

# Mary kay cosmetics: asian market entry (a)

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In February 1993, Curran Dandurand, senior vice president of Mary Kay Cosmetics Inc.'s (MKC) global marketing group, was reflecting on the company's international operations. MKC products had been sold outside the United States for over 15 years, but by 1992, international sales represented only 11% of the \$1 billion total. In contrast, one of MKC's U. S. competitors, Avon Products Inc., derived over 55% of its \$3. 6 billion sales (at wholesale prices) from international markets in 1992. Dandurand wondered how MKC could expand international operations and which elements of MKC's culture, philosophy, product line, and marketing programs were transferable. She wanted to define the critical success factors for MKC internationally and establish a marketing strategy for future international expansion. Specifically, she was currently evaluating two market entry opportunities: Japan and China. The first was a mature but lucrative market where cosmetics marketing and direct selling were well-known and accepted. The second was a rapidly growing and changing but relatively unknown market with substantially lower individual purchasing power.

### The Cosmetics and Direct Selling Industries

In 1992, worldwide retail sales of facial treatments and color cosmetics products exceeded \$50 billion, with the United States accounting for \$16 billion. The top four companies in the U. S. cosmetics market in 1992 were Procter & Gamble with \$4. 3 billion cosmetics retail sales, Estee Lauder, Avon, and Revlon. L'Oreal, a subsidiary of Nestle, dominated the world market with \$5. 9 billion in retail sales, followed by Procter & Gamble, Avon,

Unilever, Shiseido, Revlon, Colgate-Palmolive, Estee Lauder, SmithKline Beecham, and Gillette.

Retail sales by the U. S. direct selling cosmetics industry were estimated at \$5 billion in 1992. Cosmetics companies used two approaches to direct selling: the repetitive person-to-person method, used by Avon, in which a salesperson regularly visited customers in their homes and sold products one to one; and the party plan method, in which a salesperson presented and sold products to a group of customers attending a “ party” or “ show” in one of the customer’s homes. The party plan method was used by MKC.

Other large international direct selling organizations included Amway, which sold a variety of household and personal care products and recorded retail sales of over \$3. 5 billion in 1992, and Tupperware, which sold household products through the party plan method and had retail sales of over \$1 billion. International sales for Amway and Tupperware accounted for 60% and 75% respectively.