4P Analysis on Perfect Diary and Advice on its Future Development

Zihan Zhou *

The Second High School attached to Beijing Normal University, Beijing, China

* Corresponding Author Email: wtzhou@cupdata.com

Abstract. As people's living standards and demands for self-care increase, cosmetics are becoming a necessity. Perfect Diary is a cosmetics company that has risen rapidly from its inception. It has become a leader in the cosmetic industry with its effective promotion. However, Perfect Diary's reputation has declined in recent years. It once rose to prominence with short videos but now it is increasingly criticized on the internet. This paper objectively pointed out the advantages and disadvantages of Perfect Diary and used the 4P model to analyze the reasons for its fall from China's No. 1 domestic makeup brand to a loss of hundreds of millions of yuan. The main reason for the brand's decline was the low quality of its products and the emergence of a growing number of brands with a similar positioning. After careful analysis, this paper suggests that Perfect Diary should switch its position to a high-end brand to gain more profit.

Keywords: Cosmetics, Perfect Diary, 4P.

1. Introduction

The global beauty industry keeps growing rapidly and shows on sings of stopping. The global revenue of cosmetics reached 104 billion U.S. dollars in 2023 and is estimated to reach 129 billion U.S. dollars by the year 2028 [1]. The cosmetic industry in China is especially promising [2]. In 2023, the cosmetics market size in China totaled 516.9 billion yuan, representing a 6.4 percent increase from around 485.8 billion yuan in the previous year [1]. This profitable market attracts many entrants. In 2021, the number of licensed manufacturers of cosmetics in China reached more than 5,400, with more than 87,000 registered and filed subjects of all kinds of cosmetics and nearly 1.6 million effective registered and filed products [3]. At the same time, social media is playing an essential role in the beauty industry [4]. The popularity of social platforms such as Tiktok and the Red Book drives the trend of cosmetics and changes the consumers' behavior [5]. In this environment, cosmetic brands have started selling their wares on these platforms. More than 90% of marketers found that it is profitable to have influencers to promote their products, and beauty brands are undoubtedly the main beneficiaries of marketing on social media [6]. Live streaming on these apps has also increased the efficiency of cosmetics sales. Therefore, cosmetic brands want to succeed in this highly competitive market not only with high-quality products, but also with good marketing on the Internet.

With the booming development of China's cosmetic market, many analyses of cosmetic brand marketing strategies have emerged in an attempt to summarize their successful experiences. Using the 4P model, which is stands for product, price, promotion, and place, as a basic framework, this study analyzes the performance of the perfect diary in various aspects using literature analysis. The study focuses on the elements that gave rise to the earlier successful brand and the causes of its later loss. Finally, the conclusion was that the main cause of Perfect Diary's success was capturing the opportunity brought by the popularity of the short videos; on the other hand, its later losses were attributed to the low-quality products and the decrease in prices of those internationally well-known brands. In order to turn the loss into profit, Perfect Diary can upgrade the quality and price as well as open more stores to switch its position into a mid or high-end brand. This, coupled with its effective promotion strategy, can lead to a profitable future.

2. Introduction of Perfect Diary

Perfect Diary was founded in 2017 as a color cosmetics brand. Its main target audiences are consumer aged 18-28. Perfect Diary states that it is committed to developing creative products that enable people to express their beauty effortlessly [7]. At its inception, Perfect Diary was a huge success because it is a suitable alternative to luxury brands. Its total net revenue reached RMB 630 million in 2018 and was even growing almost four times to reach RMB 3 billion next year. 2019 is a year of rapid growth for Perfect Diary. The brand managed to capitalize on the opportunity for successful online marketing when short videos started to grow rapidly. Perfect Diary's products were massively promoted in live streams on shopping apps such as Taobao. In this way, it became popular among young people. It has over 10 million fans on its Tmall flagship store, which surpasses well-known brands like L'Oreal and Estee Lauder. Meanwhile, Perfect Diary also opened offline stores in major cities in China. In January 2019, Perfect Diary opened its first offline shop in Guangzhou Zhengjia Plaza. It had planned to open 600 offline stores in three years, but was put on hold because of the impact of the epidemic. By the end of 2021, Perfect Diary used to operate 286 offline stores. In 2020, it had sales of more than 5 billion RMB. Also, its parent company, Yixian E-Commerce, went public on the New York Stock Exchange in 2020. However, On April 12, 2021, Yixian E-Commerce issued a news release stating that it had received an ADS trading price violation letter issued by the NYSE due to the fact that its company's share price continued to trade below the U.S. stock trading price standard of one dollar. After Perfect Diary's market capitalization declined, its parent company acquired other skincare brands, but it was not able to cover its losses in the short term.

