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**MARKETING PLANS FOR COSMETIC INDUSTRY IN
CHINA**

Case Study: Sephora

Thesis

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ABSTRACT

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<p>Cosmetic industry has developed at a very fast speed in China. Cosmetic industry includes a lot of products which has a great influence on people's daily life. Chinese people who have reached a better standard of living and like to pay more attention to their appearance and they are more interested in cosmetic products which make them look better. Both females and males have increased their demands on cosmetic products.</p> <p>The competition in the cosmetic industry has increased, as doing business in cosmetics has become harder. As known, marketing is very important for each company. If a company want to survive for a long time, gain more market share, attract more customers and finally become successful depends on the marketing projects. Cosmetic companies should have good knowledge on the environment of the new market. They should also know their customers' demands and wants and provided them with the most suitable products. The locations of retail shops are important for the development of companies. In the cosmetic industry, Sephora is a well-known company among customers and the thesis used Sephora as a case study to analyze its current Chinese market including its target customers, its competitors and its problems as well as challenges. Some suggestions were given to Sephora in the end of the thesis by making new marketing plans for the company.</p> <p>The thesis was divided into six chapters. Some brief definitions of marketing, the importance of marketing and the marketing process were given in the second chapter, the purposes of marketing could also be found in the thesis. The current situation of Sephora by analyzing the models of marketing was covered in the thesis as well. The aim of this thesis was to give some suggestions to Sephora to solve its current problems and challenges, compete with its competitors and improve its operations to gain more market share. The main theoretical framework was to use a lot of marketing models to analyze the market of Sephora in China, such as STP (Segmenting, Targeting and Positioning), PEST (Political, Economic, Social and Technological), marketing mix (Product, Price, Promotion and Place) and SWOT (Strengths, Weaknesses, Opportunity and Threats).</p>		
Key words China Market, Cosmetic Industry, Marketing Models, Marketing Plans, Sephora		

ABSTRACT

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1 INTRODUCTION

Cosmetic industry has been on the Chinese market for more than 20 years. Under the influence of the fast development of Chinese economy, cosmetic industry is developing at a high speed in China and it changes from small scales into large scales. Chinese cosmetic industry also becomes stronger and more active. More and more cosmetic brands appear on the Chinese market. Import as well as export make giant contributions to the Chinese economy. However, competition in cosmetic industry is increasing, and nowadays Chinese cosmetic industry has great effects in the main cities in China and also great influence both on males' and females' daily life. However, cosmetic industry still has a huge potential market in China.

Sephora is now the number one retailer of cosmetics all over the world and although Sephora is very successful nowadays, it still has some problems as well as challenges. Sephora has entered the Chinese market for more than 10 years ago and it has been successful in most cities of China, especially some big cities such as Shanghai, Beijing, Nanjing, and Xiamen and so on. However, Sephora still has a lot of strong competitors in China like Innisfree, SaSa and Waston. Sephora is still unable to survive in some areas in China. Therefore the main aim of this thesis is to analyze Sephora's current problems and to find out the most suitable solutions in order to solve them.

Marketing is very important to each company and it has great impact on whether a company can be successful or not. If the company does well in marketing, it will be easy for the company to enter the market, achieve the market share, create customer value, keep the customers loyal and transfer potential demands into real demands, otherwise it might be hard for the company to survive for a longer time. This thesis will focus on the marketing of Sephora. The main objective of the thesis is to find out new marketing methods for Sephora to achieve a larger market share on the Chinese market. The thesis also aims to help Sephora become more competitive in such a hot and competitive environment.

The main theoretical framework is to use a lot of marketing models to analyze the situation of Sephora, such as STP (Segmenting, Targeting and Positioning), PEST

(Political, Economic, Social and Technological), 4Ps (Product, Price, Promotion and Place) and SWOT (Strength, Weakness, Opportunity and Threats). The theory will also be put into practice. The staff in Sephora will be interviewed to give some information about Sephora, such as some special activities for the VIP customers, how the staff in Sephora to be trained to be more professional and so on.

This thesis will be divided into six chapters. After writing the introduction, the second chapter is to give some definitions of marketing in order to make readers aware of what marketing is talking about. The importance of marketing to the company and the marketing process will also be showed in the thesis. The second chapter is the theoretical part of the thesis. The third chapter describes the situation of development of cosmetic industry in China. The fourth chapter is a presentation of Sephora, including its background, its current situation and its problems and challenges, some of Sephora's competitors will also be considered in this chapter. The fifth chapter presents some new marketing plans for Sephora, including some short-term plans and some long-term plans will be given. Analysis of the marketing models will be concerned in this part. Some suitable suggestions to Sephora's current problems will also include in the new marketing plans. The last chapter of the thesis is the conclusion.

The author's intentions to write this thesis is that she hopes that readers can know more about the cosmetic industry in China and give some help to them because it is very much related to their daily life, no matter male or female. The other reason is that the author has done part-time job in Sephora for more than two years, so she is really interested in this company. She would like to know the company deeply and find some effective ways and give Sephora some useful suggestions to expand its market in the world, especially in China.

2 INTRODUCTION OF MARKETING

In this chapter, there will be an introduction of marketing. Different people have different opinions on marketing, so there are many definitions of marketing. Firstly, various definitions of marketing will be given to the readers in order to provide them with a rough idea of what marketing is. The importance of marketing in the company will be discussed, and the process of marketing will be shown. After reading this chapter, the readers can have an image of marketing in their own minds. This chapter is the theoretical part of the thesis and the fourth chapter about marketing plans for Sephora can be made based on this theoretical chapter.

2.1 Marketing Definitions

When talking about marketing, many people think it is selling products and making advertisements. Nowadays, people can always see TV advertisements, receive e-mails and sales calls. People are familiar with these kinds of marketing, but they are only a part of marketing. The author wants to introduce some definitions of marketing in order to make readers know what marketing actually refers to.

There are many definitions of marketing in public resources. The American Marketing Association thinks that marketing should have value for customers and business partners. Marketing is the activity and the processes for communicating between a company and customers and also for creating, delivering and exchanging offerings. (American Marketing Association 2013.) However, according to Kotler [2009], marketing aims to get profits through understanding and satisfying the needs of the target customers by exploring, creating, and delivering value. Kotler thinks that if the company needs to do marketing, it must have a potential market, potential customers and potential profits. Therefore, the company should design some related products and suitable services to attract the potential customers and gain the potential profit. (Cohen 2011.) And marketing is to build good relationship with the customers. She thinks that it needs time to make the customers trust the company. Marketing is to make customers trust the company, trust their products and become their returned customers as well as loyal customers. (Cohen 2011.) Marketing

helps companies to deal with the relationships with profitable customers. The goal is to attract plenty of new customers and keep current customers loyal as well. (Armstrong & Kotler 2013, 4-5.)

To sum up, the main idea for marketing is to create customer value, attract new customers, provide suitable products according to market demands, communicate with the customers in order to make them aware of the products and get interested in them. The final purpose of marketing is to earn profits from the target customers and make them loyal to the products and the company. Through marketing, companies should try their best to make the potential market into the real market. Companies should make their customers have a wish to buy their products and also think that the products are worth buying at those prices.

2.2 The Importance of Marketing

Whether the companies can get into the market easily depends on the success of their marketing. When companies produce a new product, they should do marketing to make their customers know the new product and get interested in. The paramountly important things that companies should do first is to make an excellent and suitable marketing in order to attract their target customers and make them get familiar with the new products. With successful marketing strategies, they can easily sell their products to customers, make the customers loyal which ensures the company having the strong competitive power and gaining more market share. However, without marketing, no matter how good your products are, even if they are the best ones, your potential customers will never notice them. No products will be bought and your company finally has to close.

Successful marketing enables companies to build the brand in their customers' minds and this will also be a great advantage to the following business. (Lorette 2016.) There is no doubt that customers would like to buy the products which they need from a company with a better reputation in their minds. A market-driven strategy enables companies to understand the market well and know well about who their potential customers are (Martin 2005, 3-4). Marketing has benefits to introduce as well as achieve acceptance of new products. Marketing also helps existing products to improve their position in the market. Successful marketing creates demands for goods and services, which provides a lot of

opportunities for jobs, marketing also has effects on the society. (Keller & Kotler 2010, 26-27.)

