Market Introduction

Korea, the new cosmetic giant!

South Korea is one of the world’s most exciting and fastest-changing beauty markets, introducing industry leading innovations and setting trends globally. As the South Korean beauty and personal care retail market posted a 5.8% growth year on year to 2013 compared to just 2.1% for the UK and 3.9% for the US, the importance of tapping into its potential cannot be underestimated. Companies looking to unlock South Korea’s unrivalled opportunities will gain huge advantages with Cosmobeauty Seoul 2016 as its market leading exhibition expands into Korea.
Korean cosmetics exports hit record high on ‘hallyu’ booom!

The Korean wave, also known as Hallyu, which is led by K-pop and K-drama, is having a powerful influence on beauty and fashion sectors in the Asian region. If the Korean culture jumpstarted the interest in K-beauty products, what has kept it spurring on are the product innovation and great quality products.

Korea-China FTA: Cosmetics Suppliers to See Big Opportunity

China is by far the largest market for Korean beauty items. For the first eight months of this year, the Korean exports of cosmetics to China were US$290.63 million, up almost 70 percent from the same period last year. The share of Chinese exports in total is as high as 28 percent. Including other markets within the Greater Chinese Region such as Taiwan and Hong Kong, the share rises to 55 percent.

The current tariff duties assessed in China on Korea-originated cosmetic items are about 6.5-10.0 percent. Once the tariff is gone, it will be of great help to the suppliers for their bottom line. It will also increase the total export volume to China.

SOUTH KOREA’S ECOMMERCE GROWTH POTENTIAL

Total eCommerce spend in South Korea is forecast to hit USD $25.3 billion in 2017, a 33% rise from 2013, according to eMarketer in 2014. Online sales made up 13% of the total retail spend, with an additional 2% coming from mobile commerce. This led to the eCommerce marketplace growing by 9.3% to reach an estimated 25.4 million online shoppers and is expected to grow to 75% by 2015 (Euromonitor, 2013)
Cushion Boom
After BB creams, cushion products are the new Korean trend to draw worldwide attention in the beauty sector. The term “cushion” refers to a makeup compact built with a specially designed urethane foam that contains and preserves a makeup liquid (usually a foundation, blended with sunscreens and skincare actives) applied with a dedicated sponge. Main advantages: it is easy to use and easily transportable.
A pioneer in this product category, the Amore Pacific group started working on cushions in 2007. The group has 13 registered patents for cushions in Korea, China, Japan, the United States and Europe. In 2014, AmorePacific succeeded in automating the entire cushion production procedure.
In 2014, AmorePacific sold 26 million cushions through its several brands (Laneige, Etude House, Innisfree, Sulwhasoo, etc.). According to a recent TNS Korea survey, 75% of Korean women have used or are currently using cushion products. However, these products also appeal to consumers from other countries. In 2014, AmorePacific’s cushions increased by 140%. Once again, China is the main destination country: approximately 1.17 million units of Laneige BB Cushion were sold in China in 2014.
Korean Cosmetic market (2014)

- **Actual Production**: 7.8 billion (USD)
- **No. of Products Type**: 101,362 EA
- **Manufacturer**: 1,815 companies (May, 2015)
- **Manufacture and Distributer**: 5,394 companies (May, 2015)
- **Export**: USD1.8 billion (133 countries)
- **Import**: USD1.43 billion (76 countries)
- **Market Scale**: USD 16 billion (Domestic:Import=61:39)
Cosmetic Actual Production in Recent 5 Years (2010~2014)

- **Annual growth rate (value):** 10.5%
- **Annual growth rate (No.):** 5.4%

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of Production (billion KRW)</th>
<th>No. of Production (million EA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>6,014</td>
<td>4,353</td>
</tr>
<tr>
<td>2011</td>
<td>6,385</td>
<td>4,487</td>
</tr>
<tr>
<td>2012</td>
<td>7,122</td>
<td>4,479</td>
</tr>
<tr>
<td>2013</td>
<td>7,972</td>
<td>4,603</td>
</tr>
<tr>
<td>2014</td>
<td>8,970</td>
<td>5,371</td>
</tr>
</tbody>
</table>
Global market Scale

* Source: Data Monitor Market Data (2012),
## Growth of Production in Types (‘10~’14)

(hundred million, %)

