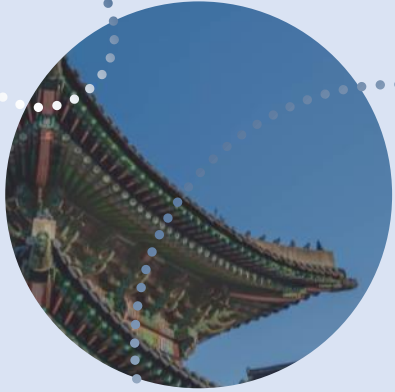




K-beauty Consumer Trends Report

August 2022



Contents

| | |
|------------------------------------|----|
| South Korea Consumer Demographics | 3 |
| K-beauty trends | 11 |
| Digital trends | 25 |
| Retail trends | 33 |
| K-beauty trends | 38 |
| Korea Market Research Case Studies | 41 |

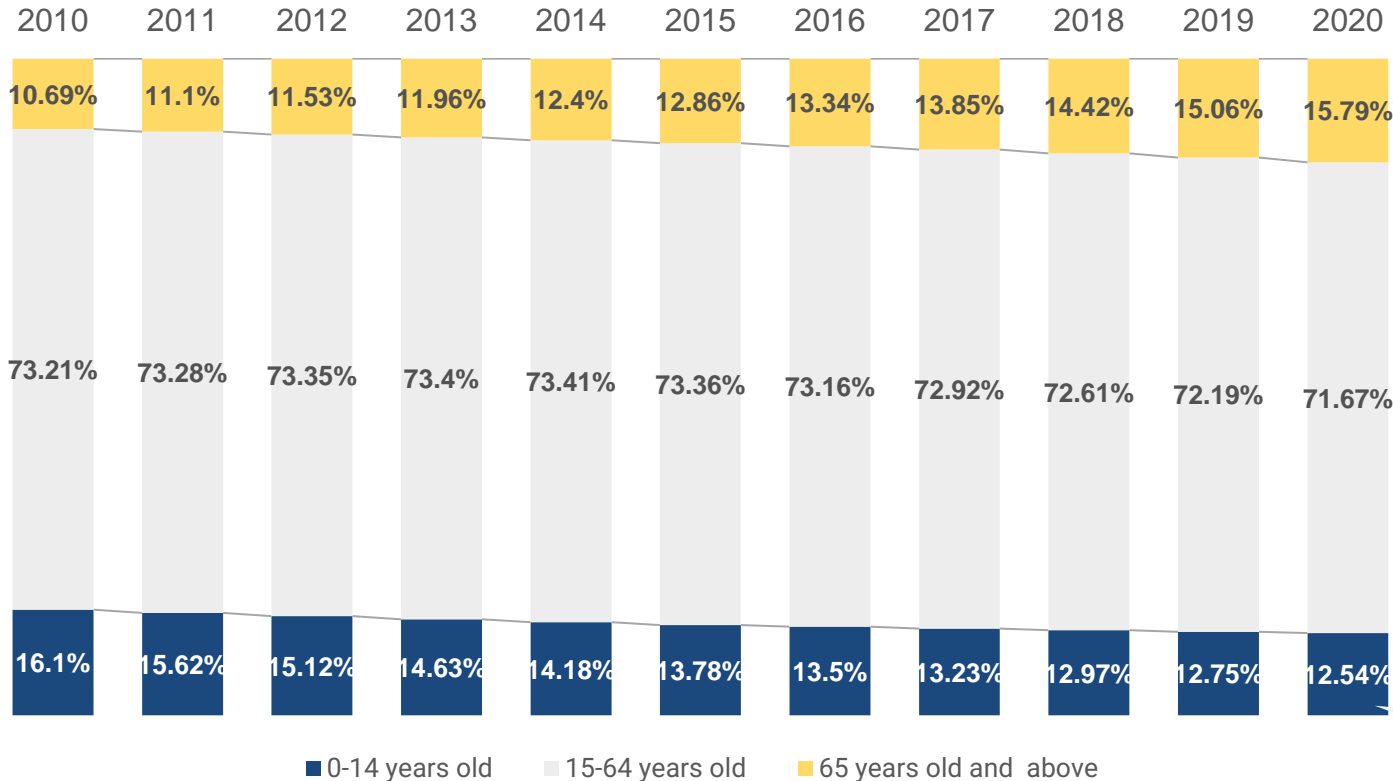
Demographics

Meet your Korean
consumers

South Korea has one of the fastest aging populations

South Korea's population has been rapidly aging in the past few years. It is expected to continue largely due to the low fertility and mortality rates.

Age structure of South Korea



Source: Worldbank (2021)

South Korea's "Silver Population" was 16% of the population in 2020, an increase from about 11% in 2010.

The South Korean population **has been rapidly aging** in the last few years as shown on the diagram on the left. According to another report by Statista, the **elderly population is projected to rise** to about 13 million in 2030 and about 17 million in 2040 mainly due to the low fertility and mortality rates.

Source: Statista Korea (2021)

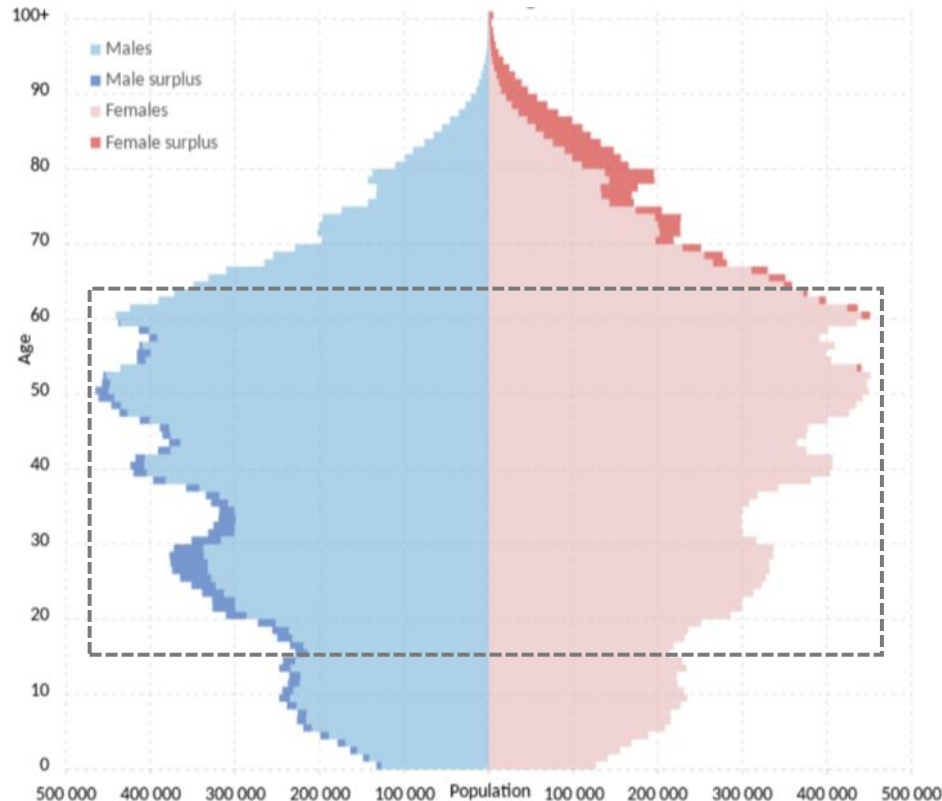
People are having less children. Only 13% of the population is 14 years old or younger in 2020, a decrease from about 16% in 2010.

South Korea has the lowest fertility rate in the world

South Korea has the lowest fertility rate in the world, with a rate of 0.8 children per woman in 2020. It is far below the replacement level of 2.1 and the sharp drop from the 1970's level which was 4.5.

The **15-64 years** old represent majority of the population (about 72%)

Population pyramid of South Korea



Source: Statistics Korea (2020)

Drivers of South Korea's low fertility rate:

- Extremely competitive and expensive **education system**.
- Difficulty **finding a job** for graduate students.
- Overheated **housing market**.
- **Education of women, later marriage** and the **difficulty to go back to work after giving birth** for women.

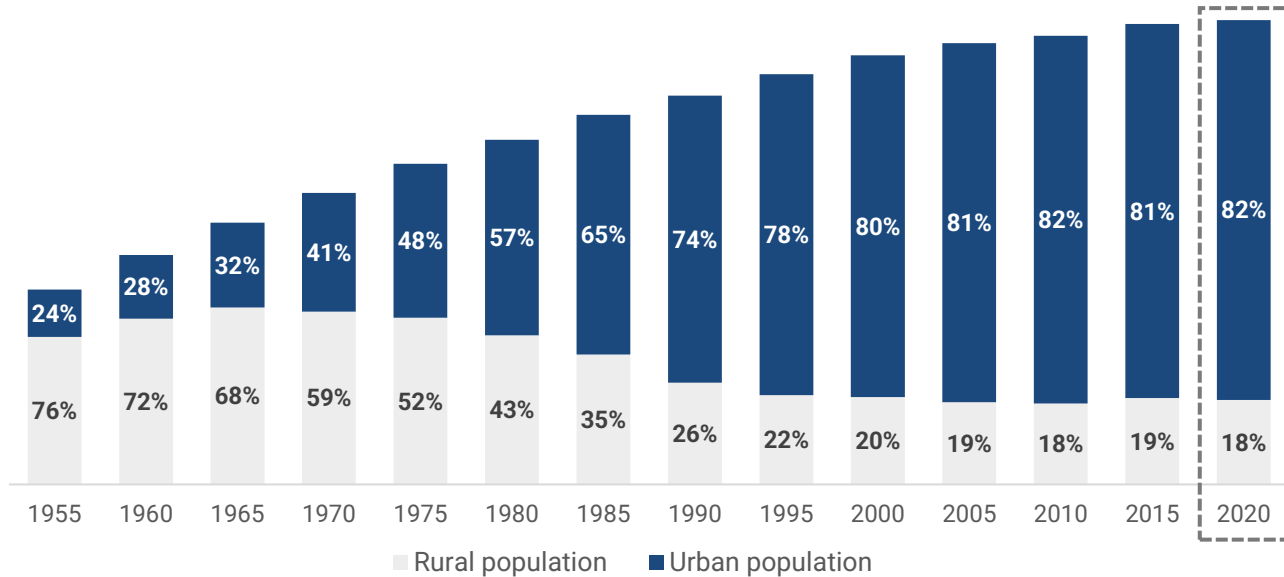
The government tries to take measures against the fertility drop by giving a monthly allowance of \$250 until the child reaches one year old and by facilitating parental leave.

Source: The Asahi Shimbun (2022)

The population is densely clustered in the big cities in the northwest and southeast

South Korea has a very dense population, with 531 inhabitants/km². The population is largely concentrated in the big cities in the northwest and southeast of the country.

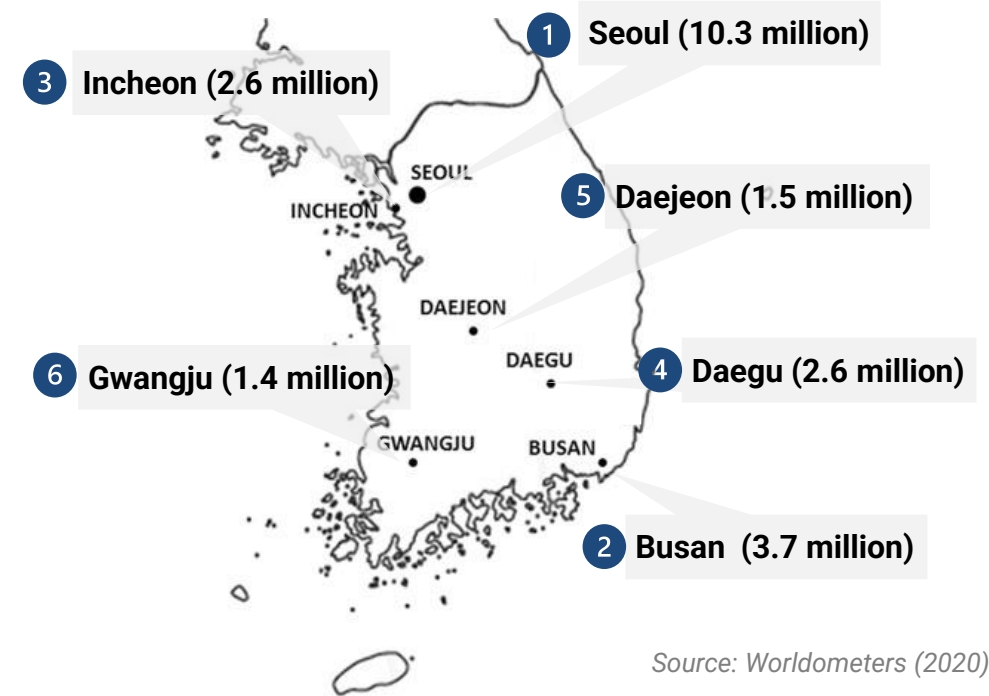
South Korea's rural to urban population



Source: Worldometers (2020)

The urbanization rate has been continuously increasing over the years. In 2020, 82% of the Korean population (41.9 million people) were urban, while only 18% (9.3 million people) of them were rural.

