

Research on the strategy of Chinese skincare brands to expand their overseas business: The case of Pechoin

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Abstract

In recent years, Pechoin, a native skin care product company, has begun to expand overseas markets. After entering the Indian market in 2008, the company quickly gained a high market share and the sales volume had shown a steady growth. A series of skincare products targeting at India's natural environment and preferences are developed and sold well in the Indian market. The reason for the success of Pechoin lies in its adaptation to local conditions, which makes full use of integrated marketing, relationship marketing, network marketing, hierarchical pricing, three-dimensional publicity and differentiation strategy, thus standing out in the competition with many international cosmetics giants. The aim of this research is to give a detailed analysis about the marketing activities of Pechoin in the Indian market.

Keywords

Research, Chinese skincare brands, expand, overseas business.

1. Market research undertaken prior to market entry

1.1. Research on investment and operation in Indian market

1.1.1 The investment environment

First of all, domestic and foreign experts and scholars have carried a lot of research on the investment and business environment in India. Jie (2009) gave a comprehensive analysis of India's macro environment, investment policies and market potential. He believes that India's unique advantages in attracting foreign investment are its stable macroeconomic environment, preferential tax incentive policies and low proportion of foreign investment restrictions, etc., but India still has problems that cannot be ignored, such as imperfect infrastructure, low efficiency of government institutions and low credibility[1-2]. Fuld Wen (2016) put forward that, at present, some Chinese manufacturing enterprises have overcapacity problem, so they can strengthen their investment in India's manufacturing sector. The two sides can work together for mutual benefit and win-win results. However, India's investment environment, such as backward infrastructure and shortage of power and energy, restricts multinational enterprises' investment in India to a certain extent[3].

1.1.2 Studies about current situation and barriers in Indian market

Li Songhong (2015) discussed the major obstacles in the mutual investment between China and India from the perspective of transaction cost and property right theory. The results showed that there was a large gap in the basic institutional environment between the two countries, which would increase unnecessary friction, as well as problems such as complex investment process and unreasonable examination and approval, which formed obstacles to the mutual investment between China and India[4]. Zhao Lei and Guo-liang Wang (2016) gave a brief overview of the basic national conditions of India, and from the mineral resources, economic

development, legal system, human resources and infrastructure to India's investment environment in five aspects they carried on a comprehensive analysis, reveals that although India investment prospect is good, but Chinese companies still need to consider those disadvantages when investing in those countries[5]. Li Xiao (2015) analyzed the causes and manifestations of the "Indian dilemma" and proposed that China should consider from the perspectives of global, regional and bilateral relations as well as both China and India to promote the smooth development of Chinese enterprises' investment in India[6].

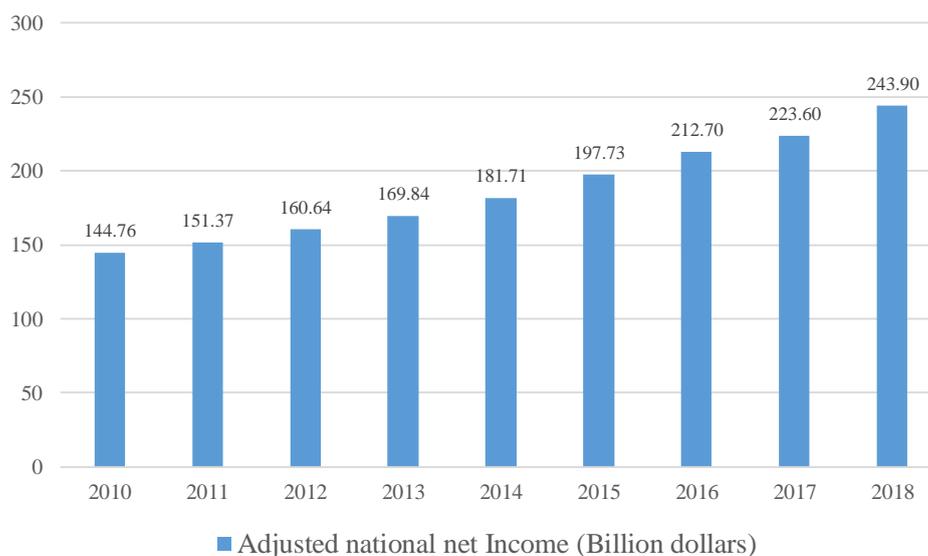
1.2. Research on the Cosmetics market in India

