2017). After the ninth season, Cowell left *American Idol* to produce the American version of the U.K. hit talent show, *The X Factor*. Unlike the former, *The X Factor* divides the contestants into four categories that are each mentored by one of the four celebrity judges throughout the season. The categories are: girls, boys, over 30s and groups. The majority of the groups that have participated in the program's three seasons were assembled by the judges themselves out of the pool of contestants who had failed to place in either the girls or boys categories. Despite its short run, *The X Factor* propelled the careers of the girl group Fifth Harmony and the pop duo Alex & Sierra. Another program that tried to recreate *American Idol's* success is NBC's *The Voice*, which launched in 2011. Compared to the two previously mentioned singing shows, *The Voice's* format focuses more on a singer's raw vocal talent rather than the overall package. The show quickly reached worldwide popularity with

many countries launching their own versions, including Korea. However, despite the constantly high viewership – *The Voice* reached an average of 12 million viewers during the 2015-2016 television season (TV Series Finale, 2016) – the show has yet to produce a popstar, much less one of Kelly Clarkson or Carrie Underwood’s caliber.

### **Brand Power**

As demonstrated in a previous chapter, an artist’s image and branding has become increasingly important in the music industry. Artists augment their brand power by signing endorsement and sponsorship deals with popular brands. According to a consumer report published in 2014, celebrities in the U.S. are featured in about one out of every four advertisements (Euromonitor, 2014). In 2015, branding companies reportedly generated \$2 billion in revenue for the music industry, \$1.4 billion of which came from concert and festival sponsorships (Billboard Staff, 2016). That same year, it was reported by a U.K. marketing magazine that pop stars have the most brand power in the U.S., with Beyoncé topping the list as the most sought out celebrity by sponsors and advertisers (Badra, 2015). Beyoncé, who has had a Pepsi sponsorship in the past, was also the top earning artist brand in music in 2014 based on fame and income, according to Pomerantz (Macy & al., 2016). When done organically, artist endorsements and sponsorships of brands are mutually beneficially and can raise the sales and worth of both parties. Furthermore, music videos also help leverage an artist’s brand because once posted on the Internet, they become accessible and sharable with the public and have the potential to go viral (Petchers, 2012).

## **South Korea**

### **Internet and Social Networks**

In a country where everyone is connected to the latest technology and fastest broadband in the world (Hong, 2014), it comes as no surprise that Korea is a major consumer of the Internet and social networks. SM Entertainment was the first Korean music company to experiment with YouTube when in 2008, the company's CEO Kim Young-min noticed that the YouTube application already came installed in iPhones sold in Japan. He quickly realized that YouTube would become the next big music search engine and used it to upload the company's music videos and reach audiences in Japan (Oh & Park, 2012). Upon realizing YouTube is a free distributor that pays royalties, Korean entertainment companies have bypassed traditional media such as television and radio in favor of YouTube (Jin & Ryoo, 2012). Through YouTube, fans around the world can access K-pop content instantaneously and without charge. In 2013, it was reported that SM Entertainment's YouTube channel gained 1,000 views every second (Salmo, 2013). Fans around the world have participated in the diffusion of K-pop by posting covers and tutorials of popular dance routines, as well as music video reactions on YouTube.

Although the majority of K-pop acts stay connected with their fans through "fancafes" – official fanclub pages that allow two-way conversations between companies and fans – many groups and idols also have Facebook, Instagram and Twitter accounts to connect with their international fans. However, one widely used Korean social networking app that has not been developed in the U.S. is the V – Live Broadcasting App. Launched in 2015 by the Korean search engine Naver around the same time

Facebook launched its live streaming feature for celebrities, “V” is a free broadcasting app that allows users to stream personal videos of K-pop idols and send chat messages and hearts (Park, 2015). Whereas Facebook Live is a featured function of the social network, “V” is an app separate from Naver. Furthermore, unlike Facebook Live’s 2016 update that permitted its use by the public, only verified entertainment companies, artists and broadcasting networks can upload videos on the “V” app. Music videos and livestreams giving a glimpse into an idol’s life aren’t the only things broadcasted on the “V” app. Full concerts, variety shows and music award shows can also be streamed on the app with real-time English subtitles. At the end of each broadcast, the videos and livestreams are stored on the app for viewers to watch at any time. Alerts are automatically sent to a user’s phone every time a group he or she follows has uploaded a new video or has started a livestream on the V app. An online version is also available and includes the same features as the mobile app. Moreover, a 2016 update of “V” introduced the V Coin, which users can buy with real money to purchase exclusive videos uploaded on the app. For example, boy group Big Bang sold a concert package that included the full, HD broadcast of their 10<sup>th</sup> anniversary concert in Seoul, individual concert video shots of each of the five members and additional behind-the-scenes footage for 1250 V Coins or \$24.99.

