

Research on the Pricing Strategy of Beauty Products in the Context of E-Commerce Live Broadcast

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ABSTRACT

With the development of the Internet, e-commerce live streaming has become a new development point of the online economy. The beauty industry has also grown rapidly in recent years and accounts for a large proportion of the e-commerce economy. In e-commerce live streaming, pricing strategy is an important means of marketing. After reviewing previous research, the authors found that few people had analyzed the live-streaming pricing strategies in the beauty industry today. In this study, this article will take the beauty industry as an example, use literature review and questionnaire methods to analyze the factors that affect pricing strategies in e-commerce live streaming and the impact of the pricing strategy of beauty cosmetics products on consumers' purchase decisions in e-commerce live broadcasts.

KEYWORDS

E-commerce live streaming; Beauty products; Pricing strategy; Purchasing decisions

1. INTRODUCTION

With the gradual weakening of the impact of the epidemic and the continuous rise of consumer demand for beauty and skin care, the overall market size of China's skin care products and makeup industry is growing. According to the data, cosmetics will reach 414.2 billion yuan in 2023, a year-on-year increase of 5.1%. The cosmetics industry is in a phase of rapid development. With the popularity of the Internet and the increase in the number of people using social media, more and more consumers are inclined to purchase goods through e-commerce platforms. In June 2023, the number of live broadcast e-commerce users will reach 530 million, accounting for 59.5% of the total number of online shopping users. As the most popular e-commerce sales model, it is also showing a trend of rapid development. For cosmetics, e-commerce live streaming is also an important channel for its promotion and sales.

STP theory is an important theory in the formulation of marketing strategy, which is divided into three steps, market segmentation, target market and market positioning. It has a significant impact on the pricing of goods. After reading the previous literature, the author found that most of the previous studies were about the pricing strategy of products, and there were basically no scholars who studied the pricing strategies in e-commerce live streaming, and few scholars studied the pricing of beauty products. Therefore, in this study, this article's aim is to study the factors influencing the pricing strategies of beauty brands in the context of e-commerce live streaming and the impact of the pricing strategy of beauty cosmetics products on consumers' purchase decisions in e-commerce live broadcasts.

2. LITERATURE REVIEW

2.1. Factors that affect a product's pricing strategy

Through the review of previous literature, the factors influencing product pricing strategy are analyzed. STP theory is closely linked to pricing strategies. Therefore, we will start with the STP theory and analyze it in combination with other factors mentioned in previous studies.

2.1.1. Marketing position

Market positioning is when a company or product establishes its own position and helps formulate a follow-up marketing plan. There is a strong relationship between market positioning and pricing strategy. [1] They are in a relationship of mutual influence. Market positioning can determine product pricing, and product pricing can also shape market positioning. Taking the luxury jewelry industry as an example, the high market positioning of luxury jewelry allows brands to adopt high prices when setting prices, and consumers will also position the brand as high-end products when they see high prices, which are complementary to each other.

2.1.2. Marketing segmentation

Market segmentation is to divide consumers into different groups according to four factors: geography, demographics, psychology and behavior, so that companies can develop more targeted marketing strategies according to different market segments. Due to the influence of various factors such as customers' economic ability, demand degree, purchase volume, etc., different customers have different price sensitivity. [2] Customers in different market segments value different aspects. For example, a high-end customer base may value product quality and brand recognition more than price. Conversely, value-oriented consumers may be more price-conscious. As a result, market segmentation affects the pricing strategy of the product, and businesses need to price for different market segments.

2.1.3. Cost and sales

Marxist theory tells people that the value of commodities is the basis for making up prices. The value of a commodity is made up of $C+V+M$. $C+V$ is the materialization of the value transferred by labor in the production process and the value created by workers for themselves. M is the value that workers create for society. [3] For the pricing strategy of the product, it should not be lower than the total cost of the product, otherwise it will lose money. Not only that, but when pricing a product, it is also necessary to take into account the sales volume of the product, the volume of the product, and the company's resources, so as to develop a reasonable and profitable price strategy.

2.1.4. Demand relationship

The pricing of the product should also be related to market demand. When the market demand for the commodity is greater than the supply, the price should be higher; When the market demand for a commodity is less than the supply, the price should be lower. [3] Changes in demand lead to changes in price elasticity. In fact, both buyers and sellers play an important role in the pricing of a product.

2.1.5. Competitive factors in the market

E-commerce has disrupted the traditional retail market, reducing transaction costs, making price competition more likely to occur between e-commerce companies, resulting in lower profits, and consumers more easily obtaining low-priced goods. [4] Many scholars also believe that e-commerce improves the transparency of the market, which will definitely affect the competitive strategy of enterprises, and thus affect the pricing of products. However, in order to weaken the loss of profits caused by the price war, many companies will choose to achieve product differentiation and stabilize or increase the price of the product by changing the product itself or positioning.

