

HOW DID THE E-COMMERCE FOR BEAUTY INDUSTRY DEVELOP IN KOREA COMPARED TO ROMANIA?

Roxana Diana BEJAN

Babeş-Bolyai University (Marketing, Faculty of Economics and Business Administration),
Cluj-Napoca, Romania
roxana.bejan@econ.ubbcluj.ro

Abstract: *E-commerce has nowadays become a type of business that the younger generation prefer rather than industrial business due to the little costs of developing. The efficiency and fast turnaround time of a little investment in an e-commerce business makes people oriented towards. The reason for choosing the beauty industry for our analysis is that the industry gained numerous new white label products launched by various brands lately therefore e-commences embrace them and promote them properly. The beauty industry has now a greater number of consumers due to the various benefits such as skin care routine and careful face hygiene. Korea is one of the countries that produce and develop a strong industry having advanced technology for producing high quality beauty products. Romania is an import country of beauty products with an enormous interest in Korean skin care products and cosmetics. The two countries developed the idea of cosmetics business using online methods and e-commerce platforms. The purpose of this analysis is to find the differences of promoting an e-commerce of beauty products on different platforms such as Naver and Google while outlining the tendency of customers behaviors in two totally different societies but also the way businesses can develop online while optimizing using specific platform engines so they can improve their performances. Therefore, we analyze a literature review on the beauty industry development, how this proceeds online during and after pandemic and how important are those for the Romania and Korea population. The research will ensure a better view of both platforms Naver and Google and how those are helping the e-commerce business in the beauty industry. We will see a proper comparison between the society's approach for e-commerce in both countries and an applied example on how this works for each culture.*

Keywords: *E-commerce; Naver; Google; beauty industry; cosmetics; customer behaviour.*

JEL Classification: *M31*

Introduction

Cosmetics embrace a variety of categories of products. From the fact that these ensure basic hygiene to the fact that it raise self-esteem and social prestige. Being one of the most profitable product categories, skin care industry is leading the global market with 41 percent in 2021. (Delphine & Lindsay , 2023) However, the industry of cosmetics has changed over the years through numerous segments reaching so many different areas such as beauty tech, e-commerce and DTC models, wellness integration, inclusive representation, influencer marketing and the list may go on. Nowadays we are facing a major phenomenon of crowdsourcing where beauty products, recommendation and acknowledgment are viral and easy to access for everyone. (Izabela & Patrycja , 2020) This fact may be caused by the expansion of the numerous people using beauty products from teenagers to elderly people. If it was considered to be a women focus segment industry the recent studies show that men started to use some of the beauty products for wellness and skin care as well. (Aditya , 2024) This fact opened the doors for more brands and startups to show on the

market developing cosmetics and beauty products. Coming from a historical controversy of consumer attachment regarding the animals the beauty industry suffered the first major change. The cosmetics started to be created in a more sustainable way creating products that are cruelty free and not tested on animals. (Antonio , et al., 2024) Moreover, the pandemic was a really challenging period for the beauty industry, especially for the fact that people didn't see a necessity anymore in using them because of the stay at home worldwide rule. However, the skincare products gained a lot of popularity through this period while people were experiencing skin problems due to the mask wearing. With that so, Amazon reported a 70% increase in its e-commerce sales in beauty and personal-care categories compared with pre-COVID-19, which was 5% higher than the increase seen in its total sales. Sephora US online sales during the pandemic were reportedly up by 30% compared to 2019. This leads us to validation of the lipstick effect. (Daniel Almaguer , et al., 2023) After the covid, the industry came across a large number of new white labels overnight because of the new trend defined in 2023 of " skinimalism " that highlights the benefits of a simple skincare routine which shows the importance of a product to be multifunctional. (Roman , 2023) White label is a concept of new business that represents creating a product by a manufacturer and then selling it to another company. The company that purchased the product rebranded it with their own logo and selling it into the market. (Sjaak & Roderick , 2011) Let's consider us wanting to make a shower gel and we know exactly the composition we want for that shower gel. We can go to any manufacturer that creates products for other brands but create our own with our own specifications and indications. It is a diverse market but not many manufacturers. Therefore, the marketing strategy nowadays is to sell what the company thinks you need, not what you need.

