

Hallyu White Paper

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2020
Hallyu White Paper

[Special Feature] 2020 Timeline of COVID-19

- 1. 2. Pneumonia cases with an unknown cause spread in Wuhan, China
 - 1. 8. First pneumonia case with unknown cause in South Korea
 - 1. 16. Cases confirmed in Thailand and Japan
 - 1. 20. The Alert level for infectious disease elevated from Interest (Blue) to Caution (Yellow)
 - 1. 22. The first case confirmed in the US
 - 1. 27. The first case confirmed in Cambodia
 - 1. 28. Government announces execution of ₩20.8 billion budget to contain COVID-19
 - This includes ₩6.7 billion to build quarantine system, ₩5.2 billion for quarantine and diagnosis, and ₩2.9 billion for isolated treatment
- Bank of Korea forms novel coronavirus response team
- Operates 24-hour monitoring system of international financial market trends
 - Examines the development of pneumonia cases in Wuhan, international financial market trends, financial and economic impact in South Korea, etc.
- Government transports about 700 South Koreans from Wuhan to South Korea on four chartered flights

- **1. 30.** Gyeonggi culture and arts sector faces crisis as novel COVID-19 cases spread
 - Performances canceled refunds requested
- **1. 31.** CGV at Sungshin Women's University station closes due to contact with COVID-19 patients
- **2. 3.** Cumulative COVID-19 deaths exceed deaths from Severe Acute Respiratory Syndrome (SARS)
- **2. 5.** Number of Visitors to Incheon International Airport decline for the first time since the 2015 MERS outbreak
 - Government issues ₩50 billion emergency loan for individuals and businesses affected by COVID-19
 - Deferred repayment permitted, local gift certificates issued, the support provided
- **2. 12.** WHO officially names the novel coronavirus as "COVID-19" where CO = corona, VI = virus, D = disease, 19 = 2019 (year of outbreak)
- **2. 15.** No new COVID-19 patients on the fifth day. 28 confirmed cases, 7 discharged cases
 - COVID-19 deaths occur in France, the first case outside Asia
- **2. 16.** Gyeonggi-do and Gyeonggi Tourism Organization provide ₩850 billion in COVID-19 relief for the tourism industry
 - Priority support of 50,000 masks and 2,000 bottles of hand sanitizer for over 700 tourism companies
 - Response manuals created according to the sectors (travel, campsites, amusement parks, tourist accommodation) and facility (festival venues, international conference facilities)
- **2. 17.** Up to ₩300 billion in support for low-cost carriers; payment of airport facility fees deferred by 3 months
- **2. 18.** The first case confirmed in Daegu
- **2. 19.** SBS Inkigayo Super Concert in Daegu temporarily postponed
 - Super Spreader suspected at Shincheonji Church 1,000 church attendees gone through a complete examination
- **2. 20.** Emergency living funds for COVID-19 relief provided to performance industry professionals
- **2. 23.** CDSCHQ established, headed by the prime minister, First in the history of infectious diseases.

- **2. 24.** COEX cancels large-scale exhibitions due to COVID-19
- **2. 26.** COVID-19 cases exceed 1000
LIAK (Record Label Industry Association of Korea) postpones and cancels 211 performances from February to April 2020, announces loss of approximately ₩63.32 billion
- **3. 1.** France announces movement restriction measures (March–May)
- **3. 6.** SXSW canceled for the first time in 34 years due to COVID-19
- **3. 9.** Tourism and performance industries designated for exceptional employment support
– Travel industry, accommodation facility operation, creative and arts-related services, etc.
- **3. 15.** YouTube views of Dalgona coffee content increase by over 5000% from March 15–April 6 compared to January 1–March 14
- **3. 17.** Nationwide movement restriction ordinance in France takes effect
- **3. 18.** MCST extends closure of national cultural and arts facilities to prevent the spread of COVID-19 and provides additional support for the performance industry
- **3. 22.** Strict social distancing measures enforced for 15 days
- **1.1.-3. 31.** Netflix records \$5.8 billion (Q1) of revenue, up by 27.6% year-over-year
– 183 million paid subscribers, up by 23% compared to 2019
– \$958 million in operating profit, up by 109%
- **4. 14.** Amazon hires 75,000 additional employees
- **4. 18.** SuperM participates in *One World: Together at Home* concert curated by Lady Gaga
- **4. 19.** Disney furloughs 43,000 of 100,000 workers
- **4. 21.** Weekend box office sales in North America plunges to \$55.3 million, the lowest since September 2000
- **4. 24.-26.** Warner Music Group holds online music festival *PlayOn Fest*
– COVID-19 Solidarity Response Fund organized by WHO as support
– Broadcast on *SongKick* YouTube channel from April 24-26
- **4. 26.** SuperM – *Beyond the Future* live broadcast

- 4. 28. *Itaewon Class* premieres on Netflix Japan
- 5. 2. Infection cluster emerges in Itaewon club
- 5. 6. “Distancing in Daily Life” measures introduced
- 5. 7. ₩1.5 million per person provided to 930,000 special employment workers
- 5. 9. Online fan signing event held in Japan to celebrate release of Mamamoo member Solar’s first single album *Spit it out*
- 5. 10. NCT Dream online concert
- 5. 17. NCT 127 online concert
- 5. 24. TVXQ online concert *Beyond LIVE*
Japan CAO Intellectual Property Headquarters announces strategy for the entertainment industry in response to COVID-19
- 5. 25. Netflix establishes funds to support workers in film and drama production
 - Netflix raises ¥100 million funds for film and drama producers
 - \$150 million (approximately ¥16 billion) of funds for video production industry allocated to production workers unrelated to Netflix titles
- 5. 29. BLACKPINK × Lady Gaga’s *Sour Candy* breaks YouTube and Spotify streaming records
- 6. 1. MCST announces ₩6.8 trillion budget for 2021
 - “Production Support for Online Realistic K-pop Performances” project (₩29 billion), etc.
- 6. 6. BTS participates in YouTube Originals online graduation ceremony “Dear Class of 2020”
- 6. 7. KDI Economic Trends June Issue announces that COVID-19’s impact extends beyond the service sector to all industries
- 6. 14. BTS holds live online concert *BANG BANG CON THE LIVE*
 - Over 750,000 viewers across 107 regions
- 6. 15. Academy Awards postponed
 - February 28, 2021 → April 25
- 6. 22. MSIT announces “Digital Media Ecosystem Development Plan”
Billboard Korea Magazine to be exclusively sold by Japanese publisher Kobunsha

Hyun Bin selected as a cover model for *Asahi Weekly*
Korean dramas continue to enjoy popularity in Japan

– *Crash Landing on You, Itaewon Class, The King, Sky Castle, etc.*

- **6. 26.-27.** CJ ENM holds online concert *K-CONTACT 2020 Summer KCON*
- **6. 30.** NiziU simultaneously debuts in Japan and Korea
- **7. 5.** TV Tokyo decided to air a special broadcast on BTS *BTS JOURNEY*
- **7. 8.** MCST expands support to the second half of 2021 to overcome COVID-19 and normalize the arts industry ecosystem
– ₩156.9 billion of support in 3rd supplementary budget (45% of 3rd supplementary budget)
- **7. 21.** BTS tops Oricon chart in first-week album sales by an overseas male artist
- **7. 25.** UK government decide to provide emergency support for music venue operation
– £2.25 million (approximately ₩3.33 billion)
- **8. 9.-11.** Musical *Mozart!* starring Kim Junsu successfully holds online streamed performance
- **8. 13.** Amazon Prime Video decide to donate \$6 million (approximately ₩6.6 billion) to European broadcasting and film industries
- **8. 14.** Ministry of Health in Spain and Italy decide to close music venues and clubs
- **8. 17.** Limited reopening of movie theaters in Abu Dhabi
- **8. 20.** Major movie theater chains reopen in the US
– AMC, Regal, Cinemark, Marcus Theaters, etc.
- **8. 21.** Netflix suspends all production of Korean content
- **8. 26.** French government announces plan to allocate €2 billion (approximately ₩2.7999 trillion) of €100 billion stimulus package to the cultural sector
- **8. 28.** BLACKPINK released song “Ice Cream” in collaboration with pop star Selena Gomez
- **8. 29.** Super Junior, SuperM, EXO-SC, and Red Velvet perform in *a-nation online 2020*, Japan’s largest summer music festival

- 9. 3. Amazon Prime Video launches “Channel K,” a channel dedicated to Korean content
- 9. 4. *Give Live A Chance* concert held in Dusseldorf, Germany
- 9. 13. Amazon hires 100,000 additional employees
- 9. 24. MCST holds “Strategic Briefing Session of Cultural Content* Industry in Connection with Digital New Deal”
 - Support for digital transformation (e.g., online performance infrastructure), enhanced competitiveness (e.g., IP diffusion)
- 10. 4. Payment of disaster support fund for “small businesses, special employment workers, and care service workers” resumed
- 10. 6. Government launches “Infectious Disease Protection TF”
- 10. 8. The European branch of WHO proposes “COVID-19 Solidarity”; Korean businesspeople resume business trips to Japan
- 10. 9. Daily new cases of COVID-19 worldwide reach 340,000
 - Concerns about the second wave due to new spike in cases
- 10. 11. Social distancing restrictions changed to Level 1
- 10. 12. Seoul ban on gatherings of 10 or more adjusted to 100 or more
- 10. 13. IMF forecasts Korea’s economic growth rate in 2020 to be 1.9%
- 10. 18. Government supports discount coupons
 - Priority support for exhibitions, performances, films, and sports
- 10. 19. SM Ent. Announces plans to host *Global Goal Live: The Possible Dream*, billed as the 21st century *Live Aid*, in Seoul (Planned for 2021. 9. 26)
- 10. 22. Actress Shim Eun-kyung’s first Japanese drama, *Seven Secretaries* premieres
- 10. 28. Discount coupons for accommodation, travel, and dining resume
 - Predicted economic effect of ₩1 trillion

* The term “cultural content” is frequently used in Korean society and cultural contents are an integrated discipline that combines humanities, social sciences, natural sciences, and the arts. The cultural content industry is defined as the industry related to the production, distribution, and consumption of cultural products and services (i.e., film, games, animation, comics(webtoons), music, Internet & mobile contents, broadcasting, etc.)

- **10. 29.** London Fashion Week announces cancellation for 2021
 - Decision made considering the re-spreading of COVID-19, environmental pollution, etc.
- **10. 30.** France enforces second lockdown
- **11. 1.** COVID-19 social distancing reform plans announced
- **11. 2.** Income of special employment workers and freelancers decreases by 70% after COVID-19
 SMARTSTUDY's *Baby Shark* ranks first in views across YouTube
 - First children's song to rank #1 on YouTube
- **11. 3.** Cumulative issued copies of *Kim Ji-young: Born 1982* in Japan exceed 210,000
 Cumulative views of 2020 Korean tourism promotion video featuring Leenalchi exceed 312 million
- **11. 4.** Level 5 social distancing system introduced Level 1 implemented nationwide except for Cheonan and Asan
- **11. 11.** CJ ENM-owned Eccho Rights signs contract with UK production company Born Wild
- **11. 13.** US, UK, and Japan break the record for daily new cases Korean-Vietnamese joint web drama *My Secret Star* begins filming in Korea
 - Jeonju Hanok Village, Imsil Okjeongho Lake, Gunsan Cheongamsan
- **11. 15.** Indonesia NET TV airs Korean-Indonesian joint variety show *Good Friends*
- **11. 18.** Movie theater chain AMC launches theater rental business
 - \$99 to rent a theater; measure taken due to COVID-19's financial impact on the US film industry Disneyland reopens
- **11. 24.** Social distancing restrictions raised to Level 2
 BTS becomes first Asian artist to be nominated for Grammy Awards
 - Single *Dynamite* nominated for Best Pop Duo/Group Performance
- **11. 30.** Ramen and kimchi exports reach record highs
 - \$549.72 million as of November 2020, up 28% year-over-year
 - CJ CheilJedang Bibigo Mandu becomes first single food item to exceed ₩1 trillion in annual sales

- Overseas sales comprised ₩670 billion (65%) in total US sales of ₩420 billion, domestic sales exceed ₩360 billion
- **12. 1.** A budget agreement reached: ₩3 trillion for 3rd disaster support fund, ₩900 billion for COVID-19 vaccines
- **12. 6.** Social distancing restrictions in Seoul raised to Level 2.5 *MAMA 2020* held online
- **12. 11.** Christmas special *Baby Shark's Big Show!* premieres nationwide in the US
 - Co-produced by SMARTSTUDY and Nickelodeon

Part 1





2020 Hallyu Performance and Forecasts by Sector

Massive Disruptions

Lee Seong-min

Assistant Professor

Department of Media Arts and Sciences

Korea National Open University

1. 2020 Status of Hallyu in Broadcast Programs

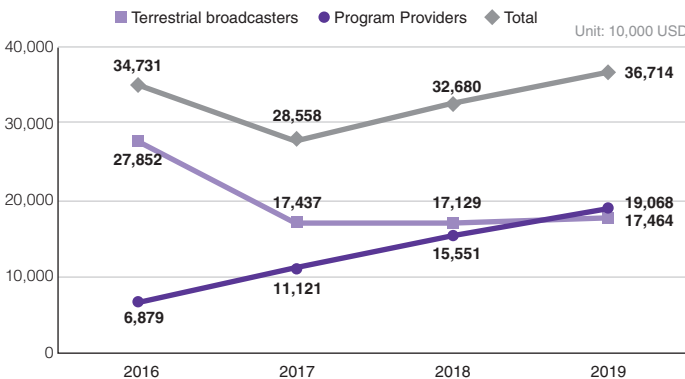
1) Scale of broadcast exports

The *2020 Report on the Status of the Broadcasting Industry* contains survey results from 2019. It provides the latest data on the broadcasting industry as of January 2021.

Though over a year old, these data help shed light on industry trends in 2020. First, the export value of broadcast programs in 2019 totaled \$367.14 million (approximately ₩400 billion), indicating a high growth rate of 12.3% compared to 2018. China's ban on Hallyu content caused exports to decline in 2016, however, in 2017 exports returned to an upward trend.

This change is attributed to program providers^{PPs} such as CJ ENM and JTBC^{Figure 1}. While the growth of Broadcast television

Figure 1 Export value of broadcast programs (2016-2019)



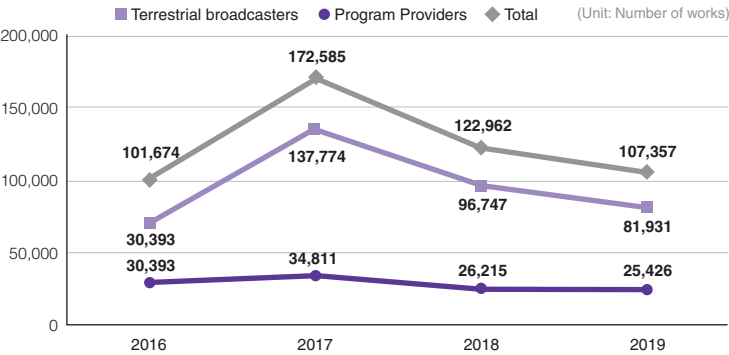
Source: Created using data from the *Report on the Status of the Broadcasting Industry* (2018, 2019, 2020), KISDI

exports has stagnated, the growth of PPs caused the total export value of the broadcast industry to increase. Particularly in 2019, the export value of PPs began to exceed that of broadcast television. PPs were able to create new streams of revenue via transitioning to a studio system and forming close partnerships with over-the-top^{OTT} services.

By 2020, terrestrial broadcasters had also begun to participate in this shift. For example, SBS launched the subsidiary Studio S in March 2020 (Park, 2020), which then produced the drama *Penthouse*. This drama was extremely well-received in Asia, entering the top 10 ranking of the Hong Kong OTT service VIU (Kim Jin-seok, 2020). Strategies based on “studio systems” and “global expansion through collaboration with OTT services” are becoming standard models for broadcasters.

Meanwhile, export volume (the number of works produced) continues to decline^{Figure 2}. Export volume decreased by 12.7% from

Figure 2 Export volume of broadcast programs (2016-2019)



Source: Created using data from the *Report on the Status of the Broadcasting Industry* (2018, 2019, 2020), KISDI

122,962 in 2018 to 107,357 in 2019. The fact that export value continues to increase while export volume declines are related to the “changing conditions for producing broadcasting and video contents.” Advertising sales, the main source of income for broadcasters, are continuously decreasing. 2020 saw a particularly sharp decline due to the economic shock caused by COVID-19. As the growing pandemic fueled the decline in advertising spending, drama production decreased, primarily among terrestrial broadcasters.*

Broadcasters responded to this trend through the “select and focus” strategy. This strategy refers to the reduction of dramas produced while also focusing on “tent-pole” dramas, which are produced with large amounts of capital and targeted for export. These shifts may turn into lasting structural changes rather than just short-term responses to the ongoing crisis.

2) Spread of Hallyu in broadcasting

It is no exaggeration to say that global OTT services played the most critical role in spreading Hallyu broadcast programs in 2020. In particular, Netflix has benefited the most from the disruption of the video industry caused by COVID-19. According to a report from

* For example, SBS produced 20 dramas in 2018, an average of five per quarter; this pace declined to three dramas in Q4 2019 and two in Q3 2020 (Kim Hoe-jae (2020). *SBS Company Analysis Report*, Daishin Securities)

Netflix, viewership of Korean dramas in Asia increased by an average of nearly 150% during March to July 2020 compared to the January to February 2020. with viewership being four times higher than in 2019 (Lantican, 2020).

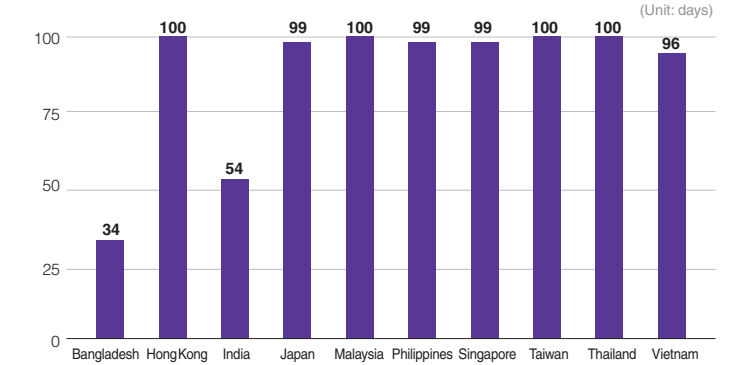
While broadcasters have not benefited from new viewers due to the shrinking advertising market, Netflix has enjoyed high growth thanks to its expanding subscriber base. Above all, the delays in worldwide expansion from competitors such as Disney+ have solidified Netflix's position as a global business. Most importantly, Additionally, Netflix's strategic focus on the popularity of Korean dramas was a key driving force of Hallyu in 2020.

Netflix, a service that enables video content to be simultaneously distributed worldwide, started to publish rankings for the most popular shows by country starting in 2019. The global popularity of Hallyu content became clear via websites such as FlixPatrol, which helps visualize the top 10 shows and movies on Netflix by viewership in each country. These rankings showed that Korean broadcast programs are receiving Worldwide attention and numerous media outlets and analysts have begun discussing Hallyu's success based on these data. From this perspective, 2020 was also the first time Hallyu broadcasting attained global visibility.

* FlixPatrol produces its rankings by assigning 10 points to the show ranked first, one point to the show at the 10th place, etc. based on Netflix's "Top 10 Today" data (<https://flixpatrol.com/top10/streaming/world/2020/full#type1>). Kim Mi-ri (2020. 11. 14). What was the most-watched drama on Netflix in 2020? *The Chosun Ilbo*.

According to FlixPatrol, many Korean shows have reached the top of Netflix’s global TV show rankings in 2020.* A noteworthy takeaway from these data is the continue consumption of Hallyu content. *It’s Okay to Not Be Okay* (19th) spent 146 days in the top 100 rankings in 43 countries, with exceptionally long streaks in ASEAN countries ^{Figure 3}.

Figure 3 Number of days *It’s Okay to Not Be Okay* ranked in Netflix Top 10 in Southeast Asian Countries



Source: Lee Hyun-ji (2020.10.14). Initiate: *Show me the Media*, Eugene Investment & Securities Research Center

Thus, Korean dramas have been steadily gaining popularity in a number of countries across the world.

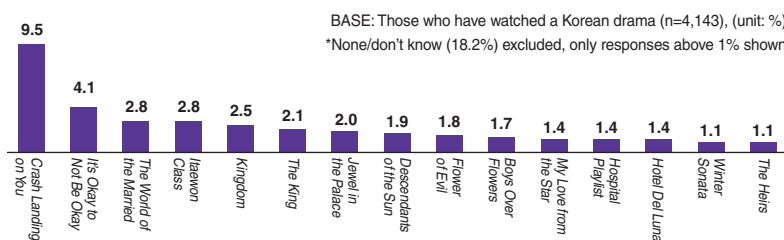
Start-Up (32nd) spent 75 days in the top 100 rankings in 35 countries, *The King* (36th) 124 days in 28 countries, *Record of Youth* (48th) 79 days in 26 countries, *Crash Landing on You* (59th) 281 days in 10 countries, *Hospital Playlist* (70th) 214 days in 9 countries, *Was it Love?* (72nd) 85 days in 9 countries, *Sweet Home* (73rd) 13 days in 76 countries, and *Stranger* (99th) 126 days in 7 countries.

These data demonstrate not only the “continuity” but also the “strength” of Korean content’s popularity in the Asian market. Viewers across ASEAN countries have loved various TV shows; for example, *The King* remained in the top 10 for 87 days in Hong Kong, 119 days in Malaysia, and 116 days in Thailand, while *Record of Youth* remained in the top 10 for over 60 days in Hong Kong, the Philippines, Singapore, Thailand, and Taiwan. In Japan, *Crash Landing on You* and *Itaewon Class* were said to have sparked a new Hallyu, bringing about a social phenomenon (Yoon, 2020). *Crash Landing on You* was particularly popular for a long time in Japan, spending 296 days in the top 10.

Another key observation is that the “simultaneity of Hallyu consumption” has increased as consumption of video content grows through OTT services. According to KOFICE’s *2021 Survey on Overseas Hallyu Status* ^{Figure 4}, recently released dramas rank at the top among respondents’ favorite Korean dramas.

Furthermore, much of the “original content” directly produced

Figure 4 Favorite Korean dramas



Source: KOFICE (2021). *2021 Survey on Overseas Hallyu Status*.

by Netflix achieved impressive results beyond Asia, succeeding in the global market as well. *Sweet Home*, a drama based on a Naver webtoon, was fully funded by Netflix. It garnered attention for its bold CG effects made possible by the expansive budget. According to FlixPatrol, on December 20, 2020, *Sweet Home* ranked first on Netflix in eight countries including South Korea and was within the top 10 daily rankings of 42 countries. Notably, it ranked third on Netflix in the US for the first time, raising expectations that the popularity of Korean dramas can expand beyond Asia (Han, 2020).

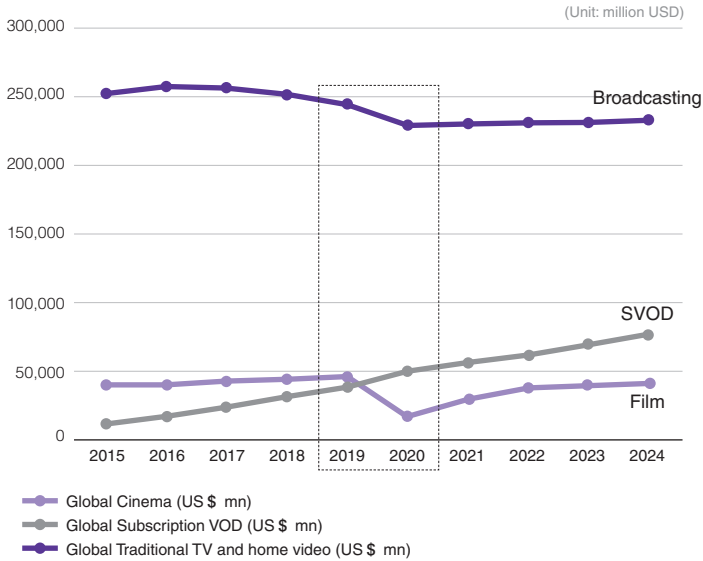
2. Issues in Hallyu Broadcasting

1) Continued disruptions due to OTT services

The disruptions in the broadcasting and video industry are expected to accelerate due to the growth of OTT services. According to PWC^{Figure 5}, the global OTT market (based on SVOD services) is forecasted to grow from \$58.45 billion in 2020 to \$65.08 billion in 2021, with a CAGR* of 13.36% from 2019 to 2024 (PWC, 2020). As US OTT services such as Disney+ and HBO Max are scaling up for global expansion in 2021, numerous services including wavve, WATCHA, and Tving are

* Compound Annual Growth Rate

Figure 5 Changes in global market size of the film, broadcasting, and OTT (SVOD)



Source: Created using data from the Global Entertainment & Media Outlook 2020-2024, PWC (2020)

competing in South Korea as well.

The intensifying competition among OTT services in the global market is a positive development, as it fuels demand for Korean content. What is especially worth noting is the change that Chinese OTT services will bring to the global market. In October 2020, sources announced that *Cliffhanger*, a series produced by AStory, would be distributed worldwide through iQIYI, generating much attention (Lee Jung-hyun, 2020). iQIYI had launched a global version of its service separate from mainland China in June 2019 (Easton, J., 2020). *Backstreet Rookie* was released simultaneously worldwide in June 2020, achieving impressive results in major Asian countries (Cho Deuk-gyun, 2020).

Korean broadcasting is becoming a core element of iQIYI's global expansion strategy to increase subscribers, with a focus on Asia.

This type of industry change focused on OTT services is a positive factor for spreading Hallyu contents in the short term. Exporting products through global services that can provide the titles to many countries simultaneously has powerful ripple effects in building the Hallyu fandom. Notably, given the easy access OTTs provide to viewers outside Asia, OTTs has made a significant contribution.

Even in the long term, the OTT-based restructuring of the video entertainment industry will prove highly advantageous for Hallyu. As the competition among global OTT services intensifies, the demand for competitive Korean dramas may rise. This may create a virtuous cycle in which interest in Korean content increases worldwide, thereby enhancing the global capabilities and competitiveness of Korean companies. Such a phenomenon would lay the foundation for sustainable Hallyu broadcasting in the future.

2) Continuous growth of webtoon-based titles

Another factor to note is the growth of webtoons as the source material for Hallyu broadcasting. Numerous webtoon-based titles have achieved success overseas, including *Itaewon Class*, *Backstreet Rookie*, and the Netflix original *Sweet Home*. Of course, the vast majority of Korean dramas are original works, but the growing prominence of webtoon-based titles cannot be ignored.

Webtoon-based titles are important because the industry's value chain is being restructured based on intellectual property^{IP}. Webtoon-based dramas can create a virtuous cycle in which the respective fandoms of the webtoon and drama are shared and expanded, fueling the mutual consumption of both webtoons and dramas. Moreover, by relying on works that already have a stable fanbase, the risk of producing new shows can be mitigated. For these reasons, signs of vertical integration are slowly emerging, primarily in companies who possess the original IP (webtoons, web novels, etc.) (Lee Sang-gyu and Lee Seong-min, 2020). Companies such as Naver and Kakao, which are dominant players in the sphere of webtoons, are expanding their influence in the video industry by directly running or collaborating with drama production companies.

Above all, the growing interest in webtoons outside of Asia—in the US and the rest of the global market—is raising expectations that broadcast video content production based on webtoons will continue to expand. A prime example is the animated adaptation of *Tower of God*, a Naver webtoon, which gained popularity in the US (Song Eun-kyung, 2020). A screen adaptation is much more likely to succeed due to increased cultural proximity established through its fandom. Domestic webtoon companies have greatly expanded in the global market.

Moreover, one of the strengths of webtoons, “boundless imagination” helps form a meaningful connection with the CG/VFX industry when creating screen adaptations. *Sweet Home*'s success

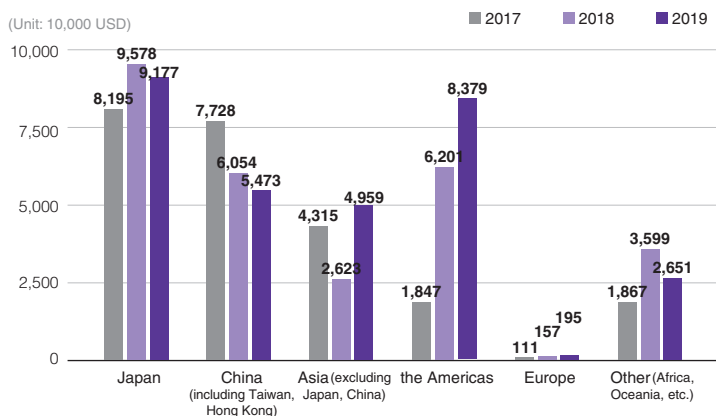
in the US is an illustrative example of how to combine a webtoon, drama production, and CG/VFX prowess to achieve impressive results. In other words, the restructuring of drama production based on the webtoon IPs may further enhance the strengths of the Korean video ecosystem, which is particularly competent in content IP production and post-production. Stakeholders must keep an eye on whether Hallyu broadcasting can continue to succeed in the global market based on the fandoms of content IPs, beyond the previous Asia-centric achievements based on fandoms of actors and writers.

3. Major Export Countries and Expansion Routes of Hallyu Broadcasting

1) Status of expansion

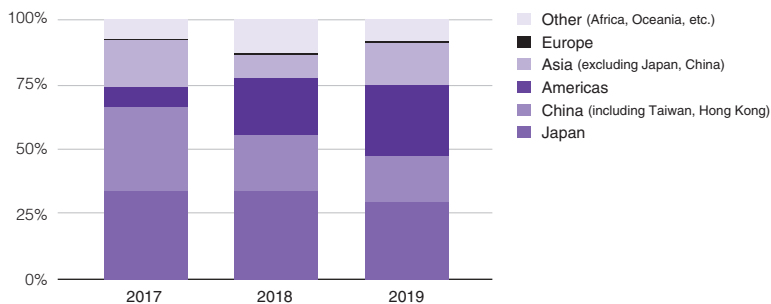
Statistics from 2019 show significant changes at the regional level. Based on data from the *Report on the Status of the Broadcasting Industry*^{Figure 6}, the most striking finding is the large increase in export performance to Asian countries, excluding China and Japan. In 2019, *Extraordinary You* and many other titles garnered attention in Asia while also achieving favorable results through several OTT services. The trend reversal confirms this change in export performance to an uptrend. This shift also hints at the craze for Korean dramas in Asia

Figure 6 Export value of broadcast programs by country (2017-2019)



Source: Created using data from the *Report on the Status of the Broadcasting Industry* (2018, 2019, 2020), KISDI

Figure 7 Share of exports of broadcast programs by region (2017-2019)



Source: Created using data from the *Report on the Status of the Broadcasting Industry* (2018, 2019, 2020), KISDI

in 2020, as well as the growth of OTT services such as Netflix that capitalized on this craze.

The rise in export value to the Americas symbolizes Netflix's influence on Hallyu broadcasting. The American continents' share

of total exports is especially worth noting ^{Figure 7}. The data show that Netflix, which played a critical role in exporting Korean broadcast video, has replaced the exports to China. Considering that Netflix increased investments in Korean content in 2020 as well, this trend is highly likely to continue.*

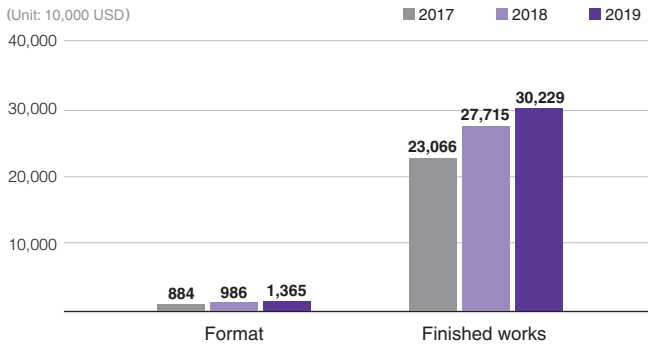
2) Expansion methods

Due to the growth of OTT services and COVID-19's influence, global OTT services became the main route for expanding Hallyu broadcasting in 2020. Regarding export classification, the export value of completed shows still comprises a prominent share ^{Figure 8}. In terms of genre ^{Figure 9}, the focus on dramas is increasing as of 2019. Combining the country-specific export value ^{Figure 6} and share of exports ^{Figure 7} examined above, the primary expansion method of Hallyu broadcasting was exports of mostly completed shows through global OTT services.

It is worth noting for export classification, that there was an increase of IP sales in format exports. ^{Figure 8} Finished works showed a CAGR of 14.48% from 2017, whereas format exports achieved almost double that at 24.26% in 2019. In particular, the inclusion of *The Masked Singer's* overseas export performance in 2019 indicates the beginning of the “diversification of export countries through formats.”

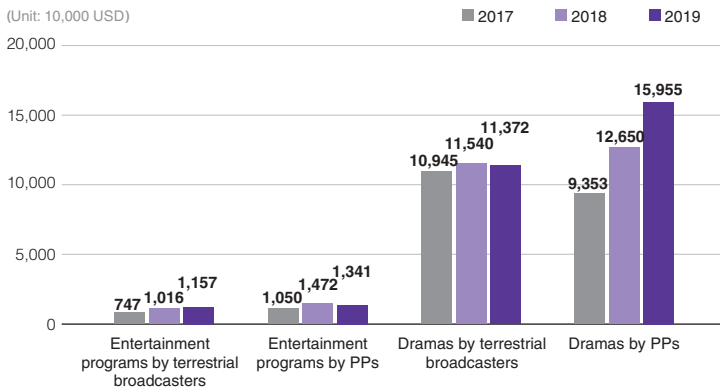
* However, if original content directly produced by Netflix increases, then methods to statistically verify these data must be considered.

Figure 8 Export value of broadcast programs by classification (finished works, time block/format) (2017-2019)



Source: Created using data from the *Report on the Status of the Broadcasting Industry* (2018, 2019, 2020)

Figure 9 Export value of broadcast programs by genre (drama, entertainment program) (2017-2019)



Source: Created using data from the *Report on the Status of the Broadcasting Industry* (2018, 2019, 2020)

Format exports also achieved meaningful results in 2020. For example, seasons 3 and 4 of MBC's *The Masked Singer* aired in 2020 and recorded high viewership (Kim Myeong-mi, 2020). CJ ENM's *I Can*

See Your Voice aired in 12 countries, including the US (September), Germany (August), and the Netherlands (October) (Lee Jae-Hoon, 2020); particularly in the US, it achieved the highest viewership rating within its time slot (Park Se-yeon, 2020). These achievements are the result of strategic choices taking into account global expansion (the global audience) during the development stage of these shows. As such, expectations are high regarding the sustainability of these strategies.

The increase in drama exports to the overall export growth cannot be overstated. Given that OTT-based drama consumption continued to increase in 2020, this trend is highly likely to continue. Attempts to export formats are also growing in the variety genre, typically disadvantageous for exports due to cultural discounts. Thus, format exports are raising expectations for positive results in the entertainment sector.

4. 2021 Forecast of Hallyu Broadcasting

1) Expected issues

If one were to describe the Hallyu broadcasting of 2020 in one word, it would be “Netflix” or “OTT.” Netflix's cumulative investment in Korean content amounted to ₩800 billion; thus, the company is

not merely a distribution channel but the most important investor in the Korean video production ecosystem (Seo Cheong-seok, 2020). Nevertheless, concerns are growing regarding the overdependence on Netflix. One key issue is that since the contracts transfer the global distribution rights of the Korean content to Netflix, good performance overseas does not lead to substantial additional revenue for Korean producers (Seo Jeong-min and Nam Ji-eun, 2020).

Another risk factor is that the Korean broadcasting industry, the core of the existing broadcasting and video ecosystem, is continuing to shrink. Many are concerned that as Netflix's domestic market share continues to rise, overseas companies may bring about a restructuring of the industry. If Korean companies produce fewer shows and the dependence on global companies increases, Korea's entertainment industry's economic self-sufficiency will weaken in the mid- to long-term, eventually losing its competitive edge. Addressing these concerns requires a careful review of the overall ecosystem along with a well-thought-out response. Efforts are needed to ensure that opportunities arising from competition among global OTT services are utilized to enhance the domestic video industry's competitiveness. Moreover, it is necessary to expand Hallyu broadcasting to include more genres other than dramas regarding genres. In this regard, the entertainment genre, in which operators are working to overcome regional limitations, deserves further attention. The year 2020 saw continued success from drama remake rights and exports of entertainment formats, which

had previously garnered attention as strategies to expand viewership beyond Asia. Operators aiming for overseas sales emerged as gameshow formats were produced, and their achievements have been continuously validated. Given the demand for gameshow formats, it is necessary to consider Korea's capability to produce content that can meet this demand.

Another significant trend is the continued interest in a new type of video content called short-form video. Especially with the launch of Kakao TV, expectations for the revitalization of the short-form video ecosystem in Korea are rising. Short-form video creators can experiment more freely with their content, thus breaking away from the rigid framework of the traditional broadcasting ecosystem. For Hallyu video content to persist in the future, the video industry needs to build a sound foundation and form strong connections with the new generation.

Most importantly, Hallyu broadcasting is now crossing the boundary of broadcasting and stepping into other channels, which requires further examination. For instance, there is uncertainty regarding how to verify the production of original content on non-broadcast platforms^{Netflix} from export statistics, as well as how to examine the Korean drama Netflix craze in Japan through statistics.

2) Directions for improvement

The COVID-19 pandemic has brought about many changes,

particularly speeding up developments that would have normally taken a couple of years. Korean broadcasting was already prepared for these accelerated changes and was able to achieve tangible results in 2020. As OTT services restructure the market, there will be more opportunities to unleash the new creative capabilities developed based on content IPs. The efforts made to innovate the video industry in the last few years are finally generating results. As such, this trend will not subside in the short term.

Entrepreneurs must also closely observe recent cases in which media companies launched services that directly distribute Hallyu content in the global market. Typical examples are NEW ID, which established Free Ad-supported Streaming TV^{FAST} channels—essentially ad-supported OTT services—or Japan’s Watcha, which launched an SVOD service.

This growth of domestic online video service providers has fueled expectations that Korean platforms will directly distribute content in the market worldwide, removing the reliance on global media. For this innovation and growth to continue, it is necessary to maintain the “well being of the domestic video industry ecosystem,” the most essential foundation for Hallyu broadcasting.

Rather than simply enjoying their oligopoly in the domestic market, video media providers must be able to grow and adapt to the changing industrial landscape. Decision-makers must support entrepreneurs working to innovate the industry and ensure that

outdated regulations and institutional limitations do not hinder the industry's dynamism. For this purpose, the institutional foundation of the entire broadcasting and video industry must be systematically restructured.

Following on the heels of K-pop, Hallyu broadcasting gave birth to the term “Hallyu” and became an illustrative case of an industrial leap through digital innovation. These disruptions in the video industry will grow even more intense in 2021.

Changes and Shocks from the Top of the World

Kim Kyung-man

Team Leader

International Exchange Strategy Team

Korean Film Council

1. 2020 Status of Hallyu in Film

1) Finished works drive Korean film exports

Korean cinema reached its highest peak of international success in February 2020. The film *Parasite* won Best Picture, Best Director, Best Screenplay, and Best Foreign Language Film at the 91st Academy Awards.

In addition to a domestic audience of 10.31 million and cinema sales of ₩87.4 billion, *Parasite* recorded total box office earnings of \$53.36 million (approximately ₩59.4 billion) in North America. This is the fourth-highest box office record of any foreign language film in North America. Its worldwide box office earnings, including North America and Korea, totaled \$258.82 million,* and it also earned considerably from secondary markets (e.g., online VOD) in early 2020. This level of success is unprecedented and will be difficult to replicate in the future.

Parasite not only won awards at the Cannes Film Festival and the Academy Awards but also achieved remarkable box office figures worldwide, alongside a growing interest in Korean cinema. The EFM held in Berlin, Germany in February 2020 can serve as a useful barometer. There was a flood of inquiries about purchasing new Korean films and the library of old films, alongside the meeting requests

* Domestic figures obtained from the Korea Film Council's Box Office Information System (<https://www.kobis.or.kr>). North American and other overseas figures obtained from Box Office Mojo (<https://www.boxofficemojo.com>).

even from Latin American distributors who had previously shown no interest in Korean cinema. However, COVID-19 has forced the Korean film industry through more challenging times than ever before.

Nevertheless, Korean film exports showed growth in 2020 despite the difficult circumstances. Exports of finished Korean films and technology services (e.g., VFX) totaled \$8,365,054, up 13.3% from 2019. This increase is meaningful because it suggests that Korean film exports, which showed consistent declines of -32.3% in 2018 and -8.2% in 2019, are back on an upward trend.

The export of finished works drove this upward movement. In 2020, exports of finished Korean films amounted to \$54.16 million, while those of services totaled \$29.45 million. As for the share of total exports, finished works comprised 64.7% and technology services accounted for 35.2%. This is a complete reversal of the trends in 2017, where exports of finished works formed 34.3% and technology services comprised 65.7%. This change is attributed to gains from the export of finished works through global OTT services, which compensated for the plunge in exports of technology services. New titles are experiencing delayed releases as cinemas remain closed due to COVID-19, in addition to a lack of titles for the overseas market. Amidst this vicious cycle, some content owners have abandoned theatrical releases in favor of OTT platforms, thus producing strong results in the export of finished works.

The export value in 2020 can be divided into the contract

Table 1 Exports of Korean films (export of finished works + export of services) over the past 5 years

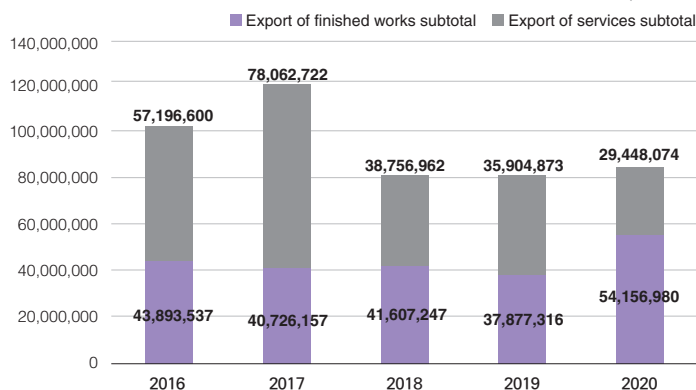
(Unit: USD)

Category 1	Category 2	2016	2017	2018	2019	2020
Export of finished works	Contract amount	30,106,468	34,771,671	37,436,403	36,276,567	51,290,400
	Local distribution revenue	13,787,069	5,954,486	4,170,844	1,600,749	2,866,580
	Subtotal	43,893,537	40,726,157	41,607,247	37,877,316	54,156,980
Export of services	Export of technology services	38,613,215	70,184,428	35,361,845	19,089,682	9,761,760
	Location incentives	18,582,623	7,878,294	3,395,117	16,815,191	19,686,314
	Subtotal	57,195,838	78,062,722	38,756,962	35,904,873	29,448,074
Total		101,089,375	118,788,879	80,364,209	73,782,189	83,605,054
Year-on-year change rate		82.1%	17.5%	-32.3%	-8.2%	13.3%

Source: KOFIC (2021). *2020 Evaluation of the Korean Film Industry*, p. 58

Figure 1 Exports of Korean films (2016-2020)

(Unit: USD)



Source: KOFIC (2021). *2020 Evaluation of the Korean Film Industry*, p. 58

amount and the local distribution revenue of existing works; the contract amount totaled \$51.29 million and additional revenue from existing works amounted to \$2.87 million, up from 2019 in both categories. Overseas sales have persisted despite cancellations and delays in major overseas film markets due to COVID-19, and the additional

revenue from existing works was also substantial.* Nonetheless, the total contract amount divided by the export volume was \$50,000 per work, down (-16.8%) from \$60,000 in 2019. This decrease likely occurred because as the lineup of new major commercial films shrank, old works unavoidably filled in the gap at comparatively low prices.

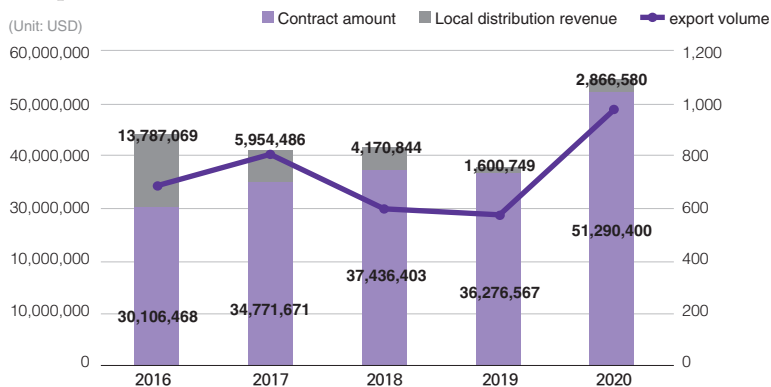
Table 2 Exports of finished Korean films (2016-2020)

(Unit: USD)

Category	2016	2017	2018	2019	2020
Total overseas sales	43,893,537	40,726,157	41,607,247	37,877,316	54,156,980
Contract amount	30,106,468	34,771,671	37,436,403	36,276,567	51,290,400
Local distribution revenue	13,787,069	5,954,486	4,170,844	1,600,749	2,866,580
Year-on-year change rate	49.4%	-7.3%	2.2%	-8.96%	43.0%
Export volume (works)	679	802	603	574	975
Average export price per film	44,339	43,356	62,084	63,200	52,606

Source: KOFIC (2021). 2020 Evaluation of the Korean Film Industry, p. 58

Figure 2 Exports of finished Korean films (2016-2020)



Source: KOFIC (2021). 2020 Evaluation of the Korean Film Industry, p. 58

* A considerable amount of revenue was likely generated from the worldwide box office of Parasite; however, CJ ENM, the distributor, did not provide these data.

Korea exported a total of 975 films in 2020. With a noticeable decline in new works, many of these exports were films that had been released in the 2000s. Of course, this is not to say that there were no sales of previously released works in the past. OTT platforms began to emerge in various regions as COVID-19 forced the global population to spend more time at home; which caused a high demand for movies to fill the supply gap of these platforms. *Parasite*'s popularity fueled curiosity about director Bong Joon-ho and demand for his previous works, leading to increased sales of much older films such as *Memories of Murder* (2003) and *Incoherence* (1994). Consequently, the export volume nearly doubled compared to the 574 works exported in 2019.

Meanwhile, the trend toward “all-rights” contracts, which give all publishing rights to the local distributor, is gradually increasing. Among all contracts signed in 2020, \$43.07 million (approximately ₩47.9 billion), or 84.0%, were all-rights contracts, up from 66.8% in 2018 and 77.2% in 2019. In contrast, only 13.8% of the contracts were for secondary rights (which exclude theatrical rights) and only 0.3%

Table 3 Comparison of the types of export copyright of finished films (2018-2020)

(Unit: USD, %)

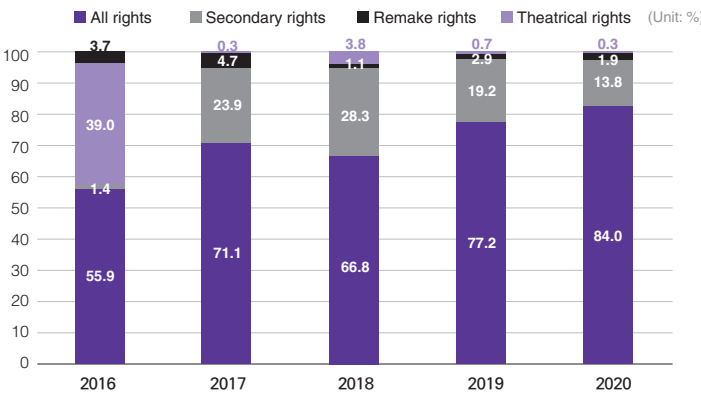
Contract copyright type	2018		2019		2020	
	Amount	%	Amount	%	Amount	%
All rights	24,992,022	66.8	28,003,695	77.2	43,067,316	84.0
Theatrical rights	1,422,900	3.8	271,000	0.7	130,600	0.3
Secondary rights	10,611,481	28.3	6,963,872	19.2	7,095,358	13.8
Remake rights	410,000	1.1	1,038,000	2.9	997,126	1.9
Total	37,436,403	100.0	36,276,567	100.0	51,290,400	100.0

Source: KOFIC (2021). *2020 Evaluation of the Korean Film Industry*, p. 61

were for theatrical rights. This trend appears to have intensified in 2020 as the cinema industry directly bore the brunt of COVID-19.

Meanwhile, sales of remake rights, another major pillar of Korean film exports, totaled \$997,000 in 2020, a comparable figure to 2019. A notable fact is that remake contracts in China comprise a substantial share. In addition to ‘genre films’ with enormous box office success in Korea like *Seven Days* and *The Swindlers*, titles that clearly blend reality with unique concepts such as *Tune in for Love* and *Microhabitat* have also secured official contracts in China, and their remakes are underway. No Korean films have had theatrical releases since the Chinese release of *Assassination* in 2016. Under these circumstances, remakes seem to be regarded as an avenue to establish Korean films in the Chinese market. Outside of China, numerous contracts for remake rights have been signed

Figure 3 Share of the types of export copyright of finished Korean films (2016-2020)



Source: KOFIC (2020). 2020 Evaluation of the Korean Film Industry, p. 62

and the remakes are underway, including *The Five* in India and *Ode to My Father*, *Wedding Dress*, *Miss Wife*, and *Always* in the Philippines and *200 Pounds Beauty* in Turkey. As both the volume and value of official contracts for remake rights are steadily increasing, Korean films with diverse reinterpretations are expected to appear worldwide over the next few years.

