

Innovation and Technology Transfer Project for Chinese Cosmetic Industry

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Abstract

Innovation and technology have provided new ways for business and firms in enhancing growth and development. Innovation and technology have acted as determinant factors for the company's adaptation to change, competition and the dynamic business environment. Notably, innovation in the business world had not been deriving many yields and lacked importance in the past seasons and centuries, thus, posing lesser efforts in innovation and technological transactions. However, the recent periods, a shift has been witnessed. People and organizations have embraced and intertwined innovation and technology within their regular routines and the general operations of the firm. More importantly, innovation and technology has been well embraced and well adopted in the cosmetic industry, making it one of the most developing market sectors. This has impacted mainly on the efficient business services, thus the continuity of the business in thriving the embracement of innovation and technology transfer, hence achieving competitive capabilities.

Keywords

innovation ,technology , transfer,business.

1. Purpose of the Study

The wake of technological advancements has boosted the development of several cosmetic firms; thus, various cosmetic products have flooded the market as a result of vigorous innovation. Therefore, the research is intent on demonstrating how technology and innovation have enabled the expansion and development of the cosmetic industry in China. Cosmetic product brand modification and improvement is also vital area of discussion.

2. Scope of the Study

The scope of the study is basically in the Chinese cosmetic industry. This is how China's industrial market has developed in relation to current requirements in innovation and technology strategies. China's industrial sector has experienced tremendous development in the beauty industry, managing to outshine their regional competitors in manufacture and production of cosmetic products.

3. Objectives of the Study

The main objective of the study is to establish an aspect of brand management based on innovation and technology transfer. However, for this objective to come to pass, the research will also incorporate the following co-objectives;

- (a) To demonstrate technologies that have aided the development and expansion of the cosmetic sector.
- (b) To demonstrate how firms, cooperate in a bid to enhance technological transfer.

- (c) To demonstrate challenges and obstacles in developing a perfect cosmetic brand.
- (d) To establish strides made towards improving the cosmetic quality of the products.

4. Introduction

In general, this report focuses on the significance of networking advents in business operations and related activities such as decision-making techniques and business transactions, mainly relating to the cosmetic sector in china. The report notably tries to find how possible ways may be used to innovate and develop the cosmetic industry. This is because the consumption of cosmetic products has risen due to the mass production and sale of beauty products in and around China. All these operations have been made available and possible in the technology industry, which has greatly facilitated innovation hence effective management of innovation and technological transfer. Due to its effective transfer, business operations have continued to thrive towards tremendous economic and profitable heights. (Carayannis & Samara T Elpida, 2014)

The research would be beneficial to the entire industry and more so specific cosmetic firms in better ways to curb the market obstacles thus paving way for better firms strategies towards cosmetic related innovation and technology betterment.

4.1. Background of the Study

Innovation and technology have mainly impacted in transforming numerous if not all industries. It has acted and remained as the primary catalyst to the industrial revolution in both large and small businesses. The cosmetic industry thus has become part of the nation's common market trend, managing to become the top country's top searched trend in the recent years. (CIW, 2016)

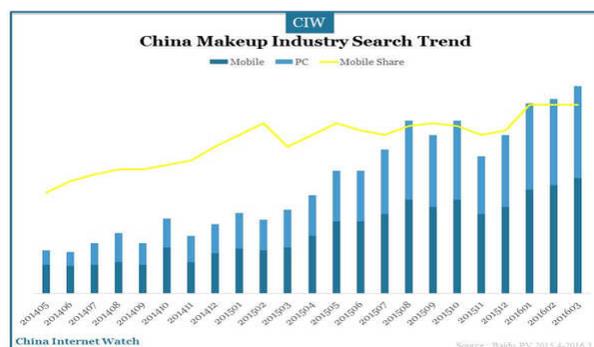


Figure 1. China makeup industry; source CIW team (2016)

About 73% of China population has embraced the usage of cosmetic products and has made it part and parcel of their daily lifestyle. In the past 12 months, China has experienced a notable rise in cosmetic production, thus catalyzing its extensive usage among interested clients. This production has seen the make-up queries increase by 93%. This was mainly about its usage, durability, general significance and after use impacts.

5. Methodology / Approaches

Many multidisciplinary approaches have driven beauty industry innovations. These approaches have been the main driving factors towards the development of the industry. Our focus is on skincare trends in which its innovation has been as a result of tech-based developments.

