

# Marching Ahead to Greater Success In Tune With The Times

China Medical Aesthetic Industry Outlook 2022

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## Status quo of China medical aesthetic industry

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- Beijing, Shanghai, Hangzhou, Chengdu, Guangzhou, Shenzhen, Xi'an, Zhuhai, Quanzhou

# Preface

*Despite an overall slowdown in growth, China medical aesthetic market remains among the fastest growing ones in the world. With capital pouring in, China medical aesthetic industry developed a clear and complete industrial chain composed of upstream manufacturers, medical aesthetic service providers, and medical aesthetic users. However, in terms of market penetration rate, there remains vast room for growth in the Chinese market. Thus, the medical aesthetic industry has become the hottest segment in the Beauty and Health sector, and a hot spot for consumption growth.*

*However, along with the accelerated reshaping of the competitive landscape in this segment, the industry is likely to face unprecedented new situations. On the one hand, constantly evolving industry transparency and regulations will inevitably impact marketing mode which relies heavily on online platforms for content dissemination. This will cause the competition for high-quality medical aesthetic users to intensify. On the other hand, the core customer group with a mature attitude towards beauty and consumption habits has a diversified demand for medical aesthetic products and services. In view of the complex marketplace and fierce competition, how upstream manufacturers and medical aesthetic service providers precisely understand the core needs of medical aesthetic users and build trust will be the key to winning the market in the next round.*

*This white paper conducts cross analysis in three dimensions, including the status quo of the China medical aesthetic industry, the medical aesthetic user analysis, and the medical aesthetic service provider profile. Further, it will summarize the characteristics of and discuss the direction of innovation being undertaken by public hospitals, spotlight cities with different medical aesthetic maturities and levels, and explore the future development trends.*

# 1. Status quo of China medical aesthetic industry

# Abstract

Owing to an **uptick** in the overall consumption capacity, consumer awareness around medical aesthetic is accelerating in China, with the development of innovative technologies fueling this market. The core issues China medical aesthetic market will face in the next development cycle will be around how to deal with constraints, including the massive shortage of professional talent, and the urgent need to improve the industry standardization level

*In this regard, Allergan Aesthetics conducted an extensive desk study and multiple in-depth interviews with influential insiders on a variety of perspectives. This white paper provides an overview of the China medical aesthetic industry's history, a preliminary discussion on the key factors hindering the industry's penetration while refining the core drivers, and finally, a multi-dimensional glimpse of the current status quo and upcoming trends in China's medical aesthetic industry*



# Summary



## China medical aesthetic market keeps growing slightly faster than the global market

- After approximately 90 years of development, the China medical aesthetic industry is booming with impressive results achieved under the joint efforts of medical aesthetic practitioners. Looking back at the past five years, the growth rate of China medical aesthetic market has continued to lead the global growth rate. Although the growth rate this year will be limited due to the impact of pandemic, **we believe that the demand of Chinese consumers is still sufficient and will be gradually released as the epidemic eases, and is expected to maintain a growth rate of more than 10% in the future**
- Since 2020, the Covid-19 pandemic has been a 'Black Swan' event that has caused great impact. In the first half of 2022, the pandemic resurged in many cities, rapidly reshaping consumers' psychological needs and expectations. In the short term, the resurging pandemic will decrease consumer demand and shift their focus to necessities. Post the pandemic, **the medical aesthetic market will gradually recover as consumer demand revives**



## China medical aesthetic industry development: Major challenges

- **Shortage of professional practitioners:** When compared with developed markets or analyzed in terms of supply and demand, China medical aesthetic industry has a severe shortage of qualified professional medical aesthetic practitioners
- **Incomplete and unregulated professional training system:** Presently, training is primarily provided by large public hospitals, specialized medical aesthetic training institutions, industry associations, and upstream enterprises. However, there remains large room for improvement in the professional training system
- **Inadequate market and service compliance:** Currently, the China medical aesthetic market frequently deals with issues such as occurrence of false advertising, rampant parallel import/fake goods, irregularities, illegal practices, etc., but regulators are trying to regulate the industry's development



## China medical aesthetic industry development: Drivers

- **Sufficient increasing room for penetration rate:** Compared to developed markets, the Chinese market has a relatively low penetration rate, leaving broad room for growth. The low market penetration rate will gradually increase with the burgeoning growth of diverse customer groups, such as an aging population, Generation Z, a male population with a rising interest in personal appearance and markets in lower-tier cities
- **Continuously improving Chinese consumption level:** With rising per capita disposable income and a pursuit of quality, Chinese consumers' willingness to seek medical aesthetic will continue to rise
- **Iterated and innovated medical aesthetic products and technologies:** In recent years, accelerated approval of medical aesthetic products, rich categories of certified medical aesthetic products, and a constantly evolving product line have satisfied the needs of medical aesthetic users and promoted the development of the medical aesthetic market



## Compliance enhancement as the core

- Legislative and law enforcement authorities are **shifting from passive response to active governance** when handling upstream manufacturers, downstream medical aesthetic institutions, and promotion platforms. In addition to cracking down on illegal operations, they are working towards establishing sound standards and systems to fill the regulatory gap

# Medical aesthetic aims to repair and reshape the facial and body appearance using medical techniques

## ? Definition

According to the 2018 Measures for the Administration of medical aesthetic Services, medical aesthetic aims to repair and reshape the human appearance and body using invasive or irreversible medical techniques such as surgery, drugs and medical devices. Medical aesthetic originating in Ancient Egypt is an art of making the appearance beautiful.

*Non-surgical items aim to make temporary changes in human appearance in a minimally invasive or non-invasive manner, mainly for aesthetic purposes.*

### Injections

Hyaluronic acid injections, Botulinum toxin injections, aqua lifting, lipolysis injections, etc.

### Laser

Laser freckle removal, fractional laser, laser hair removal, laser mole removal, etc.

### Non-invasive rejuvenation

Thermal Radio Frequency, Thermage, etc.

### Others

Line engraving, glycolic peeling, acne treatment, CoolSculpting, etc.

Non-surgical

Medical aesthetic

Surgical

*Surgical items refer to medical aesthetic items that permanently change appearance of the human body by surgery, mainly for repair.*

### Eye surgery

Blepharoplasty, lacrimar sulcus filling, frown line removal, palpebra inferior filling, etc.

### Rhinoplasty

Augmentation rhinoplasty, nasal deviation correction, nostril correction, nose reconstruction, nose reshape, aquiline nose correction, etc.

### Breast surgery

Breast enhancement, breast prolapse correction, nipple and areola plastic surgery, etc.

### Liposuction

Abdominal liposuction, hip liposuction, arm and leg liposuction, etc.

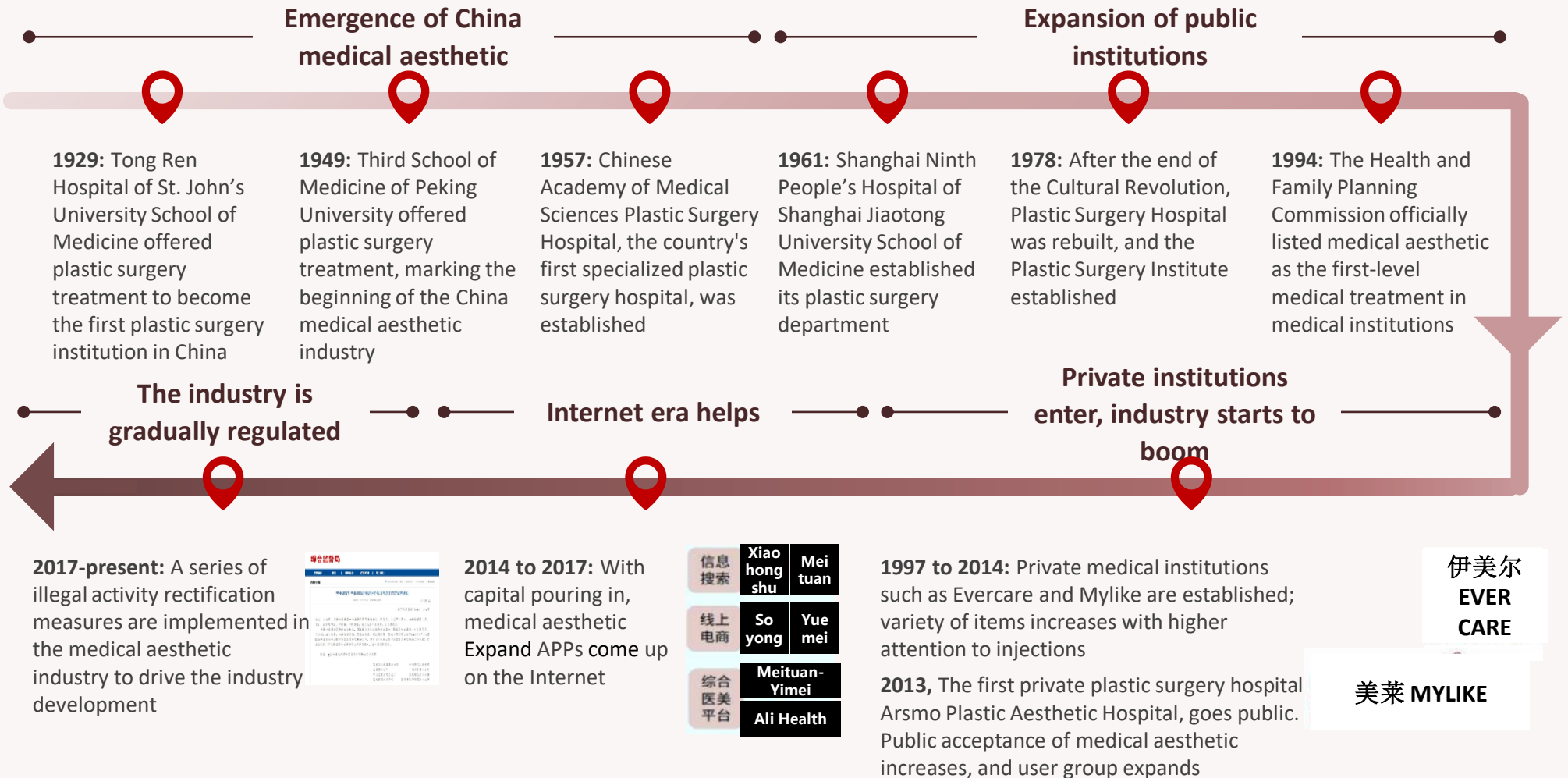
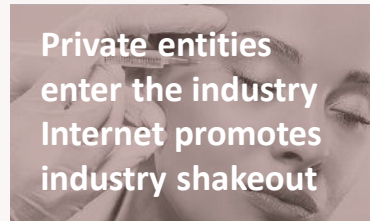
### Facial reshaping

Mandibular plastic, face modification, face thinning, facial depression filling, etc.

### Others

Repair of harelip and cleft palate, hair transplant

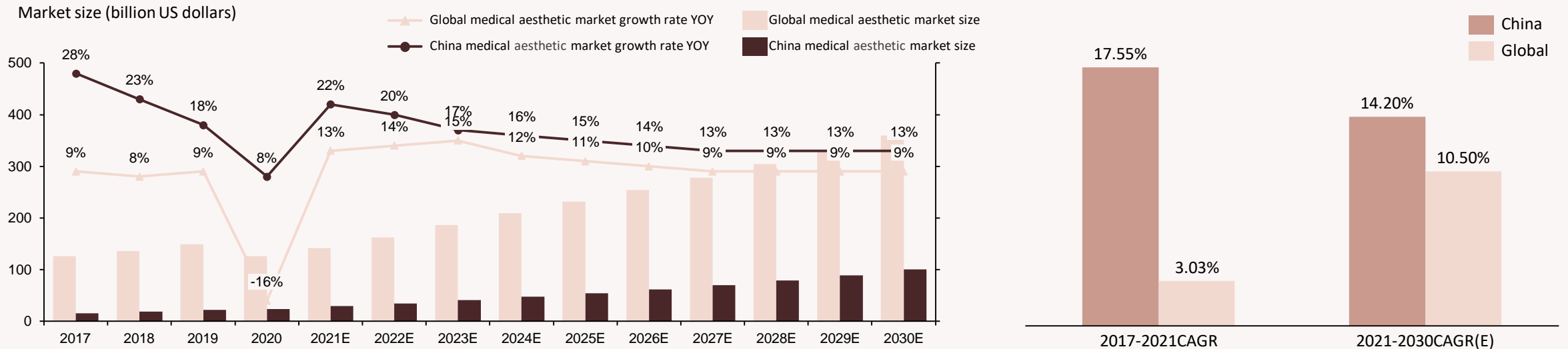
# China medical aesthetic industry started early, while speeding up development in the 21<sup>st</sup> century, with abundant types of institutions emerging and industry norms gradually established and tightened





# The China medical aesthetic market maintains a growth rate higher than the steadily growing mature global market

## Chinese vs. Global medical aesthetic market size from 2017 to 2030E



\*Note: Market size and growth rate shown in the charts above are forecasted based on data as of fourth quarter 2021



### The global medical aesthetic market is gradually recovering

- **Relatively large size:** The medical aesthetic market in US, South Korea, Japan and other developed countries started early following which their markets have a certain scale
- **Steady recovery:** The global medical aesthetic market has gradually recovered from the impact of COVID-19, and its growth is stabilizing



### The potential of the China medical aesthetic market is high

- **Limited impact of COVID-19 pandemic:** The market for China medical aesthetic increased from RMB63.7 billion to RMB154.9 billion between 2015- 2020, and is projected to exceed RMB350 billion by 2025
- **Outpacing the global market:** Although the growth rate this year will be limited due to the impact of pandemic, we believe that the demand of Chinese consumers is still sufficient and will be gradually released as the pandemic eases, and is expected to maintain a growth rate of more than 10% in the future

# As a “Black Swan” event, the Covid-19 pandemic impacted the whole industry and reshaped consumers' psychological needs and expectations (1/2)

Since the outbreak of COVID-19 in 2020, pandemic prevention and control has gradually become normal

Major cities affected, time and cumulative confirmed cases (excl. asymptomatic COVID-19 cases)\*



From March 2020 to 2022, waves of the pandemic, and the pandemic prevention and control was normalized in all cities

- During this period, there was a frequent resurgence of the pandemic at many places
- The impact of the pandemic was wide but irregular in most cities across the country, but with the strengthening of containment measures and rapid response, cities recovered quickly
- Tourism, catering, and entertainment industries saw accelerated recovery across the country

In January 2020, the Covid-19 pandemic broke out in Wuhan

- By the end of February, the situation had stabilized in China except in Hubei province
- Work and production resumed across the country in mid-March
- The initial impact was heavy, but consumption picked up quickly as only a few cities were affected

\* Graphic description: (1) The cities listed are only to illustrate the impact of the pandemic, not all the cities affected; (2) the value represents the cumulative confirmed cases during the period, excluding asymptomatic cases; and (3) different colors are to distinguish cities only

From the first quarter of 2022, Jilin, Shenzhen, Shanghai and other cities have been impacted by the rapidly spreading new variant of COVID-19

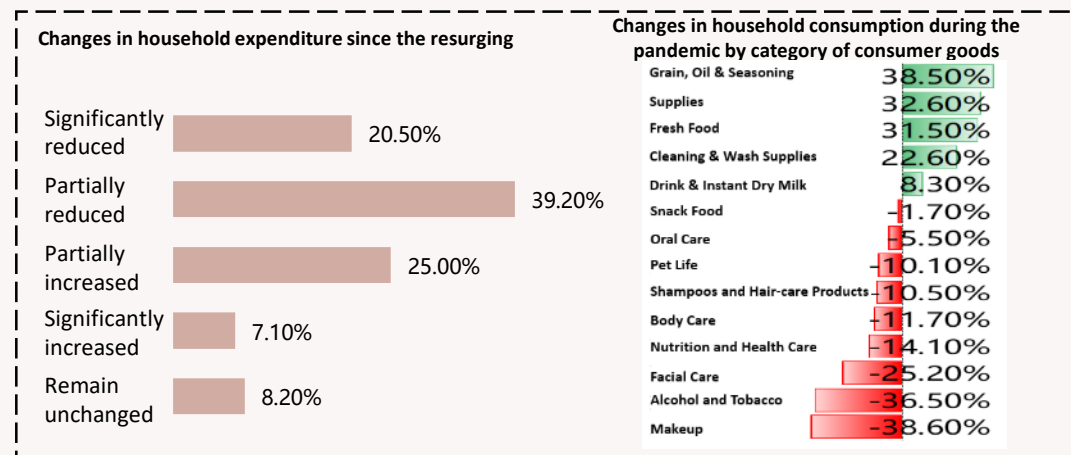
- According to statistics, more than 180 cities have reported new confirmed cases since the first quarter of 2022, the highest number since the first wave of the COVID-19 pandemic in early 2020
- With the rapid and wide spread of the pandemic, the strict lockdown and containment measures have been implemented in many places, including static management measures, and suspension of large-scale work and production
- The sudden interruption of life and industrial production has caused a grave impact on the development of the whole industry. The frequent imposition of pandemic prevention and control measures have begun to reshape consumers' psychological needs and expectations

# As a “Black Swan” event, the Covid-19 pandemic impacted the whole industry and reshaped consumers' psychological needs and expectations (2/2)

For brands, medical aesthetic institutions, and marketers, the key issue is **how to maintain a connection and empathize with consumers** during and after the hard times. To do this, they will need to keep an eye on how consumers' lifestyles and values will be affected in the long run

## 1 *The pandemic changed the consumption behavior of some consumers, and consumers' consumption focus has shifted*

Since the resurgence of the COVID-19 pandemic in 2022, the DATA 100 User Experience Research Institute conducted long-term tracking of the consumption U&A of levels of Chinese people through the CEMPro platform. The results are as follows:



- **Nearly 60%** respondents said their consumer spending decreased due to the pandemic
- Some consumers shifted their consumption focus to "reducing expenditure." Consumption increase was seen to be skewed and shows a preference towards daily necessities. **It will take time to stimulate and recover** the purchasing power of such consumers after the pandemic

## 2 *Consumption rebounded after the consumption scene restriction was lifted*

- The long-term lockdown made consumers anxious about the uncontrollability of life. After the pandemic, consumers' view of consumption is expected to shift from emotional consumption to rational consumption and towards a sense of security in the short-term. In the long run, the demand for a quality life, that was temporarily suppressed by the pandemic, is likely to rebound as the situation gradually recovers
- According to the latest survey by the Consumer Protection Commission, **89.6% respondents said they were likely to indulge in compensatory consumption after the pandemic.** After a long period of "desire suppression," consumers are eager to return to social normalization, and are likely to release the daily pressures in their consumption choices by turning to satisfy their internal needs - making 'self-gratification' more apparent. Industries with strong social attributes such as catering, entertainment and beauty care are expected to recover quickly after the pandemic

## 3 *The possibility of population mobility is high owing to increased risk awareness amongst consumers*

- Affected by the strict pandemic-prevention policy, consumers are now more aware of risks and are likely to re-evaluate their environment and save money to change their place of residence, thus reducing their willingness to make non-essential purchases. At the same time, the migration of population, especially the outflow of population, is expected to have a certain impact on the local overall consumption level

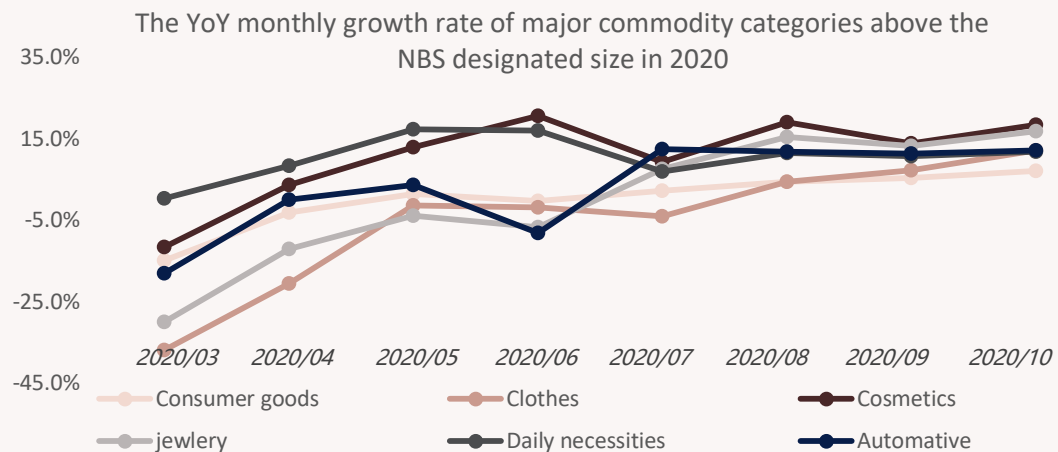
# Although the pandemic has temporarily impacted the development of the industry, the market remains fully confident in the recovery of overall consumption in the long run

For medical aesthetic brands and institutions, the pandemic limited or even stopped certain marketing activities. It made the evaluation of the sale process more difficult, weakened customer confidence in consumption, lowered consumer demand, and affected upstream and downstream industries in the supply chain, resulting in purchase or inventory pressure, and a short-term sharp drop in cash flow under the pressures of rent, salaries and other necessary operating expenses. With a series of such negative effects hitting the market, there is doubt on whether the medical aesthetic market can maintain its high growth

## The market remains fully confident in the recovery of post-pandemic consumption

### 1 The consumer demand alternatives to unleash after the pandemic

Post the initial wave of the pandemic in 2020, consumption recovered significantly as the pressure of pandemic prevention and control eased



- A review of the consumption levels during the pandemic and post recovery in 2020 show that the demand for consumption alternatives proliferated leading to a rapid increase in alternative categories
- As the impact of the pandemic gradually subsided in the second half of 2020, consumer demand for alternatives like cosmetics, gold, silver and jewelry increased, and growth rate picked up significantly

### 2 Expecting recovery, the medical aesthetic industry is ready for a new pandemic cycle

The general trend is promising, the lipstick effect is obvious, the pandemic forces the development of the entire industry



The head of a large chain organization

The basic demand of medical aesthetic users remains unchanged, but the pandemic affects users' salary growth rate and ability to gain, so their willingness to pay for high price products is decreasing



The head of a medical and life cosmetology chain in Shenzhen

In the long run, it looks promising as demand cannot be suppressed. In the short term, the pandemic mainly impacts the stream of customers visiting brick-and-mortar stores



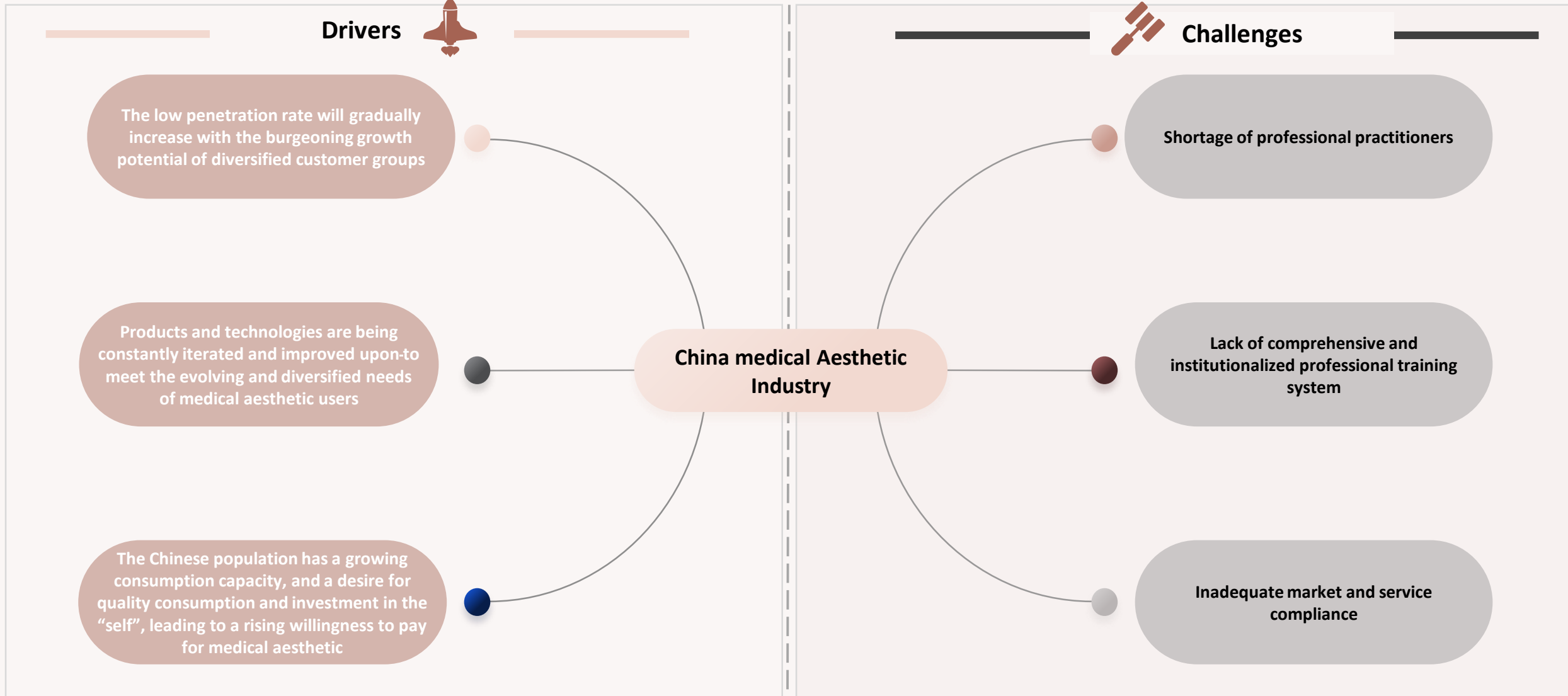
The head of a clinic

- According to an interview conducted by Allergan Aesthetics Business Consulting, institutions believe that in contrast to being off-guard in 2020. They are now prepared for the cyclical resurging of the pandemic, while maintaining close online contact and communication with customers
- Owing to their customer relation maintenance strategies, institutions believe that customers will return as business resumes and that consumption will rebound, leaving them less affected in the long run
- **Building brand reputation and establishing a solid emotional connection with customers to enhance their loyalty** are important means for medical aesthetic institutions to deal with the impact of the pandemic

#### Conclusion

The market remains full of potential as -consumption will gradually recover with the continuous improvement of the pandemic situation, the gradually weakening effect of the pandemic on domestic production and life, the fully promoted resumption of production and work, the positive effect of macroeconomic policies, and the successive lifting of lockdown measures and the "economy restart" plans of Europe, the US and other countries

# China medical aesthetic industry development: Drivers and Challenges

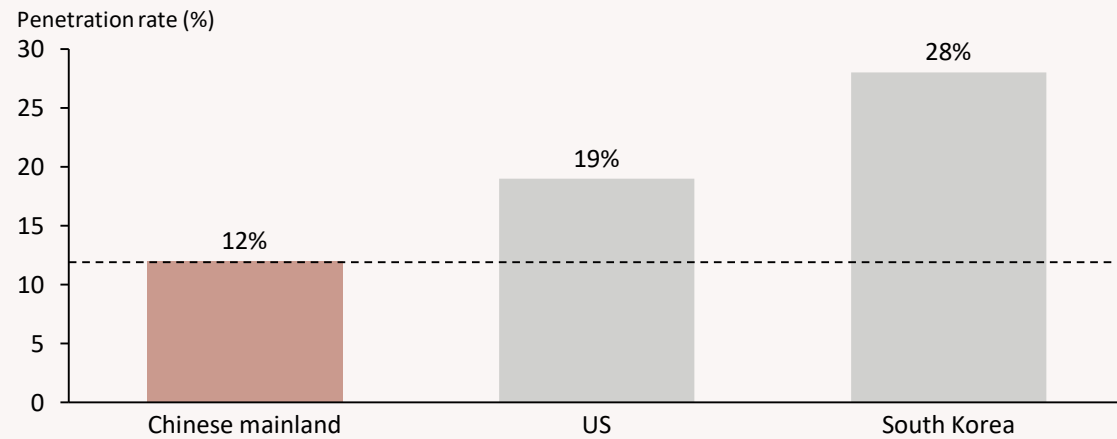


For detailed interpretation, see the following content

# China medical aesthetic industry development drivers (1/3): The low penetration rate will gradually increase with the burgeoning growth potential of diversified customer groups

There is a big gap between China and the developed countries in the penetration rate of medical aesthetic

Global mature market penetration rate 2019\*

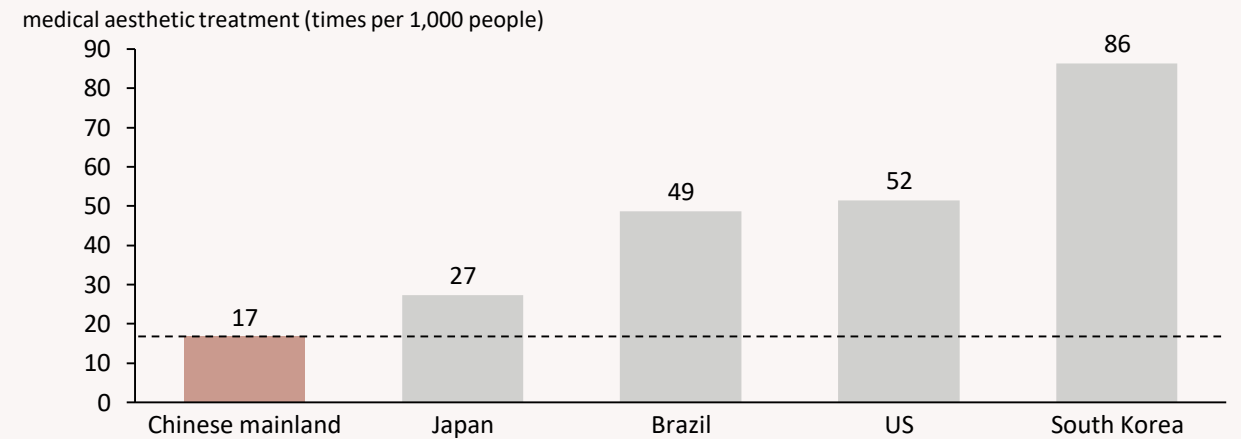


- 2019, the penetration rate of medical aesthetic in Chinese mainland had been lower than the global mature markets
- Compared with South Korea, which has the most advanced medical aesthetic in Asia, the penetration rate among the reachable population in China is less than 1/2, vast room for growth

