

Transformation and Upgrading of Domestic Cosmetics Brands under the Consumption Characteristics of Generation Z: A case study of Huaxizi

Yajie Chen*

Department of accounting, Xi'an Jiaotong-Liverpool University, Suzhou, China

*Corresponding author: Yajie.Chen20@student.xjtlu.edu.cn

Abstract. China's cosmetics industry is booming. Its market recently reached about Rmb500bn, putting it on track to overtake the US. China will become the world's largest cosmetics market in the upcoming future. Generation Z, born between 1995 and 2009, is becoming the major consumer in the cosmetics market. Their consumption tendencies also influence the marketing decisions for cosmetics enterprises. The research on the social consumption structure of the consumer market of the beauty care industry is one of the key topics in the research field. Despite the rapid progress of domestic beauty brands, it is still difficult to compete with international ones with strong reputations. This paper focuses on three main problems of domestic brands, namely dull promotion tactics, product duplication, and illegibility of market orientation. Detailed measures are provided in the suggestion section based on the analysis of the successful cases of Huaxizi. Specifically, it includes three particular solutions that encourage domestic brands to emphasize online marketing, create hot items, and target the younger market.

Keywords: Domestic cosmetics; Huaxizi; Gen Z; marketing.

1. Introduction

As China's cosmetics market is gradually overtaking America's, its consumer market has also entered a period of fast development since 2017, with a CAGR of up to 26.4% from 2017 to 2019 [1]. The rapid growth of the market brought more opportunities [2]. During this process, the self-consciousness of Chinese people, especially the awakening of women's self-consciousness, made more and more fields and their brands begin to pay attention to the needs and preferences of women. And the cosmetics market attracted the attention of society in an era of the "she-economy" prevailing [3]. At the same time, the growth of the Internet led to an explosion of online interaction, which was particularly important in light of the pandemic. The characteristics of social media also changed from "site-led content" in the past to "user-led content" in the present, and users' thoughts became crucial [4]. In a word, isolation at home caused by COVID-19 promoted the development of the digital economy, while the rise of the female consumer market triggered a wave of "she-economy", with huge consumption power stimulating the expansion of the market.

Generation Z is born between 1995 and 2009 and accounts for an increasing proportion of cosmetics consumers. Generation Z refers to teenagers aged 10-25 or "natives" of the Internet. The reason why they attract intense attention is because of their large number and their unique consumption characteristics. There are currently an estimated 2.4 billion members of Generation Z around the world, making up 32 percent of the global population. In China, the Generation Z population is the largest in the world -- 149 million people [5]. In the period of rapid economic development, Gen Z has a strong sense of local awareness and cultural confidence. They advocate self-sufficiency as well as online shopping, and are keen to pay for products with a "high appearance level" and also have high purchasing power [6]. All these factors indicate that Gen Z is one of the most important consumer groups for any brand and platform [7].

In order to conform to the law of the market economy and the trend of consumption, as well as the needs and aesthetics of Generation Z, more and more domestic cosmetics brands constantly improve their product quality and marketing methods so as to seek a breakthrough opportunity in the siege of international brands. Huaxizi, a representative of domestic products, has exceeded 3 billion years of

sales in just four years and is truly a leading domestic beauty brand. Based on the consumption characteristics of Generation Z, this paper specifically analyzes three major problems faced by domestic cosmetics at the present stage and provides referable solutions by taking Huaxizi as an example. The subject matter in which the cosmetics market of the present domestic brand exists is dull promotion tactics, product duplication and illegibility of market orientation, and the corresponding solutions are emphasizing online marketing, creating hot items and targeting the younger market. After analyzing specific problems, this paper will offer appropriate suggestions from three aspects: brand marketing strategy, the product itself and consumer groups.

2. Brief introduction of Huaxizi

Huaxizi is a very typical emerging domestic beauty brand founded in 2017. Its English name is Florasis, namely flora plus sis, meaning "goddess of flowers". Huaxizi mainly aims at Oriental women's skin characteristics and makeup needs and uses modern makeup technology to create healthy, skin-nourishing and suitable cosmetics products for Oriental women.

