

The marketing strategies of Mary Kay Cosmetics



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Mary Kay Cosmetics is a multi-billion dollar corporation, with over 1.7 million consultants employed in over 36 countries world-wide. Founded in 1963 (with an investment of only \$5000), this direct selling company has steadily evolved into a major competitive force in today's cosmetics industry. With a mission to "enrich the lives of women," this company has utilized direct selling to provide its employees with endless opportunities (Mary Kay Cosmetics). The reason we chose to research Mary Kay is because of the company's tremendous growth and success. With over 200 beauty products and 5 different product lines, this company has achieved its goal of catering to women of all ages and skin types (Linked In). The following report focuses primarily on Mary Kay's Timewise Collection. The reason we chose to research this particular collection is not only because it appeals to the company's target market of middle aged women, it is one of the first lines the company ever introduced and has continually remained a best seller for Mary Kay (Patrick, 2010). By applying the marketing concepts of segmentation, the marketing mix, s. w. o. t. analysis, and social responsibility this report will explain how these strategies have contributed to the success of this company and the Timewise Collection.

SEGMENTATION

Demographic

Mary Kay provides a wide range of different products including skin care, fragrance, color cosmetics, hand and body care, sun care, teen products, and special occasion gifts, . Although they do provide products for the needs of both women and men, they're targeted more towards women age 14 and up

(Patrick, 2010). When looked at even further, their main focus is skin care and skin care supplements for women age 25-55.

Company

When it comes to recruiting independent sales consultants, Mary Kay targets women age 18 and up. Though it is uncommon for men to become independent sale consultant for Mary Kay, there are a few. Mary Kay offers an unparalleled career opportunity. In becoming an independent sales consultant, women are given the opportunity to manage their own business, earn one of the highest commissions paid in direct sales, and work towards incentives such as cars, jewellery, trips for their accomplishments (Underwood, 2002).

Geographic

Mary Kay products are available in over 35 countries worldwide. In Canada, products are available in all provinces, territories, and regions. This is due to the company's online purchasing option. This is an advantage for Mary Kay because it allows customers to view and purchase products online. All retail orders received online are referred back to the sales force in that customer's area. Because Mary Kay practices direct selling, building a loyal consumer base is a vital factor in determining financial success. Mary Kay recognizes this, thus any consultants who move away from their area do not lose their original customer. This is a geographical advantage for employees and customers.

Psychographic

Just as they did 47 years ago, women today appreciate the opportunity that Mary Kay offers to “try before you buy” in the comfort of one’s own home. They love the way the products make their skin look and feel on the outside and how putting their best face forward makes them feel on the inside. Mary Kay is not specific to any particular social class, personality or lifestyle. Mary Kay is for everyone with skin!

Behavioural

Mary Kay products are used on an everyday basis and are therefore considered a consumable product. Many customers will book a makeover for special occasions such as weddings and graduations. The company offers the highest quality products on the market at affordable prices, backed by a 100 % satisfaction guarantee. Most independent consultants offer on the spot delivery of the products the customer has purchased. Customers may also choose to be on their consultants Preferred Customer Program where they will receive the latest product brochure sent every 3 months direct from the company, along with samples and a gift with purchase offer.

Independent consultants will contact their customers to make sure their skincare, color and gift giving needs are met, introduce new products, get their customers in on contests and let their customers know how they can support women in their area and across the country through the “Look Good Feel Better Program” (supporting women living with cancer) and “Team up for Women Challenge” (raising money for women’s shelters). Due to all the benefits of their products, statistics show that Mary Kay has the highest brand loyalty among skincare and color cosmetic consumers.

Mary Kay herself said that consultants should always try to have 6 women at a skin care class. Of these 6, 2 will be unaware and probably broke, 2 will be informed and ready to try and to buy some of the products and the other 2 intend to buy and will take home whatever they want. At one time Mary Kay was thought to be an older ladies product, one your mom used, but over the last 15 years there is a new attitude. With new on trend products, cutting edge designs and use of the latest technology in product testing Mary Kay has become and remains a leader in the industry.

Summary

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. The company offers great incentives for those who wish to own their own business by becoming independent sales consultants. Their products are readily available to anyone in the world through online ordering and referred sales consultants. Customers, especially women, love how the products make them feel.

THE MARKETING MIX

Product

Mary Kay offers its customers an array of beauty and skin care products, all of which are separated into product lines that target specific problem areas and skin types. At the heart of these product lines is Mary Kay's anti-aging collection, Timewise. The Timewise Collection (which appeals to the majority of Mary Kay's customers) consists of moisturizers, replenishing serums, eye firming crèmes, and cleansers (Patrick, President, 2010). The purpose of these products is to renew the look of skin by decreasing lines and wrinkles.

