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MARY KAY COSMETIC (MKC) CASE INTRODUCTION One of the direct seller of beauty product in America Mary Kay, is a second largest cosmetic brand in the world, behind Avon, and ranked 14th in the global cosmetic market in 2015 with a 1.

0% value share. In line with beauty trends, Mary Kay focus on emerging markets where consumer demand for its direct selling model is more effective. Asia-Pacific markets represent major growth opportunities for MKC. These markets for Mary Kay, including Australia, China, Hong Kong, India, Korea, Malaysia, New Zealand, the Philippines, Singapore, and Taiwan. The company have nearly 3.

5 million global distributors. It significantly outperformed its crucial competitor Avon over the review period, thanks to its showy performance in China where Avon and others have struggled. Its focus on beauty as opposed to a multi-category portfolio is a key part of its success, as potential distributors respond to the brand's simplicity. The company entered China in 1995 and as of that day China is the largest sales revenue outside of America. Part of Mary Kay's success in China has been attributed to the company's message of female empowerment and femininity, which has resonated in China, a country where young women have few opportunities to start their own businesses. Speaking about the corporate philosophy at Mary Kay, Mary Kay's corporate objective is not only to create a market, selling skin care and cosmetics; it's all about enriching women's lives by helping women reach their full potential, find their inner beauty and discover how truly great they are.

STRATEGIC DIRECTION Mary Kay plans to enrich its colour cosmetics product portfolio in the forecast period to seek new growth opportunities among the accumulating competition in the beauty and personal care market. Mary Kay set up a new manufacturing centre in Hangzhou during the review period. The maximum capacity of the new factory area is 90 million colour cosmetics which explains us the growth of the company. In view of the compelling competition in top level cities, MKC has shifted its focus to penetrate lower level cities. In the past years, almost 70% of sales coming from third and fourth level cities in China. Apart from contracted individuals, Mary Kay has made great use of social media channels such as WeChat and Weibo to reach consumers in small villages and towns in China. As a result, MKC is mainly engaged in the production and distribution of beauty and personal care products, including colour cosmetics, skin care and sun care products, fragrances and men's grooming. **COMPETITIVE POSITIONING** MKC has made great gains in China, the world's most preferred beauty market, while direct selling peers such as Avon saw share slip.

Avon, its main global competitor, spun off its USA business in 2016 after years of struggling to make the market work. This is the company's key competitive advantage, one it has back up by keeping its offer simple, focusing on beauty mass market products. This, and its comparatively low start-up costs make it an attractive fascinating proposition for distributors, and a sales system based on skin care classes has built loyalty with its customer.

MKC ranked fifth in the overall beauty and personal care market in 2016.

Marketing a wide range of products in beauty and personal care, Mary Kay has

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been making consecutive efforts to understand local customer needs and undertake its corporate social responsibilities, such as the Mary Kay Women Venture Fund to help female entrepreneurs and to enrich women's lives. With a wide range of beauty and personal care products, mostly targeting mid to high income consumers, direct seller MKC maintains its leading position as one of the top five competitors in skin care in China. To meet transforming needs and increasing consumer awareness of personal grooming, MKC has enriched its product portfolio in colour cosmetics.

Many international companies have found it hard to penetrate lower level cities, especially villages and towns, due to logistics problems. Mary Kay has to achieve this challenge through direct selling. Consumers in most of the villages can receive products directly from Mary Kay contracted individuals, and the number is increasing each year. MKC offers training to these individuals through the internet, and believes that direct selling is the most effective way to penetrate lower level cities, as not as many consumers in villages and towns can reach the internet. CATEGORY AND GEOGRAPHIC BENEFITS Emerging markets continue to offer the good opportunities to Mary Kay, as their direct selling sales channels remain more elastic. Sales of beauty via direct selling in these markets are forecast to generate 70% of the model's sales in 2020, up from almost 70% in 2015.

Lower levels of urbanization in these markets mean that distributor and customer relationships are often based on family, and are stronger. There is less consumer ironicalness about the model, and fewer women in the workplace means consumers are more likely to be able to find the time for the face to face experience at home. Mary Kay can leverage these female

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friendships to form trust-based buyer-seller relationships, while offering a way to generate a supplemental source of revenue. A dip in sales in China in 2015 saw a confluence at the end of the review period, but emerging markets continue to hold significantly stronger growth opportunities, despite rapidly changing consumer habits. China and the US are the company's most crucial markets for MKC over 2010-2016. These markets should build growth going forward. Its success in China leaves MKC well positioned for long term growth. A decreased dependency on China and the US would be good for the company.

