

THE CHINA SKINCARE UPDATE

ECOMMERCE & CONSUMER DATA DRIVEN
JANUARY 2021





Introduction

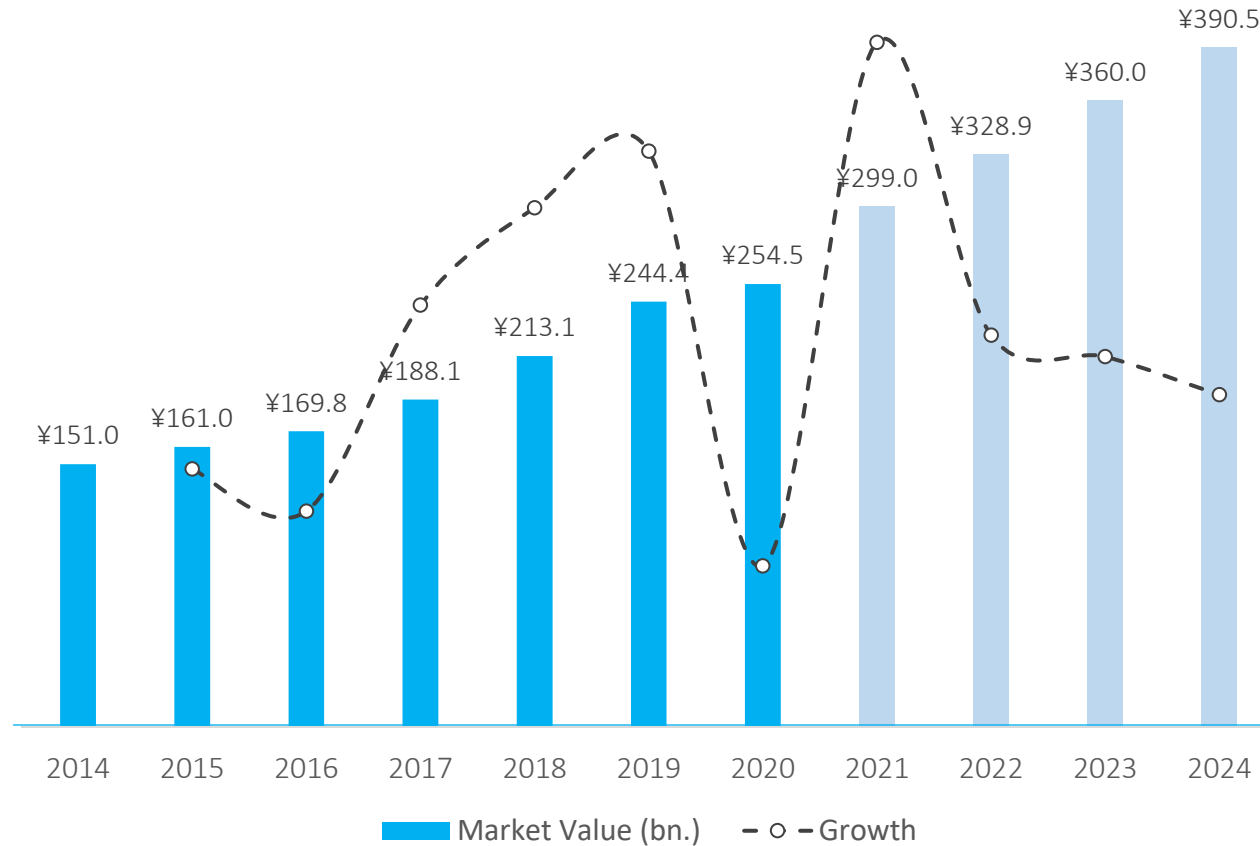
2020 saw imports of consumer goods up more than 8%, with cosmetics growing at over 30%. Not only is consumer demand for foreign cosmetics strong, but there is also much anticipation in the category as new regulations look to supersede the existing animal testing requirements currently preventing many foreign brands from entering or investing heavily in the market.

Understanding how skincare is placed online is particularly relevant. Whereas roughly a quarter of all retail occurs online in China, skincare saw 42.3% occur through ecommerce or direct retailing (mainly online) in 2020. With this in mind, China Skinny has assembled a market update to provide a glimpse into the current skincare landscape in China.

