

# Product Differentiation Strategy: Beauty Industry & Cosmetics Marketing

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**Abstract.** With the rapid development of technology, brands are facing unprecedented opportunities and challenges. In the highly competitive beauty market, the international first-line brands have always been at the forefront of the major sales lists. International beauty brands have also noticed the huge dividends of the Chinese market and have increased their efforts to explore the Chinese market in recent years. This paper attempts to analyze the breakthrough ways of international first-line beauty brands and domestic minority brands in the era of intelligent media, combined with the classical theories to summarize the advantages and disadvantages of their marketing strategies. By using two cases in different situations, international enterprise (Estee Lauder) and small brand (Florasis), the research states the discussion of "differentiated" and "undifferentiated" marketing strategies and tries to figure out the main strategies fit in the identical companies. Moreover, this paper puts forward the relevant suggestions for optimizing the marketing strategies.

**Keywords:** Beauty and Cosmetics Industry; Market Segmentation; Digital Market; Product Differentiation.

## 1. Introduction

Based on the development of global integration, the era of brands is coming. A well-known American marketing expert, Larry Wright, put forward earlier, marketing battle in the future is brand competition. Nowadays, with the rapid development of economy, the huge commodity market is filled with many homogeneous products, and brand has become the key factor to distinguish the same kind of products. This is especially true of the makeup market. In the era of "She economy", the consumption level of women continues to increase, and China's beauty industry develops rapidly with a promising foresight. According to data from ECdataway, an e-commerce big data platform, the TOP 10 pre-sales of makeup and skin care on the 2021 Tmall "Double 11" were almost taken by international brands. This paper makes an academic discussion on this phenomenon and seeks for the marketing breakthrough and shortcomings of international first-line beauty brands.

The arrival of the era of intelligent media provides a new marketing idea for international first-line beauty brands to attract consumers' attention and expand sales channels. Before 2014, the marketing channels of international beauty brands in the domestic market were mainly offline stores and online brands' official websites. With the popularity of the Internet and the rapid development of e-commerce platforms, from 2014 to 2017, international beauty brands have entered the Tmall flagship store one after another and actively developed new marketing strategies according to the consumption orientation of domestic consumers.

However, the development of international beauty brands in the Chinese market is not easy. Under the background of the era of intelligent media, domestic cosmetics have also ushered in a new wave of development. A number of excellent local beauty brands are gaining momentum, innovating and upgrading in marketing strategies, and constantly creating new thriving opportunities. During the Tmall "Double 11" in 2021, local beauty brands have gained a foothold in the fierce competition with lower discounts and flexible promotion strategies. For example, Chinese-made skincare brand Winona surpassed Shiseido for the first time to enter the top five on the "Singles Day" online list of skincare brands. The future of local beauty brands is limitless. If international beauty brands want to gain a firm roots in the Chinese market and maintain their advantages, they must carry out strategic innovation to improve consumers' loyalty and participation in their brands.

## 2. Strategic Framework

Marketing strategy is the business's overall forward-looking approach and a game plan for reaching prospective customers and convert them into actual customers of their products. It contains the company's optimal determination, data on target audience demographics and other high-level elements. While choosing marketing strategy, companies should base on much wider in scope and has a longer period. It includes many plans and activities to reach the overall picture of the company. So a wise marketing strategy should revolve around a company's value proposition and used for searching better ways of identifying market segments and product differentiation opportunities. After all, the ultimate goal of a marketing strategy is to achieve and communicate a sustainable competitive edge over rival companies by meeting the demands of its consumers.

### 2.1 STP Theory

In 1956, Wendell Smith, a famous American marketer, first proposed the concept of Market Segmentation. Thereafter, Professor Philip Kotler further developed and improved the theory on this basis [1]. Finally, mature STP theories, market segmentation, target market and market positioning are formed. To be specific, market segmentation refers to the market classification process in which an enterprise divides the whole market of a product into several sub-groups according to the consumers with the same or similar demand tendencies or the resemble consumption behavior. Target market is one or several small markets that companies prepare meeting its needs with corresponding tangible products or intangible services. And market positioning refers to that enterprises carry out marketing planning, such as consumer psychology, products innovation, or feature aspiration by target customer groups, in order to occupy a deep impression and unique position, so as to maximize the market competitive advantages of enterprises.

