

**CHINA'S LUXURY COSMETIC MARKET:
UNDERSTANDING CHINESE CONSUMERS AND
IDENTIFYING OPPORTUNITIES AND CHALLENGES**

Authors' Names:

COHEN Corine *, Ph. D., Professor of Luxury Marketing and Management

EISENBERG Edmond, MLux Student

Affiliation:

International University of Monaco

2, Avenue Albert II

98000 MONACO

E. Mail: ccoehen@monaco.edu

Cell Phone: 06.08.73.86.37.

*Corresponding author

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Abstract

The global cosmetic & toiletry industry represented 300 billion US Dollars in 2010. China is one of the largest markets with 83, 6 Billion Yuan¹ (Euromonitor, 2010). Super premium beauty and personal care is the first category with 6, 3 billion Yuan in 2010 (National Bureau of Statistics of China). In the global luxury industry, estimated at 191 billion Euros and driven by emerging countries like China, the booming Perfume & Cosmetic sector represents 21% (Bain & Company, 2011).

Despite the impressive growth of this sector and marketers' needs to better know the Chinese consumer, there are few academic articles addressing this topic. Some journalistic articles from professional periodicals or studies from market research agencies are available.

The first objective of this study is to analyze the high-end cosmetic industry in China according to four perspectives: the consumers, the product, the distribution channels and the communication strategies. This industry is very "culture dependant": a marketer has to understand the specificities of each culture to adapt his offering. Consequently, the purpose of this paper is to understand the Chinese consumer. Its final objective is to identify opportunities and challenges for a company wishing to enter this Market.

Following a qualitative and quantitative approach, the method has consisted in doing observations, interviews and a survey conducted beside 200 individuals. The findings allowed us to make some managerial recommendations while identifying future trends like a stronger expectation from the Chinese administration for registration of cosmetic product, a greater influence of the occidental model on new generations avid of withening products, make-up, tanning and perfume.

Key words: China - Cosmetic market - Chinese consumers' behaviors – Marketing Strategy

¹ 1 Chinese Yuan Renminbi=0,157371 US dollars

Introduction and objectives

The global cosmetic & toiletry industry represented 300 billion US Dollars in 2010 (Euromonitor). China is one of the largest markets where super premium beauty and personal care represented 6, 3 billion Yuan in 2010 (National Bureau of Statistics of China, NBSC). This sector, which is the most accessible luxury category, increased to 40% from 2005 to 2010. Super premium skin care is the first product category with 4, 5 billion Yuan. Super premium men's fragrances are the N°1 category growth (81%).

In front of this huge potential, analyzing this market and understanding the Chinese consumers appear critical. It is the aim of this paper, the final objective being to identify opportunities and challenges.

The cosmetic industry has evolved from simple products like talcum powders and creams to beauty therapies and spas. Various reports have suggested a new niche consumer segment for luxury cosmetics. These consumers are in the premium range and do not mind spending extra money for high end products. The development of new and emerging markets like China and India offers opportunities for marketers across the globe (Report Linker, p.1, 2010).

Personal care products constitute the major chunk of the sales volume. Reports also indicate a very strong potential, and for experts the United States of America is the largest market for this category. Developing nations like India and China also hold considerable importance for the companies engaged in the business of cosmetics. The global financial meltdown had a tremendous negative effect on the cosmetic industry as the major markets of US and Europe showed a negative growth rate. The financial meltdown also had effects on the markets in the developing nations as the target consumers reported a dip in the levels of disposable income which plays a major role in the growth of cosmetic products in the markets (Aginsky Consulting Group, p.1, 2007). The present study focuses on the luxury cosmetics industry in China. The Chinese economy is growing very fast. Post liberalization China has become a manufacturing hub for international companies. This has enhanced the disposable income of the individuals which has led to considerable demand for products like cosmetics.

China represents the largest market for luxury cosmetics in the Asian region. According to a research conducted by the China Association of Fragrance Flavor and Cosmetic Industries the

Chinese cosmetics market was valued at 48.83 billion Yuan in 2007 with a growth rate of approximately 26.3 percent on a year on year basis. In 2009, the market represented 74 billion yuan (NBSC). Researchers and analysts point out the increase in disposable income as well a large scale participation of women who are traditionally known to be the largest target customer base for cosmetics. In addition the growing popularity and awareness of cosmetics in men has also generated numerous opportunities in this industry segment. The growth of the cosmetics industry has also been attributed to the enhanced exposure to the western culture which has emerged due to the large scale exposure to the western culture (Li & Fung, p.1-2, 2009). In spite of the large scale opportunities in the Chinese markets there are certain challenges which need to be addressed by business organizations while making their foray in the Chinese consumer markets. The recent economic slowdown had large scale effects on the cosmetics industry in China. This was due to the fact that the sales of the cosmetic products depend on the disposable income of the target consumers. The economic recession has led to large scale fall in the consumer disposable income which has taken a toll on the revenues and profit margins of the market players of the cosmetic industry across China. A research report states that the sales figure of cosmetic products dipped to 14.5 percent in 2008 as compared to its previous percentage of 23.6 percent in the previous year. The report also states that luxury cosmetic brands were more badly hit by the effect of the financial and economic crisis. The consumers using high end luxury cosmetics gradually shifted to lower priced products as a result of fall in the level of disposable income. Private label brands which are normally available at cheaper rates and have product features that tend to mimic the luxury brands became the choice of many consumers by the virtue of their lower prices. However experts also believe that in spite of the present slowdown the cosmetic industry the Chinese market still holds considerable potential for cosmetic markets across the world. The experts are confident that subsequent years would see better growth rates and expect the Chinese consumer markets to bounce back in the forthcoming years. The Chinese government has also taken serious measures which would help increase consumption in the domestic market.

The growth of the cosmetics industry in China has also been fuelled by the modernization of the retail industry. Post liberalization the Chinese retail market has seen the growth of numerous

small and large supermarkets and hypermarkets. This also includes multinational retailers like Wal-Mart and TESCO which have set up shop in the nation. The entry of these supermarket chains in China has also helped in introducing the western lifestyle in the mindset of the Chinese consumers which has led to demand for luxury cosmetic products. In addition of women who have been the traditional customers for cosmetics, men have also become aware of good looks which have also led to growth of the cosmetic industry in the nation. According to a research report it has been observed that supermarket and other modern retail formats have become the favorite shopping spots of the premium category segments. This has led to growth of luxury cosmetic brands in the Chinese consumer market (Li & Fung-a, p.2-4, 2009).

The first aim of the study is to analyze the luxury cosmetic industry in the Chinese market following four perspectives: consumers, product mix, market communication, and distribution. It is then to understand the Chinese consumer behaviors. The purpose is to set recommendations to the industry players in order to generate long term sustainability.

