

# Developing Strategies of Chinese Cosmetics Industry --- Case of Florasis

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## ABSTRACT

Chinese cosmetics high-end consumers and more than 60% of the market share are occupied by foreign brands. Chinese cosmetic brands have great space for development in the domestic market. The present study aims to explore the potential developing strategies of the Chinese cosmetics industry to expand the influence of domestic brands and improve the ability to compete for the high-end markets with international brands. Florasis is a domestic brand recognized by many Chinese consumers with make-up products. Based on enterprise quarterly and annual reports of Florasis and other network data, the present situation and existing problems of the Florasis brand are revealed by performing a marketing segmentation, customer analysis, and user research. The successful experience of the Florasis brand is summarized. On this basis, the strategy of developing the Florasis brand is put forward. In order to improve the Florasis brand, investing in R&D in other areas and brand acquisition based on customer segmentation, developing products in different price tiers according to customer value measure, and broadening sale channels are suggested.

**Keywords:** *Developing Strategies, Florasis Brand, Cosmetics, Marketing Methods, Chinese Elements.*

## 1. INTRODUCTION

China is the world's second-largest consumer of cosmetics after the United States. However, according to the statistics of China Research Network, of the top 20 in the cosmetics market, 80% is foreign enterprises and domestic enterprises only account for 20% [1]. Developing China's own cosmetics industry is very important. Florasis is the most potential local cosmetics brand, which was founded in Hangzhou in 2017 and focuses on make-up products. The brand of Florasis integrates the millennium-old Chinese wisdom hoping that every woman can be as beautiful as Xi Shi, one of the Four Beauties of ancient China. The brand concept and brand characteristics based on the Chinese traditional elements make it stand out among the crowd of Chinese domestic cosmetics brands. In 2020, an impressive annual sale of 3 billion yuan is reached. However, there are still too many problems with China's own cosmetics industry, especially in the Florasis brand, such as single product category, shortage of price classification, the marketing method fall behind, sale outlet single, etc., which lead to the brand with high market fluctuations and extremely vulnerable to the diversified companies, and hinder the development of the brand. To solve these

problems, several measures should be adopted, such as investment research and development in other product fields, striving to build the internal first-class brand. Moreover, the brand should try to broaden its sales channels and expand its market share. This article aims to explore the developing strategies of Florasis by analyzing the achievements of the Florasis and the problems that exist for Florasis to further develop China's cosmetics brands.

## 2. ANALYSIS

The success of the Florasis in China's market stems from China's e-commerce market growth, the brand characteristics of Chinese culture and traditional retro style, and the unsaturation of make-up products in China.

### 2.1. Active Live E-commerce Market

It can be seen in Figure 1 that the number of people using m-commerce had been showing an upward trend over the past five years, even predicting a high of 788 million users in 2020[2]. According to the results of China's 7th census, the total population of China is over 1.41 billion, meaning that the use of m-commerce accounts for 55.89% of the Chinese population. The huge

number of users provides the population base for the live form of e-commerce, and companies hire anchors and web celebrities to promote their products live or with video recordings, enhancing product awareness, sales, and the popularity of the anchors.

Figure 2 shows the size of the live e-commerce market in China, and it is clear that the market size is increasing year by year and the amount of growth is also incremental. During 2020-2021, especially due to the COVID-19, people are less willing to go to offline brick-and-mortar stores, allowing online shopping to flourish even more.

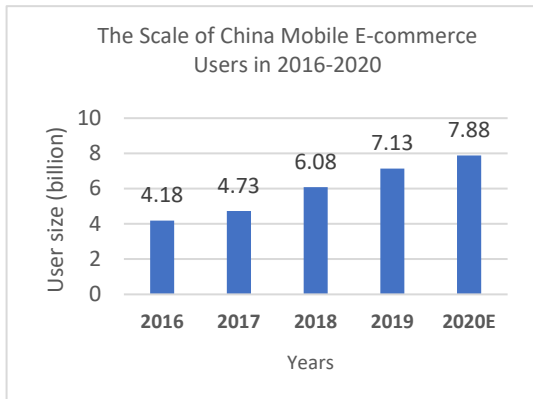


Figure 1 The Scale of China Mobile E-commerce Users in 2016-2020. [2]

