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# CHINA – THE POTENTIAL OF THE COSMETICS MARKET IN THE *SHE-ECONOMY* ERA

The report of the PAIH Foreign Trade Office in Shanghai

An Analysis of the Current Situation and Prospect of Chinese  
Cosmetics Industry in 2017.

China is one of the most promising cosmetics markets in the world. With the implementation of the Chinese economic plan, implementation of the new urbanization strategy, further concentration of population in cities and increase in per capita income, the market is still growing intensively. Currently, this country is the second largest cosmetics consumer in the world after the United States.



With the implementation of China's national income plan, the depth implementation of urbanization strategy, the further expansion of the total urban residents in China and the per capita disposable incomes further improve, the cosmetics market continues to increase. Euromonitor data shows that China's cosmetics market sales increased from 204.533 billion RMB in 2010 to 336.061 billion RMB in 2016, the compound growth rate reached 9.06%, becoming the world's second largest consumer of cosmetics after the United States. In the past two years, due to slowdown in economic growth and sluggish retail terminal, the growth rate of the industry has been going down but remained at around 6%. It is expected that in 2017, China's market size will reach 358.765 billion RMB.

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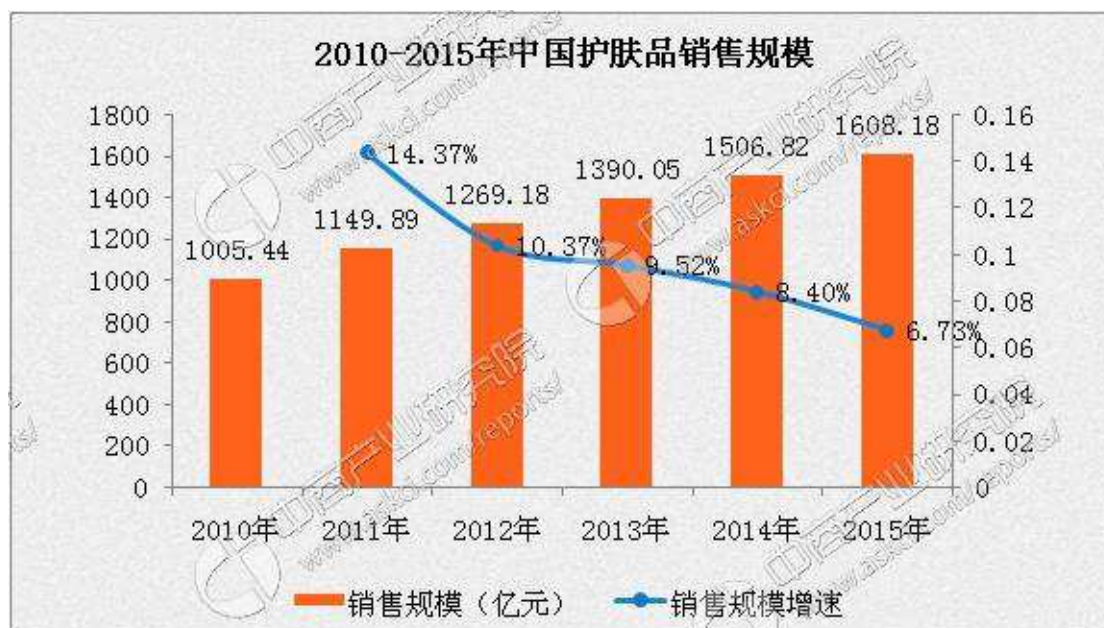


Sales of beauty and personal care products in China (100 million RMB)

Data from: Euromonitor

At present, the domestic cosmetics enterprises with production licenses is nearly 4,000, with the product category of 500,000. As shown by Euromonitor data, foreign brands occupy a leading position in the cosmetics market, for domestic cosmetics brands, only Shanghai Jahwa and JALA are on the list. While the top ten cosmetics brands' market share is of less than 50%, the overall concentration of the market is not high. Skin care products are an important sub-industry of the cosmetics industry. Euromonitor statistics show that China's skin care market sales from 2010 to 2015 compound annual growth rate of 9.85%, and in 2015 reached 160.818 billion RMB, which is among the fastest growth of cosmetics category.