Exports to China had stalled due to strained diplomatic relations, but slowly opened up in the music and game sectors. Nevertheless, the export of films to China is still far off. The State Administration of Press, Publication, Radio, Film and Television, which used to be China's top culture and media regulator, was dismantled in 2018. The department for overseeing film was then moved to the Publicity Department of the Communist Party of China. Since this change, Chinese films containing both subtle and overt nationalistic sentiments have been mass-produced with government support. Thus, the government is utilizing films as a tool to control the values of its citizens. *Parasite*, released in 2019 and won the Academy Award for Best Picture in 2020, has never been officially screened or released through online services in China.

2) Technology service exports

Despite Korea's excellent technology service exports, such as VFX, which rival even Hollywood or China, exports have continued to decrease since 2017. The export value of technology services reached

\$78.06 million in 2017 has continuously declined since then, dropping to \$29.45 million in 2020 (see Figure 1). This figure shows, an 18.0% decrease from \$35.1 million in 2019, which is the lowest since tracking this statistic began.

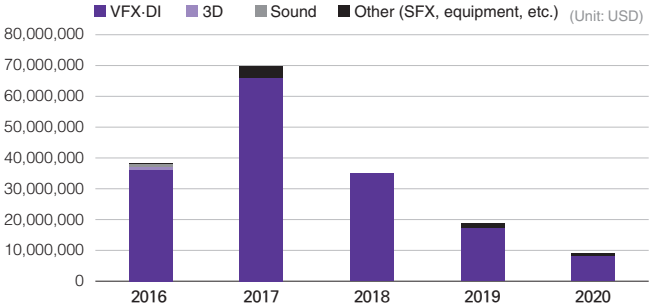
Technology service exports for Korean films are based on the export of human resources, which include computer graphics^{VFX}, color grading^{DI}, and sound and editing. These are commonly referred to as “post-production.” Expenditures by foreign media in Korea are counted as exports of technical equipment and location incentives. Based on

Table 4 Contracts for Korean film technology services by sector (2016-2020) (Unit: USD)

Category	2016	2017	2018	2019	2020
VFX-DI	36,096,838	65,953,928	35,209,595	18,423,682	9,218,042
3D	1,884,117	–	–	–	–
Sound	231,400	30,500	32,250	96,000	–
Other (SFX, equipment, etc.)	400,860	4,200,000	120,000	570,000	543,718
Total	38,613,215	70,184,428	35,361,845	19,089,682	9,761,760

Source: KOFIC (2021). *2020 Evaluation of the Korean Film Industry*, p. 63

Figure 4 Export value of Korean film technology services by sector (2016-2020)



Source: KOFIC (2021). *2020 Evaluation of the Korean Film Industry*, p. 63

the calculations, VFX and equipment were the only technology fields that displayed good export performance. Nonetheless, *Parasite*, which expertly combines sophisticated visuals and sound, was watched worldwide. Furthermore, with global OTT services distributing large-scale titles such as *Space Sweepers*, interest is growing in Korea's excellent technological capabilities and human resources in various fields.

2. Issues in Hallyu in Film

1) Shock from COVID-19

The COVID-19 pandemic swept the world over, causing the shutdown of the airline industry, the suspension of all international film festivals and other events after the Berlin International Film Festival^{Berlinale} and EFM in February, and a thereby, resulted in sudden shocking halt of exports. Movie theaters across the world also closed down. These venues were forced to close as they are classified as crowded places, causing the theatrical releases of many films to be postponed.*

Industry stakeholders briefly hoped that as people spent more time at home, the reduced movie theater attendance would lead to increased demand for online content. However, the IPTV- and cable-based online VOD market also stagnated due to the lack of new content. Instead, viewers' time was occupied by global OTT platforms,

* Meanwhile, China and Japan opened their cinemas and actively released new films, including hits such as *The Eight Hundred* and *Demon Slayer*.

which released a plethora of series of various genres and formats. Ultimately, cinema attendance reached its lowest point since the online computer tracking system began. This situation negatively impacted the value chain of Korean cinema, because cinemas are linked to secondary markets. Thus, the Korean film industry, which steadily grew despite some difficulties, eventually stagnated.

2) *Time to Hunt*: time for OTTs

The legal dispute over *Time to Hunt* in March 2020 was highly symbolic. This commercial film was directed by Yoon Sung-hyun, who graduated from the Korean Academy of Film Arts^{KAFA} and made his directorial debut with *Bleak Night*, *Time to Hunt* was eventually released after a long period of preparation and reaching mutual understanding with the young actors. It was produced by Sidus Pictures, funded and distributed by Little Big Pictures, and Contents Panda managed the overseas sales. Contents Panda is a subsidiary of NEW, a film investment and distribution company, and handles the overseas sales and distribution of films in secondary markets. Though it primarily distributes films in the lineup of its parent company, NEW, it also signs contracts for other titles and manages its sales. *Time to Hunt* was one such case.

Time to Hunt was screened at the Berlinale Special Gala in 2020. It was slated for domestic release in February 2020 shortly after its screening at the film festival, and advertising and marketing efforts had

begun. The director and actors also took to the stage at Berlinale to interact with the audience. However with the spread of COVID-19 in Korea, the film's release was postponed and its future seemed to be in jeopardy. Commercial films at the height of promotions seldom have their release postponed. Nevertheless, due to the worsening pandemic, movie theater attendance plummeted and films that had already been released such as *Intruder* and *Beasts Clawing at Straws* were rendered helpless. In addition to considerable production costs, the distributor Little Big Pictures had also shouldered expenses for marketing the film's release. Hence, they decided to sell it to Netflix, giving up on a theatrical release.

There were numerous concerns and expectations as global OTT services entered Korea. Some anticipated the emergence of new investors in the existing landscape of cinemas and distributors, as well as the possibility to showcase films with the fresh subject matter on various platforms.

However, some also feared that movie theaters, the primary channel of revenue for the film industry, would become largely irrelevant, and that an adequate profit structure could not be established by charging lower prices to watch movies on the phone or at home. Thus, *Time to Hunt*, the first Korean commercial film to be released on an OTT platform rather than in cinemas, caused quite an impact.

Little Big Pictures and Contents Panda failed to reach an

agreement on *Time to Hunt*'s release on Netflix, so the matter eventually went to court. Contents Panda filed a court injunction to suspend the film's release on Netflix. Contents Panda saw the OTT release of the film as a contract violation because they had already spent over a year negotiating and finalizing deals for the overseas sales of *Time to Hunt* and signed numerous theatrical distribution agreements. After having invested a considerable amount of time and resources into setting up the film's overseas distribution, for Contents Panda, this dispute was a matter of trust in the industry. Meanwhile, Netflix announced the release date and declared that Little Big Pictures would be responsible for the contract penalty and also requested that the overseas distribution contracts be terminated, but Contents Panda refused and filed an injunction to ban the film's OTT screening. Thus, a legal dispute broke out among Korean film companies concerning global OTT services.

As distributors pleaded their cases through the media and gave interviews, this unprecedented case in the pandemic-ravaged Korean film industry attracted widespread attention. Aside from overseas film festival entries and awards, this was the first time that the overseas distribution of a Korean film was discussed in the news on a major portal website. The court ultimately sided with Contents Panda and suspended the film's screening. The contract was settled out of court among the distributors, and the film was released later than planned on Netflix. Many believed that this incident could have been managed

more smoothly if industry officials who understood both sides of the situation showed mutual respect and communicated more effectively.

Following *Time to Hunt*, the films *Call, What Happened to Mr. Cha?*, and *Night in Paradise* also forewent theatrical releases and were distributed on Netflix. The sense of crisis in the industry particularly rose when the sci-fi blockbuster *Space Sweepers*, one of the most anticipated films of 2020, was moved to Netflix.

3) Following *Train to Busan*, the sequel *Peninsula* becomes a worldwide sensation

Cinemas worldwide that had closed due to COVID-19 have reopened with Korean films. This began with the simultaneous worldwide release of *Peninsula*. Full-scale marketing started with the news of the film being chosen for the Official Selection of the Cannes Film Festival. However, the festival was canceled due to COVID-19. Starting with Korea on July 15, 2020, *Peninsula* premiered in Singapore, Taiwan, Malaysia, and Laos, and topped the global box office over the weekend. Since all Hollywood films originally aiming for the summer season were postponed, *Peninsula* had little competition at the box office.

The film was created with a worldwide simultaneous peak summer release in mind from the planning stage. Director Yeon Sang-ho's previous film *Train to Busan* became a worldwide sensation after its screening at the Cannes Film Festival, so the same marketing strategy was used for *Peninsula*. For the latter, however, the premiere times were

precisely coordinated to minimize illegal distribution in Southeast Asia. Some argued that its release should be postponed due to COVID-19, but fortunately, it premiered during a respite in the virus's spread, achieving success both in Korea and overseas.

Indeed, from the distributor's perspective, *Peninsula* would have been an even more significant hit if it were not for the pandemic. Nevertheless, if a film carries enormous box office potential like *Train to Busan*, then its impact can be bolstered by considering various film festivals and markets from the planning stage and working closely with local distributors to ensure it is released when many people can visit the cinema. Following the success of *Train to Busan*, distributor NEW once again had a winner on its hands, thanks to a clever strategy. This is a success story that the pandemic-battered Korean film industry must not forget.

3. Major Export Countries and Expansion Routes of Hallyu in Film

With the growing size of OTT platforms globally, even borders between countries are being erased. In addition to *Time to Hunt*, which sent ripples across the market after its sale to Netflix, many titles have been or are scheduled for release under all-rights contracts with global

OTT services. The issue here is that global OTT networks cover the entire world, meaning that titles signed to global OTT services cannot be divided among continents. In 2020, 43.2% of Korean movie exports (\$22.14 million, approximately ₩24.7 billion) were classified as “other,” reflecting this problem. This includes all contracts that cover the world, such as domestic airline rights contracts and global OTT rights exports mentioned earlier.

Setting aside these statistical limitations, exports to Asia, the largest market for Korean films, amounted to about \$25 million in 2020, a decline of 8.8% from 2019. Exports to Europe totaled \$2.53 million, while those to North America dropped to approximately \$1 million. Exports to Latin America and Oceania, where the market for Korean films is relatively small, also declined.

Meanwhile, new Korean films were able to combine commercial and artistic success, generating buzz at the box office while also

Table 5 Export value of finished Korean films by region (2016-2020) (Unit: USD, %)

Region	2018		2019		2020	
	Amount	%	Amount	%	Amount	%
Asia	27,924,327	67.1	27,403,357	72.3	24,996,726	48.7
Europe	4,057,565	9.8	4,133,177	10.9	2,526,754	4.9
North America	3,313,223	8.0	3,762,036	9.9	998,600	1.9
Latin America	1,582,428	3.8	824,821	2.2	308,000	0.6
Oceania	339,644	0.8	612,478	1.6	195,620	0.4
Middle East/ Africa	92,560	0.2	121,447	0.3	126,300	0.2
Other (worldwide)	4,297,500	10.3	1,020,000	2.7	22,138,400	43.2
Total	41,607,247	100.0	37,877,316	100.0	51,290,400	100.0

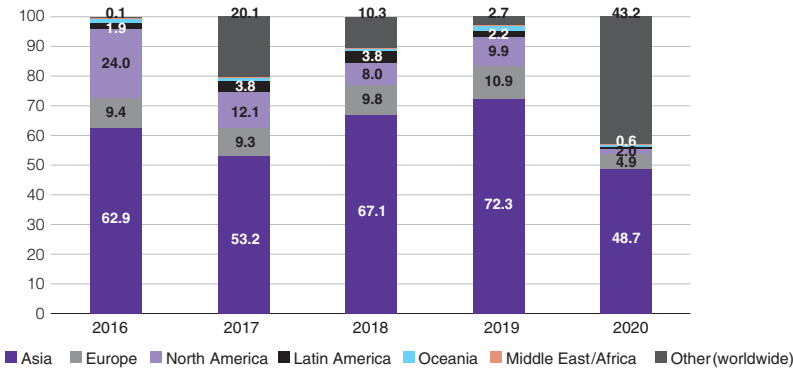
Source: KOFIC (2021). *2020 Evaluation of the Korean Film Industry*, p. 60

winning awards at overseas film festivals. Given this trend, it is difficult to conclude that the demand for Korean films declined only due to COVID-19. A more reasonable interpretation is that instability in supply made it difficult to achieve performance comparable to 2019.

Indeed, after *Parasite*'s commercial success, filmmakers involved in the sales of Korean films in not only Asia and Europe but also Latin America have expressed considerable interest in Korean cinema. Despite the disadvantages of Korean films (unfamiliar actors, subtitles) and the advantages of English Hollywood films (no subtitles), global movie watchers have accepted Korean films as attractive products that genuinely provide an entertainment experience.

Moreover, in addition to its fame from numerous awards, *Parasite* left a significant impact on the industry by providing Korean films—which formerly had only a few fans in certain regions—the

Figure 5 Export share of finished Korean films by region (2016-2020) (Unit: %)



Source: KOFIC (2021). *2020 Evaluation of the Korean Film Industry*, p. 60

opportunity to reach a large global audience.

In terms of Korean film exports by country, the exports to Taiwan were highest in 2020—\$7.9 million, or 14.6% of total exports. Films featuring actors familiar to Asian audiences (such as *Seo Bok*, *The Closet*, and *Collectors*) were sold at comparatively high prices. Companies that reliably distribute Korean films locally entered all-rights contracts, including theatrical distribution rights. Japan maintained its second-place position with exports of \$3.77 million (approximately ₩4.2 billion). Commercial films featuring leading Hallyu actors, including *Bargaining* (Hyun Bin), *Ashfall* (Lee Byung-hun), *Deliver Us from Evil* (Lee Jung-jae), and *The Closet* (Ha Jung-woo), sold for over \$200,000.

The market for Korean film exports has been well established in Japan; though the market has somewhat weakened compared to when films were occasionally sold for over \$1 million, a considerable number of titles are still being consistently being sold.

However, export contracts planned for major export countries have been delayed due to the postponed releases of many new Korean films. Since Korean film cannot be released overseas until it is also released in Korean cinemas, distributors do not need to rush into a contract. Previously, distributors would race to claim the arrangements for highly competitive titles, but as offline markets vanish and business moves online, many are factoring in the COVID-19 situation as they pursue contracts.

Korean film exports to China in 2020 are worth noting. While

comprising only 4.5% of the total, they nearly doubled from 2019, reaching \$2.45 million (approximately ₩2.7 billion). Though local cinemas are not screening Korean films due to the diplomatic situation, secondary and remake rights have been exported to China. This reflects anticipation for the future market as the strained diplomatic relations gradually improve through communication between the two heads of state.

US exports totaled \$990,000 (approximately ₩1.1 billion), a decline of 70% from \$3.3 million (approximately ₩3.7 billion) in 2019. The ripple effects from *Parasite* did not lead to a sequel. This is because new commercially targeted titles could not be released due to COVID-19, and the purchasing of new titles inevitably slowed due to local cinema closures. Nevertheless, it is notable that Bong Joon-ho's 2003 film *Memories of Murder* and 1994 short film *Incoherence* were

Table 6 Export performance of finished Korean films by country (2018-2020) (Unit: USD, %)

Rank	2018			2019			2020		
	Country	Amount	%	Country	Amount	%	Country	Amount	%
1	Taiwan	7,153,277	17.2	Taiwan	8,808,544	23.4	Taiwan	7,903,100	14.6
2	Hong Kong	6,075,720	14.6	Japan	4,710,691	12.5	Japan	3,770,750	7.0
3	Japan	4,591,124	11.0	US	3,367,488	9.0	China	2,448,126	4.5
4	China	3,934,860	9.5	Singapore	2,775,276	7.4	Hong Kong	1,544,500	2.9
5	US	3,319,603	8.0	Hong Kong	2,022,443	5.4	Vietnam	938,000	1.7
6	Singapore	2,871,726	6.9	France	1,245,054	3.3	Indonesia	676,900	1.2
7	Spain	1,158,017	2.8	China	1,169,500	3.1	Thailand	598,500	1.1
8	Vietnam	1,121,508	2.7	UK	744,432	2.0	Philippines	491,000	0.9
9	Philippines	670,400	1.6	Indonesia	704,800	1.9	France	416,200	0.8
10	Germany	624,567	1.5	Vietnam	455,742	1.2	Singapore	209,750	0.4

Source: KOFIC (2021). *2020 Evaluation of the Korean Film Industry*, p. 61

among the exported titles.

Interest in *Parasite*'s director and his previous works rose dramatically in the US following its success. Particularly, *Memories of Murder* was released in cinemas for the first time in the US, 16 years after its release in Korea. Of course, cinema attendance was limited due to COVID-19; nonetheless, it was simultaneously released online in the US and achieved another "*Parasite*" effect. Criterion, the best-known Blu-ray distributor in the US and the rest of the world, released special edition Blu-rays of *Parasite* and *Memories of Murder*, which also included *Incoherence* as a bonus. This case demonstrated the commercial effects of a well-preserved film library. Had Bong Joon-ho's previous works not been digitally remastered or preserved adequately due to being older films, there would have been no opportunity to reintroduce them commercially in the future.

Pororo 6: Dragon Castle Adventure's sale to HBO in the US is also noteworthy. With families spending more time at home due to COVID-19, the demand for animation content that they can watch together is anticipated to rise steadily. However, few theatrical animated films that can satisfy this demand are being made. Thus, due to viewers' familiarity with the characters, established animation content has substantial potential for overseas expansion.

4. 2021 Forecast of Hallyu in Film

1) Korean films post-pandemic?

COVID-19 has directly impacted the core and essence of the cinematic experience. The pandemic has endangered the culture of viewing films: a large group of people in a space specifically designed for watching films. Going to the movies, an activity once casually enjoyed by couples and families on weekends and holidays, has now become a dangerous recreation. On the one hand, this change has expanded the definition of a film beyond “a video depicting a narrative that can be watched in a cinema during a certain period for a fee.” In that case, what is a film? Even while sidestepping this existential question, the industry has failed to solve audience-starved cinemas. The time has come to reexamine the basis of the film industry, which was established based on and has depended on cinemas. Lacking a clear answer to this question, the industry has chosen to hold on to funds or divert them to OTT platforms. Distributors have sought refuge through OTT services or endlessly pushed back release dates hoping that the pandemic will subside or disappear. However, commercial films created according to trends and with a large target audience can only be postponed for so long, which applies to fund circulation. Due to the government’s COVID-19 prevention policies, movie theaters that have provided breathtaking cinematic experiences to audiences with excellent facilities must now manage with reduced screenings, and they

are struggling to attract moviegoers due to the lack of new films. Under these constraints, movie theaters are shutting down one after the other, reasoning that closing operations is the best course of action in the present circumstances.

How can audiences be brought back to the cinema? The optimistic view is that former moviegoers stuck at home will return to cinemas, and that titles with high box office potential will continue to attract audiences. Conversely, some pessimistically believe that former audiences will abandon the typical weekend itinerary of modern urbanites—shopping at the mall, eating out, and then going to the movies—in favor of the personalized movie experience of watching OTT content at home with delicious take-out. Two trends are clear: the conventional view that “films can only truly be recognized as films when screened in a cinema” has begun to fade, and movie theater attendance is rapidly declining.

2) Are OTT services the saviors of Korean cinema?

Whereas the above-described *Time to Hunt* incident exposed Korean cinema’s bewilderment in the face of the COVID-19 pandemic, the ripple effects of *Space Sweepers*, which was released on Netflix not even a year later, clearly demonstrated that the paradigm of movie-watching had already shifted. As soon as *Space Sweepers* was released on Netflix in February 2021, it topped the movie rankings in 26 countries, including France and Korea (Kim Soo-hyun, 2021). This sci-fi film, which always

presented a challenge for Korean cinema, boasted spectacular VFX and special effects and was initially planned for a summer release. *Space Sweepers* was produced by Bidangil Pictures and distributed by Merry Christmas. Its premiere was postponed as the pandemic wore on and movie theater attendance plummeted, and after much deliberation, the distributor decided to release it on Netflix. Merry Christmas's choice to abandon a theatrical release is understandable given that it minimized the risk of box office failure. Nevertheless, it is still regrettable considering the film's potential.

From a different perspective, however, a release on a global OTT platform may be the best option to enter overseas markets. This is because after a simultaneous worldwide release, more audiences can watch the movie on a single platform regardless of time. This can play a huge role in promoting the actors, director, and production team as well as expanding their future activities to overseas markets.

Meanwhile, users can conveniently watch the film on any device that supports the OTT platform, such as a smartphone, tablet, or PC. In this regard, however, user experience greatly varies with the device's performance (e.g., screen and sound quality), and small screens cannot provide the same breathtaking cinema experience intended when the film was planned and directed. It is likely that while watching visually spectacular films on OTT, many viewers think about how much more enjoyable the film would be in a cinema.

The shift towards OTT services of Korean commercial films

is expected to continue in 2021. The development and rollout of COVID-19 vaccines is good news but it will take some time for the economy to recover and for people to resolve their mental discontent caused by the pandemic. Distributors can no longer wait for cinemas to reopen because they must release new films and collect admission fees to cover costs. Some highly anticipated titles that have already finished production or are still being filmed will screen on Netflix, and many projects are yet to be publicized.

Thus far, Korean film exports have been calculated based on overseas sales contracts, mainly in film festivals and film markets; however, these export statistics cannot account for all Korean film exports. As many films are heading to the global OTT services, stakeholders must reexamine how to calculate exports generated via online services.

3) The light at the end of the COVID-19 tunnel

Until now, film export contracts were chiefly made through film festivals and film markets. Notably, even before COVID-19, many contracts emerged from e-mail correspondence with local distributors who had been consistently distributing Korean films rather than from in-person meetings. Therefore, although COVID-19 has put a damper on the vibrancy of face-to-face meetings, businesses did not experience major difficulties incorporating video conferencing. The most significant issue is that the lack of new movie releases has drastically

reduced the lineup of Korean films to sell overseas. Every country is struggling from COVID-19. However, Korea is one of the few countries consistently producing films and other video products while still following prevention guidelines. Though the scale and number of titles have slightly declined, the industry continues to produce titles that can be distributed overseas. Domestic cinema releases, overseas markets, and film festivals are all intertwined, so no party can move too hastily. Nevertheless, if the industry can endure current hardships and make it through the pandemic, then even in the post-COVID era, Korean films will become essential products that garner attention in the global market.

Hallyu Music in the COVID-19 Era: Crisis, Triumph, and Remaining Tasks

Lee Gyu-tag

Professor, College of Arts & Science,
George Mason University-Korea

1. 2020 Status of Hallyu in Music

1) Growth of music exports: slightly slower but steady

The number of people who perceive K-pop as Korea's representative cultural product has steadily grown over the past three years (Korean Foundation for International Cultural Exchange [KOFICE], 2020, p. 9). This is a consequence of the K-pop industry's global expansion that began in the mid-2010s. BTS claimed the title of the world's most popular music group in 2017, and since then, K-pop's international fanbase has been growing. Exports in the music industry have also shown annual growth in the double digits.^{Table 1}

Table 1 Current Status of Exports and Imports in the Music Industry (Unit: thousand USD, %)

Category	2016	2017	2018	Year-on-year rate of change	Average annual rate of change
Export value	442,566	512,580	564,236	10.1	12.9
Import value	13,668	13,831	13,878	0.3	0.8
Difference between exports and imports	428,898	498,749	550,358	10.3	13.3

Source: KOCCA (2020a). *2019 White Paper on the Music Industry*, p. 118.

2) Spread of Hallyu in music

Ever since Hallyu music began to spread outside of East Asia starting in the mid-2010s, K-pop has been considered Korea's most representative cultural product and is synonymous with Hallyu in most parts of the world. According to KOFICE's *2020 Survey on Overseas Hallyu Status*, K-pop topped the list of "images that come to mind for Korea" at

18.5%, and this value has steadily risen over the past three years. K-pop ranked first in all regions, including not only Southeast Asia (Thailand, Indonesia, Malaysia, etc.), the Americas (US, Brazil, etc.), and Europe (France, UK, etc.) but also the Middle East and Africa. ^{Table 2} Hallyu and K-pop are nearly synonymous worldwide demonstrates the enormous spread of Hallyu music. Notably, more than 70% of the respondents chose K-pop as the representative Hallyu content in some countries. ^{Table 3}

Table 2 Images that Come to Mind for Korea

(Unit: %)

	Asia	Americas	Europe	Middle East	Africa	Average
K-pop	19.6	24.9	14.4	14.3	12.0	18.5
Korean food	15.6	8.5	7.6	10.5	6.5	12.2
Dramas	10.9	3.0	4.5	7.5	1.5	7.8
IT industry	6.5	5.8	7.9	11.5	11.8	7.3
Hallyu stars	7.9	3.0	3.3	5.8	1.8	5.8

Source: KOFICE (2020). 2020 Survey on Overseas Hallyu Status, reconstructed from p. 9.

Table 3 Cultural Content Perceived as Hallyu

(Unit: %, multiple response)

	Asia	Americas	Europe	Middle East	Africa	Average
K-pop	63.0	60.2	51.2	47.5	53.3	58.7
Dramas	60.1	41.3	36.1	45.5	45.5	50.9
Film	50.4	42.3	40.6	43.8	53.0	47.0
Korean food	47.1	39.1	36.6	40.3	49.3	43.5
Fashion	46.9	37.4	37.9	38.3	47.8	43.3
Beauty products	43.0	29.3	31.7	36.5	31.3	37.8
Entertainment programs	42.6	27.1	27.5	35.5	42.8	36.9

Source: KOFICE (2020). 2020 Survey on Overseas Hallyu Status, reconstructed from p. 13.

2. Issues in Hallyu in Music

1) BTS tops Billboard 200: Two paths to globalization

BTS has been considered the world's most popular music group since winning "Top Social Artist" at the 2017 Billboard Music Awards.* Their fourth full-length album *Map of the Soul: 7* and seventh EP *BE*, both released in 2020 and topped the Billboard 200, Billboard's main album chart.

This was a momentous achievement as it was BTS' fifth consecutive album to top the Billboard 200, the fastest record for a non-solo group since The Beatles in the 1960s.**

BTS again made history in 2020 when two of their songs topped the Billboard Hot 100, a comprehensive chart for singles. This boy band has enjoyed immense popularity with consecutive chart-toppers on the Billboard 200 & Billboard Hot 100 and with consistent Top 40 singles, a standard for hit songs. Nevertheless, K-pop's influence on the Billboard charts has waned since the mid-2000s due to changes in the dynamics of the global music industry and the diversification of musical tastes (Lee Gyu-tag, 2016). Even so, before BTS, no K-pop song had ever been a Billboard Hot 100 chart topper, a position given to the most

* BTS has won this award for four consecutive years from 2017 to 2020.

** The Beatles released five albums that topped the Billboard 200 in two years and five months (July 1966 to December 1968). BTS' five chart-topping albums were released in two years and six months, from May 2018 to November 2020.



Figure 1 BTS released two Billboard Chart-topping albums in 2020

Source: JoongAng Ilbo (<https://news.joins.com/article/23933159>)

popular song in both the US and the world. Before BTS, the 2012 worldwide sensation *Gangnam Style* had come close to topping the chart but could not quite make it and remained in the second position for seven consecutive weeks. For many years after that the number one position remained elusive to K-pop. However, this changed in August 2020, when BTS released *Dynamite* and made history by debuting at number one.

The debut of *Dynamite* at number one is a meaningful achievement that will be recorded in the history of not only BTS and K-pop but also the South Korean music industry. The song remained at number one for two consecutive weeks after its debut and then climbed back to number one in the fifth week, thus spending a total of three weeks at the top. It also spent over 20 weeks in the top 20, indicating

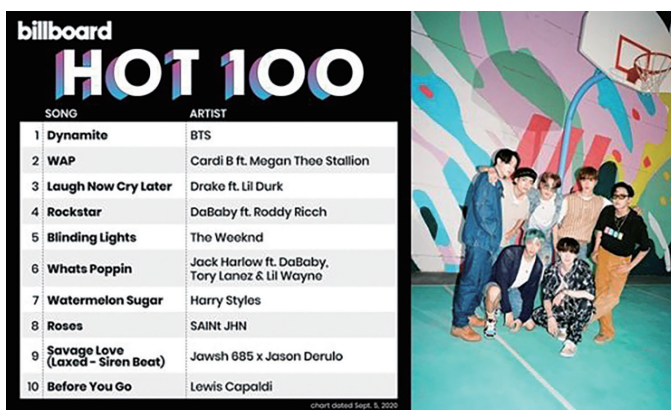


Figure 2 “Dynamite” tops Billboard Hot 100

Source: Financial News (<https://www.fnnews.com/news/202009021005496333>)

its continued popularity among countless listeners. BTS once again topped the Billboard Hot 100 with the b-side *Life Goes On* from their album *BE* released in November, making 2020 a monumental year in K-pop history.

Interestingly, *Dynamite* and *Life Goes On* are examples of a K-pop artist (group) and agency successfully implementing two conflicting approaches to enter the global market. In *Dynamite*, the lyrics are all in English, a departure from BTS’ singles up to that point. They also utilized a highly aggressive marketing strategy, releasing various remixes simultaneously with its release and pricing digital singles lower than average singles.* The song was also well-received by overseas listeners for its retro disco style, which is currently popular in the US and worldwide. This is a case of the “odorless culture” strategy;

* The digital singles, generally priced at \$1.29, were sold for \$0.69.

rather than emphasizing Korea's local cultural characteristics, the agency actively created music that reflects the tastes of overseas audiences and employed various marketing methods commonly used in the local regions (Iwabuchi, 2004).

In contrast, *Life Goes On* has Korean lyrics like other BTS songs and did not use a marketing strategy targeting local audiences as actively as *Dynamite*. This is an example of the “cultural fragrance” strategy; rather than attracting overseas fans through universal appeal, it highlights the characteristics of K-pop that distinguish it from global pop music (Lee Gyu-tag, 2019). Hence, whereas *Dynamite* ascended the rankings on numerous local radio stations and became a universal hit, *Life Goes On* was ranked first with the overwhelming support of BTS and K-pop fans. *Life Goes On*, in particular, ranked higher than what many fans and experts expected, once again showing BTS' strong fanbase.

Thus, BTS' success in the US in 2020 was the result of a suitable combination mix of opposing approaches to enter the overseas market. Two other cases in Hallyu music from 2020 demonstrate both global appeal and the uniqueness of K-pop: the boy group Monsta X released the English album *All About Luv* along with their Korean album as part of a localization strategy for the US market, climbing to number five on the Billboard 200; and the all-girl group Blackpink released a full-length album *The Album* simultaneously with a Korean album in collaboration with American pop star Lady Gaga, reaching number two on the Billboard 200.

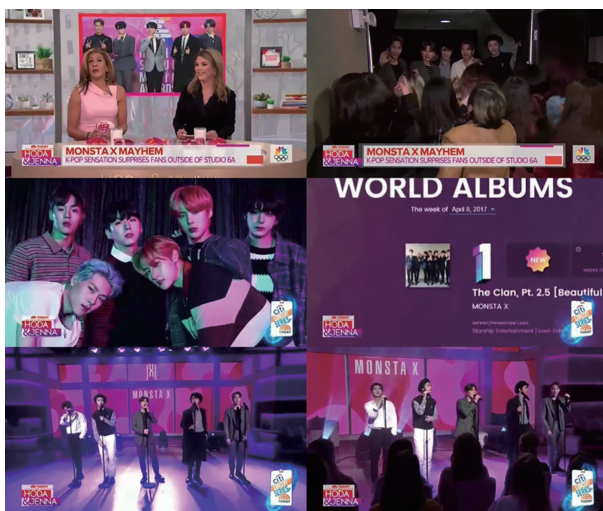


Figure 3 Monsta X appears on the US “The Today Show” directly after releasing album *All About Luv*

Source: Yonhap News (<https://www.yna.co.kr/view/AKR2020022117400005>)

2) Online performances in the COVID-19 era: “Untact” or “Ontact”

The Korean music industry has suffered massive losses from the COVID-19 pandemic as large-scale events were either downscaled or canceled. The impact was especially severe on K-pop agencies, singers, and other labels and musicians who generate revenue by meeting fans and performing overseas due to K-pop’s globalization. The total loss to the Korean music industry in 2020 was estimated at 140 billion (Kim Su-jeong, 2020). Most of this is attributed to cancellations and indefinite postponements of concerts. BTS temporarily suspended their ambitious world tour they had been preparing for since releasing their new album, and other major K-pop groups such as SEVENTEEN and

TWICE followed suit. Given the uncertainty of profits from album sales, industry participants highly dependent on performances—small- and medium-sized agencies, indie labels, and their artists—faced an even greater crisis. Some even suspended activities or disbanded. For example, Spectrum, a six-member boy group active under WYNN Entertainment for two years, and Girls' Alert, a five-member girl group active under Roots Entertainment for three years, disbanded because COVID-19 made it impossible to produce albums or continue activities. Many other groups have gone on an indefinite hiatus.

Amid this crisis, the large entertainment agencies leading Hallyu (SM, JYP, and Big Hit) held online concerts for domestic and overseas fans eager for performances. They also worked to differentiate



Figure 4 Girl group Girls' Alert disbands due to COVID-19

Source: Korea Economic Daily (<https://www.hankyung.com/entertainment/article/202004245799H>)

these online concerts from their offline counterparts using various technologies. In April 2020, SM held real-time online concerts through the *Beyond Live* series in partnership with Naver, featuring widely popular K-pop groups representing SM and Hallyu such as SuperM, NCT, TVXQ, and Super Junior. Since their world tour in 2020 was canceled, the JYP-owned girl group TWICE also held an online concert through *Beyond Live*. The reception was extremely positive, with about 80,000 fans participating in the online chat (Park Pan-seok, 2020).

These online concerts held by large K-pop agencies represent a new model for online performances in the COVID-19 era. At the 2020 Content Industry Forum hosted by KOCCA, SM Department Head Jo Dong-chun explained the thought process behind some of



Figure 5 TWICE holds online concert “Beyond LIVE – TWICE: World in A Day”

Source: *The Chosun Ilbo* (http://www.chosun.com/site/data/html_dir/2020/08/09/2020080900988.html)

the decisions that went into *Beyond Live*: “We chose Sunday 3:00 pm for the performance time considering the worldwide audience and the artists’ health. We also provided subtitles in various languages to avoid alienating fans focused on creating a sense of realism of being in the same place as the artists at the same time, and allowed communication with fans through real-time Q&A.” He also noted the use of state-of-the-art technologies such as VR and advanced computer graphics and predicted that online concerts would emerge as a new performance format breaking through the constraints of time and space. Big Hit’s concert series *Bang Bang Con* (a play on the Korean word *bang*, meaning “room,” and the group’s Korean name, Bangtan Sonyeondan) had over 993,000 viewers from 191 countries, which comprised footage from past performances and online-only performances streamed real time. Numerous other artists such as (G)I-DLE, IZ*ONE, The Boyz, Lovelyz, Stray Kids, and Pentagon also held online concerts and meetings with domestic and overseas fans. Award ceremonies such as the Mnet Asian Music Awards^{MAMA} and Melon Music Awards^{MMA} were also held online. These ceremonies utilized cutting-edge technology and special effects employing AR, 3D stereophonic sound, and XR^{eXtended Reality} to complement the online format.

These various attempts, a part of the “ontact”^{online contact} movement, are providing new ways to connect and communicate in the “untact”^{non-face-to-face} era. Even after the pandemic subsides and offline performances resume, the experience, and expertise amassed



Figure 6 Online concerts of BTS, (G)I-DLE, and Super Junior

Source: NoCut News (<http://www.nocutnews.co.kr/news/5468214>)

from online events in 2020 are expected to provide a new format for online performances moving forward. This will enable Hallyu music to diversify, expanding from its reliance on offline performances to include online events. Nevertheless, scholars note that this trend is limited to large entertainment companies with significant resources (Kim Tae-won, 2020).

3) K-pop actively speaks out on global issues

The year 2020 will be remembered as when K-pop began to actively speak out on global social issues. K-pop fans and artists took an active role in the Black Lives Matter^{BLM} movement and US presidential election, the most critical social and political issues in the US in 2020. They also spoke about environmental issues, which many now recognize its severity. Furthermore, K-pop was often used to bring attention to these movements.

BLM, a term widely known since 2012, refers to a social movement against violence and racism toward blacks and other

ethnic minorities in the US. The movement gained renewed attention after the death of George Floyd in May 2020.* Not only did black Americans support the movement by sharing BLM-related hashtags on their social media accounts, but also countless others worldwide. NBA players have also shown support during games by wearing jerseys with the BLM phrase instead of their name. Global pop stars including Ariana Grande, Rihanna, and Lady Gaga also joined the movement. K-pop artists and bands such as Jay Park, GOT7 member Mark, and BTS supported the movement with substantial donations to black human rights organizations. Notably, BTS demonstrated their positive influence by donating \$1 million, to which their fan club ARMY raised and donated the same amount.

Meanwhile, Blackpink posted the video *CALLING ALL BLINKS: CLIMATE ACTION IN YOUR AREA!* on their official social media accounts to raise their fans' awareness of climate change and to encourage them to join the global movement to protect the environment.** It is highly unusual for K-pop artists to speak out on such issues actively. These are examples of celebrities confronting various issues whose influence extends beyond Korea and East Asia.

These actions by K-pop stars clearly carry the intention to satisfy

* In Minneapolis, USA, a white police officer used excessive force and ultimately killed an unarmed black man. A video was shared on social media of the white police officer pressing his knee into George Floyd's neck, and the latter pleading that he could not breathe. The video sparked outrage from Americans and the rest of the world.

** <https://youtu.be/jj4lo6PC68s>



Figure 7 Blackpink's Rosé encourages fans to take part in climate change response

Source: Blackpink Official YouTube Channel (<https://youtu.be/DXKt8c0Kac>)

their primary fan base, the “Global Generation Z.” This is because Generation Z’s main concerns are racial and environmental issues. An essential characteristic of K-pop is that, unlike other global pop music genres, fans actively voice their desires to artists, and the artists and agencies listen to them and faithfully reflect their opinions (Lee Gyu-tag, 2020).

In 2020, global K-pop fans intervened in real-world political issues, displaying their cohesion and ability to act in the digital age. Seeking to derail the US President Donald Trump’s campaign rally in June 2020, K-pop fans utilized the popular social media platform TikTok to hold a “No Show” movement: they registered for the rally and then did not show up. As a result, Trump’s Oklahoma rally recorded only 6,000 attendees, a far cry from the expected turnout of over 1 million (BBC, 2020).

TWICE’s song *Feel Special* was used to celebrate the victory of

the new US President Joe Biden and symbolize the opposition against Trump and Girls' Generation's *Into the New World* became a marching anthem for anti-government protesters in Thailand (Kim Ji-Hye, 2020). These events were the first time that K-pop fans actively participated in political issues rather than general social issues. This signifies that K-pop, an industry traditionally reluctant to intervene in sensitive political issues, can influence a variety of important issues in the future.

K-pop is a rare case of a non-Western, non-English music genre growing into a global pop genre on its own, without the support of those who dominate global mainstream culture. K-pop has become a cultural symbol of the non-mainstream and minorities worldwide due to its social and cultural background, regardless of its lyrics or the artist or agency's intention. (Lee Gyu-tag, 2020)

Nevertheless, some fans and industry participants worry about K-pop adopting a particular political tendency. They feel that this may weaken K-pop's scalability and introduce unnecessary biases. If the politicization of K-pop and its fandoms is unavoidable, then artists and agencies must thoroughly reflect on such issues and understand the current landscape. Moreover, the freedom to express one's opinion must also be ensured.

4) Controversy over withheld music royalties

As COVID-19 rendered in-person performances and fan signs all but impossible, communication between artists and fans migrated online. Fans were able to see their favorite artists through online media platforms, watching music videos and related content, and purchasing physical albums. Indeed, global audiences' use of the Internet has dramatically risen since the spread of the pandemic in January 2020, with significant increases in the time spent on Netflix and YouTube (Yoo Geon-sik, 2020; Ham Min-jeong, 2020). Given that Hallyu music's distribution channels are online and mobile platforms like YouTube, the consumption of Korean music content, primarily K-pop, also saw a huge increase during this period.

However, many doubt that the royalties generated through these Internet media platforms are being properly distributed to the domestic music industry. For example, Netflix currently pays about 2.5% of sales from domestic music content to the Korea Music Copyright Association^{KOMCA} as royalties; stakeholders have constantly argued that the performers (e.g., singers) are paid little compared to the revenue generated by the platform. This is because the music copyright landscape has become highly complex due to the diversification of digital music, streaming services, and platforms, unlike the traditional environment where music was distributed in physical album units (KOCCA, 2020). Even domestic OTT operators sparked controversy by not paying royalties for the use of musical works (Choi Won-woo, 2020).

2020, the MCST, Music Industry Development Committee, KOMCA, and OTT operators discussed establishing an appropriate royalty fee structure. Royalties in the music industry are economic compensation provided to creators, and they must be guaranteed as a right to ensure that high-quality music is continuously produced. The discussions on this issue are critical and directly related to the future of Hallyu music.

3. Major Countries and Routes of Hallyu in Music

1) Overseas expansion of Hallyu music by region

The Korean music industry's exports have been highly dependent on the Japanese and the Greater Chinese market (China, Taiwan, and Hong Kong) since the early and mid-2000s when Hallyu spread throughout these regions. However, since the mid-2010s, when Hallyu music began to spread outside East Asia, the share of exports to Japan and Greater China has gradually declined. In contrast, exports to other markets, particularly Southeast Asia and North America, have significantly increased. Exports to the North American market rose considerably by 30.8% compared to 2019, indicating an average annual growth rate of 84.3%. ^{Table 4}

Overseas audiences cited that the key factors fueling Hallyu's popularity were excellent musical elements ("melody, rhythm, dance," etc.) and the artists' individual charm ("amazing visuals and fashion,"

Table 4 Music Industry Export Values by Region

(Unit: thousand USD, %)

Year Region	2016	2017	2018	%	Year-on-year rate of change	Average annual rate of change
Greater China	98,362	109,931	111,962	19.8	1.8	6.7
Japan	277,292	320,599	367,335	65.1	14.6	15.1
Southeast Asia	55,876	64,737	69,386	12.3	7.2	11.4
North America	2,105	5,468	7,151	1.3	30.8	84.3
Europe	6,247	8,552	7,038	1.2	-17.7	6.1
Other	2,684	3,294	1,364	0.2	-58.6	-28.7
Total	442,566	512,580	564,236	100.0	10.1	12.9

Source: KOCCA (2020a). *2019 White Paper on the Music Industry*, p. 118

etc.). “Korean lyrics” and “artists’ excellent fan management” were also significant contributors to its popularity.^{Table 5} Whereas musical characteristics are universal elements, the artists’ individual charms, Korean lyrics, and fan management reveal K-pop’s uniqueness. This suggests that the factors influencing Hallyu’s popularity are a combination of universality and uniqueness.

Table 5 Popularity Factors of Hallyu Music

(Unit: %)

Year Region	Excellent musical elements (dance, melody, rhythm, etc.)	Artists’ individual charms (visuals, fashion, style, concepts, etc.)	Uniqueness of Korean lyrics (including harmony with English)	Artists’ fandom management
Asia	43	36.3	15.2	4.8
Americas	42.2	32.9	17.8	6.7
Europe	44.3	28.6	20.1	5.7
Middle East	38.6	35.7	13.9	7.9
Africa	37.8	33.2	23.7	4.7
Average	41.2	33.3	18.1	6.0

Source: KOFICE (2020). *2020 Survey on Overseas Hallyu Status*, reconstructed from p. 32.

2) Methods of overseas entry of Hallyu music

The domestic music industry enters overseas markets through two avenues: export of finished goods (70.6%) and licenses (29.0%).^{Table 6} The export of finished goods and licenses did not significantly differ from 2019. Physical album sales, which comprise a substantial share of the export of finished goods, rapidly increased from 2019. According to Gaon Chart Senior Researcher Kim Jin-woo (2020), the total sales of the top 400 albums reached about 40 million copies, up 64% from 25 million copies in 2019. Most of this growth is attributed to overseas exports.

Seven artists sold over 1 million copies in 2020 (BTS, SEVENTEEN,

Table 6 Overseas Entry of Music Industry

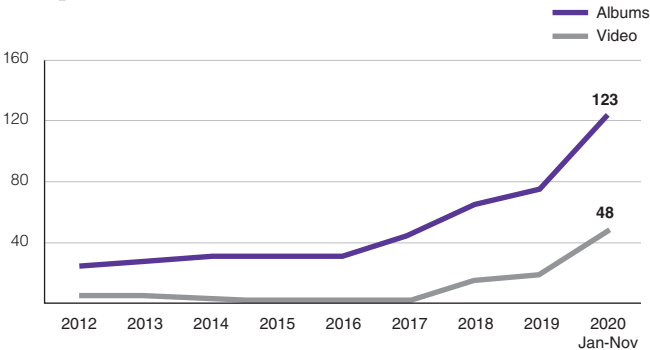
(Unit: %)

Category	2016	2017	2018	Year-on-year rate of change
Exports of finished goods	71.5	71.6	70.6	-1.0
Licenses	28.5	28.4	29.0	0.6

Source: KOCCA (2020). *2019 Content Industry Survey*, p. 119.

Figure 8 Export Value of Physical Albums

(Unit: million USD)

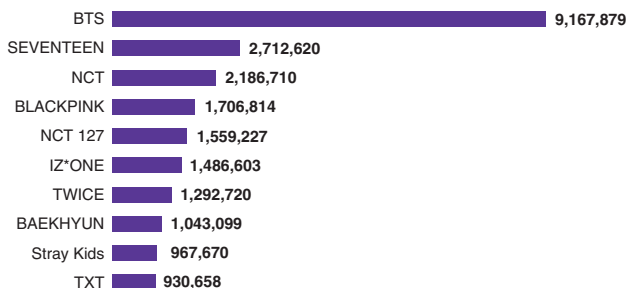


Source: Kim Jin-woo (2020). *Album Sales Review*, Gaon Chart (http://gaonchart.co.kr/main/section/article/view.gaon?idx=18067&sgenre=opinion&search_str=)

NCT/NCT 127, Blackpink, IZ*ONE, TWICE, and Baekhyun), among which BTS achieved monumental sales of nearly 10 million. Notably, in 2019, TWICE was the only K-pop girl group that ranked in the top 10 album sales, but Blackpink and IZ*ONE joined them in 2020.

Compared with 2017, the share of album exports to Asia decreased (92.6% → 75.8%) and that to North America (5.3% → 14.2%) and Europe (1.8% → 8.1%) increased. This demonstrates the Hallyu music market's expansion, which has been accelerating since the historical success of BTS. ^{Table 7}

Figure 9 Top 10 Total Album Sales of 2020 (Unit: albums)



Source: Kim Jin-woo (2020). *Album Sales Review*, Gaon Chart (http://gaonchart.co.kr/main/section/article/view.gaon?idx=18067&sgenre=opinion&search_str=)

Table 7 Export Value and Share of Physical Albums by Region

(Unit: thousand USD, %)

	Asia	North America	Europe	Other
2017	40,906(92.6)	2,329(5.3)	784(1.8)	164(0.4)
2018	54,839(85.2)	5,399(8.4)	3,681(5.7)	481(0.7)
2019	57,560(77.2)	9,068(12.2)	6,850(9.2)	1,115(1.5)
2020	93,530(75.8)	17,500(14.2)	9,956(8.1)	2,416(2.0)

Source: Kim Jin-woo (2020). *Album Sales Review*, Gaon Chart (http://gaonchart.co.kr/main/section/article/view.gaon?idx=18067&sgenre=opinion&search_str=)

4. 2021 Forecast of Hallyu in Music

1) Policies to sustain Hallyu in the prolonged COVID-19 era

Although COVID-19 vaccinations began in some countries starting in early 2021, many experts predict that it will be difficult for the world to return to normalcy until at least the second half of 2021. This means that face-to-face activities in the music industry, such as performances, events, and fan signs, will be either impossible or severely limited. Overseas tours, a vital component of Hallyu music, will likely pose a challenge throughout 2021. Consequently, similar to 2020, online platforms will likely remain the only option for overseas audiences to meet and communicate with artists in 2021.

Unlike 2020, when the industry was completely unprepared to abruptly transformed landscape due to the unprecedented global pandemic, companies in 2021 have had time to prepare for and become accustomed to the challenges posed by COVID-19 through their experiences over the past year. Moreover, these companies expanded their knowledge and expertise related to online performances and fan meetings via trial-and-error throughout 2020. However, as mentioned earlier, only a handful of large agencies and labels possess the financial and planning resources to provide high-quality online performances and events that can satisfy fans.

