# A Study on Idol Incubation Business Models in China, Japan, and South Korea: A Multi-Case Comparative Analysis from the Value Chain Perspective

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## ABSTRACT

As an essential component of the cultural and creative industries, the idol industry has undergone an evolution from the traditional star system to systematic industrialization. On the basis of value chain theory and symbolic production theory, we have constructed a dual “value symbol” analysis framework. We studied several cases and compared SM Entertainment (Korean), Johnny’s (now STARTO ENTERTAINMENT, Japan) and Yuehua Entertainment (China). The research shows that the idol creation modes in these three countries can be divided into three value chains: the global industrial value chain in Korea, the closed cultivation value chain in Japan and the platform agile value chain in China. There are great differences between these three models in value chain structure, control of important stages and how to make money: the Korean model emphasizes standardized production and global distribution. The Japanese model relies on managing the relationship with fans and deeply developing emotional value as a barrier; The China model relies heavily on external platforms to make real-time money from traffic. Using visual maps of financial data and value chain, we show the advantages and disadvantages of each model. This provides a theoretical basis and practical path for the transformation of China’s idol industry, from the short mode of “traffic monetization” to the long mode of “intellectual property cultivation and derivatives”.

**Keywords:** Idol incubation; Business model; Value chain; Symbol production; Multi-case comparison

## 1. INTRODUCTION

### 1.1 Research Background and Problem Statement

The business model of idol industry has changed. Before that, it was a traditional galaxy. Johnny started with a closed model, just like a school that trains idols. Then, SM Entertainment improved this model to make it run on a global scale. Today, a new model has emerged in China Entertainment Company, which uses the Internet to turn real-time popularity into money. This shows that we are no longer just management artists, we are building a huge value ecosystem.

However, the usual research mainly talks about culture or describes the wholesale industry. They don’t have the tools to really understand business, from creating to consuming idols. The value chain theory is very suitable for opening this “black box”. At the same time, idols are special cultural products. We must pay attention to how to create their “symbolic value” and turn it into money.

Therefore, this study combines the economic analysis of the whole value chain and the communication theory of symbol production. By comparing the typical companies in China, Japan and South Korea, she tries to answer the following main questions: What are the similarities and differences of the value chain structure and what are the main connections among the three idol incubation modes in the three countries? How do production symbols systematically integrate and promote value creation? What are the sustainable development logic and innovation paths of different business models?

### 1.2 Research Significance

Theoretically, this study systematically introduces the value chain theory into the study of idol industry for the first time, and constructs a two-dimensional “value symbol” analysis model together with the symbol production theory, which promotes the interdisciplinary research of cultural and creative industries. By revealing the similarities and differences of deep business logic (resource input, production organization and value distribution) from the perspective of value chain, it goes beyond superficial comparison and touches the core of industrial organization and competitive strategy. In addition, the application of classical value chain model in the field of cultural and emotional consumption tests and develops the explanatory power of intangible and experience-oriented product theory.

In practice, through the detailed comparison of the whole value chain, this paper identifies the weaknesses and advantages of China model in artist training, content research and development, fan operation and derivative intellectual property rights, thus providing a concrete and feasible road map for optimizing resource allocation and reshaping profit model. By analyzing the obstacles of Japanese and Korean models in key nodes of the value chain, he encouraged China enterprises to consider establishing stable, sustainable and repeatable value creation and value capture capabilities, beyond “traffic monetization”.

## 2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

### 2.1 Research Status of Idol Industry Value Chain

Although there are few studies that systematically analyze the three countries’ idol industries using value chain theory, some scholars have provided critical perspectives. Lee & Kim (2019) compared global entertainment companies and proposed a strategic model of ecosystem building based on value chain diversification, offering a direct theoretical tool for understanding value chain extension and integration from the perspective of corporate competitive strategy [1]. Nonaka et al. (2016), in their research on Asian management models, implicitly analyzed the organizational logic of the value chain and noted that the “consensus with strong leadership” and long-term cultivation at S.M. Entertainment reflect unique strategic inputs in “inbound logistics” and “operations” [2].

