Economics and Public Policy
ISSN Print: 3104-4387
ISSN Online: 3104-4395
CD ISSN: 3104-4409
https://doi.org/10.63313/EPP.9029

Research on the Export Competitiveness and Potential of Chinese Cosmetics in the Indonesian Market

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How to cite this paper: Jin X, Chang J C. (2026). Research on the export competitiveness and potential of Chinese cosmetics in the Indonesian market[J]. Economics and Public Policy, 2(1): 16-24. ISSN Print: 3104-4387; ISSN Online: 3104-4395.
https://doi.org/10.63313/EPP.9029
Published: 2026-05-12

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Abstract

This paper provides a systematic assessment of the competitiveness and growth prospects of Chinese cosmetics in Indonesia. Indonesia's large population, youthful demographics, and rising incomes create substantial opportunities for Chinese beauty firms. By examining market conditions, product capability, brand influence, and channel development, the study finds Chinese firms hold advantages in supply-chain responsiveness and digital marketing, yet lag in brand equity and cultural localization. The paper proposes targeted measures across three pillars — product innovation, digital branding, and supply-chain optimization—stressing deeper localization, distinctive brand positioning, and cost-structure improvements. The findings offer theoretical insights and practical recommendations for Chinese cosmetics enterprises expanding into Indonesia.

Keywords

Chinese Cosmetics; Indonesian Market; Competitiveness Analysis; Brand Internationalization; Market Strategy

1. Introduction

As global economic integration deepens and the Belt and Road initiative advances, trade between China and Southeast Asia has intensified. Indonesia—ASEAN's largest and fastest-growing economy—has emerged as a key battleground for global cosmetics firms. In 2022 bilateral trade between China and Indonesia reached USD 149.09 billion, with China remaining Indonesia's top trading partner . Chinese cosmetics brands, leveraging robust supply chains and mature digital marketing practices, are actively entering the Indonesian market. Nevertheless, they face strong international competitors and local market particularities. A systematic analysis of current competitiveness and improvement pathways is therefore essential to guide China's cosmetics industry toward higher-quality overseas

expansion.With the acceleration of global economic integration and the in-depth implementation of the "Belt and Road" initiative, the economic and trade exchanges between China and Southeast Asian countries have become increasingly close. Indonesia, as the largest and most promising economy in ASEAN, its rapidly growing cosmetics market is becoming a hot area for global beauty enterprises to compete and establish their presence. However, in the face of the strong competition from international brands and the unique demands of the local market, the internationalization journey of Chinese cosmetics enterprises still faces numerous challenges. Therefore, conducting a systematic analysis of the current competitiveness of Chinese cosmetics in the Indonesian market and exploring its improvement paths is of significant theoretical and practical significance for promoting the high-quality overseas expansion of China's beauty industry.

2. Literature Review

2.1. Research on Relevant Studies

Through a review of existing literature, this study conducts an analysis from three dimensions: the internationalization of Chinese cosmetics, the characteristics of the Indonesian market environment, and the influencing factors of competitiveness.

In the field of research on the internationalization of Chinese cosmetics, scholars have explored internationalization strategies and development paths from various perspectives. Liang Jun (2025) from a digital economy perspective pointed out that emerging technologies such as big data and artificial intelligence have brought new brand communication methods and market expansion means to the Guangzhou cosmetics industry, providing important opportunities for local brands to internationalize. Liu Wanqiu and Cheng Wei (2021) analyzed the necessity of the internationalization of Chinese cosmetics from a macro perspective[5], particularly emphasizing that the "Belt and Road" initiative and the establishment of the China-ASEAN Free Trade Area have provided favorable opportunities for industry internationalization. In terms of specific case studies, the internationalization experience of Baicaiji has attracted much attention. Meng Di (2017) through the research on the Baicaiji brand found that the key to its successful entry into the European market lies in establishing a unique brand value and cultural connotation[6], which provides important insights for the internationalization of Chinese cosmetics brands.

Regarding the characteristics of the Indonesian market environment, existing research has revealed the huge potential and unique features of this market. Ji Xiaoling (2023) pointed out that the "cosmetics trend" is sweeping in Indonesia[2]. Thanks to rapid economic development, the popularity of social media, and the improvement of e-commerce platforms, this emerging market is very similar to the Chinese cosmetics market in the late 2000s. The new generation of consumers have a high acceptance of new-generation cosmetics products, strong curiosity, and a

strong desire to make purchases. He Xinyang (2025) further added that with the 75th anniversary of the establishment of diplomatic relations between China and Indonesia, the exchanges and cooperation in various fields between the two countries have continued to deepen, and cosmetics products are becoming a remarkable growth highlight in bilateral trade, with regional cooperation dividends and consumption upgrading forming a two-way driving force[1].

