

THE BEAUTY SECTOR IN CHINA BEFORE AND AFTER COVID-19

June. 2020

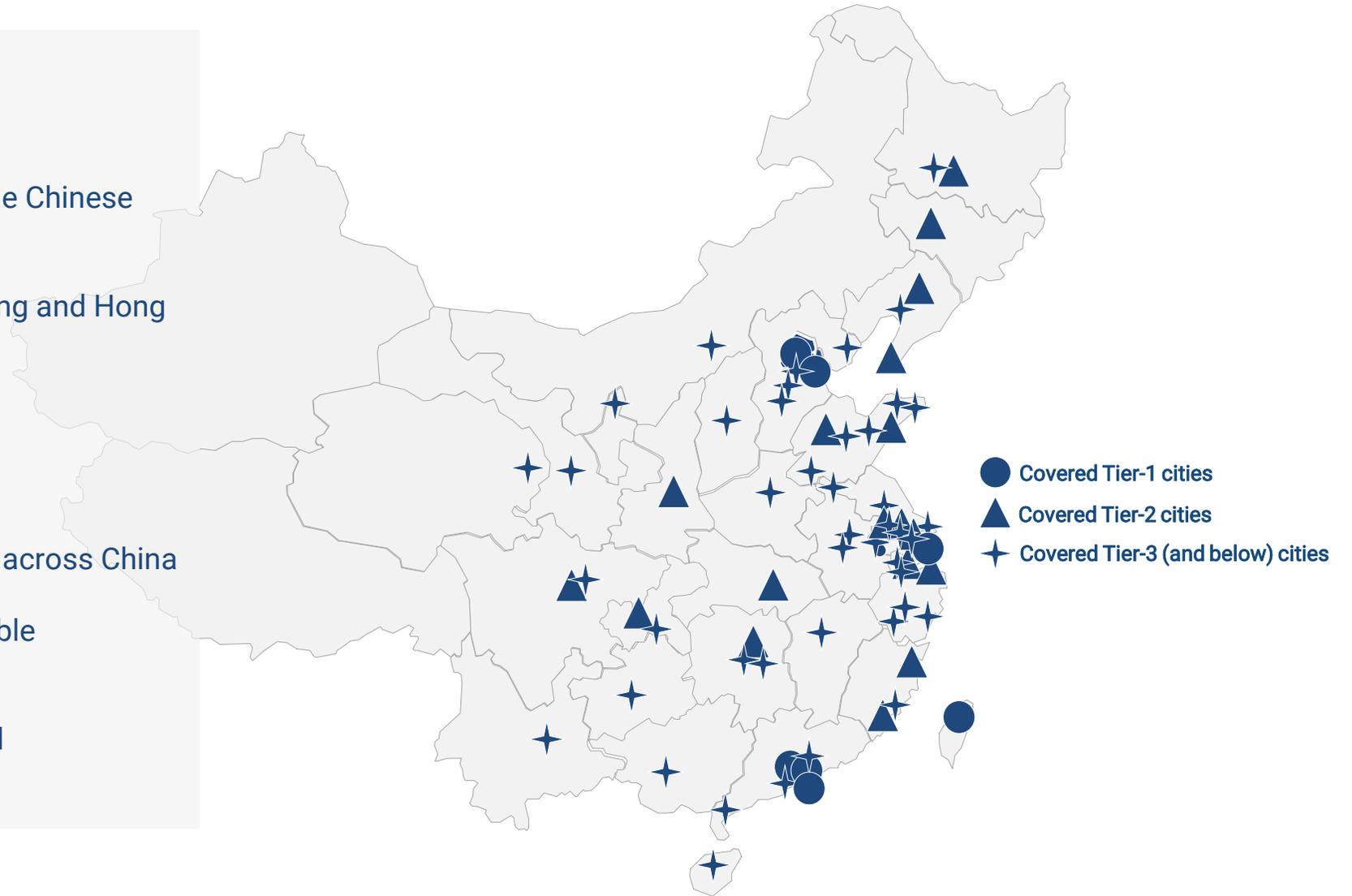
HONG KONG | BEIJING | SHANGHAI
www.daxueconsulting.com

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

- ✓ Working on each project making exchange and challenges, recruiting the brightest talents in **both local & international** (1:1), to ensure a **comprehensive & scientific logic thinking**.

3. All In-house Management

- ✓ Daxue Consulting **does not outsource its services**. **Deep understanding on the fieldwork** and the context within which data was collected.
- ✓ **Transparency** of sources and information

5. Innovative

- ✓ Using 50+ software
- ✓ Leveraging alternative data and open source intelligence
- ✓ Social listening

2. Responsive & Flexible

- ✓ **Result-oriented, regular reports** with our clients to make sure we align the expected objective.
- ✓ **Teams & proposal are tailor-made** depending on the project.
- ✓ **One client = one team**.

4. Actionable recommendations

- ✓ 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

- ✓ **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**.
- ✓ **Corporate presentation**.

Our services

Experienced in answering to a wide variety of strategic business questions

ASSESSMENT



PERFORMANCE
EVALUATION



SOCIAL
LISTENING



DUE DILIGENCE

INSIGHTS



DECISION-MAKING
PROCESS



TARGET AUDIENCE
PROFILING



BRAND POSITIONNING

STRATEGY



BUSINESS
INTELLIGENCE



VALUE
PROPOSITION



ACTION
PLAN

INNOVATION



DIGITAL
STRATEGY



PRODUCT
LOCALIZATION



CONCEPT TESTING

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

英文中國新報
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 START

CHANNEL NEWSASIA

algemeiner | a

華美銀行
EAST WEST BANK

EAST WEST BANK

The Business Fashion
BOF

Los Angeles Times

StartupBRICS
L'Actu Tech & Startup des Emergents

EL PAÍS

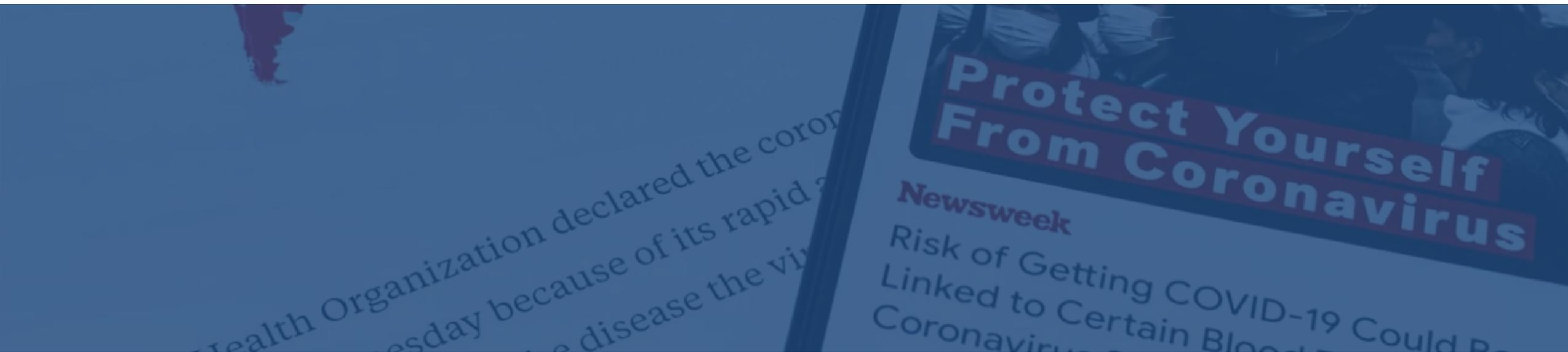


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- II. COVID-19'S IMPACT ON CONSUMER BEHAVIOR IN CHINA
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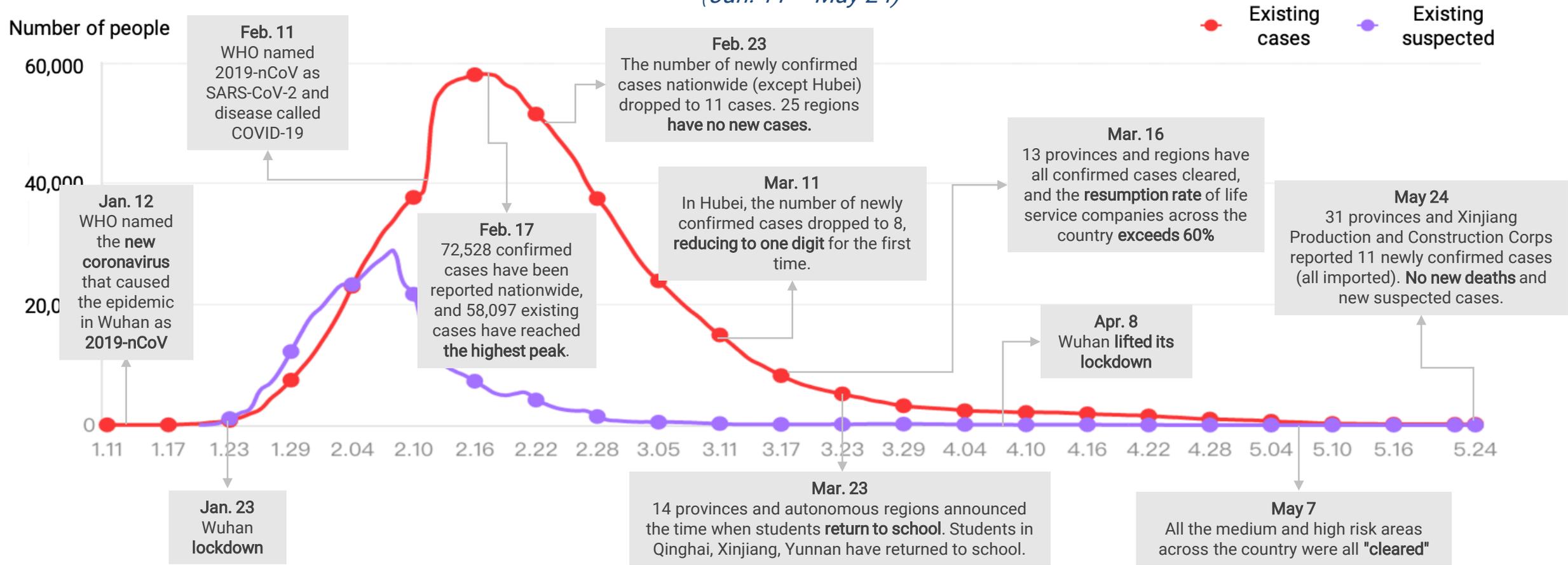
OVERVIEW OF COVID-19



China is now recovering from the COVID-19 epidemic

- COVID-19 is a new infectious disease caused by a virus called coronavirus. This disease was first reported in Wuhan, China, on December 31, 2019.
- After several months, the coronavirus was under control in China thanks to all the efforts of the Chinese people.

Timeline of the COVID-19 epidemic in China
(Jan. 11 – May 24)



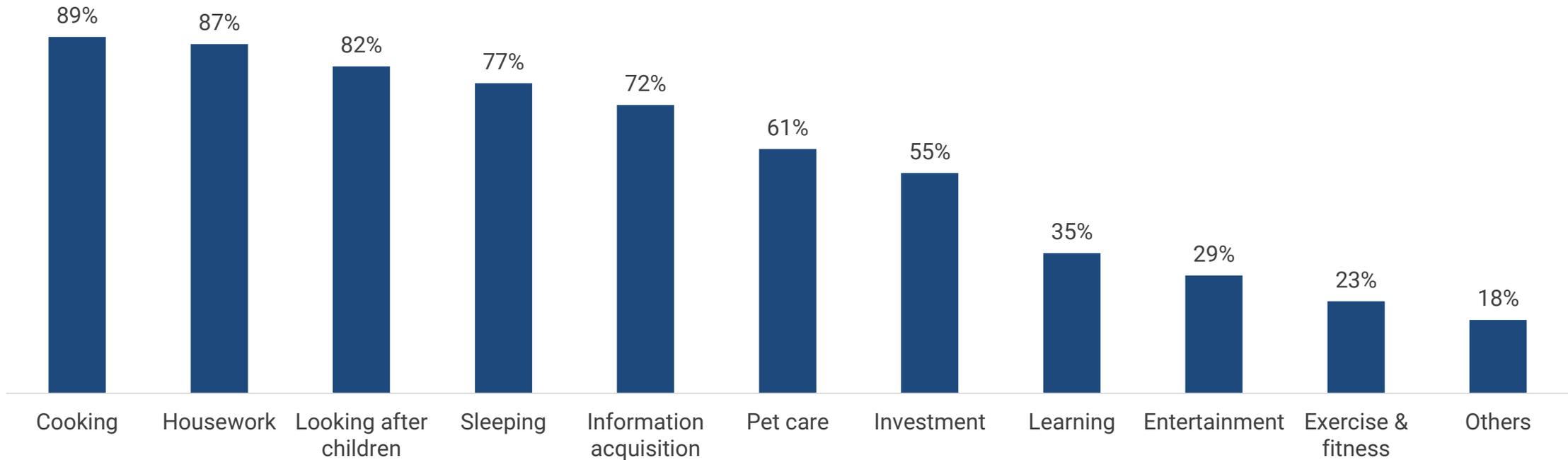


COVID-19'S IMPACT ON CONSUMER BEHAVIOR IN CHINA

Main activities of Chinese while at home

In addition to daily household duties like cooking, childcare and pet care, Chinese people spend more time on information acquisition as well as investment. The end of the outbreak could give way for consumers' growing reliance on social media and APPs for information and an increase in financial awareness.

