



MARKETING PLANS FOR NEW COSMETIC AND SKINCARE PRODUCTS

by

Ms. Chonakarn Ounchanum

A Final Report of the Three - Credit Course
CE 6998 Project

Submitted in Partial Fulfillment
of the Requirements for the Degree of
Master of Science
in Computer and Engineering Management
Assumption University

November, 2000

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Project Title	Marketing Plans for New Cosmetic and Skincare Products
Name	Ms. Chonakarn Ounchanum
Project Advisor	Dr. Chamnong Jungthirapanich
Academic Year	November 2000

The Graduate School of Assumption University has approved this final report of the three-credit course, CE 6998 PROJECT, submitted in partial fulfillment of the requirements for the degree of Master of Science in Computer and Engineering Management.

Approval Committee:


(Dr. Chamnong Jungthirapanich)
Dean and Advisor
(Prof. Dr. Srisakdi Charmonman)
Chairman

(Asst. Prof. Dr. Boonmark Sirinaovakul)
Member

(Dr. Prapon Phasukyud)
Member

1
(Assoc. Prof. Somchai Thayarnyong)
MUA Representative

November 2000

ABSTRACT

This study analyses the marketing problems for GRACE's Young Line skincare and cosmetic products. A marketing plan is offered to overcome the problems. The study begins with a literature review on marketing philosophies and global brands of skincare and cosmetic products.

The study revealed two problems for immediate attention: distribution strategies and product strategies. The suggested solutions are: firstly, change the distribution channels from salons and perfumeries to department stores, and secondly, Fun Pack. Fun Pack combines three products into a single set. This makes it easier for customers to buy the products.

The plan has three phases. The first covers the first year, i.e. 2001. All marketing strategies focus on Fun Pack. The second covers the second to fourth years. In this phase, all 17 products of Young Line will be sold through department stores. The third phase covers the fifth year and beyond. During this period, we will sell all of GRACE's lines: Young Line, Unique Line, and Perfect Line, in department stores.

After the plan is started, we will monitor sales volumes. We will keep track of monthly and quarterly deviations of actual sales from projected sales. We can then I ways to return sales to back on track. There is a backup plan if the suggested marketing plan is not successful. However, we believe that this plan will be successful.

If the plan proposed here is implement, the results will be an increase in turnover, unit sales, and brand awareness.

ACKNOWLEDGEMENTS

The author is indebted to the following people and organizations. Without them, this project would not have been possible.

The author wishes to express her sincere gratitude to her advisor, Dr. Chamnong Jungthirapanich. His patience, assistance, guidance, and constant encouragement led her from the research inception to the research completion. The author would also like to express the appreciation to Advisory Committee members: Prof.Dr. Srisakdi Charmonman, Asst.Prof.Dr. Boonmark Sirinaovakul, Dr. Prapon Phasukyud, ar-1 Assoc.Prof. Somchai Thayarnyong for their constructive comments and advice throughout the research.

The author would like to thank the sales representatives at Berli Jucker Co., Ltd. and the Assumption University students for their help in providing useful information about consumer behavior toward cosmetic throughout the research.

Special appreciation goes to the family for their fervent and continuous encouragement. Above all, the author is forever grateful to the parents, whose willingness to invest in the future has enabled the author to achieve her educational goal.

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I. INTRODUCTION

GRACE of Switzerland is a skincare product imported into Thailand by Berli Jucker Co., Ltd. since 1972. GRACE has products for women of all ages and needs. GRACE's products are divided into three lines, segmented by age groups. Women ages 16-25 belong to Young Line, the line represents the new world of facial care for the young, confident women. Women ages 26-50 belong to Unique Line, innovative, new products for the modern, self-assured, self-confident women. Women ages 51 and over belong to Perfect Line, high quality skin care line for complex skin requirement.

55% of sales are generated from Unique Line, while 30% of sales are from Perfect Line. Only 15% of sales are generated from Young Line. We see the opportunity of growth in this Young Line.

Young Line consists of 17 products, each product serves different purposes or different need of different skin types. Its prices are a little higher than the skincare the mass market. Its distribution channel, like the Unique Line and Perfect Line, are beauty salons and perfumeries.

The Young Line sales in Thailand were very low compare to the sales of the other countries. This because the distribution channel we currently use is not suitable for the Young Line target. Few young women will by skincare from beauty salons. The Young Line with 17 products might look a lot to the young women, our target group, especially when they just started to use skincare.

This project is conducted to find out the solution to GRACE's Young Line problem in Thailand and come up with the marketing plan related to it. The plan will include the detail activities of the year 2001 and a brief idea of what we plan in the next 5 years.

The primary information is obtained from interviewing Assumption University students and GRACE sales representatives in July 2000. The secondary information is obtained from Fundamentals of Marketing (Stanton 1994) published in 1994 and Marketing Management Analysis, Planning, Implementation, and Control (Kotler 1994) published in 1994.

The scope of the marketing project covers GRACE of Switzerland marketing plan in Bangkok only. The project covers marketing plan for Young Line, Unique Line, and Perfect Line of GRACE of Switzerland only. The limitations of this project are time and financial constraints.



II. LITERATURE REVIEW

2.1 Marketing Philosophies

Business people, for a long time, knew that marketing plays a vital role to the success of their organizations. This philosophy is called marketing concept. It emphasizes customer orientation and coordination of marketing activities to achieve the organization's performance objectives. Sometimes the marketing concept is simply stated, as "The customer is the boss!" This concept is based on the belief that all planning and operation should be customer-oriented. All marketing activities in an organization, namely product, price, place and promotion, should be coordinated. Customer-oriented, coordinated marketing is essential to achieve the organization's performance objectives (Stanton 1994).

The marketing management process starts with planning marketing program namely analyze situation, set goals, select strategies and tactics, and forecast demand. Then implementing is done through forming and staffing the marketing organization and directing the actual operation of the organization according to the plan. Evaluating is made to compare what is done to the company's goal. The result is the feedback used for management in planning goals and strategies for the future periods. And the cycle continues (Kotler 1994).

Planning the marketing strategies in a firm should be conducted on three different levels: strategic company planning, strategic marketing planning, and annual marketing planning. The second and the third levels are the focus of marketing people. In strategic marketing plan, marketing management conducts a situation analysis, develops marketing objectives, determines positioning and differential advantage, selects target markets and measures market demand, and designs a strategic marketing mix. As part of situation analysis, many organizations perform a SWOT assessment. Annual

marketing plan is the master blueprint for a year's marketing activity for a specified organizational division or major product (Stanton 1994).

Demand forecasting is an important activity in marketing plan. The company can forecast sales by using either "top-down" or "bottom-up" approach. Using the top-down approach, management needs to:

- (1) Develop a forecast of general economic conditions.
- (2) Determine the market potential for a product.
- (3) Measure the share of this market the firm is currently getting or plans to capture.
- (4) Forecast the firm's sales of its brand of the product.

In bottom-up forecasting, management follows a two-step procedure:

- (1) Generate estimates of future demand by acquiring information from segments of the market or from organizational units (sales people or branches) in the company.
- (2) Add the individual estimates to get one total forecast.

Other methods of forecasting demand are survey of buyer intentions, test marketing, past sales and trend analysis, sales-force composite, and executive judgement (Stanton 1994).

We have mentioned earlier that in strategic marketing plan, target market must be selected. However, before that decision is made, target market must be identified and described. This process is called market segmentation. Segmentation basis for consumer markets are geographic, demographic, psychological, and psychographics. Geographic segmentation can include region, city or MSA size, urban-rural, and climate. Demographic segmentation can include income, age, gender, family life cycle, social class, education, occupation, religion, and ethnic background. Psychological

segmentation can include personality and life-style. Behavioral segmentation includes benefits desired and usage rate. When we know who our targets are, we can reach them effectively. For example, one way to reach teenager market is through school (Kotler 1994).

The three alternative strategies for selecting a target market are: market aggregation, single-segment, and multiple-segment. Market aggregation involves using one marketing mix to reach a mass, undifferentiated market. This strategy would be appropriate for firms that are marketing an undifferentiated, staple product such as salt or sugar. With a single-segment strategy, a company still uses only one marketing mix, but it is directed at only one segment of the total market. The advantage is a company can use limited resource economically. The disadvantage is on its risk and limitation. The seller has all his eggs in one basket. If the market potential of that single segment declines, the seller can suffer considerably. Also, a seller with a strong name and reputation in one segment may find it very difficult to expand into another segment. A multiple-segment strategy entails selecting two or more segments and developing a separated marketing mix to reach each segment. This strategy normally results in a greater sales volume than a single segment strategy. It also is useful for a company facing seasonal demand. Multiple segments can provide benefits to an organization, but the strategy has some drawbacks with respect to costs and market coverage (Stanton 1994).

The market segmentation and target-market strategies focused on consumers' ability to buy. Then marketer must consider consumer's willingness to buy as determined by using a five-part model: the buying-decision process, information, social and group forces, psychological forces, and situational factors (Stanton 1994).

The buying-decision process is composed of six stages consumers go through in making purchases. The stages are need recognition, choice of an involvement level, identification of alternatives, evaluation of alternatives, purchase and related decisions, and post-purchase behavior (Stanton 1994).

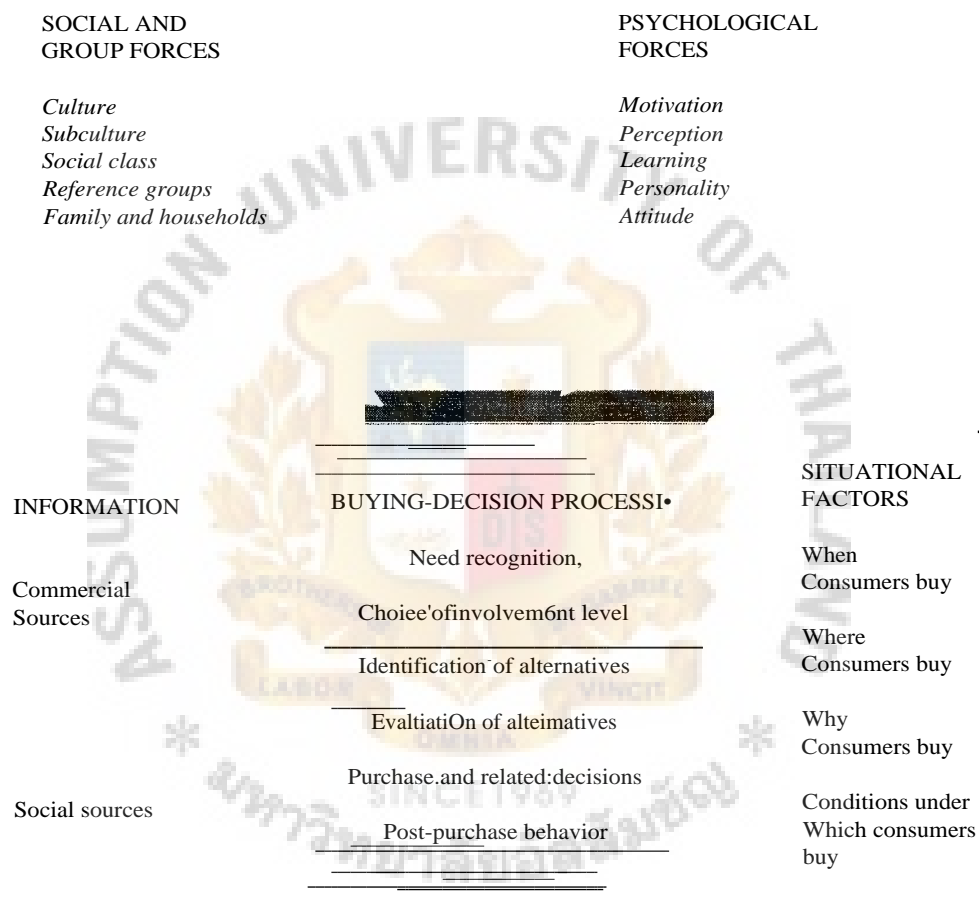


Figure 2.1. The Consumer Buying-Decision Process and the Factors That Influence It (Stanton 1994).

Information fuels the buying-decision process. Without it, there would be no decisions. There are two categories of information sources: commercial and social. Commercial sources include advertising, personal selling, selling by phone, and

personal involvement with a product. Word of mouth, observation, and experience with a product owned by someone else are social sources (Stanton 1994).

Social and group forces are composed of culture, subculture, social class, reference groups, family, and households. Culture has the broadest and most general influence on buying behavior, while a person's household has the most immediate impact. Social and group forces have a direct impact on individual purchase decisions as well as a person's psychological makeup (Stanton 1994).

Psychological forces that impact buying decisions are motivation, perception, learning, personality, and attitudes. All behaviors are motivated by some aroused need. Perception is the way we interpret the world around us and is subject to three types of selectivity: attention, distortion, and retention. Learning is a change in behavior as a result of experience. Stimulus-response learning involves drives, cues, responses, reinforcement, and punishment. Continued reinforcement leads to habitual buying and brand loyalty (Stanton 1994).

Personality is the sum of an individual's traits that influence behavioral responses. The Freudian psychoanalytic theory of personality has had a significant impact on marketing. It has caused marketers to realize that the true motives for behavior are often hidden. The self-concept is related to personality. Because purchasing and consumption are very expressive actions, they allow us to communicate to the world our actual and ideal self-concepts (Kotler 1994).

Attitudes are learned pre-dispositions to respond to an object or class of objects in consistent fashion. Besides being learned, all attitudes are directed toward an object, have direction and intensity, and tend to be stable and generalizable. Strongly held attitudes are difficult to change (Stanton 1994).

Situational influences deal with when, where, how, and why consumers buy, and the consumer's personal condition at the time of purchase. Situational influences are often so powerful that they can override all of the other forces in the buying-decision process (Stanton 1994).

The first commandment in marketing is "know thy customer," and the second is "Know thy product (Stanton 1994)." The relative number and success of a company's new products are a prime determinant of its sales, growth rate, and profits. A firm can best serve its customers by producing and marketing want-satisfying goods or services. The scarcity of some natural resources and a growing concern for our environment make social responsibility a crucial aspect of product innovation (Stanton 1994).

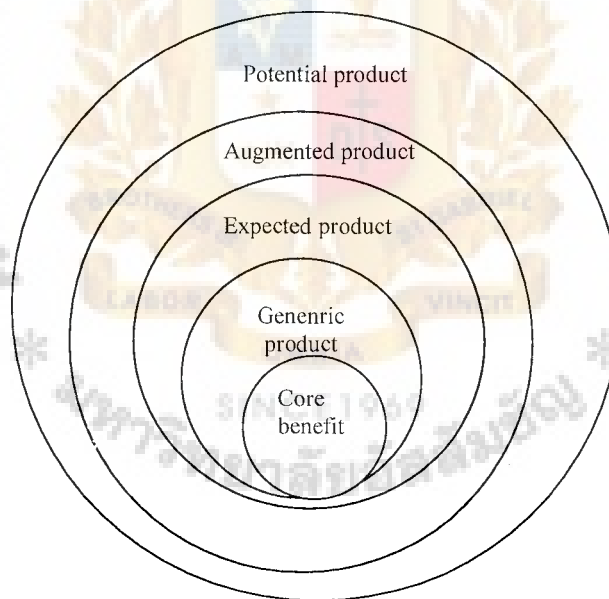


Figure 2.2. Five Levels of Product (Kotler 1994).

To manage its products effectively, a firm's marketers must understand the full meaning of product, which stresses that consumers are buying want satisfaction. In planning its market offer or product, the marketer needs to think through five product

levels: core benefit, generic product, expected product, augment product, and potential product (Kotler 1994).

The most fundamental level is the core benefit, namely the fundamental service or benefit that the customer is really buying. The marketer has to turn the core benefit into a generic product, namely a basic version of the product. At third level, the marketer prepares an expected product, namely a set of attributes and conditions that buyers normally expect and agree to when they purchase this product. At the fourth level, the marketer prepares an augmented product, namely one that includes additional services and benefits that distinguish the company's offer from competitors' offers. Today's competition essentially takes place at the product-augmentation level. Marketer has to keep three things in mind about product-augmentation strategy. First, each augmentation costs the company money. Second, augmented benefits soon become expected benefits. Third, as companies raise the price of their augmented product, some competitors can revert to offering a "stripped-down" product at a much lower price. At the fifth level stands the potential product, namely all of the augmentations and transformations that this product might ultimately undergo in the future (Kotler 1994).

Products can also be classified into two basic categories-consumer products and business products. Each category is then subdivided, because a different marketing program is required for each distinct group of products (Kotler 1994).

There are many views as to what constitutes a new product. For marketing purposes, three categories of new products need to be recognized-innovative, significantly different, and imitative (Kotler 1994).