The following chapters will present a detailed analysis of the cosmetic industry in the Chinese market while analyzing the existing literature.

Literature Review

Only four academic articles are dealing with China's cosmetic market. The other ones are journalistic articles or reports from professional periodicals or market research companies.

Chinese Consumers

The Chinese economy has been witness of increasing demand in the luxury cosmetics industry. Generally, the trend in cosmetic consumption remains different for men and women. However, in China both men and women hold the same perceptions. Beauty is considered to be either natural or need to be enhanced and is said to strike a balance between the physical and the mental attributes of a person. It is also said that beauty is the reflection of a happy life, which is why the Chinese are seen to be showing a growing interest and spending much of their income on cosmetic products. People want to make themselves look trendy. Thus wearing make-up and skin care has become a part of their daily regime (Greenbook, "Market and Consumers", November 2009).

Surveys revealed that women have been spending a major part of their incomes on cosmetics and beauty products. Their monthly expense had reached almost 1000 RMB (around 150 USD). This is considered to be an alarming figure because there is a large part of the population who has been still struggling to earn the same amount of money per month. Cosmetic products are primarily popular among the wealthy segment of the market, which has become a popular target segment for a number of domestic and international brands.

Chinese consumers are not brand loyal. They do not purchase a product because it belongs to a certain brand. Their purchase decision is more influenced by what they feel is suitable for their skin. They would rather try and use several brands before making a comparison between them.

Another feature which characterizes the Chinese market is that they demonstrate seasonal consumption of cosmetic products. In Shanghai, the climatic varies greatly between the summer and winter months. Thus people keep changing their consumption habits according to the seasonal changes. During summer, the use of sunscreens and skin protective creams rises, while in winter the tendency is to use creams which are less thick and oily (Greenbook, "Market and Consumers", November 2009).

Although the same characteristics trends are shared by the men and women, there exist a certain difference in the maturity levels between the two. Women are more aware and educated about the market. Generally, the habit of cosmetic consumption begins with consumers becoming aware of a particular problem, acknowledging the requirement of external factors for dealing with the problem and then beginning to use a cosmetic to treat the problem. Women are faster developer of this habit while men are beginning to notice and acknowledge how cosmetics can benefit them. They are yet to reach the stage where they could be considered to mature cosmetic users (Greenbook,"Market and Consumers", November 2009).

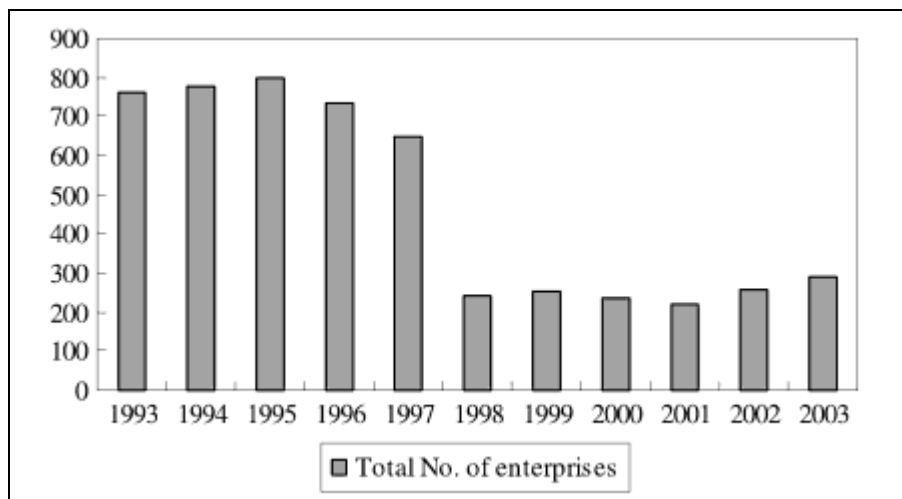
Competition

Along with the rapid development of the Chinese economy, the cosmetic market has become the "world's largest emerging markets". The market has been flooded with brands of all kinds. Some of the brand names worth mentioning are "MAXAM, six gods, Big Treasure, Ikumi net, SLEK, Oupo Lai" (Naicha, 2010).

The high-end market for cosmetics remains predominantly dominated by foreign brands. Some of the biggest competitors in the market are L’Oreal, Shiseido, Procter and Gamble and Estee Lauder.

The domestic brands have less market share and cater to the low and middle income group people of the country. The domestic manufacturers offer duplication of products showing no signs of product development or improvement. They have to resort to such policies to survive against the fierce competition coming from their foreign counterparts. There are as many as 3000 of such domestic brands, however, they occupy only 20% of the entire market share. Most often, these local companies resort to price competition to attract customers. Many of these firms have not been able to survive the competition and have had to close down (Fernandez & Stembridge, p.99).

Figure 2: Number of both domestic and foreign cosmetic companies in China



Source: Fernandez & Stembridge, p.99, 2007

The number of foreign brands has established joint ventures in China. This has benefitted the industry in two ways. Firstly, the Chinese partner benefits through the highly professional marketing and quality product design of the foreign company. On the other hand the foreign company has an advantage because the Chinese government asks for a number of licenses before granting approval for imports. The imported products have to undergo a number of expensive “quality testing” which takes more than a year for completion. That is why a large number of

foreign companies have invested more than 250 RMB in the cosmetic market of China (Fernandez & Stembridge, p.100, 2007).

Brands within the 10 top positions occupy two-third of the market share; hence they play a critical role for the success of a cosmetic company. The cosmetic market in China is extremely brand oriented. The market has allowed for the emergence of 3000 cosmetic brands in the country. It is expected that less than half of them would be able to survive the competition created by foreign competitors. These brands have been targeting a new set of Chinese consumers and are more focused towards quality and esthetics.

Product Strategy

Product features serves as the most important criteria for the success of a product in a market. This aspect involves considerable importance for luxury products as the customers for this segment are known to be highly conscious about the product features. The consumers generally belonging to the premium segment are highly specific in nature and do not mind paying an extra amount towards purchasing products with superior features. However these consumers are most likely to switch brands if they do not find their specific needs and wants in a particular product. The Chinese consumers have a general inclination towards natural and herbal ingredients in cosmetics. The Chinese consumers have the belief that synthetic chemicals in cosmetics are harmful for skin and hence they prefer products with herbal ingredients. They prefer products with traditional Chinese herbs (Labbard, “Products”, 2010).

Product packaging is one of the vital areas that demands considerable attention from the marketers. This aspect assumes even greater significance for luxury products as the premium segment consumers pay considerable attention towards product packaging and design while making a purchase decision. Taking care of local beliefs and sentiments also plays a major role in product packaging as most of the luxury cosmetic brands are known to have their origins in Western nations. It has also been observed that most of the luxury cosmetic brands are sold through supermarkets and hypermarkets. Shelf space and occupancy plays a major role in shaping the purchase decision of a consumer. Product Zoning is an important aspect with regards to merchandising strategy of a product. This strategy is more commonly used in supermarkets where al large number of relate products are shelved side by side. Under the concept of product

zoning products which are complimentary to the original product are placed side by side so as to affect the consumer's behavior. Grouping complimentary products together would help in generating an interest among the consumers (Okonkwo, p.92, 2007).