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This is achieved by the natural ingredients and formulas contained within each product. These ingredients include gliadin, pomegranate extracts, vitamin A derivatives, vitamin E derivatives, and lucentrix complex (Mary Kay Cosmetics). Products from the Timewise Collection contain gliadin, a rich source of amino acids, because of the ingredients ability to firm and tighten the skin. Pomegranate extracts and vitamins A and E are used to neutralize pre-mature aging caused by the sun and the environment. Finally, lucentrix complex is used because of its ability to reduce discoloration and age spots (Mary Kay Cosmetics). The lucentrix complex is a formula developed and patented by Mary Kay's team of dermatologists. This creates value for the company's customers because this formula is exclusive to Mary Kay products.

Another way the company creates value for its customers is by offering a 100% satisfaction guarantee. By employing a team of board certified dermatologists and scientists (who conduct over 300 000 tests a year), the company proves its commitment to delivering customers products of unquestionable quality and value (Mary Kay Cosmetics). In this case, the augmented product is the company's 100% satisfaction guarantee and the ingredients are the actual products that all contribute to the core benefit of the Timewise Collection, which is to assist customers in reaching their full potential by instilling confidence by providing timeless beauty.

Place

Mary Kay's various distributions channels are another way in which the company has created value for its customers. Although Mary Kay products can't be purchased from retail outlets, they can be purchased via the

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telephone, one-one-one consultations, online as well as group consultations. This method of direct selling has given Mary Kay a competitive edge over its massly distributed competitors (Kotler, Armstrong, & Cunningham, 2010). The benefits of this strategy include speed, convenience, access to comparative pricing information, and most importantly, customer relationship management. Rather than driving to a drug store to look for the product one needs, Mary Kay customers have their products delivered right to their doorstep. Another benefit of this distribution method is the overall experience provided to customers. By conducting one-one-one consultations, customers are offered advice, informed of new products, and given the opportunity to address any questions or concerns they might have. This is another factor that makes up the augmented product created by Mary Kay. Because consultants are provided training to fully heighten their product knowledge, the company has more control over how their products are presented and pitched to customers. This creates a competitive advantage for Mary Kay as opposed to their mass-distributed department store competitors such as Revlon and Covergirl.

Price

One of the goals Mary Kay attempts to achieve when pricing their products is to fill their customer's make-up bags without emptying their wallets. Of the 200 products the company offers, 100 of them are \$18 or less (Mary Kay Cosmetics, 2010). Although these prices are fairly inexpensive, the company considers Lanacome, Estee Lauder and Clinique (all of which are considered to be "prestige brands") as its main competitors (Mary Kay Cosmetics, 2010). In terms of the Timewise Collection, Mary Kay's target market is the

middle aged woman(30-49). At this point in the life cycle, individuals of this age are either advancing in their careers or getting close to it. This explains why the company is able to price their products between \$20-\$50. Although this may seem excessive, compared to the “prestige brands”, Mary Kay utilizes the market share leadership strategy, by charging significantly less than its competitors. For example, the anti-aging moisturizer from Mary Kay’s Timewise Collection works out to \$0.40/ml of product while Clinique works out to \$1.17/ml, Lancôme’s \$1.27/ml, and Estee Lauder’s \$1.79/ml (Mary Kay Cosmetics, 2010). While these prices are significantly high, there are other brands, such as Covergirl and Maybelline, who set their price significantly low. The cosmetics industry, is therefore, under monopolistic competition. Estee Lauder promotes their product as being high quality and effective, while Covergirl promotes their products as being highly affordable. In the middle is Mary Kay and the Timewise collection, this is an example of value pricing. This could also be a form of psychological pricing. By offering products for a price that is lower than the prestige brands but higher than the lowest brands, customers who can’t afford Estee Lauder or Lancôme may choose to purchase Mary Kay over Maybelline because of their perceived value in regards to price.

Promotion

The first tool in the communicating mix is advertising. Because Mary Kay is a direct selling company, television advertisements are scarce. All consultants work independently as their own business, thus it is up to them to make their product known to the public. Mary Kay is promoted primarily by word of mouth; the relationships between the consultant and the customer is,

therefore, incredibly important. One form of advertising that the company did engage in was sponsoring the Country Music Awards in 2009 (Patrick, President, 2010). The reason being that the first Mary Kay location was established in Texas. Thus, some of the company's oldest and most loyal customers reside there. This made the sponsorship an easy choice for the company.

