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State of the Art



# THE COSMETICS MARKET IN CHINA

FLANDERS INVESTMENT & TRADE MARKET SURVEY

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**CHINA'S COSMETICS MARKET**  
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# 1. GENERAL INTRODUCTION

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China, the world's second biggest cosmetics market, recorded CNY 402.6 billion as cosmetics' retail value of sizable sellers in 2021, a year-on-year increase rate of 14.0%.

The increase was mainly caused by the expansion of the consumer groups and the rise of their consumption frequency. The number of customer types also expanded and, for example, both youngsters and men use makeup.

Special occasions in the year such as March 8<sup>th</sup>, June 18<sup>th</sup>, November 11<sup>th</sup> and December 12<sup>th</sup> have become catalyzers for Chinese people's consumption, including cosmetics. Today, the market is becoming saturated, which makes new investments cautious. In 2021, the business in China had 154 cases of financing, at a total amount of CNY 13.751 billion.

In 2021, China's import volume of cosmetics was 473.839 tons, a year-on-year increase rate of 5.2%, China's import value was USD 24,925,363,000 at a yearly increase rate of 23.1%.

## China's import of cosmetics 2021

Description		Number	Increase rate
Ordinary trade	Volume (ton)	294,110	0.5%
	Value (CNY 10,000)	8,203,190	11.9%
Process trade	Volume (ton)	8,038	10.6%
	Value (CNY 10,000)	90,835	-2.5%
Bonded logistics (cross border e-commerce)	Volume (ton)	164,467	16.7%
	Value (CNY 10,000)	6,311,769	31.5%
Others	Volume (ton)	7,225	-24.1%
	Value (CNY 10,000)	1,523,810	-14.2%

Top foreign brands like L'Oréal, Estée Lauder, LV, Chanel and Shiseido take a leading share in China's cosmetics market, especially at the high-end. China's leading traditional brands are Marubi, Biohyalux, Herborist, Maogeping and Inoherb. The new-generation brands are Winona, HomeFacialPro, Proya, Perfect Diary and Huaxizi. China's leading OEMs (Original Equipment Manufacturer Parts) in the business are Nox Bellcow and A&H Cosmetics. From the top 20 cosmetics companies in China, 80% of them are foreign.

There are around 90.000 cosmetics companies in China, mainly in Guangdong (25.5%), Anhui, Hunan, Hebei and Sichuan Province.

Shenzhen, Guangzhou and Shanghai are the 3 biggest hosting cities of China's cosmetics companies, Guangzhou has more OEM producers while Shanghai has more foreign companies and high-quality companies.

There are 259 sizable cosmetics agent companies in China; 23 among them are at the size of CNY 20 million as the registered capital, 108 among them have already been existing for more than 10 years. Fuzhou is the biggest hosting city of the agents. Over 30.000 items of innovation patents, over 9.000 items of appearance design patents and over 14.000 items of utility model patent in the industry were registered in 2021. The leading Chinese cosmetics production



clusters are in Guangzhou City (Baiyun, Huangpu and Huadu District), Shanghai City (Fengxian District), Qingyuan City (Qingxin District) and Chengdu City (Wuhou District).

Some leading sales trends in China's cosmetics market are:

- Strong promotion of one single product first, with further expansion of the product range.
- Input of Chinese cultural elements.
- More focus on the young generation.
- Development of all sales channels, online and offline.

New-generation cosmetic materials like Hemp seed oil, polyhydroxy-acid, glycolic acid, retinol, tea tree essential oil and new-generation cosmetic concepts like resistance against early oldness, oil for skin, Vitamin C for morning and Vitamin A for evening are popular in China.

#### Chinese cosmetic consumers' brand preference 2021

Brand	Percentage
Leading Chinese traditional brands	44.2%
New-generation Chinese brands	42.2%
Leading foreign brands	36.6%
No preference	34.3%
Small foreign brands	22.5%



## 2. NEW REGULATIONS AND THE INFLUENCES

### 2.1 GENERAL REGULATIONS

Big changes in 2021-2022 on China's regulations on the cosmetics business are made. The administration is becoming more professional and unnecessary paperwork is disposed of. This has a big impact on the cosmetic companies.

The authority in charge of cosmetics in China is the National Medical Products Administration ([www.nmpa.gov.cn](http://www.nmpa.gov.cn)), which reports to the State Administration for Market Regulation ([www.samr.gov.cn](http://www.samr.gov.cn)). For the imported cosmetics in China, the General Administration of Customs ([www.customs.gov.cn](http://www.customs.gov.cn)) is also responsible.

