Economic Analysis of China's Beauty Market

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Abstract. Based on the reference article from McKinsey, five trends will influence China's economic growth [1]. The increasing upper-middle class will be the main power for the global consumption of discretionary categories, which have higher incomes and contributes a lot to fashion, beauty, electric vehicles, etc. [2]. Compared to the biggest cities in China, the next tier of cities will play a pivotal role in provoking the consumption of China, though the biggest cities hold the major of urban consumers [3]. With the shifting of consumers' attitudes towards the brand, Chinese consumers are always proud of domestic brands and set a great wave of a new trend – Guochao in different industries, such as fashion and electronic vehicles [4]. What's more, the popularization of digital consumption and payments will lead China's consumption to a dramatic increase. The S-curve in China's various new industries illustrates that the higher penetration of industries will shape the growth of China's economy. This paper will focus on the analysis of China's beauty market from an economic perspective [5].

Keywords: China's beauty market · economic analysis · fashion

1 Introduction

From the article, as a dispensable part of China's consumption, beauty consumption contributes an excellent deal to global consumption, especially during the Covid-19 pandemic. China's beauty industry not only has gone through the pandemic but also is innovating at a faster pace [6]. In fact, the beauty and personal care category has seen even more substantial growth in recent years, driven by consumers' increasing awareness of their personal image and pursuit of a better life. The global cosmetics market has maintained a steady growth rate of about 4% in recent years. However, the total retail sales of cosmetics in China have held an annual growth rate of 10%–13% since 2013, and the growth rate reached 14.2% in the first half of 2018 [7]. The Chinese cosmetics market's average annual compound growth rate is 11.53%, indicating huge market potential [4]. Moreover, the rapid enlargement of online shopping and live-streaming commerce provides a better platform for beauty consumption in China's market [1]. According to statistics, the total consumption in this category has reached 736 billion yuan in 2019 and up 9.2% on a year-on-year basis. This article will mainly discuss the factors that influence the beauty industry's consumption in China's market [5].

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2 Factors Affected China's Beauty Consumption

2.1 Gender

As the key factor affecting beauty consumption, the difference in consumption between distinct genders is significant. In China, there used to be discrimination that if males used beauty products, they would be regarded as girly men who took overly care of their appearance. Because of this stereotype, the number of male consumers in China's beauty market is a handful. As a result, females are the leading force in China's beauty consumption.

According to Fig. 1, the proportion of males is only 5% of the total beauty consumption, while females contribute 95% to the total beauty consumption. However, with the development of direct broadcasting, social network, and the public favour of fresh men, the attention to males' appearance attached by the Chinese public stimulates the male's beauty consumption to be more active. Hence, male consumption in the beauty industry has a huge surge. Figure 2 shows that in 2018, the proportion of cleanser, water and lotion for male skincare decreased, while the proportion of lipstick, mask and essence increased, which indicates that the trend of male beauty care is more apparent. Consequently, the annual turnover of men's cosmetics increased by 140%. Therefore, although males are not the core consumers of the beauty industry, we cannot underestimate the increase in male beauty consumption.

Females are always the significant consumers of beauty consumption. According to the 2020 Women's Quality life trend insight report released by iResearch data, as of December 2020, China's female Internet users exceeded 400 million, and the total consumption of female consumers has surpassed 10 trillion. With the awakening of women's self-awareness, more women actively participate in employment. What's more, women have a more stable source of income, so the scale of female consumption has further expanded. It can be seen that women begin to pursue independence both in materials and spirits so that women gradually have the freedom of consumption. For women, in daily social activities, women start to have higher requirements on their own image, so makeup has become an indispensable part of their life. The consumption of beauty makeup is not only an essential external manifestation of the pursuit of equal identity and social identity, but also implies modern women's ideas of independence, personality, and liberation.