To do this, we have developed an investigative tool dubbed the 'Skincare Tracker' which allows anyone to have a live, unhindered view into how China's skincare habits are evolving with sales data from key commerce platforms and sentiment from ongoing consumer panels. This tool forms the basis for this market update and you will see its insight woven throughout. To gain access, please get in touch at skincaretracker@chinaskinny.com or visit www.chinaskinny.com/skincaretracker for more information.

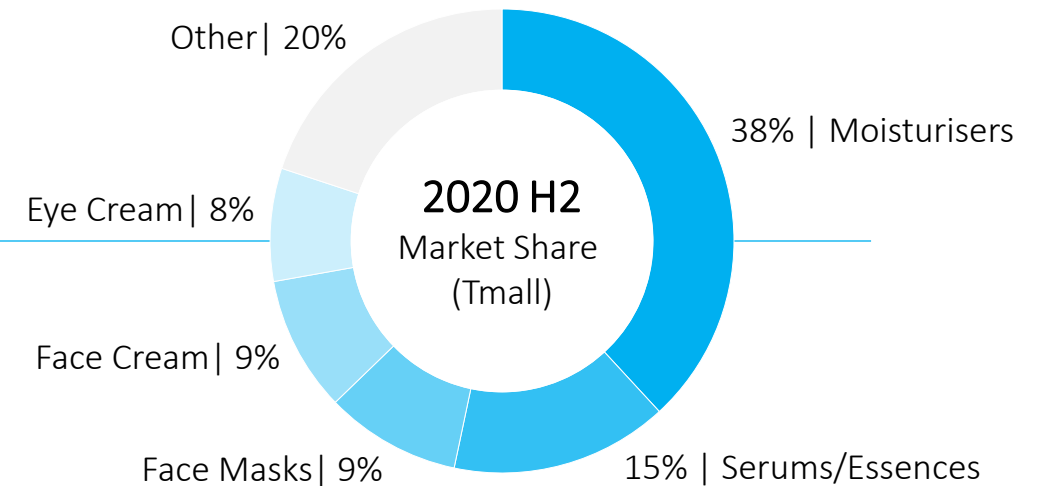
Skincare Market Overview

Growth in the skincare market remains strong and optimistic, despite COVID-19.



The skincare market appears to maintain robust growth, even in the face of COVID-19 with growth only expected to slow to 4.1% during the year of 2020.

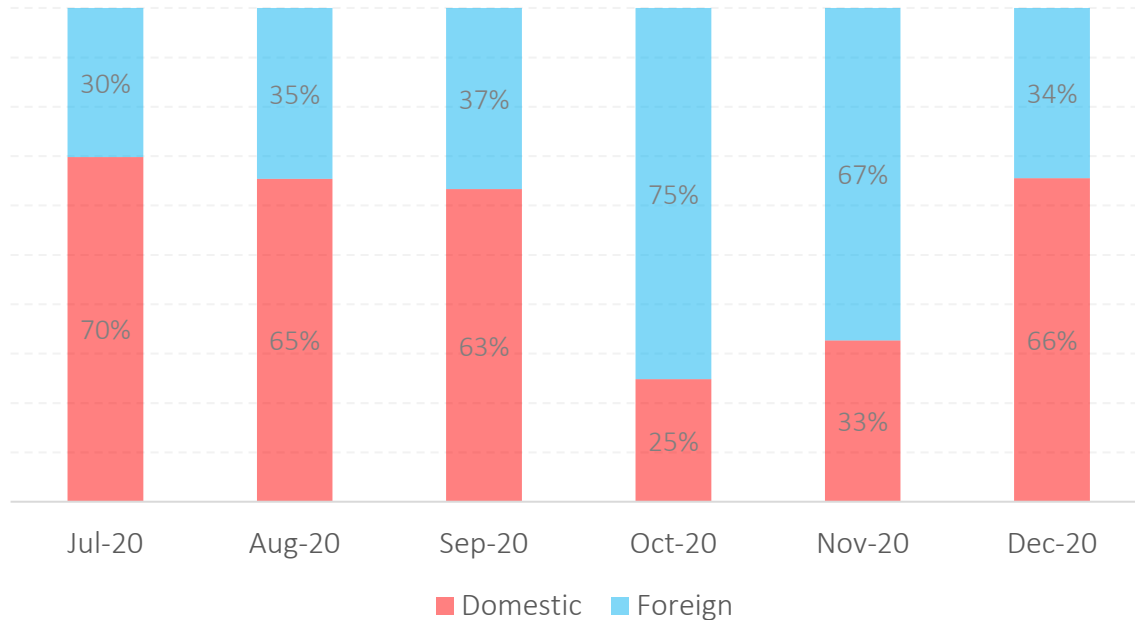
Within that, moisturisers dominate the market as the preeminent skincare product, however it is worth noting these products often straddle several categories. For example, moisturisers in face mask format are common to see; equally so are face masks with moisturising as a lead function.



