SOUTH KOREA & INDIA SERIES

Beauty is Not Just Skin Deep

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I would like to express my hearty compliments to ‘Invest India’ for launching a series of investor reports and publishing its first report on the beauty and cosmetics, delineating its promise and potential. With this report, the long-felt need for an authoritative and informative account of the rapidly expanding frontiers of beauty and cosmetic segment in both Korea and India has been met. I am sure, this report will facilitate Korea-India collaboration and help realize the immense potential of bilateral cooperation in this emerging sector.

The pivotal role of ‘Invest India’ in facilitating foreign investment into India under the competent and energetic leadership of its Managing Director and CEO, Mr. Deepak Bagla, has been well acknowledged. Korean investment to India has been witnessing remarkable strides with the setting up of a dedicated investment promotion cell - ‘Korea Plus’ - under ‘Invest India’, at the intervention of Prime Minister Narendra Modi, who visualized a great future for Korean investment in India. In just five years, ‘Korea Plus’ has been able to promote and facilitate Korean investment into India, even under the challenging circumstances of Covid-19 pandemic.

Bilateral economic ties constitute the fulcrum around which Korea-India cooperation revolves. The political leaders and businessmen of both Korea and India understand the importance of economic cooperation in deepening bilateral relations and they continue to make sincere efforts to tap the huge untapped potential for trade and investment cooperation. Today, Korea and India hold their own attractions for each other. The importance of Korea to India lies in Korea’s strength to contribute to India’s economic development. Prime Minister Narendra Modi looks at Korea as the ‘role model’ for India’s economic transformation. Korea, as one of the world’s foremost manufacturing heavyweights and home to major global corporations, is an ideal partner for India to realize its vision to emerge as the next major global manufacturing hub. Similarly, India holds its importance for Korea as the next economic frontier.

This complementary strength has contributed to a turnaround in Korea-India trade and investment ties in recent years. As far as Korea’s investment in India is concerned, it is driven mostly by large corporations. The most recent and successful Korean investment in India has been by Kia India in Anantapur, Andhra Pradesh, to set up a state-of-the-art car manufacturing plant. Korean SMEs are equally keen to enter the Indian market, but they face challenges and difficulties. The investment environment needs to be improved to make it easier for the SMEs to do business in India. To this end, India needs to take further steps to improve the basic physical infrastructure and fundamental living conditions. These will help attract more Korean investment, both by conglomerates and SMEs, into India.

The potential of economic cooperation is enormous in beauty and cosmetics sector, which can further strengthen Korea-India economic ties. Korean beauty products enjoy huge popularity in China and Southeast Asia. These products are slowly winning consumers’ confidence, particularly, in the Northeast region and major cities of India. With India’s burgeoning middle-class population having increased personal disposable income in hands, which is increasingly becoming conscious of beauty and skin care, I see a huge opportunity for K-beauty products to consolidate their position as leading brands in the Indian market. Korea’s beauty industry, in line with the ‘Make in India’ policy, can use India as a manufacturing hub, to make beauty and skin care products not just for Indians but for the whole world. It is just a matter of time before K-beauty finds a way into Indian hearts much in the same way as other Korean brands have done so previously.

For such a promising future, there is a constant need to make available relevant, reliable and up-to-date information about the sector to the potential businessmen and women from both Korea and India. In this direction, the role of ‘Invest India’ is fairly cut out.
Relations between the Republic of Korea and India have grown significantly in recent years to become truly multi-sectoral. The two countries are spurred by shared interests and mutual goodwill that are often at display in our widespread exchanges. At present, the Republic is the fifth-largest source of investment in India, both a source and product of our special strategic partnership.

Invest India's Korea Plus Desk is a bilateral initiative between the Republic of India and the Republic of Korea to promote, facilitate and retain Korean investments in India. Envisaged as the first reference point for Korean Investors in India, the team provides comprehensive end-to-end facilitation for the Korean business community in India.

In a new endeavour, the Korea Plus team is launching a series of detailed investor reports on India's collaboration with the Korean Republic. The reports will highlight investment opportunities in India across popular yet emerging sectors. This first report, on beauty and cosmetics, provides an overview of both the Korean and Indian markets in this segment. In showcasing the tremendous potential of this sector in India, the report also underscores the global popularity of Korean beauty products and opportunities for their retail, manufacturing, and sourcing in India.

This increasing popularity of beauty and personal care products in India is an outcome of greater internet penetration and the transformation in India’s retail sector. Not only do India’s urban, semi-urban and rural populations now have better access to consumer products, but they also have more knowledge of the latest consumer trends. Rising household incomes and increasing consumer spending are now also likely to enhance India’s position from the fourth largest retail market in the world to the third largest by 2025. Therefore, India’s retail sector and its various segments are among the most dynamic and profitable destinations for global investors.

