

How K-pop might lead to the downfall of Korea's richest self-made tech mogul

Kakao Corp. founder Kim Beom-su was arrested Tuesday in Seoul, South Korea. That might not mean much to Westerners, but the story is a bizarre tale of how a celebrated, self-made tech billionaire fell from grace... partly because he bought a scandal-ridden K-pop agency.

Kim, who also goes by Brian, stands accused of manipulating SM Entertainment's stock price during a high-profile acquisition battle. Kim's chief rival in the bidding war? Hybe, the K-pop label that is best known for BTS. Prosecutors indicted Kakao's chief investment officer, Bae Jae-hyun, last year on similar charges. Kim has denied any wrongdoing.

To back it up a bit, Kakao Corp. is best known for KakaoTalk, South Korea's most popular messaging app, used by roughly 47 million of the country's 50 million people. You could describe it as Korea's WhatsApp, but Kakao isn't a platform just for messaging. The company has dozens of affiliates that handle everything from shopping and banking to music and ridehailing. Currently, the company's valued at roughly 17 trillion Korean won, or \$12.4 billion USD.

If Kakao was already so dominant, you might wonder why the company would allegedly risk financial crimes to acquire a K-pop company. But SM Entertainment isn't just some label. It's one of the big three K-pop agencies responsible for hit acts like Girls' Generation, Exo, NCT, and Aespa.

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Symbolically, Kim's arrest matters because, among Korea's elite, he is the rare example of a self-made billionaire. In other words, he's not from a chaebol. In Korea, chaebols are family-run conglomerates like Samsung, Hyundai, SK Group, and LG. These chaebols dominate South Korea's economy, often at the expense of smaller businesses. Kim, by contrast, was a classic rags-to-riches story, growing up in poverty to become the first in his family to go to college. At his peak, Kim even overtook Samsung heir Lee Jae-yong as the richest man in South Korea with a fortune estimated at over \$13 billion.

In all seriousness, the aggressive pursuit of a monopoly is what's really landed Kakao and Kim in hot waters. The company has faced increased government scrutiny after a Kakao data center fire in 2022 caused a five-day nationwide outage, sparking concerns about Korea's dependence on a handful of tech companies. Since then, Kakao has also been the subject of tax evasion investigations. According to *Bloomberg*, Kakao has also lost a third of its value just this year, with Kim losing roughly \$10 billion of his own fortune.

Though, it probably didn't help that Kim went a little power-hungry during one of the worst K-pop scandals of the decade.

<https://www.theverge.com/2024/7/23/24204411/kakaotalk-kim-beom-su-kpop>