# DEVELOPING MARKETING PRACTICES BASED ON CONSUMER BEHAVIOR

Case Company: Shiseido Group Vietnam

**Abstract**

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Abstract

Shiseido Group is a well-known Japanese multinational company founded in 1872. It develops skin care, hair care, cosmetics, and fragrance products. Shiseido Group has been promoting its brands and products in Vietnam since 1997. However, with the thriving growth of the Vietnamese cosmetics market, business competition in the industry has gotten fiercer than ever. Therefore, Shiseido Group aims to expand its business and strengthen its position in the market. Consumer behavior is a fundamental factor in creating an effective marketing strategy, which plays an important role in attracting consumers and raise brand awareness. Thus, this thesis attempts to provide insight into the Vietnamese consumer behavior to develop applicable marketing practices for Shiseido Group in the Vietnamese cosmetics market.

The thesis uses inductive reasoning approach. Both qualitative and quantitative data were gathered through an online survey and three interviews. Information used in the study is obtained from both primary and secondary sources. Primary data are gathered from an online survey sent to Vietnamese consumers and interviews with independent cosmetics sellers in Vietnam. Secondary data are gathered from scholarly books and articles and literature reviews.

The theoretical part discusses consumer behavior and marketing strategy. After that, the Vietnamese cosmetics market and its consumers are analyzed. The empirical research is then carried out and analyzed. Recommendations are provided for the case company based on the findings from both primary and secondary sources. The target customer group and marketing practices are proposed to the case company.

Keywords: consumer behavior, marketing practices, cosmetics industry, Shiseido Group, Vietnam

CONTENTS

# 1   INTRODUCTION

## 1.1   Thesis background

Cosmetics were invented with the intentions to fulfill consumers' needs to improve their physical attractiveness and enhance their confidence. Since then, cosmetics have become an essential part of everyone's life. As such, the cosmetics industry has been growing and expanding at a fast pace and becomes one of the biggest business in the world with many multinational enterprises. The market is predicted to reach $429.8 billion, with a CAGR (compound annual growth rate) of 4.3% from 2016 to 2022 (Nilesh 2016).

There are many factors, which contributed to the growth of the cosmetics industry. Some of these are the increase in disposable income, change in consumers' lifestyles, development of attractive packaging and marketing strategies. However, as the market continues to expand, it also has become more and more competitive with many established corporates and thriving new players. In addition, consumers' expectations have grown because of various products. For example, consumers are now aware and concerned about the use of chemicals in cosmetics and prefer natural and organic beauty products. (The Nielsen Company 2018, 4-6.)

The cosmetics industry can be divided geographically: Europe, North America, Asia-Pacific, Latin America Middle East, and Africa. Asia-Pacific is the second largest cosmetics market, only standing behind Europe. In 2017, there was an increase of 6.4% of beauty products in Asia. As such the market has reached $149 billion in sales and has become one of the most invaluable segments of the cosmetics market worldwide. The most influential and dominant countries in the rapidly growing industry are Japan, China, and Korea. The other emerging markets such as the Philippines, Thailand, and Vietnam have also been rising their global sales after a stage of low growth. (Mudde 2018.)

With an average growth rate of 30% per annum, the Vietnamese beauty market has broadened and become a promising market for foreign cosmetics brands. In 2017, the population of Vietnam was almost 100 million, and approximately 60% of the people were below 35. The income per capita has increased to $2,385 in 2017. About 30% of the population is millennial, who are more likely to understand more about beauty products and look out for higher quality and healthier cosmetics brands. Vietnamese consumers are also becoming more aware and getting to know foreign beauty companies. The cosmetics import/export turnover has shot up from $3 billion in 2016 to $6 billion in 2017. However, Vietnam-made products are unpopular and do not appeal to consumers. Vietnamese products are usually only sold in the low-end market segment and are not in de-

mand. The main players in the market are foreign brands with 90 percent of the revenue gained by foreign manufacturers in 2017. (The Voice of Vietnam 2018.)

As the Vietnamese cosmetics market is monopolized by foreign brands, the competition between these companies is also becoming more and more intense. According to the study provided by the Ho Chi Minh City (HCMC) Society of Cosmetics Chemists, South Korea accounts for the largest proportion of overseas-sourced cosmetic sales in Vietnam with a 30% market share. The EU is in second place with 23%, followed by Japan (17%), Thailand (13%) and the US (10%), with sundry other nations contributing a combined 7%. (Vietnamnet 2018c). Vietnamese consumers are also shifting towards brand names such as Estee Lauder, L'Oréal, Maybelline, and The Body Shop. This serves as a driving source for international brands to establish and promote their business in Vietnam.

Shiseido Group is a well-known Japanese multinational company founded in 1872. It develops skin care, hair care, cosmetics, and fragrance products. Shiseido has been marketing and promoting its brand and products in Vietnam since 1997. In 2010, Shiseido established a wholly owned subsidiary company in Vietnam to control import and sales of cosmetics products. In addition, Shiseido Group has completed building its cosmetics production factory in Vietnam as its 15th factory globally. In 2017 Shiseido Group also launched Nars, one of its subsidiary brands, as to expand its business in Vietnam. According to Nars' brand president, Vietnam is market with great potential for growth thanks to the country's rapid development. Because of the growth of the Vietnamese cosmetics market, Shiseido Group wishes to expand its business and strengthen its position in the market. (Vinny 2017.)

The aim of this thesis is to provide more understanding and knowledge about the Vietnamese cosmetics market. After that, recommended marketing practices will be discussed for Shiseido Group. This thesis will offer guidelines for Shiseido Group to expand its brand successfully and satisfy their desired target consumers.

## 1.2   Thesis objective, research questions, and limitations

This subchapter includes the objectives and purposes of this thesis. The thesis' research questions and limitations are also included.

### *Objectives*

The research objectives here summarize the intended results of the study. Research objectives are usually expressed in common and non-technical terms so that both the readers and researcher can understand clearly. The objectives are based on general focus

research question and gave a clear sense of purpose and direction. (Saunders, Lewis & Thornhill 2016, 34). This study attempts to point out the current situation in the Vietnamese cosmetics market, especially how Vietnamese consumers react to marketing strategies and their tendencies when spending. Based on these findings, the study establishes marketing practices that Shiseido Group can use to reach Vietnamese consumers. The final outcome of this thesis is to serve as a guideline for Shiseido Group's marketing strategy.

### Research question

Deciding a research question is a key step. The chosen research question affects what data is collected and how it is analyzed. In general, the research question should be relevant to the chosen field and manageable with the scope of the project. It should also be clear, simple and interesting to the reader. (Smith, Todd & Waldman 2009, 29-31.)

The main research question is:

### What marketing practices based on consumer behavior that Shiseido can use to expand its brand and strengthen its position in the Vietnamese cosmetics market?

In order to have a comprehensive answer, the main research question is divided into the following three subordinate questions:

- What are the characteristics of the Vietnamese cosmetics market?
- How do Vietnamese consumers behave in the cosmetics industry?
- What is Shiseido Group? What are its strengths, weaknesses, opportunities, and threats?

The research questions help in keeping focus and give a direction to the whole study. At the same time, they also help in shaping the general structure and direction of the whole study.

### Limitations

The limitations in research are distinctive elements that influence the understanding of the results of the research. There are two types of limitations, threats to internal validity and external validity. It is fundamental to evaluate and interpret the impact of the limitations, as the reader will need to understand those impacts on the research. (Price & Murnan 2004, 66-67.)

- The sample size for data analysis is quite small with 197 valid responses from the survey and three interviews. With a bigger sample size, more accurate data can be obtained.

- The study only gives suggestions regarding marketing. Other topics, such as financing or laws and regulations, are not discussed. Hence, the success of the suggested marketing plan is uncertain.

- Access to data and expertise is limited. In addition, bias can affect the drawn conclusions.

## 1.3    Theoretical framework

The theoretical framework is the structure that can support a theory of a research study (University of Southern California 2018, as cited in Swanson & Chermack 2013). In other words, the theoretical framework builds a strong foundation to support the research process and strengthen the final conclusion.

The theoretical framework consists of three chapters, from chapter 2 to chapter 4. Chapter 2 discusses the concept of consumer behavior to give insights into Vietnamese consumers behavior in the cosmetics industry. The concept of consumer behavior, its components, and its importance are exploited from secondary sources such as literature reviews. Chapter 3 focuses on marketing strategy. Consumer-driven strategy, marketing mix, and SWOT analysis are introduced. The marketing practices suggested for the case company is based on this model. Then specific behaviors and reactions of Vietnamese consumers towards the cosmetics industry are examined in chapter 4. The frameworks of this chapter include Vietnamese consumers and the cosmetics industry.

These theoretical studies are the basis to develop marketing practices for the case company and reach the final conclusion.

## 1.4    Research methodology and data collection

Research approach is an important starting point to design the research project and define the data collection methods. There are two common research approaches: deductive and inductive. Deductive approach begins with an existing theory or a set of premises and ends with a logically certain conclusion. This reasoning move from general ideas to conclusions, and most of the time, it links the premises with conclusion. If all premises are true and the rules of deductive logic applied, the conclusion is necessarily true. On the other hand, inductive approach involves seeking premises to support the truth of the con-

clusion, in other words, it moves from data to theory, from the specific to the general (Blackstone 2012). The validity of the conclusions in inductive reasoning is not always certain but is supposed to be probable, based on the supporting evidence given (Smelser 2001, 12125).

In this thesis, inductive reasoning is executed. Information was collected from many sources (e.g. observations, news, academic studies, survey, and case study) to create marketing practices for case company to strengthen its position in the Vietnamese market.

There are two common ways to design the content of the research. They are qualitative and quantitative research method. The core difference between the two methods lies in the nature of the data and how the data is collected. Quantitative research method is the study of numerical data, dealing with numbers or measurable figures in a systematic way of investigation of phenomena and their relationships (Perumal 2014, 87). It applies the statistical and mathematical analysis of data in order to understand the nature of phenomena and the interconnection of the observed variables. If the data is collected from a large enough sample size, the results can be applied to the entire target group (Bhatia 2018). One of the common approaches to quantitative research method is survey research. Survey research can be either a questionnaire or structured interviews. (Fowler 2008 as cited in Creswell 2014, 84.) A quantitative study usually sums up with either a confirmation or rejection of the tested hypothesis (Perumal 2014, 88). On the other hand, qualitative research method analyzed non-numerical data (Jena et al. 2013, 192). If quantitative ignores human's emotions and personal opinions in the sample group, qualitative looks to understand the emotional reasons behind the phenomena. Qualitative research method is subjective, as it considers the subjects' opinions, emotion, worldview to draw the conclusion (Smith 1987, 175). It is impossible to generalize the result of qualitative research since bias can easily happen due to the complexity of human emotions (Dowd 2018). Qualitative research method employs interviews, and observations to gather data (Patton 2002 as cited in Suter 2012, 344).

This thesis applies both quantitative and qualitative research methods. For quantitative research, a survey was sent out to the predetermined sample size in their usage of cosmetics and then analyze the data to discover connections among different variables. For qualitative research, interviewees were chosen based on their experience with the Vietnamese cosmetics market and case company.

The type of data collected in this thesis is examined in the coming paragraph. There are two types of data, primary and secondary. Primary data refer to data that are collected directly by researchers themselves, via means such as interviews, experiments, surveys.

Secondary data are data that are already present in books, articles, and journals. (Ullah 2014.) The data in this research are both primary data (through surveys and interviews) and secondary data (through books, journals, and e-articles). Figure 1 gives visual to the research approach, research methods, and data collection in this thesis.

| Research approach | Research methods | Sources of data |
|---|---|---|
| Inductive | Mixed method:<br>• Qualitative<br>• Quantitative | Primary data<br>Secondary data |
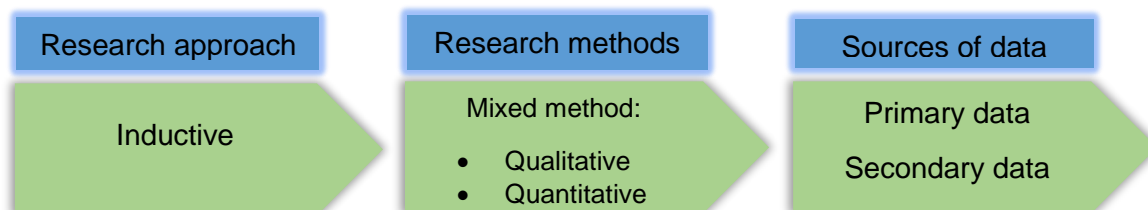
Figure 1 Research methodology and data collection

In conclusion, this thesis was conducted with an inductive approach and a mixed method using both qualitative and quantitative research methods. The thesis's data was gathered from both primary and secondary sources and through both quantitative and qualitative data collection methods.

## 1.5   Thesis structure

The thesis begins with the introduction of the thesis subject to familiarize readers with the chosen topic. It includes background information, research objective, research questions and limitations, theoretical framework, methodology and data collection methods. Finally, the whole structure of the thesis is given in detail. Figure 2 illustrates the thesis structure.
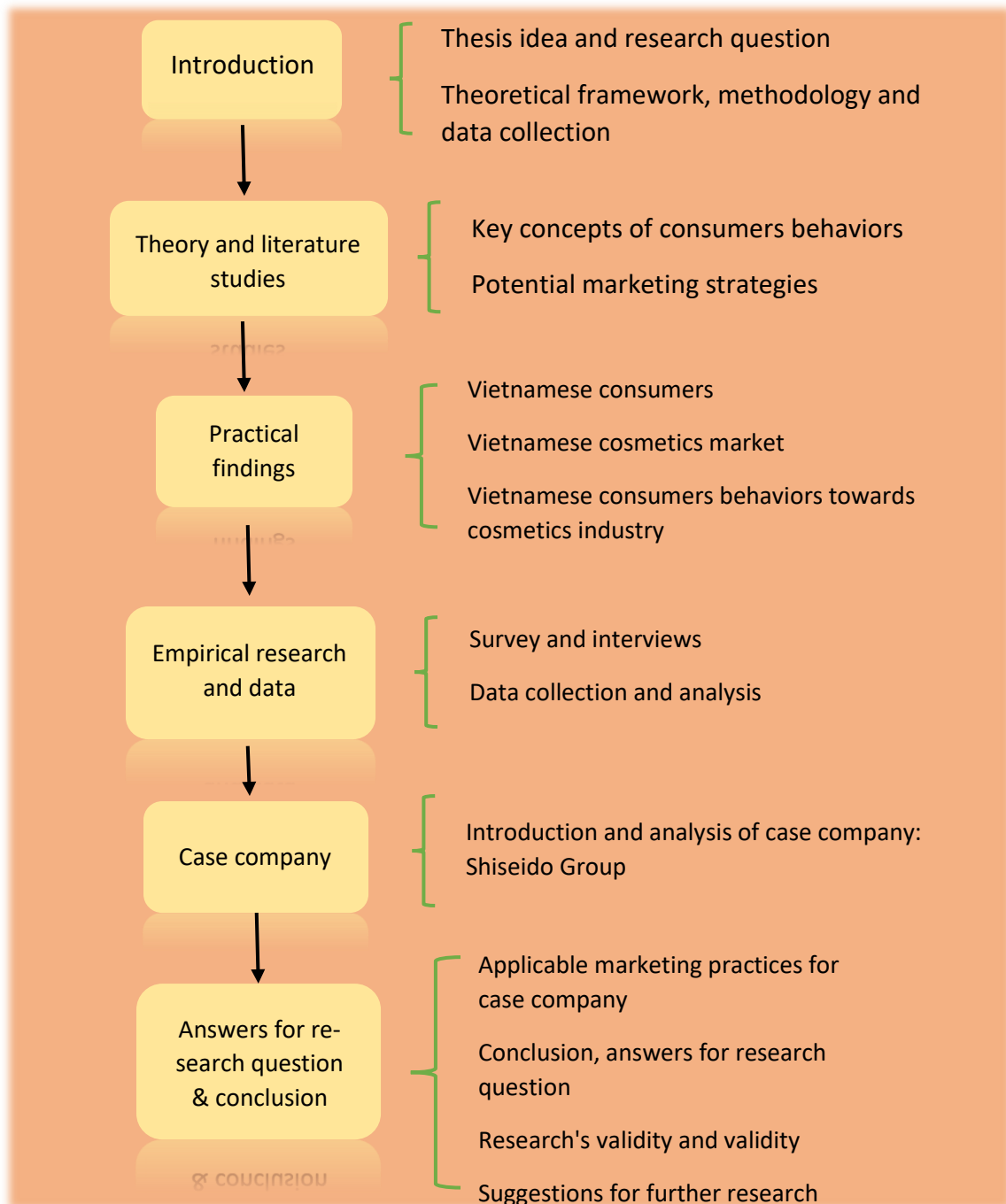
Figure 2 Thesis structure

After the introduction section, the thesis is structured into two parts: theoretical and empirical part. The theoretical part consists of chapter two, three, and four. Chapter two introduces the concept of consumer behavior and its characteristics. The factors affecting consumers' final purchasing decision are also discussed. Chapter 3 focuses on marketing strategy. Consumer-driven marketing strategy and marketing mix are introduced. Chapter 4 includes an overview of Vietnamese consumers and the cosmetics market. After that, a

deeper analysis of Vietnamese consumer behavior towards the cosmetics industry is given.

Chapter 5 is the empirical research and data analysis. Next, in chapter 6, the case company is introduced. Chapter 7 forms a SWOT analysis for the case company based on the data collected and the theory. Finally, the recommend marketing practices for the case company are established from the data and SWOT analysis.

Chapter 8 includes the answers to the main research question and all sub-questions. The validity and reliability of the research are discussed with further suggestions for research. Finally, chapter 9 concludes the thesis with the summary.

## 2 CONSUMERS BEHAVIOR

It is essential to understand the consumer's needs in order to create a competent market-ing strategy. This chapter introduces the key insights of consumer behavior such as the concept consumer behavior, the influential elements of consumer behavior in the modern world, its importance and its components in consumers' progress of acquiring goods. The chapter also acts as groundwork for the later chapter - Vietnamese consumers and their behaviors towards the cosmetics industry.

### 2.1 Concept of consumer behavior

Purchasing decisions are made routinely; some are carefully thought over while some are made without much thinking (Thomas 2014). As these decisions affect consumers' lives, it is important to study the underlying principle of these decisions. The following chapters discuss the concept of consumer behavior and different categories of customers.

A person is called a consumer when he or she makes a transaction for a product or ser-vice. Consumer behavior is a series of behaviors or patterns that consumers unconscious-ly follow before making a purchase. It starts when a person is aware of a need or desire for a product, then ends with a purchase transaction (Kajabi 2018). In academic context, Solomon (2017, 28) defined consumer behavior as:

> *"Consumer behavior is the study of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experienc-es to satisfy needs and desires"*

In a marketing context, consumer behavior is interpreted as a study of response a target market exhibits to marketing materials. How target customers react to a newly launched product or how target audience response to the presence of a new brand is example be-haviors that marketers rely upon to analyze their marketing practices.

According to Solomon's study of consumer behavior (2017, 420), there are several group-ings of consumers based on their desires, needs, and buying habits.

- **Consumers as actual users**: customers who purchase the product/service with the intention to use and experience the product/service.

- **Loyal customers or heavy users**: actual users become frequent consumers of certain types of product, brand or company.

- **Brand community**: a group of consumers who share a set of social relationships based on usage or interest in a specific product or a brand, for instance, fans of Apple's technology. These consumers have a deeper bond with their choice than loyal customers. Because of their bias, they sometimes make the purchase without any genuine needs.

- **Purchasers but not users**: buyers who are not the actual users of the product/service. Purchased product/service can be gifted as presents or given to other users (for instance, parents buy things for children).

- **Impulse buyers**: consumers purchase a product/service without any initial or specific need or desire. Customers buy things on impulse due to many reasons, such as emotional appeal, advertising appeal, discount, other people's influences, and other external factors.

- **New customers or experimenters**: shoppers who do not have previous acquaintance or real experience with the usage of the product/service. New customers can be first-time buyers, consumers who want to try out new products, or users who seek alternatives to their current product.

- **Well-informed consumers**: customers who are aware of their needs and available options in the market. They are certain of their choice of product/service or brand due to reasons such as familiarity with the brand, good experience with the product/service. Well-informed customers share the same needs and desires with actual users and loyal customers. However, their use of products differs from other types of consumers. For instance, they can purchase a product to compare it with other choices, or they can be specialists testing products to give opinions and counsel to other buyers.

Other than individuals, consumers can be an organization. One or several people may purchase products on behalf of others, for example, retailers, purchasing agents or purchasing department in a company. In other situations, purchasers can stay at a different stage of the consumption process, for example, designers and engineers oversee buying necessary materials for a specific project but they are not the end users in the whole consumption process. (Solomon 2017, 29.)

Due to the variation in needs, desires, and usage of consumers, the factors affecting their purchasing decision differs, leading to the differences in consumer behaviors among various types of consumers. It is challenging to satisfy every consumer's demands and examine behaviors of all possible consumers. Therefore, entrepreneurs should mark out and

aim for certain target groups of consumers and focus on them to design an appropriate marketing strategy. (Perner 2019.)

As the most common group of consumers that companies and marketers target are actual users of the product or service, further analysis of consumer behavior mentioned in this thesis focuses on this group (Solomon 2017, 30).

## 2.2    Elements influencing modern consumer behavior

Before discussing the importance of consumer behavior, a significant aspect that greatly influences the consumer behavior in the twenty-first century is discussed. Modern consumer behavior is not the same as three decades ago. Consumer behavior is influenced by many factors such as culture and value. (Samli 2013, 5.) In this subchapter, two elements that have the biggest effect on consumer behavior in the modern world: globalization and online shopping are examined. People put more thoughts in making purchase decision since accessing to information and technologies has become easier. Furthermore, the availability and variety of product are also different. The definition of globalization and the influence it has on consumer behavior are explained. Globalization has led to the rise of another element: online shopping. Thus, the influence of online shopping is also discussed.

***Globalization***

Starting from the last quarter of the twentieth century, a powerful factor has risen in the economic world: globalization. Since then, globalization has continued to increase its impact and become an integral part of the people and countries in the world. To summarize, it has brought forward the cost reduction in business communication and transportation, which lead to the decrease or elimination of the barriers to the flows of products, knowledge, and services across the world. Free trade was one of the regulations by the government that happens due to the effect of globalization. This has, in turn, increased the growth rate of the economy in a city, a country and in the whole world. Over the years, the level of incomes and standards of living have also raised due to economic growth. As such the consumption demand has increased. Due to globalization, it is easier to have access to information about products and services in other countries. Therefore, it has encouraged consumers to try out foreign products. Not only consumer demand has increased but also the competitiveness in the market becomes higher than ever. (Nitisha 2018.) Figure 3 has summarized the forces of globalization.
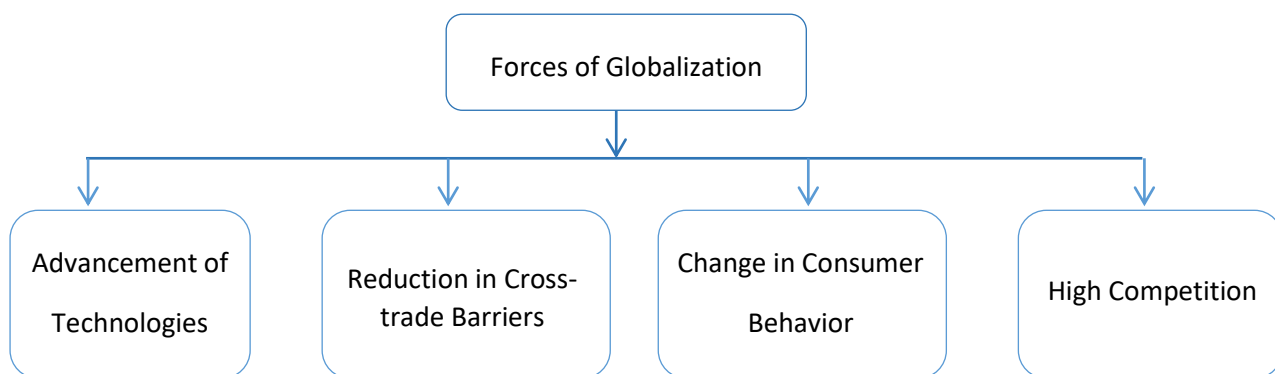
Figure 3 Globalization Forces (Nitisha 2018)

It can be said that globalization is a powerful movement that has significantly formed and modified modern consumer behavior. According to a study by Samli (2013, 5-6) some of the changes in modern consumer characteristics are:

- **Increase awareness and well informed**: Due to globalization, there are many alternatives for consumers to choose from. They have more purchasing options and will be more careful about their buying decision for the desired products. Additionally, consumers nowadays not only understand products' information but also recognize his/her own needs and desires. It is becoming more and more tricky for advertisements in convincing consumers since they know exactly whether the product is suitable for them or not.

- **Quality consciousness:** As consumers become more aware and informed, they become more conscious about the products' quality. They can also make a comparison to other similar types of product. This process makes them pickier with their purchasing decision.

- **Foreign brand recognition**: Post globalization, foreign brands have ways to reach every consumer in every corner of the world. Consumers are able to gain information about the companies and countries that produce the desired products. Market expansion is also a part of many brand's globalization strategies. As such the consumers have stronger prioritization process and know which brand is more suitable for needs.

- **Easy access to foreign products**: Modern consumers can now buy any product sold anywhere in the world when the product is available in global communication networks. Consumers can also choose different sources and ways to purchase these products. In addition, the global logistics system has advanced so much that consumers can receive the purchased product in a reasonable amount of time.

Globalization has improved conditions and quality of life for global consumer. These consumer characteristics mentioned above will become more potent as global communication technologies are developing and international cultures are receiving greater recognition. Companies and brands are encouraged to market their products on a global scale in light of these new changes. This has created the concepts of free markets, consumerism, and individualism. The global culture has expanded its reach to everyone and everywhere. It is undeniable that globalization is a powerful economic force that has a significant influence on modern consumer behavior. (Schuiling & Kapferer 2004, 97-102).

***Online shopping***

The Internet has played a crucial role in marketing since the early 2000s. With online shopping, consumers have a vast selection of anything they want to purchase available. Online shopping has created many advantages for companies and marketers. It allows companies to promote and offer their products/services 24 hours a day, 7 days a week and 365 days a year. It also allows products/services to be offered globally efficiently in terms of costs and time. It is cost efficient as it conserves the need for shop display, catalogs and menus, and staffs. It is possible to develop a one-on-one communication with consumers and creating consumer databases for managing online study. However, it is necessary to keep in mind that online B2C marketing requires companies to truly understand consumer behavior and deliver the products and services that consumers need in a satisfactory way, just as traditional marketing does. As mentioned above, it can be said that one of the disadvantages of online shopping is that it may only reach certain segments of the population. However, it is possible that Internet marketers will be able to reach a broader market with appropriate strategies. Another disadvantage of online shopping is that sometimes consumers only gather information about products and services they are interested in but do not purchase. According to analysts, some consumers prefer to do their shopping in person at markets and stores. They may be afraid of the risk of giving personal information or credit card access online. However, as technologies become more developed, web security has also improved to lower the fears of online shoppers. (Peter & Olson 2010, 2-3.)

Thus, the Internet has changed the method consumers search for information about products and services. Companies and marketers have to follow closely and keep up with current marketing trends.

