

Cuong Cuong - China's most famous electronic market is now 'dyed pink' by cosmetics

As one of the oldest business districts in Shenzhen in particular and China in general, Hoa Cuong Bac's 'China Electronics First Street' brand is now fading, as stores are gradually turning to business. cosmetic business.

At 11:00 on November 22, Xu Wei (Xu Wei) and his friends strolled around the fourth floor of Mingtong Digital City building in Hua Qiang, Shenzhen but . found nothing. He, like everyone, did not expect that Hoa Cuong Bac was no longer the same. In fact, right after entering the door, what Xu Wei should pay attention to is having another line printed on the facade of this building: Mingtong Cosmetics Market, along with the slogan "A collection of beauty brands." Global".

Opened in 2005, Hoa Cuong Bac complex was once China's largest commercial center for electronic and digital devices. But in the past few years, due to many factors such as the impact of rebuilding the subway system, it has made transportation difficult, along with the exponential rise of e-commerce sites and sales. Sluggish sales of digital devices and falling profits have forced many dealers to close their stores.

According to local reports, rents at SEG Electronics Market - one of the most popular shopping centers in this place - dropped four times in 2016. This dramatic collapse forced Ming Tong Digital City to make changes. in 2017 to focus on cosmetics, after a thorough market survey and survey. And at the moment, the whole complex is undergoing a dramatic transformation, with a new direction that few people think of: cosmetics and beauty.



Hoa Cuong Bac used to have a lot of electronics and technology factories in 1983, which helped transform the prosperity of this place many years later.

Now, standing on the main street of Hoa Cuong Bac, you can still see one side is still SEG Electronics Market and Huaqiang Electronic World, but on the other side of the road, Maoye Supermarket, has now become a giant cosmetic market. . Not far from this main road, Mingtong Digital City, is a combination of both digital goods and beauty accessories. And other shopping centers like Yuanwang Digital Mall, Red Bud City or Manhar Digital Plaza, which used to be famous digital shopping centers, have become hot spots for investment and competition of beauty brands. .

In street shops in Hoa Cuong Bac - an area once known as a shopping paradise for electronic products - where people can find the latest Apple smartphones or devices Bizarre, now contains something very different. Masks, foundation, lotion and lipsticks have replaced handheld devices, tablets, laptops and mobile phones.

As one of the oldest electronics businesses in Shenzhen and even China, Hoa Cuong Bac's "China Electronics First Street" brand is gradually fading. This 1.45 km² business district has quietly dyed itself a pink color.

The transition from electronics to beauty cosmetics

Life in Hoa Cuong Bac always has its own rhythm.

The world of electronics starts at 10 am. Digital stores simultaneously open everywhere. Xu Wei came to Mingtong Digital City at this time, but after walking around, he found that it had almost nothing to do with digital. In addition to four or five electronics and accessory repair shops opening on the street side, the remaining 1,500 stores on the fourth floor of Mingtong shopping center have been converted to beauty and have never opened. Of course, because Xu Wei didn't know that there were still 4 hours until the opening of this chain. Most of the people who enter Mingtong in the morning come mainly to find business opportunities in the cosmetics industry.

Li Fang, from Hunan, is one of them. He shared: "I heard that Hoa Cuong Bac is currently selling beauty products, so come and check it out."

This young man runs a beauty shop in his home town. To make a difference, he mainly relies on buying and selling products from duty free shops. And now he wants to find new opportunities in Hoa Cuong Bac, where countless stores are clearly labeled "Category 1, no error".



A corner of Huazhong Street, Shenzhen, Guangdong Province, China.

At 11 am, Yao Lili's shop opened, welcoming its first guest, Li Fang. This is one of the earliest shops to open in Mingtong. Because of its location in the innermost corner, the location was not good, so Yao Lili had to open early to increase the chances of welcoming new guests. Yao Lili's store is a typical representative of the transition from selling electronics to high-end beauty brands. "Electronics profits are too low now. Can't continue," she said.