Given the Korean Republic’s pre-eminence in this segment, there is scope for greater and more widespread collaboration between our two countries. There is also a large stage for Korean retail businesses in India’s expanding workforce, vibrant startup ecosystem, and innovation culture. I hope that this report’s in-depth presentation of the two countries’ retail sectors and Indian investment opportunities therein are helpful to you, global investors. I also hope the presentation of India’s strong market factors and its viability as an investment destination brings you to the country’s shores to participate in the building of New India.
Introduction to the K Wave: Korea’s Soft Power

Korean Wave, or ‘Hallyu’, literally meaning the “flow of Korea” depicts the rise in popularity of South Korean culture since late 1990s. South Korean culture is constituted through different elements—songs, movies, television, food, and distinctive fashion.

Together, they form a wave of cultural exports that the foreign ministry in Seoul has been promoting to the rest of the world since 1999. According to the Korean Foundation for International Cultural Exchange, these cultural exports helped the Korean economy earn USD 9.4 Bn in 2018, 9% more than what it made the previous year. The report added that Hallyu has also contributed to USD 5 Bn of exports in consumer products, such as cosmetics, automobiles, and tourism products.

It has been witnessed that overall culture and consumption is influenced by popular actors and singers endorsing the products. As Korean media became popular overseas, so did the products they endorse. This in turn raised awareness about Korea and the local culture. The influence from Hallyu can be described as “soft power”, allowing companies to draw customers to their products by marketing Korean culture in addition to offering explicit benefits, such as convenient packaging, price promotions or product innovation.
KOREAN BEAUTY MARKET
The Beginning

In Korea, Skincare is Selfcare

In South Korea, skincare is a part of the culture. There, women as well as some men start to take care of their skin since a young age. In Korea, there is a long list of ingredients and products that are essential to a beauty regime. These products put emphasis on skin aesthetics such as luminous textured skin, youth, and hydration. Hence, beauty for Koreans is an expectation for those looking to seek professional and social status.

Korean Cosmetics:
Homemade to Made In Korea

‘Bakgabun’ which translates to Park’s powder, was the first mass-produced cosmetic beauty item in South Korea. This face powder was a bestseller from 1916 to 1930, however, as it had lead content, soon sales collapsed, and many such new cosmetic products were introduced in the market.

From 1910, during the Japanese rule, Japanese brands dominated the Korean cosmetics industry preventing an indigenous industry from developing during this period. After Korea’s independence in 1945, the country was embroiled in the Korean War which disrupted the economy. The beauty industry only started flourishing around 1961 when a law was passed banning cosmetics from other countries.

Expansion and Growth

Into the New World

Among countries, France and Japan were considered the leaders of cosmetics industry for many years. Recently, however, South Korea has joined their ranks, after becoming famous for its beauty products and bringing its own innovation to the market. K-beauty products are now sought after around the world and are available in most markets.

The K-wave is characterised by the spread of K-Drama, K-Pop, and K-Beauty across the world, in which the term K-Beauty is used to describe beauty products from South Korea. The Korean Cosmetics Industry today ranks 8th in market share of the global cosmetics industry. K-Beauty emphasises on skin health and having products that are unique as well as accessible. The success of K-beauty products around the world has been so explosive that now Western and Global brands are following the trends set in South Korea.

The popularity of the Korean products has led to South Korea now becoming the top manufacturing hub for beauty products. Even Western brands are formulating their products with Korean R&D chemists and outsourcing to contract manufacturing plants. By 2024, the Korean beauty industry is expected to reach close to USD 200 Bn making it one-quarter of the world’s total beauty market.
The K factor: Bees, Snails, Tiger (Grass)

- **Ingredients**
  Korean beauty standards focus on moisture in the skin, resulting in preference for creams over powders and a pursuance for a glow from within. The ingredients used to manufacture these cosmetics are almost entirely natural and several ingredients are of typical oriental culture, which are hard to find in western beauty products. Hence, products in this segment are manufactured using unique ingredients such as snail slime, bee venom, starfish extract, pig collagen, etc. which are uncommon in the beauty industry in the rest of the world. The K-beauty products market is driven by the consumers’ attraction to these unique one-of-a-kind ingredients.

- **Innovation**
  Korean beauty in known for its innovative products and routines to get the healthiest and brightest skin. Research, innovation, and technological advancement has been the driving force behind the rapid development and expansion of the K-beauty products market. Through R&D, K-beauty giants have been able to translate the rich traditions of natural Asian ingredients into innovative products. Korea’s skincare industry is regarded to be 7 years ahead of its international rivals in terms of innovation. Example: The proliferation of sheet masks globally is an example of the viral success of Korean innovation. Hence, due to convenience of use and low cost, the sheet masks have a large share in the K-beauty market. Some other products that South Korea has introduced, that are widely popular in the world are, bb creams, cc creams, cushion foundations, fermented skincare, essences, and sleeping masks.

