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**Western cosmetics in the online Chinese market:
Adaptation strategies and the case of Rilastil**

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前言

由于全球消费者越来越重视自我保健和健康，全球美容和化妆品市场在过去几年里呈现出持续增长的趋势。在中国，美容和化妆品被认为是最具潜力、增长最快的行业之一，其中护肤品是增长最快的环节。来自中国的数据令人印象深刻，新冠病毒只是暂时减缓了销售额，证明了市场的灵活性和数字化程度的不断提高。目前，预计中国将在未来几年超过美国，成为最大的化妆品市场。许多西方公司都被中国的发展前景和巨大规模所吸引。然而，全球化在中国的发展却不尽相同，形成了一个独一无二的市场。文化差异依然巨大，并在很大程度上影响着消费者的选择。因此，西方公司在进入这个遥远的市场时，仍然需要面对许多文化挑战。

以下论文旨在分析西方化妆品公司在考虑中国市场时如何管理文化差异，比较标准化和本地化这两种战略。考虑到中国的化妆品市场，论文将重点关注网络市场，因为自网络市场出现以来，它已彻底改变了生活的方方面面。为了实现指定目标，本文对市场特点和不同营销战略的理论进行了评估。本论文分为四章，在这四章中可以找到关于这两个主题的相关见解。

第一章总体介绍了中国美容理想和美容产品概念的演变。对中国文化的分析是每项国际商业战略取得成功的基础，尤其是对化妆品而言。这是因为美容与文化密切相关。尽管有人认为，中国消费者在 20 世纪 80 年代之前没有接触过化妆品，而目前的市场是 40 年惊人发展的结果，但中国实际上有着悠久的化妆品使用历史。事实上，中国使用美容产品的最早证据可以到最早的文明，汉代就经常提到化妆品。本文特别关注 20 世纪发生的事件，尤其是毛泽东时期和改革时期，以及美容业发生的众多变化。此外，还探讨了第一批外国化妆品公司进入中国市场的情况。并且探讨了中国加入世贸组织后西方公司、产品、观念和生活方式对中国消费者产生的影响。最后，详细分析了当代中国美容理念。这项深入研究对于那些希望进入中国市场的公司来说至关重要。通过这项研究，他们可以更清楚、更全面地了解当今消费者在购买化妆品时的需求。从而为他们提供更多量身定制的产品，提高他们的盈利能力和成功率。虽然西方文化在 20 世纪对中国美容市场产生了巨大影响，但当代中国消费者追求的是一种融合了中国传统和全球化标准的独特美容理想。如果美容理想的差异没有得到正确的研

究，就会给国际公司带来障碍。例如，亚洲消费者追求美白产品，而西方消费者却追求美黑产品。过去，许多西方公司通过统一营销战略，不根据消费者的喜好调整产品，从而获得市场份额。然而，考虑到中国市场竞争日趋激烈，尤其是来自本土品牌的竞争，文化差异已不容忽视。西方公司需要倾听消费者的心声，了解他们不断变化的需求，否则就无法及时应对市场的快速变化。

第二章完全集中于当前中国美容市场的特点，主要分为两部分，一部分分析市场特点，另一部分分析消费者特点。第一部分强调了市场的增长趋势及其主要类别：个人护理、护肤、彩妆和香水。本文特别探讨了新冠病毒对加速消费趋势的影响。尤其是，本文深入探讨了在线分销渠道和社交媒体的出现和发展，以及它们对西方公司的潜力。购物体验的数字化在过去几年中蓬勃发展，对传统零售业构成了威胁。对于在中国销售的公司来说，无论是在分销还是促销方面都不再是可有可无的选择。传统的分销渠道正在被电子商务平台所取代。最近又被社交商务所取代，直播购物能够达到前所未有的规模。因此，许多社交媒体平台正在增加服务，以更好地满足消费者的需求。中国在线美容市场由关键意见领袖引领。他们赢得了消费者的信任，是最有效的产品推广者。为了全面介绍中国美容市场，本论文还重点介绍了西方化妆品公司面临的障碍--本地竞争和卫生法规。

本章的第二部分专门研究中国消费者和影响中国化妆品市场的基本因素。与此相关的因素包括：人口结构的变化创造了新的细分市场、增加了家庭可支配收入，消费模式和消费者偏好的改变。这些因素都会影响到消费者选择何种化妆品。此外，消费者也发生了一些变化。他们对化妆品成分的了解越来越多，愿意在购买前进行研究，不会因为品牌名称而冲动购买。如今，消费者在购买产品时更加注重产品的质量和可持续发展。因此，药妆和绿色产品成为流行趋势。此外，他们还在寻求个性化和互动式的购买体验。文化对消费者价值观和行为的形成也有很大影响，因此将对霍夫斯泰德的文化维度理论及其在中国的应用进行研究。此外，还将解释中国传统儒家价值观，特别是面子和关系观念对当今消费者的影响，以进一步加深对市场的了解。

第三章将深入探讨指导公司在海外开展业务时做出选择的理论框架。全球化促使许多公司走出国门拓展业务。许多西方公司也被中国所带来的机遇和巨大规模所吸引

引。在国际层面开展业务时，公司需要制定能够在市场上盈利的业务战略。从一开始，公司在国际营销决策中必须做出的最重要决定显然就是如何管理文化差异。在设计国际营销战略时，企业往往会陷入两难境地：是保持不变，使其标准化，还是根据当地市场条件进行调整。多年来，许多学者都提出了自己的理论，但至今仍未找到一个万无一失的解决方案。尽管学者们还没有就哪种战略能取得最佳效果达成一致，但就中国美容市场而言，实施本地化更强的战略的企业已显示出取得了更好的市场定位。企业在国外市场取得成功的关键似乎在于承认这两种理论共存的必要性。企业需要根据内部和外部条件，采取融合两种理论的战略，以找到合适的标准化和本地化水平。考虑到中国的化妆品市场，本论文将对营销组合各组成部分的战略进行细致分析。并将现实成功和不成功的案例进行分析，以加深对西方化妆品公司如何管理文化差异的了解。

最后一章探讨了 Rilastil 的案例。Rilastil 是一家意大利中小企业，进入中国在线化妆品市场近十年。Rilastil 是一个皮肤科护肤品牌，专注于面部护理、身体护理和防晒护理。该品牌由位于米兰的研究机构 Ganassini Corporate 于 1972 年创立，旨在提供针对皮肤问题的真正解决方案。选择这家意大利中小型企业很有意义，因为中小型企业是意大利经济的支柱。尽管规模不大，财力有限，但 Rilastil 仍能将自己打造成中国最重要的意大利美容公司之一，其成功归功于高品质的产品和数字化战略。事实上，多年来，这家化妆品公司能够设计出一套适应市场特殊性的战略，使其能够在不忘核心价值和使命的情况下保持领先地位。通过对其营销战略的分析，可以肯定，适应中国的数字化标准是该公司在市场上取得成功的关键。从一开始，Rilastil 公司就将全部精力集中在建立自己的在线形象上。其公司投资于所有最重要的电子商务渠道和社交媒体平台，从而确保在市场上的知名度。得益于这种直觉，该公司无需开设实体店就能获得市场份额并提高销售额。目前其 35% 的收入来自直播电子商务。不过，这一战略也有一些缺点，比如决定不修改产品线。这一选择是由于调整成本高，同时也是为了确保中国顾客购买到与意大利产品同样高品质的产品。但是更有针对性的产品、本地化包装和特别系列等因素，可能是发挥该品牌在中国市场潜力并赢得本地竞争的途径。事实上，在当今的中国美容市场上，本土品牌发展迅速多亏其满足本土口味的能

力。西方公司需要通过为消费者提供附加值来提升自己的产品，因为西方产地已不再是加分。

实际上，几乎没有一种营销组合是完全标准化或本地化的，但公司必须在标准化和本地化之间找到完美的平衡。综上所述，本案例研究证明，企业在制定国际营销战略时需要考虑文化因素。进入中国化妆品市场时，一定程度的本地化总是首选。Rilastil 公司的经验对其他不确定如何进入中国市场的意大利中小型企业很有帮助。证明了根据消费者的喜好调整战略以取得成功的重要性。此外，它还证明了创新和数字化的潜力。虽然许多意大利中小型企业仍不愿实施创新和数字化，但这对于在中国市场取得成功至关重要。

Introduction

The global beauty and cosmetics market has shown constant growth in the past years, thanks to the increasing importance consumers worldwide are attaching to self-care and wellness. In China, it is considered one of the most promising and fastest-growing business sectors, with skincare being the fastest-growing segment. The numbers coming from the country are impressive, the pandemic only temporarily slowed down sales, proving the flexibility of the market and increasing digitalization. At the moment, China is predicted to overtake the United States as the biggest cosmetics market in the next years. Many Western companies are attracted by the prospects of growth and the huge dimension of the country. However, globalization, intended here as cultural homogenization, developed differently in China, resulting in a one-of-a-kind market. Cultural differences are still vast and influence consumers' choices greatly. Thus, Western companies still need to face many cultural challenges when approaching this distant market. The following dissertation aims to provide an analysis of how Western cosmetics companies manage cultural differences when considering the Chinese market, with a focus on the online market since it has revolutionized every aspect of life since its first appearance. In order to achieve the objective designated, both an evaluation of the market characteristics and of literature theories on different marketing strategies were carried out. The work has been divided into four chapters, in which relevant insights on these two topics can be found.

The first chapter serves as a general introduction to the evolution of the concept of beauty ideals and beauty products in China. Although it is believed that Chinese consumers had no access to cosmetics before the 1980s and the current market is the result of forty years of impressive development, China actually has a long history of cosmetic utilization. In fact, the first evidence of the use of beauty products in China dates back to the first civilizations, with regular mention of cosmetics appearing from the Han dynasty. Particular attention will be dedicated to the events of the 20th century, specifically the Maoist period and the reform period, and the numerous changes that occurred in the beauty industry. Furthermore, the entrance into the Chinese market of the first foreign cosmetics companies will be explored, as well as the impact of the accession of the country in the WTO, which allowed Western companies, products, ideas and lifestyles to influence Chinese consumers. Eventually, contemporary Chinese beauty ideals will be analysed in detail as the product of the abovementioned events. This in-depth study is essential for companies that wish to enter the Chinese market as it acts as a base to have a clearer and more complete picture of what consumers are looking for when buying cosmetics

today, thus allowing them to offer more tailored products and increasing their profitability and success rate.

The second chapter focuses entirely on the circumstances characterizing the current Chinese beauty market and is divided mainly into two parts, one analysing the market characteristics and one analysing consumers characteristics. The first part highlights the growth trend of the market and its main categories: personal care, skincare, makeup, and fragrances. In particular, this paper considers the effect of the COVID-19 pandemic on accelerating consumption trends, specifically the increasing penetration rates of online cosmetics. In respect of what is discovered in this overview, the emergence and development of online distribution channels and social media, as well as their potential for Western companies, are examined thoroughly. To offer a comprehensive outline of the Chinese beauty market, the biggest obstacles faced by Western cosmetics companies, local competition and sanitary regulations, will be highlighted.

The second part of this chapter will be dedicated to the study of Chinese consumers and the essential factors shaping the cosmetics market in China. Of particular relevance are the changes in demographics, which have created new segments and the increase of disposable income of household, spending patterns and consumers preferences, which influence what type of cosmetics products consumers will choose. Culture also has a strong influence on shaping consumers values and behaviour, thus an examination of Hofstede's cultural dimensions theory and its application to China will be carried out. In addition, the impact of Chinese traditional Confucian values, in particular the concepts of face and relations, on today's consumers will also be explained, in an attempt to further deepen the knowledge of the market.

The third chapter will be devoted to an in-depth examination of the theoretical framework guiding companies' choices when engaging in business abroad. When designing their international marketing strategy, companies often find themselves in front of a dilemma, whether to maintain it the same way, thus standardizing it, or to adapt it according to the local market conditions. Over the years, many scholars have contributed to the debate with their own theories, but a foolproof solution has yet to be found. The key for companies to be successful in a foreign market seems to be the acknowledgement of the need for the coexistence of these two theories. Companies need to pursue a strategy that merges both theories according to internal and external conditions, in order to find the right level of standardization and adaptation. Considering the Chinese cosmetics market, a meticulous analysis of strategies for each component of the marketing mix will be carried out, along with real-life successful and

unsuccessful examples, in order to deepen the knowledge on how Western cosmetics companies manage cultural differences.

Ultimately, the last chapter explores the case of Rilastil, an Italian SME that has been present on the Chinese online cosmetics market for almost ten years. Rilastil is a dermatological skincare brand founded by Ganassini Corporate, a research institute based in Milan, in 1972 with the objective of offering real solutions to target skin concerns. Since its entrance into the Chinese market, Rilastil has now become one of the most important Italian beauty companies in China and it attributes its success to its high-quality products and digitalization strategy. Indeed, over the years the cosmetics company was able to design a strategy that adapts to the peculiarities of the market allowing it to stay ahead of the times without forgetting its core values and mission.

Chapter 1

Beauty in China: historical and cultural context

1.1 Beauty through History

China is the world's second-largest consumer market for cosmetics, characterized by fast-paced growth in the last years and soon to be reaching and overtaking the United States¹. With the advance of globalization and the availability of the same commodities and cosmetics throughout the world, it is easy to forget that each culture has had its own beauty standards, which may change in time. In China, women's beauty standards changed with historical changes, meaning the evolution of these standards depended on the period, thus on the perspective on beauty of each dynasty. Since there were no fashion magazines or influencers, the definition of beauty was largely decided by what the authorities preferred, but also depended on the economic, political, and social situation. Female beauty was a matter of power, if the makeup of a particular imperial concubine was appreciated by the ruler, her style would be adopted by both the nobles and commoners to gain appreciation of those in power (Su, 2021).

1.1.1 *Imperial Period*

The earliest cosmetic product to be found in China is a face cream made of cattle fat and preserved in a bronze vessel in a tomb that dates back to the Spring and Autumn Period (770-476 BC)(Han et al., 2021). The analyses conducted suggest that this type of product was mainly used by the aristocratic class, symbolizing social status and profession, and often accompanied by facial powder obtained from rice or lead in order to whiten skin complexion, as this helped conceal blemishes and imperfections (Schafer, 1956). At that time, cosmetics were mainly made of pure natural plant and animal oils, and some natural spices were added. During the Han period (206 BC-220 AD), Chinese women started painting their lips and cheeks with rouge, creating contrast with the white face, and painting their eyebrows with burnt willow branches

¹ Available at: <https://www.statista.com/statistics/562081/global-beauty-and-personal-care-market-value-by-country/> (accessed on: 13/09/2023)

Available at: <https://www.statista.com/statistics/813702/global-beauty-market-annual-growth-growth-by-category/> (accessed on: 13/09/2023)

or black minerals, the preference was for slim and straight-lined eyebrows (Schafer, 1956). Haircare was also important, with the diffusion of hairpins to decorate the elaborate buns. The Tang dynasty (618-907) was characterized by a prosperous economy and exchanges with other ethnicities, the social environment was more relaxed, and cosmetics evolved greatly. Women started playing more with makeup and fashion, painting a 花钿 *hua dian*, a small flower, on their foreheads, covering their whole face with rouge or yellow pigments, with the hair buns becoming taller and taller and heavily decorated with precious hairpins, flowers and ornated headpieces (Schafer, 1956). Different shapes of eyebrows were used at this time with around fifteen styles, the most popular being thick and short eyebrows, and the preference shifted to fuller bodies and voluptuous figures, like the one of Noble Consort Yang Guifei (Liu, 2015). In the Song dynasty (960-1279), women's makeup tended to be simple and light, but still sophisticated through the use of pearls, to put emphasis not only on the outer appearance but also on literary and artistic cultivation and refinement (Liu, 2015). This was also the starting period of appreciation of foot bounding or "lotus feet", seen as the maximum symbol of beauty representation of Confucian values, including self-control, obedience and submission to men (De Giorgi, 2011). During the Ming (1368-1644) and Qing (1644–1911) dynasties, delicate and soft women were preferred, common beauty features would be fair skin, narrow and long eyes, crescent-moon-shaped eyebrows, small noses and mouths, oval-shaped faces, slim and delicate body and slender hands (Wang, 2018).

1.1.2 *Beauty in the 20th Century*

The Republican era (1911-1949) was a period of great social change in China, characterised by the arrival and the influence of Western products in terms of both ideas and objects. In particular, women started playing an active role in shaping new standards of feminine beauty, to reclaim their voices and control over their bodies and their surroundings. In the 1910s, the androgynous look became the new fashion, identified by flattened chests and short haircuts, with the objective of making women indistinguishable from men (Lei, 2015). The city of Shanghai developed into the most modern metropolis of East Asia, where the Chinese and Western traditions met. In the 1930s women living here were reportedly seen with daring makeup looks, high heels, fashionable American hairstyles and 旗袍 *qipao*, a traditional Manchu dress that was redesigned to allow women to show their bodies and appear sexier (Dong, 2022).

With the beginning of the Maoist era, the attention was shifted from androgynous looks to the elimination of differences between sexes, necessary for the emancipation of women and the elimination of patriarchy. This ideology criticised both the traditional Chinese practices and the Western view of feminine beauty and emphasised the principle of frugality and modesty. The act of self-adornment was viewed as capitalistic or bourgeois and those who could resist the use of makeup or cosmetics were helping the Chinese Communist Party's cause and were truly liberated, as did female soldiers who rid themselves of frivolous possessions during the Long March (Ip, 2003). However, before the Cultural Revolution, some women, especially in urban areas, had access to makeup and perfume and even those closer to the Party would wear makeup and qipao on special occasions. It was during the Cultural Revolution (1966-1976) that the restrictions intensified, and cosmetics were forbidden. During this time, it was vital to show adherence to the Party's values through the choice of proletarian clothes, the minimisation of consumption and the elimination of every object that could hint at an attachment to beauty or material things, so the use of cosmetics was not possible, colourful clothes were considered counterrevolutionary and even the soaps produced were free of embellishment, in order not to attract the attention of Red Guards, who used the appearance to persecute people and were often seen cutting hair deemed too long, breaking heeled shoes and destroying flowers, all symbols of the bourgeoisie (Hopkins, 2007).

After Mao's death in 1976, a new leader and pioneer Deng Xiaoping stepped up, initiating a series of reforms in China that were aimed at the economic and ideological transformation and modernization of the nation that would lead to the beginning of the socialist market economy. During the third plenary session of the XI National Committee of the Communist Party in 1978², there was a distancing from the events of the Cultural Revolution and the announcement of the "Four Modernizations" program to strengthen the fields of agriculture, industry, defence and science-technology and the open door policy, that would open China to foreign investments.

At the same time, the Party's view towards consumption and self-expression changed, and consumers were allowed to desire things that sounded impossible to own under Mao's regime: examples include cameras, colour televisions, foreign cars but also fashionable clothing, jewels and cosmetics (Belk and Zhou, 1987). As a consequence, Western products started to enter the Chinese market, and their purchase represented the new bourgeois shopping ideal and

² Available at:

http://www.bjreview.com/Special_Reports/2018/40th_Anniversary_of_Reform_and_Opening_up/Timeline/201806/t20180626_800133641.html (accessed on: 09/05/2023)

symbolised status. In addition, the reforms had redeemed femininity as a fundamental characteristic of Chinese women, and beauty became a marketable characteristic. This change is also well represented by data: in fact, before the 1980s, the annual sales of cosmetics manufacturers in China amounted to less than 500 million RMB, while in the 1990s, the sales amounted to 4 billion RMB³.

However, this increase in consumption of cosmetic products can be attributed both to the liberalisation of femininity and self-expression, as a distancing from the communist past and the homogenisation of gender identity, but also to the subordination of women, who were encouraged to care about their appearance to achieve better jobs and to represent the social status of their husbands. During the reform period, increased social mobility and status conferred through socially visible consumption led to individuals observing and comparing their expenses and those of higher status groups and then imitating the consumption behaviour of the class above to increase their status, sometimes generating demand for goods that could be considered useless in fulfilling any other tangible need (Mason, 2000). By applying this theory of emulation to globalization, consumers in China emulated the purchase habits of Western countries because they symbolize status. For this reason, foreign products were preferred, especially if expensive and exclusive, and the beauty ideal followed the Western ideal with lean faces, small cheekbones, straight and high noses, thick lips and white teeth.

1.1.3 *Entering the Beauty Economy*

The first results of the economic reforms in improving people's living standards and the abundance of lifestyle choices available allowed the beauty economy to flourish, and its many unexplored paths attracted foreign companies to enter the Chinese market and seek new opportunities to expand and make a profit. The first foreign beauty companies arrived in the 1980s, mainly selling in department stores in big cities to high-income customers (Jones, 2010). Among them was the Japanese firm Shiseido, which started selling its products in Beijing in 1981 and two years later signed a technological agreement with the capital as a confirmation of the enormous success that could be achieved in the country⁴.

³ Available at: <https://info.hktdc.com/alert/chwto0011ac.htm> (accessed on: 20/03/2023)

⁴ Available at: <https://corp.shiseido.com/en/company/history/> (accessed on: 21/03/2023)

After Shiseido, many international brands followed its lead: in 1988 Protect & Gamble entered the market with the launch of Head and Shoulders, whose products were manufactured in China through a joint venture with a local company in Guangzhou and whose popularity and skyrocketing sales made the country the brand's fifth-largest national market. In the 1990s the potential of the market was evident, the American beauty company Avon entered the Chinese market with a direct sales strategy by offering work opportunities to the 雅芳小姐 *yafang xiaojie*, the Avon ladies, and beauty training (Jones, 2010).

Soon after, the first wholly foreign-owned cosmetic company in China, Yue Sai, was founded by Chinese American television star Yue-Sai Kan, to establish the first global Chinese brand, that became the number one brand in 1996⁵.

L'Oréal entered later in the market because its main line consisted of hair care products that were not particularly popular in China, so it took them a few years to elaborate the right strategy and in 1997 it launched a skincare line to be sold in department stores that quickly made the brand one of the Chinese consumers favourites⁶. China's cosmetics industry was rapidly changing and by the end of 1999 there were 3,514 licensed cosmetics manufacturers in China, including 20% joint-venture and wholly-foreign-owned enterprises; as more international brands entered the market competition started growing, and it was bound to grow even more with the accession to the World Trade Organization (WTO) in 2001⁷.

With China's economic reforms proceeding at full speed, joining the World Trade Organization seemed like the natural next step. However, among the reasons that pushed the country in this direction is the fact that despite the abovementioned achievements, China was only partially integrated with the world economy as the government restricted the right to engage in foreign trade through tariffs and non-tariff barriers like quotas and import licenses and certain sectors of the economy, such as distribution, telecommunications, and financial services, remained entirely or largely closed to foreign direct investment⁸. In addition, by the mid-1990s foreign enterprises began to gain serious market share while domestic economic growth started to slow

⁵ Available at: <https://www.yuesaikan.com/yue-sai-cosmetics> (accessed on: 21/03/2023)

⁶ Available at: <https://www.loreal.com/en/china/> (accessed on: 22/03/2023)

⁷ Available at: <https://info.hktdc.com/alert/chwto0011ac.htm> (accessed on: 20/03/2023)

⁸ Available at: <https://www.brookings.edu/testimonies/issues-in-chinas-wto-accession/> (accessed on: 22/03/2023)

down considerably, thus the leadership was convinced that a complete integration with the international environment through the adherence to the WTO was necessary to continue growing and raising the living standards of the population and the competition would bring many advantages to China's domestic market (Prime, 2002).

The WTO, as promoted in the Chinese media, was the ultimate means to achieving unimpeded market freedom and unlimited economic prosperity. The entrance into the organization naturally required adherence to its values and some commitments that were stricter than those of other developing countries and that affected the cosmetic industry in many ways: China agreed to liberalize trade and to gradually lower tariff barriers on many products, including cosmetics. This meant an adjustment of prices of imported products and raw materials that increased the competitiveness of local industries and encouraged foreign firms to invest in China⁹.

Before accession to the WTO, regulations neither encouraged nor discouraged foreign investment in cosmetics, but foreign firms experienced general restrictions on foreign investment; the WTO also required the creation of regulatory institutions that would treat foreign and Chinese firms equally so preferential treatment for domestic companies could not be used and new regulations were applied to all firms and China agreed to lift restrictions in 2004 on wholesale and retail distribution by foreign companies (Hopkins, 2007). Membership in the WTO was not only a means to increase trade but also had double symbolic value: it meant acceptance of China by the world's economic powers and participation in decision making but at the same time China agreed to imitate the economic models and the consumption patterns of these countries.

After accession to the WTO, foreign cosmetics have progressively dominated the market, although this tendency is not synonymous with women's preferences for this type of cosmetics. On the contrary, it signifies that Chinese women choose a modern and urban style. Beauty is now associated with modernity (Xu and Feiner, 2007). Beauty contests reappeared and lifestyle magazines and cosmetic surgery designed to emulate Western beauty norms boomed, creating new ideals for women in China that blend together traditional and modern standards.

⁹ Available at:

https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?FullTextHash=1&MetaCollection=WTO&SymbolList=%22WT/L/432%22+OR+%22WT/L/432*%22&languageUIChanged=true# (accessed on: 22/03/2023)

1.2 Beauty Ideals in Contemporary China

Beauty can be defined as the quality of giving pleasure, especially to the sight¹⁰, and as the proverb states “beauty is in the eye of the beholder”, meaning that it has strong subjectivity and different cultures have different definitions and perceptions of beauty. Beauty is a cultural construct that depends on society and is redefined over time, so it contains much information on society and can help better understand cultures. In China, female beauty has adapted to contrasting ideologies throughout history. Traditionally society was shaped by Confucianism that managed to shape every aspect of society, including the role and appearance of women, Confucianism stressed women’s subordination and submissiveness to men, promoting the ideal of a modest and delicate-looking woman, whose attributes were moral virtue and gentle attitude.

With the establishment of the People’s Republic of China in 1949, the Chinese Communist Party committed to gender equality and rejected self-beautification, and the transformation to a market economy women acquired the freedom to show their femininity and the beauty economy was born (Lotti, 2018).

In contemporary China, the increased economic and social power of women has created changes in the perception of the beauty ideal and the increasing importance of individual visual representation has made images more and more important in marketing, entertainment, fashion, and beauty industries (Jung, 2018). Moreover, mass media has played a major role in stimulating the consumption of beauty products and, as the majority of women’s magazines are part of Western media conglomerates, they have been advertising Western beauty ideals for a long time, with Caucasian models dominating them (Feng and Frith, 2008). Due to cultural and geographical closeness, beauty ideals in China are also being influenced by Japan and South Korea, the fascination for Japan’s pop culture derived from ethnic similarity and shared values, tastes, and traditions while the latter became popular through Korean television dramas, pop music, and entertainment, known as the “K-Wave” that comprehends also K-beauty products and is also known for being East Asia beauty hub, turning into Chinese favourite destination for cosmetic surgery (Lotti, 2018). Contemporary Chinese society expects women to possess physical beauty according to an Anglo-European standard, as well as traditional Chinese, resulting in female bodily representations with the following characteristics:

¹⁰ Available at: <https://dictionary.cambridge.org/dictionary/english/beauty> (accessed on: 23/03/2023)

- * White skin. Lighter skin tones are associated with femininity, beauty, youthfulness, and fertility, and the still-used saying 一白遮三丑 *yi bai zhe san chou* which translates to “one white covers up three ugly qualities”, demonstrates the preference for fair skin. In traditional China having fair-coloured skin was a symbol of high social class and refinement, while having tanned skin was indicative of a lower class and manual labour, the less the women needed to stay outside to work, the fairer the skin. The expanding economic divide between the metropolitan area and the countryside has once again stressed the difference between rural and urban populations so that fair skin is now associated with urban residency and being from wealthy and privileged families, symbolizing status while women with a darker skin tone face difficulties and even discrimination in social and personal relationships. Another possible explanation for the preference for white skin among Chinese women is that a fair complexion is often linked to innocence, youth, and beauty. While western complexions show their age through fine lines and wrinkles, Asian skin ages through dark spots. Thus, Asian women can be reported using umbrellas, sunscreen, and whitening cream regularly to avoid uneven colour patches, freckles, and suntan, which were considered blemishes indicative of poor skincare and laziness. The obsession for achieving the perfect white skin is so that the skin-lightening product industry in China is a \$2 billion dollar per year industry. (Li, Min and Belk, 2008; Zhang, 2012)

- * Big eyes. In China, it is commonly believed that the eyes are the windows of the soul and that beautiful eyes are expressive and engaging, so 大眼睛 *da yanjing*, big and wide eyes have become increasingly popular and with that the double eyelid. Even if a part of the Chinese population already possesses this characteristic, most of them have rather slim eyes with single-fold eyelids, resulting in smaller appearing eyes, uglier and a worse chance of getting a good career and marriage. For this reason, there are many methods used to fake bigger eyes such as wearing lenses and eyelids stickers, while the most radical practice is of course the double eyelid surgery (technical name, blepharoplasty), which consists of creating a second fold in the upper eyelid in order to have wide, open, and deeper eyes, and is becoming increasingly popular and requested despite the risks of surgery. It is important to notice that Asian women do not undergo blepharoplasty to look more Western but to be more beautiful Asians (Lotti, 2018; Zhang, 2012).

- * Face shape. Out of all the face shapes, the melon seed face and goose egg face are the most favoured by every Chinese woman, as both of them are rather thin, small, delicate and with a pointy chin, reminding of a V-shape. It is believed by many that women with smaller faces are more feminine and delicate and look prettier on camera; with the growing popularity of social networks, many Chinese post photos and videos of themselves and they will use apps to help them achieve this beauty look (Samizadeh, 2018; Zhang, 2012).
- * Nose. In China, pointed, straight and high-bridged noses are considered extremely attractive. This kind of nose is clearly visible from the side and has full wings and almost invisible nostrils; it is considered very elegant also because it helps to minimize the face width. Chinese people also believe that the shape of the nose can be an indicator of a person's character.
- * Full lips. Although in the past Chinese preferred to have rather small and delicate lips, nowadays, plumper lips complete the Chinese beauty standards, along with a well-defined and rounded cupid's bow and balanced upper-to-lower lip ratio (Samizadeh, 2018).
- * Slim body. Like many other countries, slimmer figures are preferred in China, accompanied by a delicate bone structure, long and slim legs, a tiny waist and soft curves. However, in China this preference for thinness is taken to an extreme level, with many young girls joining popular challenges on social networks to prove their thinness. In particular, Lotti (2018) mentioned in her research the "A4 waist challenge" where young women posted pictures of themselves covering vertically their waist with an A4 sheet of paper to show that the width of their waist corresponded to that of the sheet, which is only 21 centimetres; the "belly button challenge," where girls tried reaching their belly button turning their arm behind their back to show their thin figure; the "iPhone 6 challenge," where an iPhone 6 was put horizontally to cover both knees to prove the legs were slim enough and the "collarbone challenge", where the more coins a girl was able to stack on the collarbones the thinner she was perceived to be (Lotti, 2018). These challenges have been accused of creating unrealistic beauty ideals and promoting unhealthy habits. As a matter of fact, female adolescents across China have reported weight concerns, dieting

behaviours, body weight dissatisfaction, and eating disorders with unsustainable diets, slimming products and meal replacements as the common options for many girls (Zhang, 2012).

It can be said that in general Chinese contemporary women are expected to have an oval facial shape, a pointed, narrow chin, a concave or straight dorsum of the nose and small, full lips with well-defined cupid bows, promoted by Chinese celebrities and actresses like Fan Bingbing and Angelababy (Zhu and Long, 2019).

These aesthetic models are the product of the influence of various cultures over time and have changed many times through the years, resulting in characteristics that are still linked to Chinese traditions and some that still show the influence of Western globalized standards, creating a new ideal that is capable of merging the two visions and cultures and is peculiar to that area. This is a key concept for international companies that wish to be profitable in China because these differences in beauty ideals and skin concerns pose the biggest threat for Western brands' success in this market. While adaptation was historically not the preferred option of Western cosmetics companies, which usually chose to replicate their strategy in Asian countries not taking into account the cultural differences, this is no longer an option. Western brands need to listen to their consumers and understand their changing needs or they will not be able to react in time and will lose market share in favour of Japanese and Korean brands, which thanks to their cultural and geographical proximity have demonstrated to be better suited at following the rapid changes of the market. Beauty is closely linked to the culture of a country and a deep understanding of its intrinsic components is the foundation for Western brands' success in China (Mihailovic, Vescovi and Pontiggia 2017).

