

# Neutrogena paper essay



| Johnson & Johnson | | Neutrogena | | Entrance into China | Ted Baskerville | |  
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Neutrogena is a producer of skin care products for men and women and has been around for over 80 years. It started back in 1930 and flourished with its development of a soap that could neutralize the skin's pH after only eleven seconds. The company was eventually bought out in 1994 by the world's leader in health care products, Johnson & Johnson, but this only benefitted both companies, helping them to grow and remain competitive over the years. Situation Assessment The Chinese market has been expanding in recent years and their love of skin care products has grown as well.

Both men and women are becoming more interested in taking care of their skin by use of several-step skin care product. We have decided to focus our penetration approaches in China are men and women aged 18-35. There is

great opportunity for Neutrogena to expand into the market because of this fact. The Chinese market is very penetrable at the moment and the Chinese people are very receptive to new products as long as they are packaged appealingly and appropriately and placed in the correct outlets. We have decided to place our products in retailers such as Carrefour, Wal-Mart, and Watsons.

Our main competitors currently have some advantage because they have been in the Chinese market for several years, however our products are high quality and with the research done, we believe we can overcome the competitors and face the challenges of entering a new market. Based on the SWOT analysis we performed, Neutrogena's main strength is their years experience while their main threat is their lack of experience in the Chinese market and facing American competitors who have been in the market longer and have already figured out how to overcome some of the challenges of entering a new market.

**Strategies** We plan to introduce 38 new products into the market to start and over time expand the lines based on how the initial introduction goes. We first want to focus on introducing our products to affluent areas like the Jinginji district which is composed of Shanghai, Tianjin, and Shijiazhang and has a potential customer base of over 2 million. **Operation/Action Plan** We plan to implement our introduction into the Chinese market in 2012. We plan to do this with a bureaucratic structure which will ensure speed and precision and will help to reduce friction with regards to materials and personnel costs.

Each member of our managerial team will have specific goals which will be met and taken care of within the first year of implementation. Our Company Neutrogena was founded in 1930 by Emanuel Stolaroff. Before it was Neutrogena, it was known as Natone and its purpose was to supply specialty products to beauty salons who served the Hollywood film industry. In the 1940's Natone decided to expand its manufacturing and distribution to the larger retail market. When Stolaroff was travelling in Europe in 1954, he was inspired to invest in a new product which he believed would lead the future of Natone's operations.

Dr. Edmond Fromont, a Belgian cosmetic chemist, had come up with a new soap which was easily rinsed off the skin and left no soap residue. It was found that eleven minutes after using the soap, a person's skin pH would return to normal – this was unheard of at the time. Stolaroff decided to call the soap “ Neutrogena” and made arrangements to import and distribute it in the United States through department stores and drug stores. By 1962 the special soap had become such an integral part of Natone's business that they changed the company name to Neutrogena Corporation.

In 1967, Stolaroff handed over the reins of the company to his son-in-law Lloyd Costen. Over the next 20 years, Costen's niche-marketing strategy would catapult the company into great success. The company was so successful with their products that competitors like Wal-mart and Johnson & Johnson began producing similar products at lower prices. By the 1990's consolidation and acquisition of smaller companies became a prominent phenomenon. In 1994, Neutrogena was acquired by Johnson & Johnson – a world leader in health products (“ Neutrogena Corporation”).

With Neutrogena and J&J teamed up together, they were able to take on bigger rivals across various markets both domestically and internationally. Today, after 125 years in business, Johnson & Johnson remains a world leader in health products ranging from the consumer segment which consists of skin care, baby care, women's health, oral care, wound care, and over-the-counter pharmaceuticals and nutritional products, the pharmaceutical segment consisting of various medications, and the major medical devices and diagnostics segment.

In 2010, the company saw sales of almost \$62 billion, more than half of that came from international sales (Johnson & Johnson). Project Description and Objectives By the fiscal year 2012, Neutrogena plans to introduce several products into the Chinese market. More information about the products proposed for introduction will be discussed further in the marketing mix section of this paper. Based on secondary research performed, Neutrogena has gathered a management team to put together and organize penetration into the Chinese market because the research has shown it to be a receptive market for skin care products.

The team has come up with several objectives which must be met in order to remain in the Chinese market. The objectives are as follows: ? Build brand awareness and loyalty through penetration into the market ? Increase international sales by 10% within the first year ? Increase market share and international presence Team Description Our international division management team is composed of: ? April Allison: General Manager April has been with the company since it was founded in 1993 and has been integral in the success of the firm.