In short, marketing is really significant for companies to do business successfully. Marketing plays a key role in creating value, building brands and keeping customers loyal. These are companies' intangible assets and all companies should pay attention to them. The most important thing is that a successful marketing strategy helps companies to earn more profits. It is hard for marketers to make the right decisions, so successful marketing always needs careful preparations and without any accident (Keller & Kotler 2010, 26).

2.3 The Marketing Process

There is a lot what marketers should consider before making decisions about marketing. They should think about how to promote their new products, what prices to set, how to control the costs on marketing, how to attract target customers and so on. In this chapter, the author will show the process of marketing and analyze these steps and companies can plan marketing according to this theoretical framework.

Figure 1 shows a simple model of the marketing process. It contains five steps and different steps have different goals. The first four steps aim to help companies to understand the marketing environment and their customers' needs and wants. After that companies can start to create value for customers and build profitable as well as strong relationships with customers. In the fifth step, companies get value from customers and begin to create long-term customer equity and profits. (Armstrong & Kotler 2013, 5-6.)

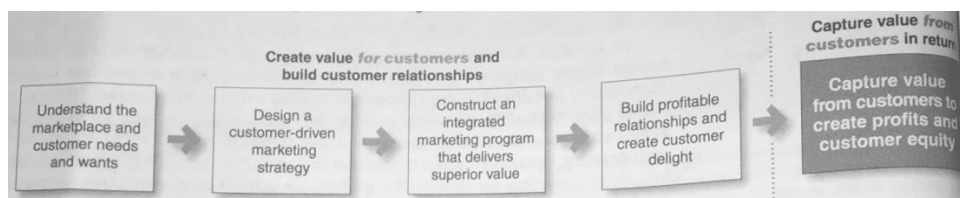


FIGURE 1. A Simple Model of the Marketing Process (adapted from Armstrong & Kotler 2013, 6)

First of all, companies should know their customers' needs, wants and demands. According to Armstrong and Kotler (2013), customers' needs, wants and demands have different definitions. Needs are the states of felt scarcity, including physical needs, social needs and individual needs. For example, people need food as well as water to survive and they also need clothing for warm, beauty, people also need self-expression, safety, belonging, knowledge and so on. These kinds of needs cannot be created by marketers and they can only try to know customers' needs and then provide some related products. When it comes to customers' wants, they may be influenced by customers' personality, favors and culture. For example, all people need food to survive, but some people want to eat noodles and others want to have rice, and some people want pork while others want steak. People want to choose something which can satisfy their own needs and these are wants and if people have purchasing power to buy what they want, then wants become demands. (Armstrong & Kotler 2013, 6.) Therefore, fully understanding customers' needs, wants and demands is the first and one of the most important things that companies should have in marketing.

Customers' needs, wants and demands can be satisfied through marketing offerings. Marketing offers include products, activities, information, benefits, services and experience. (Armstrong & Kotler 2013, 6.) Customers have their own ways of choosing among various marketing offerings. Customers have their expectations of the products according to the information that companies deliver to them. If they find that the performances are better than their expectations after they use the products, they will feel satisfied. However, if the performances cannot achieve their expectations, they will feel disappointed and may switch to competitors. It is very significant for companies to set the right level of expectations. If companies set the expectations too low, they cannot attract customers, and if they set the expectations too high, they may make customers disappointed. Therefore, companies should be careful when setting the expectations. (Armstrong & Kotler 2013, 7.)

After understanding customers' needs, wants and demands, companies should understand the marketplace that they operate in. Figure 2 presents the constituent part of a modern marketing system. It is easy to find out some main elements in the marketing system according to Figure 2. In the marketplace, companies should not only serve their customers, but they should also compete with their competitors. Companies and their competitors interact with their customers in order to send their marketing offerings and information to

customers. Marketing intermediaries can help companies and competitors to send their marketing offerings and information. They can also do these things by themselves which is more direct. All elements in the marketplace are influenced by the major environment forces, including demographic, technological, political, economic, social and physical. (Armstrong & Kotler 2013, 8.) Hence, if companies want to fully understand the marketplace, they should not only focus on their target customers. They should also pay great attention to the major environment forces and know the competitors.

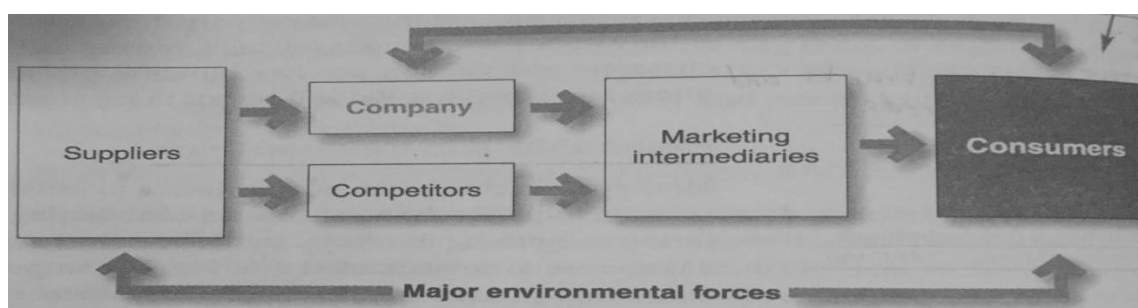


FIGURE 2. A Modern Marketing System (adapted from Armstrong & Kotler 2013, 8)

After finishing the first step, marketers can start to design a customer-driven marketing strategy. Customer-driven marketing strategy refers to divide up markets into specific customers groups, select customers to serve, provide target customers the best service and suitable products and positioning the market offerings (Kotler 2011, 183). When companies make marketing plans, they will find that the customers who come from all over the world cannot have the same demand for the products, because of their different wants, various habits, cultures and favors. Therefore, it is important for companies to do market segmentation in advance. After segmenting the market, companies can target the market and do positioning. When designing a customer-driven marketing strategy, the STP (Segmenting, Targeting and Positioning) model can be used. Figure 3 shows the main elements in a STP model. STP analysis helps companies to do business more efficiently. Companies should know the demands and get feedback of their customers faster and more easily, which enable companies to improve their services and products. (Keller & Kotler 2010, 10.)

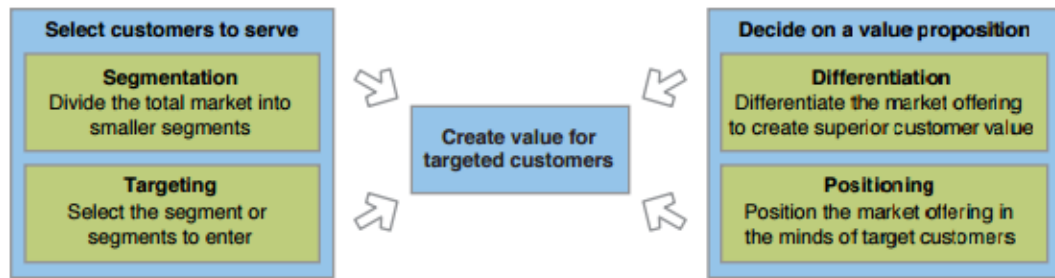


FIGURE 3. Steps in Market Segmentation, Targeting, and Positioning (adapted from Kotler 2011, 185)

According to Jennifer Lombardo, a group of people who have specific demands for the products which they are willing to buy because of the common characteristics are called a market segment (Lombardo 2016). After the companies divide the market into some identifiable and analogous segments, they are able to provide the most suitable products to the specific group customers. There is no doubt that it is a benefit to the companies to use less costs and make the best use of the products to meet the demands of the target customers when they do market segmentation. Customers' demands change all the time and the more detailed market, the faster companies change their marketing strategies. Companies can make some related strategies for the changeable market more quickly after they segment the market.

According to Kris (2014), there are four types of market segmentation; geographic segmentation, demographic segmentation, psychographics segmentations, behavioral segmentation (Kris 2014). Geographic segmentation can be divided by countries, regions, cities, neighbors and so on (Grimsley 2016). Demographic segmentation can be divided by ages, genders, religions, education levels, generations, occupations and incomes (Lombardo 2016). Psychographics segmentation can be divided by lifestyles, interests, values and beliefs. Behavioral segmentation can be divided by customers' attitudes, buying and shopping behaviors. (Kris 2014.) Most of the companies do not only use one way to segment the market, but they would like to use multiple types of market segmentation.

