

Based on Consumer Psychology Analyzing Caitang's Innovative Marketing Strategy

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Abstract: As industry 4.0 evolves, how to acquire customers from the high-tech sector has become one of the top difficulties for incumbent firms. Previous research indicates that consumer psychology is important in establishing innovative marketing strategies. However, most existing research is still focused on a theoretical framework built around production, pricing, distribution, promotion, and other marketing factors but ignores systematic consumer influence. Therefore, this research conducts a case study analysis on the Chinese domestic cosmetic brand Caitang to research innovative marketing strategies based on consumer psychology. The author points to the relevancy and important role that (1) personal relevancy, ingroup perception and national pride, (2) para-social interaction, (3) high cognition and trust play in influencing consumer purchasing behavior. The author then explains the principles and effectiveness of using these three marketing strategies. Domestic firms receive insights if they plan to innovate companies' promotion strategy. The author recommends adopting personally relevant advertisements, interactive opportunities, and signature products in promoting purchasing intention.

Keywords: marketing strategy, consumer psychology, domestic firms.

1. Introduction

With the development of industry 4.0, attracting customers' attention from the high-tech market has become one of the top challenges for traditional industries. Incumbent firms which are positioned in traditional industries are particularly threatened by digital transformation. Incumbent firms have characteristics that were founded before the digital revolution and whose business models were not created using digital technologies [1]. As new competitors with business models built on the implementation of digital technologies enter traditional industries, incumbent firms would lose market share if they failed to undergo digital transformation [1]. Other than digital barriers, market barriers include environmental, organizational, and supply chain dimensions and innovation in these aspects is required in an increasingly competitive traditional industry [2].

As a traditional industry, the scale of the cosmetic industry still maintains a high growth rate. With the increase in national and disposable income and the strengthening of Chinese people's awareness of beauty, the appearance-level economy has spawned consumer demand for various cosmetics. According to the statistical report in 2021, under the trend of appearance level economy, people pay more and more attention to improving their appearance level [3]. In the first three quarters of 2021, the average monthly compound growth rate of beauty products sales on TikTok reached 12.5% [3].

Meanwhile, the rise of domestic cosmetics has been a bumpy road. In China's cosmetics industry market, the market share of cosmetics brands from the United States, Japan, South Korea, and other countries is more than 70%, while the market share of Chinese national brands is only about 22% [3]. At the same time, due to the low threshold of the cosmetics industry and high gross profit margin, many new domestic brands have emerged to compete. According to the latest data (as of March 3, 2020) from the website of the State Medical Products Administration, 5264 cosmetics enterprises in China have obtained a production license, among which more than 500 are foreign-funded enterprises, and over 90% of them are small and medium-sized manufacturing enterprises [3]. According to data compiled by the China Industry Information Network, an increasing number of people who have never used local cosmetics say they are willing to try to buy domestic products, while more than half of those who have used local cosmetics say they will continue to use other domestic products [3]. In summary, the active entry of domestic and overseas cosmetics brands makes the market competition increasingly fierce, leading to more homogeneous competition.

Therefore, how to survive under threats from digital transformation and homogeneous competition in the national market is the priority for a domestic cosmetic firm. The author believes creating innovative strategies is the key to growth and survival with the reshaped process, value, and product invention. Changing the rules and overcoming conventional logic by developing new competitive advantages are needed to win market share [4]. Based on previous research, businesses can obtain and maintain a competitive position advantage in the market and thus obtain superior financial performance by exploiting their resource advantage in customer information resources to deliver superior value to customers [5]. The choice of marketing strategy ultimately rests on the compliance of consumers' rationality and emotion. Firms are expected to develop marketing strategies according to their resources, market environment, and consumer psychological response [6]. However, most of the existing research is still focused on the technical perspective and the 4P theory, a theoretical framework built around production, pricing, distribution, promotion, and other marketing factors, which assumes that these factors are controllable and depend on the adaptation of the internal environment [7]. Current research's obvious bias is ignoring systematic consumer influence; the focus pinpoints should not mainly be relied on selling products but on how to leverage the excitement and motivation of consumers based on content, service, engagement, sharing, and etc., given that the demand is continuously changing. Furthermore, research on traditional industries and their local goods is lacking.