Her ingenuity and knowledge concerning skin care products has greatly impacted all of our business decisions. ? Sandy Fernandez: Vice President of International Operations Sandy has been with the company since she was a teenager selling skin products in Portland, Oregon. Promotion through the company resulted from her work ethic, ingenuity, and creative impetus. Leading the international division into the Chinese market presents a fresh set of challenges. ? Zach Hubbard: Head of Marketing Operations Zach joined our company three years ago and has been a leader in developing our international marketing plan.

He has been in the skin care products industry for five years and has demonstrated his ability to capitalize on market opportunities. ? Ted Baskerville: Operations Manager Ted has been with our company for seven years and has managed staffing and logistics in our domestic stores. He is responsible for sourcing employees and implementing our organizational plans. His experience in the industry is unmatched, as he worked for a large European skin care product company for ten years preceding his employment with our firm. Jeff Ralston: Internal Operations and Lead Researcher Jeff has joined our company to ensure accurate market research and identify threats and opportunities in the Chinese market. He has been working with firms in China as head of marketing research for 12 years and is an authority on all things Chinese. His knowledge and skill is a great asset to our firm. ? Shawn Tahririan: Chief Financial Officer Shawn has been with our company since 1998 and is responsible for budgeting, financing, and accounting functions.

His ability to analyze opportunities to increase profits and cut costs has helped make the international division a possibility. Situation Assessment External/Macro Environmental Factors The American population is no stranger to the use of skin care products. Despite a grim few years, 2008 and 2009 due to the economy, the U. S. market had a 13% increase in 2010. During the last twenty years the 1.3 billion people in China have gone from a poor, oppressed communist controlled state to a powerful, modern market-driven socialist economy.

The skin care market in China continues to dominate the cosmetics and toiletries market, making it the largest contributor to the strong overall sales growth in the industry in 2004. The skin care industry in China, worth \$3 billion, is growing by 20% year after year (Grubow). As Chinese women earn more money they become more concerned about their appearance and learn more about skin care; this will help keep Chinese skin care market strong. China is now a mass consumer of skin care products, which makes for the perfect market environment and a possible gold-mine for Neutrogena to sell their specialty products.

This industry is not just for women; sales of men's health and beauty merchandise in China are set to overtake those in North America this year and will probably grow about five times faster until 2014 (Balfor). However, J needs to carefully examine the business, culture, and history of China to create a strong global strategy. Competitors The competition in China will be tough due to J's main home-country competition having already entered the Chinese market. Competitors like L'Oreal are the number one skin care brand for men with 32% of the market share.

Other major competitors include Olay, Bare Escentuals Procter and Gamble, Estee Lauder, Avon, Almay and Mary Kay. All of these companies have already established some consumer loyalty in China. With all of these companies already in China Neutrogena should not have an issue with establishing a new product with consumers. By learning from the mistakes made by the skincare companies already in China, Neutrogena will be able to streamline manufacturing, marketing, distributing, and selling skincare products in all price ranges to the market.

Neutrogena will distribute skincare products to larger Chinese cities, like Shanghai and Beijing in stores like Carrefour, Wal-mart and Watsons. Carrefour already has 70 stores and plans to open more. Wal-mart has 56 stores and Watsons has 80 outlets and plans to double that number in the coming years (Grubow). One advantage for Avon, Almay, and Mary Kay is that they have permission to sell door to door. Consumers Another environmental factor that is more challenging than the tough competition is the consumers themselves.

There are so many products to choose from Neutrogena will have to play a stronger role in price, quality and service than its competitors. In addition, this is a culture that has high standards for knowledge, and, while the population is young, with an average age of 32, the older generation lived through the Cultural Revolution and has a great deal to learn about beauty care (Grubow). Women Looking back to ancient culture, pale, even skin implied a dainty and fragile quality that was connected with beauty, as well as the implication of a higher social standing or class.



For example Chinese women with darker skin are looked at as field worker in rural areas and are much lower in class status. This is the reason for a surge with Chinese women using sun tan lotions. Even as Beijing and Shanghai have become more modern with more women working in the professional field, this standard of beauty has remained, as seen in the popularity of whitening products. Chinese women want even skin tone, so they aren't interested in bleaching products. The need for an even tone appeals to every class of women in China, from the mass to higher social standing.