Chen (2008) conducted a study on the consumer behavior of Chinese consumers with regards to the international brands. The author stated that in most of the cases the Chinese consumers generally perceived using international luxury cosmetic brand as a symbol of their status in the society as most of them believed that their image in the society got alleviated as a result of using international brands. Nation of origin also plays a major role in case of luxury cosmetic brands as most of them have their origins in the Western nations. It has also been observed that larger the cultural gap with the nation of origin more popular is the foreign brand with the Chinese consumers as it provides more symbolic as well as practical value to the consumer. Design and ambience of a store also plays a major influence in case of luxury products as the target consumers are known to be highly specific about the ambience and store atmosphere. This consumer segment is most likely to switch brands if they are not satisfied by the product offering or the store ambience as they are paying a premium for products and hence demand better product features (Chen, p.7-10, 2008).

Positioning

The Chinese consumer market holds considerable potential for luxury cosmetic brands. However the lucrative nature of the market coupled with the aspect of free trade and globalization have also led to large scale competition in the market which calls for marketers to pay considerable attention towards the aspect of positioning.

Communication

Marketing communication strategy especially for luxury products is largely complicated because the target market segment includes both males and females who have different needs and wants and also exhibit differences in their buying behavior.

A market study conducted by the research organization Greenbook states that that the difference in consumer behavior between men and women in the Chinese market could be largely attributed to the maturity level of the two set of consumers. The report also states that in case of cosmetic

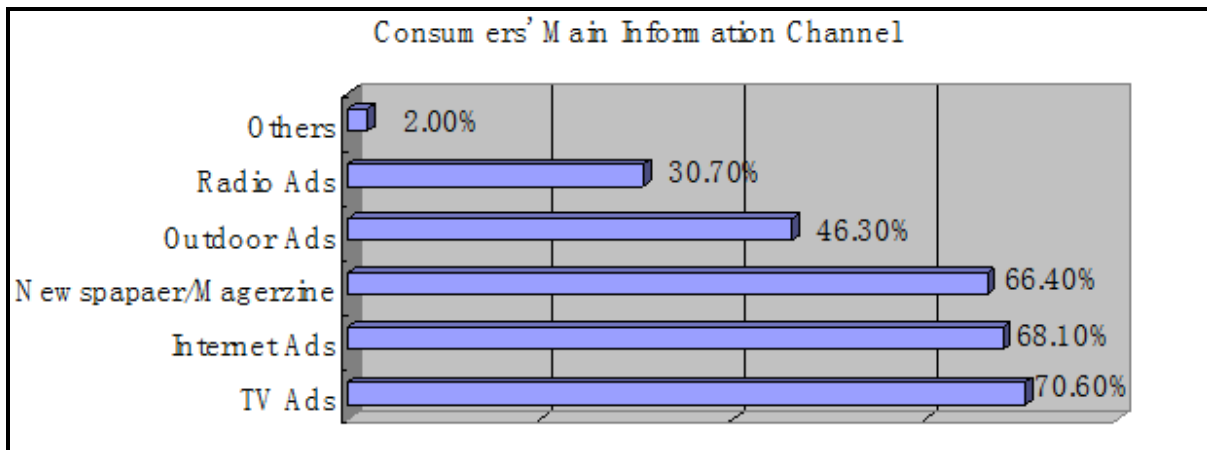
products women exhibit greater maturity than men as the former has greater understanding of the products. The organization also suggests two different forms of communication process for the two sets of consumers. Marketing communications targeting the female consumers must be framed in such a manner that they would convey the detailed product features. On the other hand promotional campaigns involving men should try to create a general awareness about the products so as to induce greater interest among the male consumers who are generally new to the product category.

Chinese consumers are also highly specific in their needs and wants and normally make a purchase decision only after they have fully evaluated and compared different products. Packaging and labeling also implies major influence towards the consumer behavior of the Chinese consumers as they are more comfortable with locally designed packaging versions (Labbard, "Communication", 2010). Hence it is important that firms apply the concept of thinking globally and acting locally. This concept holds greater validity for the international brands who sell their products across different regions of the globe. Taking care of local sentiments and culture holds considerable importance for the success of their products in the market. Under this concept multinational firms take care of local beliefs and sentiments while operating in different regions across the globe. This aspect assumes greater importance in case of luxury cosmetics brands in China because most of the luxury brands in the cosmetic industry have their origins in the Western nations. Hence it is important that firms pay considerable attention towards local beliefs and sentiments while framing a marketing communication mix.

Choice of marketing communication channels also involves considerable importance for marketers as it is the medium of communication. Internet has evolved as one of the most important channels of communication in the Chinese market.

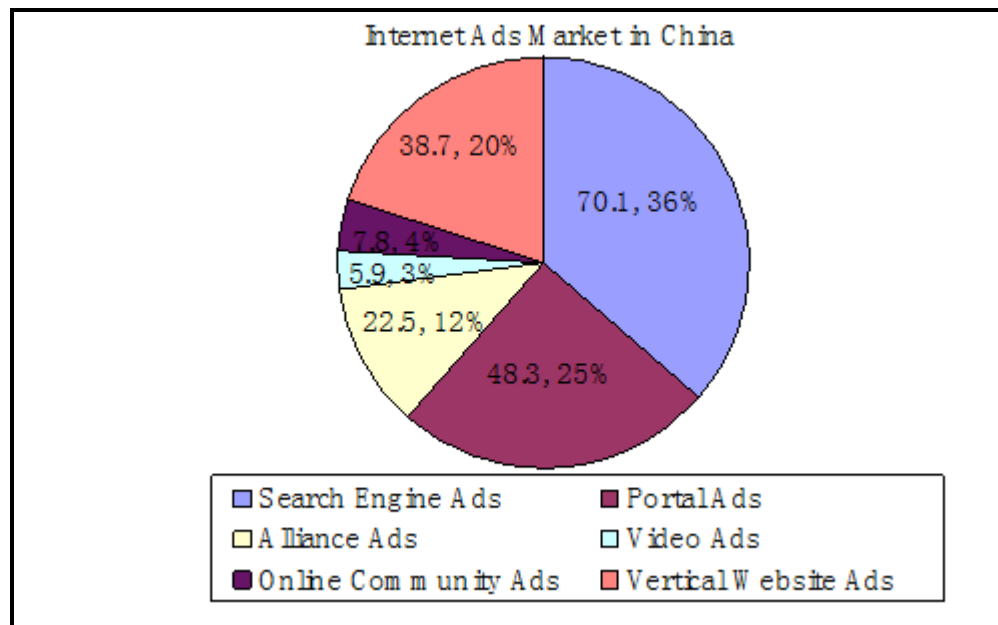
TV advertisements are the most popular channel of communication (70,6%):

Figure 4: Popularity of Marketing Communication Channels



Source: Huang & Tsang, "Introduction: The Development of Internet Marketing Communications in China", 2010

Figure 5: Internet Advertisement Share



Source: Huang & Tsang, "Introduction: The Development of Internet Marketing Communications in China", 2010.

