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Dynamic Capabilities for Global K-Beauty: Integrating Digital and Regional Markets in Sulwhasoo

Seo-Woo Kim[1], Joohee Han[2]*

Abstract

This study analyzes how Sulwhasoo, the flagship luxury brand of Amorepacific and a symbol of Korean premium beauty, secures competitive advantages amidst structural shifts in the global beauty market through the lens of Dynamic Capabilities. By applying Porter's Five Forces and the VRIO framework, the research finds that Sulwhasoo demonstrates strategic flexibility in reconfiguring its unique ginseng-based R&D assets to meet evolving environmental demands. Key success factors include differentiated marketing mix adaptations across regions: luxury localization in China, clinical-based digital marketing in North America, formulation diversification in Southeast Asia, and sustainability branding in Europe. The analysis reveals that Sulwhasoo overcomes global market uncertainties by integrating traditional brand heritage with digital platforms. This study provides a strategic framework and practical implications for K-beauty brands seeking sustainable growth in the era of digital transformation.

Keyword : K-Beauty, Dynamic Capabilities, Digital Transformation, Regional Adaptation, Sulwhasoo, Premium Branding, Amorepacific

1. Introduction

The South Korean beauty industry has been recognized as a flagship export sector, demonstrating rapid global growth over the past decade. According to global market research, the K-beauty and personal care market is expanding significantly, driven by the proliferation of online and mobile-centric consumption patterns and the rise of premium and natural product trends [1]. Specifically, the global online channel is growing at an annual rate of 7 - 8%, while the natural and organic cosmetics sector is projected to exhibit a compound annual growth rate (CAGR) of 7.92% from 2024 to 2030 [2]. These structural shifts have enhanced the technological and brand competitiveness of Korean cosmetics, leading to an expansion of consumer demand into high-value-added segments such as functional skincare and beauty devices.

In fact, South Korean cosmetic exports reached approximately $4.8 billion in the first half of 2024

1 Department of Law, Gachon University, Gyeonggi-do, Korea [Undergraduate Student]
e-mail: kswksw1117@naver.com
2 Department of Business, Gachon University, Gyeonggi-do, Korea [Associate Professor]
e-mail: jhhan0729@gachon.ac.kr (Corresponding author)

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alone, marking a record high, with total annual exports projected to exceed $10 billion [3]. This achievement reflects a successful diversification of export destinations, moving away from a heavy reliance on a single market (China) toward North America, Europe, and Southeast Asia, thereby strengthening the international foundation of the K-beauty market [4]. In particular, digital platforms, SNS, and influencer-based content marketing have played a decisive role in building global brand awareness, restructuring the entire industry around a digital-first ecosystem.

Sulwhasoo, the flagship luxury brand of the Amorepacific Group, leads the global "Hanbang" (traditional medicine-based) luxury market under the philosophy of "Ginseng Science, Environment, and Culture." By combining traditional ingredients with modern R&D, Sulwhasoo has secured a unique premium position and is reinforcing its brand equity by reinterpreting its identity through global sensibilities, ESG management, and the inheritance of traditional culture [5].

This study aims to systematically analyze the global market entry strategies of Sulwhasoo, with a focus on how its Dynamic Capabilities are reflected in its regional approaches across China, North America, Southeast Asia, and Europe. Furthermore, by considering environmental challenges such as intensifying global competition and the slowdown of the Chinese market, this research intends to propose optimal strategic directions for Sulwhasoo to establish itself as a sustainable global leader in the premium beauty sector.

To achieve these objectives, this study employs a layered analytical framework grounded in three complementary theoretical lenses. At the industry level, Porter's Five Forces Model is applied to map the structural competitive pressures-including the rise of C-Beauty rivals, the democratizing effects of OEM/ODM ecosystems, and the growing bargaining power of digitally empowered consumers-that define the external environment in which Sulwhasoo operates. At the firm level, the VRIO framework is used to evaluate whether Sulwhasoo's proprietary ginseng-based R&D assets and Hanbang brand heritage constitute a source of sustained competitive advantage in an era of accelerating digital transformation and shifting generational preferences. Bridging these two levels, the Dynamic Capabilities framework provides the overarching logic for understanding how Sulwhasoo senses regional market signals, seizes differentiated positioning opportunities, and reconfigures its resource base across the distinct consumer landscapes of Greater China, North America, Southeast Asia, and Europe. The paper proceeds as follows: Section 2 analyzes the global K-beauty industry's competitive dynamics; Section 3 examines Sulwhasoo's brand equity and strategic assets; Section 4 presents region-specific strategic adaptations; and Section 5 concludes with strategic implications for premium K-beauty brands pursuing sustainable global growth.

