

SPOTLIGHT

China's evolving beauty market

Catering to middle-class consumers

Could China become the new El Dorado for luxury goods? This issue was raised at a recent conference hosted by The French Luxury Marketing Council in Paris, France. With a population of 1.28 billion, China is on course to become the largest consumer market in the world, according to French research firm Ipsos. And with the anticipated rise of the middle class—expected to reach more than 500 million consumers in China by 2010—the demand for luxury products looks set to grow.

Ipsos managing director Stéphane Truchi points out that although only 0.8% of Chinese consumers are likely to buy luxury products, this is by no means insignificant given the total population.

Few buy imported products

For the cosmetics industry, this forecast means the country is a healthy investment target. According to Ipsos, imported cosmetics are used by just 1% of Chinese consumers, but the market is growing at a rate of 23.8% per year. The growth in demand for luxury products is expected to come from the emergence of a new middle class, representing some 150 million consumers. This group will be complemented by two smaller segments: some 30 million people in the 25-35 age group; and a smaller, but important base of 5 to 10 million wealthy consumers.

Consumer habits vary by region

It appears that demand will also be influenced by regional tastes. Consumers in Beijing tend to purchase more visible products, such as makeup, and price is less of an issue as they are often impulse buyers, Ipsos says.

In contrast, the Shanghai consumer attaches more importance to price, but is still a heavy cosmetics consumer. Young urban women spend an average of 10 times more per year on cosmetics products, at yuan1,100/\$132.9, than the average Chinese shopper. Also influenced by the visibility of products, the Shanghai consumer is brand-savvy and is swayed by fashion and novelty.

The Cantonese consumer is known for its lack of brand loyalty. Strongly influenced by fashion trends in Hong Kong, this consumer is sensitive to promotional offers and price is a key motivator in their purchasing decisions.

Many in the industry have already spotted the potential rewards of China and are keen to increase their market share in the country. Most recently, beauty's market leader L'Oréal acquired Chinese beauty brand Yue-Sai from US group Coty Inc (see *BBN*#166). ■