自然美

natural beauty

Industry Analysis & Prospects

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- PRC is now the world's eighth-largest and Asia's second-biggest cosmetics market according to figures from China Association of Fragrance, Flavor and Cosmetics Industry (CAFFCI)

- In China, cosmetics is the fifth-largest consumer market after real estate, cars, telecommunications, education and tourism (department of statistics, PRC).

Macro Industry Growth Outlooks

- Industry structural changes, moving from agriculture → manufacture → service (32.3% in PRC vs. 65% in US, 57% in Japan, and 40% average for developing countries)
- City regionalization and village urbanization (36% in PRC vs. 80% for developed and 60% for developing countries)
- Total retail sales increase 14.9% and retail sales for cities increase 15.5% for the 1st quarter, 2007 (Department of Statistics, PRC).
- Female annual disposable income per capita increased from RMB3,132 in 2000 to RMB3,815 in 2004 (Euromonitor Report, 2006).
- GDP growth 14.6% for 1st quarter, 2007 (10.7% in 2006) (Department of Statistics, PRC).

Cosmetic Industry Overview

- Sales of cosmetics and toiletries grew by nearly 11% in current value terms in 2005 to reach RMB85 billion (Euromonitor, 2006)
- Growth over the forecast period is expected to be less strong at 12%, reaching RMB51.7 billion by 2010 (Euromonitor, 2006)
- Surveys have indicated that 37 percent of urban Chinese women buy skincare and beauty products
- The 18 to 30 age group makes up 77 percent of consumers (Annual Report on Beauty Economy, 2005)

Retail Competition (consumer recognition rate/Market shares 2005): a crowd market with 3000+ brands

High end department store brands:

SKII (42.2%/1.8%), Lancome (32.5%/1.5%), Shisedo (27.8%/1.1%), Estee Lauder (19.1%/0.8%)

Mass hypermarket brands:

Olay (36.6%/15.7%), L'Oreal (30.4%/3.5%),

Clean & Clear – Johnson &Johnson (7.6%/1.3%)

Garnier Mini Nurse (15.7%/2.1%), Pone's (11.9%/3.8%)

Direct selling:

Artistry – Amway (7.2%/10.2%), Avon (27.8%/6.8%), Mary Kay (6.1%/4.5%)

Cosmetic drugstores:

Aupres (15.5%/5.8%), Dabao (13.5%/3.6%)

Source: Annual Report on Beauty Economy, 2005; Euromonitor, 2006

Retail channel analysis

- Premium skin care in department stores see growth momentum slow, loosing shares from 55.9% in 2000 to 34.2% in 2005
- Mass skin care continue to lose shares from 88% in 2000 to 75% in 2005
- Pharmacies and drugstores see increased shares from 2% in 2000 to 4.5% in 2005
- Direct selling increases from 4.5% in 2000 to 9.3% in 2005

Source: Euromonitor, 2006

Beauty Service Industry Overview

- According to 2005 Annual Report on Beauty Economy in China, there are 1.54 million beauty & hair salons in China, creating 12 million employment opportunities
- For every 1% GDP growth, beauty service consumers increase 0.56% (Annual Report on Beauty Economy in China, 2005)

Urban Beauty Service Market Size

Source: Annual Report on Beauty Economy, 2005

City	Population (10000)	Population per Store	Store No.	Avg. annual income (RMB1000)	Total Income (billion)
1st tier	2940.26	80000	23522	307.6	7.23
2nd tier	6647.32	120000	79767	246.8	19.68
3rd tier	20034.9	130000	260453	159.1	41.43
4th tier	18109	140000	253526	120.6	30.57
TOTAL	47731.48				98.93

Beauty industry competition (consumer recognition rate):

Franchisee Spa:

Natural Beauty (49.7%) –professional service product provider with a network size of 2,429 franchisee Spa/outlets (HK:157) and manufacturing plants. Others being service provider e.g. Shyenli (17.4%), beauty farm (9.4%).

Individual beauty salon:

Illegal parallel importing

Hotel Spa:

Banyan Tree, Mandara, Four Seasons (NB consultancy)

Source: Annual Report on Beauty Economy, 2005

Service Consumer Spending Pattern

- Independent survey indicates that half of the respondents in China and 59% in Taiwan visit beauty salons.
- 35% in China and 33% in Taiwan visit salons once a month or more often. Top reasons being product quality, services offered and prices
- About half in China and 61% in Taiwan spend less than RMB350/NT1,500 per months on salon services, though 28% in China and 41% in Taiwan spend at least that amount per salon visit.
- 59% plan to spend between RMB200 to 1000/ NT1,500 to 5,000 on skin care products each month.
- Net favorable opinion of Natural Beauty in both China and Taiwan is strongest in the 36-45 and 26-35 age groups for its product quality, professionalism and ambience.
- 50% in China and 41% in Taiwan plan to visit a Natural Beauty salon within the next 12 months

Thank you!