

HALLYU WHITE PAPER

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Achievements and Forecast of Hallyu by Sector



1

Hallyu in Broadcast Programs

Challenges Faced after a Huge Leap Forward,
Finding a New Path for Hallyu
in Broadcast Programs

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1. Current Status of Hallyu in Broadcast Programs

In 2022, following the huge leap forward made by *Squid Game*, Hallyu in broadcast programs experienced a series of achievements and confusion arising from the process of reopening after the COVID-19 lockdown measures. In the first half of the year, the momentum of Korean broadcast and video content continued to be spearheaded by Netflix originals such as *All of Us Are Dead*, and subsequently in the second half, *Extraordinary Attorney Woo*, one of the top-rated Korean TV series of the year, demonstrated the power of “K-dramas (Korean TV shows).” At the same time, concerns over securing and using content IP in the evolving media industry environment were becoming more serious than ever. In addition, works such as *Pachinko* released by Apple TV+ demonstrated the rising status of Korean culture and cast fundamental questions about the definition of K-dramas.

Global OTT services that had experienced strong growth throughout the COVID-19 pandemic have announced cost-cutting and investment reductions in response to the declining number of subscribers and management crises, raising concerns about growth in the broadcast and video market. There were

also mixed results from efforts to introduce Hallyu in broadcast programs to various platforms in addition to Netflix. Following the aforementioned huge leap forward, 2022 Hallyu in broadcast programs was a time of exploring new paths for the future while facing a number of challenges. This report reviews the current status of Hallyu in broadcast programs in 2022 and discusses its future direction in line with key issues.

1) Export volume of broadcast content

The latest statistical data available on the export volume of broadcast content as of 2023 is based on 2021. Therefore, it is considered a realistic approach to identify the changes from 2020 to 2021 through the data to recognize trends in the export volume, and then understand its flow based on major developments in 2022.

According to *2022 Broadcasting Industry Survey* and *2022 Broadcasting Industry White Paper*, the total broadcast content exports in 2021 totaled USD 718 million (approx. KRW 934.118 billion), an increase of 3.6% from 2020. This indicates a slowdown from the record-breaking growth of 28.5% in 2020 at the peak of the pandemic. This may be somewhat puzzling given that 2021 was the takeoff stage for Hallyu in broadcast programs,

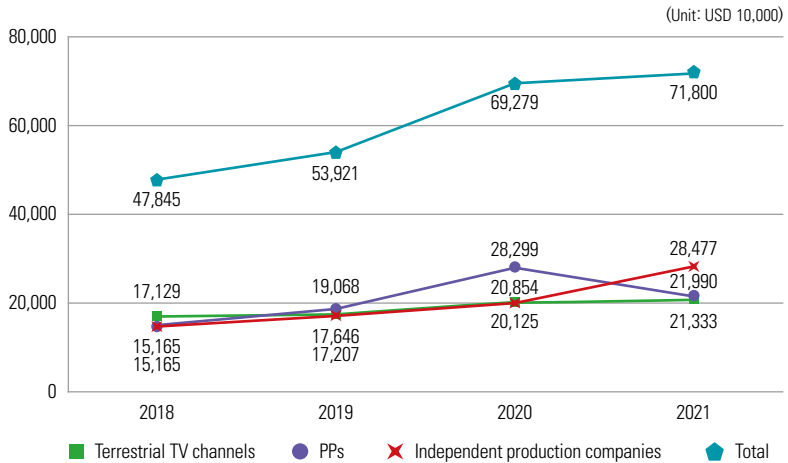


Figure 1. Export Value of Broadcast Programs (2018-2021)

Source: Reorganized based on the Korea Communications Commission (2023). *2022 broadcasting industry survey*, and the Korea Creative Content Agency (2023). *2022 broadcasting industry white paper*.

led by Netflix originals with the success of *Squid Game*. To understand the background of such statistics, it is necessary to examine the changes in the leading business operators in Hallyu exports (Figure 1).

One noteworthy aspect of the 2021 statistics is the rise of independent production companies. Independent production companies recorded a 41.5% year-on-year growth in exports in 2021. Throughout the year, the export volume of independent production companies reached USD 284.77 million (approx. KRW 370.5 billion), surpassing the export volumes of USD 213.33

million (approx. KRW 277.5 billion) achieved by terrestrial TV channels and USD 219.9 million (approx. KRW 286.1 billion) by program providers (PPs) for the first time. The statistics confirm that independent production companies began to emerge as key players in broadcast program exports in 2021.

This trend is linked to the structure of the video content export market, which is currently restructuring with a focus on global OTT platforms. In 2020, as the COVID-19 pandemic began to spread in earnest, OTT services also began to grow rapidly, and global OTT service providers expanded their influence on the distribution of Korean broadcast and video content in the global market. It is important to note that, in this process, OTT-exclusive content led by Netflix original series spearheaded Hallyu in broadcast programs. Traditionally, global business operators were supplied with broadcast and video content by PPs (Terrestrial TV channels, Program Provider, Independent production companies). However, as OTT providers have increasingly expanded their production of original content, independent production companies created opportunities to directly export their content to global OTT platforms (Figure 2). In other words, the statistics indicate that the number of independent production companies exporting directly to global OTTs without going through broadcasting companies has increased significantly since 2021.

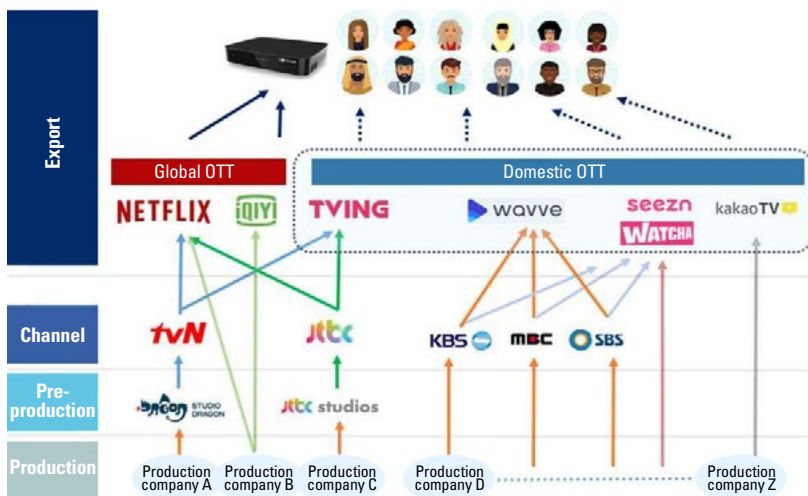


Figure 2. Korean Content Export Structure in the OTT Era

Source: Kim (2021).

Then how did this compare to exports by terrestrial TV channels and PPs, who traditionally led exports of broadcast programs? In 2021, the annual export value of the aforementioned business operators decreased by 11.9%, showing a drastic year-on-year decline, with the export volume by PPs declining severely in particular. Overseas sales by PPs dropped significantly by 22.3%, whereas the export volume by terrestrial TV channels increased by 2.3% year-on-year. This marks an extreme decrease from the 48.4% year-on-year growth in exports by PPs in 2020. However, it should be noted that the decrease in exports by PPs is attributable to the decline in exports of entertainment programs

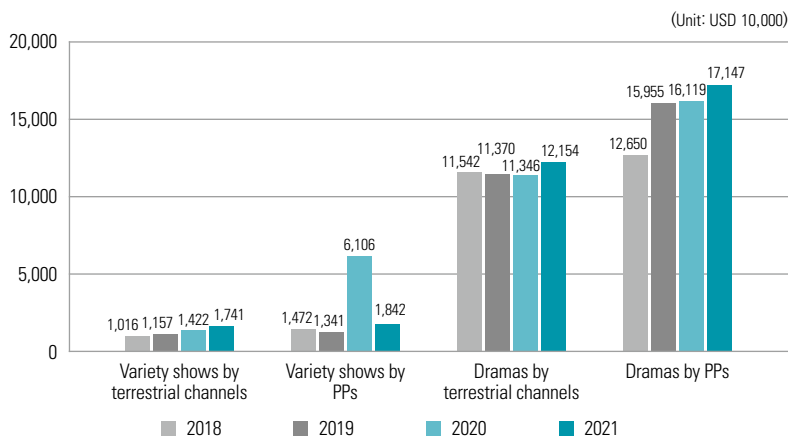


Figure 3. Finished Broadcast Program Exports by Genre
(Dramas and Variety Shows; 2018-2021)

Source: Reorganized based on the Korea Communications Commission (2020, 2021, 2022, and 2023).
2019, 2020, 2021, and 2022 broadcasting industry survey.

(variety shows), which suddenly increased in 2020 (Figure 3). On the other hand, exports of drama content by PPs have been on a steady rise, while terrestrial TV channels also regained their growth in drama content in 2021 and saw a consistent upward trend in entertainment program exports. With the exception of the entertainment sector, which grew by an unusually large margin in 2020 and then shrank in 2021, the export volume by PPs has continued to grow persistently.

Given the above, how did broadcast and video industry exports fare in 2022? Since concrete statistics have not been released yet, the export trends in the industry can be roughly estimated based

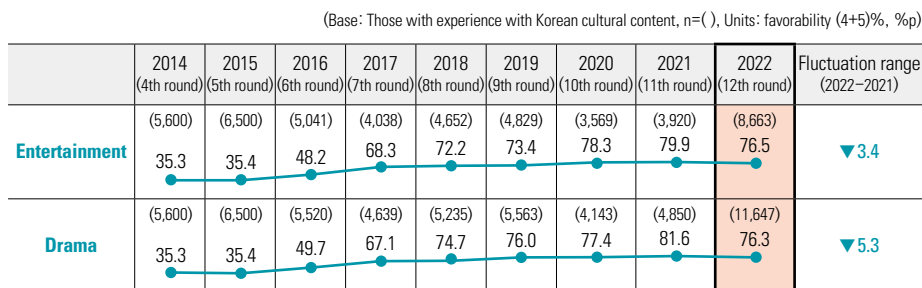


Figure 4. Changes in Favorability toward Korean Content in 2022 (Entertainment and Drama)

Source: Korean Foundation for International Cultural Exchange (2023). *2023 survey on the status of Hallyu overseas*.

on various surveys. One of the best sources of information on the favorability of Korean content in overseas countries is *Survey on the Status of Hallyu Overseas* published by the Korean Foundation for International Cultural Exchange. The survey on favorability toward Korean content in 2022 showed a slight decrease in viewers' favorability toward entertainment and drama content compared to 2020 and 2021 (Figure 4). Given that the broadcast and video sector benefited from the increased consumption of video content through expanded online services during the two years of the COVID-19 pandemic, it can be said that the sector is undergoing a period of adjustment following the rapid growth it experienced in a short period.

However, some materials potentially indicate that the adjustment of the actual export volume may not be significant.

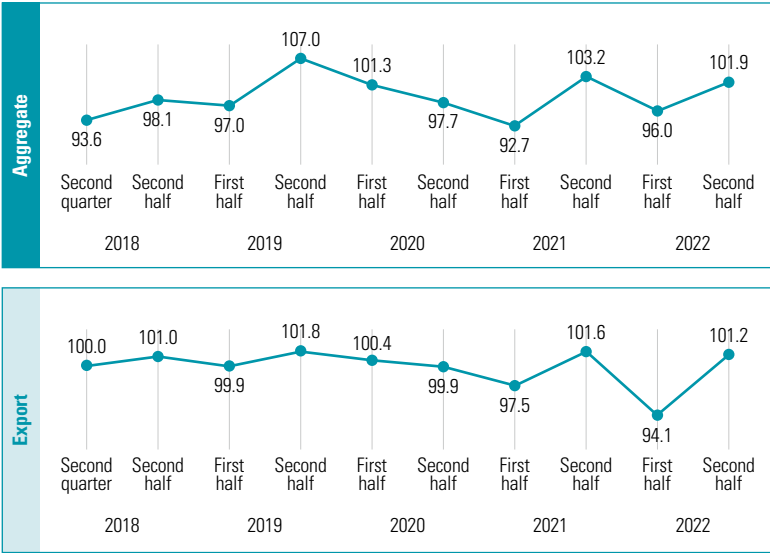


Figure 5. Broadcasting Industry CBI Trends

(excerpts from aggregate and export sections)

Source: Korea Creative Content Agency (2022).

According to the Korea Creative Content Agency (2022), the value of broadcast content exports in the first half of 2022 was estimated at USD 281.62 million (approx. KRW 366.4 billion), an increase of 8.3% from the previous year.¹ Analysis of the Content Business Index (CBI)² in the same survey also reports that

¹ The export value amounted to USD 25.99 million (KRW 33.8 billion) in the first half of 2021 but decreased by 36% to USD 44.01 million (KRW 57.3 billion) in the second half. However, it is necessary to consider seasonal factors such as the opening period of global markets (Source: Korea Creative Content Agency, 2022).

expectations for the year's second half were higher than the first half (Figure 5). Given that the first half of 2022 was overshadowed by concerns about a potential slump across the entire OTT market during the transition from the pandemic to the endemic phase,³ it can be surmised that such concerns were likely eased to some extent in the second half. Combining these trends, it can be assumed that broadcast content exports in 2022 are continued to grow based on their momentum from 2021.

2) Current status and trend of Hallyu in broadcast programs

The current status and trend of Hallyu in broadcast programs in 2022 can be understood by examining notable productions in each period. The first half of 2022 was a period that demonstrated the continued dominance of Netflix.⁴ Following the success of

2 The Content Business Index is calculated based on responses to seven-point scale questions on the economic outlook of the content industry (e.g., sales, exports, investment, employment, and financial situation), and includes subjective and psychological factors among business operators (Korea Creative Content Agency, 2022, p. 41).

3 The first half of 2022 witnessed increasingly grave concerns over companies related to OTT services, with Netflix announcing in April its loss of 200,000 subscribers in the first quarter and correspondingly its stock price plummeting 35% on the day of its earnings announcement.

4 Given that 2022 saw active fragmentation of the OTT services market, with Disney+ surpassing Netflix in global subscribers, identifying Hallyu trends based on the performance of Netflix as a single platform may be somewhat limited. However, FlixPatrol remains useful in that it at least partially allows the verification of the dissemination of Hallyu in broadcast programs.

Squid Game, several Korean productions were released as Netflix original series and well received in global markets. In particular, *All of Us Are Dead* was released in January 2022 and ranked No. 1 worldwide⁵ almost immediately. It was the third worldwide No. 1 Korean drama on Netflix, succeeding *Squid Game* and *Hellbound*. Such an achievement was evaluated as meaningful in terms of the future direction of IP strategy, as it demonstrated the merit of utilizing webtoon IP along with *Hellbound*.

2022 was also a year of exploring new possibilities beyond Hallyu driven by Netflix original series. First, *Business Proposal*, released in February, garnered considerable attention and ranked first place in the non-English category and third place globally by hours viewed. *Business Proposal* was not a Netflix original series but was released simultaneously on terrestrial TV channels and Wavve. Its success was also meaningful as an example of Kakao's Global IP Universe Project, which strategically creates video content that expands upon already-acclaimed webnovels or webtoons on Kakao platforms based on data. The show demonstrated that drama series utilizing narrative IPs from excellent webnovels and webtoons can achieve meaningful results

5 All of Us Are Dead ranked No. 1 globally in TV show category immediately after its release according to Flixpatrol, and No. 1 in the world for three weeks after its release by Netflix watch hours.

in the global market without going through the route of Netflix originals.

Released on Apple TV+ in March, *Pachinko* became a sensation around the world. Based on an original novel by a Korean-American author, it featured a number of Korean actors and was created by an American production company, raising questions about what constitutes “K-content (Korean content).” As Disney+ also continued to produce Korean dramas, *Big Bet* was released in December and garnered popular interest, showing the potential for success in original content produced in Korea.

Meanwhile, the June-released drama *Extraordinary Attorney Woo* gained significant attention for proving the potential of a new model for Korean independent production companies’ content IP ownership. In August 2022, the aforementioned drama entered the top 10 most-watched shows list on Netflix in 54 countries and ranked No. 1 in 13 countries including Japan and Mexico. The success of the drama led to the release of a webtoon adaptation, sales of its remake rights, and the announcement of additional seasons for the series, thereby demonstrating the potential for the expansion of content IP.

The summer of 2022 saw a change of atmosphere in the market. While the spread of COVID-19 subsided, a series of rapid changes occurred on the international stage, including war

and inflation. This led to a drastic increase in interest rates and amplified uncertainty in the economic environment, resulting in a sharp decline in investment sentiment in the OTT-centered media industry. In addition, as offline activities such as traveling increased, interest in video content also began to wind down. Nevertheless, K-content continued to demonstrate its potential in this period by achieving a certain degree of performance overseas.

Outstanding works produced during this period include *Young Lady and Gentleman* and *Alchemy of Souls*. *Young Lady and Gentleman* is a *makjang* (trashy) drama and a highly popular Korean weekend drama that reached a peak viewership rate of 38.2% in March 2022. With its global streaming release on Netflix in August, five months after it ended on air in Korea, it gained significant attention in regions such as Latin America, the Middle East, Africa, and Southeast Asia, becoming the fourth most-watched non-English-language drama in the world by total weekly hours viewed.

Categorized as a historical fantasy drama, *Alchemy of Souls* is a notable example of a long-term hit series. Its first season, released in the first half of the year, ranked fifth in the non-English category throughout July and ranked third to fifth in August. Subsequently, it maintained its popularity, placing steadily in the rankings for the most-watched series. The second season debuted

in December and ranked in sixth place, while the first season returned to fifth place, demonstrating its prolonged popularity. Although the series was relatively less popular in Korea, its overseas popularity was more enduring, making it a promising case in terms of utilizing content IP in the future.

Meanwhile, one of the major hits in the second half of 2022 was *Reborn Rich*. The TV show was highlighted for the unique premise of its original webnovel, based on the cycle of “regression, possession, and reincarnation.” In Korea, it gained significant attention, with a peak viewership rate of 26.9%, and in the global market, it ranked first in more than 50 countries through Rakuten Viki. It was also noted as a model for diversifying distribution platforms, as it was released not through major global OTT platforms such as Netflix, but through Viu, an Asian OTT service, and resold to other platforms.

The year 2022 was also a year of exploring possibilities of expanding Hallyu in entertainment programs other than drama series. The first season of the entertainment program *Singles’ Inferno* aired from December 2021 to January 2022 and became ranked 10th worldwide (fourth in non-English content) in terms of hours viewed, demonstrating the potential for diversifying the genres of Hallyu in broadcast programs. Netflix continued to produce original entertainment content such as *Korea No. 1*,

and Disney+ produced *Own the Room* and *Pink Lie*. The second season of *Singles' Inferno* was released in the second half of the year and ranked 12th worldwide (fifth in non-English content) in terms of hours viewed, hinting at the potential of Hallyu in entertainment programs. This potential was realized when *Physical: 100* began streaming in January 2023 and became ranked second globally (first in non-English content) in terms of hours viewed.⁶

In light of the above trends and status, it can be said that 2022 was a period in which various successful cases continued to emerge following the monumental hit of *Squid Game*, heralding the power of Korean broadcast and video content to the world. In particular, after concerns were raised about reliance on Netflix and IP drain, key changes arose as efforts were continuously made to utilize webnovel and webtoon IPs, experiment with IP acquisition models through collaboration with domestic platforms, and diversify distribution channels into various global platforms. However, Hallyu faced challenges in sustaining its momentum amid the rising anxiety over the evolving industry environment in line with the shrinking worldwide OTT market.

6 *Physical: 100* ranked No. 1 on February 9, 2023 according to Flixpatrol.

2. Issues Concerning Hallyu in Broadcast Programs

1) The paradox of the Hallyu boom in broadcast programs: Between the glory of the Emmys and the OTT crisis

Witnessing the results of the giant successes reaped in 2021, 2022 also saw instability in the foundations of the industry evolution that made such achievement possible. As examined above, global interest in Korean broadcast and video content continued to grow steadily in 2022. Throughout the year, it was no longer big news to have Korean content in the top 10 most watched shows on Netflix, but rather an everyday phenomenon.

Another important outcome in the year was the recognition of the excellence of Korean content through international awards. In September 2022, *Squid Game* became the first Korean drama to win six trophies at the Primetime Emmy Awards, the most prestigious event in the American broadcast industry. The drama also set notable milestones such as being the first non-English drama to win the Award for Outstanding Directing for a Drama Series and the first in which an Asian actor won the Award for Outstanding Lead Actor in a Drama Series (Seo, 2022).

News of awards won by K-content continued in November. *The King's Affection* aired on Korean Broadcasting System (KBS) and was released on Netflix, winning Best Telenovela at the 50th International Emmy Awards. These international awards can be considered as a result of the rising status of K-dramas and the significant expansion of their scope, as well as an opportunity for attracting continued interest in K-dramas in the future (Bae, 2023).

Ironically, 2022 also marked the beginning of a crisis in the OTT industry, which was a vital foundation for the success of Korean broadcast and video content. Soaring inflation and the corresponding series of giant steps taken by the U.S. Federal Reserve—namely rapid and unprecedented interest rate hikes—dealt a direct blow to OTT service providers that had been making growth-oriented investments. Amid sluggish earnings and plummeting stock prices, fears arose regarding an investment slump in the video industry. OTT providers then bolstered their efforts to prevent subscriber churn by changing their originals-oriented binge release model. While K-dramas were still well-received on platforms like Netflix, adjustments took place in terms of expectations and interest in the OTT platforms themselves. As such, although Hallyu in broadcast programs reached unprecedented heights, it also faced a time of rising concerns about the sustainability of its success.

Of course, reflecting the performance of Korean broadcast and video content in 2022, it would be difficult to deny its long-term growth potential solely based on short-term market instability. Nevertheless, the concerns that emerged after its spectacular leap forward are not negligible. The Korean broadcast and video industry entered the path of export-oriented upscaling, benefiting from changes in the industry structure triggered by global OTT players. This has led to a rise in production costs that cannot be met by the domestic market alone. The problem is that the flow of large-scale investments that made upscaled production affordable had been thrown into uncertainty. While global operators continue to be interested and investing in Korean content, this trend may not last forever, and domestic OTT operators will not be able to afford the current increase in production costs amid ongoing losses.

In this regard, it is also worth noting the role of policy. In 2022, a five-year plan for the promotion of the broadcast and video industry was established, which notably included a dramatic expansion in the scale of policy funding for the production and post-production of broadcast and video content. While such policy funding may still be insufficient to meet the demands of the industry that has to compete in the global market, it can serve as a safety valve to alleviate concerns about the uncertain market

environment and investment contraction to some extent.

2) Questions raised by *Pachinko*:

The scope of K-dramas and global value chains

In 2022, the question of how to define Korean dramas, or K-dramas, came to the forefront. The global interest in Korean culture grew amid accelerating changes in the global value chain (GVC) of the video content industry, bringing the wave of change to the very structure of the Korean broadcast and video industry.

In this regard, Netflix has largely led the changes in the value chain of the global video industry. Netflix has replaced the traditional video content globalization model of “made in the U.S., distributed worldwide” with the new model of “made locally, distributed worldwide” and opened the full-fledged “global television” era with the values gained from the changes. Korea was one of the regions that benefited from such structural changes. Korean video content was exposed to people around the world through Netflix’s global distribution network, allowing Hallyu in broadcast programs to take a new leap forward.

The effect of such changes is twofold. On the negative side, it has increased concerns about IP (intellectual property) drain in the evolving environment. Netflix receives all rights to the relevant

content in exchange for taking on the risk of bearing the entire production cost. As Yu (2021) points out, this is problematic in that such changes have created a structure in which the Korean broadcast and video industry hands over the results of its own creative work to global companies, shifting the production model from OEM (original equipment manufacturing) to ODM (original development manufacturing). Nevertheless, in the new global value chain created by Netflix, Korea has proven its competitiveness in planning, creation, and production sectors, while creating industrial linkages with the global players beyond the region, which deserves praise. It is also encouraging that opportunities have been presented to talented creators in Korea to work in the global market.

Amid such changes, *Pachinko*, a drama series released by Apple TV+, marked an occasion to deeply contemplate Korea's position in the global value chain. *Pachinko* may make a positive contribution to cultural Hallyu in that the show was based on Korean culture and created by Koreans and people of Korean descent. However, it is also a concern in the industrial aspect that its planning, investment, production, and distribution were all led by American companies, making it a de facto "American drama." In blunt terms, it can be deemed as a case where the cultural appeal of Korea was completely appropriated by American

Existing GVCs and Post-Hallyu GVCs in the Video Industry

Globalization of the labor market (actors, writers, and directors) according to increasing demand for Korean (Asian) content

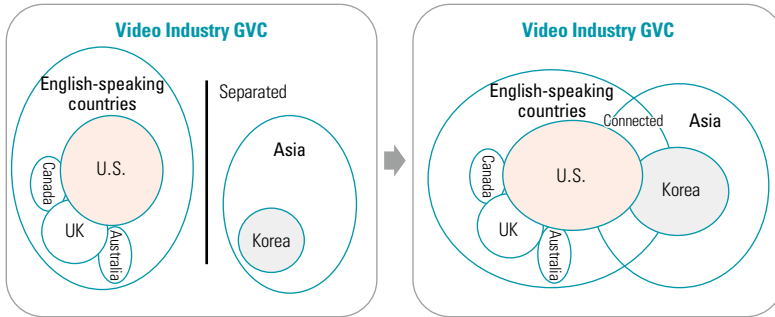


Figure 6. Changes in the Global Value Chain of the Broadcast and Video Industry

Source: Lee (2022).

companies, with only the actors being utilized as a resource from the production factor market of Korea.