Largest cities in South Korea



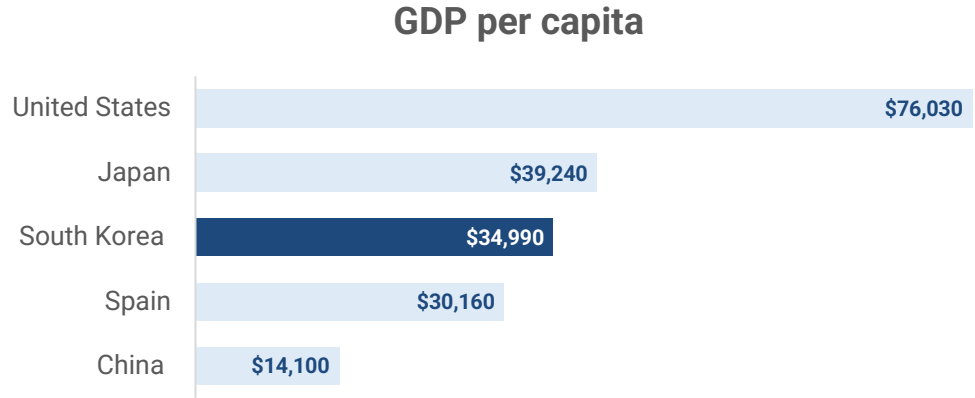
Source: Worldometers (2020)

The largest cities are condensed in low land areas in the northwestern and southeastern areas (except for the city of Gwangju) since 70% of the country is mountainous. Geonggi, which includes Seoul and Incheon, is the most populated province.

Income inequality varies by gender and company size

The salary of South Koreans is in the average range of developed countries. The wage inequality are not too high but there is a clear difference in salary by genders and by company type.

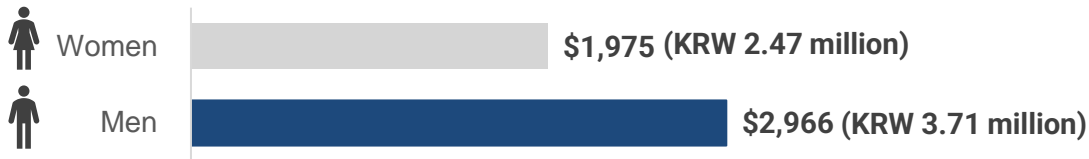
South Korean's average salary in 2020:
US \$2,530/month
(KRW 3.2 million/month)



In South Korea, the average salary is **\$2,530/month** and the medium salary **\$1,913/month**. Income inequality in South Korea is a bit **higher** than in most **advanced countries**, but still **lower** than that in **China and the US**.

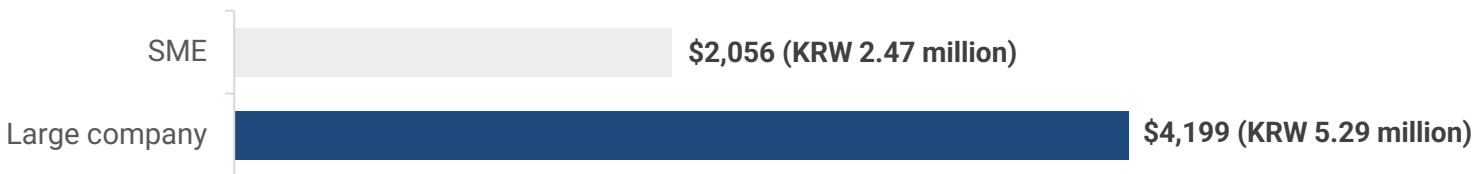
Source: Worldbank, International Monetary Fund

Gender pay gap per month



South Korea has the **largest gender pay gap** among the Organization for Economic Co-operation and Development (OECD) countries. In 2020, average salaried men's earnings were **1.5 times** higher than that of salaried women.

Pay gap by size of the company per month



Income inequality also depends on the **size of the company**. People that work in large companies earn on average about **twice** the salary of those in small and medium-sized enterprises (SMEs).

Source: Statistics Korea

South Korea's economy is driven by tech and industry

South Korea still relies heavily on its industrial sector, especially automobile, telecommunications and heavy industries, even though it is moving towards a service economy like most developed countries.

Distribution of GDP by sector (2020)



Source: Worldbank

South Koreans value education, convenience, and efficiency

The typical South Korean consumer is well educated. Usually having high personal debt, they tend to search for better value for money and prefer convenient and efficient transactions.



Highly educated:

South Koreans are **well-educated and well-informed**. The national literacy rate is 98% and 70% of the 25-34 years old have a tertiary education.



At the cutting edge of technology:

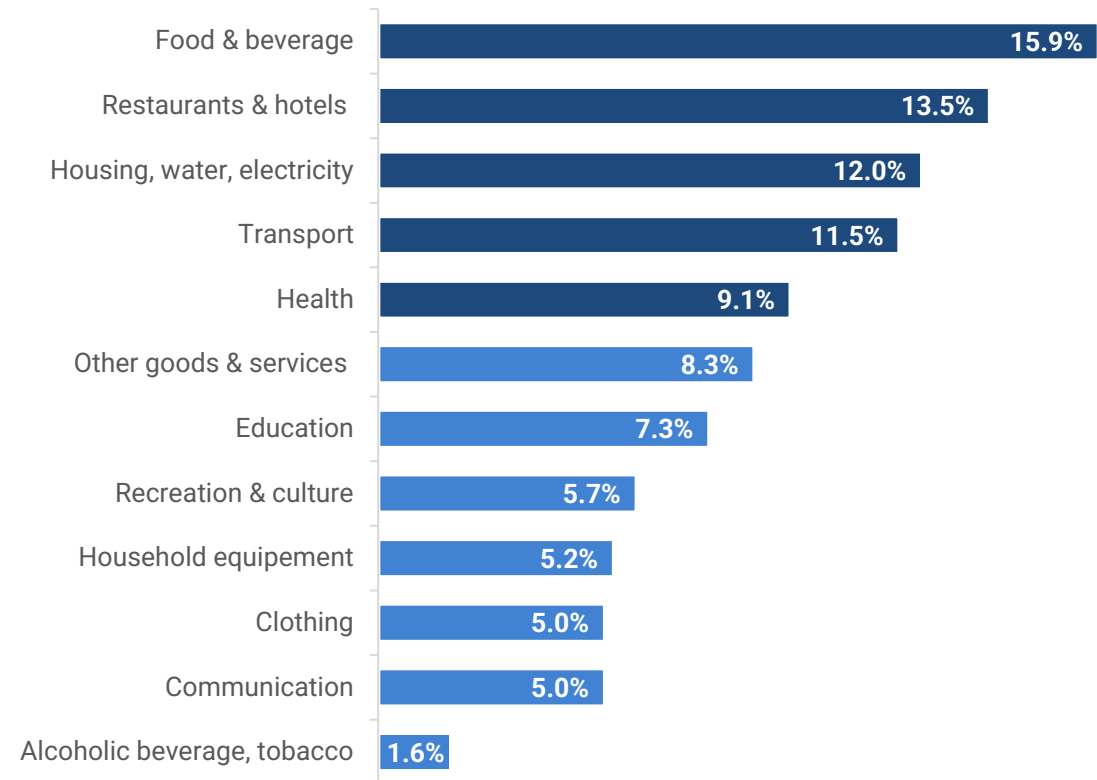
- The country has the world's best IT infrastructure and a wide-use of high-speed **internet** and **smartphones**.
- **Online shopping** is very common. 88.5% of the population uses e-commerce.
- Only 20% of transactions are done in cash.



Household composition:

- The average South Korean household has **2.4** people.
- 27% of households live alone
- 48% are composed of 2 or 3 people
- 24% are composed of 4 or 5 people
- 1.5% are composed of more than 6 people.

Average household consumption by category



Source: Statistics Korea (2021)

Korean marketing lingo brands should know: The MZ Generation (MZ세대)

MZ Generation (MZ세대) collectively refers to Millennials and Generation Z in South Korea, unlike other countries where they are referred to separately. Many brands widely use it in South Korea to better understand their consumers.



Millennials are individuals born between 1981 to 1996 and Generation Z are those born between 1997 to 2012. Together they are referred to as the MZ Generation (MZ세대) in South Korea.

Source: Korean Legal Institute (LII)

Characteristics of the MZ Generation



Digitally fluent



Expect brands to mirror their values and cater to their preferences



Concerned about social justice and climate change



Expect transparency and authenticity from brands



More educated than previous generations



Willing to spend money for themselves



Aspire to become the best version of themselves



Desire for premium, luxury products

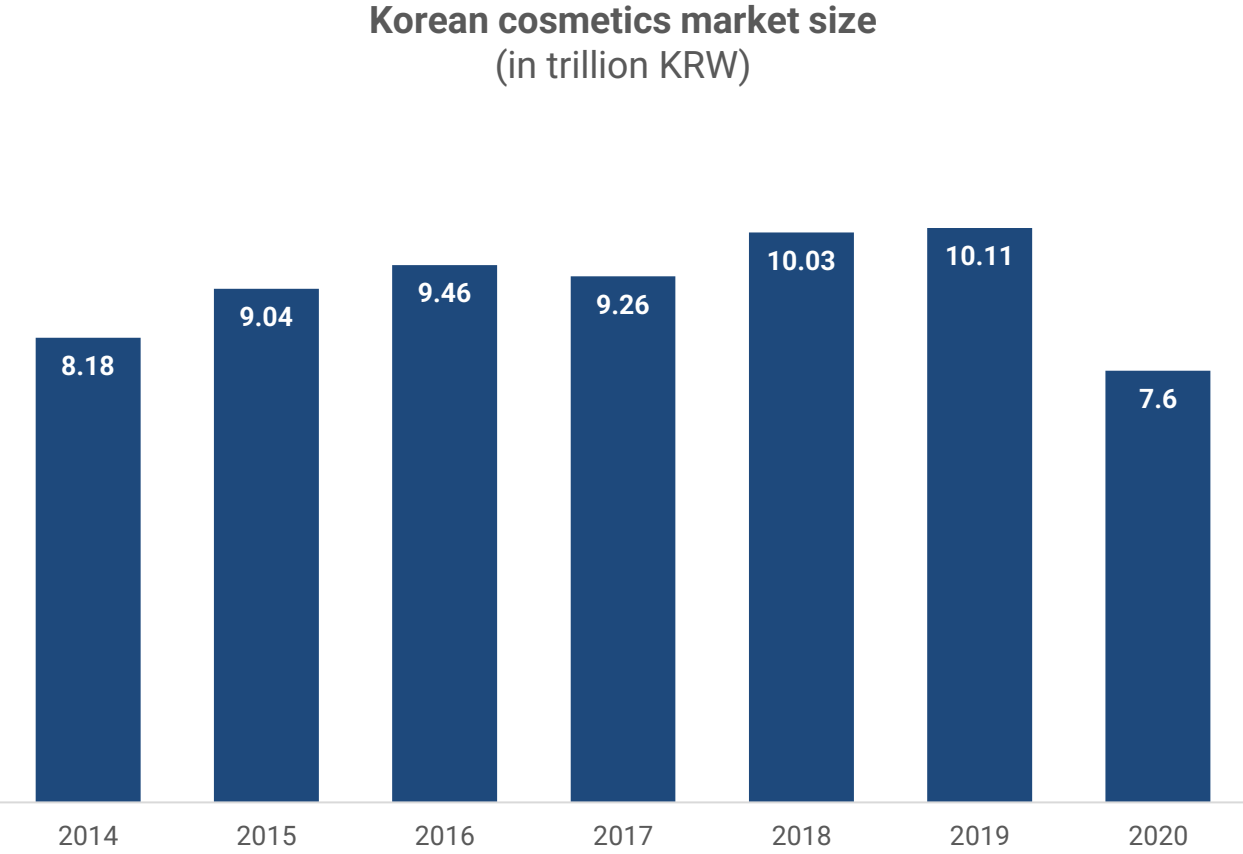
K-beauty

Consumer trends

Korea has a very strong and mature domestic beauty market

Impacted by COVID-19, Korea's cosmetics market declined from 10 trillion KRW in 2019 to 7.6 trillion KRW in 2020 (~6 billion USD). Fortunately, we can expect a rebound in the coming years as the economy recovers from COVID-19.

