

The Indonesian Capital Market Review

Volume 16
Number 1 *January*

Article 4

3-2-2024

The Impact of Celebrity News on Entertainment Industry Stock Prices

Alexandra Widuri Ariani
Universitas Indonesia, widurialexandra@gmail.com

Zaäfri Ananto Husodo
Universitas Indonesia

Follow this and additional works at: <https://scholarhub.ui.ac.id/icmr>



Part of the [Corporate Finance Commons](#), [Finance and Financial Management Commons](#), [Music Business Commons](#), and the [Portfolio and Security Analysis Commons](#)

Recommended Citation

Ariani, Alexandra Widuri and Husodo, Zaäfri Ananto (2024) "The Impact of Celebrity News on Entertainment Industry Stock Prices," *The Indonesian Capital Market Review*. Vol. 16: No. 1, Article 4.
DOI: 10.21002/icmr.v16i1.1169
Available at: <https://scholarhub.ui.ac.id/icmr/vol16/iss1/4>

This Article is brought to you for free and open access by the Faculty of Economics & Business at UI Scholars Hub. It has been accepted for inclusion in *The Indonesian Capital Market Review* by an authorized editor of UI Scholars Hub.

INDONESIAN CAPITAL MARKET REVIEW

The Impact of Celebrity News on Entertainment Industry Stock Prices

Alexandra Widuri Ariani* and Zaäfri Ananto Husodo

Faculty of Economics and Business, Universitas Indonesia, Indonesia

(Received: February 2024 / Revised: May 2024 / Accepted: May 2024 / Available Online: June 2024)

South Korea's entertainment industry has gained global popularity. However, the competition between entertainment companies is intense, requiring strategies to ensure their survival, such as imposing restrictions on their artists to maintain their public image and trust. This study examined the impacts of celebrity news and activities on the stock returns of six major entertainment companies listed on the Korea Exchange (KRX) from 2018 to 2021. Using the Fama/French 3 Factors Model regression, the study investigated the presence of abnormal returns. The findings indicate that comebacks and debuts elicit positive reactions and generate significant abnormal returns. Award acceptances and military service also elicit positive reactions but do not generate significant abnormal returns. Conversely, dating news, internal scandals, and national scandals elicit negative reactions, with only national scandals generating significant abnormal returns. These results imply that entertainment companies and investors should actively manage and monitor celebrity news to make informed decisions.

Keywords: *Entertainment Industry, Stock Market, Event Study, Abnormal Return*

JEL Classification: G11, G14, L82

Introduction

South Korean culture has become a testament to the massive shift in entertainment trends from Hollywood-oriented to South Korean-oriented. This shift is evident in the rising popularity of Korean dramas, films, ten-step skincare routines, and Korean Pop Music (K-pop). This phenomenon, known as the Korean Wave or Hallyu, has had significant effects on various industries, including tourism, beauty, culinary, fashion, and electronics, and has provided substantial global benefits.

The world's growing interest in Korean culture, coupled with strong support from the Korean

government to promote Korean music, films, dramas, and TV programs, has greatly benefited the entertainment industry. Korean films and dramas have shown potential for significant growth, especially during the COVID-19 pandemic, when people began exploring new shows on online streaming platforms, such as Netflix, Hulu, and Amazon.

The international success of K-pop is not accidental. It is driven by five key factors: casting, training, production/promotion, social media, and content (J. H. Kim et al., 2021). Entertainment companies or agencies have created K-pop as a consumer product from the very beginning. K-pop musicians, known as idols, are

*Corresponding author's email: alexandra.widuri@ui.ac.id

expected to maintain a clean and responsible image. Entertainment companies seek distinct yet cohesive personalities to appeal to a broad fan base while minimizing internal conflicts.

K-pop group music production is unique compared to other genres. It blends elements from pop, techno, rock, and hip-hop. To cater to an international audience, K-pop groups often include members from countries such as Japan, China, Taiwan, Thailand, or Australia. Their songs and signature dances are presented in striking music videos, often with Japanese or Mandarin versions and sprinkled with English words. Although the use of English is sometimes out of context or grammatically inaccurate, it helps reduce the language barrier and adds a playful character to K-pop (Yoon, 2018). Entertainment companies hire Western songwriters, composers, or producers to match Western music styles. Group names typically consist of short, easily recognizable English words or acronyms such as iKON, TWICE, G-Friend, and EXO.

