

# THE ADULT TOYS MARKET IN CHINA

January 2020

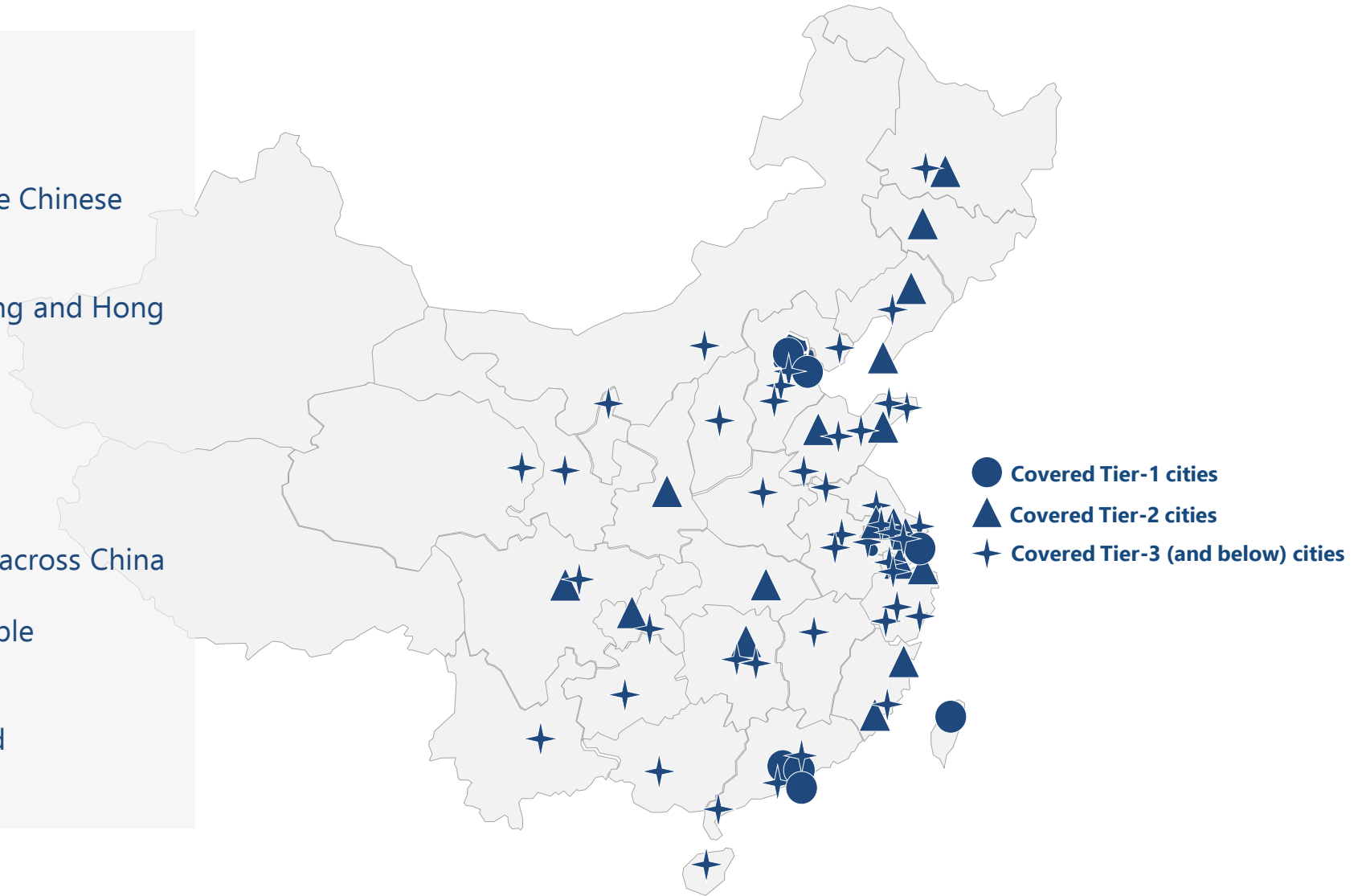
HONG KONG | BEIJING | SHANGHAI  
[www.daxueconsulting.com](http://www.daxueconsulting.com)

# Who we are

Your Market Research Company in China

## We are **daxue consulting**:

- A market research firm specializing on the Chinese market since 2010
- With 3 offices in China: in Shanghai, Beijing and Hong Kong
- Employing 40+ full-time consultants
- Full, complete, national coverage
- Efficient and reliable fieldwork execution across China
- Using our expertise to draw precise, reliable recommendations
- With key accounts from around the world



# The strengths of Daxue Consulting

6 crucial competitive advantages



## 1. Localized & Creative 创造和本土

- ✓ Our team has an international background, leveraging the best of both worlds
- ✓ **Teams are tailor-made** depending on the projects
- ✓ **One client = one dedicated team**

## 3. We manage from A to Z 内部

- ✓ daxue consulting **does not outsource its services**. We manage our own assistants and use directly technological tools.
- ✓ We have a **deep understanding on the fieldwork** and the context within which data was collected.

## 5. Innovative 创新

- ✓ **Constant on the look** for new research tools and methodologies
- ✓ Our goal is to **combine traditional methodologies** with the latest **tech tools**

## 2. Responsive & Flexible 负责和灵活

- ✓ At all levels at daxue consulting, daxue is creating an environment where **freedom and responsibility** go together.
- ✓ **daxue consulting** has a commitment to **answer emails within a day**. We are result-oriented and do not count our time to accomplish our tasks.
- ✓ **Regular reports** with our clients in order to make sure we reach the goal expected from our clients.

## 4. Actionable recommendations 可行建议

- ✓ We **care about results** and design our research in order to be operational.
- ✓ We are **driven by metrics** such as customer acquisition costs, business plan KPIs, P&L optimization.

## 6. Professional 专业

- ✓ **Our methodologies are rigorous and serious**, taking information from the best practice in the world of consulting and research.
- ✓ **Demanding on the results, detail-oriented, respectful towards our commitments.**

