Research on the Impact of Social Media Platforms on the Market Segmentation of Beauty Products and Optimization of Positioning Strategies

--Take RED as the Example

Xiaoqing Zhang [1, *]

[1] Department of Digital Media and Humanities, Hunan University of Technology and Business, Changsha, Hunan, China

*Corresponding author: 211320552022@stu.hutb.edu.cn

Abstract. Currently, China has become the world's second-largest consumer market for cosmetics. The number of licensed cosmetic manufacturers nationwide is more than 5,400, with more than 87,000 cosmetic registration and records subjects of all kinds and nearly 1.6 million products effectively documented. Although domestic brands are on the rise, on the whole, it is still some international brands that occupy the largest share of the domestic cosmetic consumption market. The development of social media, especially social platforms such as RED, where beauty products are the main domain, provides a more efficient data collection platform for domestic beauty brands to penetrate deeper into the market. This paper conducts effective market segmentation in more comprehensive dimensions and develops differentiated positioning strategies. Taking the foundation market as an example, this paper uses RED as the main platform for data mining to provide a reference for the process and ideas for companies to use social media platforms for market segmentation. From the analysis results, the data from social media platforms go beyond the traditional method of market analysis by collecting demographic, geographic data, and so on, by directly segmenting according to consumers' actively expressed demands, thus making the basis of market segmentation more accurate and refined. Furthermore, the social media platform can show the competition situation of each segmented market. The analysis of competitors' related data provides a more accurate basis for market assessment and, ultimately, precise positioning.

Keywords: Market segmentation; Positioning strategies; Social media; RED

1. Introduction

1.1 Background of the study

With China's economic development, since the Reform and Opening up, China has started a market economy. After more than 40 years of development, all walks of life are full of vitality and vigor, the makeup industry has also kept pace with the times and entered a stage of rapid development, and now China has become the second largest cosmetics market in the world [1]. In the era of "new consumption", with the shift of global consumption focus, China will become a new world-class brand breeding center. According to the development history of the makeup brand, new brands are mostly born in the emerging global consumption centers and breed global makeup giants. Local Chinese brands will usher in more opportunities and development. In addition, with the advent of Web 3.0, users are becoming more and more autonomous in posting UGC on social media. These contents and channels provide a more accurate judgment basis for beauty companies to understand users' psychology and needs, helping them to make more accurate market segmentation and market positioning.

Market segmentation means that a company divides the customers into several customer groups according to certain criteria, each customer group constitutes a sub-market, and there are obvious differences in demand between different sub-markets. [2] Market segmentation is the basis for selecting the target market and positioning the company. It is only based on segmenting a market and making it the company's target market that the company can design the right "Portfolio" of products, services, prices, promotions, and distribution systems to meet the needs and desires of customers within the market segment. Traditional market segmentation requires companies to spend a lot of workforce and resources on market research. Data sources are mainly questionnaires and companies' sales data, with limited data on user psychology and consumer behavior.

RED is a UGC content community-based app that allows users to record their lives, share their lifestyles and interact with each other based on their interests through short videos and illustrations. Since its inception, RED has been a tool-based product, mainly as a basic shopping guide for overseas markets. Later on, deepening its UGC shopping sharing community, it continued to integrate content community and e-commerce modules and developed into the world's largest consumer word-of-mouth library and community e-commerce platform. Unlike other e-commerce platforms, RED started as a community-based platform, initially for overseas shopping, and gradually developed to cover all aspects of social life. With it, its user structure gradually broadened. The emergence of RED was to capture the pain point of consumers who wanted to know what they wanted to buy and to RED the cost of trial and error. This need existed long before the emergence of RED. It was mainly addressed by checking the reviews below the products on e-commerce platforms such as Taobao or in a scatter RED form on various postings and blogs, etc. The emergence of RED brought all this information together in one platform as much as possible. By hitting this one point, RED has gradually developed to its current wide range of functions and scale, and it can be said that RED's path of development itself is a successful case of conducting market segmentation.

