

The K-pop Economic Model's Application in China

Yichen Liang^{1,a,*}

¹Oklahoma State University, Ferguson College of Agricultural, Stillwater, 74075, United States
a. cecilia.liang0424@gmail.com

*corresponding author

Abstract: This paper examines the potential introduction and development of the K-pop economic model in China, specifically focusing on Wajijiwa Entertainment. K-pop has gained global recognition for its systematic talent development, fan engagement, merchandising, and branding. This paper employs a qualitative research method to investigate the potential introduction and development of the K-pop economic model in China, specifically focusing on Wajijiwa Entertainment. Wajijiwa Entertainment, a prominent player in the Chinese idol industry, has adopted elements of the K-pop model. Despite initial success, several challenges, including the impact of the COVID-19 pandemic and product quality issues, need addressing. The research concludes that though the Chinese idol industry has made strides in implementing the K-pop economic model, several issues still need addressing. To further succeed, it must guide fan behavior towards rational consumption, provide more platforms for idol promotion, enhance training systems, and improve operational strategies and product quality. Effective communication with fans is also essential to bolster engagement. While this study primarily focuses on Wajijiwa Entertainment, it highlights the potential for growth and economic impact in the evolving Chinese idol industry.

Keywords: K-pop, Idol Industry, Entertainment Companies, China, Operating strategies

1. Introduction

In recent years, with the development of internationalization, Korean culture has gradually been introduced into China, influencing and shaping China's Entertainment industry. K-pop, short for Korean pop music, is not merely a genre but a comprehensive economic and cultural phenomenon, encompassing music production, talent development, fan engagement, merchandising, and branding [1]. It has captivated audiences worldwide, with fans of all ages and backgrounds, leading to unprecedented international success and a remarkable contribution of approximately \$2 billion annually to South Korea's economy [1, 2]. The recent emergence of a large number of idol talent shows has pushed the Chinese idol industry to a new height. The consumption patterns of fans and the operation methods of companies in the idol industry have been studied, but there are no papers on the specific improvement aspects proposed based on the current situation. Therefore, the purpose of this paper is to study how to accept and apply K-pop in China's entertainment industry under the background of K-POP influence. This essay explores the potential of introducing and developing the K-pop economic model in China, focusing on the strategies and experiences of Wajijiwa Entertainment, a prominent player in the Chinese idol industry. Through qualitative research methods,

this paper will analyze the adaptation of K-pop's economic model in China and its broader implications for the global entertainment industry.

2. K-pop's Economic Model

2.1. Introduction to K-pop Music

South Korea is widely known as Asia's "four dragons" since it has achieved unprecedented growth through the success of export-oriented manufacturing. But in recent decade years, its economic success not only relies on the export of tangible industries such as semiconductors, automobiles and so on but also on intangible cultural export: its K-pop culture. According to Shin and Kim's article [1], Hallyu, or "Korean wave," is referred to as the popularity of Korean popular culture. In terms of music, it basically focuses on "K-pop" or "idol music". It does not represent all popular music originating in Korea but is one of the most strategically produced and commercially customized subgenres of Korean music.

However, K-pop does not share many similarities with Korean traditional music, it's more analogical with Western music. Lie writes that: "K-pop is uniformly diatonic, lyrics peppered with English phrases, the singing style is resolutely syllabic of "Western" pop, and dance is an integral element of the performance" [3]. What makes it stand out is its commercial and operating models. K-pop is made up of "idol" groups such as f(x), Super Junior, and Girls' Generation, as well as the latest groups like (G)I-DLE or IVE, which always consist of girls or boys from younger generations. A regular idol group should include members who are good at singing, dancing and rapping. "They wear shiny stage wear, dance in sync, and often possess superior appearances than singing abilities" [1]. Such idol groups attract a large number of teenage fans - they stage national and international Tours, appear in commercials, and bring incredible profits to the company: The emergence of the "idol economy" contributes \$2 billion a year to the South Korean economy [4].

