

Strategic marketing – case o f sa sa assignment

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Executive Summary This paper discusses the strategic marketing of Sa Sa International Holdings Limited, a leading beauty retail and service group in Asia by analyzing its competitive advantages, marketing strategies, industry environment, major challenges and followed by some problem solvers. Sa Sa has four major competitive advantages. First, she can offer competitive prices for her long-term relationship with suppliers. Besides, excellent service with number of recognized winning awards accounts for another advantage.

In addition, she has long-established network with 80 retail outlets in prime Asian countries and on-line presence. Also, she has well-established branding “ beauty expert” in Hong Kong as well as in Mainland China. Among four of them, her relationship with suppliers and excellent service allow her to gain sustainable competitive advantage over major competitors. Throughout Porter’s Five Forces analysis (Porter, 1980) and SWOT analysis, the industry is still attractive with moderate competitive environment. However, the increasing rental fee and operating cost in major market Hong Kong is a big challenge to Sa Sa.

In addition, brand switching is another challenge for her whereas low operation efficiency imposes worries on the organization. As for beauty industry in Sa Sa’s major market, Hong Kong is in the maturity stage in product life cycle, some of the current marketing strategies can synergize while others cannot. The width of her product mix is large but she should continue to build more exclusive brand and put efforts on add-valued services. In pricing, she manages to offer competitive prices with regular promotion offer.

And, in promotion, she has TVC and thematic print advertising to support corporate image and two exclusive brands but promotion program to increase brand loyalty, like CRM is lacking currently. For the distribution, she is on the right track to have extensive distribution, like market expansion to China and Korea through on-line platform. Four major problem solvers are suggested based on SWOT matrix. First, CRM, customer relationship management is a way to increase customers' brand loyalty and also can help prolonging customers' life-time value in synergy with her beauty service.

Then, it is essential to increase her operation efficiencies, so ERP system is suggested to enhance the operation system whilst six sigma project can be introduced to help enhancing operation processes. And, continuous market expansion in potential area, China is another way to lower the overall organization operating cost. Finally, Sa Sa's global sourcing and purchasing team helps to find high quality products so as to give more competitive edge to the organization. Introduction

Sa Sa International Holding Limited, a leading cosmetic retailing and beauty services group in Asia, which was first set up in 1978 and listed on Hong Kong Stock Exchange in 1997 with US 337 million turnover in 05/06. Her scopes of business include retailing and wholesaling of over 400 brands with 83 stores in 5 Asian countries and so in e-commerce platform; brand management of over 50 major brands including both private-labels and sole-distributorship and also beauty services. Retailing and wholesaling business accounts for over 90% of the business, so the marketing analysis will focus on this core business.

Throughout the discussion, first of all, Sa Sa's competitive advantages will be discussed, followed by industry analysis and organization's internal and external factors. Then, Sa Sa's opportunity statements and challenges can be visualized. Afterwards, the marketing strategies followed by suggested problem solvers will also be covered. a. Sa Sa's competitive advantages

Schendel (1994) stated that competitive advantage had become a central matter to understand and explain in terms of causality, which indicated that competitive advantage is the crux of one organization's survival.

Sa Sa has managed to have four major competitive advantages over competitors. Firstly, her well-established network and relationship with suppliers give her strong bargaining power, so she can offer competitive prices to consumer. Together with her own global sourcing and purchasing team, the organization manages to have exclusive brands and private labels, it increases the brand selections for consumers and add more exclusivity for Sa Sa. Clear positioning with her "Beauty Expert" branding, consumers know Sa Sa well as one-stop stores filling with top international brands.

South's (1981) definition on competitive advantage can explain this well, ".... Philosophy of choosing only those competitive arenas where victories are clearly achievable" And, she has extended the "Beauty Expert" image with strong association on social responsibilities, like donations, social services and supporting China project. Besides, her excellent service with number of recognized winning awards is crucial to her continued success of its operations and business expansion. Lastly, she has long-established network with 80 retail outlets in prime Asian countries, including Hong Kong, China, Malaysia, Taiwan and Singapore.

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She also developed her on-line platform in 2000 and currently has 3 languages available, Chinese, English and Korean, which helps to expand her business to more overseas market. Among several competitive advantages, Sa Sa's ability on global sourcing and excellent relationship with suppliers and excellent service allow her to gain sustainable competitive advantages over major competitors, which means she can lead persistent superior economic performance (Porter, 1985). It can be further proved in 05/06 annual performance, Sa Sa outranged major competitor Bonjour whom recorded negative operating profit for the year. . Analysis of the industry To have a glance at Sa Sa's current situation, first attention should be paid to the attractiveness of the retail beauty industry in major market, Hong Kong and China. Michael Porter identified five forces that determine the intrinsic long-run profit attractiveness of a market segment (Porter, 1980). There are numerous competitors but only a few strong competitors in the market, for instance, Bonjour Holdings Limited, the major competitor of Sa Sa, recorded negative operating profit in last financial year. The market growth in Hong Kong is steady whilst in China is growing.

