

K-beauty's Status through Trade Network Analysis

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Introduction: Until now, the influence of Europe and America is apparent in world culture particularly in the beauty and fashion industries, wherein the fashion trends of Western society are emulated. However, with the spread of Hallyu (Korean wave), the Korean cosmetics market is growing fast, thereby rapidly changing the global cosmetics market. Korean beauty companies and the government are trying to maintain this and establish plans for further development. To this end, an accurate understanding of the international status of the Korean cosmetics industry (herein referred to as “K-beauty”) should be prioritized. Therefore, this study aims to present the future direction of K-beauty by understanding its current status and problems through trade network in the cosmetics market.

Background: K-beauty is attracting attention as a new Hallyu content because of the popularity of K-pop and K-drama. K-beauty's popularity began in Asia, especially in the Greater China region. Eventually, it has penetrated beyond Asian regions and reached Western societies such as America and Europe (Lee & Lee, 2018). Accordingly, the Korean beauty industry is analyzing the current status and success factors of K-beauty to ensure its stability in the market. Similarly, in academia, various studies on K-beauty have been conducted; however, a deeper analysis from a macro perspective is needed because recognition, preference, and purchasing behavior of Korean cosmetics are merely the subjects of past research (Kim & Han, 2018; Yu, 2016). Hence, in this study, a network analysis using trade data is viewed to be a suitable method to show the relationships among individuals by simplifying complex situations into a set of nodes and links, that is, networks (Hong & Lee, 2012). In order to analyze the social phenomena, constructing a network model consisting of links and node–node interactions is possible. Moreover, through this method, relational characteristics and the structure of the system can be derived (Wasserman & Frost, 1994).

Methods: Using the data provided by UN Comtrade, an international trade statistics site, we analyzed the top 10 countries according to the import and export statistics of skincare items (HD code: 304499). The analysis period was every five years; the data were from 1995, when the WTO was launched and free trade began in earnest, to the most recent year, 2017. The trade network analysis was conducted using Nodexl, a social network analysis program.

Results: In terms of the overall export status of skincare items, 16 countries were included in the top 10 for the analysis period: 9 countries in Europe, 2 in North America, and 5 in Asia. France, Germany, United Kingdom, USA, and Japan are consistently part of the top cosmetics exporting countries since 1995. In terms of their share of exports, the four countries except Japan showed little change in their export rankings, but the overall exports share tended to decline. In particular, France, which has been number one for the entire period and proved to be a global cosmetics powerhouse, has maintained its rank; however, it has reported the highest reduction ratio of exports. The proportion of exports to major European countries has also declined, implying a dispersed concentration of European cosmetics in the market. Conversely, exports have increased in Singapore and Korea. Except in 2000, Singapore has always been part of the top 10 as a major exporter from Asia along with Japan, and the proportion of exports is steadily increasing. Meanwhile, after entering the top 10 for the first time in 2010, Korea has been growing rapidly, ranking third in 2015 and second in 2017, indicating K-beauty's position in the global market. Compared with Korea, Singapore is not manufacturing its own products, which gives the Korean cosmetics market a competitive edge. Furthermore, imports of cosmetic products have decreased in the Korean market since it became one of the top exporting countries in 2010. In 2017, the export value is more than 4.5 times higher than the import value, indicating the substantial growth of the Korean cosmetics market. However, most of the major exporting countries are in Asia, especially China, which poses a problem to Korea. Nevertheless, since 2015, Korea is among the top importing countries in the USA and Canada, and the value amount is increasing. In addition, Korea's entry to the top importing countries in France in 2017 caused the expansion into the European market.

Discussion and Conclusion: The result of this trade network analysis reveals that the Korean cosmetics industry showed remarkable growth in the basic cosmetics market, which was formed mainly in Europe and the USA. Thus, the status of K-beauty was verified. However, because major exporting countries are still limited to some parts of Asia, it is imperative to open new markets. To do this, it is necessary to make efforts in customizing products based on social, economic, and cultural characteristics of specific countries and conduct an in-depth analysis of consumers.

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