The products here are relatively high prices, the average daily value of orders up to hundreds of thousands of dollars. "Now girls are willing to spend money on investing in themselves. Beauty products costing a few thousand yuan are not convincing. Popularity is that shipments cost tens of thousands of yuan. ", Yao Lili said.

In Mingtong, the conversion of electronics stores to selling makeup and beauty care has become a general trend. Former tenants have expired, are forced to leave or follow this transition. Outside the building, the sign of a mobile phone accessories city has not been removed, but inside, the cosmetics market has gradually become famous.

"The shops have ample supplies and the delivery is very convenient, what you need to worry about is authenticity," Li Fang said. Because in the past, Hoa Cuong Bac has always been synonymous with fake and cheap products. Therefore, it takes time for the stores selling beauty products from Hoa Cuong Bac to convince customers to trust their quality.

That is the reason that when entering the keyword Hoa Cuong Bac into the search engine, the topics that appear are accompanied by the words "authentic", "genuine goods" . The highlight is the goods here. prices are down nearly 30% compared to the average price elsewhere. Of course wholesale and retail prices vary, depending on the quantity, but the difference is not too great. When asked about the supply, most of the shop owners said they took the goods from foreign dealers or duty-free shops. Some store owners also print and post a letter of brand authorization outside the door to prove it.

"The price of each shipment varies due to different supplies," Yao Lili cited, for example, high-end Lamer or Valmont branded products in her store. She said they were mainly from Russia, South Korea's duty-free shops . "If it is claimed to be selling counterfeit goods, that store will be confiscated by the mall and closed it," she said.

to speak. But Yao Lili also frankly said that it is difficult to assess whether other merchants comply with the regulation.

"A real box of goods can be mixed with one or two counterfeit goods. Outsiders should still go to familiar suppliers," she added.

"God of wealth coming"

The bustle of Mingtong in particular or the Hoa Cuong Bac area in general, starts at 2 pm.

About 1 hour earlier, 1,500 beauty shops opened one after another. The first thing the owners do when they arrive at the store, apart from ordering lunch for themselves, is to be busy to entertain a wide range of customers, including wholesalers and retail buyers.

"Is there a German XX beauty mask?"; "Is there a TF 80 lipstick (brand Tom Ford)?"; "Is there a SK-II mask?" . Previously used computer, camera and phone trays are now the place to display the color codes of many masks or lipsticks. It seems that the digital world has become a neighborhood for women.



Going to Hoa Cuong Bac today, you will see more cosmetics than electronic technology.

Many former electronics suppliers have changed their store names and products, determined not to miss the "opportunity to get on a boat".

"I can sell hundreds of cosmetic boxes a day," said a supplier surnamed Zheng, who used to sell electronic components at the Ming Tong complex, but switched to cosmetics last year. His trick is to sell products at half the price of mainstream stores elsewhere, online or offline. For example, masks from Japan cost about 140 yuan on Alibaba's Tmall, but it costs only about 80 yuan in Ming Tong.

"Our products are imported directly from exclusive suppliers abroad," Zheng said. "Customers are mostly small retailers in cities of categories 3 or 4, or online sellers."

Some people take a more conservative approach. Xu Zi, for example, believes that it is impossible to survive only selling one item, so it sells both electronics and cosmetics. Answering the question of whether there would

be a conflict in selling these two completely different types of goods, he said: "That's not the problem. I have a lot of relationships after 8 years of rolling around in the marketplace."

His approach is very simple. Initially offered cosmetic items on his personal WeChat account, in addition to digital products. Then opened an online cosmetics retail store. The business model is also mediated, with the list price being relatively transparent despite sometimes fluctuations in the market. After receiving the order, his supplier at Ming Tong will send the product directly to the customer.

But, there is still a group of people determined to stick with the traditional business. Deng Lipeng, a computer shop owner at SEG Electronics Market, said none of the shops here have turned to cosmetics business.

But, he says people will trade, trade whatever they deem most profitable. He himself had tried his luck selling a cryptocurrency mining machine two years ago, but decided that it was not for him.