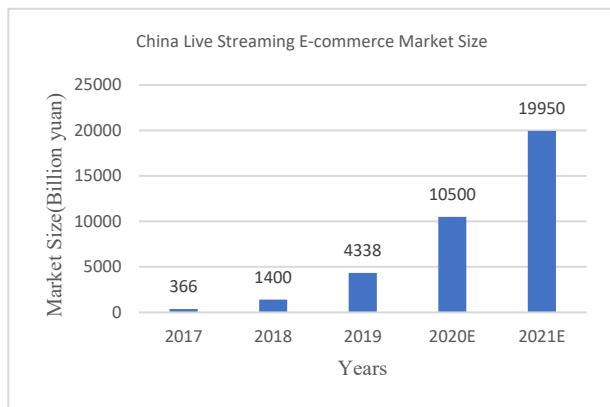


Figure 2. China Live Streaming E-commerce Market Size [3].

### 2.1.1. Chinese culture and traditional Retro Style

The second forum on Chinese herbal medicine technology and cosmetics application was successfully held in Tianjin, China on October 22, 2021, and "Chinese ingredients, pilot makeup" is the theme of this Forum. Traditional Chinese medicine (TCM) culture has a history of thousands of years in China. With the formation of a new pattern of all-around cooperation between TCM and the Belt and Road Initiative, TCM culture has also begun to go abroad and become recognized and accepted by people around the world. In the field of beauty makeup, Chinese herbal medicine

ingredients are favored by brands and consumers for their natural, safe, and effective advantages. As a culture with Chinese characteristics, traditional Chinese medicine will become a powerful factor to help domestic beauty brands compete with international brands.

With the increase of cultural self-confidence, a retro trend is spreading in China, and the aesthetics of more and more young people are moving closer to traditional Chinese culture. The clothing designs are added traditional Chinese elements such as celadon and ink painting are printed on clothing, the high ratings of Chinese antique series and high airplay of antique music songs, etc., all reflect the big trend of retro style.

### 2.1.2 The Un-saturation of Make-up Products

The rising standard of living of the Chinese people has led people to focus their attention on several aspects such as entertaining, studying, and putting on makeup. Young people usually spend a part portion of their money on makeup products such as masks, eye shadows, and especially lipsticks, making them the most popular cosmetic category. Their market tends to be saturated and people usually buy many different colors of lipsticks, many international brands will compete for market share and small brands cannot stand in the competition. Some of the less popular cosmetic categories, such as primer, blush, and setting powder, are not even clear to many people as to their function and importance, so they are less purchased and less in demand. In this case, famous brands are often more willing to focus on popular products, such as lipsticks, to gain higher sales and profits, resulting in a less competitive and unsaturated market for these less popular cosmetics.

## 2.2. Competitive Advantages of Florasis

### 2.2.1. Live broadcast and web celebrity marketing model

Florasis seized the development opportunity of the rising trend of live streaming with goods, closely cooperated with Li Jiaqi, one of the most influential anchors in China. With Li Jiaqi's influence and large fan base to expand brand awareness, products were sold in the live stream, and the annual sale of 3 billion RMB is reached in 2020. In addition, Florasis hired a number of celebrities who conform to traditional oriental aesthetics instead of first-tier idol stars, such as Ju Jingyi, who is known as "China's 4,000-year beauty", and the classical supermodel Du Juan, hired as the spokesperson. Also, Florasis brand theme song "Florasis", composed by Chinese ancient style lyricist Fang Wenshan and Chinese classical music talent Zhou Shen, also expresses their brand design concept of traditional Chinese elements [4]. In addition to deepening the connection to the brand's traditional aesthetic, both the above celebrities and

Florasis share the same fan base that is passionate about traditional culture, increasing fans, brand awareness, and product purchases of Florasis.

### 2.2.2. Traditional aesthetic design and packaging

Each of the products in Florasis has a different design appearance. For example, for the design of the lipstick (figure 3 and figure 4), Florasis changed the ordinary cylinder design and designed the appearance of the lipstick into a traditional concentric lock, symbolizing love with the lover until old age and eternal union, and made micro-reliefs of an ancient Chinese love story on the lipstick cream. This not only injected ancient Chinese traditional elements into the product design and gave the product a good meaning, but also made the product stand out among many mediocre products and satisfied people's curiosity.