Domestic v. Foreign Performance

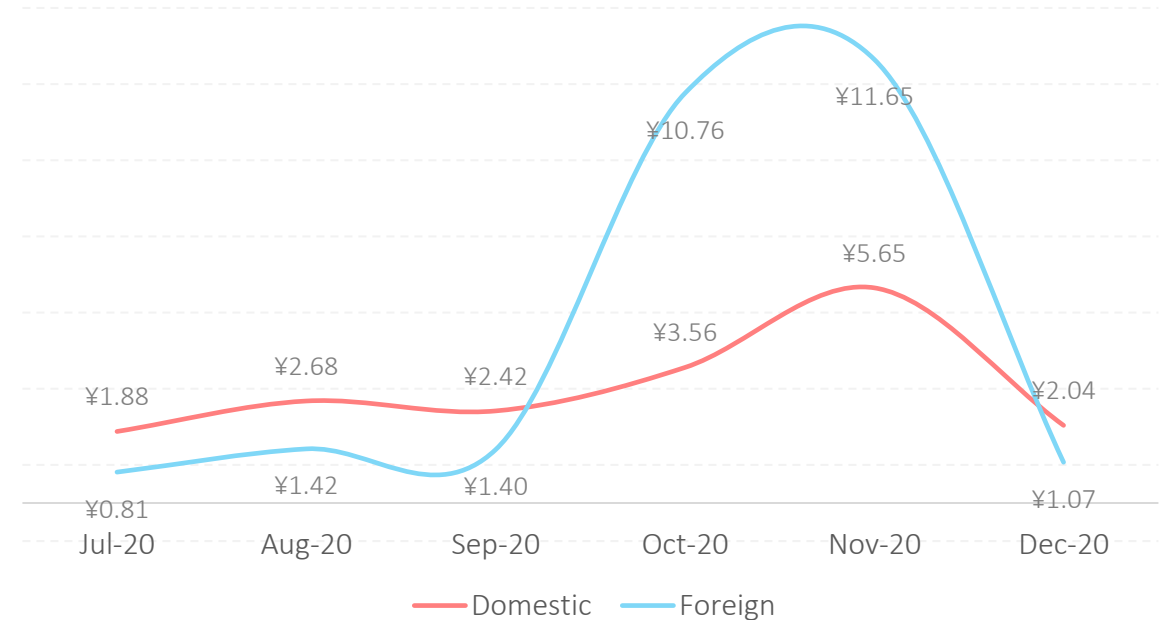
Foreign brands excel during festival periods, but in general, domestic brands have a deeper more stable resonance with consumers.

Market Share (2020 H2 - %)



Traditionally it has been accepted the foreign brands dominated categories such as skincare and cosmetics, however as domestic brands fight for their place in the market, they are building a position that is much more stable and sustainable than that of foreign brands. Foreign brands excel during festival periods, however throughout the rest of the year, their sales fluctuate markedly and market share lags behind domestic brands.

Sales Revenue (2020 H2 – RMB billion)



This speaks to a tendency for foreign brands to rely on brand recognition and promotional hype, rather than addressing the specific needs of Chinese consumers which domestic brands do so well. Domestic brands use local flavours, smells, ingredients, specific functions and benefits which align better with the needs and perceptions of consumers, and ultimately leaves them with more stability in the market.

