

Economic environment of india marketing essay



**ASSIGN
BUSTER**

For this assignment, our group chose to work with KIKO MAKE UP MILANO, an Italian professional cosmetics brand. KIKO operates through a chain of single brand stores they are not franchised. With over 450 points of sale in Europe. KIKO products, including make up, creams and accessories with a creativity that is deeply entrenched in the “ Made in Italy”, are for every budget.

After analyzing various countries we noticed that the cosmetics industry in Asia is a developing industry and that in recent years, the western lifestyle is spreading among Asians.

We chose to introduce the KIKO cosmetics in the world biggest continent Asia and selected the country of fastest growing economy India.

Concerning staffing and marketing strategy we will focus primarily on cultural differences.

THE ORGANIZATION

KIKO MAKE UP MILANO was founded in Bergamo (IT) in 1997 by the Percassi Group. It is an Italian professional cosmetics brand that offers make up, creams and accessories with a creativity that is deeply entrenched in the “ Made in Italy”, the world capital of fashion, art, and design.

The name of the company that welcomes all activities relating to research, development and marketing of cosmetic products is Kiko Srl.

“ Be what you want to be”.

This is how KIKO summarizes its vision of loveliness.

The freedom to decide how you want to look, according to your age, skin type, complexion, fashion style, mood and the event, for every budget.

KIKO operates through an expanding chain of single brand stores (they are not franchised). With over 450 points of sale in Europe:

Italy

Spain

France

Germany

Portugal

United Kingdom

The success of KIKO, thanks to long experience of the group Percassi, is mainly due to the flagship store: these are a good “ window” on the market and excellent weapon of customer loyalty.

Going into more the stores in the Milanese brand in Europe, it has undergone a distinct feeling of “ order”: the obsessive arrangement of products placed on the shelves that run along the walls of the premises, helping to immediately put the customer at ease . This careful arrangement of products and installations in general wants to encourage shopping experience calm and relaxed, ultimately encouraging the purchase of goods.

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Innovative concept of KIKO is reflected in each store: customers can play and experiment with make up and feel free to reinvent their look. Going in a KIKO store does not only mean treating yourself to a little shopping beauty, but a real sensory experience of well-being, pampering and fun.

Just to make a comparison, the fanatical make-up that goes into a store KIKO is like a child visiting Disneyland for the first time, a little 'too much' perhaps, but to make the idea.

Today the range of cosmetics Kiko Make Up Milano is more accessible, thanks to the new online store:

www.kikocosmetics.com

that allows to buy in seconds the products and receive them quickly at home.

The multi-channel approach allows the brand to develop a strong action of cross-selling between channels distribution, able to increase sales, allowing the consumer to choose their own preferred purchasing channel and more accessible, resulting in a greater loyalty to the purchase.

The absence of particular advertisement is one of the reasons that allows KIKO to be competitive on price. Clients are guaranteed only by passing the word (usually among friends).

SWOT ANALYSIS:

Strenghts

Weaknesses

Quality levels

Innovation

Corporate communication system

Product reliability

Brand reputation

High initial cost

Distribution coverage

Difficult to enter to developing country

Opportunities

Threats

Rate of industry growth

Ease of industry change

Regulatory environment

Trade/tariff protection

Exchange rates effects on competition

Rate of change of customer tastes

PRODUCTS

MAKE UP

Face: Primer, Foundations, Concealers, Powders, Bronzers, Blush, Illuminating Powders, Fixing Products.

Eyes: Primer, Eyeshadows, Eye Pencils, Mascara, Eyeliners, Eyebrows.

Lips: Primer, Lip Glosses, Lipsticks, Lip Pencils.

Hands: Nail Polishes, Nail Care, French Manicure, Nail polish removers, Nail polish fixers.[i]

KIKO's Make up line is:

Colour: Hundreds of colors and textures for multiple combinations;

Innovation: Constantly updates;

Safety: careful, in-depth clinical testing to produce hypoallergenic products formulated to minimize allergy risks; they are non-comedogenic (face make up) and ophthalmologically tested (eye make up);

Range: seasonal collections up to date with the latest beauty trends;

Trends: fashion, design and art are a rich source of inspiration;

Textures: pleasing and soft;

Fragrance: delicate and pleasant;

Quality/Price: high quality level, despite the low prices.

SKIN CARE

Face: Cleansing, Moisturizing, Anti Blemish, Exfoliators, Wrinkles, Visible Wrinkles, Beauty Masks, Special Treatments.