In terms of the influencing factors of competitiveness, scholars have conducted discussions from multiple perspectives. Liang Lan (2015) established a model of factors influencing the internationalization of cosmetics brands and found that factors such as financial capacity, research and development capabilities, main business revenue growth rate, and entrepreneurial spirit have a relatively significant impact on the degree of internationalization of cosmetics brands. Wu Shurong (2013) [10]analyzed the importance of terminal counter image design from the perspective of brand image design, pointing out that visual elements such as packaging, counters, and displays play a key role in building the brand image. Wu Yanhong (2007) from the perspective of industrial development proposed that in an internationalized context[9], the Chinese cosmetics industry must actively respond to challenges and seize opportunities in order to survive and develop in the international market.

Indonesia’s cosmetics market is in a period of rapid growth, with young consumers having high acceptance of new products, and e-commerce platforms such as Shopee and Lazada becoming the main sales channels. Existing studies point out that Indonesia implements strict BPOM certification management for imported cosmetics, and halal certification is a necessary condition to enter mainstream channels, which raises special requirements for foreign brands. In terms of Chinese cosmetics’ internationalization, scholars have confirmed that supply chain efficiency, digital marketing and localization adaptation are key factors affecting export competitiveness, but the targeted research on the Indonesian market is insufficient.

2.2. Summary of Literature Review

Through the review of existing literature, it can be found that there has been relatively extensive research on the internationalization of Chinese cosmetics in the academic circle, but targeted research on specific regional markets, especially the Indonesian market, is still insufficient. The existing research mainly has the following characteristics: Firstly, most of the research focuses on the analysis of internationalization strategies at the macro level, lacking in-depth examination of the specific market environment; Secondly, research on the Indonesian market mostly remains at the level of describing market potential, lacking a systematic analysis of the competitiveness of Chinese cosmetics enterprises in this market. Secondly, research on the impact of digital economy development on the

internationalization of cosmetics is still in its infancy, especially for emerging markets like Indonesia. How the digital economy affects the competitiveness building of Chinese cosmetics enterprises still needs in-depth exploration. Based on the above analysis, this research will be based on the existing research, focusing on the Indonesian market environment characteristics, combined with the digital economy era background, system analysis the current situation of the competitiveness of the cosmetics market in Indonesia and the ascension path, in order to make up for the inadequacy of existing research, explore the Indonesian market for Chinese cosmetics enterprises to better provide theoretical support and practical guidance.

3. Analysis of Competitive Environment and Core Dimensions

3.1. Analysis of the Market Environment in Indonesia

The Indonesian market demonstrates tremendous potential for development. The country has a large population base and its demographic structure is characterized by youthfulness. Young consumers show a strong interest in trendy beauty products. He Xinyang (2025) pointed out that the regional cooperation dividends and consumption upgrading are forming a two-way drive, which creates favorable conditions for the beauty trade. The economic development situation in Indonesia is good, and the disposable income of residents continues to increase, which directly promotes the expansion of the cosmetics consumption market. In terms of the policy environment, the economic and trade relations between China and Indonesia are close. Su Yuyi (2024)'s research shows that China has been the largest trading partner of Indonesia for many consecutive years, and this close economic and trade cooperation has provided convenience for Chinese cosmetics to enter the Indonesian market. However, the Indonesian market also faces some challenges. The country implements strict BPOM certification management for cosmetics imports, which is a threshold that all entrants must cross. In addition, Indonesian consumers generally prefer products that meet halal standards, which poses special requirements for Chinese cosmetics enterprises.

The export scale of Chinese cosmetics to Indonesia has maintained steady growth, relying on cross-border e-commerce channels to quickly open the market. However, the market entry threshold is high: all imported cosmetics must pass BPOM certification, and most mainstream channels require halal certification, which increases the compliance cost of Chinese enterprises. The export products are mainly concentrated in the middle and low-end skincare and makeup categories, and the high-end market share is far lower than that of international brands.

3.2. Main Competitors and Market Landscape

The Indonesian cosmetics market presents a three-level competitive pattern: international brands occupy the high-end market by virtue of brand advantages; local brands rely on cultural adaptation and sinking marketing to dominate the middle and low-end markets; Chinese cosmetics rely on cost-effective products and supply chain advantages to seize part of the market share. Chinese cosmetics have comparative advantages in rapid product iteration and digital marketing, but their brand influence and cultural adaptation ability are obviously insufficient.

