

# *Analysis of the Chinese Cosmetics Market*

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**Abstract:** In recent years, China's cosmetics market has maintained a high growth rate, with numerous consumers supporting its development and the emergence of well-known brands. In 2017, the total value of China's cosmetics market exceeded 1.8 trillion yuan, an increase of approximately 14.3%, of which the major share was occupied by skin care revenue of 1.06 trillion yuan; color cosmetics revenue of 450 billion yuan; and perfume revenue of 180 billion yuan. In terms of the composition of the number of consumers, the population of mainly women occupies the vast majority of the number of consumers, and women's consumption perspective of consumption to support the overall makeup market to maintain continuous growth. As the consumer base continues to expand, the acne market develops in an orderly manner, and products continue to hit the market with new technologies, personalized beauty is being implemented among the younger generation, all of which makes the outlook for the Chinese cosmetics market very positive. In the 2018 annual figures, for example, the total value of the Chinese cosmetics market is estimated to exceed RMB 2.1 trillion, up 14.7% from 2017.

With the release of overall domestic consumption potential and the application of new technologies in skincare, the Chinese cosmetics market will also continue to grow at a faster pace in the future.

**Keywords:** cosmetics market, future development, women's demand

## 1. Introduction

In recent years, a monstrous wave of new consumption has swept in with the gradual maturation of manufacturing technology and services in China. The development of beauty products in China has reached a trend that cannot be ignored. With this comes a group of outstanding local cosmetic brands led by Baijiao, Natural Tong, Perlaiya and Marumi remain the mainstay of China's cosmetic industry. At the same time, with the emergence of new traffic bonuses and opportunities brought about by category innovation, new Chinese domestic brands such as Perfect Diary, Hua Xi Zi, Jia You Xi and WIS have continued to grow in strength. Their brand awareness has also grown rapidly.

Some of China's small and medium-sized cosmetic companies are homogenized. However, due to the company's lack of capital and slow research and development results, homogenization will become more and more serious as the number of competitors in the industry increases.

At the same time, the leading companies in the cosmetics industry, with their strong financial strength and strong R&D capabilities, have established a market advantage for their products through product differentiation strategies and have strong brand influence, and will always maintain a certain

influence and position in the industry which is unattainable for newer cosmetics. The cosmetics industry is a lighthouse industry in the consumer market and one of the most dynamic markets in terms of consumption. Today, with economic and social development and changes in consumer attitudes and breakthroughs, the concept of cosmetic consumption is gradually increasing, Men and silver-haired people are no longer marginal fashion consumers but are moving into the center of the fashion limelight.

As the world's second-largest cosmetics market, China's cosmetics market continues to grow at an average annual rate of more than 10%, and the country's cosmetics imports are growing strongly, with a high overall import value per unit, demonstrating strong market demand and huge market potential.

Comprehensive understanding of the actual situation, to grasp the objective reality, "research" is to grasp the objective reality based on its induction and generalization, to identify internal links, discover internal laws and formation of a comprehensive understanding of things. Therefore, the survey of the cosmetics market is from the actual, respect for objective laws, play the process of subjective initiative, can better make the development of the economy is also a key factor in determining the quality of work to improve the efficiency of cosmetics. Therefore, it is necessary to improve the research and study of such work, which will also enable us to better analyze the cosmetics market and integrate the data to make it easier for the public to see. As such, it is of great benefit to the development of the modern Chinese cosmetics industry to master the correct scientific research methods to investigate its market.

## 2. Literature Review

With the rise of the "face value economy", China's cosmetics industry is generally doing well. According to a survey conducted by PricewaterhouseCoopers on the global cosmetics industry over the past decade, China's cosmetics industry has become number one in the world in terms of sales growth, with a market size of nearly 500 billion yuan by 2020. At the same time, with the rapid renewal of China's e-commerce. In the meantime, with the rapid renewal of e-commerce in China, various online e-commerce channels such as Tmall Taobao, Jingdong Shopping and Xiaohongshu have become the latest marketing models, putting further demands on enterprises' manufacturing, marketing innovation and so on [1]. The Chinese cosmetic market has significant room for growth, but the market concentration is not high. Domestic products such as "Flower West" have very good growth potential; sales channels are shifting online, and new sales models are emerging offline. Marketing channels are mainly live, and Perfect Diary's private domain operation has become an industry benchmark. The future trend is that cosmetic products need to be specialized and cosmetic brands need to develop multi-brand strategies and strengthen the online trend [2]. The highest purchasing power of cosmetics in China is among women aged 20 - 30. In this age group, they are more inclined to manage their appearance. The relationship between cosmetic purchase preferences and cosmetic actions and the influence of narcissistic tendencies towards appearance concerns on cosmetic purchase preferences and cosmetic actions. Taken together, the findings suggest that Chinese women's narcissistic tendencies and appearance concerns have an impact on cosmetic purchase preferences and cosmetic behaviors. It is known that due to differences in age, generation and region [3]. The battle over the efficacy of beauty and personal care products is intensifying and has now reached the level of ingredients, with a wide range of beauty ingredients in niche scenarios and increasingly diverse consumer needs. As brand channels, third-party platforms and professional KOLs (Key Opinion Leaders) are shaping consumers' keen awareness of ingredients, brands can design ingredient positioning from different angles, such as naming, promotion and segmentation, to better resonate with the increasingly sophisticated and savvy consumers [4].

