

BUSINESS

RETAIL

GUANGZHOU TO GIVE COSMETICS SECTOR A BOOST

City is building industrial zone to accommodate domestic firms in fast-growing market and help them compete with global brands such as L'Oreal

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Guangzhou is stepping up efforts to boost the cosmetics and skincare industry and help it compete with brands from global leaders in China's US\$52 billion market.

The city is building the 10.22 sq km Beauty and Health Care Industrial Park in the Baiyun district to generate synergies by bringing together local players in one location, according to the Science, Industry, Commerce and Information Technology Bureau in the district. Construction began this year.

Guangzhou is home to some 1,789 such firms, or about 40 per cent of the total nationwide, according to the bureau, which runs a leadership team to promote the industry. As of November 2020, 12 companies had agreed to invest around 3.5 billion yuan (HK\$4.15 billion) to set up factories.

"The biggest challenge [for development of the local cosmetics and skincare industry] is the lack of land," said Chen Wande, office director of the bureau. "So the city and the district created the park by buying land from villagers."

The site, situated within the larger Guangzhou Private Science and Technology Park, was expected to generate 8.6 billion yuan worth of cosmetics and skincare products annually, Chen said. Tourism conferences and exhibitions would also be integrated in the park, he added.



The retail sales value for cosmetics from China's wholesale and retail producers stood at 340 billion yuan in 2020, according to the National Bureau of Statistics, up from 88.9 billion yuan in 2010. Globally, L'Oreal, Unilever and the Estee Lauder companies together generated almost US\$72 billion in sales in 2020, data published by Statista shows.

L'Oreal's sales in China grew by 24.1 per cent, based on reported figures, according to its 2020 annual report. The market recovered strongly in the second half, rising around 4 per cent in the year, boosted by robust demand for certain brands and e-commerce. L'Oreal China significantly outperformed the market with double-digit growth in all divisions, the report added.

Strengthening the "beauty economy" has become a key goal in recent years for Guangzhou, the second-largest economy in the Greater Bay Area, Beijing's planned integrated economic zone in the Pearl River Delta. The Baiyun district, which hosts about 75 per cent of such manufacturers in Guangzhou, was expected to generate 50 billion yuan of output by 2023 and 100 billion yuan by 2025, the bureau said.

To strengthen its traditional advantages in the industry, authorities in Baiyun were also studying new policies to attract more investment and companies into the district, specifically in the beauty and health care park, said Chen Guojin, director of the Guangzhou Baiyun Cosmetics Promotion Association.

The Guangdong provincial government, meanwhile, issued a proposal in January to facilitate the high-quality development of the cosmetics industry. It included measures ranging from easing the construction of industrial zones, preferential tax rates and actions to nurture local brands.

"We hope the park can coordinate resources in the Greater Bay Area and seek co-development," Chen at the association said. "As Guangzhou is a top-tier city that has limited physical space, the production and related facilities can be transferred to [other bay area cities such as] Foshan, Zhongshan, Zhuhai and Dongguan."

Sales of cosmetics and skincare products have been resilient in China through the coronavirus pandemic. They surged 40.7 per cent to 55.8 billion yuan in the first two months of this year from a year earlier, according to government data. That outpaced the 33.8 per cent headline growth in national retail sales.