Chapter 2

The online cosmetics market in China: growth and consumer trends

2.1 Cosmetics Products

The term “cosmetics” comes from the Greek *kosmētikos*, which means skilled in adornment, and from *kosmos*, which means order¹¹. Cosmetics can be defined as “preparations that are applied to the human body for beautifying, preserving, or altering the appearance or for cleansing, colouring, conditioning, or protecting the skin, hair, nails, lips, eyes, or teeth”¹². However, different definitions can be found as each country provides its own definition of the term based on its regulations, but even though minor differences exist, they all produce the same final concept.

For reference, according to the European Commission’s definition contained in Regulation (EC) No. 1223/2009 of 30 November 2009, a cosmetic product is a “substance or mixture intended to be placed in contact with the external parts of the human body (epidermis, hair system, nails, lips and external genital organs) or with the teeth and the mucous membranes of the oral cavity with a view exclusively or mainly to cleaning them, perfuming them, changing their appearance, protecting them, keeping them in good condition or correcting body odours”¹³. Similarly, the Chinese State Council in the Cosmetics Supervision and Administration Regulation that came into force 1st of January 2021 views cosmetics as “chemical industrial products for daily use that are applied to the skin, hair, nails, lips and other surfaces of the human body by spreading, spraying or other similar methods, for the purpose of cleaning, protecting, beautifying and decorating”¹⁴.

¹¹ Available at: <https://www.merriam-webster.com/dictionary/cosmetic> (accessed on: 17/04/2023)

¹² Available at: <https://www.britannica.com/art/cosmetic> (accessed on: 17/04/2023)

¹³ Available at: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32009R1223> (accessed on: 17/05/2023)

¹⁴ Available at: https://www.gov.cn/zhengce/content/2020-06/29/content_5522593.htm (accessed on: 17/07/2023)

In general, five types of cosmetics products are internationally identified:

- * Skincare Products. Their main objective is to enhance the appearance and keep the skin healthy and attractive by targeting skin concerns like preventing moisture loss, anti-ageing, whitening, soothing sensitive skin, and treating inflammation and acne. Among these products are cleansers, facial creams, serums, facial toners, exfoliators, sunscreens, face masks, etc.
- * Makeup or Colored Products. These products remain on the surface of the skin to change colour and improve one's appearance. It includes products for the face like foundations, concealers, lipsticks, blushes, eye shadows, eyeliners, and mascara.
- * Haircare Products. Products for the hair are used to control the properties and behaviour of the hair so that it can be maintained in a controlled and desirable manner. This can include hair conditioners, hair sprays, hair straighteners and relaxers, hair oils, shampoos, styling gels and hair colours.
- * Fragrances and perfumes. These products have long been in the cosmetic industry and are made from essential oils to change the natural body odour and give a pleasant smell to one's body.
- * Personal Care Products. Other personal care products are used to take care of personal hygiene and body well-being, for example, oral care products like toothpaste, mouthwash, and whitening products but also deodorants and antiperspirants.

2.2 Chinese Online Market Characteristics

As shown in the previous chapter, cosmetics in China have an ancient history, however, it was not until the 1980s that the Chinese cosmetics industry started to take off. Since that moment, cosmetics stopped being associated with bourgeoisie values. Furthermore, with the entrance to the WTO, the market opened to international trade, which increased competition and further encouraged the development of cosmetics industries. Around the same period, electronic

commerce¹⁵ emerged due to the large investments made by the Chinese government to promote the Internet and infrastructure development. This created new growth opportunities and allowed many enterprises to engage in different upgrading activities. As a result, in the past twenty years, China became the world's largest e-commerce market as well as the world's second-largest consumer market for cosmetics in 2021, preceded only by the USA, accounting for 17.3% of the global market. In particular, online sales are increasingly more important, and the cosmetics market is one of China's most dynamic right now. Chinese consumers spend significant time online reviewing products and often base their purchasing decisions on recommendations from family and friends. China's e-commerce platforms are increasingly influential in impacting consumer purchases by providing a platform for the beauty community to share shopping and product experiences, making it vital for companies to be present on these online platforms. In addition, many brands find fewer barriers when selling through online channels, as regulations differ from those for products sold in traditional storefronts.

In the next sections, detailed data on the Chinese online beauty market will be analysed.

2.2.1 Market Size and Growth Rate

The increasing purchasing power and beauty consciousness of Chinese people stimulated the beauty market that since the 2010s has seen sustainable growth. Despite the recent economic slowdown created by the coronavirus pandemic, when sales dropped for the first time in a decade, cosmetics are still booming and are one of the fastest-growing consumer markets. According to Statista's latest research¹⁶, sales of beauty and personal care reached 68.25 billion US dollars in 2021, a rise of 10% from the previous year, which totalled 59.4 billion dollars. Moreover, China's cosmetics market has revived and is expected to reach 77.5 billion US dollars by 2023, with a compound average growth rate (CAGR) of 13.76% during the period 2022 – 2027 and a value of over 72 billion US dollars by 2027.

¹⁵ Electronic commerce: the business of buying and selling goods and services over the internet. It can also be found as online commerce, e-commerce and digital commerce and operates in different market segments including business-to-business, business-to-consumer, consumer-to-consumer, and consumer-to-business. Available at: <https://www.investopedia.com/terms/e/ecommerce.asp> (accessed on: 17/04/2023)

¹⁶ Available at: <https://www.statista.com/statistics/875794/china-cosmetics-market-size/> (accessed on: 08/05/2023)

In 2021, China accounted for about half of the Asia-Pacific cosmetics market and more than a fifth of the world cosmetics market. As a result of urbanization, growing disposable income, and social media influence, the beauty and personal care market is facing a burgeoning demand for higher quality, premium brand products. According to the estimate of the Statista Consumer Market Outlook¹⁷, personal care products made up the biggest share of the revenue with over 24 billion US dollars, followed by skin care products generating a revenue of over 14 billion US dollars in 2020 and in 2022 it was already at 16 billion US dollars. The skincare segment is the biggest and fastest-growing market segment, it's expected to reach 23.30 billion dollars by 2026, with an annual growth of 8.78% between 2021 and 2025. Skincare products have also been so successful that they've already achieved a penetration rate among Chinese female consumers close to 100%. Within the skincare segment, facial skincare products are the most popular and best-performing, followed by hand care and then body care products.

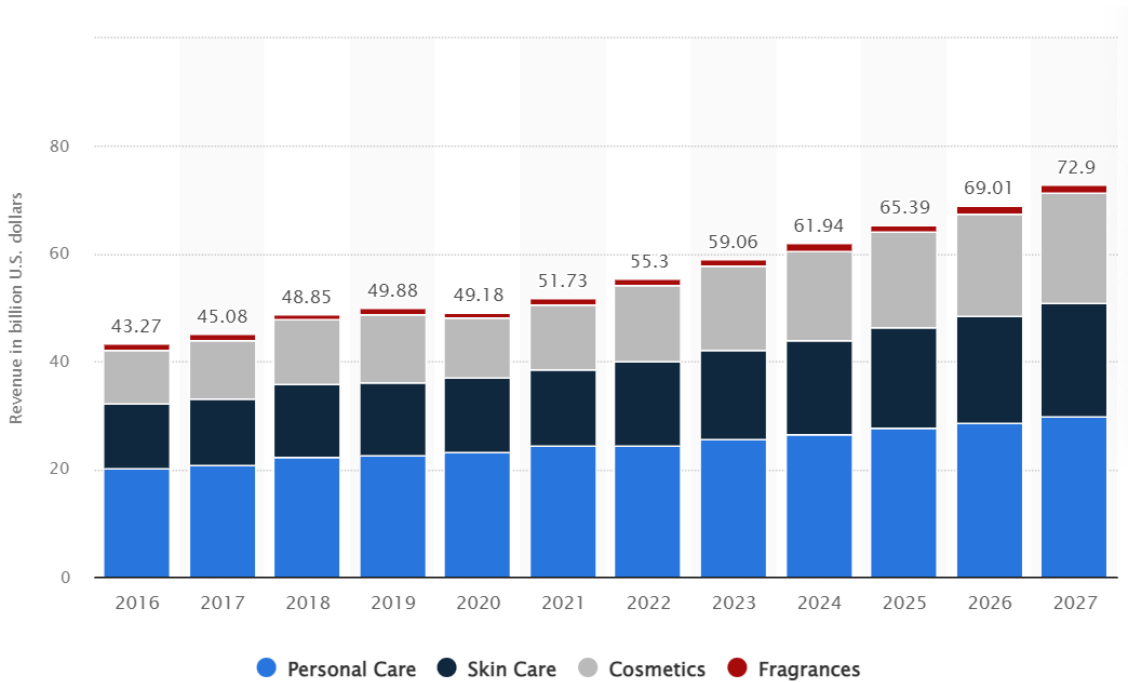


Figure 1. Revenue of the beauty & personal care market in China from 2016 to 2027, by segment (in billion U.S. dollars) Source: Statista Consumer Market Outlook 2023

Available at: <https://www.statista.com/forecasts/1238769/revenue-beauty-personal-care-market-china> (Accessed on: 08/05/2023)

In China, the market for skincare products is primarily driven by the increasing beauty consciousness, particularly among the millennial and urbanized population. As the number of

¹⁷ Available at: <https://www.statista.com/forecasts/1238769/revenue-beauty-personal-care-market-china> (accessed on: 08/05/2023)

women working continues rising, as do the living standards, per capita expenditures on skin care products in China are also growing, resulting in a Chinese consumer spending an average of 31.5 dollars on skincare products, approximately four-fifths of their total cosmetics spending. In addition, the alarming pollution levels, sedentary lifestyles, and long working hours combined together are causing a rise in dermatological conditions that require specific treatment. Conforming to this, consumers are increasingly sensitive to animal testing and are required vegan-certified beauty items as well as more natural formulas. Apart from these, other trends in the market include male-focused skincare and cosmetics products, cosmeceuticals, perceived as a combination of cosmetics and pharmaceutical products such as spot lightening cream and acne treatment and children's cosmetics. These trends will be analysed in detail in Paragraph 2.3.3.

Makeup is still an upcoming beauty category in China with growth being driven by younger generations, characterised by an interest in self-indulgence, which includes shopping for leisure and improving one's appearance, they see colour cosmetics as a way to catch up with new trends and are highly sensitive to the latest updates¹⁸.

According to the analysis of Statista¹⁹, it's the perfume segment that has recorded the fastest growth since 2016, especially among Gen-Z consumers, reaching approximately 2 billion US dollars in 2021 and it's expected to triple its size by 2026, to 5.5 billion US dollars. While the use of buying fragrances as gifts is still consistent, it can be noticed that a growing number of people buy fragrances for personal use. What is interesting is the fact that young Chinese consumers are developing a different taste and are creating a new demand for niche fragrances, that are seen as more unique and personalised, both from local and international brands.

However, the most interesting data that emerged from various research is that online retail sales have been exploding. The penetration rate of online cosmetics has been on a rapid rise in China since 2009, reaching 25.3% in 2018, far above the levels of the UK (12.1%), the United States (10.9%) and Japan (9.2%). According to Statista²⁰, in 2021 the online retail sales of cosmetics

¹⁸ Available at: <https://www.tmgroupp.com/downloads/china-cosmetics-industry-report/> (accessed on: 17/04/2023)

¹⁹ Available at: <https://www.statista.com/statistics/1308640/china-retail-sales-of-cosmetics-by-category/> (accessed on: 08/05/2023)

²⁰ Available at: <https://www.statista.com/statistics/1341402/china-online-and-offline-retail-sales-of-cosmetics/> (accessed on 08/05/2023)

in China reached about 476.3 billion Chinese yuan, surpassing in-store retail for the first time. Increasing internet penetration and changing consumer habits allow predicting that the online cosmetics retail market will continue its rapid growth in the next few years, reaching 879 billion Chinese yuan by 2026, with an expected compound annual growth rate of 9.1% for the next four years (CAGR 2023-2027).

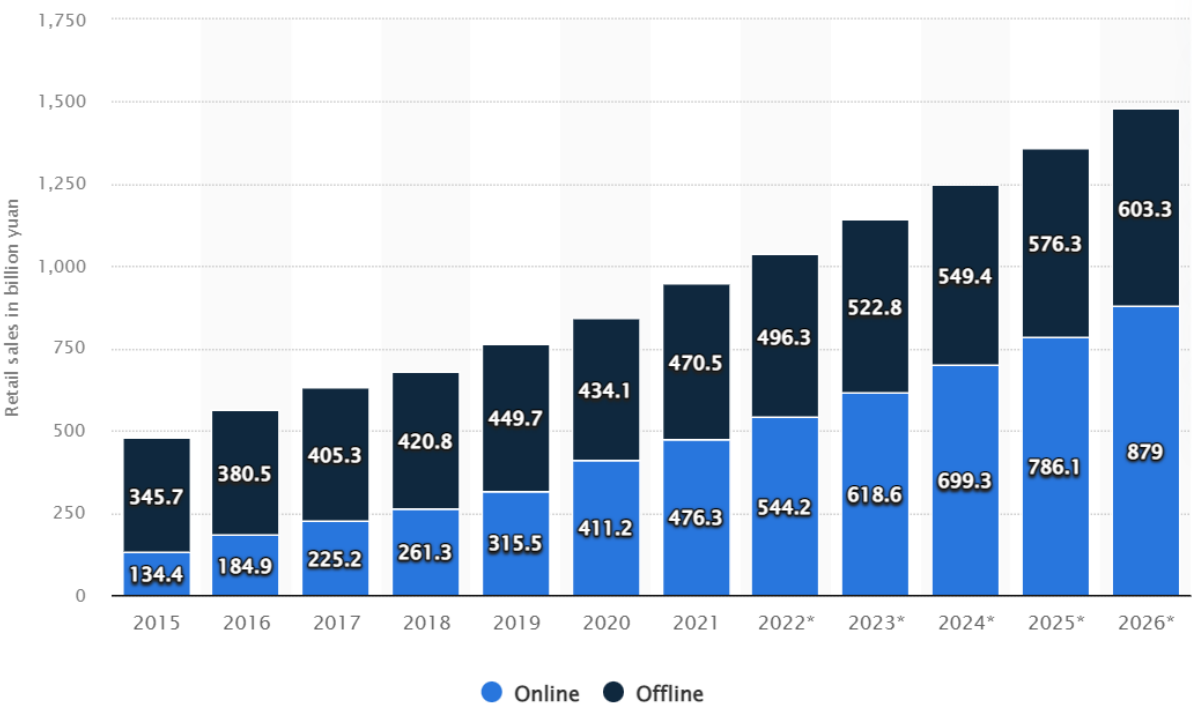


Figure 2. Retail sales value of cosmetics and personal care products in China from 2015 to 2021 with estimates until 2026, by retail channel (in billion yuan) Source: Statista Cosmetics market in China 2023 Available at: <https://www.statista.com/statistics/1341402/china-online-and-offline-retail-sales-of-cosmetics/> (accessed on 08/05/2023)

This surge in online sales is driven by Chinese consumers’ appetite for technology and personalized recommendations, as well as the rapid growth of the lazy economy and the emergence of Gen-Z. China’s e-commerce platforms²¹ are increasingly influential in impacting consumer purchases by providing a platform for the beauty community to share shopping and product experiences. For this reason, e-commerce as a marketing and sales channel now plays a decisive role for beauty companies.

²¹ A platform connects two different user groups to form a network and establish the infrastructure and rules to facilitate transactions between the two parties. An e-commerce platform is an intermediary organization that provides market price information to both parties and improves transaction efficiency. It can improve enterprise productivity and profits, enhance enterprise specialisation and expand the market scope. Available at: <https://www.investopedia.com/terms/e/ecommerce.asp> (accessed on: 17/04/2023)

The beauty market is one of the most promising markets, full of opportunities for big profits, so brands are often attracted by the growth provisions and underestimate the difficulties faced when penetrating it, being extremely sensitive to trends. In addition, the pandemic has led to many significant changes both to the e-commerce and the cosmetics sector and to successfully get a place in the online beauty market, companies must be aware of them and be able to adapt their strategies.

2.2.2 COVID-19 Impact

The COVID-19 pandemic²² happened unexpectedly, quickly spreading all over the world and with unpredictable and unprecedented economic consequences in all sectors, as well as influencing consumers' daily lives and purchase behaviour. In order to limit the spread of the virus, many governments prohibited face-to-face interactions and limited activities, for example, employees couldn't return to their workplace, and shopping malls and restaurants couldn't operate normally (Kubiczek and Derej 2021). People tried to adapt to the restrictions and turned to technologies to translate most of their activities to the virtual world with online lessons, virtual work meetings and conferences, changing their consumer habits. Under these peculiar circumstances, consumers all over the world were increasingly using online channels for their purchases, being this a way to avoid getting exposed to the disease and a new business opportunity for companies to survive the health and economic crisis. Due in large part to this dramatic shift in consumer behaviour, exponential growth in e-commerce was not only logical but inevitable. According to a McKinsey report²³, in China, more than 75 per cent of consumers have tried a new shopping method and the online retail sales of physical goods reached 880 billion US dollars from January to August 2020, an increase of 15.8 per cent from the previous year, accounting for 24.6 per cent of the total retail sales of social consumer goods. Even after

²² The Covid-19 pandemic is a global outbreak of coronavirus, an infectious disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) virus. The first cases were first detected in China in December 2019, with the virus spreading rapidly to other countries across the world. This led WHO to declare a Public Health Emergency of International Concern on 30 January 2020 and travel to, from, and within many countries was severely restricted in an effort to control its spread. Available at: https://www.who.int/health-topics/coronavirus#tab=tab_1 (accessed on: 08/05/2023)

²³ Available at: <https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Marketing%20and%20Sales/Our%20Insights/A%20global%20view%20of%20how%20consumer%20behavior%20is%20changing%20amid%20COVID%2019/20200707/covid-19-global-consumer-sentiment-20200707.pdf> (accessed on: 19/04/2023)

the pandemic, e-commerce remained a prevalent part of people's daily life and as of December 2022, about 845 million people in China had purchased goods online and transactions reached approximately 13.79 trillion yuan, maintaining a steady growth in recent years²⁴.

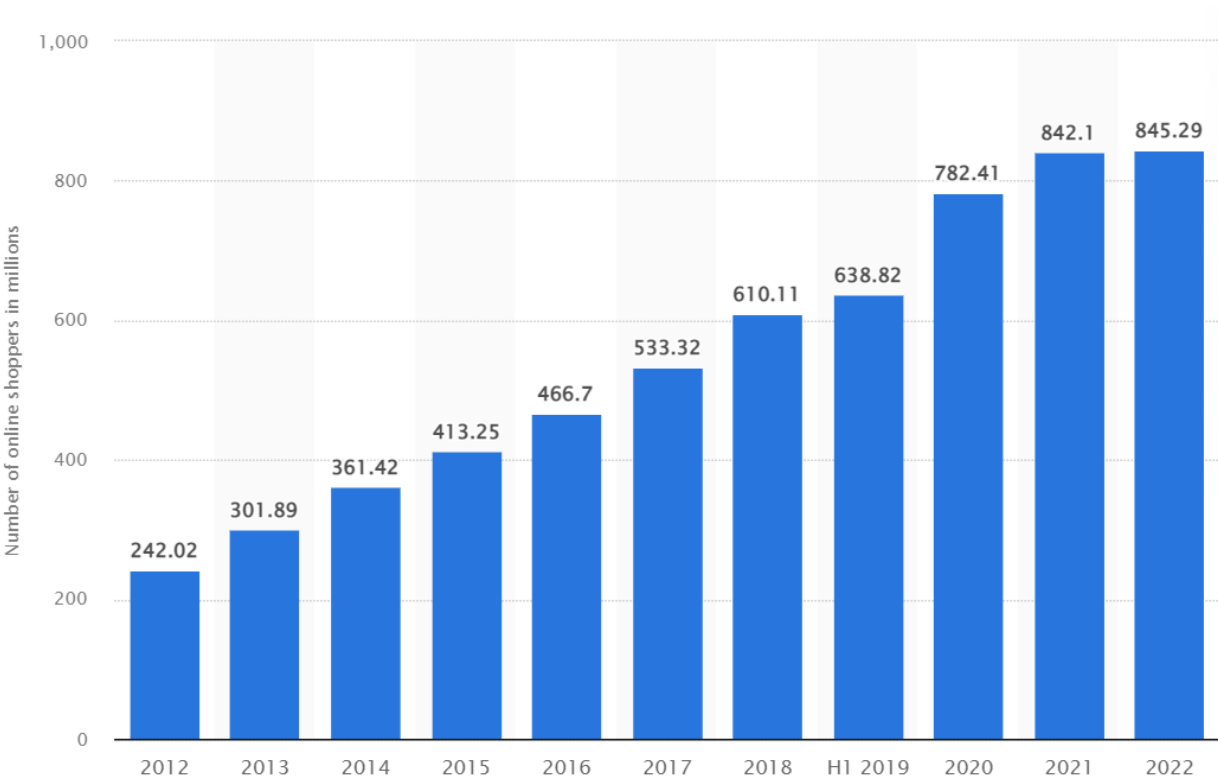


Figure 3. Number of online shoppers in China from 2012 to 2022(in millions)

Source: Statista E-commerce in China 2023 Available at: <https://www.statista.com/statistics/277391/number-of-online-buyers-in-china/> (Accessed on: 08/05/2023)

China’s level of online penetration before the virus was already high and the consumer culture was characterised by a forward-thinking and innovative online market environment, with efficient mobile payment and high-speed delivery systems. Even if the pandemic did not create this trend it is undeniable that it accelerated the expansion of e-commerce towards new firms, customers and types of products.

Since the beginning of its development, digitization has opened new opportunities for businesses. In order to survive in the market, companies decided to expand their technologies by implementing their existing platform or by developing a new e-commerce website and some small and medium-sized enterprises (SMEs) were directly supported in this transition.

²⁴ Available at: <https://www.statista.com/statistics/277391/number-of-online-buyers-in-china/> (accessed on: 08/05/2023)

Companies also introduced new services like the click-and-collect service, which allows one to buy or order goods from a store's website and collect them from a local branch, comparison tools, online chats with specialized personnel, training courses, short-time instalment loans and so on. This allowed consumers to test the convenience and easy use of online shopping and home delivery (Guthrie *et al.*, 2021).

However, the main reason why many consumers chose online platforms is because they allow them to have access to a full variety of products while maintaining physical distancing and thus reducing the risk of contamination. As a positive correlation between the number of infections and the tendency to buy online was consolidating, technological progress allowed the consumer to feel safe during their purchases and became part of their new daily life (Hadasik and Kubiczek, 2022). The pandemic also contributed to the creation of a new consumer segment. While before this event young people were almost the only ones resorting to online channels for their purchases, elderly consumers resulted in engaging with e-commerce and are continuing to explore it, creating a digital society based on purchasing power and information (Nistor, 2021).

The COVID-19 pandemic in early 2020 forced a significant change in the way that consumers shopped for products. The effect of the pandemic on e-commerce was extremely notable, not only because it assisted the enlargement of the current e-commerce market segments, but also made possible the creation of new ones (Hadasik and Kubiczek, 2022).

Apart from boosting e-commerce, the COVID-19 pandemic also had a major impact on consumer's daily life and the beauty industry. Although beauty sales have fluctuated, the epidemic had a more negative impact on cosmetics, while skincare and personal care products gained more popularity in this period.

Cosmetics have always been a way to express one's social self to society, however, the pandemic forced people to stay in their homes longer which induced consumers to not feel the need to wear makeup. In addition, the obligation to wear masks also negatively influenced the interest in makeup, not only because people decided not to apply makeup to the area of the face covered. Many consumers felt discomfort wearing masks and have expressed complaints and discussed the side effects of them, like suffering from acne due to prolonged periods of wearing masks, this phenomenon is known as "maskne or mask acne" (Choi *et al.*, 2022). However, consumers did not completely abandon makeup and the need to express themselves created the

emergence of “mask makeup” beauty tutorials. Since the only area of the face still visible were the eyes, they concentrated the application to that part and a demand for eye makeup emerged, with eye shadows and eyeliners being the most sought products even after the lockdown²⁵.

Beauty treatments and self-care are also considered by many a way to boost self-confidence and reduce stress, so when COVID-19 hit and the restrictions came into force, prohibiting visiting beauty salons, people lost their coping mechanism in a time of increased stress due to the pandemic (Pikoos *et al.*, 2020). This meant that for individuals without previous concerns, COVID-19 restrictions only provided a break from societal pressures on physical appearance; on the other hand, individuals with body image disorders displayed higher negative emotions and greater distress. Some beauty brands in China tried to fight these negative thoughts and capture especially the attention of younger generations by combining beauty with psychological well-being²⁶. Furthermore, pampering and self-care beauty categories (including aromatherapy, candles and detox products) saw a boom in sales and many started to self-administer beauty treatments like hair colouring and nail care. During the period at home, women had more time at hand and started dedicating more time to themselves, following more complex skincare routines, which brought visible skin benefits and improved the general appearance of the skin (Ma and Kwon, 2021). The interest in skincare did not diminish and in August 2022, facial masks, skincare sets, serums, lotions/creams, and electronic beauty devices represented the top five categories of beauty product sales on Douyin²⁷. With this came an increased interest in information and guidelines on beauty products, which were found on the Internet or obtained from professionals, such as cosmetologists (Ma and Kwon, 2021). Nowadays, consumers pay greater attention to ingredients; this segment is commonly known among marketers as “Skintellectuals”, consumers that carefully read product ingredient lists to select those that can better address their skin problems, removing redundant additions to their skincare routine, which creates higher expectations on formulations, especially when considering anti-ageing products²⁸.

²⁵ Available at: <https://daxueconsulting.com/china-beauty-industry/> (accessed on: 08/05/2023)

²⁶ Available at: <https://daxueconsulting.com/china-beauty-industry/> (accessed on: 08/05/2023)

²⁷ Available at: <https://daxueconsulting.com/china-beauty-industry/> (accessed on: 08/05/2023)

²⁸ Available at: <https://daxueconsulting.com/china-beauty-industry/> (accessed on: 08/05/2023)

What has drastically changed the beauty industry, however, is that a new retail strategy, a new mode of buying and selling skincare and cosmetics products in China has emerged and brands need to rethink their strategies in order to remain profitable on the market. Before COVID-19, the beauty industry was an industry where consumers were used to trying products physically and buying them from physical stores. The pandemic accelerated digital transformation at an extraordinary pace and while stores remained closed, beauty brands and retailers expanded their online channels to engage consumers.

Since customers could not visit stores, and were therefore unable to physically try on products, finding digital solutions to skin analysis and cosmetic testing was one of the businesses' key priorities. Some businesses heavily invested in digital try-on technology and integrated Augmented Reality (AR) into the purchasing process. Users can virtually explore a variety of beauty products before buying them by scanning their faces with a camera and applying goods in real time to find the perfect match, thanks to a combination of face tracking and AR visual overlay. These are mainly used for colour matching, for example, Armani created a virtual try-on on WeChat²⁹ that allows users to virtually try on different lipstick shades just with a click. At the same time, brands benefit from these tools as they can collect a great amount of consumer data and make personalized product recommendations³⁰. Technology can also be used to create personalized skincare based on professional advice, detecting users' skin conditions and selecting suitable products for them, which is what the beauty company Shiseido wanted to create when it launched a subscription-based Internet of Things (IoT) skincare service brand, Optune, which offers 80,000 skincare patterns matched with individual user's daily skin conditions and living environments, by analysing skin condition data, environmental data and sleep data to detect biological rhythm disruption³¹. This has increased demand for customized recommendations and personalized beauty products. Consumers are increasingly educated on their beauty needs, they know that one size does not fit all and are willing to pay more for the inclusivity, high-efficacy products and experience it creates. Recently, Shiseido also partnered with Revieve, a personalized digital brand experience company, to create an AI Makeup

²⁹ WeChat is a Chinese instant messaging app developed by Tencent. It is similar to WhatsApp, supporting supports video, voice, and text chat but has also been integrated with social media functions and additional services like payments, internal apps, games and so on. Available at: <https://www.businessinsider.com/guides/tech/what-is-wechat> (accessed on: 08/05/2023)

³⁰ Available at: <https://daxueconsulting.com/china-beauty-industry/> (accessed on: 08/05/2023)

³¹ Available at: <https://corp.shiseido.com/en/news/detail.html?n=0000000002712> (accessed on: 21/04/2023)

Advisor, through the upload of a photo and the selection of beauty goals on an online quiz, consumers will be able to receive targeted recommendations on a series of makeup products that they will be able to test online before purchasing³².

Even before the pandemic, Chinese consumers were getting increasingly connected and more and more people are now resorting to social media for entertainment and shopping. To be successful in the Chinese online beauty market, companies need to promote their business through social media. In particular, brands should keep in mind that today consumers are looking for authentic brands with a solid mission and a clear view of essential topics. In addition, consumers associate beauty products with an important emotional value, so brands need to cultivate their brand culture and focus on storytelling in order to communicate and create a connection with their customers, which can lead to stronger brand loyalty in the long run³³. Another way to gain customers, especially among Gen Z, is influencer marketing and the use of Key Opinion Leaders (KOLs), which Chinese consumers are more likely to trust than an advertisement, however, the choice of the influencer must be well thought out as they need to be in line with the brand and their products. This will be discussed in detail in Paragraph 2.2.4.

The COVID-19 pandemic has led to a significant shift in consumer behaviour and accelerated the digital transformation which affected the retail industry, generating an array of new opportunities for beauty brands. Nowadays, Chinese consumers are internet savvy and if it can be said that digital is vital to success, choosing the right e-commerce platform is just as pivotal to staying relevant and gaining a customer base.

2.2.3 Online Distribution Channels

As mentioned earlier, the past decade has seen rapid growth in the demand for online shopping opportunities in China. Online sales are becoming increasingly important for beauty brands, and have already surpassed in-store sales, becoming the main distribution channel for cosmetics in China and offering many opportunities for brands. However, the e-commerce market in China is extremely competitive, with new companies being founded every day, and this makes

³² Available at: <https://www.revieve.com/resources/revieve-r-and-shiseido-partner-to-launch-a-new-beauty-innovation-in-the-makeup-category> (accessed on: 21/04/2023)

³³ Available at: <https://daxueconsulting.com/china-beauty-industry/> (accessed on: 08/05/2023)

it difficult for companies to remain relevant and profitable, especially if they are unable to plan a well-defined strategy and if they lack knowledge of the broad Chinese market.

International beauty brands wanting to sell on the online Chinese market can choose between mainly two paths: setting up a Chinese legal entity to sell on domestic e-commerce platforms (or their own domestic e-commerce platform) or selling on specialized cross-border e-commerce platforms³⁴ without setting up a local legal entity.

A brief introduction of the most relevant Chinese marketplaces is now provided:

- * Taobao³⁵ is China's largest consumer-to-consumer online marketplace, often referred to as the Chinese eBay because of its popularity and assortment of products; it has nearly 500 million registered users and over 60 million regular visitors per day, the number of products online has exceeded 800 million per day, with an average of 48,000 products sold every minute³⁶. Launched in 2003 by Alibaba³⁷, Taobao provides consumers with a personalized shopping experience and a platform that allows them to learn about new products and trends thanks to real-time updates from merchants, as well as to interact with each other and their favourite merchants and KOLs through numerous interactive features such as live streaming and short videos. Taobao has mainly been created to help individuals and small businesses to reach out to their target customers, being one of the most accessible and affordable Chinese online marketplaces, used by most Chinese and a growing number of Asian and global users. Taobao is made up of virtual stores where the seller places a product or service, which can be sold at fixed prices or via auctions, however, in order to be able to sell on Taobao brands need to find a Chinese distributor

³⁴ Cross-border e-commerce is defined as international e-commerce. It means “selling across a border using the Internet”, the opposite is defined as domestic e-commerce. Available at: <https://www.trade.gov/ecommerce-definitions> (accessed on: 08/05/2023)

³⁵ Taobao 淘宝 means “searching for treasure,” which is based on historical fictional characters in Chinese novels, alluding to the hundreds of millions of listings on the platform.