# Our services

Experienced in answering to a wide variety of strategic business questions



MARKET GAP  
IDENTIFICATION  
市场缺口



MARKET RESEARCH  
市场调研



REGULATORY  
FRAMEWORK  
管理框架



BUSINESS PLAN  
商业计划



MARKET POTENTIAL  
ASSESSMENT  
市场潜力评估



GO-TO-MARKET  
STRATEGY  
市场进入



MARKET ENTRY  
市场准入



CUSTOMER JOURNEY  
消费者旅程



COMPETITOR  
BENCHMARKING  
竞争者对标



MARKET SIZING  
市场规模



VALUE PROPOSITION  
& USP DEFINITION  
价值主张和销售主张



PARTNERSHIP  
SCREENING  
合作伙伴筛选



PRODUCT TESTING  
AND LOCALIZATION  
产品测试和本地化



DIGITAL STRATEGY  
数字战略



OMNI-CHANNEL  
STRATEGY  
全渠道策略



# 350+ clients with 600+ projects for the past 7 years

## Examples of references



# A recognized expertise on the Chinese market

Regularly featured and quoted in global publications

Daxue latest quotations in recent publications

The New York Times

TECHINASIA

france  
bleu

LE TEMPS

SBS NEWS

ASIA WEEKLY

FT FINANCIAL  
TIMES

英文中國郵報  
The China Post

REUTERS

GLOBAL  
TIMES

SBS NEWS

theguardian

y net  
news.com

Le Monde

THE WALL STREET JOURNAL

LesEchos.fr

THOUGHTFUL  
CHINA

CHINA  
ECONOMIC REVIEW

SWI

LE TEMPS

TechNode

CONDÉ NAST

TECHINASIA

FRENCHWEB.FR  
Le magazine de l'innovation

LE FIGARO

CHINADAILY  
中國日報

THE WALL STREET JOURNAL

ESSEC  
BUSINESS SCHOOL

The New York Times

Guanghua School of Management  
Peking University

Forbes

jns  
org | news service

TECH.CO

Voci Globali

JDN  
JOURNAL DU NET

L'OBS

Wine News  
THE POCKET WINE MAGAZINE IN ITALY

france  
bleu

gbtimes  
Global reach, Local touch

South China  
Morning Post

TECH  
INSIDER

IT NEWS AFRICA  
AFRICA'S TECHNOLOGY NEWS LEADER

THE JORDAN TIMES

Jing Daily

World  
Trademark  
Review

FINANCIAL REVIEW

ASIA WEEKLY

Contrepoints  
le nivellement par le haut

The Street

Chef  
d'Entreprise

CCI FRANCE CHINE  
中国法国工商会

ISRAEL HAYOM  
THIS IS WHERE WE STAND

CHANNEL NEWSASIA

algemeiner

華美銀行  
EAST WEST BANK

EAST WEST BANK

The Business of Fashion  
BOF

Los Angeles Times

StartupBRICS  
L'Actu Tech & Startup des Emergents

EL PAÍS

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1

# The untapped market potential of adult toys in china



# Main adult toys in the market

Typical examples of adult toys

## Basic items

### Condoms



### Lubricants



### Massage gels



### Antibacterial cleaning sprays



## Lingerie

### Underwear



### Stockings



### Costumes



## Women's products

### Vibrators



### Dildos



### Stimulation sprays



### Sexual accessories



## Men's products

### Inflatable dolls



### Masturbation cups

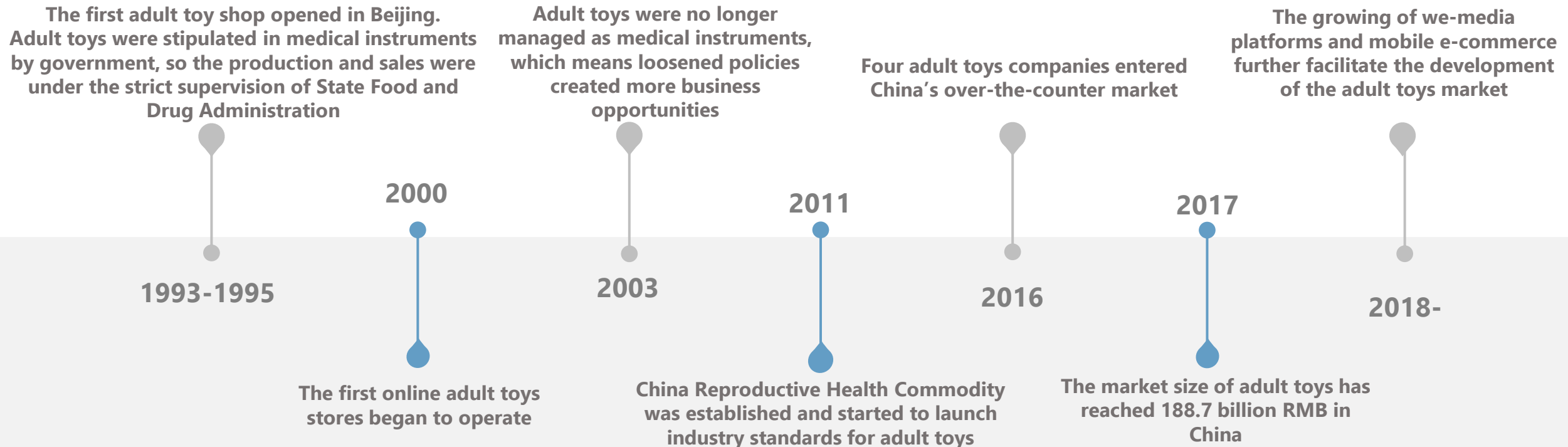


### Masturbators



# History of the adult toys market in China

- Government policies have loosened allowing the diversity of sale channels and products innovation.
- The scale of e-commerce is growing, online stores are more focused on product design, user experience and packaging
- Most online stores won't mark products' names and other information to protect customers' privacy.

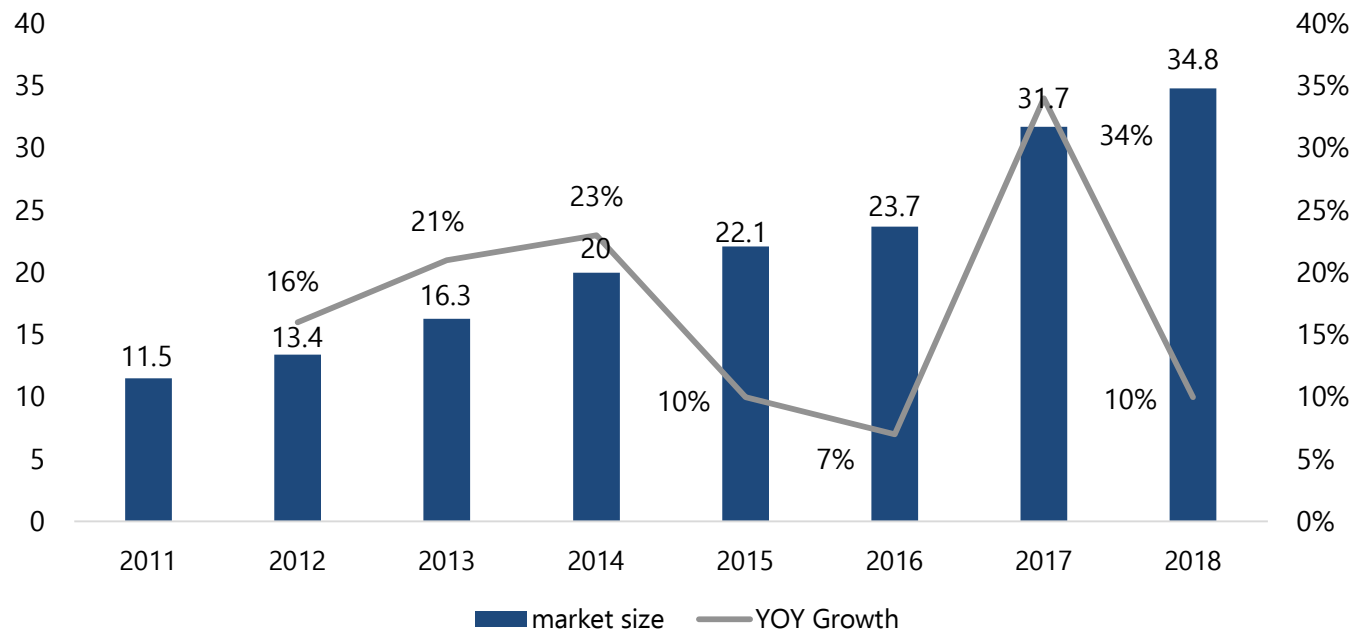


Source: NetEase Tryfun

# The adult toys market grew fast

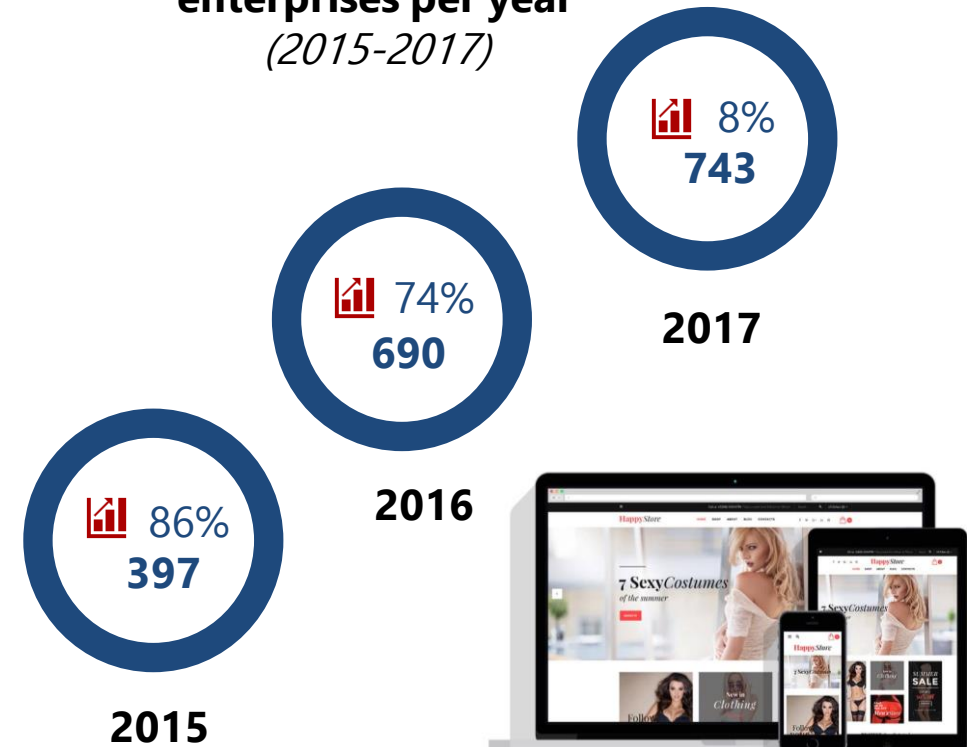
- The attitudes of the Chinese people towards adult toys has opened up therefore the number of consumers is increasing
- Considerable revenue attracts entrepreneurs to invest the adult toys market, there were more than 700 new enterprises in this industry in 2017.

**Adult toys market size in China**  
(billion RMB, 2011-2018)

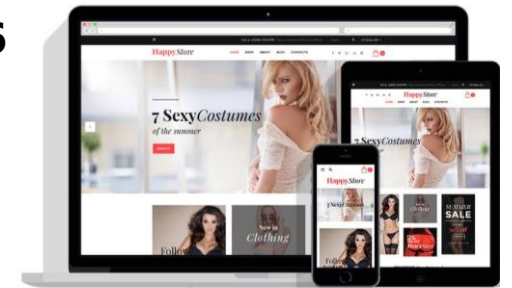


Source: ZhiYan (智研咨询, a Chinese consulting firm)

**Number of newly registered adult toys enterprises per year**  
(2015-2017)



Source: Chyxx (中国产业信息网)





# The ecosystem of the adult toys industry in China

Overall structure of the industry is dispersing, and each department is independent

## Manufacturers

500+ Manufacturers



积之美

Most of them are in



Export

Domestic sales

86%

14%

Source: Analysys (易观大数据)

