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Mass Beauty and Personal Care in South Korea

COVID-19 Prompts a Shift to Online Retailing as E-commerce Channels Boom

The spread of COVID-19 also prompted a noticeable shift in the distribution of mass beauty and personal care products in 2020. For much of 2020, store-based retailing in South Korea suffered a sharp reduction in footfall and sales due to travel restrictions put in place in South Korea which restricted tourism, as well as consumers' fear of COVID-19 infection which prevented many from visiting physical retail outlets. Social distancing measures also hampered growth in store-based retailing in 2020 by reducing the capacity of stores and also impacting the experience of shopping in physical retail outlets during the COVID-19 pandemic.

However, e-commerce channels saw a significant growth in 2020 as consumers' demand and the online offering of products in mass beauty and personal care both expanded during the COVID-19 pandemic. As a result of growing consumer demand for contact-free and COVID-19-safe shopping options, players in drugstores/parapharmacies and beauty specialist retailers rushed to strengthen their online presence in the early months of the COVID-19 outbreak in South Korea. This included increasing their online marketing and improving their delivery services. Olive Young, Tony Moly, and Missha, for instance, all focused on improving their home delivery services in 2020 to increase their capacity for e-commerce sales and to support customer satisfaction. Same-day delivery services also emerged in South Korea during the COVID-19 pandemic as companies focused on maximizing the impact of their online offerings.

Domestic Brands Struggle but Demand for Unique Brands Increases

In general, domestic brands in mass beauty and personal care struggled in 2020 as a result of the COVID-19 pandemic, with the reduction in store-based retailing hitting many players hard in South Korea. The younger consumer groups, such as Millennials

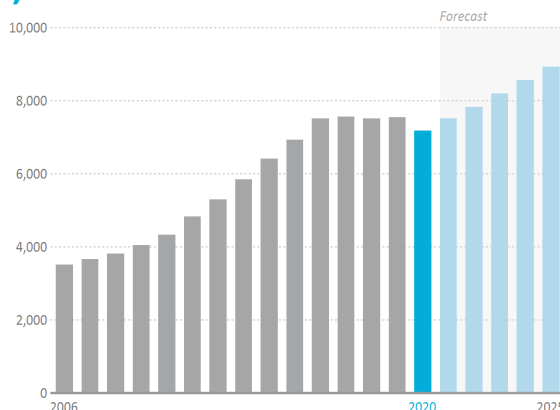
Highlights

- Mass beauty and personal care were hit hard by the COVID-19 pandemic in 2020 as tourism plummeted and consumers used fewer products while wearing face masks.
- The drop in sales was felt especially keenly in the major commercial districts in Seoul which were popular spots for tourists before the outbreak of the COVID-19 pandemic. For much of 2020, these districts suffered from a dramatic reduction in the number of tourists due to the implementation of travel bans within South Korea, and also in other countries preventing foreign travel.
- However, the Covid-19 pandemic resulted to growing demand for contact-free and safe shopping options which prompted the shift to online retailing of beauty and personal care products.
- Young consumers such as Millennials and Gen Z will drive the increase in value consumption as they demand for products with social responsibility, sustainable practices, and innovative marketing.

and Generation Z consumers, however, provided new opportunities for growth for some players in 2020. These younger consumers are more comfortable than many other consumer groups when it comes to e-commerce and they are also more interested in identifying and purchasing new products or brands that are unique. Consumers in this age group tend to prefer new and unique brand identities and concepts, which presented an opportunity for continued innovation and development for companies in mass beauty and personal care in 2020. This phenomenon was seen, for instance, in the growth of mass unisex fragrances in 2020, which also saw an increase in average unit prices as demand

Sales of Mass Beauty and Personal Care in South Korea
Retail Value RSP - KRW billion - Current - 2006-2025

7,150



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for unisex fragrances was buoyed by the gender-neutral trend that has gained considerable traction among younger consumers.

Brands such as LAKA, Rom&nd, Abib, Round Lab, and Hince, for instance, succeeded in appealing to younger consumers such as Millennials and Generation Z in 2020 by developing fresh packaging designs and differentiating their brands from other players through successful marketing campaigns.

RECOVERY AND OPPORTUNITIES

Category to Make Smooth Recovery as South Korea Recovers from COVID-19

Over the forecast period, mass beauty and personal care are expected to record a relatively swift recovery when it comes to the category's overall retail current value sales. With robust growth expected for 2021, the category is projected to return to pre-COVID-19 current value sales by 2022. This recovery will be stimulated by the return of overseas tourists later in the forecast period, while demand from domestic consumers is expected to recover in 2021.