Koh Geon-hyuk (2020), CEO of the indie label Bunga Bunga Records says that, the domestic indie music industry generates most

of its revenue from domestic and international performances. Since the pandemic, these income sources have largely evaporated. However, small- and medium-sized K-pop agencies lack opportunities and the ability to hold online paid concerts. Furthermore, many audiences still feel reluctant to pay a fee to view content online. Companies must therefore provide differentiating content to attract willing audiences, but small- and medium-sized agencies lack this capacity. Consequently, many online concerts suffer from subpar acoustics and stage equipment. Such concerts offer no more excitement than a recorded music show performance freely available on TV. Moreover, online concerts cannot provide audiences the same sense of presence as their offline counterparts, nor closeness with the artists and togetherness with other attendees while watching the performance.

Therefore, various factors must be considered to find an alternative in the ongoing COVID-19 crisis. These include expanding infrastructure to conduct and transmit high-quality online performances, spreading and sharing the latest advanced technology; promoting mutually beneficial growth between large and small- to medium-sized companies; and providing direct and indirect support for workers in the pop music industry. In September 2020, the Korean government announced plans to help spread Hallyu music through online and non-face-to-face methods by creating online performance venues and supporting the production of performances as well as providing opportunities to artists from small and medium-sized agencies (Kim Soo-young, 2020).

However, the well-intentioned “Online K-pop Performance Venue Project” drew heavy criticism from industry workers and pop music experts for lack of communication and a concrete blueprint (Koh Seung-hee, 2020; Kim Jak-ga, 2020), and it is uncertain whether the plan will be implemented.

It is important to create performance venues specialized for K-pop. However, it is also necessary to provide direct financial support to performance venue operators, who are struggling under the absence of concerts due to COVID-19, and to pop music artists who made their living performing at such venues. The most important measures we must consider are expanding new facilities, holding high-quality online concerts using existing venues, and investigating the possibility of having limited offline performances in preparation for a prolonged pandemic.

It is urgent to discuss the fair distribution of the revenue from online media platforms in the context of the pandemic. Global internet media platforms such as YouTube, Spotify, and Facebook are the most vital channels for K-pop.^{Table 8} Industry participants have constantly

Table 8 Major Channels and Platforms for Korean Music Content (Unit: %, multiple responses)

Channel		Leading online/mobile platforms	
Online/ mobile platforms	77.5	YouTube	84.6
		Spotify	36.5
TV	52.6	Facebook	29.7
Offline	18.8	Google Play	24.7
Other (radio, etc.)	18.3	Instagram	23.6

Source: KOFICE (2020). 2020 Survey on Overseas Hallyu Status, reconstructed from p. 16.

pointed out that the revenue from contents using Korean music and various music show videos are not properly distributed to the artists and their agencies and labels.

Some agencies and labels argued in 2020 that even the YouTube revenue from music shows featuring the artists should be distributed; they applied to the Fair Trade Commission^{FTC} to enact a contract with such stipulations and are awaiting the results. In particular, broadcasters have long uploaded videos on YouTube for “non-broadcasting purposes,” such as “fancams” (unaired content of the featuring artist) or behind-the-scenes videos. The revenue from such content has been the subject of lawsuits, but the abovementioned FTC application is the first to question this practice (Kim Tae-won, 2020). Along with the conflict over royalties between OTT services (e.g., Netflix) and music copyright owners, this issue must also ensure fair revenue distribution to Hallyu music creators. The government and other related institutions need to mediate the conflicting opinions among stakeholders through policy.

2) K-pop and cultural appropriation: The need to understand and respect other cultures

Cultural appropriation in K-pop is one of the essential discussions occurring overseas surrounding recent Hallyu music. Controversy about cultural appropriation among overseas fans was especially prominent in 2020; for example, a statue of Ganesha, a Hindu deity, briefly appeared in Blackpink’s July 2020 music video *How You Like That*, and NCT



Figure 10 NCT U's Lucas wears dreadlocks in the music video

Source: "Make a Wish" official music video (<https://youtu.be/tyrVtwE8Gv0>)

U member Lucas wore dreadlocks in the *Make a Wish* music video released in October of the same year.

Cultural appropriation is "the adoption of elements of another culture without adequate understanding and respect for them." For Blackpink, fans criticized that placing the statue of Ganesha on the floor indicated a lack of respect for the gods worshiped by Hindus. As for NCT U, many argued that the video reduced dreadlocks to a mere fashion statement, even though the hairstyle symbolizes the hardship and suffering of North and Central American blacks who were dragged into slavery. Viewers noted that these cultural elements were used as simple props without understanding and respecting the history and culture of Hindus or African Americans.

Indeed, K-pop's history is littered with cultural appropriation scandals. For instance, in 2017, the girl group MAMAMOO appeared



Figure 11 MAMAMOO faces backlash over “blackface”

Source: *Electronic Times* (<https://www.etnews.com/20170828000178>)

in a concert sporting blackface to parody Bruno Mars’ *Uptown Funk* music video. This was severely criticized by both domestic and international fans and media, and the group apologized. At a 2013 concert in Mexico, SHINee dressed up as Mexicans to perform a cover of the 90s Latin pop hit *Macarena*, which stirred up controversy among overseas fans. *Macarena* was originally written in Mexico with Spanish lyrics, it is sung by a duo from Spain and has no relation to Mexico. Some Mexican fans criticized this performance as lacking understanding and respect for Mexican culture. Meanwhile, NCT U is far from the first group to face backlash over dreadlocks; the hairstyle has constantly been a subject of controversy for K-pop artists in the past.

Controversy over cultural appropriation is more frequent now than before because K-pop’s international popularity has grown. In the



Figure 12 Norazo surrounded by controversy over cultural appropriation in “Curry” 10 years after the release

Source: *Electronic Times* (<https://www.etnews.com/20170828000178>)

last three to four years, K-pop has expanded beyond East Asia, from Korea’s “local music” aimed only at domestic fans to a global pop music genre. Hence, behaviors that would not have raised an eyebrow in the past have now become issues. When the group Norazo released the song *Curry* for domestic fans a decade ago, its insensitive lyrics did not generate much controversy at the time. However, when the song was covered on V Live by SEVENTEEN, a K-pop group with worldwide fandom, the news quickly spread among overseas fans and drew criticism that it strengthened stereotypes about Indian culture. As with MAMAMOO and SHINee, a cause of this backlash is that agencies’ and artists’ understanding of other cultures has lagged behind the speed of K-pop’s globalization.

Controversy related to cultural theft in K-pop, a representative genre that mixes the characteristics of local and global cultures, is a

complex issue that cannot be easily resolved. The custom of treating elements of other cultures as trendy decorative props or racist views towards a particular ethnic group is a problem that K-pop as a global genre must seriously consider and avoid. However, as seen in the discourse surrounding the backlash on the deadlocks, many objects to the claim that a particular group can “own” cultural elements already accepted worldwide. As such, these controversies can be interpreted as “growing pains” that the Korean music and K-pop industry must endure as it transitions from being a domestic to an international genre. When adopting elements from other cultures, agencies and artists must carefully examine whether it will be seen as cultural appropriation or a respectful homage rooted in genuine appreciation. At the same time, they must also preserve the open attitude of actively embracing diverse cultures and blending them beautifully with Korean music culture.

COVID-19 Spurs the Performing Arts Market to Confront its Limitations

Choi Kyung-hee

Director of Research Team,
Korean Foundation for
International Cultural Exchange

1. 2020 Status of Hallyu in Performing Arts

1) Performing arts market stagnates with a direct blow from COVID-19

The performing arts industry had faced challenges in the past, such as the SARS and MERS crisis, alongside the Sewol ferry disaster, but no one could have predicted the COVID-19 pandemic. After confirming the first domestic case of COVID-19, performances began to be canceled en masse in February 2020, which triggered an unprecedented recession. Many initially reacted with disbelief because the Korean performing arts market continued to grow after reaching ₩800 billion in 2017. It grew by 1.2% from 2017 to 2018 and 3.6% from 2018 to 2019, recording sales of ₩800 billion for three consecutive years (KAMS, 2021).

Table 1 Size of Korean Performing Arts Market (Sales by Facilities and Organizations between 2012 and 2019)

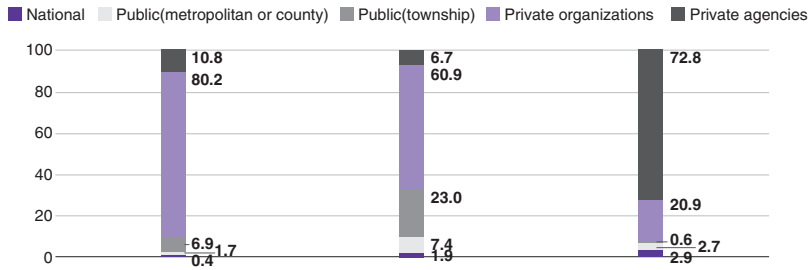
(Unit: million KRW, %)

Category	2012	2013	2014	2015	2016	2017	2018	2019	Change from 2019 survey	
									Change in amount	Rate of change
Total	713,045	414,204	759,315	781,491	747,991	813,218	823,255	852,985	29,730	3.6
Facilities	377,169	414,204	368,890	387,433	343,458	350,004	339,489	322,007	△17,483	△5.1
Organizations	335,876	-	390,425	394,058	404,533	463,214	483,765	530,978	47,213	9.8

Source: KAMS (2021). 2020 Survey of Performing Arts, p. 56

Notably, in 2018, the sales of private agencies had exceeded those of performing arts facilities for the first time. This trend persisted in

Figure 1 Market Share of Performing arts Organizations in 2019 (Unit: %)

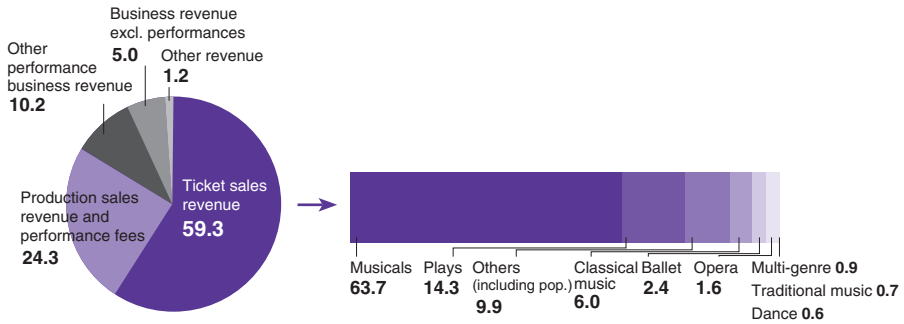


Source: KAMS (2021). 2020 Survey of Performing Arts, p. 57

2019 as the performing arts market’s focus shifted from “infrastructure and facilities” to “performing arts agencies and private organizations,” and thus, the importance of content has been emphasized. In 2019, the total sales of performing arts facilities remained at ₩322 billion, whereas those of private agencies reached ₩386.5 billion (72.8% of the total sales of performance organizations). The combined sales of private agencies and private organizations comprise 93.7% of the total sales of organizations.

These figures are even more salient in the sales trends of performing arts facilities and organizations over the past eight years. Though the sales of performing arts facilities in 2019 decreased compared to 2012 (-14.6%), private organizations, which drove the Korean market’s growth, more than doubled over this period. The private agencies’ growth is attributed to the efficient diversification of their profit structure, with rapid increases in the “revenue from sales of works and performance fees” (₩129 billion in 2019, up 115% from 2018) and “revenue from other performance

Figure 2 Sales Structure of Performing Arts Organizations in 2019 (Unit: %)



Source: KAMS (2021). 2020 Survey of Performing Arts, p. 4.

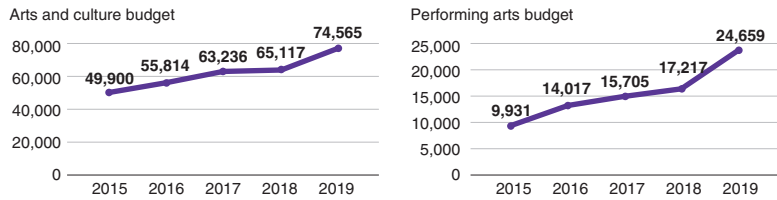
projects” (₩54.2 billion in 2019, up 73.7% from 2018).

According to the annual statistics of performing arts organizations, although the number of shows and days of performances did not significantly change, the number of performances and audience members slightly declined from 2018. Between 2018 and 2019, the number of shows increased by 0.9% to 35,688 and the days of performances increased by 1.2% to 85,726, whereas the number of performances decreased by -3.9% to 108,624 and the number of audience members decreased by -3.7% to 27,456,392. Noticeably, despite the decline in the number of performances and audience members, the proportions of paid audiences have increased by 1.3% to 35.2%. Moreover, the average ticket price has also increased by 9.9% to ₩200,554 compared to ₩180,699 in 2018. These two trends clearly demonstrate a change in consumers’ purchasing patterns for performances, which is expected to positively influence the

diversification of performing arts organizations’ sales structure and the market’s continued growth.

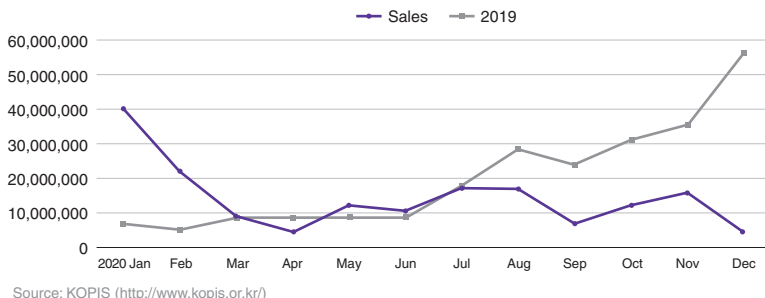
However, there is debate as to whether such indicators (growth of market sales, growth of the private sector, increase in the proportion of paid audiences, increase in the average ticket price, etc.) actually represent the ecosystem of the Korean performing arts market. What public finances are the source of the growth in private sector revenue from performance fees, and if government support for cultural welfare is also responsible for the rise in the proportion of paid audiences? Then, a careful review is required for demand-based private content creation and market distribution strategies. The total performing arts budget of the central and local governments in 2019 was ₩2.4659 trillion, nearly triple the total sales of the performing arts market and a 43% increase from the ₩1.7217 trillion budget in 2018. Of course, a simple comparison between the market’s total sales and the size of the public budget cannot explain diverse market phenomena. Nonetheless, the Korean performing arts market’s high dependence on public finances cannot be

Figure 3 Yearly trend of government arts and culture budget and performing arts budget



Source: KAMS (2021). 2020 Survey of Performing Arts, p. 69

Figure 4 2020 KOPIS Monthly Statistics (sales) (Unit: 1000 KRW)



denied. This again reveals the entire Korean performing arts industry’s state of oversupply and high reliance on the public sector.

On February 23, 2020, the government elevated the COVID-19 status to the highest level of “severe,” and MCST recommended all national and public venues and arts organizations to participate in social distancing from February 24, which plunged the performing arts industry into crisis throughout 2020. The performing arts market began to stagnate at the end of January as anxiety over COVID-19 mounted. The market recorded the lowest sales (₩4.7 billion) and the number of reservations (117,149) in April 2020, when the shows of large-scale musicals such as *Dracula* and *Phantom of the Opera* were temporarily suspended^{KOPIS}.^{*} These values were less than 10% of

* The Korea Performing Arts Box Office Information System (KOPIS) was renewed with the implementation of a revised performing arts law on June 25, 2019, which made it mandatory to provide information on performing arts. KOPIS collects distributed ticket reservation information and provides statistical data. These data became mandatory in June 2019, so the data inflow rate in the first half of 2019 is lower than in reality.

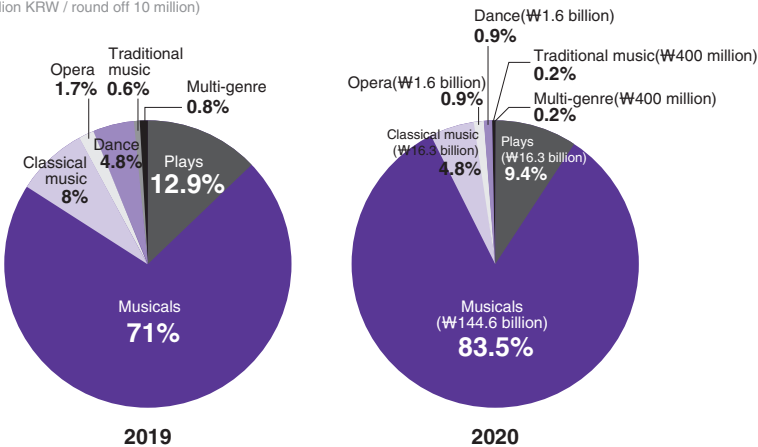
the peak sales in December 2019 (₩56.8 billion in sales, 1,643,000 reservations).

2) Increased focus on musicals and genre polarization

Among the seven performing arts genres classified by KOPIS (plays, musicals, classical music, opera, dance, Korean traditional music, and multi-genre), the greatest decline in performances was seen in musicals. There were only 701 performances in 2020, significantly low compared to 2247 in 2019. The number of shows for plays decreased by 30% (504 performances), classical music by 30% (1021 performances), opera by 40% (95 performances), dance by 47% (255 performances), Korean traditional music by 36% (179 performances), and multi-genre by 75% (416). These figures indicate the hardships of artists who lost the

Figure 5 Sales and Share of Sales by Genre in 2019 and 2020

(Unit: 100 million KRW / round off 10 million)



Source: KOPIS (<http://www.kopis.or.kr/>) Figure 5: Sales and Share of Sales by Genre in 2019 and 2020

opportunity to perform.

Sales in the performing arts saw an even more significant downturn. Of the seven genres, dance experienced the largest decline at 86% compared to 2019, followed by multi-genre (80%) and Korean traditional music (71%).

Based on these figures, only musicals showed an increase in market share. This is likely because performances in public theaters such as classical music, opera, dance, and Korean traditional music were canceled more often than commercial plays and musicals that can run for long periods. Consequently, the former four genres took a greater hit. As most public theaters closed, customers had no choice but to attend the private theaters that remained open, which mostly performed large-scale musicals.

Under strict quarantine, long-running plays and musicals continued to stage performances at mostly private theaters; meanwhile, classical music, dance, opera, and Korean traditional music could only interact with audiences through free online performances, such as through live streams or no audience concerts. Ultimately, COVID-19 inflicted more damage on fine arts genres and further polarized genres in the performing arts market of South Korea, which is chiefly centered on musicals. While musicals may recover from an industry perspective, there is growing concern that fine arts genres will depend even more on the public sector as they struggle from COVID-19's impact.

3) Quantitative growth in 2018, qualitative growth in 2019, and COVID-19 in 2020

In recent years, overseas performances of Korean performing arts have dramatically improved in quantity and quality. According to the *2020 Performing Arts Survey* (Korea Arts Management Service [KAMS], 2021), while the total number of audience members for overseas performing arts by performance organizations in 2019 was similar to that of 2018 at 1,743,626, the percentage of paid audience members more than doubled to 28.9% and the average ticket price increased by about 40% to ₩32,102.

National organizations recorded average values that surpassed other establishments—2.8 shows, 3.7 performance days, and 3.8 performances. Moreover, public organizations (metropolitan areas) showed the highest number of audience members at 3623.3. In terms of the number of shows, days of performances, the number of performances, and the number of audience members, public organizations (average 0.5 shows, 0.7 days, 0.7 performances, and 936.7 people) recorded better results than private organizations (average 0.2 shows, 0.5 days, 0.6 performances, and 390.0 people).

Since the performing arts lack the commercial appeal of pop culture, the sector has relied on public funding in its pursuit of overseas expansion. Therefore, the expansion of performing arts must be examined by collecting the results of projects supported by major cultural and artistic organizations and analyzing trends in international

cultural exchange.* However, due to the nature of performing arts, it is challenging to identify and verify data related to overseas expansion or international exchange compared to other major cultural industries that represent Hallyu. Starting with the Survey on International Cultural Exchange, which is slated to begin in 2021, it should be easier to utilize baseline data revealing international exchange status in the performing arts from multiple perspectives.

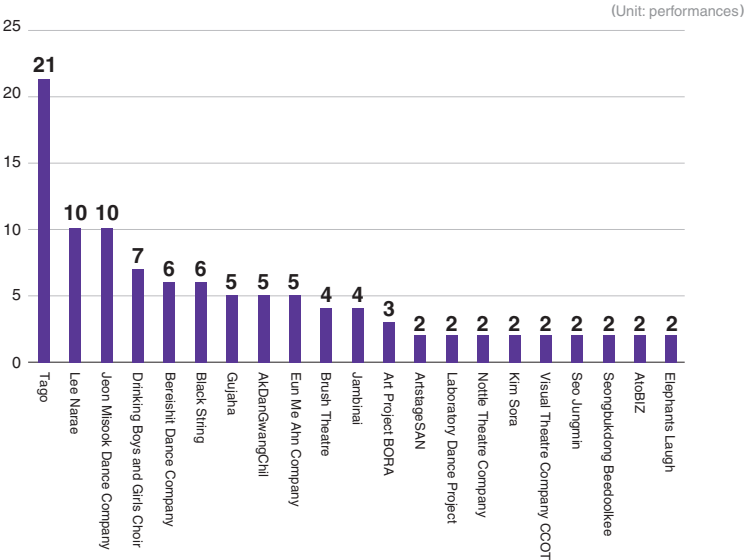
Based on data on support projects for the performing arts collected from the KAMS, KOFICE, and Arts Council Korea^{ARKO} websites and press releases, these agencies supported a total of 189 shows for overseas expansion in 2020, only half the number in 2019. Among these, 21 shows were performed overseas at least twice, and 19 countries have hosted performances at least twice.

Traditional music (72 shows), dance (56 shows), and theater (26 shows) were the main genres of the fine arts, a sector highly reliant on public funding. There were seven overseas musicals, which used the distribution channels of public institutions that support the overseas expansion of original Korean musicals.

For the most part, overseas expansion focuses on countries with sufficient marketability and a solid traditional culture and art background. Though in the case of musicals, it is noteworthy that

* Regarding the statistics on overseas expansion or international exchange support projects in 2020 from each institution, it was difficult to confirm the projects' actual progress for the organizations selected before the COVID-19 outbreak. Moreover, as some projects have been canceled or delayed, it was difficult to grasp the overall results of all related projects.

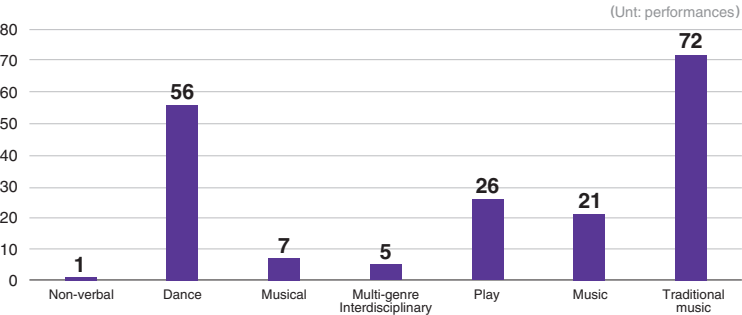
Figure 6 Number of Publicly Supported Overseas Performances in 2020 by Group



Source: Aggregation of results from support projects by ARCO, KAMS, KOFICE, KOCCA (Graph: KOFICE).

efforts were concentrated on neighboring countries such as China and Japan. Expansion into a country celebrating the anniversary of diplomatic relations with South Korea can be viewed as a form of international exchange to promote cultural diplomacy rather than a

Figure 7 Number of Publicly Supported Overseas Performances in 2020 by Genre



Source: Aggregation of results from support projects by ARCO, KAMS, KOFICE, KOCCA (Graph: KOFICE).

strategy based on the performing arts market's size or characteristics. This approach is quite different from the strategy of entering markets based on matching target markets with suitable genres. Therefore, to ensure that performing arts can sustainably enter overseas markets in the future, it is essential to establish and implement strategies for international cultural exchange by region and genre.

2. Issues in Hallyu in Performing Arts

1) Chosun pop again: The Gugak craze

In 2020, a video from KTO's *Feel the Rhythm of KOREA* promotional series was a surprise hit in the Hallyu performing arts field. The song *Tiger is Coming* by LEENALCHI and Ambiguous Dance Company, along with the "One Tiger a Day" challenge (listening to *Tiger is Coming* once a day), gave birth to the term *Chosun pop* and generated public interest in *gugak* (Korean traditional music). Ironically, a tourism promotional video created by gugak with modern dance became a hit in the performing arts when offline performances had all but vanished. LEENALCHI and Ambiguous Dance Company's promotional videos for Seoul, Busan, and Jeonju released in July 2020 by KTO surpassed 200 million views in two months (Song Ju-hee, 2020.10.16).

LEENALCHI is not that well-known among the general

public; however, the band included famous talented artists and had attracted much interest when it was formed. The band consists of music director Jang Young-gyu, who scored films such as *Jeon Woo-chi: The Taoist Wizard*, *The Wailing*, and *Assassination*; Lee Chul-hee, the former drummer of SsingSsing with Jang Young-gyu; Jeong Jung-yeop, who used to play for Kiha & the Faces; and four pansori vocalists Kwon Song-hee, Shin Yu-jin, Ahn Yi-ho, and Lee Na-rae who studied under different celebrated singers. LEENALCHI's beginnings can be traced to the 2018 musical *Dragon King* and its positive reception. Ambiguous Dance Company has also long garnered attention from the domestic and international performing arts sectors for its improvised and sensuous choreographies. *Body Concert* and *Fever*, first performed in 2019, masterfully showcase the characteristics of Ambiguous Dance Company's fast-paced choreographies. *Fever*, which expands a part of the finale of the 2016 work *UL TO DANG TO* into a full performance, blends the *taepyeongso sinawi* with an exciting choreography that matches the *tareong*.

Originally 12 minutes long, *Fever* was reworked into a production lasting over 30 minutes after being officially invited to the Seoul Street Arts Festival 2019 (Jeon Hee-ran, 2020).

The *Chosun pop* craze began with LEENALCHI's *Tiger is Coming* and has expanded its domestic and international fanbase through bands such as AkDanGwangChil, CHUDAHYE CHAGIS, and Band lineout. AkDanGwangChil was already receiving much

attention from domestic and overseas presenters for their song *Youngjeonggeori* a modern reinterpretation of the traditional Hwanghae-do gut. The band uses exclusively traditional instruments such as *daegeum*, *ajaeng*, and *gayageum* to create melodies similar to Western rock. The video for *Youngjeonggeori*, which has over 1 million views on the YouTube channel ONSTAGE, has many comments from foreign fans admiring the rebirth of Korean traditional music through a modern approach. Former SsingSing vocalist Chu Da-hye formed Chudahye Chagis with guitarist Lee Si-mun, bassist Kim Jae-ho, and drummer Kim Da-vin. Their album *Underneath the Sangsan Tree Tonight* fuses shamanic music with funk, reggae, jazz, and hip-hop. Their video *Ritual Dance* on the channel SENGGI STUDIO received



Figure 8 Band lineup participates in video and music to promote 20th anniversary of Gugak Broadcasting System's founding

Source: Gugak Broadcasting System YouTube Channel GugakTV (<https://www.youtube.com/watch?v=kBXGq1rnJVQ>)

this high praise from an international fan: “the band seems to show the way where the long-lasting power of the REAL Korean music should pursue!” (Jang Byeong-ho, 2021). Band lineout, which won the Grand Prize at the 21st Century Korean Music Project, participated in producing a promotional video for the 20th anniversary of Gugak Broadcasting System’s founding. The video uses the scene of splitting gourds in *Heungboga* into exciting band music. It was published on YouTube in February 2021 and recorded over 77,000 views in two weeks (Jang Byeong-ho, 2021a).

The trot craze and popularity of competition programs also provided opportunities to revitalize live stages in the gugak sector. The KBS Lunar New Year special music program *Chosun Pop Again* featuring LEENALCHI, AkDanGwangChil, pansori-based trot singer Song Ga-in, and National Changgeuk Company member Cho Yu-ah gained a viewership of 7.5% (Nielsen Korea, nationwide), a rating comparable to an average popular variety show (Jang Byeong-ho, 2021a).

The pansori musical drama *Gumiho Recipe* featured gugak musicians Ha Yun-ju, Kim Na-ni, and Lee Hee-moon as actors, proving that diverse content can be produced with gugak.

Professional Gagok (Intangible Cultural Heritage No. 30) player Ha Yun-ju first attracted public attention with her appearance in MBN’s *Lotto Singer* but was already famous in the gugak world as a jung-ga vocalist. Pansori singer Ko Yeong-yeol, who collaborated with the band Second Moon, showcased the potential of gugak crossover on JTBC’s

Phantom Singer 3 and continues to raise public awareness as a member of the runner-up group RabidAnce. Shin Seung-tae, a former member of SsingSsing and current member of Mouth-n-Hand Studio, conducts various original pansori activities and recently gained popularity as a trot singer on KBS' *Trot National Festival*. The popularization of gugak sparked by LEENALCHI can be traced to the rise of "hip Chosun pop" initiated by the shift of content consumption to YouTube. Thus, new trends and ways of consuming content provide opportunities for artists in various fields of the performing arts. The gugak sector must review strategies to leverage the trot craze and sudden gugak boom to perform in the future sustainably.

2) Online paid performances: The proven potential of musicals

As venues closed due to the pandemic, discussions spread about holding online paid performances. Online performances had been broadcast free of charge to consistently provide performances to the public during this state of emergency and paid performances clearly had limited sustainability. However, holding paid performances has become unavoidable for the survival of the performing arts sector.

The most notable online paid performance is EMK Musical Company's *Mozart!*, which attracted 15,000 online viewers to a live performance on its 10th anniversary. Naver V Live and Interpark sold products bundled with access to the live stream of *Mozart!*, such as a 48-hour VOD ticket and merchandise. The live stream starring Kim

Junsu sold for 1,500 coins (₩37,000) on V Live and ₩39,000 on Interpark, with prices of up to ₩64,500 on Interpark depending on the inclusion of merchandise or the OST. The original army musical *Return*, featuring idols such as EXO's Kyungsoo (D.O.) and Kim Minseok (Xiumin) and Gugudan's Kim Sejeong, was also broadcast live for a fee. The online ticket for *Return* included English subtitles and sold for ₩25,000; the package including the program sold for ₩35,000 and the package including merchandise sold for ₩55,000. The Seoul Performing Arts Company has also held online paid performances; tickets for *The Lost Face 1895* and *Along With the Gods* sold for ₩15,000 to ₩20,000, respectively.

Other online paid performances include the National Theater Company of Korea's ^{NTCK} *Fireworks*, Korea National Opera's *Manon*, and small theater musical *Sonata of a Flame*.

Online performances allow more simultaneous viewers than their offline counterparts. Nevertheless, it is still challenging for online paid performances to break even except for musicals featuring K-pop stars. It is complicated to anticipate the success factors for online performances such as musical fans' "nth viewing" behavior (watching the same performance multiple times). Thus, online performances belong to a developing market with high production costs and unpredictable demand. Ultimately, as of now, online performances are more meaningful for investigating the potential of new markets rather than generating revenue from paid performances.

As online performances were produced, the channels to distribute them were also created and led to collaborations between content creators and platforms. For example, the DIMF 2020 opening concert *DIMF ON-TACT* an online global concert, was distributed on Broadway on Demand^{BOD*}, an American OTT platform specializing in performances. *DIMF ON-TACT* was also streamed live free of charge on Naver V Live.

In addition to BOD, the concert was distributed on global OTT platforms specializing in performances (Ticket PIA and Presented LIVE) in 72 countries (US, Canada, Japan, Thailand, etc.), recording a total of 85,977 views including paid ticket sales.

Online paid performances can serve as a potential alternative

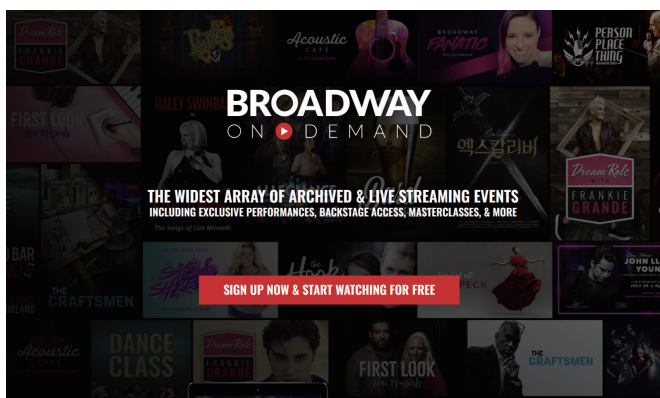


Figure 9 Main page of Broadway on Demand website

Source: Broadway on Demand (<https://get.broadwayondemand.com/>)

- * BOD was launched in May 2020 to provide performance content online due to Broadway and the rest of the global performance market being shutdown due to the pandemic.

or complement musicals featuring K-pop stars or national and public arts companies. Nonetheless, since the essence of performing arts is the experience provided by in-person viewing, online performances will likely not become mainstream or replace offline shows. Considering the costs for creating a high-quality video on top of the original production costs, it is challenging to predict not only the demand but also the **profit**. Moreover, once the fees required for specific platforms and distribution costs are considered, it is clear that online performances are not an option that everyone can try. Ensuring consumer satisfaction for these painstakingly created performances is entirely a different discussion. Many viewers find online performances far inferior because elements such as lighting and stage design are directly based on their offline counterparts. The limitation of online performances regarding music genres where sound is critical (e.g., classical and Korean traditional music) is particularly apparent. Furthermore, even if the sound, lighting, and stage design are optimized for video, the performance's quality will vary with the user's device and an online connection, making it even more difficult to guarantee quality and satisfaction. Translation and subtitles are other obstacles when considering overseas consumption. Consuming performances converted to video through new channels is an unfamiliar experience for both producers and consumers.

3) Discussions on online performance copyright

Putting aside complex discussions on the quality of online performances

and whether to charge users, companies have devoted efforts to reaching audiences online in the COVID-19 era at all costs, even if that meant through real-time streaming. Moreover, the issue of copyright has emerged converting performances to videos. For instance, before uploading videos of online screenings of the plays *The Plague*, *A Ballad for Roxanne*, and *1945*, the NTCK had to obtain agreement from the creative team, actors, and staff for “online performances,” a component that was absent when the contracts were made. An NTCK official explained, “Although the video copyright belongs to the National Theater Company since they were filmed without the assumption of ‘online performances,’ we obtained the consent of all the actors, directors, and related staff” (Kang Kyung-ru, 2020).

Currently online screenings mostly consist of reprocessed videos used initially for records. This is because the budget is lower than audience-less live streams and they can be provided immediately after simple editing (e.g., inserting subtitles). Copyright has become an issue because the agency and organization sign contracts without accounting for online screenings in most cases. As a result, new copyright disputes can surface if the online performances generate revenue in the future or are released without consent. This is also why it is not easy to screen previous videos that were stored as records.

Namsan Arts Center, which had released six popular plays on YouTube and Naver TV under the title *NFLIX Screening Party*, renegotiated to get consent to release the videos and the screening

duration since they were initially made to be archived. LG Arts Center planned a “Digital Stage” featuring major domestic and international performances such as *Swan Lake* by choreographer Matthew Bourne; the Center had to obtain permission from the organizations and agents for an online release (Kang Kyung-ru, 2020). In addition, due to copyright issues, Seoul Theater Festival was permitted to release only a highlight video of the Seoul Creative Space Theater Festival, a fringe event without spectators (Kang Kyung-ru, 2020).

3. Major Countries and Routes of Hallyu in Performing Arts

Based on the data of the support projects of major cultural and artistic institutions, there are different trends between pop culture, the leading representative of Hallyu, and performing arts in the major countries for overseas expansion. Europe (65%) and North America (16%), traditionally powerhouses in the performing arts, are far ahead of Northeast (9%) and Southeast Asia (0 shows), the mature representative markets of Hallyu.

As COVID-19 made it difficult to hold both domestic and overseas performances, 73 out of the total 124 shows whose funding could be determined were concentrated on offline events, all of which were held before the spread of COVID-19. Among these, 21 were canceled or postponed and 20 were converted to online.

Figure 10 Public Support for Overseas Entry by Region in 2020(share)

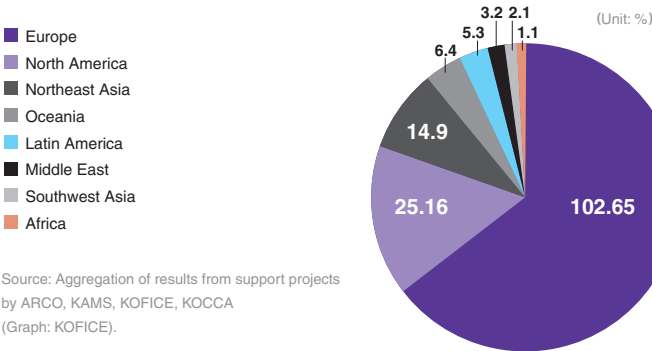
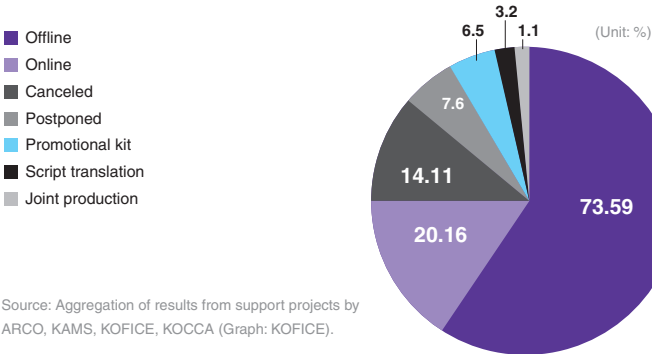


Figure 11 Public Support for Overseas Entry by Support Type in 2020(share)



1) Festivals, markets, and official international events move online

The most effective route to enter overseas performing art markets is to participate in international events such as performing art festivals with high-quality content, where presenters and directors from around the world gather. At these events, arts organizations meet players in

the performing arts from all over the world and discover opportunities to distribute their performances and expand their networks. The presenters watch showcases of productions selected by the festival and market organizers and then invite shows suited to the tastes of their consumers and venues.

However, as the pandemic led to more online performances, the performing arts industry entered serious discussions on expanding distribution platforms and discovering new domestic and international audiences. Festivals and markets all moved online, online meetings replaced in-person networking and business meetings, and online broadcasts replaced face-to-face showcases. AkDanGwangChil, The Soul Sauce meets Kim Yulhee, and Dongyang Gozupa were selected to be the official showcase for WOMEX, the world's largest world music festival, through the 2020 online event *Journey to Korean Music*.

Zandari Festa, Korea's representative indie music showcase festival, was also streamed online as Zandari Unreal on the platform "Presented LIVE", which specializes in live performances. The festival was streamed free of charge for 50 consecutive hours and the sponsorship window was kept open. Along with the live talks by music industry officials, 30 domestic and 28 overseas musical groups performed live. The event was broadcast three times to accommodate the time zones of Korea, Europe, and the US.

It is also significant that Korea's MU:CON was held online amidst the cancellation of large-scale festivals and market events such

as SXSW in the US and MIDEM in France. The MU:CON showcase featured diverse teams, from the gugak group sEODo BAND to Leebada, an artist reminiscent of Icelandic musician Björk. In 2020, MU:CON welcomed officials from not only large-scale festivals and markets but also broadcast media. Given the uncertainty surrounding the future of offline performances due to COVID-19, this was done to open the door to overseas opportunities through online performances and broadcasts.

While overseas invitations were canceled due to the pandemic, international audiences could view Korean performances of diverse genres through overseas Korean Cultural Centers^{KCCs}. Korea National Contemporary Dance Company's^{KNCDC} *Traces of Black Sand* was screened on KCC in Washington's Vimeo channel. This online screening was the first local invitational performance of KNCDC since 2017. In 2019, KNCDC screened their new production *Beyond Black* at the request of the KCCs in Nigeria and Russia with positive feedback from local audiences. The KCC in Hungary planned the Korean Culture Delivery Service to replace the offline performances canceled due to COVID-19 and introduced traditional arts productions (e.g., jung-ga, sikkim-gut, etc.) and the modern dance performance *Goblin Party* (Kim Ki-yoon, 2020.9.8). The National Orchestra of Korea presented various repertoires through live-streamed performances at *Festive Korea* hosted by the KCC in Hong Kong, and the Seoul Metropolitan Dance Theatre met Italian viewers through a

real-time stream of *N.O.T: No One There?* (Kim Ki-yoon, 2020.9.8).

Though numerous arts organizations have been producing videos to enter overseas markets with the support of public institutions, it is challenging to expect substantial profits. In terms of profitability, online festivals held at cultural centers or cultural events centered on diplomatic relations are more profitable than video platforms for arts organizations. However, a drawback is that the number of groups that can be invited is limited. Moreover, when converting online performances to offline, organizations must also consider utilizing the online performances and linking them with local invitations.

2) Targeting Northeast Asia: Musicals in China, plays in Japan

There are relatively few cases of overseas entry into Northeast Asia despite its geographical advantages. Nevertheless, the region is still an attractive market of considerable size. As such, organizations must actively encourage international exchange considering each region's characteristics, such as licenses in China and hardware construction policy in Taiwan. Meanwhile, the industry has devoted efforts to offering musicals and plays in the Chinese and Japanese markets through several private and public resources. Public support projects for script translation have exceptionally high demand in China and Japan.

The original musicals *Mia Famiglia*, *Ludwig: Beethoven the Piano*, and *The Fiction* entered the Chinese market in 2020. Hong Company, the production company of *Mia Familia*, signed a license agreement

with the Chinese production company Focus Stage and the musical was shown in a Shanghai theater exclusively used by Focus Stage. This is the first time a small theater musical that entered China will have an open-ended run (no fixed end-date). Orchard Musical Company's *Ludwig: Beethoven the Piano* and HJ Culture's *The Fiction* also entered the Chinese market through license agreements. Children's environmental musical *Robinson Crusoe*, the second installment of the small theater series at cultural workshop Sangsangmaru, also signed a license agreement with the Chinese production company Dansang (Chae Seong-oh, 2020). The contract for *Robinson Crusoe*, whose entry into China was steadily promoted through the 2016 K-Musical Road Show, was in the form of a small publication that only provided the script and sheet music. Given this limitation, the organizers discussed the production's technical aspects and direction through online meetings to enhance the performance and properly convey its value. In addition to *Robinson Crusoe*, Sangsangmaru also received much attention from Chinese production companies for the family musical *Fabre's Book of Insects: The Great Adventure in Bee Land*.

Since in-person performances are limited, for the time being, the importance of testing online paid events or copyright exports is expected to grow. *Sonata of a Flame* is the first original Korean musical to begin paid streaming worldwide, excluding China and Indonesia. Here, the offline performance (conducted with staggered seating) is streamed live. The online paid stream lasts for 90 minutes

without an intermission, and a digital program is also provided for a one-time viewing fee of ₩44,000. It can be purchased and viewed on Presented LIVE, an “untact” performance platform developed by Korean entertainment tech startup STAYGE Labs. This is the first musical to be distributed to other countries as a paid live stream rather than a recording on a Korean platform. The countries with the highest number of streaming ticket sales for *Sonata of a Flame* were Japan, followed by Korea, Taiwan, Hong Kong, and the US. It is especially noteworthy that China and Indonesia ranked in the top 10 despite payments initially being blocked there (Park Min-ji, 2020). According to an official involved with the performance, fans found alternative methods to view the musical. Though there were no issues in the payment process, the system is being improved in preparation for situations such as bypass proxies and illegal viewers. The official said, “We wanted to stream the musical in China, which has an enormous market, but discussions were off the table due to the unilateral block.” He added, “China strictly blocks overseas payments, SNS, and websites of other countries, so we are considering various methods for entering China” (Park Min-ji, 2020).

Sonata of a Flame successfully became the first live stream to enter overseas markets because it featured numerous K-pop artists with large fanbases, including Super Junior’s Ryeowook, Pentagon’s Hui, and N.Flying’s Yoo Hweseung. In the wake of COVID-19, the performing arts sector shifted its focus to global paid streaming as an alternative

to overseas performances, though many have noted limited immersion and audiences' willingness to pay. Nevertheless, following the success of *Sonata of a Flame*, securing the enormous Chinese market with its solid Hallyu fanbases has become a critical task for the paid streaming industry.

Meanwhile, playwright Lee Bo-ram's play *The House Where Boy B Lives* was awarded the Excellence Award in Theater Division by the Agency for Cultural Affairs in Japan. The Agency for Cultural Affairs Excellence Awards, presented to outstanding works in each field (theater, music, dance, pop culture, etc.), are highly prestigious within the Japanese performing arts sector. Though Korean plays have often been translated into Japanese and performed locally in recent times, they rarely receive such prestigious awards. Thus, this award is a green light for Korean performances to enter the Japanese market. Not only did *The House Where Boy B Lives* win the Agency for Cultural Affairs Excellence Award, but Manabe Takashi, who directed the Japanese version, won the Kinokuniya Award (a Japanese theater award) and Shim Ji-yeon, who translated the play into Japanese, won the Odashima Yushi Award for play translation. *The House Where Boy B Lives* was first introduced to Japan during a Korean contemporary play reading held in Tokyo in 2019, as part of the "Play Translation Introduction Project", this project organized by the Korea-Japan Theater Exchange Council and Japan-Korea Theater Exchange Center for 20 years (Kang Kyung-ru, 2020). Thanks to the consistent efforts of these private groups promoting

cultural exchange, various Korean plays such as writer Ko Yeon-ok's *Guests* and Korean Japanese playwright Jeong Eui-shin's *54 Eyes* have found audiences in the Japanese market.

4. 2021 Forecast of Hallyu in Performing Arts

1) Technology-based non-face-to-face performance content expands

Given the closure of venues, the performance industry has turned to non-face-to-face online content utilizing a variety of spaces. Cutting-edge immersive technologies such as augmented reality^{AR}, virtual reality^{VR}, mixed reality^{MR}, and extended reality^{XR} have accelerated this trend. Music and dance videos created with diverse backgrounds (e.g., outdoor scenery), such as LEENALCHI and Ambiguous Dance Company's KTO promotional video, are also on the rise. Applying novel technologies Microsoft's 3D Volumetric Video Capture, which SK Telecom's Jump studio is using to this field can create opportunities for non-face-to-face performance content. Jump Studio has shortened the production process for AR, VR, and MR content from months to weeks and also lowered costs by at least half, thus dramatically reducing the time and money needed to generate 3D holograms (Jeong Cheol-hwan, 2020). Moreover, content created on this platform can be enjoyed on not only Android and Apple smartphones and PC but also head-

mounted displays^{HMDs} and eyewear-based displays through the Jump AR/VR app. One such example of ultra-realistic content, *Volumetric* by Jump Studio and famous K-pop choreographer Lia Kim showcases the potential of non-face-to-face performance content based on new technology.

The spatial audio feature in Apple's wireless earphones AirPods Pro also shows promise of addressing the shortcomings and limitations of online performance content. Indeed, numerous sound directors have chosen AirPods as the standard audio device for viewing online performance content. Spatial audio adjusts the location where the sound come from based on the position of the user's head when watching a video. The feature can provide the feeling of being in a movie theater by emitting sounds from multiple directions. By incorporating spatial audio in online performance services, where the sense of presence and space is paramount, and reducing the restrictions on using more content, new experiences will emerge that will drive the expansion of online performance content. For example, famous American rapper Travis Scott's virtual concert in the battle royale game *Fortnite* drew 12.3 million viewers and became a global hot topic. In this vein, the industry has high expectations for how far new technologies and experiences can expand non-face-to-face performance contents in the future.

2) Clubhouse and Presented LIVE: New ways to consume performances

It is necessary to be alert to and in tune with proactive consumers and startups that continuously and rapidly generate new consumption trends. For example, enjoying performances together on the famous voice-based social network Clubhouse has recently become a major trend. Presented LIVE, an OTT service specialized in performances, created the “#SaveOurStages” room in Clubhouse to promote an online festival for getting through the COVID-19 crisis. The festival featured musicians performing at multiple live indie venues over a while, and



Figure 12 Lineup of real-time online music festival conducted through Clubhouse and Presented LIVE (<https://saveourstages.cc/>)

viewers were able to purchase tickets and participate online. The entire event was hosted by CODE, a non-profit organization that promotes open culture, and companies and organizations sharing the same intention also participated as partners through various sponsorships.

Proceeds from ticket sales and sponsorships will be used to cover the minimum expenses of those who assisted in the event, and the rest will be distributed to the participating venues and musicians. Any remaining funds will be used to establish a fund for the indie music ecosystem. All planning, event progress, income, expenditure, profit, and distribution-related information was transparently disclosed on Luniverse Trace, a blockchain-based data verification and tracking system. Once the user enters the Clubhouse room, they can turn on their microphone and access Presented LIVE from their web browser. On an iPhone or iPad, audio feedback is prevented by Clubhouse app because sound cancellation is automatically applied to the sound from the performance.

Purchasing a #SaveOurStages performance ticket is a way to both show support for the project and participate in the event. A total of 2,694 people voluntarily purchased tickets, amounting to the sales of ₩57.16 million. Of course, this new way of consuming performances by merging Clubhouse and Presented LIVE was made possible due to the nature of the voice-based music genre. However, given Clubhouse's strengths, it shows great promise for stage readings and establishing a permanent market. The issue is that Clubhouse's popularity, once

so high that prospective users could buy an invitation for the initial service, is declining. Nevertheless, Facebook, Twitter, and LinkedIn have announced or disclosed plans for similar services, so stakeholders must watch out for market changes in the future. Amid this ever-changing landscape, there is value in tracking which new platform will provide novel opportunities to the performance market and Hallyu.