Figure 3. Design of the lipstick



Figure 4. Micro-relief on lipstick cream

Moreover, Florasis repeatedly mentions ancient receipts for skincare on its promotional webpage, such as "taking peach blossoms in spring, picking lotus flowers in summer, and collecting hibiscus in autumn, drying them in the shade, and decocting them with snow water in winter to wash the face". This ancient Chinese method of extracting the essence from flowers for skincare, full of rituals, unlike modern cosmetics that add all kinds of ingredients and preservatives harmful to the skin,

products of Florasis are made from nature, in line with the brand's philosophy of nourishing skin, and attract consumers to buy.

### 2.2.3. Ace Products – Peach Blossom Powder

In the beauty field a few years ago, people focused their attention on popular products such as foundations and lipsticks, and few people used setting powder, ignoring the importance of setting makeup. Immediately after the establishment of the Florasis brand, the missing market for setting powder was discovered, and the focus of product development was placed on it, making it the star product of this brand. Then, various internet celebrities were united to advertise this star product to expand the popularity of the product and improve the influence of the brand.

After popularizing the knowledge of setting makeup and gaining the trust and attention of the public, Florasis then recommends the product they developed, Peach Blossom Powder, which will make it easier for consumers to accept and buy. The number of purchasers, coupled with the quality of the product and its use is outstanding, making consumers willing to recommend it to their friends, thus expanding the fan base of Florasis. Starting with one ace product, Florasis successfully entered the market and began to occupy market share, it provides the foundation for the sale of other products.

## 2.3. Existing problems

### 2.3.1. Single product category

Florasis focuses its research and development on cosmetic products and creates many famous products such as Blooming Rouge Love Lock Lipstick and Peach Blossom Powder. However, the types of products sold by Florasis are too homogeneous. In particular areas, including skin-care products (include creams, toners, and serums), bath products (include shampoo, conditioner, and body wash), and perfumes products, Florasis does not invest in research and development.

Since the customer base of Florasis is limited to young men and women who use cosmetics, excluding people who do not wear makeup, students, and middle-aged and elderly people, the strategy of Florasis about producing only make up would result in a narrow group of customers buying the products and a small market share. In addition, compared with such as L'Oréal with a wide range of products, customers can choose the same brand of skin-care products, cosmetics, and toiletries from a variety of categories, thereby increasing customer loyalty and reliance on the brand. However, customers of Florasis have fewer product categories to choose from and are limited to only one category of cosmetics, with strong brand substitutability. In this case, customers can

easily choose other brands instead, having low brand loyalty, dependence, and high customer turnover.

### 2.3.2. Lack of Price Level

According to Figure 5, it can be seen that about 16.91% of customers paid more than 200 RMB, most of them concentrated in 80-200 RMB, accounting for 65.79% of the overall, about 16.98% in 30-80 RMB, and very few customers made a single payment of 10-30 RMB, the transaction amount accounts for 0.32% of the whole Florasis store. Looking at the products sold by Florasis, excluding cosmetic sets (combinations of makeup singles sold), the price distribution of makeup singles is very even, all controlled within 259 RMeB.

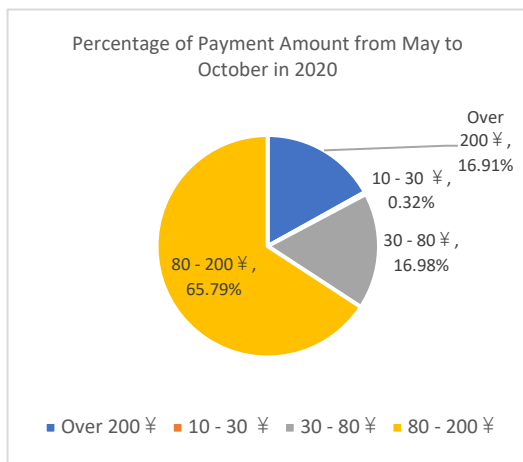


Figure 5 Percentage of Payment Amount from May to October in 2020. [5]