At the comparative practice level, Wang Ruoshuang (2016) conducted an early comparative analysis of the differences in selection, training, packaging, and funding between Chinese and Korean star-making systems, which had already touched on multiple nodes of the value chain [3]. Bai Mei Jiadai (2021), in her special report “Dream Business”, summarized the fundamental differences in value creation priorities among the three countries: Japan values the emotional value of the “cultivation process” itself; Korea values the global output value of “standardized products”; China values the real-time conversion value of “attention traffic” [4].

### 2.2 Country-Specific Case Studies on Value Chain Links

Research on Johnny’s reveals the foundation of its business barriers. Galbraith & Karlin (2012) analyzed the “agency system” and its production logic [5], while Zhang Juanjuan et al. (2015) emphasized the family-like management and long-term cultivation system [6]. Together, they demonstrate how Johnny’s built a closed and stable starting point for the value chain through absolute control over the “human capital” and “in-house training” links.

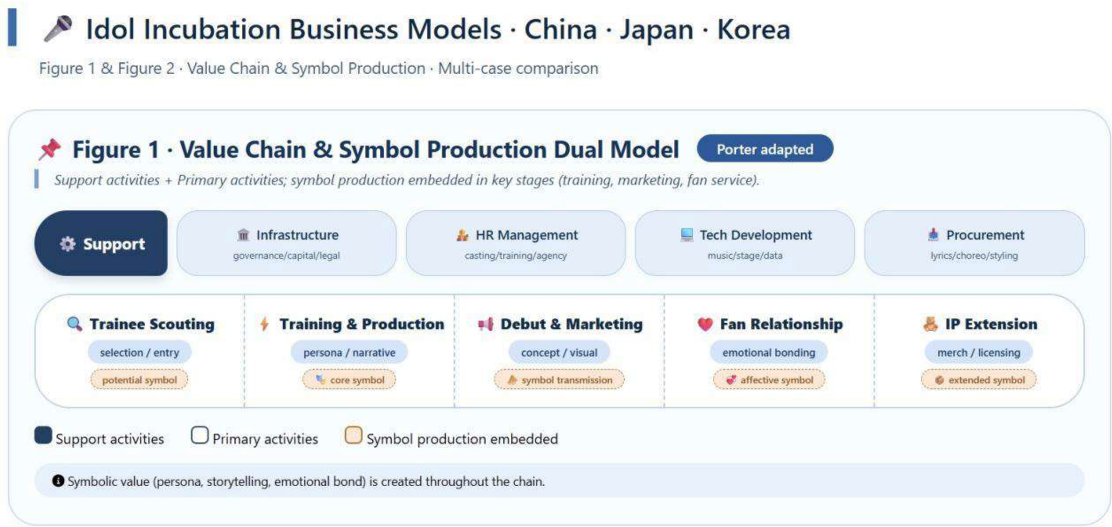
On the contrary, study SM Entertainment (Liu Xingchen, 2020 [7]; Zhaoqi Wang, 2022 [8]) shows different entry logic: they use global audition to collect “original materials” and transform them through highly intensive and standardized industrial processes (“cultural technology”). The efficiency and repeatability of these processes contribute to their global expansion.

China model shows great external dependence and adaptability in this respect. Xue Xiang et al. (2024) put forward the idea of “player” (playing+ experiment), which shows the special working situation in the central part of the “production” of survival programs [9]. Li Juming and others (2020) added that the new media environment has changed the power relationship among the elements of the star creation system. This deeply embeds the value chain of Chinese idols into the ecosystem of external platforms, and makes the control of each part less centralized. [10]

### 2.3 Theoretical Framework: Value Chain–Symbol Production Dual Model

Based on Porter’s value chain model and the characteristics of the idol industry, this study constructs an analytical framework comprising “support activities” and “primary activities” (see Figure 1).

Figure 1. Value Chain-Symbol Production Dual Analytical Model for Idol Incubation Industry




Support activities include: (1) Infrastructure (corporate governance, capital operation, legal compliance); (2) Human resource management (artist selection, training system, agent teams); (3) Technology development (music production technology, stage technology, data analysis); (4) Procurement (external lyrics, choreography, styling, and other resource integration).

The main activities include: (1) track selection and inbound logistics; (2) Training and production (including character building, world outlook narration and other symbol production); (3) debut and marketing; (4) Fan service and relationship management; (5) IP derivatives and value extension. In the key links of "training and production", "marketing" and "service", this study integrates the analysis of symbol production activities to clarify how they contribute to value creation.

