

# Shiseido in china



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Case- Shiseido: Channeling Cosmetics in China 1. Marketing and distribution channels for cosmetics products performed mainly transactional and logistical function. Distribution channels such as the voluntary specialty chain stores perform transactional function when they buy these cosmetic products from the manufacturer and sell them in their individual stores. They share risk with the producer (Shiseido) as they stock merchandises in anticipation for sales.

On the other hand, counters at departmental stores and door-to-door selling perform logistical function, whereby they gather, sort and disperse these cosmetic products at these specific counters. For example, some departmental stores may place all the cosmetics counters together on a single level/ specified area in order to serve its customers better. They can also store these products together at a single venue. Door-to-door selling brings the products directly to the consumers.

Facilitating function can sometimes be performed in departmental stores as well, where they highlight the bestselling cosmetic brands/products through their own advertisements. Transactional function is generally more important than logistical function, as the former involves the exchange of value (transaction) of products and money, as well as the potential risk the intermediaries are taking up when they chose to sell these products. If the stock the intermediaries purchased is unsold, they suffer the loss and not the producer.

Hence, this function involves tangible gains and losses of the intermediaries, which usually tend to value these aspects more. 2. Channel Length Channel Intensity Creation of the Aupres brand which was sold in 350 departmental

stores in 2004 shows the approach of intensive distribution Shiseido undertook, Shiseido in China continued on this approach as it attempted to open specialty model stores for its own brands of cosmetic products (some imported from Japan- Shiseido UV White, and some locally produced brands such as WHITIA, ASPLIR) in China.

This started in March 2004, which expanded to 800 stores by August 2005, and over 5000 stores by end-March in 2011 due to its success. Channel Type There are various channel types adopted by Shiseido in China. Generally, Shiseido in China is specialised and it initially focused on an exclusive group of consumers through the Aupres brand, which targeted top one percent of Chinese population. Additionally, Shiseido started to expand into medium-priced brands (Za, Pure Mild China, UNO, ASPLIR) and lower-priced brand, DQ, in 2010.

It has now changed its target group towards the mass Chinese women and seeks to enhance their beauty and health. It generally segmented its range of products to suit the needs of the different consumer groups (looks for different price range of products). Under store retailing, Shiseido focuses on specialty stores through its voluntary specialty chain stores concept and selling its products through counters in departmental stores. In 2011, Shiseido has plans to commerce in e-commerce initiatives (non-store retailing) to expand existing points of contact with customers.

In 2010, Shiseido also launched a website for Chinese Mail-Order market. Factors influencing channel design and strategy •Customer Number/Dispersion The wide range of customers' purchasing power in China results in the dispersion of consumer segments. -> More brands to target

different marketing segments. •Market Practices/ Availability of Channels Large number of channels available in China - departmental stores and voluntary speciality stores. •Market Penetration and Coverage Initially selective (only in departmental stores) for high end products -> Intensive distribution through specialty stores. Service Quality and Response •Resources and Profits Improvements to be made to channel design Current channel design: Indirect channels Marketer/ Producer -> Retailers -> Consumers Shiseido can implement other channel designs to broaden its availability to consumers -> Implementing the multichannel marketing Shiseido can start a transactional website to increase sales and target a different consumer group from those who buy its products from retail stores. Eg. Males who find it difficult to purchase cosmetics good from retail stores. Promotional website to provide information about Shiseido's vast range of products will also be helpful in targeting cross-channel shoppers. 3. What retail strategy does Shiseido in China adopt? How is this strategy related to its segmentation, targeting and branding strategies? Shiseido in China adopted a voluntary specialty chain stores concept and departmental stores promotion as well as drugstores recently for its in-store retailing. This uses indirect channels to distribute its products to consumers.

This relates to segmentation as departmental stores and specialty chain stores cater to different groups of consumers because of the different brands of products they carry. More high-end and exclusive products are available in departmental stores and specialty chain stores. Medium-priced products specially designed for the China consumer market can also be found in these stores. Lower-priced brand such as DQ, can be found in drugstores instead.

Evidently, different brands cater to consumer groups with diverse affluence. Shiseido is using multi-branding strategy to reach out to its consumer market.