The second tool in the communications mix is sales promotions. Mary Kay's introduction of the " Mary Kay Rewards Visa Card" (see figure 1), is one way in which the company has provided their customers with an incentive to purchase their products. Customers earn points for every dollar they spend at Mary Kay, and are eventually rewarded with coupon and gift cards.

The third tool in the communication mix is public relations. Mary Kay is a big believer in giving back to the community. The " Mary Kay Charitable Foundation" donated over \$5. 8 million to women's shelters and domestic abuse programs in 2009. The company's " Pink Doing Green Foundation" planted over 200 000 trees in the Bitterroot National Forest (Mary Kay Cosmetics). Mary Kay does not condone animal testing and is a proud member of PETA.

The fourth and fifth tools in the communication mix are the personal selling and direct marketing tools. As stated before, the company's utilization of direct selling has allowed the company to build strong and profitable relationships with its customers. The company creates value for their customers by delivering products to their doorsteps and introducing new products and features. The company's use of the telephone and internet as a

purchasing tool creates value for customers because of its convenience and speed.

S. W. O. T ANALYSIS

Strengths

Mary Kay sells a wide range of products in 4 major categories. These categories include skincare, makeup, spa and body and fragrance. They sell products for both men and women which has helped them in controlling the cosmetic market. The company develops and manufactures its own products as well as performs its own testing and packaging. Mary Kay sells products to fight aging, the Timewise collection, which has become a major concern with older women. In the spa and body category, they have products including sunscreen, hand and body lotions, and shower gels and body washes. Mary Kay's diverse portfolio, targeting customers of any age, allows them to cover almost all segments of their market.

One of the Only Privately Owned Family Companies That is Debt Free

Being debt free is a huge advantage for Mary Kay. Most privately owned, family operated, companies remain in debt for most of their lifetime. Having the extra money, not going towards a debt, means that they can spend it on other things like research and development, testing, and most importantly incentives for their. The ability to do adequate research and development and testing allows the company to offer the best quality product to fit the needs of all people in their market from teenagers to consumers 50 and older trying to enhance their image.

Through Enriching Women's Lives they Enrich Families Lives as Well

Mary Kay started the company during the years of the Women's Movement in the late 1960's. Her goal was to give women the opportunity to move up in the business world and enriching their lives by offering empowerment. This gave their company strength and an advantage over other competitors. Women all over the world wanted to become part of this company to become an independent beauty consultant and accomplish great things in their lives. Mary Kay now has over 1.7 million independent beauty consultants worldwide, which has attributed to the companies' success.

Highest Paid Commission Sales People in Direct Selling

Mary Kay's consultants are the highest paid sales people in direct selling. This gives them an advantage over their major competitors. The company mostly uses word of mouth for advertising so they save money and can pay a higher commission to their sales force. Having more consultants means more customers and more customers means more revenue. This gives them the opportunity to also have incentives and bonuses that drives their consultants to build loyal relationships with their customers and bring in as many as possible.

Weaknesses

Sells Men's Products Without Advertising

Mary Kay has a full line of men's products ranging from fragrances to skin care. Most men wouldn't know this unless they checked out Mary Kay's website or if they asked someone who purchases their products. Most men would never think of going to a website with a name Mary Kay. If for some

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reason they ended up on the website, the first thing they see is Mary Kay's slogan, "Enriching Women's Lives" (Mary Kay Cosmetics Ltd., 2010).

Although the meaning of this slogan has nothing to do with the actual products, it is very discouraging if a man were to read it. By only advertising towards women and having mostly women as beauty consultants, Mary Kay could potentially be losing half of the market they are trying to reach. When asking Mr. Patrick, the president of Mary Kay Canada, the question his response was, "we are looking at improving men's care line of products over the next 2 - 3 years" (Mary Kay President R. Patrick, personal conversation, March 15, 2010).

No Store to Sell Products – Everything is Door-To-Door

The company stands firmly against opening a retail store to sell its products. When asked why during a phone conversation, the president of Mary Kay Canada, Ray Patrick, said "If we are the best selling brand why would we complicate it by selling in stores" and it would "undermine our sales force and their opportunity if we started selling in a retail store" (Mary Kay President R. Patrick, personal conversation, March 15, 2010). This could be seen as a weakness but the president doesn't seem to think so. With the high demand from retailers and cost of advertising, it would take away from the incentives and bonuses offered to the huge sales force Mary Kay already has. The problem with not having a retail outlet is the possibility of catching the people that are just walking by. If the store is located in a shopping mall, imagine how many possible customers are just walking by on day out shopping. They could be looking at losing hundreds of thousands of dollars in profit over the course of a year.