With each new song release, K-pop groups produce music videos featuring new point dances and continuously changing fashion, styles, and storylines to attract more fans. Beyond music videos, entertainment companies achieve success through digital content developed in collaboration with external entertainment companies, including visual radio broadcasts, dramas, reality shows, or variety shows. The content is distributed through social media without border restrictions. The more diverse and exclusive the content, the more likely fans are to remain loyal (S. Kim et al., 2021). Social media provides a participatory pathway, used daily by fans to enhance their attachment to idols and each other (Williams & Ho, 2016). Social media also facilitates the distribution of group content among international communities and different fan groups (J. H. Kim et al., 2021; Tan et al., 2020).

The collaborative efforts of K-pop idols and entertainment companies significantly impact fan behavior. Fans develop admiration towards idols, known as celebrity worship. This form of

Para social relationship can lead to an obsession with celebrities. The connection created by fans is leveraged for marketing through celebrity endorsements and brand ambassadorships (Halim & Kiatkawsin, 2021). Idols work with various brands as ambassadors, from everyday products to luxury items.

As a government-funded project aimed at boosting South Korea's economic growth, global influence, and national image, idols are taught values such as humility, obedience, and loyalty. Some entertainment companies include clauses that forbid idols from publicly discussing relationships, driving, drinking, and clubbing. Other clauses require them to maintain a certain weight to prevent bad publicity.

To align with the government's goal of promoting Korean music, entertainment companies are expanding their business, including entering the stock market and issuing shares. Fans' behavior toward K-pop idols or groups becomes an advantage for these companies to attract investors. Despite the various benefits, the entertainment industry is volatile and prone to media exposure from the media, which can significantly affect stock values. For instance, the collaboration between BlackPink and Selena Gomez led to a surge in YG Entertainment's stock price to ₩52,500, the highest since 2015 (Sul, 2020). Conversely, the dating scandal involving HyunA and E'Dawn caused Cube Entertainment's stock price to drop from ₩2,970 to ₩2,775 (Sang-Hun, C., & Lee, S. H., 2018).

Such news can motivate or deter investors from investing in these companies, especially when faced with bad publicity due to their artists. Despite this, little research has been conducted on the association between celebrity news and companies' stock performance beyond news articles. This research aims to fill that gap by analyzing the entertainment industry's stock market reaction in South Korea to celebrity news. It employs the Fama/French 3 Factors Model regression to observe *abnormal returns* on or after the news release. Celebrity news is categorized into six groups and classified as good

or bad news based on the resulting *abnormal returns*.

This research benefits industry players in similar competitive climates providing insights into the effects of news on the industry, enabling them to develop optimal financial strategies in response to both good and bad news. It also helps investors or fans interested in investing in entertainment companies to make informed investment decisions based on news events.

The manuscript is organized into five sections. The first section covers the background, objective, and contribution of the research. The second section presents a literature review, followed by the research method. The fourth section explains the results and discussions of the research. The final section provides the conclusions and implications.

Literature Review

Signaling Theory

Spence (1973) found that the cost of signaling bad news is higher than the cost of signaling good news. This difference motivates managers to disclose private information to reduce information asymmetry, aiming to send a positive signal about the company's performance to the market. According to signaling theory, company executives with better information about their company are encouraged to convey this information to potential investors to boost the company's stock price (Ross, 1977).

Efficient Market Hypothesis

The Efficient Market Hypothesis (EMH) posits that the market is rational because the price of a security reflects all available information about its economic value. A market where prices fully reflect all available information is considered efficient (Elton et al., 2003). According to Fama (1970), there are three versions of the EMH: weak, semi-strong, and strong (Fama, 1970).

News

News is generally known as a report of a spe-

cific event. In journalism, news is defined as a distinct commodity created and packaged by journalists and journalistic institutions. It emphasized newness and truth, with a specific tone and values determined by what is considered newsworthy to an audience (Bengtsson & Johansson, 2020).

News is classified into hard news and soft news. Hard news has political relevance, focuses on societal consequences, is impersonal and unemotional, and needs to be reported immediately. It covers topics such as top leaders, politics, the economy, finance, science, technology, and related topics. In contrast, soft news is defined as news that has no political relevance, focuses on individual consequences, is personal or emotional; and is not under pressure to be reported at a specific time. It includes events about sports, scandals, celebrities, or entertainment-centered topics (Curran et al., 2009; Reinemann et al., 2012; Shoemaker & Cohen, 2006)

