PERFECT DIARY, FLORASIS, AND FENTY BEAUTY

PROFILE: DIGITAL NATIVE BRANDS

CONTENTS

BRAND PROFILES: PERFECT DIARY, FLORASIS & FENTY BEAUTY

Understanding digital-first (DTC/DNVB) brand building in China, through the lens of Totem's Brand Growth Template.

ABOUT TOTEM

For more on China market growth strategies, DTC and brand transformation insights:

www.talktototem.com/dtc-insights

www.talktototem.com/china-insights

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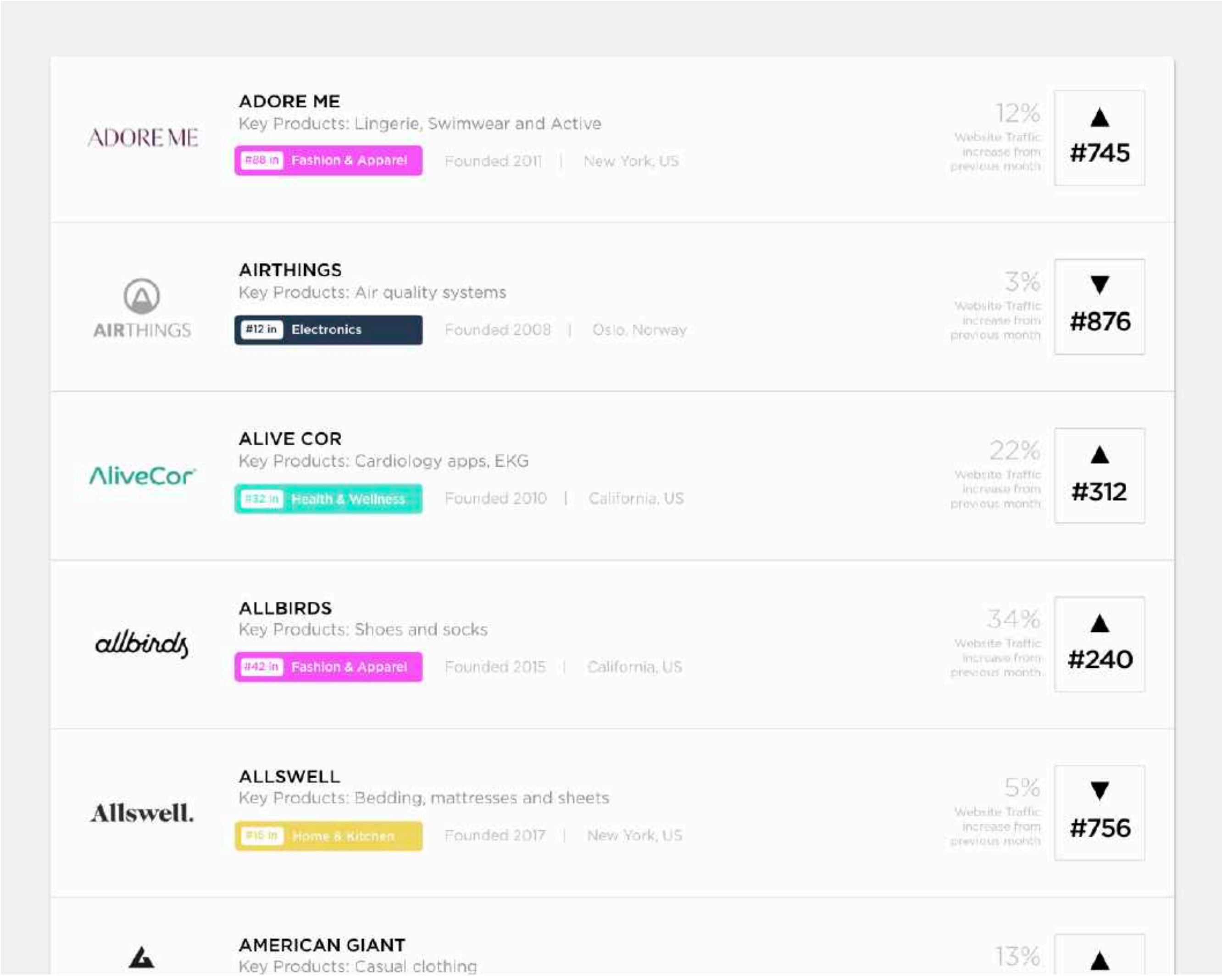
DIGITAL NATIVE BRANDS

This is the second in a series of reports by Totem that evaluates DTC (digital native) brands in China, both domestic and foreign.

These reports on digital native brands in China are built upon the research that Totem has compiled about global DTC brands.

Through these reports, we aim to provide further insight into the growth strategies employed by the brands represented.



Totem's Global Database of 1,000+ DTC brands

LEARNING FROM CHINA

All marketing in China is digital first. In the absence of tradition (and traditional channels), brands have followed the increasing demand to focus on digital first. Chasing the opportunities offered through digital marketing, brands in China have pushed far past traditional boundaries to experiment with new tactics. Added to this, China has a unique set of channels and nearly ubiquitous digital payments. In order to forecast future global marketing, it is imperative to look through the digital marketing lens at what is transpiring in China.

PERFECT DIARY VS FLORASIS VS FENTY BEAUTY

Perfect Diary became the top domestic beauty brand just 2 years after launch and has attracted 48 million followers online - racing ahead of all competitor brands and setting the tone for other DTC brands.

Florasis launched around the same time, has a strategy built around livestreaming. They compete head-to-head with Perfect Dairy.

Fenty is considerably smaller in scale. As a foreign brand, it cannot dedicate all of its attention on China and therefore is a half-step behind its domestic competitors.

TOTEM'S BRAND GROWTH FRAMEWORK

From our analysis of both global and Chinese digital native brands, Totem has developed a Brand Growth Framework that serves as a template for planning brand transformation/growth.

For details about Totem's Brand Growth Framework please see the end of this report.

www.talktototem.com/dtc-insights

DIGITAL AND DIRECT MARKETING RULE IN CHINA

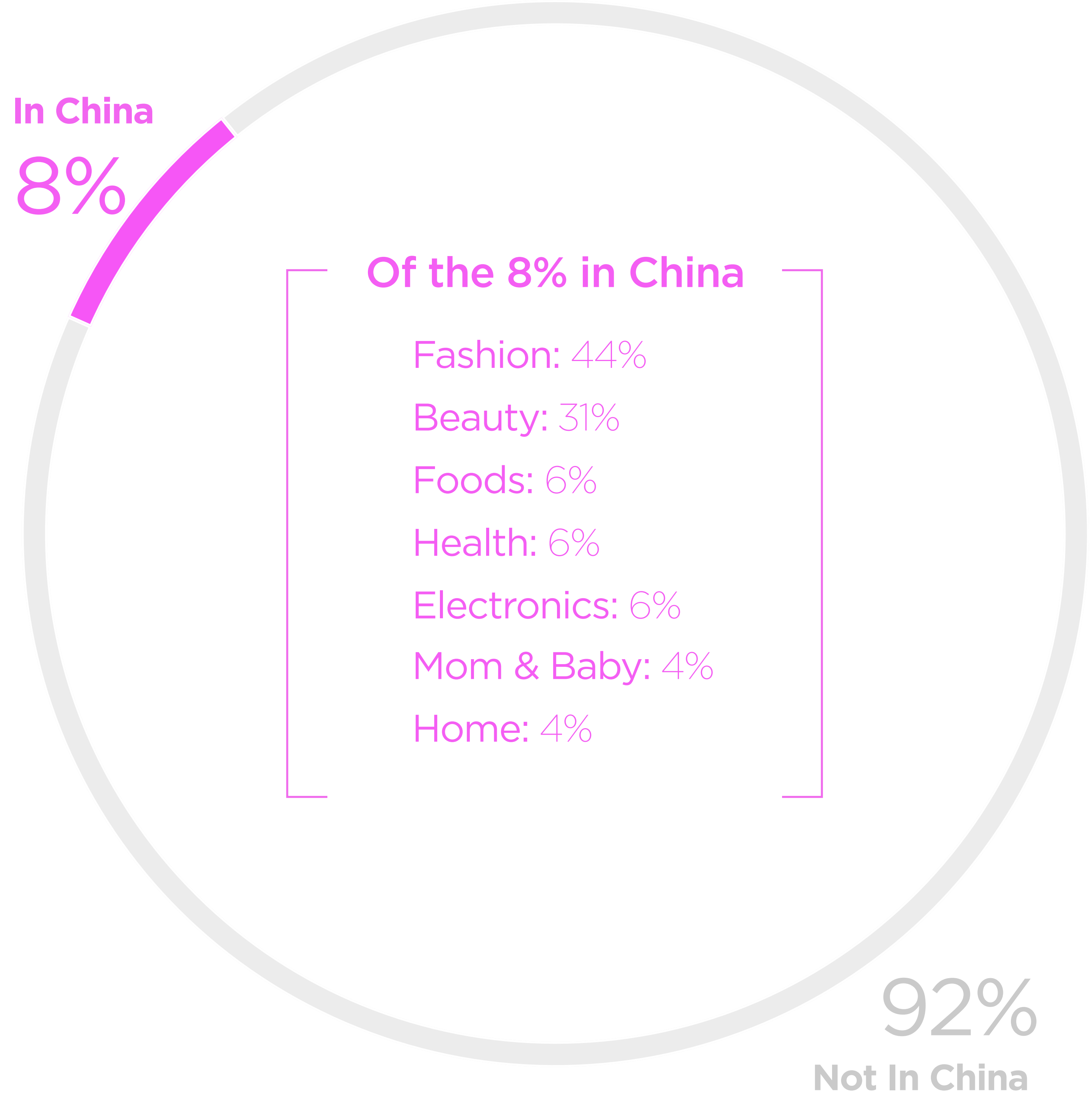
The 'disruptive' strategies that DTCs in the West have been using to gain share over traditional brands are the staple tactics for winning in China's predominantly digital marketing ecosystem.

GLOBAL VS LOCAL DTCS?

Our research shows that only a very small percent of Global DTCs have entered the market. Meanwhile, there has been steady growth in local DTC/DNVB brands which have been modelled on (and are often out-innovating) their global counterparts.

Alibaba (Tmall) and other platforms in China are putting a lot of focus on newer, growth brands. Alibaba has a program to incubate/accelerate global DTC brands. Tmall is also supporting the growth of local "Treasure Brands." Collectively, 357 global/local growth brands became top sellers at Double 11 2020, versus only nine such brands in 2019.

Only 8% of DTC brands from North America have entered China.



Source: Totem Global DTC Database

A SURGE OF NEW, CHINESE DTC BRANDS IN 2020/21

Globalization took a major step backwards in 2020, with the flow of goods put under massive pressure from Covid. As a result, there was a strong move to localization - and a surge in growth of local DTC brands:

1. Factories with spare capacity and excess inventory, moved to launch their own brands and supply local DTCs - advancing a trend toward more local consumer-to-manufacture (C2M) connections.

2. Consumers in China discovered an array of new, local products (many of which come from the same factories as famous global brands) at prices lower than global players.

At the same time, China's consumer gravity is shifting toward lower-tier cities. Strong growth of Pinduoduo and Kuaishou offer compelling evidence of this shift. The growth of lower tier markets favour Chinese DTCs in the short-term.

The defining factors for success of local DTCs will be in their ability to build distinct brand identity - and avoid price-competition traps.

China is entering the early stages of a cultural boom - a time where it is able to take a breather from decades of heads-down, hard work - to create and define a set of stories, movements and new norms.

Wherein the past several decades, Chinese consumers have been sampling products, brands and culture - without clear, consistent affinities - they are now forming clear opinions and preferences which are distinctly homegrown. They are also forming into groups (segments, TAM's) which are unique and sizable.

In the past it was very challenging to go after a niche in China. The boundaries between segments were often too blurry and changed too quickly.

Brands like Florasis are seizing on this shift, with a brand that is distinctly Chinese and aiming at a specific segment. While Chinese brands are best positioned to address emerging 'tribes', there are opportunities for specialist foreign brands to grow with new TAM's.

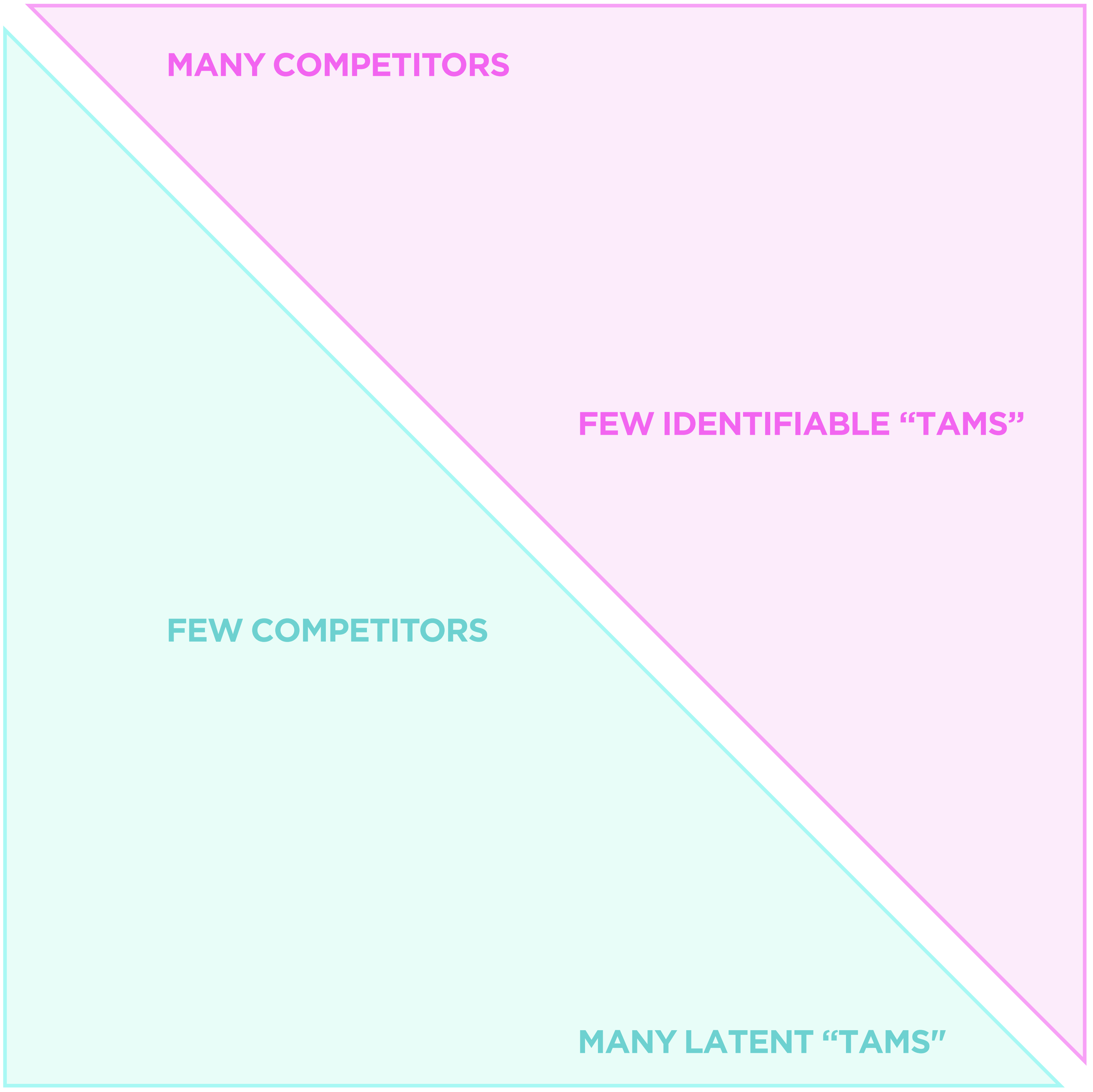
USA

MATURE MARKETS

Start-up, DTC brands liberate value from TAMs that have been over-looked, under-served by larger players.

In a mature market, the value available to be liberated is substantial. In many cases the DTC brand is walking into a situation where the incumbent brand is over-charging for a solution that is not fit to the customer segment in question. The customer in question has been paying too much for something that they don't really want.

At the same time, in mature markets, like the US, there are relatively fewer competitors per category. There could be as many as 100x more competitors in China as there are in a mature market. DTCs in mature markets are picking off latent TAMs with relative ease, achieving a first threshold of growth.



CHINA

GROWTH MARKETS

New brands in China have to more explicitly define - and create - the TAMs they want to tap into. Brands who do not differentiate by creating a category, run the risk of getting lost in the mainstream.

The un-differentiated mainstream in China is very large but also way over saturated with competition. There is no latent value to extract in China's mainstream.

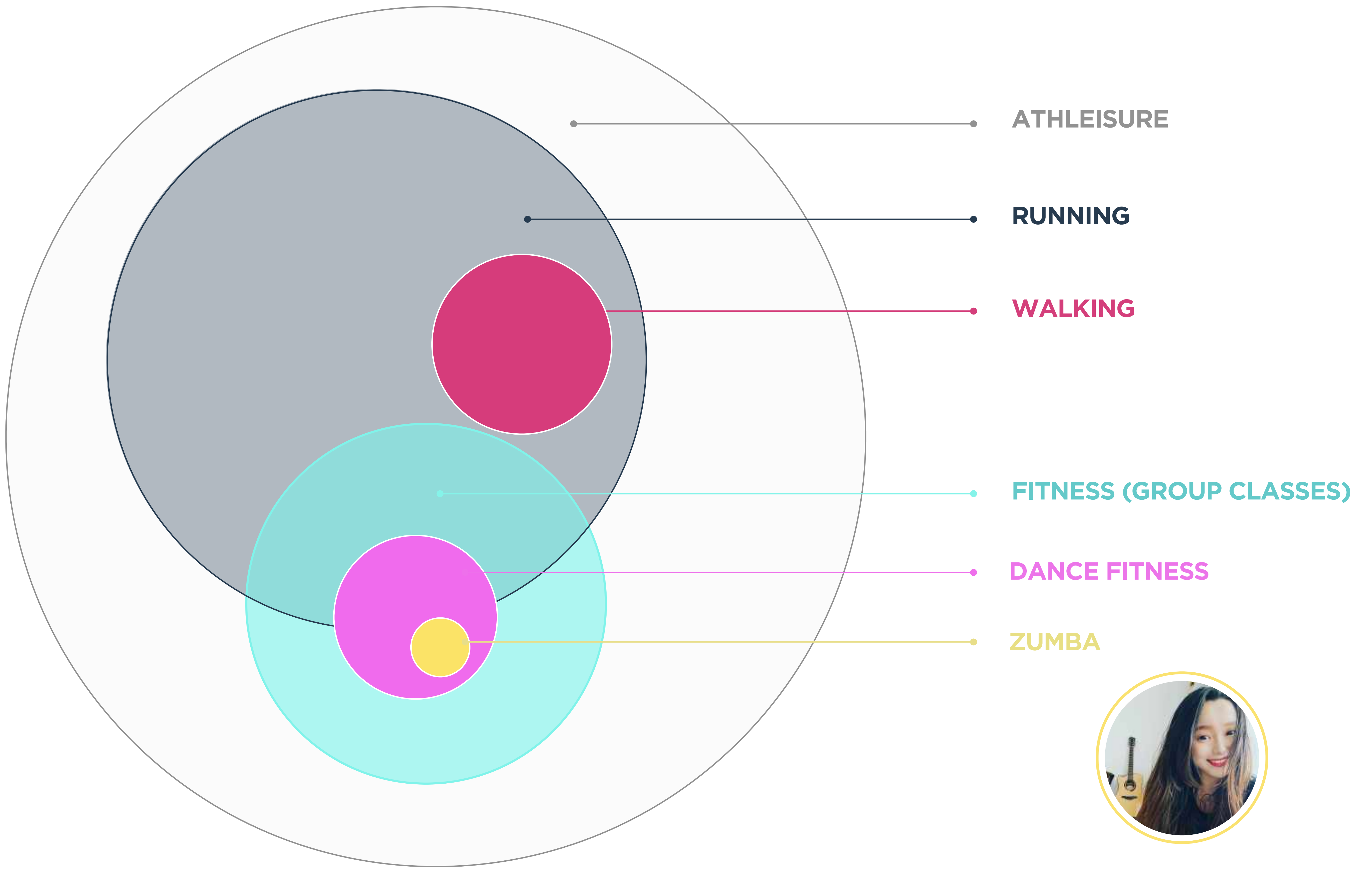
TAMs are not easy to identify clearly in China, as its culture - once monolithic - is now becoming more individualistic. There are very clear differences by age/occupation already in place. Regional differences will also begin to become more apparent. And, in top tier cities, audience segmentation is happening quickly, with groups splintering into tribes of interest/taste.

NEW SEGMENTS BECOMING MORE CLEAR IN CHINA

As audiences begin to fragment and become more nuanced brands are applying more rigor in defining target audiences (TAMs). Audience x Interest groupings are called "Quancengs" and represent the growing interest among brands to go after narrowly defined groups/tribes.

This sort of targeting has been the driver of growth for DTC brands globally as well; find an under-served group and dedicate attention to them with bespoke products, purpose and messages.

For new entrants, start-ups, and DTCs it's better to have a 'deep well,' of committed customers than a broad, disloyal crowd as targets. To quote legendary YCombinator founder, Paul Graham, "If the idea is going to spread, then it will have to spread from the local need to the global use." This sort of targeting is now much more tenable in China, with audiences who can/will appreciate the specific opportunity to connect and support something tailored specific to them.



