

GOVERNMENT

China lowers tariffs on popular imported luxury cosmetics

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Chinese consumption of imported cosmetics grew by 40 percent last year. Image credit: Kantar

By DANNY PARISI

The Chinese government is significantly cutting tariffs on imported beauty products including skin and hair cosmetics in a move expected to boost the growth of brands such as Estée Lauder and Lancôme.

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Tariffs on imported beauty products will drop from 8.4 percent to 2.9 percent starting July 1. According to data from Kantar, as Chinese consumers continuously desire products from outside of the country, particularly luxury products in the cosmetics category, the lowering of tariffs will be a significant boon for brands targeting the lucrative market.

"Lower tariffs definitely will make imported cosmetics more competitive in prices," said Jason Yu, greater China general manager at Kantar, Singapore. "But the more fundamental factor to decide a brand's performance in China is their access to reliable market data, and their understanding of real Chinese consumer needs."

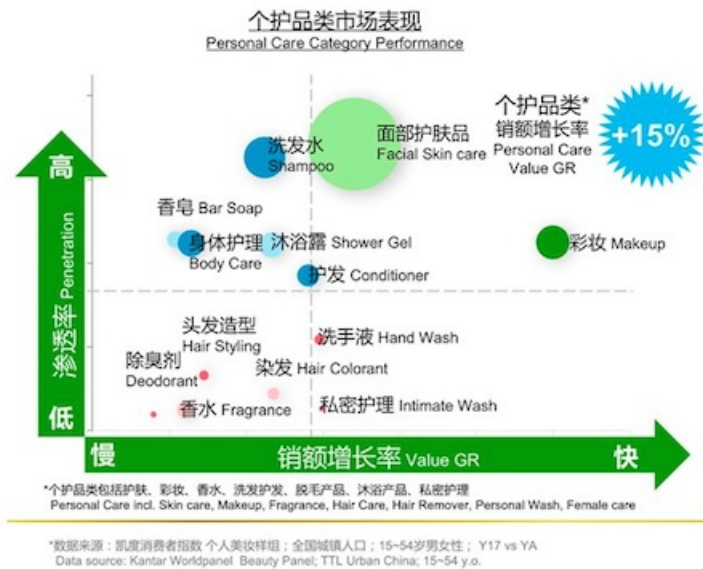
Welcoming imports

China is one of the largest consumers of luxury goods in the world, as numerous studies throughout the last year have confirmed.

But what is unique about Chinese luxury consumers is that they primarily prefer to purchase international luxury goods through imports or while traveling abroad.

For this reason, Chinese consumers are a Western brand's best friend as they can be successfully marketed to and engaged from anywhere in the world.

Cosmetics, particularly of the luxury tier, are among the most popular products to be imported. Kantar notes that in 2017, the volume of imported cosmetics sold in China grew by 40 percent.



China loves imported cosmetics. Image credit: Kantar

This remarkable growth in the cosmetics sector is driven primarily by young women in their 20s, a major consumptive force in the Chinese market that is particularly susceptible to aspirational influencer marketing.

Thanks to the new tariff cut, Kantar expects that brands such as Lancme, Este Lauder, SK-II, Dior, Saint Laurent and Shiseido will see a 30 to 40 percent increase in revenue coming from China.

Kantar also predicts that the Chinese appetite for high-end cosmetics has not hit its upper limit and that even more premium products can be introduced to the Chinese market.

Luxury beauty

The importance of China to the luxury beauty business is widely understood among brands within the industry who are already capitalizing on the shift.

For instance, L'Oreal-owned Giorgio Armani Beauty launched on Chinese shopping platform Tmall as part of its efforts to capture China's fast growing appetite for high-end cosmetics.

In the weeks leading up the Jan. 16 launch, Armani Beauty held a series of pre-sale events on Tmall, Alibaba's B2C shopping platform. Similar to fashion, the cosmetics and skincare sector has steered away from online selling in China due to counterfeit concerns, but recently, brands have begun warming to the idea as Chinese sellers establish a sense of trust ([see story](#)).



Armani Beauty homepage on Tmall. Image credit: Aliabab

China's growth extends beyond the beauty category as well. Luxury car brands have also seen a large boost from Chinese consumers.

Almost half of the automotive sales growth in China this year has come from luxury brands, driven by consumers' increasing household wealth and consumer confidence.

According to a report from Scotiabank, in March global automotive sales were up 1.2 percent over the previous year, with China one of the key forces behind this growth. As the Asian market becomes increasingly important to luxury

auto brands, OEMs are set to benefit from newly eased regulations in China ([see story](#)).

As the Chinese market for imported luxury goods evolves, brands need to update their strategies so they are not left behind by other brands who are quicker on the draw.

"From the origin country perspective, whether the actual products are produced in or outside of China, brand owners have to remember that many Chinese consumers have very consolidated opinion about cosmetics from this country," Mr. Yu said. "For example, Japanese products increased their sales in 2017 because Chinese consumers believe Japanese goods are meeting their need of health and professionalism.

"Japanese cosmetics are widely acknowledged for addictive-free features and outstanding functions."

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