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Chinese cosmetics companies and social commerce:

Florasis and Perfect Diary cases

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论文摘要

全球美妆市场正在发生深刻的变革，而中国化妆品行业的兴起，使它成为重塑市场格局的关键力量。这种转变不仅为寻求扩大市场份额的公司提供巨大的机遇，同时也带来了独特挑战，这主要源自文化差异和与西方市场不同的营销实践。在这种背景下，本论文致力于深入探讨中国化妆品行业复杂的生态系统，特别关注中国品牌实施的社交电商营销策略的微妙差异。

本论文的第一章将全面探讨中国化妆品行业的发展轨迹。它追溯了中国化妆品行业从国内消费有限的新兴市场到驱动全球潮流的巨大浪潮的发展史。该章节首先对影响行业发展的历史和社会经济因素进行了情境化的定位，突出了关键的转折点。

本章还将深入研究影响中国化妆品行业最新趋势的因素，包括技术进步、消费者偏好的变化以及全球潮流的普遍影响。该章节将详细分析数字技术的进步，例如电子商务平台和社交媒体渠道的兴起，如何彻底改变了中国化妆品的营销和消费方式。此外，该章节还将探讨向优质和小众美妆产品转变这一消费者偏好，这受到消费者收入增加和其对自我护理日益重视的推动。

在这一分析中，特别关注探讨了民族中心主义和国潮运动这两个现象，因为它们对塑造当代市场动态具有深刻影响。该章节将深入探讨驱动这一现象的心理因素和文化因素，分析它如何影响化妆品行业内的消费者购买行为和品牌偏好。同时，该章节将探讨国潮运动的起源和演变，分析它对化妆品行业品牌定位、产品创新和营销策略的影响。

通过对这些文化现象的探索，该章节旨在阐明它们对消费者行为和行业策略的影响。此外，该章节还将深入探讨中国化妆品行业内社交电商环境的复杂性，阐明电子商务、社交媒体和数字平台如何相互影响并重新塑造消费者体验。该章节将提供对几个主要平台（如天猫、淘宝、微信和抖音）在塑造消费者购买行为和促进品牌参与方面的作用的详细分析。

论文的第二章将对中国社交电商进行理论研究，这对于理解行业内的独特生态至关重要。该章节将提出适当理论，如刺激-有机体-反应 （S-O-R）模型、电子口碑（eWOM）理论和迅速关系概念，为理解社交电商环境中消费者行为和决策过程提供全面框架。通过将这一模型应用于社交电商环境，该章节旨在阐明社交媒体平台上遇到的各种环境刺激如何影响消费者的认知、购买倾向和购买行为。随着社交媒体平台和媒体去中心化的普及，消费者的购买行为越来越依赖于同行推荐、产品评论和意见领袖的推荐。该章节将分析影响在线评论和推荐的可信度、说服力和影响力的因素，进而探讨电子口碑在中国社交电商领域的运作方式。

此外，该章节还将探讨迅速关系概念，这一概念指的是为了相互利益而迅速建立和培养社会关系。在社交电商环境中，迅速关系在促进品牌、消费者和意见领袖之间的互动方面起着关键作用，推动参与、信任和忠诚。该章节将分析品牌如何利用关系网络与关键意见领袖（KOL）、网络名人和其他有影响力的利益相关者建立战略合作伙伴关系，并扩大他们在社交电商生态系统中的影响力。

除了理论视角外，第二章还将提供笔者对中国社交电商实践的法律法规框架的见解。随着数字技术和在线平台的快速发展，监管机构面临着将现有法律法规调整以应对新兴问题（如数据隐私、知识产权和消费者保护）的挑战。该章节将探讨旨在促进社交电商行业透明度、承担责任和道德行为的关键立法措施和监管倡议。

该章节重点将放在关键意见领袖和网络名人发挥的角色上，重点分析他们在消费者参与方面的责任和影响。在中国，KOL 通常被称为网红，他们通过权威专业知识、真实的叙事风格和贴近人心的个人形象对消费者的认知和购买决策产生重大影响。该章节将分析 KOL 如何利用内容创作、与意见领袖的合作以及通过团体营销和赞助产品内容合作实现提升品牌价值的策略。

此外，该章节还将探讨直播电商作为中国社交电商领域的一种强大营销工具的发展现象。直播使品牌和主播能够实时与消费者互动，进行产品演示、

举办互动问答环节，并提供独家促销和折扣。通过对成功直播营销活动和案例研究的详细分析，该章节旨在突显这种形式在推动销售、建立品牌知名度和促进客户忠诚度方面的有效性。为了总结该章节，将提供有关“口红大王”李佳琦的短期案例研究，以阐明直播营销在中国化妆品行业中的协同关系。

论文的第三章将专注于对花西子和完美日记两个中国化妆品市场的重要品牌的深度案例研究。这些案例研究将详细考察公司的战略社交电商营销实践、市场定位策略以及对当前行业趋势的响应。通过分析这些案例，本文旨在提出如何有效应对中国化妆品行业动态环境变化的策略洞见。

案例研究将通过对花西子品牌理念、产品种类和营销策略的概述，突出其成功满足中国消费者不断变化的消费偏好的经验。该研究的重点将放在花西子如何利用传统中国元素和叙事技巧来区分其品牌形象、与意见领袖和名人的战略合作伙伴关系如何提升品牌影响力以及其创新的产品开发和分销方法。

同样，完美日记的案例研究将提供有关该公司在中国化妆品市场迅速崛起的见解。案例研究将探讨完美日记如何利用微信和小红书等社交媒体平台建立一群忠实的美妆爱好者社区，其与知名意见领袖和名人的战略合作伙伴关系如何推动产品需求，以及其对数据驱动的产品创新和客户参与方法。

通过深入分析这些案例研究，论文旨在揭示推动花西子和完美日记在竞争激烈的中国化妆品市场上扩大的潜在战略和成功因素。

这一全面的分析旨在为学界关于中国化妆品行业及其与社交电商的关系领域做出贡献。通过对行业动态、消费者行为和营销策略的深入探讨，本文旨在推动学界对中国化妆品市场多维度的理解。此外，通过突出领先品牌的成功案例和最佳实践，本文旨在为利益相关者提供在当下快速发展和竞争激烈的社会环境中取得成功所需的知识和洞见。

Introduction

The global beauty landscape has undergone a transformative evolution, with the emergence of the Chinese cosmetics industry as a pivotal force reshaping the dynamics of the market. This shift not only signifies a vast opportunity for companies seeking to expand their market reach but also presents unique challenges stemming from cultural disparities and distinct marketing practices compared to Western markets. In this context, this thesis endeavors to delve into the intricate ecosystem of the Chinese cosmetics industry, with a specific focus on unraveling the nuances of social commerce marketing strategies implemented by Chinese brands. By doing so, it aims to provide both a theoretical framework and practical insights into successful social commerce marketing strategies.

The first chapter of this thesis embarks on a comprehensive exploration of the developmental trajectory of the Chinese cosmetics industry. It traces its evolution from a nascent market characterized by limited domestic consumption to a formidable powerhouse driving global trends. The chapter begins by contextualizing the historical and socio-economic factors that have influenced the industry's development. Recent trends in the Chinese cosmetics industry, characterized by technological advancements, evolving consumer preferences, and the pervasive influence of global trends, will be meticulously examined in this chapter. Moreover, the chapter will explore the impact of shifting consumer preferences towards premium and niche beauty products, fueled by rising disposable incomes and a growing emphasis on self-care and personal grooming. Within this analysis, particular attention will be devoted to exploring the phenomena of consumer ethnocentrism and the *guochao* phenomenon, given their profound impact on shaping contemporary market dynamics. The chapter will delve into the underlying psychological, cultural, and social drivers fueling this phenomenon, examining how it influences consumer purchasing behavior and brand preferences within the cosmetics industry. Moreover, the chapter will delve into the intricacies of the social commerce environment within the Chinese cosmetics industry, elucidating how e-commerce, social media, and digital platforms converge to redefine the consumer experience.

The second chapter of the thesis will undertake a theoretical examination of Chinese social commerce, essential for grasping the unique dynamics at play within the industry. Drawing upon established theories such as the Stimulus-Organism-Response (S-O-R) model, the electronic word-of-mouth (eWOM) theory, and the swift guanxi concept, the chapter aims to provide a comprehensive framework for understanding consumer behavior and decision-making processes in the context of social commerce. In addition to theoretical perspectives, the second chapter will also provide insights into the legal and regulatory frameworks governing social commerce practices in China, by analyzing key legislative measures and regulatory initiatives aimed at promoting transparency, accountability, and ethical conduct in the social commerce sector. Special attention will be given to the roles played by Key Opinion Leaders and internet celebrities, with a focus on dissecting their responsibilities and impact on consumer engagement. The chapter will examine the economic relationship between Key Opinion Leaders and Chinese cosmetics brands, including content creation, influencer collaborations, and monetization through affiliate marketing and sponsored content partnerships. Moreover, the chapter will explore the growing phenomenon of livestreaming commerce as a powerful marketing tool within the Chinese social commerce landscape. Through a detailed analysis of successful livestreaming campaigns and case studies, the chapter aims to highlight the effectiveness of this format in driving sales, building brand awareness, and fostering customer loyalty. To conclude the chapter, a short case study on "Lipstick King" Li Jiaqi will exemplify the symbiotic relationship between influencers and the cosmetics industry.

The third chapter of the thesis will be devoted to in-depth case studies of Florasis and Perfect Diary, two prominent players in the Chinese cosmetics market. These case studies will offer a detailed examination of the companies' strategic social commerce marketing practices, market positioning strategies, and responses to prevailing industry trends. By dissecting these cases, the thesis aims to distill valuable insights into effective strategies for navigating the dynamic landscape of the Chinese cosmetics industry. This chapter will provide an overview of Florasis' brand philosophy, product offerings, and marketing strategies, highlighting its success in catering to the evolving preferences of Chinese consumers. Key focus areas will include Florasis' use of traditional Chinese motifs and storytelling techniques to differentiate its brand identity, its strategic partnerships with KOLs and celebrities to amplify brand visibility, and its innovative approaches to product development and distribution. Similarly, the case study on Perfect Diary will offer insights into the company's rapid rise to prominence within the Chinese cosmetics market. The case study will examine Perfect Diary's use of social media platforms to build a loyal community of beauty enthusiasts, its strategic collaborations with popular KOLs and celebrities to drive product demand, and its data-driven approach to product innovation and customer engagement. By dissecting these case studies, the thesis aims to uncover the underlying strategies and success factors driving Florasis and Perfect Diary's growth in the competitive Chinese cosmetics market.

This comprehensive analysis aims to contribute to the academic discourse surrounding the Chinese cosmetics industry and its relationship with social commerce. By providing an in-depth exploration of industry dynamics, consumer behaviors, and marketing strategies, the thesis seeks to advance our understanding of the multifaceted dimensions of the Chinese cosmetics market. Moreover, by highlighting success stories and best practices from leading brands, the thesis aims to equip stakeholders with the knowledge and insights needed to thrive in this rapidly evolving and competitive landscape.

Chapter 1: Chinese cosmetics industry and market

The concept of beauty, a pervasive element across human cultures, is multifaceted and subject to continuous reinterpretation and dissemination within global communities. The role of human cultures in shaping diverse standards of beauty throughout history is significant, leading each community to create tools to attain these standards. In the contemporary world, cosmetics have emerged as the most prevalent of these tools. As defined by the Cambridge Dictionary, cosmetics are "substances that you put on your face or body that are intended to improve your appearance"[1]. These substances encompass skincare products designed to enhance, protect, and treat the skin, as well as makeup products intended to embellish and accentuate the beauty features of their users.

China has a long history when it comes to beauty treatments and solutions, owing the merit to the traditional Chinese medicine. Throughout the numerous Chinese dynasties, female beauty has always been sought out and celebrated although since the Chinese Communist party took power in 1949, beauty experienced a significant shift in value. "Communists […] held the understanding that the modern woman should rebel against beauty norms and forsake the notion of adornment. […] They also refused to accept Westernized approach(es) to self-beautification."[2].

After Mao Zedong's legacy ended, China entered a transformative economic reform era[3]. During this time, the concept of beauty began to evolve and adapt to the changing societal norms and economic conditions. The beauty industry started to grow rapidly, driven by the increasing consumer demand for beauty products and services. This growth was further fueled by the opening of the Chinese market to foreign brands and the rise of domestic cosmetics companies. The beauty market's expansion was not just an economic phenomenon; it was also deeply intertwined with societal changes and shifting cultural norms[4]. As China opened to the world, Western beauty standards began to influence Chinese perceptions of beauty, leading to

[1] *Cosmetics*, in "Cambridge Dictionary", https://dictionary.cambridge.org/us/dictionary/english/cosmetics, 14-07-2023.
[2] Hung-Yok IP, "Fashioning Appearances: Feminine Beauty in Chinese Communist Revolutionary Culture", in 近代中国 *(Modern China)*, 29, 3, 2003, p. 333.
[3] In the late 1970s, China initiated sweeping economic reforms known as 'Reform and Opening Up'. These reforms included decentralization, foreign investment encouragement, and agricultural changes. They transformed China from a centrally planned economy to a market-oriented powerhouse, propelling it into the global economy, reducing poverty, and reshaping international trade dynamics.
[4] WEN Hua, *Buying Beauty: Cosmetic Surgery in China*, Hong Kong, Hong Kong University press, 2013.

a surge in demand for beauty products. This period marked the beginning of China's journey towards becoming one of the largest beauty markets in the world.

The Chinese beauty market is generally divided into two segments, the first segment is defined as "lifestyle beauty market" (生活美容市场), while the second one is defined as "medical beauty market" (医疗美容市场). Lifestyle beauty refers to the use of non-medical means such as cosmetics and non-medical devices to perform non-maintenance or health-care services on the human body, such as skin care and massage. Broadly speaking, the lifestyle beauty industry is a comprehensive industry that includes all lifestyle beauty care, as well as manicure, hairdressing, and tattoo services[5]. Medical beauty, on the other hand, refers to the use of drugs, surgeries, medical devices, and other invasive or irreversible medical techniques to repair and reshape a person's appearance and the shape of various parts of the human body[6]. For the purpose of this research, I will focus on the lifestyle beauty market, specifically on the Chinese cosmetics market.

1.1 Chinese cosmetics industry development

1.1.1 2000-2009 period

The modern Chinese cosmetics industry started to take shape in the 1980s. Before 1989, the Chinese cosmetic industry presented little to no regulation regarding the safety and quality of its products, therefore in 1989 the "Regulations on Hygienic Supervision of Cosmetics" were implemented, thus allowing the industry to enter in a legalized environment[7].

In the early 2000s, with the rapid economic development and the substantial urbanization process, the Chinese cosmetics market began to show a rapid growth trend. This can be proved by analyzing sales figures: in 1980 the industry's sales accounted for 350 million

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[5] 中国生活美容行业现状深度研究与投资前景分析报告(2022-2029 年）(*In-depth research and investment prospect analysis report on the current status of China's lifestyle beauty industry (2022-2029)*), in "观研报告网" (China Baogao), 2022, https://www.chinabaogao.com/baogao/202206/601738.html#, 12-10-2023.

[6] 医疗美容 (Medical beauty), in "百度百科" (Baidu Baike), https://baike.baidu.com/item/%E5%8C%BB%E7%96%97%E7%BE%8E%E5%AE%B9/2420198#, 12-10-2023.

[7] GUO Li 郭丽, CENG Wanxiang曾万祥, WANG Xinmei王新媚 et al., "化妆品行业面临机遇与挑战" (Cosmetics industry opportunity and challenge), in 中国化妆品 *(China Cosmetics Review)*, 8, 2020, pp. 14-15.

Yuan, and with an impressive annual average growth rate of 10.2% from 1997 to 2005[8]. Later in 2006, the industry's sales finally exceeded 100 billion Yuan for the first time, to progressively continue growing to reach 140 billion Yuan in 2009[9]. Although sales continued to increase, per capita expenditure remained relatively low by international standards: an average Chinese consumer used to spend US $6 per year for cosmetics (even though in major cities like Shanghai and Beijing the same figure could reach US $22.7 per year), whereas the average Japanese consumer used to spend US $241 per year[10].

In the 2000s, the market could be divided into numerous sections according to power of consumption, geographical areas, and consumers' preferences. First, cosmetics brands could be divided into three different groups: foreign brands, domestic brands, and joint venture brands. Particularly, foreign brands enjoyed a great success leveraging on the average Chinese consumer's preference towards foreign products and limited competition coming from domestic brands. This led foreign cosmetics brands to account for 60% of total volume of sales, while covering 90% of the market share[11]. Examples of successful foreign brands at the time were Lancôme, Guerlain, Estée Lauder, L'Oréal, Shiseido, and Procter & Gamble. At the same time, more than 4000 local cosmetics companies were competing for a share in the market but only 50 of them had annual sales of over 100 million yuan, showing how fierce the competition of foreign brands was. Many reasons can explain why local brands struggled to compete against international brands: first, Chinese cosmetics companies could not count on high-end technology and equipment. Second, there was a shortage of R&D funds and talents, therefore slowing down domestic companies' product innovation. Third, most local companies were small and medium-sized, thus unable to keep up with the foreign multinationals' resources and advantages[12]. Finally, all cosmetics companies in China had to endure a 30% consumption tax since cosmetics products were not considered daily necessities, therefore putting competitive pressure on price especially on local companies[13]. Alongside foreign and local companies, joint

[8] SHEN Si 申思, "中国化妆品行业 - 国内化妆品品牌的优点和缺点" (Chinese cosmetics industry – Domestic cosmetics brands' advantages and disadvantages), in 中国外资 *(Foreign Investment in China)*, 6, 2011, p. 137.
[9] FU Lizi 付利兹, CAO Shuran 曹蜀冉, "中国化妆品市场及多元化营销模式" (China's cosmetics market and diversified marketing model), in 日用化学品科学 *(Detergent & Cosmetics)*, 8, 2010, pp. 39-45.
[10] SHEN, (Chinese cosmetics industry – Domestic cosmetics brands'…), *cit*., p. 137.
[11] FU, CAO, (China's cosmetics market…), *cit*., pp. 39-45.
[12] YUAN Tian 袁田, "中国化妆品行业现状分析及对策研究" (Analysis of the current situation of Chinese cosmetics industry and research on countermeasures), in 中外企业家 *(Chinese & Foreign Entrepreneurs)*, 4, 2016, pp. 47-49.
[13] Ibid.

ventures and mergers and acquisitions proved to be a quite common solution to penetrate the Chinese market. Particularly, L'Oréal acquired several local brands such as Little Nurse in 2004 and Yue Sai in 2008. On one hand this promotes the technological upgrading of local cosmetics companies, it broadens their financing channels, and it enhances their management models. On the other hand, there could be a serious risk of loss of intangible assets such as brand effect, brand loyalty, as well as the risk of loss of customization of the products according to the local consumers' preferences[14].

As far as pricing is concerned, three different consumer groups were identified and targeted: low-end, medium-end and high-end group[15]. The high-end group primarily channeled its purchases towards foreign cosmetics brands' products. This was pushed by the country's upsurge in advocating a Western lifestyle and the rapid increase of the middle class's purchasing-power[16]. On the other hand, due to the continuous change of consumption concept, many low-end and medium-end consumers started to prefer domestic brands such as Herborist, Fangcaoji, Longliqi, Dingjiayi and Caishi[17]. This allowed local companies to expand their market and thus their revenue, gaining enough strength to compete with international brands. Many of these companies were located in the Pearl River Delta region in southern China, where a lot of opportunities of development could be expected due to the growing per capita consumption of local consumers.

When it comes to the most popular cosmetics products in the 2000s, hair care and oral health products had the best performance overall, while in the field of skin care cosmetics, whitening and anti-aging products were the most sought out[18]. In 2008 perfumes and make-up products experienced a decline in sales due to the financial crisis, even though whitening products not only were not affected, but they also experienced a growth. Having a fair skin was considered the peek-end of beauty and for this reason whitening ingredients were present in many creams, toners, and moisturizers.

Even though cosmetics are nowadays regularly purchased by both Chinese women and men, more than twenty years ago the male cosmetics market was nearly absent. In fact, male cosmetics gradually started to enter the Chinese market in 2004.

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[14] YUAN, (Analysis of the current situation of Chinese cosmetics industry…), *cit.*, pp. 47-49.
[15] FU, CAO, (China's cosmetics market…), cit., pp. 39-45.
[16] HAN Ruya 韩儒雅, "中国化妆品市场现状与趋势" (Current status and trends of China's cosmetics market), in 日用化学品科学 *(Detergent & Cosmetics)*, 33, 6, 2010, pp. 8-14.
[17] FU, CAO, (China's cosmetics market…), *cit.*, pp. 39-45.
[18] HAN, (Current status and trends of China's cosmetics market), *cit.*, pp. 8-14.

Historically, skincare and grooming were considered largely feminine pursuits, often prompting men to shy away from indulging in such practices to avoid straying from the rigid boundaries of traditional masculinity. These social constructs have, until recently, made the male beauty market in China a relatively unexplored territory[19].

According to the researcher Han Ruya[20], this shift happened when advertisement started to become relevant in everyday life of Chinese consumers, specifically when three-dimensional and print advertisements of male sport stars and male models began to promote cosmetics products for men. In this period the first products that gained success were sunscreens, facial skincare products, hair growth products and perfumes.

1.1.2 2010-2019 period

In the 2010s, the Chinese cosmetics market experienced another considerable growth pushed by a constant economic development, and, at the same time, the internet and online sales channels started to gain relevance to eventually revolutionize the entire industry.

Sales channels underwent multiple changes, especially with the emergence of online channels. Looking at 2010 to 2014 statistics, the market share of shopping malls dropped from 41% in 2010 to 28.5% in 2014, as well as the share of supermarkets experienced a decline of 8.1%, from 20.7% in 2010 to 12.6% in 2014[21]. Franchise stores' channel was one the new type of channel emerging in that period, becoming one of the main channels of the Chinese cosmetics market, accounting for 20% of the total share. E-commerce channel and direct sales channel were undoubtedly the fastest growing ones: their share increased from 3.4% in 2010 to 16.9% in 2014 and from 14.5% in 2010 to 20.2% in 2014 respectively[22].

From the perspective of regional development of the industry, urbanization, and the narrowing disposable income gap between rural and urban residents (respectively 11.422 Yuan per year and 31.195 Yuan per year[23]) allowed a more balanced expansion of the cosmetics market. First and second-tier markets' shares, which accounted for almost half of the entire

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[19] *Male Beauty in China: Brands Should Not Miss This Opportunity*, in "Gentlemen Marketing Agency", 7 August 2023, https://marketingtochina.com/male-beauty-in-china/, 22-09-2023.
[20] HAN, (Current status and trends of China's cosmetics market), *cit*., pp. 8-14.
[21] LIU Yuliang 刘玉亮, DENG Jing 邓静, "中国化妆品行业的现状与未来" (Present and future of cosmetics in China), in 日用化学品科学 *(Detergent & Cosmetics)*, 1, 2016, pp. 1-8.
[22] Ibid.
[23] WANG Yunlong 汪云龙, "中国化妆品市场简析" (A brief analysis of Chinese cosmetics market), in 山西青年 *(Shanxi Youth)*, 5, 2017, p. 274.

market share during the 2000s, experienced a shrink to 37.6% in 2014, so that third, fourth and fifth-tier markets[24]' shares experienced an increase up to 62.3% in 2014[25].

When it comes to pricing and market level development, the Chinese market showed an upgraded consumer demand, especially for high-end cosmetics of which the relative market share increased from 25.2% in 2010 to 27.2% in 2014. This shift towards high-end products can be supported by confronting the average increase of cosmetics' prices being 5.4% to the average annual inflation rate being 2.5%, proving that the demand for such cosmetics was increasing[26]. According to Wang[27], this increasing demand was justified by steady evolution of the average Chinese consumer's mindset, which makes consumers pay more and more attention to their appearance.

While in the 2000s foreign cosmetics brands dominated the market, in the first half of the 2010s domestic cosmetics brands started to expand their market share and to become increasingly desired by Chinese consumers. This was achieved through an increase of investment in technology and research and through the introduction of international talents to develop safer, more effective, and innovative cosmetics products. In this regard, local brands such as Nature Hall, Herborist, Pechoin, Xiangyi Materia Medica and Meisu managed to stand out and to gain a satisfactory share of the market[28]. Nevertheless, counterfeits and shoddy products were still a widespread phenomenon in the Chinese cosmetics market. They not only could damage the image of emerging domestic brands and their related products, but they also posed potential risks to consumers' health and safety[29].

When it comes to 2015-2019 period, the compound growth rate of the Chinese cosmetics market was 8.27%, allowing the market size to reach 426 billion Yuan in 2019[30].

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[24] The Chinese city tier system is an informal hierarchical classification of cities within the People's Republic of China. The tier system is also used to classify these cities' markets and it is commonly referenced by international media outlets and serves various purposes, including commerce, transportation, tourism, and education. In recent years, the tier system has garnered widespread attention and usage due to the rapid growth and evolving dynamics of Chinese cities following economic reforms. It has become a valuable reference point for investors and businessmen. Cities in different tiers often exhibit variations in consumer behavior, income levels, population size, consumer sophistication, infrastructure, available talent, and business opportunities, among other factors.
[25] LIU, DENG, (Present and future of cosmetics in China), *cit.*, pp. 1-8.
[26] Ibid.
[27] WANG, (A brief analysis of Chinese cosmetics market), *cit.*, p.274.
[28] LIU, DENG, (Present and future of cosmetics in China), *cit.*, pp. 1-8.
[29] WANG, (A brief analysis of Chinese cosmetics market), *cit.*, p. 274.
[30] ZHAO Yongjie 赵永杰, "2019 年-2020 年中国化妆品行业发展概况" (Analysis on the development of China's cosmetics industry from 2019 to 2020), in 日用化学品科学 *(Detergent & Cosmetics)*, 6, 2020, pp. 59-64.

From the perspective of product structure, from 2015 to 2019, skin care products experienced a compound growth rate of 6.23%. Accounting for nearly 50% of the entire cosmetics market, skin care products represented the main product category of that period[31].

