



# THE CHINESE AND KOREA BEAUTY MARKET:

**CONSUMER BUYING BEHAVIOR**

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# INTRODUCTION

## ETHNOGRAPHIC RESEARCH

Ethnographic research is a method for understanding the daily behaviors and beliefs of a target audience with the purpose of increasing the appeal of a new product, service, or experience.

## METHODOLOGY

In December 2016, EPAM, a leading global product development and digital platform engineering services company, conducted ethnographic research with eight women aged 23-35 in five Chinese cities (Shanghai, Suzhou, Zhengzhou, Nanjing, Changsha) and Seoul, Korea. Participants completed a two-week longitudinal study, in-depth interviews with EPAM's Chinese and Korean researchers, and shared their aspirations, motivations, brand affinities, and shopping behaviors. In this research Shanghai, Suzhou, and Nanjing are considered Tier 1 cities, and Zhengzhou and Changsha are considered Tier 2 and 3 cities, respectively.



*Study participants shared images their daily routines.*

## WHAT'S INSIDE

- Research findings providing a detailed understanding of the customer journey for purchasing beauty products across four major milestones – Inspiration, Research, Transaction, and Reflection
- Though focused primarily on the Chinese market, distinctions between China and Korea are highlighted, as well as customer considerations and variations across Chinese cities (Tiers 1, 2 and 3)
- An examination of the influence of Korean soft power on Chinese consumers
- An assessment of the most prevalent platforms used for discovery and purchase
- The role of Daigou in providing access to overseas goods
- Opportunities for increasing market share and competitiveness in the Chinese Beauty market

# FOUR CONSUMER BUYING JOURNEYS

The following infographic depicts typical journeys for four different women from China and Seoul, Korea that represent motivations, behaviors and cultural aspects characteristic of common journeys.



**YUE MING**  
31, SHANGHAI TIER 1

## INSPIRATION

Yue Ming works for a Korean technology company and makes frequent trips to Korea for work. She gets daily information on beauty products through her Weibo, Instagram, and WeChat feeds. She also stays up-to-date on Little Book (RED).

## RESEARCH

A Daigou promoted a new Japanese product in her WeChat Moments. She conducts research on Taobao and RED to read reviews of the product and assess whether it will work for her skin type.

## TRANSACTION

Yue Ming won't be going to Korea for work for another month, so she considers using the Daigou to purchase the product from overseas. She reviews the Daigou's WeChat account but doesn't feel comfortable completing the transaction. She asks a friend to look for the product in a duty-free shop when she goes to Korea next week.

## REFLECTION

Her friend found the product for a great price in a mall in Korea. She loves the packaging, so she takes an artistic photo, and posts it to her WeChat Moments. Some of her friends ask her for details about the product.



**WEN JING**  
28, ZHENGZHOU TIER 2

## INSPIRATION

Working for a state-owned enterprise, Wen Jing receives new monthly beauty products as part of her employee perks.

## RESEARCH

She also comes across a discount to a beauty service on Dian Ping or Mei Tuan (similar to Groupon) offering three free sessions. The sessions are free so why not give it a shot? Wen Jing attends a one-hour customized beauty session.

## TRANSACTION

After three sessions, she's obsessed with the level of personal attention and customized care. She signs up for 50 weekly sessions for 4000rmb.

## REFLECTION

Wen Jing loves her beauty service - it's working well and some of her coworkers have commented on her complexion. She brings a few of her colleagues to join her for sessions at the beauty service center.

# FOUR CONSUMER BUYING JOURNEYS



**XIAO MEI**  
23, CHANGSHA TIER 3

## INSPIRATION

Xiao Mei follows a number of beauty celebrities on Weibo. The social network promotes related content that sometimes includes new beauty products.

## RESEARCH

A new make-up product from one of her favorite Korean beauty celebrities, PONY, looks fantastic. She looks for negative reviews on Weibo and Baidu to see if people have any complaints. Xiao Mei also compares it to other products on the official site.

