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Research on Green Marketing Strategies of Yatsen Holding Limited under ESG Perspective

Wenqian Song

Southwestern University of Finance and Economics, Chengdu, China, 611130

ABSTRACT
With the gradual penetration of global climate change and ESG concepts, companies are gradually turning to ESG-driven green marketing models. From the ESG perspective, this paper summarizes the successful experience of green marketing strategy of Yatsen Holding Limited(hereinafter referred to as YSG.US) through case study and comparative analysis, especially focusing on the performance of green marketing practice for the environment, according to its 2023 Environmental, Social and Governance report, to provide optimization reference suggestions for other cosmetic companies, and to help the whole industry develop in a greener and more sustainable direction.

KEYWORDS
ESG; YSG.US; Green marketing; Case study; Comparative analysis

1 Introduction

Against the backdrop of global climate change, environmental issues and social responsibility have increasingly become topics of high concern worldwide. With the deepening of the concept of sustainable development and green marketing, corporate sustainability reports have become an important tool for companies to demonstrate their comprehensive economic, environmental and social impacts, and provide investors with an important reference for assessing whether a company attaches importance to environmental protection, actively fulfills its social responsibilities and improves its governance capabilities. As an important part of the consumer goods market, the cosmetics industry is also facing the opportunities and challenges brought by sustainable development.

In recent years, cosmetic companies have adopted many strategies in response to ESG issues, which not only help companies to improve the quality of their products and services, but also profoundly affect the green transformation of the industry. ESG is not only an investment concept and evaluation system, but also a competitiveness gap between brands for them[1]. After enterprises fulfill their environmental responsibility, they are more able to maintain an advantage over their competitors, which in turn promotes the improvement of corporate performance, and some enterprises can even turn their financial performance into profit[2]. Therefore, it is a core issue to build a scientific and reasonable ESG management system, implement accurate and effective green marketing strategies, and bring long-term value growth for enterprises.

Combing through the existing research can be found, around the green marketing, scholars at home and abroad focus on green marketing theory and enterprise green marketing practice from two aspects. For the current development status of green marketing, Xia Wang pointed out that China's green marketing concept appeared late and corporate environmental awareness is not strong enough, enterprises are often too concerned about how to improve economic efficiency, while ignoring the importance of environmental protection and the existence of a number of methodological problems, which to a certain extent damage the ecological environment[3] . Simin Wei and Weiming Huang also pointed out the importance of green marketing from the aspects of "enterprise transformation and upgrading, green management and effective fulfillment of corporate social responsibility"[4] . For green marketing in the cosmetic industry, studies have focused on the impact of corporate ESG performance on value performance. For example, Jingwen Xia, Peng Liu, and Zhuo Wang cited the ESG green marketing measures of domestic and international beauty groups, including L'Oréal, Unilever, Pellegrino, YSG.US, and Lily&Beauty, suggesting that domestic and international beauty companies are heterogeneous in terms of their ESG performance and offering experiences and insights on the implementation of ESG concepts for Chinese cosmetic companies[5] . Few studies have analyzed the combination of corporate green marketing strategies and ESG performance, and even fewer studies have been conducted on YSG.US listed beauty companies.

As a representative enterprise in China's beauty industry, YSG.US has achieved remarkable results in a short period of time by virtue of its unique brand positioning, innovative marketing strategy and rapid market response capability. However, YSG.US is also facing the challenge of how to balance the business interests and sustainable development goals. Based on this, this paper combines ESG-related reports in the beauty industry to deeply analyze the green marketing strategies and practical achievements of YSG.US from an ESG perspective, and summarizes its successful experience to provide a model that can be used by other beauty companies.

2 Introduction to the case of YSG.US

2.1 Industry background

The industry in which YSG. US operates is broadly categorized as the consumer goods manufacturing industry, with further refinement belonging to the cosmetics industry. In recent years, the cosmetics industry has shown a clear trend of changing consumer preferences and upgrading market demand. Relevant data show[6] that 47% of consumers in China are willing to upgrade their consumption for the sake of environmental protection; 85% of consumers look forward to the sustainable innovation of products. Therefore, the application of ESG marketing strategy in the cosmetic industry becomes particularly important.

