

HomeFacial Pro

China market strategy

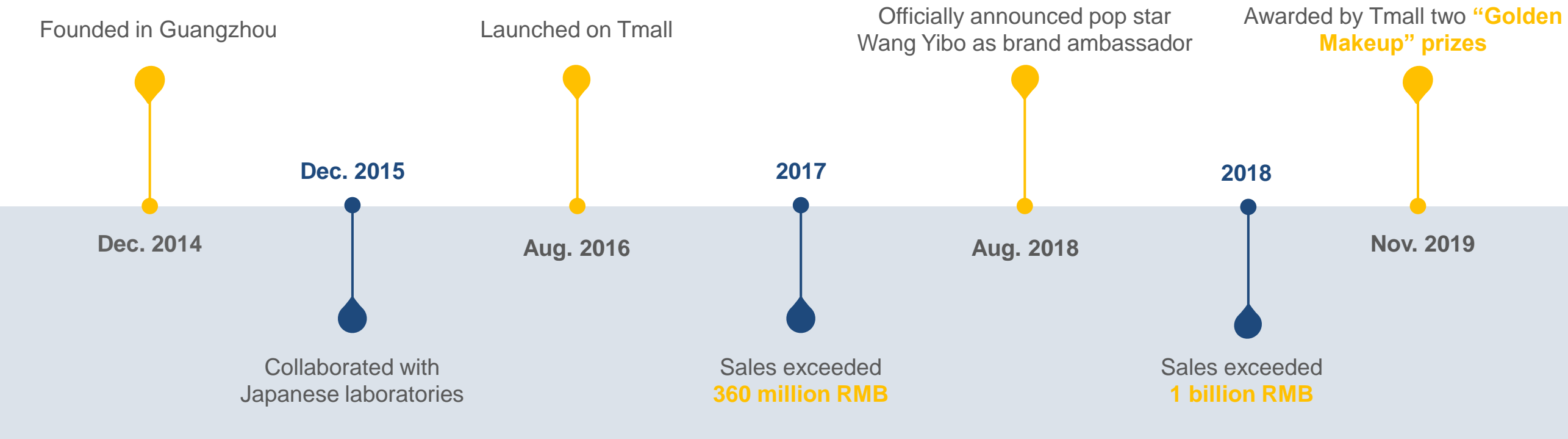
March. 2021

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HomeFacial Pro: a Chinese skin care brand focusing on ingredients

- Founded in 2014, HomeFacial Pro (HFP) is a Chinese skin care brand focused on ingredients and has its own laboratory backed up by experts from large International groups.
- The sales of HFP ranking **NO.7** in the beauty industry in 2018, among brands like Estee Lauder and L'Oreal are also on the list.
- The sales reached over **100 million** in an hour in 2018 Double 11 shopping festival.



HomeFacial Pro: Minimalist packaging for a down-to-earth image

Brand Concept

- HomeFacial Pro is professional skincare that can be used at home.
- The brand slogan is "awaken skin through ingredients"
- More targeted and simplified skincare solutions for the younger generation.

Package Design

- Minimalism black and white design.
- On the back of the product packaging, the product R&D chemist's signature and quote are printed, which tells the inspiration and story of product development.



Black & white packaging design



Quote & brand story

Signature of the product R&D chemist

Strategy 1: Targeting skintellectuals 成分党 (1/2)

Skintellectuals is a special group of customers who pay attention and conduct extensive research on ingredients and product formulations before purchasing skincare and beauty products. HomeFacial Pro specifically targets this group of customers. The accurate brand positioning helped HFP stand out from the beginning and gained a group of loyal customers.

What do Gen-Z women from tier 1 & 2 cities in China care the most when purchased skincare products?

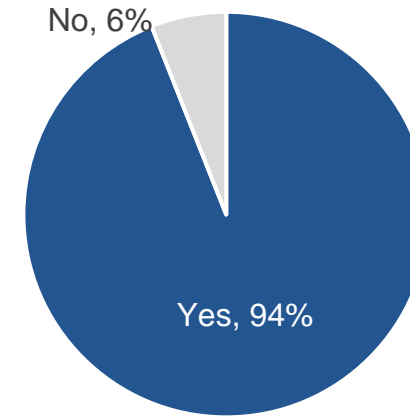
(Online survey of CBNDData x Robis target Gen Z in 2020, N=546)

- 1 Product functions and effects
- 2 Safety of the product's Ingredient
- 3 If the products are suitable for their skin

The ratio of Gen-Z women who study skincare products before consumption at tier 1 & 2 cities in China

(Online survey of CBNDData x Robis target Gen Z in 2020, N=581)

Gen Z= people between 22-26 years old



What and Where do skintellectuals search product information?