## 2.3   Importance of researching consumer behavior

Consumer behavior can be established as the actions involved in purchasing, appraising, using and disposing of products. This means that the buying process does not start from just purchasing products but from before the products have been brought. The purchasing process starts with the consumer, which leads to the search for alternative options that can be acquired with their respective advantages and disadvantages. After that the decision-making for the purchasing process takes place. Post-purchase behavior is also a fundamental part, as it gives marketers an idea of whether the product has been a success or not. Hence, marketers will have to understand the needs of various consumers and conduct in-depth research. Below in figure 4 is the model that demonstrates the importance of understanding consumer behavior for companies. (Bhalerao & Pandey 2017.)
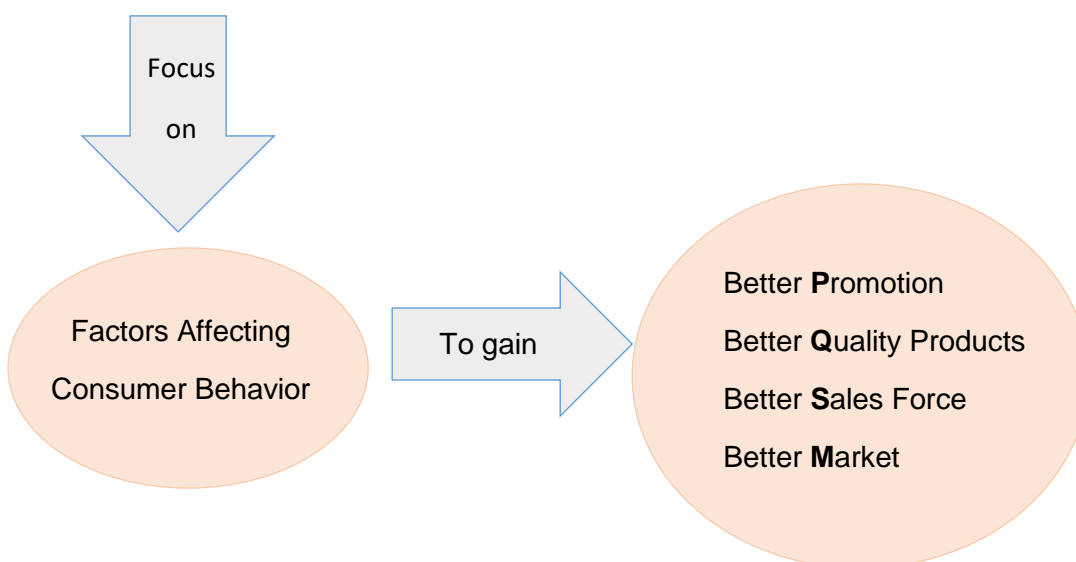


Figure 4 PQSM Model (Bhalerao & Pandey 2017)

The most important reason for researching consumer behavior is because of the role it plays in daily lives. Everyone spends a lot of time to do their shopping, discuss with friends about products/services, and gain information from the Internet. All of these factors influence our daily lives. Marketing begins with the demand of the consumer and ends with their satisfaction. When everything revolves around the consumer then the research of consumer behavior becomes essential. To understand the preferences of the consumer, extensive consumer studies are conducted. Information about consumer behavior is essential for affecting decisions not only about which product to buy but also about how much product to purchase, whether to invest in the product in long term or not. It is also

important to focus on the demand to collect data about the specific consumers involved in the marketing decision. (Peter and Olson 2010, 14.)

All marketing decisions are made based on theories and knowledge about consumer behavior. For example, a decision to reduce products' price to match competitor's price may come from the assumption that consumers compare the price difference between two brands. It is not possible to determine marketing decision and strategy without considering the consumer factor. Information about consumer behavior can become an essential competitive advantage. It can also reduce the chances of making bad decisions and creating market failures. (Khan 2006, 5-6.)

## 2.4   Components of consumer behavior

After understanding the key concepts of consumer behavior and the importance of researching it in the field of marketing, it is essential to study what components in the progress of goods acquisition and consumption that lead consumer to the final purchasing decision. Consumers in general still have similarities in the affecting elements that drive them to the final consumption of goods. According to the study of consumer behavior in the 21st century by Samli (2013, 14-15), a general model of consumer behavior that can be used in market analysis comprises of four components. These four components also act as a framework to analyze Vietnamese consumers as well as their behaviors towards the cosmetics industry in later chapters. The model is illustrated in figure 5 below.
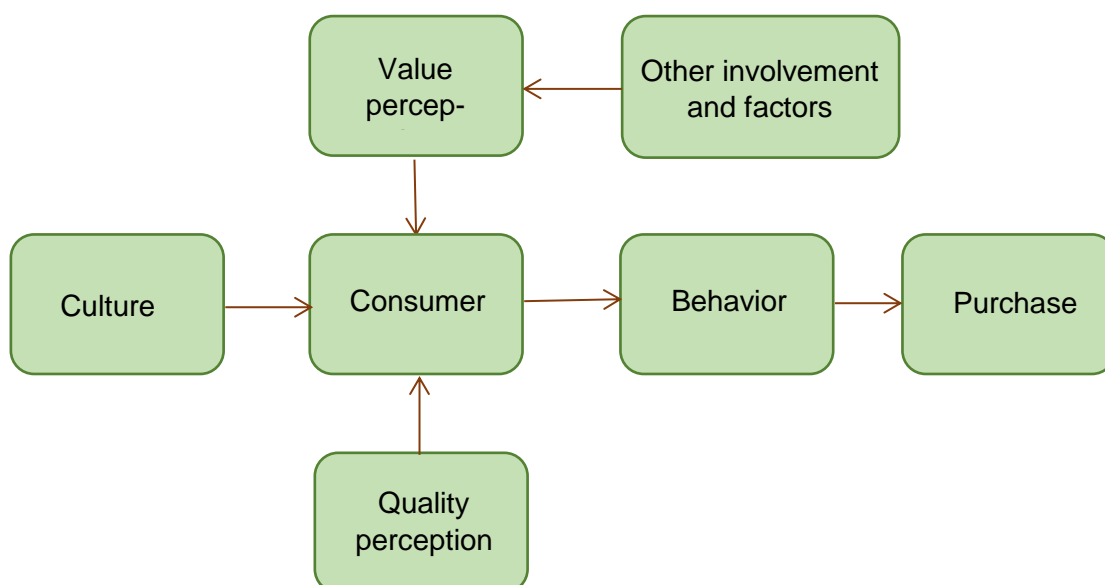


Figure 5 Factors affecting consumer behavior and purchasing decision (Samli 2013, 15)

Culture is a fundamental factor that forms consumers behavior. It is the key modifier of behaviors in the model. The reason culture is important and the starting point of the model is that it implicitly communicates with consumers in a number of ways and instills personality in people. Together with the culture as a cognitive foundation, other factors in the modern world also play a predominant role in influencing consumers' decision. Nowadays, consumers are aware of the changes in the world around them. This has led to a change in consumer behavior. The notable factors that should be taken into consideration are communication and media, and advertising. With cultural cognition and other factors, consumers perceive a sense of value. This value perception has an influential impact on consumer behaviors that lead to the final purchasing decision. In a more realistic sense, the consumer also develops a perception of product quality. This perception relates to extrinsic attributes of the product, which are the country of origin and country of production. This subchapter studies the important components of consumer behaviors in the progress of goods consumption. Identifying and employing these elements in market analysis will help marketers understand their consumers and build an effective marketing strategy.

## 2.4.1   Culture

Culture is a set of value, ideas, and other meaningful symbols that help individuals to communicate, and evaluate as members of society (Engel, Blackwell & Miniard 1990, 3). Culture itself cannot be separated from individuals among it and individuals are products of the culture and social groupings they belong to. Culture includes shared beliefs, attitudes, norms, roles, and value that are found among a group of people who share the same backgrounds. Without cultural patterns, people would find it difficult to live and communicate with each other. To put it simply, culture is the glue that binds people together. (Mooij 2004, 51-52.) Regarding consumer behavior, culture has a huge impact on consumer's ways of thinking and buying. This influence is not explicitly and easily observed. Consumers themselves may act according to their cultural patterns without cognizance. Despite this indistinctness, it is crucial for marketers to acknowledge the effects of culture on consumer behavior. Culture and consumer behavior have a tight association and a two-way relationship. Consumers are more likely to acquire products or services that resonate with a culture's priorities at any given time (Solomon 2017, 515).

In order to analyze cultural aspects of a certain market, Geert Hofstede has developed a model of cultural dimension that helps in distinguishing cultures. The model has five dimensions. The five dimensions are derived from s study of 75 countries. Each country has a position on each dimension with an index measured on a scale from 0 to 100. Hofstede's cultural dimension model is applicable for comparing cross-cultural studies and

providing explanations of cross-cultural differences in consumer behavior. (Mooij 2004, as cited in Hofstede 2001.) The model of five cultural dimensions is summarized and illustrated in figure 6 below.
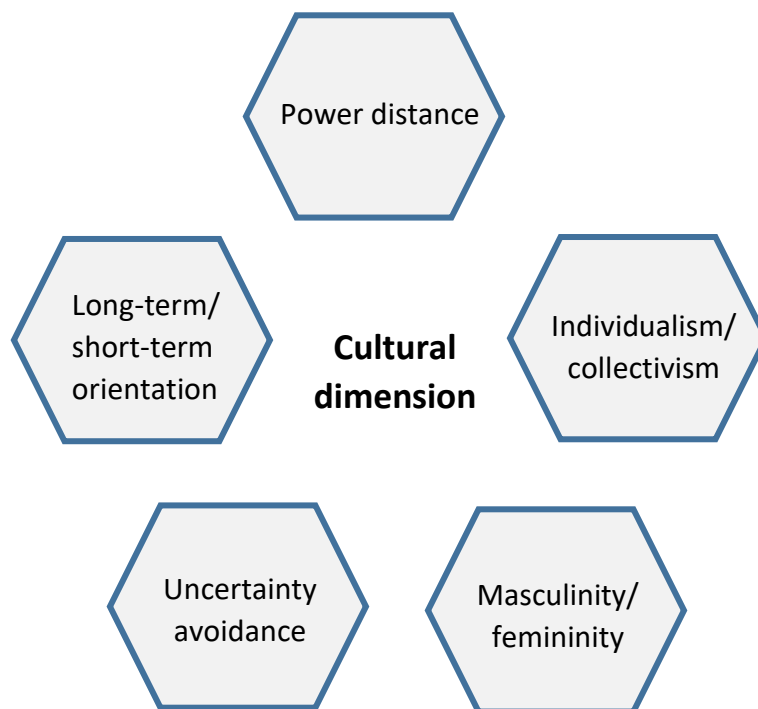


Figure 6 Hofstede's five dimensions of national culture (Hofstede 2001)

***Power distance***

Power distance is defined as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally (Hofstede & Minkov 2010, 61). The institutions mentioned in the definition are the basic elements of society such as family, school, community, and organizations. Within the given organizations of a particular country, power distance reflects the way people give and accept authority among them. The analysis from Hofstede's studies has shown that people from countries with high power distance index (PDI) tends to be aware of their rightful place in a social hierarchy, leading to their acceptance of authority being distributed unequally. For instance, there is a strong dependency on relationships between parents and children, bosses and subordinates, teachers and students, On the other hand, countries scoring low on PDI usually focus on equality in rights and opportunities, people avoid becoming socially dependent on others, and authority may have a negative connotation. (Mooij 2014, 68.)

*Individualism/Collectivism*

Individualism pertains to the society, in which the interests of the individual prevail over the interests of the group. Meanwhile, collectivism pertains to the society, in which the interest of the group prevails over the interest of the individual. (Hofstede et al 2010, 90-91.) In other words, the concept of individualism or collectivism is how people perceive themselves as "I" with other members in the society they belong to as "We" or "They". According to a study on collectivism and individualism (Kim, Triandis, Kagitcibasi, Choi & Yoon 1994, 41-51), people live in a collectivistic culture usually identify themselves in terms of their relationship within-groups, aspire to achieve their in-group goals, conform to social norms and act with regard to the benefit of the group. This means collectivistic consider that their positions belong to society, that together they consider themselves as "We" instead of "I". On the contrary, individualists tend to have their own preferences and their own personal goals. They usually evaluate their gains and losses before acting and prioritize their interests over the interest of the society. This means individualistic culture is likely to distinguish the "I" and the others as "They". The results of Individualism/Collectivism value in Hofstede's studies show that the higher the index a country scores, the higher the tendency that country is individualistic and vice versa.

*Masculinity/Femininity*

Besides the name of masculinity/femininity, this cultural dimension also has other names, such as tough/tender, performance-oriented/cooperation-oriented or assertiveness/modesty. In other words, masculinity is considered to be emphasizing ambition, acquisition of wealth, and distinct gender roles in society. femininity is seen to be focusing on caring and nurturing behaviors, sexuality equality, environmental awareness, and flexible gender roles (Andrews University 2019). In Hofstede's masculinity/femininity index table, the scores go from 0 for the most feminine country to 100 for the most masculine country.

*Uncertainty avoidance*

Uncertainty avoidance is the fourth elements of Hofstede's cultural dimension. This dimension expresses the extent to which people in a culture or society feel threatened by uncertainty and how they try to avoid these confusions (Hofstede et al 2010, 206). In a cultural context, uncertainty avoidance is related to the process of accepting and adopting innovations and new social norms, the likeliness to take risks and the dependency on structured rules.

The index calculation from Hofstede's studies shows that countries with higher scores have stronger uncertainty avoidance, whereas low-scoring countries have weaker uncertainty avoidance.

### Long-term/short-term orientation

The last element in five cultural dimensions is long-term orientation versus short-term orientation. Hofstede (Hofstede et al 2010, 239) has defined this dimension as long-term orientation stands for the nurturing of virtues oriented toward future rewards, in particular, perseverance and thrift. Short-term orientation stands for the fostering of virtues related to the past and present such as respect for tradition and fulfilling social obligations. The index scores of this cultural dimension have shown that the top positions are long-term oriented countries such as China, Japan, and Singapore. Meanwhile, continental European countries such as the Netherlands, Sweden, Poland, and Germany stay in the middle range with average scores. Anglo-Saxon societies such as Great Britain, Australia, New Zealand, the United States, and Canada belong to the group of cultures that have short-term orientation with low scores.

When considering the five-cultural dimension model as cultural effects, it helps to explain the differences in consumer behavior. Differences in the way people behave in the public and private domains and value reflected in advertising are examples of impacts of individualism/collectivism and power distance on consumer behavior. More specifically, Mooij (2004, 217-374) has presented results from his researches to reveal the effects of these five cultural dimensions on consumer behaviors. For example, in high power distance and collectivistic cultures, people tend to emphasize emotional displays that strengthen group cooperation. Hence, this somehow provides an explanation in consumers' reaction towards mutual tendency and trends in society. Another example is the differences between individualism/collectivism. Mooij has shown that individualistic are more verbal and textual oriented, which means most of the information in a message explicitly lies in the context. In collectivistic cultures, people show a higher preference for symbols and visual communication, where the information is interpreted in many ways. Another cultural dimension that also shares this feeling is masculinity/femininity. Mooij's data has revealed that at the culture level, masculine people are more concerned with data and facts, while people from feminine cultures are more interested in the story behind the facts. These tendencies would benefit marketers in structuring marketing campaign that conforms to the targeted market such as advertising styles and corporate identity. Regarding shopping habits, cultural cognition also has an impact on buying behaviors. For example, China - a country with the highest score in long-term orientation index - consumers tend to more price-

conscious and more of meticulous shopper (Cai 2007, 62-87). This may lead to a lower chance of impulsive or unplanned buying in long-term orientation culture.

Although an in-depth discussion about Hofstede's model of cultural dimension is not mentioned in this study, the model still assists as a valuable framework to analyze a culture on a national scale. The model, as well as other related cultural studies and researches, help to form the analysis in chapter 4 - Vietnamese consumer behaviors in the cosmetics industry.

## 2.4.2   Value perception

Aside from cultural background acting as core cognition, consumers' own perception is also essential, especially value perception. When study consumer behavior, value perception of consumers is the groundwork that companies should start first in order to find out what their consumers seek. Consumer's perceived value of purchasing a product can be defined as a trade-off between what they receive with what they sacrifice (Cronin, Brady & Hult 2000, 195). In other words, value is consumers' overall assessment of the utility of a product they expect to receive in exchange for what they give up (Kim, Chan & Gupta 2007, 114). Value perception plays an important role in consumption activities because consumers believe purchasing a product will help them to attain a value-related goal (Solomon 2017, 267). A person's set of value would be different from another depending on their own perceptions, situation, and desires. The perceived value can be monetary value, product benefits, personal value, the value of time, and emotional connection. This subchapter only covers the following value: consumption value, brand loyalty, and customer services.

***Consumption value***

People acquire goods because they expect to receive value from the products they purchase. Consumption value provides the motive for customers to make the purchase decision. (Burcu & Seda 2013, 31.) According to Sheth, Newman, and Gross (1991, 160), consumptions value can be divided into five types: functional value, social value, epistemic value, emotional value, and conditional value.

- **Functional value**: the benefit obtained from a product in terms of its capacity, performance, reliability, and price (Xiao & Kim 2009, 612). This type of value is perceived by consumers' direct experience when using the product.
- **Social value**: the perceptual benefits acquires from a product's association with a social class, social status or a specific social group (Lai 1995, 383). The action of acquiring some certain products can be associated with consumers' position in one

or more social groups. Social value can be both positive and negative depending on the demographic, socio-economic and cultural situation of the market (Sheth et al 1991, 161).

- **Epistemic value**: the benefit perceived obtained from the need for curiosity and innovation. This value exists because of exploratory, novelty seeking, trial and switching behaviors (Sheth et al 1991, 162) of consumers in the market full of alternatives. It is also related to consumer's acceptance of new products.

- **Emotional value**: the benefit obtained from the consumption of a product/service related to emotions. Emotions in consumer behavior study can be understood as feelings towards products, advertisements, promotions, and brands (Hawkins, Catalano & Miller 1992, 19). Similar to social value, the emotional value can be both positive and negative since it can emerge preferences in goods consumption under the form of excitement or anger. (Sheth et al 1991, 161).

- **Conditional value**: the benefit obtained from a product or service's capacity to meet situational needs in specific circumstances (Lai 1995, 383). Conditional value usually occurs when special alternatives that have functional value are needed. Some examples are Christmas cards (seasonal value), wedding gown (special occasion), or ambulance service (emergency situation). (Sheth et al 1991, 162.)

Consumption value when divided into smaller categories may clarify consumer behavior regarding the purchasing process and decision in more detail. For example: buying intention, buying purpose, preferences explanation, and buying patterns prediction.

*Credibility/brand loyalty*

Consumers' credibility to a brand or brand loyalty is a significant factor in consumer behavior because it influences the purchase decision. Brand loyalty, in the world of marketing, can be understood as the attachment's level to a brand (Aaker 1991, 48). Brand loyalty expresses the credibility of consumer when they repeatedly repurchase products from one brand over a certain period of time. From the perspective of consumers, brand loyalty is the outcome of factors such as price, quality, convenience, and preferences. From the companies' perspective, the shift from brand awareness to brand loyalty in consumer behavior is the positive result of many marketing activities (Keller 1993, 19). Brand recognition enables companies to hold a positive position in consumers' value perception. If consumers are aware of a brand, they do not have to engage in additional thought to make a purchase decision. For example, brands allow consumers to make assumptions and form reasonable expectations about their quality, origin, and product. Brands recognition also let consumers to reduce the search costs for products both internally (e.g. price) and ex-

ternally (e.g. alternatives). (Keller 2013, 34.) Brands also allow their customers to cut down the risks in product decision, which is crucial in consumers' value perception of consumers. Some of the risks customers have to take in exchange for the benefits of the purchase are:

- **Financial risk**: product is not worth the price paid.
- **Functional risk**: product does not perform as expected.
- **Physical risk**: product causes a threat physically to the users or others.
- **Psychological risk**: product brings up dissatisfaction to users
- **Time risk:** time taken to find another satisfactory option. (Keller 2013, 35 as cited in Roselius 1971.)

If any of the risk rate increase, customers who have credibility to a certain brand are likely to prefer the same brand (Kocoglu, Tengilimoglu, Ekiyor & Guzel 2015, 319). As mentioned above, consumers' perceived value of purchasing a product is known as a trade-off between what they sacrifice and what they receive. Therefore, effective marketing that leads to brand loyalty would benefit both brands and consumers. Consumers can handle risks in product decision by choosing a well-known brand, and companies with good brand image can use it as a risk-handling device when risks sometime have profound implications. (Keller 2013, 35.)

In Miller and Washington's researches collection about consumer behavior (2014, 99-100), a survey result has shown that most daily essential products are purchased based on brand preferences. Thus, brand commitment is important in consumers' purchasing decision. When considering personal perceived value over sacrifice, credibility, as well as loyalty to a brand, would be a handy way to lessen consumers' information processing and risks in product decision. Companies and brands should be aware of how to create trust in their consumer's minds because if brand loyalty increases, the vulnerability of the customer base to competitive action is reduced (Aaker 1991, 48). Furthermore, retaining customers often require less marketing resources than acquiring new ones (Kumar & Advani 2005, 252 as cited in Reichheld & Sasser 1990). Understanding and exploiting consumer behavior by creating brand loyalty as a value perception would benefit brands and companies in a positive way.

*Customer services*

In the process of acquiring and consuming goods, there are many additional components that consumers perceive as value. Among them are added services and buying experiences that come together with the purchase, or also known as customer service. Custom-

er service during pre-purchase, purchase and post-purchase is a non-monetary value that modern consumers almost never disregard. Customer service refers to the sum total of what a company does to meet customer expectations and achieve customer satisfaction (The Institute of Customer Service 2019). Customer service is activities and benefits that directly or indirectly complement the value of the product sold (Kursunluoglu 2011, 52). They can be in-store experiences, online purchase convenience, delivery, post-purchase service program, and customer care communication. In the modern world where consumers are gaining more access to information as well as awareness about products and market, customer service quality is a critical factor that distinguishes one company with others. Customer satisfaction is a result of the evaluation between expectation and received service performance. If customer services and other complementary services are operated according to consumer's expectations, it is more likely to increase the level of customer satisfaction (Kursunluoglu 2011, 57). Miller and Washington (2014, 102) have introduced some suggestions to improve customer services in their study. Suggestions for better customer service that companies can apply are:

- **Convenience:** easier approaches to products and services such as e-commerce, and various options for delivery and payment methods.
- **Loyalty programs:** enhance interactions between companies and customers.
- **In-store shopping experiences:** invest in facilities, create a unique impression and atmosphere, and focus on employees' attitudes.
- **Engage in social network connections:** interact with customers more, provide customers with updated news, and exploit tools such as live chat support.

Understanding consumer value is the leverage for companies to strengthen performance and create competitive advantages in the market. By delivering benefits and value consumer demand, it is an equitable return to both sides. (Anderson & Narus 1998.) For that reason, value perception of consumers is a component that should not be excluded when researching consumer behavior for a marketing strategy.

## 2.4.3 Quality perception

Every product made and distributed has its own story and background. When it comes to consumers' attitudes towards products, a common concern is the products' origin. This concern is popular because of consumers' expectation of a product's quality. Nowadays, product quality perception is considered to have a close association with its origin. The concept of a product's origin in the modern world can be interpreted into three definitions: country of origin (COO), country of production (COP) and country of assembly (COA).

They are perceptions that connect closely to the product's quality as well as brand credibility in the consumer decision-making process. The recognition of the country of origin/production/assembly has a strong connection to quality perception. In a market with various options and alternatives, the consciousness of a product's origin is standard in buyers' quality perception, leading them to the final product choice after examining many options.

***Country of origin (COO)*** is the original country from which a product is produced (Solomon 2017, 574). The definition can also be understood differently in other contexts, for example, country of origin can be the country of the brand (Pharr 2005, 34-45) or the country which the brand is thought to belong to (Thakor & Kohli 1996, 27-42). If a product belongs to an international company, it's country of origin can be where the corporate headquarters are situated (Johansson, Douglas & Nonaka 1985, 388-396). If a product is invented to be a specialty of a specific location, the geographic location is believed to be its country of origin (Mort & Duncan 2003, 49-69). The concept of COO is important in countries that have a large scale of imported goods and commodities since consumers are likely to use country of origin as stereotypical information to make products' evaluation (Maheswaran 1994, 354-365). Examples for stereotypes in attitudes towards foreign products based on country of origin are: Japanese products are the best in terms of technological advances and attractive prices; whereas Germany is well known for being the home of reliable and solid products. (Mooij 2004, as cited in Dubois & Paternault 1997, 79-85.). To put it simply, COO is a perception that reflects what consumers expect to have in a product, especially the quality.

***Country of production (COP)*** is the country where the product is produced and manufactured. Some companies may find it convenient to produce their products in different countries other than their original COO (Shahzad 2014, as cited in Saeed et al 2013, 990 and Aichner 2014, 83). COP is different from COO. A product can be designed and conceptualized in one country. However, the actual production progress of the product takes place in another country. The increasing expansion of globalization has led to a solution that makes COO differs from COP: outsourcing. Outsourcing involves a lot of steps in a company's value chain and varies widely depending on the industry sectors. Outsourcing can be activities such as human resource management, facilities management, supply chain management, accounting, customer support, and legal documentation. (Investing Answers 2019). Outsourcing in terms of differences between COO and COP only involves activities that are related to the products' manufacture. The decision to outsource is usually because of the beneficial advantages but it also drives the production process into two different concepts: country of origin (COO) and country of production (COP). Due to this

difference, sometimes the reputation of the country where the product is actually produced becomes a critical consideration in purchase decisions (Samli 2013, 65).

A typical example of this situation would be Adidas. Adidas is a multinational corporation founded and headquartered in Germany that designs and manufactures shoes, clothing and accessories. Customers usually think of Adidas as a brand with a German origin. Adidas has admitted outsourcing most of its productions. Data from Adidas's report has presented that it has around 800 independent factories around the world that manufacture their products in more than 55 countries. (Adidas Group 2019.)

The definition of **Country of assembly (COA)** is used when a product comprises of many components that it is partly produced in different parts of the world. However, the final production step is in a particular country. The country where all the parts of the product is finally assembled is then called the COA (Samli 2013, 62-65.). The term "country of assembly" is mostly applied to automobile products, machines, high-tech devices or other technical related tools. They consist of various components that are complex to build and usually collected from other sources. COA is different from COP. A product usually states clearly its origin through the attached label or tag.

iPhone from Apple would be the right example for the concept of COA. Apple is an American multinational technology company based in California, USA (Apple Incorporation 2019). However, the production of all Apple's product takes more places than just America. iPhone is an iconic product of Apple, it is true that iPhone is designed and conceptualized in its original headquarter in California. Nonetheless, Apple uses manufactures from around the world to collect individual components. (Costello 2018.)

### 2.4.4 Other factors

In addition to the cultural cognition and personal perceptions in the good-consuming chain, external factors also contribute to the thinking flow of consumers. Consumers receive information from the external environment and process them into their own valuations. In regard to the acquisition and consumption of goods, the extrinsic sources of data consumers can perceive are through communication and media. These two factors influence the consumers' decision-making process. Therefore, in this subchapter, communication and media will be studied.

***Communication***

All humans belong to social groups, and these social groups can take many forms such as family, friends, partners, or even strangers. Communication is a way to convey expres-

sions and exchange information between individuals. Society or social groups have the power that can be described to have the capacity to alter the actions of others (Gergen & Gergen 1981, 312). In the continuously changing world, communication with each other is a form that modern consumers can exploit to keep information exchanged and updated. Although communication can appear to come in many shapes and forms, there is only a common type of consumer communication that will be referred to in this study: word-of-mouth communication.

In a market or certain consumers group, people can spread news and messages to whom they think that share the same interest to a product/service. This action is called word-of-mouth communication. In other words, word-of-mouth (WOM) is product information that individuals transmit to other individuals (Solomon 2017, 422). From the consumers' perspective, WOM is usually about product performance, service quality, trustworthiness and modus operandi. The senders who have personal experience with particular product or services usually transmit the information, which is expected to be fairly objective. (Charlett, Garland & Marr 1995.) WOM is a powerful communication form for many reasons. First of all, it is used within a consumer group or a "reference group" that can greatly influence an individual's evaluation, aspiration or behavior (Solomon 2017, 416 as cited in Park & Lessig 1977, 102-110). Such groups can have several influential capabilities to replace preferences with options, for example referent power, information power, legitimate power, and expert power (Solomon 2017, 416). And with such powers, consumers are easily affected by peers' opinion and more likely to adapt to the product (Arndt 1967, 295). Secondly, conformity is important for an individual to integrate into groups they belong to. Sometimes, WOM comes with social pressure that requires individuals to conform to recommendations (Arndt 1967, 295). Lastly, WOM communication is powerful especially when it comes to unfamiliar product category such as products that involve technological complexity. Receiving advice from acquaintances is one way to solve this skepticism. WOM helps consumers to collect both supportive opinions and arguments for the purchase before the final decision. (Solomon 2017, 422-423.) A report carried out by the Nielsen company (2015) has shown that 83% of all the respondents took part in the analysis said that they completely or somewhat trust the recommendations of friends and family. And WOM communications show that it can influence consumers' judgment even though the recommendations do not come from those in the inner circle. In the same report of the Nielsen company, there was 66% of respondents stated they trust previous users who posted their opinions online. Another example for WOM used as referral is when services such as law consultancy and cleaning services are needed. One study presented that only 0.2% of respondents claimed that they pick a physician via advertis-

ing. Instead, they mostly count on recommendation from family and friends. (Solomon 2017, 424 as cited in Wagner 2015.)

