

# Research on the Competition of Chinese Cosmetics Brands Comparing with Western Cosmetics Brands

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**Abstract.** The Chinese cosmetics market used to be dominated by the foreign cosmetics brands, while Chinese cosmetics brands has been growing rapidly since 2020. Reviewing the related research implies that there are multifaceted factors influencing Chinese consumers' preference towards domestic or foreign brands. Generally, Chinese consumers show high intention to purchase Western products, as they perceive those products of high quality and value. However, from the case study of the success of Perfect Diary in the Chinese market in recent years, it is noticed that this new cosmetics brand is highly competitive in the market comparing to other Western brands. The marketing strategy adopted by Perfect Diary contributes to the sales and business success. Perfect Diary's skincare and cosmetics products are well perceived by the Chinese consumers, as they tend to produce the products to fit the local demands. Western cosmetics brands tend to only provide standardized products to the customers in China, which is the reason why the competitive advantage of the products is challenged now in the Chinese market. The competitive pricing strategy of Perfect Diary also makes the brand competitive in the Chinese market compared to Western brands. However, it is important for Chinese cosmetics brands to improve their marketing strategies in the Chinese market to sustain their market competitiveness.

**Keywords:** Chinese cosmetics brands; Business strategy; Competitive strategy; Market challenge.

## 1. Introduction

### 1.1 Background

Chinese cosmetics market has been growing rapidly in recent years, as Chinese consumers' spending on cosmetics products increase. The Chinese cosmetics industry has become an ideal market for foreign brands to enter as the potential is high. The Chinese cosmetics landscape is influenced by the sudden emergence of the Chinese cosmetics brands like Florasis and Perfect Diary. Regarding the sudden development of domestic cosmetics brands, it is important to point out that domestic brands own their advantages in understanding the needs of consumers. It is necessary to point out that this research is significance through studying a successful Chinese cosmetics brand, especially because the success of the brand strategy in China can be differentiated from other Western cosmetics brands. Meanwhile, it is also necessary to point out that the rapid growth of Chinese cosmetic brands might not sustain in the market facing fierce competition and changing customer preference of cosmetics products. It is therefore important to leverage a case study of the Chinese cosmetics brand to understand the potential challenges faced.

### 1.2 Related Research

There is related research on business strategy development based on consumers' response to the products available in the market. Amine et al. pointed out that country of origin is an important factor affecting the perception of product quality and price from the perspective of customers. Using the example of Acer's success in China, the authors point out that being "nonlocal" brand in China is often considered precious. Using a single case study method, the authors provide the useful multifaceted information to proves that there is biased perception formed towards Chinese brands [1]. Laforet and Chen used face-to-face interviews with 400 Chinese and British consumers to understand their choices made on products in Shanghai City of China. This research suggests that Chinese

consumers show a declining preference over the Western brands in China, though the British consumers still have strong preference for British products over Chinese brands. Hence, the result of the research is that brand value and brand familiarity influence Chinese consumers' choices, while British consumers prefer to evaluate brand reputation and trust [2]. Swoboda et al. used data collected from 1188 Chinese consumer surveys on 36 Western, Asian and mainland Chinese retailers to investigate whether the effect of perceived brand globalness and perceived brand localness influence consumers' purchase intention. The result suggests that Chinese retailers find it important to drive Chinese consumers to perceive global brands, while in other geographical context, it is not as important as in the Chinese context [3].

Zhan and He pointed out that luxury consumption in China is westernised, as consumers believe that international brands from the developed countries deliver better quality and image for them. This is because consumers are driven by their conspicuous needs when purchasing luxury goods, while Western brands in luxury consumption is more appreciated than local brands [4]. Wang and Chen used survey research method to investigate Chinese consumers' ethnocentrism and willingness to purchase domestic products. The result suggests that Chinese consumers believe that the quality of the local brands remains low, while they prefer to purchase foreign brands to gain better quality, hence ethnocentrism is not high overall in China [5]. Zhou and Hui pointed out that foreign brands and products in China mean higher economic status as they are usually more expensive than local products, which explains the appreciation of the Chinese consumers towards these products. Chinese consumers want to save their face when consuming and being engaged in social activities, which explains that the appreciation of foreign brands fit the cultural characteristics in China [6].