- **The Korean Way**
  The strength of Korean beauty products lies in their composition with very specific products formulated for specific purposes. In Korea, the skin care rituals for women may consist of 4 to 20 steps, with different products for different skin concerns which means on an average Koreans consume more products per person than average.

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**Beauty for Men**

The Korean cosmetics industry is the largest market for men’s cosmetics in the world and has attracted men’s attention with skin care cosmetics and all-in-one products. Today, men are increasingly becoming image conscious and hence using products, such as makeup and skincare products. K-beauty men’s products offer diverse range of these products. This trend is not only spreading across Asian countries but also in the western countries.

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**Key Manufacturing Locations, Retail Location, and Market Share of Key Korean Cosmetics Companies**

Venom and slime may seem like gimmicks, but these unique features and techniques have pulled the industry to new heights and globally, these cosmetic companies rank amongst the top beauty companies in the world.
Overview

K Makeup Products Market

USD 1.6 Bn
2018

USD 3.6 Bn
2026 (P)

CAGR of ~11% is expected from 2019 to 2026

K Beauty Market Share (2018)

9%
Europe

17%
North America

70%
Asia Pacific

4%
Lamea
Going Global: Export Stats

The Korean beauty industry has seen a massive rise in product exports over the last 5 years. Korean beauty companies have been able to break into the world market because the demand for K-beauty products was high.

Rise in Exports of Korean Cosmetic Products in 2018

- **USA**: 31%
- **UK**: 70%
- **Russia**: 65%
- **Indonesia**: 110%
- **France**: 47%
- **Southeast Asia**: 65%

Consumption of Korean Cosmetics

- **China**: USD 26 Bn
- **USA**: USD 6 Bn
- **Hong Kong**: USD 14 Bn
Koreans love Korean brands
Of the top cosmetics companies in Korea, 7 are homegrown

<table>
<thead>
<tr>
<th>Company</th>
<th>Popular Brands</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Able C&amp;C Co., Ltd</strong></td>
<td>MISSHA, A’pieu, stila</td>
</tr>
<tr>
<td>• Korean multinational company based in Seoul</td>
<td></td>
</tr>
<tr>
<td>• Established in 2001</td>
<td></td>
</tr>
<tr>
<td>• Annual Revenue: USD 321 Mn (2018)</td>
<td></td>
</tr>
</tbody>
</table>

| **Adwin Korea Corporation**      | SKINLITE, CELKIN |
| • Its factories are situated in South Korea. | |
| • Global partners of Adwin includes Walgreens, Rite Aid, Target, Forever 21, SASA, A.S. Watson Group, Missha, Mediheal, Holika Holika, Cosnova, PZ Cussons, and Janvan DerLeek. | |

| **Amorepacific Group**           | innisfree, Sulwhasoo, LANEIGE, ETUDE HOUSE |
| • A beauty and cosmetics conglomerate, operating over 30 beauty, personal care, and health brands | |
| • It is the world’s 12th largest cosmetics company. | |

| **BH Cosmetics, LLC**            | acwell, GREENY |
| Its sales network is spread over various countries such as China, Taiwan, Myanmar, Malaysia, Vietnam, Japan, Russia, Mongolia, U.S., and Australia | |

| **LG Household & Health Care**   | belif, su:m37, O HUI, ISA KNOX, Sooryehan, BEYOND |
| It is a consumer goods company that operates in cosmetics, household goods, and beverages business. | |
**Company** | **Popular Brands**
--- | ---
**Cosrx Inc.** | COSRX
- Founded in 2013
- HQ in Seongnam, South Korea
- Available at Olive Young, Watsons, ULTA, Boots, Douglas, and more

**Carver Korea Co Ltd** | ![A.H.C](image), SHARA
- Acquired by Unilever in 2017
- HQ in Seoul, South Korea
- Founded in 1999

South Korea has large contract manufacturers that formulate for numerous Korean and International brands

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Manufactures for</th>
</tr>
</thead>
</table>
| **COSVISION** | Mostly for brands under Amorepacific group like
- innisfree
- espoir
- ETUDE HOUSE
- Mamonde |
- Professional cosmetics manufacturer as OEM/ODM
- Founded in Daejeon Metropolitan City in 2006
- Acquired by Amorepacific Group in 2011

| **COSON** | 33% of their whole business is from Amorepacific, 18% from Etude House, 5% from Innisfree, and 2% from eSpoir. They produce for other brands like
- TONY MOLY
- CLIO PROFESSIONAL
- Nature Republic
- However, the sum of other brands’ business is only about 2-3%. For global brands, COSON produces products for
- tarte |
- Has manufacturing facilities in Osan, Gyeonggido, Korea
- They co-founded a company ‘Code Cosme’ with entertainment company YG and launched "MOONSHOT" in 2014. The brand then became fully owned by YG
- They established a factory in China
- They also launched their own brands such as MIZON and ATO 1004
- Recently they produced stem cell-based items with Kangstem Biotech through a new brand ‘GD11’ |
## Manufacturer

