

# RESEARCH ON MARKETING STRATEGY OPTIMIZATION\*

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## Abstract

Through the preliminary analysis of S company's marketing strategy, this paper basically constructs a complete optimization scheme for S company's marketing strategy in China under the new background. This paper combines the marketing mix, STP as the main framework theory, and the new retail wheel as the auxiliary theory. Starting with the market positioning of S Company, this paper analyzes the potential target market and identifies the needs of potential customers, and makes full use of the 7P strategy in the marketing mix theory to study the marketing strategies of S Company under the new retail background one by one, and puts forward a new marketing strategy optimization scheme in combination with the upgraded consumer demand and experience under the new retail environment.

**Keywords:** New retail; Brand positioning; Marketing strategy; cosmetics

## Introduction

With the deepening of China's reform and opening-up, China's politics and economy have entered a stage of rapid development, the people's quality of life and happiness have improved, the per capita expenditure has also increased significantly, and the yearning for a better life has become more and more eager. In recent years, with the rapid development of the Internet, the new behavior habits and consumption patterns of consumers have undergone a reform-oriented transformation. Great technological changes and challenges from environment, culture and economy have made the relationship between customers and companies more and more digital. The development of social media and digital technology has completely changed the interaction mode between consumers and companies, so the traditional physical marketing channels are under tremendous pressure and struggling. Also for pure e-commerce enterprises, in the 21st century, a large number of e-commerce companies have emerged, and these companies have taken advantage of the rapid popularization of the Internet to join in the era of network marketing and communication, and some companies have begun to snatch favorable positions in cyberspace.

However, recently, because consumers are tired of the network world without good experience, highly competitive market and chaotic environment, these companies are also facing the crisis of slowing down the growth of users, soaring the number of e-commerce, increasing the flow cost, losing dividends and poor product experience. Therefore, the new concept of retail was born. This innovation of retail enabled technologies with great breakthroughs, such as big data and artificial intelligence, and deeply integrated online services and offline experiences, thus starting a brand-new retail form and forming a new retail format. At present, Alibaba regards Boxma Xiansheng as a pioneer in exploring new retail, leading 23 cities in China, opening more than 220 stores, and leading other Chinese enterprises into new retail formats. The new retail model focuses on consumers, providing them with "cheap and good" goods and more convenient and efficient new service forms. The integration of online

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\* Received: January 18, 2023; Revised: February 2, 2023; Accepted: March 31, 2023

and offline new retail can enhance the company's competitive strength, adapt to the new market and the needs of consumers, and formulate brand-new marketing strategies to remain invincible.

## Research Background

In 2020, affected by the COVID-19 epidemic, China's major physical industries were impacted, and consumers' attention to the cosmetics market decreased and their attention was divided. After the epidemic, the sound volume of the cosmetics industry decreased by 36% year-on-year and the interaction decreased by 52%, resulting in a sharp reduction in the living space of traditional offline stores in the cosmetics industry. Under the national shutdown order and CDC's relevant regulations calling on all citizens to wear masks when going out, consumers' demand for cosmetics is also greatly reduced because they are isolated at home. From the initial stage of the outbreak, many industry giants, such as Shanghai Jahwa, Polaiya, Perfect Shares, etc., have been impacted one after another, forming a downward trend. By February, 2020, companies began to fall below about 10%. In this era and social background, enterprises in the cosmetics industry need to strive to break through the previous operational framework, study and analyze the existing problems and solutions in marketing, formulate marketing strategies to meet the needs in the new environment, carry out radical transformation, realize the synchronous growth of sales and profits, meet the huge wave of new retail transformation, catch up with the "retaliatory consumption growth" after the epidemic, and become the industry leader.