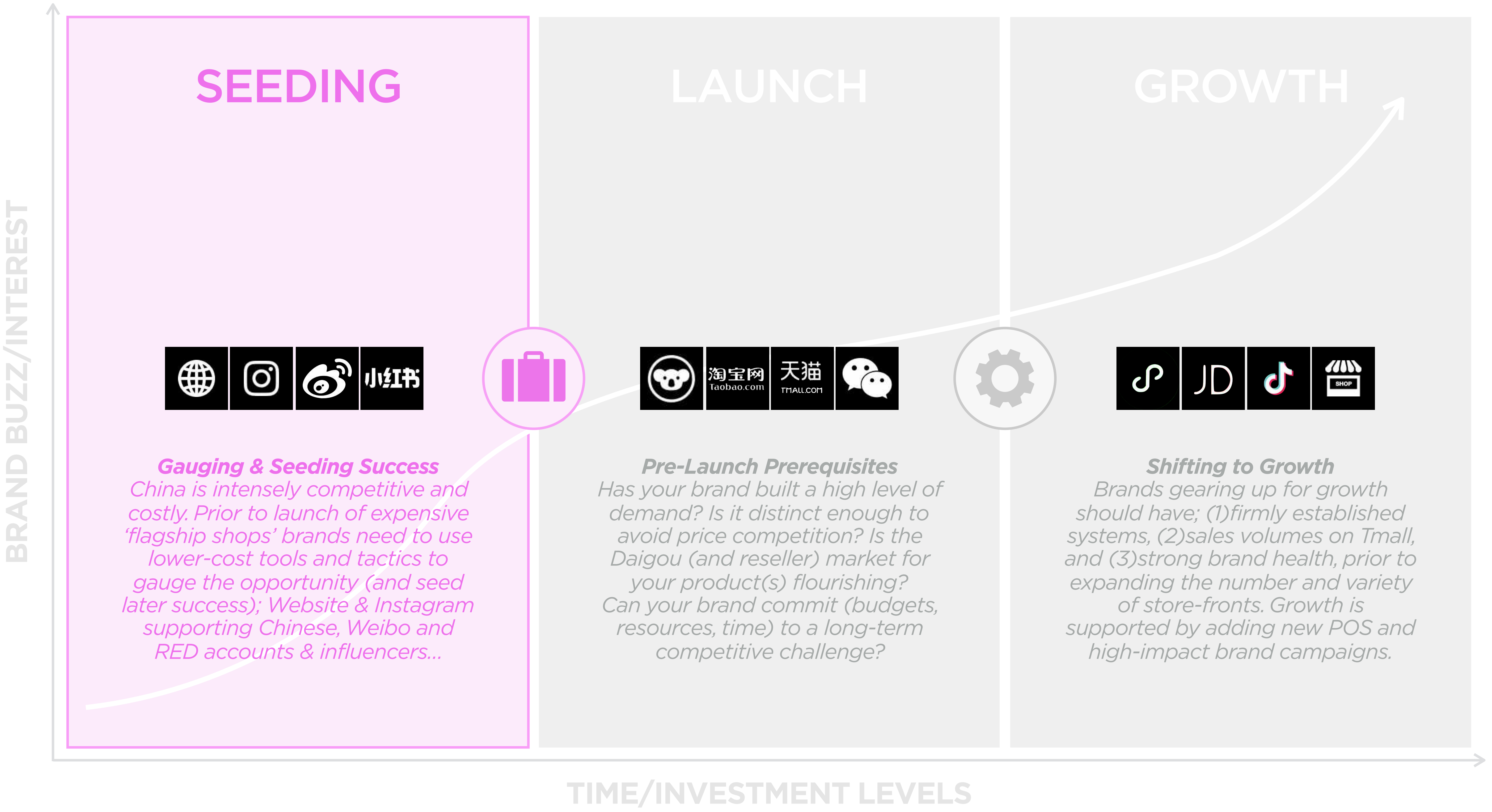
GLOBAL BRANDS MUST FOCUS ON 'SEEDING' FIRST

The seeding effort by global DTC/DNVBs should be very focused on creating affinity with a specific audience segment (TAM).

Too many global brands enter China based on the notion that it's a massive market and that targeting isn't necessary. The story they tell themselves is, "China is a market of 1.4 Billion people; therefore, if we were to sell something to 1%..." However, the focus should be on selling their products to a specific, clearly targeted 1% ...or, more accurately, a very specific 0.01%.

As part of an effective seeding program, foreign brands should be running trials with very focused audience groups. With each trial, brands should be collecting new insights, comments and recommendations - moving the company incrementally closer to the right formula, for right audience group (TAM).

Market proof comes when the brand can observe an increase in cross-border (and "Haitao") sales, new resellers on Taobao & PDD, together with an uptick in organic postings on Chinese social media.



CHINA IS NOW MORE COSTLY TO GROW THAN THE US

It is hard to compare apples-to-apples when it comes to advertising costs between China and the US. Channels and formats are different. The outcomes and effectiveness of ads are also not equivalent. For instance, while the costs (based on CPM) for Facebook and Weibo are pretty comparable, the effectiveness in (sales) conversions on Facebook is much, much higher than Weibo. And, while the CPMs for large influencers are similar, the number of fake fans in China for large influencers is extremely high.

With this in mind, brands eyeing an entry into China's market need to make every effort to: (1)build traction globally first, (2)target global Chinese through global channels and influencers (including Chinese influencers on Instagram, TikTok...etc), and (3)make sure that there is a formula in place for China BEFORE the big investments in scaling through media occur.

China is not a market where brands can afford to take a spray-and-pray approach to advertising.

	WEB DISPLAY	**SOCIAL DISPLAY**	**INFLUENCERS/KOLS**		
			5 - 100K Followers	100 - 250K Followers	1M + Followers
	CPMs	CPMs	CPMs	CPMs	CPMs
	$11.30	>$5.50	$63.16	$18.14	$6.92
		* Weibo Fanpass			* Weibo
	$1-5 *	<$3.00	$5-10	$5-10	$5-10
	* Mobile	* Facebook	$500/post	<$5,000/post	<$10,000+/post

CHINA'S COSMETICS MARKET BOOM

China boasts the world's second largest market for cosmetic products. Its surging market is transforming rapidly due to high demand and consumer interests.

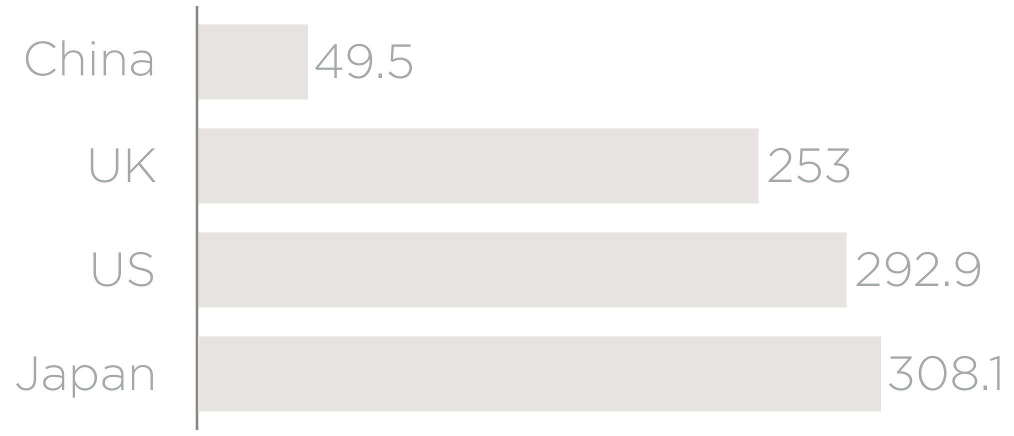
The rise of social-commerce and live-stream selling, combined with a socially-engaged, digital generation has largely impacted consumers' perception of cosmetic products, the purchase cycle, and traditional, beauty sales channels.

THE BOOM OF THE COSMETICS MARKET IN CHINA

Fast growing with lots of potential

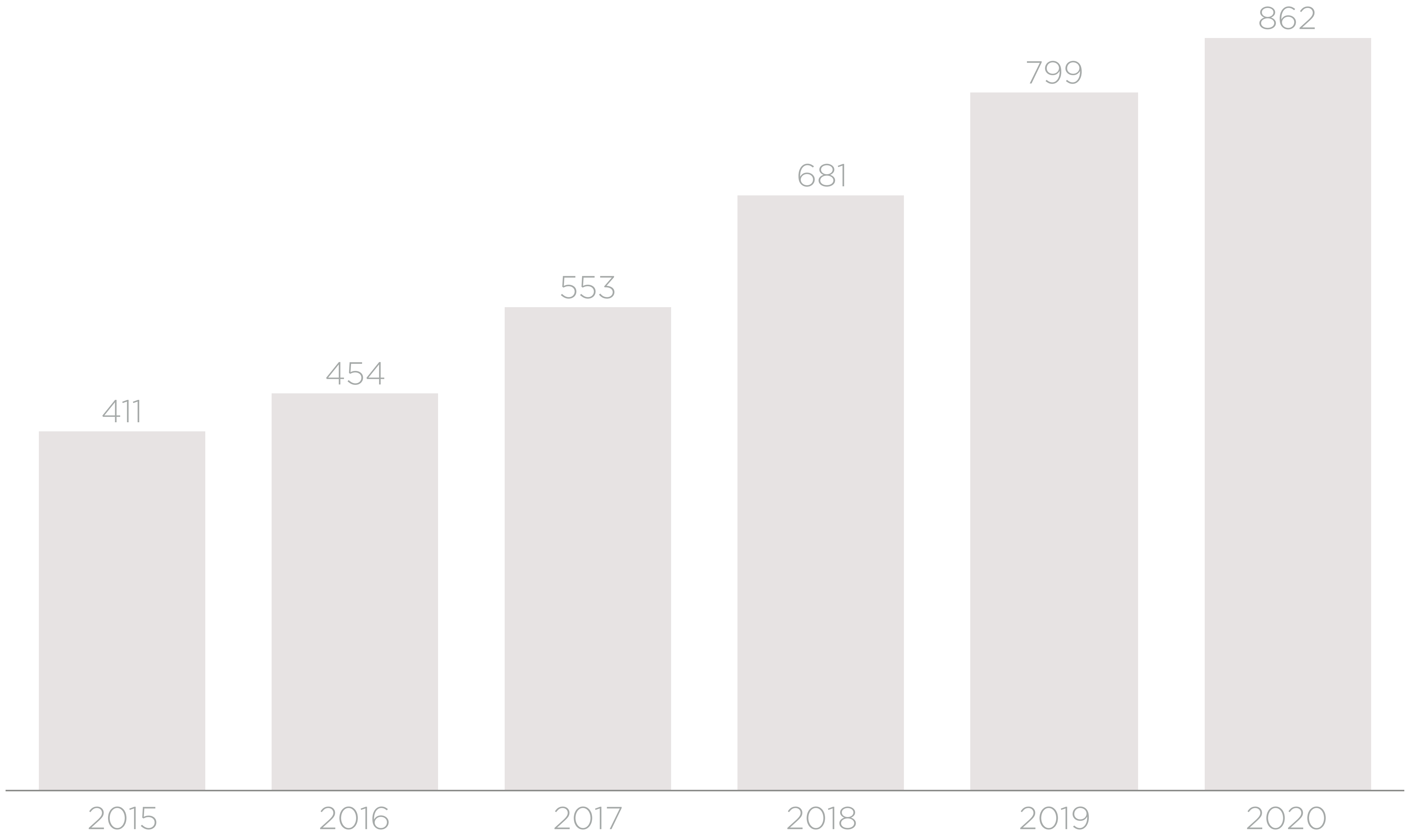
CHINA'S BEAUTY MARKET HAS REACHED RMB862 BILLION IN 2020, WITH A CAGR OF 16% FROM 2015-2020. HOWEVER, IN COMPARISON TO OTHER COUNTRIES, CHINA STILL HAS MASSIVE GROWTH OPPORTUNITY.

2019 Per Capita Spending on Cosmetics (USD$)



CHINA BEAUTY MARKET GMV (RMB BILLION)

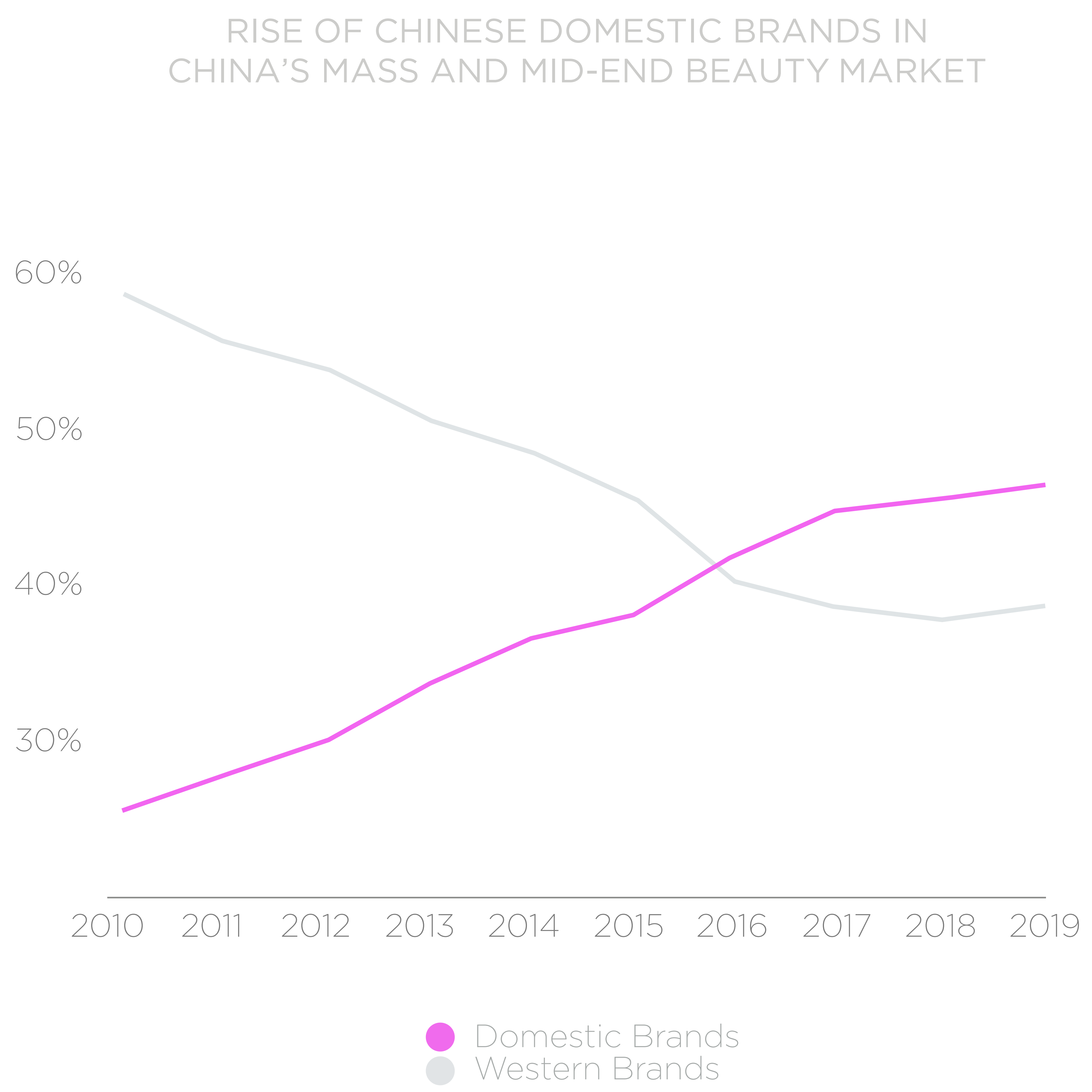
includes skin care, make-up, perfume, personal care

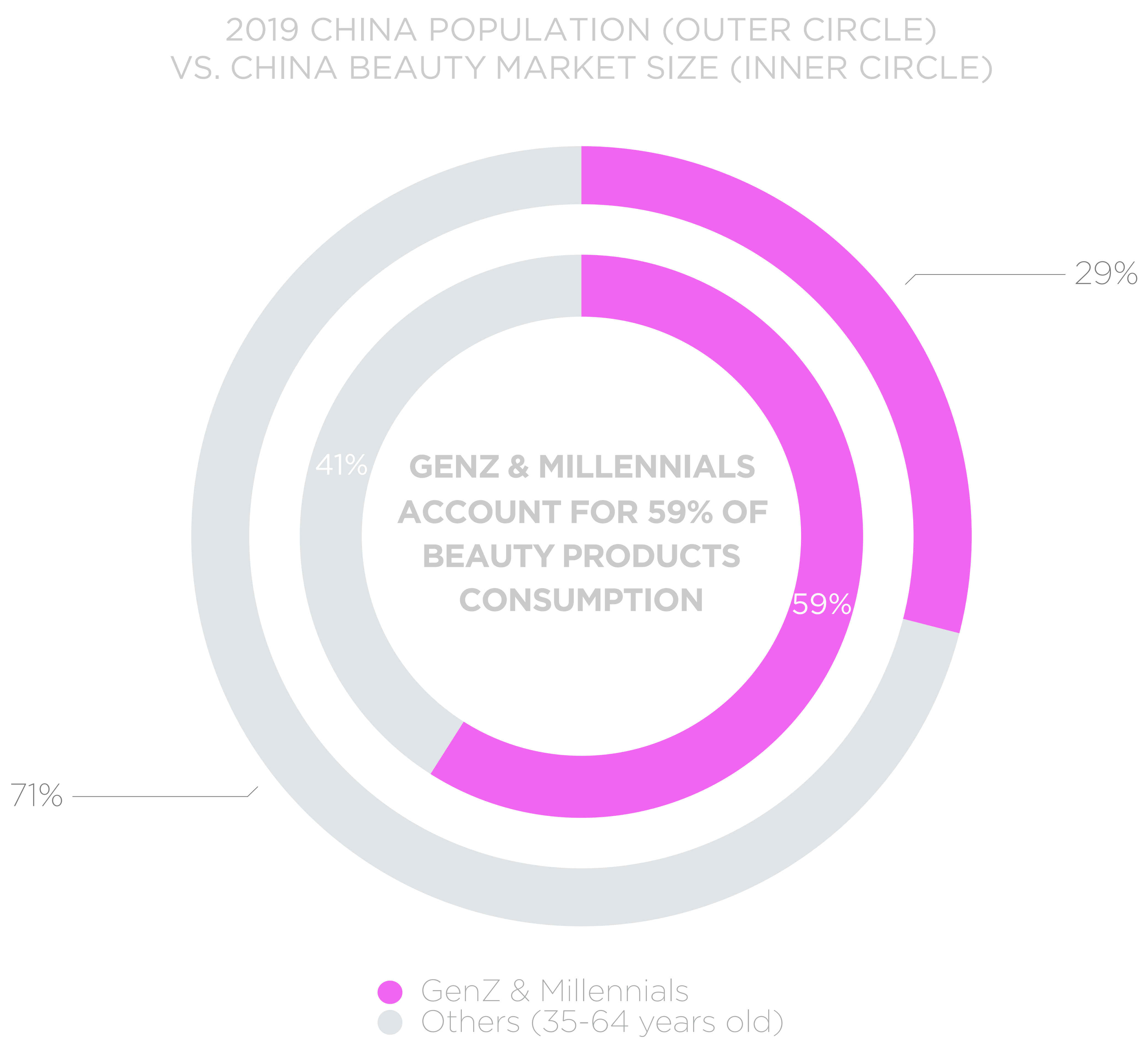


Source: Qianzhan

RISE OF C-BEAUTY

Domestic Brands are becoming popular among young, Chinese consumers.

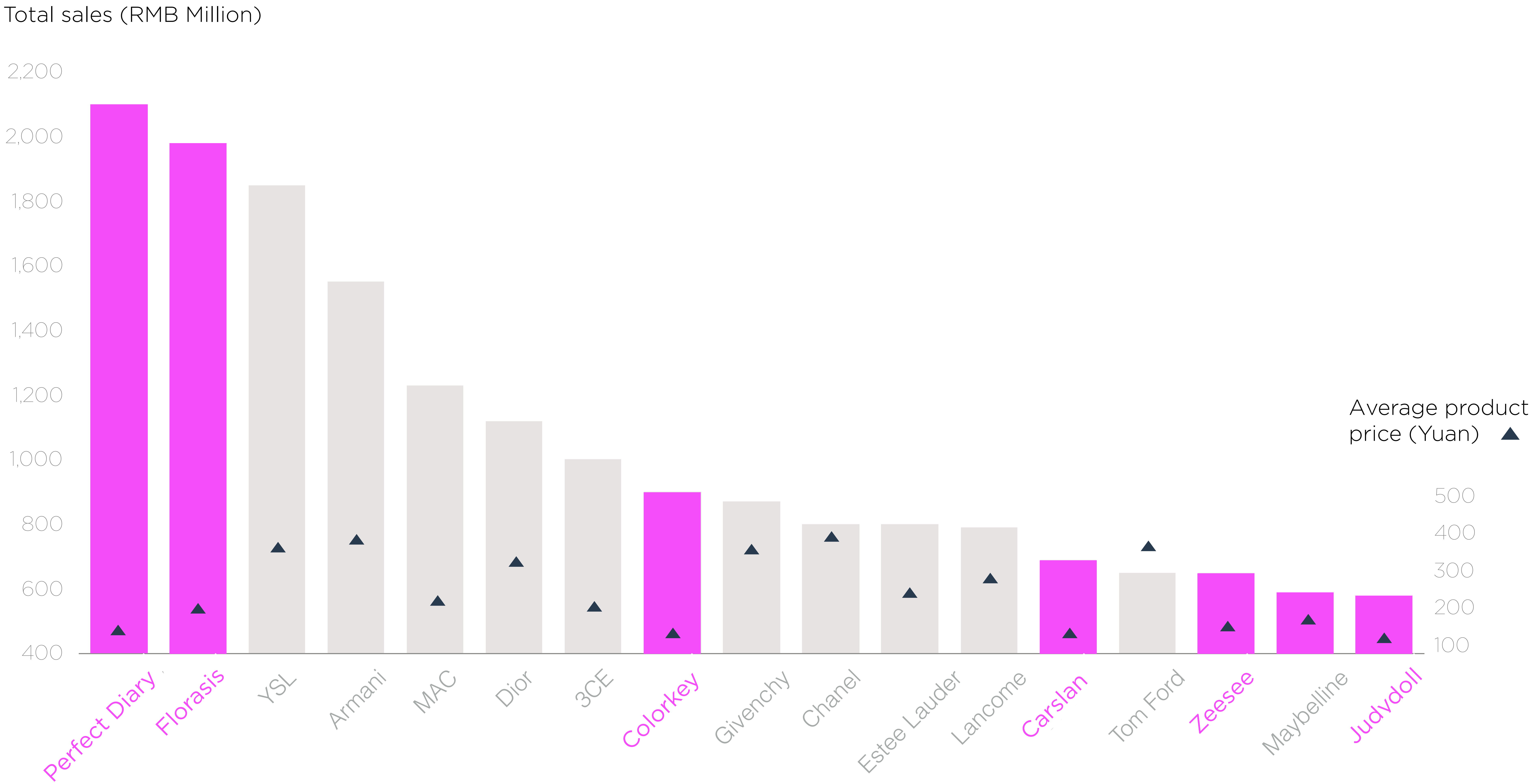




Source: CIC Report

EMERGING C-BEAUTY BRANDS TAKING OVER

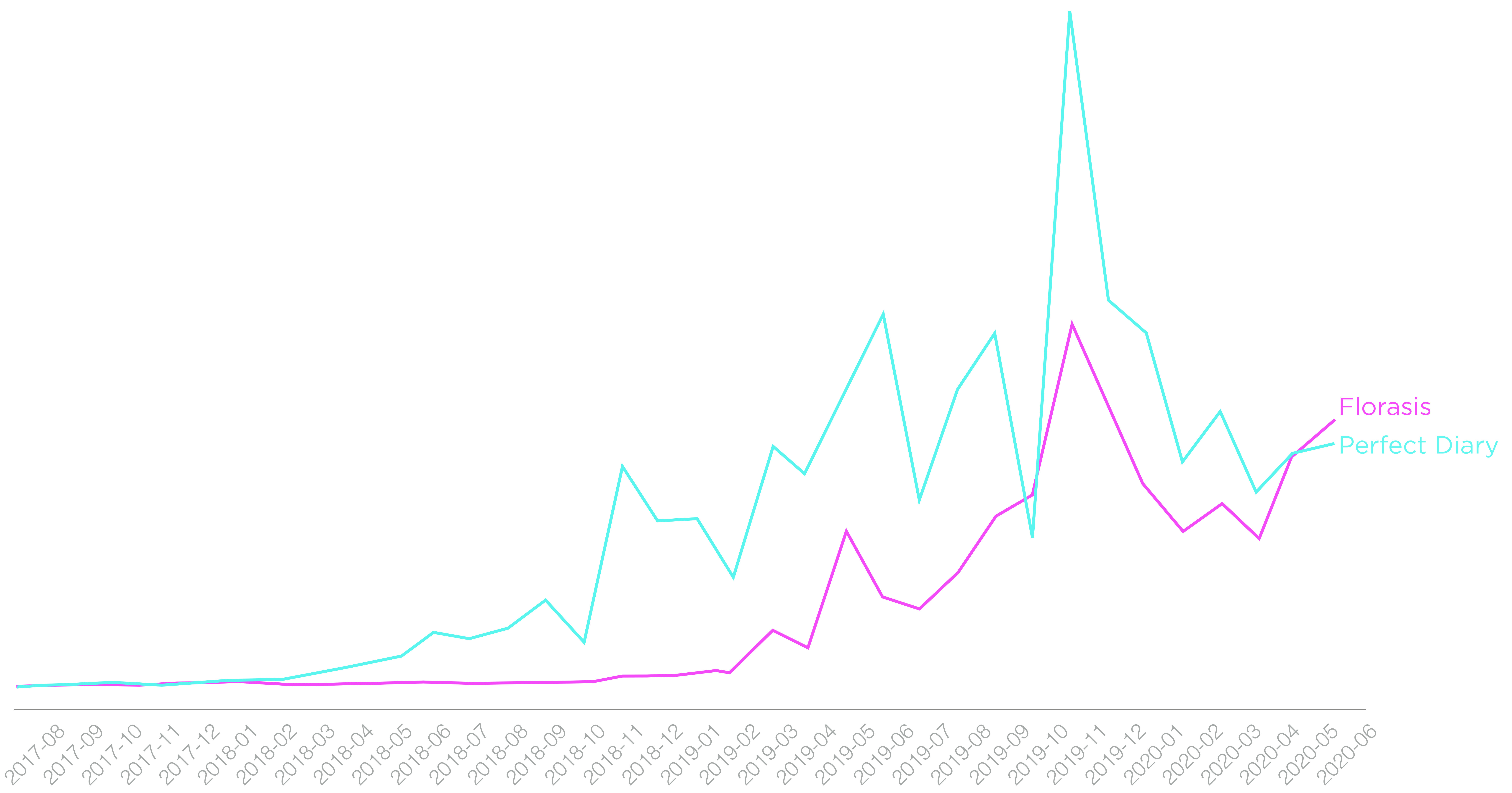
Tmall Sales from January to October 2020