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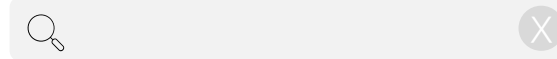
1.09 m Views on "how to understand the ingredients list on skincare products" on Zhihu

美丽修行

Beauty Evolution

- An app with **2 million+** products' ingredient lists
- MAU reached **1 million** as of Jan. 2019

小红书



2.6 million searching results on "Ingredients"

80k searching results on "Skintellectuals"

30k searching results on "Skintellectuals skin care"

Strategy 1: Targeting skintellectuals 成分党 (2/2)

- HFP names its flagship serum products after organic molecules, for instance, Oligopeptide serum (寡肽原液) and Nicotinamide serum (烟酰胺原液). Other products are named in the “molecule + function” form.
- The benefit of this naming method is that it removes the guesswork so sophisticated consumers can fathom what exactly they are buying.

Top selling products and major ingredients included in the products



Product Name:
Oligopeptide Essence

Ingredients:
Oligopeptide, Niacinamide



Product Name:
Marigold Toner

Ingredients:
Marigold, Sodium hyaluronate

Product Name:
Oligosaccharides Emulsion

Ingredients:
Oligosaccharides,
Sodium hyaluronate



Product Name:
Lactobionic acid
anti-black spots mask

Ingredients:
Lactobionic acid,
Allantoin



Top 10 most used ingredients in beauty products in China (in 2020)

01	Nicotinamide (whitening)
02	Vitamin E acetate (antioxidant)
03	Sodium hyaluronate (hydrating)
04	Retinol palmitate (cell renewal)
05	Squalane (glowing)
06	Retinal (anti-aging, anti-acne)
07	Salicylic acid (exfoliate)
08	Allantoin (cell renewal)
09	Vitamin E (antioxidant)
10	Dipotassium Glycyrrhizinate (anti-inflammatory)

Source: CBNDData

Strategy 2: Grow with the emerging social platforms (1/2)

Released many articles on WeChat during the golden age of WeChat official accounts



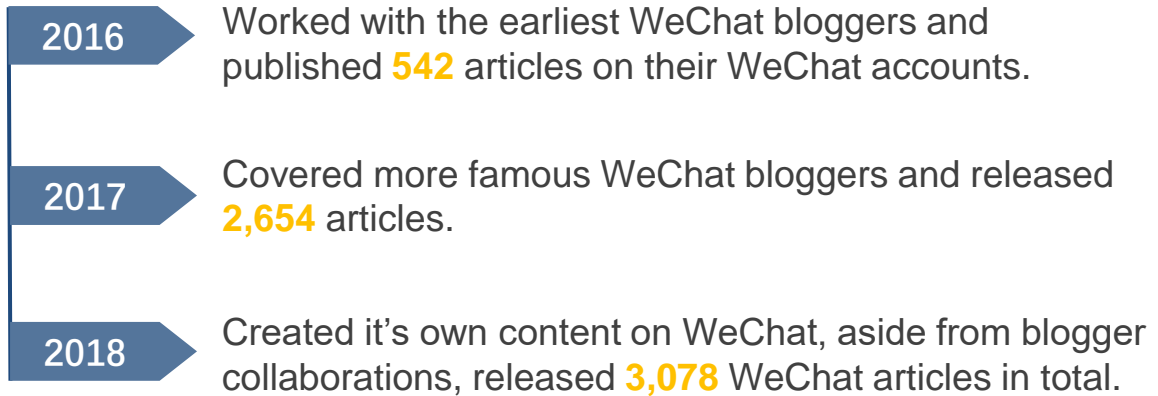
Official account & mini program

Commercial posts*

100k avg post views
199 avg post likes

- WeChat official accounts were created in 2012. The years 2016 to 2018 was the golden age of WeChat Official Accounts - a lot of content creators produced high quality content, yet there were few brands on WeChat.
- HFP seized the opportunity. In 2016 HFP released many posts on WeChat and gained a large group of initial customers.
- In addition, HFP created it's own demand through educating consumers on the science of skincare by WeChat articles.

The number of cooperated articles in the golden age of WeChat official accounts



* Commercial posts: HomeFacial Pro pays for the popular WeChat content creators to post cooperated articles

Strategy 2: Grow with the emerging social platforms (2/2)

HFP created official account on Xiaohongshu in 2018



Except official account, also opened RED store



Started to work on product seeding with KOL/KOC to create Word-of-mouth



- In 2018, when social commerce platform Xiaohongshu just started to get popular, HFP launched flagship store and official account on it and started to work on product seeding with KOL/KOC to create word-of-mouth.
- HFP also produced a lot of trendy content with latest hot topics.

