Analysis of the Current Situation of Chinese Beauty Industry

Yuhan Wu[1, *]

[1]College of Liberal Arts and Sciences, University of Connecticut, Storrs, United States

*Corresponding author: yuhan.2.wu@uconn.edu

Abstract. In recent years, China's beauty market has developed rapidly, and with the blessing of short video marketing platforms, it is developing at an alarming rate. However, because Chinese local brands have lagged behind European, American, Japanese and Korean brands for many years, the Chinese beauty market is being dominated by European, American, Japanese and Korean brands. Under such market conditions, how will Chinese local brands stand out? How to find your own way amid the attacks of European, American, Japanese and Korean brands? This article will analyze the problems encountered by the current development of Chinese local brands and propose solutions.

Keywords: Local Brands, Short Video, European and American, Japanese and Korean brands.

1. Introduction

China's beauty market is developing at an alarming rate, and local brands are catching up, trying to compete with international brands. However, since international brands occupy the vast majority of China's beauty market, this will be a big challenge for local beauty brands. How will Chinese local brands stand out and gain a firm foothold in the beauty market with numerous international brands? This article will analyze the problems that local beauty brands will face in the development process.

International brands were the first to discover the importance of beauty ingredients. This is also the most popular "ingredient" in the past two years. Local brands have followed suit and are starting to tell their brand stories through ingredients. Combined with the national trend and national style that have become popular in recent years, Chinese local brands have their own unique style [1]. Gen Z has become the main consumer in today's market, and they have gradually become able to consume, but they also have more stringent consumption conditions for the market. Gen Z is a very improvised generation, and it is precisely because of this that brands must learn to find their own emotional stimulation points for Gen Z. And Gen Z is a generation that demands authenticity in particular, and they seek brand authenticity [2]. The beauty track in China is very diverse, including: base makeup & makeup, basic facial skin care, functional skin care, medical dressings, and beauty collection stores [3].

In ancient times, Korean classical makeup was deeply influenced by China. Later, South Korean President Park Chung-hee came to power and implemented 18 years of iron-fisted rule, making South Korea's economy comparable to Japan's heyday. The beauty industry in Korea contributes a lot to the Korean economy. And many Korean beauty brands still occupy a large market share in China, such as Amorepacific, LG, etc. Korean brands are extremely responsive to the market and have the ability to quickly launch innovative products based on consumer insights [4]. The beauty business in China has entered a period of vigorous expansion thanks to the persistent rise of the national economy. Short video marketing, live broadcast sales, e-commerce operations, and the integration of online and offline components are some of the trends that have emerged as a result of the proliferation of the Internet and online shopping. The beauty industry is no longer restricted to offline sales, thus there will be no accumulation or slowdown of products in the market. The domestic beauty industry is dominated by international brands, the majority of which also play a significant part in the progression of the industrial chain. Chinese customers no longer favor brands made in other countries [5]. In the Chinese cosmetics market, European and American brands still occupy a major share. In the ranks of high-end cosmetics, European and American brands take the lead, while there are only two local brands in the high-end line. Local brands are still more inclined to the low-end line [6].

Pechoin is the head brand of Chinese local brands. Its strengths and weaknesses also represent the problems of most brands in China. In addition to focusing on herbal skin care, Pechoin needs to develop special products and products with different effects for people with different skin types. In addition, on special festivals, various brands will provide different levels of price concessions for e-commerce and live broadcasts. But the prices in supermarkets and malls are much different from online. In order to avoid confusion about the strength of the discounts, the pricing of new products should be standardized [7]. As new media such as short videos are subtly changing the current media environment in recent years, through short video marketing, the market share of Chinese local beauty brands has rapidly increased. Taking Perfect Diary as an example, through Douyin and Xiaohongshu, two main short video marketing platforms, Perfect Diary has become a leader in the industry [8].

