



# Cosmetics market in South Korea - Statistics & Facts

## Overview of Market

Korea is **one of the top 10 beauty markets** in the world, and it is constantly growing. Behind this, there lies a great interest in the external beauty of Koreans. This attitude toward beauty is contributing to creating unique and sophisticated trends in the Korean cosmetics industry. Korean skincare routines are receiving great attention from beauty influencers around the world. But not only beauty influencers are looking into it, as K-beauty products such as mask pack, cushion foundation, and LED mask are gaining popularity worldwide.

Due to the rise in demand for K-Beauty products in the United States and Asia, South Korea became the 5th largest exporter of cosmetic products at \$8.5 billion in 2021. The need for K-beauty products worldwide has a lot to do with the rise of Korean culture worldwide. The boom of South Korean entertainment such as K-pop (BTS), K-drama (Squid Game), Korean movies (Parasite), and Korean goods has been significantly attributed to the rise of the **Korean cosmetic industry** on a global scale.

China continues to be South Korea's top market for the export of cosmetic products. In 2021, the exports of cosmetic products to China reached an all-time high of \$4.5 billion. China accounts for over half of the total yearly cosmetics exports from South Korea. However, South Korea has seen its exports grow in other countries such as the United States, Japan, France, and England. Let's deep dive into the Korean cosmetic industry to better understand what the future holds for the industry.

## ***Structure of the Korean cosmetic industry***

The Korean cosmetics industry is led by major conglomerates such as Amorepacific and LG Household and Health Care, but many smaller-scale companies are also emerging. Also, the structure of domestic cosmetics distribution channels is constantly changing. In the early 2000s, original brand shops such as Innisfree and The Face Shop became popular. However, recently, H&B stores and multi-brand stores like Olive Young and Sephora have become leaders in offline cosmetics distribution.

Changes in distribution channels and increased demand for a wide range of products have also increased the responsibility of OEM or ODM companies. Cosmetic companies not only develop their own products but also entrust the production of cosmetics to these companies. The leading OEM/ODM company, Korea Kolmar, has seen significant sales growth over the past few years.

**Table : Total Market Size for Cosmetics**

	2018	2019	2020
Total Local Production	14,093	13,959	12,853
Total Exports	6,659	6,554	7,572
Total Imports	1,774	1,637	1,168
Imports from the US	380	360	337
Total Market Size	9,208	9,042	6,449
Exchange Rate 1USD	1,100.0	1,165.0	1,179.6

Total market size = total local production + imports - exports  
Units: \$ millions

Source: Ministry of Food & Drug Safety (MFDS); Korea Cosmetic Association

South Korea is one of the top 10 beauty markets in the world, known for innovation, gentle ingredients, and pleasing packaging. In 2020, the market size was estimated to be \$6.8 billion, a significant drop from the previous year's \$9.4 billion due to impacts of COVID-19. Despite the overall recession in the domestic beauty industry, the total export of K-beauty products and the balance of trade have increased approximately 16 percent and 14 percent respectively from the previous year. Meanwhile, total imports of cosmetics in 2020 went down 2.8 percent from 2019 and was valued at \$1.1 billion. On a country-by-country basis, France (\$433 million) was the largest exporter to Korea in 2020, followed by the U.S. (\$337 million) and Japan (\$161 million).

According to the Korea Customs Service statistics, in 2021, skincare cosmetics (HS code 3304.99.1000) continued to be the largest import category representing 34.17 percent, or \$560 million of total cosmetic imports. Perfumes and scents (HS code 3303.00.1000) and haircare products (3305.90.2000) accounted for the next largest import categories.

South Korea stands out as the country with the highest smartphone ownership rate/broadband penetration rate and fastest average internet speed. According to the

Korean National Statistical Office, cosmetics online shopping transactions stood at \$9.6 billion in 2021, a 1.6 percent decrease from the previous year. The proportion of online transactions to total cosmetics retail sales last year was 35.7 percent, a 6.7 percent drop from the previous year. Despite slowdowns in domestic cosmetic consumption post Covid-19, South Korea’s e-commerce channels have become an increasingly popular way for consumers to purchase cosmetic products.

“Jikgu” or cross-border e-commerce has increased dramatically over the past three years of the pandemic. The total consumption via cross-border e-commerce in 2021 was valued at \$4 billion, a 40.7 percent increase from pre-Covid in 2019. Cross-border e-commerce of cosmetics reached \$193 million in 2021, a 27.5 percent increase from 2019. Purchases from the United States (\$77.9 million) made up 36.1 percent of the total cross-border e-commerce of cosmetics in 2021.

While in 2020, the US was the third-largest importer of cosmetics worldwide (US\$ 4.17 billion) with South Korea being in fourth place by importing beauty products after France, Canada, and China (OEC, 2020). That is to say that South Korean manufacturers are strong enough to increase their presence in the US where at the same time there is space to be presented.