China is one of the largest cosmetic markets in the world. With rising per capita incomes and the rapid growth of e-commerce, sales of beauty and personal care products in China are growing at an

average annual rate of 15%, well above the single-digit global growth in cosmetics sales. Unlike the rest of the world, skin care products account for 40% of the market share of make-up and toiletries in China, up from less than 30% in other regions [5]. In China's cosmetics market, sales and imports of international brands continued to grow, with the cumulative import and export of cosmetics amounting to 60,910 tons and 74,349 tons respectively, and the import and export volume amounting to 25 billion yuan and 6 billion yuan respectively, with the export volume greater than the import volume, but the export volume much smaller than the import volume [6]. With the rapid rise of the "beauty economy" in the central and western regions, the regional market continues to heat; the cosmetics market search, and purchase crowd gradually younger, "90" "00" consumer groups rise; e-commerce sales form a big hit, accounting for more than 30%, become the most important sales channels of the Chinese cosmetics market [7].

The Regulation on the Supervision and Administration of Cosmetics (the "Regulation") came into force on 1 January 2021. In addition, there have been several consultations for the cosmetic industry so far in 2020. The implementation of new rules and practices means that the cosmetic industry will be heavily regulated and standardized and will be of great relevance to everyone involved. This not only regulates the requirements for the development of the industry but also raises the cost of non-compliance and further clarifies the future direction of the cosmetics industry from a legislative perspective [7]. "WHOO is a high-end skincare and beauty brand launched in 2003 by LG Lifestyle Health in Korea. It has also withstood the "Korean Restriction" and the New Crown virus infection epidemic. This paper uses SWOT, STP and 4P analysis to explore the marketing strategy of LG Lifestyle Health's cosmetic brand "After WHOO" for its successful performance in the Chinese market [8]. People's Standard of living has been improving step by step. With the necessities of life, people start to pay more attention to their enhancement. People start to pay attention to their appearance and have their own opinions and ideas about beauty. In this paper, we first make a basic summary of the current development of the cosmetics industry in China and analyze the current characteristics of the cosmetics market and the current situation of brand development in China. However, there are also many problems in the Chinese cosmetics market, such as the huge proportion of the foreign cosmetics market, the low level of per capita consumption of cosmetics, the uneven domestic cosmetics market, and the backwardness of consumer perceptions [9]. The development of Chinese cosmetic companies' production and operation measures Chinese cosmetic companies cannot compete internationally without strict control of their production and operation in order to achieve a good reputation and performance. Local Chinese companies should develop an overall development strategy so that they can meet the challenges and remain competitive. However, creating products and corporate images with national characteristics is a major challenge for Chinese cosmetic companies, as is the case for functional products containing herbal ingredients [10]. The cosmetics industry in China started in the mid-1980s, and after nearly 30 years of continuous development, the industry has gradually grown from the initial fumbling stage to an intermediate and thoughtful stage of development. In terms of business form, the Chinese cosmetics industry is divided into two main segments: the professional line and the daily-use line. This paper analyses the current situation and problems of these two segments and discusses the opportunities, challenges and development prospects of the Chinese cosmetics industry.

With the continuous development of China's economy and the gradual growth of the cosmetics industry, society has become more stringent in its requirements for the cosmetics industry. In order to enhance the core competitiveness of cosmetic enterprises, thus ensuring that the production of cosmetic enterprises is in normal operation, and thus saving more costs for cosmetic enterprises, relevant staff are required, therefore, to analyze the current situation of the Chinese cosmetic industry at this stage and conduct an in-depth study on the future of its industry.

### 3. The Development Status of China's Cosmetics Market

China's cosmetics market continues to grow as the country's national income increases and the urbanization strategy is being implemented, the growth in disposable income per capita has also led to a continued increase in the market size of the cosmetics industry. China's cosmetics market has become the second largest consumer of cosmetics after the US. According to Euromonitor, the industry is expected to grow at a CAGR of 10.08% in terms of retail sales from 2021 to 2026. Cosmetics retail sales fell by 2.80% year-on-year from January to October due to the impact of the epidemic, and the "Double Eleven" market was slow, but some brands performed well.