Feigning Foreign Finesse

There is strong market incentive to align one's brand with quality foreign countries such as France, Japan and Korea.

Brands Aiming for French Flavour



DEILANSSY



AUPRES



Mageline



Biorrier



Clé de Peau

Asian Benchmarks

This phenomenon is not restricted to the emulation of French quality. Consumers actually have more positive and stronger associations of quality with Japanese and Korean brands, partly because of their reputation and partly because their products are considered more appropriate for Asian skin types. Savinity (Korean-leaning) and francyhui (Japanese-leaning) are two such examples.

Foreign, well-established brands are still considered to be of better or high quality, most notably French brands and this has led to a slew of domestic brands looking to leverage a French connection either through their brand name, ingredients, technology or otherwise.

This phenomenon is not restricted to domestic brands as many other brands from Korea, Japan and the US look to emulate the French style; this includes Clé de Peau from Japan's Shiseido (featured above). France is clearly a marker of quality beauty which resonates across many different countries and regions.



SAVINITY



francyhui

Domestic Functions More on Point

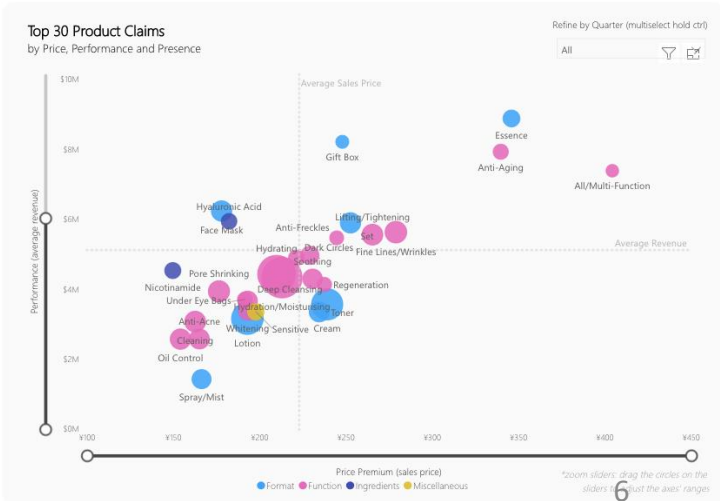
Another area foreign brands are falling behind in is understanding specific needs of Chinese consumers, and we see this come through in the top-selling product functions analysed with the Tracker.

Foreign brands do best around festival periods, while domestic brands are more stable throughout the year. The Skincare Tracker enabled us to look into which functions were performing best for each group under the above conditions.

	Foreign Brands (Singles Day)	Domestic Brands (Other Months)
TOP-SELLING (total sales)	<div>1. Fine lines/wrinkles (broad)</div> <div>2. Lifting/tightening (specific)</div> <div>3. Soothing (broad)</div> <div>4. Anti-aging (broad)</div>	<div>1. Lifting/tightening (specific)</div> <div>2. Pore shrinking (specific)</div> <div>3. Anti-acne (specific)</div> <div>4. Oil control (specific)</div>
TOP-PERFORMERS (average sales)	<div>1. Anti-redness (specific)</div> <div>2. Multi-function (broad)</div> <div>3. Anti-aging (broad)</div> <div>4. Regeneration (broad)</div>	<div>1. Anti-glycation (specific)</div> <div>2. Fullness (specific)</div> <div>3. Multi-function (broad)</div> <div>4. Anti-freckles (specific)</div>

Tracker Feature

This snippet of data tells the story, and the Tracker digs down into a huge range of product functions and their performance in the market month-by-month, providing great assistance to any NPD project.

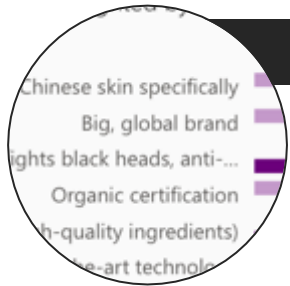


SKINCARE TRACKER INSPIRED CASE STUDIES



“Suits Chinese Skin”

The most desired product claim, brands are increasingly developing tailor-made products as required by consumers.