Lips: Lips specifics.

Body: Specific Treatments, Pampering for the body.

Hands: Hand Cream, Sanitizers.

Solars: Self-tanning.[ii]

KIKO's creams are:

Technology: latest discoveries, unique and revolutionary;

Safety: formulated and tested to ensure that they are hypoallergenic and non-comedogenic; treatments for the skin around the eye area are ophthalmologically tested[iii];

Efficacy: The specific needs of women are the true source of inspiration;

Sensory Effect: Amazing, soft velvety textures, fresh and sophisticated fragrances;

Clarity: The efficacy treatments is proven, our directions are clear and our promises are corroborated by results.

Practicality: convenient sizes, modern and functional packaging are;

Luxury: purest and most precious ingredients are coupled with a long research process aimed at identifying the most effective, pleasing and safe combination;

Preparation of the Make up: skin care products are made to enhance the performance and staying power of makeup.

ACCESSORIES:

Face Accessories: Applicators, Cleansing Sponges, Tweezers.

Eye Accessories: False Eyelashes, Eyelash Curler, Sharpeners.

Hand Care Accessories: Files, Manicure, Nail Polish Removers, Nail Polish Fixers.

Brushes: Eye Brushes, Face Brushes, Lip Brushes, Brush Cleanser, Brush Kit, Brush Holder.

Empty Travel Containers.

Make-up Cases.[iv]

KIKO does not carry out or order testing on animals, pursuant to the relative European laws.

Our targeted market in India is very similar to the European market.

MARKET OPPORTUNITY ANALYSIS

We considered many factors in deciding which market would be better to enter for KIKO.

The three countries that we took in consideration are India, Denmark, and Pakistan.

The factors we have found most important in deciding which country to enter are: GDP per capita, Consumer income level, Internet penetration, IEF Index of Economic Freedom and Grooming habits.

GDP (Gross Domestic Product) per capita suggests the host development opportunities and a higher probability of success.

Income level determines the consumer purchasing power of a specific country.

Internet penetration is a key in a global economy where almost every organization does business by internet. The Internet is a critical tool that KIKO must use to inform their consumers of the product offer.

Index of Economic Freedom is an annual index and ranking to measure the economic freedom in the world's nations.

Grooming habits identify the level of reception of Western beauty products .

MARKET EXPANSION SCREENING

Country

GDP per capita

(The world bank 2011)

Consumer Income level

(The world bank 2011)

Internet penetration (Rank)

(Wikipedia 2011)

IEF

Index of Economic Freedom (Rank)

(The Heritage Foundation and The Wall Street Journal)

Grooming habits

(Euromonitor 2012)

INDIA

\$837. 75

Lower middle income

3

119th

Indian consumers add modern toiletries and cosmetics to the list of essentials product.

In 2011 spending on cosmetics passes to Rs 314 (\$6) from Rs 177 (\$3) in 2006.

Increasing interest for western beauty products.[v]

PAKISTAN

\$672. 10

Lower middle income

26

121th

The high priced of necessities products urged families to allocate their budget to food, with reducing their expenditure on products supplementary like cosmetics.

Usage of cosmetics is still considered luxury for the majority of the population.

The urbanization rate is bringing labourers and slum dwellers with a overall awareness of personal hygiene still low into cities.[vi]

DENMARK

\$30687. 46

High

income

56

9th

Danish consumers are big spender on personal and beauty products.

In 2011 spending on cosmetics reached Dkr 197 (\$37).

Mass market brands by the likes L'Oréal and P&G remain the mainstays of cosmetics Danish market.[vii]

After reviewing the above Information, India was selected as our target country.

India has a lower middle income level, which means that the india acquisition power is compatible with KIKO's prices.

India is at third rank in the global list of countries by number of Internet users in 2011: the amount of people connected to the internet is higher in India, than the other.

Taking Index of Economic Freedom into consideration India is ranked higher than Pakistan.

Analyzing the grooming habits India stands out as the most promising new market for KIKO.

After analyzing different countries we noticed that the cosmetics industry in Asia is a developing industry and that in recent years, the western lifestyle is spreading among Asians.

We chose to introduce the European cosmetics in the world biggest continent Asia and selected the country of fastest growing economy India.

According to analysis and datas provided by the Confederation of Indian Industries, the indian cosmetic market size is currently \$ 950 million and has a growth rate of 15-20% per annum.