<table>
<thead>
<tr>
<th>COSMECCA Korea Co. Ltd.</th>
<th>Manufactures for</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 3rd largest cosmetics manufacturer in Korea.</td>
<td>L'ORÉAL</td>
</tr>
<tr>
<td>• Recently bought a 34.71% stake in a New Jersey based skin care manufacturer Englewood Lab for USD 53.7 Mn</td>
<td>Kohl's</td>
</tr>
</tbody>
</table>

## COSMAX

- One of the biggest cosmetics manufacturers (OEM/ODM) in Korea
- It runs 4 different factories in Korea: 1 for skin care products, 1 for Lip & Mascara, 1 for Powder, and the last one for sheet masks
- They run research organizations called “Research & Innovation” teams in Korea, China, USA, and Indonesia.
- They have over 300 researchers in-house and those researchers develop products for over 600 brands
- In 2004, COSMAX established manufacturing facilities in China and in USA, Indonesia, and Australia

### International brands:
- L'OREAL
- NEORA
- Johnson & Johnson

## Kolmar Korea

- Korean cosmetics ODM business began with them in 1990
- One of the biggest ODM companies in Korea
- Runs 9 different labs for cosmetics research and development: skin care lab, makeup lab, personal care lab, skin science lab, Beijing lab, global technology center, fragrance lab, and package design lab.
INDIAN BEAUTY & PERSONAL CARE MARKET
Indians and Beauty: Tale as Old as Time

In India the practice of beautifying one’s self goes back to the Indus Valley Civilisation. Archeologists have found evidence of not only women but also men preparing cosmetic mixtures to enhance their appearances such as the presence of toilet jars and bronze oval mirrors.

Over the centuries as new civilisations developed and society advanced beauty trends became more home-based and a lot of cosmetics started relying on kitchen staples like turmeric, gram flour, coconut oil, neem which were easily available for everyone. The most famous example of homegrown cosmetics being Kohl (Kajal) as soot/carbon vapors of lamps used to be collected to line the eyes.

JRD Tata (Tata Group) in 1952 founded India’s first cosmetics brand Lakmé at the behest of then Prime Minister Jawaharlal Nehru who wanted beauty products to be manufactured within the country. The brand is now a part of the Hindustan Unilever Group. Indian beauty and personal care market is on the upward trajectory and growing steadily since the introduction of cosmetics brands into the market.

Growing Market: Unparalleled Opportunities

As India’s GDP increases exponentially, so does India’s per capita spending on beauty and personal care. India cosmetics industry is driven by several major factors such as: the high personal disposable income of people, rising awareness towards skin health, and increasing demand for herbal cosmetics.
**Indian Beauty & Personal Care Market**

<table>
<thead>
<tr>
<th>Category</th>
<th>Evolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hand Care</td>
<td>Newly emerging category; contains nail, cuticle care, and hand creams</td>
</tr>
<tr>
<td>Colour Cosmetics</td>
<td>Shift in Usage-Special Occasions only to Everyday Use</td>
</tr>
<tr>
<td>Face Care</td>
<td>Movement towards integrating wellness with skincare products</td>
</tr>
<tr>
<td>Hair Care</td>
<td>Evolved western style hair care regime being preferred</td>
</tr>
<tr>
<td>Body Care</td>
<td>Non-Traditional products growing- Body wash, Sunscreen, Derma, etc.</td>
</tr>
</tbody>
</table>

**Bar Graph**

- **Y-axis:** USD Bn  
- **X-axis:** Years (2014, 2016, 2021P)
Indian Beauty & Personal Care Market Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Size</th>
<th>Generic Categories</th>
<th>Specialised Categories</th>
<th>CAGR%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>6.6</td>
<td>2.2</td>
<td>2.2</td>
<td>10%</td>
</tr>
<tr>
<td>2018</td>
<td>10.9</td>
<td>5</td>
<td>9.9</td>
<td>15%</td>
</tr>
<tr>
<td>2022 (P)</td>
<td>14.5</td>
<td>8</td>
<td>6.5</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

Key Categories in Beauty and Personal Care Market in India

**Specialised Categories**
- Make Up
- Men's Grooming
- Skin Care
- Fragrance
- Cosmetics
- Skin Care

**Generic Categories**
- Bath & Shower
- Hair Care
- Oral Care
- Others
Domestic demand in India is one of the fastest growing across all world markets, while the estimated retail sale of cosmetics & other personal care products is growing in the range of 15-20% annually. Over the past 5 years total overall demand has grown by 60%.
Trends We Love to See

There are several trends responsible for the shifting beauty choices of the Indian consumers.