A clear statement of the firm's new-product strategy serves as a solid foundation for the six-stage development process for new products. The early stages in this process are especially important. If a firm can make an early and correct decision to stop the

development of a proposed product, a lot of money and labor can be saved (Kotler 1994).

In deciding whether to add a new product, a producer or middleman should consider whether there is adequate market demand for it. The product also should fit in with the firm's marketing, production, and financial resources. Management needs to understand the adoption and diffusion processes for a new product (Kotler 1994).

A prospective user goes through six stages in deciding whether to adopt a new product. Adopters of an innovation can be divided into five categories, depending on how quickly they accept an innovation such as a new product. These categories are innovators, early adopters, early majority, late majority, and laggards. In addition, there usually is a group of non-adopters (Kotler 1994).

Five characteristics of an innovation seem to influence the adoption rate. They are relative advantage, compatibility, complexity, trial ability, and observability (Kotler 1994).

Successful product planning and development require long-term commitment and strong support from the management. Furthermore, new-product department, venture team, or product manager (Kotler 1994).

Many strategic decisions must be made to manage a company's assortment of products effectively. One decision is how to position the product relative to competing products and other products sold by the firm. To start, a firm must select strategies regarding its product mix. Product mix is the set of all product lines and items that particular seller offers for sale to buyers. Company's product mix will have a certain width, length, depth, and consistency. Width refers to how many different product lines the company carries. Length refers to the total number of items in its product mix. The depth of product mix refers to how many variants are offered of each product in the line.

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These four dimensions of the product mix provide the handles for defining the company's product strategy. The company can expand its business in four ways. The company can add new product lines, thus widening its product mix. The company can lengthen each product line. The company can add more product variants to each product and deepen its product mix. Finally, the company can pursue more product-line consistency or less, depending upon whether it wants to acquire a strong reputation in a single field or participate in several fields (Kotler 1994).

Executives need to understand the concept of a product life cycle, which reflects the total sales volume for a generic product category. Each of the cycle's four stages--introduction, growth, maturity, and decline--has distinctive characteristics that have implications for marketing. Managing a product as it moves through its life cycle presents challenges and opportunities. Eventually, a product category may lack adequate acceptance from consumers; at that point, all or most companies will abandon their versions of this product (Kotler 1994).

Planned obsolescence is a controversial product strategy, built around the concepts of style, fashion, and the fashion cycle. Fashion--essentially a sociological and psychological phenomenon--follows a reasonably predictable pattern. With advances in communications and production, the fashion-adoption process has moved away from the traditional trickle-down pattern. Today the process is better described as trickle-across. There also are examples of fashions trickling up. Managing a product, such as expensive apparel, through a fashion cycle may be even more challenging than adjusting another type of product's strategies during its life cycle (Kotler 1994).

Effective product management involves developing and then monitoring the various features of a product--its brand, package, labeling design, quality, warranty, and postsale service. A consumer's purchase decision may take into account not just the

basic good or service but also the brand and perhaps one or more of the other want-satisfying product features (Kotler 1994).

A brand is a means of identifying and differentiating the products of an organization. Branding aids sellers in managing their promotional and pricing activities. The dual responsibilities of brand ownership are to promote the brand and to maintain a consistent level of quality. Selecting a good brand name--and there are relatively few really good one--is difficult. Once a brand becomes well known, the owner may have to protect it from becoming a generic term (Kotler 1994).

Manufacturers must decide whether to brand their products and/ or sell under a middleman's brand. Middlemen must decide whether to carry producers' brands alone or to establish their own brand as well. In addition, middlemen must decide whether to carry generic products. Both producers and middlemen must set policies regarding branding of groups of products and branding for market saturation (Kotler 1994).

A growing number of companies are recognizing that the brands they own are — or can be —among their most valuable assets. They are building brand equality-the added value that a brand brings to a product. It's difficult to build brand equity but, if it can be done, it can be the basis for expanding a product mix. Products with abundant brand equity also lend themselves to trade-mark licensing, a marketing arrangement that is growing in popularity (Kotler 1994).

Packaging is becoming increasingly important as sellers recognized the problems, as well as the marketing opportunities, associated with it. Increase of self-service, consumer affluence, company and brand image, and innovation opportunity are some of the factors that made packaging one of the marketing important tool. Labeling, a related activity, provides information about the product and the seller. Labels have several functions. The label identifies the product or brand. The label might also grade

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the product. The label might describe the product: who made it, where it was made, when it was made, what it contains, how it is to be used, and how to use it safely. Finally, the label might promote the product through its attractive graphics (Kotler 1994).

Companies are now recognizing the marketing value of both product design and quality. Good design can improve the marketability of a product; it may be the only feature that differentiates a product. Projecting the appropriate quality image and then delivering the level of quality desired by customers are essential to marketing success. In many cases, firms need to enhance product quality to eliminate a differential disadvantage; in others, firms seek to build quality as a way of gaining a differential advantage (Kotler 1994).

Warranties and postsale service require considerable management attention these days because of consumer complaints and governmental regulations. Product liability is an issue of great consequence to companies because of the financial risk associated with consumers' claims of injuries caused by the firm's products (Kotler 1994).

Many companies provide postsale service, mainly repairs, to fulfill the terms of their warranties and/or to augment their revenues. To promote customer satisfaction, a number of firms are improving their methods of inviting and responding to consumer complaints (Kotler 1994).

Price is significant in our economy, to an individual firm, and in a consumer's mind. In the economy, a product's price influences the amounts paid for the factors of production. Price thus is a basic regulator of the economic system because it influences the allocation of the factors of production. In the individual firm, a product's price is a major determinant of the market demand for it. In the consumer's mind, some consumers' perceptions of product quality vary directly with price. Typically, the

higher the price, the better the quality is perceived to be. Consumers expect a certain value from a product at a particular price level (Stanton 1994).

Before setting a product's base price, management should identify its pricing goal. Major pricing objectives are to (1) earn a target return on investment or on net sales, (2) maximum profits, (3) increase sales, (4) hold or gain a target market share, (5) stabilize prices, and (6) meet competition's prices (Stanton 1994).

Besides the firm's pricing objective, other key factors that influence price setting are: (1) demand for the product, (2) competitive reactions, (3) strategies planned for other marketing-mix elements, and (4) cost of the product. The concept of elasticity refers to the effect that unit-price changes have on the number of units sold and on total revenue (Stanton 1994).

Three major methods used to determine the base price are cost-plus pricing, marginal analysis, and setting the price in relation only to the market. For cost-plus pricing to be effective, a seller must consider several types of costs and their reactions to change in the quantity produced. A producer usually sets a price to cover total cost. In some cases, however, the best policy may be to set a price that covers marginal cost only. The main weakness in cost-plus pricing is that it completely ignores market demand. To partially offset this weakness, a company may use break-even analysis as a tool in price setting (Stanton 1994).

In actual business situations, price setting is influenced by market conditions. Hence, marginal analysis, which takes into account both demand and costs to determine a suitable price for the product, is a useful price-determination method. Price and output level are set at the point where marginal cost equals marginal analysis in setting prices depends on obtaining reliable cost data (Stanton 1994).

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For many products, price setting is relatively easy because management simply sets the price at the level of competition. Pricing at prevailing market levels makes sense for firms setting well-known, standardized products and sometimes for individual firms in an oligopoly. Two variations of market-level pricing are to price below or above the levels of primary competitors (Stanton 1994).

After deciding on pricing goals and setting the base (or list) price, marketers must establish pricing strategies that are compatible with the rest of the marketing mix. When a firm is launching a new product, it must choose a market-skimming or a market-penetration pricing strategy. Market skimming uses a relatively high initial price, market penetration a low one (Stanton 1994).

Strategies also must be devised for discounts and allowances-deductions from the list price. Management has the option of offering quantity discounts, trade discounts, cash discounts, and /or other types of deductions (Stanton 1994).

Freight costs must be considered in pricing. A producer can require the buyer to pay all freight costs (FOB factory pricing), or a producer can absorb all freight costs (uniform delivered pricing). Or the two parties can share the freight costs (freight absorption). Other costs that should be include in pricing an imported goods are insurance, duty fee, and clearing expense (Stanton 1994).

Management also should decide whether to charge the same price to all similar buyers of identical quantities of a product (a one-price strategy) or to set different prices (a flexible-price strategy). Many organizations, especially retailers, use at least some of the following special strategies: Unit pricing-providing not only the total price but also the price per some standard measure; price lining-selecting a limited number of prices at which to sell related products; odd pricing- setting prices at uneven (or odd) amounts;

and leader pricing-temporarily cutting prices on a few items to attract customers (Stanton 1994).

IMPORT DUTY RATE (ON CIF)	
F.O.B. Price	100
Insurance 3%	3
Freight 10%	<u>10</u>
CIF	113
Duty on CIF 40%	<u>45.20</u>
CIF + Duty	158.20
Clearing Expense 3%	<u>4.746</u>
Landed cost	162.95
VAT 7%	<u>11.41</u>
COG + VAT	<u>174.35</u>

Figure 2.3. Example of Import Calculation Factor.

Another basic decision facing management is whether to engage primarily in price or nonprice competition. Although price competition is widespread in the 1990s, most firms prefer nonprice competition. Price competition establishes price as the primary, perhaps the sole, basis for attracting and retaining customers. A growing number of businesses are adopting value pricing to improve the ratio of benefits to price and, in turn, win customers from competitors. Market opportunities and/or competitive forces may motivate companies to initiate price changes or, in other situations, to react to other

firm's price changes. A series of successive price cuts by competing firms creates a price war, which can harm the profits of all participating companies (Stanton 1994).

In nonprice competition, sellers maintain stable prices and seek a differential advantage through other aspects of their marketing mixes. Common methods of nonprice competition include offering distinctive and appealing products, promotion, and/or customer services (Stanton 1994).

The role of distribution is getting a product to its target market. A distribution channel carries out this assignment with middlemen performing some tasks. A middleman is a business firm that renders services directly related to the purchase and /or sale of a product as it flows from producer to consumer. Middlemen can be eliminated from a channel, but someone still has to carry out their essential functions (Stanton 1994).

A distribution channel is the set of people and firms involved in the flow of title to a product as to moves from producer to ultimate consumer or business user. A channel includes producer, final customer, and any middlemen that participate in the process (Stanton 1994).

Designing a channel of distribution of a product occurs through a sequence of four decisions (Stanton 1994):

- (1) delineating the role of distribution within the marketing mix;
- (2) selecting the proper type of distribution channel;
- (3) determining the appropriate intensity of distribution; and
- (4) choosing specific channel members.

A variety of channels are used to distribute consumer goods, business goods, and services. Firms often employ multiple channels to achieve broad market coverage, although this strategy can alienate some middlemen. Because of deficiencies in

conventional channels, vertical marketing systems have become widespread in distribution. There are three forms of vertical marketing systems: cooperate, contractual, and administered (Stanton 1994).

Numerous factors need to be considered in selecting a distribution channel. The primary consideration is the nature of the target market. Others relate to the product, the middlemen, and the company itself (Stanton 1994).

Distribution intensity refers to the number of middlemen a producer uses at the wholesale and retail levels in a particular territory. It ranges from intensive to selective to exclusive (Stanton 1994).

Firms that distribute goods and services sometimes clash. There are two types of conflict: horizontal (between firms at the same level of distribution) and vertical (between firms at different levels of the same channel). Scrambled merchandising is a prime cause of horizontal conflict. Vertical conflict typically pits producer against wholesaler or retailer. Manufacturers' attempts to bypass middlemen are a prime cause of vertical conflict (Stanton 1994).

Channel members frequently strive for some control over one another. Depending on the circumstances, either producers or middlemen can achieve the dominant position in a channel. The firms comprising a particular channel are served best if they all view their channel as a partnership requiring coordination of distribution activities (Stanton 1994).

Attempts to control distribution may be subject to legal constraints. In fact, some practices-such as exclusive dealing and tying contracts-may be ruled illegal (Stanton 1994).

Promotion, the fourth component of a company's total marketing mix, is essential in modern marketing. The three primary methods of promotion are personal selling,

advertising, and sales promotion. Other forms include public relations and publicity (Stanton 1994).

Promotion is communication. Fundamentally, the communication process consists of a source sending a message through a channel to a receiver. The success of communication depends on how well the message is encoded, how easily and clearly it can be decoded, and whether any noise interferes with its transmission. Feedback, the response created by a message, is a measure of how effective a communication has been (Stanton 1994).

The purposes of promotion are to inform, persuade, and remind customers. In economic terms, that means changing a firm's demand curve shifting it to the right and changing its shape to make demand inelastic when prices increase and elastic when prices decrease (Stanton 1994).

Promotion must be integrated into a firm's strategic planning because effective execution requires that all elements of the marketing mix-product, price, distribution, and promotion-be coordinated. When deciding on the promotional mix (the combination of advertising, personal selling, and other promotional tools), management should consider: (1) the nature of the market, including the type of customer, the prospect's readiness to buy, and the geographic scope of the market; (2) the nature of the product, including unit value, the degree of customization required, and the amount of presale and postsale service; (3) the stage of the product's life cycle; and (4) the funds available for promotion (Stanton 1994).

A basic decision is how much promotional effort should be focused on middlemen and how much should be directed to end users. The options are a push strategy, which involves concentrating promotional effort on the next link forward in the distribution

channel, and a pull strategy, in which promotion is focused primarily on the final buyer (Stanton 1994).

A promotion campaign is a coordinated series of efforts built around a single theme and designed to reach a predetermined goal. The key to a successful promotional campaign is to carefully plan and coordinate advertising, sales promotion, personal selling, public relations, and publicity (Stanton 1994).

Because the effects of promotion are unpredictable, it is difficult to set a dollar figure for the total promotional budget. The most common method is to set the budget as a percentage of past or anticipated sales. A better approach is to establish the promotional objectives and then estimate how much it will cost to achieve them (Stanton 1994).

Advertising is the nonpersonal, mass-communications component in a company's promotional mix. Advertising can be directed to consumers or businesses, and focus on products or institutions. Direct-action product ads call for immediate action, while indirect-action product ads are intended to stimulate demand over a longer time period. Product ads are also classified as primary demand and selective-demand stimulating. Primary demand ads are designed to introduce a new product, to stimulate demand for a generic product, or to sustain demand for an industry's products. Selective-demand ads, which include competitive and comparative advertising, are intended to increase the demand for a particular brand (Stanton 1994).

In vertical cooperative advertising, manufacturers and their retail dealers share the cost of advertising the manufacturer's product at the local level. Horizontal cooperative advertising involves joint sponsorship of ads by firms at the same level of distribution (Stanton 1994).

Advertising expenditures are large, but the average cost of advertising in a firm is typically 1 to 3 percent of sales. This is considerably less than the average cost of personal selling. Most advertising dollars are spent on newspapers. Television and direct mail are close behind. Other frequently used advertising media are radio, magazines, yellow pages, and outdoor displays (Stanton 1994).

An advertising campaign should be part of total promotional program. The steps in designing a campaign include defining specific objectives, establishing a budget, creating a message, selecting media, and evaluating the advertising effort (Stanton 1994).

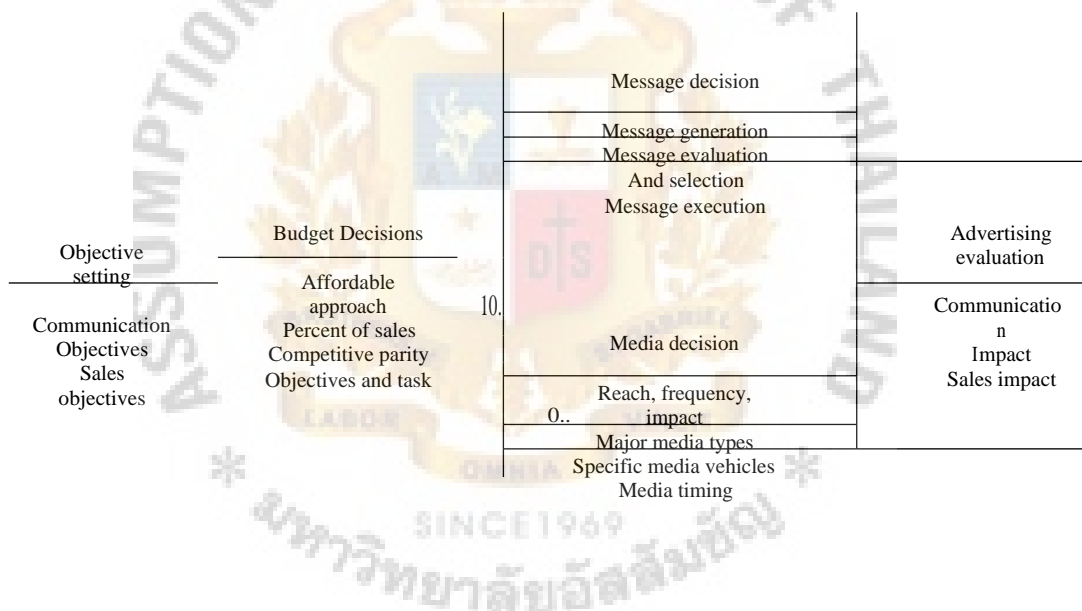


Figure 2.4. Major Decisions in Advertising Management (Kotler 1994).