After segmenting the market, marketers can select the segments and customers to serve. Companies are not able to serve all customers well, so they should select some target customers who they can serve well and achieve the most profits (Armstrong & Kotler 2013,

9). After targeting, companies should know how to serve their targeted customers and what should be provided to their targeted customers. Companies have better to differentiate their marketing offerings, so that their different group customers can receive better service and more suitable products. Good positioning helps companies gain strong competitive power and easily distinguished from their competitors.

The third step is to make a market program and use some unique marketing strategies to attract customers. A marketing mix is very useful for companies to do marketing. The marketing mix means the series of strategies which companies use to do marketing, promote their products to customers and to achieve the market share (The Economic Times 2016). Marketing mix includes 4Ps; product, price, promotion and place. Graph 1 clearly shows the key points to 4Ps that companies should focus on when they do marketing.



GRAPH 1. The Four P Components of the Marketing Mix (adapted from Keller & Kotler 2010, 25)

The fourth step, also the most important step is to build customer relationship. Customer relationship management refers to building and maintaining profitable customer relationships by creating customer value and satisfying customers (Armstrong & Kotler 2013, 13). Value means serviceable products at appropriate and affordable prices, customers like to compare all the benefits and all the costs of marketing offers. (Armstrong

& Kotler 2013, 13-14.) Companies should offer the right value to their customers and fulfill their satisfaction and expectations, after doing so, some satisfied customers may become more loyal to the company. Customer relationship management is the most significant concept of marketing.

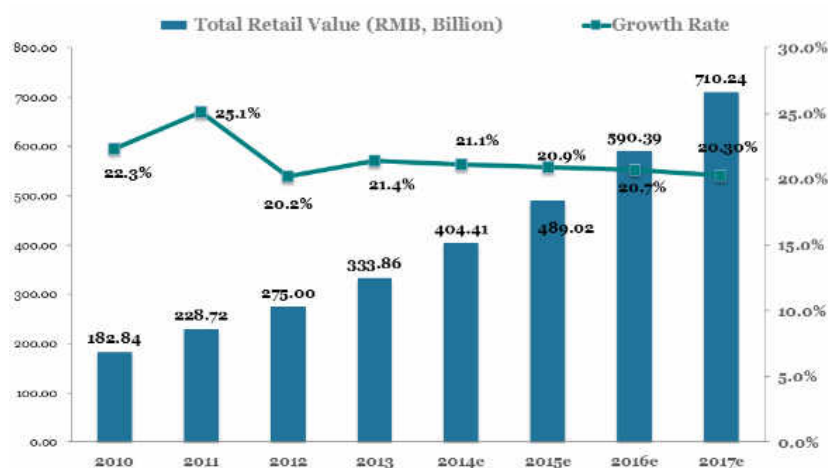
If companies do well in the first four steps, they will get value from customers. Capturing value from customers is the final step of the marketing process according to Figure 1. Customer loyalty is very important to companies, loyal customers like to continue buying products from the company. Companies should spend time on building a strong and profitable customer relationship, because customers have their lifetime value which means the whole value that they give to the company. Some customers finally may not purchase products from the company, as they are not satisfied with the quality of the products or for any other reasons. Then the company should try its best to deal with such a situation and restore customers. Losing customers is a huge loss to companies, because the efforts they made before are wasted. The key point is the strong customer relationships which make customers come back. It is easier to save an old customer than attract a new customer. Hence, companies which pay attention to customer lifetime value and building strong customer relationships can get benefits in the long-term. (Armstrong & Kotler 2013, 20-21.)

What is more, building customer equity is very important. According to Bhasin (2016), customer value is the total of customer value of all customers. Customer equity is composed of three concepts, separately, value equity, brand equity and relationship equity. Value equity is evaluated by three elements which respectively are offer, price and convenience. Brand equity is influenced by the brand's reputation as well as brand effect. Customers' feeling on the brand may influence the brand equity. Relationship equity is what keeps customers loyal instead of switching to competitors. (Bhasin 2016.) If customers become more loyal to the company, the company will have more customer equity. Customer equity has effects on companies' operations and companies can estimate their future situation according to the customer equity.

3 OVERVIEW OF COSMETIC INDUSTRY IN CHINA

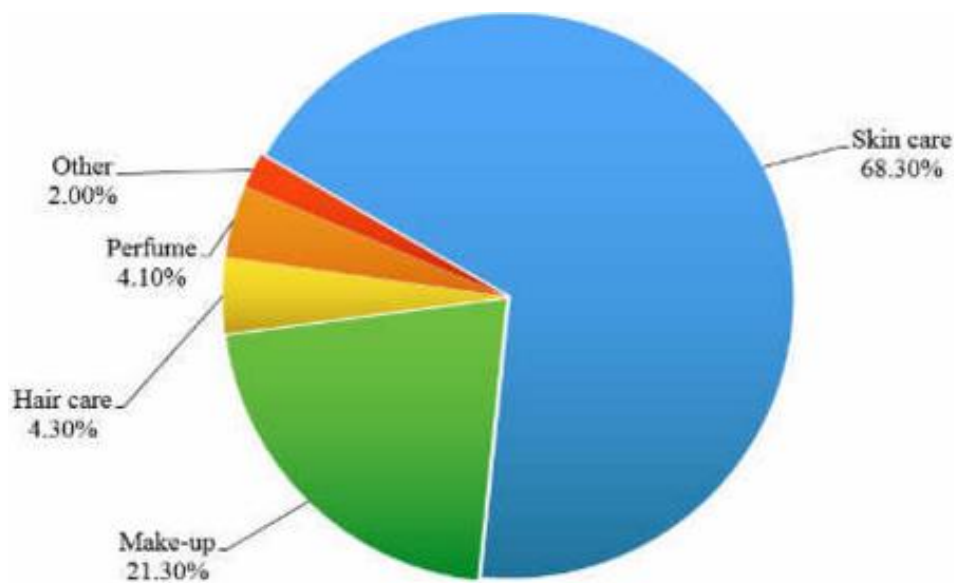
Cosmetic industry in China is developing at a very fast speed. There are many reasons for the cosmetic industry in China growing at such a fast speed. According to Admin (2015), the fast development of the Chinese economy has lured a lot of worldwide companies to start doing business and setting up their department shops in China. The growth of the Chinese economy has also increased Chinese people's purchasing power and their standard of living. Customers' value changed which has great influence on the demands of the products. (Admin 2015.) People nowadays pay more attention to their appearances, both females and males would like to purchase the products which make them look better, keep young and charming. There is no doubt that the demands of various cosmetic products are increasing quickly. What is more, with the development of the Internet, almost everyone cannot live without it. Therefore, companies have focused on the online market and start their online shops which enable their customers to buy products conveniently (Admin 2015). Online shops make companies earn more revenues than before.

The trend of the cosmetic industry in China will keep increasing at a stable increased rate. It is estimated that the cosmetic industry will increase by 20.8 % every year and the retail value will become 700 billion Yuan graph 2.



GRAPH 2. China Cosmetics Retail Market 2011-2017 (adapted from Cecilla 2014)

According to Yau (2015), different kinds of products make different contributions to the profits of the cosmetic industry in China. The cosmetic industry has a lot of different types of products, such as skin-care products, make-up products, hair-care products, sunscreen products and so on. Among them, skin-care products make the biggest contribution to the cosmetic industry. The sales of make-up products have increased in these years. Some other products like anti-aging products and sunscreen products which make people look better, more beautiful and younger become more and more popular among customers. (Yau 2015) Graph 3 below shows clearly the market share of different cosmetic products. We can easily find out that the skin-care products take more than half of the market share.



GRAPH 3. China Cosmetic Product Market Share (adapted from Cecilla 2014)

In conclusion, cosmetic industry in China has increased for many years and it will continue to develop in China. Regarding to above mentioned, there are many factors which influence the development of cosmetic industry in China and they all have positive effects on the cosmetic industry, so the trend of the cosmetic industry will improve.

4 INTRODUCTION OF SEPHORA

The following chapters will use Sephora as a case study to show the readers how important marketing is to the companies and some marketing plans will be given to help Sephora change their marketing strategies, so that they can solve the problems and challenges which they have met.

This chapter will be divided into three parts. Firstly, a short introduction of Sephora will be given to the readers in order to make them know more about the world famous cosmetic company. Secondly, Sephora's current situation will be analyzed. During the analysis, some models of marketing will be used, such as PEST, SWOT and 4Ps. In this part, Sephora's target customers and its competitors will be concerned. Thirdly, Sephora's problems and challenges will be pointed out and the reasons which caused these problems will be discussed in the following.