\* Allergan Aesthetics' definition of medical aesthetic market penetration rate: Current and potential market demand from the reachable population\*\* across the country

\*\* Reachable population: Urban population in developing countries between the ages of 20 - 65 with an annual household income of over USD20,000 (approximately RMB127,000)

Medical aesthetic treatment times per 1,000 people in China, Japan, Brazil, the United States and South Korea in 2019



- Brazil, the United States and South Korea are all **three times or more** as many as that of China, so **there is a great growth potential for the reachable population** of China's mainland medical aesthetic market

Diversified customer groups are an important basis for penetration rate increase

## Aging population generating demands

The population aged 35-64 accounts for more than 45%, and their demand for firmness, liposuction and various anti-aging measures is growing rapidly "aging"

## Generation Z with active demands

The purchasing power of the post-90s generation, the main force of medical aesthetic consumption, continues to increase, and the post-2000s generation is rising

## Males with rising personal appearance awareness

Males began to pay attention to their appearance and the medical aesthetic market became a new hot spot for fortune due to the "male beauty economy"

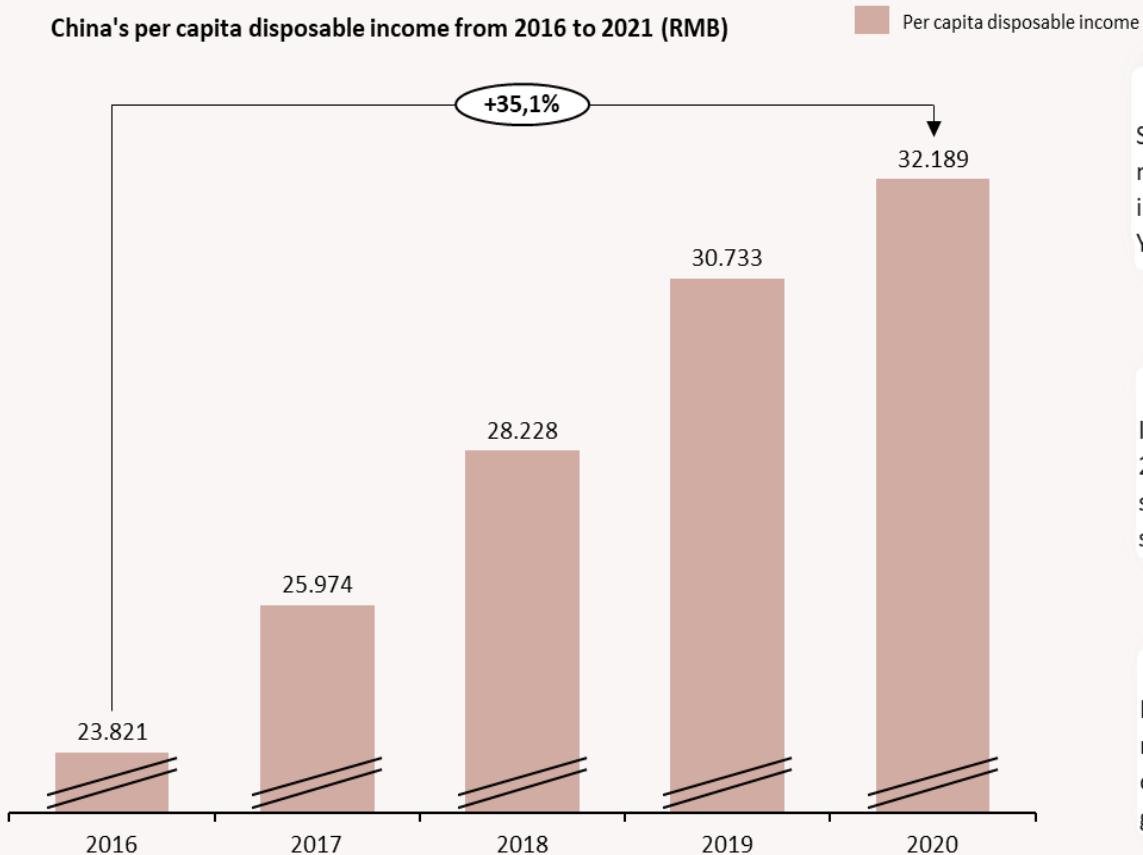
## Fast growing markets in lower-tier cities

Second and third tier cities are rapidly growing into a large medical aesthetic market comparable to the first tier and the new first tier market

# China medical aesthetic industry development drivers (2/3): Despite the shock from global pandemic, Chinese consumers continue to pursue higher life quality with growing acceptance for medical aesthetic

## Per capita disposable income

China's per capita disposable income from 2016 to 2021 (RMB)



Income level continues to rise



High-end consumer market steadily expands

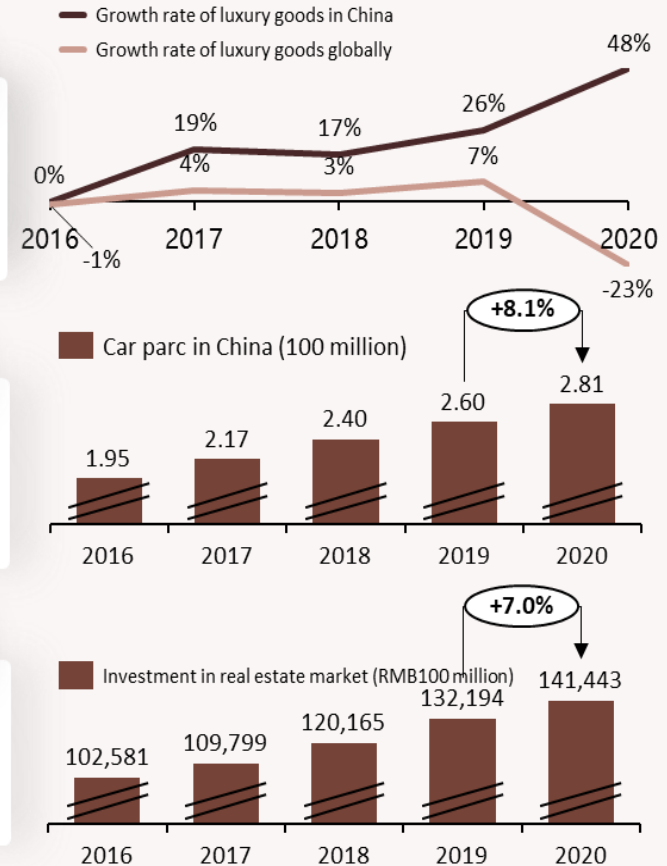


## High-end consumer market

**Luxuries**  
Since 2016, China's domestic luxury market has grown rapidly, with an increase of 48% in 2020 and 36% in 2021 YoY, outpaced the global average

**Auto**  
In 2020, the car parc in China reached 281 million, with a YoY increase of 8.1%, surpassing the 278 million world record set by the United States

**Real estate**  
In 2021, investment in the real estate market across China increased by 6.4% over the previous year, achieving stable growth over the previous five years



“Self-investment and quality consumption” trends up

**Note:**

Pandemic outbreak since 2020 and subsequent mobility challenge lowered the growth speed of Chinese high-end consumer market.

However our primary research shows that the consumer willingness to pay for medical aesthetic continue to rise

# China medical aesthetic industry development drivers (3/3): Products and technologies are constantly iterating and innovating to continue to meet and explore the evolving and diversified needs of medical aesthetic users

## List of main products approved for launching in recent years

Segment	Category	Product Name	English Name	Sub-brand Name	Manufacturer	NMPA Approval Date
Botulinum toxin	Botulinum toxin type A for injection	Dysport	Dysport	Dysport_300U	Ispen	July 2020
	Botulinum toxin type A for injection	Botulax (Letybo)	Botulax (Letybo)	Botulax Letybo_50U /100U	Hugel (SihuanPharm as agent)	October 2020
Filling Material	Modified sodium hyaluronate gel for injection	Restylane	Restylane	Restylane Lyft Lidocaine	Q-Med	January 2020
	Cross-linked sodium hyaluronate gel for injection	Hyalumatrix	Hyalumatrix	HYALUMATRIX	Haohai Biological Technology	March 2020
	Modified sodium hyaluronate gel for injection	Aqualuna	Aqualuna	Aqualuna-Modified hyaluronic acid gel	Bloomage Biotech	March 2020
	Modified sodium hyaluronate gel for injection	Aqualuna	Aqualuna	Aqualuna-Modified sodium hyaluronate gel for injection	Bloomage Biotech	March 2020
	Modified sodium hyaluronate gel for injection	Singderm	Singderm	Singderm	Hangzhou Xiehe Medical	March 2020
	Modified sodium hyaluronate gel for injection	Sofiderm	Sofiderm	Sofiderm	Sofiderm	March 2020
	Modified sodium hyaluronate gel for injection	Juvéderm	Juvéderm	Juvéderm VOLIFT with Lidocaine	Allergan	April 2020
	Modified sodium hyaluronate gel for injection	Restylane	Restylane	Restylane Defyne	Q-Med	March 2021
	Modified sodium hyaluronate gel for injection	Juvéderm	Juvéderm	Juvéderm VOLBELLA with Lidocaine	Allergan	April 2021
	Modified sodium hyaluronate gel for injection	Juvéderm	Juvéderm	Juvéderm Voluma with Lidocaine	Allergan	March 2022
	Polycaprolactone microsphere facial filler for injection	Ellansé	Ellansé	Ellansé®	Huadong Medicine	April 2021
	Polyactic acid facial filler	Loviselle	Loviselle	Löviselle®	Changchun SinoBiomaterials	April 2021
	Cross-linked sodium hyaluronate gel containing l-lactic acid-ethylene glycol copolymer microspheres	Cure White	Cure White	CureWhile®	IMEIK	July 2021
	Recombinant type III humanized collagen lyophilized fiber	WyeMor	WyeMor	WyeMor	Shanxi Jinbo Bio-Pharmaceutical	July 2021
RF Medical Device	Radiofrequency therapy instrument	Inmode Pro	Inmode Pro	Inmode Pro	Inmode	July 2020
HIFU Instrument	Ultrasonic therapeutic apparatus	Ultra Power	Ultra Power	Peninsula Ultra Power	Peninsula	July 2021

## Technological innovation empowers the industry

Various emerging technologies and solutions drive industry innovation and development, for example:

“Three Technologies” of So-Young International



1. Whole-process BI data management, video face-to-face consultation and VR store discovery



2. Doctor living streaming



3. AI medical aesthetic widgets, for example “magic mirror” face detection and analysis, skin detection, etc., covering different decision-making needs of key points of medical aesthetic

Meila medical aesthetic Hospital Sharing:



- Meimeng Cloud Class empowers doctors
- Meimeng Yixian online APP creates closed service cycles between doctors and users

Allergan Aesthetics establishes an innovation center



- The Center is to train medical aesthetic professionals, innovate Allergan Aesthetics' products and make users experience internationally advanced medical aesthetic treatment

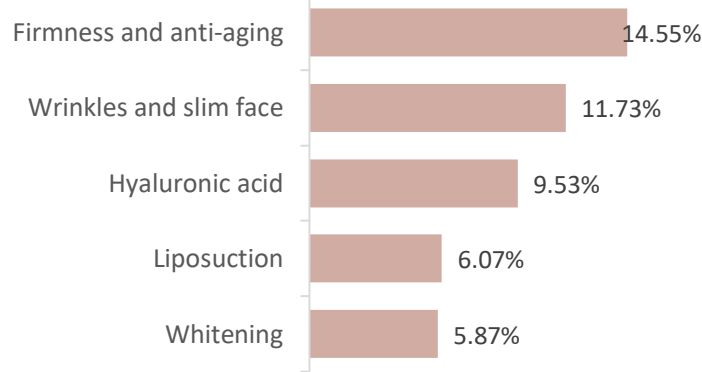
- Emerging new products encourage the **benign competition** in the industry, and give **more choices** to medical aesthetic users
- Technological innovation promotes **the transparency of information**, and the **standardization and of operation** make the market more confident



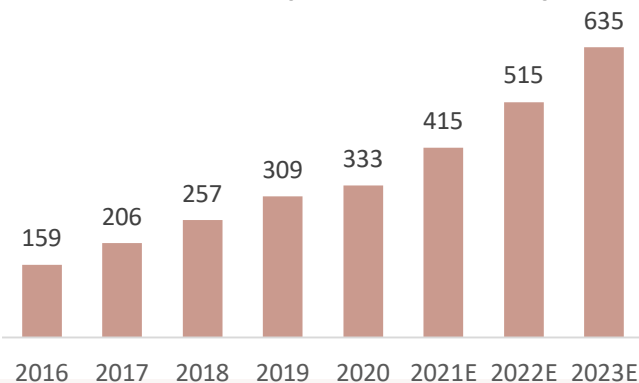
# Rising anti-aging injections and new materials

## Rising anti-aging awareness and popular injection treatments

Proportion of medical aesthetic items consumed in 2021



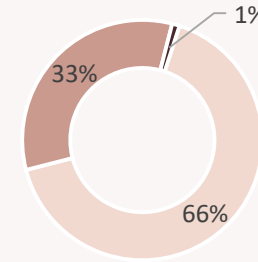
China's injectable medical aesthetic product market size (RMB100 million)



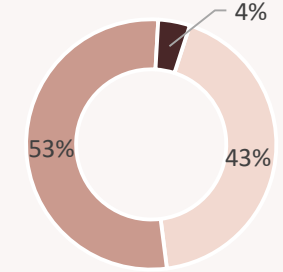
As the "beauty economy" drives the segmented development of aesthetic needs, anti-aging awareness spreads quickly. Anti-aging treatments are widely pursued by consumers of all age groups, and increasingly applied to younger consumers. With the improvement of technology, injectable non-surgical medical aesthetic treatments have rapidly captured the anti-aging market thanks to their safety, short operation time and quick recovery, and the market is still expanding with various products emerging

## Botulinum toxin and hyaluronic acid in demand and new injectable materials emerging

Proportion of injection treatments in 2021



Consumption structure of injection treatments in 2021



- Among the numerous injectable non-surgical medical aesthetic treatments, botulinum toxin and hyaluronic acid are the two most proven categories in the anti-aging market. After years of market cultivation, they are widely accepted by medical aesthetic users. New products under these two categories are increasingly getting approved to market, so botulinum toxin and hyaluronic acid are expected to maintain steady growth in China's medical aesthetic market in near future
- Notably, with some new materials approved last year, more materials entered the injectable non-surgical medical aesthetic market segment, bringing more choices to consumers. As consumers are familiar with hyaluronic acid, a Class A filler material, we will take a closer look at some of the filler materials emerging in recent years, including collagen and collagen stimulators, synthetic materials such as polycaprolactone (PCL) and poly-L-lactic acid (PLLA)

# New product introduction: collagen stimulators

In 2021, three collagen stimulators were approved in China, namely, Ellansé® (CMC + PCL) from East China Medicine, Löviselle® (PLLA) from Changchun Sinobiomaterials, and CureWhile® (PLLA + HA) from IMEIK. In the global market, synthetic stimulating materials were widely used, such as Sculptra® (PLLA) from Galderma, Derma Veil® (PLLA + GA) from Anteco Pharma, and Radiesse® (CaHA + CMC) from Merz Aesthetics. The emerging materials have received international attention

1

## Introduction of collagen stimulators

Collagen stimulators are anti-aging materials injected under the skin that **stimulate fibroblast and collagen activity in body** and enable structural remodeling and volume filling. Collagen stimulators are mainly PLLA and PCL, which stimulate fibroblast and collagen activity in human. Bone repair materials such as CaHA, PMMA, PVA, and dextran that stimulate collagen of human body are also considered as collagen stimulators

1

**Polycaprolactone (PCL)** is widely used in the medical material industry, such as surgical suture, artificial blood vessel/skin, bone and soft tissue filler, and tissue scaffold. Currently, Ellansé® from East China Medicine is the main PCL product in China, and its active ingredients are PCL (30%) microspheres and CMC gel (70%)

2

**Carboxymethyl cellulose (CMC)** is obtained by carboxymethylation of cellulose. Its aqueous solution has the functions of thickening, film formation, adhesion, water retention, colloid protection, emulsification and suspension., and it is widely used in consumer food, medicine, light and heavy industry

3

**PCL+CMC products** are compound fillers composed of synthetic and biological materials. The filling effect is achieved by biomaterials providing immediate filling effect and synthetic materials stimulating the deposition of collagen or fibrous connective tissue

**Poly-L-Lactic Acid (PLLA)** has been used for medical aesthetic since 1997. It received CE certification in 1999 and FDA approval for facial restoration and correction in 2004. PLLA produces lactic acid during metabolism, stimulates fibroblast proliferation and collagen production, and subsequently decomposes into carbon dioxide and water

**CaHA**, also known as calcium hydroxyapatite, is composed of semi-solid gel (70%) and calcium hydroxyapatite microspheres (30%). Calcium hydroxyapatite is an intrinsic component of the human body and thus highly biocompatible. It has been used in orthopedics, neurosurgery, dentistry, otolaryngology and ophthalmology for more than 20 years and suitable for filling bone structures. After the injection, the CMC gel, which initially acts as a carrier, is decomposed following a while of absorption and metabolism, which triggers reactions between tissue cells and fibroblasts, facilitates the formation of collagen and elastin, and then forms a new scaffold

2

## Deeper insights of collagen stimulators

In China medical aesthetic market, collagen stimulators are granted the title of "rejuvenation" due to their stimulating effect on human tissues, but it is important to address that **aesthetic regenerative medicine is not equal to tissue proliferation**

- Regenerative medicine refers to medicine that uses the natural healing ability of human body to regenerate the tissues or organs that have been heavily injured
- In terms of classification of facial fillers, both PLLA and PCL fall into category B, which refers to metabolizable filler materials outside of human autologous tissues. The real regenerative medicine materials are in category D, which are expected to form new collagen, ECMs, or even tissues through tissue engineering or regenerative medicine products, and **the current medical aesthetic industry has a huge gap in this area**
- Some products that claim to be regenerative treatment are preliminary explorations of new materials, compared to traditional "foreign body-occupying" fillers such as hyaluronic acid and collagen. However, from the perspective of material efficacy, **they provide a temporary filling effect with different synthetic materials and achieve therapeutic effects by triggering host tissue reaction and fibrosis through foreign body stimulation. Therefore, it is more accurate to consider them as "synthetic collagen stimulators", instead of regenerative medicine**

# New product introduction: Collagen

In the medical aesthetic industry, collagen is injected into facial tissues to fill and correct wrinkles. On June 29, 2021, the Chinese National Medical Products Administration approved the launch of "recombinant type III humanized collagen freeze-dried fiber", a Class III medical device for injection independently developed by Shanxi Jinbo Bio-Pharmaceutical Co., Ltd., and the world's first end-use signature product made of biological material-recombinant humanized collagen. According to this report, China has approved the launch of the following collagen fillers, namely, Sunmax Collagen Implant I, Sunmax Collagen Implant I-Plus and FACIALGAIN Collagen Implant with Lidocaine from Sunmax, FILLDERM from Changchun Botai, Artecoll from Hafod Bioscience GmbH, and WyeMor from Shanxi Jinbo Bio-Pharmaceutical. In addition, more manufacturers are entering the collagen segment for material development and research. With the innovation of technology, collagen material will be an important part of the medical aesthetic industry

Currently, the mainstream collagen extraction and preparation methods and genetic engineering methods, which evolve progressively according to the following path

## Extracted collagen

It is a relatively traditional process to treat animal-derived, such as pig-derived or bovine-derived collagen, with acid, alkaline or enzymatic hydrolysis. The method features low cost and extensive sources, allowing for large-scale production. However, there are defects such as loss of collagen activity, poor histocompatibility, risk of infection with animal-derived viruses and rejection of heterologous proteins

## Human-like collagen

Human-like collagen is a human collagen fragment that stimulates cellular secretion and expression by transferring a portion of human collagen gene sequence to the corresponding cellular plasmid. However, the human collagen sequence used is not completely identical to human collagen sequence. It is modified so that the final expressed collagen fragment is close to, but not identical to, human collagen fragment

## Recombinant humanized collagen

Recombinant humanized collagen is a part of human collagen that stimulates cellular secretion and expression by transferring part of human collagen gene sequence to cellular plasmid. The selected fragment is identical to that of human collagen, except that the expression vector is different, so the product is supportive and elastic with mitigated immune rejection and allergic reaction

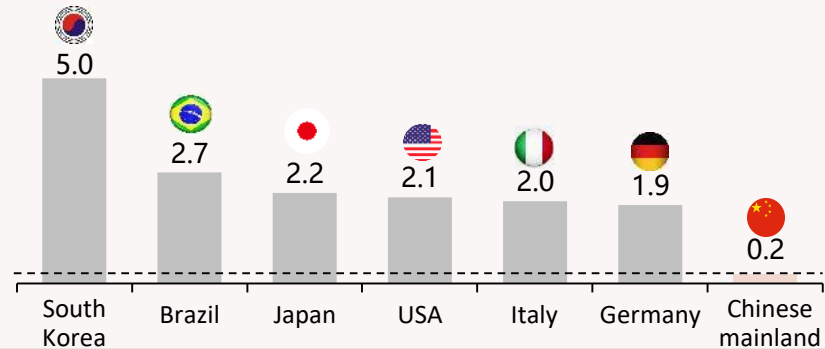
## Recombinant human collagen

It is a major challenge for all collagen companies. True human collagen has a quadruple helical structure, while today's technology can only achieve fragment expression, in vitro technology cannot yet achieve helical expression above triple helix. Some countries are seeking to introduce new genes into the original cell gene to promote helical expression of human collagen, but the technology is not yet mature and commercialized

## Challenges (1/3): Shortage of professional practitioners

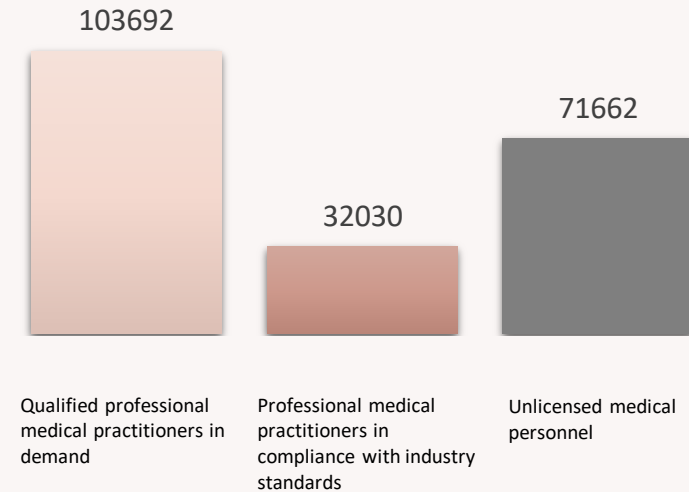
### Huge gap in medical professionals

Number of plastic surgeons per 100,000 population in 2020



- As of 2020, the number of plastic surgeons in Chinese mainland is less than one-tenth of that in Japan, the United States and South Korea

### Huge gap between compliant medical professionals and industry standards

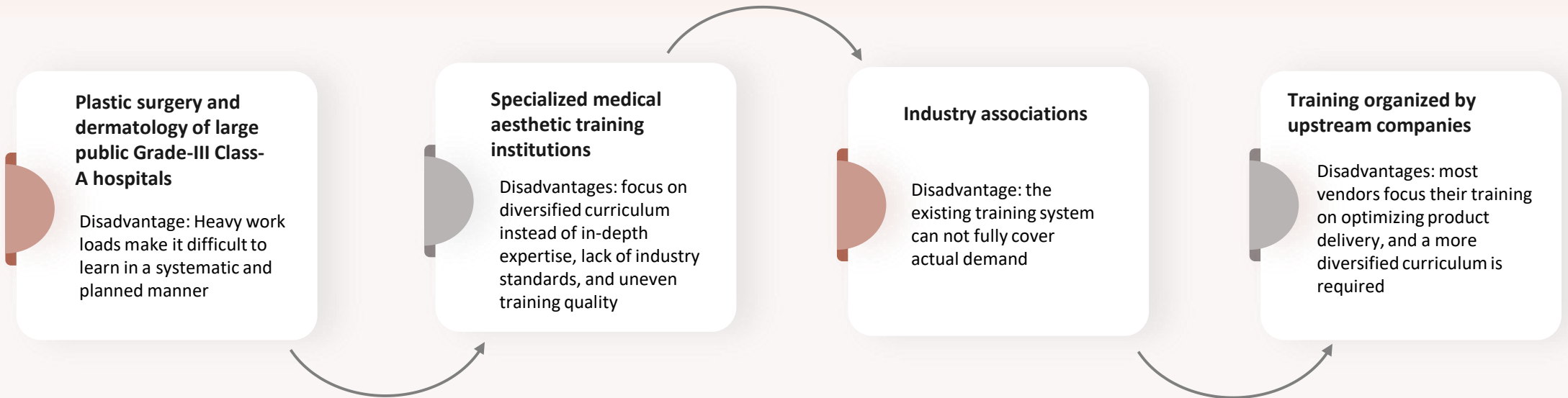


According to *China's Health Statistics Yearbook 2021*, in 2020, **China had 32,030 professional medical practitioners that comply with medical aesthetic industry standards**, including 2,953 registered medical practitioners (including physician assistants) and 2,135 registered nurses in plastic surgery hospitals, and 15,348 registered medical practitioners (including physician assistants) and 11,594 registered nurses in cosmetic surgery hospitals

According to the data on Qcc.com as of December 2021, there are 15,144 registered medical aesthetic institutions in compliance with relevant standards. **In contrast to China's rapidly developing medical aesthetic market, there is a huge gap in qualified medical practitioners, and the market supply and demand is unbalanced**

## Challenges (2/3): Lack of comprehensive and institutionalized professional training system

The professional training system of the medical aesthetic industry is incomplete and unregulated. The shortage of practitioners has led to a shortage of excellent training instructors. In China's 315 Gala in 2022, CCTV Finance revealed a number of illegal medical aesthetic training programs such as Shengjialihe (圣嘉丽禾) and Meixishuyan (美希淑颜), indicating a significant information barrier between trainees and trainers in the industry. At present, China has the following four main types of training providers



As the market matures, various guidelines and evaluation systems are introduced to build compliant and well-organized industry standards

- On July 6, 2020, the General Office of the National Health Commission formulated the *Documentation and Training Outline for Medical Aesthetic Attending Physicians*
- On January 26, 2021, the Ministry of Education stated in its response to Recommendation No. 1124 of the Third Session of the 13th National People's Congress that it strongly supports the discipline construction and talent training in the medical aesthetic industry
- On January 30, 2022, Chinese Association of Plastics and Aesthetics released *the 14th Five-Year Plan for the System Construction of China medical aesthetic Standards (Draft for Comments)*, which provides more than 50 standards, industry management, technical, education and training, and industry basic, laying the foundation for the establishment of a standard system for the medical aesthetic industry



# Challenges (3/3): Inadequate market and service compliance

## Frequent illegal activities

### False advertising

- Using absolute terms
- Overstating efficacy and safety
- Overstating cure rates/effectiveness
- Promoting appearance anxiety
- Inducing consumers to apply for online loans

### Rampant counterfeits and parallel products

- According to iResearch, as of 2019:
- More than 90% of medical devices used by illegal medical aesthetic providers are counterfeits, and the rest 10% of legitimate and parallel products the market through leasing or smuggling
  - 33.3% of injections in the market are legitimate, meaning that at least 2 illegal injections for every 1 legitimate injection sold in the market

### Non-compliant practice

- Beauty practitioners and medical practitioners lack professional qualifications
- Irregular operation, off-label use, and safety accidents

### Illegal operations

- The number of institutions illegally engaged in medical aesthetic services is more than six times that of legal institutions
- Some beauty institutions confuse life beauty and medical aesthetic and illegally provide unlicensed treatments
- 15% of legal medical aesthetic institutions conduct unlicensed operations

## Medical aesthetic industry enters the era of strict regulation and compliance



Public hospitals: 1,507



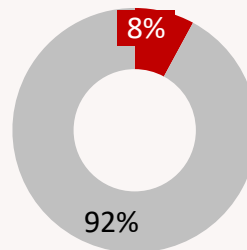
Private institutions: 13,673



Unqualified and illegal medical aesthetic service providers: **6 times more than** standard institutions

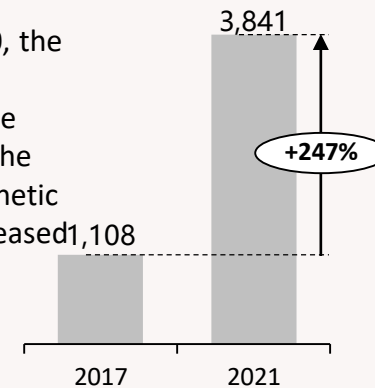
2021 Medical Aesthetic Institutions by Type

2017 to 2020, **6,391** medical aesthetic institutions had their business licenses revoked



