

Research on Estée Lauder's Competition and Marketing Model

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ABSTRACT

Cosmetics are an indispensable part of people's lives and everyone can be a consumer. Estée Lauder is expanding their scale. In the past period, Estée Lauder's adopted correct strategy to respond the COVID-19 Pandemic and global market has been growing with a good trend. In this article, Estée Lauder is used as an example to analyse the market competition and marketing model, and to make relevant recommendations for possible problems that may arise. We found that Estée Lauder's marketing strategy is effective, and Estée Lauder responded to the impact and reduced the threat as much as possible when being affected by COVID-19 together with its competitor Shiseido.

Keywords: Competition Model, Marketing Model, Estée Lauder, COVID-19 Pandemic.

1. INTRODUCTION

Founded in 1946 by Estée and Joseph Lauder, The Estée Lauder Companies Inc. Sales makeup, skin care, fragrance and hair care products. As a leader in the beauty industry, Estée Lauder has a lot of well-known brands like Origins, Clinique, M • A • C, and sells products in about 150 countries and territories.

The researches of Estée Lauder's competition and marketing model are quite a few due to its preponderant influence. For example, Ashley Brooke Howerton (2002) discussed that Estée Lauder accomplish diversity through the dynamic strategy by expounding the development of the company. [1] And Junchen Fan (2021) stated the impact of COVID-19 pandemic of Estée Lauder briefly. [2]

However, we notice that most of the existing researches are either out of date with no recent data after the COVID-19 pandemic or not comprehensive enough with no detailed analysis of the industry and the company itself. Therefore, we feel it necessary to combine the exhaustive study of Estée Lauder's competition and business model and the new circumstances in the COVID-19 outbreak. Hence the essay will focus on the following aspects of industry analysis, business analysis, discussion of competitors and COVID-19 impact and the conclusion.

2. INDUSTRY ANALYSIS

2.1. PEST Analysis

2.1.1. Political Environment

With the advancement of technology comes social and economic development. Under these conditions, people's living standards are constantly improving, which provides a stable basis for the development of many industries. On the other hand, with political and economic reforms, business activities have become more sophisticated. Ultimately, it provides a guarantee for the further development of the cosmetics industry.

Skincare products are now an indispensable part of people's lives and the government has enacted laws to monitor the production, storage, transport, distribution, and promotion of skincare products. These regulations allow Estée Lauder to operate in an orderly and efficient manner. And it not only guarantees the rights of consumers but also protects the entire skin care industry.

2.1.2. Economic Environment

In today's overall economic environment, the income level of the population has greatly increased, which has also led to an increase in spending power. Therefore, this

status quo has laid a certain economic foundation for people to spend on non-essential products.

In the case of China, the GDP per capital of the Chinese population has reached \$ 5,184 in 2011. This means that the population's expenditure on mental health care is set to increase dramatically. In addition, the CPI is now under control and the consumption level of the population has been substantially strengthened, a phenomenon that is beneficial for the consumer industry.

However, the start of 2011 has seen a decline in China's economic development and this has had an impact on the development of the cosmetics industry. Because non-essential goods are resilient, a weakening economy may dampen consumer confidence and dampen their willingness to spend. This will affect people's consumption of non-essential goods.

In addition to this, higher incomes will increase the cost of human resources for businesses, making them increasingly expensive to operate. The cost of renting physical storefronts is projected to climb as property values in some localities continue to rise. It accounts for a significant amount of a company's operating costs, implying that the cost of channels is increasing for cosmetic enterprises.

2.1.3. Social Environment

Women's desire for beauty has never diminished from the past to the present. Female shoppers are more emotional than rational when making shopping judgments. For example, a woman's purchasing behavior may be influenced by the shop's ambiance, as well as the lighting, music, setting, and product packaging, all of which will influence her purchase. On the other hand, there is a strong herd mentality and when some people buy, after their recommendation, others tend to change their original choice. Today's consumers are also no longer satisfied with their daily skincare routine at home; beauty salons have become another popular way of skincare for consumers.