[32]

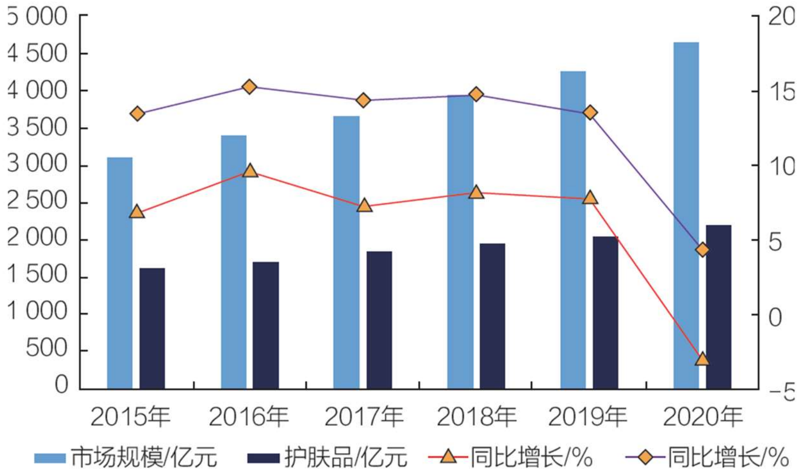

Figure 1. Statistics of China's cosmetics market scale from 2015 to 2020

Aside from the sales growth trend of the 2015-2019 period, the Chinese cosmetics market's consumers were getting incrementally sophisticated and demanding. According to Zhao[33], high-end brands such as Estee Lauder, Lancôme, Dior, Chanel, and Shiseido are no longer luxury goods for Chinese high-income consumers. Although this shift could be beneficial especially for foreign brands, domestic brands still had some difficulties in winning over shares of the market. According to researchers Wu, Tao, Chen et al.[34], R&D capabilities are what mainly differentiate the success of international cosmetics brands compared to domestic ones. In order to establish an R&D center that is most suitable for the development of one's own brand, attention needs to be paid to three aspects. The first is to establish an operational R&D system that can be coordinated by various departments and have a complete process for the development of cosmetics; the second is to focus on basic on skin physiology, characteristic ingredients, and new technologies. Finally, cultivating outstanding R&D personnel with different professional backgrounds is equally important. As far as the number of patents available to domestic cosmetics companies, an effort has been made as to reduce the gap with international companies. Starting from 2012 the number of invention patent applications rapidly

[31] ZHAO, (Analysis on the development of China's cosmetics industry…), *cit.*, pp. 59-64.
[32] Ibid.
[33] Ibid.
[34] WU Jianxin 吴建新, TAO Kexin 陶可鑫, CHEN Mao 陈矛, "中国化妆品行业的研发现状和发展趋势" (R&D status and development trends of China's cosmetics industry), in 中国化妆品 *(China Cosmetics Review)*, 12, 2022, pp. 51-56.

increased to reach a peak of 10501 in 2017 (as shown in blue columns in figure 2). In contrast, it is worth noticing that the authorized amount of invention patents is relatively stable (as displayed in red columns in figure 2), with an average of 1500 to 1600 patents per year, indicating a pressing need of improvement of the overall technical content of the patents[35].

[36]

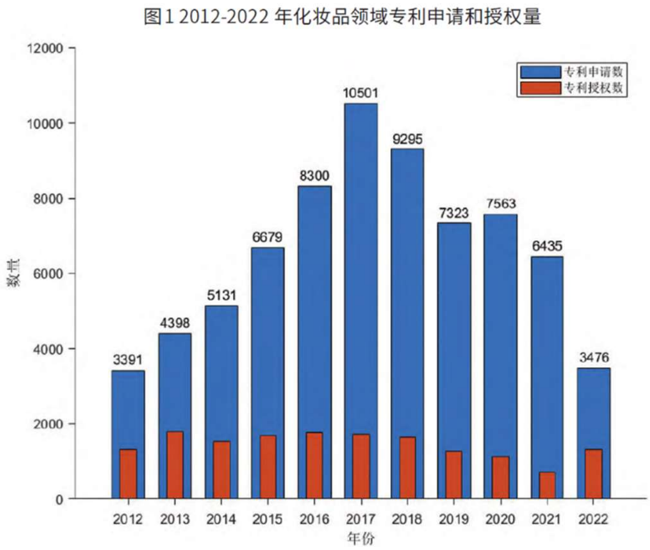

Figure 2. Number of patent applications and authorizations in the cosmetics field from 2012 to 2022

As to further expand the cosmetics industry, in 2016 the Chinese Ministry of Finance and State Administration of Taxation decided to reduce the consumption tax which heavily impacted the pricing policy of cosmetics companies. The tax was reduced from 30% to 15% for medium to high-end products while it was cut to zero for low-end products, thus allowing low-end domestic companies to better compete in the market[37].

When it comes to the Chinese make-up market, it started to be relevant during the early 2010s even though it began to undergo a huge growth only starting from 2015, with an average annual compound growth rate of more than 15% during the 2015-2019 period. In 2019 the Chinese make-up market reached the size of 47.5 billion Yuan[38]. Although consumers in tier 1 cities were becoming more sophisticated, those in tier 2, 3 or lower cities were still beginners. Although there was a difference in consumer behavior among different tiers of cities, the structure of make-up consumption entered in the developing phase, when consumers purchase

[35] WU, TAO, CHEN, (R&D status and development trends of China's cosmetics…), *cit*., pp. 51-56.
[36] Ibid.
[37] *China reduces consumption taxes on cosmetics*, in Deloitte, 4 October 2016, https://www2.deloitte.com/cn/en/pages/newsroom/articles/China-reduces-consumption-taxes-on-cosmetics.html, 15-09-2023.
[38] ZHAO, (Analysis on the development of China’s cosmetics industry…), *cit*., pp. 59-64.

basic make-up products while at the same time exploring and adding new products to eventually follow a complete make-up routine[39]. "As consumers in lower-tier cities become more aware of make-up products, an expanding consumer base and increasing penetration of lower-tier cities are expected to benefit local brands, which offer cheap, entry-level products"[40]. Although the Chinese make-up market was expanding, in 2019 the national per capita consumption of make-up was still weak by international standards, as shown in figure 3.

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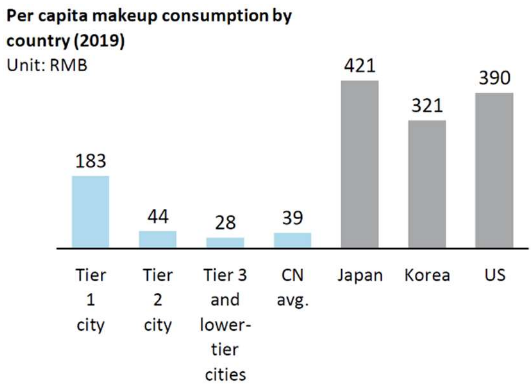

Figure 3. Per capita make-up consumption by country

In make-up sector, domestic brands also had another advantage: online channels. Local make-up brands have been early players online, exploiting emerging platforms like Tmall, Xiaohongshu and Bilibili targeting their young consumers born after 1990s and 2000s, whilst foreign brands like Armani, Chanel and Tom Ford joined online sales channels much later. As shown in figure 4, women under 30, students and young professionals represent the average consumer of emerging Chinese make-up brands: they are open to new ideas and products but have relatively low incomes. Emerging Chinese brands therefore allow them to purchase innovative products at accessible prices.

42

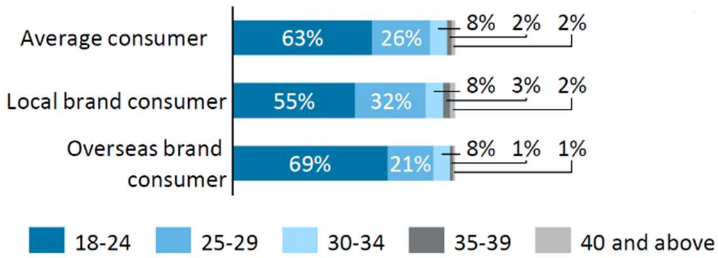

Figure 4. Chinese make-up consumers' structure

[39] *Whitepaper on the Chinese Makeup Market - Chapter 1: Overview of the Chinese Makeup Market*, in "Deloitte", 2020, https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/consumer-business/deloitte-cn-cb-whitepaper-on-the-chinese-make-up-market-en-200820.pdf, 15-09-2023.
[40] Ibid.
[41] Ibid.
[42] Ibid.

1.1.3 Post-pandemic impact and current market trends

During the Covid-19 pandemic era, consumption habits of Chinese consumers changed to align with the new necessities of that period. Some brands and products experienced a huge growth in sales while others experienced the opposite. In times when physical retailing was not available, companies without online sales channels have suffered heavy losses while brands that mainly sold online have become popular and are now experiencing huge growth[43]. This phenomenon has been pushing companies to offer a combined solution of online + offline sales channels as to offer a complementary solution to satisfy any customer's preference. The Covid-19 pandemic also affected the sales of certain categories of products. The "Face mask effect" represents an example: due to long-time face mask wearing, there was less need of wearing make-up, therefore lipstick sales plummeted while anti-acne and anti-blemishes skincare products' sales grew consistently.

China's cosmetics market is now the second largest in the world, and by 2025 the industry's sales are expected to reach 564.40 billion Yuan[44]. The skincare sector now represents the fastest-growing segment of the Chinese beauty industry and starting from 2020 it has been putting effort into developing professional products attentive towards consumers' needs. Consumers have been growing more and more informed and knowledgeable, new ingredients are being researched and developed in order to cover all the new consumers' needs and expectations. The most desired functions by consumers are the following: moisture loss prevention, anti-ageing, whitening, sensitive skin treatment, acne and blemishes treatment, and oily skin prevention[45]. Therefore, it is recommended that brands enhance the transparency of their product formulas, as to increase the trust of consumers and their willingness to purchase[46]. While women aged 18-24 tend to learn ingredient information from social medias, live-streaming and regular key opinion leaders (KOLs), women from 25-29 years old are more attentive, therefore only convinced by KOLs with professional knowledge. Mature women on

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[43] GONG Shuhui 龚述辉, "新型冠状病毒肺炎疫情对中国化妆品行业的影响浅析" (A brief analysis of the influence of New Corona Virus on Chinese cosmetics industry), in 日用化学品科学 *(Detergent & Cosmetics)*, 2, 2020, pp. 24-25.

[44] *The Cosmetics Market in China: Top Marketing Strategies to Succeed in the Beauty Market*, in "Gentlemen Marketing Agency", 15 May 2023, https://marketingtochina.com/cosmetics-china-top-marketing-strategies-beauty-market/, 22-09-2023.

[45] *China's Cosmetics Market*, in HKTDC Research, 11 August 2023, https://research.hktdc.com/en/article/MzA4Nzg0MTgw, 18-09-2023.

[46] YING Minte 英敏特, "中国化妆品市场功效护肤品赛道崛起" (The rise of functional skincare products in China's cosmetics market), in 中国化妆品 *(China Cosmetics Review)*, 11, 2021, pp. 72-75.

the other hand put more trust into long time known ingredients such as Chinese herbal ingredients[47].

When it comes to functional cosmetics[48], this specific market has been increasing consistently and its market size is expected to exceed 100 billion Yuan in 2023[49]. Chinese consumers are very attentive to the benefits and effectiveness of cosmetics, in fact 60% of consumers consider "the effects" to be the most crucial factor to justify their purchase[50]. Among all functions, anti-aging has become the most sought-after in skincare products. In 2019 Chinese women searched for the term "anti-aging" on the internet around 30 billion times, surpassing the term "whitening" and "hydrating" which were the most sought-after functions in the past decade[51]. Furthermore, 90% of Chinese women take anti-ageing measures, and a consistent number of them is represented by post 90s generation, which is more attentive towards beauty and aging compared to previous generations[52].

New categories of cosmetics products have been arising in recent years, expanding the range of products to satisfy any customer's needs. Those are classified as it follows:

- *Sport cosmetics*: they are designed as to offer anti-sweat, anti-odor, and anti-bacterial functions together with the features of traditional cosmetics[53].
- *Cosmeceuticals*: a new category of cosmetics blended with pharmaceutical features. They are developed to treat specific skin problems and to provide supplementary therapeutic functions. The burgeoning demand for cosmeceuticals in the Chinese market can be attributed to increasingly stressful lifestyles, heightened skin sensitivity, and deteriorating environmental conditions. These factors are driving significant growth and profitability in the cosmeceuticals sector. The most sought-after ingredients are collagen, essential oils, vitamins, and amino acids. According to research, when consumers receive accurate and clear information about cosmeceutical products' formulas, their

[47] YING, (The rise of functional skincare products in China's cosmetics market), *cit.*, pp. 72-75.
[48] Functional cosmetics encompass a diverse range of products designed to enhance, modify, or maintain the health and appearance of the skin.
[49] *Top cosmetic market trends in China for 2022*, in "Retail in Asia", 26 January 2022, https://retailinasia.com/in-markets/top-cosmetic-market-trends-in-china-for-2022/, 22-09-2023.
[50] *The Cosmetics Market in China…*, in "Gentlemen Marketing Agency", *cit.*
[51] GONG Shuhui 龚述辉, "中国化妆品市场未来 5 年护肤趋势" (Skin care trends in China's cosmetics market in the next five years), in 中国化妆品 *(China Cosmetics Review)*, 9, 2021, pp. 32-35.
[52] Ibid.
[53] *China's Cosmetics Market*, in HKTDC Research, *cit.*

usage tend to increase. Therefore, it is vital for cosmeceutical producers to validate their products' quality via data and institutional endorsement[54].

- *Beauty snacks*: a new category of cosmetics products that in 2022 accounted for around 23 billion Yuan. Chinese consumers' fondness of beauty and snacks merged to create wellness-boosting treats. This new market opened to collaborations among brands: an example was the skin-brightening relax pack released by cosmetics brand CHANDO and snack brand Pejoy. The pack contained a facial mask and a pack of bread sticks meant to be consumed together, both products contained niacinamide, a skin brightening ingredient[55].
- *Green cosmetics*: they contain naturally sourced ingredients and promote eco-friendly packaging and initiatives. Green cosmetics are now getting popular due to Chinese consumers getting more environmentally conscious and due to the Chinese government's decarbonization efforts and green initiatives. Additionally, to the average Chinese consumer's mind, naturalness of ingredients represents a safer and more effective solution[56].

Focusing on cosmetics and environmental protection, on 1 January 2021 the Chinese government implemented the new "Regulations on the supervision and administration of cosmetics" which aims at promoting environmental protection and low carbon emissions of the industry. Furthermore, the State Food and Drug Administration stipulated a prohibition for cosmetics companies to produce products containing plastic microbeads starting from 1 January 2021[57]. This represents both a challenge and an opportunity for Chinese brands: even though they must adapt their production line while sustaining increasing cost of production, more and more Chinese consumers are willing to pay a premium for sustainability[58], on the premise of acceptable product quality assurance. Interest in natural cosmetics has surged attention towards ethical products, therefore cosmetics labelled as cruelty-free, vegan, halal, organic and green are becoming more popular. With an estimated annual compound growth rate of 6.5% between

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[54] *Dermo cosmetics in China: why the cosmeceuticals market is growing so fast?*, in "Gentlemen Marketing Agency", 11 September 2023, https://marketingtochina.com/cosmeceuticals-in-china-a-fast-growing-market/, 22-09-2023.
[55] LUO Jiaqi, *The New Wellness Trend in China Is Beauty Snacks*, in "Jing Daily", 25 January 2021, https://jingdaily.com/china-health-wellness-beauty-snacking/, 22-09-2023.
[56] YING, (The rise of functional skincare products in China…), *cit*., pp. 72-75.
[57] SI Yi 思驿, "中国化妆品市场新亮点" (New highlights of China's cosmetics market), in 中国化妆品 *(China Cosmetics Review)*, 7, 2021, pp. 118-120.
[58] Ibid.

2022 and 2027, the vegan make-up market is gaining importance[59]. Even though plant-based make-up products are perceived as high-value, ingredients are not the only factor consumers will consider. In fact, transparency around production processes and sustainability efforts are equally looked upon. Another recent product trend that is taking place in China is represented by the surge of halal cosmetics, with an estimated annual compound growth rate of 15.2%[60]. This kind of cosmetics are characterized by being free from alcohol and other ingredients not conforming to halal requirements. Domestic brands are not the only ones starting to introduce new lines of products of this kind, international companies such as L'Oréal and Estée Lauder are also putting their effort into leveraging new Chinese consumers' needs and preferences.

As far as male cosmetics market is concerned, it is one of the fastest-growing product segments in China.

> China is undergoing a cultural metamorphosis that embraces diversity, self-expression, and a more fluid definition of beauty. This transformation is spurred by the younger generation's exposure to global influences, a growing emphasis on individualism, and the widespread impact of social media platforms. As barriers to self-expression crumble, young Chinese men are increasingly open to experimenting with their appearance and embracing a broader range of aesthetic choices. The modern Chinese man is now seeking ways to express his personality, beliefs, and identity through his appearance, fostering a newfound sense of confidence and empowerment[61].

Nowadays nearly 80% of men born after 1990 have developed skincare routines and regularly purchase cosmetics[62]. The male cosmetics market is three times larger than in the US market, and at the same time, more diverse. The Chinese male cosmetics market does not only comprehend skincare products, it also includes make-up products: "Under Chinese pop idols' influence, Gen-Z men are now embracing the idea of wearing make-up. The rate of men learning how to apply cosmetics is growing twice as fast as women, and the growth of male skincare purchases has surpassed its counterpart, as well"[63]. When it comes to product preferences, foundations and eyeliners are the most popular make-up items, while multifunctional cosmetics are increasingly sought-after because they combine different functions in one formula, simplifying the beauty routines of Chinese male consumers[64]. Numerous brands are seizing the rising trend of men's grooming and cosmetics in China, rolling

[59] *Niche Cosmetics Markets In China: Opportunities In Vegan, Halal, And Organic Beauty*, in "Gentlemen Marketing Agency", 14 June 2023, https://cosmeticschinaagency.com/niche-cosmetics-markets-in-china/, 22-09-2023
[60] Ibid.
[61] *Male Beauty in China…*, in "Gentlemen Marketing Agency", *cit.*
[62] NAN Lisa*, How Brands Can Monetize Male Beauty in China*, in "Jing Daily", 4 May 2021, https://jingdaily.com/local-male-skincare-brands-china-shakeup/, 19-09-2023.
[63] Ibid.
[64] Ibid.

out tailored advertising initiatives aimed directly at Chinese men, with a special focus on urban millennial males in China[65].

Another consumer segment is represented by maturing gen X women: now more than ever it is important for cosmetics companies to develop cosmetics tailored to the needs of mature women. China will count on 100 million more senior citizens over the next decade and by 2050 it is expected that over 38% of the population will be over 60 years old[66]. Gen X consumers are big savers but like to invest in their appearance by choosing high-end cosmetics, especially foreign brands' products. Some domestic brands have already tried to capitalize on this new consumer trend by launching cosmetics brands specifically tailored for women aged over 50 such as Banyue Fusheng and Wu Shi Jia. Foreign brands like Whoo introduced a special 'mom skincare set' to its product lineup on its official Tmall store. This addition swiftly garnered immense popularity, making Whoo one of the leading brands in the 'mom skincare' category on Xiaohongshu.

When it comes to market segmentation, high-end cosmetics products are taking the lead: it is expected that high-end products will constitute up to 53% of the entire Chinese cosmetics market by 2025[67]. This trend is influenced by changes of consumers mindset and by culture:

> For consumers in China, social status is very important. The average Chinese consumer uses luxury brands or expensive products as a way to show off his or her wealth. Chinese are the "new rich". As a result, they tend to prefer higher-priced items because it is tangible proof they have a successful career and a higher purchasing power. Top beauty brands and luxury brands are benefiting from this strong appetite for cosmetics and skincare products[68].

Nowadays Chinese consumers pay more attention to ingredients and their efficacy than prices and brands, therefore moving towards more high-end solutions. Usually in the past the high-end category used to comprehend mainly international brands, however domestic brands are now catching up, increasing their reputation. "[…] more local companies have reached the top 100 rankings for both skincare and cosmetics. The fact that professional cosmetics businesses made up the whole list of the top 10 make-up brands by revenue illustrate how important quality is to Chinese customers"[69]. The rising of new domestic brands cannot be separated from the

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[65] *Male Beauty in China…*, in "Gentlemen Marketing Agency", *cit*.
[66] NAN Lisa, *'Mom skincare' — China's maturing Gen X consumers give rise to new beauty opportunities*, in "Jing Daily", 8 September 2023, https://jingdaily.com/chinas-gen-x-saves-big-but-also-consumes-high-end-skincare/, 22-09-2023.
[67] *China's Cosmetics Market*, in HKTDC Research, *cit*.
[68] *The Cosmetics Market in China: Top Marketing…,* in "Gentlemen Marketing Agency", *cit*.
[69] *How Gen-Z and COVID-19 reshaped China's US$80 billion beauty industry*, in "Daxue Consulting", 13 April 2023, https://daxueconsulting.com/cosmetics-market-china-exploding/, 19-09-2023.

assistance of China’s highly developed social commerce. KOLs and livestreaming are now fundamental tools for domestic brands to expand their brand awareness and to attract sales, with satisfactory results. These methods are more suitable for Chinese brands than international brands because consumers are more willing to place an order online if the products are medium-end priced[70].

Regarding sales channels, cosmetics products can now be found in numerous distribution channels such as e-commerce platforms, supermarkets, department stores, drugstores, dedicated counters, wholesale markets and direct sellers. The three major channels are represented by e-commerce platforms, department stores and specialty stores. E-commerce channels developed consistently over the course of just one decade, to the point that 72,6% of all consumers buy cosmetics online[71]. Tmall and Taobao remain the key online players, while at the same time social media platforms like Xiaohongshu, Douyin and Kuaishou are gradually catching up offering a unique social commerce experience. On the other hand, dedicated counters are chosen by more than 50% of all consumers because they offer a unique and personalized experience to the customer, while increasing brand exposure and building a strong brand image[72].

1.2 Chinese consumers’ ethnocentrism and the Guochao phenomenon

As we already analyzed, as far as the beauty industry is concerned, Chinese consumers are generally fond of high-end foreign cosmetics brands. According to consumers, ingredients efficacy, quality, reputation, and innovation represent the elements that characterize the success of international cosmetics brands in China. When it comes to customers’ preference towards domestic rather than foreign brands, numerous factors contribute to shape consumers’ psychology, such as the country of origin (COO) effect, consumers’ ethnocentrism, and new sociological trends. In order to better understand the average consumption patterns of Chinese cosmetics consumers, some of those elements will be analyzed.

[70] ZHANG Xinru 张欣茹, WANG Yuqi 王钰祺, “变革进行时, 化妆品行业迈入 ‘中国时间’” (As the transformation progresses, the cosmetics industry enters the "Chinese time"), in 国际品牌观察 *(Global Brand Insight)*, 29, 2021, pp. 65-67.
[71] *China’s Cosmetics Market*, in HKTDC Research, *cit*.
[72] Ibid.

1.2.1 Chinese consumer ethnocentrism

According to Roth and Romeo[73], the COO effect can be defined as: "the overall perception consumers form of products from a particular country, based on their prior perceptions of the country's production and marketing strengths and weaknesses". Consumers therefore exploit their preconceptions about a country in order to decode and evaluate the quality of its products. In this sense, the COO is utilized as a filter to categorize products as trustworthy or not. The perspectives of consumers regarding foreign products exhibit notable variations from one country to another. Moreover, there is compelling evidence indicating that a nation's image can be interpreted differently by consumers across various countries[74]. When consumers shop for foreign products characterized by complex and difficult features to evaluate, the COO effect may play an even more important role to guide them towards the purchase decision.

Chinese consumers' perspective of the COO effect traditionally reflected a strong preference for foreign brands, especially in the 90s and 00s. At the time, there was a strong influx of foreign products coming from western countries and Japan. In a time period where domestic products' quality was still improving, numerous medium to high-spending consumers preferred to rely on foreign products for the symbolic benefits associated with those countries' brands. At the time, foreign companies were associated to sophistication, reputation, originality, and innovation, making foreign brands perceived as possessing higher quality[75]. Although fondness for foreign brands was strong, domestic brands were still preferred in a variety of contexts, depending on the type of products and the amount of disposable income of consumers. For example, domestic brands were preferred in case of non-durable products and for traditional products such as food, or whenever the foreign and domestic products were comparable pricewise[76].

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[73] Martin S. ROTH, Jean B. ROMEO, "Matching product category and country image perceptions: a framework for managing country-of-origin effects", in *Journal of International Business Studies*, 23, 1992, pp. 477-497.

[74] ZHANG Yong, "Chinese consumers' evaluation of foreign products: the influence of culture, product types and product presentation format", in *European Journal of Marketing*, 30, 12, 1996, pp. 50-68.

[75] LI Zhan G., FU Shenzhao, William MURRAY, ''Country and product images: the perceptions of consumers in the People's Republic of China'', in *Journal of International Consumer Marketing*, 10, 1/2, 1997, pp. 115-39.

[76] Simon KWOK, Mark UNCLES, HUANG Yimin, "Brand preferences and brand choices among urban Chinese Consumers. An investigation of country-of-origin effects", in *Asia Pacific Journal of Marketing and Logistics*, 18, 3, 2006, pp. 163-172.

Another element to analyze in order to understand the relationship between purchasing and COO is what is referred as consumer ethnocentrism. It can be defined as a psychological concept that investigates and describes the ethnocentric view of consumers towards foreign goods and their loyalty to domestically produced products[77]. Consumers with high levels of ethnocentrism tend to display a fairly negative attitude towards foreign goods and to discount their positive aspects, while showing favorable purchase intentions towards locally produced goods and overestimating their features and quality[78]. Consumer ethnocentrism can be affected by emotional and social values, with rising neo-nationalist movements around the globe, patriotic consumers can be convinced to buy local products to support their own country's economy[79]. As national pride strengthens, consumers are more willing to buy from domestic brands:

> The improvement of China's overall national might has boosted consumer confidence. In the past, consumers lack confidence in the poor quality or backward design of many local products. However, with the continuous development of China's economy and the strengthening of cultural confidence, quality, service, reputation, and cultural identity have become the new labels of local brands. The "made in China" technology, products and services have become increasingly sought after by Chinese consumers[80].

This renewed confidence on national economy is also boosted by the new wave of nationalism promoted by People's Republic of China's president Xi Jinping. Nationalism can be defined as a movement driven by ideology that seeks to achieve and preserve autonomy, unity, and identity for a group of people that some of its members consider to be a real or potential "nation"[81]. Nationalism is a doctrine that puts the nation at the forefront of its considerations and its interpretation of the world and its guidelines for collective action are exclusively concerned with the nation and its people. In this sense, numerous actions taken by Xi Jinping have demonstrated a cultural shift towards politics that largely severs China's global connections and instead leans on Chinese elements for national development. This approach is rooted in the belief that only solutions originating from Chinese soil can effectively utilized for domestic

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77 Terence A. SHIMP, Subhash SHARMA, ''Consumer ethnocentrism: construction and validation of the CETSCALE'', in *Journal of Marketing Research*, 24, 3, 1987, pp. 280-289.
78 Chui Yim WONG, Michael J. POLONSKY, Romana GARMA, "The impact of consumer ethnocentrism and country of origin sub-components for high involvement products on young Chinese consumers' product assessments", in *Asia Pacific Journal of Marketing and Logistics*, 20, 4, 2008, pp. 455-478.
79 SHIMP, SHARMA, ''Consumer ethnocentrism: construction and validation…'', *cit*., pp. 280-289.
80 HU Shine, *Chinese Consumers' Purchase Preference on Foreign and Local Brands*, in "ChemLinked", 14 May 2021, https://market.chemlinked.com/report/a-survey-report-on-chinese-consumers-purchase-preference-on-foreign-and-local-brands, 26-09-2023.
81 GUO Yingjie, *Cultural nationalism in contemporary China – The search for national identity under reform*, London, Routledge Curzon, 2004.

improvement[82]. In this renewed atmosphere of national optimism, it is reasonable to assume that Chinese Government's new nationalist policies will further enhance Chinese consumers' willingness of purchase towards domestic products. In fact, in numerous sectors including food and beverages, home appliances, and healthcare, Chinese consumers tend to favor local brands over foreign competitors. This preference is driven by factors such as more affordable prices, reliable services, and a blend of evolving trends and traditional values[83]. As shown in figure 5, as far as cosmetics products are concerned, the preference towards domestic rather than foreign brands is almost equal, with a difference of just 3.5 points, showing that local brands are gaining popularity.