Despite having such significant influence, WOM communication is a doubtful advantage since it can be both positive and negative. Negative WOM is when dissatisfied customers spread negative news and opinions to other potential users. Negative WOM is as powerful as positive WOM or even stronger because humans are more attentive to negative information. This negativity tends to be weightily valued in consumers' evaluation (Ito, Larsen, Smith & Cacioppo 1998, 887). Most of the negative WOM is invisible, at least in the short-term (Charlett et al 1995). The action of spreading negative WOM can be harmful to the business of companies, manufacturers and retailers. The effect of negative WOM communication is usually underestimated by a large number of managers, because even though customers who complain directly to companies are in the minority, the negative WOM still have a strong effect. For instance, a national scale study by the US Technical Assistance Research Program (TARP 1979, 97) reported that only 31% of customers made the complaint when they have a problem with products and service. Another report by A.C. Nielsen (1983, 214) bore a resemblance in the result: nearly 70% of buyers who were not dissatisfied with their purchases did not complain to the seller. Despite the small number of complaints received, negative WOM still has a hidden power in consumers' purchasing decision. (Charlett et al 1995.).

*Media*

An indispensable part of communication that cannot be left without is media. According to Oxford dictionaries (2019), media is the main means of communication (such as broadcasting, publishing, and the Internet) regarded collectively. For consumers, media is one of the channels consumers use to transmit and exchange information with each other. Several types of media that are universally used for decades are print media (including newspaper, books, magazines, comics, brochures), broadcast media (including television, radio, satellites, phones, movies/films) and digital media (including Internet and social media) (Oxillo 2017). Nowadays, in addition to traditional media, the blooming of digital media has led to magnificent changes in how consumers obtain information and how marketing strategies work. One indisputable revolution of digital media that has been globally recognized is social media. Since social media appeared, it has significantly increased its users' access to others' opinions about products/services and even brands/companies. At the end of 2018, reports by many sources have presented proof that the expansion of social media is indeed tremendous. Below are the most popular social media sites togeth-

er with its approximately counted users until December 2018 (MAUs stands for Monthly Active Users):

- Facebook: 2.23 billion MAUs
- YouTube: 1.9 billion MAUs
- WhatsApp: 1.5 billion MAUs
- Facebook Messenger: 1.3 billion MAUs
- Instagram: 1 billion MAUs. (Lua 2019.)

Social media sites with their massive users have provided virtual consumption communities to unite those who share a common interest for products/services. At the same time, digital media in general and social media sites in specific are competent platforms for companies to build their image as well as design viral marketing techniques. Marketers should never underestimate the power of digital media because it is where digital WOM takes place. (Solomon 2017, 430-439.) Such marketing plans meant to perform on digital media platforms should be executed prudently if they want to seize success based on consumer behaviors.

All in all, culture, value perception, quality perception, and other factors are the components of consumer behavior that one should research thoroughly before entering any new market.

## 3 MARKETING STRATEGY

In the previous chapter, the necessity of consumer behavior in planning marketing strategy is ascertained. Competitiveness in today's economy means that the company must find ways to meet consumers' needs better and more efficiently than competing firms. All organizations and companies require practical and effective marketing strategy to do this. The concept of marketing strategy, market segmentation, marketing mix, and SWOT analysis are the focus of this chapter.

### 3.1 Concept of marketing strategy

In modern economy, marketers intimidating challenges as the forces that shape consumer behavior continues to evolve. Companies have to face competition from both domestic and international rivals, but they also profit from emerging markets such as the United States and China. Traditional marketing strategies begin to shift due to the advancement of communication, technology, and the Internet. (Hawkins & Mothersbaugh 2009, 5.) These factors have changed the way companies and marketers reach potential consumers. Every company develops an effective marketing strategy to emphasize its strengths and take advantage of the existing opportunities in the market. In this subchapter, the basic concepts of marketing are introduced.

Marketing is many different things combined together. There are some that considered and believed that marketing is a function of the business. As such, it can be seen as similar to other business functions such as production, human resources, and accounting. However, to others, especially to those working in marketing jobs, it is not simply a business function to build a relationship between organizations and consumers. The concept of marketing also has been defined differently though times. According to Pride and Ferrell (2006, 4), the definition of marketing is:

> "Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives."

However, in 2013, the American Marketing Association has changed the way marketing is defined to better reflect the environments and realities of today's economy and market:

> "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society."

The differences in the two definitions are not simply cosmetics in nature. The new definition in 2013 emphasizes two fundamental factors to success in marketing today: consumer relationship and value. To survive in the market, the company must provide the consumers with more value than its competitors. Consumer value is the difference between all the benefits gained for a product and all the costs to acquire the benefits. (Hawkins & Mothersbaugh 2009, 11).