GUIDED BY TRACKER

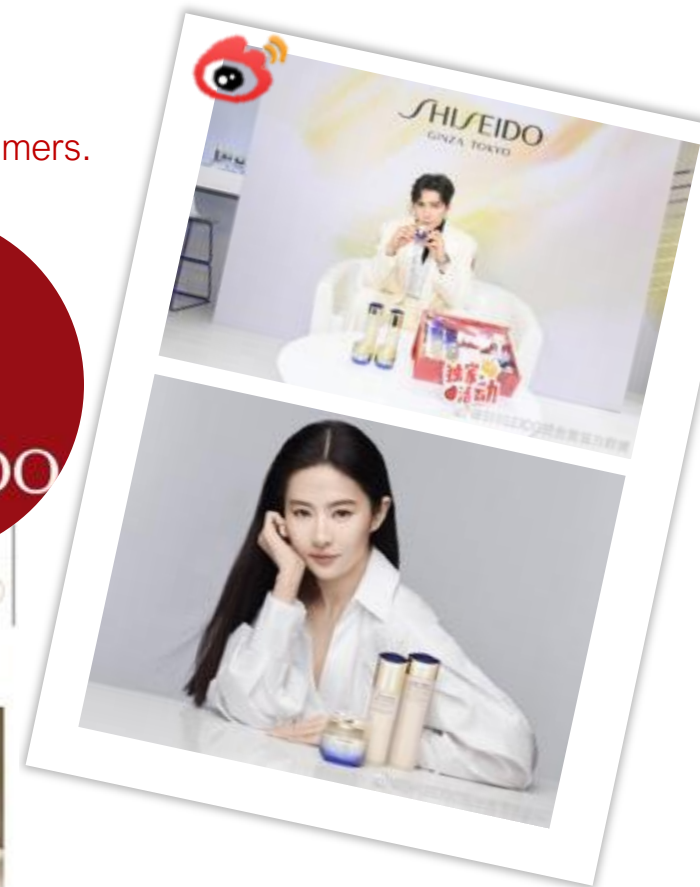
The number 1 driver for consumers of “suitable for Chinese skin” leads us to Shiseido’s marketing activities. Asian brands are far ahead of their Western counterparts in this respect and work needs to be done to address this.

SHISEIDO'S CAMPAIGN

Premium Japanese skincare brand Shiseido leads the market in reputation for suiting Chinese skin. Before 2020’s Singles Day, Shiseido started a campaign “Essential for Asian skin”. The brand worked with multiple celebrities and KOLs, focusing on promoting the functionality and effectiveness of Shiseido’s skincare products.

In order to emphasize Shiseido’s suitability to Chinese skin, influencers claim that due to the different lifestyle, habits, and genetic factors of Chinese people - such as more oily food, less bright skin type etc., it is important to choose skincare products catering to these particular problems, and Shiseido is the best at it.

Shiseido has clearly spent huge sums of money establishing this reputation, but given it is the top concern for Chinese consumers it appears it is money well spent.

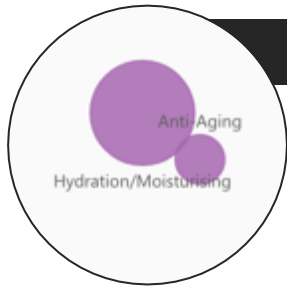


All of Shiseido’s brand ambassadors in China are local Chinese celebrities.

“Follow (local celebrity name), let’s talk about ways to protect Asian skin” is a constant feature throughout their social media presence.

Anti-Aging

Anti-Aging is a major product concern in China but its relationship with consumers is changing - and domestic brands are leading in marketing it.



GUIDED BY TRACKER

Although the functionality of “Anti-aging” is in high demand, many brands have begun avoiding directly advertising ‘anti-aging’ as younger generations engage with it in new ways.

LA MER'S NEWEST ANTI-AGING PRODUCTS

La Mer's newest anti-aging series came out in November 2020. The brand made a few videos collaborating with both male & female Chinese celebrities who are above 40 but are known for “never looking old”.

The videos are edited with a nostalgic 1990s vibe, and titled “Forget about Age. Enjoy The Gifts from Time.”, “Use Love to Enrich Your Heart. Feel the Magic of Time Returning.”, and “Follow Your Heart. Follow The Time. Take Control of Youth.”