As lifestyle changes, the Indian personal care market has been showing steady growth in recent years, and consumer preferences are shifting from "single-function" products to "advanced and specialized" cosmetics. Rani T.S. (2009) believed that different groups of customer groups could be found by using relevant data such as customers' buying habits, gender, age and income[7]. As for the cosmeceutical industry in India, Abdullah B.J. (2012) tried to find out the consumption pattern of cosmeceutical products and the sustainable development strategy of enterprises in this emerging market. They believed that nowadays men also began to pay attention to their appearance, and cosmeceutical enterprises should produce men's products in a targeted way Consumers' buying behavior of cosmetics is influenced by many factors[8]. Shallu M.Gupta S. (2013) conducted a targeted study on promotional activities, and the results showed that consumers do value advertising when choosing brands, whether TV or newspaper. Moreover, celebrity endorsement can bring better advertising effect and positive product development, which is conducive to building brand loyalty[9].

2. Evaluation of the market environment

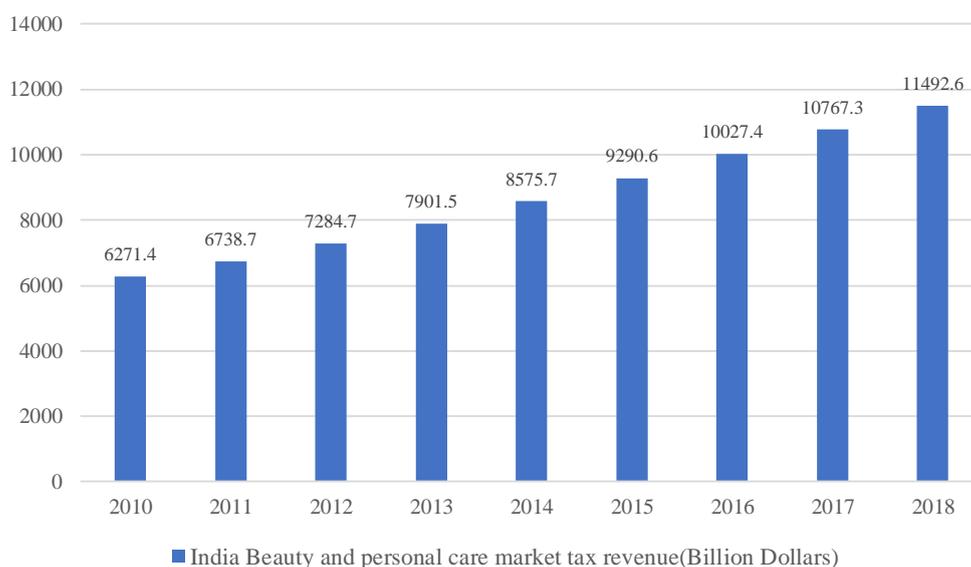
2.1. Economic environment

India's economy is a developing market economy. In recent years, its economic momentum is good, and it is also one of the fastest developing countries in the world. India is the world's fifth largest economy in terms of nominal GDP and the third largest in terms of purchasing power parity. India is one of China's major trading partners. In 2017, trade between China and India reached its peak at \$84.4 billion according to Figure 1.



Source: World Macroeconomic Database
Figure 1: India's economic development.

According to Figure 2, the Indian market has a huge and growing demand for skincare products. In 2018, the tax revenue of the Indian beauty and personal care market nearly doubled that of 2010, from 6.3 billion US dollars to 11.5 billion US dollars.



Source: World Macroeconomic Database

Figure 2: India Beauty and personal care market tax revenue 2010-2018.

2.2. Cultural environment

In India, both men and women have a strong love of beauty, and men also like to use skin care products. In addition, Indians have a strong love of white, which they call "Snow White syndrome", and businesses are targeting the huge Indian market for skin whitening. More than half of India's skincare market is not occupied by skin-lightening products, and Indians spend more than a billion yuan a year on skin-lightening products. However, most skin care products used in India come from Europe, America, Japan and South Korea. With many chemical ingredients, it is difficult to achieve deep skin care and whitening, which is exactly the advantage of our products.