The second figure displays the market share of advertisements over the internet. The growing popularity of internet among the Chinese consumers has made it as an important tool for marketing communication.

7: Channels of Distribution

In the Chinese consumer market there are two major channels of distribution for luxury cosmetic brands namely departmental stores and spas.

Departmental stores are the favorite hunting grounds for the premium consumers as they offer different brands under a single roof. Most of the Chinese consumers analyze different brands before making a final purchase decision; this makes departmental stores a major hunting ground for the Chinese consumers. Moreover it has generally been observed that most of the luxury brands have their own counters and stalls the departmental stores which would help consumers in segregating different brands.

Spas and other beauty salons also offer large scale opportunities for the luxury cosmetic brands. The large scale influence of Western culture in the mindset of the Chinese consumers has generated huge potential for the players of the cosmetic industry. It has also been stated in a market research report that spas and beauty salons have become an integral part of the lifestyle of the Chinese consumers. Spas have been found to be more popular with the male consumers as compared to the female consumers. This has been attributed largely due to the high levels of workload among the male consumers. According to a survey conducted by a prominent market research firm in China 60 percent of the total respondents revealed that they visited spas more than once every year. This shows large scale potential for luxury cosmetic brands. Spas also provide an opportunity for companies to target the male consumers who recently have emerged as good potential consumers for luxury cosmetic brands. Spas in China can be segregated into two types namely the traditional and the fashionable spas. These spas have a good ambience are highly popular with premium segment consumers. Traditional spas are more popular with the Chinese consumers as the Chinese people have a natural tendency and inclination towards herbal products. Traditional spas with their landscaped ambience attract a large number of customs. The Chinese consumer's inclination towards herbal products makes the traditional spas an important

marketing channel for the marketers of the luxury cosmetic brands in the Chinese markets (Labbard, “Distribution Channels”, 2010).

Market Regulations in China

China has very complex, time consuming and expensive system for the registration of the cosmetic items.

Anyone who is willing to supply cosmetic products in China must first register its cosmetic product in order to receive the certificate for marketing which is of two types depending upon the purpose. Before the lawful distribution of the products, the certificate must be approved by the State Food and Drugs Administration (SDFA). The product, the certificate of labeling for manufactured and imported cosmetic products must then be granted by the PRC’s Administration for Quality Supervision and Inspection and Quarantine (AQSIQ). Apart from these two main governmental agencies, the involvement of other non-governmental organizations is also required which includes cosmetic sanitation inspection institution in national level appointed by the Ministry of Health (MOH) and the agent representative of an importer. The general registration process is divided into four steps: Firstly, prepare the samples of the products or the items that are subjected to the import. Apply and submit the samples to the inspection institution. After the approval of the inspection team, prepare the documents and files for a Cosmetics Safety and Quality Test which will be performed by an institution or organization appointed by MOH.

The registration documents for the non-special purpose cosmetics includes the imported non-special-purposed cosmetics recordation form, the formula of making the cosmetic item, the quality standard for cosmetics (enterprise standard), inspection report given by the inspection institution, the original package of cosmetics which includes the labeling , any special packaging design along with the labels if planned to introduce in China, free sale certificate of cosmetics in the manufacturing country, the instruction (Guideline) book, the Authorization letter, legalization and notary, submitted by the agent of the cosmetic exporter if any agent is being involved, other information important for recordation, several sealed samples. Further documents required for special purpose cosmetics registration: if it is used for special purposes like hair growing, breast beauty etc, the supply of special effect ingredients name and ground must be provided along with large amount of sealed samples.

After the submission of the above mentioned documents, the SFDA will verify these documents and will also check the quality and performance of the cosmetic product. The time duration for non-special purpose cosmetic is four to five months. Whereas the special purpose cosmetic may take eight to nine months for the completion of the procedure. The export tariffs of China are adjusted with time under the compliance of the WTO requirements. These tariffs have been lowered time and again but the duties on luxury goods including the cosmetic products are increased by 10 to 30 percent in the past three years.

This following chapter highlights both the concepts and ideas that have evolved from the study of cosmetics within the market in a general matter, and so with a parallel perspective in reflection to the actual consumer. It is critical for the study because this would act as a set of guidelines which the marketers for cosmetic products would have to follow before devising strategies for their products. It is apparent from the study of consumers that their behavior changes dramatically according the conditions in the economy. During economic booms, a sense of safety and security prevails in society which influences the buying behavior of consumers. On the other hand during economic downfall, consumers may find it insecure to spend heavily on cosmetics. This was the case in China as well. Marketers would have to devise strategies considering their business and economic environment. Cosmetic is one such item which consumers would hesitate to purchase at the slightest disturbance in the economic environment. This condition holds true especially for the high-end cosmetic industry. The price is one major factor in this context. Although the high-end cosmetic product market is considered, even then people would be price sensitive. This is because more and more of the people belonging to the middle income group were availing these products. It would be wrong to say that only the high income group individuals were using cosmetic products or were visiting spas and salons on a regular basis. The emergence of the middle class people and with rising salaries and incomes an increasing number of people were making entry into the high income group segment in society. Thus the marketers would have to target both the middle and high income groups in society.

The consumer study reveals that the Chinese people were extremely conscious of maintaining their culture and traditions. Marketers could devise strategies based on this character of the economy. The packaging of products could be done in a way holding the Chinese traditions. This

would appeal to the Chinese population. A product devised keeping the Chinese culture; look and feel into consideration would certainly be appreciated by the people more easily and readily. This would be one way of attracting all segments in society and not towards any particular section.

Certain promotional strategies are considered to be effective in certain conditions. When introducing a new product, the pull strategy is devised. Promotions would include more of advertising and campaigns to inject demand in the economy. On the other hand, in the case of the existing products in the market, companies emphasize more on the distribution channels. The strategy that works best in this case is the push strategy. The retail outlets have to allocate greater shelf space for the products to attract attention of the consumers.

Method

Research Questions

We first wanted to observe and analyze the cosmetic market in China. But our main objective was to understand Chinese consumer behaviors towards cosmetic products. Our final goal was to identify challenges and opportunities in the Chinese luxury cosmetic market.