³⁶ Available at: <https://www.alibabagroup.com/en-US/about-alibaba-businesses-1492004895883001856> (accessed on: 26/04/2023)

³⁷ Alibaba is a Chinese multinational technology company specialising in e-commerce, retail, Internet and technology. It was founded in 1999 by a former English teacher named Jack Ma. Since launching its first website, it helped small and medium-sized enterprises in China to sell internationally and has now grown into a digital ecosystem with many businesses. Available at: <https://www.alibabagroup.com/en-US/about-alibaba> (accessed on: 08/05/2023)

or have a Chinese entity to be able to start their own flagship store on the platform, and it requires a fee although quite cheap. To help buyers assess the products and stores they can check reviews and ratings and if they have questions, they can contact the store through Taobao's instant messaging system AliWangWang³⁸; once a product has been selected the customer pays for the item using Alipay³⁹. Taobao also hosts multiple online shopping festivals throughout the year (the most well-known is Single's Day or Double Eleven) as an opportunity for sellers to promote their stores and products. Taobao was China's largest digital retail platform in terms of gross merchandise value in 2022⁴⁰.

- * TMall (short for Taobao Mall) is the sister company of Taobao, a business-to-consumer platform launched in 2008 to satisfy consumers' demand for more high-quality products and premium shopping experiences. In order to do this and fight the counterfeit issue, TMall requires relatively high entry and annual fees, as well as an online reputation in China before applying, making it difficult for companies to be accepted⁴¹. As a result, prices of products tend to be higher than those found on Taobao but Chinese consumers, especially middle-class and young consumers, prefer to shop here because of the guaranteed authenticity and the possibility to buy both Chinese and international brands, among which the top-selling are L'Oréal, Lancôme, Estee Lauder, and Olay. Similarly to the abovementioned consumer-to-consumer marketplace, buyers and sellers on TMall usually communicate prior to the purchase through AliWangWang and complete the purchase using Alipay. In order to help brands boost their sales and increase brand awareness, in 2017 TMall Heybox was created, an app designed specifically to provide new product release marketing solutions to brands and help consumers to keep updated about their favourite brands' new products and obtain personalized offers. The app not only provides sellers with new digital marketing tools, giving them access to detailed data

³⁸ Available at: <https://www.ft.com/content/52670084-6c2c-11e1-b00f-00144feab49a> (accessed on: 26/04/2023)

³⁹ Alipay is Alibaba online payment platform linked to a bank account. It uses the principle of escrow to ensure user security, holding funds for about ten days, until both sides of the transaction are confirmed. Once both parties have confirmed, money is deposited in the receiver's account. Available at: <https://global.alipay.com/platform/site/product/online-payment> (accessed on: 17/05/2023)

⁴⁰ Available at: <https://www.alibabagroup.com/en-US/about-alibaba-businesses-1492004895883001856> (accessed on: 26/04/2023)

⁴¹ Available at: <https://www.alibabagroup.com/en-US/about-alibaba-businesses-1489015051867127808> (accessed on: 26/04/2023)

on shoppers' consumer habits and connecting them with KOLs but also allows them to test consumers' reactions to their new releases and collect their feedback through the trial tool⁴².

- * JD.com (short for JingDong), is a technology-driven company launched in 2004, specialised in business-to-consumer online retail and a major competitor of TMall. The company was initially founded in 1998, focusing on selling household appliances and electronics; then it started diversifying and adapting to the more modern Chinese marketplace, now offering also products in the beauty industry and grocery segment. The two main characteristics of this platform are its logistics infrastructures and its commitment to quality. When looking for authentic products Chinese consumers know that the JD brand guarantees quality with its strict zero-tolerance approach to counterfeits to ensure that only the highest quality, genuine products reach its consumers thanks to various monitoring methods such as direct sales. JD has more than 1,300 logistic centres in China and 80 warehouses overseas which allow them to reach 540 million customers. Due to JD's nationwide logistics network, and sophisticated data-driven delivery technologies, the marketplace is able to offer same- and next-day delivery, a level of service and speed that is unmatched globally and ensures a strong competitive advantage. So, for companies that don't have logistic capabilities in the country, such as international brands or small niche brands, JD becomes one of their go-to partners⁴³.

Thanks to the consumption habits and magnitude of Chinese consumers, the abovementioned traditional domestic platforms remain the favourite choice for brands in the cosmetics sector. However, if the enormous traffic on these platforms translates to a substantial increase in sales for big brands with a well-constructed reputation and a solid client base, for brands without an established online presence competition can be brutal. These platforms have a tendency of changing their rules easily, especially when it comes to fees and costs, which can negatively influence profits, thus making reliance on traditional domestic platforms not always the most advantageous and logical choice⁴⁴.

⁴² Available at: <https://daxueconsulting.com/tmall-heybox/> (accessed on: 26/04/2023)

⁴³ Available at: <https://corporate.jd.com/aboutUs> (accessed on: 26/04/2023)

⁴⁴ Available at: <https://www.tmogroup.asia/downloads/china-cosmetics-industry-report/> (accessed on: 17/04/2023)

As more and more brands realize the potential of the Chinese e-commerce market, there is growing interest in setting up their own e-commerce platform, as they allow brands to manage their own store and market the products how they prefer, without following rules set by third-party platform owners. However, brands should keep in mind that these types of websites require high initial construction costs, as well as maintenance costs and the user base must be built from scratch, meaning that it will require more time to gain traffic⁴⁵.

Following China's successful reform and opening up, a large number of Chinese consumers started showing interest towards international cosmetics brands and numerous foreign companies began to set up their online businesses, mainly partnering with the abovementioned large platforms and facilitated by the emergence of cross-border e-commerce (CBEC) (Giuffrida *et al.*, 2019). The value of Chinese cross-border e-commerce transactions increased from 0.7 trillion Chinese yuan in 2008 to 10.5 trillion in 2019, with an annual growth rate of about 20%, making it the most attractive cross-border market, with still much room for growth (Liu *et al.*, 2022).

Since entering the Chinese market through the classic channels is unpractical mainly due to the high costs and complexity of procedures, many companies preferred this model as it allows to sell products without setting a local legal entity, simplifying the process, as well as being more convenient in terms of taxation, product registration and consumer acceptance⁴⁶. However, CBEC is much more complex and has also brought new challenges, especially in the logistics domain due to long distances and delivery times, quality of delivery, higher service-level expectations, returns management, local specificities and stronger dependence on local service providers (Giuffrida *et al.*, 2019).

To exploit the booming popularity of CBEC, e-commerce giants such as TMall and JD.com have launched their own dedicated cross-border platforms, namely TMall Global and JD Worldwide, with the main difference from their domestic versions being companies do not need to be registered in China and logistics differences. New players such as Kaola and VIP.com are challenging longtime market dominators.

⁴⁵ Available at: <https://www.tmogroup.asia/downloads/china-cosmetics-industry-report/> (accessed on: 17/04/2023)

⁴⁶ Available at: <https://www.tmogroup.asia/downloads/china-cosmetics-industry-report/> (accessed on: 17/04/2023)

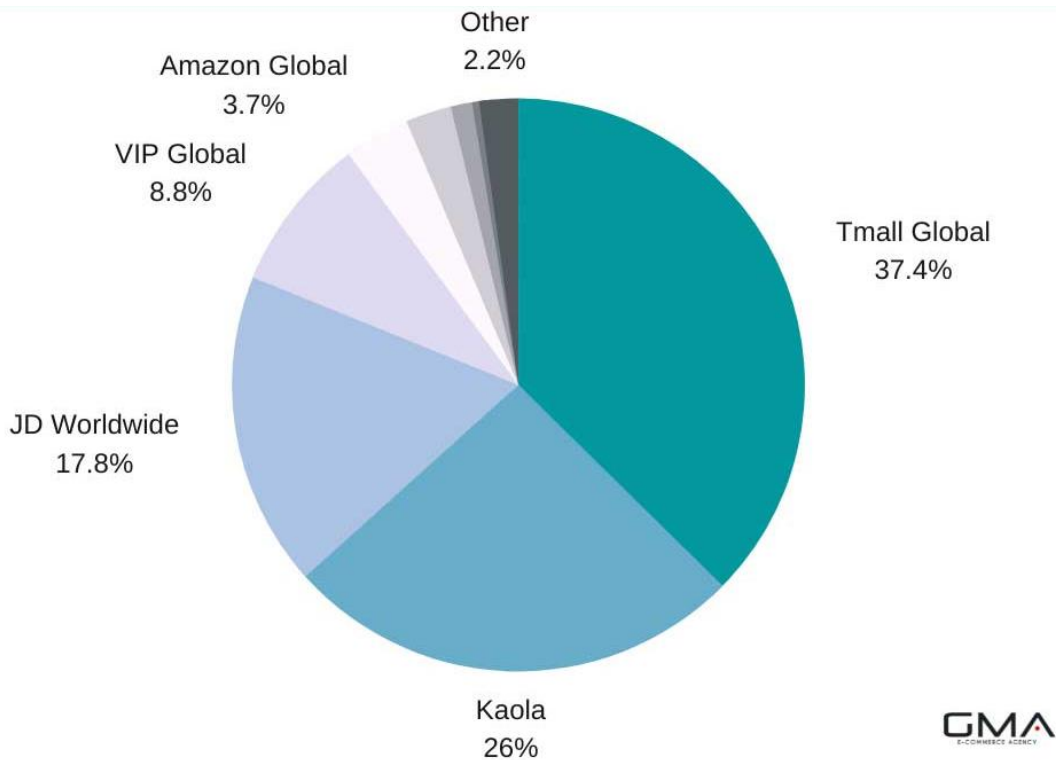


Figure 4. Cross-Border E-commerce Retailers in China- Market Shares- Third Quarter of 2021. Source: Gentleman Marketing Agency, *Cross-Border E-Commerce in China: The Ultimate Guide (2023)* Available at: <https://marketingtochina.com/cbec-cross-border-e-commerce-the-ultimate-guide/> (accessed on: 02/05/2023)

Kaola, which is the Chinese for Koala, was created in 2015 by the Chinese technology company NetEase as a response to companies from Australia wanting to sell in China. Since then, the platform developed quickly, catching the attention of Alibaba who acquired it in 2019 for 2 billion US dollars and now occupies a leading position, controlling 26% of the cross-border e-commerce market, surpassing JD Worldwide. Kaola was able to be successful in the Chinese market because of its high reputation for delivering 100% authentic and trustworthy authentic products of foreign brands at competitive prices. Kaola establishes strong relationships with international brands, allowing them to self-manage and set their own prices while managing their cross-border logistics, warehouse, online operations and after-sales services, thus enabling Western manufacturers to reach consumers on a larger and faster scale. The platform also pays special attention to customers and recently developed a QR code-based product tracing system to guarantee authenticity and quality.

VIP Global is the international version of VIP.com, a platform specialising in discount sales for luxury, fashion, and cosmetics products. Its model focuses on cooperation with brands to sell their excess inventory at discounted prices, offering certified products to high-income consumers, and has cooperated with over 41000 brands around the world. Sales often occur in

the form of flash sales events that last only a few days and that allow the purchase of a limited number of items; in this way, brands are able to reach new customers across China.

Cross-border e-business platforms hold many opportunities for Micro, Small and Medium Enterprises (MSMEs) wanting to participate in intercontinental trade. In addition, the Chinese government is supporting the exchange and development of domestic enterprises and foreign e-commerce platforms through initiatives, infrastructure investments, supervision mechanisms and new laws with the objective of creating the right circumstances for this business to flourish in a rapid and trustworthy way (Liu *et al.*, 2022).

It is clear that cross-border e-commerce platforms are one of the biggest and most innovative trends in China, not only allowing consumers to acquire commodities not available in their country but also assisting firms to promote and sell their products to a broader market base. CBEC is not simply a new sales channel but is also changing various levels of foreign trade and thus implies risks of uncertainty that can increase the costs of doing business and should not be underestimated (Giuffrida *et al.*, 2019). Although many challenges exist in cross-border e-business operations, these difficulties will not slow the development of cross-border e-business global trade.

The rapid development of mobile devices in the last decade made it the Chinese's favourite method used to access the Internet and has created a new segment of e-commerce which is mobile commerce, meaning the use of wireless handheld devices like cell phones and tablets to conduct commercial transactions online⁴⁷. Consumers prefer to use their phones to shop online rather than their computers mainly because of their portability and ease to use, mobile devices can ensure an extensive reach beyond the user's location and temporal constraints; consumers can purchase products or services anywhere provided that there is an Internet connection, by simply logging in to various online shopping websites, accessing almost all products available, encouraging them to spend more time on the device to browse on their leisure time (Akram *et al.*, 2023).

⁴⁷ Available at: <https://www.investopedia.com/terms/m/mobile-commerce.asp> (accessed on: 08/05/2023)

Mobile commerce created the foundations for another type of shopping, resulting from the maturity of social media development, where people spend more and more time, users in China spend an average of five hours and a half per day browsing⁴⁸, and the desire for purchases to be as quick as possible. The merge of social media and e-commerce has created social commerce, a new phenomenon in the retail business which refers to the use of social media and content creation platforms to explore and complete transactions of products or services, but also to share information about them for marketing purposes (Sun and Xu, 2019). This emerging form of shopping removes friction from the buying process, creates a more engaging journey for the consumer, and presents new opportunities for brands to generate consumer interest. In China, social commerce sales amounted to 351.6 billion US dollars in 2021, with 850 million social commerce users in 2021⁴⁹.

Social commerce can be considered as the evolution of e-commerce, merging together the functions of social media such as the creation, upload and exchange of content and the business functions of commerce. This allows consumers to obtain information before purchasing, to interact with sellers, to purchase products and services and to share their experiences with the sellers and the items all on the same social platform (Lee and Chen, 2020).

In this new environment, individuals are no longer passive consumers who receive information from the Internet but are active contributors, sharing their experiences with others on social platforms and thus creating promotion opportunities. Indeed, when online users have no experience in using products or services, they must rely on the experience of other consumers, who use ratings, reviews and recommendations to interact and provide information to potential customers (Lee and Chen, 2020). As it will be discussed in detail in chapter 2.4.2, China is a collectivistic culture, meaning it is group-oriented, so they are focused on the needs of the community and are more prone to accept recommendations from others, this is why social commerce is growing so rapidly. Another aspect of social commerce where the Chinese culture has a significant influence on consumers' perception of social commerce and their purchase intention is interaction with sellers. As customers are becoming the main actors in promotion,

⁴⁸ Available at: <https://www.statista.com/statistics/1053903/china-time-spent-with-online-media-by-type/> (accessed on: 08/05/2023)

⁴⁹ Available at: <https://www.statista.com/statistics/1340264/social-commerce-sales-china-united-states/#:~:text=In%202021%2C%20social%20commerce%20sales,nearly%2097%20million%20social%20buyers> (accessed on: 08/05/2023)

trust is key to increasing customers' purchase intention, customer satisfaction and company performance. Interaction with sellers, which is started mainly by consumers, and social ties can contribute to repurchase behaviours. *Guanxi*, intended in this context as mutual understanding, reciprocal favour, and relationship harmony has indeed proved to have a positive influence on consumer intention to purchase products or services while seller or product uncertainty usually dissuades Chinese consumers from buying (Sun and Xu, 2019). The use of social commerce is also positively influenced by privacy assurance, consumer-perceived satisfaction and perceived social utility. Among social commerce platforms, the most popular will be described briefly:

- * Pinduoduo is considered a relatively new social e-commerce platform, being founded in 2015, but rapidly accumulated users and is now one of the biggest platforms in China. It started as a fresh agriculture platform targeted at consumers who are living in low-tier cities and have relatively low incomes and then created its unique business model which is the secret of its success. Its unique model aims at the direct connection of consumers to the manufacturer but it also consists in being a group buying platform, meaning the prices get increasingly discounted the more consumers buy the product, so consumers invite their friends over social media to buy goods and get discounts, the more people get involved, the higher the discount (Zhao *et al.*, 2019). This approach, focused on live selling, group purchases and affiliate programs, encourages connections and interactions with other customers, elevating the online shopping experience. Pinduoduo is also a great platform for small brands that want to get started without investing big amounts of money as the entry costs are low and there are no membership fees.

- * Douyin is also known as the Chinese TikTok and is the most popular app among younger consumers. The app started as a short video social media platform launched by the company ByteDance in 2016 and later added its own in-app e-commerce, combining social interactions and shopping in one media, consumers can easily complete a shopping experience by watching videos, clicking products links inside the videos, sharing products, placing orders, and making purchases. Douyin also introduced live streaming and live stream sales functions, which really took off during the pandemic; these functions can successfully create bonds with users and build platform loyalty, which increases the possibility that users will make purchases during the live streaming service. Apart from this, the uniqueness of Douyin is its intelligent algorithm system and data analysis technology which are able to recommend products that match users' interests and needs

and attract them to spend more time on the platform. In general, the longer the users consume a certain type of content, the more likely they will be interested in the product appearing to them, thus, they will be more likely to click on the link and the higher the possibility of purchasing. However, findings indicate people spend an excessive amount of time on the platform, with some developing an addiction to Douyin (Chen, 2022).

- * Xiaohongshu is a fashion, beauty, and lifestyle sharing platform, a must for beauty brands since the majority of the brands offered are cosmetics and over 80% of its users are young females from top-tier cities with a strong interest in lifestyle. Also known as Little Red Book or simply RED, it was founded in Shanghai in 2013 as a user-generated content social sharing platform and it is now the fastest-growing social e-commerce app in China in terms of beauty, fashion and luxury products, with about 163 million monthly active users in China in December 2022. Word-of-mouth (WOM) communication is the main marketing form of the platform, attracting young, urban females with authenticity and objectivity. Xiaohongshu was able to create a community which focuses on users' original content, creating a safe space for like-minded shoppers to write reviews and share their shopping experiences of beauty and personal care, as well as to get information regarding upcoming products, distinguishing itself from other apps (Pemarathna, 2019). The platform also creates partnerships with most foreign brands, keeping their own inventory for added quality assurance, shipping directly to their users from warehouses, allowing brands to reach a large audience, managing their presence and building trust and credibility with Chinese consumers.
- * WeChat Mini-Programs are apps built within the WeChat platform (so it doesn't require installation and doesn't occupy additional storage space) launched in January 2017, registering an average of 450 million daily active users in 2021⁵⁰. They offer a wide range of features aimed at establishing a more direct, deeper and broader connection with consumers. Brands can use these programs to display basic store information, drive offline traffic and sales, launch campaigns, host live streams and build their e-commerce platform⁵¹. This gives companies the possibility to leverage a large number of users to

⁵⁰ Available at: <https://www.reuters.com/technology/tencents-wechat-mini-program-daily-users-china-grew-13-450-mln-last-year-2022-01-06/> (accessed on: 03/05/2023)

⁵¹ Available at: <https://jingdaily.com/5-ways-mini-programs-reshape-luxury-china/> (accessed on: 03/05/2023)

attract potential clients, without being controlled by platform giants, thus building their own exclusive e-commerce platform where users are encouraged to purchase the featured products directly. Brands also choose Mini-Programs for the low development costs, easy navigation, simplicity and variety in templates, intuitive way of use and versatility, allowing them to create permanent or pop-up stores, as well as the integration with messaging, WeChat Pay, ads, loyalty programs and KOLs campaigns.

According to the Hong Kong Trade Development Council⁵², 72.6% of all consumers buy cosmetics products on integrated e-commerce platforms. Although TMall, Taobao and JD.com remain the key players, the emergence of platforms such as Xiaohongshu, Douyin and Pinduoduo are becoming more and more popular and gradually gaining market share, eroding their sales.

From the information collected it is evident that many possibilities of growth potential still come from e-commerce platforms: the popularity of online shopping in low-tier and top-tier cities, the use of social media as a link with the e-commerce platforms and the popularity of cross-border purchases for those products that are not available in mainland China are just a few examples of the enormous potential of e-commerce. With omnichannel retailing gaining popularity and mobile social media apps becoming retail channels, beauty companies need to incorporate different retail methods in order to create an inclusive business ecosystem. Considering the influence short video clips and live streaming services have on user's purchasing behaviour and decisions, sellers must exploit big data⁵³, through which they are able to analyse users' browsing habits and shopping preferences, using intelligent algorithms to deliver high-quality content on the front pages of potential consumers on various platforms (Han, 2023). This, along with the introduction of customer services, loyalty programs and special offers, allows sellers to build an interactive, connected, and personalized bond with the users, thus satisfying customers' expectations, the secret for companies to achieve visibility and consequently sales on online platforms.

⁵² Available at: <https://research.hktdc.com/en/article/MzA4Nzg0MTgw> (accessed on 03/05/2023)

⁵³ Big data are very large sets of data that are produced by people using the internet, and that can only be stored, understood, and used with the help of special tools and methods. Available at: <https://dictionary.cambridge.org/it/dizionario/inglese/big-data> (accessed on: 08/05/2023)

2.2.4 Role of Social Media and KOLs

The development of social media on the Internet has emerged as an important vehicle for facilitating social and interpersonal interaction, not only changing people's lifestyles but also meeting some of their needs and consequently influencing the development of e-commerce.

According to Xin (2020), current consumers of beauty products have shopping needs, entertainment needs and social needs that cannot be divided from the audience's consumption scenes, psychological states, and social hot spots. These needs can be met through online social influence live broadcasting channels, combining the real-time nature of the webcast and the presence of the virtual body of the Internet celebrity, establishing two-way communication that creates a high-quality interactive experience for users. At present, short beauty videos and live streaming have formed a complete industry system that leads the development of the beauty industry.

The beauty industry has demonstrated to be the most successful one in combining with e-commerce and live streaming, increasing the penetration rate of beauty products. Shopping through live streams is a new way of shopping able to offer not just the characteristics of social commerce but also social media qualities (Cai and Wohn, 2019). According to their research, the main reasons consumers seem to prefer live stream shopping to traditional shopping are product demonstration (the possibility to see how products work), product information (the ability to ask for more information if they need to), excitement about the novelty of a new shopping method, and interaction (the ability to communicate with the streamer and other viewers).

Differently from traditional offline sales methods, live streaming has greatly reduced time and space costs while largely increasing customers' enthusiasm for consumption. In addition, the visual communication mode of live streaming and short videos can support consumers in better understanding the manufacturing processes, as well as the functioning and the effects of the product, allowing them to obtain more accurate information and make better purchase decisions (Cai and Wohn 2019). For these reasons, more and more brands and companies are investing in this new form of shopping and marketing, integrating it with traditional marketing methods, hoping to expand market channels for enterprises and obtain greater expansion capacity.

The most important positive influence impacting consumers' purchase intentions during live streams is the streamer's external image and external quality, including its appearance and way of speaking but also its ability to sell products and build consumers' trust (Wang and Liu, 2022). In this context, celebrities and Key Opinion Leaders have emerged as fundamental actors and become the connection point between beauty brands and users, making accurate targeting possible. According to Meng (2023), key opinion leaders are usually influential persons in a particular field who have more professional and extensive knowledge of beauty, skincare and fashion than the average person, who is trusted by a group with similar tastes and greatly influence consumption and purchases decisions of the group. Expert bloggers on social media quickly became the main reference for young consumers before shopping, who turn to KOLs' evaluation and promotion content before buying various kinds of products.

Normally, KOLs offer product reviews and personal product recommendations on online platforms. Additionally, a growing number of beauty companies are deciding to adopt influencer marketing and use influencers like celebrities, bloggers and industry experts to promote their events and marketing campaigns, as well as to promote and advertise their products. High-quality KOLs are able to accumulate loyal fans that will follow their favourite bloggers and will show particular interest in the products promoted so they will be more inclined to purchase, turning in new clients for the company (Marjerison *et al.*, 2020). Since people with similar preferences and needs gather together, this marketing method allows beauty companies to save money on traditional advertising campaigns but also project the right image of a brand or help build its brand image, because the endorsement of KOLs, who act as brand ambassadors, statistically gains more attention and better promotes consumption due to their familiarity (Xiong *et al.*, 2021). However, the partnership between cosmetics brands and KOLs is not always successful, with some not being able to come up with creative content or denigrating the other's reputations because of conflicts of interest. Beauty brands should be particularly mindful when selecting candidates and look for those who match their image and their target group, as consumers tend to rely more on recommendations coming from KOLs they perceive as being similar to them, with the objective of creating a solid image and reputation in today's streaming variety (Wu, 2022).

A new trend that is yet to be seen in the West, but it has gained enormous popularity in Asia, especially among younger generation, is the virtual influencer, who is a computer-generated character. Thanks to Gen Z's consumption of social media advertising, virtual influencers will

play a major role in the future of social media with over half of Chinese youngsters already engaging with them for fashion and beauty content in 2023. Companies are already showing interest in these new KOLs as they are cheaper and easier to manage than human ones, they are safer as they will not be involved in scandals, they can be easily adapted to the brand image and they are already showing higher engagement rates, reaching a wider audience⁵⁴.

2.2.5 Competition

The Chinese cosmetics market is mainly dominated by domestic brands for what concerns the mid and low-end segments, while foreign enterprises and joint ventures are leaders in the high-end segment. Foreign players strongly dominate the Chinese cosmetic products market. The major key players are L’Oreal Group, Avon Products Inc., the Estée Lauder Companies Inc., Shiseido Co. Ltd, Dior and Yves Rocher International, among others⁵⁵. World-renowned companies are still dominating the Chinese beauty market, especially the luxury category, thanks to their strong brand image and the Chinese consideration of their products to be extremely reliable and of high quality, as well as the financial support they can benefit from their status as global multinational corporations. In 2021, China imported beauty products for 20.29 billion US dollars and the French company L’Oréal accounted for around 12.2 per cent of the cosmetics market in China, ranking in first place, followed by P&G, Estee Lauder, Shiseido and LVMH⁵⁶.

Figure 5 clearly shows that in the past three years, China’s domestic brands have been rising quickly and more domestic brands are ranking in the top 10, even if the proportions they account for, typically around 2%, are considerably lower than the foreign cosmetics brands’ market shares. This phenomenon was incremented by the pandemic, and it is due to the increase in the brand awareness of many domestic enterprises, such as Perfect Diary, Herborist, and Longrich and to the effort of well-established Chinese companies, like Pechoin and Florasis, to

⁵⁴ Available at: <http://jingdaily.com/virtual-influencers-asia-campaigns-ayayi-imma-noah/> (accessed on: 12/05/2023)

⁵⁵ Available at: <https://research.hktdc.com/en/article/MzA4Nzg0MTgw> (accessed on 03/05/2023)

⁵⁶ Available at: <https://www.statista.com/statistics/1196617/china-cosmetics-sales-distribution-by-companies/> (accessed on: 08/05/2023)

manufacture high-quality products, to meet the domestic demand for the mid-and high-end market.

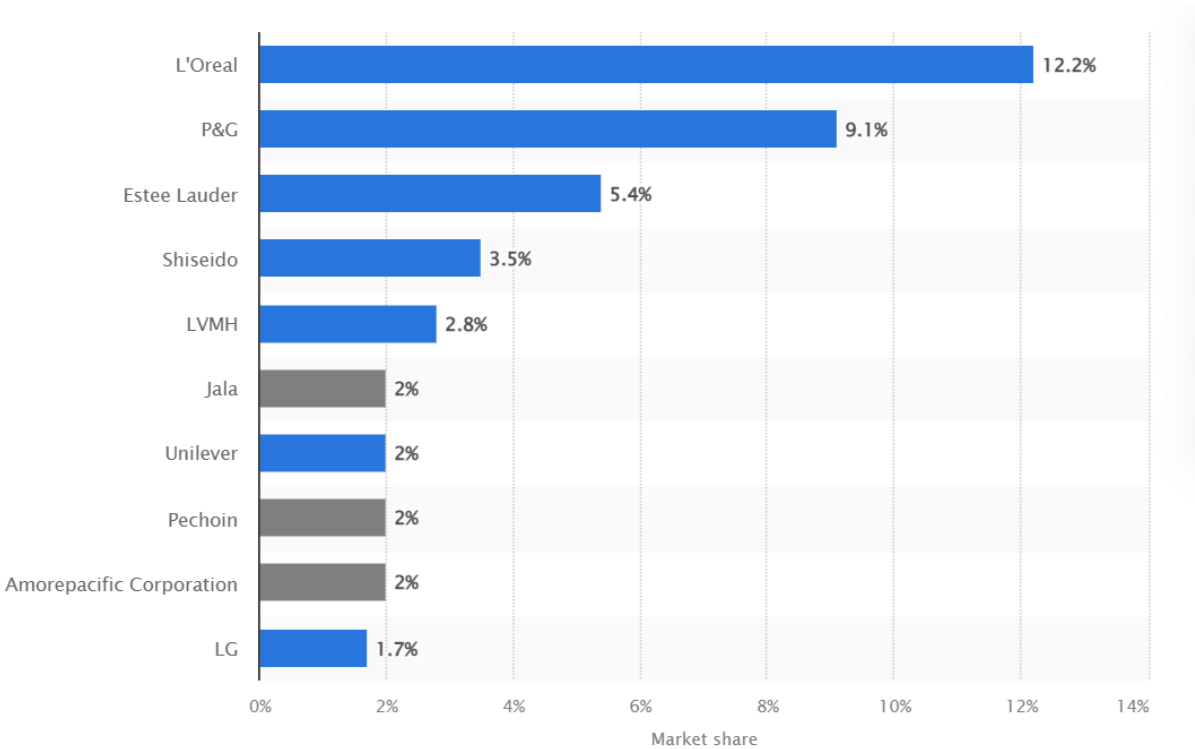


Figure 5. Leading cosmetics enterprises in China in 2021, based on market share. Source: Statista Cosmetics market in China 2023 Available at: <https://www.statista.com/statistics/1196617/china-cosmetics-sales-distribution-by-companies/> (accessed on: 08/05/2023)

Compared to international brands, Chinese brands can enjoy some advantages that are key to their growth, for example, their research and development process normally takes around 3 to 6 months, allowing them to launch many high-quality new products, while for international brands this period redoubles⁵⁷. In addition, domestic players also boosted brand awareness through the development of online sales channels and with the effective use of social media and digital marketing. With traditional style and culture now in vogue, local companies successfully exploited their cultural advantage with such items as Chinese-style gift boxes, and limited festival editions. Chinese beauty brands do not pose a threat to international brands yet, as some limitations to their growth remain, such as weak brand power, lack of technologies and

⁵⁷ Available at: <https://www.euromonitor.com/article/quality-timing-and-e-commerce-how-c-beauty-is-winning-with-chinese-consumers> (accessed on: 24/07/2023)

difficulty in maintaining a low-price strategy⁵⁸. Still, many consumers will choose domestic products, and some predict that Chinese cosmetics products will surpass foreign brands in retail value in 2026. With more and more brands entering the market, competition is increasingly more intense, with digitalization and the correct use of social media and KOLs turning into the key to an effective strategy.

2.2.6 Trade and Sanitary Regulations

The analysis of the Chinese online beauty market wouldn't be complete without considering one of the biggest obstacles that companies face when expanding to China, regulations on import duties and safety standards.

In order to ensure the quality and safety of the products imported, the Chinese government has implemented a strict and detailed procedure that was revised with effect from 2021. The new "Regulations on the Supervision and Administration of Cosmetics" prescribes that foreign companies wanting to sell goods in China first need to register with and be approved by the National Medical Products Administration (NMPA)⁵⁹. In order to do this, foreign brands need to appoint a Domestic Responsible Agent (DRA), a legal entity in China to handle and monitor the registration process, acting as an intermediary between the importing company and the NMPA⁶⁰. During this process, it is mandatory for all cosmetics to be imported into China to be tested by NMPA, even if they have already been tested overseas, often requiring animal testing even though this is gradually changing and non-animal-based test methods are starting to get accepted. The cosmetics registrants are responsible of the quality, safety and efficacy claims and may face fines and punishments such as a lifetime ban from engaging in the production and operation of cosmetics⁶¹. In addition, China also stipulates strict regulation on labelling, establishing that the content of the label must be legal, true, complete, accurate and consistent

⁵⁸ Available at: <https://www.euromonitor.com/article/top-three-trends-shaping-chinas-beauty-and-personal-care-market> (accessed on: 05/05/2023)

⁵⁹ Available at: https://www.gov.cn/zhengce/content/2020-06/29/content_5522593.htm (accessed on: 17/07/2023)

⁶⁰ Available at: <http://cosmetic.chemlinked.com/cosmepedia/china-mainland-cosmetic-regulation> (accessed on: 17/07/2023)

⁶¹ Available at: https://www.gov.cn/zhengce/content/2020-06/29/content_5522593.htm (accessed on: 17/07/2023)

with the information provided during the registration process. The label should be visible, and all information must be in Chinese characters and follow specific rules, which include some words and expression that are prohibited from use⁶². However, these rules apply only when selling through traditional channels and can be bypassed in the case of selling through cross-border e-commerce channels. This offers companies a way to save themselves from the trouble of going through the lengthy and costly procedures described above and is the reason why many cosmetics manufacturers choose this channel when exporting their products to China.