This is reminiscent of the history of Hollywood's gravitational pull sucking in creative capabilities from English-speaking countries such as the U.K., Australia, and Canada, which led to fierce efforts by those countries to protect their domestic factor markets. The U.S. and Korean broadcast and video industries have traditionally been less accessible to each other due to language barriers and cultural differences. But owing to the spread of Hallyu and growing interest in the overall Asian region,⁷

7 Even outside of Korean dramas, many examples prove Hollywood's increased focus on Asian content. This is demonstrated by the fact that one of the biggest hits of 2022 was *Everything Everywhere All at Once*, and that its lead actress, Michelle Yeoh, became the first Asian to win an Academy Award for Best Actress.

Korea began its exposure to the gravitational pull of the U.S.-led global video industry (Figure 6). While this is encouraging in terms of the expanded global reach and achievements of the Korean video content industry, it is also a threat given the possibility that increased outflows from the Korean production factor market to global capital would lead to a contraction in the domestic production base.

While *Squid Game* raised questions about the drain of content IP, *Pachinko* cast questions about the changes that would occur when Korea's production factor market is integrated into the global marketplace. With the trend toward large-scale, capital-intensive productions designed for the global market, Korean creative capabilities are becoming closely linked to global operators throughout the production and distribution process. The question is whether the conditions for such production factors in Korea can be maintained amid this trend. As Korean content strengthens its links with the U.S.-centered global video content value chain, it may expand the outflow of domestic production factors. In anticipation of this trend, a more systematic policy and industry response should be considered to safeguard the domestic content creation base.

3) The dilemma of IP use and platform expansion: The IP fandom vs. the platform fandom

The year 2022 saw the materialization of the global use of Korean webnovel and webtoon IPs and Hallyu's expansion beyond Netflix to a variety of platforms. They demonstrated the potential for going out of bounds of the limited path of international expansion through Netflix originals and at the same time, revealed a number of challenges along the way.

The use of webnovel and webtoon IPs has become a key to the success of K-dramas in 2022. The success of *Business Proposal* was particularly important in this regard because it showed that platform companies that service webnovels and webtoons can maximize the outcome of their IPs through strategic video adaptations of such content after identifying the success potential based on user data. This means that business operators who can secure a large number of webnovel and webtoon IPs, as well as global user data related to them, can wield more influence in the video industry.

However, *Reborn Rich*, which fully utilized a webnovel IP, caused controversy as its ending differed from the original, despite its high popularity. While the show attracted attention by utilizing the staple webnovel premise of “regression, possession, and

reincarnation,” the premise was reversed in the ending, causing a strong backlash from fans of the original novel. This shows that scaling up a narrative IP that originates from a webnovel still has challenges to overcome. In other words, it cast a question of how to reconcile the characteristics of the webnovel universe with the tastes and expectations of the general video audience. Given that such narrative IPs will continue to be actively utilized in the future, these confrontations and conflicts are likely to persist for some time.

Reborn Rich also provided new food for thought on platform expansion. It was released simultaneously on Disney+ and Netflix in Korea, while global distribution was facilitated through Viu, which resold it to various platforms such as Rakuten Viki, making it available on a wider range of channels. This was an attempt to enhance bargaining power by making inroads into various platforms rather than relying solely on Netflix.

However, it has been somewhat difficult to comprehensively identify the performance of the said series at home and abroad. The global performance of Hallyu in broadcast programs has been evaluated mostly through rating information from services such as Flixpatrol or global ranking information based on watch hours provided directly by Netflix. As such, it is difficult to objectively assess the performance of content distributed worldwide outside

of this frame.

It should be noted that individual shows have been receiving less attention since the second half of 2022, in comparison to the intensive impact of Netflix. Unlike in 2021 and the first half of 2022, when the spotlight was focused on OTT, there are now fewer opportunities to build new fandoms through overwhelming focus from global audiences. As a platform that was able to independently secure its own global fanbase, Netflix remains a key player in terms of creating ripple effects that influence content performance. When distributing through other global platforms, there may be a burden of having to rely on the power

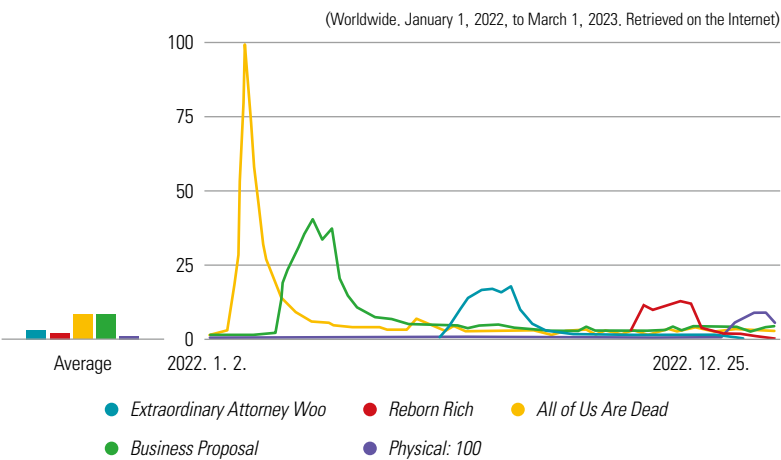


Figure 7. Google Trends for Major TV Shows

Source: <https://trends.google.co.kr/>

of the content itself rather than relying on the platform. In short, it is time to engage in strategic considerations as to whether to attempt to build a fandom for a particular IP by appealing to Netflix's "platform fanbase" or to expand revenue streams through platform diversification based on the power of the fandom behind the content IP itself.

3. Major Countries and Routes of Overseas Entry for Hallyu in Broadcast Programs

1) Major destination countries

In order to gain an overview of the major destination countries of Hallyu in broadcast programs, it is worth revisiting the results of *2022 Broadcasting Industry Survey* as examined previously (Figures 8 and 9). An insight that can be gleaned from the statistics up to 2021 is that exports to the Americas plunged while exports to other regions and China rose in 2021. However, it should be noted that the data does not include the performance of independent production companies and that exports by PPs decreased, while that of independent production companies

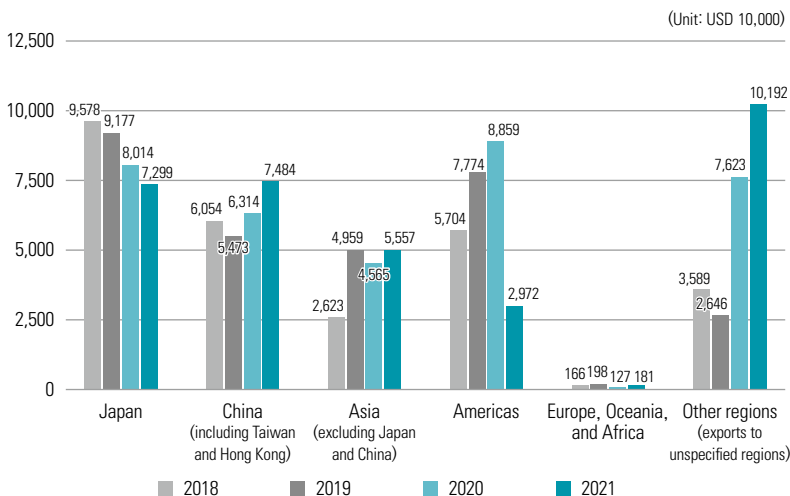


Figure 8. Broadcast Program Exports to Major Countries (2018-2021)

Source: Reorganized based on the Korea Communications Commission (2020, 2021, 2022, and 2023). 2019, 2020, 2021, and 2022 broadcasting industry survey.

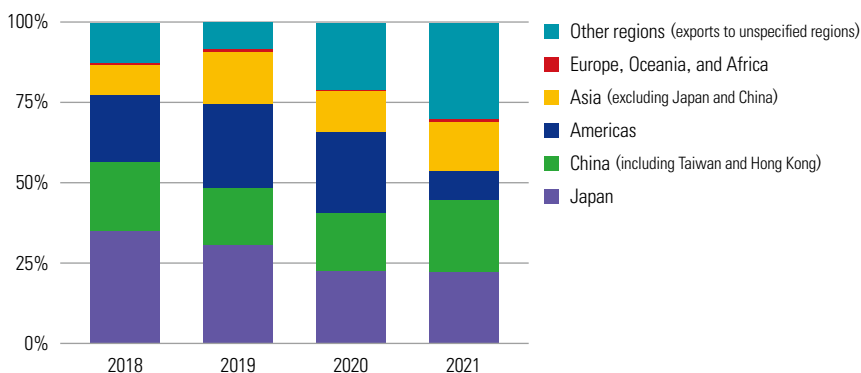


Figure 9. Ratios of Broadcast Program Exports to Major Countries (2018-2021)

Source: Reorganized based on the Korea Communications Commission (2020, 2021, 2022, and 2023). 2019, 2020, 2021, and 2022 broadcasting industry survey.

increased during the same period. Even in light of this trend, it is clear that OTT-led exports targeting unspecified other regions or the global market have increased in 2021, while exports to China have also recovered. Considering the release of the drama series *Jirisan* on the Chinese OTT service iQIYI in 2021, in addition to the visible easing of China's limitation policy on Korean culture in 2022, it is expected that exports to China and other regions may gradually recover in the future.

Given that broadcast and video content exports through global OTTs will continue in the future, it may become less meaningful to identify destination regions based on export volume. Rather, it may be necessary to try to identify the responses of certain regions to specific types of content. Nevertheless, considering the ongoing cooperation between various local OTTs and broadcast operators as well as subsequent exports, it is necessary to continue exploring strategic regional selections.

2) Major entry routes

OTT was the most important path of entry for Hallyu in broadcast and video content as of 2022. Despite the short-term downturn of the OTT market, there are expectations that the upward growth trend will continue. According to PwC (Figures

10 and 11), the global OTT market size is expected to grow from approximately USD 79.1 billion (approx. KRW 104.2683 trillion) in 2021 to approximately USD 114.1 billion (approx. KRW 150.3904 trillion) in 2026, and the Korean OTT market size is expected to grow from approximately USD 1.6 billion (approx. KRW 2.1128 trillion) in 2021 to approximately USD 2.6 billion (approx. KRW 3.4004 trillion) in 2026 (PwC, 2022).

In the period from 2021 to 2022, the most typical method of video content export was the production and distribution of original content through global OTTs. Accordingly, global OTTs, including Netflix, began to significantly increase their investment in content production in Korea. Since 2022, video content production and distribution began expanding into various OTTs besides Netflix. A typical example is *Big Bet* released by Disney+ and *Reborn Rich* distributed globally through Viu.

Of course, while the spread of COVID-19 has subsided and the pandemic era has given way to the endemic era, the staggering performance of global OTTs including Netflix, steep stock price declines, and inflation-triggered sharp interest rate hikes have added anxiety to the video industry, which had been feeding into growth as the main goal. It is also true that the fear of investment cutbacks has spread across the video industry amid strict performance-oriented evaluations. In this regard, there are

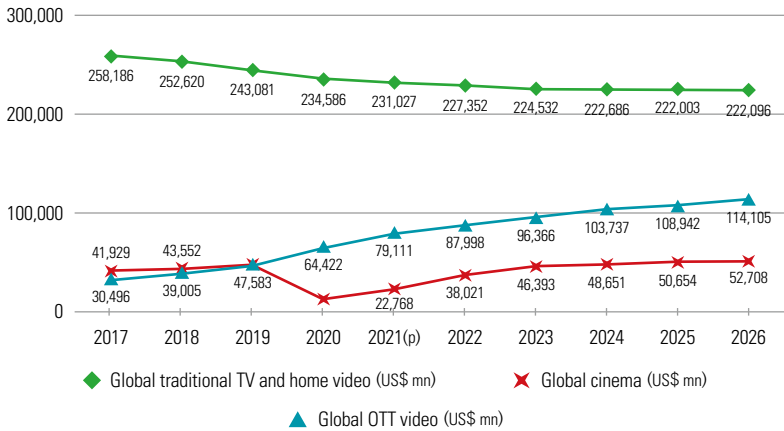


Figure 10. Global Film, Broadcasting, and OTT Market Sizes

Source: Reorganized based on PwC (2022). *Global entertainment & media outlook 2022-2026*.

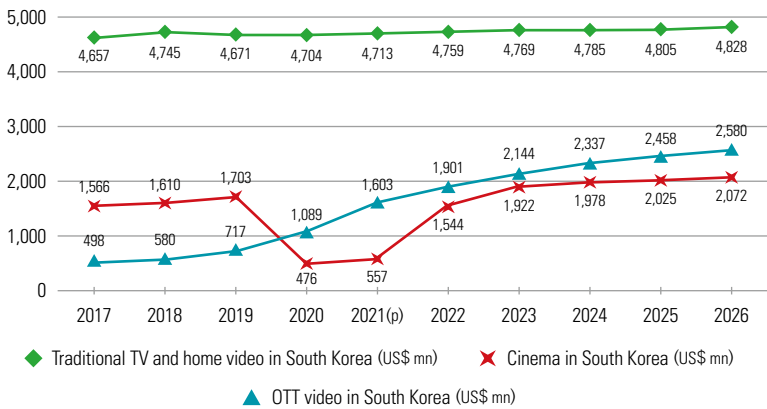


Figure 11. Korean Film, Broadcasting, and OTT Market Sizes

Source: Reorganized based on PwC (2022). *Global entertainment & media outlook 2022-2026*.

deepening concerns about diversifying the methods of market entry.

Against this backdrop, 2022 is notable in that the operation of the offline video content market became normalized. A representative example is the BroadCast WorldWide 2022 (BCWW 2022), which was held offline in Korea for the first time in three years since COVID-19. BCWW 2022, which was attended by 34 countries from around the world, recorded a total of USD 47 million (approx. KRW 61.1 billion) in consultations, an increase of about 34% compared to the previous year's USD 35 million (approx. KRW 45.5 billion) (Korea Creative Content Agency [KOCCA], 2022). This was attributed to the fact that the success of Korean video content verified through global OTTs led to the interest of various global broadcast and video operators in 2022. Moreover, Korean video content has achieved significant outcomes in major overseas markets. The Korea Creative Content Agency shared Korean booths online and offline in six overseas broadcast video markets in 2022, recording a total of 817 consultations amounting to a total of USD 63.5847 million (approx. KRW 82.7 billion) in export contracts. This marks an increase of approximately 58% from USD 40.123 million (approx. KRW 52.2 billion) in 2021 (KOCCA, 2022).

The increase in export contracts through offline content

markets shows that there may be a shift away from the export method of the COVID era, which was centered on global OTTs including Netflix. While many Korean content including *Squid Game* received favorable responses in the global market, thereby raising its status to a higher level and attracting interest from various overseas operators, the reopening of offline markets created expectations regarding the possibility of diversified export routes. Though it will require some time to verify with concrete statistics, it is not an exaggeration to say that the year 2022 was a period of diversification and expansion in terms of export volume as well as export destinations and distribution platforms.

It is also worth noting the performance of Free Ad-supported Streaming Television (FAST), an ad-based model of free streaming services, in terms of global exposure aside from export performance. While subscription-based OTT services were struggling with subscriber stagnation, especially in the U.S., ad-based FAST services have continued to grow. In Korea, Samsung Electronics is offering FAST services to the global market through Samsung TV Plus and LG Electronics is offering through LG Channels on its smart TVs. Samsung TV Plus operates 1,800 global channels, while LG Channel offers 350 channels in North America as of December 2022 (Jeong, 2022; Han, 2022).

It should be noted that the global distribution of Korean

broadcast and video content is actively taking place with the support of advertisements on global FAST services. NEW ID, a leading FAST channel service provider in Korea, offers a variety of Korean content through Samsung TV Plus and LG channels, as well as global services such as Pluto TV and Roku.⁸ As the growth of FAST services is expected to continue in the future, it is necessary to pay attention to new opportunities that the global distribution of Korean broadcast and video content will create through ad-based OTTs.

In addition to direct exports of finished programs, exports of content formats are also continuing to grow (Figure 12). According to K7 Media, a UK-based research firm, South Korea accounted for 10.1% of the global content format market as of 2020, ranking joint third alongside the U.S. after the U.K. (42.1%) and the Netherlands (10.3%) (Kang, 2022). In 2020, the best-selling content formats in Asia were *The King of Masked Singer* in the first place and *I Can See Your Voice* in second place. The year 2022 continued this strong performance, as the unscripted format of the entertainment content *The King of Masked Singer* was sold to South Africa and other countries, and the scripted format of the drama content *Extraordinary Attorney Woo* received remake offers

8 Refer to the official website for New ID (<https://www.its-newid.com/copy-of-fast>).

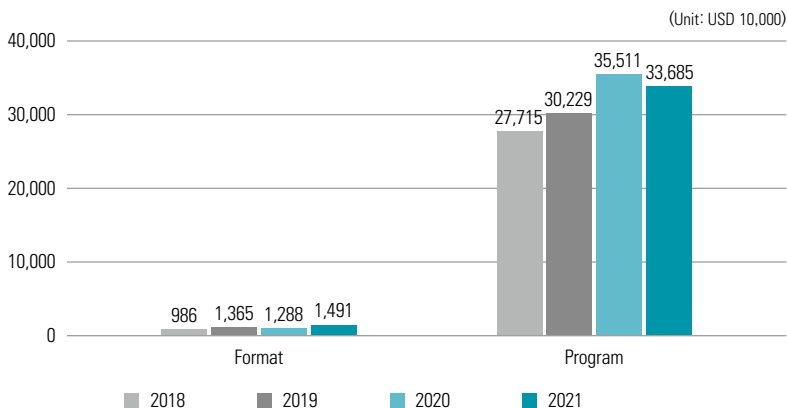


Figure 12. Broadcast Program Exports by Type (Finished Programs and Formats) (2018-2021)

Source: Reorganized based on the Korea Communications Commission (2020, 2021, 2022, and 2023). *2019, 2020, 2021, and 2022 broadcasting industry survey.*

from many countries (Kim, 2022). As the global market's interest in the formats of Korean broadcast and video content is growing, it is expected more success stories to emerge in the future.

4. Forecast of Hallyu in Broadcast Programs

1) Expected issues

Throughout 2022, Korean broadcast and video content clearly

reached a higher level than ever before. There are now more opportunities to sell and distribute content to a wider variety of global operators rather than relying on a single OTT service like Netflix. For this reason, the prospect for Hallyu in broadcast programs may remain positive in 2023.

However, there are tough upcoming changes in the industry environment. In February 2023, Disney embarked on carrying out a restructuring plan worth KRW 7 trillion, including layoffs of 7,000 employees (Jeong, 2023). Salto, a streaming service launched on October 20, 2020 as a joint venture by public and private broadcasters in France, officially announced its closure in February 2023 (Keslassy, 2023). Having gained about 900,000 subscribers since its launch, Salto was eventually unable to overcome the slowdown in growth it had faced since the autumn of 2022 and its annual deficit of EUR 85.6 million (approx. KRW 118.4 billion) (Señal News, 2023). Domestic OTTs in Korea also face difficult situations. TVING recorded a deficit of KRW 70 billion in 2022 while Wavve ran a deficit of KRW 50 billion, and WATCHA posted a cumulative deficit of KRW 201.7 billion as of the end of 2022 (Lee, 2022).

The reason why Korean broadcast and video content has been able to expand its production scale is that various OTT operators have been competitively intensifying their investments

in content creation. The problem is that the main players in such investments, namely OTT operators, are experiencing financial difficulties. Given that the production cost of Korean broadcast and video content has already risen to a level that is difficult to cover with advertising revenue in the domestic market alone, a sudden decline in content investment may strike a major blow to the growth of Hallyu in broadcast programs.

Considering the accelerating transformations in production environments and business strategies of broadcast and video content, another problem is the lack of specialists with the capacity to respond to such changes. The demand for writers has rapidly soared in line with the rising number of drama productions. Despite the increase of production in virtual environments utilizing game engines such as Unreal Engine, the number of experts who can operate such tools does not meet the surging demand. In addition, securing the capability to systematically manage the process of securing, utilizing, and expanding content IP is an urgent challenge. In other words, further efforts are needed to cultivate new talent demanded by the industry.

The trends of increasing studio-ization and production startups led by entertainment producers are also notable changes. In 2022, broadcast operators such as SLL Studio, Studio Genie, and Studio

S reorganized their production structures in the form of studios and sub-labels. In addition, as OTT operators began investing more seriously in entertainment content, numerous entertainment producers left their original companies and started up their own independent production companies. For example, producer Kim Tae-ho's new company TEO began producing content for Netflix and TVING, while producer Na Yeong-seok left CJ ENM and moved to Egg Is Coming. In February 2023, JTBC incorporated Shijak Company, which created *Single's Inferno*, as its affiliate. In this regard, there is an intensifying tectonic shift in the entertainment content creation and production sector.

Considering the growing potential of global success by entertainment content, the aforementioned structural changes in the production sector seem poised to accelerate in the future. At the start of 2023, *Physical: 100* demonstrated the power of Korean entertainment content to the global market, while *Jinny's Kitchen* created by producer Na Yeong-seok was distributed across the globe through Amazon Prime Video. Amid the growing interest in Korean culture, the entertainment sector, which is traditionally known for its high cultural discount rate, also began to gain traction in the global market. The strength of relatively low production costs and the daily-life appeal of entertainment content can be highlighted for its lock-in effect on platforms,

which also heightens expectations for expanded investments in entertainment content by various OTT providers.

The issue of securing and utilizing content IP is likely to emerge as a major issue in the future. In the entertainment sector, *Physical: 100* showed that Netflix original series face limitations such as IP drain, which remains significant. As such, a bill has been proposed to amend the Copyright Act to grant video content creators such as directors and writers the right to claim additional compensation for licensing revenue and is undergoing discussions in the National Assembly. This illustrates the increasingly intense interest and sensitivity in securing and utilizing content IP. In this context, the issues of negotiation, coordination, and dispute resolution over content IP are expected to become more salient in the future.

2) Improvements

Amid the spread of COVID-19 and the global OTT-led reorganization in production and distribution structures, the Korean broadcast and video content industry has encountered opportunities for unprecedented growth, and Hallyu in broadcast programs has entered an unprecedented stage in its history. This leap forward was possible because of the accumulated capabilities

within the existing broadcast and video industry. The current factors of anxiety and crisis indicate the need for strong, seamless efforts and investments to secure the necessary capabilities and structures befitting the new era.

The Korean broadcast and video content industry is currently facing calls to adapt and respond to new challenges in several areas. It is facing a number of difficult tasks, including implementing aggressive global strategies to cover higher production costs, bolstering technologies and infrastructure in response to changes in production structures and environments, fostering and retraining human resources, securing expertise to plan, utilize, and expand content IP, and building a win-win systemic foundation for the mutual growth of content and platforms.

In this vein, the need for systematic and decisive investments and institutional reforms to step up the global competitiveness of the entire industry is more critical than ever. In particular, Korea's position in the global value chain of the video industry needs to be contemplated in greater detail. In order to assist the broadcast and video content industry in securing a position as a full-fledged export industry, it is also necessary to explore a "production base" strategy that can actively promote the domestic production of global content through strong tax support and regulatory

improvements to induce investment into the content creation sector.

Opportunity and crisis always come together like the two sides of the same coin. If 2022 was a year of focusing on expanded opportunities after tremendous success, 2023 is expected to be a year of facing the crises that drew near with the said opportunities. However, such crises also foster the potential for other opportunities. Korea still possesses sufficient creative capacity to amaze the world, which will shine through with tougher and harsher changes in the industry.

2

Hallyu in Film

The Rebound and Recovery of “K-Movies”

Kim Hyung-seok

Film Journalist

1. Current Status of Hallyu in Film

In 2022, the Korean film industry achieved remarkable quantitative growth, overcoming its poor performance in 2021. As film festivals and markets, which were forced to be held in a non-face-to-face format throughout the COVID-19 pandemic, switched back to in-person formats in line with the “living with COVID-19” strategy, the shrinking global market began to show resilience by not only recovering from the sales decline of the past years but surpassing previous performance. One of the drivers of the recovery was the elevated status of Korean brands, known as “K” brands, during the pandemic. As *Parasite* (2019) won Best Picture at the Academy Awards and *Squid Game* (2021) became a worldwide sensation, Korean movies and dramas have gained greater global recognition, leading to quantitative growth in sales with a staggering 66% increase in the total value of finished film exports.

Korean films also attained significant achievements at international film festivals. At the Cannes Film Festival, Park Chan-wook won the Best Director award for his film *Decision to Leave* (2020) and Song Kang-ho won the Best Actor award for his performance in *Broker* (2020) directed by Hirokazu Kore-eda.

