

Research article

Digital Trends in the Consumption of South Korean Music Industry Cultural Products

A. Timokhovich*, and **O. Nikuradze**

State University of Management, Moscow, Russian Federation

ORCID

 A. Timokhovich: <https://orcid.org/0000-0001-5326-5975>

 O. Nikuradze: <https://orcid.org/0000-0002-1271-0320>

Abstract. Over the past few years, there has been rapid growth in the South Korean music industry. Due to such strong growth, this industry is experiencing oversaturation. Therefore, there are problems in creating and introducing new products to the market, as well as finding new export markets. In such conditions, the use of digital marketing of cultural products has been developing, as has digitalization of content consumption. This study focused on the digital trends in the consumption of South Korean cultural content in Russia. The study analyzed the music industry of South Korea, its segmentation, and main export values. Additionally, the competitive environment of the market was analyzed. In order to identify digital consumption trends, representatives of the target audience of South Korean cultural content in Russia were studied. As a result, the main consumer patterns regarding the digital consumption of the cultural content were identified.


Keywords: cultural product, digital consumption, digital communication, South Korean music industry, Hallyu

Corresponding Author: A.
Timokhovich; email:
an_timokhovich@guu.ru

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1. Introduction

The music industry market refers to a system consisting of companies and individuals who create and distribute music products. The object of the music industry's activity is the cultural product. A number of studies by Russian and international authors demonstrate the active use of digital technologies in the consumption of a cultural product [1]. The South Korean music market is referred to as "K-pop" (meaning "Korean pop") in the scientific and journalistic literature. Due to the rapid growth and intense competition that the industry has shown in the international entertainment market, the main market players (labels and record labels, entertainment companies) are constantly bringing new products (artists, albums, singles, shows) to the market in order to expand the range, as well as increase sales.

The Korean music market is not a priority for international music markets, hence the level of imports to the country is very small. However, the export levels have been

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rising for the past decades. At the end of the 20th century, the Korean dramas *What is Love?* (1991) and *Winter Sonata* (2002) were aired, in which original sound tracks were performed by Korean singers. This marked the beginning of the Korean Wave. The “Hallyu” (Korean Wave) phenomenon, which has been observed since the late 1990s, is defined as the growing popularity of everything Korean: from fashion and movies to music and cuisine [2]. In the late 2000s, the representative export cultural content of Korea completely shifted from drama to the music of idol groups (from the English “idol” — the official name of the representatives of the profession “pop artist” in South Korea). In 2009, the export of the music industry reached \$31 million, which is 90% more compared to the previous year. With the start of exports to Japan and Southeast Asia, consumption of cultural content increased dramatically. Exports of Korean music content to Southeast Asia rose up to \$6.41 million in 2009 from \$2.56 million in 2008 (+149%) [3].

Since the 2010s, Korean idols have been able to expand their fan base in the European music markets, Latin America, and North America by using social media as a content distribution channel. This marks the idea of digital consumption regarding the cultural products of South Korea. In 2014, the music industry’s exports exceeded \$300 million for the first time. “The potential for industrial growth is limitless, as business models leveraging IP (Idol Intellectual Property) with the help of dedicated fans around the world expand the music industry to produce a variety of everyday consumer products and games. The growth potential is clear”, said Sun Mi-kyung, a researcher in the music industry department of the Korea Creative Content Agency. The music industry exported about \$500 million in 2018 [4].

In the period from 2017 to 2018, the Korean music market showed a 17.9% growth from \$494.4 million to \$583.4 million. While the same growth rate amounted to 12.4%. As of 2018, South Korea ranked 6th in the world in terms of the annual profit of the music market. Compared to the major countries in the global music industry, Korea accounted for about 6.2 percent of the global music market as of 2018 [5].

As of 2019, there were 36,770 companies engaged in content production in South Korea [6]. Among the producers, the most active at the moment are 1223 entertainment companies (the representatives of the entertainment industry in Asia, the companies operate their own comprehensive entertainment businesses, including artist development, record label services, music production, and concert production).

