

Product expansion and concentration in japan

Business



In terms of market potential, Japan is a significant market for prestige cosmetics next to the United States. This market is clearly critical for P&G's strategic expansion plans in Asia given that the company's Max Factor brand has barely cracked the \$10 billion Japanese beauty market. (Bartlett, 2004, p. 9) Likewise, strengthening the SK-II brand in its domestic market is imperative in its international success. Quelch (1999) notes that highly successful global brands are usually characterized by being "mature and advanced" in their home markets.

(p. 6) However, although SK-II is undoubtedly strong in Japan, its growth is still possible in its home market. P&G will benefit more from further investing on SK-II's rapid market expansion through product differentiation in the niche market. The company can use the popularity of the core products of SK-II to introduce other products that would enable the brand to capture a significant portion of the market. Undoubtedly, the SK-II's target market already has a high level of readiness for the brand's expansion outside of its core products.

This is evidenced by the success of the SK-II foaming massage cloth which took advantage of Japanese women's established skin care regimen in responding to unmet needs and demands. P&G could leverage its innovative technologies to support SK-II's focused market niche strategy in the Japanese cosmetics industry by developing highly-differentiated products based on the demands and preference of the affluent and highly discriminating Japanese women. The main risk that a home market-based expansion involves is the reaction from SK-II competitors.

Japanese-based prestige brands are likely to introduce more innovative products in an attempt to compete against SK-II product expansion

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initiatives. Japan is a highly mature market where consumers are already exposed to a number of brands and have developed their loyalties to these brands, which would make it more difficult for SK-II to expand its consumer base. Although this can undoubtedly be addressed by investing on more sophisticated marketing and product differentiation strategies (i. e.

technologies that would enable consumers to be convinced about the effectivity of SK-II vis-a-vis other brands), the mature characteristic of the Japanese market also entails that there would be limited growth prospects after market penetration. Hence, expansion in the Japanese market could still be achieved but it would contribute very little to P&G's strategic global interests. Third Priority: Brand Introduction in Europe Introducing SK-II would be more arduous in Europe despite the presence of a highly developed prestige cosmetics market.

Like Japan, Europe is a mature market saturated by major prestige product labels which made competition among brands more intense. The maturity of the European market also effectively made it more difficult for new brands to penetrate and capture a significant share of the market. A major entry barrier to SK-II's expansion in Europe would be the cultural differences between the European market and the brand's Japanese market. This would entail the development of versions of SK-II that are specifically adapted to the European consumer tastes and preferences.

European consumer's lack of familiarity with the SK-II brand also makes it imperative for the SK-II brand to be able to achieve a high level of differentiation from prestige products already in the market. In product development efforts, Procter & Gambles' established image as a mass-

market company in the West could have negative impact on SK-II's higher end market segment target as it could be associated with Olay. Thus, it is clear that SK-II's most reasonable choice for market expansion is China.

By entering the Chinese market, SK-II would not only be able to exercise its immense potential as a brand but would also be sufficiently aligned with P&G's over-all global strategy by gaining access to a strategic Asian market. In contrast, SK-II expansion in Japan and Europe would be limiting for the brand given that both markets are already mature and offers limited growth opportunities.

Works Cited: Bartlett, C. A. (2004). P&G Japan: the SK-II globalization project. Harvard Business School. Penhirin, J. (2004). Understanding the Chinese consumer. The McKinsey Quarterly, Special Edition.