The Novelist's Film (2022) directed by Hong Sang-soo became the winner of the Silver Bear Grand Jury Prize at the Berlin International Film Festival. Korean films winning awards at the “Big Three” international film festivals of Berlin, Venice, and Cannes as well as the Academy Awards no longer come as a surprise. In the same vein, *Squid Game* even made the Emmy Awards an achievable goal. Achievements that were unimaginable just four to five years ago have now come true, proving that Korean popular culture carries greater global influence than Koreans expect at home.

The rapid growth in the OTT market, driven by the COVID-19 pandemic, continued to blur the boundaries between films and TV series in 2022. For example, films intended for theatrical release were screened on OTT platforms and film crews were hired to create original series for Netflix and Disney+. In the Korean film industry, film franchises are becoming such a prevalent trend to the extent that half of the ten highest-grossing films in the country were part of film series, which suggests a growing possibility for Korean films to expand into TV or OTT platforms in the form of spin-offs or prequels. The opposite is possible as well. *Kingdom* (2019), for instance, began as an OTT series and expanded to a prequel film titled *Kingdom: Ashin of the North* (2021).

The directorial efforts of filmmaker Yeon Sang-ho are noteworthy in this regard. Having debuted as an animated film creator, he completed a trilogy of films, *Train to Busan* (2016), *Seoul Station* (2016), and *Peninsula* (2020), followed by a Netflix original series titled *Hellbound* (2021) and a Netflix original film titled *Jung_E* (2023). His theatrical animated feature titled *The King of Pigs* (2011) was remade in 2022 as a 12-episode drama series, while his screenwriter credit *The Cursed* (a drama directed by Kim Yong-wan, 2020) led to a prequel theatrical film titled *The Cursed: Dead Man's Prey* (directed by Kim Yong-wan, 2021). His filmography encompasses both films and drama series for terrestrial TV and OTT platforms, which is a trend that will become more common in the film and drama industry, thereby blurring the lines between different media. In this regard, conversations on “Hallyu in film” in the post-COVID-19 era might become increasingly irrelevant; instead, it would be more insightful to discuss films and drama series together under the category of OTT content, which incorporates both.

1) Recovery in film exports

COVID-19 initially broke out in China in November 2019 and spread rapidly around the world, leading to a pandemic

that shuttered movie theaters globally in 2020 and 2021 and changed the very landscape of the industry. The Korean market was no exception. The domestic market shrunk dramatically due to its heavy dependency on revenues from movie theaters, while entering foreign markets became more challenging. Recording overseas sales of USD 48.63 million (approx. KRW 63.4 billion) in 2021, the Korean film industry returned to its lowest point, which was recorded before 2013. In 2022, however, it showed a marked recovery. The biggest reason behind this recovery was the revitalization of film markets, since film markets switched from a non-face-to-face, online format to an offline format, allowing the industry to secure more sales channels. Another reason was a sudden rise in the value of “K” brands. With *Parasite* winning both the Palme d’Or at the Cannes Film Festival and the Best Picture award at the Academy Awards, actress Youn Yuh-jung winning an Academy Award for Best Supporting Actress for her performance in *Minari* (2020), and *Squid Game* having become a global sensation around 2020, Korean films and dramas have gradually entered the mainstream of the global market.

In 2022, the Korean film industry saw a 66% increase in exports of finished films compared to 2021, reaching USD 71.44 million (approx. KRW 93.2 billion). This figure is comparable with its highest-ever exports of USD 75.99 million (approx. KRW 99.1

Table 1. Export Trends of Korean Finished Films Over the Last Five Years

(Unit: USD)

	2018	2019	2020	2021	2022
Contract amount	37,436,403	36, 276,567	51,290,400	39,763,074	69,927,595
Local distribution revenue	4,170,844	1,600,749	2,866,580	3,269,944	1,512,785
Total overseas revenue	41,607,247	37,877,316	54,156,980	43,033,018	71,440,380
Year-on-year change rate	2.20%	-9.00%	43.00%	-20.50%	66.00%
Number of films exported	603	574	975	809	776
Average export price per film	62,084	63,200	52,606	49,151	90,113

Source: Korean Film Council (2023). *2022 evaluation of the Korean film industry*. p. 68.

* The “contract amount” in exports of finished films refers to the value of export contracts for finished Korean films. The “local distribution revenue” consists of additional revenue (overage) from the minimum-guarantee (MG) contracts of exported films, revenue from revenue sharing (RS) contracts, and local direct-distribution profits.

billion) in 2005, when Korean films drove the phenomenon of Hallyu in Asian countries including Japan, thereby achieving record-high exports. Specifically, the contract amount in 2022 stands at USD 69.93 million (approx. KRW 91.2 billion), accounting for 97.8% of the total value of exports. This remarkable figure marks an increase of 75.9% from USD 39.73 million (approx. KRW 51.8 billion) in 2021. This quantitative growth was driven by the expanded line-up of Korean films. The eventual release of films, especially big-budget tentpole films, that had their original theatrical release delayed and were kept in storage in warehouses during the pandemic, began to rejuvenate film export markets.

Films that were in the spotlight at international film festivals finally reaped the rewards upon entering distribution networks. Meanwhile, the local distribution revenue decreased from USD 3.27 million (approx. KRW 4.3 billion) in 2021 to USD 1.51 million (approx. KRW 2 billion), which had little effect on the total revenue. It is also one of the changes in 2022 that the average export price per film increased from USD 50,000 to 60,000 (approx. KRW 65.23 to 78.28 million) in the past to more than USD 90,000 (approx. KRW 117.42 million).

2) Technical services and OTT

Exports in the film industry are largely divided into two sectors: finished films and services, with services exports consisting of technical services such as equipment and visual effects (VFX) services and film location services to attract foreign productions to shoot in the country. Since the outbreak of the pandemic, however, it has been impossible to attract foreign productions to Korea. Technical services exports decreased gradually from USD 35.36 million (approx. KRW 46.1 billion) in 2018 to USD 5.6 million (approx. KRW 7.4 billion) in 2021, and the number eventually dropped to a statistically insignificant level of USD 25,000 (approx. KRW 32.61 million) in 2022.

However, what should not be overlooked here is the production costs of original content created by OTT platforms, such as Netflix and Disney+. In 2022, Netflix invested a total of KRW 550 billion (approx. USD 422.75 million) in producing original content including films and dramas in Korea, and Disney+ also attracted enormous investments into the country. Despite the differences from the traditional model of providing services for foreign film productions in exchange for remuneration, the inflow of capital through the production of Korean films and dramas by foreign companies can also be deemed as services exports. The exact data on this area has yet to be compiled, but it is estimated to have experienced an upward trend comparable to the export of finished films.

Meanwhile, Korea's leading VFX company Dexter Studio has participated in the post-production of the film *Knights of the Zodiac* (2023), produced by the Japanese company Toei and the American entertainment company Sony Pictures, which the studio appears to be using as a springboard into overseas markets. *Knights of the Zodiac* (set to release in 2023) is a live-action film adaptation of Masami Kurumada's fantasy manga *Saint Seiya* (1986-1990) that tells the story of warriors who gain special powers based on their star signs and become Knights of Athena, the ancient Greek goddess of war, in order to protect

humanity. While participating in the post-production of this film, Dexter Studio plans to continue winning contracts from foreign productions by establishing partnerships with foreign companies.

2. Issues Concerning Hallyu in Film

1) OTT market and Korean films

Four years have passed since overseas OTT platforms began producing localized original content in Korea with the production of the drama series *Kingdom* and the film *Persona* in 2019. Following in the trail blazed by Netflix in the era of OTT services, Disney+ and Apple TV+ also entered the country and contributed to the diversification of OTT channels, with the said services currently producing a total of around 30 works annually. One of the new phenomena resulting from the advent of OTT services is the blurred boundaries between films and TV series. In the past, films were screened in movie theaters while TV series were consumed through terrestrial TVs and Internet Protocol televisions (IPTVs). However, as OTT services entered the mainstream of the entertainment industry during the pandemic,

“OTT content” became a category of its own to incorporate both films and TV series. It has long become commonplace for workers in the film industry to participate in drama productions, while overseas film festivals and awards have begun to nominate Netflix films. Likewise, international film festivals and awards hosted in Korea also began to create new categories for OTT content.

In 2022, a total of five Korean films were produced as original content for Netflix: *Love and Leashes* (starring Seohyun and Lee Jun-young) directed by Park Hyeon-jin, *Yaksha: Ruthless Operations* (starring Sul Kyung-gu and Park Hae-soo) by Na Hyun, *Carter* (starring Joo Won and Lee Sung-jae) by Jeong Byeong-gil, *Seoul Vibe* (starring Yoo Ah-in and Go Kyung-pyo) by Moon Hyeon-sung, and *20th Century Girl* (starring Kim You-jung) by Bang Woo-ri. All of the directors above, except for Bang Woo-ri, have experience in producing feature films: Park Hyeon-jin produced *Like for Likes* (2015), Na Hyun *The Prison* (2017), Jeong Byeong-gil *The Villainess* (2017), and Moon Hyeon-sung *The King's Case Note* (2016). In the 2022 Netflix film rankings, *Carter*, *Yaksha: Ruthless Operations*, and *20th Century Girl* were ranked 62nd, 80th, and 92nd, respectively, while *The Pirates: The Last Royal Treasure* is a non-Netflix original film that was favorably received and ranked 77th in the same chart.

The commonality among Korean films consumed on OTT

platforms is that they have a strong tendency to lean into distinctive genre characteristics, most notably action and romance. The former includes *Yaksha: Ruthless Operations* (crime action thriller), *Carter* (action), *Seoul Vibe* (action comedy), and *The Pirates: The Last Royal Treasure* (maritime action), while the latter includes *Love and Leashes* (sexy romantic comedy) and *20th Century Girl* (romance drama).

The highest-ranked Korea-related content introduced on Disney+ is *BTS Permission to Dance on Stage – Seoul: Live Viewing*. Available in 32 countries, this performance documentary was ranked 59th, which is a respectable performance, considering that the top rankings on the platform are dominated by Disney's family-friendly movies, Pixar's animated films, and Marvel movies. Disney+ produced a total of nine original series in the Korean market in 2022. Among them, *Rookie Cops*, *Revenge of Others*, *Kiss Sixth Sense*, *Grid*, *Soundtrack #1*, *Connect*, and *May It Please the Court* were ranked within the top 100, and the second season of *Big Bet*, which premiered in December 2022, continues to maintain its popularity in 2023. One interesting aspect is the difference between original content on Netflix and Disney+. Unlike Netflix's original content, Disney+ content is characterized by its dramatic tone, rather than specific genre elements. Meanwhile, the Apple TV+ series *Pachinko* was not

produced in Korea but is based on Korean history, with its cast mostly consisting of Korean actors and actresses, including Youn Yuh-jung, Lee Min-ho, Jung Eun-chae, Kim Min-ha, and Jung Woong-in. Paramount+, meanwhile, produced Korean director Lee Joon-ik's sci-fi series *Yonder*, in partnership with the Korean domestic streaming platform TVING.

2) Korean movie stars on the global stage

In 2021, Korean movie stars received their limelight on the global stage. Youn Yuh-jung won an Academy Award for Best Supporting Actress for her performance in *Minari*, and Ma Dong-seok, also known as Don Lee, joined the Marvel Cinematic Universe as a member of *Eternals* (2021), while Jung Hyeon and Lee Jung-jae, co-stars of *Squid Game*, were catapulted to international stardom. Meanwhile, in 2022, film crews also contributed to elevating the status of Korean films alongside actors and actresses. First, Korean movie stars continued to attain great achievements: At the 2022 Academy Awards, Youn Yuh-jung touched the audience by presenting the deaf actor Troy Kotsur with the Academy Award for Best Supporting Actor for his role in *CODA* (2021), while stars from *Squid Game* took to the podium as O Yeong-su won the Golden Globe Award for Best

Supporting Actor – Series, Miniseries or Television Film and Lee Jung-jae and Jung Hyeon won the Screen Actors Guild Award for Outstanding Performance by a Male and a Female Actor in a Drama Series, respectively.

At the Emmy Awards, Lee Jung-jae, Jung Hyeon, Park Hae-soo, O Yeong-su, and Lee You-mi received nominations with Lee Jung-jae winning the Primetime Emmy Award for Outstanding Lead Actor in a Drama Series, alongside the series director Hwang Dong-hyuk, who also took home an Emmy trophy. This international acclaim led to Lee Jung-jae being cast as a lead role in *The Acolyte*, which is part of the *Star Wars* franchise and will be released on Disney+. Jung Hyeon has been cast in *Disclaimer*, a miniseries for Apple TV+ that will be directed by Alfonso Cuarón, who is known for directing films including *Roma* (2018) and *Gravity* (2013). *Disclaimer* will star Cate Blanchett and Kevin Kline in the lead roles, along with Sacha Baron Cohen and Lesley Manville. Jung has also joined the cast of *The Governesses*, in which she is set to star alongside Lily-Rose Depp, the daughter of Johnny Depp and Vanessa Paradis.

Following Ma Dong-seok, Park Seo-joon also joined the Marvel Cinematic Universe as Prince Yan D’Aladna in *The Marvels* (set to release in 2023), the sequel to *Captain Marvel* (2019), meaning that Korean audiences will see Park Seo-joon playing a superhero at

movie theaters in November 2023. Meanwhile, actress Bae Doona will star in *Rebel Moon*, which is an upcoming space opera film directed by Zack Snyder. She will play the role of a sword-master in the film, alongside other actors including Sofia Boutella, Charlie Hunnam, and Anthony Hopkins.

Space Sweepers (2020), directed and written by Jo Sung-hee, was nominated for the Hugo Awards and Nebula Awards, both prestigious literary awards for science fiction and fantasy works. The film was nominated for Outstanding Dramatic Presentation, which is a category for sci-fi movies or TV series. Although *Space Sweepers* was eventually beaten out by other nominees, such as Denis Villeneuve's *Dune* (2021) and the Disney+ series *WandaVision* (2021), it was nonetheless unprecedented for a Korean sci-fi movie to earn such high acclaim. Meanwhile, Han Ju-yeol, the cinematographer for *Devil in the Lake* (2022), won both the European Cinematography Award (ECA) and New York Cinematography Award (NYCA) for Best Cinematography, again marking a rare occasion in which a Korean cinematographer was highly acclaimed in the global market.

There were great accomplishments in terms of intellectual property (IP) rights. *Moon You*, a sci-fi webtoon series written and illustrated by Cho Seok, who is well-known for his comics series *The Sound of Your Heart*, was adapted in China in a film

titled *Du Xing Yue Qiu* (English title: *Moon Man*), which was a big box office hit. The film became the second highest-grossing film in 2022 in China behind *The Battle at Lake Changjin II*, earning USD 460.24 million (approx. KRW 600.3 billion). The film's gross is equivalent to the 10th highest at the worldwide box office. On the other hand, there was also a foreign movie that was entirely shot in Korea from beginning to end: *Vanishing* (2022), a French film directed by Denis Dercourt. Dercourt is known among the Korean audience for his film *The Page Turner* (2006), which was released in Korea in 2007. *Vanishing* is a film adaptation of *The Killing Room*, a thriller novel written by the British author Peter May that was originally set in China but takes place in Korea in the adaptation. The film stars Olga Kurylenko, who gained recognition as a Bond girl, and a large cast of Korean actors including Yoo Yeon-seok, Choi Moo-sung, and Ye Ji-won. Cambodian-French filmmaker Davy Chou's *Return to Seoul*, which is a film about a Korean-French adoptee, was selected in the Un Certain Regard section of the Cannes Film Festival. Starring Korean actors such as Oh Kwang-rok with Shin Joong-hyun's music as a soundtrack, the film provides an opportunity to reconsider the identity of Korean films.

Meanwhile, director Bong Joon-ho's every move causes a wave in the global film market today. His upcoming film *Mickey*

17, based on Edward Ashton's sci-fi novel, is now in the post-production phase and will be distributed worldwide by Warner Bros. Pictures. The film is a joint production involving Bong's production company Offscreen, Kate Street Pictures, which also participated in the production of *Okja* (2017), and Brad Pitt's Plan B Entertainment. With a total production budget of USD 150 million (approx. KRW 195.8 billion), the film stars Robert Pattinson in the lead role, alongside Toni Collette, Mark Ruffalo, and Steven Yeun. The film tells the story of a human clone, with significant attention being directed toward the unique imagination that Bong's personal touch will bring to the adaptation.

Lee Mie Kyung, widely known as Miky Lee, Vice Chairperson of CJ ENM, appeared on the cover of *Variety*, a Hollywood industry magazine, as the International Media Woman of the Year. Having invested in DreamWorks in mid-1994 and built Korea's first movie multiplex, CGV Gangbyeon, in 1998, Lee has long been involved in the film and entertainment industry while engaging with the global market. Her efforts led to *Parasite* winning four Oscars and she has become a leader of the Korean film industry in its current elevated status. Lee received the Pillar Award from the U.S. Academy Museum of Motion Pictures and the International Emmy Directorate Award for her contributions as a producer to the development of the film industry. In the

same vein, *Variety* has announced the most influential women in the entertainment industry since 2018, and its 2022 list was released in an article titled “Women That Have Made an Impact in Global Entertainment” and included Kim Ji-yeon, CEO of Siren Pictures, which produced *Squid Game*, Jung Hoyeon, Kim Joo-ryoung, and Youn Yuh-jung, as well as Minyoung Kim, Vice President for APAC Content at Netflix, and Min Hee-jin, CEO of ADOR. “The 20 Most Powerful Women in Global Entertainment” from *The Hollywood Reporter* also listed Miky Lee and Minyoung Kim. In terms of business achievements in the entertainment industry, it is notable that Nexon has become the largest shareholder of ABGO, a film production company founded by Anthony and Joe Russo, collectively the Russo



Figure 1. Miky Lee, Vice Chairperson of CJ Group, on the Cover of Variety (left) and Moon Man, a Film Adaptation of Cho Seok’s Webtoon Titled Moon You (right)

Source: *Variety*

brothers, who are best known for directing the *Avengers* series and the *Captain America* series. Korea's leading game developer Nexon invested a total of USD 500 million (approx. KRW 653.2 billion) to take a 49% stake in AGBO and became the company's largest individual shareholder. This move is intended as a foothold for the entertainment company to enter the global stage, as well as to pave the way for the company to produce films based on its games in the global market.

3) International film festivals and Korean films

Korean films were the star of the 2022 Cannes Film Festival. Although the Palme d'Or was given to *Triangle of Sadness* directed by Swedish filmmaker Ruben Östlund, Park Chan-wook received the Best Director award for his film *Decision to Leave* and Song Kang-ho won the Best Actor award for his performance in *Broker*. Park Chan-wook remarked that the award almost seemed to commemorate the 30th anniversary of his directorial debut. Before winning this award, Park had already taken home the Grand Prix in 2004 for *Oldboy* (2003), the Jury Prize for *Thirst* (2009), and the Vulcan Prize for the art director Ryu Seong-hie in *The Handmaiden* (2016), meaning that he has a perfect winning record for the four times he was invited to the

competition section of the film festival. Song Kang-ho also has a long relationship with the Cannes Film Festival. After Bong Joon-ho's *The Host* (2006) was invited to the Directors' Fortnight, Song Kang-ho hit the red carpet for *Secret Sunshine* (directed by Lee Chang-dong, 2007) in the competition section, *The Good, the Bad, the Weird* (directed by Kim Jee-woon, 2008) in the out-of-competition section, Park Chan-wook's *Thirst*, and Bong Joon-ho's Palme d'Or winner *Parasite* (2019), and finally took home the award this year. Interestingly, both *Decision to Leave* and *Broker* are results of international collaboration: the former stars Chinese actor Tang Wei in one of the lead roles and the latter is a Korean film directed by the renowned Japanese filmmaker Hirokazu Koreeda. As such, it is evident that Korean films have consolidated their position as a mainstay of the global market, and it is no longer rare for Korean films to win prestigious international film awards. *Hunt* is the directorial debut of Lee Jung-jae, who has become a global star for his performance in *Squid Game*, and premiered at the Midnight Screenings section at the Cannes Film Festival, with the director Lee Jung-jae and the actor Jung Woo-sung attracting fervent media attention. Jung July's *Next Sohee* was selected as the closing film of the Critics' Week at the Cannes Film Festival. Meanwhile, the Korean Film Council (KOFIC) hosted the "K-Movie Night" event during the film festival season,



Figure 2. Director Park Chan-wook Winning Best Director for His Film *Decision to Leave* (left) and Song Kang-ho Winning Best Actor for His Performance in *Broker* at Cannes Film Festival (right)

Source: *CJ Newsroom*, CJ ENM website

attracting an unprecedented number of visitors from the global film industry who are interested in Korean films.

At the Berlin International Film Festival, Hong Sang-soo won the Silver Bear Grand Jury Prize for his feature film *The Novelist's Film*. To date, he has been invited to the competition section at the Berlin International Film Festival on six occasions, for his film *Night and Day* (2008), *Nobody's Daughter Haewon* (2013), *On the Beach at Night Alone* (2017), *The Woman Who Ran* (2020), *Introduction* (2021), and *The Novelist's Film*, receiving the Best Director prize for *The Woman Who Ran* and the Best Screenplay prize for *Introduction*. Kim Min-hee also won the Silver Bear Award for Best Actress for her performance in Hong's film *On the Beach at Night Alone*. Meanwhile, Kim Se-in's *The Apartment with*

Two Women, Lee Ji-eun's *The Hill of Secrets*, and Shin Su-won's *Hommage* were selected for the Panorama section, the Generation section, and the Women's Voice section, respectively, proving the potential of Korean independent films.

At the Sitges Film Festival, Kim Hong-seon's *Project Wolf Hunting* received the Special Jury Prize and the Best Special Effects Award. At the Fantasia International Film Festival, Jung July's *Next Sohee* earned her the Best Director Award and the Silver Audience Award for Asian Feature, while Lee Sang-yong's *The Roundup* and Hong Jun-pyo's *Chun Tae-il* received the Gold Audience Award for Asian Feature and the Bronze Audience Award for Animated Feature, respectively. At the Porto International Film Festival, or Fantasporto, the Directors Week Best Director Award was given to Yoon Jong-seok's *Confession*. *Anemone: A Fairy Tale for No Kids*, an independent film directed by Jung Hayong, received the Grand Prize for Fantastic Yubari Competition and the Cinegar Award at the Yubari International Fantastic Film Festival. The top prize at the Munich Film Festival was awarded to *Broker*, while Jeong Ji-hye's *Jeong-sun* won the Grand Jury Prize and Best Actress Award for the actor Kim Geumsoon at the Rome International Film Festival.

Korean animated films continued to achieve great accomplishments. *Persona*, a short animation film directed

by Moon Sujin, won the Cristal for a Graduation Film at the Annecy International Animation Film Festival and was also listed in many other film festivals. At the World Festival of Animated Film – Animafest Zagreb, Baek Miyoung's *Piropiro* took home the Best Animation for Children award. Among documentary films, Won Ho-yeon's *Burning Flower* was awarded a special prize called "Premio Museo Usi e Costumi Della Gente Trentina" at the Trento Film Festival. Korea's Virtual Reality (VR) films also obtained favorable results. For example, Ku Bomsok's *Poet's Room*, a VR film about the Korean poet Yun Dong-ju, was invited to compete in the Venice Immersive section of the Venice Film Festival. At the Vancouver International Film Festival, Lee Seung-moo's *Red Eyes*, a VR film produced by the Art & Technology Lab at the Korea National University of Arts, won the VeeR Audience Award at the VIFF Immersed section. The SXSW Film Festival invited *Ihyangjeong: Carving with Memories*.

Some film festivals even presented a special section dedicated to Korean films. Film Fest Gent, an annual international film festival held in Belgium, hosted the "Focus on South Korean Cinema" section, while Iran's Fajr International Film Festival held a special section dedicated to Lee Jung-jae. The Fantasia International Film Festival organized various sections for Korean films and screened a total of 60 Korean films including films both past and present,

feature and short films, and live-action and animated films alike. In addition, the Udine Far East Film Festival, the New York Asian Film Festival, and the London East Asia Film Festival also spotlighted the current status of Korean cinema in 2022 as they have in other years.

A Song for My Dear, a film directed by Lee Chang-yeol that is slated to be released in 2023, has been invited to dozens of large and small film festivals, receiving 51 awards since 2021, including the Best Screenplay prize at the Noida International Film Festival in India as well as the Best Actor for Sun Donghyuk and the Best Supporting Actress for Jung Ami at the Richmond International Film Festival in the U.S. in 2022. *The Woman in the White Car*, directed by Ko Hye-jin, became the winner of the Best International Feature at the San Diego International Film Festival. *A Man of Reason*, actor Jung Woo-sung's directorial debut, was invited to the Hawaii International Film Festival, where he was honored with the Halekulani Career Achievement Award.

