

Overseas Expansion Strategy in Southeast Asia for Proya Group

2024 Oliver Wyman Impact
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Executive Summary: To drive further growth, Proya should focus on the promising Southeast Asian market and implement a two-stage strategy to fully penetrate it.

Industry Overview

Entering Southeast Asia market and take Malaysia as th first stop

Company Profile

- Established leader in China
- Newcomer in international markets

Market Overview

- High-growth economy
- Thriving beauty & personal care market with a fragmented competitive landscape
- Malaysia as the first stop:
 - · Strong purchasing power
 - · B&P market in Malaysia is still in golden stage of growth.



Product Channel

Marketing

Service

Strategy Short-term



- -Cost-effective -Sun Protection
- -Air pollution protection



- Omnichannel marketing
- -Offline
- -Online



- -Muslim-Friendly -
- -Connect Cultures: C-dramas.



- -Experiential service
- -Membership System

In the long-term strategy, Proya will expand from Malaysia into other markets in Southeast Asia through 3 actions.

Long-term Strategy

1 Sell more

Expand in other markets to improve penetration in Southeast Asia.

Note: B&P stands for 'beauty and personal care'

2 Build more

Build factories and leverage cheap local labor to reduce costs of production and transportation

3 Acquire more

Utilize the accumulated resources of the acquired companies





Proya Group possesses strong competitiveness in China. However, it faces challenges in the trend of domestic products expanding overseas, which presents an opportunity to establish new avenues for growth.

Proya's Profile













Purfiying watery cleansing foam



OR Refreshing Volume Shampoo



B Corporate strategy

Technology

- The R&D team accounts for 10.84% of the total number of employees in 2023.
- R&D laboratories in many places.



Marketing

Early C late A concept

Utilize social hotspots to output quality content

Supply Chains

- Three Intelligent Engines
- Raw material originates from more than 20 countries, including America, Japan, etc.

Product

- "6*N"---Large single product + multi-brand + full category
 - Ruby Essence and Double Anti Essence

Proya's market performance

Comparison with industry in China:

	total market value	Net Assets	Net Profit	P/E ratio (moving)	P/E Ratio	Gross Profit Ratio	Net Interest Rate	ROE
Proya	39.95 billion	3.981 billion	0.746 billion	40.16	10.28	71.18	14.76	19.52
Beauty Care (industry average)	1.01 billion	3.267 billion	0.331 billion	-9.17	2.51	41.22	11.87	8.53
Industry Ranking	2/29	9/29	3/29	20/29	28/29	5/29	8/29	5/29
Quartile Properties (1-4)	4	3	4	2	2	4	3	4

Total export value of Chinese beauty products BN USD, 2018-2023:



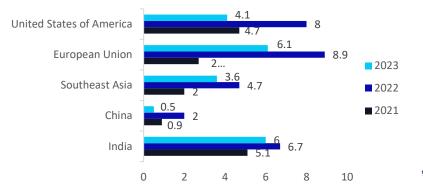
Key Comments

As one of the leading domestic players in the beauty industry, Proya has established a multi-brand matrix with a stellar brand reputation. However, its presence in international markets remains comparatively weak.

Southeast Asia is a high-growth economy characterized by increasing per capita income, a growing middle class, and a rising youth demographic.

Short term: Sustained and stable inflation control

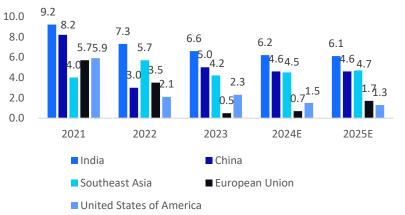
Inflation in major economies (%):



Long-term:

a high-growth global economy to be reckoned with

Comparison of real GDP growth rates in major economies(%):