Natural and Organic

Although Indians have always trended towards natural skincare products, these were generally kitchen ingredients and not formulated cosmetics. However, now there is a high adoption rate for herbal products due to people going for herbal formulated products leading to a growth in this segment of 15%.

With influencers taking over, and beauty care making its way back to old practices there has been a surge in the demand for natural, chemical-free products. Few beauty brands have also started incorporating traditional ingredients such as Indian herbs like Ashwagandha, turmeric etc. in new ranges of beauty products.

Home-grown brands such as Forest Essentials, Kama Ayurveda, MamaEarth, Vilvah, Teal & Terra, Sacred Salts, Plum, and the Secret Ingredient cater to a niche but growing audience, comprising mostly the skin-conscious, organic-loving, environmentally aware consumers.

Generic to Premium

Overall, the market is moving towards premiumization, with premium segment growing at 6.3%, as compared to 1.1% for mass market. Indian brands (both regional and national) have a sizeable presence in the mass category, while premium markets are largely dominated by the international brands.

Imported cosmetics have had a major impact on the Indian market. Indian consumers tend to look towards international brands as lifestyle enhancement products.

#Trending

- Increased adoption of men’s grooming products.
- Increasing use of beauty devices and technology infused products and services.
- Consumers opting for at-home services, online buying.
- Interest and willingness to trade-up, increased use, bigger collection of products.
- Growing importance of peer feedback and product reviews in purchase decisions.
The top three players in the Indian market are international players:

**E-Retailers- The New Way in**

In early 2010s, when the digital boom was peaking in India, the country’s ecommerce players set out to win over the women, not for their decision-making role as homemakers or as primary carers of children, but to provide products for their self-care.

From Amazon and the Walmart-acquired Flipkart to the more recent Limeroad (founded in 2012), the focus shifted has shifted to the women demographic. The rise of cosmetics as a retail category was therefore a natural progression, which saw the birth of online beauty retailer Nykaa.

**How Global Brands Took Over the Indian Vanity**

Many international brands like Revlon (the first international cosmetics brand to enter India in the mid-nineties), Maybelline New York, Christian Dior, Estee Lauder, MAC, L’Oreal, The Body Shop, and Bobbi Brown have been present in India for an extensive period.

The Company That Paved the Way

**L’ORÉAL**

- Entered India in 1994.
- They market a total of 15 brands and use all the available distribution channels:
  a. Mass market (L’Oréal Paris, Garnier, Maybelline New-York and NYX Professional Make up);
  b. Hair and beauty salons (L’Oréal Professionnel, Matrix, Kérastase, Cheryl's Cosmeceuticals and Declor);
  c. Selective distribution (Kiehl’s, Yves Saint Laurent, Giorgio Armani, Ralph Lauren, Diesel and Guy Laroche).
- They have two manufacturing facilities in Chakan (Maharashtra) and Baddi (Himachal Pradesh), which cater to 90% of India’s requirements, two Research and Innovation facilities, and India headquarters in Mumbai
- The R&I facilities comprise a Product Development Center in Mumbai and an Advanced Research Center in Bangalore. Together, they represent one of L’Oréal’s six global R&I hubs.

The other prominent international players with a strong presence in the Indian market include Gillette India, Johnson & Johnson (India), Reckitt Benckiser (India) and Procter & Gamble Home Products.
A Primer in Online Beauty

Nykaa

- It was launched in 2012 with a focus on creating an inventory- and content-led platform.
- Almost eight years on, the company has not only established a market presence with 61 physical stores, following an omni-channel model, but also recovered from the losses to report a profit of INR 2.3 Cr in FY19.
- Nykaa’s valuation in 2020 is USD 1.2 Bn after raising USD 13 Mn from Steadview Capital in 2020 and is now categorised as a unicorn.

Following in the way paved by Nykaa, many ecommerce players have branched out over the years to include cosmetics and beauty products as an essential part of their product offering. Fashion e-tailer Myntra in 2018 announced its plans to go into the brick-and-mortar retailing of beauty products under-Myntra Beauty. Amazon India too has shown interest in this sector, with plans of its own beauty and personal care label to come out in the future.
SOUTH KOREA & INDIA SERIES: BEAUTY IS NOT JUST SKIN DEEP

Annyeong to India

We see ecommerce websites and malls flooded with Korean beauty products and Indians cannot have enough of the sheet masks, serums, and cc creams and the trend seems to have just started to grow. In 2018, India’s K-beauty imports rose 72% to $9.5 Mn—and seems to be just the beginning.