3. Analysis Model

3.1. Product

Perfect Diary offers a complete line of fashionable makeup products including eyeshadow palettes, lip glosses, lip stains, setting powders and more. Because Perfect Diary works with the processing plants of internationally recognized brands, it is considered an inexpensive replacement for well-known brands. But it does not invest much in product development. Perfect Diary spends less than half as much on product development as it does on promotion. As of 2022, it holds 118 patents worldwide, of which more than eighty percent are design patents. In comparison, L'Oreal filed over five hundred patents in 2020. This has led to a lack of innovation in Perfect Diary's products [8]. Despite the constant introduction of new products, homogenization occurred. Although new products are released every quarter, the overall difference is small, and there are a number of competitive products in this category because they are less difficult to develop.

Moreover, in recent years Perfect Diary has suffered a lot of consumer dissatisfaction with the quality of its products. Many KOLs complain that Perfect Diary's eyeshadows don't smudge easily and do not show up the color well; also, after using the lipsticks, people often suffer from dry lips [8]. Since Perfect Diary is positioned as an affordable alternative to internationally well-known brands, once its quality fails to satisfy consumers, its reputation becomes poor and people would stop buying it. Likewise, due to the heavy advertisement of its products, many people buy the products based on the recommendations form influencers on the Internet; and if people find out that the quality is not as high as their expectations, not only the reputation will become worse, but fewer influencers will want to cooperate with the brand. This can make it difficult to implement its marketing strategy and damage the brand image.

Although the product may be a little disappointing, the packagings of Perfect Diary products are appealing. Unlike many Chinese cosmetic brands that often use floral elements or traditional Chinese patterns for their packaging, Perfect Diary designs different packaging according to product categories. Its "Business Card Series" lip glaze adopts a different design style from the traditional round shape, instead, the package is made into a flat rectangle with an angular surface. In this way, it

emphasizes its brand image of being daring and unique and seizes the aesthetic wind of young consumers.

3.2. Price

Because Perfect Diary is benchmarked against an internationally recognized brand, it would not be cheap, but at the same time it has to be affordable for 18-28 year olds. Most of Perfect Diary's lipsticks are priced under a hundred yuan, and eyeshadow palettes and foundations are priced less than two hundred yuan each. However, some consumers have reported that some of Perfect Diary's products are low-priced but have very little net content, so they are not really cost-effective.

Perfect Diary often uses the product bundle pricing strategy. It offers an eyeshadow palette and a lipstick in a bundle with special packaging. The price of such a bundle will be slightly higher than the sum of the prices of each product in it. In this case, not only can company make higher profits by selling these bundles, but they can also promote sales of products that a consumer would not buy from them otherwise. Another bundle pricing strategy Perfect Diary uses is providing bundles that contain diversified products. For example, the bundle may include a lipstick, an eyebrow and a mascara, or two lipsticks, a highlighter, and an eyeshadow palette. These combinations tend to be less expensive than the sum of the prices of each of the items in them and are only sold on the live stream, meaning that they are available for purchase for a limited time. Such strategy increases the sales effectively.

Besides, Perfect Diary uses price discrimination in different countries. According to its webpage, the price of an “Explorer Eyeshadow Palette” is 35 dollars, which is about 252 RMB. Similarly, in a Japanese shopping website called “cosme”, the same eyeshadow palette costs 3520 yens, which equals about 171 RMB. However, on Chinese shopping app Taobao, it only costs 99 yuan.

