

Research on the Development Strategy of China's Domestic Beauty Brands in Transnational Markets

-- Mao Geping as an Example

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Abstract. This article outlines that with the development of economic globalization, domestic beauty products have emerged one after another. However, with the late start of domestic beauty makeup and a weak foundation, how should Chinese makeup brands develop in the international market? Taking the old makeup brand Mao Geping as an example, it combines case analysis and literature research methods. After examining the sales, market, and brand status of domestic makeup, it summarizes the reasons for the rise of domestic makeup and the future development trend. At the same time, problems such as the limitations of brand products, the asymmetry between price and R&D, the incompatibility between marketing strategies and the trend of the times, and the mismatch between promotion methods and the market were also found. And formulate solutions in line with the current era and brand background. This article also hopes to inspire and help the future development of domestic makeup.

Keywords: China; Domestic Beauty Brands; Transnational Markets; Development strategy; Mao Geping.

1. Introduction

1.1 Research background

According to statistics from a reporter from China Business Daily, more than 20 domestic emerging beauty brands are actively exploring overseas markets, and the pace of domestic beauty products going overseas is gradually accelerating. In 2021, Tmall and Taobao's overseas business announced a strategic upgrade, which will help 100,000 new merchants of domestic products to accelerate their overseas expansion. Beauty is the representative of this overseas strategy and will receive more policy support. With the domestic market saturated, entering overseas markets is a good choice for Chinese cosmetics brands to expand their market share. Global marketing needs to be carried out in an unfamiliar marketing environment and is also affected by the domestic macro marketing environment, so the environment it faces is relatively complex.

Mao Geping was established in 2000, launched the MGPIN Mao Geping brand with the positioning of professional makeup, and entered the department store channel, taking major international brands as competitors. Although there was a period in the middle, it was a bit backward compared to other Chinese makeup products; in 2019, the popularity of the founder's IP led to brand awareness and thus entered the attention of domestic consumers. In 2020, Mao Geping entered Sephora.

1.2 Literature review

The dramatic globalization of the international business scene has been exacerbated by increasingly liberalized and stable trade policies. Keegan first proposed that the globalization of the current global environment is reflected in currency transactions, the establishment of regional economic integration, and the revolutionary progress of transportation, communication, and information technology [1]. Craig & Douglas argues that all of these factors have led to the rise of intense competition involving companies of all sizes, industries, and nationalities [2]. Therefore, designing a reasonable international marketing strategy to effectively compete in the new business

environment has become a focal issue. This is mainly focused on whether companies should standardize or adjust their marketing strategies in overseas markets regardless of the foreign market entry mode they choose. Some, led by Levitt, see the globalization of the world as a driver of more significant market similarity, technological unification, and a higher convergence of consumer needs, tastes, and preferences [3]. They also claim that the development of international communication channels, the emergence of global market segments, and the advent of the Internet have further promoted standardization and brought many benefits. Another group led by Terpstra & Sarathy believes that despite the increasing degree of globalization, countries are still very different in terms of consumer demand, usage conditions, purchasing power, commercial infrastructure, cultural traditions, laws and regulations, and technological development [4]. Therefore, the company's marketing strategy needs to be adjusted according to local conditions in each foreign market. In particular, Boddewyn et al., who criticize strategic standardization as a new form of marketing myopia, represent an oversimplification of reality and contradict marketing philosophy [5].

Chong proposes the price aspect of the microeconomic theory from which the marketing mix is derived [6]. One means by which McCarthy and Bennett translate a marketing plan into practice is called the "marketing mix," often referred to as the "4Ps" [7]. The marketing mix is a conceptual framework that identifies managers' major decisions when configuring products to meet consumer needs. Palmer said the tools could be used to develop long-term strategic and short-term tactical plans [8]. Hodder Education, n.d emphasizes that the proportions in the marketing mix can be changed in the same way but will vary by product [9]. Möller points out that the marketing mix is highly influential in informing the development of marketing theory and practice [10]. Grönroos says the marketing mix makes marketing seem tractable; it separates marketing from the rest of the company's activities and delegates marketing tasks to experts; the components of the marketing mix can change a company's competitive position [11]. There are two essential benefits to Low & Tan's marketing mix concept [12]. First, it's an important tool that allows people to see that the work of a marketing manager is primarily a matter of weighing their own and others' interests and understanding their competitive advantage over their competition. A second benefit of the marketing mix is that it helps reveal another aspect of the marketing manager's job. All managers must allocate available resources among competing devices. Doing so will help instill a marketing philosophy in the organization. However, Möller highlights the shortcomings of the 4Ps marketing mix framework, which is often the target of intense criticism as the backbone of traditional marketing management. Some critics even reject 4Ps altogether [10].