With around \$60 million of the market the fastest growing segment is color cosmetics. Industry sources estimate a growth rate of 20% per annum among different segments of the cosmetics industry reflecting with a growing demand for all types of beauty and personal care products. Growth in the Indian Cosmetic Industry has come primarily from the low and medium priced categories that represent the 90 % volume of the cosmetics market.

[viii]

COMPETITIVE LANDSCAPE

Hindustan Unilever accounted for a 29% value share in colour cosmetics in 2011, partly thanks to the leading brand Lakmé. It started a long-lasting range of make-up under the brand Lakmé Absolute, with Kareena Kapoor, who is a leading Bollywood star, as the brand ambassador. Since Indian consumers attach a great deal of importance to the face of the brand, Hindustan Unilever brought a new face to the brand. To compete with the Lakmé Absolute long-lasting range, other manufacturers are also likely to introduce similar ranges of long-lasting colour cosmetics.

In 2011, many companies launched new products and were successful in maintaining their value shares. Surprisingly, smaller players such as Faces Cosmetics India witnessed a rapid rise in value sales in line with Hindustan Unilever in 2011.

L'Oréal witnessed a rapid increase in sales.

Mass brands continued to dominate colour cosmetics in 2011. Premium brands such as Estée Lauder and Elizabeth Arden have started to gain acceptance amongst urban consumers; however, they remain niche.[ix]

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Currently in India the leading cosmetic brands are:

Lakmé

Revlon

Oriflame Cosmetics S. A.

The L'Oréal Group

Chambor

Maybelline

Avon Products, Inc.

Make-up Art Cosmetics or MAC Cosmetics

ColorBar cosmetic

Street Wear[x]

BASIC CHARACTERISTICS

India (Republic of India) is a country in South Asia, with capital New Delhi.

It's the seventh largest country by geographical extension in the world with 3, 287, 263 Km and the second most populous with 1, 210, 193, 422 inhabitants.

Indian Standard Time zone (IST) is the time observed throughout India and Sri Lanka, is UTC/GMT +5. 30 hours.

The climate changes from temperate in north to tropical monsoon in south.

The official currency of India is Indian Rupee (INR).

The official language of India is Hindi and English is an additional language for official work. Also are recognized several local languages.

Natural resources in India are: manganese, mica, coal, iron ore, bauxite, titanium ore, chromite, natural gas, diamonds, rare earth elements, petroleum, limestone and arable land.[xi]

Demographics datas are:

MEDIAN AGE-Female: 27. 2 years -Male: 25. 9 years

POPULATION GROWTH RATE: 1. 312%

URBANIZATION: 30%

RATE OF URBANIZATION: 2. 4%

ECONOMIC ENVIRONMENT OF INDIA

Some economics datas are:

india-gdp-per-capita. png

GDP per capita: US\$ 837. 75

india-gdp-growth-annual. png

GDP real growth rate: 4. 5%

LABOUR FORCE: 487. 6 million

LABOUR FORCE Agriculture: 53% Industry: 19% Services: 28%

UNEMPLOYMENT RATE: 3. 80%

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INFLATION RATE (Consumer prices): 6.84%

EXCHANGE RATE (Indian rupees per Dollar): 53.17

EXPORT: US\$309.1 billion

IMPORT: US\$500.3 billion

EXPORTS PARTNERS: Ue 12.7%, Us 10.8%, China 6.2%, Singapore 5.3%,
Hong Kong 4.1%

IMPORTS PARTNERS: China 11.9%, Ue 7.7%, Switzerland 6.8%, Saudi
Arabia 6.1%, Us 4.9%

Currently India is turning into an open market economy.

An acute balance of payments crisis in 1991 forced the nation to liberalize its economy, emphasizing both foreign trade and direct investment influxes.

Economic liberalization, which began in the early 1990s served to accelerate the development of the country, which has an average of over 7% per year since 1997.

India has been a WTO member since 1 January 1995.

Major agricultural products include rice, wheat, jute, oilseeds, cotton, tea, sugarcane, and potatoes. Major industries include textiles, chemicals, pharmaceuticals, biotechnology, food processing, steel, transport equipment, cement, mining, petroleum, machinery, telecommunications and software.