## TRANSACTION

Normally she'd try to get a sample in-store but her city is limited for brands. She'd never buy it online - there are too many fakes! She asks her friend on WeChat for a reliable Daigou and completes a transaction through WeChat, which is convenient but slightly less secure than Taobao.

## REFLECTION

The Daigou came through. She tries the product and loves it. Xiao Mei takes a selfie and shares it with a friend group on WeChat Group Chat. She finds the brand on Weibo and starts following it.



**JEUNG**  
24, SEOUL KOREA

## INSPIRATION

Jeung browses feeds on Facebook and her favorite beauty blogs in her free time. She's interested in make-up trends - a natural look and natural ingredients are big right now.

## RESEARCH

A friend recommended a product and Jeung goes to Naver to find the product information. She heads out to a store in a local mall to try it on first, then browses online to compare prices.

## TRANSACTION

Jeung knows this brand well and can sense a discount coming in the next couple of weeks. She pops it in an online shopping cart in Memebox and keeps track of prices in-store and on BeautyNet. Sure enough, one of the online stores offers a discount and she makes the purchase online.

## REFLECTION

She takes a selfie wearing her new lipstick and shares it on KaKao. She quite likes how the product is holding up and makes another trip to buy the product in store so she can sign up for the brand's membership program.

# INSPIRATION

## PRODUCT AWARENESS, CURIOSITY AND DESIRE.

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“I read beauty information on RED almost everyday. I’m also following many beauty celebrities on Weibo. I check them during my free time.”

— Participant No.1, Age 24, Suzhou

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The customer journey begins with Inspiration, which is increasingly driven by digital platforms like Weibo, WeChat, and in Tier 1 cities, RED. Korean dramas and music groups are hugely popular, and beauty brands have capitalized by leveraging these influencers to promote their products. In Korea, the social media mix includes Instagram, Kaokao, and NetEase’s Kaola.

Ask anyone in China if they have any Daigou in their WeChat feeds and it will be difficult to find someone, male or female, that says no. Daigou are usually independent, one-person shops or small business operators that can procure difficult-to-find overseas products. They market their services relentlessly, and will often push new products and promotions into the feeds of their followers.

Among our Chinese participants, beauty memberships are relatively underutilized, and offer a potential opportunity for players in this space. Koreans, more likely to shop in-store than their Chinese counterparts and with more opportunity to hunt for discounts, are more likely to be enrolled in memberships.

## PLATFORMS FOR INSPIRATION



### WEIBO

Weibo is a Chinese micro-blogging platform similar to Twitter in the U.S. Weibo is a popular platform for celebrities, influencers, and advertisers to distribute content. In Tier 1 cities, Weibo usage for beauty inspiration was comparatively less than in Tier 2 and 3 cities, possibly as a result of platform competition like WeChat and RED.



### LITTLE RED BOOK (RED)

RED is a Chinese mobile application and social network for the discovery and purchase of overseas goods, primarily beauty and fashion products. RED employs an image-driven UI and encourages content creation from users. In our research, this platform is only used by participants in Tier 1 cities.



### WECHAT MOMENTS

A dimension of the WeChat platform experience, Moments is a scrolling newsfeed populated by content from the user’s friends and advertisers, similar to Facebook in the U.S. All participants had included Daigou as friends in their inner circles.



### INSTAGRAM

This image-driven social network is blocked in China but not Korea. Chinese participants in coastal cities and who work in international companies use Instagram. Usage by Chinese in lower-tier and inland cities was uncommon.



# HALLYU

## THE IMPACT OF KOREAN SOFT POWER ON GREATER CHINA

It is hard to overstate the influence of Korean culture on China, well documented as Hallyu (Korean Wave). Korean soap operas like “Legend of the Blue Sea”, “Descendants of the Sun”, and “My Love from the Star” are followed by millions of Chinese, with crowd-sourced Zi Mu Zu (subtitle-teams) providing near instantaneous translation and distribution of new episodes upon their release in Korea. “K-dramas” can serve as powerful platforms for product discovery — either directly, when products are featured on shows, or indirectly, when endorsed by actors or in advertisements placed before and after episodes. Innisfree, a Korean cosmetics and skincare company, has achieved enviable market penetration in China utilizing “Boys Over Flowers” star Lee Minho and K-pop icon Yoona. At the time of research, Innisfree held the top beauty spot on Taobao and Baidu by search volume.