## Brands & Wholesalers

### Brands



### Wholesalers



## Retailers

### Medical e-commerce



### Integrated e-commerce



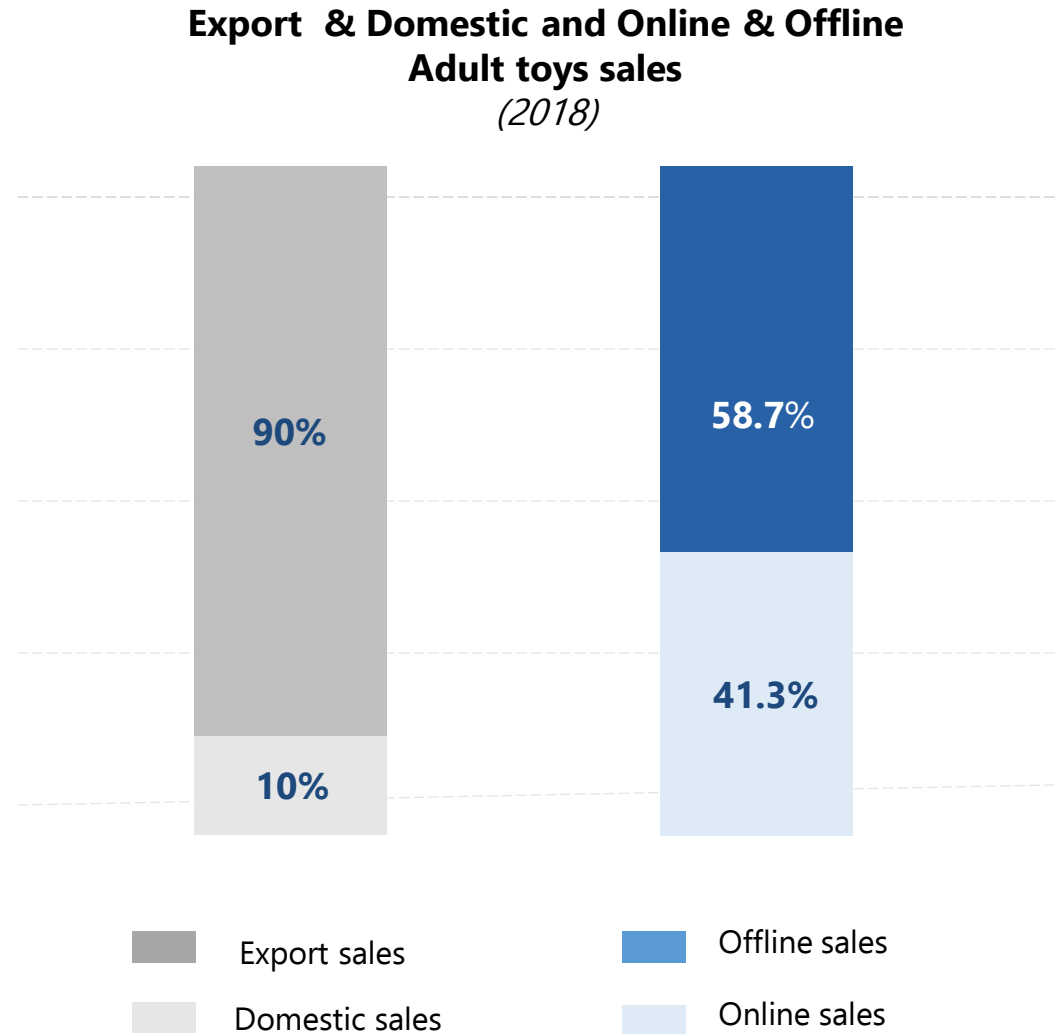
### Offline shops



### Vertical e-commerce



# China adult toys' sales are concentrated in export & offline stores



Source: Qianzhan (前瞻产业研究院, a Chinese consulting firm)



- China's adult toys manufacturing companies are willing to sell products overseas since developed countries have a higher demand.



- At present, offline sales are still the most significant channel of China's adult toys retail, but the ratio of online & offline adult toys' sales is close to 4: 6. With the current direction of e-commerce growth it is likely that e-commerce will surpass offline stores.
- Ecommerce can effectively protect users' privacy by not marking products' names and other information during the delivery.

# Main E-commerce business models

Modes	B2C	B2B	C2C
Development characteristics	<ul style="list-style-type: none"> <li>Benefit from building a proper pre-sales &amp; after-sales standards.</li> <li>Provide experiential marketing to improve services, personalize &amp; diversify marketing to target groups.</li> </ul>	<ul style="list-style-type: none"> <li>Wholesalers cooperate with manufacturers to sell their products to retailers, which is the most mature profit model in China.</li> <li>More and more adult toys manufacturers extend their intermediate sales links through self-built B2B platforms.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of a strict access system</li> <li>Current development situation is more chaotic.</li> <li>The promotion of sales models is more homogeneous</li> <li>Consumer rights cannot be guaranteed.</li> </ul>
Competition	<ul style="list-style-type: none"> <li>Many competitors</li> <li>But the marketing competition is still fragmented.</li> <li>Including medical e-commerce.</li> </ul>	<ul style="list-style-type: none"> <li>Integrated e-commerce platforms represented by Alibaba.</li> <li>Vertical e-commerce platforms represented by sexual business networks.</li> </ul>	<ul style="list-style-type: none"> <li>Big companies monopolized the market. Taobao together with Paipai and eachnet, occupied most of the domestic C2C market share.</li> </ul>



# Main drivers of the market



## More open culture and loosening government policy

People's attitudes towards adult toys are more liberal and government policies are loosening, adult toys are not only suitable for young adults but also older consumers, so penetration of adult toys is growing and many China's consumers show desire to buy adult toys.



## Sophisticated distribution channels of e-commerce

Distribution channels of adult toys are not limited to offline stores anymore. E-commerce is the most diversified distribution channel, it includes official websites, mobile apps, and social media. Meanwhile, multiform marketing modes promote sales volume growth of this sensitive industry.



## Considerable revenue attracts investors

The adult products industry is emerging and there are only a handful of competitors in market, which leads to high turnover of adult toys. Considerable revenue attracts increasing number of entrepreneurs to invest.

# Pain points of the market



## Scattered industrial pattern and low differentiation of products

- There is a **dispersive relationship** between **manufacturers and retailers**, so the overall industrial structure is dispersive.
- Due to brands being unfamiliar with customers' preference, **most local manufactures imitate foreign products**, which leads to differentiation of products.



## The market needs further exposure to increase demand

- Although China is the biggest producer of adult toys, about 90 percent of these products were **exported**.
- Only 10 percent of them were sold in the **domestic market**, but china has almost one-fifth population in the word, so **the adult products market potential of China is still untapped**.



## High costs of advertising and promotion

- The adult toys industry needs to **face 4 big mountains** in China, which are advertising law, intellectual property, fake GMV, and taxation. Hence, the **costs of advertising are very high**.
- Some companies **face serious deficit**, such as the company Eailv (爱侣) has had a deficit for three years.



## Low brand awareness and poor quality affect repurchase rate

- Some companies adopt **unsuitable methods of marketing promotion**, e.g. pop-up ads, it showed the impression of the low-end brand image to customers.
- The phenomenon of **low quality products is widespread** and the rules that **regulate the industry are too vague**, which is another significant reason caused low user stickiness.

Source: iimedia, Qianzhan (前瞻产业研究院, a Chinese consulting firm)

# Determinants of consumer behavior

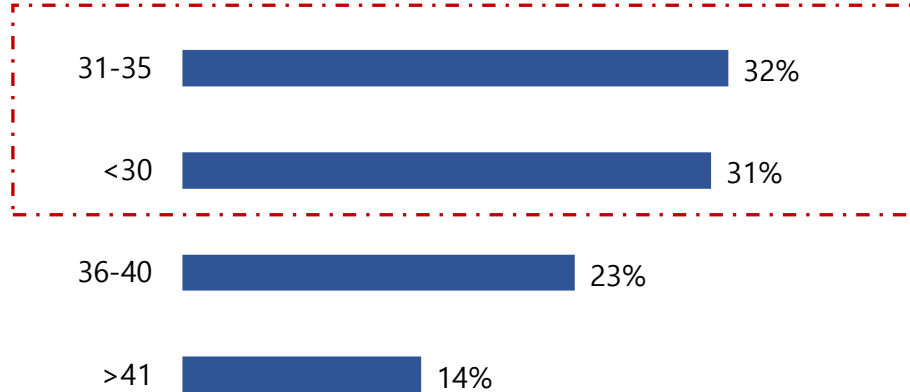




# Young men are the main force behind adult toy purchases

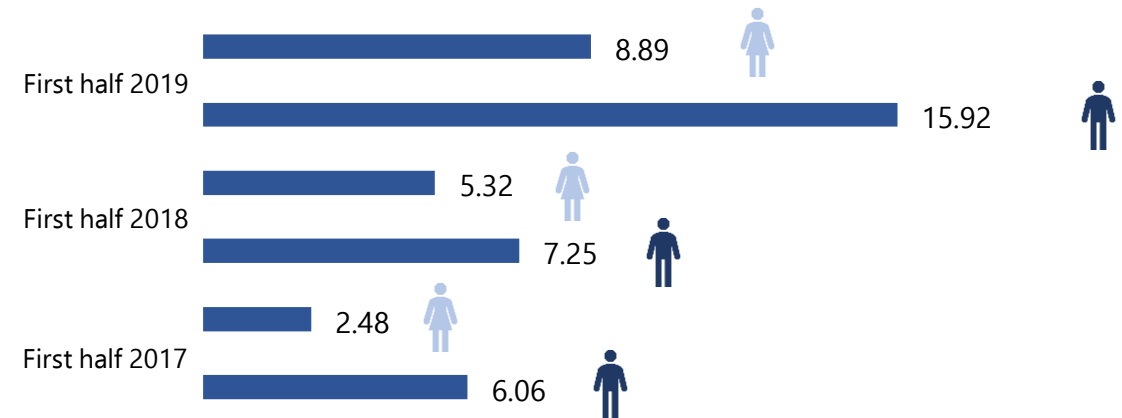
- Young adults are the main force for adult toys purchasing, concentrated among those under 35 years old which make up 63% of sales.
- Men are still the dominant force in buying adult products as we can see the graph below. At the same time, women become more and more open to adult toys as showing an obvious upward trend.

