Transformation Strategy of Domestic Cosmetics in China within the Context of Digitalization -- Take Flower Knows As an Example

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Abstract. Nowadays, the rapid development of digitalization, including e-commerce, social media, as well as data analysis, has made significant influence on cosmetic industry in China (Hereinafter referred to as China's domestic cosmetic). Most of cosmetic companies in China are implementing different transformation strategies to adapt to the digital trend and improve industry competitiveness. Based on the analysis of the development of cosmetics industry in China, such as Florasis and Proya, this article will focus on concrete transformative strategy of a China's brand called "Flower Knows" in the digital environment. By analyzing its existing marketing tools and remaining problems, the article can contribute to a deeper understanding of China's cosmetic industry within the context of digitalization. Also, valuable guidance about transformation strategies for other China's domestic brands will be provided through the analysis of remaining marketing issues and practical advice for "Flower Knows". Overall, in the trend of digitalization, challenges and opportunities coexist, putting forward higher requirements for the transformation and upgrading of the cosmetic industry.

Keywords: Digitalization, China's domestic cosmetic, transformation strategy, flower knows.

1. Introduction

The digital economy is booming under new circumstances, which is both an opportunity and a challenge for China's domestic cosmetics enterprises. To adapt to digitalization, China's cosmetics brands should analyze a new model to maximize corporate profit from a digital perspective, explore the application of digital technology in production development, sales accuracy, and other aspects, enhancing customer satisfaction and brand awareness [1].

In different digital contexts, China's domestic cosmetics have responses accordingly. For example, e-commerce is considered to be a more convenience way for sellers and buyers to make transactions. Most customer may choose to shop online because of attractive discounts offered by e-commerce merchants [2]. Therefore, as early as the sales scale of beauty products on the e-commerce platform has begun to achieve explosive growth, some of the China's cosmetics have already seized opportunity. Take Proya as an example, its Tmall flagship store was set up in 2010, and it then successfully expanded the e-commerce sales channels, establishing stable cooperative relations with e-commerce platforms such as JD.com and Vipshop [1]. Also, in order to cater to the needs of young people, which is the main audience of e-commerce, the Proya company has set up a young e-commerce team to enhance competitive advantages and strengthen refined operations [1].

According to a recent survey, the social media marketing can improve brand awareness, thus having a positive impact on purchase intention [3]. The impacts can be categorized under three dimensions, including the customers' attitude formation, as well as altruistic and egoistic motivation [4]. While social media plays an important role in informing customers of the current environments, it is essential to expand the sales scale of the cosmetic industry. As for Florasis, it outputs customized content for different target customers on social media and grasps the latest trends, the use of new media to achieve competitive advantages [5].

What's more, the relationship between the big data technology and the scale of cosmetic sales is non-negligible. Currently, in most cosmetics companies, the marketing reports and sales analysis are conducted regularly, which are categorized as weekly, monthly, quarterly, and annually sales reports [6]. In order to understand consumers' preferences and needs for products timely and

comprehensively, Proya relies on data analyze technology to integrate customer information into a complete sales chain [1]. It analyzes the information of the customer's purchase amount, payment times and repurchase records relying on the sales data on the Internet [1]. In this way, despite the context of fierce competition in the cosmetics industry and ever-changing consumer demands, Proya can stand out with the big data technology.

Every product has its natural and social attributes, not to mention the beauty products, such as "Flower Knows". For the cosmetic industry, both social and nature features make its products appropriate to be sold under the digital economy. When it comes to the nature property of cosmetic, its light weight and compact appearance is rather convenient for storage and transportation [6]. Therefore, the cosmetic products or services is suitable for e-commerce, which mainly depends on logistics transport to trade. As for social property, the cosmetic is a kind of product with beautification functions. So, the value of cosmetics is measured not only by the physical products, but also its added value, such as brand awareness and mass effect [6]. That's why the cosmetic industry can be expanded through the social media.

Above all, it is essential to analyze the transformation strategies of the cosmetic industry within the context of digitalization. Only in this way can we fully understand its copying measures towards the challenges brought by the digital trend and the sale potential of the industry.

This paper will take Proya as the research object, analyze the marketing strategy and performance of companies under the background of digitalization, aiming to provide guidance and motivation for domestic cosmetics in China to promote digital transformation and realize profit maximization.

2. Near-term Transformation Strategy of Flower Knows

Hangzhou Huaming e-commerce Co., Ltd. (hereinafter referred to as Flower Knows) is a domestic beauty brand in China founded by two young males who are keen on cosplay. In its brand story, it states that the Flower Knows products are inspired by fairy tales and art pieces, designed with delicate details, and created with love, hoping to romanticize the world with its unique aesthetics [7]. This new representative brand has precisely positioned service in the generation of young cosmetics users with make-up products of ethnic styles [8].