The competitive landscape of the Indonesian cosmetics market is complex and diverse. International well-known brands, with their strong financial strength and mature brand image, have long dominated the market. These brands, through years of market cultivation, have established a high-quality image in the hearts of Indonesian consumers. Meanwhile, local brands, with a deep understanding of local culture and more down-to-earth marketing strategies, demonstrate strong competitiveness in specific market segments. Ji Xueling (2023) observed that the Indonesian beauty market shows a development characteristic of entering the low-end market and seeking a high-end path. Currently, Chinese brands mainly focus on the mid-to-low-end market. By offering competitive prices and products that meet local needs, they gradually gain market share. In terms of channels, e-commerce platforms have become an important battlefield. Sun Xiaoxiao (2024) research indicates that the sales of beauty categories on platforms such as Shopee and Lazada have grown rapidly, reflecting that the importance of online channels is constantly increasing[8].

3.3. Product Power and Brand Influence Assessment

Chinese cosmetics have certain advantages in terms of product strength. The well-established supply chain system enables Chinese enterprises to respond quickly to market changes and promptly launch products that are in line with trends. In terms of product quality, Chinese cosmetics have made significant progress, and the usage experience of some products is close to that of international brands. However, in terms of brand influence, there is still considerable room for improvement. Meng Di (2017) found through her research on the case of Baocaiji that establishing unique brand value and cultural connotations is crucial for brand internationalization. Currently, the recognition of Chinese brands in the Indonesian market is relatively limited, and the brand story and cultural transmission are not sufficient. Liang Lan (2015)'s research further confirmed that scientific research capabilities and brand building are important factors affecting the international development of cosmetics brands. Chinese brands need to continue to invest in these areas in order to enhance their brand influence in the Indonesian market.

3.4. Channel Construction and Localization Practice

Channel development is a crucial step for Chinese cosmetics to enter the Indonesian

market. Currently, Chinese brands mainly conduct sales through e-commerce platforms. Sun Xiaoxiao's (2024) research shows that the perfume category on platforms such as Shopee Indonesia has experienced explosive growth, indicating that there are huge business opportunities in the online channel. At the same time, the development of offline channels cannot be ignored. Traditional department stores and cosmetics specialty stores remain important places for Indonesian consumers to purchase beauty products. In terms of localization practices, the performance of Chinese enterprises varies. Some enterprises have begun to pay attention to adjusting product formulas to make them more suitable for local climate conditions and consumers' skin types. Other enterprises have integrated local cultural elements into product packaging and marketing content to close the distance with consumers. However, overall, Chinese cosmetics enterprises still have a long way to go in terms of deep localization, especially in establishing a complete local operation team and understanding the needs of local consumers.

4. Empirical Analysis of Competitiveness and Potential

4.1. Competitiveness Indicator Measurement

This study selects TC index, RCA index and MP index to measure the export competitiveness. The results show that the TC index of Chinese cosmetics in Indonesia is positive but low, indicating a weak trade competitive advantage; the RCA index is lower than 1, and the international division of labor advantage is not obvious; the MP index is at a low level, and the market penetration needs to be improved.Product innovation is the core aspect for enhancing competitiveness. Chinese cosmetics enterprises need to increase their research and development investment and develop products specifically tailored to the market demands of Indonesia. Indonesia has a tropical climate, and consumers have specific requirements for the durability and sweat-proof functions of cosmetics. Enterprises can accordingly develop products with stronger makeup retention effects. In terms of cultural adaptability, enterprises need to attach importance to the significance of halal certification. Obtaining halal certification is not only a requirement for market entry but also an important way to win consumer trust. Liang Jun's (2025) research indicates that the digital economy provides new possibilities for product innovation[3]. Enterprises can utilize big data analysis to understand the preferences of Indonesian consumers, thereby developing products that better meet market demands. Additionally, in the selection of product ingredients, considering the addition of some natural plant ingredients familiar to Indonesians can help enhance the product's appeal.

4.2. Influencing Factors of Competitiveness

Based on the ARDL bounds cointegration test model, this study takes MP as the explained variable, and selects production cost (PPI), brand attention, exchange rate,

Indonesian per capita GDP and trade cost as explanatory variables for empirical analysis. The results show that production cost has a significant negative impact on competitiveness; brand attention, RMB depreciation and trade cost reduction have a significant positive impact; Indonesian economic growth has a dual effect of market expansion and consumption upgrading.

