

Mary kay in thailand essay



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Mary Kay in Thailand Table of Contents Executive Summary3 Company and Industry Overview3 Mary Kay Global5 Market Trend Analysis6 Competition and Market Barriers7 The 4Ps8 Product Analysis8 The Market8 Product Function9 Ingredients9 Products that contain specially controlled substances10 Market Access10 Product Manufacturing11 Promotion Strategy11 Delivery Profile13 Direct Sales13 Characteristics of the direct sales force13 Role of independent distributors13 Mass Marketing outlets14 Price14 Market Entry Strategy15 Pro Forma Financials16 Entry Costs16 Assumptions17 Potential Revenue - 5 Year Forecast18Cost per Item18 Promotion costs19 Sales/Delivery/Service Costs19 Taxes20 Net Profit20 Recommendations and Conclusion21 Appendix - Market Analysis21 1a. Market Analysis21 1b. Market Accessibility Profile22 2a. Product specific demand profile26 2b. Sales and Delivery Profile26 Executive Summary Entering the Thai market is a feasible venture for Mary Kay as the region is primed for the introduction of anti wrinkle and anti aging products. Thailand's cosmetic industry in is among the fastest growing sectors in Asia. The total market size for this sector was estimated at 287. million USD in 1997.

Stimulated by growth since the economic downturn in 1995, the region is very open to foreign investment. Skin care product sales were valued at \$336 million USD in 2006, with a forecasted growth of 15-20%. Facial products have the largest share of the market yielding an estimated worth of \$205 million in 2006. The Mary Kay product line is a high-quality skin care treatment system that rivals that of Avon, our closest competitor in this market segment.

Aside from the restrictive tariff rates of 30%, Thailand is a prime location to introduce our Timewise® product line. The Mary Kay brand is known for its quality products that provide a comprehensive system for all beauty and makeup needs. Adaptable to all skin types, the product line uses all natural ingredients. The distribution network of “ beauty consultants” provides high impact direct sales activity and will reach the market through viral marketing and corporate promotions.

Utilizing our existing distribution system and sales strategies, we anticipate solid market penetration. With an estimated initial investment of \$432, 000 we forecast a net profit of \$64 million USD by 2009. Company and Industry Overview Mary Kay Cosmetics was started in 1963 by Mary Kay Ash (May 12, 1918 - November 22, 2001) of Texas. She had been employed by many direct sale companies where she proved to be a talented salesperson and trainer. The decision to retire in 1963 came when she was passed over for a promotion for man that she had trained.

He received more than double her salary at the time of his promotion. At first her intention was to write a book for women in business. As time went on her book slowly became a business plan and eventually she found herself and her son starting Mary Kay Cosmetics with \$5, 000 in savings. Mary Kay products include skin care (cleansers, moisturizers, men’s skin care, and other needs), makeup (lips, eyes, cheeks, powders, foundations), spa and body products, fragrances, and various other products for men. Company focus is on empowering women to operate their own businesses as saleswomen for Mary Kay.

As Independent Sales representatives or “ beauty consultants”, women have dominated the direct sales profession with more than 75% of the sales force consisting of women. The direct sales industry is a growing marketplace with more than \$100 billion worth of goods and services sold annually through direct sales. This has been an attractive form of employment for the Mary Kay distributors as they have the ability to balance life and work, set their own hours and earn based on their own motivation. Mary Kay is a member of the Direct Selling Association.

The DSA is a “ U. S national trade association of firms that U. S that manufacture and distribute goods and services sold directly to consumers through an independent sales force. Mary Kay Inc.

has been a member of the DSA since 1970, and Mary Kay executives have a history of involvement with the organization. Several have served or currently serve on the governing board and have been instrumental in shaping policies for the industry, particularly the Code of Ethics. ”

(<http://www.marykay.com/sellmarykay/directsellingindustry/default.aspx>)

Mary Kay Global The first international location was Australia in 1971.

Since then, Mary Kay has expanded into several international markets including the United States. They are as follows:

ArgentinaFinlandMalaysiaPortugalUkraine

AustraliaGermanyMexicoRussiaUnited Kingdom

BrazilGuatemalaMoldovaSlovakiaUruguay CanadaHong KongNew

ZealandSpain ChinaIndiaNorwaySwedenCzech

RepublicKazakhstanPhilippinesTaiwan El SalvadorKoreaPolandThailand We

intend to enter into the Thai market with the TimeWise® anti-aging and anti-wrinkle products that are designed to bring out the younger looking skin with fewer lines and wrinkles while reducing the effects of aging. According to Mary Kay, the product line is “ a supercharged formula that stimulates cellular activity, significantly increases the skin’s hydration level and begins the firming and toning process. ” The active ingredients in this product are Retinol (Vitamin A), Vitamin E, Evening Primrose Oil, and Alpha Hydroxy Acids. We believe that this product would be of benefit to the working women in Thailand as they have health and beauty needs that are similar to the women in the U. S.