4.1 Sephora's Background

Sephora is a world famous cosmetic company which was founded in Limoges, in France in 1969. In 1997, Sephora was purchased by Louis Vuitton and Moët Hennessy. A lot of luxury cosmetic brands cooperated with Sephora. Sephora mainly sold make-up products, skin-care products and perfumes. Sephora opened its stores all over the world, attracted a huge number of customers and earned handsome profits. Sephora gathered various brands together and then sold them to the global customers, which influenced economics in different countries and made giant contributions to international economics. According to Forbes which was published in 2013, Sephora operated in 30 countries and earned more than \$4 billion revenues (Loeb 2013). From the tremendous data, we can easily find that Sephora is really a big luxury cosmetic company which has great impacts throughout the world. In 2005 Sephora entered the Chinese market and opened the first Chinese shop in Shanghai (Market report: Sephora in China 2012).

4.2 Sephora's Current Situation

Sephora is now the first retailer of cosmetics all over the world. According to the latest news report, the first half year's revenues of LVMH rose 15 % about 2.95 billion euros. Among them, the main contribution came from the success of Sephora. (Viton 2015.) That Sephora could make such a success is inseparable from its successful strategies. In the following, Sephora's current situation will be analyzed, such as the marketing environment, its successful marketing strategies, its target customers and its strong competitors.

4.2.1 Market Analysis

Successful marketing means that the companies should know about the marketing environment as well as the market demand. Then companies can segment their potential customers into different groups in order to make specific marketing strategies to different types of customers. For the purpose of knowing the marketing environment and the marketing strategies, some models of marketing will be used to analyze Sephora's current situation.

PEST

There are many factors which influence and determine the market environment. PEST is a good model to analyze the market environment, because PEST categorizes the factors under four headings, separately, political, economic, social and technological (Makos 2014).

Political

Political factors refer to some actions that the government takes to intervene in the economy. Laws and regulations, including labor laws, tax policies, consumer protection laws, employment laws, environmental regulations and tariff & trade restrictions always have great impacts on companies' business. (Makos 2014.) As a global company, Sephora's products also come from all over the world. Hence, the tariffs have a main impact on Sephora's business. Sephora has international trade, so changes in tariffs will directly influence its costs. If the tariffs increase, the costs will also increase which leads to

the higher prices of products. Otherwise, if the government reduces the tariffs, prices can decrease and attract more customers.

These days Chinese people's lives have been influenced a lot by the new policy. From April 8, Chinese customs starts to implement the new import tax policy on cross-border e-commerce retail. The tax rate increases significantly. People want to buy high quality products from abroad, however now the costs increase a lot. Some people cannot afford such high costs, so many people complain about the new policy. Especially, import tax as on cosmetic products have increased from 50 % to 60 %. People cannot afford the import tax and then give up buying worldwide products online. (Yang 2016.) This might be a good news to Sephora. People's demands do not change and they still want to buy the products with high quality. Because of the influence of the new policy, people may be more willing to shopping in China. The prices of products in Sephora do not increase. Sephora has a lot of different products all over the world and some of the products are exclusive, so people would like to go to Sephora to buy the products. The new import tax policy helps Sephora to increase its profits and improve its market.

Economic

Economical factors play an important role in business. Economical factors refer to inflation rate, interest rate, exchange rate and any other economic growth elements (Makos 2014). Both customers and companies can be influenced by a country's economy. For example, if the Chinese economic growth and interest rates decrease, people would like to withdraw their money from banks to do other investments. That means customers will have more money in their hands to purchase the products, so their purchasing power increases. Under these circumstances, Sephora has more working capital to invest in new projects. Also Sephora will have more money to operate the company, such as producing some new products and making some promotion activities to attract customers. If the country's economy turns bad, both customers and companies will have less money to use. A lack of cash flow means companies may get into trouble. (Nass 2014.)

In addition, the exchange rates also influence the costs of imported products and exported products (Makos 2014). For example, if the Chinese Yuan devalues, the exchange rate will increase. If Sephora uses the Chinese Yuan to import some products, the costs of imported products will increase as well. As the products of Sephora are all high end

products and the amount of its import must be large, the costs will increase if the exchange rate increases. The exchange rate has a significant impact on Sephora.

Social

Social factors refer to different cultures, population and age distribution, career attributes, the growth rate of population and so on (Makos 2014). These factors are important for Sephora to segment its market into more detailed groups. With the increasing standard of living in China, Chinese not only concentrate on the necessities of life, but they start to enjoy their lives. They begin to pay close attention to their spiritual needs. They care more about their appearances. They consume more on the cosmetic industry. They are willing to buy the products which can make them more beautiful and younger. When they choose products, they not merely focus on the prices, however they start to focus on the quality of products. Some products have high prices, and Chinese would also like to buy them in order to get better quality and better experience when they use the products. Therefore, social factors in China have a positive effect on Sephora's business. (Nass 2014.)

Technological

Sephora's staff told author that they worked with technology. Technology is useful in Sephora's business, for example, Sephora uses SAP system to operate its products. There are many shops in China. Every week, the shops order a lot of products via the SAP system. This system makes Sephora more efficient to deploy such a huge number of products. The recall of products and the delivery of products between shops should use SAP system. SAP system helps Sephora to manager its products much easier. Figure 4 shows the products that one shop received. The shops of Sephora receive products once a week and the amount is always huge. The staff start to do their work on 7 a.m. and they should open the shops on 10 a.m. During these three hours, they have to check the products and then assign them into different places. They should also attend the daily meeting and prepare for opening shops. When they receive the products, they use a machine which is called PDA to scan the bar codes and then send the data to the SAP system to check whether the amount is right or wrong. Technology helps staff use less time to do their work, or they are hard to finish them in the limited three hours. (Interview 2016.)



FIGURE 4. The Products One Shop Received.

Almost every morning, the staff should take stock which takes a long time. The bar codes of products are so long that staff cannot copy them by writing. If they copy one number into another number, the product may completely become another product, and the number of all the products will be in a mess. PDA is useful when staff take stock. PAD can easily record the bar code and the amount of different products and then send the complicated data to the SAP system. The PDA and SAP systems help Sephora to operate its shops and manage its products more conveniently. (Interview 2016.)

Another use of technology is to record the information of VIP customers in the Excel and then send them to the parent company. In the Excel, Sephora can easily classify as well as integrate the data. After analyzing the data, Sephora can know how many customers become their new VIP customers. Sephora can also know what kind of customers prefer what kind of products and what kind of customers spend how much money during shopping. After knowing these, Sephora can adjust some brands in the shops. Obsolete some brands and replacing with some new brands. (Interview 2016.)

In short, Sephora's development cannot be without the development of technology. Political factors, economical factors, social factors and technological factors all have great influence on Sephora's business. If Sephora wants to develop better, it should never ignore these factors and keep a watching eye on them all the time.

Segmentation, target market and positioning

According to the theoretical chapter of the thesis, after fully understanding the environment, companies should start to design customer-driven marketing strategies by using STP model. STP model can help companies to divide the market into more detailed groups and provide different products to the specific groups of customers. Then Sephora's current situation will be introduced through analyzing the STP model.

On the basis of chapter 2.3, there are four types of market segmentation and Sephora can use all of them when segmenting its market. Sephora, as a cosmetic company all over the world, must be influenced by the geographic factor. Customers who come from different countries will have different demands to the products. For example, the climate is varied from country to country. When the customers buy the skin-care products, customers in Sudan where is one of the hottest countries, may prefer to buy the products with a high SPF and after-sun repair function. However, customers who come from Finland where is very dry, they may prefer to buy the products with hydrating function. If Sephora wants to sell their products well, they should firstly segment the market, which is very important to a successful marketing. There is no doubt that Sephora will use demographic segmentation. As known, more female customers than male customers are willing to buy cosmetic products, so Sephora always pays more attention to its female customers. There is still a potential market with male customers.