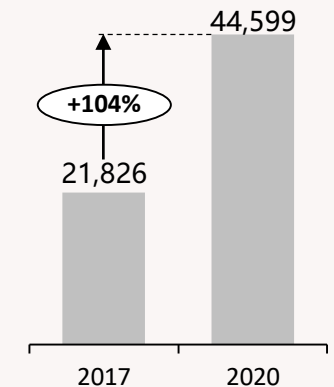
Proportion of medical aesthetic institutions with revoked business licenses (2017-2020)

2017 to 2020, the number of administrative penalties in the medical aesthetic industry increased by **247%**



Number of administrative penalties in the medical aesthetic industry (2017-2020)

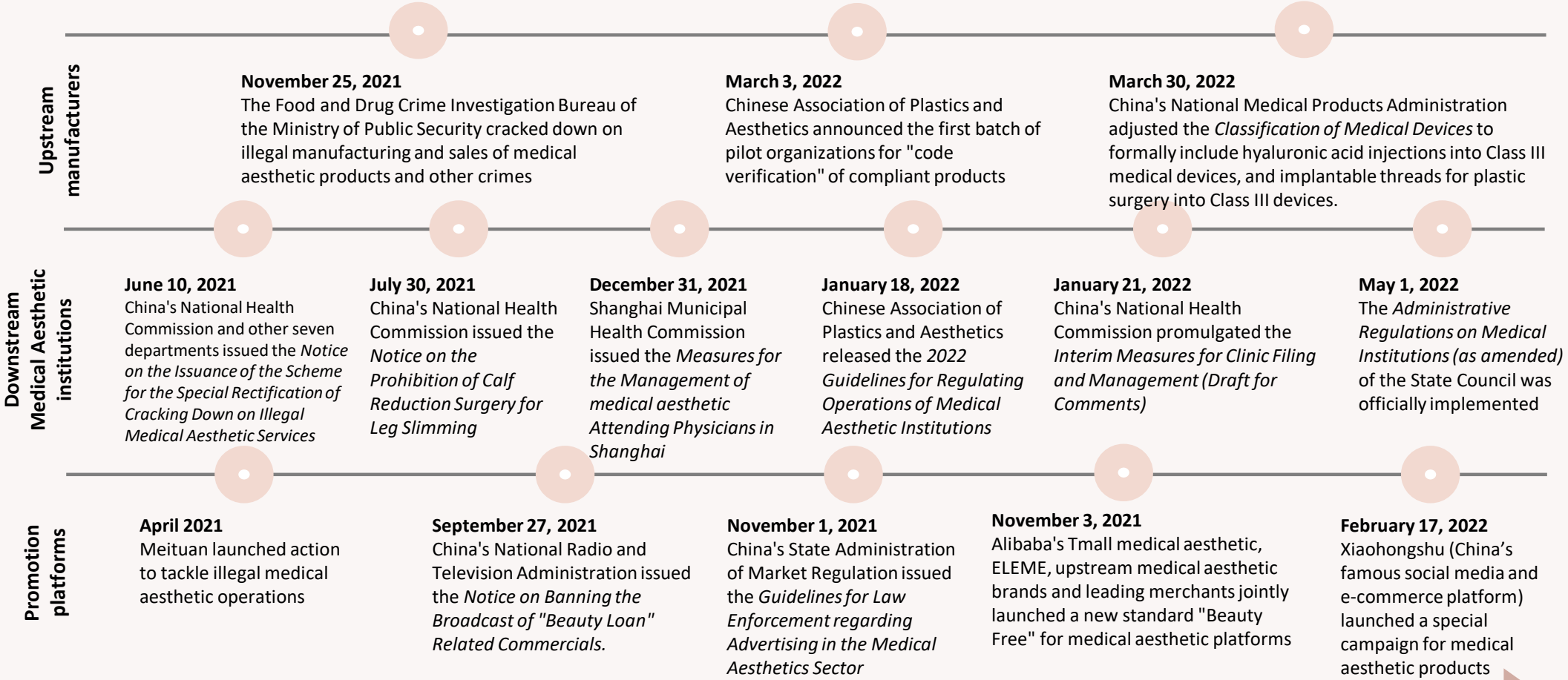
From 2017 to 2020, the number of adjudicative documents in the medical aesthetic industry increased by **104%**



Number of adjudicative documents in the medical aesthetic industry (2017-2020)

# Compliance enhancement as the core and “strict and regulated” as the main theme of China medical aesthetic industry’s policy and regulation

## China's major medical aesthetic-related regulatory activities in recent years



The focus of China's medical aesthetic industry is shifting from extensive growth to **brand building**

Medical aesthetic companies are paying more attention to **developing distinct capabilities** to meet the diversified demands of consumers

The medical aesthetic industry develop rapidly and healthily more **standardized, efficient and high-quality** management, technology, education and infrastructure

Legislative and law enforcement authorities are shifting **from passive response to active governance** when handling upstream manufacturers, downstream medical aesthetic institutions and promotion platforms. In addition to cracking down on illegal operations, they strive to establish sound **standards and systems**

## 2. Institution features and consumer portrait



# Abstract

**As the beauty economy soars, medical aesthetic institutions and upstream companies within the industry are focusing on insights into the trends and characteristics of consumer behaviors to accurately identify target customers and determine their goals. At the same time, the complex market landscape is causing intense competition among medical aesthetic institutions of various operation types. Medical aesthetic institutions will need to tap into their strengths and carry out agile management, to survive the competition and develop their own sustainable competitive edge**

- *Allergan Aesthetics surveyed medical aesthetic consumers, especially mature ones\*, collecting 403 validated questionnaires from different age groups and genders from 30 provinces, to provide new operation ideas for institutions by portraying customers and summarizing the trend in the industry*
- *Further, Allergan Aesthetics collected 368 questionnaires from the general manager or core management of private medical aesthetic institutions of different types (start-ups by surgeons, independent clinics (start-ups by non-surgeons), regional chains, and national chains) and scales (monthly sales from up to RMB1 million to over RMB20 million) in 21 provinces across China. The findings will be considered together with those of the consumer survey to discuss the development of institutions in three dimensions, customer groups, medical aesthetic products, and operating management*
- *Allergan Aesthetics also conducted a lot of desk research into public hospitals, interpreted and analyzed market exploration, and presented medical aesthetic institutions dimensions by probing into their new orientation when reviewing their development path in the form of in-depth interviews with industry insiders*

# Summary

## Consumer characteristics



Medical aesthetic consumers cover all age groups. The mature consumers, “Gen Z” accounts for over a half. Mature consumers value high quality and have personalized demand. They spend an increasingly large proportion of their income on medical aesthetic



Male consumers increase rapidly. They actively seek medical aesthetic solutions and gradually unlocking their consumption potential. This may usher in a new lucrative segment



In China medical aesthetic market, most consumers are from the first tier and new first tier cities. There remains vast room for growth in the lower-tier city market, but such market features low medical aesthetic penetration rate, insufficient professional talent, acquaintance society, and price sensitivity. Medical aesthetic brands and institutions need to deeply cultivate such market to improve and realize its potential



With evolving aesthetic awareness and advancing aesthetic medical technology, non-surgical medical aesthetic is increasingly favored by consumers. Different age groups have sharply different attitudes towards new products and services. Most consumers are not willing to try new things, and of those willing to try the new, most are young people



Currently, medical aesthetic consumers are more rational when making consumption decisions. They value brands and professional services, and can fully assess treatments and institutions with various sources



The consumers surveyed stated that they would be more trustful and confident about medical aesthetic if a professional consulting session could be provided

## Status quo of medical aesthetic institutions and suggested development strategies

China medical aesthetic industry has diverse institutions, dominated by private. China medical aesthetic institutions are affected by three major elements: customer demand, regulation and technological innovation. They also develop in different patterns in different regions

1

**Institution focus on personalized and customized services and treatment portfolios to enhance customer stickiness and motivation**

2

**China medical aesthetic institutions recognize consumers as their core customers. Vast consumers under 30 who are seeking medical aesthetic solutions more frequently become core customers in the future. They should be the key customer group in new medical aesthetic institutions' strategy**

3

**A differentiated strategy should be developed for new product promotion based on customer age distribution and market feedback**

4

**Medical aesthetic institutions should identify the customer demand unmet when focusing on treatment layout, and create differentiated competitive by adjusting operation in a targeted manner, considering their own operation types and characteristics**

- For instance, brand or reputation-oriented institutions highly value product brand power and specific differentiation, while chain institutions can be more proactive with new products to meet the diverse needs of its massive customers

5

**Medical aesthetic institutions should improve efficiency, fine management and customer maintenance to breakthrough customer acquisition and retention difficulties, management weaknesses and other operational difficulties. They also need to maintain existing customers and competition barriers, formulate future development strategies and optimize value propositions, taking into account their own positioning and advantages**

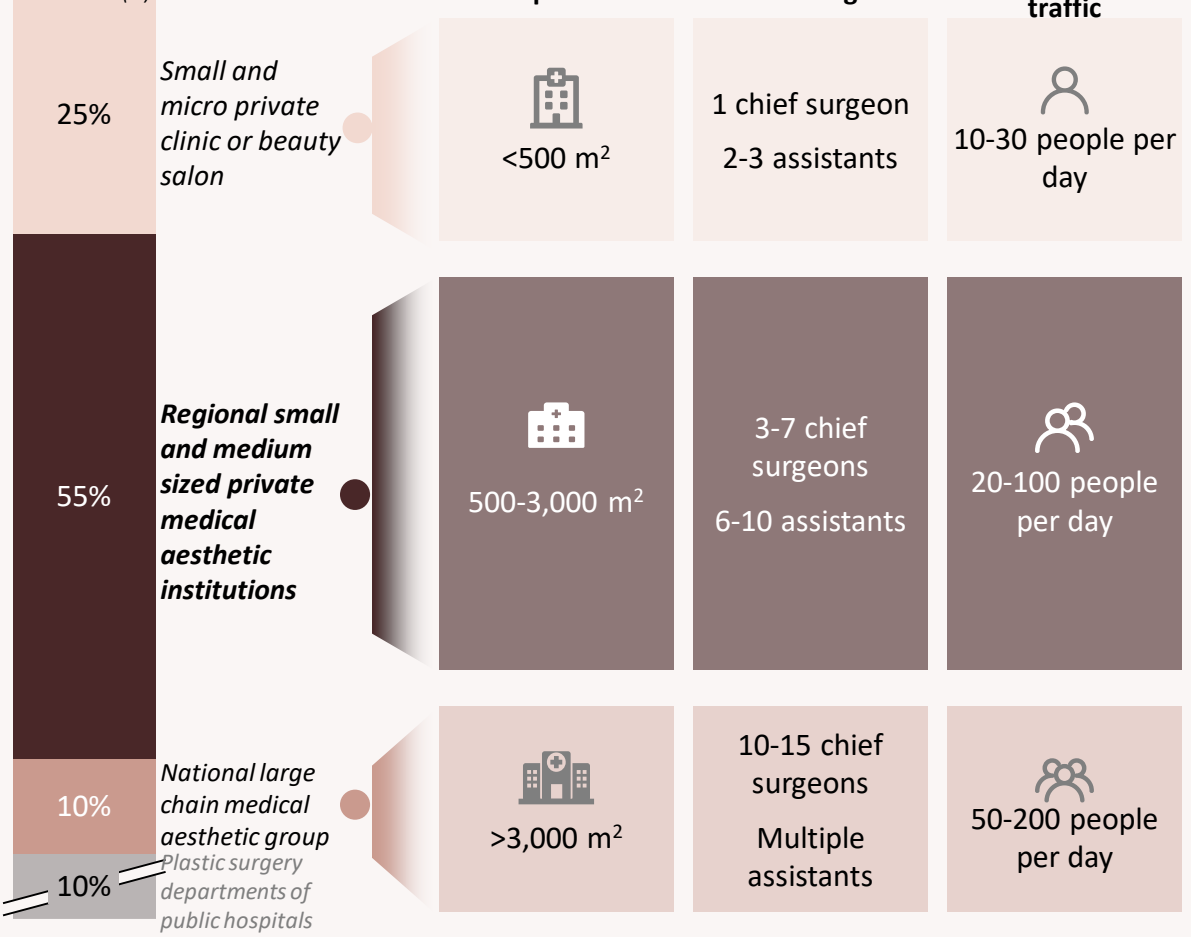
6

**While adhering to the leading and benchmarking role of the industry, public hospitals should move forward to diversification**

Different players help to diversify China medical aesthetic industry. Institutions can attract customers by drawing on the experience of its counterparts in mature overseas markets with regard to business model innovation, agile management, cross-industry collaboration, etc.

### Characteristics of medical aesthetic institutions in China

Competitive landscape in China medical aesthetic market 2020 (%)



### Characteristics of medical aesthetic institutions in mature overseas markets

**US**

Institution operation type: Most medical aesthetic institutions operate in the **chain store** mode. Large chain medical aesthetic clinics and skin care clinics all provide non-surgical medical aesthetic services with an extensive network

Customer groups' choice:

- Most **young customers** have their first medical aesthetic seeking experience in skin care clinics
- Most **customers with strong purchasing power** choose Medspa plastic surgery clubs
- The **elderly** mainly choose dermatologists or dentists

**South Korea**

Institution operation type: Dominated by **small and medium-sized clinics**. Specialized cosmetic hospitals are partnerships. Policies restrict the operation of medical aesthetic institutions in a chain mode; therefore, institutions have to expand their size

Customer group's choice: **Overseas customers** are an important customer group. With the support of the government, **overseas customers** seeking plastic surgery in South Korea **increased by more than 5 times** from 2009 to 2018, and medical aesthetic tourist visa, translation, dispute resolution, and other supporting services and complete systems brought high customer stickiness

### Development experience of mature overseas markets

- 1 Customer matching**  
 Accurately identifying the characteristics of customer groups, sorting out the positioning of customer groups, and making targeted operation strategies and business models
- 2 Technology partnering with operation**  
 Medical aesthetic institutions can tie medical aesthetic technology to their operation capacities through doctors' equity/partnership, for mutual benefit and win-win
- 3 Medical aesthetic & tourism cooperation**  
 Developing medical aesthetic tourism, integrating medical aesthetic with winter sports, water sports and other emerging popular activities, improving supporting services, and promoting the return of medical aesthetic tourists

# The development of medical aesthetic institutions is primarily affected by customer demand, regulation and technological innovation, with differences in regional development patterns



## Medical aesthetic institution development: Major Drivers & Constraints

Multiple factors lead to an increased demand for medical aesthetic treatments and thus bringing customers to institutions stably

### Growing Demand

- **Expanding consumption capacities:** More age groups begin to medical aesthetic treatments. Consumption upgrade parallels consumption growth in lower-tier cities. More consumption alternatives are available
- **Improving aesthetic requirements:** With the aging of the population, anti-aging through medical aesthetic treatments becomes popular; medical aesthetic platforms on Internet effectively cultivate consumers and the beauty culture prevails
- **Returning users:** Due to the COVID-19 pandemic, users seeking medical aesthetic overseas quicken the pace of return. The user demand previously neglected is effectively identified. Such users are expected to develop into highly sticky regular customers

Regulatory policies are frequently introduced for the medical aesthetic industry. The legal environment is increasingly improved. Institutions must operate in compliance with laws and regulations

### Regulation

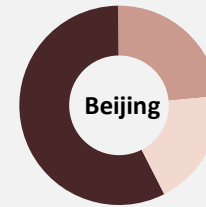
- **Improved regulation and legislation:** The regulation of the medical aesthetic industry is accelerated. In 2020, the General Office of the National Health Commission issued the circular of strengthening the regulation over the medical aesthetic industry. In 2021, eight ministries and commissions issued the *Special rectification work plan for cracking down on illegal medical aesthetic services*
- **Supervising market & rectifying illegal practice:** In 2022, Xiaohongshu, a content creation platform, launched a special campaign to rectify the medical aesthetic category, especially the false advertising, and cancel professional certification of private medical aesthetic institutions. Promoting qualified institutions becomes the mainstream

New supplies bring new demands. Domestic alternatives decrease price and give consumers more choices

### Technological Innovation

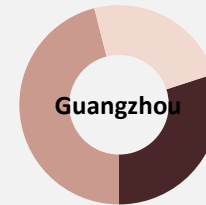
- **High quality --- R&D innovation:** New technology and product R&D innovation drives the development of the medical aesthetic industry. The iteration of medical aesthetic technologies and precision instruments promotes the reform of medical aesthetic supplies. New supplies bring new demands
- **Low price --- Domestic product alternatives:** As advanced medical aesthetic materials and equipment are introduced into China, domestic companies develop and grow, and new medical aesthetic product lines expand, the customer demand for high cost effectiveness is met and domestic product alternatives are gradually prevailing

Regulation Customer demands Technological innovation



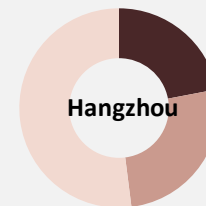
### Compliance first

- **Institutions' primary concerns:** Ensuring the safety and compliance of medical aesthetic products and operations, paying attention to professional qualifications, and focusing on the control of accidents
- **Institutions' development features:** Slow innovation and reform of business model, and conservative iteration of product portfolios



### Demand first

- **Institutions' primary concerns:** Focusing on consumers, accurately meeting customer demands, and improving customer satisfaction at every moment
- **Institutions' development features:** Relatively flexible business model and operation, online customer acquisition paralleling offline, professional direct selling team serving operation, and adapting to the change in the customer demand



### Fashion first

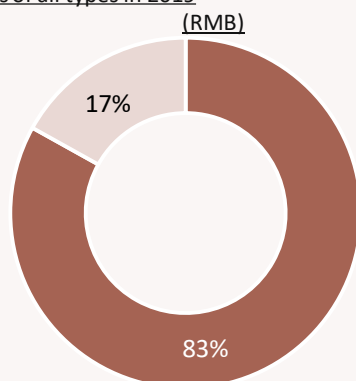
- **Institutions' primary concerns:** Partnering with Internet celebrities to create aesthetic trend and consumer demands
- **Institutions' development features:** The Internet celebrity economy has significant effect. Interconnected product portfolios and advertising direction may create the most attractive point for new products

# Public Hospitals: Industry leaders and benchmark, now moving towards diversification

## Status quo of medical aesthetic in public hospitals

Public hospitals secure less than 20% of the medical aesthetic market, indicating a great development potential under the guidance of the new trend

Total medical aesthetic service market revenue of Chinese institutions of all types in 2019 (RMB)



Public hospitals: RMB24.3 billion  
Private institutions: RMB119.3 billion

Public medical aesthetic institutions:

- Plastic surgery hospitals
- Aesthetic plastic surgery department of public hospitals

Public hospitals generally provide basic medical services, and traditionally do not offer the plastic surgery for special needs. In addition, most plastic surgery treatments are not covered by medical insurance, so the plastic surgery department in public hospitals grow slower than that in private hospitals. Therefore, public institutions have their own operating characteristics

### Characteristics of medical aesthetic treatments

- Primarily dealing with repair, and secondarily beautifying
- A large portion of traditional surgeries
- Conservative in treatments
- Gradually following the market trend, introducing new technology, and attaching importance to non-surgical medical aesthetic

### Business advantages

- Strong medical technology strength, with safety and brand credibility
- Reliable and proper product channels
- Transparent price

### Major challenges

- Non-profit, limited scale, and slow to update equipment
- Generally no marketing or promotion
- Service quality lower than that of private institutions
- Brain drain

## Trends of public hospitals' development of medical aesthetic

### 1 Establishing the status as industry leader and benchmark, expanding influence



Considering the trend called for by the state's policies, and leading the specialization and standardization of the industry:

- Fully utilizing professional skills and talent, integrating clinical practice, teaching and scientific research, training professionals for the industry, and **improving the professional and technical level of the industry**
- Participating in and strengthening the control over medical aesthetic quality, not only paying attention to the control over traditional medical technology quality, but also to the comprehensive control over medical aesthetic service quality, and **establishing high quality standards for the medical aesthetic industry**

### 2 Improving operation concept and soft power when maintaining professional strength, strengthening brand credibility



- Public hospitals raised their service awareness. Favorable national policies and industry exchanges endowed public hospitals with new operational ideas. Many public hospitals begin to strive for and innovate operation space, and actively use public platforms and media to **expand the influence of departments and make profits**
- While maintaining professional strength and making medical aesthetic stay true to its nature of medical treatment, public hospitals **improve doctors' aesthetic concept, empathy for consumers, communication skills and other soft power, to meet various consumer needs** and further enhance the competitiveness and influence of public hospitals in all aspects
- Medical aesthetic consumers have an increasingly mature attitude, **paying more attention to safety and standardization when determining medical aesthetic institutions. Public hospitals' strength in brand credibility will be increasingly outstanding**

### Conclusion

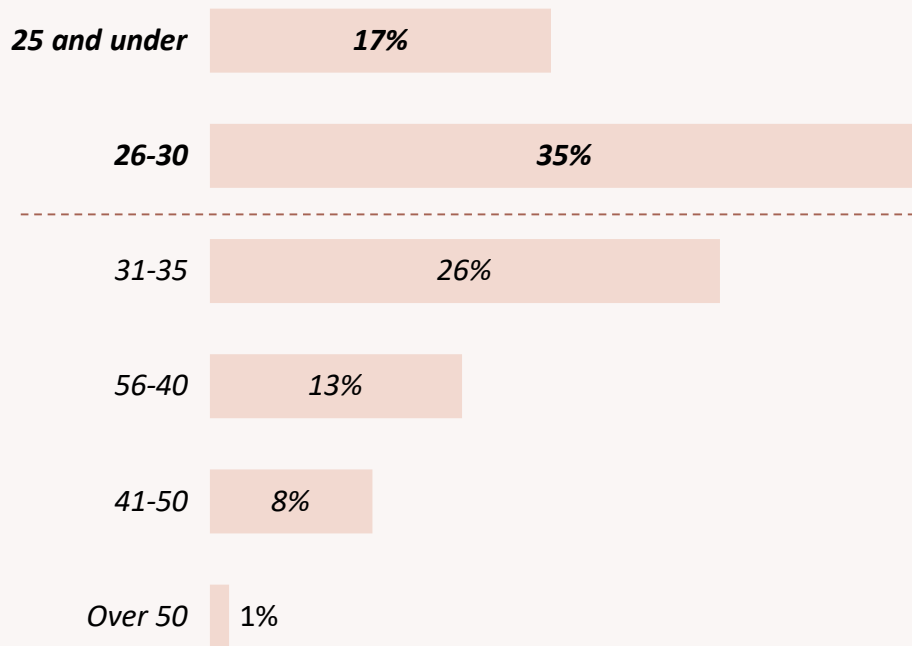
There is no doubt about the influence of public hospitals on the industry. They are always the talent cultivation base, the forerunner and benchmark leading the continuous improvement and standardization of the industry. Under the guidance of policies and the continuous progress of the industry, public hospitals will also have a more diversified development in the medical aesthetic industry

# **Consumer portrait & Core customers**

# Medical aesthetic consumers cover all age groups with 'Gen Z' accounting for over a half of the mature users

According to Allergan Aesthetics' consumer survey, mature medical aesthetic users cover all age groups, and medical aesthetic customer groups show the trend of being younger and covering all age groups. With the expansion of the medical aesthetic payers and the enhancement of their ability and willingness to pay, the medical aesthetic industry will keep booming

Age distribution of mature medical aesthetic users (%)



Note: Generation Z (Gen Z) refers to the generation of people born during 1995 and 2009.

## 1. Medical aesthetic extends to all age groups:

- The penetration rate of aesthetic is increasing with consumers across age groups trying to keep with the times and actively using medical aesthetic and technology to enhance their beauty

## 2. Young people become major consumers

- Young people under 30 become major consumers, accounting for almost a half of the consumers surveyed medical aesthetic
- Gen-Z consumers grow together with the medical aesthetic uniqueness, and constantly invest in themselves

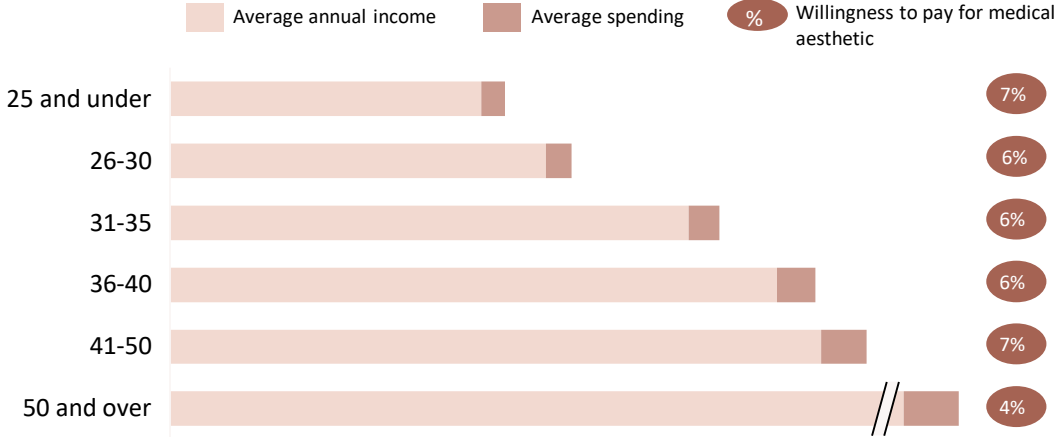
## 3. Rich materials and information drive Gen Z to consume medical aesthetic continuously

- Rich Gen Z living in a golden time has strong purchasing power
- Benefiting from digitalization, the Gen Z that has access to information through various channels developed the consumption concept of beautifying for themselves and cultivating themselves internally and externally

# Mature consumers value high quality and personalized demand, and spend an increasingly large proportion of their income on medical aesthetic

## From "consumption on demand" to "consumption according to quality"

The willingness to pay for medical aesthetic of mature consumers of all ages (%) = Annual spending on medical aesthetic / annual income



### "Quality consumption becomes a trend"

- Emerging new industries and rising per capital income
- Consumers changed their attitude from "consumption on demand" to "consumption according to quality", pursuing a better life and experience and maintaining the concept of consumption for themselves

### "Willingness to pay for medical aesthetic"

- With the increase of income, consumers are more willing to pay for medical aesthetic
- Most mature consumers will first consider high-quality medical aesthetic products

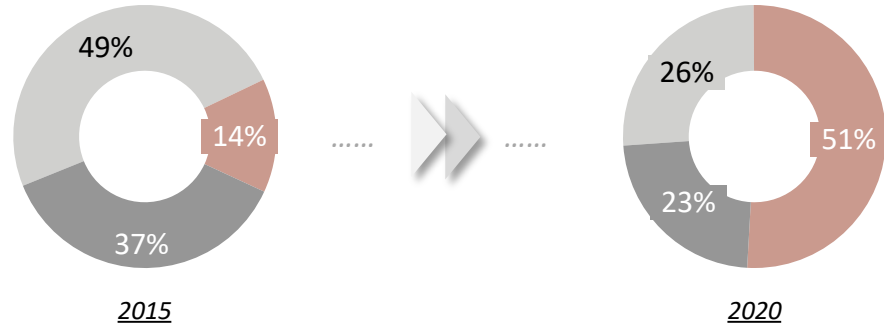
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In the trend of quality consumption, only by meeting core consumer demand and **creating unique brand marketing force** can institutions have stable customer source

## From being driven by work to by wanting to look good for work to wanting to look good for themselves

Consumption reasons (%)

For work For self Others



### "Label on medical aesthetic removed"

- Consuming medical aesthetic is no longer the special need of a small group, with the controversial label removed
- Purchasing high-value medical aesthetic medicine products is regarded as a symbol of status and luxury

### "Concept of pleasing self popularized"

- Medical aesthetic becomes available for everyone, regardless of profession, gender or age
- Consumers use medical aesthetic to bolster their confidence and feel good about themselves at emotional level

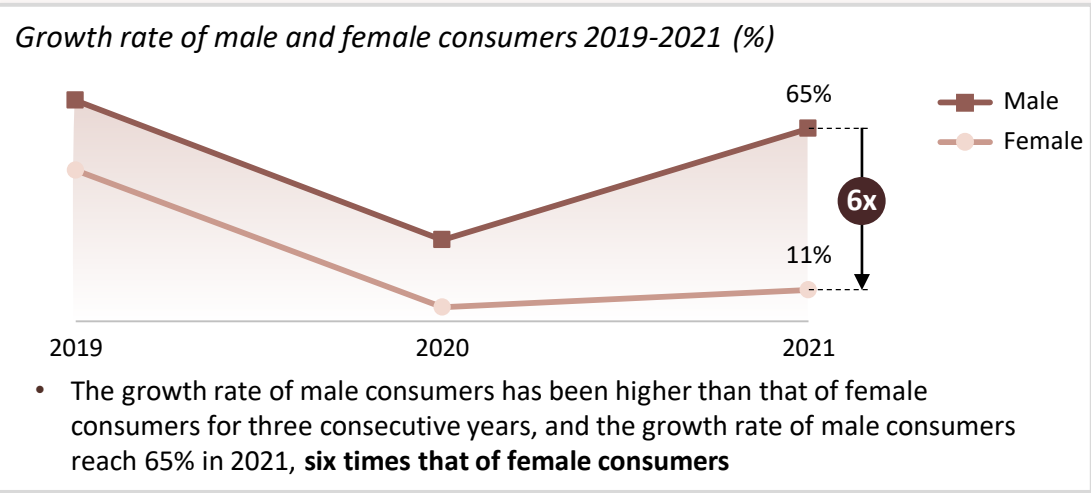
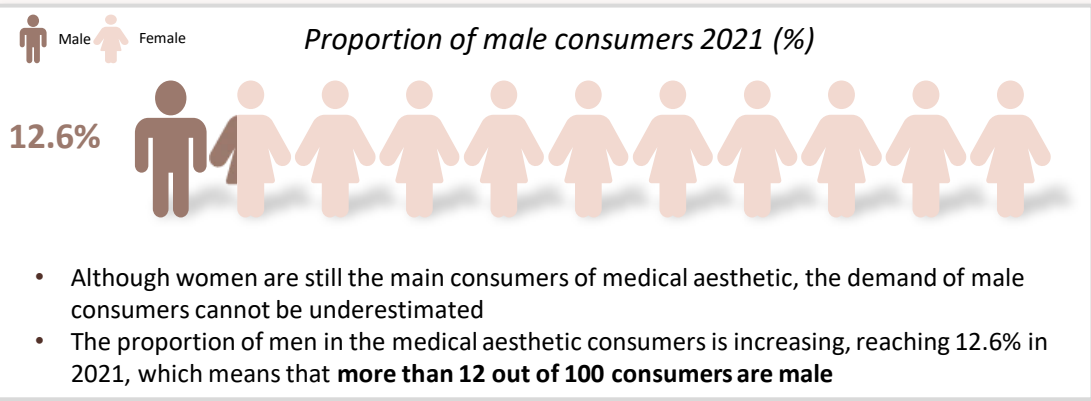
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Institutions should take this opportunity to meet the consumer demand for pleasing self, **focusing on personalized and customized services and treatment portfolios** to enhance the consumer stickiness and motivation