China's basic regulation on the sector is “化妆品监督管理条例 (Cosmetic supervision and administration regulation)”, it came into effect on the 1<sup>st</sup> of January 2021 and can be read at China's official website: [化妆品监督管理条例（国令第727号）\\_政府信息公开专栏 \(www.gov.cn\)](http://www.gov.cn), an unofficial translation in English of it can be found at [化妆品监督管理条例英文版 China Cosmetic Supervision and Administration Regulation - 道客巴巴 \(doc88.com\)](http://doc88.com).

The highlights of the new “Cosmetic supervision and administration regulation” are:

- Classification and listing administration on the cosmetic raw materials
- Stronger administration on the declaration of the cosmetic functions
- Stronger administration on the cosmetic production
- Quality control on the full industrial chain
- Monitoring of the products' adverse reactions
- Stronger punishments

#### China's key new regulations on the cosmetic business

Name	Effective date
《化妆品监督管理条例》 “Cosmetic supervision and administration regulation”	1/1/2021
《化妆品注册备案资料提交技术指南（试行）》 “Technical guidelines on the submitting of the cosmetic registration and recording documents (trial)”	25/4/2021
《化妆品注册备案管理办法》 “Cosmetic registration and recording administration measurement”	1/5/2021
《化妆品注册备案资料管理规定》 “Cosmetic registration and recording documents administration stipulation”	1/5/2021
《化妆品新原料注册备案资料管理规定》 “Cosmetic new raw materials' registration and recording documents' administration stipulation”	1/5/2021

《化妆品功效宣称评价规范》 "Cosmetic function declaration's evaluation standard"	1/5/2021
《化妆品分类规则和分类目录》 "Cosmetic classification rule and list"	1/5/2021
《化妆品安全评估技术导则（2021年版）》 "Cosmetic safety evaluation's technical guides (2021)"	1/5/2021
《已使用化妆品原料目录（2021年版）》 "List of cosmetic raw materials already being used (2021)"	1/5/2021
《化妆品禁用原料目录》 "Forbidden cosmetic raw materials list"	28/5/2021
《化妆品禁用植（动）物原料目录》 "Forbidden cosmetic plant (animal) material list"	28/5/2021
《化妆品补充检验方法管理工作规程》 "Additional cosmetic inspection measurement's administration stipulation"	1/7/2021
《化妆品补充检验方法研究起草技术指南》 "Technical guidelines on additional cosmetic inspection measurement's research and drafting"	1/7/2021
《化妆品生产经营监督管理办法》 "Cosmetic production and sales' supervision and administration measurement"	1/1/2022
《儿童化妆品监督管理规定》 "Children's cosmetics supervision and administration stipulation"	1/1/2022
《化妆品标签管理办法》 "Cosmetic label administration measurement"	1/5/2022

Cosmetics can be classified under two categories: "special cosmetic products" and "ordinary cosmetic products". The first category are the cosmetics for hair dying, perm, spot whitening, sun blocking, alopecia resistance, The cosmetics claiming new functions are other cosmetics.

For obtaining the access to China's market, a cosmetic product needs to go through the "registration" or "recording" procedures at the National Medical Products Administration. A "special cosmetic product" needs the "registration", an "ordinary cosmetic product" needs the "recording" which is more simple. A "registration" needs the Government's further approval, while a "recording" does not need it.

The cosmetic raw materials are controlled by the Government. A cosmetic raw material which has not been used in China is classified as a new material. New raw materials with higher risks (with the function of anti-corrosion, sun blocking, coloring, hair dying and spot whitening) need "registration", other new raw materials need "recording", the raw materials already being used in the country do not need the "registration" or "recording".

A new raw material which has been used in China for 3 years without safety problem, will become a material already being used, More details can be found at <http://ciip.nifdc.org.cn>.

The procedures under the new regulations cost more time and money.

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From the 1<sup>st</sup> of January 2022, the following steps are to be taken:

- Expiration of the temporary account number for the cosmetic product “recording”.
- Uploading of the evidence digest of the cosmetic product’s functions on a governmental website.
- Declaration of the receipt number proving that the raw material with any function of anti-corrosion, sun blocking, coloring, hair dying or spot whitening has been reported to the Government.
- Submitting of the cosmetic product’s safety evaluation report.
- Submitting, within the first 3 months of a year, of the annual report of an ordinary cosmetic product which has been “recorded” for a complete year.
- Additionally getting the production permit certificate, for the preparation of the contents of a cosmetic product.
- Indication of the complete information of a cosmetic product, when selling it online.
- For a producer, keeping the samples and files for every batch of a cosmetic product.
- For an organizer, keeping detailed files of every cosmetic exhibition.
- Application for electronic “registration” certificate for special cosmetics.
- Application for pre-approval on the declaration of cosmetic functions.

