

Concerning the Perfect Dairy, is Internet Beauty Real?

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Abstract: The research paper aimed to expound on the business model of the Perfect Dairy Company, the challenges the being faced by the beauty company and relevant solutions, and lastly future recommendations for better operation of the company. The research relied on the use of the qualitative analysis methods which focused on the analysis and evaluation of published online materials like business journals that are related to the topic of study. To efficiently expound on the research problem, the paper has narrowed down to an experimental research design which enabled the researcher not only to gather the relevant data but also to analyze it effectively and come to the conclusion.

1. Introduction

Nowadays, more and more beauty companies enter the Chinese cosmetic industry. Since the purchasing powers of people who want to do makeup are increasing, more and more products are introduced to this whole industry. And Perfect Dairy is the leading company among all those new Chinese cosmetic brands (Farris, 2016). Great advertisement and endorsement make Perfect Dairy very popular; however, the marketing and media over-hype made the reputation of Perfect Dairy decrease. Thus, they are still facing some problems if they want to achieve and sustain a reasonable level of profitability. I would like to discuss the business model of this company, along with the challenges it is facing and in my opinion, how to address these challenges.

2. Business Model

First, I want to discuss the business model of the Perfect Dairy. As a new cosmetic company, Perfect Dairy has a very different business pattern compared to the other old and classic cosmetic brand. Some brands like MAC or YSL, they always appeal and accumulate consumers through stores and normal advertisements like big board or big screens. However, Perfect Dairy's advertisements are mainly online. The popularity of this company is because of the different kinds of apps (Clinton & Whisnant, 2019).

The customer segments of Perfect Dairy are mainly young people and fashionista. So, these kinds of people are the PD wants to reach and serve whereas the company creates most of their values for those people. And that is the reason why the business model of PD is very different from other companies. As I mentioned above, most advertisements PD have made is online. And that feature has perfectly fitted the feature of PD's customer segments. In China, people who spent the most time online are young people and fashionista. Because of their special arrangement of time, the hype of Perfect Dairy will make sense and have some effects.

Also, the value proposition which is why those customers will turn into PD over other companies is that Perfect Dairy satisfied its costumers best. There is a term in china that describes a special economic phenomenon or economic pattern. This term describes a certain kind of fan economics which is fans have the purchasing power in specific areas. Perfect Dairy is one of the areas that fans' economy can perform. Perfect Dairy has hired many celebrities and stars to represent this brand. In that case, those fans will have a good feeling about the PD and they will be willing and able to buy products from this brand since they are satisfied with their idols.

So, the customer relationship that PD has is pretty good. Costumers get satisfied and they will be happy to purchase products from PD. And to appeal to more customers, PD spent a lot of money on the package and little gifts that they will give the customers. All those behaviors build a good relationship between PD and its customers.

To maintain its customers, PD needs to select certain channels to deliver its value proposition and accumulate customers. As a result, I think Perfect Dairy has selected many good channels including Weixin, Weibo, Xiaohongshu, Bilibili, and Taobao. Of course, PD has not only got these channels, but I think these channels are most representative of the whole business. Start with Weixi, we have learned from the previous course that weixin itself is a kind of ecosystem. It covers all the functions of communication in daily life, so advertisements on weixin will have a big influence. For example, I bought a lot of products from PD in weixin. When we go through the friend circle, we will find out that there are many advertisements for PD. Since only a few companies can have advertisements online, limited resources make PD have bigger effects on these advertisements. Xiaohonghsu is a new app that rises in recent years. More and more fashionista will log into this app and post different kinds of life including outfit, different methods of learning, the recommendation of different products, and many people will take those pieces of advice and will be willing to buy those recommended products. What's more, xiaohongshu has formed an ecosystem, and in this ecosystem, everyone can both be the one who recommends and be recommended. In this ecosystem, Perfect Dairy has seized this opportunity, they put a lot of advertisements on this ecosystem so they have got the chance to get a big number of costumers from this ecosystem. Bilibili, in a short word, is the Chinese YouTube. So, the ups(YouTubers) have a big influence on the people who are subscribers. Taobao is the most famous shopping channel in China. When we talk about online shopping, the first website or app we will think about is Taobao. Also, the customization of Taobao will stimulate the customers to buy the products, they will be recommended to their most likely love products. So, all those channels or key partners of Perfect Dairy have some of the biggest influences in the whole of China. And that is also the reason why PD's customers increase so fast.