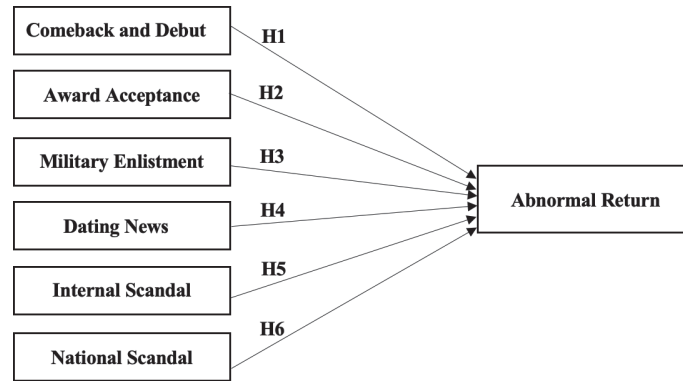
Celebrity news is a hybrid genre combining elements of news and entertainment. Often generated for commercial purposes, it can serve as advertising and promotion. Celebrity news covers stories about famous people, including gossip, rumors, or speculation, and is judged by the journalist's access to exclusive information rather than its accuracy (Harcup & O'Neill, 2017; Turner, 2014; Van Den Bulck et al., 2017).

News is also classified by its sentiment; good news and bad news. Good news features positive stories with positive overtones, such as victories and celebrations, while bad news includes negative stories, such as death or injury (Harcup & O'Neill, 2017).

Celebrity Worship

Celebrity worship is defined as intense admiration or obsessive behavior towards celebrities, making them the primary focus of one's life. This behavior can evolve into devotional feelings, including a willingness to invest significant time, energy, and finances (Brown, 2015; Maltby et al., 2003).

Figure 1. Research Model



Para Social Relationship

A Para social relationship is an imaginative relationship or a false sense of intimacy between fans and celebrities or personas (Maltby et al., 2003; Sulianti et al., 2018). These relationships develop through time spent engaging with celebrities via events, such as sports games or concerts, and through media consumption, such as movies or news. Over time, fans perceive this as relational development, leading them to feel as if they know the celebrities well (Brown, 2015).

Research Methods

This research used independent and dependent variables. The independent variable was celebrity news, obtained from digital news websites such as Soompi, Koreaboo, Korean Times, and All K-pop. Celebrities' news was categorized into six types, based on frequency on the news sites and fans' reactions; *comeback and debut*, *award acceptance*, *military service*, *dating news*, *internal scandals*, and *national scandals*. The dependent variable in this study was the *abnormal return*. Based on these variables, the operational research model can be described as shown in Figure 1.

Comeback and Debut

A comeback occurs when a K-pop group or idol releases and promotes new music. A debut is a K-pop group or idol's first public appearance or performance. Notable increases in stock prices have been observed following *comebacks and debuts*. For example, the music collaboration

between BlackPink and Selena Gomez resulted in a jump in YG Entertainment's stock price to ₩52,500, the highest since the end of 2015 (Sul, 2020). Although fans often react positively and some stock prices increase, there has been no research examining whether *comebacks and debuts* result in *abnormal returns*.

H1: There is a significant abnormal return in the entertainment industry on the day of a *comeback or debut*.

Awards Acceptance

Awards play an important role in the K-pop community. When K-pop groups and idols win awards, they gain a good reputation in public. However, there has been no research examining whether *award acceptances* result in *abnormal returns*.

H2: There is a significant abnormal return in the entertainment industry after *awards acceptance*.

Military Service

Military service is an obligation for male citizens between the ages of 18 and 28, including male K-pop idols. The *military service* of K-pop idols elicits different reactions. Some believe that *military service* brings good publicity for idols and their entertainment companies. Conversely, others think that when male celebrities are in *military service*, their groups will have fewer activities, both as individuals and as a group. However, there has been no research examining whether *military service* results in *abnormal returns*.

H3: There is a significant abnormal return in the entertainment industry on the day of *military service*.

Dating News

Dating in the K-pop industry is strictly monitored by companies, which often impose restrictions on their idols to prevent distractions or unwanted attention that could affect the idols' image. Fans react differently to *dating news*. Some view dating as a human right, while others see it as a betrayal of fan loyalty. For example, fans demanded that Chen from EXO leave the group after he announced his marriage ("Korean Fans Demand", 2020). Similarly, the news of HyunA and E'Dawn dating caused Cube Entertainment's stock price to drop from ₩2,970 to ₩2,775 (Sang-Hun, C., & Lee, S. H., 2018). While there have been instances of stock price decreases due to *dating news*, further research is needed.

H4: There is a significant abnormal return in the entertainment industry after the release of *dating news*.