[84]

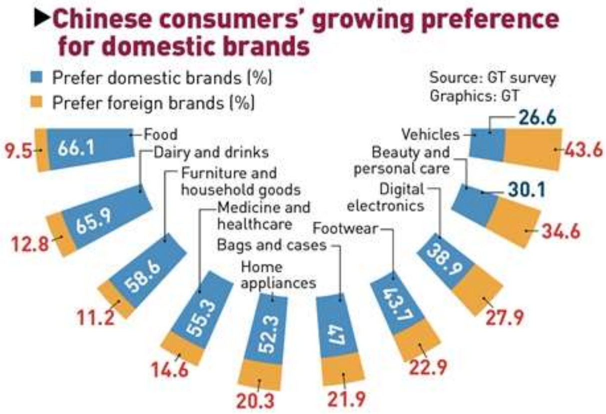

Figure 5. Chinese consumers' growing preference for domestic brands

Consumer ethnocentrism can also be affected by demographics, in this regard education, income and social class represent determinant factors. According to Wei's research[85], Chinese consumers with the highest ethnocentrism score tend to be older: this is because older people lived most of their life when the Chinese economy was starting to develop, foreign products were not popular, and advertisement was not common. Second, highly ethnocentric consumers tend to live in rural areas rather than urban areas, this is due to their limited income and insufficient information sources. Furthermore, it appears that males are more likely to purchase a domestic product than females and that income can play an important role too: in fact, high-income consumers tend to prefer foreign brands. In recent years, although Chinese consumers

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[82] LIN Jason Cong, "The Rising China is Not a 'Sick Man' Anymore: Cultural Nationalism in the Xi Jinping Era", in *Journal of Contemporary China*, 2023, pp. 1-18.
[83] MA Jingjing, *Chinese prefer buying local brands due to improving quality: survey*, in "Global Times", 14 March 2021, https://www.globaltimes.cn/page/202103/1218329.shtml, 27-09-2023.
[84] Ibid.
[85] WEI Yujie, "Does Consumer Ethnocentrism Affect Purchase Intentions of Chinese Consumers? Mediating Effect of Brand Sensitivity and Moderating Effect of Product Cues", in *Journal of Asia Business Studies*, 3, 1, 2008, pp. 54-66.

have increased their preference towards domestic products, their consumer ethnocentrism score is still relatively low. In China, the perception that purchasing foreign goods could lead to job losses among local citizens is less prevalent, given that the majority of these foreign-branded items are manufactured within the country. Moreover, factors such as consumer culture, tourism, and media promotion have heightened the interest of consumers in foreign products over domestic ones[86].

1.2.2 The Guochao phenomenon

Guochao (国潮) is a new cultural and market phenomenon that has been taking place in China in recent years, due to the strengthening of Chinese cultural and national identity. The literal translation of the term *guochao* is "national trend", and it refers to the increasing Chinese consumer favoritism towards Chinese brands, culture, designs, and products. The practical implication of *guochao* is represented by the redesign of products according to the Chinese cultural aesthetic. *guochao* style is composed of two elements, namely, the traditional Chinese culture and the contemporary Chinese popular culture. Put into other words, a merge of traditional and contemporary aesthetics[87]. This not only applies to products' design but also to brands' image: now that the *guochao* trend is expanding, the design of a brand image can boost consumers' brand recognition. It not only solidifies the existing audience base but also enhances the brand's positive image among other consumers, thereby broadening the consumer groups. Secondly, it aids businesses in market expansion. Amidst the escalating market competition, a superior brand image design can swiftly capture consumers' attention among similar brands when the company is still gaining recognition. This improves brand awareness, secures a market share, and enlarges the scope for brand development[88].

The younger generations and Chinese pop celebrities represent the main carrying force of this trend and it is increasingly getting popular among older consumers as well. According to Daxue Consulting's research[89], 80% of Gen Z consumers follows the *guochao* trend and 75% of all respondents stated that they appreciate products incorporating *guochao* design elements.

[86] JIA Qifan, CHEN Rui, ZUO Yihan, et al., "Why do Chinese people prefer domestic products: the role of consumer ethnocentrism, social norms and national identity", in *Asia Pacific Journal of Marketing and Logistics*, vol. ahead of print, 2023.
[87] CAI Jun 才隽, "国潮文化在品牌形象设计中的应用" (The application of Guochao culture in brand image design), in 西部皮革 *(West Leather)*, 12, 2021, pp. 26-27.
[88] Ibid.
[89] *China Guochao Marketing Report*, in "Daxue Consulting", 31 May 2021, https://daxueconsulting.com/guochao-marketing-report/, 26-09-2023.

As Chinese cosmetics brands are making progress in quality and product innovation, international brands are slowly losing their allure advantage and need to adapt their products to the new consumers' needs in order to avoid losing shares of the market. E-commerce platforms have significantly contributed to the expansion of domestic brands due to enhanced interactive technology between sellers and buyers, leading to increased user engagement. In fact, in 2020 on Xiaohongshu the growth rate of affordable *guochao* products views was 70%, mid to high-end *guochao* products views growth rate was 50%, while foreign products just accounted for a 20% increase[90]. While top tier cities are dominated by international brands, lower tier cities offer better opportunities for domestic *guochao* cosmetics brands. In fact, lower-tier cities are experiencing a more rapid growth in consumption. Consumers in these areas are more inclined to purchase local brands, driven by the affordability of the products and a heightened sense of national pride prevalent in these regions[91]. To provide an example, tier 6 cities represent the segment with the biggest online consumption rate of domestic brands' cosmetics (Figure 6).

[92]

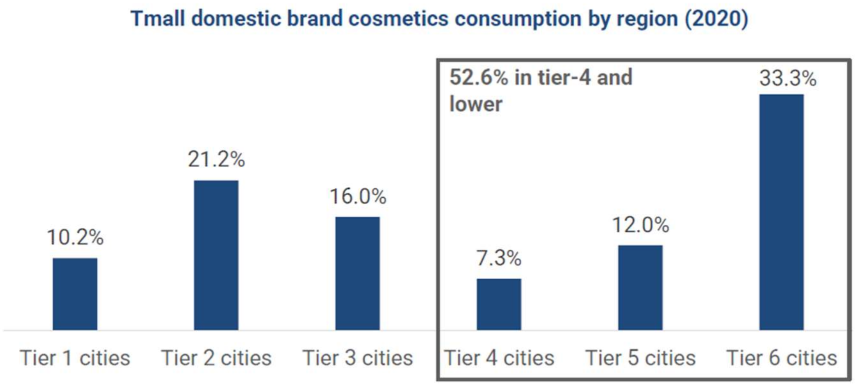

Figure 6. Tmall domestic brand cosmetics consumption by region (2020)

The most effective way to take advantage of the *guochao* trend is to rethink packaging design. Packaging design serves as a crucial conduit for communicating a brand's culture and creativity to consumers, acting as a significant medium for brands to connect with consumers' core values. Hence, the packaging design of cosmetics should not only incorporate Chinese elements but also narrate the brand's story and showcase Chinese culture to the audience[93]. Taking make-up company Mao Geping as an example, since 2018 it has been committed to

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90 *China Guochao Marketing Report*, *cit*.
91 Ibid.
92 Ibid.
93 LI Chen 李陈, ZHAO Yueyue 赵悦悦, WANG Mei 王梅, "国潮在化妆品包装设计中的应用 - 以毛戈平为例" (The application of Guochao in cosmetics packaging design - Mao Geping case), in 牡丹 *(Peony)*, 14, 2021, pp. 156-157.

spreading the Chinese aesthetics while innovating and shaping them into their own brand image. To achieve this, Mao Geping's designers visited the Forbidden City in Beijing to seek creative inspiration. This resulted in a new successful product series called "Oriental Spirit" (气蕴东方) which was co-branded by Mao Geping and the Forbidden City Cultural and Creative Industries[94]. When creating the Oriental Spirit series, the brand took inspiration from the flowers and golden details of the Forbidden City and applied them onto the packaging, creating a luxurious, traditional and at the same time contemporary design (as shown in figure 7[95]).

Figure 7. 珠光凤羽耀颜粉饼 (Pearlescent Phoenix Feathers Glowing Compact Powder). Source: Mao Geping

Integrating *guochao* aspects into products does not only comprehend packaging design, it also involves the inclusion of various unique elements of Chinese culture, which may not necessarily serve aesthetic purposes. In this regard, brands are embracing traditional Chinese solar terms into what it is referred as Jieqi (节气) marketing. Jieqi is a concept derived from China's ancient calendar that blends elements of lunar and solar calendars, dividing the year into 24 segments. Jieqi marketing is utilized to suggest wearing different kind of make-up for different solar periods such as chunfen (春分) or spring equinox, xiaoshu (小暑) or minor heat and daxue (大雪), or major snow[96]. Lin Zengsheng, brand director of Chinese make-up company Huaxizi (花西子, also known as Florasis), stated that:

> We have always integrated culture with cosmetics and combined traditional Chinese culture with fashion. Solar terms, as an excellent part of traditional culture, represent Chinese customs and

[94] LI, ZHAO, WANG, (The application of Guochao in cosmetics packaging design…) *cit*, pp. 156-157.
[95] 气蕴东方 (Oriental Spirit), in "Mao Geping Beauty", https://www.maogepingbeauty.com/east-s3.html, 27-09-2023.
[96] ZHENG Yiran, *Culture a winner for cosmetics brands*, in "China Daily", 28 March 2023, http://epaper.chinadaily.com.cn/a/202303/28/WS642237c0a310777689887af8.html, 27-09-2023

lifestyles, so integrating solar terms into our products was not done on a whim. We aren't doing it for a short-term connection with consumers. It's a long-term thing we are doing[97].

It is reasonable to assume that numerous Chinese brands will try to leverage the *guochao* trend in the future.

1.3 Chinese cosmetics social commerce and new digital trends.

As we already analyzed, e-commerce has become the main sales channel of the Chinese cosmetics industry. Online sales channels' success derives from both objective reasons such as internet development rate and subjective reasons such as emotional appeal, perceived comfort, and novelty. According to the 51st Statistical Report published by China Internet Network Information Center (CNNIC), in December 2022 the Internet access rate of Chinese netizens reached 75,6%, while the number of mobile Internet users in China reached 1,065 million[98]. As shown in figure 8, internet penetration rate in China is constantly rising, accounting for a 19% increase in just 4 years. This implies that a further future growth can be expected, and that e-commerce will get even more relevant in every day consumers' purchasing journey.

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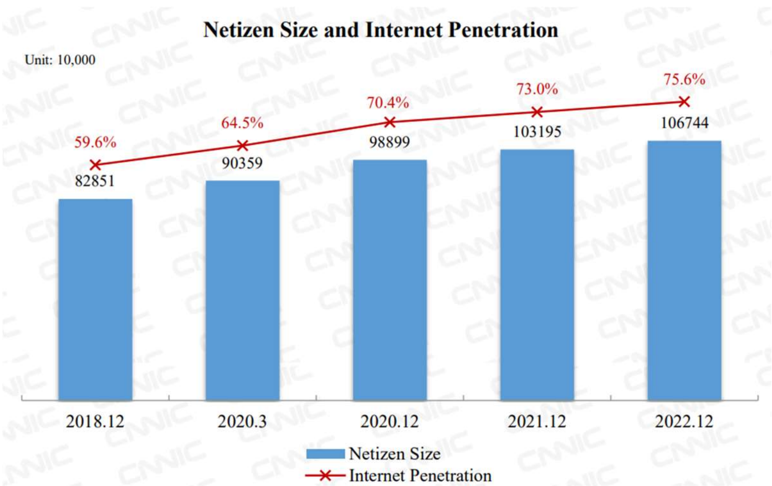

Figure 8. Netizen size and internet penetration in China

With the spread of the internet, social medias have become popular among Chinese users. Social media networks can be defined as online services designed to foster interpersonal connections, they nurture and enhance social relationships by facilitating the exchange of information,

[97] ZHENG, *Culture a winner for cosmetics brands, cit.*
[98] *The 51st Statistical Report on China's Internet Development*, in "China Internet Network Information Center", 7 July 2023, https://www.cnnic.com.cn/IDR/ReportDownloads/, 02-10-2023.
[99] Ibid.

expanding personal networks, and promoting free communication among users[100]. In China, around 90% of consumers utilize social media networks to share and exchange information on beauty, clothes, food, travel, etc. Furthermore, 87% of them are used to talk about their shopping experience with other users[101]. These social media users' behaviors have led to a substantial change in the way they shop online. From the traditional e-commerce which is characterized by an individual and independent shopping experience, online shopping platforms have gradually transformed into social commerce platforms which are oriented towards networking, information sharing and a collective shopping experience[102]. Social commerce harnesses the power of social networking, offering features such as comments, reviews, tags, and user profiles. These elements, often referred to as "user-generated content", encourage customers to share their personal experiences with their purchases. Furthermore, this platform allows customers to tap into the expertise of others or to influence the buying behavior of fellow shoppers[103]. Although traditional e-commerce platforms still represent the main online sales channel, social commerce platforms' volume of sales is increasingly significant, moreover they are more convenient than regular e-commerce platforms because they allow a more linear purchasing journey. After obtaining information about a product on the social media page of the brand or through recommendations of other users and KOLs, customers can proceed with the purchase directly on the same social media app[104].

When it comes to the Chinese cosmetics industry's use of e-commerce and social commerce, major platforms Alibaba's Tmall, JD, Douyin, WeChat and Xiaohongshu serve as the primary avenues for brands to connect with customers. These digital platforms enable cosmetics brands to target specific consumer groups based on factors such as age, location, and preferences. Both established and emerging brands are increasingly leveraging these platforms for effective and cost-efficient marketing to reach Chinese consumers, in fact, statistically, the

[100] KIM Dae Jin, KIM Jin Soo, "A Study on the Strategies for Improving User Satisfaction and Continuous Usage of Social Network Service", in *The Korea Society for Management Information Systems*, 17, 1, 2015, pp. 171-197.

[101] XU Jing, WEN Si-yuan, KIM Ha-kyun, "A Study on the Factors Influencing Consumers' Purchase Intention Towards Chinese Beauty Industry: Focusing on SNS Characteristic Elements", in *Journal of Advanced Researches and Reports*, 1, 3, 2021, pp. 109-116.

[102] HUANG Zhao, Morad BENYOUCEF, "From e-commerce to social commerce: A close look at design features", in *Electronic Commerce Research and Applications*, 12, 2013, pp. 246-259.

[103] Margherita PAGANI, Alessandra MIRABELLO, "The influence of personal and social-interactive engagement in social TV web site", in *International Journal of Electronic Commerce*, 16, 2, 2011, pp. 41–67.

[104] LI Chia-Ying, KU Yi-Cheng, "The power of a thumbs-up: will e-commerce switch to social commerce?", in 信息与管理研究 *(Information and Management)*, 55, 2018, pp. 340-357.

share of online channels sales in China jumped from 23.5% in 2017 to reach an estimated 47.9% in 2023[105].

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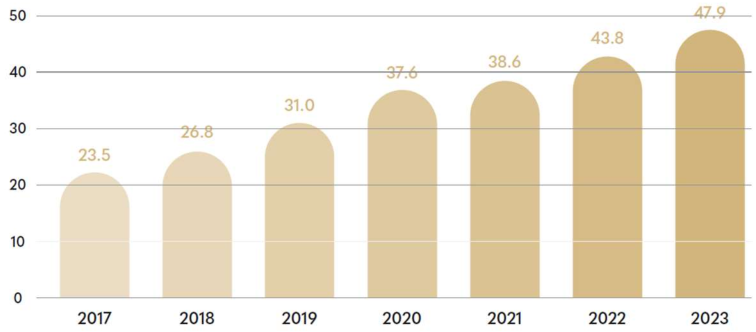

Figure 9. Forecast of sales proportion of e-commerce channels in China's cosmetics industry from 2017 to 2023

For cosmetics companies aiming to reach Chinese consumers, it's vital to understand which social media platforms are most effective for promoting their brands. In fact, 50% of Chinese consumers utilize social medias for product research or to seek recommendations, thus enhancing the probability of the purchase[107]. As shown in figure 10, cosmetics brands primarily allocate their social media marketing budget to Douyin and Xiaohongshu, with the former receiving 43.53% of the total share and the latter receiving nearly 30%[108].

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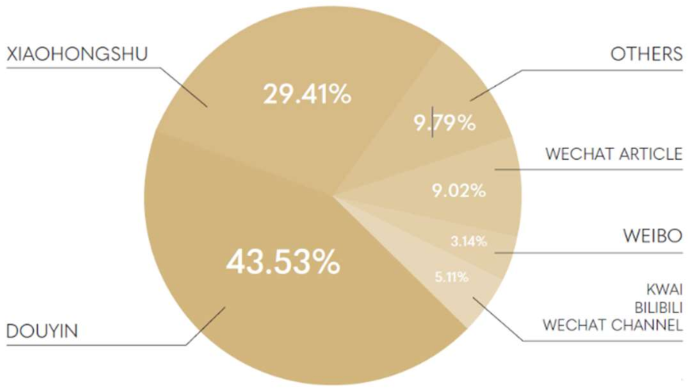

Figure 10. Proportion of marketing budget of beauty brands on different social media platforms in 2021.

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105 *Decoding China's Diversifying Beauty Market: Consumer Insights and Market Analysis*, in "Jing Daily", 9 July 2023, https://jingdaily.com/downloads/decoding-chinas-diversifying-beauty-market-consumer-insights-and-market-analysis/, 03-10-2023.

106 Ibid.

107 Kim LEITZES, *Choosing the Right Social Media Platform for Your Fashion or Beauty Campaign*, in "Jing Daily", 14 September 2022, https://jingdaily.com/beauty-fashion-kol-campaigns-platform-miv/, 03-10-2023.

108 *Decoding China's Diversifying Beauty Market…*, in "Jing Daily", *cit*.

109 Ibid.

A uniquely Chinese brand strategy on social medias that has proven successful for many cosmetics brands is the 'Hero Product Strategy.' Concentrating a marketing strategy on a single signature product can yield significant returns for brands making their debut in the market. By focusing efforts and investment on promoting one product, there's a higher likelihood of grabbing potential customers' attention and boosting brand awareness. This focused approach can also serve as an entry point for introducing customers to other products within a brand's range, thereby increasing sales[110].

When selecting the right Chinese social media to carry out a social commerce marketing strategy, cosmetics companies must take into consideration their differences and features. As we already analyzed, Douyin and Xiaohongshu are the most popular social commerce platforms chosen by cosmetics brands. Therefore, they will be now shortly summarized as to provide a guideline.

Douyin (抖音) is a short-video and live-streaming social media platform which primarily focuses on user-generated and brands-generated entertainment content. This platform's audience is primarily composed of Gen Z users, in fact 75% of Douyin's userbase are aged under 25[111]. On average, Chinese users spend around 45 minutes per day on the app and the userbase increased by 200% in the last two years[112]. It is a convenient social media for leveraging KOLs marketing and thus generating Media Impact Value™[113], in fact Douyin has demonstrated its effectiveness for cosmetics brands, as it allows influencers and creators greater flexibility in the nature of the content they share. Furthermore, Douyin campaigns featuring KOLs result in 85% more Media Impact Value™ than average[114]. This social media platform has recently launched a feature that allows companies to establish their own Douyin store directly within their brand accounts. This innovation simplifies the sales process for cosmetics brands, enabling them to organize livestream events with immediate links to purchase the

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110 *Decoding China's Diversifying Beauty Market…*, in "Jing Daily", *cit.*
111 Ibid.
112 *Douyin Marketing: How to Market Your Beauty Brand on the Chinese Tik Tok?*, in "Gentlemen Marketing Agency", 28 April 2023, https://cosmeticschinaagency.com/how-to-market-your-beauty-brand-on-douyin/, 04-10-2023.
113 Media Impact Value™ (MIV®) is a proprietary algorithm developed by Launchmetrics. It allows brands to assign a monetary value to every post, interaction, or article to measure its impact and identify contributions to brand performance across voices, channels, and regions. It's used to measure and benchmark the impact of all media placements and mentions across different voices in the Fashion, Luxury, and Beauty industries. This unified measurement methodology is more important than ever to leverage as brands employ multi-channel marketing tactics to connect with consumers.
114 LEITZES, *Choosing the Right Social Media Platform…*, in "Jing Daily", *cit.*

showcased products[115]. When it comes to male cosmetics, Douyin proved to be the best social media to expand the market and to leverage the increasing interest of male users towards make-up brands. In the first half of 2023, the sales of men's make-up products on Douyin experienced a remarkable increase, with the gross merchandise value skyrocketing by 365 percent compared to the previous year[116]. On Douyin, topics such as 'Boys' plain makeup' (男生伪素颜), a style of makeup that gives a natural look without showing any signs of cosmetic application, have garnered over 20 million views. Consequently, foundations and concealers in nude tones are now the most sought-after products[117]. Franklin Chu, director of international digital marketing agency Azoya, stated: "Makeup or skincare tutorials, videos of before and after that immediately show results, and content focused on problems and solutions comprise the typical content matrix for building a male makeup and skincare brand on Douyin"[118].

Xiaohongshu (小红书) is another popular social commerce app utilized by cosmetics brands for digital marketing purposes. With a total of 190.46 million active users in June 2023[119], Xiaohongshu comprehends a vast range of age groups, with users aged 18-30 representing the main demographic, accounting for 69% of total users[120]. 70% of its userbase is composed of female users, making the platform a female-led social media, a perfect solution to target female cosmetics enthusiasts[121]. Xiaohongshu has experienced a surge in popularity, particularly among women, thanks to its genuine and reliable content created by users. This user-generated content serves as a credible source of information and advice for shoppers. Furthermore, Xiaohongshu employs machine learning and data analysis in its algorithm to deliver tailored content and shopping experiences for each individual user. This platform provides ample room for educational beauty related content, allowing the sharing of beauty tips, trends, and product reviews, creating a vibrant community of beauty-conscious individuals[122]. Users tend to trust the reliability of the platform and are used to use the app to get information

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115 *Douyin Marketing: How to Market Your Beauty Brand…*, in "Gentlemen Marketing Agency", *cit.*
116 NAN Lisa, *Male beauty's next growth engine: Douyin*, in "Jing Daily", 2 August 2023, https://jingdaily.com/male-beautys-next-growth-engine-douyin/, 04-10-2023.
117 Ibid.
118 Ibid.
119 Lai Lin THOMALA, *Monthly active users of Xiahongshu app in China 2020-2023*, in "Statista", 21 September 2023, https://www.statista.com/statistics/1327421/china-xiaohongshu-monthly-active-users/, 05-10-2023.
120 *Decoding China's Diversifying Beauty Market…*, in "Jing Daily", *cit.*
121 WU Danni 吴丹尼, "基于小红书 APP 的商业运营模式浅析" (A brief analysis of the business operation model based on Xiaohongshu APP), in 全国流通经济 *(China Circulation Economy)*, 31, 2021, pp. 28-30.
122 LEITZES, *Choosing the Right Social Media Platform…*, in "Jing Daily", *cit.*

about cosmetics products, especially seeking the reviews of "key opinion consumers" (KOCs). Xiaohongshu's users are more likely to trust and follow KOCs rather than KOLs; consequently, cosmetics companies aiming at expanding their brand awareness on this platform should rely on KOCs with around 10.000 followers (number of followers that nearly 70% of Xiaohongshu's KOCs possesses)[123]. In recent times, brands have deemed celebrity and KOLs endorsements as a high-risk marketing strategy due to the numerous scandals involving famous personalities. The emergence of virtual idols and digital personas, i.e. unreal characters brought to life through technology, offers new possibilities for social commerce marketing. At present, Xiaohongshu holds 70% to 80% of the domestic market share for virtual idols accounts and continues to seek out new accounts of a similar nature[124].

Although both Douyin and Xiaohongshu represent the preferred social media platforms for cosmetics brands' promotional activities, cosmetics companies should take into consideration their differences in order to select the best social media to focus on for their advertisements. When it comes to cosmetics products' categories, Douyin should be selected to promote skincare and personal care products, while Xiaohongshu provides a better solution for the promotion of make-up products[125]. In fact, as shown in figure 11, both platforms' users show different content preferences.

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Figure 11. Douyin and Xiaohongshu's content-based interactions data

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[123] ZHANG Jian, *Insights Report – 2021 Douyin/XHS Beauty Brand Report*, in "China Trading Desk", 21 February 2021, https://www.chinatradingdesk.com/post/insights-report-2021-douyin-xhs-beauty-brand-report, 05-10-2023.
[124] WU, (A brief analysis of the business operation model based on Xiaohongshu APP), *cit*., pp. 28-30.
[125] ZHANG, *Insights Report – 2021 Douyin/XHS Beauty Brand Report*, in "China Trading Desk", *cit*.
[126] Ibid.

Aside from social commerce platforms, traditional e-commerce still plays a fundamental role in cosmetics brands' selling activities. Specifically, Tmall and JD.com represent the most popular e-commerce platforms for cosmetics.

Tmall (天猫), one of China's largest e-commerce platforms, is renowned for its extensive selection of cosmetics products and its commitment to brand authenticity. Tmall, with its 800 million-strong consumer base, is the preferred online commerce platform for beauty in China[127]. Being a part of Alibaba Group Holding Ltd., Tmall offers brands access to a vast consumer network and resources. Utilizing a Chinese e-commerce platform like Tmall comes with several benefits. Firstly, their direct-to-consumer sales model allows cosmetics companies to reach Chinese consumers nationwide without the need for physical stores. Secondly, Tmall's authenticity verification process ensures that only genuine products are sold on their platform, building trust with potential customers and protecting cosmetics brands from counterfeit products[128]. However, selling on Tmall comes with its own set of challenges. The intense competition from other brands on the platform makes it difficult to stand out and attract customers. To overcome this, cosmetics brands need to differentiate themselves by offering unique products, creating engaging content, and fostering strong customer relationships.

JD.com stands as another favored e-commerce platform for cosmetics brands in China, counting on a diverse asset of products and services. With a user base exceeding 600 million active users, JD.com provides cosmetics brands with a vast potential customer market spanning all age groups and income levels, including both men and women[129]. JD.com is recognized for delivering a superior user experience, characterized by rapid delivery times, easy returns, and exceptional customer service. Brands can utilize these features to foster a positive customer experience and establish trust with their audience. The platform's speedy delivery network covers the majority of regions in China and facilitates cross-border trade, enabling international brands to sell their products directly to Chinese consumers without the need for a physical store in China. JD.com presents cosmetics brands with various marketing and promotional opportunities, such as targeted advertising, product recommendations, and brand collaborations. The platform also provides access to sophisticated analytics tools that can offer insights into customer behavior, optimize sales strategies, and monitor performance metrics. However,

[127] *Best Chinese E-commerce Platforms for Beauty Brands*, in "Gentlemen Marketing Agency", 12 May 2023, https://cosmeticschinaagency.com/best-chinese-e-commerce-platforms-for-beauty-brands/, 05-10-2023.
[128] Ibid.
[129] Ibid.

JD.com comprehends a set of disadvantages as well, as brands are required to send their products to JD's warehouses and to cede control over pricing and promotions. This leaves little room for negotiation and could result in diminished profits for the brand[130].