**Consumers age distribution of purchasing adult toys  
(2018)**



Source: TryFun.com (网易春风)

**Male & Female toys' sales for the past 3 year  
(100 million RMB)**

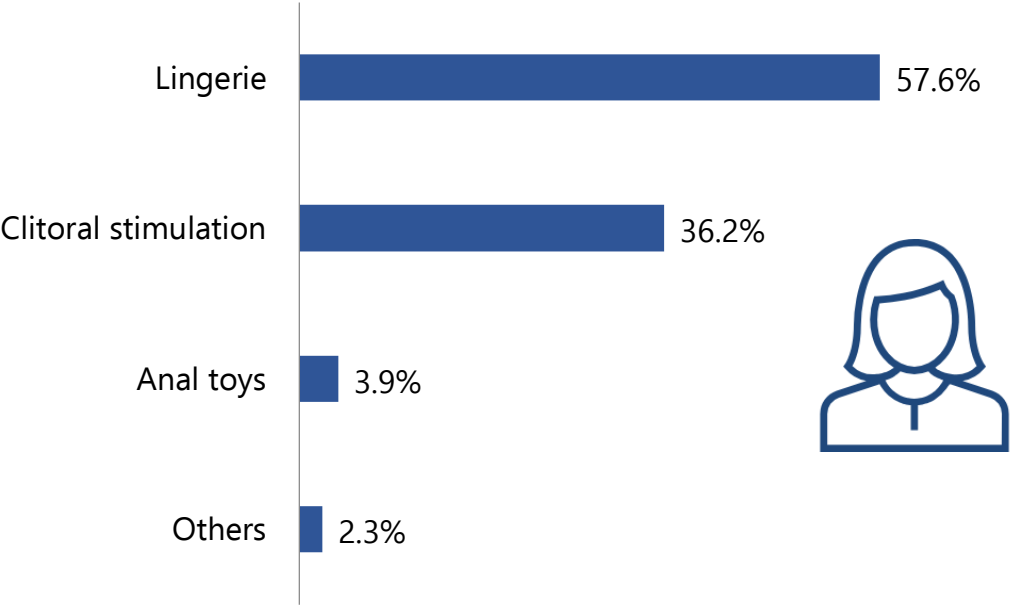


Source: iResearch

# Do men and women share the same preferences for adult toys?

Although the categories of male and female toys are very rich, the sales concentration of sub-categories differs greatly.

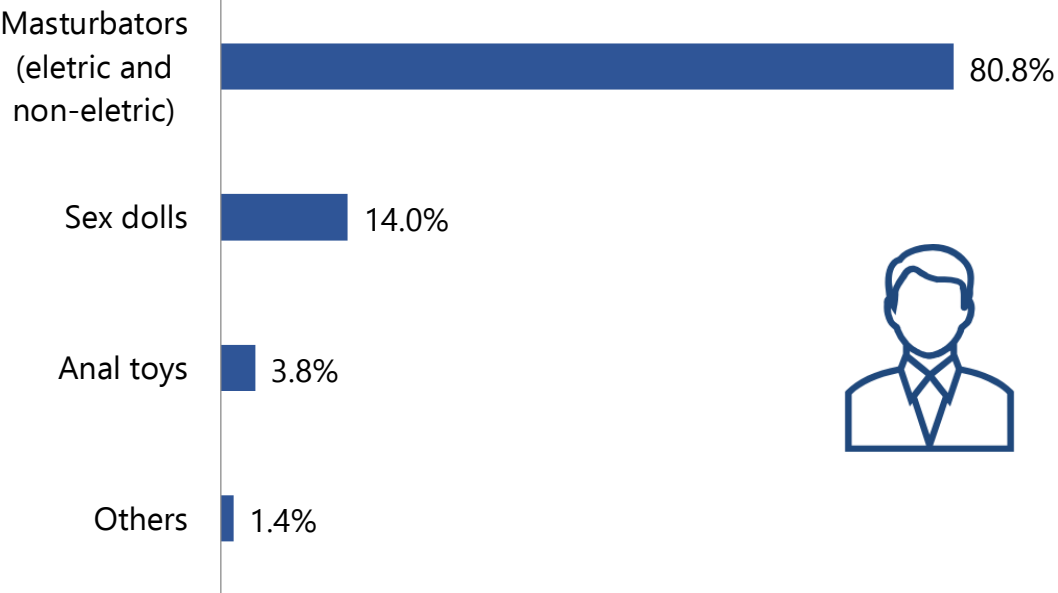
**Sales of female products on Tmall/Taobao**  
(2019)



Among female toys, lingerie and clitoral stimulation (such as massage sticks / devices) accounted for more than 90% of individual sales, which are the most mainstream female toys on Taobao/Tmall.

Source: taosj.com

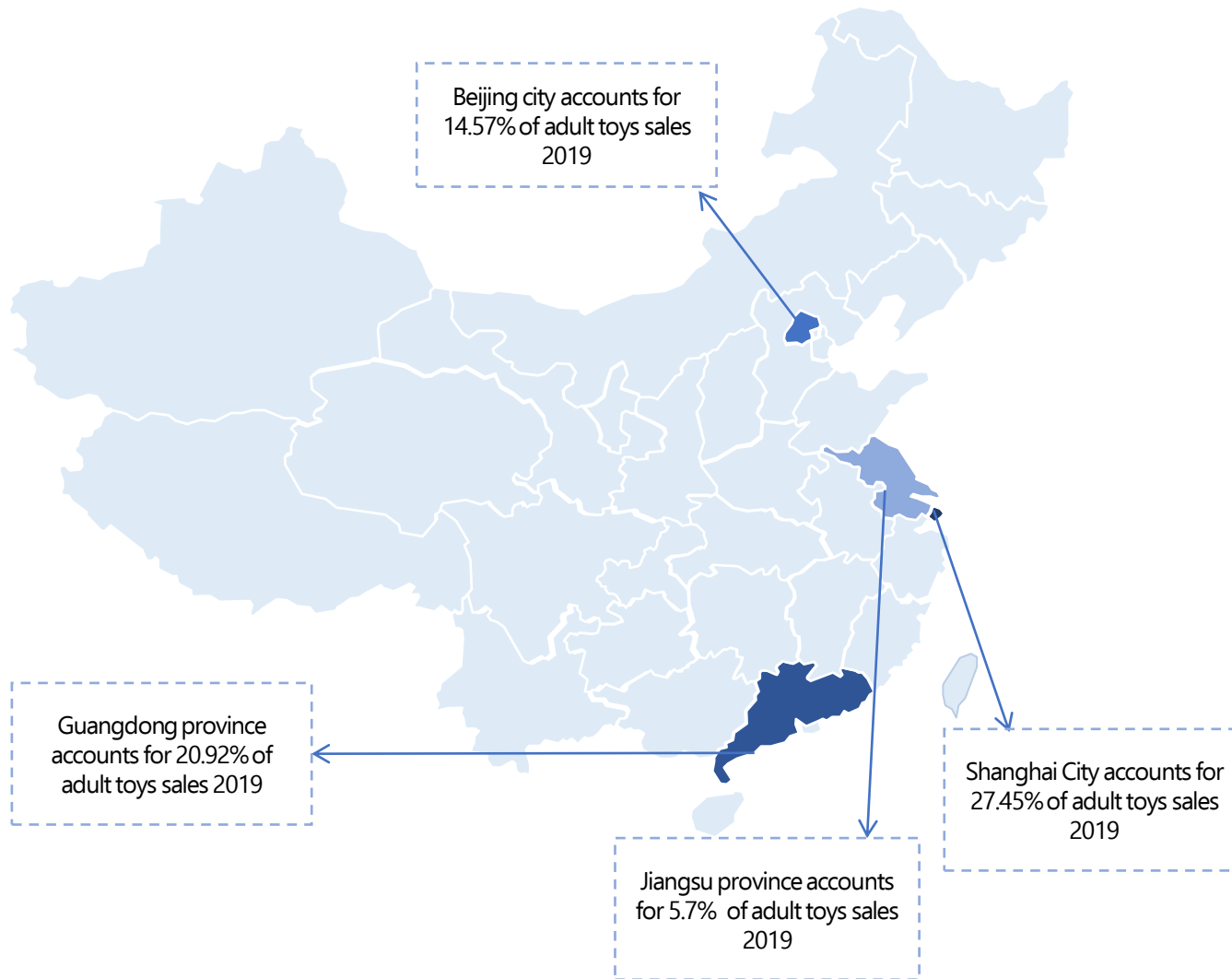
**Sales of male products on Tmall/Taobao**  
(2019)



Among male toys, sex dolls (such as inflatable dolls) and masturbators accounted for more than 90% sales on Tmall/Taobao, which are the most popular adult toys for men.

Source: taosj.com

# Consumers purchasing areas are gradually diversifying



Source: Taosj.com

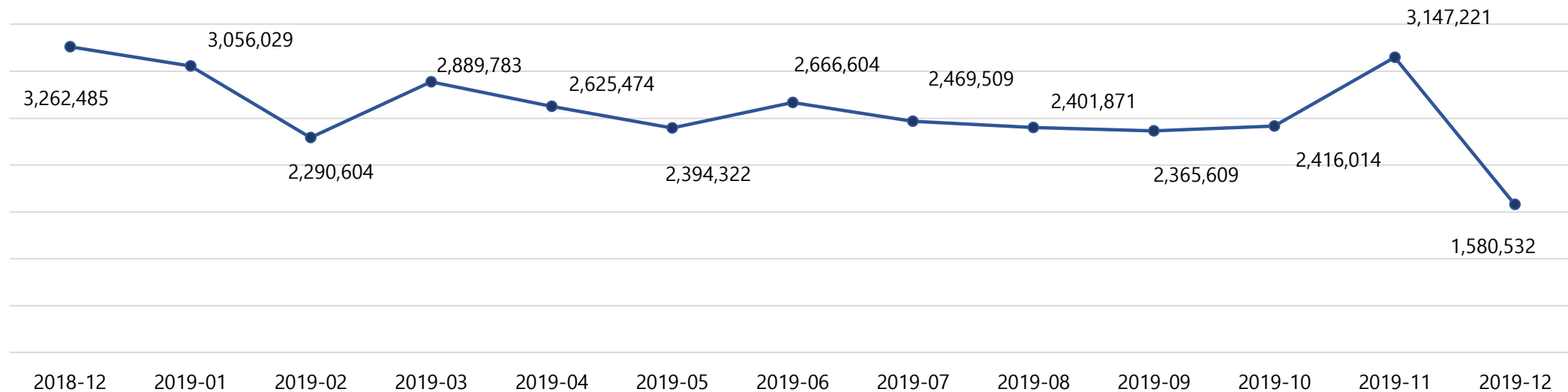




# Adult toys sales differentiate from different time periods

- In preparation for romantic holidays, such as Valentine's Day, 20th May (the pronunciation of "520" in China is similar to the pronunciation of "I love you"), consumers purchase adult toys one to two months in advance, which leads to the highest sale volume of the year.
- Another sales peak is "double 11" (11th December) which is a unique e-commerce shopping festival in China. Today's Chinese consumers will not only pay attention to rigid demand in large-scale shopping festivals, but also focus on how to improve taste of life.