Source: Tmall, Huaan Securities

THE GROWTH OF PERFECT DIARY AND FLORASIS

The only two brands that exceeded 1 Billion RMB sales in 2-3 years



Source: YipitData

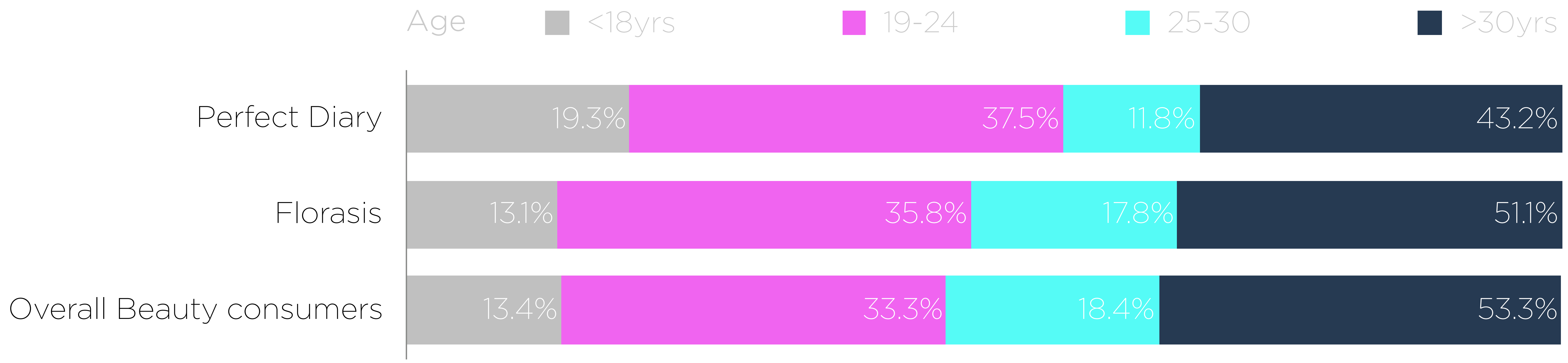
WHO IS BUYING C-BEAUTY?

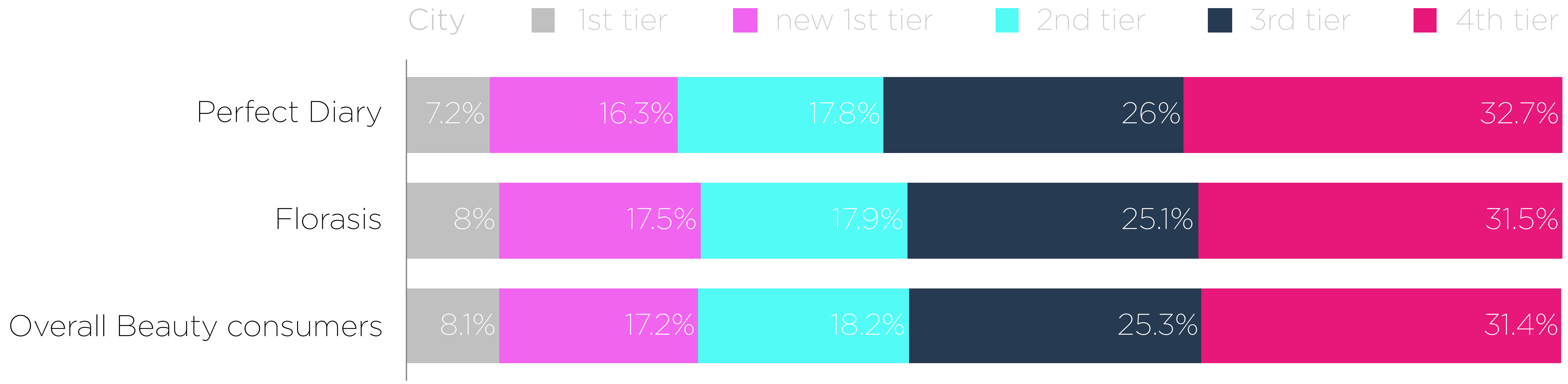
Perfect Diary VS. Florasis

IN GENERAL, TODAY'S BEAUTY CONSUMERS FALL UNDER A MUCH YOUNGER AGE BRACKET, AND C-BEAUTY BRANDS ARE ATTRACTING A LARGER FOLLOWING OF MILLENNIALS AND GEN-Z'S.

THIS IS MAINLY DUE TO THE GENERATIONS' WILLINGNESS TO TRY NEW PRODUCTS, AFFORDABILITY OF BEAUTY PRODUCTS, CREATIVE PACKAGING, AND THE ABILITY TO VIRTUALLY EXPERIENCE PRODUCTS DURING CONSIDERATION.

THE YOUNGER GENERATION'S MEDIA-FUELLED INTEREST HAS CAUSED TREMENDOUS GROWTH FOR THESE BRANDS.





Source: QuestMobile

Perfect Diary and Florasis are two of the most notable brands to disrupt the Chinese beauty market with the growth of new generation social media.

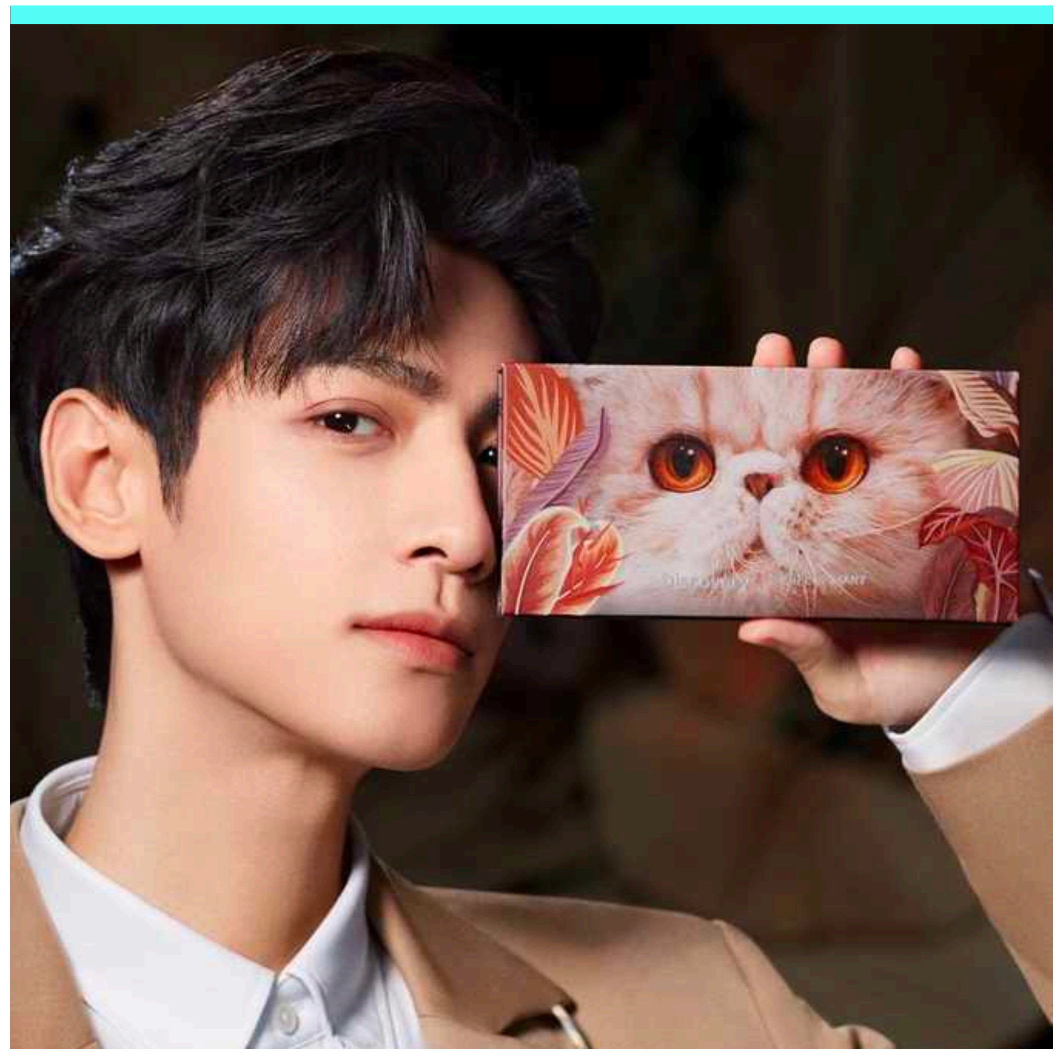
Fenty Beauty has reached similar success in the global market through social media, and has entered China at the peak of C-beauty brands' local market growth.

We will look at the three brands side-by-side before taking a deep dive into the growth strategies and frameworks that all three brands have adopted.

SIMILAR PRODUCTS, DIFFERENT STRATEGIES

Comparing Perfect Diary, Florasis, Fenty Beaty brand growth profiles

PERFECT DIARY



Perfect Diary disrupted the Chinese beauty market with affordable pricing, creative packaging, and an innovative D2C model that used RED, Douyin and Bilibili as the main channel for awareness building and fast conversion. In addition, their activities were supported by WeChat groups and private traffic to cultivate consumer loyalty and extend value.

Today, the brand operates more than 200 stores across China and aims to triple that number by the end of 2023.

花西子 FLORASIS

With the growing consumer nostalgia (Guochao) in China, Florasis chose to focus on creating an immersive brand image and products that focus on traditional Chinese elements.

The brand has established a deep connection with the “Guochao” enthusiasts community and re-enforced its identity through the engagement with these vertical segments.
The distinct identity lays the foundation for the brand to stand out from its peers and soar above the competition.

FENTY BEAUTY

Fenty Beauty stands for a voice for equality and inclusivity. The brand’s strong standing towards underserved market has stimulated emotional resonance from the customers.

By leveraging Rihanna’s celebrity power, the social voice behind the products created a massive drive to share and spread the message, which in turn, helped the brand to quickly increase in popularity while raising a group of loyal advocates through social media.

DIGITAL PRESENCE OVERVIEW

	TMALL		RED		WEIBO		DOUYIN	
	Followers	*Rating*	*Followers*	*Likes & "Favs"*	*Followers*	*Posts*	*Followers*	*Likes*
	16.7M	4.8 *	1.93M	3.6M	572K	2,621	3.77M	30M
花西子	9.5M	4.9 *	138K	210K	167K	1,442	1.1M	3.7M
	0.98M	3.5 *	34.9K	32.9K	130K	511	6.1K	35.3K

Perfect Diary's advantages on RED and DOUYIN (with younger consumers) are particularly notable. In addition to being 'younger' channels, RED and DOUYIN are also much more geared toward product discovery and consideration.

In addition to the large following which Perfect Diary has achieved on social and e-commerce platforms, the ratio of likes demonstrate a much higher engagement with audience.

Source: Totem, Feb 2021

GROWTH BRANDS

DIRECT-TO-CONSUMER

TRADITIONAL BRANDS

Brand “Bravery”

Brands that are 'brave' venture big gains, with bold, compelling creative content (campaigns, brand collabs, stunts, endorsements). Risks of 'high reward' actions are mitigated when brands have loyal audiences.

Own Category/Culture

Brand has moved beyond category distinctiveness to creating/defining a (new) category. Does the brand 'own' a space/domain, act as the only choice to get a job-done, viewed as hallmark of a culture (tribe)?

New Media Mindset

Brand has a share of media investment dedicated to new, experimental, early-stage social/apps (TikTok, SnapChat), Gaming Co-ops , and other yet-to-be-proven media (eg. AR/VR).

Distinctiveness

Brand is notable from others in category - “remarkable” in view of audiences. Distinctiveness in category; product features/design, brand identity, audience niche - or combination of those attributes.

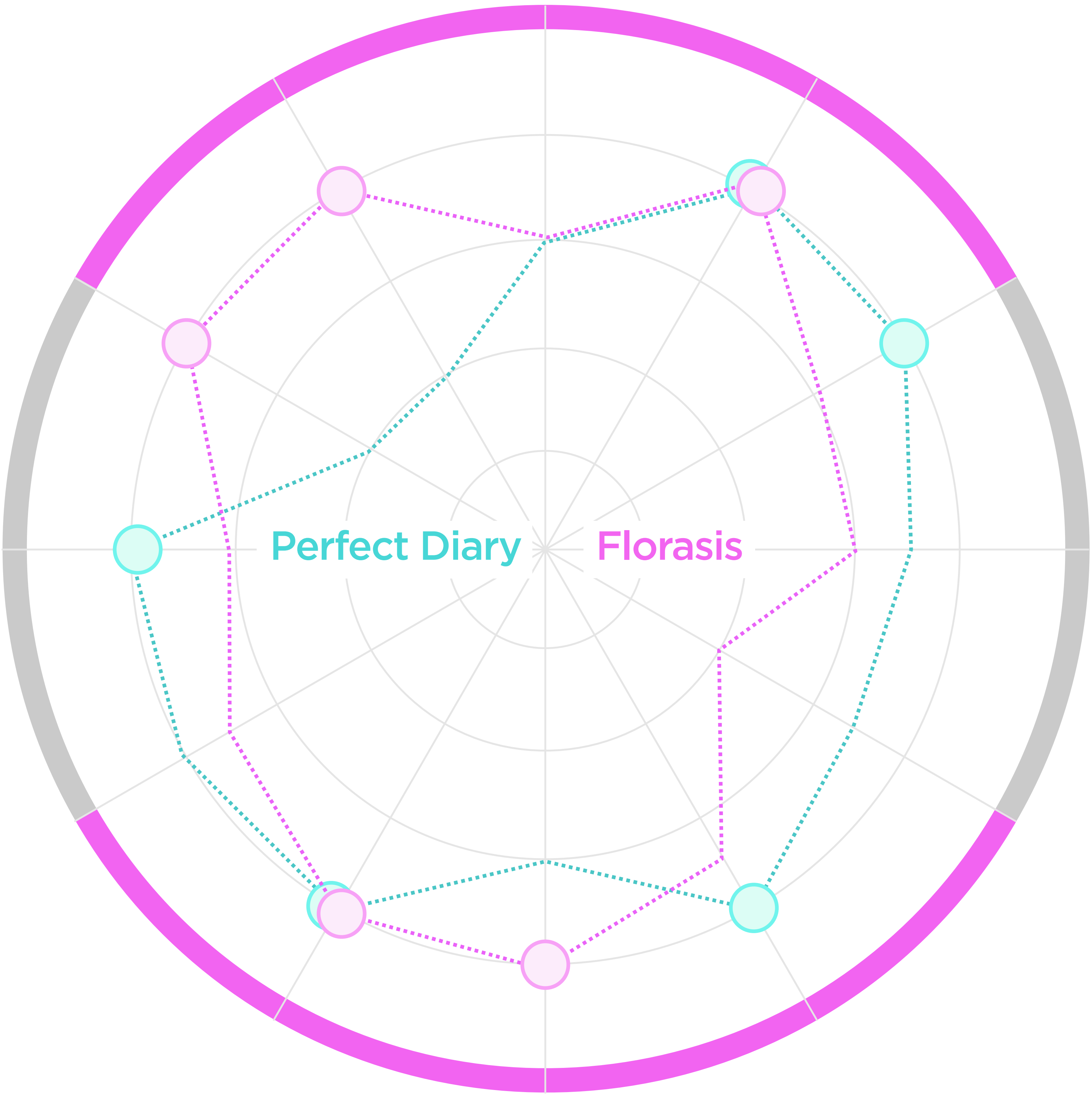
Pervasiveness/Penetration

Brand that has very large scale in terms of media reach, penetration (usually as a result of large media budgets and use of traditional, mass media), allowing it to have presence with audiences at scale.

Bottom-Up

DIGITAL MEDIA

(CAC Focused)



Top-Down

MASS MEDIA

(CPM Focused)

Social Media Engagement

Brand creates content which is engagement focused (drives “consideration”). Social media team is highly responsive and conversational - they are speed, authenticity, reciprocity driven.

Omni-Channel

Company has full array of sales and communications channels (online & offline). It's widely accessible for purchase, anytime, anywhere. Has systems in place to support purchases between channels.

Advocacy & Trust Focused

Deep connections with customers (product, service, quality, attention to detail) usually indicated by high engagement through all touch points. Brand has high % of staff dedicated to customer service. Generous returns/refunds (and customer delight) routines.

1-2-1 at Scale (CRM)

Systems in place (offline-online) to communicate with individual audiences (and segments) - at scale (eg. Bots, Customer AI, Messaging Systems and Customer Service, Subscriptions). Uses customer insights to tailor communications and personalize responses.

Virtualizing Experiences

Has created digital experience (online), which mirror (if not improve upon) the offline experiences of the brand (eg. AR/VR, live video customer service/sales/ education, haptic experiences).

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TOTEM BRAND GROWTH FRAMEWORK ©

GROWTH BRANDS

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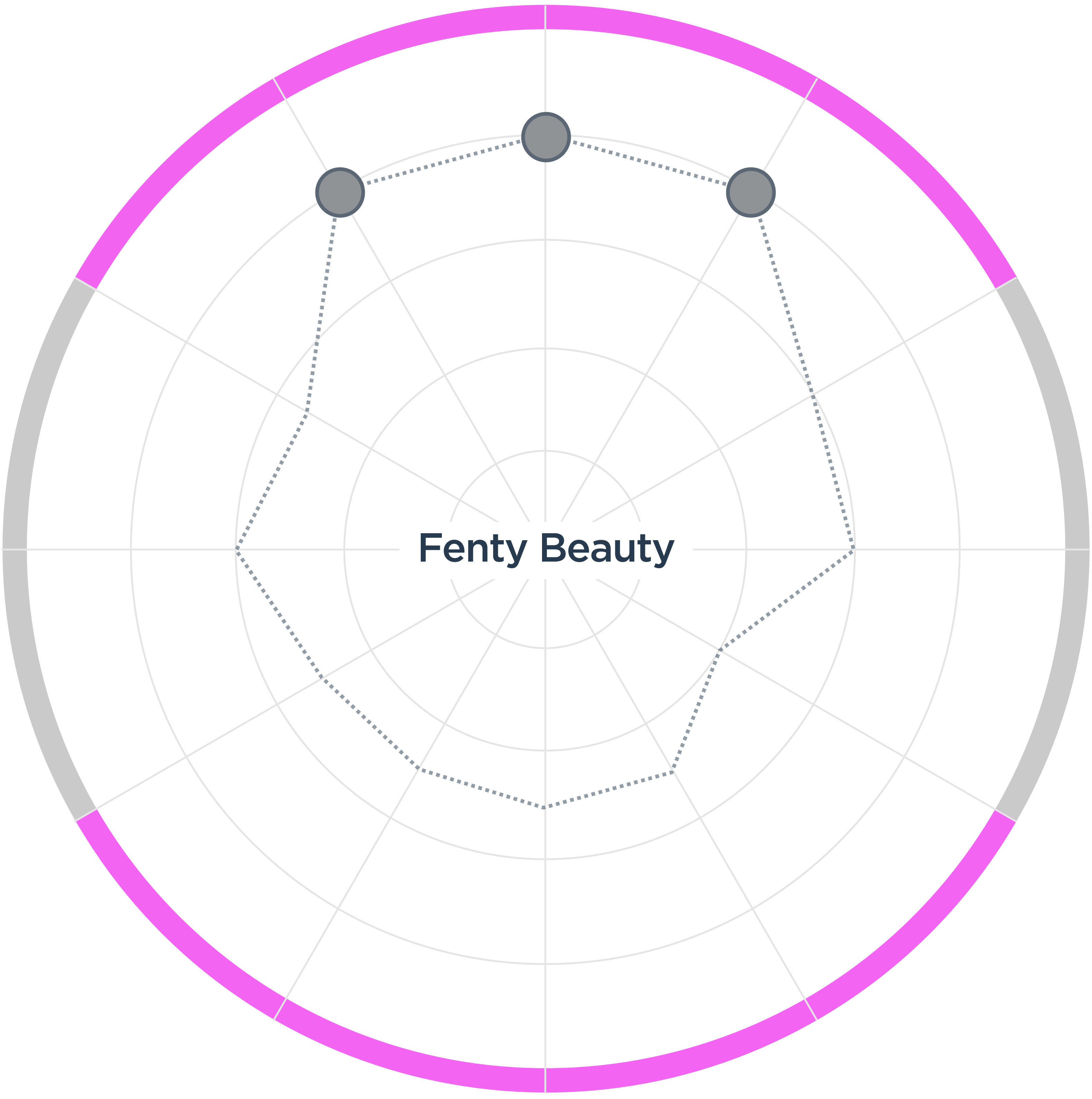

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TOTEM BRAND GROWTH FRAMEWORK ©

PERFECT DIARY

DTC BRAND PROFILE

INTRO.

PERFECT DIARY

Established in 2017, Perfect Diary has become the most popular Chinese cosmetics brand on T-mall 2 years after launch. Together with Huawei and Lining, Perfect Diary has been ranked Top 3 most popular domestic brands among Chinese Gen-Z consumers. In 2019 and 2020, Perfect Diary was continuously ranked as the No.1 color cosmetics brand on Tmall during Double 11. The brand has an online fan base of 48 million as of September 2020.

Perfect Diary promotes “Unlimited Beauty” and aims to provide a luxury-quality brand of makeup products at an affordable price. Perfect Diary also optimizes its marketing to younger generations by promoting personal growth, taking risks, and exploring new. Frequent introductory product drops and unique collaborations with IPs keep the excitement in the audience and stimulate repeat purchases.