In terms of import taxes, regulation is continuously modified to reflect the economy and the consumption trends. In recent years, the Chinese government was committed to open the market and encouraging consumption in order to boost the economy. For the purpose of moving in this direction, import taxes for skin care and hair styling products decreased from 8.4% to 2.9% in 2018⁶³. Cosmetics products are also subjected to a consumption tax of 15% and a value-added tax of 17%, that Western companies need to take into account when deciding to export their products to the Chinese market, as it could erode the company's profits⁶⁴.

After twenty years of rapid growth, competition in the Chinese beauty market is intense and the international brands who wish to profit from the numerous opportunities offered by this lucrative market need to take clear action. In order to do this, companies are required to have a clear and meaningful vision and mission, to define their market segment and the products they want to offer.

In addition, international companies should remember that digital innovation has determined the emergence of new consumption modes and business models that are developing at an accelerated pace. Chinese consumers are now more rational, reducing impulse purchases, they are more interested in product quality and value, they are willing to compare prices before making purchases, they are open to diversity and trying new things and pay attention to sustainability.

⁶² Available at: <https://www.cirs-group.com/en/cosmetics/key-points-of-cosmetic-labeling-in-china> (accessed on: 17/07/2023)

⁶³ Available at: <https://www.reuters.com/article/us-china-economy-tariffs/china-to-slash-import-tariffs-on-many-consumer-products-by-60-percent-from-july-1-idUSKCN1IW1PY> (accessed on: 17/07/2023)

⁶⁴ Available at: <https://www.reuters.com/article/us-china-consumption-tax-idUSKCN1200X7> (accessed on: 17/07/2023)

Identifying and exploiting emerging niches is key for brands hoping to secure their future in China. Along with that, beauty brands should implement the use of technology to create a highly personalized experience that allows shopping and social interaction, the creation of bonds with consumers and communities to increase brand loyalty and trust through leveraging emotional storytelling, including reliable and trustworthy brand ambassadors and build brand recognition and the accurate selection of the right ingredients that satisfy changing consumer needs.

2.3 Chinese Consumers Analysis

In 2014, President Xi Jinping announced the entrance in a new stage of economic development, namely the “new normal”, that promotes slower but more sustainable economic development (Nishimura, 2020).

In the past two decades, China's economy has been flourishing, along with the growth of people's disposable income and improvement of living standards, sales of consumer goods have increased, resulting in a dynamic market where consumption has become the main driving force of the economy growth of the country.

The spread of COVID-19, however, decelerated consumer growth and the macroeconomic pressures due to the instability of stock markets and the mobility restrictions weakened consumer sentiment. Despite the negative consumption growth due to the impact of the pandemic in 2020, the market still showed high resilience and is embarking on a new path towards building a new pattern of development mirroring the changes happening in Chinese society⁶⁵.

In the first quarter of 2023, after the country's zero-Covid policy was dismantled, the national economy made a good start and started recovering, the production and demand steadily increased, residents' income continued to rise and people started spending again. In addition, the Chinese government has constantly introduced policies to ensure stability, expand domestic demand, encourage new forms of consumption through a variety of means and channels, and

⁶⁵ Available at: <https://www2.deloitte.com/cn/en/pages/consumer-business/articles/consumer-insight-2023.html> (accessed on: 05/05/2023)

promote high-quality development, welcoming a new phase for the evolution of China's consumer market⁶⁶.

2.3.1 Demographics

In the last few years, China's middle-class households have grown at a rapid and steady pace, and it is predicted to reach 80 million from 2022 to 2030, accounting for 40 per cent of the total population and concentrating in third or lower-tier cities⁶⁷. The emerging middle class is expected to become a significant driver for the continuing growth of the Chinese economy. Along with that, the urbanization rate⁶⁸ has also been increasing, with about 921 million people living in urban regions in China in 2022, approximately 65.2 per cent of the total population⁶⁹.

The income growth has been and will continue to be the most important change affecting the consumer landscape. Per capita disposable income⁷⁰ of Chinese urban households saw a significant increase over the last decades, more than doubling between 2010 and 2020, and is still rising at a fast pace. In 2022, the per capita disposable income of Chinese citizens was 36,883 Chinese yuan, 5.0 percent more than the previous year, while the per capita consumption expenditure was 24,538 yuan, an increase of 1.8 per cent over the previous year⁷¹.

However, since China is still a developing country, it has to face considering challenges, one of which is inequality in income distribution. Considering urban and rural areas the differences

⁶⁶ Available at: http://www.stats.gov.cn/english/PressRelease/202304/t20230418_1938715.html (accessed on: 05/05/2023)

⁶⁷ Available at: <https://jingdaily.com/bcg-report-china-middle-class-generational/> (accessed on: 08/05/2023)

⁶⁸ Urbanization is the process of people migrating from rural to urban areas, during which towns and cities are formed and increase in size. In China, the urbanization rate differs greatly according to the area considered and is higher in coastal regions in East and South China. Available at: <https://www.statista.com/statistics/270162/urbanization-in-china/> (accessed on: 08/05/2023)

⁶⁹ Available at: <https://www.statista.com/statistics/270162/urbanization-in-china/> (accessed on: 08/05/2023)

⁷⁰ Disposable income, also known as disposable personal income (DPI), is the amount of money that an individual or household has left to spend or save after paying taxes and basic needs. It is often used to measure the state of the economy and is studied to understand how consumers save, spend, and borrow. Available at: <https://www.investopedia.com/terms/d/disposableincome.asp> (accessed on: 09/05/2023)

⁷¹ Available at: http://www.stats.gov.cn/english/PressRelease/202301/t20230118_1892303.html#:~:text=Households'%20Income%20and%20Consumption%20Expenditure%20in%202022&text=In%202022%2C%20the%20per%20capita,percent%20after%20deducting%20price%20factors (accessed on: 09/05/2023)

are evident, the per capita disposable income of urban residents was 49,283 Chinese yuan, an increase of 3.9 per cent while the per capita disposable income of rural residents was 20,133 Chinese yuan, an increase of 6.3 per cent⁷². These differences among the population have deeply affected how global companies operate in China. In the past, multinational companies that targeted the high-income segment were able to keep the same business model they applied in other countries, without needing to adapt it to local specificities but limiting their target to a really small part of the Chinese market. On the other hand, those who targeted low-income consumers had a bigger piece of the market they could reach, but they needed to adapt to the market conditions, lowering prices and changing business models. In spite of this, rising incomes and urbanization, as well as the distribution of wealth, are changing the situation.

China is also experiencing an increment in the ageing population and a drop in birth rates. As a result of the one-child policy⁷³ introduced in the 1970s and the modernization process, the median age of the Chinese population has been constantly growing and is expected to reach 50 years by 2050, with the over 65 years old group going from 17.8 per cent in 2020 to 40 per cent in 2025 while the working-age population is expected to decrease gradually from 64 percent of the total population in 2020 to around 50 percent in 2050⁷⁴. This will probably have a negative effect on China's economy and the social insurance system, with public pension expenditure continually increasing, but China's ageing population, and consumption opportunities, are well appreciated by many companies and investors.

The over-60s consumption is expected to grow by about 150 per cent by 2030, twice as fast as overall consumption growth in China⁷⁵. In this context, a new consumer is emerging, belonging to the so-called silver economy, holding more spending power, more accumulated wealth and

⁷² Available at:

http://www.stats.gov.cn/english/PressRelease/202301/t20230118_1892303.html#:~:text=Households'%20Income%20and%20Consumption%20Expenditure%20in%202022&text=In%202022%2C%20the%20per%20capita,percent%20after%20deducting%20price%20factors (accessed on: 09/05/2023)

⁷³ The one-child policy was a program introduced by the Chinese government in 1979 aimed at reducing the growth of the population, seen as limiting economic development, by limiting families to one child each. The policy was revoked in 2016, encouraging families to have up to three children. Available at: <https://www.britannica.com/topic/one-child-policy> (accessed on: 09/05/2023)

⁷⁴ Available at: <https://www.statista.com/statistics/251529/share-of-persons-aged-60-and-older-in-the-chinese-population/> (accessed on: 09/05/2023)

⁷⁵ Available at: <https://www.mckinsey.com/cn/our-insights/our-insights/seven-segments-shaping-chinas-consumption-landscape> (accessed on: 09/05/2023)

more free time compared to their Gen Z and Millennial consumer counterparts, meaning they are an important consumption group. This group is mainly interested in customized apparel, health supplements, cosmetics and jewellery, with a great share of it is active online and using e-commerce platforms⁷⁶.

The decrease in fertility rate not only decreased the size of the average household (the average number of persons per housing unit) but also changed youngsters' view of marriage and relationships, resulting in more than 15 per cent of Chinese households being single-person ones, with more than 240 million single adults driving a robust singles economy.

This phenomenon can be observed in the increase of products and services to be enjoyed alone, such as one-person gym modules and mini karaoke booths, and more and more beauty companies are exploring the potential of self-care products and gifts⁷⁷.

The last big change in Chinese demographics concerns the more independent role of women. Even though China presents a very imbalanced sex ratio, with 110 boys to 100 girls aged from 0 to 4 years old in 2021, which is due to the traditional preference for male children in Chinese society and the sex-selective abortions practised illegally in the past to bypass the one-child policy, the same policy allowed women to study and work and they are increasingly gaining a more important role in today's society⁷⁸. As more women in China pursue higher education, participate in the workforce, and delay starting families, the gender pay gap is narrowing and their spending power has increased. Since women like to invest in themselves and their self-improvement, spending 54 per cent of their income on their own needs in 2021, with luxury items, education and training, tourism, and health services being the main beneficiaries, brands have the opportunity in exploiting this newly forming "she-economy". In order to do that, companies need to attract female consumers through premiumization, targeting their products and leveraging women's issues⁷⁹.

⁷⁶ Available at: <https://jingdaily.com/china-silver-economy-government-support/> (accessed on: 10/05/2023)

⁷⁷ Available at: <https://www.mckinsey.com/cn/our-insights/our-insights/seven-segments-shaping-chinas-consumption-landscape> (accessed on: 09/05/2023)

⁷⁸ Available at: <https://www.statista.com/statistics/251102/sex-ratio-in-china/> (accessed on: 10/05/2023)

⁷⁹ Available at: <https://jingdaily.com/china-she-economy-female-consumer-spending-2023/> (accessed on: 10/05/2023)

2.3.2 *Spending Patterns*

China's changing economics and demographics allow an analysis of the key trends and spending patterns of the next decade. The government's boost for consumption along with the high incomes and a more widespread general wealth is changing Chinese spending patterns.

Following the pandemic, consumers have shown a tendency of being more pragmatic and rational when choosing what to buy, which can be attributed to reduced consumption needs as well as increased economic pressures and life uncertainties⁸⁰.

This translates in many new habits for consumers such as prioritizing product quality and value, taking advantage of promotions, and comparing prices across multiple sellers before making a purchase.

In order to maintain their quality of life, Chinese consumers are spending in a more conservative way, though this does not mean that they are reducing their purchases, as in some cases they manage to spend less while buying more. Consumers are trying to reduce impulse buying by turning to cheaper channels or cheaper product lines but also by comparing prices and looking for coupons⁸¹. It is clear that consumers are price-sensitive and have a strong sense of participation. They want to be in control of their consumption and make the best choices for themselves.

In agreement with this, Chinese consumers are becoming much savvier about what they buy, with strong knowledge on the features and properties of products they are interested in, such as the best ingredients for their facial cream, pushing producers to exponentially increase their research budgets. The growth of income and spending power also results in consumers seeking high-quality and premium brands, especially concerning categories that make them look good

⁸⁰ Available at: <https://www2.deloitte.com/cn/en/pages/consumer-business/articles/consumer-insight-2023.html> (accessed on: 05/05/2023)

⁸¹ Available at: <https://www.mckinsey.com/cn/our-insights/our-insights/2023-mcKinsey-china-consumer-report> (accessed on: 05/05/2023)

in society, like cosmetics. Chinese consumers' focus on researching and buying products that meet their increasingly exacting requirements is one trend that is here to stay⁸².

Another trend emerging recently is the pursuit of an experience that pleases oneself, in the sense that consumers no longer look at their purchases as a way to satisfy their material needs but they expect them to satisfy also their physical and spiritual needs, creating an all-around shopping experience that involves also the social attributes. Consumers are looking for expressing themselves and helping other, sharing their purchasing experience and subjective feelings in addition to information about the product or service itself. For this reason, as well as the willingness to try new shopping methods, channels with strong social attributes such as live streaming, WeChat public accounts, and short-video platforms have become the hot spot where consumers can search for information, influence their decision-making, and share their shopping experiences⁸³.

With Asia being on the front line of climate risk, accounting for two-thirds of the global risk of economic disruption caused by climate change, concern is rising in China. Thanks to the government promotion for a green and sustainable development, which includes reaching carbon neutrality and a harmonious relationship between man and nature, consumers understand and feel the responsibility for leading a greener and more sustainable life. In terms of consumption, this is translating into a rising willingness to pay a premium for sustainable products and packaging⁸⁴.

2.3.3 *Consumer Preferences*

The cosmetics market has gone through a long period of development in China. Today, Chinese consumers pay more attention to the ingredients of the products they purchase, for both safety and functionality reasons.

⁸² Available at: <https://www.mckinsey.com/cn/our-insights/our-insights/2023-mcKinsey-china-consumer-report> (accessed on: 05/05/2023)

⁸³ Available at: <https://www2.deloitte.com/cn/en/pages/consumer-business/articles/consumer-insight-2023.html> (accessed on: 05/05/2023)

⁸⁴ Available at: <https://www2.deloitte.com/cn/en/pages/consumer-business/articles/consumer-insight-2023.html> (accessed on: 05/05/2023)

Meanwhile, demand is diversifying, and new segments are rising:

- * Men's grooming. For a long time, women were regarded as the only target for cosmetics products and men were never a large part of the cosmetics market share, however, that seems to be changing and the male grooming market is growing rapidly. As an effect of the popularity of "K-pop" or "K-dramas" becoming large in the area, male Chinese consumers, especially the younger Gen-Z consumers, are increasingly mindful and conscious of their self-image and personal hygiene, which resulted in a 9.9 billion Chinese yuan market in 2021, showing an annual growth rate of 23.8 per cent and expected to reach 16 billion Chinese yuan in 2023⁸⁵. Among male beauty categories, facial cleansers and moisturizing creams are the most sold beauty products but men are becoming more open to trying new things and are embracing the use of colour cosmetics such as BB/CC creams, eyebrow pencils and even lip colour, gradually breaking out of the traditional gender limits⁸⁶. Similar to female consumers, male beauty consumers also utilize platforms such as Xiaohongshu, Douyin and Weibo to get more information about the products. In fact, Xiaohongshu found that in 2022 men content creators increased by 82 per cent from the previous year and searches for "men's beauty" increased by 167 percent. In addition, to better target male consumers, companies should use more specific platforms such as financial news outlets and Hupu, the largest online sports community in China, where men actively share NBA, sneakers, and sports-related content. Many international brands have already entered the men's grooming market, with Unilever launching the high-end male beauty line EB39, and Japanese group Shiseido releasing the men's skincare brand Sidekick. However, they are facing strong competition from established and new local brands such as Make Essence and DearBoyFriend, which are not afraid to tackle this market that offers potential beyond the already saturated women's beauty market⁸⁷.

- * Clean and Green Beauty. Consumers are becoming more concerned about the environment and their own well-being, so they are starting to look for products that do not include ingredients suspected to be harmful to the individual's health or the

⁸⁵ Available at: <https://www.euromonitor.com/mens-grooming-in-china/report#> (accessed on: 11/05/2023)

⁸⁶ Available at: <https://daxueconsulting.com/china-beauty-industry/> (accessed on: 08/05/2023)

⁸⁷ Available at: <https://jingdaily.com/a-playbook-for-chinas-10-billion-mens-beauty-market/> (accessed on: 11/05/2023)

environment, often associated with words such as cruelty-free, natural, vegan, green, organic, and sustainable⁸⁸. These products are still representing a niche in the market, but demand is growing rapidly, with the sales of these products in 2018 more than five times bigger than those of five years before, and especially Millennials and Gen-Z are showing the greatest interest in buying clean beauty products and paying a premium⁸⁹. Even international cosmetics brands are starting to incorporate sustainable elements into their actions to be perceived as green, for example, Lancôme has recollected more than 3 million empty bottles in 2021, Shiseido will go fully recyclable with their packaging before 2025 and L'Oréal is using renewable energy⁹⁰. However, entrance into this market is not without challenges, especially due to the Chinese norms on animal testing. Not until long ago, unlike many Western countries, China still requested mandatory animal testing for beauty products, which limited access for clean beauty brands, whose ethics do not allow them to align with the test requested. Recently, the regulation was loosened and both local and international beauty products were spared from mandatory animal testing, apart from some specific cases, allowing cruelty-free beauty brands to enter China and start growing in the market⁹¹.

- * Cosmeceuticals. These products, which are a combination of cosmetics and pharmaceutical features such as spot lightening cream and acne treatment, are relatively new in the beauty market and they are gaining attention from consumers who perceive them as more effective and safer. According to the latest research from Mintel, 69% of Chinese consumers agree that using cosmeceuticals daily can prevent skin sensitivity, while 44% affirm they use cosmeceuticals only when facing a skin condition⁹². This can benefit from the busy and stressful lifestyles, especially in big cities, that have increased the number of skin conditions. With a market valued at more than RMB80 billion in 2021 and that is continuing to expand, there is plenty of potential for growth. In particular, the

⁸⁸ Available at: <https://daxueconsulting.com/clean-beauty-market-china/> (accessed on: 11/05/2023)

⁸⁹ Available at: <https://research.hktdc.com/en/article/MzA4Nzg0MTgw> (accessed on: 03/05/2023)

⁹⁰ Available at: <https://research.hktdc.com/en/article/MzA4Nzg0MTgw> (accessed on: 03/05/2023)

⁹¹ Available at: <https://daxueconsulting.com/clean-beauty-market-china/> (accessed on: 11/05/2023)

⁹² Available at: <https://www.mintel.com/press-centre/cosmeceuticals-see-emergence-in-china/> (accessed on: 12/05/2023)

key to success in the cosmeceutical market is for brands to be transparent in regard to their formulas and ingredients used, in order to let the consumer understand how the products work. In addition, to increase the popularity of cosmeceuticals, brands can consider offering in-store services such as skin testing to determine skin type and sun damage, as well as engaging dermatologists to build trust.

- * Children's Cosmetics. Sales of children's cosmetics, which are products for children aged 12 or under with the purpose of cleansing, moisturizing, protecting from the sun and so on, have seen exceptional growth in recent years. Chinese people are becoming more and more interested in healthy products, in particular in child-specific goods and have an increasing sensitivity about the safety of these products. For this reason, the government issued the *Provisions on Supervision and Administration of Children's Cosmetics* in October 2021, the first regulation pointing out the key points of supervision of children's cosmetics, imposing strict production conditions and attentive labelling⁹³.

- * Guochao. This can be interpreted as "national wave" and refers to those products that are infused with Chinese traditional cultural elements as a key selling point. The pandemic strongly contributed to the diffusion of this trend thanks to the increase of national pride and the tension in the relations with foreign countries, strengthening domestic consumption. Beauty products with guochao characteristics include packaging and product colouring that recall Chinese imperial palaces and use ancient Chinese characters, as well as elements of traditional medicine in the formulation. This trend favours local brands that can exploit their Chinese background and over the years, only a few Western brands have experimented with this type of product⁹⁴.

In this fast-evolving world, consumer behaviour and preferences will definitely change again, so it will be crucial for companies to remain flexible and dynamic, as well as to have a well-developed business foundation and to use sentiment analysis tools to detect new trends at the

⁹³ Available at: <https://www.cirs-group.com/en/cosmetics/comprehensive-analysis-of-compliance-of-childrens-cosmetics-in-china> (accessed on: 12/05/2023)

⁹⁴ Available at: <https://jingdaily.com/why-guochao-is-so-important-to-chinas-cultural-consumers/> (accessed on: 12/05/2023)

beginning and act in advance of competitors to win over consumer and ensure a bigger share of the Chinese market.

Western cosmetics brands should also be mindful that cultural differences between the East and the West are the deepest, so businesses need to be aware and have specific knowledge of the philosophies derived from the Chinese historical and cultural contexts to develop better marketing strategies and succeed in this market. In this way, they can elaborate the best strategy to ensure the highest growth opportunities and differentiate their value propositions to differentiate themselves from competitors.

2.4 The Impact of Culture

It is clear by now that culture affects every part of our lives, it affects how people think and behave, what they consume and how they spend, their needs and how they satisfy them. So, culture is relevant to the study of markets and the management of businesses and their activities. Indeed, while the world is becoming progressively more interconnected and exchanges become easier, countries still show many deep differences between one another, and these differences need to be understood and tackled the right way or they will pose big threats to companies. Culture becomes even more challenging when companies address foreign markets and trends and preferences depend on some environmental forces that are uncontrollable and unpredictable by organizations.

These environmental forces include the sociocultural background, the demography, the economic development, the political and legal system, the technological equipment and also the geography and infrastructures of a country. Therefore, to be successful in a foreign market, international brands must focus on cultural differences, develop global awareness⁹⁵ and consider one's self-reference criterion and ethnocentrism⁹⁶ (Pontiggia, 2020; Vescovi, 2018).

⁹⁵ Global awareness: the ability to understand, respect and work well with people from diverse cultures (Vescovi, 2018).

⁹⁶ Self-reference criterion: unconscious reference to one's own cultural values, experiences and knowledge as a basis for decisions (Vescovi, 2018). Ethnocentrism: the attitude that one's own group, ethnicity, or nationality is superior to others (Vescovi, 2018).

The definition of culture has long been discussed and a common definition is yet to be found. Pontiggia (2020) presents the definition that experts such as Namewirth and Weber elaborated on, considering culture as: “A system of values and norms that are shared among a group of people and that when taken together constitute a design for living. Values are ideas about what a group believes to be good, right, and desirable [...]. Norms are the social rules and guidelines that prescribe appropriate behaviour in particular situations. Society refers to a group of people sharing a common set of values and norms” (p. 72).

However, cultures can embrace several nations and one nation can contain several subcultures as society and nation do not always coincide, so internal cultural homogeneity is rarely seen and this makes it more difficult to recognize cultural nuances, that require delicacy and awareness not to fall into stereotypes and understanding the origins of culture. In fact, culture does not emerge fully formed but it evolves over time as a result of a number of factors including religion, economic and political philosophies, social structure, language and education (Pontiggia, 2020). In addition, culture is not static and evolves over time, even though slowly and not free of resistance, and while economic advancement and globalization are two of the main forces responsible for this, one should not presume that consumers now share a common set of wants and needs because differences still persist and what may appear to be corresponding in appearance may be different in reality (Vescovi, 2018).

2.4.1 Hofstede's Cultural Dimensions Analysis

Numerous frameworks regarding cultural differences and how they affect businesses and markets have been formalized through the years, but the most famous theory is Geert Hofstede's cultural dimensions. Geert Hofstede was an anthropologist and psychologist from the Netherlands, who extensively studied culture, in particular the relations of people within a society, defining it as “the collective programming of the mind that distinguishes the members of one group or category of people from others” (Hofstede, 2011, p. 3). From the data collected through 116,000 questionnaires in over fifty countries, he was able to cluster differences based on nationality and no longer on individuality. He initially identified four dimensions of culture that explain differences among societies: power distance, uncertainty avoidance, individualism versus collectivism, and masculinity versus femininity (Hofstede, 2011).

Through further research, he was able to improve the framework and added two more dimensions: long versus short time orientation and indulgence versus restraint. Hofstede's final framework is composed of the following six dimensions:

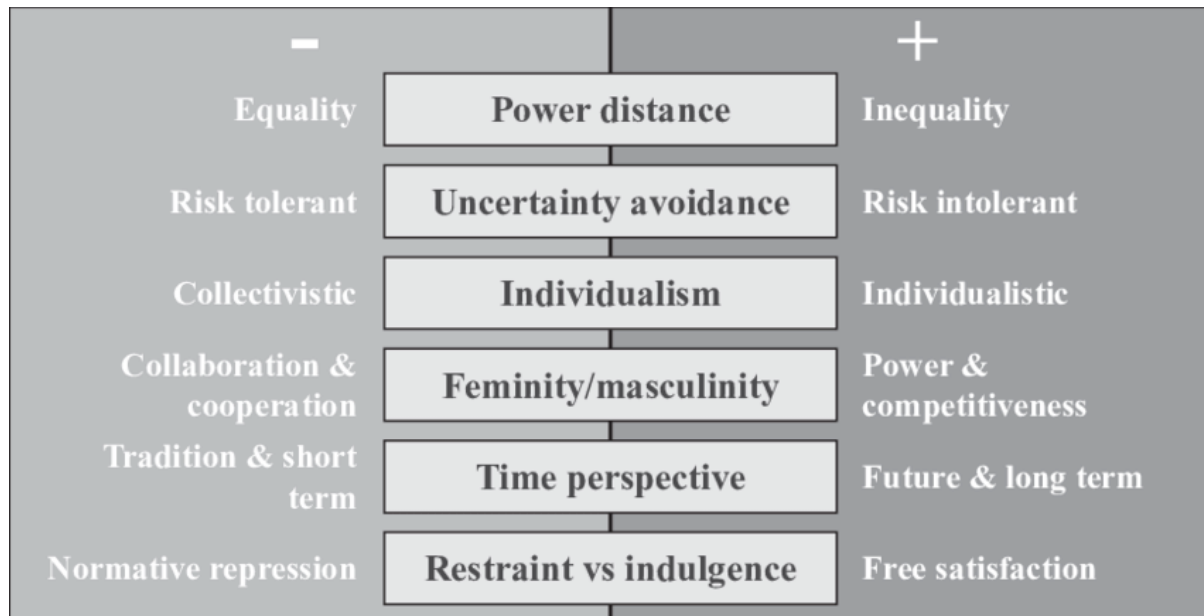


Figure 6. Hofstede's Cultural Dimensions Model. Source: Morente et al., 2018

1. **Power Distance.** It can be defined as the extent to which the less powerful members of organisations and institutions accept and expect that power is distributed unequally (Hofstede Insights, n.d.). Power and inequality, of course, are extremely fundamental facts of any society. All societies are unequal, but some are more unequal than others. In a high-power distance society, individuals accept a hierarchical structure in which everybody has a place and organisations tend to be centralised and taller with rigorous supervision and blind obedience even at upper levels. In low power distance countries, people try to equalize the distribution of power through flatter and decentralised organisations (Hofstede, 2011).
2. **Uncertainty Avoidance.** It expresses the degree to which the members of society feel uncomfortable with the future's uncertainty and ambiguous situations, meaning situations that are novel, unknown, surprising, and different from usual⁹⁷. Uncertainty-avoiding cultures try to minimize the possibility of such situations through strict behavioural codes,

⁹⁷ Available at: <https://hi.hofstede-insights.com/national-culture> (accessed on: 29/03/2023)

laws and rules whereas uncertainty-accepting cultures accept that individuals must deal with the reality that the long term is not perfectly predictable and are more tolerant of opinions different from what they are used to; they try to have fewer rules, less structuring of activities and more responsibility (Pontiggia, 2020).

3. Individualism versus Collectivism. It refers to the relationship between individuals and the degree to which people in a society are integrated into groups. In individualistic societies, everyone is expected to look after themselves and their immediate family. In collectivistic societies, people are integrated into strong, cohesive in-groups, often extended families that continue protecting them in exchange for unquestioning loyalty⁹⁸.
4. Masculinity versus Femininity. It refers to the distribution of values between the genders. Masculine societies value victory and success over anything else, so great importance is attached to earnings, recognition, advancement, and challenge. Men are supposed to be assertive, tough, and focused on material success, whereas women are supposed to be more modest, tender, and concerned with the quality of life. Feminine societies hold the inverse so both men and women are supposed to be modest, tender; they are more concerned with the quality of life, valuing cooperation, compassion and tolerance and employment security, with usually a deeply developed education and welfare system (Hofstede et. al, 2010).
5. Long-Term versus Short-Term Orientation. This dimension was first identified thanks to Chinese scholars and was initially named Confucian Work Dynamism due to its similarities with his teachings. It defines how a society deals with the search for virtue and its correlation with its past while dealing with present and future challenges. Short-term oriented cultures are characterized by a strong connection to history and traditions, reciprocating social obligations, respect for tradition, protecting one's 'face', and personal steadiness and stability, they also focus on quick objectives and results and do not tend to save for the future. On the contrary, long-term-oriented countries focus on the future and on achieving long-term results, promoting more pragmatic values like perseverance, thrift, ordering relationships by status, and having a sense of shame (Hofstede, 2011).

⁹⁸ Available at: <https://hi.hofstede-insights.com/national-culture> (accessed on: 29/03/2023)

6. **Indulgence versus Restraint.** The most recently added dimension comes from what is known as the research for happiness. Indulgence stands for a society that allows relatively free gratification of basic and natural human desires related to enjoying life and having fun. Restraint stands for a society that controls the gratification of needs and regulates through strict social norms (Hofstede, 2011).

When considering China through Hofstede’s six dimensions model, it is possible to have a more complete view of the country’s culture.

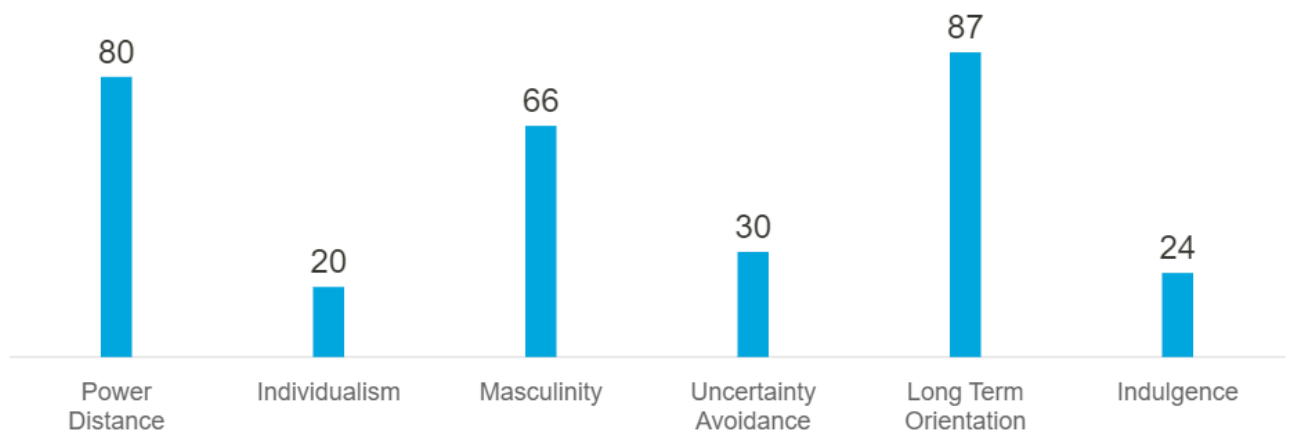


Figure 7. China's six dimensions analysis.
Available at: <https://www.hofstede-insights.com/country-comparison/china/> (accessed on 29/03/2023)

Concerning power distance, China scores 80, which is pretty high. This means that Chinese society accepts inequalities among people and does not seek to reduce them. The hierarchical structure is deeply rooted in society as it was developed from ancient philosophies stressing respect for seniors and superiors, resulting in infrequent direct confrontation and hierarchical communication. This also reflects in Chinese consumption patterns: in large power-distance cultures, people want to show off their social status and tend to purchase global brands that give them the idea of prestige. Moreover, the collection of information usually depends on interpersonal relations and the purchase decision is based on personal trust in the brand.

Looking at individualism, China scores very low, proving to be a highly collectivistic country, where people act in the interests of the group and not necessarily of themselves. In-group considerations are frequent, and opinions and information are shared among the members, ideal characteristics depend on their social role, identity is shaped by the social system and their behaviour is influenced by the reference group. However, due to the increasing exposition to

Western culture, especially American culture, Chinese youngsters now show a tendency towards individualism. The family planning policies implemented in recent decades made families smaller, with usually only the parents and the child, that became treated like a king. Nowadays Chinese students want to show off and express their uniqueness through their purchases (Wang and Xu, 2009). Despite that, it cannot be said that China is turning towards a true individualistic country and traditional values like loyalty and group behaviour can still be seen in youngsters.

With a score of 66 China is considered a masculine society, where competition, success and achievement are the drivers of the society. It is common for Chinese to sacrifice family and leisure time to work and this also shows in younger people and the lengths they go to exceed in their exam scores, as ranking defines success. Since success is so important, it is also reflected in buying choices, Chinese people will tend to buy products that allow them to convey their achievements and status.