In 2006, the share of external trade in India's GDP stood at 24%, up from 6% in 1985. In 2008, India's share of world trade was 1.68%; In 2011, India was the world's tenth-largest importer and the nineteenth-largest exporter. Major exports include petroleum products, textile goods, software, engineering goods, chemicals, jewellery and leather manufactures. Major imports include crude oil, gems, fertiliser, machinery and chemicals. In the last ten years the contribution of petrochemical and engineering goods to total exports grew from 14% to 42%.[xii]

India's economic growth began to slow in 2011 due to a restrictive monetary policy aimed at addressing persistent inflation and a decrease in investments, caused by investor pessimism on domestic economic reforms and on the overall situation.

High world oil prices have contributed to an increase in the fiscal deficit. At the end of 2012, the Indian Government announced reforms and measures to reduce the deficit to reverse India's slowdown.[xiii]

Key Strengths

Key Weakness

Future consumer market: in 2020 27% younger than 15.

Large population of world class competitive industries, it-competent workforce.

Economic growth averaged: 8% since 2003.

Stable financial institutions.

Strong legal system.

Limited foreign investment.

Inadequate infrastructure.

Inadequate domestic savings that could fuel investment.

“ According to a 2011 PricewaterhouseCoopers report, India’s GDP at purchasing power parity could overtake that of the United States by 2045. During the next four decades, Indian GDP is expected to grow at an annualised average of 8%, making it potentially the world’s fastest-growing major economy until 2050. The report highlights key growth factors: a young and rapidly growing working-age population; growth in the manufacturing sector because of rising education and engineering skill levels; and sustained growth of the consumer market driven by a rapidly growing middle class. The World Bank cautions that, for India to achieve its economic potential, it must continue to focus on public sector reform, transport infrastructure, agricultural and rural development, removal of labour regulations, education, energy security, and public health and nutrition.”[xiv]

STAFFING

The board for our new company will be selected by:

Expertise-(Evans, 2007)

Bring in directors from the outside to bring in experience.

For a company entering a new market, it will help if the directors have outside experience with significant mergers and acquisitions.

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Board experience-(Evans, 2007)

Bring in people who have already served in a board before because they have the experience and, also, they understand the critical issues of a company along with them understanding the dynamics that could affect how the board performs.

non-CEO candidates-(Evans, 2007)

We also can't miss looking at former CFOs, COOs, development directors, and sales directors especially those working for well-known companies.

This should be considered because these individuals are hungry and they want board experience which can be beneficial for a small company like us.

Board size-(Evans, 2007)

The size of the board will be manageable by us having 5 directors with hopes of expansion over time based on success.

A manageable board size can help because roles are divided more evenly and also it avoids social loafing as more people can increase the possibility.

Participation-(Evans, 2007)

Our people must dedicate valuable time to this company especially under dire circumstances such as approaching time sensitive challenges.

We will hire individuals that are within proximity of the company.

Division-(Evans, 2007)

The board will be divided into heading focused committees, which will be that all directors will head a committee which solves a certain issue, for instance, making a committee to figure out how compensation will be applied.

Subordinates will be members of this committees headed by the directors chose.

Subordinates will be selected based on the dedication spent on figuring out the issues given to them.

Skills and mindset will also be used in the selection of the subordinates as those that are very smart at the issues given that can hurt a company will do wonders for achieving company effectiveness.

Product Development: (Wild & Wild, 2011)

Our products will be made in both Italy and India based on the resources each company provides.

Makeup will be made in India because of the access of resources needed to make the product with India being a magnet for oil production.

Face and Body treatments will be made in Italy because of their access to materials needed for formation of that.

Distribution:

Our distribution facilities will be wherever the product is made to avoid having to travel to distant countries.

Our travel will consist of trips from our manufacturing headquarters of our products to big Indian markets which is where our products will be bought by future consumers in the urban city.

Branding:

Our brand will occur at our facilities and it will consist of an Italian-related logo in order to honor the home country of our company.

We will hire from: (Wild & Wild, 2011)

Italy-Because it is the home base of our company.

India-Because it is the host base for our country.

United States-Because of their expertise with international business and also they are English speakers, which will be our business language to eliminate differences amongst workers with administering the most common language used amongst international business.

Bibliography

Evans, B. R. (2007, January 20). CEO Columns. Retrieved April 14, 2013, from Inc.: <http://www.inc.com/inc5000/articles/20070401/evans.html>

Wild, J. J., & Wild, K. L. (2011). International Business. Upper Saddle River, N. J.: Prentice-Hall.

MARKETING

Language Differences:

We will make all board members speak English on account of it being the most used language along the globe to eliminate confusion among communication.

Italy: Italian is a romance language which involves facing problems with syllable timed words in English.

