

Mary kay cosmetics mid-term assignment essay sample

[Countries](#), [China](#)



1) In regards to Mary Kay Cosmetics (MKC) decision on whether to enter Japan, China, both, or neither I would like to recommend that MKC should first expand their business into the Chinese market using the majority of the resources. I would then recommend that entry into the Japanese market should be at first held off but then reconsidered based on the level of success found in the Chinese venture. I feel as if MKC will find the most success within China if they brand themselves as a skin care expert that also sells make-up. I think that MKC should differentiate themselves within the market by continuing to focus on their party plan strategy. They would just need to make sure the proper resources were available to explain and communicate the concept to both potential consultants and consumers. In addition, they should include buying clubs, which have already proven successful by other companies in the market. The lower start-up costs and overhead in China will allow MKC to break even in much less time than in Japan. 2) When MKC decided to go international back in 1977, I do not think they were very well prepared for the business concerns that could arise. They put themselves into a foreign market without any real business plan, strategy, or guidelines. However, on the other hand, Avon was very well prepared for their international entry and had a strong strategy in place. This is a large reason why Avon had 55% of their revenue international sales and MKC only had 11% revenue from their international sales. For Avon, each country subsidiary was run by a country manager who had considerable decision-making authority as long as performance objectives were met. Avon also adapted on average forty percent of their products to the local markets that they were being sold in. They also placed a heavy

emphasis on merchandising and had extremely well planned marketing campaigns. Avon sales consultants had to deal with a complex variety of product lines, however, in contrast to MKC, Avon employed salaried sales managers that oversaw and could help the company's independent salespeople. Avon was also more willing to adapt their marketing programs internationally and adjust their prices according to the level of consumer buying power in individual countries. Despite the "hard-nosed" and numbers-driven style the country managers enjoyed considerable autonomy. In comparison, MKC was not as successful as Avon due partly to the direct application of the U. S. marketing strategy, products, and communications to different subsidiaries without sufficient local modifications. 3) Mary Kay Cosmetics has been placing a renewed emphasis on international sales because they see the great opportunity that is available to them by going more international.

They see the success that companies such as Avon or L'Oreal are having internationally and want to capitalize on this opportunity. They are looking to grow their global brand and become more profitable doing so. They saw it as an opportunity to build on the company's proven capabilities in this area. The case points out a large number of countries that their products are sold (19) and the fact that they have 100% owned subsidiaries in nine different countries. The case does not go into great detail about each and every one of them so I will only focus on and breakdown the seven countries that they do give detail on. The countries that the case describes as doing well include Canada, Mexico, Taiwan, Germany and Argentina.

The case does not specifically mention any poor performers in small markets but does however mention poor performers in large markets. The countries with poor performance in large markets that the case points out are Australia and the United Kingdom. Based on the information provided in the case about MKC's current success in certain countries and off of other companies' success in certain countries a set of country selection criteria could be thought of. My country selection criteria would consist of (in no particular order): population of the country, GDP per capita of the country, percentage of the population within MKC's target market, adaptability of MKC products in that country, culture and values of the country, the expected breakeven period, advertising common to that country and any tariffs or restrictions that country might have.

4) To continue the discussion on how I reached my decision on my final recommendation I will first start by presenting a chart comparing the size, structure, and potential of the cosmetics industry in the two countries shown below:

Measure| Japan| China|

MKC Gross Margin/unit| \$9. 45| \$2. 02|

Start-up Investment costs| \$10 million| \$2 million|

Population, 1992| 124 million| 1, 139 million|

Population Distribution, 1993 (0-24; 25-49; 50+)| 32%; 37%; 31%| 42%;

39%; 19%| 1992 Advertising Expenditure for Capita| \$220| \$0. 86|

GDP (US\$ Billion), 1993| 3, 370| 1, 700|

Breakeven Period| 3-5 years| 2 years|

Total Market for Cosmetics| 9, 319 (1991, \$Millions)| \$825 million |

Looking at the table can certainly provide some solid background information about the possibilities of entry in either country but I think it is also important to break down some pros and cons of both China and Japan in writing. China is one of the fastest emerging markets in the world and is also home to the highest cultural population, roughly 1.1 billion in 1992 and 3 ½ times that of the U. S. These statistics appear to make China a very desirable market for MKC to enter however, vast population size does not necessarily equate to high product sales. First of all, there must be a demand for the products being introduced and secondly the individual Chinese residents must be able to afford their necessities in life while still having leftover income to use at their disposal. Luckily for MKC, Chinese female consumers typically have a great regard for foreign brands and place high importance on skin care cosmetics. These two aspects will help to ensure MKC's success within China.