Looking at Figure 7, it can be said that Chinese people are quite comfortable with uncertain and unpredictable situations and accept not being able to control the future. This shows that laws and rules are adaptable and may adjust to specific needs and people are pragmatic and entrepreneurial. As a matter of fact, businesses tend to be small to medium-sized and family-owned.

Due to the influence of the Confucian philosophy, China has a really high long-term orientation that is a reflection of its pragmatic vision and future-oriented perspective, meaning that people believe that reality depends mainly on the situation, the context and the time. They are able to easily adapt traditions to new situations and show a strong propensity to save and invest, thriftiness, and perseverance in achieving results. Considering younger generations, there is a persistence of values like planning and endurance, however, they tend to associate less success and hardship due to the abundance of opportunities and means that make accomplishment easier (Wang and Xu, 2009).

The long-term orientation also affects Chinese brand loyalty, the idea of continuity can, in fact, attract many Chinese consumers and leads to the establishment of a strong brand culture, and business, that needs a longer period of time before showing results.

The last element is indulgence, where China shows to be a restrained society, with a tendency for cynicism and pessimism. Chinese people do not create space for leisure time and have deep

control over their needs, considering indulging negatively because anything that does not make one closer to their goals is a waste.

Hofstede's model is the most popular and most used tool to analyse differences in cultures. After him, many followed his path and tried to create new models to compare cultures; among them, it is worth mentioning Trompenaars, who created five relationship orientations similar to the ones of Hofstede, and the GLOBE project that extends and integrates the two previous models (Pontiggia, 2020). Most importantly, these studies opened the discussion around culture and its fundamental role in international businesses; regardless of which analysis one decides to use, what matters is for managers to understand how important is to study cultural differences to investigate the various markets and their buying preferences, as well as handling the complex reality of our social world.

2.4.2 Confucian Values in Modern China: Mianzi and Guanxi

Even though China's cultural values are becoming increasingly more globalized and modernized, the abovementioned analysis clearly shows that traditional values are deep-rooted in the country and survived numerous changes, resulting in a contemporary culture that mixes the traditional Confucian doctrine with the communist ideology and the present Western influence.

The starting point to understand Chinese culture is through the work of Confucius, a teacher and China's most famous philosopher who lived from 551 to 479 B.C., and whose thoughts and teachings were reported by his disciples in several books, the most important being the *Analects*. Although many still argue about this, Confucianism is not a religion but an ethical guide to life and living and its influence in East Asian countries is very profound.

Confucian values promote a range of moral guidelines for behaviour from the perspective of the relationships between individuals, whether between parents and children, bosses and workers or between the government and the people. They also set expectations for behaviour and define the positive and negative characteristics of people.

All his teachings originate from three concepts: *Li*, *Ren*, and *Yi* (Roy et al., 2018):

- * 礼 *Li*, or Propriety, requires people to act according to previously established rites or social norms, providing a guide to human relationships or general ordering of life. This value is connected to the five relationships that are: father and son, elder and younger brother, husband and wife, older and younger friend, and ruler and subject. The majority of the relationships involve family, which is considered to be the basic unit of society. Loyalty is strictly connected to this, it means loyalty to the superior, which reduces conflict and preserves hierarchies although it does not mean blind loyalty and reciprocity is expected; it can also be identified with friendship, Chinese put the interests of the team or the group ahead of their own individual interests that are not seen as positive values (Pontiggia, 2020).
- * 仁 *Ren*, or Benevolence and Unboundedness, refers to kindness and generosity and encourages people to be caring, thoughtful and selfless. These virtues are considered the key for people to obtain their humanity and are necessary to make a gentleman.
- * 义 *Yi*, or Righteousness, stands for the moral disposition to do good, and as such a necessary condition for the gentleman. Yi implies a moral sense, the power to detect what is right and good, as well as the ability to understand what the right thing to do is, under any circumstances.

Two other concepts that were predominant in Confucius's doctrine were heaven and the way by which all things become what they are, he regarded man as a part of nature, and believe that man should not try to overcome or master the natural order of things but has to learn how to adapt to it so as to reach harmony (Luo, 2009). In particular, two concepts known as 关系, *guanxi*, relations and 面子, *mianzi*, face, have the most impact in the field of business.

Face is a concept of central importance because of its widespread influence on interpersonal relations among Chinese and can be understood as an individual's reputation or value in the eyes of others. Hu (1944) believes two types of face can be identified: 脸 *lian* and 面子 *mianzi*. *Mianzi* represents the "kind of prestige that is emphasized . . . a reputation achieved through getting on in life, through success and ostentation" (p. 45); it can be acquired through personal efforts such as the acquisition of wealth, position, or power and depends on the group someone is interacting with. *Lian* "represents the confidence of society in the integrity of ego's moral

character, the loss of which makes it impossible for him to function properly within the community” (p. 45); it is something that everyone naturally acquires at birth by simply being a member of that community.

The main difference identified between the two resides in the fact that *lian* can only be lost through malpractice and misbehaviour, to lose *lian* 丟臉 *diulian* equals a condemnation by the group for immoral conduct and a serious infraction of the moral code; moreover, *lian* is an indivisible entity that can be maintained or lost as a whole, and that cannot be gained back, so the loss of *lian* can lead to emargination from society and could drive an individual to suicide. *Mianzi* differs because it can be borrowed, struggled for, added to, or padded, so it can be lost and gained various times, so its loss is generally less serious; *mianzi* is initially acquired through high position, wealth, power and ability and it can be gained with exemplary behaviour, superior performance or knowledge, enhancement of status and promotion to higher office; when lost, it only stands for the failure to achieve a reputation through success and since it depends on the reference group, the conditions may vary according to the behaviour expected (Yau, 1988). Even though *lian* and *mianzi* are related to different criteria for judgement, the two are strongly connected and saving face is vital in Chinese society, some strategies include avoiding the critique of superiors and being vague when criticising somebody. These two are not only a symbol of prestige and social status but are also important in the business world, once a group accept a businessman as honest and someone who keeps their word, their credit in the eyes of the group is more important than their possessions. For this reason, until recently Chinese businessmen would close deals without the need for a written contract.

The concept of face is closely linked to the concept of 耻 *chi*, translated as shame. King and Myers (1970) underline the difference existing between shame culture and guilt culture: while the first relies on the external judgement of others for guaranteeing good behaviour, the latter is an internal reaction and personal assessment of misconduct. *Chi* has been rooted in Chinese culture for a long time and can be found as having a “sense of *chi*” in Confucius and Mencius’ teachings, which understand it as one of the virtues essential for man; it can also be considered crucial to point out the norms to be followed and the consequences in not respecting them.

Public shaming and group evaluation are still used in modern China to make someone aware of their failure and to encourage society to respect the social norms and willingly subject them to scrutiny.

Among other things, mianzi also influences consumption and with the fast economic development, the Chinese tend to pay more attention to their face through consumption, which is considered a means to satisfy social needs rather than functional needs. As a result, consumers in Asian and Western societies could buy the same products but for different reasons due to cultural values influencing their behaviours.

This consumer behaviour is called face consumption and can be defined as “the motivational process by which individuals try to enhance, maintain or save self-face, as well as show respect to others' face through the consumption of products” (Juan Li and Su, 2007, p. 4), and is characterized by three elements:

- * **Obligation.** Chinese people feel a responsibility to meet the expectation of others to keep face and show respect for the face of others. From this perspective, consumption becomes a tool and adhering to the consumption patterns of their social group is an obligation not to lose face and acquire prestige from others.
- * **Distinctiveness.** To keep face, products consumed must also stand out and be distinctive, this can be achieved through name brands or high prices. Chinese consumers are willing to pay more for face products than they would for the products they usually consume.
- * **Other orientation.** Chinese people not only need to be careful of their own faces but also of others' faces. Because of this, when consumers buy something for others, they should pay specific attention to the value of the products to show respect for others' faces. Other orientation is explicated within gift-giving or by inviting friends or co-workers to a banquet; gift-giving can help build and maintain social relationships, and it shows that they consider and be well-seen by others and the beneficiary themselves. One of the objectives gift-givers have is to create a positive impression among people around them, in fact, the gift-giving ritual very often happens at public events, like anniversary parties and spiritual celebrations. The gift is also important, people prefer to donate goods from famous brands so that more people can understand their symbolic and monetary value and it is easier to make a good impression; the value of the object should also take into account the hierarchy, so it should be expensive enough to match the importance of the givers. In doing so, those who receive the gifts receive face from the giver but a sort of paradox is created because based on reciprocity the receiver is morally obligated to give

in return a similar value gift which allows the original gift giver to feel full of face (Joy, 2001).

On the basis of these three elements it can be said that Chinese consumers are more likely to be influenced by their reference groups, relate product brands and prices to their face, and consider the prestige of the products. These results are also confirmed by the analysis of public and private consumption conducted by Lin, Xi and Lueptow (2013).

According to this research, Chinese consumers buy expensive or brand products in order to be praised by others and they spend less for products that will not be shown to others. This is the case with home appliances, amenities that could hold advantages such as time and labour saving like dishwashers and clothes dryers are often not even considered for purchase because as these objects are not shown to others, the Chinese are more thrift concerning their investment. However, for objects to be used in public, like cellphones, consumers see the need of purchasing high-tech products, famous brands, and luxury items, as this helps to obtain face.

Another interesting case analysed in the research is the one of goods consumed in public like cigarettes and liquors; it appears that Chinese smokers carry both expensive cigarettes to share and cheaper cigarettes for themselves, the same is true for drinking or dining out with friends or colleagues. The possibility of being approved by others proves to be the most significant factor when making a purchase and even in cases of limited income, expensive products are bought not because of their value but for the beneficial effect on face.

Being China a relationship-oriented society, to determine an individual's social status it is important to also consider their social network, known as 关系 *guanxi*, which can be defined as “an informal, particularistic personal connection between two individuals who are bounded by an implicit psychological contract to follow the social norm of *guanxi* such as maintaining a long-term relationship, mutual commitment, loyalty, and obligation” (Chen and Chen, 2004, p. 306). *Guanxi* is also a way to measure power and importance, the larger one's social network is and the more powerful the people connected with it are, the more impressive will be that individual's power image.

The main characteristic of *guanxi* is mutual trust and feeling between the parties that are built through various interactions and depending on the nature and the purpose of the interaction, Hwang (1987) identified three types of relationship: expressive, instrumental and mixed. Expressive *guanxi* implies a permanent and stable relationship, usually, the one existing among

family or close friends; this type of relationship can offer feelings of affection, safety and attachment. Instrumental *guanxi* is the exact opposite of expressive, so it's a more unstable and temporary relation that is created in the market context with the only goal of achieving material goals. The mixed *guanxi* involves exchanges of both feelings and material benefits that often occur among classmates, colleagues, and people from the same region. In order to establish this kind of relationship the two individuals first need a basis, which could be a common social identity like the same school, work or birthplace, a common third party they both have *guanxi* with or create an anticipatory base, a promise to engage in the future (Chen and Chen, 2004). For most people, the goal of having *guanxi* is to be able to use it in difficulties that cannot be easily solved, this could be done through borrowing money, getting better jobs, mediating conflicts and dealing with major life events such as birth and loss of loved ones.

However, difficult times are also a way of improving and evaluating the quality of the bond, in order to have quality *guanxi*, three elements are needed:

- * 人情 *renqing*, which is both one's emotional responses when confronting various situations of daily life, a resource that one can present to another person as a gift in the social exchange process, and a set of social norms that one should follow to get along well with other people (Hwang, 1987), and can be better understood as the exchange of favours that nurture the social exchange. However, differently from other cultures, *renqing* is more complex and is intertwined with the rule of reciprocity, based on the idea that "if one gives you a peach, you should requite his favour with a plum" (Hwang, 1987, p. 957); this means that when one receives a favour, they owe *renqing* to the benefactor and should be ready to pay back. Chinese believe that *renqing* doesn't need to be returned immediately, but it should be stored and returned at the right time depending on the type of relationship existing and it can never be calculated objectively, thus making the exchange between the parties always unequal and making it impossible to pay off all of the debt (Hwang, 1987); in case of failure of returning the favour, individuals risk losing their faces, which will consequently affect interactions with the whole network. *Renqing* is also based on empathy, being China a high-context culture, people do not express their feeling or needs openly, so partners are expected to anticipate the request for help and offer it without being asked (Wang, 2007).

- * 信任 *xinren*, translation of trust, which refers to the trustworthiness of the other person involved in the relationship; meaning that they have a true intention to enter and stay in the relationship and they have their mutual interests at heart (Chen and Chen, 2004), rather than the ability of a person to return the favour once received. Trust can be created through one's past history to honour obligations, which is usually transmitted with mouth-to-mouth communication. Therefore, it is essential for *guanxi* and for having a *renqing* exchange.
- * 感情 *ganqing*, feelings, is a measure of the level of emotional commitment and the closeness of the parties involved (Wang, 2007), it describes the degree of emotional understanding, connections and the sharing of feelings of happiness and fears alike (Chen and Chen, 2004), and could be described as the affective side of *guanxi*. The most intimate form of *ganqing* is the *qingqing*, which is a blood-based emotional attachment that only existed among direct family members. Within the business context, people sharing *ganqing* care about each other and share a friendship rather than a mere economic relationship. *Ganqing* is fundamental in maintaining and enhancing a *guanxi* relationship, makes the impersonal business relationship more personal and can help reduce conflicts.

Due to the popularity of relationship marketing, many researchers have been conducted to understand the influence that *guanxi* could have on Chinese customers. According to Lee, Tang, Yip and Sharma (2018), *guanxi* has a direct impact on loyalty behaviours and word of mouth, thus it can help a company's reputation and image, as well as its sales and profits. For this reason, companies shouldn't apply relationship marketing universally, because culturally defined values will affect their effectiveness in different cultural contexts and companies could fail.

The cultural elements above analysed also have a significant impact on the pursuit of beauty in China. Modern beauty standards have been influenced by Taoist and Confucian doctrines, which have encouraged women to achieve both inner and outer beauty. Indeed, outer beauty was believed to represent one's positive characteristics and virtues, thus, balance between the two would constitute the pillar of female beauty. Moreover, following Confucian's teachings the Chinese society has been characterised by a strict definition of gender roles, in which a woman's life would be determined by the marriage her beauty could secure. Nowadays, women are still subject to men both in their private and public life and are evaluated based on their

appearance instead of personal abilities and qualities. In China, women are preferred to be sweet and gentle, with a natural and minimal look⁹⁹.

Hofstede's cultural dimensions of Individualism, Masculinity and Power Distance, which all derive from Confucianism, have the greatest impact on beauty ideals. People living in collectivistic cultures where hierarchies are rigid and material success is celebrated, such as China, feel more obliged to conform to social standards defined by their group. Thus, women feel greater sociocultural pressures to conform to socially defined beauty ideals, which influences their consumption of beauty products (Madan *et al.*, 2018).

After this overview of the Chinese beauty market, it is undeniable that the country still preserves its peculiarities, and the homogenization of the culture is still moderate. The first obstacle Western beauty companies face when entering the Chinese market is the difference in beauty ideals. The most noticeable difference is the white or tan dichotomy, referring to Asians' obsessive pursuit of fair and smooth skin complexion, so much that they use umbrellas, protective wear, sunscreen, and whitening cream regularly, opposing to Westerns' preference for tanned skin, perceived to be a sign of beauty that can make one appear healthier and more attractive (Xie and Zhang, 2013). Both cultures show a preference for big eyes and slender noses although Chinese consumers have a more drastic approach, often recurring to plastic surgery to achieve the desired look. In terms of face shape, Westerners prefer wide and sculpted jawlines with big lips while Asian appreciate more small, slim and delicate looking faces. Additionally, the most desirable body shape is slim whereas in the West more athletic and voluptuous figures are appreciated, with female nudity being common.

In terms of beauty products, Westerns consumers will choose more bold and colorful products that allow them to create a heavier makeup that accentuates certain facial features and achieves a sultrier and more mature look. On the other hand, Chinese women prefer a more natural and fresh makeup to achieve a young and bright look.

Skincare is also perceived differently, the major difference is in the approach, with Asians considering skincare as preventing, meaning they focus on maintaining skin healthy to avoid future issues while Westerns take a more corrective approach, recurring to skincare only to treat already existing conditions. Chinese consumers are also generally more knowledgeable on

⁹⁹ Available at: <https://www.businessoffashion.com/articles/china/unmasking-east-asias-beauty-ideals/> (accessed on: 01/09/2023)

skincare ingredients, for this reason the market is characterized by products with limited claims so that consumers can build their personalized routines, encouraging them to buy more. On the contrary, Western products are usually focused on the results they can achieve and address many concerns at the same time, so that routines are more concentrated. Since the majority of its population has the same skin type, the Chinese skincare market is characterized by products that treat oily skin with pores and shininess. Chinese consumers are also conscious of external aggression such as pollution and sun, so they look for anti-pollution and sun protecting products, in addition to whitening, anti-ageing and anti-acne products. They seek cosmetics that will work with their skin type in order to get healthy, young and well-nourished skin.

Men's grooming is a sector that is growing rapidly in China, but it is still ignored in Western markets. Men in China are increasingly aware and conscious of their physical appearance, so a market for both skincare and makeup products designed for men is creating. If addressed correctly, this untapped market could create plentiful opportunities for Western cosmetics companies.

From this overview considerable differences in distribution and promotional channels also emerge. The COVID-19 pandemic has accelerated trends in digitalization, traditional retail channels are being replaced by online channels, especially by younger consumers, at a much quicker rate than in the West. Another peculiar trend created from the merge of e-commerce platforms and the increasing influencing power of KOLs is shopping through live streaming, which is able to reach not only a wider audience but also never seen before sales. This phenomenon, which is still at initiation phase in Western markets, is already widespread in China and Western companies should not overlook it when approaching this market.

As beauty is part of a culture, what is considered beautiful in some countries will not be perceived the same way in others. These two chapters aimed at presenting an overview of the market as well as the most relevant differences existing between China and the West both in terms of beauty standards and market characteristics. The final objective was to produce an exhaustive analysis of what Western cosmetics companies face when entering the Chinese market, and thus need to take into consideration when developing their strategy for this market. The next chapter will explore the most important international marketing strategies Western companies consider when expanding in China, mainly focusing on the dichotomy between standardization and adaptation strategies.

Chapter 3

Marketing Strategies for the Chinese Market: Standardization VS Adaptation

As globalization progresses, it is increasingly pushing companies to expand abroad due to the elimination of trade barriers, the creation of international business regulations, the improvement of communications and transportation and the stability of monetary transactions, which created a safe and positive environment for companies to engage in international business¹⁰⁰ (Theodosiou and Leonidou, 2003). In addition, globalization also meant a certain degree of homogenization of consumers' tastes and demands, so that companies today could potentially produce only one product and meet the demand for that product no matter which country it was coming from. Among the reasons why companies decide to go abroad, there is the possibility of reducing risks while increasing revenues, expanding the consumer base, gaining a competitive advantage¹⁰¹, or competing with international rivals in a new market.

Nowadays, with competition emerging and international business playing a significant role in the growth of the economy and the creation of jobs, most companies want to expand abroad, regardless of their size or assets, to the extent that presence in international markets is considered fundamental for companies to stay profitable. In particular, rapidly developing regions attracted notable attention from foreign investors and multinational companies, wanting to take advantage of new opportunities in unsaturated markets. However, these emerging markets also presented many challenges, mainly due to the cultural differences, affecting language, institutions, material and symbolic production and consumption. This has raised the issue of finding global strategies to compete effectively and efficiently in this new business environment.

¹⁰⁰ International business is the study of the transactions taking place across national borders to satisfy the needs of individuals and organizations while international business strategy refers to the various business strategies used by companies that want to manage their business in different geographical markets (Johnson et al., 2008)

¹⁰¹ A competitive advantage gives a company the ability to produce better products or more cheaply than its competitors, generating more sales or margins. A competitive advantage can be obtained through different factors, for example, intellectual property, distribution network and cost structure. Available at: https://www.investopedia.com/terms/c/competitive_advantage.asp (accessed on: 19/05/2023)

In fact, according to Zou and Cavusgil (1996), global strategy, which is “the way a business competes in the global market, plays a vital role in determining the performance of a business in the global market” and since “marketing assumes the role of interacting directly with the customers and competitors in the marketplace, marketing strategy is probably the most important component of a firm’s global strategy”.

3.1 The Standardization vs Adaptation Dilemma

Since the 1970s academics have longly debated various perspectives and theoretical bases for businesses in international contexts to better understand international marketing, which was creating in those years. International marketing is defined by Vescovi (2018) as “the performance of business activities designed to plan, price, promote, and direct the flow of a company’s goods and services to consumers or users in more than one nation for a profit” (p. 10). The author highlights how although the main difference between domestic and international marketing is often considered a minor detail, the matter is more complex than it seems because the foreign market environment could raise a series of uncontrollable elements and unfamiliar problems for the marketer, who needs to find new strategies to cope with these new issues.

In particular, two international marketing philosophies have emerged from this ongoing debate, offering marketers two very conflicting methods for entering and conducting business in foreign markets: globalization and localization, based on the fundamental question of whether companies should sell customized products or could offer globally standardized products, initially risen by Levitt’s article “The Globalization of Markets” (1983). Supporters of standardization believe that as markets become more homogenous, companies can successfully sell the same products or services around the world, but they are criticized because fail to take into account the cultural, political, and economic differences existing between different countries (Mihailovic *et al.*, 2017). The two methods will further be analysed in the following chapters.

3.1.1 *Standardization*

The term standardization relating to the marketing strategy, often known as globalization strategy, refers to the use of the same products, advertising, distribution channels, and other elements of the marketing mix in all the company's international markets¹⁰². This strategy is based on the fundamental point made by Levitt in 1983 that, thanks to advances in communication and transportation technologies, as well as increased international travel, differences in national preferences and consumer needs are disappearing, with markets becoming increasingly homogeneous. This allows companies to adopt the same single strategy for the entire global market, selling the same products or services in the same way everywhere, meaning it allows for the standardization of products, manufacturing, and the institutions of trade and commerce (Vrontis and Thrassou, 2007). By selling the same products on both the domestic and international markets, products become identical in terms of design and fashion, consequently, competition is then shifted to efficiency in production, distribution, marketing, and management, thus mainly focusing on price. The most successful worldwide company will then be the one that is able to offer clients all over the world the best combinations of price, quality, reliability, and delivery possible (Levitt, 1983).

According to Levitt, the world is influenced by two forces: technology, which has the capability to shape what people desire, and globalization, which influences economies. These two elements are responsible for the creation of cultural unity with similar environmental and customer demand around the world, further pushing companies to create a single strategy for the global market and standardize the marketing mix elements to obtain low costs as well as consistency with customers. Thus, well-managed global companies move away from customizing products to offering world-class standardized products that are advanced, functional, reliable and low-priced. Levitt argues that the standardization strategy not only allows companies to lower their costs and to venture into new culturally distant countries but also to expand the markets by winning over the share of customers who previously preferred local products through low costs, thus targeting the purpose of the business, which is to get and keep a customer.

¹⁰² Available at:

<https://www.oxfordreference.com/display/10.1093/oi/authority.20110803100527526;jsessionid=4C21DFC076D3A95BA9DF430ED7E4803D> (accessed on: 23/05/2023)

For Levitt, this is made possible thanks to the most important element people all over the world have in common, which is scarcity¹⁰³. In today's monetary society, everyone always wants more and especially wants what everybody else wants, developing a desire for dependable, world-standard modernity in all things. To obtain these products, and get them for a low price, consumers will be willing to overlook the fact that they may not be locally produced, it may not be what was traditionally bought in their culture and not what experts on the subject would recommend (Levitt, 1983). Thus, if a company treats the world as only one or two distinctive product markets, it can serve the world more economically.

According to Theodosiou and Leonidou (2003), the enforcement of the standardization strategy also enables firms to achieve economies of scale in all value-adding activities, particularly in research and development, production, and marketing, the presentation of a consistent brand image across countries, thanks to using the same brand name, packaging and advertising, and the reduction of conflict as well as the simplification of managerial work due to better coordination and control of international operations.

Levitt's article (1983) does not sustain that cultural differences and national preferences do not exist anymore; it rather argues that they further confirm the convergence of preferences instead of denying them. In fact, the author believes the differences shown by countries are the result of what multinational companies believe to be local preferences, that they regard as fixed. He also sustains that the experience demonstrates how consumers will choose a product with different features than those indicated as desirable by them if the pricing and the promotion of said product are done correctly. This means that the role of marketing is not that of giving the people what they think they might like whereas it consists more of giving them what they want, pressing them for global standardization.

To be successful in the global market companies should not adapt to cultural differences between nations but accept that preferences are constantly evolving and being reshaped; technology and globalization are gradually converging consumers' lifestyles and consequently needs. Companies should treat the world as a single segment, selling the same things in the

¹⁰³ Scarcity is a key concept of economics deriving from the fact the world has limited resources that require choices about how they are allocated. Scarcity is important for understanding how goods and services are valued. Since it means that the demand for a good or service is greater than the availability of the good or service, scarcity can limit the choices available to the consumers and thus define the price of goods and services based on their availability. Available at: <https://www.investopedia.com/terms/s/scarcity.asp> (accessed on: 24/05/2023)

same way everywhere, adopting suitably standardized products and practices around the entire globe which will lead them to achieve low costs and prices, high quality, and reliability. In addition, companies that will not be able to accept and adapt to the new global reality will become victims of those that do (Levitt, 1983).

3.1.2 *Adaptation*

Opposers to Levitt's arguments in favour of standardization, described as "at best difficult and, at worst, impractical" (Jain, 1989, p.71), are often supporters of adaptation, which can be defined as an international marketing strategy that involves the adaptation of the elements of the marketing mix of a product or service to each international target market¹⁰⁴. Adaptive marketing can be considered a strategy that enables marketers to meet customers' interests and needs based on data previously collected through the shaping and customisation of their activities and their mix. Additionally, it is also capable of enabling them to meet individual consumer needs concerning a particular brand. Provided that it is done accurately, adaptive marketing is able to make consumers feel like they are being rewarded by giving them the opportunity to customize a product or service.

Supporters of adaptation believe that, despite globalization being a trend that continues increasing, customers and competitive conditions are not the same for every country and differences are still too great, thus standardization will not work when approaching new markets (Quelch and Hoff, 1986; Theodosiou and Leonidou, 2003) and that modifying and adjusting the marketing mix and marketing strategy is essential and vital to suit local tastes and meet unique market needs and consumers' non-homogeneous requirements (Theodosiou and Leonidou, 2003; Vrontis and Thrassou, 2007). More specifically, they argue that when international marketers confront a new market or segment, they have to take into account several macro-environmental factors, such as climate, race, language, topography, occupations, taste, laws and regulations, culture, tradition, technology and society (Czinkota and Ronkainen, 1998) but also consumer tastes and needs, disposable income and purchasing power, taxation, distribution channels, nationalism, local labour costs, literacy and levels of education (Paliwoda and Thomas, 1998; Theodosiou and Leonidou, 2003), creating enormous cultural and

¹⁰⁴ Available at: <https://www.oxfordreference.com/display/10.1093/oi/authority.20110803095350217> (accessed on: 24/05/2023)

demographic differences between countries and sometimes even between different regions of the same country. As a result, some state that it is impossible to sell the same things in the same way everywhere since cultural differences between countries still clearly exist and affect consumers and that the standardized marketing theory itself is destined to fail and could also lead to terrible consequences, such as scaring consumers away from the brand, distancing employees and good managers, tightening control, worsening their communication ability, reducing the resources allocated and impeding companies from understand what consumers really want, thus losing many opportunities and promoting the start of a vicious circle (Lipman, 1988; Quelch and Hoff, 1986).

In particular, Kashani (1989) focused his research on analysing the failures of companies adopting a standardized strategy, affirming that while there are companies implementing this strategy successfully, there are as many cases of companies failing and proceeding explaining the risks and complexities involved. The main threats in standardization are the insufficient use of formal research, with many manifesting an attitude that does not contemplate the possibility of research in the early phase. Additionally, Kashani noticed a tendency to over-standardise, which suffocates local innovation, necessary to adapt to changing market conditions. Other risks come from poor follow-up, as post-launch activities are key in assuring a strategy survives; narrow vision in program coordination, because headquarters usually represent only one vision and are not open to new inputs nor debate, and rigidity, emerging as forced adoption and automatic piloting (Kashani, 1989).

Thus, supporters of international adaptation argue that it is fundamental to adapt the marketing strategy to suit local needs and wants. This approach enables companies to be successful in culturally distant markets through the understanding of local necessities and conditions. Considering that international markets are subject to differential macro and micro-environmental factors, constraints and conflicts, they suggest the marketing mix elements cannot be standardized and need to be tailored to meet the peculiar requests of consumers (Vrontis and Thrassou, 2007; Vrontis *et al.*, 2009).

3.1.3 *Antecedent Factors*

Before further investigating other researches and findings stemming from this, it is necessary to investigate antecedent factors, “background forces that influence the firm’s decision to standardize or adapt its international marketing strategy” (Theodosiou and Leonidou, 2003, p.149). These factors, which are environmental, market, customer, competition, product/industry, organizational, and managerial factors, have each a different level of influence on the international marketing decision:

- * Environmental factors are defined as the economic, sociocultural, political-legal, and physical forces which have the ability to directly or indirectly influence international business operations, especially hindering the implementation of standardization of business strategy (Douglas and Wind, 1987). However, in their research, Theodosiou and Leonidou (2003), found that, contrary to popular belief that environmental factors have the greatest influence on international marketing strategy, less than half of the reports analysed supported this assumption.

- * Market characteristics include the “marketing infrastructure, advertising media availability, distribution structure, and market size” (Theodosiou and Leonidou, 2003, p.154) of a specific foreign market, thus determining its level of sophistication and development, which influences the magnitude of demand and whether the company will be able to satisfy it (Theodosiou and Leonidou, 2003). In particular, Chhabra (1996) sustained that the higher sales coming from larger markets can better cover the costs of adaptation thus making the market size the most influential characteristic because the larger the market, the higher the degree of adaptation required, especially in terms of promotion (Theodosiou and Leonidou, 2003).

- * Customers’ buying behaviour, product preferences and spending patterns vary greatly between different countries thus being key in determining the success of a company, that needs to satisfy customers’ needs better than its competition (Theodosiou and Leonidou, 2003). In particular, the degree of similarity or difference between consumers in different target markets has a strong influence on a firm’s decision to implement a standardization or adaptation marketing strategy (Theodosiou and Leonidou, 2003).

- * Foreign market competition's structure and nature appear not to have a big impact on a firm's international marketing strategy, contrary to previous research (Theodosiou and Leonidou, 2003). The intensity of the competition, however, is found to drive companies towards adaptation of products and promotion, necessary to prevail over local competition (Cavusgil *et al.*, 1993).
- * "Product and industry factors refer to the type of the product (i.e., consumer or industrial), the technology orientation of the industry (i.e., technology-intensive or "old-line"), and the stage of the product life cycle (i.e., early or mature)" (Theodosiou and Leonidou, 2003, p.155), which have been found to require adaptation the most.

