



Made in France: How French cosmetic brands can sustain success in the Chinese market

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Abstract

Title: Made in France: How French cosmetic brands can sustain success in the Chinese market

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This paper aims to determine the key implications for a French luxury cosmetic brand to sustain success in the Chinese cosmetic market.

As the Chinese cosmetic market is expected to further grow, more and more western cosmetic brands enter and sustain success in the Chinese market. Despite the popularity of Chinese local cosmetic firms, international beauty groups like Estee Lauder, L'Oreal, Procter&Gamble, Shiseido and Unilever account for more than 50% of the cosmetic market in China. Especially French luxury cosmetic brands are favored by the Chinese consumer. They are preferred for their “Made in France”, perceived high quality and expertise.

As China's Economy has evolved a lot in the past years and after becoming a member of the WTO in 2001, China has reduced their administrative barriers to trade. Nevertheless, the government establishes constantly changing regulations regarding cosmetic's packaging, texture and ingredients and increases subsidies.

This thesis analysis, taking the example of *Darphin*, a French skincare cosmetic brand, founded in 1958 in Paris, how to sustain success as a French luxury cosmetic brand in China. After being acquired by the Estee Lauder Group in 2002, the brand finally entered the Chinese market in 2005 and now successfully achieves over 85% of their sales in China.

The major findings emphasize the importance of digital strategies, the degree of localization and adaption as well as brand positioning and storytelling in the Chinese market.

Keywords: *French, Luxury, Cosmetic, China, E-Commerce, Growth, Success, Strategy*

Resumo

Título: Feito em França: Como as marcas de cosméticos francesas podem manter o sucesso no mercado chinês

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Este documento visa determinar as principais implicações para uma marca francesa de cosméticos de luxo para sustentar o sucesso no mercado cosmético chinês.

À medida que se espera que o mercado cosmético chinês continue a crescer, cada vez mais marcas de cosméticos ocidentais entram e mantêm o sucesso no mercado chinês. Apesar da popularidade das empresas de cosmética locais chinesas, grupos internacionais de beleza como Estee Lauder, L'Oreal, Procter&Gamble, Shiseido e Unilever representam mais de 50% do mercado de cosmética na China. Especialmente as marcas francesas de cosmética de luxo são favorecidas pelo consumidor chinês. São preferidas pelo seu "Made in France", percebido como de alta qualidade e perícia.

Como a economia chinesa tem evoluído muito nos últimos anos e depois de se tornar membro da OMC em 2001, a China reduziu as suas barreiras administrativas ao comércio. No entanto, o governo estabelece regulamentos em constante mudança relativamente à embalagem, textura e ingredientes dos cosméticos e aumenta os subsídios.

Esta análise de tese, tomando o exemplo de Darphin, uma marca francesa de cosméticos de cuidados com a pele, fundada em 1958 em Paris, como sustentar o sucesso como uma marca francesa de cosméticos de luxo na China. Após ter sido adquirida pelo Grupo Estee Lauder em 2002, a marca entrou finalmente no mercado chinês em 2005 e agora atinge com sucesso mais de 85% das suas vendas na China.

As principais conclusões abrangem estratégias digitais, o grau de localização e adaptação, bem como o posicionamento da marca e narração de histórias no mercado chinês.

Palavras chave: Francês, Luxo, Cosmético, China, E-Commerce, Crescimento, Sucesso, Estratégia

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1. Introduction

The Chinese beauty market is expected to hit more than \$57 billion by 2040 (Law, 2021). Despite the popularity of Chinese local cosmetic firms, international beauty groups like Estee Lauder, L’Oreal, Procter&Gamble, Shiseido and Unilever account for more than 50% of the cosmetic market in China (McKinsey, 2022). Especially French luxury cosmetic brands are favored by the Chinese consumer. They are preferred for their “Made in France” and perceived high quality.

So far there is no academic research examining the success of foreign cosmetics firms in China. Thus, insights on how firms can establish a subsidiary in China, bridge cultural differences, and deal with Chinese consumers have not been covered extensively, despite the importance of the Chinese market for global cosmetics as the Chinese e-commerce market is forecasted to have been larger than the United States, the United Kingdom, Japan, Germany, and France markets combined in 2021 (McKinsey, 2020). Understanding what factors enable success in the Chinese market using the cosmetics industry as an example is therefore of outmost importance for academia but also for managers.

Therefore, the research question is as follows:

How can a French luxury cosmetic brand sustain success in the Chinese market?

The outlined research question does not only have a high academic importance but also managerial implications that should be taken into account given the overall importance of the Chinese market. Many western companies failed in China and have stopped their expansion efforts unable to profit from the Chinese market (Feng, 2018). Most prominent examples are tech firms, such as Google and Amazon, who have struggled with the cultural differences, barriers of entry and brand positioning (Feng, 2018). The findings from the research question above can provide insights to managers regarding required degree of localization and the best brand positioning limiting the risk of business failure.

To answer the research question, I used a qualitative research approach. More specifically, I conducted a single case study on *Darphin*, a French skincare cosmetic brand, founded in 1958 in Paris. The company has entered the Chinese market in 2005, after being acquired by the Estee Lauder Group in 2002 and makes over 85% of their sales in China.

Firstly, this thesis will outline existing literature on the Chinese market and more specifically the cosmetics industry in the literature review. Secondly, the methodology used will be explained and the empirical setting will be introduced. Lastly, the findings of the conducted interviews will be explained and discussed based on the literature review.

2. Literature review

The literature review shows that as the cosmetic market generally but specifically the cosmetic market in China keeps growing, it is important to understand strategies to sustain success as a foreign cosmetic brand in the long-term. As China belongs to the worldwide top five of countries with the highest number of cosmetic consumers it is a very interesting case to analyze.

First, I will define the luxury cosmetic market and present current trends and main players in the industry. Then, I will discuss the Chinese luxury cosmetic market followed by its regulations. Lastly, I will define the Chinese consumer and sales channels.

2.1 Luxury cosmetic market

The global cosmetics industry has experienced steady growth over time and successfully generated loyal consumers attached to brands of its kind (Deloitte, 2020).

In this growing market, luxury cosmetics achieved a dominant position among consumer needs and preferences. The increasing demand comes from the growing interest in beauty and self-care especially among the young generation, the changing lifestyle of consumers in the developing countries and the increase in awareness about beautification around the world (Zbib et al., 2021).

2.2 Cosmetic market future trends

The global cosmetic market has evolved a lot in the past years. Not only the recent COVID-19 pandemic led to new emerging trends and changes in the consumer buying behavior of cosmetic products but also the shift in lifestyle and the new focus on personal health changed in the past years (Mckinsey, 2022). Consumers are looking for “experiences with a product or brand” rather than just owning it. Thus, customized beauty and personalization are emerging rapidly (Euromonitor, 2021). Smart technology and changes in buying behavior shifting to more digital drive forward the consumers desire for a certain lifestyle. Moreover, driven by the trend towards healthy living and natural and organic consumption, consumers are being more aware of clean labels and sustainable sourcing (Euromonitor, 2021).