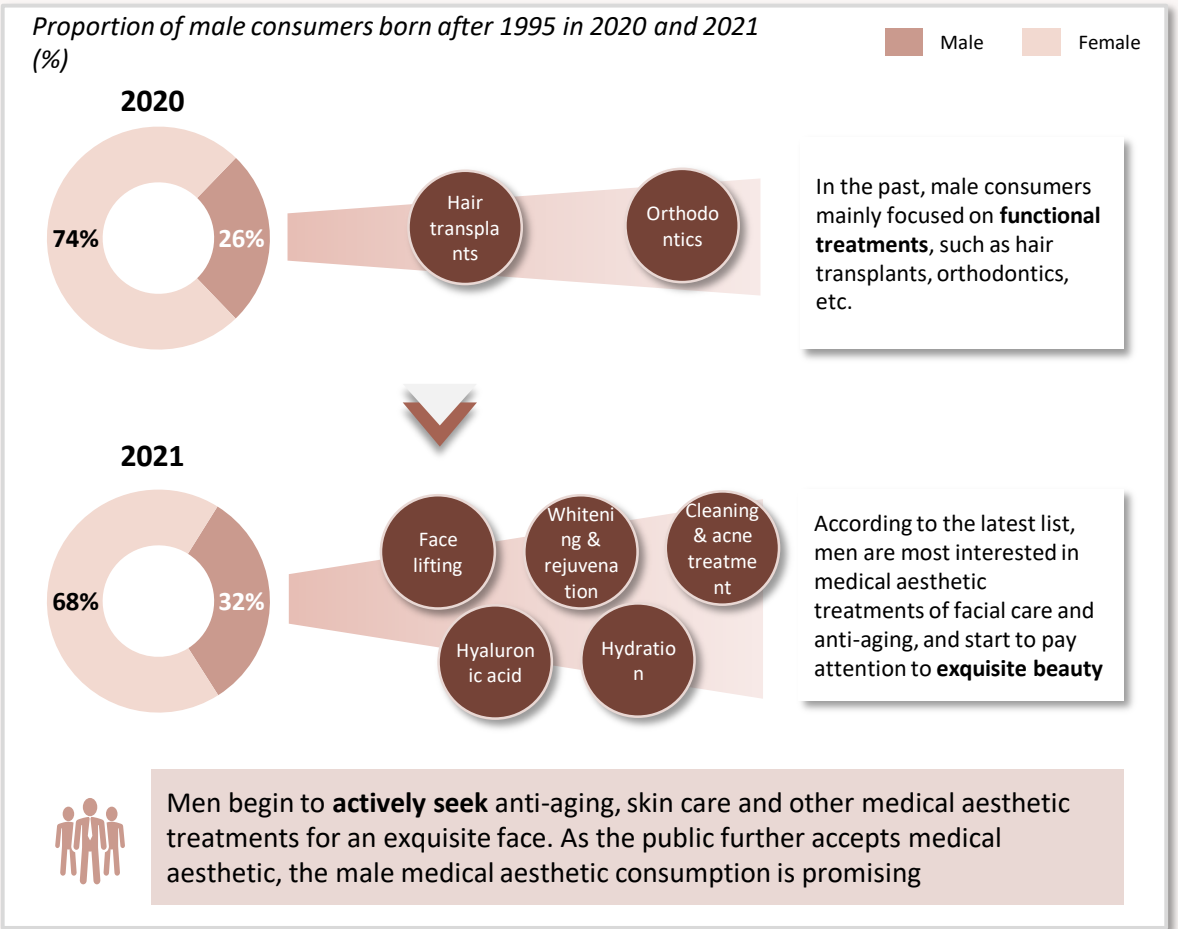


# Male consumers are increasingly seeking medical aesthetic treatments and gradually unleashing their consumption potential

**The proportion of male consumers is steadily growing, and the growth rate is six times that of female consumers**

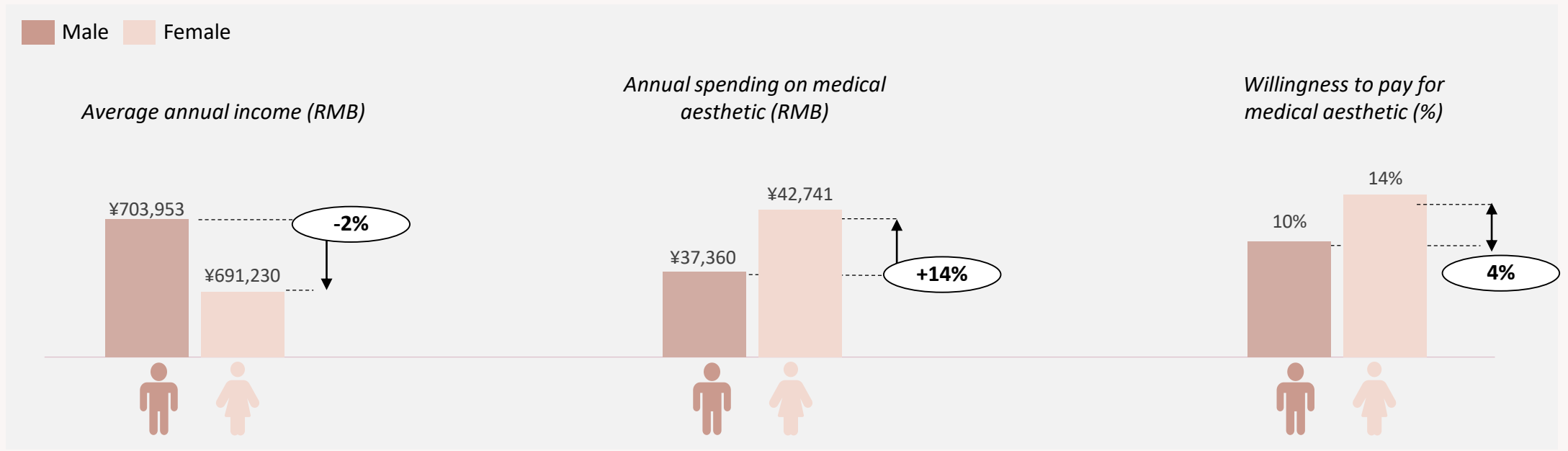


**From passive seeking to active, young male consumers gradually released their potential**



# Male consumers are gradually matching female consumers in terms of consumption willingness and capacity. 'Male beauty economy' is set to usher in a new profitable segment in medical aesthetic

  
**Medical aesthetic consumption analysis by gender**

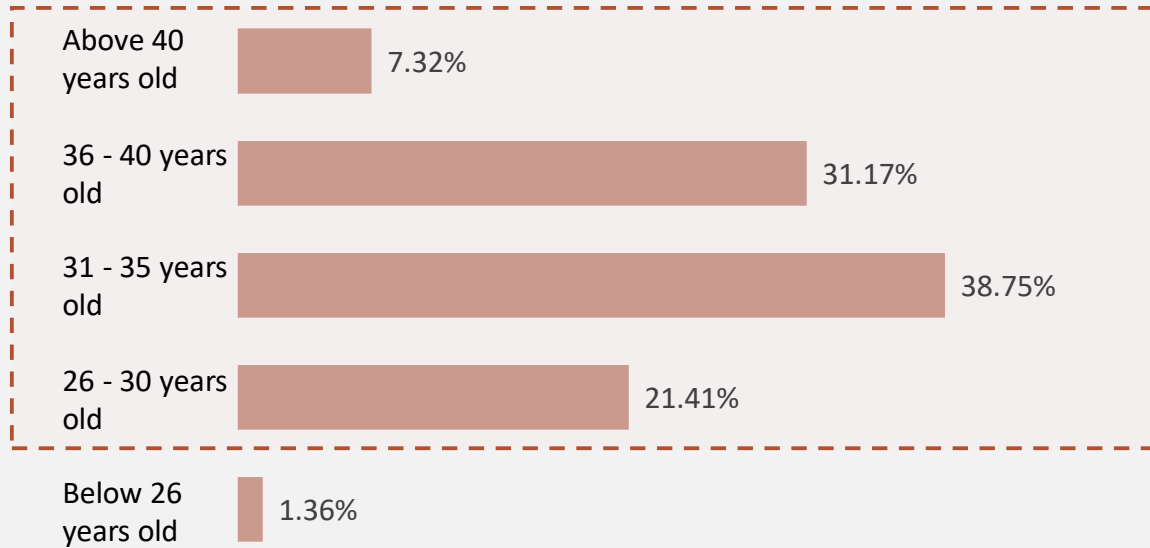


As more men accept the concept of personal image management and face enhancement, men's willingness to pay for medical aesthetic treatments will be stimulated continuously. According to Allergan Aesthetics' consumer survey, **male consumers' willingness to pay for medical aesthetic (the percentage of spending on medical aesthetic in total income in 2021) has been close to that of female consumers.** It can be seen that the rise of men's beauty awareness may usher in a new profitable field in the medical aesthetic market for the "male beauty economy"

# China medical aesthetic institutions see consumers aged thirty and above as their core customers



## Institutions' core consumers: aged 30 and above



- With the emerging “non-surgical medical aesthetic” concept, daily skincare products can no longer meet the anti-aging needs of people over 30, and more and more consumers are including medical aesthetic into their daily skin care routine
- With economic strength, focus on self-investment, and strong demand for self-improvement such as anti-wrinkle and anti-aging, customers aged 30+ become major consumers

## Focus on the psychological characteristics of consumers to meet their core demand

As the core customers of institutions are getting mature psychologically with their increased social experience and have relatively stable personality, they are more sensitive than young customers to the emotion and value proposition conveyed by institutions while focusing on the nature of medical treatment. Institutions should pay attention to the core demand of such customers to prevent the loss of key customers and the decline of their consumption contribution rate:

01

Highlighting the guidance of consultation and professional treatment process

Attaching importance to the customer demand psychologically and emotionally, and focusing on the value proposition of this group to break through the boundaries of self and age

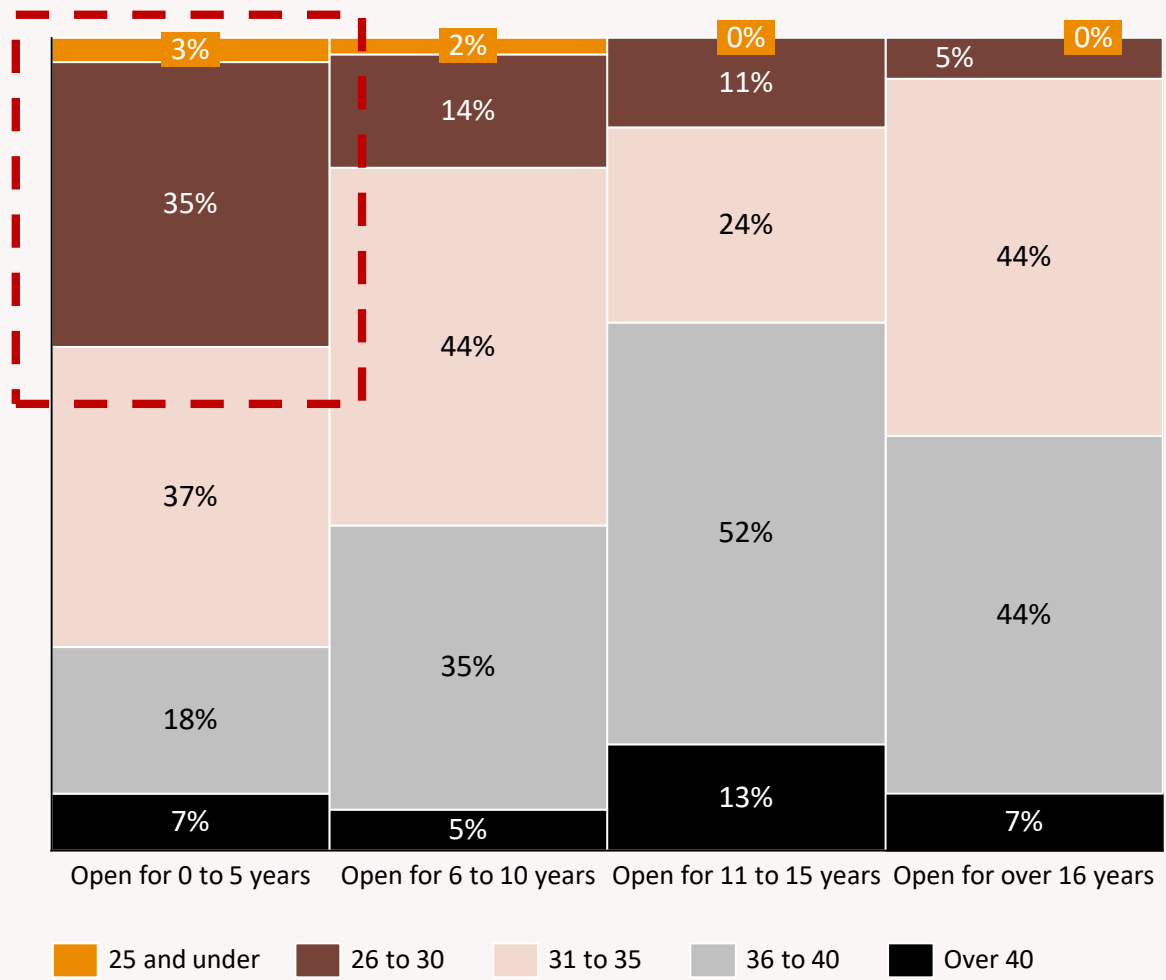
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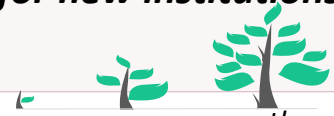
Showing the treatment effect and spreading diversified information, assisting core customers to make their own professional judgment

A large number of consumers who are currently under thirty and are frequent users of medical aesthetic treatments will become core customers in the future. Medical aesthetic institutions' strategy must cater to them

**Institutions opened for less than 5 years rely more on young customers**



**Retaining and converting young customers are key tasks for new institutions**



- According to the consumer survey, more than half of the medical aesthetic consumers are under 30. With the growing aesthetics seeking awareness, income and age, they will spend more on medical aesthetic and thus have greater influence on the market. How to effectively identify the demand changes of the young consumer group, and retain and convert them into the core customer group, is compulsory for medical aesthetic institutions

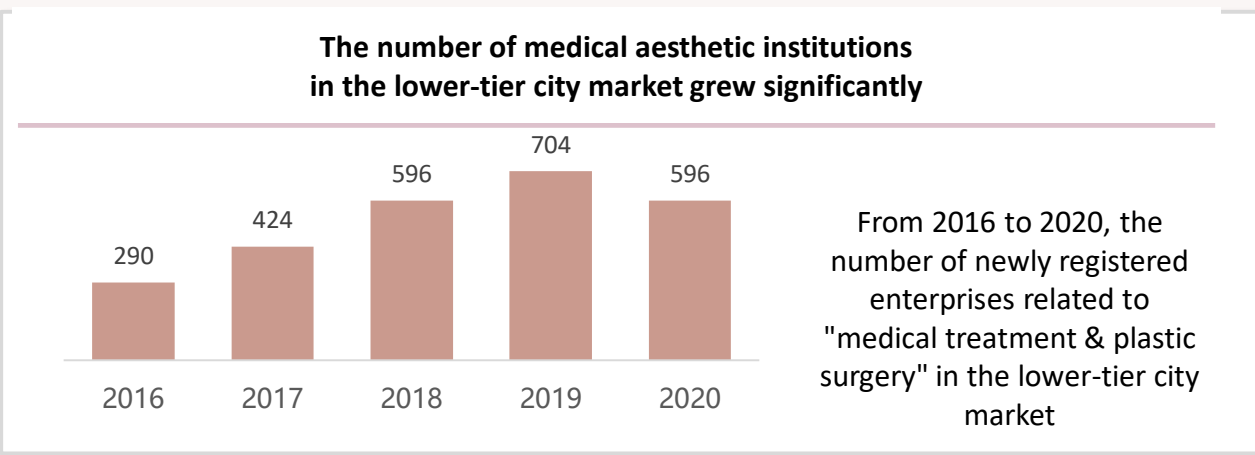
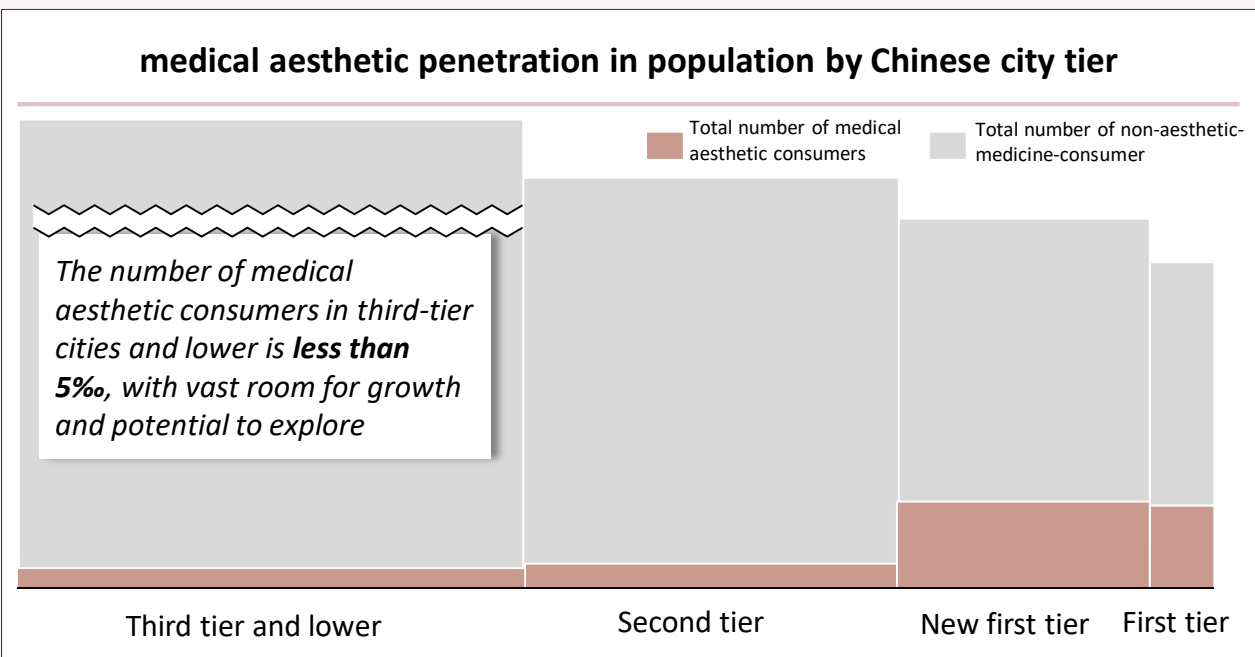
**Opportunities**

- Young consumers are **more likely to accept new brands and treatments**, and new institutions often utilize this to make a breakthrough in business at the start-up stage
- The young-customer-oriented institutions need to be more sensitive to the changes in the needs of their customers at different stages, and avoid the loss of such customers due to **unmet needs** by developing **personalized long-term skin management programs**

**Challenges**

- Young consumers, though active, are more sensitive to price. Thus, it is **relatively difficult to promote products and treatments**
- New institutions naturally disadvantaged by brand awareness and size are not competitive in attracting mature consumers over 30

Currently, most consumers are from the first tier and the new first tier cities. There remains vast room for growth in the lower-tier city market



### Drivers of future accelerated development of the medical aesthetic markets in lower-tier cities

- 

**1 Information coverage strengthened, the medical aesthetic seeking awareness of consumers in the lower-tier city market is proliferating**

  - In 2016, So-Young launched its "lower-tier city" strategy, entering the third and fourth tier cities. At present, So-Young is operating in more than 350 cities, with significant growth of users in the lower-tier city market
  - Pinduoduo, Douyin, Kuaishou and other Internet platforms open more resources to medical aesthetic categories, which are considered by the industry to gain traffic from the lower-tier city market
  - The lower-tier city market enjoys nearly 700 million Internet users. With the rise of short video and live streaming platforms such as Douyin, Kuaishou, Huya and Douyu, the aesthetic feast brought by such platforms has also greatly stimulated the "desire to become beautiful" of users in the lower-tier city market. Consumers' awareness of seeking medical aesthetic proliferates
- 

**2 Income improved, consumption capacity is enhanced**

  - Accumulation of family fortunes and steady increase in per capita disposable income in the lower-tier city market mean increasing consumer purchasing power
- 

**3 Light medical aesthetic being popular, cost-effective medical aesthetic treatments and products are increasing**

  - In recent years, non-surgical medical aesthetic has developed rapidly. Skin treatments and injections are increasingly popular with consumers, non-surgical medical aesthetic treatments increased
  - Some non-surgical medical aesthetic treatments are more cost-effective than traditional surgeries, which are more likely to be accepted by the consumers in the lower-tier city market
  - Cost-effective domestic brands are expected to meet the needs of young consumers with limited income, which is conducive to further opening up the lower-tier city market

# Medical aesthetic in lower-tier city sees low penetration rate, insufficient professional talent, heavy reliance on acquaintances and high price sensitivity

## *Insufficient information sharing and low penetration rate of medical aesthetic*

- Compared with the mature cities, the medical aesthetic market in lower-tier cities severely share insufficient information about aesthetic solutions, reference prices, hospitals and doctors. This makes consumers confusing when they are making consumption decisions and also roil the medical aesthetic market
- Though So-Young and other platforms are opening up their market in lower-tier cities, the consumers in such market are less interested in active learning. They may be more likely to trust a "heart-to-heart" beautician than online science knowledge

## *Acquaintance society*

- Consumers in the lower-tier city market are accustomed to trusting acquaintances. In terms of medical aesthetic, the social contact of acquaintances is reflected as follows:
  - Consumers consume medical aesthetic only when they trust the consultant or doctor
  - The medical aesthetic seeking of individual consumers may also lead to the medical aesthetic seeking awareness and action of the acquaintance circle



## *Due to the income level and lack of differentiated institution operations, consumers are price sensitive and take longer time to make consumption decision*

- Due to the difference in income level between consumers in the lower-tier city market and those in developed cities, the consumers in the lower-tier city market consider more when consuming medical aesthetic, and they are also highly price sensitive when seeking medical aesthetic
- Most private institutions fail to offer differentiated services and operation, specialized skills and product layout, and have insufficient top doctors to guide and impact the industry. As a result, consumers have no benchmark of reference value and put much emphasis on cost effectiveness. Thus, they take relatively longer time to make up their minds

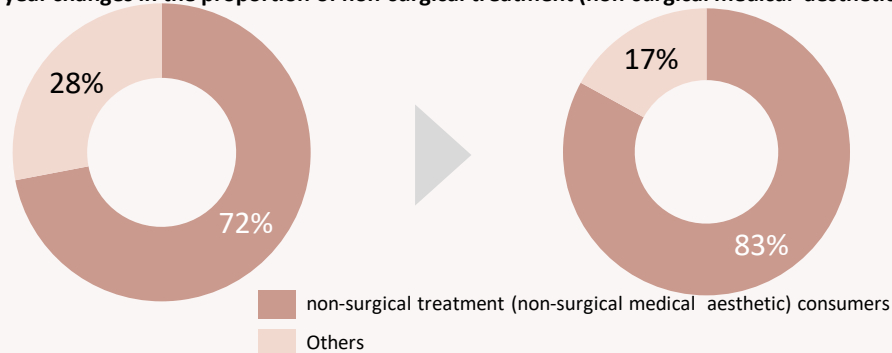
## *The medical aesthetic industry has insufficient talent, with consumers siphoned off*

# **Consumer preference & product layout**

# With evolving consumer aesthetics and medical aesthetic technology, non-surgical medical aesthetic is becoming increasingly popular

## Prevalent non-surgical medical aesthetic & active consumers

Three-year changes in the proportion of non-surgical treatment (non-surgical medical aesthetic) consumers



### Low price

- Entry-level medical aesthetic treatments are showing long-term potential as they attract both beginners with low unit price and regular customers seeking basic daily care

### Minimal invasion

- Light medical aesthetic treatments are more acceptable to consumers as they are quick, minimally invasive, reversible and not subject to long-term recovery, allowing consumers to enjoy "lunchtime" changes

### Diversified treatment

- Diversified non-surgical medical aesthetic treatments can satisfy the demands of different age groups, further stimulating their consumption enthusiasm

### Repeat consumption

- The effect of non-surgical medical aesthetic treatments usually lasts less than one year, so 90% of consumers will repurchase to keep the effect. As their income grows, young consumers are expected to have further increased demand for medical aesthetic treatment and consumer stickiness

## Light medical aesthetic is thriving with anti-aging and sculpting becoming the focus of consumers

According to the survey, consumers are particularly interested in non-surgical filling/sculpting, anti-wrinkle/anti-aging and skin rejuvenation/brightening related treatments.