Reasons why India can’t get enough of K-Beauty:

• Customers here are slowly shifting to natural products which are chemical free
• The Indian beauty market, unlike the K beauty market, is moving from makeup to skin care base. Additionally, Indian beauty market is not saturated yet.
• In the past 3-4 years, the boom of social media has enabled the spread of awareness of Korean products through fashion/ beauty influencers and bloggers

The Initiation: North East India Riding the K-Wave

Korean songs, movies, and fashion styles are followed closely by many young people in the seven north-eastern states. The region has been loyal fans of K-Pop ever since the Hallyu wave struck.

Mizoram, Nagaland, and Manipur were the first states in the country to warm up to K-skincare. Sites like Beauty Barn and Coral Beauty (Nagaland) and Daisy Skin Fix and FirstSkin (both Mizoram) were the first in making Korean brands accessible to Indians.

Slowly, as the popularity started to grow in other parts of the country, multiple small-scale importers mushroomed in the country- Whatsapp and Facebook groups served as popular channels for sale.

The Integration: Korean Brands Formally Enter

In 2013, Innisfree (Amorepacific Group) opened its flagship store in Delhi’s Khan Market. The success not only led to multiple stores being opened across India, but we also see more and more Korean beauty brands entering and tasting success in India’s burgeoning beauty market.

- AMOREPACIFIC
  
  Innisfree
  
  - 2013: Launched flagship store in Delhi
  - 2020: 23 stores across 7 cities
  - Online retailing through Nykaa, flipkart, myntra and purple

- LANEIGE
  
  2018: Launched in India with partnership with Nykaa

- ETUDE HOUSE
  
  2019: Launched in India with partnership with Nykaa

- Sulwhasoo
  
  2020: Launched in India with partnership with Nykaa

- LG Household & Health Care
  
  2015: The Face Shop entered the Indian market

- TONY MOLY
  
  2019: Launched in India when Nykaa started offering its products to Indian customers
Thanks to the growth of the luxury segment overall as well as the high demand of K-Beauty in India, we saw the potential of the market for Sulwhasoo.

Doyoul Kai Lee, Innisfree India

We have been observing the growing trend of Korean beauty brands across the world. These brands have been a huge success with the Indian consumers as well with their innovative ingredients and cutting-edge science. With Laneige’s signature water science-based products we offer our customers a new facet in their beauty care regime.

Falguni Nayar, CEO of Nykaa

Spreading the Wings Through Ecommerce

Started as an e-store on Instagram, the demand led the founder in starting an e-commerce website in 2017, today the platform host 25+ K-beauty brands including Jumiso, Elizavecca, I’m From and By Wishtrend (both brands by the founders of dear Klairs), Heimish, Missha, and Neogen.

In recent years, Nykaa has been a frontrunner the Korean beauty conversation in India, focusing on educating Indian customers on the novelty of the products and ingredients. Since starting association with Korean brands in 2017, Nykaa, in 2019, has 20 K-brands, including Desembre and site-exclusives like Laneige and Dearpacker. Nykaa also has a dedicated team for the K beauty segment.

Founded by Dale Han, Limese is a licenced distributor and ecommerce portal for selling products from 10+ Korean brands in India. Limese was also funded by Kakao ventures in 2018.
In November 2017, a fashion editor told me India wasn’t ready for the Klairs Freshly Juiced Vitamin Drop (a high-concentrate Vitamin C serum). But we sold 10,000 units in 2018.

Dale Han, Co-Founder, Limese

Maccaron

Started in 2019, Maccaron currently has 10+ K-Beauty brands and also offers its users an opportunity to try new products through ‘My Maccaron Box’ which contains an assortment of latest K-beauty products customized to skin type or product concept. The company has teams both in Seoul and in Gurugram.

E-Cosmetics Market in India

Initiation Phase
-USD 0.03 Bn
CAGR -97%
2011

Initial Growth Phase
-USD 0.3 Bn
CAGR -70%
2014

Stable Growth Phase
-USD 1.5 Bn
CAGR -50%
2017

Stable Growth Phase
-USD 3.3 Bn
2020(P)

2022(P)
Q. What led your interest to introduce Korean Beauty to India?
My own struggles with some skin concerns and pursuit for better skin gravitated me towards Korean skincare, and the rest is history.

Korean beauty focuses on holistic interaction of products and what they bring to the table independently. With my initiation into Korean skincare, I learned to understand what my skin needed and how to care for it by following a disciplined skincare routine. The impressive results piqued my interest in Korean beauty and skincare, and thus inspired me to bring Korean Beauty to India, with the aim to inculcate skincare know-how in our consumers across India.

Q. Would you like to describe briefly the journey of Beauty Barn so far?
Well, it has been an exciting journey so far. We love what we do, and we enjoy interacting with our customers about their skin grievances, guiding them on skincare and curating the best products for them. Despite the ups and downs along the way, it has been a worthwhile journey so far.