Systematic review is used in this research to support the case study on Caitang, a Chinese domestic cosmetic brand. The case aims to analyze marketing strategy based on consumer psychology and discuss its possible influence in the future cosmetic market. The suggestions that this survey indicates will provide those domestic companies who struggle with the current market competition with several valuable insights and help them to grab the attention of potential customers. Domestic companies can apply the recommendations to reshape their marketing strategies and invent innovative channels based on predictions of consumer behaviors and emotions.

2. Marketing Strategies Based on Consumer Psychology and Caitang's Practical Application

Founded in 2012, Caitang is a Chinese cosmetic brand that expresses women's dynamic beauty. It has been trying to adhere to and advocate the "custom makeup and human integration" as the brand concept. At the same time, traditional Chinese aesthetics and modern fashion trends are integrated in Caitang to express the beauty of Chinese women: gentle, elegant, independent, and confident. Between 2020 and 2022, it became a leading brand in China's cosmetics industry. In the 2022 China Shopping Festival, Caitang won the top ten cosmetics brands on the Tmall shopping platform [8]. The following three strategies give an insight into how Caitang uses consumer psychology to establish successful marketing strategies.

2.1. Making Stimuli Personally Relevant

Caitang is founded based on a unique company vision based on Chinese aesthetics and combined with Chinese facial features, hoping that Chinese women can find their own unique and dynamic beauty-- "Original female beauty, Oriental charm." [8] This company vision created personally relevant message to Chinese female and created ingroup perception as well as national pride, which the author finds will benefit purchasing intention. To manifest the company vision of "Original female beauty, Oriental charm," Caitang develops practical and artistic makeup products based on Chinese aesthetics and combined with Chinese facial features. Casting encourages women to look at themselves correctly, recognize themselves, and inject differentiated brand character and spirit into the brand. Chinese aestheticbased makeup and Chinese style decoration are tailor-made for Chinese women; therefore, these marketing messages are the stimuli that capture the attention of Chinese women who value uniqueness and urge to express their beauty as Chinese women. Personalization happens when consumers perceive that the message is addressed to him/her and recognize that information is personalized. Personally relevant stimuli will also be detected when the product's value matches the individual's value, goal, or emotions, making one feel that his/her value is being approved [9]. Chinese women perceived personalized information when they admire Chinese aesthetic-style makeup and feel empathetic with the beauty value that Caitang created. When perceived personalization, perceived intrusiveness decreases [9]. This decrease generates a more positive brand attitude and intention to click; Perceived personalization has a beneficial influence on the connection between oneself and the brand through perceived personal relevance; research findings also show that perceived personalization might reduce reactance to promotions and advertisement through perceived relevance [9]. Therefore, perceived personalization or perceived relevance enhance the self-brand connection and form a positive brand image, favoring greater acceptance of advertisements and greater intention to purchase the products.

The strategy appeals to Chinese woman's value also through cultural emotion, when most of the foreign cosmetics in the market initially serve foreign consumers and advertise American-type makeup. For example, they decorate the packaging with a strong Chinese style; for instance, in 2019, the product's outfits were designed with porcelain [8]. As a part of personally relevant information, the author assumes that strong cultural emotion incited by market strategies, such as vision statements with national characteristics and gender-related slogans, will create ingroup perception and national pride. Ingroup perception makes consumers more willing to communicate with members in the same group and leads to purchase behavior. The reason is that when customers view themselves as a part of that specific brand group, they enhance their social sense of self [10]. A sense of social self can help customers interact with other consumers, namely ingroup members [10]. Female customers of Caitang who see themselves as part of Chinese cultural group are more willing to communicate with other consumers. Positive interactions will facilitate consumer in-role behaviors, such as repeat and advanced purchases, and out-of-role behaviors, such as online and offline word-of-mouth, client recruitment, and referral to others [10]. In general, ingroup perception boosts the interaction between Caitang customers who have similar values through a social sense of self. The interactive processes lead to in-role and out-role purchasing intention. Also, national pride based on the sense of domestic goods has a positive influence on consumers' purchase intention [11]. Therefore, the author can conclude that the more people have a sense of national pride, the more likely they are to buy a local brand. Consumers are more willing to support Caitang's products if they see themselves as belonging to China.