1.2 Purpose of the study

The beauty industry is growing rapidly driven by multiple factors, with women's awareness of self-pleasing consumption and men's beauty consumption rising. The increase in disposable income of the population brings about an increase in spending power and consumption upgrading [3]. Celebrities on major social media platforms and other KOLs constantly promote seeding. The beauty industry is growing rapidly driven by multiple factors, constantly attracting new brands to enter the market. Now China is the second largest cosmetic market in the world, with over 35,000 beauty brands in the domestic market [3].

As you can see, several outstanding local cosmetic brands, led by PECHOIN, Naturally Plus, Perrier, and MARUBI, are still the backbone of China's cosmetic industry. At the same time, with new traffic bonuses and the opportunities brought by category innovation, new Chinese brands such as Perfect Diary, HUA XI ZI, Home Facial Pro, and WIS have grown stronger, and their brand names are rapidly gaining fame. It is worth mentioning that Perfect Diary topped the 2020 China Cosmetics G20 Brand List, the first time an up-and-coming brand has topped the list [1]. But for a long time, China's beauty market has been dominated by international brands, with L'Oreal and other European, American, Japanese, and Korean brands firmly established in the high-end beauty brand position. Still, on the other hand, the rapid rise of new national beauty brands, Perfect Diary and HUA XI ZI, with the skilled use of social media, quickly breakthrough in the affordable product market. However, the "flat" brands also long for the high-end market and are moving to the upmarket and youth market [4]. In order to break through in a market full of big brands, it is also extremely important to make reasonable market segmentation, find precise targets, and explore the uniqueness and differences of the products, in addition to constantly working on product quality.

Social media, such as RED, has also become a major channel for people to communicate and obtain information daily. On these platforms, rich UGC content can be obtained, which is conducive to enterprises truly understanding the real needs of their target audience from the user's perspective. In the past, market research about the target customers' consumption psychology and consumption behavior and other aspects of data acquisition are not enough, and social media platforms provide a good channel. Enterprises can obtain the real thoughts of users through UGC and data analysis to obtain the user's consumption scenarios, including online and offline, to discover the user's small demand points and new consumption scenarios. In addition, these platforms often have some settings conducive to enterprises tracking hot trends, such as hot lists and Figures. Using social platforms, enterprises can also analyze competitors' data, including their marketing strategies and word-of-mouth performance. This is conducive to analyzing the market environment and helping enterprises develop differentiation strategies. In social media, KOL is a presence that cannot be ignored and has great communication power and influence. Using KOL for marketing and expanding corporate momentum is a common marketing tool all industries adopt. Therefore, social media brings new opportunities and breakthroughs for corporate marketing.

Taking RED as an example, this paper explores the impact of social media on the market segmentation process of beauty products and the possibility of optimizing positioning strategies through data mining and analysis based on market segmentation theory. It improves the efficiency of corporate positioning planning and product innovation breakthroughs.

1.3 Significance of the study

Although the domestic cosmetics market has huge potential for development, competition is fierce. Domestic small and medium-sized enterprises not only have to face strong pressure from international "giant" cosmetic companies but also have to adapt to the fast-changing consumer market. The emergence of new marketing models and consumer scenarios, such as live streaming, Tmall's "Double Eleven" shopping festival, and RED, a marketing and shopping app, is profoundly changing people's consumption habits. [3] This brings both opportunities and challenges to the survival and development of small and medium-sized cosmetic companies. Some of China's small and medium-sized cosmetic enterprises have the phenomenon of product homogenization due to their financial shortage and weak R&D capabilities. With the increasing number of competitive manufacturers in the industry, homogeneous competition will intensify, and the profits of cosmetic brands with insufficient innovation and backward R&D capabilities will further decline [4]. Small and medium-sized domestic cosmetic companies must seriously consider the question, "What is the positioning strategy that follows the trend, conforms to the trend, caters to buyers, suits the company, and can help the company compete in the market?"