### 1 Popular anti-aging and sculpting

- **64.29%** consumers received filling/sculpting treatments such as **hyaluronic acid/collagen stimulant injection** in the past year, and **68.72%** consumers received anti-wrinkle/anti-aging treatments such as **botulinum toxin injection**
- Compared to other age groups, **81.82%** of **consumers aged 41-50** showed stronger interest in **hyaluronic acid** out of urgent need for filling and sculpting
- Consumers of all age groups chose **hyaluronic acid fillers** (62.81%) and **botulinum toxin injections** (56.4%) as their most likely next medical aesthetic treatment

### 2 High demand for Botulinum toxin among male consumers

- In contrast to female consumers who have more diversified demands, **male consumers** show greater preference for **anti-wrinkle/anti-aging (Botulinum toxin)** treatments, with 65% of them reporting having related treatments in 2021

### 3 Rising potential of collagen

- **Collagen** has shown strong market potential. **Consumers over 26** are paying more attention to collagen, and **those who spend more than RMB 50,000 on medical aesthetic** are more willing to consume collagen



Medical aesthetic institutions should identify **consumers' unmet demands** while focusing on the layout of medical aesthetic treatments, and make targeted adjustments to business operations to build **differentiated competitive advantages**

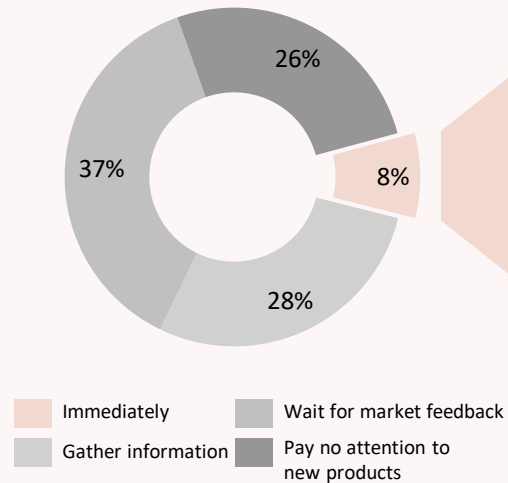


As different age groups hold different attitudes towards new products and services, new product promotion strategies should be based on the age distribution of consumers and market feedback

**Most consumers prefer waiting for market feedback before trying new medical aesthetic products**

According to the survey,

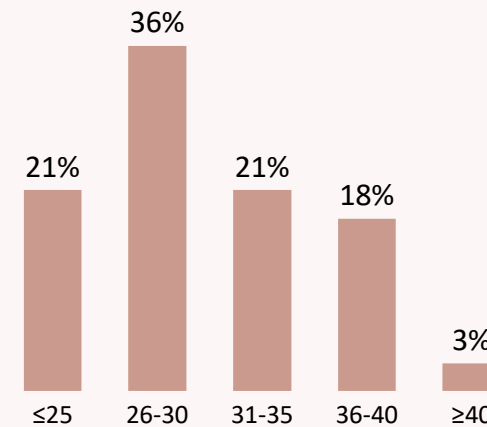
- Mature consumers are hesitant about the new medical aesthetic products
- **Only 8%** consumers will try new products immediately, and 37% will be watching
- Consumers are most affected by **market feedback** when trying new products



**Young customers are more willing to try new products**

According to the survey,

- 78% of consumers willing to try new products are **under 35**
- Different age groups hold different attitudes toward new products. **Consumers over 40 are the most prudent**, nearly half of whom showed little interest in new products
- Conservative consumers only consider necessary and proven products

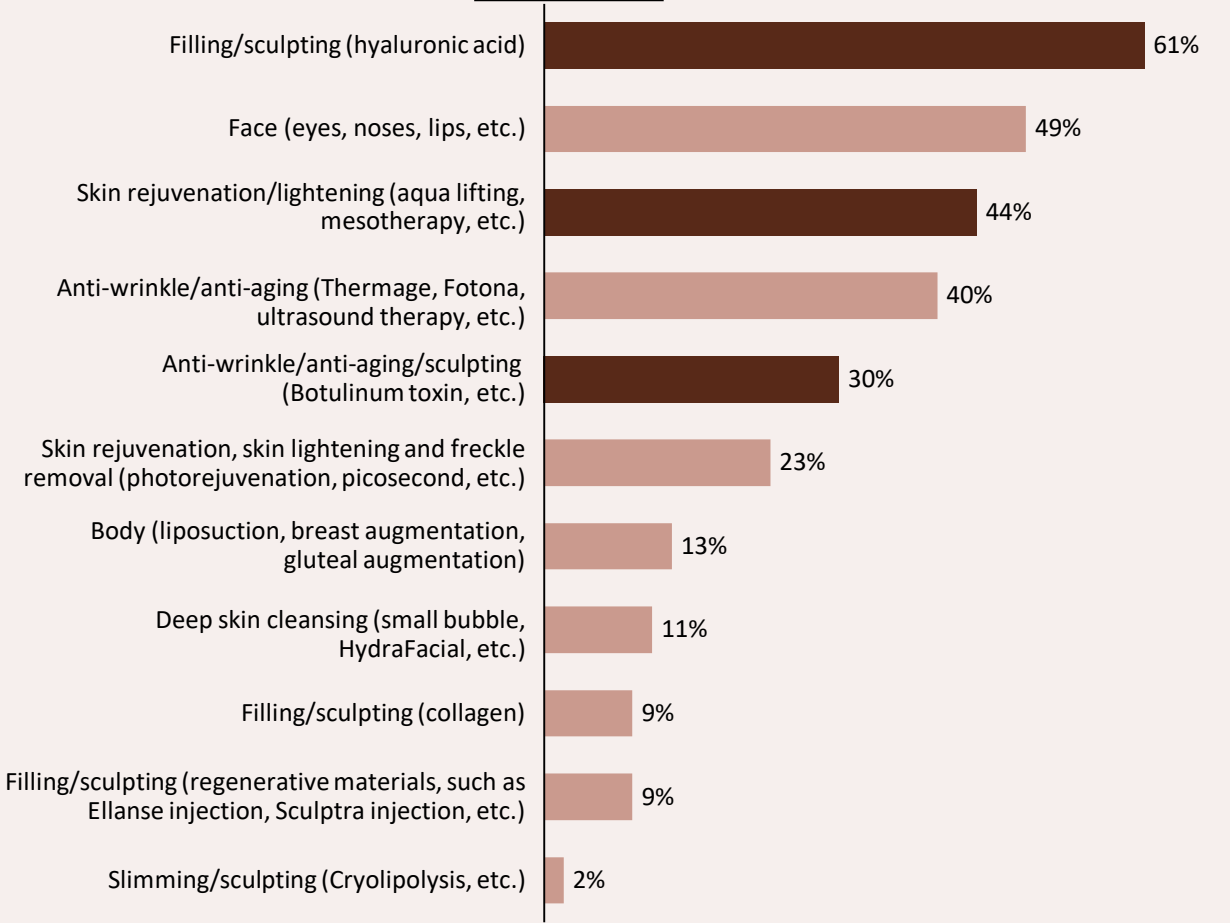


1. When introducing new products, institutions should fully evaluate their safety, consider real and effective market feedback, and prioritize recommendations to young users who are willing to try new things
2. Institutions need to evaluate the synergy effect between new products and existing product portfolio based on their customer composition

Overall, institutions need to closely monitor changing consumer demand and the emergence of new products in the market while consolidating mature supplies and attracting customers (1/2)

**Main treatments provided by institution**

**respondents**



1

**Consolidating mature supplies**

Among the mature injection treatments:

**Hyaluronic acid:**



- **Current applications:** Hyaluronic acid fillers are the **principal product** of most institutions (60%), as it is applicable in many scenarios, safe and efficient, and features quick recovery and high cost-effectiveness
- **Prospects:** Hyaluronic acid filler is the most promising product for most institutions, and also the product that many consumers (63%) are **most interested in and willing to try**

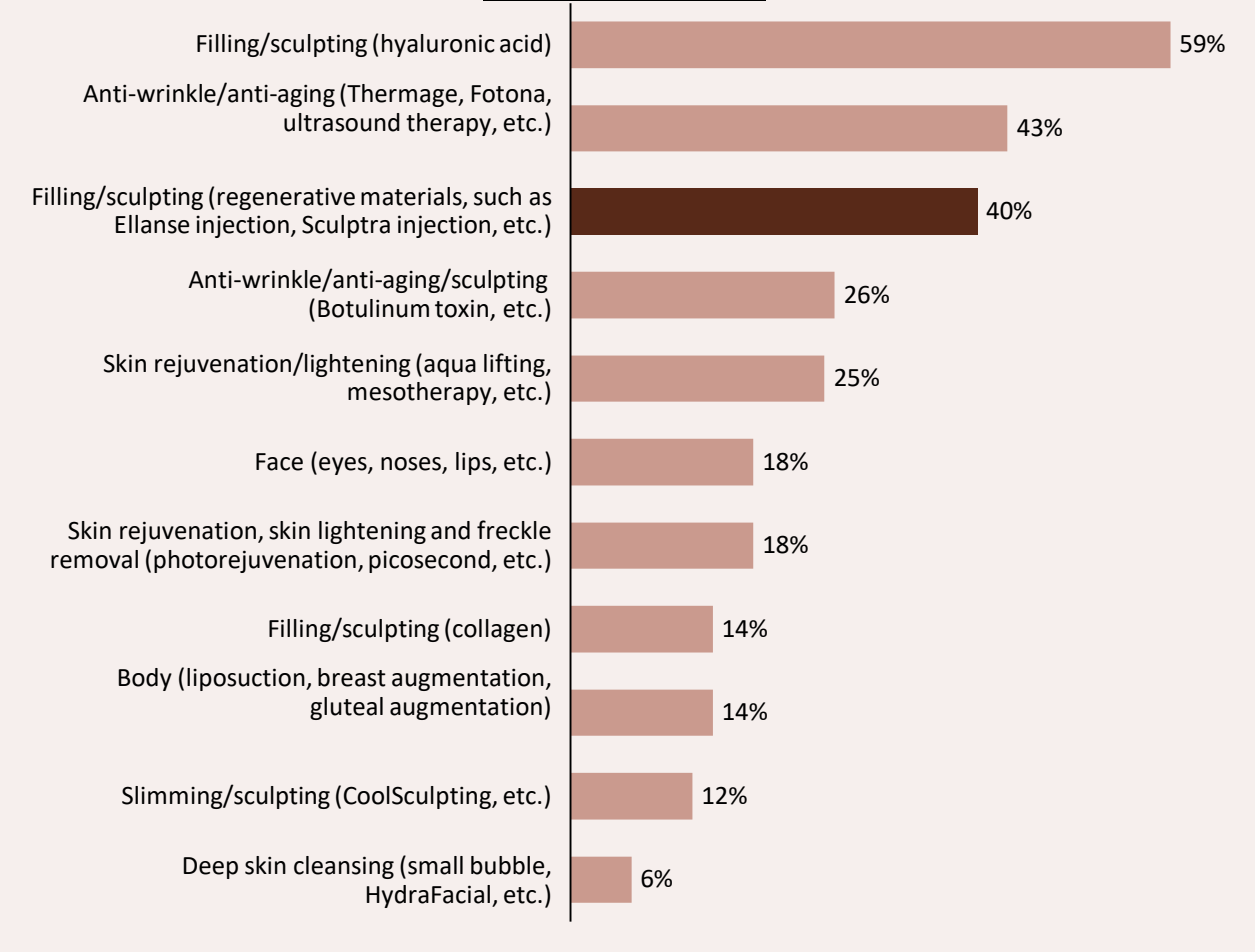
**Anti-aging and skin care treatments:**



- **Current applications:** Anti-wrinkle and anti-aging beauty care services using photoelectric devices and Botulinum toxin injections, and skin rejuvenation and lightening services such as Mesotherapy, are the advantageous treatments of most institutions
- **Prospects:** To optimize the management of existing customers, institutions should focus on enhancing customer stickiness and increase customer value with **demand upgrading and cross-category product promotion**

Overall, institutions need to closely monitor changing consumer demand and the emergence of new products in the market while consolidating mature supplies and attracting customers (2/2)

***Treatments institution respondents believe will grow significantly in the next two to three years***



2

**Focus on new products**



**Demand identification:**  
In addition to the main treatments, institutions are also paying attention to new products to address the **changing consumer demands**



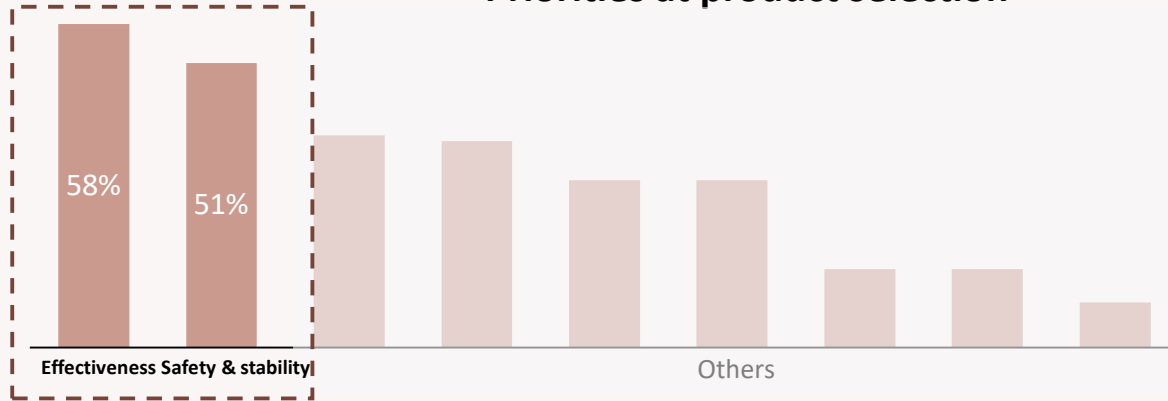
**Innovation trends:**  
The medical aesthetic industry is experiencing rapid development by applying new technologies and introducing new products, such as the currently trending **regenerative materials**



**Competency matching:**  
New materials and products always bring new attention to institutions, and when matched with **education on consumers and application by doctors**, they will be new growth drivers

# Medical aesthetic institutions will prioritize effectiveness, and safety and stability when selecting products and developing service strategies

## Priorities at product selection



The medical aesthetic industry is increasingly focusing on "medical treatment", and more institutions are **giving priority to effectiveness and safety & stability** when selecting medical aesthetic products

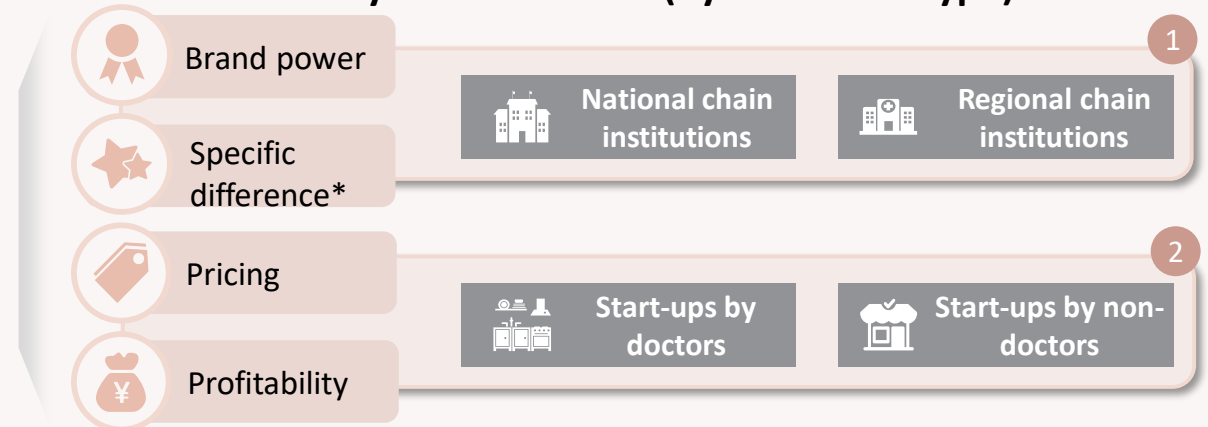


- New institutions strive to avoid negative incidents affecting their reputation, and pay more attention to the effectiveness, safety and stability of their products at the early stage



- Mature institutions select more diversified medical aesthetic products, value unique features and brand influence of products, and integrate different brands for greater impact

## Other key considerations (by institution type)



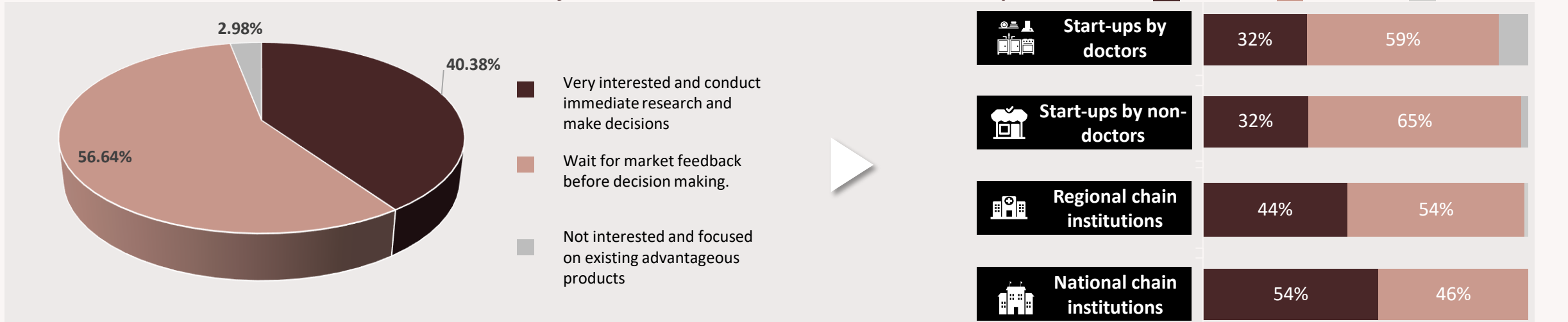
\* Specific difference refers to certain privileges that a brand owner can grant to institutions, such as become the first institution in the area to use the product

- Branding/reputation-oriented institutions focus more on brand power and unique characteristics of products
  - Considering the importance of public opinions for branding of institutions, well-known medical aesthetic
  - Products are playing an increasingly significant role in attracting traffic and building reputation
  - Medical aesthetic institutions use their product selection standards to emphasize brand positioning and tonality and form distinctive brand images

- Marketing-oriented institutions are more sensitive to pricing and profitability of their products
  - Based on the experience of Allergan Aesthetics, although lower price can attract new customers, the retention rate of new customers is usually low
  - Medical aesthetic institutions can only increase customer retention and improve the accuracy of marketing and customer acquisition by customizing an unique and satisfying experience for the target consumer group

# Medical aesthetic institutions are generally positive about new products; chain institutions are showing greater interests while start-ups are more conservative

**Attitudes of medical aesthetic institutions towards new products**



## **✘ New products are a "double-edged sword"**

- With new products emerging, medical aesthetic institutions can introduce new products in line with market trends to gain attention and stimulate new demands of existing customers to form a differentiated advantage
- However, new products usually feature uncertainties and are subject to market data-based verification, so institutions need to consider their brand positioning when selecting new products, and avoid blindly following the trend

## **👍 Chain institutions are more interested in new products**

- Chain institutions cover a larger number of consumers and more diversified demand
- Chain institutions need a more extensive product portfolio to meet the increasingly diverse demands, and therefore hold a more active attitude towards new products

## **🔒 Start-ups are more conservative about new products while waiting for market feedback**

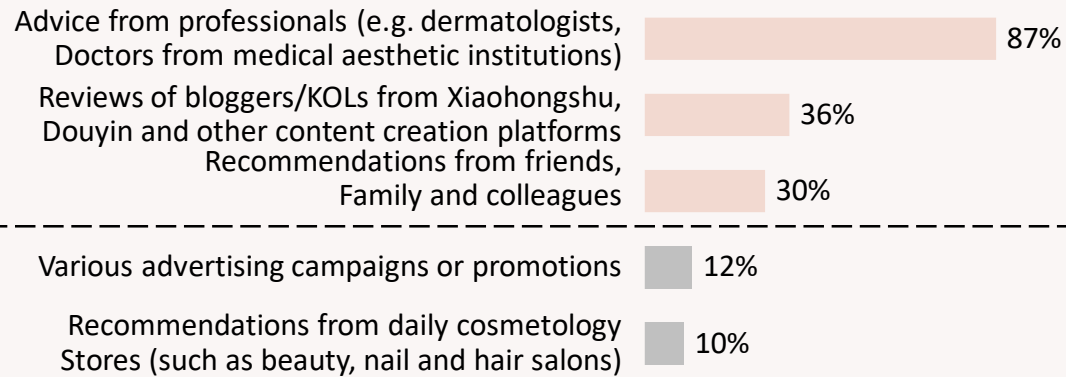
- Start-ups should leverage their strengths to retain customers, such as highlighting doctors' expertise and providing differentiated services.
- Start-ups pay less attention to new products than chain institutions, and prefer to make decisions based on market feedback

# **Customer decision making drivers & institution operation strategies**

# Consumers are sensitive towards brand and professional services when making consumption decisions and are good at evaluating treatments and institutions based on various information sources

## Medical aesthetic treatment evaluation

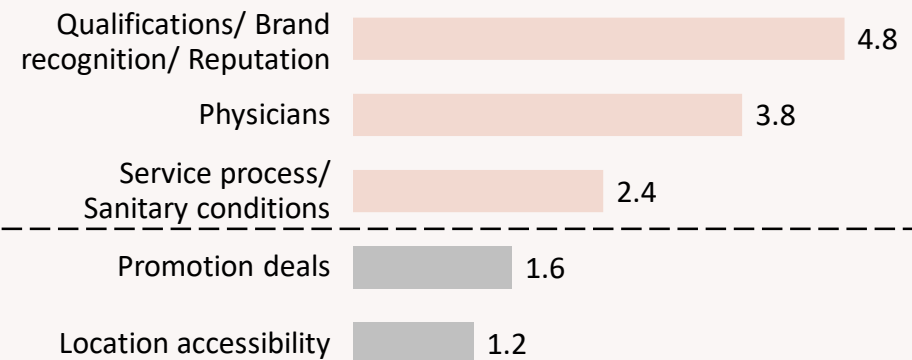
### Major information sources of consumers



- **Value professional advice:** Nearly 90% consumers value professional advice from authorities
- **More trust on reliable sharing:** Consumers learn and verify reviews on professional platforms and family, friends and colleagues
- **Less trust on advertising:** Straightforward advertising and recommendations from marketing sites play a less important role in decision making of consumers

## Consumer decision making

### Key factors affecting decision making of consumers



- **Qualification and reputation:** When making decisions, consumers prioritize the qualification and reputation of institutions
- **Expertise and services:** Doctors' expertise and service capability ranked second in decision making
- **Sanitation and diagnosis experience:** Consumers are also looking for standardized, consistent and considerate services, as well as a clean and healthy environment

## Institution strategies

**Develop proper promotion strategies**

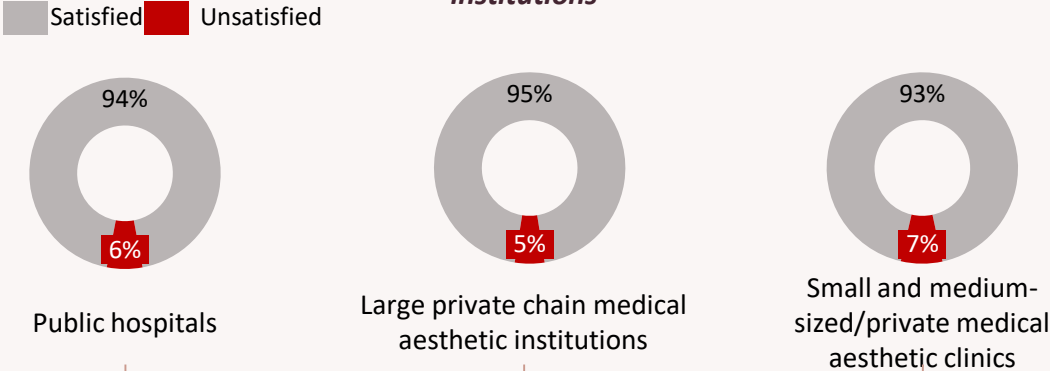
Institutions should customize promotion strategies for different platforms and services to provide adequate information for consumers' evaluation and decision making

**Enhance professional competence and reputation**

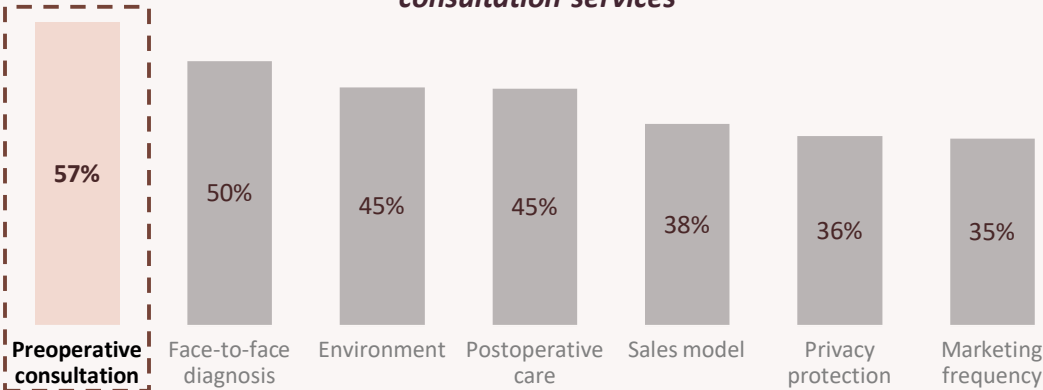
Identify and fill the gaps in professional competence, conduct targeted professional training, and build a high-quality brand image

# Consumers believe that service experience, especially pre-operative consultation, can effectively enhance trust and confidence in institutions

## Consumers are generally satisfied with medical aesthetic institutions



## Most consumers feel that medical aesthetic institutions need to improve their preoperative consultation services



## Key Take Away

### 1 Consumers want better experience, urging institutions to build emotional connections



As the medical aesthetic market grows rapidly and homogenization competition becomes increasingly fierce, institutions need to think like consumers and enhance the overall experience of target customers. In addition to professional dimensions such as treatment effectiveness, consumers are very concerned about the emotional interactions with institutions

### 2 Preoperative consultation is inadequate and requires urgent improvement



The survey shows that more than half of consumers believe that medical aesthetic institutions should optimize preoperative consultation by improving preoperative proposals and building trust. The finding is consistent with the summary of common misconducts during consultation in 2022 Guidelines for Standardized Operation of Medical Aesthetic Institutions released by Chinese Association of Plastics and Aesthetics

### 3 Institutions should make specific adjustments on preoperative consultation



In 2021, Allergan Aesthetics' business consulting team interviewed medical aesthetic institutions' consumers in multiple cities and found that the major issues in preoperative consultation include: negligence of personal needs, excessive sales promotion, deceptive product introduction and understatement of postoperative side effects



# Medical aesthetic institutions have areas of improvement in their services and pre-operative professional consultation

Large chain institutions

Small and medium-sized institutions

## 1. Rigid sales strategy and negligence of personal needs

They always give **plain answers**. When I asked why my skin was showing different colors, she said she didn't know. I think that's her **standard answer** for everyone

I told her I had sensitive skin and the treatments I had done, but she **didn't answer me at all**. She **didn't pay attention to me**, and nodded while looking at her phone all the time

I think it would be better if the doctors could explain the report as they could tell me the most suitable treatment; **the beauty consultant's interpretation is broken and useless**

She **didn't test me and recommended products that suit my skin**, so I doubt that she knows anything about skin

They aggressively recommended products to me **without considering my actual needs**. They asked me to choose products by myself based on the prices, and didn't help me with any suggestions

What they did is keep forcing products on me, and showed **little interest in my needs**

## 2. Sales-oriented and aggressive promotion

I thought it was bigger and more professional, but the consultant **tried to get me buy products and become a member the minute we met**. It turns out there is no difference, and all of them are the same

I saw the reviews on Dianping.com, saying it's a reliable brand. The environment and the doctor were good, but **the sales consultant was too harsh, and pushed a lot of expensive plans**, without telling me their effects. When I said I needed to consider for a minute, she just flipped out

I felt **neglected** the first time, so I did not contact her again. She (the sales consultant) may think that I am a one-time customer and has never contacted me again

It's **too commercial**. I know she needs performance, but she really needs to recommend products based on customer needs, and shouldn't **sell without asking**

## 3. Negligence of preoperative expectation management and understatement of postoperative side effects

Many colleagues say I have serious wrinkles, and I find it true when I look at myself in the mirror. The beauty consultant said I would see the **change after one session**







I felt particularly uncomfortable on my eyelids for the first few days after the injection. I was actually **very nervous**, but the beauty consultant **didn't follow up with me**, so I was very worried. Luckily I gradually recovered, but I never got the injection again

I have severe chloasma and my **expectations were high**. The first treatment didn't help me much, and then the sales consultant said it may take a while and the effect varies person by person. I **feel fooled**

I learned from the Internet that I may be uncomfortable after injection, and the beauty consultant warned me about it. I felt my eyebrows were heavy after the injection, and I **worried** that it would be permanent. I got better after a week, but I'm still **scared** thinking about it

# Medical aesthetic institutions should retain their existing customers and competitive barriers, formulate future development strategies, and optimize value propositions, taking into account their brand positioning and advantages

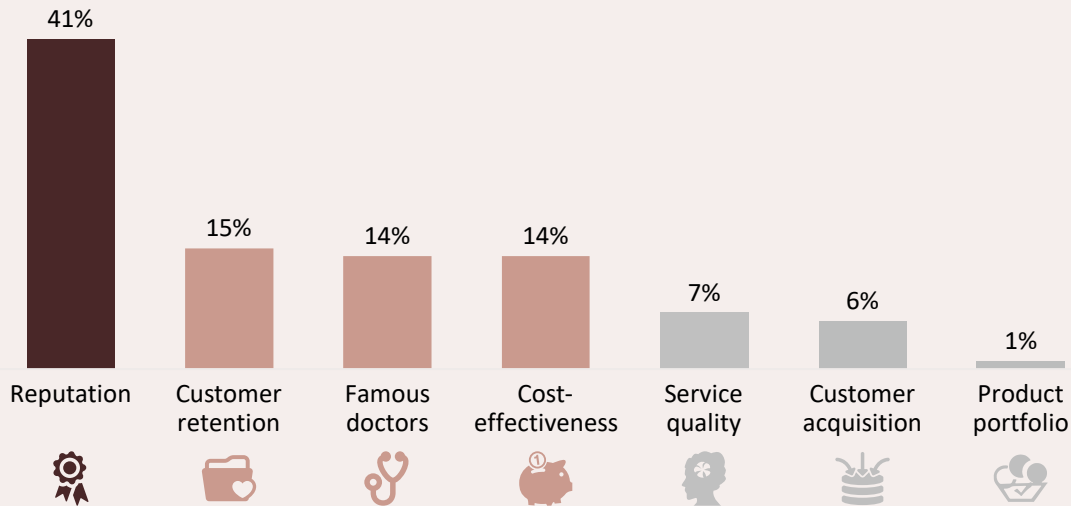
The survey shows that institutions of different types have differentiated advantages and characteristics due to its business characteristics, existing customers and technical barriers, and they need to develop business strategies based on their advantages and characteristics

	 <b>National chain institutions</b>	 <b>Start-ups by doctors</b>	 <b>Start-ups by non-doctors</b>
 <b>Institution characteristics</b>	<ul style="list-style-type: none"> <li>• <b>Brand-based, standardized services</b>, and adequate doctors</li> <li>• Diversified consumer needs</li> </ul>	<ul style="list-style-type: none"> <li>• Doctors are <b>skilled in plastic surgery</b> and have experience in public hospitals</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on basic medical aesthetic needs such as skin management and sculpting</li> <li>• The proportion of <b>young consumers</b> under 30 is relatively high</li> </ul>
 <b>Product features</b>	<ul style="list-style-type: none"> <li>• The proportion of institutions having <b>hyaluronic acid and collagen filler</b> as main products is higher than other types of institutions</li> <li>• Botulinum toxin treatment is an important tool for client identification and department promotion, rather than a competitive barrier</li> </ul>	<ul style="list-style-type: none"> <li>• Rapidly build market reputation and attract specific target groups with special facial surgery treatments</li> <li>• Basic special treatments cannot meet the daily care needs of customers, such as diversified non-surgical medical aesthetic treatments.</li> </ul>	<ul style="list-style-type: none"> <li>• Specialize in diversified <b>non-surgical medical aesthetic</b> treatments, including injections and photoelectric skin care treatments</li> </ul>
 <b>Business strategies</b>	<ul style="list-style-type: none"> <li>• Cooperate with brands to cultivate consumers, and promote <b>branding</b>, product <b>quality</b> and service <b>diversity</b></li> </ul>	<ul style="list-style-type: none"> <li>• Keep the existing special treatments, and enhance the customer stickiness and consumption frequency with <b>non-surgical medical aesthetic treatments</b></li> </ul>	<ul style="list-style-type: none"> <li>• Develop <b>high-end business lines</b> and leading services</li> <li>• Retain <b>regional regular customers</b> by updating services for new demands</li> </ul>

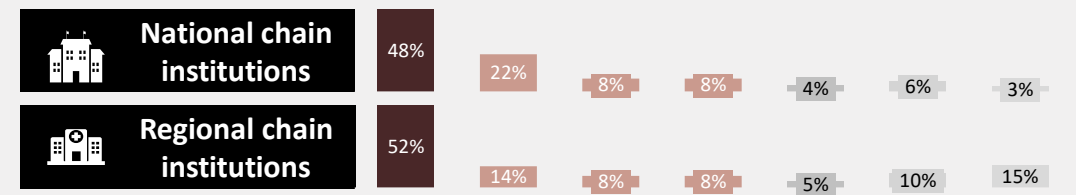
# "Brand reputation" is generally seen as the core competence of medical aesthetic institutions, which contributes to long-term and cross-region advantages

## "Brand reputation" is generally seen as the core competence of medical aesthetic institutions

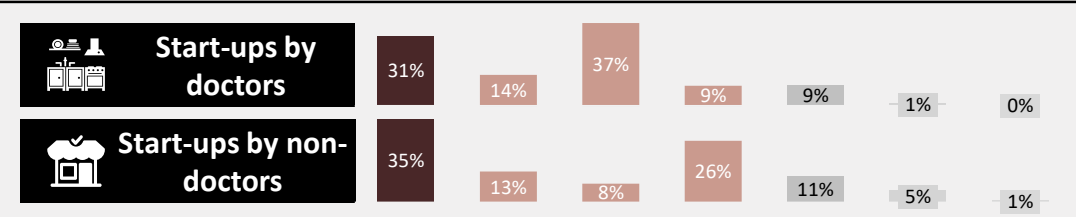
Nowadays, medical aesthetic products are increasingly homogeneous and consumers with better access to information value brand and reputation when choosing an institution. Therefore, institutions that disregard brand building, and still rely on marketing-based customer acquisition and extensive growth will struggle to survive.