For example, it is not unusual to hear from an influencer the phrase "you need to buy this product. It has this and that benefits". (Boris , 2023) So, if the old concept of marketing says that it comes to satisfy consumer's needs at the highest level, the new marketing strategy is to create a product and then to create a need for it. A good example is lip sleeping masks. There are a lot of lip balms for dry lips but there came another product (lips sleeping mask) to help the same issue that had already a solution product. Therefore, to support such a large selling industry, there is a need for a big infrastructure especially with the globalization of exporting and importing. After Co-vid, e-commerce gained more popularity among the consumers as being an accelerator to online shopping. Based on a study, it really became a booster to the global market for one of the most successful Chinese brands " Perfect Diary" where the study highlights the benefits of online shopping. (Xi, 2024) But how exactly did the e-commerce beauty industry develop in Korea compared to Romania after the pandemic?

Literature review

From an economic standpoint at UE level the beauty industry helps the growth of the economic market which was about to reach US \$143.30 billion by the end of 2023. This is a considerable annual growth with 1.62% that is about to happen between 2024 and 2028. (EuroDev, 2024) Based on EuroDev the market may be sensitive in the future to some macroeconomic forces such as market dynamic, demography of online platforms and consumer behavior.

But considering the pandemic evolution we tend to understand an unusual consumer behavior which is called "the lipstick effect". (Aanchal , et al., 2022) The lipstick effect was discovered by Leonard Lauder, who was the head of The Estee Lauder Inc. at that time. The unusual behavior he noticed after the 9/11 attack was the increasing demand for lipstick with 11%. Later in 2008, at the greatest economic recession, he noted the same rise in the company's sales. Similarities are based on the great depression where sales of cosmetics rose when the economy was experiencing some of its darkest day. This may lead to the

point that the necessity of purchasing something small to make the consumer happy may be the way of getting over the depressive economic crisis. Consumer-centric nature of the beauty industry is amplified by its growing emphasis on inclusivity. The beauty sector is increasingly recognizing and celebrating diverse standards of beauty, catering to a wide spectrum of skin tones, hair types, and gender identities. Brands that prioritize inclusivity not only resonate with a broader customer base but also underscore the consumer-centric concept of the industry. (Qingyang , 2023)Therefore, the beauty industry canceled the traditional offline marketing methods and kept a closer look with digital marketing using new tools and methods of promoting: Influencer marketing, PPC, Google ads, Reviews etc. The purpose of this is to gain a competitive position in the market as the products and business grew fast. (Seok-Soo & Won-Suk , 2015)The first differentiation from the competition is the cruelty free character of the products. Consumer behavior is represented in the literature as being very sensitive to this subject as a brand becoming cruelty free or vegan may lead to a higher interest of purchase. If the buying action is high, it will be understood as a “high brand association”. (Shirui , 2023)

First step was made regarding replacing or searching for more sustainable ingredient alternatives. That had an effect of raising numerous questions regarding safety of the products and the chemical composition of them. (Geoffrey Jones, 2023) Now we can see a sustainability approach of the beauty industry. More and more became vegan and cruelty free for example Rare Beauty cosmetics, Cosrx, iUnik, D’Alba, Klairs.

E-commerce as a first choice for start-ups

E-commerce is a cost-effective way that brings owners in a direct relationship with customers and partners despite the geographic location and time zone. This makes the business flow and develop easier compared to old type of business. One positive aspect of e-commerce is that it may have a great base of retailers and it ensures a better organization stock. Globalization highlights the importance of infrastructure developed for this type of business, which is represented by the payment method, e-commerce platforms such as Shopify or WordPress, mobile shopping, fulfillment center and shipping methods. (Jefry, 2019) Moreover, having the KPI's that measure the performance of the business in real time which can be compared to last year or last month in order to make better future decisions is an efficient way to organize the business in a long and short time. (Sebastian & Arkadiusz , 2018) For example, marketing campaign decisions or ordering stock, restocking skus can be predicted by last performances registered by KPI'S.