Chinese consumers want even skin tones and quality which is different from the American women, who want to address problems such as wrinkles. With regard to Chinese women, their deep history of rituals affects how women interrelate with their skin care products; women want the ritual of skin care, and part of their yearning to interact with a product comes from their respect for that ritual (Grubow). In comparison the women in the U. S. that frequently want products with 2-in-1 qualities, such as a moisturizer and sunscreen products in one.

Chinese women want a more ritualistic process with separate steps. They are prepared to spend more time to care for their skin. To excel in this market, remember that “ Chinese women are being pulled in two directions: one that is influenced by the past and one that embraces the future” (Grubow). Men Men in China are starting to use skin care products as well. Sales of men's health and beauty products in China are set to overtake those in the U. S. this year and will most likely grow about five times faster until 2014 (Euromonitor).

Rising incomes and increasing popularity of magazines such as the Chinese editions of Esquire and GQ, and the desire to find a competitive edge at work are driving demand for men's skin-care products. " Chinese men are now more concerned with appearances and projecting an image of success," says Shaun Rein, managing director of Shanghai-based China Market Research Group (Balfor). Chinese men were spending their money on watches and pens and shoes as a status symbol, then five years ago they were focusing more on apparel, and in the last three years there is a real upsurge in male skin care products.

This seems to be more of a success driven fad than culture however being successful in business for males in China is a cultural norm. Advertising Advertising will also play a large part in Neutrogena's Chinese venture. The manners and customs of China are influenced by Western traditions especially in the larger cities; therefore Neutrogena needs to use advertising that will concentrate on the Chinese culture and not use U. S. advertising and just changing the language to Chinese. China's ancient culture is interwoven into its steps forward.

This interplay between the past and the present is evident even in interactions between the consumer and skin care products. Chinese consumers will also react positively to advertisements featuring popular people in their own society; this is something to consider for Neutrogena's advertising campaign. Internal Assessment of Neutrogena (Johnson and Johnson) Measurements ? Status, Practices and Performance – Neutrogena started back in 1930 and Johnson and Johnson bought the company in 1994

so the product has been around 81 years and Johnson and Johnson has been a company that has been around for 125 years.

They have status, practices and performances that have worked in our market. These practices we are confident could also be used in other markets if they are adapted in the right ways. Resources ? Tangible – Johnson & Johnson has a process of success that is put into place. We know how to make a quality product because we have been doing it for 125 years. A lot of the companies that are emerging in China have little experience compared to our experience in the skin care business. This experience is a resource that needs to be kept in mind. We know through research that we can put out a quality product that Chinese women and men will buy.

We have knowledge to create the desired product in the right packing that is desired in China. ? Intangible – No matter if we have to slightly change or mold our products in a way to benefit our new market we have the intangible knowledge of how to do it. With a little bit of planning we will be able to apply that knowledge. Analysis ? Core Competency – Neutrogena provides its customers with a quality product that has added benefits at every corner. The customer receives and can see the difference in quality in our skin care products over other companies.

We also apply very strategic planning in maintaining an artistic sense in our packaging and product design. If we adhere to the plan that has worked in the US then we will definitely set our product apart from the other Chinese skin care companies. ? Weakness, limitations and constraints – However, skilled we are at our job and its product we have weakness, limitations and

constraints. Constraints that we need to keep in mind are that we are not with our product the whole time. We are also limited in our complete knowledge of the complex society that we are entering.

Most businesses have complications regarding practices and beliefs that we don't understand. We will be instituting training course for anyone who moves to the Chinese market. We have advisers on the steps that we have taken but history shows that doesn't always work. SWOT Analysis A graphical representation of the SWOT analysis can be found in Appendix A. Below is the strengths, weaknesses, opportunities, and threats of Neutrogena discussed in detail. Strengths ? Neutrogena has 81 years of a successful product and Johnson and Johnson has been around for 125 years in the U. S. Neutrogena is a premium product that can compete on a global level of quality skin care. Our price is an advantage with the quality of product we produce. Weaknesses ? Neutrogena needs to expand into viable markets. Even though we are in global markets, most of those markets are somewhat westernized (Europe) where as the Asian market is not as much. Even though we have had success in different countries we are vulnerable in trying to enter the Chinese market. Opportunities ? Opportunities include entering the Chinese market. It is a new market and much profit will be made there. It will be a good horizontal move. Other skin care companies are present in China but they don't have the packaging and customer service that we are willing to offer. We can exploit that. ? China's trend is expansion of consumption of skin care products and this is a huge opportunity for us. This new market will allow us a chance to create new, interesting products and packaging that will cater to China's cultural tastes. The market is on the

rise for skin care in China. Other skin care companies have already done a lot of the ground breaking for us by setting up the market. Threats ? Other American companies and Chinese companies are already in the market.