Consumer satisfaction comes from various prospects of the product offered, not just from purchasing a good quality product at a low price. For example, purchasing and owning a car can create several benefits depend on the person the car's type such as transportation, status, comfort, and image. However, to gain these benefits consumers have to pay for the car itself, insurance, maintenance, parking and risk of an accident. It is the difference between the overall benefits and costs that establishes consumer value. In order to improve consumer value, companies have to do a superior job in predicting and responding to consumer needs. Consumer relationships, which grow based on company and product's value, are absolutely essential in the competitive and commodity-driven situation of many markets. A long-term and good relationship provides value not only for consumers but also for companies and brands. (Hawks & Mothersbaugh 2009, 11-12.) Figure 7 describes the marketing strategy formulation process.

```
┌─────────────────────────────────────┐
│              Outcomes               │
└─────────────────────────────────────┘
                   ↑
┌─────────────────────────────────────┐
│       Consumer Decision Process      │
│                                      │
│  Problem recognition and Information search │
│                                      │
│     Purchase, use and evaluation     │
└─────────────────────────────────────┘
                   ↑
┌─────────────────────────────────────┐
│          Marketing strategy          │
│                                      │
│  Product, Price, Distribution, Promotion, Service │
└─────────────────────────────────────┘
                   ↑
┌─────────────────────────────────────┐
│         Market segmentation          │
│                                      │
│ Identify similar product-related and consumer groups │
│                                      │
│   Select suitable market segment(s) to target │
└─────────────────────────────────────┘
                   ↑
┌─────────────────────────────────────┐
│           Market analysis            │
│                                      │
│  Company, Competitors, Conditions, Consumers │
└─────────────────────────────────────┘
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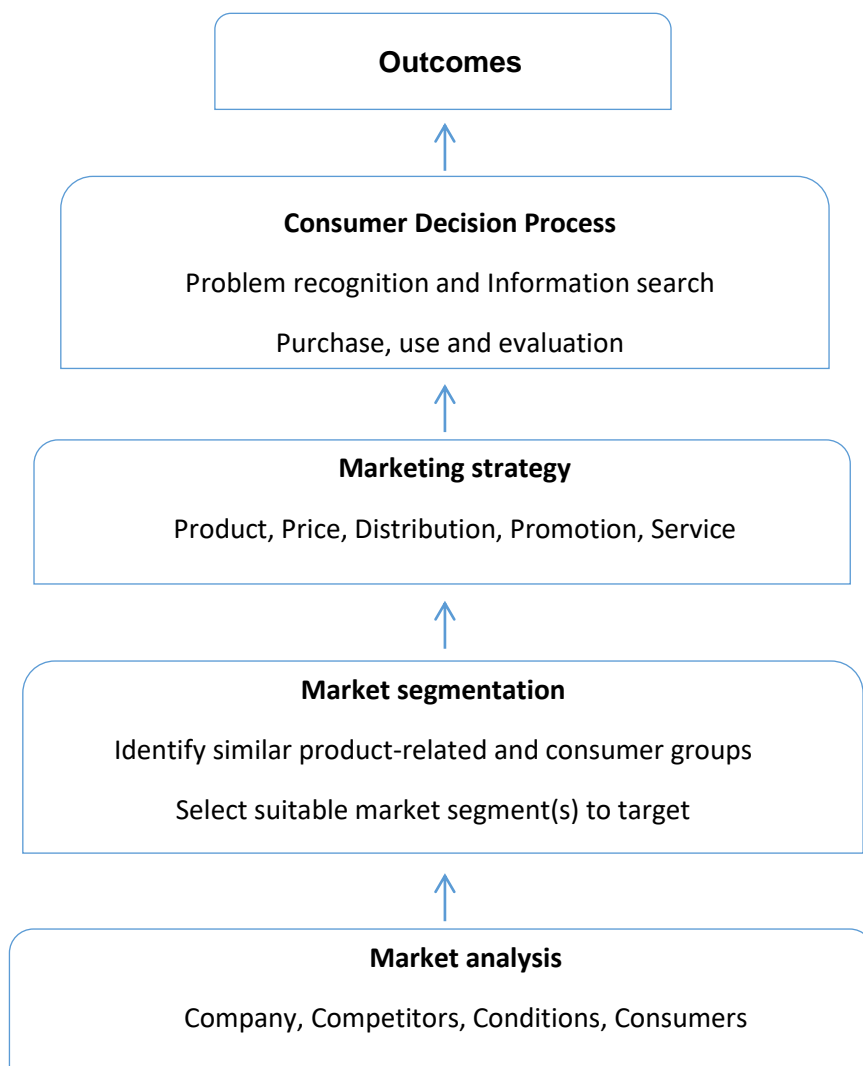
Figure 7 Marketing Strategy Formulation Process (Hawkins & Mothersbaugh 2009, 12)

As we can see from Figure 7, a deeper understanding of consumer behavior is the basis of formulating a marketing strategy. Consumers' responses to the marketing strategy establish the company's success and failure. Marketing strategy begins with an analysis of the market the company is intending to target. This consists of a detailed analysis of the company's capabilities, the advantages and disadvantages of competitors, the economic and technological elements' impacts on the market, and the current and promising consumers in the market. The next step is based on consumer analysis, in which the company finds groups of individuals and businesses with identical or similar interests and needs. After the market segmentation, the company will describe these segments according to demographics, geographic location, and media preferences. Then the company will choose one or more segments as the target markets based on the company's capabilities. For example, the company will analyze the current and predicted economic and techno-

logical situations. After that, the marketing strategy is established. (Hawkins & Mothersbaugh 2009, 12.)

The main goal of marketing strategy is to provide more value to the consumers compared to the competitors while still generating satisfactorily profit for the company. Marketing strategy is established according to the marketing mix. Marketing mix involves deciding the product's characteristics, price, distribution, services, and communications, which will bring superior and better value to consumers. This set of features is commonly referred to as the total product. (Hawks & Mothersbaugh 2009, 11-13.)

Experienced marketers will focus on establishing satisfaction for consumers rather than merely generating sales as in the long run, satisfied and happy consumers are more profitable. The outcome for individuals is that they satisfy their needs to a certain degree, leading to financial expenditure and perhaps behavioral changes. For society as a whole, the cumulative impact of marketing may affect economic growth, social problems, and social benefits. To summarize, the analysis of consumers is the key factor in the foundation of marketing strategy and consumer response to the total product decides the strategy's success.

## 3.2   Consumer-driven marketing strategy

Emphasizing on the demands of the consumers can give companies an advantage over competitors. An effective marketing strategy should be consumer-driven, commonly aim at reaching the consumers who benefit the most from the products and services. This subchapter discusses the factors in developing a consumer-driven marketing strategy.

### 3.2.1   Market segmentation

Market segmentation is one of the most fundamental concepts in the marketing fields. Understanding consumers' purchasing decision is essential to the growth of long-term and mutually profitable relationships. Studying consumer behavior is necessary to determine a specific consumers base for efficient segmentation. Thus, a significant part of consumer research includes segmentation. The choice of a relevant segmentation is vital in developing a successful marketing plan. According to Ferrell and Hartline (2010, 167) market segmentation can be defined as:

> *"From a strategic perspective, market segmentation is the process of dividing the total market for a particular product or product category into relatively homogeneous segments or groups."*

The logic behind market segmentation is based on the belief that a particular product may not attract all consumers in a market. Each consumer has varied product information and purchasing behavior. For example, even a simple product such as chocolate has many flavors and package proportions to attract consumers. There usually exists a large portion of individuals who are attracted to a particular product. To be the most efficient, segmentation should establish groups where the consumers have identical and/or related demand. (Ferrell & Hartline 2010, 167.)

***Market segmentation process***

The most important segmentation decision is whether the company should plan market segment or not. Most companies prefer targeting one or more sections of the whole market because they can be more profitable when they accommodate their products to suit different preferences. In modern economy, segmentation is heavily based on consumers because of the changes in communication media and search for unique products. Thus, many companies employ segmentation more drastically by aiming at small parts of a market, or even the most minimal market segments: individuals. As long the company and marketer can find an appropriate market segment for their products, they should then establish an ethical marketing mix to satisfy that group. In market segmentation, Peter and Olsen (2010, 365) have said that the necessary steps that should be taken are described in Figure 8.
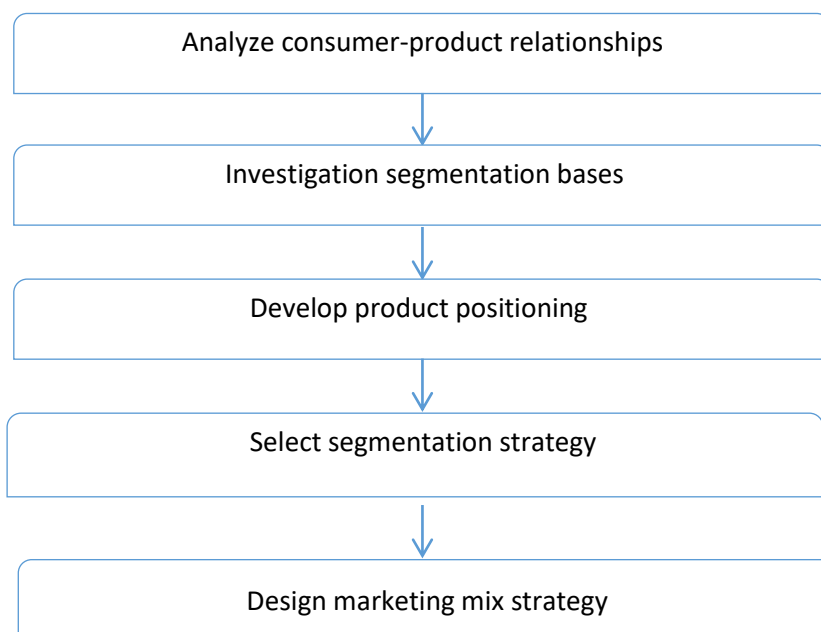


Figure 8 Steps in Market Segmentation (Peter & Olson 2010, 365)

The first step in market segmentation is to research and study consumer-product relationships. This includes an evaluation of the effect and cognition, behavior, and environments concerned in the purchase process. To conduct this process there are usually three common methods. Firstly, marketers determine the concept of the product based on the consumers that are most likely to purchase. Secondly, primary research can be applied to find the differences between the benefits and value of several promising target markets. Thirdly, secondary research may further examine the dissimilarities and the comparative sizes of the potential target markets. The second step is for marketers to investigate segmentation bases. There is no easy method to select the best consumer bases for market segmentation. In most situations, there are some aspects that can help support marketers' judgment. For example, some aspects can be considered are gender, age, hobby, employment, and income level. There are four common types of segmentation: benefit, psychographic, situation/people, and geographic segmentation. Companies usually research and choose one or more of these types of segmentation to develop their strategy. (Peter & Olson 2010, 365-380.) Figure 9 demonstrates the segmentation variables for consumer markets (Dibb & Simkin 2013, 192).

| **Demographic variables** | | **Geographic variables** | |
|---|---|---|---|
| Age | Occupation | Population | City size |
| Gender | Family size | Region | Market density |
| Race | Family cycle | Urban, suburban, rural | Climate |
| Ethnicity | Religion | | |
| Income | Social class | | |
| Education | | | |

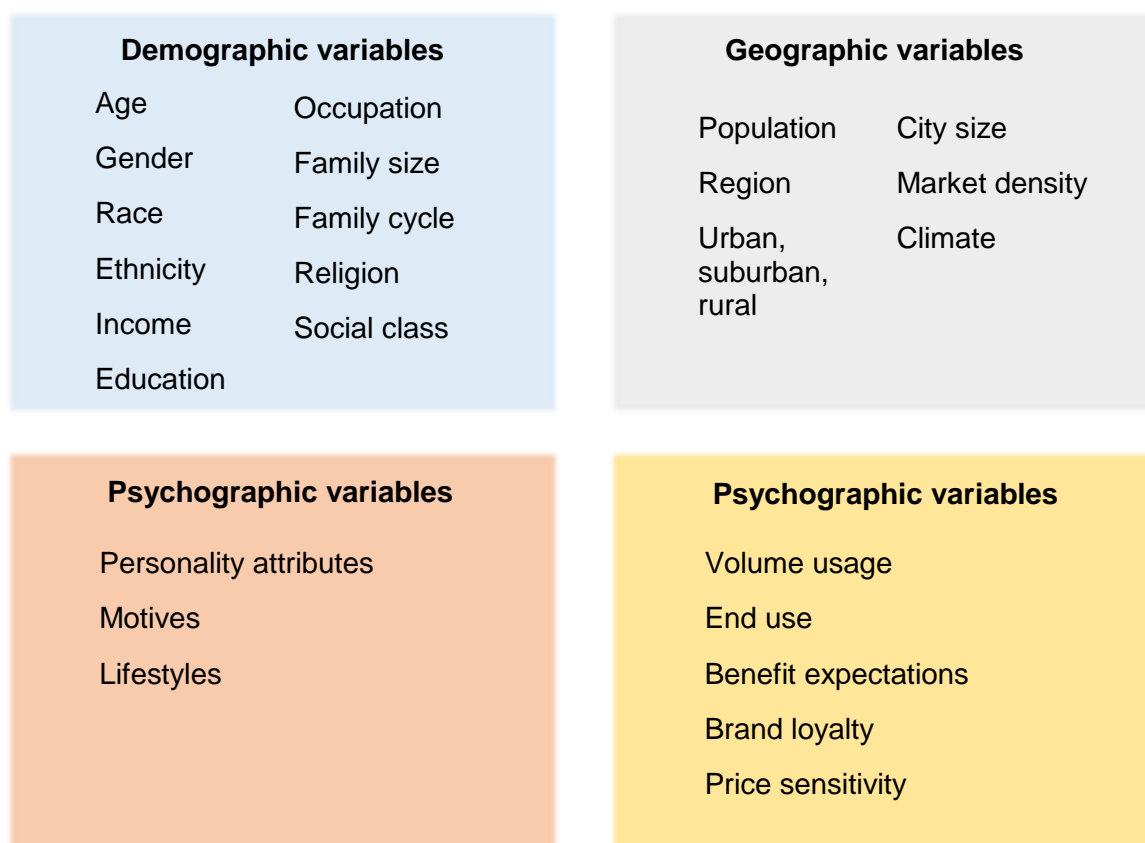| **Psychographic variables** | **Psychographic variables** |
|---|---|
| Personality attributes | Volume usage |
| Motives | End use |
| Lifestyles | Benefit expectations |
| | Brand loyalty |
| | Price sensitivity |

Figure 9 Segmentation variables for consumer markets (Dibb & Simkin 2013, 192)

The third step is product positioning, which means positioning the product relative to rival products in consumers' thoughts. The main goal of this strategy is to create a specific

brand image for consumers. This can be achieved by formulating a consistent strategy that may or may not include all of the marketing mix factors. There can be at least five ways in positioning strategy: by attribute, by application, by a user, by class, and by competitors. After this analysis is completed, the selection of segmentation strategy can be considered. There are several common options. Companies can decide not to enter the market or not to segment. They can also decide to enter one segment or more segments. An efficient segment must be measurable, meaningful, and marketable. The final steps to create a marketing mix strategy for each market segment. The target market selection and marketing mix decisions are connected, so careful consideration should be given through the whole process. (Peter & Olson 2010, 365-380.)

*Criteria for effective segmentation*

It is essential for companies and marketers to remember that not all segmentation methods are efficient in marketing value. It should be recognized the facts that the uncoordinated application can result in ineffective market segmentation, loss investment, and wasted opportunities. To prevent this from happening, there are certain criteria marketers should keep in mind and adhere to. There is no value for marketers to try and segment a homogeneous market. As such dissimilarities in the consumers' needs have to be found for the products. Similarly, different consumers in regard to their needs and purchasing behavior must not put in the same market segment. Furthermore, Dibb and Simkin (2013, 201-202) have stated that the established market segments must have these key characteristics:

- **Measurable:** The nature of the segment's members has to easy to measure and identify. This allows marketers to measure the segment's purchasing power and size. Marketers must find some basis to productively split individuals into segments with a comparatively similar product or service needs.
- **Substantial:** The established segment has to be large enough to be adequately profitable to make it beneficial for companies to sustain and promote a particular marketing mix. The potential profit must be greater than the associated costs in forming a marketing strategy exclusively for the segment.
- **Accessible:** The segment must be easy to reach with the established marketing mix. It should be accessible in regard to communication (marketing, promotion, mail) and distribution (medium, seller, retail market). For example, the advertising attempt should be aimed at the relevant consumers.

- **Sustainable:** Marketers do not research the issue of segment stability often. They need to be moderately sure that those segments will remain in the market long enough for the marketing strategy to take effect.
- **Viable:** The segments must meet the criteria for exchange to happen, such as responsive to conducting business with the company.

Using market segmentation requires a sufficient amount of experiences and common sense. It is often challenging to incorporate a brand-new segmentation practice because it would contrast with the current marketing structures. Companies will opt to make minor adjustment to what is already established. It is possible the company's expertise is not viable for the perfect market segments. Thus, a company should not pursue a market segment just because it meets all the necessary criteria or extremely profitable. (Ferrell & Hartline 2010, 172-173.)

## 3.2.2 Targeting

After the market segmentation process has been accomplished, the company should recognize the needs of the selected segments. It is in the company's best interest to determine any unpopular demands in the market, as there could be consumers who may not be appropriately satisfied by competitors. The next step is to establish the most beneficial segments to focus on. Thus, targeting is the action of preferring the segment(s) in which a company or an organization should concentrate on for its business and marketing activities. To decide which targeting strategies to follow, there must be support evidence based on an extensive understanding of the company's abilities and capitals, the characteristics of the competitors, the product/service that are going to be marketed, and the types of market. There are three common market approaches, which companies can apply: undifferentiated strategy, differentiated strategy, and concentrated strategy. Some companies and organizations can employ more than one type of approaches based on the brand, the product/service, the competitors, and the market. (Camilleri 2018, 77-78.) Figure 10 demonstrates the concept of different targeting strategies.
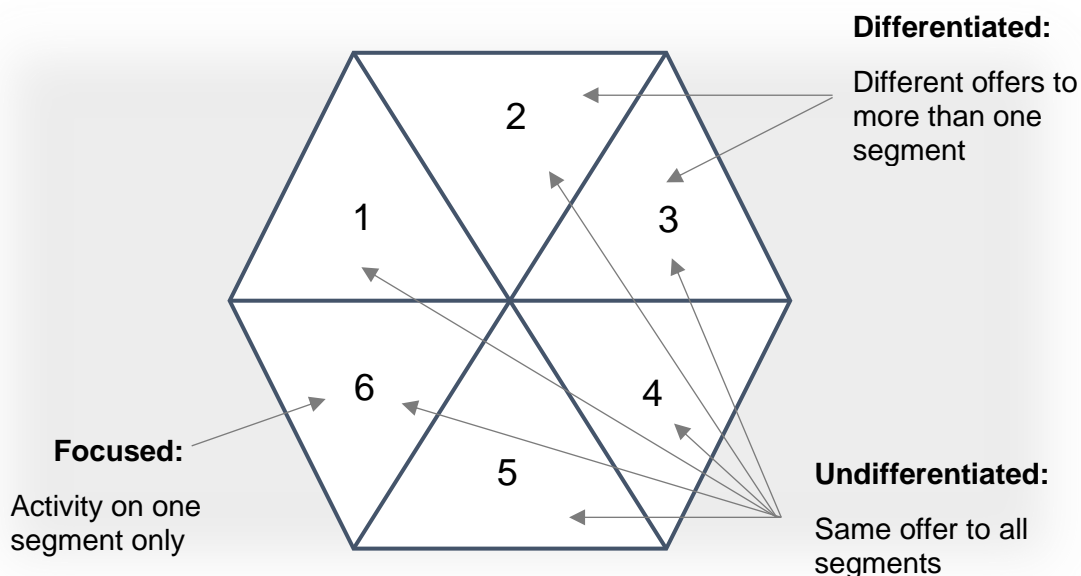
Figure 10 Different targeting strategies (Fifield 2007, 179)

*Undifferentiated strategy*

Undifferentiated strategy, which can also be called mass marketing strategy, is an approach that determines an entire market as its target market for a specific product. To put it simply, undifferentiated targeting strategy is when a company creates a single marketing mix and target one entire market for a product (Dibb and Simkin 2013, 204). By adopting this approach, companies assume that all the consumers in the market have related demands that can be met with a particular marketing strategy. This marketing strategy usually includes a single product or a similar set of products with no variation, a single price, a single promotional plan aiming at every consumer, and a single distribution method. The undifferentiated strategy can be successful under two conditions. First, the target market must be a homogenous market, where consumers have similar demands for a product. Second, the company must design and develop one marketing mix that meets consumers' needs. The companies are prone to failure if the competitors use more targeted strategies or offer more specialized product. In most case, consumers have different needs for products/services. As such, a company/organization should employ concentrated or differentiated approach. (Ferrell & Hartline 2010, 167-168.)

*Concentrated strategy*

Concentration targeting strategy is a process by which a company devotes its marketing efforts in one market segment through a single marketing mix (Dibb and Simkin 2013, 205). Put simply, companies concentrate their marketing attempts on a single and well-established market segment that has specific demands. Consumers in these markets are

usually willing to pay higher prices for specialized products. The most important advantage of this strategy is that companies can specialize in a product or field. A small company with limited capabilities and resources can compete with larger companies that may have disregard smaller market segments. However, there is also a disadvantage and high risk involved in focusing on a single segment. As a company's profit depends on one consumer segment and consumers' demand for the product decreases, the company's resources and profitability will decrease as well. The consumers in these markets prefer specialized products so it is necessary that the company create an uncommon item that greatly attracts consumers' interest. (Ferrell & Hartline 2010, 170.)

*Differentiated strategy*

A differentiated strategy is a strategy in which companies focus more than one market segments and develop a particular marketing mix for each segment (Dibb & Simkin 2013, 207). The marketing mix created for differentiated strategy will be different depending on the companies' products/services, prices, distribution systems, and promotional plans. By providing a variety of products that satisfy different demands, companies can appeal to consumers in one or more market segments. As marketing mixes target more consumers, a company can increase its profits in the market. A company with excess product can deal with this by using differentiated strategy to market to other market segments. However, this strategy also requires a larger number of production procedures, equipment, and staffs. With enough profit potential from the market segments and a suitable product, the profits gain can offset the costs. The differentiated strategy is the most commonly used approach for medium and large companies. (Dibb & Simkin 2013, 207.)

To summarize, there are different targeting strategies and deciding which one to use is one of the most important decisions in the market segmentation process. The strategy depends on various factors. The first factor is the company's resources and capabilities. If it is a small company with limited resources, then concentrated marketing is the most suitable option. Second is the competition within the segment market. A smaller company would focus on a profit potential segment but without too many competitors. Third, the company needs to carefully conduct research to understand consumers' demands and needs. By doing so, companies can determine which strategies are the most likely to succeed in satisfying these demands. Companies should target profitable consumers within well-defined market segments and build a long-lasting connection with them. (Camilleri 2018, 77-78.)

### 3.2.3  Product positioning

After identifying the target market segment and decide which targeting strategy to use, a company should position its products and/or services. Companies at this stage will develop their marketing strategies to accomplish this. According to Pride and Ferrell (2014, 306), product positioning can be defined as:

> *"Product positioning refers to the decisions and activities intended to create and maintain a certain concept of the firm's product (relative to competitive brands) in customers' minds"*

When companies market a product for the first time, they will attempt to position its image in the consumers' minds so that it has characteristics that suit the segment markets' demands the most. To be able to increase the success of the image's promotion to target consumer, companies can make few changes in cosmetics nature to the product such as the packaging and price. Target consumers must regard the product's image as unique and desirable compared to those of competitors. Companies can only control a part of product positioning as it depends on target consumers' perceptions. Consumers' views on the product are shaped based on various factors such as social media communication and other consumers' review. The consumers also contribute to building a product positioning positively and negatively. However, consumers typically can only give positioning to a company, a brand or a product that has the greatest awareness and familiarity. They can also commonly recall a limited number of competitors that are related to the market leader. The market leader in the consumers' mind may be the company with the heaviest exposure and visibility. Therefore, the product's positioning in the consumers' minds is influenced by the company's reputation, its products and/or services, and by the actions of the competitors. (Dibb & Simkin 2013, 214-215.)

***Positioning strategies***

The main goal of positioning strategy is to create a specific brand image in consumers' minds. Marketers can do this by establishing an efficient strategy that helps influence a positive image. There are three most common approaches to these strategies: reinforce the current position, repositioning, or trying to reposition the competition. (Ferrell & Hartline 2010, 213-215.)

- **Reinforce current position:** The most fundamental factor in this approach is to oversee completely the consumers' demand and the extent they perceive the product as satisfying. In the competitive market, it is easy for companies to lose

consumers and profits. Thus, to continue preserving its position and competitive-ness, a company must continually raise expectations about its quality and value.

- **Repositioning:** As product positioning can improve a company's profitability, it is necessary to assess the existing products' positions. It can happen when an existing product's sales have declined, or a new product is introduced. For example, when a company introduces a new product, the existing products have to be repositioned to guarantee an appropriate position for the new product. There are several ways to reposition a product. It can be achieved by changing the product's cosmetics nature, its price, its promotional plan, and its distribution methods. The most effective means of repositioning used by marketers are adjusting promotional plans. They can also reposition a product by targeting a different segment market.

- **Reposition the competitors:** The companies use this approach to reposition their competitors instead of their own. A direct assault on competitors' advantage can put their products/brands in a disadvantaged situation and can even force them to make adjustment their positioning strategy. For example, companies with similar types of products may attempt to outdo each other by using different strategies.

Product positioning has a major influence on the success of the company. The final step in creating a product's positioning is the dedication in developing a memorable and positive image in consumers' minds. It should target consumers' demands and strikes their interest. This can be achieved by thorough analysis of the product's nature, understanding consumers' needs, and effective positioning approaches. A company that fails to separate themselves from the competitors will find it challenging to attract consumers.

## 3.3 Marketing mix

After determining the consumer-driven strategy, the company will start planning the structure of the marketing mix. Marketing mix is one of the major concepts in today marketing. It is a set of marketing means consisting of product, price, promotion, and place, which marketers use to create the response they want from the target consumers and markets (Kotler & Armstrong 2011, 51). Companies incorporate these factors to satisfy consumers' demands and provide consumers value. Without the specification of marketing mix, the marketing strategy will not be able to function efficiently. The four variables in the marketing mix are commonly called the 4Ps. Figure 11 demonstrates the concepts of the 4Ps.

**Product**

Variety

Quality

Design

Features

Brand name

Packaging

Services

**Price**

List price

Discounts

Allowances

Payment period

Credit terms

**Target customers**

**Intended positioning**

**Promotion**

Advertising

Personal selling

Sales promotions

Public relations

**Place**

Channels

Coverage

Locations

Inventory

Transportation

Logistics

Figure 11 The 4Ps of the Marketing Mix (Kotler & Armstrong 2011, 52)

*Product*

A product is anything offered by the company to a consumer, and that are acquired with any kinds of value to meet a demand (Hawkins & Mothersbaugh 2009, 19). The product factors in marketing mix are connected to consumers' demands and developing a product that will be appealing and create satisfaction for them. A product can be anything: a service, a good, an idea, or any of these three combines. Goods are commonly merchandises that are touchable and perceptible. Apparel, food, and cosmetics are all example of this type of product. Service is an operation and effort by the company to create actions that are intangibly beneficial to the consumer. Some examples of services are hair salon, hospital, and school. Ideas include concept, theory, and philosophy. For examples, a school counselor provides advice and support for students to help solve their problem. (Pride & Ferrell 2014, 5-6.)

The product is a central factor in the marketing mix. To be able to satisfy consumers, companies have to find the correct product and convince them to become repeat buyers. Furthermore, even if a product becomes successful, it does not mean that it will stay that way. The market and the consumers' demand will always change. There are many causes of product failure. One of the most typical reasons for product failure is that the company was unsuccessful in meeting consumers' needs. When products do not offer any value to consumers, they fail in that market. Inefficient branding has also been one of the causes of product failure. Other reasons consist of unproductive distribution, faulty product, and unsuccessful promotion. A product that does not bring any profit to recover the costs is an absolute failure and should be deleted. If a product still brings in profit but does not meet the sales' goals, it should be improved and/or repositioned.  As such, companies have to make the right decision when to adjust and alter their product and strategy such as deleting an existing product to replace it with a new one and modifying a current product. (Dibb & Simkin 2013, 272.)

*Price*

To consumers, price is the value they exchange to satisfy their demands. The buying power depends on the level of their income. The price variables are connected to the decisions and activities associated with developing pricing policies and determining product prices (Pride & Ferrell 2014, 8). Price is a key element in the marketing mix as consumers are greatly concern about the value that they receive in exchange. Thus, the price is commonly used as a competitive tool and lead to price competition. High-end company can employ price as a tool to establish a premium image for the brand. For example, Dior and Chanel are companies that create a high-end image for their brand. Meanwhile, Amazon uses its vast partnership connection and reduce costs to distribute product at a lower price. There are limits to how marketers can significantly control and make changes to pricing decisions, as there are external factors such as company resource, competitor activities, and government regulations. (Pride & Ferrell 2014, 8.)

As mentioned above, price has a strong influence on how the company and organization will manage competitively in the market. As such, they have to thoroughly consider the pricing decisions of their product. There are two strategies that an offered product can compete based on price and non-price competition. The decisions will influence pricing issues and other activities in the marketing mix. When price competition strategy is applied, the company will focus on matching and surpassing competitors' prices. Usually, companies using this strategy commonly produce standardized products such as grocery, fuel. This is because to compete productively, a company or an organization has to have

to lowest production costs for the product. Then they will be the most profitable by selling product at a lower cost. In addition, companies using this strategy should be ready to adjust their price frequently, especially as a reaction to competitors' price change. As such, there is a lot of flexibility in using this strategy for both the company and the competitor. Price adjustment can happen when there are changes in production cost or product's demand, or to beat competitors' price. However, this is also the same for competitors. Thus, price competition will occur. Non-price competition is the opposite strategies when a company decides to emphasize the uniqueness of the product to compete rather than focusing on the price issue. The distinguishing factors of the product should be challenging or impossible for competitors to imitate. Marketers can use this strategy to build and maintain consumer loyalty toward its product. If the consumers consider the uniqueness of the product to be desirable, they may not switch to other products easily. (Dibb & Simkin 2013, 367-369.)

*Place*

Place variables consist of the company's activities that make the product easily and readily available to target consumer to purchase. (Kotler & Armstrong 2011, 52). It can also be referred to as the distribution variable. Consumers typically will not go through too much trouble to purchase a specific product, excluding some rare situations. It is one of the most essential strategic decisions for many companies and marketers. Many renowned companies such as Walmart and Amazon. rely on highly efficient supply chains to gain competitive benefits. Consumers remain mostly oblivious to the process as it takes place behind the scene. They rarely take notice of the connection between companies and supply chains, the methods that the companies used to move products to retailers, or how retailers fill and refill their shelves. For example, Apple manufactures its popular product, iPhones in factories located in China. Although in modern economy, consumers have much more awareness about distribution and supply chain, a great number are still mostly ignorant about how these process and activities actually occur. (Ferrell & Hartline 2010, 263.)