As a new Internet cosmetic brand rising with the help of the Internet ecology and the trend of the national tide, Huaxizi actively uses the flow dividend of e-commerce channels for brand marketing and promotion to build the national culture of the tide cosmetics brand image from the raw material formula, process materials, brand packaging and other dimensions. According to the data revealed by the brand, in 2020, the annual sales of Huaxizi exceeded 3 billion yuan, with a significant year-on-year growth rate of 165%. In 2021, the monthly sales growth rate of Huaxizi reached a huge 89.83%, and its current sales rank first in the domestic cosmetics category. In the fierce competition in the domestic cosmetics market, the vertical growth of sales makes Huaxizi gradually catch up with Perfect Diary, another domestic cosmetics brand, and successfully seize the position of "the first domestic cosmetics brand". Due to its strong expansion speed, it has great development potential and is representative among domestic cosmetics brands, and becomes a model of the rise of national tide brands [6].

3. Analysis of the Problems of Domestic Brands

3.1 Dull Promotion Tactic

The starting point of international brands is usually higher than that of domestic brands due to their long history and sound reputation in the industry. For example, the number of offline shops and physical stores of international brands is far more than that of domestic products, which means that the latter is far away from the consumer group. It is more difficult for domestic brands to reach consumers directly. They cannot receive feedback from users vertically. Under the background of the digital economy, many domestic brands choose online marketing for promotion, but they only stop at opening platform flagship stores. Generally speaking, the promotion method is too simple to attract more consumer groups both online and offline.

3.2 Product Duplicate

Chinese cosmetics generally tend to follow the populist route, that is, the products are priced moderately or even low, with various categories but not outstanding. For instance, the representative products of international brands are often high-priced, such as liquid foundation and air cushions, while those of domestic brands are mostly low-priced replacements such as eyebrow pencils. Moreover, the overlap rate of products between brands is high, which is difficult to impress users, resulting in a very low buyback rate. As long as consumers increase their budgets, their first choice is still more reputable international ones, and price advantage cannot stimulate consumption.

3.3 Illegibility of Market Orientation

As the industry leader, international brands occupied most of the domestic cosmetics market, especially the middle and high-end market, namely the so-called high-income groups. Due to their trust in brands and personal consumption habits, this group will not easily change their consumption preference. Therefore, a large number of domestic brands turn their eyes to the low-end market in an attempt to attract more audiences with low prices. But such vague market positioning often leads to vicious price competition, and cannot really harvest stable "returned customers".

4. Suggestions

4.1 Emphasizing Online Marketing

Domestic brands can save the cost of renting stores and hiring employees. Online marketing methods make them closer to consumers. As the "natives" of the Internet, Gen Z will be more comfortable shopping online than offline. Growing up in tandem with the Internet, Gen Z seems to have a natural ability to detect false information as it is bombarded with massive amounts of information. A preference for truth and an aversion to falsehood is a common trait of them. Therefore, more transparent online promotion can provide consumers with real and objective sales data and other users' feedback to help them better understand the product [8].

In this regard, Huaxizi took two different measures. One is to recruit online experience officers. Every customer who purchases its products will be invited to become a brand experience officer on Wechat. When the development of new products reaches 60% ~ 70%, the brand will recruit brand experience officers from consumers openly and select them after passing certain criteria. Only products that pass the experience officer test and have a high satisfaction score will be officially introduced to the market, which establishes a good "brand-customer" feedback mechanism. Secondly, it changes the traditional flagship store sales to live delivery. As a popular marketing method at present, live streaming is characterized by strong interactivity, intuitiveness, interest and large sales volume. It is one of the alternatives that have the biggest impact on the traditional sales mode of physical stores. At the beginning of the business, Huaxizi invited Austin Li, the "top influencer of live broadcasting", to serve as the chief recommendation officer of the brand, and frequently recommended and sold the products of this brand in the broadcast room. As a result, Huaxizi's air powder, carved lipstick and other products were sold out immediately after their launch. The strong cooperation with Austin Li has successfully harvested the first group of loyal fans and gained popularity in the domestic cosmetics market, which laid a solid foundation for the continuous growth of daily sales [9].

