

Research on Brand Marketing Strategy of Armani Cosmetics Based on the Chinese Market

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Abstract. This paper mainly focuses on the research on the brand marketing strategy of Armani cosmetics based on the Chinese market. It is believed that the Chinese makeup market has great potential to provide opportunities for both domestic and foreign brands to succeed. This paper aims to help Armani Beauty and other foreign luxury makeup brands achieve better marketing performance. Literature research has been used for clear analysis. A brief introduction of the Chinese (high-end) makeup market and consumer behavior, the specific marketing performance of Armani Beauty in China, and potential problems are demonstrated in sequence. After that, two corresponding suggestions for Armani Beauty are to broaden its distribution channels in second- and third-tier cities and focus more on growing the male makeup market. Also, two suggestions are provided for all foreign luxury brands: pay attention to omnichannel usage and ensure their extravagant brand image. This paper provides guided suggestions for Armani Beauty and other foreign luxury brands in Chinese marketing, helping them get a deeper understanding of the Chinese market and consumers, thus winning a better reputation and sales return.

Keywords: Brand Marketing Strategy; Armani Cosmetics; Chinese Market.

1. Introduction

1.1 Research Background

With the rapid development of the economy in China, the consumption power of Chinese consumers in the makeup industry has also witnessed a large growth. According to the analysis provided by iResearch (2021), with the popularization of the conception of cosmetic consumption and the enlargement of core consumers, the market size of the Chinese makeup industry has expanded continuously, reaching 375900 million RMB in the year 2020 [1]. What's more, the skincare market in the Chinese makeup market also contains surprising growth potential, with three hundred billion retail sales in 2019 and a top 2 consumer market share ranking worldwide [2]. It is also pointed out by Xiao (2018) that high-end cosmetic consumption is likely to meet its best age in China, with a large amount of wealthy and passionate core consumers [3]. Foreign high-end cosmetic brands should consider the Chinese market and prepare a comprehensive marketing plan. Several luxury brands have taken action and emphasized the Chinese market, such as Estee Lauder, Giorgio Armani, Givenchy, Lancome, and Dior.

This paper aims to demonstrate the Chinese makeup market, related consumer behavior characteristics, and the current marketing condition of foreign luxury brands in China, using the example of Armani Beauty. This paper also commits to providing valuable and guided suggestions for foreign luxury cosmetic brands like Armani Beauty which intends to make long-term and further development in the Chinese market. This paper aims to help them to achieve better marketing results, increase sales volume and gain a favorable reputation at the same time.

1.2 Literature Review

Armani Beauty combines luxury brands and makeup as a branch of Giorgio Armani. From the perspective of luxury brands, scholar Qiming Ji summarized two main characteristics of the Chinese

luxury market. Firstly, China is one of the largest and most potential markets [4]. The continuous improvement of the national consumption level has also increased people's desire to buy luxury goods, which is also one of the major reasons why many luxury brands want to enter the Chinese market. The second feature is that China's luxury market is not mature enough. This is reflected in two aspects: first, China's luxury market is more products (or series) oriented. Compared with the more mature Western luxury market, they prefer high-end experiences, such as luxurious vacations or services. Second, he believes that immaturity is also reflected in the fact that in China, the purchasing power of luxury goods is a symbol of wealth and social status. Still, it isn't easy to judge their wealth and status from this in western countries. These two points have formed one of the reasons for the differences between the luxury market in China and the West. It is also one of the factors that foreign brands need to consider when entering the Chinese market.

As for makeup, China's beauty market is generally developing, and China has gradually become the second largest cosmetics consumer globally. But the epidemic has also brought some changes to it. First of all, in terms of promotion, the epidemic has highlighted the online+offline marketing model [5]. Many brands have cooperated with social media, and online retailing has become one of the most important sources of growth in the makeup market. However, the online model does not exclude physical stores. Because of the unique requirement of cosmetics and skin care products for experience, many brands still want to open physical stores substantially after the epidemic. For example, in early 2020, Perfect Diary announced that it would open nearly 600 physical stores within three years [5]. The epidemic has also brought certain changes in products. Due to the masks, the demand for brow and eye products has gradually increased, while the demand for lipsticks and other products has decreased.

The changes in consumers' behavior also indicate the challenges those brands face. Yuli Yin and Lei Du found that in the Chinese market, from the perspective of competitors, many consumers are more supportive of domestic products because they have relatively low prices [6]. As for the brand itself, consumers are more concerned about environmental protection and sustainable development than ever before. At the same time, they are also keen to explore high-tech and new components of products, which means their higher requirements for brand innovation. At last, consumers pay more attention to the practicality of the products, preferring products combining multiple functions [6]. For example, they hope that makeup removers should have the function of nourishing the skin.