Besides the digitalization of the Chinese cosmetics industry's sales channels, new digital trends are occurring, which can be utilized by cosmetics brands to keep up with competitors. The metaverse global trend represents an example. L'Oréal's global digital innovation manager Manon Cardiel stated: "We believe that the future of beauty is physical and now also virtual, and this is why we have been digitizing and innovating the beauty consumer journey"[131]. Besides L'Oréal, many other cosmetics companies are rushing to capitalize on this trend, although in its infancy. In China e-commerce platforms such as Tmall are offering Metaverse-like experiences, investing on virtual spaces to develop and explore new digital marketing strategies. To provide an example, on 24 October 2022 make-up brand Maybelline launched four different virtual experiences on Tmall called "The City of Rhythm". This initiative included an immersive and interactive virtual space aiming at promoting four signature products of the brand, by allowing users to enjoy virtual make-up try-ons and to watch virtual live streamers provide products' specifications and tips[132] (figure 12).

[133]

Figure 12. Maybelline's Hypersharp Laser Liquid Pen Eyeliner on Tmall. Source: Maybelline New York.

[130] *Best Chinese E-commerce Platforms for Beauty Brands*, in "Gentlemen Marketing Agency", *cit*.
[131] Bethanie RYDER, *From L'Oréal to Roblox and Web3: the Virtual Future of Beauty*, in "Jing Daily", 30 March 2023, https://jingdaily.com/beauty-metaverse-loreal-roblox/, 02-10-2023.
[132] NA Qing, *Maybelline's metaverse global debut on Tmall ahead of Double 11*, in "Dao Insights", 24 October 2022, https://daoinsights.com/news/maybellines-metaverse-global-debut-on-tmall-ahead-of-double-11/, 02-10-2023
[133] RYDER, *From L'Oréal to Roblox and Web3: the Virtual Future of Beauty*, in "Jing Daily", *cit*.

Another example is represented by Lancôme's Super Serum immersive virtual pop-up store, which allowed visitors to create their own 3D avatars. In order to gain momentum and to effectively utilize the Metaverse, companies must take into account that the success of beauty in Web3, whether it's in China or anywhere else in the world, hinges on its capacity to attract, cultivate, and sustain robust and dependable virtual communities. The focus should be on brand storytelling, with a particular emphasis on engaging consumers[134].

When it comes to online gaming, in 2021 China accounted for 664.79 million online gamers and by 2023 it is estimated that the number of women gamers in the country will reach 396 million[135]. This represents a huge opportunity for cosmetics brands to offer new digital experiences to consumers and to expand their pool of customers. Therefore, new partnerships between cosmetics brands and gaming companies are taking place in recent years. To provide an example, the collaboration between domestic skincare brand OSM (欧诗漫) and Tencent's popular game Honor of Kings (王者荣耀) proved to be very successful. The result of this cooperation was the co-branded gift box "Golden Midsummer Night – Flower Fantasy", containing Honor of Kings-themed skincare products (figure 13).

[136]

Figure 13. OSM's latest collaboration with Honor of Kings. Source: OSM.

The packaging of the product received numerous compliments online: by portraying the popular female game avatar Diao Chan (貂蝉), who is also considered a virtual idol, the two brands manage to gain the interest of many Honor of Kings gamers, generating 1.95 million Yuan sales[137].

[134] RYDER, *From L'Oréal to Roblox and Web3: the Virtual Future of Beauty*, in "Jing Daily", *cit*.
[135] Gemma A. WILLIAMS, *Beauty and Gaming: A Collabs Match in Heaven*, in "Jing Daily", 30 March 2022, https://jingdaily.com/beauty-gaming-collabs-osm-kilala/, 02-10-2023.
[136] Ibid.
[137] Ibid.

Chapter 2: Chinese cosmetics social commerce

As it has already been analyzed in the previous chapter, Chinese cosmetic brands are increasingly relying on new kind of channels to increase their market share and revenues. When internet started to gain traction in China, cosmetic companies were one of the pioneers in taking advantage of online channels, hence allowing them to reach new consumers. In recent years, e-commerce further developed, originating social commerce, a new interactive e-commerce channel which comprehends social medias' features. This new social commerce environment is characterized by the emergence of *wanghong*, KOLs and KOCs who offer new marketing opportunities for Chinese brands. Livestreaming is another important element of social commerce which, with the help of online celebrities, allows cosmetic brands to reach new sales scopes and to further innovate the sector. In this chapter, the characterizing features of Chinese cosmetics social commerce and Chinese cosmetics live social commerce will be analyzed.

2.1 Chinese social commerce's theoretical framework

Nowadays, social networking services (SNS) are part of most Chinese netizens' daily routines and are utilized for numerous necessities, including purchases. Nearly 90% of Chinese consumers can count on their own online social groups for getting information about products, cosmetics, fashion items and travel. Due to this large acceptance of social medias, Chinese consumers' information gathering process has evolved from passive reception to active pursuit. The attitudes of Chinese consumers towards consumption have transitioned from simple necessity to enjoyment, propelling the Chinese market to a new era of consumption[138]. In this new paradigm of consumption, consumers are increasingly sourcing information from social interaction channels utilizing a variety of social platforms to engage with consumers they don't know personally. As a result, user reviews and shared information can increasingly shape other consumers' product perceptions. In fact, users tend to obtain data primarily from other users' videos, pictures, and texts. Consequently, social medias serve as information hubs to compare prices and all the aspects of the product, allowing customers to become "smart customers"[139].

[138] XU Jing, KIM Ha-kyun, "A study on the Factors Influencing Consumers' Purchase Intention Towards Chinese Beauty Industry: Focusing on SNS Characteristic Eelements", in *Journal of Logistics, Informatics and Service Science*, 8, 2, 2021, pp. 47-64.
[139] Ibid.

In social media environments, increased sharing of positive reviews stimulates consumers' impulsivity which can lead to a higher likelihood of generating purchase intentions. Social commerce's features not only deeply influence consumers' purchase intentions but also impact their online experience. Social media platforms shape social relationships into nodes and links among individuals, resulting in the creation of a social structure that can be manifested as an online community. "SNS allow individuals to establish personal information in the form of public or conditional disclosure within a limited Web-based system, and to establish a list of organic associations with other users who share relationships"[140].

The effectiveness of social media platforms can depend on different factors and features, among those, three specific qualities are fundamental to guarantee successful outcomes, which will now be shortly analyzed.

1. *Interactivity*. Interactivity encompasses the various two-way communication actions that occur between the message sender and receiver. The frequency of user interaction directly correlates with the strengthening of bonds between users. As these bonds strengthen, individual perspectives and suggestions gain more recognition within the group, leading to increased usage of the service[141]. Social commerce platforms are in this way utilized by companies to directly transmit marketing messages to consumers, while receiving consumer feedback efficiently.
2. *Accessibility*. It refers to the usability of the social media's interface structure which should be efficient in delivering accurate information and must be accessible also to not specialized users[142].
3. *Recency*. It refers to the agility through which content can be accessed, downloaded, updated, and modified[143]. In specific terms, recency refers to the degree to which customers receive a continuous updating of product information, hence obtaining the latest information when needed.

When a social media service is able to provide all three features with proficiency, companies can utilize it to build brand trust and arouse consumers' purchase intentions.

[140] XU, KIM, "A study on the Factors Influencing Consumers' Purchase Intention…", *cit.*, pp. 47-64.
[141] Ibid.
[142] Ibid.
[143] OH Mi-Hyeon, KIM I. L., "The effect of consumer attitude toward fashion products on SNS's characteristics to purchase intention and on-line word of mouth", in *Journal of the Korean Society of Fashion Design*, 14, 1, 2014, pp. 101-120.

2.1.1 The S-O-R model

In order to better understand how consumers behaviors evolve and respond to online marketplaces and social medias, Mehrabian and Russell behavioral psychology's Stimulus - Organism - Response (S-O-R) model[144] will be utilized. According to this model, human behavior can be categorized into *stimulus* and *response*, where behavior is the *response* to a *stimulus* which can come from an internal environment or from an external environment. *Organism* is a term that involves the interplay of cognition and emotion, acting as a bridge between a *stimulus* and the individual's *response*[145]. The cognitive state represents the psychological transformation in a consumer, encompassing the process of acquisition and processing of information. On the other hand, the emotional state represents the feelings an individual displays in reaction to environmental stimuli. The *stimulus* is therefore converted into significant information that aids the consumer in formulating a decision. In a digital virtual setting, *stimulus* is viewed as the foundation of the online brand community, its characteristics have the power to impact the user's internal state[146].

Researchers Li, Sun and Zhu[147] utilized the S-O-R model to analyze the effects of social commerce in Chinese cosmetics consumers' behavior and to understand if domestic beauty brands in a social commerce environment could strengthen national identities of consumers (as shown in figure 14).

[148]

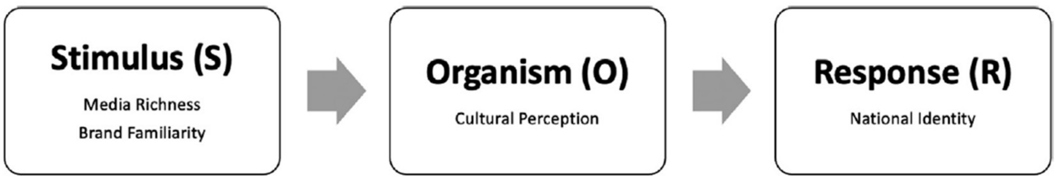

Figure 14. S-O-R model diagram.

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[144] Albert MEHRABIAN, James A. RUSSELL, *An approach to environmental psychology, Cambridge,* The MIT Press, 1974.
[145] Sandra LOUREIRO, L. RIBEIRO, "The effect of atmosphere on emotions and online shopping intention: age differentiation", in *Proceedings of the Australian and New Zealand Marketing Academy Conference*, 2011.
[146] Anne MOLLEN, Hugh WILSON, "Engagement, telepresence and interactivity in online consumer experience: reconciling scholastic and managerial perspectives", in *Journal of Business Research*, 63, 9, 2010, pp. 919–925.
[147] LI Yuquan, SUN Jianxin, ZHU Lin, "Ethnic elements in Chinese cosmetic brands: An exploration of digital communication effects on the recognition of Chinese national identity", in *Telematics and Informatics Reports*, 10, 2023, pp. 1-9.
[148] Ibid.

In social commerce environments *stimulus* is composed of *media richness* and *brand familiarity*. *Media richness* can be defined as the ability of an online channel to provide detailed and updated information to consumers, as well as the ability of providing quality and effective data to accommodate consumers' needs. In social commerce platforms, the richness of information alleviates consumer doubt, enhances the trustworthiness of the message, and easily arouses the willingness of purchase[149]. *Brand familiarity* can be defined as the frequency with which consumers get into contact with a brand, whether by encountering an advertisement or by actively looking for the brand on different kind of medias or stores[150]. The more familiar consumers are towards a brand, the more likely emotional and cognitive associations will be generated, resulting in more consolidated brand trust. *Brand familiarity* is also related to national product consciousness, meaning that domestic cosmetics brands are capable of instilling positive associations in Chinese ethnocentric consumers more easily[151]. The *organism* element of the S-O-R model in social commerce platforms is represented by *cultural perception*. When we refer to perception, we are identifying the process of organization, identification, and interpretation of collected information and received stimuli[152]. Since culture affects every aspect of everyone's life, it acts as a filter during the perception process, therefore perception is directly influenced by the individual's culture[153]. According to Li, Sun and Zhu's research, Chinese cosmetics brands' social commerce activities can lead to a strengthening of national identity, representing *response* in the S-O-R model. National identity can be defined as a sense of pride towards a culture collectively shared by individuals characterized by a common background, thus sharing the same nationality and consequently similar cultural practices[154]. According to the same research, on online platforms, Chinese cosmetics brands' *media richness* can effectively enhance Chinese consumers' national identity by utilizing a combination of audio, video and text advertisements, while introducing the specific meaning behind national and ethnic inspired designs of their products. At the same time, consumers' identification with their nation is better represented by well-known national brands, meaning that *brand familiarity*

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149 HU Haiqing 胡海清, YAN Jianyuan 严建援, XU Lei 许垒, "信息丰富度、采购成本、线上渠道模式对购买行为的影响研究" (Research on the influence of information richness, procurement cost, and online channel mode on purchase behavior), in "管理评论" (Management Review), 24, 5, 2012, pp. 80-88.
150 Kevin L. KELLER, David A. AAKER, "The Effects of Sequential Introduction of Brand Extensions", in *Journal of Marketing Research*, 29, 1, 1992, pp. 35-50.
151 LI, SUN, ZHU, "Ethnic elements in Chinese cosmetic brands…", *cit*., pp. 1-9.
152 Daniel L. SCHACTER, *Psychology*, Long Beach, Wizard Books, 2011.
153 LI, SUN, ZHU, "Ethnic elements in Chinese cosmetic brands…", cit., pp. 1-9.
154 Ibid.

stimulus is more effective with domestic cosmetics brands, rather than foreign ones[155]. It is reasonable to assume that domestic cosmetics brands have the potential to leverage these social commerce psychological mechanisms to increase customers' loyalty and to attract new customers, especially due to the increasing Chinese consumer ethnocentrism and the rise of the *guochao* phenomenon analyzed in the first chapter.

2.1.2 The electronic Word Of Mouth (eWOM)

Another crucial element defining the success of social commerce platforms is represented by the potential of online Word-of-Mouth phenomenon. Electronic Word-of-Mouth (eWOM) can be defined as any positive or negative comment and feedback made by potential, actual, or former customers about a product or brand, which is made available to groups of people through online platforms and websites[156]. The eWOM can appear in the form of likes, comments, ratings, reviews, video testimonials, tweets, images, and blog posts[157]. Social commerce platforms have already started to leverage on eWOM by providing financial incentives to users to recommend the platform and its products online, therefore it is essential to understand why this marketing tool is effective. The eWOM presents four mechanisms that make it an effective and cost-efficient method to advertise products and brands. Researchers Xu, Han, Piao, and Li provide an analysis[158] of these 4 mechanisms, that will be shortly summarized here after.

1. *Better matching mechanism*: users have an overall better understanding of their friends' taste and needs; therefore, they are better in recommending products compared to traditional e-commerce's algorithms.
2. *Social enrichment mechanism*: users are more likely to engage with sellers and brands who their friends had previously engaged with. Brands appear more reliable if friends trust them. Therefore, consumers' willingness to purchase a recommended product is directly correlated to the quality of social ties with the recommending friends.

[155] LI, SUN, ZHU, "Ethnic elements in Chinese cosmetic brands…", cit., pp. 1-9.
[156] Hennig-Thurau THORSTEN, Kevin P. GWINNER, Gianfranco WALSH, Dwayne D. GREMLER, "Electronic word-of-mouth via consumer-opinion platforms: What motivates consumers to articulate themselves on the Internet?", in *Journal of Interactive Marketing*, 18, 1, 2004, pp. 38–52.
[157] Kichan NAM, Jeff BAKER, Norita AHMAD, Jahyun GOO, "Determinants of writing positive and negative electronic word-of-mouth: Empirical evidence for two types of expectation confirmation", in *Decision Support Systems*, 129, 2020, pp. 1-14.
[158] XU Fengli, HAN Zhenyu, PIAO Jinghua, LI Yong, "I Think You'll Like It: Modelling the Online Purchase Behavior in Social E-commerce", in *Proceedings of the ACM on Human-Computer Interaction*, 3, 65, 2019, pp. 1-23.

3. *Social proof mechanism*: users are more likely to purchase the same products their friends purchased before, in other terms, items become more desirable when relatives or friends already own them. An abundance of evidence suggests that an individual's inclination to join a social activity often is related to the number of participants they've observed in their social circles, a phenomenon referred to as herd behavior[159].
4. *Price sensitivity mechanism*: the price of a product can be perceived differently whether such product is recommended by a friend.

Social e-commerce website Beidian (贝店) represents a good example of an online platform utilizing the potential of eWOM. Beidian stands as one of the largest agents of social commerce, incorporating a feature that recommends items within the application: it allows users to suggest items to their friends through instant messaging, social media posts, and QR codes. When friends click on these shared links, they are directed to the purchase pages of the recommended items. Each of these recommendations represents a stimulated word-of-mouth endorsement designed to utilize social connections for item promotion. Furthermore, to incentivize its users, the platform offers commission fees for successful recommendations[160]. It can be noted that the purchase conversion rate in social commerce is substantially higher than in traditional e-commerce platforms. Even though this happens with different degrees of intensity depending on the product category, when it comes to personal care products (thus comprehending cosmetics products), the purchase conversion rate on social commerce platforms is nearly 6 times higher than on traditional e-commerce websites[161] (as shown in figure 15).

[162]

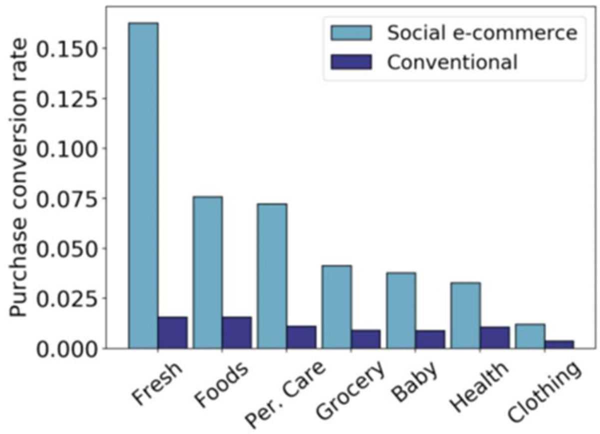

Figure 15. Comparison between purchase conversion rate in social and conventional e-commerce scenarios

[159] Robert B. CIALDINI, *Influence: The psychology of persuasion*, New York, Collins New York, 2007.
[160] XU, HAN, PIAO, LI, "I Think You'll Like It…", *cit.*, pp. 1-23.
[161] Ibid.
[162] Ibid.

2.1.3 Swift Guanxi

Guanxi (关系) and *business guanxi* are two concepts that have been largely researched to understand the features of social relations and competitive advantage of Chinese business environments. *Guanxi* refers to:

> the concept of drawing on connections in order to secure favors in personal relations. It forms an intricate, pervasive relational network which the Chinese cultivate energetically, subtly, and imaginatively. It contains implicit mutual obligations, assurances, and understanding and governs Chinese attitudes toward long-term social and business relationships. Broadly, guanxi means interpersonal linkages with the implication of continued exchange of favors. Guanxi is therefore more than a friendship or simple interpersonal relationship; it includes reciprocal obligations to respond to requests for assistance[163].

When it comes to online marketplaces, business transactions between sellers and buyers happen in short time and there's limited time to build a strong trust relationship between the parts. Therefore, according to researchers Ou, Pavlou and Davison, a new form of *business guanxi* is formed. This new kind of *guanxi* is referred to as *swift guanxi* and it can be defined as a swiftly formed online interpersonal relationship based on mutual understanding, reciprocity and relationship harmony which facilitates business transactions in e-commerce and social commerce platforms[164]. Considering that product uncertainty and transaction risks are the main obstacles for developing trust between online brands and consumers, relying on *swift guanxi* may facilitate online business transactions. As already mentioned, according to Ou, Pavlou, and Davison's research[165], *swift guanxi* is composed of three elements:

1. *Mutual understanding* refers to the mutual acknowledgement of buyer and seller's needs and its consequent communication. *Mutual understanding* is based on communication as it facilitates online transactions by reaching a consensus on pricing, delivery, and quality.
2. *Reciprocal favors* refer to positive outcomes from buyer and seller's interactions. When both parts are open to mutually grand favors, they will be more willing to proceed with a transaction. In online marketplaces this can be done by granting a discount from the seller and by leaving a positive review from the buyer.
3. *Relationship harmony* refers to the tendency of avoiding any undesired conflict. It stems from mutual respect and the willingness of building trust between the two parts. In online

[163] LUO Yadong, *Guanxi and Business*, in "Asia-Pacific Business Series Vol. 10", Singapore, World Scientific Publishing Co., 3rd edition 2020, p. 2.
[164] OU Carol Xiaojuan, Paul A. PAVLOU, Robert M. DAVISON, "Swift Guanxi in Online Marketplaces: The Role of Computer-Mediated Communication Technologies", in *Management Information Systems Research Center*, 38, 1, 2014, pp. 209-230.
[165] Ibid.

marketplaces, the seller may allow the buyer to communicate and ask questions about the product or service provided.

For companies building a strong online relationship with customers has proved to be fundamental, as it strengthens market performance, enhances repurchase intentions and develops consumer loyalty[166]. Social commerce in this sense represents a suitable online environment because it is based on strong interpersonal relational networks. In order to establish quality interpersonal relationships, cosmetics companies should aim at improving their service design on all the social commerce platforms they are present. Online services design's purpose is to provide satisfactory and trustworthy experiences for users, building loyalty before, during and after the services are accessed by consumers[167]. This can be achieved with the selection of a trustworthy spokesperson or influencer to promote the brand and products and by providing entertaining and informative experiences like livestreaming to engage with consumers. This can help reducing the emotional distance between the parts, which can be hindered by telepresence, which social commerce is based on. Telepresence refers to the feeling of physical proximity to a remote person in online environments[168]. Social commerce platforms have already developed tools to manage telepresence, those comprehend functions such as personal profile, messages, feeds, comments, and livestreaming[169]. By providing a high-quality social commerce service design aimed at improving telepresence and interpersonal interactions, it is possible to better establish *swift guanxi* with customers and therefore to better perform on the market.

2.2 Chinese social commerce's legal framework

As Chinese e-commerce and social commerce rapidly developed overtime, the Chinese government has put effort into regulating them as to guarantee a fair and safe service to citizens, and at the same time, to implement some degree of control to ensure nationalist interests. The "E-commerce law of the People's Republic of China" (中华人民共和国电子商务法) came

[166] ZHANG Jing, Josée M. M. BLOEMER, "The impact of value congruence on consumer-service brand relationships", in *Journal of Service Research*, 11, 2, 2008, pp. 161-178.
[167] WU Dongze 吴东泽, SUN Ningna 孙宁娜, "基于提升用户信任的美妆电商平台服务设计策略研究" (Research on service design strategy of beauty e-commerce platform based on improving user trust), in "大众文艺" (Popular Literature and Art), 3, 2023, pp. 48-50.
[168] OU, PAVLOU, DAVISON, "Swift Guanxi in Online Marketplaces…", cit., pp. 209-230.
[169] FAN Jun et al., "Impact of social support and presence on swift guanxi and trust in social commerce", in *Industrial Management & Data Systems*, 119, 9, 2019, pp. 2033-2054.

into effect on 1 January 2019[170]. It encompasses registration and licensing practices, consumer protection, IP rights, advertising and marketing regulations, unfair competition, data protection and punitive measures. The Chinese e-commerce law is divided into seven chapters: General Principles (I), E-commerce Operators (II), Conclusion and Performance of E-commerce Contract (III), E-commerce Dispute Resolution (IV), E-commerce Promotion (V), Legal Liabilities (VI) and Supplementary provisions (VII). For the purpose of this research, i.e. online marketing and advertising practices, the most salient content of chapter II will be shortly analyzed. Article 9 provides a definition of e-commerce operators:

> "e-commerce operators" mean the natural persons, legal persons or unincorporated organizations that engage in the operational activities of selling goods or providing service through Internet and other information network, including e-commerce platform operators, operators on platform and e-commerce operators selling goods or providing service via their self-built websites or other web service[171].

Article 17 states that e-commerce operators must protect consumers by disclosing information about products and services, furthermore, e-commerce operators have the obligation to not deceive or mislead consumers with false or misleading advertisement and promotional activities. As I mentioned in chapter 1, transparency is not only a legal duty, but also a quality that an increasing number of consumers expect out of brands' responsibilities. Article 18 states that legitimate rights and interests of consumers must be protected, therefore "where e-commerce operators provide the search result of the goods or service to a consumer based on his interests, hobbies, consumption habits or other characteristics, options not targeting his personal characteristics shall also be provided to such consumer[172]". The e-commerce law also encompasses the will of empowering consumers and their opinions, by granting them the possibility of voicing their reviews and rating on e-commerce and social commerce platforms. Consequently, as article 39 states, "E-commerce platform operators shall not delete comments given by consumers on the goods sold or services provided on their platforms[173]".

On 1 January 2022 the Chinese government implemented the "Provisions for Supervision and Administration of Manufacturing and Marketing of Cosmetics" (化妆品监督管理条例), for the purpose of regulating manufacturing and marketing practices of the domestic cosmetics industry, strengthening the supervision and ensuring the protection of

[170] 中华人民共和国电子商务法 (E-Commerce Law of the People's Republic of China), in "中华人民共和国商务部" (Ministry of Commerce of the People's Republic of China), 14 October 2019, http://mg.mofcom.gov.cn/article/policy/201912/20191202923971.shtml, 27-10-2023.
[171] Ibid.
[172] Ibid.
[173] Ibid.

consumers [174]. These provisions concern the manufacturing, the supervision, and the administration of cosmetics within the territory of the People's Republic of China. Moreover, it requires companies to establish a quality management system, to comply with national laws and standards, to set up a traceability system for quality and safety of products and to strengthen the usage of information technology to collect and store information more efficiently. These provisions are divided into seven chapters: General provisions (I), Manufacturing License (II), Manufacturing of Cosmetics (III), Marketing of Cosmetics (IV), Supervision and Administration (V), Legal Liability (VI) and Supplementary Provisions (VII). For the purpose of this research, the most salient content of chapter IV will be shortly analyzed. Article 46 of these provisions implement a strong control over the marketing practices of cosmetics companies by conferring liability to both operators of e-commerce platforms and supervisors:

> The operators of cosmetic e-commerce platform shall assume the responsibility for managing cosmetic marketers within the platform according to law, make daily inspection of the marketing behavior of the cosmetic marketers within the platform, urge the cosmetic marketers within the platform to perform obligations specified in the Regulations on Supervision and Administration of Cosmetics and these Provisions according to law. In case of discovering illegal marketing of cosmetics, the inspectors shall […] report to the drug regulatory department of the province, autonomous region or municipality directly under the central government of the place where it is located[175].

Quality control was also strengthened, by implementing a more rigid compliance with regulations regarding safety of cosmetic products. Accordingly, article 48 states that:

> In case of discovering the following serious illegal acts, the operator of cosmetic e-commerce platform shall immediately suspend provision of e-commerce platform services for the marketers of cosmetics in the platform […]. If the cosmetic marketers within the platform are placed on a file for investigation or are initiated a public prosecution due to being suspected of crime related with quality and safety of cosmetics, and there are evidences proving that this might cause potential harm to human health, then the operators of cosmetic e-commerce platform could suspend provision of e-commerce platform services for the cosmetic marketers[176].

Furthermore, article 49 provides more details regarding the regulation of some promotional activities such as free trials, gifts and exchanges, stating that they shall abide by the obligations specified in the Regulations on Supervision and Administration of Cosmetics.

