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ADAPTATION OF A FRENCH BRAND TO THE CHINESE MARKET

CASE STUDY: SEPHORA

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ABSTRACT

Adaptation of a French brand to the Chinese market

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This study was carried out in order to understand how a French brand kept its image and adapted its strategy in the Chinese market. As there were too many big companies did business in the Asian market, but it was not that easy because of the big difference between cultures. This study intended to point out the difference in strategy of Sephora in France and in China and how they gained more market share and kept its image at the same time.

This research was divided into two phases, in a first time; secondary research material to build the theoretical part was gathered through different marketing research and strategy books and Internet documents in order to understand more about the product adaptation, business environment, marketing strategy and marketing plan to get a basis knowledge about all the elements should considered when adapting a brand to a foreign market. Secondly, an exploratory qualitative research was completed through the one personal interview and ten consumer satisfaction interviews to gather a real view of the current situation of Sephora in France and Sephora in China.

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This is the author's bachelor's thesis with the subject: adaptation of a French brand to the Chinese market. Sephora is the case company.

And there are a few in particular who deserve mentioning here, author wishes to thank all the people who helped her during this work and who contributed to its success from both the human and the professional areas.

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1- INTRODUCTION

1.1 Explanation of background

China is a very big potential market for multinational firms. But it is not easy to do business in China because of its special business profile. Tesco Lotus entered successful in Chinese market. It opened a lot of outlets especially in Shanghai and Beijing, but unfortunately, Tesco Lotus lost its brand identification there. When Chinese people do shopping in the supermarket, they do not know that Tesco Lotus is a Thai brand. In this case, Carrefour did better.

"China's luxury market is currently about €500 million, or \$631 million, the size of the budget of a second-tier European city such as Madrid," Claudia D'Arpizio, a consultant with Bain in Milan, said in an interview in Shanghai. "It's small, but it's growing at the incredible pace of between 50 and 60 percent each year." (iht.com, 2005) Prada, Bulgari, Valentino, Giorgio Armani and the other luxury goods companies are expanding in China. France is another country of luxury goods beside Italy; French luxury goods companies such as Chanel, Dior, LV will not let Italian companies enjoy the big cake herself.

The aim of this thesis is understand how a French luxury goods brand adapts their goods in Chinese market and promote its image at the same time, with particular reference to a French distribution chain company.

Normally, it is more difficult for a luxury goods distribution chain company to be successful in Chinese market. Chinese client was used to go to big luxury shopping centers or outlets of luxury brands to buying make up or perfumes. Every luxury brands have their own seller to give advises. But Sephora group all the luxury brands

together, one product consultants could service for all the brands in one sector. So how could Sephora change the clients' buying hobby? How the French distribution chain company adapts their product though doing change in marketing mix and gain more market share from shopping centers?

The necessity of marketing research in both internal and external analysis is the basis to definite a good marketing strategy then leads to an adaptable marketing plan in particular in marketing mix.

1.2 Introduction to the case study company

Sephora is a visionary beauty-retail concept founded in France in 1969 and acquired by Paris-based LVMH Moët Hennessy Louis Vuitton, the world's leading luxury products group, in 1997.

Sephora's unique, open-sell environment features over 250 classic and emerging brands across a broad range of product categories including skincare, color, fragrance, makeup, bath & body, and hair care, in addition to Sephora's own private label.

To build the most knowledgeable and professional team of product consultants in the beauty industry, Sephora developed "Science of Sephora." This program ensures that their team is skilled to identify skin types, have knowledge of skin physiology, the history of makeup, application techniques, the science of creating fragrances, and most importantly, how to interact with Sephora's diverse clientele.

Sephora's highly trained beauty experts are available to assist clients wherever they shop - in stores or online.

Sephora operates approximately 515 stores in 14 countries worldwide. Sephora opened its first Chinese store in Shanghai in 2005, and now there are 24 Sephora stores in 8 Chinese cities. People can also buy products through Sephora's site online. (Sephora online, 2007) A vision of Sephora online can be found in appendix 1

2- THE CHINESE MARKET

2.1 Introduction

Given a GDP whose official growth rate is 10 percent per year, 67.3 billion of dollars of foreign direct investments in 2007, and two and a half million new entrepreneurs, China constitutes a true miracle. Unavoidably it provokes incredulity, if not perplexity. A transformation is in progress: from a planned economy to the free market, from a mostly agricultural system to a fully industrial one, from an obstinately autarchic context to an interconnected with the rest of the world.

Many western enterprises complain about the difficulties in competing with manufacturing units in a country where the labor cost is much lower than in Europe, where the environmental cost is incomparably inferior, where the phenomenon of forgery is diffuse and uncontrolled.

But on the other hand, when China joined the World Trade Organization in 2001, China was getting more and more supporters who thought that Chinese market should be the most attractive and biggest potential market.

2.1.1 General information

Here is the general information of China from The world Factbook (February, 2008) as important reference for those investors or who wants to know more about China.

- Location: Eastern Asia, bordering the East China Sea, Korea Bay, Yellow Sea, and South China Sea, between North Korea and Vietnam
- Area: 9,596,960 sq km
- Capital: Beijing
- Government type: Communist state
- Executive branch: chief of state: President HU Jintao (since 15 March 2003); Vice President ZENG Qinghong (since 15 March 2003); head of government: Premier WEN Jiabao (since 16 March 2003); Vice Premier WU Yi (17 March 2003), Vice Premier ZENG Peiyan (since 17 March 2003), and Vice Premier HUI Liangyu (since 17 March 2003)
- Population: 1,321,851,888 (July 2007 est.)
- Population growth rate: 0.606% (2007 est.)
- Age structure 0-14 years: 20.4% (male 143,527,634/female 126,607,344), 15-64 years: 71.7% (male 487,079,770/female 460,596,384), 65 years and over: 7.9% (male 49,683,856/female 54,356,900) (2007 est.)
- Ethnic groups: Han Chinese 91.9%, Zhuang, Uygur, Hui, Yi, Tibetan, Miao, Manchu, Mongol, Buyi, Korean, and other nationalities 8.1 %
- Religions: Daoist (Taoist), Buddhist, Christian 3%-4%, Muslim 1%-2%
note: officially atheist (2002 est.)
- GDP (purchasing power parity): \$7.043 trillion (2007 est.)
- GDP (official exchange rate): \$2.879 trillion (2007 est.)
- GDP - real growth rate: 11.4% (official data) (2007 est.)
- GDP - per capita (PPP): \$5,300 (2007 est.)
- GDP - composition by sector: agriculture: 11%, industry: 49.5% , services: 39.5%
note: industry includes construction (2007 est.)

-
- Inflation rate (consumer prices): 4.7% (2007 est.)
 - Current account balance: \$363.3 billion (2007 est.) Exports: \$1.221 trillion f.o.b. (2007 est.) Imports: \$917.4 billion f.o.b. (2007 est.)
 - Currency (code): Renminbi (RMB); note - also referred to by the unit yuan (CNY) Exchange rates: yuan per US dollar - 7.61 (2007), 7.97 (2006), 8.1943 (2005), 8.2768 (2004), 8.277 (2003)
 - Climate: extremely diverse; tropical in south to subarctic in north
 - Natural resources: coal, iron ore, petroleum, natural gas, mercury, tin, tungsten, antimony, manganese, molybdenum, vanadium, magnetite, aluminum, lead, zinc, uranium, hydropower potential (world's largest)
 - International organization participation: ADB, AfDB, APEC, APT, Arctic Council (observer), ARF, ASEAN (dialogue partner), BIS, CDB, EAS, FAO, G-24 (observer), G-77, IAEA, IBRD, ICAO, ICC, ICRM, IDA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM (observer), IPU, ISO, ITSO, ITU, LAIA (observer), MIGA, MINURSO, MONUC, NAM (observer), NSG, OAS (observer), OPCW, PCA, PIF (partner), SAARC (observer), SCO, UN, UN Security Council, UNAMID, UNCTAD, UNESCO, UNHCR, UNIDO, UNIFIL, UNMEE, UNMIL, UNMIS, UNMIT, UNOCI, UNTSO, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO, ZC

2.1.2 Economic Development

Why choose the Chinese market? Considering the overview of China, foreign countries have the desire to take advantage of the opportunities that the Chinese market offers although on the other hand, they mistrust and fear of investing resource. Those observers need more information the support of their ventures.

Major Economic Indicators	2006		2007	
	Value	Growth (%)	Value	Growth (%)
Area (sq km, mn)	9.6		9.6	
Population (mn)	1,314.5		1,314.5	
Gross Domestic Product (RMB bn)	21,087.1	11.1 ¹	24,661.9	11.4 ¹
Urban Per Capita Disposable Income (RMB)	11,759	10.4 ¹	13,786	12.2 ¹
Rural Per Capita Disposable Income (RMB)	3,587	7.4 ¹	4,140	9.5 ¹
Fixed Assets Investment ² (RMB bn)	9,347.2	24.5	11,741.4	25.8
Added-Value of Industrial Output ³ (RMB bn)	7,975.2	16.6 ¹		18.5 ¹
Consumer Goods Retail Sales (RMB bn)	7,641.0	13.7	8,921.0	16.8
Consumer Price Index		1.5		4.8
Urban Unemployment Rate (%)	4.1		4.0	
Exports (US\$ bn)	969.1	27.2	1,218.0	25.7
- by foreign-invested enterprises (US\$ bn)	563.8	26.9	695.5	23.4
Imports (US\$ bn)	791.6	20.0	955.8	20.8
- by foreign-invested enterprises (US\$ bn)	472.6	22.0	559.4	18.4
Trade Surplus (US\$ bn)	+177.5		+262.2	
Foreign Direct Investment				
- number of new projects ⁴	41,485	- 5.8	37,888	- 8.7
- utilized amount (US\$ bn) ⁴	72.6	+1.0	82.7	13.8
Foreign Currency Reserves (US\$ bn)	1,066.3	30.2	1,528.2	43.3

Table 1: last economic development, Sources: The National Bureau of Statistics, Ministry of Commerce, and General Administration of Customs.

With the policy objective of maintaining a stable growth, the central government has taken stabilization measures aiming to moderate investment growth since 2004.

Fixed assets investment is one of the major driving forces of the economy. After growing by 27.6% in 2004, fixed assets investment continued to grow by 27.2% in 2005 and 24.5% in 2006. Although the government scaled down the issuance of construction bonds in recent years, fiscal expansion remains a contributing factor to China's economic growth. In 2007, fixed assets investment grew by 25.8%.

Retail sales of consumer goods grew by 13.3% in 2004 and 12.9% in 2005. Growth in retail consumption was fundamentally supported by government policies to stimulate consumption which include provision of consumption credits and lengthened holidays.

After growing by 13.7% in 2006, retail sales increased by 16.8% in 2007. Sales of automobiles, furniture, jewelers, construction and decoration materials continued to show marked growth. The government is aiming to further stimulate consumption and raise its contribution to economic growth. This is very important for our case company. Support by the government, Chinese people has more money to spend as the growth of salary and they are willing to spend money on luxury product to modify the quality of their life and show their social status among their friends.

2.1.3 Trade and Investment Policies

As a move to liberalize trade, China joined a lot of international organization as list in the part of general information to make the trade and investment easier. And at the same time, China has continued to reduce administrative barriers to trade by increasingly switching to the use of tariffs and exchange rates adjustments. According to the article “Market Profile on Chinese Mainland” from Hong Kong Trade Development Council (06 Feb, 2008), beginning January 2008, one category of import commodities is still subjected to licensing controls (including 10 8-digit product codes), down from 5 in 2004 and 8 in 2003. Since its WTO accession, China has basically fulfilled its tariff reduction commitment. The average tariff rate remains at 9.8% beginning 2008, progressively down from 15.3% in 2001. This is of course good news and trends for all the foreign counties or companies or investors who want to enter the Chinese market and share benefit of fast development of China.

