

# Research on the Importance of Branding Based on The Case Analysis of L'ORÉAL and Yatsen

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**Abstract.** The fierce market competition intensifies the speed of enterprises to find out their unique advantages and development strategies, and branding is a momentous factor in increasing competitiveness, which is influenced by many factors. The purpose of this paper is to study the crucial effects branding can bring on industry sales and revenue. Four branding factors are attained to state the components of branding. A case comparison of L'ORÉAL and Yatsen, and the financial analysis are carried out. The outcome of this study concludes that it is not enough to merely focus on the quality control, effective branding is important to strengthen customer loyalty and employee motivation which would have positive effects on the company. The study suggests that companies should brand according to their company positioning instead of blindly advertising, enter the international market, and expand visibility, to stabilize the development of enterprises in the market, forming a virtuous circle.

**Keywords:** branding, customer loyalty, customer satisfaction, advertising, publicity.

## 1. Introduction

In the context of globalization and the rapid development of the commodity economy, an increasing number of enterprises are entering the market, pursuing to occupy a superior position in the market and obtain long-term stable profit. It is not sufficient to implement a price strategy or enhance product quality merely in a serious internalization and intensifying rivalry circumstance, as customers may emphasize more on company prestige and the compatibility of their emotional needs, so unique branding is a crucial factor in creating numerous advantages for the business. In addition to leaving a lasting impression on consumers, a celebrated brand can also provide consumer audience with the desired impact in mind, such as brand equity accumulation, which is an effective way to differentiate the company from competitors. It is more than a logo or an ornament that runs the gamut of the whole company's represented essence, appealing to targeted customers and gaining profits as well as a reputation for further development. According to the Brand Survey 2019, about two-thirds of marketer respondents considered their brands as a key driver of prospects and customer behaviors, which stated the significance of creating an influential brand [1].

Adil analyzed the impact of brand image on sales, with the examination of image congruency models and non-random sampling technique to investigate the owner of the shops in the area of Surabaya and Gresik, a significantly positive result that a positive brand image can increase consumers' trust in a product or service, thus making them more inclined to buy the brand's products can be found [2]. He et al. discussed the influence of brand marketing on consumer sentiment from a perspective of clothing, stating that to survive and develop in the fierce market competition, enterprises must set up the lofty goal of becoming a large one, implement brand marketing, and grow healthily in the process of building a strong brand. The algorithm model has also been generated to increase the success rate of emotional marketing [3]. Soleimani et al. conducted an in-depth analysis of the relationship between branding and performance as well as loyalty. The research indicated that branding not only has an influence on customers which is likely to increase brand loyalty, purchase intention, and brand experience but also has positive significance on employee participation, employee retention intention, quality commitment, role clarity, and brand performance [4].

Anicic et al. introduced the status and role of brand in contemporary market conditions and analyzed that building a strong and successful brand has a favorable impact on financial performance

through financial brand evaluation, thus emphasizing that branding is the urgent task of company development, as a model for obtaining long-term competitive market advantage and promoting company performance [5]. Hupp emphasized the importance of branding which represents the values, reputation, and commitment of the business. With the discussion of how branding can help a business establish a unique image and identity, attract and retain customers, enhance the value of its products or services, and stand out in a competitive market, the urgency of building a positive brand regardless of what occupation had been stressed in the research [6]. Hemsley-Brown and Alnawas took advantage of the S-O-R model to study the influence of service quality on brand loyalty in the hotel industry, by the survey data from 355 UK respondents online, and discussed the mediating role of emotional brand attachment between physical quality and employee behavior and brand loyalty. The positive impact proves the importance of branding [7].