Follow trendy contents



Cooperated with celebrity Wang Feifei who became popular in TV variety show in 2020

Use popular concept in the topic - skintellectuals

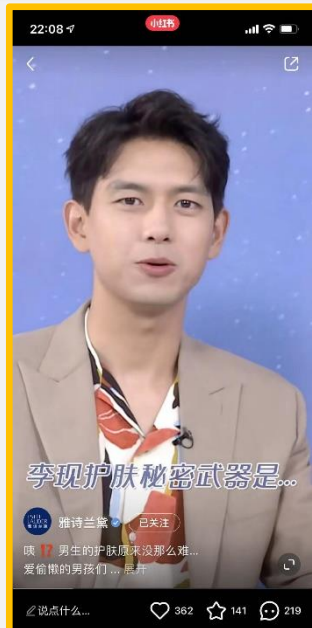
Strategy 3: Tapping into the idol fan economy (1/2)

- For other brands, celebrity collaborations are general: shooting advertising videos, live streaming and inviting the celebrity to the live streaming room or recording short videos with celebrities. All of the activities are online, as a result, the effect of celebrities would be limited
- In contrast to most brands, HFP also hosts offline fans meeting campaign, celebrity's birthday parties and sends out gifts with the brand ambassador Wang Yibo's signatures to customers.