In addition, beyond their focus age group of 20-35 year old women, MKC also has future advantages based on the large population of children under the age of 15 who will soon enough be in their target market. If MKC can effectively advertise to tap into this age group and develop a strong brand presence and recognition they can become well established in the country overall. The desires of the Chinese women fit well with the type of employees MKC is looking for as well. Chinese women are highly entrepreneurial, hardworking, independent, and interested in learning. These

are exactly the type of individuals MKC is looking for to promote their products. Unlike China, the Japanese population is much smaller overall (124 million in 1992) however the majority of this population is focused in their urban areas (over 77% of the 124 million Japanese residents). While Japanese women do not mind spending money on high-quality cosmetics, they are worried about who supplies them.

They follow a very involved skin care regimen and are very particular about where they get their supplies from. Most women trust the domestic skin care companies while make-up lines have the flexibility to be sold by many different foreign brands. Unlike the Chinese, Japanese women place a greater emphasis on their home life. They would rather be good mothers and wives than work. This mentality helps to open up potential MKC consultants as many women look for a second “career” to enter the job market after having children. These Japanese women seek low and flexible work hours, do not feel it is necessary to earn a large income and want to enjoy what they do. By working for MKC these women will learn all about the cosmetic industry, as it applies to MKC, and they will be able to try out new and exciting cosmetic products for a fun and flexible approach to the workforce. The direct sales approach is already a well-known sales tactic within Japan. There are a large number of women who are loyal to their sales consultants and will continuously purchase products from one sales consultant alone. A final factor that could potentially hinder success in the Japanese market is the long breakeven period that is estimated at three to five years.

5) It is also very important to consider your marketing strategies for the countries you plan to enter. To do that it is important to establish a strong marketing mix (Product, Price, Place, and Promotion). Since at first, I am only recommending going into the China market I will focus primarily on that region. However, you would see a lot of carry over in the strategy if we also chose to go into Japan. Product

I feel as if the best strategy for MKC would be to import their core products in order to gain the most visibility, similar to what they did in Taiwan. That way they don't have to worry about the complexity of adapting their lines. They should brand themselves as a skin care expert that also sells make-up. Also, to compete with Avon's Cake Foundation and the industry trends, MKC should develop a new Asian product line that focuses on whitening powder as well and freckle prevention. They should also focus on the way they package their products and keep them in plastic or glass jars with decorated or colored caps as that is what is custom in China. Price

In comparison to Japan, a market entry into China has much lower start-up and overhead costs including all categories such as start-up investment, product development costs and promotion and advertising costs. Even though the average retail unit price is lower in China, the large market size will easily make up for the differences. As discussed, China also has a much quicker breakeven point in comparison to Japan. I think that pricing their products very similarly to Avon would prove most beneficial but I would recommend pricing them just slightly below Avon's in order to try to gain some market share by being a cost leader. At first, in order to not radically

change a lot, I think that Dandurand should stick with the U. S. consultant compensation scheme and see how it works out. Place

I feel as if MKC will find the most success within China by focusing on their strengths by branding themselves as a skin care expert that also sells make-up as opposed to a “ glamour provider”. I also think that MKC should differentiate themselves within the market by continuing to focus on their party plan strategy. They would just need to make sure the proper resources were available to explain and communicate the concept to both potential consultants and consumers. In addition, they should include buying clubs, which have already proven successful by other companies in the market. I also believe that they also don't have to change their target market very drastically. As mentioned above, there are a lot of individuals within their current target market range and many more that are close to that range.

Promotion

Although the direct sales approach only makes up for 3% of the cosmetic industry sales, I would recommend maintaining this approach for China to provide the best profit point. If MKC were to follow the major sales approach it would take too much away from the MKC mission of empowering women to become entrepreneurs. The knowledge that comes with selling Mary Kay products may be lost while additional revenue will be reduced due to display case rentals and department store clerk wages. MKC realizes that their marketing and selling tactics must be modified in order to meet the transformation of their environment. Instead of continuing with the same old corporate strategies, MKC must unlearn these strategies and incorporate

new ideas such as implementing a buying club in China. Once a company achieves competitive advantages through an innovation, it can sustain it only through relentless improvement. Since the penetration of televisions (1 per 8 persons), radios (1 per 9), and telephones (1 per 86) were all very low in China, I would advise Dandurand to stay away from those forms of advertising.