Bendixen et al. aimed to present brand equity in the business-to-business market which explained the concept of brand value in a specific industrial marketing environment. In addition, the co-analysis experiment method was adopted, and the decision-making unit members of the South African Industrial Company buying medium voltage electrical equipment were taken as the object to investigate the sources of brand value, appropriate communication strategies, and the relative importance of brands relative to other purchasing criteria [8]. Cantor applied numerous celebrated companies' examples such as Nike, Vista, Burger King, and Microsoft to suggest that branding instantly tells a company's story, builds emotional connections, and sets up confidence which assists in attracting consumers' attention and letting them gain more deeper understanding of the company. The underlying advantages emphasize every industry to take branding seriously [9]. Relić studied the detailed definition and importance of branding in business. By presenting some statistics that the majority of customers choose a targeted company according to companies' branding, it has been proved that branding can increase exposure and recognizability, attract new customers who place the brand above the competition and increase credibility, thereby motivating employees and increasing their job satisfaction [10]. Seturi and Urotadze analyzed the importance of branding as a system that pointed out the crucial role of brands in creating loyal customers, where satisfied buyers can buy the products, they love again without taking excessive risks. In addition, three major factors were highlighted in brand building: the initial selection of brand elements, the way the brand is integrated with the supporting marketing program, and the association that is indirectly transferred to the brand through connections with other entities [11].

Although the above-mentioned thesis draws a clear conclusion about the important influence of positive branding in a general prospect, this paper is going to focus on specific cases of the cosmetic industry to discuss the brand effects and the necessity of branding.

## **2. Definition of Branding and Case Analysis**

### **2.1. Branding Components**

**Brand strategy sharpness.** Identifying the brand's market positioning, target consumer group, value offer, and position in the minds of consumers which includes understanding the needs and preferences of the target customer group through market research and data analysis, as well as identifying the brand's unique selling points.

**Brand image integration.** The visual identity of a brand can help a company stand out from the crowds. This includes logo, color, graphics, packaging, and the brand communication discourse system to ensure that the brand visual style is consistent with the brand discourse system and can accurately convey the brand's meaning and value.

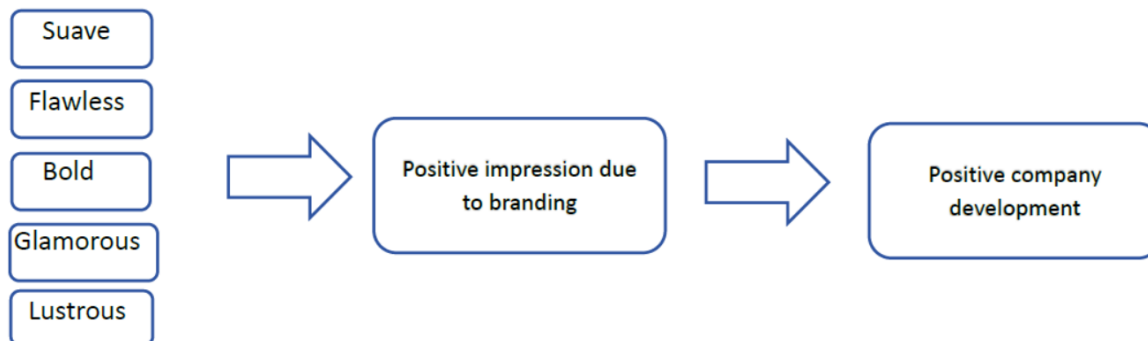
**Brand value differentiation.** Establishing distinctive brand values and demonstrating the brand's differentiation from competitors involves meeting the needs of the target customer base through product innovation and quality service while maintaining the brand's uniqueness and competitiveness.

Brand communication integration. Using various marketing channels and platforms such as social media, we-media, and offline activities to disseminate brand information, communicate effectively with target customers, and build brand identity and loyalty.