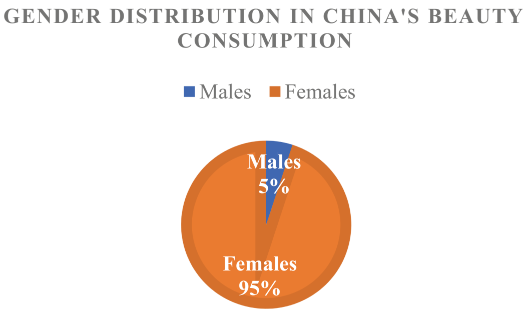

Fig. 1. Gender Distribution in China's Beauty Consumption (Self charting)

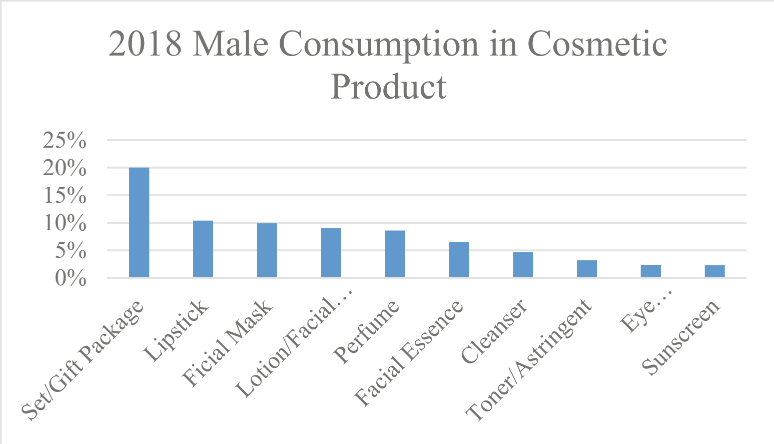

Fig. 2. 2018 Male Consumption in Cosmetic Product (Self charting)

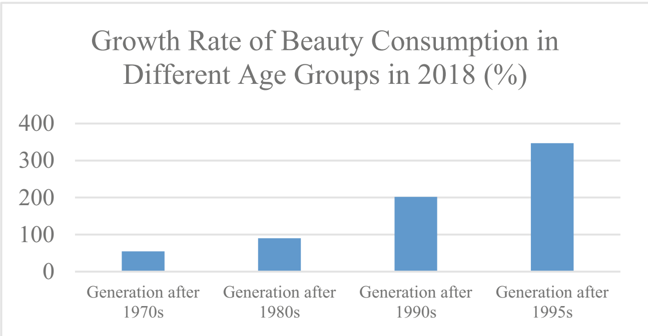

Fig. 3. Age Distribution of Beauty Consumers in 2020 (Self charting)

2.2 Age

Age is also an essential factor that affects China's beauty consumption. As shown in Fig. 3, the proportion of consumers aged 18–24 is 55%; the proportion of consumers aged 25–29 in the consumers of local beauty brands is 26%. So, consumers under 30 years old are the main force of domestic beauty brand consumption. It is remarkable that the new generation of young consumers, born later than 1995, leads the growth of cosmetics consumption, with an average growth rate of more than 100% in the past three years, more than twice the overall level (Fig. 4).

The post-1995 consumers are also called Generation Z, which refers to people born between 1995 and 2009 and grew up with favourable economic conditions, surrounded by technological products such as the Internet, instant messaging, smartphones, and tablets. They are young, ambitious, focused on experience, have a distinct personality, and have a high consumption power, bringing significant power to China's new consumption and new economic development. Delicacy is one of the most influential labels of generation