Distribution channels always have to be evaluated by companies and marketers. If companies want to stay competitive in the market, then their distribution channels have to productive and efficient. Productive means that the channel has to satisfy the key purpose of both companies and target consumers. In today market, consumers are expected to have the capability to gain information and purchase products at any time, even on holidays. To meet these demands, companies need to use a technology system to process these requests in the distribution and marketing channels network. In addition, consumers com-

monly do not want to go through too much trouble to purchase a product. Nowadays, with the development of Internet, they can just stay at home or in their office to make buying decisions. Furthermore, they want to purchase the products with the amounts suitable to them and their preferred methods of payment. For example, Paypal is among the most popular payment methods to handle online transactions. Efficiency in a channel means that companies must reduce costs by cutting redundancies. An efficient channel can greatly cut down costs in transportation, packaging, and inventory factors. Even if not an optimal strategy, prices can be imitated, products can be obsolete, and promotion can be easily changed depending on the seasons. As such, place variable or distribution is fundamental to the prosperity and survival of every company and organization. (Ferrell & Hartline 2010, 267-269.)

*Promotion*

Promotion or marketing communication consists of advertising, public relations, sales promotion and other characteristics provided about the company and its product (Hawkins & Mothersbaugh 2009, 20). To put it simply, it is the communication of influential information about a type of product to persuade consumers and key stakeholders about the product's quality and value. For a promotion strategy to be successful, marketers should focus on four factors. First, target consumers are not the only one that companies should send the information to, but also those who are influential to target consumers. It is necessary to decide who should the company target for the promotion strategy. Second, the influence that the company wants to have on consumers should be determined. The key objective of promotion is to advertise products and increase sales. There are also more immediate objectives such as raising awareness and increase popularity about the product. Third, establish what kind of promotion method will carry out the desired influence on consumers. Depending on the target consumers and markets, a suitable strategy is developed. This requires understanding of the market and broad knowledge about the development process. Finally, companies should decide what kind of method should be applied to reach consumers. There are multiple means for promotion strategies such as the Internet (direct mail, Web sites) and mass media (televisions, newspapers, magazines). Coming up with these decisions requires thorough knowledge and experience of the media that consumers prefer and the effect on the image of the product. (Hawkins & Mothersbaugh 2009, 20-21.)

3.4   SWOT analysis

A SWOT analysis is widely used by marketers as an effective tool to analyze marketing information.  A SWOT analysis includes both the internal and external environment of the

company. It consists of evaluating the strengths, weaknesses, opportunities, and threats of the company. In terms of internal environment, it will focus on the company's strengths and weaknesses on major factors such as human resources, production capacity and capability, product availability and quality, and organization promotion. In regard to external environment, it will address information and data about the whole market, government regulations, social and economic trends. Thus, SWOT analysis serves as a tool to contribute guidance and motivate the development of an effective marketing strategy. (Ferrell & Hartline 2010, 120.)

A SWOT analysis can evaluate what a company can and cannot do, and the environmental situation that supports and works against the company. SWOT analysis can reveal competitive strengths that can be used as leverage for the marketing strategy. These competitive strengths will aid in developing the correct direction and strategic focus for the company's applicable marketing practices. As such, the use of SWOT analysis can save costs related to strategic planning. It is important to research and analyze every product market, every competitor in the market, consumers' perspective about the company and its product. (Pride & Ferrell 2014, 34-35.) Figure 12 below is an example of the SWOT analysis matrix.
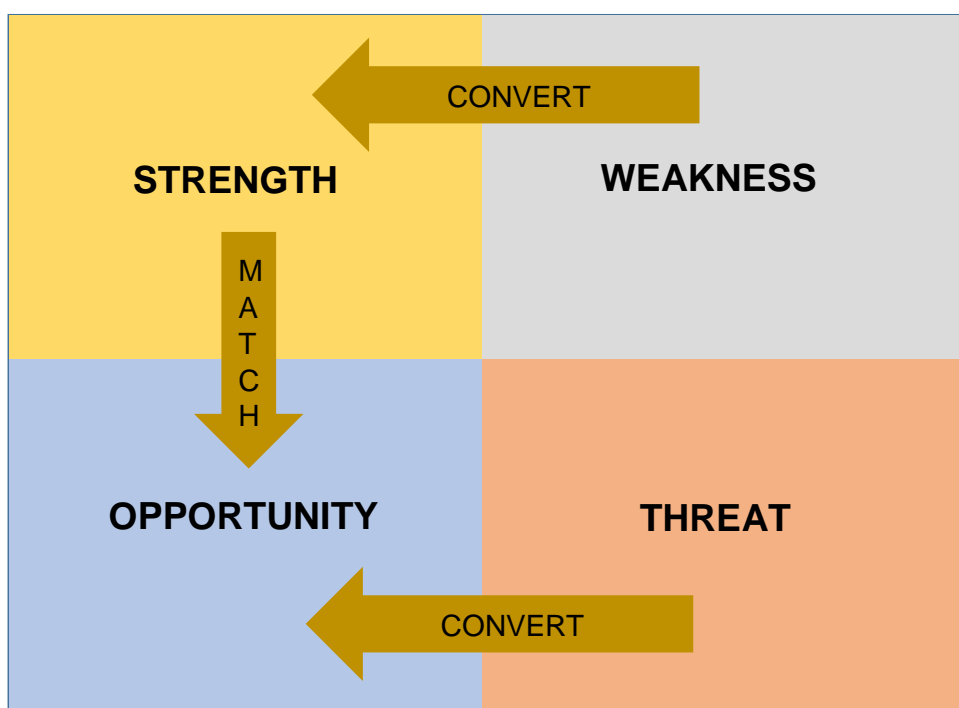


Figure 12 SWOT Analysis Matrix (Pride & Ferrell 2014, 34)

SWOT analysis is a four-cell matrix and illustrates how companies should find a way to transform weaknesses into strengths, threats into opportunities, and finally pair strengths and opportunities to establish competitive advantages. The weaknesses and threats found

should be eliminated and/or minimized. The marketers must assess the factors in each of the matrix's cell in regard to their importance. The assessment should be established depending on the consumers' perspective or the company's experience. According to Ferrell & Hartline (2010, 131-132), for companies to be able to fully employ the SWOT analysis, these key issues should be recognized and acknowledged:

- The company must examine the key activities and processes for satisfying consumers' demand. This often involves providing answers and solutions to consumers' problems, instead of just offering specific products.
- By combining companies' strengths with market opportunities, they can increase their capabilities and reach their objectives with less effort and a greater chance of success. Capabilities can become a competitive advantage if the company can offer greater value to consumers compare to competitors.
- After marketers have established their primary weaknesses, they can change it into strengths by strategically focusing on main areas such as consumer support, study and research, and the efficiency of the supply chain. Similarly, threats can be changed into opportunities if companies have enough resources and capabilities available.
- Limitations are the weaknesses that the company cannot convert into strengths. Some limitations are very apparent to consumers and other key stakeholders. Companies should develop effective strategic decisions to try to eliminate and/or minimize these limitations.

SWOT matrix is a straightforward but helpful framework for analyzing a company's strengths and weaknesses and the opportunities and threats from the external environment. It assists companies in emphasizing on their strengths, minimize weaknesses, overcome threats, and make use of every opportunity available. It is a means of providing information about companies' competitive advantage and strategic focus. A company's strategic focus can be shifted over time to express the internal and external environments' dynamic nature. This is based on how the company's strengths and weaknesses correlate with external opportunities and threats. For example, a company may not have much internal strength but multiple opportunities. In this case, the company does not have enough resources to establish capabilities and/or competitive advantages. As such, they might concentrate on small market segments, or might form a partnership with companies that have the necessary resources. Thus, SWOT matrix is efficient to develop an effective strategic focus, which is the foundation of establishing marketing objectives and goals. (Ferrell & Hartline 2010, 137-139.)

# 4 VIETNAMESE CONSUMERS AND THEIR BEHAVIOR TOWARDS COSMETICS INDUSTRY

The main focus of this thesis is to create suitable marketing practices for the case company in the Vietnamese cosmetics market based on Vietnamese consumer behavior. This chapter discusses the overall picture of the current situation of Vietnamese consumers. The Vietnamese cosmetics market and the consumer behavior in the industry is also the focus on this chapter.

## 4.1 Vietnamese consumers

Vietnam is one of the most dynamic and active countries in the world. In 2017, the two main cities were listed in the top ten cities that have adopted and have taken advantage of technological changes to improve economic growth (Carrasco 2017). With the rapid development of technology and the Internet, consumers are changing in their behaviors, perceptions, and opinions. Vietnamese consumers are easily influenced by word of mouth, other consumers' opinions, and social media. Today's behaviors may not be the same as yesterday. Therefore, any businesses and brands may find themselves obsolete if they don't tailor to the ever-changing consumer behaviors. In this chapter, an overview of current Vietnamese consumers behavior together with Vietnamese consumers' core cultural value will be provided.

### 4.1.1 Overview of Vietnamese consumers

Considering Vietnam market as a target for studying consumer behavior, several related factors will be included in this subchapter. Consumer Confidence Index, Population Age, and Income are the aspects that every marketer should take into considerations no matter what industry they are in. The three aspects will be briefly discussed below as they reflect the general spending habits and behaviors of Vietnamese consumers.

***Consumer Confidence Index***

The consumer confidence index is a model used to measure the optimism of consumers' state of mind about the economic situation and personal financial situation. If consumer confidence is high, consumers are more willing to spend and contribute to economic growth. Similarly, if consumer confidence is low, consumers are more likely to save their income and spend less. (Lachowska 2011.) According to the survey conducted by The Conference Board and Nielsen, a global information and measurement company, Vietnam takes the 5$^{th}$ rank in being the most confident country in the world. In the second quarter

of 2018, Vietnam consumer confidence level continues to be stable with an index score of 120 points. Compare to the first quarter of 2018, it has decreased by 4 points. According to the Managing Director of Nielsen Vietnam, the consumer confidence level is still above average globally. (The Nielsen Company, 2018.) Figure 13 indicates the Vietnamese consumer confidence index and their driving factors in the second quarter of 2018.
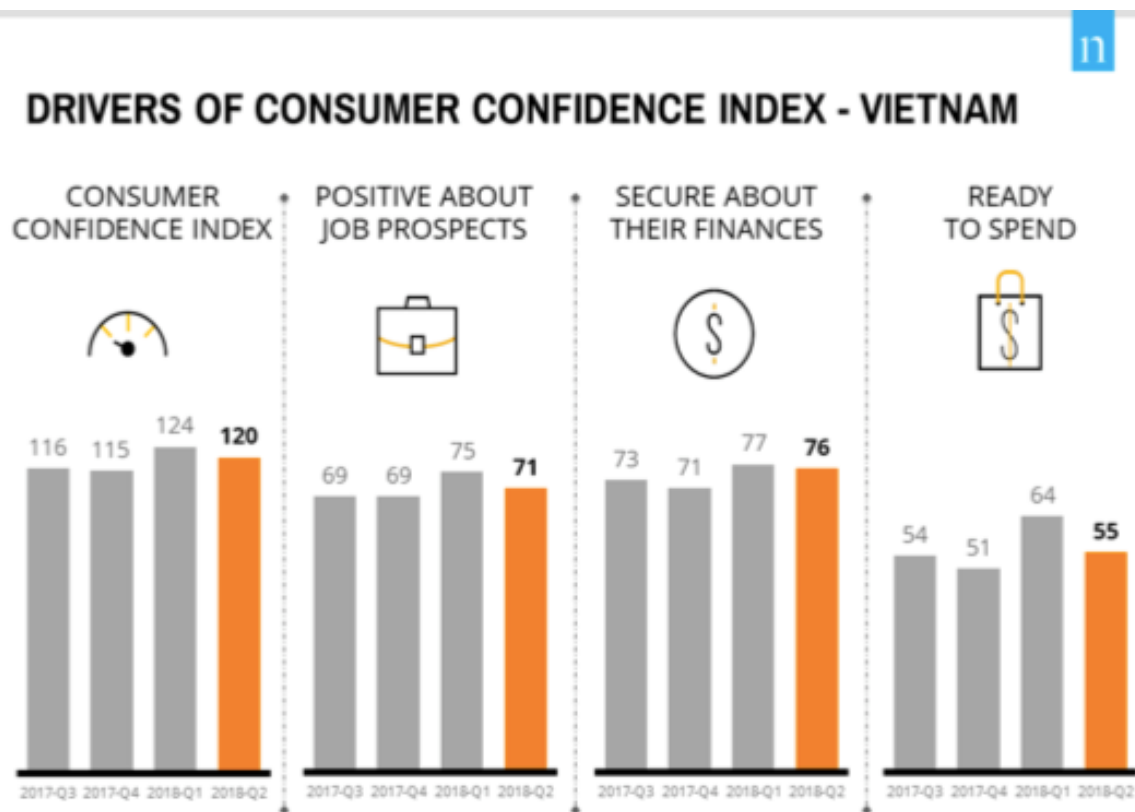


Figure 13 Drivers of Consumer Confidence Index – Vietnam (The Nielsen Company, 2018)

According to Figure 13, 71% of consumers are positive about their job prospects. As Vietnamese consumers feel secure about their job, they are optimistic about their financial situation with 76% feeling their financial situation are in good or excellent conditions in the next 12 months. However, 45% of consumers are feeling that this is not a suitable time to spend on shopping. As noted by Nielsen Company, the Vietnamese economy has a GDP growth at around 6 to 7% in the last three quarters. Nonetheless, Vietnamese consumers are still concerning about economic recession. Many still believe that the country is still in recession and it is not a suitable time to spend. Even though there is no economic KPIs that suggest anything about economic recession, Vietnamese consumers still do not believe that the current condition is really positive and feel uncertain about the future. These beliefs could have a significant impact on consumers' saving and spending habits. In addi-

tion, Vietnamese consumers have a tendency to save their income for their family's future, so they are less inclined to spend impulsively. (The Nielsen Company, 2018.)

***Population Age***

As of March 2019, Vietnam's population is 97,124,154, ranks 15th in the world. Urbanization rate is 35.8% of the total population, Ho Chi Minh City and Hanoi where a large number of people living and working are the two cities with the highest population as well as population density. (Worldometers 2019.) Table 1 below shows Vietnam's population distribution based on genders and age groups: under 14 years old, from 15 to 24 years old, from 25 to 54 years old, 55 years old and older.

Table 1 Vietnam's population by gender and age group (IndexMundi 2018)

|  | *Male* | *Female* | *Total* | *% of the total population* |
|---|---|---|---|---|
| *<=14* | 11,909,326 | 10,735,324 | 226,44,650 | 23.5% |
| *15-24* | 8,098,019 | 7,509,021 | 15,607,040 | 16.2% |
| *25-54* | 22,087,095 | 21,719,615 | 43,806,710 | 45.6% |
| *>=55* | 6,080,851 | 8,020,912 | 14,101,763 | 14.7% |
| *Total* | 48,175,291 | 47,984,872 | 96,160,163 | |
| *% of total population* | 50.1% | 49.9% | | |

The age group structure is generally divided based on the personal income: 0-14 years old people are children and have no working ability to generate income; 15-24 years old people are in early working age that may have no or little income; 25-52 years old people are in their prime working age and have stable income; people who are 55 years old and older are at mature working age and may have retired. (IndexMundi 2018.) Vietnam's population is balanced between two genders with 50.1% male and 49.9% female. Vietnam has an aging population (Vienamnet 2017) with 45.6% of the total population in working age and soon will retire while younger labor forces together only account for 39.7%.

Considering the whole population as potential consumers, especially under the circumstance of this study, the main target of companies is likely to be people from age 15 to 54 at the present and younger people in the future. According to Pew Research Center (2019), the targeted consumers would fall in three-generation concepts: Generation X, Millennials and Generation Z. Figure 14 below explains the clarification for the three generations' timeline.
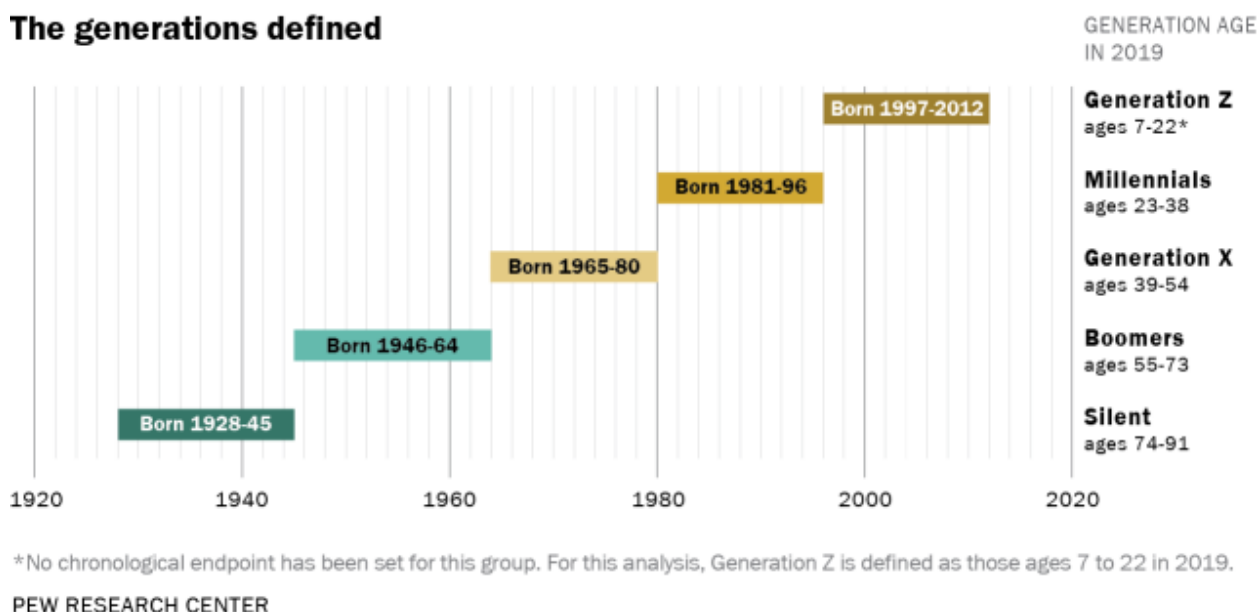
**The generations defined**

GENERATION AGE IN 2019

Born 1997-2012 — **Generation Z** ages 7-22*

Born 1981-96 — **Millennials** ages 23-38

Born 1965-80 — **Generation X** ages 39-54

Born 1946-64 — **Boomers** ages 55-73

Born 1928-45 — **Silent** ages 74-91

1920    1940    1960    1980    2000    2020

*No chronological endpoint has been set for this group. For this analysis, Generation Z is defined as those ages 7 to 22 in 2019.

PEW RESEARCH CENTER

Figure 14 The generations defined (Pew Research Center 2019)

In recent years, Vietnam has seen a lot of changing patterns in buying behaviors, especially in young people who belong to Generation Z and the late of Millennials. Since late Millennials and Generation Z have been exposed to many development privileges as well as the Internet and globalization effect, there have been a lot of changes in their thinking. Stated by Duong Mai Hoa - general director and CEO of Vingroup - in an interview with Oxford Business Group:

*"Improved living standards have changed consumer trends and Vietnamese have begun to embrace modern shopping habits over the past 10 years".*

The improvement of living standards together with globalization effect has led to an increase in consumers' awareness of health and quality. This makes them demand for more original products and high-quality customer service. (Oxford Business Groups 2019.) Moreover, Vietnam's middle class is growing at a rapid speed. The Nielsen Company (as cited in Emerhub 2017) has estimated that Vietnam would have 44 million consumers who are in middle class by the time of 2020. This has made Vietnam one of the countries has the fastest-growing middle classes in the world. This growth has gradually changed the spending behaviors of Vietnamese consumers in general and Vietnam's middle class in specific. An example of this adjustment would be luxury brands' expansion (for example Chanel, Versace, Armani) to Ho Chi Minh City, Vietnam. Having witnessed Vietnam with a score of 120 in Consumer Confidence Index (The Nielsen Company, 2018), these companies have indicated that Vietnam has enough potential purchasing power to attract for-

eign brands through market research. Therefore, luxury brands have been entering Vietnam with confidence since then. (Emerhub 2017.)

*Income*

Income is the primary sources for personal expenditures of any people in working age. An average monthly net salary after tax in Vietnam is 9,032,140 Vietnam Dong (VND) (Numbeo 2019), which is approximately 345 EUR (TransferWise 2019). However, the wages are significantly dissimilar across economic sectors, occupations, positions, regional differences, and types of companies. (Das 2018). Therefore, following statistics retrieved from other sources may act disjointedly with each other. Regarding monthly expenditure, a Vietnamese spend 390USD (=347.26EUR) a month on average (Q&Me 2014). The detailed spending of a typical Vietnamese is detailed in figure 15.



Figure 15 Average consumer spending (Q&Me 2014)

Considering the cosmetics industry is part of this thesis's topic, from figure 15 above, cosmetics and related products belong in the other section. A typical Vietnamese spend circa 50USD a month for cosmetics products, among other entertainment products and clothes. Out of 200 respondents in the survey, 50% of them spend less than 50USD on entertainments and clothing. According to research, a typical Vietnamese spend 4USD monthly on beauty products, while Vietnamese women spend a little bit more than that, around 6USD. (Chi 2018.) This amount of money is not enough to afford any luxury cos-

metics brand. Therefore, Vietnamese consumers have the tendency to look for price value cosmetics and other related products that last for a long time.

### 4.1.2 Vietnamese consumers' core cultural value.

After having a general look at Vietnamese consumers, it is time to study the cultural value that are considered core cognition in regard to Vietnamese's purchasing behaviors. As introduced in chapter 2.4, four elements that directly contribute to consumers' behavior are culture, value perception, quality perception, and other factors. This subchapter will first discuss the cultural cognition of Vietnamese consumers, as the element subjectively reflect Vietnamese's general thinking in consuming behaviors regardless of product categories.

***Culture***

Based on Hofstede's five dimensions of national culture, Vietnam's indexes are illustrated in figure 16.
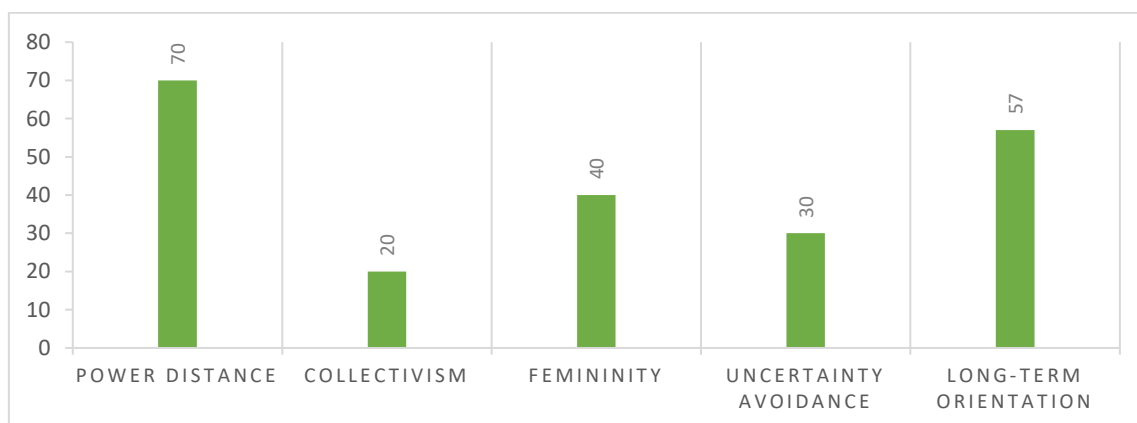


Figure 16 Vietnam's cultural dimension indexes (Hofstede et al 2010, 54-274 & Hofstede Hofstede Insights 2019)

Vietnam had a high score for power distance: 70, which ranked 22[nd] out of 76 countries analyzed. This means that most Vietnamese accept a hierarchical order in a society where each person has a certain position and there is no necessary justification. This hierarchy is due to inherent inequalities. There are implicit principles between classes and strong dependency on relationships. Therefore, objections to the order or leadership are not well-encouraged. Power distance is also reflected in family relationships. In countries with high power distance index (PDI) like Vietnam, respect for parents and other elders is considered a basic virtue. Similarly, parents and other elders are believed to be in charge of taking care of their children with more warmth and care. A person's personalities are also influenced by the way they are nurtured in childhood and this continues to last

through adulthood. Because of this intimate dependency, when parents reach old age, children are expected to support them both practically and financially. This cultural tendency can be one of the reasons why some Vietnamese consumers are uncertain about the future and their spending habits. Instead, they tend to save incomes for their family's future.

Individualism/collectivism is the dimension that refers to the degree of interdependence a society maintains among its members. Vietnam with a score of 20, which shares approximately the same range as other Asian countries like China, Singapore, Thailand, Korea, is a collectivistic society. This means that Vietnamese people have a close long-term commitment to be a member of social groups such as family, school, work, society, and other extended relationships. Some symbolic features of collectivistic society are: harmony and consensus in society and groups should be preserved; collective interests prevail over individual interests; opinions are predetermined by society and groups, and social network is the dominant source of information compared to media. Since Vietnam is a typical collectivistic culture, the listed features apply justly to Vietnamese consumers. Therefore, Vietnamese consumers tend to prefer products that fit the cultural circumstances of Vietnam. Products that are against cultural and social norms are not welcomed. Along with that, recommendations and advice from acquaintances or people from inner social circles are trusted more than other sources of information.

With a score or 40 in masculinity/femininity cultural dimension, Vietnam is considered a feminine society. According to Hofstede Insights (2019), femininity in Vietnamese people bares resemblance to its collectivism. The similarities lie in some common traits, which are: people strive for consensus; equality, solidarity, and quality are highly valued in daily life; disagreements, discords, or conflicts, as well as any potential animosity, are usually resolved by subtle solutions such as compromise and negotiation first; decisions are mostly achieved through mutual agreement and involvement.

Vietnam scored 30 on the uncertainty avoidance dimension, ranked 70[th] out of 76[th] countries examined, which is a low score. Low uncertainty avoidance index (UAI) means that people are more tolerant of unknown and uncertainty. Regarding consumer behavior, new changes and innovations are more likely to receive relaxed attitude instead of hesitance from consumers. In fact, a large quantity of commodities in Vietnam is imported from foreign suppliers. Therefore, Vietnamese consumers have acquainted themselves with the appearance of foreign brands and even grown to hold affections for them (Jennings 2016; Carrasco 2017 & Vietnamnet 2018b). More statistically, Vietnam ranked 19[th] in imports in 2017 with an imports value of 235 billion USD. Vietnam's imports have shown a gradual

increase every year and shown no sign of degradation for the last decade. Top five suppliers for Vietnam's imported goods are China, Korea, Japan, Singapore, and Thailand. (Export Genius 2018.) The growth in imported products together with low UAI has led to a positive openness and acceptance in Vietnamese consumers towards the entrance of foreign brands and products. Chris Morley (as cited in Hays 2014), managing director of market research company ACNielsen Vietnam also claimed that things were shifting strikingly, including the rate of change, the rate of acceptance of new goods and services in Vietnamese consumers.

Vietnam is a long-term oriented culture, with a score of 57 in the corresponding cultural dimension. As claimed by Hofstede, in societies with long-term orientation, people show an ability to apply their initial traditions to changing conditions. They also have strong propensity to save and invest. In addition, thriftiness and perseverance are valued. These traits are somehow reflected in Vietnamese consumers' habits. For example, Vietnamese people respect perseverance, so they are more likely to save their incomes for the future of themselves and their families instead of impulsive spending. Therefore, in most cases when they have to make a purchase decision, they are very price conscious. Vietnamese shoppers tend to spend more time searching for reasonably priced products with the best deal instead of purchasing premium ones (Deloitte 2014, 12).

## 4.2 Vietnamese cosmetics market

After entering the World Trade Organization in 2007, the economy in Vietnam has changed notably according to the international obligation. Since then, Vietnam has had many challenges and opportunities in order to achieve the aim of global economy's integration. One of the largest benefits of international trade is the growth value of export, import, and gross domestic product. As such, the trend of commodities consumption has also shifted. (Consortiacademia 2017.) The overview and current situation of the Vietnamese cosmetics market will be discussed in the section.

### 4.2.1 Overview and history

After the integration into international environment, there has been a significant change in the Vietnamese cosmetics market. Additional factors such as demographics, population and culture influences have also contributed to the cosmetics market's growth. With economic development, marketing activities have made a positive impact on communication between cosmetics brands and consumers. As consumers have a more reliable source to obtain information and access to products, the sale revenue in the industry has grown with a positive rate. Online shopping has caused a significant shift in distribution

and demand for cosmetics in Vietnam. With the high economic growth and improvement of lifestyle culture, the disposable income and living standard has improved tremendously. (Consortiacademia 2017.) Below is the figure of the revenue in the Vietnamese cosmetics segment from 2010 to 2018.
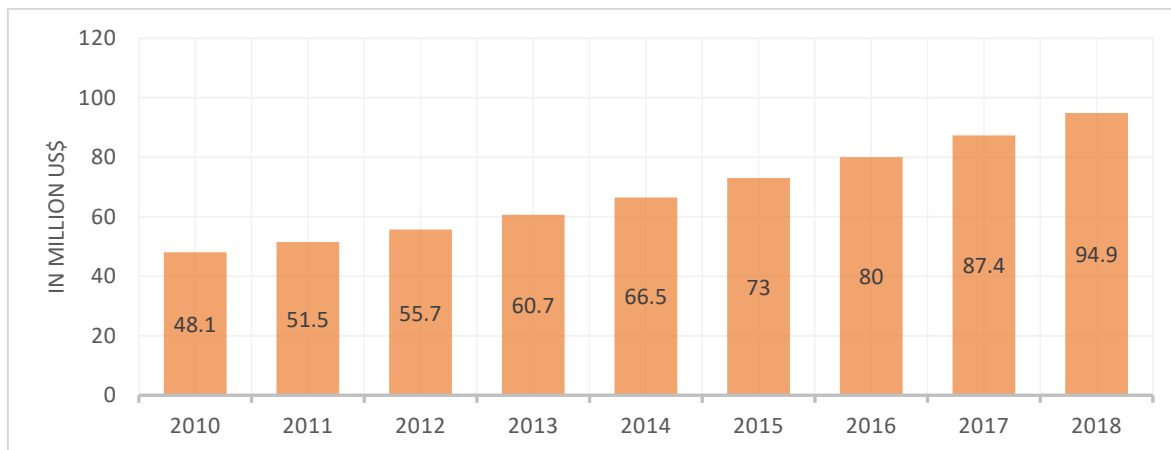


Figure 17 Revenue in the Vietnamese cosmetics segment in million US$ (Statista 2019)

The revenue in 2018 amounts to US$94.9 million in total. The market is expected to grow annually by a CAGR of 6.1% by 2019-2023. The revenue growth has slowed down slightly compared to 2017 with a growth of 8.6%. (Statista 2019.) With the rising demand from consumers and significant marketing efforts by cosmetics brands, the revenue for beauty products is still in a positive position. This is remarkably and prominently visible in big cities such as Hanoi, Ho Chi Minh City, and Da Nang where high-class consumers are increasing. Compare with neighboring countries in the region such as Thailand and Singapore. Vietnam is an emerging market with impressive growth and potential to exploit. (Pham & Do 2016, 76-79.)

### 4.2.2 Current situation in the market

According to Kantar Worldpanel, Vietnamese consumers are becoming aware and knowledgeable about beauty products. There are approximately 20 million females, which range between the age of 15 and 39. They form about 40% of Vietnam's female population. This consumers' group is considered to be more knowledgeable and has easy access to different sources of information about beauty products. They are greatly influenced by celebrities and beauty bloggers. They are attracted to beauty products' sophistication and finesse. As mentioned above, Vietnamese consumers are becoming more secure about their finance because of higher disposable income. Hence, they care more about appearances and are more likely to spend for premium products. (Kantar Worldpanel 2017.) For example, as Vietnam is a humid tropical country and building up air pollution, the de-

mands of the skincare sector have increased tremendously. Skincare products such as sunscreen, moisturizing cream, and skin whitening skin care support the increasing diversify skincare products. In the Vietnamese cosmetics market, the skincare sector makes up of approximately one-third of the whole market. (Consortiacademia 2017.)

In 2017, Vietnam has turned into an emerging cosmetics market with average growth of 30% in recent years. However, most of the beauty products in the market are imported. Due to the lack of high quality and sophisticated domestic products, the value of imported products has increased significantly. In 2017, Vietnam import value reaches US$6 billion in the cosmetics market but only US$500 million worth of export value. This has led to a trade deficit of more than US$5 billion. (Vietnamnet 2018a.) Below is the import value of cosmetics products from top 5 exporters in Vietnam from 2014 to 2017. (UN-Comtrade 2018).

Table 2 Import value of cosmetics products from top exporters in Vietnam from 2014 to 2017 value in US dollar (Un-Comtrade 2018)

| No | Country | 2014 | 2015 | 2016 | 2017 | Market share in 2017 |
|----|---------|------|------|------|------|----------------------|
| 1 | Rep. of Korea | 43,430,918 | 52,831,308 | 70,221,341 | 139,058,624 | 35.36% |
| 2 | Singapore | 35,112,231 | 39,398,574 | 49,544,800 | 57,598,479 | 14.65% |
| 3 | Japan | 10,371,474 | 17,238,812 | 24,785,440 | 41,521,865 | 10.56% |
| 4 | France | 13,526,023 | 11,527,409 | 14,050,610 | 24,604,620 | 6.26% |
| 5 | USA | 14,340,265 | 13,621,704 | 13,957,546 | 22,331,713 | 5.68% |

As seen in table 2, the top three exporters of cosmetics products into Vietnam are Asian countries. The 1st ranking is the Republic of Korea (South Korea) with US$139 million and 35% market share. It is followed by a Singapore (US$57 million) and Japan (US$41.5 million). In the 4th is France with US$41 million and more than 6% market share. The USA also is a major exporter in the 5th place, with approximately 5% of the total market share. (UN-Comtrade 2018.) In recent years, South Korea cosmetics brands such as The Face Shop, Ohui, and Laneige have established their strong presence in the market with multiple stores in big cities. To Vietnamese consumers, Korean cosmetic products are often affiliated with affordable price and having youthful aura. As for American products, they are considered high quality and adult brands while Japanese products are suitable price

with good value. After signing various free trade agreements, Vietnam has lower tariffs on cosmetics products and attracted even more foreign cosmetics brands. Furthermore, foreign cosmetics brands can export cosmetics products into Vietnam freely by passing the certification and quality. These are the advantage of foreign brands entering Vietnamese market. (The Voice of Vietnam 2018.)

