# Analysis of Marketing Strategy and Sales Model in the Chinese Cosmetics Industry

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**Abstract.** The purpose of this research was to study the sales model in the Chinese cosmetics industry. The following research questions guided the study; How does domestic makeup innovate under the solid and constant pressure from the international competitors' brand influences? What marketing strategy the domestic makeup apply to turn crisis into opportunity? What experience and inspiration can be absorbed and used in other businesses or industries? To analyze the rise of domestic cosmetics brands, this study first introduce the research background including the preliminary introduction of domestic and global cosmetics and the reasons for lagged domestic cosmetics. This study use the case study method in this research and Florasis as a typical domestic cosmetics brand growing fast is the object of study. By discussing its practices in the cosmetics market including branding and marketing, this study acquired some inspiration for developing other domestic cosmetics brands. The research is ended with the recommendations for Florasis' sustainability and other domestic brands' development, in addition to the conclusion which will cover the research significance, as well as the problems cannot solve in this research.

**Keywords:** Marketing Strategy, Sales Model, Chinese Cosmetics Industry.

## 1. Introduction

Under the enormous impacts of the pandemic, the global economy declined with abundant industries shrank and even shut down in many countries. China is not an exception to this crisis [1]. There are millions of enterprises and businesses in China got impaired, and this research will pay attention to the domestic makeup industry and dig into how it recovered from the pandemic and thrived rapidly these years, which is even likely to outperform the foreign makeup brands in china in such a depressed economic environment triggered by COVID-19.

In the global makeup industry, international makeup brands, such as Korean makeup LANEIGE, Japanese makeup Shiseido and North American makeup Mac, etc., are prestigious and famous and have large market shares playing a leading role. In contrast, Chinese makeup brands are not outstanding in the domain. However, in these few years, China's domestic makeup has been rising quickly, accreting market shares in the fiercely competitive industry. How does domestic makeup innovate under the solid and constant pressure from the international competitors' brand influences? What marketing strategy the domestic makeup apply to turn crisis into opportunity? What experience

The research article consists of four main parts to figure out the above questions: introduction, discussion, conclusion, and recommendation. The research method is a case study, which assists us in presenting the research analysis in a representational view. Besides, the case instance is a significant achievement this study can adduce to explain the rise of Chinese domestic makeup brands. Researcher believe the success of domestic makeup is instructive that will inspire more confused domestic companies and industries and drive them to explore a new marketing pattern.

## 2. Case Background

In terms of the table, by 2020, the international makeup brands dominate significant market shares in the premium cosmetics market in china, among which L'Oreal takes up approximately 18.4% of market shares followed by Estee Lauder and Louis Vuitton with around 14.4% and 8.8% respectively. Only two domestic makeup brands are entering the top 10 makeup brands ranking, but they only

occupy 3% and 2.3%. Coincidently, the imbalance presented the same in the mass cosmetics market in china, where American brand P&G captures the largest market share with 12.1%, followed by L'Oreal taking up 8.9% and the domestic cosmetics brand Pechoin with 3.9%. Although more domestic makeup brands are ranking in the top 10 in the mass cosmetics market, the proportions they account for, typically below 4%, are considerably lower than the foreign cosmetics brands' market shares. It can be easily observed that domestic cosmetics brands lag far behind foreign cosmetics brands, whether in the premium or mass makeup market [2].

There are some reasons why domestic cosmetics brands cannot compete with foreign cosmetics brands.

For the internal factors, the first is that domestic cosmetics brands' quality control is unstable and unreliable, causing endless problems. Secondly, domestic cosmetics brands lack R&D technology in product design and manufacture, resulting in a shortage in the supply of active ingredients or raw materials. There is a huge technical barrier between domestic and alien cosmetics brands. Thirdly, domestic cosmetics brands fail in promotion and sales strategy, leading to low brand awareness and association.

For the external factors, firstly, there is a lack of laws/rules to regulate the market legally, and the regulation by relating departments is insufficient. Secondly, limited sales channels cannot support distribution well or help brands reach more customers.

Thirdly, since the competition in cosmetics focuses on the product price and service quality, foreign cosmetics brands have the advantages of scale and specialization, which is more competitive in the price war.

In the past years the underdevelopment of domestic cosmetics brands has been caused not only by internal factors, such as immature production and promotion, but the external factors, such as inadequate laws and regulations [3]. Similarly, the recently thriving domestic cosmetics brands cannot stand alone without the appropriate marketing strategy in the social environment that benefits their growth.