**Adult toys sales volume on Taobao/Tmall**  
(2019)

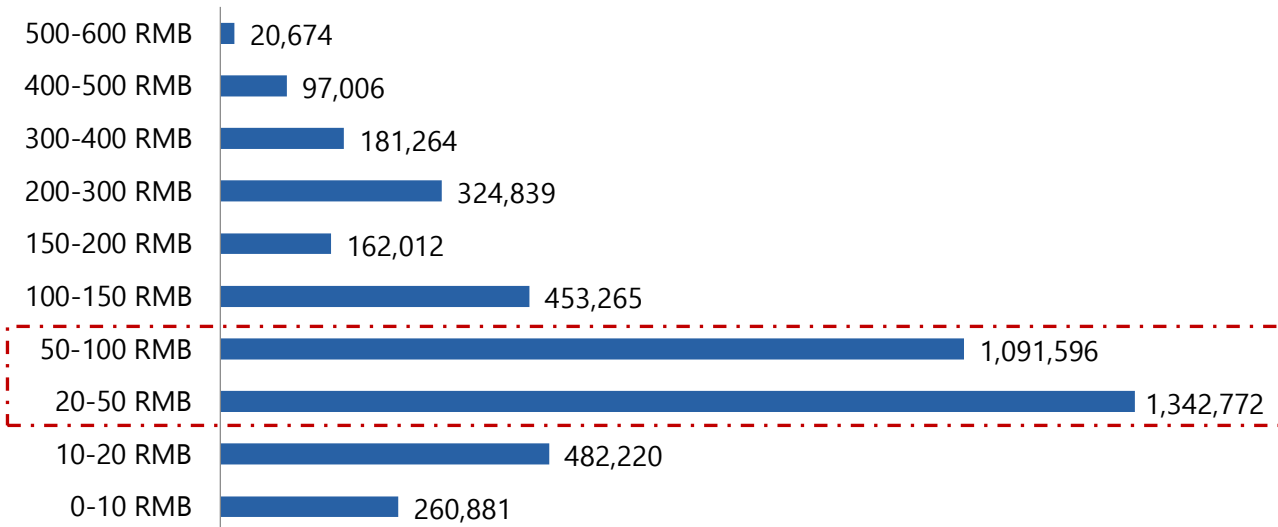


Source: taosj.com

# Is China's adult toy market price driven or quality driven?

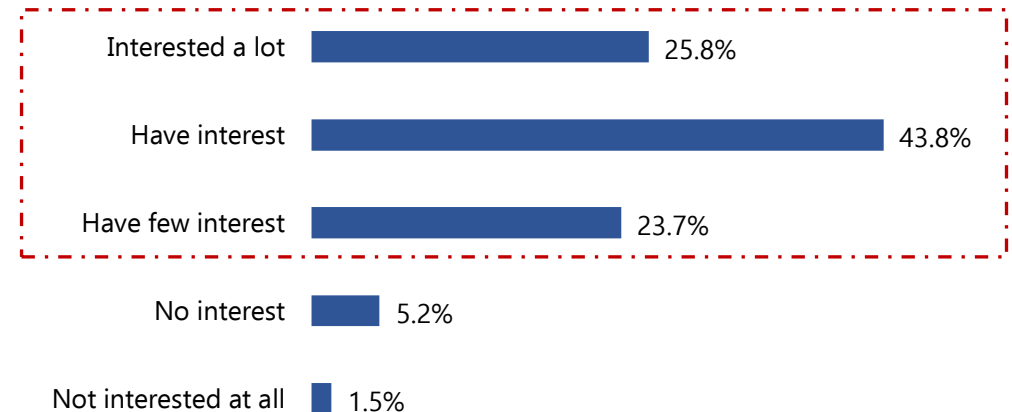
- The market is currently price driven. From the perspective of price distribution, Chinese consumers are still more inclined to buy cheap products. Overall, consumers' attention to price has become more diversified but still concentrated on the low-end, which could be some novice adult toys' consumers experimenting from lower price products then switching to higher price ones.
- However, 93.3% of adult toy consumers pay attention to product quality, which means adult toys quality level becomes one of evaluation indexes to them. Hence, adult toys quality will be one of the core competitiveness for the industry breakthrough.

**Sales volume of adult toys on Taobao & Tmall by price**  
(December 2019)



Source: taosj.com

**Consumers' attention to sex toys quality**  
(2018Q1)



Source: Chyxx (中国产业信息院)

# Who are the main consumers of adult toys

Adult toys users have high level of education and extensive working experience (Money & Spare time).



Gender  
& age

Male, 26-35 years  
old, most are 31-35  
years old.



Job

Mid-level & senior  
managers / CEO,  
freelancers, self-  
employed.



Education

Bachelor degree or  
above.  
Higher proportion of  
master degree.



Relationship

Have sexual partners  
but not married.  
Married but without  
children.



Salary

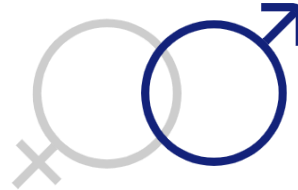
Monthly salary is  
higher than 10k.  
Most of them have  
20k to 50k.



Location

Live in the 1-tier city  
alone or with  
girlfriend/boyfriend

## Main characteristics of adult toys consumers

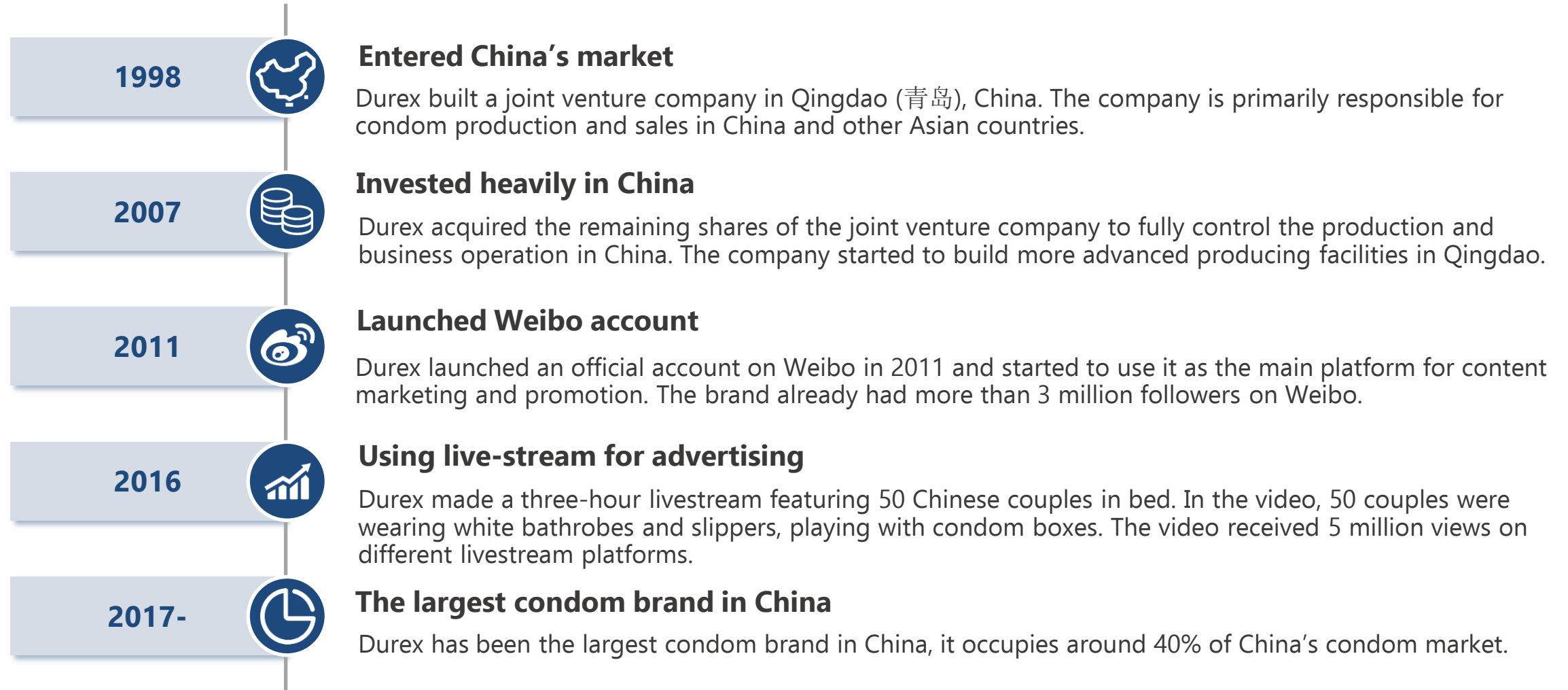


# How brands adapt to Chinese consumers





# Durex (杜蕾斯)-The most popular condom brand in China



# Durex (杜蕾斯)-Unique content brings much attention

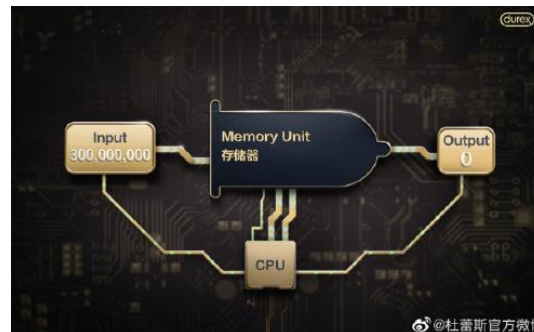
- By writing with humor and ease, Durex successfully built a brand image of a contrarian, charming and understanding the delight of life.
- The copywriting of Durex has uses metaphors, follows trends and is interactive (examples):