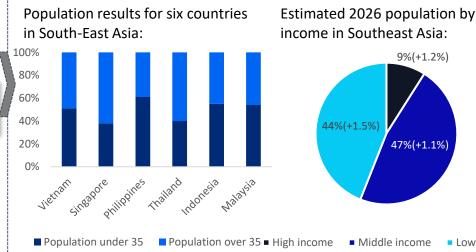




A consumption market of over a trillion dollars---Southeast Asia Pro-Sales by 2023: 1.1 trillion dollars

Labor market picks up--

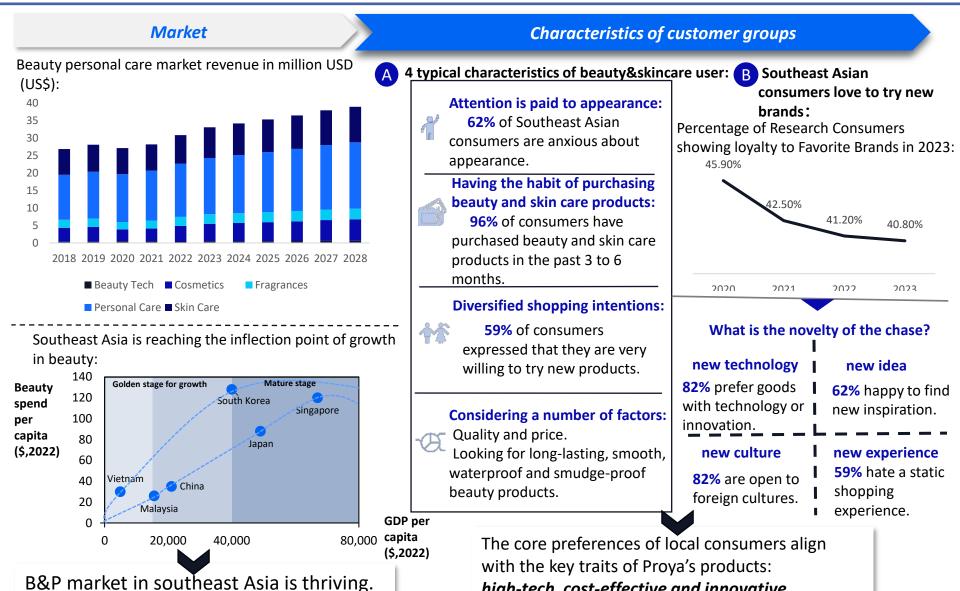
In 2023, the average unemployment rate in the six Southeast Asian countries was 3.1%, lower than the global average of 5.1%.



Key Comments

Chinese companies are optimistic about their own growth prospects in Southeast Asia and deserve to continue to expand their market presence there.

The beauty and personal care market in Southeast Asia holds immense potential, characterized by a sizable customer base exhibiting 4 distinct traits.



high-tech, cost-effective and innovative.

Currently, the Southeast Asian beauty market has a fragmented competitive landscape and good prospects for retail e-commerce development, making it a suitable target market for Proya.

Fragmented Competitive Landscape

Southeast Asian Beauty Players (Partial)

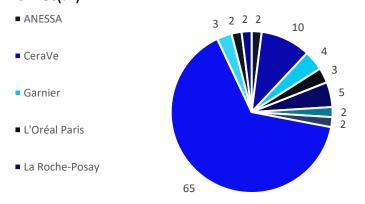




Local Beauty MISTINE SOA COCOON SLAVERL Wardah

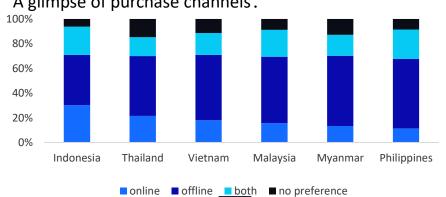


key players' brand share in Southeast Asia skincare market(%):

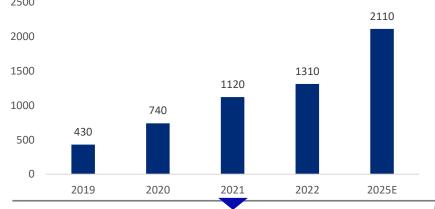


Southeast Asian retail e-commerce is in its early stages but holds promising prospects for growth.