1.3 Research Gap

By reviewing the literature, the authors find that most scholars mainly have macro research on China's luxury market or China's makeup market. Still, few scholars pay attention to how foreign makeup products enter the Chinese market and the localization process. Therefore, taking Armani Beauty as an example, this paper intends to study its marketing strategy in China under the macro environment of China's luxury market, the market changes, and consumers' behavior trends.

1.4 Research Framework

First of all, this paper gives a brief introduction to the background information on the rising Chinese cosmetic market and purchasing power. With literature review, it is found that the study about the research on brand marketing strategy of foreign luxury cosmetic brands in the Chinese market is relatively scarce, thus reflecting the importance and necessity of this paper. Secondly, this paper demonstrates the current status and future trends of China's high-end beauty market and the consumer behavior characteristics of China's high-end beauty. After combining the specific marketing performance of Armani Beauty in China, related solutions and suggestions are given.

2. Methods: Literature Research

Literature research is an indirect way to deal with the studied object through retrieving, reading through, and analyzing literature to identify useful information for a specific topic [7]. This paper

will use literature research to find academic data and analyze China's high-end beauty market. Related consumer behavior characteristics, and the marketing performance of Armani Beauty in China, thus coming out with the potential problem and corresponding suggestions.

3. Results

3.1 A Brief Introduction of the Current Status and Future Trends of the Chinese (High-end) Makeup Market

As for the overall beauty market in China, although those middle & low-end brands have price advantages, more and more consumers still take high-end cosmetics as their first choice. This is because, at this stage, people pay more attention to the ingredients and efficacy of cosmetics and younger consumers are willing to spend more money on makeup products. From the aspect of the interior of China's high-end beauty market, the Western brands are still in the dominant position, and local Chinese brands are striving to develop towards the middle & high-end. The market has been rising, and the market share has increased yearly. By 2020, the market of high-end local makeup brands had made up 24.8% [2]. This is mainly because, in recent years, China's local brands have become more competitive, and their brand positioning has changed, making their product system more and more perfect. At the same time, more funds have been invested in product innovation and basic research. Secondly, domestic brands make better use of Chinese culture, which makes it easier for consumers to gain a sense of cultural identity. For example, "Huaxizi" has put forward the concept of "oriental makeup, which is nourished by flowers ('Hua in Chinese')", and also has oriental characteristics such as traditional craft on the packaging [8]. However, this has not affected the leading position of Western brands because of the long brand histories, making people trust high-end international brands more, believing that they are more reliable and have better product efficacy. At this time, price is not their primary consideration.

3.2 A Brief Analysis of Consumer Behavior in the Chinese Makeup Market

According to iResearch (2020), the main consumers of the Chinese makeup market focus on the age group of 25 to 34, who live in first-tier and second-tier cities, with higher buying frequency and growing demand [1]. iResearch (2020) pinpointed that product composition and function, cost performance, brand guarantee, using experience, and reputation recommendation are the main factors that contribute to the purchasing decision of consumers in makeup products [1]. They look forward to receiving a clear and persuasive demonstration of the function and composition and a professional and scientific product introduction with an outstanding competitive edge. Plus, the Chinese makeup market consumers also pay close attention to popular new products represented by KOL and celebrities on social media and e-commerce platforms. Overall, whether consumers are interested in the products and how they consider the brand are the major contributors that encourage them to click the promotion advertisements [1].

3.3 The Marketing Performance of Armani Beauty in the Chinese Makeup Market

3.3.1 Product

When we analyze this brand from the product perspective in 4P, we can find its two major features. First, it has a wide variety of products that meet consumers' needs, including makeup, skincare, and fragrance. Especially for the Chinese market, Armani integrates its core product with Chinese culture. For example, its liquid lipstick has recently launched the "vermilion series", and their colors come from the traditional oriental color, symbolizing nobility and magnificence in Chinese culture [9]. Moreover, it is also important for sustainable development and environmental protection. It actively advocates using recyclable materials such as PRC-recycled plastic to reduce carbon emissions to cope with climate change [10]. As for the environmental problems, it has done many charity activities. For example, it has launched an "Acqua for Life" project to provide clean water for poor areas and change

local people's environmental and health perceptions. In December 2019, Armani Beauty also brought this project to four primary schools in Guanghe County, Gansu Province, China, helping to clean up the garbage and donating more than 100 pieces of water purification equipment [11].

3.3.2 Place

Since the launch of Armani Beauty in China in 2008, Armani has opened many physical stores in big cities in China, focusing on users' experience and trying to create a comfortable shopping environment for consumers. Through experience, consumers can pick products that they need. Moreover, Armani also pays attention to the online market. In 2013, Armani Beauty established China's first cosmetics e-commerce website [12]. With the rapid development of the Internet, it has enlarged its market rapidly in a short time. In recent years, Armani has continued to expand its investment in online e-commerce and has repeatedly cooperated with celebrities to boost its popularity.

