Cosmeceutical Trends in China

June 2018
As a world-leading market intelligence agency, Mintel aims to offer our clients a better understanding of the market, consumers and driven factors behind. Combining both trend analyses and insights, Mintel provides clients with support and service, helps marketing and product development in various ways.
## Mintel's Award-winning Services:

<table>
<thead>
<tr>
<th>GNPD</th>
<th>Track new product launches and identify category trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Customised analysis and in-depth coverage of new products</td>
<td></td>
</tr>
<tr>
<td>• From 360° image to detailed product information, new launches around the world are presented to you with a single click</td>
<td></td>
</tr>
<tr>
<td>• Kick-start your thought process by our expert analyses on category overview/ nutrition insights/ ingredients analysis/ packaging trends</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reports</th>
<th>Focus on consumer behaviour and attitudes; uncover new opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Covering various categories including Food and Drink/ Foodservice / Beauty and Personal Care/ Retailing/ Household Cleaning/ Lifestyle/ New Technologies, etc.</td>
<td></td>
</tr>
<tr>
<td>• Providing comprehensive raw data with a focus on Chinese consumers that matter to you</td>
<td></td>
</tr>
<tr>
<td>• Identifying similarities across various China reports to reveal the motivating factors behind consumer choices</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market Sizes</th>
<th>A fast, reliable database of global market information including performance and trend forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Accurate 5-year forecasts on market size (volume and value)</td>
<td></td>
</tr>
<tr>
<td>• Market segmentation</td>
<td></td>
</tr>
<tr>
<td>• Key players' market share and changes compared with last year</td>
<td></td>
</tr>
<tr>
<td>• Gain first hand market trends by category or country</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trends</th>
<th>Observe the entire landscape and search for innovative inspiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Offering unique perspectives on consumer insights</td>
<td></td>
</tr>
<tr>
<td>• Spotting trends and providing context for the sectors, demographics and global themes that matter to you</td>
<td></td>
</tr>
<tr>
<td>• Grounding macro-trend changes for practical use; inspiring you with selected cases</td>
<td></td>
</tr>
<tr>
<td>• Interpreting consumer behavior with data and insights</td>
<td></td>
</tr>
</tbody>
</table>
Definition of Cosmeceutical

Cosmeceuticals in China market

Consumers’ Attitudes towards Cosmeceuticals

Key Take-away
Definition of Cosmeceutical
Generally regarded as a combination of cosmetics and pharmaceuticals by the foreign world, cosmeceuticals are cosmetics initially prescribed and formulated by doctors from a medical approach to treat skin aesthetic concerns.

Consumers from developed western countries with skin issues often avoid randomly shopping for cosmetics and testing out at home. Instead, they prefer to consult dermatologists for treatment and prescription recommendations, hence the emergence of cosmeceuticals.

**Cosmeceuticals = cosmetics + pharmaceuticals**

While the Federal Food, Drug, and Cosmetic Act (FD&C Act) does not recognise the term ‘cosmeceutical’, the cosmetic industry uses this word to refer to cosmetic products that have medicinal or drug-like benefits.
The Display of Cosmeceuticals in Overseas Markets

Traditional pharmacies focus on dispensing medications

Introducing major cosmeceutical skincare brands and opening up more shopping space

Increasing shelves to provide greater freedom on OTC medicines
Leading Beauty Retailers in China Have Continuously Upgraded Their Store Decoration to Include Cosmeceuticals

- **Watsons** upgraded its store prototype to its eighth generation in January 2017.
- **Gialen** also launched its fourth store prototype in August 2017.
- **Mannings** opened its new concept store in November 2017, as a prototype of its further store upgrade.
Beauty Retailers Have Even Launched Their Own Cosmeceutical Brands

Gialen created a new brand portfolio through its four cosmeceutical brands with each one offering a distinct positioning.

These include: BIOFILA, the Swiss cosmeceutical brand with high-tech and pure ingredients; lubatti, the British herbal cosmeceutical brand originated from London; AIP, the Korean fast fashion light cosmeceutical brand; COSCURE, the Japanese cosmeceutical brand boasting minimalistic skincare.
There is no clear-cut definition of cosmeceuticals in China, but the concept is used in the industry and generally refers to cosmetic products with drug-like benefits, such as dark spot and acne treatment products.