Q. How do you think the consumers have reacted to Korean beauty products, have you seen any major trends developing?
Over the last three years, we have seen a steady rise of clientele from across the country, spanning across different age-groups, including men. With Korean beauty products and skincare solutions flooding the internet, our consumers have now become more skin conscious and well-informed about their skin issues and the corrective actions required. So, if you look at it, that’s quite a positive trend coming from our consumers.

Q. What do you think is the future outlook for Korean Beauty products in India?
It is no secret that the Korean skincare industry is the leading and the most innovative industry in the world. They have set the bar really high and in doing so have fundamentally revolutionized the beauty industry. Having said that, our Indian consumers are also becoming more aware and responsive towards this growing k-beauty trend. So, you can expect the K-beauty industry to grow much bigger in the years to come.
OPPORTUNITIES FOR K BEAUTY BRANDS IN INDIA
India: The Land of Opportunities

Seeing the success of Korean Beauty brands in India, we are witnessing exponential increase in userbase and awareness of Korean products. The market is prime for Korean brands to spread their presence in India in a more substantial manner and explore the promising opportunities offered in the space of retailing, sourcing and manufacturing.

Retail

- India is Asia’s 3rd largest retail market & the world’s 4th largest after US, China and Japan
- India to become the 3rd largest consumer market by 2025
- Overall retail in India is projected to reach USD 1.1-1.3 Tr by 2025

- E-commerce market expected to reach USD 200 Bn by 2027
- 56 Mn jobs across segment by 2022 will be generated (National Skill Development Corporation)
- 650+ Malls & 100+ high streets

Demand: Rise in Consumers in Tier 1 and 2 Cities

India is one of the fastest-growing economies in the world. It will remain one of the youngest nations on the planet and will be home to more than 1 Bn internet users. The new Indian consumer will be richer and more willing to spend, and unlike her predecessors, she will have very specific preferences.

Demand: Rise in Consumers in Tier 1 and 2 Cities

Indian Households in 2030

- 80% Middle Income

Consumer Spending in 2030

- 75% Middle Income

Will Drive
Emerging Retail Hubs

Established metros
Fresh metros (2)
Additional emerging markets (30)
Next set of high-potential cities (10)

Source: Invest India
*Map not to scale
Multiple global players are already manufacturing in India through their own factories and through contract manufacturers. There are many private label skin care manufacturers that focus on skin care and beauty, showing robust manufacturing acumen. Global beauty brands have not only set up offices in India, but also R&D centers that focus on developing products that cater to the South Asian market. India also exports essential oils, fragrance oils, and base preparations of cosmetics across the globe.

Manufacturing

Multiple global players are already manufacturing in India through their own factories and through contract manufacturers. There are many private label skin care manufacturers that focus on skin care and beauty, showing robust manufacturing acumen. Global beauty brands have not only set up offices in India, but also R&D centers that focus on developing products that cater to the South Asian market. India also exports essential oils, fragrance oils, and base preparations of cosmetics across the globe.

In 2015, German personal care company, Beiersdorf AG’s Nivea commissioned its first facility in India at Sanand (Gujrat). At this site they manufacture the emulsion products such as body care, bath care, men’s care, face care, and lip care at the facility. The production facility includes a Research and Development centre for product development and innovation in packaging.

**Revlon**

Modi-Mundipharma Beauty Products Pvt Ltd. (formerly known as Modi-Revlon), part of Umesh Modi Group, introduced Revlon in India in 1995. It is the first international cosmetics brand launched in India.

**Contract Manufacturing**

India also provides ready access to various contract manufacturing for global brands that may not wish to or are unable to manufacture within the country. With the Indian personal care contract manufacturing industry expected to grow from ~USD 400 Mn in 2016 to USD 663 Mn by 2025, India is on the path to develop as a global contract manufacturing hub.
Key Players

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>VVF Ltd., Mumbai</td>
<td>One of the largest contract manufacturer of personal care products in the world</td>
</tr>
<tr>
<td></td>
<td>World’s largest contract manufacturer of bar soaps</td>
</tr>
<tr>
<td>Clarion Cosmetics, Chennai</td>
<td>Largest cosmetics manufacturer in India</td>
</tr>
<tr>
<td></td>
<td>Products include: Shower Gel, Body Lotion, Shampoo, Hair Cream, Conditioner, Facewash, Handwash, Cold cream, Petroleum Jelly</td>
</tr>
<tr>
<td>AG Industries, Delhi</td>
<td>Products include: acne face wash, facial moisturizer, lip gloss, sun protection cream, skin moisturizer, organic body lotion, facial cream</td>
</tr>
<tr>
<td>JT Cosmetics and Chemicals, Vadodara</td>
<td>Products include: hair relaxer cream, hair oil, hair cream, hair styling gel, shampoos and conditioners, various types of face and body creams, aromatherapy oil, talcum powder, petroleum jelly etc.</td>
</tr>
<tr>
<td>Cosmetica Science, Changodar-Gujarat</td>
<td>Products include: de-tan, anti-ageing, scrub, face mask, face wash, gel, treatment facial kits, shampoos, serum, hair oil, hair spa, Liposoluble wax, sugar wax, depilatory wax products</td>
</tr>
</tbody>
</table>