3) Role of the public sector: Archiving and securing market data

It is difficult for the domestic performance industry, which suffers from persistent cost troubles and uncertain demand forecasting, to survive in the global performance market. To support the performing arts sector, discussions are necessary on obtaining sufficient market data and building archives, which will serve as a key asset for producing and expanding contents.

Beyond serving as digitized records, digital archives of art are gaining importance as a platform that enables users to discover new works of art. The Namsan Arts Center in South Korea, a public theater which will be permanently shut down in December 2020, is preparing a “Semantic Digital Archive.” Reform is needed not only in terms of archiving digitized records but also classifying data on the status of international exchange, which is being collected by K-Culture Road, to suit the user’s convenience and increase the value of data utilization. The Survey on International Cultural Exchange is planned to be published in 2021 is currently scheduled to be conducted every

three years. As of now, there is no access to systematic data on entering overseas markets. To help the performance market swiftly recover from the COVID-19 pandemic, we hope the public support will drastically expand beyond simple video production into programs that assist the fundamental ecosystem.

4) Trends in overseas performing arts cultural policies

Countries worldwide have announced diverse forms of support for the pandemic-battered cultural industries. In the developed performance market of Europe, calls are expected to grow for public support to minimize the damage to their respective country's cultural and arts sectors. On July 5, Oliver Dowden, the UK Secretary of State for Digital, Culture, Media, and Sport, announced a £1.57 billion plan for the arts and culture sector which was plunged into crisis by COVID-19 (KOFICE, 2020). According to data from the French Ministry of Culture, the French arts and culture sector is expected to suffer €22.3 billion in losses due to COVID-19, and the 2020 annual revenue of the French performing arts sector was forecast to decline by 72% compared to 2019. In response, in March 2020, the French Ministry of Culture established a €5 billion fund to support the arts and culture sector and announced support of €706 million for the performing arts sector (KOFICE, 2020). Meanwhile, in Germany, the federal and state governments announced specific support policies at various levels, and the Federal Ministry of Culture and Media announced measures such as

withdrawing requests for subsidy repayment, securing support program flexibility (e.g., exclusive use of subsidies), and providing additional support funds for emergency measures (KOFICE, 2020).

Thus, for the time being, each country is expected to focus on protecting and supporting the survival of their respective cultural industries. This means that it will be challenging for the Korean private performance sector to expand overseas, forcing it to rely more on public international cultural exchanges. Ultimately, COVID-19 will likely exacerbate the Korean performance market's dependence on the public sector. To solve these issues, the performance industry must continue to attempt various strategies and devote efforts to reach more audiences and consumers.

Hallyu games seek another breakthrough amidst low growth

Kang Shin-gyu

Research fellow

Media Advertising Research Institute

Korea Broadcast Advertising

Corporation (KOBACO)

1. Status of Hallyu in Games in 2020

1) PC, mobile, and console/arcade games: sluggish, steady, and soaring growth

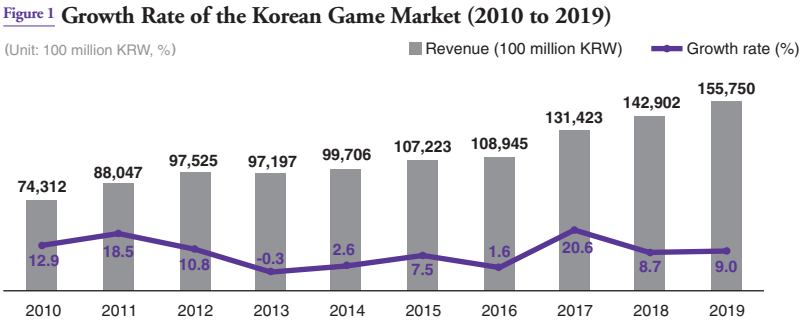
In 2019, the Korean game market was worth ₩15.575 trillion, up 9.0% from 2018 (₩14.2902 trillion). This indicates the Korean game market is a growing industry considering that Korea's economic growth rate in 2019 was 2% (KOCCA, 2020b). The following are noteworthy takeaways in the market for each platform.

First, the mobile game market has exhibited continuous growth. Mobile games now comprise half of the overall Korean game market. Mobile game market sales reached ₩7.7399 trillion in 2019, with a market share of 49.7%. In contrast, PC games (both online and PC package games) accounted for 30.9% of the market at ₩4.8058 trillion, and its share of the overall game market has shrunk every year.

Second, the console game market showed the most growth compared to 2018. It grew from ₩528.5 billion in 2018 to ₩694.6 billion in 2019, a 31.4% increase. Though the market is small compared to mobile and PC games, console games are gradually solidifying their position. The main factors fueling this growth were the steady popularity of *Nintendo Switch* (released in December 2017) and other 8th-generation consoles, improved accessibility as more titles were translated to Korean, and the vitalization of the digital distribution market.

Third, the arcade game market has displayed dramatic growth of 20.6% from 2018 to 2019 (₩185.4 billion to ₩223.6 billion). This growth occurred due to major domestic developers’ substantial increase in exports. Commercializing of new game machines with sensory technologies such as VR, simulators, screen sports, and carnivals also increased the growth of the arcade game market. Arcade games are being installed in more diverse locations, such as single locations, large-scale game centers, VR game centers, and shopping mall complexes.

Overall, although the Korean game market’s growth continued into 2019, its pace is slowing. Compared to 20.6% in 2017, it grew by only 8.7% in 2018 and 9.0% in 2019. Console (31.4%), arcade (20.6%), and mobile games (16.3%) exhibited double-digit growth; however, it is also worth noting that the PC game market, which comprised the largest share in Korea until 2016 and is now the second-largest, showed negative growth (-4.3%). This slowdown in growth is expected to continue.



Source: KOCCA (2020b), 2020 Korean Games White Paper, p. 21

Table 1 Sales and Share of the Korean Game Industry by Platform (2018-2022)

Classification		2018		2019		2020(E)		2021(E)		2022(E)	
		Revenue	Growth rate	Revenue	Growth rate	Revenue	Growth rate	Revenue	Growth rate	Revenue	Growth rate
Game production and distribution	Mobile games	66,558	7.2	77,399	16.3	93,926	21.4	100,181	6.7	110,024	9.8
	PC games	50,236	10.6	48,058	-4.3	48,779	1.5	48,827	0.1	49,306	1.0
	Console games	5,285	41.5	6,946	31.4	8,676	24.9	12,037	38.7	12,541	12.5
	Arcade games	1,854	3.1	2,236	20.6	766	-65.7	1,503	96.2	2,382	58.5
Game distribution	Internet café	18,283	3.9	20,409	11.6	17,641	-13.6	19,605	11.1	23,146	18.1
	Arcade game rooms	686	-12.0	703	2.4	303	-56.9	532	75.4	726	36.6
Total		142,902	8.7	155,750	9.0	170,093	9.2	182,683	7.4	199,125	9.0

Source: KOCCA (2020b). 2020 Korean Games White Paper, p. 23

The Korean game market is predicted to reach ₩17.93 trillion in 2020, up 9.2% from 2019. While numerous factors exerted small and large influences on the overall growth, the greatest impact was the global COVID-19 pandemic. A major form of home entertainment, gaming was one of the few sectors that thrived despite the COVID-19 pandemic, as analyzed by Bloomberg (Edwards, 2020.5.15). Nonetheless, while the market's overall growth is unmistakable, the overall picture is not that simple. The game development and distribution sector, which primarily involves mobile and console games, is projected to grow in double-digits as game consumption at home soars steadily. Conversely, offline retailers such as Internet cafes and arcade game centers are expected to face significant negative growth due to social distancing policies (KOCCA, 2020).

2) Korean game exports grow by 3.8%, ranking 5th in global market share

Korean game exports were worth \$6.65778 billion in 2019. After recording an impressive growth of 80.7% in 2017, the growth rate of exports considerably declined to 8.2% in 2018 and 3.8% in 2019. By platform, mobile game exports comprised the largest share at \$3.63871 billion, followed by PC games at \$2.83148 billion. Additionally, console games recorded an export value of \$137.44 million and arcade games \$50.14 million. In terms of export value ranking, mobile games were the largest platform in 2017 followed by PC games, which reversed in 2018. Thus, the ranking in 2019 returned to that in 2017. This is due to the increase in mobile (26.5%) and decline in PC (-17.2%) game exports. Meanwhile, owing to the growing worldwide popularity of consoles and titles, console game exports grew by 69.8% compared to 2018. Arcade game exports also exhibited impressive growth of 49.3% compared to 2018.

Table 2 Korean Game Imports and Exports (2013-2019)

(Unit: thousand USD)

Classification		2013	2014	2015	2016	2017	2018	2019
Export	Export value	2,715,400	2,973,834	3,214,627	3,277,346	5,922,998	6,411,491	6,657,777
	Rate of change	2.9	9.5	8.1	2.0	80.7	8.2	3.8
Import	Import value	172,229	165,558	177,492	147,362	262,911	305,781	298,129
	Rate of change	-3.9	-3.9	7.2	-17.0	78.4	16.3	-2.5

Source: KOCCA (2020b). *2020 Korean Games White Paper*, created from the table on p. 24.

Imports totaled \$298.13 million (approximately ₩347.5 billion),

Table 3 Comparison of Korean Game Imports and Exports by Platform (2018-2019)

(unit: thousand USD)

Classification		Total		Mobile games		PC games		Console games		Arcade games	
		2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Export	Export value	6,411,491	6,657,777	2,876,051	3,638,709	3,420,933	2,831,479	80,932	137,445	33,575	50,144
	Rate of change	3.8		26.5		-17.2		69.8		49.3	
Import	Import value	305,781	298,129	106,939	219,149	57,183	56,957	139,349	18,559	2,309	3,463
	Rate of change	-2.5		104.9		-0.4		-86.7		50.0	

Source: KOCCA (2020b). *2020 Korean Games White Paper*, created from figure on p. 61.

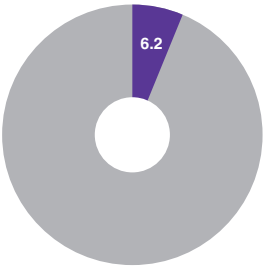
down 2.5% from 2018. Like exports, imports have also continued to decline for the past three years, down from 78.4% in 2017 to 16.3% in 2018. Unlike exports, however, console games declined (86.7%). Mobile games exhibited the highest growth of 104.9%, from \$106.94 million in 2018 to \$219.15 million in 2019. Though arcade game imports grew by a large percentage (50.0%), the actual dollar amount is not substantial.

Meanwhile, Korea accounted for 6.2% of the global game market in 2019. Although the size of market share is nearly identical

Table 4 Korea's Share and Status in the Global Game Market (2019)

(unit: million USD)

Rank	Country	Market size	%
1	US	37,523	20.1
2	China	34,906	18.7
3	Japan	21,989	11.8
4	UK	11,730	6.3
5	Korea	11,611	6.2
6	France	8,957	4.8
7	Germany	8,799	4.7
8	Italy	4,615	2.5
9	Canada	3,706	2.0
10	Spain	3,596	1.9
Other		39,059	20.9



Source: PWC (2020); Enterbrain (2020); JOGA (2020); iResearch (2019); Playmeter (2016); NPD (2020); KOCCA (2020b). *Korean Games White Paper*, p. 64

to 2018 (6.3%), Korea's ranking dropped from fourth in 2018 to fifth in 2019, after the US, China, Japan, and the UK. The UK, which ranked fifth in 2018, surpassed Korea by a small amount at 6.3%. In the future, Korea is highly likely to be slightly ahead or behind the UK, France, and Germany. The US (first), China(second), and Japan(third) comprise over 50% of the global game market, and the gap between third and fourth is large (11.8% vs. 6.3%). As such, it will be difficult for Korea to break into the top three.

2. Issues in Hallyu in Games

1) COVID-19 transforms gaming culture

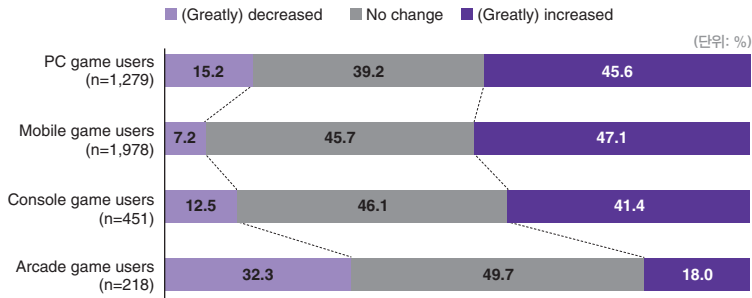
With precise data, it is still challenging to clearly determine the pandemic's effects on Hallyu in games with precise data. Instead, its impact can be indirectly correlated and inferred based on changes in gaming culture caused by COVID-19.

The rise of game consumption since the pandemic's spread has been a global trend. According to a data analysis of Unity-based games (PC, MacOS, Android, iOS) by Unity Technologies (June 2020), the number of users significantly increased in the spring of 2020, in contrast with the spring of 2019 when the number of users declined due to increased outdoor activities. Specifically, compared to March–

May 2019, daily active users (DAU) increased by 41% (5% decline from 2018 to 2019) and 17% (6% increase from 2018 to 2019) for PC games and mobile games, respectively. Tightening restrictions on movement and going outdoors further fueled this growth. The number of mobile game installations also increased by 84% year on year. A notable statistic is that the difference in average daily usage between the weekends and weekdays, which used to be distinguishable, declined by 63%. To be precise, the difference began to decrease from March 11, 2020, when the WHO declared COVID-19 a global pandemic, and weekday usage temporarily exceeded weekend usage in early May.

Among all platforms, console games displayed the most astonishing growth. According to data by market research agency NPD, in May 2020 alone, US console gamers spent a monumental \$977 million on related expenses (hardware, software, accessories, game cards, etc.). This is the highest level since the Nintendo Wii's release in May 2008, which had quickly become a sensation among gamers (Richter, 2020). The console game market's growth has remained strong ever since the pandemic's spread began to intensify in March 2020 (Smith, 2020). In April 2020, Microsoft announced that its Xbox Game Pass service had reached 10 million subscribers worldwide. Multiplayer games grew by 130% between March and April (Park, 2020). Nintendo Switch sales increased 24% year on year, and the Switch-exclusive *Animal Crossing: New Horizons* sold 13.5 million copies worldwide between its release in late March and early May (Irwin, 2020). This

Figure 2 Change in Usage Time Before and After Spread of COVID-19 by Game Platform



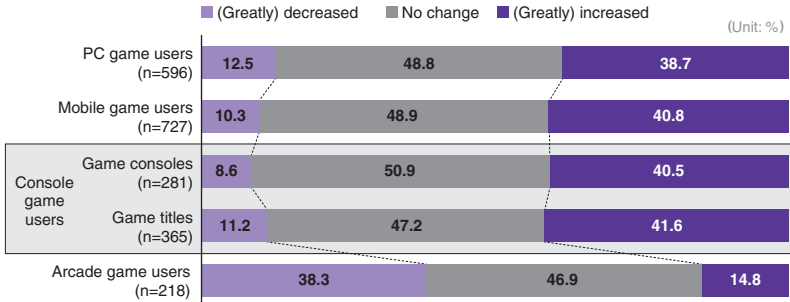
Source: KOCCA (2020a). *Korean Games White Paper*, p. 17

demonstrates the undeniable role of games in creating an indoor “safe haven” during the COVID-19 pandemic.

The situation in Korea is no different. According to the *2020 Survey on Game Users* published by KOCCA, 70.5% of the respondents played games at least once over the past year. This rise in 2020 is especially notable given that usage slightly declined from 67.2% in 2018 (KOCCA, 2018) to 65.7% in 2019 (KOCCA, 2019).

Of course, this figure cannot be attributed solely to COVID-19. Nevertheless, there was a clear difference in time spent on games before and after the spread of COVID-19. By platform, mobile game users formed the largest group who responded that their “usage time has (greatly) increased” (47.1%), followed by PC (45.6%), console (41.4%), and arcade (18.0%) game users. These results do not reveal any remarkable differences among the platforms, as all platforms excluding arcade games were between 40 and 50%. However, one can conclude that the usage time of the three platforms excluding arcade games—

Figure 3 Change in Usage Cost Before and After Spread of COVID-19 by Game Platform



Source: KOCCA (2020a). *Korean Games White Paper*, p. 17

which are played primarily in offline facilities—has increased overall.

Many respondents reported that their costs also increased, though not as high as usage time. This rate differed for each platform. Usage time was in the order of mobile, PC, console, and arcade games, whereas average usage cost was in the order of console (41.1%), mobile (40.8%), PC (38.7%), and arcade games (14.8%). Though it is difficult to recognize any significant differences among the platforms excluding arcade games, each platform's differences in cost structure likely contributed to the different rankings. Players unavoidably incur costs to begin using this platform for console games since they must first purchase a console. While titles are not required to be purchased, Users end up spending money on titles because the most popular games are paid and users often play multiple titles at once. On the other hand, mobile games have various cost structures, such as free-to-play, flat rate, and advertising-based models. Despite this diversity, since payments are typically simple to make, payments are gradually increasing. The spread

of COVID-19 appears to have complicated these factors, influencing increased usage costs.

Meanwhile, the steady growth in mobile game usage was accelerated by the COVID-19 pandemic. According to IGAWorks, a mobile data platform company, there were 19.84 million domestic mobile game users in the first half of 2020, up 4% from the same period in 2019 (19.17 million), and the average revenue per monthly active user increased by 24% from ₩13,566 to ₩16,828. Users spent an average of 33 hours per month playing mobile games. By genre, they spent the most time playing role-playing games^{RPGs} at 49.9 hours, followed by strategy (16.3 hours), puzzle/quiz (15.7 hours), casino (15.3 hours), and casual (11.9 hours) games. The average number of game apps per person (Android OS, as of June) was 3.7 (IGAWorks, 2020).

The success of multi-platform games also reflects the strong growth of mobile games. Sales for the mobile version of Player Unknown's Battlegrounds (also known as *Battlegrounds*) in the first half of 2020 reached ₩710.8 billion, accounting for most of the total sales for this franchise. (₩887.2 billion). The PC version of NCSOFT's *Lineage* recorded sales of ₩80 billion in the first half of 2020, whereas the mobile versions (*Lineage M* and *Lineage 2M*) exceeded ₩900 billion in sales (Kwak, 2020).

2) The Korean e-sports ecosystem expands

2019 marked the 20th anniversary of Korean e-sports and the

establishment of a robust e-sports Hallyu ecosystem, while 2020 was the year of the ecosystem's expansion. Progress in 2019 was achieved through the simultaneous efforts of various industry players, while 2020 saw the addition of government assistance.

The government announced the *New Hallyu Promotion Policy Plan* at the IEC General Meeting presided over by the prime minister in July 2020, expressing its will to “intensively foster e-sports.” The plan is designed to develop e-sports into global Hallyu phenomena through initiatives such as holding the First Korea-China-Japan e-sports competition and establishing a permanent e-sports stadium (Related Ministries, 2020).

However, the Korea-China-Japan e-sports competition, initially slated for November, was postponed due to the COVID-19 pandemic. E-sports was added as an official event to the 2022 Asian Games in Hangzhou, with six gold medals on the line. As Korea-China-Japan e-sports competitions are still nascent, the sector is forecast to grow in scale in the future (Noh, 2021).

Meanwhile, the Ministry of Culture, Sports and Tourism^{MCST} set a plan to expand the infrastructure for e-sports in August 2018. It constructed permanent e-sports stadiums in Busan and Gwangju at the end of 2020, and plans to build one in Daejeon in the near future. Of course, the vital factor is not building the stadium but how the stadium reflects the region's unique traits and whether it can sustainably provide ample content. Future policy support is anticipated since the

government announced that it would intensify e-sports into global Hallyu content.

Within the industry, there are many cases of various players (associations, media platforms [game broadcasting channels, online video services, etc.], e-sports companies, etc.) forming a coalition to diversify related businesses. In January 2021, LG Electronics signed a partnership for marketing collaboration with Gen.G Esports, a global e-sports company. Through this partnership, the two companies will devote efforts to develop and vitalize the global e-sports industry, actively communicate with Generation MZ^{Millennials and Generation Z} through LG's UltraGear brand, and enhance UltraGear's brand value. Founded in 2017, Gen.G ESports manages numerous world-class e-sports teams for leagues such as *Overwatch*, *League of Legends*, and *Battlegrounds* through offices in Korea, the US, and China. US economic magazine *Forbes* ranked it the sixth-most valuable e-sports company in 2020. In addition, Gen.G Global Academy was established to provide specialized educational programs for e-sports (Hwang, 2021). To promote e-sports with telecommunications company KT, the Korea Professional Football League, AfreecaTV, and the Korea e-Sports Association^{KeSPA} held the non-face-to-face *eK* League Sponsorship Ceremony on January 14, 2021. Based on the sponsorship agreement, KT participated as a joint title sponsor of *eK* League 2020 and the final was broadcast live exclusively on IPTV through Olleh TV View Play. *eK* League 2020 is a domestic FIFA Online 4 e-sports competition co-hosted by KeSPA and

the Korea Professional Football League and broadcast on AfreecaTV. The competition includes 22 national K-League teams of e-sports players (KeSPA, 2021).

Collaborations between the food and beverage industry and e-sports are also increasing. The most notable developments are confectionery company Orion and e-sports company T1 signing an agreement for business expansion, fast-food chain McDonald's becoming an official sponsor of the *League of Legends Champions Korea 2021*, Nongshim acquiring the *League of Legends* professional team called Team Dynamics, and Brion Blade of Challengers Korea entering a naming sponsorship deal with Korea Yakult (Sohn, 2021). These collaborations indicate that the ripple effects of e-sports on young people are enormous, *League of Legends* is still popular worldwide—especially in China, and e-sports' position as a major channel for brand and product marketing is gradually strengthening.

The offline popularity and the transition to online were also particularly notable. While this is partially related to lowering entry barriers and enhancing accessibility, the influence of COVID-19 cannot be understated. A major example of this trend is Nexon expanding e-sports online beyond its exclusive Nexon Arena stadium that had served as the center of its e-sports business. These efforts support grassroots e-sports competitions and make it easy for anyone to participate. To vitalize the open league, Nexon held *High School FIFA* in 2019, a high school competition for the online soccer game

FIFA Online 4. It also held the national competition *Assemble! KRR+ Family Competition for KartRider Rush+* in September 2020. It is noteworthy that Nexon established a plan for regularly conducting small online competitions throughout the year.

Hence, as the government strengthens the e-sports infrastructure, the industry diversifies its business models through alliances, collaborations, and new business development, leading to more derivative content and products. Moreover, the pandemic's impact is anticipated to accelerate the spread of Hallyu e-sports and the ecosystem's growth.

3) Expansion of global content production using game IPs

Following the virtual idol group, K/DA composed of League of Legends characters in 2018, and *PROJECT EL★STAR* that reimagined *Elsword* characters as idols in 2019, producers continued to create global content using intellectual properties^{IPs} for games in 2020.

Takeone Company established a partnership with VOOZ Character System in December 2020 and began development for a game using the IP of the Hallyu character Pucca (Lee, 2020). Pucca is a highly popular character in domestic and global markets, having overtaken Pororo, Larva, etc. to claim the top spot in preference for Korean animation characters for five consecutive years (KOFICE, 2020). Takeone Company's storytelling-based mobile game *BTS World* was sold in 176 countries, achieved the highest sales of all games using

Korean idol IPs in 2019, and also won “Mobile Game of the Year” at the 2019 Golden Joystick Awards in the UK. Its developers showed a thorough understanding of IPs and the utilization of realistic content. In the same vein, games using the Pucca IP are anticipated to capture the global game market owing to their originality.

DRX, an e-sports company that manages the professional League of Legends team of the same name, established a partnership with Kakao in June 2020 and formed various alliances using the *Kakao Friends* IP. Through their collaboration, DRX and *Kakao Friends* carried out joint marketing activities worldwide. For instance, the *Kakao Friends* character Ryan is featured on the DRX uniform, and *Kakao Friends* appear in DRX’s streamed games and the team’s merchandise (Kim, 2020). This trend is not limited to character IPs. The mobile game company Com2uS will release the comic *Summoners War: Legacy*, which uses the IP of the popular game *Summoners War: Sky Arena*, in April 2021. Created by Com2uS and Skybound Entertainment, the creator of *The Walking Dead* comics, *Summoners War: Legacy* is based on an expanded universe (worldview) of the game and deals with the story of the *Summoners War* universe-spanning 100-plus years. This was possible because Com2uS and Skybound Entertainment have been long creating stories, characters, and settings (spaces, magic, etc.) spanning over 100 years. Com2uS plans to diversify its content beyond comics into animations and novels based on the *Summoners War* universe (Oh, 2021).

Such efforts may potentially spur the co-evolution of the game industry and other content industries. Overseas fans' growing interest in and familiarity with K-culture can positively impact the popularity of games and music, characters, and comics. Games are not affiliated with any particular nationality since they consist of virtual characters and spaces, so their cultural discount is small. Moreover, as the RPG and multiplayer online battle arena^{MOBA} genres are already famous and have established universes, companies' attempts to explore new industries likely generate a positive fan response. It is also worth noting that the Korean game and cultural industries will have a sizeable influence on fans worldwide as trendsetters.

4) China resumes issuing licenses, but companies must tread cautiously

The Chinese government had stopped issuing licenses for games in the country since March 2017, which effectively prevented Korean games from entering China. Though most interpret this as a response to Korea's decision to deploy THAAD in July 2016, the Chinese government has not officially acknowledged this. MCST and the Ministry of Foreign Affairs tried resolving the issue from various angles, but the Chinese government kept the door to exchange tightly shut.

Companies considered alternatives entering China and earning profits that would not require a license at the industry level. For example, businesses adopted an advertising model rather than a payment model for HTML5 games in order to offer the game without

a license. Some anticipated that this strategy would help secure entry into the Chinese game market, characterized by high returns and a high preference for hyper-casual games. Companies could also introduce games in China without a license through the Apple App Store. Nevertheless, Chinese authorities blocked these detours as well. HTML5 games became subject to licensing, including games that had already been released. Chinese authorities requested Apple to confirm the games' licenses, leading to all unlicensed games being removed from the App Store.

Businesses saw VR games as the only avenue to enter the Chinese market, but they could not guarantee whether this would remain viable amidst increasingly strict regulations. On top of tightening existing regulations, the Chinese government also introduced new ones to protect youth. Companies also could not ignore potential downsides and risks, such as the inability to creatively operate and the lack of guaranteed freedom, even for content updates of games already in the market. No matter how large the market, enduring these many risks to continue doing business inevitably became a burden for the Korean game industry (KOCCA, 2020b). Then, in December 2020, a Korean game received a license for the first time in three years and nine months. This game was Com2us' representative title *Summoners War: Sky Arena*. This re-sparked a flurry of discussions on the possibility of entering China. Resuming exports to China, the second-largest game market after the US, would be beneficial for the Korean game industry.

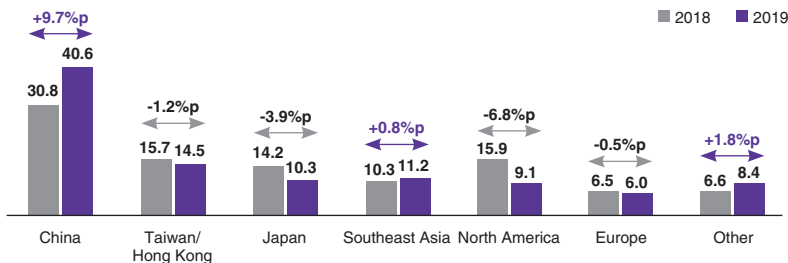
Of course, it is not easy to be ultimately optimistic. The Chinese game market has grown more competitive than before, so Korean games are not guaranteed to succeed. Based on the Chinese government's gaming cap system, it is unlikely for licenses to be issued to overseas games continuously. (Jeong, 2021) Furthermore, it would still be challenging for Korean games to enter the Chinese market even if this weren't a problem, thus requiring cautious but agile responses and sophisticated entry strategies from the industry and the Korean government.

3. Major Countries and Routes of Hallyu in Games: In order of China, Southeast Asia, Japan, Taiwan, and North America

Based on an analysis of exports among major countries, China accounted for the largest share at 40.6%, followed by Southeast Asia (11.2%), Japan (10.3%), Taiwan (9.8%), and North America (9.1%). China's share grew by 9.7% compared to 2018, and the remaining countries showed gradual changes. Southeast Asia, which ranked fourth (10.3%) in 2018, rose to second place (11.2%), while North America fell from second (15.9%) to fifth place (9.1%). The market shares of Japan and Taiwan slightly decreased due to influence from China and Southeast Asia, though their rankings did not change significantly.

The same statistics are categorized into mobile and PC games,

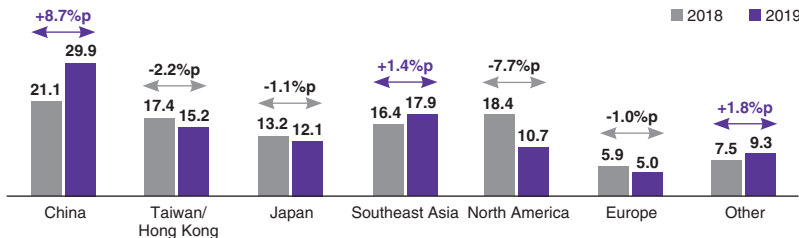
Figure 4 Comparison of the Proportion of Korean Mobile Game Exports by Country (2018-2019) (unit: %)



Source: KOCCA (2020b). 2020 Korean Games White Paper, p. 63

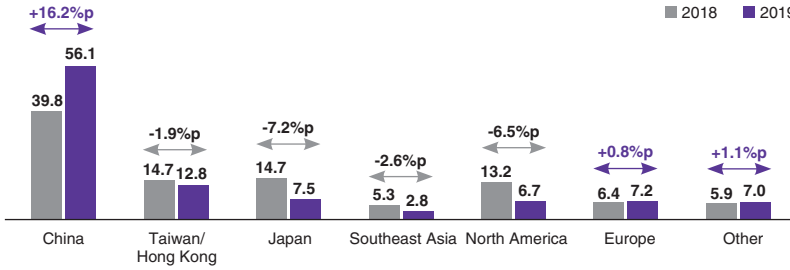
the two platforms with the most exports. China had the largest share of mobile game exports at 29.9%. Compared to China’s 40.6% share of total game exports, indicating that mobile game exports are more evenly distributed among all the countries than other platforms. It is notable that unlike their share of total game exports this is relatively low, the combined mobile game exports of Taiwan and Hong Kong (15.2%) are less than that of Southeast Asia (17.9%). The ranking for mobile game exports did not greatly differ from the shares of total game exports.

Figure 4 Comparison of the Proportion of Korean Mobile Game Exports by Country (2018-2019) (unit: %)



Source: KOCCA (2020b). 2020 Korean Games White Paper, p. 63

Figure 6 Comparison of the Proportion of Korean PC Game Exports by Country (2018-2019) (단위: %)



Source: KOCCA (2020b). 2020 Korean Games White Paper, p. 63

For PC games, China accounted for an overwhelming 56.1% of exports. Thus, PC games substantially contributed to increasing China's share of total game exports. Unlike mobile games, PC game exports to Taiwan and Hong Kong (12.8%) overwhelmingly exceeded Southeast Asia's (2.8%). It is also noteworthy that Europe (7.2%) showed the fourth-highest share after China, Taiwan, Hong Kong, and Japan (7.5%). Regarding mobile games export, China comprised about a third of mobile game exports while Southeast Asia, Taiwan, Hong Kong, Japan, and North America showed similar double-digit shares. On the other hand, China accounted for more than half of PC game exports. Only Taiwan and Hong Kong recorded double digits, showing that China's market is relatively concentrated.

4. 2021 Forecast of Hallyu in Games

The above section examined the status of Hallyu in games from 2019 to 2020, the game culture after being transformed by COVID-19, specific issues regarding Hallyu in games, and the status of game exports. Since the previous discussion focused on Hallyu in games of the past, this section will provide a future outlook of the sector. Key points to note are as follows: First, 2021 will likely be the year when the Korean console game industry solidifies its market position. Following the surge in mobile games—the latest major industry trend—and apart from the traditionally strong PC games, Korean console games such as *Battlegrounds*, *TERA*, *The Exiled Realm of Arborea*, and *Mistover* gradually gained popularity overseas.

Expectations for the console market are rising after *Nintendo Switch*'s phenomenal success and the release of 9th generation consoles. Moreover, as multi-platform games became more common, releasing console games became a necessity rather than an option in the game industry. Meanwhile, Korean games continue to enjoy a favorable reception established several years ago. Companies will release console versions of major titles such as Pearl Abyss' *Crimson Desert*, Smilegate's *Crossfire X*, Nexon's *KartRider Drift*, Neostream Interactive's *Little Devil Inside*, and NCSoft's *Project TL*, with sights set on the global game market (Jo, 2021).

Second, competition in cloud-based game streaming services,

or cloud gaming, is expected to intensify. Cloud gaming enables users to play high-performance games on a cloud-based platform without downloading the game. Competition arose in this market after Google and Microsoft launched full-fledged products. Of the several factors that enabled cloud gaming, the most critical is 5G networks. This technology provides a fast and lag-free network environment, thereby expanding the range of services available through streaming and subscriptions.

In Korea, the first place where 5G service was commercialized, telecom carriers are competing with cloud gaming services. This includes KT's GameBox, SK Telecom's 5GX Cloud Game, and LG U+'s GeForce Now. KT's service is an independent effort, whereas SK Telecom and LG U+ collaborated with Microsoft and NVIDIA, respectively. Each carrier aggressively attracts subscribers through various marketing strategies and mandatory value-added services. Nonetheless, some have pointed out technical problems such as the complex subscription process, the instability of 5G, insufficient content, and input latency (Seo, 2021; Won, 2021). Although telecom carriers have chosen cloud gaming as the representative content using 5G, more time is needed to determine whether the sector can become a true trailblazer.

Third, the "game-watching" culture is expanding even further. As the pandemic has made large crowds of spectators unfeasible, the focal point of e-sports and content creators has shifted to game video

services such as Twitch and YouTube Gaming. From 2012 to 2020, Twitch's average concurrent viewers, average concurrent channels, monthly creators, and partners all substantially increased. Specifically, average concurrent viewers grew from 100,000 to 1.97 million; average concurrent channels from 2,200 to 81,600, monthly creators from 300,000 to 6 million, and partners from 3,400 to 45,400 (Twitch Tracker, 2021). What is notable is that even though each indicator has steadily increased, the growth rate was much higher in 2020 than in other years.

This indicates that COVID-19 has fueled both the supply and demand for Twitch videos. The evolution of evolving media technologies, the rising popularity of e-sports and Internet game broadcasting, and the COVID-19 pandemic have led to complex types of “game-watching.” Game-watching is not only linked to playing the game; it has evolved into the fully independent activity of enjoying the game in itself. In a sense, spectating allows the viewer to “play” as well since it connects them with the game, which remains the focus of attention. We expect this culture to become more important in the practice of enjoying video games.

For the time being, the COVID-19 pandemic will likely be the factor with the most significant influence on Hallyu in games. While game usage has quantitatively increased since the spread of COVID-19, the detailed picture is not that simple, nor is the pandemic's progress completely one-sided. As such, current predictions of the post-

pandemic landscape are still premature. What is clear is that as the pandemic recession intensifies, people's overall disposable income will drop. This will very likely influence game usage and also Hallyu in games, even if the impact is negligible. Market conditions in the “new normal” may fall short of the “old normal.” and in the COVID-19 era, the trends of Hallyu in games will not be static but ever-changing. As such, we must constantly keep track of the relationship between COVID-19 and games for now.

The pandemic, digital comics market, and growth of K-webtoons

Jang Min-gi

Assistant Professor

Media Communications Department

Kyung Nam University

1. 2020 Status of Hallyu in Comics and Webtoons

1) Status of the global comics market

The popularity of superhero movies based on the IPs of Marvel Comics and DC Comics in the US successfully attracted a young readership. The rally in this sector became an opportunity to achieve remarkable growth. The size of the global comics industry in 2019 was estimated to be \$9 billion (approximately 10 trillion), up 12.5% from 2018.

In 2019, both the print and digital comics markets grew in size. Compared to 2018, the former increased by 6.7% and the latter by nearly 28%, demonstrating the growing importance of digital comics platforms in the comics industry.

Meanwhile, the global comics market is forecast to shrink in 2020 as the print comics market is greatly reduced due to COVID-19. In this regard, although the print comics market still comprises a large portion of the global comics industry, the offline comics distribution and sales market will contract due to the pandemic, inevitably causing the overall comics market also to shrink. Nevertheless, as the habits of comic readers begin to shift in 2020, the share of digital comics in

Table 1 Global Comics Market Size and Growth Rate (2015-2024) (Unit: 100 million USD, %)

Category	2015	2016	2017	2018	2019p	2020	2021	2022	2023	2024	2018-12 CAGR
Comics	72	78	76	80	90	86	89	89	90	90	-0.02
Rate of Change		8.3	-2.6	5.3	12.5	-4.4	3.5	0	1.1	0	

Note: Market size of 34 countries including Korea, rather than the total market size, including the publishing market. "p" indicates
Source: KOCCA (2021). *2020 Analysis of the Overseas Content Market*, p. 11

the total comics market is forecast to increase gradually; precisely, it is predicted to exceed 30% in 2020 and reach 34% in 2024.

2) Status of Hallyu in webtoons

According to KOCCA's *2020 Survey of Webtoon Companies*, the domestic comics industry, particularly the webtoon industry, grew by ₩173.7 billion (37.3%) compared to 2018 to reach ₩640 billion in total industry sales in 2019. Platforms grew by ₩125.8 billion (48.1%) and agencies by ₩47.9 billion (23.4%) compared to 2018.

Of the 43 webtoon companies that responded to the survey, 7% owned subsidiaries overseas. The small number of subsidiaries is probably due to the low demand for overseas distribution rights and the need for direct overseas expansion. As of 2019, 74.4% of the respondents were involved in exporting webtoons, 23.3% were involved in imports, and 23.3% had not entered overseas markets. By country, exports to China accounted for the largest share at 40.7%.

The average export value of Korean webtoons in 2019 was \$1.026 million (about ₩1.19596 billion). Among the export destinations, on average, the proportion of exports to Japan was the highest at 30.3%, followed by China (including Hong Kong) at 23.9%, and North America at 13.7%.

In China, imports of Korean titles are gradually declining due to China's webtoon market growth. In contrast, in North America, webtoon exports are increasing due to the launch of Line Webtoon,

Lezhin Comics, and Tappytoon Comics.

Table 2 Size of the Domestic Webtoon Industry (2017-2019)

(Unit: KRW)

Classification	2017	2018	2019
Platform	242,206,987,049	261,549,645,933	387,411,632,641
Agency/Production Studio	137,722,733,662	204,793,140,000	252,681,898,970
Total	379,929,720,711	466,342,785,933	640,093,531,611

Source: KOCCA (2020a). 2020 Survey of Webtoon Companies.

2. Issues facing Hallyu Comics and Webtoons

1) The pandemic and Hallyu webtoons

COVID-19 was first reported in December 2019 and spread to most countries worldwide in 2020. As such, WHO declared the disease, transmitted through droplets, a pandemic in March 2020. The COVID-19 virus has transformed the face of society in many aspects, one of which being limiting in-person contact for nearly a year at the time of writing. Fear of cluster infections has changed daily life for people worldwide.

Moreover, COVID-19 is also reshaping the structure of the content industry. It is changing the production process and consumers' content consumption habits. Since the pandemic made it impossible to create and consume content in groups, attention was focused on content created and consumed individually or at home. As the terms

“untact” and “new normal” became a part of common vernacular production and consumption models within the content genre began to evolve. This also allowed to spread globally the production and consumption models of webtoons, a uniquely Korean genre. The term “webtoon” first emerged in Korea, signifying that its segmented format, including methods of production and expression, and consumption model differ from traditional comics. In terms of the production method, individual works and joint productions are typically digitally uploaded, thus minimizing face-to-face contact and the risk of COVID-19 infection. Content consumption is also optimized for smartphones, and since webtoons are digitally distributed, their production and consumption are relatively unaffected even if in-person contact is minimized.

This raised the probability that the industry would voluntarily change its structure. The US and Japan, known for having the world’s largest comics markets, are still among the regions with the largest shares of the published comics market. These countries are accustomed to developing content franchises* based on source material from comics and applying the OSMU (one source multi-use) strategy in various ways (Kang & Jang, 2020). However, COVID-19 has caused a drastic shrinking of the publishing market and continuous delays in comic-based movies, thus fueling the consumption of online content.

* This is a method of creating various stories from a single account and transforming them to suit diverse media and generate synergies (Kang & Jang, 2020).

Companies have paid special attention to the consumption of content optimized for smartphones, given that smart device usage has soared in today's non-contact society.

This change is relevant to Naver moving its webtoon headquarters to the US and KakaoPage actively trying to enter overseas markets, with sights set on the Japanese digital comics market. Both companies are a powerhouse in the webtoon platforms space in Korea, so these are significant developments. Naver simultaneously released the animation of the webtoon *Noblesse* worldwide in October 2020. It was distributed in the US, South America, and Europe on the streaming service Crunchyroll and in Korea on Naver Series On. In Japan, where content is still mainly provided on legacy media, it was aired on popular TV channels such as TOKYO MX and BS11 (Park, 2020).

Although the habits of content users are difficult to change, they are likely to rapidly change after a given inflection point. As COVID-19 sends the published comics market into a slump, the comics industry is undergoing structural changes due to digitalization. This could be an opportunity to spread webtoon platforms, Korea's forte, to various countries. In particular, long-archived Korean webtoons are highly likely to find enthusiastic readers worldwide. Most importantly, the domestic webtoon platform model will likely become a good opportunity to establish an overseas presence.

2) Raising awareness of webtoon IPs and eradicating illegal overseas distribution

As predicted in the 2019 *Hallyu White Paper*, along with the active overseas entry of Korean webtoon platforms, one of the hottest topics of Hallyu webtoons in 2020 is related to webtoon copyright. Poor copyright awareness in Korea and overseas has allowed Korean webtoons to be illegally distributed across the Internet, which is a huge barrier to creators, agencies, and producers preparing to enter overseas markets.

When modifying an original work through cross-media or transmedia storytelling (i.e., OSMU), a detailed understanding of the original work's copyright and related legal cases is paramount. Particularly, when a foreign company attempts to localize or create screen adaptations of the Korean original, it is necessary to minimize international legal disputes by clearly specifying the relevant ownership and interests in the contract. The losses* suffered by domestic content producers due to the Korea–China joint project of writer Ha Il-kwon's webtoon *God of Bath* in 2020 is a prime example.

Cases of copyright damages due to webtoon screen adaptations are rising overseas along with increasing illegal distribution. Illegal distribution of webtoons has become extremely severe, to the extent

* *God of Bath*, which Moonwatcher has been producing as a Korean-Chinese joint film over the past five years, became the center of controversy in December 2020 due to a copyright violation. In the process of localizing the work in China, *God of Bath* director Yi Xiaoxing attempted to register it as his own work and produce the film himself.

that it grew 5.5 times from 2017 to 2019 (KOCCA, 2020a). According to KOCCA's *2020 Survey of Webtoon Companies*, as Korean webtoon platforms actively enter the global market, webtoons translated into other languages are expected to face greater damage and illegal distribution. The illegal global distribution of webtoons is so severe that illegal translations are typically distributed online within less than a day after a new webtoon is published. There are hundreds of manga piracy websites on which popular webtoons such as *Solo Leveling* and *Tower of God* are illegally shared. A sizeable Mexican manga sharing site illegally provides Korean BL webtoons in Spanish under a section titled "Manhwa," and there are also illegal sites that focus on a single popular webtoon (KOCCA, 2020a).

On November 10, 2020, JTBC's *Newsroom* reported that Korean webtoons translated into English and Spanish are illegally distributed to webtoon pirating communities used by netizens worldwide. To prevent this, the six companies, Naver Webtoon, Lezhin Entertainment, RIDI, KakaoPage, Topco, and Toomics, formed a lobbying group in October 2020 and agreed to take joint legal action to eradicate illegal distribution (Kim, 2020). KakaoPage took the lead in filing a damages claim against "Childish Adult Dot Com," Korea's largest illegal webtoon site; it won on all counts of IP infringement and was awarded ₩1 billion in damages. KakaoPage also blocked pirated webtoons and URLs from search engine results collaborating with the Copyright Overseas Promotion Association.

As Korean webtoons regain international popularity and are distributed worldwide, cases of overseas copyright infringement and illegal distribution are expected to increase. It is incredibly difficult for individual writers to discover or take legal action against copyright infringement and illegal distribution cases. Accordingly, authorities must establish guidelines to respond to this issue at the national level and develop a monitoring system to block illegal distribution.

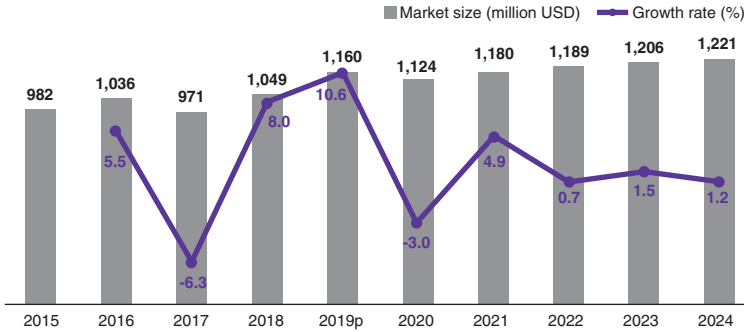
3. Major Countries and Routes of Hallyu in Comics and Webtoons

1) Trends in the US comics industry and Hallyu

The US comics market was valued at \$1.16 billion, up 10.6% from 2018 (KOCCA, 2020b). Unlike the gradually shrinking overall publishing market, the US print comics market's share within the comics market is estimated to be steadily increasing. The combination of the popularity of graphic novels and user consumption habits seems to be reflected in the industry's size. Unlike print comics, the digital comics market grew in 2018 but somewhat shrunk in 2019. This is probably because platforms providing US comics (e.g., ComiXology) failed to differentiate their services (KOCCA, 2020g).

The print comics market is expected to shrink in 2020 due to

Figure 1 Size and Growth Rate of US Comics Market (2015-2024)

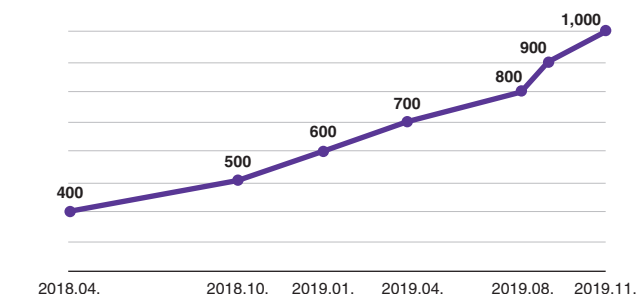


Source: ICv2(2020); SNE(2020); PwC(2020); KOCCA (2020b). 2020 Comics Industry White Paper. P. 153

COVID-19 substantially within the US comics market. On the other hand, the digital comics market is expected to offset the losses of the print comics market and thrive once again, leading to overall industry growth. Companies are particularly targeting Generation MZ, who prefer digital platforms for content consumption. Further, as webtoon platforms that succeeded in Korea, Japan, China, and other Asian countries attempt to expand their influence in the US market, the industry's growth rate is expected to increase. Notably, as operators take this opportunity to diversify the US comics industry's distribution structure and recognize the importance of digital platforms, industrial factors and structures are likely to change.

Of the Korean webtoons that have entered the US, Naver's Line Webtoon aims to distribute mobile-based comics. Line Webtoon entered the US in 2014 and provided translations of 42 domestically popular webtoons such as *Noblesse*, *Tower of God*, and *The God of High*

Figure 2 Monthly Net Users of Line Webtoon in North America (Unit: 10,000 users)



Source: KOCCA (2020g). *US Contents Industry (Issue 3, 2020) – Trends in US Digital Comics (Webtoons)*.

School, upon launch. In December 2019, Line Webtoon announced that it had surpassed 10 million monthly visitors in North America. This increase in users can be attributed to the growth in 2019; Line Webtoon has demonstrated rapid growth since entering the US in July 2014, exceeding 5 million monthly visitors in four years and then 10 million in just a year and a half (KOCCA, 2020g). The service plans a dual strategy of providing content that is highly relevant both culturally and regionally and developing fresh and innovative storytelling.

Lezhin Comics, which was selected as the number 1 comics app in the US App Store in 2017, formed an agreement with US comics platform Anime Planet in 2020 to provide webtoons. Lezhin Comics currently provides over 120 webtoons. Anime Planet is an online platform offering comics and light novels and currently has over 5 million monthly users. This agreement will permit links to the official Lezhin Comics platform to be posted. Anime Planet founder Kim Cameron noted that Lezhin Comics' contents are widely consumed by

enthusiasts (KOCCA, 2020g).