Source: <http://esl.fis.edu/grammar/langdiff/italian.htm>

India: Indians are more fluent in English because English is a prevalent language.

Source: <http://esl.fis.edu/grammar/langdiff/hindi.htm>

Cultural Differences:

Italy: People in Italy care about the motto “Bella figura” which means good image. Italians pride themselves on their appearance as it indicates social status, your family’s background, and education level. Clothing and fashion is paramount in Italy as they also pride themselves in the clothes they own and their image being the facilitation of their confidence, style, and demeanor. First impressions with Italians are always lasting impressions among each other. Age and social standing is always assessed from Italians even before any conversation is started.

Source: <http://www.kwintessential.co.uk/resources/global-etiquette/italy-country-profile.html>

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India: Indians focus more on religion, relationships and family values being their paramount values. Hinduism is the basis of their culture as it dictates the way they dress based on color codes. Color codes are used to identify the religions and rituals that are performed by people. Hierarchies are usually created which is basically how their relationships are created among people rather than creating relationships individually. Indians are very conscious of social order and they refer to people as family, friends, or strangers. They view the top person of a hierarchy as the leader, for instance, teachers and bosses are examples of this and are referred to as gurus.

Source: <http://www.kwintessential.co.uk/resources/global-etiquette/india-country-profile.html>

Marketing:

Italy:

Advertising and Sales Promotion:

Plenty of advertising agencies are present in Italy.

Consumers usually read newspapers and periodicals for getting interested in products.

TV marketing is more expensive but more effective for promoting the message.

E-commerce isn't widely used along the country which can be a problem for reaching India in terms of connection.

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Source: [http://www.startupoverseas.co.](http://www.startupoverseas.co.uk/starting-a-business-in-italy/marketing-a-business.html)

[uk/starting-a-business-in-italy/marketing-a-business.html](http://www.startupoverseas.co.uk/starting-a-business-in-italy/marketing-a-business.html)

India: A company like us being a cosmetics industry could be an advantage for us in India because we are involved in making people beautiful and also making sure they take care of themselves facially, which is a sign of gaining social status among people in the city. Offering new type of products in a new country can be a different story as not only we face competition from other brands but also from convincing people to upgrade from the usual ways of making themselves look beautiful in the morning. We can't rely on our home country making up for the adjustments we could encounter as a new brand in a new market as that theory is overvalued.

Source: [http://www.startupoverseas.co.](http://www.startupoverseas.co.uk/expanding-a-business-in-india/entering-the-market.html)

[uk/expanding-a-business-in-india/entering-the-market.html](http://www.startupoverseas.co.uk/expanding-a-business-in-india/entering-the-market.html) India

Cultural Sensitivity

This is paramount as sometimes a strategy that works well in one country might not work well in another country, as the translation could be hurtful.

Jokes cannot be used against:

Family-this is the center of the social structure in Italy and provides emotional and financial support among each other.

Appearance- It is a priority to always look good in public and a disservice not to look good.

Italian Stereotypes- Stress admiration for Italy's strengths not its weaknesses.

Use quality when advertising, not quantity.

Advertising differences

Italy:

A communication problem exists in country based on translations in one country possibly repelling consumers away as the message could offend them.

focused on short term as long term focus could not bring satisfaction among italians.

their strategy is running frequent street ads along the street hoping one of them can draw consumers to their product.

this is also done because high traffic tears down the ads with the hopes that one ad will not fly off the post.

italian law controls the appropriates of ads once they are made which poses a problem for garnering attention for consumers as other countries garner success off of sometimes provocative and subliminal advertising.

Italian law controls which ads will be presented to public as potentially hurtful ads can offend Italians.

Source: http://media.illinois.edu/rome2011/entry/characteristics_of_italian_advertising

http://media.illinois.edu/rome2011/entry/characteristics_of_italian_advertising

<https://assignbuster.com/economic-environment-of-india-marketing-essay/>

India:

Most creative in the world.

Made progress in last 10 years.

Advertising is in favor of the middle class.

Fluency in English has made this success possible.

Amount of Indian newspapers have grown which is also a reason for success.

Promotion activities have also been well developed with a number of exhibitions taking place in huge Indian cities.

TV marketing is growing with the advancement of satellite TV in India.

Style of content: more in touch with western civilization based on their bold advertising lately per a google search.

Source: <http://www.indiaonestop.com/markets-advertising,%20direct%20marketing...htm>