According to the Department of State, the “ cosmetic industry in Thailand is among the fastest growing sectors in Asia. ” The total market size for this sector was estimated at 287. 5 million USD in 1997. The market increased on an average of 20 percent in 1995. However, the economic slowdown in 1996, and the economic crisis in mid 1997 have slowed the market growth to 15 percent.

The major trade barrier for cosmetics is the high tariff rate. The Thai Government has classified cosmetics as luxury products and has subjected them to high duty rates of 30 percent, plus 10 percent surcharge. This represents an increase of 20 percent in October 1997. Total imports of make-up and skin care products were USD44. 6 million in 1997, an increase of 6 percent from 1996.

Imports are expected to grow at an average of 5 percent in the next few years. ” Mary Kay’s firm specific advantages are its brand image, distribution

network and its manufacturing capability. These factors will allow Mary Kay to competitive in this industry. The Mary Kay brand is known for its quality product line that provides a comprehensive system for all beauty and make up needs.

Adaptable to all skin types, the product line uses all natural ingredients. The distribution network of consultants provides high impact direct sales activity and reaches the market through viral marketing and corporate promotions. The manufacturing plants in Dallas and China can produce and estimated 70,000 units of cosmetics per day. Market Trend Analysis Women consumers make up 97 percent of the cosmetic market. The target for the Mary Kay anti aging and anti wrinkle products is the 15 million Thai women between the ages of 18 and 55 that use make-up and skin care products. The average member of this group will have an average educational background and middle to upper class economic status and typically will spend 10-20 percent of their monthly income on beauty products.

Geographically, the target market would live in Bangkok or its close regions due to its economical status and high percentage of skilled and professional workers . Competition and Market Barriers In the Thai cosmetic industry there are some major importers of skin care and make-up products. The United States was the leader in importing skin care and make-up products to Thailand in 1997. France, Japan and the U. K were also major importers to the region with market shares of 18.

9, 15. 3 and 8. 1 respectively. According the U. S Foreign Commercial Service and U. S Department of State, imported skin care products have an

advantage over the local manufacturers in that the imported goods are a much higher quality product in comparison.

Companies typically use price points to target different consumer groups.

The cosmetics sold in Thailand primarily come from three sources:

- Imports
- Local manufacturing of foreign brands
- Local manufacturing of Thai brands

Imports Estee Lauder Shiseido Lancome Clinique Bobbi Brown New West

Havana Aramis Juvena La Prairie Tommy Local Manufacturers International

Laboratories Inchcape Manufacturing Milott Laboratories Rubia Industry

Locally Manufactured Products Avon Ponds Oil of Olay Nivea Hazeline Johnson

and Johnson The sources of major brands of cosmetics found in Thailand are:

Source: U. S Foreign Commercial Service and U. S Department of State,

2006) The 4Ps Product Analysis This product analysis focuses on the anti

aging and anti wrinkle skin care products of the Mary Kay product line.

The Market Thailand is recovering from a recent economic slowdown

because of political uncertainty. According to the U. S Commercial Service,

Thailand has a strong customer base of over 20 million salary- earning

women between 15 and 55 and the overall growth of the skin care product

market is expected to grow at 15-20 percent. 0 percent of the imported

cosmetics are high-end facial and skin care products. Facial products have

the largest share of the market yielding an estimated worth of \$205 million

in 2006. Product Function The Mary Kay TimeWise® age fighting products

are specifically designed to reduce or minimize the appearance of fine lines

and wrinkles.

There are several main products that work together to form a total skin care system:

- TimeWise® Targeted Action anti wrinkle and line creams
- TimeWise® Cellu-Shape moisturizing creams
- TimeWise® Even complexion tone cream
- TimeWise® 3-in-1 cleansers
- TimeWise® age defying moisturizers
- TimeWise® Age-Fighting Lip Primer
- TimeWise® Visibly Fit Body Lotion
- TimeWise® Day Solution Sunscreen
- TimeWise® Night Solution

All the products in the TimeWise® system can be used individually or as a complete total body system depending on the client's preference.