1.3 Research gap

The research direction of most scholars is the overseas development of the food industry or the automobile industry, and very few scholars study the overseas promotion of the cosmetics industry, especially the topic of local Chinese brands going overseas. This article aims to provide a commercially valuable reference for Chinese local cosmetics companies by taking Mao Geping Company as a case.

1.4 Research framework

Firstly, theoretical integration will be carried out through 1.2, then a detailed environmental analysis will be carried out, and problems will be found through market segmentation and market positioning. Finally, according to the existing knowledge and other relevant cases, suggest suitable suggestions to Mao Geping.

2. Method

2.1 Case study

A case study can be used in many fields as a research method. Case studies allow us to understand better individuals, organizations, institutions, societies, politics, and other related areas. There is no

doubt that case studies have become a standard tool in psychology, sociology, etc. Case studies are also used in the field of economics. The case study method may investigate an industry's industrial structure or an administrative region's economic situation. People use the case study method because it comprehensively helps them understand complex social phenomena [13]. We take Mao Geping as a case to analyze the development strategy of China's domestic beauty products in the international market so that readers can have a more in-depth understanding of the development process of domestic beauty and the brand image of Mao Geping. At the same time, abstract theoretical concepts can be presented with concrete examples, making them easier for readers to understand.

2.2 Literature research method

Literature research, also known as literature retrieval, refers to reviewing and analyzing existing similar studies or related studies and looking up as many books, newspapers and magazines, papers, statistics, survey research reports, and official documents related to the research topic as possible. To understand and learn from the existing theoretical achievements in this field and the current research level in this field so that one's research can avoid repetition or errors and deviations and continue to make further progress based on another people's research. In-depth research is helpful for the pertinence of one's research, and it is relatively easy to produce results. Literature research is a job that stands on the shoulders of giants, and it is essential to work in the research process. The literature research effort's depth will determine the research question's depth. The literature research method is to obtain information by investigating literature according to a particular research purpose or subject requirements to fully and correctly understand and master the research question [14]. Its main functions are: (1) It can help the author understand the current situation of China's process color cosmetics industry to choose and determine the research topic. (2) It is helpful for the author to understand the whole picture of Mao Geping better. (3) The author can obtain more comprehensive information on the beauty industry and Maogeping brand.

3. Result

3.1 Development status and trend of Chinese beauty products

The makeup market has a scale of tens of billions and maintained rapid growth before the epidemic. According to the data in Figure 1, in 2020, the market size of China's cosmetics (including skin care products, color cosmetics, etc.) will reach 519.9 billion yuan, and the CAGR will increase by 7.2%. Excluding the epidemic's impact, the CAGR will be 9.7% from 2011-2019 [15]. Compared with skin care products, makeup accounts for a relatively small proportion. In 2020, the size of my country's color cosmetics market will increase by 0.6% to 59.6 billion-yuan, accounting for only 11.5% of the entire cosmetics market, but it maintains rapid growth. %, the CAGR from 2011 to 2019 was 17.2%, while the CAGR for skin care products was only 9.9%. Figure 2 shows that face and lip makeup account for a relatively high proportion of makeup, and high-end suits have great potential for development [16]. In terms of subdivided first-level categories, facial and lip products are the main components of China's makeup market, accounting for 48.3% and 32.8%, respectively, in 2020, while maintaining a relatively high growth rate, with a CAGR of 17.9% in 2011-2019. 20.6%. In terms of sub-categories, lipstick (accounting for 26.9%), foundation/concealer (accounting for 19.0%), and BB cream/CC cream (accounting for 16.4%) are the largest categories.

In addition, high-end makeup. Although the size of the suit is small, it has achieved rapid growth, with a CAGR of more than 15% from 2011-2019. As seen in Figure 3, compared with other countries, China's per capita consumption of color cosmetics still has room for improvement [17]. With the rise of consumer awareness, the per capita consumption of color cosmetics will inevitably increase. In the future, women's demand for "beauty" will further increase. As an essential step in beauty, color cosmetics consumption will benefit. So, there is enormous potential in China's beauty market. At the same time, Figure 3 also shows that the foreign color cosmetics market has significant demand. Foreign export will inevitably become the future development trend of major domestic brands.