The paper is based on this background. By studying the classical theories of market segmentation domestically and abroad and taking RED as an example, the paper explores the possibilities of optimizing the market segmentation and positioning of the beauty industry through social media. This study aims to help national cosmetic companies to ride on the trend, break through the big international brands, gain a larger market and uniqueness, and enhance national economic development. In addition, this paper paves the way for the future expansion of a larger international market and serves as a reference for other industries in their market positioning strategies.

2. Method

2.1 Research ideas and methods

As a representative UGC platform, RED is an important platform for consumers to "seeding". At the same time, beauty is the main field of RED. According to the Top 10 of the word cloud of business notes in the makeup industry released by Qiangua Data on June 18, 2021, primer, foundation and makeup ranked the top three, accounting for 5.98%, 4.19%, and 3.83%, respectively [5]. Foundation, lipstick, eye shadow, and facial powder ranked the top in the word cloud of business notes comments. Therefore, this paper chose RED as the main data collection platform and collected over 30,000 notes and related comments under three search entries. This includes foundation, foundation lasting-makeup, and foundation lasting-makeup Lancome to conduct data analysis and provide reference ideas for the market segmentation and positioning of beauty companies. Considering that the latest content may not be typical enough and the number of comments under it is not large enough, the hottest content may have the problem of timeliness. Therefore, this paper selects all the contents under the comprehensive entries for crawling. Market segmentation can be divided into three steps: demographic segmentation, assessment of the market, and market positioning.

2.2 Population segmentation

In terms of crowd distribution, the RED platform already gathers people with some common characteristics, active people who are interested in beauty and actively search for more information. In addition, the geographical distribution of consumers can be known through crawling users' geographical location data. Based on the level-by-level refinement of RED's search keywords, the characteristics of consumers with specific needs can be gradually understood through data crawling. In addition, it is also possible to distinguish the purchase status of consumers and refine the consumer profile through the content posted by users on their RED homepage, the content of some users' open collections, as well as the behavior and data of users on other social platforms associated with gaining insight into their psychological characteristics and behavioral scenarios. Finally, the market will be reasonably segmented by synthesizing various dimensions.

In order to understand the demand for foundation products, the number of notes is captuRED by entering foundation as a keyword on the search page and sorting by the number of entries that appear. The marketing strategy is based on consumer interest, so the number of notes can be used as a reference. And further classification can be done under each level of search; thus, segmenting consumer needs can be more specific. Due to equipment constraints, only the first level headings and the corresponding number of notes were selected as a reference. At the same time, by counting the frequency of words under the searching term "foundation", we can obtain the approximate needs of consumers. Assuming that a company chooses lasting makeup as the main feature of its company's products, the content of posts and related comments under the search term "foundation lasting-makeup", as well as the data of users, can be further analyzed. By creating a heat map, the geographical distribution of the population for that need can be understood, verifying the influence of characteristics such as geographic climate so that greater marketing efforts can be invested in targeting the market in that area.

2.3 Assessing the market

After segmenting the market, the next step is to evaluate the segmented market separately, including the analysis of competitors; the analysis of the size, growth rate, and profitability of the segment; and the analysis of the match between the segmented market and the company's objectives, capabilities, and resources. The above analysis determines whether the market is attractive, whether the company has an advantage in the segment, and whether this advantage is sustainable. Evaluating markets can help companies eliminate unadvantageous or unprofitable markets and play an important role in positioning strategies and overall development planning.

In terms of specifics, this paper analyses the competition in this market by using word frequency analysis of the share of posting content and review data by brand crawled under the search entry for lasting foundation makeup. It also selects Lancôme Makeup Foundation, which has a large market of lasting-makeup foundations, for further market analysis to obtain a consumer profile of the product, as well as popular color and potential problems, in order to obtain an analysis of the possible ways to break through the market and figure out whether the company has a comparative advantage and whether this advantage is sustainable. It is worth noting that there is a risk of obtaining inaccurate data on the RED platform as there is a possibility of brands buying reviews. This paper illustrates the spontaneous component of users by comparing the integration of posting content and reviews to rule out the possibility of being misled to create buzz around the relevant notes placed.