- Early figures for 2021 sales released by the Ministry of Food and Drug Safety indicate forecasts for the year in the **10 trillion KRW** range.
- The pandemic has had a large impact on demand and accessibility, with offline shopping being obstructed.
- Domestic brands have been quickly adapting, with Olive Young, Missha, and Tony Moly all offering same-day/next-day delivery services similar to popular grocery and food platforms like Curly, Yogiyo, or Coupang.



Source: 2021 Food and Drug Statistical Yearbook of MFDS Korea

Korea's beauty standards are natural, pale and thin

The robust domestic Korean cosmetics market serves as a unique launchpad for the manifestations of East Asian beauty standards.



Korean beauty standards

- Emphasis on a **natural look** and **pale skin** as well as attributes considered more 'Western' (such as double eyelids, for which many Korean women receive surgery)
- Koreans frequently say that one's "**face is small**" when describing beauty— in some regards this is a misnomer as it also extends to having 'desirable' body and face proportions (such as long legs, a flat stomach, and a V-line chin)



Reflected in makeup trends

- Though Koreans wear a lot of makeup, the main idea is to **conceal** its usage— apparent heavy cosmetics is considered outdated. The goal is to look like a bare faced as possible
- As a result of this, products touting benefits to **skin health** are especially popular as they are perceived to create long-term improvements.

Korea's famous 10-step skincare routine

The 10-step was popularized by K-beauty influencer and aesthetician Charlotte Cho, founder of Soko Glam, who introduced a scientific component to beauty routines such as hyaluronic acid for moisturizing. The routine encourages experimenting with brand combos (such as Hera eye cream + Innisfree moisturizer).

- An exhaustive but personalized routine that allows flexibility between choosing different brands and emphasizes a natural, healthy approach to skincare
- Though length is in some ways part of its appeal, the 10-step was not initially pushed as a must— with 10 steps being options of a more personalized routine
- But the 10-step routine— once an industry staple— is somewhat out-dated, being replaced by minimalism
- It is difficult for brands to tout accessibility when a routine relies on so many products

The 10-step routine



K-beauty brands have reached all corners of the world

Hallyu has provided an easy way for domestic brands to appeal to broader audiences. Celebrities with millions of fans around the world show their personal beauty routines introducing the beauty products they use on a daily basis.

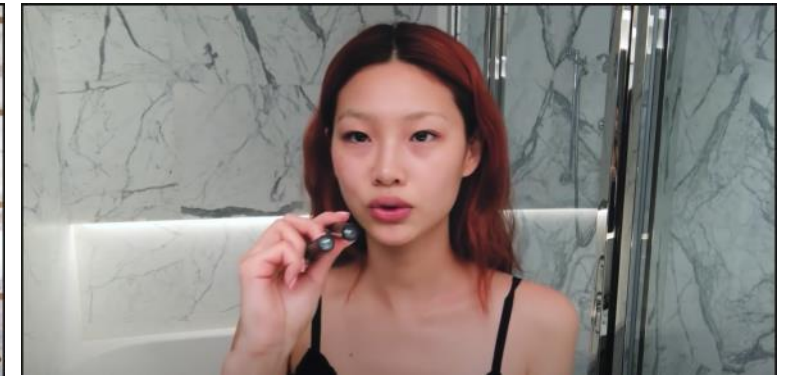
BTS:
5.7 million views



Tiffany Young:
9.2 million views



Hoyeon Jung:
17.6 million views



Source: YouTube

- Korean celebrities, primarily from K-pop and K-dramas, play a large role in promoting cosmetics brands. The above shows members of BTS, Girls' Generation's Tiffany Young, and Hoyeon Jung (Squid Game) engaged in their **personal beauty routines**. Each video received a flurry of comments with inquiries as to where to buy the products.
- While many **domestic consumers** prefer beauty content creators, celebrity endorsements offer instant broad recognition.
- A survey by the Korean Foundation for International Cultural Exchange found that celebrities' use or advertisement was a main positive aspect (selling point) for approximately **18% of Korean consumers' perceptions of a product**.

When it comes to clean beauty, Korean consumers go vegan

Korean consumers prefer gentle, minimalistic formulas for skin products. Natural and plant-based ingredients are selling points.

South Korea's clean skincare trends of 2022

Finding natural ingredients to replace manufactured ones, such as using Bakuchiol instead of Retinol for a Vitamin A solution.

Photo: 23 Years Old's Bakuchiol products



Using more fermented ingredients such as Kombucha and fermented soybean for their probiotic benefits

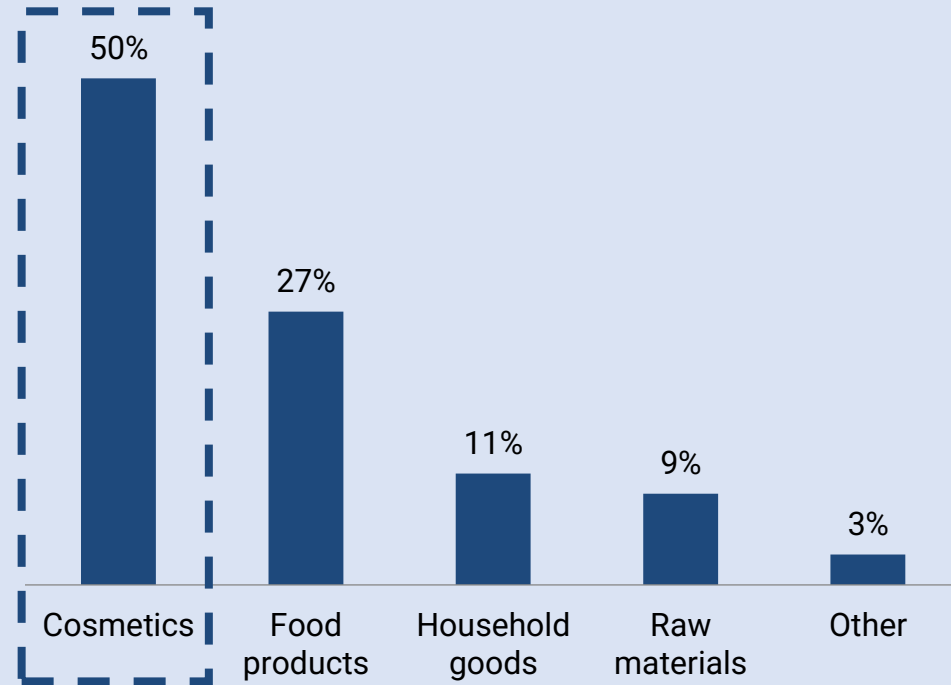
Photo: Innisfree fermented soybean firming essence

Minimalist products which are less triggering to sensitive skin (60% of Korean women report having sensitive skin).

Photo: IUNK, Korean brand focused on minimalism and natural ingredients



Distribution of vegan certified products in South Korea



Source: Korea Agency of Vegan Certification Services

Domestic beauty brands maintain a steady hand over buyers

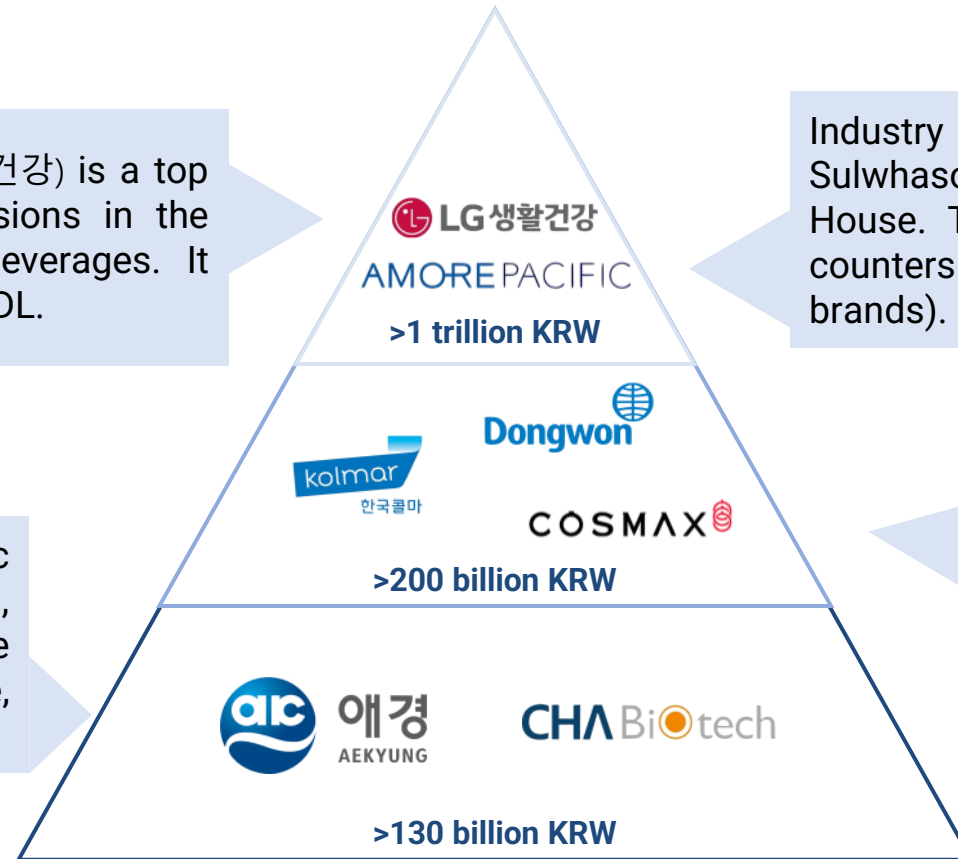
As with most industries in Korea, cosmetics are led by large conglomerates known as *chaebols* (재벌). Though foreign brands enjoy prestige and recognizability, domestic brands have broader appeal to Korean women.

LG Household & Health Care (LG생활건강) is a top consumer goods company with divisions in the cosmetics, household goods, and beverages. It owns History of Whoo, BEYOND, and VDL.

Industry leader **Amorepacific** (아모레퍼시픽) owns Sulwhasoo, Laneige, Mamonde, Innisfree, and Etude House. These five subsidiaries operate about 4,000 counters (including shared locations with Western brands).

Aekyung (애경) Group owns cosmetic brands like AGE 20's, LUNA, a solution, FFLOW, and POINT and personal care brands like Kerasys, 2080 Toothpaste, and LABCCIN.

COSMAX (코스맥스) is a leading research, development, and production group for cosmetic and health functional food products. They have partnerships with 600 beauty companies, including Clio, AHC, Olive Young, and Dr.Jart+.



Tiers based on 2020 Q1 revenue

Source: Official Websites of LG Household & Health Care, Amorepacific, COSMAX, and Aekyung

Japanese brands have high credibility in Korea's beauty market

Despite prominent Japanese exports being electronics and cars, their strongest in *Korea* include cosmetics

How Japanese brands gained hold of the Korean beauty market

- While Korean rivals to Japanese consumer electronics and automobiles (Samsung, LG, Hyundai, KIA) emerged quickly, Korean brands initially rose slower in the cosmetics industry.
- Brands such as Shiseido and SKII were thus able to establish footholds in the Korean market and remain particularly resilient.
- In the last 20 years, Japanese cosmetic exports to Korea have retained its positions first found in the 80s and 90s despite several bilateral crises. Additionally Korean brands' influence continues to grow among Japanese consumers with 30% annual growth despite cooling relations during the entirety of 2019.



Source: Yonhap News, REFINERY29

Are sticky bilateral relations a barrier for J-beauty?

- Japanese brands navigate bilateral relations tested by the legacy of Japan's colonization of Korea
- Japanese cosmetic brands have shown relative strength through declining ties in the last half-decade, including the 2019 Japan-Korea trade war, which hurt Japanese brands like Uniqlo
- DHC withdrew from the Korean market after controversies in relation to racially charged comments by its CEO— bad blood between the two countries remain a sensitive issue that is better off untouched

European brands are seen as reliable and prestigious among Koreans

Western brands (particularly French and Italian) are widely regarded as being the most reliable, with country-based associations playing a heavy role in building credibility and appeal— as well as perceptions as a “status symbol”, making them appeal to Korea’s upper class.

- Popular Western brands in Korea include L’Oreal, Dior, Yves Saint Laurent, Jo Malone, Giorgio Armani, and Clarins
- Shopping for such brands often takes place in department store, hotel, or duty-free stores
- The pandemic has seen a rise for luxury Western perfumes during a comparative decline of conventional cosmetic sales



Jo Malone boutique in Hanam-dong, Seoul



Bioderma Sébium solution (left) and Abeille Royale Face Treatment Oil (right)

The popularity of “skiminalism” has added a new dimension to Western beauty product demand in Korea. Products like the *Bioderma Sébium solution* (left) sold over one million bottles and *Abeille Royale Face Treatment Oil* (right) sold out within two months of release in Korea.

