



## Personal Care & Cosmetics Products

### Country Guide: South Korea

#### Executive Summary

Korean Cosmetic Industry ranks 8th in market share of the global cosmetics industry with CHF 12.5 Billion. As of March 2018, there are 31,721 companies involved in the market among which 31.7% by skincare, 19.2% by haircare and 16.6% by color cosmetics. In case of domestic production, basic skin care products take up to 58%, followed by color cosmetics 18% and hair care products 11%.

Korean cosmetics market is growing. With the spread of K-Drama and K-pop, also known as K-wave, Korean export earning of cosmetics products accelerated especially to Southeast Asia and China, creating yet another term “K-Beauty” to reflect rising reputation. Related companies diversified and expanded brands and products, exporting to countries in Europe and North America. The export volume of Korean cosmetics to overseas markets reached annual growth of 4.6%. In 2017, the export volume of Korean cosmetic products to overseas totaled CHF 4.9 Billion compared to CHF 4.1 Billion in 2016, showing an increase rate of 19% in a year. Out of Korea’s total export volume, cosmetic industry accounts for 1.1%. On the other hand, Korean import of cosmetics products from abroad increased by 7% in a year, reaching CHF 1.5 Billion in 2017.

In 2017, Korea imported high volume of cosmetics from France (28%), The US (25%) and Japan (16%). Over 60% of top 16 countries which Korea imported from are based in Europe.

Cosmetic industry in Korea consists few conglomerates with global competitiveness and a number of SMEs participating in production of subsidiary and intermediary materials. Out of total production of CHF 12.3 Billion, Amore Pacific Corp. takes up 33.64%, LG Household & Health Care Ltd. 27.45%, remaining top twenty companies 16.8% and rest of small businesses occupy 22.09% of production. Out of 200 to 300 companies specialized in Original Equipment Manufacturing (OEM) & Original Design Manufacturing (ODM), top three companies - Cosmecca Korea Co., Ltd., Cosmax Inc., and Kolmar Korea Co., Ltd., take over 50~60% of OEM & ODM market.

Market trends include a move toward specified diversification in consumer classification. The number of male customers for cosmetic products is increasing. In 2016, the consumption of cosmetics per man in Korea was highest in the world. Another notable trend is the shift in marketing strategies to one-man media, beauty creator and social media through mobile devices. Korea has world’s highest smartphone ownership rate and marketing via online accelerated over the last few years. Additionally, with recent issue of environmental pollution and climate change, rise in public concern related to skin problems is driving consumers’ demand for derma-cosmetic products.

## Overview of the Domestic Market

### Size and Growth Trends in the Domestic Industry (Millions, \$USD)

	2015	2016	2017	2018
<b>Total Market Size</b>	\$8,243	\$9,124	\$8,876	\$9,451
<b>Total Local Production</b>	\$9,752	\$11,859	\$12,280	\$14,086
<b>Total Exports</b>	\$2,931	\$4,194	\$4,960	\$6,277
<b>Total Imports</b>	\$1,421	\$1,459	\$1,557	\$1,641
<b>Balance of Trade</b>	\$1,509	\$2,734	\$3,404	\$4,635

Exchange Rate: USD1=KW 1,100.58 (2018)

Sources: Korea Pharmaceutical Traders Association (KPTA), Korea Cosmetic Association (KCA)

Unit: USD million

Total market size: Total local production – total exports + total imports

In 2018, the size of the Korean cosmetics market was estimated to be approximately \$9.45 billion USD; the total local production and total exports increased 14.7% and 26.5% each from the previous year. The market size has grown by an average rate of 5.4% over the past five years.

South Korea's total local production in 2018 was estimated at \$14 billion USD, an increase of 87% over the previous year. Local production growth of 14.7% a year on average (CAGR) over the past five years shows the market's ability to achieve stable and continuous growth as well as its capacity for resilience in unfavorable economic conditions. Skincare represented 23% of local production followed by make-up (11.9%) and bath preparations (7%). Production of hair color service showed the highest CAGR of 88.3% while bath preparations and skincare products grew at 18.4% CAGR and 16.5% CAGR respectively.

Exports of South Korean cosmetics have continued to grow rapidly, reaching \$6.27 billion USD in 2018. China is by far the largest export market for K-beauty, but Korean beauty companies have an increasing presence globally. Exports of South Korean cosmetics to China doubled in 2018 reaching a record high of \$2.66 billion USD, accounting for 42% of South Korea's total cosmetics exports. Hong Kong and the U.S. were the second and third largest export markets for Korean products.