2.4 Market positioning

After a sound market assessment, companies need to develop strategies to determine their market positioning, the positioning concept they will implement in a specific market, and the plan to broadcast the selected concept.

By synthesizing the above data analysis at the specific operational level, it is possible to grasp the consumer orientation of the foundation market and the competition in a specific market segment. Companies can further determine the market invest in. The product characteristics to enter that market by assessing their strengths and the environment of the market segment, and by analyzing the data of the main competitors in that market to determine whether their strengths are sustainable and the appropriate marketing plan, investment costs, and force allocation to invest in that market.

3. Research results

First, by typing in the keyword foundation, each keyword in Figure 1 appears, then click each to obtain the number of notes in each keyword. The keywords are divided into skin type, price, makeup effect, gender, season, etc. The table compares the number of data for each keyword and the percentage of each category. As can be seen, skin type is the most important factor for foundation consumers, with the foundation for dry skin having the highest number of notes and oil skin coming in second. In third place is the “foundation for summer” term. It is worth noting that it differs significantly from the corresponding term “foundation for autumn and winter ” regarding the number of notes. This indicates that beauty companies can pay more attention to what users would want from a foundation in summer, such as lightness. Correspondingly, the number of notes related to foundation lightness is the highest in makeup effect. In terms of price, the foundation recommended for students has the highest number of notes, but this may also have some relationship with the user structure of a RED. According to RED’s 6-18 industry placement report in 2021, 18 to 24-year-olds account for 46.07% of the overall percentage of the RED population [6].

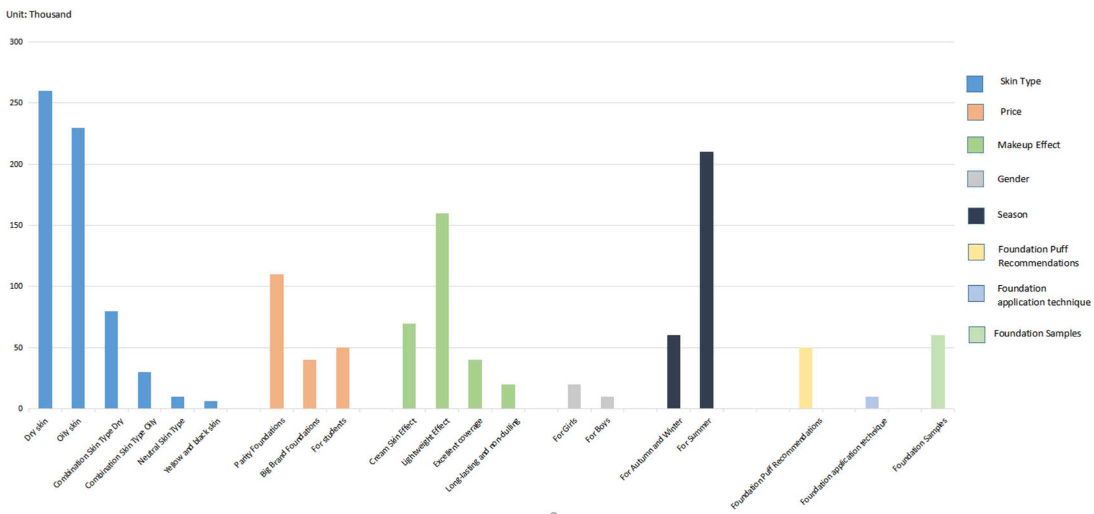

Fig. 1 Distribution Chart of Notes Numbers Under the Search Term of “Foundation”

Statistical analysis of the frequency of the note words under the search term “foundation” yielded the word cloud map in Figure 2. Coner is the most commonly mentioned foundation benefit, so companies should design their products with concealer benefits. Other words such as natural, oil skin, and lasting are relatively high-frequency words and are markets that companies can take note of. The word boys have also become a recent note buzzword, indicating that boys are gradually becoming a market that companies can focus on and tap into.