2.2. Para-social Interaction

Caitang combines makeup products with makeup skills, teaches makeup classes, and uses the superb makeup skills of its founder Tang Yi to teach makeup classes in free live streaming classes. Live streaming classes allow customers to experience before using [8]. The para-social interaction generated by live streaming facilitates consumption behaviors as a result.

Caitang's free live makeup classes have powerfully attracted consumers' interest in trying things out and increased the desire to participate and interact. During live-streaming lessons, the interactions between streamer Tangyi and viewers are just like between teachers and students. For example, Tangyi presents makeup techniques, demonstrates different product applications, compares before and after using the products, and answers specific questions [8]. The author believes that high involvement and participation desire motivates consumption by pushing them to buy and generating eagerness to utilize the products. High involvement and participation rate in live streaming can be explained by para-social interaction. As one of the stimuli, para-social interaction is defined as the viewer's subjective sensations of interpersonal participation and closeness with a live streamer [12]. Streamer's presence signifies direct or indirect personal interactions and generates the sensation of being physically present in a virtual world that has been artificially produced [12]. Watching Tangyi's live streams can make viewers feel like they are there in the virtual world with him. Live streaming viewers may assume the streamer is their close confidant due to the para-social interaction experience. This closeness is fostered through the streamers' frequent and courteous responses to viewers' comments, as well as their attention to viewers' viewing experiences and personal sentiments [12]. Intimacy usually creates positive emotional states and is a kind of arousal. Therefore para-social interaction is a critical factor that social streamers use as a stimulus to influence emotional states. [12, 13]. To conclude, Caitang's streamers influence the emotional state of consumers positively with interactive activities and intimate feelings created online.

The following procedure related to satisfying emotional needs completes the loop to hedonic consumption. According to research, arousal mediates the effects of para-social interactions on impulsive consumption, hedonic consumption, and social sharing [12]. Viewers hope to fulfill their emotional demands during live streaming, particularly hedonic purchasing. They enjoy the process of delight and amusement through appealing streaming media and pleasurable para-social contact and participate in intense sentiments of excitement in order to arouse motivation for future purchase behavior [12]. When the viewer feels the wonder of cosmetics and the differences Caitang's cosmetic products make, their emotion of surprise and amusement are satisfied. Viewers' liking towards Tangyi and enjoyment of watching Tangyi making magnificent changes to models' faces raise the interest in purchasing products. As a result, the intimacy produced by para-social interactions satisfies the emotional needs of viewers and fosters hedonic consumption while live streamers' sensation of enjoyment is aroused. When emotional demands are satisfied by Tangyi and his product, hedonic consumption occurs.

At the same time, for skilled live-streaming celebrities, skill is the most significant factor that arouses consumers to buy. Since skilled live-streaming celebrities rely on their skills to win the worship and recognition of consumers, the products they promote are mostly related to the skills they are good at [14]. Tangyi is a skilled live streamer. Consumers may think they will possess the same makeup techniques as Tangyi if they buy the same product. Perceptual consumers will think that their skills will be improved correspondingly after using the products recommended by the skilled live-streaming celebrities they admire, thus enhancing their search and purchase intention [14]. Tangyi presents his makeup skill on different types of face types that Chinese girls have, and consumers can learn the skill matching with their face type. Female consumers are attracted by the professionalism and skills that skilled live streamers have, and their purchasing behavior is aroused by their desire to

have the same skill as streamers after learning. As a result, the motivation to try the products and the virtual interactions between streamers and consumers create purchasing willingness.