Figure1: KPI'S e-commerce

Source: (Nepal, 2017)

E-commerce is still trying to optimize and provide the best experience to the customer by offering AI improvements, an outstanding logistics distribution, visual marketing campaigns,

professional materials in terms of product description and enlisting on websites and of course a secure way of payment and short delivery time. (Wenwen , et al., 2024) A couple of strengths of the AI implementation in e-commerce are: increased the loyalty and involvement of the customer, a better marketing advertising targeting, a better user experience while shopping. For all the above, big data is the major factor that plays a significant role. (Suming , 2024) After Co-vid, some businesses were forced to sell online due to the worldwide restrictions. If there was a gradual growth of e-commerce before the pandemic, after that it became more and more. Younger generation is tempted to choose e-commerce because based on a study they use online shopping more than offline shopping. So that, they understand the opportunity of e-commerce to its core value and efficiency. (Nabila & Zuhrinal , 2022) Another version of developing e-commerce was through white label and drop shipping. If before we took products and sold them overseas at a better price today, we see a great number of producers producing their own products. (Xianhao , et al., 2019) Based on a role product they go and ask for a prototype and then create a series of products for their own use. Therefore, on the beauty market we tend to see a cannibalization of products. If Amazon reported to have just a few merchants in the past that were selling now we tend to see more and more retailers that presents their offer on Amazon and other e-commences platforms simulations. (Meng Cao, 2023)

The evolution of e-commerce beauty industry in Korea vs Romania

As a main objective we need to see where is more easily to open a beauty products e-commerce based on specific parameters that can either help or not the business. In the Korean market for example, e-commerce stands as the 12th largest globally offering a lucrative overview for growth. Among the most famous e-commerce producers of beauty products, we encounter: Misha, TonyMoly, Lanaige and Sulwhasoo. These are also famous internationally and has a wide brand awareness globally. Beside those, Korea has a big chain of retailers of e-commerce's where we can mention StyleKorean, Soko Glam and Coupang.

This can be owed also to the Korean government that started a visa project for young entrepreneurs whose desires are to open start-ups in South Korea in a couple of industries. In 2023 their focus on e-commerce is mentioned as much as attracting the young generation to travel and invest in Korea and K-pop culture entertainment and beauty. (Kyei, 2023) Korean society pictures beauty products as a very important necessity in their daily lives and their daily routines. Their products are popular among people as being a morning/evening routine. This is also promoted on live streaming platforms and social media by influencers. (MinKyung & RakGun , 2022) They keep on consuming the new launch skin care products online and offline as much as fashion items as a loyalty behavior of their lifestyle for their favorite products. Therefore, an external factor as covid, couldn't stop the skin care industry. The browser that supports this e-commerce initiative is Naver, an inferior browser compared to Google which is used in western countries and Europe. (Peter & Minhjung, 2009) This is mainly because Naver came as an answer to the lack of information on Google for the Korean population. This is caused by the language barrier. The online shopping sector is supposed to grow because the progress of technology is directly bound with the implementation of 5G internet which brings more fluidity in using the internet in Korea. Samsung is making a lot of effort in this by creating new and upgraded devices. Based on a study there were 40.18 million people using the internet back in 2019 a number that significantly grew in 2023, where 50.56 million of internet users were registered. Moreover, the online methods of payment and the legislation of e-commerce activity such as the Computer Program Protection Act, Patent Act, Design Act, in Korea brings security to the population and encourages them to buy online. (Theresa , et al., 2019) Therefore, there has been a very rapid development of Naver while implementing functionalities such as Naver cafe, blogs, emails, news, web toon, shopping to fulfill the requirements of consumers.

Beside those, Naver implemented a Q&A platform with the official adoption of Knowledge iN. The AirRSearch artificial intelligence service that offers the possibility for people to ask a question where other users can provide answers like Yahoo answers. It is a great way for businesses to promote their products mainly because it helps the keywords optimization. (Inho , 2017) It is good for search engine optimization because it includes a link to your website which can bring you a boost to your position in Naver's ranking based on a relevant keyword somebody is searching. (Yun-Kyoung , 2022) For example, there was a question on Knowledge iN: "I have dry skin. Please recommend a basic skin care product." And the answer came giving some brands name as recommendations and links to directly access and possible purchase those products.

