

The beauty sector is growing and glowing in Asia

July 2024



Asia's beauty boom

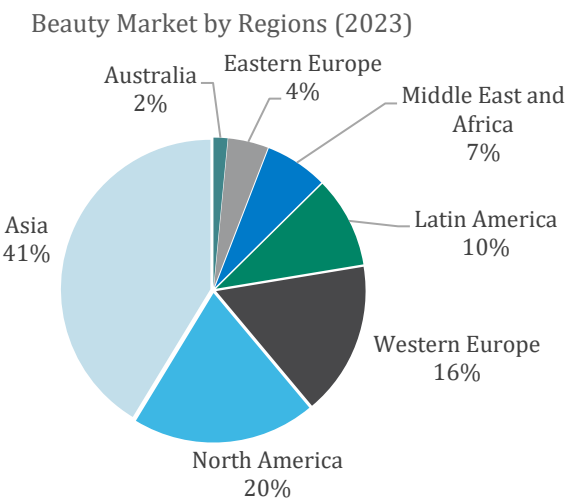
The global beauty industry, valued at a US\$427bn in retail sales, is in a constant state of evolution. Asia, commanding a 41% market share and valued at US\$190bn in 2023 (compared to 20% in North America and 16% in Western Europe), plays a pivotal role. This region is known for its immense growth potential, innovation and channel flexibility.

The Asian beauty market boasts the highest growth potential, with a projected CAGR of 6.7% from 2023 to 2027, outpacing North America's 5.7% and Western Europe's 4.3%. By 2027, Asia is expected to contribute over 50% of new sales, making its potential undeniable.

The product landscape is shifting dramatically. A Euromonitor beauty survey from June to July 2023 highlighted three key attributes in skincare and colour cosmetics for consumers in China, Japan, India, and South Korea: quality/effectiveness, wellness and multifunctionality.

E-commerce beauty sales have soared, quadrupling globally between 2015 and 2022, with significant growth potential still ahead. In China, digital sales now represent over 40% of the market and are expected to reach around 60% by 2027, driven by livestreaming and social commerce. Digital sales account for 50% of beauty sales in Korea. In the rest of Asia-Pacific, beauty growth through 2027 will be more evenly distributed across all sales channels, including speciality and drug stores.

In this high-stakes world of beauty, Asia isn't just participating; it's leading the charge, setting trends, and redefining the future of glamour.



Regional insights: India is a star on the rise

Taking a closer look at certain key local markets, Japan, Korea, India, Thailand and China are key players to watch.

Japan's beauty market, valued at US\$34bn in 2023, is the third largest globally, after the US and China. Offline channels are still the reigning champions, representing about 90% of beauty product sales. J Front Retailing's beauty product sales skyrocketed by 34.7% in February 2024, smashing past 2019 levels. Even without the boost from travel consumption, Takashimaya's same-store sales have surged for three consecutive months, with February 2024 sales 2% higher than the same period in 2019. Despite the digital revolution, print magazines remain powerful players in the marketing arena.



Korea's beauty market, valued at US\$12bn in 2023, is the epitome of innovation with its K-beauty and tech-driven products. The market's relentless investment in R&D ensures constant product updates, catering to diverse global consumer needs in skincare and makeup, along with eye-catching packaging and creative designs. As the fourth-largest exporter of beauty products, Korea trails only behind France, the US and Germany in 2022. Local skincare giants LG H&H and Amorepacific dominate, holding a combined market share of 43.6% in 2020.



India's beauty market, valued at US\$14bn in 2023, is a burgeoning opportunity, projected to soar to US\$21bn by 2027. The country's rapidly growing economy, expanding middle class and youthful population—half of its 1.4 billion people are under 30—are key drivers. Per capita annual beauty spending, currently at US\$10, is expected to rise to US\$15 by 2027.

Young consumers, eager to pay more for quality and increasing e-commerce adoption are propelling the market forward. Brands are leveraging digital campaigns with beauty influencers to connect with this demographic and boost awareness around ingredients. Local online retailers like Nykaa and Purpille (which raised Rs 1000 crore (~US\$120m) led by ADIA in June 2024), along with direct-to-consumer brands like Sugar Cosmetics, are capturing market share with innovative strategies. The mass beauty segment reigns supreme, with brands like Glow & Lovely and Nivea leading the charge, while prestige brands, though currently smaller in market share, are experiencing rapid growth.