2.2.1 Digital experimentation and personalization

One of the biggest trends of the pandemic era across geographies is the shift to digital and e-commerce. Companies were forced to close all retail stores and shift to a full e-commerce operation. Nielson (2020) states that 69% of people bought cosmetics products online for the first time. Thus, the change from one day to the other, forced brands to change their way of offering and communicating their products to consumer (Truong, 2021). Even if most consumers were driven to digital channels due to the pandemic, the majority of those who continue informing, interacting and buying on those digital channels will do so for convenience reasons (McKinsey, 2021). Consumers are seeking services and products that are as personal as possible to them. For the cosmetic industry it means to meet the demand of many different individuals, as 72% of consumers are more likely to stick with a brand or service if offered a personalized experience (McKinsey, 2021).

2.2.2 Taking action on sustainability

The demand to move towards a direction of more sustainable patterns of production and consumption is greater than ever as stated by the Sustainable Consumption Facts and Trends report (World Business Council for Sustainable Development, 2022). In recent years, consumer interest concerning sustainability actions in the cosmetic industry has risen. Increased concerns on cosmetics safety and environmental impacts have intensified as consumers are increasingly conscious of the environment, including the social and ethical parts of production and consumption (Bom et al., 2019).

Today, consumers expect companies to be fully transparent on all processes across their entire value chain. They are looking for companies to identify with and expect full commitment to the responsible use of resources and respective reduction of waste (Qalati et al., 2020).

Not only all processes are expected to be “green”, but consumers' needs for simple and clean skincare with natural and sustainable ingredients increased. More and more consumers are looking for the power of vitamins as natural antioxidants and for products with a focus on anti-aging. (Qalati et al., 2020). Thus, whether in raw materials, processes, production and management,

attention towards sustainable innovation and eco-innovation should be emphasized (Bom et al., 2019). While sustainability actions concern all phases of the cosmetic product life cycle, the selection of organic raw materials starts becoming greater attention.

2.2.3 A desire to be inclusive

Consumers value inclusivity and diversity on all levels. They expect a brand to treat and communicate to everyone the same way (McKinsey, 2022). Inclusive cosmetics refers to cosmetics that is meant to be used by all individuals, regardless of their gender, age, skin tone and skin type (Hennigan, 2021). In recent years, male personal care and beauty routines have become increasingly important. Men as consumer group keep growing and is expected to increase to \$166 billion by the end of 2023, showing an overall increase of 5,5 percent increase to the prior year (McKinsey, 2022). Furthermore, studies have shown that brands emphasizing the inclusivity of the LGBTQ community and people of color are more successful, as consumers increasingly seek out for brands that lay a focus on diversity (Hennigan, 2021).

2.3 Main actors in the cosmetic sector

There is significant competition within each market and segment (skincare, makeup, fragrance, and haircare) where brand recognition, product quality and effectiveness, respective distribution channels, and accessibility play a big role in the choice of the consumer (Estee Lauder Annual Report, 2022). Below are the biggest western players in the cosmetic industry listed.

Estee Lauder

The Estee Lauder Group was founded in 1946 in the United States. The group is divided into four main divisions, namely, skincare, makeup, fragrances, and haircare. More than 80 percent of total sales is coming from the skincare and makeup divisions. Estee Lauder operates in 150 countries with its 31 owned brands (Estee Lauder Annual Report, 2022).

L'Oréal

Founded in 1909, the French group became the market leader today. Divided into four segments, namely Luxury Division, Consumer Division, Professional Division, and Active Division, the group is represented in 150 countries owning a total of 36 brands in all divisions. L'Oréal registered more than 500 patents. Notably, over \$3.05 billion was registered in e-commerce in 2020 (L'Oréal Annual Report, 2022)

Unilever

In 1930 established, the Dutch-British specialized in the consumer goods segment. Divided into three sectors, namely Beauty and Personal care, Food and Refreshment, and Home care, more than 400 brands are being distributed to more than 190 countries. The Beauty and Personal care segment account for 40 percent of the total turnover. Because of this sector, the group is the second largest of all cosmetic companies (Unilever Annual Report, 2022).

Procter & Gamble

The United States based company was founded in 1837 and is represented with more than 200 brands in 180 countries (Procter & Gamble Annual Report, 2022).

Shiseido

The Japanese group, founded in 1872 is the oldest cosmetic brand, specializing in the premium sector. Shiseido is selling its products in 89 countries (Shiseido Annual Report, 2022).

2.4 Cosmetics in China

As China has evolved a lot in the last years, the following part will discuss the Chinese cosmetic market, the regulations on foreign cosmetics, the Chinese consumer and sales channels.

In recent years, Chinese consumers buying behavior in the international luxury consumer market has significantly advanced. As the Chinese economy keeps growing, the import of foreign cosmetic brands has significantly increased (Sun, 2021). China accounts for 46,7% of the Asian pacific cosmetic market and Chinese consumer account for more than 35% of the total global personal luxury goods consumption, overall contributing to a total of 90% of growth in the personal

luxury goods market. The cosmetic market reached a value of \$35,661 million and grew by 3,9% in 2022 according to current market studies (Marketline, 2022). According to the same Marketline study (2022), in 2026, the Chinese cosmetic market is forecasted to grow by additional 28,4% and reach a total value of \$45,795 million.

2.4.1 Regulation on cosmetics in China

In terms of regulations for cosmetics in China, the Chinese government regulates the market by including government legislation, which require strict regulations on the composition and testing of cosmetic products (Sun, 2021). Cosmetic products are divided into two categories, namely ordinary cosmetic and cosmetics for special use. Ordinary cosmetics include skincare, haircare, fragrances, whereas cosmetics for special use include hair color, makeup, whitening products. Both categories require approval before being introduced to the market. Thus, if products contain new ingredients, which previously have not been approved in China, then they require a separate pre-approval by the state (Sun, 2021).

Furthermore, China has specific cosmetic products naming guidelines. The government established a list with all expressions allowed or prohibited to be considered for foreign cosmetic brands when naming products (). Prohibited expressions include arbitrary expression (for example special effect, powerful, extraordinary, etc.), expressions that falsely claim a product is fully natural or expressions that indicate medical effect of a product (for example anti-bacterial, anti-allergic or face slimming) (Marketline, 2022). As of January 2021, China has launched a new Cosmetics Supervision and Administration Regulation (CSAR). The CSAR can be regarded as the "basic law on the responsibilities of cosmetics license holders with regard to product safety and quality" for the cosmetics industry in China (Marketline, 2022). This introduces a risk-based approach to the regulation of cosmetic products. Regulatory compliance must be maintained throughout the life cycle of the product. And the responsibility of cosmetic license holders in terms of product safety and quality will be extended (Marketline, 2022).

2.4.2 Chinese consumer

Driven by the younger generation between 25-30 years old Chinese consumer, the purchase of luxury cosmetic brands of this age group has increased by 10% in 2020 (Qiu, 2021). Promotion on cosmetic is very strong in China and keeps becoming more competitive. The following part will cover factors influencing the purchase of foreign cosmetic brands by the Chinese consumer.

The Chinese consumer values what others think of them as the perspective of others is very important to them (Luo, 2019). As in China, social status depends on economic achievements, well-known luxury cosmetic brands have become a way of showing personal economic strength. Thus, consumer lay importance on high-end and well-known brands as this serves as comparative advantage for them (Luo, 2019). Expensive cosmetics let consumer believe that due to their material wealth, they are superior to others (Luo, 2019). Moreover, the Chinese consumer values brand culture, including unique beliefs, values, norms and traditions of the brand. According to Jie (2019), brand culture in line with the consumers thinking releases emotions and satisfies their emotional needs. Thus, the cultural atmosphere embodied by the brand culture is very important for stimulating consumer's brand decision (Zhang, 2021).