The brand classification of the Florasis is only concentrated in the low and middle grades, and not in the direction of high-end products. The low price can indeed attract some customers to buy, but these customers are usually also attracted by the low prices of other brands and have low brand loyalty, such customers tend to be picky about product quality and brand service, and will give the product a negative evaluation when it does not meet their psychological expectations. On social commerce platforms, consumers are exposed to various features of social commerce, such as shopping experiences, reviews, and recommendations provided by other consumers, to motivate consumers to purchase [6]. People who give negative reviews of the product will reduce the willingness of other consumers to buy, which will lead to the loss of Florasis customers.

### 2.3.3. Lack of Offline Brick-and-Mortar Stores

The sales model of Florasis has always been the online sales model, with a live anchor with goods, online platform video promotion, and celebrity endorsement. Before customers buy and receive the product, they cannot try and experience the product, they can only learn about the product through the opinions of others on

the Internet, either positive or negative reviews of the product, which are one-sided and biased, giving consumers a false perception of the product. For example, if a consumer sees all positive reviews about a product, but finds that the product is below their psychological expectations after receiving it, this will lead to a very poor shopping and consumption experience.

## 3. DISCUSSION

### 3.1. Investing in R&D in Other Areas and Cooperating Brands Based on Customer Segmentation

By developing products in other areas of products based on consumer segmentation, not only will Florasis be able to capture market share in other areas, but also provide customers with more categories of products that are more suitable for them, thus enhancing brand loyalty and making the brand more connected to consumers. When customers in social commerce adopt positive attitudes towards the content, features, products, and services of a platform, as well as repeat browsing, and stay for too long viewing for certain content, it indicates that the customer has sticky characteristics towards the platform and content of social commerce, implying that the customer is attracted to the content, products, and services [6]. When Florasis promotes new products, it can judge the products that are of interest to customers on different sales platforms based on the customer viewing frequency, browsing time, and other related data collected on the platform background. According to the customer characteristics of different platforms, we will launch corresponding preferential policies to attract consumers to try new products in order to increase the visibility and sales of new products.

Brands or companies expanding or developing new product categories require a lot of time and money. The L'Oréal Group provides a convenient way to develop new products, which is to cooperate with brands in different product categories. The advantage of this strategy is that, first, fast fashion brands often use brand association strategies to enhance their reputation, while luxury brands combine brands to expand their customer base and brand awareness [7]. The cooperation between Florasis and other brands can achieve a mix of customers among several brands and increase the sales of products to achieve win-win cooperation. Moreover, the cooperating brands concentrate on developing only one category of products and are more familiar with the research in that field. The technical exchange between the brands can promote the development of products in this new field of Florasis.

At a time when Chinese national brands are popping up all over the place, it's not feasible for Florasis to continue the road of a single make-up category, it will be eliminated by the fierce competition in the beauty market.

If Florasis wants to continue to expand its brand influence and capture more market share, it needs to break its current situation of producing only a single cosmetic category and explore other areas. In this regard, reference can be made to the research and development history of L'Oréal Group. L'Oréal Group has not only developed various areas under its own banner, such as skin-care, toiletries, and pharmaceutical brands in addition to acquiring local brands from different regions, such as the acquisition of the local American brand Maybelline, the local Japanese brand Shu Uemura, and the local Chinese brand Yuxi. From a market segmentation point of view, L'Oréal Group divides its customer groups by country and region. Before entering the local market, L'Oréal conducts market research to understand the skin types and needs of local consumers, and acquires local company that are most suitable for local consumers and have a certain degree of influence, thereby expanding the brand's customer base and influence.

In terms of product area expansion, Florasis can segment its customers to develop products that are tailored to their needs. For example, in developing shampoo, according to the hair type of customers, customers can be divided into oily hair, dry hair, and damaged hair, and the formula of products can be changed for different hair types to develop shampoos that are more suitable for customers. In addition, in terms of developing skin-care products, we can divide customers into those who wish to whiten, those who wish to moisturize, and those who wish to anti-aging according to their needs, and develop different skin-care products for different customer needs.

