

K-beauty holds its own as J-beauty re-emerges

By **Kevin Rozario** on May, 28 2018 | Fragrances, Cosmetics, Skincare & Haircare



Asian duty free and travel retail has been a strong channel for beauty. The category has a large share of the region's sales and one DF&TR operator notes: "The category's share among various sales channels is increasing every year." But in South Korea – the world's biggest DF&TR market for beauty sales – conditions have changed.

Due to Chinese demand, Korean beauty brands from large groups like Amore Pacific and LG have become key to DF&TR retailers such as Shilla and Lotte. However, the political dispute between Beijing and Seoul over the THAAD missile deployment severely hit numbers of Chinese shoppers in South Korea.



Last year they fell by -48.8% to just over 8 million and DF&TR operators at Incheon Airport, like Shilla Duty Free, have accepted rent reductions partly due to these reduced numbers. Although there has been a settlement of the missile issue, Chinese numbers remain down in Q1 2018 at -30.5%.

A Shilla spokesperson comments: “An increase in Chinese passengers will take time.” Instead, the Chinese have been traveling to other locations in Asia, and travel retailers elsewhere have benefited from this shift.

At two of the region’s most important hubs, Singapore Changi Airport and Hong Kong International, Shilla is the main beauty travel retailer. The company describes its sales growth at Changi as a “continuously increasing curve” while Hong Kong “is also witnessing a healthy increase in gross sales”.



Korean cosmetics have been giving international brands from multinational groups like Estee Lauder Companies, L’Oréal Group and LVMH, a run for their money. Shilla’s spokesperson says: “South Korean beauty brands are firmly holding their leadership in the industry.”

One factor for their success has been the competitive pricing of these brands. This has boosted their popularity among foreign travelers and widened their appeal to other retailers in the region.

For example, when Duty Free Americas revamped its Macau business in December, Korean brands became more prominent. The US-based company’s 600 square meters make-over (of its total 1,050 square meter space) at The Venetian Macao saw a slew of new arrivals.



Big names like Benefit, Givenchy and Make Up For Ever (all from LVMH); Clé de Peau and NARS (from Shiseido); La Roche Posay, Vichy, and Kérastase (from L'Oréal); plus Korean brands such as The History of Who, Innisfree and Etude House are now present.



Meanwhile in DFA's existing 450 square meter shop Amore Pacific's K-beauty brands Hera Cosmetics, Sulwahsoo, and Laneige are present alongside a Christian Dior anchor boutique, Clarins, Guerlain, Hermès, La Prairie and SK-II.

DFA's nod to K-beauty comes at a time when there has been an uplift in travel from the Chinese mainland. A company spokesperson says: "The traffic in Macau is increasing every week and as it rises, our sales will increase. With our new offers and latest design, penetration into our shops has increased as well."

As well as K-beauty taking steps outside its own market, a renewed interest in Japanese brands has also helped the DF&TR channel. Shilla comments: "The return of Japanese beauty brands is impressive and powerful. In addition to traditional Japanese beauty powerhouses like SK-II, newly emerging J-cos brands are quickly claiming share from global competitors in South Korean duty free."