A glimpse of purchase channels:



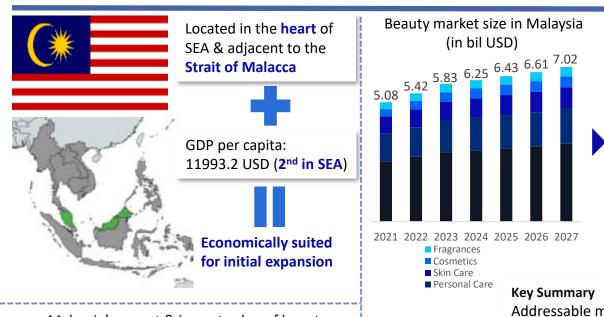
Southeast Asian e-commerce GMV continues to expand:

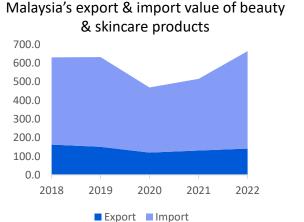


E-commerce serves as a vital channel for Proya to enter the Southeast Asian market quickly.

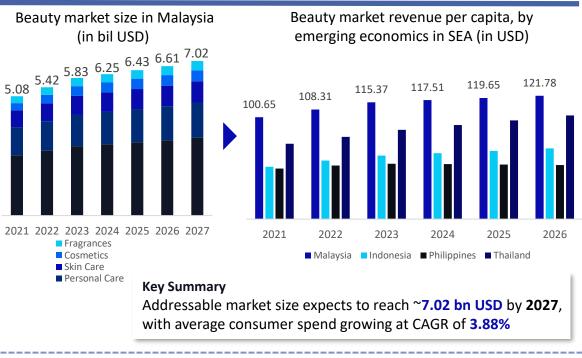


In the short term, the Malaysian beauty and skincare market shows promising growth potential, making it an ideal first destination for Proya's international expansion efforts.





Malaysia has maintained high levels of excess demand for beauty products which its domestic production cannot fulfill.





For a successful entry into the Malaysian market, Proya shall leverage its expertise in Cosmetics & Skincare to craft innovative solutions to address local users' needs.

Jan Feb May Jun Jul Aug Sep Oct Nov

Assess existing products

PROYA

Identify target audience's pain points & needs



Insbaha Foundation, designed by Proya

Key Insights

Malaysia receives ~7 hours of sunshine per day on monthly average.



Hyaluronic Acid Serum, designed by Proya



Key Insights

Malaysia ranks 38th globally in terms of PM 2.5 concentration, with an average value of 22.5 $\mu g/m^3$ yearly, which exceeds the WHO air quality guideline value by 4.5 times.

Innovate and enhance product offerings



Insbaha Foundation



Ingredients: Allantoin,
Bisabolol

Insbaha Foundation Protect SPF50+

Key Properties

- Smooth, nourishes skin with long-lasting effects
- Protects against 4 types of radiation: UVA, UVB, Blue Light & Infrared.



Hyaluronic Acid Serum



Ingredients: *Retinol, Niacinamide, Caffeine*

Hyaluronic Acid Facial Treatment Essence

Key Properties

- Protects skin against free radicals, locks in moisture
- Stimulate the skin's natural antioxidants and fight against pollution skin damage

Looking beyond traditional offline sales network, Proya shall explore retail media potential and take novel approaches, thus creating an omni-channel retail model.



1. Existing online marketplaces

amazon

Key Facts

Malaysia has world top 10 e-commerce sales growth rate in 2023 (18.0%)

2. Emerging media e-commerce platform



Key Facts

Malaysia ranks top 5 globally for social media penetration, with the penetration rate of 78.5%

1. Department stores & Brand stores



Key Facts

~82.2% of the sales of beauty products in Malaysia are enabled by offline channels.