In the South Korean music market, there are several main product categories: digital music content, physical music content, concerts, and media. By division, sales in the online music distribution industry reached 1.653 trillion won, with an increase of 14.4%

year on year. Sales in the physical music industry reached 1.23 trillion won, an increase of 10.5% year on year [7]. It can be seen that the digital music segment has shown better results compared to the physical music segment. This leads to the main idea of this study. Digitalization of the content consumed has led to the development of digital trends in the consumption of cultural products in the south Korean music industry market.

Digitalization as a phenomenon that correlates with every sphere of consumers' life plays a huge role in the development of the Korean music industry as a whole. Consumers have shifted towards digital consumption of cultural content. Therefore, companies of the industry also should recognize the needs of consumers and the current digital trends.

The three major companies that used to lead the Korean music market are now reorganizing into four major companies. Last year, JYP Entertainment overcame a market value of 1 trillion won and formed a two-way relationship with SM Entertainment, while YG Entertainment seems to be gradually withdrawing from the market due to numerous scandals. On the other hand, there is CJ E&M, which has entered the music industry. Big Hit Entertainment has also entered the scene, showing high growth. Big Hit Entertainment has also been named the most innovative music company in the world [8]. This once again proves that foreseeing and staying on top of digital trends is vital for any company trying to stay relevant in consumers' minds. Digital trends are an important factor to consider when building business and marketing strategies.

To fully understand the scope of companies that could potentially benefit from digitalization, it is crucial to identify the main exporters of cultural content. The main exporters (distributors) of digital music products are music and video streaming services operating around the world, such as Apple Music, Google Music, YouTube, and others. Speaking about national distributors of digital music products, one can distinguish such services as Melon, Mnet, Naver Music, Geanie, Soribada, and others. Physical product exporters include Weply, K-pop Mart, K-Pop Town, Music Korea, KTown4U, and official manufacturers' stores [9]. Among the retailers in Korea are official manufacturers' retail stores, MusicKorea, Aladin, Hyang Music, HotTracks, Kyobo, Interpark, and others. Wholesale purchases are carried out by distribution companies, such as TakeOne, KakaoM, Loen, Genie Music, and others. It can be seen that many companies export both physical and digital content. Such diversification helps to maximize the reached audience.

Exports of the music industry in 2017 reached \$512.58 million, 15.8% higher compared to the previous year, and increased by an average of 16.0% year-on-year from 2015 to 2017. Year-on-year, exports have steadily increased from \$381.02 million in 2015,

\$442.57 million in 2016, and \$512.58 million in 2017. Music industry exports to Japan, China, and Southeast Asia accounted for 96.6% of total exports. However, exports to North America showed the largest growth — 159.8% [10].

In 2018, Asia and Oceania rose to become the world's second-largest region for digital income combined, showing a growth of 26.8%, driven by paid audio streaming (+29.5%) [3].

The size of the online music segment (streaming) still accounts for most of the volume of the South Korean music market. The number of paid music subscribers in South Korea across all domestic and international platforms is more than 10 million, up from about 8.5 million at the end of 2018 in the country of 51 million people. Streaming revenue, meanwhile, rose by 13.7% to \$329.3 million in 2018, helping total recorded music revenue grow by 17.9% in the same year. Sales of the digital music segment in 2019 amounted to 31,465,924,400 streaming units for the Top 50 releases of the year [11].

Thus, from the analysis of sales of the music industry in South Korea, it can be understood that the market is actively developing in all areas of its activities. Separately, one can distinguish sales of physical music, which are the highest in the world. Exports show strong growth. Considering the factor of digitalization, it is worth mentioning that a vast amount of content is consumed digitally.