Fig. 2 The Word Cloud of the Notes Under the Search Term “Foundation”

Assuming that a company chooses lasting makeup as the main feature of its product to tap into the market, then after further analysis of the notes data under "foundation lasting-makeup", the word cloud diagram in Figure 3 is obtained. The graph shows that concealer is still the biggest keyword, followed by oilskin, which suggests to a certain extent that oilskin needs a longer-lasting foundation. To test this assumption, we have chosen to analyze the word frequency of the reviews. Figure 4 shows the word cloud of reviews under the term "foundation". However, in Figure 5, the word cloud of comments under the term "foundation lasting-makeup" means that the word frequency of oil skin is significantly higher than that of dry skin. Thus this can confirm the audience for the above lasting-makeup foundation is more likely to be oil skin.

Fig. 3 The Word Cloud of the Notes Under the Search Term "Foundation Long-lasting"

Fig. 4 The Word Cloud of the Comments Under the Search Term "Foundation"

Fig. 5 The Word Cloud of the Comments Under the Search Term "Foundation Long-lasting"

Further, in order to understand more dimensions of consumers with a need for foundation lasting-makeup, companies can select their geographical characteristics and data such as notes, favorites, likes, posts, etc. to understand more data about their occupation, psychology, and consumer behavior. Due to the limitations of the platform rules, this article only selects the geographical data of users who comment under the search term "foundation lasting-makeup" as the data of active consumers for analysis. From Figure 6, it can be concluded that people who focus on the effectiveness of foundation-lasting makeup are mainly located in Guangdong, Zhejiang, Henan, Shandong, and Sichuan, where companies can increase their marketing efforts.

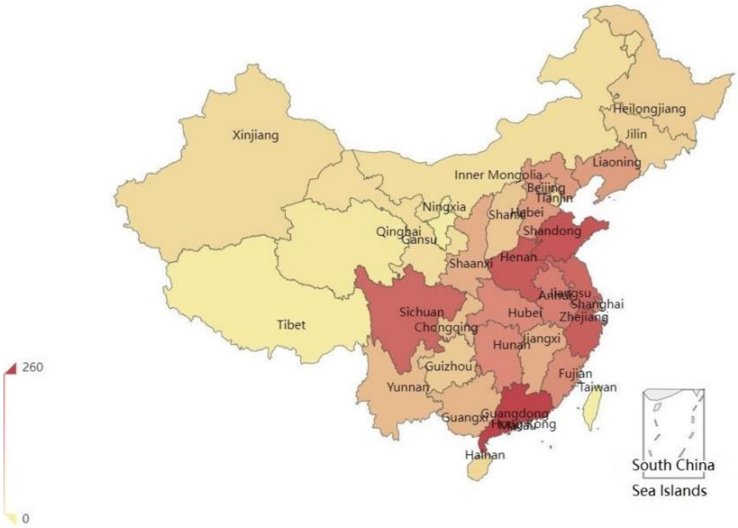

Fig. 6 Map of Geographical Distribution of "Foundation Long-lasting"

In order to understand the competitive market for long-lasting foundations, this paper further analyses the content of notes and comments under the search term "long-lasting foundations" to obtain a graph of the share of the popularity of each brand in this market segment on RED, as shown in Figure 7. Figure 7 shows that Lancôme, Estée Lauder, Shu Uemura, and Saint Laurent account for a large market share. To fully understand the possibilities for companies to be competitive in this market and what kind of marketing plan to invest in, it is necessary to have an in-depth understanding of these companies and their corresponding products.

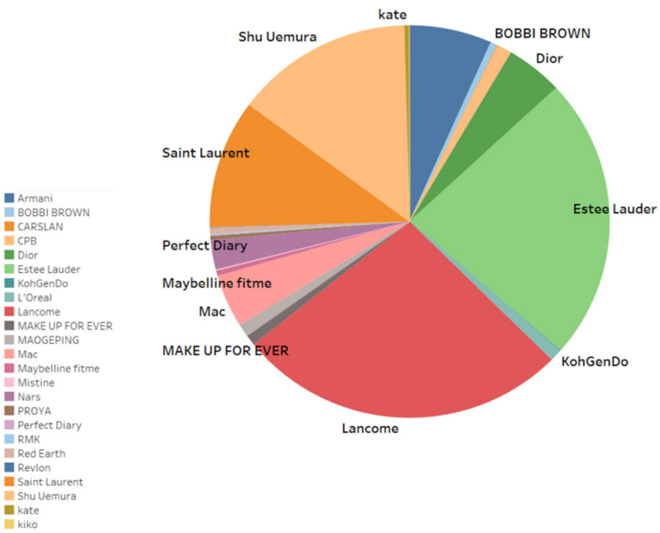

Fig. 7 Pie Chart of the Brand Share Under the Search Term "Foundation Long-lasting"