## 4.3 Vietnamese consumers' behavior towards cosmetics industry

This subchapter will investigate Vietnamese consumers behavior towards the cosmetics industry. The framework of this exploration is based on the previously studied criteria: value perception, quality perception, and other factors.

### 4.3.1 Value perception

Driven by the price sensitiveness, Vietnamese consumers tend to go through a lot of decision before purchase. Concerning the use of cosmetics, the consumption value can be gained from such usage is:

- **Functional value**: Cosmetics can have many functions more than just enhancing one's beauty. "Cosmetics" is the general word comprise of many products that can be categorized into makeup, skincare, hair care, and body care. Each product has the functions depending on the category they belong to. Makeup can cover one person's flaws and intensify his/her features. Additionally, makeup can be used on special occasions and events. Skincare and body care products help people against skin problems such as acne, dehydration, blemishes, hyperpigmentation, rosacea, sun damage, and skin cancer. (Jirage 2019.)
- **Social value**: Cosmetics since a long time ago have been believed to be a tool to increase one's appearance and social standing. In fact, a study collaboratively conducted by Massachusetts General Hospital, Harvard Medical School, Dana-Farber Cancer Institute, Procter & Gamble, and Boston University has found that the use of makeup significantly increased attractiveness and competence ratings in women. (Etcoff, Stock, Haley, Vickery & House 2011).
- **Epistemic value**: Beauty products can be consumed out of curiosity. This can be the result of many influences such as communication, community feeling, or simply the desire to test out new products in the market. (Sophie 2019).

Back to Vietnamese consumers, the usage of cosmetics has gradually increased its social value and meanings among Vietnamese consumers, especially among women. Vietnamese women are wearing makeup more frequently. The percentage of women wearing

makeup daily experiences a yearly growth in conjunction with the percentage of women who do not wear makeup. Figure 18 below shows the change in makeup frequency.
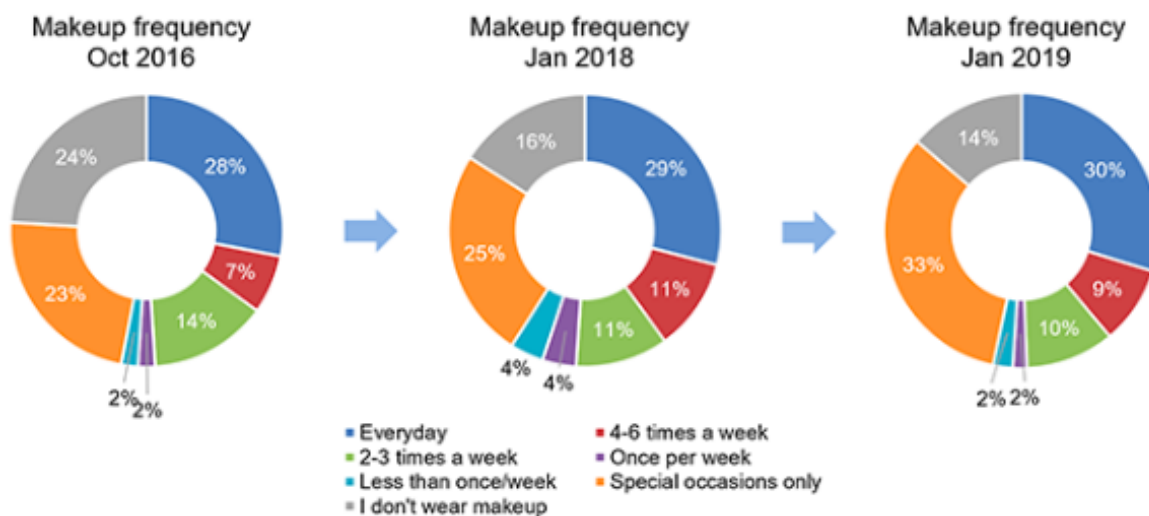


Figure 18 Makeup frequency change compared with the previous year (Q&Me 2019)

Vietnamese women start caring more about their appearance and social standing. The quality of looking good when going out is associated with high social standing since only women with money can have the resources for makeup. In terms of monthly spending per capita as well as usage frequency, makeup products usage rises. The percentage of people who do not wear makeup decreases, from 24% in 2016 to 14% at the beginning of 2019. The percentage rate is also expected to drop even more in upcoming years because of the younger generation (Gen Z and Millennials), who are more self-conscious about how they look. Vietnamese women also increasingly use skincare products, as 73% of 480 respondents in research done by Q&Me use skincare products at least once a week. The most-used products include facial cleansers, sunscreens, and facial masks. It is an unsurprising list of products considering the bad quality of air in Vietnam. (Q&Me 2019.) Seeing the beauty industry has influenced Vietnamese consumers, this subchapter will display Vietnamese consumers behavior towards the cosmetics industry based on their quality perception and other factors.

## 4.3.2   Quality perception

As previously explained in chapter 2.4.3, the quality perception in consumers usually associates with the origin of products and brands. This relation also applies to the cosmetics industry in Vietnam market.  According to a report by The Society of Cosmetics of Ho Chi Minh City (as cited in ANT Consulting Co. 2019), currently, there are more than 400 cos-

metics businesses in Vietnam market. However, 90% of them are dominated by foreign brands. Domestics brands only achieve little recognition as well as sale volume. Some Vietnam-based brands are Saigon Cosmetics, Thorakao, and Lan Hao. Products from these brands are mainly for exporting to neighboring Asian markets. (ANT Consulting Co. 2019.) On the other hand, foreign cosmetics brands are adored by most Vietnamese consumers. With the preferences of foreign brands together with many free trade agreements between Vietnam and other countries, the import of cosmetics has the chance to dominate Vietnam market.

Despite the favoritism for foreign brands over domestic brands, Vietnam has been witnessing an obstinate problem in the cosmetics industry over the years. Vietnamese consumers are lured with foreign brands and the need to keep up appearance in society. However, at the same time they are driven by cheap products. This creates a market for unauthorized imported products, fake products, and products with no country of origins. It became a big issue in 2015 due to the demand for high-end international cosmetics products with rock-bottom price. Unauthorizedly imported products have clearly restricted the growth for beauty products in Vietnam and harm Vietnamese consumers in a direct/indirect way. (The Economic and Trade Mission, the Embassy of Israel in Vietnam 2017, 14.) In 2018, it was reported that 75% of cosmetics sold in Vietnam market are fake products. Most of the fake products are publicly sold at bulk markets with prices ranging from 1EUR to 15EUR/product (translated from Nguyen 2018.) Another platform where forged cosmetics are sold are Facebook and other online stores. Here products are sold by unauthorized sellers and target middle-income consumers (The Economic and Trade Mission, the Embassy of Israel in Vietnam 2017, 14). Below are two images representing how fake cosmetics are sold in Vietnam.

Image 1 Counterfeit products are widely sold at bulk markets in Vietnam (Duong, as cited in Nguyen 2018)



Image 2 A counterfeit lipstick with clever imitating packaging (Le 2017)

As Vietnamese consumers are increasing their quality perception, there have been notable movements in cosmetics consumption in the market. In recent years, there has been a trend among Vietnamese consumers in favor of organic cosmetics products (ANT Consulting Co. 2019). The trend is expected to maintain in the upcoming years, due to the expansion of the younger generation that is more environmentally aware and willing to pay higher price for naturally produced cosmetics. Vietnamese consumers consider products rich in natural ingredients are safer and more environmental-friendly. In order to satisfy the growing demands, cosmetics companies can use this tendency to widen their products ranges and catch up with the shifting consumption current.

### 4.3.3  Other factors

This subchapter will inspect how other involvements and factors in the Vietnamese cosmetics industry influence its consumers.

***Online shopping***

Vietnamese purchase cosmetics from mainly two channels: 70% from friends and 30% from websites (Chi 2018.) Besides department stores and supermarkets, consumers are growing to purchase cosmetics more via Facebook and other online shopping channels: Shopee, Lazada, and Tiki. Figure 19 shows online cosmetics purchases in Vietnam (Kengo 2018).
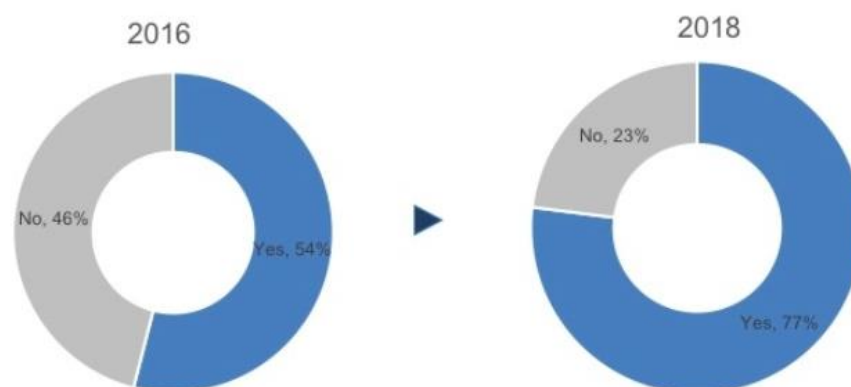
Figure 19 Online cosmetics purchase (Kengo 2018)

Compared to 2016, the percentage of consumers purchasing cosmetics online leaped from 54% to 77% in 2018. E-commerce has grown rapidly in recent years in Vietnam. At the end of 2018, there were 49.8 million Vietnamese users who do their shopping through e-commerce sites (Statistica 2019). The table below presents the top 5 online shopping sites in Vietnam.

Table 3 Top eCommerce site in Vietnam (EU-Vietnam Business Network 2018, 29)

| Site | Company background | Monthly visits (December 2017) |
|---|---|---|
| **LAZADA.VN** <br> **Lazada Vietnam** | The Lazada Group is one of the top e-commerce companies in Southeast Asia, currently available in Indonesia, Malaysia, Singapore, Thailand, the Philippines, and Vietnam. Used to belong to Rocket Internet, Lazada has been acquired by Alibaba | 54.82 million |
| **thegioididong** <br> **The Gioi Di Dong** | e-commerce website of the Mobile World Group, main products are smartphones | 39.17 million |
| **Sendo.vn** <br> **Sendo** | Sendo is FPT Corporation's online marketplace. Currently serving 80,000 shops with more than 5 million products from 21 categories | 26.64 million |
| **Shopee** <br> **Shopee Vietnam** | Shopee is one of the largest e-commerce platforms in Southeast Asia and Taiwan | 22.28 million |

| | | |
|---|---|---|
| **TIKI.VN**<br>Niềm vui mua sắm<br><br>**Tiki** | Previously an online bookstore, Tiki is now one of the top e-commerce sites in Vietnam | 19.74 million |

Of all the e-commerce sites listed above, except for The Gioi Di Dong who only focuses on selling smartphones, the other four sites are open to all kinds of product categories including cosmetics. It is not difficult to find a specific cosmetics product being sold by many different vendors and sellers. Even though online shopping is developing significantly in Vietnam, one obstacle companies might have to face is the payment method. Vietnamese consumers still prefer cash-on-delivery method (COD) the most. Credit cards usage is low and e-wallets currency is not gaining much popularity. The lack of trust in online payment method leads to a huge barrier in e-commerce. And it seems that consumers are not likely to change this habit in the near future. (EU-Vietnam Business Network 2018, 18.)

***Communication and media***

Together with the growth of online shopping, online communication and media have influenced Vietnamese consumers' shopping behavior. Recent years have seen a lot of birth of beauty bloggers and influencers - who express their experiences and thoughts in relation to cosmetics products. This phenomenon has led to the fact that YouTube is one of the largest channels for sharing makeup tips amongst Vietnamese consumers. According to a survey by Kengo (2018), 91% of people who took part in his survey and usually use makeup products admitted to watching YouTube for cosmetics review and makeup tutorials. The percentage of people who do not use YouTube for makeup information dropped from 18% in 2016 to only 9% in 2018. The lack of resources and tutorials for cosmetics users in Vietnam leads to this boom in usage for YouTube. While in other developing countries, cosmetics shop employees are trained to provide guidance for cosmetics buyers, the same cannot be said in Vietnam. (Kengo 2018.) The appearance of this phenomenon has created a digital Word-of-Mouth (WOM) communication that influenced Vietnamese consumers' behaviors a lot, especially the young people who rely on Internet as their main source of information.

In addition to YouTube, beauty influencers are also active on Facebook - the largest social media platform. The table below provides the list of popular Facebook pages about cosmetics products that receive a lot of recognition among the young Vietnamese consumers.

Table 4 Popular Facebook pages about beauty and cosmetics in Vietnam (Top List 2018)

| Facebook page | Active since | Numbers of followers | Other active platforms |
|---|---|---|---|
| Love at 1st shine | 2013 | 96,765 | http://www.loveat1stshine.com/ |
| Mai loves beauty | 2014 | 94,769 | http://www.mailovesbeauty.vn/ |
| Nàng Thơ | n/a | 62,396 | https://www.facebook.com/profile.php?id=100002146922800 |
| The Skincare Junkie | 2014 | 77,860 | https://theskincarejunkie.wordpress.com |
| Mịn Blogger | 2016 | 72,005 | http://minblogger.com/ |
| CavangwearsnoPrada | n/a | 49,886 | https://cavangwearsnoprada.com |
| Trinh Pham | 2011 | 259,021 | Youtube channel with 846,639 subscribers |

(All numbers and information retrieved from each official Facebook page on 9th March 2019)

Seeing the numbers in table 4, the influence of digital WOM regarding cosmetics usage is expanding to more Vietnamese consumers. This factor should not be underestimated, especially by companies who target to young consumers in Vietnamese market.

## 5   EMPIRICAL RESEARCH AND DATA ANALYSIS

After analyzing Vietnamese consumers behaviors towards the cosmetics industry, empirical research and collected data are examined to serve the purpose of this thesis. This chapter will provide the structure of empirical research, research design, data collection, and analysis.

### 5.1   Structure of the research

Before moving into further details of the empirical research and data analysis, the figure below presents a picture of the study structure and timeframe. The figure will help in giving a clear idea flow of the whole thesis.



Figure 20 Research structure and idea flow

From October 2018 to March 2019, the study was carried out according to the timeframe illustrated in figure 17. After the research idea was formed, secondary data were collected as groundwork to support the hypothesis. Thereafter, practical findings of the target market and case company were assembled to consolidate the theory. Survey and interviews as part of empirical research were then added. Finally, data analysis was conducted so that it could support all previous discoveries.

Empirical research is informed by observations. Such observations would formally support a specific research question or hypothesis. Empirical research comprises of testable questions that provide researchers a more practical sense of the situation. Therefore, it gives more well-defined answers that assist the validity and substance of the study. (Wilson 2009.) In this study, inductive research approach was used. The approach involves collecting related data in order to explore the Vietnamese market and develop marketing practices for case company Shiseido Group. For this reason, empirical research and data analysis in this chapter serve as a testing method to support all previously assembled findings.

## 5.2   Research design

Since empirical is predominantly based on observations and capturing experiences, it is crucial to first establish the steps needed to conduct the research and how to analyze it. Using the suggested plan by Bhat (2019), the following are the phases that are used to execute empirical research:

- **Purpose of the research**: The objective of this study is to provide the case company - Shiseido Group with insights about Vietnamese consumer in the cosmetics industry. This is to help Shiseido Group in implementing suitable marketing practices in the future. Empirical research and gathered data would provide a pragmatic picture of the Vietnamese market to verify previous literature studies of Vietnamese consumer behavior.

- **Supporting theories and relevant literature**: The theories and relevant literature are compiled in chapter 4: Vietnamese consumers and their behaviors toward the cosmetics industry. In the chapter, findings of Vietnamese consumers and the current cosmetics industry situation were investigated based on literature studies.

- **Creation of hypothesis:** Empirical research and data analysis would result in groundwork for applicable marketing practices suggested for Shiseido Group in the future.

- **Methodology:** Empirical research data are collected and analyzed using mixed method, which applies both quantitative and qualitative research method. An online survey was accomplished to find out Vietnamese consumers' common thoughts and habits in buying behaviors. Additionally, three interviews were conducted to discover Vietnamese consumer behavior from independent retailers and sellers' point of view.

## 5.3 Data collection

Data for empirical research of this study were obtained through an online survey and three interviews, this subchapter will explain how the data was designed and collected.

### 5.3.1 Survey data

The survey's purpose is to explore the common opinions of Vietnamese consumers regarding beauty products such as makeup, skincare, body care products, and fragrance. There were 19 questions in the survey, available in many forms: demographic questions, multiple choices, Likert scale questions, and open questions. The details of the survey are listed in appendix 3. The survey was designed using Google Forms. All responses were also collected via Google Forms and then extracted to Microsoft Excel for easier analysis. The survey was open to receiving responses for one month from 28[th] Jan to 28[th] February 2019. It was posted in two Facebook groups, namely Beauty Tips & Reviews Vietnam and Hội Nghiện Makeup - Makeup Junkie Vietnam with two administrators' permission. The two groups together have more than 550,000 active members from Vietnam who are interested in beauty products (numbers are retrieved on 6[th] March 2019 from the two groups). As a result, the survey's responses were received from appropriate targets, which are Vietnamese consumers who have interest as well as experiences in using beauty products. There were 202 responses received from the survey in total. The result will be quantitatively analyzed in later subchapters with the help of Microsoft Excel and SPSS Statistics. In addition to the statistics, answers from two open-ended questions collected from respondents will also be analyzed qualitatively.

### 5.3.2 Interview data

Three interviews were executed and divided into two groups. The first two interviews were done with two independent cosmetics retailers in Vietnam. Through the answers given by the interviewees, opinions about Vietnamese consumers are clarified from the perspective of retailers/sellers/companies that are active in the Vietnamese market. The two independent retailers were Interviewee 1 and 2. The interviews were carried on 1[st] February 2019, one after another on the same day. The last interview was done with Interviewee 3 - an administrator of a Facebook group relating beauty products: Beauty Tips & Reviews Vietnam. Interviewee 3 has been monitoring the group since April 2015 and up to now, the group has 437,841 members (Beauty Tips & Reviews Vietnam 2019). The group was created for Vietnamese users to share their opinions and reviews about beauty products. It is also a platform for those who seek advice and help related to cosmetics. With the third

interview, the answers represent the general thoughts of Vietnamese consumers and are interpreted into valid assertions.

The techniques used in the three interviews were structured interview. Structured interview uses a predetermined set of questions before the social interaction between interviewer and interviewees (Saunders et al 2016, 391). The two set of questions used in the three interviews are exhibited in appendix 1 and 2. Appendix 1 was a set of identical questions used to interview with two independent cosmetics retailers. While appendix 2 was only used for Interviewee 3 - representative of Vietnamese consumers. All of the questions were prepared before the meetings for effective recording purpose. The two question sets included general consumer behavior in Vietnamese people, case company and other relevant questions about feasible marketing practices. Aside from prepared questions, casual conversations with interviewees were also added into the interviews. The conversations were about other related topics such as current trends of the cosmetics industry in the Vietnamese market. Interviewees also expressed their knowledge and experiences regarding the research topic. Their opinions and suggestions can contribute to this thesis' findings and studies.

All of the interviews were conducted in Vietnamese because all interviewees are not comfortable with using English. However, the whole conversations were recorded with the interviewees' consent. The recorded content was then documented into a text file for storage and further analysis. All constructive information has been objectively translated without any unacknowledged modification. Neither biased preconception was made from the interviews. All of the collected materials will be qualitatively interpreted for further research analysis in later subchapter.

## 5.4   Data analysis

In this section, responses and answers from the data collection process are presented and analyzed. Data analysis from the survey result will come first and followed by data analysis from interviews. Survey responses are examined quantitatively and reported via tables, charts, and calculation results with explanations. Afterward, interpretation from interviews is analyzed qualitatively to support previous researched and findings.

### 5.4.1   Analysis of the survey data

**Background of the survey and participants**

The survey had 19 questions in total and was divided into four sections: introduction, demographic questions about respondents' basic information, questions about Vietnamese

consumers' use of cosmetics and common habits, and questions concerning case company Shiseido Group. The survey contents were based on the literature studies structure in chapter 2 and 3. Aside from that, some questions were related to hypotheses in order to find out Vietnamese consumers' reaction towards potential marketing strategies. All the questions were displayed under many forms, including single choice, multiple choices, rating scale, short answer, and open-ended questions.

The survey was posted in two targeted Facebook groups because of the reason mentioned above. The gathered responses were from members of the groups, they all filled in the questions and answer two open-ended questions with subjective yet innovative opinions. After one month of accepting responses, the survey received 202 answers in total.

***Demographic questions***

After the brief introduction, the survey started with three demographic questions with the aim to gather respondents' gender, age, and nationality. The results of the three questions are demonstrated in figure 21 below.
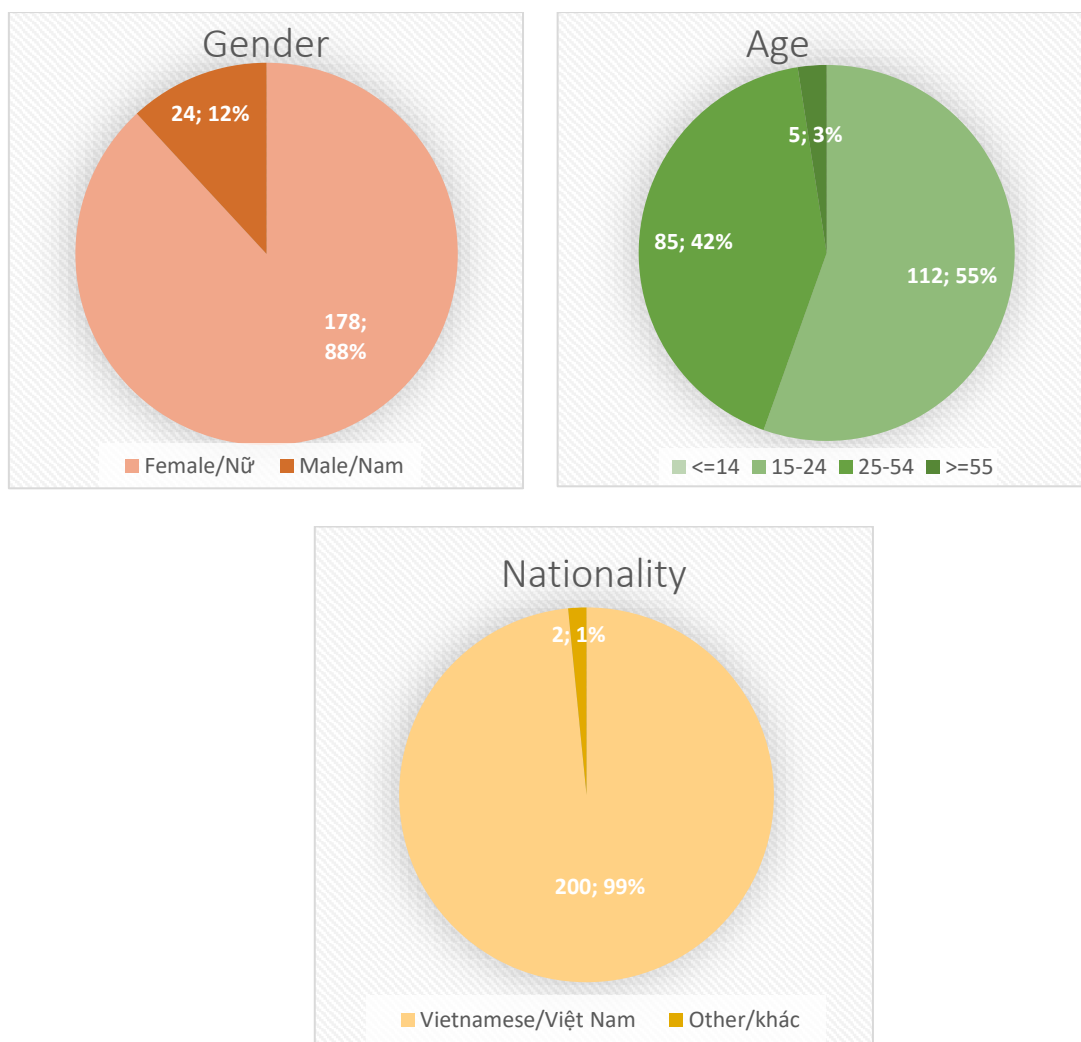
Figure 21 Survey's demographic questions results

As can be seen from the charts in figure 21, most of the participants were female, 178 responses from them accounted for 88% answers to the survey. While only 24 males took part in the survey, which took up 12% of the total responses. The age of the respondents was divided into four groups: 14 and younger; from 15 to 24; from 25 to 54; 55 and older. The age range is based on general income sources and working ability of Vietnamese people (as mentioned in chapter 4.1.1). From the survey results, none of the participants were 14 years old and younger, and very few respondents were in the age of 55 and older (3%). However, the majority of participants were from 25 to 54 years old. More specifically, 112 people were from 15 to 24 years old and 85 were from 25 to 54 years old. Together they accounted for 97% retrievable responses of the survey.

Since the survey was targeted to Vietnamese consumers and it was posted in a group with most Vietnamese members, the responses subsequently were done by Vietnamese. 200 out of 202 responses were acquired by the right target, which means 99% of the answers are possibly valid. Nevertheless, 2 of the participants claimed that they had different nationalities. Due to the unknown whereabouts of the 2 respondents, it was unknown whether they have experience in using cosmetics in Vietnam market. Hence, two responses were excluded from data analysis, which makes there are 200 valid responses.

***Vietnamese consumers' use of cosmetics and their opinions as well as common habits***

This section of the survey is to explore the common habits and behaviors of Vietnamese consumers regarding cosmetics products. The first question was about the frequency of cosmetics use in Vietnamese consumers' daily lives. The result was illustrated in the following figure.
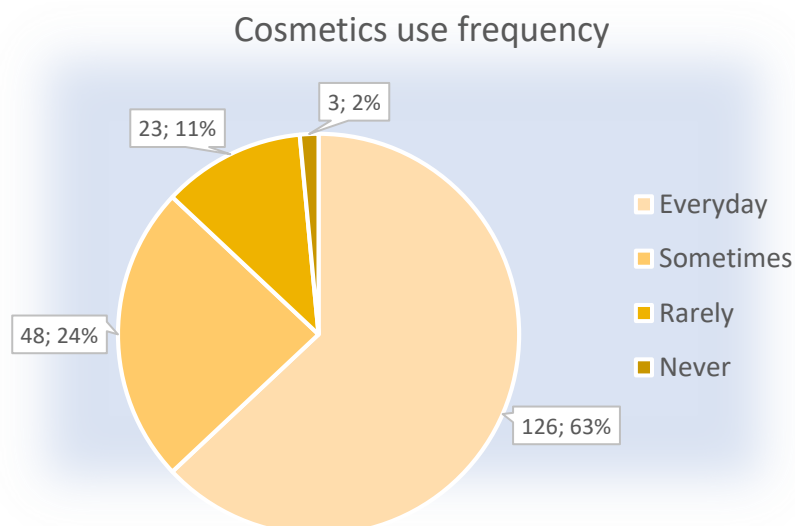
Figure 22 Cosmetics use frequency

Figure 22 shows that 126 participants use cosmetics every day in their lives, which took up 63% of the total responses. People who sometimes use cosmetics or only use on special occasions accounted for 11% and 2% respectively. Among 200 votes, 3 persons claimed that they do not use cosmetics. Because of the possibility that they may have no experiences with cosmetics, they were not counted as valid answers. For this reason, the valid responses are cut down to 197. In later data analysis; the total of 197 responses will be used for all calculations.

The next question was to find out which specific categories of cosmetics products are purchase the most by Vietnamese. The answers were multiple choices with five types of products: makeup, skincare, haircare, body care, and fragrance. However, through the additional option that participants can fill in with short answers. It was found that another category of cosmetics is also used: electronic devices that relate to beauty (e.g. electric toothbrush, face cleansing device, hair dryer, and hair straightener). Therefore, the chart in figure 23 will show the results for the whole six type of cosmetics product.
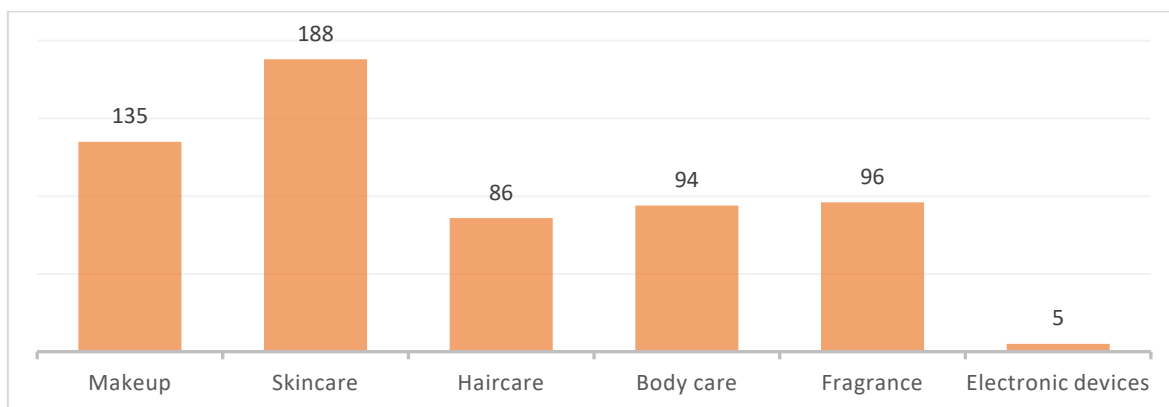


Figure 23 The use of cosmetics based on product categories

***Preferences in products' origin***

In the survey, there were two questions regarding Vietnamese consumers' preferences in product origin. They were: "What is the origin of your products?" and "Do you prefer Vietnamese products or products from foreign brands?". The answers to these two questions are presented in figure 24 below.
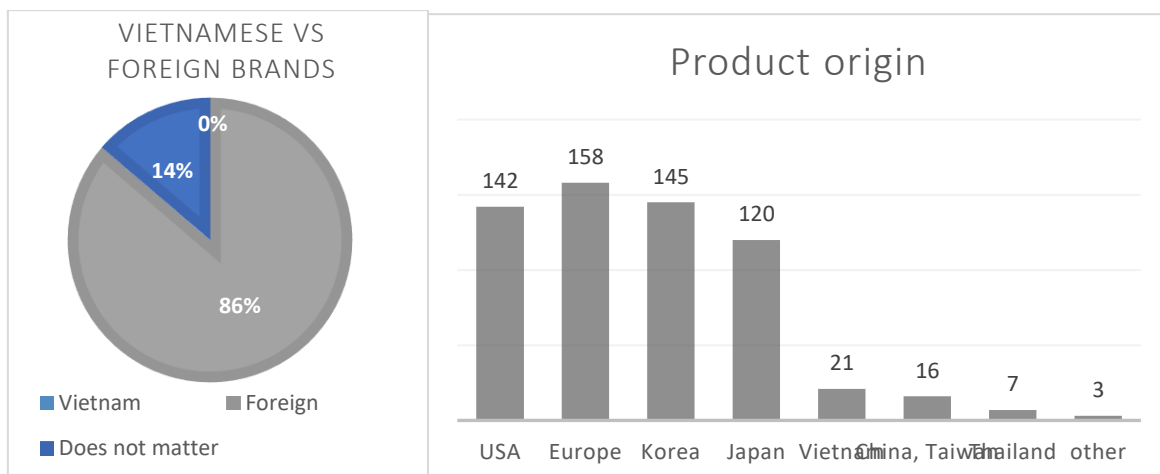
Figure 24 Responses' preferences in product's origin

Regarding the questions about preferences between Vietnamese and foreign brands, foreign brands took the majority of total votes. 86% of participants chose brands from abroad over domestic brands.14% said that brands' origin is not an important matter to them, and none of them voted for Vietnamese brands. In earlier findings, it was mentioned Vietnamese consumers have increased their quality perceptions of products' origin. This leads to credibility to some specific brands and ultimately favor of foreign brands instead of Vietnamese brands. The responses retrieved from this question is adequate to solidify the assumption that products from foreign brands are well accepted by Vietnamese consumers. This means that cosmetics companies from abroad with the intention of entering to the Vietnamese market can expect openness from consumers.

To clarify what products' origin that respondents prefer, the following question offered many countries with cosmetics brands which are recognizable in the Vietnamese market. The options were: USA, Europe, Japan, Korea, and China. It can be seen that products from the four regions: USA, Europe, Japan, and Korea are the most popular. Products from Asian countries such as Vietnam, China, and Thailand were also elected by respondents. However, the numbers of votes were very little, they only took approximately 1/9 of average votes compared to the first four options. As stated in chapter 2.4, a large number of cosmetics products in Vietnam are imported, the presence of foreign cosmetics products is not peculiar to most consumers. Moreover, the favoritism among Vietnamese consumers towards foreign products has been discussed. The two distributions together have shown that survey's participants, as well as Vietnamese consumers, have certain credibility for foreign products.

In relation to the Vietnamese consumers' choice of product, participants were also asked whether they would choose to use products from big brands or small brands. And up to

expectations, 68% of them chose big brands over small brands (1.02%). The remaining claimed that brands' size does not matter to them. This also positively supported the assumption that Vietnamese consumers would be more open to foreign products from big brands than domestic and small ones.

### *Sources of information*

Before acquiring and consuming any kinds of products, the customer usually searches for related information to make sure that their choice is worth the purchase. By knowing this action, the survey included the questions concerning which sources of information participants would use in advance of buying cosmetics. The result is reported in the figure below.
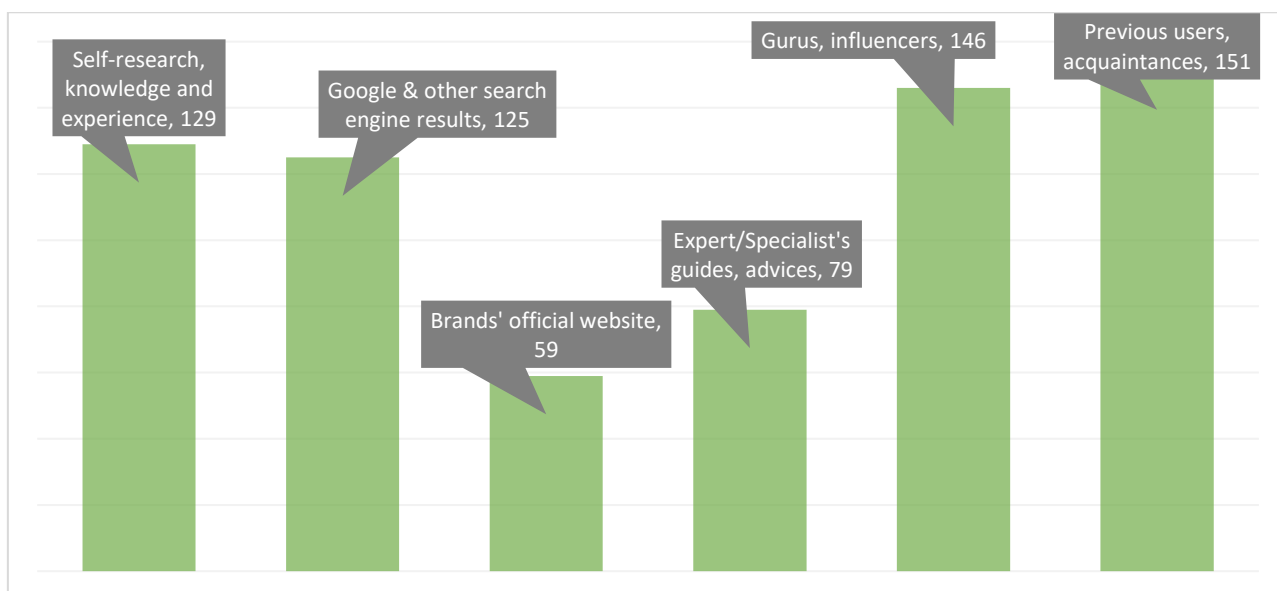


Figure 25 Respondents' sources of information when researching product

Out of 197 valid responses, 129 answers came from people who did research through their own knowledge and experience; 125 were via Google and other search engines' results. However, these two sources were not the most voted ones. Most respondents gain information by relying on opinions from gurus, influencers or from previous users and their acquaintances. Credibility to their inner cycles took up the most votes, which were 151 votes; gurus, influencers' reviews or recommendations came second with 146 votes. Meanwhile, information retrieved from brands' official channels and websites were the least selected, only 59 votes from respondents. The same went to advice from experts and specialists like doctors and dermatologist, which had 79 voted out of 197 responses. Participants' choices of information sources may be the results of their communication and

media channels, WOM influences, and advertising effects. Despite not comprehensively reflecting all Vietnamese consumers' behavior, this question is believed to be able to contribute in explaining which information channels consumers approach the most concerning the use of cosmetics.

***Reaction towards potential marketing strategies***

In addition to questions concerning consumers' general behavior, the survey also included two questions to find out respondents' reactions toward possible marketing strategies. The two potentials were: brand loyalty program and post-purchase customer service. The loyalty program is a common strategy of companies to retain customers and maintain close interaction with them, especially companies with commodities as main products. Sephora - a multinational market leader in the cosmetics industry - also puts loyalty/membership program into use for many years. And this practice has been benefiting both Sephora and its customers. (Sephora 2019.) Considering the feasibility of this strategy can possibly assist case company, the question was added the question in the survey. 68.53% of respondents replied that they would stick to a brand if it has loyalty or membership. Supplementary question about which activities participants would like to have in a loyalty program was added as well. The most selected activities by participants in order were discounts on special events (128 votes); gift cards, vouchers, coupons and non-monetary gifts (113 votes); saving points (92 votes); membership to other brands in alliance (72 votes); and limited treatments for VIP members (53 votes). Based on this response's result, it is expected that it can back up the marketing suggestions for the case company in a later chapter.