### Definition of Cosmeceuticals in China

<table>
<thead>
<tr>
<th>Concentration of ingredients</th>
<th>Suitable for</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common skincare products ▲</td>
<td>Consumers without skin disorders; used for daily skincare</td>
</tr>
<tr>
<td>Cosmeceuticals ▲▲</td>
<td>Consumers with sensitive skin or minor skin issues; used for skin improvement</td>
</tr>
<tr>
<td>Medications ▲▲▲</td>
<td>Consumers with relatively severe skin problems; used as treatments</td>
</tr>
</tbody>
</table>

### Features of Cosmeceuticals:

- **Minus**: Less ingredients, free from pigments, fragrances, preservatives and surfactants
- **Plus**: High percentage of active ingredients for specific purposes, high-performance compared with common skincare products
## Status Quo of ‘Cosmeceuticals’ in China

<table>
<thead>
<tr>
<th>Misinterpretation of Cosmeceuticals</th>
<th>Status quo of Cosmeceuticals in China</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Channels</strong></td>
<td>It is more commonly sold in beauty and personal care chain stores in China, and increasingly available online</td>
</tr>
<tr>
<td>Only sold in pharmacies? NO</td>
<td></td>
</tr>
<tr>
<td><strong>Endorsement</strong></td>
<td>Clinically tested and certified products are classified as ‘medicines’ and are usually endorsed by laboratories/dermatologists</td>
</tr>
<tr>
<td>Clinically tested and proven? NO</td>
<td></td>
</tr>
<tr>
<td><strong>Packaging</strong></td>
<td>‘Cosmeceuticals’ are not recognized or certified by regulators, therefore brands tend to market in the concept of ‘suitable for sensitive skin’ and ‘free from xxx’</td>
</tr>
<tr>
<td>Labeled as 'Cosmeceuticals'? NO</td>
<td></td>
</tr>
</tbody>
</table>
Cosmeceuticals in China market
What Cosmeceutical Brands have Consumers been Buying from Online?

**Top Cosmeceutical brands by revenue online**

*By EarlyData*

<table>
<thead>
<tr>
<th>Brand</th>
<th>Online Revenue in million RMB (2017 May - 2018 April)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WINONA 薇诺娜</td>
<td>436</td>
</tr>
<tr>
<td>WIS</td>
<td>347</td>
</tr>
<tr>
<td>AVENE 雅漾</td>
<td>214</td>
</tr>
<tr>
<td>BIODERMA 贝德玛</td>
<td>203</td>
</tr>
<tr>
<td>DOCTOR LI 李医生</td>
<td>188</td>
</tr>
</tbody>
</table>
Winona is one of China's first local brands that specially targets sensitive skin. It is recommended by dermatologists and enjoys good consumer reviews. A local brand but co-created with a Swiss company. It introduced the technology and ingredient from Swiss RAHN group. It has a wide range of products, including facial masks and range for men.

See, touch and feel the latest and most innovative products playing out in the Chinese cosmeceutical market.

**See, Touch and Feel the Popular Cosmeceuticals**

**Winona Natural Skin Care**
- Anti Sensitive Essence

**WIS Professional Anti-Acne Deep Level Purify Cleanser Gel**

**Visit Mintel's**
Innovation Zone at in-Cosmetics Korea

Booth H60
13th - 15th June 2018
Hall C, COEX

Dates and times of demos:
- Wednesday, 13th June, 11am and 3pm
- Thursday, 14th June, 11am and 3pm
- Friday, 15th June, 11am and 3pm
French Brands: Taking Full Advantages of Thermal Spring Water

**VICHY**

**VICHY Thermal Water**

- Enriched with 15 minerals including calcium and magnesium
- Soothing, moisturising and protecting skin

**Avène**

**Avène Thermal Spring Water properties**

- Originating as pure rain mixed with sea-spray rich in mineral salts 1500 meters underground, each drop of Avène Thermal Spring Water has a 50-year journey through the Cévennes Mountains in Avène, France.

**La Roche-Posay**

**La Roche-Posay Thermal Spring Water**

- Thermal spring water is an essential ingredient to all products within the La Roche-Posay skincare range; Anti-irritant and for sensitive skin
- A winning ingredient
American Brands: Focusing on Ingredients

SkinCeuticals Metacell Renewal B3 contains niacinamide for repairing

1. Innovative technology to strengthen skin barrier
   - 5% Niacinamide (B3)
     - Strengthening skin barrier
   - 2.5% Firming tripeptide concentrate
     - Improving the appearance of skin’s firmness and elasticity
   - Transdermal technology
     - Fast absorbing and delivering intense hydration

The Ordinary
  Niacinamide 10% + Zinc 1% contains niacinamide and zinc for balancing
Japan has a clear definition of cosmeceuticals. The Pharmaceutical and Medical Devices Law stipulates that cosmeceuticals are classified as 'quasi-drugs' and must be clearly labeled as such on the outer packaging. Therefore, as long as the outer packaging states 'quasi-drugs', it can be used for special purposes such as pigmentation reduction, sterilising, whitening, encouraging hair growth, odour-absorbing, anti-perspiration and sun protection.