2.2. Talent Development and Product Making

Regarding music production and talent development, Korean entertainment companies adopting a systematic model of training. This method was first developed by the founder of SM Entertainment, one of the biggest entertainment companies in Korea, Lee Soo Man. He first searched for talents by holding auditions in Korea, Japan, and even the USA, and then he systematically trained the selected trainees. Training involves singing, dancing, rapping, composition, musical instruments, posture, and even taking selfies. It is reported that in order to train excellent trainees to attract fans, SM Entertainment invests more than \$5 million per year in its training classes [5]. The most promising age group for trainees is defined as between 15 and 18 years old. Their training regime is also rigorous and brutal. In order to meet the requirements of debut, there were trainees even trained in the company for up to eight years. Trainees who do not meet the standards will be eliminated – even though they have put years into their training. Later, in order to achieve profit-maximizing in the progress of talent selection, Lee invented a series of talent shows, known as "Produce 101". About 100 contestants from all over the world will appear on the show and win the favor of the audience through several opportunities to perform on stage. The audience will vote for their preferred contestant – additional votes can be bought with money. In the end, the top nine or eleven will be selected as a group.

In the Korean idol industry system, idol groups will release their new songs every three or four months. Then within one or two months, idols will attend various television programs as well as concerts to promote their new songs. In addition, they will release and sell new albums in this process, which is the main product in the idol industry. Nevertheless, this "selling albums" in this model is not just about selling albums, but also linking albums to other things that attract fans by creating emotional connection. First of all, K-pop albums and their components also serve as souvenirs to

strengthen the bond between fans and idols. One of the important components is “photocards”, which are three-inch cards with idols’ selfies and are randomly placed in the album. As a result, fans will randomly get any member’s photo card in the idol group. In Guerra and Sousa’s article [5], they analyze that different from the Anglo-American industry from an artistic point of view, K-pop album covers are minimalist so that it becomes easy to tell them apart with a cover. Inside albums, random photocards serve as a way to strengthen, to prove the sense of community and belonging through the process of exchanging, selling and buying photocards among K-pop fans [6]. Moreover, the conservation of photocards also creates a kind of affective relationship between fans and the group, since there is a “preservationist feeling” inside this behavior. For instance, photocards collectors always bought protective covers and binders for their collections. In addition to photo cards, companies will also relate fan meetings to album buying- they always take a cut of the fans who buy the album to get a ticket for it. Therefore, it is not rare for fans to buy 50 or even hundreds of albums to get a pass to an idol’s fan meeting. To sum up, the production of K-pop albums created a strong emotional resonance and commercial value.

2.3. Branding and Operating Strategies

Through finding ways to recruit and train trainees uniquely, three of Korea’s most famous entertainment companies have also carved out their own brand styles. SM Entertainment identified “identity dancing” as the key to its style and promoted a kind of “military-style dance”, which emphasizes complete consistency of dancing among group members. “‘SM style music’ was gradually defined as electronic-based, fast-beat, and strong with memorable lyrics with repeating ‘hooks’” [1]. Their members are known as perfect, multilingual, and polite. For YG Entertainment, it focuses on the style of free and rebellious as the main trait of the brand. Unlike SM, YG Entertainment trains its artists as characteristic and unique. Trainees are allowed to run and create a party-like atmosphere on stage rather than uniform-looking and artificially coordinated. JYP Entertainment, which attracts different styles of artists, is known for producing songs that become widely popular among different age stratifications. It creates a neighbourly image for its artists. Consequently, with these clear stylistic distinctions, fans can easily match their idols to the corresponding company. Entertainment companies further reinforce this connection: their members always take part in union concerts under the name of “SM Town” or “YG family” [7].

Stepping into the 2000s, these entertainment companies became more aware of globalization - they began to try to include members from more countries and promote them globally. For example, SM Entertainment successively established subsidiaries, in Japan, the US and Beijing with Avex Group. YG Entertainment also adopted similar ways the in US and Hong Kong. They have also actively explored overseas markets by seeking foreign partners and releasing Chinese and Japanese-style albums.