2. Theme-based Concept Stores



Core purpose:

Develop innovative inperson interactive shopping experiences to highlight unique product features.

3. Subscription Service (e.g. Birchbox)



Core purpose:

Reach out to a wider range of audience through product subscription box, enhance brand reputation

Strategies

- Launch an official website and set up authorized shops on online marketplaces, actively organize and engage in promotional campaigns.
- Partner with MaaS agencies for online advertisements creation & distribution.
- Implement low pricing strategies, with shipping fees covered for buyers, partner with local express expresses to ensure fast delivery.

Strategies

- Build presence in economically vibrant cities; possible choices are Kuala Lumpur, Labuan, Sarawak, Johor Bahru.
- Partner with local retail sellers, e.g. Sephora, to expand shelfspace for products.
- Open theme-based stores in accordance with local people's aesthetic tastes.
- Pitch products to beauty subscription agencies, e.g. Birchbox, aiming to make them included as 1 of the 5 products mailed to subscribers monthly.

Considering the popularity of Tiktok in Malaysia, it is necessary for Proya to promote and sell its products through this platform.

Key Comments:

In 2021, Malaysia had over 14 million TikTok users, mostly young. By 2023, the top 10 beauty TikTok influencers had over 300 million followers. Proya should join TikTok and work with local KOLs to reach more Malaysians and expand its influence across Southeast Asia.

Short videos show the **existence** of the product

Live Streaming shows the **features** of the product

Recommendation search scenario *sell* the product



- ➤ Rich style content selection,
- ➤ Native anchor points trigger high clicks



2 Live Streaming

- ➤ Real-time accurate touch to create high-value interaction
- ➤ Invite local KOL to explain and sell products via live streaming



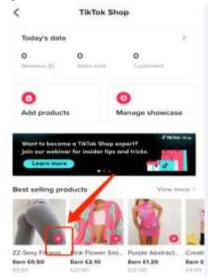






3 Search Scenario

Leverage search traffic data to provide accurate product recommendations to potential Proya users.



In terms of marketing, considering Proya's status as a Chinese beauty brand, it's essential to respect the local religious culture while leveraging the influence of Chinese culture when entering the Malaysian market.

Key Comments

Malaysia has a large **Muslim** population, so products and marketing methods should be modified by incorporating Islamic culture through ways like obeying religious rules and celebrating Islamic festivals

1. Proya should take religious Rules into consideration

Serbid Ingredients containing alcohol and animals

Prefer

Products passing Halal certification



Ingredients from Trusted Supplier

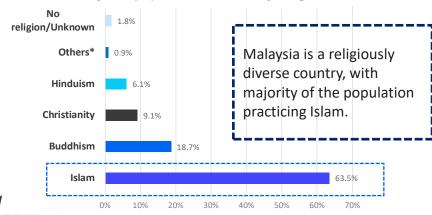
Plants, soil, water, and animals, that have been slaughtered per Islamic law.

Halal certification

ensuring that the products they use are in accordance with their religious beliefs.



Share of Malaysian population in 2023, by religion



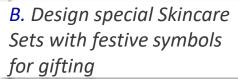
2. Proya should utilize religious festivals as a marketing opportunity for its skincare products

Festivals

Eid al-Fitr -holy and pure

> Deepavali -Light and rebirth

A. Holiday event sponsorship and big sale



C. Halal-Inspired Makeup Designs - Discover your perfect Holiday look







Another pivot of marketing is C-drama. Considering the popularity of Chinese TV dramas in Malaysia, Proya can leverage this trend to differentiate its products.

Chinese TV series 'make big splash' in Southeast Asian countries, which is another opportunity for Proya

Background

- In 2023, China exported **714** TV dramas.
- Southeast Asia is the core market for these dramas,
 accounting for 1/3 of the series that are exported.



