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Revolutionizing Health & Beauty Retail with CJ Olive Young's Digital Transformation

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Abstract

Purpose : This study examines the transformation of South Korea's Health & Beauty (H&B) market, focusing on CJ Olive Young's role in digital retail innovation. The research explores how digital transformation and O2O (online-to-offline) strategies have reshaped offline store operations and enhanced consumer experiences. Additionally, it analyzes the key factors necessary for establishing a dominant K-beauty distribution platform. **Data & Methods :** Using a case study approach, this research evaluates corporate reports, industry data, and market trends to assess Olive Young's strategic initiatives. **Findings :** Findings highlight the company's success in leveraging digital transformation for personalized marketing, integrating O2O strategies, and optimizing private brand (PB) and Direct-to-Consumer (DTC) models for profitability. These efforts have propelled Olive Young from a conventional retailer to a leading force in the H&B industry. Through this, Olive Young has evolved beyond a mere retail company, establishing itself as a comprehensive K-beauty platform. Furthermore, its digital-driven approach has strengthened collaborations with global K-beauty brands, facilitating their expansion into international markets. **Results & Implications :** This study underscores the importance of digital transformation and omnichannel strategies for long-term competitiveness. It offers strategic insights for retailers seeking to enhance customer engagement, streamline supply chains, and adapt to an increasingly digitalized market.

Keywords : Digital Transformation, O2O Strategy, Omnichannel Retailing, Distribution Platform, H&B Industry

JEL Classification Code : M31, L86, F23, L10, L81

1. Introduction

1.1. Background and Significance of the Study

The Health & Beauty (H&B) industry has been experiencing rapid growth both globally and domestically, with digital transformation and omnichannel strategies emerging as key competitive factors (Brown & Lee, 2021). In South Korea, the H&B market has also been undergoing accelerated change, driven by increasing consumer interest in beauty and wellness (Lee, 2022), the expansion of online and mobile shopping (Kim & Seo, 2023), and the rising

demand for personalized services (Chung, 2023).

Within this evolving market landscape, CJ Olive Young has established itself as the leading retailer in South Korea's H&B industry, solidifying its position as the dominant distribution channel (Choi & Park, 2023). While key competitors such as Lalavla, LOHB's, and Sephora have either downsized operations or exited the Korean market, CJ Olive Young has maintained steady growth (Park, 2023). This success is attributed not merely to an expansion of physical store locations but to the company's differentiated retail strategies, including digital transformation, online-to-offline (O2O) integration, and the adoption of the Direct-to-

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Consumer (DTC) model (Kim, 2023).

During the COVID-19 pandemic, while many beauty and healthcare retailers faced declining in-store traffic and delays in store openings, CJ Olive Young achieved record-breaking sales despite the economic downturn. According to CJ Olive Young's IR Reports (2020), its revenue during the pandemic increased by 13% to KRW 2.1192 trillion, while its operating profit rose by 38% to KRW 137.8 billion. Compared to its previous peak revenue in 2019, the company saw an 8% increase in total sales and a 57% surge in operating profit.

This sustained growth amid the pandemic can largely be attributed to CJ Olive Young's strategic emphasis on digital transformation and omnichannel retailing. As contactless shopping trends surged, the company recorded an average annual growth of more than fivefold between 2019 and 2024. Consumers who faced difficulties visiting offline stores actively turned to CJ Olive Young's online platform for their purchases. The company's digital services not only facilitated immediate product accessibility but also contributed to the overall recovery of consumer spending from an economic standpoint.

CJ Olive Young serves as a compelling case study for understanding the transformation and innovation of distribution strategies within the Korean H&B industry. Prior studies have highlighted the role of evolving retail channels and platform-based business strategies as crucial competitive factors in this sector (Kwon, 2023). In particular, new retail strategies and digital transformation have been identified as key determinants of corporate growth in the H&B industry (Yoo, 2022). Therefore, it is necessary to examine how CJ Olive Young has effectively leveraged these strategies to maintain its competitive edge.

This study aims to analyze the key success factors that have enabled CJ Olive Young to solidify its leadership in the Korean H&B market and to derive insights into the future direction of the industry. While previous research has focused on general retail trends and global beauty industry changes, there is a lack of comprehensive studies analyzing the specific success factors and competitive advantages of CJ Olive Young (Kim & Seo, 2023). This research seeks to fill that gap by conducting an in-depth examination of CJ Olive Young's competitive strategies and differentiated retail models, ultimately contributing to the discourse on the future trajectory of South Korea's H&B market.