Domestic beauty brands are the most recognized among Korean women

Korean brands currently existing as subsidiaries of larger chaebols— most prominently Amorepacific— dominated the charts of most recognized brands. The primary exceptions were SKII (a Japanese company recently acquired by a larger American conglomerate) and Chanel (France).

Recognizability rankings in Korea (2020, respondents ages 20-59, N=487)

92.8% Sulwhasoo

91.0% H E R A

89.7% SK-II

89.1% IOPE 

88.5% MISSHA

88.3% THEFACESHOP 

87.5% CHANEL

86.4% Mamonde

86.2% ARITAUM

86.0% *innisfree*

Source: Korea Broadcasting Corporation survey

The poll also found a strong brand loyalty: **96%** of those who purchased cosmetics from a certain brand in the last six months indicated they would purchase from the same brand again in the near future.

Foreign beauty brands can tap into the K-beauty market via the Hallyu

Through mediums like Korean dramas, TV shows, webtoons, and music, foreign beauty brands can easily form presence in the Korean market.

- Product placement in **Korean dramas and music/dance competition** shows by food and drink manufacturers can serve as a model for cosmetic companies, especially as there is added credibility with celebrities.
- Use of more domestic-oriented content such as **webtoons** and streaming services
- Presence on **website forums** like Naver or MissyUSA (for the Korean mothers of students abroad) to boost word-of-mouth
- With abundance of delivery services like Curly, accessibility and speed (one-day delivery) to match standards are **essential**



In 2021, the trending Kahi Wrinkle Bounce Multi Balm was used by the main character of “Yumi’s Cells” (유미의 세포), a TV series adapted from a popular Naver webtoon with the same title.

Source: Allure

토레타!



Toreta, a fruit drink, initiated an aggressive marketing campaign through appearances on popular K-dramas such as “Goblin” (도깨비) and “Strong Girl Bong-soon” (힘센여자 도봉순).

How beauty brands tap into South Korea's digital ecosystem

Beauty brands can boost accessibility and online reputation of products through digital platforms.

Platform presence



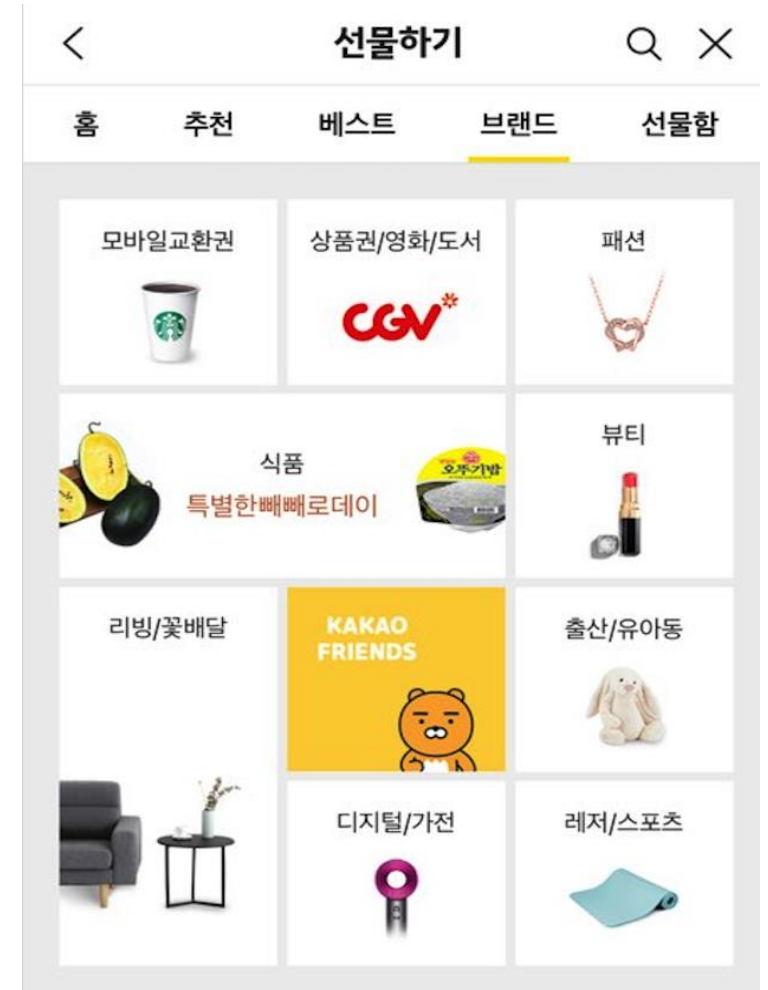
- Use of creative mediums to incentivize buying like Kakao Gift, which allows users to gift coupons or products
- Recognition on platforms like Facebook appeals to younger Koreans.

Market players and endorsements



Beauty influencer PONY Syndrome on Youtube and @ponysmakeup on Instagram

- Notable influencers include Pony 포니 (@ponysmakeup on Instagram), 재유JEYU, Risabae, Korea_Grandma, and amuque (on YouTube).
- Word-of-mouth sales are lucrative in Korea— a featured item from a Korean beauty YouTuber can cause a ripple effect. However, adding “No Ads” or NO광고 to a title or thumbnail is often used for credibility.



Kakao gifting options for a user, ranging from movie theater tickets (top row, center) to cosmetics and beauty (second row, right)

The traditional definition of being a “woman” remains but is slowly fading

Being a women in South Korea is traditionally associated with the conservative characteristics cleanliness, innocence, passiveness. Though still a minority, there are women who are showing the contrary, such as independence and resoluteness.



Singer and actress IU (아이유, left) is popular among men and women her for her singing/acting skills and exceptional beauty. Singer Irene (아이린, right) is also praise for her beauty. They are both characterized with the fair skin, pureness, naturalness, positivity, fairies, flowers, among the “traditional” characteristics of women.

Source: Instagram



Actress Kim Hye-Soo (김혜수, left) is widely known for her independent, strong, and sophisticated roles in movies/dramas like *Juvenile Justice*. Similarly, actress Song Ji-Hyo (송지효, right) is known for her easygoing and candid personality and plain appearance in dramas and TV program *Running Man*.

Healthy pleasure (헬시 플레저) is in fashion among the MZ Generation

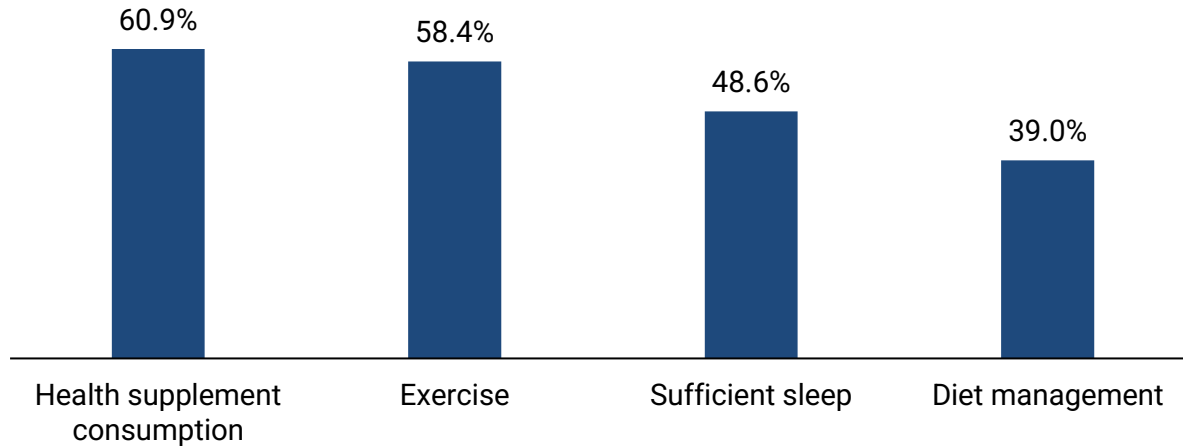
Since the pandemic, the view of healthy has changed from “painful” dieting to building a healthy mind, body, and lifestyle through fun and comfortable means.

Health = Pain >> Health = Pleasure

Before the pandemic, individuals achieved health through strict physical and eating plans.

After the pandemic, people sought health through fun physical activities, good food, and healthy mindset.

Post-pandemic physical and mental health activities performed by 20-50 year olds



Source: JOBABA (2019), Instagram



Shim Euddeum (심으뜸), with 1.26 million YouTube subscribers, is a top influencer known for her fun and effective fitness-related content, from at-home workouts to healthy lifestyle Vlogs.



Actress and amateur boxer Lee Si-Young (이시영) regularly posts photos of her healthy lifestyle, such as photos of her hiking.

Digital trends



The Korean digital ecosystem of smartphone apps

The Korean digital ecosystem is a mix of domestic and global apps, with domestic apps dominating each segment.



The top smartphone applications in each category

Food Delivery



Baedal Minjok
(배달의 민족)

- 20.7 million users (2022.3)
- Unicorn Startup
- Platform service fulfilling both consumers' & providers' needs
- B mart grocery delivery

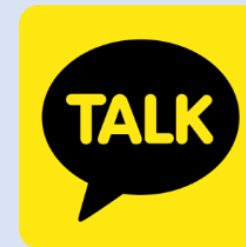
Shopping



Coupang
(쿠팡)

- 26.6 million users (2022.3)
- High reliability to consumers via search engine to compare products, meeting delivery time
- One-day delivery
- Fresh food delivery
- Cross-border shopping

Social Media



KakaoTalk
(카카오톡)

- 47 million users (2021.12)
- National messenger application +
- Easy gifting
- Emoticon market
- Kakao pay
- Kakao plus channel - promotion

Transportation



NAVER Map
(네이버 지도)

- 19.3 million users (2021.6)
- Navigation service
- Public Transportation
- Online food ordering
- Reviews to compare restaurants
- Vaccine Service for COVID-19

Leading e-commerce platforms include Naver (네이버) and Coupang (쿠팡)

The e-commerce industry is growing with the support of major players including Coupang (쿠팡), Naver (네이버), and SSG (SSG닷컴) who are providing improved e-commerce services.

Leading e-commerce players by sales

| | 2021 Q1 | 2022 Q2 |
|---|---|---|
| 1 |  |  |
| 2 |  |  |
| 3 | <small>신세계적 쇼핑포털</small>  | <small>신세계적 쇼핑포털</small>  |
| 4 |  |  |
| 5 |  |  |

