

BEAUTY IN LOWER TIER CITIES - CHINA - 2023

Consumers in lower tier cities have a positive attitude towards emerging skincare concepts (eg the skin barrier), and are willing to change their skincare routine with guidance. Brands need to invest in long-term brand awareness and a professional image, impressing consumers in the lower tier market with all-round authenticity in terms of service, product efficacy and brand reputation.



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Report Content

OVERVIEW

What you need to know

Key issues covered in this Report

Objective and methodology

- Quantitative research methodology
- Qualitative research methodology

EXECUTIVE SUMMARY

The market

- Market factors

The consumer

- Skin health: accepted as a concept, and gradually exerting an influence on consumers
 - Graph 1: methods adopted to deal with damaged skin barrier, by age, 2022
- Functional skincare: consumers are cautious when trying and rational when being influenced
 - Graph 2: selection factors of function-driven brands, by age, 2022
- Premiumisation of national brands: significant progress, but effort still needed
 - Graph 3: desired brand values, by age, 2023
- Barriers to cosmetic surgery: consumers encounter obstacles in experimenting, and are more inclined towards safety
 - Graph 4: reasons for using beauty services, by age, 2023

What we think

INTRODUCTION TO LOWER TIER CITIES IN CHINA

Demands for sustainable development and differentiation emerge

- Graph 5: GDP sector compositions, by city tier, 2019-2021

Salary growth slows, while consumption momentum weakens

- Graph 6: per capita annual salary, by city tier, 2019-2021
- Graph 7: total retail sales of consumer goods, by city tier, 2019-2021

The pull effect of the metropolitan economy is expected

- Graph 8: total domestic highway mileage and growth rate, by city tier, 2020-21

The increase in flexible employment and work-on-the-go brings new opportunities for the development of low tier cities

- Graph 9: type of employment, by city tier, 2020-23
- Graph 10: company types, by city tier, 2020-23

MARKET FACTORS

Financial confidence continues to fluctuate

- Graph 11: confidence in improving future finances, by city tier, 2020-23

Upgrading demand has declined and high-end consumption become more cautious

Chain service brands tap into lower tier cities, driving the innovation and quality improvement of consumer experience

- Graph 12: changes in the number of stores of Helen's, Miniso and Haidilao in different cities, by city tier, 2021 vs 2022
- Graph 13: convenience store shopping frequency – once a day or more, by city tier, 2019 vs 2023

The influence of short videos has expanded, accelerating the conversion of traffic value to user value

- Graph 14: changes in short video usage – every day, by city tier, H1 2021-H1 2023

Domestic travel is recovering strongly, and the combination of local cultural tourism resources and commerce has attracted attention

INTERVIEWS WITH INDUSTRY EXPERTS

Leverage the value-for-money advantage of small town model through store, equipment and menu adjustment

Focus on household consumption habits and the construction of logistics networks

Initiate conversations on consumption scenarios integrating regional features

Explore 'down-to-earth' communication methods and channels

THE CONSUMER

Skin health: accepted as a concept, and gradually exerting an influence on consumers

- Skin health is determined by comprehensive and multi-dimensional considerations
- Consumers are open to new skincare concepts, but their understanding is superficial
- Changing one's skincare routine requires specific usage guides and real-life scenarios
- Barrier repair solutions: older consumers 'add', while younger consumers 'subtract'
- Graph 15: methods adopted to deal with damaged skin barrier, by age, 2022

Functional skincare: consumers are cautious when trying and rational when being influenced

- Consumers show a natural sense of trust in well-known brands
- Professional background is a key element in creating a brand effect
 - Graph 16: selection factors of function-driven brands, by age, 2022
- Consumers are rational when being recommended function-driven products, and only convinced by first-hand experience
- KOCs and the private domain are of great help for brands expanding into lower tier markets
- Comprehensive and authentic product introductions help in reaching a wider audience
- Judgement of benefits requires support from quantitative results
- For high-efficacy products, having rapid effects is not an advantage, but a cause for concern
- Consumers have a superficial understanding of the skin repair concept, and have not yet formed long-term usage habits

Premiumisation of national brands: significant progress, but effort still needed

- The image of national brands sees a comprehensive improvement
- The pricing of domestic brands is close to consumers' upper limit, and gaining a foothold requires improvements in product performance within the price range
- Brand effect and product details are both important
- Brands with an edge in managing skin conditions have a greater potential for premiumisation
- Safety is a must for prestige brands
 - Graph 17: desired values from prestige skincare brands, by age, 2023

Barriers to cosmetic surgery: consumers encounter obstacles in experimenting, and are more inclined towards safety

- Respecting the laws of nature and embracing ageing with an open mind
- Consumers lack understanding of post-operative recovery and worry about maintenance following surgery
- Beauty devices and services become a safe bet for anti-ageing in lower tier cities
 - Graph 18: reasons for using beauty services, by age, 2023

APPENDIX

Abbreviations

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