

A Negotiation between Perfect Diary Brand Team and Farah Alhady Influencer Team

I. Background

Perfect Diary is a popular Chinese beauty brand that has gained significant recognition and success in recent years. Founded in 2017, it quickly became one of the fastest-growing makeup brands in China, revolutionizing the cosmetics industry with its innovative approach and digitally-savvy marketing strategies.

Perfect Diary offers a wide range of makeup products, including foundations, lipsticks, eyeshadows, blushes, and more. The brand is known for its commitment to innovation, constantly introducing new formulas, shades, and packaging designs. It incorporates both Chinese and international beauty trends into its products, making it appealing to a diverse customer base.

What sets Perfect Diary apart is its ability to connect with its target audience through social media and influencer marketing. The brand leverages platforms like Weibo, WeChat, Xiaohongshu, YouTube, Instagram and TikTok to engage with consumers and generate buzz around its products. It collaborates with popular beauty influencers, Key Opinion Leaders (KOLs) and Key Opinion Consumer (KOCs) who promote and endorse the brand, which has played a significant role in its rapid growth and popularity.

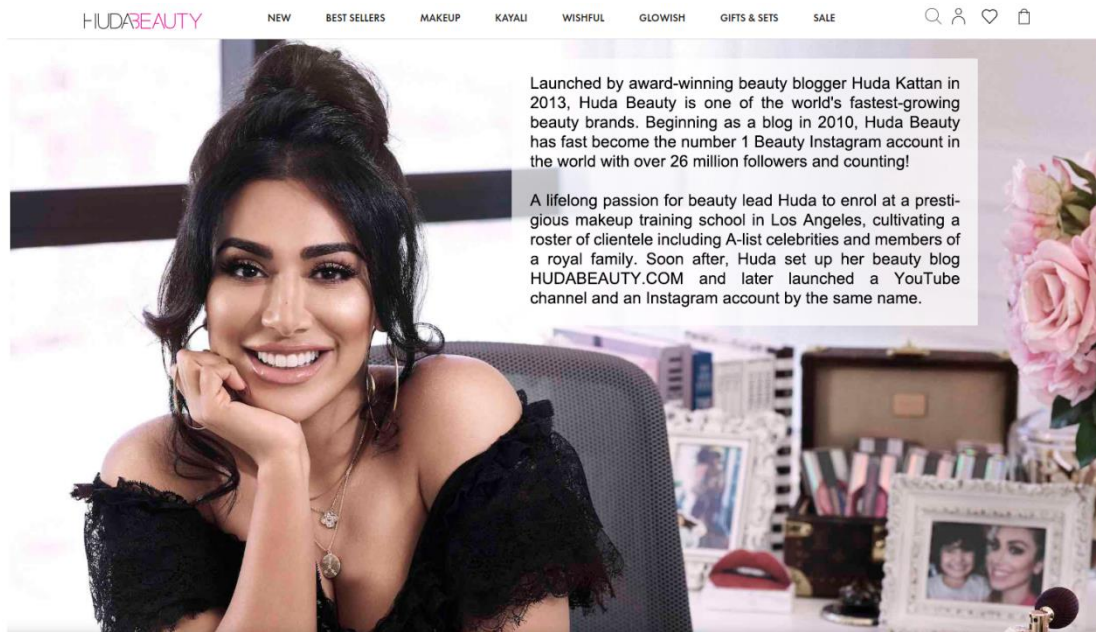
On October 28th, 2020, Perfect Diary officially announced Troye Sivan, a South African-born Australian singer and actor, as the ambassador of the animal eye shadow collection. On November 20th, 2020, just a day after Yatsen Holdings (Perfect Diary's parent company) went public on NYSE, Kelly Strack, a famous beauty guru from U.S. with over 886,000 subscribers on YouTube, worked with a product review video with Perfect Diary which attracted over 50,000 views and over 300 comments. Some other notable collaborations between Perfect Diary and international influencers include: partnerships with Korean-American fashion and lifestyle blogger Aimee Song, South Korean actress Park So-dam and Amelia Windsor, British model and member of the British royal family, etc.