3. Major Countries and Routes of Overseas Entry for Hallyu in Film

1) Performance of Korean films in major countries

Examining the regions to which Korean finished films have been exported reveals meaningful changes. The Asian region remains the biggest importer of Korean films with exports to the region increasing from USD 31.77 million (approx. KRW 41.5 billion) in 2021 to USD 34.41 million (approx. KRW 45 billion), but its share among other importers decreased considerably from 73.8% to 48.2%. In contrast, North America and Europe increased their share, presumably attributable to the BTS documentary in the former and achievements at the Cannes and the Berlin Film Festival in the latter. The largest increase occurred in “other regions,” however, which is related to the performance of OTT content and accounts for 28% of total exports. The export volume to the “other regions” in 2022 stood at a total of USD 19.98 million (approx. KRW 26.1 billion), a fourfold increase from USD 4.86 million (approx. KRW 6.4 billion) in the previous year. This figure is comparable to the export value in 2020, which was USD 22.14 million (approx. KRW 28.9 billion). However, the

factors behind this increase have changed somewhat compared to two years ago. In 2020, the considerable increase in exports to “other regions” was driven by the OTT release of numerous films that were originally intended for theatrical release, while in 2022, in addition to the said factor, the increased exports were also attributable to the growth in the number of global sales companies that began to embrace multiple regions.

A country-specific analysis shows that Taiwan successfully reclaimed first place from China, which slipped to the seventh position. The successful performance of Hallyu movie exports in 2021 resulted from the export of old and new Korean finished films and sales of remake rights, while the Korean film market made great accomplishments in 2022 mostly by selling secondary rights. Vietnam entered the top 10 of the chart again, which was dominated by the Chinese-speaking world (China, Taiwan, and Hong Kong) and other Asian countries including Japan and Singapore. In terms of European countries, France was ranked sixth, thanks to the achievements of *Decision to Leave* and *Broker* at the Cannes Film Festival. Interestingly, the Russian market was included in the top 10 of the chart, despite the Russia-Ukraine war. In the Latin American market that includes Uruguay, which was ranked ninth, it was notable that a single local importer distributes all Korean films to the various countries in the region.

Table 2. Export Trends in Korean Films by Region over the Last Five Years

(Unit: USD)

Region	2018		2019		2020		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Asia	27,924,327	67.1%	27,403,357	72.3%	26,712,089	49.3%	31,768,205	73.8%	34,408,677	48.2%
North America	4,057,565	9.8%	4,133,177	10.9%	2,935,543	5.4%	2,371,203	5.5%	9,507,462	13.3%
Europe	3,313,223	8.0%	3,762,036	9.9%	1,547,411	2.9%	2,570,002	6.0%	5,818,835	8.1%
Latin America	1,582,428	3.8%	824,821	2.2%	308,500	0.6%	1,020,000	2.4%	1,270,546	1.8%
Oceania	339,644	0.8%	612,478	1.6%	317,320	0.6%	264,880	0.6%	295,888	0.4%
Middle East/Africa	92,560	0.2%	121,447	0.3%	197,717	0.4%	181,520	0.4%	163,210	0.2%
Other regions (Worldwide)	4,297,500	10.3%	1,020,000	2.7%	22,138,400	40.9%	4,857,208	11.3%	19,975,762	28.0%
Total	41,607,247	100%	37,877,316	100%	54,156,980	100%	43,033,018	100%	71,440,380	100%

Source: Korean Film Council (2023). *2022 evaluation of the Korean film industry*. p. 69.

Table 3. Exports of Korean Films to Countries over the Last Three Years

(Unit: USD)

Ranking	2020			2021			2022		
	Country	Amount	%	Country	Amount	%	Country	Amount	%
1	Taiwan	7,924,412	14.6%	China	8,396,220	19.5%	Taiwan	9,779,476	13.7%
2	Japan	5,110,593	9.4%	Japan	6,963,322	16.2%	Japan	9,212,205	12.9%
3	Singapore	3,798,225	7.0%	Taiwan	6,690,404	15.5%	U.S.	5,814,455	8.1%
4	Hong Kong	2,467,961	4.6%	Singapore	4,295,609	10.0%	Singapore	5,869,534	8.2%
5	China	2,448,126	4.5%	U.S.	4,452,554	10.3%	Hong Kong	4,418,580	6.2%
6	U.S.	1,525,595	2.8%	Hong Kong	1,414,200	3.3%	France	3,104,006	4.3%
7	Vietnam	1,242,103	2.3%	Germany	762,728	1.8%	China	1,961,100	2.7%
8	Germany	824,857	1.5%	Malaysia	625,500	1.5%	Russia	992,156	1.4%
9	Malaysia	799,000	1.5%	Thailand	490,584	1.1%	Uruguay	701,408	1.0%
10	Philippines	494,500	0.9%	Philippines	478,000	1.1%	Vietnam	618,000	0.9%

Source: Korean Film Council (2023). *2022 evaluation of the Korean film industry*. p. 70.

Table 4. Top 12 Highest-grossing Korean Films in North America in 2022

(Unit: USD)

Ranking	Film	Distributor	Release date in North America	Revenue in North America		Number of screens		Release date in Korea	Revenue in Korea
				Total	First week	First week	Maximum		
1	BTS: Permission to Dance on Stage – LA	Trafalgar	March 12	6,840,000	6,840,000	803	803	n/a	n/a
2	Decision to Leave	MUBI	October 14	2,179,864	96,200	3	32	June 29	15,138,568
3	Hansan: Rising Dragon	Well Go USA	July 29	865,888	287,554	32	32	July 27	56,088,758
4	The Roundup	Capelight	May 19	812,859	102,204	15	22	May 18	103,587,754
5	Emergency Declaration	Well Go USA	August 12	412,196	123,140	42	42	August 3	15,950,734
6	Alienoid	Well Go USA	August 26	168,309	116,032	108	108	July 20	12,191,733
7	The Witch: Part 2. The Other One	Well Go USA	July 17	143,723	47,552	12	12	June 15	22,394,494
8	The Killer: A Girl Who Deserves to Die	Wide Lens	July 13	134,716	49,814	56	56	July 13	461,135
9	Decibel	Wide Lens	December 2	60,579	26,706	21	21	November 16	6,661,272
10	Broker	Neon	December 23	45,007	3,265	3	*271	June 8	10,009,373
11	Hunt	Magnolia	December 2	25,994	16,348	31	31	August 10	34,176,903
12	Project Wolf Hunting	Well Go USA	October 7	20,541	20,541	17	17	September 21	3,416,655

Source: Based on North American data from Box Office Mojo (www.boxofficemojo.com) and Korean data from the Korean Box Office Information System (KOBIS) by the Korean Film Council.

* The total revenue of Korean films is converted to the exchange rate as of each film's release date.

Among Korean films released in North America, the highest-grossing film of the year was *Decision to Leave*, with a gross of USD 2.18 million (approx. KRW 2.9 billion). *Broker* recorded a gross of over USD 1 million (approx. KRW 1.3 billion) despite it being released on December 23, as its director's fame and Cannes award led to the film becoming a box office hit. While some films in

the chart, including *Hansan: Rising Dragon* and *The Roundup*, were already successful at the Korean box office, it is interesting to note the success of other films, such as *Project Wolf Hunting*, *The Killer: A Girl Who Deserves to Die*, and *Decibel*. These films were not successful in the domestic market, but their distinctive characteristics as thrillers or action films led to box office success in overseas markets. These examples carry meaningful implications for the development of genre films in Korea.

Hong Sang-soo's films were released in movie theaters around the world at the same time by overseas distributors: *Hotel by the River* (2018) was screened through a Chinese OTT platform, *Introduction* (2020) was released in New York, Los Angeles, and France, *In Front of Your Face* (2021) was released in New York, and *The Novelist's Film* was sold at the Cannes Film Festival. The movie sold to the largest number of countries was Park Chan-wook's *Decision to Leave*, which was sold to a staggering 192 countries at the Cannes Film Market, followed by *Broker*, which was sold to 171 countries. *The Roundup* was pre-sold to 132 countries ahead of its release in Korea, thanks to its genre advantages as an action film, as well as the name recognition of Ma Dong-seok in overseas markets. *Man of Plastic*, a comedy film starring Ma, was also sold to 32 countries. Lee Il-hyung's *Remember*, the Korean remake of *Remember* (2015) directed

by Canadian filmmaker Atom Egoyan, was pre-sold to 115 countries around the world. In addition, films with distinctive genre characteristics, such as *Project Wolf Hunting*, *Urban Myths*, and *The Killer: A Girl Who Deserves to Die*, attracted a great deal of attention from overseas markets, and *Christmas Carol*, a film starring K-pop star Park Jin-young in the lead role, was also pre-sold to many countries. Though somewhat belated, Lim Dae-hyung's *Moonlit Winter* (2019), which was shot around Otaru, Japan, and stars Japanese actors, was finally released in Tokyo. Chu Sang-mi's *The Children Gone to Poland* (2018) was released in Tokyo and then gained more screens in Osaka, Yokohama, and Kyoto.

The animated film *Carrie and Superkola* was screened in movie theaters in Vietnam. Vietnam is arguably the most promising emerging market of recent years, with Lotte Entertainment producing *A Hundred Billion Key* (original title: *Chìa Khóa Trăm Tỷ*) through its Vietnam-based corporate entity, which was founded to invest and produce local films in Vietnam. The film is based on *Key of Life* (2012), a Japanese film directed by Kenji Uchida. Its Korean remake titled *Luck-key* (2016), starring Yoo Hae-jin, was a box office success, and it was remade in China under the title *Endgame* (2021), starring Andy Lau.

A Hundred Billion Key was released in Vietnam during its Lunar

New Year holiday. The film topped the box office in its first week of release and continued to be successful, which was attributable to not only the enjoyable narrative of its original film but also the collaboration between the famous Vietnam film director Vo Thanh Hoa and popular Vietnamese actors. Since its foundation in 2017, Lotte Entertainment Vietnam has continued to produce local films in Vietnam, ranging from a Vietnamese adaptation of the Korean film *Daddy You, Daughter Me* (2017) to *Furie* (Hai Phượng) (2019) and *Bloody Moon Fest* (2020).

Meanwhile, an interesting film was produced in Hollywood: *Umma*, a horror film directed by Korean-American filmmaker Iris K. Shim and starring Korean-American actor Sandra Oh in the lead role. Directly using the Korean word for “mother” as its title, the film tells the story of Korean immigrants in the U.S. The film attracted public attention as it uses traditional Korean images, such as *hanbok* and *jesa* ceremonies, and was produced by Sam Raimi, a master filmmaker well-known for his dark humor and horror films.

2) Continuation of remakes

The trend of remaking Korean films continued in the global market throughout 2022. Kim Seong-hun’s *A Hard Day* (2014)



Figure 3. Restless (left), a French Remake of A Hard Day, and an Indonesian Remake of My Sassy Girl (right)

Source: Netflix, IMDb

was remade in China and the Philippines in 2017 and 2021, respectively, and in 2022, it was remade as a Netflix film titled *Restless* in France. There was also an Indonesian remake of *My Sassy Girl* (2001) in 2022, a Korea film directed by Kwak Jae-yong that has already been remade several times as films or TV series in U.S., Japan, and China. The Indonesian film industry has already remade several other Korean films including *Whispering Corridors* (1998), *Sunny* (2011), and *Miss Granny* (2014).

Some films are under plans to be remade. *Miracle on 1st Street* (2007) directed by JK Yoon (Yoon Je-kyoon) is being discussed as a strong candidate for a remake, while Kim Young-tak's *Hello Ghost* (2010), whose Hollywood remake was once abandoned, is going to be remade in the Asian region. *A Moment to Remember* (2004)

directed by John H. Lee is going to be remade in China. As a Korean adaptation based on a Japanese drama series, starring Jung Woo-sung and Son Ye-jin, the movie was re-exported to Japan and gained huge popularity. Lee Won-tae's *The Gangster, the Cop, the Devil* (2019) is an action thriller film that depicts the palpable tension between a gangster, a serial killer, and a police detective, and Ma Dong-seok, who plays the titular gangster, is preparing to remake the film in Hollywood as a producer alongside Sylvester Stallone's production company, while also reprising the same role in the Hollywood remake.

4. Forecast of Hallyu in Film

Changes experienced in 2022 were largely attributable to the “living with COVID-19” policy. As the world gradually leaves the pandemic behind and offline markets reopened, there has been a considerable increase in overseas sales. Here, it is necessary to take a closer look at the characteristics of this growth. First, the value of exports saw significant growth in the OTT content sector. In essence, the OTT market became the center of the entertainment industry during the COVID-19 pandemic, and OTT platforms

are becoming increasingly intertwined with the film industry, which implies that the OTT market could potentially begin to influence business in the film industry. Given the difficulty for box office revenues of Korean films to recover to pre-pandemic levels, the capital incoming from the OTT market offers new possibilities for the Korean film industry.

The current trend in which the boundaries between films and dramas are blurring significantly in the new OTT content ecosystem appears set to continue. Although the two media may naturally clash in the OTT market, it is more likely that they will complement each other by exchanging talent and creativity. From a broader perspective, this represents the strategic direction that “K” brands in the cultural sector, including movies, dramas, webtoons, animations, and K-pop, must adopt in order to ensure their survival and prosperity. It is by doing so that Korean webtoons are able to be adapted for Netflix drama series and animations about K-pop are created. As a case in point, film director JK Yoon is planning a film titled *K-Pop: Lost in America* starring Cha Eun-woo, in collaboration with Hollywood productions.

“Hallyu 4.0” emerged around 2020 as the result of diverse cultural content such as BTS (K-pop), *Parasite* (film), and *Squid Game* (drama). Effective preparations for the era of “Hallyu 5.0”

will involve such diverse elements combined in a single content. The platform for such content is likely to be online media, including OTT platforms, where cultural openness will become crucial. This is an era that calls for an attitude and system that can gather together various ideas in the most creative and productive way, rather than relying solely on the brilliance of a single genius to create outstanding content.

3

Hallyu in Music

Beyond COVID-19 Toward a New Field

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1. Current Status of Hallyu in Music

The COVID-19 pandemic, which engulfed the world from the first half of 2020, finally began to show signs of resolution in 2022. Although the pandemic has not yet fully ended, many people have developed antibodies and resistance against COVID-19 through infection, reinfection, and vaccination over the past two years. Furthermore, the number of severe cases has decreased significantly, and the risk of mortality has lowered. In addition, a global consensus has emerged that it is no longer possible to shut down and postpone everything out of fear of COVID-19. As a result, various sectors rapidly moved toward “normalization,” and in 2022, the world took steps toward “living with COVID-19.” Even China, which had adhered to a strict “zero-COVID” policy with rigorous quarantine and lockdown measures, shifted its approach drastically toward “living with COVID-19” in December 2022.

However, as predicted by many experts, COVID-19 has already changed many aspects of life, and even after its momentum subsided, we cannot simply return to the way things were before. The online-centric world, which was forced to suddenly emerge in this unavoidable situation, has continued to provide us with

new possibilities and methods of activities that were unimaginable in the past, even after offline activities resumed. For instance, despite fewer restrictions on face-to-face interactions, a growing number of business-related meetings, conferences, and seminars are now conducted online in a non-face-to-face format using “Zoom.” As a result, creating an environment for online attendees when hosting an event has become essential, with many events expanding their scope globally.

The production, distribution, and consumption environment of media products likewise underwent significant changes due to the impact of COVID-19, which also influenced the global popularity of K-pop. Online content featuring K-pop singers, which had predominantly consisted of songs, music videos, and related video content before, has since further expanded its scope. Some artists have combined offline and online formats when staging their concerts by, for example, livestreaming one out of three offline performances in real-time over three-day concert schedule. Fans have become accustomed to watching concerts online during the COVID-19 pandemic, meaning that they now actively demand the real-time online streaming option for concerts and are willing to pay for online concerts. This provides K-pop fans with new options to watch performances, but it also requires artists and their agencies to ensure a suitable environment

for streaming live performances online in real-time.

Meanwhile, BTS, who has continued to dominate the Hallyu in Music section of the *Hallyu White Paper* since 2017, announced a temporary hiatus of group activities, with BTS member Jin commencing his mandatory military service in 2022, thereby marking the end of an era in the group's history. Nevertheless, the year 2022 also marked the rise of a new generation of artists who began to play a significant role in the global K-pop scene, leading the generational shift. In addition, physical album sales and exports surpassed the record-breaking performance of 2021, achieving new heights once again. Notably, there was meaningful growth not only in traditional key overseas markets such as Japan and China, but also in regions beyond East Asia as well as the U.S.

1) K-pop: The representative image of Korea

In 2022, as in recent years, K-pop was the first thing that came to mind for overseas Hallyu consumers when they thought of Korea. “K-pop” has maintained its top position among images associated with Korea for six consecutive years from 2017, but its share fell by 2.8% points and the number of regions where it ranked first dropped from four to three (Korean Foundation for International Cultural Exchange [KOFICE], 2022). Nevertheless, K-pop

Table 1. Images Associated with Korea

(Unit: %)

	Asia/ Oceania	Americas	Europe	Middle East	Africa	Total
K-pop	16.2	16.1	10.3	8.5	5.5	14.0
Korean cuisine	14.1	7.1	9.2	9.8 (1st)	10.0	11.5
Dramas	9.5	– (outside the top 5)	– (outside the top 5)	8.3	– (outside the top 5)	7.5
Hallyu stars	8.7	5.7	– (outside the top 5)	6.5	– (outside the top 5)	7.0
IT products and brands	6.3	7.5	7.1	– (outside the top 5)	11.3 (1st)	6.8

Source: Reorganized based on the Korean Foundation for International Cultural Exchange (2022).
the graphs on pages 10 and 55 of *2022 global Hallyu trends*.

still accounts for a large proportion of Korean cultural content. Although the percentages of non-entertainment-related cultural items including Korean food, IT products, and beauty products have been growing gradually in recent years among images representing Korea, their globalization certainly owes much to Hallyu in music.

2) Spread of Hallyu in music

Industries in which in-person consumption accounts for a large portion of sales, such as the beauty, fashion, and food industries, saw a drop in consumption due to the spread of COVID-19, while the global consumption of video content, such as variety

shows, films, dramas, and games, which can be enjoyed online without the need for direct contact, increased throughout the two consecutive years, benefiting from the global pandemic. The music content sector saw a slight decline in responses that indicated a decrease in consumption (from 15.2% to 13.2%) and a rise in those indicating an increase (from 40.9% to 47.3%) compared to the previous year, which could be interpreted as a result of the resumption of concerts and face-to-face events as well as the growing popularity of many new artists who emerged in 2022.

As the spread of COVID-19 slowed down, the value of Korean cultural content exports increased slightly as of the first half of 2022, compared to the same period in the previous year. The film

Table 2. Changes in the Consumption of Korean Cultural Content Compared to Before the COVID-19 Pandemic

(Unit: %)

	Increased	No change	Decreased
Music	47.3	39.5	13.2
Dramas	53.5	35.2	11.3
Variety shows	51.5	35.6	12.9
Games	50.2	36.4	13.4
Fashion	42.4	37.9	19.7
Beauty	45.5	37.9	16.6
Food	40.1	39.3	20.6

Source: Reorganized based on the Korean Foundation for International Cultural Exchange (2022). the graphs on pages 14 and 37 to 38 of *2022 global Hallyu trends*.

Table 3. Value of Cultural Content Product Exports from 1H 2021 to 1H 2022

(Unit: USD 1,000)

Industry	2020			2021			2022	Previous half-year (compared to 2H 2021)	Same period in previous year (compared to 1H 2021)
	First half	Second half	Annual total	First half	Second half	Annual total	First half		
Publications	92,055	253,905	345,960	255,899	172,480	428,379	168,275 (3.1%)	△2.4%	△34.2%
Comics	30,128	32,587	62,715	43,824	43,781	87,605	56,048 (1.0%)	28.0%	27.9%
Music	267,990	411,643	679,633	288,740	652,614	941,354	364,398 (6.6%)	△44.2%	26.2%
Games	3,963,594	4,229,968	8,193,562	3,706,542	4,966,323	8,672,865	3,653,912 (66.5%)	△26.4%	△1.4%
Films	12,656	41,501	54,157	14,308	28,725	43,033	21,714 (0.4%)	△24.4%	51.8%
Animated films	43,903	90,629	134,532	47,302	104,626	151,928	47,348 (0.9%)	△54.7%	0.1%
Broadcasting	256,838	435,952	692,790	259,991	440,105	700,096	281,623 (1.5%)	△36.0%	8.3%
Advertisements	47,985	71,950	119,935	65,278	90,720	155,999	82,292 (1.5%)	△9.3%	26.1%
Characters	327,578	388,238	715,816	354,517	363,245	717,762	396,517 (7.2%)	9.2%	11.8%
Knowledge information	310,364	381,623	691,987	329,104	337,482	666,586	313,710 (5.7%)	△7.0%	△4.7%
Content Solutions	97,351	135,845	233,196	102,759	147,352	250,111	110,087 (2.0%)	△25.3%	7.1%
Total	5,450,441	6,473,842	11,924,283	5,468,264	7,347,453	12,815,718	5,495,923	△25.2%	0.5%

* The figures in parentheses represent the percentage of export value for each industry compared to the total export value of the entire content industry in the first half of 2022.

Source: Korea Creative Content Agency (2022a). *Content industry trends analysis report for 1H 2022*. p. 8.

industry showed the largest increase, and the music industry saw a 26.2% increase compared to the same period in the previous year. The music industry accounted for 6.6% of the total exports of cultural content, securing the third position in the value of export following games (66.5%) and characters (7.2%) (Korea Creative

2. Issues Concerning Hallyu in Music

1) BTS's hiatus and military service controversy

Years after making their first mark in the global music market by winning the Billboard Music Award for Top Social Artist in 2017, BTS announced a temporary suspension of group activities in June 2022. Upon releasing their debut single in 2013, BTS initially received lukewarm responses from the Korean market, but the following year, they began to emerge as the most popular Korean boy band among Hallyu and K-pop fans in the U.S. Their single “Run,” released in late 2015, attracted huge attention from domestic and international K-pop fans, leading to a surge in popularity, and winning the aforementioned award in 2017 helped them expand their fan base. Since then, BTS has had all albums placed at the top of the Billboard 200, *Billboard* magazine’s main album chart. In 2020, their single “Dynamite” secured the number-one spot on the Billboard Hot 100 chart for the first time, and subsequently, their singles “Life Goes

On,” “Butter,” and “Permission to Dance” all reached the top consecutively. “Butter,” in particular, stayed at the top of the chart for 10 weeks, breaking the record for the song with the longest run at number one on the Billboard Hot 100 chart in 2021. Moreover, their new song “Permission to Dance” immediately replaced “Butter” at the top of the chart after the latter’s seven-week reign. The following week, however, “Butter” returned to the top place, making BTS the first artist to displace itself at No. 1 with a new song and then send the previous No. 1 back to the top in the space of two weeks. Based on their monumental achievements in K-pop music, BTS made history as a boy band that significantly expanded the presence of the entire Hallyu phenomenon, including music.



Figure 1. BTS Announcing Their Intention to Enter into Hiatus Through Their YouTube Channel

Source: Official BTS YouTube channel “BANGTANTV”

Throughout 2022, BTS became embroiled in a controversy related to Korea's mandatory military service. The issue of their military service became both a political topic and an economic matter linked to their agency's market capitalization. As BTS is a symbol of not only K-pop but also Hallyu as a whole, this issue triggered widespread debates even among foreign media and global fans. To make matters worse, relevant authorities, including the Military Manpower Administration, the Ministry of National Defense, and the National Assembly, fueled the controversy by continuing to delay their responses. Despite BTS having consistently expressed their willingness to fulfill their military duty, the controversy eventually snowballed out of their hands, making them "the piggy in the middle."

However, BTS managed to resolve the matter by their own hands. Without any prior notice, they unexpectedly and informally announced a temporary hiatus through a YouTube livestream with their fans. Although they did not directly mention their military service during the broadcast, it was an indirect announcement of their intention to enter the military in their own words. Subsequently, their agency officially announced that Jin will fulfill his mandatory military service and all other members will also serve their military duties according to their respective plans. With Jin's enlistment in December 2022,



Figure 2. BTS Members Bidding Farewell to Jin as He Enters the Recruit Training Center

Source: *JoongAng Ilbo*

BTS decisively put an end to the controversy surrounding their military service.

BTS’s hiatus is a significant issue with the potential to exert a profound impact on the global phenomenon of Hallyu in music. As their agency’s stock prices plummeted immediately after BTS announced the suspension, there were concerns that their hiatus could adversely affect the entire Hallyu movement (Kwon, 2022). However, recent trends in K-pop show that Hallyu in music is not solely reliant on BTS. Other third-generation K-pop groups continue to play vital roles in leading Hallyu in music, such as Blackpink, who proved their popularity with their highly successful second full-length album “Born Pink” in 2022, and TWICE, who successfully completed their world tour with a total of seven concerts and over 100,000 attendees in the U.S.

alone. Moreover, following the path paved by such K-pop groups, new K-pop artists are also making their way into the global market, gaining positive responses. Considering the specialized production system and workers equipped with know-how in the current Korean music industry, the foundation of K-pop's global success is most likely too strong for BTS's hiatus to lead to a crisis across the entire Hallyu in music (KOFICE, 2022).