## 2.2. Cases analysis

As a famous and leading beauty brand, L'ORÉAL attaches importance to brand construction which has its unique branding strategies that include all branding components above. To bring the targeted consumers who have beauty needs the best cosmetic innovation experience in terms of product quality, efficacy, and safety, it uses the extension M&A strategy to help build a multi-brand matrix to improve visibility and brand influence. The revolutionary slogan 'Because you are worth it' is powerful stimulating customers to pursue beauty with the control of their own hands and boosts sales consequently [12]. Meanwhile, the logo it used accumulated relevant, simple, memorable, and timeless all in one to attract consumers' eyes and leave an impressive effect. Additionally, it makes full use of both online and offline platforms to promote its brand and products, spends a great number of funds on advertising, and asks well-known figures to endorse and disseminate detailed brand information.

The brand building plays a momentous role in consumer cognition, and consumers' positive impression of a brand can affect a company's profit and stock price. Partly due to L'ORÉAL's superior brand construction, the consumer perception of L'ORÉAL, as compared to other brands, is 50-79% more positive as shown in the data [13]. Suave, flawless, lustrous, bold, and glamorous are five major attributes reflected by customers that leave a good impression and further increase brand awareness, and product purchasing power, and improve customer loyalty and market competitiveness. Customer support for L'ORÉAL also inspires the internal work enthusiasm and satisfaction of the company's employees and drives the healthy development of the entire company (Fig. 1).



**Figure 1.** Positive branding flow chart of L'ORÉAL

By comparison, Yatsen from China is also a skincare and beauty brand that targets young consumers and strives to provide high-quality, safe, and effective beauty products, to build an internationally influential Chinese Beauty Icon. With its low-cost strategy and the publicity in apps such as TikTok, and Little Red Book, a positive trend was gained in the first two years. However, its branding process was not deeply as well as consistently integrated, as its logo and slogan were not clear and memorable, making it unable to attract customers. In addition, its advertising on various platforms has no characteristics, and it does not well grasp the pain points of consumers, and blindly emphasizes price advantages, resulting in people's cognition that the brand's products are cheap and low-end. As many competitors came in behind, creating better and cheaper products, Yatsen lost its competitiveness and chose to conduct a product transformation. However its murky branding construction and dwindling branding publicity took a toll on the company's performance, and its market position is declining gradually.

### 3. Financial Analysis

A financial statement is an indispensable part of enterprise financial management, which seems like a mirror reflecting the company's operating conditions and management level. Brand building strategy has a great impact on the development of the company, and can be reflected in the data information of financial statements. Therefore, the annual financial statement of L'ORÉAL and Yatsen in Year 2023 will be presented to research and explain the importance of branding.

#### 3.1. Important Events of L'ORÉAL and Yatsen in 2023

L'ORÉAL is recognized as part of a group of companies that are leading the way in environmental transparency and have excelled in combating climate change, protecting trees, and ensuring water security. In early 2023, it joined forces with other cosmetics companies to create the TRaceability Alliance for Sustainable CosMEtics (TRASCE) to improve the traceability of key ingredient and packaging supply chains across the industry, it is committed to the production and development of green products, to create a sustainable brand, which was respected by the society. In the meantime, it publishes unique and beautiful video campaigns on various social media, which can catch the eye of the masses as well as highlight the product focus, and it also focuses on cooperation with other brands to expand awareness.

Yatsen's brand Perfect Diary put forward the concept of "makeup and maintenance" in 2023 and focused on scientific and technological development and quality improvement to improve product praise. However, it ignored the publicity and strengthening of this concept innovation, so few groups understood it and the market visibility was low.

#### 3.2. Operating Expenses

Table 1 demonstrates the advertising expenses statement of L'ORÉAL and Yatsen. L'ORÉAL spent more effort on advertising and promotion to strengthen its branding compared to 2022 (31.50% to 32.40%), so as Yatsen (62.88% to 65.33%). Both two companies focused more on advertising and publicity, as their advertising and marketing expenses accounted for the main proportion of operating expenses, which was a good trend for brand building. However, Yatsen made poor use of publicity spending which merely took advantage of the e-commerce platform to homogenize ineffective advertising and failed to stand out. Conversely, L'ORÉAL's High-end and attractive advertising entered the global market which made its advertising spending effective for branding.