Advertising objectives can be classified as to inform, to persuade, and to remind. Informative advertising is usually used in the first stage of product launching. The objective is to build primary demand. Persuasive advertising is used in the other stage where the company wants to build selective demand for particular product. Reminder advertising is important with mature product (Stanton 1994).

Advertising budget is then designed. Budget set on advertising varies with different factors. New product, high market-share brand and large consumer base brand, high competition products, brands in a commodity class, and number of repetition needs all force the product to use high budget (Stanton 1994).

Advertising message is the next thing to consider. Advertisers go through three steps to develop a creative strategy: message generation, message evaluation and selection, and message execution. In generating a message, creative can use inductive method or deductive method. They can generate inductively by talking to consumer, dealers, experts, and competitors. They can do this deductively by going through consumer expectation of four types of reward from a product: rational, sensory, social, or ego satisfaction. Then advertiser needs to evaluate the alternative messages based on its desirability, exclusiveness, and believability. And the message execution style is determined. It can be slice of life, lifestyle, fantasy, mood or image, musical, personality symbol, technical expertise, scientific evidence, and testimonial evidence (Stanton 1994).

Media to use is the next thing to decide. The decision can be based on reach, frequency, and impact. It can also be based on variable like target-audience media habits, product, message, and cost. The specific media vehicles, like specific magazines, are decided based on the circulation, audience, effective audience, and effective ad-exposed audience. Then media timing can be decided. In deciding this, they will face macroscheduling problem and microscheduling problem. Solving the first problem, advertiser has to decide how to schedule the advertising in relation to seasonal and business-cycle trends. The firm has three options: to follow the seasonal pattern, to oppose the seasonal pattern, or to be constant throughout the year. Timing pattern depends on the degree of advertising carryover and the amount of habitual

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behavior in customer brand choice. Carryover of 0.75 per month means that the current effect of a past advertising expenditure is 75% of its level in the previous month. High habitual purchasing, say 0.90, means that 90% of the buyers repeat their brand choice in the next period. The second problem, micro scheduling problem, is the problem on allocate advertising expenditures within a short period to obtain the maximum impact. The most effective pattern depends upon the communication objectives in relation to the nature of the product, target customers, distribution channels, and other marketing factors. The timing pattern should consider three factors: buyer turnover, purchase frequency, and forgetting rate. In launching a new product, the advertiser has to choose between ad continuity, concentration, flight, and pulsing (Stanton 1994).

A difficult task in advertising management is evaluating the effectiveness of the advertising effort-both the entire campaign and individual ads. Except for sales results tests, commonly used techniques measure only firm may rely on its own advertising department, an advertising agency, or a combination of the two (Kotler 1994)

Sales promotion consists of demand-stimulating devices designed to supplement advertising and facilitate personal selling. The amount of sales promotion has increased considerably in recent years, as management has sought measurable, short-term sales results (Kotler 1994).

Sales promotion should receive the same strategic attention that a company gives to advertising and personal selling, including setting objectives and establishing a budget. Sales promotion can be directed toward final consumers, middlemen, or a company's own employees. To implement its strategic plans, management can choose from a variety of sales promotion devices. Sales promotion performance also should be evaluated (Kotler 1994).

There are many sales promotion tools used for consumer promotion. The following are twelve tools mostly used by marketer. Samples are offers of a free amount of a product or service. Sampling is the most effective and most expensive way to introduce a new product. Coupons are certificates entitling the bearer to a stated saving on the purchase of a specific product. Cash refund offers provide a price reduction after the purchase rather than at the retail shop. The consumer sends a specified "proof of purchase" to the manufacturer, who "refunds" part of the purchase price by mail. Price packs are offers to consumers of savings off the regular price of a product, flagged on the label or package. Price packs are very effective in stimulating short-term sales, even more than coupons. Premiums (or gifts) are merchandise offered at a relatively low cost or free as an incentive to purchase a particular product. Prizes are offers of the chance to win cash, trips, or merchandise as a result of purchasing something. A contest calls for consumer to submit an entry—a jingle, estimate, suggestion—to be examined by a panel of judges who will select the best entries. A sweepstake calls for consumers to submit their names in a drawing. A game presents consumers with something every time they buy—bingo numbers, missing letters—which might or might not help them win a prize. All of these tend to gain more attention than do coupons or small premium. Patronage awards are values in cash or in other forms that are proportional to one's patronage of a certain vendor or group of vendors. Free trials consist of inviting prospective purchasers to try the product without cost in the hope that they will buy the product. Product warranties are an important promotional tools, especially as consumers become more quality sensitive. Tie-in promotions involve two or more brands or companies that team up on coupons, refunds, and contests to increase their pulling power. Cross-promotions involve using one brand to advertise another non-competing brand. Cross promotions involve using one brand

to advertise another non-competing brand. Point-of-purchase (POP) displays and demonstrations take place at the point of purchase or sale. Device mostly used for trade-promotion are price-off, allowance, and free goods. Price-off is a straight discount off the list price on each case purchased during a stated time period. An allowance is an amount offered in return for the retailer's agreeing to feature the manufacturer's products in some way. Free goods are offers of extra cases of merchandise to middle men who buy a certain quantity or who feature a certain flavor or size (Stanton 1994).

Public relations (PR) are a management tool designed to favorably influence attitudes toward an organization, its products, and its policies. It is a frequently overlooked form of promotion. PR departments perform the following five activities, not all of which support marketing objectives (Stanton 1994):

- (1) **Press Relations:** The aim of press relations is to place newsworthy information into the news media to attract attention to a person, product, service, or organization.
- (2) **Product Publicity:** Product publicity involves various efforts to publicize specific products.
- (3) **Corporate Communication:** This activity covers internal and external communications and promotes understanding of the organization.
- (4) **Lobbying:** Lobbying involves dealing with legislators and government officials to promote or defeat legislation and regulation.
- (5) **Counseling:** Counseling involves advising management about public issues and company positions and image.

PR works help assist in the launch of new products, assist in repositioning a mature product, build up interest in a product category, influence specific target groups,

defend products that have encountered public problems, and build the corporate image in a way that projects favorably on its products (Stanton 1994).

Major tools in marketing PR are public relations, events, news, speeches, public-service activities, and identity media. In "public relations", companies rely extensively on communication materials to reach and influence their target markets. These include annual reports, brochures, articles, audiovisual materials, and company news letters and magazines. In "events", companies can draw attention to new products or other company activities by arranging special events. These include news conferences, seminars, outings, exhibits, contests and competitions, anniversaries, and sport and cultural sponsorships that will reach the target publics. In "news", one of the major tasks of PR professionals is to find or create favorable news about the company, its products, and its people. News generation requires skill in developing a story concept, researching it, and writing a press release. "Speeches" are another tool for creating product and company publicity. In "public-service activities", companies can improve public goodwill by contributing money and time to good causes. A large company typically will ask executives to support community affairs where their offices and plants are located. In "identity media", the visual identity is carried by the company's logos, stationery, brochures, signs, business forms, business cards, buildings, uniforms and dress codes, and rolling stock (Stanton 1994).

The management process in marketing is the planning, implementation, and evaluation of the marketing effort in an organization. Implementation is the stage in which an organization attempts to carry out its strategic planning. Strategic planning is virtually useless if it is not implemented effectively (Stanton 1994).

2.2 Global Brand of Skincare and Cosmetics

2.1.1 Estee Lauder Companies Inc.

The Estee Lauder Companies Inc. is one of the world's leading manufacturers and marketers of quality skin care, makeup, fragrance and hair care products. The Company's products are sold in over 100 countries and territories under well-recognized brand names, including Estee Lauder, Aramis, Clinique, Prescriptives, Origins, M A C, Bobbi Brown essentials, Tommy Hilfiger, jane, Donna Karan, Aveda, La Mer, Stila, and Jo Malone (The Estee Lauder Companies Inc. 2000a).

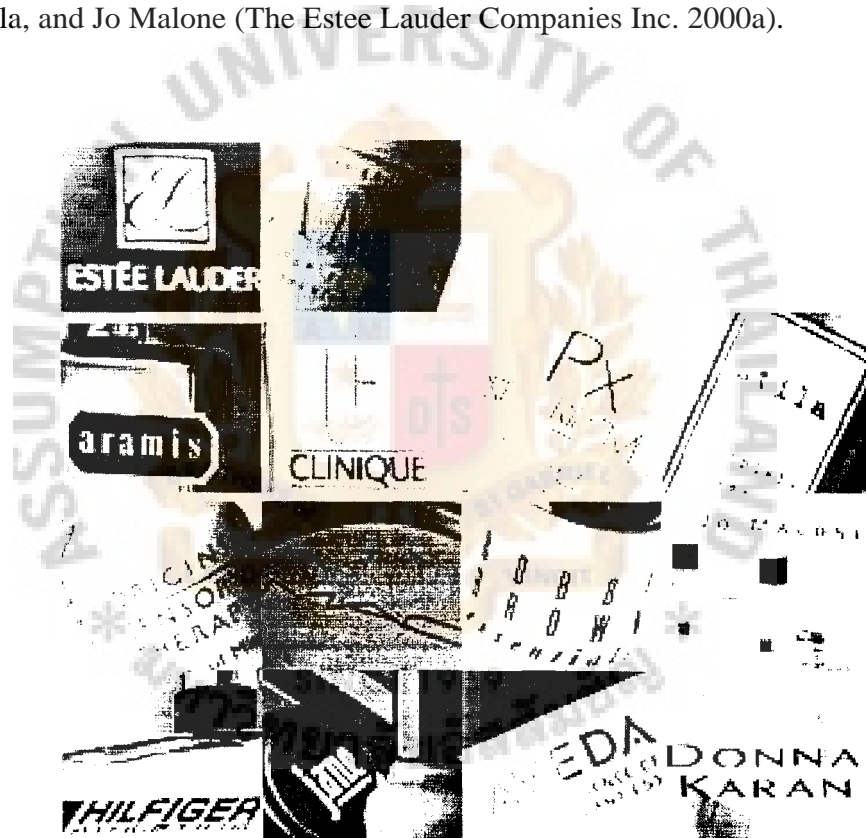


Figure 2.5. Brand Names under Estee Lauder Co., Ltd.

The two leading skincare brand name of Estee Lauder Companies Inc. in Thailand are Estee Lauder and Clinique:

(a) Estee Lauder

Estee Lauder, the flagship brand of The Estee Lauder companies, was founded in 1946. It markets a broad product line of women's makeup, fragrance and skin care products, as well as men's skin care and fragrances. Estee Lauder is renowned for the high quality, innovative and technologically advanced products it provides to its customers. Recent innovative skin care products include Spotlight Skin Tone Perfector, which utilizes optical technology to minimize skin imperfections; Perfectly Clean Foaming Cleansers, breakthrough cleansers that free skin of oil and impurities while restoring moisture and actually increasing the benefits of treatment products; and Resilience Lift Face and Throat Creme and Lotion SPF 15, created to reverse hormone-induced changes in the skin, such as dryness, sagging, dullness and discoloration. Recent innovations in the makeup category include Futurist Full Treatment Lipstick SPF15 and Futurist Age-Resisting Makeup SPF 15, combining the art of makeup with skincare benefits like firming, moisturization and protection, and Minute Blush Creme Stick For Cheeks, a creme blush formula in a portable stick form (The Estee Lauder Companies Inc. 2000b).

The Estee Lauder brand is a market leader in the fragrance category. In the 1970s, it introduced such fragrances as Aliage, the first sports fragrance; Private Collection; and White Linen. Beautiful and Knowing were launched in the '80s, and Estee Lauder *pleasures* and White Linen Breeze were introduced in the '90s. The worldwide success of Estee Lauder *pleasures* led to the introduction in 1997 of Lauder Pleasures for Men, which has also been highly successful. The newest fragrances are dazzling

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Silver and dazzling Gold, which were launched simultaneously in the fall of 1998 (The Estee Lauder Companies Inc. 2000b).

Estee Lauder is sold in over 9,000 doors in more than 100 countries and territories. Many doors in the United States and Europe feature assisted sale counters, which give consumers the choice of self-service or personal service from Estee Lauder's Beauty Advisors (The Estee Lauder Companies Inc. 2000b).

Estee Lauder, a woman who starts this company, personified the mantra of "think globally, act locally." She usually visit her counter in various places showing the sales staff how to give customers personal attention and a free gift. The latter promotion, by the way, proved to be a work of utter genius. Now an army of young women and men, exquisitely turned out and properly trained, do the same in every department store that's worthy of the brands (The Estee Lauder Companies Inc. 2000b).

Estee Lauder would give her famous friends and acquaintances small samples of her products for their handbags; she wanted her brand in the hands of people who were known for having "the best." She also loved to "entertain," as giving large dinner parties was once called. She enjoyed "beautiful people"—celebrities, the rich and famous—and could invite them to dine with her. A word that must be added to the definition of Lauder: focus. She kept her eye on the world around her and on all women wherever they might be (The Estee Lauder Companies Inc. 2000b).

(b) Clinique

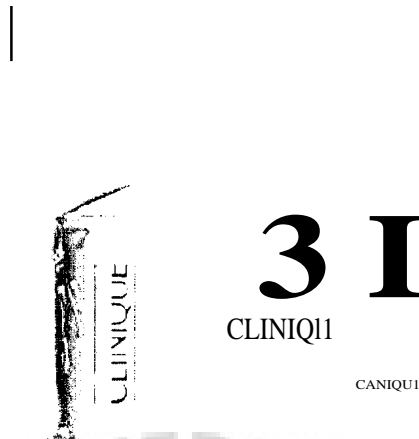


Figure 2.6. Clinique's Skin Care Products Are Marketed as Part of the Three-Step System: Cleanse, Exfoliate, Moisturize.

Clinique's line of skin care and makeup products was introduced by The Estee Lauder Companies in 1968. Clinique's mission has always been to meet individual skin care needs. Its famous 3-Step System of cleansing, exfoliating and moisturizing is the basis of Clinique skin care (The Estee Lauder Companies Inc. 2000c).

All Clinique products are allergy tested, 100 percent fragrance free, and created under the guidance of leading dermatologists. Clinique offers a full range of skin care, makeup and fragrance products for both women and men. Its fragrances include Aromatics Elixir, Clinique happy, and Clinique Happy for Men (The Estee Lauder Companies Inc. 2000c).

2.1.2 Biotherm

More and more women—young, active, urban, from America, Europe, and Asia—are seeking a new well-being without compromising. They want to see, act, feel, experience: their world has to include emotions and sensations, as well as results, plus a

little excitement, simplicity, and a lot of modernity. With Biotherm they find a brand—and a state of mind—that meets their needs (Biotherm2000 2000a).

Studying the composition of springs high in the mountains of France, Biotherm's biologists were able to isolate the key substance responsible for spa water's remarkable effects on the skin: thermal plankton. They then purified and concentrated it into pure extract of thermal plankton, so unique and so effective that it has been patented! Applied to the skin, it has the ability to rebalance cell activity in the most natural and gentle way. Because of its spa origins, this unique extract has a natural affinity with skin, respecting each skin's personality and acting only where and when necessary. That's why you will find the equivalent of 5,000 liters of thermal spa water concentrated in almost every Biotherm skin care product. Biotherm offers you all the richness and skin-balancing benefits of thermal spring water. At home. Every day (Biotherm2000 2000a).

Biotherm treatment products are created in a laboratory in the heart of Monaco. Although devoted entirely to Biotherm, the laboratory benefits from all the resources and technological innovations of L'Oreal Research. Its mission: to study cosmetology from a biological perspective in order to consistently create new Biotherm products on the cutting edge of technology—in terms of both effectiveness and sensory appeal. This combination of the most advanced knowledge about skin and its environment, together with the power of spa water, the latest technology, and the newest scientific research on textures and fragrances, produces visible results on the skin: that is Biotherm's promise and guarantee (Biotherm2000 2000a).