Regional insights: “T beauty” is the new kid on the block



Thai beauty brands, fuelled by the rise of Thai pop culture, are ambitiously pushing “T-beauty” onto the international stage, targeting markets like Japan and China. The Thai beauty market, valued at US\$6.6bn, is a study in contrasts, with both mass and premium brands thriving. Skincare products reign supreme with a dominant 50% market share, while makeup holds 20%. Premium brands must prove their worth, especially in anti-ageing and serums. Despite the digital wave, offline retail remains robust, with top department stores and local chains like Eve and Boy leading the charge.

In the past, people would buy beauty brands landed in China purely because they were ‘Made in France’ or ‘Made in Switzerland’. Suddenly, Asian consumers are rediscovering and appreciating their own rich cultural backgrounds and ancient beauty practices.



China, the former growth juggernaut of the 2010s, now presents a tougher battleground for beauty brands. Foreign brands like South Korea's The Face Shop and Dubai's Huda Beauty have exited the Chinese market, while others like L'Oréal are reworking their strategies. China's beauty market, projected to leap from US\$65bn to US\$96bn by 2027, faces hurdles such as COVID-19 restrictions and a property market crisis that have dampened growth. Foreign brands now contend with fierce competition from local “C-beauty” brands, which dominate 60% of the mass and masstige segments. Approximately 50% of Chinese consumers regularly choose domestic brands.

The slowdown in China's growth, coupled with rising local competition, suggests that China may no longer serve as a universal growth engine for the beauty industry. To succeed, foreign brands must localise their strategies, blending Chinese traditions and consumer behaviours into their product development and marketing. Decentralising operations and empowering local teams can also be beneficial. Some brands might even consider mergers and acquisitions with local players, as L'Oréal did with Chinese luxury fragrance start-up Documents in 2022.

Beauty disruptions: Products

The Asian beauty market is all about "premiumisation," where consumers are splashing out on high-quality, luxurious products. This trend reflects a hunger for superior ingredients, cutting-edge formulations and premium brand experiences.

However, Asia Pacific’s luxury beauty segment – and especially China – faces the challenge of justifying high prices to increasingly sophisticated and discerning consumers, all against a backdrop of economic uncertainty and rising quality and quantity of brands at more accessible price points. Furthermore, International brands are finding it increasingly hard to grow market share, unless they speak to local preferences

Consumers are diversifying their beauty routines and willing to pay for quality and effectiveness. Domestic companies in Asia challenge international brands with science and technology. Proya in China offers cost-effective products with high-quality ingredients like retinol and polypeptide. Wellness products are popular, with South Korea’s gwalsa massage bars paired with stress balms and skincare products. Multifunctional products are also in demand, delivering multiple benefits in one package. Japan's Obagi has launched a product combining colour cosmetics and sun care.



East Asia is leading the charge in the global beauty device market, thanks to skyrocketing awareness and adoption of advanced skincare technologies. Japan, Korea and China are the standout players, where the buzz around beauty gadgets is louder than ever. While radiofrequency (RF) devices rule the roost, LED devices are the rising stars, offering solutions for acne, allergies and skin brightening with their multi-wavelength magic. As consumers crave diverse functionalities, "smart personalisation" has become the hallmark of top-tier products.

Take the Chinese brand OGP, for instance. They’ve unleashed an intelligent “photorejuvenation” device that fires off three different wavelengths of photons to tackle melanin, redness and dullness. Users can personalise their treatment programmes based on skin analysis results, fine-tuning the usage cycle, duration and recommended wavelengths, all via a slick mobile app.



Sources: McKinsey & Company, Cosmetics Design, Premium Beauty News, Euromonitor

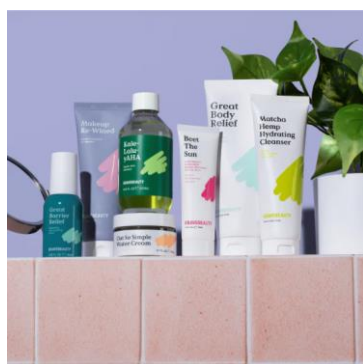
Beauty disruptions: Brands

Luxe Beauty and Wellness Group is a dynamic company offering a variety of skincare products, colour cosmetics and health/beauty supplements, including healthy slimming coffee, healthy slimming juice and beauty smoothies. The brand is example of today's consumer preference of blending beauty and wellness.



