



# Alluring Lifestyle, Seoul

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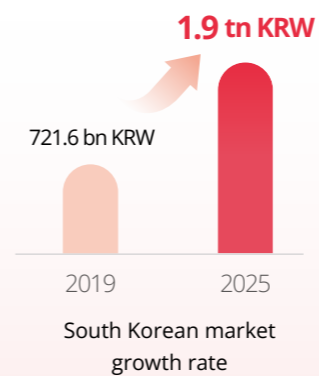
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Seoul's Beauty & Fashion Industry at a glance

# P.I.C.K M.E U.P



### Inner Beauty



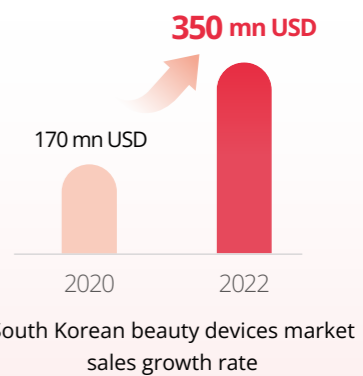
### Derma cosmetics

OliveYoung 'Derma cosmetics' sales growth rate



Domestic market size between '19-'21

### Beauty devices



### Beauty & Fashion platform

1 in 5 South Koreans



Beauty & Fashion platform usage

21% of the entire sales



Top 5 enterprises, making 21% of the entire sales, are based in Seoul

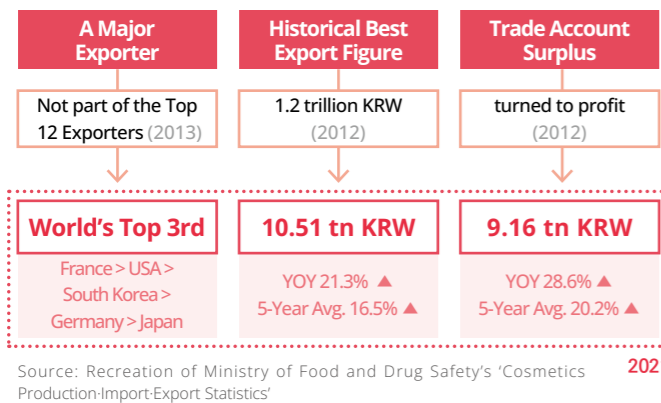
### Key trends

- Wider use of Fashion and Beauty tech platforms that offer individual recommendations through individual analyses
- Growth of interest in skin trouble recovery, efficient skin restoration, and trustworthy ingredients. Increase in demand for high-performance and trustworthy products like 'derma cosmetics'
- 'Inner Beauty' that can generate synergy with anti-ageing and healthy lifestyle, increase in demand for health supplements (health functional food)
- Beauty devices that saw rapid growth since the pandemic due to benefits like no time-and-space restrictions

# Seoul, global leader of the world's 3<sup>rd</sup> largest Beauty & Fashion Industry

## South Korea's representative industry

South Korean skincare and cosmetics were valued to have the most potential among the representative industries of the 'K-Beauty'. **South Korean skincare and cosmetics recorded the World's 3rd largest export figure, reaching \$9,100,008,357 (9.1 bn USD) in 2021. 1)**



South Korea's maintained its 3rd place since it came up to 3rd place in 2020, which exceeds the conventional cosmetic powerhouses like Japan and Germany, and paving their way towards the advanced nation of cosmetics and beauty products. Also, **South Korea's industry has an approximately 11 times higher annual growth rate (14%) than the 2nd placeholder, the US (1.3% annual growth rate),** which shows a very high potential for maintained future growth.

Particularly, since Covid-19 made people wear face masks for much longer, there was an increased tendency to focus on restoring skin health and inner beauty rather than covering it up with cosmetics. As the world economy recesses and the increased interest in environmental effects, makeup minimalism has been gaining consumers' support which caused an increased demand for light makeup, **multi-functional and cost-effective skincare products\***. This led to a growth in consumption as **South Korea's skincare products' performance and affordable pricing fitted into the global beauty trends.**

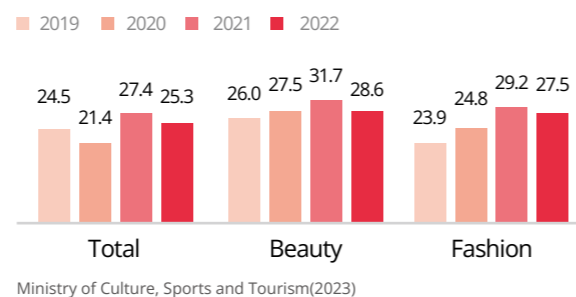
\* Examples of Multi-Functional Skincare: Tone-up Suncream, Gel cream for Acne-prone skin etc.

With such an increase in demand, South Korean beauty products **export is growing its foothold not only in China, but also in Vietnam (The largest trade account surplus country), Russia, Czechia, South Africa etc.**

## A rapid increase in preference as K-Content drive exports

As the K-Content boom (Hallyu: Korean Wave) continues, it not only caused an increase in cultural content exports such as music, broadcasts and TV series, but it also **led to a heightening of Korean national brand power** which has driven a rapid increase in consumer goods exports that are closely related with the Korean Wave, including cosmetics(K-Beauty) and processed foods(K-Food), between 2017-2021 (16.6% and 7.8% each). 2)

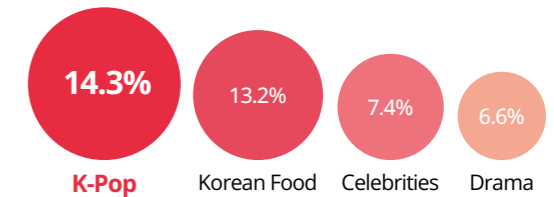
### High propensity to consume on Beauty/Fashion by overseas tourists



1) Statista(2020.12.) "Cosmetics Report 2020", Statista Consumer Market Outlook  
2) Korea International Trade Association, K-Contents, How Effective Are They in Triggering Export, 2023

According to 2023 overseas Korean Wave factual research committed by the Ministry of Culture, Sports and Tourism, **foreigners** thought of K-POP as the first thing that they associated with South Korea(14.3%) and in terms of consumption expenditure, webtoons and **beauty products had the highest proportion of expenditure (28.6%).**

### Foreigners think of K-POP first when they think about Korea



For instance, **17 out of 20 Global Luxury Brands Ambassadors** for the 1st quarter of 2023 were **celebrities from South Korea** (including Jimin from BTS, Hanni and Hyein from NewJeans, Yuna Kim etc.), **which shows a growing influence of K-Contents on Fashion industry.**

As much as Beauty products, global markets are becoming increasingly interested in the clothes/items that K-POP stars, actors/actresses and celebrities wear, which led to increased attention on Korean Beauty and Fashion styles themselves.

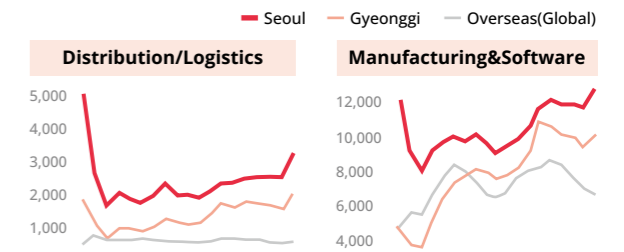


According to a global market research organization Statista, the main reasons why consumers prefer K-Fashion are: ▲has wide range of products and styles on items like bags, clothing, shows etc. ▲high-quality products with competitive pricing ▲items that are advertised by K-Stars. 3)

It was a trend on a TikTok, to cover the makeup style of a K-POP star, WonYoung. People with many different nationalities followed the make up style of a K-POP idol which then become a short-form video content and this introduced Korean beauty products to a wider audience as some purchased and tried the products.

## The hub of Beauty & Fashion technology

Seoul has **stably maintained a high position on patent/application on manufacturing/convergence software, logistics/retail, and contents** in the past 20 years, which allowed Seoul to obtain an outstanding technology portfolio compared to both global and domestic standards.