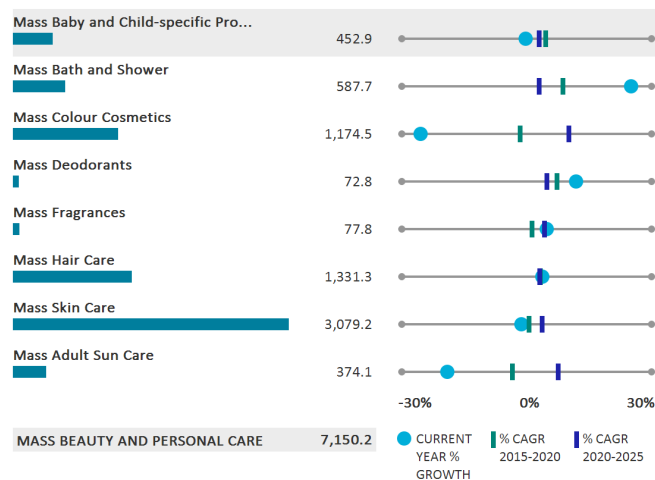
Categories such as mass color cosmetics, on the other hand, will have a long road to recovery. Mass color cosmetics will see its recovery slowed by the more gradual return of tourists, as international travel restrictions will be removed later than local restrictions, and the continued use of face masks and the threat of COVID-19 infection will continue to hamper sales in the first half of the forecast period. From 2023, however, retail current value growth is expected to accelerate as life eventually returns to normal in South Korea. The return of tourists to South Korea will be instrumental in supporting sales of mass color cosmetics and mass skincare through popular beauty specialist retailers such as Missha, Tony Moly, The Face Shop, It's Skin, and Nature Republic, as these retailers will benefit from the return to store-based retailing in Seoul's most popular retailing districts.

Pricing Remains Key to Success in Mass Beauty and Personal Care as Price Wars Break Out in E-commerce

Over the forecast period, price positioning will continue to be a key factor for success in mass beauty and personal care. Unit prices rise for many categories in mass beauty and personal care are projected to remain below the rate of inflation in 2021 and 2022 especially. These lower prices are partially driven by the rise in e-commerce in South Korea, which encourages consumers to shop around for better prices. As prices continue to fall in mass beauty and personal care, it has reached the point where it is almost impossible to succeed in mass categories without offering competitive prices or promotions.

Furthermore, as consumers will continue to buy fewer products while the COVID-19 pandemic continues to impact consumption habits in South Korea, players have no choice but to continue to produce popular products and to compete through design and price rather than using innovation and product development to differentiate their products from others. Over the forecast period, companies in South Korean mass beauty and personal care will also continue to experience difficulties in exporting their products to other major global markets such as China due to the continued impact of

Sales of Mass Beauty and Personal Care in South Korea by Category
Retail Value RSP - KRW billion - Current - 2020 Growth Performance



the COVID-19, especially in 2021. Players will also continue to face fierce and mounting competition in the e-commerce channel due to the explosion of e-commerce offerings during the COVID-19 crisis.

Value Consumption Emerges among Younger Consumers

Over the forecast period, younger consumer groups such as Millennials and Generation Z consumers are expected to drive an increase in value-based consumption in South Korea. Rather than following established trends, many younger consumers see beauty and personal care products as an opportunity to express themselves, their beliefs, and values through their consumer behavior. Young people increasingly see consumption as a way of making their voice heard economically and socially, as many consumers prioritize individuality over price or functionality, looking beyond more traditional beauty standards.

As such, when making a purchase, as well as considering the benefits of the product itself, younger consumers in South Korea will increasingly consider the product's social impact. This includes, for instance, whether the product is sustainably produced, or whether the company producing the product is considered ethical or socially responsible. The environmental impact will be a particularly important theme in value-based consumption over the forecast period, and this will have a noticeable impact on the consumption of mass beauty and personal care products in the coming years. Demand for vegan products, for instance, is expected to increase in many mass beauty and personal care categories over the forecast period. Captivating these consumers through social responsibility, sustainable practices, and innovative marketing will be important to success over the forecast period as brands will need to work on establishing their brand values and making them visible through marketing and packaging as well as their actions and practices. ■

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