**Table I. Top-10 Cosmetics Markets, million US dollars (Korea Cosmetic Association, 2020)**

	<b>Country</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Share, %</b>
<b>1</b>	USA	69,826	72,941	75,937	78,770	80,429	19.1
<b>2</b>	China	41,115	43,590	48,088	54,208	61,940	14.7
<b>3</b>	Japan	32,862	33,433	34,364	35,160	35,677	8.5
<b>4</b>	Brazil	21,981	22,766	23,536	24,688	25,714	6.1
<b>5</b>	Germany	15,163	15,448	15,832	16,185	16,540	3.9
<b>6</b>	UK	13,512	13,916	14,343	14,600	14,636	3.5
<b>7</b>	France	13,032	12,830	12,727	12,652	12,553	3.0
<b>8</b>	Korea	11,068	11,988	12,134	12,170	12,281	2.9
<b>9</b>	India	8,554	9,359	10,200	11,180	12,113	2.9
<b>10</b>	Italy	9,277	9,310	9,483	9,624	9,743	2.3

As it can be seen from the 2020 data, the K-beauty market was not lethally affected by the COVID-19 pandemic. While other industries have faced declines, the Korean cosmetics industry has shown continuous growth that will keep going for at least till 2024 according to Korea Cosmetic Association. The sector was able to adapt quickly and was rewarded for such flexibility thanks to SMEs. In other words, due to social distancing, personal isolation, closed borders, etc., many companies were forced to shift to the digital space, including cosmetics manufacturers. And they, mostly small- and medium-sized enterprises, were able to find new distribution channels by moving to online platforms and mobile apps. In 2020, the proportion of online transactions to total cosmetics retail sales was 43.8 percent which proves the prospects of e-business in the field (International Trade Administration, 2021). Selling online, using social network services for promotion, and applying cutting-edge technologies, for example, 3D printing of a customized facial mask after face scanning by AI on a user’s phone (Korea Cosmetic Association, 2020),

South Korean companies have been able to save and even increase their clientele domestically and worldwide.'

### ***Exports Record Highlights - in 2021***

South Korea's cosmetic exports posted a record high, surpassing the 10 trillion won mark for the first time. Korea's Food and Drug Safety Ministry reported that cosmetic exports grew 21.3 percent from 2020, reaching 10.5 trillion won (\$8.1 billion) in 2021, according to Yonhap News. Cosmetics outperformed biopharmaceutical products and smartphones, which posted \$8.4 billion and \$4.9 billion, respectively.

- South Korea is the third-largest exporter of cosmetics globally after France and the United States.
- Exporting to 153 countries, China represented the largest export market for K-beauty, accounting for 53.2% of total exports.
- Exports to the United States and Japan increased on-year 17.7% and 22.4%, respectively.
- Trade surplus in the cosmetics sector grew 28.6% on-year to 9.2 trillion won (\$6.9 billion), remaining in the black for 10 consecutive years.
- Cosmetics were responsible for 25.7 percent of South Korea's total trade surplus in 2021.
- The total value of cosmetics produced recovered to pre-pandemic levels, rebounding by 9.8% from the previous year to 16.65 trillion won (\$5 billion). This was backed by a 10.73% increase in the color cosmetics category, which contracted due to social distancing rules and mandatory mask wearing.

### **Global Brands in Korea**

Global brands have been known to acquire Korean beauty companies. Estee Lauder bought Dr. Jart+ in late 2019 for \$1.1 billion. Goldman Sachs bought a minority stake in GP Club Co., makers of Kbeauty facemasks. Unilever, NIVEA, and L'Oreal also have stakes in Korean cosmetic companies. Global brands understand the power of K-Beauty.

For global brands looking to break into the South Korean market, the good news is that there is a demand for foreign cosmetic products in Korea. Imports of global cosmetics into Korea stand at \$1.5 billion.

- France comes in #1 at 30% with \$453 million worth of imports.
- The United States comes in 2nd at 23% with \$345 million.
- Japan comes in 3rd at 17% with \$257 million.

Of these cosmetic imports, close to half of the imports are for skincare cosmetics. Haircare products come in 2nd at 15%, 14% for makeup cosmetics, and 11% for perfumes. Foreign cosmetic brands such as Dior, Yves Saint Laurent, Chanel, Estee Lauder, and L'Oreal have found great success in South Korea. This is unlikely to change moving forward.

This is because Koreans are starting to buy foreign brands at the same prices as it is sold abroad. More and more global brands are offering overseas shipping and expanding their marketing to target a wider audience. US brands will likely see a great opportunity in 2022 to enter the South Korean market. The United States and South Korea have a trade agreement called the US-Korea Free Trade Agreement, which was formed in 2012. The agreement eliminated all Korean tariffs on imported US cosmetics in 2021. This also means more Korean brands will be imported into the United States. Therefore expect to see Korean brands show up more often in cosmetic stores across the United States in the coming years.

