

WRESTLING WITH OR EMBRACING DIGITIZATION IN THE MUSIC INDUSTRY

The Contrasting Business Strategies of J-pop and K-pop

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Abstract

Digitization has significantly changed the process for producing and consuming music: from analogue to digital, albums to songs, possess to access, audio to visual, and end products to promotional products. In this globalized digital era, actively embracing digitization would likely help enhance the competitiveness of the music industry. The rise of K-pop and the decline of J-pop clearly demonstrate the different results from whether to embrace or wrestle with digitization. The Korean music industry recognized changes brought on by digitization earlier and was more active in responding with effective strategies. By contrast, the Japanese music industry did not immediately respond to these changes but stuck to its rent-seeking behavior in order to take advantage of its larger market size and 'sophisticated' copyright regime. The implications from this paper is that business activities are the core element for creating and enhancing competitiveness of the music industries.

Keywords

J-pop, K-pop, *Hallyu*, music industry, digitization, cultural industry

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The creation of culture is important, but the sharing of it may be even more critical since this function calls on culture to exert its power. The process of culture moving from creation to acceptance involves other participants who consume it and develop their own derivative forms. Recently, digitization has excelled more rapidly in this process than any other previous trend. In particular, technologies that have evolved from digitization have further affected production, consumption, and the means of dissemination and access. The emergence of digitization in the music industry has also greatly changed the environment in which it operates. Such a transformation has created much debate on whether its effects are helpful or harmful. While there has not yet been any solid conclusion on this, a comparison of the Japanese and Korean music industries can offer a more in-depth approach to the issue of digital technologies and its impact on music industries.

Throughout the 1980s and 1990s, Japanese pop music or J-pop swept across Asia and was widely predicted to expand to the rest of the world. The reality though has been different. Since the 2000s, J-pop has in fact experienced a noticeable decline in its international popularity. Contrary to what was expected, it was Korean pop music or K-pop which successfully emerged instead and has enjoyed widespread popularity around the world. In response, the Japanese government has in recent years sought to promote its cultural power. Despite its efforts, the results have been less than satisfactory (“Japan’s Soft Power”; St. Michel; Watson). So far the only success story has been “PPAP (Pen-Pineapple-Apple-Pen)” sung by Pikotaro in 2016. Notably this became a viral hit only after the singer Justin Bieber shared its music video on Twitter, not because of the Japanese government’s efforts.

In tracing the course of the Korean music industry, Parc, Messerlin, and Moon argue that it began to gain its competitiveness domestically in the mid-1990s while at the same time a few songs even managed to achieve international success in Taiwan and Japan. However, this initial achievement was relatively limited. It was not until the mid-2000s that K-pop’s influence began to spread further than before and achieved a popular following in a number of Asian countries. Still, many believed that the popularity of K-pop in East Asia would not be sustainable in the long term as Dator and Seo, and Williamson have mentioned. In spite of such negative perceptions, K-pop has in fact managed to expand its coverage to other continents, such as Europe and the Americas. Furthermore, demand for its music continues to grow (Hjorth; Aparri; Faure; Thibault). Recently, a number of Korean pop groups and singers are making inroads toward penetrating the world’s largest market, the United States.

As the world’s second largest market in terms of music sales, it would seem that the Japanese music industry has been performing well domestically with few difficulties. Yet, internationally it is losing its popularity vis-à-vis K-pop. In

recognizing this challenge, the Japanese government launched the ‘Cool Japan Initiative’ to promote its international cultural power (Kawashima 789). Despite tremendous public capital flows into the cultural industry at approximately JP¥ 90 billion (US\$ 883 million), the outcome has been relatively ineffective (St. Michel; Kawashima; Watson).

The situation has not always been favorable for K-pop. It is important to recognize that the Korean music industry endured a “dark age” before its emergence on the global stage. For example, in 1996 the four-member group Roola and the well-known actor and singer Min-Jong Kim were both accused of plagiarizing Japanese songs: “Omatsuri Ninja” by Ninja and “Summer Dream” by TUBE respectively. As a result, they were forced to abandon their singing careers for a period of time and never fully recovered from the stigma of plagiarism. However, this was not an isolated case; there were many other singers and groups caught up in similar circumstances during this time. Alongside these difficulties, the Korean market suffered from a serious issue of piracy which impacted upon music sales. Given these conditions, many experts believed that there would be no promising future for the Korean music industry.

