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K-Beauty gets an expensive makeover

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While affordable K-beauty is losing Chinese consumer affection, its counterpart premium South Korean skincare is riding high in the market

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K-beauty is still a tale of two halves.

The lower tier, which relied heavily on product seedings in popular Korean TV shows, has been severely impacted by the Chinese government's political response to the South Korean state's application of an American THAAD missile system. Subsequently, sales have fallen off a cliff, and South Korea's affordable names, such as brands like [Innisfree](#) and [Etude House](#), are stuttering.

However, China's rising living standards and ostentatious lifestyles are driving the ultra-luxury beauty sector.

That means, when it comes to the premium sphere that has yet to be tapped by local rivals in the lower sector, K-beauty names such as Sulwhasoo, Whoo and Su:m have all seen bright spots.

During China's "[618 Shopping Festival](#)," premium Korean skincare brand "[Whoo](#)" topped popular social platform Douyin's beauty sales list. According to its parent company, LG lifestyle, its six luxury cosmetics brands including Whoo, Su:m and O Hui, among others have all performed similarly, reaching a total of [\\$77.9 million](#) sales at Tmall's 618 Shopping Extravaganza, a 70 percent increase compared to last year.



O Hui was among the premium K-beauty brands to perform well during Tmall's 618 Festival. Image credit: O Hui's Weibo

In fact, LG Lifestyle delivered record-high, first-half results this year, with the conglomerate reporting a 10.3 percent sales growth, year-on-year, hitting more than **\$3.5 billion** in sales, thanks, in part, to strong demand for its premium products in China.

So, despite the poor performance of products from once-popular, entry-price South Korean cosmetic giants, K-beauty remains the **second-most imported** makeup in China after J-beauty.

Now, South Korea's beauty industry, in particular, relies significantly upon Chinese consumer demand, accounting for more than 50 percent of its skincare export.

Given that, China's makeup sector holds lucrative growth potential for high-end K-beauty brands. Here, *Jing Daily* analyzes the country's highs and lows, while predicting its future in the segment.

China's fever for high-end beauty has created a solid entry point

Chinese consumers seemingly cannot get enough high-end skincare products such as Japan's SK-II, U.S. brand La Mer and South Korea's Whoo.

Cosmetics groups such as **Esté Lauder**, Procter & Gamble and **L'Oral** have repeatedly pointed out in their financial reports how there has been a strong demand for their premium offerings in the Chinese mainland market.

During the pre-sale of Tmall's "Double Eleven" last year, sales of Whoo's seven-piece, water-milk gift box set (priced at \$240) reached \$110 million.

According to Jenny Zhang, strategy director at cross-cultural marketing agency Tong Digital, this craze indicates the consumer class' rising desire for high-end brands not just high-end beauty.

"Aesthetic is a statement, and purchase decisions are not just about formations, ranges and packaging, but also about status, social currency and brand values," she said.

But why are local spenders craving luxury makeup? It started even before this trend, explains Monica Chen, a young beauty fan and a student at Les Roches University.

Ms. Chen believes that affordable South Korean cosmetics are a starter for many, stating that "students will use [K-beauty], but once they have the economic power to afford better products, they will immediately switch to more expensive beauty brands."

Social media has also played a crucial role here, extending this phenomenon beyond the middle class. Youngsters who are not wealthy are following a so-called "sophisticatedly poor" trend (""), meaning they are pursuing fancy lifestyles while being unable to afford them.

In light of this new desire and along with earlier exposure to luxury cosmetics than ever, many believe that young Chinese are likely to continue using **high-end skincare** products as they advance in age, ignoring any route back to entry price makeup.

How South Korean makeup can win back the market

China's growing appetite for cosmetics has convinced global and niche players to venture into the market.

Still, as an Asia-based group with a long history in the country, there are four ways South Korean makeup could easily win this sector.

First, livestreaming provides a great takeaway to reach a domestic audience.

According to monitoring by ECdataway Dataway, during Tmall's 2020 Double 11, Whoo appeared in a total of 305 live broadcasts via 135 anchors, including celebrity anchors **Viya**, Cherie and Lie'er Baby, and exceeded 500 million yuan in sales in only 14 minutes.



Whoo hosted a livestream with Asia brand ambassador Bai Yu in May. Image credit: Whoo's Weibo

Second, **Little Red Book** continues to be the preferred destination for young spenders looking for inspirational beauty and fashion purchases.

Ms. Chen admits she spends lots of time on the social platform checking reviews and recommendations before buying a skincare product, and many K-beauty names are active there.

Third, South Korean makeup must continuously create new "It" cosmetics to retain its relevance in the market.

Rather than being loyal to brands, Chinese purchasers are attentive to the effectiveness of a product and often want to test new ones.

As such, K-beauty brands can offer new releases that continually excite local consumers.

Lastly, Ms. Zhang suggests that if South Korean makeup brands can continue to be innovative over the long term, customers will soon meet them halfway.

"Many leading K-beauty brands are already cruelty-free, and there is an opportunity to carve out a new standard for ethics and sustainability within the global beauty industry," Ms. Zhang said.

"With China's **changing regulations on animal testing**, this step in the right direction coupled with focused innovation goals could win back China and more," she said.

Given the construction of the C-beauty market and the superiority of local names at the entry-level, it makes sense that the opportunity for global houses is likely to be in the premium sector.

That means luxury K-beauty names are likely to do better than their lower-end stablemates if they can continue to meet China's exacting standards for now, anyway.

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