The Chinese government has gradually liberalized its foreign trading system. According to the amended Foreign Trade Law which went into effect from July 2004, all types of enterprises, including private enterprises, can register for the trading right. Individual Chinese are also allowed to conduct foreign trade under the amended Foreign Trade Law.

China's rates of VAT rebate for exports comprise five levels, i.e., 5%, 9%, 11%, 13% and 17%. On 1 July 2007, China adjusted the VAT rebate rates for certain exports, including the removal of export VAT rebates for 553 types of high energy consumption, high pollution and resource-type products, and the reduction of VAT rebates for 2,268 types of products which can easily trigger trade conflicts, including bags and luggage, clothing, footwear and headgear, umbrellas, furniture, watches and clocks and toys.

2.2 Chinese luxury market

2.2.1 Overview of Chinese luxury market

Now going back from economic environment to the Chinese luxury market, what's the attractiveness of Chinese market? Why those luxury brands opened their outlets one by one in China? Is china a potential market or everything just smoke and mirrors? What's the future of this market?

Still low in terms of average income level, budding rich entrepreneurs and a burgeoning affluent middle-class have already become the main purchasing force for luxury goods in China. A Merrill Lynch report indicates "the Chinese mainland has at least 236,000 millionaires, about one-tenth as many as in the United States. The figure, however, is rising about 12 per cent per year." The flourishing economy will inevitably steer China towards being one of the top luxury markets in the world in the near future.

Actually, Sales in China's luxury market hit US\$2 billion in 2004, making it the world's third-largest consumer of luxury goods, after Japan and the United States, according to a report by Ernst & Young. The report forecasted that the market would

grow by 20% each year until 2008 and then 10% annually to 2015, when sales are expected to exceed \$11.5 billion.

But Chinese luxury market is special and unique when take into account the consumer behavior. China's relatively new luxury goods segment is growing faster than that of France, Italy, and the rest of Europe, the United States and other developed markets. Because, in China, consumers are always searching for the latest collection or product, but in more developed markets, consumers tend to seek experiences that pamper them. It means that the lack of loyalty bring more difficulties to luxury brands and on the other hand, never underestimate the local competitors.

2.2.2 Elements to success

Long term orientation

Luxury goods firms who want to enter the Chinese market need to take a long term view as it likely will take time to meet their expected return on investment. Issues such as high location rental or purchase/build costs, distribution and logistics issues and differences with cultural communications and personnel training often require experience and time to overcome and make short term success in China unlikely. So the potential risk for global luxury brands who are pouring into China is expanding too fast and opening too many stores without solid strategic branding. Reputation takes years, even decades, to build. Yet it can be lost in seconds.

Location

Luxury goods outlets are not fast food retail outlets. Luxury firms could establish outlets in only a few, select localities if they are no maintain the perception of exclusivity. Location is important, special for their first outlet in China. Which city

should be chosen? Which shopping zone should be chosen? Shanghai, the richest city in China is seeing a lot of residents taking to the trendy and somewhat extravagant, as the city rapidly shifts its economic demographics, luxury items are finding an expanding market there. (China Daily, 2004) Shanghai is no doubt an excellent choice.

Sell the product and the culture

For luxury companies in China, it should not just be about selling products. They should seed their success through luxury culture apostles in the Chinese market.

“Luxury stands more for your lifestyle than simply for the income level,” said Gaoyuan, a graphic designer and luxury brands collector. Products can be out of date, but culture and style are eternal.

Always expensive, luxury brands mean more than the enjoyment of culture. The intrinsic drive to purchase luxury goods is the pursuit of fantasy, aspiration and desire. Luxury cannot be realized without a strong emotional experience and psychological satisfaction. The more you know it, the more you enjoy it.

Other elements of success

- Don't underestimate the local players
- Focus on Human Resource management from the very beginning
- Develop talent and optimize diversity in skills and experience
- Build customer loyalty by addressing the needs of end customer and intermediaries
- Do detailed feasibility studies and challenge all assumptions
- Use investment to increase local understanding

3- INTERNATIONAL MARKET RESEARCH

”If you know the enemy and know yourself you need not fear the result of a hundred battles.”(Sun Tzu 500 BC)

Selecting and preparing product for export requires not only product knowledge but also knowledge of the unique characteristics of each market being targeted. (Karla, 1995, 127)

Market research has been defined as “the systematic gathering, recording, analysis and interpretation of data on problems relating to the market for, and the marketing of, goods and services” (Walsh 1993 57)

3.1 Internal analysis and external analysis

Internal analysis

“We have met the enemy and he is us.” Pogo

“Self-conceit my lead to self-destruction.” “The Frog and the Ox” Aesop

“The fish is last to know if it swims in water.” Chinese proverb

Internal analysis aims to provide a detailed understanding of those aspects of the firm that are of strategic importance. In particular, it covers performance analysis and an examination of the key determinants of strategy such as strengths, weaknesses, and strategic problems. (Aaker, 1995, 28–30)

Performance analysis

- Financial performance

-
- ◆ Profitability and sales
 - ◆ Shareholder value
 - Non financial performance
 - ◆ Customer satisfaction/brand loyalty
 - ◆ Product/service quality
 - ◆ Brand/firm associations
 - ◆ Relative cost
 - ◆ New product activity
 - ◆ Manager/employee capability and performance

Determinants of Strategic options

Internal analysis should also review characteristics of the business that will influence strategy choice.

- Strategy review
- Strategic problems
- Organizational capabilities and Constraints
- Financial resources and constraints

External analysis

”If you don’t know where you’re going, you might end up somewhere else.” (Casey Stengel)

External analysis involves an examination of the relevant elements external to an organization. The analysis should be purposeful, focusing on the identification of threats, opportunities, strategic questions, and strategic choices. The danger of being excessively descriptive is always present. Because there is literally no limit to the scope of a descriptive study, the result can be a considerable expenditure of resources with little impact on strategy. One output of External analysis is an identification and understanding of opportunities and threats facing the organization, both present and potential. It is divided into four sections or components: customer analysis,

competitor analysis, market analysis and environmental analysis. (Peter, 2005, 28)

Customer analysis

Customer analysis involves identifying the organization's customer segments and each segment's motivations and unmet needs.

Segment identification defines alternative product markets and thus structures the strategic investment decision. The analysis of customer motivations provides information needed to decide whether the firm can and should attempt to gain or maintain a sustainable competitive advantage. An unmet need, a need not currently being met by existing products, can be strategically important because it may represent a way that entrenched competitors can be dislodged. (Aaker, 1995, 23)

Competitor analysis

Competitor analysis starts with the identification of competitors, current and potential. Some competitors will compete more intensely than others. Although the intense competitors should be examined in more detail, all competitors are usually relevant to strategy development. Especially when there are many competitors, it is helpful to divide them into strategic groups, groups that have similar characteristics, strengths and strategies. (Adcock, Al Halborg & Ross, 2001, 68)

There are 3 questions should be mentioned in competitor analysis:

What is the competitor's current strategy?

How is the competitor currently competing with our organization?

What are the competitors' capabilities?

When exporting products, firms might focus on the potential customers but on the other hand, local competitors could not be ignored.

Michael Porter in his book *Competitive Strategy* considers that competitors' strategy must grow out of a sophisticated understanding of the rules and competition that determine an industry's attractiveness. He goes on to describe five distinct

competitive forces which will collectively determine the profitability of any industry- industry competitors, potential entrants, suppliers, buyers and substitutes (see appendix 2). He suggests that, together, they influence at the same time the prices which the organization can charge, the costs which the organization is likely to incur and also the required investments of the organization if it wished to remain in that industry.

Market analysis

The goal of a market analysis is to determine the attractiveness of a market and to understand its evolving opportunities and threats as they relate to the strengths and weakness of the firm. (Richard, 1986, D1)

David A. Aaker outlined the following dimensions of a market analysis:

- Market size (current and future)
- Market growth rate
- Market profitability
- Industry cost structure
- Distribution channels
- Market trends
- Key success factors

Environmental analysis

Auditing the environment in which the organization must operate is arguably the most important and most significant data gathering activity that any business, firm, service or even government department can undertake. (Fifield, 1998, 31)

Environmental analysis can be divided into five parts:

- Political
- Economic
- Ecological
- Technological
- International

-
- Sociological

3.2 SWOT analysis

Basis on the information acquiring when doing the internal and external analysis, a SWOT analysis could be carried out.

SWOT Analysis, according to Wikipedia is a strategic planning tool used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business venture. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieving that objective. The technique is credited to Albert Humphrey, who led a research project at Stanford University in the 1960s and 1970s using data from Fortune 500 companies.

The usefulness of SWOT analysis is not limited to profit-seeking organizations. SWOT analysis may be used in any decision-making situation when a desired end-state (objective) has been defined. Examples include: non-profit organizations, governmental units, and individuals. SWOT analysis may also be used in pre-crisis planning and preventive crisis management. (Canwell, 1998, 131)

Strengths and weaknesses

- Resources: financial, intellectual, location
- Cost advantages from proprietary know-how and/or location
- Creativity (ability to develop new products)
- Valuable intangible assets: intellectual capital
- Competitive capabilities
- Effective recruitment of talented individuals

Opportunities and threats

-
- Expansion or down-sizing of competitors.....LPK
 - Market trends
 - Economic conditions
 - Expectations of stakeholders
 - Technology
 - Public expectations
 - All other activities or inactivity by competitors
 - Criticisms by outsiders
 - Changes in markets
 - All other environmental conditions

4- PRODUCT ADAPTATION

4.1 Definition

To achieve success in a foreign market, a product may have to be modified in order to conform it to foreign government regulations, geographic and climatic conditions, buyer preferences, or standards of living. A product may also need to be modified to facilitate shipment or compensate for possible differences in engineering or design standards (World Trade Press, 2007).

4.2 Reasons of product adaptation

To enter a foreign market successfully, a company may have to modify its product to conform to government regulations, geographic and climatic conditions, buyer preferences, or standards of living. (Unz & Co.2005)

Government regulations

Foreign government product regulations are common in international trade and are expected to expand in the future. These regulations can take the form of high tariffs or nontariff barriers, such as regulations or product specifications. Governments impose these regulations to: (Karla, 1995, 127)

- Protect domestic industries from foreign competition;
- Protect the health of their citizens;
- Force importers to comply with environmental controls;
- Ensure that importers meet local requirements for electrical or measurement systems;
- Restrict the flow of goods originating in or having components from certain countries; and
- Protect their citizens from cultural influences deemed inappropriate.

Geographic, climatic conditions, availability of resource

It is often necessary for a company to adapt its product to account for geographic and climatic conditions as well as for the availability of resources. Factors such as topography, humidity, and energy costs can affect the performance of a product or even define its use. For example, the cost of petroleum products and the state of a country's infrastructure may indicate the demand for energy-consuming products. (William & Daniel, 2000, 40)

Buyer preferences

Buyer preferences in a foreign market may also lead a manufacturer to modify its product. Local customs, such as religious practices or the use of leisure time, often determine whether a product is marketable. The sensory impact of a product, such as

taste or visual impact may also be a critical factor. For example, Japanese tend to desire beautiful packaging. This has led many companies to redesign cartons and packages that are destined for this market. (Michael, 1999, 39)

Standard of living

A country's standard of living can also determine whether a company needs to modify a product. The level of income, education, and the availability of energy are all factors that help predict the acceptance of a product in a foreign market. If a country is less developed than the domestic country, its market may be geared towards less sophisticated products. Certain high-technology products may not be successful in some countries not only because of their cost, but also because of their nature. For example, a computerized industrial washing machine that might replace workers could conflict with a country's employment goals. Another facet of this scenario is that this product may need a level of servicing that is unavailable in some countries. (William & Daniel, 2000, 40)

Market potential

Market potential must be large enough to justify the direct and indirect costs involved in product adaptation. The firm should assess the costs to be incurred and though it may be difficult, determine the increased revenues expected from adaptation. The decision to adapt a product is based partly on the degree of commitment to the specific foreign market; a firm with short-term goals will probably have a different perspective than a firm with long-term goals. (Unz & Co. 2005)

4.3 Factors of product adaptation

The exporter should ensure that the requested modifications are realistic and the market is large enough to justify the costs of adaptation. A manufacturer should agree

to modifications only after comparing the final price of the product with that of the competition.