## 3. RESEARCH DESIGN

### 3.1 Research Methods

This study mainly adopts qualitative methods. It combines case analysis, comparative analysis and literature research to make methodology triangulation. Specifically, we have conducted exploratory and explanatory multi-case studies on SM Entertainment, Johnny's and Yuehua Entertainment. We introduced their mapping of the whole value chain in detail, from the selection and training of artists to the realization of value. Using the "full value chain analysis model" as a unified comparison dimension, we systematically compare three cases step by step. We also systematically collect and analyze public documents. This includes annual financial reports, prospectuses, official press releases, third-party professional reports and in-depth media reports.

### 3.2 Case Selection

This study adopts the method of case comparison. We choose SM Entertainment (Korean), Johnny & Associates (Japanese) and China as representative examples. The selection strategy based on four clear criteria is followed to ensure that the comparison between countries is effective and can be popularized (see Figure 2). SM Entertainment, one of South Korea's "Big Three", invented the industrial production system of K-pop. By 2024, its income will reach 98.973 billion won [11]. Johnny is the founder of Japanese model to cultivate idols. It has existed for more than 60 years and has created a closed fan club system. Yuhua Entertainment is an important agent of Chinese idols. In the first half of 2025, its artist management income reached RMB 357 million, accounting for 86.16% [12]. This shows the typical characteristics of China model.

Figure 2. Case Selection Criteria

| Criterion | KR SM Entertainment (Korea) | JP Johnny & Associates (Japan) | CN Yuehua Entertainment (China) |
|---|---|---|---|
| **Industry Status** | Top 3 agency; K-pop pioneer; "Big 3" member | Absolute market leader; originator of "pure-breeding" idol model (since 1975) | Leading publicly traded company; representative of the Chinese platform era |
| **Value Chain Prototype** | Globalized Industrial Value Chain<br>standardized, scalable global export | Closed "Pure-Breeding" Value Chain<br>internalized, fan-relationship centric | Platform-Aggregated Agile Value Chain<br>traffic-driven, platform-embedded |
| **Data Availability** | **High** – publicly traded (KOSDAQ)<br>Audited annual reports, investor presentations, DART filings | **Medium-High** – private but rich archives<br>Industry white papers, academic case studies, fan club data, tour reports (60+ years) | **High** – publicly traded (HKEX)<br>Detailed segment reports, earnings calls, prospectus |
| **Primary Data Sources** | Annual reports (DART), IR data, concert & album statistics | Media coverage, official fan club disclosures, academic research, documentary archives | HKEX filings, quarterly earnings, IPO prospectus, platform data |
| **Key Functional Feature** | Full in-house control + global distribution network | Complete internal value loop + membership-driven profit | Platform-dependent scouting, marketing & traffic monetization |
| **Functional Comparability** | All three cases are analyzed using the same value chain stages (scouting → training → production → marketing → fan management → IP extension) despite different organizational forms. Functional benchmarking ensures "apples-to-apples" comparison. | | |

📌 **Selection Rationale Summary:** The three companies were chosen based on (1) **industry status** (market leadership & historical influence), (2) **typicality** (each represents a distinct value chain prototype), (3) **data accessibility** (public filings + rich secondary sources), and (4) **comparability** (functional alignment under a unified value chain framework). This design supports theoretical replication logic (Yin, 2018).

** SM Entertainment (KOSDAQ: 041510), Yuehua Entertainment (HKEX: 02306), Johnny's (now STARTO) archival sources.*

### 3.3 Data Sources

The data of this study come from: (1) the financial reports of listed companies (SM Entertainment); (2) Industry research reports and academic documents; (3) In-depth coverage of media and documentaries; (4) Public information about the operation of the fan club.

## 4. VALUE CHAIN ANALYSIS OF IDOL INCUBATION MODELS

### 4.1 SM Entertainment (South Korea): Globalized Industrial Value Chain

SM Entertainment's value chain is characterized by standardization, replicability, and globalization, forming a complete industrial system from global auditions and systematic training to global distribution.