In 2023, **YA-MAN** made its debut at the World Congress of Dermatology, marking the first time a home beauty device appeared at a world-class dermatological academic conference.

Allies of Skin, a skincare brand based in Singapore, was founded in 2016 by Nicolas Travis, who has expertise in biochemical and pharmaceutical sciences. In a market where single-ingredient and high-potency products are becoming more common, Allies of Skin stands out through its innovative technology, commitment to transparency, and reliable results.



Due to the increasing number of sensitive skin patients caused by active ingredients and trending products, **KraveBeauty**, founded by YouTuber Liah Yoo, strives to meet the needs of this group. Targeting those who "over-skin care," the brand entered the Singapore, Malaysia, and Thailand markets in April this year through partnerships with Sephora and the US.

Beauty disruptions: Channels

The Asian market exhibits a dynamic channel landscape with both online and offline platforms playing crucial roles. In **China**, digital sales now constitute over 40% of the market, while in **Korea**, they account for 50% of beauty sales. Conversely, **Japan** remains predominantly an offline market at 90%. **India's** digital market represents 10% of the total but is rapidly expanding. Influencers significantly impact purchasing decisions, with 61% of online consumers seeking their guidance.



The growing popularity of livestream commerce in Asia can be attributed to the high penetration of smartphones and a youthful audience profile. The trend began with Alibaba's Taobao Live, followed by platforms like Douyin Mall and Pinduoduo. In **China**, the market expanded from approximately US\$17bn in 2018 to an estimated US\$490bn in 2022, especially booming on key sale days like Singles Day.



The demand for online shopping in **Korea** has been significantly boosted by the popularity of live commerce, which now accounts for 2-3% of the online shopping market in South Korea. Sales are projected to grow to US\$7.6bn in 2023. Naver and KakaoTalk, as the leading search engines in the country, offer significant potential for sellers on their live shopping platforms. According to an Ipsos survey, 63% of Korean respondents purchased apparel or beauty products after watching an online video or live stream in the past three months.

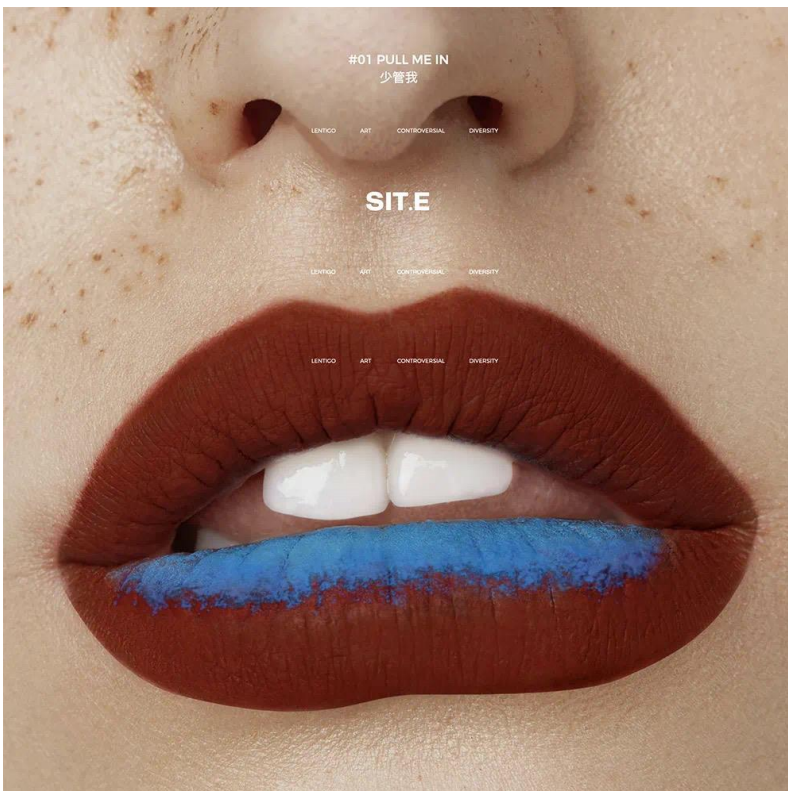
In a recent study across **SE Asia**, nearly half of the participants watched a livestream channel at least once a week. However, TikTok Shop, which launched in Indonesia in 2021, faces challenges due to the blurring of social engagement and online sales boundaries. In September 2023, the Indonesian government banned selling on social media platforms and other countries in the region may follow suit.