5.1. Multidisciplinary Approaches

a. Multidisciplinary - cosmetic innovation has been impacted majorly by working across various industries. This is made possible by bringing together the fundamentals of various areas of which topical product is only one. Comprehensive support for the client and cosmetic users come in place through regular education, data gathering and other sections that provide actionable communication. The challenge associated with this approach is that most departments responsible for multidisciplinary services exist in silos. (Rchel, 2018)

b. Regulatory challenges - the more the difference between advanced cosmetic products and the low level medicinal topical, the more the government would enact regulatory measures to control industry operations. However, regulations are starting to show signs of failure by lacking the base to keep with technology advancement. Therefore, regulations will continue to be an ever-rising bottleneck to true innovative measures.

c. Independent (indie) beauty brands - most companies might find it challenging to establish an internal team or a commissioned external partnership to develop a cross-departmental project together. Thus, they are likely to create a visionary indie to enhance the innovation development. Effectiveness and transparency are becoming a point of concern in many customer agendas, therefore digital and device technology have the power to track progress and advise on the adjustments. However, this approach has had some resistance from those who do not want much focus on their products. (Whitehouse, 2018)

5.2. Selecting Products to Rate

This methodology focuses on how cosmetic products should be rated accordingly. The cosmetic industry, therefore, should emphasis on everyday household customer products been bought from mortar stores or online retail outlets such as supermarkets. Here also, customers who join the GoodGuide community. And as registered customers they can request some products of their preference be added in part of the company's sale priorities, thus boosting innovation.

5.3. Expert Judgements

Innovative measures have been significantly generated through employment and use of expert judgements in making strides towards cosmetic product development. Therefore, by use of significant expert appraisals, attractive cosmetic products are developed; thus the development of industrial products.

6. Problem Statement

1. How companies strive towards building a more excellent brand image

The cosmetic industry has dramatically grown over the last few years, making its products highly diversified. Thus identifying the brand to consumption has become an inevitable pattern. Various companies have made strides toward out casting their competitors in the industry and establishing a solution to challenges arising due to brand modification. Zhejiang Weiya Cosmetics Co. Ltd, for instance, has developed attractive product brand making it highly preferable by many customers. The brand name for its products is Weiya, Dream Charm, VEYA. Therefore, right brand image can transfer the quality of the product and its technology to the users. Thus this attracts customers and makes them gain interest in other company's products.

2. Ways of improving the quality of products

Due to the industrial revolution, the world has embraced more innovation and technology in cosmetic industries. Clients and users always prefer products that quality enough to meet their demand expectations. The low price of the products always is as a result of low quality in terms of production, usage safety and health risk involved in raw materials. Therefore, the cosmetic

company must strive towards improving product quality as a foundation of its aesthetic innovation.

3. Packaging innovation of cosmetic products

Cosmetic products such as makeup kits as mainly used by selective individuals, who consider mode and type of packaging used. Most of them are majorly ladies who prefer attractive and well-packaged products. Perception of the products brand image thereby starts from the visual recognition of the product. This modification includes brand logo, product design, brand name and other elements related to packaging. Therefore, the unique visual recognition will lead to customers' product association.

4. Abide by the original designing

Piracy in the innovation of products has flooded the cosmetic industry. This has led to the availability of a low-quality product in the market. Prospering China companies have discouraged tradition of counterfeit goods and thus sticking to the original china cosmetics. Thus, the reason for its endeavours prosperity in outshining its industry competitors.

7. Industry Overview

7.1. Market Overview

According to *Euromonitor*, retail sales of skincare products in china managed to reach RMB 212.2 billion in 2018 from RMB 198.9 billion in 2016. Also, sales of make-up products totalled RMB 42.8 billion, thus representing years' growth of 13.2% on skincare retail sales and 24.5% on make-up product sales ever.

Table 1. Retail sales of cosmetics by wholesale and retail companies since 2013

Year	Retail sales (RMB billion)
2013	162.5
2014	182.5
2015	204.9
2016	222.2
2017	251.4
2018	261.9

Source: National Bureau of Statistics of China

The table above illustrates how retail sales of cosmetic products by wholesale and retail enterprises have developed since 2013. Innovation and technology transfer have clearly been shown how it has been enhancing from 2013 to date. Various firms in the industry have embraced the innovation of new products hence the reason for the more witnessed sales in the industry.