Internal Scandals

Entertainment companies hold significant power over K-pop groups and idols, imposing rules and restrictions they must follow. However, disagreements often lead to *internal scandals*, such as bullying scandals, suicides, contract terminations, lawsuits, injuries, and mistreatment. For example, YG Entertainment's stock plummeted after announcing that BlackPink's Lisa would not attend Paris Fashion Week. Fans accused YG Entertainment of mistreatment, causing the stock to dip from ₩64,800 to ₩63,700 ("YG Entertainment's stock", 2021). Despite such incidents, no research has examined whether *internal scandals* result in *abnormal returns*.

H5: There is a significant abnormal return in the entertainment industry after the release of *internal scandals*.

National Scandals

The rules and restrictions imposed by entertainment companies extend beyond the companies

to general societal behavior. However, K-pop groups or idols sometimes engage in activities that violate laws. *National scandals* include sex scandals, prostitution, tax evasion, drug or alcohol scandals, revocation of university degrees, violation of COVID-19 quarantine regulations, and other legal violations. For example, the T.O.P of Big Bang tested positive for marijuana, leading to a 4.2 percent drop in YG Entertainment Inc.'s closing at ₩33,000 (Jeong Yeo, 2017). Despite such incidents, no research has examined whether *national scandals* result in *abnormal returns*.

H6: There is a significant abnormal return in the entertainment industry after the release of *national scandals*.

As the first step of the research, the researchers collected data from 52 entertainment companies, and applying the following selection criteria:

- The entertainment companies must have been listed on the Korea Stock Exchange between January 1st, 2018, and June 30th, 2021. The starting date was chosen because some entertainment companies had missing activities in the stock market before this date, plus a 250-day estimation period.
- The entertainment companies must have had active trading activities during the research period.
- The entertainment companies must operate as record labels; talent agencies, music production companies, event management, and concert production companies, as well as music publishing houses.

Then, celebrity names were gathered from the entertainment companies' websites. The selected celebrities were those under contract or signing with entertainment companies during the research period from January 2018 to June 2021. The researchers collected celebrity news from digital news websites such as Soompi, Koreaboo, Korean Times, and All K-pop during the same research period. The news was obtained using keywords related to K-pop groups

or idols' names. Subsequently, the news was categorized based on types such as *comeback and debut*, *award acceptance*, *military service*, *dating news*, *internal scandals*, and *national scandals*.

To obtain *abnormal returns*, the researchers first determined the expected returns of the share R_a through regression using the Fama/French 3 Factor Model. This model provides a more precise estimation of expected return beyond market risk by considering two additional factors: Small Minus Big (SMB) to address size risk and High Minus Low (HML) to address value risk (Fama & French, 1993):

$$R_a = R_f + \beta_1(MKT - R_f) + \beta_2(SMB) + \beta_3(HML) + \alpha \quad (1)$$

Here:

- R_f represents the risk-free rate.
- β_n denotes the factor coefficient.
- $(MKT - R_f)$ is the market risk premium.
- SMB reflects the excess return of small-capitalization over large capitalization.
- HML indicates the excess return of value stocks over growth stocks.
- α represent the intercept.

After obtaining the expected return, the researchers calculated the actual return using the formula;

$$R_{it} = \frac{P_t - P_{t-1}}{P_{t-1}} \quad (2)$$

Where:

- R_{it} represents the stock return of entertainment company $-i$ on day t .
- P_t is closing entertainment company stock price day t .
- P_{t-1} is closing entertainment company stock price day $t-1$.

An abnormal return, denoted as AR_{it} for an entertainment company, I during the t -window period, is calculated as the difference between the actual return and the expected return:

$$AR_{it} = R_{it} - E(R_{it}) \quad (3)$$

Where:

- R_{it} is the actual return of the entertainment company $-i$'s stock during the t -window period.
- $E(R_{it})$ is the expected return of the entertainment company's stock during the t -window period.

In the last step, the researchers conducted hypothesis testing to determine whether there was a significant impact on *abnormal returns*, using a significance level of 0,05 (5 percent).

Due to the frequent news releases, choosing an estimation period that did not include events potentially impacting the returns was challenging. This research used an estimation period of 250 trading days for each piece of news, as suggested by S. J. Brown and Warner (1985), to ensure robustness. The event period of this research was one day, covering various specific events:

1. ***Comeback and debut***: The event period was the day of comeback or debut due to prior notifications from entertainment companies.
2. ***Awards Acceptance***: The event period was the first trading day after the news since award ceremonies typically occur at night.
3. ***Military service***: The event period was the day the conscription started. Although public notifications often precede this, idols sometimes enlist secretly, with the news breaking in the morning.
4. ***Dating, Internal, and National Scandals***: The event period depended on the news release time. If the news was released before or during trading hours, the event period was the same day. If released after trading hours, the event period was the first trading day following the news.