3.3.3 Price

Overall, the pricing strategy adopted by Armani beauty focuses on the keywords of luxury, exclusivity, and consistency.

Armani believes that products with superior quality come at a premium cost. With its powerful brand equity, Armani has convinced buyers that products with good quality and a reputation like Armani are worth an ultra-premium price [13]. As a luxury brand, it is crucial and essential to ensure its exclusivity and inaccessibility, thus achieving its distinction and differentiation, which is also the main reason Armani beauty sets a high price. For example, a classic lip gloss of Armani beauty costs 330RMB, compared with the lipstick of Perfect Dairy, a popular Chinese makeup brand, which only costs 69.9RMB. Another key point worth mentioning in Armani Beauty's pricing strategy is consistency. It is smart for Armani beauty to retain a relatively stable and expensive price setting with seldom discounts, which reinforces the brand image and strengthens trust at the same time [14].

Due to the positive inferences from high prices, the unaffordable price combines with Armani's extravagant brand image is more likely to encourage conspicuous consumption, satisfying the customer's mind by signaling status to others through buying higher price options.

3.3.4 Promotion

Armani loves using popular stars who can represent the brand and exploring diversity in billboards, posters, and TV ads. The most talented and notable celebrities wear the brand's creations at important ceremonies such as American Oscar Awards. In the Chinese market, Armani Beauty also takes full advantage of the celebrity effect and makes a great effort to manage its official accounts on diverse social media platforms. It is concluded by Armani Beauty's general manager of products, Di, that Armani Beauty aims to arouse fans' empathy by inviting suitable celebrities and encouraging fans to support their favorite celebrity by purchasing Armani Beauty's products [15]. For example, on the first day of 2022, it was announced by Armani that Jackson Yee was chosen to be the global spokesperson for color makeup. Followed by an obvious growth in sales index, Armani Beauty is also good at seizing hot spots from entertainment, festival, and social contact [16]. For instance, Armani Beauty cooperated with the well-received TV talent show *Sisters Riding the Winds* and *Breaking the Waves* and invited sisters to promote Armani Beauty's high-end skincare products.

3.4 The Potential Problem of Armani Beauty's Marketing in the Chinese Makeup Market

After the research above, the authors believe that the first problem Armani needs to solve is the uneven distribution of physical stores. It can be found in the distribution map of counters on the brand's official website that its counters are mainly distributed in China's first and second-tier cities. In contrast, few are distributed in third or fourth-tier cities, most of which are concentrated in southeast China. This is probably because of Armani's brand positioning. However, as we all know, the importance of experience for beauty products and the uneven setting of counters may impact the purchasing power of China's third and fourth-tier cities.

Despite the distribution channel, the customer segmentation of Armani Beauty in China could also be enlarged and achieve further development. Currently, Armani Beauty mainly focuses on the female group, with great passion and strong demand for makeup products. However, it is indicated by iResearch (2020) that the male group is also a rapidly growing segment with incredible purchasing power [1]. It is undeniable that makeup is no longer exclusive to females, with 4 billion RMB of sales volume and approximately 70% of growth rate in the male makeup market in 2019 [1]. However, Armani Beauty in China doesn't show enough attention to the male group, with few varieties of male makeup products provided and no obvious promotion page on the e-commerce platform. As a result, it is hard to catch male consumers' attention, leading to the loss of potential customers.

4. Discussion

4.1 Solution 1 for Armani Beauty's Marketing Problem

If Armani Beauty wants to occupy more Chinese market, it needs to pay attention to the rising Chinese local brands in recent years. For example, in 2016, local cosmetics brands surpassed foreign brands in market share for the first time, contributing up to 52% of market sales [17]. There are two main reasons for their success. First, their products are being upgraded rapidly, and second, their brand channels are "sinking" deeper. As Armani is a luxury makeup brand, it is understandable to launch new products cautiously to maintain its high-end positioning. Therefore, Armani can increase its market share from the sales channel perspective. As far as China's overall FMCG environment is concerned, there are many opportunities in those lower-tier cities. Many local brands are aware of this, so even the fourth-and fifth-tier cities contribute more than 60% of their market shares [17]. Therefore, Armani Beauty can set up more concept stores or counters in second-and third-tier cities in China to enhance people's sense of experience and connection.