1.2. Research Objectives and Research Questions

This study aims to identify the key factors that have contributed to CJ Olive Young's emergence as the dominant retailer in South Korea's H&B market. According to previous studies (Kang & Yoon, 2019), brand differentiation and retail strategies are major determinants of sustained

growth in the H&B sector. Therefore, this research seeks to analyze how CJ Olive Young has effectively leveraged strategic factors to achieve continuous growth. Furthermore, it examines the distinguishing characteristics of CJ Olive Young's new retail strategy by exploring its O2O integration, DTC model, AI and big data utilization, and membership loyalty programs. These strategies will be compared with those discussed in prior research (Yoo, 2022; Lim, 2022) to highlight CJ Olive Young's competitive advantages. Additionally, a comparative analysis with key competitors will be conducted to further elucidate the company's market positioning. By employing Porter's Five Forces Model (Porter, 1980), this study will analyze the overall industry landscape and evaluate how CJ Olive Young's competitive strategies differentiate it from its rivals.

2. Literature Review

2.1. Overview of the Health & Beauty Industry

The Health & Beauty (H&B) industry encompasses a broad range of consumer goods, including cosmetics, skincare products, health supplements, and personal care items (Kim et al., 2022). The industry has been experiencing continuous growth in both global and South Korean markets, driven by the increasing prominence of wellness trends and the rise in personalized consumption patterns (Brown & Lee, 2021). In particular, the diversification of distribution channels—encompassing online, offline, and online-to-offline (O2O) strategies—along with the adoption of digital transformation, has emerged as a critical factor in determining market competitiveness (Choi & Park, 2023).

A distinguishing feature of global H&B retailers is the reinforcement of omnichannel strategies, coupled with the integration of cutting-edge technologies such as augmented reality (AR) for virtual makeup trials and AI-powered personalized product recommendations (Kim & Seo, 2023). While traditional retail models primarily relied on brick-and-mortar stores, the new retail landscape has eliminated the boundaries between online and offline commerce. This shift has been facilitated by advancements in technology, enabling the provision of personalized services through big data analytics, mobile applications, and digital platforms. These developments have also led to streamlined payment systems, expedited delivery services, and enhanced supply chain efficiency.

The global H&B market continues to expand, with O2O strategies and the Direct-to-Consumer (DTC) model emerging as dominant trends (Wilson & Carter, 2020). The growing application of AI and big data analytics has contributed to an increase in personalized beauty solutions,

which, in turn, have become a key driver of consumer brand loyalty (Smith et al., 2021). Additionally, the industry is witnessing a shift towards sustainable and ethical consumption, leading to an expansion of the clean beauty segment, which prioritizes environmentally friendly and non-toxic formulations (Patel, 2022).

From a marketing perspective, there has been a noticeable shift from traditional advertising to influencer-driven and social media-based marketing strategies. Platforms such as Instagram, TikTok, and YouTube have become essential tools for brands, facilitating the adoption of user-generated content as a means of enhancing brand engagement and driving consumer purchasing behavior (Huang & Chen, 2021).

2.2. Health & Beauty Industry in South Korea

The South Korean H&B industry began its rapid expansion in the late 1990s, with the proliferation of roadshop-based distribution channels such as Olive Young, LOHB's, and Lalavla in the 2000s (Kang & Yoon, 2019). Additionally, global retailers such as Sephora and e-commerce giants like Amazon have made their entry into the Korean market (Choi & Lee, 2021). More recently, the industry has been experiencing substantial growth driven by the expansion of digital platforms and the globalization of K-Beauty (Lee, 2022). As of 2023, the South Korean H&B market was valued at approximately KRW 2 trillion, with a compound annual growth rate (CAGR) of 20% (Park, 2023).

According to Porter's Five Forces Model (Porter, 1980), the competitive landscape of South Korea's H&B industry is characterized by the dominance of Olive Young, which holds the highest market share, followed by competitors such as LOHB's, Lalavla, and Sephora (Jeong & Kim, 2022). New entrants, including e-commerce-based retailers such as Coupang, Market Kurly's Beauty Kurly, Musinsa, and Daiso, have further intensified market competition.

The primary consumer demographic in the South Korean H&B sector comprises Millennials and Generation Z (MZ Generation), who exhibit a strong preference for personalized products and subscription-based services (Kim, 2023). The industry features relatively low barriers to entry, making it an attractive space for startup brands. However, the high degree of brand loyalty among consumers towards established retailers presents a challenge for new market entrants (Kwon, 2023).

