HomeFacial Pro
China market strategy
March. 2021
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.

---|---|---|---|---
Founded in Guangzhou | Collaborated with Japanese laboratories | Launched on Tmall | Sales exceeded 360 million RMB | Sales exceeded 1 billion RMB
Officially announced pop star Wang Yibo as brand ambassador | Awarded by Tmall two “Golden Makeup” prizes
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.
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 CBNData 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 CBNData x Robis target Gen Z in 2020, N=581)

Yes, 94%
No, 6%

What and Where do skintellectuals search product information?

1.09 m Views on “how to understand the ingredients list on skincare products” on Zhihu
2 million+ An app with products’ ingredient lists
1 million MAU reached as of Jan. 2019

2.6 million searching results on “Ingredients”
80K searching results on “Skintellectuals”
30K searching results on “Skintellectuals skin care”

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

- HFP names it 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 are they buying.

Top selling products and major ingredients included in the products

<table>
<thead>
<tr>
<th>Product Name: Oligopeptide Essence</th>
<th>Product Name: Marigold Toner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ingredients: Oligopeptide, Niacinamide</td>
<td>Ingredients: Marigold, Sodium hyaluronate</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product Name: Oligosaccharides Emulsion</th>
<th>Product Name: Lactobionic acid anti-black spots mask</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ingredients: Oligosaccharides, Sodium hyaluronate</td>
<td>Ingredients: Lactobionic acid, Allantoin</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>No.</th>
<th>Ingredient</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Nicotinamide (whitening)</td>
</tr>
<tr>
<td>02</td>
<td>Vitamin E acetate (antioxidant)</td>
</tr>
<tr>
<td>03</td>
<td>Sodium hyaluronate (hydrating)</td>
</tr>
<tr>
<td>04</td>
<td>Retinol palmitate (cell renewal)</td>
</tr>
<tr>
<td>05</td>
<td>Squalane (glowing)</td>
</tr>
<tr>
<td>06</td>
<td>Retinal (anti-aging, anti-acne)</td>
</tr>
<tr>
<td>07</td>
<td>Salicylic acid (exfoliate)</td>
</tr>
<tr>
<td>08</td>
<td>Allantoin (cell renewal)</td>
</tr>
<tr>
<td>09</td>
<td>Vitamin E (antioxidant)</td>
</tr>
<tr>
<td>10</td>
<td>Dipotassium Glycyrrhizinate (anti-inflammatory)</td>
</tr>
</tbody>
</table>
Strategy 2: Grow with the emerging social platforms (1/2)

- 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 its 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

- **2016**: Worked with the earliest WeChat bloggers and published 542 articles on their WeChat accounts.
- **2017**: Covered more famous WeChat bloggers and released 2,654 articles.
- **2018**: Created its own content on WeChat, aside from blogger collaborations, released 3,078 WeChat articles in total.

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

- 100k avg post views
- 199 avg post likes
Strategy 2: Grow with the emerging social platforms (2/2)

- 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.

Except official account, also opened RED store

Follow trendy contents

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

Use popular concept in the topic: skintellectuals

Starting to work on product seeding with KOL/KOC to create word-of-mouth

2.08 million Likes & Collects
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.
Strategy 3: Tapping into the idol fan economy (2/2)

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

- 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 200 RMB, while the premium line is priced at about 400 RMB. 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.

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?

- Allergic reaction to the product
- Causes acne breakouts
- Active ingredient concentration decreased
- Not so ideal performance

Positive comments: Allergic reaction to the product, Causes acne breakouts, Not so ideal performance
Negative comments: Active ingredient concentration decreased
C-beauty industry overview
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.
COVID-19 had a strong yet short-term impact on the beauty market

- Due to COVID-19, cosmetics’ sales volume in China declined by 29.9% in February 2020 compared with the same period in 2019. However it had recovered by April. During the outbreak, people consumed and talked more about skincare products than cosmetics.
- Since lips and much of cheeks are covered while wearing a mask, eye makeup products received more attention than before. “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.

Growth rate of cosmetics and skincare products sales on Alibaba
(YoY growth rate, Feb – April, 2020)

<table>
<thead>
<tr>
<th></th>
<th>February</th>
<th>March</th>
<th>April</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cosmetics</td>
<td>11.9%</td>
<td>18.1%</td>
<td>18.1%</td>
</tr>
<tr>
<td>Skincare</td>
<td></td>
<td>22.1%</td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>11.9%</td>
<td>18.1%</td>
<td>22.1%</td>
</tr>
</tbody>
</table>

-29.9%

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.

Source: SCMP; Taoshuju, Weibo, 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*

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

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

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

**JD Black Friday Shopping Season**

*20th-29th November 2020*

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

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

- 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**

**Before**

Lin Qingxuan’s (an original Chinese beauty brand) shopping advisors attracted new members to add customer service’s WeChat account and invited them to enter a group chat.

**COVID-19**

Due to COVID-19, Lin Qingxuan started to expand its private traffic pool from WeChat to Taobao with the collaboration with DingTalk.

**During**

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

- Skincare, 38%
- Cosmetics, 17%
- Snacks, 13%
- Drinks, 7%
- Cereal grains, 7%
- Other, 18%

**Average No. of viewers**

3.92 million

**Average sales volume**

854 thousand
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Daxue latest quotations in recent publications
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Millennials & Gen Z

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Brands we have worked with

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