However, PD has not only got those key partners. There is a kind of business behavior called collaboration which implies that one brand will collaborate with other brands and invite a whole new series of products which is designed and sold by both brands. It is a very good method to promote the popularity of some brands if they can collaborate with other famous brands or if they can design a whole new great series. There are many good examples such as air Jordan and many products from supreme. PD also does a pretty good job of these collaborations. They have collaborated with the met museum, the British museum, Orio, the national museum, and even the discovery channel. So, all those things, add with the pretty packages have also promoted the popularity of PD.

3. Challenges

In contrast, the revenue stream of this company is quite controversial. For example, in my own experiences, I didn't buy products from PD since I bought them once. Indeed, the first time I spent a

lot of money due to the hype and recommendation, along with its low price. But after I receive those products, I found that those products are not so fit in me. The quality of those products is medium. Not good enough for me to buy it again. In that case, my purchase is called disposable consumption. And there are so many disposable consumptions of this brand. People have higher expectations for PD; however, it didn't make those expectations about qualities satisfied. Quality is the biggest reason and challenge for PD since they have exaggerated this average quality in the advertisements (Eggert et al., 2014). And this situation also makes the reputation of PD decrease. Even though their internet economics make their cost remain very low, their dishonor in the propagandize make their costumers don't trust their advertisement anymore. That will be a huge challenge if PD wants to step forward and become a bigger company and achieve more sustainable profitability. So, make costumers willing to buy their products twice is very important, especially for a cosmetic company.

The cost structure, as we all can know, is mainly the price of propagandizing. It costs a lot of money in China today if you want to hire some famous people or if you want to put an advertisement on some platforms that have a large number of users like weixin or bilibili. Those promotions are also the main activities of PD. But promoting cannot solve all the questions. However, the traditional cost structure like fixed cost and the wage is very low since they are mostly on the internet.

Also, as I mentioned before, as more and more companies want to copy the quick successes of Perfect Dairy, more and more companies will enter the Chinese cosmetic industry. The success of PD has partly because of the first move effects. However, the increasing numbers of threatening "brands" are making many challenges for PD. For example, the scalability (low price) and low price are becoming more and more difficult for PD to achieve since the substitutes will make the cost increase. Perfect Dairy needs to pay more to remain its current status.

What's more, the decrease in their reputation and increase substitutes make the number of customers of PD decrease. Even though the rapid innovation of that internet beauty brand can lower the price, however, it will still make PD lose money. From the research data we can know that the price of PD is one third compared to other brands of Europe or the U.S. Consequently, I don't think PD can make their price lower consider they put a lot of finances on promoting their processes, which this is the reason why I think lowering the price will not be a good solution for the challenges Perfect Dairy is facing.

Indeed, they have won some awards before, but those little prizes are not enough and the real experience of users makes those awards even more untrustworthy. They have spent too much money on hype, that they don't have enough money to develop themselves very much. In China, there is a very interesting thing. No matter how your products perform, if you cannot do enough advertisements to raise the popularity of these products, only a few people will come to buy those products. Idols, celebrities, are the needed things if one brand wants to achieve success in china the same as cosmetic brands, especially cosmetic brands.

4. Solutions and Recommendations

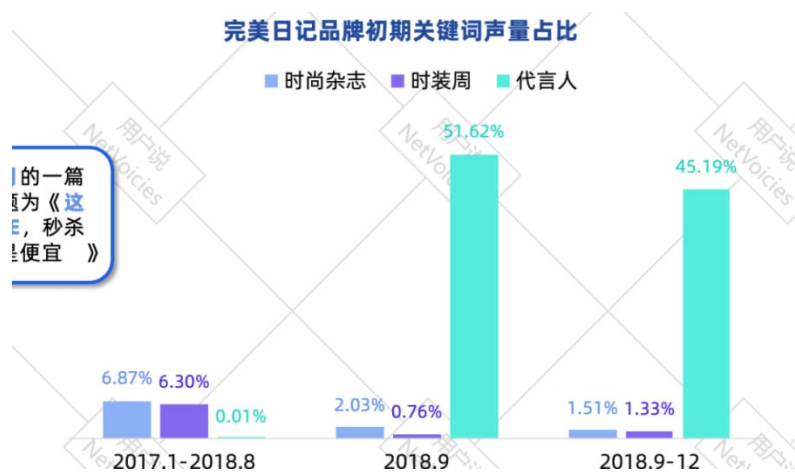
But there are some solutions that I think can help to address those problems and help them achieve and sustain a reasonable level of profitability. First is that PD can build a "brand," not a simple company, but a brand with the spirit of something that can deliver the value position better than just "fans economics." For PD, if they can successfully promote their company by saying that they will be the "CHINA BEAUTY ICON." If they can put this spirit in their products, then this purchase behavior will be related to the patriots. This is a kind of special cultural thing in china, which is many people want to relate many unrelated things with loving their own country. This kind