It is becoming more common for brands to avoid directly marketing “anti-aging”, as Chinese consumers' attitudes towards aging, especially women, shift alongside the surging trend of female empowerment in the country. Foreign brands must do due diligence before engaging with this function.



干纹、幼纹、细纹、表情纹.....唯有每一条眼纹被认真对待,才能精修级淡纹。你的眼纹困扰是哪一种?即刻拍摄眼部特写照片,如下图所示,在照片中标记出你的眼纹问题,截至1月3日,带#海蓝之谜浓缩眼霜#话题,转发分享眼纹标记图。30位幸运粉丝将获赠浓缩眼霜5ml体验装一份,见证「眼纹精修力」。

[展开全文](#)



La Mer's eye cream ad emphasizes its functionality in removing different kinds of wrinkles.



The newest La Mer commercial on anti-aging series uses keywords like ‘Firmer’, ‘Smoother’ and ‘Timeless Renewal’

Official Website

Unique for most categories' purchase journeys in China - brand's websites are critical as a point of authenticity in Skincare.



GUIDED BY TRACKER

A top 3 channel in not only research but also purchase. Based on China Skinny's experience, there are several reasons as to why skincare sees brand websites feature so heavily:

REASONS WHY OFFICIAL WEBSITES ARE VITAL

- Official websites are still viewed as a channel that guarantees authenticity. There is also often good value in shipping light/small items in this category.
- Sometimes consumers can check the authenticity of products on a brand's website after purchasing from different channels, increasing traffic to official websites.
- Sometimes new products are only sold on official websites. Popular ones may also sell out on Tmall thus only available on official websites. Some products may also not have been registered due to the animal testing requirement, and are also only available on the website.
- Many influencers make "open-box" videos after purchasing from official websites – usually better packaged, more free samples, more "ceremonial" and picturesque.
- Some membership benefits are only available on official websites.
- Official websites usually include all SKUs and information is easy to read. And most skincare brands' official websites work very well as ecommerce platforms.



Searching skincare brands on Baidu, the top result is always the brands' official websites. New products, discounts, brand introduction are displayed too.

On Estee Lauder's official website, there is a column "Official Website Only", with special sets or discounts therein.

On the left are RED posts about how it is a good idea to purchase from official websites, as the packages are prettier, and more samples are included.



Eco/Sustainable Packaging

Sustainability is not the most mentioned topic yet, but when it is it is highly desired which suggests a passionate niche market.



GUIDED BY TRACKER

Eco-friendly and sustainability have really picked up steam in China but there is a long way to go. Although it is not a top concern yet for consumers, brands should take note of opportunities.

INNISFREE'S SUSTAINABLE BOTTLE

In August 2020, Innisfree launched a limited time campaign encouraging and supporting the use of more eco-friendly products. The highlight of the campaign was the reinvention of the already popular green tea serum. The bottle, with big words "HELLO, I'M PAPER BOTTLE." used 51.8% less plastic than their original packaging.

Innisfree are leading the way in establishing themselves as a market leading brand who prioritizes sustainability. This has already brought success, but will reap rewards when this concern becomes mainstream.



Government intervention and growing social discourse are pushing brands into the spotlight on the subject of sustainability. With recycling programs being rolled out throughout China, brands must understand how to engage with this newly-generated awareness.

Beauty Evolution

Local understanding of channels and touchpoints can be the difference maker for your brand.



GUIDED BY TRACKER

Our survey showed that over 30% of consumers use beauty APPs for skincare information and even purchase. Here we elaborate on Beauty Evolution, one of the most used and trusted platforms as an example.

CASE STUDY: BEAUTY EVOLUTION

Beauty Evolution was established 4 years ago as an App for skincare ingredient reference. It is regarded as one of the most trustworthy platforms providing professional advice on skincare.

When entering brands or product names, over 2 million SKUs' detailed information is available – users can see a range of information - such as if a certain product is the right choice for their skin type and personal needs.

Beauty Evolution has over 10 million users currently. The founder said that “the platform in the future will provide all the necessary information on anything applying to consumers’ skin”.