4.2 Creating Hot Items

Most domestic brands are small and medium-sized enterprises, which cannot completely refer to the product research and development idea of international brands. Instead, it is more suitable to focus on developing the one-star product, ensuring its high quality and creating memory points, so as to open brand awareness. The consumption tendency of the Generation Z group is driven by the psychology of curiosity, and they prefer interesting, fresh and fashionable goods. The product development and design of domestic brands can be started from this perspective [10].

Huaxizi achieves efficient brand communication through the establishment of an explosive style system. In a period of time, it only launched one new product and carried out multi-dimensional matrix marketing promotion through KOL (Key Opinion Leader) anchors and social communication channels such as Weibo and TikTok, to enhance potential users' discussion and attention to the product. When this product became a popular single product, Huaxizi developed more new products iteratively and used the same marketing strategy for new product promotion. The communication strategy of creating the "explosive style system" not only created many explosive style single products, but also allowed the enterprise to use explosive products to radiate to the whole brand, which quickly

seized the market, greatly improved users' awareness of the brand, and drove the sales of other derivative products of it. In addition, Huaxizi's products are also interesting in packaging and naming. For example, they launched joint names with traditional culture and scenic spots, or cleverly used classical poetry as the color code of lipsticks. All these measures further deepen users' awareness of the brand, contributing to its unique brand positioning and high brand recognition in the industry [9].

4.3 Targeting the Younger Market

The pricing of domestic brands is not able to reach the standard of international brands, but if it is too low, it can even fail to cover the cost. Therefore, domestic brands can target middle-end consumer groups, namely the younger market, including Generation Z, who have moderate spending power and have yet to develop fixed consumption habits.

Huaxizi precisely found the vacuum price range of beauty products in China. The products of Huaxizi are mainly targeted at young consumer groups with certain purchasing power, and the price range of most products is 200 yuan or less, among which the number of products in the price range of 100 yuan to 200-yuan accounts for about 40% of the total number of products. Compared with other domestic cosmetics, this price positioning is higher, occupying a vacuum position in the middle and upper reaches of the price band of domestic cosmetics products. In contrast, its price is lower than that of L'Oreal, Estee Lauder and other international beauty brands. Therefore, young people who are interested in Chinese culture and have certain quality pursuits, are more inclined to choose Huaxizi. The price range chosen by Huaxizi is conducive to the realization of brand differentiation and unique positioning while avoiding the risk of direct confrontation with popular domestic cosmetics brands [9].

5. Conclusion

By analyzing the successful cases of Huaxizi, this paper provides corresponding solutions to the problems faced by domestic beauty brands. First of all, this study found three reasons why domestic beauty brands lag behind international brands in the domestic market. The wide distribution of offline stores of international ones forced domestic brands to turn to new areas of online marketing, and their promotion methods were restricted. Moreover, domestic brand products were similar and highly homogenized, so stable customer groups cannot be formed. International brands also took the leading position in seizing the market with years of accumulated reputation. Then, on the premise of considering the consumption preference of the Generation Z group, this paper took the famous representative brand Huaxizi as an example to provide specific ideas for other domestic brands to solve these three problems. More specifically, in today's society where Gen Z has become the main consumer, domestic brands should expand online marketing channels to deal with the problem of dull promotion tactics, build a "burst system" to avoid product duplication, and finally aim at the younger market to seize the opportunity.

It is consumed that there is still a long way to go for domestic brands to compete with international brands in the beauty market. Huaxizi, the successful case in this paper, also exposed many shortcomings in the development of brand marketing. For instance, the bundling marketing method with the head influencer Austin Li did effectively increase the sales volume in the initial stage of brand establishment. But in the long run, it should not depend on the personal effect of influencers. Additionally, consumers' favorable comments on Huaxizi were mostly focused on the exquisite packaging, while their negative comments were on the product quality. Hence, if the brand only pays attention to the packaging design but ignores the quality improvement of the product itself, then the decline of its reputation will become inevitable in the future. The suggestions given in this study are limited and needed to be further improved in future research.

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