Services offered by top e-commerce players

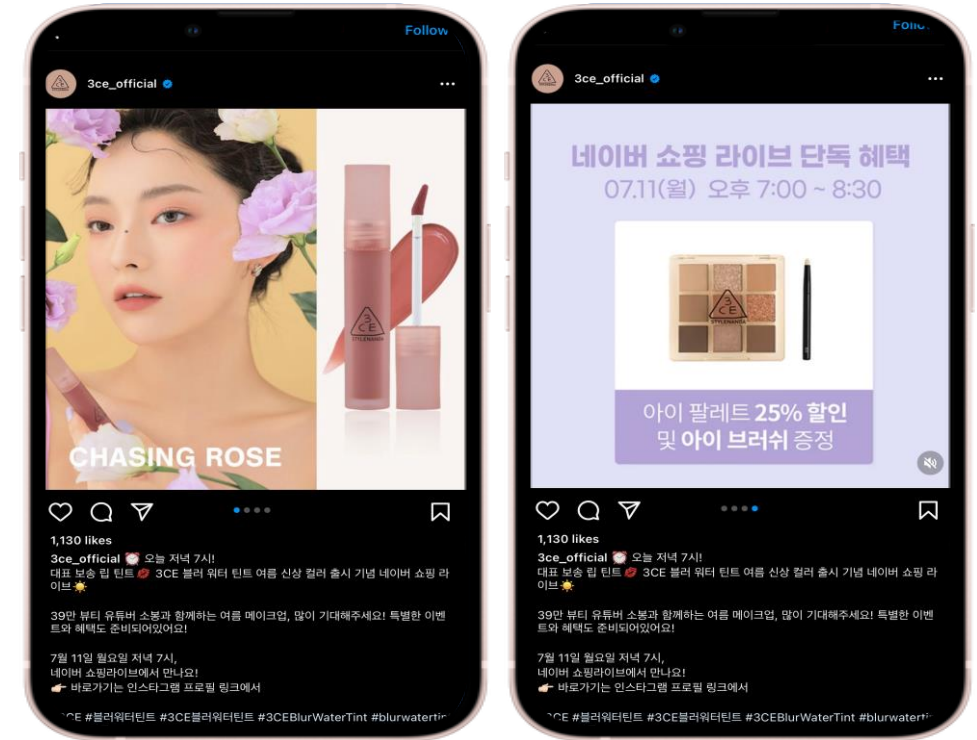
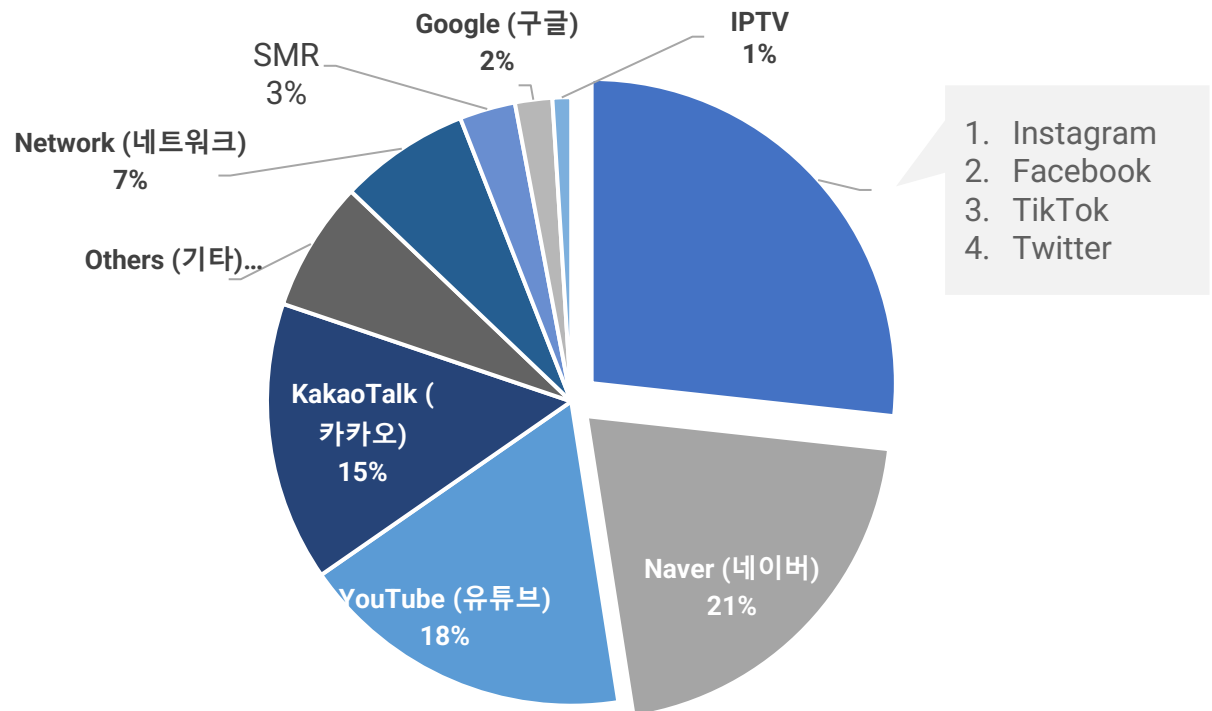
|  The Google of South Korea |  The Amazon of South Korea |
|--|--|
|  Well-developed search engine |  Rocket delivery service, its next-day delivery service |
|  Naver Pay, the mobile payment service under Naver |  Rocket fresh service, same-day delivery service of fresh food |
|  Naver Shopping Live, live e-commerce platform |  Discounts and promotions |

Source: IterAd, Aju Business Daily

Brands mainly use social media and Naver to promote products in Korea

Brands are largely using digital platforms to advertise their products. Among the top media vehicles are social media (SNS), Naver (네이버), YouTube (유튜브), and KakaoTalk (카카오톡).

Major media channels in the cosmetics industry



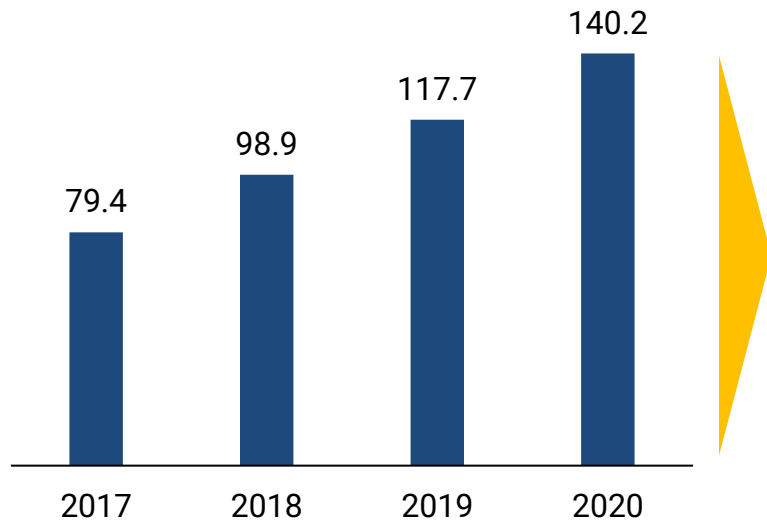
Indie beauty brand 3CE actively posts on its Instagram page. On the above post, it promotes its livestreaming event on Naver Live Shopping

Source: Mezzo Media (2021.01-2020.02)

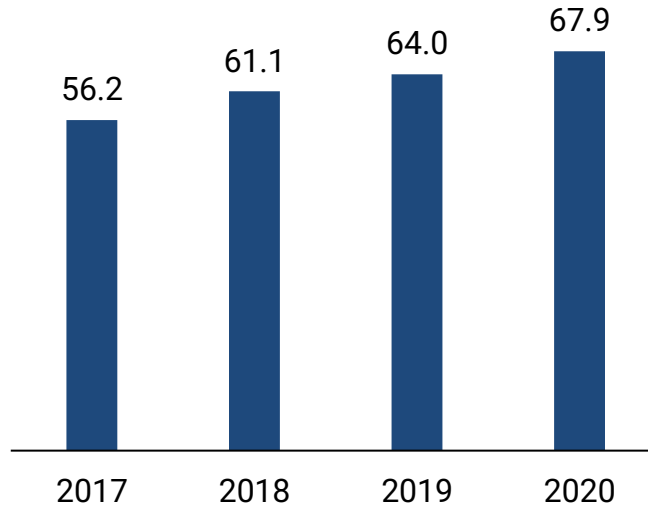
KakaoTalk is a crucial platform for mobile commerce

The e-commerce market, especially mobile-commerce, is experiencing unhindered growth. M-commerce platforms like KakaoTalk (카카오톡) can strengthen interaction with consumers and raise sales.

Online retail sales in South Korea (in billion USD)



Mobile online share in total online retail sales



Source: Nowak & Partner

카카오톡
선물하기
KakaoTalk Gift



KakaoTalk Gift allows users to send and receive online gifts on special occasions like birthdays.

카카오톡
쇼핑하기
KakaoTalk Shopping



Kakao Talk Shopping provides time-limited special deals for friends.

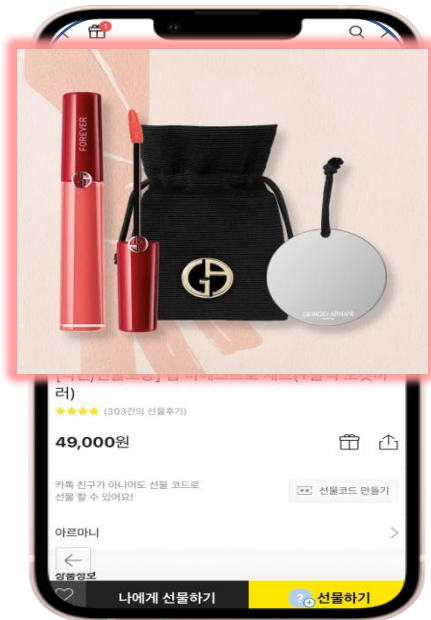
KakaoTalk, the leading messaging service provider in South Korea provides m-commerce functions, which brands can grow to increase interaction with consumers and sales

Source: Kakao Official Website

Brands use KakaoTalk Gift for their consumers who purchase for gifting purposes

Numerous beauty brands use the leading gift platform KakaoTalk Gift (카카오톡 선물하기) to reach consumers who are looking for products to gift on special occasions like birthdays, anniversaries, and Mother's Day.

A few premium luxury brands on KakaoTalk Gift

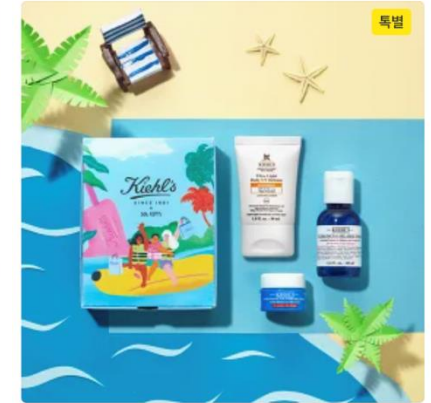


GIORGIO ARMANI (지오르지오 아르마니) sells its products on KakaoTalk Gift. They provide special services like name engraving and attractive gift packaging to make it more suitable for gifting.

Kiehl's on KakaoTalk Gift



키엘
[각인/생일선물] "생일축하해" 키엘 수분크림 세트
44,000원



키엘
[단독/샘플증정] "수분 진정 선크림" 키엘 자외선 차단제 30ml 세트 (특별)
35,000원

American cosmetics brand Kiehl's (키엘) offers thematic products for gifting purposes that are only available on their KakaoTalk gifting platform.

Hwahae: The platform all beauty brands in Korea should know about

BirdView Inc.'s Hwahae (화해) is an user-driven database and forum for rating cosmetics. It has been the top Korean beauty app for eight years.

Detailed features prioritizing health and awareness:

Hwahae helps users streamline their search for cosmetics through a skincare goal web-filter, offers a profile of individual products including safety risks, and ranks products within item categories based on user ratings. Moreover, it lists the components of products to educate users.

Widespread customer user base:

Hwahae serves as one of the most up-to-date indicators of public opinion and attitudes towards brands, with over 10 million downloads.

Corporate strategy:

Domestic brands such as Olive Young have used Hwahae's 'badge of approval' as a selling point.



A screenshot on Hwahae which lists product ingredients, naming three for which users should be "cautious" and indicating the severity of each substance's potential threat.

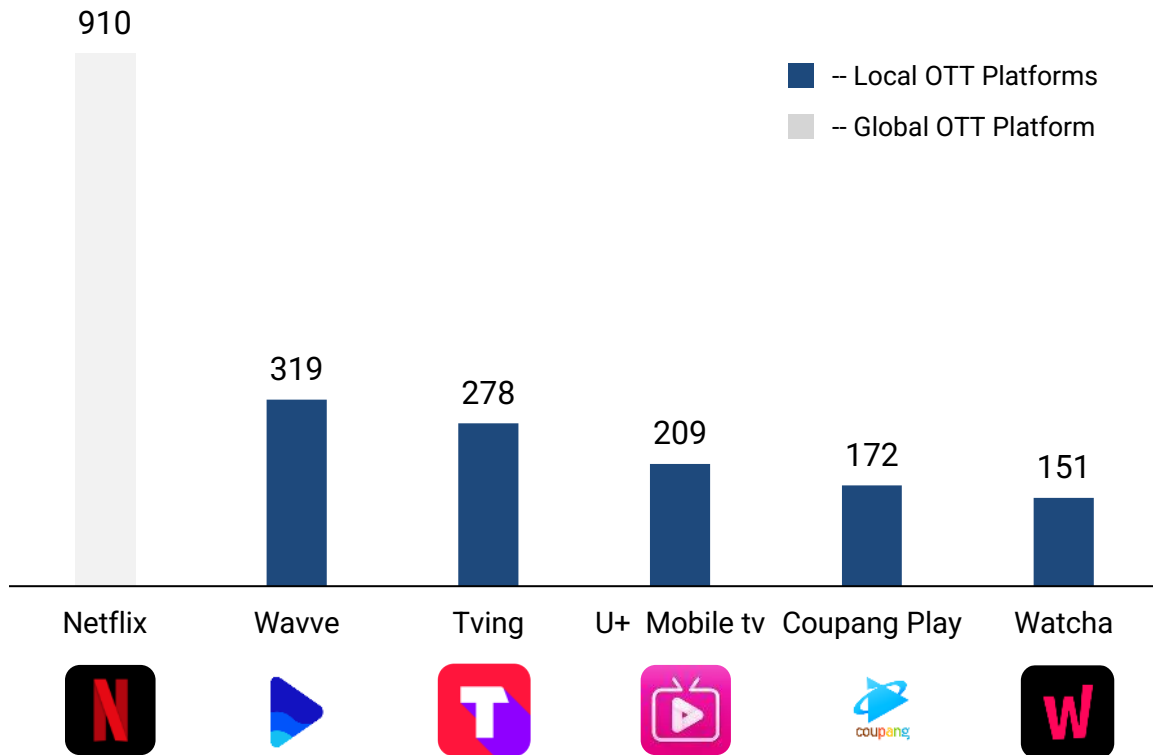


Over-the-top (OTT) platforms are replacing traditional TVs

Over-the-top platforms (OTT), referring to media services offered directly to viewers via the Internet, are bypassing traditional cable, broadcast and satellite television platforms.