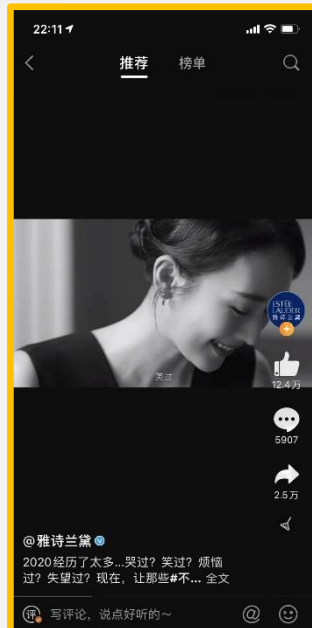
Strategies of other brands



Live streaming



Collaborative videos



Brand advertising videos

Strategies of HomeFacial Pro



Send postcard with a celebrity's signature to customers as gift



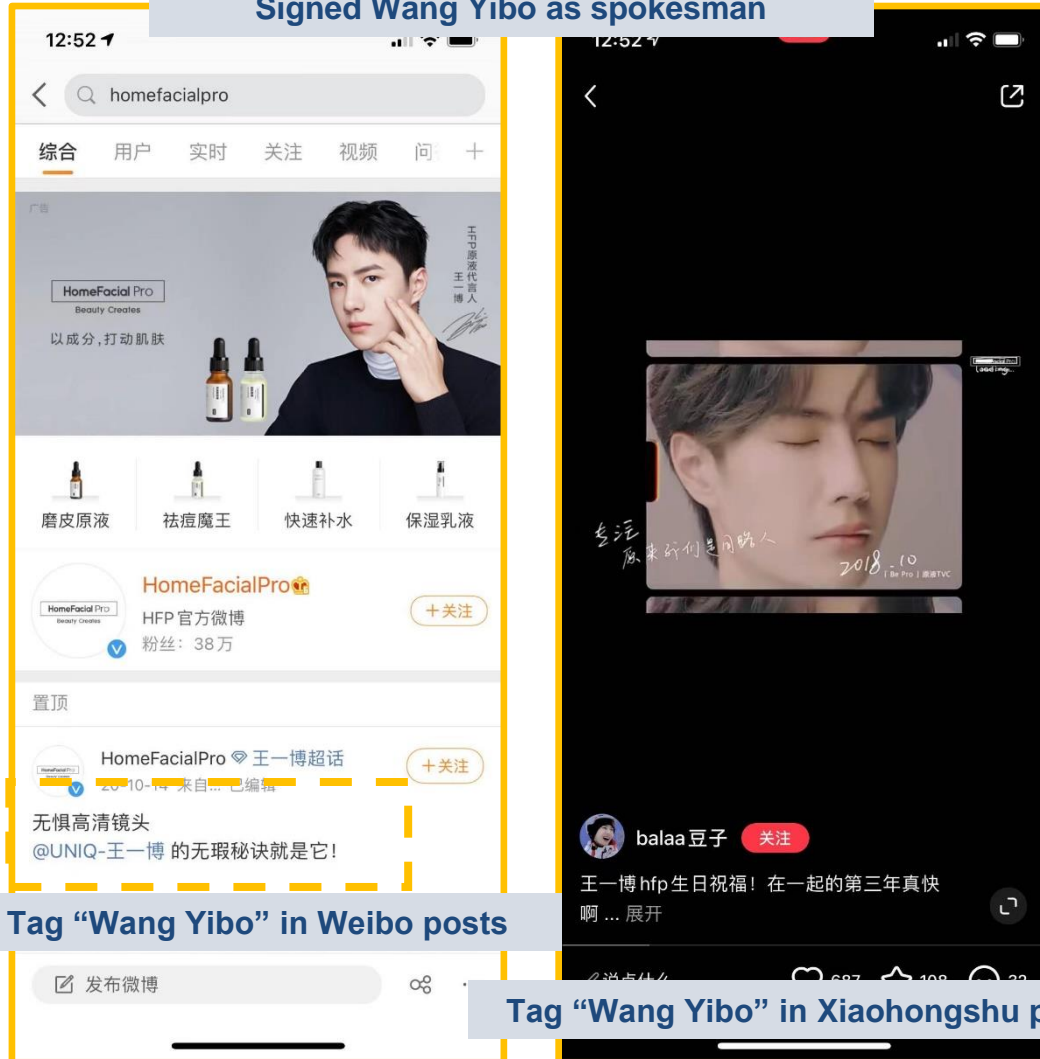
Offline new products press conference



Celebrity's birthday party

Strategy 3: Tapping into the idol fan economy (2/2)

Signed Wang Yibo as spokesman

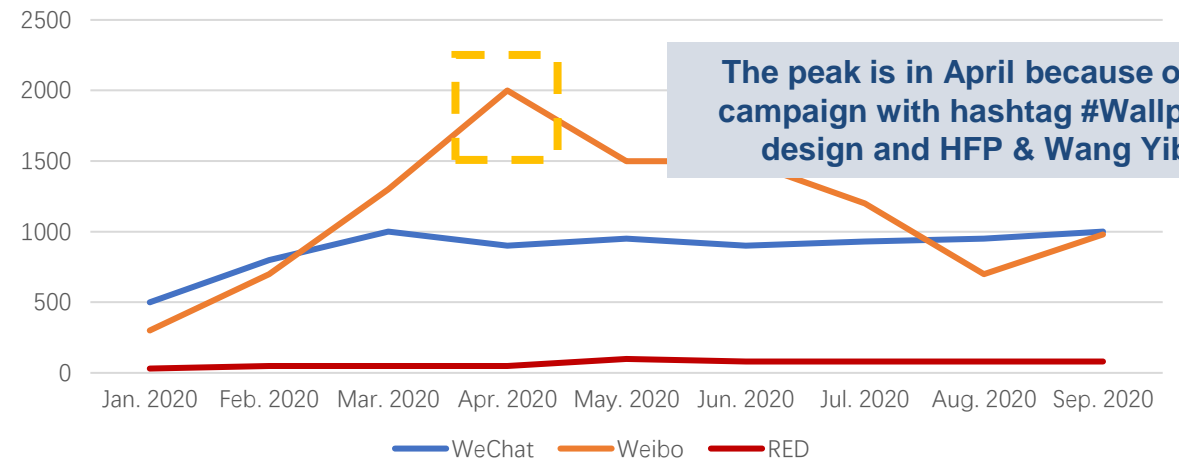


Tag “Wang Yibo” in Weibo posts

Tag “Wang Yibo” in Xiaohongshu posts

- HFP signed a **3-year contract** with Wang Yibo in 2018 as spokesman of its signature serum line, which helped HFP gain a large group of young female customers.
- The brand went further to produce merchandise for Wang Yibo’s fans, which integrated the brand’s physical features with Wang Yibo’s interests, leverage fans’ economy to the fullest extent.