2.4. Fan Engagement

During the development of the K-pop industry, an interesting division of labor has also formed among fans. The “Fan Club” is a group gathered with loyal fans who actively support their idols online and offline. Inside each idol’s Fan Club, there are various formats, such as professional fans, anti-rumor, comments control, data-operator, and publicity. These fans work together with each other to “support” their idols, as they prove the popularity of their idols by countering negative comments, demonstrating their purchasing power, etc. They invest their money in buying albums to ensure that record sales are desired and idols stand in the appropriate position in charts [8]. Besides financial support, fans will also devote all their skills to expanding the influence of their idols. For example,

bilingual fans translate interviews and upload them on global social media, publicity fans clip videos used for promotion, and others write “fanfic” to attract fans.

3. China’s Entertainment Industry Landscape

3.1. Overview of China’s Idol Industry

According to Hao’s passage, unlike the idol industry in Japan and South Korea, which has long formed a mature industrial chain and a fixed model, the breakout of Chinese local idols has long been difficult to solve. However, in recent decades, with the appearance of TFBOYS as an idol group, a style of “education simulation” has entered the public’s vision as a feasible path for the development of the idol culture industry. “Education simulation” originated in a kind of Japanese game, which is characterized by careful emotional investment, a high viscosity of participation, and the satisfaction and recognition that the result brings. Substituting it into the idol industry, means allowing fans to participate in the growth process of idols, emphasizing the process of “transformation”, so as to narrow the distance between fans and idols. Under this kind of development of the idol industry, fans are more likely to have a psychological identity with idols – because idols are generally younger. Idols are a kind of emotional sustenance for fans. The growing process presented by an idol inspires new emotional identities, and both successes and setbacks can fully print empathy and empathy among fans, thus creating deeper emotional connections [9]. Furthermore, in the era of the Internet, netizens who used to get information in one direction have become active participants and even creators and disseminators of texts, which makes fans more involved in the growth of their idols. This empowerment of fans makes them feel much more engaged [7].

One of the successful cases under this model is the TFBOYS group that debuted in 2013. The average age of their debut is only 13 years old, and their professional degree is far less than that of systematically trained idols. However, by uploading their callow cover videos on the Internet, they have attracted a large number of fans with both consumption and promotion power. The three members of the group have their own characteristics to meet the preferences of different fans. What’s more, they have strengthened the bond between their idols and their fans by making documentaries, as well as promising to accompany with fans for ten years. This year is the tenth year of the group’s formation. In the past ten years, TFBOYS members have become more professional artists and brought huge commercial value to their company. TFBOYS’ 10th-anniversary concert, which ended recently, brought in about 200 million RMB in revenue both online and offline, and \$416 million in tourism revenue to the city where the concert is held.

3.2. Current Situation of China in Adopting K-pop Economic Model

In the past five years, despite the continuous development of “education simulation” idols, China also adopted Korean idol talent shows: “Produce 101” and “Idol Producer” released together by two different video platforms in 2018 and received unprecedented attention. Then from 2018 to 2021, idol talent shows are broadcast twice a year by both Tencent Video and iQIYI, in a staggered form of one year girls’ team and one year boys’ team. Compared with the “education simulation” style of idols, idol talent shows play down the emotion of warmth and focus on the brutality of the battle for survival, creating pressure through a weekly elimination mechanism. It not only promotes the rapid growth of idols but also digs deeper into the consumption power of fans [9]. According to Liao’s article, there has been developed six kinds of models for earning profit through talent shows: product binding, advertising business, derivatives, partnerships with native companies, live performance, and overseas marketing. The total crowdfunding for top trainees in “Youth with You 3” was 12 million RMB by the end of the show, which is 4 million higher than the second place [10].