They are filling the niche that we are aiming for. We will have to pay attention to the large American skin care companies too. We are competing for a different market but they are still competition. ? If we don't pay attention to the Chinese market we can fail. We need to pay close attention to their culture. ? We also have to make sure that any personnel that goes over to China needs to be extensively trained to enter their culture. Market Analysis The Chinese market is an ever-growing market. With the largest population of people in the world, China is definitely a market where money can be made.

Even though China was once a poor country, they have now become more of a consumer of goods instead of just a producer. What was once an economy of producers working for little or no wages has now become a dominating industry. Between 5 and 10 billion dollars are spent on cosmetics every year. Skin care covers 80% of the cosmetics market and is used by both men and women of all ages (Solomon). The men's market is forecast by Euromonitor International to grow 29 percent from now through 2014. This number does not seem too impressive until it is compared to the 6 percent in North America and 8 percent in Europe (“ Men's Skincare”).

The major companies that are already in China, such as P, Olay, and L'Oreal, have had great success in the last few years. Direct sellers such as Amway, Avon and Mary Kay have also met success in this new-found demand for

cosmetics. The sales of men's health and beauty merchandise in China are set to overtake those in North America this year and will grow about 5 times faster until 2014. The amount of money that is being spent on cosmetics alone in China equals about 30 percent of the total sales in China (Balfor). This is a huge market share for Johnson and Johnson to take a piece of by introducing their Neutrogena products.

The primary research shows that the use of cosmetics is starting at a young age in China. Word of mouth plays a huge role but with the fashion magazines, many of the Chinese want to look how the models, actors, and actresses do in the magazine. Many of the customers will use a circular purchasing strategy. Online research is the first step to find out what is popular and fashionable. Then the customers will go to the nearest cosmetic store to get information on the product and application tips from the specialized BA's.

Then the customers will go home and find the exact product that they want and purchase it via an online portal (Solomon). Neutrogena needs to do their homework before entering the market. The spending habits of the Chinese market is very different than the American market. The Chinese do their research and are not impulse buyers like Americans are. Setting up a good web portal to meet the needs of the Chinese consumers is going to be a vital part of entering the market. As well as placing the products in places that might encourage an impulse buy. Target Market

The target market that Neutrogena needs to reach is the Chinese women and men from the ages of 17 and up. The research shows that everyone is

using the skin care products. Although the one that is growing the fastest out of all of them is the men's skin care (Balfor). Neutrogena could focus a great deal of their marketing money to reach this market. A great way to do this would be to find out what celebrities and beauty experts that these men are influenced by and find a way to use them in their marketing. The most influence market that we need to target is going to be late high school into early college.

These people are the most moldable customer base and the best opportunity to build a customer base that is going to continue to use our products.

Starting out with the younger generations would be the smartest idea for Neutrogena. Word of mouth and the technological skills that the younger generations usually possess will benefit us as a company and give us the best advertisement possible. Nothing is better or more effective than word of mouth. The next step that we would need to take is to somehow entice the older generations to deviate from the product that they are currently using and try Neutrogena products.

Being a big competitor in the U. S. , we should not have any sort of issue getting a fair share of the older generations to switch to using Neutrogena products instead of L'Oreal or any of the other major competitors. Strategies and Programs Generic Business Strategy Neutrogena should begin entrance into China through direct involvement of existing J import and export channels. Utilizing existing channels will allow Neutrogena to capitalize on hard earned experience which includes; Chinese market experience, current distribution channels and the opportunity for expansion as the brand grows.

In addition to the market development strategy; Neutrogena must develop a strong relationship with the Chinese government. The government is a major stakeholder in business ventures and strong relationships with officials is pivotal to the success of the Neutrogena product success. As an example, HSBC has successfully penetrated the Chinese market becoming the largest foreign bank in China due to diligence in dealing with the Chinese government. “ Annually...They (HSBC) ask for feedback on its performance and plans, and learn about impending policy directives. HSBC gains valuable data, provides regulators with information, and builds a common understanding of its priorities. This helps the bank gain support for its strategy execution; unsurprisingly, HSBC has opened more branches in China than has any other foreign bank (Einhorn). ” This best practice of developing strong relationships with the Chinese government can only assist in penetrating the skin care market. Entrance Strategy Launching products into the Chinese market is a long process which takes 9 months to one year. Since the process is so lengthy, immediate steps should be taken to begin the approval process.