China's domestic cosmetics consumer market is the largest in the world, and the basic factor is the millennials (GenZ). Millennials are becoming a major consumer of cosmetics, not only buying but also giving feedback. In third-tier and fourth-tier cities with rapidly growing demand but insufficient offline store coverage, digital channels are also key to expanding this market. The potential market size is expected to double to $145 billion by 2025. The new generation of consumers born after 1990 has become the main consumer. As of 2019, the post-90s generation accounted for less than 30 percent of China's population aged 15-64, but they are becoming a major consumer in the Chinese cosmetics market, accounting for nearly 60 percent of beauty consumers on Tmall, for example. They are passionate about the web, so digital transformation is no longer an option, but a must. Digital transformation is inevitable due to China's huge market [9]. Compared with European, American, Japanese and Korean brands, the communication awareness of Chinese local brands is still relatively backward. Usually in magazines, various shopping malls and airports can see European and American brand advertisements. And Japanese and Korean brands are usually interspersed with advertisements in film and television dramas and TV programs. However, the communication awareness of Chinese local brands is still far behind. It is not that the history of their establishment is not long enough, but the form of communication is relatively traditional, and they still lag significantly with European and American brands [10].

This article will analyze the problems faced by local beauty brands in the development, and how to stand out in the beauty market where European, American, Japanese and Korean brands occupy a large share, and find their own way.

2. Chinese Beauty Industry Development Status

2.1 Chinese Beauty Industry Market Classification

The scale of China's cosmetics consumption market ranks first in the world. The overall beauty and skin care industry is about 500 billion CNY, of which basic skin care and personal care are relatively large. The main tracks are base makeup & makeup, basic facial skin care, functional skin care, medical dressings, and beauty collection stores. In addition to this, it is subdivided into the following five market segments: high-end (luxury) cosmetics, high-end cosmetics, mid-to-high-end cosmetics, mass cosmetics, and extremely cost-effective cosmetics. Every one of the five market subsets is experiencing intense competition from several brands. Most of the domestic brands are in the mid-to-high-end and below markets. Among them, Adolf and Bethany entered the high-end cosmetics market with their Adolf washing and care series and Winona skin care series respectively. For the overall business model of the beauty track, the logic of explosive products is the main way to play at present and in the future, but players will play an increasingly important role in building their own capabilities. In addition to leading international brands, now Some leading domestic brands have successfully built a number of key capabilities. Driven by factors such as the expansion of consumer groups, the entry of new players and the transition of existing players to mid-to-high-end, the growth of the national facial skin care track is relatively stable. Under the current business model, strong R&D capabilities combined with strong marketing to implement a large-scale product strategy is still an important measure for leading players to maintain core assets. In the future, with the tightening of national supervision, self-developed core formulas will occupy more and more positions in the fierce competition. The more important it is, the exclusive core ingredients will help build a big single product moat. The entry of beauty collection store players has driven a new round of rapid growth in the collection store track. Although the traditional top players have certain scale and capital barriers, new players have more flexible and diverse selections and avant-garde store designs, forming a strong force for traditional players. Strong competition. In the future, players will invest in brands and other forms to build diversified categories and brands, optimize supply chain management capabilities, omni-channel marketing capabilities, and members' refined operation capabilities, etc. will become important competitive strategies.

2.2 Beauty Industry Size

In China's high-end line market share, European and American brands still dominate. The overall beauty and skin care industry is about 500 billion CNY.