What activities Chinese did more of during the epidemic



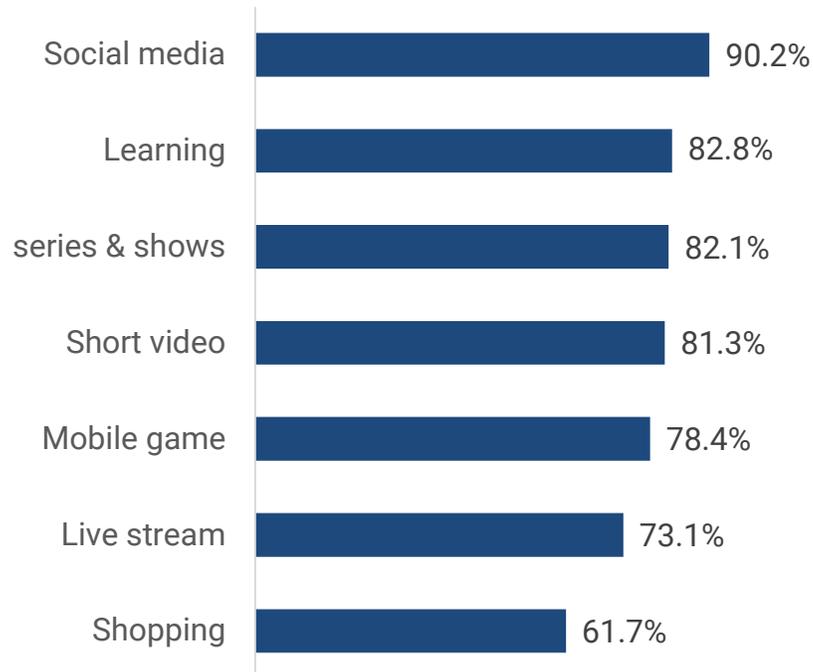
Epidemic Consumer Behavior Attitude Impact and Trend Survey on 10,000 respondents, Mainland China, February 2020

Female consumers spent more time improving quality of life at home

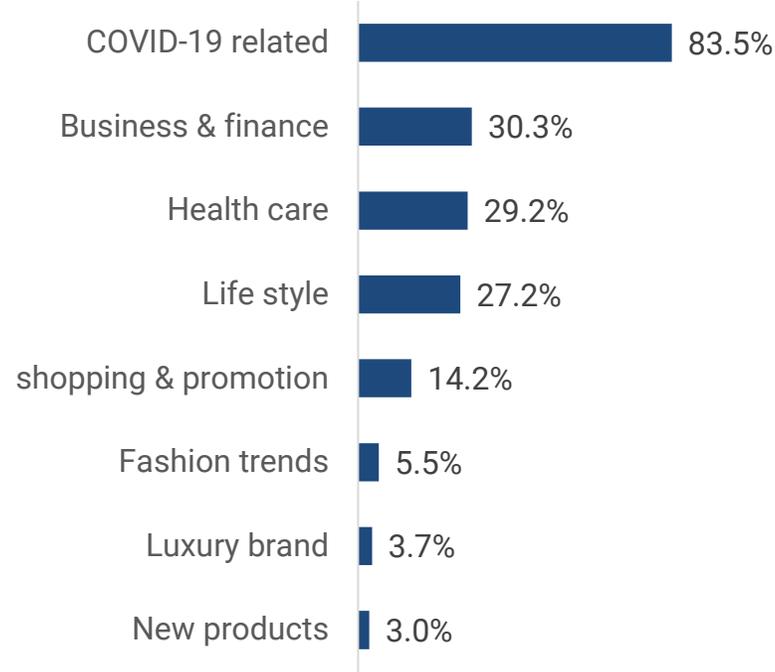
- In terms of online entertainment, female respondents spent more time on social media than online shopping. However, they were still willing to take time on personal beauty when staying at home.
- Apart from epidemic-related topics, the respondents paid more attention to health care and life style information in contrast to shopping related topics.

Online Activities

What online entertainment do women spent time on? (% of female respondents)

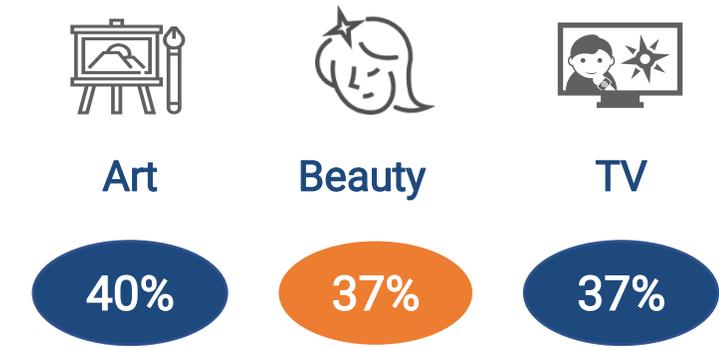


What information were women interested in during the coronavirus? (% of female respondents)



Offline Activities

Proportion of women's time spent on offline entertainment (% of female respondents)



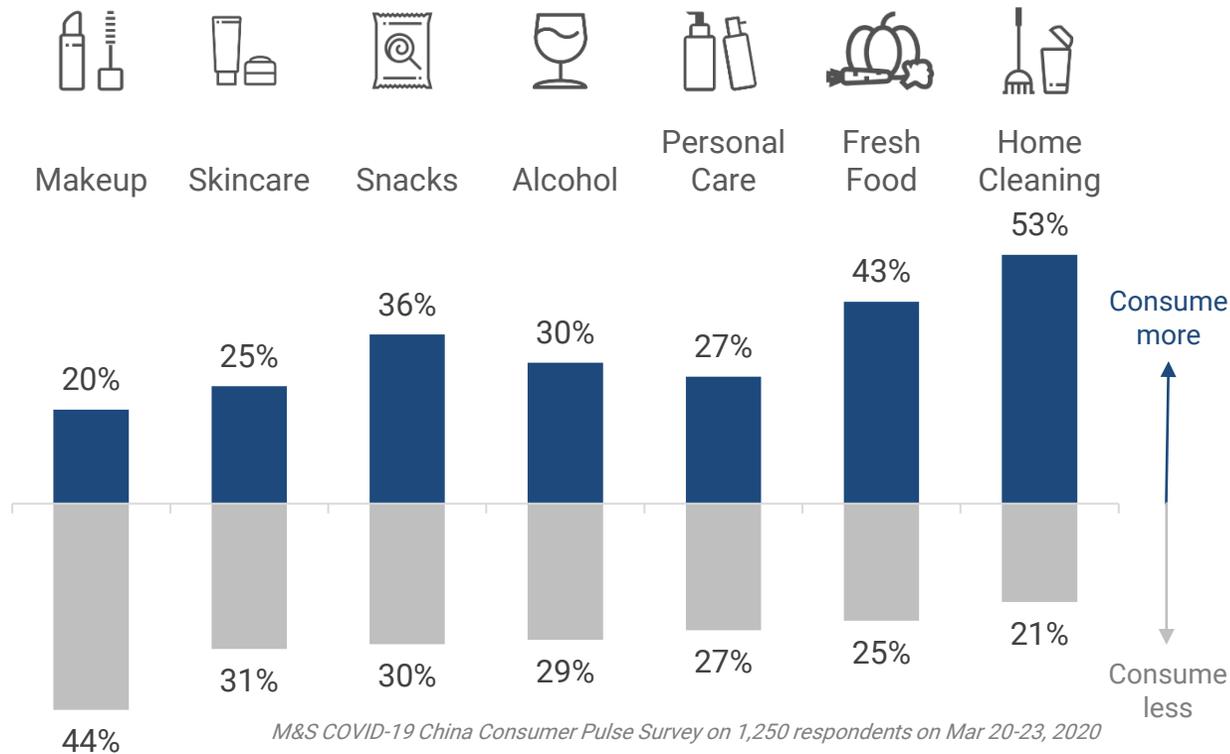
For offline entertainment, female respondents mainly spent time on art, watching TV, and doing beauty at home (make-up/facial mask).

Epidemic Consumer Behavior Attitude Impact and Trend Survey on 10,000 respondents, Mainland China, February 2020

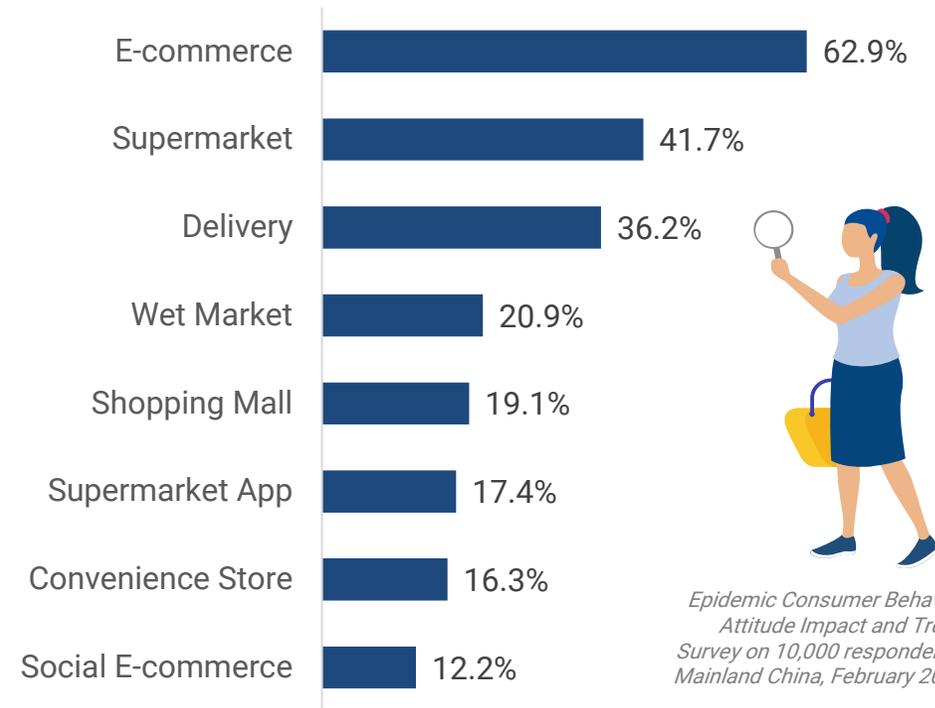
COVID-19 has a great impact on Chinese consumer behavior

- During the coronavirus, Chinese consumers increased awareness on cleaning. With most time at home, people consumed more household cleaning products. On the other side, a large number of respondents cut their consumption on beauty products.
- In order to avoid outdoor activities, e-commerce platforms had become the most welcomed shopping channels. However, due to a high demand for fresh food, many women chose offline markets for groceries.

What Chinese consumed more of during the coronavirus (% of respondents)



Women's preferred shopping channels during the coronavirus (% of female respondents)



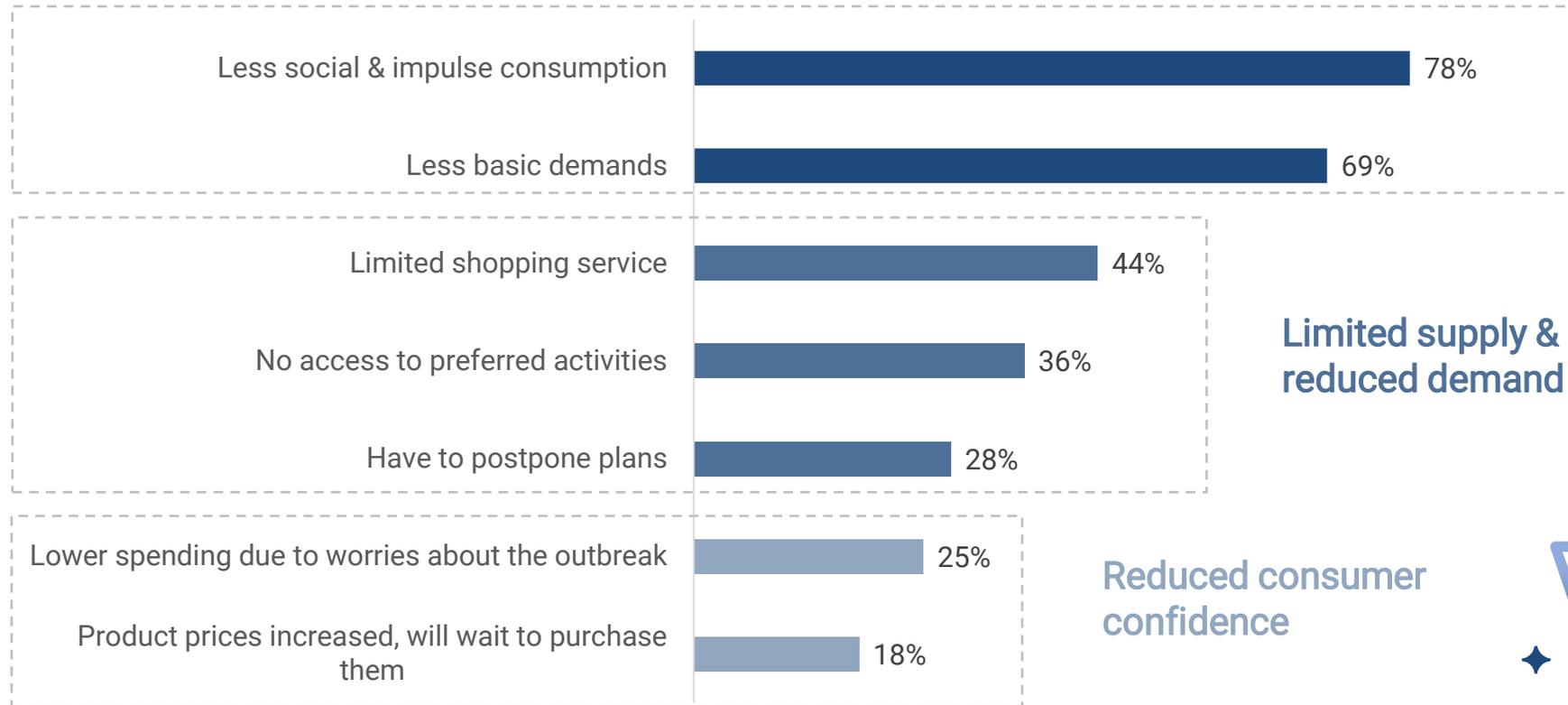
Epidemic Consumer Behavior
Attitude Impact and Trend
Survey on 10,000 respondents,
Mainland China, February 2020



How COVID-19 inhibited consumption in China

According to a survey conducted by China Renaissance, 50% of respondents decreased their expenditure during the coronavirus.