Upstream: Standardized Input and Elite Selection. SM uses global auditions to source "raw materials", emphasizing the plasticity of basic qualities such as appearance, dance, and singing. Trainees undergo 3-5 years of intensive training covering vocal, dance, language, and etiquette. The training emphasizes "cultural technology" - breaking down idol performances into standardizable elements (e.g., synchronized dancing, facial expression management, variety sense). In 2024 (as shown in Table 1), SM's cost of sales was KRW 710.14 billion, accounting for 71.7% of total revenue [11], reflecting its strategic emphasis on front-end investment.

Midstream: Conceptual Production and Global Marketing. SM's core competence lies in "conceptualization" - each group is given a clear worldview and concept (e.g., EXO's alien concept, aespa's metaverse concept), embedding symbol production at the product design stage. SM has built a global distribution network through partnerships with Universal Music Group and operates local subsidiaries in Japan, China, and the US.

Downstream: Diversified Monetization and IP Derivatives. SM's revenue structure includes albums, digital music, concerts, advertising, and IP licensing. In 2025, SM invested KRW 6 billion in its subsidiary SM Friends to expand IP derivative development [13].

Table 1. SM Entertainment Financial Data (2020-2024) (Unit: KRW 100 million)

| Year | Revenue | Revenue Growth | Operating Profit | Net Profit | EBITDA | EBITDA Margin |
|---|---|---|---|---|---|---|
| 2020 | 5,798.80 | -12% | 761.9 | -701.6 | 761.9 | 13% |
| 2021 | 7,015.60 | 21% | 1,307.60 | 1,335.40 | 1,307.60 | 19% |
| 2022 | 8,507.70 | 21% | 1,517.80 | 799.9 | 1,517.80 | 18% |
| 2023 | 9,610.70 | 13% | 1,714.20 | 873.0 | 1,714.20 | 25% |
| 2024 | 9,897.30 | 3% | 1,467.70 | 183.1 | 1,467.70 | 15% |

Source: Barron's SM Entertainment Financials, 2025 [11]

### 4.2 Johnny's (Japan): Closed Cultivation Value Chain

Johnny's value chain is centered on "cultivation", placing fan relationship management at the core of value creation, and has built a highly closed, long-term stable business ecosystem.

Upstream: Internalized Training and Long-Term Lock-in. Johnny's uses a "Junior" (Jr.) system, synchronizing trainee training with fan accumulation. Approximately 200 Jr. members are selected annually from tens of thousands of applicants; they gain popularity by dancing in senior concerts and appearing in company-produced shows. Unlike the Korean model, Johnny's does not impose standardized training curricula but encourages Jr. members to learn autonomously based on their talents. Training costs are spread over a long period, with relatively low front-end investment but a longer time cycle.

Midstream: Group-Based Debut and Cross-Media Exposure. Johnny's strictly avoids solo debuts, insisting on debuting as groups. Group strategy creates the symbolic value of "group spirit" as the core. The marketing channel is closed internally: the company produces its own programs, plays and annual tours. This reduces the need for external platforms and strengthens the control of the value chain.

Downstream: fan club system and monetization of emotional value. Each group has an independent fan club. Members pay for tickets, lottery tickets and exclusive content every year. For example, the number of Aracy fan club members has already exceeded 2 million, and the annual fee only generates tens of billions of yen. It is estimated that by 2024, ARASHI round financing (including fan club income, sponsorship and broadcasting) will generate full income of 15 billion to 50 billion yen. [14] However, after the 2023 sexual abuse scandal involving founder Johnny Kitagawa, the wave of fan cancellations broke out, revealing the fragility of the closed value chain.

### 4.3 Yuehua Entertainment (China): Platform-Agile Value Chain

The value chain of Yuhua Entertainment is closely connected with the Internet platform ecosystem in China. It forms an agile model, focusing on the management of artists and the rapid response to market changes.

Upstream: external selection and platform training. Yuehua chose his interns by mixing the experience of South Korea and Japan, but it shows that he is very dependent on the platform. The company selects interns through its own channels and cooperative survival programs; The training period is short, and the focus is on the ability to "get ready to start".

Midstream: Survival Show Debut and Traffic Operation. Debuts heavily rely on video platform-produced survival shows. Most of Yuehua's well-known artists gained recognition through such shows, with the advantage that the platform bears most production and promotion costs. However, the agency has weak control over the debut stage and partially cedes symbol production leadership to platforms. Marketing uses Weibo, Douyin, and Xiaohongshu through topic operations and fan interactions, facing rising traffic costs and fragmented fan attention.