Other laws like the “Civil code”, the “Advertisement law” and the “Law on protection of the rights and interests of consumers”, the “Trademark law” and the “Anti-unfair competition law” are relevant for the cosmetic business.

The new regulations make the cosmetic companies to reevaluate some of their strategies, technologic innovation, product design and profit structure.

In 2022, there will be a tide of cosmetic paperwork in the country. This will lead to a healthier development of the industry on the long term, the ultimate aim of the Chinese Government.

Some companies claimed special features because of special components, but the amount of that component in their product was to be neglected. “Edible” can not be mentioned for children’s cosmetics. a cosmetic product can not claime to have medical functions; other misleading or unreal description on the cosmetic functions can not be used.



## 2.2 IMPORT REGULATIONS

If the skin-contact content's last process procedure for a cosmetic product to be sold in China is done outside of China, it is classified as an imported cosmetic product.

As China's cosmetics import basically has two channels, the ordinary import and the cross-border e-commerce import, the regulations are divided into these two channels too. There is a notable regulation simplification on the import, from the 1<sup>st</sup> of January 2022, the "recording" of the consignees in China of imported cosmetics is cancelled.

### 2.2.1 Ordinary import's regulations

#### 2.2.1.1 Pre-"registration"/ "recording"

- Identifying the company for "registration"/ "recording", which should:
  - be legal.
  - have relative quality control ability.
  - have monitoring and evaluation ability against the products' adverse reactions.

A foreign company for the "registration"/ "recording" in China should appoint a responsible company within China (its own subsidiary in China or another Chinese partner) to handle the paperwork, the latter should also assist in the monitoring of the products' adverse reactions and the recalling of the problem products, and bear relative legal responsibilities. One imported cosmetic product should only be handled by one responsible company within China.

#### Product safety evaluation

The company for "registration"/ "recording" should make, by itself or another institute, the product safety evaluation report.

Previously, all imported cosmetics in China should pass the animal experimentation, this blocked the market access for those Cruelty Free foreign products.

Now, the ordinary cosmetics which meet the following requirements do not need to go through the animal experimentation:

- The product's producer has obtained relative production quality control qualification certificate in its original country.
- The product's safety evaluation is good enough.
- The product's functions are not related to infants and children.
- The company for "registration"/ "recording", the responsible company within China and the production company are all not under the key monitoring of the Chinese Government.

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- Product function evaluation

The company for “registration”/ “recording” should make, by itself or another institute, the evaluation on its declaration of its product’s functions, and upload the evidence digest of the product’s functions on a Chinese governmental website.

For an ordinary cosmetic product	For a special cosmetic product
Chinese name of the product	Chinese name of the product
Name of the company “recorded”	Name of the company “registered”
Address of the company “recorded”	Address of the company “registered”
Name of the responsible company in China	Name of the responsible company in China
Address of the responsible company in China	Address of the responsible company in China
/	Number of the special cosmetics registration certificate
Name of the production company	Name of the production company
Address of the production company	Address of the production company
Number of the Standard the product corresponding to	Number of the Standard the product corresponding to
Component content including microconstituents	Component content including microconstituents

- Preparation of the labels  
 The labels can be directly printed on the packages, or pasted on the packages by stickers.  
  
 The requirements on the content of the label in Chinese of an imported cosmetic product sold in China.



### 2.2.1.2 “Registration” / “Recording”

Procedures of an imported cosmetic product’s “registration”/ “recording” in China

Procedure	Registration	Recording
Application (document required)	Same as the right column	Relative identification documents
		The authorization letter for the responsible company within China, and the notarization
		The documents proving the product is being sold in the original country, or good for China’s requirements
		The product formula or all components’ details
		Further documents on the product formula, details for new materials, if any
		The description on the standard of the quality and safety
		The description on the packages (labels, product description, etc)
	The production process’ descriptions, with drawings	
	The product’s technical requirements	
Technical inspection	Done in 90 working days	Not a must, randomly arranged
Permission	Decided in 20 working days	Not needed

The procedure is handled by the National Medical Products Administration’s offices at provincial level or its central office in Beijing City.

The “recording” procedure usually takes 4-6 months, the paperwork usually costs CNY 10,000-20,000, or CNY 50,000-70,000 for more complicated products. Some cosmetic new raw materials, as new chemicals, may also need to be inspected and permitted by the Ministry of Ecology and Environment ([www.mee.gov.cn](http://www.mee.gov.cn)).

### 2.2.1.3 The Customs’ inspection and quarantine

These usually include onsite inspection, label inspection and lab inspection.