By formulating and implementing ESG strategies from multiple dimensions, beauty companies have not only responded to the green needs of the market and consumers, but also enhanced their own brand image and market competitiveness. China's cosmetic industry has great potential for future development, but it also has both opportunities and challenges.

2.2 Company profile

Founded in 2016, Yatsen Holding Limited is a multi-brand emerging national beauty group incubated and grown in China, and listed on the New York Stock Exchange in November 2020, with the mission of "China's beauty leader", YSG.US is committed to becoming a "health and beauty explorer in the era of new technology". It owns a number of high-growth makeup and skincare brands such as Perfect Diary, Little Ondine, Pink Bear, Galénic, EVE LOM and EANTiM.

YSG. US is the first Chinese beauty company to measure its product's carbon dioxide footprint, and also received an MSCI ESG rating of A[7]. Therefore, YSG. US shows its unique suitability as the subject of this study in terms of its leading ESG progress, exhaustive information disclosure, and the need for innovation in academic research.

3 ESG performance of YSG.US

3.1 YSG.US green marketing strategy

3.1.1 Green transition in production

In the face of the government's strong demand for energy saving and environmental protection, YSG. US has actively acted to carry out green transformation in the production process. In August 2023, YSG. US together with COSMAX to build Yatsen Biotechnology was inaugurated and put into production, which is a factory integrating research and development, manufacturing and quality control, and a 3, 000-square-meter cosmetic quality testing center is set up inside the factory, strictly monitoring the quality of each process and fully protect consumers' health.

In addition, the company has established a Sustainable Sourcing Policy, which includes prioritizing the use of environmentally certified raw materials, in an effort to reduce the environmental and social impacts of sourcing. The company also focuses on finding natural ingredients, using substances extracted from plants such as natural coconut oil and oatmeal as cosmetic raw materials, to provide consumers with healthier and safer products, as well as to reduce pollution to the environment.

3.1.2 Greening of product packaging

In order to comply with domestic and international laws and regulations on product packaging, company has increased the proportion of FSC-certified packaging for its products, using 100% sorbet paper and butter paper and other environmentally friendly paper as packaging fillers, which realizes the recycling and 100% degradation of paper, and also promotes the sustainable management of forests to a certain extent.

All plastic film packaging has been replaced with sealing stickers, and products are simplified as much as possible by means such as customized eco-friendly refill bags, replacement packaging structures, and streamlining of paper sizes, in order to reduce the use of plastic packaging materials and lower the weight of the final product. A number of brands under the company also carry out product packaging recycling programs, and are committed to passing on the concept of "green recycling" to more interested parties in the product sales process.

3.1.3 Promote green consumer experiences

YSG. US also actively delivers environmentally friendly consumption information and organizes green consumption activities. In May 2023, the Company actively responded to the call of the State and Guangdong Provincial Drug Administration to popularize skincare tips, product usage and chemical safety knowledge to the public, so that consumers can truly become participants and beneficiaries in maintaining cosmetic safety.

In addition, the company joined hands with dermatology experts from three major hospitals to create a healthy skin care classroom column to popularize basic skin care knowledge to the audience in the form of column articles, videos, graphics and other displays; and joined hands with professors from the National Center for Nanomedicine Engineering and Technology Research to popularize the efficacy of product ingredients and introduce the principle of the ingredients' function, further enhancing consumers' awareness of the environment and their ability to consume in a green way.

3.2 Comparative Analysis of Green Marketing Strategies

3.2.1 The development of green marketing strategies for YSG.US

According to the company's environmental, social and governance reports for the three consecutive years from 2021 to 2023, the company continued to expand the scope of the carbon footprint verification, from the verification of only the core product Perfect Diary Small Heel Lipsticks in 2021 to the verification of two additional ace products at the end of 2023, thus clarifying the carbon emissions of the product in its entire life cycle and identifying the potential for emission reduction in each stage. Compared to previous years, the Company has continued to move towards green development in all aspects of production.

