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Beauty and Personal Care in South Korea

EXECUTIVE SUMMARY

Beauty and Personal Care in South Korea is at a Mature Stage but Sees Further Growth

Despite market maturity and stagnating inbound tourist numbers, beauty and personal care in 2018 managed to see moderate growth, once again having a huge influence on beauty trends around the world. The K-Beauty wave continues to attract global consumers' interest and manufacturers' dedicated research and development efforts are becoming increasingly innovative. However, there is some concern that K-Beauty may not last forever, especially with competition from J-Beauty (Japan) and C-Beauty (China). K-Beauty players are well aware of this and are putting efforts into keeping K-Beauty in the global spotlight. Retailing will have the most influential impact over the forecast period. Sephora officially announced that it will be opening its first outlet in South Korea in October 2019 and local retailers such as Olive Young and Chicor are investing in greater penetration in both online and offline retail. Some market players believe that there is limited market potential left in South Korea due to a small currently untapped population. However, there is a chance for further growth as global conglomerates are keen to discover what it is about K-Beauty that attracts global consumers. Many international companies are investing and cooperating with South Korean small/mid-sized beauty manufacturers and such collaboration will actively boost the beauty and personal care market in South Korea.

Growth Seen in Selective Categories

Beauty and personal care in 2018 experienced relative stagnation, as the market is already mature. However, the market is showing some dynamism with brand diversity. Manufacturers are launching new brands to meet more specific consumer needs and emerging start-up brands are increasingly evident. Skin care in South Korea is under the global spotlight due to K-Beauty's popularity, and the market is becoming more need-specific. For example, in face masks, sheet-type masks shaped to match certain facial parts are starting to grow in popularity. Face masks for the nose or cheeks are some examples that are sold in South Korea.

More subcategories will see growth potential; unisex fragrances, bath additives, and deodorant sprays witnessed strong double-digit growth in 2018. Men's grooming, which already has the highest per capita level compared to peer countries, is slowing in terms of current value growth as mass brands start to penetrate the category.

Two Beauty Giants Pave the Way for Domestic Manufacturers

Two beauty giants, AmorePacific Corp and LG Household & Health Care Ltd, continue to lead beauty and personal care in 2018. The two manufacturers are driving each other forward as they compete. As their global position is growing stronger, brand and production facility acquisition is notable. LG Household & Health Care takes the lead in terms of acquisitions, with Avon Japan, Evermere Holdings, which owns a manufacturing

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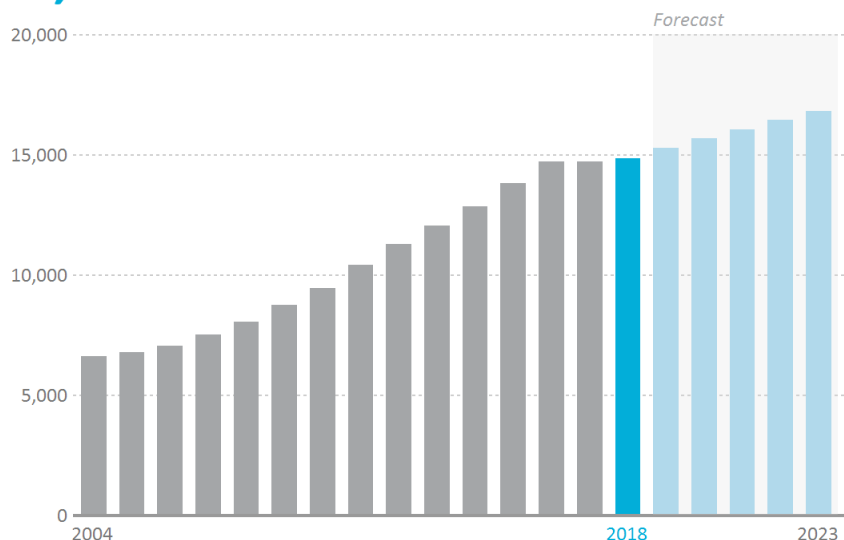
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Sales of Beauty and Personal Care in South Korea

Retail Value RSP - KRW billion - Current - 2004-2023

14,816



plant in Japan, and Avon facilities in mainland China. AmorePacific Corp announced that the company will focus on expanding its brand and production capabilities through more frequent acquisition and investment.

Retailing Structure Matters in Beauty and Personal Care

The right retailing strategy differs for each generation. South Korea already has a strong product line-up to appeal to its ageing population. The desire for young and firm skin has been around for a while and product innovation to attract this demographic is at a high level. With the product line-up set, retailing is the next key factor for companies and brands to drive penetration. A large number of new products are introduced each season and in order to capture the older generation, adopting the appropriate retail strategy is important. TV homeshopping and direct selling are typically popular among this generation and brands that focus on sets/kits for the ageing population, exemplified by Atomy, are witnessing successful penetration.