## Following festivals and holidays

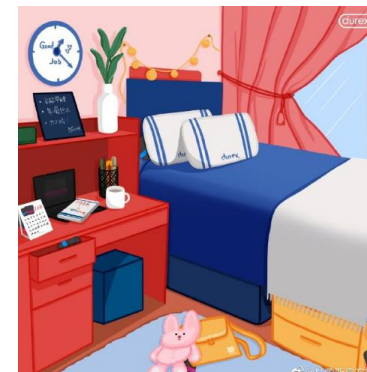


At this moment, the only way to stop her from shopping is Durex

## Funny metaphors



## Interaction with followers



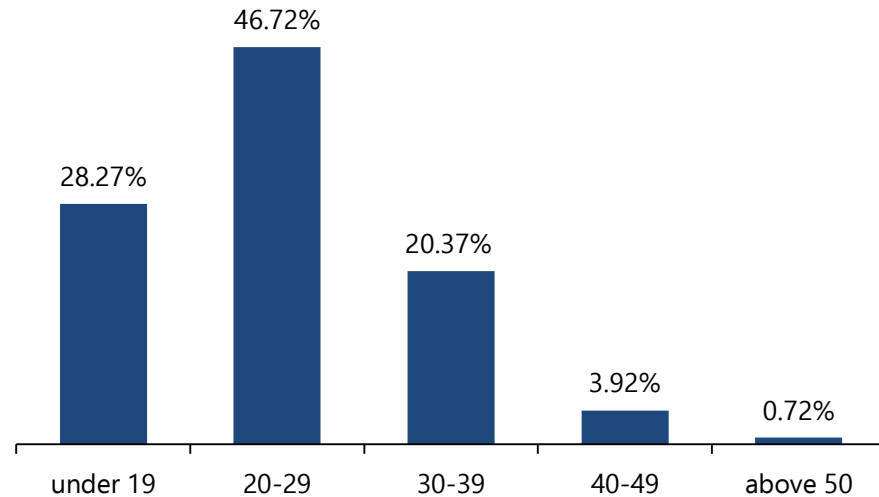
Find the durex X in the picture, you will have a chance to receive durex X for free. (Released by Durex on Weibo)

- Durex finds ways to implant its product promotions into popular IP and topics. What's more, the simplicity in the content of Durex leaves room for the imagination.
- On social media (such as Weibo), Durex interacts with consumers almost daily by posting small games and interesting questions, such as "At what time in your life do you need a relationship?". Those interactions make audience feel Durex more like a living person instead of a brand.

# Durex (杜蕾斯)

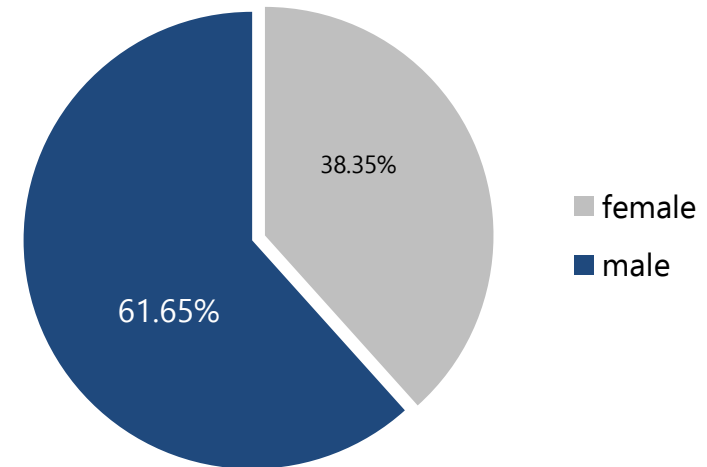
- Most Chinese netizens who searched for Durex are younger than 39 years old, which is in line with the target group of Durex-young, passionate and energetic.
- More than 60% of search index is from male netizens. Although Durex is also promoting to women in China, men are currently its main consumers.

**Chinese netizens who searched for Durex by age** (December 2019)



Source: Baidu index

**Chinese netizens who searched for Durex by gender** (December 2019)

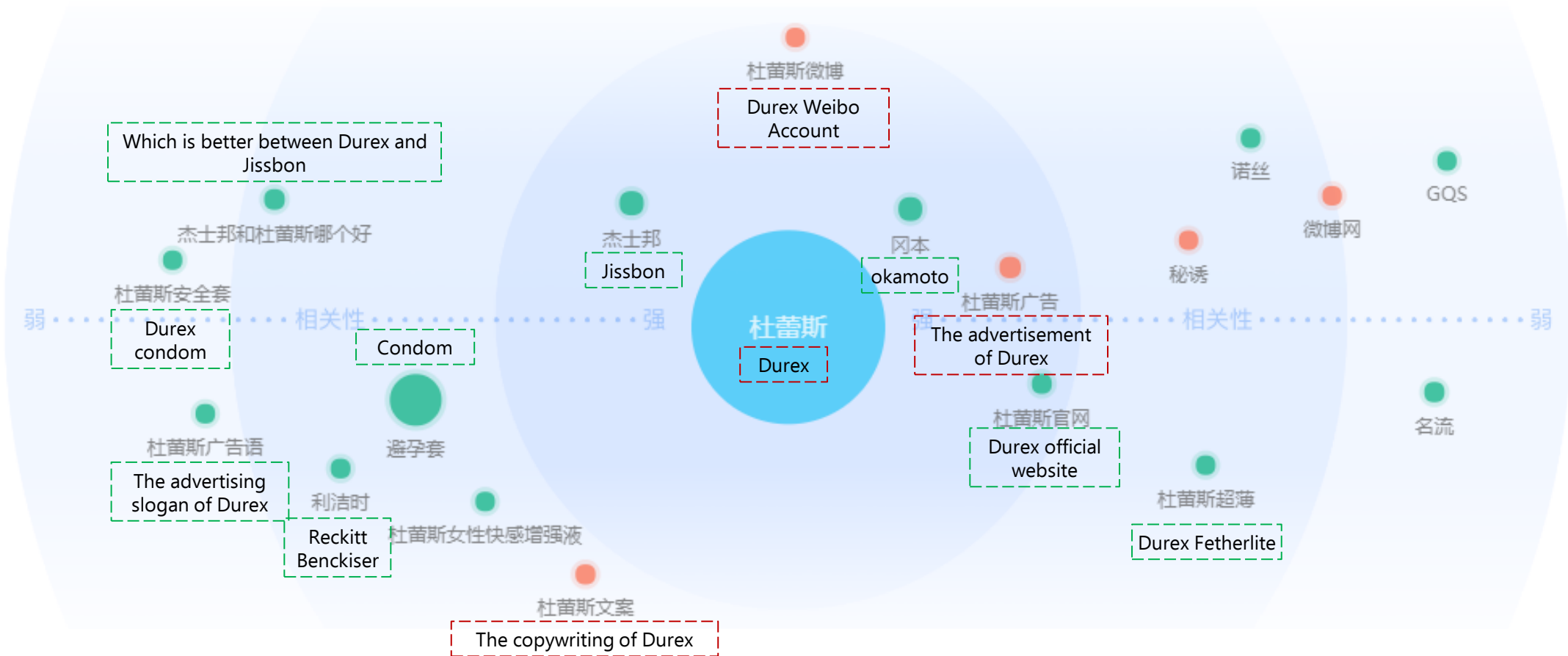


# Durex (杜蕾斯)

The most related keywords of "durex" are "The Weibo of Durex", "Condom", "The advertisement of Durex" and other condom brands (such as Jissbon and Okamoto). It means the advertising of Durex favored by the Chinese netizens and the most people mainly focus on its condoms, even though Durex also offers other adult toys.

Search index: low • • • High

Search trends: ● rising trend ● declining trend





# TryFun (网易春风) – A rising Chinese adult toy brand

2017/10



## **Founded in China**

TryFun was launched by NetEase Group as a Chinese adult toy brand, it targets Asian people between 20-35 years old.

2017/11



## **Taking advantage of NetEase's huge traffic**

The huge traffic and e-commerce platforms of NetEase made perfect environment for TryFun's promotion. They reduced a lot of advertising costs, which helped the brand be popular in a short time.

2018/05



## **TryFun won Design Intelligence Award (DIA)**

In May 2018, TryFun's masturbator "XingShi (星石)" (for women) won the Design Intelligence Award in China for its attractive and practical design.

2018/10



## **Rising in popularity**

Due to the good reputation and high-quality products, TryFun's sales revenue exceeded 100 million RMB in China's market by the end of October 2018.

2019/04



## **Participating in China's Adult-Care Expo**

TryFun participated in the China Adult-Care Expo 2019 in Shanghai. In the event, TryFun made a great deal of interaction with consumers and announced that it would release more "fashionable" adult toys.

# TryFun (网易春风) – Better understanding of Chinese consumers

The products of TryFun successfully satisfy Chinese preference for discrete and aesthetic toys

## TryFun's Content & Vibrator



VS

## Another brand's Content & Vibrator



- Most Chinese adult toy brands imitate western products. Because TryFun has a good understanding of consumers, the brand focuses on the design concept of "implicit, elegant and artistic", which is in line with Chinese people's aesthetic view. TryFun's design changed the over exposed appearance of adult toys and effectively differentiated its products from other brands.
- Many Chinese adult toy brands use vulgar content to capture attention. TryFun's marketing content uses metaphors to reverse the vulgar stereotypes of adult toys. Therefore, TryFun effectively resonated with the young adults in China and improved brand awareness.