The short event period was chosen to avoid overlaps between events, preventing misinterpretation of the analysis. Scholtens and Peenstra (2009) employed a similar approach to

Table 1. Positive Abnormal Returns

Company	Comebacks and Debuts		Award Acceptances		Military Service	
	N	Mean	N	Mean	N	Mean
Cube	55	0.01094	15	0.01581	7	0.00820
Fantagio	19	0.01657	3	0.03378	-	-
FNC	35	0.00985	6	-0.01159	5	0.00516
JYP	67	0.00482	26	-0.00532	5	0.00729
SM	165	0.00344	21	0.00454	9	0.00652
YG	42	0.00255	15	-0.00206	5	0.03481
Total	383	0.00590	86	0.00133	31	0.01137

Data processed by researchers (2022)

Table 2. Negative Abnormal Returns

Company	Dating News		Internal Scandals		National Scandals	
	N	Mean	N	Mean	N	Mean
Cube	3	-0.00042	12	-0.01541	7	-0.00771
Fantagio	-	-	9	0.00281	2	0.00525
FNC	2	-0.00926	7	0.00247	6	-0.00626
JYP	4	-0.01800	13	-0.00843	2	-0.08095
SM	5	0.01838	13	0.00748	6	-0.00768
YG	3	-0.00347	11	-0.02058	19	-0.01694
Total	17	-0.00061	65	-0.00586	42	-0.01454

Data processed by researchers (2022)

analyze the *abnormal returns* of football clubs' stock the day after a match.

Results and Discussions

The researchers examined six entertainment companies: Cube Entertainment Inc., Fantagio Corp., FNC Entertainment Co. Ltd., JYP Entertainment Corp., SM Entertainment, and YG Entertainment Inc. During the research period, there were 624 news items related to these companies. The news items were categorized as follows: 383 news items for *comebacks and debuts*, 86 news items for *awards acceptances*, 31 news items for *military service*, 17 news items for *dating news*, 65 news items for *internal scandals*, and 42 news items for *national scandals*.

Descriptive Statistic

Table 1 reveals that on *comeback and debut* days, entertainment companies experienced positive *abnormal returns*, with an average of 0.00590. This suggests that positive *abnormal returns* on these days contain favorable information for the market, signaling investors to buy shares, thereby increasing the company's stock price.

The day after *award acceptance*, three entertainment companies had positive *abnormal returns*, while the other three had negative *abnormal returns*. However, the overall *abnormal returns* were positive with an average of 0.00133. This indicates that *award acceptance* generally conveys positive information to the market, leading to a positive tendency among investors to buy shares.

On *military service* days, entertainment companies also experienced positive *abnormal returns*, averaging 0.01137. This suggests that *military service* can be perceived as good news by investors.

Table 2 shows that the release of *dating news* resulted in a negative *abnormal return*, averaging of -0.00061. This indicates that *dating news* is perceived as negative information for investors and is considered bad news.

Regarding *internal scandals*, three entertainment companies experienced positive *abnormal returns*, while the other three had negative *abnormal returns*. This mixed result can be attributed to instances where companies defended their artist by suing other parties, such as

Table 3. Hypothesis Testing Result

Event	Mean Difference	t	df	Sig. (2-tailed)	Interpretation
Comeback and Debut	0.0059	3.518	382	0,000	Good News, Significant
Award Acceptance	0.0013	0.496	85	0,621	Good News, Not Significant
Military Service	0.0114	1.662	30	0,107	Good News, Not Significant
Dating News	-0.0006	-0.070	16	0,945	Bad News, Not Significant
Internal Scandal	-0.0059	-1.142	64	0,258	Bad News, Not Significant
National Scandal	-0.0145	-2.400	41	0,021	Bad News, Significant

Data processed by researchers (2022)

haters. However, the overall average *abnormal returns* for internal scandals were negative, by -0.00586.

National scandals also led to negative *abnormal returns*, with an average result of -0.01454. These findings suggest that both internal and *national scandals* involving K-pop and idol groups send a negative signal to investors, resulting in a decline in the company's stock price. *Internal scandals*, in particular, are viewed as firm-specific risks.