PERFECT DIARY

GROWTH PATH

SEEDING	LAUNCH	GROWTH

Oct 2016 · Apr 2017 · Feb 2018 · Mar 2018 · Jul 2018 · Jan 2019

2016 Undisclosed (Angel) · 2018 Undisclosed (Series A) · 2019 Undisclosed (Series A) · 2020 U$100M (Series B) · 2020 U$140M (Series B)

SEEDING

2016 - Setup Weibo Official Accounts, building momentum with audiences.

Most of the content is unrelated to the brand and related to hot entertainment topics of GenZ and makeup fashion.

LAUNCH

After establishing credibility by working with Milan Fashion Week and Beauty Magazine, it shifted the focus to content marketing on RED & Bilibili to seed interest and build a fan base.

2017 Apr - First started the Taobao shop in April, after a few offline pop up shops to test water. They then upgraded to a Tmall shop in August.

2018 Feb - the brand started to focus on RED, partner with mega KOLs and large numbers of medium and micro KOL and KOCs for color try-ons and makeup tutorials.

2018 Nov - No.2 in color cosmetics sales, No.1 in domestic brands during Double 11.

GROWTH

Actively collaborated with crossover IP including the MET, NatGeo China to create new hero products.

Expanded from makeup enthusiasts to reach mass audience.

2019 - Opened first physical experiential store.

2019 & 2020 - No.1 color cosmetics during Double 11

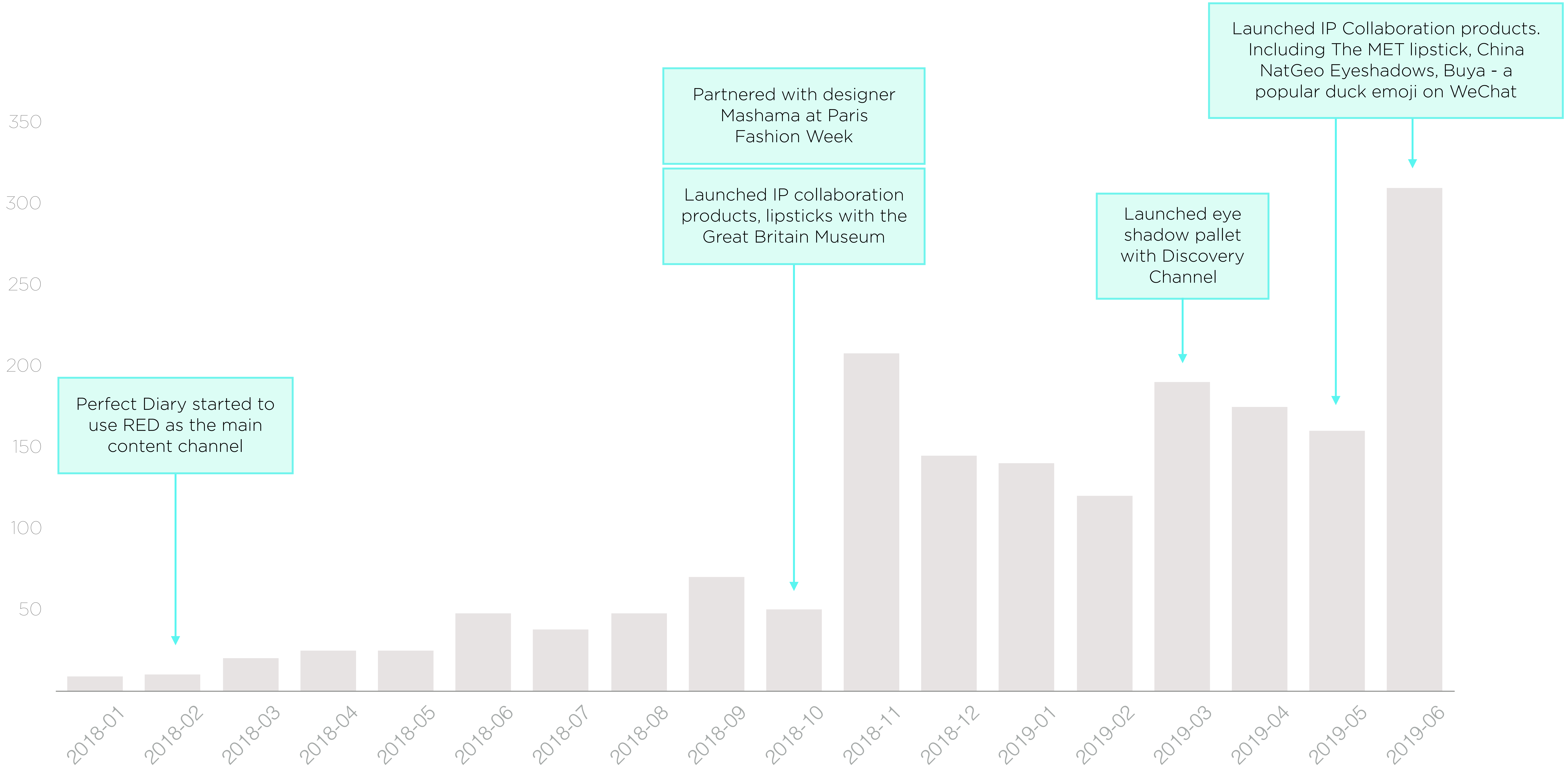
2020 Sept. - have opened 200 stores in over 90 cities in China; aim to have 600 stores in the next 3 years.

2020 Oct. - Signed Zhou Xun as brand spokesperson and Troye Sivan as ambassador.

2020 Nov. - mother company Yatsen's IPOed on New York Stock Exchange valued at 4.4 billion USD.

GROWTH OF PERFECT DIARY

Perfect Diary online GMV (RMB Million)



Source: Tmall, TH Capital

BRAND

Emotional, interest-based content which drives reach/ awareness.

CONSIDERATION

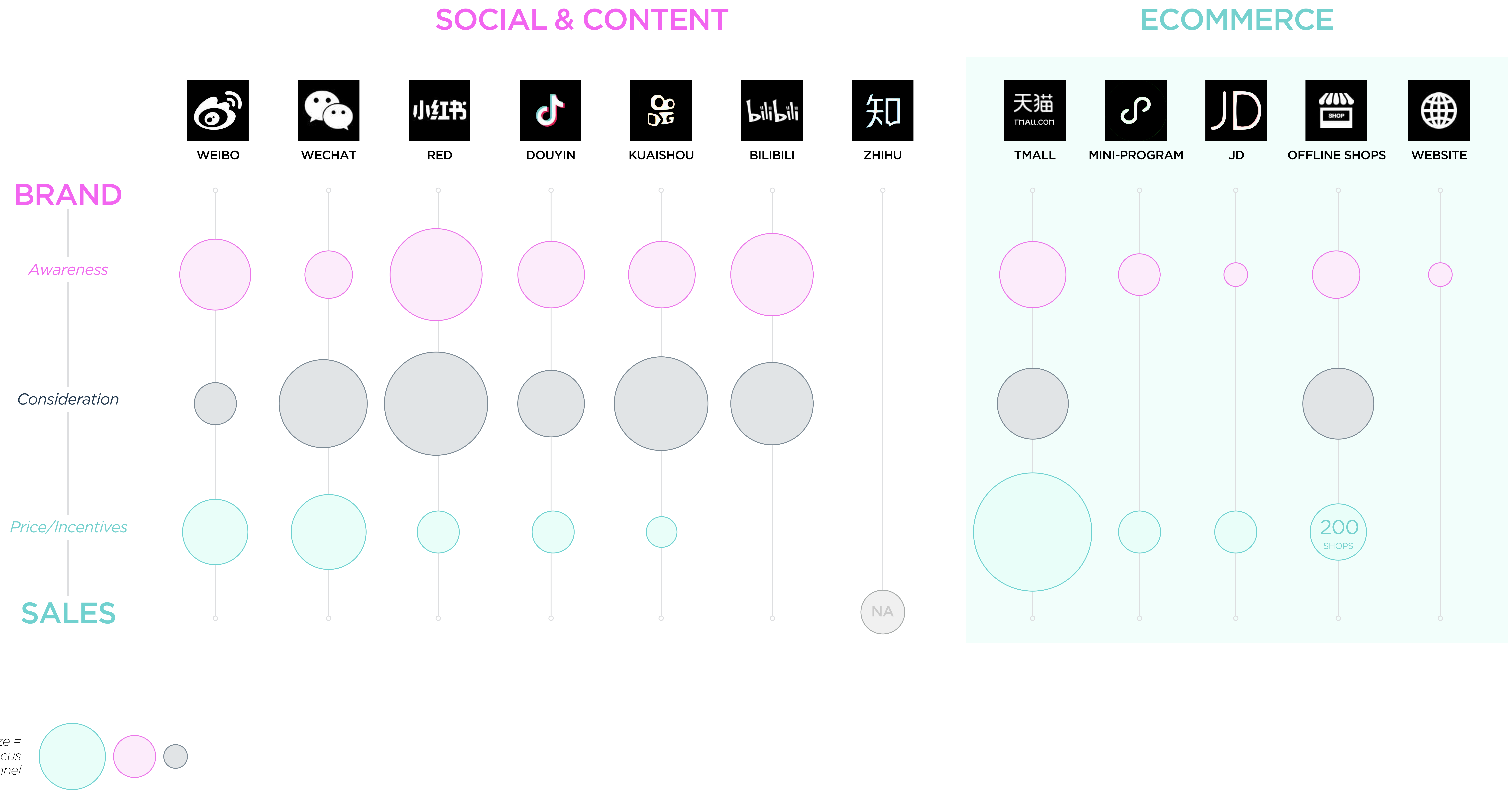
Product focused content: images and styling that allow audience to '"see themselves"' with product.

SALES

Posts which drive traffic to sales - using discounts, incentives and promotions.

PERFECT DIARY

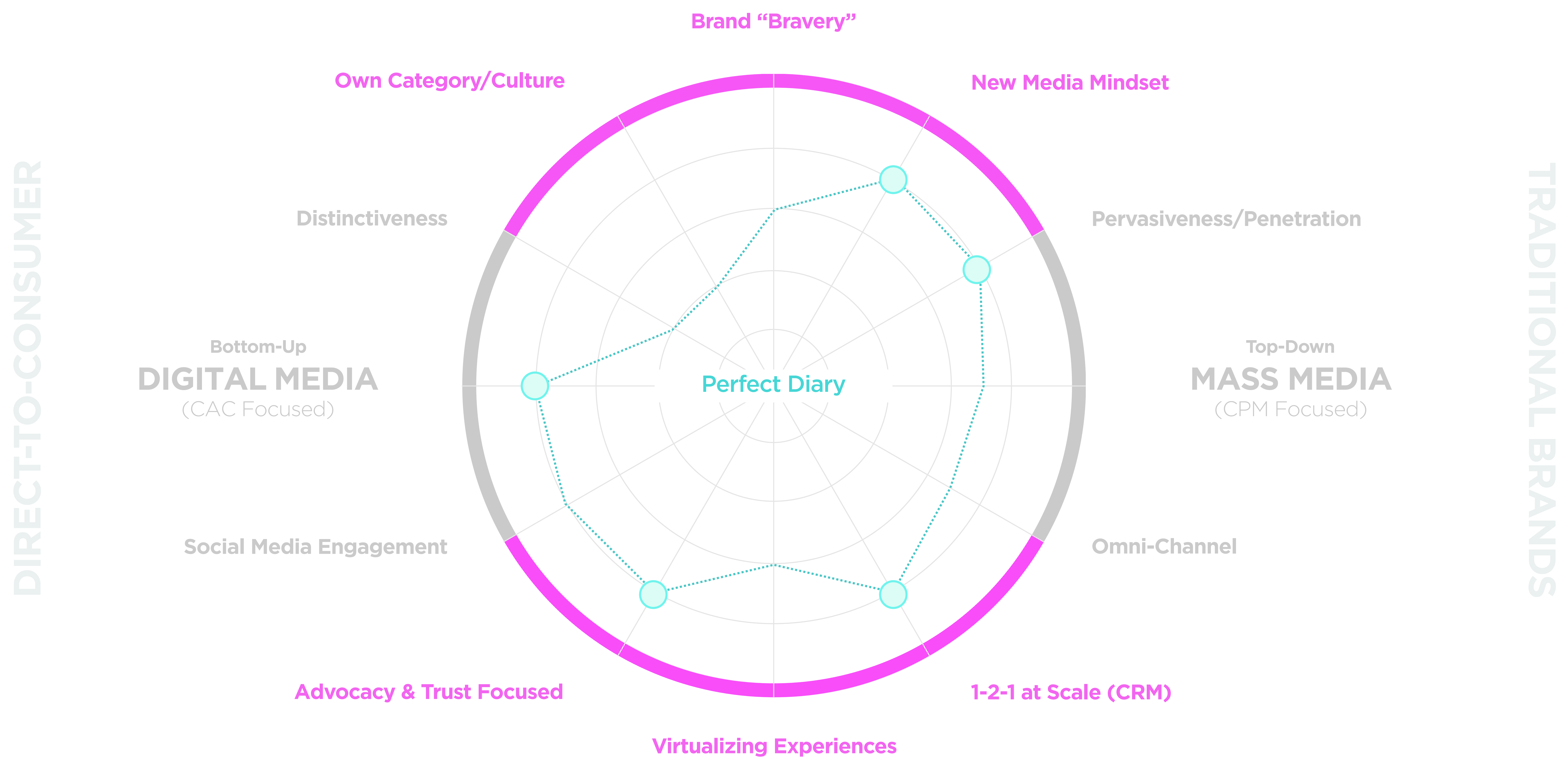
DIGITAL CHANNELS USAGE



PERFECT DIARY

BRAND GROWTH TEMPLATE

GROWTH BRANDS



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TOTEM BRAND GROWTH FRAMEWORK ©

EARLY ADOPTER OF RED

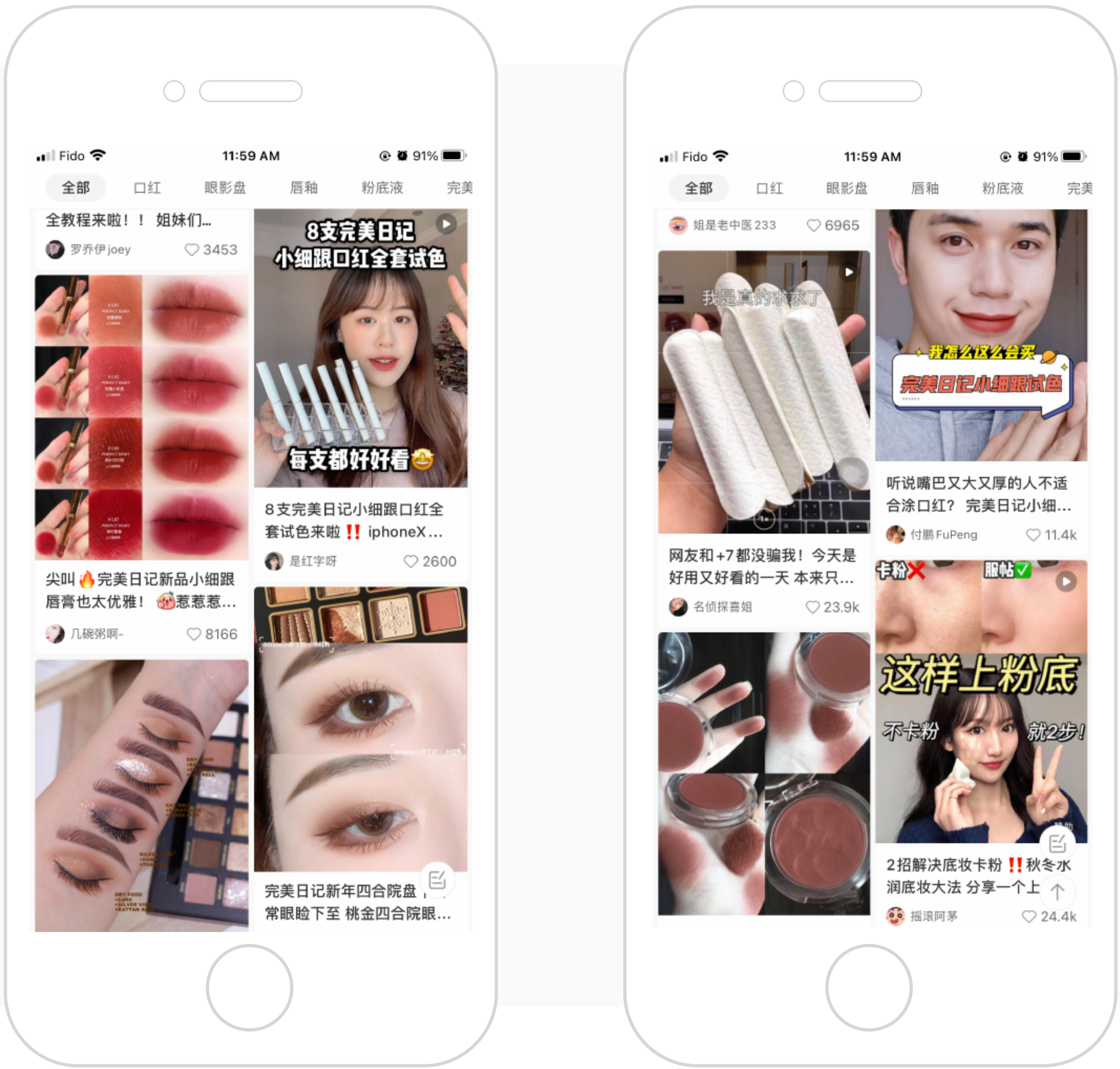
Benefit from the growth of an emerging new media

MAKING BETS ON NEW MEDIA CAN PAYOFF

While most brands were focused on Weibo as the main social marketing channel, Perfect Diary observed users sharing its products on RED - today's top social-commerce platform. At the time, RED was only an e-commerce channel used for surrogate shopping and review of foreign beauty products. RED stood out from other social media platforms; its highly targeted users' interest, profile (70% under 30; 85% female) and visual-focused content captured the attention of Perfect Diary quickly.

In 2018, Perfect Diary made the decision to shift its marketing focus to RED and, by partnering with KOLs and KOCs to create hot topics and encourage customers to post product reviews, Perfect Diary's exposure increased by 1200% on RED - allowing it to become the top selling C-beauty brand on Tmall in 2018.

Perfect Diary has 16.7 million followers on RED, 290k+ posts. To put in context, traditional C-beauty brand Carslan has 89k followers, Estee Lauder has 288k, and L'oreal has 300k.



Perfect Diary's KOL, KOC & UGC content on RED

INFLUENCER PYRAMID

ADVOCACY & TRUST FOCUSED

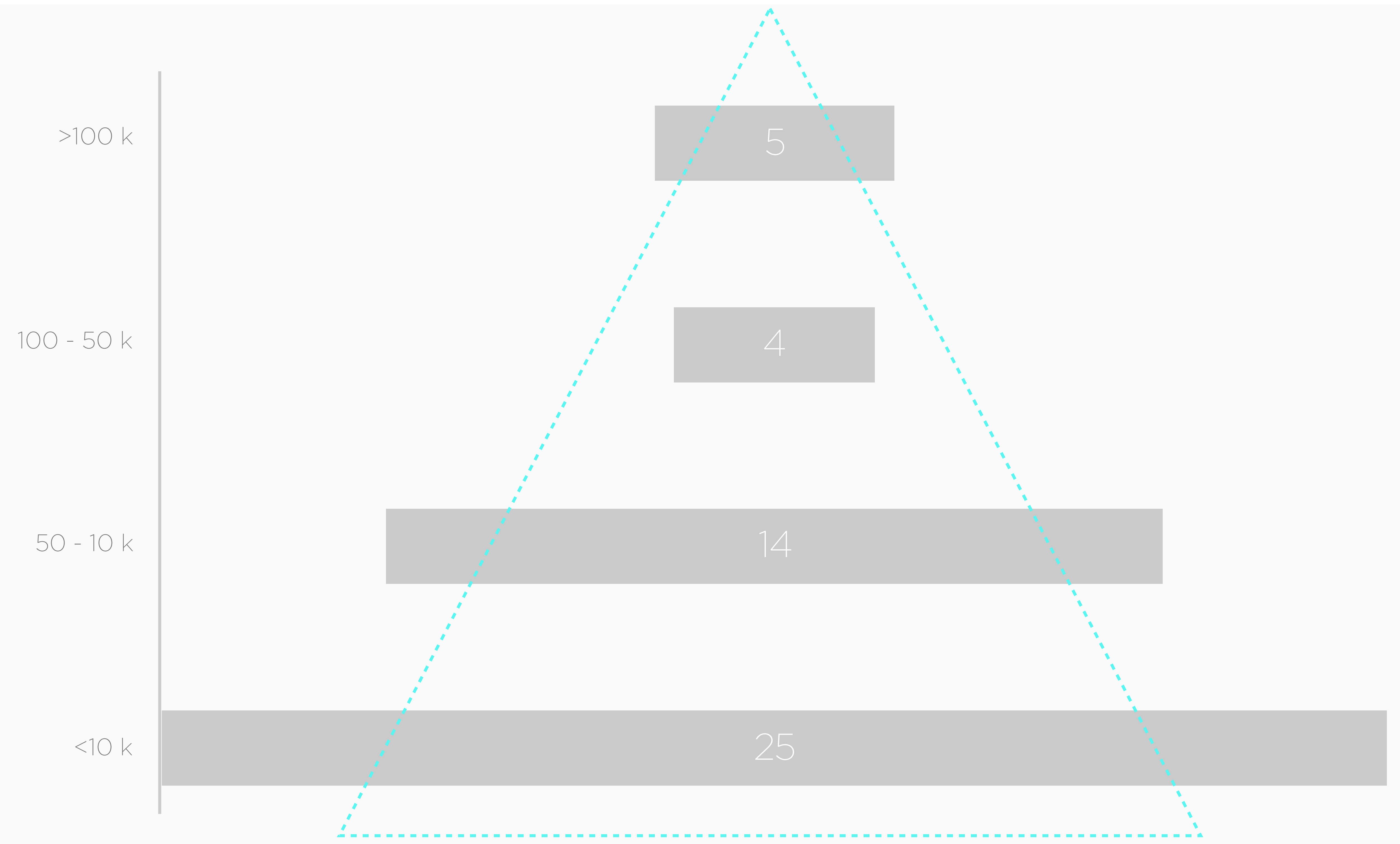
Lead by KOL, supported by KOC & UGC Content

ESTABLISHING TRUST AT ALL LEVELS

Perfect Diary has worked with almost 15,000 KOLs in the past three years. While over 800 of them has more than 1 million followers, the majority is micro influencers who they work with for the long term.

In order to draw maximum attention and strengthen the memory of a new product, the brand works with leading beauty KOL and multiple vertical mega KOLs cross all domains and social channels, supported by large number of medium KOLs. The content is focused on educating the new product using eye catching looks, swatches, easy to remember nick names and USP, with the aim to create a hero product. Once the consumers' interest is peaked, the brand will then switch to smaller beauty KOLs and KOCs to extend the attention and build trust with make-up tutorials and reviews to assist and speed up with the consideration stage.

The brand also encourages customers who bought the product to post content with specific keywords on social media to strengthen the credibility



Perfect Diary's typical KOL structure for promoting one product

BREAK THROUGH COLLABORATIONS

BRAND BRAVERY

With notable art & culture brands help create identity for Perfect Diary

LEVERAGING HIGH-STATUS BRANDS

Lacking a distinct brand identity (like Florasis), Perfect Diary has turned to partnering with notable art, culture and fashion organizations. Its breakthrough collaboration was with Milan Fashion Week (2018), and since has followed up with a number of similar high status cultural organizations.

