The Enlightenment of Florasis (Huaxizi) Market Behavior

Jinfei Liu¹, †, Yifan Liu², *, †, Lizheng Zhao³, †

¹School of business, The Heriot-Watt University
²School of management, The University of Melbourne Melbourne
³School of business, The University of Melbourne Melbourne
*Corresponding author: yifliu4@student.unimelb.edu.au
†These authors contributed equally

Abstract. Florasis (Huaxizi), a Chinese cosmetic brand born in 2017, has experienced 2–3 years of development. In 2020, its sales have exceeded 3 billion yuan, becoming a well-known cosmetic brand in China. Behind the phenomenal explosion of the Florasis brand is the close cooperation of its various production links, which reflects the ability to control the links of the industry chain from brand positioning, brand design, product design, product development and marketing methods. Based on the current situation of China's cosmetics market, this paper takes the emerging brand Florasis as an example, and analyses the reasons for its success and the challenges it faces through Florasis' marketing strategy. Overall, these results shed light on offering marketing suggestions for similar corporations.

Keywords: Huaxizi; Marketing; Analysis.

1. Introduction

As an emerging market country, China’s cosmetics market share has continued to grow in recent years. According to Imedia Research, China’s cosmetics market is expected to reach 478.1 billion yuan in 2021 as shown in Fig. 1 [1].

Kotler et al. provides that marketing refers to the activities that a company conducts to facilitate the purchase or sale of a product or service. Marketing includes advertising, selling and delivering products to consumers or other businesses [2]. Morgan et al. supports that marketing strategy refers to a business' overall game plan for reaching potential consumers and turning them into customers for a product or service [3]. Marketing strategy contains the company's value proposition, key brand messages, target customer demographics and other advanced elements [4]. Singh points out that marketing mix is the combination of different marketing decision variables that a company uses to market its goods and services [5]. It provides the best combination of all marketing elements, enabling companies to achieve goals such as profit, volume, market share, return on investment, and more. Marketing mix is divided into four elements, namely product, price, location, promotion [6]. A profitable formula for marketing operations is that most marketing mixes change based on marketing conditions as well as changing environmental factors [7]. Cant et al proposes that product is any item or service that you sell to meet a customer's needs [8]. The brand’s decision to offer the right product to the market is a daunting and critical task that requires understanding and insight into customer needs and wants. Lu et al. raises that the pricing strategy is a model or method used to determine the best price for a product or service [9]. It helps businesses choose prices to maximize profits while considering consumer and market needs. Simkin and Dibb recognizes that place strategy is an aspect of a company's marketing mix that focuses on where the company sells its products, hence they’re easily available to the target market [10]. Alexandrescu & Milandru believes that promotional strategy is a viable plan to influence people's interest in your business, generate more leads, and increase customer engagement [11].

Consumer behavior covers a wide range of fields that include consumption patterns, consumer preferences, consumer motivation, consumer purchasing process, and shopping behavior. Purchase decisions are subject to social, cultural, demographic, individual, and economic factors. The convenience brought by online brand marketing to customers is deemed to be an influencing factor...
of online cosmetics marketing strategy. However, it has important implications for products and prices. Customers often believe that such convenience stems from the services offered by an online shopping platform rather than a direct link to the original manufacturer or company. Therefore, cosmetic manufacturers should consider who they are about to build relations with [12]. Their sellers must be able to provide satisfactory services to consumers and to address problems in the best manner. Communication and customer relations are of equal importance for online cosmetics marketing since brands are unable to provide authentic product experiences online for customers [13]. Creating a “cyber atmosphere” is a good approach for an online marketing strategy. Therefore, traditional publicity methods, such as print media, will help establish the brand images of new cosmetics. The distinctive product packaging can help brands demonstrate their unique features in the crowded Chinese cosmetics market [14]. However, as for cosmetics with low prices, experiential marketing works as an important method to enhance the relationship between brands and consumers who pay more attention to the value in those products rather than their prices. A low price sometimes may leave some customers with a negative impression of brands, who often intend to pay the extra price for a higher value. Brands with low prices can endow consumers with more product value during the process of experiential marketing, to enhance the link between consumers and brands [15].

Department stores, such as Parkson and CapitaLand, began to connect with their channels on the Internet under the mixed impact from the economic crisis, the rising labor cost, the same sales model, and the rising e-commerce. On one hand, traditional retailers have failed in their first wave of e-commercial operations because they had neither the capital-driven traffic nor the traffic to connect with brick-and-mortar retail business. Then, they quickly shifted from the B2C model to the O2O model. A great number of consumers choose to shop online as the Internet platform economy has risen during recent years but a huge number of poor-quality products are full of the online market. The product non-conformity of spot check on the online market was higher than that of overall spot check according to the supervision and random checking over product quality by State Administration for Market Regulation from 2015 to 2019 [16]. The authority believes that there are quality differences between like products online and off the line as well as between after-sales services, which lead to an enormous number of complaints on the online market. It has been stressed that such a phenomenon may be due to the double standard on product quality held by brick-and-mortar companies for online and offline markets. On the other hand, there is also a price difference between online and offline products. The price of cosmetics purchased online will be 5% to 10% cheaper than the same type purchased offline (The lowest quotation of products) and the quotation difference is due to the costs in operation, labor and administration [17].