Furthermore, the rapid expansion of DTC brands and cross-border e-commerce platforms has heightened the threat posed by substitute distribution channels (Lim, 2022). While the bargaining power of cosmetic manufacturers (OEM/ODM) and raw material suppliers is generally low due to the abundance of suppliers, premium ingredient suppliers tend to wield greater influence (Yoo, 2022).

Additionally, the increasing reliance on social media and online communities for product recommendations has significantly strengthened consumer bargaining power. Consumers frequently compare prices, read product reviews, and engage in peer discussions before making purchasing decisions, further shifting the power dynamics within the market (Park, 2023).

3. Research Methods

This study employs a case study research methodology to conduct an in-depth examination of the strategic decision-making processes and competitive advantages of the target company. Case study research is particularly suitable for analyzing specific firms or industry phenomena, as it allows for a comprehensive understanding of the subject by considering contextual factors (Yin, 2018; Merriam, 1998). This approach is especially valuable for assessing how internal and external environmental factors influence corporate growth and competitiveness, as well as for understanding the formulation and evolution of key business strategies over time.

To systematically analyze Olive Young's growth strategies and competitive advantages, this research integrates multiple sources of data. A wide range of secondary data, including corporate management reports, industry analysis reports, academic literature, and media articles, has been extensively collected and reviewed. Additionally, in-depth qualitative data will be obtained through interviews with key stakeholders, enabling a more exploration of Olive Young's strategic initiatives. By comparing and analyzing these findings against existing literature, the study aims to generate refined and well-grounded research outcomes.

Through this multi-faceted research approach, the study seeks to uncover the distinctive strategies that have contributed to Olive Young's competitive positioning and long-term sustainability. Furthermore, the findings will provide valuable strategic insights for firms in similar industries, offering practical implications for businesses seeking to enhance their market presence through digital transformation and omnichannel retailing. Ultimately, this research aspires to contribute to the broader academic discourse on corporate strategy, competitive advantage, and the evolving dynamics of the Health & Beauty industry.

4. Internal Capabilities Analysis

4.1. Introduction of CJ Olive Young

CJ Olive Young is South Korea's leading Health &

Beauty (H&B) retailer, founded in 1999 by CJ Group. Initially positioned as a lifestyle store offering both health and beauty products, the company quickly shifted its focus to becoming a beauty-centric distribution channel, fueling rapid growth. In addition to establishing an extensive offline store network, Olive Young has actively embraced digital transformation strategies, enhancing its online and mobile platforms to implement a robust omnichannel strategy.

As a result of these efforts, Olive Young's market share in the South Korean H&B sector increased significantly from 57.2% in 2021 to 71.3% in the first quarter of 2023, solidifying its dominant position in the industry. Initially launched as a subsidiary of CJ Group, Olive Young operated as an independent corporation (CJ Olive Young Co., Ltd.) leveraging the group's resources while maintaining an autonomous organizational structure tailored to the H&B industry. The company systematically operates specialized business divisions focusing on omnichannel retailing, product curation, exclusive brand partnerships, and optimized customer experiences. In response to the evolving market landscape, Olive Young has reinforced its customer service strategies, including fast delivery services and in-store pickup options, to enhance shopping convenience. Additionally, the company has secured a competitive edge through its private brand (PB) product development and exclusive partnerships with global brands, further strengthening its differentiated product planning and curation capabilities. Through these strategic initiatives, Olive Young has successfully established itself as the dominant player in South Korea's H&B industry, capturing a market share of 71.3% in 2023 (Hana Securities, 2023). The following chart illustrates the market share of Olive Young in H&B over the past three years.

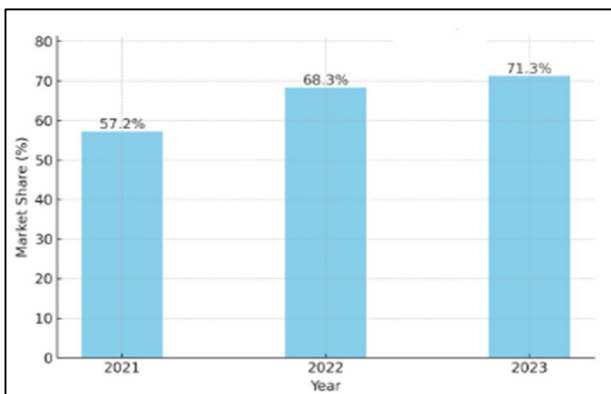


Figure 1: Olive Young Market Share Analysis
Source: Hana Securities(2023)

CJ Olive Young's status within CJ Group has been steadily rising. As of 2023, it ranked second in operating profit within the group, following CJ CheilJedang, positioning itself as one of CJ Group's core growth-driving

businesses. In the broader South Korean retail industry, CJ Olive Young secured the fourth-largest operating profit, recording KRW 466 billion, trailing behind Shinsegae (KRW 639.8 billion), Coupang (KRW 617.4 billion), and Lotte Shopping (KRW 508.4 billion) (Retrieval and Transfer System, 2023).