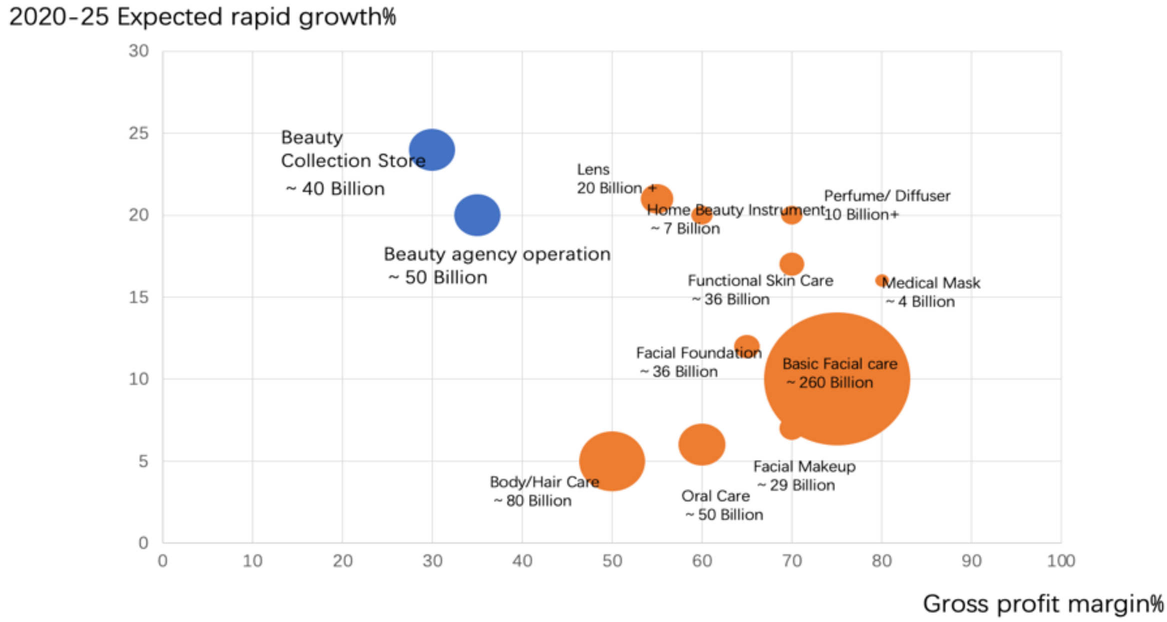

Fig. 1 2020-2025 Expected rapid growth (%)

The high-end market is mainly occupied by top international brands. The top three brands are L'Oreal, Estee Lauder and Louis Vuitton, accounting for 18.4%, 14.4% and 8.8% of the market respectively. In the high-end market, the top ten state-owned brands in terms of market share are Guangzhou Adolf and Yunnan Bethany, ranking seventh and ninth respectively, with a market share of 3% and 2.3% respectively.

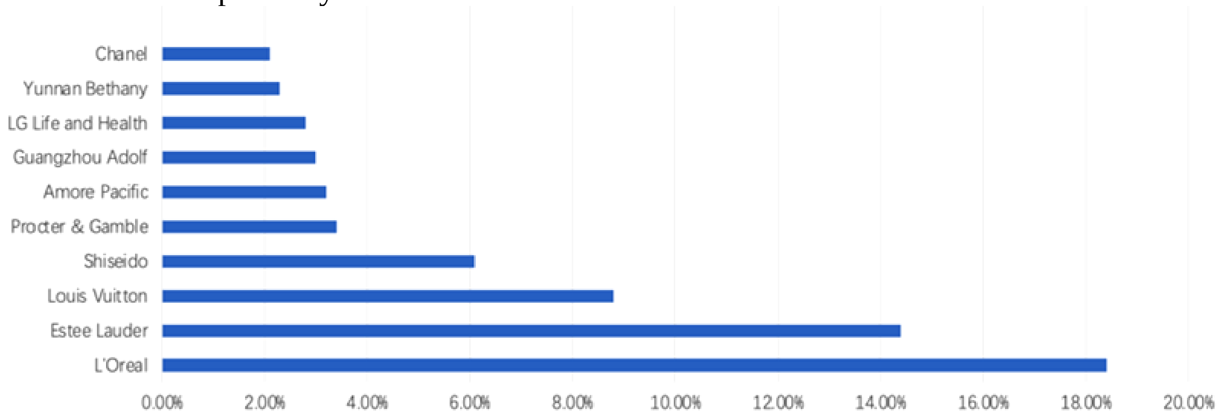

Fig. 2 Market share of high end cosmetics brands in China's cosmetics industry in 2020

In the mass cosmetics market, Procter & Gamble occupies the main market share, accounting for 12.1%, followed by L'Oreal, accounting for about 8.9%. Pechoin, Jialan Group, Shanghai Jahwa, and Shanghai Shangmei are some of the local brands that have a market share; accordingly, they account for 3.9%, 3.7%, 2.3%, and1.9% of the market.