Japanese Brands: Clear Labeling and Focusing on Whitening

HAKU Whitening Toner

SEKKISEI Whitening Mask
German Brands: Proven German Skincare Science with Wide Variety and Affordable Price

**Eucerin**

*Cares for skin's health with German science*

A reputable dermatological research centre in the EU with over 100 years of experience

Anti-irritant and for sensitive skin

Production in Germany

Authentic

**Sebamed**

No additives Natural

Frei is a German cosmeceutical brand founded half a century ago by Walter Bouhon, a pharmacist from Nuremberg Germany, who was trying to help his wife get rid of stretch marks. Containing precious natural oils and suitable for pregnant women.

**Chosen by Celebrities**

Available in 19000 EU pharmacies and recommended by German gynaecologists

**Sebamed**

65 years of science for health skin

Ph5.5 gentle, suitable for the whole family

1952年

德国法兰克福大学放射物理学教授弗朗茨·科恩教授在研究放射性物质时提出的产品——防腐酸的胶凝性溶液

1953年

德国法兰克福大学放射物理学教授弗朗茨·科恩教授的儿子Walter Bouhon在德国纽伦堡创办了Frei

1957年

Frei获得专利。产品Sebamed GmbH公司开始生产pH5.5温和产品

1958年

Frei在德国纽伦堡成立

1981年

Frei在德国纽伦堡的Sebamed GmbH公司开始生产pH5.5温和产品

1984年

Frei正式在欧洲上市
Korean Brands: Originated from Clinics and High-end Beauty Salons

Dr. Jart+

CNP Laboratory

Our Dermatologists

Dr. Jart+

CNP (中文：希恩派）是韩国著名的医学皮肤研究及化妆品开发公司。旗下两大事业部门CNP Clinic与化妆品事业部门CNP Cosmetic。自1996年，CNP与韩国国内多家著名临床和皮肤科医院进行了广泛的合作。目前是韩国最大的临床皮肤科医院，拥有来自国内医美领域专家的医疗团队。CNP Clinic成立于2006年，以CNP韩国国内医美机为中心，建立了拥有临床和皮肤科专家的科研中心，CNP Cosmetic成立于2008年，由国内临床皮肤科和化妆品工厂共同组成，共同开发了包括护肤、美容、皮肤科在内的多个系列，包括全球多个品牌的护肤品。

CNP Laboratory（中文：希恩派实验室），是CNP Korea的生物科技实验室。CNP Laboratory以“为世界皮肤，打造未来”为理念，产品采用严格成分，所有产品全部经过临床测试和临床验证。CNP Laboratory致力于开发适合亚洲人肤质的产品，以“肌肤未来”为主题，为亚洲人的皮肤提供解决方案。
Chinese Brands: Collaborating with Hospitals and Specialising in Herbal Ingredients

BIAOTING-Developed by Beijing Hospital

PIEN TZE HUANG Pearl Whitening Essential Serum
- Precious ingredients help clear and brighten skin
- The formulation is unique and precious!

YUNNAN BAIYAO Anti-acne Gel

LOVE.301-Developed by People’s Liberation Army General Hospital
- Precious ingredients help clear and brighten skin
- The formulation is unique and precious!
 Consumers’ Attitudes towards Cosmeceuticals
What Product Functions Appeal to Consumers?

Feature of an Effective Facial Skincare Product

“Please describe what kind of using experience makes you feel the product is effective when you use a facial skincare product?”

- Comfortable
- Smooth
- Safe/No side effect
- Natural
- Fresh
- Moisturising
- Whitening
- Hydration
- Firming
- Plumping
- Brightening
- Obvious effect
- Hydration
- Hydration
- Sunscreen
- Oil control
- Mild and non-irritative
- Not cause skin allergy

Source: Mintel’s Facial Skincare – China, August 2017 Report
Effectiveness and Safety are Core Factors of Cosmeceuticals

**Attitudes towards Cosmeceuticals**

“Below are some statements about cosmeceuticals, to what extent do you agree or disagree with them?”