Despite economic downturns and weakened consumer sentiment, Olive Young has maintained consistent growth, supported by strong brand loyalty. Moving forward, the company is expected to further solidify its position as a global Health & Beauty (H&B) platform through continuous innovation and strategic expansion.

Table 1: Korean Retail Companies Overview

Rank	Company Name	Operating Profit	Revenue
1	Shinsegae	6398	6.2571
2	Coupang	6174	31.829
3	Lotte Shopping	5084	14.6669
4	CJ Olive Young	4660	3.8612
5	GS Retail	3940	11.6125
6	Hundai Department	3035	4.2075
7	BGF Retail	2532	8.1948
8	E-mart	(-)469	29.4722

Source : Data Analysis, Retrieval and Transfer System (2023)
unit: trillion krw

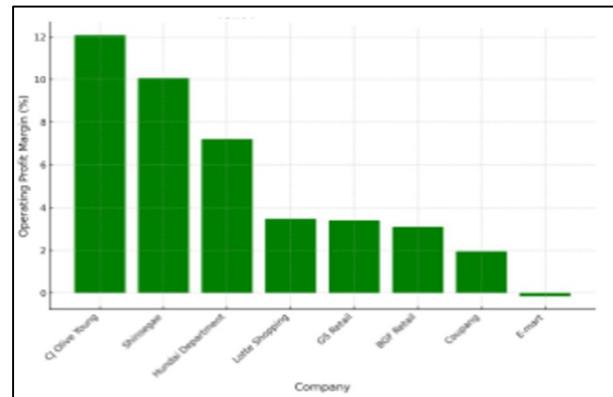


Figure 2: Operating Profit Margin of Retail Companies
Source : Data Analysis, Retrieval and Transfer System (2023)

CJ Group's four core business sectors are categorized as Food, Bio, Logistics & Retail, and Entertainment & Media. Among these, Logistics & Retail and Food industries account for 38% and 35% of the group's total revenue, respectively, highlighting their significance within CJ Group's overall business portfolio. While CJ Logistics spearheads the group's logistics operations, Olive Young has established itself as the leader in the retail sector, driving CJ's expansion in Health & Beauty (H&B) distribution.

CJ Olive Young has demonstrated continuous growth in net profit, accompanied by a steady expansion of its store network. The number of Olive Young stores increased from

417 in 2014 to 552 in 2015, 790 in 2016, 1,074 in 2017, and 1,198 in 2018, with an annual increase of 100 to 200 stores per year until 2019. Alongside this expansion, Olive Young has also recorded consistent revenue growth (CJ Olive Young IR Reports, 2020).

This study aims to analyze the key success factors behind Olive Young's rapid growth and examine its platform strategy as an emerging beauty platform, exploring how it has established itself as a dominant player in the H&B industry.



Figure 3: Store Count and Sales Over the Years
Source : Cushman & Wakefield (2023)

4.2. Analysis of Olive Young's Success Factors

Olive Young has achieved rapid growth by integrating innovative strategies beyond mere offline store expansion, including digital transformation, online-to-offline (O2O) integration, private brand (PB) development, the Direct-to-Consumer (DTC) model, and the global expansion of K-beauty. These strategies have enabled Olive Young to maintain a dominant position in South Korea's Health & Beauty (H&B) market while simultaneously expanding its influence in the global beauty sector.

4.2.1. Olive Young's Competitive Advantages

An analysis of Olive Young's competitive advantages through the VRIO framework highlights key factors that contribute to its sustained market leadership. In terms of value, Olive Young maximizes consumer satisfaction by offering a diverse product portfolio, personalized beauty consultation services, and an integrated O2O system that enhances the shopping experience with fast delivery and in-store pickup services. From a rarity perspective, Olive Young has established itself as the largest H&B retailer in South Korea with a strong brand identity, exclusive PB product offerings, and strategic partnerships with global brands, making it difficult for competitors to replicate its market position. Olive Young's brand trust, customer relationships, omnichannel integration, and efficient logistics network

serve as significant barriers to entry, making it challenging for competitors to imitate its business model within a short period. Leveraging these competitive advantages, Olive Young continues to strengthen its position as South Korea's leading H&B retailer while pursuing sustained growth in the global market.