Small Size Compared to Competitors

When compared to competitors, such as Avon, Mary Kay is small in terms of revenue. In 2008 Mary Kay's revenue just exceeded \$2.6 billion US. Avon's revenue for 2008 was more than \$10.6 billion US, which is almost five times more. The reason for the big difference in revenue is attributed to Avon wide variety of products that spread far from cosmetics. Its small size could make it hard to compete with its competitors.

Opportunities

People are Looking to Start Their Own Businesses

People around the world are becoming interested in becoming entrepreneurs and starting their own business. Mary Kay gives people a great opportunity to accomplish just that. There is plenty of room for advancement if that's what people are looking for. Because of the advancement opportunities, Mary Kay has the potential to grow bigger every year. They already have over 1.7 billion consultants worldwide, and that number is steadily increasing. Since the company is based on direct selling and independent sales consultants, this gives them a huge advantage to steal the market from their competitors.

Selling Products Targeted at the Baby Boomers and Generation Y

Mary Kay sells a wide range of products for consumers of all ages. They sell products to benefit the younger generation and those of the baby boomers. This gives them the potential to grab sales from a huge market known as the baby boomers. Most of the baby boomers are now around the age of sixty and older and may be looking for ways to look young again. Mary Kay's

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Timewise collection is a perfect opportunity to place them in this market. The company also sells makeup and other cosmetic products appropriate for today's generation so that they can stay in the current market after the baby boomers pass away.

Threats

Little to No Advertising

Mary Kay Inc. has always been focused on the idea of personal selling. The only advertising done by the company would be through their website and the odd celebrity sponsorship. This becomes a threat because their products may not be visible to all demographics. The average person who has not been referred or been told about Mary Kay Cosmetics would have almost no idea the company existed and wouldn't know about the products they offer.

Intense Competition

The cosmetic industry is a very competitive market worldwide. Mary Kay has to compete with companies such as, L'Oreal, Avon, and Estee Lauder to name a few. Most of the competition has their products in retail stores with a huge amount of traffic on a daily bases. Because of Mary Kay's direct selling approach and the research involved in their product, their prices are a little higher than most competitors. Price has a huge impact on consumer buying behaviour. The constant increasing in competition could affect the demand for Mary Kay's products.

SOCIAL RESPONSIBILITY

As an influential leader in the cosmetics industry, Mary Kay Cosmetics has made social responsibility one of their top priorities. When Mary Kay Ash

established her business in 1963, one of the founding principles she based her company on was the importance of giving back to others. Although Mary Kay passed away on November 22, 2001, her legacy and spirit has continued to change the lives of others. Her life goal of enhancing the lives of women who lacked opportunity, self esteem, and financial support has been realized and is as concrete today as it was when she first opened her business.

Although “ enhancing women’s lives” is the company’s mission statement, Mary Kay applied this to her customers and community as well. Mary Kay has been a proud supporter of a number of different charities, including the Salvation Army, the Red Cross, and the American Cancer Society (Mary Kay Cosmetics). Mary Kay has its own charities as well. “ The Mary Kay Charitable Foundation” was founded in 1996 with a mission to “ end women’s cancer and domestic abuse” (Mary Kay Cosmetics). In 1997, annual donations were \$500 000 and in 2009, rose to \$5. 8 million (Mary Kay Cosmetics). These funds have gone towards a number of different things including funding for women’s shelters and community outreach programs for victims of domestic abuse.

In 1989, Mary Kay became one of the first companies in the cosmetics industry to introduce an extensive recycling program. The company has recycled over 300 000 compacts and has reduced their alcohol waste by ten tonnes. Mary Kay was also one of the first companies in the cosmetics industry to produce reusable product packaging. As a testament to their commitment to improving the environment, Mary Kay has collectively planted over 200 000 trees.

CONCLUSION

We recommend that Mary Kay begin looking into their advertising strategy. Direct selling is an important way to build strong relationships with many repeat customers. One problem is that repeat customers only bring in so much revenue each year. Mary Kay's lack of advertising toward men could be losing them hundreds of thousands of dollars each year. We don't expect them to change their slogan of 'Enriching Women's Lives' because that would change the basis of Mary Kay's beliefs when she started the company. We recommend an advertising campaign to increase awareness of the men's products sold. Mary Kay should continue its direct selling approach without a retail outlet to keep cost down and sales onuses and incentives up so they don't undermine their consultants.