2.1.4. Technological Environment

The development of the skincare industry is very closely linked to the scientific and technological progress of mankind. Technology and other high-tech means can create biological essences that are more suitable for the skin, and skincare products have since entered the bionic era. With the accelerated development of science and technology, there will be more changes in skincare products.

The internet's growth has had a huge impact on the skincare sector as well. Consumers can quickly learn about skincare, obtain a more thorough and in-depth understanding of cosmetic firms and brands, and share their own consumer experiences more broadly thanks to

the internet's popularity, making it a significant promotional channel for cosmetic companies and brands.

3. BUSINESS ANALYSIS

3.1. Business Model

3.1.1. Value Chain

The Porter value chain model is widely used in the business world. Estée Lauder's key value activities are directly related to the production and sale of products to target customers. An analysis of the key-value chain activities can improve Estée Lauder's corporate performance. Its main activities are

To begin, analyzing inbound logistics necessitates a company's attention to all aspects of the transformation from raw materials to finished products. Recycling raw materials, storing inputs, and distributing raw materials and components internally to begin production are all examples of inbound logistics. Estée Lauder's possible differentiators include the purchase of high-quality inputs to ensure a high-quality finished product and efficient input processing to reduce damage.

Second, when raw materials arrive, the importance of analyzing business activities increases. Estée Lauder prepares raw materials for processing into the final product and marketing it. Processing, packaging, assembly, and testing are examples of business activities.

Thirdly, there is outbound logistics. Outbound logistics refers to the activity of delivering products to customers via various intermediaries. Estée Lauder can analyze and optimize outbound logistics in order to identify sources of competitive advantage and achieve its business growth goals.

Fourth, there is marketing. Sales staff, advertising, promotional activities, pricing, channel selection, quoting, and relationship building with channel members are all part of Estée Lauder's marketing and sales activities. It is possible to distinguish Estée Lauder from competitors by strengthening relationships with suppliers and customers, as well as by improving communication with customers through the provision of high-quality information. The development of brand awareness, reputation, and image is the result of extensive and effective advertising.

Fifthly, there's service. Customer loyalty will be bolstered by Estée Lauder's pre- and post-sale service. At the same time, Estée Lauder can protect its brand's image. It stands out from the competition because to its great customer service and high-quality technical support.

There are a few more things to consider. The infrastructure of the company. Estée Lauder can maximize the value of the whole value chain with

effective infrastructure management. This is relevant to the creation of a large database for efficient marketing. Management of human resources. Estée Lauder can assess several areas of human resource management, including as recruiting, selection, training, rewards, performance management, and other personnel management activities, in order to analyze human resource management. Innovations in technology. Almost all value chain activities in the age of high technology rely on technological support. Estée Lauder may use this method to create value, cut costs, set the stage for distinctiveness, and streamline procedures.

3.1.2. STP Analysis

There are three aspects to the STP analysis of The Estée Lauder Companies. Market segmentation, target market, and market positioning

Market segmentation can divide consumers into males and females. Their income is subsistence and wealth. In terms of age, the age of female consumers can be divided into 20 to 30 years old, 31 to 50 years old, and 51 years old and above.

Target market:

It is mostly high-income female consumers, the majority of whom are between the ages of 20 and 50, that is, women with a higher income and who are fashion-conscious.

There are a few basic considerations to keep in mind about:

1. Women prefer beauty cosmetics to males because of their love of beauty and want to be fashionable.
2. The wage disparity between men and women is shrinking, and the majority of them are getting a respectable wage.
3. Women aged 20 to 30 pay more attention to appearance. Women aged 31 to 50, based on their career achievements, desire to have the beauty of their youth and tend to buy high-quality high-end cosmetics.

The market positioning:

Estée Lauder has been positioned as high-end and luxury from the beginning, and it sticks to it

Top of the cosmetics market. At the same time, Estée Lauder has established a noble, professional, and personalized image in high-end cosmetics. This has played a big part in its development.

3.2. Marketing Model

3.2.1. 4P Analysis

It has four aspects: product strategy, price strategy, channel strategy, and promotion strategy.