### 2.2.1.4 After sales monitoring

These usually include the extension of the permits, onsite inspection at shops and sampling inspection, For a “registration”, the certificate needs to be extended after 5 years. For a “recording”, the certificate which is electronic, is permanently effective, the annual report on the product is needed.



### 2.2.2 Cross-border e-commerce import's regulations

The regulations are more simple as the above-mentioned "registration"/ "recording" are not needed.

The Chinese cross-border e-commerce platforms are responsible for the liabilities of the imported cosmetics sold in China. Therefore the platforms have their own detailed quality requirements on their foreign suppliers, usually the same as those of the Chinese Government. Via this cross-border e-commerce import, the market access procedures for cosmetics are easier, but after sales monitoring is stricter, Foreign suppliers are still to take relative responsibilities. For a foreign cosmetics SME that wishes to launch a preliminary trial on the Chinese market, this cross-border e-commerce import is better than the ordinary import.

## 2.3 THE INFLUENCES OF THE NEW REGULATIONS

In 2021, there were over 17 000 items (decrease by 20% compared to the previous year) of imported ordinary cosmetic products which went through the new "recording" procedures.

They were linked to over 800 responsible companies within China, 85% of them concentrated in Shanghai City, Guangdong Province, Zhejiang Province and Beijing City.

Among the top 50 responsible companies within China for the newly "recorded" imported cosmetic products, 74% were the subsidiaries of the foreign companies, 26% were the Chinese distributors/partners of the foreign companies. Meaning that foreign companies prefer full control on the "recording" by their own offices.

Furthermore, some of them prefer more than one Chinese distributor. That means it is not practical to let a single Chinese distributors handle the "recording" and one distributor never covers the entire China business

Over 17 000 items of the "recorded" imported cosmetics, the top 4 original countries were South Korea (taking a big lead), France, Japan and the USA, jointly taking a share of 71%.

Among items, 70% were from foreign OEMs (64.3% were for foreign owners, 5.7% were for Chinese owners), only 30% were from foreign original brands.

The top 20 foreign OEMs for the Chinese market are mainly in South Korea (around 10), Europe, Japan and Canada. They were Cosmax, Cosmecca, Intercos, Estée Lauder, Kolmar, Sicos, B.R.I., D'abord etc.

Chinese companies' demand for foreign OEM service is rising. Previously they operated more as the Chinese distributors/agents of foreign companies, but there were easily divergences on the profit sharing. Now the Chinese companies prefer to work on their own brands and design, with foreign production.

Among the first trials of the imported cosmetics' "recording" in 2021, 35.68% were rejected due to shortage of the documents and even fraud.

Among the "recorded" imported cosmetics in 2021, the top 4 categories were essence, facial mask, lipstick and perfume.

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Among these “recorded” imported cosmetics, over 7 000 types of components were used, they were mainly for moisturizing, lotion and anti-oxidation; the highlights went to the new-generation raw materials like ergothioneine for anti-aging, vitreoscilla for eco-skin system, Ceramide EOP, seed oil of Pinus Pentaphylla, extraction of Ziziphus Jujuba and D-Mannose,

The ‘Cruelty Free’ brands are also making a rush to the Chinese market. They include UrbanDecay, Aesop, Kate Somerville, The Body Shop, Dermalogica, Anastasia etc.



### 3. THE LEADING RETAIL CHANNELS

Regarding the online channels for the cosmetic retail in China, there are cross-border e-commerce platforms like [www.tmall.com](http://www.tmall.com), [www.kaola.com](http://www.kaola.com) and [www.vip.com](http://www.vip.com), General e-commerce platforms like [www.jd.com](http://www.jd.com) and [www.pinduoduo.com](http://www.pinduoduo.com), Live-streaming platforms like [www.douyin.com](http://www.douyin.com), [www.kuaishou.com](http://www.kuaishou.com) and [www.xiaohongshu.com](http://www.xiaohongshu.com),

Regarding the offline channels for the cosmetic retail in China, there are collection stores, shopping malls' pavilions, the brands' exclusive shops, beauty salons, aesthetic medical hospitals, pharmacies, etc.

The online-offline allocation of the business is becoming stable. Especially the online channels are saturated and the competition and cost in them are tough.