This presents an interesting case which might shed light on the reasons behind the different outcomes in the global market accepting that there is not much difference in quality since K-pop imitated J-pop well; though this can be a good topic for further studies. In this respect, why did J-pop decline in popularity despite favorable conditions while K-pop expanded its influence despite unfavorable conditions? This paper seeks to address this question by analyzing and exploring the reasons for this outcome, with particular focus on the responsive strategies of the Japanese and Korean music industries to digitization. It does not mean that this paper contradicts the importance of cultural and artistic value or consumer’s reception of cultural products to the success of a music industry, but is rather complementary to these approaches. To achieve this aim, the approach adopted in this paper utilizes a comprehensive and systematic analytical tool based upon Porter’s “diamond model.”

This paper is organized in the following way: The first section explores and reviews critically the existing literature on the factors that contrast the different paths pursued by J-pop and K-pop. The second section introduces the comprehensive and systematic analytical tool that this paper utilizes. The third section analyzes and contrasts the different responsive strategies of the Japanese and Korean music industries in facing digitization. Lastly, the concluding section summarizes the main implications to be drawn from this analysis on the Japanese and Korean music industries. The implications drawn here will be useful for other countries

that are eager to promote their music industry in the global market during this era of digitization.

CRITICAL LITERATURE REVIEW

In seeking to identify the reasons that distinguish the paths pursued by J-pop and K-pop, this paper critically reviews the existing studies on this topic. Brasor and Mamiya argue that Korean entertainment companies are more ambitious because they are unable to achieve success by focusing only on their domestic market. By contrast, Japanese companies have long enjoyed operating in their own larger domestic market. In fact, J-pop musicians have also tried to go abroad: for example, l'arc-en-ciel, a Japanese rock band, Miyavi, a singer-songwriter and guitarist, and Utada Hikaru, a Japanese-American singer-songwriter, among other singers and idol groups. However, their popularity was rather modest if compared to K-pop groups and singers.

Furthermore, these arguments on market size demonstrate how Korean companies have more incentive to go abroad. When it comes to comparison between Japanese and Korean music industries, the market size of the Japanese music industry (US\$ 2,745.9 million) is 8.3 times larger than that of Korea (US\$ 330.1 million) according to the International Federation of the Phonographic Industry (IFPI). However, similar data show that the market size gap was much larger in the 1990s and 2000s. Hence, the gap in market size does not fully explain why these companies did not adopt this initiative before the late 1990s. It is also unable to answer why American pop music, which is twice as large as Japan with US\$ 5,318.2 million in 2016, has sought to expand its influence abroad despite operating in the world's largest market. If we expect that the different levels of corporate initiative are responsible for the contrasting paths of J-pop and K-pop, then it should be the highlighted factors that has considerably changed.

In her analysis, Mamiya highlights two important facts. First, the Korean music industry tends to generate its income from concerts, not from selling albums. It must be noted here that Mamiya's argument on income source is more of an effect than a cause that can be achieved after gaining certain level of popularity. Nonetheless, the importance of income from concerts as opposed to that generated by album sales is a compelling subject for an in-depth analysis and will be examined later in this paper. Second, intellectual property rights (IPR) are still relatively less enforced in Korea and among Asian countries where K-pop generally is popular while the IPR regime in Japan has a far more 'complicated' structure and stricter enforcement. This argument is supported by comparing the rankings of the two

countries on the International Property Rights Index that measures the level of strong property rights regime. Japan's IPR index outranks that of Korea as can be seen in Table 1.

Table 1. Global rankings of the International Property Rights Index: Japan vs. Korea

	2007	2008	2009	2010	2011	2012	2013	2015	2016	2017
Japan	13	16	19	18	16	15	14	8	8	8
Korea	25	36	32	24	38	40	37	38	35	34

Notes: 1. Data are available from 2007; 2. The higher the ranking, the stronger the IPR regime; 3. 2014 report is not available; 4. It is also noteworthy that the number of countries for the comparison is different by years.

Data source: Americans for Tax Reform Foundation and Property Rights Alliance.

Hong provides six explanations for why K-pop has enjoyed more popularity than J-pop. First, she believes that J-pop is more domestic-oriented than K-pop. For example, in terms of musical content, J-pop is more catered to Japanese consumers as their idols choose not to perform in English. In addition, most Japanese companies tend to avoid launching overseas marketing campaigns which they view as being too risky. They therefore prefer to maintain their popularity in the domestic market. However, Yang challenges these viewpoints by arguing that J-pop was popular internationally from the 1980s to the 1990s and has already become infused into global pop culture.

Second, Hong has pointed out the 'puritanism' within K-pop by insisting that J-pop contains more sexually explicit contents in their music videos. This means that K-pop and its contents are able to be more easily accepted by fans from different backgrounds, particularly those from conservative regions such as the Middle East (Oh 233). Yang though has countered this by stating that both J-pop and K-pop are rather similar in this regard. Therefore, the 'puritanism' argument is not sufficient enough to be considered as a key factor.