For product strategy, The Estée Lauder Companies divides it into the following forms

The Estée Lauder Companies should confirm the quality, style, features, branding, and packaging of the product, along with the attributes and conditions that buyers expect in connection with the product purchasing. And products that may develop into the potential state of the final product in the future, including add-on products, should also be confirmed. Finally, other benefits consumers get when they buy the item. There are some examples, such as product instructions, warranty, and delivery.

In terms of price strategy

The Estée Lauder Companies price in two ways. Reputational pricing strategy: To preserve a somewhat high-end brand image, Estée Lauder's brand price is on the high side. Strategy for combining pricing: Cosmetics marketed in sets are less expensive than those sold separately, enticing buyers to purchase.

In support of the Channel approach. Estée Lauder's sales model focuses on a small number of sales channels, such as high-end department stores, specialty stores, high-end perfume stores, airports, duty-free stores, and so on. This is the most effective technique to produce the same effect as the product image. In addition, channel members tend to be high-income white-collar women and fashionistas, which aligns with Estée Lauder's positioning.

Finally, as the aspect of a promotion strategy, Estée Lauder's promotion methods include advertising: increasing popularity through TV broadcasts, and star effects at the same time. In addition to that, in terms of personal selling. The quality of salespeople needs to be improved. And finally about business promotion, follow the founder Ms. Estée Lauder to create shopping gifts for example value-added new cabinet gifts and value-added sets.

3.3. Competitor Analysis

Estée Lauder's position in the industry: a world leader in the cosmetics industry, Estée Lauder Group is the 360th largest global 500 company.

Table 1. Advantages and disadvantages of Estée Lauder

Advantages	Disadvantages
1. Estée Lauder is appropriate for females between the ages of 20 and 50. 2. A high product value, excellent product service, good outcomes, a focus on research and development, and product innovation. 3. Positioning high-end, taking the route of scarcity. 4. Reaching out to a diverse group of people 5. High brand recognition 6. A large number of channels are available, and purchasing them is simple.	1. Fewer shops, lower market share, higher prices, beyond the average person's spending power 2. A wide range of products, requiring a relatively large investment

Shiseido's position in the industry: Shiseido is the number one company in Asia with a global reputation.

Table 2. Advantages and disadvantages of Shiseido

Advantages	Disadvantages
1.High brand influence 2.Deep corporate culture 3.Fast technology development 4.Strong advertising and promotion 5.Core product differentiation 6.Strong resilience in market analysis	1. Not close enough control over costs 2. Distribution system is not large enough 3.Not a large enough market share

4. DISCUSSION

Estée Lauder's strategy has been effective for its growth, and it has also made great efforts to expand its distribution channels: for competitive products to be realized, they must reach the user, and distribution channels are important for any business or shop. Estée Lauder has pursued a multi-brand strategy to this end and has continued to broaden its distribution channels, opening up a variety of product channels, from brick-and-

mortar shops to multi-brand boutiques and, as mentioned below, the creation of online shops, all of which have contributed to the rapid expansion of its cosmetics business.

However, after 2019, the global economy has been hit by the impact of COVID-19. This has also affected the performance of the cosmetics industry in one way. In the case of Estée Lauder and its rival Shiseido, they have both suffered in the wake of COVID-19.

Table 3. Estée Lauder's performance in recent three years (in millions)

EL	2021	2020	2019
Total Revenue	16215	14294	14863
Cost of revenue,Total	3834	3552	3387
Gross profit	12381	10742	11476

Table 4. Shiseido's performance in recent three years (in millions)

SSDOY	2021	2020	2019
Total Revenue	1035165	920888	1131547
Cost of revenue,Total	262959	238401	254844
Gross profit	772206	682487	876703

Estée Lauder's operations were generally higher in 2019 than in 2020 and 2021, but the global economy has been fatally affected by the outbreak of the Coronavirus

at the end of 2019. To reduce the impact caused by the coronavirus, most countries decided to impose a 'blockade'.

Since the implementation of the embargo caused by the coronavirus, there has been an increased demand for the internet, especially for online shopping. This is why Estée Lauder has focused its efforts on enhancing the online experience for consumers. They focused on proper product placement and sample presentation, including virtual try-on, to facilitate the consumer's purchase. In addition, Estée Lauder has decided to close some independent shops and eliminate certain department store counters to save even more money. Both of these methods have had a positive impact on Estée Lauder.