One of the key components of Olive Young's success is its focus on digital transformation and AI-driven innovations. The company has actively integrated digital technology to enhance customer experience, positioning its digital transformation as a core competitive strength. Through its mobile app and online platform, customers can seamlessly browse products, place orders, access promotional information, and receive personalized product recommendations and membership benefits. This strategic focus has significantly contributed to Olive Young surpassing 10 million mobile users, further solidifying its reputation as a leading beauty platform in South Korea (CJ Olive Young, 2023). In particular, Olive Young has successfully implemented AI-driven systems to optimize operational efficiency. One notable example is the development of an automated image verification system. As Olive Young operates across multiple online sales platforms, including its own website, Naver Shopping, and Google, each platform requires compliance with distinct image guidelines for product listings. The challenge of ensuring adherence to these varying standards led to inefficiencies, as multiple staff members manually reviewed product images, often interpreting guidelines differently. The sheer volume of images requiring inspection, coupled with the redundancy of reviewing identical images multiple times, further exacerbated the inefficiency (CJ Olive Young tech Homepage, 2024).

To address these challenges, Olive Young's Catalog Service Development Team introduced an AI-powered automated image verification system. After evaluating multiple options, the company adopted AWS Bedrock and the Claude 3.5 Sonnet model to automate the entire process, including image uploads, analysis, verification, and data management. By leveraging AI, the system automatically reviews images according to platform-specific guidelines, ensuring consistency and efficiency in the verification process. Additionally, system prompt optimization and temperature adjustments were implemented to maintain stable verification results. The use of caching strategies further reduced redundant reviews, enhancing processing speed and minimizing unnecessary costs. As a result, Olive Young successfully optimized its image verification system, allowing for seamless compliance with diverse platform requirements while significantly reducing costs and time.

Through these advancements, Olive Young continues to reinforce its competitive edge in the H&B sector, demonstrating a commitment to digital innovation and

strategic transformation. By integrating AI-driven solutions, omnichannel strategies, and exclusive brand partnerships, the company has not only strengthened its domestic market position but is also well-positioned for expansion in the global beauty industry(CJ Olive Young, 2023).

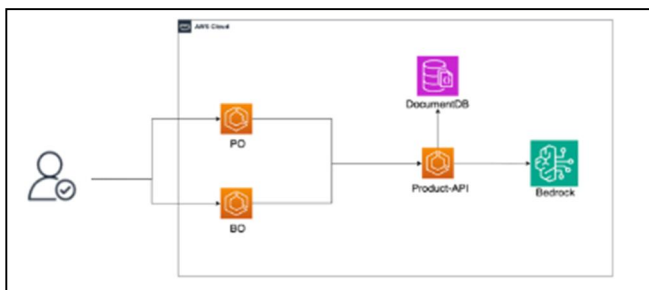


Figure 4: AI Image Review System Architecture
Source : <https://oliveyoung.tech/>

In addition, Olive Young has implemented a big data and AI-based recommendation system that analyzes customer purchase history to provide personalized product recommendations. This system optimizes the promotion of popular products and discount information, effectively boosting both online and offline sales. Furthermore, some stores have introduced smart kiosks, allowing customers to independently search for product information and utilize QR code-based payment systems, enhancing shopping convenience (Yonhap News, 2023). Through the integration of AI and digital transformation, Olive Young continues to enhance customer experience and improve overall convenience, reinforcing its position as a leader in the Health & Beauty retail industry.

4.2.2. Expanding Customer Accessibility Through a Strong Online-to-Offline Strategy

Olive Young actively utilizes an Online-to-Offline (O2O) strategy to seamlessly integrate its online and offline channels, ensuring that customers can shop conveniently anytime and anywhere. By implementing a robust omnichannel retail approach, the company enhances customer accessibility and provides a seamless shopping experience across multiple platforms.

One of Olive Young’s key initiatives is its pickup service, which connects its online store with physical retail locations. Customers can place orders through the Olive Young mobile app or website and pick up their products at a nearby store, reducing delivery time and maximizing convenience. Additionally, Olive Young has introduced a review-based recommendation system, allowing customers to experience products in-store before making a purchase through the mobile app. This system enhances consumer decision-making by leveraging real-time feedback and product reviews.

The company has further strengthened personalized recommendation services by leveraging big data and AI-driven analytics. By analyzing purchase history and customer preferences, Olive Young provides tailored product suggestions and integrates Location-Based Services (LBS) within its app, enabling customers to easily find desired products at nearby stores. Through these strategies, Olive Young effectively combines the advantages of physical stores (hands-on product experience) with those of digital platforms (convenient purchasing process) to deliver a customer-centric unified shopping experience.