Proactive action will help ensure that processing time does not delay the launch of Neutrogena products. Product introduction in China is regulated by the SFDA and requires application and testing of products. There are two categories; the first category is “ non-special purpose cosmetics” which are products that do not contain or claim any medicinal value. The second category is, “ special purpose cosmetics” which include products such as, skin moisturizers with an SPF above 30, hair growth tonics, spot removal



creams, etc. The second category requires extensive testing and additional documentation for approval.

Before approval can be given packaging must be developed to meet Chinese requirements such as; translation of original packaging to Chinese or developing a description label in Chinese. Wording cannot include the phrases “whitening” or “spot removing” among others so careful translation is required. Further guidelines and requirements can be located in the, “Instructions for Use of Consumer Products – General Labelling of Cosmetics.” Following a satisfactory review of the application, documentation, testing and labelling requirements the new products will be accepted or rejected.

**Generic Competitive Strategy** The Chinese health and beauty market has been growing at a startling rate over the past decade with a potential customer base of 1.3 billion (Wei, 277). To gain additional market share in the Chinese market, Neutrogena will need to develop a strong market development strategy to expand into the skin care market. China is a vast country with communities that widely vary in demographics, topography, values and income. Diversity on this scale requires a targeted strategy beginning with larger industrialized cities and the surrounding communities.

The McKinsey Quarterly recently released an article that recommends targeting China by focusing on clusters of cities that have similar industry structure, demographics, scale, geographic proximity, and consumer characteristics. It has been determined that China can be split into approximately 22 clusters of approximately 20-40 cities (See Appendix B for

Urban Cluster Map). Neutrogena should expand into China starting with two cluster this year and extending into more clusters as the company becomes more effective at doing business in China.

It is recommended that Neutrogena launch 38 products into the Jinginji cluster. The Jinginji cluster consists of hub cities; Shanghai, Tianjin and Shijiazhang with a potential consumer base of over 2 million. Focusing on this specific cluster allows Neutrogena to create some homogenous advertising materials. Due to the amount of diversity in China, localization of advertising materials will be required to complement the homogenous campaign. For example, “ in Shanghai, 58 percent of residents shop for apparel in department stores, compared with only 27 percent of Beijing residents. McKinsey) This type of diversity in consumer requirements underlines the necessity of focusing on a city cluster and researching the specific needs and requirements of the Jinginji market. Reaching consumers of the Jinginji cluster will require customer insight, a quality customer experience, and coordination of all firm activities. Understanding the customer and building a value based customer experience is required for doing business in China. The likelihood of inexpensive ‘ knock-off’ Neutrogena products coupled with current competitors such as; P, L’Oreal and VIVE requires that our market development strategy be value based.

Neutrogena will need to build a customer experience that leverages high quality customer service, skin and beauty education and a cohesive advertising plan that reaches across the Jinginji cluster. Chinese consumers value the experience of researching new products, learning about personal care and are willing to use products that require several steps. These are

generalities, but assist Neutrogena in developing a plan that focuses on consumer needs and wants that will expand the Neutrogena brand.

Marketing Mix Product Mix Johnson & Johnson offers the world's broadest range of health care products.

Some of their major product lines consist of cosmetics, medical devices, and household items; each product line consists of several sub lines. Neutrogena Corporation is one of the Johnson & Johnson's business subsidiaries, with its main product line being cosmetics with focus on skin care products. Our goal is to market and distribute three skin care products from Neutrogena's product line in the Chinese market for the upcoming calendar year of 2012. Our research has indicated that Chinese culture is particular about their skin care. The individual's skin color and condition represents their status within their society.

Therefore, we have decided to introduce a moisturizer, anti-aging, and sun block, available for both men and women to the Chinese market. You may refer to Appendix C for a list of Neutrogena's product mix. With the target market of men and women with in the age range of 18–35, these products will be appealing to this generation due to the concern in regards to their skin condition. In addition, this group consists of individuals who are either attending school or are in the work force. The purpose of these products is to generate youthfulness to its users, and this is of importance to the Chinese culture.