- **It's essential that cosmeceuticals contain enough effective ingredients**
  - 74% agree
  - 51% strongly agree

- **Cosmeceuticals are milder than general skincare products**
  - 66% agree
  - 45% strongly agree

Source: Mintel’s Managing Skin Conditions – China, February 2018 Report
Emphasising ‘Effectiveness’ and ‘Safety’

Example: La Roche-Posay Intense Soothing Fluid

- Effective: 1 min Soothing, 4 weeks Repairing skin barrier
- Safe: 0% preservatives, fragrance, alcohol, colourants or lanolin, Hypo-allergenic formula, 100% hypoallergenic Ultra-hermetic packaging

Source: La Roche-Posay’s official store on Tmall
More Ingredient Claims

Carefully formulated for immediate skin regeneration

Gentler / Macromolecule-Mandelic Acid
Gently removing aged skin layers

Faster / Lipophilic-Salicylic Acid
Penetrating skin pore to remove acne and blackheads

Deeper / Micromolecule-Pyruvic Acid
An alpha-keto acid to refine skin texture

Example:
Dr.Wu Daily Renewal Serum With Mandelic Acid
Consumers Know More about Ingredients

**Example:** The Beauty Evolution app

<table>
<thead>
<tr>
<th>全成分表</th>
<th>玩转成分表</th>
</tr>
</thead>
<tbody>
<tr>
<td>产品名称</td>
<td>安全</td>
</tr>
<tr>
<td>咖啡因</td>
<td>1</td>
</tr>
<tr>
<td>异十六烷</td>
<td>1</td>
</tr>
<tr>
<td>透明质酸钠</td>
<td>1</td>
</tr>
<tr>
<td>氨基酸</td>
<td>1</td>
</tr>
<tr>
<td>视黄醇</td>
<td>1</td>
</tr>
<tr>
<td>视黄醇酸异丙酯</td>
<td>1</td>
</tr>
<tr>
<td>酵母</td>
<td>1</td>
</tr>
<tr>
<td>丙烯酸异氧基甲基丙烯酰胺</td>
<td>1</td>
</tr>
<tr>
<td>辛甘醇</td>
<td>1</td>
</tr>
<tr>
<td>柠檬酸</td>
<td>2</td>
</tr>
<tr>
<td>聚甘油-8-单硬脂酸酯</td>
<td>3</td>
</tr>
</tbody>
</table>

**Example:** Hwahae app (a Korean cosmetics ingredients analysis app, which raises consumers' awareness around EWG rating)

![Hwahae app](image)
About EWG

Environmental Working Group (EWG)

As an independent, objective, scientific international organisation, the EWG has strict standards for the ingredients of each product.

Example: Dr.Magic Mastic Repairing Ultra Moisturiser

Dr.Magic Mastic Repairing Ultra Moisturiser (China, 2017) (GNPD ID: 5277005)

The ingredient hazard score, from 1-10 reflects known and suspected hazards of ingredients.

1-2 Low hazard, 3-6 Moderate hazard, 7-10 High hazard
Attitudes Towards Ingredients

I won't buy skincare products that contain this ingredient
• Formaldehyde
• Colourant
• Paraben

I don't like this ingredient, but I still may buy skincare products that contain this
• Fragrance
• Sunscreen agents (eg titanium dioxide)
• Acid (eg AHA, salicylic acid)
**Attitudes towards Cosmeceuticals**

“Below are some statements about cosmeceuticals, to what extent do you agree or disagree with them?”

- 69%: Using cosmeceuticals daily can prevent skin sensitivity
- 44%: Cosmeceuticals are only needed when having certain skin conditions

**Cosmeceuticals to Tap into Sensitive Skin’s Daily Protective Use**

**Usage Habit of Facial Skincare Product**

“Below are several pairs of statements about using facial skincare products. For each pair, please select the one that you agree more with.”

- 19%: I pay more attention to daily basic skincare routine
- 50%: I pay more attention to emerging skincare condition (eg acne)
- 25%: Neither

Source: Mintel’s Facial Skincare – China, August 2017 and Managing Skin Conditions – China, February 2018 Report
Retailers Offer Customised Skin Testing Service

Since 2016, L’Oréal has been rolling out Derma Centers in China to provide Visia skin analysis and to sell its four flagship cosmeceutical brands (Vichy, La Roche-Posay, SkinCeuticals and Clarisonic).

Watsons’ new stores have introduced Dr. Wu, a Taiwan leading derma skincare brand, along with an experience centre that tests consumers’ skin conditions first before recommending suitable products.
Skin Diagnostic Apps

Example: Meipuapp

Source: Meipu official website
External Devices for Easy Use

Example: The Neutrogena SkinScanner, works with iPhone 6 and above models
Key Take-away
Summary of Practicable Strategies

**Product claims:**
Effectiveness and safety are equally important

- Scientific data to substantiate effectiveness
- Safe ingredients and institutional endorsement to assure safety

**Product positioning:**
Preventative>Therapeutical

- Emphases daily preventative benefits to engage consumers better and appeal to a larger number of audience

**In-store services:**
Skintype test

- Using devices to improve accuracy
- Engaging pharmacists to increase credibility
Thank you!

Please contact infokorea@mintel.com