

Parfums christian dior



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According to Vrontis and Thrassou (2007) the business literature on international marketing presents contradictory and conflictive thoughts between two mainstream schools of thought on international marketing. One school of thought supports the standardisation approach and argues that multinational corporations' behaviour in overseas markets should be standard and uniform in order to minimise total costs and promote a global brand/corporate image (ibid). The other school of thought supports and stresses the adaptation approach so that a viable fit can be made with the distinct and unique dimensions of each of the local markets overseas (ibid).

Parfums Christian Dior was founded in Paris, France, in 1946 named after the celebrated designer Christian Dior[1]. The company today is owned by Louis Vuitton Moët Hennessy (LVMH), a luxury goods group which also owns the perfume companies Parfums Givenchy, Guerlain and Kenzo. Currently, Parfums Christian Dior is one of the largest personal care brands in the world (Mintel, 2009).

Separate from the Dior fashion house, Parfums Christian Dior is active in the personal care (fragrances and other beauty products) industry with exclusive fragrances and colour cosmetics worldwide, and accounts for around 30% of LVMH's fragrances and beauty division's sales today (LVMH, 2009).

In addition to women's personal care products, Christian Dior moved into men's fragrances and other personal care products in the year 1955. Since 1973, skin care has represented a major area of the company's activity both in the women's and men's category.

Parfums Christian Dior currently employs around 1, 800 people and strikes a healthy balance of high turnover and revenue generation between in the personal care – fragrances and other beauty products – (Intel, 2009).

Christian Dior’s worldwide network of directly operated stores grew from 184 boutiques in 2004 to 221 in 2007 (ibid).

Parfums Christian Dior recorded 84% of its turnover from international sales in 2008. This is due to its network of well-positioned and wholly-owned distribution subsidiaries operating worldwide (LVMH, 2009).

The company’s performance was particularly strong in Europe, as well as in Japan and other Asian markets, a region of the world where its growth was among the strongest for Western brands (Datamonitor, 2009). In addition, the brand gained share in France (Intel, 2009).

Christian Dior is present in all regions of the world, with a well-established presence in Europe, North America, and Asia (ibid) and with the aim of further widening its presence in the Asian region the company is planning to enter India soon[2].

Personal Care Products

The company managed to remain first in fragrances and beauty care products, with a slight increase in value share in 2008, following a marginal decline in 2007 (Datamonitor, 2009). The company’s growth in fragrances was led by Eau Sauvage and Dior Homme for men. In 2008, the company introduced Dior Homme Sport. Dior’s men’s fragrances overall performed relatively better than the women’s fragrances in 2008.

The following fragrances and beauty care products had a large sales volume in 2008 (LVMH, 2009, p33):

Dior Homme Sport,

Escale à Portofino,

J'adore L'absolu,

The mascara Diorshow Iconic,

The lipstick Dior Addict High Shine, and

The skincare Capture Totale Haute Nutrition.

These fragrances and beauty care products' range are in common with the women's and men's ranges sold in India by the leading companies: Unilever Group, Colgate-Palmolive Co, and L'Oréal Groupe (see Table 1 in section 3.1).

Market Overview

Since the economic liberalisation in the early 1990s, India's economy has come a long way in national and economic development. Household incomes have approximately doubled on average which has led to a favourable rise in consumers' personal disposable incomes. Households with an annual disposable income of over US\$1, 750 have jumped from 40% in 1997 to a strong 75% in 2007 (Market Research, 2007).

Further, unlike the Western countries and other Asian countries such as Japan and Singapore, which have increasingly ageing populations, India's

population has been growing younger with each passing year (MarketWatch, 2009). An estimated 30% of the country's population is below the age of 29 (ibid). These form an attractive potential market for personal care products.

The global economic crisis has affected India in late 2007 had an impact on consumer spending (Market Research, 2007). Consumers in India, as a result, think very hard before deciding to buy expensive personal care products, such as fragrances, colour cosmetics, and sun care (ibid). However, this is less likely to exist among the middle-income consumers. Similarly, affluent upper-class consumers are expected to possess sufficient disposable income for them to continue their current standard of living (ibid). Hence, growth in the demand for premium personal care brands is expected to come about from this part of the consumers in the Indian market (MarketWatch, 2009).

