Perfect Diary
China market strategy
March. 2021
Perfect Diary: A sudden yet massive C-beauty success

- Perfect Diary targets women aged 20-35 who have relatively high spending power, its concept is “unlimited beauty”, breaking through themselves to explore more of life’s possibilities.
- The brand achieved extraordinary performance through co-branding and KOL marketing, but is especially known for its innovative private traffic strategy.

March 2017
- Famous fashion designer Mashama named Perfect Diary as his Paris Fashion Week’s backstage makeup brand.

October 2018
- Perfect Diary was founded.

June 2019
- Perfect Diary ranked No.2 in domestic brands with the highest proportion of 12-21 years old fans on Tmall.

October 2019
- Perfect Diary became the first cosmetics brand to have more than 100 million sales during the Tmall 11.11 Shopping Festival.

November 2019
- Perfect Diary released co-branded eye palettes with the China National Geographic magazine.

February 2020
- Perfect Diary teamed up with the most famous beauty KOL, Li Jiaqi to release its eye-shadow palette.
Perfect Diary constantly innovates new package designs

Co-branded packaging design is an important way that Perfect Diary squeezes into popular topics on China’s social media.

October 2018
British Museum design
Perfect Diary established its first co-brand collection with the British Museum in 2018 and became well-known. This collaboration helped the brand elevate its image from an unknown brand to a brand at the center of Chinese cultural pride.

October 2020
White leather design
In 2020, the brand launched a thin tube lipstick in leather to compete with luxury cosmetics brands such as Givenchy and Armani. It catered to independent working women. The exquisite 0.8g lipstick content symbolizes women’s high heels.

May 2020
Perfect Diary x Li Jiaqi’s pet
Perfect Diary collaborated with a lot of IP, such as Japanese cartoon Cardcaptor Sakura and the KOL Li Jiaqi’s pet.

September, 2020
Perfect Diary x China Aerospace

January 2021
The Chinese Lunar New Year design
Perfect Diary etches Chinese New Year elements onto its eye palette to trigger nostalgia, such as red lamps, snow and local wintertime desserts.

Source: Perfect Diary Tmall store designed by Daxue Consulting
How Perfect Diary converts public traffic into private traffic (1/3)

Perfect diary created the virtual KOCs “Xiaowanzi” and “Xiaomeizi” to maintain engagement with consumers on WeChat.

- **Xiaowanzi** shares brand-target customers’ pictures on WeChat moments.

**Who is She?**
A virtual KOC created by Perfect Diary.

**What’s her role?**
- Provides information on products
- Beauty consultant
- Provider of real-time customer service
- Friend

- **Perfect Diary** invites a real person to shoot photos and post on Xiaowanzi’s WeChat moments. She has similar characteristics to Perfect Diary’s target consumers, such as having a wide variety of hobbies.

- **Xiaowanzi** leads effective communication in the brand’s private traffic pools of 500 people.

**Xiaomeizi** is Perfect Diary’s virtual offline store beauty assistant. Consumers scan a QR code from Perfect Diary’s offline stores to meet Xiaomeizi.

**Who is She?**
Perfect Diary’s virtual offline store beauty assistant. Consumers scan a QR code from Perfect Diary’s offline stores to meet Xiaomeizi.

**What’s her role?**
- Provides information on products
- Beauty consultant
- Provider of real-time customer service
How Perfect Diary converts public traffic into private traffic (2/3)

With the traffic from Xiaowanzi, Perfect Diary increased repurchase rate through consumers benefits, incentives, and guiding consumers to order.

- After adding Xiaowanzi’s account, she will give customers access to get WeChat “lucky money” and send a personal invitation to enter a private traffic group. The promotion card to add Xiaowanzi is attached to products sold on Tmall flagship store.
- Different content is sent in different groups. On holidays, the brand sends one-on-one private messages to share offers and Mini Programs. The tone of voice is funny and casual to narrow the psychological distance between users and Xiaowanzi.
How Perfect Diary converts public traffic into private traffic (3/3)

Perfect Diary invites offline consumers to the private traffic pool with the help of virtual KOC “Xiaomeizi” (小美子).

Guide offline customers add Xiaomeizi on WeChat

- Coupons encourage consumers to register for memberships and follow the brand’s official WeChat account.
- Benefits: get new product samples.
- Fans center: my order, add Xiaowanzi.

Add Xiaomeizi to receive products recommendation on WeChat

- Online store coupon, buy 1 get 1 free.
- Giving free gifts to motivate consumers to add beauty assistant account.
- Fans center: my order, add Xiaowanzi.

- Scan QR code to add Xiaomeizi.
- Browse products on WeChat moments and shop on mini-program store.