OTT platform subscribers in South Korea (in thousands)

July 2021; Android + IOS users



Source: WISEAPP·RETAIL·GOODS (2022)

Reasons OTT platforms are preferred



Accessibility of the content

Especially during the pandemic when theaters closed, OTT platforms expanded the entertainment options available at home.



Increased single-person households

Young adults in the 20s and 30s account for the majority of single-person households. Since purchasing a television is a significant financial burden, young adults are turning to OTT platforms where they can watch shows on their phones and laptops.

Beauty embedded marketing in K-drama faces negative comments by the audience

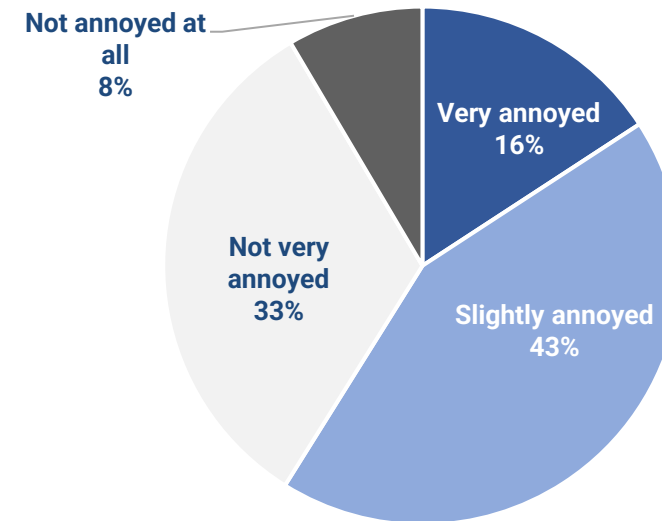
Embedded marketing, also known as product placement or PPL in Korea, is a form of commercial advertisement where references to specific brands or products are incorporated into media content. While embedded marketing is proven to be effective for beauty brands, it may face negative comments due to its overuse.



Embedded marketing of Kahi in Extraordinary Woo

Traditional embedded marketing is limited to showing the product logo in the content.

Degree of annoyance from embedded marketing among Korean TV watchers



Source: Korea Press Foundation (2016)

Embedded marketing in K-dramas is proven to increase brand awareness and sales. However, despite the high advertising impact, the Korean audience is expressing negative views towards embedded marketing as is often feels out of context, spoiling the mood of the drama.

Expansion of embedded marketing into online video streaming platforms

Companies are increasingly using online videos and live streaming to promote their products. Through these channels, brands can promote their products to more relevant consumers.



Korean vegan beauty brand d'Alba (달바) collaborated with PICKGO (픽고), a YouTube channel with 481,000 subscribers, to advertise their products. The characters in the 6-minute clip have a short conversation about d'Alba sunscreen, mentioning that it's popular for its naturally skin toning up feature and that it's convenient for quick makeup routines. Positive comments about d'Alba were also visible in the comments section.

Embedded marketing is widely used for the following reasons:



1. Companies can market towards **more targeted consumers**

More positive and effective marketing effect follows when appealing to more relevant target group (i.e., beauty content viewers more interested in cosmetics brand and products).



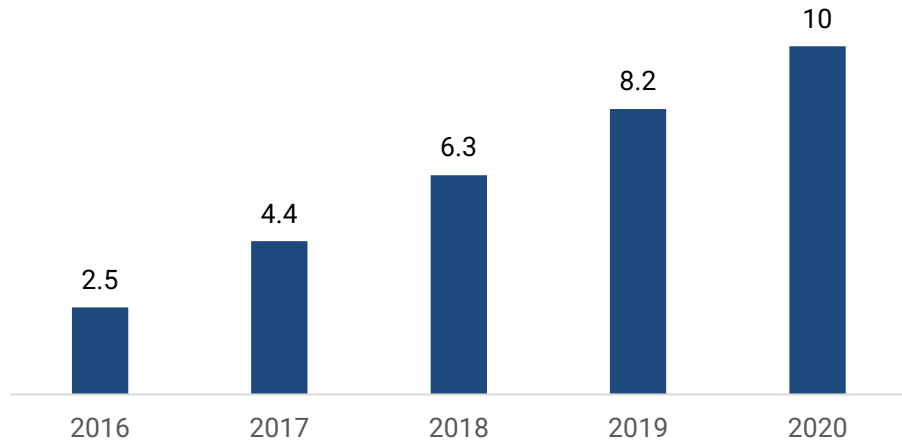
2. Creators have the **freedom to create content** relevant to the marketing product brand

Independent content creators have more freedom to better embed the product or brand into their story. The embedded product does not seem too out of context to viewers. Embedded marketing is sometimes used as a source of humor in the content through excessive exaggeration.

Influencer marketing plays a big role in South Korea's risk-adverse society

Especially in South Korea with so many risk-adverse consumers and social media-loving younger generations, influencers have the power to directly impact the purchasing decision of the public.

Influencer market size in South Korea (in billion USD)



Source: Mediakix (2021)

Top beauty influencers



RISABAE, 2.27 million
YouTube subscribers

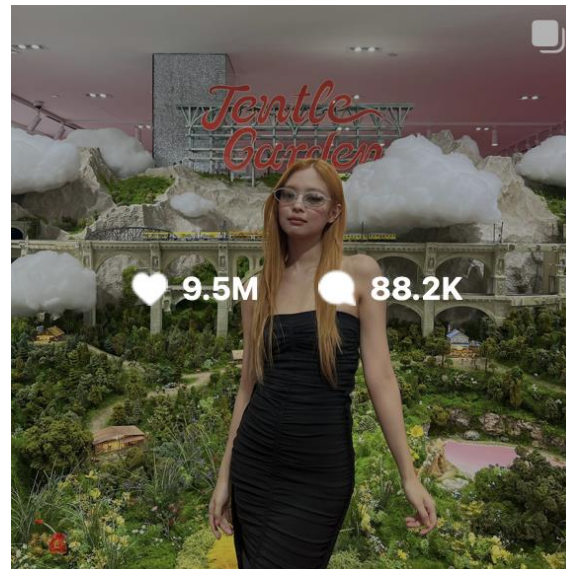


Michelle Choi, 1.64 million
YouTube subscribers



Risk-adverse consumers

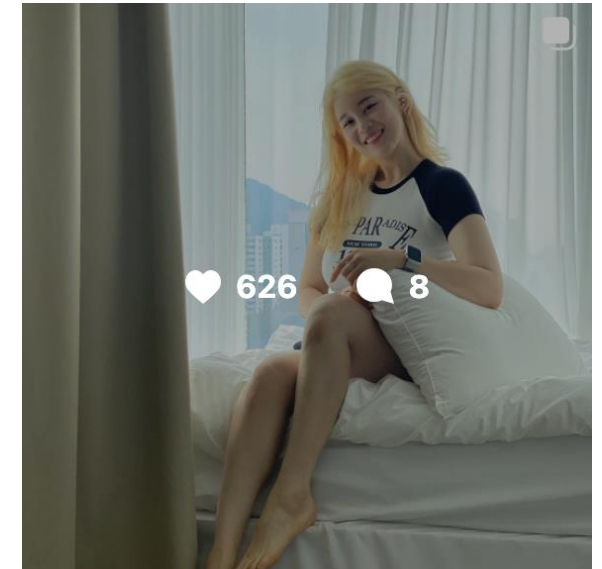
Influencer marketing provides a form of reassurance to risk-adverse consumers during their purchasing process. With 83% of active social network users, influencers are essential to marketing.



Instagram mega influencer @jennierubyjane
with 68.7 million followers

Micro influencers

Not only mega influencers with millions of followers, but also micro influencers who have tighter followings and viewership across various niches have undeniable influence on social media.



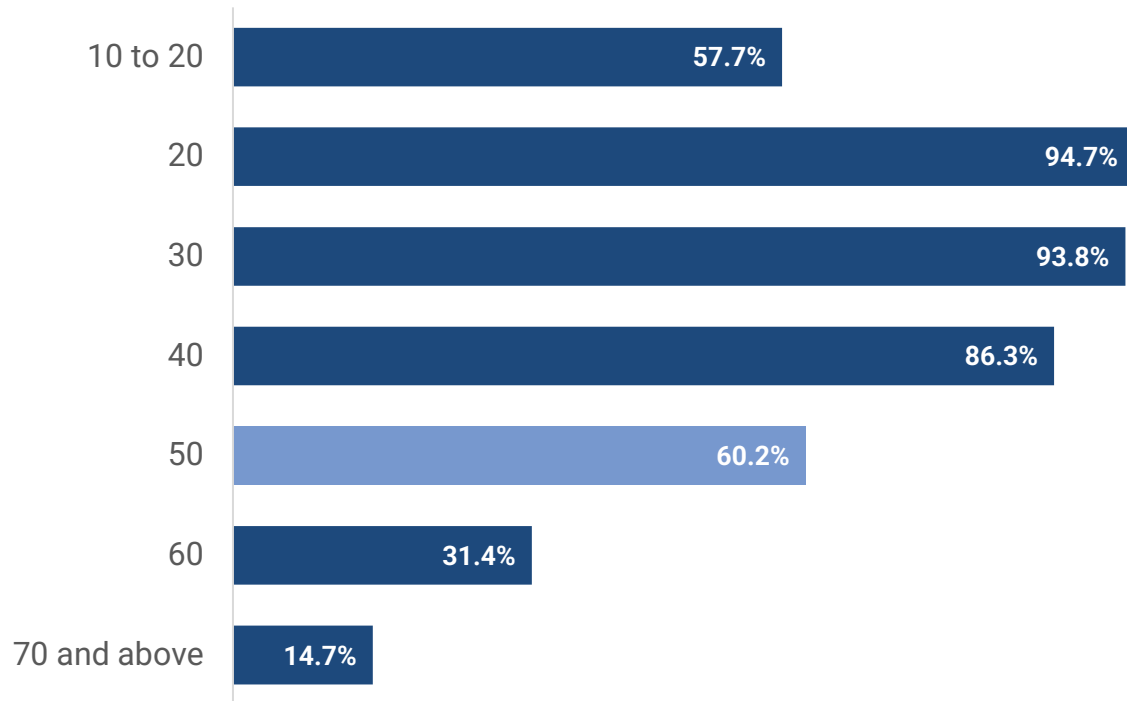
Instagram micro influencer @walking_yang
with 68.8 thousand followers

Source: Newsis, W Korea, Naver, YouTube

E-commerce reaches all demographics, even the silver generation

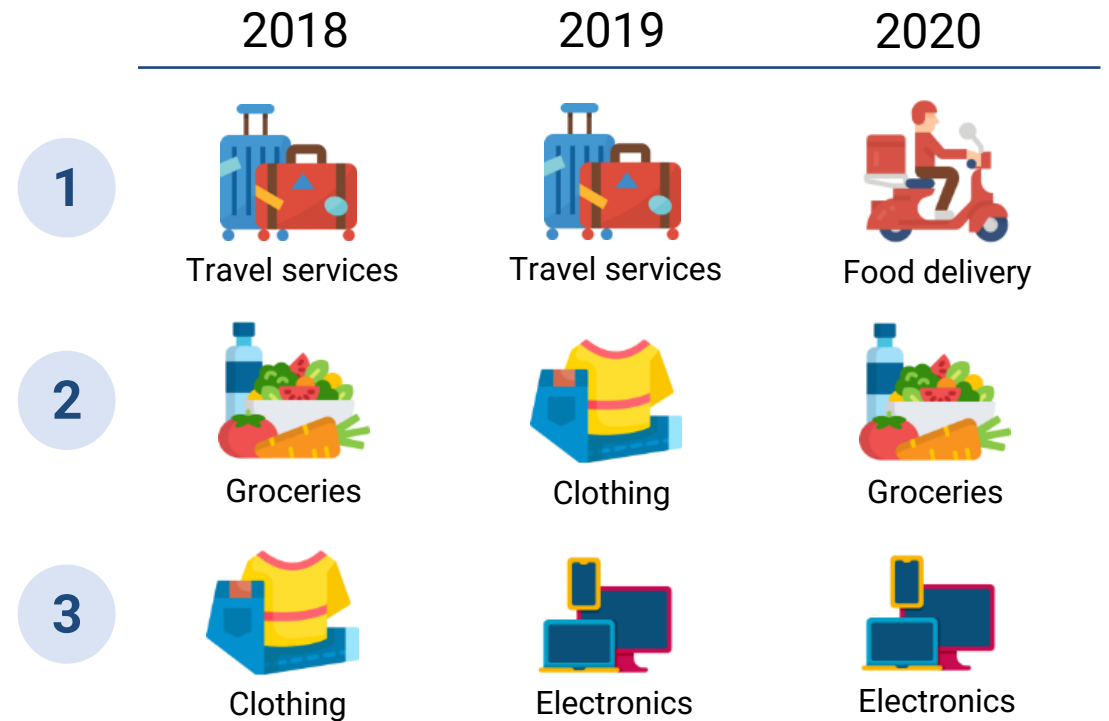
Consumers, including those in the older generation, are shopping online as a result of the restrictions to leave their homes and improved e-commerce platforms. They buy a wide range of products, ranging from food deliveries and daily necessities to electronics and clothing.