Over the years, Perfect Diary has collaborated with over 15,000 influencers at home and abroad, which has successfully made it expand into the United States, Southeast Asian countries, and Europe. Based on its successful experience with influencer marketing, Perfect Diary intends to

*This case is adapted by Zhongyuzhihui according to relevant news, the dates and years therein are also adjusted as needed. The case has nothing to do with the actual business operation of the companies involved. The case is to be used for the 2nd "ZYZH Cup" International Business Negotiation Competition for National College Student as authorized, without consent of the author, no organization or individual shall be allowed to use arbitrarily. 1 / 9

enter the Middle East market by cooperating with Middle Eastern internet celebrities. These are the TOP three local influencers it intends to collaborate with.

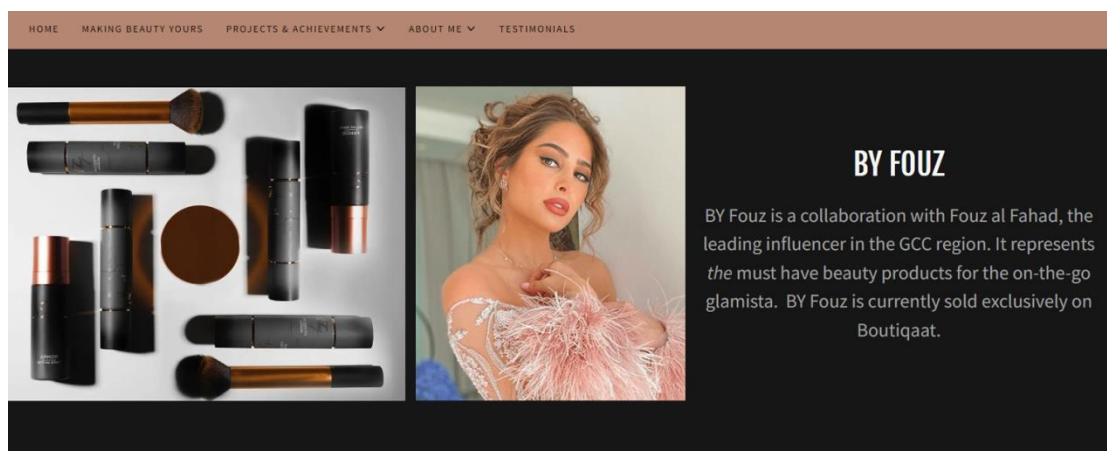
No. 1 Huda Kattan



Huda Kattan, a prominent figure in the cosmetics industry, serves as both the founder and CEO of the highly regarded beauty brand, Huda Beauty. Her notable achievements extend beyond her status as an online celebrity, as she is recognized as a distinguished female entrepreneur, having established the renowned beauty empire known as Huda Beauty.

Kattan initiated her venture in the beauty sector by sharing insightful blog posts and later transitioned to creating video tutorials on Instagram. Presently, Huda Kattan's personal Instagram account boasts an impressive following of 43.3 million individuals, while Huda Beauty's official account has amassed 50.61 million followers, positioning it as the 59th most followed account within the top 1% worldwide. Additionally, hudabeautyshop commands a substantial audience of 7 million followers.

No. 2 Fouz al Fahad



*This case is adapted by Zhongyuzhihui according to relevant news, the dates and years therein are also adjusted as needed. The case has nothing to do with the actual business operation of the companies involved. The case is to be used for the 2nd "ZYZH Cup" International Business Negotiation Competition for National College Student as authorized, without consent of the author, no organization or individual shall be allowed to use arbitrarily. 2 / 9

Kuwait-born Fouz al Fahad has become a well-known beauty blogger in the region. Her adept makeup tutorials have attracted a substantial following of women worldwide, including renowned figures such as Chrissy Teigen. Through her Instagram platform, she has cultivated partnerships with esteemed entities like SHEIN, Colgate, Souk (an e-commerce site catering to the Arab world), and even Disney.

With an impressive following of 2.8 million on Instagram, Fouz Al Fahad holds a position of great influence among Kuwait's digital community. Demonstrating her entrepreneurial prowess, she has ventured into the beauty industry by establishing her own brand, BY Fouz. This brand encompasses a diverse range of cosmetic products, including eyeshadows, concealers, contouring kits, highlights, and other beauty makeup items, exclusively available through Kuwait's esteemed e-commerce platform, Boutiqaat.