- By launching the Xiaomeizi WeChat account, Perfect Diary aims at improving shopping experience, completing consumer portraits and creating new private traffic pools.
- Xiaomeizi maintains relationships with consumers who were brought in through offline pop-stores or giveaways. Since the source of customers is different, the two different virtual KOCs can have two different approaches.
Perfect Diary’s omni-marketing strategy

Perfect Diary develops its own community through online and offline omnipresence, the goal being: no matter where the consumers are, they can access the brand

Core conversion platform
Perfect Diary makes full use of the Taobao live stream nature of “best sellers + good discounts + influencers marketing”. It has invested in thousands of influencers and more than 10,000 live streams.

Private traffic + Official Account + Mini Program
- ~2000 WeChat Private traffic groups with professional customer service staff to guide the conversations with the clients.
- The official account has a large number of articles focusing on new product promotion. Each article has more than 100,000+ views. The official account can link to Mini Programs to realize direct sales conversion, which is one of the main conversion paths.

Short video platforms
Douyin, as the core short video platform, Perfect Diary not only opened an official account in the early stage, but also directly links to the Tmall store, connecting content and sales channels to achieve rapid conversion. Perfect Diary also leverages different types of KOLs at the same time to reach the audience more precisely.

Celebrity Traffic Platform
Perfect Diary’s Weibo account posts a large number of lucky draws. It also shares celebrities’ live stream which helps them maintain active engagement.

Taobao Livestream
WeChat
Celebrity + KOL + KOC
1st stage: Celebrity endorsement to get closer to customers.
2nd stage: KOL matrix to catch the attention of customers.
3rd stage: Encourage purchaser to post the products as advocacy.
Strategy 1: Different discounts available on each platform

- Perfect Diary relies heavily on discounts for fast conversions on all its online sales channels.
- Similarly, short-term discounts are available on specific channels to avoid being visible in other communities that would pay full price or be sensitive to alternative messages.

**WeChat mini-program**
- Buy 2 products to get 50 RMB discount
- Coupon for the first purchase

**Jingdong self-operated store**
- Get 2nd piece in half price
- Very low price in a limited time

**Tmall flagship store**
- Membership coupon
- Get 2nd piece 20 RMB off

**WeChat groups**
- Few hours countdown group buying event
- Lower price lipsticks and free gifts for consumers who watched Live-streaming

**Xiaohongshu store**
- #买一送一 # Buy one and get one for free
- #第二件商品一元 # The second piece 1RMB
- #一小时紧急促销 # 1 hour urgent promotion
- #团购得半价 # Group buy get product half price
- #分享好友得折扣券 # Sharing to friends to get coupon
Strategy 2: Cooperating with different levels of influencers

- First, Perfect Diary collaborates with celebrities who lead trends and create momentum.
- Then, they work with KOLs/KOCs who can contribute high-quality content and generate word-of-mouth marketing.
- In addition, Perfect Diary mainly cooperates with rising micro & mid-sized KOLs, and maintains long-term cooperation with KOLs.
- By utilizing the bandwagon effect, Perfect Diary gets consumers to share their own experiences.

Source: Perfect Diary official Weibo account, designed by Daxue consulting
Strategy 3: Leveraging social media as promotion and sales channels

Tmall is the dominant online sales channel, but its traffic is gradually decreasing. Instead, Perfect Diary utilizes the community advantages of Xiaohongshu and the huge traffic of Douyin.

- Perfect Diary’s official account on Xiaohongshu has 1.79 million followers. There are more than 110,000 notes when searching for the keyword “Perfect Diary” on Xiaohongshu.
- In addition, customers can also buy Perfect Diary’s products by clicking the link below KOL’s post.

Direct link to product page on Xiaohongshu

- Customers can buy products through a link blow the post
- A comment about PD lipstick has over 1.5k likes

Consumers can buy Perfect Diary products on Douyin

- On Douyin, one important strategy of Perfect Diary is to redirect to Tmall via KOL posts, which increased its e-commerce sales.
- Douyin started in-app e-commerce in 2019. The main operation method is that all users can sell products on Douyin and receive commission. Perfect Diary also authorized Douyin KOLs to sell, it helped the brand quickly generate sales on the most popular social media channel.
- Sellers on Douyin can receive commission for every product they sold
- Douyin users can buy products through product links in live-streaming room or post video.
Strategy 4: Diversified co-branding to reach communities

The innovative co-branding of Perfect Diary combines commercial activities and social charity activities, showing a sense of corporate social responsibility and increasing public affection.

- **2017.09**
  - # Perfect Diary × Pom&Co石榴集#
  - Limited printing collection for Milan Fashion Week, the collision of printing and make-up.

- **2018.09**
  - # Perfect Diary × Masha Ma Paris Fashion Week#
  - Gift Box for Paris Fashion Week Show: The design of the gift box is inspired by the movie “Annihilation.” The colorful flowers and plants reflect the spirit of contemporary women to enjoy multiple identities.