The influence of the online Key Opinion Leaders (KOL) in China's cosmetic retail is strong. Here are the cosmetic promotion prices of a leading KOL, "深夜徐老师 (Midnight Teacher XU)":

Platform	Scale of Fans' number	Form of promotion	One-time price (CNY)
<a href="http://www.weibo.com">www.weibo.com</a>	11.2 million		64 000-96 000
<a href="http://www.xiaohongshu.com">www.xiaohongshu.com</a>	2.6 million	Image-text Video	80 000-120 000 160 000- 240 000
<a href="http://www.douyin.com">www.douyin.com</a>	7.5 million	Video, 1-20 s Video, 21-60 s	64 000-96 000 128 000-192 000
<a href="http://www.bilibili.com">www.bilibili.com</a>	1.1 million	Product placement video Tailor-made video	120 000-180 000 240 000-360 000

Price differences of a same cosmetic product (a 30-ml bottle of essence cream of Estée Lauder's La Mer)

Channel	Retail price
Harmay's store in Beijing City (a collection store)	CNY 1292
La Mer's flagship store at <a href="http://www.tmall.com">www.tmall.com</a>	CNY 1520
Official website of the Sanya International Duty Free Center in Sanya City	CNY 1180
A private shopping agent's online shop at <a href="http://www.taobao.com">www.taobao.com</a>	CNY 848





In these store chains, smaller stores may be more difficult to maintain, the strategy of one big store for one city is more promising, with the store at the size of 500-1000 m<sup>2</sup>, The average turnover can be CNY 100 000 / m<sup>2</sup> / year. However, it is still to be seen whether these store chains can make decent profit on the long term.

**Traditional collection store Vs New-generation collection store in China**

	<b>Traditional</b>	<b>New-generation</b>
Main customer	The middle-aged and young people.	The people born after 1995.
Beauty adviser	Close personal service.	Non-disturbance service.
Brands sold	Big brands.	Big and small brands. More open to new domestic brands.
Digital operation	Strong at supply chain management.	Strong at keeping old customers, attracting new customers, goods selection on big data.
Store design	Light design.	Strong fashionable design.
Goods display	By brand.	By category.
Main Business model	The store takes commission (30%) from the goods owner. The store has longer credit period (75-90 days). In fewer cases, the store directly purchases the goods first, requiring 40% discount from the big foreign brands and 60% discount from the domestic brands.	The store purchases the goods first then resells, the gross profit rate is 60%. Sometimes, the store charges the brand owner operation fee. The store has shorter credit period (30-60 days).
Goods supply	Directly from the brand owners.	Big foreign brands do not officially supply. The store needs to purchase them from the brands' own stores, other traders or hotels. Smaller brands directly supply, some have strategic cooperations like making joint events, sharing customer's data.
Estimated market share by 2023	84.2%	15.8%
Leading players	Watsons, Sephora, Mannings, Glalen, Sasa.	The Colorist, Harmay, WOW Colour, Haydon, H.E.A.T.



### Chinese cosmetic consumers' offline buying motives 2021

Motive	Percentage
Can have onsite trial of the product	68.6%
Meet urgent demand	56.4%
Can buy reliable products	55.4%
Can have more relaxing buying experience	44.1%
Can have beauty adviser's service	27.9%

### Chinese cosmetic consumers' offline buying motives by commodity 2021

Commodity	Percentage
Cosmetic tools	94.8%
Make-up	92.8%
Skin-care products	90.3%
Perfume and fragrance	84.9%
Sun blocking products	82.1%
Infant and children caring products	77.7%
Men's cosmetics	75.0%
Oral-care products	74.4%
Shower products	58.8%

For the new-generation collection stores, profits are generated according to the following rankings:

- make-up
- skin-care products
- perfume and new Chinese brands
- foreign small brands
- foreign big brands.

Small independent-packaged cosmetic samples are useful to attract Chinese consumers for further buying. Usually, offered as free festival gifts by the brand owners.

There are few formal buying channels for the samples although the buying demand does exist. The new-generation collection stores sell them, as they are a good marketing method.

The customers whose monthly cosmetic consumption amounts to CNY 300-500 are more attracted by these samples. However, the Government's regulation control on the sales of sample is stricter. When a cosmetic sample is being retailed, it should be regarded as an ordinary cosmetic product to which all regulations apply; for example, the sample's package should contain complete product information, the sample's production origin should be legal and traceable, the sales records of the sample should be complete, etc.



## 4. SUB-SECTORS

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### 4.1 SKIN-CARE PRODUCTS

The skin-care products stand for the biggest part of China’s cosmetics business.

The scale of the skin-care cosmetics market is estimated to reach CNY 197.9 billion in 2022; the breakdown is around 93% for facial-care, 5% for body-care and 2% for hand-care.

The main technology presently in China’s skin-care cosmetics market is the adding of various animal and plant essence.

The keywords of the market in the coming years may be more application of biology and bionics, anti-aging products with focus on anti-pollution and resistance to all-optical-band lights, precision skin-care. Safety, green and naturalness are always the right topics. The so-called “full function” products will not win in the market; a product should be more focused on one point only : moisturizing, whitening, regeneration, anti-aging, etc.