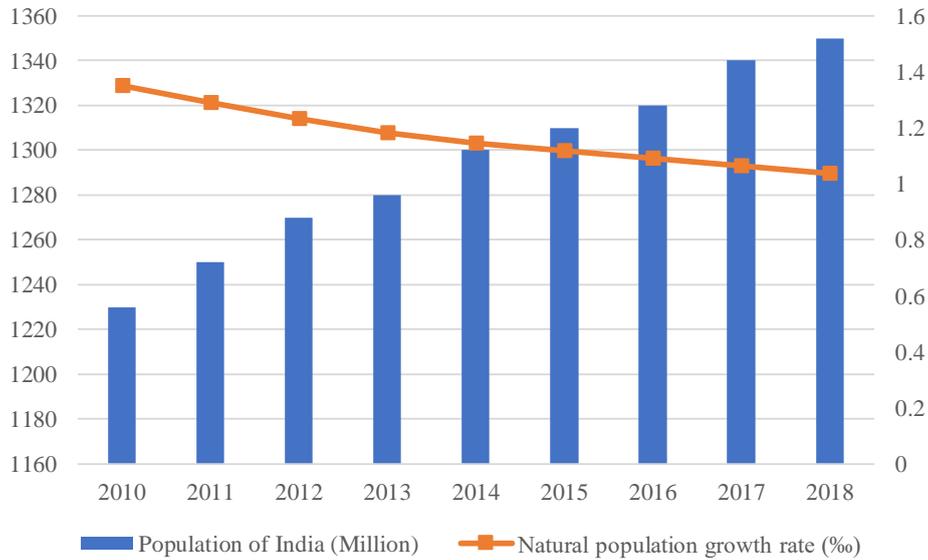
2.3. Social environment

India is a multi-ethnic country with a complex language system. India is home to two major languages, Aryan (about 74% of the population) and Dravidian (about 24% of the population), with other languages spoken coming from Oceania and the Sino-Tibetan family. Hindi and English are the official languages of the government. According to the World Bank database, as of 2018, India's population has reached 1.353 billion, an increase of 25.8 percent over 2001, with an average annual growth rate of 1.38 percent, making it the second most populous country in the world, according to Figure 3.

India's rapid population growth is largely due to advances in medical technology and improvements in agricultural productivity brought about by the "green Revolution". From the perspective of India's demographic structure, the population under the age of 25 is over 50%, and the population under the age of 35 is over 65%. As of 2016, its average age is 27.6, which means a relatively young population. These young people provide India with a large number of labor force and provide impetus for India's economic development.

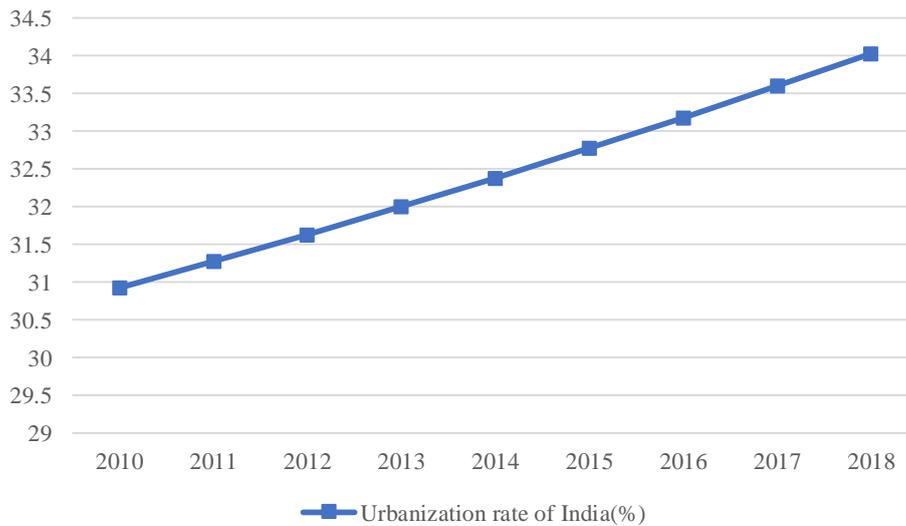
India's urbanization level is not high and the gap between rich and poor is obvious, according to Figure 4. In India, the number of tier 1 cities is small, while the majority of tier 2 and 3 cities and rural areas are. The urbanization rate is still in a low state, with more than 70% of the population living in more than 680,000 villages. As of 2018, about 460 million people, or

34.03%, lived in urban areas, and about 892 million people, or 65.97%, lived in rural areas (see Figure 3.7), indicating a low level of urbanization.