### 2.2 SWOT Analysis

The SWOT matrix model, also known as TOWS matrix, was proposed by Heinz Wehrich, a management professor from University of San Francisco in the early 1980s. As a strategic decision-making tool, the model is good at integrating the internal and external influencing factors of the research object. Since its formation, it has gradually become a scientific analysis tool widely used in various disciplines. SWOT includes four aspects, strengths, internal weaknesses, opportunities and threats. The system analysis method is used to organically combine its own ability factors so as to construct four basic strategies for optimal selection.

With its significant structural and systematic characteristics, the model is helpful to broaden research horizon. It rationalized the allocation of resources so that build a more comprehensive development picture when analyzing the complex problems of domestic and foreign brand marketing strategies under the background of globalization today. At present, marketing strategies on cosmetics and those factors that have a direct and long-term impact on the effectiveness should be considered first. The fact is that obvious advantages of the brand displayed online and offline are mainly reflected in product differentiation, customer group positioning, market segmentation and other links. Secondly, the obvious disadvantages and threats at the present stage are also reflected in the market environment, advertisement channels, product self-innovation and other aspects [2]. Therefore, a comprehensive analysis and study of the above factors can set a more effective example for the future development.

## 3. Estee Lauder

Estee Lauder Group was founded by Estee Lauder and her husband in the United States in 1946 and entered the Chinese mainland market in 1993. The company owns several brands: Estee Lauder, Clinique, LAMER, Origins, Bobbi Brown TF, etc. Estee Lauder, as one of the eponymous brand of the group, has also been favored by women from the beginning of its birth. Its products are technologically advanced, innovative and enjoy a reputation for outstanding quality, and are sold in more than 130 countries and regions in 14,000 points of sale [3].

### **3.1 Market Segmentation**

#### **3.1.1 Geographical segmentation market**

Taking China as an example, Estee Lauder has segmented the market from the perspective of geographical location, city size and development degree. The market of Estee Lauder Group is mainly distributed in the coastal areas. This is due to the high proportion of first-tier and second-tier cities in coastal districts, high consumer income, strong purchasing power, concentrated commercial resources, and high population density and activity. Compared with the former, the development degree of the fifth-tier cities is lagging behind, and the per capita income is generally low. Therefore, cities of different levels in different regions should provide corresponding series of product promotion and various kinds of assemble marketing strategies.

#### **3.1.2 Consumer income segment market**

According to consumers' ability to consume cosmetics of Estee Lauder, the disposable monthly income of consumer groups can be divided into three levels: first-class income group (less than 1000 dollars), second-class income group (1000 to 13,000 dollars), and third-class income group (more than 13,000 dollars). The former two are mainly white-collar workers, while the latter are mainly entrepreneurs or executives. According to the difference of consumers' disposable monthly income level and their purchasing power of skin care products, differentiated marketing strategies should be developed in terms of product channels and prices.

#### **3.1.3 Consumer age segment market**

Estee Lauder cosmetic is different for the age of consumers, mainly suitable for consumers over 25 years old skin age, the consumer age is divided into three groups: under 25 years old, 25 to 35 years old, 35 years old. There are great differences between online shopping habits and different ages. Consumers under the age of 25 show up relatively young skin condition, no obvious skin problems, and the pursuit of cost-effective purchase of cosmetics. Most consumers between 25 and 35 years old are married and have stable jobs. They are basically in need of tightening and anti-aging effects on the skin, which puts forward higher requirements for the texture and efficacy of cosmetics. These consumers are economically independent and have a strong willingness to purchase quality. They are also the main group of online consumption. Moreover, consumers over 35 years old pay attention to skin care and beauty, consumption concept tends to be stable, less impulsive consumption, easy to develop into loyal customers. Tend to buy high-grade, high-efficiency beauty products based on maintenance.