Under the influence of the epidemic, international trade decreased, made imports of makeup goods decreased, and unchanged consumer demand stimulated the domestic beauty market [4]. In post-epidemic, since China's economy rebounded, the domestic cosmetics market continued to expand, implying the spring of domestic beauty products. With the encouragement and support of China's entrepreneurship policy and talent innovation policy, the supply of social resources is abundant, in addition to the strengthened government regulation of beauty products, and the improved product development technology [5]. Moreover, due to the popularity of social media and short video platforms, such as Red Book and Tiktok, the prevalence of live streaming and e-commerce increased the diversification of sales channels [6].

## 3. Case Discussion

Many domestic cosmetics brands have been established and have been growing fast since 2016, among which some brands, for example perfect diary, color key, Joocyee, Florasis, etc, outperformed in this beauty revolution. These well-known domestic brands leverage the knowledge and experience from international premium brands, L'Oreal and P&G, to build their brand strategy. They have affluent brand awareness and ideas, focusing on targeting groups and expanding customer base by using new media marketing strategies. Florasis is one of the best branding and marketing would like to adduce for the research analysis.

### 3.1 Brand Strategy

Florasis was established in Hangzhou, China in 2017, pursuing to become an oriental makeup brand exploring Chinese traditional beauty wisdom. Targeting oriental women with different skin types and makeup needs, Florasis launches healthy makeup products with natural ingredients, such as flower essence and herbal abstracts, whose packages also fit traditional Chinese aesthetics. As soon

as Florasis was founded, it cooperated with one of the largest e-commerce platforms Tianmao and prepared for its online sales. In 2019, their first makeup product "Blooming Rouge Love Lock Lipstick" became available on the market. This lipstick went viral on social media when launched with its exquisite engraving and exclusive design, besides its soft texture and nourishing ingredients. The engraving pattern that makes the lipstick look vintage and extravagant is a Chinese traditional Chinese art technology. Moreover, the lipstick box is like an old Chinese locker, which is very novel and surprising with a solid comparison to the contemporary makeup packages.

Florasis have a very distinct brand position which makes its products consistent with Chinese traditional culture and art to attract female customers who love and support traditional Chinese aesthetics. The brand name, Florasis, is also inspired by a classic Chinese story about four beauties in ancient china. Through constructing a Chinese vintage vibe in brand story and product style, Florasis has differentiated from other competitors quickly.

### 3.1.1 Strengthens Floriasis' brand strategy

(1) Brand uniqueness. The discrepancies of makeup products in the market are slightly driving the makeup suppliers to compete on the product price. In contrast, Floriasis wisely associates its brand culture with Chinese convention and oriental arts to create brand uniqueness, when other competitors struggle in the price war moreover, since Floriasis' branding is rooted in Chinese traditional culture and history that abounds with ethnic characteristics, which cannot be easily plagiarized or imitated, but forming a competitive advantage for Floriasis to compete with foreign cosmetics brands.

(2) High brand value. With the increasing national cultural consciousness of the young Chinese generation, more and more young people are enthusiastic about protecting and sharing Chinese traditional culture [7]. Floriasis locates its brand values on conveying traditional Chinese aesthetics to customers, which follows the current cultural trend. In consumers' minds, Floriasis is a brand that not only satisfies women's makeup needs but also promotes oriental aesthetics.

### 3.1.2 Weakness of Floriasis' brand strategy

(1) Not environmental-friendly. Brand story building and sales force are the most effective and preferred [8].To be consistent with the brand concepts, Floriasis put more effort into designing product packages. As a low-end cosmetics brand, Floriasis see product appearance as its priority by overpacking its products but neglecting product quality, which is not sustainable and practical. Some consumers complain that they purchase Floriasis products not for their package.

(2) Limited user base. Floriasis focus on connecting its brand culture with Chinese traditional culture. Once Floriasis' products are labeled as Chinese-style cosmetics, which will be sustained by the consumers loving this style, while might also fail to fit the other consumers' aesthetics. Therefore, Floriasis' branding is too specific to reach various users. It lacks diversity and universality.

## 3.2 Marketing strategy

Floriasis' marketing strategy consists of online promotion and offline promotion.

(1) Offline. In the early stage, Floriasis attracts traffic and attention by inviting ordinary people to test the product and give feedback. From 2018 to 2020, they have invited volunteers more than 73 times on social media to try product samples including foundation, powder, remover, etc.; their feedback would be collected and interpreted by Floriasis to research users' shopping behaviors, habits and preferences. Additionally, Floriasis invites its users to experience the production process, such as lipstick making and carving, so that users take time to know their brand story and concept, reinforcing the connection between them and the brand.