Where people scramble for every meter of land

"It is estimated that it is easier to make money from women than it is in the pockets of men," Xu Wei joked. In fact, the 2019 Chinese beauty industry research report shows that this is completely accurate. The gross profit margin of listed cosmetic companies is over 60%. Some research organizations predict that by 2021, the size of China's cosmetics market will exceed 400 billion yuan.

That is also why the beauty industry in Hoa Cuong Bac is facing fierce competition. The kiosks for rent here are now crowded and there is no room left. Lin, an employee at Mingtong Cosmetics Market, said the rent was based on floor position and area, with an average price of about 1,000 yuan (about 3.3 million) per square meter a month. Minimum rental area is 8 square meters and the largest is about 20 square meters. On average, a kiosk of 10 square meters, the monthly rent is about 10,000 yuan (33 million dong). But right from the beginning of this year, the first floor to the third floor of Mingtong has been filled. The first floor, even rented out after only 3 days of opening.

"In August, the fourth floor renovation was completed and the average price was 600 yuan per square meter a month, but it was quickly rented out," Lin said. "Now if you want to rent, you can only rent it from other store owners, for a price of 10 square meters of floor space of about 25,000 yuan per month."



The rental price of stores in Hoa Cuong Bac is now rising again, after a period of freezing and sluggishness.

The high price is not a coincidence, because from the beginning of the year until now, Hoa Cuong Bac has emerged as a shopping center for cosmetics, attracting large cosmetic businesses and companies from all over. Although the rent is many times higher than in the past, the traffic is still enough to cover all costs.

Some vendors target the most sought-after products, balancing affordable prices and reputable brands. While other suppliers focus on a single segment, such as makeup remover or products imported from a specific country like Japan. From Hoa Cuong Bac, beauty products have found their way to provinces and cities across China. Ming Tong also confidently aims to become the largest cosmetic collection and distribution center in the country. And clearly, the distribution system and cross-border trading experience, accumulated from decades of electronics business, have driven the success of the transformation.

Realizing that the transformation of Mingtong was profitable, Yuanwang Digital Mall then turned the first and second floors into beauty shops, while the third floor still sold mobile devices and cameras. Yuanwang executives said that by the end of last year, electronics stores were unable to renew their contracts after their expiry.

"Currently, tenants to open beauty shops are relatively concentrated on the second floor. The average rent is 800-1,000 yuan / m² a month, this price is relatively cheap. Because a store has an area of 10 square meters, the price is only 8,000-9,000 yuan / month, while the store on the first floor is about 15,000 yuan / month," this person said. "Now the market is under great competitive pressure and the parties are competing for price reduction."



Women's World, a 5-storey shopping mall dedicated to women in Hoa Cuong Bac, is making a fortune.

Many other shopping centers, such as Red Bud City, now known as Bauhinia Beauty World, also change the purpose of their operations, offering cheaper rents to attract customers. According to the general assessment, at present, the rental rate of Yuanwang Digital Mall and Bauhinia is about 50%. The better-positioned stores have basically been rented out. In particular, regardless of the size of the store front, most beauty stores have a set of teapot set at the door. These tea trays are meant to remind people of the origin of the first traders in Hoa Cuong

Bac, from Chaozhou.

Yao Lili, daughter-in-law of a Chaozhou family, confirmed this. "My brother-in-law is very experienced in the industry and knows how to pay bills in duty-free shops skillfully, how to find supply channels, how to transport from the warehouse . I have learned a lot from it". Last November, Yao Lili was still working in her brother-in-law's shop. A year later, she separated to be a mistress.

Authenticity is the key to success

Yang Zhiliang, chief investment officer of Maoye Commercial Company, said the company's stores on Huizhou Street are one of the largest in southern China, dealing with about 39 merchants. Cosmetics brands and this number is expected to reach 50 next year.

"The store has registered a 50% increase in sales," Yang said, completely eliminating competition from Ming Tong and other emerging distribution centers. He explained that each place is targeting different segments.