Any product, which is packaged in a glass container, is portrayed as a high-end product in the Chinese culture. Therefore, Neutrogena will repackage a

select number of these products in glass packaging. With this form of product packaging, Neutrogena will ensure that its products are in-line with the Chinese culture and will be presumed as high quality. Pricing Mix For our pricing strategy, we will be using a standard worldwide pricing for Neutrogena's product lines. With the already existing deals with the distributors, major retailers, and the pre-determined costs of tariffs, axes, and regulations, Neutrogena can maintain its exporting costs and the costs for introducing these product lines into the Chinese market fairly low. The 17% tax on exporting is the only cost, which is being transferred to the consumers. Refer to Appendix C for pricing of the products in YEN and US currencies. Promotion Mix Neutrogena will be executing different promotional activities in China for a better marketing reach. The mission is to gain brand awareness and recognition within our targeted market. The first promotion will be launched as an ad campaign in few of the popular magazines such as Reader, Zhiyin, Youth digest, and Ruili.

These magazines are of the top 10 most popular magazines in (" Most Popular"). These magazines are most popular among our target market of 18 - 35. They consist of topics such as fashion, love, trends, and celebrities. These ads will represent pictures of models with youthful skin showing off the various products we will be promoting. In addition the ads will contain the current Neutrogena slogan in Chinese, "#1 Dermatologist Recommended." The company will also launch multiple television advertisements during some of the popular shows and among popular channels.

Our research indicates that Chinese tend to watch TV during the hours of 7pm – 9pm, which is when Neutrogena’s ads will be played, in sequence orders. In addition we will be playing radio ads on radio Du Han, one the most listened to radio stations in China, on Sunday mornings. During the first year, Neutrogena will execute a number of promotional activities throughout the year. These events will include promotional assemblies at one of the most populated locations, to create brand and product recognition. During this event samples and coupons will be handed out to the general public.

Another promotion will be focusing on the shopping malls, where multiple small kiosk setups will sample the product on the shoppers, and execute sales, brand, and product recognition. Individuals ranging from ages of 18 – 25, will promote these events because the appeal, energy, and fun put off from these individuals are the key for successful product promotion. This generation tends to create the buzz, and word of mouth will be a free advertisement avenue for Neutrogena. We will measure our rate of success based on the quarterly sales evaluation.

We will also measure the rate of success of our marketing by gathering statistics of our social marketing by watching the amount of visits and followers we have on Facebook, twitter, and our website. In addition we will evaluate the return on investment from sales at mall kiosks, and other promoted locations, by comparing sales numbers among the promotional and non-promotional months. Online sales through Neutrogena’s website will be tracked by a survey question during the final sales process, to calculate the rate of success from radio and television advertisements.

Distribution Mix Johnson & Johnson has already established a relationship with distribution companies in China. The company will utilize direct exporting methods to the already placed retailer's distributors. This is a great benefit to the company, as it will not require additional distribution costs. The company will focus its efforts in the most affluent urban areas such as Shanghai, Tianjin and Shijiazhang. Neutrogena will be sold at retailers such as Carrefour, Wal-Mart, and Watsons.

### Financial Information 2011-2013 Pro Forma Projections of Profit and Loss

Our financial plan is broken down into two segments: a detail of our budget and the amount of cash needed to finance initial operations, and our projections for the first three years of operation. Start-up costs not covered by our personal cash investment will be financed through a short-term loan with Bank of China. Our assumption is that there might be negative cash flow in the first quarter of operations due to initial startup costs, as well as the time it takes for promotion activities to draw awareness and business to our activities.

Our realistic but conservative estimates indicate profits by the end of the second quarter of the first year. Budget and Financing We have accounted for all the financial factors to bring our products into China. ? First we have to submit all of our products through the SFDA in China. The cost per product ranges from \$2, 000 to \$4, 000 (Crowther). We anticipate introducing approximately 38 products into the market. We estimate the cost at an average of \$3, 000 per product. ? China has no tariff cost for skin care products according to China's HS code 33049900 (" China's HS Codes"). The average VAT tax paid in China is estimated at 17% (" China's Tax Rates") ?

Advertising and promoting the products will also be a substantial cost.

Advertising on China's main stations for 30 second spots is as follows: ?

CCTV-1 (US \$34, 281) ? Hunan TV (US \$15, 840) ? Anhui TV (US \$11, 017) ?

Magazine advertising range from \$5, 000-14, 000 an advertisement. Kiosk promotions in shopping malls are about \$10, 000 per mall (10 malls). See Appendix D for budget table. Our expectations of sales performance over the next three years are conservative, yet still show substantial profits by the third year of market entry.