# TryFun (网易春风) - Strong sales channels

TryFun is building an offline empire based on its multiple online channels.



Note: This is the first NetEase Yeation offline store in Hangzhou

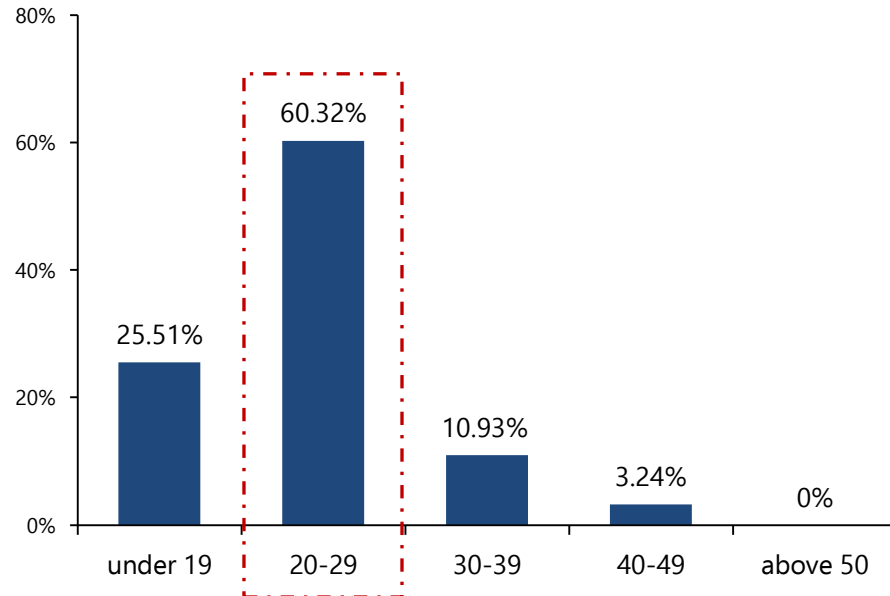
- As a popular Chinese adult toy brand launched by NetEase Group in 2017, TryFun targets young Asian people between 20-35 years old. Due to the precise brand positioning, TryFun has a clear direction for marketing.
- Obviously, TryFun has strong online sales channels, such as Kaola.com, Yeation, etc. After NetEase Yeation online platform launched, TryFun has harvested a large number of consumers and quickly occupied a place in the market.
- However, the sales ratio of offline stores and online platforms (including C2C, B2C, B2B) in China's adult toys market is about 6: 4. In other words, 40% of adult products purchases still happen offline. Therefore, the potential of offline channels is still waiting to be tapped.

Source: TryFun website

# TryFun (网易春风)

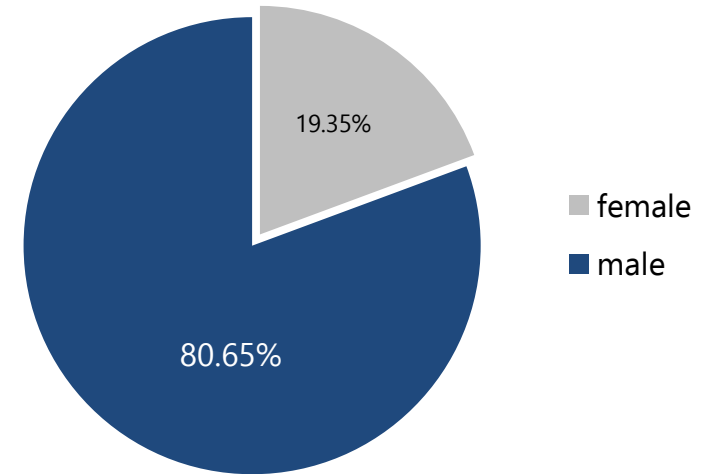
- More than 80% the Chinese netizens who searched for Touch on Baidu are younger than 29 years old, which is in line with the target consumers of Touch.
- More than 80% of search index is from men. It means TryFun attracted much attention from male consumers, but the brand may still need to explore more potential female consumers through targeted marketing.

**Chinese netizens who searched for TryFun by age (December 2019)**



Source: Baidu index

**Chinese netizens who searched for TryFun by gender (December 2019)**

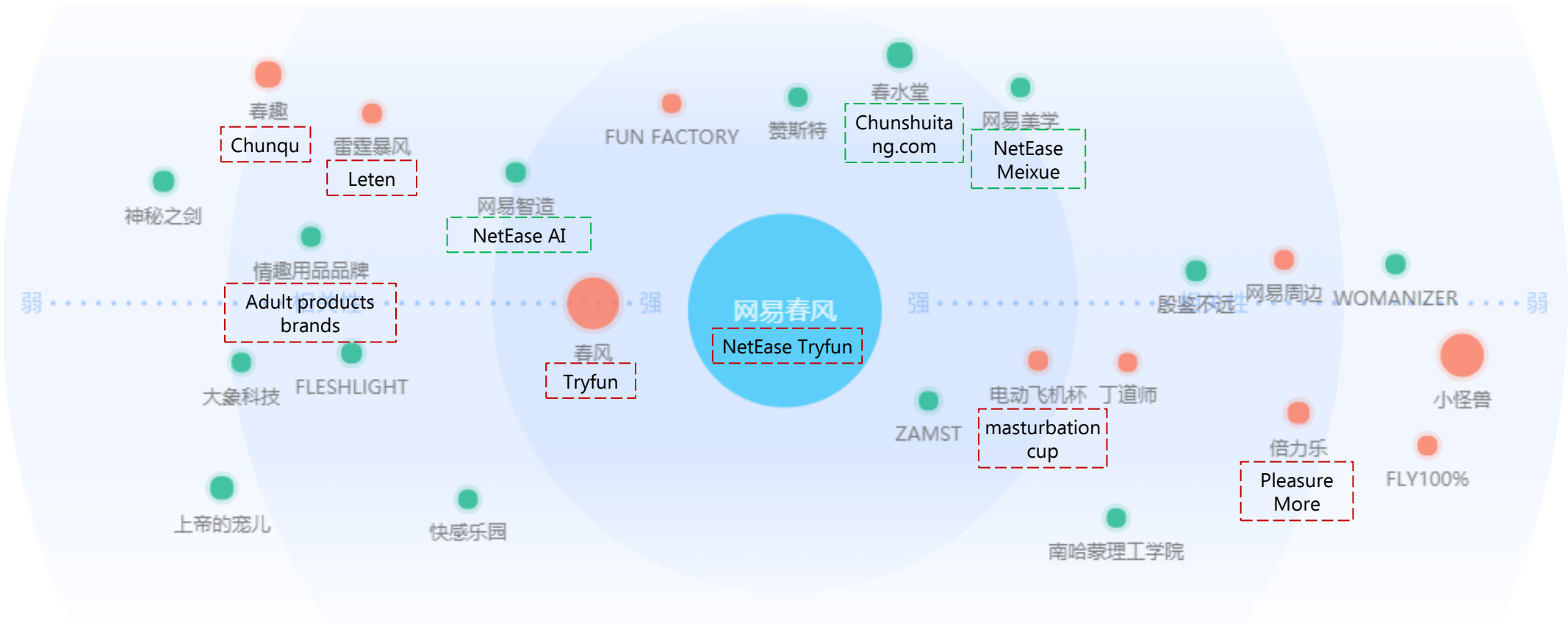




# TryFun (网易春风)

The most related keywords of "NetEase TryFun" are "Fun Factory", "Masturbation cup", "Chunshuitang.com", "NetEase AI" and etc. It means the Chinese netizens compare TryFun with other Chinese brands, and more people pay attention to its adult toys for men.

Search index: low ● ● ● High  
Search trends: ● rising trend ● declining trend



# Touch (他趣)-Mobile e-commerce for adult toys

More  
than **50**  
million  
users

## Online community of Touch app



### Social circle is the center of Touch app

Touch app users can make posts on different social circles according to their own interests, and the app recommends high-quality posts to keep the activity of users.



### Word-of-mouth (WOM) marketing

Touch app uses WOM marketing to create topics related to adult toys, they guide users honestly discuss those products and create motivation to try some particular products.



### Encourage User Generated Content (UGC)

Most content on Touch app is UGC, the recommended content is decided by the number of users' comments and page views. There is not much manual intervention.

Source: Taosj.com



## E-commerce platforms

### Self-operated e-commerce



More than 6,000 kinds of adult toys on Touch App, which offers professional delivery services.

### Third-part e-commerce



Touch Tmall store sold more than 120,000 items (adult toys) in 2019.

# Users tend to be satisfied with Touch App

- Most people give positive feedback to Touch App, only a tiny number of people are unsatisfied.
- Baidu is the most used channel to download touch App on Android.