Analysts within the framework of the discourse on the activities of the South Korean music industry single out Big Hit as the company that has the greatest influence on the overall state of the music market. In addition to producing music products, Big Hit has launched the e-commerce platform Weply, as well as the social media app Weverse, aimed at fan communities. At the moment, the Weverse app has 2.5 million users from 200 countries; 1.4 million daily users [8]. Introduced in 2019, the Weverse app is the only integration of global fandom culture and a one-of-a-kind global fandom platform — a qualitatively new level of media space for fan communities. This is the only application that provides close communication between fans and artists and gives an integrated environment to perform all fan activities that are usually distributed to various social networking sites. The direct connection of Weverse with Weverse Shop also makes the purchase of consumer goods more convenient. The app contains the pages of 12 artists of companies under the jurisdiction of Big Hit Entertainment.

Weverse connects the label and the business, forming the core of Big Hit Entertainment's platform ecosystem. The app includes the distinctive features of social media and business sites, from creating personal posts, viewing artist stories, to buying and viewing content. However, in order for the "platform-based ecosystem" to be dynamic,

successful, and effective, it not only promotes interaction, but also encourages the evolving process of interaction between users, companies, and organizations. Thus, the Weverse app not only creates a space for direct communication between fans and artists but also rethinks this communication in the personal, collective, and business spheres. Its technological environment contributes to the constant expansion of the media space that surrounds the fan community. It can be assumed that in the future, the virtual media spaces of fan communities will increasingly turn into super-applications that combine various aspects of communication. This form of media space organization allows fan communities to receive the required content in an optimized environment. At the same time, companies get more control over the audience's interaction with content, which, in turn, leads to an improved quality of service and communication. It can be seen that companies benefit from digital trends.

Considering the digitalization and various digital trends developing, the target audience of the Korean music industry is a wide range of young and middle-aged people who listen to music both for recreation and purposefully. It should be noted that the target audience of the industry is not limited to the population of South Korea due to the digital consumption of most content.

2. Methodology and Methods

The study was conducted using quantitative and qualitative data collection methods. In order to identify the segments of Korean music consumers in Russia, an online survey of 300 respondents was conducted. The SPSS package was used to process the results of the survey.

The sample represented the general population of young people living across Russia. The survey was conducted based on a developed questionnaire. The questionnaire included blocks of questions concerning the cultural content consumption by young people. The questionnaire included closed, semi-closed, and open questions related to the goals of the survey.

In order to identify the attitudes and characteristics of Korean popular music consumers, the authors conducted a focus group and a series of 5 in-depth interviews. The results of focus group research and in-depth interviews were analyzed using content analysis.

3. Results and Discussion

Within the framework of the conducted research, consumers of music market products in Russia were studied in order to identify the main consumer segments that are most promising, as well as their main consumer habits and preferences, resulting in findings of the main digital trends of the Korean cultural content.

To study the main digital trends in the consumption of Korean cultural products in Russia, it is important to understand the target audience. To determine the most relevant consumer segments of the Korean music market in Russia, in addition to research conducted by analytical agencies, an online survey on 300 responders was conducted.

Internationally, the distribution of the audience by age is as follows: the age segments of 15–19 years (24.8%), 20–29 years (25.2%), 30–39 years (25.0%). By regions, the distribution of the target audience is as follows: Asia — 52.0%, America — 13.3%, Europe — 24.0%, East — 5.3%, Africa — 5.3% [12]. Interestingly, the original products of the South Korean music industry were aimed at young people under the age of 29.

According to the results of the conducted research, the following age segments of consumers of Korean music market products can be distinguished in Russia: under 14 years — 1.4%, 15–18 years — 40.3%, 19–25 years — 52.8%, 26–35 years — 5.6%. It is worth noting that the market segmentation by gender among Russian consumers also differs from similar segmentation in the world and South Korea. In Russia, the gender distribution of consumers is as follows: women — 95.8%, men — 4.2%.

According to the study, it was revealed that over half of all users purposefully consumed music content every day. At the same time, it is noted that 63.1% of users have subscriptions to paid digital services that provide music content (36.9% of users consume content illegally).