Sephora can also use the other two types to segment the market. According to the report of P&G Company, we can easily know the reasons. Ms. Yuko Nakamura said that Asian customers started to do skin care earlier than the Western customers. Some Asian customers would like to spend a lot of money on skin-care products and they can use six to ten products of each skin-care series which is really different from Western customers. Asian customers focus on each step of skin-care and they want to find out the perfect solution for recovering their skin problems. When Asian customers and Western customers are at the same age, they have different demands of the products. When they are 20, both of them pay attention to the dryness problem. So they both like to buy some products with hydrating function. However, when they grow up to their 30s and 40s, Asian customers care more about skin unevenness while Western customers worry more about their

wrinkles. What is more, Asian customers' hair is thicker as well as unique, so that they have the best demands for hair-care products than others. (Tan 2016.)

Sephora in China always uses multiply types of market segmentations. Firstly, the main customers in Chinese Sephora must be Chinese, so Sephora distinguishes the Chinese customers from the customers all over the world. After segmenting the market, Sephora can offer unique products and services and products to satisfy Chinese customers' specific demands. These are targeting market and positioning. Chinese customers care about the impressions that they leave on others and they prefer the products which make them look better like skin-care products, sunscreen products and above mentioned hair-care products. Secondly, Sephora segments the market according to age and gender, separately, women of 20-30, 30-40, 40-50+ and men of 20-40+ (Tung 2013). Due to more female customers in Sephora, Sephora divides the female customers in more detailed groups. Sephora provides different products which are suitable for different aged customers, which can meet the precise demands of customers. Thirdly, Sephora now cooperates with a lot of world famous brands, such as Dior, Givenchy, Lancôme, Prada, Guerlain and so on. Therefore, Sephora positions its products as high end products. Sephora attracts the customers who care more about the quality of goods and service and less about the prices (Tung 2013).

Marketing Mix

After segmenting the market, Sephora can start to use the marketing mix tools to attract customers. Marketing mix is very useful for companies to do marketing. Marketing mix tools have already been introduced in the previous chapter and Sephora's market strategies in China will be analyzed according to the marketing mix tools one by one.

Product

Products in Sephora with high prices always have excellent quality. Customers do not need to worry about getting fake products. With good quality, customers would like to buy them and become returned customers. In addition, Sephora has many types of products such as skin-care products, make-up products, hair-care products, perfumes and so on. Besides its own brand, Sephora cooperates with more than 250 brands by 2011 (Market Report: Sephora in China 2013). Sephora puts different brands which come from the whole world together, especially some exclusive brands which are not easy to buy for Chinese

customers and they can only be bought in Sephora or in the country of origin. For example, the goods belonging to Sephora's own private label are made in France, Peter Thomas Roth is made in America, KOSE comes from Japan, LANEIGE comes from Korea and so on.

Various products give more choices to their customers. When customers come into Sephora, they can try and compare the products from different worldwide brands at the same time. Customers in Sephora can choose the products that they need according to different classifications. It is more convenient for customers to find the products and compare them with nearby similar products. Sephora changes the partners to cooperate with every year, based on the market demands and the sales situation. If some products do not sell well, Sephora will change some new products which have a popular trend to customers to replace the old ones. (Interview 2016.) This kind of change makes customers always feel fresh at the moment when they get in to the shops and see the products. Customers never get bored with the same products all the time. This can also improve the sales revenues of Sephora.

What is more, packages have a significant impact on the sales of products. The packages have to be suitable for the products. Some customers may choose products according to their favors on the packages. It is better to make the packages iconic as well as attractive, so that the products can attract customers at first glance and leave a nice impression to customers. Sometimes renewing the packages of the products is also a good way to make customers have a fresh impression on the products. The Figure 5 shows the packages of the products in Sephora, they are colorful and tidy. When customers walk around Sephora, they are easily attracted by the products. Attractive packages may lure customers to go into the shop and have a try on the products.



FIGURE 5. The Products in Sephora

Another important thing is to build the brand. A brand is a company's intangible assets (Keller & Kotler 2010, 240-241). The benefit of building a strong brand is that the company can be easily distinguished from its competitors. There is no doubt that customers are willing to purchase products with a good reputation and they will be more loyal to the brand, Sephora has an identical brand position. The logo of Sephora is the white and black. The retail shops of Sephora are all in white and black, which looks more professional and more iconic. Most people know the LVMH, and Sephora belongs to it, so in many customers' minds, Sephora must have a good reputation. The position of products in Sephora is high end products, the brand that Sephora builds is luxury as well as good quality and services.

Price

There are two ways of setting set the prices, one is marketing skimming pricing and the other is marketing penetration pricing. Marketing skimming pricing is to set high prices in order to get the most profit in the short-term. On the contrary, marketing penetration pricing is to set low prices in order to attract more customers. (Kokemuller 2014.) The purposes of pricing are to earn the maximum profits, get the largest market share, lure customers and competing with competitors. If companies want to get into the market fast and easily, they should use the marketing penetration strategy. With lower prices than their competitors', companies can be more competitive and lure more customers. However, if companies want to position their products as high-end products, they should use marketing skimming strategy. Setting higher prices and selling the products requires customers who

are interested in the products and have the ability to purchase them. With higher prices, the company can get the costs back and earn the most profit in the short time. High end customers always chase luxury goods.

Because Sephora builds itself as a luxury brand, Sephora mostly uses the marketing skimming pricing strategies to attract its high end customers. A huge number of brands in Sephora are sold at very high prices, such as Hermes, Gurlain and Dior. However, Sephora's own brand is not sold at a very high price and it is suitable for customers like students who do not have a strong purchasing power. According to the segment market and price, the products at different levels of prices can attract more customers.

Discount is a significant point in pricing. It is a useful measure to lure customers to purchase the products. Several times every year, Sephora makes discount for different reasons. Sephora makes discount at its anniversary and some festivals such as the Chinese New Year, Valentine's Day, Christmas, Mother's Day and Singles' Day. The author has interviewed some persons who work in Zhoupu Wanda Sephora and they told that Sephora has twenty per cent discount activities twice a year and only the VIPs who own the black cards can take part in the activities. Sephora has different discount activities according to different promotion activities. The staff said that 2015 was the tenth anniversary of Sephora entering the Chinese market and from 7.11.2015 to 8.11.2015, Sephora gave a 25 % discount to customers. Sephora never had such a big discount before. Many customers came to Sephora and bought a lot of products. The staff said that they got more than three hundred thousand Yuan revenues on 7.11.2015. The sales revenues on November 7th were three or four times the regular sales revenues in that shop. Furthermore, only one store in Shanghai has earned such huge revenues. It is not difficult to image the great revenues that all the shops of Sephora in China earned on those two days. (Interview 2016.)

When Sephora gives discount, they will inform their customers through postcards, e-mails, phone calls and WeChat (the APPs that most Chinese customers use). Discount can attract more customers. Some customers can have the chance to buy some products which they wanted to buy but did not have the possibility to buy before. Discount can lure more customers to come into the shops and choose the products. Customers may not only focus on the discount products but they will also buy some other products. The sales revenues of

all the products will increase and it is really a good opportunity to make customers familiar with some new products. (Interview 2016.)

The ways to pay are also very important when doing business. In Sephora, customers cannot only pay by cash but also pay by credit cards. Nowadays, people will not carry too much money and maybe some customers are attracted by some products when they pass by the shop. Then they get into the shop and buy the products without planning. When they finish shopping and pay, they might suddenly find that they do not have enough cash and then the shop has a pose machine. (Interview 2016.)

Promotion

Promotion is the most direct way to make more customers know about the products. Through promotion, companies can send information about the products to the potential customers in order to lure potential customers to get interested in the products and be willing to buy them.

Sephora has many ways to do promotion. In China, Sephora's advertisements are not seen on television, the advertisements of some brands which cooperate with Sephora play on the television, such as Dior, Lancôme and Estee Lauder. When customers see the advertisements on television, they go to Sephora and buy the products. Television is the necessity of Chinese people, although the expense for advertising on the television is high but this kind of advertisements are not easily ignored. The more time the advertisements are played on the TV, the deeper the impression will be given to the audience. In addition, Sephora also puts advertisements on the Internet. With the fast development of Internet, almost everyone uses Internet daily. When customers see advertisements on the Internet, many of them will get interested in and click their mouse or move their fingers.