Analysts regard Korean webtoons as the most profitable Hallyu content after K-pop. The industry records annual sales of about \$1 billion in the US and Japan, the world's two largest comics markets. Comics in the US have been classified as an industry where IPs have high economic value since the 1990s, and are seen as a key factor in expanding the IP industry. In particular, companies can generate even more profit by utilizing an IP's "universe" and transmedia storytelling through broadcasting, film, and games.

Korean webtoons are poised to serve as original stories that unfold through diverse content such as animations, games, and merchandise based on their expansive universes. As a prime example, Naver reformed its equity structure and designated the US subsidiary Webtoon Entertainment as its headquarters, probably to facilitate entry into the US entertainment market. With the COVID-19 pandemic expected to bring major changes to the entertainment industry landscape, analysts predict that Naver will promote screen adaptations for webtoons in collaboration with global entertainment companies in the future.

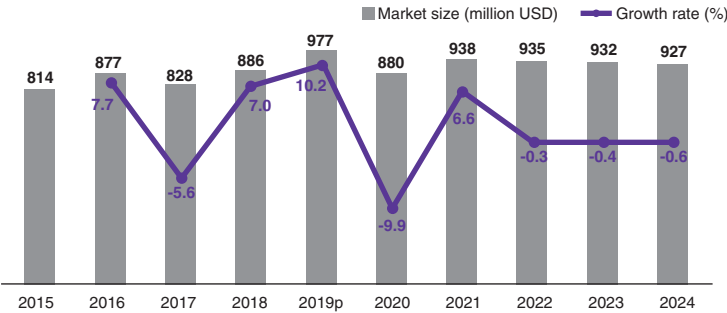
2) Trends in the Chinese comics industry and Hallyu

The Chinese comics market was valued at \$977 million in 2019, up 10.2% from 2018. Behind this growth is the rise of the print comics market in 2019, which had been stagnant, and the increased

consumption of “manhua” on digital comics platforms (KOCCA, 2020b).

Though the total number of digital comics users in China is rising, there are fewer paid users than in Korea and Japan. Like the US, China is focusing its efforts on securing comic IPs, and companies generate profit through transmedia production (animations, games, movies, and web dramas) rather than revenue from the comics themselves. Initially, Japanese and Korean comic IPs dominated the Chinese comics market, but the landscape is changing as the production capabilities of Chinese content producers improve. Chinese comics platforms have displayed tremendous growth, including both new comics studios and established ones that have consistently maintained corporate value and recognition. Examples of the former include Youhu Wenhua and Shizi Xing, which attracted investments from Tencent in 2018 and 2019, respectively. Examples of the latter include Xianman Wenhua, which released titles that topped the rankings of various platforms like *Outlaw*

Figure 3 Size and Growth Rate of Chinese Comics Market (2015-2024)



Source: ICv2(2020); SNE(2020); PwC(2020); KOCCA (2020b). 2020 Comics Industry White Paper. P. 174

and *The Phoenix*, and Dong Man Tang, which garnered considerable popularity with *Under One Person*. This trend demonstrates that the overall level of the Chinese comics industry is rising (KOCCA, 2020).

The Korean comics industry is devoting efforts to maintaining its relationship with the Chinese comics market. In 2019, the Korea Manhwa Contents Agency, Gyeonggi Content Agency, Korea Trade-Investment Promotion Agency, and Seoul Business Agency jointly hosted the *2019 Korea-China Animation and Webtoon Business Matching Program*. Moreover, at the KOCCA Beijing business center, Korean comics and webtoons are increasingly entering China and expanding market share through *2019 K-Comics in Beijing*. Notably, the Korean webtoons *Solo Leveling*, *Doctor Elise*, and *Who Made Me a Princess* have been well-received by local consumers (KOCCA, 2020b).

In contrast, the Chinese film *Bath Buddy*, alleged plagiarism of Ha Il-kwon's Korean webtoon *God of Bath*, was a box office success in China with over 300 million viewers. This incident serves as a reminder of the necessity for a transnational system to prevent the plagiarism and illegal distribution of Korean webtoons in China. The Korean producer Moonwatcher had jointly planned the film for *God of Bath* with a Chinese investment and production company for 5 years, after which the Chinese distributor unilaterally terminated the contract and independently released the film (Chae, 2020). The Chinese production team argued that *Buddy Bath* was a different work and not plagiarized since the title and many parts in the original were modified. It is time

to establish an institutional copyright mechanism to prevent Korean webtoon and content producers from suffering unfair losses.

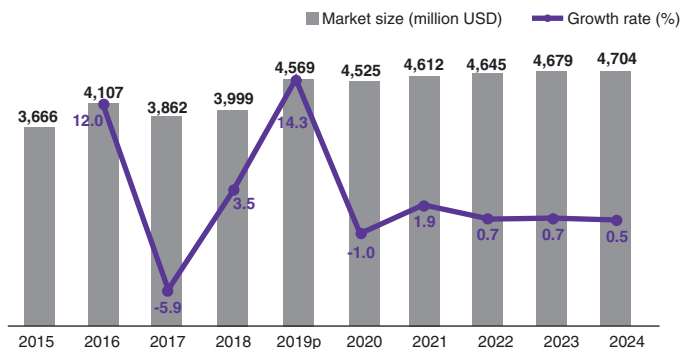
3) Trends in the Japanese comics industry and Hallyu

According to KOCCA's *2020 Comics Industry White Paper*, the Japanese comics market in 2019 was valued at \$4.569 billion, up 14.3% from 2018. Print comics hold a substantial share of the market in Japan, but numerous comic magazines are now suspending or discontinuing publication. Nevertheless, as in other countries, the digital comics market in Japan has grown significantly, offsetting the decline in the comic magazine industry.

COVID-19 led to the spread of social distancing in Japan in 2020, thereby fueling demand for digital content and accelerating the production of non-face-to-face content. According to a survey of the Research Institute for Publications of the All Japan Magazine and Book Publisher's and Editor's Association, a public interest incorporated association, book and magazine sales declined by 5.6% while comic sales increased by 19% in March 2020 compared to March 2019. Manga production in Japan is done by hand and the risk of contracting COVID-19 is high as many people work with several assistants in a small space. Japanese comic creators are increasingly opting for digital production to avoid this risk. This suggests that the industry is undergoing a large-scale restructuring, even in the comics sector.

In Japan, Korean webtoons are referred to as “web manga,” but

Figure 4 Size and Growth Rate of Japanese Comics Market (2015-2024)



Source: All Japan Magazine and Book Publisher's and Editor's Association. Monthly Report; PwC(2020); KOCCA (2020b). 2020 Comics Industry White Paper. P. 199

they do not occupy a large share of the overall digital comics market. Content-oriented Korean webtoon operators that have entered Japan are serializing Korean titles, mainly in the romance genre. Moreover, content-oriented operators such as TOPTOON, Lezhin Comics, and XOY, which Naver Webtoon had serviced in Japan, have attempted to enter the Japanese market to overcome the saturated Korean market's limitations and gain more users.

Most importantly, Hallyu fans have partially contributed to the success of Korean webtoons in the Japanese comics market. Many Japanese consumers are familiar with the sentiments of Korean content, can relate to Korean characters deeply, and are accepting of the Korean way of life. Particularly, along with the increase in consumption of digital content in Japan since the pandemic, Korean webtoon sales are also increasing. Several Korean webtoons have entered the market,

including *Demon's Wedding Ceremony*, *I Became a Millionaire's Daughter*, and *Abyss*, and are provided on Shueisha's romance comics app Manga Mee. According to the download rankings of Japanese apps and market share studies, Line Manga and Kakao Japan's Piccoma rank first and second and NHN Japan's mobile platform Comico also ranks near the top, demonstrating the tremendous progress of Korean companies (KOCCA, 2020e).

After Kakao Japan launched Piccoma in 2016, the app recorded 20 million downloads in 2020 and ranked first in sales among non-game apps. Notably, the company launched the mobile app Piccoma TV, which provides screen adaptations of webtoons, to differentiate its services through OSMU, a strategy familiar to Japanese readers. Piccoma provides Japanese translations of Kakao Page's Korean webtoons to Japanese consumers. Though Korean webtoons comprise only 1% of the platform's 30,000 titles consistently rank in the top 10 sales, demonstrating their role in directly promoting Korean webtoons (KOCCA, 2020e).

Screen adaptations such as K-dramas are highly likely to enable Korean webtoons' entry into the Japanese comics market. Like the US comics market, the formerly print comics-dominated industrial structure has transformed in the wake of COVID-19 due to the rise of consumers who enjoy Hallyu stories and overseas users who seek out both the original work and video adaptations.

In the case of *Itaewon Class*, which topped Japanese Netflix's

rankings in the first half of 2020, many fans of the show knew that it was based on a webtoon and downloaded Piccoma to read the Japanese adaptation *Roppongi Class*. In terms of transmedia and expanding IPs, this case clearly indicates that users' habit of returning to the original work will likely increase in the future.

4) Trends in the Thai comics industry and Hallyu

The Thai comics industry was valued at \$45 million in 2019, up 7.9% from 2018. In Thailand, the appeal of paid content to consumers is rising; this has impacted the consumption of comics with growth in not only digital but also print comics.

According to KOCCA's *2020 Comics Industry White Paper*, along with Indonesia, Thailand has the most active comics and animation users. Furthermore, Thailand's domestic comics industry is well established, unlike other Asian countries that depend on Japanese comic imports.

In line with the restructuring of the global comics industry, the Thai comics market—especially the printed books market—is gradually shrinking, which has led to the decline of the print comics market as well. It is well known that Korean webtoon platforms such as Line Webtoon, NHN Entertainment's Comico, and Lezhin Comics have begun to gain popularity among young Thai readers amidst digital transformation.

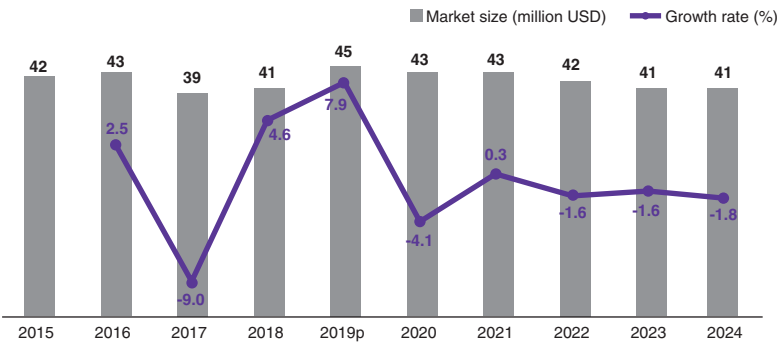
These webtoon platforms introduced Korean webtoons to

Thailand, held contests as part of the localization process, and discovered Thai webtoon writers. This shift in usage habits became an opportunity to bring Korean webtoons, whose recognition had lagged behind Japanese comics, into mainstream culture. As such, Thai webtoon platforms have disrupted the consumption culture of the Thai comics market itself.

Though Line Webtoon leads Thailand’s digital comics market, Chinese webtoon platforms have proven to be formidable competitors. China’s Tencent continues to invest heavily in Ookbee Comics, and latecomers are also rapidly securing users.

Line Webtoon established itself as a major webtoon platform in Thailand and distributed Korean webtoons provided by Naver Webtoon. The service reached 16.8 million users in Thailand alone in November 2019 (KOCCA, 2020b). Users of Line mostly use the platform, a messenger app popular in Thailand, and Korean webtoon serializations distributed in Korea are simultaneously provided in

Figure 5 Size and Growth Rate of Thai Comics Market (2015-2024)



Source: ICv2(2020); SNE(2020); PwC(2020); KOCCA (2020b). 2020 Comics Industry White Paper. P. 218

Thailand with almost no delay. Thus, the service continues to lead Hallyu webtoons.

Following its success in the Japanese market, NHN Entertainment's Comico is expanding its presence in Thailand as well. According to the *2020 Comics Industry White Paper*, in October 2020, Comico ranked fourth in downloads and 12th in revenue among comic apps in the Play Store. Comico also holds online and offline comic contests and seminars to discover local webtoon writers.

5) Trends in the Indonesian comics industry and Hallyu

There is a high demand for comics in Indonesia despite little interest in reading on average. According to a 2013 Japan NTV survey, Indonesians read an average of 3.11 Japanese comic books a year, making it the world second-largest consumer of Japanese comics (KOCCA, 2020c). Since the widespread dissemination of Japanese comics in the 1990s, they have been the mainstay of published comics for over 30 years. Indeed, the Indonesian word for “comic” is the Japanese word *manga*, indicating that Indonesians associate the concept of comic books primarily with Japanese manga.

Unlike the print comics market, the digital comics market is dominated by Korean webtoon platforms (primarily Line Webtoon and Kakao Page). Simultaneously, Indonesian platforms such as Ciayo Comics and re:On Comics continue to grow as local comic writers are discovered.

Webtoon platforms appeal to both genders in Korea, whereas the majority of webtoon readers in the Indonesian market are women, and the top rankings of many platforms are dominated by romances that cater to a female audience. Kakao Page, a latecomer to the Indonesian webtoon market, differentiates itself as a platform specializing in romance comics under the slogan “original romances.”

In Indonesia, Korean webtoon platforms’ subscribers and user traffic have substantially grown since indoor online activities increased due to the pandemic. Since April 2020, Line Webtoon has consistently recorded the highest Android app sales in Indonesia, followed by Kakao Page. Line Webtoon localizes Korean comics and focuses on discovering local Indonesian writers, thereby providing a distribution channel for new Indonesian writers to publish their own comics. It is simultaneously pioneering a new market through webtoons, revitalizing the local comics ecosystem, and promoting Hallyu webtoons. Webtoon IPs are also increasing as Korean webtoons amass popularity in Indonesia. For example, some webtoon IPs have received cinematic adaptations; local film adaptations of Line webtoons such as *Eggoid* and *Terlalu Tampan* were produced and they achieved box office success. In line with this trend, film adaptations for several other line webtoon IPs have followed, among which movies are being planned for *Sarimin* and *Flawless* (KOCCA, 2020c; KOCCA, 2020d).

There are no webtoons created by a Korean writer exclusively for Indonesian readers, that is, localized webtoons. Nevertheless, local

readers' acceptance of Korean webtoons set in Korea serves as a medium to introduce Korean culture to Indonesia.

Meanwhile, Korean writers are attempting comics that deal with Indonesia-specific material. Within the published comics sector, Indonesian–Korean writer Bae Dong-seon is working with Korean cartoonist Lee Tae-soo to produce five comic books based on the story of a local Indonesian ghost, which Bae serialized on his blog. Two of these books were published on March 9, 2020. This is the first case of a Korean writer and Korean cartoonist producing a comic for young Indonesian readers, and it is meaningful in that it is based on Indonesian source material.

4. 2021 Outlook of Hallyu in Comics and Webtoons

In 2021, Hallyu in comics and webtoons will mainly focus on strategies for the localization and overseas entry of webtoon platforms. Given that webtoons can provide services optimized for the consumption habits of non-face-to-face and online content, they will likely become a foundation for expanding Hallyu content. Notably, operators have intensively created screen adaptations of domestic webtoons for several years, suggesting that rather than merely being consumed alone, webtoons may also be turned into content franchises.

Indeed, Hollywood superhero films comprise only 10% of all movies but generate 80% of the entire film industry's profits (Kim, 2017). Utilizing webtoon IPs has become a major strategy for targeting both mass appeal and critical acclaim; such content is now so influential that it forms a pillar of global OTT platforms. Hence, webtoon platforms may grow from simple webtoon providers to massive platforms that distribute exclusive content spanning diverse entertainment industries such as animation, movies, and games.

In the same vein, Webtoon Entertainment, the headquarters of Naver Webtoon, launched Webtoon Studios in 2021, a division for introducing works and sharing media reports in North America. Webtoon Entertainment seeks to become a global entertainment company that collaborates with large overseas agencies and accelerates the utilization of global IPs through Webtoon Studios (Lee, 2021).

Meanwhile, the domestic webtoon platform is poised to advance its localization strategy to promote Hallyu in 2021. Netflix partners with local producers in different countries to develop local original stories, produce content based on them, and launch it in the local market. Similarly, for Korean webtoon platforms to expand overseas, it is critical to not solely distribute domestic content but take in high-quality content from other countries and establish it on domestic webtoon platforms, while continuing a content franchise strategy by developing excellent IPs in each country. This is closely related to Naver and Kakao Page's continuous effort to discover local artists

while establishing domestic webtoon platforms overseas. How Korean webtoons enter overseas markets is now less important than it may seem. Instead, discussions will shift to strategies on establishing the service mentioned above model abroad as domestic platforms handle distribution.

Korean publications take center-stage in the world through various forms

Lee Gu-young

CEO

KL Management

1. 2020 Status of Hallyu in Publication

Over a short period of 15 years, Korean literature has undergone huge changes and development in the global publishing market. Despite the fact that publications take longer to disseminate than video or audio products, the growth rate and success of Korean literature has never lagged behind other types of content. The spread of Hallyu publications (primarily literature) to Asia, the US and UK, Europe, and other regions has accelerated, and they are establishing roots in the literature, art, and publishing markets of different language markets while widening the scope of communication with the public.

Most importantly, the writer groups entering overseas markets are solidifying, and literature genres have diversified beyond general literature into mystery, thriller, horror, romance, fantasy, science fiction, and more. Behind these developments, the expansion from traditional physical books to e-books and audiobooks played a critical role. For this reason, reader accessibility and purchasing methods are rapidly evolving in each language market. For example, online web platforms distribute web novels and webtoons, where users can purchase specific parts of the works (episodes or chapters) to read.

In addition to general literature, companies continue to export adaptation rights of web novels and webtoons for TV dramas and movies. It is vital to plan and discover publication contents that reflect the unique characteristics and requirements of the local markets for

each language or country.

2020 will be remembered as when Korean publications amassed significant experience and achievements in the global publishing market. Fiction and non-fiction performed similarly in the publishing markets of Asia, the US and UK, and Europe. In the past, books by a few select authors in particular sectors or language markets showed remarkable performance. However, in 2020, many different authors spanning diverse genres achieved similar success in various language markets.

Of course, there were difficulties. In the first half of 2020, bookstores worldwide closed due to the pandemic, and employees of publishers were forced to work from home, sparking unexpected chaos. Countless offline events were canceled in cities worldwide (e.g., international book fairs and artist invitation exhibitions). Korean and overseas publishers tried to minimize sales losses through their unique methods. During this turmoil, it is encouraging that Korean publications are being well-received in overseas publishing markets.

2. Issues in Hallyu in Publication

1) Sohn Won-pyung's *Almond* attracts attention in Japan

The Japanese version of Sohn Won-pyung's novel *Almond* won first



Figure 1 Screen shot of YouTube contents on the awards ceremony and the cover of Japanese version of Almond

Source: KL Management

place in the translated fiction category of the 2020 Booksellers' Awards. This was officially announced on April 7, 2020, at the online awards ceremony broadcast on YouTube.

Sohn Won-pyung is the first Korean writer to win the award in Japan and the first Asian winner of the award. The Japanese Booksellers' Awards were established in 2004 by Japanese bookstore employees, and the translated fiction category was created in 2012. Employees of both online and offline bookstores directly vote to select the award winner. *Almond* was selected as the "Booksellers' Book of the Year" when first published in Korea in 2017. It was translated by Yajima Akiko and published in July 2019 by the Japanese publisher Shodensha. As of the end of December 2020, the 19th edition was published and has sold over 100,000 copies. Contracts to export translation rights were signed with publishers in 17 countries, including the UK, Russia, Greece, and Turkey.

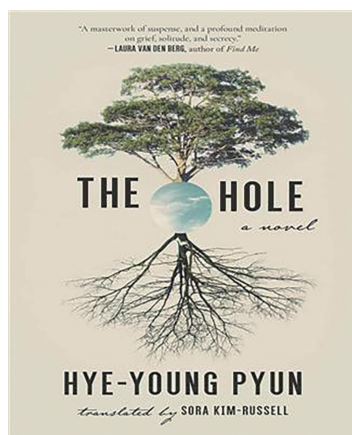


Figure 2 Cover of English version of *The Hole*.

Source: KL Management

2) Film rights for Pyun Hye-young's *The Hole* exported

The film rights to Pyun Hye-young's novel *The Hole* were sold to the US in 2020. The rights contract was signed with K Period Media LLC., a US film and TV producer. On July 15, 2018, Pyun Hye-young became the first Korean author to receive the Shirley Jackson Award for *The Hole* was translated and published in the US in 2017. It is her fourth novel and a full-length adaptation of the short story *Caring for Plants*.

3) Cho Nam-joo's *Kim Jiyoung: Born 1982* nominated for the US National Book Award for Translated Literature

Cho Nam-joo's *Kim Jiyoung: Born 1982* garnered much attention in the US with its nomination for the "National Book Award for Translated

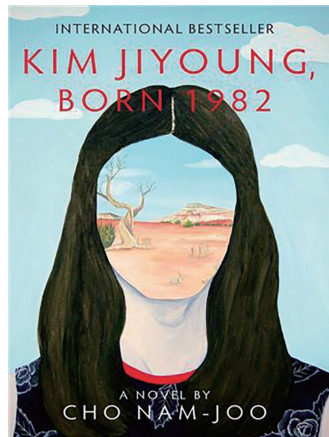


Figure 3 Cover of US version of *Kim Jiyoung: Born 1982*

Source: Amazon (<https://www.amazon.com/>)

Literature,” and the *New York Times* selected it as one of the “100 Notable Books of 2020.”

Notably, the book appeared in Japanese bookstores in December 2018 and revitalized Korean literature, which had fallen into a slump in the Japanese publishing market. The work continues to be well-received in the US and UK markets, continuing the trend started by Sohn Won-pyung’s *Almond*.

Kim Jiyoung: Born 1982 was published in the US a month earlier than *Almond* (April 2020) and generated much buzz in literary circles.

Vulture selected *Kim Jiyoung: Born 1982* as one of the “Best Books of the Year (So Far),” and it was also chosen as *The New York Times* “A New York Times Editors’ Choice Selection.” *TIME*’s Annabel Guttermann commented, “Cho Nam-Joo points to a universal dialogue

around discrimination, hopelessness, and fear.”

Kim Jiyoung: Born 1982 recounts the typical daily life of Korean women in their 30s, illustrating the invisible and internalized gender discrimination still faced by Korean women in society despite the elimination of institutional discrimination in 1999 with a law banning gender discrimination.

One reason for the book’s popularity is that it persuasively depicts universal situations that any woman may face in daily life as well as Korea’s unique circumstances.

4) Chugong’s modern fantasy novel *Solo Leveling*

Amidst the resurgence of Korean webtoons and web novels, positive feedback from readers is spurring the publication of physical books.



Figure 4 Korean and Thai versions of *Solo Leveling: Volume 1*

Source: KL Management

A noteworthy title among these is Chugong's eight-volume modern fantasy novel *Solo Leveling*.

Three volumes of the Thai version were published at the end of December 2020, and Volume 4 is scheduled to be translated in the first quarter of 2021. A webtoon service in Thailand is slated for launch due to positive responses since the first volume, and a physical version is also planned to be released in 2021.

As of the end of January 2021, an online webtoon serialization of *Solo Leveling* has been ongoing in 10 languages, including English, and translation rights have been sold for nine languages, including English. This clearly indicates the interest of readers and publishing markets around the world for this genre.

3. Major Countries and Routes of Hallyu in Publication

1) US and UK: Expanding from literature publications to video content

Books by various Korean authors were translated and published in 2020, primarily in the US and UK.* First, Sohn Won-pyung's *Almond* was published on May 5, 2020, through HarperVia, a literary imprint of the internationally recognized publisher Harper Collins. It

* This subsection will not cover titles and their respective language markets already mentioned.

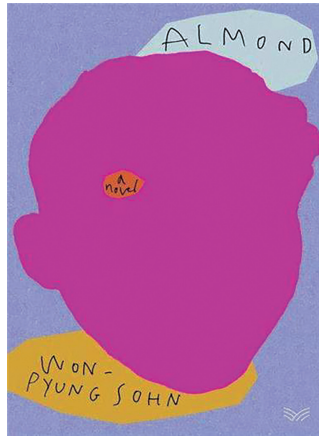


Figure 5 Cover of US version of *Almond*



Figure 6 Online promotional material for *Almond*

Source: KL Management

was chosen for “Amazon Best Books of May 2020” and “Amazon Best Books of 2020” in July.

Meanwhile, Yun Ko-eun’s novel *The Disaster Tourist* was translated and published in the US for the first time. Described as “a satirical Korean eco-thriller with a fierce feminist sensibility,” it was translated and published in the UK and US in July and August 2020, respectively.

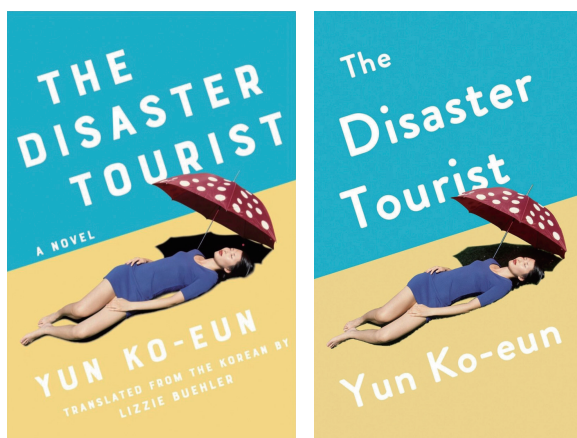


Figure 7 *The Disaster Tourist* US version (Counterpoint, 2020, left) and UK version (Serpent's Tail, 2020) Source: KL Management

The UK's *Guardian* described the book as an “entertaining eco-thriller...[that] offers up another fresh and sharp story about life under late capitalism.” Elvia Wilk, The author of *Oval*, offered the following review: “An endlessly surprising and totally gripping read, *The Disaster Tourist* is as hilarious as it is heartbreaking. [...] There could not be a more prescient moment for this too-real fiction about how we create our own disasters on every scale and what resilience might mean in the face of catastrophe.” *The Disaster Tourist* took a novel approach by intertwining disasters with travel in the narrative’s beginning, providing a sense of freshness to readers worldwide.

Jeong Yoo-jeong’s *Seven Years of Darkness* was published in the UK and US in May and June 2020, respectively, and his other novel *The Good Son* was published in the UK and US in 2018. *Seven Years*

of *Darkness* garnered attention from major local media; for example, *Crimereads* and *Bustle* listed it among the “Most Anticipated Books of Summer 2020.”

Jeong Yoo-jeong’s novels have been translated and published in over 20 countries, placing them in the global publishing market as some Korea’s best thrillers. Adapted into a film, *Seven Years of Darkness* is about a man determined to avenge his daughter’s hit-and-run death. The author was praised for the meticulous research and outstanding imagination that crafted the story.

The Only Child by Seo Mi-ae, one of Korea’s leading mystery writers, was translated and published by Ecco Press in the US in February 2020. In 2019, even before the English version was published,



Figure 8 *Seven Years of Darkness* US version (Penguin Books, left) and UK version (Little Brown) Source: KL Management

TV drama rights were sold to British TV producer Carnival Film and Television Limited.

This was another meaningful accomplishment following Kim Un-su's *The Plotters*, the film rights of which were sold to British film company The Ink Factory in 2019.

The Only Child has been called “the book to read for fans of the movie *Parasite*,” and *The Los Angeles Times* described it as “a valuable addition to the growing list of Korean crime fiction available to American audiences.” *The Only Child* laid the foundation for Korean mystery literature in the global publishing market and will be remembered for stimulating the field of video content, going beyond literary publication.

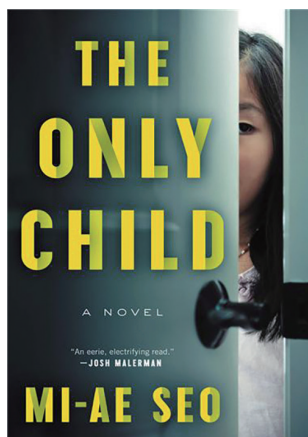


Figure 9 *The Only Child* US version (Ecco Press)

Source: KL Management

2) Japan: growth of non-literature and the rise of self-help books

The fiction and non-fiction markets of Japan showed similar performance in 2020. In 2002, rising interest in Korean films, TV dramas, and K-pop had led to Hallyu publications, but the momentum faded after 2005. Over a decade later, Cho Nam-joo's *Kim Jiyoung: Born 1982* in 2018 and Sohn Won-pyung's *Almond* in 2019 received favorable reviews, driving expectations regarding Korean publications and fueling interest in not only fiction but also non-fiction.

Kim Soo-hyun is recognized as one of the leading non-fiction writers in Hallyu. She established herself as a successful writer with *I Decided to Live as Me* and joined the ranks of Japan's top writers with *Comfortably Without Effort* published in 2020. Her books are steadily attracting readers in Japan and across Southeast Asia. Dasan Books, the Korean publisher for the latter, announced that the contract deposit for the Japanese version was an enormous ¥20 million (approximately ₩200 million). This is nearly 100 times the typical contract deposit of ¥200,000– ¥300,000.

The deposit for the Japanese version of writer Ha Wan's *I Almost Lived a Busy Life* was also considerably high at ¥2 million (approximately ₩20 million). Thus, Korean books perform well in the Japanese publishing market and are highly valued. Indeed, Kim Soo-hyun's *I Decided to Live as Me* was published by Japan's Wani Books and topped the bestseller list in the essay category, with over 200,000 copies sold. Moreover, the news that BTS member Jungkook had read the book



Figure 10 Kim Soo-hyun's *Comfortably Without Effort* and *I Decided to Live as Me*, Korean versions. Source: KL Management

spread online and offline and contributed to boosting sales.

3) Southeast Asia: Korean publication trends in Thailand and Vietnam

Within non-fiction, there is rising interest in self-help books in the Southeast Asian publishing market. Against the backdrop of readers in their mid-late teens to 30s forming the backbone of this market, publishers are consistently purchasing rights contracts. Professor Kim Nan-do's *It Hurts Because You're Young* marked the birth of Korean non-fiction in the Southeast Asian publishing market. Since this book's first publication in Thailand in 2012, over 40 editions have been printed as of December 2020, evidencing its steady popularity. In Vietnam, it will move from its initial publisher First News Co., Ltd. to Nha Nam Publishing and be published in a new format in the first half of 2021.

Self-help books, an increasingly popular genre in Southeast Asian bookstores, attract readers as they fulfill young people's need for mentors, emotional guidance, and healing in today's fiercely competitive society.

On top of its favorable reception in the Japanese publishing market, Kim Soo-hyun's *I Decided to Live as Me* was also well-received in Vietnam, leading to a contract for *Comfortably Without Effort*. Baek Se-hee's *I Want to Die but I Want to Eat Tteokbokki* was also published in Indonesia, Thailand, and Vietnam and became a bestseller in Indonesia. Lee Ki-joo, the author of *The Temperature of Language*, who became a best-selling author in Korea with sales exceeding a million copies, was translated and published in China, Taiwan, Thailand, and Vietnam, and is scheduled to be published in Indonesia in 2021. Lee Ki-joo's other books, *The Dignity of Writing* and *The Dignity of Words*, were also published in Vietnam and are slated for release in Thailand and Indonesia. Writer Ha Wan's *I Almost Lived a Busy Life* was published in Vietnam, and the Thailand launch is planned for the first half of 2021.

Writer Choi Dae-ho is also building a reputation through self-help books in the Southeast Asian publishing market. He successfully entered Southeast Asia through *Trying My Best for a Normal Life* and laid the further groundwork with *Leave Worries of Me on Me*, published in December 2020. Geul Bae-woo's *Exhausted or Not Interested* was published in Vietnam and is slated to be published in Indonesia in the first quarter of 2021.



Figure 11 Thai version of Ha Wan's *I Almost Lived a Busy Life* (left) and Vietnamese version of Choi Dae-ho's *Trying My Best for a Normal Life*

Source: KL Management

The most noteworthy changes in the Southeast Asian publishing market in 2020, particularly in Thailand, were the distribution of Korean web novels and webtoon publications by local online platforms and the simultaneous publication of physical books and e-books. These phenomena are quickly solidifying into new trends and can be interpreted as responses to the current age. For instance, after Chugong's web novel *Solo Leveling* was successfully launched in the Thai publishing market, rights for the physical books were sold to Vietnam. While Korean mystery and romance fiction and pure literature had already been well-established, this case is meaningful because the original web novel entering Vietnam is such a rare event.

Singshong's *Omniscient Reader's Viewpoint* is another popular

web novel in Korea. Rights for the Thai and Traditional Chinese (Taiwan) translations were sold in 2020.

Distributing and consuming content via e-books and online platforms has not yet become commonplace in Vietnam. Nevertheless, Vietnam is also expected to join this global trend gradually. Titles in this sector are expected to gradually enter the Vietnamese market, similar to the Thai market. This is an encouraging development from the standpoint of the Korean publishing industry, which has secured a variety of publishing content distributed online.

4. 2021 Outlook of Hallyu in Publication

Best-selling author Kim Ae-ran's novel *My Brilliant Life* is one of the most anticipated books for 2021. The US version was published on January 26, 2021, by Forge Publishing. The novel immediately became a bestseller after its publication in Korea in 2011. It drew favorable reception from readers and was later adapted into a film, garnering even more attention. *My Brilliant Life* is a moving and riveting tale about youth, love, and the story of a teenager and his unique family. It has been released in 10 countries (US, France, Germany, Russia, China, Taiwan, Japan, Vietnam, Indonesia, and Lithuania). Following the English version's publication, it is anticipated to expand to more language

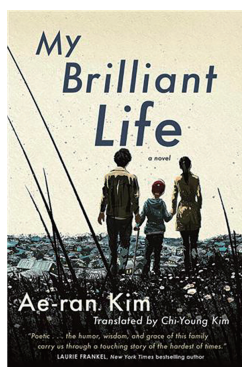


Figure 12 US version of *My Brilliant Life* (Forge, 2021, top) and promotional material

Source: KL Management

markets.

Meanwhile, the rights for Shin Kyung-sook's *Violet* were sold to British publisher Weidenfeld & Nicolson^{W&N} in November 2020. W&N published *Please Look After Mom* in April 2011, for which Shin Kyung-sook won the "Man Asian Literary Prize" in 2012. *Violet* is Shin Kyung-sook's second novel to be published in the UK after *Please Look After Mom*. The US rights were sold to Feminist Press in 2019, while the UK and US versions of *Violet* are scheduled to be translated and published in March 2022.

Notably, W&N decided to publish *Please Look After Mom* with a new cover for the current edition and include it in W&N Essentials, the publisher's list of "classic books for modern readers." New titles to be a part of this series at the end of January 2021 include Shin Kyung-sook's *Please Look After Mom*, Alice Walker's *Meridian*, and Vladimir Nabokov's *Pale Fire*. This signifies that Korean literature has ascended to the ranks of "classic world literature."

Following *Please Look After Mom*, translations of Shin Kyung-sook's *I'll Be Right There*, *The Gild Who Wrote Loneliness*, and *The Court Dancer* were published in the US. As of the end of 2020, the translation rights for *Please Look After Mom* have been sold to 41 countries.

Web novels^{webtoons} are a critical sector anticipated succeeding on the global stage in 2021. Accordingly, based on these, novels (both physical books and e-books) are also expected to be published. For example, Chugong's *Solo Leveling* has been published as a web novel, webtoon, and physical book and has earned favorable reception in the Korean publishing market. An official physical novel is also expected to be published for Singshong's *Omniscient Reader's Viewpoint*, another hotly discussed web novel in the Korean publishing market. Its film rights have already been sold in Korea, and overseas rights sales are anticipated to expand far beyond the language above market. These transactions will become a stepping stone for the success of future titles in this sector.

Rights for Kim Ho-yeon's *Fauster* were successfully sold in German-speaking countries in 2020, and it is scheduled to be published

locally in the second half of 2021. There is high anticipation for the local response to the book, which was inspired by the characters in German literary master *Goethe's Faust*. *Fauster* depicts the exciting struggle between an older adult who satisfies his desires by controlling the body of a young man and the latter who seeks to protect himself. It is a thriller masterpiece commenting on the apocalyptic control and surveillance pervasive in Korean society. Kim Ho-yeon, who has worked as a novelist, screenwriter, and comic story writer, won the 9th World Literature Award for Excellence in 2013 with his novel *Mangwon-dong Brothers*.

Though two decades have passed since Korean publishing content began to enter overseas markets, the history of the overseas expansion of online publishing content is relatively short. Nonetheless, the ongoing sale of “rights by version” is an encouraging development. This is a more effective strategy to approach markets in the COVID-19



Figure 13 UK versions of *Please Look After Mother*. Redesigned edition, hardcover edition, paperback edition (from left) Source: KL Management

era. Web novels, for example, can be serialized by episodes on an online platform. Once the novel is wholly uploaded (i.e., serialized), an e-book can be published and distributed after editing. It can also be published as a physical book and sold at online and offline bookstores.

Thanks to characteristics such as narratives with widespread appeal, webtoons and web novels possess high market accessibility, making them highly valuable not only for the publishing sector but also for cultural sectors such as TV dramas and film. Ultimately, web novel and webtoon versions of Korean publication content are expected to widen the scope of distribution in the overseas publishing market and boost exports. It is time for policy-based strategies and support measures to help small and medium-sized publishers with diverse contents enter overseas markets.

The pandemic has made it challenging to conduct business in person, through offline book fairs or direct company visits. It is paramount to provide communication opportunities suitable for this environment. Numerous public institutions hosted online meetings for various purposes throughout 2020, leading to practical results. Nevertheless, regular communication opportunities are also in addition to these timely events essential. In addition to these timely events Particularly, measures to enable small and medium-sized publishers to communicate with partners of various language markets through online and offline content production companies will vitalize the overseas expansion of Korean publishing content. This strategy has the

advantage of being sustainable even after the COVID-19 pandemic.

Furthermore, close relationships must be formed with the numerous domestic agencies leading the expansion of various contents into overseas publishing markets. Business exchanges between domestic and foreign companies will greatly stimulate the entry of unique and multi-faceted Korean content into more language markets.

Hope in K-beauty Amid Changes and Struggles

Nah Won-sik

Reporter

Business Watch

1. 2020 Status of Hallyu in Beauty

1) Growth amid concerns of “Weakened K-beauty” fuels expectations

During the first half of last year, there was a flood of concerns that K-beauty industry had “lost its steam” both from within and outside the cosmetics industry. Many worried that the rapid growth of the Korean cosmetics industry had begun to lose momentum. These concerns stemmed from the 2019 annual performance evaluation of cosmetics exports released.

According to the Foundation of Korea Cosmetic Industry Institute^{KCI}, cosmetics exports in 2019 amounted to \$6.48618 billion, up only 3.6% from 2018. The Ministry of Food and Drug Safety^{MFDS} released similar results in June of that year. According to MFDS’ report, Korean cosmetics exports in 2019 amounted to \$6.52479 billion, up 4.2% from 2018.

Korean cosmetics exports have grown at an annual average of 26% over the past five years (2015–2019). There has been a trade surplus for eight years since 2012. The surplus of ₩6 trillion in 2019 surpassed ₩1 trillion in 2015. While cosmetics can still be regarded as one of the key industries driving exports, the sudden drop in its growth rate is certainly a cause for concern. This is not only reflected in statistics; indeed, many observers have expressed unease about the Korean beauty industry. A prime example is the sandwich theory, which posits that the Korean beauty industry is literally sandwiched between

China and Japan. The former accounts for half of Korean cosmetics exports and its local brands are strengthening their competitiveness; the latter's products are associated with excellent quality and increase their presence.

Nevertheless, some have argued that these concerns are premature. Observers note insufficient evidence to conclude that Korean beauty's competitiveness is declining. Indeed, 2019 was a year of political and economic disruption globally. The overall global economy slowed as uncertainty heightened due to the US-China trade war and Brexit; trade, in particular, froze. This severely impacted all domestic export industries. Korea's total exports in 2019 declined by 10% compared to 2018. Given that the export of cosmetics increased during this period, some interpreted the industry's growth rate as acceptable.

Accordingly, cosmetics industry analysts paid special attention to its performance in 2020 because it was expected to help determine whether the slight slowdown in 2019 was a temporary phenomenon caused by the external environment or a long-term trend.

However, another crisis soon surfaced. COVID-19, which began to spread at the beginning of 2020, showed no sign of abating. Consequently, consumption plummeted. Most critically, analysts anticipate the impact to be even greater, given that the virus first broke out in China. The atmosphere surrounding the cosmetics industry in Korea has also worsened. Road Shop, a major offline sales channel, was

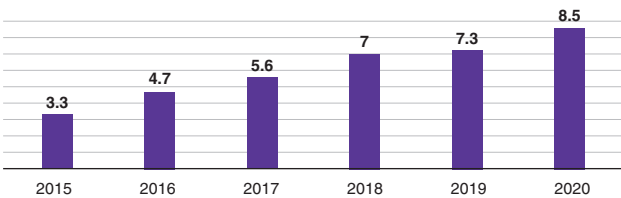
forced to close down in some commercial districts. Moreover, duty-free stores—traditionally regarded as the main sales channel for domestic brands—remained virtually closed for an entire year.

2) Return of double-digit growth leads to a re-evaluation of Korean beauty in China and Japan

However, the trend began to reverse in the second half of 2020. While China recovered from significant disruptions by the COVID-19, consumption began to rise again. Korean cosmetics exports enjoyed a boom and achieved favorable results in major export countries, such as Japan, the US, and ASEAN nations.

On January 1 of every year, the Ministry of Trade, Industry and Energy^{MOTIE} publishes a report on the previous year's import and export trends, revealing the overseas performance of the Korean beauty industry. According to the 2021 report, in 2020, the cosmetics industry overcame some concerns and displayed remarkable growth in the global market. Korean cosmetics exports in 2020 amounted to \$7.57

Figure 1 Annual Export Trends of Korean Cosmetics (Unit: trillion KRW)

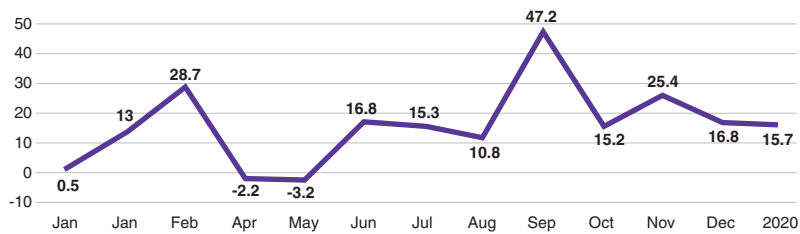


Source: MOTIE (January 1, 2021). 2020 (December, annual) Export and Import Trends.

billion, up 15.7% from 2019. Thus, the stagnant growth rate had rebounded from 4%. This is even more meaningful, given that it was achieved amidst ongoing lockdown measures around the world due to COVID-19.

The industry maintained consistent growth in terms of monthly export performance except in April and May (the months immediately following the WHO’s declaration of COVID-19 as a pandemic). These are surprising figures, considering that COVID-19 has been spreading throughout 2020. Further, the fact that movement was restricted in many countries due to the pandemic indicates that Korean cosmetics received attention online.

Figure 2 Monthly Changes in Korean Cosmetics Exports in 2020 (Unit: %, year-over-year)



Source: MOTIE (January 1, 2021). 2020 (December, annual) Export and Import Trends.

Korean exports to China were the highest in 2020, accounting for nearly 50% of the total exports. Cosmetic exports to China last year totaled \$3.74 billion, up 24.1% from 2019. China indeed takes up the biggest export market in manufacturing for Korea. Nevertheless, owing to the impact of COVID-19, Korean exports to China showed

an underwhelming performance in 2020, with exports amounting to \$132.561 billion, down 2.7% from 2019. It is meaningful that cosmetics exports increased by over 20% during this period. There is a period that Korean cosmetics manufacturers consider the most critical when targeting the Chinese market: Singles' Day, the biggest shopping season of the year in China. In addition to the enormous sales volume during the short period of Singles' Day, the season is considered important, especially because it provides a barometer for shopping trends in the country.

Two Korean cosmetic brands climbed to the top 10 of the most popular cosmetics sold on T-mall, China's largest online shopping mall, during Singles' Day. LG Household & Health Care's The History of Whoo brand jumped from eighth in 2019 to fourth in 2020, whereas Amorepacific's Sulwhasoo ranked seventh, displaying their potential. These two luxury brands that represent Korea are still gaining popularity in China. Indeed, compared to 2019, sales for six of LG Household & Health Care's cosmetic brands grew by 174%, and Amorepacific's sales rose 100%, during Singles' Day.

Table 1 Top 10 Sales of Korean Brands on Singles' Day in China

Classification	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
2019	L'Oréal	RANGOM	Estée Lauder	Olay	SK II	CHANDO	Pechoin	Whoo	Perfect Diary	WINONA
2020	Estée Lauder	L'Oréal	RANGOM	Whoo	Olay	SK II	Sulwhasoo	Shiseido	Winona	LA MER

Note: Whoo = LG Household & Health Care's "The History of Whoo"

Source: Han Yoo-jeong and Noh Hee-jaw (November 30, 2020). *Foodstuffs: 2021 F&B/Cosmetics Outlook: Consumer Goods on Sunny Days*. Daishin Securities.

The popularity of Korean beauty brands continues to soar in Japan as well. Korean cosmetics exports to Japan showed a favorable trend, growing by 30% from 2018 to 2019 and by 57.8% from 2019 to 2020. This high growth rate indicates Japan's major export destination for Korean cosmetics. Annual exports reached \$630 million, catching up with the US (\$630 million) and its steady lead on Japan. This figure is more than double Japan's exports in 2018 (\$300 million). In Japan, Hallyu—including not only cosmetics but also Korean dramas, TV shows, and idols, among others—continues to gain popularity, mainly among young female consumers. Notably, the perception of Korean beauty in Japan has only recently begun to shift. According to KOTRA's *Influencer Marketing and K-beauty Trends in Japan Through the Lens of Reverse ODP*, Korean cosmetics in Japan were previously regarded as cost-effective, low- to mid-priced products; recently, there has been an increasing interest in various categories, as consumers recognize their high quality. This change is fueling the expectations of K-beauty's continued growth in Japan.

Furthermore, as more local influencers introduce products through social media (e.g., YouTube), the demand for products not sold locally in Japan increases remarkably. Subsequently, cross-border shopping for Korean cosmetics in Japan is on the rise. According to the Korea Customs Service, 41.8% of reverse overseas direct purchases (reverse ODPs) made in Korea up to September 2020 were from Japan. Perfumes and cosmetics (33%) topped the list of reverse ODP items

over the past five years, indicating the substantial demand for K-beauty in Japan (Kwak, 2020).

Jeong Tae-Hyeok, an officer from the KOTRA Tokyo office, stated: “Recently, in addition to K-pop and K-drama fandoms, more and more consumers are accessing Korean cosmetics through various channels such as beauty influencers and promotions in the department stores and other popular offline channels. As such, we expect the market to expand in the future.” The atmosphere shifted from concerns over whether K-beauty had “lost its steam” at the beginning of the year to anticipation for K-beauty to display its strength once again.

2. Issues in Hallyu in Beauty

1) Changes caused by COVID-19 and masks: “Masks change the beauty market”

CJ Olive Young, a Korean health and beauty store, identified six keywords in its end-of-year evaluation. The first was “mask beauty,” indicating that masks have changed the beauty market, although it may be more accurate to say that COVID-19 changed it.

The pandemic resulted in masks becoming a necessity in most countries. Masks come in contact with the skin while covering the face, thereby reducing the need for makeup on the face below the eyes;

Table 2 CJ Olive Young 2020 Evaluation Keywords

• Mask Beauty	• Inner Beauty
• Omni	• No-harm
• Value Consumption	• Gap-less

Source: Choi Ji-yun (November 23, 2020). CJ Olive Young's Keywords of the Year: "M.O.V.I.N.G.", "Disruption in K-Beauty". *Newsis*.

if one decides to apply makeup, it ends up being rubbed off by the mask. In particular, they increase the potential for skin problems. Olive Young, thus, found that lip tint and makeup cushions were trendy in 2020; the former does not easily rub off, and the latter is convenient for fixing makeup. Further, sales of cosmetics containing skin-soothing ingredients grew by 30% compared to 2019.

Similar phenomena occurred all over the world. According to KOTRA's 2020 report *Eye Makeup Booms in China due to Mask Makeup Challenge*, wearing a mask became a daily practice in China, and there was a boom in the popularity of eye makeup (the only visible part of the face not covered by a mask) and items necessary for "mask makeup," which help makeup last longer. Eyeshadow climbed from third in color cosmetics sales in January (before the COVID-19 crisis) to first in March.

Even in Japan, where the sluggish sales of makeup products persisted, cosmetics for treating skin problems achieved favorable results. This was also the case in the US. According to KOTRA's *COVID-19 and the US Beauty and Personal Care Market*, even as the entire US cosmetics market shrank, the sales of skin cleansing products, such as soaps, hand sanitizers, and skincare products increased.

This trend is mirrored in the growth rate of Korean cosmetics exports in 2019. According to MOTIE, exports of makeup and skincare cosmetics (15.1%) and other cosmetics (13%) grew by 10% last year. These rates are similar to the overall growth rate of cosmetics exports (15.7%). In contrast, exports of face-wash products recorded a total of \$250 million, up 46.5% from 2019.

However, this is a short-term phenomenon caused by COVID-19; that is, it is a temporary trend that is likely to subside once the pandemic abates, and consumers stop wearing masks.