Created in 1950 and acquired by the L'Oreal Group in 1970, Biotherm has continued to grow since its inception. Today it is established in 51 countries. A prestige brand, Biotherm can be found mainly in perfumeries and department stores-13,000

throughout the world! On a volume basis, it ranks No. 3 in treatment products (Face, Body, Sun) in Europe, and is now becoming successful in the United States and Asia. With double-digit growth in most countries, Biotherm has been among the fastest—growing cosmetic brands over the past three years (Biotherm2000 2000b).

Avant-garde textures: cool, icy, and aquatic; sprays of freshness on the skin. Vivid colors: a mix of Artic blues and zingy, refreshing, appetizing " sorbets " tones. Fragrances with refreshing essences of grapefruit, orange, clementine, white flowers, or fresh mint... Biotherm immerses you in a unique world of water and sensations, helps you find a new energy to replenish and recharge the skin, body, and soul (Biotherm2000 2000b).

No more wondering which products are right for you! Biotherm's Basics Programs (also called Aquatrios because of the three basic functions they perform: cleanse, tone, treat) are organized by skin type and color-coded for easy selection. Ditto for Biotherm's intensive body treatments (cleanse, shape, treat). Both groups of products contain Biotherm's patented, natural spa water concentrate, Pure Extract of Thermal Plankton, to help skin look and feel its very best. In addition, Biotherm offers new "lifestyle" treatments, such as Hydra-Detox, to protect your skin from city pollution and cigarette smoke, and D-Stress, to combat skin fatigue caused by stress. At Biotherm, you will also find fun products that are serious only in terms of their effectiveness, e.g., Eau Vitaminee, a refreshing feel-good fragrance mist. The Biotherm result: skin that is-day after day-clearer, healthier, more alive, balanced and radiant, regardless of its environment. And that feels wonderful (Biotherm2000 2000b).

Biotherm has developed personalized skin-care programs, according to customer's skin type and cosmetic needs. It offers beauty-care and health advice for men and

women. Bio means life, the life of skin. Therm means thermal spring, natural spring water rich in beneficial thermal plankton (Biotherm2000 2000b).

After 20 years of studying the remarkable effects of thermal spring water on skin, Biotherm's biologists succeed in isolating the key natural substance, thermal plankton. They discover that thermal plankton was a concentrate of skin-loving ingredients: trace minerals, mineral salts, proteins, and sugars. So they reproduced it, purified it and patented it! In 1950, Biotherm was born (Biotherm2000 2000b).

Studying the composition of springs high in the mountains of France, Biotherm's biologists were able to isolate the key substance responsible for spa water's remarkable effects on the skin: thermal plankton (Biotherm2000 2000b).

They then purified and concentrated it into pure extract of thermal plankton, so unique and so effective that it has been patented! Applied to the skin, it has the ability to rebalance cell activity (Biotherm2000 2000b).

Today, the name evokes a unique concept: to give women everywhere access to the skin-saving, skin-soothing benefits of spring water at home, every day. To be successful in global cosmetic market, Biotherm developed three tools for success: a new image, products, and new environment (Biotherm2000 2000b).

While the products were becoming increasingly sensuous, the advertising style was also changing. For starters, Biotherm chose to have not one but several models: Audrey, Karine, Teresa, Renee, and Ian. The pictures shown in Biotherm advertising



Figure 2.7. New Image of Biotherm.

are women that are ever more lively and natural. The photographs are always taken outside with natural lighting, and water is always present, but in a more "vibrant," less stylized way than before (Biotherm2000 2000b).



Figure 2.8. New Packages and Ingredients of Products.

Although Biotherm products have always been known for their high performance, today they have an added element of true sensuality, thanks not only to their fresh, light textures, but also to their deliciously fruity fragrances (Biotherm2000 2000b).



Figure 2.5. Biotherm's New Environment.

Finally, the last element: the Biotherm environment with a new counter concept: self-service. This was created to meet the needs of women who prefer to look at products on their own before asking for help from the Biotherm beauty advisor—or to help themselves (Biotherm2000 2000b).

2.1.3 Shiseido

Shiseido was established in September 1872. The head office is in Tokyo, Japan. Their main businesses are manufacture and sale of cosmetics. Sheshido has subsidiaries and affiliated in 39 domestic and 38 oversea affiliates. They has 9 domestic production facilities (including 6 major factories producing cosmetics, soap, shampoo and rinse) 7 overseas facilities (Shiseido Co., Ltd. 2000a).

Shiseido will rearrange the organization of its head office and subsidiaries, as of June 1, 1999. The purpose of the changes is to ensure that Shiseido creates value "beyond the expectations of the customer," and to communicate that fact

effectively in Japan and globally. Shiseido will meet these goals by two means: An enhanced strategy for its brands, and a fundamental reform of its business structure (Shiseido Co., Ltd. 2000a).

(a) Brand Strategy to Be Strengthened

Shiseido has been implementing its "Top Global Cosmetics Company in the 21st Century" management plan since 1996. To improve competitiveness in global markets in the approach to the 21st century, it is essential for Shiseido to further increase the strength of its individual brands on a global basis. Therefore, Shiseido will undertake a three-point "Brand Strategy." (Shiseido Co., Ltd. 2000a).

The SHISEIDO brand, Shiseido's greatest asset, covers prestigious products in overseas market and a wide range of products, from deluxe to self-select toiletry products, in the domestic market. The border between the domestic and overseas markets is diminishing, and there is concern that the SHISEIDO brand image will lack a clear identity (Shiseido Co., Ltd. 2000a).

For that reason, the SHISEIDO brand will in the future be restricted to prestigious brands based on counseling sales, both in Japan and overseas. Unifying the brand's image globally will increase its value (Shiseido Co., Ltd. 2000a).

In the domestic market, the marketing of Cosmenity and Fine Toiletry, which currently uses the SHISEIDO name, will gradually shift to a position where there is no obvious use of the SHISEIDO name on the products, in advertising or on the sales floor. Instead, on the back of the packaging, "By Shiseido" will be printed, to notify users that the product is produced and

marketed by Shiseido. The value of those brands will be strengthened by making them truly independent and distinct from the SHISEIDO brand (Shiseido Co., Ltd. 2000a).

The Shiseido group has prominent brands other than SHISEIDO, mainly in the domestic market. Shiseido will promote such brands globally, to strengthen each brand as a distinct entity (Shiseido Co., Ltd. 2000a).

In particular, non-Shiseido brands, including Ipsa, Ayura Laboratories, d'ici la and Ettusais, which are growing steadily in the domestic market, will be introduced into overseas markets. Shiseido will also accelerate the international launches of popular brands from the Cosmenity and Fine Toiletry businesses. These brands will be targeted primarily at the Asian mass-markets, especially the low to medium-priced products, as such markets are particularly receptive to Japanese brands and influences (Shiseido Co., Ltd. 2000a).

Shiseido group's designer fragrances have been well received throughout the world, especially in Europe. They include Issei Miyake and Jean Paul Gaultier, marketed by BPI, Shiseido's group company in France, and Relaxing Fragrance, which is marketed under the SHISEIDO brand. Shiseido will continue to develop such products, with a view to establishing a firm position in the fragrances market (Shiseido Co., Ltd. 2000a).

(b) Reform of Shiseido's Business Structure

In order to promote its brand strategy effectively, Shiseido will fundamentally reform its current business structure. There are five aspects to this structural reform (Shiseido Co., Ltd. 2000a).

Currently, Shiseido uses a "linking" operating system. For example, within the SHISEIDO brand the overseas operations, from development through manufacturing to sales, are conducted by the International Operations Division, while the Cosmetics Marketing Division has a similar system for domestic market products (Shiseido Co., Ltd. 2000a).

It is inefficient to have such separate operations for domestic and overseas markets in an increasingly borderless world. Such a system also makes it difficult to respond globally to changes in market trends (Shiseido Co., Ltd. 2000a).

To overcome these shortcomings, the SHISEIDO brand will have a Cosmetics Value Creation Division." All development and marketing operations, both domestic and overseas, will be completely merged within that division. The SHISEIDO brand will be promoted to attain a top position globally. A brand unit system will operate within the division. Individual units will have complete responsibility for their brands, from development to advertising. This will clarify responsibility for the cultivation of brands, sales, profit and loss. Similarly, Cosmenity will have a "Cosmenity Value Creation Division." (Shiseido Co., Ltd. 2000a).

The Advertising Creation Department, which used to be an independent department, will be incorporated into the divisions. Shiseido's communication capabilities will be increased, as advertisements will be produced closer to customers (Shiseido Co., Ltd. 2000a).

Shiseido Sales Co., Ltd., responsible for domestic sales, and Shiseido's International Operations Division, responsible for overseas sales, will each

handle an extended lineup of Shiseido group brands. This will strengthen the multi-brand strategy (Shiseido Co., Ltd. 2000a).

The Production Division will be responsible for domestic and overseas manufacturing. Procurement of supplies and distribution will be conducted through a global network to realize cost efficiency on a par with the world's most cost-efficient cosmetics companies (Shiseido Co., Ltd. 2000a).

The Corporate Business Development Department, a new, independent department, will be responsible for the development and launch of new brands. It will control and support new brands until they are well established (Shiseido Co., Ltd. 2000a).

Shiseido will enhance its communication capabilities to create "values which exceed the expectations of customers," and to ensure this achievement is widely known (Shiseido Co., Ltd. 2000a).

A "Consumer Communications Center" will be in operation from June for the domestic market. It will have the following functions.

- (1) To communicate information directly to customers
- (2) To listen to customers and feedback their views to marketing

The center will coordinate all the points of communication Shiseido has with customers, such as the free-dial service, the Cosmetic Garden [C] showrooms in Japan and the website in Japanese and five major languages. It will improve Shiseido's communication capabilities by offering personal beauty information which meets the needs of individual customers (Shiseido Co., Ltd. 2000a).

At the same time, the Center will strengthen Shiseido's Value Creation capabilities by collecting customer feedback and other data, currently dispersed throughout the company, for everybody at Shiseido to share (Shiseido Co., Ltd. 2000a).

In future, Shiseido will establish a network to connect the Center with 12 major showrooms that Shiseido operates worldwide, to create a customer information-gathering system that is global in scope (Shiseido Co., Ltd. 2000a).

Two of the results of these changes are the new brand under Shiseido Co., Ltd., "Za" and "5S."

(1) Za

In Thailand, Shiseido Co., Ltd. reached agreement with Thailand's third largest industrial conglomerate, the Saha group, on the establishment of a joint venture company, Saha Asia Pacific Co., Ltd. The new company was officially registered on November 17, and will sell the "Za [zi:ei]" skincare and makeup brand in Thailand. It aims to achieve sales of 160 million baht in 1998 and 430 million baht in 2000. The Za brand was developed by Shiseido's subsidiary Shiseido Asia Pacific Co., Ltd., and its target market is middle class consumers in Asian countries (Shiseido Co., Ltd. 2000b).

Za is now promoted through mass-marketing methods, a "first" for Shiseido's overseas business. Za attracted a segment of consumers who were previously untapped by the existing prestige brand SHISEIDO by not carrying its brand name. Currently, Za is sold in six countries and regions including Taiwan, Thailand and Singapore, and its sales are growing at twice the rate of initial estimates (Shiseido Co., Ltd. 2000b).

(2) 5S

5S is the second of Shiseido's new business lines. It will meet the demands of women who want a new category of cosmetics products, which can't be met by existing marketing methods such as prestige and mass marketing.

These new category brands are reasonably priced, but with a high-quality image, and have a clear and unique concept. They are gaining influence in the cosmetics market all over the world. Observing these trends, Shiseido will introduce 5S into the market by offering a wide variety of products, and through sales floors which enable customers to choose, try and enjoy the brand at their own discretion (Shiseido Co., Ltd. 2000c).

Shiseido started marketing 5S by gathering together some female employees, and others, in their 20s and 30s, the same age as the target customers, and researched what they really wanted in the way of cosmetics. After that initial development stage, 5S will now be marketed from a flagship store to establish a base for its image. The flagship store will be located in New York, to benefit from the influence of a trend-setting environment. This directly operated store will also serve as the main communication tool for marketing, as a model shop and also as a base for information. By concentrating the promotion efforts in one shop Shiseido will establish a brand image first, and then gradually develop the business through retail shops in North America, followed by sales channels in Asia and Europe. When 5S is marketed in these areas, Shiseido will maintain the brand image first by opening directly operated flagship stores in each

influential cities, and then by gradually expanding its sales channels (Shiseido Co., Ltd. 2000c).

Concept: "Bringing out the special beauty that best reflects herself" occurs when inner beauty (the spirit) and outer beauty (a good skin condition) are working together. This "science out of feeling good" is the concept that underlies 5S. The brand name 5S is taken from the "5 Senses," which relates to the skincare

concept of the brand, and "5 Shades," which relates to the makeup concept (Shiseido Co., Ltd. 2000c).

Products: The 5S brand, including skincare, make-up and body care products, is planned to include 30 items and a total of 215 variations (Shiseido Co., Ltd. 2000c).

Target Customers: Sophisticated urban women in their 20s and 30s who can confidently choose what they really need and what suits them from the abundance of style information available to them (Shiseido Co., Ltd. 2000c).

2.1.4 Lancome

Lancome is one of the most famous brands of the L'OREAL Group. They believe that skin lives, responds and changes. It needs to be given a product that is high performance but that respects its balance, and which are all the more effective in that they address every human sense. This is why Lancome research combines the most effective technological discoveries with an in-dept knowledge of women. Their skincare treatments, the product of unique expertise and knowledge of the skin, deliver specific answers that are tailored to the needs of women, irrespective of their age or lifestyle (Lancome2000 2000).

To respect the skin, one must first and foremost understand its metabolism, from which they draw their inspiration to create products that imitate its function as closely as possible. Lancome Laboratories were the first to apply the scientific approach of biogenesis to cosmetic research. Their approach has helped to create products whose active ingredients are so perfectly in tune with skin that they are capable of mobilizing its natural powers of revitalization. This is how our skincare treatments achieve unparalleled performance for perfectly safe, perfectly visible results (Lancome2000 2000).

Lancome was also the first brand to understand the importance of vectors in cosmetology. Since the launch of Niosome in 1986, their techniques of scientific vectorization remain the most innovative on the market (Lancome2000 2000).

The Retinol Nanocapsule, the latest product of Lancome research, is the most sophisticated and most elaborate vector ever developed. Thanks to their mastery of vectorization, Lancome products deliver the most effective active ingredients exactly where the skin needs them the most. Texture, fragrance and color combine to make their skincare treatments a multi-sensorial experience, the pleasure of which reinforce their effective action (Lancome2000 2000).

Implementation includes three activities—organizing, staffing, and operating. In organizing, the company first should coordinate all marketing activities into one department whose top executive reports directly to the president. Then, within the marketing department, the company may utilize some form of organizational specialization based on geographic territories, products, or customer types (Lancome2000 2000).

Selecting people is the most important step in the entire management process. To operate an organization effectively, management also needs to do a good job in delegation, coordination, motivation, and communication (Lancome2000 2000).

The evaluation stage in the management process involves measuring performance results against predetermined goals. Evaluation enables management to determine the effectiveness of its implementation and to plan corrective action where necessary (Lancome2000 2000).

A marketing audit is a key element in a total marketing evaluation program. Most companies are victims of at least some misdirected marketing effort. That is, the 80-20 and iceberg principles are at work in most firms because marketing costs are expended in relation to the number of marketing units (territories, products, customers), rather than to their profit potential. Fundamentally, companies do not know how much they should be spending for marketing activities, or what results they should get from these expenditures (Lancome2000 2000).

Two tools for identifying misdirected marketing efforts are a sales volume analysis and a marketing cost analysis. Given detailed analyses, management can study sales volume and marketing costs by product lines and market segments (sales territories, customer groups) (Lancome2000 2000).

One problem in marketing cost analysis is allocating costs-especially indirect costs-to the marketing units. But the findings from these analyzes are helpful in shaping decisions regarding a company's marketing program (Lancome2000 2000).

III. PROBLEM DEFINITION/ PRODUCT SITUATION

GRACE of Switzerland was founded in Switzerland in 1953. Switzerland is an integral part of this brand name because Switzerland and GRACE represent the same values: quality, exclusivity, safety and trustworthiness.

Innovation in the field of cosmetics has been a trademark of GRACE ever since the early years. The goal of our research is to constantly seek — and find — new, more effective means for the best care of the customer skin.

Because the main emphasis of GRACE is on face care, we have a competent solution for every woman and every demand. The Perfect line provided high quality skin care products for complex skin requirement, the Unique Line was developed as the "anti-ageing care system for the demanding woman", Young Line products offer "the perfect solutions for any skin type of modern, young women".