Changes on expenditures during COVID-19 and reasons



Epidemic Consumer Behavior Attitude Survey on 1,000 respondents, Mainland China, February 2020

Source: China Renaissance

What's on Chinese minds during the epidemic

- The coronavirus crisis had changed Chinese people's views on consumption and attitude towards health.
- Online surfing and cooking are the activities most chosen by Chinese online users during the self-quarantine period.

“通过这次疫情，我明白了健康是多么重要。
The epidemic let me know the importance of health.



“做饭目前是最佳的解闷方式。
Cooking is the best way to kill time during the self-quarantine.



“现在有钱没地方花，以后不要亏待自己。
I have nowhere to spend money during the quarantine. After the coronavirus, I want to treat myself better.

“最大的改变应该就是我的消费观念。这次疫情让我学会了给自己存一些储备钱。
The biggest change is my consumption concept. The epidemic has taught me to save money for myself.

“我整天在家看小说追剧，消磨时间。也花了很多时间陪孩子。
I read novels and watch TV series everyday at home to kill time. Also, I spend a lot of time playing with my child.



“疫情给我带来的最重要的改变是：人与人之间的距离更近了。
The most important change brought by COVID-19 is that people are getting closer to each other.

#在家get新技能 #Get new skills at home

#疫情结束后我想... #After the coronavirus, I want to...

#宅在家里如何打发时间 #How to kill time at home

#疫情改变了你哪些观念 #Perceptions changed by the epidemic

#这次疫情让你明白什么道理 #What did you learn from the coronavirus



Source: Sample of Weibo & Xiaohongshu Posts | 2020 | CN

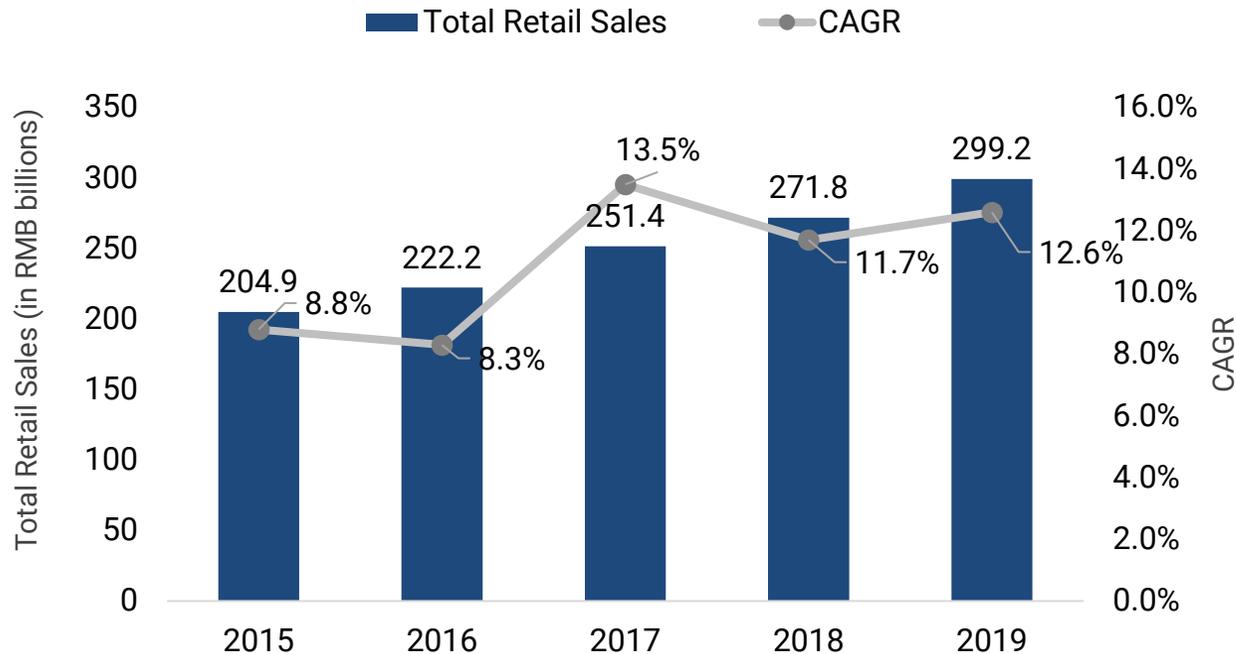


THE BEAUTY SECTOR IN CHINA BEFORE THE COVID-19 OUTBREAK

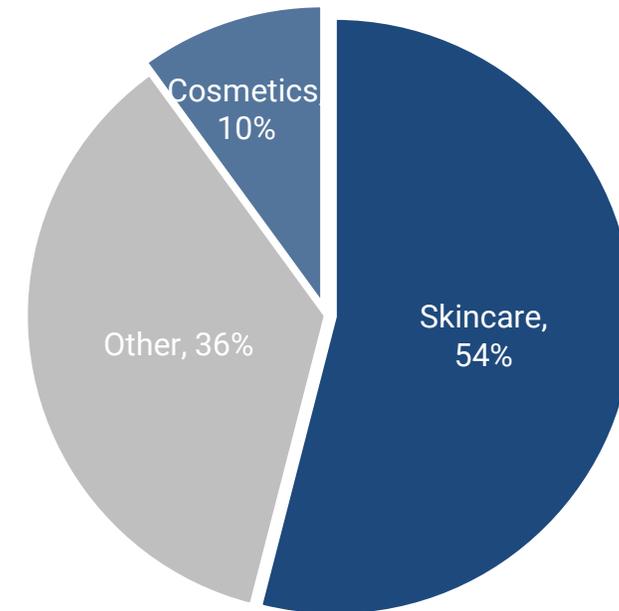
The beauty sector in China developed steadily before COVID-19

- In the past five years, the beauty sector in China had shown a steady increase. China had become the world's second largest beauty market in 2019.
- Before the COVID-19 outbreak, the sales of skincare products had taken more than half of the beauty market in China.

Total retail sales of the beauty sector in China
(in RMB billions, 2015-2019)



Sales of major beauty categories in China
(%, 2019)



Note: Retailers with annual sales of more than 5 million are included in calculation

Three key trends in China's beauty market before COVID-19

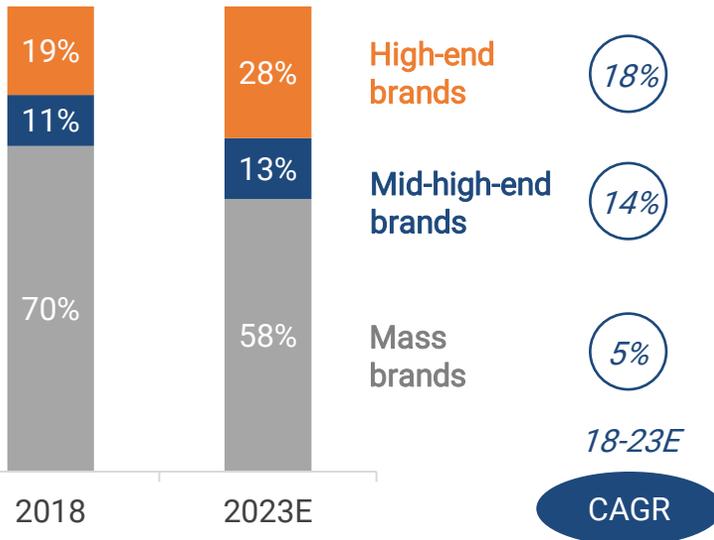
Before the COVID-19 outbreak, China's beauty sector growth was in high end segments, social-commerce, and domestic brands.



High-end segment grew faster

Although mass brands still take major part in the market, the high-end segment was estimated to grow fastest in the next few years.

Beauty market segment in China



Source: Euromonitor, data.iimedia.cn, 360 cosmetics



Popularity of social e-commerce on the rise

Social e-commerce was increasingly welcomed by both sellers and buyers. The social attributes and sharable character make it more friendly for beauty brands.

	Social e-commerce	Traditional e-commerce
GMV growth rate (2019)	110%	16%
Purchase conversion rate (2019)	6%-10%	0.4%
Purchase conversion rate on Youzan* platform		
Beauty brands	13%	7%
Average		

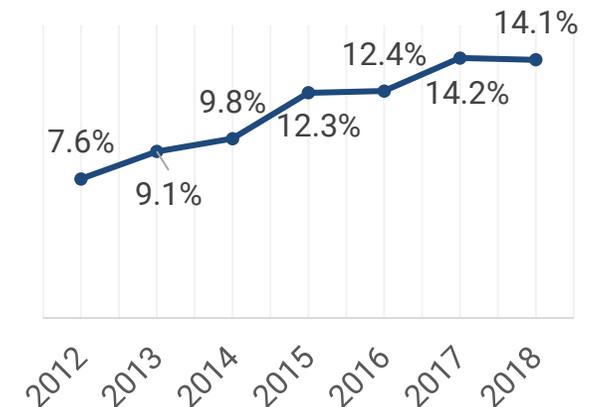
*Youzan is a 3rd party WeChat e-commerce platforms in China



Rising preference for domestic brands

Chinese domestic beauty brands were gaining popularity in the past few years. They had been estimated to gain more market share in the future.

Cumulative share of Chinese brands in Top 20 list in the beauty market (% , 2019)



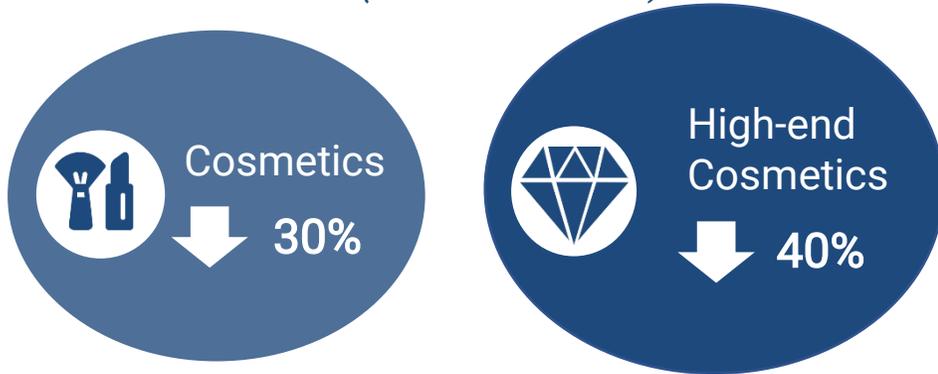


GENERAL IMPACT OF COVID-19 ON THE BEAUTY SECTOR IN CHINA

COVID-19 had a strong impact on the beauty market in the short-term

- During the coronavirus outbreak, retail sales of beauty products in China dropped from 299 billion RMB in December 2019 to 37 billion RMB in the first two months in 2020. High-end brands were more affected than mass brands.
- COVID-19 has different degrees of impact on different categories in the beauty market. The epidemic had a more negative impact on cosmetics than skincare products, while personal care products were gaining more popularity in this period.