2) Global trends, clean beauty, and derma

While the changes caused by mask-wearing are short-term, consumers' preference for "clean beauty" and interest in "dermacosmetics" are considered long-term trends. For several years now, an increasing number of consumers have begun to scrutinize the ingredients in cosmetics, and there has been a shift toward value consumption. The pandemic has further accelerated this trend. Clean beauty, a movement spreading mainly in the US and Europe, emphasizes value consumption and the environment. Such "clean beauty" cosmetics avoid harmful ingredients (such as parabens and avobenzone) and are ethically manufactured, avoiding causing harm to animals and the environment.

This market is led by the US, where clean beauty products, which had hitherto mainly focused on skincare, are quickly expanding to include a variety of product categories. Kim Donggurami, an officer



Figure 3 Promotional Image for CJ Olive Young's 2020 Clean Beauty Campaign

Source: Kim Bo-gyeong (June 29, 2020). Olive Young Creates "Clean Beauty" Standard for the Environment.

Yonhap News. (<https://www.yna.co.kr/view/AKR20200629040300030?input=1195m>)

from the KOTRA New York office, stated: "In the US, consumers are giving as much or more thought to sustainability as before, despite the COVID-19 situation. Consumer interest in the value of clean beauty and sustainability has recently increased." He emphasized, "Companies entering the US must keep this in mind when devising PR and marketing strategies from the product development stage."

Interest in clean beauty is also soaring in Korea. In June 2020, Olive Young established in-house clean beauty standards and began to expand the market to introduce brands and products that meet these standards, to consumers. According to Olive Young's survey results, 9 out of 10 female consumers were willing to choose cosmetics that are helpful to society and the environment.

Meanwhile, the dermacosmetics (hereinafter "derma") market

is growing as many consumers meticulously inspect the ingredients in cosmetics. This market is also rapidly expanding in China. According to the Korea Customs Service, the Chinese derma market grew from ₩3.41 trillion in 2013 to ₩10.23 trillion in 2017; it is forecast to reach ₩13.6 trillion by 2023.

Subsequently, Korean companies mainly targeting Chinese consumers are racing to capture this market. Amorepacific plans to introduce a derma brand, “AESTURA” in China this year. Similarly, LG Household & Health Care is rapidly expanding its derma cosmetics portfolio. Following its acquisition of CNP^{Cha & Park} Cosmetics in 2014, it signed a deal with global pharmaceutical company GlaxoSmithKline in 2020 to acquire the business rights for Physiogel, a major European derma cosmetics brand, in the Asian and North American markets.

3) COVID-19 causes continued dependence on China

“We will rise to one of the world’s top three cosmetics exporters in 2022.” In December 2019, the Korean government released the *Future Cosmetics Industry Promotion Plan* Which is in line with the above statement. Korea is currently the world’s fourth-largest cosmetics exporter after the traditional cosmetics powerhouses: France, the US, and Germany. Korea leaped from 17th in 2009 to 4th in 2019, displaying astonishing growth over a decade.

While this growth may suggest that Korea will claim third place soon, some observers are more pessimistic, noting that, most critically,

the Korean beauty industry has limitations different from those of other advanced countries. Indeed, the Korean government acknowledged these limitations and determined that they must be addressed to claim third place.

The first is that the Korean beauty industry is overly dependent on China. The Chinese market is massive and expected to grow in the future; thus, the Chinese market is vital to Korean exporters, as Korean beauty's popularity in China is highly profitable for the industry. As of 2018, China accounted for 42.4% of Korean cosmetics exports and 63.4%, when including Hong Kong.

Nevertheless, this dependence is problematic due to intensifying competition from Chinese cosmetics. Local companies in China have been steadily growing, and since their growth is ultimately advantageous for the people of China, they receive support from government policies and domestic consumers. Hence, such local companies are likely to continue growing.

Moreover, Korean beauty brands' position in China is threatened by those of various other nations entering the Chinese market, including Japan, France, Germany, and the US. A government spokesperson quoted a cosmetics company executive while addressing this issue: "K-beauty has grown dramatically in a short period through products based on ideas and designs despite the lack of expertise in basic technologies. Without necessary expertise and infrastructure, K-beauty is like a 'house built on sand' that may easily collapse in a crisis." This implies that the industry

must diversify its export destinations while also developing competence in fundamental technologies to avoid collapsing during a crisis.

How did the industry fare in 2020, immediately after this plan was released? As described above, its dependence on China persisted. Korean cosmetics exports to China alone grew from 42.4% in 2018 to 49.5% in 2019. However, there is no need to be blindly pessimistic about the government's plans. The global market experienced highly unusual circumstances in 2020: most consumer markets were severely impacted by COVID-19. China was the first to emerge from the pandemic, and as Chinese consumption recovered, global cosmetics companies focused their resources on the Chinese market. Korean beauty sales also improved as the Chinese cosmetics market revived after April 2020. Ultimately, 2020 was marked by a high reliance on China.

3. Major Countries and Routes of Hallyu in Beauty

1) Air travel restricted; diversification of export destinations confirmed

Though the government intended to help diversify K-beauty export destinations in 2020, the COVID-19 pandemic obstructed these plans. Consequently, the distribution of Korean beauty exports to destination countries did not significantly change. Exports to China, in

particular, increased by 24.1% compared to 2019, indicating a trend of concentration rather than diversification. This is because the Chinese cosmetics market was the first among major countries to begin thriving after the COVID-19 outbreak.

The increased popularity of Korean cosmetics in Japan is also worth noting. Indeed, the growth rate of exports to Japan was the highest among the major regions at 57.8%. Exports to the US also displayed solid growth of 19.8% compared to 2019. Excluding the small growth of 4.2% to ASEAN nations, the performance in most major countries was favorable.

For several years, cosmetics manufacturers have been steadily diversifying their export destinations. Notably, China’s retaliation to the THAAD deployment, which caused the Korean beauty industry to falter, served as a lesson for Korean manufacturers to diversify their export routes. The results of these efforts were somewhat apparent in 2020.

Exports performed exceptionally well in the Middle East, where the cosmetics industry has focused its attention for several

Table 3 Exports and Rate of Change in Korean Cosmetics by Country in 2020

Unit: 100 million USD, year-over-year

Classification	China	ASEAN	US	Japan	CIS	EU	Middle East	Latin America	India
Amount	37.4	7.4	6.3	6.3	3.4	2.3	0.8	0.3	0.2
Change	24.10	4.20	19.80	57.80	15.30	13.90	46.60	-6.20	12.90

Note: CIS = Commonwealth of Independent States (10 countries incl. Russia and Kazakhstan)

Source: MOTIE (January 1, 2021). 2020 (December, annual) Export and Import Trends

years. Cosmetics exports to this region totaled \$76 million in 2020, up 46.6% from 2019. According to Euromonitor, a market research firm, the Middle East cosmetics market is forecast to grow from about \$20.5 billion in 2019 to \$24.6 billion in 2020. In this market, Korean cosmetics exports have grown by an average of 15% over the past few years. This growth rate was even higher in 2020.

The value of all Korean goods exported to the Middle East in 2020 declined by 16.9% due to the pandemic. Thus, it is even more significant that cosmetics alone grew by nearly 50% amidst this downturn.

Exports to Russia, Europe, and India also showed similar growth rates of around 10%. With large populations and a rapidly growing beauty industry, Russia and India are regarded as crucial markets for Korean beauty brands to enter. The Korean beauty industry achieved steady growth despite the challenges in developing new markets amid the pandemic, and global interest in Korean beauty is rising.

2) Online channels grow in importance, being actively used for PR and marketing

The online shopping market's growth in recent years has been a global trend, and the COVID-19 pandemic has accelerated this phenomenon. According to Yuanta Securities Korea Co. Ltd., although the global cosmetics market declined by 13% in the first half of 2020, cosmetics sales through online channels grew by an estimated 33%, indicating a

rapid increase in the proportion of e-commerce sales.

In China, targeting the online shopping market is more critical than ever. According to KOTRA's report *In Chinese Cosmetics, Online is the No. 1 Sales Channel*, the market share of e-commerce channels in the Chinese cosmetics market had previously been less than 1%; however, in 2019, it reached 31.5%, making it a highly lucrative distribution channel for cosmetics.

Accordingly, Korean cosmetics companies also ran various marketing campaigns to increase online sales. Targeting Singles' Day, the world's largest online shopping season, major cosmetics companies, including LG Household & Health Care, Amorepacific, and Aekyung Industrial, partnered with popular Chinese company Wang Hong or held live broadcasts and achieved good performance. Their success is even more significant given that it was achieved in the largest battleground of online marketing in China.

Meanwhile, Korean companies have been busy targeting online channels in Southeast Asia, which is regarded as a major market for Korean beauty. In October, Aekyung Industrial opened an official mall on Shopee, Southeast Asia's largest online shopping platform, and signed an MOU with Shopee in December 2020 to carry out joint marketing activities. Shopee operates in Singapore, Indonesia, Malaysia, Vietnam, Thailand, the Philippines, and Taiwan, with total transactions amounting to ₩ 20 trillion as of 2019.

Olive Young also began selling its cosmetics on Shopee in



Figure 4 November 2020 opening ceremony of “K-Studio” to support digital trade and online marketing for SMEs impacted by COVID-19

Source: Yoon Bo-ram (November 15, 2020). Opening of “K-Studio” to support digital trade for COVID-affected companies. *Yonhap News*. (<https://www.yna.co.kr/view/AKR20201115012700003?input=1195m>)

January 2020. It had already entered the online market in 2019 by partnering with Daily Farm, Southeast Asia’s largest distribution company. Thus, its entry into Shopee served to increase its online sales channels. Amorepacific, LG Household & Health Care, and Able C&C are already present on Shopee. Online stores are becoming a major sales channel for K-beauty in the Southeast Asian market as well. Meanwhile, due to COVID-19, most promotional events for K-beauty by the government and related public institutions were conducted online. For instance, most of KOTRA’s regular K-beauty exhibitions, normally held in different regions, were conducted virtually. KOTRA also established K-Studio in November 2020 to support the online marketing efforts of SMEs. Gyeonggi-do’s annual beauty exhibition

K-Beauty Week, which helps domestic cosmetics companies enter overseas markets, was also held online.

4. 2021 Outlook of Hallyu in Beauty

1) China amends cosmetics regulations for the first time in 30 years

The Korean beauty industry is expected to refocus its attention on China in the first half of 2021. This is not because the Chinese cosmetics market is growing, or because it is necessary to diversify export destination countries outside China. With the Chinese government amending its cosmetics regulations for the first time in 30 years, the entire Korean beauty industry closely observes the impact of this new policy. On June 29, 2020, the State Council of China announced that the *Regulation on the Supervision and Administration of Cosmetics* would come into effect closely observes this year. This is the first amendment to the *Regulations on Hygiene Supervision of Cosmetics* since it was implemented in 1990. Through this amendment, China tightened regulations on the overall distribution process of domestic and foreign cosmetic companies, including quality control for ingredients, certification and registration, and advertising. Violating these regulations may result in penalties, loss of sales rights, or even expulsion from the market.

Mainly, imported cosmetics are inspected by the National Quality Supervision and Inspection Center, and only the products that pass the inspection are permitted to be imported. For products to be exported to China, relevant research and experimental data on Chinese consumers must be submitted. In short, the procedure for exporting Korean beauty products to China has become more complicated. The Chinese government is anticipated to enact an enforcement ordinance to implement the regulations within this year.

There are several takeaways from China's actions. First, the Chinese government is trying to enhance its cosmetics industry's competitiveness through this amendment. By tightening production standards and quality control for cosmetics in China, sub-standard SMEs will likely be forced out of the market, and only competitive brands will survive. This applies to Korean and other foreign brands as well. SMEs may face difficulties due to higher standards, whereas large exporters may receive recognition for their competitiveness, considering the tightened regulations. Some also express concerns that the Chinese government is seeking to strengthen its control over foreign brands, including Korean beauty products. The new specific regulations may create an environment disadvantageous for foreign brands. An official in the Korean cosmetics industry explained, "Since large companies are already producing cosmetics that meet a high standard, I don't think they will face any major issues. Rather, we are more concerned with the fact that this amendment can enhance the Chinese cosmetics industry's

competitiveness.”

Kim Seong-ae, an officer from the KOTRA Beijing office, stated, “The Chinese cosmetics industry will likely undergo a major restructuring due to this ordinance. Korean cosmetic companies must continuously monitor and prepare for future ordinances.” Thus, not only individual cosmetics companies but also the Korean government must prepare for the effects of this amendment.

2) Chinese market continues to expand; maintaining competitiveness becomes critical

China has the highest proportion of Generation MZ^{Millennials and Generation Z} cohorts, at 43% among the world’s major countries. Given the high proportion of young people who currently form the central pillar of the economy for now, cosmetics consumption has continued to rise. This is one reason why the Chinese cosmetics market thrived in 2020, despite the COVID-19 outbreak.

China also recorded the fastest growth in disposable income per capita among major countries, signifying the availability of large amounts of money spent on consumer goods, such as cosmetics. Per capita disposable income grew by 6.3% from 2014 to 2019, more than double of Korea (3.5%) and the US (2.9%). The expansion of the duty-free market in China is also worthy of attention, as it has been growing by over 30% annually in recent years. Analysts expect this trend to accelerate as the Chinese government actively implements policies to

promote domestic demand to foster the duty-free market.

Chinese consumers' bulk purchases in Korean duty-free stores have been one of the driving forces for the growth of domestic cosmetics brands. In this regard, establishing a presence in China's duty-free channel can be a new opportunity for growth. Korean cosmetics companies hold a similar opinion and believe that new ventures, such as diversifying export countries, can be undertaken only by maintaining competitiveness in the Chinese market.

Indeed, some companies are working to become more competitive in the Chinese market. LG Household & Health Care, Amorepacific, and other major companies have improved their competitiveness in luxury cosmetics this year. Of course, their primary target is China, which is considered to be leading the growth of the global luxury cosmetics market.

3) Korean cosmetics industry shrinks; recovery is urgent

One of the domestic cosmetics industry's tasks in 2021 is to enhance the overall performance of domestic companies. Whereas cosmetics exports recorded favorable performance in 2020, major companies saw a decline in sales owing to sluggish domestic demand. Despite favorable export trends, domestic companies' competitiveness may weaken in the long term if the domestic market continues to decline. Therefore, the industry's recovery is urgently needed.

For example, cosmetic companies are currently restructuring

their businesses by expanding into the less costly online channels. Through these changes, they plan to operate more efficiently after the pandemic subsidies.

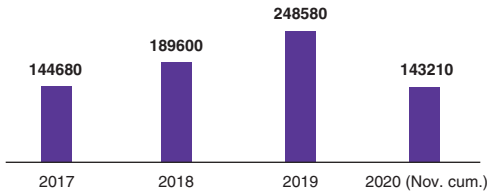
Some industry observers have argued that the Korean government should strengthen support for the domestic duty-free industry. Duty-free stores have served as major retailers of Korean beauty products. However, the steep fall in air travel due to COVID-19 inevitably impacted the duty-free market and cosmetics companies. According to the Korea Duty Free Association, sales in domestic duty-free stores totaled ₩14.321 trillion from January to November 2020, a reduction of more than 40% compared to 2019 (₩24.858 trillion).

Observers believe that if this situation persists, the competitiveness of the domestic duty-free industry itself may weaken. Cosmetic companies are particularly concerned that the customary practice of bulk-purchasing Korean cosmetics through Chinese proxy buyers (*daigong*) may change.

A cosmetics industry official stated, “Many people have

Figure 5 Annual Sales of Domestic Duty-free Stores

(Unit: 100 million KRW)



Source: KDFA website (<http://www.kdfa.or.kr/index.php>)

purchased Korean cosmetics through *daigong*. However, if consumers gradually switch to other purchasing channels or start using competitors' cosmetic brands, this trend could change completely. The government must devise practical support measures.”

4) K-beauty expands to include home beauty devices and pharmaceutical companies

Another recent trend is that competitors have begun entering traditional cosmetics markets, where they previously had no presence. A prime example is LG Electronics. For the past several years, LG Electronics has been targeting the so-called “home beauty device” market. Home beauty refers to buying electronic devices and performing skincare at home rather than visiting a dermatologist or a



Figure 6 LG Electronics models introduce “LG Pra.L Eyecare,” a beauty device for eye rims Source: LG Electronics (<https://www.lge.co.kr/>)

beauty salon. LED masks are a typical example of such devices.

Apart from LG Electronics, several other companies that had no stake in the cosmetics industry (such as Coway, Bodyfriend, Chungho, and Cellreturn) are entering the home beauty market. Most notably, Amorepacific is making significant strides in this area.

In January 2020, Amorepacific unveiled the *LED Flexible Patch* at the *Consumer Electronics Show^{CES} 2020*, the world's largest consumer electronics and technology exhibition. This beauty device uses LEDs in the form of a patch that comes in close contact with the skin. They also introduced “Formularity,” a device that directly blends a toner based on the user's skin at this year's CES.

Given this atmosphere in the cosmetics industry, some say that Amorepacific's real competitor is LG Electronics. This is because



Figure 7 Amorepacific's “Formularity” toner pad maker unveiled at CES 2021

Source: Amorepacific (<https://www.apgroup.com/int/ko/news/2021-01-11.html>)

competition is anticipated between traditional cosmetics companies and home appliance manufacturers.

Numerous companies have been entering the home beauty device market because this sector is rapidly growing. According to the LG Economic Research Institute, the Korean home beauty device market, which was estimated at ₩500 billion in 2018, is forecast to more than triple to ₩1.6 trillion in 2022.

This market is growing not only in Korea but also worldwide. Therefore, analysts expect it to become a pillar of K-beauty in the future. The global market was estimated to expand to \$54 billion by 2020, representing an annual average growth of 18.7% since 2014. The same is true in China, the largest export destination for the Korean beauty industry. According to KOTRA's *Targeting the Chinese Beauty Device Market: A Case Study*, the Chinese home beauty device market was valued at ¥6.5 billion^{CNY} in 2019, and is growing by more than 20% annually. It is forecast to surpass ¥17.7 billion by 2023 (Kim, 2020).

Another interesting development is that many domestic pharmaceutical companies are actively entering the cosmetics market. Recently, consumers have begun carefully inspecting the ingredients of products. With this trend in mind, several pharmaceutical companies are entering the market, emphasizing the safety of their ingredients.

For instance, Dong-A Pharmaceutical launched the dermacosmetics brand PATION in October 2019; and Chong Kun

Dang and GC Pharma will enter the market in 2020. In terms of limitations, pharmaceutical products were generally considered to have lower brand recognition and a smaller distribution network than traditional cosmetic brands. However they have been actively expanding their sales channels by collaborating with influencers and utilizing online platforms.

Not only are pharmaceutical companies entering the domestic market, but they are also keen to expand to overseas markets, such as China. These companies are expected to play a role in boosting the Korean beauty industry.

A Solution to the Crisis in Hallyu Fashion

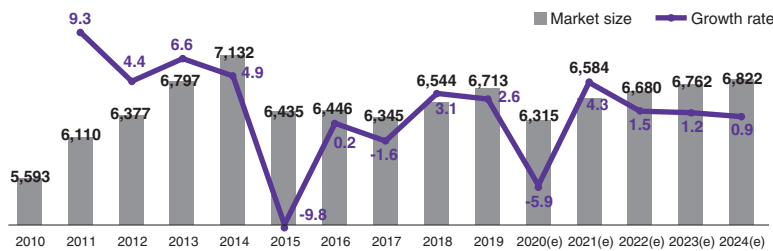
Myeong Soo-jin

Fashion Consultant

1. 2020 Status of Hallyu in Fashion

The COVID-19 outbreak at the end of 2019 severely impacted the global fashion industry. Designers, manufacturers, and retailers were thrown into crisis as the supply chain fell apart and consumption declined. Most countries imposed lockdowns and restricted outdoor movement, causing the sales of offline companies to plummet. These include department stores, shopping complexes, and superstores, for which the floating population is critical. In the US, apparel and accessories sales dropped in the first half of 2020 (approximately -40% year-over-year). The sales of the department store Nordstrom declined by half (-53%), and retailers such as Brooks Brothers, JC Penney, and Neiman Marcus filed for bankruptcy. The global textile industry was predicted to contract to \$631.5 billion (approximately ₩695 trillion, -5.9%) in 2020 compared to 2019.

Table 1 Size of the Global Textile Industry (Unit: 100 million dollars)



Source: KOFOTI (2021). Korea Fashion Market Trend 2020 – Market Analysis for Second Half of the Year.
(http://www.fashionnetkorea.com/kofoti/kofoti/main/cmmboardReadView.do?is_old=0&code=11B1&bid=259769)

The domestic fashion industry also faced challenging circumstances. Due to COVID-19's spread, both exports of and domestic demand for textile and fashion products plunged, which was followed by the textile industry's restructuring (reductions in personnel, wage cuts, etc.). The textile production index for January to July 2020 was 70.5%, down 16.7% year-over-year.

According to Statistics Korea, the average monthly expenditure on clothing and footwear of households with two or more people in the third quarter of 2020 was ₩118,000, down 13.6% year-over-year. This starkly contrasts with the rapid rise in education and food expenditures, the two other consumption expenditure items.

Table 2 Average Monthly Household Consumption Expenditure

(Unit: thousand KRW, %)(Nationwide, 2-person households and larger, real amount)

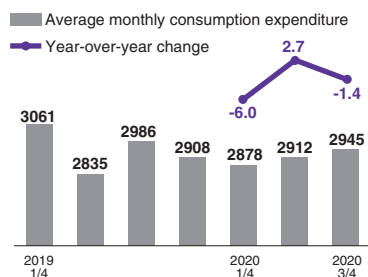
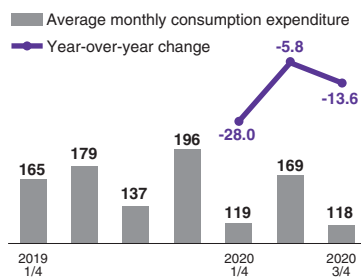


Table 3 Clothing and Footwear Expenditure

(Unit: thousand KRW, %)(Nationwide, 2-person households and larger, real)



*Comparison before 2017/2019 impossible due to two expenditure accounting method changes.

Source: Statistics Korea National Statistics Portal, KOSIS Household Income Expenditure Survey; Household Trend Survey

Meanwhile, exports fared even worse. Textile exports from January to August totaled \$7.19 billion (approximately ₩8 trillion), down 18.3% year-over-year. Yarn (-33.2%), fabric (-27.3%), and textile

Table 4 Forecast of Korean Economy

(Year-over-year, %)

Classification	2016	2017	2018	2019	2020F			2021F			2022F
					1st half	2nd half	Year	1st half	2nd half	Year	Year
Growth rate of Korean economy	2.8	3.1	2.7	2.0	-1.4	-1.1	-1.1	2.6	3.3	3.0	2.5
Private equipment	2.5	2.6	2.8	1.7	-4.4	-4.1	-4.3	2.9	3.2	3.1	2.5
Equipment investment	-2.3	14.6	-2.4	-7.5	5.6	5.7	5.7	4.9	3.6	4.3	3.2
IP product investment	2.3	3.0	2.2	3.0	3.3	4.2	3.8	3.8	4.0	3.9	3.7
Construction investment	10.7	7.6	-4.3	-2.5	1.7	2.9	0.7	1.8	2.6	0.5	2.1
Product exports	2.2	3.8	3.3	0.5	-2.9	-0.4	-1.6	9.3	1.9	5.3	2.3
Product imports	3.6	7.4	1.6	-0.8	-0.9	-0.3	-0.6	7.5	4.5	5.9	3.2
Consumer price	1.0	1.9	1.5	0.6	0.6	0.5	0.5	0.7	1.2	1.0	1.5
Unemployment rate	3.7	3.7	3.8	4.3	4.3	3.7	4.0	4.2	3.4	3.8	3.7
Employment rate	60.4	60.8	60.7	10.0	60.0	60.3	60.1	59.8	60.6	60.2	60.5

Note: "F" denotes forecast

Source: Bank of Korea (November 2020). *Economic Outlook Report*.

raw material (-20.9%) exports, all declined. Only the exports of textile products increased (10.6%). Global buyers' sudden order cancellations contributed to this plunge in exports in 2020. After suspending operations due to COVID-19's spread in April 2020, US department store Kohl's notified nine domestic apparel vendors (Hansol, Sae-a, Hansae, Lee and Co., UBESCO, Samwon, Jiji, and Poongin) that they would cancel orders and delay payment. Buyers refused to pay for even the raw and subsidiary materials secured for the next production cycle, leading to losses totaling \$160 million (approximately ₩180 billion) for domestic textile companies. The Korea Federation of Textile Industries

Table 5 Global Economic Growth Forecasts of Major Institutions

Classification	Time of Forecast	2018	2019	2020F	2021F
IMF	2020.10	3.6	2.8	-4.4	5.2
Developed		(2.3)	1.7	-5.8	3.9
Emerging		(4.5)	3.7	-3.3	6.0
OECD	2020.09	3.5	2.6	-4.5	5.0
World Bank	2019.06	3.0			
Global Insight	2020.11	3.7	2.9	-4.3	4.6
Avg. of 5 IBS	2020.11	3.8	3.0	-3.7	5.6

Source: Same as above. (World Bank data retrieved from June 2020 WB Outlook Report)

KOFOTI¹ announced that the 2020 Korea Fashion Index, which estimates the fashion market's size, had declined to ₩40.8 trillion, down 2.0% from ₩41.6 trillion in 2019.

1) Fashion weeks go digital

The “Big Four” fashion weeks, the largest fashion events in the world, were held online. Originally scheduled for the first half of 2020, Seoul Fashion Week was canceled and conducted as a digital fashion week in the second half of the year. Breaking away from the fashion show's conventional format, a total of 45 designers* introduced the 2021 S/S Collection digitally. The traditional runway was replaced with fashion films. Using various digital photography technologies and techniques, designers shot fashion films at diverse locations in Seoul, soothing the disappointment of not being able to showcase the collection in person. Kim Jae-hyeon's *aimons* presented the chic sensibility of a Seoulite through eight models, and Kwak Hyun Joo's *Kwak Hyun Joo* Collection utilized the moving walkway in a logistics warehouse as a runway to showcase her sporty collection. Moreover, fashion shows in the form of films by various designers were broadcast live on the official Seoul Fashion Week website (www.seoulfashionweek.org), Naver Style TV, V Live, the official YouTube channel of Seoul Fashion Week, and the official YouTube channel of Dongdaemun Design Plaza.

* This consisted of 35 designers in the Seoul Collection and nine rising designers in Generation Next, including Ji Chun-hee's *MISS GEE COLLECTION*, Park Seung-gun's push *BUTTON*, Kim Jae-hyun's *aimons*, Lee Jae-hyung's *MAXXIJ*, Han Hyun-min's *MUNN*, and Park Yoon-soo's *BIG PARK*.

Overseas audiences were able to watch the fashion shows in real-time through a “mini-program” within WeChat, China’s most popular messaging app. WeChat mini-programs, which boast 400 million daily users in China, include a shopping function that leads users directly from the designer’s collection to a place where they can purchase the items. *MISS GEE COLLECTION*, which graced Seoul Fashion Week’s opening, was accompanied by live commerce (“see now, buy now”) in which users could immediately purchase the products displayed in the show. This function, a boon amidst the challenging circumstances, enables anyone to view the collections of various fashion brands, regardless of spatial and temporal constraints. Young fashion designers have opined that online fashion shows, formerly considered merely an acceptable substitute for in-person shows, have now become an efficient channel to promote their clothing. With Paris Fashion Week’s announcement that all events will be held online in 2021, the trend of digital fashion weeks is expected to persist, at least for the foreseeable future.

2) Designers expand overseas

Even under these challenging circumstances, young designers have constantly expanded to foreign countries. Rok Hwang, a designer who launched the brand ROKH in 2016 and won the LVMH Special Prize* in 2018, officially debuted at the Paris Fashion Week in the 2019 F/

* This was a fashion competition sponsored by LVMH for rising designers.



Figure 1 PushBUTTON Collection

Source: PushBUTTON (<https://www.pushbutton.co.kr/>)

W season and has experienced soaring growth, with his apparel sold at over 100 stores worldwide. Park Seung-gun, who designed the push BUTTON collection, popular among overseas audiences, showcased traditional beauty at the Seoul Fashion Week. He decorated bustier tops and chiffon dresses with the genre paintings of Joseon Dynasty painter Shin Yun-bok, creating a fusion of East and West that resonates with audiences of both cultures. His designs, featuring a wide-brimmed hat large enough to cover the face or a scarf wrapped around a vibrant dress, bring to mind a woman from the Joseon Dynasty.

Rising designer Lee Jae-hyung, who launched a brand in

2014, prepared video sets in diverse locations of Seoul, such as Gwanghwamun, Hanok Village, and Jamsil Bridge, for the digital London Fashion Week. This may be because, most notably, the spread of K-pop has fueled curiosity regarding Seoul, the “home of BTS.”

MAXXIJ successfully entered the famous department store Galeries Lafayette Shanghai, as well as select shops in New York and Singapore. Ten Korean fashion designers also expanded to Berlin. The Seoul Design Foundation opened the Seoul’s 10 Soul pop-up store at the Voo store in Berlin and introduced the *10 Soul Designers** of 2020.

MCST and KOCCA made inroads overseas by holding



Figure 2 Collaboration video of Vogue Korea × Concept Korea

Source: Vogue Korea (vogue.co.kr)

* These included Lee Jae-hyung (MAXXIJ), Jo Eun-hye (BOURIE), Park Hwan-seong (D-ANTIDOTE), Kye Han-hee (KYE), Moon Jin-hee (MOON J), Han Hyun-min (MUNN), Yoon Seok-woon (SEOKWOON YOON), Park Jeong-woo (THE STOLEN GARMENT), and Lee Mu-yeol/Kim Min-hee (YOUUSER).

Concept Korea New York S/S 2021, an official New York Fashion Week program. The official website of the digital New York Fashion Week live-streamed a digital runway video, including Shin Hye-young's WNDERKAMMER, Lee Seong-dong's ul:kin, Lee Ji-yeon's JARRET, and other designers. The video was produced in collaboration with the magazine Vogue Korea and directed by graphic artist FREMUSE. In place of a trade fair, the designers promoted their work through a digital business model, including video export consultations, virtual showrooms, and non-face-to-face delivery services.

3) Hanbok comes into vogue

The influence of the Netflix drama *Kingdom* and K-pop stars drew worldwide attention to the beauty of hanbok (traditional Korean attire). BTS and Blackpink, nominated for Time magazine's "Person of the Year," are also showcasing the charm of Korean culture to people across the world, with performances featuring hanbok. BTS wore Dupo (full-attire robe) and Gat (hat made of bamboo and horsehair) in the IDOL music video; BTS member Suga wore a black Gonryongpo (royal robe) in the Daechwita music video. Meanwhile, Google searches for "hanbok" skyrocketed after Blackpink performed How You Like That on the *Jimmy Fallon Show* in the US.

MCST, the Hanbok Advancement Center of KCDF, and KOFICE held the digital *Hanbok Wave* fashion show, which was a project designed to spark a Hallyu trend of hanbok. The participating

brands created and showcased over 100 hanbok outfits; these included Baek Oak Soo (Chungha), Hyeon (Momoland), Hanboglin (Hyomin Jung), thcaikim (Chungha), Yeomida (K Tigers, Ha Yoon Joo, Giant Pink), C ZANN E (Youn Sun Nah, ATEEZ), LEESLE (KARD), Danha (Chungha), DarcyGom (Ambiguous Dance Company), and Guiroe (Golden Child). The digital hanbok fashion show, was broadcast on the fashion channel Dong-A TV, the official YouTube channel of the Hanbok Advancement Center, and Naver V Live, unveiled the final hanbok outfits on a runway accompanied by sensual music. Patricia Field, general stylist for the popular Netflix show *Emily in Paris* and costume designer for famous works such as *The Devil Wears Prada* and *Sex and the City*, described the project as “very cool” and expressed great interest through gestures such as having her logo be used in the promotional video. The hanbok products showcased at the fashion show were available for sale on the official Hanbok Wave website (www.hanbokwave.com) from January 15th.

2. Issues in Hallyu in Fashion

1) Industry focus shifts to casual styles, easy wear, and athleisure

The pandemic has completely transformed clothing trends. As telecommuting and flexible work policies became commonplace,

comfortable casual clothing rose in popularity and various trends, such as “waist-up style,” “keyboard dressing” (styles that emphasize the upper body), and “two-mile wear” (loungewear that can be worn outside close to home), emerged. Various suit brands and other formal clothing brands went bankrupt, and demand for the relatively uncomfortable denim apparel declined. In their place, loungewear such as sweatshirts, cardigans, jogger pants, and leggings increased in sales. Handsome’s RAREVIEW, LF’s FMN, and Samsung C&T Fashion’s select shop Beaker’s B_, which launched in 2020, are all unisex casual and street-casual brands, mainly distributed online. Meanwhile, the luxury consumption trend among consumers in their 20s and 30s continued to persist, and the so-called “flex” (conspicuous) consumption of accessories, such as shoes and bags, continued in 2020 from 2019.

By clothing type, the casual wear market comprised 38.9% of the total textile and fashion market in 2020, reaching ₩15.9 trillion. Notably, the footwear market is forecast to grow by 5.7% to ₩6.6 trillion. While the footwear market weakened due to the increase in telecommuting and other relevant factors, it saw a rebound, led by running shoes and fashion sneakers, the street fashion items worn by consumers in their 20s and 30s. The bag market grew by 8.8% compared to 2019, as the expenditure amount per person increased due to the consumption of high-priced luxury goods; analysts forecast the market to grow to ₩3 trillion.

Athleisure (a portmanteau of “athletic” and “leisure”), also referred

to as yoga wear, enjoyed a particularly high demand during this period. The athleisure trend began with overseas brands such as Lululemon and Avocado. Leggings, which began trending in Korea fewer than 5 years ago, are popular not only for yoga but also as fitness wear; they are increasingly worn in daily life, even by those with no intention of exercising.

The market for such clothing doubled from ₩1.5 trillion in 2016 to ₩3 trillion in 2019. According to KOFOTI, the average the annual growth rate of leggings alone reached 4.9%. Interest in mountain climbing also grew due to social distancing mandates and these consumers increasingly purchased athleisure products, which became a growth factor that helped the fashion industry overcome this challenging period.

Korean athleisure brands, led by XEXYMIX and andar, solidified their positions in Korea through superior product quality and price competitiveness, subsequently advancing overseas. For example, XEXYMIX recorded consolidated* sales of ₩64.096 billion, an operating profit of ₩9.911 billion, and a net income of ₩7.629 billion in 2019. Based on these substantial sales and operating profit, the company redoubled its efforts to target the overseas markets, from the second half of 2019. Consequently, XEXYMIX's overseas sales in the third quarter of 2020 grew by 89% compared to the first quarter,

* Sales excluding transactions between the parent company and subsidiaries.

recording a quarterly growth rate of 38%. Moreover, XEXYMIX won exclusive distribution and export contracts in China and the US worth ₩15.5 billion at the end of 2020. Using the minimum guarantee method, that guarantees a lower threshold for sales, it systematically targets overseas markets by partnering with large local distributors.

Observers expect XEXYMIX to expand stably in the local Chinese market by utilizing major mobile e-commerce sites; these include both official websites and mobile apps, China's largest online shopping mall Tmall, JD.com, and Chunma Sports' e-commerce platform Lucky Leaf, which imports global brands' sports goods and outdoor apparel into China and sells them in online and offline stores. Meanwhile, CEO John Park will lead XEXYMIX USA INC, the sole distributor and export manager in the US, to successfully establish XEXYMIX in the US. Park boasts of being the sole distributor and exporter of over 200 famous sports brands, such as Nike, Adidas, and Reebok.

2) Power shifts in the fashion distribution market

The rise of the era of casual clothing—which consumers can easily purchase at home online, unlike suits that must be physically tried on in a store—has led to an increase in clothing sales online distribution networks. Analysts had predicted the collapse of offline stores in 2019; however, their downfall unfolded faster than expected due to COVID-19 in 2020. Department stores, shopping complexes, and

superstores encountered a dramatic decline in sales, and many offline stores, including the first domestic store of a large fashion brand H&M, were forced to close.

In contrast, numerous technology-based fashion companies, such as online and mobile fashion platforms, live commerce services, and multi-channel networks, emerged and achieved record growth. According to Statistics Korea, the cumulative fashion retail sales of accessories (23%) and clothing (17%) in the third quarter of 2020 greatly declined year-over-year, compared to other categories. Conversely, fashion consumption is clearly shifting online, with online fashion transactions steadily increasing, accounting for 30% of all fashion sales. The value of online shopping transactions reached a record ₩15 trillion in September 2020.

Luxury brands also actively took steps to increase their presence online, while targeting “young and rich” consumers. GUCCI, PRADA, and others not only enhanced their online communication but also established commerce sites that enable direct purchasing. The high-end luxury brands Cartier and Hermes also joined the e-commerce market, and Tiffany launched a KakaoTalk gift service.

Meanwhile, STYLENANDA and MUSINSA emerged as game changers in the fashion market, growing by an annual average of 18.5% and 59.0% over five years, respectively. MUSINSA, an online fashion platform with a transaction amount exceeding ₩1 trillion, is recognized as the 10th “unicorn company”* in Korea. It is the third

e-commerce enterprise to become a unicorn company, after Coupang and WeMakePrice.

ABLY, a women's clothing shopping app, achieved tremendous growth in recent years—it recorded a transaction amount of ₩15 billion in 2018, ₩110 billion in 2019, and ₩400 billion (estimated) in 2020. Including the preliminary Unicorn Special Guarantee Fund, ABLY raised a total of ₩37 billion. Zigzag emerged as a formidable player in the women's wear market, overtaking Coupang to become the most used shopping app among users in their teens and 20s. Its cumulative transaction value in the five years since launch reached ₩2 trillion. In 2020, the women's clothing shopping app Brandi soared to ₩300 billion in transactions (estimated), up nearly 100% from ₩157.6 billion in 2019. Naver recognized Brandi's growth potential and invested ₩10 billion in the app. The app also attracted ₩21 billion in investments from SEMA Translink, Atinum Investment, DSC Investment, Mirae Asset Venture Investment, K2 Investment, SBI Investment, and Korea Investment Trust Management, achieving ₩45 billion in cumulative investments.

These e-commerce businesses are also active in overseas markets. For example, Shopee established Shopee Korea to serve as a stepping stone for Korean fashion brands to enter Southeast Asia. Launched in 2015 by Sea Group, the largest Southeast Asian IT company listed on

* Startups with an enterprise value of ₩1 trillion or more.

the New York Stock Exchange, Shopee is a Southeast Asian shopping platform that has exhibited continuous growth as it garners support from young consumers in the Southeast Asian market. Amidst current restrictions on international travel, e-commerce is quickly rising as a route for small and medium-sized brands lacking financial resources to enter overseas markets.

3) D2C, a new playground

COVID-19 ignited a growth period for online businesses. Offline-based companies have realized that digitalization is not optional but is necessary for survival. At the center of this movement is “D2C^{Direct to Consumer}” selling, a method in which manufacturers sell their brand’s products directly to customers through their own sales channels, bypassing intermediaries such as wholesalers and retailers (such as department stores and marts).

D2C has enabled the rise of new players offering competitive content, despite lacking fashion industry expertise. Media commerce companies, such as Blank Corporation and ODG, were able to successfully establish a presence in the fashion market by introducing content-based brands. D2C’s lower barriers to entry have resulted in many new designers and labels launching their brands more easily.

A survey by PR communication agency Diffusion indicated that 40% of Americans purchase brand products via D2C. Their preferred product categories were health and beauty products (35%), clothing

(34%), and tech and gadgets (26%); their reasons for choosing D2C products over conventional stores included low cost (48%), fast free shipping, and easy returns (43%).

Large enterprises have also prepared for this transforming landscape by breaking from huge distribution platforms such as Amazon and focusing on D2C. The global brand Nike had already set D2C as its core strategy in 2017. In November 2019, it announced its withdrawal from Amazon and began to increase the proportion of direct sales in its official online store and offline stores. Nike's D2C sales grew to 32% of all sales in 2019. Soon after, Vans, Ralph Lauren, and other global brands also began direct sales through their own websites.

XEXYMIX provides an illustrative success model for domestic D2C. Its sales in 2020 were forecast to more than double those of 2019, with its shopping mall accounting for over 85% of total sales. As of 2019, XEXYMIX was selling to consumers through reverse ODP via its online mall in 20 countries, including the US, Hong Kong, Singapore, Taiwan, and Canada.

Handsome's online mall, TheHandsome.com, recorded ₩125 billion in cumulative sales in the third quarter of 2020, up 67% year-over-year. Analysts expect Handsome to reach its highest performance since launching its online business. The share of sales from its online business grew from 13% at the end of 2019 to 18% at the end of 2020. It is notable that 70% of the total sales came from VIPs. Handsome

is currently building the “Smart On Center,” an online-only logistics center with the size of two international soccer fields, in Incheon, Gyeonggi-do. Scheduled for completion in the first half of 2022, the center is anticipated to reduce the time required for logistics processing by an average of four hours per day.

APR, which boasted the highest sales in the media commerce industry through its new street fashion brand NERDY, recorded sales of ₩100 billion for two consecutive years. Its cumulative apparel sales in the third quarter of 2020 totaled ₩32.1 billion, up 27.9% from 2019, of which its mall accounted for 33%. Meanwhile, National Geographic Apparel sales from its mall in November 2020 increased by 89% compared to 2019, and Kolon Mall’s cumulative sales in November 2020 grew by 17% compared to 2019. Ease of registration and Naver Pay’s expansion has substantially lowered the barriers to membership registration and payment, which is fueling the D2C sector’s growth.

4) Anyone can sell? Live commerce

In addition to e-commerce, the growth of the live commerce market has also soared. Under live commerce, brands and creators collaborate to communicate with consumers in real-time and sell products. Through this technique, they can directly cater to the shopping preferences of young consumers, who are accustomed to mobile, video, and live content. The domestic live commerce market was valued at ₩3 trillion in 2020 and is forecast to grow to ₩8 trillion in 2023.

StyleShare launched the first live commerce service in Korea with ShareLive. Its traffic quadrupled between when the pilot service began in September 2019 and March 2020, and each broadcast recorded 4000 to 5000 simultaneous viewers. Major online platforms, such as Naver and Kakao, achieved record-breaking performances in the third quarter of 2020 by constructing a shopping ecosystem through the virtuous cycle of “search-shopping-payment-content.” With 320,000 stores, Naver restructured its live commerce service from “Selective” to “Shopping Live” and acquired the live quiz show Jam Live, formerly operated by its subsidiary SNOW, to enhance its live commerce capabilities. It also launched the men’s fashion mall Mr. Mister and utilized Plus membership customers to actively target the fashion market. Through these efforts, Naver Shopping Live increased the number of sellers by 20%, the number of live contents by 40%, and the transaction amount by 75%, from October to November 2020.

Boasting 50 million users, KakaoTalk introduced luxury brands in its KakaoTalk Gift service and officially launched Shopping Live while improving its fashion content through a business agreement with E-Land Group. As of December 2020, the Kakao Shopping Live channel had 1,348,000 subscribers and 10 million cumulative views since the beta service’s launch in May 2020. This corresponds to an average of about 100,000 views per episode. Furthermore, despite being a new company that launched in February 2020, Grip has drawn widespread attention as a live shopping app where “anyone can sell.”

That is, anyone with a smartphone can download the app and start selling products, after passing a screening process.

5) Dawn delivery in the fashion industry

Proactively reflecting the needs of millennials who want to “buy today, wear tomorrow,” companies have introduced dawn delivery services. Coupang, which developed the fashion platform C. Avenue, launched the “Rocket Fashion” service that allows customers to receive their clothes the next day if they order before midnight. In partnership with its affiliated online shopping mall iStyle24, HANSAEMK launched the “Bullet Delivery” service that ships clothes ordered between midnight and 10am on the same day. Dongdaemun-based fashion platform Brandi also launched a similar service, delivering fashion products from Dongdaemun on the same day or by dawn the next day. SN Fashion Group, which operates SONA and Attrangs, uses Market Kurly’s logistics system to deliver products by 7am the next day, if ordered before 9pm.

6) How ethical is all of this?

Stakeholders must unavoidably address the ethicality of the fashion industry, which has undergone restructuring and is exploring new growth engines. All around the world, sustainable and ethical fashion is fervent trends. COVID-19, a crisis that has gripped humanity, has aroused awareness of the severity of environmental problems and

their potential to endanger our lives. Interest in ethical business has caused awareness of environmental issues to reach a serious level (e.g., water pollution, greenhouse gas emissions, waste generation, use of large amounts of water) This has led to increased monitoring to ensure eco-friendly manufacturing, fair working conditions, animal protection, and the like. The principle of sustainable fashion applies to all processes forming the lifecycle of fashion products, including production, manufacturing, transportation, storage, marketing, and final sales, as well as product use, reuse, repair, and recycling.

Consumers also base their decisions on more than just price and quality; they carefully examine how much carbon the product uses and whether it was made through fair practices and transactions. For instance, though consumers prefer faster delivery, they also consider whether the deliverers are unfairly exploited in the process. Consumers have developed complex psychology between consumption and the environment; they conspicuously consume luxury goods while rejecting excessive packaging, and they gravitate toward biodegradable or recycled packaging.

As such, domestic fashion companies have focused considerable attention on sustainable fashion. Samsung C&T Fashion Group declared itself a sustainable company and that it would transform its main casual brand Beanpole, which celebrated its 30th anniversary, into a sustainable brand. Kolon FnC plans to create a sustainability-oriented category in Kolon Mall called weDO and link it to CSV activities.

Shinsegae International has also joined the sustainability movement by launching Save The Duck, an Italian vegan jacket brand. Companies are also selling trending clothing and accessories made from recycled PET bottles; these include PLEATSMAMA, which collaborated with Hyosung TNC in 2018 to release a PET knit pleated bag, and The North Face, which has enhanced its eco collection with PET bottles.

The industry has also seen dynamic eco-friendly activities made through collaborations between fashion and other fields. Through the *Re:Style 2020* project, Hyundai Motor Company launched upcycled products made from automobile waste together with six global fashion brands pursuing eco-friendliness; similarly, in collaboration with the online shopping mall NET-A-PORTER, LG Electronics created 13 eco-friendly clothing collections that can easily be managed without dry cleaning.

3. Major Countries and Routes of Hallyu in Fashion

Despite the COVID-19 pandemic, Korean fashion brands proved to be formidable players in overseas markets. The epicenters of the Korean craze are China, Japan, and Vietnam. This is the result of Korean fashion companies establishing local subsidiaries and actively making inroads in those regions.

Notably, in 2020, there were over 10,000 domestic online shopping malls capitalizing on Hallyu to target overseas markets. Companies opened online shopping malls in local languages or poured efforts into expanding local distribution channels. According to the global e-commerce platform Cafe24, by November 2020, 11,368 domestic shopping malls targeting global consumers had set up online shopping malls overseas, up more than 37% from 8349 in 2019. These comprised 5,724 sites in English, 2,294 in Chinese, and 2,171 in Japanese; 446 Spanish and 236 Portuguese sites represent figures that are three to four times their numbers in 2019.

By linking Facebook's e-commerce service "Facebook Shops" in real-time, Cafe24 created a new channel for shopping mall operators to sell to global Facebook and Instagram users.

Furthermore, significantly more foreign online mall corporations are entering the Korean market. Qoo10 (Japan), Alibaba (China), eBay (US), Qoo10 (Singapore), and Line (Taiwan) have all established subsidiaries in Korea. According to the Ministry of SMEs and Startups (MSS), the average exports of 824 SMEs that entered overseas online malls increased by about 400%. In line with this trend, the online clothing and fashion exports of SMEs increased dramatically from January to September 2020.

MSS' *Export Trends of SMEs in Q3 2020* reported that clothing accounted for 24.9% of exports, up 66.6% from 2019, claiming second place. Moreover, fashion accessories grew 260.3% to 4.7%

over this period, ranking fourth. SMEs' exports also rose in the third quarter to \$25.6 billion, up 4.0% year-over-year. Though they declined by 13.6% in the second quarter, they began to recover in June and recorded the highest performance of the year in September, at \$9.4 billion (approximately ₩10 trillion). This contrasts with the stagnant performance of large (-5.6%) and middle-standing enterprises (-1.9%). In terms of the share of online exports by company size, SMEs show strong performance, accounting for 89.3% in the third quarter of this year, far surpassing large enterprises. Particularly, products in the fashion sector comprised 29.6% of the items exported online by SMEs. By country, 35% was exported to Japan, 24% to China, 20% to the US, 5% to Singapore, and 2% to Taiwan, showing that companies primarily focused on countries with high awareness of Korea and well-developed online platforms. Notably, other than Japan and China, where Hallyu has been strong, online exports to various countries are greatly increasing.

1) Hallyu fashion trends in China

China's fashion and clothing imports are rapidly growing. Particularly, customers in China aged 15–25 indicated a high preference for Korean brands, because companies leverage the influence of Hallyu stars to introduce diverse designs suited to the tastes of young consumers; further, Korean brands are marked by highly reliable quality and technical prowess. The four-season climate is also an advantage because

customers can regularly receive seasonal items.