Sephora always keeps in touch well with their customers. Whenever Sephora has some promotion, customers will be informed as soon as possible. They will be sent e-mails, short messages and even phone calls. The BAs in Sephora will also share the promoting information on their personal websites and their customers can get the information. Furthermore, not only discount will be given at festivals, some wonderful and value limited sets will also be given to customers. Some sets will also be combined and decorated by the staff themselves. Figure 6 below shows the DIY set of Dior's Perfumes

on Valentine's Day. The staff puts the followers in the box to lure customers to buy more products. On the Valentine's Day, if male customers want to buy the set flowers to send to their girlfriend, they must buy two bottles of Dior's perfumes or they can only get the perfume with easy French packing by using the colorful paper. This kind of way is really effective. Most customers would like to buy more products in order to get a better package to make their gifts seem more beautiful. So there is no doubt that the revenues will increase a lot. (Interview 2016.)



FIGURE 6. The DIY Set of Dior's Perfumes on Valentine's Day

What is more, when customers go to the cashier desk, the cashier will catch the final opportunity to promote the sales of products. All customers can get small samples if they buy four or more than four products. Usually customers especially the VIP customers can get small samples by buying some designated products according to different promotion activities. There are many types of samples, such as perfumes, skin-care products, make-up products and new products. Sending small samples to customers is a good way to do promotion. Customers may get interested in the products after they have tried the small samples, they may buy the products next time when they come to Sephora. Small samples not only have effects on increasing the revenues but also make customers happier and more willing to do shopping in Sephora. After customers finish shopping, they will be given

some brochures with the introductions of the products in Sephora as well as the promotion activities. (Interview 2016.)

In addition, Sephora makes animation twice a month. The staff change the display of the products and put the products which are on the list of animation in a prominent position. The changes of product display make customers feel fresh when they enter the shop and also make them easy to find the products that Sephora wants to sell. Sometimes Sephora invites some models to show the products and attract customers to try and buy the products (FIGURE 7).



FIGURE 7. Promotion Activity for SKINVITALS

Last but not least, to make its customers loyal, Sephora gives VIP cards to their customers. Most of the promotion activities are only for Sephora's VIP customers. After new customers shopping in Sephora, they can get the VIP cards freely and their information will be recorded into Sephora's data system. VIP customers can get the corresponding credits according to the money they paid. When the credits reach to 1,500 points, the VIP customers can have a 10 % discount next time and their cards will be upgraded from white cards to black cards. If customers' expenditures achieve twelve thousand Yuan in one year, they can get golden cards. Different levels of VIP customers can get different privilege. VIP customers who have a black or golden card for at least one year are able to get the birthday gifts according to the information they give and they will get double credits if they buy the products on the day they get the birthday gifts. VIP customers who have golden cards can choose one birthday gift which is under three hundred Yuan in the shop.

However, VIP customers with black cards can only get the specified birthday gifts. (Interview 2016.)

In conclusion, promotion is very important for companies to attract potential customers and expand their market. Promotion helps companies deliver information to their customers and to create customer value.

Place

When it comes to place, the main factors are the location of companies and the sale channels. According to Olivier (2013), Sephora had 135 shops in China's 47 cities until 2013. Sephora locates its shops in the big cities of China like Shanghai, Beijing and Hangzhou, because people in the big cities pay more attention to their appearances than people in smaller cities. People in big cities also prefer to follow the fashion, they have a stronger purchasing power due to higher salaries, therefore, they can spend more money on cosmetic products.

Sales channels are not only the retail stores, but also the online shops. Sephora has its own official website where customers can buy the products easily. It is a trend that more and more customers like shopping at home with a computer or a mobile phone. Online shops are really convenient for customers to choose products and order products. Online shopping is also saving time. Customers can do shopping whenever and wherever they want. Even if they are not in the country, they can buy the products, Sephora pays now more attention to the online market. According to the news report, Sephora entered in Jingdong, a famous Chinese online shopping platform, in May, 2015 (Nanminyisha 2015). Online market is a potential market, therefore, Sephora chose to enter in Jingdong as a good way to expand online marketing in order to grab market shares and get more revenues. Doing well in online market gives Sephora stronger competitive advantages.

SWOT analysis

SWOT analysis is useful for companies to have a clear picture about themselves and develop a strong business strategy (Berry 2009). SWOT stands for Strengths, weaknesses, opportunities and threats. Strengths and weaknesses are internal while the other two are external, graph 4. After companies finish analyzing their own SWOT in the market, they

should improve their strengths, avoid their weaknesses, catch the opportunities and defend against threats.



GRAPH 4. SWOT Analysis (adapted from Armstrong & Kotler 2013, 55)

Strengths

When it comes to Sephora's strengths, as the first retailer of cosmetics all over the world, Sephora must have plenty of strengths. Firstly, Sephora belongs to LVMH, the world famous luxury company. Therefore Sephora owns a good reputation among its customers and its marketing offering can be promised in high qualities. The performance of the products can achieve customers' expectations. (Sephora Blog 2014.)

Secondly, Sephora has a strong financial support by LVMH and strong suppliers. With the strong financial support, Sephora has ability to give VIP customers some wonderful gifts to attract them and increase their satisfaction. (Sephora Blog 2014.) Sephora also get benefits from its strong suppliers. Sephora is different from other traditional cosmetic stores which focus on selling one brand. Sephora cooperates with a lot of world famous brands, such as Dior, Givenchy, Estee Lauder, Lancôme and so on. Customers can try the products before they purchase them and compare them with any other similar products in Sephora. It is convenient for customers to try the products before they buy them. Self-service approach is popular among customers. Sephora's unique and open shopping environment increases its competitive power.

What is more, while customers trying the products, professional staff will help them, teach them how to use, give some professional advice and recommend the effective products to

them. Sephora gives professional training to their staff. Staff in Sephora are familiar with all the brands and products in their shops. Different brand trainers will go to the shops to teach staff some knowledge about their products especially the new products. With comprehensive knowledge, staff can provide better services to the customers.

Last but not least, Sephora has some secret “customers” who are pretended by the Sephora staff. They come from the headquarters of Sephora and then come to different stores to experience the services. Finally, they will write a report about the advantages as well as the disadvantages and submit it to the headquarters, so that Sephora can improve their service much better and know well about the feelings and demands of their customers. This existence of secret “customers” guarantees the high quality of services.

In short, Sephora has more than 200 brands and the types of brands and products are complete and rich. However, Sephora’s competitors cannot copy the business pattern easily as they do not have enough product suppliers from all over the world. This is one of the biggest advantages of Sephora and also an important reason for Sephora to be successful. Convenient, relaxing and open shopping environment with professional BAs and services gives customers wonderful shopping experiences.

Weaknesses

As selling high end products, the prices of the products in Sephora are much higher than its competitors (Sephora Blog 2014). Although the products have good quality, Sephora may also lose some customers who cannot afford such high prices. In addition, Sephora does not do well on its brand recognition (Sephora Blog 2014). With low brand equity is harmful to the development of Sephora. Only some high end customers and females in China who pay attention to cosmetic know Sephora. Customers never see the television advertisements of Sephora. They may seldom see the advertisements on the Internet, magazines or some print advertisements on the underground. Brand recognition among customers is important for a company to increase customers, so Sephora has better to focus on building its brand recognition.

Opportunities

Although Sephora is the first retailer of cosmetic in global market, there are still many opportunities that Sephora can catch to improve its position. Both online market and male

market are two potential markets for Sephora. (Sephora Blog 2014.) Sephora has already sold products for male customers, but they are much fewer than the products for female customers. Sephora can pay more attention to the male market and expand its scale to attract more male customers. After Sephora joined Jingdoing, it can still try other strategies to strengthen its online market, for example, Sephora can find another suitable online shopping platform to cooperate with or improve their online services like making the categories clearer in order to make customers more convenient.

Threats

Sephora's competitors in China, are for example SaSa, Watson and Innisfree and their brand recognitions among customers are much stronger than Sephora's, especially Watson has a strong brand. Competitors' products are not sold as high end products, but they are similar with the products in Sephora and at inexpensive prices. This threat may make Sephora lose some customers who go to purchase some similar products with cheaper prices from Sephora's competitors. (Sephora Blog 2014.)

4.2.2 Target Customers

Target customers are the specific group of customers who have a huge impact on companies' marketing plans (Carnrite 2016). Companies should set a group of customers as their target customers. According to chapter 2, it is important for companies to select which customers they would like to serve. When making marketing plans, one should focus on target customer's wants and needs. One should also consider that whether the products will be liked by their target customers and whether their target customers have the purchasing power to buy their products.

Sephora's target customers in China are mainly some high end customers who do not want to waste money on low quality and cheap cosmetic products. The target customers should pursue fashionable and high quality products at the prices from medium to high.

