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## THE PENINSULA

### Into the New World: Emerging Challenges for the K-pop Industry

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Questions of whether the K-pop market has peaked are hardly new. Concerns about market oversaturation have been raised since the inception of the third generation in 2012 when the number of groups that debuted annually more than tripled. New bands from industry powerhouses are not making the expected impact in sales, and there has been a great deal of turmoil within major entertainment firms. For newer eyes on the industry, it would be easy to conflate global outreach by K-pop groups as a response to an industry in crisis. Instead, it is the inevitable path of an expanding industry outgrowing a small domestic market.

K-pop acts have been promoted overseas for several decades – East Asian countries have long provided profitable markets. The difference now is that there are more markets than ever to expand into as the global appetite for K-pop continues to grow. According to the International Federation of the Phonographic Industry, four out of the top ten most popular global artists are Korean groups.

It now seems more possible than ever to enter the American market. The United States boasts the largest music market in the world, and K-pop has made several attempts to break into it. Throughout the mid-2000s, several Korean artists such as Rain, BoA, and the Wonder Girls released music and toured in the United States. While these attempts were significant, they failed to cultivate the sustained interest that K-pop groups like BTS and Blackpink enjoy today. As Korean culture currently enjoys unprecedented levels of interest

among the US public, the United States is now second only to Japan in consuming Korean music. Thus, many K-pop entertainment companies are launching more acts into the US market.

Aside from market size, the United States likely presents an attractive alternative for Korean groups to navigate sensitive historical and political relationships in East Asia. While Japan is the top consumer of K-pop outside of Korea and second in global music market size, recently warming relations between the two countries remain fragile and subject to tensions that can place idols in contention. In China, K-pop consumption has dramatically, decreased since the 2017 THAAD incident and Chinese idols promoting in Korea are often embroiled in controversy.

Korean entertainment companies are faced with a different problem in the United States: they are unable to anticipate the behaviors of US fans. A current trend of US fandom is to view interest in art, media, or celebrities as a parasocial extension of personal morals. This extends to political views, being taken so far as to conflate fandom as a form of activism.

An example of this phenomenon is the backlash several idols have received for drinking Starbucks from US fans critical of the legal action the brand took against a pro-Palestinian union. Since then, there have been calls for a boycott against Starbucks, leading to a significant drop in stocks. Korean press coverage of these events has largely been met with confusion. For one thing, Starbucks in Korea is owned by a different parent company. Mainly, Korean consumers fail to see why idols would be expected to care.

This highlights a major conflict between Korean and US expectations of K-pop idols. In Korea, idols are notoriously apolitical. The Korean government utilizes K-pop to promote its national image and bolster the country's soft power, but the general public is largely disinterested outside of the most popular artists, and does not look to idols for political opinions. Thus, speaking out on politics or certain social issues is met with public backlash. Korean fans want idols to sing, dance, and look pretty. International fans want the same but also want them to be politically informed and outspoken.

It is important to understand the role of social media in the power of fandom. International K-pop fans are relatively young and skew progressive in their beliefs. They use social media platforms like X and Reddit to find like-minded communities, which is how many discover K-pop. These same mediums make fandoms a powerful force online. Fan groups are able to quickly organize – attributed to targeted campaigns of support for new music or content – and this can be both a blessing and a boon. At the same time, social media often serves as echo chambers for very vocal minorities. Due to K-pop's relatively niche status around the world, there are few casual fans. The fans most likely to engage with and spend money on content are usually the most vocal online. These accounts calling for boycotts or organizing campaigns against idols or companies on social media can have consequential effects.

This places Korean companies in an awkward position of trying to please both sides, and they are uneasy about not knowing what may upset US fans next. In the past, this would not have mattered due to the limited ways in which fans outside of Asia were able to consume K-pop. While domestic fanbases remain most important, priorities are beginning to shift for two reasons. Fandoms are more powerful than ever, and Korean entertainment companies are more economically intertwined with the United States.

This is more significant due to the increased financial entanglement of Korean firms in the United States. Many companies are signing deals with US labels to manage stateside promotions, such as Kakao Entertainment with Columbia Records and SM Entertainment with Sony, Warner Music Group, and RCA. This means there are now larger financial consequences for upsetting US fans.

A case study: HYBE Entertainment, who founded BTS and Le Sserafim, recently acquired Ithaca Holdings, the label home to pop stars like Justin Bieber and Ariana Grande. HYBE anticipated an annual profit of \$44 million, depending on Ithaca CEO Scooter Braun's industry savvy and connections. However, the label is rapidly losing money. Braun has become a risk as US ARMY (the BTS fandom name) have criticized him for being a Zionist and called for him to step down as CEO of HYBE USA, organizing a boycott against the company until their demands are met. With BTS members soon to return from military service and resume group activities, there is concern over how well upcoming releases will do in the face of online unrest.

Lastly, fans have also been skeptical of HYBE's ventures into AI, although the company is only one of many seeking to enter the AI entertainment business. While AI-based groups are doing well in Korea, US fans are not responding as warmly to the concept of AI idols, which is reflective of the younger generation's ambivalent views of AI in music. Fans have expressed concerns about AI increasing public expectations of idol subservience to fans, as well as the ethics of using voices and physical likeness. This is certain to become another issue of conflict in online fandom spaces and one that K-pop companies will have to increasingly grapple with as they venture into the US market.

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