As the global cosmetics and skincare industry technological paradigm shifts towards multidisciplinary and cross-industry convergence, the beauty industry **now encompasses the conventional beauty industries** like cosmetics and hair/nail care, **as well as fashion and beauty tech fields.** This causes the beauty industry to evolve with a convergence between technology(beauty and technology), genres(beauty and fashion), and industries(bio-medical devices).

Under such an industry trend, Seoul **already has an industry ecosystem that enables all areas of 'planning-production-distribution'**, and that also makes Seoul equipped for future implementation as the beauty industry environment grows more multi-dimensional.

3) FASHION POST, [https://fpost.co.kr/board/bbs/board.php?bo\\_table=newsinnews&wr\\_id=5341](https://fpost.co.kr/board/bbs/board.php?bo_table=newsinnews&wr_id=5341), 2023

### Seoul's 6 main hubs of beauty trends

Area	Main Programs & Concepts
DongDae Mun (DDP)	The hub for Seoul's beauty trend experiences that combines Seoul-style Beauty & Fashion Industry. Public events & exhibitions are held here.
Hongdae	Personal care products experiences and events targeted towards Millennials and Gen Z. Hongdae Hip-Hop Fashion Show on Hongdae Walking Street, Smartphone fashion shows etc.
Jongno	Based on its rich cultural heritage, it creates a place for tourism/shopping marketing exchange targeted towards tourists and business networking. It hosted the 2023 Seoul Fashion Week, 2022 Fashion KODE 2023.
Sindorim	New launch demonstrations and events in the area, due to its high concentration of younger generations and high levels of movement.
Garosu-gil	Unique venues and shops like design-curated stores and pop-up stores. Condensed with plastic surgery clinics and dermatological clinics. Local service industries promotion such as beauty/medical, health and spas. 2022 Garosu-gil Design Week, 2023 'L'italia e di Moda' fashion exhibition etc.
Jamsil (COEX)	Jamsil Sports Complex and COEX hold many types of exhibitions and expos to offer rich information. Beauty experience and its convergence with consumption. Facilitating interactions among business professionals, knowledge sharing, exhibitions, and experiences. Hosting the 2023 Seoul International Cosmetics and Beauty Industry Expo, as well as the 2022 Trend Fair event.

Seoul is a major location in the convergence content industry with rich cultural and tourism resources related to beauty/fashion and is a city that can respond to the changing demand for beauty services in the changing environment of the times. Foreign tourists associated Seoul with a **'technologically advanced city'** and a **'fashionable and trendy city'** due to its cultural contents and local fashion styles, according to '2021 Seoul foreign tourist factual research report.'\*

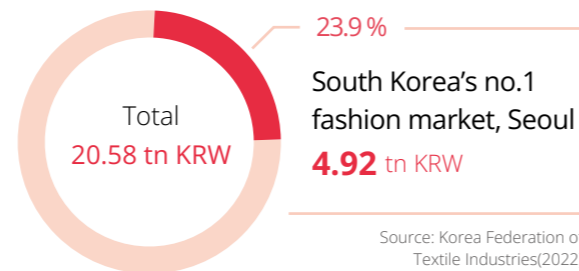
\* European and American respondents also associated Seoul with 'super-cultural', 'trendy/fashionable', and 'energizing' as K-POP and Korean movies/TV series popularities grow.

As described earlier, Seoul is the center of cutting-edge science and technology and a place where people can enjoy unique experiences that are related to Korean celebrities, or shopping for trendy fashion items.

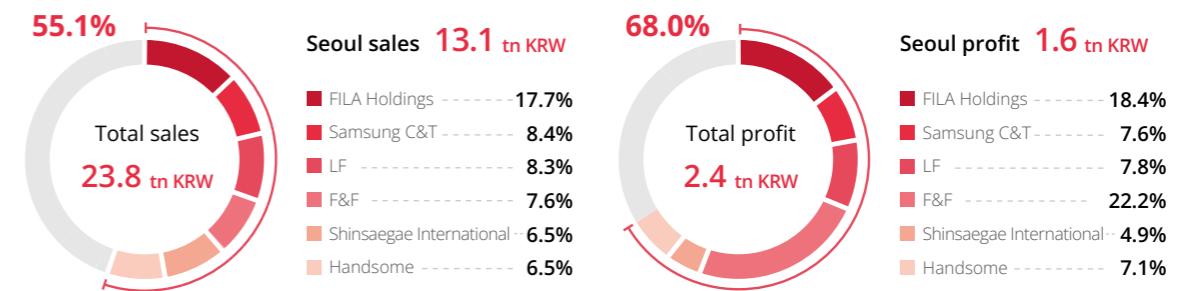
### The hub of major Beauty & Fashion corporations that incorporates more than half of domestic revenue

South Korea's major fashion corporations such as Fila Holdings, Samsung C&T, LF, F&F, Shinsegae International, which account for 55.1% of the country's total fashion industry sales and 68.0% of its operating profit, and AmorePacific, LG Household & Healthcare, which designated as one of the world's top 100 beauty companies by 2022, ABLE C&C and CLIO, which were designated for 2021 and 2020, are located in Seoul.

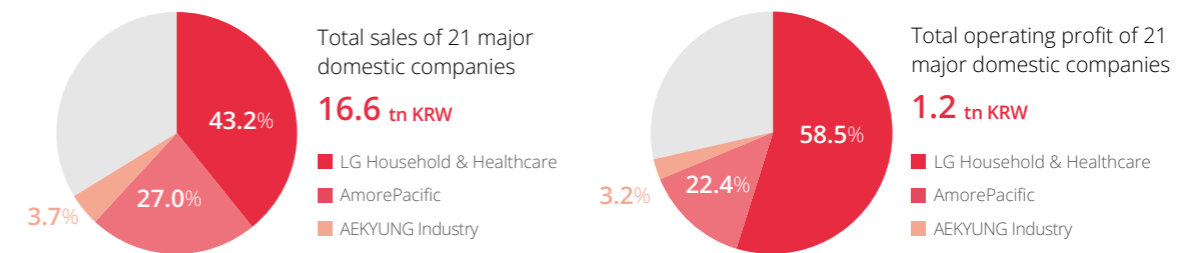
The reason why Seoul was able to nominate the Beauty & Fashion hubs and take the beauty and fashion as their main industry focus is its market size of Fashion & Beauty Industry (based on revenue) is exceptionally greater than any other city in South Korea thanks to the already-existing beauty/fashion infrastructure, as well as the influence of major corporations based in Seoul.



### Seoul's companies that take up most of South Korea's Industry



Source: Korea Textile News <ktnews.com> (2023) \*F&F is compared to the 8-months data(2021.05.01.-2021.12.31.)



Source: Pharmnews.com, 21 Major Companies of South Korea

Furthermore, approximately 1 in 5 of South Korea's population reside in Seoul and Seoul has the second-highest ratio of people between the age of 10-30 (37.6%: local age distribution) compared to other regions. 4)

Total operating profit of 21 major domestic companies to Sejong special administrative city but the total population of the city only reaches approximately 400,000. Such a figure shows that most of the young population in South Korea is concentrated in Seoul, and therefore Seoul experiences the global and South Korean millenials/gen Z trends\* and leads those trends.

\* Millenials/Gen Z (MZ Generation): Originally referred to the Millenials born between 1980-1994 and Generation Z born between 1995-2004, but recently been referred to the trends among the 20s and 30s in South Korea.

Seoul is therefore sensitive to trends and always seeking something new and refreshing. For example, there are a lot of pop-up stores opening in one of the main department stores, The Hyundai\* or on Fashion Street in Seongsu that are focused on spatiality.

\* The Hyundai in Seoul hosted 321 pop-up stores over the last 2 years, which were held at various spots within the store using all different concepts and themes, and about half of Seoul's population, 4.6 million people visited these shops during that period.