Praphaphan, 20, college student: After watching Who Rules the World, "It's not an exaggeration to say that I'm so obsessed that sometimes I have forgotten to eat and sleep."



Anya, 24, office worker:
After watching The Untamed,
"It aroused my interest in Chinese cultural
heritage. It got all the criteria of a good
script."







1. Product Promotion



- Timage (major cosmetic brand under Proya) Strategy: develop character-inspired makeup looks and promote them on social media.
- Offer personalized character makeup design using Timage products

2. Package Innovation

 Use feature-printed stills from popular Chinese TV dramas and design cases and bags inspired by the drama's style.

3. Advertising Endorser

- Select famous C-actors as brand endorser
- Most popular Chinese actors in Malaysia (according to the rank on Instagram): Zhao Lusi, Xiao Zhan, Gong Jun, Lin Yi, Shen Yue, etc.

4. IP Collaboration

• Launch collaborative products featuring popular C-drama IPs, for example, stickers, cosmetic bag, spray bottles, etc.

In terms of service, Proya should establish a comprehensive service system to address the service deficiencies observed in Malaysian brands.

1 Experiential service enhances customer satisfaction and loyalty by creating memorable and engaging experiences

Wide Scope of Coverage



Experience at supermarket stalls



Campus Experience Flash Mob

Combine Ocassional Experience and Regular Experience

Nurse diagnosis of face

Offer skincare advice

Invite customers to try products

Promote new products

Causing anxiety among potential consumers

Induce consumers to buy desire

Meet consumer demand Turn potential customers into regular customers

t Turn pot ner custome Membership System fosters and maintains a strong relationship with customers

Membership Points



More spent ,more points More points,higher level

Consulting



Private consulting sevice
Diverse skincare solutions

Recommendation



Newsest products AutoFit products

Holiday offer



Discount in holiday Skincare sharing session

Trial Sevice



Free small sample Skin diagnosis

Key Comments

Proya aims to deliver consumers not just products, but also an exceptional service experience through a comprehensive service system, embodying the ethos of 'love and love'.

In the long run, centering on Malaysia, Proya can leverage the strengths of China's highly efficient supply chain and expand into other markets in Southeast Asia

Long-term Strategy Expand into other markets Personal expenditure on beauty products in 2023 (US\$) Thailand >150 100-150 50-100 0-50 Malaysia ndonesia ngapore **Build local factories** Merger and acquisition (M and A)

Expected Effectiveness

- **Expand** in other markets to improve penetration in Southeast Asia.

 Comments
 - Rising consumer spending on beauty products signals promising opportunities in other Southeast Asian countries.
 - ➤ The lessons (4 aspects: Product, Channel, Marketing and Service) learned from the initial expansion can be applied to this new venture.
 - The highly-efficient supply chain will play a pivotal role in ensuring a smooth and cost-effective expansion process.
- Leverage cheap local labor to *reduce costs* of production and transportation
- Utilize the accumulated resources of the acquired companies to better satisfy local consumers
 - complete the brand matrix, Proya could acquire more color cosmetics brands

Taking advantage of the efficient supply chain of Chinese companies, Proya should continue exporting its products to more countries.

A PROYA owns Leading position in the field of warehousing and logistics management in the international cosmetics industry

Proya Logistics Center in Huzhou:

- 380 ha size
- 42k bins of goods
- 6 depalletizing robots
- Fully automated with full process software control
- TMS system for park management







Key Comments

Proya's self-established **logistics system** helps reduce operating costs and improve logistics efficiency.

Chinese delivery companies are expanding their operations to Southeast Asia

Whenever Wherever

JD Express



- Opened special export lines from China to Jakarta and Surabaya
- Will cover the entire Southeast Asia in 2026

SF Express



Acquired Kerry Express, which holds the leading position with 31k service points throughout Thailand

J&T Express JET MR MEM

Established express networks in 13 southeast Asian countries

Operating more than 290 large-scale transit centers and over 22k service points in Southeast Asia

Chinese express delivery companies is now accelerating their layouts in Southeast Asia. Coorperating with these companies can help Proya shorten the transportation time of goods

Whoever

Additionally, considering the current demographic dividend period in Southeast Asia and the comparatively low labor prices, Proya can consider expanding its operations in the region.