In Thailand GRACE was sold mainly through beauty salons and perfumeries. Therefore, the lines with high market share are Unique Line and Perfect Line which earned 55% and 30% respectively. With only 15% of the total revenue earned by GRACE, we figure out the main problems. We started by figuring the target market.

The current distribution channels are not exactly right for Young Line customers. Those who use beauty salon services are more mature women. The products seems complicated for them, with 17 products in this line alone they will find it difficult to understand. We must make the products or find the way to make things easy for them, to make the product enjoyable and beneficial for the customer.

3.1 Background of the Product

3.1.1 From Pharmaceutical Laboratory to International Cosmetics Company

The history of GRACE as a Swiss manufacturer of high quality skincare products goes back to 1945 as the founding of the Divapharma pharmaceutical laboratory in Zurich. Working closely with dermatologists, a team of scientists acquired through the years a sound knowledge of the skin and its many functions. The main emphasis was on finding out how much of an active substance applied to the skin is absorbed and can achieve an optimal effect. The regeneration process of the cells played a key role in this context. With the appearance of the first basic products on the Swiss market under the GRACE name in the early fifties, the cornerstone of the first Swiss house of cosmetics had been laid.

3.1.2 Pioneers of Light Emulsions

Thanks to their sound scientific pharmaceutical know-how, the young cosmetic company was able to make use of new technical achievements of the times to produce high quality fine and soft emulsions. Years ahead of the major international competitors, GRACE developed in 1954 a special light cream that was soft and quickly absorbed: Cream Grace. In a surrounding of fatty, heavy and ointment-like creams, this lightweight cream had a big success. Those kind of soft stable emulsions with a fine texture are the result of a selective choice of raw material and sophisticated manufacturing process. These emulsions convey and agreeable sensations of beautiful skins and are still today typical of the GRACE products. With Crème Grace — which in its modern form is still popular in today's market — GRACE established itself as an internationally renowned and successful cosmetics company.

3.1.3 Innovation through Continuous Research and Development

A strong spirit of innovation has made the company one of the most successful in the international market of selective distribution. GRACE'S research activities are characterized by an unquenchable thirst of new scientific findings and an incessant search of valuable, effective substances. Over the years, GRACE researchers have succeeded repeatedly, making revolutionary discoveries of valuable active substances and using these in high-quality and effective skincare products. GRACE is also distinguished by its consumer-oriented policy. Close cooperation between Marketing and Research and Development assures products are created that meeting the true needs of the consumer.

3.1.4 Swiss Quality Wanted World-wide

Soon after GRACE had joined the ranks of the biggest international cosmetic brands in Europe, new target markets beckoned in the Near, Middle and Far East, in Australia and South Africa. But the spiritual center of the GRACE group remained in Switzerland, which is known worldwide for its high quality standard. In Volketswil near Zurich, all products are developed with the famous GRACE quality, intensive quality and skin compatibility test takes place, trial batches are produced, and packaging are designed. Here, too, all management decisions on worldwide activities are made and marketing and advertising concepts developed. In short, headquarter in Zurich is where all GRACE activities for over 40 countries around the world are co-coordinated.

3.1.5 Production and Sales

Since 1967, production has been based at the subsidiary in Baden-Baden, Germany. In what is probably Germany's most legendary spa, all the skincare products are manufactured. Worldwide sales of the cosmetic products are exclusively through GRACE dealerships in specialist shops and department stores. In all countries where

GRACE does not have a subsidiary, the brand is represented by local agents. GRACE has the greatest presence in Europe, especially in Switzerland, Germany, Spain, Italy and Scandinavia, where it is one of the leading brands in authorized dealer cosmetics.

3.1.6 Environmental Protection & Animal Testing

GRACE actively participates in programmes to protect the environment. All materials known to pollute the environment are banned especially from the areas of product and packaging development. For development of their products, GRACE neither performs nor commissions animal testing.

3.1.7 GRACE Today

Because of their pharmaceutical background, GRACE's strength lies in the skincare area, which comprises of over 50% of turnover. In the selective market area, GRACE represents all segments of a classic cosmetics company with the following lines: Unique Line, Perfect Line, Young Line.

Milestones in GRACE's history

1954 World premiere of the first "light creams" - a sensation

1962 ACTIVE MOIST, a new kind of moisturizer. CREAM OF GRACE, a classic among modern creams

1972 UNIQUE, the first skincare series in the world with light-protection filters

1976 PERFECT with "Unibiogen". Discovery of the natural bio-activator Unibiogen, the first effective anti-wrinkle skincare.

1980 Pioneer in the development of "pre-tan" products

1988 The first "Ceramide System", combined with a quick-breaking Emulsion

1994 ANTI-WRINKLE CODE cracked the aging skin code, with a natural

cell stimulant derived from the components of milk

1994 The first skincare which contains the Co-Enzyme Q10 in such a high concentration that wrinkles can be reduced by 48% (after 10 weeks)

3.1.8 Grace in Thailand

In Thailand, GRACE was distributed by Berli Jucker, Co., Ltd. since 1972. The Berli Jucker story is long record of pioneering firsts: The first to seriously distribute household products to Thai consumers. The first to see the local potential of glass containers and promote the largest glass plant in South East Asia. The first trading company to go public. And the first Thai company to realize the vast potential of the ASEAN arena and establish branch offices throughout the region.

Berli Jucker's foundations are built on a sound company philosophy. They are based on high moral values, the employment of superior human and financial resources, and hard work.

Berli Jucker is determined to steadfastly remain as a leading Thai public company with a keen sense of social, civic and economic responsibility. We believe in being managed by a highly motivated team of objective, well-trained and dynamic personnel who will maintain a sound financial structure, diversified product-mix, a growing record of earnings per share and an appropriate rate of return on investment.

It has been the Company's conviction that we will prosper while helping to improve the standard of living within the Thai community. This conviction prompted the development of the slogan "Making Life Better is Our Business".

Berli Jucker today is engaged in such diverse activities as engineering, chemicals, pharmaceuticals, photographic equipment, travel service, and consumer products. We are further involved in joint ventures, exporting and manufacturing.

With Berli Jucker, GRACE started its sales in Thailand by counter sales at leading department stores like Central and Diamaru. There were counters at ten of these stores branches. The sales of each branch were 50,000 — 80,000 baht per month. This is considered a lot at that time. At that time, there were only few cosmetic brands selling in Thailand. The competition was not very strong. The customer was not sophisticated. The major concerns of people on their beauty were how to look beautiful by the power of make-up. People at that day wear heavy make-up. Thanks to its cosmetic line, GRACE sales went very well. People like both its fashionable colouring and its texture that help to prevent their lips from dryness.

Three years after GRACE was in Thailand, they started to use direct sales. This led us to various distribution channels. The distribution channels at that time were department stores, beauty salon, perfumeries, and direct sales.

In 1987, the political situation was unstable. People spent less not knowing what would happen in the future. They reduced their spending on luxury goods. People started to buy less cosmetics. GRACE sales dropped dramatically. The major sales volume was from direct sales. Few years later the economy recovered. More foreign investor saw the potential in Thailand. This is when the multi-national cosmetic brands entered. With full support from their head quarters, they invest a lot of money in their marketing activities, especially on sales promotion, advertising, and public relation. Soon they penetrated the market. With product quality as our only main strength, it was harder for us to compete with these Giant firms in the department stores where advertising and sales promotion seems to be most important aspect of the products. The company decided sales only through perfumeries, direct sales and beauty salons whose sales are a lot bigger. Especially in salon where the consumer can test or use the

product in the facial massage treatment. They can feel the wonderful feeling of the products. The product can sell itself. After they used it, they will buy it at the site.

3.2 Situation

3.2.1 Market Outlook

Thai economy has not recovered, as people had hoped. The continuing uncertainties about the state of Thai economy lead to the following suggestions:

Reduced disposable income among women in particular both have, and will reduce demand for cosmetics and skincare products as well as substitution of lower priced items for higher priced items.

If we believe that cosmetics and skincare product, among other things, provide a psychological boost for their user, the demand for cosmetics will be cushioned.

The economic conditions make competition to keep and get job among women both employed and unemployed much stronger. Women will still buy necessary products, basic skincare products are considered a necessity.

The following are competitors activities:-

Estee Lauder, the world largest cosmetic company, invests a lot on the product image. They have a lot of money to spend. The company selling Estee Lauder in Thailand is their subsidiaries. They receive full support from the head quarter in New York. They invested a lot of money in promotion and advertising. Estee Lauder has divided the consumer skin types: dry skin, oily skin, and combination skin. The combination skin is further subdivided into normal to dry skin and normal to oily skin.

Biotherm recently try hard to change its image to be yoUng modern and fresh. Their target group matches our Young Line. They have also divided their customer into different skin types: dry skin, combination skin, and oily skin. They have promotion selling a product for each skin types in a set.

Shishedo has a wide range of products for different target group. All products have been sold under one brand name, Shishedo. Now they want to strengthen their brand image. Their strategy is to use different brand name for different products for each target groups.

All these activities by the competition indicate that it is important, as a face care specialist, to offer an extensive and consumer oriented answer to the topic of individual skin. They want to simplify their products by using different colors to represent each type of skins.

In the appendix, you will find additional information about the competition.

3.2.2 Consumer Trends

Most young women in Thailand, today, are concerned more about their skin, especially on their faces. A lot of them use mass products that can be easily purchased through the supermarket and specialties stores. They get the messages through the TV advertising. Some women with acne, pimple, and breakout go to dermatologist. They use the prescribed cream on their face. They even take the medicine.

Still there are some young women who don't use skincare. Many reasons they give in, not using skincare. Those with normal skin thought that they are still young; skin pampering is for older people. Oily skin people might think, "my skin is oily already, it doesn't anything to make my skin extra oily".

Most young women, ages between 18-24 years old, are concerned more on fashion and trend. They are impulse buyers. They love fancy packages as well as good products inside the packages. They will buy anything to make them fit in.

3.3 SWOT

3.3.1 Strength

GRACE of Switzerland has high quality products with Swiss image. We have strong product innovation. The packages of our products are attractive to our customer, Young Line have colorful modern packages, Unique Line and Perfect Line have a gold elegance packages. With long established, well-recognized company, Berli Jucker, we have a large stock of company good-will. Consumer brand loyalty is moderately strong. Benefit oriented, long-time users continue to use the product. We offer complete range of skincare products for all skin types.

3.3.2 Weakness

Our products have high price in terms of brand recognition. With Young Line, the purchasing power of the target group is not very high. This group of customer has enough money to buy our products and is able to benefit from it. However, they don't have that much money to try the product just for experience and fun.

We, having huge assortment of products, sometimes confused new users, especially when they are young and just started to use skincare products. Young Line look complicated to the target group, since the Young Line consists of 17 products. Each product serves different purposes for different types of skins. Our target group, Thai women ages between 16-25 years old, will be amazed by a huge variety of products they have to select from. They are cosmetic beginners. They just started to use cosmetics and wear make-up. They know so little about cosmetics. They may not even be able to distinguish between a toner from a cleanser. They want to have the best skin but they don't know how. And we will not be surprised if they are puzzled with 17 products presented to them.

3.3.3 Opportunities

Young women with purchasing power are showing increased interest in cosmetics and good skincare products, our Young Line can satisfy their wants. Unlike GRACE of Switzerland, our competitors' products are concentrated more on older market. They have fewer assortment of products for young users than us.

3.3.4 Threats

We have aggressive competitors. These are the brands with a good support from their mother company in Europe and America.

3.4 Positioning Strategy

3.4.1 Brand Positioning

G-tacé of Switzerland is skincare that stands for quality, exclusivity, safety, and trustworthy. We position ourself as high price, high quality product. Our main competitors are Estee Lauder, Clinique, Shiseido, Lancome, and Biotherm. The following is positioning map.

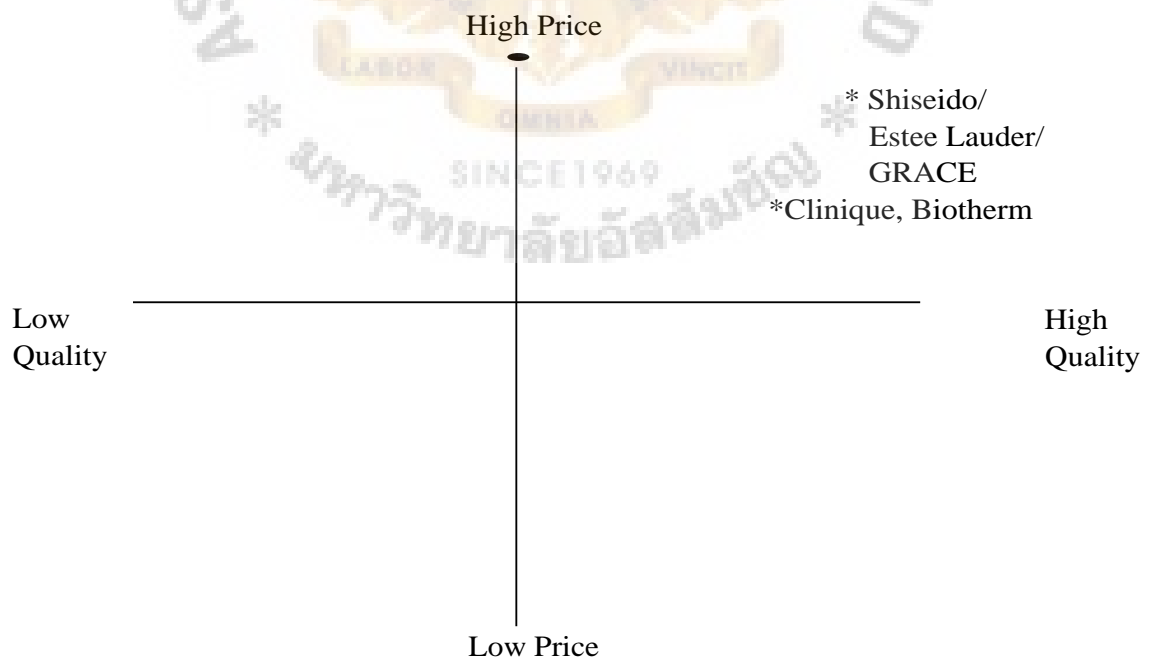


Figure 3.1. Positioning Map.

Young Line is an innovative line of facial skin care products for younger women. It has been specially developed to meet the requirements and problems of every skin type. Each product provides a sensation of beauty skin.

3.4.2 Product Positioning

Fun Pack is a creative product, which makes it easier for women to identify products for their skin. Each skin type will have their own color code to identify the product for their skin.

Since we know the weakness of our products are price and assortment, we will use our Fun Pack to overcome this problem. The price of fun pack will be attractive since it will only cost 850 baht/ pack. Each pack will consist of 3 items! The color will differentiate each skin type from the others this can minimize the confusion. Selling product in a set also minimize confusion.

3.4.3 Brand Character

Young line is a young, modern and self-confident woman. Every single day, she brings me new and different refreshment through her vitality and effervescence. To me, she is the best friend there could be. She is able to listen, can put herself in my shoes and understands me. We stick together for better or for worse. She helps me resolve my problems and supports me in my plans. I know I can have complete confidence in her and that she will also be at my side in the future, offering protection and security.

3.4.4 Target Group

The Young Line target group will be women with 16-25 years old. The reason we choose this ages group for this line is because women of this ages have similar skin structures. The skin at these times vary the most. This is why we differentiate the products using skin types. Women of these ages will respond to similar advertising and promotion. They are uncomplicated, convenience oriented women. They will like easy

to use, understand, and 24-hours products. By uncomplicated we mean using just cleanser, lotion, one moisture, eye cream and mask. If they want more variation and complexity they must move to Unique Line. They know the importance of using product especially made for their skin types. In summary, our target markets are:

- (1) Between 16-25 years old
- (2) Uncomplicated, convenience-oriented
- (3) Skin type aware
- (4) Price conscious
- (5) Likes to care for her skin
- (6) Like easy to use, understand, and 24-hours products

After the situation is examined, we found that our target group, young women, need to be educated about their skins and the skincare to be used. They want the easy product that is special for their type of skin. The product for them must not be too difficult for them to understand.

The following overview shows how the products are positioned according to the skin types within the Young Line. All products under this line are perfectly positioned and cover all the needs of the various skin types. Each product for different type of skin is differentiated by color code to make it easier for the customer to understand.

IV. A LONG-TERM MARKETING PLAN

GRACE long-term marketing plan covers a five to ten year period. Within this period we assume that our sales volume will increase to Baht 24 million per month for department store sales only. This figure follows the sales trends of earlier year. The proposed marketing activities will also help achieve the planned objective. We also assume that the trend in skincare and cosmetic products will continue to be towards "natural products".