3.2 Comparison of Mao Geping's Development in the Chinese Market and the Development of the International Market

The beauty brand MAOGEPING was founded in 2000 by the beauty artist Mr. Mao Geping. The brand provides various products and color solutions for different facial features, skin textures, and complexions of Asian women. It gives each consumer a tailored makeup look created by professional makeup artists. Mr. Mao Geping often said that focus on one thing with limited energy and time to pursue and explore the ultimate beauty [18]. Most of its products are packaged in black and gold color matching. This classic color matching deepens consumers' impression of the brand. As a well-known professional makeup artist in China, Mr. Mao Geping has created many classic IP characters, such as Liu Xiaoqing and Wu Zetian [19]. He started with Chinese traditional culture, gave full play to his IP value, brought his value into brand marketing, and successfully built the brand Mao Geping. As of March 2020, Mao Geping has 244 stores, which is enough to prove that the public highly recognizes Mao Geping. However, the limitation of the brand is that Mao Geping only has counters and sales in China and has not yet entered the overseas market.

3.3 Analysis of the problems existing in Mao Geping's international market development

Produce dependently, and product quality needs to be further strengthened. Mao Geping's products focus on the base makeup part, but its base makeup is more aimed at Asian skin types. If you want to open up overseas markets, you need more products to open up the consumer market. Mao Geping's prospectus shows that Mao Geping does not have an R&D factory built by himself and all relied on the external processing market. Some people believe that this may mean that Mao Geping's products are more OEM products and cannot produce independently. Therefore, product quality needs to be further strengthened.

The price of Mao Geping products is relatively high relative to brand awareness. According to data from Barley Planet, Mao Geping's products are mainly priced at more than 100 yuan, of which 100-200-yuan products account for 22.58%- and 200-300-yuan products 22.38%. Its products are priced at the mid-to-high end. In comparison, as of June 27, 2022, Taobao Maogeping liquid foundation cream 4.5g \approx 4.5ml/150 yuan, 1g33 yuan; YSL liquid foundation 25ml/600 yuan, 1ml24 yuan; Armani power foundation Liquid 30ml/600 yuan, 1ml 20 yuan; L'Oreal's Helena Helena Foundation Liquid 30ml/1150 yuan, 1ml 38.3 yuan; Shiseido's CPB Soft Mist Foundation 35ml/1080, 1ml 30.8 yuan [20]. It can be seen that the price of Mao Geping's main powder cream can be comparable to that of the first-line big names or even in a higher position. During the reporting period disclosed in the prospectus, the company's R&D expenses were 2.4469 million yuan, 3.0511 million yuan, 3.4227 million yuan, and 1.5717 million-yuan, accounting for 0.88%, 0.95%, 1.00% and 0.78% of the operating income respectively. It can be seen that the research and development of the product have not achieved the level that its price should reach.

In product distribution, Mao Geping is still relatively traditional, with a larger share of offline sales. Under the craze of short videos and live broadcasts, Mao Geping's attempts in this regard are very cautious. Only Taobao and Xiaohongshu have live broadcasts, and Xiaohongshu Yu Mao Geping is more like adding a display channel. In addition to Mao Geping, other domestic beauty brands in China, such as Perfect Diary, Huaxizi, Judo, and other brands, are co-branding. Some even have more than one IP cooperation. However, Mao Geping only cooperated with the Forbidden City, and the consumer groups he attracts are limited.

Mao Geping learns big-name beauty products in terms of product promotion. Mao Geping prefers to buy gifts or issue coupons than other discounts and promotions of Chinese cosmetics. For some consumers, the brand appeal will decline.