Collaborating with large cultural & art organizations helped create buzz and awareness but, more importantly, it gave Perfect Diary status and respect among its core consumers.

Since establishing its status, it has gone on to do a wide range of other brand collaborations, with entities such as; OREO and Austin Li's dog. Having already established brand 'cred,' these follow up collaborations have been more about building excitement and novelty.

The MET lipsticks. 110 Million reaction on Weibo, 800k units sold

Discovery Channel eyeshadow palette: 70k units sold in the first 30min.

A "MORE REAL" VIRTUAL ASSISTANT

1-2-1 AT SCALE

Genuine brand engagements - via virtual KOC - helps build private traffic

CUSTOMER ENGAGEMENT AT SCALE

Perfect Diary has been exceptional at engaging and retaining its customers - with repeat purchase rates above 30% (with 23.5 million DTC customers). Its success in customer retention has a lot to do with how the brand manages its presence on WeChat. Great content, strong use of private traffic ...and engaging, friendly customer service.

Perfect Diary has created many virtual KOCs to serve different roles throughout the marketing to sales funnel. As an example of this, its customer service bot is named "Xiaowanzi" and she acts in friendly, helpful and "real" way with customer needs.

"Xiaowanzi," Perfect Diary's virtual agent is modeled on the brand's target audience - she is friendly, fun and cute - and provides service, recommendations and friendly advice. She groups customers according to 'tags' and shares product info, exclusive deals, and invites to brand events. She also initiates conversation about popular dramas or celebrities to keep the groups engaged.

Customers receive a QR code in the packages

Add Xiaowanzi's WeChat for future discounts

Xiaowanzi add customer into different interest groups

Xiaowanzi shares daily life events in WeChat Moments

OFFLINE COMPLIMENTS ONLINE

OMNI-CHANNEL

Online seeding drives traffic to offline and offline activity encourages online sharing

MAKE OFFLINE SHOPPING A SOCIAL EVENT

The five-floor flagship store in Chengdu downtown demonstrates Perfect Diary's endeavour to engage the millennials & GenZ beyond internet. The store's social media-friendly product display rooms, trendy cafe, and VIP lounge were built around the preference of the young hearts.

QR codes are available around the store and customers have the option to scan products to view more product information, as well as to connect their membership profiles to their shopping experience. At the checkout, cashiers direct customers to add virtual IP's to WeChat and continue the engagement in private traffic.

QR codes in stores to assist with purchase and completes shoppers' offline behaviour profile.

Perfect Diary's Cafe

FAN-ECONOMY

PERVASIVENESS/PENETRATION

Stay where the hype is

BOOSTING SALES AND BRAND

Short and effective partnership with multiple up and coming idols helped Perfect Diary to quickly grab the attention of their hardcore fans. After establishing its name among the target audience, the brand switched its celebrity endorsement strategy to working with more established celebrities to elevate the brand status. Strong examples are seen in Perfect Diary's recent collaboration with Zhou Xun and Troye Sivan.

The brand utilizes the hype around up and coming idols from talent competition shows that are popular among Millennials and GenZ to effectively convert sales. These idols usually generate huge attraction on social media and have powerful influence during and after their shows. Perfect Diary worked closely with a few young idols as brand ambassadors, changing them often. It created a collaboration lipstick with Zhengting Zhu, wherein 50,000 lipsticks were instantly sold out after launch. To support the growth of this upcoming idol, fans of Zhu even purchased the building light display on a skyscraper in Shanghai exhibiting "Perfect Diary".

Zhou Xun & Troye Sivan

FLORASIS

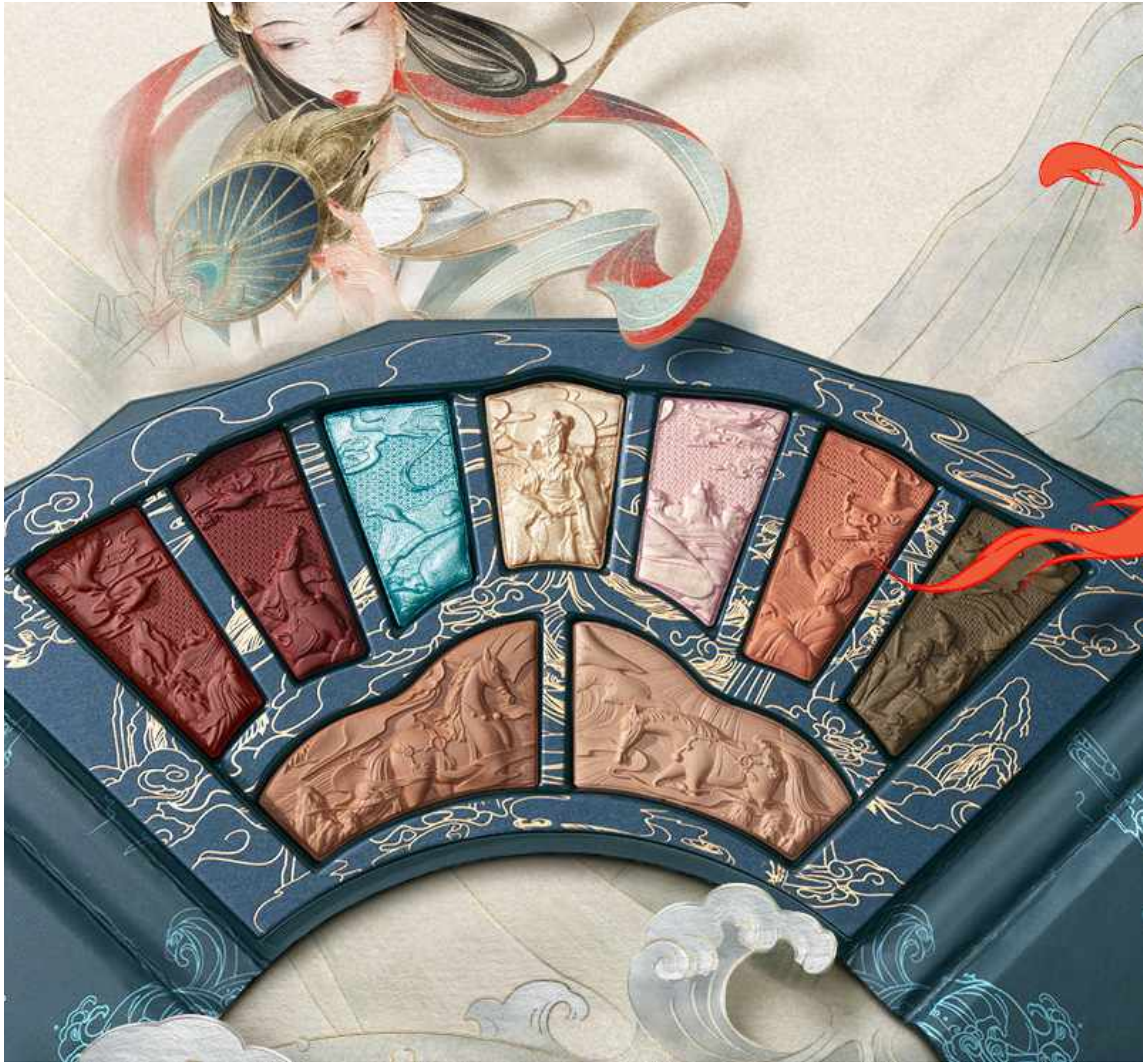
DTC BRAND PROFILE

INTRO.

FLORASIS

Founded in 2017, Florasis (Hua Xizi) was born in the historic West Lake district of Hangzhou city. Florasis embodies Chinese heritage and eastern aesthetics, and demonstrates this through its promotion and philosophy of using flower essence to make natural beauty products.

With the rise of consumer nostalgia (guochao) and cultural creation (wenchuang), Florasis's clear branding and precise culture reference have allowed it to become a big hit across China since 2018. During the Tmall Double 11 festival in 2019, Florasis's turnover reached RMB100 million within only one hour. During 2020's 618 shopping festival, it reached 190 million GMV and became the #1 brand in colour cosmetics on Tmall.



SEEDING	LAUNCH	GROWTH

Aug 2017 | Apr 2018 | Sep 2018 | Jul 2019

SEEDING

With Chinese millennials & GenZ's growing national pride and cultural confidence, governmental support for domestic brand development, and e-commerce platforms creating special sales events to promote domestic brands, Guochao (domestic fashion) has taken over the fashion world in China since 2017.

Many new Chinese brands emerged during this period and Florasis is one of them.

LAUNCH

Florasis spent time to study its target audience's interest and consolidated its brand image to match that. It has built a strong root and clear brand image before working with live-streaming KOL to reach its mass audience.

2017 Mar. - established the brand

2017 Aug. - launched Tmall store and WeChat mini program, as well as Weibo and WeChat account.

2018 Apr. - set up RED account and RED store.

2018 Sept. - set up Douyin account.

GROWTH

Florasis focuses on live-streaming commerce because of the channel's fast conversion ability. Florasis's unique product design is also very attractive and memorable to help raise awareness.

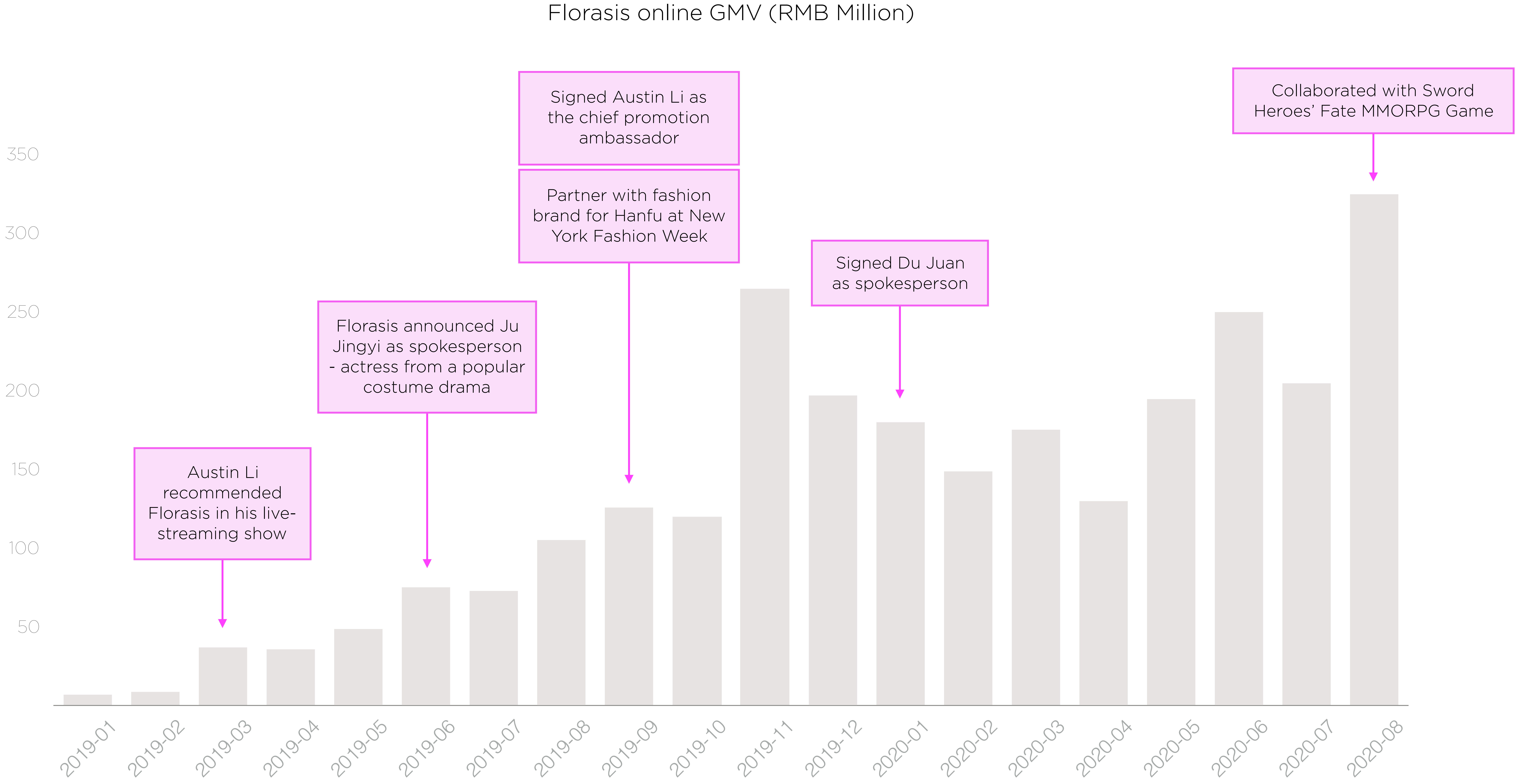
2019 Mar. - started to partner with Austin Li (top beauty live-streaming KOL) to promote its products.

2019 Sept. - partnered with designer for Hanfu (Chinese traditional costume) on New York Fashion Week.

2019 Nov. - One of the only two brands on Tmall top 10 colour cosmetics brand list.

2020 Q1 - sales was increased by 644% YOY.

GROWTH OF FLORASIS



Source: GroTech

BRAND

Emotional, interest-based content which drives reach/ awareness.

CONSIDERATION

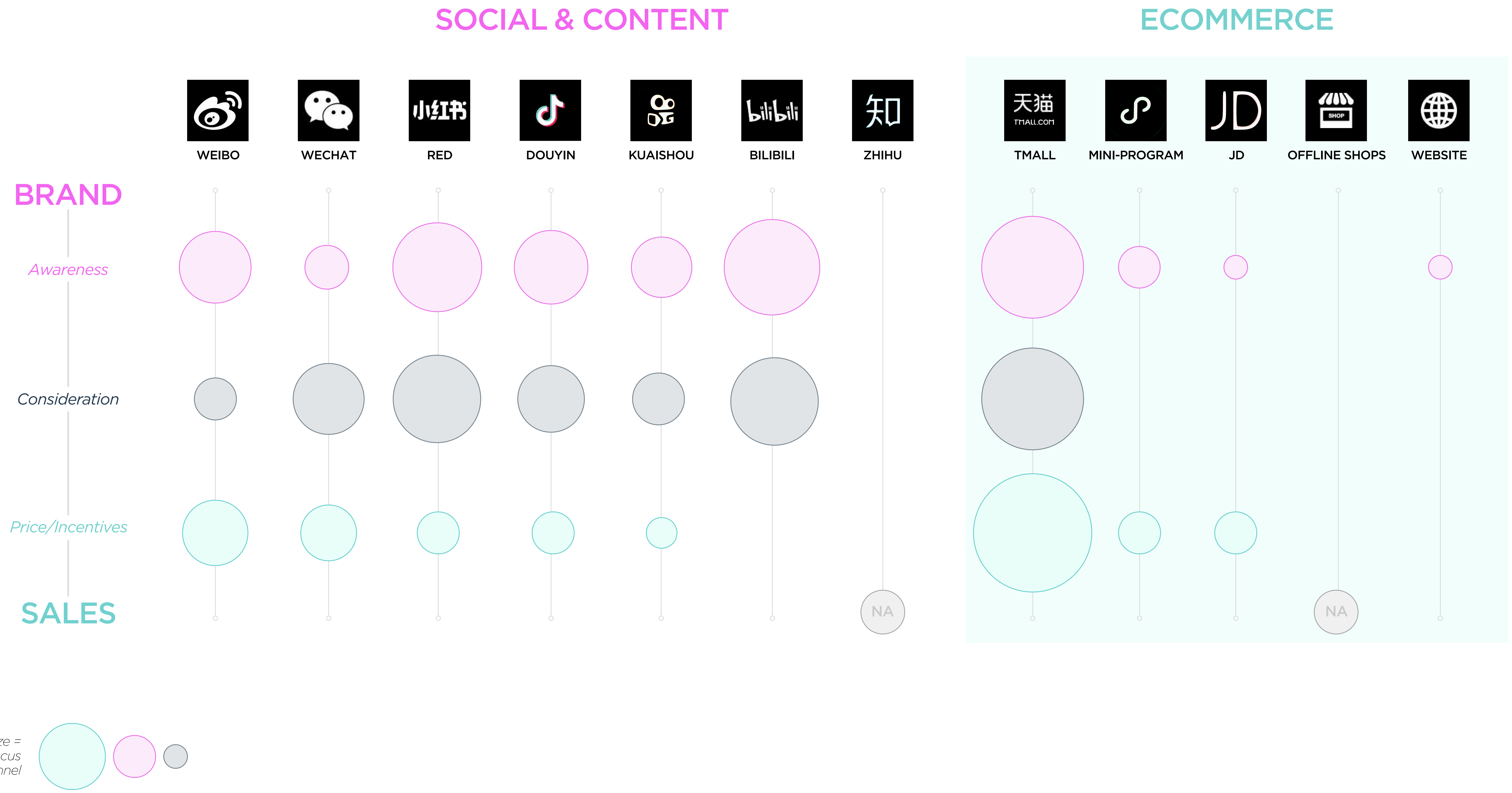
Product focused content; images, styling ...that allow audience to 'see themselves' with product.

SALES

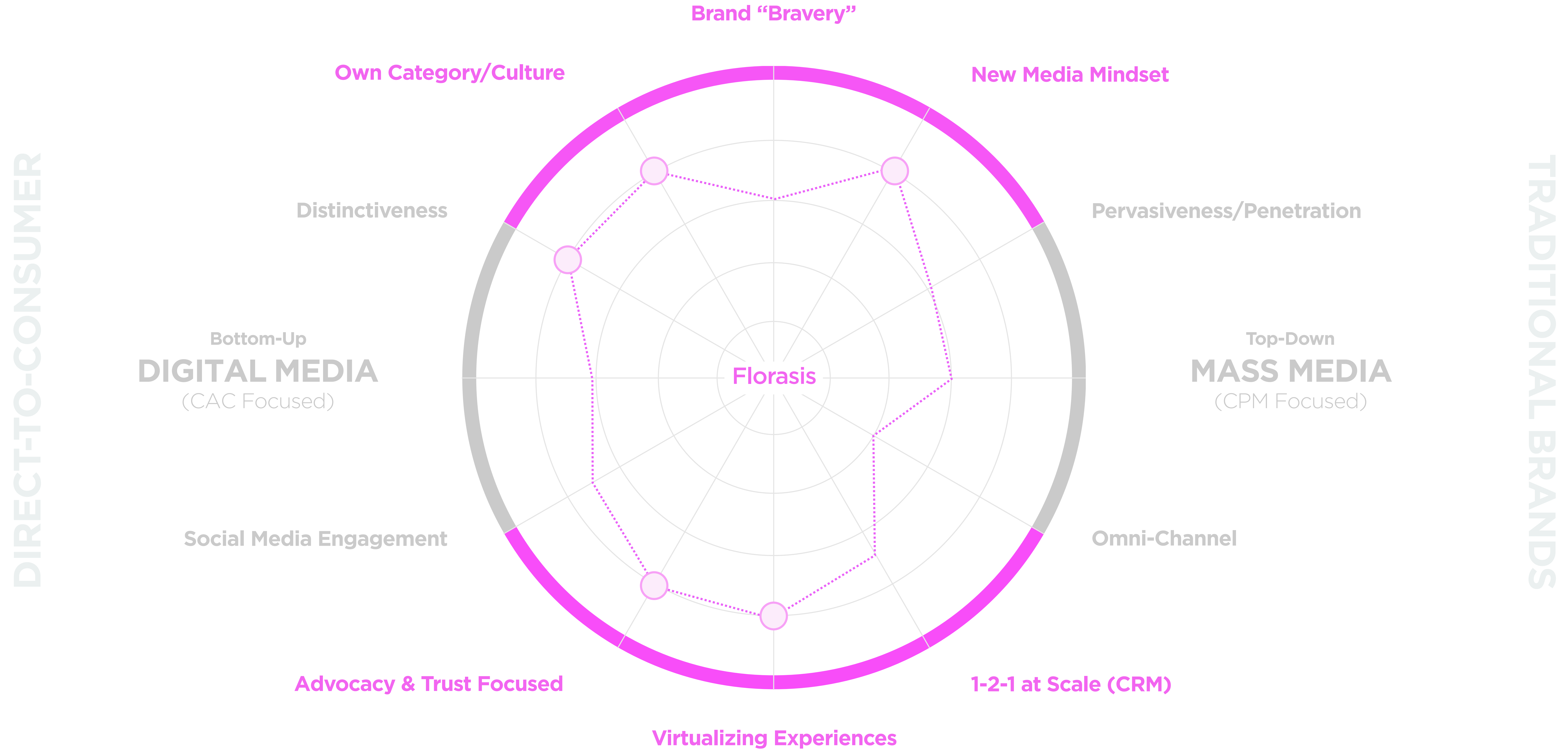
Posts which drive traffic to sales - using discounts, incentives, and promotions.

FLORASIS

DIGITAL CHANNELS USAGE



GROWTH BRANDS



DISTINCT BRAND PROFILE

DISTINCTIVENESS

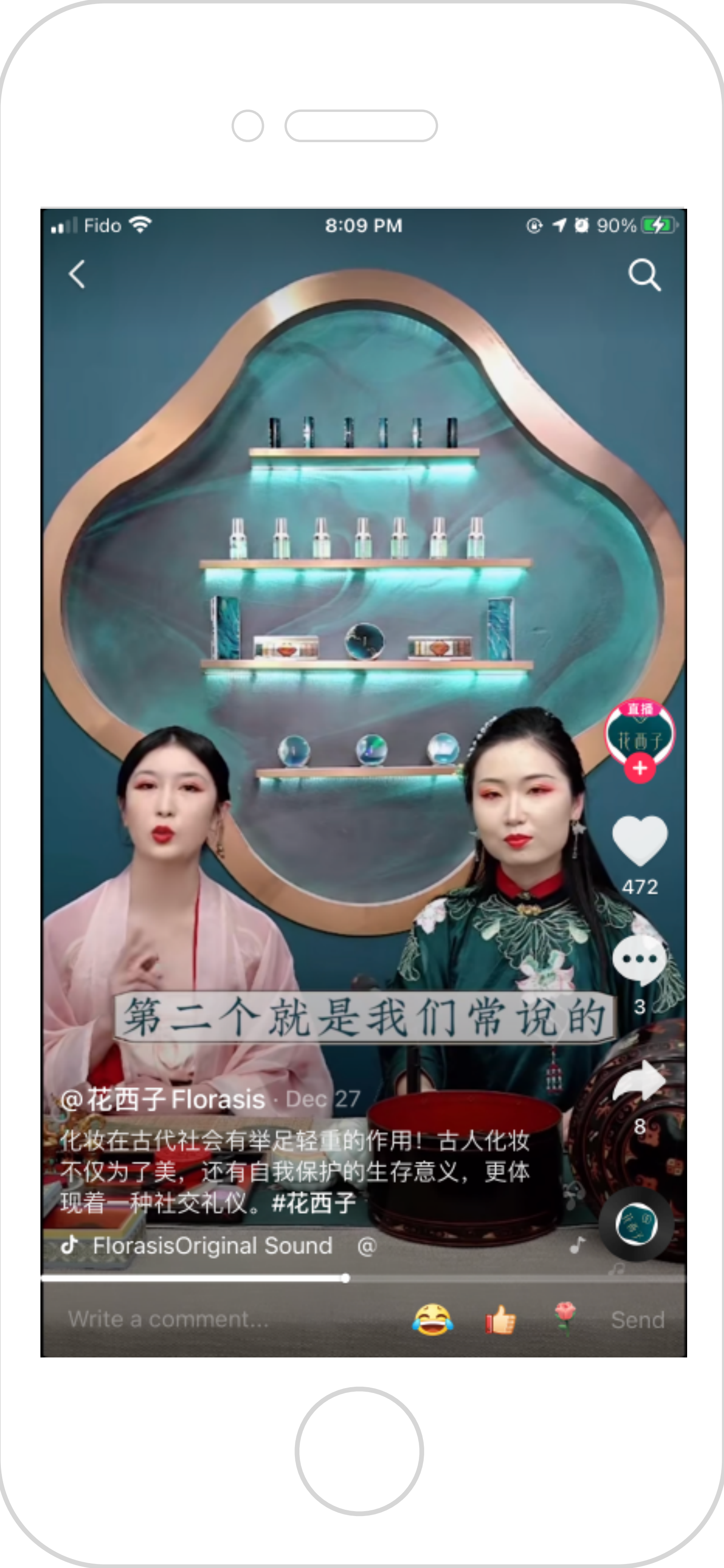
Clearly defined brand image helps build a strong core audience group

CONSISTENT, REMARKABLE BRAND IMAGE

From the brand name to its logo, philosophy, product design, ingredients, e-commerce shops, social media content, language, and even live-streaming shows, Florasis has developed a very unified and distinct look around oriental aesthetics - inside and outside.