Ingredients The standardized active ingredients in the TimeWise® anti-aging and anti-wrinkle skin care products are: (these are the active ingredients marketed to the consumer) Vitamin A (Retinol), Vitamin E, Evening Primrose Oil, and Alpha Hydroxy Acid

The actual active ingredients in the TimeWise® anti aging products are: WATER, BUTYLENE, GLYCOL, BETAINE, BUTYROSPERMUM, PARKII, GLYCERIN, C12-15, ALKYL BENZOATE, HYDROGENATED POLYDECENE, POLYETHYLENE, ETHYLENE/ACRYLIC ACID COPOLYMER, CEYTL ESTERS, BEHENYL ALCOHOL, CETEARYL GLUCOSIDE, DIMETHICONE, PALMITOYL PENTAPEPTITE-3, PHYTOSTERYL/BEHNYL/OCTYLDODECYL LAUROYL GLUTAMATE, GLYCRYL POLYACRYLATE, DIPALMITROL HYDROXYPROLINE, CETEARYL ALCOHOL, CETEARETH-20, TRIETHANOLAMINE, CARBOMER, POLYSORBATE 20, DISODIUM EDTA, PHENOXYETHANOL, ETHYLPARABEN, BUTYLPARABEN, METHYLPARABEN, PROPYLPARABEN, ISOBUTYLPARABEN

Mary Kay products use natural herbals and extracts in their products. The products are not tested on animals. Products that contain specially controlled substances

The Thai market requires that the formula for face treatment creams be

registered with the Thai FDA and that details about the applications and warning statements are provided in the Thai language.

Mary Kay suppliers can submit the product formula in advance and request from the Thai FDA a product classification before importing the products into Thailand. (U. S Foreign Commercial Service and U. S Dept. of State, 2006)

Labelling requirements Since the enactment of the Cosmetics Control Act of 1993, all products are required to have labels in the Thai language.

According to the U.

S Foreign Commercial Service and U. S Dept. of State, the labels must include the following:

- Type of product
- Quantity of product in the package
- Date of Production
- Ingredients
- Instructions for Use
- Safety Warning
- Name of manufacturing company and country

Market Access The Thai FDA regulates the skin care industry and its products. Products are required to be registered with the FDA prior to importation and marketing.

The Thai FDA requires the following documents. Taken from U. S Commercial Service, 2006)

- A notarized Certificate of Free Sale or a Certificate of Manufacture issued by the manufacturer in the manufacturing country and notarized by a Notary Public in the U. S.

- Full ingredient/ composition listing issued by the manufacturer and notarized by a Notary Public. Both documents have to be legalized by the Thai Consulate in Washington, DC or the American Embassy in Bangkok, Thailand. Product Manufacturing Mary Kay develops tests, manufactures and packages the majority of its own products at its state-of-the-art plants in Dallas and China. Aesthetics of packaging The highly competitive cosmetic

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industry relies on image to market and sell its products in the industry. The images and words on the packaging are key factors to brand recognition. Brand loyalty usually rests with only the premium high-end cosmetic products.

Promotion Strategy To promote the Mary Kay anti aging and anti wrinkle cream, we will leverage Mary Kay's existing infrastructure in the country, while utilizing targeted messaging to reach our key demographic. The target demographic is: Low income segment- this group is the largest market segment in Thailand. The group is comprised of teenagers, college students, and young, single working women. According to Department of State, in Thailand this group consumes 60 percent of the total cosmetic market and earns, on average, up to 150 USD a month. Middle Income Group- this group is made of professional working women. The average income is 150 to 1, 000 USD a month.

This group of consumers makes up 35 percent of the cosmetic market. Mary Kay will use " push and pull" promotional strategies to reach these target demographics. In Thailand, Mary Kay will use the assistance of local advertising companies to develop targeted advertising for television and the major women's magazines. The agency's responsibility is to develop the ads, while creating a focused message that will resonate with the Thai culture. The advertising will be focused on educating the public about the health benefits of using skin care systems that contain anti-aging and anti wrinkle ingredients.

The ads will not be intended to drive sales, rather to send a message to the consumer and solidify the company's image. This activity, in turn, will support the field sales force and help reinforce the need for the product. Mary Kay will also employ the use of public relation campaigns to highlight the accomplishments of the sales team and further promote the value of using anti-aging and anti-wrinkle cream. The majority of the promotional activity will come from the sales force using direct sales.

The sales force will utilize viral marketing to spread the benefits of using skin care systems to reduce the effects of aging. In the retail centers, Mary Kay will use: Price Promotions- incentives that will periodically drive sales at the counter and promote new products or treatment systems. •Gift with purchase- providing customers with a free product sample to try new anti-aging products and systems. •Point-of-sale displays- teach the value of maintaining proper skin health and promote the new anti-aging systems as the solution. In addition to the aforementioned, Mary Kay will participate in the Thailand Health and Beauty Show, organized by The Department of Export Promotion (DEP), Ministry of Commerce.