4.2.3 Competitors

Cosmetic industry is a hot industry in China and develops fast and well in China, so the competition is intense. Competitors are not only threats but also good examples for companies. Companies can learn from their competitors' advantages and avoid their disadvantages. Sephora always asks its staff to focus on their competitors and record their competitors' promotion activities. To know the competitors is vital in doing business.

Sephora has numerous competitors in China and there are many types of cosmetic stores. Sephora's main competitors in China are Watson, SaSa, Innisfree and some shopping malls. Some shopping malls which sell cosmetics at cheap prices are popular among customers. Watson entered the Chinese market in 1993 and it has a good brand recognition among customers. Watson's target customers are different from Sephora. Watson does not position itself as a luxury brand so the target customers are not high end customers. Watson is easier to enter on the market and be remembered by customers (Market Report: Sephora in China 2013). SaSa is not popular in all the areas in China but mainly in Hongkong. However, Sephora is popular in the mainland of China. The customers choose SaSa because of its wide selection of products and big discounts (China Daily 2007). Innisfree, a Korean brand with appropriate prices are becoming more and more popular among teenagers in China. Although Innisfree only sells its own label products, it still has a strong brand recognition among customers by making advertisements and applying Li Minhao, the Korean superstar, who is very popular in China as its spokesperson. Nowadays Innisfree has strong competitive power.

4.3 Sephora's Problems and Challenges

Although Sephora is very successful in China, it still has a few problems and challenges. These problems and challenges are mainly caused by its weaknesses and threats. If Sephora wants to develop well, it must know clearly about its weaknesses and threats and then find out about the problems and challenges.

Sephora develops well in the mainland of China. However, Sephora closed its store in Wenzhou, a city in China, in April 2014, which had been opened for 6 years. At first, only

Sephora sold cosmetics from some famous brands like Benefit in Wenzhou. With time passing on, the competition became intense and the place where Sephora located was not good enough. The shops near Sephora all sold products for babies, so the main customers who went there were some mothers to buy the products to their children and they were not willing to pay a lot of money to buy luxury cosmetics for themselves. Maybe these are the reasons why Sephora lost its market in Wenzhou. The store which had opened in Hong Kong, China for one half and a year also closed in 2010, Hong Kong is an international city. Customers can always buy products duty-free, therefore Sephora has no advantages with its prices. In addition, the bad location, lack of selection in products in Hong Kong Sephora and weak competitive power made Sephora fail in Hong Kong. (Do You Know How Many Sephora in China? 2015.)

However, Sephora also has some challenges. Sephora sells luxury products at high prices and the competitors such as Watsons and Innisfree also have strong marketing strategies and a high market share. In some areas with a lower standard of living and purchasing power, it will be challenging for Sephora to meet its competitors. What is more, high prices in Sephora cannot be afforded by many people. Some drugstores which sell products at lower prices may attract more customers. Sephora's competitors do not only pay attention to customers' wants, they also care about customers' demands. Thus, Sephora should make some remedies to take back its market share. In addition, nowadays, overseas shopping becomes very popular. Someone who lives abroad helps customers buy products from abroad and then sells the products to the customers at lower prices than the prices in Sephora. Many people would like to do this job to earn some allowances, this is also a little challenge for Sephora. However, the quality of the products which customers buy through overseas shopping cannot be guaranteed.

Sephora now is very successful in the cosmetic industry all over the world. Its current situation in China has been analyzed before. Sephora has its unique business pattern to attract its customers but also has some weakness and threats which may influence its further development. The solutions of its problems and challenges will be given in the next chapter by making short-term marketing plans as well as long-term marketing plans for it.

5 MARKETING PLANS FOR SEPHORA

If companies want to do well in marketing, they must have effective and suitable marketing plans. The aim of marketing plans is to give companies the right direction and focus on companies' products, services and brands. With comprehensive marketing plans, companies are able to be better prepared for promoting a new product as well as improve sales for existing products. (Armstrong & Kotler 2013, 541.)

In this chapter, the author will make some plans for Sephora in order to help Sephora to win over its weaknesses and threats and improve its market based on the theoretical part in chapter 2. In Chapter 4, Sephora's current situation and its market in China has been analyzed in detail by using some marketing models. Hence, the short-term plans for half year to one year and the long-term plans for five years can be made according to it.

5.1 Short-term Plans

Short- term plan helps companies to achieve the long-term goals (Jane 2014). Before making the long-term plan, a detailed short-term plan should be done firstly. The purpose of making short-term plans is to make Sephora have strong competitive power, get more market share in China, beat its competitors and the most important is to serve for its long-term goals.

Sephora has two core weaknesses which have been mentioned above. As high end brand positioning and global business, Sephora's expensive prices are not easy to change even in such a short time. Therefore, short-term plans can focus on solving the other weakness, lack of brand recognition among customers. According to chapter 2, brand equity is the important consist of customer equity. Companies have better to create their customer equity. The short-term plans can be made to help Sephora to build its brand in China. The increase of Sephora's brand equity helps to increase its customer equity. Brand is the combination of name, symbol, term, sign and design which aims to identify the goods as well as services and make the company be different from its competitors [American Marketing Association, 2013]. The role of brand is to be responsible for its performance,

products and services. Customers may choose the similar products just depend on its brand. (Keller & Kotler 2010, 241-242.) Brand is intangible assets for companies. Building a good brand makes the company gain a good reputation and make customers loyal too.

There are several ways for Sephora to build its brand in China. Firstly, Sephora can apply some Chinese super stars to represent its brand instead of applying some European and American stars which are not popular among Chinese customers, so that some customers especially teenagers will be attracted by their idols and start to get familiar with Sephora and its products. Secondly, Sephora should concentrate on its TV advertisements. Television is a good channel to make advertisements. It is not enough that the audience only see some of Sephora's products' advertisements through their televisions. They should also see Sephora's own advertisements through their televisions directly to make them have a clear impression on what Sephora is. Therefore, in the following year, Sephora can start to put their own advertisements on TV and ensure the frequency of the advertisements' appearance. Thirdly, Sephora should make its customers know how good its products' quality are. Sephora can plan to draw a lottery or raffle every half a month. This activity cannot only increase customers' satisfaction, but also increase the brand recognition among customers. What is more, after customers receive the product and try it, they will know its good quality and know the product deserves that expensive price as well.

According to the marketing process, creating customer value is an important step (Armstrong & Kotler 2013, 6-7.) In the short-term plans, Sephora should also deliver some information to its customers and set the right level of expectations. Sephora should make more customers aware of the products and that Sephora means high quality. The good services in Sephora should be marketed. Customers can enjoy themselves while shopping in Sephora. Sephora should try its best to understand customers' needs, wants and demands and fulfill their demands. Sephora should ensure the performance of both goods and services to reach customers' expectations according to the information that Sephora has delivered to them. Satisfied customers can be more loyal to Sephora, which helps Sephora increase its competitive advantages.

Another short-term plan is that Sephora should build strong customer relationships. For example, Sephora can make good use of its official website. The official website is a good channel for Sephora to connect with its customers and customers can know about Sephora

through the website. Although Sephora does well in the category of brands and products which makes customers more convenient during shopping, their own information like Sephora's introduction and the location of shops are not very comprehensive and easy to find. The data in Sephora's introduction is very old, so Sephora should upgrade them as soon as possible in order to give customers the latest information on Sephora. Some beauty services, beauty class and store events which Sephora wants to make its customers aware of should be put in the places where are much easier for customers to notice.

Furthermore, business communication is very significant when doing business. The ways and attitude which the staff use to communicate with customers may directly influence customers' decisions and the results. Hence, in the following year, Sephora should not only concentrate on its products and services but also on the staff's training. Staff with professional and rich knowledge of brands and products is far more enough. They should also know how to introduce the products and in which way they can attract the customers. Most staff in Sephora in China are not good in English. Although in China, more customers are Chinese and they speak Chinese, sometimes some foreign customers will also come to Sephora to choose products. If the staff cannot communicate with foreign customers and not know their demands, they may possibly lose the potential customers. This kind of things is really terrible mistakes. Sephora should try its best to catch each potential customer. That is why it is necessary for Sephora to give training to its staff including business communication training and language training to make them improve their language skills and attract more customers.