Hypothesis Testing

Table 3 displays the results of hypothesis testing for each event in the entertainment industry. *Comebacks and debuts* had a mean abnormal return of 0.0059; indicating that these events are considered good news due to the associated increase in stock prices.

With 383 news items, the *comeback and debut* items had a significance (2-tailed) value of 0.000 (below 0.05), suggesting that the mean difference is statistically significant. The significant positive abnormal return indicates that these events are perceived positively by the market, leading to higher stock prices for entertainment companies. Therefore, the hypothesis (H1) that there is a significant abnormal return in the entertainment industry on the day of a comeback or debut is accepted.

Award acceptance had a mean abnormal return of 0.0013; indicating that it is considered good news due to an increase in stock prices. However, the significance (2-tailed) value for *abnormal returns* in the entertainment industry the day after receiving awards was 0.621 (above 0.05); indicating that the mean abnormal return

is not statistically significant. Therefore, the hypothesis (H2) that there is a significant abnormal return in the entertainment industry after *award acceptance* is rejected.

Military service had a mean abnormal return of 0.0114; indicating a relatively larger impact compared to other events, and is considered good news due to the increase in stock prices. However, the significance (2-tailed) is 0.107 (above 0.05), indicating that the mean abnormal return is not statistically significant. Therefore, H3, which states that there is a significant abnormal return in the entertainment industry on *military service* day is rejected.

Dating news had a mean abnormal return of -0.0006; indicating that *dating news* is considered bad news due to the decrease in stock prices. The significance (2-tailed) value is 0.945 (above 0.05), indicating that the mean abnormal return is not statistically significant. Therefore, the hypothesis (H4) that there is a significant abnormal return in the entertainment industry after the release of *dating news* is rejected.

Internal scandals in the entertainment industry had a mean abnormal return of -0.0059; indicating that *internal scandals* are considered bad news because of the decrease in stock prices. The significance (2-tailed) value is 0.258 (above 0.05), indicating that the mean abnormal return in the entertainment industry after the release of *internal scandals* is not statistically significant. Therefore, H5, which states that there is a significant abnormal return on the entertainment industry after the release of *internal scandals* is rejected.

The *national scandals* in the entertainment in-

dustry had a mean abnormal return of -0.0145; indicating that *national scandals* are considered bad news due to the decrease in stock prices. The significance (2-tailed) is 0.021 (below 0.05), indicating that the mean abnormal return in the entertainment industry after the release of *national scandals* is statistically significant. Therefore, the hypothesis (H6) that there is a significant abnormal return in the entertainment industry the day after *national scandals* is accepted.

Discussion

Based on the research results, it is evident that *comebacks and debuts*, as well as *awards acceptances* for K-pop groups and idols, had positive *abnormal returns*. News about K-pop idols' military also showed positive *abnormal returns*, indicating that *military service* is considered good news. This suggests that the *comebacks and debuts*, *award acceptance*, and *military service* of K-pop groups and idols convey positive information to the market, leading to a positive tendency among investors to buy shares of entertainment companies. *Military service* had positive *abnormal returns* because investors recognized that K-pop idols fulfilling their obligations as citizens to prevent bad publicity and *national scandals*. However, while *award acceptance* and *military service* did not have significant *abnormal returns*, only *comeback and debut* news had significant *abnormal returns*.

In contrast, *internal and national scandals* of K-pop groups and idols resulted in negative *abnormal returns*. *Dating news* also led to negative *abnormal returns*, indicating that it is perceived as bad news by investors. *Dating news* is considered bad news because it brings unnecessary attention to celebrities and companies. Fans often see dating as disloyalty by K-pop idols to their fans and unprofessional, as idols are expected to focus on their careers. Therefore, *dating news*, *internal scandals*, and *national scandals* contain negative information for the market, leading to a negative tendency among investors to sell shares of entertainment companies. The results indicate that *dating*

news and *internal scandals* did not have significant *abnormal returns*, whereas *national scandals* did.

This analysis supports the Efficient Market Hypothesis which posits that stock prices reflect all available information. In this case, the entertainment companies operate in a semi-strong form, where stock prices fully reflect all past (historical) and publicly available information. This research demonstrated that good celebrity news generates positive market reactions and positive *abnormal returns*. According to Signaling Theory, entertainment companies can gain investor confidence and increase stock prices by reporting good news to the market, such as *comebacks and debuts*, *award acceptance*, and *military service*. Conversely, bad celebrity news leads to negative market reactions and negative *abnormal returns*, with bad publicity or bad celebrity news being considered a firm-specific risk.