Furthermore, due to the fast development in society and the thrive to follow a certain lifestyle, Chinese consumer rely on opinions of celebrities. Compared to ordinary individuals, celebrities have wider exposure and influence (Bingdan, 2019). Thus, many Chinese consumer follow product recommendations of famous figures (Bingdan, 2019).

2.4.3 Sales channels China

China dominates the global market for business on the Internet, with almost 50% of global retail sales transacted via Chinese platforms. With over 1 billion Internet users and 842 million online customers, the potential of Chinese online commerce is enormous (Giuffrida, 2019).

Due to the high internet penetration rate, the widespread use of smartphones and most recently also intensified by the Covid pandemic, the consumption behavior of Chinese consumers has shifted strongly from offline to online. Two-thirds of all Chinese use their smartphones to shop online. In Europe, for comparison, it's only one-third. E-commerce is now one of the most important sectors of the Chinese economy (Richter, 2021). In 2021, the volume of cross-border e-

commerce trade in China alone amounted to CNY 14.2 trillion, up 13.6% from 2020 and up 43% from 2017. This growth is not only due to the export of Chinese products overseas. The import of high-quality goods from overseas to China is also steadily increasing, with 155 million Chinese customers importing goods worth CNY3.2 trillion into China via e-commerce portals in 2021, up 14.28% year-on-year (Giuffrida, 2019).

The most important platforms for CBEC in China include Tmall Global (26.7% market share), Kaola Haitao (22.4% market share), and with around 10% market share each, JD Worldwide, Suning International and Vipshop International (Giuffrida, 2019).

Tmall Global is China's largest cross-border B2C e-commerce platform with a market share of 37.4%. As part of Tmall.com, it belongs to the Alibaba Group. Many international luxury fashion brands as well as luxury fashion platforms (e.g. Farfetch, Net-A-Porter) sell their products via this website (Richter, 2021). Tmall Global offers both an international direct shipping service (including delivery and tracking within 5 to 8 business days) and delivery from bonded warehouses in China's free trade zones. As Tmall Global is the most well-known and reputable CBEC platform, it charges higher fees on average than other CBEC providers (Richter, 2021).

Kaola Haitao is the second largest platform (26% market share) in cross-border online commerce and was acquired by Alibaba Group in 2019. Kaola's business model is based on selling high-end international goods to wealthy Chinese families. However, the platform has been facing problems for a long time due to counterfeit branded products sold through its site (Richter, 2021).

JD Worldwide (17.8% market share) is the cross-border section of the well-known B2C e-commerce platform JD.com. It sells all kinds of items such as cosmetics, personal care products, food, beverages or health products. Large international supermarket chains such as Walmart or Sam's Club officially cooperate with JD.com and operate online stores. For more than ten years, JD.com has been striving to build its own comprehensive logistics network, enabling consumers to receive items as quickly as possible after ordering - often on the same day or the following day. JD Worldwide can also draw on this logistics network (Richter, 2021).

3. Methodology

In this chapter, I address the design of my research, as well as the processes for both data collection and data analysis.

3.1 *Research Design*

I employed a qualitative research approach to advance the understanding of a strategic organization and to illustrate the organizations lived interpretations (Graebner et al., 2012). Qualitative data enables participants to express themselves in their own words which allows to capture a detailed interpretation of this phenomena (Creed et al., 2010). Another rationale is that due to the limited prior research on entering and succeeding in the Chinese market in the long term, as a luxury cosmetic brand, a qualitative approach allows to understand a complex process as it will allow me to unfold strategies and mechanisms (Van de Ven, 1992).

Moreover, I used a single case design to show a representative case of a successful French luxury cosmetic brand in the Chinese market. The case allows to trace the emergence of China as a new market (Ozean & Santos, 2015) and will explain lessons learned and strategies to employ. Thus, it serves to be informative about the experiences of institutions of the same kind (Yin, 2009).

I chose to do a single case study of *Darphin*, a French luxury cosmetic brand to examine their success in the Chinese market and to investigate on a fine-grained level of detail. I was able to obtain first-hand information, establish contacts within the company and observe important processes, as I was employed as an intern in the global consumer marketing team in Darphin's headquarter in Paris.

3.2 *Data collection*

I relied on both primary and secondary data, including (a) semi-structured, one-on-one interviews with employees working on both the global and affiliate level of the brand to analyze both sides equally ; (b) archival data about the brand and its expansion to China; (c) attendance in affiliate calls *French global x China* about general marketing activities.

Overall, I conducted ten formal interviews with management of different levels (junior to senior) in the global french team as well as the team in China. In total, I attended six affiliate calls with the global and Chinese management to capture the communication, culture, and support the Chinese team needs and expects.

Additionally, I included sources from the archival data for the time before and during the primary data collection as well as to go beyond and include future strategies of the brand and to familiarize with the organizational context. Thus, I consolidated internal documents on the brand's growth plan with focus on the Chinese market, information on the brand's product portfolio and pricing in China as well as the marketing calender and the companies annual report. Additionally, I included newspaper article to support with external sources.

3.3 Data analysis

I analyzed the data by organizing it in three steps, finally leading to three factors, as shown in 2. I started by conducting open coding (Blair, 2015; Gioia et al., 2013) with first order codes created from the literature and archival data given. As moving on in the process, either new codes evolved or I categorized new data under already existing codes. Next, to consolidate all first-order codes into categories, I used axial coding (Williams & Moser, 2019). Lastly, similar categories were merged into factors that describe three final factors, explaining Darphin’s success in the Chinese market, namely localization, brand positioning and digital strategies. Below is an example of the conducted coding process.

Factor	Category	First-Order Code	Example of Quotations
Digital Strategies	Designing the strategy	Focus on e-commerce	We believe our double-digit growth in China can be sustained in the long term as we continue to increase our investment in China, helping to recruit new young consumers and drive repurchase and loyalty (interview of Darphin’s International Manager)
	Service	Loyalty drive	Offering one-on-one skincare services enhances customer experience and allows to emphasize exceptional service and experience (interview of Darphin’s Marketingl Manager)

Table 1: Coding example

4. Empirical Setting

4.1 Business

The Estée Lauder Companies Inc., established in 1946 by Estée and Joseph Lauder, is one of the top producers, distributors, and retailers of high-quality cosmetic, fragrance, and personal care goods worldwide. The following well-known brand names are being sold in about 150 different countries and territories: Estée Lauder, Clinique, Origins, M.A.C., Bobbi Brown, La Mer, Aveda, Jo Malone London, Too Faced, Dr.Jart+, and The Ordinary. Additionally, the company maintains global licenses for brands like Tom Ford and AERIN that are related to cosmetics and/or fragrances. Within the market for cosmetics and other beauty products, each brand is clearly positioned (Estee Lauder Annual Report, 2022).

Since the company's inception, the Lauder family has maintained influence over the company. As of August 17, 2022, members of the Lauder family—some of whom are directors, executive officers, and/or workers—beneficially owned, directly or indirectly, shares of the Company's Class A Common Stock and Class B Common Stock, which together account for approximately 84% of the outstanding voting power of the Common Stock.