2.1. Depending on E-commerce to Promote the Explosion of A Series of Products

At present, traditional e-commerce platforms for online sales is the main way for Flower Knows to complete transactions. Since the brand entered Taobao Live in September 2019, it has accumulated 911.6 million followers from then on, and its Taobao store broadcast more than one million GMV per month. Meanwhile, Flower Knows also cooperates with Viya, Li Jiaqi and other famous live anchors for live commerce. In 2021, Flower Knows officially settled in Tiktok, and opened its first brand store for broadcast, among which, the revenue of brand store broadcast accounts for 96.8% of the total GMV of live broadcast. Flower Knows 's absolute mastery of e-commerce contributed to the ultimate explosion of its products and services.

2.2. Precise Positioning of the Market of ACG Culture in Social Media

Flowers Knows first broke into popularity after a video of a popular blogger's imitated makeup for cosplay. After that, Flower Knows officially came into the public vision. With stable word-of-mouth accumulation in the early stage and high-quality product, Flower Knows has achieved the expansion of its awareness in a short period of time, especially for female makeup lovers of Generation Z. Since the Generation Z groups are mainly concentrated in platforms such as Tiktok, RED, Weibo and Bilibili, Flower Knows transferred many exposures to these social media [5]. For different platforms, Flower Knows applied customized content accordingly. Bilibili is the main marketing platform of Flower Knows, where it puts a distinct label on the brand by cooperating with famous limitation makeup ups. While in Weibo, Flower Knows focuses on activities such as lottery,

promotions, new product information and buyer shows to target a precise market. It is obvious to see that in several key points, Flower Trends can always find popular trends in minority culture.

2.3. Smart use of Big Data Technology to Adjust Strategy.

To make it easier for target audience to find the brand when searching for keywords, Flower Knows provides search engine optimization (SEO) analysis capabilities [10]. By analyzing data such as keyword ranking, as well as web optimization, it can understand how they are performing in search engine results and can optimize website content and structure to improve their ranking in search engine search results [10]. What's more, Flower Knows offers social media analysis [10]. The company tries to understand how it is performing across various social media platforms through data analysis on social media users' interactions, engagement, and sharing, then it can learn whether their promotion activities are successful and adjust transformative strategies in response to the result [10]. Both the SEO analysis and social media analysis are based on the big data technology.

3. Existing Strategy Weakness of Flower Knows

Despite Flower Knows has effectively identified the most recent development trend in the context of the digitalization and seized the opportunity to achieve a competitive edge, its marketing effect still has tendency to decline, and certain issues still remain and require immediate attention.

3.1. Urgent Need for Developing Cross-Border E-Commerce

In addition to diverse platforms, Flower Knows has also began to deploy overseas markets such as Japanese market, and it has already more than 300 offline stores in Japan [9]. With the rapid development of the digital economy, the lack of cross-border e-commerce will bring irreversible effects, such as limited market reach, inefficient supply chain, as well as sales restrictions. These will lead to less potential transaction opportunities with foreign consumers, and Flower Knows will miss the possibility of business growth and profit maximization. Therefore, it is necessary to set up cross-border e-commerce to realize the expansion of market size.

3.2. Limitations of Social Media Endorsers

As for now, Flower Knows has cooperated with many bloggers and influencers that have significant influence on its target market, such as Tuanzi Kun_Alice, Yao Yaoshuo, Viya and Li Jiaqi. However, as is suggested by a recent study, buyers tend to have much lower level of purchase intention on beauty products when seeing bloggers' review, while customers are easily persuaded by the identity of celebrities for their suggestions [4]. As a result, although Flower Knows has invited a great number of bloggers to evangelize its beauty products, the publicity may not live up to expectations.

3.3. Non-significance of Cosmetics Seasonal Feature

For functional cosmetics such as lip balm and hand cream, they demonstrate significant seasonal characteristics for certain functions [6]. However, for general cosmetics like lipstick, eyeshadow, and blush, they show little seasonal features. Take Flower Knows as an example, it mainly focuses on the package design and its cultural value instead of function diversity in different seasons [8]. It is also a general problem of the whole cosmetic industry. It is worth mentioning that the lack of seasonal functions may contribute to difficulty in adapting to the needs of the skin and the specific climate environment.