As a result of the packaging and promotion of big-name cosmetics brands, high-end brands still dominate the cosmetics market in China, with Chanel, Estée Lauder and Lancôme, for example, enjoying a steady level of trust in their products and superior product quality, which has led to many loyal consumers.

Although these big brands occupy a dominant position, domestic lower and middle brands are also showing development because the post-90s are gradually becoming the main force of consumption, and many small and medium brands are actively responding to the needs of this generation of consumers, such as Kazran, Puns, Perfect Diary and other brands. From the ingredients, functions, packaging and other aspects, the brands cater to the aesthetics and needs of the public, thus making small and medium brands of cosmetics increasingly popular.

In contrast to make-up products, the proportion of skin care products is also on the rise, as most people have skin problems of varying degrees due to external reasons such as environment, diet and geographical location, so people are also paying more and more attention to skincare, and for a variety of different skin types and skin problems, most cosmetic companies have chosen to launch targeted skin care products and usage methods, so increasing This has increased the sales of skincare products. In recent years, with the advancement of technology, people can also choose their own instruments at home for skin problems (such as anti-aging and firming, redness, blemishes and hair removal). However, celebrities and internet celebrities have also taken on endorsements to sell their products, which has led to a significant increase in demand for beauty devices.

As shown, in the entire beauty and personal care market (here, the market refers to the pan-beauty market that includes, for example, beauty tools and beauty instruments, and not just for the large daily chemical sector), in terms of sales, Jingdong's share is about 1/4-1/5 of Tmall's share, and the whole market will reach an unprecedented scale in 2021, forming an inflection point for growth in 2022 and starting to contract; the overall degree of contraction For these two platforms alone, it has retreated to 2020 levels.

In the past 10 years, the number of new cosmetic companies in China has increased year on year. in 2020, the domestic cosmetic market size reached 340 billion yuan, and from January to November 2021 the market size reached 367.8 billion yuan, with a growth rate of 15.3%. The revenues of local cosmetic brands were significantly lower than those of international brands. It is still only a large but not strong global consumer of cosmetics. 2018-2022 China cosmetics market size (billions of yuan), as shown in Table 1 and Table 2.

Table 1: Sales of cosmetic products.

year	Units (billions of dollars)
2022	485.8
2021	455.3
2020	395.8
2019	425.6
2018	394.2

#### 4. The Business Model of Domestic Cosmetics

After so many years of research, the competition in China's cosmetics industry has intensified, and with it, the competitive relationship between brands has also been set. L'Oreal, Maybelline, Estee Lauder, Shiseido and other foreign brands have taken root in people's hearts, while domestic brands are also on the rise in China, such as Dabao, Perfect Diary and Ya Qian. The gradual increase in the number of manufacturers in China's cosmetic industry has intensified competition in the industry, mainly in terms of price competition and product differentiation, with price competition mainly reflected in brand advantages, whether economies of scale and distribution channels have been formed, product differentiation competition in terms of product efficacy, raw materials, target groups and technology. In the Chinese cosmetics industry, foreign brands occupy a large market share, led by brands such as L'Oréal Paris and Lancôme, while local cosmetic brands are fragmented and less concentrated. Foreign brands dominate the high-end market. From the perspective of the high-end cosmetics market, the concentration is high, mainly occupied by foreign companies, with local companies being less competitive.

#### 5. Solution and Trend

Focus on the gaps in industrial development as the concept of aesthetics has changed in recent years, men have also started to get involved in the field of make-up and skincare. For Chinese cosmetic companies to win in the market competition, they should cater to market changes, focus on product personalization and fashion, and pay more attention to the gaps in product development. Adding new functions as the public is now. The importance of skin management is gradually increasing, and companies should pay more attention to the nutritional content and value of their products when developing new ones. The strength of the industrial chain lays the foundation for long-term development and enhances local cultural confidence. In the Chinese market, the consumer base of cosmetics is dominated by young consumers, whose awareness and willingness to consume is stronger, but currently, the high-end consumer layer is mostly occupied by foreign brands, so companies should pay attention to improving the strength of the industrial chain and enhancing local cultural confidence.

#### 6. Conclusion

In the context of this article, there is still room for growth in the per capita consumption of the Chinese beauty market. China is the second largest beauty market in the world, but the per capita consumption of skincare and make-up products is only 1/3 and 1/5 of that in developed countries such as Europe, America, Japan and Korea, far below international levels. In addition to the economic uplift and consumer upgrade, the main driver for per capita consumption is the all-round extension of beauty needs and the advancement of the entire process. Live streaming and in-store self-publishing. In the future, the Chinese cosmetics market will see more innovation in the future, but the market will also be saturated.

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