The controversy surrounding BTS's military service garnered attention not only domestically but also among foreign media and fans, emerging as a global cultural issue and an example that demonstrates the presence of K-pop on the global stage. However, this case is also an example of how such an issue can be politically exploited and lead to unnecessary disputes, irrespective of the

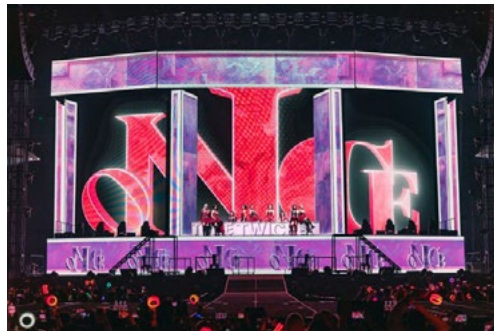


Figure 3. TWICE's U.S. Tour in 2022

Source: *The Chosun Ilbo*

artists' intentions, implying that when government policies are unable to establish a clear direction due to political intentions and power struggles, they might have a negative impact on Hallyu, a phenomenon created through the efforts of global consumers and the relevant industries.

2) Rapid growth in physical album exports

As of December 2021, physical album sales in the Korean music industry amounted to approximately 57 million units, a 31% increase from the previous year (Kim, J., 2022). However, the figure further rose in 2022. According to a report from the Circle Chart, an official music chart produced by the Korea Music Content Association, the annual sales of physical albums in 2022 reached around 80.7 million units, a 26% increase from the previous year (Kim, J., 2022). The annual sales of physical albums have been steadily on the rise since 2015, and the rate of growth has been faster with the accelerated globalization of K-pop following BTS's success. However, under the direct influence of COVID-19 in 2020 and 2021, there was a significant surge in sales that surpassed the previous trends, and this momentum continued into 2022.

The substantial increase in physical album sales despite BTS's

hiatus and its member's military enlistment seems to be linked to the continued growth of K-pop album sales, particularly the rise of a new generation of girl groups (Ahn, 2022). While third-generation K-pop boy bands, such as BTS (6.07 million units), Stray Kids (5.83 million units), and Seventeen (5.46 million units), retained their top positions in the physical album sales rankings, fourth-generation girl groups such as IVE, ITZY, aespa, and LE SSERAFIM, who debuted within the past three years, also exhibited strong performances, securing top positions alongside third-generation girl groups including Blackpink, TWICE, and Red Velvet in physical album sales. Consequently, the proportion of female artists' album sales out of total physical album sales rose more than twofold, from 16.1% in 2021 to 32.6% in 2022.

The increase in physical album sales can be interpreted to be attributable to the increase in export value, rather than domestic sales growth. When compared to 2021, domestic consumers' experiences of purchasing physical albums, purchase frequency, and average payment per physical album in 2022 show little to no increase or slight growth (KOCCA, 2022b). However, according to the Trade Statistics by the Korea Customs Service, the exports of physical albums in 2022 reached a record high of USD 233.113 million (approx. KRW 296.4 billion), a 5.6% increase from USD 204.235 million (approx. KRW 259.7 billion) in 2021 (Lee, T., 2023).

Indeed, the exports of physical albums have been increasing dramatically every year since surpassing USD 60 million (approx. KRW 76.2 billion), playing a crucial role in driving Hallyu in music. One of the main reasons for the increase in export value is the expanded influence of K-pop beyond East Asia, which had been mostly limited to Japan and China in the past. In 2022, the U.S. market accounted for approximately 16.7% of Korea's physical album exports, ranking third after Japan (approx. 36.8%) and China (approx. 22%). This indicates a significant diversification of markets within the past five years, compared to the time when the Asian market accounted for as many as 92.6% of the album exports to each continent in 2017 (Korea International Trade Association, 2020).

In the current era where music is mostly consumed through digital streaming, physical album sales have long served as a metric measuring the loyalty of a fandom, as opposed to mass appeal. Therefore, the increase in physical album sales and export value can be seen as an indicator of the substantial expansion of dedicated K-pop fandoms. In particular, the growth in album sales for new generation artists who debuted within the past three years offers glimpses of a promising future of Hallyu in music.

3) Synchronization between the domestic and global markets

One of the important characteristics of Hallyu in music in 2022 is that a new generation of K-pop groups (fourth generation) has emerged as the center of Hallyu in music following the third generation represented by BTS and Blackpink. Since H.O.T.'s debut in 1996, which is deemed to have been the beginning of K-pop itself or at least the rise of first-generation K-pop, the K-pop era has persisted for more than a quarter of a century and nearing three decades. Over this period, K-pop has made great progress. At the beginning, it targeted only the domestic market and fans (first generation) but later attracted consumers in the Chinese-speaking region (China, Taiwan, and Hong Kong) and gradually spread across the whole of East Asia (second generation). Subsequently, with Psy's global smash hit "Gangnam Style" and the BTS frenzy, K-pop has eventually succeeded in advancing into the global market beyond East Asia, including North and South America, Europe, Central Asia, Middle East, Oceania, and Africa (third generation). The year 2022 was when the third generation of K-pop was forecasted to end with BTS announcing their hiatus, as well as several other third-generation K-pop groups undergoing breakups or failing to renew contracts with their agencies.

However, in spite of some worries, the year served as a sort of transition period where a smooth generation change took place as rookie artists who debuted within the past three years gained popularity among domestic and global fans. As the COVID-19 crisis coincided with some third-generation groups' contract terminations and some of their members entering into hiatus to fulfill their military service, entertainment companies began releasing a series of new groups. In essence, the generational shift took place in a natural process.

Like other generations, the fourth generation can be characterized based on the age of the artists, genre, major market, consumer base, and media through which distribution and consumption take place. The following section summarizes the characteristics of fourth-generation K-pop groups such as IVE, aespa, LE SSERAFIM, ITZY, NewJeans, (G)I-DLE, Tomorrow X Together, Enhypen, and Treasure,¹ all of which are considered to be major K-pop idol groups of the new generation.

First of all, they were mostly born in the 2000s and accordingly range in age from mid-teens to early twenties. In terms of music production, they receive songs from songwriters who are under the exclusive agreement with their agency or from a

1 These groups all debuted after 2019 except for (G)I-DLE who debuted in 2018.

song camp² upon request from their agency, or otherwise they directly take part in songwriting, which results in decreased reliance on specialized composers unlike in the past. Even before the fourth generation, there were a few boy bands that engaged in songwriting, producing, and other music production activities, such as BigBang and BTS, but in the case of the fourth generation, more members from a broader range of groups are now getting involved in creating their own music, which distinguishes them from the former generation. Furthermore, it is notable that girl group members are also participating in music production in the fourth generation, changing the perception that “idol songwriters” are often male. A good example is Soyeon of (G)I-DLE, who not only participates in composing and producing but also voices her opinions to the agency in designing her group’s concepts. This promotes musical diversity and also provides K-pop idols, who used to be treated as “products designed and acting according to their agency’s strategies regardless of their will,” with a robust foundation on which they can grow as outstanding musicians by firmly establishing their identity and fostering their creative philosophy.

2 A “song camp” refers to a team of about ten composers and producers who are assembled to create music together.



Figure 4. “IVE,” a Representative Fourth-generation K-pop Girl Group

Source: Mnet, MAMA Awards Twitter

Another key aspect of the fourth generation with direct links to Hallyu in music is that more groups are returning to a focus on the domestic market, as opposed to the third generation, where a series of emerging K-pop groups placed a heavier emphasis on global audiences following the dramatic growth in the global market for K-pop. At first glance, this phenomenon may appear to be a regression to the first generation, which completely relied on the domestic market, or to the second generation where the share of the domestic market remained high in spite of the successful entry into some overseas markets. The reality is not so simple, however. It is true that COVID-19 certainly discouraged some K-pop artists from going abroad, meaning that fourth-generation K-pop artists who debuted during the pandemic had



Figure 5. Soyeon of (G)I-DLE Actively Participating in Music Production

Source: *Newsen*

no option but to focus on the domestic market. Nonetheless, a more important reason behind their focus on the domestic market is that trends in the Korean market, as the “home of K-pop,” have become more closely connected to the global music industry, eventually allowing the two markets to reach “synchronization.”

In the past, there was a certain “time lag” between achieving popularity in the domestic market and success in the global market. This is because K-pop groups usually commenced their musical activities on the home stage, and only after achieving a degree of popularity did they seek to enter the East Asian market including Japan and China. If a group proved to be successful, then they attempted to advance into the U.S. or other

countries beyond the East Asian market. This strategy was used by the second generation's BigBang and the third generation's TWICE and EXO to name a few. However, since the case of "reimportation" by BTS, which first achieved success in the American market and later grew in popularity at home, many third-generation K-pop groups have endeavored to advance into the global market rather than the local market to obtain a source of income to sustain their activities. There was even a group that was almost not known to Koreans but popular enough in a specific overseas market to organize concert tours. Based on this trend, many K-pop experts including this author predicted that the "decoupling"³ between the Korean and the global K-pop markets would intensify (KOFICE, 2020).

However, the unexpected advent of COVID-19 caused rapid changes in the consumption of K-pop. During the pandemic, people used online platforms to consume K-pop and purchased more physical albums than ever, and this change has virtually eliminated the time lag between the domestic market and the global market. Due to such synchronization, K-pop girl groups who debuted during the pandemic such as IVE, aespa,

3 This economics term refers to a situation in which two or more activities do not develop in the same way.

LE SSERAFIM, and NewJeans were able to quickly advance into the overseas market without any special performances or activities on the international stage. Based solely on their success in the domestic market, they then became key players of Hallyu in music, selling hundreds of thousands of album copies. This indicates that the globalization of K-pop is an important factor in connecting the domestic market and the global music market more firmly and also influencing the international music market to some extent.

3. Major Countries and Routes of Overseas Entry for Hallyu in Music

1) Advancing into different regions

Examining the value of Korean music industry exports by major destination country, continent, and year reveals that the share of exports to Japan has decreased while those to the Chinese-speaking region and North America have increased significantly. Of particular note is that Japan's share of exports is lower than 50% as in 2020, which has decreased at an annual average rate of

Table 4. Value of Music Industry Exports by Region

(Unit: USD 1,000)

Year Region	2019	2020	2021	Share (%)	YOY Increase/ decrease (%)	Annual average increase/ decrease (%)
Chinese-speaking region	117,542	114,717	146,142	18.9	11.8	11.5
Japan	389,484	320,126	310,503	40.1	-14.9	-10.7
Southeast Asia	129,674	122,813	140,569	18.1	0	4.1
North America	80,456	86,723	114,094	14.7	14.8	19.1
Europe	22,488	21,230	34,406	4.4	41.94	23.7
Others	16,554	14,024	29,559	3.8	80.95	33.6
Total	756,198	679,633	775,274	100.0	0	1.3

Source: Ministry of Culture, Sports and Tourism (2023). 2021 content industry statistics. p. 155.

Table 5. Reasons for the Popularity of Hallyu in Music (According to Fans)

(Unit: %)

Factor Region	Excellent musical elements (melodies, rhythms, etc.)	Artist appearance (looks, clothing, styling, concepts, etc.)	Outstanding performances
Asia/Oceania	17.1	17.9	13.7
Americas	24.3	13.7	12.7
Europe	17.9	12.5	12.3
Middle East	12.4	14.9	10.9
Africa	16.5	- (Top 3에 없음)	13.3

Source: Reorganized based on the Korean Foundation for International Cultural Exchange (2022). 2022 global Hallyu trends by the Korean Foundation for International Cultural Exchange (2022). pp-105-115.

10.7% since 2019, while the values of exports to China, North America, and Europe grew at an annual average rate of 11.5%, 19.1%, and 23.7%, respectively. This revival in exports to China and great diversification of destination music markets are very positive in terms of sustainability and expansion of Hallyu in music.

Regarding the reasons behind the popularity of K-pop, international fans mostly chose excellent musical elements such as addictive melodies and rhythms as well as new and unique styles, followed by the visual appearance of the artists, including their looks and styling, and the eye-catching nature of their performances.

2) Routes of overseas entry for Hallyu in music

Korean music industry exports are made via direct exports (through foreign distributors, online sales, and corporations in other countries) and indirect exports (through agencies at home and abroad). The most common channel is through foreign distributors, and it is notable that direct exports through online sales to overseas markets and through foreign corporations have increased. This may be linked to the increased value of physical album exports to the global market.

Table 6. Channels for Overseas Exports by the Music Industry

(Unit: %)

Export channel		2019	2020	2021	YOY increase/ decrease (%p)
Direct export	Participation in shows and events overseas	2.6	0.2	0.0	-0.2
	Through networks with foreign distributors	58.3	58.2	49.1	-9.0
	Online sales to overseas markets	7.9	13.0	20.4	7.3
	Through overseas corporations	4.9	14.2	16.3	2.1
Indirect export	Through domestic agencies	11.2	2.2	3.1	0.9
	Through foreign agencies	15.1	12.2	11.1	-1.1

Source: Ministry of Culture, Sports and Tourism (2023). *2021 content industry statistics*. p. 156.

Table 7. Korean Music Industry Exports

(Unit: %)

	2019	2020	2021	YOY increase/ decrease (%p)
Finished products	70.3	71.7	79.0	7.3
Licenses	28.9	27.8	20.7	-7.1
OEM exports	0.7	0.1	-	-0.1
Technical services	-	0.4	0.3	-0.1

Source: Ministry of Culture, Sports and Tourism (2023). *2021 content industry statistics*. p. 156.

Advancement by the domestic music industry into international markets has continued in three forms: exports of finished products, exports of licenses, and OEM exports, in which the recent addition of technical services is notable (Table 7). This

can be interpreted to indicate that there has been an increasing number of countries wishing to learn the K-pop business model, and demand for technology transfer and system education has also increased.

4. Forecast of Hallyu in Music

1) Transfer of technology on the music industry

As Hallyu in music has grown in depth, there is an increasing movement in many countries to go beyond simply enjoying and appreciating K-pop musicians and songs, instead seeking to create their own brand of K-pop based on Korean music. This trend has gradually emerged since the late 2000s when the actual globalization of K-pop started, although it mostly resulted in rudimentary imitations or plagiarisms of K-pop at the time. Most of such derivative musical works and singers were crude attempts lacking originality, and therefore they also failed to gain support from fans (Seong et al., 2017).

However, recent trends have tended to differ. In an effort to “localize” K-pop beyond imitation and plagiarism, some countries



Figure 6. Thai Girl Group RoseBerry Successfully Completing K-pop Industrial Training

Source: Korean Foundation for International Cultural Exchange

are attempting to make music with a similar feel to K-pop by inviting music industry workers with experience working at a major Korean entertainment company (Seong et al., 2017). Recently, rather than inviting a small number of Korean music industry specialists, foreign musicians have been directly sent to Korea for a kind of “industrial training” to understand the K-pop business model and experience training courses.

A prime example is RoseBerry, a four-member rookie Thai girl group who visited Korea in 2022. They participated in the “2022 Grow Together” project organized by the Korean Foundation for International Cultural Exchange, where they experienced systematic education and training processes in the Korean music

industry for three months. Returning home after the training, they won the rookie of the year award at the Thailand Digital Awards 2022 (TDA) with their debut single “Butterfly,” which was recorded in Korea, and thereby demonstrated the effectiveness of the industrial training.

As such, Hallyu in music not only results in an economic effect, or in other words, success in the advancement of Korean cultural products into other countries, but is also making a substantial contribution to the widespread dissemination of Korean music, culture, systems, etc. In particular, East Asian countries, as a major market for Hallyu, express admiration and envy for Korean music and culture, resulting in expectations that increasing cultural exchanges with them and boosting mutual understanding will significantly help to bolster their music industry and also the Korean music industry in the long run.

In addition, RoseBerry’s case presents another possibility. For example, hip hop was a genre of music born out of African-American community culture in major U.S. urban centers that eventually spread across the world, subsequently being regenerated and successfully localized in some countries or regions as “Korean hip hop” or “Japanese hip hop.” In much the same way, K-pop can be developed into a variety of hybrid music that embodies the unique characteristics of each region on top of the basic K-pop

features, with the end results referred to as “Thai K-pop” or “American K-pop” for example. In fact, the Filipino K-pop boy band SB19 was created by a small Korean entertainment company and has gained popularity at home as well as abroad (Im, 2022). The key to their success was the recognition of their originality by international consumers, as they successfully personalized the K-pop business model and K-pop musicians’ professional ethics such as diligence and passion in their own style, rather than simply imitating K-pop (Shin, 2023). Furthermore, more and more so-called “localized” K-pop groups are emerging in the U.S. and Europe, examples of which include EXP Edition and Kaachi.

2) Hallyu in music and Generation Alpha

While third-generation K-pop is closely related to the cultural characteristics of Generation Z, also known as Gen Z (Lee, G., 2020), fourth-generation K-pop is connected to an even younger generation referred to as Generation Alpha. Generation Z refers to those born between the mid-1990s and late 2000s, while Generation Alpha, a relatively new term, includes those born since the early 2010s (Kim, N. et al., 2022). Gen Z is characterized by “digital natives,” “smartphones,” and “connection and communication via social media and messenger services,” while

their nature and characteristics have been analyzed in some detail. On the other hand, it is difficult to precisely identify the characteristics of Generation Alpha because those born in 2010, the starting year for the generation, are currently mere middle-school first-graders at present as of 2023 and too young to identify their exact characteristics. In particular, this age group shows considerable change in personality and characteristics year by year, and therefore, it is practically useless to define their characteristics at this point. Thus, the present analyses and definitions on this generation are highly likely to be incorrect speculations.

However, it is obvious that Generation Alpha who are growing up in the sharply changed political, economic, social, and cultural environments following the COVID-19 pandemic would embody different characteristics from the so-called Generation MZ, a combination of the Millennials who are now in their thirties or forties, and Generation Z who are in their twenties. Also, considering that today's society is connected via the Internet, social media, and messengers, Generation Alpha may share common global features as did Generation Z, regardless of country and region, class, gender, and racial and ethnic differences. In addition, given that the growth of Hallyu in music throughout the 2010s was supported by Generation Z, support

from Generation Alpha who will become the predominant generation of youths in the 2020s is also essential for the sustainability of Hallyu in music. This is why those who work in the music industry and music fans alike have a great deal of interest in Korean teenagers' preferences today.

Indeed, signs of such changes are already showing, little by little. The most remarkable change is the emergence of new media platforms for consuming Korean music. Following Twitter and YouTube, which have made considerable contributions to the globalization of Korean popular music as a major channel of Hallyu in music and a window to establish global fandoms since the early 2010s, short-form⁴-based media platforms such as TikTok, YouTube Shorts,⁵ and Instagram Reels⁶ are emerging as new platforms. Short-form content that appeared first at the end of the 2010s began to rapidly gain popularity in 2020 when the

use of Internet media increased sharply because of the worldwide COVID-19 pandemic. Reportedly, short-form content is mostly consumed by teenagers, leading some to worry about the excessive consumption of short-form content that may cause decreased concentration or literacy, or increased smartphone

4 Short-form content refers to video content with a significantly short length.

5 YouTube Shorts provide short-form video content on YouTube.

6 Instagram's short-form video service.



Figure 8. ZICO's "Any Song Challenge" Video on TikTok

Source: *JoongAng Ilbo*

addiction (Kim, S., 2022). Nonetheless, it is obvious that, in 2020, short-form content cemented its place as a new media trend for younger generations.

Short-form content, consisting of videos around one minute in length, has some features that are well-suited to the characteristics of K-pop. In general, K-pop performances and choreography characteristically include impressive and easy-to-follow dance moves, which are called "point choreography." Major examples are the "Oh My God" dance from "Tell Me" by Wonder Girls, the "T" dance from "T.T" by TWICE, and the horse dance from "Gangnam Style" by Psy. This kind of point choreography is

short, unique, and clear, perfect for presenting and enjoying in the format of a short-form video. In practice, the Korean hip-hop musician ZICO, who was previously a member of a K-pop idol group, released “Any Song” in 2020 and held a “dance challenge”⁷ using short-form videos, which drew considerable attention and achieved great success. Since then, dance challenges have become essential video content that K-pop singers must create in addition to a music video and a dance performance video.

In short, the new generation of K-pop has been establishing its own characteristics and identity while meeting a new generation of consumers. This trend is expected to intensify in Hallyu in music throughout 2023.

7 This refers to uploading a short-form video where one or more challenge participants re-enact the point choreography of the original singer.

Hallyu in Games and E-sports

Hallyu in Games Newly Preparing
for the Transition to the COVID-19 Endemic Phase

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1. Current Status of Hallyu in Games and E-sports

1) Balanced growth across platforms despite moderate growth rates

In 2021, the Korean gaming market was valued at KRW 20.9913 trillion, finally exceeding KRW 20 trillion. The value rose by 11.2% compared to the previous year (KRW 18.8855 trillion), which is a very high growth rate considering the economic growth rate was 4.1% for the same period (Korea Creative Content Agency [KOCCA], 2023). Among the 11 content industry sectors defined according to the special classification system for the statistical survey of the content industry (gaming, publishing, comics, music, film, animation, broadcasting, advertising, character, knowledge information, and content solutions), the gaming sector is the fourth industry to achieve KRW 20 trillion, following the broadcasting, publishing and knowledge information sectors (KOCCA, 2022).

The salient issues in each platform are as follows:

First is the stabilization of the mobile gaming market. This market has been growing more and more over time and it has occupied the largest share of the entire gaming market for a

long period of time. However, the share stood at 57.9% in 2021, showing only a slight increase from the same period last year, while it grew from 49.7% in 2019 to 57.4% in 2020, up 7.7% year-on-year. Of course, it is difficult to predict whether this sluggish expansion of the mobile gaming market will continue in 2022 or turn to an accelerated upward trend. However, considering that the shares of other platforms have not significantly changed compared to the previous year, the mobile gaming market is not expected to grow by a great deal for the time being. Although the share has not increased sharply, this is not to say that the mobile gaming market has not grown steadily. The sales revenue of this market in 2022 is KRW 12.1483 trillion, a 12.2% increase from the last year (KRW 10.8311 trillion).

Second, while the arcade and PC gaming markets grew significantly, the console gaming market, which had seen the largest growth margin for two consecutive years, instead showed a minus growth rate. The arcade and PC gaming markets were valued at KRW 273.3 billion and KRW 5.6373 trillion, up 20.3% and 15.0% from the previous year, respectively. However, the console gaming market, which had increased by 31.4% in 2019 and 57.3% in 2020 compared to the previous years, was valued at KRW 1.052 trillion in 2021, down 3.7% from the last year (KRW 1.0925 trillion). The great strides taken by the arcade

gaming market can be interpreted to mean that the said market, which was directly hit by the COVID-19 pandemic, started to recover when the government relaxed social distancing measures. The PC gaming market also grew thanks to the increased sales of popular games such as *Sudden Attack* by Nexon, *Lost Ark* by Smilegate, and *Scions of Fate* by Mgame. In contrast, the negative growth of the console gaming market is significantly attributable to the lack of games with market power. Although there were some obstacles to increasing playtime at home, such as the transition to the endemic phase of COVID-19 causing people to play games outside of their homes as well as a series of hits from other content industries like OTT, the PC gaming market produced fairly good results, while the console gaming market did not.

Third, there was a slight increase in sales of gaming cafes and arcades, both of which had seen a huge drop in sales due to the COVID-19 pandemic. Gaming cafes experienced significant negative growth (-11.9%) from KRW 2.0409 trillion in 2019 to KRW 1.797 trillion in 2020, and arcades also suffered from a fall in sales from KRW 70.3 billion in 2019 to KRW 36.5 billion in 2020, decreasing by nearly half (-48.1%). In addition to the pandemic crisis, other factors, such as the stagnation of the PC games market, increased use of mobile games, and a surge in the

popularity of console games that can be enjoyed at home, were related to the decline in sales of offline distributors. However, thanks to increased activities away from home, the government's policy to revitalize the arcade industry, and the growth of the PC and arcade gaming markets, the sales revenue of the game distribution market has finally rebounded.

Overall, looking back over the last three years, it cannot be said that the Korean gaming market in 2021 achieved exponential growth (8.7% in 2018, 9.0% in 2019, 21.3% in 2020, and 11.2% in 2021), but it made relatively balanced growth across platforms. Existing major market segments, consisting of 1) platforms that have grown considerably (console & mobile games), 2) platforms where growth has been stagnant (PC & arcade games), and 3) gaming service providers (arcades & gaming cafes) that have undergone significant negative growth, have changed to 1) platforms that have undergone stable growth (mobile games), 2) platforms where growth has slowed down (console games), 3) platforms and the secondary market that have bounced back from a decline or stagnation (PC & arcade games, arcades & gaming cafes).