The 2008 event is held in November at the Impact Convention Center in Nonthaburi, Thailand. Delivery Profile The strength of the Mary Kay sales system is that Mary Kay utilizes the personal selling strength of its " beauty consultants" or independent representatives, retail outlets using mass marketing/self-service outlets and hybrid approach using a Mary Kay e-commerce site and a local representative. Direct Sales The Mary Kay core sales model is direct selling. This model is similar to the method used by other U.

S companies such as Amway, Avon and Nu Skin. According to the U. S Commercial Service, Direct sales “ account for approximately USD158 million or 55 percent of the local retail market for make-up and skin care. Products marketed in this way are locally manufactured foreign brand names or indigenous brand names. Prices are reasonable and correspond with market expansion. The target is low to middle income customer groups.

” Characteristics of the direct sales force Direct selling is selling products or services directly to the customer outside of a retail location. Beauty consultants work with customers one-on-one or in groups. In the direct sales industry, 75 percent of the sales force are women. The typical profile of a direct sales representative is one who:

- Values the entrepreneurial venture
- Generally likes people
- Wants less structure in the work environment
- Seeks a supplemental income
- Wants unlimited earning potential.

Role of independent distributors In Thailand, the independent representative serves several functions for the import of the Mary Kay products.

The independent representative must provide sales support and other valuable services. For importing Mary Kay products, independent representatives register the products with the Thai FDA, work with customs, and assist with warehousing and logistics. Independent representatives have exclusive rights with Mary Kay distributionMass Marketing outlets In addition to using direct sales methods in Thailand, Mary Kay will use mass marketing outlets to reach the younger, less affluent target market. Self-service outlets are targeted to the low to medium income groups.

Skin creams make up 43 percent of market sales. Although products sold in this venue make up only 8 percent of sales, estimated sales is expected to increase to over 20 percent. (U. S Department of State, 2006) With the expansion of the Internet into Thailand, Thailand now has 8, 465, 800 users on the Internet.

The expected expansion is 15. 6% (estimated). In attempt to leverage the ubiquity of the Internet, Mary Kay will sell its products through a hybrid approach consisting of consultative selling and catalog sales. The customer can use the Internet to locate the product and pricing, then through the Mary Kay Internet site, an independent representative is contacted to close the sale.

This approach allows the independent sales representative to benefit from the “ pulling” power of the Internet to drive sales and eliminates geographical boundaries. Price The cost of the Timewise® products in Thailand will be based on the Thai baht. Conversion is based on the current spot exchange rate of 31. 7297 THB/\$.

A complete pricelist is given here: TimeWise® Price - USDRate Price - THB
Targeted Action Eye Revitalizer35. 0031. 72971110. 5395 Targeted Action
Line Reducer40. 0031.

72971269. 188 Cellu-Shape Contouring System55. 0031. 72971745.

1335 Cellu-Shape Daytime Body Moisturizer30. 0031. 7297951. 891 Cellu-
Shape Night Time Body Gel25. 0031. 7297793.

2425 Even Complexion Essence35. 0031. 72971110. 5395 3-in-1 cleanser18. 0031. 7297571.

1346 Age Fighting Moisturizer22. 0031. 7297698. 0534 Age Fighting Eye Cream26. 0031. 7297824.

9722 Firming Eye Cream30. 031. 7297951. 891 Age Fighting Lip Primer22. 0031. 7297698.

0534 Visibly Fit Body Lotion22. 0031. 7297698. 0534 Day Solution Sunscreen SPF 2530.

0031. 7297951. 891 Night Solution30. 0031.

7297951. 891 Market Entry Strategy There are several ways in which a company can enter foreign markets. They can export their product(s) directly into the foreign stream of commerce, form a strategic alliance with a company that is already in the targeted market, acquire an existing business in-country, license, or begin a wholly new owned subsidiary. All of these have their own distinct advantages and disadvantages.

Since Mary Kay's business model is based on direct sales and personalized attention from salespeople, Mary Kay's venture into Thailand will be a dual process of licensing/franchising. Below are details of the entry strategy for Mary Kay Cosmetics Timewise® product line into Thailand. Mary Kay Cosmetics will begin its introduction of this anti-aging line of products into Thailand with a group of corporate office employees conducting an assessment in-country. Their output is expected to include very detailed feedback related to the interest of current salespeople in this product line

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and the interest of current Mary Kay customers in country. It is most desirable that the location of this launch be in the capital city of Bangkok.