Participants indicate that Korean media has a production value unmatched in the region and that the idealized, happy-ending plots are more appealing to Chinese sensibilities than similarly polished but darker fare from Japan.

Korean beauty brands are highly regarded for their innovations, efficacy, and accessible price points. Additionally, visas are comparatively easy to attain, and South Korea along with Japan have shared top spots for outgoing Chinese tourist traffic for over a decade.



*Left: A participant shares a selfie created using Snow, a popular Korean messaging app with a large following in China. Right: A participant’s dresser covered in Korean skincare products.*

# RESEARCH

## ANSWERING THREE KEY QUESTIONS PRIOR TO PURCHASE



IS THIS PRODUCT  
RIGHT FOR ME?



IS IT  
AUTHENTIC?



WHAT'S THE  
BEST PRICE?

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“Usually I go to Weibo and Little Red Book to find more information and reviews after I decided what product I want. I like to read posts that summarize all reviews and comparisons of a group of products.”

— Participant No.2, Age 29, Changsha

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Once a consumer becomes aware of a new product, the immediate concern is whether the product is suitable for that individual consumer - Will it fit my skin type? Is it effective? What is the price range? What are the ingredients?

Chinese participants scour Baidu, Taobao, and RED (Tier 1), and review websites to find answers to these questions. Authenticity is a big consideration and they look at the number of reviews a person has made and the number of followers they have to gauge the credibility of their reviews.

In Korea, the research platforms vary but typically start with a Naver/Naver blog search and a visit to the Hwahae app to check a product's ingredients. As noted earlier, Korean cosmetics are trending heavily towards natural ingredients, a preference we noticed gaining traction in China as well.

For makeup products, the inclination is to find a physical store to sample the product. In Tier 3 cities, this was a particular challenge as many brands lack physical footprints.

Once a product becomes a candidate for purchase, the immediate concern becomes procurement. Import tariffs render the majority of overseas goods prohibitively expensive to purchase in China.

For Chinese, the overwhelming anxiety related to a product's authenticity, combined with artificially inflated prices provides the market demand for Daigou service (discussed in detail on the next page).

Both Chinese and Korean consumers will conduct exhaustive comparative price searches across platforms and in-store to find the best prices. They will consider discounts, duty-free costs, Daigou, and membership benefits. If there is no urgency in purchasing the product, Chinese are content in asking a friend to pick up the product the next time they make a trip abroad or to wait until they travel themselves.

If a Daigou is required, a new round of research is kicked off to determine the individual's credentials, integrity, and to compare the price offered against their previous research.

For Koreans, concerns about authenticity are negligible, and finding the best deal takes precedence. Koreans in Seoul are able to find almost any brand they'd like in a physical store.



# DAIGOU

## CHINESE PROCUREMENT SPECIALISTS

Prevalent in participants' WeChat feeds, Daigou specialists in importing overseas goods. Daigou are often personality-driven operations built on relationships and personal references.

Daigou will push discounts and sales of foreign goods out to their connections on social media. The most credible, anxiety-reducing Daigou provide pictures of the products, their prices, packaging, ingredients, and answer potential client questions with detail. They will document their process for procuring goods, display a wealth of detailed reviews from satisfied customers, and ideally maintain a store on Taobao for a more secure transaction. Daigou will often specialize in a product category and country.

Participants in Tier 1 coastal cities and those working for international firms are far less likely to utilize the services of Daigou. These individuals are generally more affluent, have more opportunities to travel, know more people that travel regularly, and have more convenient access to foreign goods. In some cases, these individuals take on part-time Daigou businesses of their own.



WeChat Daigou post pictures of the latest product information on WeChat Moments. They also post pictures when they're shopping in-store to help prove products are authentic.



Taobao Daigou feature pictures of themselves shopping in stores. They add minutely detailed descriptions of products to enhance their credibility.