In 2023, the Company successfully filed a new raw material ingredient, it has also newly formulated the "YSG.US Raw Material Control List" with reference to domestic and international regulations, which covers the prohibited and restricted requirements of nearly 600 ingredients, stipulates the use of raw materials by brands, so as to further safeguard the safety of consumers' use. Company continues to innovates green marketing strategies to achieve a balance between the enterprise and the benefits of multiple stakeholders.

3.2.2 Practical results of green marketing strategy

The Company's ESG practice development since 2021 has achieved remarkable results from the reported data. By standardizing and optimizing the product quality management operation process, in 2023, the Company completed a total of 6,516 raw material tests in the raw material access link, accessed about 200 raw materials, and 100% passed the access quality validation.

The company has not only improved the environmental performance of its products, but also reduced production costs and environmental risks. Through sustainable packaging strategies, the use of customized eco-friendly refill bags has achieved an 86% reduction in plastic usage, the use of replacement packaging structures has reduced plastic by 91.6% compared to regular packaging, and the streamlined sizes of products have also reduced paper usage by 67% and 32%, respectively. The company's outstanding performance in reducing paper consumption and protecting natural resources has attracted more consumers and investors who are concerned about sustainable development, laying a solid foundation for the company's long-term growth.

In addition, although the company has increased its investment in green product R&D in the course of green transformation, it has not significantly increased its technological risk. On the contrary, through cooperation with research institutions and professionals, the company has not only obtained advanced technical support, but also enhanced its own R&D capabilities to further safeguard the quality and safety of its products.

3.2.3 Shortcomings of green marketing strategies

Overall YSG.US's efforts in ESG are beginning to bear fruit, but there is still a long way to go in many areas such as responsible marketing, product quality control, core technology research and development, and environmental data statistics. Compared with 2020 to 2021, YSG.US has seen a significant decrease in diversified green-themed activities and cross-border cooperation. On the contrary, Pernod has shown a higher degree of comprehensiveness in its green marketing strategy.

Perrier not only focuses on the environmental attributes of its products, but also links consumers and brands to practice sustainable concepts by organizing an empty bottle recycling program on World Earth Day[8] . Perrier's sustainability initiative is more interesting compared to the appealing behavior of YSG.US to realize the extension of the life cycle of the product packaging and to practically protect the environment.

In addition, as the previous suppliers of finished products of YSG.US were mostly Estee Lauder, L'Oreal and other big brand cosmetic OEMs, these suppliers have high standards and rich experience in product quality control, which provides a certain basic guarantee for product quality. As a result, after the completion of its self-built factory built in collaboration with COSMAX, the company is facing the challenge of how to establish a set of quality and safety system that is effective for itself in terms of ESG implementation[9] .

3.3 Analysis of the Economic Consequences of the Green Marketing Strategy of YSG.US

3.3.1 Environmental performance improvement

Adhering to the core concepts of scientific governance and green marketing, YSG. US, the total greenhouse gas emissions and greenhouse gas emission density show a first upward and downward trend during the period from 2021 to 2023, especially in 2023 compared to 2022, there is a significant reduction. The Company strengthens the control of emissions, formulates and improves the pollutant management system such as the "Waste Gas Management Code", "Waste Water Management Code" and "Noise Pollution Management Code", and adopts an effective waste gas and waste water treatment system, with an overall downward trend in the total amount of water consumed by operations and a significant decrease in the total amount of waste discharged. The company has also reduced the total amount of purchased electricity, and the total amount of gasoline and diesel consumption has decreased year by year.

In terms of packaging materials, the company's strategy of "reducing plasticization and quantification" has also reduced unnecessary consumption and contributed to the environment. The total amount and intensity of packaging materials used have decreased, especially the use of paper and plastic packaging materials, and the use of metal, wood, glass, PU leather and other packaging materials has also decreased, significantly optimizing environmental performance.