Many of the following factors have to be accounted for in designing a product for a particular foreign market: (UNCTAD/WTO, 2007)

- Size;
- packaging preferences (e.g. some countries sell cigarettes in packs of five, 10 or individually);
- quality;
- appearance;
- where and how purchased;
- end-user utility;
- translation of slogans (e.g. “Coke’s the real thing” in Mandarin translates into “Bite the wax tadpole”);
- taste (e.g. The Japanese desire for beautiful packaging has led exporters to redesign cartons and packages specifically for this market);
- ingredients subject to import controls (e.g. artificial dyes, flavorings);
- regulations governing recycling of packaging materials;
- prohibited ingredients (e.g. alcohol in Muslim countries);
- colours and shapes.

4.4 Strategies on product adaptation

It is generally accepted that international product modification should be considered in conjunction with the message being sent about the product. In devising the export

market strategy, the bottom line of profit should be kept in mind, along with the resources available (e.g. capital, personnel, production facilities).

Companies have several export-market product strategies available to them depending on their needs and market objectives.

- Same product, same message - Coca Cola and Levi Strauss are companies that use this approach. It is appropriate when the product fills similar needs and is used in a similar way abroad and at home.
- Same product, different message - This strategy is used where the product serves different needs or is used differently in the foreign market. Bicycles are recreational items in North America but they provide basic transportation in China, India and Holland.
- Different product, same message - Esso adjusted its gasoline to the different weather conditions throughout the world but still uses the same promotional message.
- Dual adaptation - This involves changing both the product and the message to reflect differences in both product function and use. This strategy tends to be expensive.
- Invention - This involves new product development when customers cannot afford a product because of the lower standard of living in that marketplace or when cheaper manufacturing technology can be used to fulfill the same need.

5-MARKETING PLAN

With all the information gathered through SWOT analysis, a marketing plan could be carried out to integrate the total marketing effort. It ensures a systematic approach to developing products and services to meet and satisfy the customers' needs. (Luther, 2001, 22)

At first, objectives should be cleared, the objective could be Increase sales by 20% or build international image of a brand. Then the question is what strategy could be used to achieve the objectives. A good marketing plan sets clear, realistic and measurable objectives, includes deadlines, provides a budget and allocates responsibilities. (Australian Government, 2007)

5.1 Marketing objective

The marketing objective must be seen as the aim or the goal to which all marketing activities in the organization must be directed over the planning period. In short, every activity, both major and minor, carried on in the marketing function must be linked (and be seen to be linked) to the overall marketing objectives of the organization. There is therefore, a very important communications element inherent within the idea of the marketing objective. (Fifield, 1998 176-178)

Marketing objectives state just where the company intends to be; at some specific time in the future. James Quinn succinctly defined objectives in general as: "Goals (or objectives) state 'what' is to be achieved and 'when' results are to be accomplished, but they do not state 'how' the results are to be achieved". (Mintzberg & Quinn, 1995c, 10)

The possible marketing objective could be listed as follows:

- Long-term and volume growth potential

- Long-term profit growth
- Short-term volume growth
- Short-term profit growth
- Organizational image
- Offensive strategic reasons
- Defensive strategic reasons
- Internal resource/capability reasons
- Relative competitive strength
- Others specific to your organization

5.2 Marketing strategy

5.2.1 Segmentation, targeting and positioning

“Market segmentation and positioning are the keys to building a strategy for corporate growth” Theodore Levitt

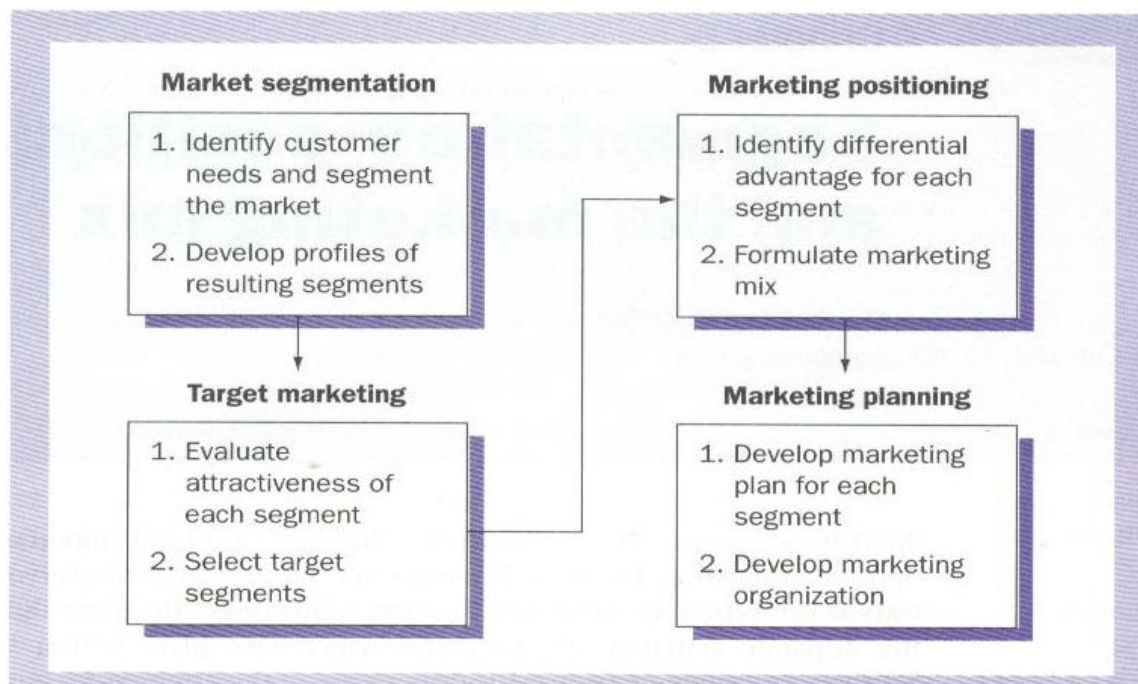


Figure 1 Segmentation, positioning and planning (Source: Dolye, 2002, 61, figure 3, 1)

Figure 1 describes the main steps in market segmentation, targeting, positioning and planning, whereas the philosophy of marketing refers to the whole orientation of the firm, marketing planning and decision making take place at a more disaggregated level. Marketing decisions are about how better to satisfy customers in individual market segments. These decisions and plans are therefore made by managers at the business unit, market or product planning levels of the firm. (Doyle, 2002, 61)

Segmentation

Market segmentation is the identification of portions of the market that are different from one another. Segmentation allows the firm to better satisfy the needs of its potential customers. (NetMBA, 2007)

The marketing concept calls for understanding customers and satisfying their needs better than the competition. But different customers have different needs, and it rarely is possible to satisfy all customers by treating them alike.

Consumer markets can be segmented on the following customer characteristics.

- Geographic: Region, size of metropolitan area, population density, climate.
- Demographic: Age, gender, family size, family life cycle, generation (baby-boomers, generation X...), income, occupation, education, ethnicity, nationality, religion, social class.
- Psychographic: Activities, interests, opinions, attitudes, values.
- Behavioralistic: Benefits sought usage rate, brand loyalty, user status, readiness to buy, occasions.

Target market selection

Target marketing tailors a marketing mix for one or more segments identified by

market segmentation. Target marketing contrasts with mass marketing, which offers a single product to the entire market. Two important factors to consider when selecting a target market segment and the firm's objectives, resources and capabilities. (Luther, 2001, 95)

There are several different target-market strategies that may be followed. Targeting strategies usually can be categorized as one of the following: (NetMBA. 2007)

- Single-segment strategy: also known as a concentrated strategy. One market segment (not the entire market) is served with one marketing mix. A single-segment approach often is the strategy of choice for smaller companies with limited resources.
- Selective specialization: this is a multiple-segment strategy, also known as a differentiated strategy. Different marketing mixes are offered to different segments. The product itself may or may not be different- in many cases only the promotional message or distribution channels vary.
- Product specialization: the firm specializes in a particular product and tailors it to different market segments.
- Market specialization: the firm specializes in serving a particular market segment and offers that segment an array of different products.
- Full market coverage: the firm attempts to serve the entire market. This coverage can be achieved by means of either a mass market strategy in which a single undifferentiated marketing mix is offered to the entire market, or by a differentiated strategy in which a separate marketing mix is offered to each segment.

Positioning

Positioning refers to the act of locating a brand in customers' minds over and against other products in terms of product attributes and benefits that the brand does and does not offer. (Keegan & Green 1999, 262-266)

Several general strategies have been suggested for positioning products: positioning by attribute or benefit, quality and price, use or application, use or user, and competitor. (Shansby & Aaker, 1982, 56-63) Two additional strategies, high-tech and high-touch have been suggested for global products.

Both Porter and Levitt assert that in today's highly competitive marketplaces a firm (and its products and services) need to be seen by the marketplace and its customers as offering something different and unique from the competition. This way lays profit. In an important article (Harvard Business Review, 1996). Porter maintains that competitive strategy is about being different-it means deliberately choosing a different set of activities to deliver a unique mix of value.

Positioning is therefore the process of designing an image and value so that customers within the target segment(s) understand what the company and its brands stands for in relation to its competition. In essence, the marketing mix can almost be seen as the tactical details of an organization's positioning statement. (FIFELD, 1998, 99)

Price could be seen as an important indicator concerning position of a firm. The alternative to positioning is commodity marketing and in this business only the lowest cost provider is safe. But for a firm who wants to promote its luxury brand image though high quantity products, it might set a high price as a branding strategy. Especially for a French luxury brand, this strategy can be thought of in terms of a continuum from high fashion or quality and high price to good value (rather than "low quality") at a low price (quality and price).(Mintzberg & Quinn, 1996c, 361)

5.2.2 International market entry strategy

There are a variety of ways in which organizations can enter foreign markets. The

three main ways are by direct or indirect export or production in a foreign country as shown in figure 2.

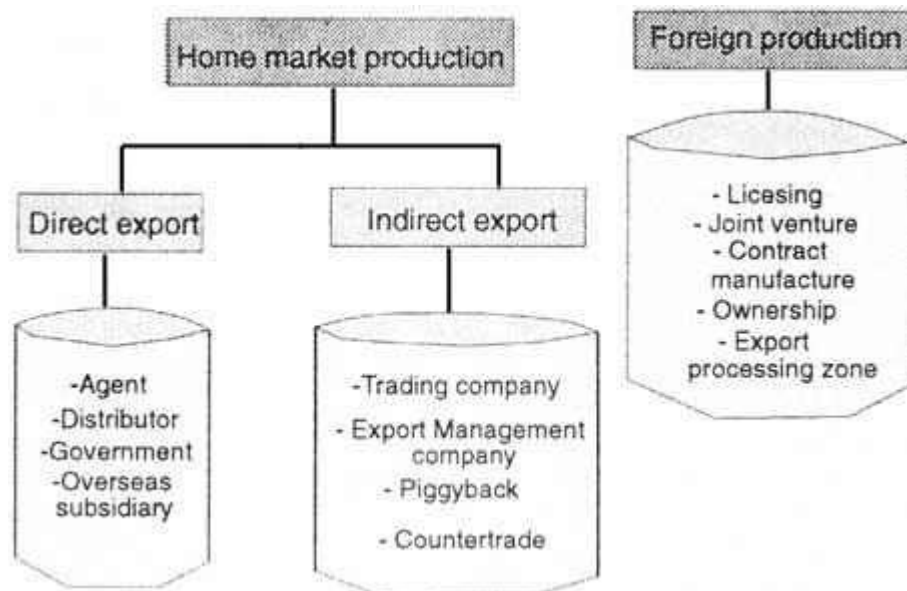


Figure 2 Methods of foreign market entry: source: FAO corporate document repository, originated by: Agriculture and consumer protection.