**Table 1.** Advertising expenses comparing

Company	2022	%Sales	2023	%Sales
L'ORÉAL	-12,059 €m	31.5%	-13,356.6 €m	32.4%
Yatsen	-2,330.48 ¥m	62.88%	-2,230.974 ¥m	65.33%

#### 3.3. Sales

The sales of the products (41182.5 million euros) shown in L'ORÉAL's 2023 annual report have achieved a considerable amount, and its growth of sales was positive worldwide. It indicates that its branding strategies of sustainability and unique brand publicity have increased its reputation and popularity, so that more people are willing to buy its products, and sales have increased consequently.

By contrast, Yatsen's sales have decreased compared to 2022 at a rate of negative 7.86%, and its sales revenue was far below L'ORÉAL (4380.47 million euros). It still lacks global branding and promotion, and it has low brand loyalty which caused the sales to drop instead of growth, as shown in Table 2.

**Table 2.** Sales comparing

L'ORÉAL		
	€m	Growth
By Region		
Europe	13,007.8	+16.0%
North America	11,147.2	+11.8%
North Asia	10662.9	-0.9%
SAPMENA-SSA	3,447.7	+23.2%
Latin America	2,916.9	+24.4%
Group Total	41,182.5	+11.0%
Yatsen		
	¥m	Growth
Total	3414.8	-7.86%

### 3.4. Net Profit

The net profit of L'ORÉAL is 6,184 million euros, contrary to 5706.6 million euros in 2022, which has seen a growth of 8.4%. The growth of profits shows that the brand development is good and the competitiveness is strong, which can promote scale expansion and business expansion, improve the visibility and reputation, and enhance the comprehensive strength and market position of the enterprise.

However, the net loss of Yatsen for the full year 2023 was RMB 0.75 million, compared with the loss of RMB 0.82 million in the same period last year. Although losses have eased due to the cost optimization of the company brand, it still suggested the bad business condition which needs more effort to turn loss into profit (Table 3).

**Table 3.** Net profit (loss) comparing

	2022	2023	Growth
L'ORÉAL	5,706.6 €m	6,184.0 €m	+8.4%
Yatsen	-821,333 ¥000	-750,227 ¥000	+8.6%

## 4. Conclusion

This study analyzes the components of branding and describes the factors required to build a positive brand, which is conducive to providing a reference for corporate branding. Then, it selects the cases of two cosmetic companies for comparison, the difference between their performance highlighted the significance of effective branding. By adopting the induction method, from special to general, the specific cases make readers easier to experience the necessity of branding, no matter what type of the company. The data provided would be more intuitive than pure theoretical clarification, it straightforwardly indicates the obvious difference between positive and negative branding companies, which provides directions to other companies. By the analysis and comparison of L'ORÉAL and Yatsen's cases, this paper finds that brand building has a crucial impact on the company's operation, as a positive branding company is likely to gain more profit and growth for its high brand loyalty and popularity. Additionally, the advertising spending of these two companies suggested the importance of effective publicity to enhance brand reputation instead of low-quality, small-scale propaganda which causes a waste of money. It encourages industries worldwide to emphasize branding, create a distinctive as well as attractive brand, intensify effective advertising, and continuously deliver the branding concept to customers to increase brand loyalty. About many domestic companies, it is essential to enter the international market for long-term and sustainable development. Quality improvement merely without branding would not lead to a company's success because of the low popularity of the products, and the low sales dampen employee morale, creating a vicious circle. On the contrary, while creating high-quality products and services, choosing a concept that fits the

company wisely and promoting it to customers probably stimulates sales growth and strengthens employees' motivation. In addition, more efforts are needed to further study the commonness of all the company's branding construction and its impact on the company's operation detailed analysis to facilitate the in-depth and accurate study of this topic.

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