4.2 Product

Estee Lauder's product portfolio is divided by product category, namely skincare, makeup, fragrance and haircare. Over the years the group focused and specialized more and more on skincare brands, with 56 percent of total sales in this category (Estee Lauder Annual Report, 2022).

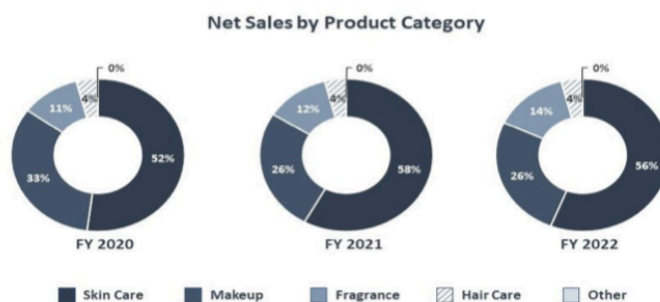


Table 2: Estee Lauder Annual Report, 2022

4.3 Brands

Estee Lauder’s marketing strategy has been to market and promote products through distinctive brands seeking to address a wide range of consumer preferences and tastes due to the personalized nature of their products, the wide variety of consumer preferences and tastes, as well as competition for the attention of consumers. Each brand has a singular, worldwide identity that is marketed through standardized logos, packaging, and advertising intended to strengthen that identity and set it apart from other brands on the market. Numerous characteristics, such as quality, performance, fit with a specific lifestyle, distribution channel (e.g., prestige or mass), and price point, serve to distinguish different beauty brands (Estee Lauder Annual Report, 2022). The majority of the brands the company carries are represented in the graph below along with an assessment of them based on pricing and lifestyle:



Table 3: *Estee Lauder Annual Report, 2022*

4.4 *Darphin*

The French brand with their global headquarter in Paris was founded in 1958 in Paris and was acquired by the Estee Lauder Group in 2002 (Estee Lauder Annual Report, 2002).

Darphin is positioned in the very classic and high-priced sector. The luxury skincare brand designs proven skincare solutions, using the precision of science to amplify the powerful essence of nature. This united force delivers potent botanical actives deep into the skin using pioneering carrier technology. Darphin products are being sold in department stores, specialty stores, pharmacies, institutes and spas as well as online. Main competitors of the brand are Helena Rubinstein, Dior Beauty, Dr. Barbara Sturm, Lancome, Guerlain and sister brands like La Mer and Estee Lauder. The brand distributes to 46 countries in total, where 23 countries are European countries.

The brand focused on five franchises, namely Intral, Essential Oil Elixir, Stimulskin Plus, Eclat Sublime and Hydraskin targeting different consumer groups by targeting different concerns (i.e. anti-aging, redness) and offering different price points (Appendix 1).

85% of the brand's business is being done in China, which reflects a big success in the Chinese market. Darphin entered the Chinese market in 2018, as the fifth brand of the Estee Lauder group and as second brand, followed by LaMer, solely focusing on skincare. Until today the brand shows a constant growth with another +40% growth in 2022.

When the brand was first acquired by the Estee Lauder Group (2002) the brand struggled to find a well-defined positioning in the French cosmetic market. In 2005 they started to focus on the Chinese market by setting up local teams in the Chinese affiliate.

When the Estee Lauder Group first entered the Chinese market, the company focused on high-end product sales. The Group allocated respective brands to the different target consumers (Estee Lauder Annual Report, 2022). The company's strategy was to find a target group suitable for each brand identity. For example, the brand M.A.C. stands for "personal style, color authority with artistry at their roots" (M.A.C.com), whereas, the LaMer brand is the typical high-end brand. This matrix of "all-around brands" includes almost all categories of cosmetic items and price

ranges, reducing the risk of consumers changing their preferences. Now, with the latest expansion of the two luxurious fragrance brands BY Kilian and Editions de Parfums Frederic Malle since June 2020, The Estee Lauder Group operates with nine brands in the Chinese market (Estee Lauder Annual Report, 2022).

China Presence of Estee Lauder Group's Acquired Brands				
Brand Name	Year Established	Year Acquired	Positioning	Year entered China
M.A.C	1984	1995	Professional cosmetic brand	2005
Bobbi Brown	1991	1995	High-end professional cosmetic brand	2005
La Mer	1965	1995	Luxurious skincare brand	2004
Jo Malone	NA	1999	High-end fragrance and skincare brand	2014
DARPHIN	1958	2003	High-end professional skincare brand	2018
Tom Ford	2004	2015	Luxurious cosmetic brand	2015
GLAMGLOW	2010	2014	High-end mask brand	2019

Table 4: Estee Lauder Annual Report, 2022

Due to well-defined expansion strategies, the group received great results in the Chinese market. However, due to the thriving domestic brands but especially due to the international brands the company meets tremendous challenges. In particular, the L'Oréal Group follows an identical strategy in the brand mix.

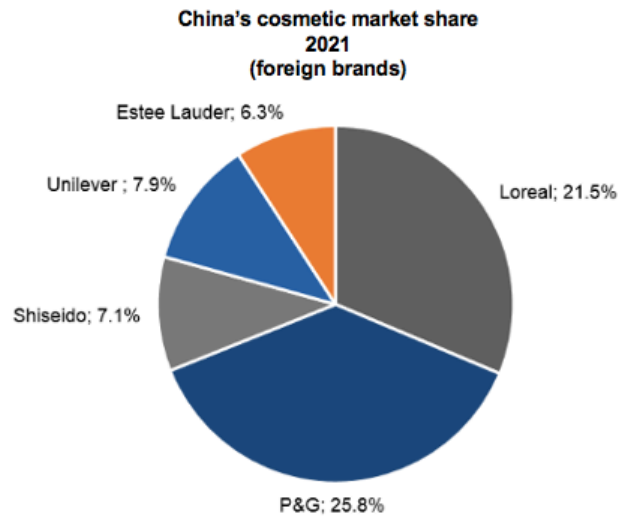


Table 5: Estee Lauder Annual Report, 2022

4.4.1 China's importance to Estee Lauder

Chinese consumers are the most crucial consumer group for the Estee Lauder group. The net total sales of the fiscal year 2021 reported \$16.2 billion, compared to \$14.3 billion in the fiscal year 2020 (Annual Reports, 2022). Mainland China, including travel retail locations, accounted for 36 percent of total net sales, a total of twelve percent increase from the previous fiscal year (Annual Reports, 2022). Additionally, in the third quarter of FY22, the group totaled \$4.2 billion, up from \$3.9 billion in the same period last year.

4.4.2 Estee Lauder in China

In 1961, the Estée Lauder Companies built a presence in Hong Kong. Today, the APAC area employs roughly 16,100 people full-time, with the company operating 13 affiliate offices, two R&D facilities, three creative and trend labs, and various distribution locations. There are over 400 freestanding storefronts and thousands of points of sale in retail outlets and online to serve customers (2022).

The Estée Lauder brands were introduced to Mainland China in 1993, with the first stores opening in Shanghai. The company opened its China affiliate office in 2002. Today, they are the

market leader in Mainland China's prestige beauty business, with a physical store presence in over 141 cities and a brand e-commerce and mobile site and platform presence in over 670 locations.