Beyond portrayal of the basic elements of Chinese culture, Florasis truly explores the essence of the heritage, acts as an ambassador of oriental beauty history and education, and brings diversity by tapping into the minority ethnicity groups in China.

The recent new product that collaborated with top live-streaming KOL Austin Li, was in reference to the Miao Ethnic Group - the silver-engraved packaging that draws inspiration from the silver-making craftsmanship. The launch received over 69.6 million views on Weibo in just one week. Netizens were praising the Florasis's efforts in tributing to the minority group and the craftsmanship.



Florasis's live-streaming session

The MIAO series

DEEP RELATIONSHIP WITH CORE GROUP

OWN CATEGORY/CULTURE

Vertical segment adds depth to the brand

NICHE FOCUSED FIRST TO ESTABLISH IDENTITY

By deeply engaging with niche groups that are focused on Chinese traditions, Florasis not only built a strong cultural connection with the interest groups, but also strengthened its own position and image in promoting Chinese traditional beauty with a modern twist.

Chinese GenZ is the main drive for the recent cultural renaissance that encourages people to follow the ancient Chinese traditions. The group is proud of and passionate in promoting the traditional Chinese clothing and cultural history. Florasis has regular interactive cultural classes on its social media, and often organizes online and offline events targeting these groups. The brand also selectively works only with actors from costume dramas and KOLs in these niche circles, with the exception of Austin Li.

Florasis also works with the core interest group as a focus group for product inspiration and development, which in turn, was appreciated by the niche circles and strengthened the relationship.

Florasis live-streaming session on remaking ancient Chinese make-up

Offline Hanfu Club event

Two way partnership with KOL

FOLLOWING THE RIGHT FORMULA WITH MEDIA

Florasis's most effective KOL collaboration is the long term partnership with Austin Li - from testing water in 2018, to a regular live-streaming partnership in 2019, to signing Austin as the chief promotion ambassador.

Austin's expertise in beauty products and his influence of a large beauty fan base helped Florasis to break through from the niche circles and reach a mass audience. Austin's on-point recommendation and repeated promotion created a viral effect on the spreading of Florasis's hero products.

Austin also serves as a consultant to the product development process with his abundant experience in beauty products. As a result, Florasis's sales grew by 2500% in 2019.

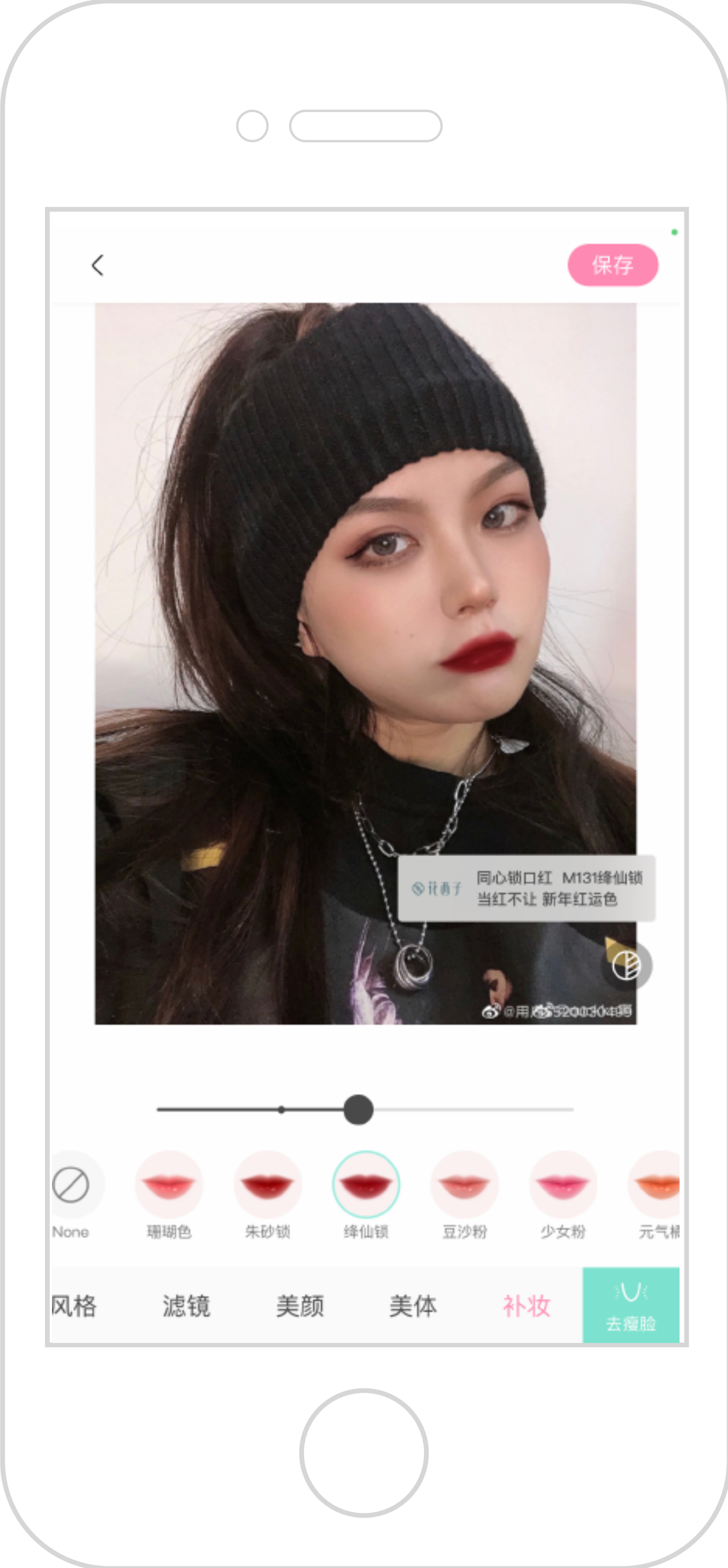
Austin Li's Livestream Room

Technology enhanced brand & product experience

VIRTUALIZATION IN A FUN, CREATIVE WAY

Florasis partners with Qingyan and FaceU beauty camera - two of the most popular photo editing Apps among GenZ, to make their lipstick color available for digital try on. With the beauty camera's highly targeted users, Florasis easily reached a broader audience and engaged with them in a playful way. With a link to Florasis' Tmall shop directly available from the app, it helps attract new customers and speed up the consideration phase. Users are able to also generate pictures of themselves with the make up look to share on social media.

The brand also collaborated with a legend online game, making its eyeshadow and lipstick colours available for players to customize their avatars, organized an offline game cosplay event, and launched a limited edition carving lipstick.



Qingyan Camera - Beautify with Florasis' lipstick

Sword Heroes' Fate Game Collaborated Carving Lipstick

Customizing game avatar's look with Florasis' make-up

VIRTUAL ASSISTANT

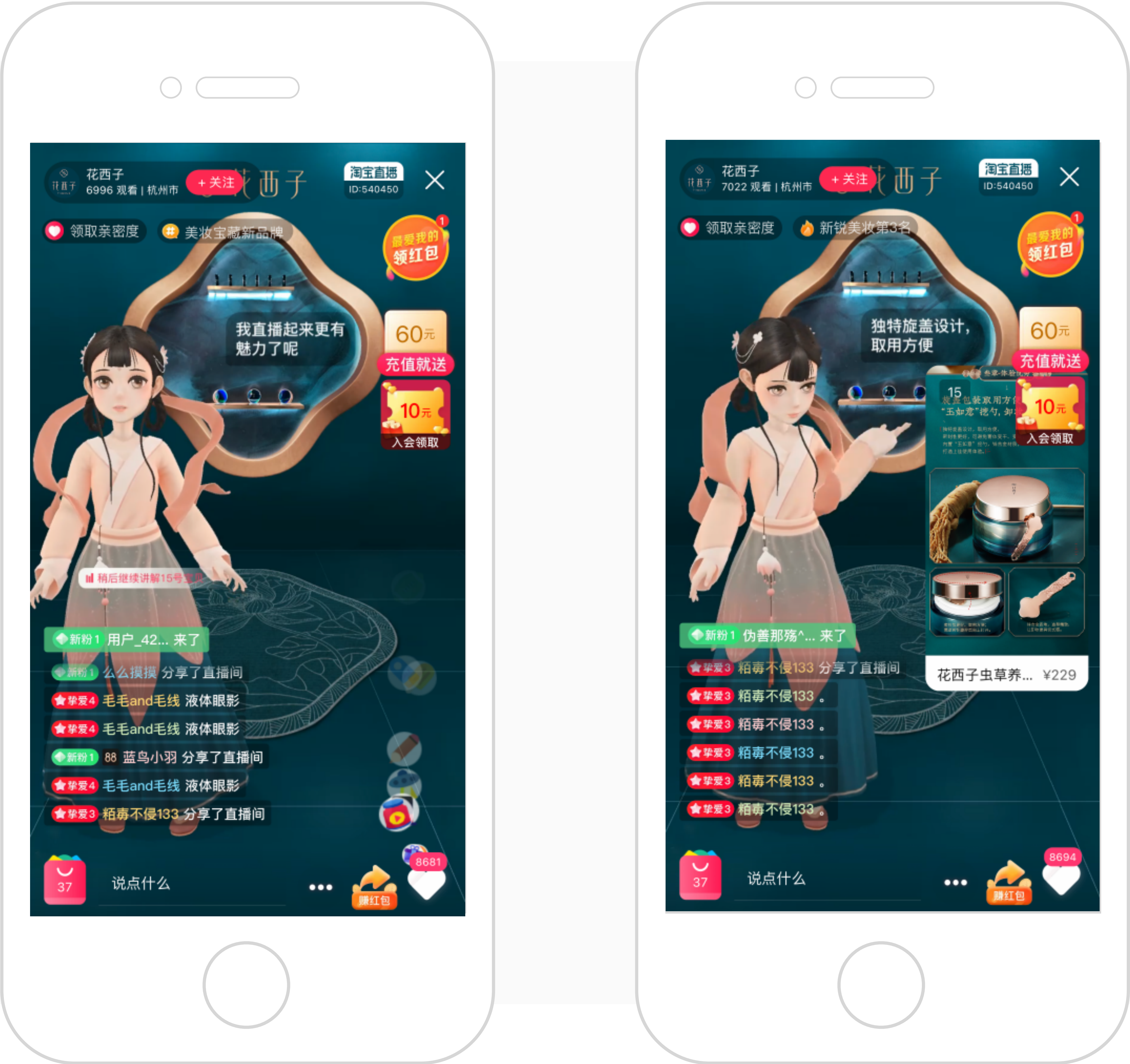
1-2-1 AT SCALE

Enhanced customer service

SERVICE AND RESPONSIVENESS AS BRANDING

Live steaming is nothing new, but to better assist the customers and provide timely assistance, Florasis used a virtual assistant in its live-streaming room to provide detailed product introduction.

An AI powered assistant also provides highly personalized greetings and interactions in the livestream room, 24/7.



Florasis's live-streaming room with audience of 7,000 at 7am

FENTY BEAUTY

DTC BRAND PROFILE

Case Study: Market Entry

FENTY BEAUTY

Fenty Beauty was launched by Rihanna in late 2017, with the aim to satisfy a multicultural customer base. The brand became an instant hit, and aside from Rihanna's stardom, its mandate on inclusivity is the main powerhouse that brought the brand to the next level. Creating innovative products, driving attention towards the underserved market, and advocating for women whose skin tones don't fall within the conventional make-up offerings, their unique marketing strategy has stirred up much curiosity on social media and has been supported by a large number of viewers.

After observing the abundant interests and demand on Chinese social media, Fenty Beauty partnered with Tmall global to officially enter into the Chinese market in September, 2019.

SEEDING	LAUNCH	GROWTH
July 2019	Sep 2019	

SEEDING

Fenty Beauty decided to enter China's market two years after its launch. Before that, there were around 30,000 reviews and demos of Fenty products on RED, and many unofficial cross-border sellers.

In July 2019, Fenty teased the market with a video featuring Wang Ju, an up-and-coming idol from a talent show who is popular with her distinct personality and unconventional beauty on brand's official RED & Weibo accounts. The video was well received and people's thoughts and comments were mostly that, "the wait will be worth it".

The eventual, 'official' launch in China was also preceded by the establishment of Chinese language versions of the website, as well as tactical efforts with Chinese influencers (many of whom live overseas).

LAUNCH

Before officially launching the store on Tmall, Fenty had a 20-day pre-sale to drive the hype and warm up for the launch. It attracted 54k followers to the store and reached RMB 800k in sales at its 'official' launch date.

Sept. 2019 - Launched its shop on Tmall Global, its exclusive channel for China's market.

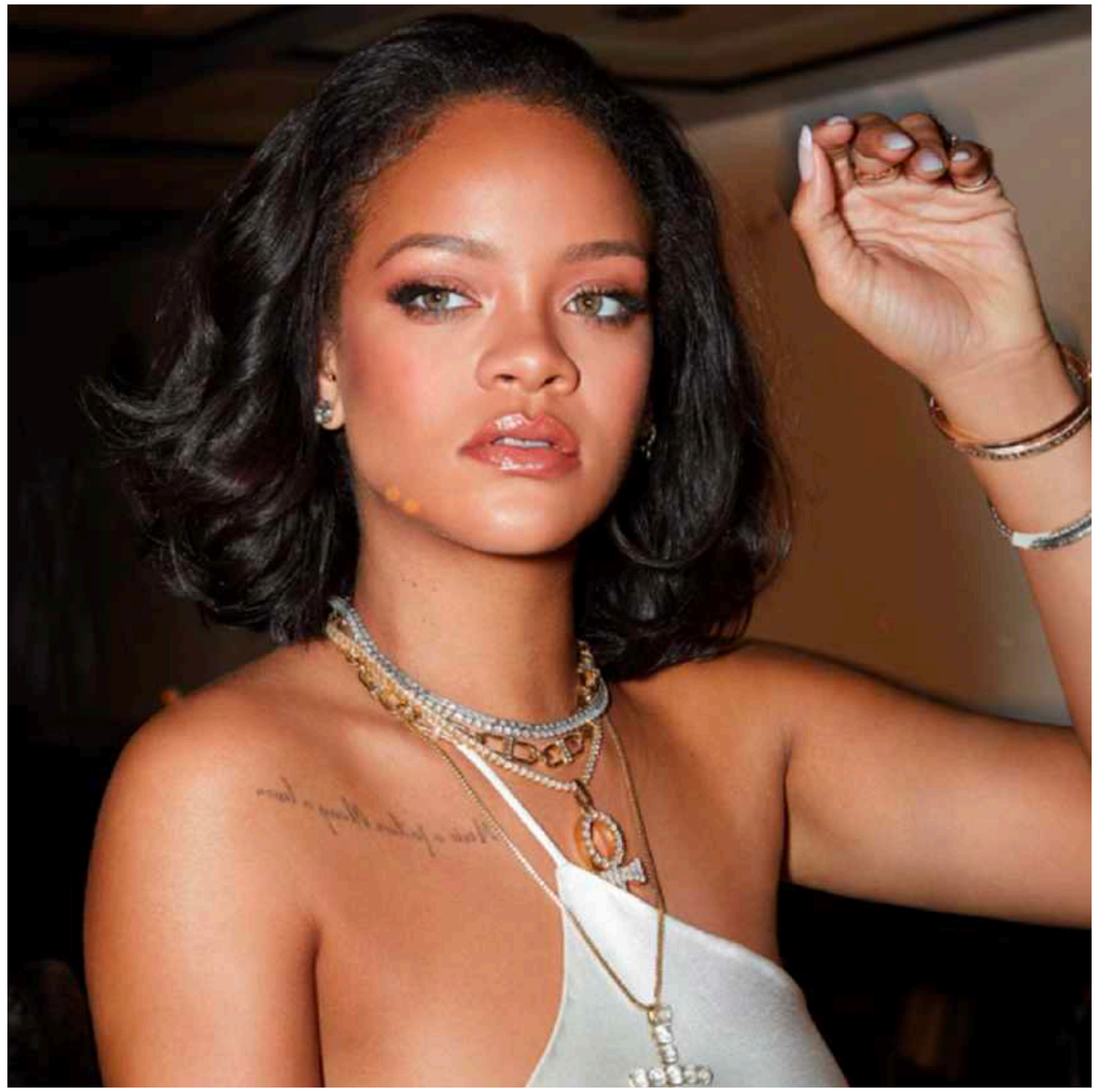
Participated in Tmall Global Super Brand Day in the same month.

GROWTH

To scale up its efforts in China, Fenty will need to:
(1) Develop a deeper understanding for and connection to Chinese audiences/customers, and (2)invest in more high-impact media, campaigns and initiatives, and (3)add/introduce additional channels.

Fenty Beauty has a strong start in the market but needs to remain agile and in-touch with the trends, tastes, and interests of local customers. This depth of understanding is prerequisite to increased investment.

Intensity is also critical. The success of many/most DTC (digital native, digital-only) brands is largely about the ability to connect, engage and respond quickly to customers. To achieve the level of intensity needed to grow further, the brand will have to increase its local teams and local presence (eg. shops, collaborations, customer experiences).



BRAND

Emotional, interest-based content which drives reach/ awareness.

CONSIDERATION

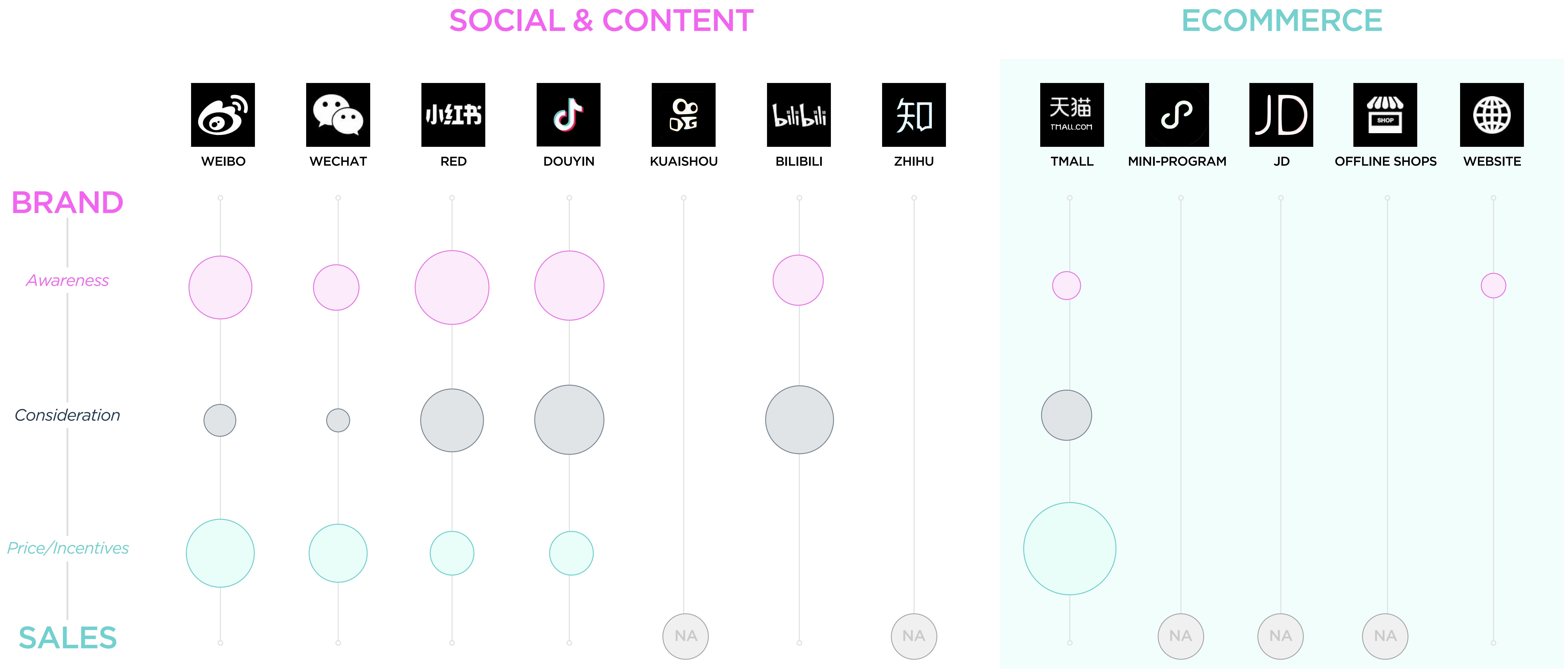
Product focused content; images, styling ...that allow audience to 'see themselves' with product.

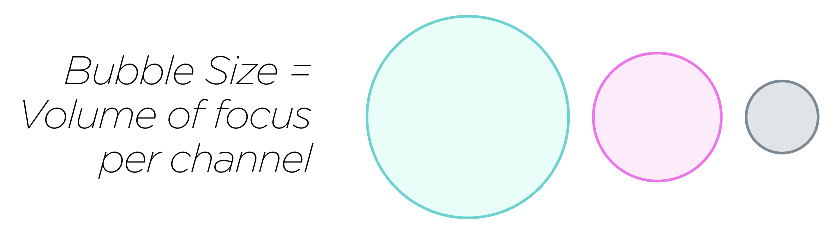
SALES

Posts which drive traffic to sales - using discounts, incentives, and promotions.