After we sell our Young Line in department stores for four years, we will already have a strong customer base for GRACE's Young Line. We decide to proceed to the next step, sell all products under GRACE of Switzerland in department stores. We want every woman possible to benefit from our products. We want our customer find it convenient to buy our products. Other benefits of selling GRACE of Switzerland in the department stores, beside convenience, is the image. Counter products in department stores definitely have a better image than a product selling through salon.

Objectives:

- (1) To sell all lines of GRACE facial skincare products to all women.
- (2) To distribute GRACE products to all leading department stores.

A multiple-segment strategy (Kotler 1994) will be used to select the target market. This is because we want to sell our products to all women. We cannot effectively reach women of all age groups with the same marketing mix. We will select three segments and develop a separate marketing mix to reach each segment. The first segment is 18 to 25 years old women. The second segment is 26 to 40 years old women. The third segment is women over 40 years old. All these women are upper middle class and upper class.

We will sell our Young Line, Unique Line, and Perfect Line to the first, second, and third market segment respectively. The five year sales figure as well as the margin and other costs will be presented in Table 4.1.

4.1 Product Strategies

It is difficult to predict the demand for the type of skincare product as we advance further towards our ten years planning horizon. It is also difficult to predict the new skincare products that GRACE will develop in the same planning period. Consequently, we will only make some broad suggestion about years five to ten.

Using Kotler five levels of product (Kotler 1994), we can, come up with many plans about the products. In five to ten years, core benefits of GRACE, giving women skin beauty and health, should remain the same. However, the generic product should change. This means the basic version of a product, package and cream, will be changed. The change of package will make it more attractive, improve its ability to keep the cream, and facilitate the ease of use. The expected product will satisfy every condition expected by the customer. The augmented product will be different. Not only the package will be improve, but also our services, advertising, customer advice, and other things our customers value will also be improved: \

Three product lines of GRACE are Young Line, Unique Line, and Perfect Line. All these lines are sold under one brand GRACE of Switzerland. Five years before we are assumed to have already built a lot of brand loyalty and we use it as a basis for expanding a product mix.

On the package of each product, three names will always be presented, including product name, product line name, and brand name. Style of color and graphic will be different from line to line. The color and graphic of Young Line will be colorful, lively, and modern. With Unique line which focus on more mature women, color and graphic

will be much more classy and elegant. Color we preferred is gold which stands for classy and elegant. Package will be made from glass that is good for keeping cream. With perfect line which is targeted at older women. The package will be the combination of elegant and conservative. It should also look classic. Again the color used will be gold.

Table 4.1. Grace of Switzerland Five Years Budget.

	2001	2002	2003	2004	2005
YOUNG LINE	2,542	16,355	19,626	23,551	24,080
A. FUN PACK	1,275	3,188	3,825	4,590	4,200
B. CLEANSER/ LOTION	1,267	3,168	3,801	4,561	4,880
C. OTHERS	-	10,000	12,000	14,400	15,000
UNIQUE LINE	-	-	-	-	25,200
PERFECT LINE	-	-	-	-	16,800
NSV('000)	2,542	16,355	19,626	23,551	66,080
GM	1,652	10,631	12,757	15,308	42,952
%TO NSV	65%	65%	65%	65%	65%
DOH 20%	508	3,271	3,925	4,710	13,216
A&P GENERATED	1,144	7,360	8,832	10,598	29,736
%TO NSV	45%	45%	45%	45%	45%
BEGINNING BALANCE	900				
A&P ACTUAL	2,000	4,416	4,907	4,239	16,520
% TO NSV	79%	27%	25%	18%	25%
P&L	44	2,944	3,925	6,359	13,216
% TO NSV	2%	18%	20%	27%	20%

4.2 Pricing Strategies

Since our pricing objectives are to earn a target return on net sales as well as meet competitor's prices, we will still use cost-plus pricing and setting the price in relation to our competitor. Our pricing strategies are compatible with the rest of the marketing mix. With price set, we are able to give customer discount, allowance deductions from the list price, quantity discount, trade discount, and other types of deduction.

4.3 Distribution Strategies

Since our target market is woman of upper middle class to upper class, the place to distribute our product must be the place they like to hang out and that place must be the one where they feel like buying cosmetics. The most appropriate place is department stores. It should be the top class department stores with good atmosphere which enhance the sales of cosmetics. Central Chidlom, Central Lardpraw, Central Bangna, Central Praram 3, World Trade Center, The Emporium, and The Mall Bangkapi are the department store branches at which we plan to distribute our cosmetics.

4.4 Promotion and Advertising Strategies

Our promotion and advertising strategies will be set following other marketing mixed as well as budget set. In brief, we will advertise our products on magazines, outdoor advertising, and direct mails. The consumer-promotion tools we will use includes product samples, coupons, rebates, premiums, beauty advisor training, point-of-purchase displays and demonstrations, game, free goods and prizes. Marketing PR tools we will use are publication, events, news, and identity media.

V. INTERMEDIATE-TERM MARKETING PLAN

GRACE intermediate term marketing plan covers two to four years period. In these years, our main consideration are to expand GRACE line in the department stores so that women of different ages possible are able to benefit from it. These department stores are the top department stores of Bangkok.

We plan to expand our distributing places from just two department stores to five department stores to increase the customer convenience of buying our cosmetics.

After we launched Fun Pack, cleanser/ lotion in Central Ladprow and Central Chidlom, we are now focusing on launching all 17 products in Young Line in the 5 top department stores to be able to satisfy all needs of young women.

We also want to increase our sales figure so that the profits can cover the initial investment we have invested in the first year.

At these periods, the core benefits of our product remains the same but the augmented benefits may change. That means, for example, we still have cleanser to clean faces but the formula or the technology of making this cleanser is better.

Objective:

- (1) To increase the distribution of GRACE products to 5 major leading department stores.
- (2) To sell the full Young Line of GRACE facial skincare products to young women.

A single segment strategy (Kotler, 1994) will be used to select the target market. This is because in this period we still focus on one target group, young women ages 18 to 25 belong to upper middle class and upper class. These women have similar needs and appealed to similar marketing mix.

5.1 Product Strategies

In four years planning horizon, we plan to increase our product gradually. In the second year of our marketing plan, the customer who likes our fun pack and cleanser/lotion will have some confidence in our products and like to try more of our innovation. We will welcome them to the world of GRACE especially made for young women. We will introduce our Young Line. This line is subdivided into a group according the skin condition: normal/mixed skin, oily skin, and dry skin.

Using Kotler five levels of product (Kotler, 1994), we can come up with plans about the products. Within four years period, the core benefits of GRACE, giving women skin beauty and health, should remain the same. However, the generic product could change slightly. The product package of some of the product might change to make it more modern or convenient to use. The expected product and augmented product might change slightly because GRACE of SWITZERLAND has strong innovation power.

After we launch our FUN PACK in the department store for one year, we assume that the young women, our target market, will be more familiar with our products. And they will like to try other innovation of ours. Now we will launch the full line of Young Line to give the complete beauty to the young women. Here we will divide our Young Line into three main groups: oily skin, dry skin, normal/ mixed skin. The chart of our Young Line which will be launched in the year 2001 are in the appendices.

5.2 Pricing Strategies

Since our pricing objectives are to earn a target return on net sales as well as meet competition's prices, we will still use cost-plus pricing and setting the price in relation to our competitor. The Gross Margin (GM) of our product, after subtracting the Cost Of Good Sold (COG) will be approximately 59% of the Net Sales Value (NSV). The direct

overhead expenses are approximately 20% of the NSV. The money left after subtracting from COG and DOH are left for Advertising and Promotional (A&P) expenses. We call that A&P generated. When the actual A&P spending is less than the one generated, we have net profit. If it is the other way round, we have net loss. In our first two years, we plan for net loss. We are not very famous in young market. In fact, most young women have not heard about us at all. We get this information from interviewing the university students in Bangkok. When we present the products to them, they said that they haven't heard of our brand.

We will take the first two years to establish brand recognition and brand image. We build them from the ground zero. We will use the most money in this area. In the third and fourth years, we plan to spend 25% of NSV for A&P.

Our pricing strategies are compatible with the rest of the marketing mix. With price set, we are able to give customer discount, allowance deduction from the list price, quantity discount, trade discount, and other types of deduction.

We want to make our price as competitive as possible. Therefore, price of our product will be very close to GRACE in the countries in Asia. This is made so that flying to other countries in Asia to buy our product is not necessary. However, our exchange rate is not stable if the baht value drops gradually we are forced to increase our price.

5.3 Distribution Strategies

In these two to four years period, we plan to expand our distributing places from two to five top of line department stores. The first years we already have Central Chidlom and Central Lardprow. The second to forth year we will open our branches at Central Bangna, The Emporium, and World Trade Center.

5.4 Promotion and Advertising Strategies

Our promotion and advertising strategies will set following other marketing mix as well as budget set. We will spend most of our money in magazine advertising, premium, and events. Since in the intermediate term we will sell the full line of GRACE of Switzerland, we will make a brochure for the Young Line. This brochure will explain in brief about the product and its benefit. With 19 products in this line, this kind of brochure will make the target group understand our product without any difficulties.

The consumer-promotion tools we will use includes product samples, coupons, rebates, premiums, free trials, point-of-purchase displays and demonstrations, free goods and prizes. Marketing PR tools we will use are publication, events, news, and identity media.

VI. A SHORT-TERM MARKETING PLAN

GRACE short-term marketing plan covers one year period. Within this period we will sell only fun pack and cleanser/lotion only. We will sell this product through department stores. We planned that the sales volume is 2,542,000 bahts. From 2.542 million, 1.275 million will be from the sales of Fun Pack while the 1.267 will be from the sales of cleanser/ lotion. We have four products within cleanser/ lotion category.

We have sold an average of 50 + 30 + 35 + 30 products each month in the current distribution channel. These are not even the channels where young women buy. In two department stores, we expect the sales to increase by 30% to be 1.267 thousand bahts. The summary of the calculation is presented in Table 6.1.

Table 6.1. The Current Sales Figures in Salon for Cleansers.

	units sales*months	units/year	Price/unit	net sales value
1. Fresh Cleansing Gel	50*12= 600		@560	336,000
2. Gentle Cleansing Milk	30*12= 360		@560	201,600
3. Soft Lotion	35*12= 420		@560	235,200
4. Active Lotion	30*12= 360		@560	201,600
				<hr/> 974,400 <hr/>

We expect the sales in Department stores to be 30% more:

974,400*130%	1,266,720
--------------	-----------

For cleanser/lotion, we assume that we will be able to sell 130% more compared to the sales in our traditional channel, beauty salon and perfumery. The reasons for this number are, first, cleansing and lotion is the basic for beautiful skin. Before they buy nourishing they will buy cleansing and lotion first. Second, GRACE's cleansing and

lotion are especially made for young skin, different product for different skin types. Unlike the products they buy from supermarket, the concentration of the active ingredient is much more, thus, products are more effective. Third, our target group likes to buy things from department store. By having the products at the right places we will be able to increase sales.

For the Fun Pack sets, since these are new products, we will forecast sales a little differently. There will be three sets of products to be sold to three different skin types. Each set contains three products which all have been sold in a larger size separately. We use the sales figure of those large sizes to estimate the Fun Pack sales.

Since the eye products are the same for every pack we will ignore them for a moment. For oily skin, control & care and Active Purifying Mask together sales 75 units/ month. Selling these products in a pack with the sizes much smaller than the original size. We, pessimistically, said that we can sell at least 50 packs/ month. Each pack cost customers 850 bahts. The similar evaluation goes the same for normal/ mixed skin and dry skin. The calculation will be presented in Table 6.2.

The figure follows the sales trends of earlier year plus our own judgement. These sales cannot be achieved without the sales promotion and advertising supports which will be presented later in this chapter. The tactical plan of GRACE of Switzerland first year sale each month for year 2001, will be presented in Table 6.3.

Objective:

(1) To push sales of Young Line up 100%:

- (a) By offering the Fun Packs as a travel set
- (b) Or as a "first" test set to get new users.

(2) To actively support the complete Young Line with an eye catching promotion at P.O.S.

(3) To improve the marketing approach of Young Line catered specifically for youth.

Table 6.2. The Current Sales Figures in Salon for Nourishing Products.

	Units sales*months	units/year	price/unit	net sales value
1. Soft Eye Contour Cream	25*12= 300		@580	174,000
2. Skinmarine	20*12= 240		@1300	312,000
3. Skinsation Defense 4	25*12= 300		@1300	390,000
4. Control & Care	30*12= 360		@680	244,800
5. Quick Moisturizing Mask	15*12= 180		@770	138,600
6. Active Purifying Mask	20*12= 240		@770	184,800
		1620		1,377,000

	oily skin	normal/ mixed skin	dry skin
Soft Eye C.	Soft Eye C.	Soft Eye C.	Soft Eye C.
25	25	25	25
C & C	Skinmarine	Skin. Def. 4	
30	20	25	
Active Mask	Quick Mask	Quick Mask	
20	15	15	
unit sales/ month	50	35	40
@twelve month	12	12	12
unit sales/ year	600	420	480
@baht 850 / unit	850	850	850
baht sales/ year	510,000	357,000	408,000
total baht sales / year			1,275,000

A single-segment strategy (Kotler 1994) will be used to select the target market.

The segment we want to reach is 16 to 25 year old women in middle-upper class and upper class. These women have a need that few products can satisfy them. We will

C. B. A.

H 3 GRACE of Switzerland Tactical Plan and Major Activities of the Year 2001 Breakdown by Month.

	JAN	FEB	MAR	APR	MAY	JUN	AUG	SEP	OCT	NOV	DEC	TOTAL	AVG
SALES VOLUME													
YOUNG LINE	150	170	170	220	170	100	100	200	200	200	200	200	150
FUN PACK	70	80	80	100	80	80	80	80	80	80	80	80	70
CLEANSER/LOTIO	80	80	80	100	80	80	80	80	80	80	80	80	80
OTHERS													
UNIQUE LINE													
PERFECT LINE													
TOTAL INSV	300	400	400	520	420	260	260	560	560	560	560	1,000	300
NET INSV	280	380	380	500	400	240	240	540	540	540	540	960	280
NET V	30	40	40	50	40	20	20	50	50	50	50	100	30
IA&P GENERATE													
IA&P ACTUAL	430	430	430	430	430	430	430	430	430	430	430	4,300	430
IBD FROM 2000	900	900	900	900	900	900	900	900	900	900	900	9,000	900
NET P&L													
NET V	430	430	430	430	430	430	430	430	430	430	430	4,300	430

MAJOR ACTIVITIES

MAG ADS
BROCHURE
PUBLIC RELATION
PREMIUM

X X X X
X X X X
X X X X
X X X X

begin our marketing mix by educating them about our products, and then promote the needs for the products.

6.1 Product Strategies

When a woman delves into herself, she discovers her own, very individual beauty. This beauty is a part of her personality and is as unique as her character, her spirit, and her emotions.

A woman, especially her individuality, also influences GRACE's new world of skincare. This world gives the modern woman freedom of choice: a complete collection of diversified, revolutionary skincare products.

Young Line: the future in skin care. It is GRACE's answer to the varied needs of the self-confident woman. Skincare has been redefined through the use of unique combinations of active agents and intelligent, future-oriented skincare technologies.

Young Line by GRACE is the result of research and experience of many years; it is a guarantee for a visible effect and a new skin-feeling.

Young Line is the skincare philosophy of tomorrow for youthful vitality, radiant beautiful skin and an indispensable feeling of personal beauty.

This Young Line; however, is not without problem. The first problem is, not without problem. The first problem is, with 14 products in just this line alone, young women will find it hard to understand them, especially when they just started to use skincare. This is the problem. To solve this, we must first make the products easier for them to understand.

Most young women are familiar with the mass cosmetic products. They see it on TV, read it from magazines, and listen from the radios. They are accustomed to the one product that is able to solve particular problems for all skin types and conditions. These products are easy to understand but whether they really work is a question. Women

have different skin types as well as skin conditions, they can hardly receive benefits claimed by those kinds of product. However, they will buy not knowingly. To make them shift from one product for all skin to the best product for their individual type of skin is the challenging job we need to work out.

After discussing the problems, we started to develop solution. When 14 products are too much for them, we will combine the products and sell them in pack. We called them Fun Pack. Fun Pack is a face care line for individual skin types. GRACE of Switzerland knows that at different ages women need different protection. And we also know women skins are different-normal/ mixed skin, oily skin, and dry skin.

We want women to use skincare that are especially made for their ages and skin types so that they can have the best skin that any skincare can provide them.

Fun Pack is divided into three groups according to skin types: normal/mixed skin, dry skin, and oily skin. Each group will have its own colour codes to differentiate itself from the other.