Conclusions

This research demonstrates that positive celebrity news generates favorable market reactions and positive *abnormal returns*. According to Signaling Theory, entertainment companies can boost investor confidence and increase stock prices by reporting good news. This study also confirms that negative celebrity news leads to adverse market reactions and negative *abnormal returns*.

It is evident that news about *comebacks and debuts*, *award acceptance*, and *military service* resulted in positive *abnormal returns*. Based on hypothesis testing, *comebacks*, *and debuts*, *award acceptance*, as well as *military service* had positive mean *abnormal returns*, indicating that such news is viewed positively by investors. However, only news about *comebacks and debuts* had significant *abnormal returns* in the entertainment industry.

Conversely, *dating news*, *internal scandals*, and *national scandals* resulted in negative *abnormal returns*, reflecting a negative investor re-

sponse. Hypothesis testing revealed that *dating news*, *internal scandals*, and *national scandals* for K-pop and idol groups had negative mean *abnormal returns*, indicating that such news is considered bad by investors. Notably, national scandals had significant *abnormal returns*.

Implication

The analyses conducted in this study highlight relevant academic implications, specifically the Efficient Market Hypothesis, where stock prices reflect all available information. In this context, entertainment companies operate in a semi-strong form because their stock prices fully reflect all past (historical) and publicly available information. This research also supports the Signaling Theory, which posits that companies are motivated to disclose positive news to potential investors to boost their stock prices.

The results have several implications for managers and investors. Given the stock market's reaction to celebrity news, companies must carefully manage their information flow to the public. Entertainment companies can consider reporting news about celebrities or the company to attract potential investors. Conversely,

if a company receives bad news, it promptly clarifies to prevent a prolonged decline in stock prices and regain investor trust.

The rise of streaming platforms or increasing interest in digital content and music provides opportunities for entertainment companies globally, including in Indonesia, to expand their businesses internationally. If an entertainment company decides to go public, it should manage the information flow carefully to avoid negative impacts on its stock price due to adverse publicity.

Furthermore, due to the constant flow of information about celebrities, investors need to monitor this news to make informed decisions. Investors can benefit financially from positive celebrity good news and have high growth expectations when news related to *comebacks and debuts*, as well as *award acceptances* are released, as these events can drive revenue from concert ticket sales, record sales, streaming deals, and merchandise sales. Conversely, in the event of negative celebrity news, investors should assess its potential impact on the company making decisions.

References

- Bengtsson, S., & Johansson, S. (2020). A Phenomenology of News: Understanding News in Digital Culture. *Journalism*, 22(11), 2873-2889. doi:10.1177/1464884919901194
- Brown, S. J., & Warner, J. B. (1985). Using Daily Stock Returns. The Case of Event Studies. *Journal of Financial Economics*, 14(1), 3-31. doi:10.1016/0304-405X(85)90042-X
- Brown, W. J. (2015). Examining Four Processes of Audience Involvement With Media Personae: Transportation, Parasocial Interaction, Identification, and Worship. *Communication Theory*, 25(3), 259-283. doi:10.1111/comt.12053
- Curran, J., Iyengar, S., Brink Lund, A., & Salovaara-Moring, I. (2009). Media System, Public Knowledge and Democracy: A Comparative Study. *European Journal of Communication*, 24(1), 5-26. doi:10.1177/0267323108098943
- Elton, E. J., Gruber, M. J., Brown, S. J., & Goetzmann, W. N. (2003). *Morden Portfolio Theory and Investment Analysis*. Hoboken, New Jersey: John Wiley & Sons.
- Fama, E. F. (1970). Efficient Capital Markets: A Review Of Theory And Empirical Work. *The Journal of Finance*, 25(2), 383-417. doi:10.2307/2325486
- Fama, E. F., & French, K. R. (1993). Common Risk Factors in the Returns on Stocks and Bonds. *Journal of Financial Economics* 33 (1): 3-56. doi:10.1016/0304-405x(93)90023-5
- Halim, T. M., & Kiatkawsin, K. (2021). Beauty and Celebrity: Korean Entertainment and its Impacts on Female Indonesian View-