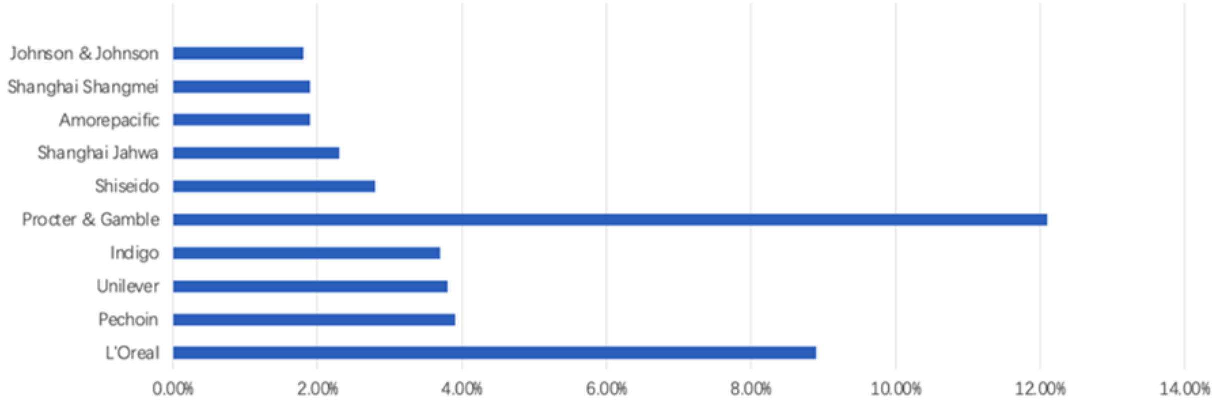

Fig. 3 Market share of popular cosmetics brands in China's cosmetics industry in 2020

3. China's Beauty Industry Advantages and Problems

3.1 Large market size and digital transformation

Gen Z consumers have become the main consumption force. This group spends most of their time on the Internet. Although the proportion of China's 15-64-year-old population is less than 30%, this group is becoming the main consumer force in China's cosmetics market. For example, the proportion of Tmall beauty consumers is close to 60%. They are keen online and spend on average 50-70% more online than older consumer groups. More importantly, Gen Z's tolerance and comments on domestic brands are on the rise. And this phenomenon is an important long-term positive for China's beauty industry.

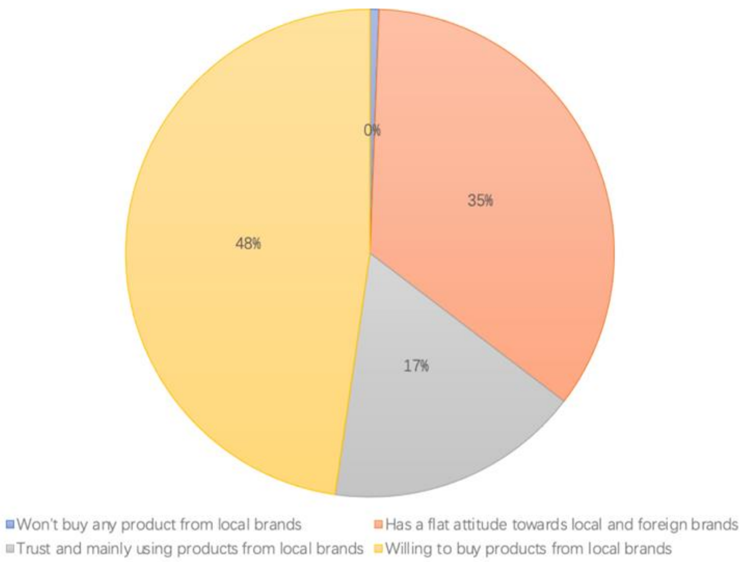

Fig. 4 Gen Z's Attitude Towards Local and Foreign Brands

In addition, due to the rapid development of Internet e-commerce in recent years, the consumption level of third- and fourth-tier cities is almost the same as that of first- and second-tier cities, and is 50%-100% higher than the average expenditure of consumers aged 35-54 in third- and fourth-tier cities. Explain that the digital transformation of brands is also increasingly important.