Source: World Macroeconomic Database

Figure 3: India's population and its natural growth rate.



Source: World Macroeconomic Database

Figure 4: Urbanization rate development trend in India.

Different regions in India have different levels of urbanization and development, and the gap between the rich and the poor is obvious. This is mainly due to the policy of "divide and rule" adopted by India in the colonial period. The south as a whole is doing better than the north, and the gap between rich and poor has widened considerably since 1960.

3. Market entry

We use SWOT analysis to understand the situation of Pechoin in the Indian market.

3.1. Strength

As a Chinese brand with a long history, it is more convenient to enter the international market. At the same time, the corporate image is well welcomed, and there has been no negative news. On the contrary, all kinds of themed activities and sponsorship activities are terribly popular.

The shift in consumer thinking gives companies an edge. Differentiated competition barriers have been built around Chinese herbal medicine. In today's world of Chemical brands from Europe, America, Japan and South Korea, cosmeceuticals are more acceptable.

As for the price, the product price is low, has the superiority, can occupy the multilevel market quickly. In addition, the company establishes cooperative relations with foreign advanced research institutions to eliminate market entry barriers. In marketing, strong and unique advertising campaign and human theme promotion activities.

3.2. Weakness

The corporate brand image is not clear, there are only white and green "Vision Impression", there is no eye-catching and impressive brand LOGO, and there are defects in advertising that cannot be integrated into the deep culture of India.

In terms of products, the lack of high-end products and fashion products makes it difficult for the Indian middle class to accept the pursuit of fashion and high-quality enjoyment. At the same time, the brand operation and management ability are relatively weak compared with multinational companies, and the market share in the initial stage is small due to the lack of competitiveness. Moreover, it is difficult to compete with international cosmetics giants.

3.3. Opportunities

Cosmetics market development prospects, and there will be more opportunities. Besides, domestic patriotic upsurge, domestic goods usher in new opportunities, for domestic goods to the world to provide a good domestic basis. What's more, with the progress of science and technology, the development of new technology and the application in the cosmetics industry. On top of that, the domestic cosmetics brand and the Chinese flavor full product characteristics gradually into the popular.

3.4. Threatens

First of all, the industry standards are improved, supervision is strengthened, anti-China elements intervention and other obstacles. In addition, cosmetics market competition is fierce. At the same time, under the influence of the global financial crisis and COVID-19 epidemic, the world economy suffers. And the low price of Pechoin is easy to remind people of dumping at a low price, so they take advantage of the opportunity to enter the market. As a result, the resistance will be generated, which is not conducive to product sales. In addition, the lack of technical research and development talents while the existing talents are difficult to adapt to the market demand to get rid of the stale.

4. The market mix

4.1. General description

By adopting the policy of "4P" strategy, Pechoin formulates marketing strategies and made innovations according to marketing theories, and had obtained favorable feedback in the Indian market. It provides a successful example for international marketing of a domestic brand to enter the South Asian market.

4.2. Products

On the product, Pechoin adopts the differentiation strategy to win the favor of consumers. Pechoin has many product lines, including Pechoin, Sansen, Flavor, Bluemyth, Little Happiness, Lucky Charm and Pechoin men. Each series of products has its own unique brand story and well-designed packages. The main functions are to moisturize and whiten the skin. In addition, Pechoin developed a series of men's skin care products for Indian men to meet the demand. The following is a brief introduction to three of the main series of product lines.

4.2.1 Flavor

The essence of Oriental beauty lies in the clever breath, and it's expressed through natural charm. Flavor focuses on the way of herbal skin beauty, looking for valuable raw materials of traditional Chinese medicine all over the country. Use the essence extracted from the plants to cultivate the beauty of Oriental women.

Inspired by the Oriental bamboo, which is delicate and flawless, like the like youthful skin with unlimited vitality. The bottle is shaped like a girl's waist, it is elegant when seen close, and graceful when seen far away.

Nourish your skin with traditional Chinese herbal extracts. It can moisturize and whiten the skin. make the users look more energetic.