Colour cosmetics, fragrances, and deodorants within the personal care product range of fragrances and beauty care products are forecast to grow by 134%, 108% and 69%, respectively, between 2009 and 2011 in constant value terms, making them the fastest growing sectors in India, particularly in the Western part of India (ibid). The forecast also suggests that evolving grooming habits are likely to be strongly sustained among the urban youth in the region, and that consumers might not reduce the volume-usage of these products, even during an economic recession (ibid).

Competitive Landscape

Currently the market leader in personal care products in India is the Anglo-Dutch group company Unilever Group within the top 5 companies in the (see Table 1 below).

Table 1: Personal Care Products Company Shares by Retail Value 2004-2008

% retail value of respective Company	2004	2005	2006	2007
Unilever Group	37.1	37.8	36.7	36.1
Colgate-Palmolive Co	7.2	6.6	6.3	6.3
Godrej Group	4.0	4.2	4.4	4.5
L'Oréal Groupe	1.9	2.4	2.9	3.6
Dabur India Ltd	3.7	4.0	4.3	4.3

(Source: Modified and adapted from Euromonitor International estimates in Market Research, 2007)

As for Parfums Christian Dior it has to manage its product offerings more strongly to compete with the above current top 5 personal care product suppliers in India.

Situational Analysis

Parfums Christian Dior is planning to enter the Indian market for personal care products in order to expand as well as to increase its market-base, just like any other MNC and in that pursuit the role of marketing mix becomes

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vital. And in order to assess the scope for standardisation of the marketing mix for Parfums Christian Dior it is necessary to identify the key relevant environmental factors that would influence the standardisation of marketing mix for the company.

Further, the economic environment, political environment, and cultural environment have major influences in the standardisation process (Kobrin, 1988; Jain, 1989; Hooley et al, 1993 in Sustar & Sustar, 2005). Moreover, the international marketing mix decisions about: product, price, promotion, and distribution are in no way much different from decisions relating to marketing mix made within domestic perspective though each domestic context is unique (Perry, 1990).

Accordingly, the situational analysis composed of environmental analysis using PEST and SWOT analysis for Parfums Christian Dior has been undertaken.

Environmental Analysis – PEST

Political

India is a democratic republic which has liberalised its economy since the early 90s has been having a stable and strong mixed economy that is encouraging FDI – Foreign Direct Investment (Market Research, 2007). The regulatory framework relating to competition, patents & trademarks, laws relating to price controls and product fitness are important for Parfums Christian Dior.

Economic

Figure 1 (on page 8) shows India's GDP at the end of year 2008. The increasing GDP shows clearly that India's liberalised economy has been growing fairly rapidly from year 2000.

The inflation rate in India in year 2000 was at 5.4% and in year 2008 it stood at 5.9%. These inflation rates indicate that inflation in India is well within control (MarketWatch, 2009).

Furthermore, the swelling strong foreign exchange reserve surplus has been able to maintain India's balance of payments favourably and at the same time has also helped to maintain stable foreign exchange rates.

Figure 1: India's GDP (in Rupees Billions) Growth[3]

Social

India is becoming more and more cosmopolitan, fashionable, and trendy since 2003 (ibid). This is mainly due to the rapid growth in the urbanisation [an estimated 325 million residents in the urban areas which are 31% of the total population in year 2008 (ibid)] and the consequent rise in personal income levels throughout the urban areas (ibid).

Added to these is the reduction in the gap between the rural and the urban population in India due to the successful penetration of satellite TVs as well as the migration of people from rural to urban areas, which in turn has been creating a latent demand for lifestyle and personal care products (Market Research, 2007).

Technological

Information Technology is much cheaper in India due to the presence of a strong competitive IT market. Urban households have easy access to the Internet. Further the Research and Development (R&D) capabilities of India in biotechnology, bio-chemical technology, and IT that are most commonly used in the personal care products industry would be able to complement Parfums Christian Dior's own R&D work.

SWOT Analysis

Strengths

Christian Dior is the leader in fragrances and beauty care products.

Dior has a very strong advertising and brand recognition which is further accelerated by the company's parent LVMH.

Parfums Christian Dior (through LVMH) is focuses on business growth (through wholly-owned subsidiaries) by expanding globally and wants to increase their presence in Asia.

Highly trained sales and marketing team (Mintel, 2009).