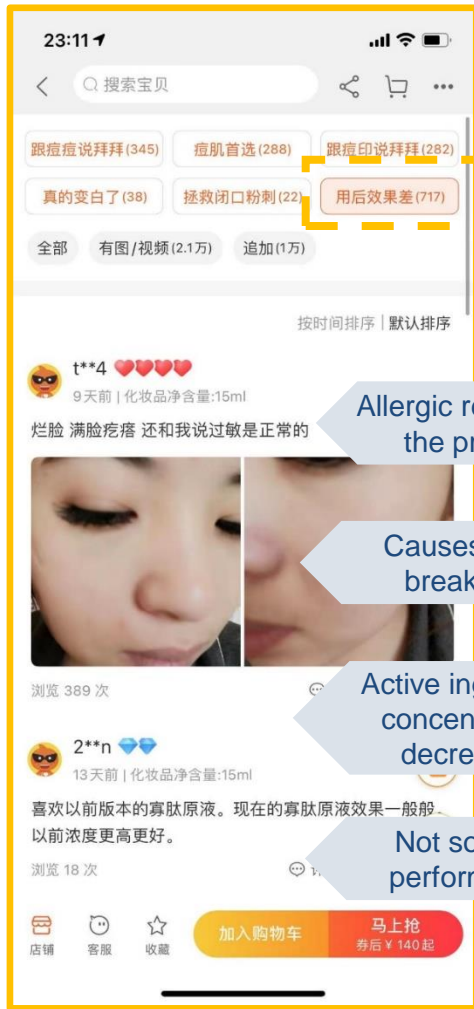
The total number of share, comments and likes brought by Wang Yibo on different social platforms (million, Jan.2020 – Sep.2020)



The peak is in April because of the campaign with hashtag #Wallpaper design and HFP & Wang Yibo

Source: Kantar

Problems: Products don't live up to premium image & relies too much on celebrities



The ratio of the best selling product's comments on Tmall:

Positive comments : Negative comments

9 : 8



Wang Yibo only signed 3-year contracts, what will happen after 3 years?

- Although HFP specifically targets “Skintellectuals” and positions the brand as a professional skincare brand, HFP's products are not strong enough, over half of its products are priced under 200RMB, while the premium line is priced at about 400RMB. Its claimed products effects have not been totally proven.