SOURCE: THE ESTÉE LAUDER COMPANIES, 2022

Table 6: Estee Lauder Annual Report, 2022

In order to better understand the demands of Asian consumers, the company formed a Research and Development team in 2005 and opened a specialized R&D center in Shanghai a few years later in 2011 to develop skin care products specifically for the Asian market. Estee Lauder is currently constructing a new, cutting-edge Innovation Center powered by data and cutting-edge technologies, which will open in 2022. The expansion of their research capabilities demonstrates the company's strong commitment to local consumers while also allowing us to tap into the scientific knowledge base and skills of local individuals (2022).

5. Findings

In this chapter I give answers to the research question, analyzing the example of the French luxury cosmetic brand Darphin. I found that the brand focuses on three strategy pillars, covering the brand positioning, the adaption to the Chinese market and the focus shift on e-commerce. The chapter is divided into three sections corresponding to the respective strategies.

5.1 Implementing product placements

The analysis shows that for the Chinese consumer, the brand image starts with the experience they have during the use of the product. The Chinese culture, despite economic development, remains rooted in group orientation and acceptance of societal hierarchy. Economic development replaced the closest family as the biggest influence on the consumer by peer groups and colleagues. Additionally, also the ranking in society (e.g. elite, elevated positions) had been replaced by brand consumption.

“Gaining face often drives brand consumption among Chinese” (interview with Vivian Han, Brand Development China)

Having said this, Darphin’s brand positioning focused on building a deep emotional relationship with their consumer. Especially, young consumers are enthusiastic about cool new brands. Next to that, product placements and celebrity visibility contribute to the Chinese consumer’s emotional brand attachment.

“Whereas, western consumers sometimes even react with skepticism, Chinese consumer expect celebrities involvement in brand’s promotions” (interview with Florence Schweinberg, Sr Global Consumer Marketing Darphin)

5.2 Preparing to comply with the Chinese regulation

When it comes to the adaption to the Chinese Market, Chinese Senior Management emphasizes the importance of acting in favor of the government.

“In 2023 new regulations regarding packaging, texture, and animal testing will come into effect: We will have to change all SKU’s, a total of 120 different products (in all formats) ingredients, as some ingredients are not allowed on the Chinese cosmetic market, and apply the new zero space packaging rule for all set boxes and packages.” (interview with Edouard Marchand, International Lead Darphin)

The zero-space packaging concerns the outer packaging of the product for now. Generally, the product’s packaging is not allowed to exceed the original products size by 0,5cm from all sides.

Thus, the biggest hurdle for European cosmetic ingredient suppliers is marketability, i.e. achieving ingredient registration in China. Ingredient registration in China now also has a major impact on the European business of ingredient suppliers, because many cosmetic brand manufacturers plan product sales in China for the longer term. With an ingredient that is not approved in China, the cosmetic manufacturer cannot register and sell its product in China.

However, the approval process for cosmetic ingredients takes three to five years, depending on functionality.

“That is why I advise early planning of the application. Registration of a new ingredient is much more complex as extensive information on the creation of the product, existing test reports, and important product data is needed.” (interview with Tong Wang, E-commerce and marketing manager)

Decisive for success is complete and qualified information as well as the execution of the registration by a professional service provider, especially since the documents to be submitted often contain sensitive information about the core competencies of an ingredient supplier. On the other hand, data security is largely guaranteed at the Chinese registration authority CFDA. Efficient communication between the service provider and the ingredient supplier also contributes to smooth cooperation and thus to the ultimate success of the project.

5.3 Targeting younger consumer group

“We learned that the interests of the age group 25+ changed and consumers get more and more interested in international brands, mostly for the following reasons: Trust in quality and the brand image of French cosmetic brands. Buying French cosmetics gives a face to Chinese consumers in their culture” (interview with Xiangrui Zhu, International Market manager)

On top of this, Chinese consumers appreciate french cosmetic brands’ disruptive marketing campaigns. In the future, Darphin will focus solely on the 25+ consumer group as they see the potential due to high buying power of young consumer who are nowadays willing to and able to afford the brand's higher-priced products. Especially the Stimulskin Plus franchise and the newly launched “Hero in the making” franchise Eclat Sublime are favored by this specific consumer group.

“Consumer in China start relatively early with the usage of anti-aging products (interview with Virginie Bonnie, International Project Lead)

Darphin’s Head of International, sees the potential in targeting younger consumers by advertising on digital channels supported by KOL’s (Key Opinion Leader). “The 20+ consumer group used to buy and prefer domestic brands for the following reasons: It is cheap, it works and advertisement is flashy and aggressive and you will find to buy the brands everywhere” (Image showing local brands at Watson, Shanghai, China, 2022).



Watson, Shanghai, China, 2022

“As Darphin is positioned in the luxury cosmetic sector but offers entry priced franchises, our strategy is to target young consumer with less expensive product and use the evolving brand knowledge as recruitment tool for our high prices products” (interview with Xiangrui Zhu, International Market manage)

In terms of strategy, Darphin set up a very strong local team that is in charge of running operations in and for China. They really do understand the market and the Chinese consumers. They work very closely with the regional team which is based in Hong Kong, and the global team in Paris. In that way, the brand makes sure to maximize the chances of identifying what Chinese consumers are looking for.

5.4 Implementing spokesperson or KOL (Key Opinion Leader)

To target younger audiences, the brand is planning to further shift its focus on KOL advertisements. KOL in China targets young individuals between 20 and 30 years old, especially post 90s to 00s. The type of content can be divided into four categories: Q&A, text and photo, short videos, and live stream.

“Short videos among internet users is expected to reach a 90% penetration, while live streaming will achieve 79%.” (interview with Tong Wang, E-commerce and Marketing manager)

The Chinese consumer engagement manager’s strategy is to avoid being too commercial and give the KOL enough freedom for creativity but still have proper briefings and a clear communication before starting the campaign to avoid diluting the brand image.

5.5 Implement disruptive digital strategies

One challenge of the Chinese cosmetics market lies in the frequent lack of brand loyalty among customers. Chinese buyers like to try out different brands, even if they were quite satisfied with the first one. Anyone who wants to sell cosmetics in China, therefore, tends to have to make greater PR efforts than is usual in Europe. This is the only way to acquire and retain customers in the long term. But this extra effort can quickly pay off because China is on its way to becoming the largest cosmetics market in the world. Because Chinese customers are willing to pay corresponding prices for better quality, the market is extremely profitable for European brands. Moreover, the market - like most others in the Middle Kingdom - is growing rapidly. Generally, one can state that, as global brands seek to focus on digital savvy Chinese consumers to sell on social channels, specifically WeChat emerged as a brand's must-have growth engine to be integrated with the strategies in China.

5.5.1 Implement personalized communication approaches

WeChat social commerce enables to engage customers, build trusted, personalized and value-driven relationships via private domain practices. Private domains allows Darphin to build and maintain their own customer database and with that better improve engagement and lower marketing acquisition costs. Darphin benefited from those operations, while five stores participated and achieved 700.000 RMB (\$100.000) in sales within one month.

“The brand develops a built-in Member Club that supposedly is a sampling offer to encourage consumers to engage” (interview with Tong Wang, E-commerce and Marketing manager)

For every registration, the consumer gets three free samples to try out. For every additional free sample, consumers will have to face different missions, such as adding a Darphin employee as WeChat contact. With QR embedded in the app application, people will be directed to Darphin's beauty advisor to add.