Another segment specific of the Chinese social commerce environment is represented by livestreaming services (which will be later analyzed in chapter 2.4). Livestreaming's relevance in Chinese e-commerce platforms is growing each year and, consequently, the Chinese government has been implementing a series of regulations which will be shortly

[174] 化妆品监督管理条例 (Provisions for Supervision and Administration of Manufacturing and Marketing of Cosmetics), in "国家药品监督管理局" (National Medical Products Administration), 25 October 2022, http://english.nmpa.gov.cn/2022-10/25/c_824600.htm, 27-10-2023.
[175] Ibid.
[176] Ibid.

analyzed. On 4th November 2016, the Cyberspace Administration of China (国家互联网信息办公室) introduced the "Internet Live Service Management Regulations" (互联网直播服务管理规定)[177]. This was the first and only legislative document that specifically detailed the regulatory policy for the live-streaming industry. Specifically, it specified that every online activity must abide by the Constitution and laws, must not endanger or harm national security, while providing the first guidelines for online monitoring and reporting. In 2018 the National Radio and Television Administration (国家广播电视总局) issued a "Notice on Strengthening the Management of Web-based Live Program Service" (关于进一步加强广播电视和网络视听文艺节目管理的通知)[178]. These regulations established news control, real-time monitoring, and real-name authentication as the three primary methods for regulating live streaming in China. The most recent regulation is represented by the "Code of Conduct for Network Anchors" (网络主播行为规范)[179], published on 22 June 2022. Network anchors can be defined as a type of online user who gains fame using social medias and livestreaming[180]. Unlike traditional celebrities, many livestream shopping anchors are regular individuals, often referred to as "grassroots" celebrities[181]. The Code of Conduct for Network Anchors is composed of 18 articles which provide a framework of responsibilities and duties for live streamers, as to standardize professional behavior, strengthen social responsibility, establish a good image, and jointly create a healthy online environment. Article 4 states that all online anchors should adhere to a "correct political direction", meaning that they should encourage and actively promote and behave according to the Chinese Communist Party's (CPP) core socialist values. Article 5 is about content promotion, stating that online anchors should promote Chinese traditions, history, and culture, in accordance with the new wave of nationalism promoted by Xi Jinping. While

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177 互联网直播服务管理规定 (Internet Live Service Management Regulations), in "国家互联网信息办公室" (Cyberspace Administration of China), 4 November 2016, http://www.cac.gov.cn/2016-11/04/c_1119846202.htm, 06-11-2023.

178 关于进一步加强广播电视和网络视听文艺节目管理的通知 (Notice on Strengthening the Management of Web-based Live Program Service), in "国家广播电视总局" (National Radio and Television Administration), 9 November 2018, http://www.nrta.gov.cn/art/2018/11/9/art_113_39686.html, 06-11-2023.

179 网络主播行为规范 (Code of Conduct for Network Anchors), in "国家广播电视总局" (National Radio and Television Administration), 22 June 2022, http://www.nrta.gov.cn/art/2022/6/22/art_113_60757.html, 27-10-2023.

180 ZHU Liangjie, LI Huiyao, NIE Kun, GU Chunmei, "How Do Anchors' Characteristics Influence Consumers' Behavioural Intention in Livestream Shopping? A Moderated Chain-Mediation Explanatory Model", in *Frontiers in Psychology*, 12, 2021, pp. 1-11.

181 WANG Chenglu, "New frontiers and future directions in interactive marketing: Inaugural Editorial", in *Journal of Research in Interactive Marketing*, 15, 1, 2021, pp. 1-9.

most articles provide general instructions to abide by, article 14 lists a series of precise behaviors live streamers must avoid. According to this article, online anchors must not: publish content that would potentially subvert state power, national unity, and territorial integrity; publish content that distorts the image of the CPP, Chinese culture, national historical figures, and customs; promote discrimination based on race, gender, occupation, etc.; spread false information which would alter public order; display sexually suggestive and provocative content; promote counterfeit products and infringe IP rights, deceive consumers through false advertisement and promises; display large number of luxury products as to avoid showing off wealth[182].

Livestreaming services' stakeholders are multiple and traditional top-down regulation is no longer effective as policies are unreliably implemented, hindering the success of regulations[183]. Consequently, the Chinese government chose to take a different path, moving towards self-regulation strategies. According to researchers Cai and Dai, starting from Xi Jinping's mandate, internet governance in China has transitioned from a phase of strict government control to a stage characterized by "multiactor coordination". This approach involves the inclusion of multiple stakeholders in the regulatory process: while the State retains its control, it now delegates regulatory tasks and responsibilities to various actors within a complex and multilayered system[184]. In this way, live streaming stakeholders are involved into self-regulation system based on three levels:

1. *First-tier self-regulation* refers to the involvement of live streaming industry associations. Starting from 2016, streamers and platforms have established associations with the purpose of strengthening self-regulating ecosystems. These associations offer several services such as legal and commercial consultancy services, as to improve the sector's environment. This kind of associations are also supported by the government, meaning that the government has the indirect power of regulating and disciplining the associations' members[185].
2. *Second-tier self-regulation* refers to the involvement of streaming platforms. Since late 2016, every online platform offering live streaming services is subject to the compulsory establishment of a self-regulatory system. For this reason, platforms hire specific

182 *Code of Conduct for Network Anchors*, in "National Radio and Television Administration", *cit*.
183 HONG Yu, XU Jian, "Toward fragmented platform governance in China: Through the lens of Alibaba and the legal-judicial system", in *International Journal of Communication*, 13, 2019, pp. 4642-4662.
184 CAI Cuihong, DAI Liting, "Evolution of Internet Governance in China: Actors and Paradigms", in *China Quarterly of International Strategic Studies*, 7, 1, 2021, pp. 79-109.
185 QIU Yuanbo, Timothy DWYER, "Regulating Zhibo in China: Exploring multiple levels of self-regulation and stakeholder dynamics", in *Policy & Internet*, 15, 2023, pp. 266-282.

supervisors whose activity focuses on filtering streaming content and irregularities. Live streaming platforms also utilizes digital tools such as AI technologies to identify illegal content and behaviors of streamers and users[186].

3. *Third-tier self-regulation* refers to the involvement of users and room regulators. As platforms' supervisors could not keep up with the increasing number of live stream content, third-tier self-regulation has become the most popular and effective method. This is the case when users become streaming channels regulators, they are nominated by the streamer and are granted with the power of muting or expelling users. Usually, this kind of regulators do not get paid, but they are sometimes allowed some virtual currency[187].

2.3 Chinese cosmetics brands and internet celebrities' marketing

As it has already been mentioned in chapter 1, the Chinese beauty brands are increasingly leveraging social commerce to engage with consumers and to strengthen their market performance. In Chinese social commerce environment, when it comes to products promotion and advertisement, online celebrities (also known as *wanghong*), KOLs and KOCs represent the main players. *Wanghong* (网红), short for *wangluo hongren* (网络红人), is a vernacular term utilized in China to define online influencers and celebrities. In latest years *wanghong* have undergone a process of professionalization which has led Chinese social medias to establish a new kind of business model, where *wanghong* are able to convert viewers into buyers[188]. KOLs, short for Key Opinion Leader, are well-known and authoritative online figures who specialize in a certain product field. KOLs usually have more than one million followers on social medias and are characterized by deep knowledge and experience about products, moreover they can count on strong social and interpersonal communication skills[189]. KOCs, short for Key Opinion Consumer, are individual consumers whose opinion can influence peers within the same social circle. They can count on an average of hundreds up to few thousand followers and are usually asked by brands to review and promote products to friends

[186] QIU, DWYER, "Regulating Zhibo in China…", *cit*., pp. 266-282.
[187] Ibid.
[188] HAN Xiaofei, "Historicising Wanghong economy: connecting platforms through Wanghong and Wanghong incubators", in *Celebrity Studies*, 12, 2, 2021, pp. 317-325.
[189] LI Li 李立, "红人经济中的消费者信任研究—基于 KOL 与 KOC 视角" (Research on consumer trust in the influencer economy - based on the perspective of KOL and KOC), in 商业经济研究 (Journal of Commercial Economics), 6, 2022, pp. 95-98.

and followers[190]. As shown in figure 16, KOCs represent the majority of the available Chinese influencers and for this reason they are chosen by most companies. This allows even small and medium companies to promote their products on a budget, since partnerships with KOCs are usually less expensive than their KOLs and *wanghong* counterparts.

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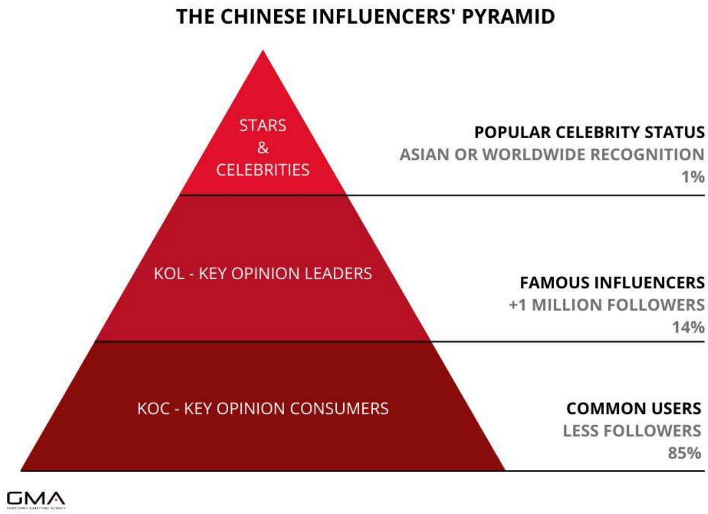

Figure 16. The Chinese influencers' pyramid

Online celebrities marketing in China experienced a 44% growth rate from 2018 to 2021, with its market expected to reach 3.9 trillion Yuan by the end of 2023[192]. Chinese companies are exploiting this new marketing strategy by increasing investments: around 43% of Chinese companies invest from $150,000 up to $420,000 for the endorsement of online influencers[193]. Online celebrity endorsement has been proved to be especially effective to engage with Gen Z, in fact, 48% of young Chinese consumers rely on KOLs and KOCs to search for information about products. Online celebrity endorsement can be utilized in many Chinese social media, although Xiaohongshu stands out for being the first option Chinese brands choose (as shown in figure 17).

[190] *What is KOC Marketing: How it Helps you Increase Sales in China*, in "Gentlemen Marketing Agency", 8 August 2022, https://cosmeticschinaagency.com/what-is-koc-behind-chinas-latest-influencer-trend/, 08-11-2023.
[191] Ibid.
[192] *Influencers & KOL Marketing In China – Key Facts & Stats*, in "Gentlemen Marketing Agency", 30 August 2023, https://marketingtochina.com/kol-marketing-in-china-statistics-trends/, 08-11-2023.
[193] Ibid.

[194]

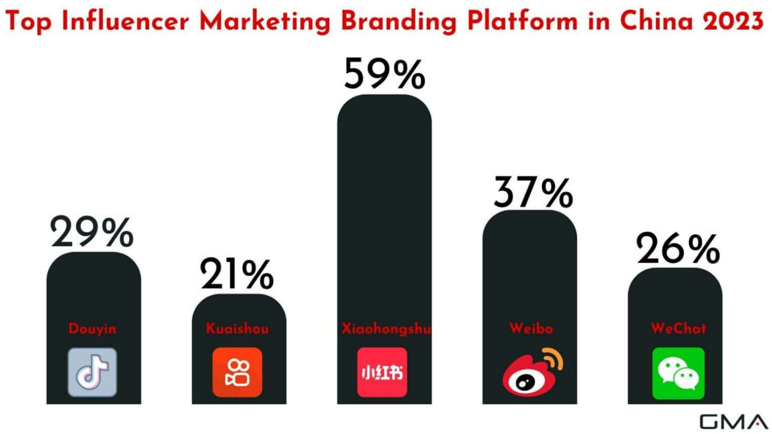

Figure 17. Top influencer marketing branding platform in China 2023

In order to understand why Chinese online beauty influencers are successful in promoting brands and products, this research will provide a theoretical analysis.

Online influencers are characterized by being able to share information, define and set trends, offer emotional support, create intimacy with their followers, connect with consumers and boost their confidence[195]. KOLs and KOCs differ from traditional celebrities because they are conceptualized by social media users as similar to everyday consumers due to their "ordinary" origin. They do not usually appear in advertisement and on traditional medias, making KOLs feel more relatable[196]. Because of this, online influencers outperform traditional celebrities in successfully promoting brands and products[197]. The feeling or relatability and affinity towards online influencers can be explained by using the concept of parasocial relationships developed by researchers Horton and Wohl. Parasocial relationships can be defined as one-side interactions where consumers cultivate a sense of familiarity and even camaraderie with personalities from the media[198]. In the context of social medias, parasocial relationships can be achieved with repeated exposure to KOLs and KOCs; when users are frequently exposed to content of a specific online influencer, they tend to develop trust towards that specific online personality[199]. According to Scholz's research, cosmetics enthusiasts select

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[194] *Influencers & KOL Marketing In China – Key Facts & Stats*, *cit*.
[195] Joachim SCHOLZ, "How Consumers Consume Social Media Influence", in *Journal of Advertising*, 50, 5, 2021, pp. 510-527.
[196] Hilde A. M. VOORVELD, "Brand Communication in Social Media: A Research Agenda", in *Journal of Advertising*, 48, 1, 2019, pp. 14–3.
[197] Alexander P. SCHOUTEN, Loes JANSSEN, Maegan VERSPAGET, "Celebrity vs. Influencer Endorsements in Advertising: The Role of Identification, Credibility, and Product-Endorser Fit", in *International Journal of Advertising*, 39, 2, 2019, pp. 1-24.
[198] Donald HORTON, R. Richard WOHL, "Mass Communication and Para-Social Interaction: Observations on Intimacy at a Distance", in *Psychiatry*, 19, 3, 1956, pp. 215-29.
[199] LEE Jung Eun, Brandi WATKINS, "YouTube Vloggers' Influence on Consumer Luxury Brand Perceptions and Intentions", in *Journal of Business Research*, 69, 12, 2016, pp. 5753-5760.

their favorite online influencer in two different ways, those being *positionally vetting* and *granularly validating*[200]. *Positionally vetting* refers to the consumers' habit of assessing an influencer in terms of their autonomy from brands, their level of expertise, and the practicality of their content. Consumers are aware that influencers are sponsored and paid by brands, therefore they will positively assess him/her if he/she feels credible, genuine, and honest. Those who provide balanced reviews and in-depth information tend to be favored by consumers. *Granularly validating* refers to consumers' preference towards online personalities who share similar shared social positions as them. This includes physical appearance, especially when it comes to beauty and cosmetics influencers. Beauty social commerce users feel more confident and reassured about a KOL or KOC with physical similarities such as same skin type or same type of hair, because the products they review are more likely to fit the user's necessities. Cosmetics brands exploit the *granular validating* tendency of consumers by focusing on key groups while selecting different KOLs and KOCs. For example, Estée Lauder selected dozens of beauty bloggers in vertical fields to jointly form a product promotion matrix, with the intention of fully covering the corresponding female user groups. The brand customizes marketing content based on the characteristics of each KOL and his/her followers[201].

When it comes to Chinese social commerce environment, the first research about the cultural phenomenon of *wanghong* can be traced back to the 1990s, with a focus on how their performativity has evolved in conjunction with different generations of media technologies and infrastructures. In the late 1990s and 2000s the term *wanghong* or *wangluo hongren* was used interchangeably with the term *wangluo mingren* (网络名人) which can be directly translated to "internet celebrity", comprehending a wide range of individuals such as writers, opinion leaders and meme personas. Since mid-2010s the term *wanghong* changed its meaning due to the establishment of the "*wanghong* economy" (网红经济), when wanghong personalities started to undergo a process of professionalization and monetization[202]. *Wanghong* economy refers to:

> a business ecosystem that seeks to commodifying wanghong's influence over their followers. This ecosystem is constituted by various sectors, including social media platforms, e-commerce platforms, wanghong, and wanghong incubators and agencies, supply chains for online retail, content production,

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[200] SCHOLZ, "How Consumers Consume Social Media Influence", *cit.*, pp. 510-527.
[201] ZHOU Yao 周瑶, "自媒体时代 KOL 营销模式分析 - 以小红书为例" (Analysis on the Marketing Model of Key Opinion Leaders in the Era of We Media - Taking Xiaohongshu as An Example), in 淮南师范学院学报 (Journal of Huainan Normal University), 1, 2022, pp. 73-76.
[202] HAN "Historicising Wanghong economy: connecting platforms…", *cit.*, pp. 317-325.

marketing services, and data analytics. Further, wanghong economy almost immediately becomes an umbrella term for a wide range of monetisation models centred around wanghong at various platforms[203]. Meanwhile the *wanghong* economy was taking shape, *wanghong* incubators started to be established as to best exploit this new way of doing business. *Wanghong* incubators function as business agencies set to establish a multichannel network as to manage *wanghong* personas' careers, connecting them with e-commerce platforms. *Wanghong* incubators also provide big data analysis to profile consumers, training for aspiring wanghong, marketing and management services and optimization solutions for the improvement of value-chains. Nowadays more than one million women work as professional *wanghong* with approximately 80% of them occupied in the beauty industry, which results to be the most profitable sector in the growing *wanghong* market[204].

The Chinese beauty *wanghong* phenomenon started around the mid-2000s, when cosmetics enthusiasts posted articles on blogs, sharing beauty recommendations and tricks. These beauty bloggers were referred as *meizhuangbozhu* (美妆博主). In the mid-2010s beauty blogs started to decline in favor of new social medias and cosmetics enthusiasts that gradually had attracted loyal followers turned into professional KOLs and KOCs. For example, in 2010, a renowned beauty blogger, Xiaoman, endorsed eyeliner pencils from a Taiwanese brand on her blog. This recommendation quickly gained traction on Taobao, China's largest retail website. Recognizing Xiaoman's sway over consumers, numerous stores on Taobao utilized screenshots from her blog to showcase the effectiveness of these eyeliner pencils. Subsequently, several items endorsed by Xiaoman turned into top sellers. Over time, the influence of beauty bloggers like Xiaoman permeated social media and e-commerce platforms across China[205]. E-commerce platforms such as Alibaba, started to monetize beauty influencers' reputation, creating a mutually beneficial relationship. "In this sense, the entrepreneurship of Chinese beauty bloggers does not only come from individual aspirations but also comes from the intentional boost of e-commerce platforms"[206]. Chinese online influencers differ from its western counterpart concept: "Unlike the connotations of being a 'content creator' in the Anglocentric parts of the world, a wanghong is premised on the acute ability to covert internet viewer traffic to money, relying less on content production than the ability to hold an audience's attention visually"[207]. Another difference with the western social commerce environment is represented by visibility

[203] HAN "Historicising Wanghong economy: connecting platforms…", *cit*., pp. 317-325.
[204] Ibid.
[205] GUAN Zexu, "Chinese beauty bloggers: amateurs, entrepreneurs, and platform labour", in *Celebrity Studies*, 12, 2, 2021, pp. 326-332.
[206] Ibid.
[207] Crystal ABIDIN, *Internet Celebrity: Understanding Fame Online*, Emerald Publishing, 2018, p. 3.

mechanisms. Whereas in platforms such as YouTube content producers get paid for their content based on the number of views and traffic they obtain, in China. Beauty influencers have to pay platforms such as Weibo in order to be reached by followers and obtain a traffic advantage. For this reason, low to mid-tier *wanghong* can seldom be self-sufficient, thus turn to e-commerce platforms for profit[208].

Cosmetics companies invest a great portion of their budget to endorse online celebrities to sponsor their products. For this reason, they carefully select the right *wanghong* for their advertising campaigns, choosing according to four factors such as *attractiveness*, *likeability*, *familiarity,* and *credibility*[209], which will be shortly analyzed.

1. *Attractiveness* is composed of two elements, those being *appearance* and *personality*. The first refers to the physical attractiveness of the celebrity, the prettier the celebrity, the greater the impact of his/her endorsement will be. *Wanghong*'s physical attractiveness is not necessary in all kinds of advertising campaigns, it depends on the category of product. For beauty related products, including cosmetics, it appears to be a feature that consumers expect out of endorsers[210]. On the other hand, *personality* is an important characteristic that enables celebrities to emotionally engage with audiences. Consumers are more likely to establish a bond to a cosmetics brand and its products if the relative endorser possess a personality that matches the values of the brand[211].
2. *Likeability* refers to the ability of celebrities to convey the positive feelings the followers have about them towards the brand or products. When audiences favor a celebrity, whether being for the celebrity's role in a movie or his/her performance in sport, it is likely that audiences will transfer these positive feelings to the brand of which that celebrity is endorsed by[212].
3. *Familiarity* refers to the degree to which a celebrity is known by a target audience. The degree of public recognition may impact the effectiveness of the endorsement, where an

[208] GUAN, "Chinese beauty bloggers: amateurs, entrepreneurs, and platform labour", *cit.*, pp. 326-332.
[209] Mark MCPHERSON, LI Xiang, "Celebrity Endorsement within the Chinese Beauty Industry: Views from Beijing's Female Consumers", in Stanley Paliwoda, Tim Andrews, Chen Junsong, *Marketing Management in Asia*, New York, Routledge, 2012, pp. 33-50.
[210] Farida SALEEM, "Impact of Gender and Age on Single and Multiple Celebrities Endorsements", in *Review of Business Research*, 8, 3, 2008, pp. 139-145.
[211] Kenneth E. CLOW, Donald BAACK, *Integrated Advertising, Promotion, and Marketing Communications*, Upper Saddle River, Pearson Higher Education, 2004.
[212] Ibid.

internationally known celebrity will probably arouse a greater interest in the brand or products than a niche celebrity known in specific geographical areas or social groups[213].

4. *Credibility* refers to the degree to which consumers will accept the persuasiveness of the messages conveyed by the celebrity. *Credibility* is composed of two elements: *trustworthiness* and *expertise*[214]. The first element is defined as the degree of confidence that consumers have towards their favorite celebrities. On the other hand, *expertise* refers to the celebrity's technical abilities and knowledge about a set of products and therefore his/her ability to effectively influence and convince consumers about the quality of products of the sponsoring brand. It is reasonable to assume that the greater the alignment between the spokesperson and the product or brand, the higher the likelihood of the information being genuinely embraced by the audience[215].

The success of cosmetics social commerce *wanghong* can also explained by analyzing their self-branding practices. The contemporary unstable labor market expects people to be responsible for their own careers, including achievements and failures[216]. In this context, self-branding can be regarded as the metaphorical extension of marketing practices for products and services to individual workers, freelancers, and entrepreneurs. Consequently, the personal identity, constructed through discourse, is perceived as a product to be consumed by a specific audience[217]. According to Wang and Feng's research, beauty *wanghong* women's self-identity is composed of three elements, those being *the celebrity self*, *the entrepreneur self*, and *the ordinary woman self*[218]. Analyzing how *wanghong* women brand their identity to engage with cosmetics enthusiasts can provide useful insights about cosmetics social commerce users' expectations, hence allowing beauty brands to formulate effective digital marketing strategies.

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[213] Cynthia L. KNOTT, M. JAMES, "An Analytic Hierarchy Process Methodology Solution for Celebrity Endorser Decisions in Marketing", in *Proceedings of the Decision Sciences Institute*, 2002, pp. 1427-1432.

[214] Kamilė JUNOKAITĖ, Sonata ALIJOŠIENĖ, Rasa GUDONAVIČIENĖ, "The Solutions of Celebrity Endorsers Selection for Advertising Products", in *Economics and Management*, 2007, pp. 384-390.

[215] Michael A. KAMINS, Kamal GUPTA, "Congruence between Spokesperson and Product Type: A Matchup Hypothesis Perspective", in *Psychology & Marketing*, 11, 6, 1994, pp. 569-58.

[216] Susie KHAMIS, Lawrence ANG, Raymond WELLING, "Self-branding, 'micro-celebrity' and the rise of social media influencers", in *Celebrity Studies*, 8, 2, 2017, pp. 191-208.

[217] Robert W. GEHL, "Ladders, samurai, and blue collars: Personal branding in Web 2.0", in *First Monday,* 16, 9, 2011.

[218] WANG Yilei, FENG Dazheng William, "Identity performance and self-branding in social commerce: A multimodal content analysis of Chinese wanghong women's video-sharing practice on TikTok", in *Discourse, Context & Media*, 50, 2022, pp. 1-9.

First, *the celebrity self* is composed of three sub-components: *glamorous appearance*, *aspirational lifestyle,* and *social responsibility*.

1. *Glamorous appearance* refers to *wanghong* women's pursuit of female beauty standards. In Chinese social commerce environment, a *wanghong* beauty standard has been established overtime and it comprises having a "w*anghong* face"[219]. "*Wanghong* face" is an online-recurring buzzword largely recognized by the audience as comprehensive of features like double eyelids, white and imperfections-free skin, and a sharp chin. In order to achieve this standard, *wanghong* women are used to utilize virtual filters to edit their image.
2. *Aspirational lifestyle* refers to *wanghong* women's habit of virtually positioning themselves in a higher social position than they are. This is achieved using terms that connotate a feeling of exclusiveness, both in their video content and in their content's captions. Moreover, gifts from prestigious brands are often mentioned[220].
3. *Social responsibility* refers to wanghong women's practices aimed at enhancing their own public figure status. This is attempted by highlighting philanthropic activities and by expressing patriotism for domestic brands. In their videos, Wanghong women frequently combine the promotion of beauty products with the concept of making patriotic decisions, in fact, they have been frequently using the popular Douyin hashtag "#国货之光" (the glory of Chinese goods). In these videos, Wanghong women consistently emphasize China's competitive edge in the research and development of beauty products and share stories about the global expansion of the domestic brands they promote, as to include viewers in the online "buy Chinese" movement[221].

Second, *the entrepreneur self* is composed of two sub-components: *professionalism* and *self-empowerment*.

1. *Professionalism* refers to *wanghong* women's efforts into showcasing their expertise in make-up and skincare routines. This is achieved with "how-to tutorial" videos, where online celebrities give instructions, offer explanations, and provide information about ingredients. To sound more professional to audiences, they technologize their language with "scientific

[219] LI Angela Ke, "Papi Jiang and microcelebrity in China: A multilevel analysis", in *International Journal of Communication*, 13, 19, 2019, pp. 3016-3034.
[220] WANG, FENG, "Identity performance and self-branding in social commerce…", *cit.*, pp. 1-9.
[221] CHEN Xu, D. Bondy VALDOVINOS KAYE, ZENG Jing, "#PositiveEnergy Douyin: Constructing "playful patriotism" in a Chinese short-video application", in *Chinese Journal of Communication*, 14, 1, 2021, pp. 97-117.

buzzwords", which help viewers believe that *wanghong* women possess sophisticated and professional knowledge about products[222].

2. *Self-empowerment* refers to *wanghong* women's celebration of female independency. Female celebrities often utilize terms like "financially independent", "money" and "earning" as to display their values in relation to the postfeminist rhetoric of female empowerment[223].

Finally, *the ordinary woman self* is achieved by engaging with viewers and by displaying a cheerful and fun personality.

1. *Engagement of viewers* is a fundamental step to build followers' loyalty. *Wanghong* women are used to utilize different verbal and visual practices as to connect with viewers, often comprehending self-reports of personal daily activities. The content of these practices involves sharing videos of routine activities such as home workout, shopping experiences and their journey to work[224]. This allows *wanghong* creators to appear relatable to regular audiences.
2. *Cheerful and fun personality* entails wanghong women's habit of creating cartoonish and self-denigrating selfie videos utilizing editing filters[225].