2.3. Effect of High Cognition and Trust on the Signature Product

Caitang is famous for its signature product of contorting highlighting plate and Caitang uses the signature product marketing strategy to compete with similar brands in the market. The signature product of Caitang assists to build high cognition and trust towards the brand and resulting in enhanced purchasing intention.

In the Chinese cosmetic market, the competition for face, lip, and eye makeup has been relatively fierce in the participation of new and old brands. Popularizing the signature products increases the exposure of products to target audiences, therefore potential customers have a higher understanding and knowledge of signature products when they see promotions repeatedly. Research on a local Chinese cosmetic brand DP shows that an extended product line quickly leads to a decline in consumer experience caused by disagreeing with service standards [15]. DP has 21 product series involving head-to-toe-care and makeup products, and such an extended product line causes the brand to lack signature products that represent the brand, thus resulting in low brand awareness [15]. To increase brand awareness, DP has to accelerate product iteration and develop new products with high output value, which the author thinks is long-term ineffective. As a result, for local brands, inputting more into a few unique products is key to increasing brand awareness in a competitive market. Facial makeup has the most significant volume and relatively more opportunities in current market [8]. As a professional subcategory of facial makeup, contouring/highlighting has not been fully completed like liquid foundation and isolation products. Given this situation, Caitang is vital in contouring high disc, liquid foundation, concealer pen, primer, and other categories, and anchors contouring highlights to create core pieces. Most live streaming, frontpage recommendations, and influencer marketings focus on contouring highlighting [8]. As a result, viewers get the most exposure to contouring highlighting, becoming a signature product. Caitang's explosive product contouring highlighter plate has been ranked No.1 in the facial highlighter category on Tmall, a Chinese most used e-commerce platform [8]. According to the hierarchy-of-effects (HOE) model, consumers know or comprehend product information and identify with products or services during the cognitive stage. This stage comprises product perception and knowledge and comprehension of product aspects, traits, and benefits [13]. In this situation, a detailed product description may sufficiently pique the consumer's interest to establish a mental link between product description and product cognition. Once this link is formed, customers will be aware of the product and consider it when purchasing [13]. If a domestic brand wants to increase product cognition, choose one of the signature products or services and allow customers to know how it works, why they should buy it, and the function of the product. Another stage in the HOE model is the platform emotion stage -- consumers are becoming more active in the platform that displays these products as their knowledge of product descriptions and product awareness improves [13]. On CBEC (cross-border E-commerce) platform, the cognition stage and platform emotion stage both function in behavioral intention. In short, the sequence of consumer processing and reaction is from product cognition to platform emotion and from platform emotion to purchase intention [13]. Take Caitang as a model, the cognition towards highlighter plate facilitates active emotion to Tmall, and combining to promote purchase intention of signature product. Product description and product awareness also positively influence trust beliefs [13]. The research concludes that on the CBEC platform, perceived trust is a full mediator between product description and purchase intention and between product awareness and purchase intention [13]. The author generates a valuable strategy based on the relationship between understanding of products, brand cognition, trust, and purchase behaviors that high cognition transfers to purchase intention when customers trust a specific signature product, proving that the products have met the pain points of customers. The sales

volume of Caitang's contorting highlighting plate illustrates product awareness and trust compared to similar products.

Casting also utilizes the compromise effect on its product. According to the compromise effect, a target appears more attractive when it is viewed as a "good compromise" – the target is average on both attributes. The author believes that adapting the price of the signature product will amplify the purchasing intention. For example, cosmetic A has a better effect on shaping the face but a high price, whereas cosmetic B has a weakened effect on shaping the face but at a better price. The target signature product will be the best option if its price is between A and B. Based on market price, Caitang has a precise positioning in high-end, mid-end, and low-end markets. As fellow domestic cosmetic goods, the price of MGP and Littleondine are differentiated from Caitang. MGP has high-end positioning, and the price is about 300 RMB; Littleondine is more popular and has lower-end positioning, and the price is about 150 RMB; Caitang is right in the middle of these two attributes [8]. Overall, using product recognition and the compromise effect, Caitang's strategy of the signature product has gained considerable benefits. Therefore, for the signature to stand out among similar products, the local brand should think carefully about product positioning as well as price positioning in addition to increasing exposure to signature products and delivering product knowledge.