## Research Objectives

In the increasingly fierce industry competition, S Company is trying to start omni-channel marketing in the new retail era to continue to expand its market in China. How to maintain the company's position in the industry and complete sales growth in the highly competitive market under the new retail background is one of the major crises of S Company. The declining market share and profitability have brought great risks to the overall operation of the company in the future, and are not conducive to the sustainable development of the company in the future. Therefore, it is particularly critical to study how to formulate marketing strategies suitable for the development plan of the company in the new market and era background, which is of far-reaching significance to the future development of the company. Therefore, this paper will deeply discuss the problems and reasons faced by S Company in the marketing process under the new retail background, in order to seek the optimization strategies and implementation approaches that can effectively solve the existing problems of the Company. Under the background of new retail, S Company needs to actively find out the problems existing in marketing and adjust its strategy in time, so as to grasp the opportunities and seize the market. To sum up, it is extremely urgent for S Company to study the strategic optimization of marketing links.

## Theoretical frameworks

This part will explain the three theories of this research: the positioning, the marketing mix theory and the new retail wheel. The first two theories are the theoretical basis for solving this scheme, which specifically analyzes the existing marketing problems of S Company and

the solution framework, while the new retail round theory mainly provides improvement ideas in the strategic details.

**(1) Positioning theory**

STP theory is a more perfect and detailed theory made by marketing scientist Philip Kotler on the basis of Wendell Smith's concept of market segmentation. This theory not only includes market segmentation, but also includes target market and market positioning. STP theory points out that companies need to identify the individual needs of consumers, so that the market can be divided into sub-markets according to these needs (Lukin, 2019). Then, enterprises will take the sub-markets that match their own development and goals as their target markets, so that the products that the company wants to launch can have a competitive position in their target markets.

**(2) 4Ps marketing mix theory**

The 4Ps marketing mix theory was put forward by Professor Jerome Macarthy of the United States, which includes not only products, but also prices, channels and promotion theories. On the basis of 4P theory, Booms and Bitner added three other service contents to this theory in 1981, namely, personnel, tangible display and process, which is the 7Ps theory.

**(3) New retail wheel theory**

The new retail wheel theory was put forward by Masao Nakanishi, a Japanese scholar. Under the condition that the new format can't have real innovation, it is difficult for it to have a competitive advantage over the original format. He thinks that only technological innovation is the original motive force to promote the change of business format, and puts forward the concept of "technology boundary line" (Marinova, 2017).

## **Literatures Review**

In the aspect of digital marketing, scholars have carried out multi-faceted analysis and inquiry combining the current emerging trends and enterprise cases. Jiang et al. (2016) analyzed the ways to transfer value between companies and customers in social and digital society in Principles of Marketing, and put forward a new idea of experiential marketing. Instruct marketers how to integrate traditional media with new media and explore more accurate, interesting, personalized and interactive customer relationships. The existing literature discusses several marketing concepts and discusses whether the Internet has an impact on them. Use basic marketing concepts to understand new tools. Although the social era has changed the traditional marketing field, the basic marketing concepts and processes remain unchanged. Through sharing the real cases of enterprises, the paper also analyzes and explores the network management. In digital marketing, social media has become one of the key words. Shi (2016) introduced the persuasive e-commerce website by publishing Social Media Element for Persuasive B2C E-commerce. Persuasive communication is a way to encourage or change consumers' behavior towards a certain product or service. In order to understand the efficiency and effectiveness of persuasive communication, some researches have been done. In these studies, the development of persuasion system design model guides the development of e-commerce websites with persuasion function. Marinova (2017) published an article in Fortune magazine entitled "This is only the beginning for China's explosive e-commerce growth." This article tells about the retail changes and the rise of e-commerce that China has experienced in the past few years, and gives an insight into the future of e-commerce in the next few years. In

the past two years, the trade war between China and the United States has attracted much attention, and foreign scholars have also expressed their views on it. Liu et al. (2016) published an article entitled "China's e-commerce giants are not afraid about trade war" in Fortune magazine. Through an interview with the founder of JD.COM Group, JD.COM, one of the e-commerce giants in China, expressed his attitude towards Sino-US trade war and did not worry about it.

## **Research Method**

This paper mainly takes S Company as the research object, comprehensively uses the research methods of literature research, case study and questionnaire survey, and based on the analysis of the current marketing situation of S Company, deeply studies how to optimize the marketing strategy of S Company, puts forward solutions and ensures the implementability of the solutions through various guarantees.