Also, high fixed cost like rental fee in Hong Kong makes rivalry increases as competitors fight for more market share to survive. So, the threat of intense segment rivalry is medium. The threat of substitutes is rather low as beauty products are hardly replaced by others. Meanwhile, the threat of new entrants is medium as the increasing rental fee and limited space in Hong Kong impose certain difficulty to enter. However, the Buyer's power is significant as they can switch to other brands easily and the power of end

users is further enhanced by the Internet as some brands offer direct online purchase for consumers.

And, the threat from the supplier side is only medium as there are many substitutes in the market and the price usually depends on the volume. In short, the industry has moderate competition, which is still attractive. And, it reveals that major competitors will go on expanding the market, like entering China to strike for better economy of scale effect and solve the limited space and high rent problem in Hong Kong. Also, excellent customer service is a must to serve the buyers and value-added service will be a trend to satisfy them.

These two indications favor Sa Sa a bit as she has stepped in China market with excellent customer service at the moment. c. Scan of Sa Sa's internal and external environment Credited to Albert Humphrey's (Wikipedia, 2006) research project, SWOT analysis is a popular technique to scan one organization's internal strengths and weaknesses and external's opportunities and threats. The strengths of Sa Sa has been mentioned in the competitive advantages, like good reputation and branding, long-term relationship with suppliers, private global sourcing team, excellent customer service and extensive network in Hong Kong, her major market.

As for weaknesses, her IT infrastructure and operations system cannot match with the fast-paced market, which adversely affects her operation efficiency. And, brand switching is severe and Sa Sa does not have any CRM strategy to maintain customers' loyalty. Also, selective distribution in China limits the potential. There are several opportunities provided by the external

environment. Firstly, Hong Kong Government policy favors tourism industry and thus attracts more visitors by establishing more infrastructure and scenery spots, like Hong Kong Disneyland and Ngong Ping 360 Cable Car.

And also, high quality beauty products are reckoned as the coming trend in Asia countries (Diagonal, 2006), whereas Sa Sa has private labels and own sourcing team to find high quality skin care products, which can help catching up with the opportunities. Besides, China market is a huge market for the sales volume of China's beauty business has increased 260 times from 1983 to 2004 (China internet information center, 2006). It further enhances the opportunities as the quality of the local Chinese beauty products fluctuated without quality guarantee.

For the threats, high rental fee and limited space for growth in Hong Kong will be the number one threat to Sa Sa whereas competition from other retailers will be another threat to her. d. Opportunities and major challenges of Sa Sa To sum up both industry environment and Sa Sa's SWOT, there are 3 major opportunities and 3 major challenges for the organizations. For opportunities, China market is an undeniable potential market whilst Hong Kong market is still attractive under Government's favorable tourism policy.

And also, increasing power from buyer favors organization with excellent customer service, together with quality beauty products trend will be great opportunities for Sa Sa. On the other hand, Sa Sa has to face 3 major challenges. Internally, her low operation efficiency because of outdated system is a great challenge to her expansion. Externally, high rental fee and limited space in Hong Kong, together with high brand switching are two

other challenges for her. e. 4P's discussion In order to cope with the captioned opportunities and challenges in the following marketing strategies discussion, let's define the 3 levels strategies first.

For the corporate level, market development is a way out to expand the business to a new market with existing products and competencies. (Ansoff, 1957). In the business unit level, with the use of BCG Matrix, existing products are falling into Cash Cows as it has high market share with low growth. And, in the product level, it is falling into maturity stage as (Linda Gorchels, 2000) strong growth with sales diminishing. The latter part will then discusses on Sa Sa's current marketing strategies and criticizes on the strategies that are not in line with the above analysis.

The current product width is large as she is selling over 15, 000 beauty products with international brands, exclusive brands and private labels. However, as staying at maturity stage, efforts should be paid on modifying the product portfolio as to attract more customers, like sourcing more high quality exclusive brands. And also, value-added service is a way to differentiate with others, like providing skin analysis service and facial treatment in her beauty service salon. In addition, the company utilizes the digital world so as to enhance the sourcing efficiencies though it relates to the system support discussed in the latter part.

As for the pricing, she manages to offer competitive prices because of leverage on the economy of scale effect and relationship with suppliers. Same as major competitors, Bonjour, Sa Sa has weekly promotion offer. Although staying at maturity stage, penetration pricing strategy is

recommended, which is setting a relatively low initial entry price, a price that is often lower than the eventual market price (Levitt, 1965), selected items for adopting this strategy is more preferable to maintain profit for Sa Sa.

And also, Sa Sa is now offering high quality product with low price at the moment, she is using superb value strategy (Levitt, 1965). In fact, as a more cost-efficient business, she should try to push to “ high value strategy” or “ premium strategy” with increasing price and high quality products. It can be synergized with product strategy that sourcing more exclusive high quality brands so that consumers do not have price comparison. According to psychological reason, consumers intend to perceive products with higher quality with premium pricing strategy.