Key Comments

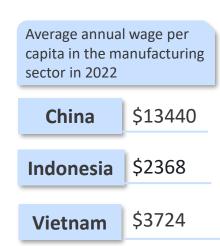
A Proya factory in Indonesia will:

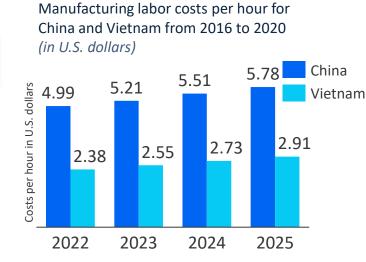
- 1 produce products that will be exported to other countries in the Southeast Asia while meeting the demand of the Indonesian market.
- reduce transportation cost because distances will be shortened

Abundant labor source

Low labor price



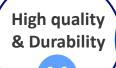




Lastly, Proya should acquire local beauty brands to enhance its products' priceperformance ratio, meeting the needs of Southeast Asian consumers more effectively.

Proya should complete its brand matrix to further meet the needs of Southeast Asian consumers

Main Expectation for Beauty and Personal Care Product Sales in 2024



High qualityprice ratio

Lighter skin

Brand Matrix of Proya













Proya already has acquisition plans and extensive experience in acquisitions

Proya already has experience in acquiring overseas brands.



acquired by Proya in 2019

- In 2022, realized revenue of \$126
 million, an increase of 509% YoY
- In 2022's 618 promotion, Tmall
 GMV increased by 300% YoY
- In 2023, Off & Relax contributed greatly to Proya's profit, which was amounted to 490 million yuan, an increase of 65% YoY.

Local brands under consideration for acquisition



- the first Muslim-certified cosmetics company in Indonesia
- focuses on creating a strong connection with consumers during specific religious and cultural holidays.



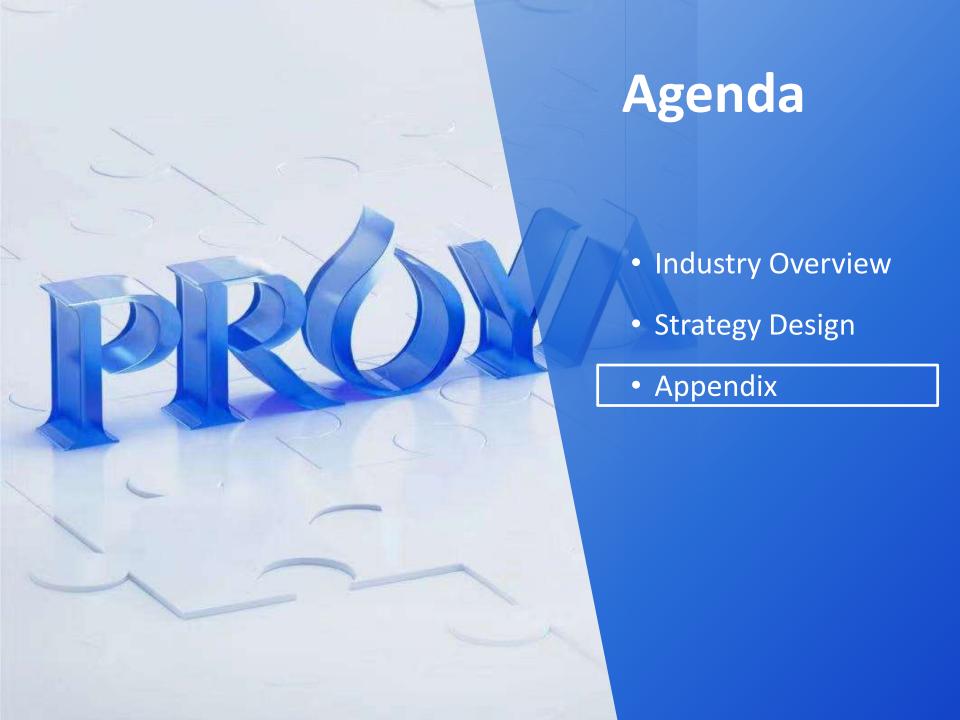
 A personal care and beauty brand that focuses on the DTC model and also focuses on personal care products based on the vegan philosophy.