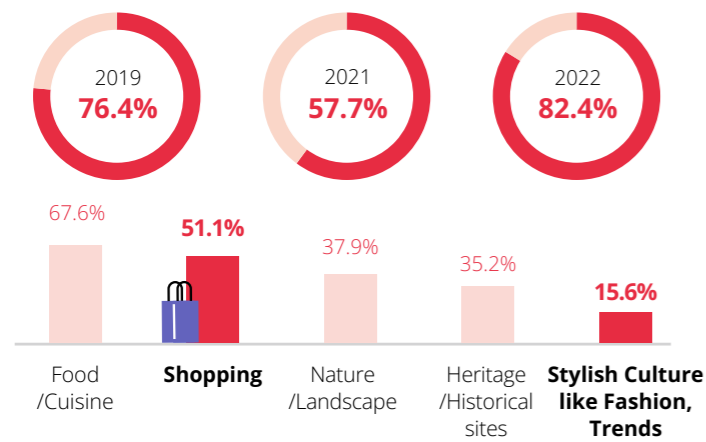
### The world focusing on the attractive lifestyle of Seoul

According to '2022 foreign tourist research' carried out by the Ministry of Culture, Sports and Tourism, the proportion of tourists visiting Seoul is 81.7% of the entire tourists visiting South Korea in 2022, and 51.1% of the tourists answered 'Shopping' as one of the main reasons for their visit, which was increased from the year before (33.6% in 2021).

4) Ministry of the Interior and Safety, <https://jumin.mois.go.kr/>, 2023

### Percentage of foreign tourists visiting Seoul & why foreign tourists want to visit Seoul

Source: Foreign Tourists Research (2022)



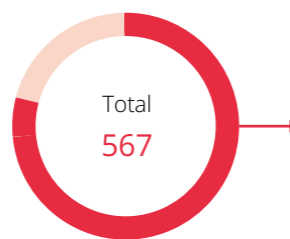
The number of **tourists who visited Korea to 'experience stylish and trendy modern culture such as fashion or trends'** has increased from 11.7% in 2021 **to 15.6%** in 2022. Such a figure and phenomenon can be traced back to the growth of the world population who are interested in Seoul's lifestyle including beauty, fashion and food.

### World's top 4 AI technological advancement, Seoul

As mentioned before, **the main reason** the world-renowned and highlighted **Beauty & Fashion Industry can continue to grow is because its fundamental foundation, the technology industry, is strong and sturdy.** Seoul is the home of **73.5% of all South Korean AI companies**, which represents Korean AI standards. South Korea ranks **3rd** after the USA and China in **AI natural language processing** and the **8th in computer vision\*** showing its advancements in AI technology.

#### AI technology level in each field

Natural Language Processing		Computer Vision	
1	Beijing (China)	1	Guangdong Prov. (China)
2	California (US)	2	Beijing (China)
3	<b>Seoul (Korea)</b>	.....	
4	New York (US)	8	<b>Seoul (Korea)</b>



Percentage of AI industry companies in Seoul compared to nationwide

**73.5%** 417

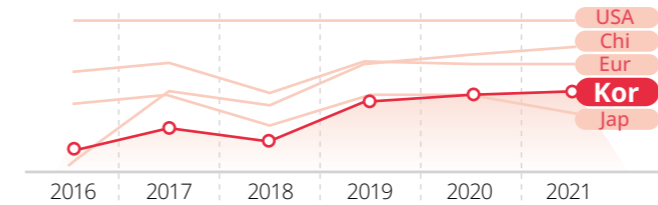
Seoul Institute Policy Report(2022)

\* The main technology used at find products within the images on fashion platforms

As the fourth industry technology is implemented into the wider economy and as the technology advances, the South Korean domestic AI market is also growing. South Korean AI technology is expected to expand up to 1.9 trillion KRW by 2025 following the continued governmental support for its advancement, reducing the gap between the AI-advanced countries.

As the convergence of multiple industries intensifies and the boundaries between industries and disciplines become vague, AI technology is also implemented in a wide range of industry fields. The Beauty & Fashion Industry is no different, as they start incorporating AI technology in various areas, including analyzing reviews and personal taste, recommending and curating products based on the users' body shape and skin types, and analyzing specific images to discover the product from the Internet.

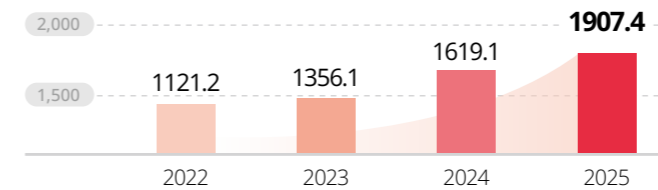
### South Korea's AI technology standards compared to major nations



Source: Software Policy Research Institute(SPRI) (2023)

### Rapidly growing South Korean AI market

Unit: bn KRW



Source: IDC Semiannual Artificial intelligence Tracker(2021)

To nurture the AI industry, which gives substantial benefits, like making more use of data and speeding up the decision-making process, the South Korean government revealed a plan in January 2023 **to invest 260 billion KRW** over the next 5 years **in AI development.** Seoul also nominated AI as a high prospect new industry\* and passionately supports it via providing AI technology open source and subsidizing small-medium-sized-enterprises' (SMEs) technological R&D for up to 20 million KRW per project.

\* AI, Robot, Bio, Health, Mobility

### Yangjae AI future convergence innovation district's location & the status of companies part of the AI hub



Seoul's AI Yangjae hub hosts the Yangjae R&D campus, AI support center to provide high-performance computing infrastructure and support educational programs and spaces to be implemented by individual enterprises and companies.

Also, it supports programs to promote AI marketing development and training specialized personnel, as well as helping start-ups attract further investments and funding to improve their business capacity.

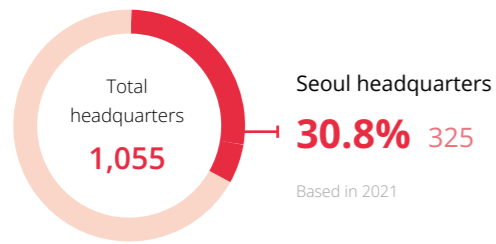
Enterprises	Enterprises with membership	Enterprises graduated	Total
77	135	80	<b>292</b>

Source: SeoCho-gu Office website

### The city leading 30.8% of bio industry

Seoul has **30.8% of South Korea's bio industry enterprises headquarters\*** (Total of 1,055), and the number of **bio-related and company-funded research institutes** has been consistently growing since 2017, which boasts **the highest percentage** compared to other regions **in the country (18.4%).**

\* Bio Industry: Bio-pharmaceutical industry, Bio-foodstuff industry, Bio-medical device industry, Bio machinery & Medical facilities industry etc.



Source: Ministry of Trade, Industry and Energy, Korea Industrial Technology Association(KOITA)

- Recently, worldwide attention has been given to environmental issues stemming from resource depletion and the climate crisis, which pushed sustainability matters as a top priority. Following the matter, more consumers are interested in issues like fair trade, ingredients, origins and product performance.

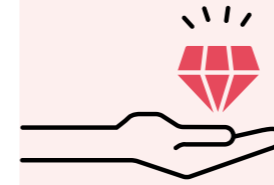
- Bio industry has been actively implemented in various areas, such as adding trust through understandable and respectable scientific processes, substituting resources that threaten other ecosystems or have issues with their safety like palm oil or animal testing, and discovering new plant-based resources for manufacturing.