Sales on Tmall during 2020 CNY (Jan. – Feb. 2020)

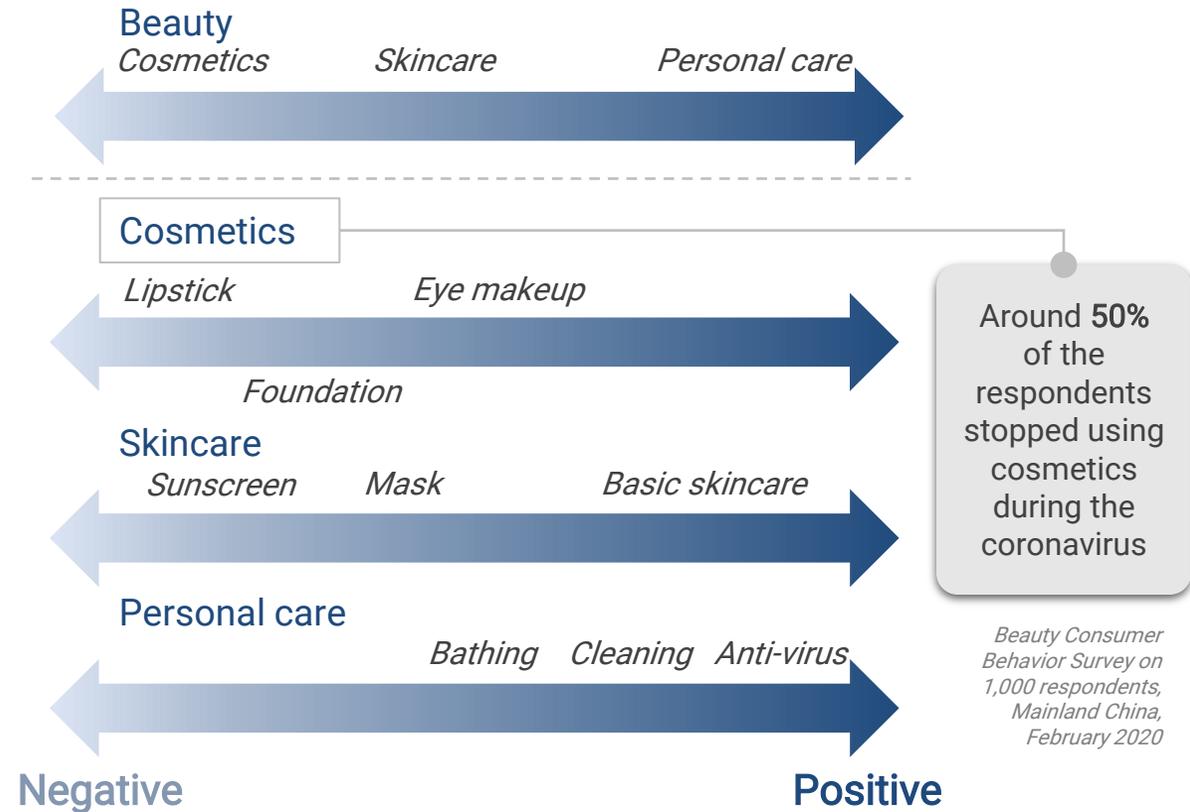


Beauty sector got less attention from the public

Social media conversation - 36%

Engagement - 52%

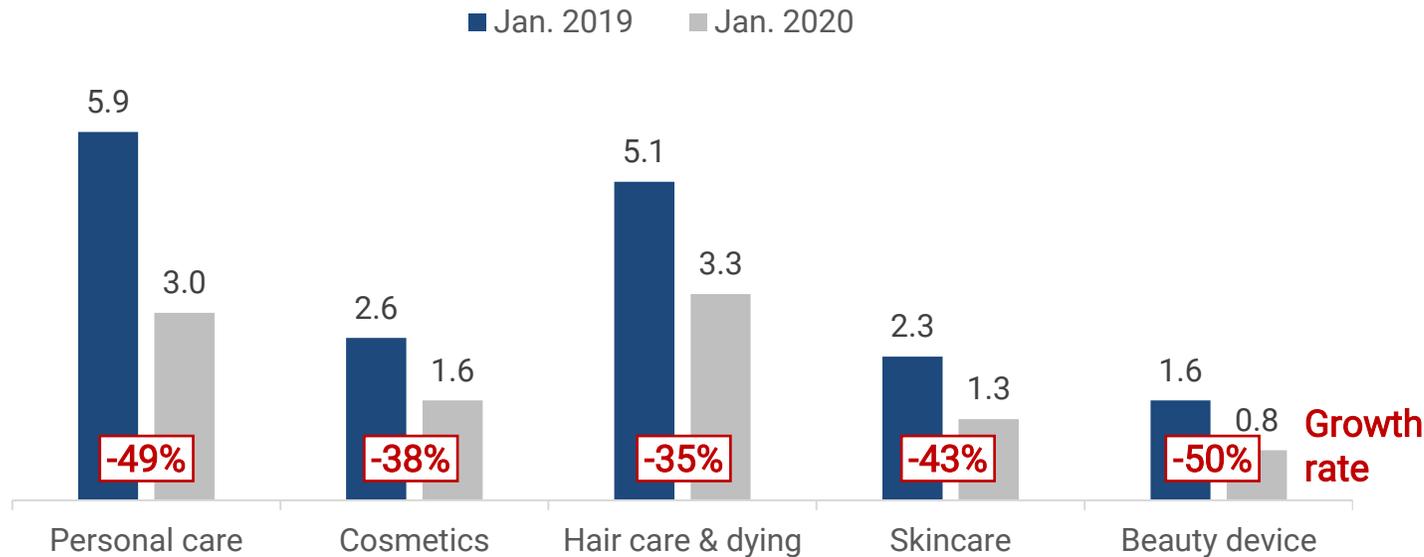
Predicted impact of the coronavirus on different beauty categories



Sales of beauty products decreased during COVID-19

- Online commerce events were also affected during the coronavirus outbreak. The sales performance of beauty products on Tmall and Taobao decreased by around 40% in January 2020 compared with the same time in 2019.
- Normally, shopping festivals on Tmall and Taobao might help to boost sales. The beauty industry suffered because the COVID-19 outbreak covered two commercial highlights of this year (CNY and Valentine's day).

Sales of beauty products on Taobao & Tmall by category
(million unit, Jan. 2019 vs. Jan. 2020)



2019 Sales of beauty products in 2019 CNY promotion on Tmall

 **2.7 Billion RMB**
Jan. 13 – Jan. 17 in 2020

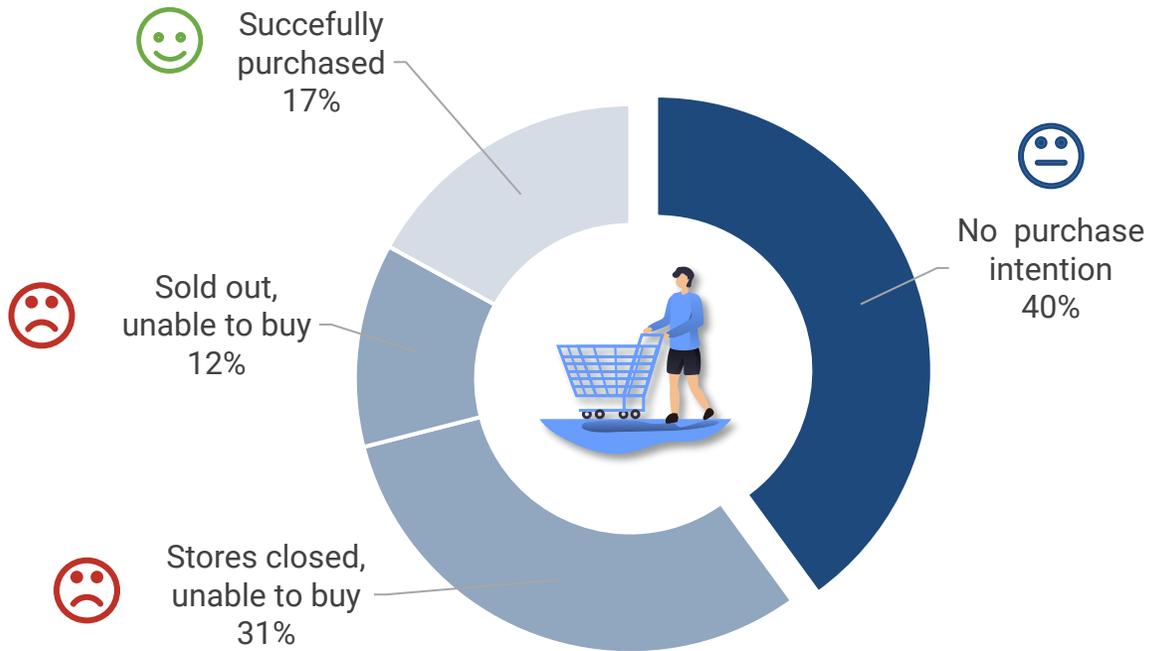
2020 In 2020, promotion activities on Tmall on CNY and Valentine's day were all canceled.



COVID-19 impeded beauty consumption in China

- Beauty consumption in China was greatly impacted by the epidemic. The purchase activities of beauty consumers were limited by lockdown and suspended services.
- Most respondents think COVID-19 has a negative impact on their shopping experience.

Chinese beauty consumer behavior during the coronavirus



Beauty consumers' perception of purchase experience during COVID-19



Beauty Consumer Behavior Survey on 1,000 respondents, Mainland China, February 2020

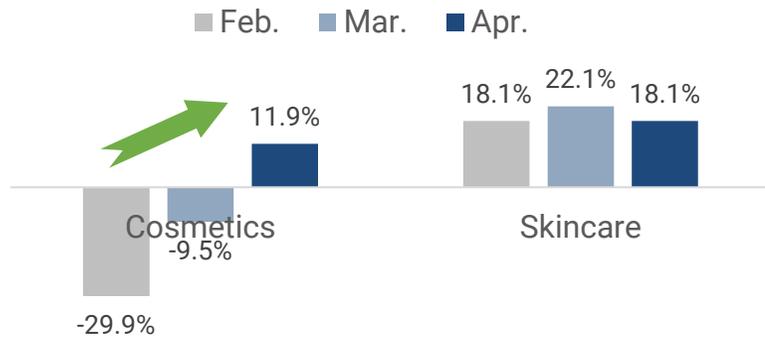


MAJOR CHANGES IN THE BEAUTY SECTOR IN CHINA

Change 1: Skincare products are gaining popularity

- The cosmetics' sales volume in China declined by 29.9% in February this year compared with the same period last year. But it is gradually recovering. During the outbreak, people consumed and talked more about skincare products than cosmetics. Also, Chinese citizens showed more passion for discussing and sharing their skincare experience at home.
- Due to the damage from wearing face masks for a long time, "skin repair" functions had become a hot keyword among Chinese beauty consumers.

Sales volume on Alibaba (YoY growth rate, Feb – April, 2020)



Sector awareness on Alibaba owned platforms

	Cosmetics	Skincare
Views	+4.6%	+64.1%
Add to cart	-13.0%	+10.9%

Note: Compared with last 30 days data



Topics about skincare at home on Xiaohongshu

Sales of skincare products on Alibaba's platforms (Feb. 2020)



- Topics related to skincare at home are popular on social media like XHS. Especially, products with "skin repair", "basic skincare" and "first-aid care" functions are increasingly needed.
- The sales of skin repair focused products increased by 100% in February 2020.

Social listening: Skincare is more important than makeup

- Since the outbreak, people more time at home to do skincare. Some Weibo and Xiaohongshu users said they want to improve their skin condition and leave a good impression when they go back to work. Some of them ceased to wear makeup since they wear face masks all the time.
- Chinese netizens express that since wearing face masks for extended periods causes skin problems, it's necessary to pay more attention to skincare.



“ 我发现在家不化妆、认真护肤，皮肤会变好！
I realized my skin condition has improved since I stopped using cosmetics and paid more attention to skincare at home!



“ 夏天马上就到了，为了露胳膊露腿，我要趁着宅家的时光好好做护理，更好地迎接夏天。
Summer is coming. I want to do more body care at home, so that I can show my good shape and skin in the summer.

“ 真的，戴口罩皮肤会变差，这时候用对护肤品很重要。
It's true that wearing masks may hurt our skin, so choosing right skincare products becomes very important.

“ 假期回家没有带护肤品，疫情爆发后把平时想买来试试的买齐了，还挺有新鲜感的。
I didn't bring skincare products home (during the new year). After the coronavirus outbreak, I bought some products that I've always wanted to try, they feel so fresh.

“ 复工以来一天戴口罩九个小时，再也没化过妆.....
After going back to office, I wear face mask for 9 hours everyday, so I don't need to wear makeup anymore.



#宅家护肤 #Skincare at home
#宅家保养 #Bodycare at home
#宅家化妆 #Makeup at home
#假期爱用品 #Favorite items on vacation
#偷偷变美 #Pretty up secretly
#皮肤屏障修复 #Skin repair
#口罩闷痘 #Acne caused by masks



Source: Sample of Weibo & Xiaohongshu Posts | 2020 | CN

Change 2: 'Sensitive skin' draws more attention

As a result of wearing facemasks and frequently using disinfectants, many Chinese are finding they have sensitive skin, and desiring products that can help with their sensitivity. Brand messages even include 'repairs damage from face masks'.

Sensitive skin & face masks



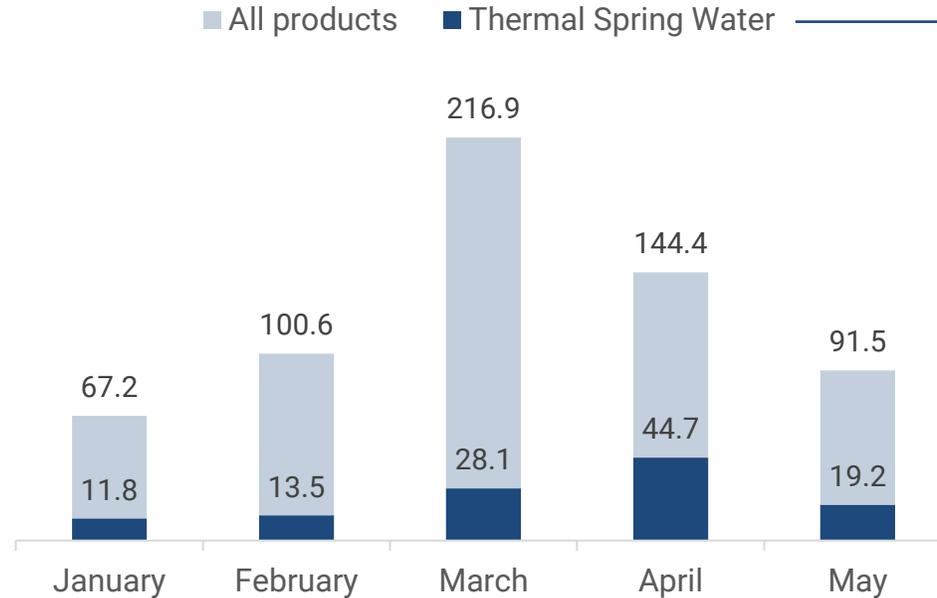
Posts about sensitive skin & masks on Xiaohongshu

On Xiaohongshu, there are over 10,000 notes related to sensitive skin & face masks. Many users shared their experience of taking care of sensitive skin during the epidemic.