Another potential marketing strategy that was asked to detect its practicability was about increasing the quality of post-purchase customer service. High service both during purchase and post-purchase has a high possibility to improve customer retention (Bell 2014, as cited in Stringfellow 2014). Thus, it is expected that this marketing strategy can be examined and operated by the case company. Accordingly, the question was added to test out respondents' reaction. The collected result showed that more than half of the respondents had no experience with post-purchase customer service (69.54%). This reaction, therefore, leads to uncertainty in the plan's success. Since this uncertainty cannot guarantee the feasibility of the strategy as well as the benefits it can surely bring to case company, further discussion will not be included in a later chapter.

***Likert scale questions***

In the survey, there was two Likert scale question asked to find out the extent of agreements of respondents towards the given statements. The results collected are presented in figure 26 and figure 27 below.
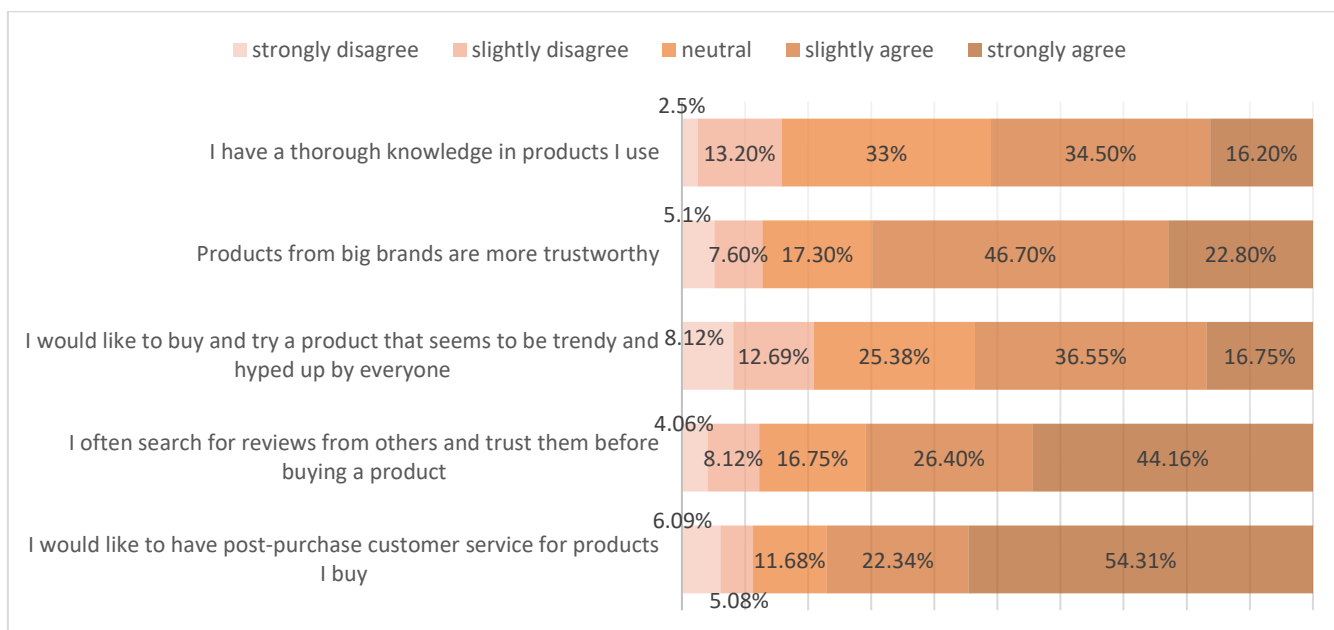


Figure 26 Likert scale question 1's results: the scale of agreement

From the chart above, it can be easily spotted that all the statements the received mostly neutral to slight and strong agreements. The three noticeable positive statements are: "products from big brands are more trustworthy" with 46.7% participants felt slightly agree with; statement "I often search for reviews from others and trust them before buying a product" bared the resemblance but stronger with 44.16% strong agreements from participants; last statement "I would like to have post-purchase customer service for products I buy" had the most agreements with 54.31% of votes admitting to it. This implies that respondents have substantial compliance to the three tendencies: trust in big brands, trust in online reviews and a strong desire for post-purchase customer services. Figure 27 below of average score for each statement can testify this assumption with the three statements receiving the highest average score of the total five options provided (3.74, 3.99 and 4.16 respectively).
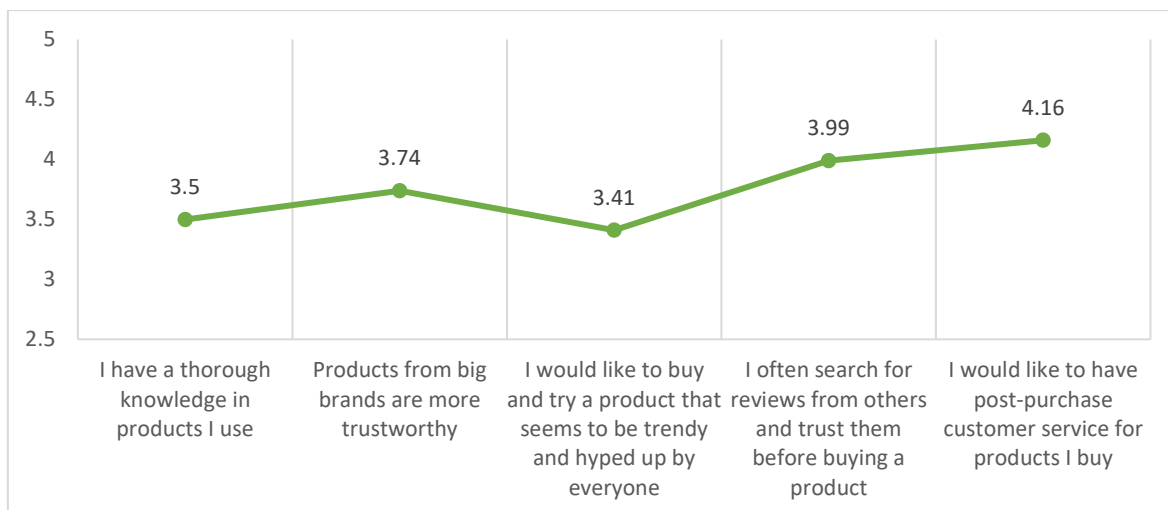
Figure 27 Likert scale question 1 average score

To be more specific, a test was run to check participants' trust in online reviews whether they are different between age groups. Chi-Square Test of Independence is the test to determine whether there is an association between categorical variables (Kent State University Libraries Guides 2019). In this case, the categorical variable is age which is divided into three groups. The test is to detect whether the answers from three groups for online trust reviews different from each other. The calculation is carried out with the help of SPSS Statistics software with the significance level of 0.05. The null hypothesis of the test is: Age Groups are independent of results for online trust review. Table 5 and 6 below including crosstab and the statistical result will report the data result.

Table 5 Crosstab for age group and online reviews trust

| | | | I often search for reviews from others and trust them before buying a product | | | | | |
| | | | strongly disagree | slightly disagree | neutral | slightly agree | strongly agree | Total |
|---|---|---|---|---|---|---|---|---|
| age into 3 group | 15-24 | Count | 4 | 6 | 15 | 26 | 56 | 107 |
| | | % within age into 3 group | 3.7% | 5.6% | 14.0% | 24.3% | 52.3% | 100.0% |
| | 25-54 | Count | 4 | 8 | 16 | 27 | 30 | 85 |
| | | % within age into 3 group | 4.7% | 9.4% | 18.8% | 31.8% | 35.3% | 100.0% |
| | 55-65 | Count | 0 | 2 | 2 | 0 | 1 | 5 |
| | | % within age into 3 group | 0.0% | 40.0% | 40.0% | 0.0% | 20.0% | 100.0% |
| Total | | Count | 8 | 16 | 33 | 53 | 87 | 197 |

| | 4.1% | 8.1% | 16.8% | 26.9% | 44.2% | 100.0 % |
|---|---|---|---|---|---|---|
| % within age into 3 group | | | | | | |

Table 6 Chi-Square test result

| | Value | df | Asymptotic Significance (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 16.044ª | 8 | .042 |
| Likelihood Ratio | 14.339 | 8 | .073 |
| Linear-by-Linear Association | 6.865 | 1 | .009 |
| N of Valid Cases | 197 | | |

a. 7 cells (46.7%) have expected count less than 5. The minimum expected count is .20.

The value of the test statistics in 16.044, the corresponding significance value is 0.042, which is below 0.05 the significance level. Therefore, the null hypothesis is rejected. There was an association between age groups and online trust reviews

The Chi-Square test can contribute to the assumption that the responses for online trust reviews varied between age groups. Additionally, reported data from the crosstab has shown that 52.3% of respondents from age 15-24 strongly agree with the statement "I often search for reviews from others and trust them before buying a product". People aging from 25-54 also shared the same belief with 31.8% slightly agreed and 35.3% strongly agreed with the statement. Meanwhile, participants who belong to the last age group mostly felt neutral and slightly disagree with the statements (40% votes each). These statistics together with the Chi-Square test are the groundwork to conclude that: Younger respondents trust in online reviews more than older respondents.

The next Likert scale question was about the participants' rating scale of concerns' priority when purchasing a product. The five provided concerns were: the popularity of products, product quality, accessibility to the product, price, brands, and respondents were asked to rate their priorities on the scale of 5 ranging from 1-never thought about it, 2-not really important, 3-neutral, 4-important and 5-very important. The line chart in figure 28 is the illustration for the average rating of this question.
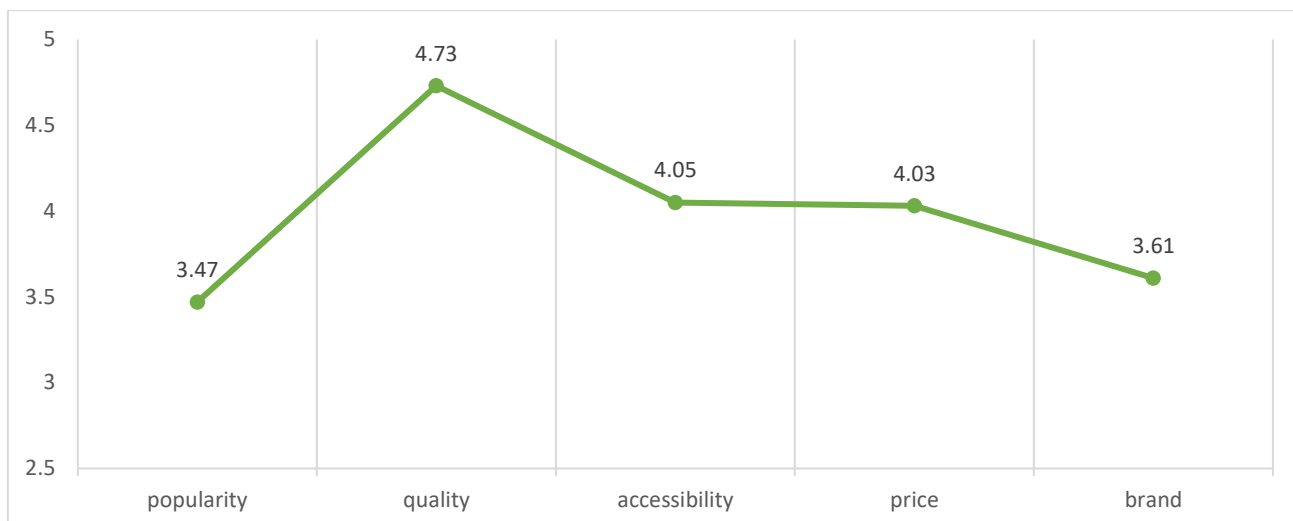
Figure 28 Likert scale question 2 average rating

The chart has stated the rated concerns' priority of survey respondents, which were: quality with average of rating score of 4.73, nearly reached the absolute 5 score; accessibility (4.05); price (4.03); followed is brand with 3.61 average rating score; the last concern priority is popularity with 3.47 average score. However, one drawback of this rating question was that respondents did not necessarily rate the five concerns with the rank from 1st to 5th, instead, most participants rated concerns with the same rating score and few of them gave the score of 1 and 2 to a concern. That is to say, the average rating score were all higher than 3 and they cannot reflect exactly the priority scale of respondents.

***Questions regarding case company***

In order to discover the case company's position in Vietnamese market, respondents were requested to answer questions directly related to Shiseido Group. The questions were about participants' acknowledgment of Shiseido and other brands in the group, price and quality consciousness, and opinions on Shiseido in general. The result is demonstrated in the following figure.
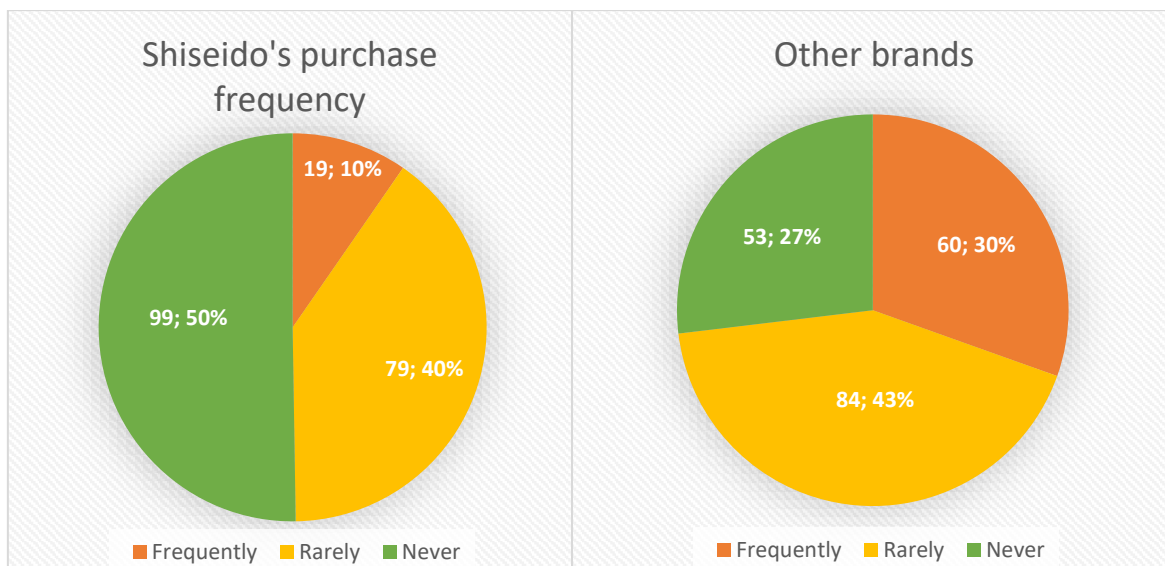
Figure 29 respondent's purchase frequency of Shiseido and other brands in Shiseido Group

Respondents' acknowledgment of Shiseido and other brands in Shiseido Group was well displayed in figure 29. The majority of participants declared that they had never purchased any products from Shiseido, 99 responses from this claim took up 50% of the total answers. The similar number of votes also applied in responses said that they rarely buy it (40%). There were only 19 out of 197 participants who claimed that they buy Shiseido's products frequently in their routine. At the same time, responses for other brands belong to Shiseido Group such as Nars, Anessa, and Senka showed a different impression. More voters claimed that they use such brands frequently, the number of votes accounted for 30% of the total responses, which was three times higher than regular buyers of Shiseido. 43% of participants said they rarely purchase from other brands in the group, and the remaining 27% said they did not use other brands either. The result implies that despite not being an enthusiastic customer of Shiseido, Vietnamese consumers are still interested in other Shiseido Group's brands. In fact, the consumption of these brands is quite high compared to the main brand Shiseido.

Regarding more details of Shiseido's products, respondents or survey were asked to express their thoughts about its price and quality along with the purchase intention. 87 votes which accounted for 44.2% indicated that it is expensive, 65 people (33%) voted for affordable price, 44 people (22.3%) claimed that they do not know the exact price range, and only 1 person (0.5%) said that Shiseido product is cheap. Although the plurality of responses thought that Shiseido is pricey, their belief in quality is astonishing. Nearly 60% of participants thought that Shiseido products have high quality, 21.8% of them said that the quality is neutral, 9,6% of them did not know the quality, and the remaining 8.6%

claimed that Shiseido products are not suitable for them. This result can positively imply that Shiseido has somewhat earned the prestige with high-end products in the Vietnamese market. The later report of answers from open-ended questions will disclose more opinions about Shiseido from respondents.

***The relation between age and Shiseido's price***

Since previous data revealed that nearly half of survey respondents said that Shiseido price is high, a scatter chart is provided in figure 30 to discover where there is a distinctness in respondents' answers based on their age.
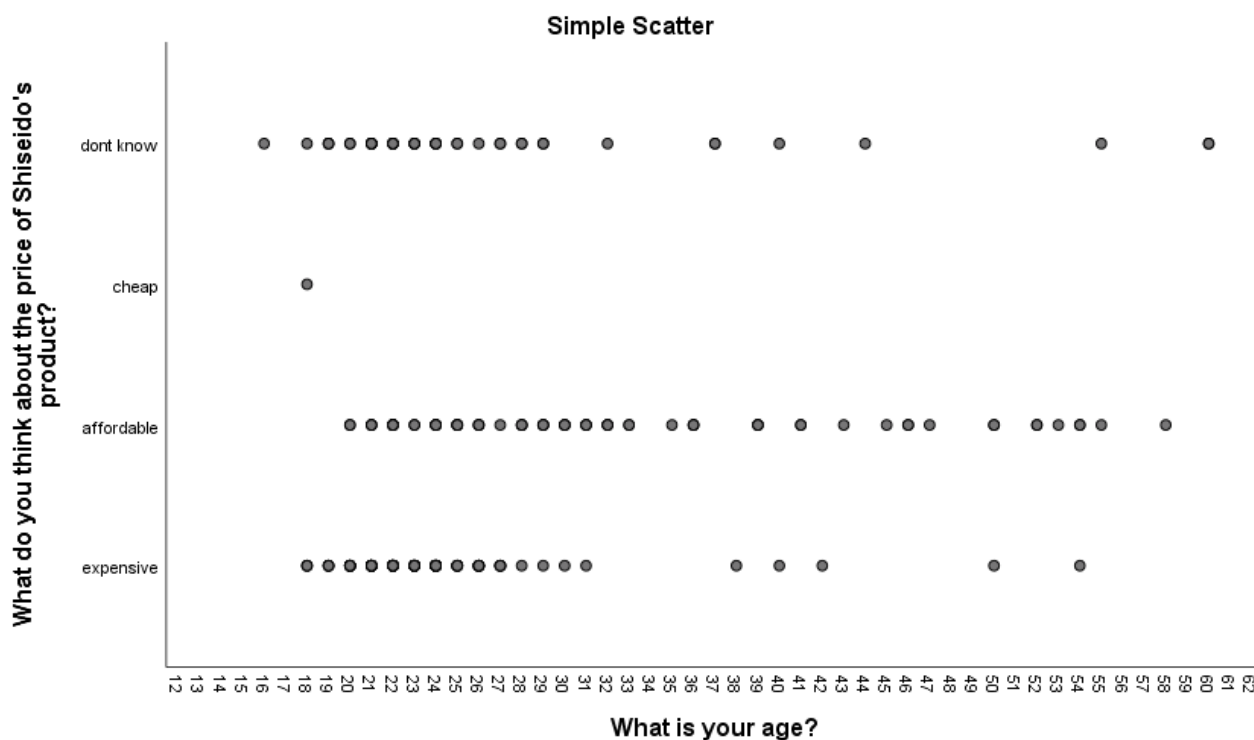


Figure 30 Responses for Shiseido's price based on age

The question regarding Shiseido' price had four answer options: expensive, affordable, cheap and do not know. From the scatter chart above, it can be seen that there was only one answer for "cheap" option, which accounted for 0.5% of the total result. Meanwhile, people from age 16-33 provided with answers ranging evenly for all three options. An average of 14 choices for each price option was contributed from participants aging from 16-33. On the other hand, respondents in the later age group 33-62 showed a slightly different picture. There were 5 people thought that Shiseido is expensive, and another 5 people did not know the exact price. However, a plurality of them voted for "affordable" price option. With 14 votes, respondents in the later age group who thought Shiseido had reasonable price took up 58.3% of the total participants in the same age group. This difference in

2 age groups proposes a mild tendency: more respondents in older ages think that Shiseido is affordable than younger respondents.

***Answers from open-ended questions***

In the total 19 questions of the survey, there were two open questions that participants could reveal more of their opinions. The two questions were: "Is there anything you wish to change in the Vietnamese cosmetics market" and "What is your opinion about Shiseido in general?". The two questions were added with the goal of receiving more objective ideas from respondents - who represent Vietnamese consumers. There were 138 answers in total from the two questions with many in-depth issues. With respect to the Vietnamese cosmetics market in general, the most frequent concern of participants was the quality of products available in the market. This concern comes from the problem of a lot of fake and unauthorized products are widely sold in the market. A lot of respondents expressed their anxiety due to several encounters with such products. Most of them all hoped for more authentic and reliable products. They suggested that brands should have official stores in Vietnam or authorized and licensed distributors. In addition to that, companies together with the government should take control of any products sold in the market, strictly prohibit and heavily penalize the action of counterfeiting. This problem is closely connected to law enforcement, which this thesis is lack of information, so it is not mentioned in the suggested marketing practices.

Brands who want to enter Vietnam market should have official stores or officially authorized distributors, at least in the capital city Hanoi and the biggest city - Ho Chi Minh city. In order to verify the validity of their products, they should make announcements of their stores in the official website or media channel, making clear that only the listed locations are legitimate in case of any potentially falsified information. By doing this, companies can protect their reputation and gain trust in consumers at the same time. Furthermore, according to some answers from survey participants, the official stores will also please them more because they can test out the products before real purchase, get a consultation from store employees, and have a feel of real association with the companies/brands.

Asides from participants' wishes to change in the Vietnamese cosmetics market, the survey was also provided with opinions about Shiseido from the consumers' point of view. Corresponding to the answers for thoughts about Shiseido's price, a lot of respondents perceive Shiseido as a high-end quality brand. They are aware that Shiseido Group is a famous company from Japan, producing high-end makeup and skincare products, together with other mid-end and low-end brands in the group. They all have high confidence in Shiseido products even though many of them have not used them yet. Despite good

recognition, Shiseido still faces some common stereotypes coming from Vietnamese consumers. Most respondents expressed that Shiseido is expensive, and all the product range target for mature skin problems with anti-aging ingredients. They said that they did not know whether they are not the right customer for Shiseido or Shiseido is not the right choice for them. Since the answers mainly come from people with the age younger than 30, they shared that anti-aging products from Shiseido are yet to be their first priority when buying cosmetics. The skin concerns they frequently experience is oily skin, acne, tanned skin and very few of Shiseido products have the solution they seek for. Another obstacle respecting Shiseido is its price. Some said that they could afford for makeup products, however, skincare products were out of their reach. Due to this reason, most participants expressed that they prefer other mid-end and low-end brands in Shiseido Group. Some regular assumptions of mid-end brands retrieved from the answers were: Nars is famous for their makeup products; Avène is known for its gentleness towards sensitive skin; Tsubaki is mostly for hair care products.

The two economical brands of Shiseido Group are Anessa, Senka, and Za, which are already available in the Vietnamese market and are adored by the young. Anessa is most famous for its sunscreen range, Senka provides affordable skincare products and Za includes reasonably prices makeup products. The three brands are easily accessible in the Vietnamese market thanks to their broad availability and inexpensive price. Respondents reasoned that they enjoyed listed brands because they belong to Shiseido group - a well-known cosmetics company. In addition, the company is from Japan - a country notable for its honesty and professionalism in both production and skincare technique. Nonetheless, the worries of forged and unknown products from the previous question still occur to these brands. A participant shared that she still highly doubted online and unauthorized sellers:

> *"It is like playing gambling, either you get the right seller with right products or end up with fake ones or unknowingly mixed up product".*

### Survey's margin of errors and level of confidence

To sum up the analysis of data retrieved from the survey, there will be the explanation and calculation for the margin of errors and confidence level of the survey to establish the validity of it.

The margin of errors or confident interval is the likely range of a sample proportion or sample mean from the true proportion found in the population. The number enables readers to estimate the precision results obtained from samples in comparison with the true population. (Scottish Government 2019.)

Confidence level reflects how often the percentage of the population actually lies within the boundaries of the margin of error. For example, if the confidence level is 95% then in 95% of the time, the results within the margin of errors will indicate that the conclusion from the sample is true to the total population. (Dessel 2013.) Since the 95% confidence level is often used in quantitative research, it is also chosen to be used in survey data analysis.

According to SurveyMonkey (2019), the formula for calculating the margin of error is:

$$\text{Margin of error} = z \times \frac{\sigma}{\sqrt{n}}$$

n = sample size • σ = population standard deviation • z = z-score

Figure 31 Margin of error formula (SuveyMonkey 2019)

In order to obtain the margin of error, the following statistics were used:

- Sample size: 197 (197 valid responses from 202 responses in total)
- Population: Vietnam's population 97,124,154 (Worldometers 2019)
- z-scores: 1.96 for 95% confidence level (SurveyMonkey 2019)

After the calculation, the survey's margin of error is 7%. This means that, for example, if 88% of the survey's participants were female, the actual result will fall in the range 88%±5% (83% to 93%), and 95% of the time between 83% and 93% of the female respondents can reflect the survey's assumptions compared to Vietnam's population.

## 5.4.2  Data analysis from interviews

In this subchapter, information obtained from three interviews will be reported and interpreted qualitatively to support the conclusion in later chapters.

***Interviewees' background information***

As being introduced previously, there were three interviews conducted in total and they were classified into two groups based on interviewees' perspectives: consumers and sellers' perspective. Table 7 below describes the basic information of interviewees. After the brief preface, contents of each interview are analyzed.

Table 7 Interviewees introduction

| Interviewees | Interviewee 1 | Interviewee 2 | Interviewee 3 |
|---|---|---|---|
| Position | Cosmetics online independent seller (platform: Facebook, Instagram) | Cosmetics independent seller, both online and physical store | Administrator of Facebook group: Beauty tips & review Vietnam |
| Working location | Danang | Danang | Nationwide |
| Time in business | 6 months | Over 1 year | Nearly 4 years |
| Targets | Customers from 15-30 years old, including students, adults | Customer from 15-30 years old<br><br>2 main types of customers: makeup artists in wedding studio & regular customers | Anyone who have interests in beauty and cosmetics, including product discussion, information sharing, reviews, and help request.<br><br>Most members are female from 15-40 years old |

***Information retrieved from interviews***

- Interviewee 1.

Interviewee 1 shared that most of her products are makeup products. The popular brands she offered were mostly from the USA, for instance, MAC Cosmetics, Colourpop, The Balm, BH Cosmetics, and Tarte. A few of them came from France such as Dior and Yves Saint Laurent. The most frequent concern of customers Interviewee 1 had seen was price. A large number of her customers are in the age range of 15-30, which means they are high school students, college students, and early full-time workers. Therefore, they are usually concerned about price, they often compare the offered prices with official prices announced prices by brands or with other stores available in their location. Then following the price matter are brands origin and quality. The most adored products among her customers are from MAC Cosmetics and Colourpop, which are two famous American brands offer affordable but excellent quality makeup products. Aside from selling the products solely, Interviewee 1 often gave her recommendations to new customers based on their needs. Even when customers demand to know her products origin, she agreed to provide proof so that she can assure her customers as well as protect her store's status. Not only during the transaction, but Interviewee 1 also kept interaction with her customers after the purchase. Most of the conversations she made were about the product's feedbacks, pros, and cons of the products, and customers' personal thoughts. By doing this, her customers feel more attached to her store. At the same time, she can learn her flaws in order to improve the store's quality.

Regarding Shiseido Group, Interviewee 1 had no current intention of selling Shiseido Group or other brands' products because of its high prices. This decision would hardly change even though she was aware of Nars' lipsticks are remarkably well-known. Due to the constant price consciousness of her customers, she considered selling Nars' products would be a risky move. However, she also added that because her business location is in Danang, customers might not well acquaint with Shiseido. However, in Ho Chi Minh city, the situation might be different. Shiseido is quite of a popular cosmetics brands among middle and higher class. Furthermore, Ho Chi Minh City's people have higher standards and demands, they may welcome Shiseido gladly.

- Interviewee 2.

Interviewee 2 seemed to have more experiences than Interviewee 1. She has been in the business for more than one year and active in both online and offline store. Her targeted customers were separated into two clear groups: makeup artists in wedding studios and other regular customers. Interviewee 2's store offered drugstore, mid-end and high-end makeup products, and together with a few skincare products. Most of the products were from huge American and European brands such as L'Oréal, Maybelline, Lorac, Morphe, Estée Lauder, Neutrogena, Murad, and MAC Cosmetics. A few of them are from Japan and Korea, for example, DHC and 3 Concepts Eyes. In terms of price consciousness, Interviewee 2 claimed that there were two distinct behaviors accordingly to the two customer groups. Makeup artists came to her store care most about the quality no matter what brands the products are or what prices they have. They are equipped with certain knowledge and experiences due to their occupation. Therefore, they are all interested in the products quality and usually very determined with their purchasing decisions. On the other hand, regular customers consist of students and normal customers who do not use cosmetics on daily basic needs. This customers group shares the same habit with Interviewee 1's customers, which are very sensitive at prices. Most of them usually look for the drugstore to mid-end products with the most reasonable prices. In addition, Interviewee 2 stated that regular customers did not have much in-depth knowledge of beauty products. Most of them mainly rely on online reviews coming from YouTube beauty bloggers/influencers, and recommendations from beauty groups such as "Beauty tips and review Vietnam" or "Vietnam beauty world". Interviewee 2, therefore, spend more time with customers consulting which types of products are suitable for them depending on each skin problem. She said that:

*"I feel sad seeing how most customers, especially teenagers and young customers blindly listen to such promotional reviews from beauty bloggers, and choose products carelessly regardless of considering which skin problem they really have"*

Not only she does the consult by herself, but Interviewee 2 also had training programs related to basic makeup and skincare techniques for her employees so that they can serve her customers with their best. She focused on customer service quality both during purchase and post-purchase. She kept close interactions with her customers no matter it is about consultancy, positive feedbacks or negative feedback. By doing so, Interviewee 2 realized that many customers have become loyal buyers of her store. She said that that some customers come back not because of the prices but because of the employees' friendliness and the high-quality customer service. Interviewee 2's store also has a membership program with saving points. Whenever a customer saves her/his points up to a certain amount, they will be offered some discounts and promotions. She stated that this treatment is loved by customers. Some purchase with the membership's discount not because they really need it but because of the beneficial promotion.

Being asked about Shiseido Group, Interviewee 2 revealed that only Nars products are available at her store. Its makeup products such as foundation, concealer, and blushes are makeup artists' favorites. However, despite the prestige, Nars, as well as Shiseido and other mid-end and high-end brands in the group, are not frequently chosen by regular customers. This is due to its high prices, especially when compared to MAC Cosmetics products. Meanwhile, Shiseido Group's affordable brands such as Anessa, Senka, and Za are popular among her regular customers. She stated that the three brands offer good quality products at reasonable prices. They are cherished by Vietnamese consumers, especially students. Anessa, Senka, and Za have quite gained a stable position in the Vietnamese cosmetics market since they are highly recommended by most people.

- Interviewee 3.

Interviewee 3 is the administrator of the group "Beauty tips & reviews Vietnam". Before creating the group, Interviewee 3 has been a frequent user of cosmetics including makeup, skincare, body care products. With the love for beauty and the desire to have a platform for anyone who shares the same interest, she created the group. She shared that most of the topics in the group were about cosmetics, consisting of reviews, recommendation, help request, and another related discussion. Every day, the group receives about 10-15 notice from members requesting to post new topics on the group. Interviewee 3 expressed that the two topics that usually gain most attention were recommendations for a specific skin problem or a product, and reviews/feedbacks of a new product. With more

than 450,000 members, each post receives at least 100 interactions from Facebook users, including both likes and comments. Everyone in the group including Interviewee 3 was happy to give out recommendations and discuss beauty related issues. Since there is a rule that all PR and advertising actions are strictly prohibited, the majority of contents in the group come from real experiences by actual users. For this reason, the group is very active with everyone's interaction with each other, and they count on others' words. Interviewee 3 noted that a lot of members in the group are young with the age ranging from 14 to 30, they are very dynamic in using Internet as the main information source. They use every possible source to obtain necessary information before purchasing any products. The sources are Google, online beauty gurus such as bloggers, YouTube beauty bloggers, influencers and celebrities, and lastly, other experienced users. With the variety of products, brands, and sellers in Vietnamese market, in addition to finding the right product, users usually seek trustworthy places they can buy authentic products. Posts asking for credible stores and sellers are not hard to be found in the group. Another topic that intermittently catches everyone's attention is requested for product inspection. Posts fall into this topic usually come from members uploading pictures of the same product but bought from different places. The poster would ask for other users to examine the product whether it is authentic or fake based on the detailed photos. Such issue is frequent because fake/counterfeit/imposter products are still a painful problem in Vietnamese market, and a lot of people have suffered from it. Interviewee 3 shared that topic involving in inspecting product like that will help members aware of the authorized sellers as well as increase their alert before any purchase. Besides the negative issues, Interviewee 3 expressed that nowadays, beauty bloggers from YouTube had a huge influence on consumers, especially on teenagers and young people with little experiences on beauty products. This influence is reflected in the group because every time a new brand or product was mentioned by a beauty blogger or influencer, there would be a post appearing in the group asking for thoughts and reviews for that product. However, Interviewee 3 shared that:

> *"I am not sure this is good or bad since a lot of brands are gradually advertising and promoting their products via these bloggers by sponsoring their videos, and indirectly making them always say the good things about the products".*

Answering the questions concerning Shiseido Group, Interviewee 3 admitted to being acquainted with this brand. However, she had only tried a few of its products such as eyelash curler, cotton pads and sunscreen due to its high prices. Additionally, she added that Shiseido usually targets mature skin problem, which is yet to be her concern. However, by knowing Shiseido as a famous brand with high-quality products, she said she would like to purchase it in the future. And similar to the survey results and answers from previous in-

terviewees, Interviewee 3 claimed that other brands in Shiseido Group such as Nars, Anessa, and Senka are more popular among Vietnamese consumers compared to Shiseido because of their quality and inexpensive prices.