One of the most successful O2O initiatives is the “Today Dream” (Quick Commerce) service, which has gained significant traction among Millennials and Generation Z (MZ Generation), who prioritize fast delivery. The Today Dream service allows customers to pick up online orders from a nearby store or receive delivery within three hours, offering a fast and efficient shopping experience (Shin & Lee, 2023).

Additionally, the "Click & Collect" service enables customers to place orders online and pick them up at the nearest Olive Young store. This feature combines the convenience of online shopping with the accessibility of physical stores, strengthening Olive Young’s omnichannel strategy. By promoting the showroom effect, where customers explore products in-store before purchasing online, Olive Young has successfully increased customer engagement and optimized its sales channels (Kim, 2023).

As a result of these strategic initiatives, Olive Young’s online sales share surged from 2.3% in 2021 to 25.9% in 2023, reflecting a substantial increase. This growth can be attributed to shifts in consumer behavior toward contactless shopping following the COVID-19 pandemic, as well as Olive Young’s successful digital transformation efforts. The company’s focus on enhancing digital channels, introducing promotional campaigns, and expanding rapid delivery services has significantly improved the overall customer experience, contributing to its sustained market leadership.

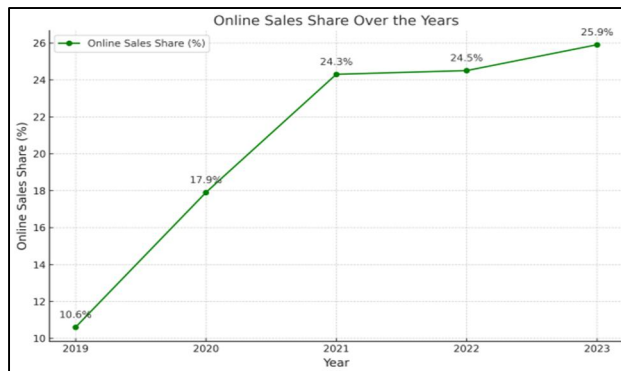


Figure 5: Online Sales Share
Source: Olive Young IR Report (2023)

4.2.3. Enhancing Profitability Through Private Brand Strategy and Direct-to-Consumer Model

Olive Young has actively leveraged its private brand (PB) strategy and Direct-to-Consumer (DTC) model to achieve high profitability. By launching exclusive PB brands such as WakeMake, Bring Green, Colorgram, and byUR, Olive Young has differentiated its product offerings from competitors while securing higher profit margins (CJ Olive Young, 2023). The company has expanded its PB product categories to include cosmetics, skincare, health supplements, and beauty accessories, reinforcing its position as a key player in the H&B industry.

The PB model allows Olive Young to strategically plan and distribute its products, ensuring price competitiveness while rapidly launching trend-driven, differentiated items. Particularly popular among Millennials and Generation Z (MZ Generation), these products feature stylish packaging and cost-effective quality, increasing their appeal to younger consumers. Additionally, Olive Young maximizes the marketing impact of its PB products through exclusive planning, limited-edition releases, and in-store testing campaigns. For instance, WakeMake specializes in trendy color cosmetics, while Bring Green focuses on skincare products formulated with natural ingredients. The company has also expanded into the health supplement sector, further diversifying its PB portfolio.

Beyond its domestic market, Olive Young has implemented a global expansion strategy, listing its PB products on major international e-commerce platforms such as Amazon, Shopee, and Qoo10 to attract overseas customers (Jang, 2023). This approach has strengthened Olive Young's position as not just a retail platform but a beauty and health brand with its own competitive product lineup. Since PB products offer high price competitiveness and exclusive sales rights, Olive Young continues to expand its proprietary offerings to maximize profitability and enhance its brand equity.

4.2.4. Leveraging the K-Beauty Global Trend and Content Marketing for Brand Expansion

Olive Young's growth has been further accelerated by the global popularity of K-Beauty. South Korea's beauty industry has gained worldwide recognition, particularly in skincare and color cosmetics, where K-Beauty brands have established a strong presence (Choi & Park, 2023). To capitalize on this trend, Olive Young has actively engaged in content marketing and social media campaigns to enhance brand recognition. Collaborations with influencers and YouTuber shave enabled the company to create trendy, engaging content, while Olive Young itself has positioned its platform as a leader in setting beauty trends. Large-scale promotional events such as "Ol-Yong Sale" have gained wide spread attention on social media, fostering organic word-of-

mouth marketing among consumers (Kim & Seo, 2023).