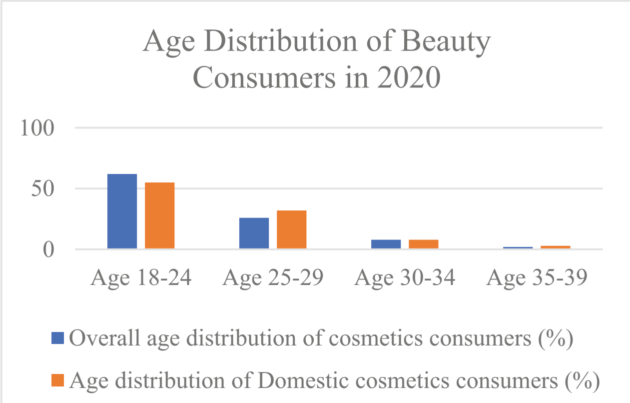

Fig. 4. Growth Rate of Beauty Consumption in Different Age Groups in 2018 (Self charting)

Z, so the consumption of beauty and skincare, fashion accessories, and perfume areas the top three in fashion consumption. Consequently, they are the fuel of the increase in beauty consumption.

Most Gen Z buy beauty and skincare products 3–5 times in half a year, and nearly 1/4 of them buy beauty and skincare products once or more per month. The expenditure on beauty consumption of Gen Z is also spectacular that Gen Z in college spends 3,212 yuan a year on beauty and skincare, while employed, Gen Z spends 5,683 yuan on average for one year. In addition, Gen Z, who is post-00s, has a higher awareness of beauty and skincare. Nearly 95% of Generation Z purchased beauty and skincare products in the last year, among which the penetration rate of post-00 Gen Z to buy beauty and skincare products has reached 88%. Hence, age is a crucial determinant of beauty consumption in China which varies with the age of consumers.

2.3 Brand Awareness

As beauty consumers become mature and pursue personalized differentiation, young consumers emphasize more about the composition of beauty products. Research data shows that 53.2% of beauty consumers value the composition and efficacy of products most and no longer regard "brand" as one of the critical factors in purchasing decisions. It brings new opportunities for domestic beauty brands to win over young consumers. Additionally, because China's sense of domestic cultural identity and national self-confidence is enhanced, beauty brands with cultural concepts will be more favoured. For three consecutive years, domestic brands represented by Winona have been listed in the TOP15 beauty brands on Tmall's Double Eleven Shopping Festival. It indicates that Chinese consumers continue to support domestic beauty brands, and their confidence in domestic brands is shown in the sales of domestic beauty brands in the shopping festival (Fig. 5).

Driven by the popularization of beauty consumption, the expansion of core consumer groups and the upgrading of consumption, the scale of the domestic beauty market continues to enlarge. In 2020, the size of China's beauty market has reached 375.9 billion

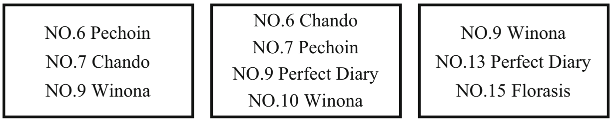

Fig. 5. Domestic brands listed in the TOP15 in beauty category of Tmall's Double Eleven Shopping Festival for 2018–2020 (Self charting)

yuan. At the same time, the proportion of China's beauty market in the total retail sales of consumer goods continues to rise. With the gradual rise of domestic beauty products, young consumers' recognition of the quality of domestic beauty products and their enhanced confidence in national culture, the scale of the local beauty products market continues to grow. In 2020, the scale of China's domestic beauty market had reached 157.6 billion yuan. Under the influence of a good reputation, the brand effect of domestic beauty will continue to influence the development of China's beauty consumption in the future. It is estimated that the growth rate of the local beauty cosmetics market will be higher than the growth rate of overall beauty cosmetics.

3 Conclusions

Based on what we discussed above, this article analyzes China's beauty consumption from four dimensions: gender, age, brand awareness, and geographical distribution. The result shows that young women aged 18 to 24 who live in first-tier cities are the leading group to purchase beauty products and contribute to China's beauty consumption. Besides, the domestic beauty brands are also in the expansion phase since Chinese consumers' confidence in domestic culture, and sense of identity are enhanced more than before. Domestic beauty brands will also dominate China's beauty market and accelerate China's beauty consumption.

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