However, there have been problems in developing the idol industry in China. The most significant one is that it can lead to fans' irrational behaviors. For example, in the show "Youth with You 3" that released in 2021, the phenomenon of food waste has directly led to the cancellation of talent shows. In order to make a profit through an advertisement product tied to the vote, the company promoted yogurt as the main product and printed QR codes on the inside of the bottle caps (as the "product binding" method mentioned above). Audiences need to scan a QR code to vote for their favourite contestant. Some fans chose to buy plentiful yogurt to support their idols. However, they can't finish drinking them – so the "pouring yogurt phenomenon" appeared. The video indicated this phenomenon quickly went viral on the website and drew online and governmental criticism of the massive waste. Because of this, talent shows have not been allowed to air since 2021.

4. Case Analysis: Wajijiwa Entertainment

4.1. Introduction to Wajijiwa Entertainment

As an entertainment company, Wajijiwa's development focuses on cultivating idols, and the sale of peripheral products is just one of its links. According to WAJIIWA's official website, its marketing concept covers from idol mining to the fan economy. The whole industrial chain is a closed loop to create idols, with "idols" as the core, to bring positive energy to young people's idol products. With young fans as the target market, they are committed to following the trend of young people and creating idol groups favored by young generations.

4.2. Analysis of Wajijiwa's Approach to Adopting K-pop's Economic Model

Wajijiwa Entertainment also has a long-term corporation with Tencent Video, the broadcast platform of the "Produce Camp" series. A time-limited idol group (the top 7 or 11 trainees) will be operated by Wajijiwa Entertainment. It has been discussed in Shi's passage [9] that in the short term after debut, the company will focus on requirements and expectations given by the Fans Club about each member's future development and serve as keywords for planning. It makes fans feel that their thoughts are respected. After that, Wajijiwa Entertainment implemented an online fan club. "Fans need to pay a fixed monthly fee to get some membership benefits, such as viewing the artist's undisclosed pictures and videos, seeing the logs shared by the group members only on the platform and obtaining the qualifications for participating in offline events and the right to preferential purchase of tickets" [9]. The "fan club" app is aimed at deep fans who are willing to invest their emotions, time, and energy in their idols. In this way, the distance between fans and idols is narrowed, and the stickiness of fans is improved.

Regarding peripheral product selling strategy, Wajijiwa Entertainment perfectly implemented the "photocard-oriented" sales model. Photocards are not only appear in albums but also used to promote slow-selling products. During last year's "618" promotion, the company bundled photocards with slow-selling products – you can buy one item and get a photo card of a designated member for free. The sales strategy worked efficiently: 5,000 photo cards for each of the 11 members were quickly given away within half an hour, and some of the slow-selling products were snapped up. They also tied buying albums with fan meetings. In addition, it releases digital and physical albums from time to time, arranges for members to shoot magazines and TV shows, and holds online and offline concerts to enhance artists' exposure. This makes fans more active in supporting the artist's career and can attract new fans.

Recently, Wajijiwa Entertainment and Tencent Video started to explore the overseas market in 2021. Unlike the first three seasons, "Produce Camp 4" is not only available on Chinese platforms, but fans in Japan, Thailand and Vietnam will also be able to vote for contestants. It also includes competitors from China, Japan, Thailand, the United States and even Russia. The clash between

different cultures has attracted the attention of many fans. The final members of idols group INTO1 included five Chinese, two Thai, two Japanese and one American. Wajijiwa Entertainment also arranged a weekly vlog after INTO1's debut, bringing foreign members to experience traditional Chinese culture, giving full play to the advantages of an international group [10].

4.3. Assessment of Wajijiwa's Challenges in Implementing the Model

Although Wajijiwa Entertainment successfully implemented the K-pop model, it still faces some challenges both extrinsic and intrinsic. Extrinsically, the COVID-19 pandemic that occurred in 2021 made concerts difficult to realize. As an international boy group, INTO1 did not play to its full strength: performances and concerts were frequently cancelled, and it did not take full advantage of its international fans. Consequently, they only held three concerts before disbanding. Also, unlike Korea, which has a well-developed idol industry system, China does not have a specific stage for its idols to promote their new songs. This has also led to the situation of those idols' declining exposure after their debut. Many idols have no stage to show what they are good at after their debut, so they can only choose to become actors. At the same time, the frequent talent shows in recent years have made the number of fully trained professional trainees in the market decrease – the quality of players has declined year by year, which has been widely criticized.

