

# The external factors of singapore marketing essay



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This report proposes the external factors of Singapore and the industry attractiveness of hair and scalp care products in the country. With the company, Makarizo, looking to expand into Singapore from Italy, research and analysis of the country had been done using the PEST analysis and the Porter's 5 forces. The research will be able to determine if it is suitable for the company to enter the new market.

## **Country background**

Singapore has a population of 5.3 million as at today (Channelnewsasia, 2012). Since the beginning of 1990s, there is an increase of approximately 1 million people per decade which breaks down to about 100,000 in increment of population per year till today (Singstat, 2012). The trend reflects that the population will continue to increase in the approaching future for a foreseeable period of time. With this advantage, expanding business into Singapore becomes a step easier.

As regards to economy factors, Singapore is extremely enrolled in the global marketplace regardless of the small domestic market size. The country was emerged as one of the fastest growing economies in the world since 2010 (GuideMeSingapore, 2012). Average income of residents is high as compared to many countries which can lead to strong spending power. Singapore also possesses great strength against economic crisis and has a stable economy. The company stands a massive chance of growing stably with the country by expanding into it.

## **External environmental analysis**

### **Use of PEST analysis**

In order to study the external environment of Singapore and building our vision on the future, the Pest analysis technique, a simple and essential tool will be implemented. In short for Political, Economic, Social culture and Technological environment, PEST analysis assist the organization in raising awareness of threats, exploit spotted opportunities and understanding wider business environment (Haughey, 2012). Success will be closer by taking advantage of the researched knowledge. The table below illustrates the PEST analysis.

### **Diagram of Pest analysis**

#### **Political**

Enterprise and investor friendly (Scribd, 2012)

One of the lowest corruption level in the world (Cpib, 2012)

World-class environment and infrastructure (Ministry Of Finance, 2012)

Stable government and political (Mongabay, n. d.)

#### **Economic**

Low unemployment rate. With 2% in 2011 (Ministry of Man Power, 2012)

Healthy growth of GDP annually. With GDP of s\$3. 2 billion in 2011 (Singstat, 2012)

Average income of s\$7, 040 per household in 2011 (Channelnewsasia, 2012)

## **Social-Cultural**

Languages spoken includes English( which does not include some the elder generation), Mandarin, Malay and Tamil

Race of Singaporeans are mainly Chinese, Indian and Malay

Religion mainly classified into Buddhism, Christian, Catholic, Hindi and Muslim

Huge number of working women

## **Technological**

High computer ownership rate

High Smartphone ownership rate

Huge internet penetration rate

High Wi-Fi availability rate

High broadband ownership rate

## **Figure 1: Diagram of PEST analysis**

### **\*how it impact company !!!!!**

As highlighted in figure 1, Singapore has a very stable government and is enterprise and investor friendly (Scribd, 2012). Dominated by the People Action Party (PAP) since the year of 1965, Singapore has one of the lowest corruption levels in the world (Cpib, 2012). Furthermore, in the annual poll by the Political and Economic Risk Consultancy (PERC), Singapore was ranked first with a score of 1. 42 (Channelnewsasia, 2012). With such stable

government, low corruption level and world class infrastructure, it is definitely a safe country and environment for the company to expand its business there.

In regards to the economical factors of Singapore, the unemployment rate of Singapore is very low. This proves that most people hold a job. Furthermore, with an average income of s\$7040 per household monthly (Channelnewsasia, 2012), it shows that most of the people are leading a more than comfortable life. Hence, Singaporean's spending power can be high. High spending power from customers leads to higher profit for the company.

Relating to the social cultural aspect, most elder generation of Singaporeans in the age range of 50 and above does not understand the language of English. As the company's targeted consumers range from the age of 16 to 65, advertisements may need to be casted in both English and Mandarin. Dual language advertising benefits the company at the same time since more Chinese are coming into Singapore from China and Malaysia which a handful of them could not understand English well. Thus, advertising in the two languages allows company reaching out to more customers. The more people are reached by the advertisement, the higher potential they will become a consumer which would then benefit the company.

In regards with technology means, Singapore has a high ownership rate of computers, broadband and Smartphone, which stands at 72 percent. The country has the third highest Smartphone penetration rate in the world (Jakarta Globe, 2011). Additionally, with the conveniences Smartphone and

Personal Handheld Device (PDA) provide, users can gain access to the internet anywhere and anytime as long as there are network signal available. According to a Nielson survey, Singapore has the most internet penetration across the region of South-east Asia with 67 percent of the people aged 15 and above uses the internet (Jakarta Globe, 2011). With such huge amount of network users, engaging in online advertisements will be a huge opportunity and advantage for the company to reach out to its customers.