By institution type



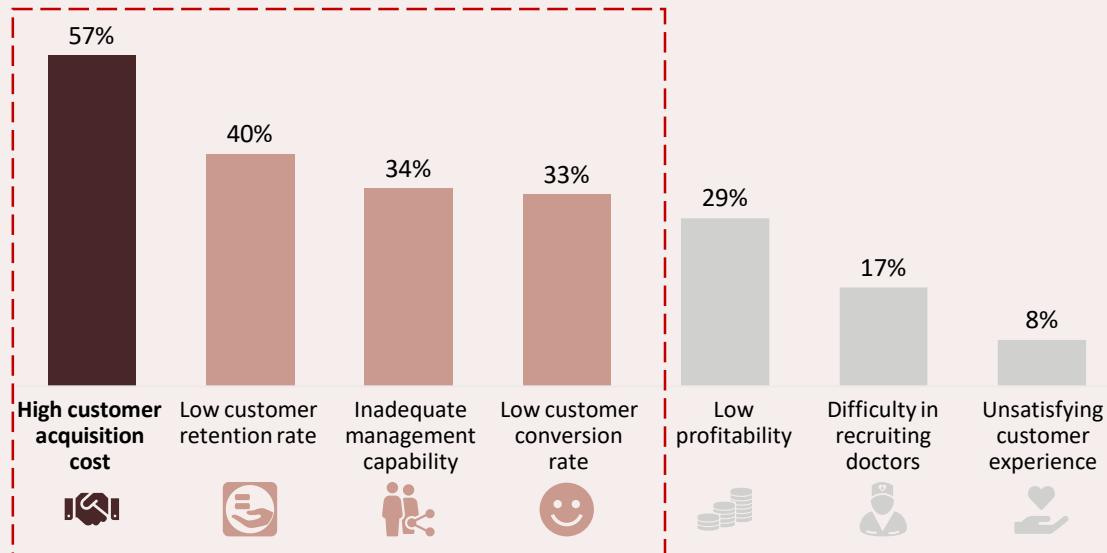
- Other advantages:** Customer retention, product portfolio, customer acquisition
- Development strategies:** Chain institutions which attach great importance to brand image should give full play to the advantage of standardized internal operations and create differentiated advantages, to optimize brand image and retain customers. Establishing trust with customers and a clear brand tone will help institutions to develop loyal customers, and avoid price wars with considerable premium space



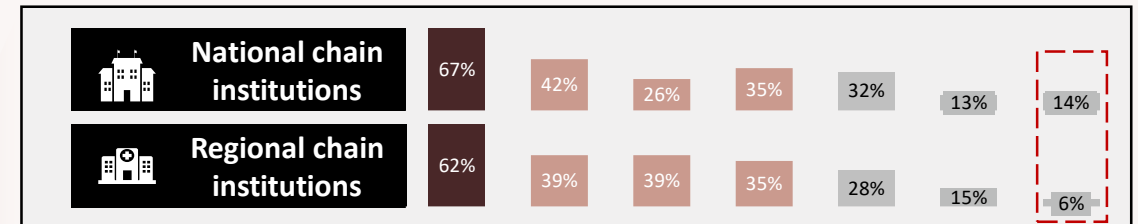
- Other advantages:** Famous doctors, cost-effectiveness, service quality
- Development strategies:** Medical aesthetic start-ups should maximize their unique advantages, e.g., start-ups by doctors should take advantages of the IP effect to demonstrate professional competitiveness, while non-doctor start-ups should emphasize cost-effectiveness or high-quality services

# Medical aesthetic institutions need to improve operational efficiency, refine management and enhance customer maintenance to overcome difficulties in customer acquisition and retention, management and other operational pain points

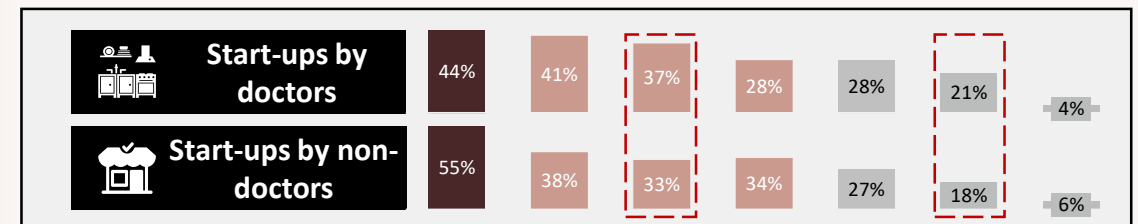
**High customer acquisition cost, low customer retention rate, inadequate management capability and low customer conversion rate are the core challenges faced by most medical aesthetic institutions**



By institution type

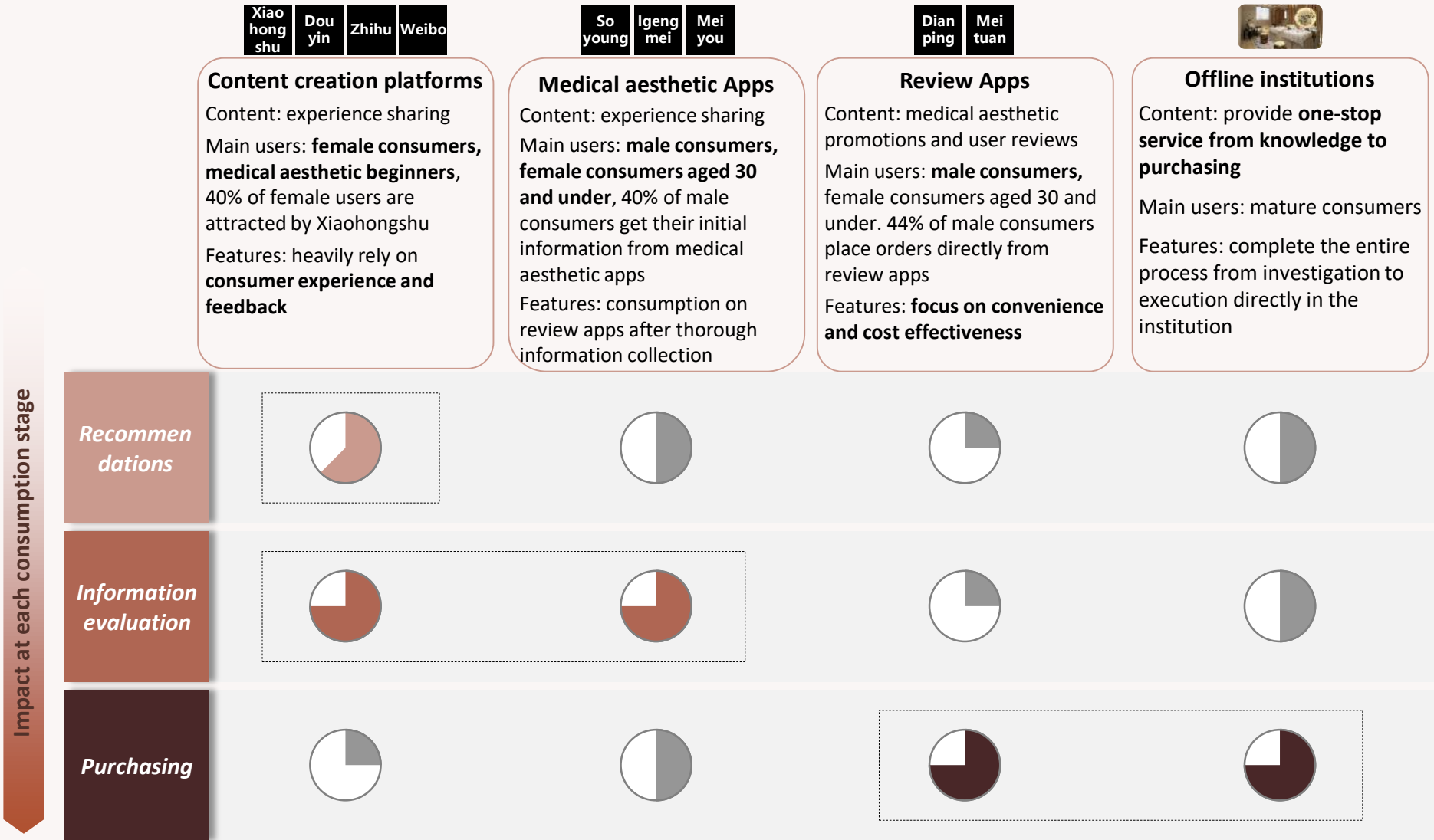


- **Other challenges:** Poor customer experience
- **Pain point:** Medical aesthetic institutions attempt to gain new customers by investing heavily in marketing and promotion, but the lack of clear customer management plan leads to blocked customer flow within the hospital and loss of customers
- **Coping strategy:** Institutions need to enhance the efficient and precise management of the entire customer lifecycle and meet customers' personalized needs to realize long-term development



- **Other challenges:** Inadequate management capability and difficulty in doctor recruitment
- **Pain point:** The era of extensive growth in China medical aesthetic market has gradually come to an end, but some institutions are stuck in the old management model, resulting in their failure to meet personalized customer needs and reduced customer retention
- **Coping strategy:** Institutions need to learn from the experience of mature industries, examine the key moments of the consumption process, and distribute sophisticated management personnel to make breakthroughs in internal management

# Consumers are getting increasingly skillful at receiving and screening information from various platforms to support their purchase decisions



**Content creation platforms**  
 Content: experience sharing  
 Main users: **female consumers, medical aesthetic beginners**, 40% of female users are attracted by Xiaohongshu  
 Features: heavily rely on **consumer experience and feedback**

**Medical aesthetic Apps**  
 Content: experience sharing  
 Main users: **male consumers, female consumers aged 30 and under**, 40% of male consumers get their initial information from medical aesthetic apps  
 Features: consumption on review apps after thorough information collection

**Review Apps**  
 Content: medical aesthetic promotions and user reviews  
 Main users: **male consumers, female consumers aged 30 and under**. 44% of male consumers place orders directly from review apps  
 Features: **focus on convenience and cost effectiveness**

**Offline institutions**  
 Content: provide **one-stop service from knowledge to purchasing**  
 Main users: mature consumers  
 Features: complete the entire process from investigation to execution directly in the institution

## Key actions at the decision-making stage

- Introduce medical aesthetic treatments
- Gather information from experience sharing
- Compare treatment effectiveness and safety
- Compare products and prices
- Compare facilities and doctors
- Compare cost effectiveness of treatments
- Participate in medical aesthetic promotions
- Offline tour to medical aesthetic institutions

# Medical aesthetic institutions should consider diversify their promotional channels to efficiently cover information needs during consumers' decision making and consumption stages

The survey shows that professional medical aesthetic Apps and review platforms are currently the most preferred channels for attracting customers and promoting sales; content creation Apps are used as recommendation tools to attract customers to the store and establish communication between customers and doctors. To stay close to customer and enhance brand influence, most institutions lay more emphasis on private domain operation, such as using platforms like WeChat public account and video account for brand promotion and important customer maintenance

**Promotion** So young | Igeng mei | Mei you | Dian ping | Mei tuan

- Design webpages that fit the institution's brand positioning and characteristics, highlighting professionalism and qualifications of doctors
- Shorten response time and improve consulting expertise to increase the coverage and professionalism of online consulting service

**Building doctor I** Xiao hong shu | Dou yin | Zhihu | Weibo | We chat | Mo-ments

- Doctors from public Grade-III Class-A hospitals and medical aesthetic-related departments of Grade-III Class-A hospital can take advantage of the professional certification on platforms such as Xiaohongshu and Douyin to build a professional image
- Doctors serving as content bloggers can further popularize medical aesthetic knowledge and better understand consumer needs



**Knowledge popularization** Xiao hong shu | Dou yin | Zhihu | Weibo | We chat

- Cooperate with popular bloggers to promote medical aesthetic treatments and attract entry-level consumers to stores
- Provide professional medical aesthetic information and avoid repeated and boring scientific articles
- Provide interactive experience, such as face measurement, aging measurement, to improve consumer experience while promoting products and services

**Retain customers** We chat | [WeChat icon] | Mo-ments | Chan-nels

- Follow consumer feedback, answer questions in a timely manner, and continuously improve service capabilities
- Design targeted promotion to establish a close relationship with customers
- Customized offline activities to stimulate demands

# **Cross-industry collaboration**

# Major medical aesthetic institutions are actively promoting cross-industry collaboration and vertical collaboration to improve customer attraction, customer stickiness and brand image

Cross-industry collaboration has become one of the most important tools for most medical aesthetic institutions to attract and maintain customers. However, the old cross-industry collaboration approach can hardly please customers, and frequent cross-industry campaigns can easily arouse negative reaction from customers with obvious marketing purposes. Institutions need to consider their customer characteristics, study customers' interests, select partners carefully, innovate cooperation form and content, and make adjustments based on real-time feedback to improve the effectiveness of cross-industry collaboration



**"Cross-industry collaboration"**  
 – Cooperate with other industries to exchange resources, enhance brand influence, convert consumers and enhance customer stickiness



**Promote trust**

- "VR tour" allows consumers to feel the environment and increase **visit rate**
- Cooperate with VR medical platforms to assist in training and effect preview of doctors



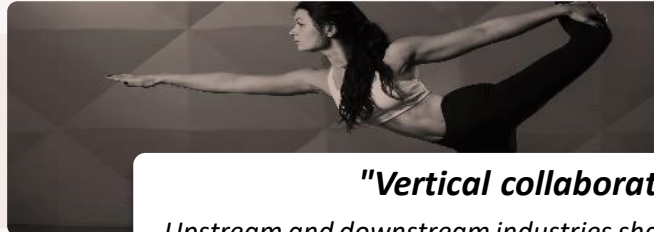
**Enhance brand influence**

- Resonate with potential consumers through **art exhibitions**, and promote **brand education** to deepen brand influence

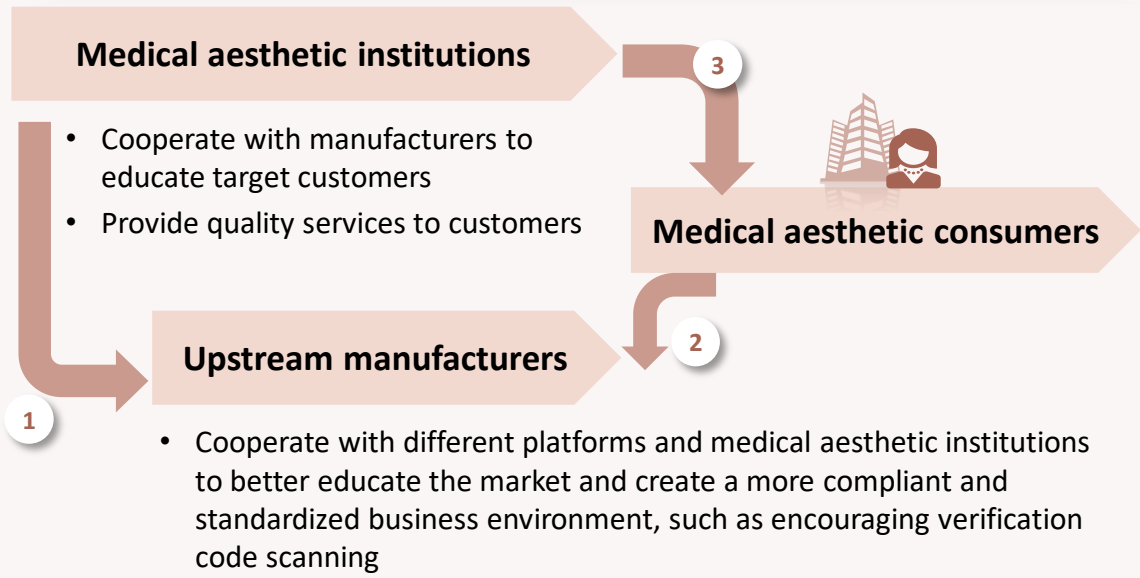


**Ensure safety**

- Cooperate with insurance companies to provide **liability insurance** for aesthetic plastic surgeons and medical aesthetic **accident insurance** to **control risks** for both consumers and medical institutions



**"Vertical collaboration"**  
 – Upstream and downstream industries share resources to create a stable and effective closed loop of customer attraction and stickiness improvement.



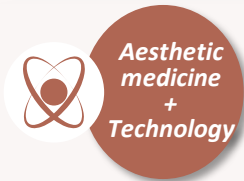


Technology can be integrated into medical aesthetic to help institutions improve overall service capability in multiple dimensions: customer attraction, doctor training, experience improvement etc.



### "Cross-industry collaboration"

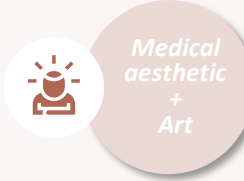
– Cooperate with other industries to exchange resources, enhance brand influence, convert consumers and enhance customer stickiness



Aesthetic medicine + Technology

Promote trust

- "VR tour" allows consumers to feel the environment and increase the **visit rate**
- Cooperation with VR medical platforms to assist in training and effect preview of doctors



Medical aesthetic + Art

Enhance brand influence

- Resonate with potential consumers through **art exhibitions**, and promote **brand education** to deepen brand influence



Medical aesthetic + Insurance

Ensure safety

- Cooperate with insurance companies to provide **liability insurance** for aesthetic plastic surgeons and medical aesthetic **accident insurance** to **control risks** for both consumers and medical institutions



### Combine medical aesthetic and technology to help institutions improve competitiveness from multiple dimensions and subjects



**Customer attraction:** Several medical aesthetic institutions have launched the "VR tour" service to increase **visit rate** of potential customers by reducing their decision-making cost with off-site exploration



**Doctor training:** Some medical aesthetic institutions have launched collaboration with VR medical platforms, using virtual reality-based platforms to help doctors simulate and **practice medical aesthetic surgery** to **improve technical and operational proficiency**



**Effect preview:** Medical aesthetic institutions can use VR technology to preview the surgical process and generate a comparative effect simulation, which **enhance customer trust** and facilitate purchasing decisions with transparent procedures

# Art can be combined with medical aesthetic to elevate the brand tone by connecting medical aesthetic with the rising female consciousness, resonating with consumers, and enhancing the customer's sense of identity



## "Cross-industry collaboration"

– Cooperate with other industries to exchange resources, enhance brand influence, convert consumers and enhance customer stickiness



Aesthetic medicine + Technology

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## Combine medical aesthetic and art to resonate with consumers and achieve high customer stickiness

- A **medical aesthetic institution in Beijing** set up an art gallery to resonate with potential customers via **art exhibitions** (e.g. "See Her") and subconsciously influence them with its **brand values**



*"We have heard too much about what women should be... Women should not be too tough in the workplace, women should focus more on their family, women should be soft... **but it is up to us to decide what women should be. You can be anyone you want to be, but first you have to be yourself**"*

– Guest speaker at the art exhibition

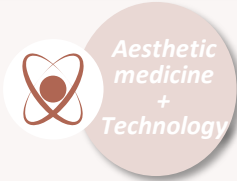
- The art exhibition recognized women's value, inspired women to know themselves and make their own decisions, and built a **strong emotional connection** with them, which expanded potential customers and improved customer stickiness

# Insurance can partner with medical aesthetic players to protect customer safety, raise consumption confidence, reduce disputes and financial risks, and achieve a win-win situation for all parties



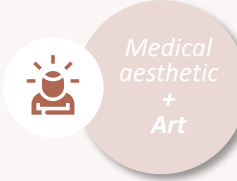
## "Cross-industry collaboration"

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Ensure safety

- Cooperate with insurance companies to provide **liability insurance** for aesthetic plastic surgeons and medical aesthetic **accident insurance** to **control risks** for both consumers and medical institutions



## Combine medical aesthetic and insurance industry to protect the rights and interests of all parties and control safety risks

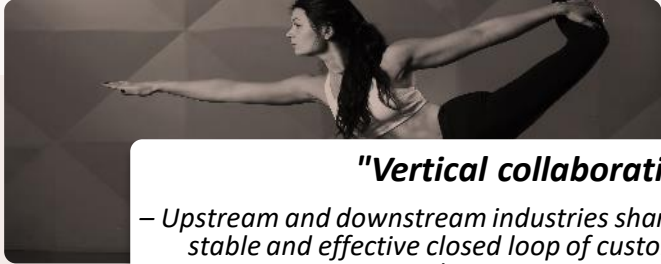
- A medical aesthetic institution in Beijing launched customized medical aesthetic insurances jointly with a well-known insurance company, including **liability insurance for aesthetic plastic surgeons** and **medical aesthetic accident insurance**, which are available to all aesthetic plastic surgeons via a shared platform
- In September 2020, China's first liability insurance for aesthetic plastic surgeons was settled, which **reduced risks** of consumers, doctors and hospitals, and **minimized reputational and financial losses** of medical aesthetic institutions

1) *Due to mistakes by the doctor, a patient was burned in a laser treatment*

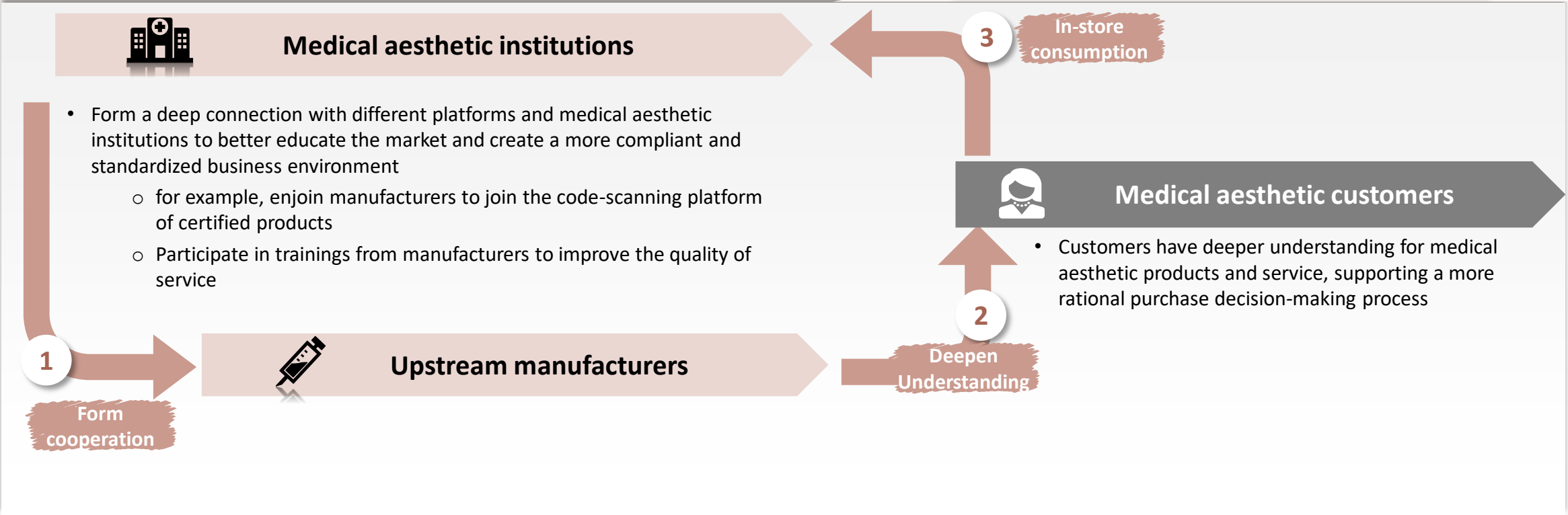


2) *After the medical institution submitted the documents, the insurance company initiated the claim process and paid for all costs of the patient's recovery treatment*

Some medical aesthetic institutions are collaborating with upstream and downstream industries via a B2B model to achieve a win-win situation for all parties while acquiring target customers more precisely

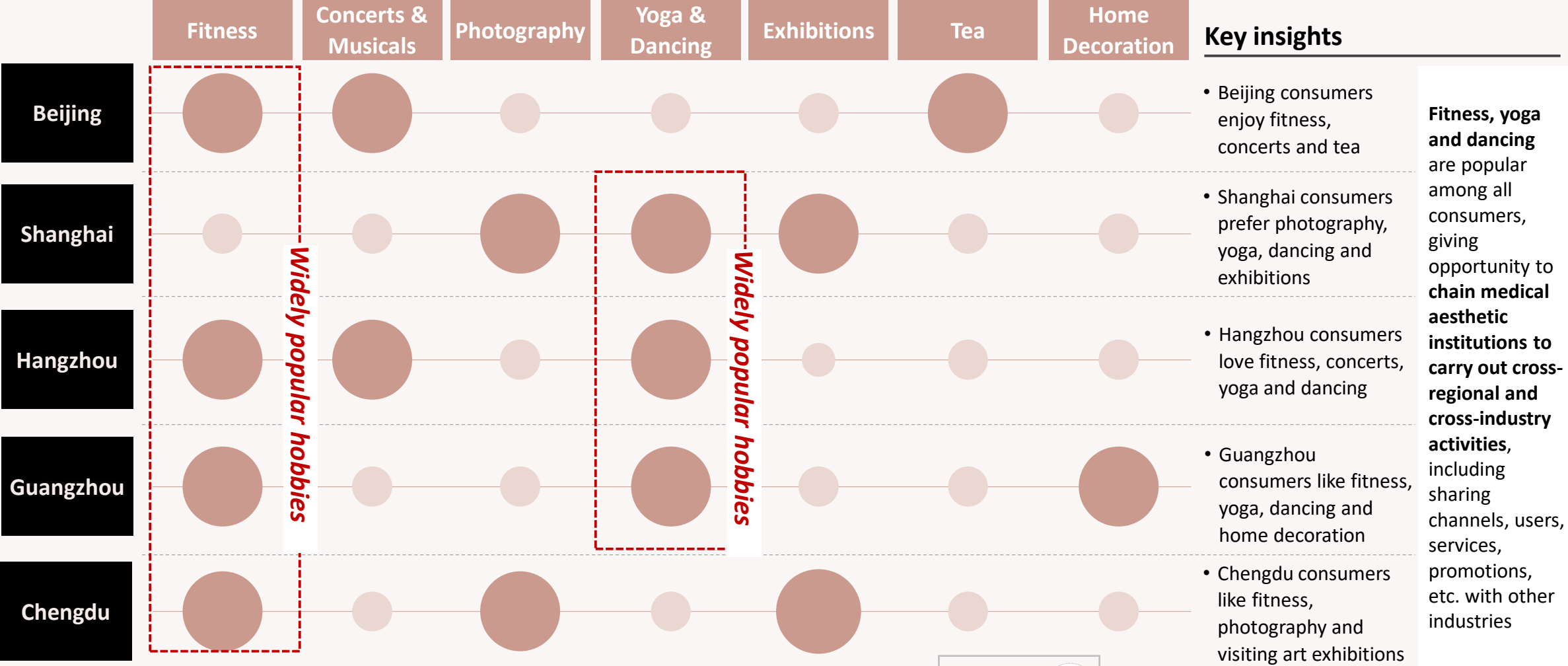


**"Vertical collaboration"**  
– Upstream and downstream industries share resources to create a stable and effective closed loop of customer attraction and stickiness improvement



For cross-industry collaboration, medical aesthetic institutions should consider hobbies and regional characteristics

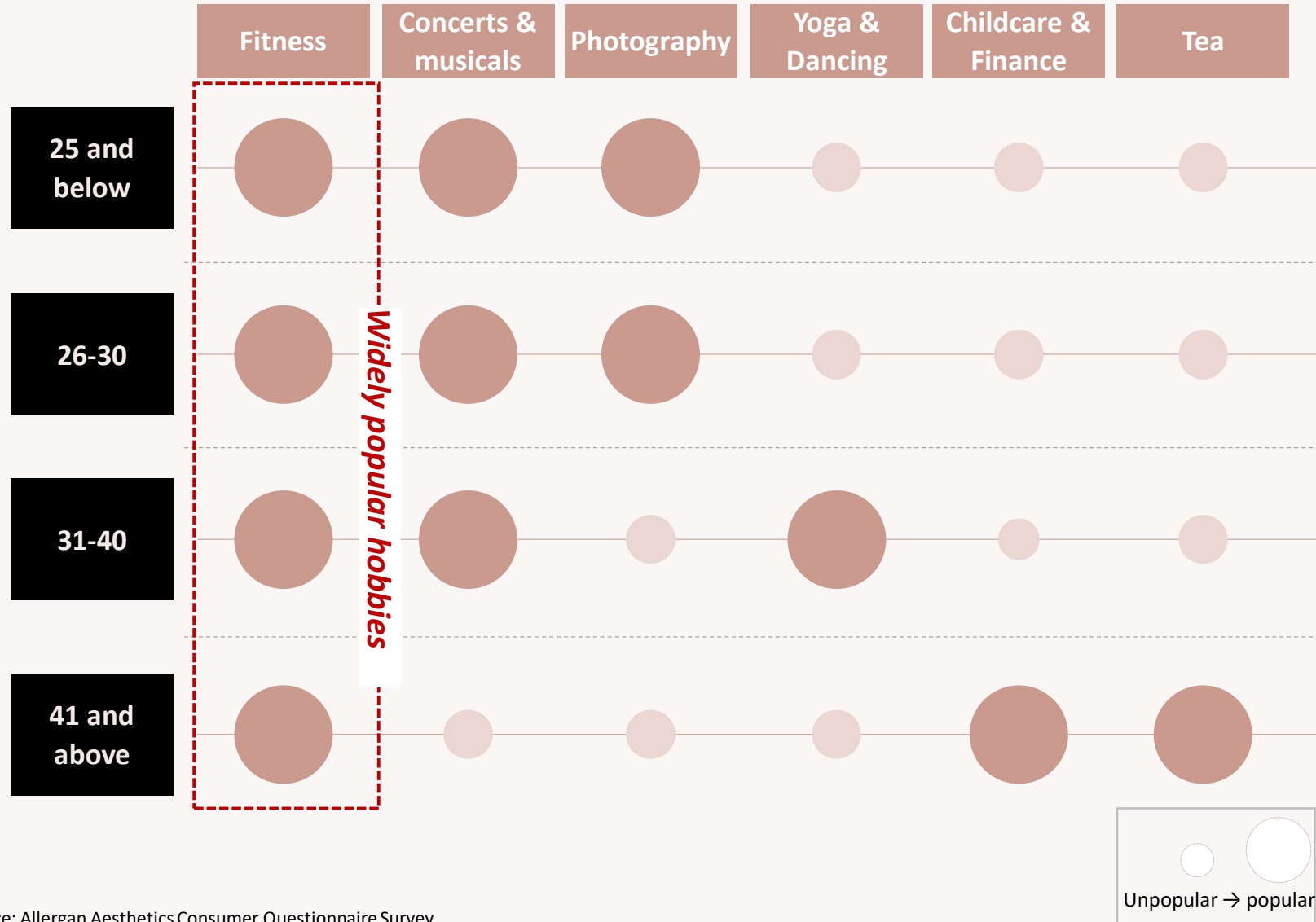
Top 3 hobbies of medical aesthetic consumers in five major cities of China



Source: Allergan Aesthetics Consumer Questionnaire Survey

# Cross-industry collaboration can focus on fitness and bodybuilding, a go-to activity in various cities and age groups, to develop differentiated solutions

## Top 3 hobbies of medical aesthetic consumers of different ages:



## Key insights

- To attract anti-aging medical aesthetic consumers under 30 years old, conduct photo shooting activities that relate to their self-worth demand
- To attract mature medical aesthetic consumers, build sharing communities over musicals, yoga and dancing to drive conformity consumption
- To attract middle-aged consumer above 40 years old, medical aesthetic institutions can provide one-to-one customized VIP services, including tea tasting, childcare and financial advice, etc.