Intrinsically, product quality is poor. Although it bundled the product with the photocard, the poor-quality control of the product still caused dissatisfaction among fans. The album's configuration is not as polished as K-pop's design- it didn't achieve fans' expectations. Furthermore, its operating strategy also needs to be improved. Many fans complained that the "vlog" designed by Wajijiwa Entertainment to promote traditional culture was boring and short, but the suggestion was not considered. After the debut of the idol group, there was even a month when the members did not have any activity or vlog upload. This caused many fans to leave. Additionally, inadequate communication between the company and fan groups also led to the majority of fan complaints [11]. The company's poor operational decisions have lost a large number of fans.

5. Conclusion

In all, China's idol industry has been partially successful in implementing the K-pop economic model, but there are still problems to be solved. The first problem is to lead fans' thoughts and actions to be rational. Celebrities and companies have the responsibility to effectively guide fans to form a more rational consumption and star-chasing value. At the same time, it is necessary to further improve idols and companies' abilities, restrain their own behavior, and establish a good image for fans. Talent shows should not be "cut across the board" by the government, because they can bring broad commercial value to companies and enable many trainees to realise their dreams. Secondly, the idol industry should develop more stages or variety shows to give numerous debut idols a platform to promote their songs. At the same time, a more perfect training system should be developed to enhance idols' professional ability. Thirdly, entertainment companies should improve their operational strategy and product quality. Active communication with fans should be provided, which can increase fan engagement.

The limitation of this research is that it only focuses on one single entertainment company in the Chinese idol industry. YH Entertainment's trainee training system and Time Fengjun Entertainment's "education simulation" idols are valuable to research also. All in all, I believe that the Chinese idol industry still has a lot to develop, and it will bring greater benefits as it continues to improve in the future.

References

- [1] Shin, S. & Kim, L. *Organizing K-Pop: Emergence and Market Making of Large Korean Entertainment Houses, 1980–2010* [J] *East Asia*, 2013, pp.252-270.
- [2] Liao, Y. *Research on the Profit Model of Chinese Talend Variety Shows: Taking CHUANG2021 for Example* [J] *Proceeding of the 2022 International Conference on Science Education and Art Appreciation*, 2022.
- [3] KOCCA. *Seoul: han'gukk'ont'ench'ŭjinhŭngwŏn* [M] *ŭmaksanŏppaeksŏ*, 2010.
- [4] Seabrook, J. *Factory girls: Cultural technology and the making of K-pop* [N] *The New Yorker*, 2012.
- [5] Guerra, P. & Sousa, S. *Ultimate bias. Memorabilia, K-pop and fandom identities* [J], 2021.
- [6] Galloway, K. *Musicking Fan Culture and Circulating the Materiality of Taylor Swift Musical Greeting Cards on YouTube*. [M] *American Music*, 38(2), 2020, pp. 240–261.
DOI : 10.5406/americanmusic.38.2.0240
- [7] Na, H. “*Educatio Simulation*”: *The Rise and dilemma of idol culture Industry in China* [J]. *Propagation power study*, 2019, pp.5-6.
- [8] Liao, Y. *Research on the Profit Model of Chinese Talend Variety Shows: Taking CHUANG2021 for Example* [J] *Proceeding of the 2022 International Conference on Science Education and Art Appreciation*, 2022.
- [9] Wang, L. *Idol Commercialization in China* [J] *Proceeding of the 2031 International Conference on Economic Development and Business Culture*, 2021.
- [10] Shi, W. *Research on Fan Operation in the Entertainment Industry* [J] *Proceeding of the 2031 3rd International Conference on Economic Management and Cultural Industry*, 2021.
- [11] Zhuang, L. *The Influences of Idol Effect on the Purchasing Decisions of Their Fans* [J] *Proceeding of the 2018 International Symposium on Social Science and Management Innovation*, 2018.