3.3. Promotion

Firstly, Perfect Diary frequently co-brands with other brands to make the concept of the product more memorable. One of the highlights is that it incorporates many various cultures in its offerings. Perfect Diary has collaborated with the Metropolitan Museum of Art, The British Museum, and Chinese National Geography. When it co-branded with Discovery Channel, it uses the eyes of wild animals on the packaging of the eyeshadow palette [8]. In addition, the brand usually invites celebrities to promote the products. In its offline stores, there are always big screens displaying posters and videos of celebrities. The celebrities and models in its advertisements are young and attractive, helping the brand create an image of being trendy. Also this is well on its way to enjoying the advantages of the fan economy.

Secondly, it has seized the opportunity of the rise of short videos and promoted its products on online platforms. Perfect Diary launches a large number of new products every year from March to April and September to October. In the months following the launch of new products, it relies on bloggers on various platforms to promote it. During this process, it creates 1-2 iconic products. This is followed by some large Chinese shopping festivals, from which Perfect Diary is able to boost the sales of its products. This strategy is successful and enables Perfect Diary to have massive of fans on the Internet. Perfect Diary’s official account on Instagram has 225 thousands followers and its Red Book account has 20.2 million followers. Perfect Diary puts a plenty of advertisement on TikTok and Red Book to attract consumer’s involuntary attention. It has corporate with more than 15,000 influencers on the internet [9]. The “Explorer Eyeshadow Palette” on Red Book reached 110 million exposures, which made it to #2 on the Hot 100 in the eyeshadow category. On top of that, the ads it placed in Red Book averaged over 20,000 interactions per ad, simultaneously driving up the heat on other Perfect Diary products. However, due to the poor quality of the products, there are many consumers who think it exaggerates its merchandises [10].

Thirdly, Perfect Diary creates its own IP identity named Xiaowanzi. She is a delicate and beautiful girl active on WeChat, she will often share her cosmetics and loves traveling and food. The company uses this pleasant stimuli to capture the attention of consumers as well as get closer to them.

3.4. Place

Placing strategies that Perfect Diary uses can be divided into two parts—online and offline. First, in terms of online, consumers can purchase Perfect Diary products through shopping apps and live streaming on social media platforms. Thanks to the development of the courier industry, online shopping is now very convenient and unprecedentedly popular—China is estimated to have over one billion e-commerce users in 2022. Moreover, using Alipay to pay for an amount of less than one hundred yuan makes it possible to pay without a password, which greatly reduces the obstacles for customers when making payments. The frictionless payment causes people to think less while purchasing, especially when they are buying inexpensive cosmetics like Perfect Diary's goods. Perfect Diary undoubtedly does most of its sales online. The brand's most famous lipstick reached more than nine hundred thousand sales on Taobao. In addition, new products are often sold first in the online store, which is also more complete and often offers discounts.

On the other hand, Perfect Diary also has offline stores and its items are also sold in branded collection stores. Doing so enhance the intensiveness of the brand. As many Chinese cosmetic brands do not have their own offline stores, although Perfect Diary has shut down some stores in recent years, having more than two hundred stores still stock in more outlets. In addition, this makes it harder for consumers to compare Perfect Diary with other brands offline as there are no stores of similarly positioned brands around. Thus, the consumer decision journey becomes easier, making it easier for them to buy Perfect Diary products. Furthermore, having both online and offline stores allow the company to improve customer value by integrating them. There are times when a customer may choose to try a product offline and then make a purchase online, or vice versa. For example, sometimes a customer wants to buy a lipstick and picks one out on a shopping app, but they want to see what they look like with it on to decide if they want to buy it. This is where Perfect Diary's offline sales channel comes in handy.

4. Suggestions

4.1. Improve the quality of the Product

The increase in the quality of the product will definitely affect the brand image in a positive way [10]. Perfect Diary should have invested more in product development instead of relying only on factories of well-known brands. If the brand's reputation is restored, sales will surely increase dramatically and turn the loss into profit. The brand image will also be greatly enhanced in the process. In other words, publishing the number of patents it has or otherwise proving that it has made improvements in its products would boost consumer and investor confidence.