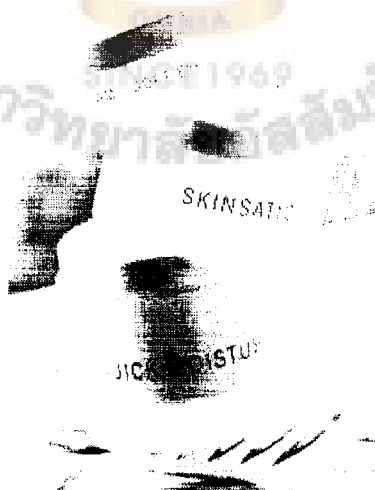


Figure 6.2. Fun Pack for Dry Skin.

<u>Color Code</u>	<u>Represents</u>
Light Blue	product for normal/ mixed skin
Apricot	products for dry skin
Turquoise	products for oily skin

The light blue, from sky color, represents the comfort. We assume that women with normal or mixed skin are those with the most comforting situation; therefore, we use light blue to represent them. Apricot is the hot color. It represents dryness, dessert, or the sun. We know that this color perfectly represents dry skin. Turquoise represents the forest, trees, and moisture. This is perfect for oily skin.

Grouping all products from the Young Line by the color code is our long terms mission. We will use this concept starting on Fun Pack. We hope to finish grouping them within five years. By this we mean not only changing the package color but also the color of the texture itself. Later we will gradually change other products in Young Line to fit these color codes.

The ultimate skin care sets for individual skin types, containing an eye care, 7.5 ml., a face care 15 ml., and a mask, 30 ml. A new packaging system of stackable, plastic jars opens a new dimension for a skin care set, as the jars can be put together for a little tower. The advantages of this product are very stylish, efficient, practical, and lightweight. Therefore, the customer will like to travel in every pocket or like to be used for the first time.

6.2 Pricing Strategies

The price is as follows:

(1)	Fun Pack	=	850.-
(2)	Fresh Cleansing Gel	=	560.-
(3)	Gentle Cleansing Milk	=	560. -

(4) Soft Lotion = 560.-

(5) Active Lotion = 560.-

This prices are set by taking into consideration of the cost, profit, and target market. The following figure shows the calculation of Fun Pack. The ex-factory cost of Fun Pack are 7.30 sfr.

Table 6.4. The Product Pricing.

STRUCTURE		
FOB	(25B/sfr) 25	182.50
INSURANCE + FREIGHT	12%	21.90
CIF		204.40
IMPORT DUTY	20%	40.88
CIF + IMPORT DUTY		245.28
EXCISE TAX	15%	36.92
CIF+DUTY+TAX		282.20
CLEARING EXPENSE	5%	14.10
LANDED COST	45%	296.30
AGENT MARGIN	20%	90.97
A&P	25%	129.08
WHOLESALES PRICE		516.35
RETAIL MARGIN	35%	278.04
RETAIL PRICE EX. VAT		794.39
VAT	7%	59.50
RETAIL PRICE INC. VAT		850

As we mentioned earlier, this figure is just a guideline for us. In setting our selling price we also take into the consideration of other factors: competitors, economic condition, customer purchasing power, etc. Therefore, the price may vary from the price structure we have set.

6.3 Promotional Strategies

6.3.1 Eye Catching Demostand

For an attractive launch at the counter, the GRACE demostand will be made. The demostand will include the picture of a lively girl that we use in the advertising. All products of the FUN PACK modules plus cleanser and lotion can be placed on it. The three spaces for Fun Pack for oily, dry, and normal skin will be in the middle of the spaces of cleanser/ lotion because our main concentration is on the Fun Pack.

6.3.2 Gift with Purchase

The consumer will receive the attractive different products with GRACE logo or name with the purchase of a certain value of a product. In January, the customer who buys cleanser and lotion will get Fun Pack. This promotion will allow the customer to get familiar with the Fun Pack. In February, the Valentine season, we will give the premium related to Valentine. We will give something like Swiss Chocolate which is also related to Grace since both products are from Switzerland.

In March, the premium will be aquatic face mirror with GRACE logo printed in gold. The promotion in April will be cosmetic hanging set. In May and June, summer, the promotion, related to season, will be sun-glass and summer cap (with GRACE logo printed) respectively. In July, the beginning of raining season, the premium is umbrella. We will give umbrella in the beginning of raining season so that if the others give the same premium, it will not be as exciting anymore.

In August, September, and October, the premium will be pillow, cosmetic bag, and clock respectively. In November, the promotion will be the product that we will sell in the next year. The product must be special and interesting. We choose, Control and Cover, the cover stick that can cover the blemish as well as hide it, to be a premium

St. Gabriel's Library

for both November and December. In December, we will also have lucky draw. The winner of each branch will get two tickets to Hong Kong.

The GWP has a strong display effect and was manufactured out of an excellent material. For additional support, individual handout cards will be produced to announce the activity. Premium and advertising activities breakdown by month will be presented in table 6.5.

6.3.3 Product Samples

This activity will pull the target group to our counter. We will distribute mail to our target group. The message will tell them to redeem the sample at our counter. It will be distributed through direct mail to a mail box of the house of target group, hand out by our staff in front of an A-universities, and the fancy places that that young women used to hang out like: nice restaurants and sport clubs.

6.3.4 Game Machine for Samples at the POS

We are thinking about something very special. From this game machine, the consumer can get a sample, but that's not all! If she is very lucky, she also can win an original size Fun Pack.

This machine will make the consumer curious and will attract many people to the counter! With it, the sales girls have the possibility to inform about the outstanding new Fun Pack.

6.3.5 POS Support Material

News Folder: To inform our customer about the Fun Pack under YOUNG LINE, we will offer a new style of Consumer Folder — Which we call NEWS Folder. The NEWS Folder will have the appropriate size of A3 and will be folded to a handy size. It will have the character of a newspaper. Furthermore, all the skincare products

of Young Line for all normal skin, dry skin, and oily skin will be mentioned in it. There will also be beauty tips especially made for GRACE customer.

For decoration at the POS and window, we will use the following material:

Japanese Flags: Japanese flags can be use as a good attention getter in the place where there are a lot to look! We will make at least two Japanese flags at each counter. The flags must be colourful, modern, and attractive just like our products.

Paper Bags: The paper bags with our logo or picture can be used to decorate our counter. It can also be given to customer when they bought our products. This cute little bag can be reused. Each time a customer uses it, it will remind them about our products.

Shipper Merchandiser: Other decorations will be sent from the producer from GRACE of Switzerland. Those are the high quality print materials or equipment which cost of production are much lower there than in Thailand.

Counter Card: Consisting of glass holder with the logo of GRACE of Switzerland on it. The size of the holder will be in proportion to the size of the cards.

6.3.6 Sales Girls

Sales Girls Motivation: Sales girl will be trained on product knowledge and sales technique. They will be very confident about the products. Apart from sales commission, the sales girls with good performance will be praised out loud so that everybody can know their good performance is recognized. The bad performance must also be concerned. The sales girls with bad performance will discuss privately with the sales manager to find the cause of the problem.

Sales Girls Gift: For the sales girl, our sales girls have to know the outstanding product before it is on the market to be able to let the consumer know how it feels!

Premium and Advertising Activities of Year 2001.

JAN PROGRAM	FEB PROGRAM	MAR PROGRAM	APR PROGRAM
BUY CLEANSER + LOTION GET FUN P OUTDOOR AD. SKY TRAIN MAG ADS PRAW SUID SAB DA CLEO, ELLE	BUY 1,700 B. GET VALENTINE GIFT OUTDOOR AD. SKY TRAIN MAG ADS PRAW SUID SAB DA	BUY 1,500 B. GET FACE MIRROR OUTDOOR AD. SKY TRAIN MAG ADS PRAW SUID SAB DA	1,500 B. GET COSMETIC HANGER SET OUTDOOR AD. SKY TRAIN MAG ADS PRAW SUID SAB DA
MAY PROGRAM	JUN PROGRAM	JUL PROGRAM	AUG PROGRAM
BUY 1,700 B. GET SUN GLASS OUTDOOR AD. SKY TRAIN MAG ADS PRAW SUID SAB DA	BUY 1,700 B. GET SUMMER CAP OUTDOOR AD. SKY TRAIN MAG ADS PRAW SUID SAB DA	BUY 2,500 B. GET FREE UMBRELLA OUTDOOR AD. SKY TRAIN MAG ADS PRAW SUID SAB DA	BUY 1,500 B. GET PILLOW OUTDOOR AD. SKY TRAIN MAG ADS PRAW SUID SAB DA
SEP PROGRAM	OCT PROGRAM	NOV PROGRAM	DEC PROGRAM
BUY 1,500 B. GET COSMETIC BAG OUTDOOR AD. SKY TRAIN MAG ADS PRAW SUID SAB DA	2,000 B. GET FREE CLOCK OUTDOOR AD. SKY TRAIN MAG ADS PRAW SUID SAB DA	BUY 1,500 B. GET CONTROL & COVER OUTDOOR AD. SKY TRAIN MAG ADS PRAW SUID SAB DA	BUY 1,500 B. GET CONTROL & COVER AND LUCKY DRAW OUTDOOR AD. SKY TRAIN MAG ADS PRAW SUID SAB DA

That's why, we will offer the samples of the product which has to be given to the sales girls some weeks before the launch.

Together with it, we offer an answering card where the sales girl can fill-in what she thinks about the product and how she likes it. We will make her send back the card and make a competition out of it. The winner will win an original size of the product.

6.4 Advertising Strategies

The objective of the advertising is to introduce new products to young women. It is also to get the attention of the young customer and bring them to the counter. The presenter in our advertising, demostand, as well as counter cards will be the same so that picture in one material will remind customer of the others.

After we know all the criteria, we then select a medium and the messages of the advertising. Since newspapers don't offer much format variety, it is difficult to design ads that stand out. The life of newspapers is very short—they are discarded soon after being read. Our target group is not a newspaper reader. The newspaper is best for the mass market. Even though the cost per person reached is very low, the waste of coverage is big when our target market is such a small part of newspaper reader. We, therefore, decide not to use the newspaper as our medium.

Television is another medium to consider. It combines motion, sound, and special visual effects. The cost of TV ads is very high compared to our small target market needed to be reach. Therefore, we will not use TV ads as well.

Direct mail is the most personal and selective of all media. Because direct mail goes only to the people we wish to contact, there is almost no waste coverage. The cost of direct mail is very economical. We will use direct mail to distribute our advertising as well as sales promotion. We will spend 50,000 baht/ month in January and February in direct mail.

Radio makes only an audio impression, relying entirely on the listener's ability to retain information heard and not seen. We want our advertising to be seen and attractive to the target group. Therefore, radio advertising will not be used.

Magazines are the medium we will use. We want our high-quality printing and color to be seen by our target group. Magazines can reach a national market at a relatively low cost per reader. Through special-interest magazines or regional editions of general-interest magazines, our ads can reach a selected audience with a minimum of wasted circulation. Magazines are usually read in leisurely fashion, in contrast to the haste in which other print media are read. This feature is especially valuable to us with a complicated message. Magazines have a relatively long life, anywhere from a week to a month, and a high pass-along readership. The magazines we will use are *Praw Suid Sab Da*, *Cleo*, and *Elle*. These magazines' target group and our target group are very similar.

Sky train advertising will also be used. The image of sky train, modern and trendy, fits our products. Our target will use this transportation. Also the transportation reaches the site where we have our counter. When they travel by sky train to the department store where we have our counter, they will see our advertising. They will like it. They will remember it. Again they will see it at our counter. They will be drawn to our counter. After a few talks with our well trained staff, they will buy the products!

Specialty Advertising will also be our important advertising. It is a free gift imprinted with our logo or name, depending on the item size and appropriate, given to the consumer. We decide to give free gift with purchase every month. We will give it away in the special occasion like New Year or consumer's birthday.

The media campaign during the launch will focus on the lead product: Fun Pack. With advertising, we want to project a new of the Young Line as a beautiful, blond hair, young girl from Switzerland. This girl will then represents the whole line of Young Skin. Not only must she be beautiful, she should also have a lively fresh look, the look that attracts the target to the product. The target must think, "Wow... if I use this product, I will be beautiful, just like her!"

Since we claim that our products are of best quality, and that quality originates from the best place, Switzerland, we will include that theme in the advertising. We come out with the picture of the mountains in Switzerland. It represent the ingredients were our raw material comes from.

Because we do not have our own advertising department, we will use outside advertising agency to help us in developing our advertising. We will benefit form their experience gained from other products and clients. The advertising and sales promotion budget for the year 2001, called A&P Control Sheet will be presented in Table 6.6.

6.5 Public Relations and Press Conference

6.5.1 Public Relations

Innovation in the field of skin care has been a distinctive characteristic by GRACE since the beginning. GRACE very quickly became a skin care brand with innovative products, or products of innovative character, and stands for:

- (1) The authority and innovator in the selective market for face care.
- (2) The sensation of beautiful skin.
- (3) Outstanding performance of every single product.

Integration of public relation in our marketing department will be results in a close co-cooperation between Brand Management and the PR unit. This means clear and

A&P Control Sheet of Year 2001.

ACTIVITIES	Z	TH	Q	PL	>	n	U	LU	a	CO	Q	C	TOTAL
MEDIA													
DIRECT MAIL													
ADVERTISING													
PRODUCTION													
P.O.P													
PR													
SUB TOTAL													
SALES PROMOTION													
BASALARY													
COMMISSION													
INCENIVE													
OTHERS													
SUB TOTAL													
CONSUMER PROMOTION													
PREMIUM													
FREE SAMPLE													
BEAUTY WORK SHOP													
POS/SPECIAL													
MEMBER													
INCENITIVE TRIP													
SUB TOTAL													
COUNTER													
EQUIPDEPRE													
OTHERS													
SUB TOTAL													
MISCELLANEOUS													
DEPRE. COUNTER													
OTHERS													
SUNDRY EXPENSE													
SUB TOTAL													
TOTAL													

identical product statements. As a competent, high quality enterprise we know how to communicate and can fulfill the needs of our target groups.

- (a) PR creates a dialogue with and within the dialogue group, mainly with the press. This dialogue is a long-term permanent affair worth investing not just time and know-how but also perpetual friendliness and respectability.
- (b) Inquiries from journalists take top priority in daily operations. Absolute reliability is therefore a must and applies in information as well as agreements.
- (c) More than big and time consuming events, we stress the importance of the personal relationship with the press. Important information can best be communicated in a dialogue (editorial office, own company or in appropriate, cosmetic surroundings).
- (d) Good preparation for complex and sometimes unpleasant questions is also a must. A good preparation is therefore essential for every meeting with the press.
- (e) Our quality standards must be signalized every step of the way, from the mailing of a simple press release to more spectacular events.
- (f) The order of copies and photo materials of the press releases supplied by the headquarters will be followed. This will guarantee the uniformity of the INTERNATIONAL CORPORATE IDENTITY.
- (g) Figures: it is our policy not to publish brand's sales figures.

However, we can publish figures like:

- (1) units sold over a certain period
- (2) unit ranking (top ten)
- (3) representations in over 40 countries

(4) historical data

(h) We all know: Corporate PR begins at home! Well-informed employees are good and responsible colleagues and co-operators. (Every employee is an important ambassador for the company.)

6.5.2 Press Conference

We will organize one conference for the new products. We will first give the press precise information about the strategy and the goals of the new line. We will then show them and have them experience the whole range.



VII. MARKETING PLANS: A BIG PICTURE

This marketing plan is divided into 3 periods: short-term, intermediate-term, and long-term marketing plan covering 1 year, 2-4 years, and 5 years and over respectively. The plan includes product, price, promotions and distribution plans.

Because we don't have a counter in the department stores, getting in there is not very easy. Having a complete counter is a dream! The competition is very strong among the existing counters. We thought it might be safer and easier to launch just a few products in this channel and have a focus on those products. The product we think is perfect for this idea is Fun Pack. The supporting products are cleansers/lotions.

In the short-term marketing plan we plan to sell Fun Pack and cleanser/lotion in the department stores. After the customer gets more familiar with our brand and products we will then add more products in the second year. We will have just two small counters at two department stores (one in each department store). The promotion and advertising strategies will focus on Fun Pack.

In the intermediate-term marketing plan, covering 2-4 years period, we plan to include the whole Young Line into four department stores. The promotion and advertising strategies will spread among the focused products.

In long-term, cover 5 years period and over, we plan to include the whole range of GRACE of Switzerland in the department store, having the full counters. By the next five years our target groups will already be familiar with our products. The customers who already used our products will know by now that our products give them maximum benefit at a reasonable price. The advertising and sales promotion strategies will focus more on the Perfect Line.