### Top 5 country of Export (Millions, \$USD)

No	Country	2015	2016	2017	2018	YOY
1	China	1,185,877	1,577,023	1,939,480	2,662,437	37.3
2	Hong Kong	411,463	687,746	1,222,202	1,315,362	7.6
3	US	155,952	240,669	449,801	542,717	20.7
4	Japan	145,113	138,181	226,208	303,301	34.1
5	Vietnam	145,113	53,849	140,781	168,618	19.8

Source: Korea Trade Statistics Promotion Institute, re-reported by Korea Health Industry Development Institute

Total imports of cosmetic in 2018, Korea imported high volume of cosmetics from France (28%) \$45.3 billion USD, The US (25%) \$38 billion USD and Japan (16%) \$25.7 billion USD. France imports accounted for 28% of total market share and it's the largest importer to Korea.

### Top 5 country of Import (Millions, \$USD)

No	Country	2015	2016	2017	2018	YOY
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1	France	339,982	368,338	406,702	453,487	11.5
2	US	448,756	398,415	378,030	380,110	0.6
3	Japan	170,979	209,834	224,338	257,386	14.7
4	Italy	63,026	70,167	81,508	81,510	0.0
5	Thailand	55,923	48,625	56,833	61,983	9.1

Source: Korea Trade Statistics Promotion Institute, re-reported by Korea Health Industry Development Institute

## Product Trends

Korean beauty experts predict that skin care will remain the largest cosmetic category over the next few years, adding that multi-purpose products are becoming increasingly popular with consumers who are time constrained. Also there are many consumers who prefer multi-function products that are moisturizing, wrinkle preventing, and whitening.

Korean facial mask sheets are a K-beauty hit item that swept social media due to its excellent moisturizing features and usability, making it simple to include in a daily routine.

In addition, not only facial mask sheets but also personalized cosmetics will continue to expand in 2020 with the advancement of 3D printing technology and data science. The need for customized products is rising among consumers who are seeking more targeted results. Advanced technology allows us to analyze skin condition and lifestyle habits to create tailored skin care and cosmetics. Amore Pacific was introduced its customized 3D printed Sheet mask system at CES 2020. From the 3D printing perspective, the second big 3D printed skincare product to hit the market shows the growing commercial viability of bio printing technologies in the consumer sector.

## Marketing and Distribution Channels

Online shopping-malls and offline specialty stores are main channels of marketing for both domestic and imported cosmetic products. E-commerce channels, including online shopping malls are becoming increasingly popular in Korea. The composition of distribution channels for imported 6/7.

cosmetic products show – online shopping-malls 34.6%, specialty offline stores 21.4%, medical institutions including hospitals and pharmacies 9%, door-to-door sales 6.1%<sup>12</sup>. Similarly, for Korean cosmetic products show – online shopping-malls 35.4%, specialty offline stores 27.5%, door-to-door sales 8.3%, medical institutions including hospitals and pharmacies 7.8%. Foreign companies aiming to do business in Korea should be ready to employ both online and offline market channels. Marketing channels are ways to reach to right target group and to acquire desired brand image. Rising young generation are more accessible to online shopping malls than offline stores. Home-shopping channels have lower barriers to entry, renders high chance of success in the short term and it supports to increase brand awareness. But on-offline parallel marketing is essential to succeed in the long term.

Companies that desire high brand value tend to target department stores and spa-market for exclusiveness and maintenance of brand image of their products.

## Overview of the International Market

### Major Country's Cosmetic Market Size (Millions, %)

No	Country	2015	2016	2017	Market Share %	YOY
1	US	70,936	72,703	74,132	12.2	2.0

2	China	42,720	44,304	47,899	4.2	8.1
3	Brazil	30,264	28,500	28,199	8.4	-1.1
4	Japan	31,642	32,209	32,763	4.1	1.7
5	German	15,689	15,902	15,879	3.6	-0.1
6	UK	13,949	14,265	14,268	2.8	0.0
7	India	10,070	10,494	11,148	3.2	6.2
8	France	13,134	12,900	12,662	3.0	1.8
9	South Korea	11,177	11,784	11,646	2.4	-1.2
10	Italy	9,334	9,376	9,371	2.4	-0.1
11	Russia	9,209	9,354	9,296	2.1	-0.6
12	Mexico	7,823	8,218	8,353	1.8	1.6
13	Spain	7,037	7,229	7,235	1.7	0.1
14	Canada	6,662	6,709	6,767	1.5	0.9
15	Australia	5,641	5,875	6,056	1.3	3.1
16	Thailand	4,541	4,824	5,124	1.1	6.2
17	Indonesia	3,982	4,251	4,442	1.2	4.5
18	Argentina	5,359	4,925	4,755	1.0	-3.5
19	Poland	3,732	3,922	4,052	1.1	3.3
20	Saudi Arab	4,861	4,740	4,501	0.9	-5.1
<b>Total (80 Country)</b>		<b>386,037</b>	<b>387,640</b>	<b>391,755</b>	<b>100.0</b>	<b>1.1</b>

Source: Euromonitor International, 2019(Mar)