Beauty KOLs and wanghong employ different creative ways to engage with viewers and to differentiate themselves in the competitive KOLs market. To the same degree videos and pictures can trend on Xiaohongshu, specific KOLs' popularity can rapidly increase if they are able to stand out. For the purpose of providing examples of how KOLs are able to distinguish themselves from competitors, the case of Cheng Shian, Ma Baoer and Zhouzhou KOI will be showcased. Cheng Shian (@程十安 an) is a beauty blogger born in 1995 who started her career in 2018, focusing on make-up application problems. She has recently gained traction in the sector, and as of November 2023 she can count on around 8.7 million followers. Cheng Shian stands out for her detailed five-minutes tutorials and her availability to answer users' questions about the correct application of make-up products. In 2021, during Singles' Day promotion on Taobao, Cheng Shian managed to sell $507,000 worth of cosmetic products, while 1 million

[222] WANG Yilei, FENG Dezheng, HO Wing Yee Jenifer, "Identity, lifestyle, and face-mask branding: A social semiotic multimodal discourse analysis", in *Multimodality & Society*, 1, 2, 2021, pp. 216-237.
[223] Bethany USHER, "Rethinking microcelebrity: key points in practice, performance and purpose", in *Celebrity Studies*, 11, 2, 2020, pp. 171-188.
[224] Michele ZAPPAVIGNA, "Enacting identity in microblogging through ambient affiliation", in *Discourse & Communication*, 8, 2, 2014, pp. 209-228.
[225] WANG, FENG, "Identity performance and self-branding in social commerce…", *cit.*, pp. 1-9.

users attended her livestream appointment[226]. Xiaohongshu's beauty influencer Ma Baoer (@马宝儿) gained audience's attention by presenting a different style of showcasing cosmetic products which allowed her to gain around 3 million followers. She specializes in ASMR[227] skincare videos which led her to be beloved by the internet beauty community. Ma Baoer showcases skincare products by tapping on them, running her nails on the packages and by rubbing, scratching, and squeezing the products, producing informative and relaxing videos[228]. Lastly, Zhouzhou KOI (@粥粥 KOI) has a different approach when it comes to promotion and review of skincare products. Zhouzhou KOI, in fact, utilizes his scientific academic background to share his professional knowledge about ingredients and skin types as to provide more in-depth recommendations to users[229]. His expertise has led him to gain the trust of around 2.3 million users.

While KOLs continue to be a key element in Chinese cosmetics brands' marketing strategies, KOCs are also gaining popularity, sometimes even resulting more successful than their KOLs counterparts. In fact, a few years back KOLs were considered the main driving force of promotion in social commerce environment but, Chinese consumers have become more aware about the authenticity of these online celebrities. They are conscious that KOLs are paid to positively review brand and products, therefore consumers are now increasingly relying on KOCs' opinions[230]. Meanwhile, cosmetics companies are more frequently contacting various KOCs to promote their products instead of relying on just one notorious KOL, KOCs are also contacting brands themselves, as they are satisfied with the quality of their products and desire to promote them or to offer discount to followers[231]. Partnering with KOCs is also considerably less expensive, in fact, KOCs are not under contract and do not receive commissions, most of the times they just receive free products. Even though KOLs and KOCs' user engagement methods may appear to be similar, the psychological mechanisms are different. According to Li's research, consumers' trust in KOLs comes more from ability and charm, while trust in

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226 NAN Lisa, *Who Are The 8 Fastest Rising Beauty KOLs On Xiaohongshu?*, in "Jing Daily", 8 May 2023, https://jingdaily.com/fastest-rising-beauty-kols-xiaohongshu/, 14-11-2023.
227 Autonomous Sensory Meridian Response, or ASMR, is a delightful sensation of tingling that some individuals feel on their skin, predominantly in the areas of the head and neck. This sensation is often triggered by specific soft sounds such as whispering or brushing which are specifically created in ASMR videos to help ASMR enthusiasts to unwind.
228 NAN, *Who Are The 8 Fastest Rising Beauty KOLs On Xiaohongshu?*, in "Jing Daily", *cit*.
229 Ibid.
230 *What is KOC Marketing: How it Helps you Increase Sales in China*, in "Gentlemen Marketing Agency", 8 August 2022, https://cosmeticschinaagency.com/what-is-koc-behind-chinas-latest-influencer-trend/, 14-11-2023.
231 Ibid.

KOCs comes more from goodwill and honesty[232]. As a KOL, the key to gaining the trust of consumers is to win the trust of followers with rich product knowledge, unique insights, and a unique personal image. As a KOC, the key to gaining the trust of consumers is to treat them sincerely, keep promises, pay attention to their interests, and win their trust with an equal and sincere relationship[233].

2.4 Livestreaming

One of the most salient and characterizing features of Chinese social commerce is represented by livestreaming, which can be defined as "broadcast video streaming services provided by web-based platforms and mobile applications that feature synchronous and cross-modal (video, text, and image) interactivity"[234]. Livestreams cover a wide range of content, such as gaming, cooking, painting and tutorials. Live e-commerce represents 42.2% of the leading types of livestreaming (figure 18).

[235]

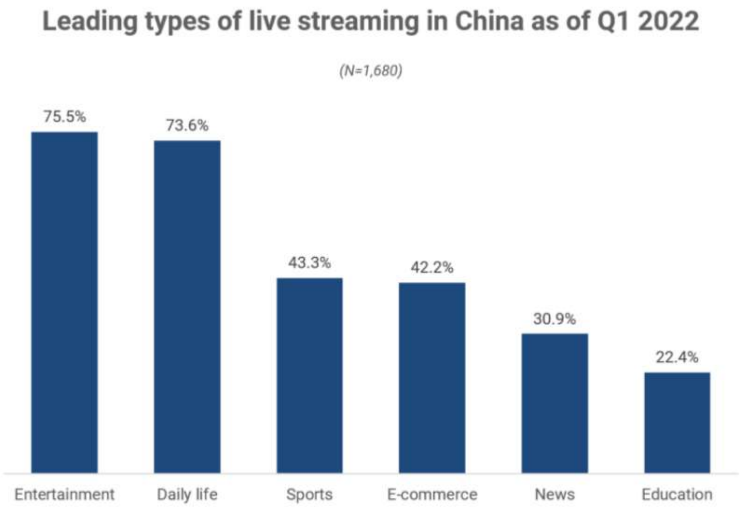

Figure 18. Leading types of live streaming in China as of Q1 2022

With the expansion of social commerce, livestreaming has become a pivotal point of digital marketing strategies of Chinese companies, especially when *wanghong* are nowadays normalized and successful in providing new online shopping experiences. In fact, livestreaming

[232] LI, (Research on consumer trust in the influencer economy…), *cit*., pp. 95-98.
[233] Ibid.
[234] Stuart CUNNINGHAM, David CRAIG, LÜ Junyi, "China's livestreaming industry: platforms, politics, and precarity", in *International Journal of Cultural Studies*, 22, 6, 2019, p. 722.
[235] *Live streaming in China: advancing into the AI era with complete service solutions*, in "Daxue Consulting", 31 August 2023, https://daxueconsulting.com/live-streaming-in-china/, 17-11-2023.

is utilized by a wide variety of businesses, although fashion and cosmetics stand out for being two industries which largely exploit this new marketing tool. In fact, two-thirds of cosmetics companies in China promote their products on livestreaming platforms. This is achieved not only by creating make-up and skincare tutorials, but also by creating special livestream events, comprehending the launch of new products, press conferences, presentations, and performances[236]. Livestreamers monetize their livestream sessions through various features and opportunities both within and outside social commerce platforms. This burgeoning industry is evolving in tandem with traditional media and interactive media sectors such as video games and e-sports[237]. Livestream production is extremely cost-effective, and the work of creators is especially focused on managing online communities. This is achieved through the interactive, curatorial, and networking features of social media platforms, which include activities such as commenting, liking, sharing, co-creating, and collaborating[238]. Researchers have formulated the term "live social commerce" (LSC) which can be understood as e-commerce or social media platforms enabling livestreaming services with the aim of providing monetization opportunities to livestreamers and new business opportunities to companies[239]. LSC allows KOLs and KOCs to specialize their own career into becoming professional livestreamers, in accordance with the evolution of Chinese platforms business models, i.e., from UGC (user-generated content) model to OGC (occupational-generated content) model[240]. LSC is thriving because it is able to provide a more engaging, informative, personal and interactive way of shopping compared to traditional e-commerce platforms and physical retail stores[241]. This result is attributed to different qualities that LSC possesses. Firstly, the real-time interaction between customers, streamers, and online sellers is perceived by consumers as engaging. Secondly, LSC creates a visual shopping scene that offers authentic shopping experiences, closely mirroring physical store environments. Lastly, the face-to-face online shopping scene foster a sense of closeness among customers,

[236] *Why, Where, and How brands Can Maximize Live Streaming in China*, in "Gentlemen Marketing Agency", 22 August 2023, https://marketingtochina.com/why-where-and-how-brands-can-maximize-live-streaming-in-china/, 17-11-2023.
[237] CUNNINGHAM, CRAIG, LÜ, "China's livestreaming industry…", *cit*., pp. 719-736.
[238] Henry JENKINS, Sam FORD, Joshua GREEN, *Spreadable media: Creating Value and Meaning in a Networked Culture*, New York, New York University Press, 2013.
[239] SUN Yuan, et al., "How live streaming influences purchase intentions in social commerce: An IT affordance perspective", in *Electronic Commerce Research and Applications*, 2019, 37, pp. 1-12.
[240] CUNNINGHAM, CRAIG, LÜ, "China's livestreaming industry…", *cit*., pp. 719-736.
[241] ZHENG Rounan, *How Chinese Consumers Engage With Luxury Livestreamers*, in "Jing Daily", 13 May 2018, https://jingdaily.com/luxury-livestream/, 17-11-2023.

despite the physical distance[242]. According to Qin, Le, Zhang and Deng's research[243], livestreaming is also comprehensive of three perceived attributes that shape consumers' response to LSC:

1. *Real-time interaction*. LSC allows consumers to connect with the seller through real-time comments (弹幕) which can be immediately read by the streamer who will reply establishing a multilateral interaction. Interactivity is directly related to customer satisfaction, therefore livestreamers try to make their session as interactive as possible[244].
2. *Perceived proximity*. The sense of proximity experienced in LSC mirrors both intimacy in customer relationships and a feeling of unity with others in the same live chat room[245]. According to social influence theory, customers' perceptions of co-presence can impact their purchasing intentions in social commerce[246].
3. *Perceived authenticity*. The perceived authenticity of LSC reflects customers' subjective evaluation of the scene and of the product information, all of which are derived from the visual shopping scenario and interaction with the livestreamer[247]. On traditional e-commerce platforms, consumers can only understand products through text descriptions, pictures and videos which can be altered by post-production edits. Compared to pre-recorded videos and pictures, LSC's shopping scenarios is spontaneous and uneditable which is perceived as more authentic. All actions of online sellers and streamers are broadcasted in real time and cannot be falsified, thereby ensuring the reliability of the shopping experience[248].

In order to effectively engage with consumers and maximize the results of livestream sessions, brands need to be attentive as to formulate a strategy which best suits livestreamers

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242 SUN et al., "How live streaming influences purchase intentions…", *cit.*, pp. 1-12.

243 QIN Fang, LE Wei, ZHANG Min, DENG Yujia, "How perceived attributes of livestreaming commerce influence customer engagement: a social support perspective", in *Journal of Service Theory and Practice*, 2023, 33, 1, pp. 1-22.

244 Mohit KUMAR, Madhvendra MISRA, "Evaluating the effects of CRM practices on organizational learning, its antecedents and level of customer satisfaction", in *Journal of Business & Industrial Marketing*, 2021, 36, 1, pp. 164-176.

245 M. Awais Shakir GORAYA, et al., "An investigation of the drivers of social commerce and e-word-of-mouth intentions: Elucidating the role of social commerce in E-business", in *Electronic Markets*, 2021, 31, pp. 181-195.

246 Tyson ANG, WEI Shuqin, Nwamaka A. ANAZA, "Livestreaming vs pre-recorded: How social viewing strategies impact consumers' viewing experiences and behavioral intentions", in *European Journal of Marketing*, 2018, 52, 9/10, pp. 2075-2104.

247 Ibid.

248 Apiradee WONGKITRUNGRUENG, Nuttapol ASSARUT, "The role of live streaming in building consumer trust and engagement with social commerce sellers", in *Journal of business research*, 2020, 117, pp. 543-556.

and the products' qualities. In a LSC scenario, the main focus is attributed to the streamer, rather than the products. While in an e-commerce environment the price of the goods can be perceived by consumers as one of the most important elements to consider as to evaluate the purchase, in LSC environment consumers are willing to spend more money for the item if the broadcaster is perceived as friendly and reliable[249]. For this reason, livestreamers' personalities represent one on the focal points for the success of livestream sessions. Consumers tend to develop trust because of their identification with the personality of the streamer, therefore, brands need to clearly understand the target consumers' characteristics, as to select a suitable persona for the promotion of their products. When livestreamers' personalities are able to instill a lasting impression on consumers' minds, they are more likely to join future livestreams and the brand will be able to build loyalty[250]. While livestreamers' personalities are relevant, creating the right atmosphere is equally important. In fact, some brands use different strategies to arouse viewers' purchase intentions. To provide an example, during "嗨 girl 百货" Douyin account's livestream sessions, four beautiful girls sing and dance to music without introducing the products for sale. They create an entertaining consumption atmosphere and cleverly integrate the products into the scenery. In addition, their live broadcast room sells relatively low-priced snacks and drinks. In such atmosphere, consumers rarely care about the price of such products and are more willing to place an order[251].

Product selection is a crucial element to consider before planning a LSC strategy. When assessing the obstacles that make consumers hesitant to place an order during a livestream session, price stands out as one of the most sensitive factors. When brands approach LSC for the first times, they should choose items with lower price thresholds and offer discounts as to shorten the time hesitant consumers spend to assess new products. When prices are low, placing an order for new products is perceived by consumers as less risky[252]. Another relevant factor to consider when assessing the rights products to display is demonstrability. Demonstrability can be conceptualized as the degree to which products possess an appearance advantage, in other words how easy it is to display them and to showcase their features. Livestream is an efficient

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249 FU Wen 复文, "基于电商网络直播的营销策略选择研究 - 以抖音为例" (Research on marketing strategy selection based on e-commerce live broadcast - taking Douyin as an example), in 老字号品牌营销 (Marketing of Time-Honored Brands), 20, 2022, pp. 15-17.
250 Ibid.
251 Ibid.
252 LIU Chang 刘畅, WANG Yingying 王莹莹, "基于 4C 营销理论的淘宝直播营销策略研究" (Marketing Strategy of Taobao Broadcasting under the Framework of 4C Marketing Theory), in 陇东学院学报 (Journal of Longdong University), 5, 2020, pp. 137-141.

tool to display products that would otherwise result as too complex to be fully understood by consumers if only promoted with images and text descriptions[253]. Finally, according to Fu's research[254], brands should cleverly choose to promote a balanced mix of products, composed of 50% popular products, 20% special products and 30% new products. Popular products refer to products that have been tested and that consumers buy in high-volume. They are the guarantee and stable source of traffic in the livestream sessions. Special products are premium products with the most innovative characteristics. Although sold at a higher price, they stand out from other products and attract the interest of viewers. This category of products allows viewers to stay interested in the brand. Finally, new products can be introduced during each livestream session. After an attentive analysis of consumers' response to such products, new products can continue to be retained and slowly evolve into specialty products, or otherwise replaced with other new products.

As of mid-2023, the livestreaming industry had attracted more than 660 million Chinese active viewers, primarily aged between 27 and 39 years old. The industry's value skyrocketed to $720 billion, with a remarkable year-on-year growth of 53%. 70% of livestreamers are female and around two-thirds are aged under 26 years[255]. As of August 2023, the top five livestreaming platforms are Taobao Live (淘宝直播), Jingdong (京东), Xiaohongshu (小红书), Douyin Live (抖音直播) and Kuaishou (快手)[256]. Among these five platforms, Taobao Live is the largest contributor to this industry is with covers 68% of the entire market, counting on more than 4,000 livestreamers[257]. Taobao has recently introduced a new portal called Night Taobao (夜淘宝) which allows the platform to transition into a 24-hour lifestyle and entertainment platform, accessible via a link in the top right corner of the Taobao homepage[258]. Night Taobao enhances user engagement with a variety of interactive games, entertaining content, and event features. Users can participate in activities such as live-streamed disco dances, card games, and exclusive flash sales. Moreover, live stream hosts guide users on a gastronomic adventure through renowned night markets in cities like Beijing, Hangzhou, Chongqing, and Wuhan. On the other hand, Douyin has also undergone a significant transformation into becoming a live commerce platform, in fact, 89.8% of its user base engage with live content and users are reportedly

[253] LIU, WANG, (Marketing Strategy of Taobao Broadcasting under the Framework…), *cit*.
[254] FU, (Research on marketing strategy selection based on e-commerce live broadcast…), *cit*.
[255] *Why, Where, and How brands Can Maximize Live Streaming in China*, *cit*.
[256] *Live streaming in China: advancing into the AI era with complete service solutions*, *cit*.
[257] *Why, Where, and How brands Can Maximize Live Streaming in China*, *cit*.
[258] *Live streaming in China: advancing into the AI era with complete service solutions*, *cit*.

spending a minimum of 80 minutes per day viewing videos on the platform[259]. Douyin Live is characterized by livestream make-up tutorials, product recommendations and reviews, which on average last about three to four hours, during peak hours. The primary distinction between Taobao Live and Douyin Live lies in the user's intent. Users typically access Taobao Live with a clear intention to shop, seeking detailed product information and interaction with the streamer for a deeper understanding of the item. On the other hand, Douyin Live users usually seek entertainment while being open towards the assessment of new products[260].

AI technology has been gaining traction for the last few years, and Chinese livestreaming platforms are taking advantage of it to create new ways of generating value. While utilizing KOLs' livestream services can be rewarding for medium to big Chinese companies, training and retaining KOLs could represent a high cost for smaller brands. For this reason, since 2022, several Chinese startups and leading tech firms have begun to provide the service of creating deepfake avatars for e-commerce livestreaming (three examples are provided in figure 19). For a cost of $1,000 brands can replicate a human streamer to operate twenty-four hours a day[261]. As to cite an example, Silicon Intelligence (硅基智能) is a Chinese company specialized in language processing, with a focus on text-to-speech technologies such as robocall tools. This company only needs a single minute of sample video in order to create a livestreamer's convincing deepfake. Once the avatar is produced, its mouth and body movements are synchronized with AI generated scripted audio. A more advanced version of deepfake technology can identify live comments and search its database for appropriate responses, creating the illusion of active communication between the AI streamer and the audience[262].

[259] Lai Lin THOMALA, *Share of live streaming users on the short video platform Douyin (TikTok) in China from January 2020 to September 2023*, in "Statista", 3 November 2023, https://www.statista.com/statistics/1202702/china-share-of-live-streaming-users-on-douyin-tiktok/, 17-11-2023.
[260] *Live streaming in China: advancing into the AI era with complete service solutions*, *cit*.
[261] YANG Zeyi, *Deepfakes of Chinese influencers are livestreaming 24/7*, in "Technology Review", 19 September 2023, https://www.technologyreview.com/2023/09/19/1079832/chinese-ecommerce-deepfakes-livestream-influencers-ai/, 20-11-2023.
[262] Ibid.

[263]

Figure 19. Examples of AI generated deepfake livestreamers.

2.4.1 Li Jiaqi: the lipstick king

Among all well-known beauty KOLs, Li Jiaqi (李佳琦) also named Austin Li is regarded as the most influential make-up influencer in China. During his livestream sessions new sales records have been registered. For example, during 20 October 2021 12-hour livestream event on Taobao Live Li Jiaqi managed to sell $1.7 billion worth of cosmetic products[264], while during 2019 singles' day livestream event on Taobao Live he sold 15,000 lipsticks in just five minutes[265], which earned him the title of "lipstick king". In February 2021, his popularity led him to be awarded among the TIME's next 100 emerging leaders in the world, under the "innovators" category[266]. As the leading KOL in the Chinese cosmetics market, Li Jiaqi provides the perfect example of how KOLs in China utilize their fame and livestreaming to boost sales for brands.

Li Jiaqi's KOL career started in 2017 on Taobao, gaining momentum starting from October 2019. His success stems from his profound knowledge of make-up products deriving from his previous job as a make-up assistant and from his captivating personality. Although 80% of his audience is composed of women, a significant share of male viewers enjoys his content,

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[263] YANG, *Deepfakes of Chinese influencers are livestreaming 24/7, cit.*
[264] TAN Huileng, *China's Lipstick King sold an astonishing $1.7 billion in goods in 12 hours — and that was just in a promotion for the country's biggest shopping day*, in "Business Insider", 22 October 2021, https://www.businessinsider.com/china-lipstick-king-sold-17-billion-stuff-in-12-hours-2021-10?r=US&IR=T, 22-11-2023.
[265] HUANG Alice, *Who is millionaire Li Jiaqi, China's 'Lipstick King' who raised more than US$145 million in sales on Singles' Day?*, in "South China Morning Post", 9 March 2020, https://www.scmp.com/magazines/style/news-trends/article/3074253/who-millionaire-li-jiaqi-chinas-lipstick-king-who, 22-11-2023.
[266] *TIME 100 Next 2021*, in "TIME", 2021, https://time.com/collection/time100-next-2021/, 22-11-2023.

as he helped normalize make-up for Chinese men[267]. Two of the characterizing elements of his personality are his authenticity and honesty: he is used to livestream in his apartment to make himself appear more relatable, and he is not afraid of negatively review products. Li Jiaqi's livestreaming sessions tend to be standardized. Austin puts a lot of attention to colors, which is the most characterizing feature of a lipstick, therefore products are classified according to color shades. Each color shade is numbered, helping consumers identifying the exact tint displayed on camera. In each livestream, Austin personally tries out the products on his lips and describe his sensations to viewers to let them feel involved during the application of the products[268]. When the product is not satisfactory, he often openly states what he does not like about the item and what he thinks need to be improved. This is highly appreciated by the audience who puts trust on him.

According to Xu's SWOT analysis[269], Austin Li's success can be described by analyzing its strengths, weaknesses, opportunities, and threats:

- *Strengths*. First, Austin Li can leverage on a solid follower base, giving him a significant advantage when promoting new products due to high exposure. Second, he exploits his C2M (Consumer to Manufacturer) channel, allowing him to secure the lowest prices by directly contacting manufacturers. Third, his three-year work experience as a front-desk sales professional at L'Oréal deepened his expertise in various makeup and skincare products, enabling him to provide his audience and customers with professional beauty and skincare recommendations. Fourth, Austin offers his professional insights to his audience in an honest manner, which is perceived as consumers as highly reliable. Fifth, Austin Li has innovatively crafted a unique live streaming style. He uses an affectionate and positive language which effectively reduces the social distance between him and his viewers, fostering a sense of closeness. Finally, Li Jiaqi can count on a team composed of more than 15 individuals, which enhances his work efficiency and livestreaming coordination[270].
- *Weaknesses*. Li Jiaqi's impressive number of viewers can result into an inability to personally take care of each individual's questions and problems, leading the KOL to be

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[267] *Who is Li Jiaqi the KOL Makeup Leader Awarded TIME Next100?*, in "Gentlemen Marketing Agency", 25 February 2021, https://cosmeticschinaagency.com/who-is-li-jiaqi-the-kol-makeup-leader-awarded-time-next100/, 22-11-2023.
[268] LI Xinru 李昕如, "'李佳琦' 现象: 电商直播时代的 KOL 营销" ("Li Jiaqi" phenomenon: KOL marketing in the era of e-commerce live streaming), in 青春岁月 (Youth Years), 17, 2021, pp. 24-25.
[269] XU Jingzhi, "Livestream Marketing Strategy: Tactics of Chinese Top Influencer Austin Li", in *BCP Business & Management*, 43, 2023, pp. 181-186.
[270] Ibid.

perceived as unfriendly and not enough caring of his followers. Moreover, the huge number of orders placed during special livestream events can result in delayed shipments and slow customer service, causing dissatisfaction to consumers. Furthermore, excessive media exposure can result in a rapid decline in reputation when the KOL is found to make a mistake. This is the case of 10 September 2023 when Li Jiaqi involuntarily mocked low-income people, commenting the incapability of some of his followers to afford a lipstick of Florasis brand[271].

- *Opportunities*. The current Chinese cosmetics industry is characterized by rapid development and constant change. To maintain his market leadership, Li Jiaqi must continually innovate by exploring more diverse categories of products and expanding his reach. Furthermore, the Chinese government is establishing new cooperations with livestreamers as part of a key poverty alleviation strategy. This strategy involves combining livestreaming with poverty reduction efforts by supporting underprivileged rural areas rich in natural resources like food, landscapes, and natural materials. The government aims to bring attention to these areas through livestreaming, fostering connections with more developed regions[272]. Li Jiaqi can cooperate with the Chinese government to further expand its follower base and to gain reputation.
- *Threats*. The Chinese cosmetics market is constantly growing and so is its landscape of KOLs. Many new KOLs are captivating audiences with their own unique styles of livestreaming, therefore Li Jiaqi should adapt and innovate as to keep its market share[273].

[271] NAN Lisa, *In a viral upset with 1 billion views, China's top beauty anchor Li Jiaqi enrages consumers*, in "Jing Daily", 11 September 2023, https://jingdaily.com/china-top-beauty-anchor-li-jiaqi-enrages-consumers-sensitive-comments/, 22-11-2023.
[272] SU Yao 苏瑶, 电商平台网红直播带货的问题及对策研究 – 以李佳琦为例 (Research on the problems and countermeasures of Internet celebrities' live delivery at E-commerce platform - Taking Li Jiaqi as an example), 河北大学 (Hebei University), 2021.
[273] XU, "Livestream Marketing Strategy: Tactics of Chinese Top Influencer Austin Li", *cit.*

Chapter 3: Florasis and Perfect Diary cases

Florasis and Perfect Diary stand out as noteworthy examples of emerging cosmetics brands that have rapidly gained prominence in the competitive Chinese cosmetics market. Despite their relatively short presence, both brands have successfully secured positions among the top 10 beauty brands nationally. The pivotal role played by social media platforms and key opinion leaders has been instrumental in propelling these brands to success. By closely examining the trajectories of Florasis and Perfect Diary, we can gain valuable insights into how social commerce currently represents a fundamental aspect of the marketing strategies employed by cosmetics companies in China. This shift underscores the increasing significance of digital platforms and influencer partnerships in shaping consumer perceptions and driving market presence.

3.1 Florasis

Florasis, also known as Huaxizi (花西子) in China, is a make-up company founded on 8 March 2017 in Hangzhou. As stated in its international website, the brand purpose is to provide customers with premium quality make-up products, blending traditional Chinese aesthetics with innovation:

> Since conception, we set out to explore the wisdom of traditional beauty rituals while honoring the philosophy of Chinese aesthetics. By combining cutting-edge technology with in-depth research of nourishing floral essences, our products unify makeup and skincare. A marriage of science and art, our products are a gift and legacy to inner health, outer beauty, and ancient craftsmanship[274].

The company's brand name and logo also reflect its values and its culture. When it comes to the Chinese name, "Hua" (花) stands for flower, which represents the fundamental ingredient in every Florasis product. "Xizi" (西子) refers to one of the four mythical beauties in ancient China, who is also mentioned in a famous poem by Su Shi (苏轼) dating back to the Song Dynasty. Xizi is chosen to represent the beauty of oriental women, wishing the customers to look as beautiful as Xizi herself[275]. On the other hand, the English translation of the brand name is cleverly thought as to portray a similar meaning: "a homage to the power of the natural

[274] *About us*, in "Florasis", 2023, https://florasis.com/pages/about-us, 13-12-2023.

[275] JIN Wanyi 金婉壹, "'花西子' 的符号建构与文化认同初探" (A Preliminary Study on the Symbolic Construction and Cultural Identity of "Huaxizi"), in 科技传播 (Public Communication of Science and Technology), 16, 2022, pp. 77-80.

world and femininity, we envision a goddess standing amongst blossoming flowers. Thus, ‘Flora’ and ‘Sister’ became Florasis”[276].