Third, Hong points out the hybridity of foreign influences as a key factor in K-pop's development, particularly from the United States. Hong argues that Americans are seen as the heroes of the Korean War which has helped Korea to be more closely influenced by US pop culture. In contrast, in Japan they are seen as conquerors after World War II, thus their influence is not as strong. Yang contends this point and argues that Japan has been heavily exposed to American culture, particularly

during the post-war period. Given this context, hybridity or Americanism shows limitations as a way to explain the difference in the global popularity of J-pop and K-pop.

Fourth, Hong asserts that K-pop has already penetrated Europe and that this achievement distinguishes it from J-pop. Fifth, she argues that Japan has voluntarily welcomed Korean pop culture. In fact, these two can be considered to be effects rather than causes. Last, she highlights the fact that the Korean music industry is run by *chaebols* or conglomerates. However, the Japanese music industry is also run by big entertainment conglomerates such as Johnny's and AVEX, and they are much larger than their Korean counterparts. For example, the largest entertainment company, SM Entertainment has only 283 employees as of May 2017 (SM Entertainment). In addition, the Big Hit Entertainment was founded in 2005 and has not been a major company in Korea. Furthermore, this company was not well-known until the emergence of its idol group, BTS or Bangtan Boys who recently won the Billboard Music Award for Top Social Artists. Rather than simply pointing out the existence of *chaebols* in the music industry, it would be more important to understand how they operate and structure their business activities.

Unlike the previous arguments, several scholars emphasize the role of social network services (SNS), such as YouTube and Facebook (Jin 3; Jung, "New Wave Formations" 83). They argue that K-pop has been distributed more effectively through these Internet intermediaries. Knowing that these Internet platforms are open to everyone and have become part of the general infrastructure for most countries (Christensen et al. 130), it would be meaningful to analyze how and why these Korean companies utilize them more effectively than companies from other countries instead of simply identifying SNS as a factor.

In fact, the rise of K-pop and the decline of J-pop coincided with the emergence of digitization that has significantly changed the business environment of the music industry. If this development of digitization is incorporated with other meaningful factors—such as corporate initiatives, IPRs, operations, and structures—that existing studies have highlighted, a broader view can be offered to provide an analysis with better explanatory power. Thus, it would be more effective to analyze how digitization has changed the business environment and formed favorable or unfavorable conditions for the Japanese and Korean music industries, and how their companies responded to these changes.

METHODOLOGY

In order to analyze the responsive strategies of the Japanese and Korean music industries to digitization that differentiate their international popularity, a reliable and solid analytical tool should be adopted for this paper. Porter argues that in this era of globalization, the most important “asset” with which to win in international competition is competitiveness (53). To support this argument, he developed the “diamond model” to analyze comprehensively national competitiveness. Its structure is made up of four determinants that are interrelated: (i) factor conditions, (ii) demand conditions, (iii) related and supporting industries, and (iv) firm strategy, structure, and rivalry (see Figure 1). According to Porter, when the national diamond is most favorable, nations are more likely to succeed in industries or industry segments internationally.

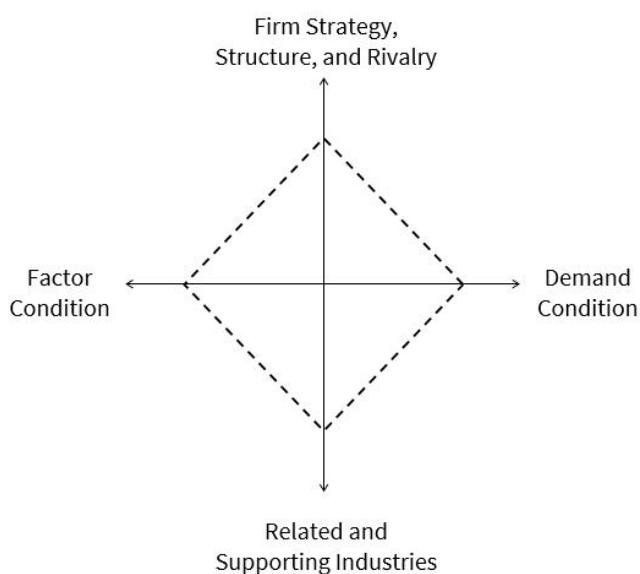


Fig. 1. The Diamond Model (Porter 72)

“Factor conditions” are related to factors of production such as the presence of skilled labor or of the necessary production factors to compete in a given industry; “demand conditions” are related to market size and sophistication for the industry’s product or service; “related and supporting industries” are the presence or absence of domestic suppliers and an internationally competitive related industry; lastly, “firm strategy, structure, and rivalry” are the conditions that govern how companies are created, organized, and managed, as well as the nature and intensity of domestic rivalry (Porter 71). This diamond model adopts a broader view incorporating various measurable and unmeasurable factors that ensure critical impact. By adopting this model this paper aim to analyze these factors more systematically.