In addition to interacting with users, Floriasis also invests a lot in displaying advertisements, which have been delivered to Tokyo, Shinjuku, Shibuya and New York. The oriental beauty of Floriasis advertised on these cities' LED screens leaves a deep impression on foreigners who can be deemed as potential consumers. With the prevalence of elevator advertising, Floriasis bring brand-safe content and advertise products or events across elevator and lobby digital signage displays. To further exhibit

oriental aesthetics, Floriasis also attended a china international fashion show. They incorporate Chinese mythology and ethnic elements into clothing to show their inspiration from oriental aesthetics.

(2) Online. Weibo, Tiktok, Bilibili, and Red Book are the most popular social media with millions of traffic daily. Floriasis hold most of its online promotion activities, including celebrity endorsement, influencer Livestream selling, brand cooperation, etc. Floriasis collaborate with celebrities who are in accord with the brand temperament to strengthen Floriasis' brand image. Moreover, they are B2B focused through cooperating with other companies that offer customers Chinese-style products and services, for example, ancient music, classic Chinese wine, Hanfu, etc. Besides collaborating with similar brands centralizing Chinese elements, Floriasis also sponsored mobile apps, smart homes, and reality shows. In a word, Floriasis work hard on catching any traffic sources both online and offline.

### 3.2.1 Strengthens Floriasis' marketing strategy

Ingrained brand image and increased consumer awareness. No matter the celebrities/influencers Floriasis work together or the events/brand cooperation Floriasis collaborate are consistent with their brand value, deliver Chinese beauty, which can accent the brand culture and image in the market [9]. In terms of consumer awareness, Floriasis' offline marketing such as elevator advertising, helps increase consumer awareness, because occupants of elevators are a captive audience surrounded by few distractions [10].

High brand exposure rate. Floriasis actively deliver its promotion advertisements to both public places, like plaza screen, as well as, private places, and smart home. Floriasis catch any opportunity to acquire traffics and impressions. The penetration of the brand in consumer's everyday life will help Floriasis accumulate more potential customers.

Fan economy promotes Floriasis sales. By leveraging celebrities' and influencers' influence to attract more traffic, Floriasis take advantage of the fan economy.

### 3.2.2 Weakness of Floriasis' marketing strategy

Excessive marketing and hype are skeptical. Consumers had ever reported Floriasis for low-quality products and deceptive advertisements. With the expansion of Floriasis, more consumers reveal that some Floriasis' products have quality problems, which results in bad word-of-mouth. Then whenever Floriasis' advertisement appears, it reminds these consumers of a disappointing experience, which will probably aggravate their misunderstandings or suspicions about Floriasis' other product collections. In addition, most consumers get used to distrusting well-promoted products at the early stage. Therefore Floriasis' marketing campaign would probably scare away lagged adopters.

The marketing is costly triggering higher product prices. As it is known to all, the cosmetics industry usually has a high ROI, simply put, cosmetics suppliers can gain high profits from each purchase, as the cost of cosmetics is far lower than people expected. Therefore, Floriasis' high budget for marketing and promotion will unconsciously give consumers an extra burden, meaning that consumers have to pay more to bear suppliers' costs over marketing.

## 3.3 Recommendations

The strategies that Floriasis currently implement are successful so far, but not sustainable. In addition to doing an excellent job in the cultural and artistic level of the product, the raw materials, technology and product functions should likewise withstand scientific tests and time tests, while being supported with scientific experiments and data.

Floriasis as a successful model in the domestic cosmetics market can inspire other brands on how to differentiate and promote themselves. With affluent media resources and government support, companies should learn how to integrate and leverage these marketing resources in the way Floriasis used.

## 4. Conclusion

The study results revealed that the tactics Floriasis applied in its branding and marketing involve brand story building, mass media advertising, celebrity marketing and sales force. Specifically, mass media advertisement and celebrity marketing are the most common marketing strategies used by cosmetics product manufacturers and outlets. Floriasis cannot succeed without any of them. It indicates that the rise of domestic cosmetics brands is successfully integrating traditional culture and oriental aesthetics and combining modern media and top traffics.

In this research, the domestic cosmetic brands observed are limited, only related to the low-end cosmetic brands, which tend to focus on makeup product sales. The best practices in low-end cosmetics brands might not fit high-end ones, meaning there is a low reference value for domestic premium cosmetic brands. Apart from the limitations of the object of study, the positive influences, and benefits of Floriasis' practices don't appear in all kinds of its cosmetic products. In this research, this study expect to define which cosmetic product best suit Floriasis' marketing strategy and sales model so that can give more specific advice to other domestic cosmetics brands.

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