of behavior is not making many senses for me but it will make some effects on the stimulation of purchase. For example, lining, a sports brand in china has related buying lining products with loving china and this brand gets very popular in china. In previous years, not many Chinese are willing to buy cosmetic products, even later they want to but those makeup tools, they would rather willing to but Dior or mac instead of some unknown Chinese native cosmetic brand. But the internet gives Chinese native cosmetic brands a good chance that they will be able to change the communication environment on the internet, they will be able to make the citizens think that buying Chinese invention will be an honorable behavior and thus encourage more and more people to buy their products. That is the reason why I think this method is going to work for the PD since they have already accumulated enough costumers.

The second solution is to decrease the density of advertisements and at the same time, use that money to develop and design better products. By doing this, PD can have a good reputation and becoming better and better brands for their customers. So, they will be more willing to buy products twice or even more times. This will form a healthier revenue stream than disposable consumption. After all, without quality, the hype will not have enough effects.

The title of this paper I named is that is internet beauty real. And the reason why I named this paper with this sentence is that I want to discuss the modern beauty and the new internet economics. There is a term that bothers Chinese, especially women a long time, which is consumerism: double eleven, 618, valentine...all those “festivals” are kidnapping people to buy, to shop, to purchase. Those festivals are the first reason why PD can become popular. When those festivals are coming, there will be different kind of promoting online or in the real world and different kind of slogan like “makeup make your beauty” “Perfect Dairy help you become ...” all those endorsers make people think that buying PD is becoming as beautiful as those representatives. We both know that those are not true, but the pressures in the reality make people tend to do more things and hope that will make a difference. That will not make a difference just like buying makeup products doesn’t mean we are beautiful. So, as a person who has been trapped, I want to discuss this. Sellers will do everything they can just to sell their products, so as PD. The beautiful faces we see from celebrities and influencers are not so real and people don’t need to feel stressed about it. Beauty on the internet, in my opinion, will never compare to the beauty of the real world. Cosmetic companies like Perfect Dairy are earning so many monies because they are selling not only makeup products but also anxiety. We need to understand this and put more of our energy on reality instead of those internet beauties since the beauty in the reality is the real beauty.

5. Data

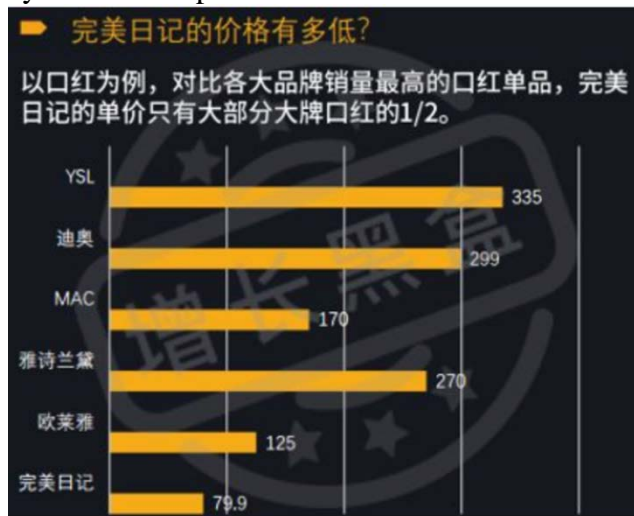


Green represents how the endorsers influence the selling of PD, the blue represents the magazine

and the purple represent fashion week.



This is a comparing picture that compares PD with other cosmetic brands that are sold on the Taobao website. The bright yellow one represents PD.



And this is a price comparison between PD and other cosmetic brands. The last one that says 79.9 represent PD.

6. Conclusion

The paper found out that for the company to fully maintain the steady flow of its customers it needs to pick on certain channels to deliver its value proposition and accumulate customers. The best channels the company can rely on include Weixin, Weibo, Xiaohongshu, Bilibili, and Taobao. For future advancement in the operation processes of the Beauty Company, the paper recommended that Perfect Dairy should develop a brand that possesses a greater value that will help in delivering the value position better than just “fans economics.” For Perfect Dairy, if they can successfully promote their company by promising to be China’s top Beauty Company, then the purchasing behavior will be related to the patriots.

References

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