



04

Policies and Incentives

Deregulations

The Korean government has designated 12 industries, including cosmetics, pharmaceuticals, and food, as promising sectors for investment and has identified tasks to improve regulations and systems.

<Examples of Deregulation in the Cosmetics Industry>

- Abolished the requirement to submit medical certificates, such as the CEO's medical certificate for mental illness, when registering for a cosmetics business (Cosmetics Act revised, 2015)
- Expanded the scope of functional cosmetics (e.g. atopy, etc.), and changed the law to enforcement regulation to ensure flexibility (2015)
- Reduced processing time of a submitted report on functional cosmetics: improved procedures so that a report takes into effect on submission (May 2015)
- Exempt functional cosmetics for export from the functionality test: Test exemption of functional cosmetics is included in the list of exemptions for cosmetics particularly for export (Article 30 of the Cosmetics Act revised, 2015)

Success Case

Kolmar Korea

On May 15, 1990, KM Korea Co., Ltd. was established as a joint venture by Kolmar Japan Co., Ltd. It then changed its name to Kolmar Korea in December and registered as a foreign-invested company in January 1991.

Kolmar Korea has advanced its R&D capacity to the world-class level by investing around 6% of its annual sales into the R&D sector and sharing technologies with the Kolmar Group in the US and Japan.

Kolmar Korea started to make cosmetic products by using the ODM (Original Development Manufacturing) method, instead of the OEM method as a subcontractor. Kolmar Korea is providing its products to 160 leading companies at home and abroad including LG Household & Health Care, Amore Pacific, US Johnson & Johnson, and Herbal Life.

KOTRA WORLD WIDE

As Korea's Trade-Investment Promotion Agency, KOTRA has 127 overseas offices and 10 headquarters worldwide.

* Invest Korea(IK), Korea's national investment promotion agency, was established as part of KOTRA to support the foreign businesses in Korea.



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KOREA'S LEADING INDUSTRIES

BEAUTY & COSMETICS



01

Korea's Cosmetics Industry

The distribution of the cosmetics industry has recently been reorganized, as home shopping and online malls are emerging while brand shops are on the decline. The K-beauty craze, which has enabled new companies to enter the Chinese market, is also contributing to the changes.



Production and Employment

Production and employment in Korea's cosmetics industry has risen by more than 13% since 2010, mainly due to the continued growth of exports and rapidly expanding domestic demand.

Production and Employment of Korea's Cosmetics Industry (KRW billion, thousand people)



Source: Bank of Korea, Input-Output Statistics

Export Trend

Cosmetics sales have grown by 28.6% annually since 2010, because of the impact of the Korean wave such as K-beauty. Korea's cosmetics exports have increased by almost 30% for the past five years, which is attributable to rising exports to China, Hong Kong, and Taiwan.

Export Trend of Cosmetics (USD million, %)

Destination	Export		
	2010	2016	CAGR
Global	781	3,971	31.1
China	321(41.1)	1,450(36.5)	28.6
Hong Kong	61 (7.8)	1221(30.7)	64.8

Source: Korea International Trade Association (www.kita.net)
Note: () refers to the proportion to the total exports.

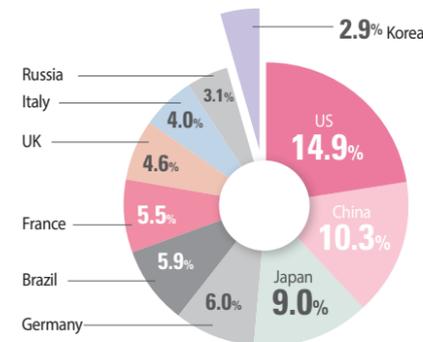
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Competitiveness

Global Market Share

The global cosmetics market amounted to USD 259.8 billion in 2014, consisting of 47 countries. Korea took up 2.9%, ranking 10th in terms of global market share.

Global Market Share of Cosmetics Industry(2015)



Source: Korea Health Industry Development Institute, 2015

Capacity for Innovation

The Korean cosmetics industry has seen a rapid growth led by major companies including Amore Pacific thanks to the surging popularity of one-brand shops, the development of best-selling items, product innovation, brand promotion, target strategies for Chinese and ASEAN markets.

ODM Competitiveness

Global presence of the Korean ODM companies, such as Kolmar Korea and Cosmax has soared, owing to the development of innovative products, the growth of the local Chinese market, and the expansion of orders for Korean companies.

Price Competitiveness

Although Korea's cosmetics industry falls short by 20-40 points in terms of technology, quality and design, it boasts an overwhelming level of price competitiveness.

Competitiveness of Cosmetics by Country (Based on Consumer Reviews)



Source: Datamonitor

03

Industry Clusters

The Capital Area

Cosmetics clusters are concentrated in the capital area, which is at the heart of market and distribution infrastructure. About 64% of cosmetics companies and 60% of workers are located in the capital region.

In particular, the Gyeonggi-do area has the largest number of companies and employees, each taking up 37% of the national cosmetics market. Chungcheong is the second largest cosmetics market in Korea, with its share in the number of companies and employees accounting for 11% and 23%, respectively.

Osong and Chungcheongbuk-do

The Global Cosmeceutical Center and the Chungbuk Cosmetics Promotion Center will be launched in Osong, Chungcheongbuk-do, in April 2017 and 2018, respectively.

Osong Global Cosmeceutical Center will support venture / SMEs located in Chungcheongbuk-do in their R&D and efficacy tests of new materials and antiaging cosmetics, as well as the export and import certification of their functional cosmetics, in place of the previous separate safety assessment and testing processes.

Chungbuk Cosmetics Promotion Center will house office and research facilities for 30 venture companies and Good Manufacturing Practice (standard for good manufacturing and management of food and drugs) facilities for basic care, color cosmetics, and hair care products.

Location of the Korean Cosmetics Industry