3.3.2 Brand Image Enhancement

The company practices green marketing and ESG concepts and has received several annual ESG honors, enhancing its corporate image and attracting more consumers and investors who care about sustainable development.

Table 1 Annual ESG Honors

awards	promulgate
Annual responsibility to practice sustainable development	surge
2023 Innovative ESG Outstanding Company of the Year	New Express (newspaper)
Responsible Business Award	consumer report
ESG Innovator of the Year 2023	Titanium Media
2023 ESG Innovative Practice Case of the Year Award	snowballs
DEI Employer Awards 2023 (China Region)	DEI Employer
2023 ESG Green Company Star	Investment Times, Punctuation Finance, Investment Time
2023 Outstanding ESG Practice Company of the Year	Civic Finance, Investors.com
2023 Seventh CSR Development Forum ESG Emerging Role Models	Beijing Business News, Chinese and Foreign Enterprise Culture Magazine

Data Source: YSG.US Environmental, Social and Governance Report 2023

3.3.3 Cost savings and investor recognition

By improving energy efficiency and reducing waste generation, YSG. US has reduced its operating costs to a certain extent and improved its profitability. Although the use of environmentally friendly packaging materials may increase costs in the short term, in the long term, leveraging on brand image and consumer trust can bring greater economic returns to the company. With consumers' growing concern for environmental protection and social responsibility, green marketing strategies have become an important aspect of corporate competition. By actively disclosing its sustainability report and continuously improving its green marketing strategy, YSG. US helps the company to attract more attention ESG's investors, thus increasing the company's financing opportunities and lowering its financing costs.

3.3.4 Contribution to other enterprises

The company has provided an environmentally friendly packaging reference for other companies in the industry by implementing a series of sustainability strategies and innovations, such as the successful use of sustainable alternative ingredients for its brand Perfect Diary. In addition, the company has developed a sustainable sourcing policy and joined the Roundtable Initiative for Sustainable Palm Oil (RSPO), contributing accordingly to the green transformation of companies up and down the supply chain.

4 Summaries and Insights

In this paper, a representative listed beauty company, YSG. US, is selected to analyze the green marketing strategy of the enterprise from the ESG perspective. It is found that corporate green marketing strategy has a positive effect on the high-quality sustainable development of enterprises, and emphasizing ESG performance can help enterprises enter a virtuous cycle of development while pursuing economic benefits[10] . YSG. US implements many strategies such as green transformation of production links, greening of product packaging, promotion of green consumer experience, etc., and always adheres to the concept of green marketing in the whole process from production to sales, which has brought good economic consequences for the enterprise and also made certain contributions to the cosmetic industry. However, on the basis of continuous innovation of green marketing strategies, YSG.US should also strengthen the construction of quality and safety system to cope with the challenges that may be encountered after building its own factories, and at the same time, through diversified marketing means, such as green advertisement, green public relations, green promotion, etc., so that the green concept penetrates into all aspects of marketing to achieve the coordination and unification of the interests of the enterprise, the society and the ecological environment.

In the future, enterprises in the cosmetics industry can take the following measures in order to practice the ESG concept and realize high-quality sustainable development. Firstly, innovate diversified green-themed activities and cross-border cooperation in order to advocate the public to establish a green consumption concept and pay attention to the environmental performance of products. Encourage consumers to choose green products, and jointly promote the development of green marketing[11]. Secondly, strengthen green product R&D and green supply chain management, and practice ESG concepts in the selection of raw materials and the use of product packaging, etc. At the same time, pay attention to the hotspots of technological innovations in the industry, and utilize innovative technologies to improve the green performance of our products. Finally, all enterprises should focus on green branding and dissemination, combine green marketing with social responsibility, formulate green marketing strategies suitable for their own enterprises, enhance economic benefits while increasing social benefits, and contribute to the sustainable development of society.

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