Weaknesses

Less competitive power when compared to companies like AVON and REVLON.

Not enough sales campaign in the personal care products like L'Oréal.

High prices.

Opportunities

Global expansion.

Strong market demand for personal care products in India.

Consumer preferences for leading global brand ('Dior').

Expanding social environment in India due to increasing urbanisation.

Threats

Dominance of Unilever Group and the new and successful entry of ITC, a large Indian company into personal care products like Fiama De Wills lines.

Strong potential competition from AVON and REVLON in the fragrances and beauty product lines.

Marketing Mix

The term 'Marketing Mix' refers to the 4 key marketing tools deployed by a marketer. These are (Goldsmith, 1999; Constantinides, 2006):

Product,

Price,

Place, and

Promotion.

Together these 4 elements of the 'marketing mix' are popularly known as the '4Ps' or the 'Marketing Toolkit' (Goldsmith, 1999). All the 4Ps are related to a firm's customers (ibid).

In the decision regarding standardisation/adaptation, an MNC's marketing strategy becomes critical in order to realise its marketing goals expressed through the marketing mix of product, price, place, and promotion elements (Theodosiou & Leondou, 2003).

Further, the marketing mix provides a structure to manage the marketing activities of: “ market analysis, marketing planning, advertising, sales promotion, sales, pricing, distribution and product packaging” (Grönroos, 1994, p. 7).

Standardisation Vs Adaptation

With the advancements of information technology, logistics, and transportation the globalisation movement has been speeding up too rapidly and as a result achieving the organisational goals have become more difficult and challenging for the MNCs (Nasir & Altinbasak, 2009). As a result the decision relating to standardisation /adaptation of the marketing mix strategy is a critical one for MNCs (ibid).

Research over the past 40 years on standardisation of marketing mix has focused primarily on products and advertising (Elinder, 1961; Sommers & Kernan, 1967; Theodosiou & Leondou, 2003 in Kustin, 2004). Deploying a global marketing strategy should comprehensively cover a standardised marketing mix strategy holds a greater likelihood of large opportunities in the global marketplace (Kustin, 2004).

A good example in this case is REVLON, which uses the same formulation for all its international products sold worldwide in each overseas market apart from its home-base the US (Nelson & Paek, 2007).

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On the other hand, supporters of adaptation argue that the marketer is subject to macro-environmental factors including different constraints such as language, climate, education, occupations, race, taste, topography, and to the conflicting resulting from different laws, cultures, and societies (Czinkota & Ronkainen, 1998 in Vrontis & Thrassou, 2007).

A case in example is the famous EURODISNEY which used the same Disneyland standard marketing mix in France and failed (Doole & Lowe, 2004). However, when Disney adapted its marketing mix to suit the local customer needs of France, like discounted tickets, free passes etc., EURODISNEY picked up successfully (ibid).

Benefits of Standardisation

Both the internal and external factors influence the decision to standardise the marketing mix of product, price, distribution, and promotion (Kreutzer, 1988). Further, the scale of differences in the domestic physical, economic, social, political and cultural environments, are increasingly being invalidated by the rapid globalisation of markets which has led to the minimisation of the gap that was existing between domestic and international marketing (Perry, 1990).

International marketing standardisation strategy also provides a strong avenue to develop better quality products from greater production efficiencies through large scale economies (Levitt, 1983). Also standardisation can produce potentially more profits through lowering of costs of production (Kustin, 2004).

For example: SONY's legendary 'Walkman' brand was initially priced high and later on prices became very affordable in the US and Europe and rest of the world due to cost efficiencies from large scale volume production lead by strong growing sales demand worldwide (Sanderson & Uzumeri, 1995).

Likewise, standardised products and brands and global advertising are likely to produce large benefits to the MNCs (Kustin, 2004).

Buzzell (1968) recognised very early that the following benefits in international marketing occur due to standardisation strategies of the marketing mix:

Cost reductions from economies of large scale and improved resource utilisation,

Uniform customer care,

Enhanced marketing planning and distribution, and

Effective cross-border controls.

Further, the standardisation strategy benefit the MNCs in building international brand image and corporate image, in obtaining better coordination and control of their international marketing operations through reduced managerial complexity (Nasir & Altinbasak, 2009).