3. Suggestions to Domestic Cosmetic Brand

Domestic cosmetic brands should use personal relevancy to find the common aspects between the products or vision statement with target consumers' identities, thus triggering personalization. Also, local brands can utilize cultural functions that emphasize ingroup perception, belongingness, social identity, and national pride. Domestic cosmetics brands can continuously enhance the internal and external attributes of products, including product performance, external packaging, and brand concept, so that consumers' recognition of products is gradually improved and consumers' preference for local brands is strengthened. Increased national sentiment can boost consumers' willingness to buy.

When promoting products online, domestic cosmetic brands can increase the involvement of customers with either the products, spokesperson, or founder, given that domestic products are not as well-known as those famous foreign products. Besides broadcasting live, domestic brands can cooperate with social media platforms to enhance participation desire. For instance, brands can develop special makeup effects on media platforms so customers can know if the makeup suits their faces. The motivation to try the products and the virtual interactions between streamers and consumers create purchasing willingness. Also, when cooperating with streamers, domestic companies should categorize different types of streamers that different types have different focus points. For example, skill streamers deliver knowledge techniques; goods streamers deliver products' function and user experience. Categorizing the streamers and assigning related tasks can increase brand popularity to the greatest extent. As a domestic cosmetic brand, if the product line is long, it will affect production iteration and distract customers' attention. Domestic brands' signature single-product strategy can help them stand out in the highly competitive market. Focusing on marketing a single product by delivering more knowledge and increasing exposure on the internet leads to high cognition of specific signature products. High cognition of signature products can help to establish good decision-making since trust forms during promotions. At the same time, signature cosmetic products need precise positioning and their competitive advantage. A product's pricing strategy can help influence consumers' perceptions by providing a compromised product.

4. Conclusion

This research revolves around three aspects to assess how domestic cosmetic firms can exploit consumer psychology to innovate marketing strategies and use the example of the leading Chinese cosmetic brand Caitang. The cases reveal that 1) perceived personalization and personally relevant information attract the attention of domestic consumers, ingroup perception, and national pride act as cultural and emotional perception factors, facilitating the purchase intention. These two stimuli imply that domestic cosmetic brands should consider promoting culturally related and matched human characteristic advertisements to incite purchase intention. 2) Para-social interaction affects intimacy between live streamers. Viewers would like to fulfill emotional demands through hedonic purchases. Therefore, the future focus of domestic cosmetic brands is on creating connection and intimacy between product/endorsement and consumers. 3) Promoting signature products can help domestic companies to win product awareness among competitors. Since high cognition and trust towards the specific product forecasts purchase intention.

For those domestic cosmetic companies who are experiencing fierce competition from both foreign and local brands, both the marketing means and audiences group is limited. Also, campaigns of famous big brands do not work for domestic cosmetic brands founded after the millennium. Suggestions this research conveys will benefit domestic cosmetic brands to win market share in the competitive field with more effective innovative marketing strategies and lower costs. However, the case is studied based on Chinese brands, and China's social media environments and market situation differ from western countries. Also, this research does not categorize the consumer groups; the purchase behaviors of women and men differ. In the future, research can continue to assess innovative strategies in other regions to see if there are significant differences between countries and between different genders to see if each category's psychological behaviors are equally affected. Finally, in this case, most of the strategies are utilized on digital platforms due to the development of industry 4.0, but the physical marketing strategies still act as an important part of the market. Future research can focus on innovative marketing strategies offline and how effective they are compared to those online.

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