Among the behavioral characteristics, one can distinguish frequent consumption of digital content — every day (84.7% of consumers). It was revealed that 66.7% of consumers used paid digital services to consume content. At the same time, 36.1% of consumers have purchased physical products of K-pop artists at least once (68.1% of consumers are interested in purchasing physical music products and are ready to make such a purchase in the future). Based on the data obtained, it can also be argued that potential consumers are sufficiently solvent.

In addition to the online survey, 5 in-depth interviews and one focus group with 5 participants in the format of communication using Internet technologies were conducted

for a more in-depth study of consumers and the creation of a profile of content consumers. Based on the collected material, a consumer profile of the South Korean music industry content was compiled.

Among the socio-demographic characteristics, one can distinguish age — 15–25 years, gender — female, the presence of secondary/incomplete higher/higher education, the average income level (from 15,000 rubles to 50,000 rubles). On average, a consumer spends between 2,000 rubles and 5,000 rubles a month on entertainment (34.7% of consumers).

In-depth interviews and focus groups revealed some psychographic aspects of making purchases of South Korean music market products. Among the motives are the emotional benefits that consumers are looking for (“Music makes me feel more cheerful”, “Watching video clips calms me down”). Many also single out social approval as one of the motivational factors (“Many friends like K-pop, so I became interested”). Separately, consumers highlight the high quality of products (“All albums are very high quality, it is clear that they are worth their money”).

Based on these results, it can be concluded that manufacturing companies should focus on working with the quality of their products in order to make their products less homogeneous. Another growth point is to work on the globalization of content, which will also help in increasing the number of consumers. It should be noted that at the moment, there is a tendency to produce authentic content, which may also have an impact on changing consumer preferences. One should also highlight the work on the reputation of brands and work with bad reviews, which represent consumer barriers.

A separate aspect of consumer behavior is customer loyalty. The vast majority of consumers indicated that they were loyal to one artist and/or entertainment company. Consumers note that they are very likely not to buy products that are not produced by their favorite company, so it is important to strengthen the relationship between the brand and the consumer. Responders also mention that they tend to follow their favorite artists and companies on various social media channels. This means that it is crucial for artists and companies to stay present in the digital sphere to remain relevant in consumers’ informational space.

At the moment, most consumers of Korean music industry products consume music content through digital platforms and mobile devices. Therefore, it can be assumed that consumption via mobile/digital platforms will continue to grow in the coming years. Therefore, companies should adapt their products to these distribution channels. Also, as a recommendation, it is worth noting that the adaptation of content to regional platforms would be a big plus when communicating with the Russian consumer.

According to the estimates of the Ministry of Culture, Sports, and Tourism, in the next few years, the music industry will work more for export and cultural expansion, so the priority in the activity will be the distribution of K-pop in the world. Companies, in turn, focus their activities on meeting the needs of customers around the world, including Russia.

At the moment, most consumers consume music content through digital platforms and mobile devices. Digital content consumption figures are growing every year. Therefore, it can be assumed that consumption via mobile/digital platforms will continue to grow in the coming years. Therefore, companies should adapt their products to these distribution channels.

During the analysis of consumer segments and the compilation of a customer profile, the main consumer preferences at the moment were identified. The main digital trends were also outlined.

4. Conclusions

As a result of the research, main digital trends in the consumption of cultural products in the South Korean music industry market in Russia were distinguished:

1. Most content is consumed online nowadays; the music industry is no different. It was found that the biggest share of consumers in Russia consumed music digitally. Therefore, it is crucial for companies to not only provide access to content online but to regionalize the content as well.
2. With digitalization, fan communities are also moving online. Companies are already trying to capitalize the fan interactions. This trend is expected to become even more prominent in the upcoming years.
3. With the rise of social media and digital consumption, consumers are expecting companies to focus on digital content (both musical and entertaining). This means that companies should apply a digital-focused approach to most of their activities.

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