## Current version of Touch app

### Total displayed ratings

Number of people  
who gave stars

31,001 (5.50%)



3,498 (0.62%)



8,565 (1.52%)



20,600 (3.65%)



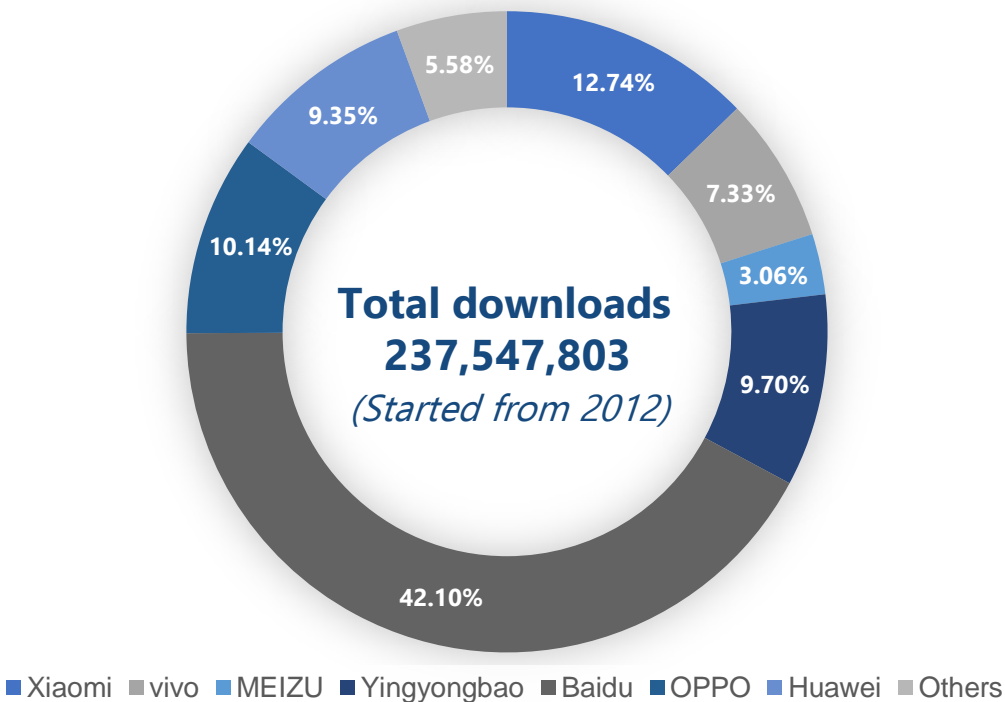
500,477 (88.71%)



88.71% people give 5 stars

Source: Appannie

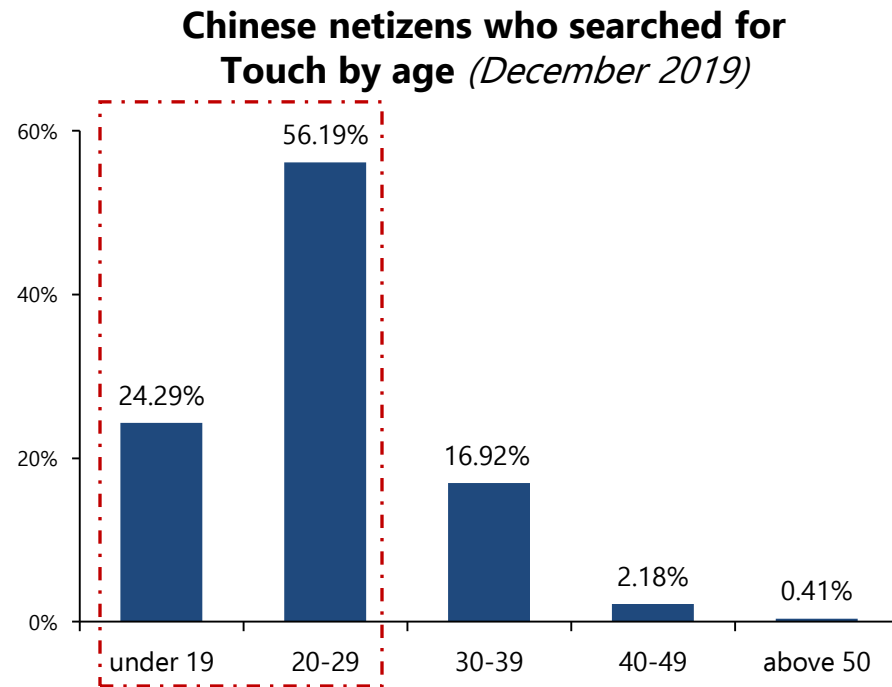
## Touch app downloads by different channels (Android)



Source: Android kuchuan

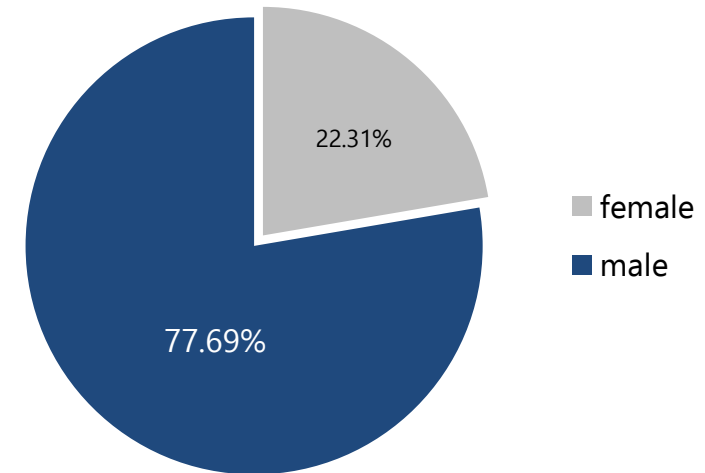
# Touch (他趣)

- More than 80% the Chinese netizens who searched for Touch on Baidu are younger than 29 years old, which in line with the target consumers of Touch.
- Most of the search index is from male netizens, only around 20% index is from Chinese women. It means Touch attracted much attention from male consumers, the brand may still need to explore more potential female consumers.



Source: Baidu index

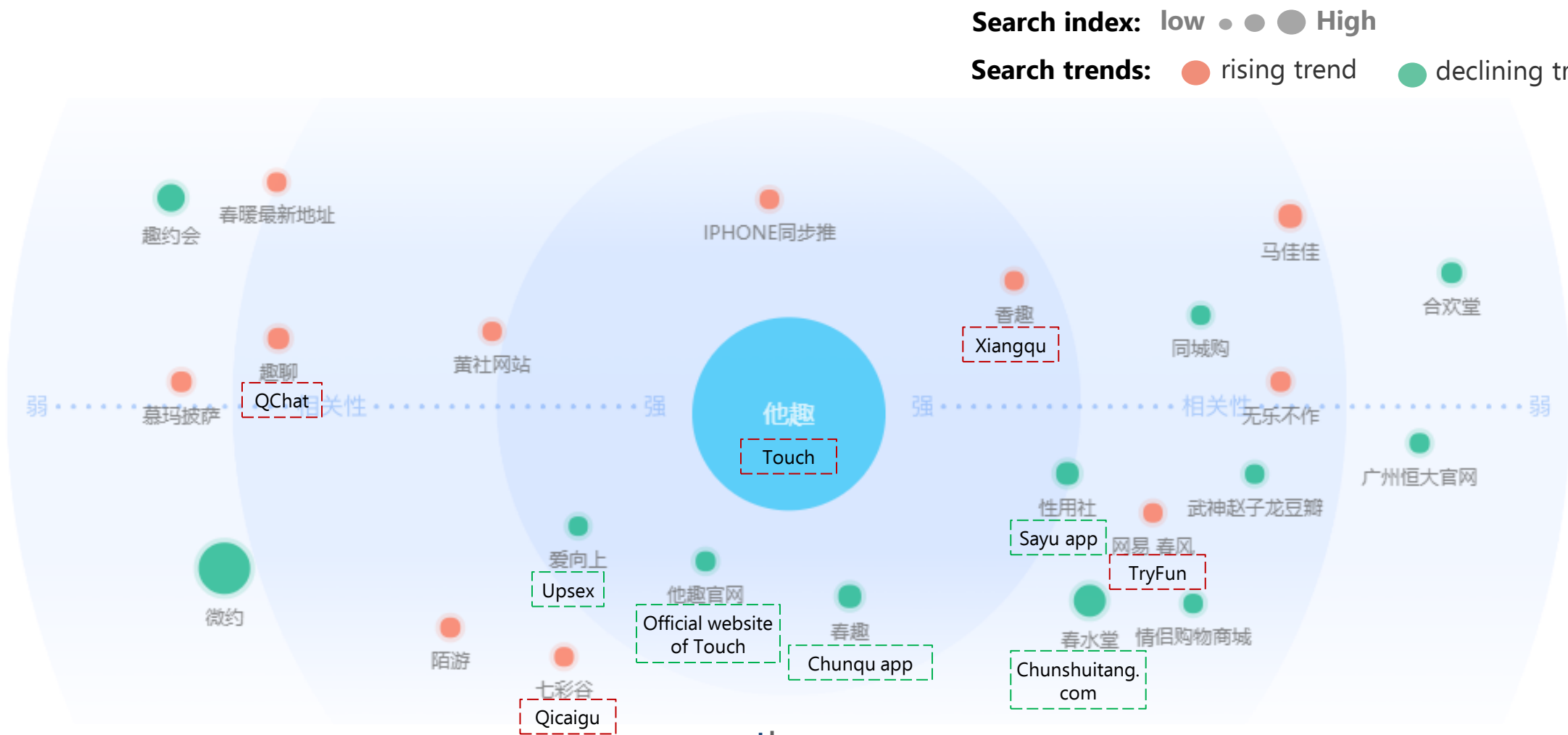
**Chinese netizens who searched for Touch by gender (December 2019)**





# Touch (他趣)

The most related keywords of "Touch" are "Official website of Touch" and other adult toy brands, such as "Chunqu", "Upsex", "Sayu app" and etc. It means the Chinese netizens compare Touch with other Chinese brands.



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# Key Takeaways

# Key Takeaways

**I.**

## Products need to be continuously updated

Consumers tend to be fond of the new and tired of the old, so it is always essential to develop new features or new packaging.

**II.**

## E-commerce is the key sales channel

People from 20 to 35 years old are the main force for adult toys purchasing, the rising e-commerce platforms ensured their privacy and helped adult toy brands reach young generations effectively.

**III.**

## More women are purchasing adult toys

Although the sales of adult toys for men are still larger than women, the gap between them is getting closer, more urban women are open for adult toys. Thus, brands should understand the preferences of female consumers.

**IV.**

## Improve brand awareness is a strategic point

Low-end products limit the market growth of adult toys in China, so it's essential to improve brand awareness by raising product quality, increasing R&D investment and better marketing content.

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