Avène is a French skincare brand focusing on sensitive skin.

Sales volume of Avène on Taobao (thousand unit, Jan. – May 17 2020)



The poster of Avène's star product on Taobao

The sales of Avène on Tmall increased fast during the epidemic, and reached the peak in March, which is the high time of the coronavirus outbreak.

Social listening: Increasing demand on anti-irritating products

The coronavirus outbreak has led to an increasing demand for products with anti-irritating and soothing properties.



“ 疫情期间在家作息紊乱，本就是敏感肌的我，脸颊开始泛红粗糙，当务之急是修护肌肤屏障。
My skin is already sensitive. During the epidemic, my cheeks had a reaction to the distorted lifestyle at home. So now, my top priority is to repair the skin barrier.

“ 戴口罩让本来就敏感肌的人雪上加霜。
Wearing a face mask makes the situation even worse for people with sensitive skin.

“ 疫情期间，敏感肌太难了，口罩接触的皮肤全都过敏，接下来我该救脸还是保命...
It's too hard for someone with sensitive skin like me in the epidemic. All the area covered by face mask has had an allergic reaction. Should I save my face or my life...

“ 雅漾拯救了我春季+疫情的敏感肌，又便宜又好用。
Avène has saved my sensitive skin in the epidemic and the spring. It's cheap but effective.



“ 疫情期间有好多品牌推出了新品，对于敏感肌的维稳效果不错，而且清爽又好吸收。
During the coronavirus, many brands have introduced new products, which are good at soothing the skin. They are also refreshing and are easy to absorb.



#敏肌不焦虑 #Don't worry about sensitive skin
#疫情敏感肌 #Sensitive skin during the epidemic
#修护肌肤屏障 #Repair skin barrier
#拯救敏感肌 #Save your sensitive skin
#口罩脸 #Skin damage from face masks

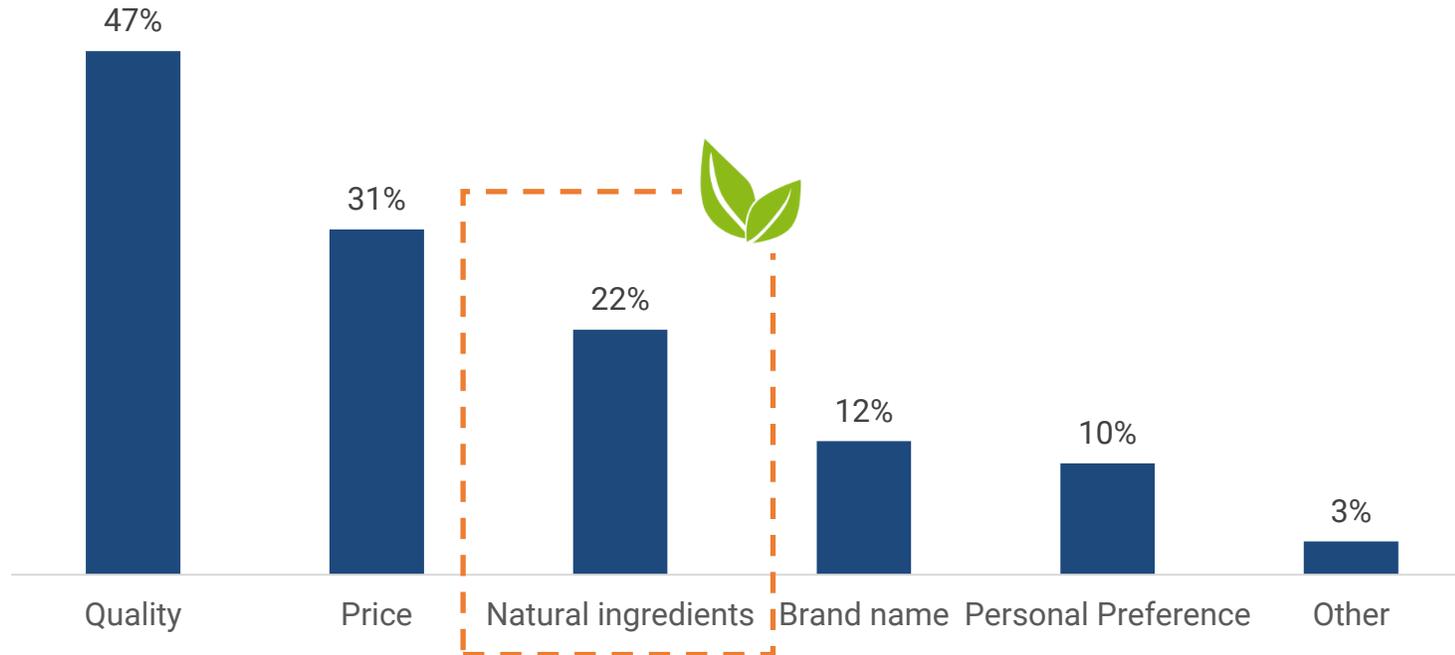


Source: Sample of Weibo & Xiaohongshu Posts | 2020 | CN

Change 3: Health and safety have become keywords for beauty products

As the society recovers from COVID-19, health and safety are now key concerns of more Chinese people. This will likely inspire the beauty industry to focus more on products with natural and healthy concepts.

What beauty consumers will care about after the coronavirus
(% of respondents)



For most beauty consumers, after COVID-19, they would only purchase **necessities**. Apart from the high concern of cost-performance ratio, Chinese consumers also prefer beauty products with eco-friendly and natural ingredients.

Note: Jumeili beauty consumer post coronavirus behavior survey on 2722 respondents, Mainland China, February 2020

Social listening: More focus on ingredients than brand name

After the coronavirus outbreak, Weibo and Xiaohongshu users attached more importance to environmental protection and health related issues. They are more willing to do research on products and ingredients. Also, they are more likely to choose eco-friendly products with natural ingredients.

“疫情后，要重视对于自然环境的保护。物质主义结束，极简主义开始。把身体健康放第一位。
After the coronavirus, we should care more about protecting the environment. I will put health in the top position and care less about material possessions.



“经历了疫情之后买护肤品从大牌党逐渐变成成分党，研究成分让我重拾以前研究化学时的乐趣。
After the COVID-19 outbreak, I prefer natural ingredients of skincare products to well-known brands. I enjoy doing research on ingredients.



“用在脸上的东西要小心翼翼一些，越纯天然越值得信赖。
It's always necessary to pay attention to face care products. More natural, more reliable.

“天然植物萃取成分中有很多我们皮肤需要的营养，对皮肤有好处。
The essence extracted from plants and herbs are nutritious and beneficial for our skin.



#疫情后环保 #Environmental protection after COVID-19

#护肤成分党 #Natural ingredients lover

#纯天然有机 #Natural and organic

#植物草本配方 #Herbal extracts

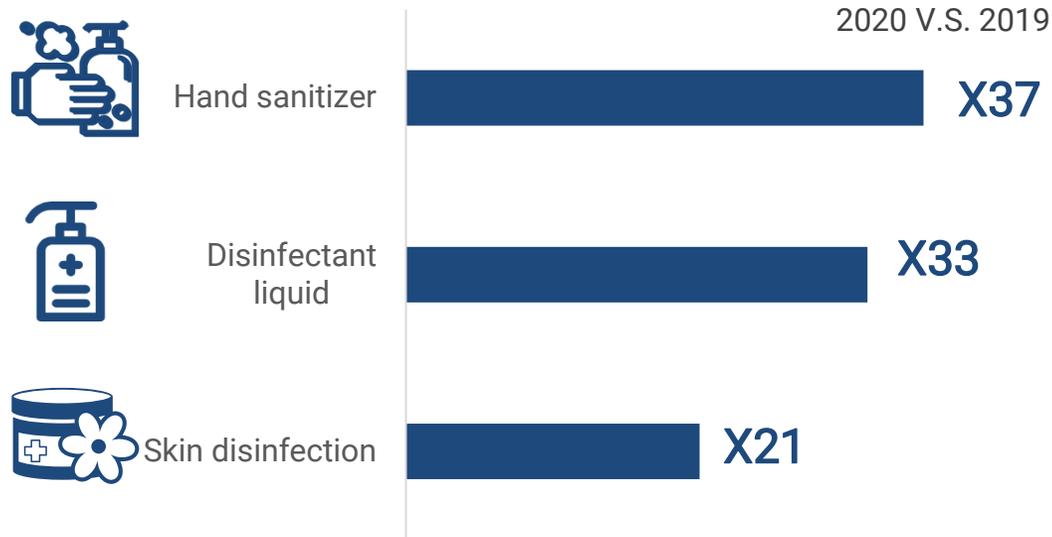


Source: Sample of Weibo & Xiaohongshu Posts | 2020 | CN

Change 4: Beauty brands are stepping into the disinfection sector

- Since Chinese consumers have an increased awareness of personal hygiene, disinfection products are expected to continue growth after the epidemic.
- By seeing business opportunities on disinfection products, beauty brands stretched their category and started to produce hand sanitizers.

Sales growth of disinfection products on Tmall
(times, 2020 CNY)



The sales of disinfection products increased significantly during the 2020 Chinese New Year.

Due to the high demand for disinfection products, beauty brands including CHANDO (自然堂), One Leaf (一叶子) and Geo skincare (纽西之谜) had started to produce and sell hand sanitizers.



Spring Summer
春/夏

CHANDO
自然堂

Bon Lotus

SHISEIDO
GINZA TOKYO



Social listening: Portable sanitizers are seen as a necessity

- Disinfection products are now becoming necessities. Weibo and Xiaohongshu users think they would keep using sanitizers during and after the epidemic.
- The hand sanitizer produced by Chinese beauty brand CHANDO got positive feedback from the public.

“我认为好用的防疫用品有免洗洗手液、泡沫洗手液、免洗抗菌喷雾。疫情期间要保护好自己。
I think sanitizers are the most practical disinfection products. We should protect ourselves during the coronavirus outbreak.



“自然堂免洗洗手液美观、方便携带，酒精含量高。作为美妆品牌，杀菌的同时具有润手的功效，很好用！
CHANDO's hand sanitizer is pretty, portable, and useful. As a beauty brand, it can prevent virus as well as satisfy needs on skincare.

“杀菌湿巾可以随身携带太方便好用了！我出门拿快递、使用公共物品、家里的卫生都会用到杀菌湿巾！
Disinfection wipes are really useful. I use them when picking up packages, using public facilities, and doing housework.

“真的！必备！不管有没有疫情，包里都要准备一个，随时消毒，非常方便。
Certainly a necessity! Everyone should have a disposable hand sanitizer in their bag no matter what. It's really useful and convenient.



#抗疫个人防护 #Personal protection during COVID-19

#疫情防护好物 #Favorite disinfection products

#免洗洗手液测评 #Hand sanitizer test

#自然堂杀菌 #CHANDO sanitizer



Source: Sample of Weibo & Xiaohongshu Posts | 2020 | CN

Change 5: DIY hairdressing is trending

- Since most hair salons suspended service during the coronavirus outbreak, more people started to do hairdressing by themselves at home. Hence, hair dyeing products and related topics were gaining popularity.
- Some beauty brands adapted to this new trend fast, and promoted their hairdressing products.

Sales on Tmall



YoY growth rate of hair dye products on Tmall
(March 2020)



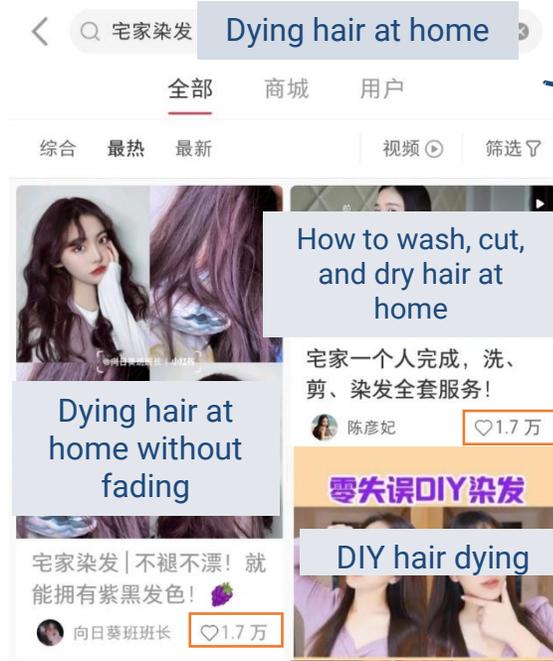
Search volume ▲ 62%



Sales ▲ 84%



Purchases ▲ 83%



Topics related to hair dying at home on XHS

Hairdressing products are mentioned more on social media platforms than before. Internet users in China showed great interest in learning how they can cut, dye and style their own hair.



L'ORÉAL hairdressing's post on Weibo

In early March, L'ORÉAL collaborated with Tmall to promote their hair care products. In addition to meeting the rising demand of hairdressing at home, it also served as a women's day promotion on Tmall.

Social listening: DIY hairdressing is highly-accepted

- Because of the strict quarantine rules during the coronavirus outbreak, people had to do hairdressing at home
- Most Weibo and Xiaohongshu users are happy to try cutting their own hair and are satisfied with the process.