### **Television**

Despite the strong surge of the Internet and social media in the most digitalized country in the world, television remains a prominent medium for the proliferation of K-pop in Korea. From weekly music programs to entertainment shows, television programs are mutually beneficial to television networks and entertainment agencies: media

companies need programs to fill up television time slots and entertainment companies need programs to promote their artists. As scholars Oh and Lee (2014) explained, “frequent media appearances result not only in income garnered by singers and their managing firms but also in additional product endorsement opportunities offered by large Korean *chaebol* companies, or conglomerates.” Variety shows are particularly important for rookie groups because they introduce the personalities of recently debuted idols to the public (Jung, 2011). Various types of entertainment shows exist in Korea, including variety shows and competition shows.

Whereas American daytime and primetime shows limit an artist’s screen time to the interview and performance segments of the show, some Korean variety shows focus entirely on the artist. Popular examples of these types of shows are *Weekly Idol* and *Star Show 360*. In *Weekly Idol*, which airs once a week, solo artists and groups are invited to promote their latest song release. A series of activities and games ensue, including a “Random Play Dance” corner in which the idols dance to a random medley of their most popular songs. The artists are usually rewarded with food if they complete the game without messing up the dance routines. *Star Show 360* follows a more American format where the guests are interviewed by the hosts at a round table. The idols are also given the chance to show off their individual singing or dance skills, as well as personal talents like voice impersonations or tricks. K-pop stars can also promote themselves on non-music-related variety shows such as *Running Man* and *Law of the Jungle*. In the former, idols are invited to join the fixed cast of seven hosts on competitive missions, and in the latter, a small group of celebrities is sent to remote jungles and deserted islands where it must survive in the wilderness for a week.

Competitive survival shows are also popular in Korea and follow formats that are similar to the American versions in that either one finalist wins a monetary grand prize and/or a record deal or a group is put together to debut. However, unlike its U.S. counterparts, contestants on Korean audition series are not only required to sing, but to dance as well. The popularity of these programs demonstrate the national interest given to the K-pop industry and K-pop stars. The two most prominent singing survival shows that evaluate individual contestants are *Superstar K* and *K-pop Star*. Launched in 2009 and produced by the major entertainment and media company CJ E&M, *Superstar K* is Korea's biggest singing competition, akin to the U.S.' *American Idol*. In 2012, more than two million hopefuls auditioned for *Superstar K*'s fourth season, or approximately 4 per cent of Korea's population (Hong, 2014). In comparison, only about 100,000 people would audition for *American Idol* every season (Halperin, 2010). The show features of lineup of celebrity judges ranging from music producers to popular singers who aid the contestants reach the finale. Although none of the finalists in the last eight season have been signed by one of the top three major labels, some have become popular solo singers in Korea.

On the other hand, *K-pop Star*, which launched in 2011, was created in partnership with Korea's "Big Three." The judges of this competition show are Yang Hyun-suk of YG Entertainment, J.Y. Park of JYP Entertainment and BoA, one of SM Entertainment's most popular senior artists. BoA was later replaced by Yoo Hee-Yeol, the founder of the music label Antenna Music, for the show's third season (AllKpop, 2013). The finalist of *K-pop Star* wins more than just a simple record deal; he or she gets to choose which of the three companies headed by the judges they want to sign a record

deal with. Despite signing with one of the major labels, only two of the first five season's finalists have become successful: Lee Hi and Akdong Musician, both of whom signed with YG Entertainment. Although *Superstar K* and *K-pop Star* usually feature unknown contestants, idols who have already debuted can compete in a variety of singing competitions, including *King of Masked Singer*, *Duel Festival* and *Immortal Songs*, and even rapping competitions such as *Show Me the Money* and *Unpretty Rapstar*.

### **Brand Power**

From food products to cosmetics to clothing brands to video games and even banks, K-pop idols promote brands at higher rates than anywhere else in the world. Compared to the U.S.' 25 per cent rate of celebrity-featured advertisements, K-pop stars and Korean celebrities appear in a staggering 70 per cent of all commercials (Euromonitor, 2014). The proliferation of celebrities in advertisements is due to K-pop idols' massive brand reputation in the country. The Korean Business Research Institute continually analyzes the brand reputation of K-pop stars and groups based on consumers' brand participation, as well as media, communication and community indexes. The scores from each index are tallied and a list of the top 25 biggest brands is released monthly (Busan News, 2016). Some endorsements from K-pop stars have increased the sales of corporate brands by as much as 400 per cent in a single year (Turnbull, 2012). The brand endorsements typically occur during an artist or group's album promotions to capitalize on the public's current interest. However, unlike with U.S. brand sponsorships that work best when done organically, endorsements seem to always have a positive impact even when there is little to no connection between K-pop stars and the brands they promote.