Another way to build customer relationships is that Sephora can increase beauty activities. The beauty class can be held once a week for Sephora's VIP customers. Beauty counselors can teach customers how to do make up and skincare. Some customers may not be good at doing make up, so beauty counselors can teach them some popular makeup looks in order to increase customers' interest in some make up products. The knowledge of skincare can also share to customers. During the beauty class, counselors can know the demands of customers and then they can catch these good opportunities to promote Sephora's products. Beauty classes can also help Sephora to attract new customers, satisfy existing customers and keep them loyal. Frequently interactive activities are good for strengthening customer relationships and reducing competitors' threats. Satisfied customers have less possibility to

switch to Sephora's competitors and these events like above can also increase relationship equity.

5.2 Long-term Plans

After finish making short-term plans, then long-term plans should be done. Long-term plans should be evaluated once a year and adjusted, because the situation of marketing and competition are unpredictable (Grunert 2016). It is not very suitable for companies to use the same long-term plans from start to the end. The long-term plans should have some small changes in the later years according to the changes of the market and customers.

After building its brand and improving its services, more and more consumers get familiar with Sephora. Then the long-term plans for Sephora in China aim to help Sephora expand its market, increase its market share and develop its business in some potential market. In order to meet this long-term goal, the long-term plans can be divided into several steps.

First of all, Sephora should learn a lesson from its failure of Hong Kong shops and Wenzhou shops. Before Sephora enters a new market, it should make a detailed research to know the market demands. The decision makers should have the up-to-date information about the marketing demands, marketing environment, their customers and their competitors. Doing research first plays a major role in giving information to the decision makers. (Armstrong & Kotler 2013, 541) After analyzing the result of the research, Sephora can know whether the market is suitable for itself to enter and they can also choose the appropriate locations. After Sephora knows the up-to-date information about its new market, it is vital for Sephora to segment its market and using the marketing models to analyze the internal as well as external environment. Sephora is then able to use the marketing mix to make the unique and appropriate marketing strategies.

The second step is to improve Sephora's potential markets. There are two big potential markets for Sephora. Sephora has already some business in the online market and male market, so the long-term plans are to make Sephora better and pay more attention to these areas. It is taking time to develop the potential markets, so the long-term plans are given

about five years to implement and each year the plans should be evaluated again according to the latest situations. Two long-term plans will be shown in the following.

Sephora joined Jingdong in 2015, this was really a big event in the cosmetic industry. With the fast development of online shopping, even Sephora, the top cosmetic company, cannot ignore the e-commerce any more. Sephora chose to collaborate with Jingdong rather than Taobao, another famous online shopping company in China. There were some reasons for Sephora choosing Jingdong. Once Sephora decided to cooperate with e-commerce, it was important to ensure delivery of the products. If customers buy products online and they wait for a long time to get the products, they complain about it, their satisfaction will be reduced and Sephora's good reputation will also be destroyed. However, Jingdong is famous for its distribution of products. If Sephora cooperates with Jingdong, Sephora can ensure the quality of its services. Sephora's target customers are some high end clients, so they must have high requirements on Sephora's services. That is maybe the reason why Sephora chose Jingdong.

If Sephora would have chosen Taobao, it would have had to take responsibility for the delivery of products itself. In the long-term plans, Sephora should create its own supply chain to send the products to the customers fast and effectively. After having its own supply chain, Sephora is given the opportunity to expand its market. Sephora can start to cooperate with Taobao, because Taobao has most of the customers in an online shopping area. For the next five years, Sephora can apply some staff to work for its own supply chain. Sephora can also find other partners to cooperate with. With its own supply chain, Sephora is able to get a better market share in the online market and it also makes Sephora more convenient to do its business.

Most cosmetic companies pay little attention to the male market. This is a wonderful opportunity for Sephora to expand its male market in the next five years. Nowadays, the products in Sephora which are for male customers are fewer than the products for female customers. Sephora does more promotion on female products and most gifts for customers are some women products. Therefore, the long-term plans for Sephora in China should focus more on the demands of the male customers. To know the male customers' demands, Sephora can spend time on making marketing research on men in their target market and then analyze the results carefully. After knowing their demands, Sephora can start to

provide some unique products which are only for male customers. Sephora can also make some advertisements which emphasis on their new products for male customers in order to attract more male customers and distinguish itself from its competitors. Sephora should spend time and money on making its customers know that from now on they are able to buy good quality products not only for women but also for men. On festivals, Sephora could hold some activities and give discount to promote its men's products, so that the customers will go to Sephora to buy them and also some women can buy the products for their boyfriends or husbands.

In the long-term plans, Sephora should start to focus on its customers' lifetime values. According to chapter 2, customer lifetime value has effects on companies' business. Sephora should notice it and adjust its market plans based on it. If Sephora starts to lose customers and customers switch to its competitors in the later years, Sephora should do something to make customers come back. Sephora can use the ways that mentioned in the short-terms plans to strengthen customer relationships, because strong customer relationships have effective impacts on making customers loyal and coming back to Sephora.

6 CONCLUSION

Currently marketing plays an essential role in the development of companies. If cosmetic companies want to enter a new market, they must make a clear and detailed market plan by using the above mentioned marketing strategies before doing business. The purpose of marketing is to make the cosmetic companies understand their potential customers and the market so that they can gain the market easily, survive for a long time and develop under the hot competition environment.

To make an effective marketing plan is very complicated. Before doing it, marketers should make a detailed analysis of the company. Like the case company which is mentioned in the thesis, many factors influence the company's marketing. Each step should be considered seriously. The marketers should care about customers, products, services and any other trivial things. Market segmentation, targeting, positioning, PEST, 4Ps and SWOT are useful models for companies to analyze themselves and the market. Creating customer value, building customer relationships, keeping customers loyal and fulfill customers' demands are important features of marketing. However without marketing, no matter how good the products are and even they are the best, no customer will know and buy them. Marketing helps companies to earn more money.

After companies know clearly about themselves, their customers' demands and the market, they can start to do their market plans. The market plans can be divided in two types. One is the short-term plans and the other is the long-term plans. Companies should make short-term plans to assist them to achieve their long-term goals step by step. The long-term plans should be assessed and adjusted every year according to the changeable situations. Like Sephora, the short-term plans that the author made is to solve the current problems, improve its weaknesses in order to make preparation for its long-term goals. The long-term plans for Sephora focused more on the further development of Sephora. So the long-term plans are about how to expand Sephora's market in China.

Although the cosmetic industry in China is successful and developing at a very fast speed, there is still a big market which is awaiting them to expand. For example, the cosmetic industry can now start to pay more attention to the online market and male customers are

also an important part of their potential customers. Sephora, the first retailer cosmetic company, joined Jingdong, it means that it is a trend to cooperate with e-commerce. Additional cosmetic companies in China can follow the step of Sephora and pay close attention to the e-commerce. If other cosmetic companies have ability and opportunities, they can have a try. In addition, the cosmetic industry in China can start to focus on producing more products that are only for men, like shaving products, male perfumes, male skin-care products and so on. There are already too many products for women, so the cosmetic industry needs to be creative and focus on the male market.

To sum up, whether a company can survive for a long time and gain more market share, attract more customers and finally become successful depends on their marketing projects. So if cosmetic companies want to develop well in China, they must make some fantastic marketing projects before they enter the market. The competition in China is intense. So if some cosmetic companies want to be different from the rest, they should try their best to find out some diverse ways of marketing and they should also concentrate on other creative ideas.

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Interview Sephora's Staff

Research:

Marketing Plans for Cosmetic Industry in China

Case Study: Sephora

Instruction:

Author has done part-time job in Sephora, therefore, author interviewed her colleagues in order to know the operation of Sephora, the marketing of Sephora and so on. The questions of the interview will be shown in Appendix 1 and the answers will be analyzed in the main thesis.

1. What marketing strategy does Sephora use?
2. What should staff make animation twice a month?
3. How does Sephora promote its products?
4. How does Sephora make its customers loyal and build strong customer relationships?
5. How can customers get the VIP cards?
6. What benefits do VIP cards give to customers?
7. How does Sephora know customer needs, wants and demands?
8. Do different customers have different demands? Can you give some examples?
9. How can Sephora satisfy its customers?
10. How does Sephora improve its Services?
11. What does the staff need to do during the work time?
12. Does technology make work and business easier?
13. Will Sephora give some training to its staff?
14. Have you met any difficult?
15. Does Sephora pay attention to its competitors?