## **Industry attractiveness**

### **Use of Porter's 5 forces**

In order to study the industry attractiveness of Singapore, Porter's 5 forces analysis will be applied. The 5 forces includes: Threat of new entrants, Bargaining power of suppliers, Bargaining power of buyer, Threat of substitute products and Rivalry among competing firms in industry. This analysis assist company to understand the strength of its competitive position as well as the strength of a position it is moving into. Company will be able to improve in the area of weakness and take advantage in the area of strength (Mindtools, 2012). The table below illustrates the Porter's 5 forces.

### **Threat of new entrants**

Capital requirements are high

Products are undifferentiated

No issues with government policy

(Low)

(Low)

### **Diagram of Porter's 5 forces**

#### **Bargaining power of buyer**

**Product quality is important to buyer**

**Buyers face no switching cost**

**Products are undifferentiated**

**(High)**

#### **Bargaining power of suppliers**

**Products have many substitutes**

**Buyer is an unimportant customer to supplier**

**Supplier industries are dominated by few firms**

**(Average)**

#### **Rivalry among competing firms in industry**

**Exit barriers are low**

**New products from different firms are often introduced**

**Numerous competitors**

**(High)**

#### **Threat of substitute products**

No substitute product available from other industry

(Low)

## **Figure 2: Diagram of Porter's 5 forces**

As highlighted in figure 2 in regards to the threats of new entrance, capital requirements for the industry are high and thus, the entrance of new competitors pose a low threat for existing businesses. However, in hair products industry, products are often undifferentiated which poses a threat. For example, every company in the industry produces the undifferentiated products like shampoo for damaged hair, oily scalp, anti-dandruff etc. This means that consumers are able to switch brands as and when they would like to. Additionally, as Singapore has a stable government, there will be no issues for competitors to enter the country which will as well pose a threat to the company.

With regards to the bargaining power of suppliers, as products are undifferentiated and have many substitutes, their bargaining power is low. Suppliers though, bargaining power are high in the sense that their industry is dominated by a few of the stronger firms. Huge companies like Ntuc, Cold Storage, Giant, Watson and Guardian are examples of the stronger firms as consumers often purchase hair and scalp products from these retailers. This leads to other companies becoming unimportant customers to the suppliers, who then have the ability to threaten in reducing product quality and increasing the price of the products.

In terms of buyer's bargaining power, customers face no switching cost in changing shampoo brand. For example, a customer changes from using Pantene shampoo to L'Oreal shampoo, there are no binding terms or cancellation fees involved in purchasing of hair products. This results in buyers possessing high bargaining power. However, product quality plays a

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huge role during selection of products. Most consumers would not mind paying an additional amount to enjoy a better quality. Thus, if a brand or product is well known for its quality, the bargaining power of the buyer is low as they would prefer that particular product. As for regards to the threats of substitute products, there are no available products or technology that can substitute hair care product. Basic caring of hair and scalp needs cleansing and conditioning which requires shampoo and conditioner at the minimum.

In regards to the rivalry among competing firms, the intensity is high as new products are often introduced into the market by different firms. There are quite a number of competitors too. Some of the stronger competitors are L'Oreal, Clear, and Pantene. These organizations engage in aggressive advertisements mainly on the television. With L'Oreal's sales figure of 16.73 billion Euros for the first nine months of 2012 (Loreal, 2012), they are the leading beauty company in the industry though part of the sales figure comes from their sales of cosmetics, hair colour etc. Clear, though, which is also a huge organization, has a market share of 50% of all hair care products in the whole world according to an online article (Cosmetic science technology, 2009).

Although both high and low threats were found in different areas of the Porter's 5 forces, the overall low threats appears to be more positive than the overall high threats. For example, competitors can enter the market easily as there are no issues with government policies and hair products are often undifferentiated. But the requirements of high capital strongly oppose many potential competitors into entering the market. This shows that it can still be generally smooth for the company to do business in Singapore.

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## **Recommendations**

Since this is a good opportunity for the company to expand into Singapore, it can first promote advertisements of the products to make it known to the public before the operations of a physical store. To position itself immediately at the top level, the best area to set up stores is in the famous shopping district of Singapore which is Orchard road. Although the rental fees are extremely high, this is the area which is always crowded with different age groups of people hanging around for shopping, dining and movies. The location is also located near to the Central Business District (CBD), and with easy accessibility with cars, buses and the Mass Rapid Transit (MRT), Orchard road is the busiest area in Singapore.

As the place is as famous as it is, most tourists will also visit orchard road during their visits. And with the company's products well known to some countries in Europe and having some loyal customers, this is when the word of mouth helps bring success for the company. Hence, Orchard road is the desired area for the company to kick starts its business. After making a name for itself in the country, the company can then expand into shopping malls like Jurong Point and Tampines mall which are as well always crowded with shoppers.

## **Conclusion**

Based on the research done on the external environment of Singapore, it reflects that accompanying by a good marketing plan, business can be a real success in the country. With the PEST analysis findings close to perfect and discovering overall lower threats overpowering the higher threats based on the Porter's 5 forces analysis, there is a high chance for the company to

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succeed. Furthermore, it will be a great step for the business to move forward in the globe.