### **3.2 Target Market**

Estee Lauder officials stated that in 2023 the company will continue to pursue long-term strategic destinations, expand its online business realization capabilities, and explore investment opportunities in the Asia Pacific region, continue to expand market share, for the Estee Lauder brand online and China dominated the Asia Pacific region is full of confidence. In the Chinese mainland market, its cosmetics target market is mainly high-income female consumers between 20 and 50 years old. The reason why the brand chooses women as the main target consumers is that women pay more attention to themselves and inherit the spirit of Madame Estee Lauder [4].

### **3.3 Marketing Positioning**

Different market positioning determines different brand personalities. When building the relationship between brands and consumers, enterprises can often achieve good results if they personalize the brand and contact or even make friends with consumers in a personified state [5]. Because in the process of long-term contact with the brand, consumers will imperceptibly project their self-image onto the brand. The individuation of the brand is a way of self-expression, which can effectively help the majority of consumers to express their real self, ideal and emotional self and specific aspects in life. Brands have significantly different personalities, so the emotions that increase

or decrease IWOM (Internet Word of Mouth Marketing) also vary based on brand personalities (sincerity, excitement, competence, maturity, and robustness) [6].

The origin on Estee Lauder from "gorgeous, noble, elegant". In 1948, in order to create a high-end identity, the famous department store launched in the Fifth Avenue, so as to establish its high-end brand positioning in the hearts of consumers. With the rise of women's status, the emphasis on women's struggle and the breaking of social chains in the struggle has formed a very positive emotional sustains for the brand. In China's Double 11 shopping bonanza list, Estee Lauder has been steadily dominating the leading place of high-end skincare products. However, Estee Lauder is not the leading brand in the industry, Chinese consumers have a special preference for Estee Lauder. Beautiful and luxurious Estee Lauder multiple series of skin care products are the first choice of many Chinese users for "consumption advancement". It counts on the Madame Estee Lauder's rarely storytelling ability among top fashion brands. The spiritual leadership, tone and positioning of the brand, carrying women's imagination of luxury and nobility, and creating the imagination of the upper society, are all implied in the story.. Therefore, the brand itself develops into a ribbon floating down the upper society, which can meet the fantasy of those who can cross class by standing on tiptoe.

#### 4. Florasis

Different from the international cosmetics, which dominated the minds of Chinese consumers by an overwhelming majority, the emerging brands represented by Florasis surpassed the international brands and topped the digital cosmetics in 2020. Generation Z, accounting for more than 30% of domestic cosmetics consumers, is one of the most powerful groups in consumption power. The multi-dimensional and substantial disposable income enables them to have strong consumption power [7]. They are confident of Chinese culture and have a high acceptance of domestic products. Compared with skincare that emphasize ingredients and durable care, Florasis obviously has high sensitivity to popular elements and fast iteration speed on the latest current fashion, and is more likely to win the favor of Generation Z consumers, as shown in Figure 1. Generation Z, an emerging group is both an opportunity and a challenge for enterprises. How to use design to help the brand upgrade and transformation, present the Oriental beauty to the world, has already become a profound issue on the current domestic cosmetics brands.

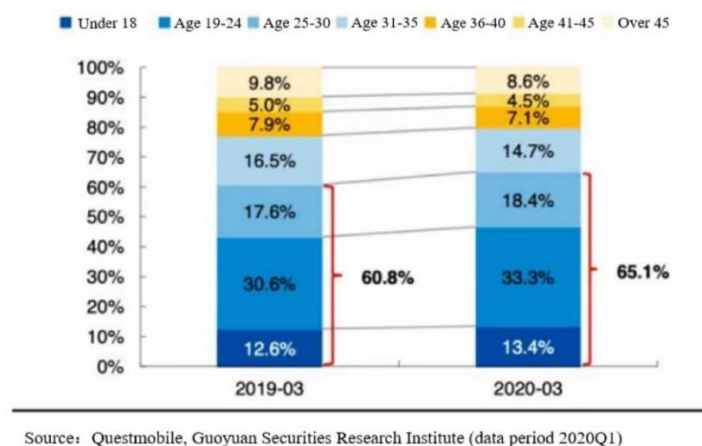


Fig. 1 The percentage of sales in the different age of consumers [7]

#### 4.1 SWOT Analysis in the Digital Market

##### 4.1.1 Advantages

The advantage of Florasis is that it can customize the content and output for different circles. On TikTok, a number of well-known beauty bloggers post unpacking videos. In KUAISHOU, many head anchors explained the lipstick and tried the color for the audience during the live broadcast, which greatly boosted the sales. In the overseas market of TAOBAO live broadcast, the main content is

classical and ancient charm makeup, splendid clothes showing Chinese songs and dances, ancient food practices and so on. Live stream maximizes the user experience, easier to resonate with consumers.