Medical aesthetic institutions can take **fitness** as the breakthrough point as it is a common hobby for consumers of all ages, and share resource and increase value by **sharing channels, users, services and promotions** with fitness brands

# **New trends in public hospitals**

# New trends in public hospitals: Highly professional doctors, gradual innovation and market orientation (1/2)

With the fierce competition among private institutions, public institutions strive to reinforce their advantages in the medical aesthetic industry; the plastic and aesthetic department of many hospitals are innovating their positioning, mentality, mindset and operation. The article takes the Plastic Surgery Department of Affiliated Calmette Hospital of Kunming Medical University under the First People's Hospital of Kunming, led by Director Zhao Xian, as an example to share the innovative model developed by public hospitals in the medical aesthetic industry

Market-based pricing Example

The screenshot shows a website interface with a navigation menu on the left and a main content area. The main content area features a notice titled "云南省第一人民医院关于2020年自主定价医疗服务项目及医疗服务项目调价公示" (Notice of the Yunnan Provincial First People's Hospital regarding the 2020 independent pricing of medical service projects and adjustment of medical service project prices). The notice text explains the hospital's decision to adjust prices based on government guidelines and market conditions. Below the text is a table titled "2020年新增医疗服务项目价格公示" (2020 New Medical Service Project Price Announcement).

序号	项目编号	项目名称	项目内容	收费标准	单位	最高限价

## Innovative initiative 1 – new positioning of the department

1. **New positioning of public hospitals:** "three qualifications", integrating education, title, medical teaching and research of the experts
2. **Transform traditional business:** switching from therapeutic surgery to aesthetic surgery and restorative treatment
3. **Improve treatment classification:** breakdown of surgical, minimally invasive **surgery**, skin and hair treatment
4. **Highlight profitability of the department:** highlighting the profitability of the plastic surgery department in public hospitals, to obtain more support and be heard within the hospital

## Innovative initiative 2 – market-based pricing to achieve economic efficiency

From February 1, 2018, pursuant to the Circular on Relaxing Price Control in Medical Services such as Health Consultation jointly issued by Yunnan Provincial Bureau of Commodity Price, Yunnan Provincial Health and Family Planning Commission and Yunnan Provincial Department of Human Resources and Social Security, as well as the Interim Administrative Measures for Non-Profit Medical Services Prices in Yunnan Province, the city of Kunming relaxed the control over the prices of certain medical services, allowing hospitals to independently determine the prices of 183 medical services. The Plastic Surgery Department of Affiliated Calmette Hospital of Kunming Medical University under the First People's Hospital of Kunming immediately applied for its qualified aesthetic plastic surgery programs and updated them annually, allowing the department to independently price its medical services and improve economic performance



Make our department

- A highly cost effective department in the hospital
- A well-paid department in the healthcare industry which helps **attract more professionals, gain support and be heard in the hospital**



# New trends in public hospitals: highly professional doctors, gradual innovation and market orientation (2/2)



## Innovative initiative 3 – combine traditional media and new media

1. **Customize content for different platforms:** entertaining content for Douyin, professional content for Xiaohongsiu, etc. At present, the main promotion channels include Xiaohongshu, official public account of hospitals, Smallmike, Meituan, Dianytong, etc.
2. **Build doctor IP:** build professional and unique images of doctors and require real-name certification of all doctors to strengthen public trust, and bring traffic support from the platform to certified doctors effectively
3. **Endorsement by mainstream media:** acquire endorsement from traditional mainstream media such as TVs and newspapers to enhance social influence and awareness, e.g. weekly participation in programs such as "Kunming Health" on Kunming TV and "Kangkang is Coming" on FM105 City News; as well as activities such as free clinics and salons held by newspapers and TVs

## Innovative initiative 4 – hold social activities, conduct cross-industry collaboration, set up models in the industry, regulate the medical aesthetic industry, expand influence and attract more consumers

Public hospitals have social advantages over private institutions because of their public credibility and leading position in society, so they can benefit more from **social activities and cross-industry collaboration** in terms of expanding influence

- Free clinic – answer questions of medical aesthetic consumers
- Calmette Angel Program – positive promotion of medical aesthetic treatment
- Salons – spread medical aesthetic knowledge
- Cross-industry collaboration – free clinics & lectures in universities, health lectures in companies/institutions, etc.



- An increasing number of public hospitals are seeking breakthrough and innovation, exploring possibilities to serve the market while maintaining their leading position in the industry
- With the increasingly strict regulation on medical aesthetic, public hospitals will bring the industry back to its initial medical nature, and build stronger competitiveness with expertise and business innovation

## Other public hospitals – Shanghai Shangshi Aesthetic Medical Hospital

Shanghai Industrial Investment (Holdings) Co., Ltd. and the Shanghai Ninth People's Hospital affiliated to Shanghai Jiaotong University School of Medicine jointly built Shanghai Shangshi Aesthetic Medical Hospital, a high-end medical aesthetic brand **invested by a state-owned group and run by a public hospital**. The Shanghai Ninth People's Hospital is entrusted to manage the hospital, and has assigned a team of plastic surgery experts to the hospital. With support from a state-owned company, excellent capital operation and business operation capability, the hospital has outstanding comprehensive strength and competitive advantages in the domestic medical field

The hospital is designed and constructed in accordance with the standards for specialized medical aesthetic hospitals, and strives to incorporate modern and digital features in its functional layout, process design and clinical environment. The completed hospital will have a construction area of 8,600 square meters with 4 floors (including an underground level) and 30 beds. It will set up departments such as aesthetic plastic surgery, laser cosmetology and stomatology, and introduce large amounts of high-end professional medical equipment, devoting to providing quality services to consumers



The hospital is located in the iconic and stylish Bund SOHO building in Shanghai

Shanghai Shangshi Aesthetic Medical Hospital is the first project of Shanghai Industrial Investment to implement the strategy of Healthy China and Healthy Shanghai and participate in the construction of Shanghai's multi-level medical and healthcare system and the Asian Central Medical City, and is bound to become a new benchmark for Shanghai state-owned enterprises and Shanghai's public Grade-III Class-A hospitals to jointly innovate the cooperation mode of special departments and form a win-win situation for all parties. In the future, the hospital will consolidate the capital of Shanghai Industrial Investment and the medical technology of the Shanghai Ninth People's Hospital to form core competencies and lead the medical aesthetic industry. Moreover, it will enter the international market as a world-class brand "Shangshi Medical", and represent other "Shanghai brands" and "Shanghai services" to shine in the domestic market


Addressed by Guo Jian, chairman of Shanghai Industrial Investment (Holdings) Co., Ltd. at the groundbreaking ceremony



# Other public hospitals – Plastic Surgery Center of Zhejiang Provincial People's Hospital

Established in 1985, the Plastic Surgery Department is a key department of the comprehensive hospital, Zhejiang Provincial People's Hospital. In the early days, it focused on repair, reconstruction and laser treatment; in 2004, it was expanded into the Plastic Surgery Center. The department has been developing and expanding for more than 30 years, and now it has become a professional department with strong technology, advanced medical equipment and leading comprehensive strength in the province. As a director unit of the Plastic Surgery Branch of Zhejiang Medical Association, the department has been widely recognized by its peers

## Utilize online and public platforms to showcase advantages



Public platform information display Example

Zhejiang Provincial People's Hospital built a separate website for the Plastic Surgery Center, as well as a WeChat public account and Weibo account, which share transparent academic information, doctor resources and technical layout of the hospital to its customers. The action consolidated its leading technical position as a public hospital and deepens its credibility and influence among consumers

## Host academic exchanges and facilitate the professional development of the industry



Professional education and presentation Example

- The center holds at least two national continuing education courses every year to spread knowledge and promote progress of the industry. It also provides advanced training opportunities for doctors in primary hospitals to promote new technologies and cultivate talent
- It was the director unit of the Medical Aesthetics and Cosmetology Branch of Zhejiang Medical Association, and is now the director unit of the Plastic Surgery Branch of Zhejiang Medical Association. It hosts the annual academic conference of aesthetic plastic surgery in Zhejiang Province every year, and has hosted and sponsored several international and national academic conferences
- Its doctors have co-edited or edited more than 20 professional books, including the textbook for the exam of medical aesthetic attending physicians in Zhejiang Province held by the Zhejiang Medical Association, and have undertaken tasks such as test paper preparation, marking and pre-test tutoring

# Other public hospitals – Aesthetic Medical Center of Affiliated Hospital of Guilin Medical University

In 2004, the department of dermatology of the Affiliated Hospital of Guilin Medical University entered the medical aesthetic field. After years of dedication, on November 8, 2021, the departments of cosmetic dermatology and aesthetic plastic surgery jointly established the Aesthetic Medical Center of the Affiliated Hospital of Guilin Medical University. Covering an area of about 3,500 square meters, the center has a skin center and a plastic surgery department, and is equipped with highly educated surgeons with senior titles as well as advanced plastic surgery equipment

In order to improve the international competitiveness of tourism, the 2022 Guilin People's Government Work Report proposes to build a world-class aesthetic medical center, introduce high-end medical aesthetic institutions at home and abroad, support local medical aesthetic institutions, build Guilin International Medical Aesthetic Industrial Park, create medical aesthetic industry clusters, and promote the integrated development of medical aesthetic services and leisure tourism. The center is a major project for the development of the medical aesthetic industry in Guilin, and an important initiative to improve tourism quality and build a world-class tourism city

1

## Beauty philosophy



Gong Zhenyu, Director of the Department of Plastic Surgery, Aesthetic Medical Center, Affiliated Hospital of Guilin Medical University

When you walk into the Aesthetic Medical Center, you will find yourself in a beautiful and comforting environment. We don't see people who come to us as patients, but people who pursue beauty, that's why we build a beautiful place where people feel beauty the minute they walk in here



Reception hall of the Aesthetic Medical Center (provided by the Affiliated Hospital of Guilin Medical University)

1

## Talent cultivation base

- The skin center is co-managed by the Department of Dermatology and Cosmetic Dermatology of the Affiliated Hospital of Guilin Medical University, which integrates clinical, teaching and scientific research
- The center is a national standardized training base for residents in dermatology, a construction unit of Guangxi key clinical specialties, a training base for master's degree students, and also a demonstration construction unit of national telemedicine and Internet medical center for skin imaging, a national demonstration base for acne clinical treatment, a medical association unit of National Health Commission and Sino-Japanese Specialized Hospital for Hair Diseases, a sub-center construction unit of National Clinical Research Center for Skin and Immune Diseases, and a vice director unit of Guangxi Dermatology Medical Quality Control Center
- Two discipline teams of the Aesthetic Medical Center have completed nearly 30 national, provincial and municipal foundation projects and published nearly 300 academic papers



External environment of the Aesthetic Medical Center (provided by the Affiliated Hospital of Guilin Medical University)



"It is the responsibility of public hospitals and its professional doctors to offer professional, standardized and scientific aesthetic medical services to people. Public hospitals provide aesthetic medical services of different levels for the public. However, not many public hospitals provide aesthetic medical services, fewer provide quality aesthetic medical services, and much fewer are capable of building a high-end aesthetic medical center."

— Huang Xi, Director of the Department of Dermatology, the Department of Cosmetic Dermatology, and the Aesthetic Medical Center

# 3. City portrait

We surveyed nine cities, namely Beijing, Shanghai, Hangzhou, Chengdu, Guangzhou, Shenzhen, Xi'an, Zhuhai and Quanzhou and summarized their characteristics



Beijing



Shanghai



Hangzhou



Chengdu



Guangzhou



Shenzhen



Xi'an



Zhuhai



Quanzhou

Different geographic locations, customs, cultures, and political orientations have medical aesthetic consumers and institutions with unique characteristics across regions. Allergan Aesthetics' business consulting team summarized the characteristics of nine cities by city level and maturity of medical aesthetic market, based on survey and interviews with consumers and institutions in **Beijing, Shanghai, Hangzhou, Chengdu, Guangzhou, Shenzhen, Xi'an, Zhuhai and Quanzhou**

## City Portrait



## Characteristics & Facts – Beijing

### Function *Political center*

- China's political and cultural center
- China's capital city and home to state ministries and commissions
- Headquartered by the largest number of state-owned enterprises (369) and central enterprises (68) in China

### Residents *Largely working age population*

- **Gross population:** 19,612,400, 27th in the country
- **Sex:**

Female (49%)	Male (51%)
--------------	------------
- **Age:**

12% (≤14)	69% (15-59)	20% (≥60)
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### Consumers *Pragmatic buyers with strong purchasing power*

- **Per capita disposable income:** second in China
- **Per capita consumption:** second in China
- **Consumption philosophy:** preference of practicality over exquisite and fancy features and high consumption levels

### Industry *Extensive health care resources and culture richness*

- **Intensive healthcare resources:** with the largest number of public hospitals in China (73), abundant top notch doctors, and excellent research institutes as training facilities, such as Peking University Health Science Center, Peking Union Medical College, and Capital University of Medicine
- **Mature beauty and young people-oriented industry:** sophisticated film and television culture, a large number of entertainers and art schools; numerous Internet companies and young people

# Beijing: Rational consumers with institutions leaning towards medical nature under tightening regulation (2/2)

## Beijing

### Regulation – Investigate every complaint

- As China's political center, Beijing has the most stringent regulation on the medical aesthetic industry; medical aesthetic institutions are sensitive about compliance and **cautious in product selection**
- Relevant policies:
  - ❑ In 2020, eight ministries and commissions, including China's National Health Commission, jointly issued the *Notice on Further Strengthening Comprehensive Regulation and Law Enforcement of the Medical Aesthetic Industry*;
  - ❑ In 2020, Beijing Dongcheng District Administration for Market Regulation launched ten innovative measures for the regulation of the medical aesthetic industry



*"In Beijing, every complaint is investigated; in the case of any complaint regarding business exceeding the permitted scope, it will be particularly seriously investigated, so mainstream institutions are serving consumers strictly according to indications and will not compromise for business volume."*

– Head of an medical aesthetic institution in Beijing

### Institutions – Doctor-driven business

- Driving factors of hospitals/institutions: **doctors** > products > customer experience > price
- Mainstream medical aesthetic institution types:
  - **Large institutions** – such as Mylike, Yestar, and Lidoo, with well-rounded and balanced treatment categories and massive capital investment in marketing to win customers
  - **Single treatment institutions** – with top-notch doctors and certain special treatments to attract specific consumers



*"Beijing values the nature of healthcare over services, and wins customers with either excellent doctors or low prices."*

– An medical aesthetic doctor in Beijing

### Medical aesthetic – Focus on the "medical" part



**Medical-oriented:** The strong academic atmosphere and the largest number of public hospitals and doctors **make the medical aesthetic industry in Beijing more medical-oriented**



**Single treatment institutions have found a foothold:** Like comprehensive medical aesthetic institutions, many **medical aesthetic institutions specializing in a single treatment category** have obtained positive market response



**Doctor-driven business:** Single treatment institutions usually attract specific customer groups with **highly sophisticated treatments** (mostly plastic surgeries) by an **medical aesthetic doctor with professional experience in public hospitals as well as reputation among targeted consumers**



**Restricted development:** Single treatment institutions **often experience difficulties in developing non-surgical medical aesthetic business** due to their medical foundation and customer groups



*"There are many medical aesthetic institutions in Beijing specializing in a single treatment category. They are almost medical facilities, as there are no consultants, but only face-to-face diagnosis by doctors."*

– An medical aesthetic doctor in Beijing





## Characteristics & Facts – Shanghai

### *The City Economic powerhouse with strong growth*

- **China's major city** and one of the first coastal open cities
- **Developed economy:** As of 2021, Shanghai ranks first in China in terms of GDP and per capita disposable income (RMB 78,027)
- **Strong consumption power:** In 2021, the National Bureau of Statistics reported that Shanghai ranked first in terms of consumption per capita (RMB 23,644) in China

### *Culture Extensive talent and capital, open and inclusive environment*

- **R&D powerhouse:** A technology industry cluster with a large number of high-quality research talent and many representative enterprises in finance, pharmaceuticals and healthcare, semiconductors, software and so on
- **Technology introduction leader:** with an open and inclusive mindset, Shanghai has a leading investment and business environment across China and even globally, enabling it to take the lead in introducing technology



### *Consumers*

### *Exquisite lifestyle, focus on quality and personal need*

- **Exquisite lifestyle:** Shanghai shows a significant preference for "pleasure" in its consumption structure, and consumers appreciate exquisite lifestyle and taste, requesting products in line with international aesthetic standards and trends
- **Paying for quality:** A survey in 2019 shows that information, health and other emerging life service consumptions are growing rapidly in Shanghai, showing the demand of Shanghai residents for a diversified and refined lifestyle
- **Forward-thinking, less influenced by Chinese traditions:** Shanghai consumers have been exposed to western culture and less influenced by Chinese traditions, so they prefer products that match with their mindset

# Shanghai: Diversified and refined demands, pursuing "high-quality medical aesthetic" services (2/2)



## Regulation – National bellwether

China began to regulate the medical aesthetic industry in 2017, and Shanghai took the lead in introducing **the strictest regulation in history**

### Relevant policies:

- In 2019, Shanghai Municipal Health Commission issued the Notice on the Special Action to Rectify Medical Disorder in Shanghai
- In 2020, Shanghai Municipal Health Commission issued the Notice on Further Strengthening the Comprehensive Regulation and Law Enforcement of the medical aesthetic Industry in Shanghai
- In 2021, Shanghai Municipal Health Commission approved the Implementation Plan for the Special Rectification Work of Combating Illegal medical aesthetic Services in Shanghai and issued the Administrative Measures for Medical Aesthetic Surgeons in Shanghai
- In January 2022, Shanghai Drug Administration and Shanghai Municipal Administration for Market Regulation jointly issued the Notice on Conducting Special Inspections of the Medical Aesthetic Market, which emphasized the crackdown on illegal and improper business practices
- In February 2022, Shanghai amended the regulations on minor protection, prohibiting the provision of medical aesthetic services to minors without the consent of their parents or guardians, effective as of March 1, 2022

## Institutions – Abundant and diversified medical resources

- **Abundant doctor resources:** Relying on the technology and expertise of Shanghai Ninth People's Hospital, medical aesthetic institutions in Shanghai enjoy abundant doctor resources
- **First choice to launch new products:** Most leading institutions set their headquarters or flagship stores and launch new products and technologies in Shanghai, so Shanghai consumers can be the first to experience the new services
- **Differentiated institutions to meet various beauty requests:** There are both standard large-scale chain institutions and emerging specialty clinics providing high quality services
- **High-quality private customer flow:** Many clinics promote business with their own private customer flow, meaning relying on word-of-mouth recommendation instead of public media advertising

## Medical aesthetic– More professional and demanding consumers

As the fashion hub of China, Shanghai has developed a "Shanghai-style" medical aesthetic consumption pattern



### Quality requirements:

Shanghai consumers adhere to the exquisite lifestyle when choosing medical aesthetic services. In addition to functional demands, they often express resistance towards identical aesthetics and look forward to obtaining emotional value through deep resonance of identity and aesthetics during medical aesthetic services



### Well-informed and dominant:

Owing to information symmetry, Shanghai consumers are extremely **sensitive to brand and authenticity** when choosing medical aesthetic products and treatments. They usually obtain comprehensive information before decision making, and like to dominate the interactions with institutions



*"I do a lot of research before I go to an institution, such as checking the brand, country of origin and functions of instrument and equipment. Unless the consultants are more professional than I am, I will not trust the solutions they recommend."*

*-- An medical aesthetic consumer in Shanghai*

### Growth driven by young consumers:



Compared with cities like Hangzhou, Shanghai has a more mature consumer group over 30 years old, who **prefer regular treatments for long-term maintenance**. However, as a city full of talent and a rising trend of medical aesthetic among the younger group, **institutions that can attract the young customer group will have new growth drivers**.

## Characteristics & Facts – Hangzhou



Hangzhou

### *The City Developed digital economy*

- **Leading in digital economy:** The digital economy industry, especially e-commerce, **provides numerous well-paid jobs**
- **Highest population growth in the Yangtze River Delta:** Rapid population growth driven by digital economy
- **High per capita income:** Ranking sixth in China in terms of per capita disposable income in 2020

### *Industry Booming influencer economy*

- **Centre of Livestream ecommerce:** Hangzhou where the headquarters of Taobao is located holds half of Taobao livestream organizations, and is the cradle of the "influencer economy" in China, home to many livestream bases, incubators and offline execution companies, which form a complete industry chain
- **Influencer industry cluster:** Livestream and ecommerce boost Hangzhou's upstream supply chain system and energize tourism, real estate and service industries to form a market with strong consumption power



### *Consumers*

#### *Open consumption mindset and aesthetics influenced by influencers*

- **Consumption to meet psychological needs:** Consumers have strong economic strength and hold the philosophy of "exquisite things are never too expensive", aiming to improve life quality and self-worth
- **Open consumption mindset:** Consumers are willing to try new products, perfect choice for companies to promote new products
- **Influencer aesthetics:** The highly active livestreaming industry is constantly shaping the mainstream aesthetics of local young women with strong marketing capability

# Hangzhou: Internet leader & trendsetter, fierce competition of major medical aesthetic players (2/2)



## Hangzhou

### Regulation – Support healthy development

- As a mature medical aesthetic market, Hangzhou has introduced policies to support the **healthy development** of the industry and **strengthened regulation** with new technologies.
- Relevant policies:
  - ❑ In January 2022, the General Office of Hangzhou Municipal Government issued the Opinions on Accelerating the High-Quality Development of the Biopharmaceutical Industry, which highlights the development of pharmaceuticals, high-end medical devices, advanced pharmaceutical equipment and materials, new service outsourcing, digital healthcare (medicine), medical aesthetic, etc.
  - ❑ In October 2021, Hangzhou set up the Association of Plastics and Aesthetics to promote the healthy development of the industry
  - ❑ In recent years, regulation of medical aesthetic institutions is increasingly strengthened to rectify the disorders. In 2021, Hangzhou launched a "100-day campaign" to crack down on illegal and improper medical aesthetic services.
  - ❑ In 2021, Hangzhou began to install face recognition equipment outside the operating rooms of medical aesthetic institutions, keeping non-practicing doctors and nurses outside

### Institutions – Full competition among various institutions

- **Large market size:** Hangzhou's medical aesthetic market size ranks among the top ten in China. As of 2021, there are 575 registered medical aesthetic institutions in Hangzhou, ranking fourth in China.
- **High-end non-surgical medical aesthetic institutions are popular, stimulating leading institutions to develop exquisite services**
- **Significant siphon effect by Shanghai**, especially for Grade-III Class-A hospitals
- **Innovative operation mode:**
  - Influencers attract customers via livestreaming, as shareholders of medical aesthetic institutions
  - Attract capital investment from other industries to achieve cross-circle cooperation
  - Diversified cooperation clinics. For example, Taiwan Yueyan Plastic Surgeon Alliance, the first cooperation platform for doctors in Chinese mainland and Taiwan, will open its first brick-and-mortar clinic in Hangzhou

### Medical aesthetic– Openness to new ideas and emphasis on quality



**Wide acceptance for medical aesthetic services by consumers:** The booming influencer economy constantly promotes medical aesthetic services in Hangzhou, and various treatments are spreading to the marginal groups via livestreaming promotions by influencers. Consumers are more open to new treatments, products and technologies, and more confident about medical aesthetic services in general



#### **Increasingly segmented medical aesthetic needs:**

- According to Allergan Aesthetics' consumer survey, the most popular medical aesthetic treatments in Hangzhou are anti-aging treatments, followed by aqua lifting, hyaluronic acid and double eyelid surgery. In recent years, medical aesthetic treatments for private parts are also very popular
- Consumer demands for beauty are increasingly segmented. So-Young's 2021 White Paper mentions that the number of orders for lip surgery and eye-roll filling with hyaluronic acid in Hangzhou ranks first in China



**Higher requirements for quality:** The market is very competitive and consumers in Hangzhou are demanding better experience from medical aesthetic institutions. Institutions that provide **differentiated customer experience** can enhance customer stickiness and earn stronger competitiveness



*"I think medical aesthetic is very popular. Many of my friends have tried it. You have to take good care of your skin when you are still young, otherwise it's just too late. I watch livestreaming every day, and a few influencers with really good skin will introduce some treatments to me, and I imagine that I will be in better shape than I am now if I had them done."*

*-- An medical aesthetic consumer in Hangzhou*

# Chengdu: “City of medical aesthetic” with a large number of medical aesthetic consumers (1/2)



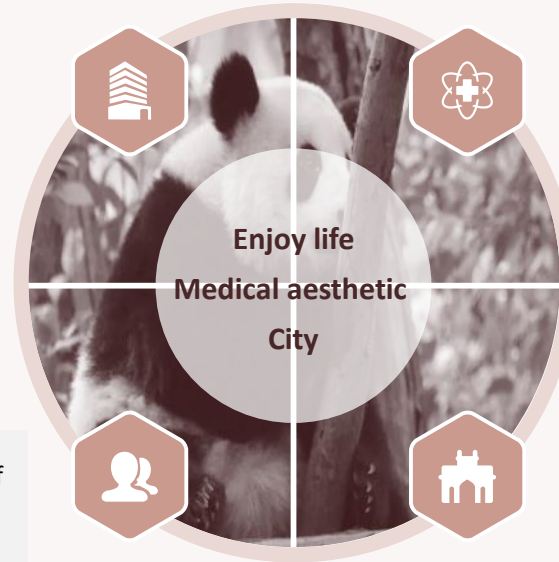
## Characteristics & Facts – Chengdu

### *The City Economically developed and densely populated*

- One of the top 10 cities for GDP in China, with the second highest GDP growth rate in China in 2021
- With a resident population of over 20 million, Chengdu has been newly promoted as a mega-city in China; with massive inflow of external population, its total population is expected to grow significantly in the future; as an important city in western China, it has substantial potential for growth by radiating the other cities of Sichuan, Yunnan, Guizhou, Chongqing, Gansu, Shaanxi, Tibet and Qinghai, with a total population of nearly 300 million

