

Marketing and aesop assignment

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Aesop was founded by hairdresser Dennis Patties in 1987 in the city of Melbourne. It is an Australian based super premium cosmetic company that has significant presence in Asia-Pacific, Australia and North America with the capability of generating A\$49 million revenue In 2012. The objective of the report is to incorporate marketing theory with in-depth research that makes up a strategic marketing plan to provide relevant and sufficient information about doing business In Italy. This report Is performed to Investigate the company's performance with the macro environment, industry environment and customers base in Italy.

It will be shown in frameworks such as PESTLE analysis, Porter's Five Forces, customer analysis and market segmentation for Investigating the appropriate strategy. For analytical purposes, this report uses marketing frameworks such as SOOT and BRIO analysis, possibility statements, Anions matrix. Product life cycle concept (PL), Porters generic competitive strategies and SMART marketing objectives to demonstrate the trends and methods of Aesop in order to achieve the objectives. It is found that Aesop can access the Italian market by direct export to increase selling and gain more target market.

For the marketing mix strategies, It Is recommended that the product should focus on skincare product for unisex with minimalist design and plant-based ingredient; the price should focus on high price along with the provision of high quality product; the place should utilities ACS to find suitable distribution channels; the promotion should focus on less advertisement by using word of mouth strategy, personal selling and sale promotions to increase brand awareness and company profits. Further recommendations

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are given to improve the accuracy of the strategies and the future of Aesop in Italy. 2 Introduction 53.

Aesop has an active track record in expanding into new markets and is planning to introduce its products into Italy. Being the seventh largest economy in the world, Italy is widely popular for its huge and sophisticated consumer market that provides significant potential opportunities for Aesop to succeed. Moreover, Italy has an established cosmetic market that is approximately 9 billion Euros in size and has potential for growth in a few product sectors.

The report aims to incorporate marketing theory with in-depth research that makes up a strategic marketing plan to provide relevant and sufficient information about doing business in Italy. A situational analysis is first performed in order to investigate the company's performance, the macro environment, industry environment and customers base in Italy. Pertinent marketing frameworks such as PESTLE analysis, Porter's Five Forces, customer analysis and market segmentation are used in the investigation of the macro environment, industry environment and customer base.

Based on the vast amount of information collected from the situation analysis, various strategies were identified and formulated by using marketing framework such as SOOT and BRIO analysis, possibility statements, Anions Matrix, reduce life cycle concept (PL), Porter's generic competitive strategies and SMART deploy, its market entry mode and marketing mix strategies for Italy are further developed and elaborated with the support of previous established strategies and findings.

The appropriate marketing theories or frameworks used throughout this marketing plan will be described and their objective, strengths and weaknesses, if applicable, will also be discussed in their respective sections prior implementation.

5 3. Situation Analysis

The foundation of a good marketing plan should have a focus on the four elements of the overall environment that might influence the success of the outcome, which is widely referred to as the ACS and also widely known as the situation analysis (Walker 2009).

The ACS represent company, context, competitors, customers and collaborators. An analysis on the company is first conducted and the findings will form the strengths and weaknesses of the SWOT analysis performed in the next stage.

3. 1. Company analysis

3. 1. 1 . Aesop

David Patties established Aesop in 1987 in Melbourne, Australia. Aesop operates in the manufacturing, retailing and marketing of premium beauty and skin care segment (Remuneration 2013). Earlier this year, Aesop was acquired by Natura, a publicly listed Brazil cosmetic company, and retained only 35% of its stakes.

3. 1. 2. Corporate mission

Aesop mission is to provide customers with superlative skin, hair and body products with integrity, simplicity, authenticity, attention to detail and the best ingredients (Cosmetics International 2011, About Aesop 2013).

3. 1. 3. Corporate vision

Aesop philosophy is to focus on a holistic perspective on beauty that combines skincare with an emphasis on exercise and diet (Remuneration 2013, Amman 2004).

3. 1. 4. Product Line

Aesop product portfolio consists of skincare, body care, hair care and other kits and domestic items (Motto 2013).

3. 1. 5. Regional structure and operations

Aesop operates more than

50 signature stores globally while owning 355 wholesales stores in more than 10 countries. It is found that Aesop signature and department stores provides most of the revenue for Aesop. Separately, they contributed 48% and 40% of the total revenue respectively (Motto 2013). Aesop global head office is in Melbourne, Australia. Aesop also 2013). 3. 1. 6. Brand Image in the Market Aesop creates its luxury and exclusive experience or consumers based on word-of-mouth and its one-of-a-kind design only.