Downstream: Highly Concentrated Artist Agency Revenue. In the first half of 2025, Yuehua's total revenue was RMB 414 million, of which artist management revenue accounted for RMB 357 million (86.16%), as shown in Table 2 [12].

Table 2. Yuehua Entertainment Revenue Composition (First Half of 2025) (Unit: RMB)

| Business Segment | Revenue | Share |
|---|---|---|
| Artist Management | 357 million | 86.16% |
| Music IP Production & Operation | 36.703 million | 8.86% |
| IP Operation Business | 20.606 million | 4.97% |
| Total | 414 million | 100% |

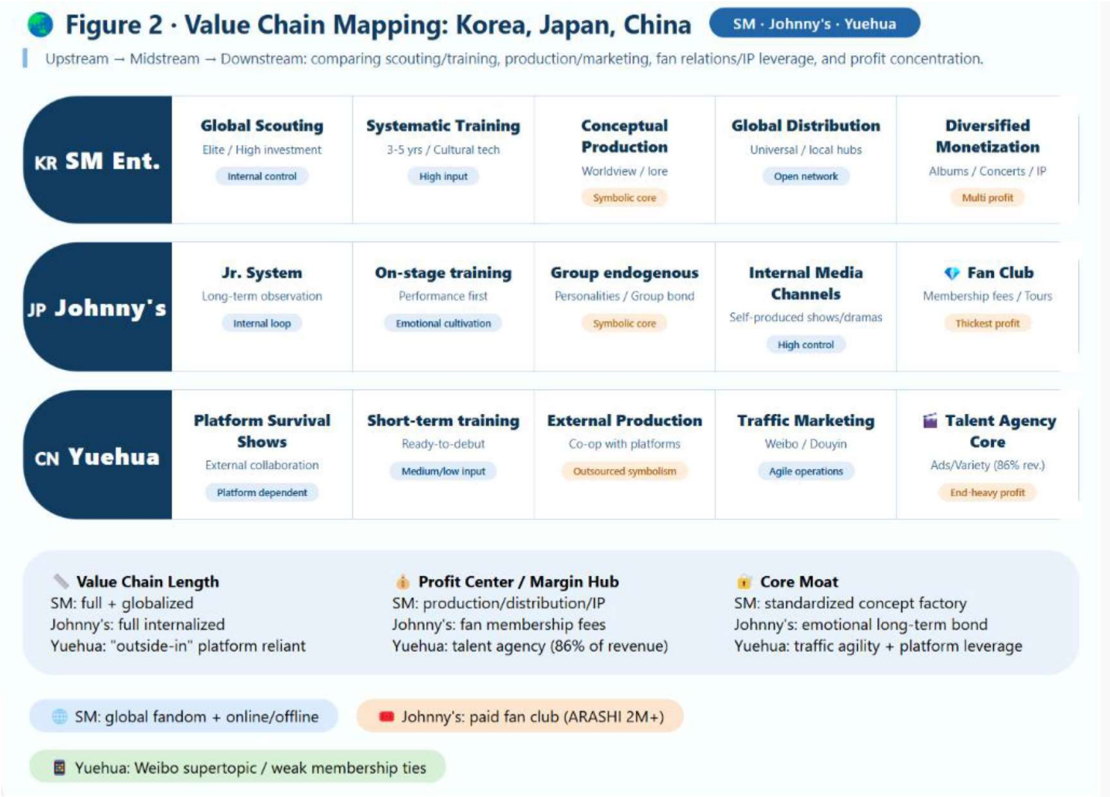
Source: Futu NiuNiu, Yuehua Entertainment (02306) Revenue Composition, 2025 [12]. Regional distribution shows mainland China accounts for 89.90% and South Korea 10.10%.