This essay will use second-hand data to analyze Huaxizi’s marketing strategy and the current challenges and existing problems of Huaxizi and proposes suggestions accordingly. The rest part of the paper is organized as follows. The Sec. 2 will write about the case study of Huaxizi. The Sec. 3 will compare Florasis to another brand called Perfect Dairy. The Sec. 4 and Sec. 5 will use market strategy analysis and STP analysis respectively. Eventually, a brief summary will be given in Sec. 6.
2. Case study of Huaxizi

Florasis (Huaxizi) brand was established in 2017 and was born in Hangzhou, China. It is a make-up brand. The brand aims at the skin characteristics and makeup needs of oriental women and uses flower essence and Chinese herbal medicine to extract the material is the core ingredient, and the modern make-up R&D and manufacturing process is used to create healthy, skin-nourishing and make-up products suitable for oriental women.

3. Comparitive analysis

At present, there are many similar brands on the market. For example, Perfect Diary is also a brand aimed at young white-collar workers and students. However, unlike Huaxizi, Perfect Diary has its own offline store, which can provide consumers with a good shopping experience.

4. Marketing strategy analysis

The four Ps of marketing are key factors involved in marketing a good or service. They are the product, price, location and promotion of a good or service. Often referred to as the marketing mix, the four Ps are constrained by internal and external factors in the overall business environment, and there are significant interactions between them [18].

The core benefits of Huaxizi is the make-up products for healthy skin, basic products are lipstick, eye shadow, liquid foundation, etc. The expected product is exquisite package and added cultural value, the argument product is high-quality products, and the potential products are new product mix and customized products. There are five products line of Huaxizi, and in each product line, Huaxizi provides different products for consumers with different needs. For example, Huaxizi’s base makeup series, Yurong Water Lily Skin Nourishing Foundation, has a double-layer air cushion foundation designed for young working women. Compared with the traditional bottled liquid foundation, the air cushion foundation has the characteristics of convenience and speed, which can meet the needs of women in the workplace to quickly apply makeup and touch up makeup at any time. Furthermore, Huaxizi’s product line continues to extend upstream. For example, Huaxizi’s Miao influence series products launched in 2020 have appeared on the Nasdaq screen in Times Square, New York, USA, changing consumers’ perception of the brand in the past.

The pricing strategy adopted by Huaxizi is mixed pricing. The main pricing strategies are product line pricing and bundle pricing. The pricing of Huaxizi products in the same product line is relatively uniform, and the unit price is not much different. The bundled pricing strategy is mainly for product gift boxes. Since the main target customers of Huaxizi are students and young white-collar workers, the unit price of the product is relatively low.

The main channel strategy of Huaxizi is online sales. Direct channels include the official website, third-party shopping websites such as Tmall or Vipshop. Indirect channels mainly bring goods to broadcasters. Due to the inconsistent preferential strategies of various channels, the product prices of various channels are inconsistent, so Huaxizi has conflicts between channels.

Huaxizi’s promotion strategy mainly uses online advertising and traditional media such as news, billboards, etc. Huaxizi also increases the brand’s exposure through celebrity endorsements and filming. For example, in order to enhance brand image and increase brand influence, Huaxizi, together with People’s Daily New Media and Li Jiaqi, will jointly launch “Non-General Intangible Cultural Heritage” in 2020. Documentary, paving the way for the newly launched Miao Impression series products.

To sum up, Huaxizi’s current advantages lie in its low price, fast product replacement, and the rise of national cultural trends, all of which make Huaxizi well-known among the younger generation of consumers. However, the disadvantage of Huaxizi is that the product research and development efforts are not enough, the patented ingredients are few, the product experience is poor, and the marketing cost is too high. In addition, the opportunity of Huaxizi lies in the popularity of national
culture and the improvement of consumer cultural confidence in recent years. Consumers gradually pay attention to domestic brands such as Huaxizi, but domestic brands are highly saturated in the low-end market, and there are still many challenges for Huaxizi.

5. STP analysis

Market segmentation is the practice of dividing your target market into approachable groups. The rationale behind marketing segmentation is to allow businesses to focus on their consumers’ behaviors and purchasing patterns [19]. The main target customer group of Huaxizi is the younger generation of 18-30 years old, and the main consumer behavior of this age group is online shopping, brand loyalty is low, and products need to be constantly updated. Feng believes that Generation Z tends to like personalized, customized products because they can create satisfaction [20]. Market Positioning refers to the ability to influence consumer perception regarding a brand or product relative to competitors [21]. As a follower in the market, Huaxizi is positioned as a mid-to-low-end brand. Therefore, Huaxizi adopts a differentiated market competition strategy and designs different makeup products for young consumers. For example, Huaxizi has designed three different lipsticks for different consumer groups, including a flower dew series lipstick designed for lower-income students, and a high-end carved lipstick for middle-income groups. Target marketing involves breaking a market into segments and then concentrating brand marketing efforts on one or a few key segments consisting of the customers whose needs and desires most closely match your product or service offerings [22]. At present, the main target markets of Huaxizi are China and Japan. In order to increase the market share of the target market, Huaxizi constantly launches new products to attract potential consumers.