The top 3 retail channels of China’s skin-care products are online platforms (share of around 35%), shopping malls (share of around 22%) and cosmetics collection stores (share of around 16%).

#### Chinese consumers’ monthly expenses on skin-care products 2021

##### Women

Expense range (CNY)	Consumers’ percentage
801-1000	21.4%
1001-1500	20.8%
501-800	19.0%
1501-3000	14.0%
300-500	12.3%
3001-5000	4.9%
> 5000	3.8%
< 300	3.6%

##### Men

Expense range (CNY)	Consumers’ percentage
300-500	26.3%
501-800	18.3%
801-1000	16.5%
1001-1500	14.0%
< 300	11.2%
1501-3000	7.4%
3001-5000	4.6%
> 5000	1.8%

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#### 4.1.1 Skin-care products for infants and children

China's market for skin-care products for infants and children amounts to around CNY 28 billion and it may reach CNY 50 billion in 2025. The Chinese brands take around 60% of the market.

The market for the 0-3 years old is already quite saturated, but more opportunities still lie in the section for the 3-12 years old which stands for less than 20% of the business.

The leading foreign brands in the market are Johnson & Johnson, Pigeon, Aveeno, Bonpoint, Evereden and Mustela; the leading Chinese brands are Baby Elephant, Qingwawangzi, Giving and Yu Mei Jing.

The biggest brand only takes a market share of around 5%, therefore the new brands still have good chances. In 2025, the biggest brand may take a share of 10%.

The unit price of the products is usually at CNY 30-80. For example, a popular facial cream at 52 g / bottle is sold at CNY 59.

The skin-care products for infants and children mainly focus on moisturizing and lotion, also antiallergy and isolation. Eczema is a major problem, which influences 63.7% of Chinese infants.

The products are usually diversified as facial cream, protection lipstick, talcum powder / liquid, body lotion and diaper rash cream.

For the new-generation Chinese mothers, 88.34% prefer Chinese brands, 11.56% prefer high-end foreign brands. 58% of Chinese mothers care about the components of the products very much, although few of them really understand the descriptions. The leading Chinese brands in this business have more diversified products for the niche markets of different ages and functions. The online sales of the products is rising at an increasing rate around 20%. A major online flagship shop of Baby Elephant for example has over 4.18 million fans.

As previously mentioned in this report, the new "Children's cosmetics supervision and administration stipulation" has been effective since the 1<sup>st</sup> of January 2022. It is applicable to the products for children up to 12 years old and covers the skin-care products for infant and child too.

On the 1<sup>st</sup> of December 2021, China published the official label for children's cosmetics, which has to be printed on the packages of all legal products in this field by the 1<sup>st</sup> of May 2023.



#### 4.1.2 Skin-care products with special functions (cosmeceuticals)

The skin-care products with special functions mainly belong to the special cosmetic products previously mentioned in this report, which need to be “registered” in China. Some products also fall into the categories of ordinary cosmetic products, hygiene disinfection products and medical devices.

China’s market for the skin-care products with special functions may amount to CNY 58,97 billion in 2023, at an annual increasing rate of around 29.4%.

In 2021, women took 71.5% of the market, men took 28.5%; women spent 58.4% of their skin-care product expenses for the special functions ones, men spent 52.3%.

The basic trends of the market are more medical R&D endorsement, more healthy competition and extending the business theme to “health” instead of “cosmetics”.

The products are divided into 3 fields : sensitive skin care, the addition of special components and facial dressing; the sensitive skin care takes the biggest market share as one third of the relative Chinese consumers have a sensitive skin. The main influential factors for Chinese women’s sensitive skin are climate, emotion, food and chemicals; those for Chinese men are shaving, inheritance, climate and life style.

China does not officially use the word “cosmeceutical”. In China, a “cosmeceutical” is a cosmetic product, not a medicine; any product “registered”/ “recorded” as a cosmetic product is not allowed to claim that it has medical function.

In this sub-sector, the leading foreign brands are like Avene, La Roche-Posay (annual turnover in China: CNY 2 billion), SkinCeuticals (annual turnover in China: CNY 1.13 billion), CNP and Vichy (annual turnover in China: CNY 1 billion); the leading Chinese brands are like Winona, Dr.Yu, FulQun, Biohyalux and Fulfil.