The company’s logo, besides helping customers to remember the brand, is also a valuable source of meaning, carrying the cultural connotation of the brand. In this regard, Florasis’ logo is an excellent and elegant example of a combination between tradition and modernity (figure 20). Florasis’ logo presents itself with a flower shape, containing what in Chinese is referred to as “the petite Xuan window” (小轩窗) which is interspersed with the letter “F”. The Chinese characters of Huaxizi are also present in the same elegant font. The flower shape together with the Xuan window motive allow customers to recognize the Suzhou Garden aesthetic which is favorably regarded by consumers[277].

[278]

Figure 20. Florasis logo. Source: Florasis.

As stated in its website, Florasis has six main goals as a business:

1. Celebrate Chinese tradition and culture with timeless products.
2. Innovate the cosmetics industry with their 5 R&D centers.
3. Provide new natural formulas in harmony with nature.
4. Improve the products by actively listening and dialoguing with customers.
5. Provide an excellent customer service throughout the entire shopping experience.
6. Actively participate in cultural and social initiatives, aiming at helping those in need.

[276] *About us*, in “Florasis”, *cit*.
[277] JIN, (A Preliminary Study on the Symbolic Construction and Cultural Identity of “Huaixizi”), *cit*.
[278] *About us*, in “Florasis”, *cit*.

When it comes to brand positioning, Florasis cleverly positioned itself in the medium-high-end of the spectrum. This cosmetics brand has identified a specific vacuum price range among domestic beauty companies which allows it to face fewer competitors. Huaxizi's products are mainly aimed at young consumer groups with more than average purchasing power. Most of the products are priced at 200 yuan and below. Among them, the number of products in the price range of 100 yuan to 200 yuan accounts for about 40% of the total. The brand is trying to target Generation Z women, in fact, this consumer segment is used to spend 300-500 yuan per month for cosmetics products[279]. Compared with other domestic cosmetics, this price positioning is on the higher side, occupying a vacuum position in the middle and upper reaches of the price range of domestic cosmetics products; in comparison, its price is lower than that of international cosmetics brands such as L'Oreal and Estee Lauder[280]. The price range selected by Huaxizi is conducive to achieving differentiation and unique positioning of the brand, while avoiding the risk of head-on confrontation with popular domestic beauty brands.

Figure 21. Blooming Rouge Love Lock Lipstick. Source: Florasis.

The main characterizing feature of Florasis products is its celebration of traditional Chinese aesthetic and culture, throughout the smart conceptualization of packaging and by synchronizing tradition and innovation into product formulas (figure 21[281], figure 22[282]). As generation Z's beauty expenditure is increasingly becoming significant, Florasis is carefully adopting *guochao* designs to arouse the interest of these new consumers. Its packaging design proves to be very successful in meeting consumers' desires, in fact, around 54.31% of consumers believe that Florasis' packaging is exquisite[283]. Most of Florasis product styles

[279] YANG Zeming 杨泽铭, LI Xin 李昕, "Z 世代网络营销策略分析 - 以 "花西子" 为例" (Analysis of Online Marketing Strategies targeting the Generation Z - Taking "Hua Xizi" as an Example), in 互联网周刊 (China Internet Week), 22, 2022, pp. 70-72.

[280] MA Haonan 马浩楠, "基于 4I 模型的花西子国货美妆营销策略研究" (Research on the marketing strategy of national cosmetics brand Huaxizi based on 4I model), in 商业流通 (The Business Circulate), 15, 2022, pp. 3-6.

[281] *Blooming Rouge Love Lock Lipstick*, in "Florasis", 2023, https://florasis.com/products/blooming-rouge-love-lock-lipstick, 20-12-2023.

[282] *Floral Engraving Beauty Goddess Makeup Palette*, in "Florasis", 2023, https://florasis.com/products/floral-engraving-beauty-goddess-makeup-palette, 20-12-2023.

[283] LEI Yalan 雷雅岚, LI Mingzhen 李明珍, ZUO Zhiyu 左治玉, LI Lin 李琳, "国货美妆产品的转型发展研究 - 以花西子为例" (Research on the development of domestic beauty products - taking Florasis as an example), in 中国市场 (China Market), 18, 2022, pp. 130-132.

rely on traditional Chinese shape designs and craftsmanship, relying on various allusions. Chinese elements such as clouds and phoenixes, as well as Chinese carving crafts and ceramic crafts, are commonly used in Huaxizi's packaging.

These elements often symbolized good luck, peace, and harmony in ancient China, moreover, carvings and ceramics allow people to intuitively feel the traditional craftsmanship behind the choice of the design[284]. Alongside the Chinese traditional aesthetic inspired packaging, Florasis is very attentive at using flower essences and herbal extracts into formulas, as to blend traditional Chinese medicine ingredients into its product formulas[285]. When doing so, the brand also relies on modern cosmetics research and development to provide products able to blend the past with the future. Florasis has carried out a comprehensive marketing strategy using *guochao* marketing to reach new heights and to help the brand to expand its scope. Florasis also uses *guochao* marketing to intersect itself with classical music, popular games, traditional culture, and *hanfu* (a traditional Chinese dress) fashion. From Chinese fan circles to foreign fan circles, the brand's popularity has been greatly enhanced. Playing with Chinese style culture has successfully allowed the brand to penetrate the fields of celebrities, beauty, entertainment, fashion, and music[286]. This permits the brand to be recognizable and relevant even in events and areas that do not concern make-up and cosmetics. When it comes to capturing consumers' attention, Florasis has demonstrated success by offering intriguing new products that resonate with their consumers' expectations. The marketing storytelling executed by the company is aligned with its own brand culture, incorporating various ethnicities into its Chinese cultural narrative. To provide some examples, in October 2020 Florasis assigned Li Jiaqi to introduce limited-edition makeup sets comprising setting powder, brushes, and eyeshadow palettes. These make-up sets' packaging is adorned with silver engravings, inspired by the silver-making craftsmanship of China's Miao Ethnic

Figure 142. Floral engraving beauty goddess makeup palette. Source: Florasis.

[284] LEI, LI, ZUO, LI, (Research on the development of domestic beauty products…), *cit.*, pp. 130-132.
[285] *Florasis is conquering the Chinese beauty market with elegantly oriental products*, in "Daxue Consulting", 4 December 2020, https://daxueconsulting.com/florasis-case-study/, 20-12-2023.
[286] ZHANG Jie 张杰, "直播电商提高消费者购买意愿的策略研究 - 以花西子品牌为例" (Research on the strategies of live streaming e-commerce to improve consumers' purchasing intention - taking Florasis brand as an example), in 财富时代 (Times of Fortune), 11, 2021, pp. 178-179.

Figure 23. Miao ethnic group inspired make-up sets. Source: Florasis

Group (figure 23[287]). The hashtag utilized for the promotion of the sets received around 90 million views on Weibo in just one week, while the video featuring Li Jiaqi obtained over 20 million views [288] . With the oversaturation of the market with *guochao* products, Chinese cosmetics consumers now expect a more dynamic and inclusive portrayal of indigenous culture. The collaboration inspired by Miao culture expands the representation of Chinese culture beyond fundamental elements like red color, carving patterns, and zodiac symbols[289].

Another example of inclusion of Chinese ethnic groups into the brand narrative is represented by the launch of Florasis' "Dai Impression" products in October 2021. In this specific case, Florasis assigned the renowned Chinese film director Zhang Yimou and his production team to create a short campaign film featuring supermodel Du Juan and lipstick king Li Jiaqi. The campaign took inspiration from a peacock totem, a traditional Dai symbol, to convey the distinctiveness of this culture. The campaign obtained significant traffic on Weibo, with over 200,000 views in just two days[290]. The product and campaign ideas were appreciated by the viewers who posted positive comments on social medias, praising the brand's effort and commitment to cultural pride and celebration.

Besides launching new ethnic inspired product sets, Florasis keeps being relevant and interesting to its consumers by finding new solution to reinvent itself while preserving its own

[287] WU Wenzhou, *How C-beauty Brands Tapped Ethnic Culture To Resonate With Local Shoppers*, in "Jing Daily", 9 October 2020, https://jingdaily.com/posts/c-beauty-ethnic-culture-local-shoppers, 14-12-2023.
[288] Ibid.
[289] Ibid.
[290] WU Wenzhou, *Florasis Celebrates Dai Ethnicity in Latest Campaign*, 15 October 2021, https://jingdaily.com/posts/florasis-dai-ethnicity-campaign, 14-12-2023.

core brand identity. This is exemplified by the collaboration with luxury lifestyle and fashion brand Shang Xia. In 2023, the two Chinese brands' cooperation resulted with the launch of a limited-edition gift box branded as "Flawless Jade" (figure 24[291]). The box provides buyers with both Shang Xia's premium homewares, i.e. a set of white ceramic teacups inspired by the Chinese tea ceremony tradition, and Florasis' top-selling products, encompassing setting powder, pressed powder, setting spray, and foundation for sensitive skin.

Figure 24. Florasis and Shang Xia's Flawless Jade set. Source: Florasis.

The combination of Shang Xia's premium Chinese porcelain and Florasis' cosmetics products has been highly praised by Chinese consumers. Many remarked that the collaboration perfectly aligns with both partners' DNA and celebrates Chinese culture[292].

3.1.1 Florasis' social commerce strategy

Florasis started to gain traction since 2019, when all its marketing effort was put into KOLs' endorsement on social media apps, and livestreaming was becoming the company's main digital tool to sell its products. Florasis' KOLs strategy has always been focused on carefully selecting a small number of popular celebrities, capable of effectively representing the brand on social medias. This is the reason why lipstick king Li Jiaqi was chosen, together with top model Du Juan (杜鹃), and singers Ju Jingyi (鞠婧祎) and Zhou Shen (周深). For example, Du Juan's cool image highlights the oriental beauty of the brand, and Zhou Shen's music highlights the beauty of the brand's ancient culture, which is in line with the brand's storytelling and aesthetic[293]. Although these personalities can be understood as the main endorsers of the brand, Florasis has also been cooperating with medium-end Xiaohongshu and Douyin influencers as to enlarge their reach, without compromising on prestige and their brand positioning. This was achieved through a vertical integration of different KOLs: first, Huaxizi partnership with Li Jiaqi and high-end KOLs served as to arouse the interest and attention of a

[291] NAN Lisa, *Are Chinese-only collabs like Shang Xia and Florasis the next hype trend in guochao luxury?*, in "Jing Daily", 25 July 2023, https://jingdaily.com/posts/are-chinese-only-collabs-like-shang-xia-and-florasis-the-next-hype-trend-in-guochao-luxury, 14-12-2023.
[292] Ibid.
[293] WEI Wenhan 魏文涵, "基于 5T 理论的花西子口碑营销策略研究" (Research on Huaxizi's word-of-mouth marketing strategy based on 5T theory), in 现代营销 (Marketing Management Review), 9, 2022, pp. 26-28.

large scope of audience, initiating their discussion about the brand; then, through popular online beauty experts, Florasis introduced a more technical promotion of the products, as to highlight their quality and their unique packaging. Finally, medium-end KOLs are used to further expand the scope to more specific smaller target groups[294].

Collaborating with KOLs allows companies to access more public exposure, although sometimes this can result in a negative outcome for the brand, when KOLs get themselves involved in what the public opinion would perceive as scandals. This is also the case of Florasis, when on 10 September 2023 his brand ambassador Li Jiaqi mistakenly offended numerous participants of one of his livestream sessions. The scandal happened when viewers voiced their opinions, saying that the Florasis eyeliner pencil set at 79 yuan ($ 10.8) that the KOL was promoting was probably too expensive. Li Jiaqi responded by stating that they should perhaps wonder whether they worked hard enough to deserve a raise. This response sparked a significant discussion across various Chinese social media platforms, giving rise to new memes in the process. The most relevant meme is represented by the term “Huaxi coins” or “Floracash” (花西币), with this term netizens started to utilize this new currency based on 79 yuan per unit to evaluate the value and prices of everyday products[295]. According to Sandalwood data, during the week of 8-14 September when the incident took place, Florasis experienced a 15% decline in sales across three major e-commerce platforms compared to the previous week[296]. While the incident originated from the Tmall livestream, the most substantial hit occurred on Douyin, where sales, constituting the highest proportion, plummeted by nearly 50%. This social commerce platform not only serves as a sales channel but also functions as a crucial medium for public opinion dissemination. Videos and comments on Douyin possess the ability to amplify and magnify users' discontent towards a brand, causing it to rapidly spread. Nine days after the incident, Florasis, in order to amend for its mistakes, issued a belated apology on social media on 19 September for its delayed response to the controversy. The brand acknowledged that the incident presented an opportunity for them to take into consideration the "voice of their consumers”. A day later Hua Mantian (花满天), Florasis’ founder, announced that the brand

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[294] YANG, LI, (Analysis of Online Marketing Strategies targeting the Generation Z…), *cit*., pp. 70-72.
[295] Manya KOETSE, *China’s ‘Chanel’? Chinese Beauty Brand Florasis Is Raising Eyebrows on Weibo*, in “What’s on Weibo”, 27 September 2023, https://www.whatsonweibo.com/chinas-chanel-chinese-beauty-brand-florasis-is-raising-eyebrows-on-weibo/, 18-12-2023.
[296] *Li Jiaqi and Huaxizi: KOL live streaming – a double-edged sword?*, in “Medium”, 28 September 2023, https://medium.com/@Sandalwoodadvisors/li-jiaqi-and-huaxizi-kol-live-streaming-a-double-edged-sword-ba94953aa7c3, 18-12-2023.

would give-away 10,0000 premium eyeliner pencils during a special livestream event, which has been attended by more than 400,000 viewers[297].

While Florasis' main sale channel is represented by livestreaming, to further expand its traffic, this brand's marketing efforts are primarily focused on social commerce platforms such as Weibo, Douyin, Xiaohongshu, Kuaishou, Taobao and Tianmao. On these platforms the brand carries out what can be described as content marketing strategies. Content marketing refers to a marketing method that allows customers to obtain and understand product-related information without using traditional publicity methods such as advertising and sales promotion, and at the same time, it allows brand-consumer feedback[298]. Content marketing has become very popular, and it is generally considered the core of contemporary online marketing because it is able to target very specific consumer groups. Florasis primarily targets young women aged 18-30 on Xiaohongshu and Douyin, throughout the use of KOLs and livestream sessions. Particularly, this cosmetics brand's social medias strategies involve more than one official account per platform. Taking Douyin case as an example, as of December 2023, Florasis owns one main official account and five different official Douyin sub-accounts, each one with a specific marketing purpose. The five Douyin sub-accounts are: "Florasis official flagship store base make-up selection" (花西子官方旗舰店底妆精选), "Florasis official flagship store beauty selection" (花西子官方旗舰店佳人精选), "Florasis beauty livestreaming room" (花西子美妆直播间), "Florasis gift selection" (花西子礼物精选), and "Florasis overseas" (花西子在海外). The primary function of the main account is to introduce the brand, the products, attract fans, and serve as a promotional channel. The other five accounts are responsible for deepening the content of the main account, and to provide different services. Moreover, these sub-accounts have their own content tonality, creating a differentiated positioning strategy[299]. Although, Florasis' five sub-accounts have different positions and perform their own duties, in the final analysis, their ultimate purpose is to divert traffic to the main official flagship account. These five sub-accounts successfully assist the brand's objectives by producing content that is accurately and clearly created to cover specific consumers groups such as mothers, white-collars workers, Generation Z, and beauty enthusiasts. Florasis follows the same strategy in

297 KOETSE, *China's 'Chanel'? Chinese Beauty Brand Florasis Is Raising Eyebrows on Weibo*, *cit*.
298 HUANG Xiaoyu 黄晓羽, "5G 时代背景下国货美妆花西子直播营销策略研究" (Research on the livestreaming marketing strategy of domestic beauty company Florasis in the context of the 5G era), in 营销界 (Marketing Circles), 10, 2022, pp. 11-13.
299 SU Luwei 苏陆伟, HONG Tao 洪涛, LIANG Wenrui 梁文锐, "借势抖音平台: 花西子的电商传播营销策略分析" (Taking advantage of Douyin platform: analysis of Huaxizi's e-commerce communication and marketing strategies), in 公关世界 (PR World), 15, 2022, pp. 54-55.

different social medias, by customizing content and by having different content output for different circles. On Douyin, many well-known beauty bloggers post unboxing videos. In Kuaishou, many top anchors promote Florasis' lipsticks and carry out color testing to the audience during the live broadcast, which greatly boosts sales. In the Taobao live broadcast, KOLs appointed by the brand post content regarding how to realize classical and ancient style makeup. Chinese costumers are also invited to post their own interpretation of *guochao* make-up and fashion utilizing Florasis' make-up products[300]. Customized content maximizes user experience, so this cosmetics brand's customized content is perceived as more enjoyable, and it is more likely to resonate with consumers.

A peculiar feature of Florasis' core marketing strategy can be defined as "co-creation". Co-creation refers to the extensive collection of user suggestions and ideas through its online community, in order to adapt the products to users' personalized needs, thereby enhancing user experience and loyalty. Huaxizi first invites users to participate in product research and development, and then gets feedback through users' trial of the products. This allows the brand to understand the needs and complaints of customers, to carry out improvements, to optimize products, and to accelerate product development[301]. This co-creation model, in which users are deeply involved in product testing, has changed the one-dimensional marketing thinking of traditional industries. It can enhance users' sense of participation, maintain loyalty to the brand, and reduce the brand's over-reliance on traffic data[302]. From 2019 to 2021, Florasis recruited a total of more than 300,000 reviewers, and accumulated a total of 200,000 co-creating users[303]. Huaxizi's co-creation project recruitment process involves inviting regular Huaxizi costumers to download the "Huaxiaoxi" personal WeChat mini-program account and obtain registration qualifications as a brand experience reviewer. When Huaxizi's new product research and development reaches 60% to 70%, "Huaxiaoxi" will openly recruit brand experience reviewers from consumers, and they will be screened and determined through the "Huaxizi Experience Reviewer" mini program. Based on the new product development principle of "user co-creation, participatory development", only products that pass the tests and have a high satisfaction score will be officially launched to the market[304].

300 ZHANG, (Research on the strategies of live streaming e-commerce…), *cit*., pp. 178-179.
301 YANG, LI, (Analysis of Online Marketing Strategies targeting the Generation Z…), *cit*., pp. 70-72.
302 WU, (Research on the marketing communication strategy of the domestic beauty…), *cit*.
303 Ibid.
304 MA, (Research on the marketing strategy of national cosmetics…), *cit*., pp. 3-6.

3.1.2. Florasis' marketing weaknesses

Although Florasis' marketing proved to be able to lead the brand towards a successful position in the Chinese market, many consumers experienced what can be defined as an overload of advertisement and promotion coming from this cosmetics company. Marketing can highlight the quality of a brand's products, but it can also reveal itself to be a double-edged sword if it is overdone. When a potential customer discovers that numerous KOLs praising a product are actually paid by the brand, regardless of the actual quality, the credibility of positive comments diminishes significantly. Additionally, excessive promotion can lead to inflated consumer expectations that the product may struggle to meet[305]. When it comes to the case of Florasis, according to Yang, Meng and Li's survey, 53% of respondents feel unsatisfied with the excessive promotion of the brand and seven out of ten respondents stated that the main reason they would avoid buying this brand's products is its overwhelming advertisement[306]. In fact, according to Zhao and Tian's survey, 45.83% of respondents come into contact with Florasis' advertisement several times a week, while 17.92% of them see sponsored content every day[307]. Although many potential customers are reached by promotional video content, only around half of the respondents stated that the video content was interesting and left a mark. This is because several interviews feel like the content is too homogenous and lacks originality[308]. On the positive side, what really drowns social commerce users to Florasis' products is its product tutorials and testing videos. For example, in the first quarter of 2022, the brand promoted its "Xiaodai Umbrella sunscreen", posting several video tutorials in which the product's invisibility feature was clearly showcased. In the same period the search index for "Huaxizi sunscreen" increased by 51,600%[309].

Besides overdone marketing, Florasis is already facing another challenge: providing an omni-channel experience to consumers. Currently, consumers' demand for offline stores remains at a high-level, as it can improve users' consumption experience and enhance users' sense of participation and trust in the brand. The store experience can provide consumers with a series of services such as skin testing, targeted care, makeup testing, and product trial,

305 YANG Lan, MENG Wendi, LI Yating, "Marketing Strategies of Chinese Cosmetic Brands in Local Market: A Case Study of Florasis", in *3rd International Conference on Economic Management and Cultural Industry*, 2021, p. 3130-3138.
306 Ibid.
307 ZHAO Dongqing 赵冬青, TIAN Yu 田宇, "抖音 App 信息流广告传播效果研究" (Research on the communication effect of Douyin's information stream advertising), in 国际品牌观察 (Global Brand Insight), 29, 2022, pp. 31-38.
308 Ibid.
309 Ibid.

attracting consumers to conduct in-depth trials, and improve user experience and stickiness. The combination of "online + offline" strategy can comprehensively display brand culture, corporate image, and other information to consumers, forming a closed loop of mutual assistance between brands and users[310]. Currently, Florasis only owns one flagship store called “West Lake hidden garden” (西湖隐园), in Hangzhou. The store emulates the traditional Chinese garden designs and offers a unique and premium consumer experience to its visitors. By opening more stores in first and second tier cities, Huaxizi will be able to meet its consumers’ needs and expectations, providing a full immersion into the brand that will be remembered into costumers’ minds.

3.1.3 Florasis’ overseas expansion

International expansion is one of Florasis’ future ambitions, therefore the brand is already undergoing a process of internationalization. This was publicly stated on 25 September 2023 on Weibo with a message that can be translated as it follows: “Me, Florasis, I’m 6,5 years old and I have a dream: to be a high-end brand rooted in China, going global” (我，花西子，5 岁半，我有一个梦想，做一个立足本土，走向世界的高端品牌。)[311]. In order to achieve this, Florasis first focused on a culturally familiar market, opening its first official store on Amazon Japan in March 2021, to later expand to other markets such as Taiwan, USA, Europe and Southeast Asia. Japan’s interest towards the brand started in 2019 when some product reviews on YouTube went viral, increasingly appealing the curiosity of new Japanese consumers: when Florasis first launched its Love Lock lipstick on amazon, it went sold out quickly[312]. As of 2022 data, Florasis’ overseas traffic comes from three different sources, those being browser search traffic (accounting for 34.18%), social media traffic (30,5%) and direct traffic (29.45%)[313]. Facing overseas markets, Florasis relies on social media marketing and adopts an internet celebrity marketing strategy that takes into account the symbiosis of localized communication and global influence to ensure that marketing activities can better fit the cultural

[310] WU Chu 吴楚, “国产美妆 “花西子” 品牌的营销传播策略研究” (Research on the marketing communication strategy of the domestic beauty brand “Florasis”), in 产业创新研究 (Industrial Innovation), 19, 2023, pp. 145-147.
[311] Florasis 花西子, #我有一个梦想 (I have a dream), [post], in “微博” (Weibo), 26 September 2023, https://m.weibo.cn/detail/4950264111433993, 18-12-2023.
[312] WU Naomi, *Behind C-Beauty Disruptor Florasis’ Global Expansion*, in “Jing Daily”, 16 February 2022, https://jingdaily.com/posts/behind-c-beauty-disruptor-florasis-global-expansion, 13-12-2023.
[313] WU Chu, (Research on the marketing communication strategy of the domestic…), *cit*., pp. 145-147.

characteristics of the target market[314]. Currently, Florasis' overseas digital marketing strategy includes a Facebook, Instagram and TikTok account. In each of these accounts a link to its international website is provided as to directly lead consumers to the online shop. As of December 2023, Florasis' TikTok account boasts 1.2 million followers, and its content includes unboxing videos, product reviews and make-up tutorials[315]. Top beauty influencers such as @jeffreestar (5.7 million followers), @Jonysios (3.2 million followers), and @nadina_ioana (15.1 million followers), have been endorsing Florasis' products on the platform, gaining the attention of a large pool of audience. Notably, a video shared by @travelmomoirs featuring the Love Lock lipstick obtained more than 2.2 million likes. The post sparked numerous inquiries from global netizens eager to know how they could purchase this sought-after product[316]. To appeal to Western consumers, Florasis employs not only Chinese hashtags but also utilizes English hashtags like #makeup, #lipstick, and #skincare. As of December 2023, the TikTok hashtag #florasis has 277.3 million views, while the hashtag #florasisbeauty has 67.2 million views. Aside from TikTok, Florasis actively utilizes Instagram for product promotion. In its Instagram account (boasting 471 thousand followers as of December 2023[317]), Florasis encourages followers to use the hashtag #FlorasisBeauty to share their stories. Beyond showcasing cosmetics through images and videos, Florasis shares tutorials and features photos of Chinese KOLs who endorse the brand. The brand frequently organizes giveaways, allowing subscribers to win cosmetics. Furthermore, Florasis shares subscribers' stories, featuring the unboxing or application of Florasis cosmetics[318].

3.2 Perfect Diary

Perfect Diary, also known as *Wanmei Riji* (完美日记) in China, is a make-up company founded in 2017 in Guangzhou (Canton). Since its foundation, the company experienced huge success in the market, with skyrocketing growth rates, owing to its social commerce marketing efforts. This company is recognized as one of the first domestic cosmetics companies-pioneers

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314 WU Chu, (Research on the marketing communication strategy of the domestic…), *cit.*, pp. 145-147.

315 花西子 *Florasis* [@florasis.official], [TikTok profile], in "TikTok", https://www.tiktok.com/@florasis.official?_t=8i9Vz1MUQi1&_r=1, 13-12-2023.

316 WU Wenzhou, *Behind C-Beauty Disruptor Florasis' Global Expansion*, in "Jing Daily", *cit*.

317 花西子官方 *Florasis Official* [@florasis.official], [Instagram profile], in "Instagram", https://instagram.com/florasis.official?igshid=NGVhN2U2NjQ0Yg==, 13-12-2023.

318 *The sudden success of Florasis abroad: searches for the Chinese beauty spike, but can distribution keep up?*, in "Daxue Consulting", 28 January 2021, https://daxueconsulting.com/success-of-florasis-abroad/, 13-12-2023.

able to compete with well-established international brands, making Chinese consumers be increasingly interested in domestic cosmetics.

When it was founded, Perfect Diary, as its name may suggest, wanted to present itself as an affordable brand able to convey innovation and ideals of perfect beauty that anybody could achieve. The main message the brand wants to convey is that beauty is self-expression and a mark of the beautiful moments in every life. Although this remains true, in 2020 Perfect Diary updated its logo to expand its core message, making the two letters “P” and “D” the main logo. As stated in the company’s international website, “P” stands for perfection: “There is no end to the pursuit of perfection. Our beauty experience is within your reach and beyond your expectation”[319], while “D” stands for three new meanings, those being discovery, difference, and diversity:

> Discovery: There is no end to the pursuit of perfection. Our beauty experience is within your reach and beyond your expectation.
>
> Difference: We encourage all to express themselves. Through unique and original beauty products, we support everyone to realize and demonstrate their own beauty.
>
> Diversity: We love and respect the uniqueness of each individual and embrace the diversity of beauty in the world. We are committed to becoming an international beauty icon[320].