- ers' Consumption Intentions. *Sustainability (Switzerland)*, 13(3), 1–19. doi:10.3390/su13031405
- Harcup, T., & O'Neill, D. (2017). What is News?: News Values Revisited (Again). *Journalism Studies*, 18(12), 1470–1488. doi:10.1080/1461670X.2016.1150193
- Jeong Yeo, L. (2017, June 1). YG Shares Nose-dive on Reports of Big Bang's T.O.P Marijuana Charge. *The Korea Herald*. Retrieved from <http://www.koreaherald.com/view.php?ud=20170601001052>
- Kim, J. H., Jung, S. H., Roh, J. S., & Choi, H. J. (2021). Success Factors and Sustainability of the K-pop Industry: A Structural Equation Model and Fuzzy Set Analysis. *Sustainability (Switzerland)*, 13(11), 1–22. doi:10.3390/su13115927
- Kim, S., Hwang, S. Y., & Kim, J. (2021). Factors influencing K-pop Artists' Success on V Live Online Video Platform. *Telecommunications Policy*, 45(3), 102090. doi:10.1016/j.telpol.2020.102090
- Korean Fans Demand Chen To Leave EXO After Feeling "Betrayed" By His Marriage News. (2020, January 13). *Koreaboo*. Retrieved from <https://www.koreaboo.com/news/korean-fans-demand-chen-leave-exo-marriage-news/>
- Maltby, J., Houran, J., & McCutcheon, L. E. (2003). A Clinical Interpretation of Attitudes and Behaviors Associated with Celebrity Worship. *Journal of Nervous and Mental Disease*, 191(1), 25–29. doi:10.1097/00005053-200301000-00005
- Reinemann, C., Stanyer, J., Scherr, S., & Legnante, G. (2012). Hard and Soft News: A Review of Concepts, Operationalizations and Key Findings. *Journalism*, 13(2), 221–239. doi:10.1177/1464884911427803
- Ross, S. A. (1977). Determination of Financial Structure: the Incentive-Signaling Approach. *Bell J Econ*, 8(1), 23–40. doi:10.2307/3003485
- Sang-Hun, C., & Lee, S. H. (2018, September 13). We're Dating, K-Pop Stars Declare. You're Fired, Their Label Says. *The New York Times*. Retrieved from <https://www.nytimes.com/2018/09/13/world/asia/kpop-hyuna-edawn-dating-fired.html>
- Shoemaker, Pamela, & Alan Cohen. (2006). *News Around the World*. New York: Routledge.
- Scholtens, B., & Peenstra, W. (2009). Scoring on the Stock Exchange? The Effect of Football Matches on Stock Market Returns: An Event Study. *Applied Economics*, 41(25), 3231–3237. doi:10.1080/00036840701721406
- Spence, M. (1973). Job Market Signaling. *The Quarterly Journal of Economics*, 87(3), 355–374. doi:10.2307/1882010
- Sul, Ji-Yeon. (2020, August 28). K-pop Market Remains Bullish as Entertainment Shares Soar. *The Korea Economic Daily*. Retrieved from <https://www.kedglobal.com/news-View/ked202008280001>
- Sulianti, A., Lubis, F. S., Az-Zahra, F., & Hambali, A. (2018). Can Emotional Intelligence Restrain Excess Celebrity Worship in Bio-Psychological Perspective? *IOP Conference Series: Materials Science and Engineering*, 434(1). doi:10.1088/1757-899X/434/1/012137
- Tan, F. T. C., Ondrus, J., Tan, B., & Oh, J. (2020). Digital Transformation of Business Ecosystems: Evidence from the Korean Pop Industry. *Information Systems Journal*, 30(5), 866–898. doi:10.1111/isj.12285
- Turner, G. (2014). Is celebrity News, News? *Journalism*, 15(2), 144–152. doi:10.1177/1464884913488719
- Van Den Bulck, H., Paulussen, S., & Bels, A. (2017). Celebrity News as Hybrid Journalism: An Assessment of Celebrity Coverage in Flemish Newspapers and Magazines. *Journalism*, 18(1), 44–63. doi:10.1177/1464884916657523
- Williams, J. P., & Ho, S. X. X. (2016). "Sasaengpaen" or K-pop Fan? Singapore Youths, Authentic Identities, and Asian Media Fandom. *Deviant Behavior*, 37(1), 81–94. doi:10.1080/01639625.2014.983011
- YG Entertainment's Stock Plummets as Rumours about Lisa's Mistreatment Surface. (2021, October 8). *The Finery Report*. Retrieved from <https://www.thefineryreport.com/news/yg-entertainments-stock-plummets-as-rumours-about-lisas-mistreatment->

surface

Yoon, K. (2018). Global Imagination of K-Pop:
Pop Music Fans' Lived Experiences of Cul-

tural Hybridity. *Popular Music and Society*,
41(4), 373–389. doi:10.1080/03007766.201
7.1292819