#### **The original countries of the skin-care products with special functions bought by Chinese consumers 2021**

<b>Country</b>	<b>Percentage</b>
China	65.9%
France	59.1%
Japan	52.6%
USA	39.5%
Germany	31.1%
Spain	22.6%
Other countries	0.7%



The gross profit rates in the industrial chain of China’s skin-care products with special functions 2021

<b>Player</b>	<b>Gross profit rate</b>
Raw material supplier	50-60%
OEM	10-15%
ODM	45-55%
Brand owner	Online sales, 60-80% Offline sales, 25-45%
Distributor	20-45%
Retailer (hospital, beauty salon, store)	50-70%

Chinese consumers’ preferences on the skin-care products with special functions 2021

<b>Description</b>	<b>Percentage</b>	
	<b>Women</b>	<b>Men</b>
Component and function	81.9%	74.9%
Safety	76.0%	70.8%
Brand popularity	48.3%	55.7%
Price performance ratio	46.2%	42.5%
Original country	36.6%	37.4%

Chinese consumers’ motives of choosing skin-care products with special functions 2021

<b>Motive</b>	<b>Percentage</b>
Has serious skin problems, wants safe products	48.5%
Has sensitive skin, wants problem prevention	48.4%
Wants high quality life, high quality products	44.5%
Wants fast functions	42.4%
Usually wears make-up for long time, wants better skin-care	31.7%
Has skin disease, wants more treatment	29.0%

Chinese consumers’ attention on the special functions of skin-care products 2021

<b>Function</b>	<b>Percentage</b>		
	<b>Overall</b>	<b>Women</b>	<b>Men</b>
Anti-aging	43.0%	44.2%	40.0%
Moisturizing	42.7%	45.0%	36.8%
Whitening and brightening	40.7%	46.7%	25.6%
Pore shrinkage	40.0%	40.6%	38.6%
Anti-allergy, anti-infection	38.4%	38.5%	38.3%
Acne and comedone removal	37.6%	43.5%	35.2%
Pimple removal	28.1%	34.4%	25.6%



## 4.2 MAKE-UP COSMETICS

China's market of the make-up cosmetics may amount to CNY 121.6 billion in 2025, by then the high-end products may take up a 60% share. The main breakdown of the market is 48% for facial make-up, 33% for lip make-up and 16% for eye make-up. Lip make-up will have the biggest development followed by the facial make-up and the eye make-up. The top 3 single products are lipstick, foundation make-up and BB/CC cream.

Women take 95% of the market, the consumers' average age is 24.1 and 50% of the consumers bought new category products in 2021.

Around 85% of this sub-sector's turnover is realized online; from this part, around 35% is generated from the general e-commerce platforms, 17% is from the brands' official websites, 15% is from the cross-border e-commerce platforms.

Sales on the live-streaming and short video platforms are also rising. Different from the skin-care products, the make-up cosmetics have immediate effect on humans. Therefore, they are more suitable for live-streaming promotion.

The Chinese brands are using online channels more than the foreign brands. Ever since 2021, [www.tmall.com](http://www.tmall.com) is strongly trying to attract more foreign brands and other platforms follow suit.

The cosmetics collection store chains are playing the leading role offline.

For example, The Colorist has over 200 stores in China, selling over 6000 different products from over 500 brands. The not-popular products have better chances at the cosmetics collection stores than at the online platforms, because while offline, they can be directly seen and felt by the consumers who did not know them before.

The brand owners are also developing more self-owned offline shops, they are smaller but more fashionable, like the experience shops and pop-up shops. For example, Perfect Diary has over 240 own shops in the country's 110 cities, making around 10% of its gross turnover.

The foreign make-up cosmetics brands in China have both own and outsourced production, the top brands do more of the former, the mid-end brands do more of the latter; quite some core products of the top brands like the base make-up are imported from overseas own factories. The top Chinese make-up cosmetics brands basically outsource all of their production, like Perfect Diary, Huaxizi and Maogeping; but their own production is rising. The top OEMs are COSMAX, Intercos, Kolmar, A&H Cosmetics, A&H Cosmetics, Beukay, etc.



### 4.3 PERFUME

China's perfume market may amount to CNY 15.439 billion in 2025, with an annual average increasing rate of around 17%.

The consumption of men (specially at 18-24 years old) is rising, although it is at low-frequency level. Chinese consumers like Chanel and Dior the most, the preference rate is 36% for the former and 21% for the latter. Rates for other brands are basically under 5%.

The online channels of L'Oréal and Estée Lauder are recently becoming much stronger; smaller brands usually try to be attached to bigger names in other fields for better promotion. Neutral perfume develops fast in the country, with plant / herbal formula as the main attraction. More environment friendly perfume is on the rise as well. The brand concentration of the market is low, new brands still have chances to get good business.

#### Retail channel preference of Chinese perfume consumers 2021

Channel	Preference percentage
Online e-commerce platform	70%
Brand's exclusive pavilion / store	52%
Cosmetics collection store	27%
Brand's online website / APP	20%
Offline duty free shop and its online platform	19%

As the online consumption is stronger, the product trial is not a must now for Chinese perfume consumers. Studying in advance the online review of a perfume product becomes popular. Therefore the introduction by written language and picture is important for a perfume brand in the country.