<table>
<thead>
<tr>
<th>Class</th>
<th>2010 production</th>
<th>2010 %share</th>
<th>2011 production</th>
<th>2011 %share</th>
<th>2012 production</th>
<th>2012 %share</th>
<th>2013 production</th>
<th>2013 %share</th>
<th>2014 production</th>
<th>2014 %share</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skin care</td>
<td>35,236</td>
<td>58.6</td>
<td>39,116</td>
<td>70.4</td>
<td>43,012</td>
<td>60.4</td>
<td>45,180</td>
<td>56.7</td>
<td>50,929</td>
<td>56.8</td>
<td>9.6</td>
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<tr>
<td>Make up product</td>
<td>7,716</td>
<td>12.8</td>
<td>7,466</td>
<td>7.0</td>
<td>8,883</td>
<td>12.5</td>
<td>11,202</td>
<td>14.1</td>
<td>14,264</td>
<td>15.9</td>
<td>16.6</td>
</tr>
<tr>
<td>Hair care</td>
<td>9,267</td>
<td>15.4</td>
<td>9,772</td>
<td>10.4</td>
<td>10,555</td>
<td>14.8</td>
<td>12,227</td>
<td>15.3</td>
<td>13,047</td>
<td>14.5</td>
<td>8.9</td>
</tr>
<tr>
<td>Body care</td>
<td>2,522</td>
<td>4.2</td>
<td>2,626</td>
<td>5.7</td>
<td>4,659</td>
<td>6.5</td>
<td>6,070</td>
<td>7.6</td>
<td>6,447</td>
<td>7.2</td>
<td>26.4</td>
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<tr>
<td>Eye-make up Cosmetic</td>
<td>1,578</td>
<td>2.6</td>
<td>1,642</td>
<td>2.1</td>
<td>1,445</td>
<td>2.0</td>
<td>1,639</td>
<td>2.1</td>
<td>2,088</td>
<td>2.3</td>
<td>7.3</td>
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<tr>
<td>Shaving products</td>
<td>2,032</td>
<td>3.4</td>
<td>1,304</td>
<td>0.7</td>
<td>1,006</td>
<td>1.4</td>
<td>1,796</td>
<td>2.3</td>
<td>1,237</td>
<td>1.4</td>
<td>-11.7</td>
</tr>
<tr>
<td>Nail &amp; Foot care</td>
<td>330</td>
<td>0.5</td>
<td>366</td>
<td>1.4</td>
<td>508</td>
<td>0.7</td>
<td>641</td>
<td>0.8</td>
<td>583</td>
<td>0.6</td>
<td>15.3</td>
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<td>Children’s products</td>
<td>718</td>
<td>1.2</td>
<td>702</td>
<td>1.5</td>
<td>568</td>
<td>0.8</td>
<td>481</td>
<td>0.6</td>
<td>552</td>
<td>0.6</td>
<td>-6.4</td>
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<tr>
<td>Fragrance</td>
<td>330</td>
<td>0.5</td>
<td>427</td>
<td>0.2</td>
<td>223</td>
<td>0.3</td>
<td>239</td>
<td>0.3</td>
<td>273</td>
<td>0.3</td>
<td>-4.6</td>
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<tr>
<td>Hair-dyeing products</td>
<td>339</td>
<td>0.6</td>
<td>362</td>
<td>0.5</td>
<td>144</td>
<td>0.2</td>
<td>168</td>
<td>0.2</td>
<td>205</td>
<td>0.2</td>
<td>-11.8</td>
</tr>
<tr>
<td>Bath care</td>
<td>72</td>
<td>0.1</td>
<td>55</td>
<td>0.1</td>
<td>192</td>
<td>0.3</td>
<td>48</td>
<td>0.1</td>
<td>46</td>
<td>0.1</td>
<td>-10.6</td>
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<tr>
<td>Body odor care</td>
<td>5</td>
<td>0.01</td>
<td>17</td>
<td>0.03</td>
<td>32</td>
<td>0.05</td>
<td>30</td>
<td>0.0</td>
<td>32</td>
<td>0.0</td>
<td>59.1</td>
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<tr>
<td>SUM</td>
<td>60,146</td>
<td>100.0</td>
<td>63,856</td>
<td>100.0</td>
<td>71,227</td>
<td>100.0</td>
<td>79,720</td>
<td>100.0</td>
<td>89,704</td>
<td>100.0</td>
<td>10.5</td>
</tr>
</tbody>
</table>
Growth of Import & Export

- Total Export: USD 1.8 billion ('14)
- Total Import: USD 1.3 billion ('14)

Annual Growth Rate (Import): 7.6%
Annual Growth Rate (Export): 24.0%

Trade Balance:
- 2010: -241,030
- 2011: -389,487
- 2012: -261,315
- 2013: -43,899
- 2014: 487,215

(Million USD)
Growth of Export Rate (Countries)

(USD 1,000)
Growth of Import Rate (Countries)

(USD 1,000)

- USA
- France
- Japan
- Italy
- UK
- Thailand
- Germany
- Canada
- China
- Sweden