- **2018.10**
  - # Perfect Diary × The British Museum#
  - Gift Box of Fantast Eyeshadow Palette
  - The packaging of the limited collection gift box has Majolica pottery plate printing. The box contains 16-color eyeshadow palette and Majolica pottery plate exquisite earrings and the canvas bag.

- **2018.11**
  - # Perfect Diary × Fan (扇子)#
  - “Light and shadow” nine-color eyeshadow palette: “It's cool and beautiful, showing a fashion attitude!” The brand is co-branded with beauty KOLs/fashionistas for the first time.

- **2019.03**
  - #Perfect Diary × Discovery#
  - Inspired by the eyes of wild animals, "animal palette"- twelve-color eyeshadow palette is created with the wild but different styles of the four animal.

- **2019.06**
  - #Perfect Diary × Metropolitan Museum of Art#
  - Metropolis Lipstick
  - Extremely gorgeous costumes and bold and out-of-the-box styles interpret the enduring Royal Camp doctrine.

- **2019.09**
  - #Perfect Diary × “Chinese National Geography”
  - Fantasy Sixteen Color Eyeshadow
  - Combines the best color scheme of nature with the popular colors of makeup, which is the representative eyeshadow palette: Danxia Red, Plateau Pink and Black, Lake Blue and colorful Terrace, fully interpreting Chinese makeup and beauty!

- **2020.02**
  - #Perfect Diary x李佳琦萌宠Never#
  - “Puppy eyeshadow palette”
  - For each puppy palette sold, one yuan will be donated to Beijing Loving Animals Foundation for animal protection related public welfare projects.

Source: Perfect Diary official Weibo account
Problem: Over reliance on marketing and neglected product quality

Top 10 beauty brands on Tmall in Double 11 shopping festival by net sales

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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</thead>
<tbody>
<tr>
<td>Luxury brands</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>La Mer</td>
<td></td>
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<td>10</td>
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<td>High-end brands</td>
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<td>Lancôme</td>
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<td>3</td>
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<tr>
<td>Estée Lauder</td>
<td>4</td>
<td>3</td>
<td>1</td>
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<td>SK-II</td>
<td>5</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Shiseido</td>
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<td></td>
<td>8</td>
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<tr>
<td>WHOO</td>
<td>8</td>
<td>4</td>
<td></td>
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<tr>
<td>Sulwhasoo</td>
<td>7</td>
<td></td>
<td></td>
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<td>Mass market brands</td>
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<td>HomeFacialPro</td>
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<td>Olay</td>
<td>2</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>L’Oreal Paris</td>
<td>3</td>
<td>1</td>
<td>2</td>
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<td>Pechoin</td>
<td>6</td>
<td>7</td>
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<td>WINONA</td>
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<td>10</td>
<td>9</td>
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<tr>
<td>Innisfree</td>
<td>10</td>
<td>8</td>
<td>8</td>
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<tr>
<td>Perfect Diary</td>
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</tbody>
</table>

Proportion of operating expenses in total revenue, Perfect Diary VS L’Oreal

<table>
<thead>
<tr>
<th>Year</th>
<th>L’Oreal research &amp; development expenses</th>
<th>Perfect Diary research &amp; development expenses</th>
<th>Perfect Diary selling &amp; marketing expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan.-Sep.</td>
<td>7.8%</td>
<td>1.3%</td>
<td>62.2%</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>4.2%</td>
<td>0.8%</td>
<td>41.3%</td>
</tr>
<tr>
<td>2018</td>
<td>3.2%</td>
<td>0.4%</td>
<td>48.7%</td>
</tr>
</tbody>
</table>

- In the top 10 beauty brands of Tmall Double 11 during the past 3 years, Perfect Diary only appeared once, in 2019. The profit couldn’t cover the heavy marketing costs of Perfect Diary.
- In 2020, more high-end brands such as La Mer and Sulwhasoo invested more in China’s Double 11 Shopping Festival due to the global pandemic. Thus, Perfect Diary had to face more fierce competition.
- According to the top 10 list in Double 11, in recent years, Chinese consumers preferred high-quality cosmetics. But the R&D expenses of Perfect Diary only accounted a tiny fraction of its operating costs, which is obviously lower than its marketing expenses and its competitor L’Oreal. Therefore, how to enhance the ability of product R&D is one of the burning issues of Perfect Diary.
C-beauty industry overview
The beauty sector in China developed steadily in recent years

- China had become the world’s second largest beauty market in 2019. The sales of skincare products accounted for more than half of the beauty market in China.
- The beauty market was hit hard by COVID-19, but quickly recovered, annual beauty sales only slightly decreased

![Total retail sales of the beauty sector in China](chart1)

![Market share of major beauty categories in China by sales](chart2)

Source: Euromonitor, iiMedia, 360 make-up, designed by Daxue consulting
COVID-19 had a strong yet short-term impact on the beauty market

- Due to COVID-19, cosmetics’ sales volume in China declined by 29.9% in February 2020 compared with the same period in 2019. However, it had recovered by April. During the outbreak, people consumed and talked more about skincare products than cosmetics.
- Since lips and much of cheeks are covered while wearing a mask, eye makeup products received more attention than before. “Mask makeup (口罩妆)” had become a hot topic among Chinese beauty consumers. The new trend helped brands and KOLs find new ways to communicate with consumers.

