The inexorable rise of K-Pop has brought South Korea to international attention but it’s not the sole driver behind a strong physical and streaming market and a noteworthy leap in recorded music revenue.

It’s hard to think of many national music markets that have tasted the kind of success recently enjoyed by South Korea. The headlines may be dominated by the rise of K-Pop, with BTS in 2018 becoming the first South Korean act to achieve a gold certification in the US. But perhaps even more remarkable is the way the South Korean recorded music business as a whole has grown, more than doubling in size since 2013.

In 2017, South Korea rose two places in the IFPI’s global ranking to sit as the sixth largest global music business. That was thanks to a head-spinning 45.8% rise in recorded music revenue, the kind of blockbusting increase we sometimes see in smaller, late-developing markets. South Korea is emphatically not one of those, though: it was an early adopter of streaming, with total streaming revenue in 2013 of $89.78m, accounting for around 86% of total digital revenue.

Streaming revenue continues to increase strongly in South Korea, up 47.0% in 2017 to $281.6m according to IFPI figures. The vast majority of this was from subscription streaming revenue, which grew 46.8% to $259.6m, while ad-supported audio streaming fell slightly. Clayton Jin, CEO of Warner Music Korea, says that the streaming market in South Korea “remains buoyant”.

“There were approximately 8.5m subscribers towards the end of 2018, which is a sizeable increase from 2017,” he adds. “Streaming continues to grow and, unlike in most other markets, the price of subscriptions has increased to reflect inflation.”

Indeed, new regulation came into effect in January 2019 that raised the royalty share from music streaming services from 60% to 65%, a move that Jin calls “great news for artists and those who invest in them”. According to news site The Korea Bizwire, this regulation has led to price rises largely in hybrid streaming-plus-download packages (which remain popular in South Korea), rather than pure streaming plans. Melon, which is operated by South Korean mobile giant Kakao, has increased prices on its unlimited mobile streaming + 50 downloads package from 15,500 won ($13.74) to 20,000 won ($17.73), while the price of its Melon Mobile Streaming Club has remained static at 7,400 won ($6.56).

In South Korea, what Melon does is important. Data from 2018 showed that Melon remains the most popular music streaming service in South Korea, with 5.69m users in March 2018, up from 5.29m in March 2017. Genie Music, operated by local carrier KT, was second with 2.06m users, followed by Kakao Music, Naver Music, Bugs and M-net, in what was a clear sweep by local platforms. Spotify isn’t available in South Korea, although Apple Music is.

Despite Melon’s popularity, YouTube remains the most popular place to listen to music in South Korea. A 2018 study from the report

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<th>South Korea</th>
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<td><strong>STATS</strong></td>
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<tr>
<td>Population</td>
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<tr>
<td>GDP (purchasing power parity)</td>
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<td>GDP real growth rate</td>
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<tr>
<td>Broadband connections</td>
<td>21.2m</td>
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<tr>
<td>Phones - mobile cellular</td>
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Source: CIA Factbook / Figures 2017 estimates
the Korea Internet Corporations Association found that YouTube was the main app that 43% of respondents used to listen to music, followed by Melon on 28.1%, Genie Music on 7.7%, Naver Music on 6.5% and Apple Music tied with Samsung Music for fifth place with a 4.6% share. And yet music revenue from YouTube remains low. In 2017, video streaming brought in $19.39m to the South Korean music business according to the IFPI, a notable increase on 2016 ($9.28m); but still not enough to pop champagne corks over.

South Korea has also seen a massive increase in physical music revenue over the past few years. The IFPI says that South Korea recorded the largest relative and absolute growth globally in physical revenues in both 2016 and 2017, with CD revenue up 47.6% and vinyl up 124.5% in 2017. This was thanks to a raft of blockbuster releases, many of which came in special editions to appeal to the hardcore K-Pop fans.