Korea online shopping penetration by age



Source: Nowak & Partner

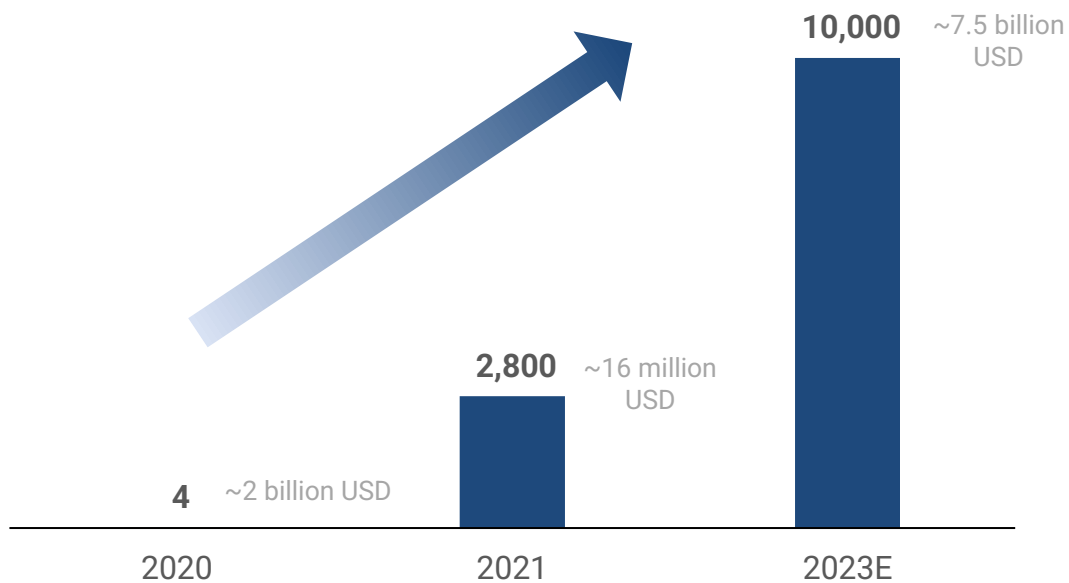
Top 3 online sales categories for all ages



Live commerce (라이브 커머스) is an opportunity for brands

Live commerce is expected to continue growing. Many consumers are buying products online as they get real-time interaction with the hosts and get special promotions.

Market size of live commerce in South Korea
(in billions KRW)



Source: Maeil Economics, Naver Shopping Live



Naver Shopping Live (네이버 쇼핑 라이브) is the leading livestreaming shopping platform. Numerous large brands hold exclusive promotions, like discounts and gifts on first-come-first-served basis.



Retail trends

Brands are not only selling products but also experiences

Beauty brands have started to open pop-up stores now that living with Covid-19 has become more normalized. Rather than only focusing their products, they are aiming to communicate about their brand by providing “special experiences” and “fresh fun”.

Pop-up stores are temporary retail spaces where brands can provide a unique and memorable shopping experience. They have been common in Korea. But recently stores are not only simply focusing on a product but on communicating their brand as a whole. They offer unique and entertaining experiences, which are especially demanded by the MZ Generation.

In August 2022, Chanel opened a pop-up store, N°1 DE CHANEL GARDEN. Visitors can learn about the brand story and engage with the products through the immersive and customized services.



Source: Newsis, W Korea, Naver



Estee Lauder opened a pop-up store in Lotte World Mall in August 2022. It held a play zone, media zone, Hall of Fame for its top foundations, among others where visitors can experience and interact with the brand and share their moments on social media.

Brands are launching non-conventional products to reach “Funsumers”

Brands across industries are releasing fun, out-of-the-ordinary products to attract funsumers (핀슈머) who mainly consist of Generation MZ. However, some brands have crossed the line and did not receive a positive response.



Gompyo (곰표), a flour brand, released non-food related products like cushion compacts. They ignited fun by launching these products which are paradoxically unrelated to the brand yet have familiar elements i.e., white, “clean image”, edible, flour-containing)

Source: Naver, Marie Claire Korea



DR. CARAPY (닥터케라피) and MALPYO (말표) collaborated to create hand and foot creams. On the package, it says “Don’t worry. It’s not boot cream. Since its release in 1967, MALPYO has been used by soldiers to polish their boots.



Seoul Milk (서울우유) collaborated with LG Household & Healthcare (LG 생활건강) to launch a body wash product. However, it was perceived as a dangerous move since it closely resembled the milk products that people, including young kids, drink every day.

Consumers are looking for “narrative” (내러티브) in the brands they buy

Narratives (내러티브), stories containing a **point of view** or **values** and incorporate **emotion**, are becoming more important for South Korean consumers, although already common in many Western countries. Smaller and larger brands are integrating their stories and values to their branding strategies to attract their consumers.

Narratives (내러티브) are largely being used in branding and marketing. It has become a powerful tool to intensify the consumers’ love for the brand and also for sales.



LUSH (러쉬),
clean beauty
brand

LUSH embraces the narrative of wholesome values. Their products are made cleanly, and they even quit social media to show their position against the detrimental health impact of social media on individuals.



In May 2022, DIOR (디올) opened a massive pop-up store in Seoul, South Korea (left) as a narrative strategy. It was inspired by its newly renovated iconic headquarters at 30 Montaigne. The store displayed multiple settings, a Café Dior, and even original pieces by Korean designers. Visitors could learn and experience Dior’s culture and story.

Source: LUSH, Fashion Network, Super Future

Limited edition products unleash consumer's "Gotcha Power" (득템력)

Popular brands are launching limited edition products to take part in the "Gotcha Power" (득템력) trend. Consumers feel a sense of satisfaction by investing time and effort into the pre-purchase, purchase, and post-purchase stages of scarce products

"Gotcha Power" (득템력)

Refers to the consumers' ability to obtain products that are hard to acquire due to constraints like limited quantity, limited time, and limited raffle draws, and not necessarily due to financial constraints.



Source: Dior Official Website, HYPEBEAST

In 2022, Dior launched limited edition beauty products like its Dior Forever Couture Cushion (left) and Rouge Dior lipstick (right).



In 2021, South Korean cosmetics brand Laneige launched a limited edition Neo Cushion in collaboration with French fashion brand Maison Kitsuné. It unveiled its Neo Cushion with Maison Kitsuné's Chillax Fox. It additionally launched an eco bag and pouch with the fox among other products.

Korea Market Research Case Studies



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ORIGIN: FRANCE

INDUSTRY: SKINCARE

PROJECT TYPE: MARKET RESEARCH ON KOREA'S GIFTING PLATFORM

PROJECT DESCRIPTION:

The client showed positive growth with the revenue source being generated from the Kakao Commerce and specifically Kakao Gift. While they pose an established position in Kakao Gift's mobile e-commerce segment, numerous local & global competitors have recently listed their products and gaining market share. With the ever-growing presence of competitors and their know-how of the Korean market, the client reached out to daxue consulting to conduct a market research of the Korea's mobile commerce market and specifically Kakao Gift platform and the existing competitors' strategy.

METHODOLOGIES & DELIVERABLES:

Daxue Consulting conducted the research in 3 steps to identify the best practices in the platform and how Korean consumers behave in the gifting commerce.

1. Korea's mobile commerce market overview

1. Korean consumers' gifting occasion & sentiments in Kakao Gift
2. Typical gifting journey and user flow in Kakao Gift

2. Competitor assessment

1. Identify competitive dynamics of competitors and peers
2. Identify best practices of Product, Pricing, Promotion strategy of the competitors

Synthesized conclusion and recommendations: Recommendations of the relevant product, pricing, promotion strategies most suitable consideration

FARFETCH

ORIGIN: UK

INDUSTRY: FASHION

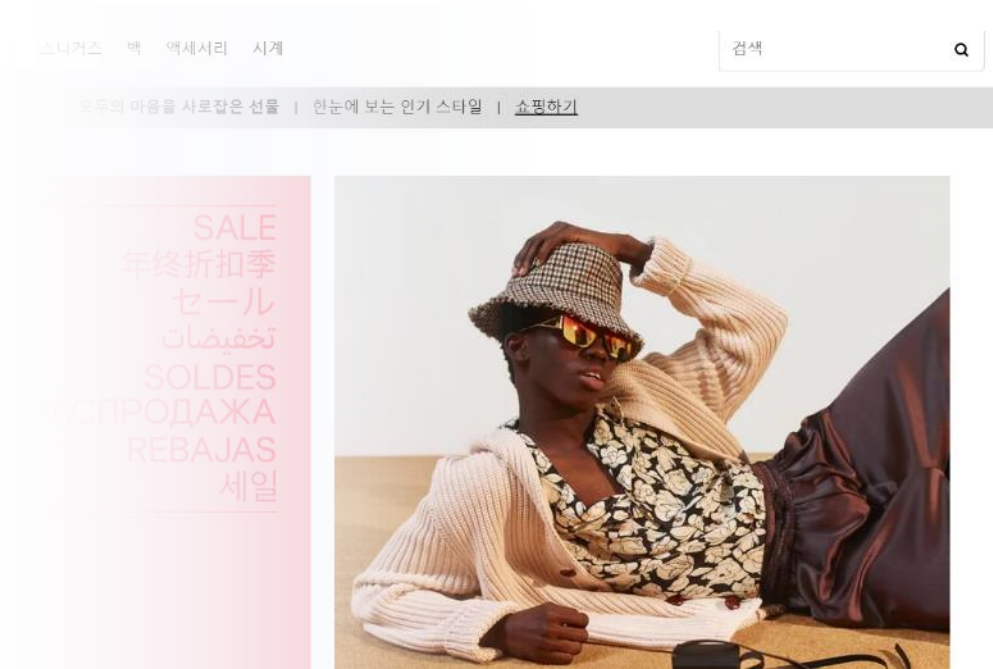
PROJECT TYPE: UX RESEARCH IN KOREA AND CHINA

PROJECT DESCRIPTION:

Our client is conducting a qualitative research for one of the brands on its platform. The main objectives of the project are to understand customer website behaviors and buyers profile in Korea and China.

The group contacted Daxue to address following key questions:

- What is their typical online/offline shopping journey?
- What is their opinion about the brand's renewed homepage, product listing pages (PLP), product detail page (PDP) and check-out page?
- What is still missing and can be improved or localized for the respective market?



METHODOLOGIES & DELIVERABLES:

- Daxue Consulting conducted a series of 16 in-depth video interviews with the client's Korean and Chinese customers (~90 min per interview) in order to collect substantial and qualitative feedback on the targeted questions.
- After conducting the interviews, Daxue provided a video and audio record including English word-by-word transcript/subtitles matching the respondent's speech during all the video. Finally, a topline summary report was provided to the client with actionable recommendations to help our client optimize its homepage for a smoother shopping experience with less drop-outs.



ORIGIN: FRANCE

INDUSTRY: HIGH-END SKINCARE

PROJECT TYPE: TRAINING ON E-COMMERCE

PROJECT DESCRIPTION:

As a well-established brand in China, our client wanted to give a thorough overview of what is happening on the local marketplaces to their APAC team. The objectives were to align the level of knowledge on e-commerce of the team and also set some priorities for 2022 leading to strategic decisions to be done internally.



METHODOLOGIES & DELIVERABLES:

To achieve these objectives, Daxue Consulting released a comprehensive report analyzing the most structural e-commerce trends in China, Korea and Japan mainly. This report resulted in an interactive training session and Q&As to Clarins APAC team, a total of around ~90 people.

CONFIDENTIAL

ORIGIN: KOREA

INDUSTRY: ICT

PROJECT TYPE: KOREAN START-UP MARKET FEASIBILITY STUDY

PROJECT DESCRIPTION:

The client was a major Korean government agency under the Ministry of Science and ICT(MSIT) contributing to the national startup ecosystem. They have a portfolio of Korean startups in the ICT sector and would like to assess the market potential and feasibility of each player in the China market.