In 2022, the Korean gaming market is forecasted to expand by 8.5% compared to the previous year, amounting to KRW 22.7723 trillion in valuation. There are numerous factors of varying scales impacting this overall growth, with the largest

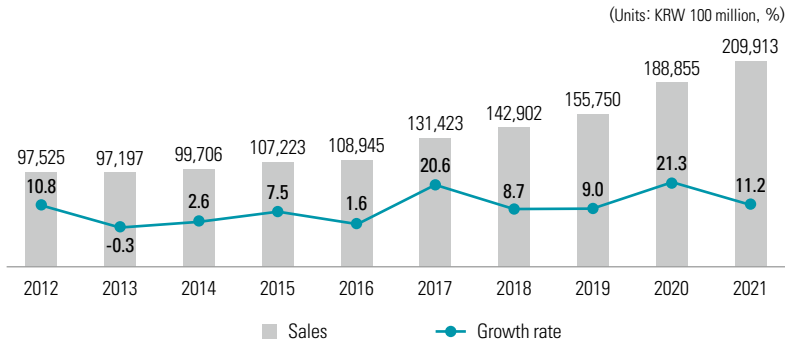


Figure 1. Korean Gaming Market: Size and Rate of Growth (2012-2021)

Source: Korea Creative Content Agency (2023). *2022 white paper on Korean games*. p. 26.

Table 1. Korean Gaming Market: Sales and Share by Platform (2020-2024)

(Units: KRW 100 million, %)

		2020		2021		2022(E)		2023(E)		2024(E)	
		Sales	Growth rate	Sales	Growth rate	Sales	Growth rate	Sales	Growth rate	Sales	Growth rate
Game developers & publishers	Mobile games	108,311	39.9	121,483	12.2	138,559	14.1	150,891	8.9	164,489	9.0
	PC games	49,012	2.0	56,373	15.0	56,238	-0.2	54,789	-2.6	57,634	5.2
	Console games	10,925	57.3	10,520	-3.7	10,078	-4.2	10,376	3.0	11,160	7.6
	Arcade games	2,272	1.6	2,733	20.3	3,031	10.9	3,283	8.3	3,604	9.8
Gaming service providers	Gaming cafes	17,970	-11.9	18,408	2.4	19,192	4.3	21,015	9.5	20,883	-0.6
	Arcades	365	-48.1	396	8.6	625	57.6	816	30.6	808	-1.0
Total		188,855	21.3	209,913	11.2	227,723	8.5	241,170	5.9	258,578	7.2

Source: Korea Creative Content Agency (2023). *2022 white paper on Korean games*. p. 26.

being the diminished effects of COVID-19. As out-of-home mobility has increased, arcade games and the use of gaming cafes and arcades are expected to expand. In the same context, the use

of PC and console games is likely to decrease to some degree. The mobile gaming market will continue to grow steadily, but as the market becomes stable, the growth trend is highly likely to slow down. In addition, aside from the growth in sales, increasing expenses such as labor, development, and overhead costs will lead to incremental decreases in operating profits across the Korean gaming industry (KOCCA, 2023).

2) Market share still in fourth place despite only a 5.8% increase in exports

The value of game exports by Korea in 2021 totaled USD 8.67287 billion (approx. KRW 9.9254 trillion, based on the 2021 annual basic exchange rate of the Bank of Korea), a 5.8% increase from the previous year (USD 8.19356 billion). Following the enormous export growth of 80.7% in 2017, it had slowed down to 8.2% and 3.8% in 2018 and 2019, respectively, but then rebounded to a relatively high rate of 23.1% in 2020. However, this upward trend was only sustained shortly, and in 2021, the growth rate was back to the levels of 2018 and 2019. By platform, mobile game exports accounted for the largest share at USD 5.3303 billion (approx. KRW 6.8356 trillion), followed by PC games at USD 3.14562 billion (approx. KRW 4.0339 trillion). Console game exports were

valued at USD 156.74 million (approx. KRW 201 billion) and arcade games at USD 40.21 million (approx. KRW 51.6 billion). Mobile games led the growth of total exports with a 4.8% increase from the previous year. Although arcade game and PC game exports expanded by 15.9% and 8.3%, respectively, to achieve higher growth than mobile games, the overall export volumes were only moderate for both platforms. Meanwhile, console games was the only platform to fall in export volume, declining by 8.2% between 2020 and 2021.

The value of game imports by Korea in 2021 was USD 312.33 million (approx. KRW 357.4 billion), up 15.3% year-on-year. The growth rate of game imports, which had dropped since 2017, eventually rebounded for the first time in four years. It is noteworthy that the growth rate of imports was higher than the growth rate of exports, given that over the six years since 2015, it was only in 2018 that the growth rate of imports exceeded that of exports. While most platforms saw growth in imports (arcade games at 264.1%, console games at 47.6%, and mobile games at 18.5%), only the value of PC game imports fell by 23.8%, and although the growth rate of arcade game imports reached three digits, the actual value was only moderate.

In 2021, Korea occupied a 7.6% share of the global gaming market. Considering that the previous years' market shares were

Table 2. Korean Game Exports and Imports (2015-2021)

(Units: USD 1,000, %)

		2015	2016	2017	2018	2019	2020	2021
Exports	Value	3,214,627	3,277,346	5,922,998	6,411,491	6,657,777	8,193,562	8,672,865
	Increase/decrease	8.1	2.0	80.7	8.2	3.8	23.1	5.8
Imports	Value	177,492	147,362	262,911	305,781	298,129	270,794	312,332
	Increase/decrease	7.2	-17.0	78.4	16.3	-2.5	-9.2	15.3

Source: Reorganized based on the Korea Creative Content Agency (2023). *2022 white paper on Korean games*, p. 29.

6.2% in 2019 and 6.9% in 2020, it can be concluded that the country’s market share has been gradually increasing by steady increments from the previous years. In terms of global rankings, Korea has remained in fourth place since 2020 when it climbed from fifth to fourth place. Subsequently, the gap with the UK in fifth place widened somewhat from 0.8% in 2020 to 1.4% in 2021. In the future, Korea is highly likely to continue competing against the UK, Germany, and France in fifth, sixth and seventh places, respectively. Meanwhile, the market shares of the top three countries accounted for more than 50%, and the large gap between Japan in third place (10.3%) and Korea in fourth place (7.6%) is expected to make it difficult for Korea to join the top three any time soon.

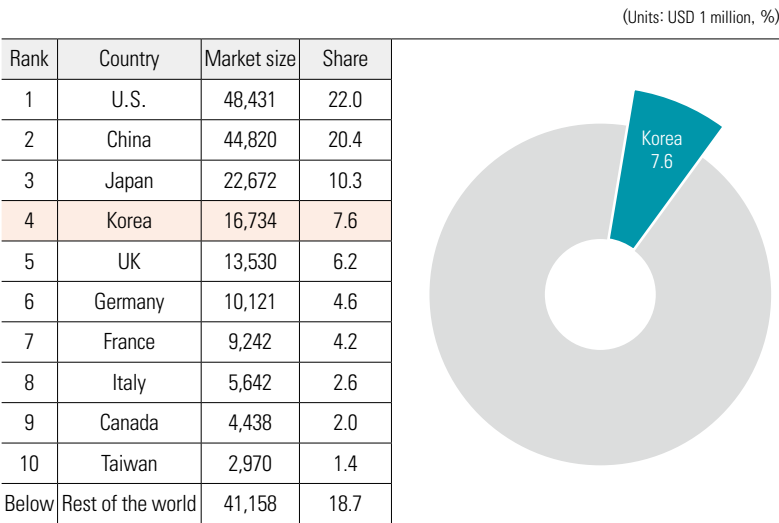
Table 3. Korean Exports and Imports by Game Platform (2020-2021)

(Units: USD 1,000, %)

		Overall		Mobile games		PC games		Console games		Arcade games	
		2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Exports	Value	8,193,562	8,672,865	5,083,764	5,330,298	2,904,308	3,145,623	170,797	156,736	34,693	40,208
	Increase/decrease	5.8		4.8		8.3		-8.2		15.9	
Imports	Value	270,794	312,332	190,434	225,753	53,371	40,651	24,170	35,664	2,819	10,264
	Increase/decrease	15.3		18.5		-23.8		47.6		264.1	

Source: Reorganized based on the figure on the Korea Creative Content Agency (2022). 2022 white paper on Korean games, p. 84.

Table 4. Korea’s Share and Standing in the Global Gaming Market (2021)



Sources: PwC (2022)., Enterbrain (2022)., JOGA (2022)., iResearch (2022)., Playmeter (2016)., NPD (2022); Requoted from p. 88 of 2022 white paper on Korean games by the Korea Creative Content Agency (2023).

2. Issues Concerning Hallyu in Games and E-sports

1) Accelerated expansion of the console gaming market

The most prevalent trend in recent years is the rise of console games in Korea. In fact, it has been difficult to attract bold investments in console games given the historically small scale of the console gaming market and the relative dearth of development skills and know-how in comparison to PC and mobile games, the first and second largest segments of the Korean gaming market. In recent years, however, the popularity of the eighth-generation video game consoles and the expansion of online subscription business models have driven the considerable growth of the console gaming market at home and abroad. This is proven by significant growth rates such as 41.5% in 2018, 31.4% in 2019, and 57.3% in 2020, although the sector saw negative growth of 3.7% in 2021. As an increasing number of PC or mobile games became available on consoles, and console games emerged as a new foothold to advance into the global market following online platform games, Korean game companies had no choice but to jump into the console gaming market in earnest (Korean Foundation

for International Cultural Exchange [KOFICE], 2022).

For example, a number of console games such as *Buried Stars* by LINE Games, *Seven Knights - Time Wanderer* by Netmarble, *QV* by CFK, and *The Coma 2: Vicious Sisters* by Devespresso Games were praised by players worldwide, demonstrating the great potential of Korean console games. Subsequently, renowned game companies promoted more advanced features of the Korean console games to the world, with Pearl Abyss, ShiftUp, and Nexon consecutively introducing or releasing *DokeV*, *Stella Blade*, and *KartRider: Drift*, respectively. These concentrated launches of major games created a keen sense of excitement among gamers worldwide, reflecting the anticipation of using consoles to enjoy gameplay that had only been available on PC and mobile platforms.

Today, it has become commonplace practice for Korean game companies to enter the gaming console market. Rather, it is difficult to find new major video game titles that do not at least consider distributing on console platforms. For example, NCSoft is focusing on developing two new console games, *Throne and Liberty* (*TL*) and *LLL*. The company aims to release *TL* in the first half of 2023 and *LLL* in 2024. *TL*, a massively multiplayer online role-playing game (MMORPG), will feature a seamless open world and dungeons that change depending on the environment and

weather conditions, a free class system where players are free to define their own roles, and an optional PvP system.¹ *LLL* features a combination of open-world MMORPG and third-person shooting elements, establishing a new hybrid genre rather than conforming to recent popular genres like battle royale or looter shooter,² which is a significant unique point of this game.

Nexon has achieved remarkable success on Steam³ with *Dave the Diver* for PC, a marine adventure RPG and business management simulation game, and is now developing the console versions of *Dave the Diver* and *KartRider: Drift*. As for the aforementioned *KartRider: Drift*, Nexon shut down service for the original *KartRider* before the preseason of *KartRider: Drift* with the aim to attract fans of the former to the latter. In addition, Nexon plans to launch a third-person action game *Project AK* (*Arad Chronicle: Kazan*) and a third-person looter shooter action game

1 Player versus player, or PvP, is a gaming term that refers to combat between one player character and another player character, or content that includes such combat. PvP is the opposite of player versus environment, or PvE.

2 A subgenre of shooter games that include item-farming elements (the gaming term “farming” refers to collecting items and resources to improve the character). Most examples combine shooter games and action RPG. Looter shooters feature experience points and loot, guns as the main weapons, direct aiming and shooting by players, etc.

3 Steam is a global online game platform being developed and operated by Valve Corporation. Steam not only plays the role of a global distribution channel but also functions as a testbed to verify the probability of success in the global gaming market. This stems from Steam’s unique service model “Early Access,” which enables game companies to sell their games and generate profit during the actual development process to gather feedback, or use it as a crowdfunding source.

First Descendant at the same time for both PC and consoles (for PlayStation and Xbox).

The third-person AoS (Aeon of Strife)⁴ game *Paragon: The Overprime*, for which Netmarble launched Early Access on Steam in December 2022, was also set to be available on consoles, as well as PC. The open-world action RPG *Seven Deadly Sins: Origin* is being developed based on the intellectual property of the Japanese anime *Seven Deadly Sins* and will be available on multiple platforms including PCs, mobile devices, and consoles. In addition, Pearl Abyss is planning to release the open-world action-adventure game *Crimson Desert* and the MMOFPS *Plan 8* for PC and consoles. Smilegate is developing open-world games for consoles through Smilegate Barcelona, a game development studio established in Barcelona in July 2020. Kakao Games will launch the console version of *Eternal Return*, a battle royale AoS game (Kim, 2022).

Lies of P developed by Neowiz Games is considered to be one of the most remarkable achievements in this regard. This single-player soulslike⁵ action game became the first in Korean gaming history to win three major awards (Best Action Adventure Game,

4 AoS is a genre of real-time siege game in which the player selects one character, raises its level and skills on a set map, and strengthens their heroes to destroy the opponent's camp. It was named after the user-created *StarCraft* map "Aeon of Strife," which was essentially the progenitor of the genre.

Best Role Playing Game, and Most Wanted Sony PlayStation Game) at Gamescom 2022⁶ held in Cologne, Germany from August 24 to 27, 2022. Major factors behind the success of *Lies of P* include the inherent appeal of the soulslike genre, the novelty of the familiar Pinocchio story adapted as a brutal adult story, as well as the realistic graphics and excellent hit satisfaction, according to an analysis (Choi, 2022). The accolades won by *Lies of P* at Gamescom are highly significant as the eventual fruition of Neowiz's steady efforts to improve the quality of console games and proof for the excellence of Korean console games across the world.

Today, the Korean gaming industry is facing a new heyday with console games. Of course, most of the games that are under development or have been released are multi-platform games that can be also played on consoles, rather than console-exclusive games. However, consoles are the best platform to deliver high-quality graphics, realistic depictions, and action-oriented hit satisfaction, and this advantage may be reflected in

5 Games similar to or influenced by the *Souls* series are called "soulslike games," or "soulslike" in shortened form. The *Souls* series consists of third-person action RPGs with gameplay and manipulation succeeded from *Demon's Souls* developed by FromSoftware. Major features of the *Souls* series include a dark fantasy world setting, 3D action RPG, and extremely high difficulty.

6 Gamescom is one of the world's three largest gaming events along with E3 (Electronic Entertainment Expo) in the U.S. and TGS (Tokyo Game Show) in Japan. It is organized by the German Trade Association of Interactive Entertainment Software (BIU) and held at the Koelnmesse in Cologne, Germany. First held in 2009, Gamescom has become one of the world's most influential global festivals, with more than 300,000 visitors attending the show each year.

the development and release of games. In addition, the multi-platforming strategy of recent years has become a trend across the global gaming industry, pushing many large PC game companies, as well as game console companies, to make their own forays into the console gaming market. In short, this is the reason why it is necessary to pay particular attention to the Korean console gaming market, which is expanding gaming platforms beyond PCs and mobile platforms and further aims to attract more console players from around the world.

2) Games being recognized as “cultural art” by law

Games have been recognized as “cultural art” by law. As a partial amendment to the Culture and Arts Promotion Act was passed by a National Assembly plenary session on September 7, 2022, video games were included in the scope of culture and arts under the said Act. The amended Act stipulates key properties of culture and arts in general terms and recognizes games as cultural arts, in addition to listing various genres under culture and arts, such as literature, fine arts, music, dance, drama, motion pictures, entertainment, Korean classical music, photographs, and publications in Article 2 (Definitions) of the Act. Games were included in the scope of culture and arts for the first time in the

50 years since the Culture and Arts Promotion Act was enacted in 1972. Although the Act was wholly amended in 1995, it did not address games at the time.

Of course, legal recognition alone does not transform games into a true cultural art form. From the very outset, video games have always been comprehensive works of cultural art that encompass graphic art, fine arts, music, and story. In other words, it was rather that legal recognition had been granted for something that had already constituted cultural art. This legal recognition of games as cultural art may not seem relevant to Hallyu, but the legislation has a high potential to raise public awareness toward games in Korean society and expand public support for developing the gaming industry. In Korea, the gaming sector tends to be considered as something to regulate rather than support or develop due to the negative perception of games. Accordingly, gaming has not been treated as equal to other cultural arts (Lee, 2022).

In contrast, video games have received attention overseas from their early stages as a new medium to lead the paradigm of art and culture in the 21st century. The U.S., Japan, and France have already recognized or officially declared gaming as art and promptly supported and developed the gaming sector as an industrial and cultural field of its own (Kim, 2022). As gaming

has become integrated in culture and arts in today's Korea, the country is able to make efforts such as spreading an accurate and positive awareness of gaming, establishing and expanding a sound gaming culture, and developing systematic policies to promote the gaming industry and expanding relevant projects. These efforts will create a strong foundation to promote both the internal and external growth of the gaming industry and culture as well as assuring the sustainability of Hallyu in games.

3) Resumption of offline game shows

With the transition of the COVID-19 pandemic to the endemic phase, an increasing number of offline games exhibitions have started to reopen. One such example is Korea's largest global games exhibition, G-Star. Unlike the 2021 exhibition where offline events were downscaled due to the COVID-19 pandemic, the 2022 event completely returned to normal for the first time in three years and finished successfully with enthusiastic support from visitors. G-Star 2022 was held in BEXCO, Busan over four days from November 17 to 20, 2022 and was met with such success that Exhibition Center 2 had to be hired in addition to Exhibition Center 1 to accommodate the increased number of participants and customers. Given the focus on capacity control

for both the indoor and outdoor spaces of the exhibition centers as per the safety management plan, the show did not aggregate the precise number of visitors by day. According to estimations of the indoor and outdoor visitor capacity at the exhibition centers, the event received about 184,000 visitors in person and nearly 970,000 viewers for the “G-Star TV” online event operating over the same period as the offline event. It can be concluded that a total of over 1.15 million people experienced G-Star 2022.

B2B (Business to Business) Hall on the first floor of Exhibition Center 2 at BEXCO operated both online and offline for three days from November 17 to 19. The number of booths increased more than 2.5 times compared to the previous year (313 booths in 2021, 847 in 2022) and the number of buyer registrations was 1,748 on the first day, 405 on the second day, and 60 on the third day, amounting to a total of 2,213 and marking a nearly 60% increase from the previous year (1,367 in 2021) (Kim, 2022). B2C (Business to Consumer) Hall had 2,100 booths, which exceeded the number in 2019 (1,895 booths), before the outbreak of COVID-19. Headed by Wemade, the main sponsor of G-Star 2022, major gaming companies at home and abroad including Nexon, Netmarble, Kakao Games, KRAFTON, Neowiz Games, Level Infinite, Zlongame, and HoYoverse opened booths and greeted visitors at the event.

G-Star Conference, or “G-CON,” hit a new record with the largest number of visitors ever. G-CON consisted of 44 sessions in total (4 keynote and 40 general sessions, 4 tracks) and attracted a large audience of nearly 6,500, featuring a spectacular line-up of speakers. Speakers in the keynote sessions consisted of David Cage, CEO of Quantic Dream, who is recognized as a master artisan of interactive action games such as *Detroit: Become Human*; Steve Papoutsis, Executive Producer of *The Callisto Protocol*; Jang Hyeon-guk, CEO of Wemade; and Ryoza Tsujimoto, Executive Producer on the *Monster Hunter* series. General sessions also drew attention by having top speakers including Hideki Kamiya of PlatinumGames; Katsuhiro Harada, Director of the *Tekken* series; Fumihiko Yasuda of Team Ninja that released *Wo Long: Fallen Dynasty* and *Rise of the Ronin* (Im, 2022).

This trend was not limited to G-Star. 2022 PlayX4 held at KINTEX in Goyang from May 12 to 15, 2022 also received about 76,000 visitors in total, the highest on record. Meanwhile, the livestreamed Gyeonggi e-Sports Festival channel had 450,000 cumulative viewers. B2B Export Consultation, on the other hand, drew the participation of a total of 380 companies (173 Korean developers and 207 Korean and overseas buyers). Korean companies held export consultations with buyers from 23 countries including Asia, Europe, North and South America, and the Middle East,

and set a new performance record as it did in the previous year. The estimated contract amount in 2022 was USD 134.35 million (approx. KRW 172.5 billion), rising by 21% from USD 110.67 million (approx. KRW 142.1 billion) in 2021 (Kim, 2022).

The surge in visitors to B2C events is deemed to be highly attributable to people's need for outdoor recreation, which had been difficult to fulfill due to the COVID-19 pandemic. Therefore, many B2C events are likely to be successful for a while. However, as B2C events in other industries increase and the demand for outdoor activities stabilizes or shrinks, B2C events for games may revert to the pre-COVID-19 level. The success of B2B events is highly positive for the Korean gaming industry as it proves that the world's interest in Korean games is gradually increasing. This trend is expected to continue for the time being, considering the recent improvements of Korean games, including the enhanced quality of games, expanded platforms, and diversified business models.

4) Business diversification to stories, video content, and digital humans

One of the hot issues in 2022 was the convergence of game companies and entertainment companies. For example, in

January 2022, Nexon Japan made a strategic investment of USD 400 million (approx. KRW 513.4 billion) in the U.S. Hollywood film production company AGBO, and became the largest shareholder of AGBO in November of the same year. Founded by world-renowned directors Anthony and Joe Russo and producer Mike Larocca, AGBO is a global entertainment company that develops and produces various digital media content including films. AGBO creates content for video streaming services and distribution to theaters in collaboration with partners such as Netflix, NBC Universal, Amazon Prime Video, Disney+, Apple TV+, A24, and Roku.

This trend can be found in other companies as well. Com2uS has been investing in various fields including books, publishing, and videos, and especially in the video field, it owns a 30% stake in the media content creator MediaCan and a 38.1% stake in the content production solution company WYSIWYG Studios. Com2uS has also sustained its high volume of investments in webnovels and webtoons. It holds the Global Game Literary Award annually to discover promising writers and took over an 18.6% stake in Mstory Hub, a content production company that produces webnovels and webtoons. Furthermore, Com2uS co-founded Jungle Studio, which specializes in story content, along with KENAZ, the largest webtoon creation company

in Korea (Kim, 2022). It also implemented the production of and investment in the *Reborn Rich* series through its subsidiary WYSIWYG Studios and its sub-subsidiary RaemongRaein.

Smilegate has established the specialized content production company SmilegateRealies. As a joint venture founded by Smilegate and Realies Pictures, a leading film production company famous for several successful films such as the *Along with the Gods* series and *Masquerade*, SmilegateRealies engages in the video production business using various multi-content IPs. The company endeavors to obtain attractive new IPs and aims to connect multiple IPs with a single world setting, rather than employing a one-off OSMU (One-Source, Multi-Use) strategy. As for investments in video content, Netmarble's investment in HIVE (formerly Big Hit Entertainment) attracted public attention. In addition, KRAFTON has invested in Hidden Sequence, which was founded by Lee Jae-moon, a former producer who worked on the popular Korean series *Incomplete Life* and *Signal* (Jo, 2022).

Aside from stories and video content, gaming companies have also advanced into the digital human field. Pearl Abyss has invested USD 3 million (approx. KRW 3.8 billion) in Hyperreal, a North American metaverse entertainment company. As a company specializing in digital humanization of celebrity known as "Hypemodells," Hyperreal participated in producing Paul

McCartney's music video *Find My Way* starring a digitally de-aged Paul. It also developed the singer Madison Beer's Hypermodel to hold a virtual concert in collaboration with Sony Music, garnering praise that the Hypermodel was so realistic as to be difficult to distinguish from a real human. In addition, Neptune has made equity investments in Deep Studio and Pulse9, both of which create K-pop digital idols using AI technology. In 2020, Neptune took over OnMind, a developer of the 3D digital human Sua.

Metaverse Entertainment, a subsidiary of Netmarble, plans to release a four-member girl group composed of digital humans including ZENA: and SIU:, following the release of the digital human RINA. Metaverse Entertainment has entered into a partnership with Kakao Entertainment, through which it will create characters and world settings while Kakao Entertainment will handle the entertainment business and global infrastructure. Smilegate's VR dating adventure *FOCUS on YOU's* virtual female lead Han YuA has debuted as a singer, unveiling her new single "I Like That." Smilegate's SE:A is also making an active array of attempts. Since its release in July 2018, AI virtual creator SE:A has been creating a robust range of video content under various concepts, maintaining her popularity (Kim, E., 2022).

5) China granting licenses to seven Korean games

In December 2022, the Chinese government granted publishing licenses to seven Korean games. Simply put, a publishing license grants approval to provide video game services in China. Chinese regulators issue this license to homegrown games as well as foreign games to be released within China. The Chinese government had suspended the issuance of licenses to Korean games for several years since a 2017 dispute between Korea and China triggered by the deployment of a controversial missile defense system known as THAAD. However, at the end of 2020, Com2uS's *Summoners War: Sky Arena* was approved by Chinese regulators, and this move raised anticipation in Korea that China would lift the ban on Korean content. However, since then, licenses have been granted for only a very small number of Korean games, which has imposed difficulties on Korean game companies to release their new games in China (Lee, 2022).