Other players: Sarvotham care Ltd. (Hyderabad), Zoic Pharmaceuticals (Punjab), Vanity case Hindustan foods

Sourcing

Apart from the myriad opportunities for Beauty players in the retail and manufacturing segment, India also presents countless opportunities to be the global sourcing hub for cosmetics companies. The great Himalayas, lush forests, and the deep blue seas are home to a wide number of natural ingredients which are becoming increasingly popular globally for their skin benefits.
A few examples of popular raw materials being sourced from India

<table>
<thead>
<tr>
<th>Raw Material</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coconut</td>
<td>Known for its moisturizing properties as well as antimicrobial properties</td>
</tr>
<tr>
<td>Hemp Seed Oil</td>
<td>It's a natural humectant preserving the upper layer of the skin's moisture.</td>
</tr>
<tr>
<td>Marigold</td>
<td>Its bio-active and antioxidant properties have been shown to promote collagen synthesis and cell tissue regeneration in the innermost part of our skin. It's effective against UV-induced oxidative stress and is used for treating a host of issues including: inflammation / swelling, dry / sensitive skin, eczema, bruises, insect stings / bites, and fungal disorders like athletes foot.</td>
</tr>
<tr>
<td>Pomegranate Extract</td>
<td>Polyphenols, punicalagins and punicic acid are examples of some of the powerful antioxidants</td>
</tr>
<tr>
<td>Rose Hip Oil</td>
<td>Its anti-oxidant, anti-inflammatory and anti-viral properties this ingredient is widely used for treating and strengthening dry, irritated and weathered skin, burns, scars and reducing the signs of aging.</td>
</tr>
<tr>
<td>Turmeric</td>
<td>It's also been used to treat a variety of skin problems like acne, wounds, burns, eczema and psoriasis and treat sun damage and skin photoaging (i.e. loss of the skin's youthful appearance)</td>
</tr>
<tr>
<td>Aloe Vera</td>
<td>Neutralize the effects of ultraviolet (UV) radiation, repair your skin from existing UV damage, and help prevent fine lines and wrinkles.</td>
</tr>
<tr>
<td>Ashwagandha</td>
<td>Superior rejuvenative ingredient is renowned for its anti-ageing and antioxidant-rich properties. It also helps stimulate the immune system, and increases vitality, energy, endurance and stamina.</td>
</tr>
<tr>
<td>Hibiscus</td>
<td>Natural source of alpha-hydroxy acids (AHAs)</td>
</tr>
<tr>
<td>Himalayan Clay</td>
<td>A naturally occurring soft brown clay that helps cleanse, exfoliate and even out the skin tone</td>
</tr>
<tr>
<td>Kokum Butter</td>
<td>Easily absorbed into the skin, kokum butter is composed of beneficial compounds that help regenerate and nourish skin cells.</td>
</tr>
<tr>
<td>Organic Apricot Oil</td>
<td>Apricot oil nourishes, revitalises, and improves skin elasticity.</td>
</tr>
<tr>
<td>Saffron</td>
<td>Anti-bacterial and anti-inflammatory qualities. Excellent natural ingredient for reducing pigmentation, brown spots and other skin blemishes.</td>
</tr>
</tbody>
</table>
Examples of Sourcing by Global Beauty companies

The Body Shop

Sources Mango seed and Jasmine from India. The Body Shop launched the world’s first ever Community Trade Recycled Plastic from Bengaluru, India in 2019. The Body Shop has been buying recyclable plastic collected by waste pickers in Karnataka and introducing it into its packaging following a thorough cleaning and recycling process.

MAC

Sources raw materials like Sesame Seed Oil, Castor Oil, and Silica from India. These are then shipped to Canada for production of the cosmetics.
THE WAY FORWARD
India is the Prime Destination for the Next Global Brand

India’s beauty and cosmetics markets are seeing tremendous growth over the last few years. As the chapters before show—there is immense potential for companies that are looking to enter this market. Not only is India an emerging market for beauty, but it can also be a gateway for enterprises to other geographical markets such as the Middle East due to India’s central location in South Asia and strong trade ties to those countries. As India looks to become a manufacturing hub, several opportunities and incentives are present for those who are willing to make the first move. It has been seen time and time again that Indian markets are lucrative business opportunities that can provide a loyal customer base to those firms that enter. Hopefully, this snapshot of India encourages more market diversity in a segment that is ripe for investment—See You Soon in India!
SOUTH KOREA & INDIA SERIES: BEAUTY IS NOT JUST SKIN DEEP

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