- Bio industry is one of the main strategic industries of Seoul. Many enterprises moved into Hongneung Bio Cluster in Seoul to create the necessary infrastructure, which has a rich depth of researchers as it gathers approximately **5,200 doctors and doctor-level research fellows**. Particularly, it is planned to vitalize the 'Beauty Convergence R&D Hub' based on Hongneung and G-Valley to complete the 'Global Beauty Industry Cluster', as part of Seoul's major planning scheme: 'Global Beauty Industry Hub, Seoul'

### Seoul Hongneung Bio Cluster

Source: Ministry of Trade, Industry and Energy(2022)

Seoul Bio Hub	Sungshin Women's University
Seoul Bio Industry-Education Cooperation Center	Hankuk University of Foreign Studies
Seoul Bio Innovation Community Center	Sahmyook Health University
BT-IT Fusion Center	Kyung Hee University Medical Center
Cutting-Edge Medical Device Development Center	Korea University Anam Hospital
Kyung Hee University	Korea Institute for Advanced Study (KIAS)
Korea University	National Institute of Forest Science (NIFoS)
University of Seoul	Korea Institute of Science and Technology (KIST)
KAIST Business School	Korea Institute of Science and Technology Information (KISTI)
Dongduk Women's University	Korea Institute for Defense Analyses (KIDA)



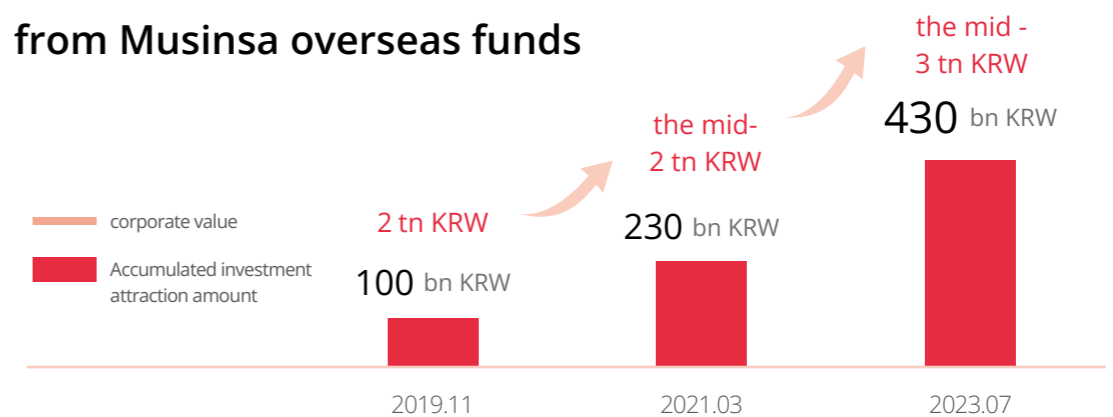
## Foreign investors who recognized South Korean Beauty & Fashion Industry's values

### An American investment firm newly invests 240 billion KRW into Musinsa

Musinsa is the first unicorn company among South Korea's fashion enterprises, which attracted approximately 240 billion KRW worth of investment through a global fund and asset management corporation.

- In 2023, it attracted \$190 million in investment in the Series C round led by the US global investment firm Kohlberg Kravis Roberts(KKR) and participated by the US asset management firm Wellington Management, and it now expected to have a corporate value of mid-3 trillion KRW.

### Attracting large-scale investments from Musinsa overseas funds



Source: MUSINSA

- Investors seem to have particularly appreciated the growth potential of the Korean online fashion market, the ability to operate domestic online fashion platforms and the know-how to foster brands. Musinsa has already attracted \$130 Billion in the Series B round back in March 2021, where participated by Sequoia Capital, and acquired a \$100 Billion investment from Sequoia Capital as their first successful foreign investment, back in the Series A round in November 2019.

- Clean beauty and lifestyle brand, **SimplyO**, also **successfully attracted Series A Investment** back in 2021 **where Strong Ventures from the US and Guardian Fund from Singapore participated.**

- SimplyO is a brand that encourages socially aware consumption such as using eco-friendly packaging, zero-waste products, vegan-formula-certified products etc. It is believed that their ESG aspects were highly regarded by the investors as they considered the brand to be consumer-friendly in terms of the ingredients, quality and price.

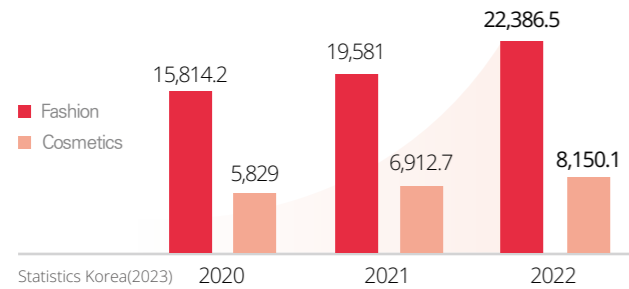
- SimplyO has also successful experience attracting pre-A round investment back in 2020, which was led by Strong Ventures in the US.

# 01 Seoul's Beauty & Fashion Industry trends Beauty & Fashion platforms

## The mobile beauty and fashion market expanded to 31 trillion KRW

### Growing mobile Beauty & Fashion market

Unit: bn KRW



Online and Mobile transactions have increased as the Covid-19 pandemic made it more difficult for consumers to visit shops to purchase products, triggering demands for remote services.

Although the public is allowed to visit any shops without restrictions as the social distancing eases, they still prefer remote transactions which can be witnessed in **mobile shopping market sales reaching 31 trillion KRW.**

According to Statista, **the biggest sales from South Korea's e-commerce market comes from 'fashion' and 'beauty' ranks in 3rd place.** They account for approximately 37% and 17% respectively of the total e-commerce sales in 2022, which are expected to grow up to 41% and 19% respectively. This shows that South Korean e-commerce market growth is driven by beauty and fashion industries.

People who subscribed to or registered to mobile platforms that they can compare multiple items have increased following the convenience that remote experience offers, the need to express their characters, and the focus on performance rather than being loyal to a brand.

For instance, Musinsa and Hwaha, which are considered the leading platforms for South Korean beauty and fashion, have each surpassed 10 million users since 2021, and 2022 respectively, which shows that **1 in 5 Koreans used beauty & fashion platforms.**

## Seoul, home of the top 5 enterprises in Beauty & Fashion platforms that make up 21% of the entire industry sales

Although there are no official statistics to review the size of Seoul's Beauty & Fashion platform industry, **the major enterprises that make approximately 21% of the industry sales,** including Hwaha, Musinsa, Zigzag(Kakao Style), ABLY, Brandi etc., are **all located in Seoul.** Moreover, the sales of Seoul's Beauty & Fashion platforms revenue is estimated to be greater, considering the online shopping websites that did not appear in the statistics that are also based in Seoul.

Source: Each company, Statistics Korea, NH Investment & Securities

MUSINSA

10%

ZIGZAG

4%

ABLY

3%

BRANDI

3%

W.CONCEPT.

2%

It became easier to fulfil the more pluralized styles following the technological advancement of AI and AR, which offer recommendations for fashion style, make-up routine, and product curation.

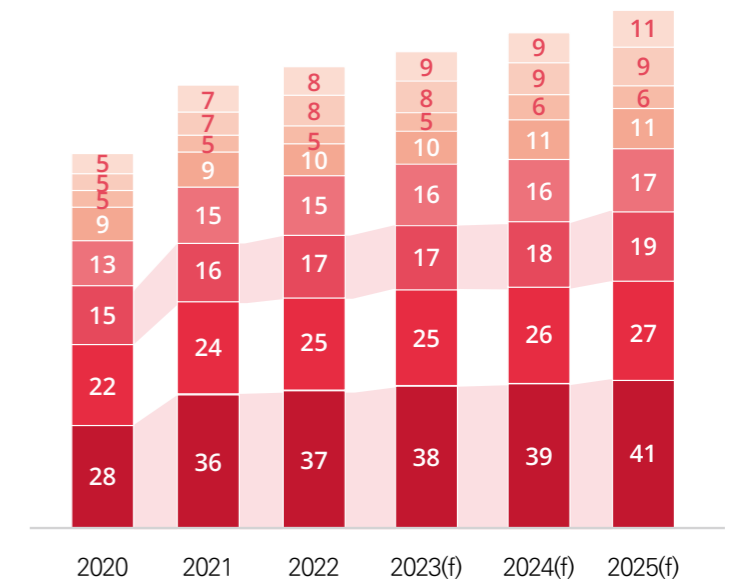
AI technology has been used to find fashion items from an image using computer vision technology or to recommend similar products based on hyper-individualized purchase data analyses.

For example, BirdView Hwaha shows summarized reviews ('Review Topic') to their users by indicating the core content from reviews and offering tailored product recommendations based on the reviews on skin types, ingredients and shopping information/experience.