As South Korea's leading H&B retailer, Olive Young is expanding its global presence by leveraging K-Beauty trends. The K-Beauty market has been receiving increasing attention for its innovative skincare technologies, clean beauty movement, and trend-driven products tailored to MZ consumers. Olive Young has aligned its strategies with these trends by strengthening its role as a global distributor of K-Beauty brands. The company has reinforced its platform's global accessibility by enabling overseas consumers to purchase K-Beauty products through its official online store. Additionally, it has partnered with global e-commerce platforms such as Amazon, Shopee, and Lazada, as well as local distributors in key markets, to support K-Beauty's international expansion. Olive Young's PB and exclusive brand products have gained traction, particularly in the United States, Japan, and Southeast Asia, where demand for K-Beauty is rising.

To further engage global consumers, Olive Young has intensified its localized marketing efforts. By utilizing social media platforms such as Instagram, TikTok, and YouTube, the company has successfully disseminated K-Beauty trends worldwide. Collaborations with influencers, region-specific beauty content creation, and curated skincare routines tailored to local consumers have strengthened Olive Young's brand positioning. The company has also emphasized sustainability through eco-friendly packaging and vegan beauty products, appealing to environmentally conscious consumers.

Through these strategies, Olive Young is transitioning from a domestic beauty retailer to a global K-Beauty hub, expanding alongside emerging K-Beauty brands in international markets. The company's continuous innovation in digital transformation, O2O services, PB product expansion, and global market penetration is expected to solidify its position as a leading global K-Beauty distribution platform.

5. Competitive Analysis

Olive Young's main competitors include Sephora, Market Kurly's Beauty Kurly, and Musinsa. While these companies operate in similar industries, they do not directly compete with Olive Young across all segments. However, overlapping business models and shifting consumer trends have led to increased competition in certain areas.

Sephora is a global luxury beauty retailer founded in France and part of LVMH Moët Hennessy Louis Vuitton. The company specializes in high-end cosmetics, skincare, and fragrances, offering an innovative in-store shopping experience that allows customers to freely test products before purchasing. Sephora primarily targets consumers in

their late 20s and older, focusing on premium and niche beauty brands such as Dior, Chanel, Estée Lauder, Yves Saint Laurent, Huda Beauty, Tarte, Urban Decay, and Fenty Beauty. Sephora pioneered the self-service shopping model in beauty retail, which has also influenced Olive Young's approach to customer experience enhancement.

With the global rise of K-Beauty, Sephora has started incorporating K-Beauty brands into its product lineup, creating potential competition in exclusive brand distribution. While Sephora and Olive Young serve distinct customer segments, growing demand for luxury and mass-market K-Beauty products may lead to indirect competition in brand exclusivity and product curation.

Market Kurly, originally an online premium grocery retailer, expanded into beauty retail by launching Beauty Kurly. As an online-first beauty platform, Beauty Kurly leverages fast delivery and competitive pricing to attract customers. Recently, the platform launched a "Lowest Price Challenge", where it guarantees refunds for any price differences on select products compared to Olive Young. This aggressive pricing strategy is challenging Olive Young's competitive positioning in the online beauty market.

Unlike Olive Young, Beauty Kurly operates as a fully online platform, focusing on premium beauty curation. However, with Olive Young strengthening its PB and DTC models, the competition for online consumers is expected to intensify. While Beauty Kurly emphasizes luxury product curation, Olive Young differentiates itself with accessibility, affordability, and an omnichannel strategy.

Musinsa, originally a fashion-focused platform, has expanded into beauty retail, leading to increased competition with Olive Young. While Musinsa initially targeted streetwear and indie fashion brands, it has broadened its scope to include beauty brands catering to MZ consumers. Musinsa emphasizes curated marketing strategies, indie brand partnerships, and a lifestyle-oriented approach, attracting younger demographics. Both Olive Young and Musinsa are actively expanding their men's beauty segments, recognizing the increasing demand for male grooming products. Musinsa has strengthened its men's skincare and cosmetics offerings, while Olive Young has dedicated men's beauty sections in stores. This overlap in consumer targeting suggests growing competition in the men's beauty market. A notable conflict emerged between Musinsa and Olive Young when Musinsa filed a complaint with South Korea's Fair Trade Commission, accusing Olive Young of unfair trade practices. This legal dispute reflects rising competition between online fashion and H&B retail platforms, as digital transformation reshapes the retail landscape. Overall, while Olive Young shares competition with Sephora, Beauty Kurly, and Musinsa, their market positioning and competitive intensity vary. Sephora focuses on luxury beauty, while Beauty Kurly specializes in online premium retail, and

Musinsa emphasizes fashion-integrated beauty marketing. Olive Young's strength lies in its role as the leading K-Beauty distribution platform, leveraging PB product innovation, offline store networks, and omnichannel strategies to differentiate itself from these competitors.

