Research On Marketing Strategy Of Shanghai Jahwa Costmetics

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Abstract

Cosmetics are one of the key competitive products in China recent years. Data recorded from the National Bureau of statistics showed that in 2015 the total retail sales of skin care products are over 100 billion RMB nationwide. Not surprisingly, China has the third largest market size in the world. After decades of development, China’s domestic cosmetics industry is facing many huge challenges.

Shanghai Jahwa United Co., Ltd. is a China-based company principally engaged in cosmetics for daily use; it was selected to be a research case study. Beginning by performing a PEST analysis, the firm’s external factors were observed, and then SWOT and STP analyses, in addition, the questionnaires were carried out in order to know where their venture stands.

This research provides a reference case for other similar skin care products in cosmetics industry that is linked to the development of marketing strategies, and also indicates suggestions directly relevant in dealing with the existing marketing challenges. In conclusion, by means of 4Ps theory, a series of suggestions from four aspects such as the product, price, channel and promotion are put forward for the marketing strategy of Shanghai Jahwa United Co., Ltd.

Key words: Shanghai Jahwa, Marketing strategy, 4Ps

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Introduction

China Cosmetics industry has experienced dramatic growth since the reform and opening up. As a consequence, the economic reform has attracted global interest in the development of the cosmetics industry, especially international investments. As the world’s second biggest cosmetics market, China cosmetics market has a great potential market of skin care products, which has reached over 204 RMB billion Yuan in 2015, ranking the third largest in the world (Fig 1).

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail sales (Rmb billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>88.9</td>
</tr>
<tr>
<td>2011</td>
<td>110.3</td>
</tr>
<tr>
<td>2012</td>
<td>134.0</td>
</tr>
<tr>
<td>2013</td>
<td>162.6</td>
</tr>
<tr>
<td>2014</td>
<td>182.5</td>
</tr>
<tr>
<td>2015</td>
<td>204.9</td>
</tr>
</tbody>
</table>

Fig 1 Total retail sales of skincare products in China


Shanghai Jahwa United Co., Ltd., hereinafter referred to as “Shanghai Jahwa”, is one of the successful cosmetics company, which mainly offers numerous cosmetic chemicals for everyday use. It is one of the oldest Chinese chemical companies and the earliest cosmetics company passing through ISO9000 quality system and product quality certifications. Today, the company has many self-owned brands, for example, “Herborist”, “Liushen”, “Maxam”, “GF” and “GIVING” and so on.

The corporate vision is to develop Shanghai Jahwa into a world leading company, whereas the company said that its mission is to usher a life of grace, health and confidence. Nowadays, Shanghai Jahwa has developed various productive scientific researches under cooperative laboratory with Fudan University, and dermatological department of Huashan Hospital, as well as exchange programs with France graduate schools of the same trade. Shanghai Jahwa is now facing with the challenge of various local and international competitors and changes in consumer behavior as well.

Based on the problems above, the author has chosen Shanghai Jahwa as a research subject for this research. This paper is aimed to emphasize more effective competitive strategies for cosmetics producers
associated with marketing areas by taking Shanghai Jahwa as a case representative. Because it is interesting to understand how to create marketing strategies for the cosmetics company in combining various marketing tools such as PEST, SWOT and STP marketing models, as well as the survey method. Then a series of suggesting in the 4Ps marketing mix were presented.

**Literature reviews in Market theory**

McCarthy (1960) reported that there are basic four types in the marketing mix, namely, Product, Price, Place, and Promotion that is 4Ps theory, each factor can be formed by each set of strategies. Jackson (1985) firstly discussed the necessity of relationship marketing. He said about marketing database used by developing information technology to support cosmetics businesses. Kohler and Armstrong (2005) addressed that channel sales in Cosmetics market can be roughly separated into two types: traditional and vertical marketing channels.

With regard to Chinese's previous articles on cosmetics industry, the author found various kinds of research, for example, Liu (2002) argued that dealing with marketing environment has direct or indirect effects on the survival and development of enterprise. Marketing strategy is the subjective factor and this is vital in understanding consumer behavior and perception. But the environment is objective factor that explains about real situations faced by the company, such as changes in labor wage, law or economy.

Liu (2004) emphasized that a marketing channel is a whole set of activities to transfer the ownership of goods from the production place to the consumption point. In an article published by Zhang (2010) in "marketing needs two brains", he reported that marketing is habits which refer to the experience of different area, industry and profession. Ye (2011) pointed out that based on target consumption group and consumption habits, the cosmetics industry should build marketing channels in order to effectively raise the probability of product sales.