2.1.6. Live anchor

The pricing of the product is affected by the live streamer factor in different situations. [5] As the image spokesperson of the product, the anchor can shape the image and value of the product through his influence and personal charm. This shaping will directly or indirectly affect the price of the product and the consumer's recognition of the price of the product.

2.2. Pricing strategies commonly used in live.

The main strategies of product pricing in the current e-commerce live broadcast background are summarized as the "pyramid" pricing strategy. [6] They are drainage pricing, profit pricing, and strategic pricing. Drainage pricing is placed at the bottom of the pyramid, and strategic pricing is placed at the top of the pyramid. Drainage pricing can also be used as welfare pricing, which is a strategy developed by the live broadcast room to attract traffic. The live broadcast room usually attracts consumers by setting large price reductions and mantissa pricing for small products. Profit pricing is a kind of product discount that the anchor usually takes a long time to introduce when the number of viewers in the live broadcast room is large. Profit pricing includes "buy one, get more", "several products are sold as a package", and "stepped price reduction". Strategic pricing is placed at the top of the pyramid, and the products are generally scarce products such as customized models with special characteristics and out-of-stock explosive models. Of the three pricing strategies, the diversion product is usually the cheapest and the strategic product is the most expensive. In this study, we will base our assumptions on these three pricing strategies. So, the authors put forward these three hypotheses:

H1: Drainage pricing has a significant impact on consumers' purchasing decisions.

H2: Profit pricing has a significant impact on consumers' purchasing decisions.

H3: Strategic pricing has a significant impact on consumers' purchasing decisions.

3. METHODOLOGY

3.1. Study population

This research will use a questionnaire to study the impact of the pricing strategy of beauty cosmetics products on consumers' purchase decisions in e-commerce live broadcasts. According to online data, women dominate the live streaming of beauty products, accounting for more than 80% of the total. The live streaming of beauty products attracts a wide range of consumers of different ages. The main age groups include young consumers aged 18-34, with consumers aged 25-34 being the most active. Live streaming consumers of beauty products are mainly concentrated in urban areas, especially in first- and second-tier cities. To make the study representative, we chose "Women aged 25-34 in urban areas." to conduct surveys.

3.2. Data Collection Process

The subjects of the questionnaire mainly use a Likert scale, and a 5-point scale is chosen to measure the impact of the pricing strategy of beauty cosmetics products on consumers' purchase decisions in e-commerce live broadcasts.

3.3. Practical process

The survey adopts the questions "I am easily attracted to and willing to buy beauty products with low prices in e-commerce live streaming", "I am easily attracted to and willing to buy beauty products with preferential activities in e-commerce live streaming", "Compared with the price of 100 yuan,

The \$99.9 pricing makes it easier for me to accept "The mean of the five-component scale score describes drainage pricing; Use the questions "I am very willing to buy the Chinese and American makeup products live on e-commerce in the form of preferential pricing of package combination", "I am very willing to buy the Chinese and American makeup products live on e-commerce in the form of" buy one get more free "promotion", "for the Chinese and American makeup products live on e-commerce in the form of step price reduction. "Easily attracted to me and willing to buy" The mean of the five scale scores describes profit pricing; Use the questions "I am willing to spend a relatively high price on e-commerce live broadcast to buy special items or scarce goods such as broken payment", "When the beauty products are sold by anchors in e-commerce live broadcast using split quotation (the cost and price of each part are disintegrated and then the overall quotation is made), I am easily attracted and willing to buy", "When buying beauty products in e-commerce live broadcast, I am willing to buy. Price is not the main factor I consider. "The mean of the five scale scores describes strategy pricing; The average score of five scales of "I think beauty products in live e-commerce are worth buying" and "I will recommend others to buy products in live e-commerce" was used to describe subjects' intention to buy e-commerce products.

3.4. Data processing, analysis and research models

Correlation and regression analysis were measured using SPSS software during data processing analysis. Correlation is a statistical metric that indicates the degree to which two variables are linearly related (i.e., they change together at a fixed rate). Correlation analysis is the premise of regression analysis, which reflects the closeness of the relationship between the variables, and also tests the rationality of the model design to a certain extent by analyzing whether there is a correlation between the two variables. Regression analysis is intended to study the statistical relationship between an explanatory variable (the dependent variable) and one or more explanatory variables (independent variables). When the correlation between variables is confirmed, a linear regression equation can be constructed to quantitatively study the influence relationship. In the results of the coefficients of the model, if the significance $p < 0.05$ indicates that the regression significance of the variable is good, and if the regression significance $p > 0.05$, it indicates that the regression significance of the variable is poor.