2. Industry Structure and Competitive Dynamics of Global K-Beauty

The global beauty market has recently witnessed a strategic shift in demand from premium segments to mid-to-low-priced brands, with SNS and AI-based recommendation systems emerging as primary drivers of consumption behavior. For instance, Goodai Global has established a new success model for emerging K-beauty firms by rapidly building a global portfolio through data analytics, digital outreach, and strategic acquisitions of brands such as Beauty of Joseon, TIRTIR, and LAKA [6]. Such market dynamics offer critical strategic insights for traditional premium brands like Sulwhasoo, particularly regarding the expansion of their target demographic to Gen Z and the diversification of their product spectrum.

To systematically analyze the external environmental threats facing cosmetic enterprises, this study utilizes Michael Porter's Five Forces Model as its theoretical framework. First, the intensity of rivalry among existing competitors remains exceptionally high due to a structural characteristic where numerous brands compete with products offering similar functions and efficacies.

Second, regarding the threat of new entrants, the advanced OEM/ODM production ecosystem has lowered barriers to entry for firms lacking manufacturing facilities, while the proliferation of digital platforms has significantly reduced initial market entry costs [7].

Third, the threat of substitutes is ever-present given the vast array of functionally similar product groups, which, combined with low switching costs for consumers, exerts downward pressure on corporate pricing power.

Fourth, the bargaining power of buyers acts as a substantial constraint on distribution and pricing policies. This leverage is held not only by major intermediaries-such as large-scale drugstores like Olive Young and global retail channels like Sephora-but increasingly by the consumers themselves. The proliferation of digital content, including influencer reviews, community-led product comparisons, and real-time pricing data, has empowered consumers with high information symmetry. This shift allows consumers to bypass traditional marketing narratives, forcing brands to adopt more transparent pricing and value-driven distribution strategies to maintain competitiveness in a digital-first market [8].

Finally, the bargaining power of suppliers is concentrated among OEM/ODM companies that directly influence manufacturing processes and cost structures; the negotiation dynamics with these suppliers serve as a decisive variable for the cost efficiency and profitability of brand enterprises.

3. Sulwhasoo's Brand Equity and Strategic Competitive Advantage

Sulwhasoo's brand philosophy is anchored in three core pillars: Ginseng Science, Environment, and Culture. Since the 1960s, the brand has centered its core value on accumulated R&D in ginseng research and has actively integrated ESG management, including the implementation of refill systems and carbon-reducing manufacturing processes, into its brand identity [9]. This strategy has led to the establishment of an "Oriental Premium" image that reinterprets traditional Korean aesthetics for a modern audience, thereby supporting the Amorepacific Group's global expansion.

According to the VRIO framework, Sulwhasoo's competitive advantage is derived from its valuable, rare, and inimitable ginseng patents and its unique brand heritage. However, the recent rebranding process suggests a need for further evaluation of whether these internal resources are fully optimized for the rapidly changing digital environment and the aesthetic standards of Gen Z.

In terms of financial performance, Sulwhasoo serves as the primary engine for Amorepacific's luxury division. According to the 2024 fiscal results, the Amorepacific Group recorded annual sales of approximately KRW 4.26 trillion and an operating profit of KRW 249.3 billion, maintaining growth centered on profitability [10]. Notably, in the international business sector, significant revenue growth in North America and Europe has offset the slowdown in the Chinese market. As of the first quarter of 2025, the overseas revenue share has exceeded 40%, demonstrating tangible results in global portfolio diversification [11]. These indicators confirm that premium brands, led by Sulwhasoo, continue to secure competitive advantages within the global market.

4. Global Strategic Analysis and Regional Adaptation

This chapter analyzes the differentiated adaptation strategies Sulwhasoo employs across major global regions. The brand demonstrates Dynamic Capabilities by flexibly reconfiguring its product portfolios and distribution channels to align with local cultural contexts and consumption trends.

4.1 Greater China: Luxury Positioning and Localization

In the Chinese market, Sulwhasoo focuses on reinforcing its high-end brand equity by prioritizing high-performance anti-aging lines, such as Jaeumsaeng (Concentrated Ginseng) and Timetreasure. To secure a premium physical presence, the brand has optimized its department store counters in major

luxury shopping malls, focusing on key premium commercial hubs [12]. Under the strategic directive to differentiate its unique heritage from local competition, Amorepacific utilizes duty-free channels in Hainan and selective live-commerce platforms. Despite intensifying competition from local "C-Beauty" brands, Sulwhasoo optimizes its luxury image through storytelling that links traditional herbal medicine to Eastern heritage and influencer marketing on platforms like Xiaohongshu. Ultimately, this approach exemplifies asset reconfiguration to preserve luxury advantage under market uncertainty.