No. 3 Farah Alhady



Farah Alhady is a popular Kuwaiti social media influencer and content creator. Farah Alhady has a strong presence on social media platforms, particularly on Instagram, where she has amassed over 10 million followers. Her content primarily focuses on fashion, makeup tutorials, skincare routines, travel adventures, and lifestyle tips. With her unique sense of style and ability to curate aesthetically pleasing content, she has garnered a dedicated fan base and has become an influential figure in the Kuwaiti and Middle Eastern fashion and beauty community.

Through her engaging content and relatable personality, Farah has collaborated with various renowned brands, both regional and international. For example, she used to be the first influencer in the Middle East that the Chinese fast fashion brand SHEIN cooperated with.

Both Huda Kattan and Fouz al Fahad have their own beauty brand and products, so they are more likely to promote their own products during Black Friday. And Since Huda Kattan's personal Instagram account has 43.3 million followers, the commission her team is asking for is also higher than the others. Therefore, Perfect Diary decided to choose Farah Alhady for further negotiation.

Both Perfect Diary brand team and the Farah Alhady influencer team are seeking to negotiate a partnership for the upcoming Black Friday sales event, specifically focused on TikTok live streaming. The partnership aims to leverage Farah Alhady's influencer status and Perfect Diary's cosmetic products to generate substantial sales and brand exposure during the Black Friday shopping frenzy.

*This case is adapted by Zhongyuzhahui according to relevant news, the dates and years therein are also adjusted as needed. The case has nothing to do with the actual business operation of the companies involved. The case is to be used for the 2nd "ZYZH Cup" International Business Negotiation Competition for National College Student as authorized, without consent of the author, no organization or individual shall be allowed to use arbitrarily. 3 / 9

II. Introduction of the negotiating parties and responsibilities

1. Party A: the Perfect Diary brand team

Role A: Brand Cofounder

- Represents the Perfect Diary brand and has decision-making authority.
- Defines the brand's goals, objectives, and desired outcomes from the negotiation.
- Ensures that the negotiation aligns with the brand's values and long-term plans.

Role B: Product Director

- Focuses on product-related aspects of the negotiation.
- Provides insights into Perfect Diary's product offerings, features, and competitive advantages.
- Discusses product-related terms, such as exclusivity, collaborations, and product placement opportunities.

Role C: Branding Director

- Negotiates the budget and requirements of the video and live streaming events with the influencer team
- Evaluates potential marketing campaigns and promotion tools with the influencer team.
- Ensures that the negotiation aligns with the brand's overall branding and marketing efforts.

Role D: Operations Director

- Focuses on operational aspects of TikTok short video and live streaming events.
- Negotiates the TikTok and monetization ways with Party B.
- Addresses any operational concerns or requirements.

2. Party B: the Farah Alhady influencer team

Role A: Farah Alhady, the influencer

- Discusses potential collaboration ideas, content creation, and promotional activities.
- Negotiates terms such as compensation, deliverables, and exclusivity arrangements.

Role B: Farah Alhady's Agent

- Negotiates on behalf of Farah Alhady, including financial terms and contractual matters.
- Collaborates with the brand team to ensure mutual understanding and agreement.

Role C: Marketing Director

- Discusses marketing objectives, campaign ideas, and target audience reach.
- Negotiates favorable marketing tools, such as Buy One Get One (BOGO) promotions, coupons, free samples, or other TikTok-approved promotion tools.