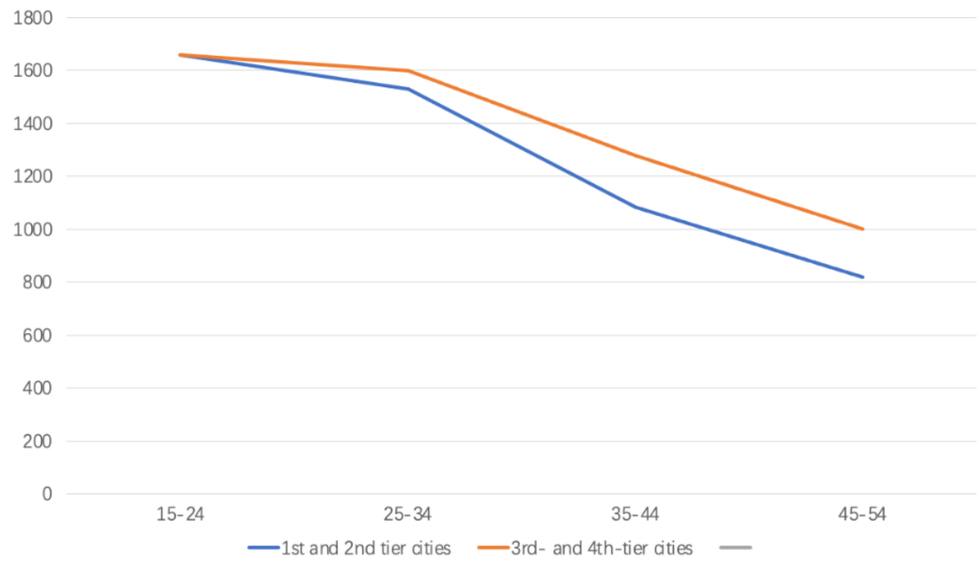

Fig. 5 Cosmetics Annual Average Points by City Class and Age Group in 2019

As a sales channel and communication medium, "digitalization" will continue to gain momentum, helping domestic beauty brands to deeply explore the main growth points of China's cosmetics industry. We predict that by 2023, online channels will account for more than half of the B2C cosmetics market revenue in mainland China (31% in 2019), and 57% by 2025, with a CAGR of 26% from 2019 to 2025. %.

3.2 Material research and development

The level of technical content determines the competitiveness of cosmetic brands to a large extent. In China, consumers pay more attention to their skin care effects when choosing cosmetics. Therefore, domestic cosmetics can grasp the core concept of skin care, increase investment in technology, and apply the latest high-tech technologies such as biotechnology and chemical technology. and other natural substances as raw materials to produce effective cosmetics. Although Affordable Materia Medica, established in 1999, has a history far less than that of old-fashioned domestic cosmetics such as Pechoin, which was established in 1931, but it relies on the concept of Materia Medica to nourish the skin. Pay attention to cutting-edge technology and industry trends, and develop new products based on solid scientific research strength.

3.3 Brand Culture

The term "brand culture" refers to the process of establishing a distinct brand positioning and making use of a variety of communication channels in order to generate a high level of spiritual recognition of the brand on the part of the audience. This generates a cultural atmosphere, which in turn generates strong customer loyalty through the medium of this cultural atmosphere. The emotional tie that unites customers and produces brand values that, in the end, lead to strong brand loyalty is cultivated through a company's brand culture. Brand culture will be engraved with a deep national imprint, which is not only a kind of identity but also a kind of differentiation; brand culture is the accumulation of many factors, the cohesion of common emotions and values, particularly in the connection between businesses and customers; brand culture causes brand association. Therefore, combining the above four aspects, inheritance, era, nationality and connection are the most important characteristics of brand culture. It is precisely because of the nationality of brand culture that domestic brands can just use this to promote their own brand culture.