#### 4.1.2 Disadvantages

First of all, the attention of ordinary users is limited, although CNNIC (2022) shows that in 2021, the national e-commerce transaction volume of China's e-commerce platforms reached 420 billion, a year-on-year increase of 19.6%. In the market segment, the national online retail sales reached 13 billion, raise 14.1% year-on-year. Never the less, people's attention is scattered in different platforms and circles, which will have a certain scale impact on the users who watch Florasis live broadcast. Otherwise, how to plan the investment budget is also becoming a hot potato. Cooperation with the top KOL in the field cannot solve the potential problem, when the limited budget facing with the unlimited KOL, the situation and politics are more difficult to implement than it had expected. Last but not least, the beauty industry is becoming more and more competitive. In the past, the whole industry was difficult based on the difficult environment. Now, with the development of the live streaming e-commerce model, some beauty brands began to take advantage of the new model to seize the opportunity to gain the maximum benefits. For example, Perfect Diary, a domestic brand with the same track, has more than 5 million fans in TikTok, while the international brand Estee Lauder only has more than 3 million fans and Florasis only has 12,000 fans. From this point of view, the platform has a strong capability to transmit current to cash, while the number of fans of the international giant's fans cannot match the domestic brand one, let alone Florasis.

#### 4.1.3 Opportunities

Florasis always adhere to the "national style", so that the brand influence has achieved 30 times of growth, directly becoming a new makeup phenomenon. In fact, Chinese fashion trend is a special circle with increasingly growth potential. Generally speaking, the younger the users are, the more interested they are in national style. To win the young is to win a part of the beauty market successfully. For example, the attention of Florasis Carved lipstick increased ten times within a month, and there were 11,743,728 users' discussions and comments on carved lipstick in a year. In the future, Florasis should continue to break through the circle, so that more age groups of consumers know Florasis. After all, the brand positioning of Florasis represents Chinese women. To let the brand go further, companies should develop more suitable products for the public and enhance product practicability.

#### 4.1.4 Threats

One of Florasis competitors, Perfect diary, although the two styles are different, has developed its own tag, the establishment of online platforms and offline belong to their own complete flow layout of e-commerce. While Florasis camped in the traditional flagship store, devoting to the e-commerce live broadcast, which reveals over-reliance on referrals. Now if a brand want to be recognized and support to follow, not only the reputation, but also whether consumers like the brand's specific circle, how to maintain consumers to manage their own circle, how to find representative ideas, leaders spread and share are all future researches.

As a matter of fact, not only has the external environment changed dramatically, but the internal sales work of the brand has also been challenged. In today's cosmetics market environment, the competition among cosmetics brands is becoming increasingly fierce. The brand marketing of Florasis should not only stare at single perspective, but also look at its influence, reputation and band potential purchasing power. The corresponding to different paths are the best three entry points. Therefore, Florasis brand will face many challenges and threats in the future.

#### 4.2 SWOT Matrix

Although it is not necessary to fix out the complex problems with all variables, but with the help of SWOT matrix, it can still seek ways to maximize the advantages and opportunities, while avoiding

obvious disadvantages and threats. It is helpful to formulate a more scientific and reasonable strategy. According to the division of elements by SWOT strategic management, Table 1 tries to start from interior factors and exterior factors. Four basic strategies were integrated according to the SWOT analysis framework, and "OW" (Opportunity-strength) was finally selected as the positive one. "OW" strategy is a torsional strategy model that achieves success by maximizing the use of opportunities (O) and avoiding its own weaknesses (W) at the same time. This strategy is based on the fact that its weaknesses (w) are prominent and it is in a relatively long period of self-improvement and development [8]. It means that if new ideas are innovated, the internal disadvantages (w) can be transformed with the external opportunities (O) enhance synergistic effect can be realized.