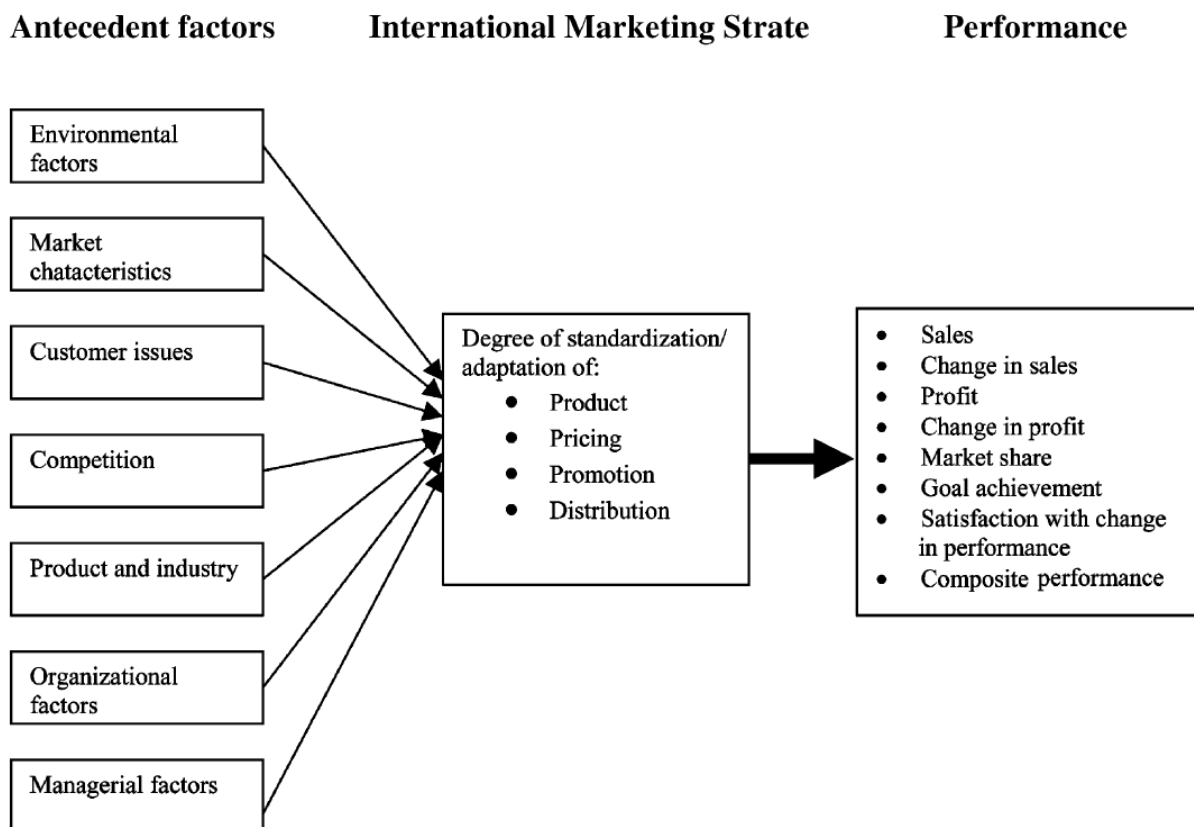


Figure 8. A conceptual model on international marketing strategy standardization/adaptation.
 Source: Theodosiou and Leonidou, 2003 (p. 143)

- * Organizational factors include the internal composition of the company and can be summarised in four elements: the nationality of the company, influencing mainly products and promotion; the ownership of the company, influential only in the case of wholly owned subsidiaries; the international experience which pushes for adaptation and the

foreign market share position, not showing any significant influence (Theodosiou and Leonidou, 2003).

- * Managerial attitude towards international operations, such as the degree of centralization of decision-making and corporate orientation, the extent of management's willingness to accommodate foreign perspectives was found to influence the kind of marketing strategy adopted (Theodosiou and Leonidou, 2003).

3.1.4 *The EPRG Framework*

In this environment where the formulation of marketing strategies requires more attention to details, marketers find themselves questioning which strategies will best help the company in dealing with new markets. In order to choose between the standardization or adaptation strategy, they need to understand what their perspective on different cultures and habits is, as this will determine which of the two strategies is best for them.

In order to understand a firm's stance towards cultural differences, which will determine the firm's adoption of standardization or customization, Professor Howard Perlmutter developed the EPG model in his 1969 article "The Tortuous Evolution of Multinational Corporations", introducing three elements that would help a firm define its international business strategy (Perlmutter, 1969).

Then, in 1973, Perlmutter, along with his colleagues, Yoram Wind and Susan Douglas, added a fourth element to the model, creating the EPRG Framework, which aimed at offering different marketing strategies to match each orientation presented, reflecting the vision and goals of the company on the internal business environment (Wind *et al.*, 1973):

- * Ethnocentrism, which translates to "nation-centred", meaning that domestic management and business model is considered better and somewhat superior to foreign, thus being the most effective and efficient in every market. In this scenario, business procedures and marketing mix adopted in foreign markets are exactly the same as those adopted in the home market, treating them as an extension of the original one. This means that there is no further research conducted and no significative adjustments made to the product, price, distribution and promotion, which are usually managed by the export department of the home company (Wind *et al.*, 1973). By applying this strategy companies can obtain better

coordination and control while reducing the costs of conducting business abroad and minimising the risks of entering a foreign market, although little room is left for innovation or flexibility meaning the company could lose some opportunities in new markets (Wind *et al.*, 1973). For these reasons, the ethnocentric approach is better to be used when dealing with markets similar and culturally near to the home market, when exporting is used to sell a surplus of production when sales are limiting in quantity thus making product modification economically incautious or when small companies or companies with limited funds are approaching the international arena (Wind *et al.*, 1973).

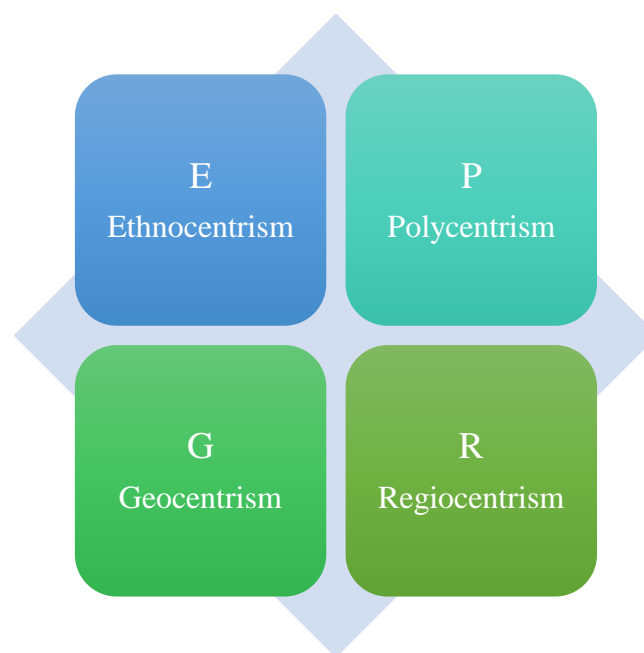


Figure 9. EPGR Framework. Source: author's adaptation of Wind *et al.*, 1973

- * Polycentrism. This approach holds the opposite of the previous one, having as a foundation the fact that all markets are characterized by different conditions and create different needs and preferences in consumers so adaptation to these differences is needed to be successful in the market (Wind *et al.*, 1973). In this scenario, it is almost mandatory for firms to have independent subsidiaries in foreign markets to allow the adaptation of the marketing mix, with targeted research, specific products and pricing and local employees (Wind *et al.*, 1973). Some even take this adaptation to the extent that they use autonomous marketing organizations to manage the marketing as they have more knowledge about the market conditions and can obtain better results through culturally appropriate actions that value

the uniqueness of the culture (Wind *et al.*, 1973). However, when implementing this strategy, costs could increase and problems regarding the coordination and control of headquarters over host country management could emerge, as well as internal competition (Wind *et al.*, 1973).

- * **Regiocentrism.** For this approach, companies consider a group of countries or regions with similar cultures and similar market characteristics as one target market. This allows companies to ignore national boundaries and adapt marketing and products on a regional basis to satisfy similar needs and preferences of customers (Wind *et al.*, 1973). By adopting this strategy, companies can respect cultural specificities while maintaining costs low and improving coordination and control, but national differences are often overlooked and specific regulations can impede the implementation (Wind *et al.*, 1973).

- * **Geocentrism.** This is a global orientation that considers the whole world as only one market, thus presenting homogenous products and a standardized marketing mix for all the markets it operates in. Once again, national borders are ignored and differences in consumer needs and market environment are considered non-existent or minimal (Wind *et al.*, 1973). Personnel comes from every region and any country of the world because the selection is based on people's talent, ability, and experience and not their nationality. While also improving coordination and control, as well as creating a very competitive and flexible business, it can be costly to collect information on a worldwide basis and to find the right management able to handle different markets and systems all at once (Wind *et al.*, 1973).

3.1.5 Pressures for Global Integration and Local Responsiveness

Starting from theories studying the various strategies adopted for the international development of multinational companies, and to fill a void in the international arena, Prahalad and Doz in the 1987 book "The Multinational Mission: Balancing Local Demands and Global Vision" introduced a new framework to describe the diverse and contrasting pressures firms had to face when internationally expanding to new markets (Venaik *et al.*, 2004).

By analysing the economic, technological, political, organizational and competitive factors, they were able to identify two dimensions that create pressure on firms, which are global

integration and local responsiveness, that play a key role in defining the strategy that will allow companies to earn maximum efficiency and competitive advantage (Venaik et al., 2004).

According to Geppert (2016), global integration refers to the centralization and standardization of all business activities across different countries and markets in order to maximize efficiency, effectiveness, flexibility, and learning. Companies implement this strategy when they want to optimize their return on investment and reduce their costs since it implies the relocation of activities in places where it is possible to gain an advantage, for example, because labour cost is lower or because it gives access to specific technologies or skilled labour. In addition, companies pursue global integration with the aim of exploiting economies of scale¹⁰⁵, serving multiple markets from one location (Geppert, 2016; Swoboda *et al.*, 2014).

On the other hand, local responsiveness refers to a situation where the abovementioned advantages that can be obtained through global integration are missing (Geppert, 2016). At the same time, firms face a set of pressures to adapt their activities to the unique circumstances of the countries in which they operate, such as when regulations, customer demand and distribution systems are locally specific or when tax incentives can be obtained from relocating production (Venaik et al., 2004).

These combined pressures, that work in opposite directions, form the Integration-Responsiveness framework. While global integration pushes managers to focus on low costs and efficiency, by centralizing the decision-making and increasing the level of standardization of marketing activities in order to exploit local advantages, local responsiveness means adaptation to the specific requirements of each local market (Geppert, 2016).

Prahalad and Doz (1987) initially identified seven elements that create pressures for global integration and five elements that create pressures for local responsiveness. However, the following literature and different authors have further expanded the list over time.

To synthesize, according to Geppert (2016), pressures for global integration mainly originate from the profitable possibility of reducing costs, coming for example from the possibility of procuring components from low-cost locations or of producing in large-scale factories and from

¹⁰⁵ Economies of scale are a reduction of average costs that a firm experiences when production becomes efficient since with the increase of the production, the costs are spread over a larger number of goods. Available at: <https://www.investopedia.com/terms/e/economiesofscale.asp> (accessed on: 29/05/2023)

there distributing in other foreign markets. Moreover, pressures for global integration can also arise from the globalization-inducing convergence of customer needs and consequently, homogenization of demand, allowing the one same product to be sold in different countries with only minor modifications, favouring centralized and standardized production and marketing (Geppert, 2016). Finally, pressures for global integration can emerge from the opportunity to access some raw materials due to their permanent positioning or high costs for their transport and from particular technologies that could need intellectual protection (Geppert, 2016).

Pressures for global Integration (and coordination)	Pressures for local responsiveness
Opportunities to reduce costs through economies of scale and arbitrage benefits (e.g. wage differentials)	Differences in customer needs
Converging consumer trends and universal needs	Differences in distribution channels
Demand of uniform service by multinational customers	Cultural differences
Opportunities for global sourcing	Responding to local competition (product features, price levels etc.)
Access to raw material and energy	Meet local government regulations and legal requirements
Investment intensity (leverage)	Accommodate with powerful stakeholders (unions, NGOs, consumer groups, financial institutions)
Technology intensity (protection)	
Availability of media with a cross-national reach	
Need to monitor multinational competitors	
Need to monitor compliance	

Figure 10. Pressures for global integration/coordination and local responsiveness. Source: Geppert, 2016 (p. 8)

Whereas, concerning pressure for local responsiveness, Geppert (2016) argues that they originate from the companies’ need to stay competitive in those markets where regional or country-based differences in customers’ needs still exist and play an important role in consumers buying decisions. In addition, pressure for local responsiveness can also emerge from regional or country-based differences in distribution channels and marketing, since communication is influenced by culture, habits, values, and legislation, and pricing is influenced by purchasing power and income distribution (Geppert, 2016). Pressures for local responsiveness also derive from demands by local regulations or legal requirements such as price control policies, antitrust policies, trade policies, technical standards, and so on (Geppert,

2016). Powerful stakeholders such as trade unions and labour representatives, who are influential, especially regarding staffing and wages, special interest NGOs and consumer groups might induce companies to locally adapt their business strategies (Geppert, 2016).

By considering the two dimensions: global integration and local responsiveness as axes, scholars identify different strategies for companies entering foreign markets. In particular, Prahalad and Doz (1987) defined three ideal types of business environments while Bartlett and Ghoshal (1989) identified four different types of business strategies:

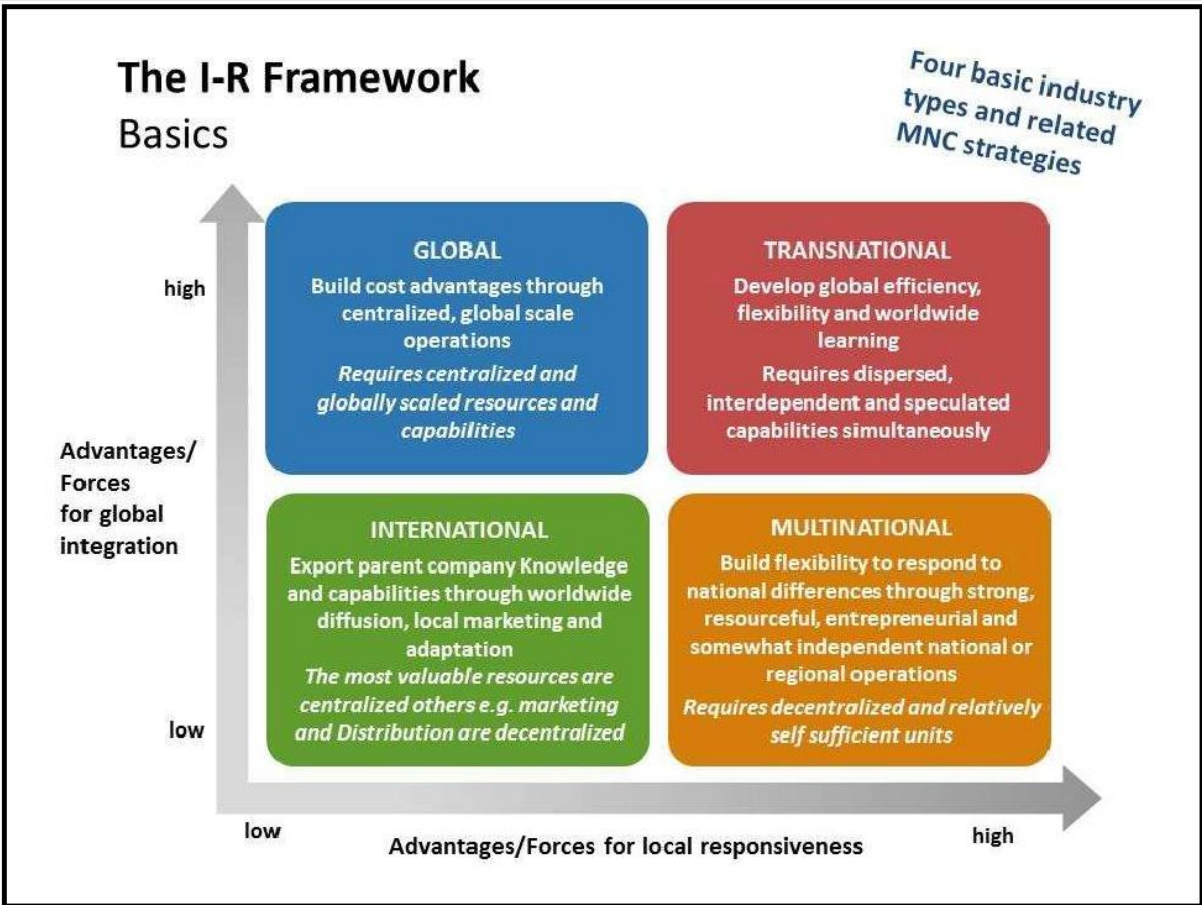


Figure 11. Basic Industry types and related MNC strategies (according to Bartlett and Ghoshal 1989).
 Source: Geppert, 2016 (p. 13)

- * When pressures for global integration are high while pressures for local responsiveness are low businesses usually implement a global strategy. Global businesses are able to achieve cost efficiency through the execution of economies of scale, which can be obtained thanks to the standardization and centralization of business activities, as well as decision-making. In this situation, there are no apparent differences between markets, countries and consumers are global and are treated as all the same, offering the same product or service.

Information, as well as resource allocation, flows only in one direction, from the headquarters to foreign subsidiaries, which have the role of implementing the strategies imposed by the headquarters (Geppert, 2016; Svoboda et al., 2012).

- * When pressures for global integration are low while pressures for local responsiveness are high businesses usually implement a multinational strategy. By implementing this strategy firms can adapt to regional and national differences by modifying the products or services offered according to local consumers' preferences, allowing companies to create a strong brand in the market. For this reason, foreign subsidiaries are relatively independent of headquarters and great importance is placed upon them as their sensibility to local differences gives them the ability to exploit local opportunities (Geppert, 2016; Svoboda et al., 2012).

- * When both pressures for global integration and pressures for local responsiveness are low businesses usually implement an international strategy. This type of strategy allows businesses to make minor adjustments to adapt to the local market's peculiarities while, at the same time, heavily relying upon and exploiting the headquarters' knowledge and competencies. It can be said that knowledge is developed at the centre and transferred to overseas units, that thus remain dependent on the headquarters, in order to gain worldwide diffusion of products or services (Geppert, 2016; Svoboda et al., 2012).

- * The most peculiar strategy, and the one that differentiates Bartlett and Ghoshal's research with respect to Prahalad and Doz's research, is the transnational strategy, used when both pressures for global integration and pressures for local responsiveness are high. Transnational businesses are created as a result of increasing globalization, which decreases differences among businesses while increasing the need to adapt to local markets' specificities and achieve efficiency through global reach at the same time. In order to achieve this, firms need to create a network structure where all the units are connected through reciprocal interdependence, share knowledge and decision-making and contribute differently to the development of the business (Geppert, 2016; Svoboda et al., 2012).

3.1.6 *Finding the Right Level of Integration*

As discussed, many other researchers have written on whether multinational companies should choose to adapt or standardize their international marketing strategy and marketing mix elements in international markets, with different authors adopting different views (Zou and Cavusgil, 1996). This has created a lot of ambiguity and confusion in the international marketing context and the debate is still ongoing, still being the topic of much research and a cause of worry for marketers. While some scholars believe that the increasing globalization of market and the consequent homogenization of consumers' preferences and needs allows companies to sell the same products or services in the same way everywhere, taking advantage of lower costs and higher margins, other scholars have repeatedly stressed the importance and the influence differences between countries still exert on consumer preferences and purchasing behaviour, thus making adaptation of the marketing strategy to each target market a requirement for companies selling abroad (Vrontis and Thrassou, 2007).

Moreover, a third option developed from this debate, sustaining that even if both supporters of adaptation and standardization approaches offer logical arguments and concrete proofs of the advantages a company could gain by implementing that specific strategy, it is not by choosing an extreme approach when confronting a new country that companies could be successful (Vrontis and Thrassou, 2007). In order to be successful in a new foreign market, companies need to look at these two approaches as two elements that need to coexist and be merged together rather than as mutually exclusive (Vrontis *et al.*, 2009). Success is determined by the ability of the company to find the right level of standardization and adaptation, in order to standardize some elements of the marketing mix and adapt other ones, achieving both the satisfaction of customers and organizational profitability (Vrontis and Thrassou, 2007).

In particular, Theodosiou and Leonidou (2003) were able to compile the points of view of this emerging strategy in three points: “ (a) standardization or adaptation should not be seen in isolation from each other, but as the two ends of the same continuum, where the degree of the firm's marketing strategy standardization/adaptation can range between them; (b) the decision to standardize or adapt the marketing strategy is situation specific, and this should be the outcome of thorough analysis and assessment of the relevant contingency factors prevailing in a specific market at a specific time; and (c) the appropriateness of the selected level of strategy standardization/adaptation should be evaluated on the basis of its impact on company performance in international markets” (p. 142).

In order to reach the right level of integration between the two marketing strategies, Vrontis and Thrassou (2007) suggest that when approaching a new country international marketers should always start by analysing the specific internal and external environmental situation. This gives the marketer a clear picture of all the forces influencing the foreign market and the differences and similarities existing, as well as their importance and relevance, necessary elements for foreign companies in order to understand which advantages the company could profit from and which impediments it has to face and solve. Once this comprehensive background has been thoroughly analysed by the marketer, they can start drafting their international marketing strategy and considering its implementation, as well as the definition of the right level of integration between standardization and adaptation, fundamental for companies to gain competitive advantage in the market and stay profitable, while the extreme adoption of only one of the two approaches would jeopardise the company's success in the new market (Vrontis and Thrassou, 2007).

According to Quelch and Hoff (1986), in order to reach the right level of integration and not destroy their chances in the new market, companies' aim should be "to focus on means as much as ends, to examine the relationship between the home office and the field, and to ask what level of headquarters intervention for each business function, product, marketing mix element, and country is necessary to close the gap in each", thus adopting a think global and act local type of strategy.

3.2 Standardization and Adaptation of Marketing Mix for the Chinese Cosmetics Market

In order to further examine the differences and the effects of the two opposite international marketing strategies and to better understand what can be achieved with each strategy, with particular regard towards the Chinese cosmetics market, each element of the marketing mix will be individually analysed in the following pages.

A marketing strategy is defined as "a plan identifying what marketing goals and objectives will be pursued to sell a particular product or product line and how these objectives will be achieved

in the time available”¹⁰⁶. This means it is a plan created to attract new consumers by efficiently conveying the competitive advantage that differentiates the company from its competitors and that can satisfy consumers’ needs and desires. In order to do this, the marketing strategy should be clear about what the company’s value proposition is, what values it stands for, how it intends to reach them and why it is better than other companies.¹⁰⁷

The concept of the marketing mix, intended as the set of actions implemented by a company in order to reach its goals and attract new customers, was first developed by McCarthy in his work “Basic Marketing: A Managerial Approach” in 1960. In this volume, he identified four main elements that marketers have to keep in their mind to better focus when elaborating their marketing strategy, also known as the four Ps: Product, the object or service created by the company to meet customers’ needs and that the marketing is designed for; Price, the value given to the product, taking into account both the costs of production, the revenue desired and the price the consumers are willing to pay; Placement which refers to the distribution of the product and Promotion, including all the various forms of marketing activities used to make the product known to consumers¹⁰⁸.

This model was later updated by Booms and Bitner in 1981 in their paper for the American Marketing Association titled “Marketing Strategies and Organization Structures for Service Firms”. In their work, the two marketers added three dimensions to McCarthy’s theory, making it more complete, including People, all those working for the company and interacting with customers on a daily basis; Process, all the steps required to create the customer journey and Physical evidence, tangible elements that help the customers better understand the company and the quality offered, such as the packaging¹⁰⁹.

¹⁰⁶ Available at: <https://www.oxfordreference.com/display/10.1093/oi/authority.20110803100135119;jsessionid=7A45D1662C20B0BC636986A380EB1933> (accessed on: 14/06/2023)

¹⁰⁷ Available at: <https://www.investopedia.com/terms/m/marketing-strategy.asp> (accessed on: 14/06/2023)

¹⁰⁸ Available at: <https://www.investopedia.com/terms/m/marketing-mix.asp> (accessed on: 14/06/2023)

¹⁰⁹ Available at: <https://www.investopedia.com/terms/m/marketing-mix.asp> (accessed on: 14/06/2023)

Marketing Mix				
Product: -product or service variety, design, features -quality -brand name -packaging, styling -size and colour varieties -performance -image -pre-sales service -delivery, installation -after-sale service warranties	Price: -price levels, list price, price changes -discount allowances, payment period, credit terms	Place: -distribution channels, distributors value, place of shops, logistics	Promotion: -advertising -sales promotion -personal selling -direct marketing -public relations	People Physical evidence Process

Figure 12. Toward standardization or adaptation: a conceptualization.
 Source: author's adaptation of Vrontis et al., 2009 (p. 483)

Although the 7Ps model was introduced in the 1980s, it is still largely used and taught nowadays because it can be easily adaptive to the world's changing conditions, such as the introduction and prevalence of social media, as well as changing business needs. In fact, it could be said that the marketing mix requires a deep level of understanding and extensive market research in order to be instrumental for companies.

In particular, this research aims at analysing the effects of each component of the marketing mix considering the Chinese cosmetics market. Since China started opening up its market to other countries in the 1980s and with its continuous growth in terms of market opportunities, many marketers developed an interest in this peculiar country and began studying its society and values, in order to develop the best strategies and techniques to tackle this market (Douglas and Craig, 1992). Although nowadays it may seem that the transition to the open market economy is concluded, and China is a globalized country, Chinese consumers' needs and spending preferences still differ from the Western ones. Thus, cosmetics companies wishing to expand to this market need to consider attentively which marketing strategy is best for their products. For this reason, the following paragraphs will examine in depth the implications of each aspect of the marketing mix, offering both successful and unsuccessful examples, and guiding Western cosmetics companies to the best choice for their brand.

3.2.1 *Product*

The first point and fundamental base of an effective marketing strategy is the definition of the product, being it a tangible object or a service, and its main characteristics such as its quality, design, features, packaging, etc.

Consumer goods, such as the case of cosmetics products, because of their nature of being directly sold to and enjoyed by consumers, thus depending on consumers' tastes, are often regarded as the element of the marketing mix that needs the most adaptation to local tastes. However, research has shown that thanks to the increasing convergence of tastes and needs, the opportunity to benefit from economies of scale for research and production, the continuous emergence of new products, the continuous shortening of the life cycles and the necessity of better coordination of processes and activities, it is the easiest element to standardize (Omae, 1985; Theodosiou and Leonidou, 2003). However, some elements of the product, in particular brand naming and packaging, have been found to have a beneficial effect for companies when adapted, in terms of better competitive positioning and better response to unique needs.

The choice of the brand name is fundamental for the success of its products, due to its capability to convey brand meaning and increase brand awareness and quality perception, thus creating a good image of the product in consumers' minds and influencing purchasing choices (Aaker, 1991; Fan, 2002). In order to achieve that, companies need to choose a name that is short, describes product attributes, and can be easily understood, remembered and pronounced, promoting memorability and word-of-mouth (Fan, 2002; Vescovi *et al.*, 2013). When going abroad, this choice becomes more relevant and complicated at the same time, brands need to decide whether it would be better for them to keep the original name or to translate it to suit local tastes while staying true to the brand identity (Vescovi *et al.*, 2013).

The brand translation is particularly important when the language is completely different, such as in the case of China. Since the Chinese language uses characters, based on ideograms that convey meaning in addition to sound, and the majority of people are not confident with the Roman alphabet and have difficulties pronouncing Western names, translation of the brand name seems like an obligated choice (Alon *et al.*, 2009; Fan, 2002; Vescovi *et al.*, 2013). Considering translation methods, different scholars propose different methods to achieve the best result possible, but Fan (2002) identifies three main methods: direct translation or transliteration, which is based on the use of an equivalent sound with no specific meaning; free translation, which aims at maintaining the original meaning with no consideration of the

pronunciation and mixed translation, which keeps both the original sound and meaning in mind. However, since the differences are so important and a name is more than a sound in the Chinese language, it is best for brands not to simply apply direct translation and to develop a deep understanding of Chinese culture as well as linguistic skills (Alon *et al.*, 2009). In addition, Chan and Huang (1997) identified four principles that should govern the choice of the Chinese name: it should be a two-syllable compound, the second syllable should be high-toned, the structure should respect the order modifier-noun and it should have a positive connotation.

Apart from linguistic factors, other factors influencing the choice of the brand name include: the target consumers, referring to their education and level of exposure to the Western world (Vescovi *et al.*, 2013); the product categories, since for certain kinds of Western products, it is better to keep a more Western image as it is still considered as an assurance of quality, modernity and high status (Zhou and Belk, 2004); the luckiness, for example, the characters' balance of yin (even number of strokes) and yang (odd number of strokes) (Alon *et al.*, 2009) and the country-of-origin effect (Vescovi *et al.*, 2013).

The country-of-origin (COO) effect is a psychological effect that generates an association between the stereotypes consumers have regarding a specific country and the products coming from there, positively or negatively influencing their purchasing decision, especially when the consumers have no previous knowledge or experience with the product or brand, being sometimes more important than the brand itself (Checchinato *et al.*, 2013). This means that when companies enter a new market consumers will have different expectations about their products depending on their home country, for example, Western products in China are perceived as modern and cosmopolitan (Zhou and Belk, 2004). However, research has shown that not all consumers can identify the country of origin of a brand correctly, with some experiencing confusion; in addition, in the Chinese market the perception of country of origin is not clear and many perceive only larger geographical areas, understanding Western/European brands as a homogeneous category, losing some of the advantages it can create (Vescovi *et al.*, 2013). Thus, companies should “choose a name close to the original brand name, both from the sound and the meaning aspect, where the meaning has also to be accepted by the Chinese culture” (Vescovi *et al.*, 2013, p. 17), in order to ensure the memorability of the name and strengthen the brand image.

For cosmetics brands, usually, words with feminine and beauty connotations are chosen with the aim of creating a positive and beautiful effect in the consumers' minds (Chan and Huang, 2001). For example, the American beauty brand Estée Lauder chose the name 雅诗兰黛 *yashilandai*, which is close to the original pronunciation, allowing it to benefit from its worldwide brand recognition and country of origin effect. Since the name comes from one of the founders of the brand, the Chinese name is meaningless, but the characters convey ideas of elegance, poetry, purity and fragrance, the ideal incarnation of Chinese beauty, helping it build its global image (Liu, 2017; Zhao and Yu, 2018). However, not every brand got it right the first time, German skincare brand Nivea first entered the Chinese market with the name 能维雅 *nengweiya*, meaning “could preserve beauty” but the first character was considered too harsh to be associated with beauty and it was later changed to 妮维雅 *niweiya*, both closer to the original pronunciation and incorporating the character for women, more appealing to the target consumers (Zhao and Yu, 2018). Another interesting example is the one of Origins, a natural beauty brand environmentally committed that chose the name 悦木之源 *yuemuzhiyuan*, shifting away from the original pronunciation but keeping the meaning close to the brand's values with the first two characters referring to the protection of trees and the use of natural ingredients (Liu, 2017; Zhao and Yu, 2018).

Packaging is necessary to protect the products from both transportation and natural conditions, ensuring their quality. However, it has also been found to have an influence on consumers' buying decisions, being it a powerful means for brands to communicate their history and personality, helping the positioning of the brand and turning into a fundamental element for effective communication that can help brands gain a competitive advantage over competitors, differentiating the brand in a product-filled market¹¹⁰. This is particularly important when it comes to cosmetics, as people are more and more interested in their appearance, they sell an ideal and a lifestyle in addition to the product, so well-designed and eye-catching packaging will attract consumers and increase sales (Srivastava *et al.*, 2022).

When it comes to the Chinese cosmetics market, which is highly competitive and full of products, brands should adapt their designs to cultural traditions, values and aesthetics. Thus,

¹¹⁰ Available at: <https://www.cosmeticsdesign-europe.com/Article/2013/10/02/The-importance-of-beauty-packaging-It-s-make-or-break> (accessed on: 22/06/2023)

colours, shapes, materials, and designs should reflect cultural preferences¹¹¹. In particular, packaging with vibrant colours, minimalistic design and traditional patterns or elements seems to increase attractiveness and positively impact consumers' minds, with the newest trend being the sustainability and eco-friendliness of it¹¹². Colours are also perceived differently, with red being the colour for luck and joy, gold the one for luxury and wealth and white the one for purity but also death. It is evident that when designing packaging for the Chinese market, Western brands should have a clear understanding of its culture and values. For this reason, it is often suggested that brands seek local designers that could help them create better packaging thanks to their knowledge of consumer preferences and labelling regulations¹¹³.

Traditional festivities are particularly meaningful in Chinese culture and youngsters are increasingly confident about their heritage, creating opportunities for brands to create special packaging and increase their sales, also thanks to their gift-giving aspect. A good example is the make-up brand Maybelline, part of the L'Oréal group, which for the 2019 New Year celebrations launched a lipstick collection with red and gold packaging and paired it with a mahjong set, one of the most popular household games in China, perfectly mixing together Chinese and Western cultures¹¹⁴. More recently, the brand also launched a limited series of eyeshadow palettes dedicated to four Chinese cities: Xi'an, Chongqing, Changsha and Shanghai, with each palette representing the city's style and helping to create different personalities¹¹⁵. Once again, the brand was able to catch the attention of Chinese consumers by creating specially designed products that leverage the nationalism wave and make consumers feel special.