Instead of directly adopting the model per se, this paper applies the basic concept for each determinant due to its comprehensiveness and simplifies their labels as follows: *producers* for *factor conditions*, *consumers* for *demand conditions*, *technology* for *related and supporting industries*, and *business context* for *firm strategy, structure, and rivalry*. This diamond approach has already been utilized to analyze cultural industries, such as Ko, and Lee and Lee for the Korean cultural industry, Comunian for Italian culture, Parc and Moon for Korean dramas and films, and Parc et al. for the Korean music industry. In particular, Parc and Moon justified the comprehensiveness of this approach by comparing it with other existing studies (see Parc and Moon 132-133). Therefore, the diamond approach is adequate enough to be applied for a comparative analysis of the Japanese and Korean music industries.

Still, there may be valid concerns on the utilization of a business analytical model for cultural studies. Even though the cultural industry has increasingly begun to function like other industries and to adopt managerial tools, it may be argued that the methodologies developed for other industries might not necessarily work in the context of cultural studies. However, we can make them more tangible through better quantification such as by changing tacit variables into more explicit ones (Parc and Moon 132). Furthermore, this business approach is complementary to that of culture and art.

In addition, this paper focuses on analyzing the responsive strategies of the Japanese and Korean music industries to digitization which has changed the business environment in the music industry. As such, the analysis begins by studying *technology* and ends by dealing with the *business context*. Digitization presented in this paper can be distinguished into two different stages in terms of the degree of its impact on the industry: emergence of the Internet (labelled as Digitization 1.0) and its routinization through smart devices (labelled as Digitization 2.0). Each stage also has four sections, and qualitative data found in existing studies or those

based on reliable secondary sources are provided and analyzed to present a clearer understanding.

THE RESPONSIVE STRATEGIES OF THE JAPANESE AND KOREAN MUSIC INDUSTRIES TO DIGITIZATION

This section analyzes the responsive strategies of business in the Japanese and Korean music industries when facing the evolution of the Internet, from emergence (Digitization 1.0) to “routinization” (Digitization 2.0). It argues that the different strategies of business in responding to the changing digital environment has resulted in contrasting paths for J-pop and K-pop in the global market. The Japanese music industry has wrestled with digitization and focused on the conventional market through offline sales (or physical music sales). By contrast, the Korean music industry has embraced digitization more actively.

1. Digitization 1.0: Emergence of the Internet

1.1. Technology: From Analogue to Digital

During the 1990s, Japan and Korea developed the most advanced information and communication technology (ICT) infrastructures in the world (Frieden 607). In line with this progress in ICT, consumers have also made more effective use of related devices such as computers, MiniDisc players, and other digital devices (IPSOS and IFPI; Fuhr). Given these circumstances, the Japanese music industry operates under complicated license agreements produced by a ‘sophisticated’ IPR regime which helps to protect the industry fairly well (Sisario; Karp and Inada). By contrast, the Korean music industry functions in a very different environment where on/offline piracy is prevalent as Mamiya argues.

Due to the fact that the Japanese music industry has enjoyed large and profitable physical music sales in its domestic market (see RIAJ 1), Japanese companies have had less incentive to embrace digitization. Reflecting this reality, Japan’s prestigious Oricon Chart, a Japanese version of Billboard, did not include online sales to rank the popularity of songs until October 2016 (Oricon News). Furthermore, Japan’s strict IPR regime has contributed toward slowing down moves toward digitization amid concerns that it would encourage illegal piracy and downloading (Mamiya). In this climate, the Japanese music industry has operated more in a protectionist manner than an active one (Mochari). Paradoxically, Japan’s huge domestic market

and well-developed IPR regime have induced a rent-seeking behavior in its business and hindered the ability of its companies to respond quickly to digitization.

In Korea, the music companies noticed that pirated digital songs were distributed more rapidly and widely through the Internet than physical copies through retail sales. Recognizing this potential, they sought to use this method of distribution as a way to promote their music (Kim, "A Study" 69-70; Parc et al. 133). Amidst this changing environment, the first digital album was produced in 1998 by a largely unknown Korean rapper Cho PD who established a 'one-man' label. He achieved remarkable success in Korea, and his online fame helped to promote the sales for his second album which was an offline release.

1.2. Producers: From Offline to Online

As the online diffusion of music has been more rapid and wider than offline sales, so has the expansion to other global markets. This means that in order to increase popularity, companies had to produce global products that could meet the demands of international consumers or at least produce more appealing songs for the overseas market (Oh, "From Localization" 160). The different market size and recognition of market changes from offline to online, thus from domestic to global, have induced contrasting responsive strategies from the Japanese and Korean music industries.