Research Methods

In order to answer these questions, we have used both qualitative and quantitative approaches.

A four month immersion in Eisenberg, a luxury cosmetic company relatively newly established in the Chinese market, allowed us to observe the Chinese cosmetic market. This observation gave us insight into the specificities of this market. We had the chance to go to Beijing and Shanghai before the tragic tsunami hit Japan. This allowed us to analyze and observe more specifically the society and to understand the market itself, as well as the consumer. Visits to department stores, as well as Perfumeries, or leading chains such as “Sephora”, strengthened our comprehension. At last, we had been able to assist press conferences, as well as the opening of the Asian Sephora Flagship store in Beijing, Qianmen.

We also had the opportunity to interview experts and Chinese correspondents: the former Sephora China CEO, Maciej Szymanski; Julia Liu, the owner of “Oleva”, one of the largest Chinese cosmetic brands, and Alfred Ho, the owner of “Flutose”, another Chinese cosmetics brand. Our last interview occurred with Patrizia Mazitelli, Product and Training Manager for

“Eisenberg Paris”. The purpose of these non directive interviews was to know more about the market and the Chinese Consumer.

At last, we designed a survey based on a questionnaire distributed, managed and collected by a Chinese correspondent to Chinese consumers of luxury cosmetics, and obtained 200 answers. We wanted to get several categories of information: the usage of the luxury cosmetics, the motivations for buying cosmetics, the types of cosmetics used, the duration of the use, the attributes consumers consider when they buy a cosmetic product, where do they purchase these products, their monthly budget for this purchase.

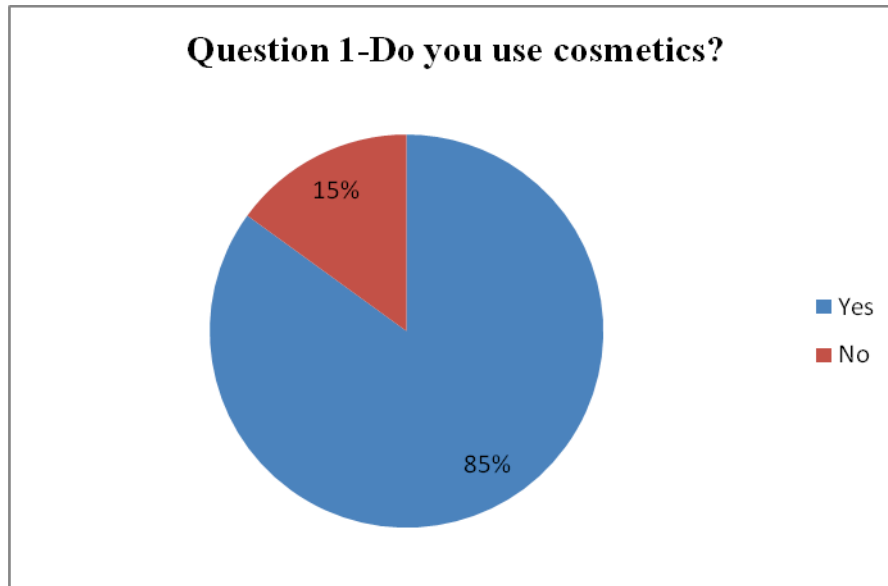
The 200 individuals were chosen throughout different Chinese cities. As China is a large country, with a big number of inhabitants, a large sample was necessary. On top of that, China is composed of strong diversities. Cities and countryside for example are different in terms of culture, knowledge, openness, and habits of consumption.

Findings and Discussion

The Chinese consumer is very different from the Occidental consumer. In many Asian countries, especially China, traditions and culture have a strong influence on consumption. For example, perfumes are almost never used; the fact an individual has a factice smell is considered as an offense and as disturbing to the people surrounding him. Therefore, the usage is to never use chemical smells and one has to leave the natural body odor, as a mark of respect. However, it is beginning to change. The last Bain & Company report mention a strong increase of the fragrance market, especially for men.

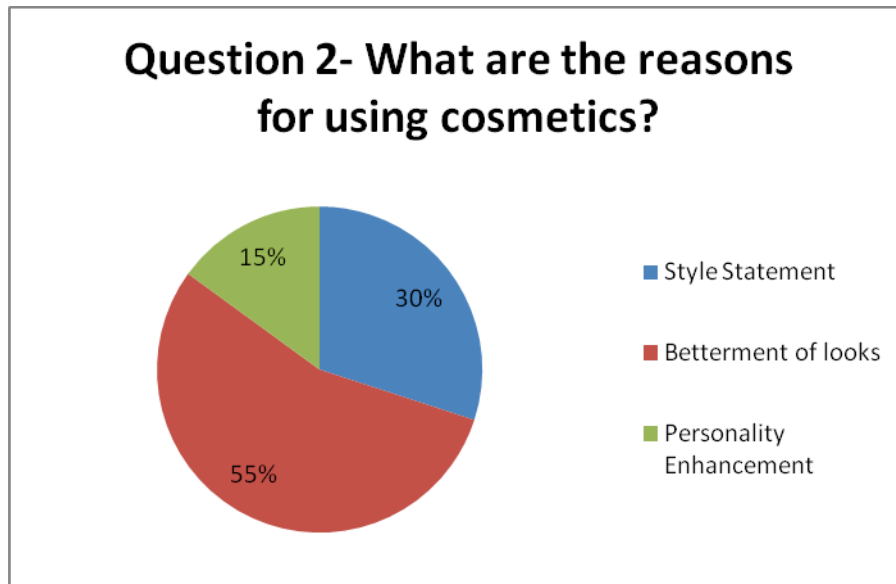
Each graph below illustrates answers obtained from the survey.

The Use of cosmetics



We first wanted to evaluate how many respondents used cosmetics. 85% of the sample were using cosmetics. The study also revealed that both men and women were conscious of their beauty and their desire to look beautiful. Beauty constituted a symbol of happy life.