This is contrary to most brands that rely on media and agencies for advertising and promotion (Turner 2011). Aesop uses design as a channel to communicate its core values and its customers, who demand high quality products from Aesop (Turner 2011). Aesop has undoubtedly successfully created a cult by utilizing its unique brand images created by minimalist retail stores and product design (Remuneration 2013). Alternatively, Aesop also gains popularity through sponsorships of cultural and fashion events (Remuneration 2013). . 1. 7.

Research and Development (R) Aesop situates its own R team in laboratory in Melbourne in the heart of its corporate headquarters (Motto 2013). The team is responsible for all the quality assurance, innovation, research and prototyping of all its products. Aesop spends a significantly higher proportion of its costs on R than its competitors (Burns 2002). 3. 1. 8. Market share Aesop market share in the domestic Australian cosmetic industry is 0. 1% (Level 2013), whereas its market share in the super premium skin care within Australia is 11% (see Appendix 1). 3. 1. 9.

Profit Margin Aesop forecasted profit margin for 2013 would dip due to higher than historical depreciation and operation costs (see Appendix 2). Nevertheless, the operation costs will see of a smaller percentage of the net sales attributable to the support of strong sales. Aesop is on course to post a higher margin in the future. 3. 1. 10. Management and Leadership The founder and creative director of Aesop is David Patties. He possesses significant experience in the beauty, skincare and hair products industry. His philosophy of nature and health is deeply entwined within Aesop operations.

His refusal to sell Aesop to private funds is an act of never compromising quality for profit (Safe 2008). It is to avoid compromising his ideology and beliefs over Aesop operations and products. 3. 2. Context Analysis framework is used to identify the influences of political, economical, social, technological, environmental, and legal on the organizations. Analyzing these factors in term of current and possible future situations can imply the proper ways for the organizations in order to invest or survive in the particular business environment Monsoons, Schools and Whetting 2008).

The PESTLE factors along with its associated trends and explanations are provided below: Factor Political Trend Corruption Explanation ; Corruption has never been seriously undertaken. ; According to Transparency Internationally Corruption Perception Index (2012), from 183 countries Italy is ranked 72nd (Marketing 2012). Economical High disposable income ; The average net-adjusted disposable income of Italian household is \$ 24, 216 per year, more than the COED average. COED 2013) ; Enough income for Italian people to buy discretionary products (Remuneration 2011) The disparity highest in A large gap between the richest and poorest in Italy – 20% of the <https://assignbuster.com/marketing-and-aesop-assignment/>

population that are the richest group earn five times more than the poorest (COED 2013) living standards Increasing number of class A ; Social Class A (15+) has gross income over 200% of an average gross income ; 50 million of social class A in Italy accounting for 9. 7% of the population in 2011 will have been increasing to 5. 2 million by 2020. 011) (Remuneration Social Attitudes towards appearance a high attention in to creativity design. (Remuneration 2012) 9 Increasing demand natural ingredient product Increasing demand anti-ageing reduces for of ; Demand natural has and organic among ingredients increased Italian awareness of environmental issues. (Remuneration 2012) ; More ageing customers find anti-aging beauty and personal care products to look younger ; 95% buy products for the face, 53% for the eyes, 40% for the body and 28% for the neck (Remuneration 2012).

Metronome's Italy in ; Italian male consumers have very strong image-consciousness ; Many Italian men buy skin care and anti-ageing products. ; Some 250 million spent per year on beauty products and 21% of Italian men use skin products (Remuneration 2012) Increasing shopping places for goods Increasing commerce luxurious ; Most of luxurious outlets are located around Italy's key fashion destinations of Florence, Milan and Rome (Remuneration 2011) ; The retail value of internet retailing in 2011 was 3. 1 billion, an increase of 142% compared to 2006. Online commerce is a very popular shopping channel in Italy. Increasing awareness of environmentalism's product ; 38. 6% of Italian consumers were willing to pay more for a product or service that is environmentally friendly. (Remuneration 2012) ; The new Cosmetics Regulation is Environmental New cosmetic 10

industry regulation replacing the existing CE Cosmetics Directive (76/768/SEC), covering all cosmetic products placed on the European market. (BASIC 2013) Legal Taxation ; The customs duty charged on most cosmetic products is 6.6 per cent on CIFS value. 0% VAT is applicable (Saturated 2010) ; Taxation on commercial profit was at 68.5% in 2012 which was 25.8% higher than COED average (Remuneration 2013) Imported restriction tariff and ; There are no trade barriers or quotas on cosmetics or skin care products in Italy. (Saturated 2010) Porter's five forces analysis provides insight on the degree of competitive in firm pacific industry. There are five factors that affect the level of competitiveness and they show how the industry affects its players (Beanies et al. 2008). Companies can use Porter five forces analysis to examine their competitors.