**Research methodology and Data collection**

The investigation of the external and internal environments was conducted by using a variety of marketing model, such as PEST, SWOT and STP strategies. Moreover, the data were collected using a structured questionnaire. The questionnaire was posted online in various web channels. Gathered data from 218 questionnaires was included three parts, the first part was the consumer demographics; the second part was the Shanghai Jahwa company's survey and; the third section was a consumer satisfaction survey.
Data analysis and Interpretation

The analysis of Macro-environment

PEST analysis method was used to make an analysis of the external environment of Shanghai Jahwa, which can identify the key forces that might have an impact on the company, associated with politics, economics, social and technology environment.

Political aspect: Due to the rapid growth of cosmetic industries, the quality control of cosmetics production and operation in China is controlled by Government regulations, it is very important to ensure the efficacy and safety of products and its raw-materials in order to stay active in the current Chinese market.

Economical aspect: Nowadays, with the rapid development of economics in China, people's living standard has been greatly improved in recent years, disposable income per capita increase over the years. According to the 2014’s statistical result of Euro monitor, it indicated that there is a big development potential of cosmetics industry in China which resulted in domestic manufacturers have faced the challenge from international competitors.

Social aspect: Based on the total amount of China's population in 2015, it has reached to 1.35 billion offering a big potential market for the domestic cosmetics industry. Similarly, the proportion of townsfolk is increasing year after year. This provides a great opportunity for manufacturers who are in the cosmetics industry; meanwhile it also has a higher demand from urbanize people.

Technological aspect: High-technology products and innovations have the direct ratios relation to enterprise sales income. Compared with developed countries, the cosmetics investment level in scientific research is currently too large. Shanghai Jahwa is becoming a leading company in devoting to technical research and development with a great deal of the independent innovation, and offering traditional Chinese medicine in combining its own nursing concept with scientific research method.

SWOT analysis of Shanghai Jahwa

This part gives a brief analysis that used to identify situational strengths and weaknesses, as well as opportunities and threats of Shanghai Jahwa, it can be illustrated in Table 1.
Table 1 SWOT marketing analysis

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Rank No. 3 at least in China cosmetic marketing shares</td>
<td>1. Inefficiency in brand operation management</td>
</tr>
<tr>
<td>2. Owns hundreds of doctor and master, and establishes nation-level research center</td>
<td>2. High cost of materials</td>
</tr>
<tr>
<td>3. Have a strong brand awareness</td>
<td>3. Serious increase of marketing cost</td>
</tr>
<tr>
<td>4. High quality of products</td>
<td></td>
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<tr>
<td>5. Have an owned-and-operated store</td>
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</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cosmetics market in China has a broad development prospect</td>
<td>1. Aggressive competition with local and international competitors</td>
</tr>
<tr>
<td>2. The development of new sales channels</td>
<td>2. Consumer cognitive problem of native cosmetics</td>
</tr>
<tr>
<td>3. Rise in demand from rural areas</td>
<td>3. Raw material prices continue to fluctuate,</td>
</tr>
</tbody>
</table>

Factor affecting purchase decision of Shanghai Jahwa Company

Data obtained from 218 Chinese mainland users was described the facts that what factors influence on consumers buying decision for Shanghai Jahwa’s cosmetics.

The statistic results show 51% of all respondents are male and the remaining is female (49%), Shanghai Jahwa’s main customers are the young people who aged 19 to 25 years (60%), focusing on Herborist, Meijiajing and Gaofu. While 26-35 years old and above generally choose Liushen (18%). As can be seen in the Fig. 1, the questionnaire result shows that the proportion of purchasing Liushen is extremely high for each age group in both men and women (82%).
From the survey results, the most persuasive method of promoting products to the consumer was advertisement (57%), followed by point of sale advertising (54%), and especially friends introduced (41%). However, online shopping cannot be ignored.

As figure 3 displayed, it illustrated that most people bought products from point of sales in shopping malls, which accounted for 80%, followed by e-commerce online store (43%), but very few have the idea of buying products from purchasing agents.