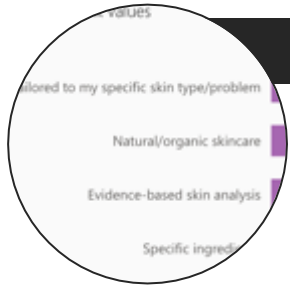


“Whenever I get interested in some products on social media, I always use Beauty Evolution to double check whether it is suitable for me or not. Researching was far too difficult before.”

——Beauty Evolution User

Tailored Skincare

A significant trend that clearly came through in our Tracker is the extent to which brands are tailoring their products



GUIDED BY TRACKER

As the only feature consumers regard as something they would definitely pay more for, brands are clearly pursuing how they can personalize skincare for their consumers.



POLA'S SKIN EXAMINATION & TAILOR-MADE SKINCARE

Pola is one of the most famous skincare brands providing consumers a full personalized product experience. The service is now only available offline in Japan and by distance in China. Chinese consumers can request an examination kit to be mailed. With detailed explanation, consumers can operate the test themselves and mail the results back. They will then be receiving tailor-made samples and products after confirmation.



The price of each product is around 1,000-2,000 RMB and lasts for 3 months. A set usually consists of 4-8 products.

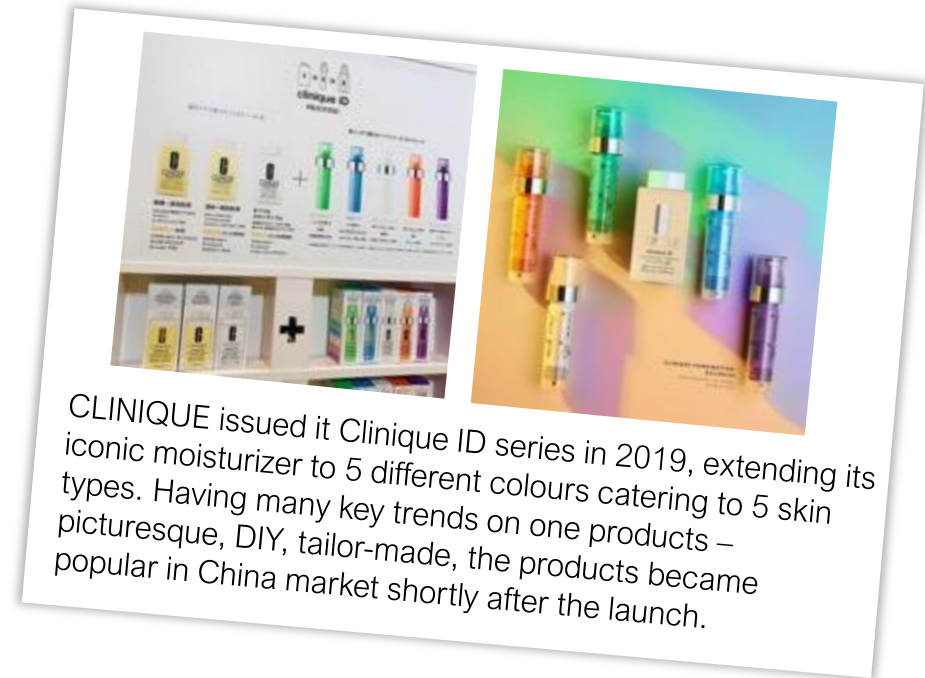
On social media, people think the price is "cost-effective" comparing with other more expensive tailor-made brands. Yet the effectiveness in general is below expectation.

DIFFERENT INITIATIVES

Not all brands are like POLA, providing 100% tailor-made service and products to consumers.

Many mid-ranged products are providing offline testing in their stores. This then gives guidance on which products work best - however they are all existing SKUs and no personalized formulation like POLA.

With this offline experience working its way into the customer journey, foreign brands should be excited by new changes to the animal testing regulations allowing a greater ability for offline engagement.



CLINIQUE issued its Clinique ID series in 2019, extending its iconic moisturizer to 5 different colours catering to 5 skin types. Having many key trends on one products – picturesque, DIY, tailor-made, the products became popular in China market shortly after the launch.