## Beauty & Fashion make up more than half of South Korea's e-commerce sales

Source: Statista(2021)

Food Beverage Media Furniture Toys, Hobby, DIY Beauty, Personal Care, Healthcare Electronics Fashion



# 02 Seoul's Beauty & Fashion Industry trends Second-hand(vintage) fashion

## Second-hand market expanded to 24 trillion KRW

As the fashion industry grows, the issues with clothing waste and its environmental impact are also becoming more serious. Carbon emission from discarded clothing is estimated to be 12 billion tons per year, which accounts for 10% of the global greenhouse gas emission<sup>5)</sup>, and the domestic figure also reached a critical level of over 80 thousand tons of clothing waste a year.<sup>6)</sup>

Thus, the so-called 'good fashion industry', which means contributing towards reducing clothing waste, is obtaining more interest. To realize and perform ESG management, fashion enterprises and companies are starting to open second-hand marketplaces or invest in used (vintage) fashion platforms with high potential.

According to an American second-hand (vintage) fashion marketplace platform ThredUp, the market size of global second-hand fashion and clothing reached **\$177 billion** in 2022 and is expected to grow up to **\$350 billion** by 2027.

Along with such a global trend, South Korea's second-hand trading market is also growing. **South Korea's second-hand trading market has grown 6 times, from 4 trillion KRW in 2008 to 24 trillion KRW in 2021.<sup>7)</sup>**



5) UN Alliance for Sustainable Fashion, UN Alliance for Sustainable Fashion, 2019

6) Ministry of Environment, <https://stat.me.go.kr/>, 2021

7) Korea Internet & Security Agency(KISA)

### Seoul, home of 3 big second-hand fashion enterprises with 90.5 billion KRW Sales

**Revenue** of second-hand fashion retail from popular brands like **Daangn Market, Bungaejangter, and Joonggonara is around 90.5 billion KRW**, and it shows a **high growth rate of 94.3%, 22.1%, and 16.7%**. They are the leading enterprises in the second-hand fashion and clothing item marketplace, which are all based in Seoul.

Especially, Bungaejangter has recorded **520 billion KRW sales** from the **second-hand fashion category** in the first half of 2023, which accounts for 41% of all categories of second-hand transactions.

Platforms	2021	2022	Growth Rate
<b>Joonggonara</b> 	8.66 bn KRW	10.20 bn KRW	16.7%
<b>Bungaejangter</b> 	24.96 bn KRW	30.48 bn KRW	22.1%
<b>DaangnMarket</b> 	25.67 bn KRW	49.87 bn KRW	94.3%

Lotte Shopping has invested around 30 Billion KRW in Joonggonara seeing the potential in the second-hand fashion market. Lotte Shopping participated as a strategic investor, with a private equity fund, Eugene Asset Management acquiring 93.9% of Joonggonara's stocks. Furthermore, Naver corporation has acquired North America's top second-hand fashion marketplace platform, Poshmark, with a price of \$1.47 billion, and Shinsaegae has also invested 82 billion KRW in Bungaejangter. South Korean investors are also stepping into the expanding second-hand market.

Source: Financial Supervisory Service

## 03 Seoul's Beauty & Fashion Industry trends Beauty devices

### An enormous market reaching \$350 million in export, beauty devices

Skin troubles caused by wearing face masks during the Covid-19 pandemic triggered a hike in interest in restoration and caring, which made skin health and natural beauty a trend. Such a phenomenon also increased the number of people conducting so-called 'Self-Care' at home, without making an appointment to a skin clinic.

Traditionally, the word 'beauty' was only associated with cosmetics and skin care products but thanks to the convergence of technologies, the beauty industry has diversified into devices as well as the more conventional products.

#### LED mask & LED high-frequency treatment device

Source from LG Electronics, ILI Galvanic



#### Intermittent pulse, efficiently increasing absorption rate

You can achieve a muscle massage effect by intermittently emitting super pulse currents

#### Muscle stimulation with EMS microcurrent

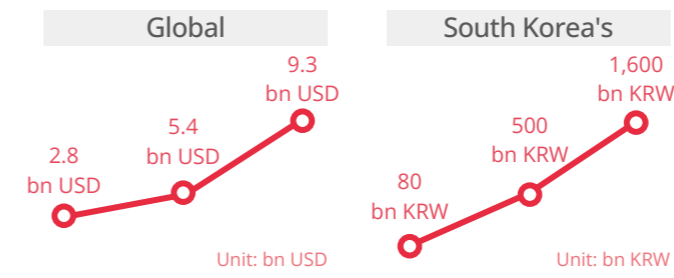
Stimulate muscles with microcurrents and achieve improved facial contour through enhanced performance.

#### Three types of LED lighting, collagen for skin regeneration

Improves skin issues, enhances skincare product absorption, promotes collagen regeneration, and improves elasticity.

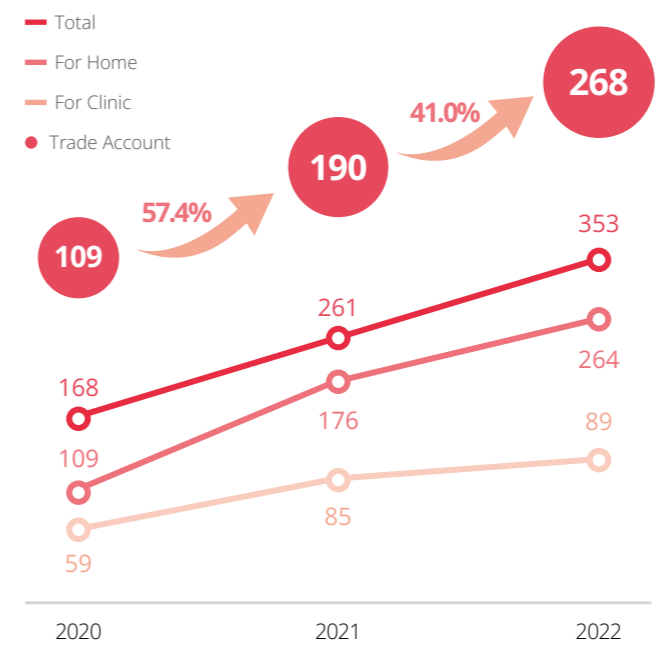
### Growing Home/Global Home Beauty device market

Source: PNC Market Research, LG Economic Research Institute



### South Korean skin beauty devices going global

Unit: mn USD Source: National Tax Service



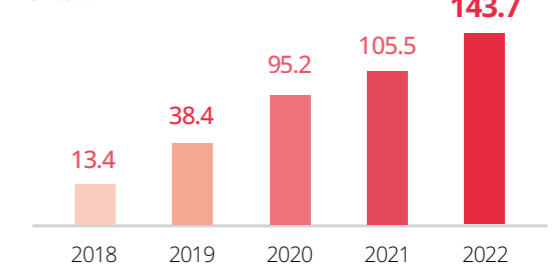
The beauty devices market for professional clinics has **expanded to \$260 million from \$170 million** in the pre-covid era, and the **device export for clinics has rapidly increased** compared to the home-use category, which reached **a total export of \$350 million** since the end of the pandemic. **Trade account** has also positively increased in 2022, by **approximately 41%** year-on-year (YOY).

The leading enterprise in the South Korean beauty device market, APR, is based in Seoul and proved its competitiveness in the US beauty device market as it recorded a whopping \$300,000 revenue on Amazon Prime Day after the exposure on Hailey Bieber's TikTok: 'Skin prep for a shoot day'.

LG Household & Healthcare and AmorePacific, two of the world's top 100 cosmetic and skincare enterprises, are also considering launching research units to capture the growing beauty device market.

