

RESEARCH

## Lancôme, Estée Lauder among best known beauty brands in China: report

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*Estée Lauder Lipstick Envy*

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By JEN KING

In China, 68 percent of consumers rely on ecommerce to purchase prestige personal care products, according to a new report by Bomoda.

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**Luxury Daily**

Bomoda's "China Prestige Beauty Blueprint" also found that approximately 80 percent of consumers have purchased beauty products abroad, but about 70 percent of those surveyed said they use local ecommerce sites. This shows that there is ample opportunity for luxury beauty and fragrance marketers with a presence in China to make an impact.

"Seventy-eight percent of Chinese consumers have made a prestige cosmetic purchase abroad," said Brian Buchwald, CEO of **Bomoda**, New York. "This means that Chinese consumers are truly global shoppers and are increasingly aware of price and product variety differences. It is undeniably an important part of the market.

"Brands must be present on key platforms. In our research, we asked over 2,000 consumers to identify the five platforms they use most in researching cosmetics/beauty products," he said. "Out of the 6,000+ responses, we found that 80 percent of consumers used the same 50 platforms. This means that brands must be active and visible on those

platforms.

“Media spend matters - to a degree. Our models revealed that media spend has an important but not dominant impact on brand awareness, about 27 percent.

“In the absence of media spend, a brand's visibility and distribution on review sites, store listing sites, and ecommerce platforms in China, as well as the volume of discussion on key ecommerce and mass-market forums can significantly and positively impact brand awareness.”

The **China Prestige Beauty Blueprint** is made up of three distinct efforts: a proprietary survey for more than 2,000 Chinese consumers, a curated set of more than 25,000 data points for each brand and statistical models for 27 different business outcomes.

### Betting on beauty

Bomoda found that the average Chinese prestige beauty consumer is 31.9 years old with an annual household income of \$72,540. These consumers, the majority of whom are women, are employed full-time, are married and 51 percent live in Tier one cities such as Shanghai, Beijing and Guangzhou.

When buying beauty products in China, 78 percent shop in bricks-and-mortar stores while 68 percent turn to ecommerce for their purchases.

Often traveling abroad, where luxury shopping is less expensive, Chinese consumers rely mainly on in-store and duty free venues in markets such as the United States, Europe and elsewhere in Asia such as Hong Kong, South Korea and Japan.

Fifty-two percent of respondents shop in bricks-and-mortar shops while abroad and 57 percent purchase beauty at duty free storefronts. Only 32 percent of respondents claimed they shop using overseas ecommerce.

Overall, Bomoda found that 92 percent of beauty purchases overall are made in China, compared to only 78 percent abroad. Although 96 percent of these purchases were made in-store, ecommerce is gaining ground at 77 percent.

“Retail purchases in physical stores in China are still the dominant purchase channel for prestige beauty consumers - due to authenticity, customer service and product quality/variety reasons,” Mr. Buchwald said.



While shopping online, Chinese consumers rely on a bevy of digital platforms to conduct research on the beauty products they intend to buy. Jumei, a beauty-oriented ecommerce site, is the leading Chinese multi-brand retailer of personal care products with 7.1 percent of respondents citing it as a used platform.

Mass ecommerce marketplaces such as TMall and Taobao follow with 6.7 percent and 6.2 percent of respondents relying on the platforms.

Although there are ecommerce outlets available, brands must be wary of the “grey market.” These grey markets, such as unauthorized reseller Daigous and peer-to-peer marketplace Taobao, are concerning because of high markups, limited access within China and many brands sold have yet to officially enter the Chinese market.

Third party retailers also offer a wide range of prestige beauty products, but it is important to remember that not all brands are officially distributed on these platforms. Nevertheless, these sites have a large number of brands available with Tmall having 50 prestige labels on its site and JD.com selling a product average per brand of 3,409 on its platform.

Being seen

Though there is risk for beauty brands sold on these ecommerce platforms, it has helped garner awareness among Chinese consumers.

Lancôme, Chanel, Shiseido, Estée Lauder and Dior were among the top five prestige beauty marketers with more than 80 percent of respondents having an awareness of the brand.

These same five brands also have the highest percentages of purchased or received awareness as well as purchase intent. Estée Lauder tops both lists with 64 percent for purchased or received awareness and 58 percent for purchase intent.

Also, 54 percent of Chinese consumers purchase Estée Lauder products within China at retail stores due to the authentication and trust found at these locations compared to online retailers.



### *Estée Lauder's China homepage*

Estée Lauder's success in the Chinese market is likely due to its early entrance into the country ([see story](#)), among other factors such as its digital and ecommerce saviness ([see story](#)).

“Due to their experience in market, Estée Lauder has also ensured that it is providing a holistic experience for the Chinese digital consumer as she seeks to learn about, engage with, purchase and repurchase from the brand,” Mr. Buchwald said.

“Estée Lauder has a very well-developed loyalty program that provides multi-level reward tiers based on the consumers' purchase level. They also provide an online user community,” he said. “Estée Lauder has also invested in opening a Tmall store to complement its own ecommerce experience on site. This is to expand exposure to the much larger Chinese audience that would use Tmall.”

For beauty brands attempting to enter the Chinese marketplace, Mr. Buchwald offered the following takeaways.

“The competitive intensity for beauty brands is incredibly strong with established global players (Estée Lauder, Lancôme), large luxury labels (Chanel, Dior), niche labels (Kiehl's, La Mer) and large/emerging Asian competitors (Shiseido, Laneige) all fighting fiercely for the consumer's wallet and mindshare,” Mr. Buchwald said.

“To win, brands will need to completely localize their brand assets in all ways. This means at a minimum, brands must invest in building table-stakes assets such as a simplified Mandarin Web site, official Chinese social media accounts and an official Chinese name,” he said. “We have also observed that successful brands have very localized content in their marketing.

“Unless the brand has significant budget for media spend, it will also need to strategically leverage grassroots fans and key influencers to help promote the brand meaningfully.

Brands should also ensure though that they are controlling their brand message and positioning in a way that is consistent with its global image.”

Final Take

*Jen King, lead reporter on Luxury Daily, New York*

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