Many of these electronics stores turn to cosmetics and beauty products.

Zhang Yi, an analyst at consulting firm iiMedia Research, also welcomed the transition. "It could be a new direction for North China, allowing it to take off again," he said.

According to the expert, with increasing living standards in China and of consumers of different age groups, the demand for beauty and the demand for cosmetics is increasing, especially foreign brands. In addition, e-commerce plays an important role in selling cosmetics nationwide and Ming Tong is the main supplier for small and medium electronic retailers. A survey showed that cosmetic products account for 45% of total consumption of goods purchased through cross-border e-commerce, while about 3/4 of total cosmetics retail is done online.

But Zhang also warned that counterfeit products have been appearing more and more due to high profitability and the control measures of smuggling are not really tough. And that is the key for Hoa Cuong Bac's transformation. He argues that the key to success is whether managers here can maintain the authenticity of the

products on the market.

For example, Ming Tong has ensured that all the products in its store are genuine and is committed to compensating for 10 times the value of any counterfeit products sold. But many other stores still cannot present the official authorization certificate from the manufacturer. Some suppliers even have to change the sender's address so that customers do not associate them with Hoa Cuong Bac, the cradle of fake, fake electronics. Not to mention, in authentic and authorized stores, it is also difficult for customers to distinguish genuine goods from counterfeit products. This is also what the famous electronics market has encountered in the past.

Struggling for change

The bustle of the Mingtong area continues from 2pm to 10:30 pm. The end of the day ended with the sound of tearing and sticking of packing tapes, WeChat's SMS ordering, the call for delivery . These sounds reminded of the prosperity of the digital dynasty. In Hoa Cuong Bac, unfortunately, what is packaged now is no longer electronic products.

At Manhar Commercial Plaza, in Tower A, digital stores are maintained. But only two or three people crowded at a stall. Nearly half of all electronics stores are closed and the other half is full of dense electronics, helping to maintain the existence of the business with a gross profit margin of only 20%.

"This business is no longer easy," said Chen Ming, who works in a mobile phone repair shop. "Although there are still a lot of electronics stores in Hoa Cuong Bac, most of them remain in operation, only the ones with relatively high profits such as screen replacement and batteries." This man said it was time to think about the need for change.



The bustling image of the electronic market has become a thing of the past.

In fact, in Hoa Cuong Bac, change happens almost every day. Last year, when Bitcoin increased in price, the sales of virtual mining machines there increased. But these huge profits were soon gone, along with the

disappearance of a large number of agents. Earlier this year, electronic cigarettes took over the limelight. Stores that sell their products three times the factory price but still don't have enough supplies. Cuong Cuong Hoa suddenly became a paradise for electronic cigarettes. But with the government's immediate ban on e-cigarettes, this place once again stands at the crossroads of conversion.

There is a positive point that the Shenzhen government always supports Hoa Cuong Bac in this transition. In 2017, the government of Fuzhou District (Shenzhen) issued the "Hua Cuong Bac Innovation Development Action Plan," with a 1 billion yuan investment project over three years to implement "10 action items". "to support innovation and development of this central area in terms of space, investment environment, and branding support. In 2018, after investigating the current situation of the area and anticipating future industry development, the district government once again issued a "special policy" for industrial space reform as well as support. professional services, fashion industry and new technology. It can be said that the policies here always keep pace with the change of business sector, making the whole area always vibrant and bustling. At the present time, the beauty industry is on its way to becoming a new force, supporting the sustainable development of Hoa Cuong Bac.

To get a better view of that, you can come here at 10 pm. The world of electronics has fallen silent but many cosmetic stores are still shining. Yao Lili turned on Douyin (Chinese version of TikTok) and began researching new cosmetic trends on celebrity beauty channels. The logistics staff hastily packed the orders and shipped. From Hoa Cuong Bac, countless beauty products from all over the world have been shipped here and about the same amount of products, from Hoa Cuong Bac, are shipped around the world.

Reference *Sohu, ChinaDailyhk*

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