Exporting (home market production)

Exporting is the most traditional and well established form of operating in foreign markets. Exporting can be defined as the marketing of goods produced in one country into another. Whilst no direct manufacturing is required in an overseas country, significant investments in marketing are required. The tendency may be not to obtain as much detailed marketing information as compared to manufacturing in marketing country; however, this does not negate the need for a detailed marketing strategy. (ALLEN, 1999, 21)

The advantages of exporting are:

- Manufacturing is home based thus, it is less risky than overseas based, in case of exporting to the Asian market, home based manufacturing might cause high cost,

but as a branding strategy, European based manufacturing could be seen as a guarantee of good quality.

- Gives an opportunity to "learn" overseas markets before investing in bricks and mortar
- Reduces the potential risks of operating overseas.

Exporting methods include direct or indirect export. In direct exporting the organization may use an agent, distributor, or overseas subsidiary, or act via a Government agency. In direct exporting the major problem is that of market information. The exporter's task is to choose a market, find a representative or agent, set up the physical distribution and documentation, promote and price the product. Control, or the lack of it, is a major problem which often results in decisions on pricing, certification and promotion being in the hands of others. Indirect methods of exporting include the use of trading companies, export management companies, piggybacking and countertrade. (FAO corporate document repository, 2006)

Indirect methods offer a number of advantages including:

- Contracts - in the operating market or worldwide
- Commission rates give high motivation (not necessarily loyalty which does not work when building brand image)
- Manufacturer/exporter needs little expertise
- Credit acceptance takes burden from manufacturer.

Foreign production

Besides exporting, other market entry strategies include licensing, joint ventures, contract manufacture, ownership and participation in export processing zones or free trade zones.

Licensing can be defined as a contractual arrangement whereby one company (the licensor) makes an asset available to another company (the licensee) in exchange for

royalties, license fees, or some other form of compensation. The licensed asset may be a patent, trade secret, brand name and product formulation, or company name. (Root, 1994, 107)

A joint venture is an entry strategy for a single target country in which the partners share ownership of a newly created business entity. (Root, 1994, 110) This is the most welcome form in the Chinese market. Be careful when choosing a partner, it's possible to lose control.

Ownership is the most extensive form of participation is 100% ownership and this involves the greatest commitment in capital and managerial effort. The ability to communicate and control 100% may outweigh any of the disadvantages of joint ventures and licensing.

However, as mentioned earlier, repatriation of earnings and capital has to be carefully monitored. The more unstable the environment the less likely is the ownership pathway an option. (Keegan & Schlegelmilch, 2001, 299)

5.2.3 Building strong brands

As economies become global and information more critical, intangible assets have replaced tangibles as a major source of shareholder value. Of these intangibles, brands are often the most valuable assets, accounting for approximately one third of the value of today's Fortune 500 companies. (Brandz, 2007)

Brands are at the heart of marketing and business strategy. Successful brands create wealth by attracting and retaining customers. When a company creates this type of customer preference and loyalty, it can build a strong market share, maintain good price levels and generate strong cash flows. This in turn drives up the share price and provides the basis for future growth. Brands are not just a feature of consumer

markets; they are equally central in industrial markets, for services and retailers, and for organizations marketing a collection of skills. (Doyle, 2002, 157)

A strategy based on strong brands is likely to be sustainable because it created competitive barriers. The value of brands is reflected by the financial community where the strategic asset value of brands is recognized. (Aaker, 1995, 206)

A successful brand is one that customers perceive as offering superior value. A brand image can be thought of as being built up in four layers- a quality product, a basic brand that differentiates the product, and then augmented and potential layers of branding which enhance its values. (Levitt, 1980, 83-91)

To build a successful brand, management must start with a quality product that meets the functional needs of customers. Next it must wrap around the product an attractive presentation that will differentiate it and enhance its appeal. Third, it should seek to augment its basic appeal with additional products or services to delight customers. This stimulus is provided by the firm's investment in advertising, selling, promotion, public relations, etc. Through the combination of the stimulus of consistent communications and satisfactory usage experience, brand awareness, confidence and brand equity are built. (Doyle, 2002, 169-170)

Millward Brown Optimor publishes every year the BRANDS Top 100 ranking. How they calculate brand value could be found in appendix 3 and the Brandz ranking 2007 concerning the luxury product could be found in appendix 4.

As for most of French firms, they are good at building strong brand, brands such as Louis Vuitton, Chanel, Christian Dior could be found in the top ranking list with high brand momentum and high brand contribution. French strong brands make profits from their brand luxury image. But could they maintain their image also in the Asian market in where customers are more changeable and less loyal?

5.3 Marketing mix

In order for the firm to sell its products and services as successfully as possible, it need to look at what products the firm are selling in detail to ensure they will be attractive and needed; the price to ensure it is not too cheap or too expensive; where it is best distributing the product; and finally, how it can create interest and awareness for the products. (Business Bureau-UK, 2002)

The marketing mix is probably the most famous marketing term. Its elements are the basic, tactical components of a marketing plan. Also known as the Four P's, the marketing mix elements are price, place, product, and promotion. (Marketing Teacher, 2007)

Elements of the marketing mix could be standardized across all markets (the same approach to the 4 P's in every target market) or adapted to appeal to particular market segments (marketing mix is tailored to country or to market segment within a country). (Keegan & Schlegelmilch, 2001, 29)

5.3.1 Product

Kotler defines a product as “anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need.” It may include physical goods, services, persons, places, organizations or ideas. (Kotler et al. 2003, p.344)

Product policy is concerned with: (Walsh, 1993, 81)

-
- Modification of existing products with a view to improving product performance in current markets or extending into new markets
 - The planned development and introduction of new products
 - The planned elimination of failing products
 - Packaging, after-sales services, warranties, patent protection and trade market registration and product liability.

Here are some examples of the product decisions to be made:

- Brand name
- Functionality
- Styling
- Quality
- Safety
- Packaging
- Repairs and Support
- Warranty
- Accessories and Services

When developing a brand to another new market, a lot of product items should be modified. For example, Japanese people are stricter to packaging (size, cost, color, legal requirements, recognition, etc.). For a distribution chain, local cultures influence the product range, For example, Carrefour sells more European products (brands) in Europe and sells more Asian products (brands) in the Asian market.

Factors in Product Adaptation:

- Internal company considerations
- Customer considerations
- Competitive considerations
- Legal and regulatory considerations

-
- Bottom line: is adaptation profitable and how long will it take for it to become profitable?

Product adaptation is very important if a foreign firm want to enter the Chinese market. Brand name is the symbol of the product and has a direct effect on the sales and the image of the product; package is also an important for the image of the product. Various symbols are important in marketing. For Chinese consumers, tiger means good health; red, gold, green means good choices, black is an unlucky color; 9,8 and 6 are good number, 4 is a number should be avoid.

5.3.2 Price

In economics and business, the price is the assigned numerical monetary value of a good, service or asset. The concept of price is central to microeconomics where it is one of the most important variables in resource allocation theory (also called price theory). (Wikipedia, 2007)

Pricing is the key to the firm's profitability in both the short and long run. In the short run, pricing decisions invariably have the biggest impact on the profit and loss statement. On the long run, Pricing is even more crucial. The fundamental objective of business strategy is to offer customers enhanced value so that prices can be raised substantially above costs. In other words, the long-run aim of business is to charge customers higher prices. (Doyle, 2002, 218)

Here are some examples of pricing decision to be made include:

- Pricing strategy (skim, penetration, etc.)
- Suggested retail price
- Volume discounts and wholesale pricing
- Cash and early payment discounts
- Seasonal pricing

-
- Bundling
 - Price flexibility
 - Price discrimination

In this world, affluent consumers eagerly seek out luxury brands such as Armani, Christian Dior, Gucci, Louis Vuitton, Prada and Versace. They are willing and able to pay high prices for top-quality merchandise from fashion houses whose names are synonymous with status, Good Taste, and prestige.

LVMH Moët Hennessy Louis Vuitton SA is the largest marketer of luxury products and brands in the world. When LVMH went to Asia-particularly Japan, the subsequent currency devaluations and weakening of the yen have translated into lower demand for luxury goods. Because price perceptions are a critical component of luxury goods' appeal, LVMH executives are making a number of adjustments in response to changing business conditions. For example, Patrick Choel, president of the perfume and cosmetics division, has raised wholesale prices in individual Asian markets. The goal is to discourage discount retailers from stocking up with designer products and then selling them to down-market consumers. As the chain depends on Japanese tourists in Asia and Hawaii for 75 percent of sales, Louis Vuitton managers also work with tour operators to predict the flow of Japanese tourists. When tourism is at a peak, Price increase from 10 to 22 percent help maximize profits on merchandise sales. (Holly Brubach, 1998, 24-29)

So when adapting a brand to a new market, the price policy is not simple translating of original price though currency change rate. There are too many elements to think about! What are the pricing situations? What's firm's pricing strategies? Cost-based strategies or Demand-based strategies?

5.3.3 Place

Another element of Neil H. Borden's Marketing Mix is Place. Place is also known as channel, distribution, or intermediary. It is the mechanism through which goods and/or services are moved from the manufacturer/ service provider to the user or consumer. (Marketing teacher, 2007)

Here are some examples of distribution decisions include (NetMBA, 2007)

- Distribution channels
- Market coverage (inclusive, selective, or exclusive)
- Specific channel members
- Inventory management
- Warehousing Centers
- Order processing
- Transportation
- Reverse logistics

The choice of distribution channel heavily depends on your product and place in the productive process. (Free World Academy, 2005) Distribution choices are the least flexible choices in the marketing mix.

The place of sale influences the image of the brand. Consequently, firms must pay attention to the choice of your outlets: wholesalers and retailers. A mass distribution through the supermarket will be probably the best issue. On the contrary, if firms sell luxury products, firms have to choice fashionable shops and beautiful people to sell them.

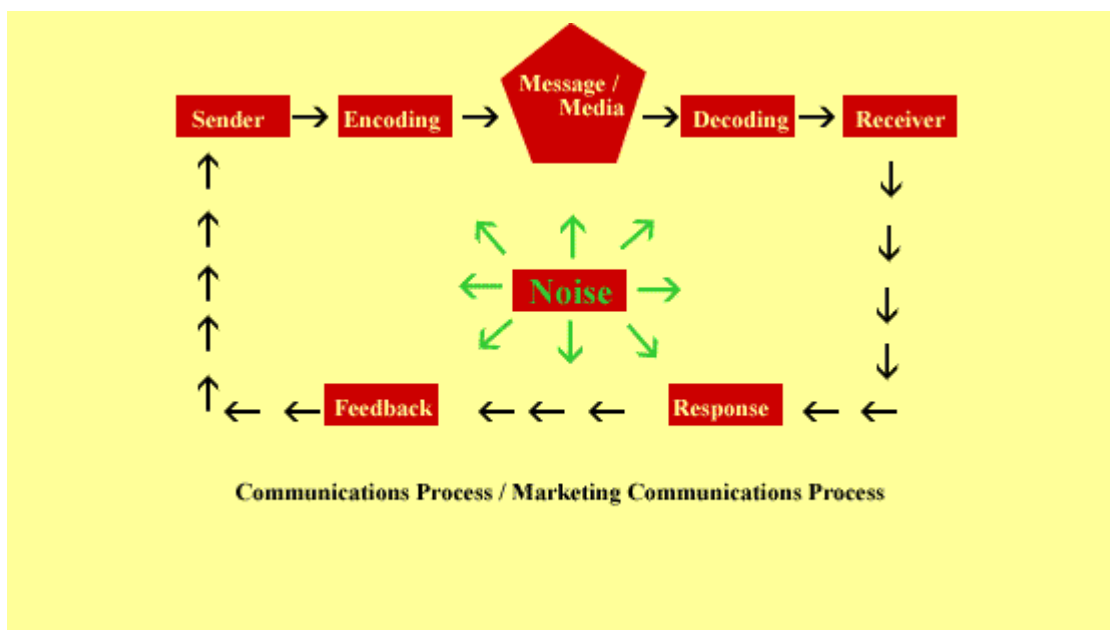
5.3.4 Promotion

In the context of the marketing mix, Promotion represents the various aspects of

marketing communication, that is, the communication of information about product with the goal of generating a positive customer response. Marketing communication decisions which can also be called promotion mix includes: (NetMBA, 2007)

- Promotional Strategy (push, pull, etc)
- Advertising
- Personal selling & Sales force
- Sales Promotions
- Public relations & publicity
- Marketing communications budget

In some markets, the image created by the firm's communications will be the sole or main differentiator among brands. (Doyle, 2002, 240)



(Figure 3: Communication Process/ Marketing Communications Process, source: marketing teacher, 2007)

As performed by figure 3, the communications process starts with a sender that wants to communicate a message to an audience. The sender could be a salesperson calling on a potential customer or a firm sending a message to millions of consumers through an advertisement. The sender has to put the intended message into words, pictures or

symbols that can be transmitted. This is technically called encoding.