 A local Vietnamese brand that specializes in natural cosmetics, it is positioned as a natural ingredient, vegan and organic beauty.

Key Comment

Proya's brands, except for Timage and Insbaha, focus on delicate face care and are priced in the upper-middle range. To meet the demand of Southeast Asian consumers for cost-effective products and lighter skin color, Proya could acquire local personal care brands.



Appendix 1: Reference List

- [1] 【SHOPLINE】2022美妆出海独立站营销报告, 2022.
- [2] 【东海证券】消费出海系列研究(一):国货美妆扬帆起航, 2023.
- [3] 【益普索Ipsos】2023国内品牌出海发展报告,2023.
- [4] 【国泰君安】行业更新报告 国货美妆布局出海,掘金东南亚、日本市场 ——化妆品行业 双周专题, 2024.
- [5]【艾瑞咨询】2023年中国跨境出口电商行业研究报告, 2023.
- [6] 【Nox聚星】2024海外网红营销生态报告, 2024.
- [7]【 TikTok for Business】2024全球消费趋势白皮书--东南亚篇, 2023.

Appendix 2: Revenue of Beauty Personal Care - Skin Care, Region: Southeast Asia, Currency: USD

TOTAL REVENUE in bill											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Baby & Child	0.31	0.32	0.31	0.33	0.36	0.38	0.39	0.41	0.42	0.44	0.45
Body	1.72	1.79	1.68	1.74	1.93	2.08	2.14	2.20	2.27	2.35	2.41
Face	3.79	3.96	3.74	3.88	4.31	4.67	4.82	4.97	5.13	5.34	5.48
Natural Skin Care	1.28	1.35	1.48	1.35	1.28	1.29	1.29	1.28	1.28	1.28	1.27
Sun Protection	0.27	0.29	0.23	0.24	0.32	0.37	0.41	0.44	0.47	0.52	0.54
Total	7.38	7.71	7.45	7.54	8.19	8.79	9.06	9.31	9.57	9.91	10.15

REVENUE CHANGE in percent										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Baby & Child	4.2	-3.2	5.1	8.1	7.4	3.2	3.1	3.1	3.7	2.9
Body	4.0	-6.1	3.1	10.9	8.0	3.0	2.9	2.9	3.6	2.6
Face	4.2	-5.5	3.9	11.0	8.3	3.3	3.2	3.2	3.9	2.6
Natural Skin Care	5.1	9.8	-8.6	-5.6	1.3	-0.4	-0.4	-0.3	-0.3	-0.3
Sun Protection	7.6	-20.8	0.9	35.6	15.4	12.5	6.7	6.8	9.5	4.9
Total	4.5	-3.5	1.2	8.7	7.4	3.0	2.8	2.8	3.6	2.4

AVERAGE REVENUE PE											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Baby & Child	0.47	0.49	0.47	0.49	0.52	0.56	0.57	0.58	0.60	0.61	0.63
Body	2.62	2.70	2.51	2.57	2.83	3.03	3.09	3.16	3.22	3.31	3.37
Face	5.77	5.96	5.58	5.75	6.33	6.80	6.96	7.12	7.29	7.52	7.66
Skin Care	1.95	2.03	2.21	2.00	1.88	1.88	1.86	1.84	1.82	1.80	1.78
Sun Protection	0.42	0.44	0.35	0.35	0.47	0.54	0.60	0.63	0.67	0.73	0.76
Total	11.23	11.62	11.11	11.15	12.02	12.80	13.08	13.33	13.60	13.98	14.20