Drawbacks of Standardisation

Apart from the above benefits of standardisation strategy there are also some drawbacks to it.

Standardisation strategy would be more appropriate only when a global market segment exists for the MNC (Douglas & Wind, 1987). Standardisation implies product orientation instead of emphasising a customer-based and competitor-based orientation (ibid).

As standardisation in international marketing is subject to both internal and external constraints a failure to respond adequately to these constraints would lead to the MNC's failure in its overseas marketing operations (ibid).

Failure due to inadequate response to internal and/or external constraints may arise due to the incompatibility between the MNC's current international operations with a standardised marketing strategy (Theodosiou & Leondou, 2003). As a result a global standardisation is more likely to disrupt the MNC's established international market operations with the resultant loss of key assets and key talents (Szymanski et al, 1993; ibid).

Standardisation or Adaptation

Standardised marketing mix in international marketing is more suitable to MNCs that operate within more or less homogeneous global markets (Kustin, 2004).

If standardisation strategy in international marketing is pursued then the MNCs should approach their standardised strategy-making in a multidimensional perspective as against a simple standardisation strategy or adaptation strategy in international marketing strategy (Zou et al, 1997).

Scope of Standardisation – Discussion

Based on the above situational analysis (PEST and SWOT) which is relevant to the market entry by Parfums Christian Dior into India that affect marketing standardisation the discussion on the scope of standardisation of the marketing mix strategy for Christian Dior in terms of product, price, place, and promotion is presented here.

PEST

Politically the Indian Government is pro-liberalisation and has been successfully attracting huge FDIs and Christian Dior would be no exception. Countries with growing GDP are conducive to implementation of standardisation of marketing mix (Sustar & Sustar, 2005). Therefore, the strong GDP growth in India should facilitate the use of a standardised marketing mix by Christian Dior.

A stable economy provides a firm base for implementing a standardised marketing mix strategy in countries that have homogenous markets (Perry, 1990) and Christian Dior currently operates in stable economies (with the effect of global economic crisis weaning away now – December 2009) that have a nearly homogenous markets. In so far as the Indian personal care products customers are concerned this should be no different as is validated by the competitors – AVON, REVLON, and L'ORÉAL in India.

According to Jain (1989) cultural similarity between the home country of the MNC and the overseas market would help the implementation of domestic marketing mix in overseas markets. Christian Dior prefers to enter markets that possess cultural similarity (Intel, 2009). Socially and culturally India is

becoming more cosmopolitan (particularly the Indian target customer segment composed of urban as well as a growing youth population). To this extent Christian Dior's target market displays cultural similarity.

Technologically both the home R&D (in France) and the state of R&D in India in so far as the personal care products are concerned are compatible with each other. Consequently, Christian Dior may not have any difficulty in using a standardised marketing mix.

Marketing Mix

Product

Product lines, product quality and brand attributes of products are more suitable for standardising marketing mix strategies globally (Tomas et al, 2000). As discussed before Christian Dior's personal care products do have all these attributes with strong brand names of its leading products as well as its own name 'Dior'.

Price

Competitively priced products have higher market potential and thus can be standardised in terms of international marketing mix strategy (Shaw, 1994). But Christian Dior's products are sold under 'Premium-price' category. Nonetheless, the company can standardise its marketing as the current foreign operators in India like L'oréal, which also sells personal care products under the 'premium price' has adopted a standardised global marketing strategy.

Place

Standardised distribution fits direct exports (Jain, 1989). This holds true in the case of Christian Dior as it handles its sales (through LVMH) worldwide through its own retail stores. It is more likely that the company will do the same in India as well.

Promotion

Both advertising and personal selling suits best for promoting personal care products. Christian Dior already uses both global advertising for all its brands as well as personal selling through its wholly-owned subsidiary retail outlets. Since consumer-based products are suitable for standardised promotion methods (Jain, 1989) Christian Dior can take advantage of the same.

Summary

Based on the above analyses standardisation of marketing mix strategy appears to be appropriate for Christian Dior's entry into India in the personal care products market.

Conclusion

The basic objective of this report was to assess the scope of standardising the marketing mix for the proposed entry of Christian Dior into India in the personal care products market. Accordingly this report examined the same via a situation analysis as well as through an evaluation of the benefits and drawbacks of standardisation of marketing mix from literature and practical examples.