Accounting for the initial startup costs and time-delay with the FDA and in the effectiveness of marketing promotions leads us to believe that profits will be medium in the first year. We anticipate that sales will increase by 10% a year for the first three years and rise by 6% the following two years. As we pay down our loan and scale back the intensity of our marketing operations, we expect our overhead to decrease as our sales increase. See Appendix D for 3-year breakdown of budget. Operational/Action Program Operational and Action Elements Organizational Structure

For our organizational structure we are going to set up our China division as a bureaucratic structure to mimic the structure that is already established within the United States market. The hierarchy will be its own branch and responsible for making most of its own decisions but it will have to answer to the corporate office in the United States. This will ensure that the Chinese branch continues to follow the wishes and plans of the company. The idea behind using this sort of structure is to ensure precision, speed, and strict subordination. This structure also ensures the reduction of friction due to material and personnel costs.

There is a certain degree of standardization to reduce the amount of confusion on how things should be done within the company. Operational Processes For our operational processes we want to have a standardized approach to ensure consistency with our business goals of entering the Chinese market. Neutrogena wants to be a major competitor in this market and in order to do this we need to deliver a product that the market is demanding. The men's market is the fastest growing market currently. Most of the cosmetic users in china start using products in their late high school to early college years.

Our main goal it to reach a target market ranging from 18 to 35. This is not just in the men's market though. We plan on being a major player in both men and women's market. Implementation We plan to implement our business strategy of marketing Neutrogena skin care products in China beginning in 2012. Because of our current direct involvement with existing J & J import and export channels the introduction and distribution of Neutrogena skin care products should prove to be a seamless venture. Our implementation strategy is comprised of several subdivisions: a situation assessment, a deployment and marketing strategy, and financials.

Sandy Fernandez, Vice President of International Operations, will work closely with Zach Hubbard, Head of Marketing Operations and Jeff Ralston, Internal Operations and Lead Researcher in developing both an external/internal assessment, a market analysis, along with a thorough description of our target markets. The aforementioned actions are scheduled to take place in early 2012. To invoke our deployment/entry strategies we



will enlist the expertise of Ted Baskerville, our Operations Manager, and his team to create and make these strategies feasible by mid 2012.

The financial strategy implementation led by Shawn Tahirian, our Chief Financial Officer, which will measure the net operating cash flows of the initial investment to conclude if the decision to market Neutrogena skin care products in China is a sound investment. The strategy will also be initiated in early 2012. Once these strategies have been implemented they should be evaluated, which entails gauging the extent to which our marketing objectives have been achieved during the specified time period. Its effectiveness must also be monitored.

Control mechanisms both formal and informal need to be established to make the entire operation more efficient. Our General Manager, April Allison, will shoulder the responsibility of instituting a marketing audit that is comprehensive, systematic, independent, and periodic not only to improve communication and raise the level of marketing consciousness within the company, but to also push managers to challenge assumptions about the company and the environment and establish new strategies. Appendix A: SWOT Analysis Strengths | Weaknesses | | 125 years of experience | Knowing the culture | | Premium quality | Inexperienced in China's market | | Premium assortment | Knowledge | | Advantages pricing | | Opportunities | Threats | Chinas skin care market | Other American skin care companies | | Market is rapidly growing | Local home grown Chinese skin care companies | | No need to trail blaze | Training of management | | Create new products and packaging | | | Developed sense of aesthetics | | Appendix B: Map of District Clusters [pic] Appendix C: Product lists with <https://assignbuster.com/neutrogena-paper-essay/>