The encoded message is then transmitted through a medium such as a television advertisement or a letter mailed to a client. If the audience receives the message, it is then interpreted. The audience may then respond in some way. Finally, there is feedback, which is the information that the sender obtains about the audience's response.

When developing a brand to a new market, all these mix should be modified depend on target audience, company objectives in this new market and the availability of resources. Especially the advertising, media regulations might be very different from domestic market. Thinking about cultural considerations, slogan might be translated to local language for example.

Media selection: newspapers, magazines, television, radio, outdoor advertising, transit advertising, and direct mail, Internet. (Sissors & Baron, 2002, 57-61)

6-FRAME OF REFERENCES

6.1 Conceptual framework

This conceptual frame of reference was designed by the author with the help of one figure from "International marketing" (Walsh, 1993, 7, figure 1.2). The original figure could be found in Appendix 5: The five major decisions.

It remains quite simple and was the origins of the plan for the topics of this research.

Base on the information that gathered in the market research, the firm developed his brand in the new market.

Marketing objective, marketing strategy and marketing mix are depends to each other and they could also influence each other. They function like a gear. Marketing objective decides the marketing strategy and marketing mix. Marketing mix reflects marketing strategy and achieves marketing objective.

On the other hand, these 3 elements are related to adaptation of the brand because in the Chinese market that has totally different cultures, everything should be reconsidered.

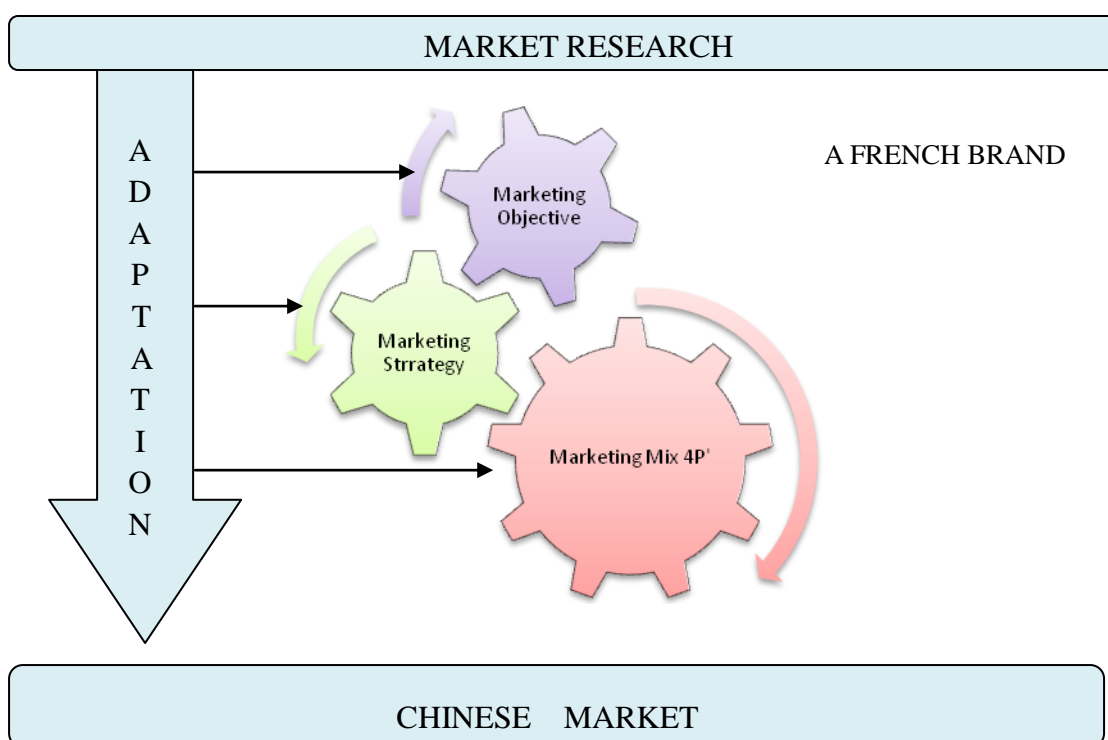


Figure 4: Conceptual framework of the study: Adaptation of a French brand to the Chinese market

6.2 Research problem and objective

Research problem

The main research problem of the study is to get the basis to understand the current situation of the foreign company in the Chinese market.

- Who are the main competitors?
- What are the main difficulties when expanding in the Chinese market?
- What changes should French company do?
- Will the French company lose her image identification because of those changes?
- What could a company do more to be successful in the Chinese market?

From the conclusions of this study, the objective is to evaluate the present position of Sephora, which is the contractor of this research and develop some coherent recommendations concerning their marketing plan.

To investigate this and in order to attempt to find answers to those questions, the author used secondary research; consisting in textbooks, internet sources and specialized press articles to cover different points such as: internal and external analysis; the marketing objective; the marketing strategy; the marketing plan in particular marketing mix.

The author's own primary qualitative research was based on a personal interview with an individual who was involved in the luxury goods distribution chain company in order to gather information of the current situation of Sephora in the Chinese market.

Then others interviews with client of Sephora of different sex and age were been carried out to gain client's point of view concerning the service provider and image identification.

Research objective

The case company Sephora has already opened a lot of outlets in Chinese market, but could Sephora be successful as Starbuck did? Considering its positioning in France, Sephora could also use its brand identification as one of its advantages. Author aims to get know about what actually Sephora's situation in Chinese market and find out the problems exist in process. Then author could give some useful recommendations especially in the field of marketing mix to adapt this French brand to Chinese market, help to create an idea that doing shopping in Sephora is a kind of attitude of life correspond its luxury image and increase its market share as a final goal.

7- METHODOLOGY

7.1 Introduction

In this chapter, author would explain how the data was obtained because the method affects the results. Often there are different methods that people can use to investigate a research problem. Author would show clearly why she chose such a particular method or procedure and how the research methods appropriate to the objectives of the study. Before that, the following information is necessary for the readers to understand more about research methods.

7.1.1 Types of research

Causal research

When most people think of scientific experimentation, research on cause and effect is most often brought to mind. Experiments on causal relationships investigate the effect of one or more variables on one or more outcome variables. This type of research also determines if one variable causes another variable to occur or change. An example of this type of research would be altering the amount of a treatment and measuring the effect on study participants.

Descriptive Research

Descriptive research seeks to depict what already exists in a group or population. An example of this type of research would be an opinion poll to determine which Presidential candidate people plan to vote for in the next election. Descriptive studies do not seek to measure the effect of a variable; they seek only to describe.

Relational Research

A study that investigates the connection between two or more variables is considered relational research. The variables that are compared are generally already present in the group or population. For example, a study that looked at the proportion of males and females that would purchase either a classical CD or a jazz CD would be studying the relationship between gender and music preference. (WAGNER 2008)

7.1.2 Types of data

There are two types of data: qualitative and quantitative.

Qualitative research is a form of social inquiry that focuses on the way people interpret and make sense of their experiences and the world in which they live. A number of different approaches exist within the wider framework of this type of research, but most of these have the same aim: to understand the social reality of individuals, groups and cultures, Researchers use qualitative approaches to explore

the behavior, perspectives and experiences of the people they study. The basis of qualitative research lies in the interpretive approach to social reality. Qualitative methodology is not completely precise because human beings do not always act logically or predictably. Therefore it is important for the researcher to proceed in a well structured and systematic way. (Holloway 1997, 1-3)

Quantitative research produces numbers and figures-such as numbers and percentages of consumers who are aware of particular products or services. Qualitative research, on the other hand, provides data on why people buy-what motivates them to buy-or their impressions of products, services or advertisements. Both types of data produce information on markets, competitors, distributors and customers. Qualitative research techniques, such as focus groups and in-depth interviews, obtain data on customers' opinions, motivations, perceptions and reactions to marketing-mix variables and changes in the variables. (Proctor 2000,12)

But Trochim think that qualitative and quantitative data are intimately related to each other. All quantitative data is based upon qualitative judgments; and all qualitative data can be described and manipulated numerically.

7.1.3 Types of source

Primary sources are original, uninterpreted information. They are unedited, firsthand access to words, images, or objects created by persons directly involved in an activity or event or speaking directly for a group. This is information before it has been analyzed, interpreted, commented upon, spun, or repackaged. Depending upon the context, these may include paintings, interviews, and works of fiction, research reports, sales receipts, speeches, letters, e-mails, and others.

Secondary sources interpret, analyze or summarize. Commentary upon, or analysis of, events, ideas, or primary sources, because they are often written significantly after events by parties not directly involved but who have special expertise, they may provide historical context or critical perspectives.(University of Washington, 2004)

7.2 Methodology chosen for this study

The objective of this study was to understand the situation of a famous brand when entering into the Chinese market. What and how the brand should modify to adapt the big potential but complicated market especially considering the marketing mix? The research process that was adopted was qualitative exploration and it was flexible, loosely structured and consisted of one personal interview with Thierry Jaugeas, president of Sephora's Asian and China Region, then another 10 customer satisfaction interviews with interviewees of different sex, age and social status.

7.2.1 Data gathering

The sample used was small and non-representative, which emphasized the use of quality individuals (in their level of expertise). The persons interviewed were Thierry Jaugeas, who was Eastern Europe Operations Director at Sephora and now their president of Asian and China region.

Personal or face-to-face interviewing is a core function of marketing research; much of the quality of the entire research process rests on its effectiveness. Interviewing techniques can range from formal, structured interviews to informal discussions with individuals or selected groups of informants. With the former type, standardized questions in a carefully planned sequence are administered by interviewers who do not vary from their trained routine. In the latter case there may be no formal

questioning: the group leader or facilitator will encourage discussion relevant to an agreed topic of defined interest to develop. Between these broad divisions of interviewing variations exist: the nature of survey focus and the data needed to explore its problems will influence the methodology used (Chisnall 1991, 40)

In this study, author has opted for using the semi-structured interview method for the personal interview and structured interview method for the customer satisfaction interviews, which will be now explained further.

A semi-structured interview combines a highly structured agenda with the flexibility to ask subsequent questions. The questions for a semi-structured interview are ideally constructed some time before the interview and are sent to the expert so he/she can start to prepare responses. For an interview lasting 1 hour, around 10-15 questions would typically be asked. This allows time in between the prepared questions for the knowledge engineer to ask supplementary questions to clarify points and ask for more detail where necessary. An important aspect of the technique is that the interview is tape-recorded and later transcribed providing a protocol for detailed analysis.

During the Christmas vacation of 2007-2008, author went back to her hometown Shanghai of China where located 10 Sephora shops. Author phoned Sephora office in Shanghai and gave a brief, verbal explanation of the research and asked if they would be interested in taking part. Two days later, author got a call from Thierry Jaugeas, president of Sephora's Asian and China Region. His interest was shown and written information about the interview session; including instructions, consent form, and a list of the questions were required to be sent to him. And at the same time, the interview date was fixed on January 3rd 2008 in his office in Shanghai at 16h.