## VIII. FINAL REMARKS

This concluding chapter elaborates of the future of the U.S. and Korean record industries and provides insight on what each industry can learn from the other.

### **United States**

#### **The Future of American Pop**

As with every other entertainment business sector, the record industry is headed toward a world of immersive technology in which the physical world and virtual reality (VR) are mixed. The music industry began experimenting with holograms and digital projection technology in the mid-2000s, with the two most memorable instances being a performance by the late rapper Tupac Shakur at the 2012 Coachella Valley Music and Arts Festival and a performance by the late singer Michael Jackson at the 2014 Billboard Music Awards (Vincent, 2014). Now, record and streaming companies are teaming up with technology firms to use augmented reality to enhance music fans' experience of their favorite artists and bands. The venture projects started out with 360-degree videos of music clips and concert performances, but as new VR headsets and technology emerge, such as Facebook's Oculus Rift, new opportunities are arising for consumers to have full immersed experiences with music content. For instance, Vrtify is an immersive technology firm that focuses on music and fan engagement through virtual and mixed reality using various platforms such as VR headsets, mobile devices and smart televisions. According to the company's website, "artists and music producers can create their own Channels, where they can manage and distribute their immersive content"



(Vrtify, n.d.). Other projects include a partnership between Universal Music Group and the media giant iHeartMedia to bring virtual reality experiences to music fans around the world (Gaudiosi, 2016).

Furthermore, industry executives are using Big Data and artificial intelligence to improve the curation of playlists for streaming services. Pandora and Spotify use the data collected by the Musical Genome Project and The Echo Nest, respectively, to assemble playlists such as Spotify's Discover Weekly playlist, which is based on the musical preferences of users (Marr, 2015). This trend is expected to continue and improve in the years to come. For instance, Google Play is planning to add "a listener's location, mood and even the weather conditions" into its algorithms to procure the best songs to fit the moment (Fildes, 2016). However, the U.S. record industry won't reach its full potential in the digital era if copyright laws aren't updated to reflect the changes the industry went through in the last two decades. For example, some streaming services still lack transparency in the way they pay artist royalties, and in 2016 the Department of Justice refused to amend ASCAP and BMI's consent decrees that dictate the PROs' royalty rate and partial withdrawal of rights (Roberts, 2016).

### **Lessons to Learn from the Korean Record Industry**

Once upon a time, as a full entertainment package, it was expected of pop stars to not only sing but dance as well. Over the past two decades, pop acts – both solo artists and groups – have, for the most part, disregarded the dancing aspect of performances, instead opting for theatrics and relying on backup dancers. While many are critical of the intensive K-pop training process, the U.S. pop industry has much to learn from it. Despite record labels investing between half a million and \$2 million to break an artist in the

U.S., the majority of the budget is spent on marketing costs instead of developing the vocal and dancing talent that pop stars were once required to have. While it's true that record labels outside of Korea might not have the money to train its artists for years, the differences in performance between U.S. pop acts and K-pop acts are noteworthy. As Yvonne Yuen, Senior Vice President of marketing for Universal Music Southeast Asia, has pointed out: “[the K-pop regimen is] teaching them discipline and caring for their craft. Every time they go out onstage, every time they perform a song, it's got to be perfect, the way it was meant to be” (Bevan, 2012). Perhaps it's time for American pop acts to start caring about the performance side of their craft again.

Furthermore, Korean record labels have learned early on that the music industry has turned into a singles market in the digital age. Instead of releasing a full-length album once a year, Korean acts release EPs or digital singles every six months to stay current and keep audiences interested. Some U.S. label executives are starting to realize this is perhaps the best strategy to survive in this market, especially for newer acts. In a Billboard interview, Charlie Walk, the President of Republic Records, contended that in the streaming era “ten or twelve songs at once become old very quick” and that releasing four songs every quarter is a better way to satisfy streamers who want “more and more from the act” (Halperin, 2017). Finally, one last thing record labels can learn from Korean music companies is to add value to the physical albums. Physical albums currently sold in the U.S. come in a simple packaging with little to no additional content from digital albums sold on iTunes. Manufacturing different versions of the same album and adding a photobook or photocards has the potential to increase physical sales when the artist has a strong fanbase that is willing to purchase memorabilia. For instance, the

tactic of adding different collectible polaroids in each album package helped Taylor Swift sell 1.3 million copies of her *1989* album in its first week of release in 2014.