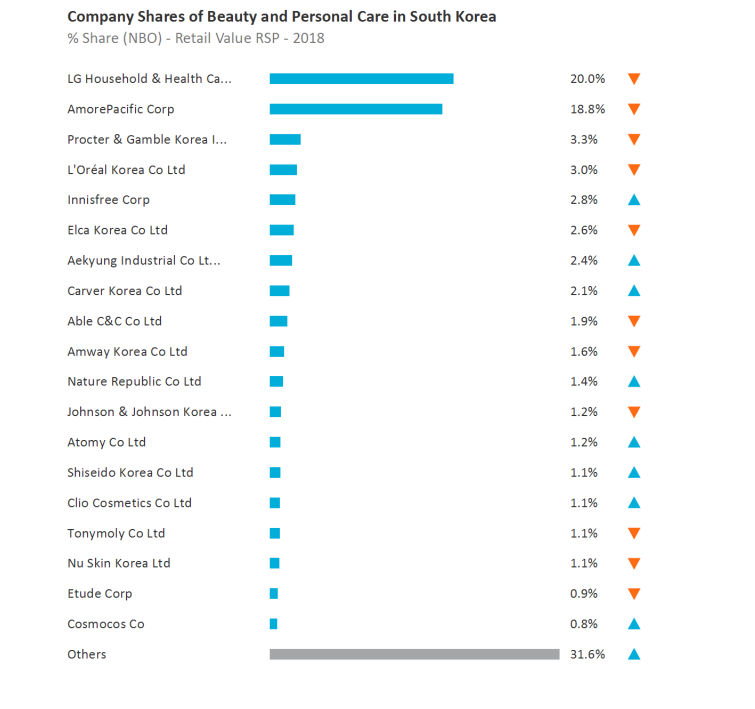
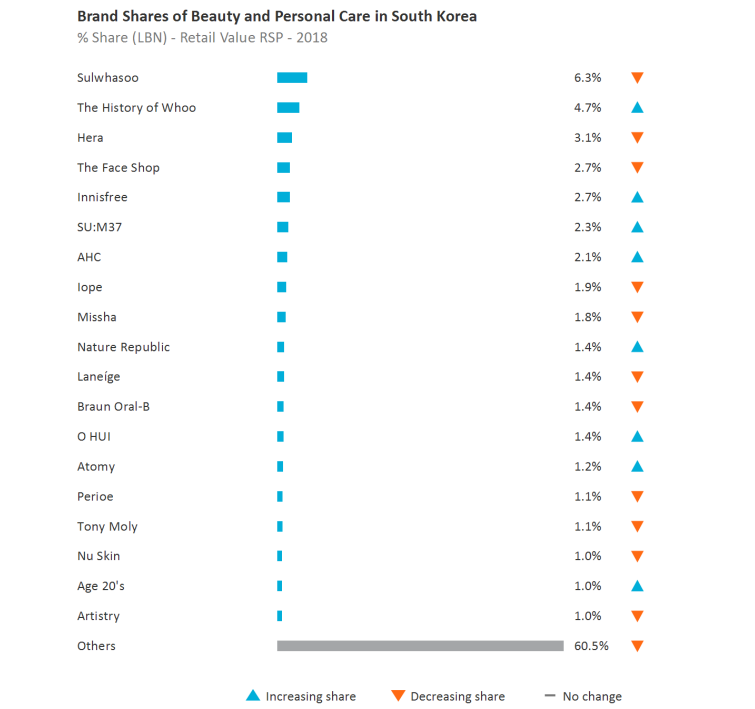
Further penetration among the young generation will also support the growth of mass beauty and personal care. While drugstores are gaining strong retail power, most outlets still remain in cities. Convenience stores' penetration is much higher than drugstores and these convenience stores are expected to operate as mass beauty and personal care distributors over the forecast period. Existing brands are launching economy-priced products to be retailed in convenience stores and some convenience stores launch their own

private label brands. During the fourth quarter of 2019, Sephora, the US-based beauty retail giant, is expected to enter South Korea and the retail landscape is expected to see more dynamism.

K-Beauty Wave Expected to Continue, Supporting further Growth Momentum

Beauty and personal care in South Korea will continue to be under the global spotlight, with the K-Beauty wave enjoying popularity for more years to come. While the popularity lasts, manufacturers and retailers are expected to be more competitive and innovative. With the market maturing, consumer demand for something new and unique will force manufacturers to continue investing. Simple formula improvement and packaging collaboration with a popular character is not enough. Development of new brands and products that can appeal to the world will be paramount. Localized ingredients as well as products that fit global standards are to be developed. For example, vegan cosmetics are not present in many Asian countries including South Korea. However, as global consumer demand for vegan products is increasing, more manufacturers will invest more in developing such products.

Retailers are in search of small brands that can capture consumers' interest. Small and medium-sized manufacturers are growing, and this will be the core base of future growth in beauty and personal care. These small brands are showing rapid growth through positive feedback and viral promotion through social media channels.■



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