### APR overseas sales trend

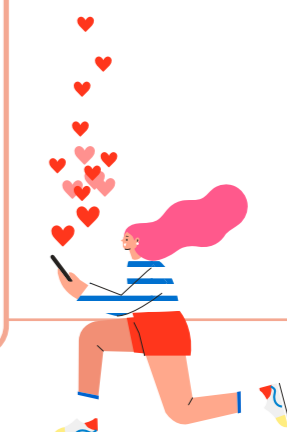
Source: APR Units: bn KRW



TikTok, Hailey Bieber



'Skin prep for a shoot day'





# 04 Seoul's Beauty & Fashion Industry trends

## Derma cosmetics (cosmeceuticals)

### Seoul's key cosmeceutical enterprises, capturing the 93 trillion KRW market

Due to the longer-than-expected Covid-19 pandemic and the continued microdust issues, people have been putting on face masks much longer than before. Therefore, more consumers are focusing on basic skin care products to recover damaged skin and maintain healthy skin conditions.

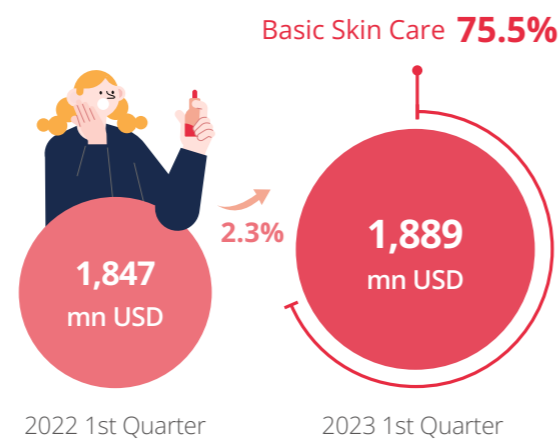
Also, following the natural makeup trend in Germany, Vietnam and Japan, **South Korean basic skin care product export has increased by 2.8% compared to the first quarter of 2022.** The increase can reflect the perception that South Korean basic skin care products are **highly cost-effective.**

Derma cosmetics (cosmeceuticals) are perceived as milder and less irritating, and it is a market that many pharmaceutical companies and medical institutions try to enter. Since the products are more highlighted in their performance and safety, which shows **a high level of sales as the features emphasize the performance and add trust in the products.**

South Korea's derma cosmetics export consistently increased between 2019 and 2021 but it dipped slightly in 2022. But the figure must be filtered with the fact that major skin care exporters including China, the USA and Japan have all experienced a downfall in their exports and a decrease in exports towards China due to geopolitical environment\*.

\* THAAD installation by the US military, 'Guochao' trend (Chinese patriotic consumption)

**Basic skin care products account for the majority of South Korea's cosmetic export**



Source: Korea Health Industry Development Institute, Korea Trade Statistics Promotion Institute(2023)

### South Korea's basic skin care export

	2019	2020	2021	2022
exports amount	2859.9 mn USD	3647.4 mn USD	4709.4 mn USD	3547.4 mn USD
growth rate	43.7%	46.9%	51.3%	45.8%
YOY(%)	▲ 17.8%	▲ 24.0%	▲ 32.8%	▼ 22.6%

Source: Korea Cosmetic Industry Institute(2023)  
\*YOY(%)has been rounded up on the 3rd decimal \*Shares are rounded up on the 2nd decimal if the figure is on or greater than 0.05

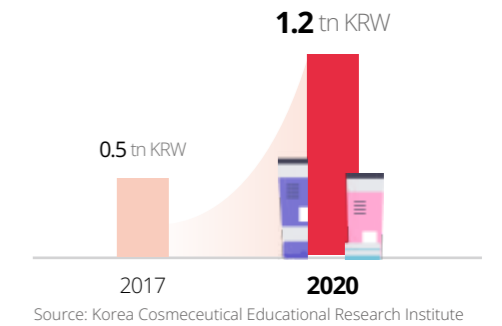
The derma cosmetics market is growing both domestically and internationally, as a separate market not part of basic skin care products in general.

Korea Cosmeceutical Educational Research Institute forecasted **the global derma cosmetics market to expand up to 93 trillion KRW by 2025**, and P&S Intelligence also shows that **the global derma cosmetics market has an AER of 6.5% in 2022, expanding up to 93 trillion KRW by 2024.** The researchers predict that the global market size of cosmeceutical products is getting bigger.

**South Korea's derma cosmetic market size** has substantially increased from 0.5 trillion KRW in 2017, to **1.2 trillion KRW in 2020** (8). **The sales for the derma cosmetics from CJ 'OliveYoung'**, which can be perceived as reflecting the country's beauty market trend, **recorded 260% growth** between 2019-2021 compared to 2012-2014.

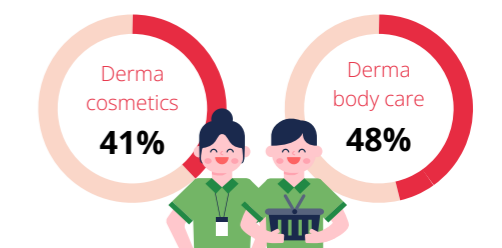
The turnover of derma cosmetics in 2022 has increased by 26% compared to the same period in 2021 (9). The substantial increase in derma cosmetics and derma body care products with a 40% increase for each category indicates that South Korea's derma cosmetic market is expanding.

### South Korean derma cosmetics



Source: Korea Cosmeceutical Educational Research Institute

### 2022 Jan-May OliveYoung sales growth rate (YOY)



Source: CJ OliveYoung

### South Korea's world top 100 cosmetic enterprises advancing the global competitiveness of derma cosmetics

World's top 100 cosmetics enterprises located in Seoul, **LG Household & Healthcare** and **AmorePacific**, are increasing their competitiveness in derma cosmetics since the Covid-19 pandemic.

Company	Content
LG Household & Healthcare	• 2014 Acquired shares of CNP cosmetics (CNP Cha and Park cosmetics)
	• 2017 Acquired Taiguk Pharmaceuticals ⇒ Added 6.59% of shares in the 1st quarter of 2022 (Shares owned: 99.3%)
	• May 2020 Acquired business rights in Asia-North America of Physiogel from 'Stiefel Laboratories'
Amore Pacific	• 2021 Merged 'Aestra' as a subsidiary
	• 2021 Investment contract with 'COSRX'
	• Developed a new treatment for atopic dermatitis by improving their pharmaceutical · Bio R&D
	• Ranked 1st in clinical cosmetics between 2016-2022, won 'Brand of the Year' from Korea Customers Council

8) MK News, <http://www.mknews.kr/view?no=35997>, 2022

9) CJ OliveYoung, 2022

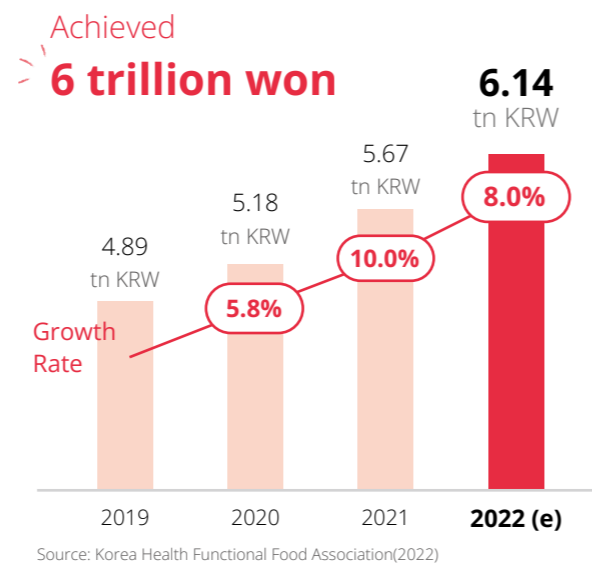
# 05 Seoul's Beauty & Fashion Industry trends

## Inner Beauty

'Inner Beauty' refers to a specific kind of functional supplement which includes beverages, snacks and health supplements that contain beneficial ingredients for the skin, such as collagen. 'Inner Beauty' formed its substantial consumer market from the older generation to the younger, along with the widespread trend in healthcare and disease prevention to achieve both health and beauty.