Lancôme, which accounts for the largest market share, was chosen for further market analysis in this paper. The notes under the search entry "Lancôme long-lasting foundation" and its content were selected for data analysis. Firstly, the word cloud diagram of the content of the notes in Figure 8 shows that lasting makeup is the biggest factor. The other words in the graph can be seen as other features of this Lancôme product, which may be used as factors to attract a wider range of consumers or as a marketing plan for the company. Hence, further analysis of the following reviews is required to compare and obtain more real consumer feelings and reviews.

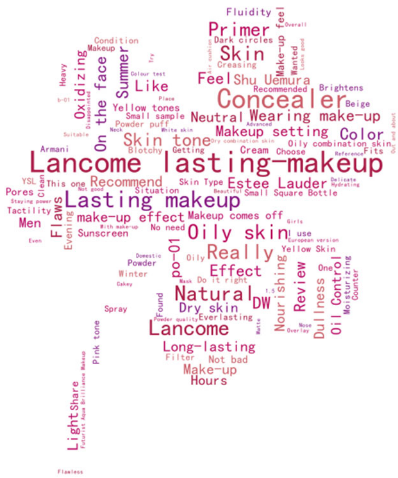

Fig. 8 The Word Cloud of the Notes Under the Search Term “Foundation Long-lasting Lancome”

Figure 9 shows the word cloud of comments under the “Lancôme long-lasting foundation” search entry. The most frequent word is the po-01 color of Lancôme, which means that this color has the widest audience and can be used as a basis for product development. In the comments section, brands such as Estee Lauder, Shu Uemura, and Armani are also mentioned more frequently, indicating that these products are competitive and further market analysis can be conducted on these products. At the same time, dullness and oxidation may be problems with the products consumers are currently using, or they may be problems with this Lancôme product. Furthermore, targeted data analysis is needed. In addition, tangled, small samples, etc., can indicate that most of these consumers searching in RED belong to the wait-and-see, the leap of faith consumer crowd. Companies can put more promotions on RED and other social platforms to promote consumer decision-making.

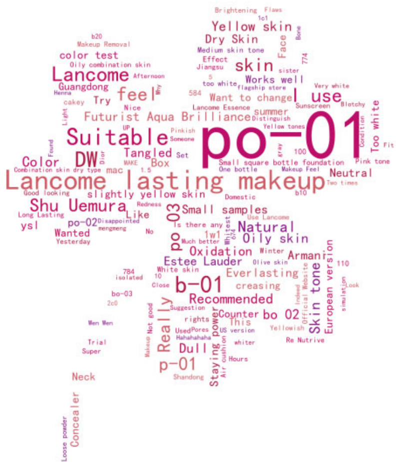

Fig. 9 The Word Cloud of the Comments Under the Search Term “Foundation Long-lasting Lancome”

4. Discussion

Taking Red as an example, this paper provides a perspective and method for using social media data for market segmentation and developing a positioning strategy based on it. Given that there is a large amount of UGC on social media, market segmentation is a marketing strategy study from the customer’s perspective. [7]Social media data can naturally serve as an important reference for market segmentation companies. In this paper, data is collected by narrowing down the search terms step by step, and as the search terms are narrowed down, the market is subdivided step by step. Hence the content of the data under these search terms can reflect the needs of consumers in each sub-market. It also serves as a good vehicle to understand the competitive environment of each market segment, then analyzes the sustainability of the company's strengths and develop a niche market on this basis.