### **The Korean Beauty Culture**

The way you look is significant not just for women in Korea but also for men. Korean culture puts a lot of value on appearance and beauty. So much so that most jobs in Korea require you to add a picture of yourself to your resume. Therefore, Kbeauty products, Korean fashion, and plastic surgery in Korea are always on the rise. These industries in Korea are some of the most competitive industries in Korea. Brands are constantly investing money into R&D to develop new and innovative products to stay ahead of the competition. This is why there are so many beauty startups in Korea. Bigger brands constantly scout beauty startups to find the next big product or service they can incorporate into their company.

Korean women are not the only ones buying cosmetics in Korea. Korean men are also helping to drive the cosmetics market. Out of all the men in the world, Korean men spend the most on cosmetics. Some of the more popular products used by men include moisturizers and toners. Korean men also buy makeup. The top makeups bought by Korean men are eyebrow liners, lip balms, and foundations. In addition to this, Korean men also get beauty treatments regularly. Korean celebrities help with the sale of Korean beauty products in Korea. They also want to emulate the same look of their favorite K-pop Idols and Korean actors.

### **The Average Korean Beauty Consumer**

The first thing to understand about the average Korean beauty consumer is that they are very tech-savvy. South Koreans generally are very receptive to the latest tech trends. South Korea has the highest smartphone ownership, broadband penetration rate, and fastest average internet speed. Therefore more and more Koreans are shopping not just on websites but on their mobile phones. Furthermore, COVID-19 has accelerated the shift to the online and mobile cosmetics industry. Brands in Korea understand the importance of having a solid digital presence to target future customers.

The Korean National Statistical Office has stated that cosmetics online shopping transactions were above \$14.2 billion in 2021. Of these, mobile cosmetics transactions accounted for \$9.2 billion. This is why brands in Korea focus heavily on marketing on social media channels like Instagram, Facebook, Twitter, TikTok, Kakao, YouTube, etc. Social Media is the key marketing tool for many Korean cosmetic companies. The average Korean beauty consumer is very knowledgeable about cosmetic products. Not only do the products have to be great, but they have to be reasonably priced. In addition,

they need to offer something different to US brands. They can't copy but need to be the ones setting the beauty trends.

### **Beauty & Personal Care Highlights - South Korea**

- Revenue in the Beauty & Personal Care market amounts to US\$12.58bn in 2023. The market is expected to grow annually by 2.56% (CAGR 2023-2027).
- The market's largest segment is the segment Skin Care with a market volume of US\$7.63bn in 2023.
- In global comparison, most revenue is generated in the United States (US\$91.41bn in 2023).
- In relation to total population figures, per person revenues of US\$245.10 are generated in 2023.
- In the Beauty & Personal Care market, 52.8% of total revenue will be generated through online sales by 2023.

### **Regulations for the Korean Cosmetic Industry**

The Ministry of Food and Drug Safety is responsible for regulating the cosmetic industry in Korea. Cosmetics are divided into two sections: functional cosmetics and regular cosmetics. Functional cosmetics help with whitening, anti-wrinkle, sunscreen, tanning, hair colorants, hair nutrients, and skin damage. The Ministry of Food and Drug Safety reviews functional cosmetics for pre-market approval. Regular cosmetics are evaluated by the Korea Pharmaceutical Traders Association (KPTA).

### **Leading Sub-Sectors**

- Clean/Vegan Beauty
- Derma Cosmetics
- Organic/Natural cosmetics

Strong potential subsectors for U.S. exports to South Korea include clean/vegan beauty cosmetics, derma cosmetics, and organic/natural cosmetics. Most of the key trends among Korean consumers are related to sustainable, eco-friendly, and climate-conscious lifestyles. Microbiome cosmetics that enhance skin immunity have caught the attention of many large beauty and skincare brands. In addition, the beauty tech market that combines cosmetics and IT technology is rapidly growing. Amore Pacific, the leading cosmetics conglomerate in Korea, has partnered with Perfect, the AI/AR beautytech solution company to implement an AI beauty solution for AR makeup and AI skin analysis. When it comes to packaging, reducing plastic has become a major initiative for the cosmetic industry, with the growing problem of plastic pollution due to the overuse of plastic in disposables and delivery packaging post COVID-19. In response, more cosmetics companies are joining the "Less Plastic" campaign, opting for biodegradable materials and reducing the amount of plastic packaging.

### **The Future of the Korean Cosmetic Industry**

COVID-19 has accelerated the movements toward the digital space for the cosmetic industry in Korea. As we recover from the coronavirus pandemic, Korean Beauty brands will need to focus on technology to streamline their business. The world is becoming increasingly digital, and the competition within Korea is getting harder and harder. Going global is a must for many brands in Korea, which is why they need to invest not only in Korean media channels/platforms/K-beauty communities but also in global channels such as Google/Facebook. It is now more important than ever to produce content in English for the global masses, and the demand for K-beauty products will only continue to increase.