prices in Yen and US dollar | Sun Blocks | Avg. Price (US) | Avg. Price (Yen)\* |  
 | Age Shield |\$11. 50 |? 87. 42 | | Build-a-Tan |\$10. 00 |? 76. 1 | | Fresh  
 Cooling |\$9. 50 |? 72. 21 | | Helioplex® Technology |\$12. 00 |? 91. 22 | |  
 Helioplex360™ Technology |\$12. 00 |? 91. 22 | | MicroMist® |\$11. 00 |? 83.  
 62 | | Pure & Free® Baby |\$12. 00 |? 91. 2 | | Purescreen® Technology |\$9.  
 50 |? 72. 21 | | Sensitive Skin |\$9. 50 |? 72. 21 | | Spectrum+ |\$12. 00 |? 91.  
 22 | | Sun Fresh® |\$10. 00 |? 76. 01 | | Ultimate Sport™ |\$10. 00 |? 76. 1 | |  
 Ultra Sheer |\$10. 00 |? 76. 01 | | Wet Skin |\$10. 00 |? 76. 01 | | Moisturizers |  
 Avg. Price (US) | Avg. Price (Yen)\* | | Ageless Essentials® |\$14. 00 |? 106. 42  
 | | Ageless Intensives® |\$20. 00 |? 152. 3 | | Ageless Restoratives® |\$19. 00  
 |? 144. 43 | | Deep Moisture |\$7. 00 |? 53. 21 | | Healthy Defense® |\$13. 00  
 |? 98. 82 | | Healthy Skin |\$18. 50 |? 140. 63 | | Moisture Wrap |\$9. 50 |? 72. 1  
 | | Neutrogena Clinical™ |\$31. 00 |? 235. 65 | | Norwegian Formula® |\$7. 00  
 |? 53. 21 | | Oil-Free Moisture |\$10. 50 |? 79. 82 | | Rapid Wrinkle Repair |\$21.  
 00 |? 159. 63 | | Visibly Even® |\$14. 00 |? 106. 42 | Anti-Aging | Avg. Price  
 (US) | Avg. Price (Yen)\* | | Ageless Essentials® |\$11. 00 |? 83. 62 | | Ageless  
 Intensives® |\$20. 00 |? 152. 03 | | Ageless Restoratives® |\$15. 00 |? 114. 02  
 | | Healthy Defense® |\$13. 00 |? 98. 2 | | Healthy Skin |\$11. 00 |? 83. 62 | |  
 Neutrogena Clinical™ |\$31. 00 |? 235. 65 | | Rapid Wrinkle Repair |\$21. 00 |?  
 159. 63 | | Visibly Even® |\$14. 00 |? 106. 42 | | Men’s | Avg. Price (US) | Avg.  
 Price (Yen)\* | | Neutrogena Men® |\$6. 00 |? 45. 61 | | Razor Defense® |\$3.  
 50 |? 26. 61 | | Sensitive Skin |\$3. 50 |? 26. 61 | | Skin Clearing |\$3. 50 |? 26.  
 61 | \*Prices include the 10% exporting tax Appendix D: Budget Tables  
 Budget and Required Financing for First Year in the Market | | Legal Fees |  
 \$300, 000 | | SFDA Fees |\$114, 000 | | Advertizing | | TV |\$1, 300, 000 | |



advertising prices 2010. " MarketinginChina. Marketing in China. org, Nov2009. Web. 20 May 2011. . " China's HS Code. " EximGuru. EximGuru, Jan2011. Web. 20 May 2011. " China's Tax Rates. " Taxrates. cc. Tax Rates. cc, 2011. Web. 20 May 2011. Crowther, Jeff. " Inside China: Beauty Trends. " Nutraceuticals World. Rodman Publishing, 01Mar2010. Web. 20 May 2011. <http://www. utraceuticalsworld. com/contents/view/17813> Dou Wenyu, et al. " Interpersonal influence as an alternative channel communication behavior in emerging markets: The case of China. " Journal of International Business Studies 40. 4 (2009): 668-689. Business Source Premier. EBSCO. Web. 22 May 2011. Eckhardt, Giana M. , and Anders Bengtsson. " A Brief History of Branding in China. " Journal of Macromarketing 30. 3 (2010): 210-221. Business Source Premier. EBSCO. Web. 22 May 2011. Einhorn, Bruce, and Frederik Balfour. " PEPSI'S WEB-SMART THRUST INTO CHINA. " BusinessWeek 4148 (2009): 51. Business Source Premier. EBSCO. Web. 22 May 2011. Fang, Eric (Er), and Shaoming Zou. Antecedents and consequences of marketing dynamic capabilities in international joint ventures. " Journal of International Business Studies 40. 5 (2009): 742-761. Business Source Premier. EBSCO. Web. 22 May 2011. Feng, Taiwen, Linyan Sun, and Ying Zhang. " The effects of customer and supplier involvement on competitive advantage: An empirical study in China. " Industrial Marketing Management 39. 8 (2010): 1384-1394. Business Source Premier. EBSCO. Web. 22 May 2011. Grubow, Liz. " Marketing Matters: Chinese Culture and its Effects on Skin Care Trends in China. " GCI. GCI Magazine, 05Sep2008. Web. 20 May 2011. . " Johnson & Johnson 2010 Annual Report. " Johnson & Johnson. Johnson & Johnson, 2010. Web. 30 May 2011. . Kenneth K. Kwong, et al. Some retail service quality expectations of Chinese shoppers. " International Journal of Market Research <https://assignbuster.com/neutrogena-paper-essay/>

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