Growth rate of cosmetics and skincare products sales on Alibaba
(YoY growth rate, Feb – April, 2020)

<table>
<thead>
<tr>
<th></th>
<th>February</th>
<th>March</th>
<th>April</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cosmetics</td>
<td>-9.5%</td>
<td>11.9%</td>
<td>18.1%</td>
</tr>
<tr>
<td>Skincare</td>
<td></td>
<td>18.1%</td>
<td>22.1%</td>
</tr>
</tbody>
</table>

-29.9%

Topics related to skincare at home are popular on social media like XHS. Especially, products with “skin repair”, “basic skincare” and “first-aid care” functions are increasingly needed.

Source: SCMP; Taoshuju, Weibo, designed by daxue consulting
COVID-19 brought out a beauty e-commerce battlefield

- COVID-19 caused beauty sales to move from offline to online channels as consumers were hesitant to visit offline stores.
- Additionally, foreign brands’ sales declined dramatically in their home countries, thus they doubled-down on Chinese e-commerce platforms.

**JD Luxury Gala**
15th-25th December 2020

- 1,600 brands
  - In 2020, 1,600 brands participated in the JD Luxury shopping festival.

- 20X
  - The average turnover for the quarter increased by 20 times from last year.

- +180%
  - The number of first-time buyers increased by 180% YoY.

**JD Black Friday Shopping Season**
20th-29th November 2020

- In 2020, the sales of self-care products on JD Black Friday (27th Nov) increased 50% YoY.

- +180%
  - Compared to 2019, the total sales of the 10-days shopping season grew 180%.

- The three most popular brands in the self-care category were foreign brands Kao, Shiseido and Ryo.

Source: JD.com, designed by daxue consulting
Live streaming and private traffic: Two key beauty market strategies

- **Live streaming** is increasingly popular due to the interactive experience, China's live streaming revenue has more than doubled from 2019 to 2020 (from 438 billion RMB to 961 billion RMB).
- Chinese beauty brands have a talent in leveraging private traffic. Some brands transformed their business model quickly in the heat of the pandemic, and embraced **private traffic marketing**.

**Lin Qingxuan's private traffic marketing during COVID-19**

Before COVID-19

Lin Qingxuan’s (an original Chinese beauty brand) shopping advisors attracted new members to add customer service’s WeChat account and invited them to enter a group chat.

During COVID-19

Due to COVID-19, Lin Qingxuan started to expand its private traffic pool from WeChat to Taobao with the collaboration with DingTalk.

**“lipstick king” Li Jiaqi’s live streaming on Taobao (March 2020)**

- Skincare, 38%
- Cosmetic, 17%
- Snacks, 13%
- Drinks, 7%
- Cereal grains, 7%
- Other, 18%

*Average No. of viewers: 3.92 million
Average sales volume: 854 thousand*

Source: iimedia, Ccsight; Caixin global, designed by Daxue consulting
ABOUT
Who we are
Your Market Research Company in China

We are daxue consulting:

• A market research firm specializing on the Chinese market since 2010

• With 3 offices in China: in Shanghai, Beijing and Hong Kong

• Employing 40+ full-time consultants

• Full, complete, national coverage

• Efficient and reliable fieldwork execution across China

• Using our expertise to draw precise, reliable recommendations

• With key accounts from around the world
Our past and current clients

350+ clients with 600+ projects for the past 7 years
A recognized expertise on the Chinese market

Regularly featured and quoted in global publications

Daxue latest quotations in recent publications
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We keep you up with the fast changing market

Professional
We customize your market entry, e-commerce, & branding strategy

Specialized
Niche platforms such as Xiaohongshu & Bilibili

Localized
We have offices operating in both Hong Kong and Shenzhen

China Market Insider

100+ Brands Served

Millennials & Gen Z

Since 2017
How we can help you?

Double V Consulting - Your Insider into China market

**TRAINING**
We offer online courses and workshops through CHINable Academy, an affiliate of Double V.

**CONSULTING**
We provide brand & competitors analysis, and positioning & market entry strategy.

**E-COMMERCE**
We help DTC brands set up online flagship stores on Chinese major marketplaces, and enhance social commerce.

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Brands we have worked with
Double V Consulting - Your Insider into China market