By investigating consumer behavior, the Fig. 4 revealed that customers tend to buy Shanghai Jahwa’s products because of the positive effects of using cosmetics and reasonable price, those reasons are the main aspects of the customer’s decision in choosing cosmetics.
Fig. 5 Reasons why consumers buy products

STP strategy analysis of Shanghai Jahwa

According to Shanghai Jahwa’s products, the company has five famous brands in total: Meijiajing, Herborist, Gaofu, Liushen, and Qichu. Each brand focuses on the different segmentation, targeting and positioning as can be displayed in Table 2:

Table 2 STP strategies of Shanghai Jahwa Cosmetics

<table>
<thead>
<tr>
<th></th>
<th>Segment</th>
<th>Target Group</th>
<th>Positioning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meijiajing</td>
<td>Low to middle market</td>
<td>Women aged 25-45 years</td>
<td>Professional skin protection for the modern women with low price</td>
</tr>
<tr>
<td>Herborist</td>
<td>High-end market</td>
<td>Women aged 25-35 years</td>
<td>Natural Chinese medicinal herb for collar women</td>
</tr>
<tr>
<td>Gaofu</td>
<td>Middle to high market</td>
<td>Men aged 25-45 years</td>
<td>Men’s skincare</td>
</tr>
<tr>
<td>Liushen</td>
<td>Low to middle market</td>
<td>Women aged 25-35 years</td>
<td>Traditional Chinese medicine</td>
</tr>
<tr>
<td>Qichu</td>
<td>Low to middle market</td>
<td>Children aged 0-3 years</td>
<td>Nursing market with low to middle price</td>
</tr>
</tbody>
</table>

To sum up, Shanghai Jahwa must seriously consider the low to mid market, particularly the famous Liushen brand, as well as focus on high-end market in Herborist.
Conclusion and Recommendations

By conducting a marketing analysis as well as the survey questionnaire of Shanghai Jahwa, a series of business marketing strategy are recommended as follows:

1. Product strategy

Focus on the profitable products

Shanghai Jahwa should allocate resources efficiently for developing rising products, and also emphasize on the development of new products. The Herborist, and Liushen are profitable, accounting for 66% of the total revenue, the reason is that these two brands have differentiated market positioning; Herborist is marketed for Chinese herbal medicine, but Liushen is focused on traditional Chinese medicine. Thus, the company should pay attention for the main source of income by developing potential products and operating effective management systems, so as to make higher profits.

Product quality

Based on the results of the questionnaire statistics, the positive effect of using cosmetics is the unique selling points of Shanghai Jahwa's products. So, there is a need to develop a standardized quality that ensures the safety and quality of cosmetics.

Packaging

Today, consumers have an increasing demand in adorable packages, there can be helped increase sales and created a deep impression for making a solid relationship with the customers. Consider this, the company should adopt luxury cosmetic packaging for high-end beauty products such as Herborist Products.

2. Price strategy

The marketer should set a standard price for the products or provided service. For example, Herborist, Gao Fu in the high-end cosmetics, but price is relative low. Thus, the company should set the pricing to meet competition determined by the demand and value of the product in the customer's mind. About Liushen, this brand is captured for low-end cosmetics; however, the brand is in a leading position, the company should offer pricing above the competition.

3. Place strategy

Rural market Development
Because of increasing revenue of farmers in the rural areas, such a situation leads a potential market opportunity. Thus, the company should expand its market in rural areas by implementing exclusive agents, dealers or sales staffs.

**Point of sale display for the cosmetics**

In China, the department stores are the main distribution channel for cosmetic products, where. They are convenient and they target a wide range of consumers, focusing on mid to high-end markets. Thus, it is easy for customers to buy cosmetics products because each brand has its own counter. In such a situation, cosmetics point of sale display plays a crucial role in encouraging consumer purchase because a well presented cosmetic display will attract the customer. So the right cosmetic display at own counter in department stores will enhance Shanghai Jahwa’s products to give that leading edge.

**E-commerce channels**

The number of internet users in China is estimated 640 million users, thus, the company should offer a complete online beauty store in order to lead both cost reductions and increased efficiency.

4. Promotion strategy

**Sales promotions**

The company should encourage both dealers and end users by conducting sales activities, for example, in part of distributors, the company should form a strategic partnership with the dealers and give them by a certain sales discount or help dealers advertise its products about the benefits and innovations. For end users, the company might pull the final consumers desire to buy the products at points of sales, such as discount offer, souvenir and special promotions.

**Advertisement**

Shanghai Jahwa should provide advertising campaigns that convey business messages to promote Herborist, Gao Fu and other high-end brands through fashion magazines, as well as employ television and online advertising to support Liushen for low-end consumers.

**References**