“我最近很想买护发素。天天在家躺着头发打结很厉害，发质变差了。
I really want to buy a hair conditioner recently. I laid at home everyday, my hair is poorly knotted, and the quality has deteriorated.



“宅家自己染发节省了500块钱，在家染发简单又好玩。
Dying hair at home saves me 500 yuan. It is easy and fun to do that.

“宅家用护发素和磨砂膏洗澡太幸福了！
I'm so happy to use hair conditioner and scrub cream when taking a bath at home!

“疫情期间居家理发，真优秀。
We did the haircut at home by ourselves during self-isolation period. So great!



“本来计划年前去染发，但由于疫情就一直没去。我受不了现在头发黄黄的颜色，就在家自己染了。效果还不错！
I had planned to dye hair before the Chinese new year. But I didn't go because of the epidemic. I couldn't stand the color of my hair, so I dye it by myself at home. It looks great!

#宅家护发 #Hair care at home
#宅家染发 #Dying hair at home
#DIY发型 #DIY hairdressing
#花样宅家挑战 #Fun challenges to do at home

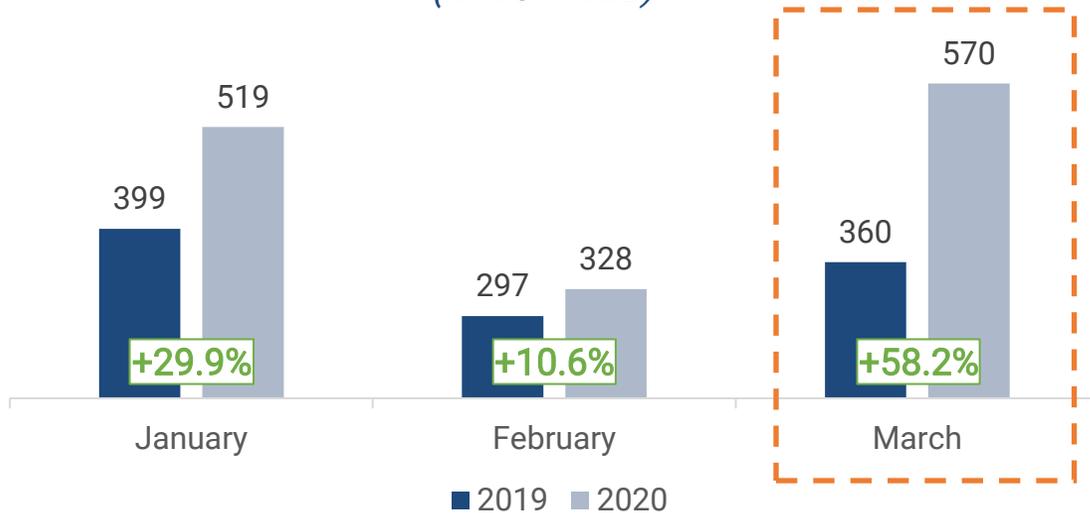


Source: Sample of Weibo & Xiaohongshu Posts | 2020 | CN

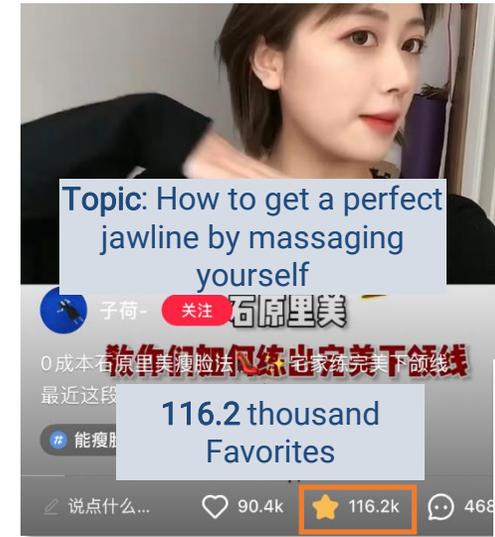
Change 6: Rising demand for doing SPA treatment and massages at home

- As SPAs and massage parlors suspended service during the pandemic, people showed great interest in trying to do massages by themselves at home.
- Topics about doing SPA treatments, like foot soaks and massages at home are trending on social media platforms. Meanwhile, the sales of related products surged compared to that in last year.

Sales of massage chairs on Tmall and Taobao
(million RMB)



- The sales of massage chairs on Taobao and Tmall increased a lot during the coronavirus, especially in March.
- From January to March in this year, the sales of household neck massagers on Tmall also ballooned by 1,930% compare with the same time period in last year.



Tutorials on DIY massages was popular on social media platforms during the self-isolation period.

watsons 屈臣氏

宅家SPA | 沐浴露任2件5折, 氨基酸洁面 ¥45/2件, 面膜 ¥99/4盒

屈臣氏 Title: SPA at home

By learning consumers' need on DIY massages and spas, Watsons included these keywords into the title of their promotion posts.

Views (Apr. 27 - May 6)
96 thousand

Social listening: Netizens perceive SPAs and massages as a health necessity

Chinese users on Weibo and Xiaohongshu are more aware of health issues due to the epidemic. They believe massages might enhance the immune system, so they try to do body treatment and massages at home.



“呆在家里太无聊了，桑拿馆也没开门。我买了一个汗蒸箱在家做，性价比很高！
It's too boring to stay at home. The sauna hasn't opened yet, so I bought a steaming box and did SPA at home. It's really cost-effective!

“居家隔离让我新增一条择偶标准：会按摩
During the quarantine, I have added one more criteria for selecting a spouse: good at massages.

“我办卡的那家按摩店复工第二天我就去了，之后每周必光顾。
I went to the massage parlor the second day after it opened again. From then on, I went there every week.

“疫情让我更注重身体健康。现在疫情逐渐好转，跟闺蜜的约会也从大鱼大肉转向养生spa。
I have paid more attention to health because of the epidemic. Currently, the situation is getting better, I prefer to visit SPA and massage parlors with my best friends instead of going to restaurants.



“疫情期间宅家喝茶、按摩、泡脚，通过养生来提高身体抵抗力太重要了。
During the coronavirus outbreak, I drink tea, do massages and foot baths at home. It's crucial to improve the immune system through health maintenance.



#宅家按摩 #Massage at home

#宅家SPA #home SPA

#疫情后去SPA #SPA treatment after COVID-19

#养生 #Healthcare



Source: Sample of Weibo & Xiaohongshu Posts | 2020 | CN

Change 7: Live streaming is ballooning under lockdown

- Live streaming has become increasingly popular in the last few years as more consumers attach more importance to immersive experiences and personalized recommendations.
- The epidemic stimulated the dramatic growth of live streaming and made KOLs more important than ever. This trend can also be seen in the beauty sector.



Taobao live streaming (February-March 2020)

As of February 18th, the monthly number of live streaming events on Taobao ballooned by 110% year-on-year. In March, the beauty sector attracted over 294 billion viewers.



Douyin live streaming (February 2020)

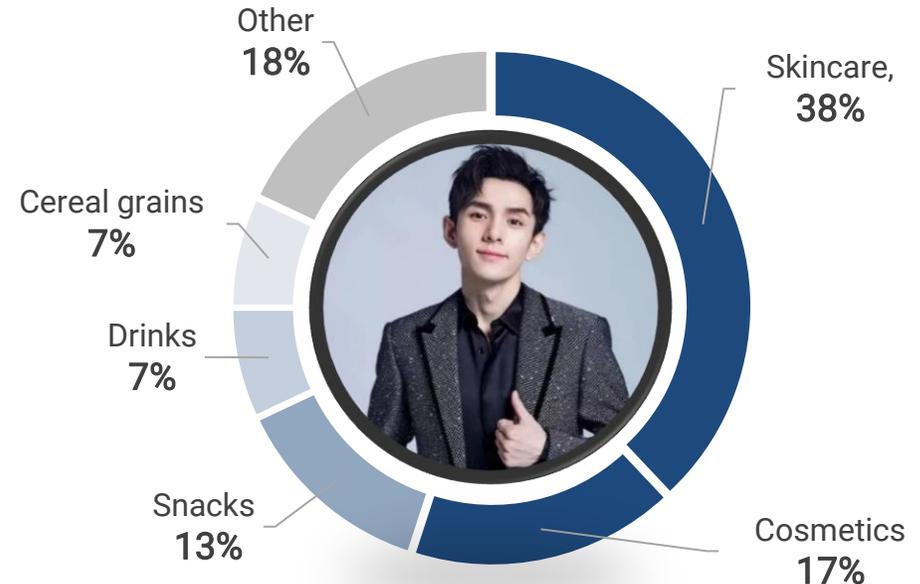
The number of live streaming hosts and broadcaster rooms in the beauty sector soared by 71%. and 107% respectively compared with the number in January.



Kuaishou live streaming (April 2020)

In April, Kuaishou held its first live streaming carnival which includes 7 live streaming events. The sales revenue of the beauty sector reached 500 million on April 18th.

“lipstick queen” Li Jiaqi’s live streaming on Taobao (March 2020)



Average No. of viewers
3.92 million



Average sales volume
854 thousand



Social listening: Netizens enjoy beauty-related live-streaming

Chinese online users spent more time on watching live streaming during the epidemic. They consider live streaming as a cost-effective path to purchase products. Also, KOLs' description and testing of beauty products during the live streaming give them a sense of authenticity.



李佳琦直播间的美妆产品靠谱。价格实惠，使用感也不错。重点是赠品多到惊艳！Beauty products sold in Li Jiaqi's live broadcast room are reliable. The price is reasonable. The most important thing is that the gifts are amazing!



佳琦对自己卖的产品尤其是美妆类产品都是做好功课的。比如口红，佳琦会说，哇这个好好看，是很有活力的苹果红。这时候你脑子里会有画面感，可以很直观地判断买不买。Jiaqi does research on all products he sells, especially beauty products. For example, when selling lipsticks, he would say, wow, this is a very lovely apple red. At that time, you will have image in your mind, so you can decide whether to buy or not intuitively.

我觉得化妆是一件特别难的事情。可是Sam会一点点教，从最基本的肤质到化妆手法，让每个人都知道自己如何化妆。I think doing makeup is very difficult. But Sam teaches the audience everything in his live streaming, and let everyone knows how to do makeup.

我买到的口红和直播时的口红试色基本一样！The color of the lipstick I bought is almost same as the color tested on live streaming!

宅家期间开发的新项目一看直播。李佳琦真的是魔鬼。我现在每天到点都要看今天卖什么..... New things to do at home - watch live streaming. Li Jiaqi is really a devil. Now, I must know what he sells everyday...



美妆博主 #Beauty bloggers

#宅家看直播 #Watch live streaming at home

#李佳琪直播间 #Li Jiaqi's live streaming room

#直播间种草 #Recommendations from KOLs on live streaming

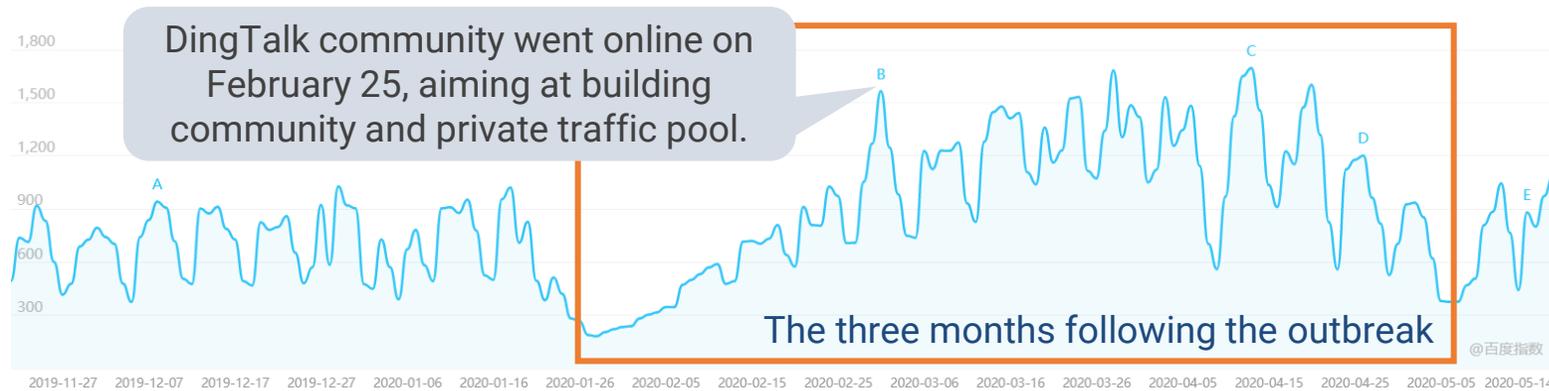


Source: Sample of Weibo & Xiaohongshu Posts | 2020 | CN

Change 8: Private traffic is now in the spotlight

- Since the coronavirus outbreak, private traffic has gained more attention from the public than before. More people are more eager to understand private traffic.
- Beauty brands present great passion for learning how to leverage private traffic. Some beauty brands in China transformed their business model quickly in the epidemic and started to put efforts into private traffic marketing.

Baidu index “Private Traffic”
(Nov. 1 2019 – May 1 2020)



聚美丽 Jumeili's social marketing summit
JUMEILI.CN



- Jumeili initiated a social marketing online summit on April 28th. The summit discussed how beauty brands in China could leverage private traffic and social marketing to gain traffic and increase conversion rates.
- The online summit had attracted more than 7,000 registers within 6 days.

花皙蔻
ClorisLand

Cloris Land is an Australian brand which entered China in 2011.