For example, Pechoin, the description and praise of female beauty in China have existed since ancient times, and have been used for thousands of years. Gradually formed a unique aesthetic concept and evaluation standard, which is "the beauty of the East". From the youth that led an era in the 1930s, swept the country in the 1980s, to the herbal series of the new millennium. It was listed on the market and went abroad as a "national gift" in 2013. The legend of Pechoin is a legend about beauty; the story of Pechoin is an innovative interpretation of traditional oriental beauty.

4. Solutions

4.1 Devolop Product

From 1960 to 1985, Chinese beauty was still in the stage of rouge powder, and most people only used vanishing cream and moisturizing lotion as basic skin care products. Nowadays, in line with the needs of consumers, the domestic beauty industry has entered a track of steady development. With the continuous improvement of CS channels, beauty products are becoming more specialized and structured. International beauty brands took the lead in opening the "ingredient" communication strategy, and local brands followed closely and entered the stage of strong research and development. International brands are the first to pay attention to the importance of beauty ingredients, and international companies represented by Oucaiya Group are the first to enter the ingredient track. Strong rural impression. Local beauty brands follow the trend and begin to tell brand stories through ingredients. Many Benshi Xin said that brands have opened up new paths in the research and development and innovation of ingredients. Products that use ingredients as a communication point are more likely to become explosives. Whether it is skin care or make-up, products that communicate beauty ingredients are more likely to become popular products, and popular products with beauty ingredients contribute to GMV, the offering is bigger than the popular products in the beauty industry. At the same time, people have a better understanding of the ingredients. For example, the popular "component party" has also made the market threshold for local beauty brands higher and more demanding.

4.2 How to get rid of medium-low market

In 2020, Chinese high-end beauty market is mainly occupied by top international brands. The top three brands are L'Oreal, which with market shares of 18.4%, Estee Lauder which with market shares of 14.4%and Louis Vuitton, which with market shares of 8.8% respectively. In the high-end market, the top ten state-owned brands in terms of market share are Guangzhou Adolf and Yunnan Bethany (representative products are Winona), ranking seventh and ninth respectively, with a market share of 3% and 2.3%, respectively.. At present, most domestic beauty brands are concentrated in the low-end and middle-end. While occupying some market shares, they have not made a big splash in the high-end market. With the upgrading of consumption, hitting the high-end is a must in the future. This requires not only "first-class" Marketing and product strength”, but also “first-class basic research and development capabilities. After staring at the operations of a bunch of foreign companies, domestic brands quickly realized their own shortcomings, and they began to turn to the low-end market. The fight has left the high-end market. But what is the final fate of these domestic skin care products? Most of them cannot escape the one ending: being acquired. Whether it is the aforementioned Megajing, Dabao, Little Nurse, or Baermian, Yuxi, Ding Jiayi, and later Mei is the mask, the domestic beauty brand can not escape the fate of being acquired by overseas capital.

Since the rise of live streaming, for domestic beauty brands, it is an opportunity to move stores from offline to online. While occupying market share, it did not shine in the high-end market, which means that domestic brands still have a long way to go in order to break free from the shackles left over from the previous era.

5. Conclusion

This article makes a detailed analysis of the development status and market share of China's beauty market. China's beauty market is developing rapidly, and its market share is expected to expand in the next few years. The advantages and disadvantages of China's beauty market are analyzed and conclusions are drawn, and strategies for coping are given. With the blessing of e-commerce and live broadcast, the Chinese beauty market has a very large market, and the digital transformation of Chinese domestic beauty brands has become an inevitable choice. However, Chinese local beauty brands should do a good job in brand communication according to their own unique styles. This is where Chinese local brands lag behind international ones. To sum up, the Chinese beauty market has good prospects, but it needs to be highlighted according to its own situation.

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