During one month in August 2020, the Shanghai branch of the Korea International Trade Association surveyed the consumption trends and changes in perceptions of Hallyu and Korean products among 1,000 consumers in 10 major Chinese cities. The results indicated that over half of Chinese consumers (54.7%) have a positive image of Korea, with more females (57.8%) expressing a positive opinion than males (51.6%). Further, 78.7% of the respondents reported having purchased Korean products before, with females again surpassing males (82.8% vs. 74.6%); there were especially many women in their 20s (89.6%) and the 30s (90.2%) with the purchasing experience. By item, food accounted for 64.5%, beauty products 60.1%, and clothing 46.0%, with 44.1% of all items purchased online. This is slightly lower than Chinese consumers' average usage rate of online shopping (50.8%); Korean companies should, therefore, challenge the online market more aggressively. In June 2020, the Korean street brand Acme De La Vie engaged in live commerce with yilingjiu, a Tmall Partner, and recorded sales worth ₩1.29 billion. Meanwhile, fashion companies achieved excellent performance on November 11, during China's Singles' Day, when consumers "revenge spend" to release their suppressed consumption desires. E-Land recorded the highest sales on Singles' Day, of ¥475 million (approximately ₩80 billion), nearly doubling its sales from 2019. E-Land was the first Korean women's brand to rank in the top 20 of Tmall's women's wear category.

Notably, local children's fashion has been steadily growing in the Chinese market as it joins the Hallyu trend. For many years, Korean children's clothing brands have been targeting the Chinese market to overcome the economic recession and steep decline in fertility, and their efforts are now bearing fruit. PawinPaw, a children's clothing brand under E-Land, sold out 16 products within 30 minutes of the start of Singles' Day and ranked seventh among over 13,000 children's clothing brands in Tmall. ETTOI, a premium children's clothing brand under Agabang & Company, increased its 2020 sales in China by 24%, compared to 2019. Moimoln, which Hansaedreams had simultaneously launched in Korea and China in 2014, expanded the number of Chinese stores to 230 in 2019 and recorded sales of ₩36 billion.

2) Hallyu fashion trends in Japan

Japanese culture is characterized by many highly devoted fans who do not spare any expense on their areas of interest. With Korean content being promoted across various fields, such as *Crash Landing On You* in television series, and BTS and Blackpink in music, it is quite natural for Japanese consumers to express a deep interest in Korean style and fashion. Hence, a variety of Korean products (such as fashion, cosmetics, and desserts) are gaining popularity among young female consumers in Japan, despite the coldness in Korea-Japan relations. As the demographics of Hallyu fans shift from mainly middle-aged women to young people in their teens to early 30s, demand for Korean products

is becoming commonplace.

According to the KOTRA Osaka office, many Korean products showed high rankings in a preference survey of 600 women aged 15–24, recently conducted by SHIBUYA109, a famous Japanese department store. Korean products were included in the top rankings of five out of eight survey categories: drama/broadcasting, cosmetics/skincare, fashion, cafe/food, and home cafe. Bucket hats, a popular item in Korea since 2019, ranked second in the fashion category. In this regard, young Japanese people sensitive to fashion showed increased interest in bucket hats* since they began trending in Korea.

Accordingly, Korean fashion companies are scrambling to mount a challenge in the Japanese market. Korean fashion select shop ALAND first entered Shibuya in September 2019 and recorded hundreds of millions in sales in its first week of opening. This contrasts with the closure of ALAND's Myeongdong branch. Meanwhile, XEXYMIX entered the Japanese market by establishing the local subsidiary, Brand X Japan, in October 2019. In August 2020, it ranked first in yoga wear on Rakuten, Japan's largest online shopping mall. An increasing number of companies is also entering Japan through reverse ODP. Though Japan's e-commerce market is older than Korea's, the distribution networks of department stores and select shops still have an overwhelming influence, except for ZOZOTOWN, there are no

* These hats are characterized by a wide brim sloping down around the wearer's face.

online-based fashion malls.

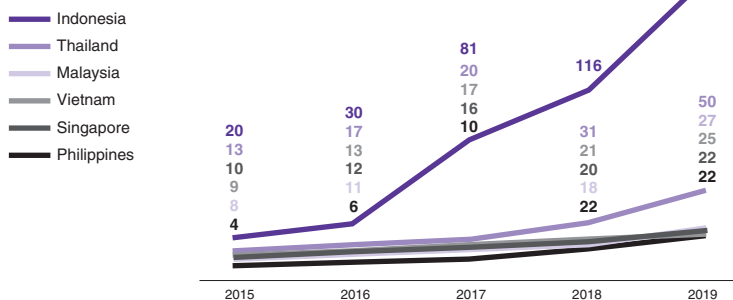
Nevertheless, Japan's drawn-out economic recession and the spread of COVID-19 are fueling online shopping demand. Korean shopping mall apps not only have more polished content and visuals than their Japanese counterparts but they are also specialized in online sales, giving them sufficient pull to attract Japanese consumers.

The shopping app Zigzag established a Japanese subsidiary at the end of 2019 and has prepared to enter the Japanese market via reverse ODP, with overseas consumers directly shopping from Korean shopping malls.

3) Hallyu fashion trends in Southeast Asia

The fashion market in Southeast Asia is steadily growing. In particular, the e-commerce market has been especially, is increasing by 30%–35% every year; analysts forecast this trend to continue, bringing the market to ₩167 trillion by 2025. The market itself is a blue ocean, with 10 million new e-commerce users entering Southeast Asia annually. Indeed, 50% of the Southeast Asian population is under 30, the main customers are young trendsetters in their 20s and 30s, accustomed to digital technology. Additionally, given the fashion's high proportion of overall transaction volume, observers regard it as a critical market that can overcome the domestic market's limitations. Another advantage is that there is less competition in Southeast Asia than in the North American and European markets.

Table 6 Size of Southeast Asian E-commerce Market (Unit: 100 million dollars)



Source: Kang Seong-gyu (January 13, 2021). "Land of Promise in Post-COVID Era" Why the rush into SEA? News1.

According to the NIPA, 62.1% of the population across five Southeast Asian countries (about 350 million people) have viewed Korean broadcasting content before. Not only fashion worn by famous K-pop idols, but also fashion items shown in Korean dramas regularly become trending topics. Users are so interested in Hallyu fashion that "Korean" and "Korean style" comprised 30% of all keyword searches in the fashion category on the Southeast Asian shopping platform Shopee, indicating users' preference for and loyalty to Korean products. Korean products themselves are gaining brand competitiveness regardless of category, and more companies are utilizing the Korean flag as a marketing element.

Therefore, to successfully adapt to the post-COVID-19 era, domestic companies are implementing strategies to enter the Southeast Asian market. Particularly, more and more Korean companies are entering local markets through global e-commerce. For example, FILA conducts reverse ODP through Shopee; COVERNAT enjoys great

popularity based on street fashion trends, and there is high demand for Korean athleisure brands, women's shoes, bags, jewelry, and other accessories.

Meanwhile, by actively targeting the Vietnamese market and its population of nearly 100 million, LF's Hedges increased sales by 50% in just one year by the end of October 2020. Hedges established itself as a premium brand preferred by Vietnamese celebrities, athletes, and high-income consumers, emerging as a Korean brand loved by VIP customers of local department stores.

4. 2021 Outlook of Hallyu in Fashion

1) Focus on high added value

Korea has an infrastructure optimized for the fashion industry. It produces over 5,200 fashion designers annually and boasts of the world's best quality control capabilities and production technology. One of Korea's strengths is the ability to swiftly plan and produce items based on the Dongdaemun fashion market. All upstream, midstream, and downstream channels in the textile and fashion supply chain have developed with balanced growth.

Fashion apparel companies can more inexpensively and stably procure textile yarns, fabrics, and subsidiary materials for clothing.

The industry also possesses many production specialists such as sewing technicians, patterners, and samplers with over 20 years of experience, resulting in the production of high-quality clothing. However, due to the absence of global brands and scant recognition, it is not competitive in the premium sector.

It is worth noting that the industry can quickly adapt to the Fourth Industrial Revolution owing to Korea's unrivaled information and communication technology. The shift in consumption to casual wear and loungewear sparked by COVID-19 is an opportunity for companies from Korea to enter the US market, which is a powerhouse in infomercials and online shopping malls. According to Global Trade Atlas' 2017-2019 statistics, the US was the third largest export destination for Korean home wear such as women's pajamas and underwear. This signals the opportunity to capitalize on the new market trends caused by the pandemic and export various types of home, sports, and casual wear to the US.

2) Prepare for social communication

The US shopping app Dote partnered with Generation Z influencer Olivia Jade under the "shopping party" concept and raised \$23 million in investments. However, public criticism erupted when it was revealed that the company was discriminating against non-white influencers, forcing the app to shut down.

In today's era of social commerce, where understanding and

communication with consumers greatly impact brand marketing, political correctness and values are critical in consumers' purchasing decisions. Emphasis has shifted from the brand's quality and price to its values; subsequently, the activities of influencers associated with the brand also hugely affect purchasing decisions.

Through influencer marketing, small startups have rapidly grown in a short period of time using the D2C model, where the company communicates directly with consumers. However, brands will have more trouble differentiating themselves as the market becomes more saturated. With even large enterprises rushing into influencer marketing rather than simply advertising through famous influencers, SMEs must find micro-influencers or creators with compatible values and devise differentiated strategies. This has given companies more opportunities to promote their brands without exorbitant expenses.

3) Digital tech and the fashion industry collide

American yoga wear brand Lululemon acquired Mirror, a new home fitness platform company, for \$500 million (approximately ₩500 billion). This is part of an experiential marketing strategy, where it sells not only yoga wear in the post-COVID-19 era but also sells a platform and products to learn yoga. Mirror allows the user to learn various exercises, such as yoga, ballet, Pilates, and kickboxing through a livestream displayed on an actual mirror, and provides over 20 programs, ranging from temperature measurement to posture correction.

Companies are quickly applying virtual reality^{VR}, augmented reality^{AR}, and artificial intelligence^{AI} technologies to the fashion industry. A new business model for fashion apparel companies is to provide customized services and recommend products to consumers via AI, which they can try on in AR fitting rooms and then purchase in VR shopping malls.

VR was first widely used to let users experience fashion shows as if they were physically present. When watching a fashion show shot with a VR camera while wearing a VR headset, one can vividly perceive everything happening at the fashion show, such as models walking the runway, and observers reacting with different facial expressions, as if they were sitting in the front row.

Virtual influencer models created with VR have also emerged and are generating billions of won in sales every year. For example, Lil Miquela is a VR model created in 2016 by Brud, a Los Angeles-based robot and AI company. Lil Miquela is a 19-year-old Brazilian American who lives in Los Angeles and works as a model and musician. At the time of writing, she had 2.9 million Instagram followers and was the most popular influencer among Americans in their teens and 20s. Her annual income is about ₩13 billion according to the digital magazine *Netimperative*.

Meanwhile, FNS Holdings, a Korean technology-based fashion startup, created a VR store for the Italian fashion brand FENDI. The FENDI VR store accurately recreates the Galleria Department Store in



Figure 3 Lil Miquela, VR influencer model

Source: Lil Miquela's Instagram @lilmiquela

Cheongdam-dong; everything, from the actual structure to the layout of products, is realistically depicted, giving users the feeling of visiting and shopping at a real department store. Clicking a product brings up a detailed product description and connects the user to the online mall. It took only ten days to develop the FENDI VR store and receive final confirmation from the FENDI headquarters in Italy. FNS Holdings also operates the mobile fashion content platform FASSKER and utilizes VR technology.

AR technology superimposes a virtual image onto a real one to create a single image. Thus, developers can apply AR to online fashion retail stores to create the effect of wearing clothes in a virtual mirror without physically wearing them. This will prove highly useful for online shopping, where users cannot physically try on the clothes.

Companies can also use AI to respond to customers 24 hours a day. For instance, BURBERRY and TOMMY HILFINGER use online chatbots to provide 24/7 customer service. They apply AI to chat rooms to help forge a close relationship between the company and its customers. Companies are also using algorithm-based AI to predict production and demand, and manage inventory by analyzing product sales volume and purchasing patterns. AI-based demand forecasting can reduce the inventory-sales ratio by up to 50%. Brandi, for example, successfully implemented one-day delivery, thanks to AI.

Korean fashion tech startups such as OMNIOUS, Big Insight, Odd Concepts, Aftercompany, DESIGNNOVEL, and YesNow garnered attention based on these technologies. OMNIOUS and Odd Concepts offer consumer research and search solutions with AI, and Big Insight helps improve consumer conversion rates through automated marketing. DESIGNNOVEL, an AI-based design startup, launched LottenON'S new brand "de MonZ". AI Designer, a tool developed by DESIGNNOVEL, uses the internet to identify global trends and then refers to millions of materials (such as collections and lookbooks) for each season to create its own sketches. AI Designer can generate a staggering 10,000 designs in one second. According to DESIGNNOVEL's in-house research, after 72 hours of training, an AI Designer achieved a successful sales prediction rate of 76.8%, 20% higher than that of merchandisers with 10 years of experience.

4) Innovation becomes more urgent than ever

The COVID-19 outbreak has accelerated changes in the global trade environment. Now more than ever, the fashion industry requires innovation. The environment and trade have become linked as more people realize the severity of climate change and the importance of protecting the environment. Further, as the development of digital technology and industry accelerates, the pressing need to establish digital trade rules is also emerging.

Samsung Fashion Institute chose six keywords reflecting the fashion market in 2021 and selected ESG (environmental, social, and governance) as a solution strategy. The fashion industry also needs non-financial ESG management. Though fashion companies have actively donated and participated in volunteering, they have been passive toward ESG policies.

Amid the growing necessity of eco-friendliness and sustainability, some also forecast that slow fashion, rather than fast fashion, will become mainstream. Italian designer Donatella Versace declared on Instagram that she is proud to be Italian and opposes global production; Italian designer Giorgio Armani expressed fatigue from overproduction. Specifically, he criticized the industry's practice of manufacturing products for an upcoming season in advance, which causes them to remain in inventory and end up polluting the environment. He expressed the need to plan more slowly and produce clothes that actually match the season.

Similarly, the EU announced the Green Deal policy at the end of 2019 and is planning to legislate a carbon border adjustment system in the first half of 2021. Meanwhile, upon taking office, US president Joe Biden declared that he would rejoin the Paris Agreement and establish sweeping environmental policies. The environmental policies promoted by the EU and the US are not limited to domestic regulations, but also influence trade, making trade conflicts between developed and developing countries likely. As a party to the Paris Agreement, Korea must also fulfill its obligations for addressing climate change, and therefore, it is necessary to carefully examine and respond to the EU's and US' environmental policies. In the digital sector, the government must actively participate in WTO e-commerce negotiations and utilize mini-deals, such as the Korea-Singapore Digital Partnership Agreement.

Efforts will be required to establish new trade rules in the digital industry and to enhance its competitiveness through support for digital infrastructure and deregulation. The government announced that it would invest ₩1.4 trillion by 2026 to promote green and digital innovation in the textile and fashion industry, with a plan to create about 36,000 jobs.

Korean Food Overcomes Pandemic Thanks to Health and Immunity Benefits

Kang Bo-ra

Researcher

Institute for Communication Research,
Yonsei University

1. 2020 Status of Hallyu in Food

1) Food, agriculture, forestry, and fishery exports remain strong despite the pandemic

Exports of major Korean foods were strong in 2020, even though the world was grappling with the COVID-19 pandemic. Kimchi achieved the highest exports on record, and frozen dumplings (CJ CheilJedang's *Bibigo Dumplings*) showed sales of ₩1 trillion in the single food item category. This is a striking increase in Korean food exports compared to before the pandemic, when people were able to move freely. Therefore, a comprehensive analysis is needed of the driving force behind Korean food's growth in the global market despite the population's restricted movement.

Domestically produced kimchi exports have steadily risen over the past five years. According to aT's *Analysis on Kimchi*

Table 1 Value of Kimchi Exports to Major Countries Over the Last Four Years

(Unit: thousand USD, %)

Classification	2017	2018	2019	2019 (Cum. 6 months)	2020 (Cum. 6 months)	(Share)	Year-on-year increase (2019.6 ~2020.6)	CAGR (2017 ~2019)
Worldwide	81,393.3	97,455.5	104,992.4	51,788.3	74,714.3	100.0	44.3	13.6
1 Japan	45,567.2	56,103.6	55,184.4	28,183.5	38,456.7	51.5	36.5	10.0
2 US	7,245.5	8,968.8	14,801.6	7,008.6	11,331.8	15.2	61.7	42.9
3 Hong Kong	4,345.6	4,489.3	4,952.7	2,520.3	3,614.0	4.8	43.4	6.8
4 Taiwan	4,439.8	5,099.0	4,781.0	1,947.4	2,980.0	4.0	53.0	3.8
5 Australia	2,546.7	3,112.6	3,485.2	1,756.1	3,584.3	4.8	104.1	17.0
6 UK	2,686.4	2,783.8	3,322.3	1,708.3	1,895.9	2.5	11.0	11.2
7 Netherlands	2,435.4	2,988.6	3,398.1	1,518.1	2,308.0	3.1	52.0	18.1

Note: The 2017~2019 export performance is calculated on a yearly basis; the 2019~2020 export performance is up to June (first half of the year)

Source: KATI agricultural export data, Korea Agro-Fisheries & Food Trade Corp. (2020a). *Analysis of Kimchi Consumption in Major Countries According to Strong Kimchi Exports*, p. 2.

Consumption published in September 2020, kimchi exports soared in the first half of 2020 despite the pandemic (\$74.7 million, up 44.3% year-over-year).

Japan, the US, and Hong Kong rank among the top countries for kimchi exports. Japan accounts for 51.5% of total exports (aT, 2020a).

This favorable performance of kimchi exports during the pandemic can be attributed to the growing interest in healthy eating habits (e.g., consuming foods that boost the immune system) among consumers worldwide. Indeed, as kimchi is introduced overseas consumers as an exemplary fermented food, research is increasing on the correlation between fermented food and improved health. For example, in May 2020, a research team led by Professor Emeritus Jean Bousquet of Montpellier University in France published the paper *Is diet partly responsible for differences in COVID-19 death rates between and within countries?* They found that countries such as Korea and Taiwan that consume raw or fermented cabbage like kimchi have fewer COVID-19 deaths. Their study also found that fermented cabbage contains large amounts of antioxidants, which help to strengthen the immune system, and that consuming it reduces ACE2, an enzyme that binds when the coronavirus enters the body (Bousquet et al., 2020).

This research is expected to contribute to the growth in kimchi exports for the time being. According to the KITA Institute for International Trade's *Promising Items AI Report* published on January

6, 2021, worldwide interest in kimchi is growing, particularly in Japan and Hong Kong, which shows high potential for kimchi exports in the future (Byeon, 2021).

Aside from kimchi, Korea's other major food exports such as fresh food (ginseng), noodle products (noodles), and seafood products (laver) also recorded favorable export performance. According to *the Food, Agriculture, Forestry, and Fishery Exports Trend Report* accumulated up to November 2020, exports of these products totaled \$8.9 billion, up 2.8% year-over-year. While seafood exports somewhat declined (\$2.08 billion, down -8.4% from 2019), fresh food exports rose by 2.7% (\$1.27 billion, approximately ₩1.4 trillion) and processed food exports by 7.8% (\$5.58 billion, approximately ₩6 trillion) (aT, 2020b).

Table 2 Export Value and Increase Rate in Food, Agriculture, Forestry, and Fishery Exports by Item

Classification	Item	Export value (100 million USD)	Increase rate (%)
Fresh food	Kimchi	131.5	36.5
	Poultry	68.7	16.5
	Ginseng	197.9	7.8
Processed food	Noodles	720.7	28.7
	Sauces	288.3	23.3
	Confectioneries	471.0	16.8
	Tobacco	931.2	8.2
Seafood	Laver	547.3	3.5

Source: Korea Agro-Fisheries & Food Trade Corp. (2020b). Reconstructed from *Food, Agriculture, Forestry, and Fishery Exports Trend Report (up to November)*

As shown in Table 2 above, kimchi (36.5%), noodles (28.7%), and sauces (23.3%) recorded the largest export growth. Analysts believe that the upward trend in exports of these items is somewhat related to the prolonged COVID-19 pandemic in 2020. In the case of kimchi, since

many overseas consumers are focusing on strengthening their immune system, the increase in kimchi exports could be a result of its rising reputation as an exemplary fermented food. Meanwhile, it is likely that since the pandemic made it difficult to go outside, many consumers gravitated toward processed foods such as noodles and sauces with a long shelf life. Regarding total export value irrespective of growth rate, tobacco products comprised the largest share (\$93.12 billion), followed by noodles (\$72.07 billion), laver (\$54.73 billion), and confectionery (\$47.1 billion). Continuous support is necessary to promote the export growth of not only items such as kimchi, which was high in 2020, but also items comprising large shares of the total food export market, such as noodles and laver.

2) Preference for Korean food soars thanks to health factors and spicy flavors

The dramatic growth of contact-free and online markets transformed the global distribution landscape in 2020. According to Euromonitor, the global online food retail market amounted to \$150 billion (approximately ₩180 trillion) in 2017 but is forecast to more than double to \$330 billion (approximately ₩396 trillion) by 2022. Indeed, in the US, major European countries, China, and Japan, offline market sales shrank but conversion to online sales accelerated due to COVID-19. Moreover, with the increased desire to prevent the spread of COVID-19 and other viruses, there have been more demands

for transparency and safety in the food production and distribution process.

Regarding global food consumption trends, aside from the aforementioned rise in the consumption of healthy food and storable food, there has also been a sharp increase in the food delivery market and home-meal replacements^{HMR}. Owing to telework and restrictions on movement, consumers dined out less often but cooked meals at home and ordered delivery much more frequently. For example, dining out drastically decreased in China after the COVID-19 outbreak, whereas contactless non-face-to-face food delivery sales greatly increased and restaurants shifted their focus to delivery. Meanwhile, in the US, food consumption patterns significantly changed after the “stay-at-home” lockdown order. That is, the number of people making food at home increased markedly. For instance, in March 2020 (at a relatively early stage of the COVID-19 pandemic), food-at-home sales rose by 19.3% compared to March 2019, while food-away-from-home sales declined by 28.3% (aT, 2020c).

The pandemic is also fueling the food delivery market in Southeast Asian countries like Vietnam and Thailand. Grab Food, Food Panda, Get, and Line Man entered the Thai food delivery market and are in heated competition (Bangkok Post, 2020). The Vietnamese food delivery market is forecast to reach \$38 million in 2020. Accordingly, the global online food delivery market is anticipated to reach \$111.3 billion in 2020, up 3.6% from 2019 (aT, 2020c).

A report from the Korea Agro-fisheries and Food Trade Corp. published in the second half of 2020 stated that 10 foods (including kimchi, gochujang [red chili paste], tteokbokki [stir-fried rice cakes], and ramen) show promising exports even in the post-COVID-19 era.

Kimchi exports have steadily increased over the past five years, and observers predict that it will continue to garner attention as an immunity-boosting health food until the COVID-19 pandemic ends. Aside from regions with considerable demand for kimchi such as the US and Japan, there is a growing interest in Islamic countries such as Malaysia (Kang, 2019).

Spicy Korean foods such as gochujang and tteokbokki are also attracting attention. Recipes for tteokbokki, bibimbap, and the like have been shared on global social media platforms, naturally fueling the purchase of spicy condiments such as gochujang. Indeed, the export of sauces to Thailand grew by 123% in September 2020 year-over-year, and the export of gochujang to Malaysia rose by 167% year-over-year.

Tteokbokki, a classic Korean street food, is also gaining popularity due to its appearance in various content such as Korean dramas and webtoons. Processed rice exports reached \$99.3 million in September 2020, up 27% year-over-year. Tteokbokki preferences vary from country to country. Cup tteokbokki with enhanced sweetness is popular in Japan, whereas Thai consumers prefer room-temperature tteokbokki products in the form of cup ramen that have a long shelf life and are easy to cook. Tteokbokki culture is also spreading in Vietnam

and other countries, primarily through Korean tteokbokki franchises (aT, 2020c).

In addition to Korean dishes with a signature spicy flavor, chicken is the most popular food among foreigners. According to the Ministry of Agriculture, Food and Rural Affairs' ^{MAFRA} *2020 Overseas Korean Food Consumer Survey*, Korean-style chicken (13.3%) was the Korean food most preferred by foreigners, followed by kimchi (11.9%) and bibimbap (10.3%). A MAFRA official explained that this is because chicken is a more culturally familiar food compared to other dishes. Food experts also note that the large variety of chicken recipes in Korea (batter-fried, sauces, toppings, etc.) differentiates Korean chicken dishes from those of other countries.

Recognizing the popularity of Korean food, the famous US burger chain Shake Shack generated buzz by introducing a unique menu item combining chicken, which is popular among foreigners,

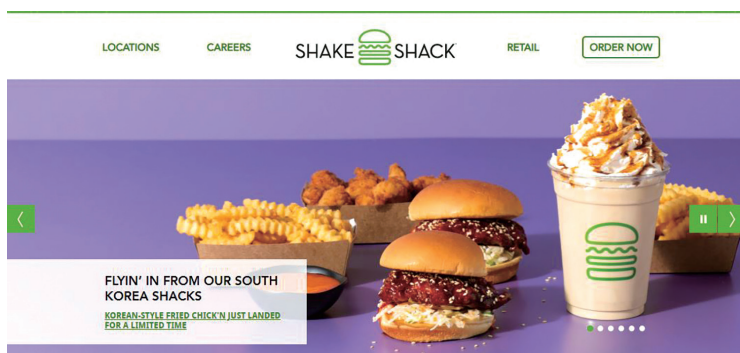


Figure 1 US burger chain Shake Shack launches limited-edition Korean-style gochujang chicken sandwich and related items

Source: Shake Shack US website (<http://www.shakeshack.com/>)

with spicy gochujang. The franchise sold the gochujang chicken sandwich as a limited-edition menu item in Korea in September 2020, along with gochujang chicken and gochujang french fries in the US until April 5, 2021. Shake Shack's menu development team was inspired to create these new items after being introduced to Korean-style chicken on a visit to Seoul. The items constitute a strategy to help the franchise's chicken sandwich offerings stand out amid tense competition with the US fast-food restaurants such as McDonald's and Taco Bell (Ryu, 2021).

2. Issues in Hallyu in Food

1) Increasing dominance of processed foods

A distinct characteristic of Hallyu food in 2020 was the rapid rise of processed foods such as frozen dumplings and ramen. Thanks to their long shelf life compared to fresh foods and familiarity in terms of taste and appearance, frozen dumplings and ramen were able to establish a stable position in the global market. CJ CheilJedang's *Bibigo Dumplings* achieved domestic sales of ₩360 billion and overseas sales of ₩670 billion as of December 2020, recording annual sales of over ₩1 trillion. Overseas sales accounted for 65% of total sales, which is the highest share ever. Bibigo Dumplings succeeded thanks to aggressive



Figure 2 As of 2020, over 100 Bibigo products are being exported to 56 countries

Source: CJCheilDang English website (<https://www.cj.co.kr/en/brands/bibigo>)

investments in infrastructure and targeted localization strategies. Between 2013 and 2020, its production bases rapidly expanded from just five locations (Korea, the US, China, etc.) to 15 locations including Vietnam, Japan, and Europe (Germany), thereby securing a stable local supply and distribution network (Park, 2020).

Table 3 Tailored CJ CheilJedang Bibigo Dumplings by Country (2020)

Country	US	China	Japan	Vietnam	Russia
Main product					
Description	Mini wontons made with cilantro and chicken, which is preferred by US consumers	"King dumplings" made from corn and cabbage, which are preferred by Chinese consumers. Can be used in various Chinese dishes by grilling, steaming, frying, etc.	Added with ginger, which is preferred by Japanese consumers. Sized to suit soup dishes such as nabe.	Made using shrimp, which is preferred by Vietnamese consumers. Uses special containers to prevent spoilage in the hot local climate. Made using shrimp, which is preferred by Vietnamese consumers. Uses special containers to prevent spoilage in the hot local climate.	BBQ dumplings developed from research on Russian dumplings (pelmeni). Stuffed with meat, which is preferred by Russian consumers.

Source: CJCheilDang English website (<https://www.cj.co.kr/en/brands/bibigo>)

In 2020, Bibigo Dumplings recorded sales of ₩420 billion in the US, ₩160 billion in China, ₩65 billion in Japan, ₩18 billion in Europe, and ₩16 billion in Vietnam, demonstrating the effectiveness of its country-specific strategies. For the US market, the product was developed based on wontons, which are familiar to Americans, whereas for the Chinese market, CJ CheilJedang emphasized the image of healthy dumplings with thin flour wraps packed with meat and vegetables. In the near future, the company plans to develop technology to create new products reflecting the eating habits and consumption tendencies of overseas consumers, such as gluten-free dumplings (Park, 2020).

2) Uses of Korean sauces increase

In 2020, many foreigners began to use sauces such as buldak (hot chicken flavor) sauce and kimchi seasoning along with gochujang to make their own Korean food. As the distribution network improved for condiments used in internationally popular dishes such as tteokbokki, bulgogi, galbi, dakgalbi, and sundubu jjigae, more and more people began to use them to make Korean food at home. In Singapore, where Korean content such as dramas and entertainment programs are popular, consumers more frequently cooked Korean food themselves using simple ready-made sauces after restrictions were placed on restaurants due to COVID-19 (Noh, 2020).

Among Korean sauces, the demand for spicy sauces especially skyrocketed in 2020. Samyang Foods' buldak-bokkeummyeon



Figure 3 Korean sauces and seasonings sold overseas

Source: North America and Singapore online market websites.

(hot chicken flavor ramen), also known as *Fire Noodles*, has amassed popularity, and more consumers are seeking out various kinds of buldak sauce. Kimchi seasoning, which concentrates the spicy taste of kimchi into a powder, also emerged and garnered attention in the North American market. Seoul Sisters' *Kimchi Seasoning Mix* appeared on the US Amazon store in April 2020 and recorded 100,000 cumulative sales by the end of 2020. The company thoroughly analyzed consumer data from the beginning of sales to identify the needs of consumers who want to consume lactic acid bacteria^{LAB}, based on which it developed a low-calorie vegan kimchi seasoning packed with LAB.

This popularity of spicy Korean sauces corresponds to global trends that favor spicy flavors. According to a BBC report, spicy food brings “more than pleasurable pain,” and its popularity can be attributed to consumers’ desire for a change of pace as the pandemic wears on. On the other hand, viral social media challenges such as the “fire noodle challenge” have also stimulated consumers’ desire to experience spicy Korean food.



Figure 4 Seoul Sisters’ Kimchi seasoning is No. 2 best-selling chili powder on Amazon US (as of January 2021) Source: Amazon US website (<https://www.amazon.com/>)

3) Expansion of non-contact/non-face-to-face services and Korean food experiences

In 2020, it was generally difficult for consumers to experience Korean food by visiting a Korean restaurant or traveling to Korea. Instead, Korean food experiences were expanded through delivery and HMR as overseas companies increased contactless services. Particularly, the

Table 4 Meal Kits Sold in UK Online Supermarkets

Spicy Korean Chicken Meal Kit	BBQ Pork with Sticky Rice	Korean Inspired BBQ Beef	Korean Hot Wings To Share
Iceland	Waitrose	Tesco	Sainsbury's

Source: Recreated from websites of Iceland (<https://www.iceland.co.uk>), Waitrose (<https://www.waitrose.com>), Tesco (<https://www.tesco.com>), and Sainsbury's (<https://www.sainsburys.co.uk>)



Figure 5 Korea Travel Test held from October to December 2020 (left) and example of test categories (right)

Source: Korea Travel Test website (<https://www.koreatabikentei.jp/>)

global market for home delivery of meal kits, a type of HMR, grew to \$166 million in 2019 (aT, 2020c).

While Korean meal kits opened an avenue to physically experience Korean food, virtual travel has enabled non-physical experiences of the cuisine. In Japan, the Korea Travel Test, aimed at Japanese people who enjoy quizzes, has become popular.

From the end of October to the beginning of December 2020, consumers could test themselves in six categories including “Hallyu,” “gourmet,” and “travel” on the Korea Travel Test website (www.koreatabikentei.jp) created by KTO. About 10,000 people participated during this period, and 75% received a pass certificate. Through this test, the participants improved their understanding of Korea while also experiencing indirect satisfaction as if they had really traveled (Yoon, 2020). Following events such as KOFICE’s *2020 Korean Culture Festival*, efforts to experience Korean food online are anticipated to become even more active in 2021 (Seon, 2020).

3. Major Countries and Routes of Hallyu in Food

1) Expansion status of Hallyu in food

Regarding food, agriculture, forestry, and fishery exports by country and region as of November 2020, exports to the US, EU, and ASEAN nations increased, while exports to “New Northern” countries (Japan, China, and Russia) declined. Among the US, ASEAN nations, Japan, and China, which separately account for more than 15% of these exports, follow-up measures are needed to address the decrease in total exports to Japan and China.

The following are some reasons for the rise in exports to the US and ASEAN nations, which showed strong performance in 2020. In the US, where food, agriculture, forestry, and fishery exports increased by 29.8% compared to 2019. The worsening pandemic led to strict social distancing measures in some regions, spurring consumers to purchase ingredients for cooking at home. Demand especially soared for ginseng, kimchi, and garlic, which are known to boost immunity. The exports of confectionery items, ramen, sauces, and laver, which have a long shelf life, also grew by more than 20%.

Table 5 Status of Food, Agriculture, Forestry, and Fishery Exports to Major Countries as of November 2020

(Unit: million USD, %)

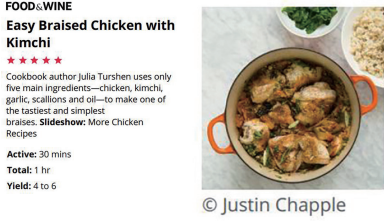
	Japan	China	US	ASEAN	Vietnam	Thailand	EU	Russia
2019.11	1,983.0	1,473.4	1,062.1	1,637.7	602.9	360.6	507.4	192.3
2020.11	1,819.5	1,433.3	1,378.6	1,689/1	571.9	340.7	508.1	163.4
Increase rate	8.2 ↓	2.7 ↓	29.8 ↑	3.1 ↑	5.2 ↓	5.5 ↓	0.1 ↑	15.1 ↓
share	20.4	16.1	15.5	18.9	6.4	3.8	2.9	1.8

Source: Korea Agro-Fisheries & Food Trade Corp. (2020b). Reconstructed from *Food, Agriculture, Forestry, and Fishery Exports Trend Report (up to November)*

While the change in exports to France, Germany, Spain, and other EU countries was insignificant, the demand for specific items points to numerous implications. Exports of storable fresh and processed foods such as kimchi, ramen, and gochujang all rose by more than 30% compared to 2019. Ramen exports in particular increased by 54.4%, reaching \$50 million for the first time in history. Gochujang exports grew by 31.5% compared to 2019, which is mainly attributed to the popularity of spicy flavors and widespread local promotion of recipes using gochujang. Japan also showed an increase in kimchi and ramen exports, whereas total exports declined. In Japan, kimchi has garnered attention as an immunity booster, while Korean ramen benefited from the overall high demand for noodles during the pandemic. Kimchi exports increased by 65.2% and 43.2%, respectively, in Thailand and Indonesia, which are classified as “New Southern” countries. Over the past year, Thailand saw a growing interest in Korean health food and ways to enjoy healthy Korean at home, thanks to the popularity of kimchi. Meanwhile in Indonesia, consistent promotions and easy access to kimchi attracted potential consumers (aT, 2020b).

Therefore, of the various items whose exports surged in 2020, it is necessary to focus on kimchi. Compared to processed foods such as ramen and laver, kimchi as health food was more popular as kimchi could be combined with the export countries’ local food items and be included in diverse fusion recipes. For instance, Japanese consumers combine kimchi with natto, and Americans enjoy braised

Table 6 Examples of Uses for Kimchi in Japan and US

Japan	US
 キムチ納豆 キムチが少し残ってしまったときに、ゴヤ菜を入れるのがポイントです。 5分 レシピ制作: 山下 和典 ★ レシピ保存 印刷する 「キムチ納豆」に関連する特選レシピ もっと見る 白菜漬けと豚肉 サラダチキンの 高菜チャーハン の炒めもの 稲葉タカヲ... Kimchi natto	 FOOD & WINE Easy Braised Chicken with Kimchi ★★★★★ Cookbook author Julia Turshen uses only five main ingredients—chicken, kimchi, garlic, scallions and oil—to make one of the tastiest and simplest braises. Slideshow: More Chicken Recipes Active: 30 mins Total: 1 hr Yield: 4 to 6 © Justin Chapple Braised chicken with kimchi

Source: Woman Excite (Japan) website (<https://recipe.woman.excite.co.jp>), Food & Wine (US) website (<https://www.foodandwine.com>)

kimchi combined with various steamed dishes. Kimchi spring rolls in Hong Kong and kimchi pad thai in Thailand are other examples of kimchi integrated with the local cuisine.

There is also rising consumption of diverse unique foods using kimchi and localized kimchi dishes. In Asia, kimchi is sold in the form of a sauce or spice, while US consumers can purchase kimchi powder and fermented drinks such as kimchi kefir and kimchi juice. European markets feature “local-style kimchi” containing turmeric, carrots, and lemon, while reducing garlic or chili powder in kimchi. These products are tailored to the food culture of Central and Northern Europeans, who typically avoid spicy foods and are averse to daily garlic consumption (aT, 2020a). As shown in Table 7, the number of kimchi brands sold locally by Korean businesses also increased in the US, the second-largest kimchi importer after Japan in 2020.*

* The physical distance between the US and Korea and the rise in the number of local kimchi products offered by Korean businesses in the US likely had a partial impact on the volume of kimchi exports to the US.

Table 7 Kimchi Products Produced and Sold in the US

Kimchi						Kimchi kit
						
Madge's Mild Vegan Kimchi	Lucky Food Seoul Spicy Red Napa Cabbage Kimchi	Kimchi Kooks Classic Kimchi	Mother In Law's Kimchi	Sinto Gourmet Spicy Red Napa Cabbage Kimchi	Mama O's Premium Kimchi	Mama O's Kimchi Making Kit
Vegan; no fish sauce or sugar	Mat-kimchi with moderate spiciness	Kimchi brand based in Brooklyn, NY	NY-based kimchi brand. Flavored with beef broth and saeu-jeot flavor	San Francisco-based kimchi brand with strong spicy flavor	Kimchi with a strong fish sauce flavor and small amount of cilantro	DIY kimchi kit containing kimchi ingredients, storage container, instructions, etc.

Source: Best Products website(<https://www.bestproducts.com>).

Notably, the possibilities for Korean food to enter online food markets in Europe are growing. Although the European market has been more conservative regarding online commerce compared to other regions and cultures, the COVID-19 pandemic led to the expansion of its online food market, opening new routes for Korean food to expand. These include partnerships with local companies or consigning the production of goods, along with entering the market via large traditional food companies. It had been challenging to popularize Korean food in the European market due to language and cultural barriers and ineffective marketing. To address these difficulties, it was critical to localize capacity, the price range, and product design according to the needs and preferences of local consumers.

Korea-related foods produced by foreign companies and sold in European online markets are being newly interpreted or simplified

Table 8 Various Korean Food Products Sold in Online European Markets

Brand	Itsu	Sous Chef	Hellofresh
product			
description	Seaweed snack sold by Itsu, a UK-based fast-food chain specializing in Asian cuisine. Markets this item as a health food.	UK-based grocery site selling ingredients used in Korean food as well as in cuisines of other countries around the world. Characterized by advanced curation service	Meal kit brand headquartered in Berlin, Germany that introduces a new meal kit every week. Meals include small variations on Korean dishes familiar to European consumers, such as bulgogi and bibimbap

Source: Websites of Itsu (<https://www.itsu.com>), Sous Chef (<https://www.souschef.co.uk>), and Hellofresh (<https://www.hellofresh.com>).

according to each culture (see Table 8). Additionally, for European consumers, who tend to be greatly interested in the environment, health, organic consumption, and the like, Korean food packaging must have official labels certifying qualities such as low-sodium, gluten-free, or vegan (aT, 2020d).

2) Methods of overseas entry in Hallyu food

According to KOFICE’s *Global Hallyu Trends* published in 2020, regarding the routes through which foreigners access Korean food, 61.7% of respondents chose “offline stores/restaurants” and 39% chose “local websites/applications.” As for factors contributing to Korean cuisine’s popularity, the report noted that in addition to taste, Korean cuisine is popular as consumers can “experience Korean cuisine and food culture seen in Korean cultural contents” (KOFICE, 2020).

A 2020 survey on the consumption of Korean food by US

consumers obtained similar results—90.97% of the respondents had purchased or heard of Korean food, displaying a fairly high awareness of Korean food. As to how they became aware of Korean food, 67.25% responded "through family, acquaintances, and media," while 12.18% reported that it was K-pop or K-dramas that introduced them to Korean cuisine. Further, 87.97% stated that they were satisfied with Korean food; reasons included taste (75.65%), quality (52.99%), price (43.38%), and health (25.19%).

The types of Korean food consumed by US consumers included noodles (68.95%), fried rice (59.48%), kimchi (51.99%), dumplings (46.12%), laver (36.19%), beverages (34.39%), and ginseng (30.78%), showing that locals were even consuming a wide variety of Korean cuisine (aT, 2020e).

As the film *Parasite* won four Oscars at the Academy Awards held in the US in February 2020, interest in jjapaguri, which appeared in

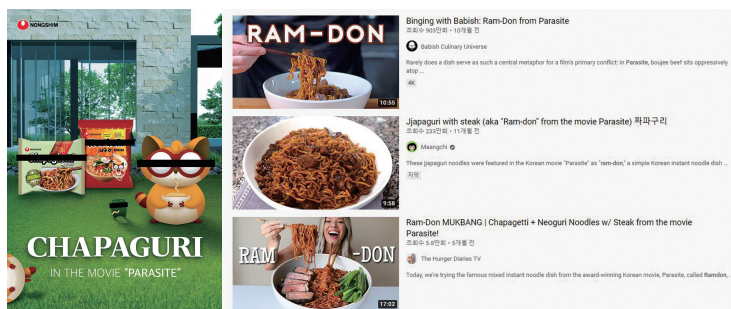


Figure 6 Nongshim jjapaguri ad parodying the movie *Parasite* (left) and YouTube search results for jjapaguri (ram-don) (right)

Source: Nongshim website, YouTube

the movie, also grew. Jjapaguri, known as “ram-don” in the US because it combines ramen and udon, was originally developed for and popular among Korean consumers, but it gained international attention after being featured in *Parasite* (Jo, 2020). Despite being rather unfamiliar to foreign consumers, jjapaguri succeeded partially thanks to being an inexpensive processed food that can be prepared in various ways.

Along with jjapaguri, Samyang Foods’ buldak-bokkeummyeon also garnered attention in line with the trend of enjoying spicy flavors. Buldak-bokkeummyeon recorded monthly sales of only ₩700 million to ₩800 million at the beginning of its launch in 2012, and then rose to monthly sales of ₩3 billion in 2013 and ₩8 billion as of the end of 2020. This explosion in popularity can be attributed to the “fire noodle challenge” that has been spreading on YouTube and other social media platforms since 2015. The fire noodle challenge combines a mukbang

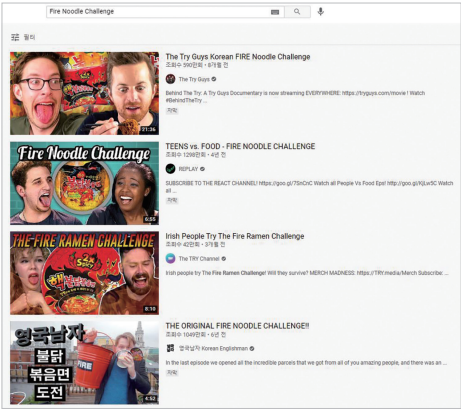


Figure 7 YouTube search results for fire noodle challenge Source: YouTube

(eating broadcast) with the playful entertainment of watching people struggle to endure the spiciness of the noodles while eating them as fast as possible. This combined appeal of the challenge contributed to its popularity on social media. Another reason it was well-received by the public is precisely the fact that it is a “challenge”; participants can continuously create videos breaking previous records or showcasing unique content.

4. 2021 Outlook of Hallyu in Food

1) Shedding light on the historic nature of “modern” Korean food

Korean cuisine is still one of the characteristics that foreigners most readily associate with Korea. According to *Global Hallyu Trends* published in 2020, respondents selected Korean food as the characteristic most associated with Korea after K-pop. As much as consumers prefer Korean food, many also expressed their non-preference for the cuisine. As reasons for this, respondents cited that they “do not like the taste and smell” or that it is “not cost-effective.” (KOFICE, 2020).

The belief that traditional fermented foods such as kimchi and gochujang can improve health played a role in Korean food’s success during the COVID-19 pandemic. However, to maintain these strengths

in the post-pandemic era, it is necessary to break from the paradigm that “Korean food = health food.” Thus, going beyond the perspective of Korean consumers who have grown up with Korean cuisine, efforts are needed to familiarize foreign consumers with Korean ingredients that may seem exotic depending on the country or culture. This is in the same vein as attempts to combine Korean food with the daily eating habits of overseas consumers.

As discussed previously, foreigners mostly prefer relatively modern Korean food such as chicken and tteokbokki rather than traditional Korean food such as bulgogi or bibimbap. Regarding chicken, not only is it compatible with most religions, but consumers concerned about the environment also choose it over red meat after the COVID-19 pandemic. Chicken is also a casual food that does not require many side dishes and has elements enjoyed by consumers regardless of age and gender. Hence, it is necessary to objectively investigate why Korean food is receiving attention today while also continuing the historical traditions of Korean cuisine. Korean food’s scope of influence can be further expanded by breaking through typical frameworks of the past and focusing on the cuisine’s modernity.

2) Demands for a context-oriented approach to promoting Korean food

Jjapaguri’s popularity on the heels of *Parasite*’s success and the ongoing fire noodle challenge provide numerous implications for how to promote Korean food. The most important implication is that a

“context-oriented approach” helped boost awareness of Korean food. In 2020 as well, a government-led promotion plan for Korean food included having internationally recognizable Hallyu stars directly introduce Korean food. However, Korean food cannot be effectively promoted by simply combining Korean food and Hallyu stars without a content-based relationship. The jjapaguri craze and fire noodle challenge allowed consumers to create a special meaning related to these foods, which differentiated these viral trends from conventional promotion strategies. The ways that consumers create meaning widely vary; they can put new spins on the food culture or food itself, create elements of diversion such as memes, and imitate or expand trends.

If Korean food is not specifically unique to consumers but rather one option among many exotic cuisines, then even more aggressive efforts are needed to create a cultural, social, economic, or environmental context for Korean food.

3) Glocalizing Korean food

The awareness of Korean food varies among countries and regions. Therefore, rather than applying the same blanket strategy, companies must adopt different approaches according to the social and cultural characteristics of each country’s market. It is particularly important to create areas where the global and local contexts of Korean food can intersect.

From a technical perspective, Korean food can be glocalized by

using local influencers or vitalizing curation services through online markets. In terms of content, given that certain types of food (e.g., dumplings) exist in all cultures, companies can devise strategies to associate such universal Korean dishes with local food. It is also worth considering methods to gain influence in the market based on traits of Korean food highly valued by international consumers, such as its healthiness, spiciness, and probiotic benefits.

Animal- and eco-friendly attributes important in the global food market must also be integrated into Korean food. In this regard, to meet the needs of the growing vegetarian population, companies must devote efforts toward expanding their vegetarian options or exploring meat substitutes. This is necessary not only for protecting the environment but also for leading the food industry in the future. For example, the global meat substitute market was worth \$4.7 billion in 2019 but is forecast to expand to \$6 billion by 2023 (aT, 2020f). That the US, UK, China, Germany, and Japan, which comprise a huge share of the meat substitute market, are all critical importers of Korean food is another reason why Korean food products must include vegetarian options.

In terms of specific methods, companies must give important consideration to vegetarians when developing their menus and products, such as food ingredients, quality, and certifications. Moreover, given the rising demand in foreign markets for nutritious and simple HMRs since the COVID-19 outbreak, there is a greater need to develop HMRs using Korean vegetarian dishes (aT, 2020c).

4) Reform of naming conventions for Korean food

Finally, it is urgent to reform the naming conventions for Korean food. Kimchi exports recorded astonishing growth in 2020, but some countries are increasing their attempts to undermine the food's originality. Of course, there were also positive developments, such as the British Library officially archived kimchi and kimjang culture on its website at the end of 2020 (Song, 2020). On the other hand, after the global industry standards body ISO posted new regulations for *pao cai*, a Chinese salted fermented vegetable, China's state-run media sparked controversy by calling it “an international standard for the kimchi industry led by China” and reporting that “Korea, the birthplace of kimchi, has been humiliated” (BBC News, 2020).