All the other 10 customer satisfaction interviews were performed on the December 28th 2007 in the street near one of Sephora stores which located in XUJIAHUI center (one of the most famous shopping zone in Shanghai).

Before author has performed the face-to-face personal interview with Thierry Jaugeas, she had planned to have also an interview with Sephora French part. But considering the quality of information gathered from the first interview and the background of Jaugeas, author gave up her interview with Sephora French part that was supposed to be done during February.

7.2.2 Analysis of the Data

The purpose of the analysis of qualitative material is to form clarity into the data and in that way produce new information about the subject matter. The meaning of analysis is to summarize the data without losing its information. On the contrary, the purpose is to enhance the quality of information by making it clear and meaningful.

The data gathered for this study from the personal interview was firstly recorded and then been written down in a completed and clearer way later in the same day. Author had worked in Sephora Champs-Elysees in Paris of France and was well prepared before the interview by collecting necessary information about the interviewee and the development of Sephora in China via internet. All these helped a lot in the procedure of interview, the analysis of the data after the interview and organize the research finding in next part.

The analysis of the data followed the conceptual framework, and was divided into 4 parts:

- General information: the presence of Sephora in China
- Marketing research: choice of china, choice of shanghai
- Marketing plan: objective, strategy, marketing mix
- The future of Sephora China

The interviewee in this study began his work in Sephora from 1999; he opened first Sephora store in Russia, first Sephora store in Greece and now first Sephora store in China. He was capable to answer all author's questions even the questions for the French part.

The interview was carried out in French which brought author some problems in understanding and translating. With the help of record type and one of author's French friends in Shanghai, author finished the analysis successfully.

All the other interviews were carried out in Chinese. There was no problem of communication and understanding. It was easier for author to organize the result findings.

7.2.3 Validity and reliability of the research

Validity itself is not monolithic; the classic, measurement-oriented view differentiates face, content, convergent, discriminate, and predictive validity. The types of understanding that may emerge from a qualities study: descriptive (what happened in specific situations); interpretive (what it meant for the people involved); theoretical (concepts, and their relationships, used to explain actions and meanings); and evaluative (judgments of the worth or value of actions and meanings). Internal validity is a process of checking, questioning and theorizing, not as a strategy for establishing rule-based correspondence between findings and the "real world". Validity is choosing among competing and falsifiable explanations.

External validity helps to find out whether the conclusions of a study have any larger import and are they transferable to other contexts. There are three levels of generalization: from sample to population (less helpful for qualitative studies), analytical (theory-connected), and case-to-case transfer (Miles & Huberman 1994,

278-279)

The content of this study was the marketing plan (especially in marketing mix: 4P) of a French brand when entering the Chinese market, and the findings were internally coherent. It can be said that the case company was a very good example both in experience and reputation. But considering its self-service style which is a new distribution style for the Chinese market that made the study more complicated, but author still appreciated all the contributions made by those 11 interviewees especially Thierry Jaugeas.

The literature review of this study was composed of up-to-date material. The models and processes used in this study were seldom subject to change and usually very similar from one text book to another, giving credibility to their use. Information about Sephora was mainly available from their official website both in French and in English even in Chinese. On-line document and report were also very important source of this study, and all the on-line information were very recent which explain very well current situation of Chinese luxury market.

The results of this study were focused on how adapt a luxury brand to the Chinese market. Regarding the high demand of the Chinese luxury brand, the finding can be found to be beneficial not only all the luxury brand who want to enter the Asian market as China is just the first step of Asian region but also all the employees who is motivated about the domain of luxury and an international job.

The conceptual framework of this study was a good tool in designing the research and helpful in planning how to proceed and present the findings. It also helped to analyze the process and results in a clearer way that made more sense to the theories used in this study.

8-RESEARCH FINDINGS

Considering that the objective of personal interview with Thierry Jaugeas and that of customer satisfaction interview are totally different. Author divided the research findings into two parts. One for the research findings of personal interview with Thierry Jaugeas which based on the point of view of Sephora Cosmetic and another part based on how customers think about the brand image of Sephora China.

8.1- interview with Thierry Jaugeas

Before the interview, author designed 2 interviews with different questions with help of the tutor of this study Timo Kaartinen. But regarding the background of interviewee (author had not known that she could got Mr. Thierry Jaugeas the president of Sephora china as the interviewee), author combined the questions of both French part and Chinese part into the final interview design. The questions could be found in appendix 6. Here are the result findings of this interview.

General information: the presence of Sephora in China

The Paris-based company, which stocks hundreds of fragrances and makeup brands including Chanel, Borghese and Guerlain, followed other beauty chains like Avon Products, after a marketing research, finally opened its first shop in Shanghai the most commercial city in china in April of 2005. And until now, there are 10 stores in Shanghai, 6 stores in Beijing and another 17 stores in Shenyang, Wuxi, Suzhou, Hangzhou, Ningbo, Guangzhou, Shenzhen and Tianjing. Geographically, Sephora mainly opened its stores in Shanghai, Beijing and Guangdong area and their nearest

cities.

With the speed of 1 store per month but actually 2 stores per month, Sephora, the cosmetic unit of the world's largest luxury-goods maker invested \$50 million to open as many as 100 stores in China by 2010.

Marketing research: choice of China, choice of Shanghai

Before entering the Chinese luxury market, Sephora had done a lot of market research. Based on the data gathered from organizations such as National Bureau of Statistics, Sephora did a lot of analysis to make sure their choice which influenced a lot to their marketing plan.

China's retail sales rose 13.6 percent to 1.03 trillion yuan, or \$124 billion, in the first two months of 2005 as rising incomes spurred spending in the world's most populous nation. Chinese cosmetics sales rose 19 percent in January and February.

Economic growth in China reached an eight-year high of 9.5 percent in 2004. Per capita disposable income in urban areas, home to a third of the nation's 1.3 billion people, rose 7.7 percent to 9,422 yuan as retail sales gained 12 percent to 5.4 trillion yuan.

As a potential analysis, Sephora cosmetic believed that their customers would be willing to spend 200 yuan to 500 yuan a month on beauty aid.

Experts forecasted that revenue from China's beauty industry may double in the next five years, after growing an average 15 percent annually to reach 176.2 billion yuan in 2004, according to a report by the finance research department at the State Council

Development and Research Center. Beauty aids are the most popular purchases in China after real estate, automobiles, telecommunications products and travel.

In front of so many positive data, Jaugeas said: "the Chinese market is very complicated, it just likes a big cake, and everyone wants to share one piece. Chinese customers are not loyal to the brand and there are so many competitors in this market." For example, Sa Sa, a Hong Kong-base cosmetic chain planed at that time to open about a dozen stores in China in two years. Watsons, the local beauty store who was purchased by Mr. LiJiacheng, the most rich man in Hong-Kong had already opened hundreds stores in China and had a plan of "1000 stores" in process.

"Demand is very strong in China, and the purchasing power has improved, especially in Shanghai, which is booming," said Jaugeas, "It is a trendy, international city, not much different from New York." The self-service style is quite new for Chinese customers, and that's why shopping centers got more market share of cosmetic sales at that time, but Jaugeas believed that the desire to touch, to feel was the same for women all over the world. Sephora store is a delicate beauty candy paradise. Women could feel free to enjoy every service they provided.

Sephora decided entering the Chinese luxury market as the first step of its development in Asia based on the marketing research. But where to open their first store, in Shanghai or in Beijing was really a difficult decision for Jaugeas. He took a long time to compare these two cities. In 1994, he visited China for the first time, and he worked for another famous French company at that time, he fell in love with Beijing immediately. Like all the other foreigners who were addicted to the Chinese culture, Jaugeas said in the interview that he spent all his free time in across every small street by bike to feel the real Chinese life. But regarding the life level of these two cities and their local facilities, he chose Shanghai to be the first city to locate in.

Marketing plan: objective, strategy, marketing mix

Considering its luxury image, Sephora China did not change a lot from its original objective, strategy. And actually they believed that Chinese customers had the similar needs as European customers concerning distribution style, segmentation, targeting and positioning. But on the other hand, based on the marketing research, they did some change in marketing mix.

Sephora China aimed at working women aged 25 to 40, "the fastest growing group in terms of purchasing power," said Jaugeas and it was the same for Sephora Europe.

In Europe, Sephora is always a way to meet the newest product, get know the beauty trend and this is why Sephora is so successful in European and American market. Jaugeas introduced also this idea to the Chinese market. Open service, free to try new product, free skin test, make up, nail bar...Sephora providers more personal service depends on the needs of every customer.

Talking about the international entry method, Sephora, the largest retailer of perfumes and cosmetics in the Europe, teamed up with Shanghai Jahwa, China's oldest cosmetics maker, to open stores in China. The venture, 81-percent owned by Sephora, hired as many as 80 employees in the first year and may become profitable after three years of operation, Jaugeas said. In the Chinese market, joint venture is more appreciate by Chinese government and it was also better for Sephora as they did not know well about this complicated market. In this case, the venture is 81-percent owned by sephora, it mean that sephora basically control every step when expanding in china, they are the decision maker, they will not lose that brand image.

Product

According to the marketing analysis, Jaugeas found that in the Chinese cosmetic

market, face care product was more important than fragrance, this is decided by Chinese habits. And Chinese customers have more possibility to purchase the whitening product; bronze product does not work in this market.

Sephora Europe has about 250 brands but Sephora China has only about 70 until now, and it include some Asian brands which is not sold in Sephora Europe, but Jaugeas believed Sephora China would have as many brand as in Europe in the near future. And it is same for Sephora's own product, for example, the shower gel of Sephora has 11 smells in France when there are only 3 classic kinds in China. But unexpectedly, Sephora's girl's make up range is very popular in China.

Considering Chinese customers' buying hobbies, Sephora China has also a men product area in the outlet as that in Sephora Europe, but the Chinese male customers seem to be too shy to go into the pink Sephora shop to buy men product. That is why the range of men product is relatively small than that in Europe.

Normally, the packaging remains the same as that in Europe, but it could be change depends on the situation. For example, from December to Chinese New Year, the package changed from their signature black and white to pink and violet because red color bring lucky especially in this occasion.

Price

The price of product is relatively higher than that in Europe, but it is problem of tax. China has its own tradition. They celebrate the western festivals and they have their own festivals too. And that's why the discount events strategy should be different from that in France.

Chinese customers could apply for Sephora card too. The basic functions are the same but Sephora China card could only be used in China at the moment when Sephora

France card could be used in France, Luxembourg, Belgium and Monaco

Place

Sephora sticks to their strategy on this point whatever in Europe or in China. Whatever in distribution channels or market coverage or inventory, warehousing management, Sephora brought their strategy to China to underline their luxury brand image.

They chose the best locations for Sephora stores. The decoration of the store remains the same as that in Europe, black and white as sample fashion color code. In Sephora store, customers meet the brands, learn about beauty trends, seasonal looks, and new products - all from brand experts, or receive a makeup, skincare, or fragrance consultation.

Sephora stores open from 10h00 to 19h00 or 20h00 depends on the cities in France. There is only one exception, Sephora champs-elysee open from 10h00 to 24h00 on the weekdays and close at 1h00 on the weekend. And it could open till 2h00 in the morning in the summer period. In China, all the Sephora stores open from 10h00 to 23h00 that give customers more time to do shopping but it also involve the regulation concerned of China.

Promotion

Jaugeas said that Sephora did not use a lot of advertising to get attention of customers, Sephora is not a sample brand, it is a distribution chain, Sephora is more willing to invest to find a good location of a new store, a beautiful store or get more exclusive contract and these are far more efficient than mass advertising though TV or radio. This is the same both in Europe and in China.

Internet is an important way of promotion for Sephora. Sephora launched also their on-line store in China, but it did not work very well in China as it is greatly successful in France and U.S.A. Jaugeas thought that most of Chinese internet users knew about on-line shopping, but they were just watchers, they did not trust this system. But he still believed that on-line shopping would work in the near future when they built the reputation for their customers. Never the less, on the other hand, Sephora's official website became an information center of Sephora. Customers could find all the information on it about the exclusive brands or products, services provided, stores events, seasonal sales...