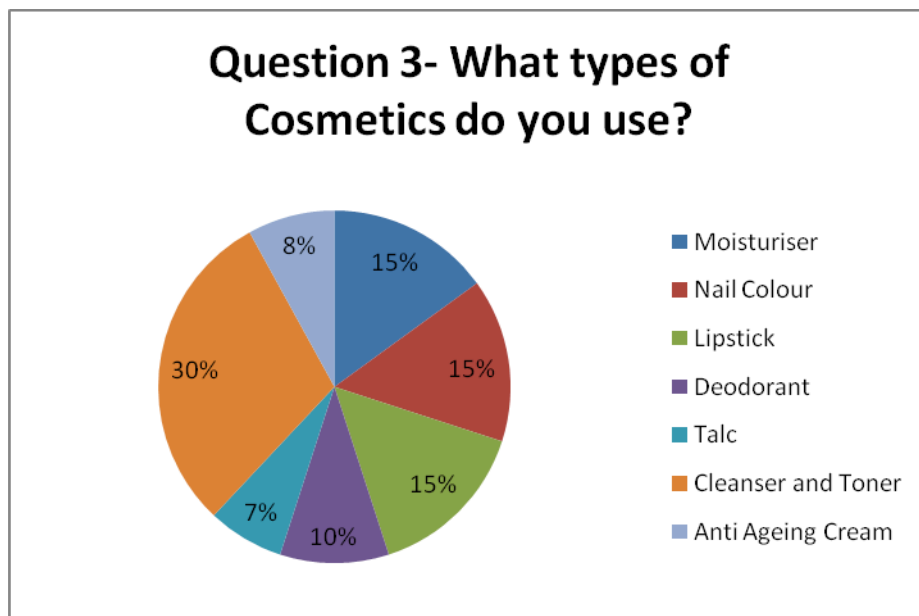
Motives for using cosmetics



What were the Chinese consumer motivations behind the purchase of cosmetics? Was it for the style, for improving the looks, or moreover the personality enhancement?

55% of the respondents mentioned the improvement of the looks. For 30% it was for the style statement. About 15% declared that cosmetic consumption helped them enhance their personalities. Both men and women have been trying to make themselves look attractive and appealing. Beautifying themselves is one way of expressing their creativity, and hiding the flaws in their features. Cosmetics are also used to accentuate the features which people like in themselves. Thus cosmetics which are meant to conceal the flaws or accentuate the beauties are of great significance in the market. Thus products like foundations, eye make-up and concealers have increasingly grown in importance.

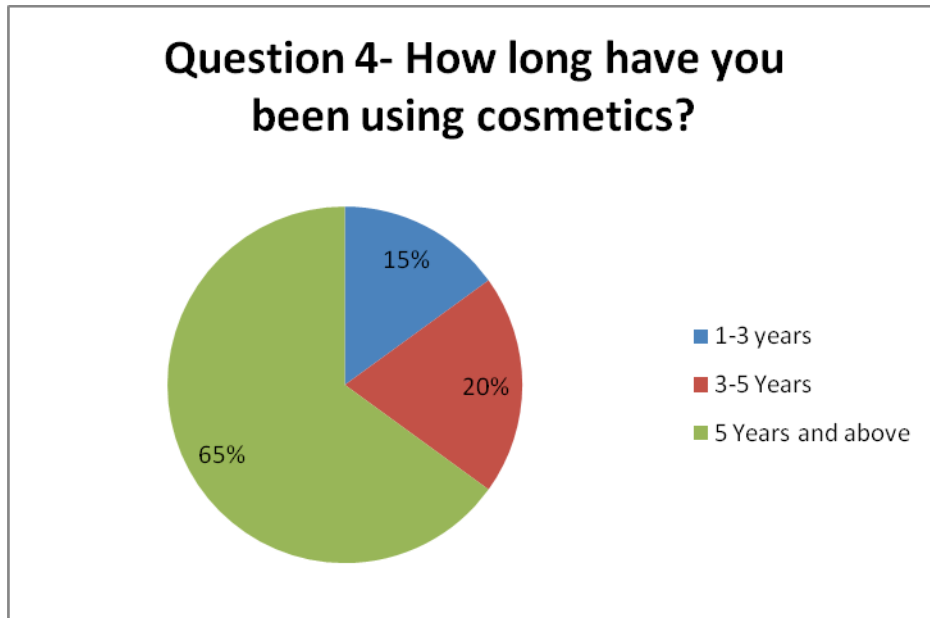
Types of Cosmetics used



The most commonly used cosmetic products were found to be cleansers and toners and moisturizers. They were used by most of people interviewed. Deodorants were also seen to be gaining popularity in the market. Compared to the number of aged people among those interviewed, the percentage using anti-ageing creams was also significant. This shows the growing awareness among the people to maintain their beauty and looks from a young age. Lipsticks and nail colors also formed a vital component of the women's cosmetic kit. Talc was seen to be sparsely used by the Chinese population. The figure reveals that deodorants were increasingly eating into the market for talc. It would be advisable for marketers to increase the

production of deodorants in the market. This would also be favorable for the kind of climatic conditions prevailing in the market. The hot and humid climate would favor the sale and popularity of deodorants among the Chinese population.

Duration in the use of cosmetics?



We wanted to know if the use of cosmetics was recent. Indeed, cosmetics have been present within the world for many centuries now. They may have been a form of expression, medical drugs, or by the same means forms to differentiate social classes. We can for example refer to Louis XIV and his court in Versailles who were extremely frivolous for these kinds of products. Not only was this the sign of power and entire aristocracy, but cosmetics as well as make up were used in order to strongly create a difference in between the King’s court and the low social class. Despite nowadays being tanned, or using tanning products appears as fashionable, during the 18th century however, this was strongly criticized. Thus, every noble person would whiten as much as possible their faces in order to differentiate themselves from the poorest that would be dark skinned due to their labor mainly facing the sun. Trends nevertheless changed; during the 20th century, cosmetics appeared to be more popular in the Occidental Society. This nevertheless changed rather quickly and became a globalised fashion and use. The idea through this specific question was to understand to what extent the Chinese consumer was accustomed to products of

this kind and therefore understand the average time and since when these consumers had been using cosmetics.

The majority of the respondents (65%) had been using cosmetic products for more than 5 years. Only 15% of them had begun to use the products recently or had been using cosmetics for one to three years. This throws light on the fact why China has been the special target of most cosmetic companies across the world. It probably accounts for the reason why China forms one of the largest markets for foreign cosmetic products. This is the reason why the cosmetic industry in China has been flourishing over the years. It also demonstrates people's awareness about the need for cosmetic products. The response that most people had been using cosmetic products for more than 6 years reveals that cosmetic consumption had become a habit in their daily lives. It had become a part of the daily activities of the Chinese men and women. Cosmetics were no longer considered to an item of luxury, rather it had become a necessity in people's lives.