However, given the problems the direct selling model faces it looks strong, not least because its most direct competitor Avon continues to struggle. Much of Mary Kay's success has been driven by its focus on the most important parts of the USA consumer base, including Latina women, who are among the lowest level social group in the USA. It has supported this with increased marketing spend and in particular social media usage - this has seen recruitment levels of 18-35-year-olds grow in 2015 and is leading it away from its traditional perception in the USA as a middle-aged brand. Mary Kay also enjoys a better reputation for product quality among USA consumers, and although its start-up costs are higher than Avon's, this is offset by a higher commission percentage on each sale. Asia Pacific is Mary Kay's primary development target, generating almost 50% of sales in 2015. China built this growth, but given the company's limited presence in ten markets set to see strongest growth in absolute value terms through future years, there is significant opportunity for more. Of these markets, Mary Kay held visible share in just China and the Philippines in 2015. It abandoned India in

2013, citing regulatory concerns and poor sales; however, the managerial environment there is becoming more formalized, and the country's large, young, increasingly urban and aspirational demographic are worth another attempt.

HEDONIC CONSUMPTION Cosmetic is a hedonic consumption which is consumption of products by individuals for experiencing happiness after satisfying basic needs of food, clothing and shelter. Consumption of items which are necessary for survival is called as utilitarian consumption. So after satisfying utilitarian needs if individual is left with resources they can spend it on enhancing emotional pleasure which is known as hedonic consumption in consumer behavior theory.

The emotional pleasure generated by hedonic consumption can vary with every individual unlike in utilitarian consumption where satisfaction level is same for every individual as they are basic needs. In today's society, consumers are continuously exposed to imagery of highly attractive females advertising cosmetic brands. The high consumption of cosmetics is due to the great importance assigned to physical appearance in our present society - in which beauty and physical attractiveness are constantly emphasized as desirable and admirable characteristics.

This study analyses the effect of perceived instrumental and hedonic brand associations on women's satisfaction with cosmetic brands. Overall Mary Kay's main focus is to provide top quality skin care and color cosmetics that target women ages 25-55, while still offering products that satisfy the needs of men and other women as well. Their products are readily available to

anyone in the world through online ordering and referred salesconsultants. Customers, especiallywomen, love how the products make them feel. CHINESE COSMETIC LANDSCAPE Women Behaviour Mary Kay provides a wide range of differentproducts including skin care, fragrance, color cosmetics, hand and body care, suncare, and special occasion gifts. Although they do provide products for theneeds of both women and men, they're targeted more towards women age 15 and up. When looked at even further, their core focus is skin care and skin careproducts for women age 25-55. Women who were born in the 1980s and 1990sare the fundamental users of colour cosmetics.

Younger generations payattention to their appearance and tend to try new products. Popular make-upstyles, as well as trendy colours, encourage consumers to purchase more colourcosmetics. At the same time, players have made efforts to cooperate with keyopinion leaders such as celebrities, make-up experts and beauty bloggers toboost sales of hot items.

Competition Some Chinese cosmeticsproducers such as Chinfie, CMM, Houdy, Longrich, Herborist and Chando gained alot of market share with their international counterparts. Meanwhile, somedomestic brands that have been long established as Pechoin, Maxam and Bee are also actively changing, rejuvenating their products or develop newones to meet the market demands. Today, some large domestic companies havedecided to develop high-quality products to meet the increasingly needs ofconsumers in the middle and high-end domestic markets. China encounters a lotof competition from foreign brands such as Mary Kay, Shiseido L'Oreal, EsteeLauder and Olay. Even if these global giants engage in

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oligopolistic competition, the low-end market is divided by locals. The market for cosmetics is dominated by foreign brands.

In 1992, Avon's presence was geographically concentrated in Southern China which left large market opportunities for MKC's products to be introduced across China. Currently, major cosmetic brands present on the shelves of pharmacies include Vichy, La Roche-Posay, Freeplus and Simple. Domestic brands such as Tongrentang, Herborist and Sanjiu are also part of the cosmetic market and are gradually recognized by consumers. Demographic When deciding between a direct investment into either China or Japan, it appears as though China has a much larger potential upside. While Japan is a mature and competitive market under an oligopolistic cosmetics reign, China is growing at alarming rates.

The total Chinese population is roughly ten times larger than the Japanese population and China's urban population is roughly 307 million while Japan's is only 95 million. To put the Chinese urban population into perspective, there are millions more people living in urban China than live in the entire United States. Urban Migration According to government figures, China's economic growth in the past three decades has increased 700 million people out of poverty. China also observed the largest migration of people from rural to urban areas during this period. The share of citizens living in cities will rise to 60% by 2020 in China due to the report of National New-Type Urbanization Plan. China attempts to shift from investment to consumption-driven growth.