Wang and Yang studied the perception and purchase intention of cars in China based on survey result over Chinese consumers. It is point out that country-of-origin matters in the brand perception and purchase intention. As explained by the authors, Chinese consumers have grown their knowledge of the origins of cars, while they make choices to defend their social status [7]. Kaynak et al. pointed out when people encounter products imported from the less developed countries, they might automatically associate these products of lower quality and price. It depends on the needs of the consumers towards these products imported from the less-developed countries, while it is also important to take country-of-origin impacts into consideration when exploring the impacts [8]. Kumar et al.'s study compares Indian consumers' perception over the US imported products and the local products in retailing. The finding of the survey on 411 college students provides the result that Indian consumers grow positive attitudes towards the US brands and products because of the perceived quality and emotional value. These values are however found lacking in the Indian products provided locally [9]. Lim and O'Cass examined consumers' perception of brands influenced by their origins and to understand how knowledge level of consumers towards brand influences their purchase perception and choices. With a survey on 459 consumers in the Asian city of Singapore, the result implies that consumers have the capacity to assess the culture-of-origin of fashion products than just country-of-origin, which helps consumers to form their perception and purchase decision [10].

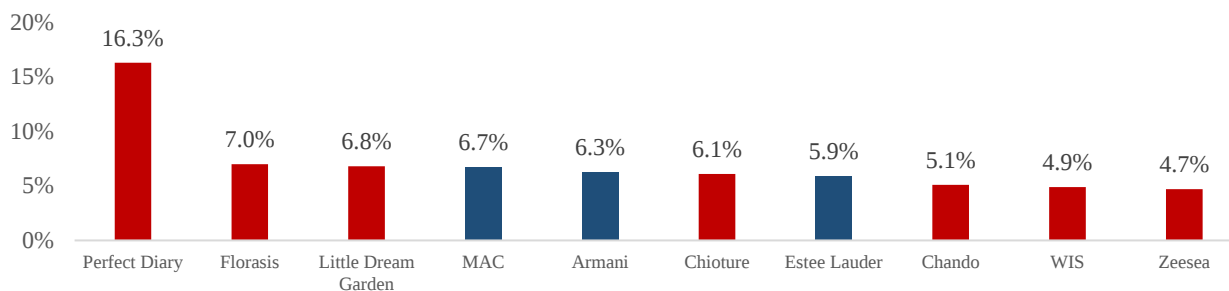
### 1.3 Objective

This paper serves the purpose to investigate the current situation and effectiveness in the business of Chinese cosmetics brands and to determine the different business strategies adopted for the Chinese cosmetics brands to be successful in the market. Meanwhile, it is also critical to identify the recommendations for the Chinese cosmetics brand to improve its business strategy and competitiveness in the Chinese market as Western cosmetics brands still dominate the Chinese market. Chapter 2 of the report focuses on identifying the differences between Chinese and Western cosmetics brands and Chapter 3 explores the suggestions for Chinese cosmetics brands to improve the business strategy.

## 2. Differences between Chinese and Western Cosmetics Brands

### 2.1 Current Situation of the Chinese Cosmetics Brands

In the past 20 years, foreign cosmetics brands dominated the Chinese market. However, since 2020, there was a sudden rise of the domestic cosmetics brands.



**Fig. 1** The most popular cosmetics brands in China in 2020

According to Figure 1, it is noticed that the domestic cosmetic brands in China grow strongly. The top 3 most popular cosmetics brands in China are Perfect Diary, Florasis, and Little Dream Garden (Daxueconsulting, 2020), with the market share of the cosmetics brands determined. This finding suggests that Chinese cosmetics brands gain their popularity in the Chinese market with the right strategy adopted to increase the market needs and consumer loyalty.

### 2.2 Case Study

This necessary to take Perfect Diary as an example to explore the business strategy and successful tactics adopted in the Chinese market. Perfect Diary was founded in 2016 in China, which now offers a complete line of stylish make up products for customers (Achim, 2020). The target consumers of Perfect Diary are those young millennials and Gen-Z consumers, who are interested in pursuing new cosmetics and skincare products in the market. It is interesting to find out that as a new cosmetic brand in the Chinese market, the marketing and branding activities of Perfect Diary does not rely on the large marketing advertising, though a savvy and digital marketing strategy is adopted for the brand to increase its market awareness and to ensure that online traffics are converted into sales. Regarding the distribution strategy, Perfect Diary only owns 40 physical stores, though the company paid attention to the development of e-commerce portal (Achim, 2020). In terms of promotional activities, Perfect Daily pays great attention to the adoption of digital campaign especially because social media users in China are interested in leveraging social media networks and influencers' endorsement to purchase cosmetics products.