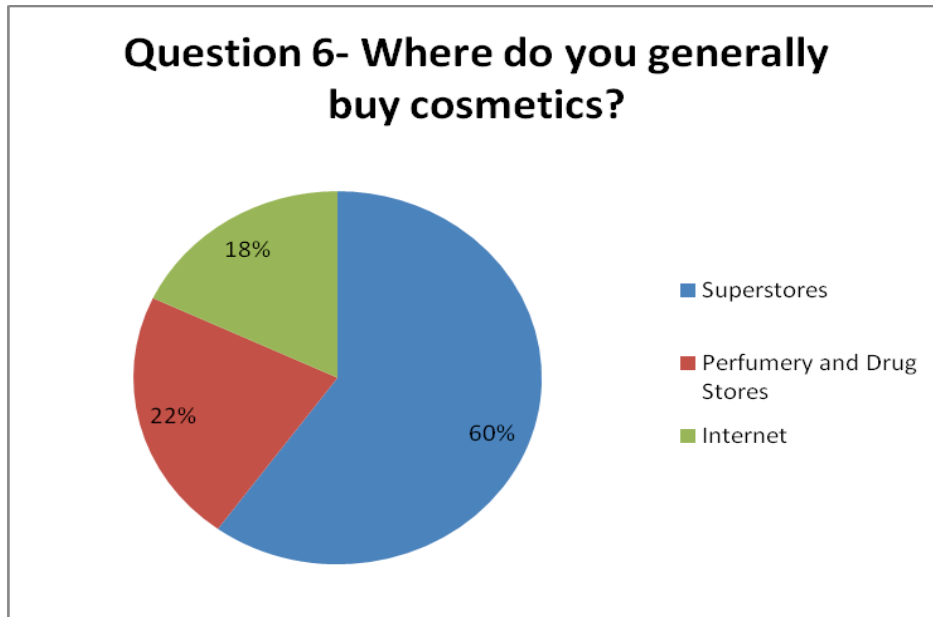
Considered attributes in the purchase decision of a cosmetic product



What are the attributes Chinese consumers take into account in their purchase? Three possible alternatives were proposed: Brand image; Product features or Price. This last attribute was considered to be most important determinant in influencing the purchase decision (40% of the sample). 33% of the respondents were also influenced by the brand of the products. It was

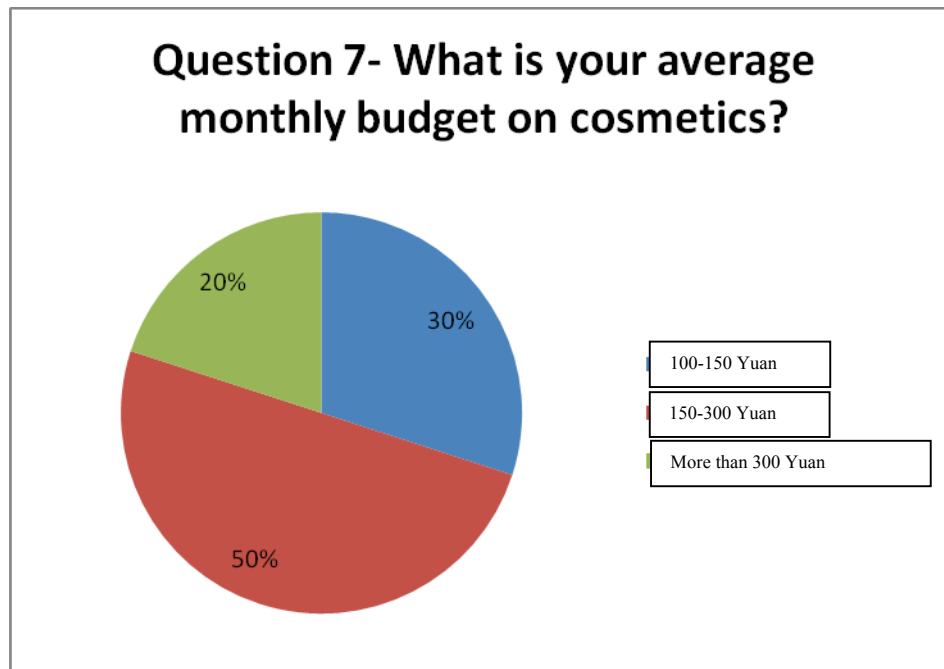
already found that the Chinese consumers tended to prefer the international brands over the domestic brands. A large number of people (27%) considered the product features. The reason why the international brands succeeded to operate in this country is because of the brand consciousness of the people. For the international brands, it was easier to target the brand conscious population.

Where people generally purchase cosmetics



Which mode of distribution was the most popular? Hence, superstores, perfumery & drug stores, and internet were proposed. In such a large country, it was very important to understand the main locations of purchasing. The superstores were the main point of purchase (60% of the respondents). Quite a substantial number of customers said they would purchase cosmetics from the drug stores and perfumeries. It was also found that consumers were using the internet to purchase cosmetic items. With the advancement of technology the internet was increasingly gaining grounds. It is increasingly being used as a medium to the advertising and launching of new products. Moreover, the number of young men and women availing the internet services has also increased substantially. About 18% of the sample said they were purchasing cosmetic products through the internet. Despite the expansion of the internet, superstores and supermarkets still appear as the best medium for selling cosmetics.

Average monthly budget on cosmetics



The average wage in China is about 5000 Yuan, which is equivalent to approximately 500 Euros. The purpose of this question was to assess the importance of cosmetics within the budget of a random Chinese consumer. Throughout the answers, we would be able to understand if cosmetics are well integrated in the Chinese Consumer's habits and mentality, and if he considered it important enough to spend an important enough amount of money in function of the wage he earned. It was alarming to find that about half of the sample spent more than 150 to 300 Yuan on cosmetics in a month. 20% were even spending more than 300 Yuan on cosmetics each month. This shows that cosmetics accounted for a major portion of the monthly budget of customers. This figure gives insight into the purchasing behavior of customers. It shows that people were increasingly purchasing items of luxury. It reveals a gradual transformation of an item of luxury into a necessity. What requires acknowledgement is the growing awareness of the requirement and benefits of cosmetics products. Even the small and medium income group was found to be spending a substantial portion of their income on cosmetics. It also reveals the fact that with the growth of the economy, and rising level of incomes, people tended to spend more income on cosmetics and other fashion items.

Frequency of visits to beauty salons and spas

Despite massages, and manual therapy are tremendously popular in China, beauty salons and spas in a Western Vision is quite recent. Since these places not only use cosmetics, they furthermore sell them to the final customer; it was interesting to study a more original place for cosmetic consumption. Indeed, consumers generally buy cosmetic products in a specialized shop. Through a beauty salon or spa, not only do they benefit from treatments by professionals and connoisseurs, they have the opportunity to purchase related products. This maximizes the potential of cosmetic sales and increases the awareness and knowledge of this usage.

Beauty salons and spas became most popular among the middle and high income population of China. Majority of the people were found to visit them at least once in a month. A large majority were found to visit the same twice or more than twice a month. There were very few people who availed these services at a lesser frequency. One of the most accountable of all factors was that these salons were coming up with the use of the most modern equipments providing the best utilities. Most people found that these services were highly effective and yielded great results. People were found to be highly satisfied with the kind of services which were provided by the salons and spas. Also the people realized that with the use of these products their skin conditions improved significantly.