7.2. Customer Market of Cosmetic Products

China has the largest population in the world, making it a profile destination by various sectors yearning chip in the cosmetic industry to capitalize on the population. Some products are highly demanded and preferably used by the sizeable commanding population. These products are

those that have greater influence among individuals or those correctly branded. (Rodrigues, 2018) They include; skincare products, shampoos and hair care, make-up products, anti-ageing products, sunscreen products, cosmeceuticals and sport cosmetics.

7.3. Market Competition

According to statistics from the *National Medical Products Administration (NMPA)*, there are over 4,933 qualified enterprises able to produce cosmetics in china in the mid of 2019. Thus, this has provided products variety customers can choose from, hence making china a cosmetic sustainable country. (Szalai, 2017)

Due to the vast development of domestic cosmetics firms, local innovative brands' market share is progressively growing and thus creating stiff competition with their foreign counterparts. Domestic firms have strategically given more attention to their product development and hence, quality and brand development. In a bid to outshine competitors' local brands are increasingly applying traditional Chinese medicine notions and the natural extraction criterion in the development of skincare products. These products include; *Tai Ji* and *Yu Wu Xing* from Herborist.

Cosmeceuticals market in china is mainly dominated by brands such as VICHY and La Roche-Posay, but due to major innovative strategies in China, domestic brands have shown signs of dominating the region also. China's Herborist and Tongretang have ventured into the cosmeceuticals sector and are progressively achieving growing recognition from the user population.

Children's skincare: universal childcare heavyweight such as Frog Prince, pigeon, and Johnson & Johnson are eyeing the china population market. Competition between these foreign players and the domestic ones has given rise to better innovative measure, thus the production of quality and branded children's skincare cosmetics.

7.4. Sales Channels

Due to an increase in technology, various sales and distribution channels have been invented and other being improved. China's sales channels for cosmetics in the mainland include; supermarkets, chain stores, beauty parlours, department stores and integrated e-commerce platforms. (Allison, 2018)

Some brand development expands its business operations by opening a speciality store (franchise store formats). Many multi-national cosmetic heavyweights prefer directly operated speciality stores, in which they can display brand appearance better and ensure the quality of services offered Direct selling is also a way of trading cosmetic products through distributors' networks. Cosmetic firms reward their distributors accordingly, that is depending on the quantity of goods sold through their channelled personal networks. China's Avon was the first brand to unveil a direct-selling preliminary programmed in 2005.

Table 2. Selected Cosmetics Fairs in China

Date	Exhibition	Location
5-7 September 2019	China International Beauty Expo (Guangzhou)	China Import & Export Fair Complex, Guangzhou
17-19 October 2019	Chengdu China Beauty Expo	Century City New International Convention and Exhibition Centre, Chengdu
30 October-1 November 2019	Shanghai International Beauty, Hairdressing & Cosmetics Expo	Shanghai Everbright Convention & Exhibition Centre
13-15 May 2020	China International Beauty Expo (Shanghai)	National Exhibition & Convention Centre, Shanghai
19-21 May 2020	China Beauty Expo (CBE Shanghai)	Shanghai New International Expo Centre

Other selling channels include; drugstores, pampering and therapeutic beauty parlours, large and medium-sized high-end beauty spas, franchise chain stores and grooming and hairdressing parlours.

7.5. Import and Trade Regulations

Before any cosmetic product traded in china, its manufacturer or agent controlling the product must obtain an application for *Hygiene License of Trade Cosmetics* from the relevant hygiene administration department. These regulations are aimed at eradication of unworthy and illegal businesses and also curbing production of low-quality cosmetics. (Albert, 2018)

China's economic state may require adjustment of cosmetic tariffs to suit the required standards. That is, in July 2018, skincare and haircare product tariff was slashed from 8.4% to 2.9%.

Table 3. Import tariffs of selected cosmetic products in 2019

HS Code	Description	(%)
33030000	Perfumes and toilet waters	3
33041000	Lip make-up preparations	5
33042000	Eye make-up preparations	5
33043000	Manicure or pedicure preparations	5
33049900	Others (including preparations for the care of the skin, suntan preparations, etc.)	1
33051000	Shampoos	2
33052000	Preparations for permanent waving	3
33053000	Hair lacquers	3

Source: Revised MFN Tariff Schedule for Daily Consumer Goods, China, 2019.