# TRANSACTION

## WHERE THE ACTUAL PURCHASE HAPPENS

While Koreans are more likely to utilize desktop, mobile, or in-store channels equally for purchasing, Chinese participants are overwhelmingly mobile-centric (see Mobile China for more detail on this behavior). They prefer to complete a transaction on their phones compared to in-store or another device.

Part of this preference is the physical shopping experience provided by brands in China. Every single participant, regardless of age, location, or purchasing power, described shopping in-store with extreme negativity. Tier 1 participants with greater access to foreign markets avoided shopping for beauty products in China altogether. While price is a contributing factor, service staff are described as extremely pushy, or extremely cold and unwelcoming (“too hot or too cold”).

Noted in previous ethnographic research conducted by EPAM, Chinese are traveling abroad with increasing frequency, and their expectations for customer service have begun to align with those in the West.

However, brands have been slow to adjust and service offers one of the biggest opportunities for beauty brands to differentiate in China. Considering in-store purchases represent one of the primary means to drive brand loyalty programs and samples are a key mechanism for new product discovery, the upside to service redesign is high.

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“I don’t like shopping in-store since the salespeople are either unfriendly or too pushy. I would rather shop online or find a Daigou. Sometimes I prefer to worry about the authenticity than shop in a store and talk to salespeople.”

— Participant No.3, Age 23, Changsha

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## BEAUTY CLINICS



Many participants indicated they had tried a beauty clinic at some point in their exploration of beauty care.

Similar to a spa, beauty services in China offer customizable one-on-one sessions focusing on the specific needs of the customer.

At an accessible price point (a participant in Nanjing purchased 50 one-hour sessions for 4000RMB), these clinics can monopolize a consumer’s beauty wallet share and drive discovery of, and loyalty to, new products.

The customized care offered by clinics shows the potential for a more tailored, consultative approach to customer service.



A participant outside of one of her favorite beauty salons in Shanghai.

# REFLECTION

## DETERMINING THE VALUE OF A PRODUCT AFTER PURCHASE

“I definitely share product information with friends if I find it to be good. It is always worth it to share good products. Sometimes I take pictures of the products and post them on my Wechat Moments.”

— Participant No.4, Age 31, Nanjing

Reflection is the assessment of the product or experience and the estimation that leads to user-generated content, repurchase, and brand loyalty.

Generally, consumers are happy to receive their products at last and relieved when the product performs as expected.

Reviews are more likely when experiences are very positive or very negative. Generally, women 30 years and older were less likely to create content related to the products they purchased and share it with multiple friends simultaneously. These women reported discussing beauty products in-person or through one-on-one conversations. In contrast, younger women in both China and Korea were more likely to take selfies and share their purchases with friends on WeChat Moments and KaoKao, respectively.

With so much concern around authenticity, reading reviews is crucial. The majority of research is happening online and much of the decision making process is determined by this user-generated content.

## SHAREWARE

Participants were interested in leaving reviews or sharing photos in a variety of cases:



### WHEN PACKAGING IS PARTICULARLY PLEASING

Engaging packaging was a key catalyst for user-generated content.

*A participant posts a photo to her WeChat Moments.*



### WHEN PROJECTING AFFINITY WITH A LIFESTYLE

YSL won points with consumers for packaging, but also as an accessible means to project a luxury lifestyle.

*A participant posts a picture of “her daily accessories.”*



### TO PROMOTE A BRAND OR DAIGOU THEY FEEL LOYALTY TO

Brand loyalty was commonly observed with beauty products in China (unlike in many other product categories).

*“This is the best Armani makeup item besides their foundation.”*



### TO SHARE AN EFFECTIVE PRODUCT OR DAIGOU SERVICE WITH FRIENDS

When a product works well, participants were keen to share it with friends.