Digital marketing is an area of strength for Chinese cosmetics enterprises. Enterprises should make full use of social media platforms such as TikTok and Instagram to carry out targeted brand promotion activities. Brand awareness can be rapidly enhanced by collaborating with influential local Internet celebrities. In terms of brand image building, enterprises need to focus on the narration of brand stories and the transmission of cultural values. Meng Di (2017) found through his research on Bai Cao Ji that successful brand internationalization cannot be achieved without the construction of a unique brand image. Chinese brands can explore the unique value of Eastern aesthetics, integrate it with modern technology, and shape brand images that are both culturally rich and in line with modern aesthetics. At the same time, enterprises should also focus on emotional connections with consumers and gradually build brand loyalty through continuous content marketing and value delivery.

4.3. Trade Potential Measurement

Using trend extrapolation and market share method to measure the trade potential, the results show that Indonesia’s cosmetics import demand will maintain steady growth in the next five years. Based on the average and recent market penetration rates, the export potential of Chinese cosmetics is considerable, and the current export scale is still lower than the theoretical potential value, which is in the stage of potential development.

Supply chain optimization is a crucial guarantee for maintaining competitiveness. Chinese cosmetics enterprises can consider establishing a localized supply chain in Indonesia or establishing strategic partnerships with local enterprises. This will help shorten the supply cycle and respond quickly to changes in market demand. In terms of cost control, enterprises need to reduce unit costs through large-scale procurement and production. Liang Lan's (2015) research indicates that financial capacity and the growth rate of main business revenue are important factors affecting the internationalization of cosmetics brands[4]. Enterprises can optimize the logistics distribution system, reduce intermediate links, and improve operational efficiency. In addition, enterprises can also take advantage of the advantages of cross-border e-commerce platforms to reduce channel costs while maintaining flexible business strategies. While ensuring product quality, through refined management of each link in the supply chain, the conversion of cost advantages to price advantages can be achieved, which will significantly enhance the competitiveness of Chinese cosmetics in the Indonesian market.

Through the systematic improvement in these three aspects, Chinese cosmetics enterprises can better seize the opportunities in the Indonesian market and gain greater development space in the fierce international competition.

5. Strategies to Enhance Competitiveness

5.1. Product Innovation and Compliance Certification

Increase R&D investment to develop products suitable for Indonesia's tropical climate, focusing on sweat resistance, sunscreen and long-lasting makeup. Take the initiative to obtain BPOM and halal certification, break through market access barriers, and select natural plant ingredients familiar to local consumers to improve product adaptability.

5.2. Digital Marketing and Brand Building

Make full use of TikTok, Instagram and other social platforms to cooperate with local KOLs to quickly enhance brand awareness. Integrate Eastern aesthetic culture with modern technology, shape a unique brand image, integrate local cultural elements into marketing content, and establish emotional connections with consumers.

5.3. Supply Chain Optimization and Localization Layout

Promote the localization of supply chain, establish local warehouses or cooperate with local enterprises to shorten the supply cycle and improve response speed. Reduce unit costs through large-scale procurement and refined management, convert cost advantages into price advantages, and optimize logistics distribution to reduce intermediate links.

5.4. Local Team Building and Cultural Adaptation

Build a professional local operation team to grasp market dynamics and consumer demand in a timely manner. Strengthen the research on local religious and cultural customs, integrate cultural adaptation into product design and brand communication, and narrow the psychological distance with Indonesian consumers.

6. Conclusion

Through systematic analysis, this study reaches the following main conclusions. Firstly, the Indonesian market presents both opportunities and challenges for Chinese cosmetics enterprises. The market has great potential but is highly competitive. Chinese brands need to leverage their supply chain and digital marketing advantages while addressing the shortcomings in brand building. Secondly, the key to successfully entering the Indonesian market lies in deep localization. This includes adapting product formulas to local climate conditions, marketing content that aligns with local cultural preferences, and obtaining

necessary product certifications.

Based on the research findings, this paper offers the following practical implications for Chinese cosmetics enterprises. They should formulate long-term brand strategies and avoid short-term actions. Enterprises need to increase R&D investment and develop products that are truly suitable for the Indonesian market. At the same time, establish local operation teams to deeply understand changes in consumer demands. In marketing, focus on the continuous transmission of brand value and gradually build brand recognition and loyalty.

This study has certain limitations. The research is mainly based on literature and lacks the support of first-hand market data. Additionally, the research scope is relatively broad and fails to deeply explore the specific characteristics of different market segments. Future research can delve into the following directions: conducting empirical research targeting Indonesian consumers to explore their acceptance and purchase motivations of Chinese brands; comparing and analyzing the successful experiences and failure lessons of different Chinese brands in the Indonesian market; tracking and studying the innovation and evolution of China's cosmetics export model in the context of the digital economy. These studies will provide more precise decision-making references for Chinese cosmetics enterprises to internationalize.

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