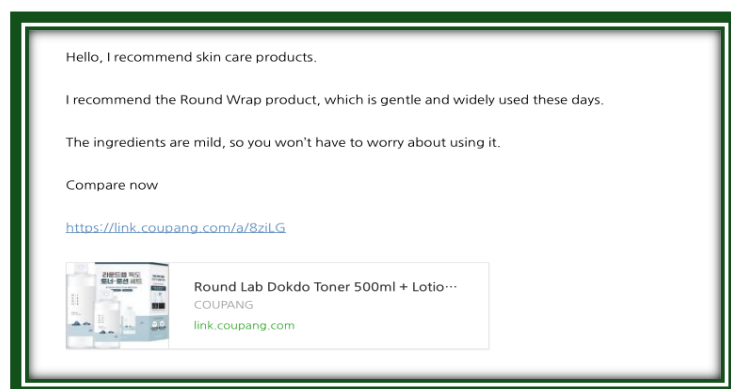


Figure2: Results of inquiry

Source: By author (KnowledgeIN, 2024)

Meanwhile in Romania, the eCommerce market contributed to the worldwide growth rate of only 9.6% in 2023. Google is the main browser used by Romanians when it comes to e-commerce. There are a lot of tools used for tracking performances, while Google indeed indexed a lot of information. Naver's strategy of excluding inquiries from other search engines from its database of replies is surely one factor in the company's success. This policy essentially limits Google's utility in the Korean market by preventing Google from offering any Knowledge iN content to its consumers. Because there isn't much web content available in Korean, Naver's closed and extensive database of responses has drawn a lot of traffic from Korean Internet users who typically prefer to search for information in Korean. (Edison & Kihoon , 2012) Google Analytics has six main categories of reports: Real-time, Audience, Acquisition, Behavior, Conversions, and Discover. Here we can observe different metrics (dimensions that can be given a quantifiable value, such as Pages/ Session, Pageviews, Average Session Duration) and analyze them to make the right decisions about the company. But is not the case in Korea. No matter how strong its search engine is, Google cannot find enough Korean-language information to satisfy Korean users. Google's technological edge in sophisticated search was significantly diminished. Naver's knowledge-sharing platform assisted it in addressing the dearth of Korean-language online material. Naver can better serve users who do online information searches by utilizing user-generated content. Romanians think that one of the advantages of e-commerce is time saving but it is not directly seen in the population behavior as there is still a lot of lack of confidence in the online payment system. If the trust of Koreans in online market is very stable, in Romania the consumers are not so open about this method of payment. Most orders are chosen to be paid at the delivery. Digitalization requires a change in terms of payment method as there are numerous options to do it: Paypal, Credit card, debit card, bank transfer. Online, the products are seen by Romanians as being easily compared while the offer grew significantly over the years. We can see a couple of new beauty products online stores: Skin Guru,

Korean skin, My-K Romania Ksisters. Their products offer is similar to Korean stores. The only difference is that the Korean e-commerce has a wider offer of products. Also, most of the Romanian online beauty stores sells the same products with slightly differentiation of prices, compared to Korea where the offer is quite diverse due to the rich number of producers if we do not encounter the official stores of the producers. Among the main e-commerce that really met a successful growth in Romania we encounter: Altex, Emag and Elefant. In 2019 eMag became the leader of the market with a total of 3,500 sellers and enlisting around 1.4 million products. The main products registered to be purchased online in 2018 were electronics, fashion, home and decorative garden items and other toddlers' articles. (Mihaela , 2019) The beauty industry e-commerce market is larger now implementing a lot of Korean skin care products while the number of online stores grew after the pandemic.