“Such campaigns are important to attract high potential customers and convert them into members. We want to create a community, with the goal of long-term loyalty and conversion optimization” (interview with Margaux de Franssu, Global Consumer Engagement)

Next to new product recommendations and personal consultation, all supported by scientific facts, also Questions and Answers serve as daily interactions. WeGroup groups improve conversion with exclusive offers. Within the groups, benefits like limited-set offers or exclusive offers are being shared with all members. Depending on the level within the CRM system, a total of six upgrades, ranging from Diamond to Potential Customer, you will be offered different benefits. The brands management believes that their double-digit growth in China can be sustained in the long term as they continue to increase investments in China, helping to recruit new young consumers and drive repurchase and loyalty.

5.5.2 Offer one-on-one service solutions

Integrating personalization to capture attention proves to be well-working in consumer acquisition. Darphin offers an individualized skin quiz to elevate customer engagement with the brand. On their WeChat mini program consumer can learn more about their skin conditions, skincare routines, and recommended products, this way Darphin increases brand awareness and consumer recognition of the products.

Before and after purchase, consumers can ask the online beauty advisor for help.

“Offering one-on-one skincare services enhances customer experience and allows to emphasize exceptional service and experience” (interview with Florence Schweinberg, Sr Global Consumer manager)

6. Discussion

The displayed findings are in accordance with the existing literature, considering the potential for foreign luxury cosmetic brand's to enter and sustain success in the Chinese market.

Evidently, the findings support the previous literature on the importance of e-commerce. Prioritizing the brand's digital strategy is a key successor for winning in the cosmetic market

nowadays. According to both the literature and interview findings, finding ways to personalize the e-commerce experience and find ways to individually communicate to consumer in China will help in succeeding in the market. The literature proves that most of the brand awareness comes from digital platforms, as more than 2/3 of the Chinese buy online (Richter, 2021).

Chinese consumer's consumption is driven by "gaining face", despite the economic development, the ranking in society plays a major role. Having said this, the interview findings prove the fact that luxury cosmetic brands need to focus on deep emotional relationships with the consumer.

Moreover, the literature proves that Chinese consumers' purchase decision of luxury cosmetics is based on celebrity influence (Bingdan, 2019), comparative advantage (Jie, 2019) and brand culture (Zhang, 2021). Moreover, as described in the literature review especially the younger generation between 25-30 years old drives the purchase of foreign brands, with an increase in 10% in growth in 2020 (Quian, 2022).

In terms of Chinese regulations on foreign cosmetic brands, the previous literature review proves that it is difficult to comply due to many changing restrictions (Sun, 2021). Despite the economical evolution of the country, and looser entry barriers, it is still difficult to maintain the same product portfolio in China. Thus, due to the constant change in requirements it is useful for a long-term success to implement R&D center specifically in China, to change and adapt differences in texture, ingredients and testing efficiently.

7. Conclusion

In conclusion, the findings in this paper underlined that the demand for foreign, especially French luxury cosmetic in China is increasing. Chinese consumers are looking for “Made in France”, high-quality cosmetic and are willing to pay extra for well-known brands and expertise in tackling certain skincare concerns.

Generally, entering the Chinese market as a French luxury cosmetic brand has become easier in the past few years due to looser trade barrier regulations. With looser trade barrier regulations comes an increase in competition as more and more (French luxury) cosmetic brands will try to conquer the Chinese cosmetic market. Even though barriers are to handle, always changing regulations on packaging, materials and naming arise. In order to succeed, brands should plan at least five years ahead to ensure compliance with all requirements. As the legal part is covered, brand’s need to well-define their positioning in the Chinese Market and know exactly whom to target in order to find the right communication, channels and spokespersons, for Chinese consumers. All in all, Chinese have become e-commerce focused shopper, which means to focus the investment on unique and diversified digital strategies to raise awareness and win in the Chinese market.

However, there are limitations that need to be addressed. The investigated sample population solely comprises ten interviews – five with the affiliate team and five with global team from Estée Lauder Companies. Therefore, the sample is limited in terms of people and solely focuses on the development of the expansion of Darphin. Therefore, the findings outlined above are very specific to the cosmetics industry and might have to be adapted to different industries or different firms focusing on a different target demographic within the cosmetic industry.

The difficulties companies face do illustrate compelling opportunities for future research. Several different future research objectives might be compelling. Firstly, it would make sense to expand the current empirical setting to a larger set of companies conducting a larger number of interviews. This would enable researchers to confirm the findings in this paper and illustrate differences between different competitors that also invest heavily in expanding their brand portfolio to China. Furthermore, investigating different industries might also make compelling research. The automotive industry has also targeted the Chinese market actively and many carmakers have focused their activities on the Chinese market (Holweg et al, 2009). Undertaking a similar research endeavour and comparing the results will outline industry specific difference

enabling firms to be more resilient targeting Chinese consumers and dealing with the Chinese market minimizing the risks of failed expansion activities.

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Appendix

Appendix 1: Primary and secondary data collected

CASE	TYPE OF DATA	NAME OF THE INTERVIEWEE	ORGANIZATION	POSITION IN THE ORGANIZATION	DATE OF THE INTERVIEW	LENGHT OF THE INTERVIEW
CASE	Interview	Florence Schweinberg	Estee Lauder Companies PARIS	Sr Global Consumer Marketing Manager	31/10/2022	1:30 h
CASE	Interview	Margaux de Franssu	Estee Lauder Companies PARIS	Global Consumer Engagement Manager	31/10/2022	40 Min
CASE	Interview	Edouard Marchand	Estee Lauder Companies PARIS	International Lead	17/11/2022	1.40 h
CASE	Interview	Xiangrui Zhu	Estee Lauder Companies PARIS	International Market Manager APAC	10/10/2022	2:15 h
CASE	Interview	Virginie Bonnie	Estee Lauder Companies PARIS	International Senior Project Leader	17/11/2022	30 Min
CASE	Interview	Wang Ou Seagull	Estee Lauder Companies CHINA	E-Commerce Director	27/10/2022	40 Min
CASE	Interview	Tong (Vivian) Wang	Estee Lauder Companies CHINA	E Commerce and Marketing Manager	27/10/2022	1:20 h
CASE	Interview	Jessi Zhu	Estee Lauder Companies CHINA	Business Analysis ECommerce	28/10/2022	1:30 h
CASE	Interview	Vivian Han	Estee Lauder Companies CHINA	Function Manager, Brand Development	10/10/2022	35 Min
CASE	Interview	Minxiang Fan	Estee Lauder Companies CHINA	E Commerce Manager Consumer	04/11/2022	50 Min

CASE	TYPE OF DATA	NAME OF THE INTERVIEWEE	ORGANIZATION	POSITION IN THE ORGANIZATION	DATE OF THE INTERVIEW	LENGHT OF THE INTERVIEW
CASE	Interview	Florence Schweinberg	Estee Lauder Companies PARIS	Sr Global Consumer Marketing Manager	31/10/2022	1:30 h
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CASE	Interview	Jessi Zhu	Estee Lauder Companies CHINA	Business Analysis ECommerce	28/10/2022	1:30 h
CASE	Interview	Vivian Han	Estee Lauder Companies CHINA	Function Manager, Brand Development	10/10/2022	35 Min
CASE	Interview	Minxiang Fan	Estee Lauder Companies CHINA	E Commerce Manager Consumer	04/11/2022	50 Min