## **South Korea**

### **The Future of K-pop**

The U.S. is not alone in developing holographic technology to enhance performances. The Korean government has allocated a \$50 million annual budget to the Popular Culture Industry Division of the Ministry of Culture, Sports and Tourism to develop holograms and other advanced “cultural technology” such as fireworks that can be manipulated (Hong, 2014). The department also has a reserve of \$1 billion funded by investment banks and entertainment companies. The first K-pop hologram concert hall opened in Seoul in 2014. Operated by K-Live and funded by the telecom company KT Corporation and YG Entertainment, the performance venue has a 270-degree panorama where full concerts are projected (K-Live, n.d.) In 2016, K-Live expanded its brand overseas by opening a K-pop holographic venue in Singapore, and it is expected to continue expanding to other countries (Yonhap, 2016). Furthermore, other major entertainment companies have also invested in technological projects. For instance, SM Entertainment’s latest project is called Wyth, an AI personal assistant device that “combines celebrity content and artificial intelligence” (SM Entertainment, 2017). Wyth, whose prototype was unveiled at the Consumer Electronics Show 2017 in Las Vegas this past January, has voice overs by SM Entertainment’s artists and has the ability to curate playlists, give weather reports and sing duets with users (Kim, 2017).

As far as the record industry goes, K-pop will continue growing with some producers predicting the EDM genre will become more prominent in 2017 to catch up

with the current global trend (Chung, 2016). Other industry professionals and government officials don't see K-pop as a frenzy that's ending soon. Mike Suh, the Senior Vice President of CJ E&M, expects Hallyu to "last for the next 10 years at least, which means infinite opportunity for content exports" (Song, 2016). The director of the Popular Content Industry share similar thoughts by denying that K-pop is a passing phase because of its huge number of investors (Hong, 2014). However, China, one of *Hallyu's* biggest importer, is threatening to slow down the exportation of K-pop and other cultural segments. Due to rising political tensions between the two countries, the Chinese government ordered a *Hallyu* ban in 2016, effectively cancelling "virtually all public and television appearances for Korean stars" in the country (Chittrakorn, 2016). Within two months of the ban's implementation, Korea's top entertainment companies lost a reported KRW160 billion, or \$141.8 million, in damages (Chittrakon, 2016). Additionally, China's record industry is starting to grow and will one day surpass Korea's and eventually the U.S.' to become the world's largest music market (Seabrook, 2012).

### **Lessons to Learn from the U.S. Record Industry**

As the oldest record industry in the world, there is much to learn from the U.S. music market. Even though the Korean music industry embraced streaming services much earlier than the U.S. did, the current structure is undervaluing K-pop and the work of composers and producers. Record companies are the biggest beneficiaries of streaming services as they rack in 66 per cent of the revenue per stream, compared to 16 per cent for composers and 8 per cent for artists (Raymundo, 2017). While the royalty percentage is higher than with Western streaming services, the monthly fee for Korean streaming services is significantly lower at \$5.60 compared to the standard \$9.99 in the U.S.

Despite government intervention in 2013 to raise the prices, the monthly subscription fee for services like MelOn and Mnet still have not caught up to the monthly rates Spotify and Apple Music are charging in the U.S.

Furthermore, the current structure of the Korean record and television industry favors the major and mid-sized entertainment companies who have the means to hire well-known producers and to promote their artists on television and variety shows. Major entertainment companies have strong ties with telecommunication and media companies, and they control every single aspect of their artists' careers including management and publicity. Artists and groups that debut under the big three companies are guaranteed success, while artists from small companies don't have the same opportunities to be on major television broadcasts or music shows. Indie artists struggle to find niche markets to appeal to when they don't follow the K-pop formula because it is difficult for them to "find independent composers who are willing to sell their songs to unknown and/or unaffiliated singers" (Oh & Lee, 2013). They are then forced to compose music themselves and find managers, booking agents and publicists who are not affiliated with entertainment companies. The Korean record industry has the potential to grow more if the market diversifies itself like the U.S. market and give indie artists the opportunity to thrive.

