

Overview of the South Korean Cosmetics Industry And Its Prospects In The US Market

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Abstract: *At present, a considerable amount of people worldwide is highly engaged in self-care beauty routine. It is caused by the desire to follow a healthy lifestyle, beauty standards, as well as by constant mask wearing during the COVID-19 pandemic that badly effects face skin. Such a tendency greatly promotes the development of cosmetics products globally. And one of the major industry actors is Korea, which easily has covered the domestic demand with innovative and sustainable products and confidently conquers foreign markets. As the US is the leader in the cosmetics market size, it is of particular importance to investigate the prospects of Korean manufacturers, including small- and medium-sized companies, there.*

Also, the influence of the COVID-19 pandemic cannot be overestimated. In the cosmetics sector, it has boosted the implementation of digital production, promotion, and distribution tools among South Korean manufacturers, including SMEs. As a result, along with the Korean wave, Internet innovations, AI, additive manufacturing may result in the further increase of K-beauty's share in the US market. The abovementioned statements are mostly based on primary and secondary data analysis.

Keywords: *South Korean Cosmetics, SMEs, US Market, the COVID-19 Pandemic, E-Business.*

I. INTRODUCTION

In recent years, the world has been hit by the Korean wave. Along with technological innovations and tourist attractions, the country has globally promoted its culture industry dominated by K-pop and K-dramas. There are several remarkable examples of how modern South Korean (further also referred to as Korean) entertainment has successfully conquered the Western world, including the USA. In the music domain, it is the BTS boys band that won the American Music Awards every year from 2018 to 2021. Also, a lot of people have heard about the sensational movie "Parasite" by Bong Joon-ho which took four Oscars in 2020, comprising the Best Picture Award, as well as about the 2021 Netflix TV series "Squid Game".

Such success of Korean pop culture has greatly rebounded the Korean cosmetics industry or so-called K-beauty enhancing its popularity in the global market, especially in the ASEAN member countries (Young-Seon Park, 2015). Indeed, in 2021, South Korea became the world's fifth-largest cosmetics exporter and earned \$8.5 billion in the first 11 months of 2021 on beauty products. During this period overseas sales reached 46.2% (The Korea Economic Daily, 2021). Along with that Korean cosmetics small and medium-sized enterprises (SMEs) show the greatest export growth moving from 62nd place in the amount of exports in 2010 to 2nd place in 2021 (Ministry of SMEs and Startups, 2022). It proves that such companies supported by the government are more successful in the contemporary fast-changing economic conditions rather than corporations that greatly promoted the Miracle on the Han River in the last century but not now. At present, SMEs are a major booster of sustainable and innovative growth and technological progress in Korea.

II. K-BEAUTY IN THE US

One of the target destinations for the prospective expansion of Korean cosmetics is the US market. It is a quite competitive but very promising sales area for Korean manufacturers as the country is going through a boom of a healthy lifestyle and self-care beauty rituals. In 2020, the USA occupied third place in the list of Korean cosmetics exporters (US\$ 530.26 million) greatly conceding to China (US\$ 3,072.36 billion) and Hong Kong (US\$ 926.29 million) (Korea Cosmetic Association, 2020).

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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)

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

III. CONCLUSION AND IMPLICATIONS

Herewith, it is obvious that South Korean cosmetics manufacturers have a big potential both domestically and in foreign markets. It roots on Korean culture foundation, as well as high-tech technologies and state promotion of SMEs in the industry. Moreover, the COVID-19 pandemic has further boosted the sector development by forcing companies to widely exploit digital production, promotion, and distribution tools. Thus, along with the Korean wave, Internet innovations, AI, additive manufacturing may result in the increase of K-beauty's share globally, including in the US market.

As the focus of this article is also placed on investigating the consequences of the coronavirus pandemic within the Korean cosmetics industry, the new digital solutions it has created there, and how they influence international trade, further research on the topic may be required. Due to recent events, this area is little studied which at the same time makes the research of particular relevance.

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