This migration trend has created megacities; populations were tens of millions, which creates lots of challenges, which China must overcome. This makes China's urban growth more environmentally sustainable, socially inclusive, and powered by urban planning focused on effective land conversion and land-financing policies. Chinese experienced greater economic growth in urbanization process and that's why offered better employment opportunities with higher productivity and wages. Also rural land-policy changes and the household registration system also led people to migrate from rural areas to urban areas. Chinese society and economic structures have affected by migration. Health insurance, pensions, schools, housing and services are demanded after the migration and the number of traditional family-based Chinese decreased.

Crowded cities need better city and transport planning to make them more effective and more livable. Another crucial thing is an employment opportunities. For example, service sector can be efficient in order to absorb migrants to cities.

The Chinese Government has also initiated on regional economic planning projects. Ultimately, the trend toward urbanization is inspiring brands to focus on the customer experience. In doing so, companies are adopting innovative approaches to physical space and cultivating personalized technological services for consumers. The spread of city culture means customers are willing to pay more for brands that sell experiences and lifestyle as well as provide on-demand convenience. China is set to become largest cosmetic market in the world

JAPANESE COSMETICS
LANDSCAPE MARKET, CULTURE, TRENDS AND WOMEN

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BEHAVIOUR Women Behaviour There is a strong natural beauty trend in Japan, with women increasingly seeking a naturally healthy appearance rather than a dramatically made-up look. This proved beneficial for colour cosmetics in the main, however. Women are updating their colour cosmetics in search of products that offer subtle and natural colours and the appearance of a glowing skin.

Cushion foundations benefited from this trend, with these positioned as creating a natural and fresh complexion. There was also a growing focus on seasonal colours within colour cosmetics, with autumn for example seeing the growing use of warm browns and spring seeing a stronger focus on pink colours across colour cosmetics. Sales towards the end of the review period benefited from a rise in tourist demand, particularly from young Chinese women. Many Japanese colour cosmetics brands have an iconic image in China, with these linked to positive reviews online, particularly via micro-blogging site Weibo. While overall spending per tourist dipped in 2016, due to a stronger Japanese yen, colour cosmetics continued to see interest from tourists as a result, partly due to being relatively affordable in comparison to higher-priced purchases such as personal accessories. Demographic After 1990, more women started getting higher education and attending to the business life. After they start earning money, the women have more interest on hedonic consumption such as cosmetic, travel and etc.

Japanese women interest with foreign brands and they spend three times more than Western women consumer. Although the majority of the cosmetics purchases are from women between 20-29, the population is growing older in 2000, the greatest percent of women were 50+. Japan's ageing population

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offers both challenges and opportunities, with players becoming more adept at catering to the needs of older women. More accessible and easy-use products particularly appeal to this group. As people age, many find it more difficult to use small packaging and packaging that is complicated or difficult to open. The review period saw a number of launches of colour cosmetics specifically targeted at senior women, both via packaging and the use of subtle colours, such as Shiseido's Prior, Kao's Primavista Dea and Kosé's Elsia. Urban Migration ??? Competition Shiseido continues to lead colour cosmetics and marginally increased its share.

The company is well-known both in Japan and globally and has a high quality reputation, while its strong brand portfolio covers both premium and mass products including Maquillage, Shiseido FITIT and Clé de Peau Beauté. In 2016, the company also benefited from acquiring US company Gurwitch Products, which added premium colour cosmetics brand Laura Mercier to its portfolio in Japan. Domestic players lead colour cosmetics, with the top four companies Shiseido, Kanebo, Kosé and Kao. These players benefit from a number of factors, including many Japanese consumers' belief in the higher quality of Japanese brands and their desire to support their domestic economy. Japanese brands' reputation for quality and innovation also attracts many tourists visiting the country.

These companies also benefit from investing heavily in research and development, thus continuing to offer new products developed to meet consumers' demands. There are also many significant international players, however, with a wide range of global brands offered in Japan. L'Oréal notably ranked fifth with 5% value share in 2016, thanks to its fashionable and

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affordable mass brand Maybelline and iconic premium brands such as Lancôme and Helena Rubenstein. Research and development The company has an underwhelming history of product innovation, typically following rather than leading. This is in line with its mass-market position; however, this may become more of an issue in the long term as it seeks to improve its competitiveness. RECOMMENDATIONS MKC should also advertise Men's Products Mary Kay has a wide range of men's products line from skin care to fragrances. But there is a lack of product awareness among men. Most men wouldn't be aware of this men's category if they didn't surf on Mary Kay's official website or if they didn't get recommendations from people who purchase MK products.