## **Findings and analysis**

In the cosmetics industry, where competition has entered a white-hot stage, S Company is facing challenges from competitors from all sides. At present, S Company is only in a state of exploring new directions under the new retail mode. The number of competitors is increasing and its strength should not be underestimated, which leads to the crisis of S Company's declining market share and weak sales growth, which makes S Company feel pressure. This chapter mainly describes the current situation, crisis and existing problems of S Company, which reflects the urgent need to optimize the marketing plan of S Company in China under the new retail background.

At present, the brand layout and positioning of S Company are mainly concentrated in the middle and high income female market, and the average monthly consumption of beauty products is about 600-1000 yuan, and the age group is between 20 and 55 years old. The female consumer market is still the most important consumer market in China. However, under the increasingly saturated environment of this market, Company S tries to cater to the needs and tastes of female consumers, while ignoring the great potential and growth rate of other markets.

### **(1) Positioning in the context of new retail.**

Although S Company has accumulated an understanding of women's consumption psychology and shopping habits by virtue of its 15-year experience in China, if it continues to stand still, it will inevitably need to spend more material and financial resources to consolidate its market share in the fiercely competitive women's market, thus wasting its profits. At the same time, S Company will also face the missed opportunities to enter other potential markets and the best opportunity for transformation.

### **(2) Too many products and uneven distribution of resources.**

S company has nearly 120 brands with different brand licenses to provide product support for the store. There are tens of thousands of SKUs under these brands, so the products sold by S Company are not only in many categories, but also in many categories. Moreover, due to the ever-changing market and consumer demand, brand companies have plans to introduce new products every year, and introduce some products with new components or new technologies for consumers to upgrade their product experience.

(3) Channel integration of the new retail model

As a global cosmetics retailer and a domestic cosmetics retail chain giant, S Company established an official online shopping website in 2014, embracing the Internet era and officially opening its digital marketing channels. After that, it settled in JD.COM Mall in 2015 and Tmall Mall in 2016, and upgraded official website in 2017. Based on the vigorous development of mobile Internet terminal technology and social media, Company S successively developed official APP and WeChat applet. Under the background of the new retail era, it is a successful transformation strategy but also a challenge for S Company to actively touch the online e-commerce business that it is not familiar with. However, S Company's experience in offline retail operation cannot be directly copied and applied to the offline operation strategy. After stepping into the e-commerce business, S Company, once the leader of the cosmetics industry, still seems to be somewhat powerless. In the omni-channel market scale of the company in 2019, the overall online sales channel increased by 15%, while the offline sales accounted for only about 13% of the whole year. According to the survey data, stores are the most frequently used channels for consumers, accounting for 63%, while Tmall, JD.COM, WeChat applet and official website together account for 37%, which is unhealthy for the company's layout and development in the new retail era.

S company's new marketing optimization strategy:

(1) Positioning optimization under the background of new retail.

S company's main target customers are women aged 20 -55 who have higher income and have certain quality requirements for their skin care and beauty products. 72.2% of consumers aged 25-30 spend more than 2,000 yuan on beauty cosmetics every year, which has obvious consumption advantages compared with other age groups and is the main force of beauty cosmetics consumption. For those under 25 years old, 41.7% spend more than 2,000 yuan on beauty every year. Although the proportion is not high, it is a huge potential consumer group. In this group of millennials and generations Z, S Company needs to establish brand contacts for these future consumers in advance, which will directly affect the consumption choices of this generation in the future.

(2) Product and price optimization strategy.

At present, S Company has signed brand authorization letters with nearly 300 brands, providing consumers with abundant products and brand choices, providing sufficient product support for sales channels and laying a solid foundation for the company's strategic planning. However, in the actual sales process, problems such as uneven distribution of resources are often caused by too many brands and products. The following will improve the product strategy from three dimensions in detail to improve the situation.

(3) Channel optimization strategy.