China's policy of limiting Korean entertainment content is one of the reasons behind the decrease in imports of Korean games, but more importantly, China's tighter regulation of the gaming industry hampered the issuance of licenses not only to foreign games including Korean games but also its homegrown games. The number of licenses issued to domestic games fell

from 9,177 in 2017 to 1,893 in 2018 as the Chinese regulators suspended the issuance of licenses for 10 months. This downward trend has continued with 1,365 licenses issued in 2019, 1,308 in 2020, and 679 in 2021. However, the Chinese government, which had adhered to the policy as recently as October 2022, eventually approved 70 domestic games in November 2022 and 84 in December of the same year, when it also granted publishing licenses to 44 foreign games for the first time in 17 months. Although the total number of licenses issued was only 468 in 2022, the increasing number of licenses issued at the end of the year suggests that the Chinese regulators may be gradually lifting the restrictions on the gaming industry in line with the Chinese leadership's designation of economic stability as the top priority task (Kang, 2023).

Korean games that were granted publishing licenses by the Chinese authorities are Smilegate's *Lost Ark* and *Epic Seven*, Netmarble's *Ni no Kuni: Cross Worlds*, *A3: Still Alive*, and *Shop Titans*, Nexon's *MapleStory M*, and Npixel's *Gran Saga*. The approval for several large-scale Korean games has established expectations that Korean gaming companies may be able to accelerate the expansion of their services in China. If additional licenses continue to be granted to Korean games, it will be possible to surmise that the Chinese government is taking steps

to lift the ban on Korean content (Lee, 2022). However, such expectations may be hasty, considering the case of Com2uS's *Summoners War: Sky Arena* in 2020. Korean gaming companies must cautiously observe the situation for a while in order to expand their presence in the Chinese gaming market.

6) DRX's victory at Worlds 2022: "The most important thing is having an unbreakable spirit"

"The most important thing is having an unbreakable spirit." This was definitely the quote of the year in 2022 in Korea. Uttered on numerous occasions throughout the Qatar World Cup and invoking emotional resonance with the Korean people, the quote actually stems from e-sports. More specifically, the quote is a video clip title of an interview with Kim Hyeok-gyu, better known as Deft, a professional gamer in the pro team DRX, which participated in the 2022 League of Legends World Championship (or Worlds 2022). Although Deft did not say the exact phrase "unbreakable spirit" in the interview, it was nonetheless penned by the interviewer to summarize his statements. Interestingly, after the interview, DRX defied all odds based on the said "unbreakable spirit" like a scene from a TV show, and finally won the Worlds 2022, upon which the phrase started to gain traction

across several gaming communities and further spread to other sectors. Then, in an interview after winning the Worlds 2022, Kim Hyeok-gyu (Deft) commented, “The most important thing is having an unbreakable spirit,” and the popular phrase has since been widely attributed to Deft, regardless of which came first.

Worlds 2022 was a special occasion, partially because a Korean derby was arranged for the first time in five years since 2017 as two Korean teams, SK Telecom T1 and DRX, met in the final (Kim, M., 2022). Past all-Korean matchups in the final consisted of T1 versus KOO Tigers in 2015 and T1 versus Samsung Galaxy in 2016 and 2017. The nail-biting action up to the final set was enough to drive fans into a frenzy. With the victory of DRX, Korea achieved the record of winning the World Championships seven times out of 12. While T1 has won three championship titles, this most recent victory is DRX’s first-ever world championship since the team was founded. In addition, this is the first time that a Play-In team has won a championship title. It is also noteworthy that Kim Hyeok-gyu, who had never been successful in the Worlds final despite his considerable fame, has finally won his first-ever world championship (Im, 2022).

3. Largest Shares of Export Destinations for Game and E-sports Hallyu in Descending Order: China, Southeast Asia, North America and Europe, Japan, and Taiwan

The export shares of the games and e-sports markets in major countries indicated that China captured the highest share at 34.1%, followed by Southeast Asia (17.0%), North America (12.6%), Europe (12.6%), Japan (10.5%) and Taiwan (6.4%). Compared with 2020, China's share dropped by 1.1%, while shares of Japan, Europe and North America increased by 6.7%p, 4.3%p, and 1.4%p, respectively. Taiwan showed the largest margin of decline, as the country's share decreased nearly by half from 12.5% in 2020 to 6.4% in 2021 with its ranking falling from third to sixth. In contrast, the shares and rankings of Hong Kong (2.4%), South America (2.0%) and Middle East (1.7%) did not change significantly from the previous year.

Export destination shares for mobile and PC games, which are the platforms with the biggest exports, are as follows: China was also the largest export destination for mobile games, standing at 29.2%. The figure was lower than China's share (34.1%) in total game exports, indicating that shares by country in mobile games

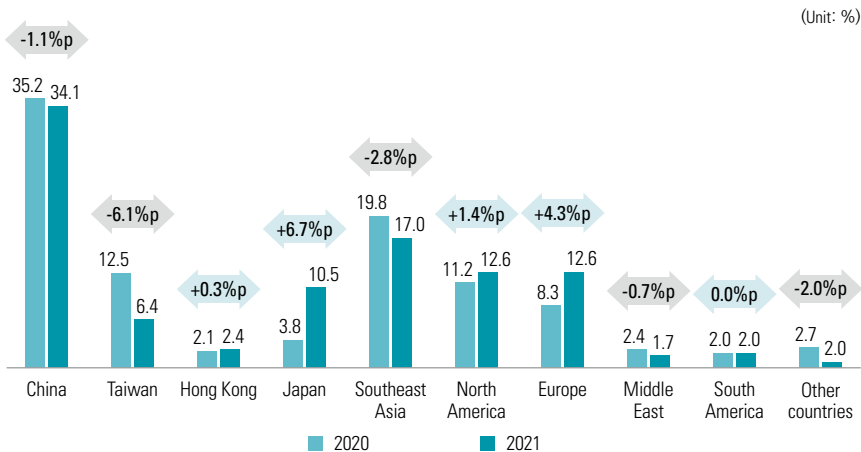


Figure 2. Shares of Export Destinations for Korean Games by Region (2020-2021)

Source: Korea Creative Content Agency (2023). *2022 white paper on Korean games*. p. 85.

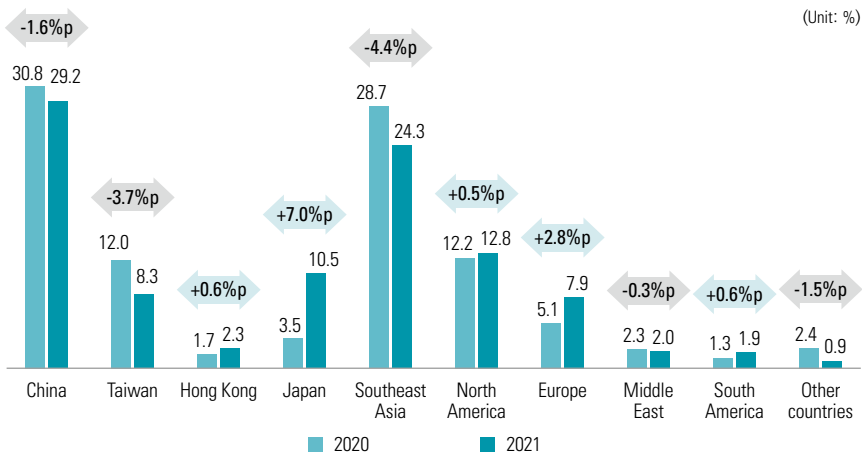


Figure 3. Shares of Export Destinations for Korean Mobile Games by Region (2020-2021)

Source: Korea Creative Content Agency (2023). *2022 white paper on Korean games*. p. 87.

were relatively evenly distributed compared with those in other game platforms. Southeast Asia (24.3%) took the second place as with its share of total game exports. It is noteworthy that Europe (7.9%) trailed behind North America (12.7%), Japan (10.5%) and Taiwan (8.3%), unlike its share in total game exports. Hong Kong (2.3%), Middle East (2.0%) and South America (1.9%) were behind Europe. Compared with the previous year, Japan (+7.0%p) achieved the largest growth while Southeast Asia (-4.4%p) saw the largest decline.

In terms of PC games, the share occupied by China was an overwhelming 44.0%. Although the share dropped by 1.0% from the previous year, it was clear that the high share in PC games contributed to a considerable increase in China's share in total game exports. Unlike in total and mobile game exports, Europe had the second-largest share in PC game exports so far and its share in 2021 (20.5%) increased significantly compared the previous year (14.0%). It is notable that Taiwan's share (2.7%) sharply decreased by 10.5%p, and Southeast Asia's share (5.3%) was smaller than Europe (20.5%), North America (12.3%) and Japan (9.9%). In the mobile games market, North America and Japan gained two-digit shares while China and Southeast Asia accounted for more than half, but in the PC game market, only Europe and North America recorded two-digit shares while China accounted

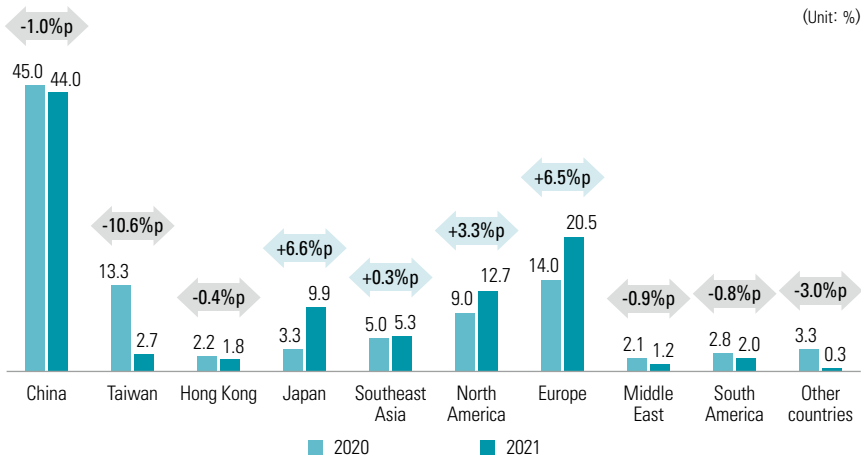


Figure 4. Shares of Export Destinations for Korean PC Games by Region (2020-2021)

Source: Korea Creative Content Agency (2023). *2022 white paper on Korean games*. p. 86.

for almost half, showing the relatively high concentration on China. The country that gained the largest growth in exports compared to the previous year was Japan (+6.6%p).

4. Forecast of Hallyu in Games and E-sports

This paper examined the current status of Hallyu in games, detailed issues related to Hallyu in games, and the current status

of games exports for 2021 and 2022. Based on this, discussion on the direction of Hallyu in games in 2023 is as follows.

First, it is forecasted that interest in China will grow again amid the diversification of major export destinations. A notable aspect in 2022 was the strategic targeting of the Western market centered on North America and Europe. As the Chinese government banned Hallyu content and restricted approvals of publishing licenses for games due to regulations imposed on the gaming industry, it was only natural to shift the focus from China to North America and Europe, which account for nearly half of the world's gaming market. This was also affected by the fact that Korean games have been recognized by their playability through global platforms such as Steam, in addition to the active entry of console games. Against this backdrop, it came as astounding news that the Chinese government issued approvals on seven Korean game titles in December 2022. It remains to be seen whether additional approvals for foreign games will be issued in the future but considering that approvals on domestic games have been increasing and Chinese regulations on the gaming industry are expected to be loosened, it is necessary for the gaming industry to contemplate the resumption of business in China.

Second, there will be a noticeable momentum for games on major existing platforms amid the expansion of platforms. This

is related to the fact that most game titles under development or already released are multi-platform games. It appears that the focus is shifting from PCs and mobile platforms to console platforms, although the said shift is closer to an expansion rather than a relocation of platform. Under the circumstances, a focus on gaming characteristics of major platforms (mostly PC games) with the addition of game characteristics of new platforms (mostly console games) may be a solution to stably expand the market while enjoying the advantages, even on the game company's part. Moreover, as the multi-platforming strategy has recently become the trend in the global game business as described above, it seems that the trend of developing multi-platform games based on the strength of gameplay characteristics from major platforms sets to continue or expand.

Third, the biggest issue in e-sports is the opening of the 2023 League of Legends World Championship in Korea. This is the third occasion after 2014 and 2018 in which Korea will host the championship. The 2014 Championship held its final in Seoul World Cup Stadium in Sangam-dong, Seoul, and the 2018 Championship final took place in Incheon Munhak Sports Complex after holding preceding games in Seoul, Busan and Gwangju. Details of the 2023 Championship including the cities and dates for events will be unveiled at a later date. From 2023,

a new tournament system will also be introduced. Until 2022, the tournament started with the Play-In Stage, and in the round of 16, teams played in the group stage in a group pool league format, and from the quarter-finals, each team competed in a single elimination tournament on a best-of-five basis. However, from 2023, double elimination will apply to Play-In, and the “Swiss System” will be introduced to replace the group stages. The tournament stage that began with the quarter-finals will continue to adhere to the existing best-of-five single elimination system (Son, 2023). This change can be interpreted as based on the aim to provide more competing opportunities while adding best-of-multiple matches. As COVID-19 became endemic and an increasing number of offline events resumed, Korea’s opening of the 2023 Championship has come to hold a more significant meaning. Considering that two Korean teams advanced to the final in the 2022 Championship, it is hoped that Korea will successfully hold the tournament and achieve favorable performance amid the fervent attention of fans worldwide.

Fourth, gaming disorder was listed as a new disease code in ICD-11, the 11th revision of the International Classification of Diseases passed by the World Health Organization (WHO) in May 2019 and placed into effect from 2022. However, its reflection on the Korean Standard Classification of Disease and Cause of

Death (KCD) will not take place until 2025, since it revises its classification every five years. The WHO decision is problematic in that it is likely to serve as a framework for regulating the Korean gaming industry, gameplay and players. However, as a partial amendment to the Culture and Arts Promotion Act was passed on September 7, 2022, games were legally recognized as cultural art, which is quite literally a game changer. As the fierce discussions that took place in 2019 are no longer continuing, it is necessary to seriously consider the influence of the WHO decision on the gaming industry and culture in the context of Korea.

During the past three years, the most influential factor for Hallyu in games was COVID-19. In 2023, the shift to the endemic phase is likely to be the most significant factor. As outdoor activities increase, the game distribution industry will recover its sales to the pre-pandemic level at least. Accordingly, PC and console games that are mostly played indoors are likely to decline to some extent. The mobile game market has room for further growth but is gradually entering a more stable phase. Increases in various costs including labor costs, development costs and overhead costs may exert an unfavorable influence on operating revenue in the gaming industry. In addition, the economic recession has been intensified and disposable incomes

of people are decreasing. All of these factors affect the gaming industry, culture and further, Hallyu in games to varying degrees. Therefore, the situation in 2024 may be totally different altogether. The world is now heading in a direction that is more difficult to predict than ever before. As such, it is necessary to analyze and prepare Hallyu in games for the future across diverse aspects.

5

Hallyu in Comics and Webtoons

Industrial Development, Critical Success,
and Cultural Expansion

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1. Current Status of Hallyu in Comics and Webtoons

The digital comics market experienced considerable growth with the increased consumption of online content due to the influence of the COVID-19 pandemic that swept across the world over the past few years. The overseas entry of webtoons also saw a rapid increase. According to the Korea Creative Content Agency [KOCCA] (2023), exports of comics and webtoons in 2021 reached USD 81.98 million (KRW 107.5 billion), up by 30.7% compared with the previous year.

However, it is difficult to completely understand the power of Hallyu in webtoons based solely on content export volumes, because unlike other content industries, webtoon exports need to be understood as a process in which the expansion of the business model for webtoon platforms beyond simple content exports and the establishment of the content industry ecosystem using webtoon IPs happen both separately and concurrently at the same time, influencing each other and creating a unique landscape for Hallyu in webtoons.

In 2021, news hit the entire industry that a Korean webtoon platform acquired an overseas platform to build a giant content

IP ecosystem. In 2022, the Korean webtoon business model was positively grafted in the acquired overseas platform. This process is spreading new ways to produce webtoons, new distribution and service formats, and new culture of enjoying webtoons, which are distinct from print comic books and digital comics that had once formed the mainstream in the overseas market.

The year of 2022 was a period in which webtoons earned meaningful recognition for their quality of work as a major genre of comics content as well as their value as an industry. Webtoons including *Lore Olympus* and *Clinic of Horrors* provided by Webtoon, the English version of Naver webtoons, and *Sarah's Scribbles* provided by Tapas, the North American webtoon platform of Kakao Entertainment, won awards in the major comic awards across the U.S.

Webtoons are now receiving attention as a major player that leads changes across the content industry, in addition to recognition of their artistic quality as creative works while changing the structure of the global comics market. *The Economist* on December 8, 2022, described such achievements and growth potential of the webtoon industry by remarking that “Japanese manga are being eclipsed by Korean webtoons.” Creating new digital content and platform industrial ecosystems and cultures beyond the digital transformation of comics, webtoons are

expanding the width and depth of comics. This phenomenon will be examined in greater detail below.

1) Current status of the global comics market and the digital comics market

As of 2020, the size of the global comics market was estimated at USD 10 billion (approx. KRW 12.835 trillion), up by 10% from the previous year. It was forecasted that the market will also see similar growth in 2021 and reach USD 11 billion (approx. KRW 14.1185 trillion). The digital comics sector is a driving force for the growth of the market. While the overall comics market recorded a 10% growth in 2020 compared to the previous year, the digital comics market grew by 28%. The main factors behind this are that comics publishers strengthened their online services as the digital transformation of the industry began to accelerate with the “living with COVID-19” era, and the popularity of webtoons increased due to the aggressive entry of Korean webtoon platforms into overseas markets (Software Policy and Research Institute [SPRi], 2022).

In addition to this, the size of the global digital comics market is estimated at USD 4.8 billion (approx. KRW 6.1608 trillion) as of 2020, accounting for around 40% of the overall comics market.

Table 1. Size and Prospect of the Global Comics Market and Digital Comics Market (2016-2025)

(Units: USD 100 million, %)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2020–2025 CAGR
Comics	85	84	85	92	100	111	120	128	139	149	8.2%
Digital comics	20	23	26	32	41	48	58	67	78	90	17.3%
Share of digital comics	22.9%	27.0%	30.1%	34.6%	40.4%	43.3%	48.2%	52.4%	56.6%	60.3%	

Note: CAGR was recalculated from 2020 to 2025 in the comics market.

Source: Software Policy and Research Institute (2022). *2021 survey on overseas digital content market*. p. 47.

The digital transformation of the comics industry will also accelerate in the future, and the share of digital comics in the global comics market is projected to reach 60% in 2025.

However, the digital comics market is different from the webtoon market. Digital comics include webtoons, which are originally produced in an online format, as well as digitized versions of print comics. As the share and influence of the webtoon industry in the global media and entertainment industry are growing significantly, several market research institutions have begun to investigate the global market size in 2022. While Research Dive (2022) estimated the size of the global webtoon market at USD 3.7456 billion (approx. KRW 4.8056 trillion) for 2021, Spherical Insight (2022) projected it at USD 4.7 billion (approx. KRW 6.0301 trillion). Considering that webtoons are now

taking root in the global media and entertainment industry, it can be expected that more reliable statistical data will be compiled in the future.

2) Current status of comics and webtoon exports

In recent years, comics and webtoons have been exported in all directions in consideration of the global market, rather than certain countries. Some companies relocated their headquarters overseas or took over a webtoon company in a foreign country, as well as launching a webtoon platform service in the foreign country, thereby expanding their presence in the market. Accordingly, exports have increased, and export bases have expanded. Korean webtoon platforms compete for leadership in the global market, creating a synergy effect (KOCCA, 2023).

In this process, the comics and webtoon industry has become one of the fastest growing sectors in terms of exports within the Korean content industry. The export values of the comics and webtoon industry from 2017 to 2021 recorded a 25.5% growth as an annual average, and it is noticeable that the exports soared from 2020 in particular. The export values of comics and webtoons as of 2021 reached approximately USD 81.98 million (approx. KRW 107.5 billion), marking a 30.7% growth from the

previous year. This upturn continued in 2022. It is estimated that the value of comics and webtoon exports in the first half of 2022 stood at USD 56 million (approx. KRW 71.8 billion), up by 28.0% from the previous quarter and 27.9% from the same period of the previous year (KOCCA, 2022c).

The global digital comics and webtoon market is experiencing rapid growth. As major suppliers of the global digital comics and webtoon market, Korean comics and webtoons are seeing a fast expansion in terms of export value. However, such value is secondary in evaluating Hallyu in comics and webtoons. What is more important is that webtoons are the most powerful force driving growth, expansion, changes and innovations in the global

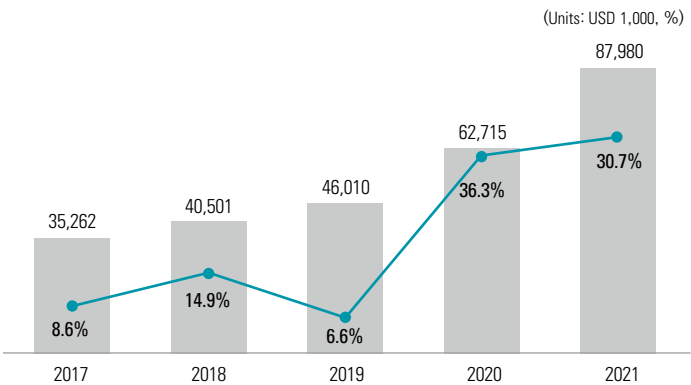


Figure 1. Trends in Export Values of Comics and Webtoons Industry (2017-2021)

Source: Korea Creative Content Agency (2023). *2021 content industry statistics*.

digital comics market. Webtoons attract new creators and users to tell stories that have never been told before. Furthermore, they create a new market segment and bring about changes to the existing market structure. Hallyu in webtoons has strengthened its cultural status and influence through this process.

2. Issues Concerning Hallyu in Comics and Webtoons

1) Formation of the new culture of creating and enjoying works and recognition of artistic quality

The artistic quality of webtoons has drawn relatively little attention to date, compared to the outstanding expansion of their scope and achievements. This perception has been bolstered by the stereotype that webtoons are the representative content of snack culture¹. However, 2022 was a year in which webtoons were critically acclaimed for their artistic quality in the overseas

¹ This refers to the consumption of cultural content such as webtoons, webnovels, web dramas, etc. in brief periods anytime and anywhere, like eating a snack.

market, where print comics are mainstream.

One of the representative works in this regard is *Lore Olympus* by the New Zealand artist Rachel Smythe, which began publishing from 2018 on Canvas, Naver Webtoon's overseas free self-publishing platform. In 2022, *Lore Olympus* won major comic prizes including the Best Webcomic prize at the Ringo Awards and Eisner Awards and the Digital Book of the Year at the Harvey Awards. This marked the first time that a vertical scrolling webtoon won the award for the webcomic category in the Eisner Awards. *Lore Olympus* received a Harvey Award for two years in a row from 2021 and was the first title to win the Digital Book of the Year for two consecutive years. The webtoon was also nominated for Best Graphic Story or Comic at the 2022 Hugo Awards, the most prestigious awards in the sci-fi field, though it did not win.

In addition to this, *Clinic of Horrors*, Webtoon's North American original that was created by Merryweather and PokuriMio, has received the Ringo Award for Fan Favorite New Series. *Sarah's Scribbles*, created by Sarah Anderson and published on Tapas, won the Ringo Award for Best Humor Webcomic for two years in a row from 2021.

Batman: Wayne Family Adventures, a webtoon produced by DC Comics in collaboration with Naver Webtoon, failed to receive an

award but was nominated for the 2022 Eisner Awards in the Best Webcomic category. In the European market, the French version of *Intracable*, created by Choi Kyu-sok, was nominated for the Official Competition for the first time as a webtoon book in the 50th le Festival International de la Bande Dessinée d'Angoulême in 2023.

Recognition of webtoons in the global comics market has traditionally been lower than that of Japanese manga and graphic novels. In addition, the readership for print and digital comics tend to differ from those of webtoons in major comics markets including Japan and the U.S. Print comics remain a mainstream method of consuming comics in France and other countries. Nonetheless, webtoons have received nominations and prizes for prominent overseas awards, indicating the changed status and cultural influence of webtoons.

The ability to continue creating outstanding works and achieving positive outcomes is attributed to the fact that webtoons stand at the center of changes in the content industry, which values user participation and creative activities. Over 120,000 amateur creators are currently publishing their works on the English-language Webtoon Canvas service, where Rachel Smythe first began publishing. The number of local amateur creators on Tapas and Radish, the North American corporations of Kakao

Entertainment, stands around 100,000. Such a huge creator base is also based on an enormous new user base. Naver Webtoon reported that the global monthly active users (MAU) on Naver Webtoon is 85.6 million as of the second quarter of 2022, with more than half of the users consisting of women. In addition, foreign users stood at 65.2 million, accounting for 76% of total users, among which 12.5 million were American, comprising 19% of total foreign users. Among American users, 80% were Generation Z who are familiar with reading on mobile devices and interactive communications. Among readers of Tapas, which was acquired by Kakao Entertainment, more than 80% of users are people aged 17 to 25 with two-thirds comprised of women. The New York Times in July 2022 expressed this phenomenon through an article titled “Comics That Read Top to Bottom Are Bringing in New Readers” (Gustines & Stevens, 2022).