4.2.2 Bluemyth

3.8 billion years, under the peaceful ocean surface, lives keep growing and evolving. Ocean water is clean and clear, but the alga is blooming. Numerous of mysteries of life grow and derive in the ocean. Miracle life energies are bred in the deep blue. Skin energies are also hidden here in the ocean. Bluemyth Search around every sea area on earth. To verify the myth that ocean contains the energy to make skin beautiful. The secret of young and beautiful skin. Starts from here...

We believe that nature has the answer to everything. Bluemyth, do all that we can to create products that makes skin young and beautiful. We want to become the natural, safe, and effective skincare brand for everyone.

4.2.3 Little Happiness

Fresh plants make your skin more tender, and fresh plants will bring fresh to your skin. Little Happiness is a sub-brand of Pechoin, inheriting the Oriental skincare way of hundred its mother company, aiming at the young consumer group of 18 to 24 years old, to create the most vivid natural skincare brand.

Little Happiness has a carefully selected the buds on the plant grown in a quality environment, using the unique experience and research techniques of natural plant ingredients, take all the energy into the products, bring the young consumers the most pure and fresh skin care experience.

The product focuses on the young consumer groups, nourishing the skin with fruit essence, making the skin more tender.

4.3. Price

4.3.1 General description

About product price, Pechoin adopts different pricing strategies to assure Pechoin have good sales in different social strata.

4.3.2 Skimming pricing

Pechoin has been taking the low-price route. In India, sales of some of the fashionable products, the price can be moderately higher, using skimming pricing strategy to cater for the middle class who are not sensitive to the price but the high-end skincare products.

4.3.3 Penetration pricing

Pechoin also introduced some traditional mass products and adopted the penetration pricing strategy, so that the rural proletariat or petty bourgeoisie can use their products. As for the launch of new products, its pricing strategy is a kind of seepage properties compared with their products to form the classification level of the past, but its product price in the price of similar products are below average level, so easily accepted by consumers, is conducive to faster to open in the high-end market, also helps to set Sue open products have exaggerated sales market, so as to achieve the market share and profit targets a win-win situation. However, the price of

the new product of Pechoin is relatively arbitrary, which makes it difficult for consumers to distinguish the difference in use effect between similar products and similar products through price information, which is also a common problem in skincare market.

4.4. Advertising and promotion

4.4.1 Cosmetics Fair

In order to enter the Indian market, Pechoin chooses Mumbai In-Cosmetics Exhibition to enter the Indian market. The "Skin-care Formula Seminar" In this cosmetics exhibition is a highlight, which gives Pechoin a chance to express itself.

4.4.2 National presents

Using the news of "national gift" and "First Lady" to increase the publicity of the brand and increase the exposure and popularity of the news media. Around 2013 when Peng Liyuan visited the Tanzanian Women and Development Foundation, she gave the brand as a "national gift", which triggered a "national gift effect". It is undoubtedly a good way of publication that a national leader regards the Pechoin as a national gift.

4.4.3 Advertisement and publication

Pechoin pays attention to the multi-directional publicity of traditional media and new media, uses the integrated marketing idea, and uses human sales and public relations marketing while focusing on TV advertising. The effective combination of TV advertising, network communication and offline promotion maximizes the utilization of resources and increase the influence range of the brand.

The Pechoin makes use of Indians love sweet atmosphere of ethnic characteristics, proposes "pick out the beauty by its fragrance" advertising concept, with "cost-effective, mild stimulus" slogan to attract consumers in India. Pechoin also popularizes a user experience, such as at the scene of the department store counters invite consumers to try the products. Product brochures and skin care concept brochures were distributed free of charge to their customers.

4.4.5 Brand and service construction

Pechoin pays attention to the construction of brand and service, combines the brand story, long history and the famous Herbal formula in Southeast Asia. It promotes the development concept of combining traditional herbs with modern technology, and shows the Chinese characteristics. In particular, Pechoin drew on the marketing strategy of Starbucks and fully showed human concern in the promotion activities. Small gifts and thoughtful service bring the public psychological recognition and left a good impression to the Indian consumers, the number of "repeat customers" increased significantly.

4.5. Channel selection

In India, the operating cost of marketing channels is low, but retail terminals are scattered. What's more, they are mainly in rural areas. With low urbanization rate, poor road conditions, goods are difficult to reach. Commodities are sold in department stores, supermarkets, specialty stores, and small grocery stores. Traditional channels are lack of innovation. The marketing channels of Pechoin in The Indian market are as follows.