**Table 1.** SWOT analysis on Florasis

Interior factors/ Feasible schemes/ Exterior factors	<b>Strengths</b> 1.Marketing content customization 2.Distinct Chinese characteristics 3.A wide range of market	<b>Weakness</b> 1.Enterprises have limited marketing funds 2.Too many promotion platforms and scattered traffic 3.Many competitors
<b>Opportunity</b>  1.Unique Slogan 2.Traditional design 3.Popular with the young crowd  <b>Threats</b> 1. Low correlation between online outlets and offline stores 2. Over-reliance on head anchors	<b>Opportunity-Strength strategies</b>  Special design philosophy can create a great environment on makeup, but cannot expand overseas market  <b>Threat-Strength strategies</b>  The strategy has the beneficial to extravagant the potential customers while cannot meet the increasing demand	<b>Opportunity-Weakness strategies</b>  This strategy is conducive to enhancing visibility, creating a good brand image and making up for weaknesses to the greatest extent. At the same time, it emphasizes the standardization and unification of e-commerce and the enrichment of product system  <b>Threat-Weakness strategies</b>  Build a professional broadcast room to increase the sales of current products reduce the risk of marketing investment

## 5. Discussion

In recent years, the booming beauty cosmetics e-commerce industry leads to the quality problem of products. The brand group pursues interests by the traffic explosion with a burning desire, but neglects the product research and development, quality and after-sales service, resulting in the loss of some stable and potential customers. After the Tmall "Double 11" in 2021, many international beauty brands are reported to have problems of product control absence and customer service collective "lost contact" [9]. The image of the brands involved is greatly compromised, which is contrary to the original intention of the marketing promotion. For consumers, a full range of services and upgrades to the experience are more attractive than low prices. The difference between international first-line beauty brands and ordinary beauty brands is not only reflected in the high price, but also reflected in the product quality, after-sales service and other aspects. Therefore, in the process of marketing, international first-line beauty brands need to pay more attention to the quality of products, improve the post-sale service of products, adhere to the integrated development of goods and services, and bring high-quality diversified service experience to consumers.

Shopping on broadcast has become a common marketing strategy in beauty genre. Slightly, however, without the head anchors, the brand opened its own Viewership in the studio was lower than average. To "Double 12" beauty makeup top of the list, for example, Estee Lauder, the real-time viewing volume of its flagship store broadcast room is about 200,000, far away from the head of the broadcast room daily viewing gap.

The homogenized propaganda of cause the low viewing numbers. Regardless of the medium, "Contents trend leader "can catch people's eyes for a long time [10]. In the store's live broadcast, anchors are accustomed in introducing product functions and prices to viewers. The undifferentiated content interacting with users through introduction sections lacks of creativity and personality, and passer-by will lose interest in watching. So, live content should be carefully planned to gain insight into the psychological changes of consumers, shape the characteristics of the broadcast room, deepen the brand memory point, attract consumers to stop to drive their willingness to buy.

## 6. Conclusion

The marketing strategies and breakthrough ways of international first-line beauty brands are worth lessons for other enterprises, but at the same time, some problems have been exposed, including the uneven quality of the products sold in the live broadcast, the brand after-sales service is not timely, lack of personality in the marketing propaganda and other problems still need to be solved. The marketing strategies of international beauty brands need to overcome these weaknesses in order to seek long-term development.

Living in an intelligent media environment with technological innovation, consumer psychology and consumption patterns are constantly changing. The marketing strategies of international first-line beauty brands strengthen the relationship between the brand and consumers to meet the diversified needs of consumers as well as pay attention to product quality, strengthen the innovation of content marketing, and constantly optimize the marketing strategy. Local beauty brands can also learn from the success of international beauty brands, and vigorously promote differentiated services to improve consumer experience while improving product competitiveness, so as to promote healthy competition and sustainable development of the beauty industry.

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