Gen Z – the rising consumers

Generation Z, those trailblazers born between 1996 and 2012, make up a bold 25% of Asia's population. By 2032, these trendsetters will dominate the beauty market, wielding unmatched purchasing power and influence.

Gen Z's beauty product preferences reflect their broader characteristics:

- **Sustainability and ethics:** They favor products that are environmentally responsible and ethically produced
- **Personalisation and inclusivity:** They appreciate personalised products and inclusive marketing, including gender-neutral products and brands that cater to diverse skin tones
- **Digital engagement:** Gen Z discovers new products through social media and influencers and expects seamless omnichannel experiences when shopping for beauty products



To captivate and retain Gen Z, beauty brands must align with their distinct preferences. Authenticity and transparency are non-negotiable, as exemplified by The Ordinary's straightforward communication about product ingredients and pricing.

Inclusivity and diversity are paramount, with brands like Good Light, a Korean clean beauty brand, creating spaces that celebrate all gender identities.

Harnessing the power of digital platforms and influencers is a must. Rhode skincare by Hailey Bieber is shaking things up with its “lip case,” a silicone phone case designed to hold Rhode's Peptide Lip Treatment or Tint. Aligning with Gen Z's values on sustainability is crucial, as shown by Youthforia, which champions biobased alternatives and shuns plastic and other pollutants.

Beauty brands are going global, targeting local (1/3)

In recent years, several prominent Asian beauty companies have embarked on ambitious expansion strategies, both within Asia and globally, demonstrating their growing influence in the beauty industry. These companies, leveraging their strong domestic foundations, are now making significant inroads into new markets, driven by innovative strategies and keen market insights.



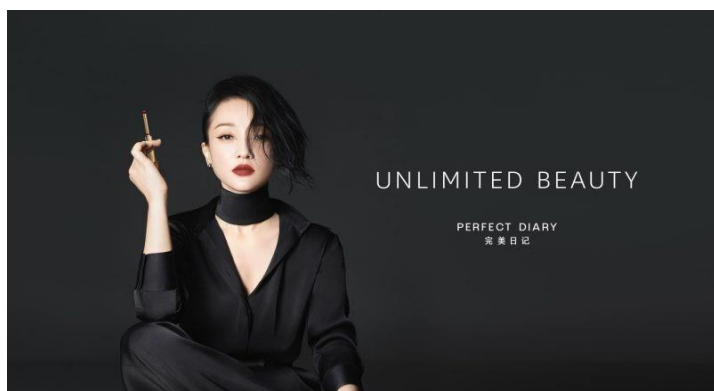
Shiseido

Shiseido is focusing on India, Thailand and Vietnam as key drivers of future growth, aiming to bolster its presence in these rapidly growing markets. The Japanese beauty giant seeks to strengthen its portfolio and accelerate expansion in the Asia Pacific region, addressing the diverse needs of consumers.

In India, Shiseido plans to enhance its market footprint by opening standalone boutiques and introducing its popular Nars brand, reflecting a broader strategy of localised market engagement.

Similarly, Thailand and Vietnam represent significant opportunities, with Shiseido leveraging its strong brand reputation and innovative product offerings to capture the growing beauty markets in these countries.

Beauty brands are going global, targeting local (2/3)



Chinese celebrity Zhou Xun as Perfect Diary's ambassador

Yatsen

Yatsen, the parent company of the Chinese beauty brand Perfect Diary, has expanded into Vietnam, Malaysia and Singapore. They aim to capture SE Asia's US\$47bn beauty market by 2025 through co-branded series with Sanrio and collaborations with local celebrities like AMEE and Joey Chua.



Hollywood star Tilda Swinton is the global ambassador for Sulwhasoo

Amorepacific

Amorepacific has expanded Laneige skincare brand into North America, the UK and the Middle East. In North America, sales were boosted by celebrity marketing and strong online channels like Amazon. In the UK, Laneige partnered with Space NK, featuring actress Sydney Sweeney. In the Middle East, Laneige launched in Sephora stores across several countries.