4. FINDINGS

The Pearson correlation coefficient was used to analyze the correlation between the four variables of drainage pricing, profit pricing, strategy pricing and purchase decision, and the results are shown in Table 1. According to the table, there is a significant positive correlation between drainage pricing and purchase decisions, with a correlation coefficient of 0.712, which is significant at the level of 0.01, profit pricing and purchase decisions, with a correlation coefficient of 0.677, which is significant at the level of 0.01, and strategy pricing and purchase decisions, with a significant positive correlation coefficient of 0.687, which is significant at the level of 0.01.

Table 1. Correlation analysis results

| Correlation | |
|---|----------------------|
| | Purchasing decisions |
| Drainage pricing | 0.712** |
| Profit pricing | 0.677** |
| Strategic pricing | 0.687** |
| **At the 0.01 scale (two-tailed), the correlation is significant. | |

A multiple linear regression model was constructed to explore the impact of drainage pricing, profit pricing, and strategy pricing on purchase decisions, and the results are shown in Table 2. According to the table, the adjusted R side of the model is 0.594, indicating that the model fits well. The Durbin-Watson value was 2.033, which ranged from 1.5 to 2.5 in the standard value, indicating that there was no sequence autocorrelation between the independent variables. The significance level is less than 0.001 and less than 0.05 standard value, indicating that there is an influence relationship in the model, and the impact coefficient is 70.874. The VIF values were 2.335, 2.21 and 2.479, respectively, which were smaller than the standard value of 5, indicating that there was no multicollinearity problem. The significance level of drainage pricing is less than 0.001, the significance level of profit pricing is 0.001, and the significance level of strategy pricing is 0.004, all of which are less than 0.05 standard values, so the impact of drainage pricing, profit pricing, and strategy pricing on purchase decisions is significant. The B value of drainage pricing is 0.39, so there is a significant positive impact relationship, that is, the higher the level of drainage pricing, the stronger the purchase intention. The B-value of profit pricing is 0.309, so there is a significant positive effect relationship, that is, the higher the level of profit pricing, the stronger the purchase intention. The B-value of strategy pricing is 0.285, so there is a significant positive impact relationship, that is, the higher the strategy pricing level, the stronger the purchase intention. The Beta coefficients of drainage pricing, profit pricing and strategy pricing were 0.357, 0.266 and 0.246, respectively, and it can be considered that the impact of the three pricing strategies on purchase decisions is not strong, among which drainage pricing has the greatest impact on purchase decisions, and strategy pricing has the least impact on purchase decisions.

Table 2. Regression analysis results

| Model | | Regression | | | | | t | significant | VIF |
|---------------------------------------|----------------------|---------------------------|----------------|---------------------------|-------|--------|--------|-------------|-------|
| | | no normalized coefficient | | normalization coefficient | | | | | |
| | | B | Standard Error | Beta | | | | | |
| 1 | (Constant) | 0.103 | 0.254 | - | | 13.866 | <0.001 | - | |
| | Independent variable | Drainage | 0.39 | 0.089 | 0.357 | | 4.383 | <0.001 | 2.335 |
| | | Profit | 0.309 | 0.092 | 0.266 | | 3.354 | 0.001 | 2.21 |
| | | Strategic | 0.285 | 0.097 | 0.246 | | 2.938 | 0.004 | 2.479 |
| | Adjusted R side | | 0.594 | | | | | | |
| | Durbin Watson | | 2.033 | | | | | | |
| | F | | 70.874** | | | | | | |
| Dependent variable: purchase decision | | | | | | | | | |

In summary, hypothesis 1, hypothesis 2, and hypothesis 3 all establish.

5. DISCUSSION AND SUMMARY

In this study, the authors summarized six factors that affect pricing strategies through literature review. Based on the analysis of three e-commerce live streaming pricing strategies, the impact of the pricing strategy of beauty products on consumers' purchase decisions in the context of e-commerce live streaming was obtained through questionnaire survey and SPSS data analysis. The results show that the impact of these three pricing strategies on consumers' purchase decisions is significantly positive. Among them, drainage pricing has the greatest impact on purchase decisions, and strategy pricing has the least impact on purchase decisions.

From the perspective of theoretical significance, this study reveals the role of STP theory in the formulation of brand pricing strategies. It provides new theoretical guidance, enriches the theoretical system and fills the theoretical gap in STP theory in this regard.

From a practical point of view, through this research, enterprises can better optimize product pricing, formulate better marketing strategies, strengthen competitive advantages, and promote the development of e-commerce economy.

In view of the above conclusions, this paper puts forward some suggestions on the pricing strategy of the product. First of all, beauty brands should consider the factors that affect their pricing strategy (market positioning, market segmentation, cost and sales volume, etc.) when pricing their products, so as to fully understand their impact on price. Secondly, beauty brands should focus on the impact of pricing strategies on consumers' purchase decisions, and learn to make good use of pyramid pricing strategies to attract consumers' attention and promote purchases in e-commerce live broadcasts. Finally, beauty brands should be resilient and constantly implement changes in pricing strategies based on the needs of the e-commerce live streaming market and consumer demand.

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