In general, gaining significant overseas popularity and selling music abroad requires various types of business activities such as TV and radio exposure, as well as running large promotional campaigns. These activities are not just for the companies, but also for their singers and idol groups. Unfortunately, these activities alone do not guarantee a significant increase in popularity abroad as witnessed with the case of many Japanese musicians such as Utada Hikaru. Due to Japan's larger market size, much of its profits are from domestic offline sales which has been the central interest for Japanese companies. It is easy then to see why there was little incentive for Japanese companies to push their singers to learn foreign languages or even recruit performers from other countries. In the process they overlooked the online market and consumers in other countries (Mamiya). As a result, Japanese singers and idol groups have not enjoyed significant popularity abroad, and they have been losing ground in holding international concerts.

The reaction of Korean companies was different. Going beyond simply including English lyrics, Korean companies also went on to give language lessons to singers and/or to recruit singers who could speak and sing in foreign languages such as

English or Japanese in order to penetrate the larger foreign markets in the late 1990s. A notable example in this case is the group S.E.S. who were formed in 1997 by SM Entertainment (Jung, “Hallyu” 118-119). This strategy has developed further over the years as companies sought to recruit Korean-Americans or other foreign singers, such as American, Chinese, Thai, and even Japanese performers. Alongside this, there has been increased collaboration with foreign song writers in order to produce music that can be widely appreciated by fans around the world (Ryoo 142; Mamiya).

1.3. Consumers: From Album to Song

With the emergence of the Internet, the way in which consumers enjoy music has changed. They have focused more on purchasing and listening to only a few songs that are either extracted from CDs or obtained online instead of purchasing a complete album (Yoo 59; IPSOS and IFPI). As the behavior of consumers has changed, the strategies of businesses have also adjusted from producing a whole album with a bundle of songs to focusing on producing only a few attractive songs. Despite these trends, the Japanese music industry has been more focused on physical music sales such as releasing many different versions of the same album or song. This difference has resulted in the two music industries pursuing divergent paths.

Unlike other advanced countries, digital sales in Japan have dropped since 2009 and physical music sales even surpassed digital sales in 2012 (Lindvall; McIntyre); this trend has been reversed only recently. The Japanese music industry has developed various marketing strategies to sell more CDs from the same album, such as producing single albums – a strategy to sell more physical albums – with only one or two songs, and packaging CDs with different promotional contents including photos or tickets for certain events (Lindvall; Karp and Inada; Mochari). However, these physical objects cannot be easily distributed abroad compared to online music (Garg et al. 32). As a result, these strategies do not help with international promotion.

By contrast, Korean companies have rather focused on producing attractive songs instead of albums in accordance with the changing behavior among consumers. The outcome from this approach has been that they have tried to enhance the musical quality of only a few marketable songs. To make their musical contents more attractive for a global audience, Korean companies turned to talent from abroad, notably Scandinavian countries such as Finland, Norway, and Sweden (Kim, “Establishing” 1047-1048). This collaboration with foreign song writers

helped to enhance the musical quality of K-pop and has also contributed toward making K-pop more modern and globalized. Having acknowledged the changes in consumer behavior, this song-oriented strategy coupled with online diffusion proved to be the key factor toward K-pop becoming more easily and quickly disseminated around the world.

1.4. Business Context: From Specialization to Integration

As the scope of competition has expanded from domestic to global and the diffusion of music has become quicker online, the music industry has had to keep up with demand and produce songs more rapidly (Garg et al. 26). In this case, the introduction of ICT has helped to speed up music production through a shorter process. From the perspective of the companies involved, having many promising stars or idol groups is more beneficial to their profits as they can have a high turnover of songs and increase the opportunities for success. As a result, they have to recruit and train many people who possess specific talents. Managing all of these separately through individual specialized companies is not an easy task and is demanding in terms of time and financing. In order to reduce time and cost in this regard, entertainment companies have merged and acquired other individual companies that specialize in specific sectors (Christensen et al. 118; Korea Creative Content Agency [KOCCA], *Music Industry White Paper 2013* 15).

The Japanese music industry also formed conglomerates, but its process was rather superficial when compared with the Korean case (Hong). Instead of enhancing their corporate structural efficiency, Japanese companies have focused more on specialization, particularly on marketing gimmicks designed to exploit their large domestic market and the loyalty of fans. A good example is the 'music connecting card' that allows purchasers to download music online for a limited period only. Although the music source is online, it was counted by Oricon Chart as a physical album sale. Furthermore, physical albums often include a bonus ticket for a special event. However, music connecting cards are different. In order to be able to acquire the same bonus ticket, several cards have to be purchased (Karp and Inada). This means that consumers end up buying more music cards which consequently helps to artificially boost album sales. Given that this gimmick only works with music acts that command a loyal fan base, entertainment companies in Japan are only focused on supporting well-established names. As such there is little incentive for them to go out and discover new talent. This is one of many examples that describes how the Japanese music industry has not properly adjusted its corporate structure to digitization.