From the other aspect, unique packaging is one of the major advantages of Perfect Diary. It can amplify this advantage by launching cosmetic kits containing a whole range of cosmetics on the same theme and designing sophisticated packaging for them.

4.2. Increase the Price

As the quality of the product has been improved, Perfect Diary can also raise its price slightly and shift to the mid- to high-end market. Currently, there is no obvious high-end brand in China's cosmetic brands, and Perfect Diary may be able to fill this gap. Moreover, the main reason for the decline in sales of Perfect Diary is that the cosmetic products of the big international brands are starting to suffer from the effects of the economic downturn and reduce their prices. This has greatly narrowed the gap between Perfect Diary and the well-known brands, and Perfect Diary does not have as strong a brand benefit as they do, which leads it to loss its consumers. So Perfect Diary can offer less discounts at the same time to create a high-end brand image.

4.3. Enlarge the scale of the Promotion

After improving the quality of its products, Perfect Diary should keep investing on the promotion. To make sure that people buy their new products, it can ask celebrities and internet influencers to talk about their products first. After a number of people purchased and found that the products have become sophisticated, they opinion of the brand would start to change. At this time, the brand can popularize the products by words of mouth. Perfect Diary can keep using the current strategies. It has a sophisticated and effective operation model that enables them to catch the trend of fashion. Its promotion team is always good at designing a suitable project for each product, since the marketing department will make the publicity strategy before the launch of a new product. Given that the position of the brand is turning into a more luxury brand, it may want to implement some large-scale publicity actions such as putting a giant poster on buildings in CBD [11].

4.4. Open more Stores

Perfect Diary should reduce the frequency of its own products selling in branded collection stores while opening more direct offline stores. It can only develop good working relationship with several big intermediaries to show that the brand is selective. Perhaps this will help it to build an exclusive brand. At the same time, increasing the brand's own offline stores can attract people’s involuntary attention of the brand therefore enhance the brand equity. The stores can be located in “high streets” to give the public an impression of being classy. Plus, Perfect Diary is better known outside of China than any other Chinese brand with the same positioning, so Perfect Diary could consider opening offline stores overseas to further increase its visibility and boost sales [11].

5. Conclusion

One of the major reasons for the success of Perfect Diary is that it began to do publicity through short videos in 2017 when short videos were just emerging; Xiaohongshu, which began to become popular at almost the same time as short videos, was also well used by Perfect Diary to cooperate with celebrities and bloggers to promote its products; at the same time, Taobao's new live broadcasting format also attracted a large number of consumers. These three waves of popularity happened at a very close time, allowing Perfect Diary to seize the opportunity to stand out from many cosmetic brands. The efficient operation within the company also allows the product marketing strategy to be fast and effective once the new product is launched. The company's marketing strategy is also very comprehensive, creating many star products based on the target consumer behavior and fashion trends.

The affordability, unique packaging and endorsement by popular celebrities have helped Perfect Diary gain a large number of fans in its first few years of existence. However, with more and more consumers questioning the quality of the product, Perfect Diary has given people the impression of becoming an over-hyped but poor quality brand. Coupled with the economic downturn caused by the epidemic, Perfect Diary's sales took a sharp turn for the worse, eventually reaching a loss-making level. As the economy has begun to recover from the blow of the epidemic in the last two years, Perfect Diary should capitalize on this opportunity to find a longer-term profit model. The competition in the sinking market of China's cosmetic industry is so fierce that joining now is not a good choice; therefore, according to Perfect Diary's positioning and brand image, a gradual shift to the high-end will be more promising. By improving product quality and pricing, maintaining its promotional strategy and opening offline stores, Perfect Diary is hopeful that it will become profitable and revitalized in the future. This study is beneficial in helping the investors interesting in Perfect Diary to understand the brand and the brand itself. This thesis has some objective limitations due to the limited number of studies on similar topics. Future research could analyze the brand in more aspects and in more detail.

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