However, due to the limitations of the platform rules, certain shortcomings exist in the structure of the data collected in this paper. With the permission of the platform and users, companies should first collect more content posted independently on users' homepages, as people's lives are not based on brands. Companies should go beyond brands to see how people describe themselves. By mining the content of the customer's homepages, the brand can gain insight into how these audiences express themselves: their lifestyles, values, beliefs, and opinions, which are who they are, what they are interested in, the brands they like, and talk about, the topics of interest, how they typically buy, and their lifestyles. In addition to this, companies can build user profiles from multiple channel sources by capturing customer data on other platforms while conditions allow. As each platform has its characteristics, the users will have a specific tendency when using them. Combining data from each platform will create a more comprehensive picture of the customers. And by analyzing these data, companies can look for the relevancies that drive sales, and once these are found, they can determine what to emphasize in future campaigns for each sub-market. The more you segment your social media audience, the more opportunities you have to link segmentation to effective tone, timing, format, and content. To send the right message at the right time to potential customers, thereby increasing customer size, transformation rates, and revenue.

Care must be taken to avoid being too specific when describing customer segments. It is important to remember how people actually talk online and then look for how people describe themselves and their lives relevant to the brand or business in focus. Because when a business constructs a customer segmentation, it is not looking for a person. It is looking for a group that best reflects the typical person.

5. Conclusion

This paper begins by suggesting that social media offers the potential for a breakthrough in market segmentation based on the superficiality of demographic methods. Deciding which products and services to market based on age, gender, ethnicity, literacy, occupation, household demographic composition, household economic income, and other geographical factors are inefficient. [8]Instead, data from social media focus on their interests, affinities, interpersonal relationships, values, and more, which provides brands with a complete understanding of their customers. [9] By analyzing these data, brands can understand the psychographics of their users and identify very different needs and behaviors, allowing them to segment directly on demand and provide insights into areas of improvement, customer-related issues, and customers with the highest potential value. These provide insights that can tailor content and identify new market opportunities.

Concretely, social media can assist effectively in the three steps of market segmentation. Firstly, in population segmentation, this paper does not directly capture demographic background information on consumers but directly analyses the data by searching for spontaneous user content. Related information under search terms is subdivided by level, with which the companies can obtain the market demands for specific products. It is more efficient to segment the market directly. The results of the data analysis show that the method of level-by-level search terms in social media allows for a direct correlation between the specific needs of users and their geographical characteristics, for example. In subsequent data analysis, companies can describe a meticulous consumer profile, which includes their interests, interpersonal relationships, values, etc.. At the same time, customizing specific consumption scenarios can be accomplished by using data from users' home page postings and behavioral data from other platforms.

Secondly, in terms of assessing the market, data on the market share, consumer word-of-mouth, customer characters, and main marketing strategies of competing companies can be obtained on social platforms. In this paper, the analysis of the aspects above can be obtained by collecting data under the search term foundation long-lasting Lancome as an example. The result shows that Lancôme has the biggest buzz in the long-lasting makeup foundation market, with its main competitors being Estée Lauder, Shu Uemura, and Saint Laurent. In addition, the most popular shades of Lancôme for this foundation, as well as the strengths and weaknesses of the product, are clear to see. Companies can analyze whether they have an advantage in that market compared to the existing brands, whether their advantages are sustainable, where the breakthrough points are, etc., accordingly, they can develop their product and marketing strategies. It is important to note that because of social media features, brands can buy data volumes to influence the authenticity of the data collected. In this article, the possibility of being misled is ruled out by comparing the content of posts with the comments underneath them. In specific data processing, removing a large number of the same contents would be more accurate before comparing the results.

Finally, market positioning is formulating a strategy after a company has made a judgment through a comprehensive analysis of the above data. In this process, the company can choose to invest in competition in existing segmented markets or open up new ones. The use of social media data analysis has a greater advantage over traditional market segmentation methods in identifying and exploring new sub-markets and consumer scenarios. [10]With enough data, companies can comprehensively understand market dynamics to increase the efficient return on market investment.

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