6. Conclusion

In summary, we investigated Huaxizi’s marketing strategy based on some analytical tools. The scale of China’s cosmetics market is growing rapidly. The luxury cosmetics market is dominated by international brands. The competitiveness of Chinese brands in the mid-to-low-end cosmetics market is improving. Huaxizi should increase product research and development efforts, improve existing product formulas, and enhance the sense of the use of products; establish their processing plants to ensure product quality; strengthen training for customer service personnel, improve consumer satisfaction; avoid product transition packaging. As one of the fast-growing Chinese cosmetic brands, Huaxizi needs to continue investing in quality, price, marketing, and channels to remain competitive. Overall, these results offer a guideline for new Chinese cosmetics brand.

References

[1] iiMedia Research. China Cosmetics User Survey and Development Pre-judgment Research Report, 2021.
[2] P. Kotler, S. Burton, K. Deans, L. Brown, G. Armstrong, Marketing. Pearson Higher Education AU, 2015.
[3] N. A. Morgan, K.A. Whitler, H. Feng, et al. Research in marketing strategy. J. of the Acad. Mark. Sci. vol. 47, pp. 4–29, 2019. DOI: https://doi.org/10.1007/s11747-018-0598-1

[4] D. Chaffey, F.E. Chadwick. Digital marketing: strategy, 2012. DOI: https://dl1wqtxs1xze7.cloudfront.net/

[5] M. Singh. Marketing mix of 4P’s for competitive advantage. IOSR Journal of Business and Management, vol. 3(6), 2012, pp. 40-45.

[6] T. Thabit, M. Raewf. The evaluation of marketing mix elements: A case study. International Journal of Social Sciences & Educational Studies, vol. 4(4), 2018.

[7] T. Sreenivas, B. Srinivasarao, U. S. Rao, A. India. An analysis on marketing mix in hospitals. International Journal of Advanced Research in Management and Social Sciences, vol. 2(4), 2013, pp. 187-207.

[8] M.C. Cant, J.A. Wiid, S.M. Kallier. Product Strategy: Factors That Influence Product Strategy Decisions Of SMEs In South Africa. Journal of Applied Business Research (JABR), vol. 31(2), 2015, pp. 621–630. DOI: https://doi.org/10.19030/jabr.v31i2.9158

[9] T.Y. Lu, S.L. Wang, M.F. Wu, F.T. Cheng. Competitive price strategy with activity-based costing–case study of bicycle part company. Procedia Cirp, vol. 63, 2017, pp. 14-20.

[10] L. Simkin, S. Dibb. S. Marketing essentials. Cengage Learning EMEA, 2013

[11] M.B. Alexandrescu, M. Milandru. Promotion as a form of Communication of the Marketing Strategy. Land Forces Academy Review, vol. 23(4), 2018, pp. 268-274.

[12] Y. Zhao, P. Thanabordeekij. Online marketing strategy for Thai Cosmetic in China. Panyapiwat Journal, vol. 8(1), 2016, pp. 14-23. DOI: https://so05.tci-thaijo.org/index.php/pimjournal/article/view/55710

[13] S.H. Hwang, D.Y. Ku, J.K. Kim, J. K. Application of social big data analysis for cosmedical cosmetics marketing: H company case study. Journal of Digital Convergence, vol. 17(7), 2019, pp. 35-41.

[14] Z. Shi. Research on College Students' Cosmetics Consumer Market and Marketing Strategy. Revista Argentina de Clínica Psicológica, vol. 29(4), 2020 613.

[15] J.M. Lee, J.S. Hwang. The effect of experiential marketing on the brand equity of low-priced cosmetics brands. Journal of the Korean Society of Costume, vol. 60(8), 2010, pp. 100-117.

[16] H. Cheng, H. X. Wang. Internet platform monopoly and low-quality trap. The southern economy, vol. 11, 2021, pp. 44-59. DOI: 10.19592/j.cnki.scjce.390778.

[17] J.H. Tao, X. Kang. Differences between cosmetics online shopping and physical shop purchase from the perspective of consumers, 2009.

[18] J.M. Baker, M. Saren, M. Marketing theory: a student text. Sage, 2016.

[19] G. Martin. The importance of marketing segmentation. American Journal of Business Education (AJBE), vol. 4(6), 2021, pp. 15-18.

[20] W.H. Feng. From breaking circle to building circle: Brand marketing strategy under the consumption characteristics of Generation Z-Taking Huaxizi as an example. New media research, vol. 7(24), 2021, pp. 34-36. DOI: 10.16604/j.carolcarroll/cnki. issn2096-0360.2021.24.008.

[21] E. Kosteljik, K.J. Alsem. Brand positioning: Connecting marketing strategy and communications. Routledge, 2020.

[22] R.H. Tsiotsou, R.E. Goldsmith, R. E. Target marketing and its application to tourism. Strategic marketing in tourism services, vol.1, 2012.