If it is deemed necessary to locate additional space for training and storage of the new products, the team will also locate facilities for this purpose. We intend to introduce the Timewise® anti-aging products on a relatively small scale at first. Our timeline for setup is based on the Doing Business metric (an arm of World Bank and the International Finance Corporation). The rankings are based on 178 countries. Overall, Thailand ranks as number 15 for level of ease of starting a business . A detailed timeline for this project is below:

Activity	Completed by	Conduct Focus Groups with customers	2nd
month	Hold trainings/interest meetings with current sales agents	1st	month
Recruit additional direct sales agents	On going	Set up Bank Account	Day 5
Pro Forma Financials	The strategic plan as laid out in the prior section has been quantified here.		

As Mary Kay Cosmetics is a privately held corporation, many of the figures here are estimates based on the financial information gathered about Mary Kay and also financial information gathered from Avon Products (a similar direct sales cosmetics company). Estimates will be properly indicated. Please see below for section titled " Assumptions. " Entry Costs The costs for entry into Thailand will include factors such as a small number of corporate staff per diem, travel costs, etc. These costs are detailed in the chart below. In some instances we have estimated on the high side since it is best to make allowances for some inflated and/or unexpected costs.

Item Quantity Estimated Price per Estimated Total
 5 Corporate Staff - per diem (5 staff x \$25/day x 3 months) \$11,250
 Travel Costs \$3,500
 Lodging - hotel 1 month (30 days) \$4,650
 Lodging - house rental 2 months (60 days) \$800
 Office Space - Rental 1 month \$500
 Office Space - Purchase 1250,000
 Bank Acct Setup 15,000
 Interest Meeting/Focus group costs (printing, food, etc.) 12 (4/mo.) \$5,000
 Export Costs - estimated \$100,000
 Warehouse (if unavailable at office location-up to a year) \$12,000
 Misc. \$25,000
 Total \$432,700

Assumptions Since Mary Kay is not a publicly held company and their financial data is not readily available to the general public, we are using a percentage of Avon's financial data as they are also a popular direct cosmetic sales company. The following calculations describe how our forecasts are made: On average, Mary Kay is approximately 61.56% ((25.

6+30. 7+26. 8+200+24. 7)/5) the size (based on actual revenue and revenue growth) of Avon. This percentage will be the basis of our financial assumptions in the following sections.

2006 Revenues % growth from 2005 2005 Revenues % growth from 2004 2004 Revenues Avon 8.8 billion 7.5% 8.2 billion 6.

5% 7.7 billion Mary Kay 2.25 billion 2.3% 2.2 billion 13.

6% 1.9 billion Mary Kay as a % of Avon 25.6% 30.7% 26.8% 200% 24.

7% Potential Revenue - 5 Year Forecast As stated in our assumptions, Mary Kay reported 2006 revenues of \$2.25 billion, which was a 2.3% annual increase. The 2005 revenues were \$2.

2 billion, and 2004 revenues were \$1.9 billion. To estimate the expected revenues, we obtained an average growth rate for Mary Kay revenues by averaging growth rates from 2004-2006. The following describes our expected returns based on those figures.

Revenue Forecast
 2006 Base Year 2007 2008 2009 2010 2011
 Mary Kay \$2.25 bil \$2.43 bil \$2.62 bil \$2.83 bil \$3.06 bil \$3.

3 bil Mary Kay's average growth rate approx. 8% Cost per Item Our focus in moving into the Thai market is going to be Mary Kay's skin care line, TimeWise. As stated, the products include anti-aging products, cleansers, and moisturizers. When compared to our strongest competition in the market, Avon, we have competitively priced products.

This trend will continue upon our introduction into Thailand.

TimeWise® Average Price Anew® Average Price Targeted Action anti wrinkle and line creams \$37.50 ANEW CLINICAL Advanced Wrinkle Corrector \$32.00 Cellu-Shape moisturizing creams \$36.67 ANEW CLINICAL Advanced Retexturizing Peel \$25.

00 Even complexion tone cream \$35.00 Banishing Cream Skin Discoloration Improver \$8.50 3-in-1 cleansers \$18.00 RETROACTIVE+ 2-in-1 Cleanser AM/PM. \$12.

00 age defying moisturizers\$22. 00ANEW ULTIMATE Age Repair Elixir\$54. 00 Age-Fighting Lip Primer\$22. 00Plump & Smooth Lip System\$25.