4. Discussion

4.1 Increase the cost of scientific research

As a well-known domestic makeup artist, Mr. Mao Geping's influence is far more comprehensive than his brand influence. Therefore, after "out of the circle" through personal technology, the R&D products of its R&D department should also match it. Mao Geping is positioned in China's high-end makeup, but its scientific research costs are far less than the investment of big international names. For long-term and stable development, a solid foundation is essential. At the same time, a single-color makeup cannot maintain the freshness of consumers. After the fire of a single product, how to enhance the core competitiveness of the brand, how to maintain its continuously rising popularity for a long time, and the enduring word of mouth are the problems faced by the brand. As far as this issue is concerned, brands need to use big data to deeply understand consumer preferences, launch popular products suitable for the current society, strengthen the research and development of new products with high quality and low price, and constantly introduce new products. Mao Geping can start with traditional makeup formulas or Chinese medicine, take the essence and remove the trash. It combines modern makeup with the traditional culture to create cosmetics that genuinely belong to China. Moreover, as a professional makeup artist-level product, Mao Geping's R&D team should consider the general level and not be limited to the professional level.

4.2 Strengthen overseas publicity

As a high-end makeup product in China, Mao Geping should insist on preserving the cultural propaganda with Chinese characteristics, combining Chinese features with world trends in the international market, and creating a global image of China. Mao Geping can use the surrounding countries as an entry point for overseas product promotion. For example, Japan and South Korea have similar races, skin types, and climate conditions; the "Belt and Road" strategic cooperation countries have relatively convenient transportation and policies. After accumulating a particular brand reputation and market experience, it will go to European and American countries where the cosmetics industry is relatively mature. At the same time, it is also essential to cooperate with well-known foreign bloggers and strengthen overseas publicity in the Internet age. Increase capital investment in overseas cooperation markets, and do not lose the big because of the small. For the long-term development of the brand overseas, Mao Geping needs to select bloggers or stars who conform to the brand concept to establish his brand image.

4.3 Join the overseas R&D team

To conform to the trend of globalization, Mao Geping should conduct overseas research and join the R&D team simultaneously. The domestic makeup brand was established relatively late, with a weak scientific research foundation and little right to speak internationally. After entering the overseas scientific research team, the brand image will be more comprehensive and perfect, and the design of products will be more advanced. Mao Geping can analyze the product demand in overseas markets from extensive data surveys, make more international improvements to existing products, and launch complementary products only for overseas markets.

4.4 Increase online sales

Mao Geping's current offline sales trend is more impressive than online, so increasing online sales is also a top priority. Social platforms have become the primary source for the public to obtain product information, and live streaming is also known as a new shopping trend. Douyin Xiaohongshu has become the main force of e-commerce, and Mao Geping is precisely in the low utilization rate of these two platforms. Therefore, it is necessary to increase the soft advertising on these two platforms and find more bloggers that conform to the brand culture to promote the brand and sell products through live broadcasts. This method has been adopted by Huaxizi and Perfect Diary, which are both

domestic brands, and achieved excellent results. It can be seen that grasping online sales is the mainstream of the current market.

Compared with other domestic beauty products, Mao Geping's product prices are relatively high, and the promotion of products is small. Corresponding improvements should be made in response to market conditions, and some more optimized promotional activities can be appropriately implemented in the e-commerce festival in exchange for public appeal. After all, there are no sales, and even the best products are less likely to be discovered.

5. Conclusion

5.1 Summary of Findings

At present, domestic makeup, which is slightly behind in the development of the international makeup market, needs to discover its shortcomings. Don't be overconfident, take a long-term view, and don't limit yourself to the domestic market. Put more effort into branding and product design. However, it cannot be developed blindly. It is necessary to fully exploit Chinese characteristics, strengthen product quality, and create a beauty brand belonging to China based on its situation. In the context of globalization, we must first establish a good brand image and improve public recognition. Starting from the surrounding area, actively carry out overseas research and promotion, and go global step by step. At the same time, long-term development is also inseparable from product innovation. International big brands have spent hundreds of years establishing a complete industrial chain and a perfect brand strategy. As a domestic brand, only by identifying its positioning, constantly improving itself, renewing itself, and extending its fronts can it gain a place in the international market.

5.2 Research significance

This article analyzes how domestic cosmetics should develop in the international market. It also pointed out the shortcomings of Mao Geping's brand in global marketing and provided suggestions for its future development to promote the future development of its brand.

5.3 Limitation and future studies

This paper lacks primary data, mainly using case analysis and a literature survey. After writing the research analysis results, it was found that the methods used to collect the data limited the ability to analyze the results comprehensively. The full text only studies the problem to be researched, thus ignoring many other issues and simplifying other problems, which increases the simplicity of the paper on the one hand, and may overlook some information on the other hand. In the future, data can be mainly obtained through methods such as surveys or interviews.

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