- If HFP cannot go deeper into the product research & development, it will be hard for the brand to maintain the professional brand image and convince customers in the future.
- The brand is putting itself in a passive situation. Relying too much on the celebrity and fans will not benefit the brand in the long-term
- It can also be risky if the celebrity has negative news one day. Or if the brand does something wrong to annoy the fans.

C-beauty industry overview



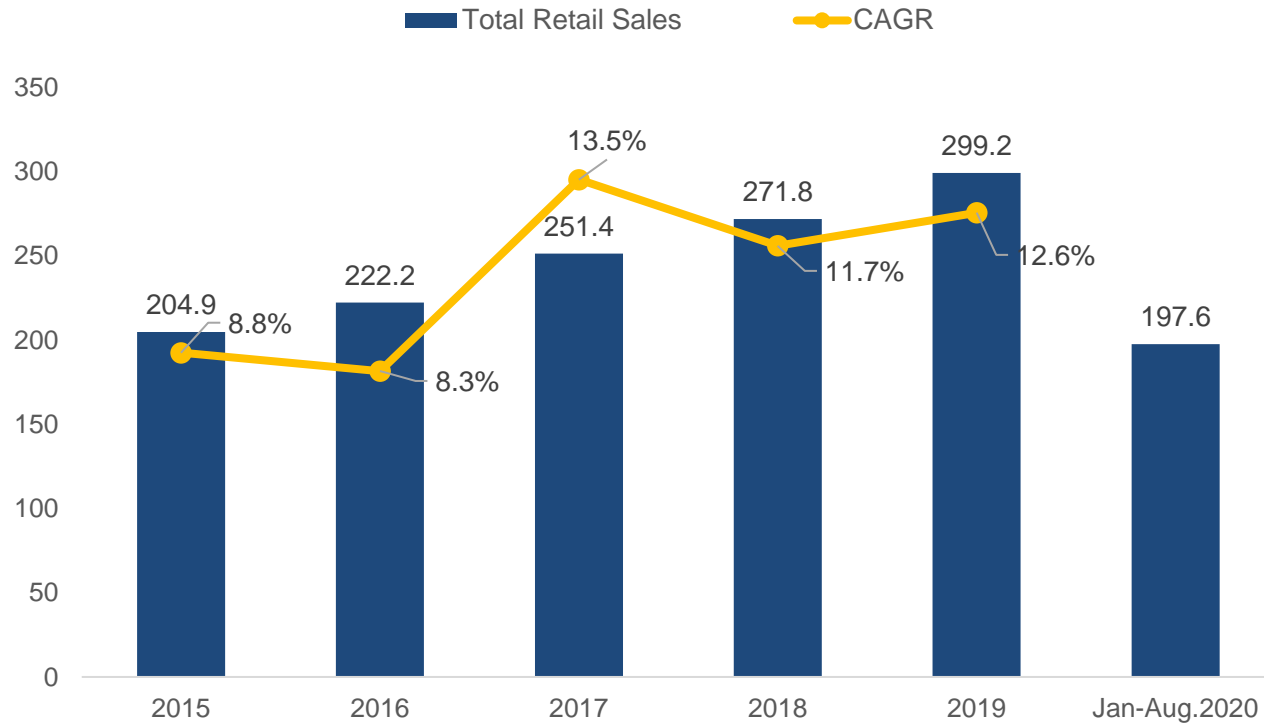
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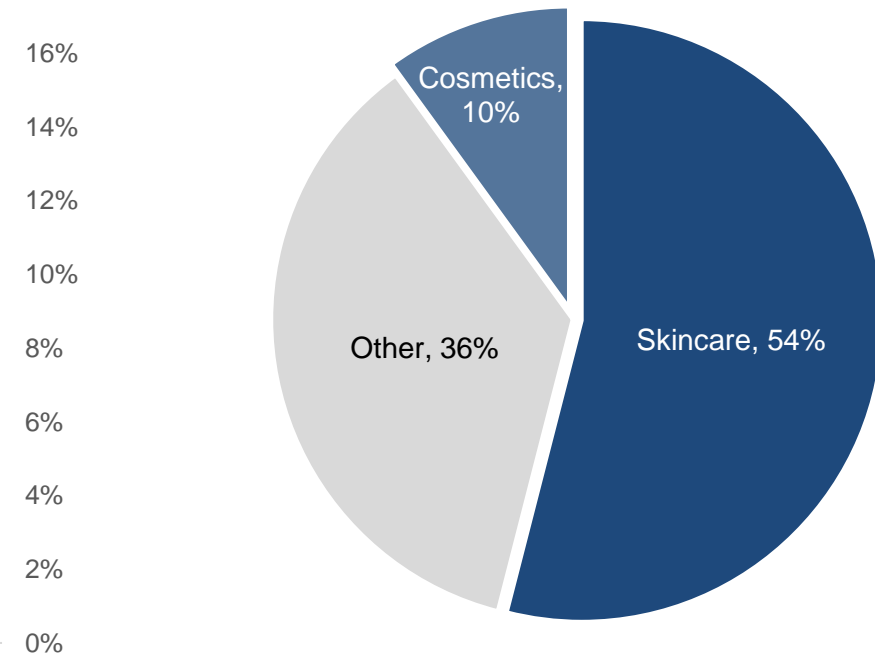
The beauty sector in China developed steadily in recent years