In order to assess the market potential and feasibility of the Korean startup companies, the key stakeholders of the relevant industry's supply chain were invited to a virtual conference call to evaluate the startup's concept, business model and opportunity .



METHODOLOGIES & DELIVERABLES:

- Daxue Consulting moderated total of 15 virtual video conference (5 conference calls per each startup) with market experts representing the upstream & downstream value chain of the respective industries to assess the market feasibility & potential of the Korean startups.
- Final deliverables consisted of the following:
 - Minutes of the meeting in English
 - Top line summary report combining all meetings and recommendations on short-term fixes and long-term goals for the start-ups for successful market entry in China



ORIGIN: FRANCE

INDUSTRY: GAMING

PROJECT TYPE: SOUTH KOREA GAMING MARKET RESEARCH

PROJECT DESCRIPTION:

Ubisoft, major video game publisher in the world, has been selling its games through a self-managed digital distribution platform for many years: Uplay. As Korea being one of the biggest gaming nations in the world, Ubisoft decided to step up its Korea strategy. Daxue Consulting was approached to provide Ubisoft with a better understanding of the Korean PC game distribution environment and to design an adapted digital strategy for its future Korea platform.



METHODOLOGIES & DELIVERABLES:

- Daxue Consulting benchmarked Ubisoft’s key competitors in Korea (game publishing companies as well as third-party game distribution platforms) focusing on companies’ digital strategies as well as platforms’ Korea-adapted User Experience.
- Findings of this first step made it possible for Daxue to draft Uplay’s Korea ideal Value Definition (adaptation from the original platform, Korea “must-haves”, pain points to avoid, etc.). The platform concepts were then tested through series of focus groups and UX sessions to ultimately recommend on high potential concepts and final Value Definition adjustments at Ubisoft level and Uplay store level.



About us



dx@daxueconsulting.com

+86 (21) 5386 0380

Our mission is to guide businesses to holistic growth in Asia

Through our market research and strategy consulting, we equip businesses with the knowledge and guidance to achieve growth in China and beyond

The values we embrace



Our clients' goals are our goals

We see ourselves as an extension of the client's business in China or their target country, hence, we advise them as if we were in their shoes and investing along with them.



Embrace change enthusiastically

Similar to how markets are constantly changing, our mindset is also always evolving. We value routine only when it helps us improve and we value change because it helps to keep pace with our time.



Intellectual humility gives clarity

Only through the lenses of humility can knowledge be seen clearly. At daxue consulting, we are humble toward science and the truth. We interpret data in a way that lets it speak for itself, even if contradicts our hypothesis.



Freedom enriches creativity & responsibility

Freedom to manage and envision her or his mission increases the sense of responsibility to that mission.

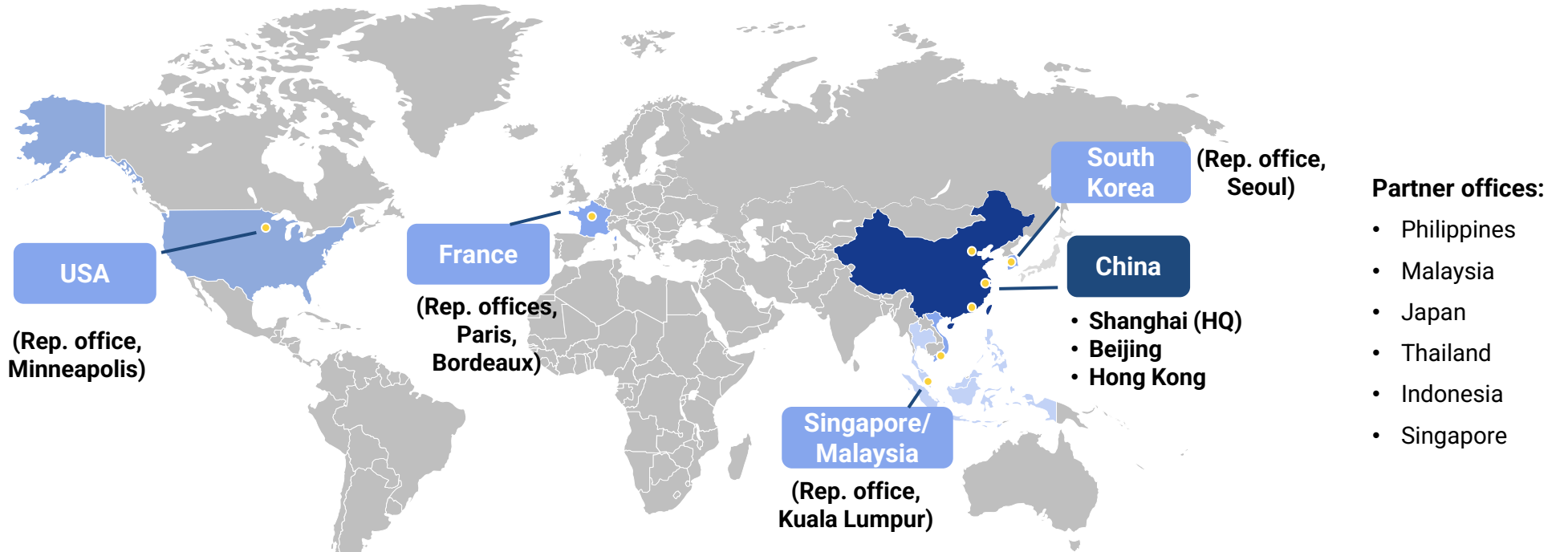


Knowledge is meant to be shared

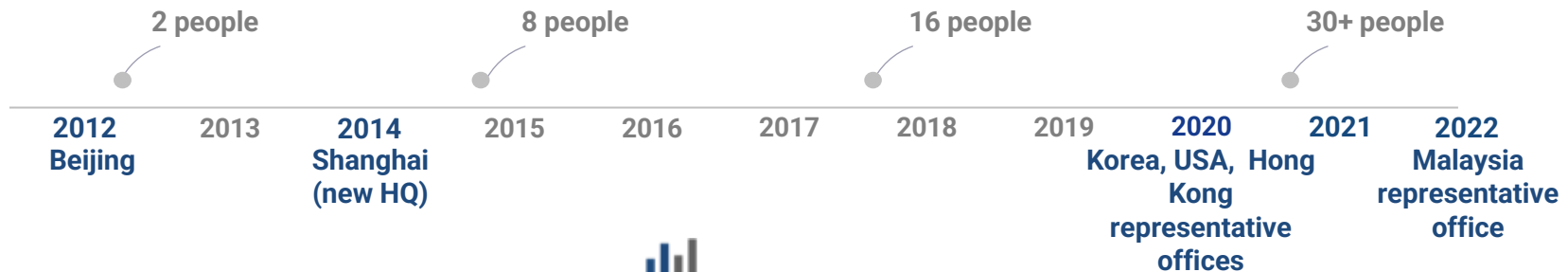
While our projects team dives deep to provide catered research to clients, the media team shares insights publicly. At the same time, we foster a culture of sharing knowledge in our team, each individual works to increase their own knowledge and freely shares ideas each other.

Our APAC network

A research and consulting firm headquartered in China, with an Asia-focus and a presence on two continents.



Our history



Our approach to methodology-based consulting

An agile and data-driven approach towards solving complex research questions

RESEARCH

as the base for

CONSULTING



IN-HOUSE ORGANIZED

We do not outsource



TRADITIONAL METHODOLOGIES

Interviews, cold calls, focus groups, surveys, and more



SOFTWARE AND TOOLS

Third-party software and in-house built scrapping tools



ACCESS COUNTRY-WIDE

Able to run research across all layers of population



DATA INTEGRITY

Data-driven and cross-checking from many angles



RESEARCH-DRIVEN

Consulting backed up by massive research



AGILE

From market discovery to entry, we keep pace with market changes



COLLABORATIVE

We encourage frequent meetings and workshops with our clients



TRANSPARENT

Full insights into our work with frequent intermediate updates



INDUSTRY PARTNER NETWORK

Built-up over 350+ projects and 100+ podcasts guests



CROSS-CULTURAL UNDERSTANDING

Team from multiple continents educated in diverse countries

Our services

ASSESSMENT

评估



BRAND AUDIT
品牌检验



SENTIMENT ANALYSIS
情绪分析



BRAND
BENCHMARKING
品牌基准

INSIGHTS

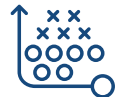
洞见



DECISION-MAKING
PROCESS
决策路径



TARGET AUDIENCE
PROFILING
目标人群画像



BRAND (RE)POSITIONING
品牌（重新）定位

STRATEGY

策略



BUSINESS INTELLIGENCE
商务智能



VALUE PROPOSITION &
MESSAGING HOUSE
价值主张&信息传播策略



NAMING
品牌命名

INNOVATION

创新



OMNI-CHANNEL
MARKETING
全渠道策略



PRODUCT CONCEPTS
DEV. & TESTING
产品概念开发和测试



MARKET ENTRY
市场准入

Our methodologies



DESK RESEARCH
案头调研



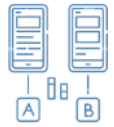
FOCUS GROUPS
小组座谈



CONSUMERS INTERVIEW
消费者访谈



SHOP ALONGS
店内随访



A/B TESTING
A/B 测试



DIARY RESEARCH
日记研究



ONLINE & OFFLINE SURVEYS
线上&线下问卷



SOCIAL LISTENING
社媒聆听



STRATEGIC WORKSHOP
小组访谈



MYSTERY SHOPPING
神秘顾客研究



UX/UI TESTING
用户界面测试



ONLINE SALES DATA SCRAPING
社媒聆听



STORE CHECKS
店访



ONLINE COMMUNITY
线上社群调研



MARKET INSIDERS INTERVIEW
专家访谈



CENTRAL LOCATION TESTING
食材品鉴

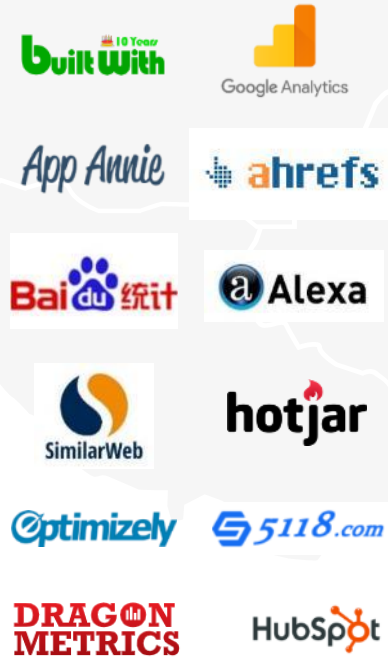
We use modern tools & software to stay ahead

A selection of tools leveraged by us for our clients

Search engine & e-commerce analytics
搜索引擎&电商分析



Website / app traffic comparison
网站/应用流量比较



Data mining / survey analysis
数据挖掘&问卷分析



Social listening
社媒聆听



Diary study & community research
日记&社群调研



An experienced organization with the Asian market

Regularly featured and quoted in publications all over the world

The New York Times

BUSINESS INSIDER

WALL STREET JOURNAL

VOGUEBUSINESS

Forbes

ASIA WEEKLY

FT FINANCIAL TIMES



TV INTERVIEWS ON PRIME TIME TELEVISION IN SINGAPORE



WORKSHOP ON CHINA'S FOOD IMPORTS



LECTURING AT PEKING UNIVERSITY MBA.



DAXUE ON THOUGHTFUL CHINA



FREQUENT SPEAKERS ON BUSINESS TOPICS



400+ clients for the past 10 years

Examples of references



Our testimonials

Comments from our clients



E-commerce Manager
@ L'Oréal

"I come back to you to thank you and your team for the work done on the project, it was a real pleasure to work together 😊 The brand was very satisfied with the insights, especially with the richness brought by the local Chinese specificities."



VP of Innovation @ prestige
skincare brand - US

"Thank you very much for your time and performance yesterday. The team in New York and all of us appreciated a lot your presentation and the quality of the consulting from Daxue Consulting."



JAPAC Revenue Strategy
Manager @ Twitter

"Thanks so much for your hard work over the last several months and the multitude of presentations that you have done to [our] stakeholders. I highly appreciate the quality of work and also the patience with which you have answered the questions."

Overall the work has been very well received and has been very educational for our teams in Singapore, New York and San Francisco. We will be using a lot of this information as we make critical investment decisions into China over the next several months.

Please do pass on our thanks to the entire Daxue team - hope you do take a moment with the entire team to celebrate the success and outcome of this project! Also, I would be happy for you to use my reference for any future clients."



Director Ecommerce
Marketing EMEA @ Ubisoft

"Thank you for your answer. I've been through the presentation and I'm very impressed by all the useful detailed information I've found. Thank you so much!"

STAY UPDATED ON KOREA MARKET INSIGHTS



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