The methodology of the research started from a question I wanted to answer: How many e-commerce's of skin care products opened after the pandemic in Romania? To find out the year the online beauty stores started to work, we used the "wayback machine" a digital archive tool that was made initially to see how the website looked before. The tool also shows a calendar of usage since the beginning. The next step was the selection of online stores that were analyzed with the "wayback machine" based on the following keywords: cosrx; bb cream, hydration cream, hydrating oil. I have chosen these keywords because they have the biggest search ranking on the Romania market. Statistics determined by Ahrefs. Therefore, I have found the following results of online stores that has the products that contains one of the keywords I searched:

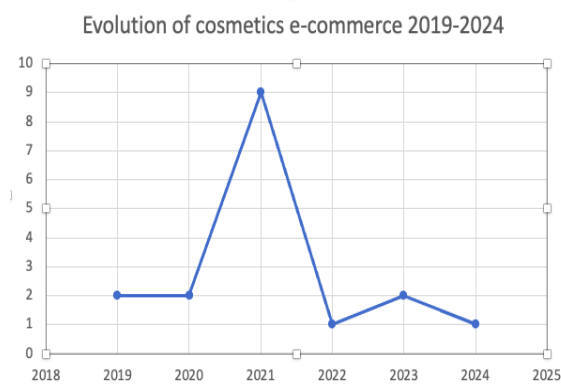


Figure3: Evolution of cosmetics e-commerce 2019-2024

Source: By author based on the table below (Wayback Machine, 2024)

Table 1: E-commerce platforms results for beauty products

2019	2020	2021	2022	2023	2024
https://www.sole.ro	https://my-k.ro	https://skinguru.ro	https://hiroskin.ro/	https://www.skinwonder.ro	https://rivabeauty.ro
https://www.lookfantastic.ro	https://blively.ro	https://beautyko.ro		https://ksisters.ro	
		https://wowskin.ro			
		https://koreanskin.ro			
		https://www.radiantbeauty.ro			
		https://sophielashes.ro			
		https://www.springfarma.com			
		https://orisha.ro			
		https://moonglow.ro			

Source: (Machine, 2024)

As a limit of the research, we can definitely encounter the volatility of the beauty market and the dynamics of the algorithms because of the keyword's trends.

For future research directions we can take into consideration the consumer behavior regarding the importance of skin care products for each country market and the reason why from a year to another in Romania it opens at least one e-commerce while in Korea the number of products increased significantly as “white labeling” is the main reason for it. Also, if the increasing number of products in Korea will affect or not the request of products in Romanian market and how are these depending on one another.

Conclusions

Beauty industry as a leading category of best-selling products is now an industry that implies male and female interest. “Skinimalism” and lipstick effect are two different concepts that have appeared among consumer behavior. Therefore, we tend to see more and significant role in the e-commerce industry by providing specific tools to measure performances of the business such as: average time spent per customer, number of sessions on the website, abandon rate, average order value and so on.

In Korea, the government tries to push the e-commerce sector by providing visas for those who have a business idea that can be implemented online. Their internet infrastructure by implementing 5G and the speed of the internet gives them a superior advantage compared to Romania. In fact, their skincare industry has now grown on another level as the skincare industry and fashion is considered very important by the population.

Their number one platform used is Naver, a platform that introduces features such as Naver blog, Naver cafe, Naver Q&A very similar to Yahoo answers. These features help search engine optimization and come as a help for businesses to optimize and promote their business online. Visibility is a keyword in an e-commerce business. Therefore, Naver uses the Q&A section to provide helpful information in real time for people who are looking for a certain product with specific requirements.

Compared to Korea, Romania is a little bit behind with all these technological changes. We have an anxious type of customers that have a fear of buying online due to the increased rate of fraud and scams. Even though there is a hesitation, the beauty products e-commerce increased during the pandemic and after that. This may lead to an interest among the population not only for products but for Korean products specifically.

The superior platform used by Romania is Google, and so Google analytics is the main tool that measures the KPI performances. Things may change in the future as there is constant upgrading of tools. Google analytics 4 replaced universal analytics. This way Google analytics 4 will not only have web data in the property but app data too which helps to compare the page metrics. The language barrier between the 2 makes Naver very successful among the Koreans. It provides a better service for their population as there is enough language information than on Google. The functions are different, the information is less than Google and the Rankins of business are easier than the usual.

more people being interested in skin care routine and skin care products.

A platform that supports all this interest is online shopping through e-commerce that is one of the most chosen ways of business in recent years. Even before the pandemic, e-commerce benefits were seen by the investors as a good way to sell efficiently in a distinguished geographical distribution using stocks or no stocks for satisfying consumers needs of skin care products.

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