#### IV. CONCLUSION

This paper demonstrated the similarities and differences of the U.S. and Korean record industries. The former has long held the undisputed top position as the largest music market in the world since the inception of the first record label in the 1880s. However, the turn of the 21<sup>st</sup> century brought with it the Digital Age, which has disturbed the music industry with the higher rates of music piracy through peer-to-peer services. After a nearly 15-year long continual decline in total revenues led by the annual decrease of physical sales, the U.S. market is starting to increase once again due primarily to streaming revenue. Nevertheless, outdated copyright laws, whose purpose is to protect the original works of songwriters and composers, and lack of government investment in the musical arts continue to threaten the creative and economic environments of the music industry in the Digital Age.

The three major American record companies, Universal Music Group, Sony Music Entertainment and Warner Music Group, have a strong and influential presence not only in the U.S. but in the rest of the world as well. They invest in artist development and finance the recording and promotional processes of albums, all of which is recouped against artist royalties. Using promotional tools such as music videos, which were popularized by MTV in the 1980s, record labels promote singles by sending them to radio to gain airplay across the country. Artists can also perform their singles on television talk shows and programs to help increase digital sales and streams. An album

cycle generally finishes with a concert tour, either domestic or international depending on the artist's popularity in different markets.

There are various ways for record labels and artists to evaluate the success of singles and albums in the U.S. Digital music retailers, such as the iTunes Store, and streaming services, such as Spotify and Apple Music. The iTunes Store, Spotify and Apple Music are updated either hourly or daily to reflect the most downloaded songs in real-time and the most streamed songs of the previous day, respectively. Furthermore, on a weekly basis the music publication Billboard publishes the comprehensive Hot 100 chart to show the top 100 songs of the previous week based on a formula that incorporates downloads, streams and radio airplay. Other music organizations also recognize the commercial success and artistry of songs and albums, such as the RIAA's Gold and Platinum certifications and the annual Grammy Awards.

Despite the fact that it heightened the rate of music piracy, the Internet's impact on the music industry hasn't been entirely negative. Social media networks such as Facebook, Twitter and Instagram have become vital tools for artists to promote their music and connect with fans from all around the world. YouTube is also a free distributor that has made music-related video content accessible worldwide. Although the future of the music industry is uncertain, current trends indicate that it is headed toward immersive reality, fueled by virtual and mixed reality technology.

On the other side of the world, a relatively new record industry was developed in Korea, and out of it came the pop genre known as K-pop, which has boomed since the mid-2000s. Despite the global decline of music sales, the Korean music industry is still experiencing substantial annual growth due to heavy investment from the Korean

government and private financiers. Copyright laws in Korea are updated at a more frequent rate than in the U.S. thanks to the Ministry of Culture, Sport and Tourism's interest in keeping the music industry alive. Due to the small population in the country, K-pop is exported overseas to Korea's Asian neighbors, primarily China and Japan, to maximize profits. However, China's current ban on *Hallyu* is threatening the growth of K-pop.

Record labels in Korea operate differently than in the U.S. First, they are called entertainment companies because serve more functions than their American counterparts, such as music recording, publishing, management, booking agency and publicity. Artists are recruited at a young age and put through years of intensive training in singing, dancing, rapping and foreign languages. Whereas the U.S. favors solo artists, idols in Korea typically debut in large boy groups or girl groups where each is assigned a specific role. As a visual genre, K-pop is dance-oriented and every hit song is recognizable by its choreography and key dance move.

To keep themselves current and maintain the public's interest, K-pop groups generally release EPs or digital singles every six months and promote on weekly music shows that recompense the act that released the biggest song of the week. Korea's eight digital music charts are updated hourly to display the most downloaded and streamed songs of the moment, and reaching the number one spot on each chart results in the highly-prize perfect all-kill. K-pop idols also have the opportunity to promote on variety shows and unscripted competition programs where they can showcase their individual skills and talents. Furthermore, the Internet and social networking sites' worldwide accessibility has strongly benefitted K-pop and its globalization. As the most digitalized



country in the world, the Korean record industry was the first to embrace streaming services, and it has continued the trend of developing new technological advances such as holograms and artificial intelligence to enhance K-pop performances and content.

Despite their similarities, the U.S. and Korean record industries have much to learn from one another. For instance, U.S. record labels need to adapt to the streaming environment where consumers expect more music from an artist at quicker rates, whereas the Korean music industry needs to find a way to increase the value of music and raise the monthly streaming fees. Due to the lack of information from the Korean music industry, the areas left unexplored in this paper are radio and live entertainment, both of which are vital to the U.S. music industry. Further research in both areas is needed to make a complete, comprehensive analysis of the two record industries.

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