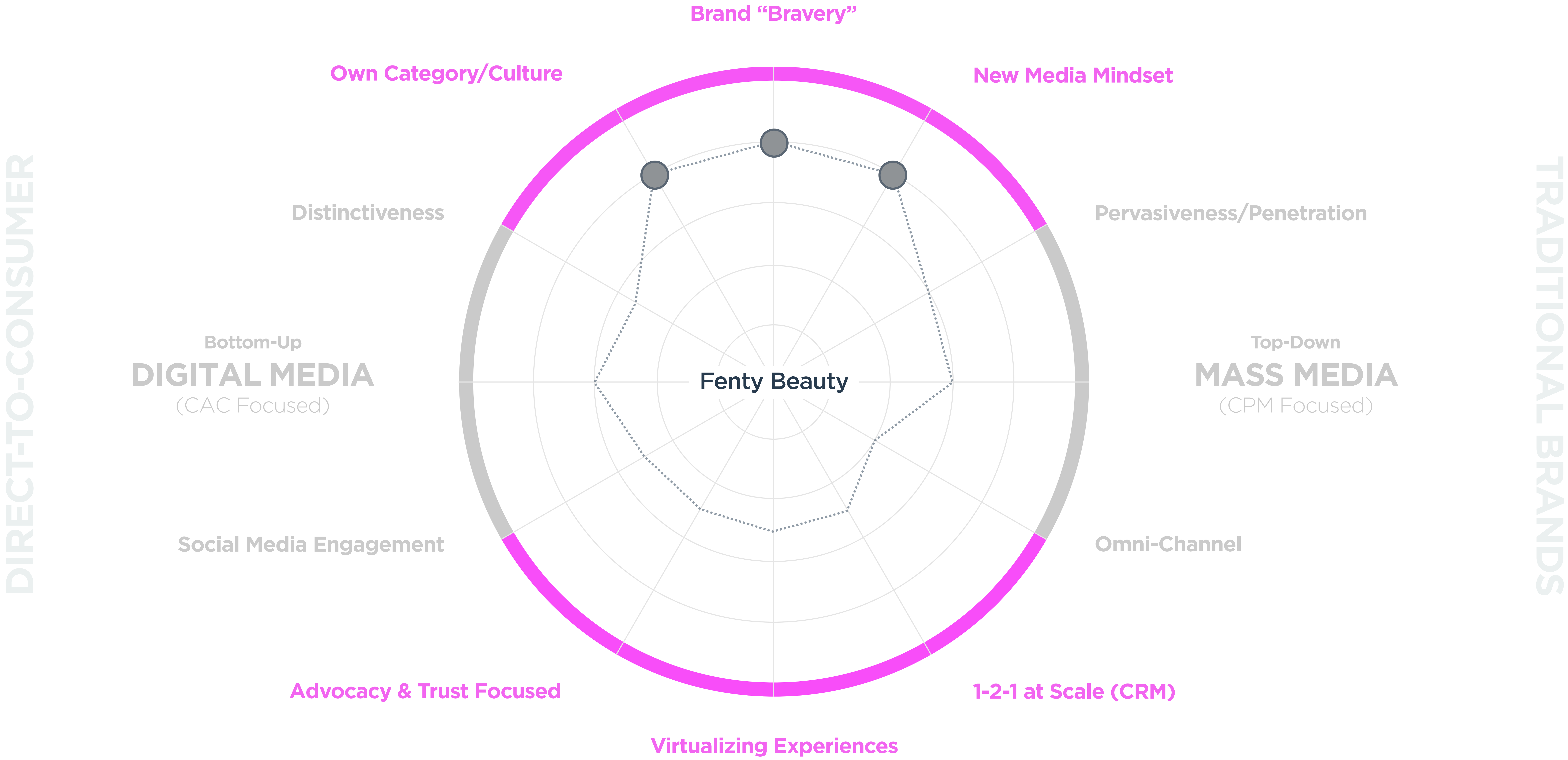
FENTY BEAUTY

DIGITAL CHANNELS USAGE





GROWTH BRANDS



CONFIRMING INTERESTS

SOCIAL MEDIA ENGAGEMENT

Seeding Interest on Social Media

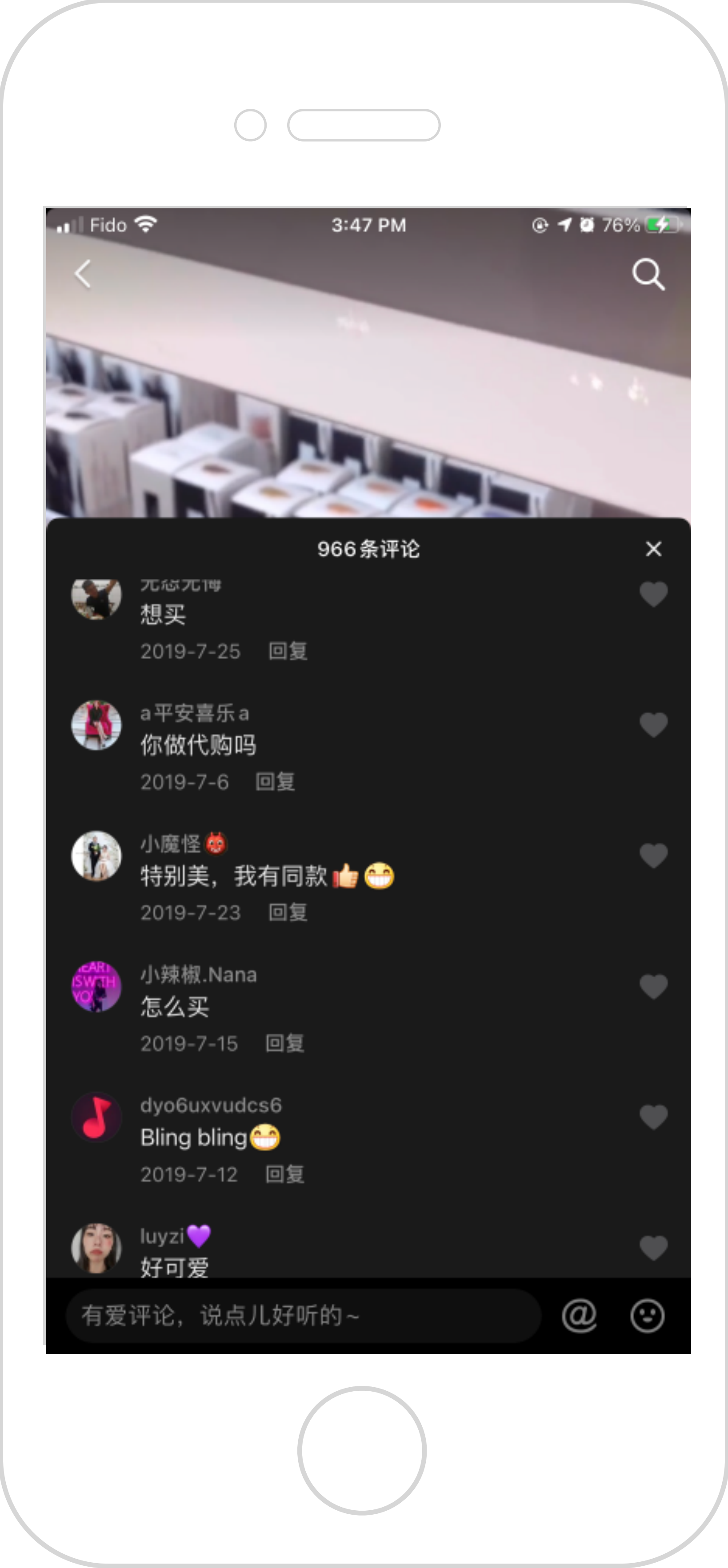
GROWING CHINA FROM OUTSIDE, IN

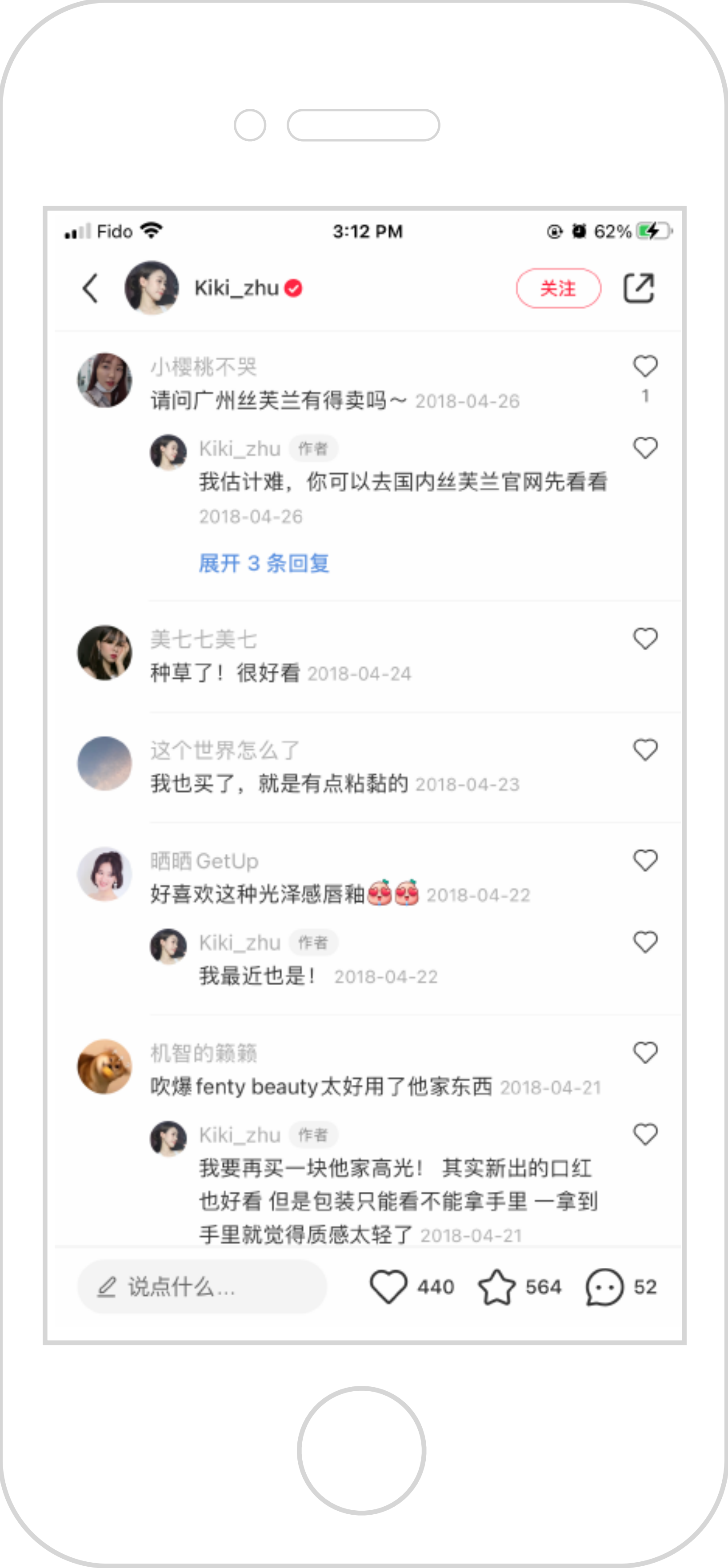
Going back to its launch, Fenty worked with a strong roster of influencers to 'seed' interest into key markets both globally and in the US. Fenty concentrated its promotions around building excitement for its "hero product," creating momentum for beauty/make-up communities globally (and in China).

Paid and organic influencer posts on Douyin (TikTok) and RED received tens of thousands of views/likes prior to Fenty's launch in China. The brand was able to stimulate interest and (UGC) by working with influencers and creators from overseas first, and later on, more directly and domestically, in China.

Prior to planning a launch, the brand was able to observe a very high volume of purchases on its global website from Chinese (who, in turn were reselling the brand into China). By the time they officially launched into China, there was a very high level of excitement for the brand, AND Fenty had a wealth of customer insights and feedback to use in planning the more costly next steps.

2018 Douyin UGC content
Received 72k likes





2018-2019 Comments on Douyin, RED saying, "Can you help to buy?", "How to buy it?", "Want it!", "So cute", etc.

WIN THE HEARTS WITH SINCERITY

ADVOCACY & TRUST FOCUSED

Making a good first impression

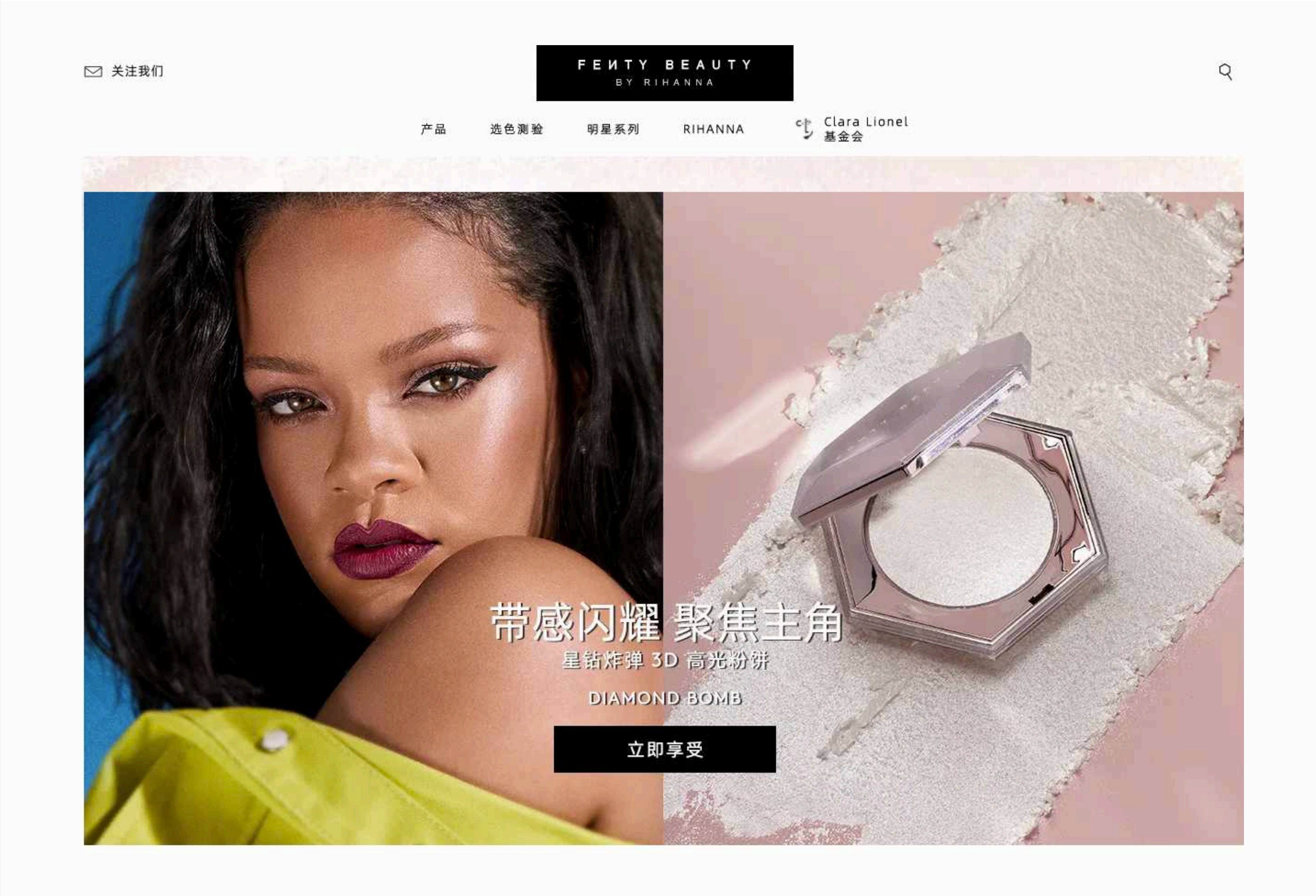
BE ACCESSIBLE TO A CHINESE AUDIENCE

It's remarkable how many global brands, with aspirations to enter China, don't get the basics right first. Localizing and providing resources in Chinese and for Chinese customers can and should happen before the more costly investments (such as setting up Tmall, WeChat) take place.

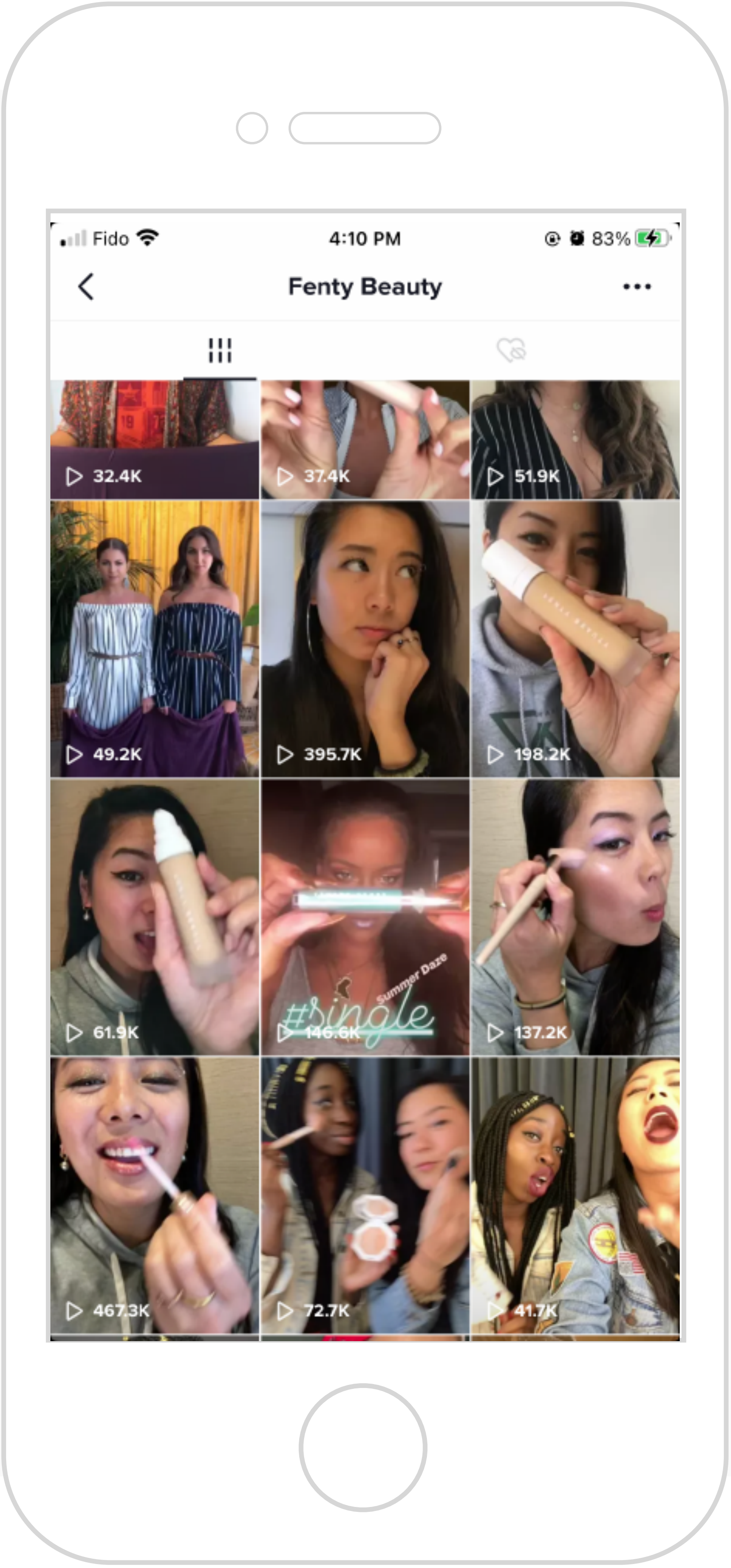
Having a Chinese language website (or simply a tab in Chinese), together with tracking of engagement and sales is a good start - and a good way to learn about your Chinese buyers.

Featuring Chinese customers using/wearing your products dramatically improves consideration - and signals to Chinese that they are a respected customer group.

Fenty Beauty has Chinese website, hosted in China. The brand also features links to its Chinese social media on its global website. Fenty also features Chinese (Asian) faces/influencers on global social media channels.



Fenty Beauty's Chinese Language Website



Chinese/Asian faces featured in Tiktok (2018)

Brand image, credibility and commitment are essential

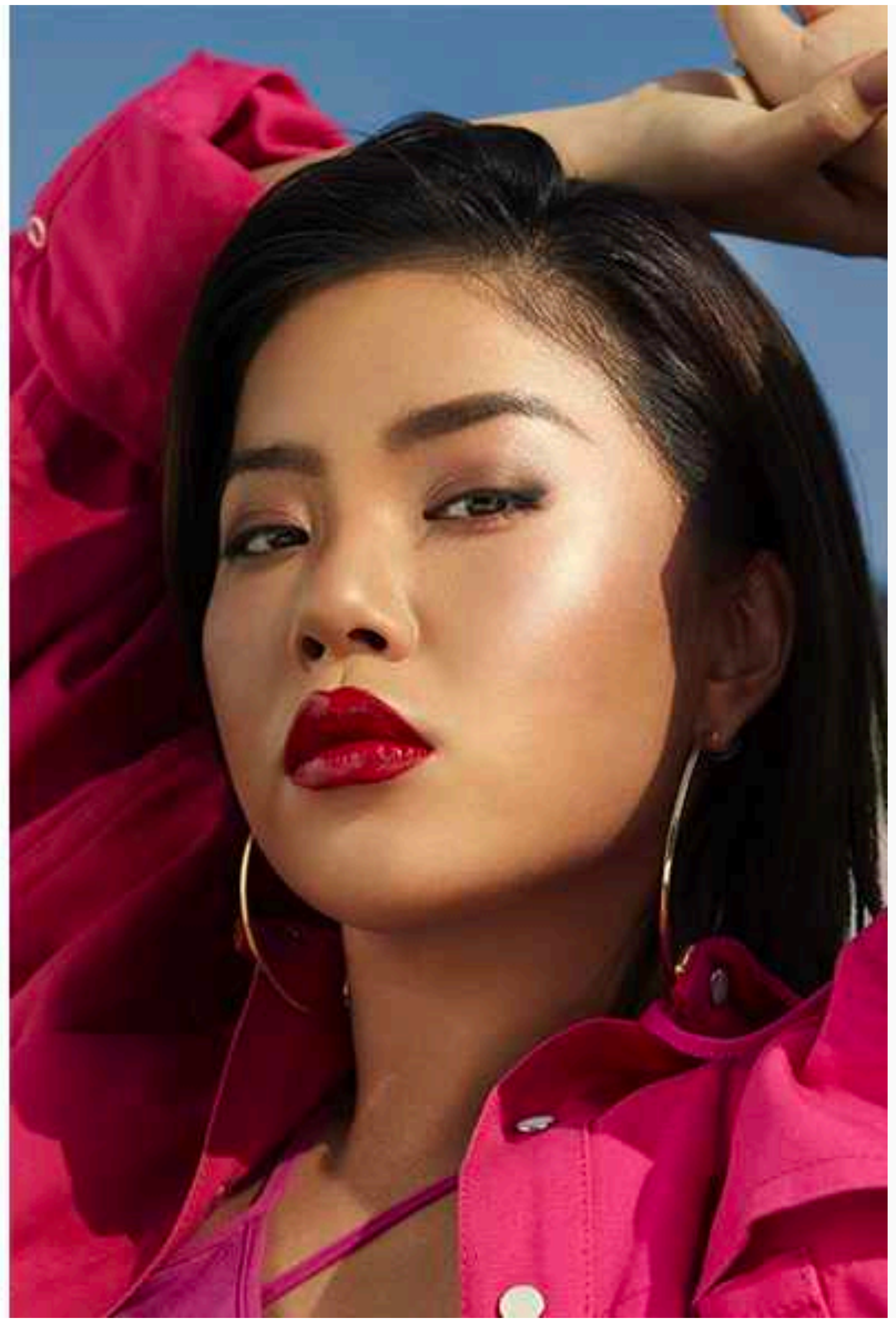
LOCALIZATION SIGNALS COMMITMENT

Striking the right balance between a global image and building a local identity is critical.