These regulations, therefore, have acted as an impromptu catalyst towards better innovation strategies by the affected firms. This would be in a bid to conform with the require brand quality and better hygienic conditions.

8. Emerging and Current Market Trends

Due to technological inventions the market has been positively driven giving rise to new other innovations to be carried out. These trends include;

(a) Process and Ingredient Transparency

Nowadays the user public demands more visibility and transparency in cosmetic manufacture processes. The product customers are becoming the driving force for ingredient transparency. This has enabled the cosmetic manufacturers demonstrate adequate compliance with expectations by delivering comprehensive raw materials and batch processing information.

(b) Health Consciousness

The cosmetic and personal care market has been driven by merchandise concerning consumer promoting a healthier lifestyle. Users has been making selective purchases on beauty care cosmetics based on ingredients used.

(c) Environmental Effect

Nowadays user population expects less-harmful production processes and business operation that are environmentally friendly. This has become an established trend of maintaining eco-friendly manufacturing practices in the cosmetic industry.

(d) Digital Transformation

Due to the increased digitalized cosmetic manufacturing and distribution the industry has been converted into a much interactive platform. Personal data captured through digital channels creates an opportunity to heighten future product offers.

(e) Independent Brands

Dynamic market trends have pave way for independent cosmetic business to apply inventive way out to the emerging customer needs. These brands displays and demonstrate environmentally and health friendly practices and other unique offers not sold by the big firms.

9. Data Analysis

According to statistics, in the recent year's china's skincare products registered the best purchases as compare to other countries in the region, having progressively grown from 25.3% in 2013 to 32% at the end of 2018.

Innovation and technology have impacted mainly on the market since firms outside the country have embraced better innovative measure to curb and attract the user population in China. The products (skincare) are branded favourably, thus meeting the required quality.

China has recently witnessed the rise in men's cosmetic sector. Estimates by *Euromonitor* has shown that male skincare products market expanded by 7.9% in the year 2018; thus men's skincare has become increasingly popular. Cosmetics products for men are majorly on those concerning cleansing and those dealing with oily skin. Another emerging issue on men's cosmetics are those related to skin conditions such as ageing and roughness.

Cosmeceuticals – these are Chinese herbal cosmetics. Due to the increasing number of chronic diseases, cosmetic firms have to embrace better innovative measure that helps boost the health condition of the user. China cosmetic industry is made up of 20% cosmetics. This market sector appears to have plenty for growth, that is, young customers are beginning to concern themselves more about the ingredients and quality of products they purchase. (Baumann, 2002)

All-Natural DIY cosmetics- this is a cosmetic sector that has gained much popularity in the recent years. This involves consumers purchasing ingredients themselves and thereafter creating a tailor-made products and skincare cosmetics with their formulas and criteria. Nowadays these products have become increasingly commercialized, mass-produced and are sold through various channels including; e-commerce platforms (*Taobao.com* and *Tmall.com*)

10. Recommendations

It has been witnessed that innovation and technology go hand in hand, that is if there is a rapid cosmetic technology, it will also give rise to future innovation as well. The below-mentioned solutions can be referred to for the improvement of china cosmetic industry; (Ghazanfar, 2015)

- (1) Cosmetic firms should have a well informed and trained employee who can suggest better innovative channels.
- (2) The company should have its store visually appealing and attractive, thus becoming a customer's preferred destination.
- (3) Its recommended that the company should have an interactive app, having the capability of providing online reviews and videos.
- (4) The cosmetic company should arrange product launch events and create exhilarating campaigns.
- (5) The company should involve customers and if need be, make them product brand ambassadors. Thus, this helps boost innovation and technology transfer.
- (6) Cosmetic firms should use loyalty programs to entice customers.

11. Conclusion

It can be concluded that innovation and technology are essential aspects of the growth and development of the cosmetic industry. As observed various firms have embraced better strategies towards the development of a quality product brand. It has been witnessed that different cosmetic firms' management has laid down measures to boost the continuity of the business and also strategies capable of adjusting to the dynamic technologies. It is also essential to state that those technologies that have the propensity of growth should be promoted and implemented in the firm. Therefore, these measures help establish efficiency and smooth operations in the entire cosmetic industry.

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