- China had become **the world's second largest beauty market** in 2019. The sales of skincare products accounted for more than half of the beauty market in China.
- The beauty market was hit hard by COVID-19, but quickly recovered, annual beauty sales only slightly decreased

Total retail sales of the beauty sector in China
(in RMB billions, 2015-2020)



Market share of major beauty categories in China by sales
(2019)



Source: Euromonitor, iiMedia, 360 make-up, designed by Daxue consulting

COVID-19 brought out a beauty e-commerce battlefield

- COVID-19 caused beauty sales to move from offline to online channels as consumers were hesitant to visit offline stores.
- Additionally, foreign brands' sales declined dramatically in their home countries, thus they doubled-down on Chinese e-commerce platforms.

JD Luxury Gala
15th-25th December 2020



JD Black Friday Shopping Season
20th-29th November 2020

1,600 brands

In 2020, 1,600 brands participated in the JD Luxury shopping festival.

50%

In 2020, the sales of self-care products on JD Black Friday (27th Nov) increased 50% YoY.

20X

The average turnover for the quarter increased by **20 times** from last year.

+180%

Compared to 2019, the total sales of the 10-days shopping season grew 180%.

+180%

The number of first-time buyers increased by **180%** YoY.



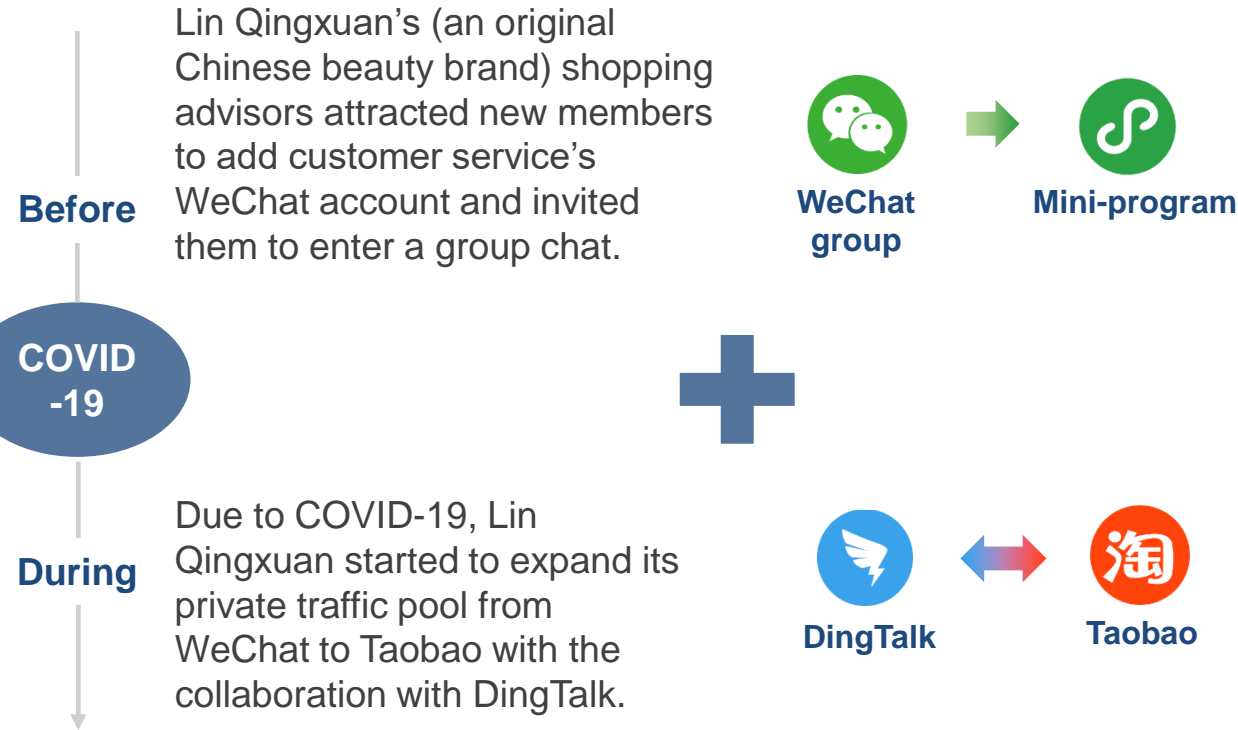
The three most popular brands in the self-care category were foreign brands Kao, Shiseido and Ryo.

Source: JD.com, designed by daxue consulting

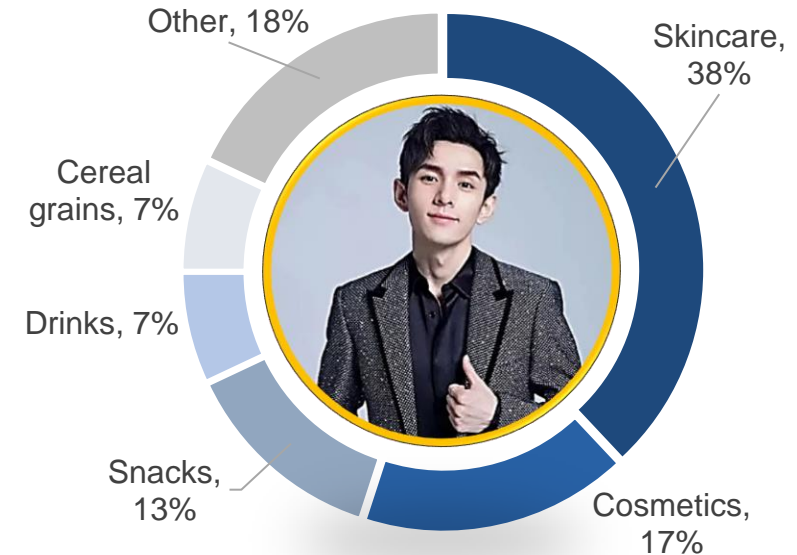
Live streaming and private traffic: Two key beauty market strategies

- **Live streaming** is increasingly popular due to the interactive experience, China's live streaming revenue has more than doubled from 2019 to 2020 (from 438 billion RMB to 961 billion RMB).
- Chinese beauty brands have a talent in leveraging private traffic. Some brands transformed their business model quickly in the heat of the pandemic, and embraced **private traffic marketing**.

