South Korea is the 10\textsuperscript{th} largest cosmetics market in the world, with the market size of £4.1 billion in 2013. Korean market accounts for 2.8% of the global cosmetics market. Korea has kept its high CAGR of 8.3% over the years, even during the global financial crisis.

Korean cosmetics market is composed of both local and imported brands, which each accounts for 58% and 42% of the market in 2012. There are numerous strong local cosmetics brands in Korea, and two major local firms, Amorepacific and LG Household & Healthcare, rank the 1\textsuperscript{st} and 2\textsuperscript{nd} in the market based on sales, ahead of other strong imported brands. They account for 43.9% of the total cosmetics market in 2013 – Amorepacific with 23.7% market share, and LG H&H with 20.2%.

Korean market also attracts various international cosmetics firms, especially from the US, France and Japan, and cosmetics from these three nations account for 68% of the imported market. UK was ranked in 5\textsuperscript{th} in the cosmetics import in 2012, £25 million of goods imported into Korea.

**Sales Channels**
Sales channels for cosmetics are diversified, from high-end to mass markets. Main channel for premium brands is department stores, whereas those for mass brands would be drug stores, television home shopping or online shopping. Also there are various offline brand shops, mainly affordable brands, attracting not only local consumers but huge international consumers, especially from Asia. Also mobile shopping is booming, with the success of social commerce and subscription services such as Glossybox, drawing huge interests from consumers who are eager to try new products ahead of others.

Normally imported brands are sold in department stores, but with the growth of parallel imports and direct overseas purchase through internet, online shopping is another main channel for purchasing overseas brands.

**Influence of the FTA**
The European Union and Korea signed the Free Trade Agreement (FTA) on 6 October 2010 resulting in the removal of 97% of all tariffs cutting €1.6 billion of duties annually for EU exporters from July 2011.

Some of the ways the FTA will influence the Cosmetics sector are:

<table>
<thead>
<tr>
<th>Item</th>
<th>Change in Tariff</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby Cosmetics</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td>Make-up Cosmetics</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td>Organics Cosmetics</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td>Anti-aging Cosmetics</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td>High priced body, skin &amp; hair care</td>
<td>6.5 - 8%</td>
<td>0%</td>
</tr>
<tr>
<td>Skin care</td>
<td>8%</td>
<td>0%</td>
</tr>
</tbody>
</table>

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Cosmetics – Opportunities for UK companies

South Korea

**Consumer Characteristics**

Korean cosmetics market is highly advanced with successful Korean cosmetics brands and its well educated consumers. Korean consumers have a very high knowledge and great interest in cosmetics, and they are easily exposed to affluent beauty related contents on the Web, SNS, and TV.

Now consumers show value conscious purchasing pattern, that they no longer purchase products by its look and brand but rather purchase them based on their purpose and functions.

**Opportunities for UK companies**

**Natural/Organic Skincare**

As consumers are becoming more knowledgeable about cosmetics, their needs for the safety of cosmetics are increasing even more. Many consumers check the ingredients of each product before purchase so that they are assured of the safety of products they use daily. Natural and Organic skincare market has been growing rapidly due to these reasons, and will continue to expand further.

**Men’s Cosmetics**

As with other markets, female cosmetics products are still the main area for the Korean cosmetics market. However, Korean male grooming market is the biggest in the world, still continuously growing. Korean male grooming market sales in 2011 were £338 million, which accounted for 21% of the total male grooming market of the world, with CAGR of 10%. Male grooming is well accepted and common especially among males in their 20-30s.

Taking good care of one’s appearance is considered as competitiveness in the society so many young males are investing more onto their appearances. The interests of male consumers are not just limited to simple skincare but further to other cosmetics such as masks, concealers, and other cosmeceutical products.

**Market Entry – Factors for Success**

To compete in South Korea UK companies are recommended to have a capable local distributor, or franchise partner who has an established market network and extensive market knowledge. A long-term perspective and a reliable partnership with local partner is one of the key factors in achieving success.

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