Although the new 2020 logo has stayed the same for the international market, in 2023 the brand updated its logo (figure 25[321]) just for the Chinese market. The logo appears as modern and simple, it consists of Chinese characters “言” and "己" to form the traditional Chinese character "記", emphasizing that the brand encourages consumers to record their beautiful lives through beauty. It has been reported that Perfect Diary’s rebranding indicates that it may expand from a cosmetics brand to a comprehensive full-category beauty brand in the future[322].

Figure 25. Perfect Diary's logos. Source: Perfect Diary.

[319] *Our brand*, in “Perfect Diary”, 2024, https://www.perfectdiary.com/pages/our-brand, 10-01-2024.
[320] Ibid.
[321] 完美日记*(Perfect Diary)*启用新 *LOGO*, in “标志情报局” (Logonews), 15 September 2023, https://www.logonews.cn/perfect-diary-new-logo.html, 10-01-2024.
[322] Ibid.

Perfect Diary's target customers are young women from 20 to 35 years old with a relatively average spending power. The target demographic typically consists of individuals whose income is modest, with living expenses often covered by their parents. Consequently, the brand has gained renown for offering products of high quality at affordable prices. Despite this overall positioning, Perfect Diary strategically categorizes its products into various price tiers, aligning with different consumer preferences and spending capacities. The brand implements specific preferential measures during new product launches to boost product popularity, laying the groundwork for potential price adjustments in the future[323]. Perfect Diary provides an example of how cosmetics companies can deliver good quality goods for relatively low prices. This is achieved by carrying out a DTC (Direct To Customer) business model. Perfect Diary, just as Florasis does, mainly relies on social medias and e-commerce to deliver its products directly to consumers, bypassing intermediary wholesalers and retailers who would increase the final price of the products. Furthermore, the DTC model allows cosmetics brands to directly interact with their customers, receiving feedback and establishing potential long-term relationships with them[324].

One of the most proficient ways to arouse the interest of numerous young consumers, especially gen Z consumers, is co-branding marketing. This marketing technique can be defined as the combination of two brands to create and lunch a new product[325]. When two brands collaborate, they create a fresh image and introduce a new tangible quality to each of the involved brands[326]. Through a co-branding approach, associations formed between brands play a crucial role in aiding consumers to distinguish between them, process and recall information, provide incentives for purchase, and cultivate favorable attitudes by establishing a harmonious connection between the original brand name and the co-branded product. Concurrently, these positive brand associations contribute to a heightened perceived value, making co-branding a

[323] HU Yanhong, "Research on Brand Marketing Model of Perfect Diary of Beauty Enterprises based on 4P Theory Framework", in *Highlights in Business, Economics and Management*, 6, 2023, pp. 29-35.
[324] LI Yixuan 李意璇, "完美日记的品牌战略分析" (Brand strategy analysis of Perfect Diary), in 商讯 (Business News), 17, 2021, pp. 10-12.
[325] Piyush KUMAR, "The impact of cobranding on customer evaluation of brand counterextensions", in *Journal of Marketing*, 69, 3, 2005, pp. 1-18.
[326] Reza A. NASUTION, Devi ARNITA, Saqina Q. PURNAMA, "Believe it or not: the effect of involvement on the credibility of image transfer through co-branding", in *Journal of International Consumer Marketing*, 33, 5, 2021, pp. 578-594.

Figure 26. Perfect Diary and The Metropolitan Museum of Art's lipstick collection. Source: Perfect Diary.

recognized and effective strategy for enhancing brand equity[327].By combining the synergies of co-branding initiatives and the potential reach of social medias, brands can reach new audiences and strengthen the loyalty of their customers. Perfect Diary chose to establish various brand partnerships in order to remain relevant and fresh in consumers' minds and to overshadow competitors. In this regard, in 2019, Perfect Diary introduced a limited-edition lipstick collection (figure 26[328]) inspired by the royal paintings housed in the Metropolitan Museum of Art in New York. The lipsticks were presented in playing-card-style boxes featuring embossed royal portraits on the lids, captivating consumers with their playful, distinctive, and budget-friendly appeal. The campaign garnered a remarkable 110 million reactions on Weibo and resulted in the sale of 800,000 units[329]. As we already analyzed in the previous chapters and in the Florasis example, tapping into Chinese culture and tradition is an effective marketing tactic frequently used by cosmetics companies to promote their product and to enhance their prestige. Perfect Diary is no exception, the company teamed up with China National Geography (中国国家地理) to draw inspiration from China's natural landscapes for their eyeshadow palette (figure 27[330]), with an exceptional result of 130,000 units sold on Tmall store[331]. This plateaus,

[327] Ceyda PAYDAS TURAN, "Success drivers of co-branding: A meta-analysis", in *International Journal of Consumer Studies*, 45, 4, 2021, pp. 911-936.
[328] Richard WHIDDINGTON, *Behind Perfect Diary's Winning Cultural Collaboration Strategy*, in "Jing Daily", 31 December 2020, https://jingdaily.com/posts/perfect-diarys-winning-cultural-collaboration-strategy, 09-01-2024.
[329] Ibid.
[330] *How Did Perfect Diary Become a Top Cosmetic Brand in China?*, in "Labbrand", 2023, https://www.labbrand.com/insights/article/how-did-perfect-diary-become-a-top-cosmetic-brand-in-china.html, 10-01-2024.
[331] WHIDDINGTON, *Behind Perfect Diary's Winning Cultural Collaboration Strategy*, *cit*.

Figure 27. Perfect Diary and China National Geographic's eyeshadow palette. Source: Perfect Diary Weibo.

lakes and terraces inspired make-up set highlights the unique charm of China's characteristic topography. From the color matching to the naming of individual eye shadows, they all incorporate traditional *guochao* elements and immediately catch the attention of consumers during the return of consumers' ethnocentrism[332]. In the Chinese market most of co-branded cosmetics products of popular brands like Florasis concentrate their packaging efforts in the field of traditional culture. Many of the products have the same ancient design, and the ancient cultural nuances that the products want to narrate are also well-known. Although this is still relevant in the market, Chinese style and aesthetic has a completely new definition today. In the area of *guochao* design, Perfect Diary breaks the norms of co-branded *guochao* marketing, daring to try modern Chinese style, by launching new products with contemporary Chinese characteristics and high-end technology[333]. The brand not only boldly innovates in product design, but also retells old stories in advertising By choosing to differentiate its partnerships, cosmetics companies are able to arouse the interest of different groups of consumers, whether they be more sophisticated and culturally invested or whether they be drawn to funny and simple consumer products like cookies. Consequently, Perfect Diary chose to the cookies company Oreo to establish a new partnership to launch co-

Figure 215. Perfect Diary and Oreo's air cushion cream. Source: Perfect Diary's Weibo

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[332] LU Jiahui 陆嘉蕙, "后全球化" 时代媒介融合与传播模式研究 - 以完美日记为例" (Research on media integration and communication models in the post-globalization era - taking Perfect Diary as an example), in 国际品牌观察 (Global Brand Insight), 7, 2021, pp. 34-38.

[333] PENG Mengjie 彭梦洁, XIE Zhen 谢珍, ZHENG Jinhua 郑金花, "国潮与彩妆品牌跨界联名营销策略研究 - 以 "完美日记" 品牌为例" (Research on the cross-border joint marketing strategy of national fashion and cosmetics brands - taking "Perfect Diary" brand as an example), in 辽宁经济管理干部学院学报 (Journal of Liaoning Economical Management Cadre College), 6, 2021, pp. 27-29.

branded limited edition air cushion creams (Figure 28[334]). This collaboration not only delivered a distinctive shopping experience to consumers but also sparked considerable excitement, amplified the brand's reach, also enabling it to distinguish itself in the highly competitive beauty market[335]. Another successful partnership combines the brand with the notoriety of lipstick king Li Jiaqi's dog. In 2020, Perfect Diary launched animals themed palette, featuring the number one beauty KOL's dog in the packaging. This pet had already garnered a devoted following within the influencer's extensive fan community; therefore, the dog-themed palette has become immensely popular. In fact, the monthly sales for the animal series on Tmall reached 85,000 palettes, and the presale for Perfect Dairy's "Super Brand Day" accumulated over 156,000 orders[336].

3.2.1 Perfect Diary's social commerce strategy

When it comes to KOLs and KOCs, Perfect Diary has always been endorsing small and big online personalities as the foundation of its overall marketing strategy. Perfect Diary initially relied on a small number of celebrities and head KOLs to quickly increase brand awareness, and then conducted research on less popular KOLs and KOCs. Broadly distributed, ultimately promoting spontaneous spread among users[337]. When it was first established, Xiaohongshu was Perfect Diary's main advertising platform. Then, Perfect Diary quickly launched KOLs on Douyin and Kuaishou platforms when short-video marketing was gaining traction in China. When it comes to Douyin, the brand's popularity is well established, in fact, in 2021 the brand ranked fourth in the beauty category, surpassing brands such as Armani, Dior, L'Oréal Paris and Estée Lauder. Perfect Diary's rank has been conquered by providing effective video production, and by effectively encouraging consumers to engage with the brand's online content, ultimately establishing a proper community of enthusiasts[338]. It is worth mentioning that, compared to investing in celebrities and Internet celebrities, Perfect Diary pays more attention to KOLs and KOCs, and consciously improves the authenticity of their information

[334] *Perfect Diary: a once-thriving cosmetics brand's decline and lessons learned*, in "Daxue Consulting", 24 March 2023, https://daxueconsulting.com/perfect-diary-case-study-how-this-chinese-makeup-brand-got-to-the-top/, 09-01-2023.
[335] Ibid.
[336] WU Wenzhou, *How Perfect Diary's Puppy Marketing Broke The China Internet*, in "Jing Daily", 10 April 2020, https://jingdaily.com/posts/china-social-media-digital-marketing-campaigns-prada-perfect-diary, 09-01-2024.
[337] LU, (Research on media integration and communication models…), *cit*., pp. 34-38.
[338] FU Jianqiu 傅建球, ZHENG Danni 郑丹妮, "完美日记网络营销策略" (Perfect Diary's online marketing strategy), in 合作经济与科技 (Co-Operative Economy & Science), 4, 2022, pp. 98-99.

sharing by carefully selecting the right personalities who best fit the brand. Unlike other brands that choose influencers based on products and characteristics, Perfect Diary takes a different approach by selecting influencers based on their fans' characteristics in relevant channels. When assessing the advertising impact, even though the sales performance of non-vertical accounts, like those associated with dramas, may not match up to vertical accounts in beauty, they have achieved significant results in terms of enhancing brand visibility and promotional effectiveness[339]. Perfect Diary mainly cooperates with KOLs directly through a data-driven KOL management system, completely avoiding other intermediaries such public relations companies. At the practical level, business development staff establish contact with KOLs and continue to send them new products to promote even if they have not been launched yet. In this way, the alliance between key opinion leaders and the brand is very close, enabling them to establish trust-worthy long-term relationships[340]. The main celebrity brand ambassadors of Perfect Diary are Chinese musician Zhu Zhengting, actress Zhou Xun, and Australian singer and LGBT icon Troye Sivan. Zhu Zhengting was chosen as lipstick ambassador and due to his loyal fans. When Zhu Zhengting was charged of promoting his first lipstick, the campaign received around 779 million views as total exposure, bringing huge exposure to the brand[341]. Zhou Xun made history as the first Chinese actress to secure top honors at the most prestigious national film ceremonies, including the Golden Horse Awards, Golden Academy Awards, and Golden Rooster Awards. Recognizing her as a symbol of beauty and achievement for the Chinese audience, the brand selected Zhou Xun as its global spokesperson, with the aim of communicating the message of "beauty has no limits" to young women worldwide[342]. Finally, Troye Sivan's endorsement is enhancing Perfect Diary's brand equity and increasing awareness, both within domestic and international markets.

When it comes to social media content, Perfect Diary categorizes its audience into three levels. The first level, referred to as "pre-relationship," consists of consumers who are either unfamiliar with the brand or have limited knowledge about it. For this group, Perfect Diary breaks down information barriers and increase the exposure to its brand. The second level is labeled as "weak ties," representing consumers who are familiar with and have been exposed to the brand but haven't developed a strong affinity for it. While these groups are aware of the

[339] FU, ZHENG, (Perfect Diary’s online marketing strategy), *cit*., pp. 98-99.
[340] LU, (Research on media integration and communication models…), *cit*., pp. 34-38.
[341] LIN Zhengyu 蔺政宇, LIU Yunxiao 刘云霄, “完美日记 KOL 种草模式下品牌推广策略研究” (Research on brand promotion strategies under Perfect Diary KOL planting model), in 全国流通经济 (China Circulation Economy), 34, 2020, pp. 17-19.
[342] *Perfect Diary: a once-thriving cosmetics brand’s decline and lessons learned*, *cit*.

brand, Perfect Diary builds a stronger connection by enhancing customer interest through improved communication and involvement. The third level is termed "strong relationship," comprising consumers with a robust interest in the brand who have already made purchases. Perfect Diary's strategy here involves engaging these customers, allowing them to experience the brand's allure, and ultimately enhancing customer loyalty[343].

Starting from 2017, Perfect Diary entered Taobao and began promoting its product and conducting live make-up tutorials through livestreaming sessions. Nowadays, Perfect Diary uses KOLs, KOCs, and celebrities to conduct live broadcasts on various social commerce platforms including Xiaohongshu, Douyin and Bilibili, to evaluate product performance and compare it with other similar products. It intuitively summarizes its own consumption experience, guides consumers to purchase, and accumulates loyal fans[344]. Perfect Diary's sales achievements through livestreaming sessions are outstanding. For example, on 15 January 2021, the comedy KOL duo "Guandong couple" (广东夫妇) hosted a special livestream to promote and sell Perfect Diary's products, obtaining excellent results: 5.65 million users joined the session, 99,000 products were sold reaching a total sales volume of 7.627 million yuan[345].

A unique digital marketing strategy that the brand has been carrying out is based on private domain traffic. Private domain traffic refers to traffic that enterprises divert from the public domain (Internet) and other domains (platforms, partners, etc.) to their own private domain, as well as the collection of traffic generated by the company's private domain itself[346]. Private traffic marketing can form effective communication between consumers through real-time interactive communication channels, improve user stickiness, enhance brand identity, reduce transaction costs, and at the same time form an equal and mutually beneficial relationship between enterprises and consumers[347]. This is achieved through a virtual KOC

343 LI Xia 李霞, "互联网环境下国货美妆品牌的创新营销策略研究 - 以 "完美日记" 为例" (Research on innovative marketing strategies of domestic beauty brands in the Internet environment - taking "Perfect Diary" as an example), in 内蒙古科技与经济 (Inner Mongolia Science Technology & Economy), 22, 2022, pp. 80-81.

344 WEI Wenqian 魏文倩, LI Xu 李旭, WANG Tianze 王天泽, "国货美妆品牌网络营销的现状与对策探讨 - 以完美日记为例" (Discussion on the Current Situation and Countermeasures of Online Marketing of Domestic Beauty Brands - Perfect Diary as an example), in 企业改革与管理 (Enterprise Reform and Management), 4, 2022, pp. 38-40.

345 FU, ZHENG, (Perfect Diary's online marketing strategy), *cit*., pp. 98-99.

346 WEI, LI, WANG, (Discussion on the Current Situation and Countermeasures…), *cit*., pp. 38-40.

347 CHEN Qianting 陈倩婷, HE Lian 何练, "浅析美妆产品私域精准营销及其实现路径 - 以"完美日记"为例" (Analysis of the Precision Marketing of Beauty Products' Private Domain and Its Realization Paths - Taking Perfect Diary as an Example), in 中国商论 (China Journal of Commerce), 2, 2023, pp. 65-67.

account called *xiao wanzi* (小完子) on Wechat. After an online purchase is completed, Perfect Diary will guide customers to add *xiao wanzi*'s personal WeChat account, and then *xiao wanzi* will invite the user to join the WeChat group, effectively converting public domain traffic into private domain traffic. The Perfect Diary team operates thousands of *xiao wanzi* accounts and is directly responsible for the operations of millions of users. The account is designed with both automatic replies and manual customer service to answer questions and fully ensure service quality. This virtual KOC will share product-related content in her daily life, simulating a real persona and effectively stimulating users' interest in the products[348]. All the *xiao wanzi* accounts post product reviews, make-up trials, travels and more in their WeChat Moments feed, as well as flash sales opportunities that consumers rarely miss. This vivid and entertaining way of marketing Perfect Diary's products achieve great results, and it is appreciated by its audience[349]. This new marketing tool comes with several advantages, one being its cost-effectiveness. The number of customers engaging with this service is quite high because it provides them with high-quality services, products information, and coupons. Furthermore, the establishment of a two-way communications style is also conducive to the maintenance of a long-term relationship with customers, with a high degree of consumer loyalty[350].

Alongside *xiao wanzi*, Perfect Diary created another virtual persona called *xiao meizi* (小美子) specifically to assist customers in its offline stores. Consumers can scan a QR code found in the stores to add *xiao meizi* WeChat account on their phone. This second virtual persona's purpose is to guide customers in their offline shopping experience by providing beauty tips and product information. Xiao wanzi and xiao meizi possess different purposes and approaches: this allows Perfect Diary to satisfy consumers' needs and to establish a stronger relationship with them, both online and offline[351].

Perfect Diary has constructed an omnichannel strategy establishing its presence both online and offline, providing consumers with a unique immersive experience. Online transactions are mainly concluded through Taobao and Tmall e-commerce platforms, while actively building WeChat mini-programs and brand official website as to diversify its online

[348] LU, (Research on media integration and communication models…), *cit*., pp. 34-38.
[349] WANG Zhuohui 王卓慧, "国产美妆品牌的崛起: "完美日记" 营销策略分析" (The rise of domestic beauty brands: Analysis of "Perfect Diary" marketing strategy), in 传媒论坛 (Media Forum), 4, 2020, pp. 143,148.
[350] LU, (Research on media integration and communication models…), *cit*., pp. 34-38.
[351] *Perfect Diary – China market strategy*, in "Daxue Consulting", 2021, https://daxueconsulting.com/wp-content/uploads/2021/03/Perfect-Diary-China-market-strategy-report-by-daxue-consulting-1.pdf, 17-01-2024.

sales channels. After reaching a certain sales volume online, Perfect Diary also opened offline experience stores to further improve the expand its share of the market reaching new consumers and to allow them to better experience the brand's products[352].

3.2.2 Perfect Diary's marketing weaknesses

Although Perfect Diary has demonstrated since its establishment that domestic beauty brands are able to effectively compete with international brands, it also proved that possessing the advantage of having a clearer understanding of domestic consumers and implementing tailored marketing techniques not always result in sustained growth in the longer term. The pivotal moment for the brand occurred in 2021. During the Double 11 festival that year, the Chinese beauty brand experienced a decline, slipping from its leading position to the fourth spot on the Tmall makeup sales list. In 2022, the company reported a revenue of 3.71 billion yuan, marking a 36.5% decrease from the 5.84 billion yuan recorded in 2021. This outcome was not solely attributed to the pandemic's impact but also to the brand's inclination towards prioritizing marketing over product quality[353]. In fact, according to Wang's survey, around 61% of Perfect Diary's costumers think that the brand's advertising and marketing is excessive[354]. As indicated in its financial statement, the company's research and development expenditure rates were 0.4%, 0.8%, and 1.3% from 2018 to 2020, respectively. This notably low investment in research and development resulted in quality issues that subsequently triggered consumer outrage. Since 2021, the brand has consistently experienced declining sales, culminating in its exclusion from the top 20 brands during the Double 11 event in 2022. The repercussions of this challenge are evident in the company's financial performance, with revenue growth plummeting sharply from 337% in 2019 to 11.6% in 2021[355]. Both Perfect Diary and Florasis have been suffering of overmarketing practices. Although in the early stages of a brand's life digital marketing is one of the essential tools to grow sales and market share, in the long run companies should put their effort into investing in R&D to improve the products' quality. As data clearly shows, Perfect Diary's investment in R&D is not sufficient to deliver a satisfactory development and quality of its products. In fact, in 2020, the company's investment in the field did not exceed 2% of its turnover[356]. Florasis has suffered less damage because of its strong

[352] LU, (Research on media integration and communication models…), *cit*., pp. 34-38.
[353] *Perfect Diary: a once-thriving cosmetics brand's decline and lessons learned*, *cit*.
[354] WANG Mengjie, *Internet Marketing and Customer Loyalty – Perfect Diary, as an example*, 2021, master's thesis, Instituto Universitário de Lisboa.
[355] *Perfect Diary: a once-thriving cosmetics brand's decline and lessons learned*, *cit*.
[356] LI, (Brand strategy analysis of Perfect Diary), *cit*., pp. 10-12.

product quality, meanwhile Perfect Diary is struggling in both ways. It should be noted that in the early stages, consumers may not be quite attentive towards products' quality when overshadowed by brilliant marketing and community excitement, but in the long run consumers' feedback should be taken into consideration meticulously, as to secure the brand's reputation. Furthermore, when the Perfect Diary brand was launched, it positioned itself as an affordable alternative to well-established international brands. Although this proved to be favorable in the first years, helping the brand to attract new consumers who could not afford higher-end brands, this lower-end image of Perfect Diary seems to be stuck in the consumers' minds, hindering the brand from developing and upgrading itself[357].

3.2.3 Perfect Diary's overseas expansion

When it comes to international expansion, Perfect Diary's first target was set to Southeast Asia in 2020. According to Maria Wang, the brand's overseas markets chief officer, Southeast Asian markets are characterized by a large demand for new products and brands, especially beauty products. Furthermore, in that area e-commerce is still in a developing phase, representing a valuable opportunity for the brand to earn a share of the market[358]. In order to achieve the objective, Perfect Diary utilizes the same strategy applied for the Chinese market, that is creating co-branded product series such as the Sanrio themed series, and to collaborate with local influential celebrities such as Vietnamese singer AMEE and the Malaysian social media influencer Joey Chua. Although the foundation of the strategy is the same, it is localized to meet local consumers' expectations and preferences. This applies to product R&D as well, in fact, Perfect Diary chose to developed specific make-up shades to match local consumers' skin tones[359]. When it comes to Western countries' markets, Perfect Diary has strategically collaborated with renowned entities such as the British Museum and the Metropolitan Museum of Art, engaged American make-up influencers, and appointed Australian singer Troye Sivan as its ambassador, all aimed at increasing visibility abroad. Greater localization efforts are put by the brand to attract new western consumers, signifying that the private traffic strategy applied for the domestic market is not an available option for the brand, since western consumers are more likely to be concerned about privacy issues[360]. Perfect Diary faces not only

[357] FU, ZHENG, (Perfect Diary's online marketing strategy), *cit.*, pp. 98-99.
[358] Julienna LAW, *Can Perfect Diary Take C-Beauty Global?*, in "Jing Daily", 20 July 2021, https://jingdaily.com/posts/perfect-diary-c-beauty-global-expansion, 09-01-2024.
[359] Ibid.
[360] Ibid.

the challenge of understanding diverse consumer behaviors but also the competition from Florasis. In this regard, Florasis is proving to be more successful by capitalizing on its traditional Chinese designs, gaining popularity on platforms like TikTok and Instagram before making its products available for purchase in the US, France, Germany, and the UK. While Perfect Diary now ships to these countries, it must intensify efforts to expand its brand presence and distribution channels to establish itself as a leading player in introducing C-beauty products to the Western markets.

Conclusions

The above work analyzed the Chinese cosmetics industry's evolution, challenges, and prospects, focusing on its relationship with the social commerce environment. Scientific data, marketing, psychology, and communication theories allowed a more in depth understanding of the market and its consumers, as well as Florasis and Perfect Diary’s cases provided authentic and practical examples for this research.

The research in the first chapter uncovered a substantial evolution in the Chinese cosmetics market, spanning from the early 2000s to the present. The market's exponential growth has been accompanied by the rise of domestic brands in the market, challenging well established international brands. Internet development reshaped the industry and market, accelerating the diversification of product offerings, making companies rethink their marketing strategies and allowing consumers to create online beauty communities. Notably, Gen Z and Millennials have emerged as the driving force, characterized by a heightened demand for high quality cosmetic products and an increased level of sophistication in their choices.

Consumer ethnocentrism has become a defining trend, showcasing a preference for locally produced cosmetics. This phenomenon has been further amplified by a surge in national patriotism, creating a strong inclination among Chinese consumers to support and purchase products that proudly showcase their cultural identity. Following this trend, the *guochao* phenomenon, rooted in the fusion of traditional Chinese elements with modern aesthetics, has significantly influenced purchasing behavior, making it a potential marketing tool for cosmetic companies.

Moreover, the integration of social commerce into the industry's fabric has reshaped consumer interactions and purchasing habits. With an increasing number of products being sold online, companies are compelled to leverage digital platforms, e-commerce, and social media to stay competitive.

The second chapter established a theoretical foundation for understanding the psychological intricacies of Chinese social commerce. The S-O-R model illuminated the stimuli-organism-response dynamic, emphasizing the profound impact of various stimuli on consumer behavior within the context of social commerce. Social commerce and its social medias has allowed the electronic word of mouth to become one of the most effective ways of promoting a product, for this reason, cosmetics companies are now leveraging on this trend by endorsing genuine key opinion leaders and consumers to engage with consumers. The *swift guanxi* theory explained the peculiarity of the effectiveness of the social commerce environment, linking it to the specific Chinese cultural background.

The legal framework discussion highlighted the stringent regulations and censorship governing the online space in China. This not only reflects the government's active role in shaping the industry but also underscores the need for companies to navigate a complex regulatory environment.

The influence of key opinion leaders and internet celebrities in the market has been analyzed in detail, showcasing their self-entrepreneur nature, the psychological mechanism behind the phenomenon and their central role in shaping consumers' preferences.

Livestreaming emerged as a dominant force in the Chinese cosmetics market, with its effectiveness in marketing and selling products reaching unprecedented levels. Li Jiaqi's case study served as a compelling example of how a charismatic individual could become a linchpin in the interconnection between the Chinese cosmetics industry and social commerce marketing practices.

In the third chapter, the case studies of Florasis and Perfect Diary provided nuanced insights into the strategies adopted by two prominent players in the Chinese cosmetics market. Florasis achieved success through a meticulous combination of *guochao* design, high-quality products, and up-to-date online marketing strategy. The emphasis on traditional Chinese elements in their design not only appealed to nationalistic sentiments but also contributed to the brand's unique identity. The brand's KOLs represent Chinese excellence: the choice of such personalities clearly reflects the brand's will to celebrate Chinese tradition and to export it abroad as its latest objective.

Perfect Diary, on the other hand, focused on attracting Gen Z consumers through strategic collaborations and the introduction of innovative, affordable products. However, the case highlighted a potential challenge with occasional perceptions of excessive marketing practices. This underscores the delicate balance that cosmetic companies must maintain between promotion and authenticity.

These in-depth case studies offer valuable lessons for businesses aiming to navigate the dynamic landscape of the Chinese cosmetics industry. The successful strategies employed by

Florasis and Perfect Diary underscore the importance of a nuanced understanding of consumer preferences, effective online marketing, and strategic positioning in the market.

In conclusion, this comprehensive analysis has not only contributed to the academic discourse surrounding the Chinese cosmetics industry and its relationship with social commerce but has also provided actionable insights for businesses aiming to thrive in this dynamic market. The synthesis of historical evolution, theoretical frameworks, and case studies has equipped readers with a holistic understanding of the multifaceted dimensions of the industry. Moving forward, the integration of social commerce strategies, adaptation to regulatory landscapes, and a keen understanding of evolving consumer trends will be imperative for sustained success in the ever-evolving Chinese cosmetics market.

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