#### Motive preference of Chinese perfume consumers 2021

Motive	Preference percentage
Natural components	66%
Lasting time of the fragrance	59%
Fragrance type	50%
Brand professionalism	48%
Brand image	41%
Service attitude	36%
Gender orientation	31%



## 4.4 MEN'S COSMETICS

China's market of men's cosmetics amounted to around CNY 18 billion in 2021, at an increasing rate of around 9.6%. The leading Chinese brands are Lanseral, Make Essence, JACB, Martin, etc.

### Chinese men's cosmetics purchase experience

Product	Have bought	Never bought
Skin-care products	65.6%	34.4%
Make-up cosmetics	24.7%	75.3%

### Frequency of Chinese men's use of cosmetics

Product	Everyday	Often	Occasional	Never
Skin-care products	32.7%	22.2%	16.4%	28.7%
Make-up cosmetics	2.5%	9.4%	26.2%	61.9%

### Chinese men's preference on skin-care products

Born in 1975-1984	Born in 1985-1994	Born in 1995-2004	Born in 2005-
Facial cleanser, 66.7%	Facial cleanser, 83.3%	Facial cleanser, 82.8%	Facial cleanser, 52.1%
Lotion, 43.2%	Facial mask, 55.6%	Lotion, 51.3%	Lotion, 31.1%
Facial cream, 32.1%	Lotion, 43.1%	Sun screen, 36.2%	Sun screen, 22.8%

### Chinese men's preference on make-up cosmetics and perfume

Born in 1975-1984	Born in 1985-1994	Born in 1995-2004	Born in 2005-
Perfume, 45.9%	Perfume, 58.5%	Brow pencil, 52.3%	Lipstick, 42.1%
Lipstick, 31.6%	Brow pencil, 40.4%	Foundation, 43.6%	Toning cream, 29.2%
Foundation, 21.9%	Lipstick, 39.6%	Hair shadow, 33.2%	Foundation, 22.3%

In China's aesthetic medical sub-sector, men's consumption is rising, taking a share of 35.7% in May 2021.

In this sub-sector, the men's average per customer transaction value is 2.75 times of the women's. This sub-sector represents the future of men's cosmetics business in the country.





[www.kxg.com](http://www.kxg.com)

[sop.suning.com](http://sop.suning.com)

[www.jumei.com](http://www.jumei.com)

A very recent study on this same topic can be found on

[www.eusmecentre.org.cn](http://www.eusmecentre.org.cn)

The report is [Exporting Cosmetics to China \(Regulations Update 2022\) | EU SME Centre: China Market Research, Training, Advice](#)

Leading relative associations in China:

China Association of Fragrance Flavor and Cosmetic Industries, [www.caffci.org](http://www.caffci.org).

Chamber of Beauty Culture & Cosmetics of All-China Federation of Industry & Commerce, [www.chinacbc.org](http://www.chinacbc.org).

Leading relative exhibitions in China:

[www.cbebaiwen.com](http://www.cbebaiwen.com)

[www.chinainternationalbeauty.com](http://www.chinainternationalbeauty.com)

Leading relative magazine in China:

[www.chinacosmetics.com.cn](http://www.chinacosmetics.com.cn)



## 6. CONCLUSION

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The competition in China's cosmetics market is tough, the regulations are stricter, it is not an easy business. However, for foreign, like Flemish, cosmetics SME's, there is still potential in China, especially with innovative products or technologies.

A Flemish cosmetics SME without any China experience should better try its export to China via a leading Chinese cross-border e-commerce import platform, choosing the most simple solution.

In that case, the company posts the product information on the platform, a Chinese consumer places an order, the Flemish exporter delivers the goods to the platform's overseas warehouse. The platform handles the complete logistic procedure, the consumer receives the goods, the platform settles the payment with the Flemish exporter, withholding a commission. If the products sell well, the business model can be expanded, both by the cross-border e-commerce import and by ordinary import. This might lead to the setup of a small online shop on the platform first, then a flagship store with in-depth cooperation with the platform, then lead to further long-term partnership with one or several Chinese distributors covering all online and offline sales channels, and can finally result in setting up an own company in China for closer control and even production within China.

West European products benefit from a good reputation among the Chinese consumers when it comes to quality. China's business culture however is quite different from Flanders'. It's not just the product as such which is important. Its cultural background, branding, marketing, packaging, image, etc., are crucial and should be adjusted to the Chinese taste and consumers culture.

Be hard-learning, flexible and far-sighted.

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