00 Visibly Fit Body Lotion\$22. 00ANEW CLINICAL Lift and Tuck Professional Body Shaper\$20. 00 Day Solution Sunscreen\$30. 00ANEW ULTIMATE Age Repair Day Cream SPF 25\$34. 00 Night Solution\$30.

00ANEW ULTIMATE Age Repair Night Cream\$34. 00 ** See 4Ps Sub-Section labeled “ Price” for specific costs per item in Thai Baht Promotion costsIn an effort to build excitement among current customers of Mary Kay and current salespeople, we will distribute samples of the product. The cost of this endeavor is expected to be no more than \$200, 000. To promote the new line in print journals, such as The Bangkok Post, the expected cost will be 2, 000 baht per ad . We also expect to have costs associated with focus group meetings (see expected entry costs above). Sales/Delivery/Service Costs This costing includes the amount for training current and new sales people.

We will plan to recruit no less than 250 additional people to be direct sales agents within the first three months. They will be responsible for selling available products however they feel necessary. They may conduct their own parties at their homes, go door-to-door, make cold calls, etc. Our training costs will include a full two day seminar for each potential salesperson and a half-day seminar about the new line to current salespeople. Exact costs will include meeting space (only if a permanent office has not been acquired), printed materials, breakfast and lunch arrangements, and other miscellaneous items.

Taxes Taxes are expected to be approximately 25.9% of profit. The five-year forecast for taxes is below: Tax Forecast

Year	2006 Base	2007	2008	2009	2010	2011
Revenue	\$2.25 bil	\$2.43 bil	\$2.62 bil	\$2.83 bil	\$3.06 bil	\$3.3 bil
Taxes	\$58.3 mil	\$62.9 mil	\$67.9 mil	\$73.3 mil	\$79.3 mil	\$85.5 mil

62 bil \$2.83 bil \$3.06 bil \$3.3 bil Taxes \$58.3 mil \$62.9 mil \$67.9 mil \$73.3 mil \$79.3 mil \$85.5 mil

Thai average tax rate is 25.9% Net Profit Based on the end of year financial reports of similar firm, Avon,

selling; general; and administrative expenses are expected to be about 51.6% of revenues. Our five-year forecasted net profit figures are below: Net Profit Forecast

Year	2006 Base	2007	2008	2009	2010	2011
Revenue	\$2.25 bil	\$2.43 bil	\$2.62 bil	\$2.83 bil	\$3.06 bil	\$3.3 bil
Expenses	\$1.16 bil	\$1.25 bil	\$1.35 bil	\$1.46 bil	\$1.58 bil	\$1.7 bil
Taxes	\$58.3 mil	\$62.9 mil	\$67.9 mil	\$73.3 mil	\$79.3 mil	\$85.5 mil
Net Profit	\$50.7 mil	\$55.1 mil	\$59.1 mil	\$63.7 mil	\$68.7 mil	\$74.5 mil

43 bil \$2.62 bil \$2.83 bil \$3.06 bil \$3.3 bil Expenses \$1.16 bil \$1.25 mil \$1.35 bil \$1.46 bil

16 bil \$1.25 mil \$1.35 bil \$1.46 bil

58 bil \$1.7 bil Taxes \$58.3 mil \$62.9 mil \$67.9 mil \$73.3 mil \$79.3 mil

3 mil \$85.5 mil Net Profit \$50.7 mil \$55.1 mil \$59.1 mil \$63.7 mil \$68.7 mil

7 mil \$74.5 mil Thai average expense rate is 51.6% Recommendations and

Conclusion We recommend that Mary Kay chooses to implement this expansion. The outlook for this product line into the Thai market is positive.

Based on the evidence that has been provided, it will prove to be a sound investment to implement this introduction. Appendix - Market Analysis 1a.

Market Analysis The tropical Kingdom of Thailand sits snugly on the Asian continent between Burma, Laos, Cambodia and Malaysia. As of the 2007 census, Thailand is the home to 65,068,149 people (32,180,628 men and

32, 887, 521 women). Of the more than 32 million women, there are 23, 092, 811 that are between the ages of 15-64 which is the prime age range of women that purchase and use makeup products.

This demographic will be discussed in more detail later. In order to properly analyze the economy of a country and consequently the probability of success with introduction of a new product, there are several aspects that must be examined. Some of those indicators might include the country's GDP and unemployment figures for example (other measures such as the demographics and government policies are discussed more detail later). At 2007 year end, Thailand's GDP was \$519.