Therefore, they will understand the opportunities and threats existing in the industry when they enter new countries and devise strategies to exploit the opportunities and minimize the threats (Penn 2014). 1 . Liniments of rivalry: High This examines the number of cosmetics brands in Italy. If there are many firms in this country, the probability that Aesop can make a profit will diminish. According to Remuneration (2012), there are a few leading cosmetics companies in Italy such as L'Oreal, Procter & Gamble, Beresford GAG and Shied. This shows that the degree of intensity of cosmetics industry in Italy is high. . Risk of entry: High Potential competitors will enter market which is attracted them but they can be obstructed by entry barriers such as brand loyalty, economies of scales and increasing in distribution. According to Reporting (2013), an increasing in sale of global skincare market will reach to 21 percent from 2010 to 2015. In addition, the economy will

recover. This will attract other competitors joining in this market because customers do not concern about a brand or brand loyalty. They will penetrate a brand that sell product in low price and good quality.

In Italy, many brands from other countries try to dominate cosmetics industry especially in skin care such as L'Orealal, Beresford, Clarions, Este Lauder, Shied and Johnson & Johnson (Remuneration 2012). This shows that the risk of new entry is high because competitors have to spend a lot of money in research and development to produce new product or try to differentiate their product. 3. Bargaining power of buyers: High Italian customers have high bargaining power because they have many brands of cosmetics in Italy that offer them a good quality and price that they can afford.

Moreover, Italian people spend their money carefully when they purchase these stuffs because of recess economy. Buyers who are retailers can have backward integration by providing their own brand. 4. Bargaining power of suppliers: Low Bargaining power of suppliers in cosmetics industry is low because there are a high number of market players and large suppliers. Moreover, Italian consumers prefer cosmetics that made from nature and there are many suppliers around the world who can offer the low price material such as Asian countries to cosmetics manufacturers. . Threat of substitutes: High There is a high threat of substitute product in cosmetics industry because there are many brands that offer same product line such as eye cream and anti aging product. Moreover, people can change their preference and counsel with dermatologist to take care of their skin health. 12 companies in Italy are Beresford GAG, L'Oreal and Shied. However, these <https://assignbuster.com/marketing-and-aesop-assignment/>

three cosmetics brands have different market group from Aesop. Thus, their product offerings will not be in same range even within the same product line (see Appendix 3).

L'Oreal L'Oreal wants to increase their market share to another country. They need to doubling their sales and their market strategy is penetration and they call themselves is " multi channel". L'Oreal shows and sell their product to messmate channel such as Wall-Mart's and Targets. Moreover, they sell cosmetics in luxury department store such as Macy's and Nordstrom (see Appendix 4). Therefore, L'Oreal price will not be as high as Aesop and Shied because L'Oreal ' s strategy is to cover all customers.

Shied Shied categorize their customer in five age groups, so their stores are ranked according to age group. The shops that sell to high-class customers will offer better promotion to their customers such as greater rebate, good beauty consultant and many samples. Their products are luxury and anti aging which are developed through innovative scientific discoveries (Carving 2013). According to Shied annual report (2012), when Shied operate their business in other countries, they will sell high price premium with good service from personal sellers. They use " Mastitis" word to describe their brand image.

This word comes from Mass and prestige, meaning that Sheikdoms products are more expensive than mass product but price is not high like prestige products. Beresford Beresford is a brand that focuses on skincare: NAIVE, Euchring and La Prairie. Beresford try to continually create and produce new product to market and develop new product categories such as Naive for

men. In addition, they expand to new market to get new market share, and they offer the price that all customers can afford. 13 Three leading cosmetics brands in Italy have different strategies to do a business see Appendix 5).

It can be seen that leading cosmetics companies in Italy such as L’Oreal and Beresford GAG use cost leadership strategy to gain market share. 3. 4.

Customer Analysis In order to identify and gather relevant information on the potential customers in Italy, a customer analysis is performed to break down the customer base into groups and segments. According to Kettle (2012), the customer analysis focuses on identifying the group of customers who share similar needs and wants. It shows the nature of segmentation by socio-demographic, behavioral, cryptographic and benefit ought.