To continue to improve its e-commerce competitiveness, S Company can set up a cross-border e-commerce department and add Tmall overseas flagship stores to face more overseas brands, so as to fill the defect that offline stores can only sell general trade products. At present, the overall market size of the cross-border e-commerce market is relatively small, but it can be seen from the data in the following figure that the annual growth rate in recent four years has

remained at 35%-45%, showing an obvious upward trend, and the cross-border e-commerce field with obvious growth rate may bring new Liu Run growth points for S Company. Through national preferential policies for cross-border e-commerce and bonded warehouses established in more than 30 provinces and cities across the country, efficient customs clearance and logistics services have been enabled, saving part of the company's operating expenses. The establishment of S's cross-border business can expand the scale and category of S's cooperative brands, provide Chinese consumers with the global beauty trend, and further catch up with Tmall's competitors in importing international supermarkets, Xiaohongshu and other industries.

In addition, the social e-commerce channel is a new and younger channel, with the proportion of users under 30 years old accounting for 60%. As the potential and consumption contribution value of these young consumers cannot be ignored, Company S can combine social media with marketing functions to form a social e-commerce channel, and integrate users and traffic to further penetrate the market. In addition to actively cooperating with bloggers and anchors in Weibo, Tik Tok, Taobao Live and Miles, S Company can set up its own MCN (Multi-Channel Network), cultivate and incubate its own online celebrity, and spread PGC (Professional Generate Content) professional content production through the network platform of the channel. Online celebrity trained by the company has a better understanding of the company's DNA, style and consumer groups. Introducing the company's products will be more professional and targeted, and the forms of communication can be diversified. These bloggers and anchors can go to the store for live broadcast and introduction, or plan online brand special events. Through the development of this new channel, we can further deepen the interaction between online and offline in the new retail environment.

## **Conclusion and implications**

S Company has been repositioned and adjusted under the new retail background, and the market has been refined and classified, which can be covered in high-end, mid-to-high-end, mass market and sinking market, and complete the brand layout. Secondly, in the aspect of product strategy, the company's resources are balanced by differentiating and periodically adjusting the products of S company's cooperative brand and its own brand, and extending the products of its own brand. Third, cooperate with the brand to control the market price and stabilize the retail price of the market; Develop a flexible price mechanism to assist various promotional activities, and impact consumers' psychological defense according to their consumption habits and psychology; and penetrate the private brand at a low price to form a brand-new price strategy. Fourth, in order to optimize the channel strategy, it is necessary to expand the omni-directional and diversified channel layout in the new retail environment and integrate it to provide more opportunities and channels for sales activities. Fifthly, combine new AI and VR technologies to plan creative new concept promotion activities, carry out cooperation plans in line with the development of new media under the background of new retail, and deepen promotion contents in combination with current hot topics. Sixth, streamline the internal new product process, and use the new logistics mode under the new retail background to improve the efficiency of the shopping process and provide more convenient services for consumers. Seventh, in the aspect of personnel optimization, break through the new idea of customer relationship management to optimize the recruitment mechanism, improve the quality of employees and strengthen training. Finally, in the aspect of tangible

display content, the interesting pop-up shop plan is integrated offline, and the exclusive brand is helped to optimize the page design online to improve the conversion between CTR and TR, and the decoration styles of all online and offline channels are unified and consistent.

S Company, as a large global cosmetics sales company, has occupied a certain market share in the past ten years, and has made remarkable achievements from direct chain channels to the development of e-commerce channels, which has been recognized by the industry and trusted by consumers. However, under the market background of innovative new retail mode, the competition is becoming more and fiercer, and the way of competition has also changed from a single traditional marketing channel or online sales platform to omni-channel competition. The market share has been continuously divided, the sales growth of the company is slow, and the loss of members and the innovative strategy of recruiting new members have become urgent problems for S Company. This paper hopes to help S company analyze its own operation and marketing problems, and formulate new marketing strategies that meet the needs of consumers and changes in the new market, so as to maximize the benefits of the company.

The case of S Company can provide inspiration for FMCG industry to enter the new retail era. Under this background, how FMCG can meet the new shopping mode and consumption habit under the consumption upgrade, how enterprises can meet the needs of consumers, product upgrade, omni-channel promotion, varied and interesting promotion forms, and rich visual display are all the dilemmas that the industry is about to face or is facing.

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