9 billion, with an \$8, 000 GDP per capita. Of the 210 countries tallied, Thailand was listed as the 35th largest world GDP according to the CIA. According to the Department of State, the Thai economy hit the bottom in 2001 with a 2. 2% GDP due to weak export demand. Since 2001, real GDP growth has been 7.

1% in 2003 and 6. 3% in 2004. In 2005, the economy decelerated due to the tsunami that killed over 8, 000 people. Despite its challenges, exports are on the rise, posting 17% growth in 2006 and 12% growth in 2007. The main drivers have been automobile production and agricultural output.

Thailand has had to recover from several extraordinary events that have had strong impacts on their economy. The first of which was the Asian financial crisis of 1997-98. Over the past decade the country's economic profile has been wounded due to the Asian Financial Crisis of 1998, the tsunami of 2004 and political turmoil in 2006. Depictions of how these events have had an

effect are evident in the graph displayed at right. Consequently, this has led investors to hold off from investing despite pro- investment policies, a free-economy and a well developed infrastructure. Lastly, Thai unemployment is relatively low at 1.

5%. They employ approximately 37. 12 million people. (2007 estimate) The main GDP sectors are industry and services, employing approximately 51% of the labor force. 1b.

Market Accessibility Profile Thailand has been a member of the WTO since January 1, 1995. The Thai government actively works to promote trade with the U. S and other countries. Thailand is also a member of the Association of Southeast Asian Nations (ASEAN).

The Thai government is very open to foreign investment and serves as fertile ground for foreign direct investment and hundreds of U. S. companies. After the 97-98 Asian Financial crisis, the Thai government has made attempts to foster a more transparent and cooperative climate for foreign investors by establishing stronger financial infrastructures and liberalizing property ownership by non-Thais.

The main forms of business in Thailand are sole proprietorships, partnerships, limited companies, and public limited companies. According the U. S Department of commerce, the Thai government requires a local contact address for all that wish to register cosmetic products. The regulation department that oversees cosmetics is the FDA.

This regulatory agency requires that international suppliers either establish an office in Thailand or appoint a local representative to work with senior management. Another strategy to fulfill the local contract address requirement is to use distributors or agents. Distributors or agents usually are responsible for product registration. Registration takes one to two month's time. The cosmetics products market is competitive and comprised mainly of four categories: hair care, make up, skin care and perfume. Joint Trade Regulation Committee Thailand has entered into a trade and investment framework agreement with the United States that promises to organize a joint committee to strengthen, oversee, and regulate trade arrangements.

[http://www.ustr.](http://www.ustr.gov/World_Regions/Southeast_Asia_Pacific/Thail/Section_Index.html)

[gov/World_Regions/Southeast_Asia_Pacific/Thail/Section_Index.html](http://www.ustr.gov/World_Regions/Southeast_Asia_Pacific/Thail/Section_Index.html)

Payment Most U. S firms use several methods of financing and trade facilitation. The most common are bank drafts, letters of credit and wire transfers.

Financing Since the Thai government is recovering from financial crisis, local banks and other financial institutions use extreme caution when reviewing loan applications. New loans are typically given only to those with sufficient collateral. Permits Permits must be acquired by anyone wishing to do business in Thailand. The turn around for approval is usually 2 to 3 days.

Permits can be granted for up to one year, and then can be renewed on an annual basis. Laws Businesses are ruled under criminal law, not civil. Local legal counsel is recommended as criminal infractions can result in heavy

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criminal penalties. Retail regulations The Thai government has established policy in retail regulations that may have an effect on Mary Kay products.

The main distribution channels for cosmetics is direct sales, counter sales in department stores and hanging sales at specialty stores. If Mary Kay intends to use retail outlets to sell its products then it may face indirect regulation. The policy, which is controlled by the Town Planning Law and the Building Control Law, regulates store placement and growth. Most recently, the government issued a Retail and Wholesale business law that will regulate retail expansion.

Local governments will have the discretion to interpret policy on a case by case basis. Import Licenses Cosmetics fall under a category of products that are regulated by the Thai FDA, Ministry of Public Health. And will require extra measures for approval for import. Cosmetics require an Import/Export license and/or authorization from relevant agencies.

Barriers to Entry: Tariffs According to the U. S trade representative, Thailand is the 24th largest export market for U. S goods despite the fact that its tariff structure is can be as high as 80 percent. Cosmetic goods don't fall in the categories with the highest tariff rates.

According to the U. S Department of State, " makeup, skin care, and perfume products generally have an import duty rate of 30 percent, while hair care products generally have 20 percent import duty. A product registration and an import authorization are required by the Thai Food and Drug Administration in the Ministry of Public Health prior to the actual shipment of the cosmetic products. Products that compete with the locally produced

products get the highest tariff rates. Currently, the Thai government is working to reduce tariff rates to make Thailand more competitive.