Appendix 3: Key Players of Beauty and Personal Care Market, Region: Southeast Asia, Currency: USD

BRAND SHARES (BETA)	in percent
	2022
ANESSA	2
CeraVe	10
Garnier	4
L'Oréal Paris	3
La Roche-Posay	5
Nivea	2
NYX Professional Makeu	2
Other	65
Simple Skincare	3
SK-II	2
Vaseline	2

Appendix 4: Sales Channels of Beauty and Personal Care Market, Region: Southeast Asia, Currency: USD

ONLINE REVENUE SHA	ONLINE REVENUE SHARE in percent									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Offline	92.3	89.9	85.0	78.6	80.0	81.0	79.4	77.5	76.6	75.8
Online	7.8	10.1	15.0	21.4	20.0	19.0	20.6	22.6	23.5	24.2
Sources	Statista Ma	rket Insight	ts							
Most recent update:	03/01/202	4								
MOBILE/DESKTOP SPL	IT in percen	t								
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Desktop	49.9	47.9	46.3	44.4	42.6	41.1	39.9	38.8	37.7	36.7
Mobile	50.1	52.1	53.8	55.6	57.4	58.9	60.1	61.2	62.3	63.3
Sources	Statista Market Insight		ts							
Most recent update:	ate: 03/01/2024									

Appendix 5: Purchase preference for beauty and care products SEA 2023, by country

Preference to shop online or offline for beauty and care products in Southeast Asia in 2023, by selected countr	у				
	Online	Offline	Both	No preference	
Indonesia	30.20	40.74	22.93	6.13	in %
Thailand	21.51	48.45	15.31	14.73	in %
Vietnam	18.07	52.81	17.72	11.40	in %
Malaysia	15.66	53.82	21.72	8.81	in %
Myanmar	13.33	56.91	16.91	12.85	in %
Philippines	11.44	56.21	23.86	8.50	in %

Appendix 6: Users of Beauty Personal Care Market, Region: Southeast Asia, Currency: USD

USERS in million users													
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Baby & Child Skin Care	14.3	17.9	21.0	24.7	28.2	31.8	35.2	38.2	41.7	45.0	48.1	50.9	53.4
Body	5.9	7.9	9.2	11.8	13.4	15.1	16.8	18.4	20.2	21.9	23.4	24.8	26.1
Face	7.3	9.2	10.2	10.9	12.4	14.0	15.2	16.3	17.7	18.9	20.0	21.1	22.0
Sun Protection	7.2	8.3	9.6	12.5	14.2	15.9	17.6	19.1	20.9	22.5	24.0	25.4	26.6
Total	16.9	21.0	24.7	29.1	33.1	37.3	41.2	44.7	48.9	52.7	56.2	59.5	62.4
Sources	Statista Ma	arket Insight	ts										
Most recent update:	03/01/202	4											
PENETRATION RATE in	percent												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Baby & Child Skin Care	4.3	4.6	5.1	5.6	5.8	6.1	6.2	6.5	6.9	7.2	7.6	7.8	8.1
Body	1.7	2.0	2.3	2.7	2.8	2.9	3.0	3.2	3.4	3.5	3.7	3.8	3.9
Face	2.2	2.4	2.5	2.5	2.6	2.7	2.7	2.8	2.9	3.0	3.2	3.3	3.3
Sun Protection	2.1	2.1	2.3	2.8	2.9	3.0	3.1	3.3	3.5	3.6	3.8	3.9	4.0
Total	5.0	5.4	6.0	6.6	6.9	7.1	7.3	7.7	8.1	8.5	8.9	9.2	9.4
Sources	Statista Ma	arket Insight	ts										
Most recent update:	03/01/202	4											