CASE	TYPE OF DATA	TITLE OF THE DOCUMENT	NAME OF THE AUTHOR	NAME OF THE ORGANIZATION	DATE OF PUBLICATION
CASE	Internal Document	Annual Report	Global	Estee Lauder Companies	FY20-FY23
CASE	Internal Document	FY23 SKU Changes China Overview	Global	Estee Lauder Companies	FY22
CASE	Internal Document	Darphin Growth Plan 2020	Global	Estee Lauder Companies	18/03/2020
CASE	Internal Document	Marketing Calender	Global	Estee Lauder Companies	FY23-FY24
CASE	Internal Document	China Pricing Architecture	Global	Estee Lauder Companies	24/08/2021
CASE	Internal Document	TMALL and WECHAT Reporting	China	Estee Lauder Companies	18/03/2020
CASE	Internal Document	Sellout Analysis 2022	China	Estee Lauder Companies	20/11/2022
CASE	Internal Document	KOL Partnership	China	Estee Lauder Companies	FY23

CASE	Newspaper artile	Estee Lauder develops brand for China	Michael Tier	New York Times	24/09/2022
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CASE	Newspaper article	Expanding coverage: Estee Lauder preparing to increase presence across all China retail channels	Amanda Lim	Cosmetics	16/02/2022
CASE	Newspaper article	Estee Lauder slashes outlook on China restrictions	Maliha Shoaib	VOGUE Business	03/11/2022
CASE	Newspaper article	Estee Lauder Companies to focus on Chinese consumers more	He Qi	China daily	17/12/2022
CASE	Newspaper article	Estee Lauder: Cosmetics rebound outside of China	Fred Harry	BCC	03/05/2022

Appendix 2: Darphin product portfolio overview per franchise

	OLD OUT AND NEW IN FY23		OLD FY22	NEW FY22	NEW FY23	OLD OUT AND NEW IN FY22	
Category			CLEANSERS			SERUM	
Product Name	CLEANSING MILK WITH CHAMOMILE	AIR MOUSSE CLEANSER WITH CHAMOMILE	TONER WITH CHAMOMILE	DAILY MICELLAR TONER	WATERY LOTION	DAILY RESCUE SERUM	INNER YOUTH RESCUE SERUM
Product Image							
Retail Format	200ml / 500ml	125ml	200ml / 500ml	200ml / 500ml	200ml / 500ml	30 / 15 / 50 / 75 / 100ml	30 / 15 / 50 / 75 / 100ml
3 Key Claims suggested	<ul style="list-style-type: none"> Cleanse Comfort Soften 	<ul style="list-style-type: none"> Refresh Comfort Cleanse 	<ul style="list-style-type: none"> Soothe Tone Refresh 	<ul style="list-style-type: none"> Tone Cleanse Refresh 	<ul style="list-style-type: none"> Soothe Hydrate Reduce pore 	<ul style="list-style-type: none"> Soothe Hydrate Revitalize 	<ul style="list-style-type: none"> Soothe Renew Prevent
SRP FR FY23	32€ / TBC	32€	32€ / TBC	32€ / TBC	45€ TBC / TBC	63€ / TBC	69€ / 35€ / 115€ / TBC

	OLD OUT AND NEW IN FY23		OLD OUT AND NEW IN FY23		NEW FY23		NEW FY23		
Category	CURE	SERUM	EMULSION	CREAM IN FY24	CREAMS		EYE CREAM	EYE CREAM	SPF
Product Name	RESCUE SUPER CONCENTRATE	SOOTHING AND FORTIFYING SERUM	ACTIVE STABILIZING LOTION	SOOTHING CREAM	REDNESS RELIEF RECOVERY BALM	REDNESS RELIEF RECOVERY CREAM	DE-PUFFING ANTI-OXIDANT EYE CREAM	INNER YOUTH RESCUE EYE CREAM	ENVIRONMENTAL LIGHTWEIGHT SHIELD SPF50
Product Image									
Retail Format	4x7ml	30 ml / 50ml TBC	100ml	50ml	50ml	50ml	15ml	15ml	30ml
3 Key Claims suggested	<ul style="list-style-type: none"> Soothe Hydrate Revitalize 	<ul style="list-style-type: none"> Rebalance Reinforce Even Skin Tone 	<ul style="list-style-type: none"> Hydrate Soothe Retexturize 	<ul style="list-style-type: none"> Soothe Moisturize Replenish 	<ul style="list-style-type: none"> Soothe Strengthen Relieve 	<ul style="list-style-type: none"> Soothe Even Protect 	<ul style="list-style-type: none"> Comfort Depuff Protect 	<ul style="list-style-type: none"> Depuff Dark Circles Soothe 	<ul style="list-style-type: none"> Defend Protect Prepare
SRP FR FY23	120€	84€ / TBC	74€	56€	56€	56€	43€	44€	46€

Category	BALMS		CREAMS		MASK
Product Name	AROMATIC PURIFYING BALM	AROMATIC RENEWING BALM	8-FLOWER NECTAR OIL CREAM	ROSE HYDRANOURISHING OIL CREAM	VETIVER STRESS RELIEF DETOX MASK
Product Image					
Retail Format	15ml	15ml	30ml	50ml	50ml
3 Key Claims suggested	<ul style="list-style-type: none"> Rebalance Clarify Illuminate 	<ul style="list-style-type: none"> Soften Comfort Revive 	<ul style="list-style-type: none"> Condition Illuminate Soften 	<ul style="list-style-type: none"> Hydra-Nourish Soften Comfort 	<ul style="list-style-type: none"> Stress-Relief Strengthen Revive
SRP FR FY23	64€	64€	88€	62€	59€

	OUT FY23						OUT FY23			
Category			JASMINE AROMATIC CARE	ORANGE BLOSSOM AROMATIC CARE	TANGERINE AROMATIC CARE	CHAMOMILE AROMATIC CARE	NIAOULI AROMATIC CARE	ROSE AROMATIC CARE	VETIVER AROMATIC CARE	OIL
Product Name	8-FLOWER NECTAR		JASMINE AROMATIC CARE	ORANGE BLOSSOM AROMATIC CARE	TANGERINE AROMATIC CARE	CHAMOMILE AROMATIC CARE	NIAOULI AROMATIC CARE	ROSE AROMATIC CARE	VETIVER AROMATIC CARE	THE REVITALIZING OIL
Product Image										
Retail Format	15ml		15ml	15ml	15ml	15ml	15ml	15ml	15ml	50ml
3 Key Claims suggested	<ul style="list-style-type: none"> Smooth Rejuvenate Replenish 		<ul style="list-style-type: none"> Smooth Rejuvenate Illuminate 	<ul style="list-style-type: none"> Brighten Clarify Illuminate 	<ul style="list-style-type: none"> Energize Strengthen Plump 	<ul style="list-style-type: none"> Soothe Strengthen Even 	<ul style="list-style-type: none"> Balance Restore Renew 	<ul style="list-style-type: none"> Nourish Soften Cold Protect 	<ul style="list-style-type: none"> Stress-Relief Strengthen Renew 	<ul style="list-style-type: none"> Nourish Revitalize Multitask
SRP FR FY23	136€		85€	65€	55€	55€	55€	55€	55€	39€ TBC