LG Household & Health Care

LG Household & Health Care (LG H&H) is demonstrating resilience and strategic focus amidst setbacks, with a continued emphasis on its Chinese business and plans to expand in the Americas, Japan and SE Asia. The company has introduced its luxury brand "The Whoo" to the US market, alongside the acquisition of LA-based brand The Crème Shop to bolster its presence in the region.

Beauty brands are going global, targeting local (3/3)

Western beauty companies are making significant moves to expand their presence and capture a larger share of the Asian market. These strategies highlight their focus on innovation, market expansion and adapting to local consumer preferences.



Kylie Cosmetics has debuted in India, partnering with Sephora to leverage its extensive retail network and reach a broader consumer base.

Fenty Beauty by Rihanna is set to launch in mainland China, expanding its global reach and tapping into the growing demand for premium beauty products.



Estée Lauder's Supreme franchise brand, particularly the "Supreme Night Bounce Cream," has launched to rave reviews in Asia. The company has expanded its reach across the Asia-Pacific region, with double-digit organic growth in Hong Kong and Japan.



L'Oréal has seen significant expansion with the rollout of **Yves Saint Laurent** and **Takami** across North Asia, and remarkable growth in SE Asia, particularly in skincare and makeup.



The glowing outlook for beauty M&A

The beauty M&A industry in Asia is experiencing significant shifts, with a focus on innovation and active ingredients. Despite a decline in M&A activity in 2023 due to macroeconomic factors including high interest rates, inflation and recession concerns, [there is optimism for a rebound in 2024](#).

Strategic buyers and PE firms are becoming more selective, seeking acquisitions that align with their core portfolios.

[Kirin Holdings announced to acquired a 67.3% stake in Fanc! for US\\$1.4bn in June 2024](#). This deal represents the trend of blending beauty and health, showcasing Kirin's bold leap into the health and wellness market. The move diversifies Kirin's portfolio beyond beverages and pharmaceuticals, tapping into Fanc!'s expertise in preservative-free skincare and health supplements.

[Shiseido's US\\$450m acquisition of Dr. Dennis Gross Skincare completed in February 2024](#) is a masterstroke in bolstering its global portfolio and innovation prowess. This strategic move expands Shiseido's footprint in the high-growth premium skincare market, capitalising on Dr. Dennis Gross Skincare's stellar brand recognition and cutting-edge products.

[Amorepacific's US\\$559m acquisition of COSRX in April 2024](#) highlights the allure of digital-savvy brands with a massive online following. This deal taps into COSRX's robust digital presence and dedicated customer base, especially among the younger crowd. Amorepacific aims to supercharge its portfolio with a brand that epitomises minimalist and effective skincare, enhancing its digital marketing chops and expanding its global reach.

Overall, the industry is poised for growth, driven by consumer demand for innovative and effective beauty products and strategic investments by key players.



The Asian beauty market holds infinite possibilities

Asia is the dazzling superstar of the global beauty stage. While **China's** market remains sizable, its growth is slowing down but can't be ignored. Meanwhile, **India** is emerging with explosive growth potential, reshaping the regional dynamics.

Skincare products flaunting natural ingredients and scientific credibility, along with luxurious fragrances, are set to dominate. Brands championing quality, effectiveness, wellness and multifunctionality are poised for significant growth.

Gen-Z consumers are the unstoppable force driving Asia's beauty market. Their thirst for authentic, inclusive, eco-friendly and personalized products is reshaping the industry.

The beauty M&A scene in Asia is sizzling with excitement, despite a dip in 2023 due to economic challenges like high interest rates and inflation. The buzz for 2024 is electric, with major players making bold moves.

BDA is here to help you navigate the complex beauty market in Asia. Our expertise and strategic insights can guide you through market entry, expansion and successful mergers and acquisitions, ensuring you make informed decisions and capitalise on growth opportunities. We have a strong track record of transaction advisory in the beauty sector and are happy to discuss further with you.

BDA beauty expertise

 Divested majority stake in DHOLIC Commerce to 	 Series A capital raise 	 Strategic Partnership in China and Investment by 	 Agreed to divest a 70% stake to 	 Divested Alliance Cosmetics Group to Mandom Corporation 	 Divested Clark's Botanicals to 
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