*A participant asks friends for eye cream recommendations and a Shiseido product is recommended.*

# LOOKING AHEAD

## RECOMMENDATIONS FOR WINNING IN CHINA



### RE-IMAGINE LOYALTY PROGRAMS

Observations from this research suggest that membership programs in China are undersubscribed. There are two likely reasons: 1) Brands have not spent adequate time with their customers to understand their needs, motivations, and triggers, and 2) The membership value proposition does not align with the economics of beauty in China. Brands need to spend time with their consumers and leverage insights to build tailored programs that encourage user-generated content. Businesses should accept that until the loyalty value proposition can compete with Daigou services and overseas prices, increasing enrollment will be challenging.



### CONNECT ALL CHANNELS

While improving in-store experiences is important, the Chinese consumer is likely to engage with a brand across a variety of digital channels as well, including mobile sites, social media, and other platforms. Brands need to connect all channels with robust and engaging experiences to meet consumers appropriately at each stage of their journey. For example, driving membership through in-store purchases is useful, but membership should be accessible through digital channels as well, and customer behavior should be tracked holistically across all touchpoints.



### REVITALIZE THE IN-STORE EXPERIENCE

Responses from participants were unequivocal: Chinese shoppers would rather risk a Daigou or wait three weeks to travel than visit a beauty store in China. Brands are missing out on an early differentiating opportunity to provide a seamless, consultative in-store experience for their customers. Research indicates that while samples represent a strong opportunity for new product discovery and brand loyalty, Chinese have comparatively limited access to them. Examining the service ecosystem from a business, in-store staffing, and customer perspective can help a company understand the in-store experience and drive in-store traffic.



### OPTIMIZE FOR MOBILE

As noted earlier, Chinese consumers are increasingly mobile-centric, with younger generations leaning towards mobile-only. Brands need to optimize their content for mobile interactions, leveraging Alipay, WeChat, Weibo, and other platforms to provide a seamless consumer journey, including login, Inspiration, Research, Transaction, and Reflection. WeChat, for example, has robust tools for meeting consumers' needs across these milestones.

# WHERE EPAM FITS

Large, global brands across diverse industries rely on EPAM's strategists, user experience and visual designers, software developers and quality assurance engineers to envision, design, build and deliver digital business-focused solutions.

## DIGITAL ENGAGEMENT

EPAM's Digital Engagement Practice provides a one-stop shop capabilities for digital transformation initiatives to support omni-channel and cross-channel user journeys including O2O experiences, mobile-first and mobile-only consumer and enterprise solutions.

## SERVICE DESIGN

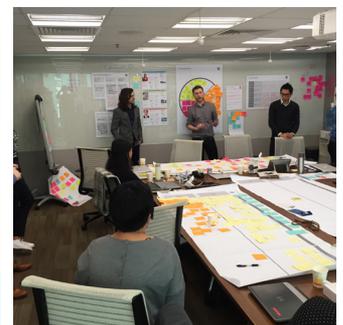
Our Service Design team humanizes technology, creating relevant and engaging digital and/or physical services for people. EPAM's customer-centered design approach facilitates a deep understanding of users' wants, needs and frustrations, while also drawing on trends from the wider world to create new, authentic customer experiences.

## WECHAT

WeChat is a key digital engagement channel for Chinese consumers. EPAM has a dedicated competency center with experts on WeChat services and APIs, and a suite of Accelerator components to enable rapid development and integration. Our Accelerator can be quickly deployed to provide deeper engagement, messaging, loyalty, eCommerce and customer service capabilities in the cloud, integrated with clients' back-end.

## LOYALTY

EPAM has designed and implemented loyalty programs for world-class travel, retail and beauty brands. Reach out for details.



*(Clockwise from top) An EPAM UX designer reviews discovery findings. A Service Design engagement combines market insights, subject matter expertise and organizational representatives to envision an omnichannel retail service. More insights relating to WeChat and mobile behaviors can be found on our site.*



# EPAM'S APAC PRESENCE

EPAM has over 800 delivery consultants, designers and technologists in the APAC region with client management locations in Hong Kong, Singapore, China (Shanghai, Shenzhen, Suzhou, Guangzhou), Australia (Sydney, Melbourne, Perth) and Malaysia. EPAM's clients are Fortune 500 firms across a wide range of industries including travel, retail, financial services, healthcare and life sciences.

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