### 4.4 Value Chain Mapping Comparison

Table 3. Value Chain Comparison of Idol Incubation Models in Three Countries

| Value Chain Link | SM (Korea) | Johnny's (Japan) | Yuehua (China) |
|---|---|---|---|
| Selection | Global auditions, elite standard | Jr. system, long-term observation | Platform auditions + own channels |
| Training | 3-5y systematic, high investment | Learning by performing, long-term cultivation | Short-term, readiness emphasis |
| Production | Conceptual, worldview narrative | Group-based endogenous, personalized | External production, platform cooperation |
| Marketing | Global distribution network | Internal channel closed loop | Social media traffic operation |
| Fan Relationship | Global fan community, online+offline | Paid fan club | Weibo supertopic, fan support groups |
| Monetization | Diversified (album/concert/IP) | Fan club fee as core, concerts second | Highly dependent on artist agency |
| Value Chain Feature | Globalized industrial | Closed cultivation | Platform-agile |

Figure 3. Value Chain Mapping Visualization for Three Countries




## 5. DRIVERS OF DIFFERENCES AND SUSTAINABILITY ANALYSIS

### 5.1 Deep Drivers of Differences

As we can see in Table 3, Figure 3, the industrial value chains of the three countries differ significantly. First, industrial ecosystem differences: Japan's "content-first" traditional media provides Johnny's with its internal closed-loop; Korea has promoted K-pop globalization as a national strategy since the 1990s; China relies on a huge Internet user base and platform economy. Second, technological environment: Japan's fan club system was formed in the pre-Internet era; Korea uses digital technology to create a composite product; China's idol industry is embedded in mobile Internet (short video, live streaming, social media). Third, capital logic: Korean companies raise funds through IPOs for global expansion; Johnny's maintains a family business form; Chinese idol companies leverage capital markets for rapid share grabbing. Fourth, policy regulation: Korea provides institutional guarantees; Japan promotes "Cool Japan"; China has recently strengthened regulations on survival shows, fan fundraising, and fandoms.

### 5.2 Competitive Advantages and Vulnerabilities

The Korean model is characterized by standardized quality, stable operational performance, global market coverage and diversified income sources. Nevertheless, it is confronted with evident drawbacks, namely the persistent demand for blockbuster productions, frequent disputes over artist contracts, as well as high reliance on external collaborative parties.

In contrast, the Japanese model gains strengths from stable cash flows generated by fan club operations, inherent emotional market moats, and lower marketing expenses realized through internal proprietary channels. On the flip side, it suffers from slow-paced innovation progress, prominent key-person risks as exemplified by the Kitagawa scandal, together with insufficient international layout and influence.

By comparison, the Chinese model enjoys distinct merits including platform-driven rapid scale expansion, flexible traffic-oriented operation modes and solid financial capital support. Conversely, it has obvious deficiencies such as overly concentrated revenue structure, susceptibility to adjustments of platform rules, weak fan loyalty accompanied by transient traffic effect, and the failure to effectively accumulate sustainable long-term industrial value.

### 5.3 Sustainability Assessment

Korea needs to balance standardization and individualization; Japan must solve succession issues to maintain value closure stability; China must shift from short-chain "traffic monetization" to long-chain "IP cultivation and derivatives" to build full-process value creation capability.

## 6. CONCLUSION AND IMPLICATIONS

### 6.1 Research Conclusions

First, three value chain archetypes are identified: Korea's globalized industrial, Japan's closed cultivation, China's platform-agile. Second, differences exist in structure, control, and value capture: Japan's chain is the longest and most closed, concentrating profit in fan service; Korea's covers all links with global openness and diversified profit distribution; China's shows "two ends outside" with profit concentrated at artist management. Third, symbol production is systematically embedded in each link: Korea through conceptualization, Japan through "group spirit" narratives, China through social media persona operation.

### 6.2 Implications for China's Idol Industry

(1) Strengthen upstream technology development: invest in music production, stage technology, data analysis; adopt "cultural technology" concepts. (2) Expand midstream content production capacity: extend from "artist agency" to "content IP" by building a content matrix (albums, variety shows, films). (3) Restructure downstream fan relationship management: learn from Japanese fan clubs to build long-term, stable fan service systems, moving from "one-time monetization" to "lifetime value extraction". (4) Optimize value chain synergy: seek greater bargaining power in platform cooperation through co-productions and IP sharing. (5) Build diversified revenue streams: develop merchandise, licensing, offline experiences, reducing dependence on artist agency and enhancing risk resilience.

### 6.3 Research Limitations and Outlook

This study has limitations: case selection focuses on leading companies, lacking SMEs and emerging models; data rely on public sources without primary interview data; symbolic production analysis of fan culture requires further deepening. Future research could expand case coverage and use ethnographic methods to explore dynamic evolution mechanisms of the idol industry value chain.

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