4.5.1 Cooperate with local companies

Pechoin relies on powerful distributors like Ambani and Tata, and cooperates with local cosmetics companies to develop herbal products.

4.5.2 Take advantage of e-commerce

Based on the success of e-commerce marketing in China, Pechoin make full use of the e-commerce platform to explore the Indian market and make full use of the e-commerce platform to penetrate it step by step.

4.5.3 Chain operation

Pechoin conducts sales authorization and store franchising, employ a large number of salesmen and beauty consultants, make full use of the advantages of low labor cost in developing countries, improve the influence of products among retailers in large and medium-sized cities in India, and gradually enter into large shopping malls.

In addition to these strategies, Pechoin is also committed to building an international business school and cultivating specialized talents for itself.

5. International competitive marketing strategy

5.1. Differentiation strategy

Based on the comprehensive analysis results of Shanghai Pechoin Daily Chemical Co., LTD., we concluded that differentiation strategy would be the best choice. Differentiation strategy would promote Pechoin to make better use of its advantages to make up for its disadvantages in competition, seize opportunities to cope with threats, and accelerate the pace of rise and development.

And in the cosmetics industry, the competition is very fierce. There are a large number of international brands, domestic products and potential competitors in the same industry, and the company has various disadvantages, which greatly hinder its development. Therefore, it is required that the company should adopt a good strategy that can help its rise and development. We have advanced product extraction technology and herbal skin care concept, which is very beneficial to the development of products. Therefore, to sum up, it is suggested that reducing production cost while adopting differentiation strategy will achieve twice the result with half the effort.

5.2. Localization strategy

Aiming at the national characteristics of loving white and fragrance as well as the male consumer groups in India, Pechoin has cooperated with the research institutions in India to develop different product series to meet the consumption needs of different consumer groups of its natives.

6. Assessment of the viability of present and future international marketing for Pechoin

In general, it is a right marketing decision for Pechoin to enter India. It aimed at the huge Indian skin-care market, made a lot of market research, correctly evaluated their own strength, adjusted measures to local conditions according to different classes of consumers customize different class. Besides, Pechoin also implemented many marketing strategies including differentiation strategy, relationship marketing, integrated marketing and brand marketing. They pay attention to shop and new ways of promotion, innovate marketing channels, know the way of win-win cooperation, and have won a good development environment.

However, the lack of high-end products still exists in the marketing process. The following will be targeted from the 4P strategy marketing strategy recommendations.

6.1. Product strategy suggestion

6.1.1 Improve the product range

In terms of product types, there are mainly Pechoin, Sansen, Flavor, Bluemyth, Little Happiness, Lucky Charm and Pechoin men, the functions of these products are mainly hydrating and moisturizing, with indistinct boundaries and single functions.

On the basis of the original technology, the company should add the technical elements of independent research and development to increase the efficacy of the product, so as to meet the consumer's demand for the use effect in the target market.

6.1.2 Improve product packaging

The positioning of Gazelle in the Indian skincare market segment is "herbal nature", which can reflect herbal elements through packaging. At the same time, as a domestic skin care product in China, Chinese landscape painting and poetry can be added into the package to improve the packaging level and realize the differentiation from similar products.

At the same time, considering the development of Indian economy and the accelerated pace of people's life, product packaging should also be more portable and easier to carry to meet the changing needs of customers.

6.2. Improve pricing strategy

To establish a systematic and standardized pricing system is of vital importance to enterprises. If an enterprise does not have its own pricing strategy and arbitrarily prices its products, consumers will have doubts about the products and cannot distinguish its main customer groups through price, which is not conducive to the long-term development of the products in the future. Therefore, Pechoin need to establish a sound price system, and set corresponding prices for products of different stalls, so that consumers can have a clear understanding of the products through the price.

6.3. Improve channel strategy

At present, there are not enough regions involved in the sales channels of Pechoin in India, so they can increase the popularity and sales through appropriate distribution channels, such as cosmeceuticals stores and e-commerce.

6.4. Improve promotion strategy

Enterprises can convey their product concepts to consumers through different ways of promotion, so as to effectively enhance product awareness and user experience and promote the long-term and stable development of enterprise products in the future. The promotion strategy can be improved by optimizing advertising, strengthening business promotion and strengthening public relations.

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