In its early years, Korean companies benchmarked the Japanese conglomerate system but later began to integrate many specialized sectors under a more effective process of “chaebolization.” With this, companies have focused more effort and investment into fostering new idol groups and would-be singers by utilizing the revenues gained from previously successful acts within the same company to meet the growing market and rapid trends (Hong; Oh and Park 380). This *chaebol*-like system has also allowed Korean companies to possess stronger bargaining power when they negotiate with foreign companies abroad. Optimizing the corporate structure through integration has enhanced K-pop’s competitiveness and its international popularity through easier diffusion.

2. Digitization 2.0: Routinization of the Internet

2.1. Technology: From Possess to Access

When CD and MP3 players were introduced to the market, the focus among consumers was on the possession of music. With the introduction of smartphones and tablets, consumers are now always connected to the Internet (Enhuber 133). Young people, in particular, tend to upgrade (or purchase) these devices more frequently than before. In such an environment, consumers are now increasingly accessing streaming service providers (IFPI; IPSOS and IFPI). In brief, these digital advances have changed music consumption from possessing to accessing songs.

Due to the large offline-based market, related marketing strategies, and a strict IPR regime, the Japanese music market orientates its consumers toward possessing music instead of accessing it. In particular, Japanese companies have a relatively complicated or overly sophisticated copyright procedure compared to Korea. This ensures that they are reluctant to share music with online platforms such as YouTube (Mamiya; Sisario; Karp and Inada). Consequently, it is then difficult for foreign consumers to access and enjoy Japanese music online. On internet chat forums like Quora, it is common to find many complaints from international fans on how they are unable to easily access the latest Japanese music online. The result is that J-pop’s global popularity has become more limited.¹

As the Internet has become part of everyday life, the focus among Korean business sectors has shifted from hardware to software (KOCCA, *Music Industry White Paper 2013* 33-36). In the early years, they introduced services for virtual music storage as well as platforms for where consumers can exchange music files, but later they have concentrated more on music streaming services such as Melon which was launched in 2004. In order to promote K-pop more effectively

in this new environment, Korean companies did not hesitate to release their music through YouTube or other SNS platforms (Oh and Park 372). Having created their own official channels on these online services, young people around the world were able to easily access K-pop.

2.2. Producers: From Complexity to Simplicity

The advances in digitization for both hardware and software as well as the commonality of the Internet have shortened the process for producing music and its subsequent distribution. The effect has been that many traditional functions within music production and distribution have been replaced by new technology or have even disappeared. In responding to these changes, the music industry has transformed from a complicated structure to a simpler one (Yoo 57-58). Through the Internet, collaborations with song writers in other countries to produce music has become simpler and more effective, as well as distribution, promotion, and marketing.

With a single focus on physical album sales, the Japanese music industry's value chain has edged more toward the role of distributors and marketing sectors solely in Japan. Unlike some countries where a management agent takes charge of promotion, in Japan the music labels (or record companies) tend to be responsible for such activities, including scheduling appearances on TV or radio as well as other promotional activities. As a result, the value chain for the music industry to produce and distribute music has not simplified. This complicated distribution system continues to operate, which makes it difficult for the entry of new participants into the market. All of these facts have kept the structure of the Japanese music industry complicated and has also slowed down the effects of market dynamics (Asai 475).

In Korea, due to the simplification of the process in the music industry, a great number of SMEs have been established and operate in a competitive environment (KOCCA, *Music Industry White Paper 2013* 22-23). For example, FNC Entertainment has become one of the four major entertainment companies in Korea despite the fact that it was only established in 2006. Another company, Big Hit Entertainment was founded in 2005 and has solidified its presence with the emerging popularity of BTS. Other SMEs can easily participate in the market with low operating costs due to the simplification of both production and distribution. As a result, the number of SMEs has increased, and they have to differentiate themselves from the four majors (KOCCA, *Music Industry White Paper 2016* 177). This fact has helped to enhance diversity within K-pop. At the same time, the four major companies can afford to discover and foster promising talent and diversify their market abroad in

order to achieve a more sustainable future by taking advantage of this simplified process.