Cloris Land's mini-program live streaming



- During the coronavirus, Cloris Land directed its offline stores to sell in the WeChat community and mini-program live streaming.
- From March 6 to 8, 1,057 stores joined in the live streaming sales event, the sales reached 6.3 million RMB.

Social listening: Online users hold different views on private traffic

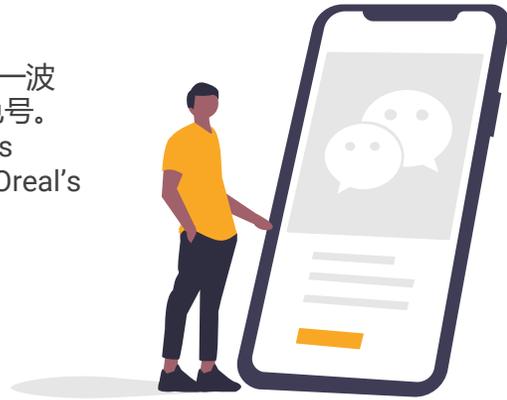
Everyone is trying to do private traffic and sell in communities during the epidemic. Some online users think it's cost-effective and convenient. However, others think it's annoying to see so many ads in WeChat moments and receive thousands of messages in WeChat groups.

“我妈开服装店的朋友因为最近不能开门营业只能在微信群里面卖货，结果销量竟然大涨。
My mom's friend, who owns a clothing store, had to sell goods on WeChat group recently because she couldn't resume work during the epidemic. To her surprise, the sales volume has soared!



“我妈经常去的零售小店在疫情期间都开始拉微信群卖货了，价格便宜，送货上门。
During the epidemic, the retail store that my mom often visited started to sell in WeChat groups. They provided favorable price, as well as delivery service.

“去欧莱雅的微信小程序体验了一波AR美妆，被种草了两个口红色号。
I was attracted to two lipsticks when I tried AR makeup on L'Oreal's WeChat mini-program.



“完美日记的微信群里全是托儿，只搞营销不用心搞产品，绝对不会再买了！
There are lots of shills ("托儿," who publicly helps an organization without disclosing that they have a close relationship with the organization) in Perfect Dairy's WeChat group. They only care about marketing rather than products itself. I will never repurchase it!

“本来我的朋友圈没几个微商，疫情之后我的好朋友们都干起了微商，朋友圈里充满了卖衣服化妆品的，好烦人啊！
I had added few WeChat merchants before. However, during the epidemic, many of my friends have started WeChat business. Now my WeChat moment is filled with sales posts of goods like cosmetics. So annoying!



#微商 #WeChat business

#私域流量 #Private traffic

#社交电商 #Social e-commerce

#社交营销 #Social media marketing

#社群卖货 #Sell in community



Source: Sample of Weibo & Xiaohongshu Posts | 2020 | CN

Change 9: More emphasis on eye makeup

- Since lips and much of cheeks are covered while wearing a mask, eye makeup products received more attention than before. Sales of eye makeup products on Alibaba's platforms in March increased by 81% compared to that of February.
- "Mask makeup (口罩妆)" had become a hot topic among Chinese beauty consumers. The new trend helped brands and KOLs find new ways to communicate with consumers.

Public awareness of eye makeup products on Alibaba's platforms (growth rate, Feb. 2020)



- During the coronavirus, Chinese beauty consumers showed more passion for viewing and buying eye makeup than before.
- Topics related to mask makeup went popular on social media during the 2020 Chinese New Year.
- On Weibo, the topic related to mask makeup had attracted over 110 million views and 52 thousand discussions. On Xiaohongshu, there are over 20 thousand notes that teach people how to do "mask makeup."

Topic: Mask makeup is necessary for outdoor activities

Views: 1.1 billion Discuss: 52 thousand

导语: 出门必备口罩妆, 小仙女们快学起来啦!!! 变美美哒

搭配饰 2-17 from iPhone 11

#口罩妆出门必备#口罩妆教程来了 🤗🤗🤗 搭配饰的微博视频

Popular Mask Makeup Tutorial

24 thousand views

Live stream mask makeup tutorial on Taobao

Social listening: Eye makeup is key for elegant women in the epidemic

Weibo and Xiaohongshu users think eye makeup is key for staying charming while wearing face masks. Also, eye makeup products are used more often than lipstick.



“戴上口罩之后只能露出眼睛。眼睛是我们心灵的窗户，要好好装扮，才能散发魅力。
When we wear face masks, only eyes can be seen. In order to be charming, eye makeup is really important.

“口红会沾到口罩上，我被口红浪费了两个口罩。
The color of lipstick stained my face mask. I wasted two face masks due to this issue.

“只化眼妆戴上口罩之后真的颜值飙升！
When I wear a mask, I only do eye makeup. It made me look much prettier!



“虽然戴着口罩，但是露出来的地方一定要精致。我在眼睛以下的部位只涂了防晒。
Although we need to wear mask, I still need to stay elegant. I do eye makeup and apply sunscreen on the part above eyes.

“带着口罩口红都不怎么用了。
Lipsticks seem useless while wearing masks.



#口罩电眼妆 #Mask makeup with charming eye makeup
#口罩半面妆 #Half-face makeup
#心机口罩眼妆 #Elegant eye makeup when wear face mask
#出门买菜妆 #Makeup for going out



Source: Sample of Weibo & Xiaohongshu Posts | 2020 | CN

Change 10: Rising position of elderly consumers

- During the self-isolation period, the elderly spent more time with their children. Therefore, their lifestyle and consumption behavior have been affected by young generations.
- The proportion of elderly beauty consumers grew fast. Brands are aware of this trend and have put more effort to attracting elderly consumers.

Internet use of different age groups (March, 2020)

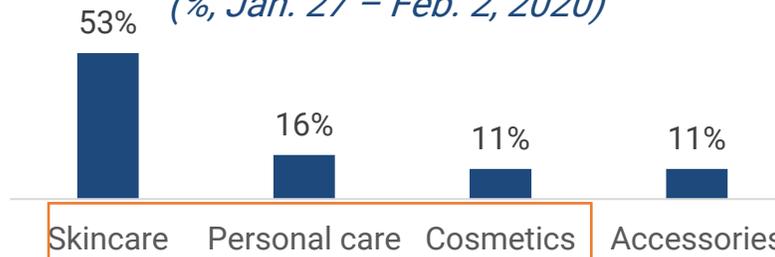
	41-45	Over 46
MAU (million)	103	170
Monthly average time spent online (hours per capita)	153 <i>+23.8% YoY</i>	162 <i>+21.9% YoY</i>

- In March 2020, the monthly internet users increased by 15.71 million compared with that in 2019.
- The number of elderly groups over 41 years old took about 61% of internet users in March 2020. Also, elderly groups spent more time online than before. The gap with younger generations is shrinking.

Proportion of users over 41 on Kuaishou



Proportion of top100 products sold in live streaming on Kuaishou (%, Jan. 27 – Feb. 2, 2020)

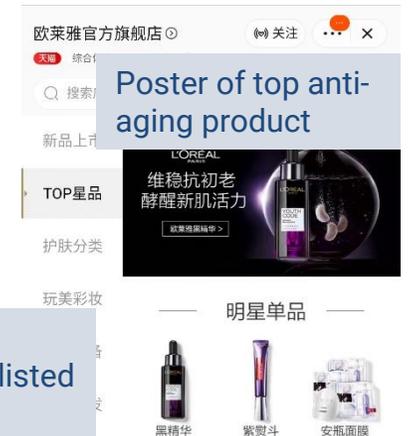


- The number of elderly users on Kuaishou kept increasing in the last few years.
- As beauty products were the most promoted items on Kuaishou during the coronavirus, brands sell on the platform might see business opportunities for elderly consumers.

YoY growth rate of cosmetics consumers over 50 on JD (Jan. 23 – Mar. 20, 2020)



Top hero product page in L'Oreal's Tmall store



Anti-aging products are listed on the top

During the coronavirus, L'Oreal shifted their major marketing effort from cosmetics to anti-aging products.

Social listening: Senior people are now more exposed to beauty

- o Senior citizens are more exposed to fresh things like live streaming, online shopping, skincare, and hairdressing by spending long time with the young generation. Also, they are willing to accept and learn new trends.
- o Some Xiaohongshu and Weibo users share their first experience of doing skincare and makeup for the elderly.

“ 我妈又开始看美妆博士的视频了，太时尚了这位女士，疫情期间不忘学习。
My mother is so stylish that she started watching videos from beauty bloggers again. She still keeps learning during the epidemic.



“ 第一次给我妈染发，虽然过程比较曲折，万幸最后出来的效果还不错。
I dyed my mother's hair for the first time. Although the process was very tedious, fortunately, the final result was good.



“ 我爸妈今天互相给对方染了头发，我妈顺手贴了一脸黄瓜片护肤。
My parents dyed each others' hair today. After that my mom put pieces of cucumber on her face to do skincare.



“ 疫情期间，我爸妈成为了网购专家以及超级抖人...
My parents have become online shopping experts and Douyin masters during the epidemic...

“ 疫情期间宅家，陪家人的同时护肤不能忘，自己做完再给妈妈做，带着妈妈一起护肤。
We shouldn't forget to do skincare while staying with our family at home during the epidemic. My mother and I did skincare together everyday.

#抗老大作战 #Fight against aging
#哪一瞬间你感觉父母老了 #When you feel your parents are getting old

#疫情期间爸妈变化 #Changes of parents during the epidemic

#宅家给奶奶化妆 #Do makeup for grandma at home

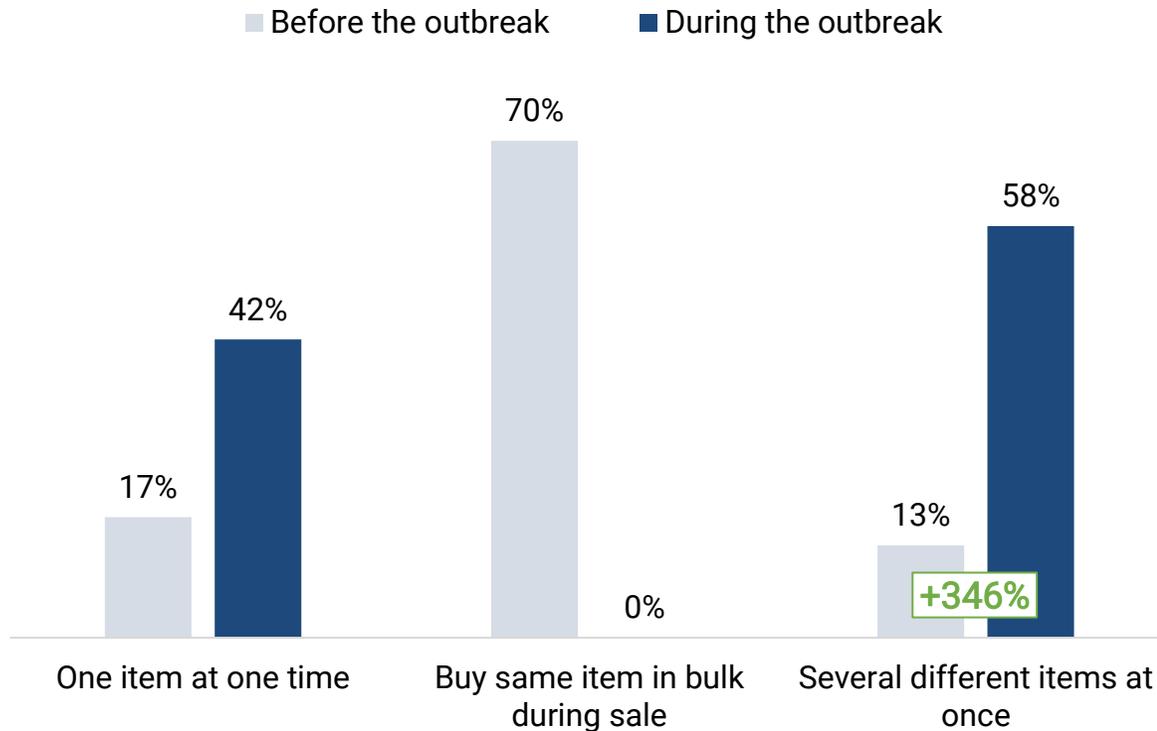


Source: Sample of Weibo & Xiaohongshu Posts | 2020 | CN

Change 11: Purchasing more items at one time

During the lockdown period, Chinese consumers tended to purchase more items at once, despite having no promotions.

Purchase volume of cosmetics in one time (in Feb. 2020)



Note: Beauty Consumer Behavior Survey on 1,000 respondents, Mainland China, February 2020



Skincare products stored by users on Xiaohongshu during the epidemic

Because of the panic caused by COVID-19, many Chinese consumers chose to buy large number of goods at one time. According to the survey of Qingyan, this trend also had influence beauty products.



Social listening: People stock pile beauty products before crisis

As a part of panic buying, many online users on Weibo and Xiaohongshu stocked up on beauty products, and they think it's necessary and meaningful.



“本来就喜欢囤货，疫情期间担心护肤品不够用，就囤了更多。
I have always loved to stock up goods. During the epidemic, I worried that my skincare products were not enough, so I stocked up more.

“经过这次疫情后严重缺乏安全感，什么都要囤一些，也少量囤了点护肤品
After the epidemic, I lack a sense of safety. I tend to stock up everything, including some skincare products.



“疫情期间在家，想好好护肤的时候，发现很多护肤品都没有了，真后悔前几周没囤货！
When I wanted to take care of my skin at home during the epidemic, I found that many of my skincare products were used up. I really regret not stocking up them a few weeks ago!