“Fans, especially those of K-Pop idols, have re-embraced the physical format as a way of showing their support for their favourite artists,” Jin explains. “Some people even buy multiple copies of albums if there are different versions to collect. We’ve seen strong physical sales for local artists such as MXM [Brand New Boys], Kim Hyeon Joong [SS501] and Jun Jin [Shinhwa].” Interestingly, the growth of physical music is not across the board, with Jin explaining that physical revenue from international repertoire as a whole is decreasing in the Korean market.

This, perhaps, best sums up the South Korean music industry in 2019. It is a market that other music businesses would dearly love to copy, although it is hard to shake the idea that South Korea is something of a one-off in today’s music business.

Jin expects physical sales to remain strong in South Korea and believes that other markets could learn from this success. “Fans everywhere want to show their love for artists, so it’s possible we could see this trend in other markets,” Jin says. “The Korean music industry has done a great job of adding an element of fun and collectability, such as adding collectible memorabilia or prize-winning games, to its physical products and I think other markets could adopt that approach.”

Source: IFPI
South Korea continued...

Q&A with Clayton Jin, CEO, Warner Music Korea

MA: Why did physical music sales in South Korea increase so much in 2017?

CJ: Physical sales have been strong in South Korea for a couple of years now. Fans, especially those of K-Pop idols, have re-embraced the physical format as a way of showing their support for their favourite artists. Some people even buy multiple copies of albums if there are different versions to collect. We’ve seen strong physical sales for local artists such as MXM [Brand New Boys], Kim Hyun Joong [SS501] and Jun Jin [Shinhwa], however physical revenue from international repertoire as a whole is decreasing for the Korean market.

MA: Do you see this continuing into the future? Or is it a blip?

CJ: I think physical sales will continue to be robust for some time. Fans have really re-engaged with the format.

MA: Can other music industries learn something from this? Or is it a very specific South Korean trend?

CJ: Fans everywhere want to show their love for artists, so it’s possible we could see this trend in other markets. The Korean music industry has done a great job of adding an element of fun and collectability, such as adding collectible memorabilia or price-winning games, to its physical products and I think other markets could adopt that approach.

MA: In 2018 BTS became the first South Korean act to achieve a gold certification from the RIAA in the US. Has streaming helped with their success and with the success of K-Pop as a whole?

CJ: Streaming has helped build a global audience for K-Pop. It’s lowered barriers to music discovery and experimentation. But we have to be innovative as record companies to benefit from this. Take the example of Shaun (pictured), one of the biggest K-Pop sensations of the last year. We teamed him up with Spinnin’ DJ Sam Feldt and the UK’s Conor Maynard to remix Shaun’s original Korean track, ‘Way Back Home’, into an English version. It’s a great way of introducing all three artists to new audiences.

MA: Do you think we will see more K-Pop bands make this kind of breakthrough?

CJ: I think we’ll see an increasing number of K-Pop artists hitting the charts in many countries worldwide. Our strategy at Warner Music Korea is to sign and nurture the best local talent and then use our global network to amplify their success internationally. We’re already seeing this approach work for the likes of MXM [Brand New Boys – above] and Shaun.

MA: Streaming revenue in South Korea also increased greatly in 2017 (up 47%). What is driving this?

CJ: We’re still seeing more and more music fans in South Korea sign-up to streaming services. The services have also been able to increase their prices to take account of inflation – and this has helped drive revenue growth. This is really important to us as it means that we can use increased revenues to boost our A&R budgets and sign more talent who create the music that attracts fans to streaming. It becomes a virtuous cycle.

MA: In January 2019, new regulations came into effect in South Korea raising the royalty share from music streaming services from 60% to 65%. Do you think this will have a significant effect on the South Korean music industry?

CJ: The government in South Korea mandated streaming services to share an increasing proportion of their revenues with rights holders. This is great news for artists and those who invest in them. It means there’s more money to grow our rosters and create the music that attracts people to streaming services.