In the case of the cosmetics sector, many brands need to change their products' formulations in compliance with Chinese regulations on cosmetics ingredients. However, more and more brands are changing their formulations also to better target Chinese consumers' needs. As mentioned in the first chapter, Chinese people's skin is different from Western people's skin

¹¹¹ Available at: <https://marketingtochina.com/packaging-design-in-china-how-to-adapt-your-packaging-for-the-chinese-market/> (accessed on: 22/06/2023)

¹¹² Available at: <https://cosmeticschinaagency.com/the-role-of-packaging-design-in-china-cosmetics-market/> (accessed on: 22/06/2023)

¹¹³ Available at: <https://marketingtochina.com/packaging-design-in-china-how-to-adapt-your-packaging-for-the-chinese-market/> (accessed on: 22/06/2023)

¹¹⁴ Available at: <https://jingdaily.com/mahjong-makeup-maybelline/> (accessed on: 24/06/2023)

¹¹⁵ Available at: <https://weibo.com/1645385313/N73IQx5gz#comment> (accessed on: 11/07/2023)

and they have different beauty ideals that push them to look for different products to achieve different looks. Among the first companies that understood this, there is L'Oréal, which opened its first research centre in Shanghai in 2005 to better understand Chinese skin and hair and offer more efficient products such as anti-ageing serums, whitening creams and pollution-fighting cleansers, and more recently collaborated with many local research institutes to innovate the skincare industry and develop highly sophisticated formulas¹¹⁶.

Estée Lauder also launched its research centre in Shanghai in 2005, which resulted in the creation in 2010 of the Nutritious Super Pomegranate line specifically designed for Asians to improve dehydrated skin and in 2012 of a new brand, Osiao, a luxury skincare line designed in Asia by combining traditional Asian ingredients and Western technology to achieve the radiant skin Asian women desire¹¹⁷. More recently, more brands are following their lead, guided by the need to better understand the specificities of Chinese consumers' skin and hair and offer products that solve their concerns, such as the dermo-cosmetics group Pierre Fabre¹¹⁸.

All the examples provided exhibit different approaches to the Chinese market, but all the brands have been successful because they are based on a common strategy, adaptation. In a fast-moving world where competition is more ferocious than ever, brands need a deep understanding of the target culture in order to propose more unique and appealing products that are able to stand out by satisfying local tastes.

3.2.2 Price

Price is often understood as the amount of money to be paid in exchange for a product or service, but it is more broadly defined as the product's real and perceived value, which derives from many factors, including “supply costs, seasonal discounts, competitors' prices, and retail markup”¹¹⁹.

¹¹⁶ Available at: <https://www.chinadaily.com.cn/a/201907/13/WS5d294165a3105895c2e7d464.html> (accessed on: 26/06/2023)

¹¹⁷ Available at: <https://www.elcompanies.com/en/news-and-media/newsroom/press-releases/2012/10-3-2012> (accessed on: 26/06/2023)

¹¹⁸ Available at: https://www.pierre-fabre.com/en/press_release/pierre-fabre-inaugurates-its-new-innovation-center-in-china (26/06/2023)

¹¹⁹ Available at: <https://www.investopedia.com/terms/f/four-ps.asp> (accessed on: 27/06/2023)

In general, prices are rarely standardized and almost always adapted to local conditions, which in this case are not the result of culture but more of the economic conditions of the market, such as revenues, inflation rates, government regulations, taxes, manufacturing costs and competition (Theodosiou and Leonidou, 2003), meaning that companies need to conduct frequent market analysis in order to have a clear picture of the background conditions and register new trends. This gives marketers the opportunity to exploit price differences by lowering the prices of their products to broaden their consumers or by raising the prices when wanting to give an impression of luxury or exclusivity¹²⁰. Among the areas considered when adjusting the price, there are mainly the pricing methods, such as skimming or penetration price¹²¹, the wholesalers' margins, the retail margins, the end user margins and the terms of the sales (Theodosiou and Leonidou, 2003).

Inadequate pricing can contribute to the brand's failure in the Chinese market, it is the case of American Revlon and French Garnier, who both announced their withdrawal from the Chinese market just a week apart from each other in 2013. Make-up company Revlon was among the first beauty brands in China, entering the market in 1996 but the attention it obtained started decreasing. Apart from simply proposing their already existing products without any adaptation to satisfy Chinese consumers' tastes, the brand failure can also be attributable to the fact that the products' pricing confused both high-end and low-end consumers, being considered too low by the former and too high by the latter, resulting in poor brand positioning and lost opportunities. Garnier's situation was similar, despite the parent company's L'Oréal extensive experience and success in the Chinese cosmetics market, wasn't able to position the product in the right way and resulted in being too expensive or not of high quality, thus driving away consumers who preferred the increasingly sophisticated Asian product¹²².

¹²⁰ Available at: <https://www.investopedia.com/terms/f/four-ps.asp> (accessed on: 27/06/2023)

¹²¹ Price skimming strategy consists in lowering the initial price of the products over time to attract price-sensitive consumers. Available at: <https://www.investopedia.com/terms/p/priceskimming.asp> (accessed on: 29/06/2023)

Price penetration strategy consists in offering a low price when a new product enters the market to win the competition. Available at: <https://www.investopedia.com/terms/p/penetration-pricing.asp> (accessed on: 29/06/2023)

¹²² Available at: <https://jingdaily.com/why-revlon-and-garnier-bailed-on-chinas-beauty-boom/> (accessed on: 29/06/2023)

3.2.3 Place

Place refers to the distribution channels chosen by a company to deliver its products or services to the final consumers, which also have a fundamental role in enhancing the brand's image. Distribution is almost impossible to standardize and it is the most adapted element of the marketing mix since each market has developed its own distribution channels, thus creating an important degree of discrepancies and peculiarities between countries that need to be understood by marketers as they play a key role in the success of the company (Theodosiou and Leonidou, 2003). Since most noticeable variations are registered in the physical distribution channel, it is necessary for companies to be informed of the changing conditions of the market to make the right adjustments (Theodosiou and Leonidou, 2003).

In addition, while working with a local distributor may be beneficial for companies in terms of network and regulations knowledge, finding a reliable distributor can be challenging, especially when the country is physically and culturally distant, such as in the case of Western companies entering the Chinese market. For these reasons, and the constantly increasing penetration rate of online cosmetics, the online market often represents an easier, safer, and quicker channel, which has been thoroughly analysed in paragraph 2.2.3.

Online channels not only offer enormous possibilities for growth but are essential for companies to survive the increasingly competitive cosmetics market and to remain relevant in consumers' minds. In particular, the easiest way to do this is through cross-border e-commerce platforms, which allow foreign companies to sell their products in the Chinese market without the need of setting up a Chinese legal entity and bypassing many of the time and resource-consuming regulations¹²³. Although not always advantageous for brands, traditional e-commerce platforms remain the most used by Chinese consumers when shopping online, they are also evolving, integrating social media into the shopping experience, allowing consumers to find information about the products or services offered and share their experiences, as well as make the final purchase all on the same platform.

Many Western cosmetics companies are exploring these new channels and investing their resources in order to present their Chinese consumers with new experiences for interacting with the brand and new methods to attract new potential buyers and increase sales. This is behind

¹²³ Available at: <https://www.tmogroup.asia/downloads/china-cosmetics-industry-report/> (accessed on: 17/04/2023)

Benefit Cosmetics' decision of opening a flagship store on online retailer JD.com in 2021. The San Francisco-based beauty company, which is owned by French luxury group LVMH, entered the Chinese market in 2007 and sold its products through worldwide beauty retailer leader Sephora, also part of the LVMH group. Although the brand also had its own website, Chinese consumers prefer to shop on bigger platforms where they can find other brands and read and share reviews, so to appeal to a wider and more diverse range of consumers, Benefit Cosmetics chose to partner with JD.com, which provides consumers with authentic products and fast delivery, thanks to its commitment to quality and sophisticated logistics¹²⁴. Previously, the beauty company also teamed with Perfect Corp., which specializes in intelligence and augmented reality beauty technologies to launch "Brow Try-On", the first WeChat Mini-program which uses augmented reality technology to allow Chinese consumers to experiment with different brow styles to find their perfect match. Moreover, once the consumer chooses their favourite look, WeChat allows them to make a reservation in the physical store where beauty experts will recreate the look selected¹²⁵. By doing so, Benefit Cosmetics was able to attract newer and younger consumers through its wider presence and personalized services which enhanced customer engagement and significantly increased the sale of their products and services.

3.2.4 Promotion

Promotion, also referred to as communication, consists of all the marketing efforts needed to introduce a product, reach the targeted audience, communicate brand values and product characteristics, create a desire in consumers and ultimately convince them of the indispensability of the product or service promoted. The main tools used in order to achieve this include advertising, public relations, sales promotion, direct marketing, personal selling, etc.¹²⁶

¹²⁴ Available at: <https://retailinasia.com/in-markets/greater-china/china/benefit-cosmetics-launches-flagship-store-on-jd-com/> (accessed on: 02/07/2023)

¹²⁵ Available at: <https://www.perfectcorp.com/business/successstory/detail/2> (accessed on: 03/07/2023)

¹²⁶ Available at: <https://www.investopedia.com/terms/f/four-ps.asp> (accessed on: 27/06/2023)

When it comes to promotion, companies have more freedom in deciding whether their strategy is to be standardized or adapted, choosing between having a single and unified message to be diffused in all the target markets without the need for additional localized changes and creating a different message for each country. In this case, the style and the channel used can be modified in addition to the message, with the degree of modification depending on the cultural differences between markets, since elements of culture such as language, religion, value, economic, regulatory and media differences can interfere with the correct interpretation and understanding of the promotional message, losing the correspondence between desired and real effect on consumers (Theodosiou and Leonidou, 2003; Vescovi, 2018). Among the most common mistakes Western companies make when communicating in China include not translating the message correctly, stereotyping Chinese culture and traditions, not respecting sensitive topics and more generally not investing adequately in the campaigns.

Unfortunately, many Western brands are still making these mistakes, despite their size and resources or previous experience and knowledge of the market. It is the case of the French luxury brand Dior, which was recently accused of racial discrimination after publishing a promotional picture for the launch of its new makeup line. In the picture, an Asian model can be seen pulling the corners of her eyes, resulting in a slanted eyes look, reminiscent of a cruel stereotype towards Asians that sparked controversy on social media platforms and called attention to the importance of cultural sensitivity and mindfulness when dealing with promotion campaigns¹²⁷.

In paragraph 2.2.4 the increasingly fundamental role of social media and influencer marketing in today's always-connected society was explored. Since Chinese consumers are more and more tech-savvy, Western beauty brands need to cultivate their online reputation and brand awareness through social media in order to promote sales. Among the most used platforms, there is the instant-messaging app WeChat which allows users to engage in conversation with other users but also with brands' official accounts and stores, the lifestyle-sharing platform Xiaohongshu and Weibo, China's most popular social media platform that offers paid advertisement options. The search engine Baidu, used by Chinese consumers to find information about brands and product reviews, can also be useful for cosmetics brands, as it

¹²⁷ Available at: <https://www.bbc.com/news/world-asia-china-65229901> (accessed on: 08/07/2023)

can help increase exposure and visibility, as well as word-of-mouth and positive feedback on the brand¹²⁸.

L'Occitane, a French personal products company, owes its success in the Chinese market to its remarkable digital marketing strategy. In addition to being present on all the most important Chinese e-commerce platforms, the French brand also leverages WeChat versatile nature to offer its users targeted and appealing content through its official account and collaborations with influencers and KOLs, but also to carry out marketing campaigns and promotions, such as contests and giveaways through the Mini-Programs function, increasing visibility¹²⁹. L'Occitane is also present on Xiaohongshu, using its targeted advertising service and visual nature to attract a wider audience, allowing them to better experience the characteristics and performance of their products thanks to the collaboration with influencers and live streamers. On Weibo, the Provence-based brand has taken advantage of the Brand Zone advertising functionality to push users towards their website, shop, reviews and videos. Moreover, they also execute marketing campaigns and promotions on the social media platform, strengthening brand awareness, and engaging with their audience to communicate their values and the research behind their products, which has allowed them to position themselves as one of the top leading cosmetics brands in China¹³⁰.

As previously mentioned, collaboration with influencers, celebrities or KOLs, who act like the reference figure for young consumers when shopping, has also turned into a key element for the success of brands in China, to increase credibility, visibility and sales thanks to their large following and popularity. When working with these figures, it is important to stress the need for companies to make sure their values and objectives align, as well as verify the credibility and trustworthiness of the KOLs necessary to build trust in the consumers and to consider their target consumers and preferences to choose the type of influencer and content that could appeal the most to them, increasing communication and brand awareness¹³¹. Influencers, celebrities

¹²⁸ Available at: <https://marketingtochina.com/cosmetics-china-top-marketing-strategies-beauty-market/> (accessed on: 05/07/2023)

¹²⁹ Available at: <https://cosmeticschinaagency.com/analysis-loccitane-marketing-strategy-china/> (accessed on: 05/07/2023)

¹³⁰ Available at: <https://cosmeticschinaagency.com/analysis-loccitane-marketing-strategy-china/> (accessed on: 05/07/2023)

¹³¹ Available at: <https://marketingtochina.com/cosmetics-china-top-marketing-strategies-beauty-market/> (accessed on: 05/07/2023)

and KOLs are also the main ingredient when considering live streaming, the new shopping method that allows consumers to make purchases while interacting with hosts, increasing purchasing interest and excitement over products, especially in the case of new launches.

This was well understood and implemented by Estée Lauder, which indicates its massive use of social media platforms and investments in digital and influencer marketing as the crucial factor leading to its success in China. The company highlighted the importance of choosing local models and localising campaigns to stimulate brand awareness among youngsters. In order to do this, they appointed famous Chinese actress Yang Mi global brand ambassador and collaborated with celebrities and KOLs such as singer Hua Chenyu, model Liu Wen and actress Li Jiaqi. Thanks to their huge fan bases and influence, they were able to help make the brand more relatable and capture the attention of younger segments¹³².

With the Chinese consumers being so responsive to the digital world, new trends and opportunities are constantly emerging and brands need to be willing to experiment and challenge themselves to attract young consumers and offer a new interaction possibility, even for smaller and younger brands. Among these, the metaverse¹³³ has been an ongoing hot topic for the last few years, especially favoured by younger generations, it offers a new immersive method for connecting with this segment, increasing engagement and involvement, and creating value for consumers. Metaverse marketing usually involves the collaboration with virtual KOLs, realistic virtual avatars that have quickly attracted the attention of Gen Z thanks to their ability to combine and leverage the appreciation of live streaming and the request for the latest technologies¹³⁴. As previously mentioned, virtual influencers often constitute a better choice for many brands as they can be easily controlled, thus decreasing the risks of negatively influencing the brand, and they can be customized to be in line with the brand image and better appeal to the target consumers.

¹³² Available at: <https://daxueconsulting.com/market-analysis-on-estee-lauder-in-china/> (accessed on: 08/07/2023)

Available at: <https://jingdaily.com/estee-lauder-brand-image-china/> (accessed on: 08/07/2023)

¹³³ The metaverse is a virtual environment accessed via the internet that simulates the real world and where users can interact with each other through avatars and engage in different activities.
Available at: <https://www.britannica.com/topic/metaverse> (accessed on: 11/07/2023)

¹³⁴ Available at: <https://daoinsights.com/works/how-do-beauty-brands-hop-on-chinas-metaverse-bandwagon/> (accessed on: 11/07/2023)

M.A.C., the Estée-Lauder-owned Canadian company, proved to have a pioneering role in the digital market with the launch of its “Lightful C3” product line in February 2022, when the brand opened a metaverse-themed beauty pop-up in Shanghai during the TMall Super Brand Day, where people are encouraged to experience the new line, take photos and explore the metaverse. In addition, M.A.C. collaborated with China’s first hyper-realistic virtual influencer, Ayayi, who displayed a specially designed set of metaverse illusion makeup that recreated the lightness without make-up base achievable with the new products, and then concluded with a flash mob where hundreds of Ayayi’s KOL cosplayers participated in a parade. The event immediately created excitement on social media platforms, with thousands of make-up tutorials on how to recreate Ayayi’s look, increasing the popularity of the brand¹³⁵.

Another trend that has been regaining popularity among Chinese consumers is cross-brand collaborations. Cross-brand collaborations are mutually beneficial partnerships that can increase credibility and visibility among customers by profiting from their partners’ reputation, as well as expand their customer base, boosting sales. In order to have a successful collaboration, brands should partner mainly with those that share the same values and target consumers, although many cases of successful collaborations between brands with very different styles and audiences exist¹³⁶. In particular, collaborations with local partners can be notably beneficial in the case of Western cosmetics brands as it leads to better localization and cultural relevance, increasing interest in the products and the brand.

Limited edition collaborations are found to be especially popular and effective thanks to the sense of urgency and exclusivity that appeals to Chinese consumers who, always on the lookout for peculiar products, usually purchase these products quickly, increasing sales and brand loyalty. Collaborations inspired by elements of popular culture such as movies, Tv shows, video games or music icons are also well received by Chinese consumers and receive much praise on social media platforms¹³⁷.

¹³⁵ Available at: <http://vr.sina.cn/news/2022-02-25/detail-imcwipih5307096.d.html> (accessed on: 11/07/2023)
Available at: <https://daoinsights.com/works/how-do-beauty-brands-hop-on-chinas-metaverse-bandwagon/> (accessed on: 11/07/2023)

¹³⁶ Available at: <https://cosmeticschinaagency.com/the-power-of-collaborations-how-co-branding-can-boost-your-cosmetics-brand-in-china/> (accessed on: 11/07/2023)

¹³⁷ Available at: <https://cosmeticschinaagency.com/the-power-of-collaborations-how-co-branding-can-boost-your-cosmetics-brand-in-china/> (accessed on: 11/07/2023)

A great example is once again provided by M.A.C. cosmetics company which in 2019 teamed up with a multiplayer online battle arena game developed by Tencent, “Honor of the Kings”, one of the most popular mobile games in China with around 200 million players, more than half females. The two companies decided to leverage a similar target audience and created a collection of five lipsticks inspired based on five heroines of the game¹³⁸. In addition, five young celebrities from the group “Rocket Girls 101” participated in the promotional campaign, with each of them presenting a lipstick colour and a character, creating even more anticipation and enthusiasm among fans of the game. Although the two brands seem to be very different from each other, they risked by being unconventional and the results were remarkable and unprecedented, with the collection being sold out on all distribution channels within 24 hours and 14,000 pre-orders spread across TMall, the official M.A.C. website and a WeChat mini program¹³⁹.

Another interesting collaboration is the one between singer Rihanna’s beauty brand Fenty Beauty and well-established Chinese tea brand HEYTEA. Instead of optioning for the launch of a limited-edition product, the collaboration was aimed at promoting the already available “Cheeks Out” cream blush collection. In order to do that, the two brands opened a lottery on Weibo with winners receiving a limited-edition branded makeup bag and a coupon for a free HEYTEA Cheese and Peach drink, which relaunched, in addition to the Fenty Beauty new product. In this way, much hype was created around both brands on social media platforms, with the campaign hashtag receiving over 14 million views and 30,000 comments on Weibo. Through this campaign, Fenty Beauty was able to leverage the popularity of the bubble tea company among Millennials and Gen Z, since the two of them have the same target audience, increasing hype and exclusivity of its products¹⁴⁰. This is not the first collaboration of this kind, partnerships between beauty and bubble tea brands in Asia already proved to be successful in attracting young consumers, and HEYTEA had previously worked with both Western brands such as Clinique, L’Oréal and Clarins and local brands such as Pechoin.

¹³⁸ Available at: <https://www.cosmeticsdesign-asia.com/Article/2019/02/20/Beauty-games-M.A.C.-lipstick-collaboration-with-Tencent-mobile-game-sells-out-in-24-hours> (accessed on: 11/07/2023)

¹³⁹ Available at: <https://daxueconsulting.com/cross-industry-collaboration-example-china/> (accessed on: 11/07/2023)

¹⁴⁰ Available at: <https://jingdaily.com/fenty-beauty-and-heytea-collaboration-banks-on-exclusivity/> (accessed on: 12/07/2023)

The last emblematic example analysed is the collaboration of American Estée Lauder with Feng Chen Wang, one of the world's most popular Chinese designers. The two teamed up to create a makeup collection inspired by the designer's Fujianese heritage, represented through the special packaging that incorporates elements such as bamboo, phoenixes and mountains, signature patterns of Wang's designs. With these images, the designer also aimed at celebrating Chinese women, their achievements, the obstacles they faced and their perseverant spirit, and at encouraging women in discovering their identity and celebrating their unique beauty¹⁴¹. The collection featured some of Estée Lauder's best-selling products, a palette exclusively created with the help of Wang and the popular lipstick in three new shades chosen specifically to compliment Asian skin tones. Once again, Estée Lauder proves to have a deep understanding of Chinese culture and respect for its values and history, thus strengthening brand awareness and credibility among Chinese consumers by adopting each aspect of the marketing mix in its campaign, which obtained consensus on social media, generating 19 million views and 1 million posts on Weibo just a week after its launch¹⁴².

Based on the theories and the examples provided and analysed in this chapter, it is evident that the adaptation of the marketing mix has a favourable effect on the performance of Western cosmetics companies operating in China. Although in recent years the standardization of the business strategy to promote the globalization of products has been emphasized and, during the 20th century, Chinese women looked at Western models when it came to beauty, nowadays the Chinese market is developing its unique needs, values and preferences regarding the beauty industry, its models and products. While there are some Western companies, in particular luxury companies, that were successful in leveraging their global brand recognition and strong identity, marketers should be mindful and consider the specificities of each country and culture present, especially considering that beauty derives from culture but also the fierce competition coming from local brands (Powers and Loyka, 2010). Chinese cosmetics brands are more likely to offer their audience more tailored products that focus on specific skin concerns or needs as well as incorporating cultural elements in their offer, receiving more appreciation from Chinese consumers, who enjoy personalized products and experiences. By modifying their products even slightly, Western brands are able to offer a unique value proposition and be more attractive

¹⁴¹ Available at: <https://fengchenwang.com/pages/feng-chen-wang-x-estee-lauder> (accessed on: 12/07/2023)

¹⁴² Available at: <https://jingdaily.com/uggs-rising-voices-feng-chen-wang-x-estee-lauder-and-more-china-collabs-of-the-week/> (accessed on: 12/07/2023)

in the eyes of local consumers, who are able to appreciate the research behind the products and services available. Moreover, the digital world and the advent of social media permeate every aspect of life, transforming the way things are done and accelerating trends and information exchanges, thus leading all those companies who resist change to market failure, and validating the importance of adaptation of marketing mix to local market conditions.

Running a business abroad means that every activity must be rethought and analysed in order to understand how cultural differences can condition business practises. When considering the scope of business, which is the satisfaction of the consumer's need through the right product or service, it is evident that to be successful companies need to gain knowledge on the market as consumer needs change from one country to another. Since the Chinese market is becoming increasingly important for Western brands' sales, marketing strategies should be reconsidered accordingly to offer high-quality products that suit local tastes and satisfy consumers (Mihailovic *et al.*, 2017).

Chapter 4

The Case of Rilastil

In the previous chapters, the characteristics of the Chinese online cosmetics market and the different strategies Western companies adopt when dealing with cultural differences were analysed. Since the cultural distance between China and Western countries is considerable, meaning that differences between the market are plentiful, which makes it harder for companies to enter the market and gain competitive positioning, cosmetics brands should ponder carefully the best marketing mix to apply to the Chinese market, and prefer an adaptation approach.

In order to deepen this research, which purpose is to examine how Western cosmetics companies manage cultural differences and whether they adapt or standardize their marketing strategy in China, one particular company's reality will be described, and its results will be thoroughly analysed. The next chapter will be entirely dedicated to an Italian SME that embarked on the journey of expanding to the Chinese market, Rilastil, and the choices that have been made for developing it.

Despite the fact that Small and Medium Enterprises are seldom the focus of academic research, they often play a key role in many countries' economies and constitute the backbone of the Italian economy. Larger companies were the first ones to engage in international business thanks to their accumulated experience and financial capabilities. However, due to globalization, SMEs had to compete on the international level to survive, and contrary to expectations which saw their disadvantageous position as an insuperable obstacle, they proved to have potential in international markets and to be capable of rapid growth, thanks to their ability to take advantage of different market opportunities and strategies (Hutchinson *et al.*, 2005). Taking into consideration Italian SMEs, the struggling economy and the stagnant domestic demand contributed to motivating companies to find new markets. These companies can benefit from having less bureaucracy and organisational costs, which makes them more flexible and thus more innovative, more adaptable and have quicker response times when it comes to adopting new technologies and satisfying the unique and specific needs of customers belonging to niche market segments (Pontiggia and Vescovi, 2015).

In addition, Italian SMEs can also profit from the high consideration the world has for Italian products, their craftsmanship and high quality. Therefore, it is fundamental to understand which marketing strategies should be developed for cosmetics companies to be successful in the emerging Chinese online cosmetics market.

4.1 Introduction to Ganassini Corporate and Rilastil

Rilastil is “an Italian dermatological skincare brand that offers the best daily solutions to care and keep the skin thanks to the wide array of products created with a great dermatological knowledge and attention to skin elasticity”¹⁴³.

The history of Rilastil begins long before its creation, with Domenico Ganassini di Camerati, an inspiring biochemist and professor of Chemistry at the University of Pavia, whose passion for research led him to open the Ganassini Institute of Biochemical Research in Milan in 1935¹⁴⁴.



Figure 13. Ganassini Institute becomes a reality. Source: Ganassini Corporate Available at: <https://ganassinicorporate.com/en/group/> (accessed on: 24/07/2023)

¹⁴³ Available at: <https://rilastilusa.com/our-story/> (accessed on: 30/07/2023)

¹⁴⁴ Available at: <https://rilastil.com/our-history/> (accessed on: 24/07/2023)

Here he continued conducting his research in the pharmaceutical field in the following years and made remarkable discoveries such as the synthesis of Niacin, also known as Vitamin PP, which was able to cure Pellagra, a diffused disease caused by malnutrition, thanks to its protective action. At the same time, he started experimenting with products dedicated to skin concerns, pairing together cosmetics with scientific rigour, which resulted in the revolution and innovation of the dermo-cosmetics field and in the establishment of its leadership in the Italian market¹⁴⁵.

The founder's passion and dedication to research and quality still inspire and guide the company's decisions and modus operandi. Thanks to its attention to both advanced dermatological research and cosmetic experience, Ganassini Corporate continues to offer innovative and high-quality products to its customers.

However, it is under the guide of another Domenico Ganassini di Camerati, the founder's grandson and current President of the Institute, that the company takes a further step towards the beauty world. After leading the company for two years, Ganassini took a risk and made the bold entrepreneurial decision of creating Rilastil in 1972. Rilastil was created to draw attention to skin elasticity, this aspect hadn't been adequately studied and addressed yet. Hence the name Ri-lastil, short for Ri-elasticity, a short and catchy name which recalls the main claim of the brand not only in Italy but also internationally¹⁴⁶.

The first product launched by the brand was Rilastil Stretch Marks Cream, a revolutionary product that combined pharmaceutical methods and research and attentive care for the skin, offering a product that was able to improve the appearance of the skin and its elasticity, delivering evident results. Soon enough, the high standards typical of pharmaceutical products that characterised Rilastil beauty products led the brand to gain a strong reputation on the market and made the Stretch Marks Cream, a favourite among Italian consumers¹⁴⁷.

Over the years, Rilastil broadened its product lines, now offering also face care, body care, and sun care, mainly divided by skin concern, but also makeup products.

¹⁴⁵ Available at: <https://rilastil.com/our-history/> (accessed on: 24/07/2023)

¹⁴⁶ Available at: <https://rilastilusa.com/5-things-you-didnt-know-about-rilastil/> (accessed on: 30/07/2023)

¹⁴⁷ Available at: <https://rilastil.com/our-history/> (accessed on: 24/07/2023)



Figure 14. Rilastil Stretch Marks Cream. Source: Ganassini Corporate
Available at: <https://rilastilusa.com/5-things-you-didnt-know-about-rilastil/> (accessed on: 30/07/2023)

Shortly after, the brand started expanding abroad to become an international player, first by exporting to Spain, then conquering the European market and finally opening offices all over the world. Today, the group has 16 brands, 7 direct subsidiaries, and a presence in over 90 countries worldwide, including China. Nowadays, the cross-border market accounts for 30% of Rilastil's total sales.

In 2022 Rilastil reached a special milestone, celebrating its 50th anniversary. During this period, the brand was able to maintain and strengthen its leading role in the Italian market and gain recognition in foreign markets. The secret of this success resides in the same objectives Domenico Ganassini di Camerati had in 1935, which were the reason for the launch of Rilastil and are still guiding decision-making today: offering consumers products that have been thoroughly researched and are safe to use, that rapidly solve specific skin concerns and deliver substantial results, showing care and attention during each step of the process¹⁴⁸.

Thanks to this strategy, Rilastil, which is the leading brand of Ganassini and its most successful brand generating the majority of its revenue, was able to grow and conquer the Italian market. In 2021, despite having just exited the challenging COVID-19 pandemic, Ganassini was the leading manufacturer of cosmeceuticals in Italy, with a revenue of 168 million euros.

¹⁴⁸ Available at: <https://rilastil.com/our-history/> (accessed on: 24/07/2023)

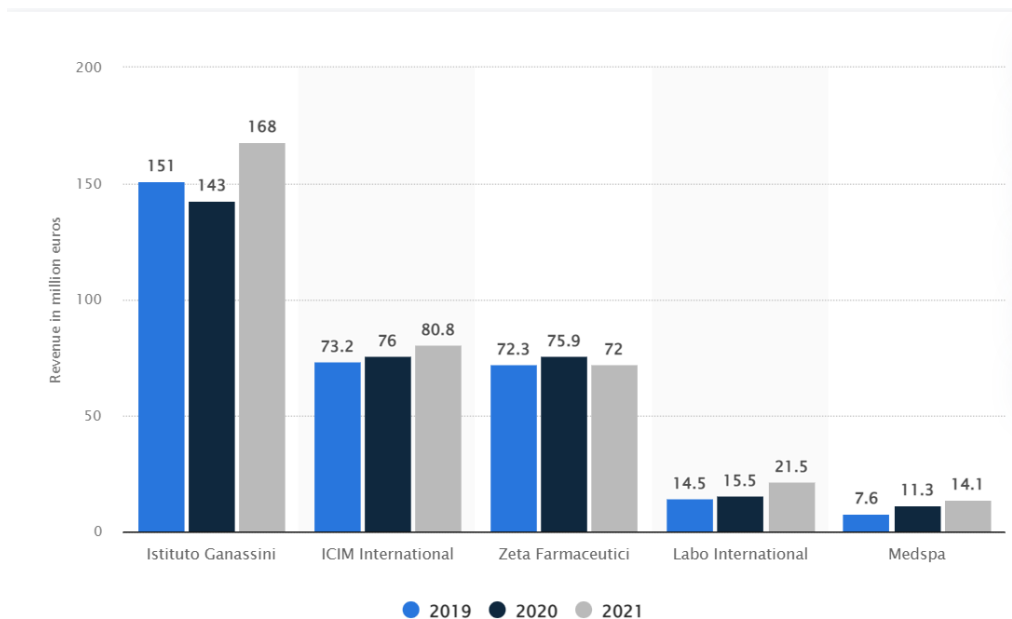


Figure 15. Revenue of leading manufacturers of beauty products for pharmacies in Italy from 2019 to 2021 (in million euros). Source: Statista.
Available at: <https://www.statista.com/statistics/1004613/turnover-of-leading-manufacturers-of-beauty-products-for-pharmacies/> (accessed on: 17/05/2023)

4.2 Values and Brand Image

If we were to choose a word that summarises Rilastil’s values and represents the heart of its agenda, the word responsibility would be the most suitable. The company is committed to ensuring its clients the safety and quality of its products, which means being honest and transparent with all its stakeholders, including pharmacists, doctors and distributors.

By putting innovation and research at the base of their strategy, they devote their resources to continuous improvement and high performance. In order to do this and offer their clients the best products possible, Rilastil also dedicates its time to listen to real people’s needs and concerns¹⁴⁹.

For the company, responsibility also implies the need to value and respect their people by offering an inclusive and diverse environment where they can feel safe and support communities through charitable organizations and solidarity projects. Sustainability is also a pillar value for Rilastil, which is committed to reducing its impact on the planet.