2010-2015 Sales of skin care products in China (100 million RMB)

Data from: Euromonitor

Compared with the developed countries, China's per capita consumption of skin care products only converted into 17.96 US dollars, not only far lower than the United States and Germany, the mature countries for skin care products per capita consumption, but also far lower than Japan, South Korea and other Asian neighbors. In the future, with the consumption habits upgrades and the cultivation of skin care concept, the gap is expected to shrink.





Per capita consumption of skin care products for each country (US dollars)

From left to right: China, Japan, Korean, Italy, German, and America

Data from: Euromonitor

## Cosmetics industry trends

As consumers become more mature, their product usage, composition and brand positioning preferences are more detailed. Whitening, freckle, anti-aging, moisturizing, sunscreen, replenishment of these concepts will be more and more welcomed. Eye, lips, cheeks and neck subdivision products are getting closer to the specific needs of consumers. In recent years, pure natural products, organic products are highly sought after, which will domain the future cosmetics market and be the focus of the cosmetics enterprises.

At the same time, domestic brands are better at the development of second and third tier cities shop channels to quickly seize the mass market. At the same time, in order to meet the diversified needs of consumers, and in pursuit of high profit margins of high-end products, domestic brands began to launch





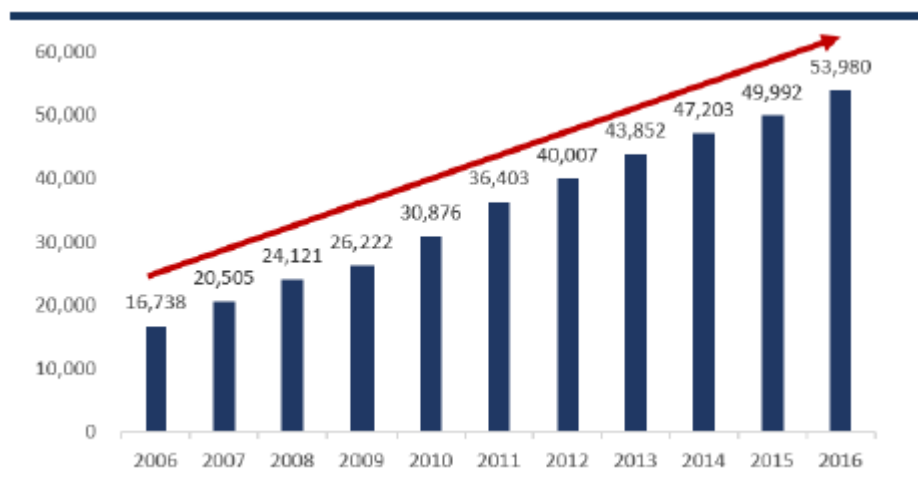
high-end products to penetrate into high-end product market. Cosmetics enterprises implement a wide range of diversified sales channels, in the consolidation of the original traditional sales channels at the same time the e-commerce channel to achieve multi-channel sales.

### Great potential of China market

According to the National Bureau of Statistics data, China's per capita GDP has exceeded \$3,000 since 2008, entering the phase of consumption upgrading, which will drive the consumption of daily chemical products into relatively fast growth period.