Meanwhile, when Japanese food ingredients are exported to foreign markets, their names are Romanized while retaining the original Japanese pronunciation, making local consumers believe that the ingredients are uniquely Japanese. Ingredients such as *shiitake*, *panko*, and *nori* in particular keep their Japanese pronunciation in the US and

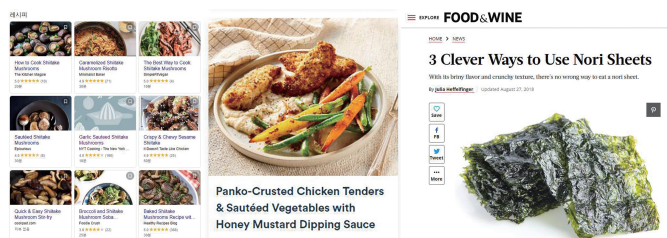


Figure 8 Examples of Japanese foods retaining their original pronunciation in English-speaking markets. From left: *shiitake*, *panko*, *nori*

Source: YouTube, Food & Wine (US) website (<https://www.foodandwine.com/>)

UK, thereby raising doubts about the originality of Korean dishes that use these ingredients.

Since 2000, various entities such as MAFRA, MCST, KTO, NIKL, and KFPI have been conducting specific projects to unify the English romanization of Korean. Included in the 2021 budget passed at the September 2020 State Council meeting is the *Korean Menu Romanization Project*, whose implementation will be led by MAFRA. This is to ensure the consistent use of food terms in menus in a total of 6,000 domestic and overseas Korean restaurants. Therefore, it is necessary to not only unify the use of terms in Korean restaurant menus but also introduce unified English naming conventions for Korean ingredients.

A New Landscape for Hallyu Tourism in the New Normal

Kim Yeong-hee

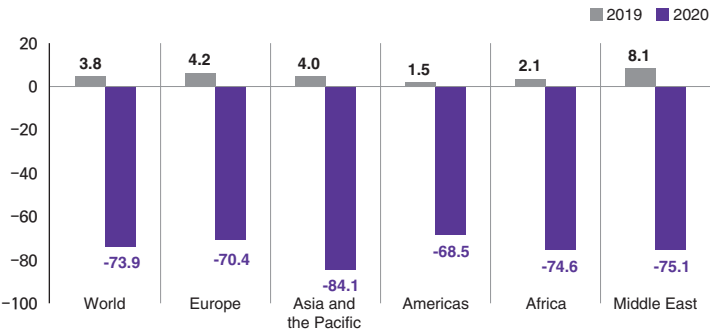
Team Leader,
Hallyu Tourism Team
Korea Tourism Organization

1. 2020 Status of Hallyu in Tourism

1) Worldwide pandemic plunges the global tourism market into an unprecedented crisis

According to the latest data published by the World Tourism Organization^{UNWTO}, there were 380 million international tourists worldwide in 2020, down more than 1 billion compared to 2019 (-74%) before the COVID-19 crisis. The number of tourists worldwide has plunged to figures similar to three decades ago in 1990. The Asia-Pacific region showed the largest decrease with 300 million people compared to 2019 (-84%), with huge declines in the Middle East and Africa (-75%), Europe (-70%), and the Americas (-69%) as well. The tourism industry's losses due to this plummet in international tourism totaled \$1.3 trillion (approximately ₩1,453 trillion), 11 times the losses from the global economic crisis in 2009. Moreover, a total of 100 to 120 million tourism-related jobs worldwide are at risk of disappearing.

Figure 1 Increase rate of tourists worldwide and by region in 2019 and 2020 (Unit: %)



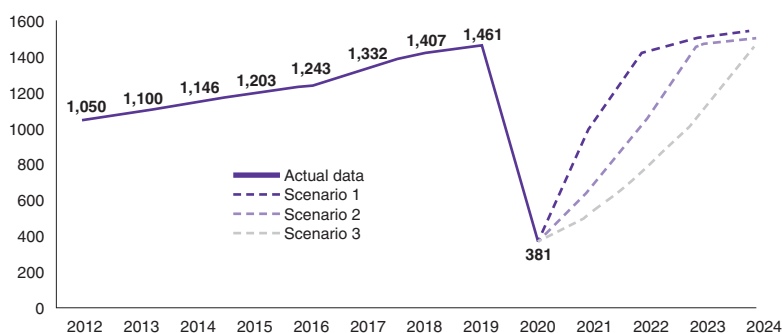
Source: UNWTO (2021). *World Tourism Barometer*.

The decline in the number of international tourists is 550 times that caused by the SARS outbreak in 2003 (2 million) and 40 times that due to the global economic crisis in 2009 (37 million). UNWTO stated that “global tourism suffered its worst year on record in 2020.” This dramatic decline in the tourism market has wiped out over \$2 trillion from the global GDP, a loss greater than 2% of global GDP in 2019.

According to UNWTO’s forecast on the number of international tourists in 2021–2024, signs of recovery will begin to appear from the second half of 2021. However, in an expert panel survey recently conducted by the organization, 50% of the respondents believe that the tourism market will recover in 2022. Many experts responded that it would be difficult for the tourism market to recover to the pre-COVID levels of 2019 before 2023.

The World Travel & Tourism Council^{WTTTC}, which consists of CEOs of the world’s top 100 travel and tourism companies, forecast

Figure 2 Number of international tourists: Outlook for 2021–2024 (Unit: million persons)



Source: UNWTO (2021), *World Tourism Barometer*.

that the global travel and tourism industry is at risk of losing 108 million jobs due to COVID-19, which would result in losses of over \$5.5 trillion in global travel and tourism GDP. Asia in particular is expected to lose 63.4 million tourism jobs, the greatest loss by region. The International Air Transport Association reported that revenue passenger-kilometers, a measure of air travel demand, decreased by 75% in 2020 compared to 2019 and that it will not recover to 2019 levels until 2024. This amounts to the greatest shock to the aviation industry since World War II.

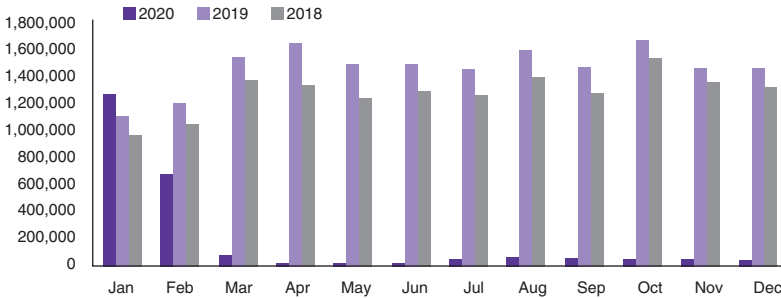
2) Number of foreign tourists in Korea plummet

2019, the year before the COVID-19 pandemic, was a highly significant year for the Korean tourism industry. It recorded 17.5 million foreign tourists to Korea and ranked 16th out of 140 countries in the *World Economic Forum's Travel & Tourism Competitiveness Report*, its highest ranking ever. The total number of 17.5 million foreign tourists corresponds to one visitor every 1.80 seconds, or 118 full-capacity 407-seat airplanes entering the country every day for a year. This resulted in tourism income of ₩25.1 trillion, a production inducement effect of ₩46 trillion, and an employment inducement effect of 460,000 workers, thus helping to create jobs and stimulate domestic demand. The government announced that by strengthening its competitiveness in tourism, it would lay the foundation for Korea to grow into a tourism powerhouse, pushing beyond the previous goal of

20 million annual tourists (MCST, 2019).

Nevertheless, as the pandemic plunged the tourism industry into an unprecedented crisis with entry bans, self-quarantine regulations, and suspended flights, the number of foreign tourists to Korea in 2020 plummeted to 2.5 million, down 85% from 2019.

Figure 3 Foreign tourists to Korea in 2020 (KTO provisional estimates) (Unit: persons)



Source: KTO (2021). Tourism Entry Statistics.

In April 2020, when 182 countries adopted entry bans or strengthened screening of travelers from Korea, the number of tourists dropped by 98% year-over-year, the lowest level since 1975, when the tracking of Korean tourism statistics began. By country and region, there were 680,000 visitors from China (-88%), 430,000 from Japan (-86%), 580,000 from Asia and the Middle East (-82%), and 540,000 from Europe and the Americas (80%).

Tourism income declined by half year-over-year to \$10.4 billion (approximately ₩12 trillion), and tourism expenditure reduced by 54% to \$13.5 billion (approximately ₩15 trillion). Governments around the

world are actively implementing measures to sustain and strengthen the tourism industry. Nonetheless, various organizations share the bleak outlook that the global tourism industry will recover to 2019 levels in 2023 at the earliest.

2. Issues in Hallyu in Tourism

1) New travel methods: LAN and virtual travel

Although the number of foreign tourists to Korea in 2020 plummeted by 85% from 2019, this did not detract from interest in traveling to the country. 2020 saw the emergence of “LAN” and virtual travel, which enable anyone to experience Korea’s various charms online. *Feel the Rhythm of Korea*, a series of tourism promotional videos published by KTO in July 2020, had 600 million cumulative views on YouTube and other sites as of January 2021. It consists of six videos shot in Seoul, Busan, Jeonju, Gangneung, Mokpo, and Andong that fuse the Korean

Figure 4 Examples of overseas virtual and LAN travel

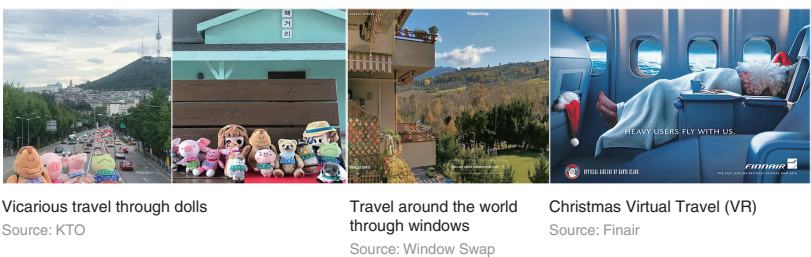




Figure 5 KTO's *Feel the Rhythm of Korea* promotional video series (Seoul, Jeonju, and Busan)

Source: KTO

traditional music *pansori* with pop and showcase Korea's magnificent scenery. The videos feature the band Leenalchi and the modern dance group Ambiguous Dance Company and are garnering widespread attention both in Korea and overseas. As communicated in the final message of the videos (*Imagine Your Korea #Cheer up the world #Meet you later*), the series delivers comfort and hope to those exhausted from COVID-19 and allows them to rediscover Korea. Observers praised the videos for successfully generating interest in the country.

KOFICE also held the online *K-Culture Festival* from October to November 2020. In this promotional video series, users could virtually travel to Mokpo, Jeonju, Gangneung, and Andong (Park, 2020). The *Go Dream* series, in which Hallyu stars traveled to four cities to stage K-pop performances and introduce local food, tourist destinations, and unique cultures, were warmly received by overseas fans around the world. Local governments are also actively utilizing LAN travel to promote their region's unique charms.

Seoul Metropolitan Government and Seoul Tourism Organization^{STO} released two LAN travel videos for domestic and

overseas tourists: Bong Joon-ho's *Bongvengers' Tour in Seoul* and *Welcome, First Time on 'Kingdom' Tour*? A Seoul tourism video produced by STO and featuring BTS also received an explosive response from viewers. The video *See You in Seoul* released in September 2020 exceeded 500 million views in three months.



Figure 6 *See you in Seoul* promotional posters featuring BTS

Source: Seoul Tourism Organization(<http://www.visitseoul.net>)

Matching seven travel themes based on Seoul with the seven members of BTS, the Seoul tourism video aimed to attract not only BTS fans to Korea but also other individuals in their 20s and 30s that are highly interested in K-pop.

Hence, this has fueled expectations that interest in Korean tourism, which has been sustained through online efforts, will lead to offline travel after the COVID-19 pandemic. The Korean special



Figure 7 Commemorative photo of Taiwanese passengers on Jeju Virtual Experience Trip

Source: KTO

Super Boss Live Show jointly hosted in July 2020 by KTO and Ctrip*, a Chinese travel agency under Trip.com, was a hit with over 2 million viewers. This live commerce event, which sold pre-orders for Korea travel products, demonstrated Chinese tourists' expectation that Korea will become a desirable tourist destination once normal exchange between the countries is restored. Meanwhile, the *Jeju Virtual Experience Trip* (a flight over Jeju from Taiwan without landing), jointly planned by the KTO Taipei branch, and Taiwanese travel agencies, and airlines in September 2020, sold out its early-bird promotions in just four minutes.

2) Hallyu tourism expands through online platforms

In February 2020, the “Oscar award effect” of Bong Joon-ho’s *Parasite* fueled worldwide interest in the movie’s filming locations. In response, Seoul Metropolitan Government developed a Seoul tour based on *Parasite* that promoted the movie’s main filming locations. Additionally,

* Ctrip, Asia’s largest online travel agency (OTA) is a Chinese brand under the global OTA Trip.com.

KTO held the live *K-Drama Week LAN Trip* where actress Kim Da-mi of *Itaewon Class* and others introduced filming locations and nearby tourist sites, generating an enthusiastic response from Japanese fans. Meanwhile, live LAN trips for *The King: Eternal Monarch* and *Hotel Del Luna* were held in China to introduce the latest trends in drama fashion and makeup, as well as drama filming locations and nearby tourist sites. These online events attracted 11 million participants.

In line with this trend, to create potential tourism demand for Korea and maximize the promotion of Hallyu tourism resources (tourism destinations, food, traditional culture, fashion, etc.) derived from Korean video content, KTO jointly promoted the *Explore Korea* campaign with the global OTT platform Netflix. This comprehensive video series showcased diverse aspects of Korea, from distinctive characteristics such as traditional clothing, palaces, and food to history, culture, and



Figure 8 *Next in K-story* promotional documentary

Source: KTO



Figure 9 Brochure for “Explore Korea”, trip to Korea through a look into Korean filming sites

Source: KTO

lifestyle. It presents the unique charms of Korea found in popular Netflix original content such as *Love Alarm*, *Chef's Table* (Jeong Kwan's episode), and *Kingdom*, which sparked interest in traditional Joseon Dynasty attire (e.g., “gat mania”). They also jointly produced *Next in K-Story*, a short documentary that sheds light on Hallyu and figures who have introduced Hallyu content such as fashion and food to the world. This documentary is being actively used to promote and market Hallyu tourism.

3) Generation MZ+a leads the global travel trend

Travel plays an integral part in the lives of Generation MZ^{millennials and Generation Z}, to the extent that it is called a part of their DNA. Generation MZ travelers receive inspiration from the photos, videos, and reviews that their peers upload to social media. As these posts are a critical factor in their travel-related decisions, the digital realm is an essential element in captivating Generation MZ travelers.

Generation MZ are familiar with the Internet and IT and prefer smartphones and video over computers and text. Thus, they are more accustomed to creating and sharing content than previous generations. Furthermore, apps providing maps, translation, and travel information have made it easier for the smartphone-savvy Generation MZ to engage in FIT^{fully independent travel}, where travelers follow their own itinerary rather than a fixed plan. Those who value “real experiences” clearly display these characteristics in their travel style. Rather than city landmarks and famous tourist sites, they typically prefer local tours that offer an experience of lesser-known streets and cuisine enjoyed by locals.

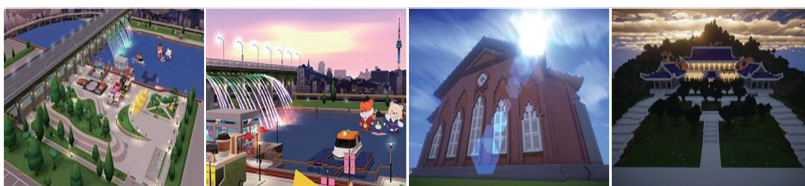
In 2019, Klook commissioned the *Solo Travel Study* survey, which was conducted by global market researcher YouGov on 21,000 people in 16 countries. The survey found that Generation Z (18-24) and millennials (25-29) had the most solo travel experiences of all generations, at 80%. They regard solo travel as a freeing activity where they can spiritually recharge and obtain diverse new experiences and perspectives. Such travelers are at the center of the increasingly popular “local life travel,” where travelers live like locals, as opposed to tourists, to experience their unfamiliar ways of daily lives.

In a July 2020 article, *Travel Pulse* reported that millennials (born 1981-1995) and Generation Z (born 1996-2012) would be the key to the travel industry’s recovery. As millennials enter their early 30s and Generation Z enters their mid-20s, Generation MZ’s cultural and industrial influence will grow. In particular, as this cohort constitutes the

largest part of K-pop fandoms, they require the most attention in terms of Hallyu tourism. The trends they generate are not limited to Generation MZ but spread across all generations, making their influence even greater. For instance, the viral video series *Feel the Rhythm of Korea* targeting Generation MZ won the “Tourism Innovation Award” in the digital campaign category at the *2020 Tourism Innovation Summit* held in Spain.

Agencies also carried out digital marketing utilizing games; these were focused on Generation Z, who are familiar with online games and social platforms. In collaboration with Naver Z, KTO used the 3D avatar creator ZEPETO to build *Hangang Park*, a 3D virtual experience space. It also displayed a mini-game called My Perfect Korean Trip and designed the *Shining Korea Creators Contest*, to create maps under the theme of Korea’s nightscape. This provided experiential content in a virtual space featuring tourist sites selected by global users and their desired activities, and was well-received by global audiences. In addition, to build close relationships with members of Generation MZ worldwide, KTO is operating K-friends*, a network of global digital

Figure 10 Online promotional content for Korean tourism using games targeted to Generation Z



ZEPETO; 3D virtual experience of Korean tourism
Source: KTO

Minecraft; Participation-based work (Cheongwadae, Jeondong Catholic Church)

* K-friends is a group of digital supporters operated by KTO to spread K-content (launched in October 2020). As of January 2021, it has over 15,000 digital supporters from 121 countries.

ambassadors who freely provide information on Korean culture and travel.

3. Major Countries and Routes of Hallyu in Tourism

1) Main nationalities of Korean tourists

In the *2020 Overseas Hallyu Survey*, according to the results of a question on overseas Hallyu consumers' level of interest and purchase intention for various Korean products and services, “visit Korea” (62.5%) was the most common response. This result is highly associated with Korean pop culture, and the Hallyu-based ripple effects on the tourism market are further expanding. “Hallyu tourists” are “travelers with a preference for Korean culture which led to their decision to visit Korea.” Over the last decade (2010–2019), the proportion of Hallyu tourists* among all foreign tourists climbed to a peak of 12.7% (2.22 million tourists), a surge of 140% compared to five years ago.

Table 1 Share of Hallyu Tourists Among Foreign Tourists

(Unit: thousand persons, %)

Classification	2014	2015	2016	2017	2018	2019
Share of Hallyu tourists	6.5	7.7	7.9	10.7	9.3	12.7
Total number of foreign tourists	14,202	13,232	17,242	13,336	15,347	17,503
Number of Hallyu tourists	923	1,019	1,362	1,427	1,427	2,223

Source: KTO (2019). *Hallyu Tourism Market Survey*.

* Proportion of respondents in a survey of foreign tourists who selected “Because I want to experience K-pop/Hallyu star fan meetings, etc.” as their reason for choosing to visit Korea.

Table 2 Hallyu Tourists by Region from 2010–2019

(Unit: %)

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Share of Hallyu tourists	10.1	8.2	7.0	7.3	6.5	7.7	7.9	10.7	9.3	12.7
Japan	58.6	60.5	68.2	62.2	39.1	30.7	35.2	39.1	36.9	32.0
Greater China	China	14.0	14.3	9.9	20.7	30.6	37.8	38.2	18.5	20.1
	Hong Kong	2.1	3.2	2.8	2.0	4.7	5.0	3.0	6.5	4.4
	Taiwan	12.3	7.0	3.2	3.8	6.4	4.7	3.1	6.7	9.3
	Total	28.4	24.5	16.0	26.4	41.7	47.5	44.4	31.7	33.9
Other Asian countries and Middle East	Singapore	2.0	0.9	0.8	1.1	2.1	1.9	1.7	1.5	1.7
	Thailand	5.5	5.8	8.3	2.6	3.9	3.3	2.2	7.3	5.4
	Malaysia	2.0	2.0	1.3	1.3	4.9	4.2	4.1	3.7	4.0
	Philippines	-	-	-	-	-	-	-	4.0	3.7
	Indonesia	-	-	-	-	-	-	-	2.5	1.8
	Vietnam	-	-	-	-	-	-	-	1.1	2.0
	India	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
	Mongolia	-	-	-	-	-	-	-	-	0.2
	Middle East	0.0	0.0	0.0	0.4	0.1	0.2	0.2	0.5	0.9
	Australia	0.0	0.2	0.4	0.2	0.3	0.5	1.0	0.7	0.6
	Total	9.5	8.9	10.8	5.7	11.4	10.1	9.3	21.3	20.2
Americas	US	0.5	1.0	0.6	0.9	1.5	2.2	2.4	3.2	2.8
	Canada	0.1	0.4	0.4	0.3	0.4	0.7	0.5	1.0	0.9
	Total	0.6	1.4	1.0	1.2	1.9	2.8	2.9	4.2	3.7
Europe	UK	0.1	0.4	0.1	0.1	0.3	0.6	0.2	0.2	0.4
	Germany	0.0	0.1	0.4	0.3	0.1	0.0	0.3	0.3	0.4
	France	0.1	0.1	0.3	0.4	0.2	0.2	0.2	0.3	0.5
	Russia	0.1	0.3	0.1	0.8	0.2	0.2	0.2	0.5	1.1
	Total	0.3	0.9	0.9	1.5	0.8	1.1	0.9	1.2	2.3
Etc.	2.6	3.7	3.1	3.1	5.2	7.8	7.4	2.5	3.0	3.7

Source: KTO (2019). *Hallyu Tourism Market Survey*.

Japan accounted for 60–70% of Hallyu tourists until 2013 and then declined to around 30% from 2014, whereas Chinese Hallyu tourists comprised 30% from 2014 to 2016 but decreased in 2017 due to the impact of China's ban on Hallyu content. Nevertheless, Chinese Hallyu tourists' demand for Hallyu has recently increased, accounting for 28% in 2019. In 2019, Asia and the Middle East accounted for 16.6% of Hallyu tourists and Europe and the Americas 5.3%, and these numbers are gradually rising.

Most Hallyu tourists are in their 20s. There has been a striking increase in the proportion of this age cohort among Hallyu tourists over the past decade. In 2010, 26.9% of Hallyu tourists were in their 20s, similar to those in their 40s (25.8%); this figure steadily grew by 1.8 times up to 2019, reaching 48.3% of the total. Notably, Hallyu tourists in 2019 were overwhelmingly female, at about 80%, though the proportion of males has also gradually increased since 2014.

Table 3 Travel Styles of Hallyu Tourists

(Unit: %)

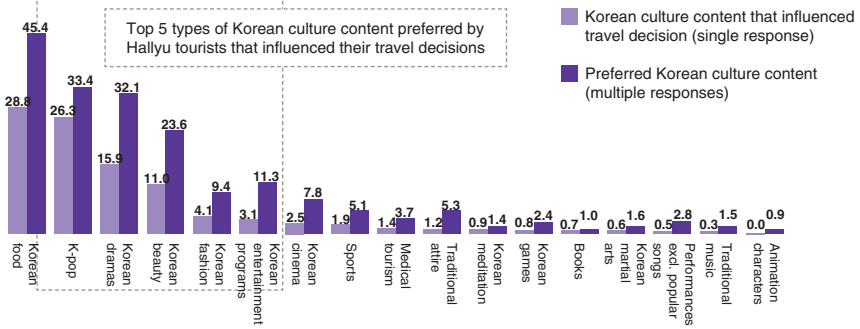
Year		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Travel style	Solo travel	37.0	33.6	59.5	62.8	75.1	68.8	67.6	82.0	71.9	76.5
	Group travel	42.4	49.0	20.7	22.2	10.8	18.9	15.7	7.1	7.9	9.2
	Airtel	20.6	17.4	19.8	15.0	14.1	12.3	16.6	10.9	20.2	14.3

Source: KTO (2019). *Hallyu Tourism Market Survey*.

Solo travel is the most common form of travel for visitors to Korea it accounted for about 30% until 2011 and then soared, doubling to 60% in 2012 and then reaching 76.5% in 2019. By contrast, group travel comprised about 50% until 2011 and then declined to 9.2% in 2019.

For group travelers, there are various ways to obtain information on Korea before their visit, and there is considerable demand for information related to Hallyu cultural experiences. Hallyu tourists responded that they needed “information related to Hallyu cultural experiences” before visiting Korea five, times more than all foreign visitors. Their utilization of social media, videos, and travel blogs

Figure 11 Preferred Korean culture content and Korean culture content that influenced travel decision (unit: %)



Source: KTO (2019b). Hallyu Tourism Market Survey, pp. 77-78.

as sources of information was also high. Meanwhile, compared to general foreign tourists, Hallyu tourists more often visit with travel companions, who tend to be friends or their significant other.

The travel companion rate for general tourists has declined from the 70–80% range to 60–70% since 2017, while that for Hallyu tourists has been steady in the 70–80% range. Regarding accommodation, they mainly used hostels and guesthouses. According to KTO’s *Hallyu Tourism Market Research Study*, “Korean food” and “K-pop” have the strongest influence on Korean tourism, and following a 2014 survey, respondents selected K-pop as their most preferred aspect of pop culture.

Hallyu tourists are relatively insensitive to political issues, instead base their decision to visit Korea on their admiration of Hallyu stars. They also display a marked tendency of “value-conscious consumption,” that is, unreservedly consuming products to which they have assigned value and seeking substance in products. The share of

Table 4 Preferences of Hallyu Tourists by Gender and Age

(Unit: %, persons)

Classification	No. of responses	Gender		Age			
		Male	Female	20s or younger	30s	40s	50s or older
Total Hallyu tourists	1,570	43.1	56.9	37.3	20.7	17.5	24.5
Main Hallyu tourists	947	32.8	67.2	45.7	20.5	15.8	18.0
K-Pop	413	45.0	55.0	66.9	17.1	9.9	6.0
K-Drama	249	31.6	68.4	20.9	22.7	22.8	33.6
K-Beauty	173	8.9	91.1	32.2	27.1	17.9	22.8
K-Fashion	65	15.5	84.5	51.8	18.1	6.8	23.3
Korean entertainment programs	47	44.7	55.3	30.8	17.1	35.6	16.5
K-Food	452	56.3	43.7	23.8	20.1	18.1	38.0

Source: KTO (2019b). *Hallyu Tourism Market Survey*, pp. 74-75.

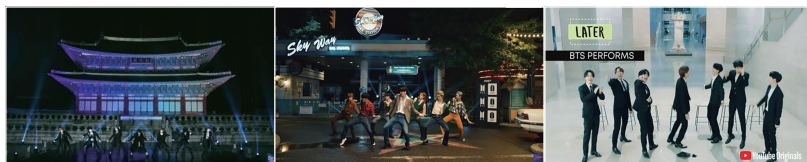
Hallyu tourists aged 20 or younger was higher than that of general foreign tourists (10.4% vs. 3.9%). Meanwhile, among the Hallyu tourists who were most influenced by K-pop when deciding to visit Korea, 66.9% were 20 years or younger, and among those most influenced by dramas, 68.4% were female and 56.4% were 40 years or older. Of those most influenced by Hallyu beauty, 91.1% were female, and in the case of fashion, 84.5% were female and 51.8% were 20 years or younger. Of those most influenced by entertainment programs, 35.6% were in their 40s.

Hence, even the major groups of Hallyu tourists vary in terms of gender and age depending on which aspect of Korean culture inspired them to visit Korea.

2) Major Countries and Routes of Hallyu in Tourism

Despite being confined to Korea due to COVID-19, BTS’ popularity has soared in 2020 and their global fans are showing more interest in the filming locations of overseas broadcast programs featuring

Figure 12 BTS' MV filming locations featured in popular overseas broadcast programs



Idol performance in Geunjeongjeon Hall of Gyeongbokgung Palace
Source: NBC's *The Tonight Show Starring Jimmy Fallon*

Dynamite performance in Everland
Source: *America's Got Talent*

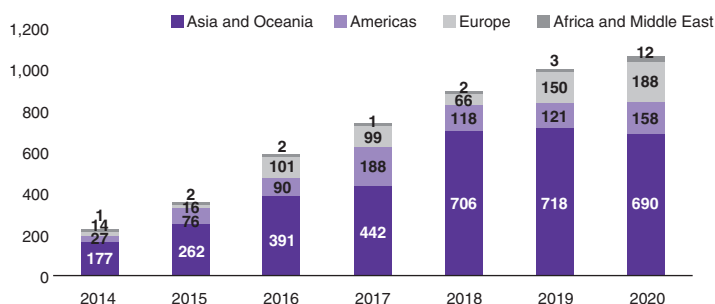
Dear Class of 2020 in National Museum of Korea
Source: YouTube

the group. BTS first performed *Dynamite* at the MTV Video Music Awards in August 2020, against the backdrop of Seoul's iconic Han River and the 63 Building on Yeouido Island. Moreover, the popular NBC program *The Tonight Show Starring Jimmy Fallon* held *BTS Week*, where the group performed in modern reinterpretations of hanbok at Geunjeongjeon Hall in Gyeongbokgung Palace. BTS also appeared on NBC's *America's Got Talent*, providing a stage to showcase Everland's Rockville area in Yongin where they performed *Dynamite*.

Meanwhile, Vinyl & Plastic by Hyundai Card in Hannam-dong appeared in National Public Radio's *Tiny Desk (Home) Concert*, and the National Museum of Korea in Yongsan featured in BTS' *Dear Class of 2020* event wherein they delivered a virtual graduation speech on YouTube. These locations have now become pilgrimage sites for ARMY, the BTS fandom. Analysts predict these will become must-visit destinations in the *Bangtan Tour* of overseas ARMY who will follow in BTS' footsteps after COVID-19.

According to a KTO survey of over 12,000 overseas K-pop fans

Figure 13 Status of Overseas Hallyu Clubs (2014–2020) (Unit: 100 thousand persons)



Source: Korea Foundation (2020). *2020 Status of Hallyu Global Village*, p. 11.

from 111 countries announced in the second half of 2019*, 9 out of 10 global K-pop fans hope to visit Korea for tourism in the future, and a whopping 76.4% intend to visit within one year. This high intention to visit Korea is shown by Hallyu fans in not only China and Japan but also relatively distant countries such as Spain, Mexico, Russia, and Germany.

Of all respondents, 67.9% had visited Korea in the past three years, and 86.8% responded that their preference for K-pop influenced their decision to visit Korea. Among these visitors, those in their teens and 20s were highly influenced (92.3% aged 15-19, 90.3% aged 20-24, 88.2% aged 25-29). 8 out of 10 decided to travel to Korea on their own, and 4 out of 10 traveled with a friend or a significant other. Further, they also displayed high usage of online channels, such as accessing

* Based on KTO's *Online Survey on Korean Tourism Experiences and Intentions of K-pop Fans and K-pop Stars* conducted from August 30 to September 24, 2019.

Table 5 Visit Intention to Korea for Tourism

(Unit: persons, % / multiple responses)

Classification		No. of responses	Not at all	Almost no intention	No intention	Neutral	Slight intention	Strong intention	Intention	Average (5-point scale)
Total		12,663	1.4	2.0	3.4	6.8	21.4	68.4	89.8	4.5
Gender	Male	736	5.7	1.9	7.6	12.8	21.6	58.0	79.6	4.2
	Female	11,927	1.1	2.1	3.1	6.4	21.4	69.0	90.4	4.6
Nationality	Asia/Middle East	10,272	1.6	2.4	3.9	7.3	23.4	65.4	88.8	4.5
	Americas	567	0.5	0.9	1.4	5.1	17.5	76.0	93.5	4.7
	Europe	960	0.4	0.5	0.9	3.2	10.6	85.2	95.8	4.8
	Oceania and other	864	0.5	0.6	1.0	6.0	12.8	80.1	92.9	4.7
Ages	Teens	1,301	0.5	0.8	1.2	4.7	13.6	80.5	94.1	4.7
	20s	6,003	0.9	1.6	2.5	6.0	18.9	72.6	91.5	4.6
	30s	3,328	1.2	3.0	4.1	8.3	25.8	61.7	87.6	4.4
	40s	1,505	3.4	2.9	6.2	8.0	27.0	58.7	85.7	4.3
	50s and older	526	4.2	1.7	5.9	8.6	25.7	59.9	85.6	4.4

Source: KTO (2019a). *Online Survey on Korean Tourism Experiences and Intentions of K-pop Fans and Most Preferred K-pop Stars*, p. 8

K-pop content on YouTube and other SNS platforms.

In terms of BTS fandom, it significantly influenced the number of actual foreign tourists and exports of consumer goods. Hyundai Research Institute's 2018 report *Economic Effects of BTS* found that a 1% increase in the awareness of BTS leads to a 0.45% rise in the increase rate of foreign tourists after 3 months. Moreover,

Table 6 Korean Cultural Areas of Interest Other than K-pop

(Unit: persons, % / multiple responses)

Classification		No. of responses	Korean food	Korean dramas	Korean entertainment programs	Korean and Hangul	Korean beauty	Korean traditional culture	Korean fashion	Korean cinema
	Total	12,663	82.7	79.1	65.4	63.8	63.7	54.0	53.5	52.8
Gender	Male	736	74.9	67.8	47.6	45.0	26.8	53.4	35.7	51.1
	Female	11,927	83.2	79.8	66.5	65.0	66.0	54.0	54.6	52.9
Nationality	Asia/Middle East	10,272	83.2	80.3	69.4	60.9	62.5	48.1	52.9	53.2
	Americas	567	87.7	76.2	49.2	74.8	71.3	81.5	57.8	47.1
	Europe	960	85.0	74.7	48.0	79.2	68.0	76.9	52.9	57.0
	Oceania	864	81.0	71.8	47.7	74.5	68.1	80.3	58.4	47.6
Ages	Teens	1,301	77.9	80.9	66.3	74.7	68.6	54.0	53.5	52.8
	20s	6,003	82.7	78.6	68.1	68.9	67.9	53.4	35.7	51.1
	30s	3,328	84.5	77.8	65.7	58.1	59.8	54.0	54.6	52.9
	40s	1,505	84.9	82.0	58.7	51.5	56.1	48.1	52.9	53.2
	50s and older	526	76.2	81.4	49.4	50.6	50.8	81.5	57.8	47.1

Source: KTO (2019a). *Online Survey on Korean Tourism Experiences and Intentions of K-pop Fans and Most Preferred K-pop Stars*, p. 298

according to an analysis of the 2019 BTS concert's effects on the economy and tourist visits to Korea, the three-day Seoul concert held in October attracted an estimated 190,000 foreign tourists, about 67% of the 280,000 foreign visitors during the *Pyeongchang Winter Olympics* (Pyeon, 2019). It would not be an exaggeration to say that BTS fandom is leading the Hallyu tourism market.

Of all foreign tourists visiting Korea, 12.7% come specifically to directly engage in Hallyu activities, such as attending concerts and fan meetings or visiting filming locations. This loyal cohort of tourists serve an important role in the tourism market, as they are more likely to revisit and recommend visiting than general foreign tourists. WTTC announced that Generation MZ (aged 18 to 35) would be the first to resume travel activities after the COVID-19 pandemic. Hence, a systematic and active strategy is necessary to attract Hallyu fans and enthusiasts, most of whom are from Generation MZ, to ensure that they visit Korea first after the pandemic.

4. 2021 Outlook of Hallyu in Tourism

1) Synergies between Hallyu and tourism

According to a July 2020 survey conducted by KTO and AirTrip, a leading Japanese online travel agent, the destination that respondents

most wanted to visit once overseas travel resumes after COVID-19 was “Korea (62.4%),” followed by “Taiwan (46.9%),” “Hawaii (31.8%),” “Thailand (25.7%),” and “Vietnam (24.4%).” The respondents mainly preferred nearby Asian countries, comfortable natural environments, and clean resort areas.

Meanwhile, according to a survey by the KTO New York office on the US travel industry and general consumers, 37.8% and 23.8%, respectively, responded that their “preference to travel to Korea after COVID-19 has increased.” During the COVID-19 outbreak, Korea implemented open preventive measures to protect foreign visitors rather than closing its borders. This ensured the safety of travel to Korea, laying the groundwork for a new golden age of tourism when international travel fully resumes after the pandemic. While dependent on the availability of vaccines, a “travel bubble^{*}” can enable tourism among countries with excellent virus prevention, thus revitalizing Korea’s languishing tourism market.

2) Digital innovation and reform to re-spark Hallyu tourism

The tourism industry, including hotels, travel companies, and airlines, is undergoing an overhaul while adapting to the COVID-19 era. Among these efforts are subscription services being launched by

^{*} Like a bubble that protects its contents from external harm, this system would permit travel without quarantine measures on safe, virus-free routes. Travelers who tested negative for COVID-19 in advance through a safety barrier (bubble) between countries with high prevention rates would be exempt from the two-week self-quarantine requirement and allowed to travel freely.

hotels and travel companies. For example, the Dutch hotel CitizenM introduced a service aimed at remote workers. This service allows customers to stay in 21 CitizenM workspaces around the world for three nights a month for a monthly fee of €550.

The US luxury travel agency Inspirato offers unlimited stays at 300 luxury hotels and resorts around the world for a monthly fee of \$2,500. For over two years, the UK travel startup BeRightBack has allowed customers to travel three times a year to 60 destinations in Europe for €49.99 a month. Airlines are offering “non-landing flights” to satisfy domestic travel demand, and Singapore Airlines is allowing customers to enjoy a meal on the large A380 airliner on a runway in Changi Airport.

Under this new normal, observers expect it to become commonplace for travelers to value and comply with health and safety measures. According to a survey by Booking.com on 29,943 people from 28 countries in October 2020, 79% of travelers said that they would be more careful to prevent the spread of COVID-19, and 70% said they would only make reservations at accommodations specifying health and sanitation-related policies. Moreover, 53% stated that they would like to travel more sustainably in the future, implying that the pandemic played a major role in raising awareness about the environment and their community. Meanwhile, 56% expressed a desire for “a trip to enjoy nature somewhere untouched by humans.”

Despite 53% of these respondents saying that they have

anxiety about traveling until a vaccine or treatment for COVID-19 is developed, the overall results demonstrate that the travel bug was not easily crushed—95% of the respondents spent time looking up travel-related information during the lockdown, and 65% stated that they are looking forward to the day they will travel again. Nearly 53% stated that they want to experience more of the world than before, showing that quarantine life has strongly aroused the desire to travel. Coinciding with this trend, influencers as well as travel destinations and accommodations have begun to target this desire through various avenues, such as LAN travel content. Analysts expect future travelers to not only receive inspiration from online travel-related content and plan their own creative trips, but also to increasingly desire to share their dream trips with others.

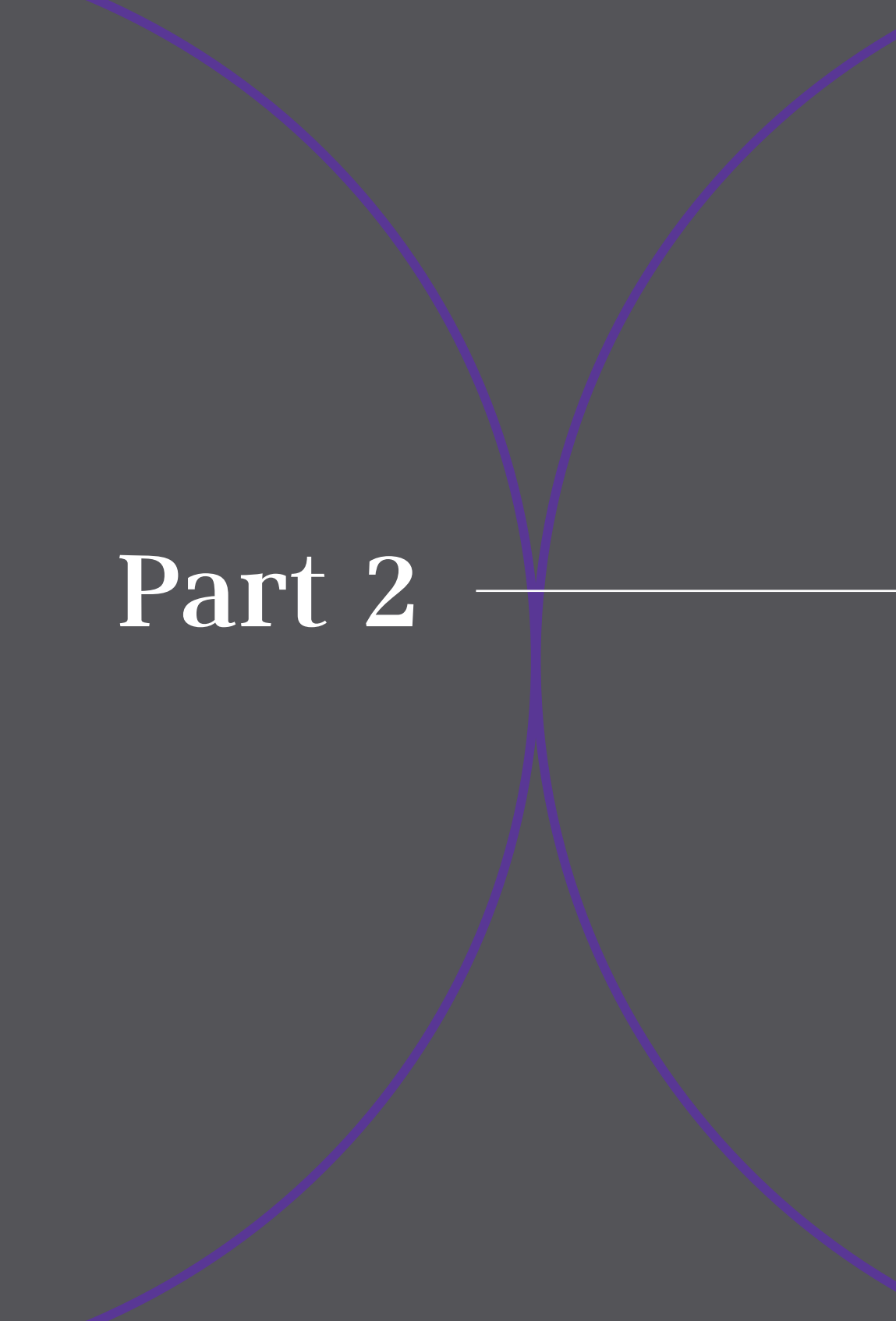
Observers also predict that technological innovation would help restore people's willingness to travel and meet the demands of new types of travelers. In the Booking.com survey, 64% of the respondents felt that “technology will play a major role in maintaining health and hygiene,” and 63% responded that “accommodation facilities should implement the latest technologies to ensure safer travel.” Furthermore, 36% responded that “[I would] be able to travel with more peace of mind if I could explore completely new destinations using VR technology beforehand,” and 30% said that they would “participate in a local tour or tourist attraction tour that incorporates VR technology.” Thus, as the pandemic continues, the global travel industry's core is

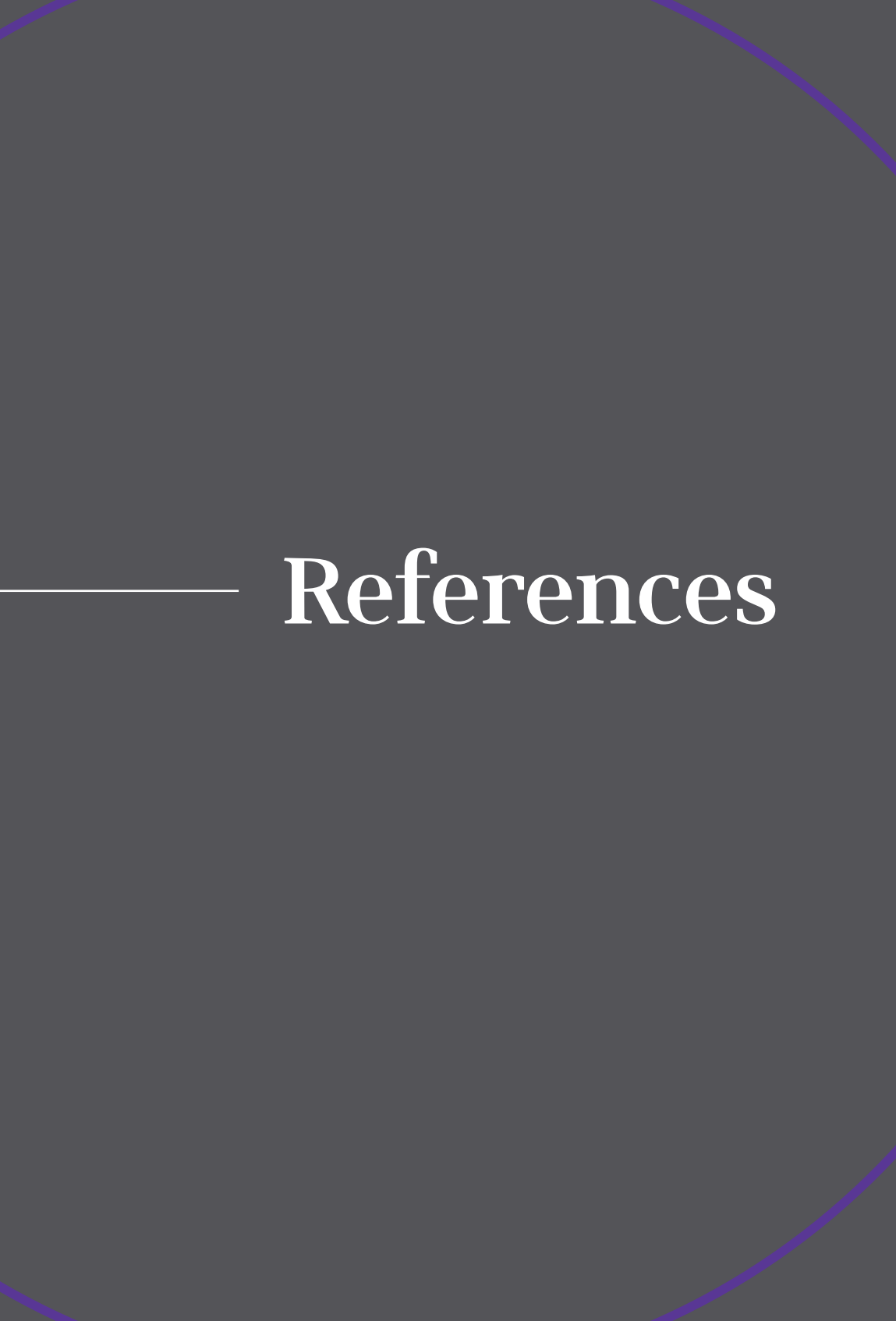
shifting from traditional travel services to platforms built on unique offerings and “travel tech” that fuses travel with digital technology (Jwa, 2020).

Observers are paying more attention to businesses that employ travel tech—technology that makes travel convenient—by integrating travel with AI, VR, AR, and advanced 5G-era ICT services. For example, companies can transcend spatial limitations and create high added value by digitizing tourist destinations and lodgings into virtual spaces.

As a model nation for ICT and virus prevention and the birthplace of Hallyu, Korea possesses strong competitive advantages. Research indicates that traveling makes you 7% happier (Neuroscience News, 2021); in this vein, novel experiences outside of everyday life carry even greater significance during the pandemic. By carefully observing how the Korean tourism industry develops during this crisis and preparing for new digital innovations, an opportunity for the industry to rebound will surely arrive.

Part 2

The background of the slide is a solid dark gray. Two large, thin purple circles are positioned such that they overlap in the center of the frame. A thin, horizontal white line extends from the right edge of the slide, passing through the intersection of the two purple circles.



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2020 Hallyu White Paper

Edition 1 Issue 1 printed on Mar. 31, 2021

Edition 1 Issue 1 published on Mar. 31, 2021

MCST

The Ministry of Culture, Sports and Tourism is establishing a broad range of policies in culture, arts, sports, tourism, contents copyright, religion, media and other fields to realize the concept of 'Culture with the People.' It also promotes cultural exchange with various countries of the world and works to expand Korean culture, sports and tourism in the foreign market to enhance the international competitiveness of Korea.

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Publisher

Jung, Gil Hwa

Published by

Korean Foundation for International Cultural Exchange (KOFICE)

Address: A-203, DMC Hi-Tech Industry Center, 330, Seongamro, Mapo-gu, Seoul, 03920

Tel: 82-(0)2-3153-1786

E-mail: research@kofice.or.kr

Website: www.kofice.or.kr

Authors

Hallyu in Broadcast Programs | Sungmin Lee, Assistant Professor, Department of Media Arts and Sciences, Korea National Open University

Hallyu in Film | Mann Kim, Team Leader, International Exchange Strategy Team, Korean Film Council

Hallyu in Music | Gyutag Lee, Professor, College of Arts & Science, George Mason University-Korea

Hallyu in Performing Arts | Kyunghee Choi, Director of Research Team, Korean Foundation for International Cultural Exchange (KOFICE)

Hallyu in Games and e-Sports | Shinkyu Kang, Research fellow, Media Advertising Research Institute, Korea Broadcast Advertising Corporation (KOBACO)

Hallyu in Comics and Webtoons | Mingi Jang, Assistant Professor, Media Communications Department, Kyungnam University

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Hallyu in Fashion | Sujin Myeong, Fashion Columnist

Hallyu in Food | Bora Kang, Researcher, Institute for Communication Research, Yonsei University

Hallyu in Tourism | Younghee Kim, Team Leader, Hallyu Tourism Team, Korea Tourism Organization

Planned and Edited by

Kyunghee Choi and Ahyoung Kim

Designed by

Graphic Design Studio 213ho

ISBN 979-11-85661-95-7

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