### ***3.2. Develop Products in Different Price Tiers According to Customer Value Measure***

The price of Florasis products is concentrated around 200 RMB, and it should develop products of different consumption levels and develop diversified price strategies to adapt to the differentiated positioning of customers. In addition to the development of multiple product categories that L'Oréal Group should learn from Florasis, the strategy of categorized pricing is also worth studying by Florasis. L'Oréal Group has set up different brand positioning, including premium brands such as Hélène, first-tier brands such as Lancôme and Armani, second-tier brands such as Kiehl's and Biotherm, and third-tier and below brands such as Yuxi and L'Oréal Paris. Depending on the positioning of the brands, L'Oréal Group has different pricing for its products.

Premium brands are priced higher to capture higher margins, mid-range brands have adopted pricing located at the mid-level, and brands at the bottom of the brand hierarchy are occupying a large market share with lower prices and better value for money [8]. Product pricing can more directly subdivide customer groups based on

consumption levels and capabilities, making it easier for companies to evaluate the profits brought to the company by customers of different levels.

Customers can be divided into Platinum tier customers with the highest brand loyalty and the highest profit generation, Gold tier customers who choose between different products with slightly lower brand loyalty and profit generation than Platinum tier, Steel tier customers with lower purchasing power, loyalty, and profitability, and Heavy Lead tier customers with low transaction frequency, long transaction intervals, extremely critical of brand quality and service, and the lowest profit generation [9], as a reference for the customer classification of Florasis. Florasis can provide different services for different levels of customers, such as discounts and offers, regular greetings and care, as well as birthday gift packages or holiday gifts for platinum tier customers. Moreover, different customer classifications allow Florasis to intuitively understand the percentage of customers in different tiers have a more clear perceive what the customers Florasis lacks and is the target customer group in the future. The same characteristics of the existing customers become an important guide for Florasis to attract the desired customers.

### ***3.3. Broaden sale channels***

Florasis focus on online sales, and the lack of physical stores and counters for consumers to try the products, resulting in consumers having a bad shopping experience [10]. In this regard, Florasis should promptly adjust the sales model to broaden sales channels.

The first way to broaden sales channels was to open offline brick-and-mortar stores and counters in the cities where customers placed the highest number of orders based on historical customer order areas to provide trial packs of the products and encourage customers to try the products before purchase. This not only reduces the rate of customer returns and refunds but also allows the brand to provide adequate service and face-to-face communication with customers before they buy, resulting in a stronger connection between the brand and the customer.

The second way to broaden sales channels is to partner with beauty salons, beauty teams, and makeup training schools to offer the brand's products. For example, it can cooperate with beauty salons to provide customers with additional services. The beauty salon provides customers with a professional makeup artist and gives them free makeup using Florasis products after customers perform skincare in the salon. During the make-up process, products can be introduced to the customer. If the customer is satisfied with the makeup, it can provide the customer with a discount on the products or attach the skincare service of the salon. Through the

professional makeup artist, you can make customers more convinced and create trust and loyalty to the brand, but also make the most suitable makeup for customers, improve the customer's feeling of use and buying experience, and more attractive to customers to buy products, to improve the brand's popularity and sales.

#### 4. CONCLUSIONS

In this paper, the background and successful experience of the Florasis brand have been analyzed in order to explore the developing strategies of Florasis. It is found that the success of the Florasis in China's market stems from China's e-commerce market growth, the brand characteristics of traditional retro style, and unsaturation of make-up products in China, while the problems that hinder the development of the brand lies in the single product category, shortage of price classification, the marketing method fall behind. Based on these analyses, three developing strategies have been put forward, which involve investing in R&D in other areas and brand acquisition based on customer segmentation, developing products in different price tiers according to customer value measure, and broadening sale channels are suggested. However, there are the obvious shortcomings of this study and analysis is the absence of a survey and study of Florasis' customers', which could be investigated in the form of face-to-face interviews, telephone calls, and questionnaires for satisfaction, dissatisfaction, and needs by a random sample of customers. Florasis should also focus on customer evaluations of its products in the future to improve the product's shortcomings and strengthen its competitive advantage.

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