One highlight for pricing is the influence of e-marketing in the coming future, pricing for the products are reckoned to be further driven down as consumers can directly purchase without visiting the actual shop, so retailers minimize the processes of supply chain and save cost at rental and operation costs. As for distribution, Sa Sa has extensive distribution network at the moment. Her future direction is in line with the stage characteristic, which is market expansion to China with over 100 stores by 2011.

At the same time, the development of online platform with Chinese, English and Korean languages available, it helps to expand overseas market, like Korea and more English and Chinese speaking areas. Lastly, Sa Sa has both pull and push strategies in promotion. As for tackling competitors' weekly promotion offer, she also has counter weekly special with promotional print advertising to support on this push strategy. Meanwhile, she also has TVC

and thematic print advertising to support her corporate image and two exclusive brands.

As stated above, brand switching is severe in the market, so relying on promotion offer is not a sustainable strategy as competitors might adopt cut-throat strategy to gain market share. As a result, a sustainable promotion strategy should be adopted, like CRM to increase the brand loyalty and prolong customer's life-time value. Since setting up a membership system to retain the relationship with customers through DM and newsletter, Sa Sa can have a data pool for upselling to her beauty service and most important can facilitate e-marketing through eDM to the members. . Ethical marketing discussion Ethical marketing means an honest and factual representation of a product, delivered in a framework of cultural and social values for the consumer. (Wkikipedia, 2006). Why is it important for an organization? It is a total corporate image commuicating to the consumers, like Jean Kilbourne mentioned in *Killing Us Softly* (Alf Nucifora. , 2006), “.. one of the most powerful, socializing forces in the culture. Ads sell more products. They sell images, values, goals, concepts of who we are and who we should be... hey shape our attitudes and our attitudes shape our behavior. ” Therefore, as a leader, Sa Sa should build up a clear ethical corporate image. Though it is currently putting some efforts on social responsibilities, like participating Community Chest, supporting social development in China by fund raising activity and different kinds of donations etc. , it fails to link herself to the area concerned which is associated with the category she is in. For instance, Body Shop's “ Against Animal” image is very significantly passing environmental friendly message to the sociality.

Therefore, a more holistic and consistent campaign is recommended to build up a real social responsible image, like long term joint promotion with Breast Cancer to project “ Concern the women, concern the society” image. g. Recommendations on problem solvers After analyzing the industry, the organization’s SWOT, her 4P’s and ethical marketing issue, it is clear on the strengths and opportunities of Sa Sa. In order to have a better strategic fit, SWOT Matrix will be used, that is Strength-Opportunity strategy (S-O), Weakness-Opportunity strategy (W-O), Weakness-Threat strategy (W-T) and Strength-Threat strategy (S-T).

For fully fit in company’s strength and opportunity in the market, S-O strategy is necessary. Sa Sa can make use of her global sourcing and purchasing team to find more unique and exclusive high quality beauty products, which can sharpen her competitive edge in the industry and match with the trend of the industry. On the other hand, Sa Sa should put an effort to enhance her weakness on low operation efficiency so as to match with customers’ increasing demand on customer service and well-prepare for the increasing flow of visitors under Government’s policy.

For improving the operation system, Enterprise Resource Planning system (ERP) is recommended to enhance the productivity and managerial control in different business processes. Meanwhile, six sigma project can be used to increase the efficiency of the operation process. In improving it’s IT infrastructure, Sa Sa can aggressively expand her e-commerce platform so that she can turn weakness into business opportunity. Besides, S-T strategy helps to identify ways that the firm can use its strength to reduce its vulnerability to external threats.

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Sa Sa has extensive distribution network through e-commerce platform, which helps to avoid the high rental fee and limited space in Hong Kong. And, with her existing business in China, she can expand the market easier and faster than the competitors. No matter what, W-T strategy is always a must to help establishing defensive plan to prevent the firm's weakness from making it highly susceptible to external threats. As the external threat in the market is severe brand switching, Sa Sa needs to pay full efforts to increase customer loyalty.

Customer relationship management, CRM, is a method and technology to manage customer's loyalty. By setting up a membership club as well as the system to store useful information, Sa Sa can implement different types of programs, like up-selling different skin care products for a group of members with similar purchasing history. And also, Sa Sa can cross-sell the members with her beauty service in order to prolong customers' life-time value. h.

Conclusion

With economic downturn and SARS incident in Asia in the past few years, Sa Sa can still manage to gain positive growth annually and stand at a leading position in the retail beauty and service industry, her sustainable competitive advantage of maintaining excellent relationship with suppliers and own global sourcing and purchasing team is a reason to account for the persistent gaining of superior economic performance over time. (Barney, 1991; Conner 1991) After thorough analysis of Porter's five forces and SWOT, together with discussion and criticism of current 4P's and ethical marketing, Sa Sa's internal and external factors are visualized.

They give insights on directions to tackle the existing problems and potential ones, like market expansion to China, operation system set up to improve efficiencies and prepare for strengthening e-commerce platform, global sourcing to seek for quality competitive products and CRM system to increase brand loyalty. With implementing these problem solvers, Sa Sa can step into next level growth and become a stronger leader in retail beauty group.