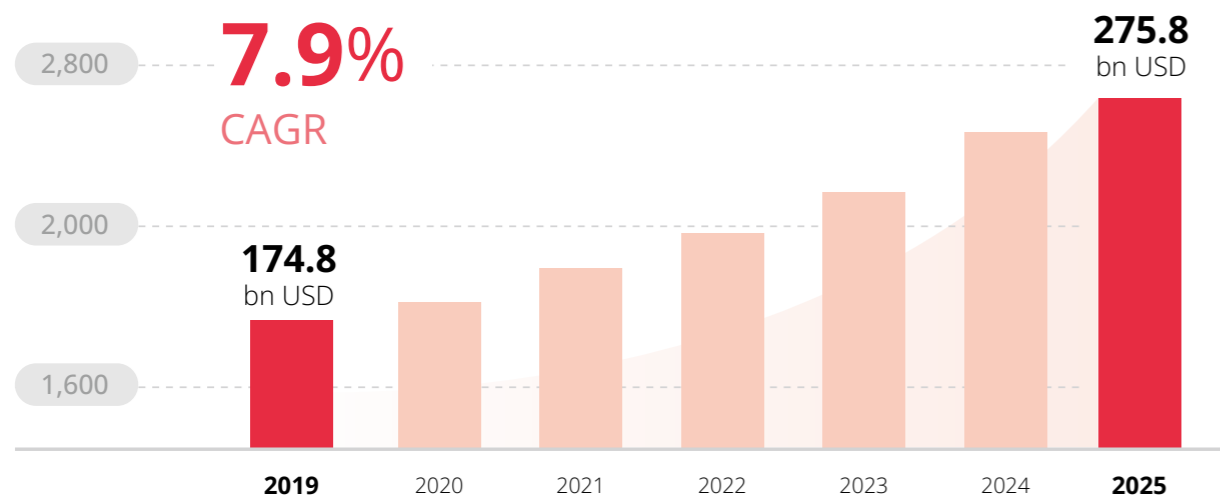
So-called 'self-medication', referring to the act of self-care through a good lifestyle, exercise and health supplements, spread across the younger generation which changed the norm of self-care treatments from the conventional 'endurance' to 'enjoying whilst caring'.

As the trend has been gaining popularity, **the market size of global functional health supplement foods displayed an AER of 7.9% increase**, which is expected to grow **up to \$275.8 billion** by 2025. In the case of **South Korea, the functional health supplements market has grown with an AER of 7.9% since 2019**, which has become **a 6.14 trillion KRW market** in 2022.<sup>10)</sup>



### Global health supplements(health functional foods) market size

Source: Technavio, Statista, Cape Investment & Securities



10) Korea Health Functional Food Association, 2022 Health Functional Food at a Glance, 2022

The market is expected to grow to 10.78 trillion KRW by 2025 and 25 trillion KRW by 2030.<sup>11)</sup>

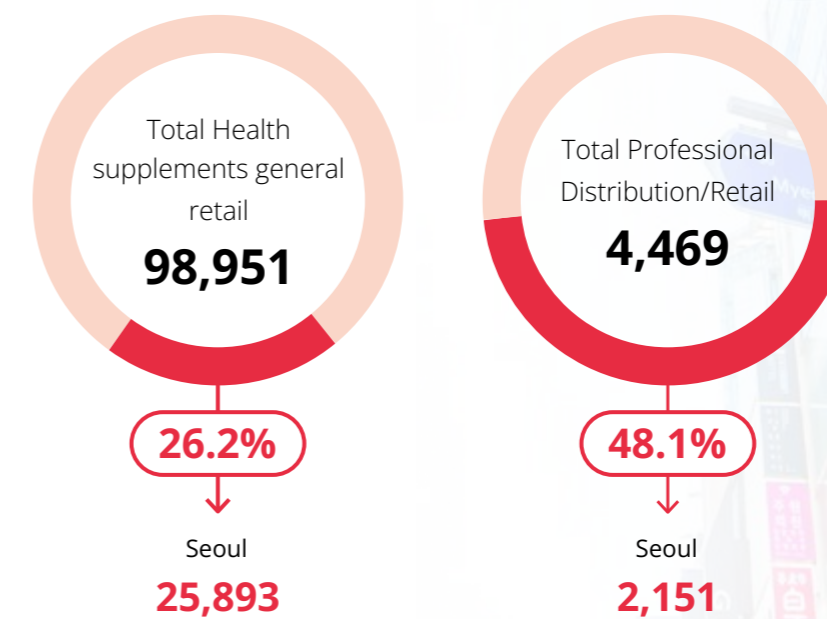
For South Korea, the percentage of 20s and 30s purchasing functional health supplements has increased to 32% of the entire share.<sup>12)</sup> Along with the consistent interest from the older generation, the **South Korean market shows a higher growth rate than the global average.**

**The 'Inner Beauty' market size** was 721.6 billion KRW in 2019, but it increased to **1.19 trillion KRW in 2022** and is expected to grow to **1.9 trillion KRW in 2025.**<sup>13)</sup>

**The core 4 companies** of South Korea's Inner Beauty market, KGC Ginseng Corporation, CJ CheilJedang, Maeil Dairies, and Chong Kun Dang are all located in Seoul.

2,151 companies (**48.1%**) of the 4,469 enterprises in **the functional health supplements retail/sales industry are concentrated in Seoul**, providing the optimized infrastructure and environment for sales and retail.<sup>14)</sup>

Source: Statistics Korea(2022)



11) The Catholic University of Korea Biotechnology Dept., Health Functional Food, 2022

12) The Food & Beverage News(thinkfood.co.kr), Health Functional Food Bulk-Subscription Delivery Aimed at 20s and 30s, 2022

13) Shinhan Securities Co., Research Center Report, 2023

14) KOSIS, Status of Health Functional Food Corporations, 2022

# Higher prospects for the coming year,

# watch out for these companies

Foreign investment attraction success stories | **Mine is**

차란

If you are looking for **'the Next generation of Coupang'** then you have to watch us.

Up-cycling for the environment, a fashion platform company fit the trend of recycling



**HyeSeong Kim**

- Studied Economics (Bachelor's) at The University of Chicago
- Founded an Ad-tech start-up 'Freenters' in 2012
- Panel for South Korea VC investment



**Please introduce Mine is to us**

We are running a second-hand (vintage) clothing consignment sales service called 'Charan'. We started the service after seeing a lot of clothes in our wardrobes going into the rubbish. Furthermore, We collect clothes in the morning and return or donate the ones that are too damaged and then select & differentiate the ones in sellable condition. Likewise, We share the commission from the sales with our customers. Please look at us as a team that made second-hand shopping popular and is driving changes in the perception of discarded clothing.

### Why do you think Foreign Investors are investing in you?

They are probably looking for the 'Next generation of Coupang'. Coupang is the representative case that showed E-commerce towards the South Korean middle class has potential. They were a catalyst in the shift from offline to online and occupied a large share of the middle class E-commerce pie. I would say that foreign investors will invest in teams that are bringing the previously offline market online, and the ones that can take the pie and be profitable.

### What do you think made you successful in attracting Foreign Investments?

'Goodwater Capital' has already witnessed market growth when they participated as an early investor in South Korea's 'Daangn Market'. It seems like they saw the potential in South Korea's second-hand market to grow fast. It has already been proved in foreign cases that second-hand trading C2C and second-hand consignment sales business can coexist, so I think they invested in us as they were looking for a consignment business alongside Korean second-hand C2C platform 'Daangn' and saw the prospects of 'Mine is(Charan)'.

### Could you give some advice to the companies who would like to attract foreign investment?

In early stages, I would say building a good team with teamwork between the CEO and the teammates is the most crucial aspect. If there is a CEO that is good at bringing in good teams, then it is natural to attract interest from investors. This company has experts in different fields with quick and sophisticated executive skills. For example, we have the person who created the Women's Shopping website under 'Naver Shopping', a retail/logistics expert who used to work at 'Amazon' and a Designer who was working for 'Microsoft'. I believe you should put your best effort into creating a team with good skills and expertise in the beginning.