Jaugeas regarded a lot about the opening ceremony; he combined both Chinese element and European element on the ceremony. For example, on the opening ceremony of 7th Chinese store of Sephora, he combined Chinese Opera make up and Miss Sephora.

For Sephora, product consultants are also very important, their consultants are not only on the level of seller, they are qualified, they have excellent client service skills, cash-handling and basic math skills, they are fluency in foreign language desired. As there are more and more foreigners who work or travel in China, especially in international commercial cities such as Shanghai and Beijing, that's why, English is required. As a product consultant, she or he should greet all clients who enter the store with enthusiasm. Provide courteous, knowledgeable service to clients. Determine clients' needs and suggest products to meet their needs. Communicate product knowledge to clients as appropriate. Participate as a productive, motivated member of store team. Assist in identifying opportunities within the store and possible solutions. Recognize and respect the work of others. Contribute to a pleasant and organized work environment. Have a flexible staffing availability. As required, provide makeovers to clients. Assist in maintaining SEPHORA's merchandising concepts at all times. Assist in maintaining standards of cleanliness and organization within

assigned zone.

Jaugeas believed that a professional product consultant is also a way of promotion, she or he give the customer the desire to come again next time.

The future of Sephora China

When talking about the future of Sephora China, Jaugeas only used one French expression to describe: "La vie en rose". Jaugeas believed the demand was bombing, and Sephora will surely have 100 stores in China before 2010. And they are planning to enter the second or even third class cities in China even when they were not profitable at the moment. Jaugeas forecast that Sephora China would be profitable in 2 or 3 years.

8.2- Customer satisfaction interview

Author did 10 interviews with customers with different sex, different age and different profession in her Christmas holiday in shanghai near a Sephora store in XU JIA HUI shopping area. The customer interview questionnaire could be found in appendix 7.

As a quantitative research, the volume of interviewees is relatively limited and small; it is not enough to represent the behavior or competence of all the customers of Sephora China. But considering the difficulties in process of getting enough simple or in timing, author still find something interesting when concluding the result finding according these 10 interview. Though the interviews, author found out that Sephora's luxury brand image was acceptable and recognized.

Most of Sephora's customers got know about Sephora brand though friends and some

interviewees got know about Sephora though magazine reports and internet information, there are also some interviewees discovered this new beauty products distribution chain by chance.

They normally went to sephora for skincare product and Sephora's own product such as shower gel and beauty tools. They heard about Sephora's exclusive products though their product consultants and they showed their interest about those exclusive products.

Most of the customers go to Sephora store for buying gift for their friends and they appreciate Sephora's beautiful free gift packaging. All the male interviewees said that they just go to Sephora store with their female friends or buying gift for others. But for themselves, they got use to purchase their beauty product in supermarket.

The new open-service style was appreciated by interviewees around 20 – 40 years old with high social status, they all applied for the Sephora card and received news of Sephora regularly by e-mail and showed their interest in participating in store events. But the customers over 40 years old still prefer to shop at commercial centers or large shopping malls which give them a chance to stroll around and browse different brands and products (cosmetic, close, decoration...) Low brand loyalty means that they will not go specially to Sephora, they could go to any kind of shopping place to purchase.

All the interviewees gave a positive comment on the image of French cosmetic; they thought that those French beauty products had high quality. For the skin product, interviewees preferred French brands such as LANCOME and CHANEL, but for make up product, they preferred American or Japanese product who gave customers more choice on color range.

Most of the interviewees also noticed Sephora's own make up product, some interviewees thought that the Sephora makeup products had also a lot of choice in

color and easy to put them on the face. There are some young interviewee specially recommend Sephora's girl range product, they said that it was a very good choice as a birthday gift for their friends between 15 and 20 years old.

All the interviewees thought that the location of Sephora store was very good and easily to be found. They all liked the decoration of those stores; they thought that the store was like a beauty candy shop, very sweet. Most of the interviewees mentioned specially about Sephora's famous perfume wall.

And never the less all of them appreciated the work of product consultants. As they worked for Sephora but not only for a particularly brands, which make them to service better their customers and satisfy their needs. The interviewees commented that those product consultants were all very patient and professional.

9-CONCLUSIONS AND RECOMMENDATIONS

9.1 Meaning of the research

The subject of this study was how a French company adapts its brand to the Chinese market. The purpose of this study was to evaluate a global brand to a complicated culture. Form take knowledge to try to adapt and modify itself to be survive at least and then be successful or in another words to make profit. But for a luxury brand, the objective is not only to make profit, for them; to keep their luxury image is also very important. In this study, I hoped to declare my opinions on this subject by explain the current situation of Sephora China and give reasonable recommendations.

In every concept of marketing plan, there is a choice, adapt or not adapt. Normally,

company chose adapt because of unchangeable external environment. In the option of “not adapt”, here are two possibilities, the first one is that company don’t want to loose its luxury image or the cost of adaption is too huge when the profit is relatively small. The second one is that the external environment is changeable and could be profitable to the company. With help of the marketing plan of Sephora China, author could explain clearly the option they chose and if it is useful or harmful.

9.2 Summary of the Theoretical part

To enter a new market is not that easy, it takes times. Before international expansion plan, company should define if they are capable to do it which covers every department in a company, producing, finance, human resource, marketing...

How to choose? Which market to choose to enter depends on the international research. But for the most of European companies, it seems that there is a classic route. Regarding the transport cost and legislation problem, normally, European company will expand in Europe at first, then U.S.A and Canada because of their high purchasing power. Then here come the Asian where the demand is bombing.

Then there are also some problems of entry methods, Joint venture is support by Chinese government and direct capital investment is appreciated by Thai. What are their marketing positioning, marketing segmentation and strategy? It grows more clearly when the company occupied a luxury image. The positioning is simply being “Luxury”, segmentation should be people who have high purchasing power.

When coming to operational concept, it is not easy any more. Every detail should be considered. Product, price, place and promotion, every concept correspond to the brand management. Just like what author explained in the conceptual framework. “Marketing objective, marketing strategy and marketing mix are depends to each

other and they could also influence each other. They function like a gear. Marketing objective decides the marketing strategy and marketing mix. Marketing mix reflects marketing strategy and achieves marketing objective.”

9.3 Summary Empirical part

Based on the secondary data about Sephora China and Thierry Jaugeas, authors gathered necessary data through one personal interview and 10 customer satisfaction interviews. The result findings from those interviews explained clearly the current situation of Sephroa China and the problem existed form the point of view of customers.

The questions in the interview are semi-construed, depends on the situation and the question discussed in the personal interview, author added some additional open questions to make the interview more active.

Regarding the background of Jaugeas, author gave up the interview with Sephora France and combined all the questions necessary together. As the personal interview was carried out in French and the 10 customer satisfaction interviews were carried out in Chinese. Author worked hard in translating and tried to analyze the data without misunderstand. Thanks for help of my friends and dictionaries.

9.4 Conclusions

It is clear that the Chinese luxury market is the 3rd biggest market in the world and the demand is bombing at the moment, according to the international marketing research, the cosmetic sale is continue to increase with high speed.

Sephora poured into the Chinese luxury market with the speed of 2 stores per months since 2004 and was planning to have 100 stores before 2010. Regarding their marketing plan in China, Sephora China modified several items concerning the brand, the kind of product, the packaging and so on.

It seems that their strategy is general successfully accepted by the customers. They arrive to keep their luxury image in the market. The president of Sephora china has a very positive expectation on the future.

9.5 Recommendations

Chinese luxury goods market sounds very intriguing, but without a serious strategy and consistent commitment, foreign operators will get nowhere. Success or failure really depends on to what degrees they listen to the voice of the local market and seamlessly interact with Chinese culture. Take a deep breath; they should dive deeply into the minds of their customers. Remember the golden key to unlocking the burgeoning market: consistency in brand strategy, with a long-term vision.

There are a lot of rich people in China, with a lot of money around, but they don't have a full understanding of the luxury lifestyle. The sudden release of a repressed consumption desire among newly-moneyed Chinese has resulted in a short-term boom in luxury goods buying. But only through the cultivation of luxury culture can luxury brands look forward to sustainable healthy development in China over the long term. Once again, in the case of Sephora China, they should make customers believe that shopping in Sephora is a kind of luxury lifestyle; Sephora is unique, full of passion and will not feel the same in any other shopping place: motivate the customers.

Chinese consumers are inquisitive. They want to know why something is a good product. Fashion shows, special events and other public relations efforts by luxury

companies create a luxury culture environment, giving ample opportunities to Chinese customers to practice their taste for a luxury lifestyle and building emotional connections with the brands.

Sephora introduced successfully the idea of open service style on luxury beauty product purchasing; on the other hand, Sephora China could also change Chinese male customers' buying hobbies. Most of the male Chinese were very shy about purchasing their beauty product. They might think about this kind of store is opened specially for women, then it is the responsibility of Sephora product consultants to tell why it is so important to buy men's product under consulting and then convince them to feel free to buy their beauty product in Sephora.

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APPENDIX 1: Sephora online

Sign In or Sign Up for Sephora : MY ACCOUNT ▶ : STORES :

SEPHORA

MAKEUP SKINCARE FRAGRANCE BATH & BODY HAIR TOOLS MEN

go SHOP BY BRAND CHOOSE BRAND











BEST GIFTS shop holiday beauty

SEPHORA FAVORITES shop our obsessions

ONLY AT SEPHORA find it here, exclusively

BEST SELLERS get addicted

Best Gifts

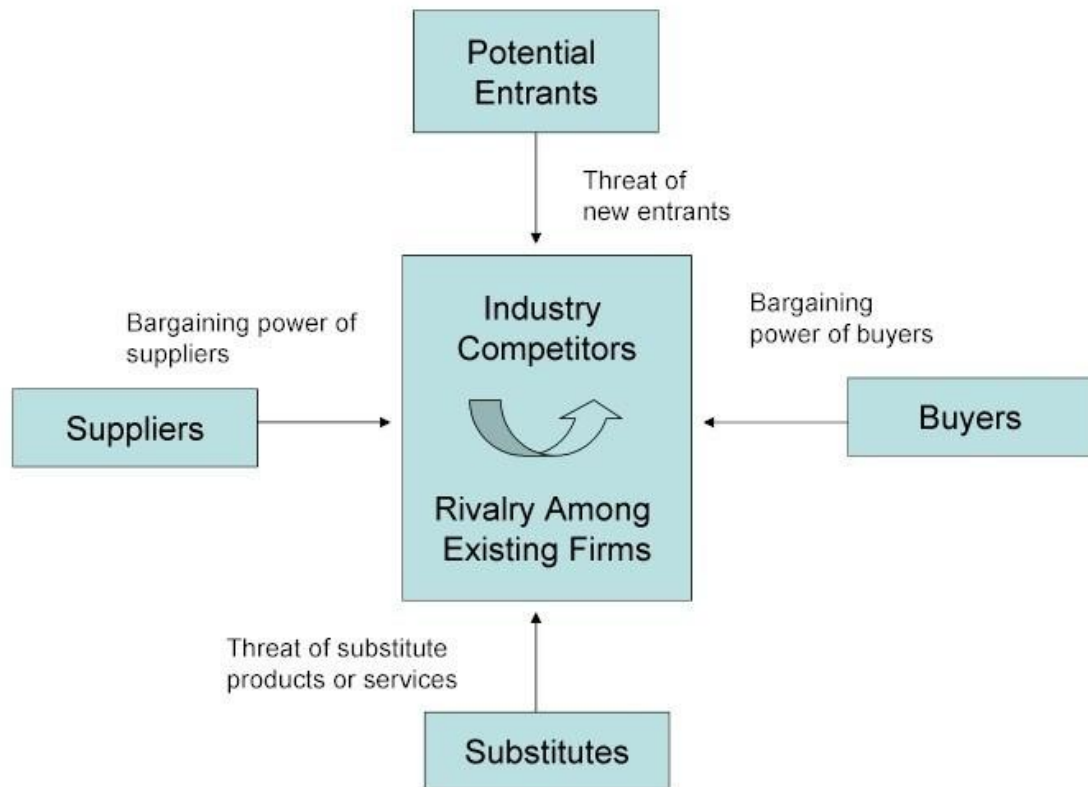
 <p>Stila Gift of Glow Bronzing Kit (\$90 Value), \$45</p>	 <p>Juicy Couture Frosty Couture Shimmering Eau de Parfum, \$85</p>	 <p>Fresh Are You A Sugar Fairy? Lip & Lash Combo, \$42</p>	 <p>Philosophy Bath, Shower & Body Gel, \$10</p>
 <p>Sephora Brand Colorful Story Palette (\$80 Value), \$48</p>	 <p>Dior Detective Chic Eye Palette, \$49.50</p>	 <p>Sephora Brand Supermodel Kit (\$145 Value), \$79</p>	 <p>Laura Geller Perfectly Matched Lip & Cheek Kit, \$25</p>

BEAUTY CENTRAL
beauty news, trends & solutions
see all

sephora's features

Source: www.sephora.com

APPENDIX 2: Industry analyses



Source: Helms, 2000c, Figure 1; p.739

APPENDIX 3: How Brandz calculate brand value

Brand value is the financial value of a brand, defined as the sum of all earnings that a brand is expected to generate.