Category	BALM	OIL SERUM	CREAMS		EYE CREAM	STICK	MASK	CURE
Product Name	AROMATIC CLEANSING BALM	DUAL REJUVENATING MICRO-SERUM	HYDRASKIN LIGHT ALL-DAY SKIN-HYDRATING CREAM GEL	HYDRASKIN RICH ALL-DAY SKIN-HYDRATING CREAM	ALL-DAY GEL-REFRESHING EYE CREAM	COOLING HYDRATING STICK FOR FACE AND EYES	COOLING HYDRATING GEL MASK	REPLUMPING HYALURONIC ACID OIL CONCENTRATE
Product Image								
Retail Format	40ml / 15ml / 100ml	30ml	50ml / 30ml / 100ml	50ml / 100ml	15ml	15g	50ml	60 capsules
3 Key Claims suggested	<ul style="list-style-type: none"> Cleanse Remove MUP Nourish 	<ul style="list-style-type: none"> Barrier Repair Smooth Radiance 	<ul style="list-style-type: none"> Hydrate Plump Prepare 	<ul style="list-style-type: none"> Hydrate Plump Prepare 	<ul style="list-style-type: none"> Moisturize Revitalize Refresh 	<ul style="list-style-type: none"> Hydrate Refresh Prepare 	<ul style="list-style-type: none"> Hydrate Plump Awaken 	<ul style="list-style-type: none"> Replenish Moisturize Replump
SRP FR FY23	45€ / 20€ / 80€	125€	49€ / 31€ / 84€	49€ / 84€	32€	29€ TBC	44€	70€ TBC

Category	LOTION	SERUM	CREAMS		ABSOLUTE RENEWAL RICH CREAM	ABSOLUTE RENEWAL EYE SERUM CONCENTRATE	ABSOLUTE RENEWAL EYE & LIP CONTOUR CREAM	CURE	MASK
Product Name	MULTI-CORRECTIVE DIVINE SPLASH MASK LOTION	ABSOLUTE RENEWAL SERUM	ABSOLUTE RENEWAL CREAM	ABSOLUTE RENEWAL INFUSION CREAM	ABSOLUTE RENEWAL RICH CREAM	ABSOLUTE RENEWAL EYE SERUM CONCENTRATE	ABSOLUTE RENEWAL EYE & LIP CONTOUR CREAM	28-DAY DIVINE ANTI-AGING CONCENTRATE	MULTI-CORRECTIVE DIVINE SERUMASK
Product Image									
Retail Format	125ml	30ml / 50ml	50ml / 15ml	50ml / 15ml	50ml	15ml	15ml	6x5ml	50ml
3 Key Claims suggested	<ul style="list-style-type: none"> Smooth Firm Hydrate 	<ul style="list-style-type: none"> Sculpt Lift Firm 	<ul style="list-style-type: none"> Lift Sculpt Smooth 	<ul style="list-style-type: none"> Lift Sculpt Smooth 	<ul style="list-style-type: none"> Lift Sculpt Smooth 	<ul style="list-style-type: none"> Lift Tighten Reduce Eye Bags 	<ul style="list-style-type: none"> Reshape Smooth Brighten 	<ul style="list-style-type: none"> Lift Renew Redensify 	<ul style="list-style-type: none"> Firm Hydrate Smooth
SRP FR FY23	90€	260€ / 324€	240€ / TBC	240€ / TBC	240€	140€ TBC	126€	340€	140€

Category	SERUM	CREAM
Product Name	Bright Serum (wr)	Bright Cream (wr)
Product Image		
Retail Format	30ml	50ml
3 Key Claims suggested	TBC	TBC
SRP FR FY24	140€ TBC	120€ TBC

Appendix 3: Coding overview

Final Factor	Category	First-Order Code	Example of Quotations
Brand Positioning and Storytelling	Awareness	Brand association	<i>We also have noted that Chinese are more likely to associate with a brand if the brand appears in TV shows for example</i>
Brand Positioning and Storytelling	Associations	Associate positive experiences with the brand	<i>The differences between customers in China compared to other regions are immense:</i>

			<i>While in the West Christmas, summer/winter sales, sporting events or Black Friday are major consumer events, in China completely different events are relevant. Alibaba's Singles Day on 11.11 every year breaks records and has established itself as the world's biggest online and offline shopping day.</i>
Localization and Adaption to the Chinese Market	Shift to tech	Focus on tech savvy Chinese consumer	<i>Short videos among internet users is expected to reach a 90% penetration, while live streaming will achieve 79%."</i>
Localization and Adaption to the Chinese Market	KOL	Place importance on choosing the right spokesperson (KOL)	<i>The Chinese consumer engagement manager's strategy is to "avoid being too commercial and give the KOL enough freedom for creativity but still have proper briefings and a clear communication before starting the campaign to avoid diluting the brand image</i>
Localization and Adaption to the Chinese Market	Local Team	Government Regulation/ Plan years ahead to comply with all Chinese regulations	<i>In terms of strategy, we do have a very strong local team there that is running operations in China. They really do understand Chinese consumers. They work very closely with our regional team which is based in Hong Kong, and our global team in Paris. In that way, we are really sharing and maximizing the chances of identifying what Chinese consumers are looking for.</i>

Localization and Adaption to the Chinese Market	Regulations	Government Regulation/ Plan years ahead to comply with all Chinese regulations	<i>In 2023 new regulations regarding packaging, texture, and animal testing will come into effect: We will have to change all SKU's, a total of 120 different products (in all formats) ingredients, as some ingredients are not allowed on the Chinese cosmetic market, and apply the new zero space packaging rule for all set boxes and packages.</i>
Localization and Adaption to the Chinese Market	Registration	Government Regulation/ Plan years ahead to comply with all Chinese regulations	<i>That is why I advise early planning of the application. Registration of a new ingredient is much more complex as extensive information on the creation of the product, existing test reports, and important product data is needed</i>

Localization and Adaption to the Chinese Market	Data	Government Regulation/ Plan years ahead to comply with all Chinese regulations	<i>Data security is largely guaranteed at the Chinese registration authority CFDA. Efficient communication between the service provider and the ingredient supplier also contributes to smooth cooperation and thus to the ultimate success of the project</i>
Localization and Adaption to the Chinese Market	Target Consumer	Product focus	<i>Consumer in China start relatively early with the usage of anti-aging product</i>
Localization and Adaption to the Chinese Market	Target Consumer	Consumer shift	<i>The 20+ consumer group used to buy and prefer domestic brands for the following reasons: It is cheap, it works and advertisement is flashy and aggressive and you will find to buy the brands everywhere</i>

Localization and Adaption to the Chinese Market	Strategy	Target groups	<i>As Darphin is positioned in the luxury cosmetic sector but offers entry priced franchises, our strategy is to target young consumer with less expensive product and use the evolving brand knowledge as recruitment tool for our high prices products</i>
Digital Strategy	Loyalty drive	Personalized solutions/Offer-on-one	<i>Such campaigns are important to attract high potential customers and convert them into members. We want to create a community, with the goal of long-term loyalty and conversion optimization</i>
Digital Strategy	Diversified campaigns	Focus on e-commerce	<i>We believe our double-digit growth in China can be sustained in the long term as we continue to increase our investment in China, helping to recruit new young consumers and drive repurchase and loyalty.”</i>