Frequency of the use of cosmetics

It was found that cosmetic products were more and more common for Chinese consumers; the idea of luxury was reflected by the brand image, especially when being of French Origin. With the increase in income, the cosmetic products had become increasingly accessible to the people. People were using them on a daily basis. In other word, the frequency of cosmetic usage had increased. It had become a necessity in the lives of people. The modern women were trying to keep up and enhance their beauty. The trend had even spread to the men in China. An increasing number of men were found to be regularly using cosmetic items. Beauty and the affinity to look attractive had become one of the most important priorities. A cosmetic product was found to be equally important as that of any item in the closet of modern women.

Preference towards international brands over domestic brands

The foreign brand players have always dominated the Chinese market. According to the responses, the foreign brands were not only considered to be of better quality than the domestic ones, they were more durable, safer, based on non-allergic formulae and showed minimum damaging effects on the skin and hair.

Influence of peer groups and other factors on the consumer purchase decision

Participants were asked about the influence of peer groups on their cosmetic purchase decisions. It was revealed that people's tastes and preferences were definitely influenced by that of their friends, relatives and neighbors, but not to large extent. Promotional factors seemed to have an impact on the purchase decisions of consumers. People would not blindly follow other behaviors. They would rather depend on their own tastes and make their own judgments. Moreover the influence of the online media had grown over the years. People tended to search the online media if they required information about a product. The online media was also found to be preferred more while purchasing luxury items.

Influence of communication on the purchase decisions

According to the responses, advertisements were highly influential in determining the purchase of consumers. The print media was considered to be in the next position. Regular and repetitive advertisements were seen to have a long lasting effect in the minds of consumers. The young generation was more familiar with the electronic media, like the television and the internet. They also constituted the majority of the users of cosmetic items.

The social networking sites where advertisements were published also influenced the minds of the young generation. More and more companies used websites and networking sites like Facebook for publishing their advertisements.

Limitations

The research was conducted taking the maximum care. However it is not free from limitations or shortcomings. Firstly, the Chinese population is quite large. It was difficult to obtain a sample which would represent exactly this population. That is why a large sample has been considered. This has been done to accommodate the large and diverse characteristics of the population. It was also seen that the Chinese population were not very loyal to their brands. Their brand preference

kept changing from time to time. Thus, there could be inaccuracy in the responses in which they were required to choose from a number of brands. Also, the number of high-end brands in the market is high. It was not possible to consider all the brands in this research. That is why only the popular high-end brands were chosen for the purpose of the study. In order to avoid any kind of communication problems, a structured interview was conducted with the participants.

Managerial implications

The cosmetic industry in China has evolved into a fully fledged market over the years with the flourish of a number of brands. From the course of the study, China became the ground for the success of a number of cosmetic companies across the world. A large number of foreign brands entered into joint ventures with the domestic companies and eventually emerged successful. A large percentage was found to be users of cosmetic products and the significant number of consumers was avid users of high-end cosmetic products.

The present cosmetic market demonstrates great opportunities for the high-end cosmetic brands. This has led to the shrinkage of the domestic brands to a great extent. It is important to maintain a balance between the two. It should be ensured that the foreign companies are not able to rise at the cost of the domestic companies. That is why the government should encourage local competition and provide them with support so that they can survive in the competition and do not get washed out. The high-end cosmetic brands should strengthen their position in the urban areas where the demand for luxury cosmetic items remains high.

Research reveals that there has been an increase in the status of the middle class people. The economy has witnessed significant development. This has also resulted in the rise in the income levels of people. The middle class people have been using more and more cosmetic products. This segment should be the primary target of the luxury brands. This would imply less potential for market expansion among them.

The packaging of a product plays a critical role in influencing the attitudes and behavior of customers. It is evident that the Chinese people remain conservative towards their traditions. The packaging of the products should look less western and more traditional in the eyes of the population. The product should not only look traditional but also trendy.

Regarding the kind of products that attracted the people, moisturizers and make-up items were few of the items which occupied the topmost positions. Lipsticks, nail colors, talc and moisturizers were some of the items which serve the purpose of regular usage and maintenance of the skin. Thus the sale of these items would remain at a constant level. It would be difficult to expand the market of these products. Products which were growing in demand were deodorants and anti-ageing products. Only 7% of the sample were using anti ageing creams. It reflects the growing consciousness of the middle aged people towards maintaining their beauty and good looks. It would be advisable to expand this market. Promotions would have an important role to play for spreading awareness about the utilities of anti-ageing products. This would be effective in targeting people aged between 35 and 60 years.

It would be critical to devise a proper price strategy for the products. According to the responses collected, price was considered to be an important attribute influencing the purchase decision of consumers. Moreover the middle class people are generally found to be price sensitive. Moreover, it was also found that consumers generally tried different brands before making any preference. A slight mistake in the price strategy would be sufficient to drive away majority of the customers towards another brand.

A large portion of the sample preferred herbal brands. Thus the high-end cosmetic companies could produce herbal products. The companies should try and diversify their products in order to expand their market. Even with the expansion of cosmetic and artificial products, the demand for herbal products also remains high.

The people also had great demand for Chinese traditional medicines. It would be lucrative for the companies to produce such products. It would not only be appreciated by the local customers but would also add to the goodwill of the companies. Companies should not only aim towards influencing customers towards specific products which they produced but should try and produce according the growing demands in the market. It is recommended they could follow the market trends rather than determining the market trends.

It was found that majority of the consumers were buying cosmetic products from superstores or supermarkets. A combination of pull and push strategies are recommended. While introducing a new product companies would have to emphasize more on promotional activities. The company's

sales force would have a major role to play in convincing the consumers about the effectiveness of the products. The push strategy is recommended for products which are already established in the market. The products would have to be given a large self space to attract consumers.

A growing number of people who were making visit to the spas and salons. These could also be used to display new products. People visiting spas and salons would be expected to be aware of cosmetic products in the market and their utilities. Selling cosmetic products through salons and spas would be one way of implementing push strategy. Salons and spas play a major role in instilling the demand for a product in the minds of consumers.

People were found to be greatly brand loyal, but they were found to be brand conscious. People usually tended to change their brands frequently. They preferred to try several brands before making up their minds regarding which particular product was suitable for them. It would be difficult to gain brand loyalty. The influence of peers was also not found to have a profound impact in the minds of the consumers. Thus the companies would have to emphasize much on the quality aspects of the products and the benefits which they claimed or promised. People would rely on the commitments that these companies would make to their consumers. Thus it is recommended that they would have to be extremely ethical in their business. The one way of attracting consumers would be trying to earn the maximum goodwill for the company. Making commitments and keeping them would be most effective in establishing that the companies were sincere in their operations. It would also reveal they were sincere in their activities and that they considered their customers to be valuable. It would also show their concern towards the population. Ethical practices would go a long way in enhancing good will for the company.

This study revealed future trends like a stronger expectation from the Chinese administration for registration of cosmetic product, and a greater influence of the occidental model on new generations avid of whitening products, make-up, tanning and perfume.

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