Webtoons created a new readership based on young readers who are familiar with digital culture while presenting a publishing culture optimized for mobile devices. The creator base has also expanded in a participatory culture where readers interact with creators to engage in creating content and sometimes try to directly create works. In the process, brilliant works that reflect the lifestyles and dreams of young creators have been published on the platforms, thereby expanding the relevant markets.

Through this virtuous cycle, webtoons have finally garnered critical acclaim across the world.

2) Monetization and industrialization through expansion of the platform business model

Another axis that leads Hallyu in webtoons along with the content is the platform. While the acquisition of overseas platforms by Korean platforms was hotly discussed across the webtoon industry in 2021, the noteworthy issue in 2022 is how the Korean platform business model is expanding overseas through acquisitions.

As the industry grew, the platform business model has undergone major change on three occasions. Webtoons in the early period were initially offered as a free service with the aim to increase user traffic to platforms (portals). In the early and mid-2010s, a paid subscription-based business model was successfully established and created a market for new content products. From the late 2010s, webtoon platforms devised a new business strategy amid the IP competition of the global media and entertainment industry based on the advantages of supplying various content with high utilization at a low cost. This strategy can be exemplified by the keywords “diversification” and “integration.”

First, platforms establish subsidiaries for each step of planning, producing, distributing, and utilizing webtoons, then diversify their business through strategic partnerships or acquisition. Subsequently, they integrate the business that has been diversified by the long-term IP utilization strategy into interconnected value chains. Such industrial ecosystem-building strategy is also being directly introduced to overseas platforms.

In 2021, Naver Webtoon took over Wattpad, a North American free online platform for reading and publishing novels. In October 2022, the Korean platform also launched the Yonder service, a new webnovel platform. Its strategy is to build an amateur creator ecosystem through the free platform Wattpad and to provide outstanding works selected on the platform to the paid platform Yonder, thereby earning profits. The same model is already employed in Korea. Naver provides “Challenge Comics” where all users have the right to publish and “Challenge League”, an amateur webnovel platform. Works that gain popularity in the services are published on Naver Webtoon and Naver Series under official contracts.

Kakao Entertainment is also aggressively transplanting the Korean profit model to North America. In 2021, it employed the “Wait Until Free (WUF)” service model to Tapas and Radish, in which readers wait a certain amount of time to enjoy episodes for

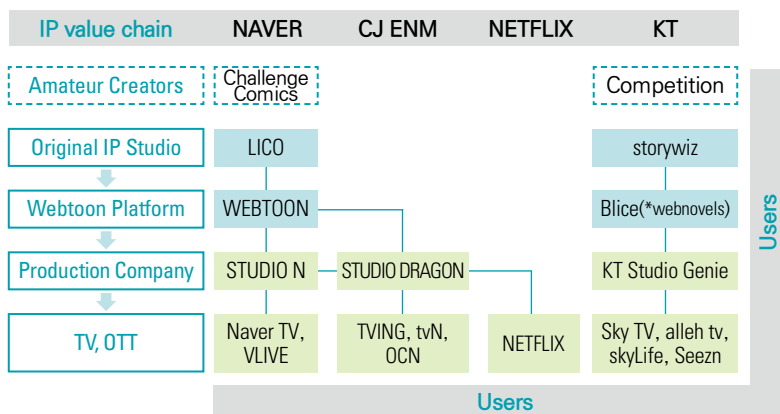


Figure 2. Example of Value Chain for IP Video Adaptations in the Webtoon Industry

Source: Lee (2022). *Strategy for exports and broadcasting IPs in use for sustainable development of the webtoon industry*. Presentation material for autumn conference of Korean Association for Broadcasting & Telecommunication Studies.

free through this service or make a payment to access episodes immediately. From November 2022, the platform started the “Free Every 3 Hours” service on Tapas, two months after the said service launched on the Korean version of the platform.

Another business strategy that is being locally applied by platforms that have entered into overseas markets, such as Naver and Kakao, is to build IP value chains for webtoons and webnovels. In 2021, Naver took over Wattpad and founded Wattpad Webtoon Studios, announcing its plan to produce an adaptation of the webnovel and webtoon IP based on *Boot Camp*

by Gina Musa. In 2022, it founded Studio TooN, a webtoon studio based in Korea and a joint corporation with the Japanese webtoon producer Shine Partners and the Japanese broadcasting station TBS. Shine Partners and Naver plan to produce webtoons to distribute globally with TBS producing adaptations based on the webtoons, just as Studio Dragon dramatizes Naver webtoons to be distributed by TVING and Netflix. In the same context, Kakao Entertainment established Tapas Entertainment by taking over Tapas, Radish and Wuxiaworld in September 2022 with the aim to strengthen its IP business. Tapas Entertainment has since actively concluded video adaptation agreements with agencies in the U.S.

There is a significant focus overseas on the platform strategy of generating diverse economic value based on webtoon content and diversifying businesses to this end while building a huge industrial ecosystem by integrating the businesses with interconnected value chains. The French business school INSEAD published a case study report in 2022 that analyzed Naver Webtoon's case of pioneering the global market, to be used as a teaching material on business strategy.

3) Supplier of Content Industry and Medium of International Cooperation

As mentioned earlier, understanding the influence and power of Hallyu in webtoons requires more than a simple focus on webtoon content. Instead, it is necessary to examine the expansion of the platform business model along with the ecosystem of the content industry that utilizes webtoon IPs. The expansion of webtoon IPs into various genres including videos and games is explosively boosting the value and potential of webtoons. Webtoons are now gaining fans all around the world, depict various themes and genres, and offer a format that can be easily adapted. As such characteristics became intertwined with the interests of domestic and overseas video industries that require aggressive programming expansions and differentiation strategy for video content, and as a result, many works of video content based on webtoons have been produced over the past few years.

Representative examples from 2022 are *All of Us Are Dead* created by Ju Dong-geun and *Business Proposal* by Haehwa (webnovel writer) and NARAK (webtoon artist). *All of Us Are Dead* was produced as a Netflix original for global release in January 2022. For about two weeks after its release, the series ranked first in the Netflix TV Show category in 37 countries including

Korea, Japan and the UK, and second in the U.S., Switzerland, Germany, etc. (FlixPatrol, 2022, January 29 to February 12). After the Netflix original was released, the popularity of the original webtoon also soared. Naver Webtoon stated that weekly views for the webtoon in the said two weeks skyrocketed by around 80 times and overseas weekly hits increased by 21 times.

Business Proposal was released through SBS and Wavve in Korea and through Netflix overseas. For a week from March 28 to April 3 after its release on Netflix, the series recorded the number-one viewership rating in major Asian countries including Japan, Thailand, Taiwan, and Indonesia. As a result, the show ranked first in the non-English TV show category on Netflix for three weeks. According to Kakao Page, the views for the original webtoon increased by 10 times in Thailand, and by 13 times in Indonesia and Taiwan after the show was released. On Piccoma, sales almost doubled (Jeong & Park, 2022).

There were other webtoon-based dramas in 2022: *Sound of Magic* and *Lookism* as Netflix originals and *Connect* as a Disney+ original. *Lookism* was the first webtoon-based work among Netflix original animation series (Kim, 2022). In addition, webtoon-based dramas such as *A Superior Day*, *Yumi's Cells Season 2*, *Jinxed at First*, *The Law Café*, *Seasons of Blossom*, *The Gold Spoon*, *Gaus Electronics*, *Summer Strike*, and *Weak Hero Class 1* were released

worldwide through streaming services including Rakuten Viki, iQIYI and KOCOWA (Tak, 2022). Among these K-dramas, *Yumi's Cells* won the Award for Best Original Program by a Streamer/OTT in the Asian Academy Creative Awards held in Singapore in December 2022, earning recognition for its artistic quality.

One intriguing point in terms of webtoon IP usage in 2022 is that works based on Korean webtoons were produced as local dramas and films in foreign countries. In July, *Roppongi Class*, a remake of the K-drama *Itaewon Class*, was aired via TV Asahi in Japan. Likewise, a Chinese film titled *Moon Man*, was a video adaptation of *Moon You*, a webtoon created by Cho Seok, which was planned and produced by Showbox then released in July 2022, reaching a cumulative audience of 72 million. *To Be with You*, a Chinese film based on the webtoon *Witch* by Kang Full, was released in September 2022 and ranked ninth in the box office on its opening day. *Solo Leveling*, created by Chugong (webnovel writer) and Jang Sung-rak and Hyeon Gun (webtoon illustrators), is a webtoon based on the webnovel of the same title and recorded 14 billion global cumulative views, with plans to be aired as an animated adaptation in Japan in 2023.

There are also active efforts to adapt local original works that are being published on overseas platforms. *Lore Olympus*, published on Naver Webtoon, is currently being produced as an

animated TV series and the Wattpad Webtoon Studio is preparing a film adaption of *GremoryLand*, created by A. Rasen and published on Naver Webtoon in the U.S. *Pasutri Gaje*, created by Annisa Nisfihani and published on Line Webtoon in Indonesia, is also being made into a film adaptation in the country.

Amid the huge global popularity of adaptations of Korean webtoons including *Kingdom*, *Sweet Home*, and *Hellbound* over the past few years, visible changes have emerged in 2022, such as increasing cases of Korean webtoons receiving video adaptations abroad and overseas local webtoons receiving video adaptations in their home countries. The former shows that Korean webtoons possess a competitiveness that transcends national borders. The latter indicates that webtoons are now in the global limelight as narrative sources for the general content industry including the video industry. Considering the growing trend of video adaptations of webtoons across borders, international cooperation may be increased in terms of webtoon-based video productions. For example, *Moon Man* was jointly produced by Showbox China, a Chinese subsidiary of Showbox, and Mahua FunAge, a Chinese filmmaking company (Park, 2022). As a result, it is expected that Korean webtoon producers and video content manufacturers will gain more opportunities for international cooperation and joint production in the future.

3. Major Countries and Routes of Overseas Entry for Hallyu in Comics and Webtoons

1) Current status of comics and webtoon exports

The current status of Korean webtoons' major exports can be understood through *2021 Content Industry Statistics* and *2022 Survey of Webtoon Companies* by the KOCCA. The 2021 statistics outlines survey results on exports in the overall comics industry including webtoons, while the 2022 survey addresses only survey results on the webtoon industry.

According to both surveys, the biggest export destination for Korean comics and webtoons is Japan, followed by the Asia-Pacific region including the Chinese-speaking region. However, differences can be found in the details of each survey. According to *2021 Content Industry Statistics*, major export destinations for Korean comics including webtoons consisted of Japan (27.8%), the Chinese-speaking region (18.8%), Southeast Asia (18.5%), Europe (18.2%) and North America (14.4%). In contrast, *2022 Survey of Webtoon Companies* reported that major countries for exports of Korean webtoons consisted of Japan (40.1%), North

Table 2. Shares of Comics and Webtoons Exports by Region (2021)

(Unit: %)

	Japan	Chinese-speaking region	Southeast Asia	North America	Europe	Other regions
Share of comics exports	27.8	18.8	18.5	14.4	18.2	2.4
Share of webtoon exports	40.1	18.5	11.5	22.3	7.3	0.3

Note: The Chinese-speaking region includes China, Hong Kong, and Taiwan.

Source: Korea Creative Content Agency (2022a). *2022 survey of webtoon companies* and Korea Creative Content Agency (2023). *2021 content industry statistics*.

America (22.3%), the Chinese-speaking region (18.5%), Southeast Asia (11.5%) and Europe (7.3%).

The reason behind the difference between the two surveys is that the 2021 survey includes print comics. Europe is a region where the print comics base remains large, while the supply of webtoons is relatively slow, and accounts for 18.2% of export destinations for Korean comics, similar to the Chinese-speaking region (18.8%) and Southeast Asia (18.5%) but has an insignificant share (7.3%) when only counting webtoon exports. In contrast, the share of webtoon exports (40.1%) is higher than that of comics exports (27.8) in Japan, where homegrown content is favored in the print comics market.

2) Webtoon exports by region

A comparison of export destination shares for Korean webtoons to major countries against regional shares in the digital comics market reveals a meaningful difference between the two figures. As of 2020, the Asia-Pacific market including Japan, China and Hong Kong accounts for 86.7% of the global digital comics market. In particular, Japan is a key region accounting for 78.5% of the entire digital comics market, followed by the European market (9.1%) and the North American market (3.9%). As of 2021, the Asia-Pacific region accounts for 70.1% of Korea’s webtoon export destinations. Japan is the largest export market among them, but its share of total exports is 40.1%, which shows

Table 3. Digital Comics Market Share and Webtoon Export Share by Region

(Unit: %)

	Japan	China and Hong Kong	Other Asia-Pacific regions	North America	Europe
Share in the digital comics market (as of 2020)	78.5	3.1	4.9	3.9	9.1
Share of webtoon exports (as of 2021)	40.1	16.1	13.9	22.3	7.3

Note: Taiwan is included in other Asia-Pacific regions.
Source: Reorganized materials based on the Software Policy and Research Institute (2022). *2021 survey on overseas digital content market* and the Korea Creative Content Agency (2022a). *2022 survey of webtoon companies*.

differences from Japan's share (78.5%) in the global digital comics market. Other countries also demonstrate such significant gaps.

A. Japan

As of 2021, Japan is the biggest export destination (40.1%) for Korean webtoons. However, this figure stands in stark contrast with the country's share (78.5%) in the global digital comics market. This is attributed to the huge popularity of digitized versions of print manga even in the digital comics market in Japan, a powerhouse in publishing comics. Against this backdrop, webtoons are expanding their influence on the Japanese market, nonetheless. According to Piccoma, webtoons only occupied 1.3% of the platform, but their transaction volume reached 35-40% as of 2020. In particular, webtoon platform services including Line Manga and Piccoma are regarded to have changed the structure of the Japanese digital comics market from web-based to app-based. A survey on webtoon app usage among Japanese users in June 2022 by MMD Lab, a Japanese consumer survey company, indicated that the usage rate for Line Manga was 41.9% and that of Piccoma was 37.3% (Hong, 2022). Korean webtoon exports to Japan are expected to increase in the future. For example, Kidari Studio launched the webtoon platform BeL Toon in July 2022. Webtoons that are currently popular in Japan include *Solo*

Leveling, *Tomb Raider King*, *Marry My Husband*, etc. Meanwhile, Netflix Japan is responsible for the production and distribution of the animated adaptation of the webtoon *Lookism* created by Park Tae-jun.

Interestingly, characteristics of the Japanese market, a powerhouse in terms of publishing comics, were reflected in the export strategy of Korean platforms to the global market. For instance, Kakao Entertainment established the corporation Piccoma Europe in September 2021 and launched the Piccoma service in France in March 2022. Entering the European market with the Japanese platform Piccoma, as opposed to a Korean one, can be interpreted as a strategic move that intends to supply both Korean webtoons and digital versions of Japanese manga in the European market, which favors print comics (Japanese manga).

B. China and the Asia-Pacific Region

China is one of the regions where the webtoon market is growing rapidly. Given China's tendency to primarily supply and consume homegrown content on local platforms including Kuaikan Manhwa, Tencent Dongman, Weibo Manhwa, and Bilibili Comics, it is difficult for foreign companies to enter the Chinese market, in addition to the Chinese government's policy of limiting Korean content.

Under these circumstances, Kakao Entertainment signed a contract to supply content in partnership with Tencent Dongman in 2017 and has since supplied webtoons to the Chinese market. It also established a joint corporation for webtoons and webnovels with Tencent Dongman in September 2021 and launched Podo Manhwa. Naver Webtoon founded Watong Entertainment, a local Hong Kong corporation in 2016 and provides webtoons in the Chinese-speaking region including China and Taiwan. Through such efforts, Korean webtoons have begun to gain popularity in China. For example, *Moon You* by Cho Seok received a Chinese film adaptation in September 2022. Likewise, Kidari Studio concluded a webtoon supply contract with ByteDance, the Chinese operator of the popular social media platform TikTok in February 2022. Based on this contract, ByteDance launched a webtoon platform named FizzoToon in Japan and launched a new platform service in Indonesia.

Korean webtoons have seen relatively active developments in the Southeast Asian market. The region has a high proportion of young people, a rapid dissemination of mobile devices, and a high popularity of Korean content including K-dramas and K-pop. Accordingly, Korean webtoon platforms began launching services in the region from the mid-2010s, and in recent years, works such as *Business Proposal* and *Solo Leveling* have enjoyed

huge popularity. In particular, *Business Proposal* raised the value of webtoons as the drama adaptation and the original webtoon bolstered each other's popularity in the Southeast Asian market. In April 2022, Kakao Entertainment rebranded its Kakao Page, which had operated in Indonesia, and started a Kakao Webtoon service. As such, Hallyu in webtoons is expected to gain even greater momentum in the Southeast Asian market in the future.

C. North America

The North American digital comics market makes up merely 3.9% of the global market. However, the export share of Korean webtoons to the North American market amounts to 22.3%. This is because the North American market is a strategic export base for Korean webtoons. This is demonstrated by large-scale acquisitions such as Naver's acquisition of Wattpad and investment in Tappytoon, as well as Kakao's acquisitions of Tapas, Radish and Wuxiaworld in 2021. Launched in 2021 by RIDI, Manta has also found stable roots in the North American market. Meanwhile, *Lore Olympus* has enjoyed immense popularity in the region, and *Solo Leveling* and *Under the Oak Tree* are also garnering positive responses.

The North American entertainment industries take the lead in expanding upon various content based on comics and webtoons.

One of the representative examples is the Marvel Cinematic Universe. Content produced in North America also has advantages in globalizing content over other regions. This suggests that webtoon exports to the North American region is connected to various content ecosystem-building strategies beyond simply exporting content.

The influence of Korean webtoons is changing the very structure of the North American digital comics market. For instance, Marvel Studios released an app version of Marvel Unlimited, a Marvel-exclusive platform, in 2021 and began providing vertical scrolling-type digital comics. Moreover, the creator-oriented platform Zestworld was launched with the aim to grant comics creators various rights related to publishing and profits, similar to Korea's Dillyhub, indicating the expansion of the market ecosystem.

D. Europe

The Federation of European Publishers considered the digital transformation level of European comics as very low (KOCCA, 2022b). The share of European comics (9.1%) in the global digital comics market is also low, as is the share of webtoon exports to Europe (7.3%). However, exports of Korean webtoons to Europe is forecasted to expand further.

Naver established a webtoon service in French and Spanish in 2019 and a German service in 2021. It acquired a 25% stake in Content First, which operates Tappytoon, France's largest webtoon platform, to become its largest shareholder and is pushing forward to establish Webtoon EU, an EU-based general corporation, in France. In July 2022, Naver participated in the Amazing Festival held in Paris, France to conduct a signing event featuring local and Korean webtoon creators (KOCCA, 2022b).

Kakao established the corporation Piccoma Europe in September 2021 and launched the Piccoma service in the French market in March 2022. Meanwhile, *Solo Leveling* was selected among top 10 of the highest-selling comics in France in 2021. Kidari Studio took over Delitoun, a French platform, in 2019 to operate its services in France and Germany, while NHN has been providing its service in France since 2022.

As Korean platforms expanded their webtoon services in Europe, European publishers who recognized the potential of the webtoon field are also launching webtoon services one after another. In this regard, the Belgian publisher Dupuis has been operating Webtoon Factory from 2017, and the French publisher Delcourt launched Verytoon in 2021.

4. Forecast of Hallyu in Comics and Webtoons

The considerable growth of the digital comics market in the past few years can be attributed in some extent to a surge in online content consumption caused by the COVID-19 pandemic. The market is likely to continue growing in the future, but its growth rate is expected to slow down (SPRi, 2022). The introduction of Korean profit models to North American platforms via Naver and Kakao stems from the monetization concerns from the rapid expansion of the scope for such content.

Such concerns appear to be in a similar vein to those of the digital platform industry including global OTT providers. There are growing concerns over the rapid market expansion, a cutthroat competition between providers, and aggravated cost burdens from the global economic recession. Netflix's introduction of the ad-supported subscription plan was the representative example. Therefore, observers predict that the year 2023 will be an adjustment period for the OTT industry (Ampere Analysis, 2022). The webtoon sector also seems poised to enter a rest period as Naver will cut 15% of its Wattpad personnel in March 2023 and Kakao announced its plan to liquidate Tapas Korea in April.

Nonetheless, webtoons differ from other industries such as OTT content. Since the width and depth of webtoons are constantly being expanded on a voluntary basis by numerous amateur creators across the world, there is little concern over the supply of content and almost no production costs. As such, it is likely that webtoon exports will continue to grow in spite of the concerns over profits. While efforts to enhance performance in existing overseas regions are being strengthened, new attempts to target Europe as a new strategic region are expected to continue.

To this end, data released by Naver Webtoon in August 2022 is worthy of note. The released data specifies monthly active users (MAU), paying users (PU), average revenue per paying user (ARPPU), gross merchandise volume (GMV) and sales details, thereby presenting a clear understanding of the current status and future prospects of webtoon exports by region.

The ratio of PU to MAU was identified in the order of Korea (26.5%), Japan (8.5%), the U.S. (4%) and other regions (2.5%). However, Japan's ARPPU is very high while the U.S. figure is around the global average ARPPU. In terms of the GMV, Japan accounts for 53.9%, the U.S. for 5.2%, and other regions for 4.0%. It can be confirmed that, while Korea is in a webtoon maturity stage and Japan in a growth stage, other regions still stay at the introduction stage. However, as profitability has considerably

improved after webtoons became mainstream in Japan, circumstances may also change in the U.S. and Europe when webtoons garner greater popularity. Examining shares in the global digital comics market by region, there is much room for webtoons to achieve growth by attracting users and building a profit model.

In Korea, the webtoon industry achieved industrialization after monetization. In contrast, the monetization and industrialization processes for webtoons are taking place concurrently during their export process. In this process, it will be more effective to field a more aggressive marketing and cooperation strategy focusing on users, creators and webtoon IP-related companies. Video adaptations of webtoons are a successful example of such marketing and cooperation.

Naturally, the prerequisite for this is good content, which does not necessarily have to be Korean webtoon content. Likewise, adaptations do not have to be produced in Korea either. Instead, to produce diverse webtoon adaptations and content across the world suggests the possibility of various international cooperation including international joint productions, etc. This may present an opportunity for the overall content industry as well as the webtoon industry.

Another point to be highlighted is reasonable rewards for quality works and creators. In the North American market,

Table 4. Naver Webtoon’s Service Indicators by Major Region as of 2Q 2022

(Units: 1 million people, KRW 10,000, KRW 1 billion)

	MAU (1 million)	PU (1 million)	ARPPU (KRW 10,000)	GMV (KRW 1 billion)	Gross Sales (KRW 1 billion)	Profit/loss (KRW 1 billion)
Global	85.6	8.6	1.3	406.5	232.3	△29.1
Korea	20.4	5.4	0.8~3	150.2	91.9	18.3
Japan	21.2	1.8	3.5~4.8	219.1	112.4	△9.9
U.S.	12.5	0.5	1.3	21.0	16.7	△21.8
Other regions	31.5	0.8	0.3~2.4	16.2	11.3	△15.7

Note: Korea contains Munpia (webnovels). Japan contains E-Book reader Japan (ebooks). The U.S. excludes Wattpad (webnovels).

Source: Naver (2022). 2Q 2022 performance presentation.

webtoons triggered the emergence of various works reflecting the lifestyles and dreams of young creators, which became a major driving force in attracting users, unlike the comic book publishing market that is largely dominated by superhero titles by Marvel and DC Comics (Gustines & Stevens, 2022). As it is widely known, the reason why BTS gained its global fandom was because their message includes empathy and solidarity, which are values with which overseas fans can easily empathize (Kim, 2018). Accordingly, in order to expand the market and ensure diversity, it is necessary to build an environment where the aforementioned creators and works continue to emerge and earn recognition. For example, winners of the Watty Awards held by Wattpad every year contain works with diversity tags such as #POC and #diverselit² (Park,

2022). Platforms that are considering or have already entered the global market must more broadly consider the support and encouragement toward cultural and social diversity in a broader sense. Furthermore, to provide reasonable rewards and benefits for creators and users who make meaningful contributions to the growth of the webtoon industry and the spread of Hallyu in webtoons can help to strengthen competitiveness and establish a healthy ecosystem in the industry.

Webtoons comprise almost the only area in which Korean content and platforms form and lead the global market, and they are currently building a powerful Hallyu brand. At the same time, they are leading growth and expansion, and changes and innovation across all sectors of the content industry in relation to webtoons through IP businesses. Therefore, it would not be an exaggeration to claim that webtoons play multiple roles as an all-around supplier, a cultural mediator, and a cultural leader in the content industry. It is this paper's hope that webtoons will contribute to the growth of Hallyu in all aspects of industries, culture and society in line with the great expectations and interest directed toward the field.

2 #POC is the acronym for "people of color" and added to works featuring ethnic minorities, while #diverselit is the short form of "diverse literature" and tagged to works featuring people with disability and other minorities and they are in affirmation.

The background is a solid teal color. It features several abstract, organic shapes in a lighter shade of teal. In the top right, there is a large, curved shape resembling a stylized leaf or a drop. In the middle left, there is a circular shape with a smaller, teardrop-like shape attached to its upper left edge. In the bottom right, there is a large, flowing, wave-like shape that extends towards the bottom center.

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