Table 2: Analysis of Competitors

	Competitive Factors	Differentiating Elements
Beauty Kurly	Online-based premium beauty commerce, fast delivery (next-day delivery), clean beauty and high-end brand curation	Focuses on high-end brands compared to Olive Young, exclusively online but has strong brand trust and logistics advantages
Sephora	Global premium beauty select shop, exclusive distribution of international luxury brands, in-store experiential services	Specializes in global luxury brands compared to Olive Young, differentiated through experiential retail stores
Musinsa	Fashion & beauty integrated platform, MZ generation-focused curated brands, expanding into the men's beauty market	Stronger integration with fashion and targeted toward men's beauty compared to Olive Young, primarily online but has significant community influence

Source: Compiled by the researcher

6. Conclusion and Implications

This study aims to conduct an in-depth analysis of CJ Olive Young's success factors and explore strategic directions for maintaining sustainable competitiveness in the Health & Beauty (H&B) market. The analysis reveals that Olive Young's success is not merely the result of offline store expansion but is instead driven by differentiated retail strategies, including digital transformation, online-to-offline (O2O) integration, private brand (PB) development, the Direct-to-Consumer (DTC) model, and adaptation to global K-Beauty trends. These strategies have positioned Olive Young not just as a retail company but as a comprehensive K-Beauty platform.

The key success factors of Olive Young can be summarized as follows. First, the company has strengthened personalized marketing through digital transformation and enhanced customer experience, utilizing consumer data analysis to offer customized services. Second, it has reinforced its O2O strategy, ensuring seamless integration between online and offline channels to enhance consumer accessibility. Third, Olive Young has expanded its profitability by leveraging PB brands and the DTC model, securing a unique competitive advantage. Fourth, the company has pursued global expansion and ESG-oriented sustainable management strategies, strengthening its competitiveness in international markets and ensuring long-term growth. Based on these strategies, Olive Young has

evolved from a conventional offline retailer into a leading K-Beauty distribution platform, driving growth within the H&B industry.

To ensure continued growth for Olive Young and other beauty distribution platforms, several strategic directions are necessary. First, further advancements in data-driven personalized marketing and AI-based recommendation systems should be made to optimize customer experience. Second, the expansion of O2O services and quick commerce capabilities should be prioritized to strengthen the connection between online and offline retail. Third, PB brands such as WakeMake and Bring Green should be actively introduced to global markets, and the DTC model should be further developed to establish a differentiated brand strategy. Fourth, in key international markets such as China, Southeast Asia, and the United States, K-Beauty brand curation must be enhanced, while localized marketing and logistics systems should be optimized to strengthen market competitiveness.

This study provides insights into the transformation of the Korean and global H&B distribution industry by analyzing Olive Young's success case. In particular, it examines how digital transformation and O2O strategies have reshaped offline store operations and consumer experiences while identifying key elements required for establishing a K-Beauty distribution platform. The findings suggest that differentiated distribution strategies utilizing digital technologies and data analytics are becoming essential competitive factors in the future H&B industry.

Furthermore, as consumer trends among Millennials and Generation Z continue to evolve, strengthening online and mobile platforms and providing a seamless omnichannel shopping experience are emerging as critical challenges. The case of Olive Young demonstrates that companies capable of adapting to the digital environment and delivering innovative customer experiences can establish a strong foothold in the domestic H&B market and expand their competitiveness in global markets. Additionally, it highlights that continuous technological innovation and the adoption of new retail models will serve as key determinants of long-term corporate growth. Consequently, competing firms must move beyond simple product sales and develop AI-driven customer analytics and interactive shopping experiences to maintain their market positions.

While this study provides valuable insights into CJ Olive Young's success factors and digital transformation strategies, it has certain limitations. First, the research primarily relies on secondary data sources, including company reports, industry analyses, and prior literature, which may limit the depth of understanding regarding internal decision-making processes. Second, the case study approach focuses solely on CJ Olive Young, making it challenging to generalize the findings to other retailers in the Health & Beauty industry,

especially those operating in different cultural or economic contexts. Additionally, the study does not account for the potential impact of future technological advancements or shifts in consumer behavior that could influence the competitive landscape. Further research incorporating primary data, such as interviews with key stakeholders or consumer surveys, would provide a more comprehensive understanding of the factors driving success in the H&B sector.

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