When men enter the website they face with Mary Kay's slogan "Enriching Women's Lives" at the main page which may make them uncomfortable even though the meaning of this slogan has nothing to do with the actual products. Therefore, only advertising towards women and hiring mostly women as beauty consultants, are not so effective to target also men. It is obvious that Mary Kay should make advertisements which focus on men skin care and should also train consultants for men products. No Store to Sell Products - Everything is Door-To-Door (Real stores at the malls and main shopping areas) The company is against to opening a retail store in order to sell its products. The problematic results of not having a retail outlet can be reducing amount of people who are just walking by.

Imagine that company has a store located near the shopping mall or inside it, lots of customers will visit the store even if they don't need anything but it will provide company the great awareness. Company is losing lots of

potential customers by not opening the stores. Small Size Compared to Competitors (MKC should work on the revenue increasing) Mary Kay and Avon's revenue is smaller than other competitors. Mary Kay's revenue exceeded \$2.6 billion in 2008 and Avon's revenue was more than \$10.6 billion in 2008, which is almost five times more. Small size of Avon cosmetics can be a problem when it will compete with other competitors.

That's why a big difference in revenue is led to Avon widen the product range which spread far from cosmetics. HOFSTEDE INSIGHTS CHINA JAPAN Mary Kay Cosmetics: Asian Market Entry Case Analysis The Porter Diamond theory of national advantage is a model that aims to provide a better understanding of the competitive advantage that group or companies possess as a result of certain circumstances (Yetton et al, 1992). In addition, the Porter Diamond Theory helps to acquire a better understanding of the ways in which a company can change its position in the competitive global environment (Zumbach, 2009). The need for understanding and applying international marketing in the work of organizations is increasing every year. This is due to both the expansion of international relations and the use of marketing as a basis for developing a market strategy for organization and improving the competitiveness of products and services that are being manufactured and sold. In the event of entering the world market, the organization has to carefully analyze it, choose the right markets and develop a strategy on how to enter the most suitable market.

All of the above causes an increased interest in international marketing and the problematic aspects of international marketing, including in a crisis situation. The competition in the foreign market is more severe, and <https://assignbuster.com/mary-to-penetrate-lower-level-cities-in-the/>

the customer is more demanding (Jain, 1989). Further expansion of Mary Kay to Asia promises to be successful. Firstly, the countries of Asia region are currently actively developing (Palamalai & Kalaivani, 2016). The standard of living in them is growing; the number of people who can rank themselves as middle classes is rapidly increasing (Brendan & Siok Kun, 2017). Secondly, this area is attractive for investments - many large world corporations open their branches here. Thirdly, these countries typically have low competition in the sphere of makeup and skin care (Greany & Karakaovali, 2017).

The Asian region is attractive for tourists, a large number of Europeans and Americans come here to work under the contract. In carrying out foreign economic activities, organizations strive to maximally standardize their marketing mix, or bring it closer to the conditions of the foreign target market chosen for the distribution of their products. At the same time, the commodity policy of a company focused on the international market can be based on one of three strategies: - Distribution of goods in an unchanged form (as, for example, Coca-Cola, Pepsi-Cola without changing the composition of the beverage and trademarks); - Adaptation of the goods to the conditions and preferences of the chosen target market (for example, Starbucks coffee houses, adjusting the menu according to the preferences of the country); - Creation and promotion to the market of a fundamentally new product (Yang & Fam 2012).

As an example of an international marketing strategy, it might be helpful to consider the American company Starbucks, which in 1994 proclaimed its main goal to establish Starbucks as the world's leading supplier of high-quality coffee, preserving as it grows and develops a commitment to its

uncompromising principles (Taecharungroj 2017). Following the global strategy, in 1995 the subsidiary Starbucks Coffee International was established, which was set in the Asian region. At the same time, the complex of marketing activities is different in the domestic (US) and external (Japan) markets. More specifically, various sandwiches with local taste preferences were added to the Japanese market and the sizes of portions of dishes and drinks were reduced, since the Japanese did not eat much. In addition, customers were offered the option of replacing standard milk with soy (Haskova 2015). It might be helpful for Mary Kay to adopt a similar strategy. The changes should be insignificant, such as color or product name; less often they might concern the promotion strategy and the set of marketing communications elements (Wind, Douglas & Perlmutter, 1973). The price strategy can also be transformed.

The strategy should be applied for establishing unified prices or for ranking prices depending on the country.