### 2.3 Identification of Differences

From the product strategy, it is necessary to point out that Chinese cosmetics brands are good at designing products that suit the Chinese consumers' needs. Western cosmetics brands tend to adapt their existing products to the local consumers' needs, though they do not create products specially for the Chinese customers. The success of the domestic cosmetics products in China relies on the effective product strategy. Hence, the products of Chinese cosmetics brands are differentiated from Western brands. Secondly, from the distribution strategy, Chinese cosmetics brands tend to rely on e-commerce channels especially because the costs can be effectively reduced. For Western fashion brands, the investment on physical distribution channel remains a focus. Hence, this implies that domestic brands can effectively reduce the price to attract customers. In the process of developing business competitiveness in the market, customers are usually sensitive to pricing change, while it is then effective for domestic brands to attract customers

However, regarding product quality, domestic cosmetics brands are criticized for the low-quality of the products, which demonstrates a gap with the Western products. Customers' perceived benefits of products rely on the quality evaluation, while it is therefore important to point out that quality of products might demonstrate barriers for customers to stay loyal to the products especially when customers intend to pursue product quality. Currently, domestic cosmetics brands tend to target young consumers who are interested in purchasing cheaper products, though it is difficult to ensure that the products are attractive for those customers are willing to spend more for better product quality.

### **3. Improvement Strategy**

Based on the identification of the differences between domestic cosmetics brands and the Western cosmetics products, it is important to point out that Chinese cosmetics brands need to improve the marketing strategies and to ensure that business competitiveness and sustainable growth are obtained in the future. Even though some Chinese cosmetics brands like Perfect Diary stands out and become competitive, most of the Chinese cosmetics brands remain small and struggling to find their market positioning. The total cosmetics market is highly competitive now, as there are many substitute products available for customers to purchase. Domestic cosmetics brands are challenged to seek continual improvement in the market.

#### **3.1 Target Customers**

The target customers are those young consumers who are interested in buying low-pricing products, while the competitive pricing strategy is effective to attract the target customers. to increase business competitiveness, it is suggested for Chinese domestic brands to target customers aged 35 to 55, as they pursue quality of products. Currently, most of domestic cosmetics brands target young consumers and sell low priced products to them. Considering that customers of different segments have different demands and consuming powers, it is therefore important to target different customer segments and ensure that products can be diversified. Targeting the segment of 35-55 is important for the domestic cosmetics brands, because these customers usually have higher demands for the quality and effects of the cosmetics products. However, there are potentials for domestic cosmetics brands to grow in this domain to improve market positioning.

#### **3.2 Product Structure**

The current product structure of domestic brands is mainly on skincare and cosmetics products for female customers. It is suggested that cosmetics brands expand to male skincare and cosmetics products. This is new area where cosmetics brands have not yet entered, which is the reason why it is considered important for the domestic brands to take the option into consideration. R&D activities are required for Chinese cosmetics brands to increase the ratio of skincare products. This indicates that the product quality and effects can be improved through the adjustment of product structure.

#### **3.3 Brand Equity**

About brand equity, domestic cosmetics brands are new in the market, while their brand equity is low compared to Western brands. Chinese brands focus on sales instead of building brand equity, while the brand equity might be therefore limited to some extent. Western cosmetics brands are competitive on brand equity, especially because Western brands like L'Oreal and Estee Lauder have made efforts to make their brand known in the Chinese market. For the outstanding domestic brand of Perfect Diary, the marketing and communication strategy is effective. Large Western brands and Chinese brands like Perfect Diary tend to invest heavily on online and social advertising and communication considering that Chinese consumers are heavy users of social media networks. Besides, it is necessary to point out that cosmetics brands are interested in using celebrity endorsement and KOL endorsement to influence the needs of the consumers in the market. This is because Chinese consumers nowadays tend to communicate on social media networks, while they

search information on social media networks like Little Red Book. For domestic cosmetics brands, it is important for them to make effective measures to promote the brands especially because the development of social media communication strategy is effective to influence the Chinese consumers who are active on social media nowadays.

#### 4. Conclusion

Chinese cosmetics brands have grown their market share in China to compete with Western cosmetics brands. It is important for domestic brands to make efforts to expanding the target market segments and product structure to improve the brand competitiveness and brand equity of the Chinese cosmetics brands to compete with other Western cosmetics brands. This paper serves the purpose to investigate the current situation and effectiveness in the business of Chinese cosmetics brands and to determine the different business strategies adopted for the Chinese cosmetics brands to be successful in the market. Meanwhile, it is also critical to identify the recommendations for the Chinese cosmetics brand to improve its business strategy and competitiveness in the Chinese market as Western cosmetics brands still dominate the Chinese market. The success of the Chinese cosmetic brand of Perfect Diary is analyzed, while the issues in the marketing strategies are determined. This research provides recommendations for Perfect Diary to develop the business competitiveness through develop products to suit the needs of the target customers and to continue develop the brand equity through a series of promotional activities.

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