In order to implement this, formulas and packaging with low environmental impact are chosen, and a new hub in Milan is being developed, where laboratories will be sustained through

¹⁴⁹ Available at: <https://ganassinicorporate.com/en/values/> (accessed on: 30/07/2023)

renewable energy coming from the photovoltaic system, rainwater will be reused for irrigation and thermal break panels will limit the heat loss¹⁵⁰.

In addition, in 2022 Ganassini Corporate became a Benefit Corporation, a natural step that reflects the efforts of the past years. By modifying its bylaws, the company legally committed to pursuing a sustainable business model that is able to create both economic profit and a positive impact on society and the environment. In particular, this will tackle three main areas: research and development of innovative and high-quality products with low environmental impact, environmental and biodiversity protection to reach carbon neutrality and social responsibility to help communities in need¹⁵¹.

In March 2023, Rilastil unveiled its new brand identity and mission during a gala dinner at Castello Sforzesco in Milan, a place the company chose for it represents history and tradition, valued elements for the brand. The new brand identity, which is represented by the new slogan “The real formula for real skin”, emphasizes Rilastil’s dedication to offering its clients effective solutions to answer the real needs of the skin, with the aim of naturally improving the health of the skin, without recurring to camouflage effects. The brand put emphasis on the beauty of skin and the importance of caring for it and chose not to have a famous testimonial for the promotional campaign to reaffirm the notion that every skin is beautiful, regardless of imperfections¹⁵².

The company’s development, which is currently progressing fast, well reflects what today’s consumer, who are conscious of their needs, expect from a cosmetics brand: safety, quality and efficacy. Rilastil is a successful story of made-in-Italy excellence that is capable of celebrating its past while looking at its future, and that will continue to expand and grow over the years.

The majority of the information presented in the following paragraphs has been collected thanks to the interviews with Carlo Dragonetti, Ganassini Corporate Business Development Manager for China.

¹⁵⁰ Available at: <https://www.ilsole24ore.com/art/per-istituto-ganassini-nuovo-polo-produttivo-e-logistico-basso-impatto-AEp2bKjB> (accessed on: 30/07/2023)

¹⁵¹ Available at: <https://ganassinicorporate.com/en/2022/11/29/istituto-ganassini-diventa-societa-benefit-2/> (accessed on: 30/07/2023)

¹⁵² Available at: <https://www.vanityfair.it/article/rilastil-the-real-formula-for-skin-castello-sforzesco-paola-turani-valentina-ferragni> (accessed on: 30/07/2023)

4.3 Entering the Chinese Market

The decision for Rilastil to enter the Chinese market came in 2016 when the company started selling its products through the Alibaba-owned cross-border e-commerce platform Tmall Global. This choice was made as part of a strategy to increase the revenue coming from exports and, in particular, to take advantage of the ever-growing Chinese market and its enormous potential and vast possibilities to drive this growth.

By operating in the market through a cross-border e-commerce platform, Rilastil was able to access the hundreds of millions of consumers active on Tmall Global while not having to register its products at the National Medical Products Administration, which requires a considerable investment of time and financial resources and ensuring customers a high-quality service and a certification of authenticity of products.

Once the possibilities of the market and the volumes of sales reachable by Rilastil were assessed, the company committed to the market by registering its most popular products in order to sell them on traditional e-commerce platforms. In addition, the company opened an office in Shanghai in 2019 exclusively dedicated to the growth of the business in China.

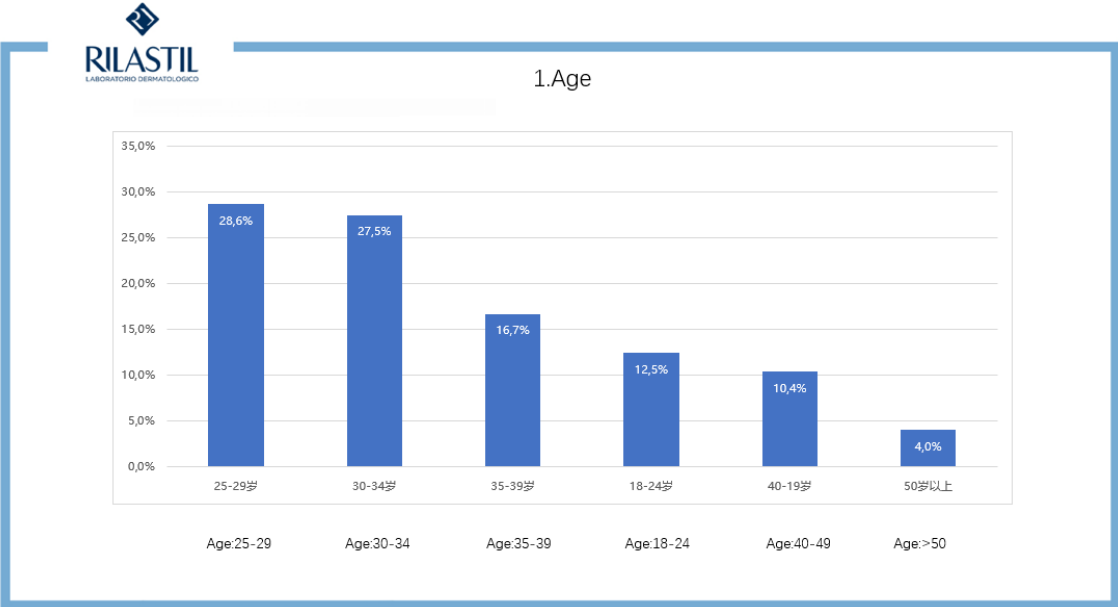


Figure 16. Age distribution of Rilastil consumers in China. Source: provided by Ganassini Corporate.

In China, Rilastil also needs to address a fairly different target consumer. By considering data on the brand’s 87,980 consumers on Tmall from the first six months of 2023, it can be noticed how the largest group is between 25 and 34 years old, at least ten years younger than the

European target consumers. In addition, while in Europe the majority of Rilastil consumers are women, in China men are also approaching the market and are increasingly interested in beauty products, creating a new target that should not be ignored.

Considering the geographical distribution of the brand’s consumers on the e-commerce platform, the greatest part of them lives in tier-one cities¹⁵³ or urban areas that are highly developed and technologically advanced.

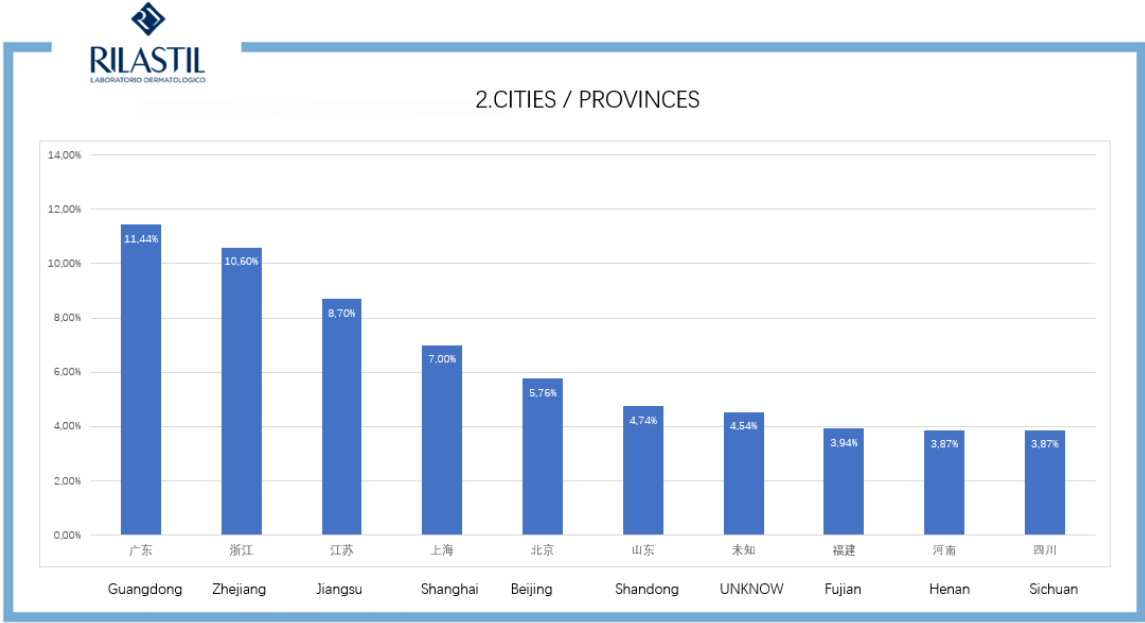


Figure 17. Geographical distribution of Rilastil consumers in China. Source: provided by Ganassini Corporate.

In these areas, the middle class is steadily growing, resulting in the increase of disposable income consequently of the purchasing power of citizens. If this phenomenon is added to the fact that Chinese consumers are more and more caring about their well-being and their physical appearance, the outcome is that they spend a considerable amount of money on personal care and beauty products, especially on online platforms, which have not seen a reduction after the pandemic and are booming in the Chinese market.

¹⁵³ China’s tier city system is a system used to classify cities for marketing purposes, to study consumer behaviour and local trends. Cities are classified into four tiers according mainly to their GDP, population and politics. Tier one cities are the wealthiest and the largest, while tier two, three and four cities are decreasingly important and prosperous. Available at: <https://multimedia.scmp.com/2016/cities/> (accessed on: 03/08/2023)

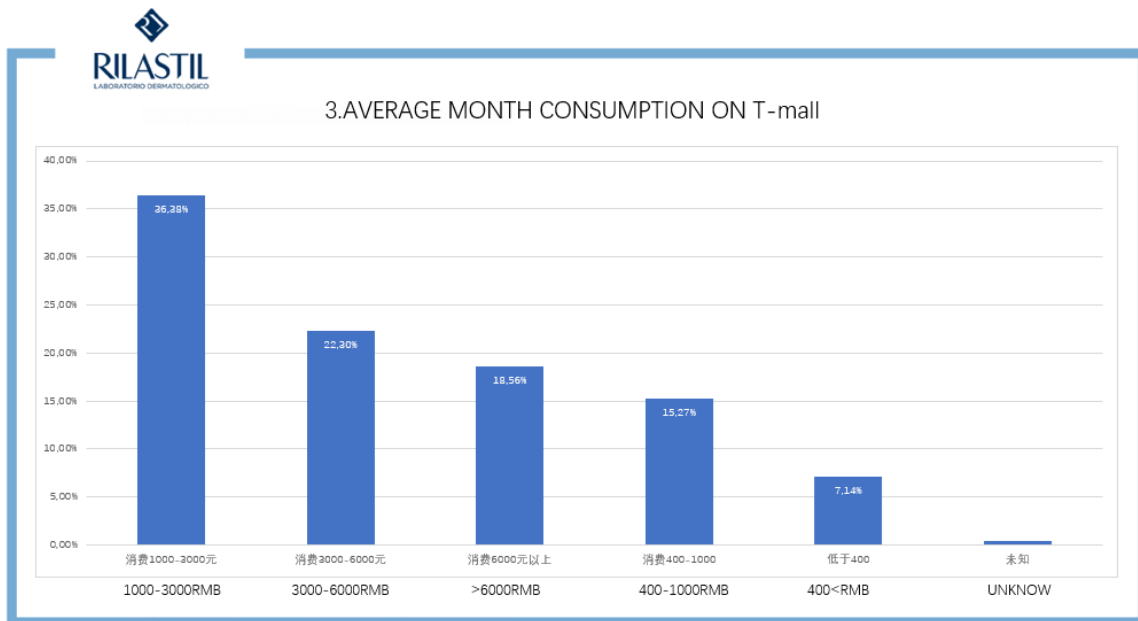


Figure 18. Average month consumption on TMall of Rilastil consumers in China. Source: provided by Ganassini Corporate.

Chinese consumers are increasingly paying attention to their appearance and skin. Compared to European consumers, Chinese consumers are more sophisticated and demanding, expecting premium and superior quality beauty products. Furthermore, they are also educated and have deeper and more detailed knowledge of the ingredients used and their functions. They look for efficacy and they are willing to spend a substantial amount of time to understand which ingredient best suits their needs. In particular, products for contrasting acne, skin cleansing, skin hydration, anti-ageing, exfoliating and protecting against UV exposure and pollution are the most requested in the market. Cosmeceuticals are also an emerging trend in China. This creates a profitable environment for Rilastil, whose main strength is its strong scientific research that allows its products to be pharmaceutically proven to be effective and safe, offering assurance to Chinese customers, who have the capacity to fully appreciate the brand.

4.4 Rilastil's Strategy for the Chinese Market

The next part of the research, an analysis of each component of the marketing mix: the product, the price, the promotion and the distribution of Rilastil in China will be conducted and discussed in detail. This analysis will take into account the strategies considered in the previous chapter, namely adaptation and standardization.

Standardization promotes the adopting of a single marketing strategy for all the markets interested. Thanks to globalization and the convergence of lifestyles and needs, companies can sell the same products both on the domestic and international markets, focusing on price and efficiency. On the other hand, adaptation sustains that differences between countries are still evident and the modification of the marketing mix to better suit the local preferences can increase consumers' satisfaction.

In the case of the Chinese cosmetics market, it has been found that Chinese consumers prefer products that are formulated to their specific skin type and skin concerns. Additionally, whereas the debate still isn't concluded and a universal strategy that works for every case has not been found, it can be said that Western beauty companies operating in the Chinese market that chose to implement some degree of adaptation have shown better results than those who chose to standardise their marketing mix.

The first element of Rilastil's marketing mix strategy to be analysed is the product. As already mentioned, Rilastil specialises in face care, body care, and sun care, offering products designed to solve specific skin concerns.

Due to the dimension of the company, for the Chinese market it was decided to start by offering products that would best suit the needs of Chinese consumers, by choosing among the ones already existing in the Italian market. This means that no new products were designed specifically for this new market, but an attentive analysis was carried out to understand which of Rilastil's products would be the most appreciated in the Chinese markets. Since the brand was new to the market and still lacked knowledge of consumer preferences and recognition in the market, this was the most considerate choice as it allowed Rilastil to observe and learn Chinese buying patterns and build brand awareness. As it turns out, while Italian consumers' favourite product is the stretch marks cream, in China the best-selling products are the depigmenting concentrate drops and the moisturizing mask. The first is a treatment from the line D-Clar aimed at contrasting hyperpigmentation such as sunspots, melasma and acne scar while the latter is a mask from the line Aqua, which hydrates the skin and prevents wrinkles.



Figure 19. Best-selling Rilastil products in China. Source: Rilastil. Available at: <https://rilastil.com/depigmenting-concentrate-drops/> (accessed on: 16/08/2023) Available at: <https://rilastil.com/moisturizing-mask/> (accessed on: 16/08/2023)

This is a clear demonstration that Asian people, and specifically Chinese people, have different beauty standards and skin concerns than European consumers, which leads them during the buying choice so that they prefer some products over others. In addition, compared to the past when only Western products were offered and consumed, the increased purchasing power in Asia has created a diversification in demand. As a result, nowadays consumers have a broader offer of products to choose from and they often prefer those that are more culturally sensitive and offer more targeted solutions, to which it adds a predilection for personalised experiences. These two products were successful in the Chinese market because they adapt to some of the abovementioned skin concerns, in this case whitening and anti-ageing.

Considering the packaging, Rilastil chose not to modify it and to keep it the same in all the markets where they operate. Not only the external packaging remains untouched, but also the internal one does not present any variations, to the extent that even the description of the product and its use are in Italian and English only. Even though Rilastil made a favourable choice in the selection of its Chinese name, only the Italian version can be found on the product. The brand chose 意納斯特 *yinasite*, which has no particular meaning but uses as first character the first syllable of the Chinese word for Italy, which is 意大利 *yidali*, thus recalling to the Chinese consumer's mind the country of origin, which the brand wants to highlight as it believes it adds

great value for consumers. Despite this and the fact that the original brand name's sound doesn't immediately allow consumers to recognize Italy as the country of origin, Rilastil does not use its Chinese name on the packaging, with the only hint of its home country represented by the mention of where the headquarters are located, Milan. Thus, the brand risks losing added value for its consumers while it could easily profit from the already existing Chinese name.

It is true that generally speaking the product is the least adapted element of the marketing mix and the choice of Rilastil is understandable due to its limited resources and size. However, for a brand whose main value is to offer real solutions to real skin concerns and emphasizes investment in research and quality standards as the elements that distinguish it on the market, it would be expected that it would dedicate the same attention and care when considering the Chinese market and Asian skin characteristics. As mentioned earlier, being Western is not enough anymore to be successful in the Chinese market and more effort than ever is required to stay relevant. Asian consumers are more demanding and knowledgeable about what is best for their skin, meaning that the country of origin is not proof enough of the quality of the products. With local beauty brands gaining more and more popularity, Rilastil needs to invest more in Asian-specific research, for example by opening a laboratory dedicated to the study of Asian skin and developing products suitable for Asian skin concerns that better satisfy their needs in order to be more competitive in the Chinese market. The packaging could also be easily made more appealing to Chinese consumers by including text in Chinese to be easily read and understood. In addition, more creative and colourful packaging could attract the attention of consumers and differentiate the brand from competitors; special packaging designed for events could provide more opportunities by taking advantage of the gift-giving tradition.

Taking into account the pricing, Rilastil adapts the prices of its product to the Chinese market, following the theory that each market needs its own pricing, which is adapted by considering local conditions. Indeed, the Italian brand analysed the economic conditions of the country, including importation costs, local taxes, and local regulations to decide the price in that specific market, as well as the strategy adopted by competitors and the market prices for similar products. Rilastil also considered the purchasing power, the level of life and the development of the country before making the final decision.

The prices of the products introduced by the company in the Chinese market are slightly higher than their Italian counterparts. Whereas lower prices would have allowed Rilastil to better penetrate the market by attracting a wider and more price-sensitive segment, this was a winning

decision for the brand partly due to the fact that it would have been complicated for the brand to remain profitable with lower prices and partly due to the intention of maintaining the image of high quality of the products in the country.

Differently from the Italian market where Rilastil's products are mainly sold through pharmacies both on their online and offline channels, in China the brand is almost exclusively sold on e-commerce platforms. As mentioned earlier, the Italian beauty company is in a partnership with tech giant Alibaba and first entered the Chinese market through its cross-border e-commerce platform Tmall Global. This type of strategy allowed Rilastil to test the market without the need of making a significant investment for an SME this early on in its experience in the market. Once the range of the opportunities was assessed and the brand started obtaining visibility and increasing awareness, thus demonstrating the convenience and appropriateness of this choice, the company invested more permanently in the market. In addition, by choosing the online distribution channel and putting digitalisation at the centre of its strategy, Rilastil was able to ride the wave of the increasing penetration of online sales, thus assuring itself a good positioning in the market, increasing sales and engagement. Rilastil demonstrated to be an innovative and adaptive company, as well as one of the most important Italian beauty companies in China, as it emerged from the analysis of IT company Adiacent¹⁵⁴.

According to their latest report, which evaluates the digital positioning of Italian cosmetics companies in the Chinese market, Rilastil ranks third in terms of general level of digitization, positioning itself at the top level, which was reached only by four brands out of the 315 analysed, that corresponds to the 1,3%. This not only means that Rilastil was able to achieve outstanding digital performance, especially considering its dimensions and resources, but also set an example for other Italian SMEs, encouraging them to experiment with digital channels since many of them still lack them, thus losing an opportunity to increase sales, expand the scope of the business, broaden customer segment and have a better chance in winning competition with local beauty brands.

In addition, Rilastil gets 35% of its total sales in China from live e-commerce. Once again, the brand was able to overcome difficulties and suspicion towards novelty, and adapt to local conditions and trends, implementing this new distribution channel that is quickly conquering the Chinese market and especially younger generations. This method allows consumers to

¹⁵⁴ Available at: <https://www.adiacent.com/china-digital-index/> (accessed on: 16/08/2023)

obtain information about the products before purchasing through a reliable source, to purchase the product and to share their experiences with other users all on the same platform. Thus, the brand can build trust in consumers and increase purchase intention, customer satisfaction and company performance.

Among the many platforms used by Rilastil to achieve this is Little Red Book or Xiaohongshu, which is the leading social e-commerce platform for the diffusion of beauty content. The platform is the perfect choice for Rilastil, their values align and there is a correspondence in terms of target consumers since users are mainly young females from top-tier cities with a strong interest in lifestyle, therefore allowing the brand to reach an audience that is rather different from the one it is used to in Italy.

Although it has been said that distribution is almost never standardised and is a relatively easy element to adapt within a company's marketing strategy, Rilastil's approach is certainly noteworthy and not obvious, especially considering the actions of other Italian beauty companies in the Chinese market. Even though online distribution channels are often regarded as rather easy to implement and manage, they can require a considerable amount of knowledge and resources, thus discouraging many SMEs. On the contrary, Rilastil made the daring choice of investing immediately in this growing distribution channel, which resulted in the driving force of its success in China, setting an example for others Italian beauty SMEs.

Digitalisation was not only implemented in terms of distribution but also for the promotion of products in the Chinese market, with the brand being present on all major social media platforms. From the beginning Rilastil decided that the best strategy to advertise its products in China would be to have the same message but to modify the style in which they presented it and the channels used to diffuse it.

Once decided which preexisting product will be introduced in the Chinese market and verified the feasibility of its registration at the National Medical Products Administration, that is when Rilastil starts to formulate a communication for the launch that better suits the Chinese peculiarities and requirements. The message is not completely new, but it is based on the one used in the Italian market, to remain true to its origins and communicate the same values but is adapted due to some differing aspects. For example, the products are usually presented as having a preventing effect rather than curing because of cultural differences. Moreover, the

communication is more dynamic and attentive to details due to the younger target who is more responsive to certain aspects of the brand.

In Italy, a central element of Rilastil's communication strategy is the education of its consumer base through pharmacists, who are the main partners and promoters of the beauty brand. Due to cultural and historical differences that understand pharmacies as places only appropriate for the purchase of medicines, following Theodosiou and Leonidou's theory (2003), the Italian company had to rethink its strategy.

To adapt to the characteristics of the Chinese market, Rilastil decided to employ KOLs for the promotion of its products. In the past years, KOLs have affirmed themselves as the key to influencing consumers' purchasing behaviour and boosting sales, making it almost obligatory to rely on them when trying to reach new customers. The choice of the KOL to start a partnership with is not always easy, with many considering only fame and followers when navigating in this market. However, not only big celebrities are relevant to boost your marketing strategy and Rilastil demonstrated to have deep knowledge of the market when it decided to entrust also smaller KOLs. This type of KOL has more expertise in the field and communities that matched its target audience in order to keep consumer education at the basis of its marketing strategy and leveraging the entire influencer pyramid. Generally, influencers are given samples and information on the product, and they later share their experiences and results after using it, presenting the ingredients and benefits of the product but also commenting on texture and presentation.

Rilastil was able to find the perfect compromise between standardisation and localisation, adapting to local conditions and preferences without losing its Italian essence and brand values, a distinctive element for the company. By following local trends in terms of social media, the Italian beauty brand was able to build trust among consumers and brand awareness, thus driving sales and customer engagement. Once again, Rilastil's innovative nature proved to be decisive in the success of the company in the Chinese market.

4.5 Discussion and Recommendations

Rilastil's strategy has proven to be extremely successful thanks to its decision to adapt its marketing mix to the different characteristics of the Chinese online cosmetics market. It can be said that the company follows almost all the theories that were explained in the previous chapter.

Indeed, when introducing a new product in the Chinese market, Rilastil takes into consideration the purchasing power of the population and the development of the country. The brand has also adapted its distribution channels and promotional efforts, following the trends of the market. In this way, Rilastil's strong online presence has become its biggest asset and key to its success, allowing it to communicate its history and values, strengthening the relationship with the consumer and increasing brand awareness.

Although no generalizations can be made since only one company has been analysed, it could be said that all companies need to take into consideration cultural differences when approaching the Chinese market. In order to manage them in the best way possible, companies need to choose whether to adapt or standardize their marketing mix. From what has emerged, however, no strategy is completely standardized or adapted, rather company choose to mix the two theories to find the right degree of adaptation and standardization. In this way, Rilastil has reached a great balance that has allowed it to be successful in the Chinese market, that could be useful to other Italian SMEs in the cosmetics sector and could be summarised as “Italian made, international oriented”.

However, considering the products, Rilastil has decided to standardize them for the high cost of adaptation but much more could be done. Since the brand is an expert in formulating products that answer the needs of each skin, it should invest in deep research and adapt its offering in order to suit the Chinese beauty ideals and skin peculiarities. Chinese consumers look for products that suit their skin type, mainly oily skin, and their skin concerns, namely acne, pollution, sun damage and ageing. Developing more targeted products will be fundamental to further strengthening the brand position and survive in the market, considering the increasing popularity of domestic brand that benefit from their deep knowledge of consumers' needs and Chinese culture. Developing new lines could also be useful in expanding the brand's target audience, for example by engaging the men's grooming market, which still offers a significant unexplored potential.

Moreover, small adjustments could be made to the packaging in order to surmount the language barrier that could discourage some consumers and make it perceived as lacking knowledge of the country. Packaging could also be made more attractive and colourful in order to stand up from competitors. Special packages and collections could be introduced for festivities, leveraging the gift-giving ritual. Especially, this could allow Rilastil to gain a competitive advantage over the countless local brands that are emerging in the market and easily become

consumers' favourites thanks to their cultural sensitivity. Although for a long time Western companies could profit solely from their origin, which was associated with quality and safety, being Western no longer represents an added value. Thus adaptation and innovation represent the only mean to stay relevant of the Chinese beauty market.

Conclusion

The purpose of this dissertation was to analyse the current state of the online cosmetics market in China and to compare two strategies, standardization and adaptation, to understand how companies manage cultural differences.

From the beginning, it was clear that this research had to start from an analysis of the Chinese culture, which constitutes the foundation of a successful international business strategy no matter the industry, but specifically for cosmetics being beauty so closely linked to culture. Although Western cultures have had a strong influence on the Chinese beauty market in the 20th century, contemporary Chinese consumers are pursuing a distinctive beauty ideal that merges both Chinese traditions and globalized standards. In general, Chinese contemporary women are required to have fair skin and a slim body, with an oval facial shape, a pointed, narrow chin, a concave or straight dorsum of the nose and small, full lips with well-defined cupid bows, promoted by Chinese celebrities and actresses like Fan Bingbing and Angelababy. Differences in beauty ideals can pose an obstacle to international companies if not correctly researched. For example, Asian consumers look for whitening products while the Western market is full of tanning products. In the past many Western companies were able to establish themselves in the market by standardizing their marketing strategy and not modifying their offer according to consumers' preferences. However, considering the increasing competition in the Chinese market, especially coming from local brands, cultural differences cannot be ignored anymore. Western companies need to listen to their consumers and understand their changing needs or they will not be able to react in time to the rapid changes in the market.

In addition to cultural differences, the current situation of the Chinese cosmetics market is thoroughly analysed. What has emerged is a fast-growing market that has been only briefly slowed down by the COVID-19 pandemic and is now fully recovered, with skincare products leading the growth and generating the biggest revenue. During the period of restrictions, consumers were forced to modify their habits, which resulted in increasing the rate of online penetration and accelerated some trends, especially the use of e-commerce platforms and the resort to social media for entertainment and shopping. The digitalization of the shopping experience has been booming in these past few years, menacing traditional retail. The implementation of online channels both in terms of distribution and of promotion is no longer optional for companies selling in China. Traditional distribution channels, such as department stores, supermarkets and specialized stores, are being replaced by consumers with e-commerce

platforms. Since domestic platforms can be costly and require in depth knowledge of market regulations, as well as an established position, the entrance of international cosmetics brands has been facilitated by the emergence of cross-border e-commerce platforms. These platforms simplify the process of implementing online distribution channels, as well as being more convenient in terms of taxation and product registration, offering SMEs a way to access the market and exploit its opportunities without requiring an excessive investment.

More recently, thanks to the increasing importance of social media in the lives of Chinese consumers, social commerce was developed. This new way of shopping merges the functions of social media such as the creation, upload and exchange of content and the business functions of e-commerce, allowing consumers to obtain information before purchasing, to interact with sellers, to purchase products and services and to share their experiences with the sellers and the items all on the same social platform. As a result, many social media platforms are increasing their services to better satisfy consumers. Particularly popular is live-streaming e-commerce, which creates an interactive shopping experience for consumers where they can observe products being used in real time, which is especially important in the case of cosmetics products. This new method of shopping also allows consumers to interact with the streamer, who can immediately offer more information both on the products and the brand, engaging the curiosity of consumers and increasing excitement around the product.

Behind the success of live stream shopping, which has proven its capability to bring sales in enormous sales in limited time, there is the increasing power of Key Opinion Leaders, influential persons in a particular field who offer reviews and recommendations on products and brands. Over time, KOLs have earned the trust of consumers and became the main shopping reference for groups with similar tastes. Thanks to their increasing ability to influence consumers' purchasing decisions, beauty companies operating in China employ them for marketing purposes, to promote campaigns and advertise products, becoming crucial to be successful in the market.

Moreover, Chinese consumers have also undergone some changes, such as the growth of the middle class and of the per capita disposable income, which influence purchasing choices. Chinese consumers purchase in a more attentive and intentional way, they have become increasingly knowledgeable about cosmetic ingredients, they are willing to research before making their purchases and do not make impulse purchases based on the brand name. Nowadays consumers are paying more attention to the quality of the products they buy and pay

attention to sustainability, hence why cosmeceuticals and green products are trending. Additionally, they are looking for a personalized and interactive buying experience that is able to engage them actively.

Globalization has pushed many companies to expand their business outside of their home country and many Western companies have been attracted by the opportunities and the volumes promised by the Chinese market. When operating at an international level, companies need to prepare a business strategy that allows them to be profitable on the market. The identification of the correct marketing strategies for Western companies to be competitive on the Chinese cosmetics market has been the starting point of this dissertation. From the beginning it was clear that the most important decision a company had to make regarding its international marketing decision was how to manage cultural differences and thus the focus has been on the differences between standardization and localization strategies. The first strategy holds that a company will be most successful on the international market by adopting the same strategy for all its markets. Thus, the company will sell the same standardized product, with same brand name, packaging and advertising, allowing for efficiency in production, distribution, marketing, and management, many focusing on price. At the base of this strategy is the belief that globalization is causing a convergence of lifestyles and of needs. On the other hand, the basis of adaptive strategies is that differences between consumers are still too great and cannot be ignored. In fact, adaptation allows companies to better meet consumers' needs through the modification of products, thus increasing the quality of the service offered. Although scholars have yet to agree on which strategy allows for the best results, from the analysis of the components of the market mix (product, place, price, promotion) and the breakdown of some examples, it can be said that in the case of the Chinese beauty market, companies who have implemented more adaptive strategies have shown to achieve better market positioning.

To present some concrete evidence to support these findings, the case of Rilastil was examined. Rilastil is a dermatological skincare brand that specializes in face care, body care, and sun care, offering targeted solutions to skin concerns. The choice of this Italian SME is meaningful as SMEs represent the backbone of the country's economy and despite its size and limited financial capability Rilastil was able to establish itself as one of the most important Italian beauty companies in China. From the analysis of its marketing strategy, it can be affirmed that the adaptation to Chinese digitalization standards has been crucial in determining the company's success on the market. Since the beginning, Rilastil has focused all its efforts in building its

online presence, investing in all the most important e-commerce channels and social media platforms, thus ensuring visibility on the market. Thanks to this intuition, the company was able to gain market share and increase sales without the need of opening physical stores and now gets 35% of its revenue from live-streaming e-commerce. However, the strategy has some drawbacks, as the decision to not modify its product line. Granting that this choice was made due to the high cost of adaptation and to ensure customers in China that their products have the same high-quality of Italian products, element like more targeted products, localised packaging and special collections could be the way to unlock the brand's potential in the Chinese market and win local competition. Indeed, in today's Chinese beauty market where local brands are growing rapidly thank to their capability of satisfying local tastes, Western companies need to elevate their offer, by providing added value for their consumers as the Western origin does not provide a bonus anymore.

In reality, almost none marketing mix is totally standardized or adapted but a company has to find its perfect balance between standardization and adaptation. All things considered, this case study proves that companies need to consider cultural factors when defining their international marketing strategy and some level of adaptation is always preferred when approaching the Chinese cosmetics market. Rilastil's experience can be useful to other Italian SMEs that are unsure of how to enter the Chinese market, demonstrating the importance of adapting their strategy to consumers' preferences in order to succeed. Additionally, it proves the potential of innovation and digitalization, which many Italian SMEs are still reluctant to implement but is pivotal to be relevant in the Chinese market.

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