“爱国护肤品是个好习惯！没想到疫情持续了这么久，还好囤货够用
Stocking up skincare products is a good habit! I didn't expect the epidemic to last so long, but, fortunately, I have enough in stock.

#囤货清单 #Stock list
#谁是囤货王 #Who is the king of stockpile
#宅家护肤记录 #Record of skincare at home
#这次疫情改变了你哪些观念 #Perceptions changed by the epidemic



Source: Sample of Weibo & Xiaohongshu Posts | 2020 | CN



CASE STUDY



The impact of COVID-19 on Lin Qingxuan

Lin Qingxuan, a Chinese home grown beauty brand, was severely affected by the coronavirus epidemic.

Lin Qingxuan 林清轩



- Lin Qingxuan is an original beauty brand established in Shanghai, China.
- Since its establishment in 2003, Lin Qingxuan has been committed to producing safe and natural beauty products with traditional Chinese herbs.



Suspended service *(during 2020 CNY)*

Sales

▼ 90%
YoY

Staff

2,000+
temporarily
unemployed

Stores

~50%
offline stores
shut down

Lost over **10 million RMB**
as of January 31 2020



Financial Issues

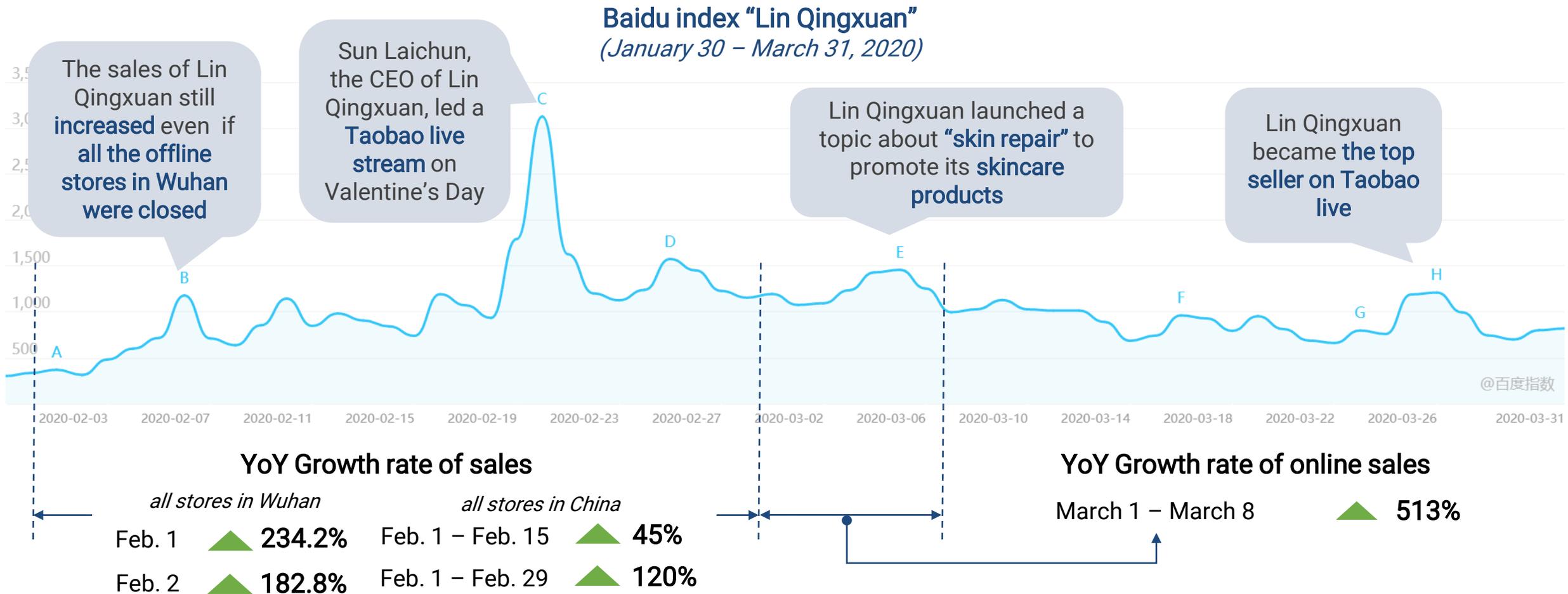
We have over 1 million RMB in expenditure everyday, including salaries and rent. I have roughly calculated that the cash flow on book can only maintain 2-months operation, then we would basically go bankrupt.



Sun Laichun
孙来春
The CEO of Lin
Qingxuan

Lin Qingxuan's responses and performance in the epidemic

- Lin Qingxuan had made a quick response to the coronavirus crisis in early February. The brand adapted to the situation quickly and put the main effort into promoting its skin repair products. Live streaming and private traffic are the main sales channels during this period.
- Baidu index shows Lin Qingxuan has successfully improved its brand awareness by taking quick adaptation.



Response 1: Meet consumers' demand on skin repair products

As people paid more attention to skincare and skin repair during the coronavirus outbreak, Lin Qingxuan made more an effort to promote its skincare, especially skin repair products like the camellia oil.

Poster of Lin Qingxuan camellia oil

Repair the skin damaged by wearing masks

Won 35 global beauty awards

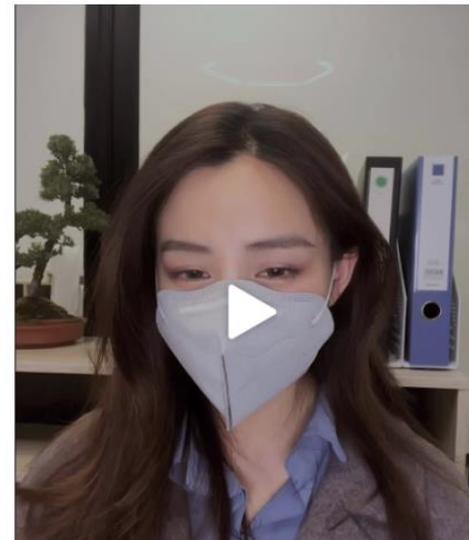
Over 4,000 recommendations from KOLS

- Lin Qingxuan is a pioneer in using Chinese herbs, and camellia oil is the star product.
- During the epidemic, it laid more emphasize on the skin repair function in their communication with consumers. Also, it referred more to repairing skin damage caused by wearing masks for a long time.

Promotion of Lin Qingxuan camellia oil on Weibo

#摘下口罩，就数你靓#，口罩如影随形，肌肤却无惧难题。林清轩山茶花润肤油给你满满宠爱，满载修复力，赋肌肤健康发清轩一起，早晚三滴润肤油，无见证肌肤焕亮时刻！点击视频，可能性 🍷 林清轩山茶花焕肤修博视频 🎁 抽奖详情

#When the mask is off, you are exceptionally charming#
With Lin Qingxuan camellia oil, you don't need to worry about the damage brought by wearing masks for long time. The camellia oil can protect and repair your skin effectively with only three drops a day.



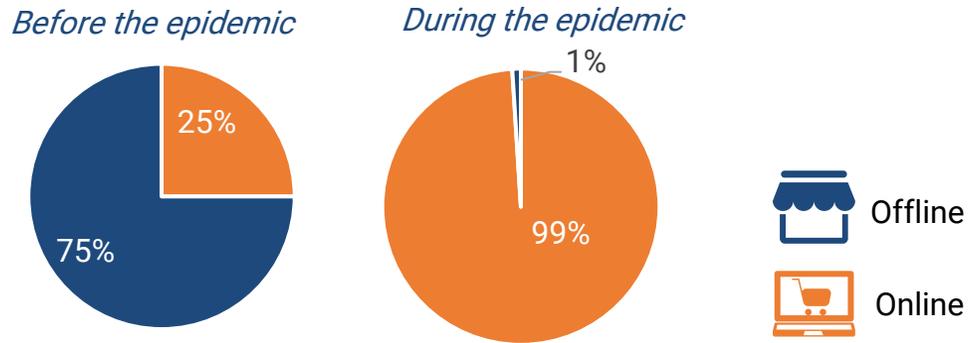
👁️ 8.7 thousand views

👍 19.4 thousand likes

Response 2: From offline to online

Since offline stores suspended service during the coronavirus, Lin Qingxuan transferred their offline business to online channels on February 1, the very beginning of the epidemic.

Proportion of online and offline business



2020

Feb. 1

1,600 shopping advisors and 400 corporate employees resumed work at home using DingTalk

Feb. 3

Collaborated with Taobao live, and attracted 3,567 new members in one day

Feb. 4

Trained shopping advisors online to do live-streaming on Taobao

Feb. 9

Most shopping advisors started selling products on Taobao live.

Sales of Lin Qingxuan in Top KOLs' live streaming



Li Jiaqi

20 thousand

(in 5 seconds, on March 8)



Weiya

17 thousand

(in 3 seconds, on Feb. 22)

Lin Qingxuan's Taobao live streaming on Valentine's Day



On 2020 Valentine's Day, Sun Laichun, the CEO of Lin Qingxuan, sold products in person on Taobao live.



60 thousand views



400 thousand sales

Response 3: Expansion of private traffic marketing

Lin Qingxuan has begun to build its private traffic pool on WeChat in 2018. Due to the coronavirus, Lin Qingxuan started to expand its private traffic pool from WeChat to Taobao with the collaboration with DingTalk. This helped Lin Qingxuan transfer rich public traffic from Taobao into private traffic which can be managed by the brand on DingTalk.

Lin Qingxuan's private traffic marketing during COVID-19



Live streaming on WeChat

On April 2nd, Lin Qingxuan launched a live stream on the WeChat mini-program. Customer groups connected by over 2,000 advisors on WeChat had become valuable traffic at that time.



 **310 thousand**
Views

 **¥ 200 thousand**
GMV

Sun Laichun (the right one) in WeChat live streaming

Social listening: Lin Qingxuan is becoming hot in the epidemic

Lin Qingxuan's quick response helped it increase awareness and get a good reputation. Their products fit market needs well during the epidemic. Many Weibo and Xiaohongshu users have left positive comments on their products.



“我是一名武汉同济医院的护士，疫情后我想要去武汉林清轩专柜，修复下我这口罩脸。
I am a nurse in Wuhan Tongji Hospital. After the epidemic, I want to go to the Lin Qingxuan offline store in Wuhan to repair the skin damage caused by wearing masks.

“上次李佳琦直播推荐了这个润肤油，我看划算就买了试用装。
Li Jiaqi recommended the camellia oil last time in live streaming. I thought the price is reasonable, so I bought the trial pack.



“我前几天看了孙来春的新闻，昨晚刚好佳琦在推荐了林清轩，我就赶紧抢了一瓶。
I saw the news of Sun Laichun a few days ago. Last night, Li Jiaqi recommended the camellia oil again, so I bought one quickly.

“林清轩真的非常好用！我用了几天后，脸上因为戴口罩产生的痘消下去了好多！
Lin Qingxuan's product is so effective! I have used it for several days, and the acne issue caused by wearing masks has recovered a lot!



#直播 #Live streaming
#山茶花油 #Camellia oil
#李佳琦 #Li Jiaqi

#国潮来了 #Domestic brands are rising
#林清轩山茶花润肤油 #Lin Qingxuan camellia oil



Source: Sample of Weibo & Xiaohongshu Posts | 2020 | CN

A hand is shown holding a Rubik's cube, with the top face being red and the front face being blue. The background is a solid blue color. The text 'CONCLUSION & SUGGESTIONS' is centered in a white horizontal band.

CONCLUSION & SUGGESTIONS

Seek opportunity in the short-term (1/2)



Seek opportunity in live streaming and private traffic

The new way of marketing is welcomed by Chinese beauty consumers. In the post-COVID-19 period, brands should keep working on live streaming and private traffic marketing, and integrate them well with overall digital marketing ecosystem and offline business. However, brands should avoid over-marketing, which would annoy consumers and hurt brand image.



Highlight the active ingredient in communication content

Ingredient is now becoming one of the top concerns among Chinese beauty consumers. Brands should try to highlight the active ingredient and its function when communicating with consumers. This might make the communication content more reliable and leave a deep impression on the audience members



Lay more emphasis on eye makeup and eye contour products

Chinese beauty consumers will pay more attention to eye makeup products they still wear face masks outside. It would be great for brands to work with KOLs to further stimulate consumers' purchase desire.



Keep eye on pent-up demand

Since almost all stores suspended service during the lockdown period, the consumption demand on massages and hairdressing was repressed, it would be an opportunity for these stores to capture the growth after the epidemic. Brands should find a way to reach consumers in time and try to retain them in the future.

Seek opportunity in the short-term (2/2)



Focus on function

- The elderly group of beauty consumers is expanding, especially during the coronavirus. This trend will continue in the short-term in future. So, beauty brands should make an effort to promote the products with anti-aging functions.
- Since Chinese people still wear face masks every day, skin problems brought by face masks will continue to be a concern. The skin repair products will keep demand in the next few months. Brands can highlight the repair function of the skincare products in the marketing message.



Give more exposure to highly cost-effective products

Since the consumer confidence in China has been affected by the epidemic, brands would benefit from laying more emphasis on promoting highly cost-effective products, and take actions to stimulate purchase desire. In other words, aiming at small profits but quick turnover.



Sell in combo and offer benefits wisely

Based on beauty consumers' bulk purchase behavior during the epidemic, it would be worth for brands thinking about how to persuade consumers to buy more than one item at one time. It can be meaningful to sell products in combo and offer bigger discount if people buy more.

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