Although the use of online shopping, for example, has transformed Estée Lauder's business, there are still some questionable issues, such as the preference for offline experiences over online shopping. Not only that, but COVID-19 has been widely distributed around the world, so it will inevitably hurt the company's business. A comparison of Interest Coverage Ratio, Days Sales in Receivables, and inventory turnover over the last three years shows a downward trend. This indicates a change in financial position due to the change in time. However, a comparison of the bar charts for Interest Coverage Ratio and Days Sales in Receivables shows that although the overall trend is down, the figures for 2021 are up on the figures for 2020. This indicates that although the company's operating position has declined due to COVID-19, the financial position has rebounded with some methodological changes. This indicates that these methods are feasible and useful.

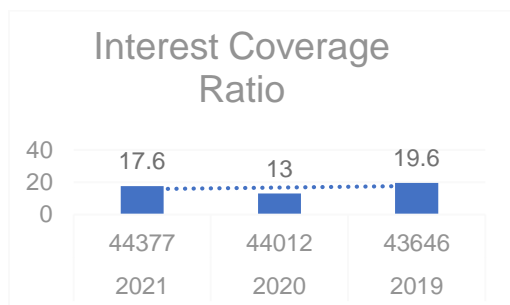


Figure 1 Interest Coverage Ratio

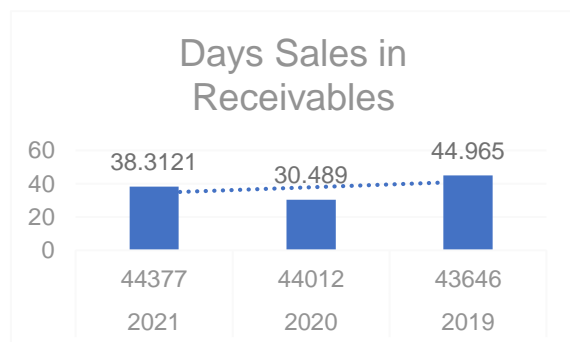


Figure 2 Days Sales in Receivables

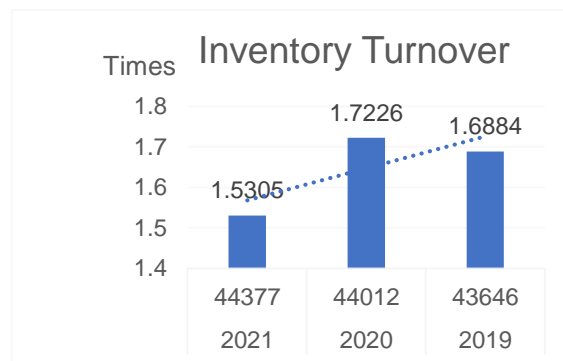


Figure 3 Inventory Turnover

Estée Lauder should not extend its premium brand downwards. Estée Lauder has revealed its low-cost product strategy aimed at low-income customers. This would help to grow market share by attracting middle- and lower-income customers. Selling high-end products at low prices, on the other hand, can harm the brand's image and value. Estée Lauder is a well-known premium cosmetics brand with a strong market presence.

In addition, a more recognizable celebrity could be chosen to endorse the brand, which on the one hand would represent Estée Lauder's brand image well. On the other hand, the celebrity would communicate better with consumers and act as a positive reference group, thus generating greater sales for Estée Lauder cosmetics.

5. CONCLUSION

This study shows that Estée Lauder's marketing strategy is effective. At the same time, it also shows that due to COVID-19, Estée Lauder and its competitor Shiseido are affected at the same time, but Estée Lauder also responded to this and reduced this threat as much as possible. Estée Lauder needs more research and Analysis on various consumers to formulate strategies and improve competitiveness. However, for this study, due to the lack of data on Estée Lauder consumers, the study was limited. At the same time, although we have done objective research to the greatest extent, subjective factors may still affect the conclusion. We need to collect more representative data from different places, and we need to study it more.

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