2.3. Consumers: From Audio to Visual

As digital devices such as smartphones and tablets are routinized, they have become the main device that youngsters use to enjoy music (IPSOS and IFPI). In this environment, the visual image of a singer or an idol group is often as important as the audio sound for consumers (Messerlin and Shin 421-422). Naturally, this means a change from “music to listen” to “music to listen and watch.” Therefore, the impact of a well-integrated audio sound and visual image would enhance the popularity of the music as an effective marketing and promotional tool (Stefan and Brown 110-111). This was the case with the viral hit song ‘Gangnam Style,’ whose music video was memorable for its striking dance moves and glitzy visual images. Because J-pop became popular with the emergence of the Walkman and with a market focused on physical sales, its development has been geared more toward its audio impact (Yoshimi 168; Stevens 115). K-pop by contrast developed during a digital period and its market is thus more orientated toward computers and smart devices, which means its music has to complement the audio sound with the visual image.

Most J-pop idol groups are focused on audio sound and therefore seek to create more impact by utilizing a stronger beat. Some groups have produced attractive music videos, but many of them are not available online or are only accessible through specific Japanese websites because copyright holders claim ownership. Currently, there are a few Japanese idol groups such as AKB48 and Arashi who have adopted a “two-track strategy” of audio sound and visual image. However, these two factors have not been optimally integrated enough to help penetrate foreign markets. For example, AKB48 has achieved its fame through the concept of ‘idols you can meet’ by holding so-called ‘handshake’ and photo-shoot events (Sisario). The problem however is that these events are limited to Japanese consumers. Another group called Arashi developed further its popularity through the drama series *Boys over Flowers*.² Due to the complicated IPR regime and license agreements, this drama faced restrictions in its distribution to other countries for broadcasting. Instead spinoff versions were produced in other parts of Asia, such as China, Korea, and Taiwan. Crucially, however, they featured local actors rather than the original group members.

K-pop’s two-track strategy is different. It has placed both audio sound, as music, and visual image, as dance, in a song (Messerlin and Shin 436). Furthermore, these

songs have been successfully distributed through Internet intermediaries such as YouTube under a loose copyright regime. This is why the dance techniques of K-pop idol groups are often considered to be the symbol of K-pop itself. In the global market, J-pop with a non-synergetic two-track strategy has found it hard to compete with K-pop that is supported by both audio sound and visual image. In contrast, the Korean music industry has utilized K-pop music videos and its online circulation as effective promotional tools. This has helped to attract foreign fans to onsite performances such as concerts which today is their main source of income.

2.4. Business Context: From Threat to Opportunity

As globalization has accelerated further, an increasing number of multinational companies are developing their business in various countries around the world. Many Japanese entertainment companies have retained a complacent attitude and have therefore been reluctant to explore these new changes and challenges. This has materialized in spite of the fact that the Japanese government has initiated efforts for the further globalization of its country's culture. The Korean music industry has developed in the opposite direction; thus they have been more active in exploring this new change by adopting different strategies.

Many foreign service providers such as iTunes and Spotify have sought to take advantage of Japan's large market. However, due to the rigid IPR regime and complicated license agreements, it is difficult for foreign companies to negotiate with a larger number of organizations to secure music (Karp and Inada; Sisario). Moreover, as the Japanese market has long been dominated by physical music sales, Japanese companies have been reluctant to expedite deals with new digital services. It has only been since 2015 that these physical sales have begun to decline and the domestic giants—such as Line Music, Sony Music Entertainment Japan, AWA, Avex Group, and others—have begun to setup streaming services (Byford).

Since Korean music distributors have long had to compete with music pirates, they offer cheaper prices compared to their counterparts in other countries (Messerlin and Shin 431). Foreign service providers seeking to enter the Korean market are prepared to pay a higher price to the music industry in order to acquire more Korean music (Kim, "KT, Releasing"; Cho). As a result, the Korean music industry has been welcoming the entrance of these foreign service providers. It is also believed that competition with foreign companies would help to enhance the quality and expansion of the Korean market (Yonhap News). Accordingly, Korean companies have invested in foreign countries to diversify their music market and genre as well as develop the pool of potential talent (Lee, "Korean Entertainment").

DISCUSSION: A DYNAMIC FRAMEWORK

By utilizing a more comprehensive and systematic approach with the diamond model, it is now possible to present a framework that grasps the dynamic evolution of the music industry in Japan and Korea. There were two phases in terms of technological breakthroughs. The first is with the emergence of the Internet and the latter is with its routinization. Based on the previous analysis, the first phase is captioned as “Series A,” whereas the latter as “Series B” in Table 2. This table provides a summary of the whole evolution of the music industry more systematically and comprehensively when facing digitization. Although, a sequence of events can be found in the table, it is noteworthy that all these developments have occurred pretty much simultaneously and within a relatively short period of time.