[http://www.ustr.](http://www.ustr.gov/assets/Document_Library/Reports_Publications/2007/2007_NTE_Report/asset_upload_file624_10985.pdf)

[gov/assets/Document_Library/Reports_Publications/2007/2007_NTE_Report/asset_upload_file624_10985.pdf](http://www.ustr.gov/assets/Document_Library/Reports_Publications/2007/2007_NTE_Report/asset_upload_file624_10985.pdf) Customs Customs has its challenges with slow adaptation to policy changes and internal corruption.

The Thai government has instituted The Thai Constitution of 1997 - a policy of transparency for high ranking officials to reduce corruption. Preferential Treatment Thailand did not sign the WTO Agreement of Government Procurement; therefore it gives preferential treatment to Thai businesses encouraging a "Buy Thai" atmosphere. Because the country is a recovering economy, the goal is to allow the local businesses to build up before levelling the playing field to internationals. Intellectual Property Protecting intellectual property is a challenge. The country is lacking sufficient policies and infrastructure to control piracy. 2a.

Product specific demand profile Thailand is recovering from a recent economic slowdown because of political uncertainty. According to the U. S Commercial Service, Thailand has a strong customer base of over 20 million salary earning women between 15 and 55 and the overall growth of the skin care product market is expected to grow at 15-20 percent. 60 percent of the imported cosmetics are high-end facial and skin care products.

Facial products have the largest share of the market yielding an estimated worth of \$205 million in 2006. Women consumers make up 97 percent of the cosmetic market. The target for the Mary Kay anti aging and anti wrinkle

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products is the 15 million Thai women between the ages of 18 and 55 that use make-up and skin care products. The average member of this group will have an average educational background and middle to upper class economic status and typically will spend 10-20 percent of their monthly income on beauty products. Geographically, the target market would live in Bangkok or its close regions due to its economical status and high percentage of skilled and professional workers. 2b.

Sales and Delivery Profile According to the U. S Commercial Service, brand image carries a lot of importance to the Thai community. Growth rates of 15 to 20 percent are possible with a high quality, internationally branded cosmetic product. Products that solve problems tend to have strong growth potential.

The Thailand cosmetic market is made of three equally competitive groups: make-up(32% market share), hair care(32%), and skin care(32%). Perfume makes up the remaining 3%. The fastest growing market is the skin care segment. The worst performing market was the perfume sector with a decrease of 12% growth. Trends It is predicted that there will be increased consumption of skin care products, whitening products and customized cosmetics. Skin Care Anti aging and anti wrinkle creams are common among male and female users.

This trend is expected to grow, with more females being receptive to the products than men. Typically, there is a correlation and general acceptance that higher quality products have a higher price. Whitening Cosmetics Most Thai people have dark complexions which help the popularity of whitening

products as many Thai desire to have lighter skin complexion. Many low to high quality facial creams and lotions have whitening agents and sell very well in Thailand. Customized Cosmetics Many medium quality products designed for men are appearing in the Thai market in response to a flat consumer market that was geared for females.

Products for males include body sprays, deodorants, and hair care. Channels of Distribution There are three main forms of distribution channels in Thailand for consumer goods: 1) from U. S exporter to Thai Importer to Thai retailer to Thai end-user; 2) from U. S exporter, to Thai retailer, to end-user; and 3) from U. S exporter, to Thai retailer, to end-user. Distribution The main forms of distribution for Mary Kay products are direct marketing, counter sales in department stores and hanging sales at specialty stores.

Direct sales make up 60% of the total sales volume. Many major U. S cosmetics are sold via direct marketing. Examples are Amway, Herbal Life, Avon and Nu Skin. Direct marketing is a viable strategy to reach the consumer market and is expected to show continued growth. Many workers that lost jobs during the 1997 financial crisis found work in the direct marketing workforce. In Thailand, direct marketing is successful, but it has a few drawbacks. Problems in the Thai market are poor enforcement of consumer protection laws, loss of product during delivery, and piracy or imitations. Counter sales makes up 30 percent of the total sales volume. This serves as the standard point of purchase for higher priced, well branded products. There are 108 department stores located throughout the major cities of Thailand. Hanging sales are targeted to the younger buyers and the mass markets for low to medium end cosmetics. The use of credit cards

stretch the buying power of the Thai consumers and direct marketing sales is taking advantage of this. Amex, Visa and Master Card are accepted in most major stores in Thailand.