4.2 North America: Multi-channel Strategy and Clinical Science

In North America, Sulwhasoo pursues a multi-channel distribution strategy to expand brand awareness and capture the premium segment. This includes a presence in select Nordstrom locations and its online platform, as well as a strategic partnership with Sephora to introduce curated lineups that reflect American skincare habits [13]. Marketing efforts, such as the global "Skin Longevity Powered by Ginseng" campaign, emphasize the scientific efficacy of Korean ginseng through clinical data [14]. This approach caters to the local preference for "High-tech" and ingredient-based transparency, positioning ginsenosides and white ginseng extracts as premium functional ingredients suitable for a diverse range of skin types.

4.3 Southeast Asia: Contextual Adaptation and Digital Commerce

The Southeast Asian strategy centers on contextual reformulation to address tropical climates and high K-beauty demand. Sulwhasoo has strengthened its portfolio with lightweight gel textures, cooling functionalities, and brightening/UV protection lines. While maintaining high-end retail counters, the brand actively leverages the region's booming social commerce and live-streaming trends. By localizing content for YouTube and Instagram in native languages, Sulwhasoo effectively engages Gen Z consumers by providing tutorials tailored to local skin concerns and environmental conditions.

4.4 Europe: Artistic Luxury and Sustainability

Europe represents a market with high sensitivity toward sustainability and premium quality. Sulwhasoo is positioning itself as an eco-friendly luxury brand by introducing refillable packaging and nature-friendly ingredients. Historic entry into prestigious stores like Galeries Lafayette in Paris allows the brand to project an "Oriental Luxury" image that blends traditional aesthetics with contemporary art [15]. Notably, to better align with European sensory preferences, the brand has explored emphasizing its

artistic designs-shifting from traditional counter displays to modern art gallery profiles-to minimize cultural barriers to entry.

5. Conclusion and Discussion

This study analyzed the process through which Sulwhasoo leverages its Dynamic Capabilities to secure a monopolistic competitive advantage in the global beauty market. The findings confirm that while Sulwhasoo's ginseng science and "Hanbang" (traditional medicine) assets form an irreplaceable brand identity, the brand simultaneously faces challenges such as cultural barriers and limited accessibility for younger demographics. Based on these findings, the following strategic directions are proposed: First, strategic expansion of product categories is essential. Sulwhasoo should leverage its R&D competitiveness in ginseng extracts-currently centered on skincare-to penetrate high-performance personal care segments, such as luxury makeup. By diversifying its portfolio, the brand can maximize its market share in the premium sector and stimulate new consumer demand. Second, digital-centric content communication must be strengthened. Visual content emphasizing the scientific efficacy and "longevity" of products should be optimized for global platforms like YouTube and TikTok. In this context, it is critical to recognize that while TikTok's sound branding effectively enhances user engagement and emotional connection, its ultimate success in driving purchase intent and long-term brand loyalty depends on a strategic, multisensory integration with compelling visual content. Therefore, Sulwhasoo should implement a storytelling marketing approach-featuring the CEO or lead researchers-that harmonizes auditory cues with high-quality visuals to boost brand credibility and global influence [16]. Third, integration of regional cultural adaptation and sustainability is required. In response to the "Clean Beauty" trends in North American and European markets, Sulwhasoo must internalize clean formulas and eco-friendly packaging. Furthermore, a focused strategy of safeguarding the distinct scent and texture of traditional ingredients while emphasizing local sensory preferences is vital for sustained growth. Nevertheless, this study is not without limitations. The analysis relies primarily on publicly available corporate reports, industry data, and secondary sources, which may not fully capture the internal strategic decision-making processes of Amorepacific or the nuanced consumer perceptions that vary across subregions within each market. Furthermore, given the rapidly evolving nature of the global beauty industry-particularly the accelerating pace of digital platform innovation and the unpredictable regulatory shifts affecting cross-border e-commerce-the strategic landscape analyzed herein may undergo significant transformation in the near term. Future research would benefit from incorporating primary data collection

methods, such as consumer surveys or expert interviews across target markets, to provide a more granular and empirically robust assessment of Sulwhasoo's Dynamic Capabilities in practice. Additionally, longitudinal studies tracking the brand's performance trajectories in North America and Europe over the next three to five years would offer valuable insights into whether its current diversification strategy yields sustainable competitive advantages or requires further recalibration in response to the continued resurgence of Western luxury beauty incumbents and the growing sophistication of C-Beauty competitors. In conclusion, by organically integrating its unique traditional assets with advanced R&D and digital transformation strategies, Sulwhasoo is well-positioned to achieve sustainable growth and maintain a monopolistic competitive advantage in the global premium beauty market.

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