Fenty kicked off its first campaign video on Weibo, featuring an up and coming celebrity from the hit talent show - "Producer 101". Wang Ju, a.k.a. the Chinese Beyoncé, is known to challenge the traditional beauty standard in China.

Her dark-toned skin colour, slightly full-figured body shape and killer confidence made her stand out from her peers in the show and gained a cult following on social media with younger generations who find her real and relatable.

Once the news of Fenty Beauty's China launch was announced, the partnership with Wang Ju instantly became a hot topic on Weibo. Many people agreed Wang is the perfect match to the brand's mandate of "Beauty for all". The campaign naturally translated and re-enforced Fenty's message on diversity in beauty to the local market.



Wang Ju is the celebrity ambassador for Fenty in China.

COLLABORATIONS TO LOCALIZE

Its not enough to have a global reputation, staying relevant in China tough

BRANDS MUST HUSTLE TO BUILD MOMENTUM

Once a brand has a solid footing in China (after launch of key channels: WeChat, Tmall, etc.), the next step in growth is about becoming more locally relevant and scaling attention across new channels and with new audience groups.

In 2020, after the brand was established, Fenty collaborated with the popular Chinese tea shop HEYTEA (a top spot among Millennials and GenZ) with a limited edition, co-branded make-up bag.

The collaboration was promoted by both HEYTEA and Fenty - through social accounts, offline and through associated campaigns. In this arrangement, Fenty taps into the large, loyal audience of HEYTEA (while HEYTEA gets the benefit of buzz from a novel collaboration) - both brands yielded a spike in awareness and followers.

Fenty & Heytea Collaboration packaging

VIRTUAL INFLUENCER

Keep brand experience fresh by experimenting with new media

KEEPING GENZ ENGAGED AND ENTERTAINED

Fenty worked with Qeelia - a virtual influencer on Weibo with 440k followers for a Chinese New Year's lucky look. It echoed the brand's "beauty for all" mandate, and attracted the GenZ's attention, many Qeelia's fans were commenting they were inspired by the look.

Qeelia's make-up look created with Fenty product

SUMMARY OF INSIGHTS

1. Being able to retain customers and encourage repeat purchase is perhaps more challenging than raising the awareness. Perfect Diary's use of social CRM has demonstrated how effective management of private traffic could improve engagement and retention for digital native brands.

2. RED, Bilibili, and other new media are highly effective in building deep connection with niche vertical audience groups, which in turn, strengthens a brand's image.

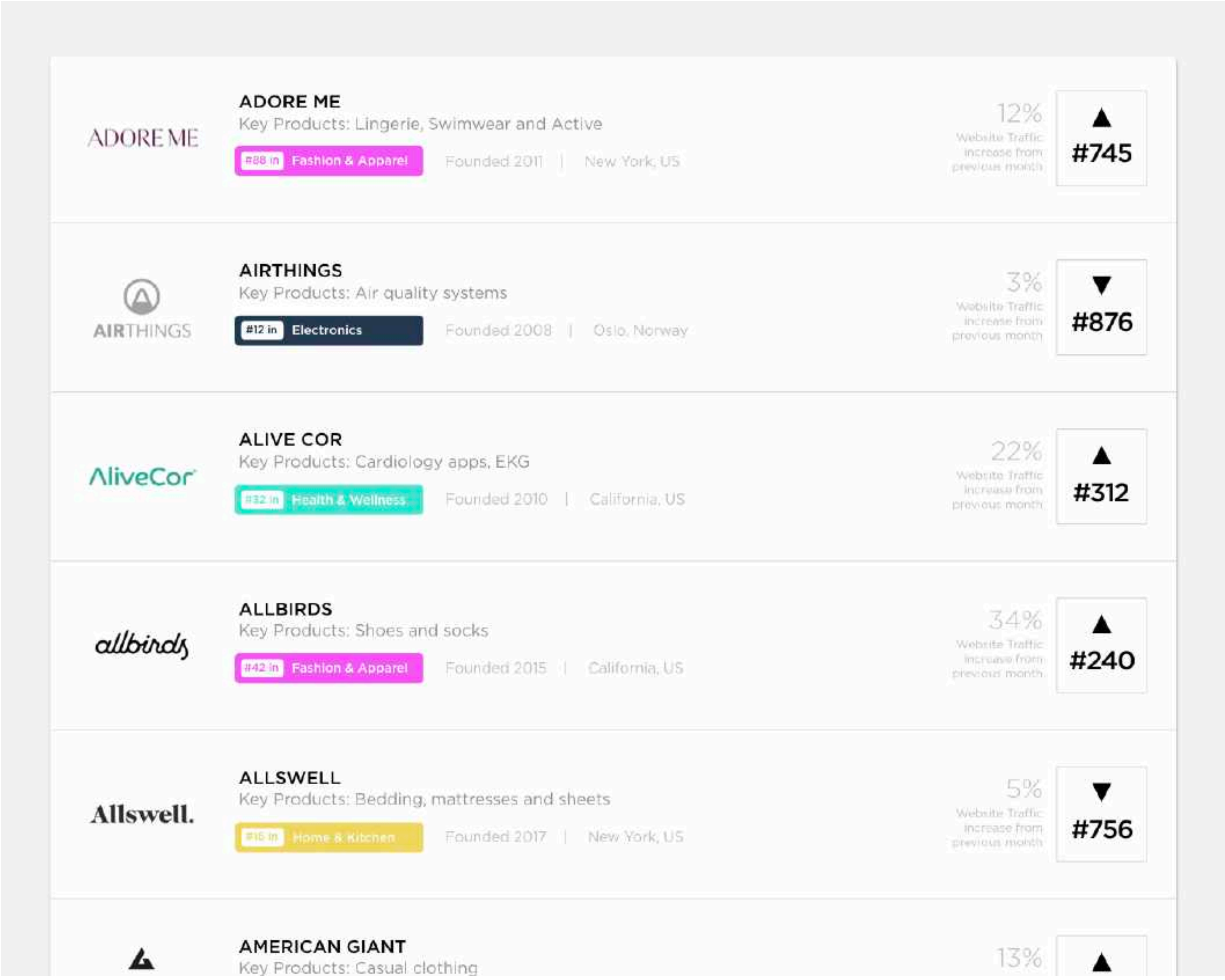
3. Utilizing social-commerce and live-streaming commerce could speed up the conversion and push sales, but having a clearly defined brand image and distinct product is unquestionably the most influential route for social selling.

4. The "Guochao" trend in Chinese young consumers is strong and has the ability to authentically capture the cultural essence that resonates with a group - an element which is crucial in driving favourable impression. This could be tricky for brands if the details are not understood correctly.

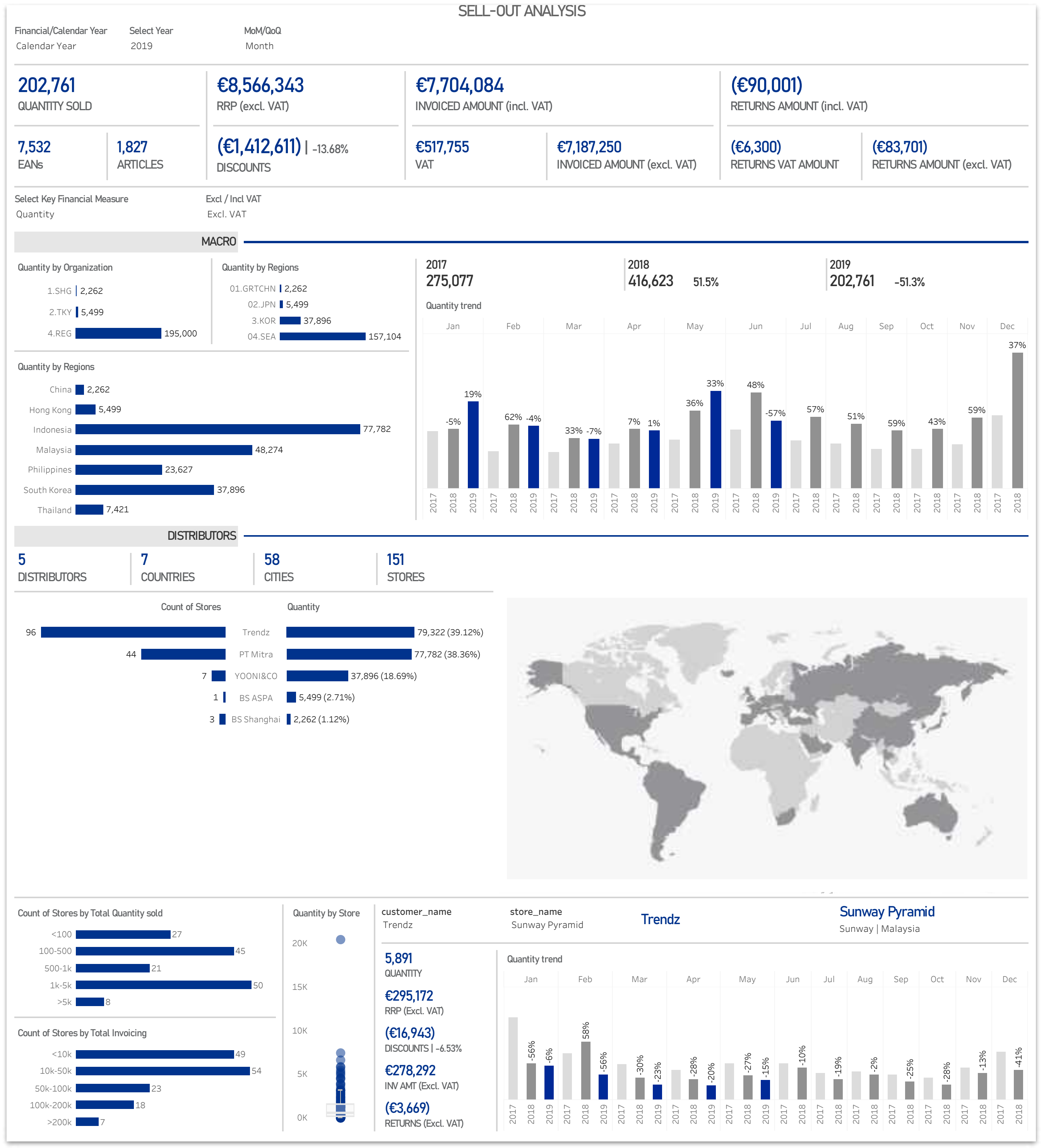
5. Virtualizing the experience is important for DNVC brands to convince their customers. Brands should leverage their strength in both digital & technology to make it fun and engaging/sharable. In the long run, connecting O2O is essential to achieving exponential growth.

BRAND GROWTH FRAMEWORK

HOW TOTEM MAPS BRAND GROWTH/TRANSFORMATION



Totem's Global Database of 1,000+ DTC brands



Data/insights on Transformation of Mass Brands

BRAND GROWTH FRAMEWORK

What characteristics/strategies do winning brands utilize? What is the best pathway for transformation/acceleration?

Totem has applied a detailed analytical approach to answering these questions.

We have looked at these questions from the vantage point of two cohorts: (1) DTC (DNVB) brands and (2) mass/traditional brands who lead in key categories.

Totem's Brand Growth Framework represents the analysis of data from both cohorts, acknowledging that each cohort has advantages/weaknesses in key areas.

www.talktototem.com/dtc-insights

Transcendent brands implement and refine a "winning formula."

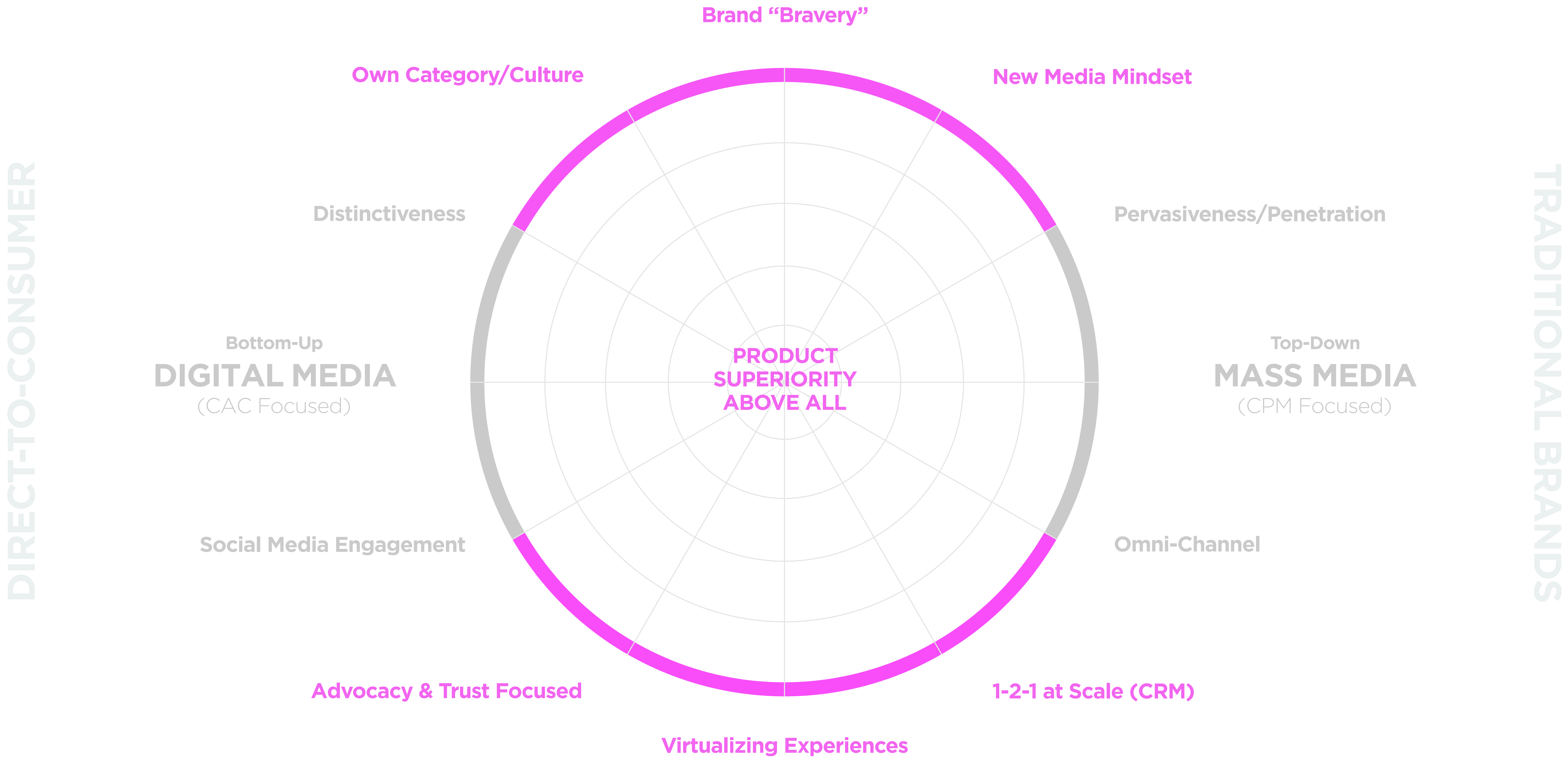
A "winning formula" is the composition of strategies and tactics that bind the brand with its audience.

While winning formulas can be unique, leading brands share common characteristics of success.

There are also optimal pathways for implementation of new capabilities.

These characteristics and transformation pathways are summarized in Totem’s Brand Growth Framework.

GROWTH BRANDS



TOTEM
TOTEM BRAND GROWTH FRAMEWORK ©

GROWTH BRANDS

DIRECT-TO-CONSUMER

TRADITIONAL BRANDS

Brand “Bravery”

Brands that are ‘brave’ venture big gains, with bold, compelling creative content (campaigns, brand collabs, stunts, endorsements). Risks of ‘high reward’ actions are mitigated when brands have loyal audiences.

Own Category/Culture

Brand has moved beyond category distinctiveness to creating/defining a (new) category. Does the brand ‘own’ a space/domain, act as the only choice to get a job-done, viewed as hallmark of a culture (tribe)?

New Media Mindset

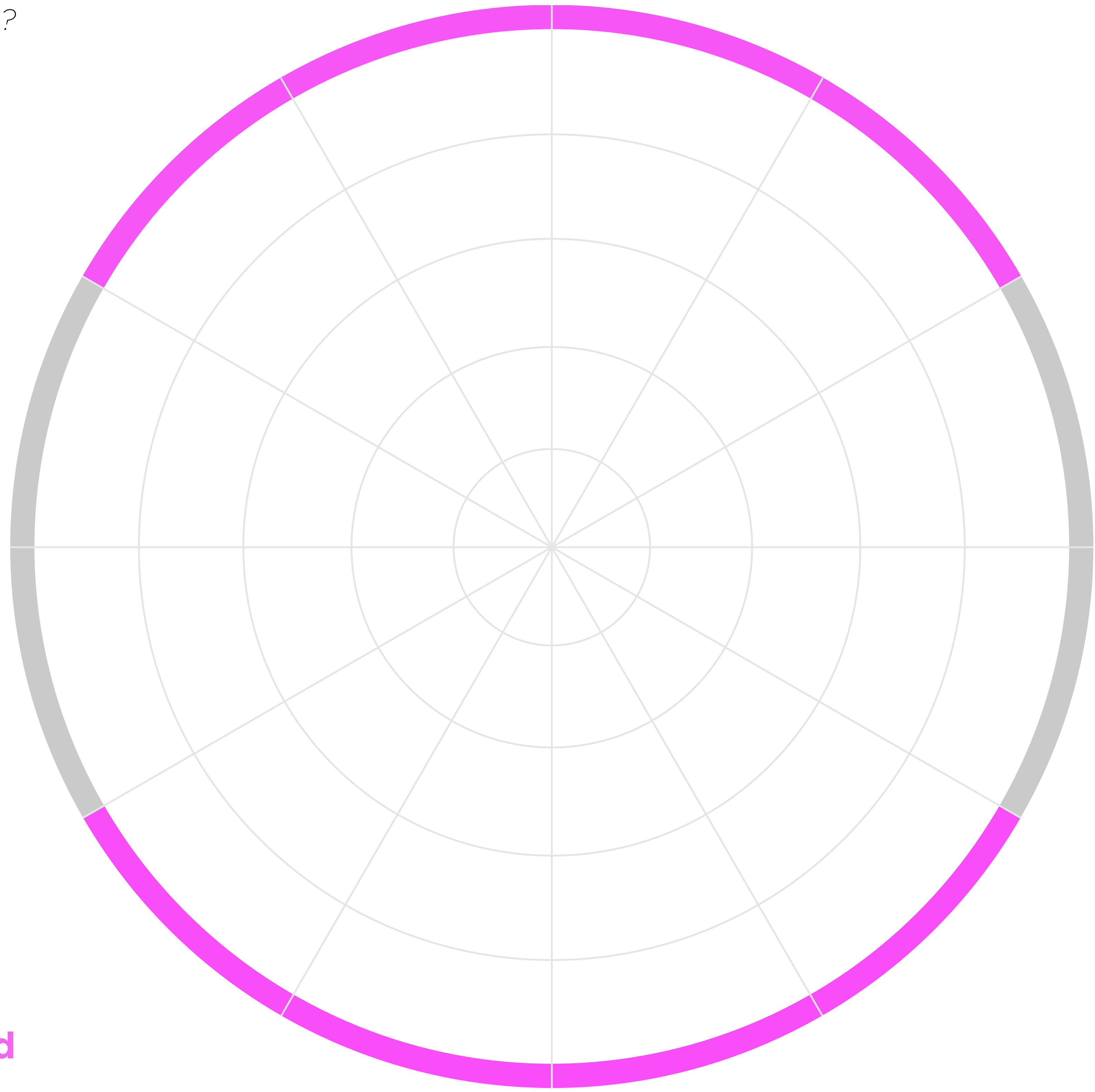
Brand has a share of media investment dedicated to new, experimental, early-stage social/apps (TikTok, SnapChat), Gaming Co-ops , and other yet-to-be-proven media (eg. AR/VR).

Distinctiveness

Brand is notable from others in category - “remarkable” in view of audiences. Distinctiveness in category: product features/design, brand identity, audience niche - or combination of those attributes.

Pervasiveness/Penetration

Brand that has very large scale in terms of media reach, penetration (usually as a result of large media budgets and use of traditional, mass media), allowing it to have presence with audiences at scale.



Bottom-Up
DIGITAL MEDIA
(CAC Focused)

Top-Down
MASS MEDIA
(CPM Focused)

Social Media Engagement

Brand creates content which is engagement focused (drives “consideration”). Social media team is highly responsive and conversational - they are speed, authenticity, reciprocity driven.

Omni-Channel

Company has full array of sales and communications channels (online & offline). It’s widely accessible for purchase, anytime, anywhere. Has systems in place to support purchases between channels.

Advocacy & Trust Focused

Deep connections with customers (product, service, quality, attention to detail) usually indicated by high engagement through all touch points. Brand has high % of staff dedicated to customer service. Generous returns/refunds (and customer delight) routines.

1-2-1 at Scale (CRM)

Systems in place (offline-online) to communicate with individual audiences (and segments) - at scale (eg. Bots, Customer AI, Messaging Systems and Customer Service, Subscriptions). Uses customer insights to tailor communications and personalize responses.

Virtualizing Experiences

Has created digital experience (online), which mirror (if not improve upon) the offline experiences of the brand (eg. AR/VR, live video customer service/sales/ education, haptic experiences).

DIRECT-TO-CONSUMER

Distinctiveness

Own Category/Culture

Brand "Bravery"

New Media Mindset

Pervasiveness/Penetration

Bottom-Up
DIGITAL MEDIA
(CAC Focused)

Easier —— Harder →

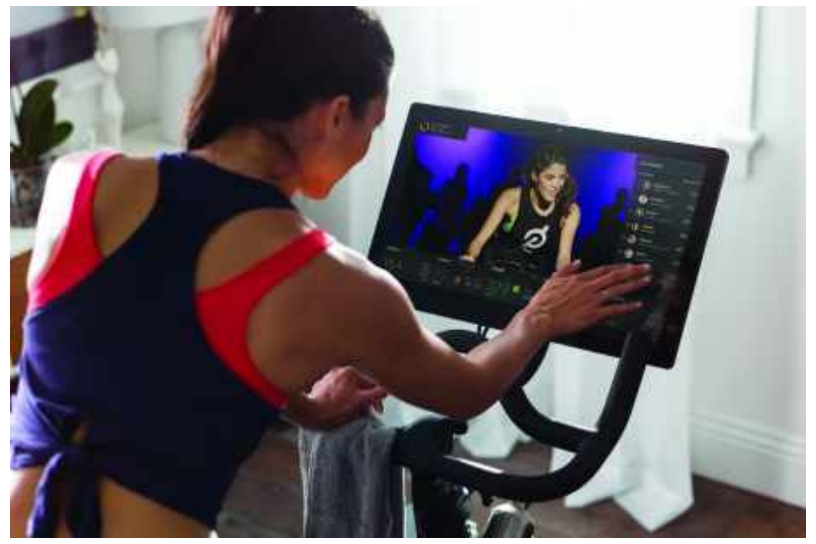
GROWTH BRANDS

← Easier —— Harder

Top-Down
MASS MEDIA
(CPM Focused)

Social Media Engagement

Advocacy & Trust Focused



Virtualizing Experiences

1-2-1 at Scale (CRM)

Omni-Channel

TRADITIONAL BRANDS

TOTEM
TOTEM BRAND GROWTH FRAMEWORK ©

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