4.2 Solution 2 for Armani Beauty's Marketing Problem

It is mentioned before in section 3.4 that the Chinese male group in the makeup market is quite promising. To make an additional introduction, the total retail sales volume of cosmetics in China has experienced a nearly three times growth, with a surprising 30 times increase in the sales volume of male cosmetics [18]. Sufficient evidence shows that the market for male makeup enjoys a satisfying prospect. However, the demand of male consumers is not responded to ideally. For example, 87.5% of male consumers are unsatisfied with the variety of makeup products, 52.5% of those surveyed indicated that they have to purchase female makeup as a substitute, and only 12.5% of male consumers can clarify the functions of various cosmetic products [18]. It is indicated that the male makeup market is far from saturated and mature, with rough product segmentation, insufficient product supply, and defective function popularization. It is worth a try for Armani Beauty to improve its current status in the Chinese male makeup market, thus building a desirable reputation and brand image among male customers. First of all, the width of the promotion could be enlarged. For instance, the preferred platforms of male customers could be investigated in advance for Armani Beauty. After that, more advertisements and promotions could be put on these platforms correspondingly. Secondly, since most male consumers cannot distinguish the functions of different makeup products, it would be a good idea for Armani Beauty to provide detailed teaching and demonstration of specific usage of its products. Deepening male customers' understanding of makeup, thus attracting their attention to Armani Beauty. Lastly, creating a better shopping experience and increasing the number of male makeup products in physical stores is another way to boost consumption and leave a good impression on male customers.

4.3 Take Full Advantage of Omnichannel (Offline + Online)

After overseas beauty brands enter the Chinese market, the combination of online and offline has become a major trend at this stage. On the one hand, the particularity of makeup products means that offline experience is very important for customers. Because the products can withstand their tests in

person, high-end beauty brands are also expected to open luxurious and comfortable physical stores with good environments and sweet service. On the other hand, brands also need multi-channel marketing online. For example, they can invest in famous TV shows or series, co-create products with other brands, or let internet celebrities conduct online evaluations and promotions. In order to expand the market in China, two things are very important in the process of combining online and offline. First, those brands need to find their uniqueness, which can be a special technology or raw material of products or their luxury and niche positioning. Second, brands must consider whether their existing concepts and brand stories suit the Chinese market. When necessary, it can be combined with Chinese culture to develop unique products for the Chinese market.

4.4 Ensure Quality Control and Extravagant Brand Image

iResearch (2020) pointed out that Chinese consumers pay great attention to brand awareness, which means the stronger brand equity a brand has, the more likely it will be favored and welcomed in the Chinese makeup market [1]. For a foreign luxury makeup brand that wants to achieve success and impressive return in China, it would be quite essential to ensure its extravagant and consistent brand image, creating a reliable and unique brand personality. In addition, it is analyzed by iResearch (2020) that Chinese consumers are more likely to trust and favor big international brands with reputable brand guarantees, such as Estee Lauder, L'Oréal, Lancôme, and Chanel, because they are believed to be more effective [1]. Despite the inherent advantage that foreign luxury brands have, it is also necessary for them to be cautious about brand illusion. Though the Chinese market is quite a desirable and promising targeted market, it is not an advisable choice to over-stretch the product line. Once the brand name has been franchised, a significant portion of strong brand equity will likely be diluted and lost [19]. A stable and centralized brand image is also strictly required since a changeable and unverified brand personality is likely to be annoying and disrespectful, damaging customer loyalty.

5. Conclusion

5.1 Key Findings

In the research above, the authors found that though domestic brands are rising at this stage, western luxury brands are still dominant in the market. As for consumers, many factors affect their purchasing power. Among them, the endorsements of stars and KOL on social media and the product's competitiveness have a greater impact on them. When analyzing Armani from the perspective of 4P, it can be found that the brand provides consumers with online and offline channels. The prices of products are relatively high, but they are intended to fit the Chinese market, and Armani is good at promoting them through celebrity endorsement. All these have helped it to make great achievements since Armani Beauty entered China in 2008. However, at the same time, the authors also found that the distribution of its counters may impact the purchasing power of the third and fourth-tier cities. In addition, more products or promotions targeted at men may gain more market share due to the increasing proportion of male consumers in the cosmetics market.

5.2 Research Significance

This paper makes a clear and logistic analysis of the Chinese makeup market, from the current market size to future development trends and customer behavior characteristics. Based on the marketing performance of Armani Beauty, this paper points out the potential weakness and problems that Armani Beauty has. Two specific suggestions have been given after careful consideration and investigation. This paper has provided guided and constructive suggestions for Armani Beauty's brand marketing and contributes to its long-term strategic marketing development. In addition, this paper also offers recommended ideas and analysis for foreign luxury makeup brands that intend to enter the Chinese market, with a detailed introduction to the Chinese makeup market.

5.3 Limitations

The limitation of this research is that this survey is mainly based on secondary data and uses the literature research method. On the one hand, there is little literature on China's high-end beauty market and Armani Beauty itself, so the research may not cover a comprehensive situation. On the other hand, due to the lack of primary data, the investigation may not be completely objective. To refine this research, the authors hope that they can directly obtain feedback from consumers or counter staff through questionnaires or interviews in the future so as to have a more objective and comprehensive understanding of the marketing strategy of Armani Beauty.

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