### *Industry Pioneer continues to see rapid development*

- The experience in medical treatment of the wounded in the early liberation days built the foundation for the development of plastic surgery in Chengdu
- **Influencer and tourism-driven:** Chengdu attracts young consumers from all over China with its sophisticated tourism resources, solid tourism infrastructures, rich popular culture and mature leisure economy
- **Rapid digitalization:** Chengdu has been incubating emerging cultural creativity and technology industries, which have contributed to the rapid development of Chengdu's influencer economy. Currently, five out of the top 10 MCN agencies in China are located in Chengdu



### *Consumption Focus on leisure, fashion, culture and tourism*

- **Pursuit of fashion and current trends:** Chengdu's mainstream consumers are younger group with strong consumption power, who value fashion and current trends when making consumption decisions
- **Diversified and dynamic nighttime economy:** Chengdu's nighttime economy has shifted from a traditional model based on food and bar business to one that incorporates culture and art, tourism, entertainment and fitness, integrating nighttime consumption scenarios of culture, tourism and commerce. Culture, tourism, commerce, catering, sports and other industries develop in collaboration
- **Leisure and entertainment consumption:** Living in the most relaxed and happiest city with dynamic night life, Chengdu residents are optimistic and open-minded, and willing to **spend money on a colorful life**

# Chengdu: "City of medical aesthetic" with a high proportion of medical aesthetic consumers (2/2)



## Regulation – Supportive policies and tightening regulation

- **Supportive policies:**
  - ❑ In 2017, Chengdu was the first city in China to propose the building of a nationally leading and globally renowned "Capital of medical aesthetic"; in 2018, Chengdu became the first city to launch a city plan for the medical aesthetic industry, since which innovative initiatives such as "Medical Aesthetic Demonstration Neighborhood", "Medical Aesthetic Town" and "Chengdu Medical Aesthetic Festival" continued to emerge
  - ❑ In 2021, four districts of Chengdu (Wuhou District, Jinjiang District, Chengdu Hi-Tech Industrial Development Zone and Wenjiang District) launched plans to develop the medical aesthetic industry to facilitate the building of the "Capital of Medical Aesthetic"
- **Tightening regulation:**
  - ❑ In December 2021, the Administration for Market Regulation of Chengdu developed detailed initiatives, working guidelines and standardized procedures in line with local realities, to clarify six types of situations that should be reported or transferred to the National Health Commission or other authorities during regulation and law enforcement regarding medical aesthetic advertising
  - ❑ Chengdu carried out special rectification on medical advertising with investigation and fines, and conducted intensive interviews with suspected illegal medical aesthetic institutions, third-party platforms and local regulatory authorities

## Institutions – Low entry threshold, fast-growing and led by private institutions

- **Low entry threshold:** The entry threshold for the medical aesthetic industry in Chengdu has been lowered, and small institutions can get business licenses and practice permit quickly as long as they meet the relevant government standards
- **Fast growth:**
  - Data from the 4th Chengdu International Medical Aesthetic Industry Conference in 2021 shows that Chengdu has the fastest growth rate of medical aesthetic institutions in China (the number of medical aesthetic institutions in Chengdu increased from 159 in 2016 to 361 in 2020)
  - In 2020, Chengdu followed Beijing and Shanghai in terms of the number of medical aesthetic institutions, service volume and output value
- **High market share of private institutions:** Private institutions take up 94% of the market share, with healthy communication among players

## Medical aesthetic – High penetration rate and intensive competition; attract consumers from other provinces

### High penetration rate:



- Chengdu's medical aesthetic consumption penetration rate is well above the national average
- "Chengdu people don't hide it. We are happy to share our experience"

### White-hot competition:



- Chengdu has many mature medical aesthetic institutions, a competitive market, and lower prices compared to the rest of the country. Overall, medical aesthetic institutions in Chengdu are cost-effective, except for those with price premiums for technology and brand name
- Consumers value cost-effectiveness when choosing medical aesthetic institutions and have no special preference for public or private institutions

### Attract consumers from other provinces:



- Chengdu offers affordable medical aesthetic services, so loyal consumers from first- and second-tier cities are willing to come all the way to Chengdu for medical aesthetic procedures
- The proportion of external customers has risen to 10% to 40%, and that for some special treatments can be as high as 60% to 70%



"No blind faith in public hospitals: "High recognition of private medical aesthetic institutions and no blind faith in public facilities"

– A Chengdu medical aesthetic consumer

# Guangzhou: A relatively homogeneous market with pragmatic and conservative consumers and monopoly of large medical aesthetic institutions (1/2)



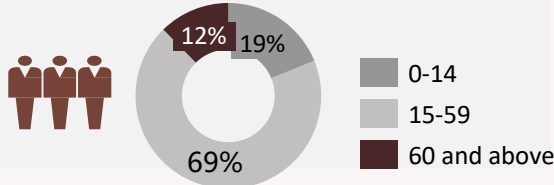
## Characteristics & Facts – Guangzhou

### The City: Developed economy with strong business interests

- **Historic city of commerce:** Known as the "city of commerce for thousands of years", Guangzhou is a historically and culturally famous city, the window of China's foreign trade, one of the starting places of the Maritime Silk Road, and the "Southern Gate" of China
- **Passion for commerce:** Guangzhou is a developed city and its people are passionate about commerce
- **High per capita income:** Guangzhou ranked 5th in China in terms of per capita disposable income in 2020

### Population: High percentage of aging population, low rate of active consumers

- According to China's 2021 National Population Census, Guangzhou's population aged 65 and above accounted for 8.58% of its total population, exceeding 7% for the first time in all censuses. According to international standards, Guangdong is now an ageing society



### Consumers Pragmatic and conservative, value cost-effectiveness

- **Experienced and knowledgeable, looking for quality:** Guangzhou is the front line of China's reform and opening up, and has richer resources and concentrated commerce; therefore, the consumption level will be relatively high and the consumers are more demanding
- **Rational and pragmatic:** The unique ideology that values business and commerce is a major component of Lingnan culture, while a developed commodity economy is often the result of a culture that emphasizes pragmatism and practicality



*"Guangzhou people's life has always been calm and slow. There are no dramatic changes. It's something in their nature. You can't find Guangzhou's energy in its rapid urban transformation, and the big changes don't really interest Guangzhou people"*  
 – Head of an medical aesthetic institution in Guangzhou

# Guangzhou: A relatively homogeneous market with pragmatic and conservative consumers and monopoly of large medical aesthetic institutions (2/2)



## Regulation – Upgrading regulation

- **Guangzhou has been upgrading the control of the medical aesthetic industry, cracking down on illegal operations and regulating the market**
  - ❑ In September 2020, the Health Commission of Guangdong Province issued the Notice of Health Commission of Guangdong Province on Further Strengthening the Management of the medical aesthetic Industry
  - ❑ In May 2021, the Guangzhou Tianhe District Market Quality Supervision Management Bureau inspected and punished several institutions for violation of regulations
  - ❑ In July 2021, the Health Commission of Guangdong Province issued policies jointly with eight departments to combat illegal medical aesthetic operations

## Institutions – Oligopoly market with easy access

- **Loose approval policy for new institutions:**
  - "Tianhe District of Guangzhou has a liberal policy for the approval of new institutions, enabling the medical aesthetic industry to grow continuously." – Head of an medical aesthetic institution in Guangzhou
  - "More and more medical aesthetic professionals, including those who have moved from life beauty to medical aesthetic, are operating non-surgical medical aesthetic facilities in Zhujiang New Town." – Head of an medical aesthetic institution in Guangzhou
- **Homogeneous medical aesthetic institutions:**
  - **Significant oligopoly:** The top four institutions control the medical aesthetic industry in Guangzhou
  - **Lack of medium-sized institutions**
  - **Shortage of doctors and clinics:** There are not enough professional medical practitioners and startup clinics by doctors
  - **Specialized institutions are at the incubation stage:** Small and high-quality specialized institutions are still developing in Guangzhou

## Low penetration rate and slow growth in consumption levels

### Low penetration rate:



- With a large and increasing floating population represented by people born in the 80s and 90s, and an aging population, Guangzhou's overall penetration rate of medical aesthetic services has large room for growth
- The main customer group of medical aesthetic services in Guangzhou is the floating population instead of local residents

### Target of syphon effect from surrounding cities:



- The Pearl River Delta region covers or is adjacent to several first-tier cities, so consumers can choose between Guangzhou and other surrounding cities like Hong Kong, Macau and Shenzhen

### Slow-starter consumers who gradually upgrade treatments



- In the Greater Bay Area, Guangzhou has the highest number of medical aesthetic orders, but the per customer price is lower than that of Foshan and Shenzhen because its consumers are more price sensitive
- When trying different treatments, consumers usually follow certain steps of skin care, aqua lifting, mesotherapy and injections



"I tend to be practical when choosing medical aesthetic treatments. It's either public hospitals or famous large clinics. I think they are more reliable. They can survive all these years and their doctors must be more reliable."  
– An medical aesthetic consumer in Guangzhou



# Shenzhen: Consumers are pragmatic, rational, price-sensitive and value-oriented (1/2)

## Characteristics & Facts – Shenzhen



### **The City Special Economic Zone (SEZ) with strong economy**

- **Special Economic Zone:** In 1980, Shenzhen was designated as China's first special economic zone, a window for China's reform and opening up, and a new migrant city. In 2021, Shenzhen impressed the world with the "Shenzhen Speed", and earned the title of "China's Silicon Valley"
- **Strong economy:** Shenzhen has strong comprehensive economic capabilities. Its GDP reached RMB2.77 trillion in 2020, ranking fifth among Asian cities. It has an average annual growth rate of 7.1% for the past five years, total fixed asset investment of nearly RMB800 billion, and total retail sales of social consumer goods of RMB866.48 billion. It also achieved a total import and export of RMB3.05 trillion, ranking the first among all inland cities in China for 28 consecutive years

### **Consumers Pragmatic, rational and active**

- **Pragmatic, rational and active:** Shenzhen is dominated by its "white-collar culture" and "entrepreneurial culture", so its consumers are more rational and tend to make purchasing decisions based on comprehensive information, which reflects the vibrant features of the city's Generation Z and the unique Lingnan culture of pragmatism



### **Industry & population Booming new industries, young and well educated population**

- **National innovative city:** The proportion of primary, secondary and tertiary industries of Shenzhen is 0.1:37.8:62.1. The added value of strategic emerging industries reached RMB1.02 trillion, accounting for 37.1% of Shenzhen's total GDP. The total industrial output value of companies above designated size ranked first in China. The total R&D investment accounted for 4.93% of its GDP. The proportion of municipal research funds invested in basic research and applied basic research increased from 12% to over 30%. The number of PCT international patent applications ranked first among all cities in China for 17 consecutive years. Shenzhen ranked first in the list of national innovative cities in terms of innovation capacity, with 18,600 national high-tech enterprises, an increase of 237% in five years
- **Young and well-educated population:** Shenzhen has 940,700 residents aged 60 and above, accounting for only 5.36% of its total population, 6.99% lower than the average in Guangdong province and 13.34% lower than the national average. In Shenzhen, the proportion of people with college degrees per 100,000 people rose from 17,545 in 2010 to 28,849, 13,382 more than the national average and 13,150 more than that of the Guangdong province

# Shenzhen: Consumers are pragmatic, rational, price-sensitive and value-oriented (2/2)



## Regulation – Government promotion, emphasis on both regulation and education

- **Government promotion**
  - ❑ In July 2021, the General Office of the Shenzhen Municipal People's Government issued the *Action Plan on Promoting Consumption Capacity and Quality to Create New Consumption Demands (2021-2023)* which proposed to "support the group development of medical aesthetic institutions, guide medical aesthetic hospitals, outpatient clinics, clinics and other institutions to refine management and standardize development and support a number of signature brands to make Shenzhen a nationwide leading and globally renowned medical aesthetic capital"
  - ❑ In July 2022, the Shenzhen Development and Reform Commission issued "Several Measures for Promoting the High-quality Development of the Great Health Industry Cluster in Shenzhen" to encourage the development of China medical aesthetic industry. The measures support the development of medical beauty-related products and technologies, medical beauty service industry, and the construction of international, professional and standardized medical beauty institutions
- **Emphasis on both regulation and education**
  - ❑ In May 2021, Shenzhen Health Inspection Bureau formulated the *Work Plan to Further Deepen the Special Rectification Action for the Medical Aesthetic Industry*. The health inspection authorities in Shenzhen inspected 514 medical institutions providing medical aesthetic treatments, forfeiting more than RMB378,220,000, and providing one clue to the public security authority
  - ❑ In September 2021, Futian District Health Supervision Office offered training programs for medical aesthetic institutions in Futian District, including a mobilization meeting for the special rectification of illegal medical aesthetic services and anesthesia safety training, attracting more than 130 participants from medical institutions with medical aesthetic departments in Futian District

## Institutions – Funnel-shaped structure and booming clinics

- **Funnel-shaped structure**
  - Shenzhen has a high proportion of large and small medical aesthetic institutions. As a young city, its consumers are demanding about price and quality, so medical aesthetic institutions need to continuously improve services and operations to meet personalized needs, increase brand value and enhance differentiated competitiveness
- **Booming doctor's offices**
  - As the pioneer area of multi-sited practice and clinic registration system in China, Shenzhen is favorable for the expanding of doctor's office. Consumers are increasingly concerned about the medical quality of medical aesthetic services, the doctor's offices are growing rapidly and becoming the backbone of the medical aesthetic industry in Shenzhen

## Medical aesthetic – Price-sensitive and value-oriented



### Price-sensitive and value-oriented:

- Shenzhen is dominated by the "white-collar culture" and "entrepreneurial culture". It has a group of "rational and practical" consumers, who are young and willing to invest in themselves, and able to compare products and institutions based on comprehensive information obtained from various channels. They pay for what they recognize, and are not inclined to make excessive and impulsive consumption. Therefore, Shenzhen has a large group of pragmatic consumers, but very few heavy medical aesthetic users



### Prevalent non-surgical medical aesthetic, syphon effect from Hong Kong and Macau:

- With faster new products introduction, quality services, professional medical technology and transparent prices, Hong Kong and Macau have decisive advantages in the medical aesthetic industry, which causes strong siphon effect in Shenzhen. The siphon effect has temporarily subsided due to the pandemic, but it will continue to exist after the customs clearance restriction is lifted if Shenzhen is unable to improve the overall medical strength and service quality. Meanwhile, Macau and Hong Kong are expected to further enhance the trade deficits by attracting local customers with social media promotion and lower prices



### Characteristics & Facts – Xi'an

**The City "Capital of Hard Technology" with growth potential**

- **Historic northwest city:** As the capital of 13 dynasties, Xi'an has a profound history. It is the first city with a GDP exceeding one trillion in northwestern China, leading the economic development of the region and the surrounding areas
- **"Capital of Hard Technology" and important military base:** In 2020, Xi'an's investment in research and experiment ranked 3th in China, second only to Beijing and Shenzhen, and its defense-related science and technology capabilities ranked second in China
- **Inland transportation hub:** With the construction of the inland port and the China-Europe freight trains named "Chang'an" in Xi'an, its ports (including airports and land ports) are playing a greater role in the global economic landscape, and Xi'an is becoming an increasingly significant transportation hub

**Population Increasing population and prominent young population**

- **High population inflow:** According to China's 2021 Census, Xi'an has over 13 million permanent residents, ranking first among northern cities in terms of population growth, and continues to attract migrants from five northwestern provinces
- **Dominant young population:** 68.33% of Xi'an's population are aged 15 to 59, representing a relatively young population structure
- **Well-educated:** Xi'an has many universities and ranks fifth in China in terms of the number of people who have received advanced education per 100,000 permanent population



**Consumers Composed consumers with increasing consumption dynamics**

- **Low-key and composed:** Xi'an people are generally low-key, composed, not interested in comparing, and not attached to materials
- **Government support for consumption growth:** In 2019, Xi'an government issued the *Implementation Plan for Making Xi'an an International Consumption Center*, which aims to turn Xi'an into an international consumption center integrating history, culture and modern fashion
- **Improved basic living standards and emerging consumption demands for diversity and pleasure:** According to a survey conducted by the Xi'an Survey Team of the National Bureau of Statistics in 2021, Xi'an people experienced an improved sense of well-being and started to pursue diversified, comfortable and personalized consumption
- **Increasing consumption dynamics:** In the 2021 Top Cities for Business Attractiveness, Xi'an ranks fourth among China's new first-tier cities. With concentrated business resources and diversified lifestyles, Xi'an is continuously attracting new consumer brands

# Xi'an: The market is taking shape, but the overall medical aesthetic penetration rate has large room for growth (2/2)



Xi'an

## Regulation – Active initiatives in line with national policies

- **Take actions in Xi'an based on national policies**
  - ❑ Since September 2020, in accordance with the *Notice on Further Strengthening the Comprehensive Regulation and Law Enforcement of the Medical Aesthetic Industry* by eight national ministries and commissions, Xi'an Municipal Health Commission, together with Xi'an Municipal Public Security Bureau and Xi'an Municipal Market Supervision Bureau, launched a series of special actions to combat illegal medical aesthetic operations. In the same year, Xi'an Municipal Health Commission announced the *Results of Comprehensive Credit Evaluation of Medical Institution* on its official website, which included comprehensive credit evaluation of medical aesthetic institutions

## Institutions – Booming industry led by large chain institutions

- **Top 10 cities for medical aesthetic in China:** Gengmei's data for 2020 and 2021 both show that Xi'an is among the top 10 developed cities for medical aesthetic, and has a siphon effect on prefectural cities in Gansu province
- **Leading chain institutions dominate the market:** All major large chain institutions have business operations in Xi'an, which drives the development of its medical aesthetic market
- **Medium institutions strive to overcome the dilemma:** The medium-sized institutions with a monthly turnover of RMB 3 to 5 million have been in business for a long time, and some of them try to overcome the dilemma by cooperating with maternity or other industries
- **Small and high-quality institutions are popping up:** These institutions mainly target the middle and high-end consumers with skin and minimally invasive treatments, but their growth is limited by other types of institutions. For example, life beauty institutions are taking over customers from them.
- **Public hospitals need to enhance market impact:**
  - Most public hospitals focus on plastic surgery for specific customer groups and promote business through customer recommendation; their market impact needs enhancing due to the lack of famous doctors
  - Many doctors leave public hospitals to work in private institutions or start their own businesses

## Medical aesthetic – Low penetration rate and immature market



### The penetration rate of medical aesthetic services has room for growth:

- Market cultivation was usually realized via outdoor advertising by top agencies, but with the reduced marketing expenditure in recent years, the reach efficiency decreased, leading to a slowdown in penetration rate growth.



### Offline to online marketing

- Online advertising is rising as outdoor advertising declined in recent years



### Lack of medical aesthetic talent and highly similar institutions

- Traditional consulting services are mainly for sales and only solve simple demands, and the concept of aesthetic design remains undeveloped
- Most private institutions are very similar in terms of service management, doctor qualifications and product layout, and there is an absence of top-notch doctors to guide and shape the industry; therefore, consumers are more interested in cost performance when choosing institutions



### Insufficient knowledge and understanding of medical aesthetic services:

- The consumers of medical aesthetic treatments are increasingly young, while many do not have sufficient aesthetic knowledge, independent opinions, and brand awareness, and heavily rely on institutions and their consultants for decision making
- Consumers in Xi'an are ingenuous and self-contained, and usually have very simple needs, so stronger market cultivation is needed to stimulate diversified needs

*"There are too few large institutions, while small institutions are poorly managed and highly homogenized." "The qualification of doctors and drug safety is a major concern"*



– 2021 Shaanxi Province medical aesthetic Industry Consumer Satisfaction Survey Report

# Zhuhai: the market is being cultivated, with consumers being price sensitive and institutions competing for existing market shares (1/2)



## Characteristics & Facts – Zhuhai

### *The City Habitable Special Economic Zone (SEZ)*

- **Livable SEZ:** Located on the west bank of the Pearl River, Zhuhai is a special economic zone and a coastal tourist destination in China, ranking first among the top 100 small and medium-sized Chinese cities for sustainable development for three consecutive years
- **Pivot of the Pearl River Delta:** Bordering Macau, connected by Hong Kong-Zhuhai-Macau Bridge directly to Hong Kong, with Shenzhen-Zhongshan Link, Guangzhou-Zhuhai light rail, Zhuhai Airport, and Jiuzhou Port, being the pivot of the "one hour living circle" of the Greater Bay Area

### *Industry & population Innovative transformation, small population but high growth rate*

- **Innovative transformation:** The added value of advanced and high-tech manufacturing industries accounts for 57.1% and 30.8% of that of the industries above designated size, respectively. The added value of the modern service industry increases to 70.5% of that of the service industry, and the Science and Technology Innovation Development Index of Zhuhai ranks second among prefecture-level cities in China
- **Small population but high growth rate:** In 2021, Zhuhai had a total population of 2.43 million, increasing by 879,400 in the past decade, the second fastest growth rate in Guangdong Province. Specifically, the population aged over 60 years accounted for only 10%, indicating a young population structure



### *Consumption Consumption spillover pressuring transformation*

- **Consumption spillover:** Situated in the "one hour living circle" of the Greater Bay Area, Gongbei Port of Zhuhai is the largest land border port in China. Via Gongbei Port, internationally trendy products can be easily available. This greatly impacts the local supply side and leads to consumption spillover, and the difference in tax among the mainland, Taiwan and Hong Kong further worsens the deficit. As a result, Zhuhai has no sufficient products and services to retain local high-end customers
- **Pressing consumption transformation:** According to the relevant plan and requirement of the governments of the city and the province, relevant authorities in Zhuhai are actively promoting pilot projects to cultivate and construct the city to be the regional and international consumption center, developing the *Implementation Plan of Zhuhai to Cultivate and Construct an International Consumption Center* and submitting the implementation plan to the Department of Commerce of Guangdong Province and the Ministry of Commerce of China to proactively participate in application and create an international consumption environment

# Zhuhai: the market is being cultivated, with consumers being price sensitive and institutions competing for existing market shares (2/2)



Zhuhai

## Regulation – Tightening control, focusing on exposure on online platforms

- Zhuhai Health Bureau determined a three-year special supervision and law enforcement action plan to “administer the quality of private medical institutions” at its health supervision and law enforcement work conference in 2021, including:
  - ❑ I. “Internet + Regulation”: to remove all human images on online platforms and provide for strict exposure and statement norms
  - ❑ II. Supervision and law enforcement focus on medical aesthetic injections
- In 2018, a medical aesthetic institution was fined RMB60,000 for stating “Father of Thread Lift” on its official account
- In 2021, an institution was fined RMB220,000 for using injection materials containing uncertified products

## Institutions – Largely homogenous, advanced institutions emerging

- A perfectly competitive market, where a large number of small institutions provide homogeneous products and services
  - Over 90% of medical aesthetic institutions operates in Xiangzhou District, 70% of which were established in the past three years. A large number of small institutions, instead of large chain institutions, provide homogeneous products in this market
- Due to COVID-19, channel institutions intend to transform while superior direct-customer institutions are emerging
  - COVID-19, large floating population and high rebates lead to the closure or transformation of channel institutions, and the further shrinking of the pure channel market
  - Some superior institutions are gradually emerging, expanding their competitive advantages through branding, quality service and medical technology

## Medical aesthetic – Slow penetration, with significant siphon effect

### Both medical aesthetic penetration rate and velocity are “low” :

- Zhuhai as a livable tourist city has low consumption upgrade vitality, and the medical aesthetic market here is being cultivated
- The proportion of permanent resident population is lower than that of Guangzhou and Shenzhen

### Institutions competing for existing market shares, local consumers are price sensitive and have a relatively long decision-making cycle:

- Highly homogeneous market players shape a buyer’s market, and the existing consumer group is older than that of Guangzhou and Shenzhen, which further increases the proportion of price-comparing customers. Serious homogeneity also deprives consumers of a critical benchmark when they are acquiring information about medical aesthetic, resulting in a relatively long consumption decision making cycle
- Consumers place more weight on cost effectiveness when deciding institutions and have no particular preference for public or private institutions

### The “one hour living circle” of the Greater Bay Area has significant siphon effect:

- The local customers are siphoned off by Guangzhou, Shenzhen and other cities in the one-hour living circle in the Greater Bay Area for both existing and incremental customers
- With the geographical advantage, Macau and Hong Kong target and attract Zhuhai customers with new media promotion and lower prices

# Quanzhou: a potential market, which must be deeply cultivated to improve medical aesthetic penetration rate and consumer awareness (1/2)



## Characteristics & Facts – Quanzhou

### *The City Time honored, developing rapidly*

- **Time honored:** A famous historical and cultural city and the only starting point of the ancient Maritime Silk Road identified by the UN
- **Developing rapidly, with outstanding comprehensive economic strength:** Quanzhou, a hub in the Western Taiwan Straits Economic Zone and a modern port city for industry and trade, dominated by the real economy, with a multitude of enterprises, is one of the fastest growing and most dynamic areas in Fujian Province and even in China

### *Population Large and younger population*

- **A large population:** According to the population census in 2021, Quanzhou has a total population of 8.78 million, the largest in Fujian province
- **Population getting younger:** The population aged 15-59 years accounts for 86.79% of the total, and the age structure is better than the national and provincial averages
- **Net population inflow:** Rapidly developing industrialization attracts vast migrant workers



### *Consumption a gradually prosperous market with consumption patterns developing*

- **Growing market size:** The market is increasingly prosperous and brisk, with rapidly growing market players, unique private sector, and continuously improving supply and demand situation. The city boasts 9 industrial clusters worth RMB100 billion each, including the textile and garment, footwear, building materials and home furnishing, petrochemical, machinery and equipment, food and beverage, craft products, electronic information and paper products & printing
- **Fast growing new business & models:** Emerging new business and models drive and accelerate the development of new types of consumption and the formation of diversified and personalized consumption patterns
- **Rising consumption level:** Prosperous commodity market & markedly improving consumption quality. In 2021, Quanzhou ranked 12th in China in terms of per capita social consumption, reflecting the increasingly high living standard of the people of Quanzhou and the growing consumer demand

# Quanzhou: a potential market, which must be deeply cultivated to improve medical aesthetic penetration rate and consumer awareness (2/2)



Quanzhou

## Regulation – Regulating the industry under national policies

- **Take actions under national policies:** Quanzhou Health and Family Planning Law Enforcement Detachment has been cooperating with multiple departments to carry out special rectification actions for the medical aesthetic industry in accordance with national requirements, to severely crack down on illegal operations, improve the long-term mechanism, and effectively safeguard the legitimate rights and interests of consumers
- **Standardizing practice standards:** For example, Quanzhou Health Committee, Quanzhou Medical Aesthetic Quality Control Center, and the 2nd Affiliated Hospital of Fujian Medical University held a conference to improve the professional and technical level of medical aesthetic practitioners in the city and promote the standardized development of the medical aesthetic industry

## Institutions – Business types to be diversified

- **Business types to be diversified:** At present, there are only over 30 institutions in Quanzhou. Although four leading institutions operate in the city, the institutions specializing in the non-surgical medical aesthetic are small in size, and most customers are attracted by the life beauty channel institutions
- **To build trust with consumers:** Quanzhou consumers are prone to being attracted by Xiamen. Therefore, institutions in Quanzhou need to strengthen the marketing and building of their own brands, qualifications and doctors, build trust with consumers, and reduce consumer loss
- **To strengthen operation:** At present, each top-notch institution in Quanzhou has its own operational strengths for the whole market to learn from. When ensuring own operation, small and life beauty channel institutions can strengthen the management of their external marketing and internal operation, and improve customer stickiness and satisfaction, so as to avoid getting involved in low-price competition and lay a foundation for long-term development
- **Potential of public hospitals:** At present, there are no public hospitals in Quanzhou offering plastic surgeries. However, as the public and consumers trust public hospitals, Quanzhou public hospital market has a huge potential

## Medical aesthetic – Relationship oriented, market cultivation to be strengthened

### Heightening the atmosphere of medical aesthetic, and increasing its penetration rate:

- Traditional Quanzhou people do not have a strong awareness of medical aesthetic, preferring to improve themselves by life beauty. In addition, as most life beauty channel institutions in Quanzhou are attracting customers through life beauty institutions, a few institutions still utilize outdoor advertising for placement
- Deeper market cultivation is generally required to enhance the medical aesthetic atmosphere and the consumer awareness, thus increasing the local medical aesthetic penetration rate

### Plastic surgeries remain popular, non-surgical medical aesthetic showing its potential:

- Plastic surgeries in Quanzhou medical aesthetic market remain popular, accounting for 30% of institution's business
- Consumers are interested in skin treatments and photoelectric anti-aging treatments, while injections and micro plastic surgeries are getting popular

### Consumers appreciate “human relationship” and differentiated services are required to attract them:

- Quanzhou people appreciating “human relationship” rely heavily on trusted consultants and have insufficient knowledge of products and institutions
- Institutions in Quanzhou need to effectively build institution brand or reputation, expand their influence and attract more consumers by differentiating their service operation, doctors' expertise and product layout, effectively exposing on review platforms and strengthening internal and external marketing through operating content creation platforms like Weibo, Xiaohongshu, or Douyin



# Thank you!

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