For the purpose of the **BRANDZ** ranking, Millward Brown Optimor values brands in three steps:

1

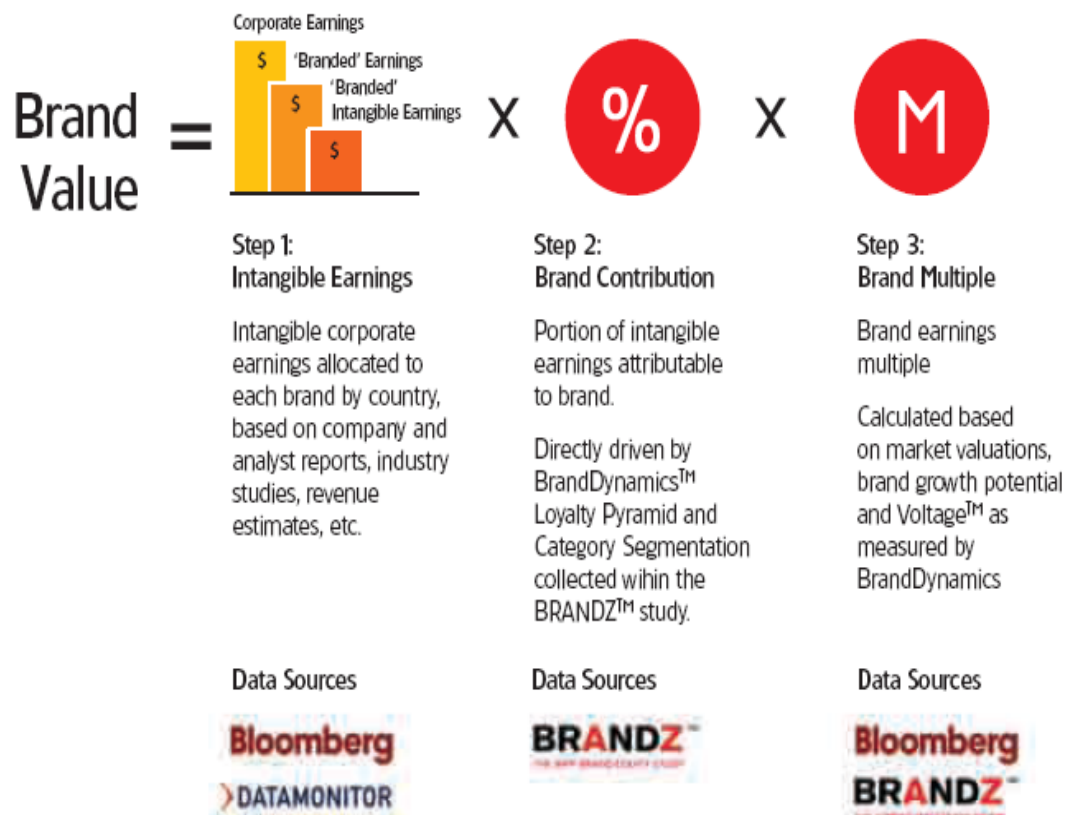
Establish a company's intangible earnings and allocate them to individual brands and countries of operation, based on publicly available financial data from Bloomberg, Datamonitor (www.datamonitor.com) and Millward Brown Optimor's own research.

2

Determine the portion of intangible earnings attributable to brand alone, as opposed to other factors such as price. This metric, known as Brand Contribution, reflects the share of earnings from a product or service's most loyal consumers or users. For this second step, we use research-based loyalty data from the **BRANDZ** database.

3

Project the brand value forward based on market valuations, the brand's risk profile, and its growth potential. Data for this step is sourced from the **BRANDZ** database, Bloomberg and Millward Brown Optimor's own research.



APPENDIX 4: Luxury goods in the ranking 2007

Top 10 with Highest Brand Momentum

#	Brand	Parent	Brand Momentum
1	Google	Google Inc	10
2	Apple	Apple Computer Inc	10
3	Louis Vuitton	LVMH	10
4	Starbucks	Starbucks Corporation	10
5	Porsche	Porsche Ag-Pfd	10
6	eBay	Ebay Inc	10
7	Chanel	Chanel Sa	10
8	Hermés	Hermés International	10
9	Amazon	Amazon.Com Inc	10
10	Rolex	Montres Rolex S.A.	10

Top 10 with Highest Brand Contribution

#	Brand	Parent	Brand Contribution
1	Louis Vuitton	LVMH	5
2	Porsche	Porsche Ag-Pfd	5
3	Chanel	Chanel Sa	5
4	Cartier	Cie Fin. Richemont	5
5	Hermes	Hermes International	5
6	Gucci	Ppr	5
7	Rolex	Montres Rolex S.A.	5
8	Hennessy	LVMH	5
9	Moet & Chandon	LVMH	5
10	Fendi	LVMH	5

**Source: Millward Brown Optimor (including data from BRANDZ, Datamonitor, and Bloomberg)*

Luxury is the category with the second largest growth in aggregate brand value. Part of the growth comes from successful brand extensions into new offerings. Armani's (\$4,100 million) brand extension into other luxury lifestyle businesses such as hotel and home not only enables the brand to grow but also reinforces its image as a lifestyle provider. More significant, however, is the growth in emerging markets, as self-made millionaires in China, Russia and other countries develop their tastes for luxury products. While most luxury brands have established presence in China and Russia, several designer labels, such as Fendi (\$4,116 million) among the Italian brands, are now planning to tap into the Indian market.

APPENDIX 5: The five major decisions

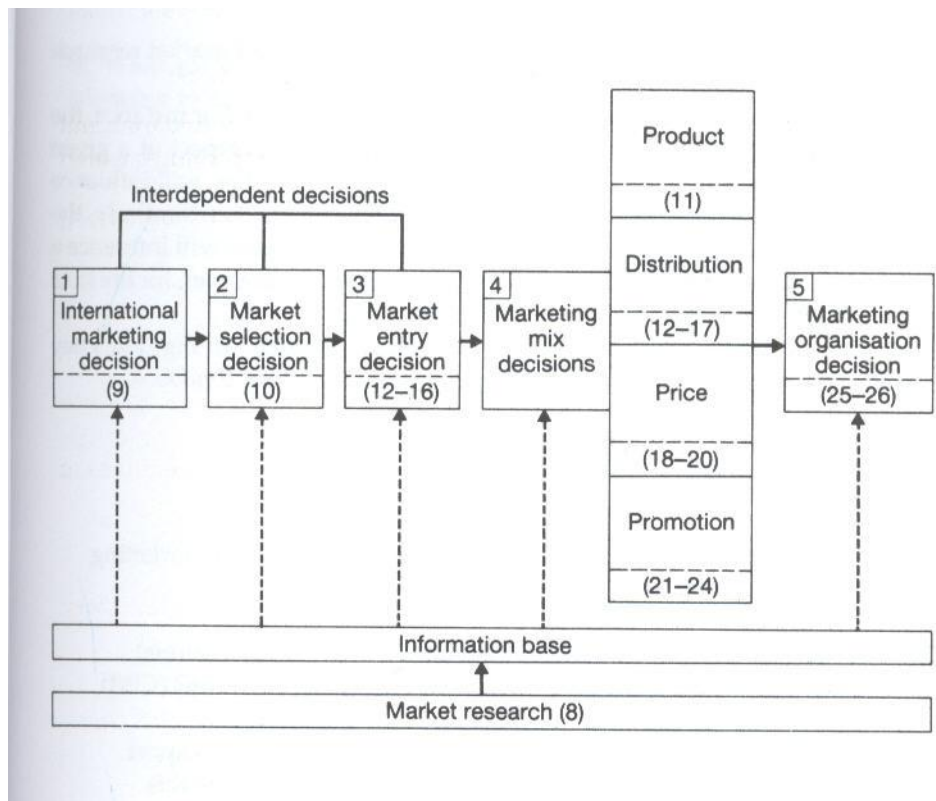


Figure: The five major decisions (source: Walsh, 1993, 7, figure 1.2)

APPENDIX 6: Personal interview with Sephora

Name of the person:

Position of interviewee:

Date of the interview:

General information:

1. How many country has Sephora located in?
2. When sephora began to developing in china?
3. Where located the first sephora shop in china? And why?
4. How many sephora shops are there until now in how many Chinese cities?
5. How many sephora shops will be open in the near future?

Marketing research

6. How do you carry out international marketing research?
7. China is the second market for Sephora in Asia after Japan. What is the main reason for Sephora to locate in China?
8. Who is sephora's main competitor in Chinese market?
9. What are sephora's competitive advantages compared with the competitors?

10. What were the main problems for Sephora when going to the Chinese market?

Marketing plan

11. What's your marketing plan like for the Chinese Market?

a) What are the marketing objectives?

b) About the marketing strategy?

❖ What is your segmentation and targeting in the Chinese market?

❖ What is your positioning in Chinese market?

❖ What is the market entry strategy?

❖ What is the brand strategy?

c) About the marketing mix

Product

❖ Which are the main differences in your product policy between France and China?

❖ What has Sephora done in change of brand name, package?

❖ What are the most important product groups in China?

❖ Could you describe the tastes and buying habits of Chinese consumers?

❖ Are there any services such as tax free?

Price

- ❖ What is Sephora's price policy in France?

Place

- ❖ How Sephora choose her shopping location?
- ❖ How many distribution channels Sephora has? What are they?

Promotion

- ❖ What are the methods of advertising?
- ❖ Does Sephora card only could be used in China?
- ❖ What do you think a perfect Sephora sales person is like? How do you train and motivate them?

The future of Sephora China

Could you forecast the future of Sephora in China?

APPENDIX 7: Customer interview questionnaire

CUSTOMER INTERVIEWS

Sex: Male Female

Age:

Job:

Brand image

1. How did you know Sephora?
2. How often you go to Sephora?
3. What you think about Sephora's brand image?

Product

4. What kind of products you buy in Sephora?

<input type="checkbox"/> Makeup	<input type="checkbox"/> Bath & Body
<input type="checkbox"/> Skincare	<input type="checkbox"/> Hair
<input type="checkbox"/> Fragrance	<input type="checkbox"/> Tools
5. What do you think about French cosmetics in general?
6. Do you know about the exclusive products of sephora?
 Yes
 No
7. Are you interested in Sephora's brand? Why?

8. Are you satisfied with Sephora's products and service?

Price

9. What do you think about the price in Sephora?

Place

10. What do you think about Sephora's stores?

11. What do you think about Sephora's stores locations?

Promotion

12. How did you know Sephora? Friends? Advertising?

13. Are you a sephora Card holder?

Future

14. What do you think the problem of Sephora?

15. How could Sephora be improved?