3.4. Unicity of Marketing Strategy

Although the promotion effects of new media marketing are more significant, the covered population is not comprehensive enough. Also, high-quality marketing is based on products and services, and high-quality services have the most direct impact on consumer satisfaction [10]. At

present, from the evaluation and analysis of most consumers' satisfaction with domestic cosmetics in China, we can find that there is still huge room to improve for Flower Knows in this respect [10].

4. Suggestions for Transformation Strategy of Flower Knows

Based on market research, according to consumers' satisfaction with China's cosmetics and its influencing factors, here is some advice for Flower Knows to adjust their marketing strategies. It may be helpful to the future development of China's cosmetics brands and the formulation of modern social media marketing strategies.

4.1. Establish a Cross-Border E-Commerce Model

Among all the advantages for Flower Knows to set up cross-border e-commerce, the most beneficial one is that the transaction between domestic sellers and oversea buyers can be more convenient and cheaper [6]. To reduce the cost of establishing new overseas commerce, market strategies can be implemented under different mechanisms, including development of agency stores overseas and assignment of domestic salesman in local areas [6].

4.2. Strengthen Business Partnerships with Celebrities

A study indicates that celebrity KOLs are increasingly important in the beauty industry's marketing campaigns because consumers who have seen their product reviews are more likely to have a favorable opinion of the brand and to be more inclined to buy cosmetics [4]. Therefore, although working with a celebrity is typically more expensive than working with a blogger, a celebrity KOL appears to have a better brand in influencer marketing. So, it is necessary to strengthened business partnership with celebrities.

4.3. Enhance the Seasonal Performance of the Beauty Product

Product safety is one of the important factors affecting consumers' purchase intention [10]. Therefore, if Flower Knows can design product functions in response to climatic characteristics and the condition of clients' skin of different seasons, it will gradually build up consumers' trust in China's cosmetics brands, reduce consumers' concerns about product quality problems, and establish a high-quality product image. Take the features of summer and winter as example. Summer brings high temperatures, powerful sunlight, and heavy oil production on the skin. Thus, oil management, and sunscreen should be the main focus of makeup products throughout this season. While winter's colder temperatures accelerate the skin's loss of water, and skin oil is less than in the summer. Beauty products that restore water intake and proper nutrition to the skin is essential.

4.4. Combine Multiple Resources to promote Three-Dimensional Marketing

While digital marketing has greater impacts and has been more widely promoted, its coverage of customers is still insufficient. To fully achieve three-dimensional marketing, it can also be integrated with conventional media such as TV and magazines. For example, preferential activities can be set up for price-sensitive consumers. For people who are not easy to obtain information and have relatively limited purchase channels, traditional stores can be set up to carry out marketing and publicity through the media of television, advertising, and newspapers [10]. It is also possible to enhance and optimize offline services with the use of data from social media platforms. Flower Knows can offer offline services such as free cosmetic trials, staff training, and explanations of skin care tips to provide high-quality offline services [10].

5. Conclusion

Based on the case study of the digitalization-related transformation strategy of China's cosmetic brands, we can find that the fast advancement of digitalization—which includes social media, e-commerce, and data analysis—has had an enormous effect on the Chinese cosmetics industry. For instance, e-commerce is thought to be a more convenient means of conducting business for both customers and sellers. Social media marketing has the potential to raise brand recognition and thereby influence purchase intention. Furthermore, there is a significant correlation between the size of cosmetic sales and big data technology.

Flower Knows's near-term transformation strategy includes relying on e-commerce to drive the explosion of a series of products, accurately positioning the ACG cultural market through social media, and intelligent use of big data technology to adjust its strategy. A combination of these strategies brings broader market opportunities to enterprises, enhance brand awareness and attractiveness, and continuously optimize and adjust strategies through intelligent use of big data technology to achieve sustained growth and success. The implementation of these strategies will lay a solid foundation for flower knowledge to stand out in the competitive market and achieve sustainable development results.

Meanwhile, there are still some weaknesses remaining in the current strategy of Flower Knows, including the lack of cross-border e-commerce development, restrictions on social media endorsers, the non-importance of seasonal features of cosmetics, and the uniformity of marketing strategies. It should be aware of these weaknesses and take appropriate measures to improve and refine our strategy to achieve better market performance and business growth.

In the near future, Flower Knows can achieve market growth, brand promotion and business development, enhance competitiveness and achieve sustainable development by establishing cross-border e-commerce model, strengthening business partnerships with celebrities, improving the seasonal performance of cosmetics, and integrating a variety of resources for three-dimensional marketing. These recommendations are designed to help Flower Knows, as well as other China's cosmetics meet more development opportunities under the background of digitalization.

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