China's cosmetics market is rapidly expanding, mirroring the huge economic development in China and helping Chinese consumers explore the international market, says Li Jinqi, Director of the bureau of e-Commerce at China’s Ministry of Commerce.

Li notes that China's retail enterprises above designated size have become one of the new engines for the economic development in China and helps Chinese consumers move into the international market. "Western companies must always stay attuned to local tastes and form relationships with their customers through social media," he says. "This is exhibited by a total Chinese online retail sales performance of their foreign counterparts, which has ultimately affected the decision making process is less influenced by advertisements and promotional campaigns. The decision making process is now more reliant on research-type methodology where consumers are gathering information from various channels to help them determine the best products for their needs.

Consumer groups are changing also. They are now generally grouped into three major tiers - upper, middle and lower - based upon their preference for the brand, price of the product and their own purchasing power. Buyers of imported cosmetics are mostly high-income earners in large and medium-sized cities. These are young and middle-aged people who tend to "pose a long-term threat" to Western brands, and they are particularly flocking to "designer" products for their needs. Based upon these preferences, the board put the retail value of these products in the market at 163 billion yuan in 2013, which is roughly 25% of the total market.

Shanghai Jahwa United Company, Limited has been particularly successful in promoting its domestic brands, such as Shanghai Jahwa, Shanghai Hotel, Shanghai Hayden, Shanghai Heineken and Shanghai Young. In 2013, Shanghai Jahwa, Shanghai Hotel, Shanghai Hayden, Shanghai Heineken and Shanghai Young generated a retail volume of 163 billion yuan (USD26.5 billion) in 2013. This translated into an annual sales growth of roughly 13% versus 2013, and while formidable, this was actually down from a 17% YOY growth in 2012.

The decision making process is now more reliant on research-type methodology where consumers are gathering information from various channels to help them determine the best products for their needs.

Over time, consumer behavior has also changed. Today’s shoppers are more information-oriented, and less influenced by advertisements and promotional campaigns. According to government statistics, the Chinese market is now more reliant on research-type methodology where consumers are gathering information from various channels to help them determine the best products for their needs.


Retail enterprises above designated size*: 2009-2013

Competition is fierce among local and foreign brands, which is evident from the market share. In 2013, foreign-invested enterprises and joint ventures dominate the Chinese market, making up a huge 80%. But despite this, we see domestic players only account for 20% while foreign-invested enterprises and joint ventures account for 80%. This is in contrast to the traditional view that domestics have been rapidly developing and positioning themselves as serious competitors.

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