7.1 Product Strategies

Young Line, targeted young women, will be the first to enter the department stores. There are very few competitors in this area. The target group does not have a lot of products presented to them. Their main problems, mentioned during our interview with university students, are they do not understand their skin; and therefore, do not know what is best for them. This lead to another problem, when they have a lot of products to choose from, they may not be able to choose.

We, then, come up with Fun Pack which combines eye cream, moisturizer, and mask into a set. Fun Packs are divided into three sets for different skin types: dry, normal/mixed, and oily skin.

All the customers need to do is to go to our counter. Our experienced beauty advisors will look at their skin analyze it and give them a set of products appropriate for their skin type.

Since our products are completely new to them, they may not be sure that buying these products in normal sizes is a good idea because of the prices and other factors. Our Fun Pack; therefore, will be sold in small sizes good enough for one month of use. Having a product in a small size, the customer can buy the products to try them or buy them as a travel set.

Cleanser and Lotion are other products that do not take a lot of time to sell. They are basic products. Young women need cleanser product to clean their face morning and evening. Cleanser is especially important when they use make-up. We have different cleansers for different skins. Our cleanser products are one of our best sale products, according to the past three years sales record. When customers buy our cleanser, usually they buy lotion and use them together. Therefore, we will sell lotions as well.

After we have Fun Pack and cleanser/lotion sold in the department stores for one year, the customers are already familiar with us. We plan to add the whole Young Line in the second to fourth year. Together we will have 17 products in the counter. We will have 6 cleansers, 5 basics or moistures, 4 masks, and 2 special products to fulfill different skin needs for all skin types for young women. The package of Young Line products will be colorful, lively, and modern.

After we have all Young Line in department store counters for four years, we already have a strong base of young market. We decide to proceed to the older market for Unique and Perfect Line. The Unique and Perfect line for older women will have a classic and elegant package. Color of the packages are gold and made from glass which is good for keeping cream.

7.2 Pricing Strategies

The pricing strategies to be used in the next five years is cost-plus pricing. This price must be compatible to the rest of the marketing mix. With price set, we are able to give customer discount, allowance deductions from the list price, quantity discount, trade discount, and other type of deduction.

We want to make our price as competitive as possible. Therefore, price of our product will be very close to GRACE in the countries in Asia. This is made so that flying to other countries in Asia to buy our product is not necessary. However, our exchange rate is not stable and if the baht value drops gradually we are forced to increase our price.

7.3 Distribution Strategies

We plan to distribute GRACE of Switzerland in the department stores. In the first year, we plan to distribute to two department stores of Central Group: Central Chidlom and Central Ladprao. When we think of top department stores in Thailand we think of

Central Group. Therefore, we approach Central Group for counters in these places. We will have two counters in the first year. With Young Line the competition for spaces in the department stores will not be as strong as for the skincare products for the older women. The chance of having spaces is much higher. The operation cost will be shared by two counters, e.g. temporary beauty advisors will be shared by two counters.

In the two to four years, we will expand our distribution channel to 4-5 department stores. For a start, we have Central Chidlom and Ladpraw. We then proceed to Central Bangna, The Emporium, and World Trade Center. In five years, we will add two more outlets Central Praram 3 and The Mall Bangkapi.

7.4 Promotion Strategies

In the first year, we will focus our promotion and advertising strategies on Fun Pack. The main advertising media we will use are magazines and outdoor advertising on the sky trains. The magazines are used because it gives a high-quality printing and color. It has a relatively long life. We can also reach a selective audience with a minimum of wasted circulation using magazine. Advertising on the sky train is perfect for our target group. The image of sky train, modern and trendy, fits our products perfectly. The product to be advertised is Fun Pack.

Sales promotions that we will use are commission and incentive. The consumer promotions that we will use are premium, free sample, and special point of sales activities. We will focus our consumer promotion on premium. We will give premium appeal to target group every month.

In the second to fourth years, magazines are still our major advertising media. Similar magazines will be used. The products to be advertised; however, is different. We have 17 products to select to be advertised. The commission and incentive are still

our major sales promotion tools. Premium, free sample, and events will be used for consumer promotion.

In five years or more, we will have our full line of GRACE of Switzerland in the department stores. Therefore, the target group will be different so as the promotion and advertising plan. The Young Line, Unique Line, and Perfect Line having different target groups must use different advertising and promotional strategies that will appeal to their own target group. In the next five years, we can say in general the media to be used keeping in mind that the plan can change. The main advertising media to be used will be magazines, outdoor advertising, and direct mail. The major sales promotion tools will be samples, coupons, rebates, and Point-of-Purchase display.



VIII. EVALUATION OF MARKETING PLANS

8.1 Evaluation Plan

After the marketing plans and budgets have been developed, the marketing and sales people will carry out the work according to the plans. Each month, a report has to be made to summarize previous month's sales figure. GRACE's first year monthly report will separate Fun Pack sales and cleanser/ lotion sales so that the marketer will know the amount of money each group of products generates.

Second, the monthly report will also show the budget, or the expected sales of the product so that the marketer can compare the actual and expected sales. We will then find out the reason for any deviation of actual sales from expected sales. Then we will find the reason for it. We do not think that the plan will fluctuate much because the expected sales are very realistic. For examples, we expect to sell 63 units of Fun Pack per department store per month. This is approximately 2 units (63/30days per month) per day. With advertising and sales promotion, selling 2 units per day is not difficult to achieve.

In the second year of sales in department stores, we will not only compare the monthly actual sales figure with the budget but also compare the actual sales figure with the previous year's sales. This way we have a clear picture of what is going on with the sales of our products.

Premium and other special activities will be summarized in the report so that the marketer can have a clear picture of the reasons for sales increases or decreases.

Every quarter, quarterly reports will be prepared. This report will summarize what is going on in that quarter. This report is especially important when the sales are much lower than we expected. When sales drop we have to brainstorm to find out the

cause of the drop in sales and also find the way, in our case, promotion and advertising, to improve the sales so that the yearly sales will be according to our budget.

After the first 6 months have passed, we will also make another report to adjust the sales figure and advertising and promotion budget to make the figure more realistic. After that we can prepare the budget for the next year.

8.2 Contingency Plan

Even though we think that this plan will work perfectly well, we still need to have backup plan. Two main areas that need back up plan are on our distribution strategies and promotional and advertising activities. Under the distribution strategies, we plan to sell our product through department stores. If distributing through these places is not working, we will have our counter taken out of the department stores. The Unique Line and Perfect Line (for women over 30 years old) can be sold through the traditional channels, beauty salons and perfumeries. The Young Line needs different channels because the traditional channels are still not best for the product since few young women buy the product there.

We can increase the sales of the Unique Line and Perfect Line by adding more sales representatives. With a target of four hundred thousand baht sales a month, each of our current sales representatives already have enough pressure to handle. Adding sales representatives is not without a burden. The fixed expenses we have to pay since the day we hire new representatives are wages, gasoline expenses, telephone expenses, and other fringe benefits. They cannot start selling products right away, they need training. After they receive the training, they will have the target sales which will increase gradually. We have to make sure that the cost of having additional sales representatives will not exceed the benefit of having them. Instead of giving commission to only our sales representatives, we might give commission in level like

those multi-level marketing does. However, if this strategy is needed to be done, further investigation must be taken to fully gain the benefits of it.

For the Young Line, we need to find the new channel to distribute the young products to the young target group...may be also younger sales representatives, even better the representatives of the same ages as the target group. They speak the same languages and may understand the need of customer very well.

We can use the dummy companies that are operated by university students as our starting point. There are a lot of advantages of using dummy companies. Dummy companies use the students as management teams to operate their companies. They also use students as sales representatives. Both groups of students fit our target group. They are open to our explanation. They take time to learn our products. Before they can sell our products, they must like our products first. Young people like to listen to advice from friends than from sales representatives.

During the selling we can probe the students for their comments on the products: what they like about our products, what they dislike about our products, what kind of premium do they like, what kind of promotion and advertising will attract them. In short, we can get first hand information about our customers.

After we know what they like and they know us for a while, we can open a small shop for them to buy after the dummy companies are closed down. The shop is suggested to be at Siam Square where young people shop for the new products. The place to open a shop is left for further investigation for the cost and turnover consideration.

When the promotion and advertising activities go wrong, we are confident that we will find the mistake and react accordingly. We can pull the budget from other sources

St. Gabriel's Library

to input in the problem area. Some of the places we can decide ahead for the back up plan are advertising, sales commission, and premium.

For magazine advertising, we will advertise in magazine suitable for target group. The particular magazines can possibly change throughout the marketing plan.

If we find that the sales commission is not attractive enough to motivate the sales representatives, we can change the commission scheme. For example, instead of flat commission rate for each unit sold, we might set the target and only if the sales representative reach the target, she will get a larger commission rate.

In case of premiums, if we find that some of the premiums we offer to our customer is already offered by our competitors, we might not want to use similar items again. We will change the premium to free samples, we have learned from past experience that customer always like free samples. The only reason we don't use them a lot is because it is twice as expensive as the regular premium.

IX. CONCLUSIONS

This marketing plan is made to help increase the sales of Young Line, a line of skincare products under GRACE of Switzerland. GRACE of Switzerland is skincare and cosmetic products imported by Berli Jucker Co., Ltd. since 1974. Other lines, under this umbrella brand, are Unique Line for women between 30 and 50 and Perfect Line for women over 50 years old.

We start this plan by finding out the problems with Young Line or the possible reasons that make the sales of Young Line lower than we expected. The wrong distribution channel is the first problem. Young Line, the product line for young confident women, is currently selling through beauty salons and perfumeries where other products of GRACE are sold. The second problem is the product line complexity. With 17 products in Young Line alone, the target group might not know where to begin with.

After we know where the problem is, we then come up with marketing plans that solve the problem. When we know that 17 products are too complicated for the target group and know that we cannot reduce the number of product, we put the products together combine them and sell them in a set. We called the set "Fun Pack." The advantage of Fun Pack is, first, the customer needs just to know their skin types (oily, normal/mix, or dry). Then they can pick a set that matches their skin type and use it. Second, instead of buying 3 products that, together, cost about 2,000 bahts, they just pay 850 bahts and get 3 different products in smaller sizes. The distribution channel that we found most appropriate are department stores. This is the place where young women, our target group shop for cosmetics and skincare products. The two department stores we select as distributing places are Central Chidlom and Central Ladprow. Those are

our major new marketing strategies in the first year. The advertising and sales promotion strategies, with the 2 million budgets, will focus on Fun Pack.

In second to fourth year we plan to make the Young Line strong. All 17 products of Young Line will be sold in the department stores. The customer can buy the product that they had bought in form of Fun Pack in their original sizes. They can also buy the product that fits their special needs like acne solution. With the help of well-trained sales representatives, the customer will find it easy to buy Young Line products.

The distribution channel will increase from 2 to 5 well-known department stores. With more distribution channel, the customer will find it more convenient to purchase the Young Line products. We will advertise 4 to 7 products each year. We will use 4.4, 4.9 and 4.2 million for advertising and sales promotion in the second, third, and fourth year respectively.

In the fifth year, we are quite confident that customers are familiar with our Young Line. We will, then, introduce Unique Line and Perfect Line in this distribution channel. At that time we plan to increase the distribution channel to 7 top department stores. Because Perfect Line, Unique Line, and Perfect Line have different target groups, we will have different marketing strategies, especially on advertising and sales promotion, for the products. We will use approximately 16 million bahts for the advertising and sales promotion strategies of the three lines.

After the plan is implemented we will evaluate the plan judging from the sales volume on the monthly basis. If the actual sales volume is lower than the budget we will, then, find out the cause of the deviation and find the solution for it.

If the plan is not successful and we have done everything we could, we must use the back up plan. After further research, we will open a small shop in Siam Square to sell Young Line. For Unique and Perfect Line, we will still use the tradition channel.

X. RECOMMENDATIONS

If our plan is implemented, GRACE in Thailand will change. In the short-term, more people will know about our GRACE Young Line. More young women will know about us from the magazine advertising, outdoor advertising, and direct mail. When they know us, they will be more confident about buying the products. They will find it more convenient to buy GRACE because we already have two counters in two of Central's best branches. We provide them with a small version of our full size products. The customers will find it easier to buy since they will finish the products within a month, if they don't like it (which we don't think) they can just use it for a month and switch to a brand they like.

In the intermediate-term, the sales of the whole Young Line will improve a lot because we will have the right marketing strategies for the products. We will have the counter to sell all of GRACE Young Line in five top department stores. Having advertised in the magazines that young women like to read for skincare information will gain their confidence in our products. Having 17 products available for our target group means having all the products possible for every skin type and condition. We will be able to satisfy all the customers' need. And the price is good. After our customers have used our products they will have more confidence in us.

In the long-term, the structure of GRACE in Thailand will be completely changed. If the plan is successful, we will no longer need to sell through beauty salons. We will not even need direct sales representatives. All the sales promotion and advertising activities will be directed toward the customer. We will use pull strategies to create demand by the customer. The customer will receive the full benefits of our activities. They will also find it more convenient to buy our products when we distribute them through department stores. The brand image will be strengthened when we have the

through department stores. The brand image will be strengthened when we have the counter sales. Customers' ideal of premium skincare products is it must be sold over the counter. Brand image will be our another valuable asset.

This marketing plan is a guideline for the reader, the plan is open for debate. The reader can implement this marketing plan after further investigation.





APPENDIX A

PRODUCT LINES UNDER GRACE OF SWITZERLAND

ONISNIVTID	?IgMOd	DISVI		SIVID3dS		NOLLDTIHS	
		AVG	IHDINL	AVG	IHDIN1	AVG	11-1DINI
Fluid Cleanser	Tonic Lotion						
Face Contouring	Anti-Wrinke Code	Advanced Face Lift					
	Visible Vitality						
	Active Energy						
Hand Age Control	Eye Day Care	Whitening Day Care					
Vitamin Mask	Eye Night Care	Whitening Night Care					
Pure Performance	Perfect H Pure						
	Perfect A Pure						

Unique Line of Grace of Switzerland.

DI\IISNV310	DNIHSIIIONI
Conditioning Skin Lotion	Advanced Night Concentrate
Very Mild Cleansing Milk	All Day Protecting Cream



APPENDIX B

COMPETITORS OF GRACE OF SWITZERLAND

BRAND	SUB-GROUP	NAME OF PRODUCT	CONT.	SKIN TYPE	MAJOR ADVERTISING STATEMENT/ BENEFITS
BIOTHERM	Biodefense	Total Day Treatment	50 ml	for all skin types	A complete moisturizing and protective day treatment that reinforces your skin's natural defenses against free radicals (ageing factors) induced by environment and life style.
CLINIQUE	Weather Everything	Environmental Cream	50 ml	for all skin types	Helps prevent and protect skin from chafing, chapping or windburn. Provides moisturization and chemical-free sunscreen SPF 15. Anti-irritant agents help calm and soothe irritated skin. Fragrance-free.
Estee Lauder	Day Wear	Super Anti-Oxidant Complex	50 ml	for all skin types	Shield your skin from the premature aging effects of pollution, smoke and UV light with this unprecedented daily protection system. SPF 15 sunscreen for all-day protection from UVA, UVB and Infra-red rays.

Figure B.1. Competitor Analysis for Skinsation Defense 4.

BRAND	SUB-GROUP	NAME OF PRODUCT	CONT.	SKIN TYPE	Ingredients	MAJOR ADVERTISING STATEMENT/ BENEFITS
Clinique		-Sheer mattness T-zone shine Control	15 ml.			Oily-free gel matifies T-zone for hours.
		-Moisture in-control Oil-free lotion	50 ml.		Aloe Vera	Defeats shine, balances oily skin, helps skin to build and hold moisture.
Lancome		-Hydra Control Hydrating, matifying Oil-free gel	50 ml.		High performance "micro-sponges"	Controls shine and hydrates
		-Extra Control Ultra-Matifying Essence	50 ml.			For a matte finish. Clears imperfections. Pores get tightened.
Biotherm	Biopur	-Clarifying Balancing Night Gel	75 ml.		AHA, white clay	For a clear, healthy and matte skin. skin. The complexion is visibly purified / clarified.
		-Matte Hydrating Fluid	50 ml.		White clay, zinc, copper	Moisturizes, soothes and matifies thanks to a anti-shine action.
Estee Lauder		-Clear Difference Oil-control Hydrator	50 ml.		Green Tea, Salicylic Acid	Brings only skin into balance, absorbs excess oil, matifies, reduces the appearance of lines and wrinkles. Skin produces less oil.

Figure B.2. Competitors Analysis Creams and Fluid.

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