Role D: Operations Director

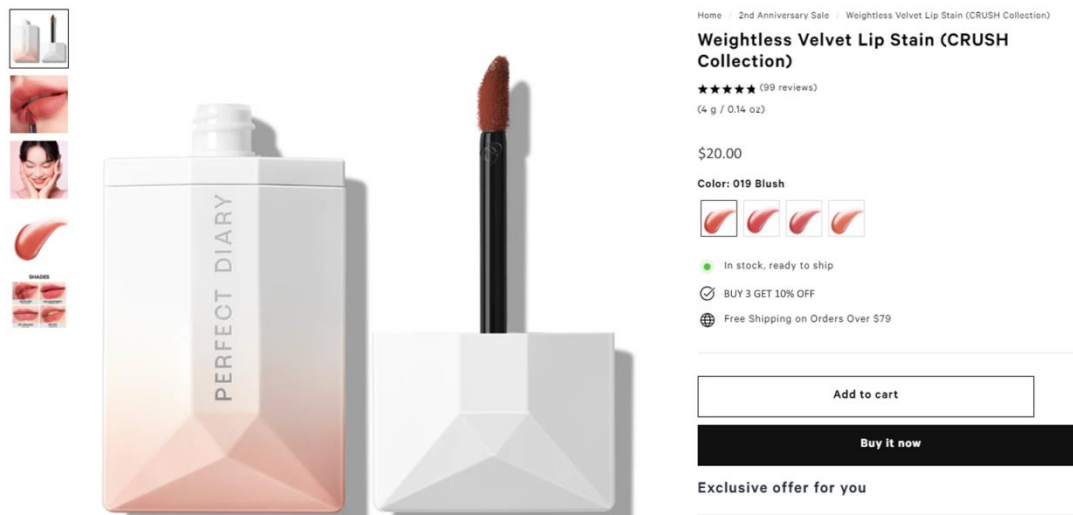
- Negotiates payment, schedules, timelines, deliverables and data analysis of the product videos and live streaming events.

III. Negotiation subjects

1. Party A intends to promote the following three products during the shopping season.

Product A: Weightless Velvet Lip Stain (CRUSH Collection)

Inventory: 100,000 pieces



Product B: Supreme Nude Natural Flawless Hydrating Liquid Foundation

Inventory: 100,000 pieces

Home / All Face / Supreme Nude Natural Flawless Hydrating Liquid Foundation

Supreme Nude Natural Flawless Hydrating Liquid Foundation

30ml/1.06 fl.oz.

\$35.00

Color: B01 Natural Beige

In stock, ready to ship

BUY 3 GET 10% OFF

Free Shipping on Orders Over \$79

Add to cart

Buy it now

WHY IT'S SPECIAL:

An oil-free, matte liquid foundation that is breathable, durable, and ensures a perfectly flawless complexion.

Product C: Designer Eyes and Cheeks Palette (Denim Limited Edition)

Inventory: 20,000 pieces

Home / All Eyes / Designer Eyes And Cheeks Palette (Denim Limited Edition)

Designer Eyes And Cheeks Palette (Denim Limited Edition)

\$40.00

Color: 01 Denim Orange

In stock, ready to ship

BUY 3 GET 10% OFF

Free Shipping on Orders Over \$79

Add to cart

Buy it now

WHY IT'S SPECIAL:

Perfect Diary's brand new eyes and cheeks palette

【Patented Makeup-Locking Technology】 The formula contains the same patented loose powder, combined with research on anti-oxidation by the CAS Key Laboratory of Molecular Nanomaterials and Nanotechnology - SmartLOCK Blue****. The color is not easy to oxidize

The current deal is BUY 3 GET 10% OFF and Free Shipping on Orders Over \$79 and Party A needs to offer a better, or at least the same, deal for the Black Friday shopping season. Generally, brands tend to offer discounts, coupon, samples, etc. to boost sales.

Suppose Party A set the discount at 10% off, the Gross Merchandise Value (GMV) will be \$5,670,000.00. Subtracting the marketing fee for the influencer team, an 8% operational fee (including staff salary, logistic fee, cost of return, TikTok commission, shop operational fee, user

*This case is adapted by Zhongyuzhihui according to relevant news, the dates and years therein are also adjusted as needed. The case has nothing to do with the actual business operation of the companies involved. The case is to be used for the 2nd "ZYZH Cup" International Business Negotiation Competition for National College Student as authorized, without consent of the author, no organization or individual shall be allowed to use arbitrarily. 6 / 9

operational fee, etc.), and an 8% cross-border e-commerce comprehensive tax (including import tax, Value-Added Tax, consumption tax and other taxes and fees), the estimated profit margin will be 15%. According to their annual reports, net profit margins of leading beauty brands L'Oréal and Estée Lauder are between 10% to 15%.