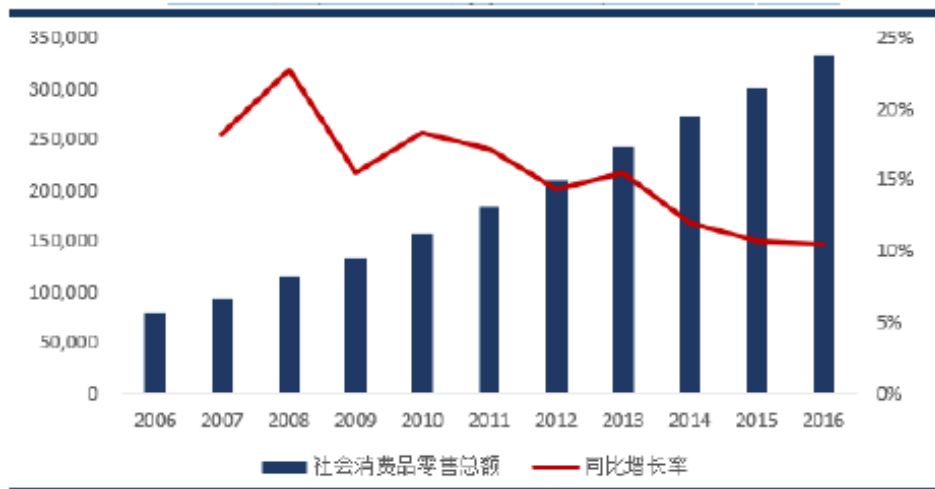
From 2008-2016, GDP grew from 31.95 trillion RMB to 74.41 trillion RMB. Even with a slowed down of GDP growth, the total is particularly good, becoming the basic protection of the development of the industry.

In 2016, total retail sales of social consumer goods reached 33.23 trillion yuan, an increase of 10.43% year on year, although has declined compared with the past two years, but still very impressive. Cosmetics as an important part of retail sales of social consumer goods, with the total retail sales of social consumer goods continued, China's cosmetics Market has great prospects.



Per capita GDP growth in the past decade (RMB)





Total retail sales of consumer goods in the past decade (\$100 million)

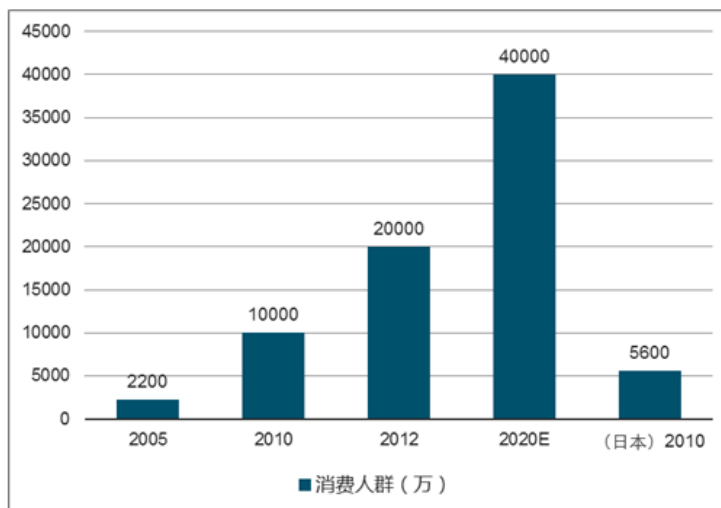
With the urban and rural residents living standards gradually improve, the increase in the number of the middle class further upgrade the consumption structure, which is the most important reason to promote cosmetics consumption. According to the national bureau of statistics, in 2016 China's per capita disposable income of urban residents was 33,616 RMB, an increase of 7.8% year-on-year, tripled over the past decade. The middle class is gradually expanding, data shown that in 2015, China's middle class adult population accounted for 20.1% of adult population; middle-class adults' average wealth is about \$139,000. The middle-class adult population is 204 million people, with the total wealth of 28.3 trillion US dollars, which is far more than the United States and Japan over the same period. Therefore, with the size of the middle class population and the middle class total wealth, China has leapt to the top of the world. With the improvement of the purchasing power of urban and rural residents, the rapid growth of the middle class consumer groups will become an important force to promote the growth of high-end consumer goods market, the growth of the middle class and the upgrading of consumer spending will lead to the further development of the cosmetics industry.





Per capita disposable income of urban residents in the past decade (RMB)

"She-economy" will become the basis for the rapid development of the cosmetics industry. According to the National Bureau of Statistics, China's 25-45-year-old female population is close to 300 million. With their economic income, social and family status upgrade, women gradually become the leading consumer of fashion consumer products market. Women's huge population base, economic independence and consumption characteristics ("pursuit of beauty", "emotional consumption", "personalized") created a strong demand for "She-economy" era.



China's core cosmetics consumers (10 thousand)