Lin Qingxuan's private traffic marketing during COVID-19



"lipstick king" Li Jiaqi's live streaming on Taobao (March 2020)



Average No. of viewers
3.92 million

Average sales volume
854 thousand

Source: iimedia, Ccsight; Caixin global, designed by Daxue consulting

ABOUT

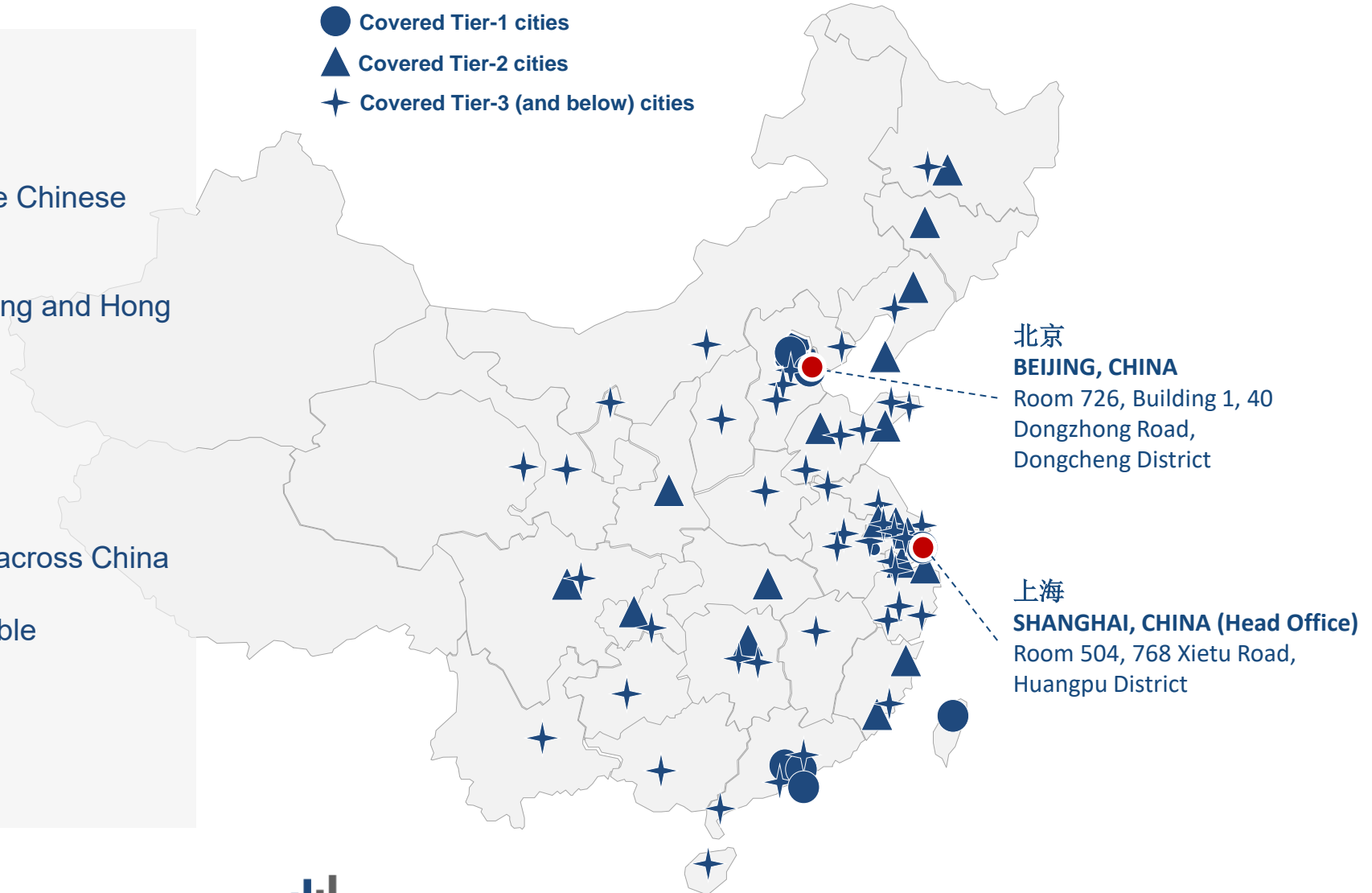


Who we are

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



Our past and current clients

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



A recognized expertise on the Chinese market

Regularly featured and quoted in global publications

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Le Monde

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EL PAÍS

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ABOUT

Who we are

Double V Consulting - Your Insider into China market

Insightful

We keep you up with the fast changing market



China Market Insider

Professional

We customize your market entry, e-commerce, & branding strategy



100+ Brands Served

Specialized

Niche platforms such as Xiaohongshu & Bilibili



Millennials & Gen Z

Localized

We have offices operating in both Hong Kong and Shenzhen



Since 2017

How we can help you?

Double V Consulting - Your Insider into China market

TRAINING

We offer online courses and workshops through **CHINable Academy**, an affiliate of Double V.

CONSULTING

We provide brand & competitors analysis, and positioning & market entry strategy.

E-COMMERCE

We help DTC brands set up online flagship stores on Chinese major marketplaces, and enhance social commerce.

BRANDING

We cover all major Chinese social media. We help design your communication strategy and provide customized content.

Brands we have worked with

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