The commission structure set by Party A for Party B is based on the percentage of products sold:

If $\leq 80\%$ of the products are sold:

In this case, the commission for the influencer will be 20% of the GMV for all the products sold.

If $> 80\%$ and $\leq 95\%$ of the products are sold:

For the portion of products sold between 80% and 95%, the commission for the influencer will be 25% of the GMV.

If $> 95\%$ of the products are sold:

For the portion of products sold above 95% (which means 95% or more), the commission for the influencer will be 30% of the GMV.

2. Party B will promote the three products mentioned above for Party A:

During the period spanning from November 13th to November 22nd, 2023, Party B commits to releasing a video each day, with each video priced at \$1,250. These videos will prominently feature product placements, coupons, discounts, and effectively convey the brand's image.

Subsequently, commencing from November 23rd, 2023 (Thanksgiving Day), and concluding on November 27th, 2023 (the Black Friday), Party B will organize five live streaming events, each spanning four hours. In consideration of their services, Party B requests an influencer service fee amounting to \$22,000, in addition to a commission of 30% calculated based on the total sales achieved. It is important to note that, typically, subtracting all the operational costs and taxes, the net profit margin for a live streaming host remains 4%-5%.

3. There are some TikTok rules that might be of help during the negotiation, for example:

a. Virtual Gifts during Live Streams

TikTok offers a virtual gifting feature where users can purchase and send virtual gifts to content creators as a form of appreciation. These virtual gifts can be purchased using in-app currency and can range from stickers and emojis to more elaborate virtual items.

TikTok allows creators to host live streams where they can interact with their followers in real time. During live streams, viewers can send virtual gifts to the creators as a way of supporting them. The virtual gifts are displayed on the screen, and creators can earn money based on the value of the gifts they receive.

b. Product Listing on TikTok

It refers to the feature that allows creators and businesses to link products directly to their TikTok videos. With this feature, creators can include product links within their videos, and viewers can click on those links to access more information about the product or even make a purchase. Using this feature is for free but some influencers will charge for adding these product links.

c. Live Stream Evaluation and Commission Rates

*This case is adapted by Zhongyuzhahui according to relevant news, the dates and years therein are also adjusted as needed. The case has nothing to do with the actual business operation of the companies involved. The case is to be used for the 2nd "ZYZH Cup" International Business Negotiation Competition for National College Student as authorized, without consent of the author, no organization or individual shall be allowed to use arbitrarily. 7 / 9

TikTok evaluates anchors based on factors such as broadcast duration, follower count, and viewer engagement to determine their level of performance and influence within the platform. Depending on these criteria, TikTok provides different commission rates to anchors at different levels. Typically, the commission rate ranges from 20% to 50%, indicating the percentage of revenue that TikTok retains from the live stream earnings.

Negotiators can do more research on TikTok policies that might be of use for the negotiation.

IV. Negotiation method and requirements

Please organize an on-site negotiation simulation based on the above background. The negotiation subjects shall involve influencer video production fee, influencer service fee, commission based on GMV, net profit, profit margin, marketing tools on TikTok, etc.

The negotiation shall be conducted in English within 45 minutes with no less than 60 negotiation turns.

The negotiation process shall include the opening stage (self-introduction, greeting, introduction of negotiation subjects, etc.), middle stage (response to the negotiation subjects, offers and counteroffers, ground-holding, making concessions or discussing alternatives, etc.) and closing stage (summary of the consensus or disagreement, a resolution of dismissed workers, a decision on the overtime pay, wage payment method and date, whether to pay shutdown compensation, the date of next negotiation, negotiation closing, etc.).

Reference

1. Jenny Wu (2021). C-beauty gone global: Behind Perfect Diary's western market entry strategy. Retrieved from <https://strategy7continents.com/market-insight/perfect-diary-western-market-entry-strategy/>
2. Sara Martín (2023). How to Monetize your TikTok Account. Retrieved from <https://metricool.com/monetize-tiktok/>
3. 跨境电商进出口各环节都需要交什么税? Retrieved from https://zhuanlan.zhihu.com/p/568245122?utm_id=0
4. 化妆品 OEM 产业链各环节毛利率 Retrieved from <https://zhuanlan.zhihu.com/p/142795158>