Table 2. The evolution of the music industries through digitization

	Industry changes	
Technology	Hardware (A-1)	Analogue → Digital
	Software (B-1)	Possess → Access
Producers	Basic (A-2)	Offline → Online
	Advanced (B-2)	Complexity → Simplicity (of production)
Consumers	Size (A-3)	Album (bundle of songs) → Song (a piece of music)
	Quality (B-3)	Audio → Visual
Business context	Structure (A-4)	Specialization → Integration
	Rivalry (B-4)	Threat → Opportunity

Facing this evolution, the music industries in Japan and Korea have developed different responsive strategies that have resulted in divergent outcomes. The Korean music industry has been more responsive to the changes brought on by digitization than its Japanese counterpart. Contrary to the Korean music industry, Japanese companies in their approach to changes in the music industry ended up wrestling with digitalization rather than taking advantage of the opportunities it brings. Therefore, these companies have lost their momentum to take off further in the digital era and have seen a decrease in their global popularity.

It is important to note that this kind of digitization is happening all over the world, not just in Japan and Korea. Due to technological advancements and the

rapid adaptation to digitization among consumers, these dynamics happened earlier and are more noticeable in this region compared with other parts of the world. Therefore, this framework can also be applicable to music industries in other countries where the business strategies in response to digitization can be different from one another. Above all, understanding digitization more comprehensively and systematically is critical toward establishing solid guidelines for cultural policies and business strategies.

CONCLUSION

With the emergence of the Internet and ICT, digitization has significantly changed the music industry and has played a critical role in producing and distributing music. Consumers have also changed their music consumption behavior. Together with the knowledge that the role of business is critical in order for government policies to be more effective, it is important to emphasize the responsive strategy of business activities toward digitization. In other words, it is essential to analyze how business responsiveness can change competitiveness within the music industry and bring about a different outcome in the digital era where online diffusion prevails. This approach is complementary to cultural and artistic perspectives.

The rise of K-pop and the decline of J-pop clearly demonstrate the importance of timely business activities. This paper has demonstrated that there was a contrast in their responsive strategies when faced with digitization. The contribution of this paper focuses on a better way to understand the reasons behind the contrasting paths pursued by J-pop and K-pop and it provides a dynamic framework that helps to grasp the evolution of the music industry and business responsive strategies in an era of digitization. Each factor mentioned in the analysis of this paper will make for a pertinent subject of study that can be supported by further in-depth research respectively.

The findings of this paper can be applied beyond the two countries considered here. Because digitization is a global phenomenon, the changes it brings about will affect all music production and consumption around the world. Accordingly, business models need to be urgently and thoroughly revisited. In particular, country-specific and conventional copyrights based on cultural industries before the emergence of the Internet are no longer effective in the current borderless digital world. Real cultural diversity can only be achieved and enriched when there are many competitive cultures, rather than many uncompetitive ones in the world. More importantly, an uncompetitive culture can be turned into being a competitive

one as shown with the evolution of K-pop in this paper. In order to achieve this goal, digitization can help lead the way forward.

The intention of this paper is not to disparage the Japanese music industry or exalt the Korean music industry. It aims to understand what made K-pop more globally recognized than J-pop. Japan and Korea are interrelated in many respects and have also been competitors in various sectors. Hence, they have exchanged many influences with each other. J-pop, K-pop, and their music industries are no exception. When they understand each other better, the two countries can then achieve better synergies to enhance their cultural competitiveness. In this respect, much can be learnt from the two famous figure skaters Mao Asada from Japan and Yuna Kim from Korea. Both have often confessed in interviews that they were able to develop as better figure skaters due to the intense competition between them. The authors of this paper wish the same for both countries and their constructive future, particularly their cultures.

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Notes

1. Regarding copyrights, some would argue that the United States also has strong IPR protection like Japan has but has successfully globalized American pop artists. In order to better understand the difference between the American and Japanese music industries, it is necessary to understand the development stage and business environment. When the US music industry achieved its cultural “hegemonic” power in the world after World War II, there were no other means to diffuse music, but radio and TV which were easy to control. By contrast, today we have the Internet which is more difficult to control as well as CDs, DVDs, and tapes. Once the US dominated the world music industry, it strengthened copyright law in order to maintain its cultural hegemonic power. This is more noticeable after the Sony Bono Act in 1998. Regarding the Japanese music industry, despite the fact that it consumed much of its domestic market share, from a global perspective it possessed a very limited dominant power. Thus, Japan’s emphasis on copyright law is for its domestic market which then hindered the diffusion of J-pop. It is further noteworthy that from various sources, the most pirated songs worldwide are America pop songs (for example see Sanchez).
2. In general the drama industry hired well-known singers or idols in order to increase or guarantee the popularity of its drama series.

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