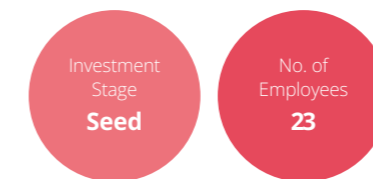
### Could you give us some comments on the City of Seoul's Support Scheme to Fashion Industry

If the Seoul city government can recognize that the environmental pollution is getting worse as the fashion industry is getting more advanced and offer support or subsidies to 'Fashion Recycle' and 'Re-Sell' institutions via investment or advertisement then I believe we can create a fashion culture with a positive circular system.

Companies with potentials | **PLCOSKIN**

We are helping patients to return to **'safe and healthy'** lifestyle with **'Artificial Skin'**

A company that studies implants for breast, skin, and anti-ageing and cutting-edge medical science to bring patients back to their safe and healthy lifestyles



**WooYeol Baek**

- Assistant professor at plastic and reconstructive surgery at the Yonsei University Medical School
- Plastic and reconstructive surgery medical team at the Yonsei University Severance Hospital



**Please introduce us to PLCOSKIN**

PLCOSKIN is a medical device research and manufacturing company and we are researching artificial implants for tissues like breasts or skin, and anti-ageing cutting-edge regenerative medicine. We started to enhance the living standards of breast cancer patients and currently running a cosmetic brand 'Youlief' to bring patients back to their safe and healthy lifestyles.

### What kinds of Products and Services do you offer?

Our medically certified 'TissueDerm' is made from artificial skin. We created a hybrid artificial network using 3D printers to join collagen sheets and Polycaprolactone (PCL) mesh, which is certified to be used for reinforcements and regenerations of soft tissue like muscles or the stomach. We are developing further products to expand into the markets of breast and lymphedema reconstruction, as well as incontinence treatment.

### Do you have plans to go global?

In the case of the USA, we are planning to expand our client pool through Severance Hospital by acquiring the FDA certificates, such as university hospitals like Johns Hopkins, NYU Langone Health, and the University of Chicago Hospital, as well as via sales and marketing through Breast Reconstruction Specialists like Justin Sacks, Amir Dorafshar and MiHye Choi. Also, we are planning to diversify our sales with global medical devices suppliers/retailers like Johnson & Johnson, Medtronic, Stryker and Baxter, which can lead to discussions of the technology transfer or joint venture.

### What makes this company special? Are there any specific characteristics or strengths?

Plcoskin's products are the first human body implants invented in South Korea, which combine PCL and heterogeneous collagen. We can produce multiple variations with small quantities and high-value-added mold by using 3D printing technology, so we are going to launch customer-tailored products in the future. We bring in domestic and foreign medical specialists at the developmental stage, have secured diverse sales channels and also cooperate in marketing with our partners including surgeries, gynecologists, and neurosurgery.

### What do you hope for when you successfully attract investments?

Since it is difficult to get certified on our PCL+Collagen complex using 3D printing for Class 4 Medical Appliances, we also expect a long waiting time to get approval for export. If we manage to get investments then we are going to expand our pipeline and proceed with the approval and registration for export. Also, we will be able to solve cost issues for clinical research, exhibition, academic forums and marketing and participate in an even bigger number of activities.



## Invest Seoul is with you

**Invest Seoul** is an organization to promote foreign investment, which was commenced by the City of Seoul and aimed at making Seoul an attractive global investment destination. We seek to create a virtuous circle of economic growth by bringing in global corporations looking for new investment opportunities and supporting greater growth opportunities through connecting foreign investors and local companies with high potential and prospects. We are running alongside you for your company's innovation and success by offering tailored services based on rich knowledge and expertise in foreign investment, as well as cooperation between industry-specialized organizations, experts and the central government.

### Invest Seoul's Step-by-Step Support Service



### Incentives for Investment

<b>Cash Grants</b>	Cost support for building or refurbishing cutting-edge technology & business factories and offices. Cost support for land or real estate purchase, rents or construction, capital goods and R&D goods purchase, infrastructure, employment, education and training.
<b>Tax Exemption and Reduction</b>	When foreign investors are newly building factories/offices or investing 2 million USD or more, they can enjoy a reduction on acquisition and property tax. Also, they will be exempt from tariffs, individual consumption tax and value-added tax.
<b>subsidies for employment and education/training</b>	Global foreign investors investing in Seoul's 8 new growth powerhouse industries (IT/convergence, green industries, digital contents, business services, fashion/design, finance, tourism/convention, and biotechnology) can receive subsidies for employment and education & training via signing MOU on foreign investment attraction business.

- +82 2 6361 4120
- investseoul@sba.seoul.kr
- 6th Floor, 38(Seoul Global Center Building) Jong-ro, Jongno-gu, Seoul, South Korea



## Beauty & Fashion companies to watch



	Company	CEO	Main Services/Products	Investment Stage	Website Links
1	<b>MUSINSA</b>	Han Moon-Il	Beauty Fashion E-Commerce	Series C	<a href="https://about.musinsa.com/en/service">https://about.musinsa.com/en/service</a>
2	<b>Mine. is Inc.</b>	Kim Hye-Seong	Second-Hand Fashion, Fashion-Tech	Seed	<a href="https://charan.ai/">https://charan.ai/</a>
3	<b>ALTAVA Group</b>	Ku Jun-Hwoi (Andrew Ku)	Global Fashion NFT Platform	-	<a href="https://altava.com/">https://altava.com/</a>
4	<b>KURLY</b>	Kim Seul-Ah (Sophie Kim)	Early-Morning Delivery, Logistics, Beauty	pre-IPO	<a href="https://www.kurly.com/main/beauty">https://www.kurly.com/main/beauty</a>
5	<b>Memebox</b>	Ha Hyung-Seok	Beauty Subscription Service	Series D	<a href="https://memebox.com/">https://memebox.com/</a>
6	<b>BluePrintLAB</b>	Shin Seung-Sik (Charlie Shin)	Facial Recognition and AI-Technology based Products Recommendation & Virtual Fitting	pre-A	<a href="https://www.blueprint-lab.com/">https://www.blueprint-lab.com/</a>
7	<b>Omnious</b>	Jeon Jae-Young	AI-based E-Commerce	Series B	<a href="https://omnicommerce.ai/ko-kr/">https://omnicommerce.ai/ko-kr/</a>
8	<b>CLO Virtual Fashion</b>	Oh Seung-Woo, Boo Jung-Hyuk	3D Clothing Software Development	Series C	<a href="https://www.clovirtualfashion.com/">https://www.clovirtualfashion.com/</a>
9	<b>ABLY</b>	Kang Seok-hoon	Style E-Commerce Platform	Series C	<a href="https://m.a-bly.com/">https://m.a-bly.com/</a>
10	<b>Mediquitous</b>	Lee Du-Jin	Health/Functional Foods & Fashion Brands	Series B	<a href="https://mediquitous.com/">https://mediquitous.com/</a>
11	<b>Plcoskin</b>	Baek Woo-Yeol	Regenerative Medicine Bio-Tech based Skincare Brand	Series A	<a href="https://plcoskin.com/">https://plcoskin.com/</a>
12	<b>APR</b>	Kim Byung-Hoon (Victor Kim)	Beauty Devices	pre-IPO	<a href="https://www.apr-in.com/">https://www.apr-in.com/</a>
13	<b>BARAM INTERNATIONAL</b>	Park Rae-Hyun (Ray Park)	Vegan Cosmetic Brand: Dear Dahlia	Series B	<a href="https://deardahlia.kr/">https://deardahlia.kr/</a>
14	<b>makemeup</b>	Kim Soyeon	Personal Tailored Beauty Data Collection & Analysis	M&A	<a href="http://www.makemeup.co.kr/">http://www.makemeup.co.kr/</a>
15	<b>BirdView</b>	Lee Woongza	Cosmetic Information Provision and Sales; Platform Hwahae	pre-IPO	<a href="https://www.hwahae.co.kr/">https://www.hwahae.co.kr/</a>
16	<b>Zackdang Company</b>	Yun Jung-Ha	South Korea's only Video-focused Beauty Platform 'zamface'	Series A	<a href="https://www.zamface.co.kr/">https://www.zamface.co.kr/</a>

2023 Seoul Industry Report

# Alluring Lifestyle, Seoul



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**Seoul**