In brief, the common habits of Vietnamese consumers have been retrieved from three interviews are listed below:

- Very price sensitive, would look for most reasonable prices or best alternative over quality
- Most used products categories are makeup and skincare
- Counting on WOM communication, for instance, beauty bloggers, sellers, experienced users from beauty groups, especially the young consumers

Do not use Shiseido products much. However, they positively enjoy using other brands in Shiseido Group such as Nars, Anessa, Senka, and Za.

## 6 CASE COMPANY: SHISEIDO GROUP

In order to have a clear understanding of the thesis' case company, this chapter will provide a brief analysis of Shiseido Group. The background and product's overview of Shiseido Group is discussed.

### 6.1 Company overview

**Background**

Shiseido Group is one of the oldest cosmetics companies in the world. It was founded in 1872 in Ginza, Tokyo as the first pharmacy that adopted the Western style in Japan. The name "Shiseido", chosen by the founder Arinobu Fukuhara, came from Chinese Yi Jing. The name "Shiseido" is interpreted as "Praise the virtues of the earth, that is where anything and everything is born" (Shiseido Group 2019b.) In 1923, Shiseido Group started its Cosmetics Chain Store System, based on precise set price concept that ensures profits for distributors and retailers, and worked hard to strengthen it. In the post-war period from 1957 to 1976, Shiseido Group began to expand its business in the international markets such as Taiwan, Italy, and America. As of 2018, Shiseido Group has 92 consolidated subsidiaries available for consumers in about 120 countries and regions. (Shiseido Group 2019a.)

**Mission and Value**

With over 140 years of heritage, Shiseido Group has built up a strong foundation and unique strength in the cosmetics industry. As the business environment in countries around the world becomes more diverse, Shiseido Group realizes the importance of creating a shared mission and value for every employee to achieve further growth. According to Shiseido Group (2011), it had introduced a corporate philosophy in 2011, which is the fundamental creed of the company. The philosophy, entitled "Our Mission, Value and Way", is used as a guideline for all employees and criteria for various management processes. Figure 32 is the demonstration for the Shiseido Group Corporate Philosophy. (Shiseido Group 2011).

Our Mission, Value and Way



Our Mission

Our Value

Our Way

Figure 32 Shiseido Group Corporate Philosophy (Shiseido Group 2011).

According to Shiseido Group, "Our Mission" defines how the company can serve and benefits society. It forms its raison d'etre (reasons for being), the core of its group. (Shiseido Group 2011.)

- **We cultivate relationships with people.**

- **We appreciate genuine, meaningful value.**

- **We create beauty. We create wellness.**

"Our Value" define the value that every employee must abide by to realize their mission. These are the approaches that must be held when conducting businesses by Shiseido Group. (Shiseido Group 2011.)

- **In Diversity, Strength.**

- **In Challenge, Growth.**

- **In Heritage, Excellence.**

"Our Way" refers to the action that must be adhered by every employee in Shiseido Group. Our Way means that the company will always conduct business with high ethical standard by adhering to laws of each country and region, international rules and regulations. (Shiseido Group 2011.)

- **Toward Consumers.**

- **Toward Business Partners.**

- **Toward Shareholders.**

- **Toward Employees.**

- **Toward Society and the Earth.**

*Long-term Strategy*

Since 2015, Shiseido Group has been operating on its long-term strategic plan entitled VISION 2020. The main goal is to constantly gain the support of its stakeholders and maintain its significant presence in Japan and Asia to inspire a life of beauty and culture for the next 100 years. The first half of VISION 2020 was developed in the time period of 2015-2017. Shiseido Group used this time period to rebuild its business foundation. During this time period, it meticulously came up with solutions for problems both in Japan and overseas, while focusing on investing in marketing. Due to this strategy's success, the case company reached the target net sales originally set for 2020 at the end of 2017: ¥1 trillion (about 7.8 billion euros). Operating income also grew and reached the highest level ever. After the success of the years 2015-2017, Shiseido Group began to implement a new strategy for 2018-2020. This plan is called VISION 2020 or "New Strategy to Accelerate Growth". This strategy is focused on prestige brands such as NARS, Dolce&Gabbana, and IPSA, as the core of its business with new business development and value creation. The case company will also concentrate on investing in people's development, as they are a vital part of the strategy. Figure 33 is a summary of the long-term strategy VISION 2020 of Shiseido Group. (Shiseido Group 2019a.)



Figure 33 VISION 2020 (Shiseido Group 2019a)

As shown in figure 33, the objective for the VISION 2020 plan is to reach sales exceeding ¥1.29 trillion by 2020, the final year of the strategic plan. According to Shiseido Group (2019), the VISION 2020 plan contains these key strategies:

- **Further Selection and Concentration of Brand Business:** In order to expand its market, Shiseido will aim to make sales growth in the global prestige market of makeup and fragrances. Shiseido Group will strengthen its profit in the skincare

market. It will also further develop its cross-border marketing to all of Asia and the rest of the world.

- **Acceleration of Digitalization and New Business Development:** Shiseido Group will develop its business relationship with major e-commerce websites and promote customer relationship management around the world. It will also promote the integration of business communication between every headquarters. As for business development, Shiseido Group will use personalization to strengthen value for consumers' individual needs.

- **New Value Creation through Innovation:** Through incorporating knowledge, experience, and technology, it will produce innovation in cosmetics and explore new areas such as artificial skin, hair and skin regeneration, and beauty care. Furthermore, it will maximize research and development efficiency on an international level.

- **Developing Talent and Organization**: In all of Shiseido Group's regional headquarters, Shiseido will launch training facilities and an MBA program for young employees to develop future talent and leadership skills. In the three years plan, it plans to invest about ¥14 billion (approximately 110 million euros) in developing new talent for the group.

- **Next New Global Management Model:** In 2016, it launched a matrix-type global management structure in all of their six main regions: Japan, China, Asia Pacific, Americas, EMEA (Europe, the Middle East, and Africa), and Travel Retail. Since 2018, Shiseido Group has been focusing on the development of a new business model and digitalization of every brand's global marketing.

*Financial Position*

In 2017, Shiseido Group's net sales amount to 1 trillion 5.1 billion yen (about 8.4 billion euros). At the fiscal year ended December 31, 2018, net sales have increased 8.9% a year on a local currency basis. Figure 34 displays the net sales of Shiseido Group from 2015 to 2018. (Shiseido Group 2019a
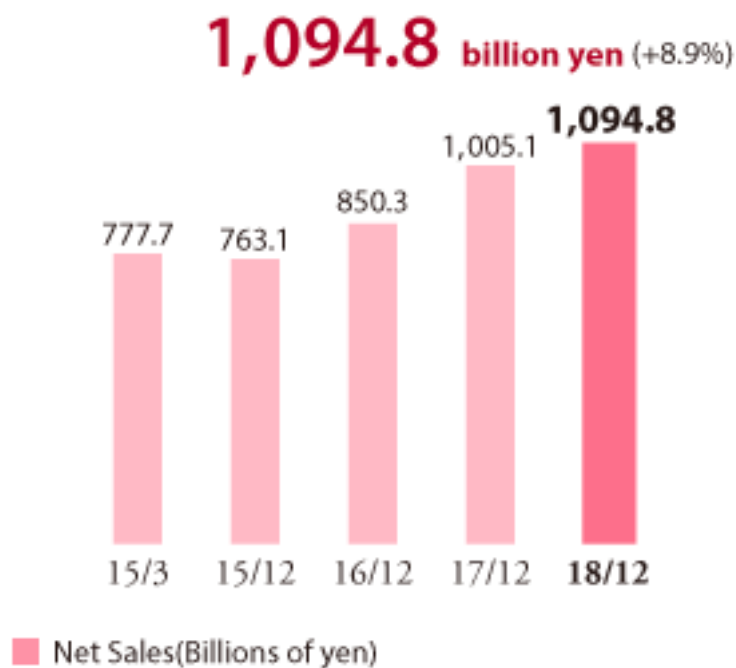
Figure 34 The net sales of Shiseido Group 2015-2018 (Shiseido Group 2019a)

Thanks to the inbound demand increasing because of overseas tourists to Japan, the domestic market remains stable with signs of a positive turnaround. In overseas cosmetics markets, Europe has varied performance depending on the country. While China and the rest of China to grow steadily, the Americas market is slower in comparison. Due to the implementation of the VISION 2020 strategy plan described above, Shiseido Group' net sales reach record highs in the fiscal year. It was able to achieve its goal of ¥1 trillion three years early. (Shiseido Group 2019a.)

6.2   Product overview

Shiseido Group has ownership of over 38 brands of cosmetics. The majority of these brands are sold in the domestic market, Japan. Some of the strong brands listed in the Shiseido Group websites are shown in Figure 35. (Shiseido Group 2019a.)



Figure 35 Strong brands of Shiseido Group (Shiseido Group 2019a)

Shiseido Group has divided its brands into 6 main categories. These categories have mul-
tiple distribution channels depends on the brand. Premium and high-value products are
usually available for purchase at luxury department stores and Shiseido Group's own
chain store. Experienced beauty counselors are available for consumers' personal assis-
tance. Meanwhile mid to low-end products are usually purchase through mass merchan-
disers and drugstores with only self-selection and no counseling provided. (Shiseido
Group 2019a.) The main 6 categories for brands lines listed by the Shiseido Group (2019)
are:

- **Prestige:** This category contains brands with high-end cosmetics products availa-
  ble for purchase at shopping malls and cosmetics stores. The consumers will also
  receive counseling upon purchasing decision. The brands in this category are ba-
  reMinerals, BENEFIQUE, clé de Peau Beauté, IPSA, LAURA MERCIER, and
  NARS.

- **Fragrance:** Fragrance brands are mainly available at perfumeries and department
  stores. This category includes Alaia Paris, Dolce&Gabbana, ELIE SAAB, Narciso
  Rodriguez, SERGE LUTENS, and Zagig & Voltaire.

- **Cosmetics:** This category contains brands with mid to low-end products available
  at various channels such as drugstores and department stores. These products
  are self-selected by consumers but counseling is also offered if needed. Some of
  the brands are makeup brand MAJOLICA MAJORCA, skincare brand Pure&Mild
  and body care brand ANESSA.

- **Personal Care:** Personal Care brands are inexpensive and affordable commodity
  goods in the skincare, hair care, and body care area. As with cosmetics catego-
  ries, they are mainly sold through self-selection channels. The brands in this cate-
  gory are AG Deo 24, AQUAIR, MA CHERIE, SENKA, TSUBAKI, and UNO.

- **Professional:** Professional brands include special hair care products such as
  shampoo, hair styling, and hair dye for hair salons and other professional uses.
  SHISEIDO PROFESSIONAL is a salon-exclusive brand. They also offer and sup-
  port salon activities. As of 2018, this brand is available for purchase in nine Asian
  countries including Japan.

- **Healthcare:** Healthcare brands include health and beauty foods and OTC (Over-
  the-counter drug). There are two brands in this category: IHADA, medicine and
  supplements and The Collagen, beauty supplements. IHADA mainly offers phar-

maceutical products for skin treatment while The Collagen offers beauty drinks and beauty foods for the skin.

In addition to the cosmetics business mentioned above, Shiseido Group also operates restaurant and food business through Shiseido Parlour CO., LTD and retail business through SHISEIDO THE GINZA. Shiseido Frontier Science business contains manufacturing and selling hyaluronic acid, cosmetics for medical use and amino acid analysis. Through watashi+, which is a website that offers various beauty services, Shiseido was able to conduct its e-commerce business effectively. Shiseido Group also owns Kinari Inc, which offers cosmetic brand available for purchase exclusively through mail order or e-commerce. With the goal of further satisfying its consumers' needs, Shiseido Group cooperates with other companies and organizations. For example, Shiseido Beauty Academy has offered training for various skilled beauty professionals for more than 50 years. (Shiseido Group 2019a.)

# 7   APPLICABLE MARKETING PRACTICES IN THE FUTURE

This chapter will discuss consumer-driven marketing strategy, marketing mix, and SWOT analysis for Shiseido Group to establish marketing practices.

## 7.1   SWOT analysis

A SWOT analysis is widely used by marketers as an effective tool to analyze marketing information.  A SWOT analysis includes both the internal and external environment of the company. It consists of evaluating the strengths, weaknesses, opportunities, and threats of the company. (Ferrell & Hartline 2010, 120.) The SWOT analysis shown in Table 8 below is exclusively about Shiseido Group in Vietnam.

Table 8 Shiseido Group's SWOT analysis in the Vietnamese cosmetics market.

| Strengths | 1. An experienced and well-known brand in the industry. |
|---|---|
| | 2. Continuous development and innovation of products. |
| | 3. Perceived by Vietnamese consumers as high-end quality and premium products. |
| | 4. Strong focus on Asia countries and regions. |
| | 5. Official stores in department stores available with counseling to make the purchase easier. |
| | 6. Available cosmetic products for male market segment. |
| | 7. Vietnamese consumers prefer international brands to domestic brands. |
| Weakness | 1. Higher prices in comparison to other famous international brands in Vietnam such as The Faceshop, and Maybelline. |
| | 2. Lack of activities on official Facebook and Instagram pages. |
| | 3. Lack of marketing and PR activities. |
| | 4. The belief that the brand is more suitable for 30+ consumers with a stable income. |
| | 5. No official chain or retail store, only available in department stores. |

| | |
|---|---|
| | 6. No option for online shopping. Consumers have to go to the stores to purchase. |
| **Opportunities** | 1. Vietnamese consumers' tastes are becoming more sophisticated and shifting to more high-quality brands. |
| | 2. The steady growth of the Vietnamese cosmetics markets in recent years. |
| | 3. Economy growth leading to consumer feeling more positive about spending for shopping. |
| | 4. Lower tariffs on cosmetic products after trade agreement. |
| | 5. Japanese brands are perceived as good quality in Vietnam. |
| | 6. Other brands of Shiseido Group such as Anessa, Senka and Za are popular for millennial. |
| | 7. Strengthen consumers' brand loyalty with quality products. |
| **Threats** | 1. Fake and smuggled products under the brand's name. Poor quality control from the government. |
| | 2. Sold by many small and independent retailers. As such consumers are unsure about the quality and origins of products. |
| | 3. Vietnamese consumers' perception of cheaper and good quality Korean products. |
| | 4. Increasing competition for various international brands. |
| | 5. Bad customer service. |

Above on Table 8, SWOT analysis for Shiseido Group in the Vietnamese cosmetics market has been organized based on the theory and survey's result. Vietnam is a small size market with an abundance of consumers. It is a very competitive market with many competitors. Hence, it is important to be able to adapt to changes and have insight into the business' future to be successful. Based on the SWOT analysis and the survey's results, marketing practices are developed focusing on consumer behavior for Shiseido Group in the Vietnamese cosmetics market.

## 7.1 Consumer-driven marketing strategy

This subchapter discusses the consumer-driven marketing strategy for Shiseido Group Vietnam. It includes segmentation (separating markets into suitable consumer groups), targeting (determining which consumer groups to focus on) and placing the product's image in consumers' minds.

### 7.1.1 Market segmentation

In this subchapter, market segmentation is proposed focusing on the variables mentioned in chapter 3: demographic, geographic, psychographic and behavioristic segmentation. Based on the data analyzed from the survey and interviews, the following segmentation variables are proposed to Shiseido Group:

Table 9 Market segmentation in the Vietnamese cosmetics market

| Age | 23-38 |
|---|---|
| **Generation** | Millennial |
| **Geographic** | Vietnam (Hanoi and Ho Chi Minh City) |
| **Behavior** | Prefer international and well-known brands, affected by acquaintances and online reviews to make purchase decision |
| **Benefits sought after** | Quality, affordable price, easy to purchase, interaction, and loyalty programs. |

### 7.1.2 Targeting

The purpose of Shiseido Group is to provide value for consumers with its high quality and premium cosmetics products. As the range of potential consumers is quite wide, it is suggested that Shiseido Group choose differentiated marketing as its marketing strategy. Trying to meet the demands of all consumers can create the possibility of dissatisfaction for consumers. The segmentation should be based on age groups, with different needs.

- The first target group is consumers from 15 to 24 years old. The consumers in this age range are typically early working group with unstable income or student with no income. They are more comfortable with purchasing products with low to mid-end products instead of premium product. They prefer youthful looking makeup products in contrast to sophisticated products for adults. As they are still young, they do not experience many skin problems except oily skin, tan skin, and acne.

- The second target group is consumers from 25 to 54 years old. These consumers are in the working group, so they have more income to spend on shopping. They are interested in cosmetic products in various areas including makeup, skincare, and body care. They are more likely to opt for sophisticated and mature packaging cosmetic products. With consumers from 30 years old and above, they mostly purchase skincare and body care products that are anti-aging and revitalize their skin.
- The third target group is consumers from 55 years old and above. These consumers are mostly retiree and have a tendency to limit their spending on shopping. They rarely to use makeup frequently as the previous age groups. The consumers in this age group mainly purchase healthy supplements and pharmaceutical products for their skincare, body care, and hair care.

As we can see from the target age group listed above, the second group is the most suitable for Shiseido Group. As they have more incomes to spend on shopping, they will find Shiseido Group's cosmetics product to be more affordable. According to VISION 2020 strategic plan, Shiseido Group wants to be a company overflowing with youthfulness and adored by the younger generation. As it is a brand with a long history of heritage, it is better known with older generations. Hence, it wishes to focus on appealing to younger generations to promote future growth. (Shiseido Group 2019a.) It is advised that Shiseido Group should concentrate on the millennial generation from 23 to 38 years old. The millennial generation has stable income while also opting for the sophisticated style of the company's cosmetics product. Furthermore, they are also interested in purchasing skincare product, a specialty of Shiseido Group. By producing skincare, makeup, and sun care products with sophisticated but youthful packaging, Shiseido Group can appeal to the millennial generation of Vietnamese consumers.

### 7.1.3  Product positioning

According to Shiseido Group (2019), it is the first Japanese company that incorporates Western-style pharmacy. It positions itself as a beauty company that made use of the latest technologies for product development. As the brand name suggested, Shiseido wishes for consumers to associate the company with the concept of a fusion between Western science and Eastern wisdom to bring forth beauty value for society and consumers. Being one of the oldest companies in the cosmetic industry, Shiseido Group has already achieved the brand identity it wishes for in the consumers' mind.

***Segmentation profile***

By combining all of the factors in the analysis above with the current mission of Shiseido Group, an example segmentation profile for the case company in Vietnam is established. This profile will be called "Miss A".

Miss A is a 20-30 years old office lady or a student who lives in Vietnam. She cares about her appearance and uses makeup every day. She mostly purchases skincare and makeup products from well-known international brands. She prefers cosmetic products with origin from Europe, South Korea, and Japan. She would like to purchase from official stores instead of independent reseller, as she would like to be sure about the product's origin. When making a purchase decision for beauty products, she relies on online reviews and recommendation from her acquaintances. She researches quite thoroughly about the product she is interested in such as ingredients and formulas. She does not necessarily follow the current trend. She values being able to communicate with the seller.

Her concerns when purchasing beauty products are the quality of the product. Next, she would like the product to be easily available for purchase and with an affordable price for her. She has brought products from other brands of Shiseido such as NARS, Anessa, and SENKA. While she thinks Shiseido products are expensive but of high quality.

## 7.2   Marketing mix

Marketing mix is one of the major concepts in today marketing. It is a set of marketing means consisting of product, price, promotion, and place, which marketers use to create the response they want from the target consumers and markets (Kotler & Armstrong 2011, 51). In this subchapter, a marketing mix plan is developed for Shiseido Group Vietnam.

### 7.2.1   Product

According to Shiseido Group website, its brand concept in Vietnam is to spread inspiration about beauty value and give consumers the freedom to explore their own beauty. As Vietnam is a tropical humid country, the needs for skin protection and whitening has always been on the rise. According to the Vietnamese website, the most popular searches are moisturizer, anti-aging, Ultimune (skin care product), age-prevention and foundation. (Shiseido Group 2019a.) As Vietnam is a tropical humid country, the needs for skin protection and whitening has increased. Most Vietnamese consumers perceived Shiseido brands as quite expensive, so the main buyers of the brand are women more than 30 years old with a stable income. Hence, they are more interested in skin care products than makeup products compare to younger generations.

ELLE Magazine is a beauty magazine for high fashion and premium beauty enthusiastic. It is one of the most popular beauty magazines in Vietnam available in digital and print forms. They conduct ELLE Beauty Awards annually to the most popular beauty products in every category such as body care, sunscreen, and lipstick. These awards are chosen both by beauty professionals and magazine readers. According to ELLE Beauty Awards 2019 (ELLE Vietnam 2019), there are products of Shiseido Group that won several categories. Image 3 shows the products that won the awards (ELLE Vietnam 2019).



Image 3 Popular Shiseido Groups' beauty products (ELLE Vietnam 2019)

In the best-recommended foundation categories, the products chosen by beauty professions and readers are Clé De Peau Beauté and Nars Natural Radiant Longwear Foundation. These products are suitable for Vietnamese consumers' skin. It is said to have good coverage while providing moisturizes, rejuvenates, retexturizes and repairs skin damage. The winner for the best lipstick chosen by readers is Modern Matte Powder Lipstick Shiseido. This lipstick is long lasting and weightless containing natural ingredients such as oil extract.The best new beauty product is Shiseido Essential Energy Moisturizing Cream. This cream is suitable for all skin types. It also contains natural ingredients such as citrus peel extract, and Ashitaba green plant.

From the products mentioned above, it can be said that the natural and healthy aspect of Shiseido products is an appealing factor for Vietnamese consumers. Vietnamese consumers are aware of the potential dangers of toxic chemicals in non-organic products. They are starting to research thoroughly about the ingredients and formula of cosmetics

products. That is why the demand for healthier beauty products in the Vietnamese cosmetics market is increasing rapidly. (Interviewee 1 2019.) Shiseido Group can focus on beauty products with healthy natural and organic ingredients. Some of these ingredients are grapeseed oil, coconut oil, aloe vera, apple cider, and vinegar.

As discussed in the previous chapter, Shiseido Group products' packaging is sophisticated and elegant. This type of packaging is more suitable for older audience than younger generations. Shiseido Group should focus on creating beauty products with colorful and refreshing looks to attract younger consumers. However, it will be quite difficult for Shiseido Group to suddenly changes their packaging style. Shiseido Group should find a way to appeal to consumers of all age. In November 2018, Shiseido launches a limited oriental collection for Christmas. Clé de Peau Beauté, Shiseido Group's sub-brand also released another limited collection: Chinoiserie Chic. This collection was inspired by traditional Chinese Art. As Vietnam is an Asian country, oriental style is favored by all types of consumers. Both of these limited collections was very well-received by consumers in Vietnam (ELLE Vietnam 2018). Therefore, it is recommended that Shiseido Group should produce more oriented style packaging favored by Vietnam consumer to appeal to both younger and older audiences. Image 4 is the depiction of the two collections mentioned above (ELLE Vietnam 2018).

Image 4 Shiseido Christmas 2018 Limited Collection and Clé de Peau Beauté, Chinoiserie Chic Collection (ELLE Vietnam 2018)

## 7.2.2 Price

In order to have a better understanding of Shiseido Group's price range for cosmetics products in Vietnam, the average prices for three brands: Shiseido, Za, and Nars are provided. As there is no specific price on Shiseido' official Vietnamese website, the data from Adayroi, an e-commerce site and online distributor of Shiseido's cosmetics products is taken (Vietnamnet 2018). Table 10 shows the price comparison between three of Shiseido Group's brands. (Adayroi 2019.)

Table 10 Price comparison between Shiseido, Za, and Nars (Adayroi 2019)

|  | **Shiseido** | **Za** | **Nars** |
|---|---|---|---|
| **Foundation** | 30€ - 42€ | 10€ - 18€ | 28€ - 40€ |
| **Face power** | 33€ - 46€ | 8€ - 10€ | 25€ - 34€ |
| **Lip Makeup** | 18€ -31€ | 7€ -15€ | 25€ - 29€ |
| **Skincare collection** | 55€ - 125€ | Not available | Not available |
| **Blusher** | 29€ - 55€ | 12€ | 17€ - 45€ |
| **Eye Makeup** | 21€ - 33€ | 9€ - 12€ | 17€ - 28€ |
| **Moisturizer** | 43€ - 61€ | 19€ - 35€ | 45€ - 75€ |
| **Anti-aging cream** | 76€ - 141€ | Not available | Not available |

As we can see from Table 10, Shiseido's products have the highest price while Za's products have the lowest. Vietnamese consumers consider Nars's prices affordable. According to the data from the interviews, Nars' foundation and concealer are quite popular with her customers, who are from 17 to 30 years old. She stated that the consumers think it is quite expensive, but it is worth the money spent because of the high quality. Other brands of Shiseido Group such as Za and Senka are cheaper and suitable for younger consumers: students and young workers. As such they have a solid position in the Vietnamese markets and are usually recommended by beauty bloggers and beauty groups on social media. (Interviewee 2 2019.)

An average monthly net salary after tax in Vietnam is 9,032,140 Vietnam Dong (VND) (Numbeo 2019), which is approximately 345 EUR (TransferWise 2019). Hence it can be said that Shiseido's prices are quite expensive to Vietnamese consumers. However, for Shiseido brand, its skincare products are quite unique compared to other brands. For example, Nars and Za do not have moisturizer and anti-aging cream. Therefore, Shiseido should focus on promoting these types of products. In terms of price, it will be quite challenging for Shiseido to lower its price as it needs to take account of product costs and staff costs. It is suggested that Shiseido should conduct promotion for consumers interested in purchasing its products. They can create promotion such as reduce price when purchasing a collection and free skincare services to consumers when purchasing up to a specific amount. Image 5 is an example of Shiseido's promotion on International Women's Day (Shiseido Facebook Vietnam 2019).

Image 5 Shiseido's promotion on International Women's Day (Shiseido Facebook Vietnam 2019).

## 7.2.3  Place

Shiseido's official stores are located in several major department stores in Hanoi and Ho Chi Minh City. Hanoi and Ho Chi Minh City are the two cities with the highest population and urbanization rate. There are in total 8 official stores in Hanoi and 13 official stores in Ho Chi Minh City. Shiseido stores are designed with minimalist style and brilliant atmosphere. The main color palette is white tones and red stripes with the brand's symbol, camellia flower.  Shiseido specifically designs these stores in Japanese style to honor its beauty. With a friendly atmosphere, consumers can find their favorite cosmetics product with the help of enthusiastic beauty counselors. In several specific stores, there are skincare area and beauty spa area for customer service. (Harper's Bazaar Vietnam 2016.) Image 6 displays Shiseido's storefront at Vincom Đồng Khởi Shopping Mall, Ho Chi Minh City (ELLE Vietnam 2017).

Image 6 Shiseido's storefront at Vincom Đồng Khởi Shopping Mall, Ho Chi Minh City (ELLE Vietnam 2017).

In terms of Shiseido Group's other brands availability in Vietnam, Nars brand opened its flagship store in Ho Chi Minh City in 2017. The store offers to Vietnamese consumers all of the brand's latest and most popular products. (Vinny 2017.) Clé de Peau Beauté, Shiseido Group's brand line, had also launched their flagship store in the center area of Hanoi in January 2019. The store was designed with the "Radiance Concept" creating an elegant and luxurious atmosphere. In addition to beauty counseling, there are also makeup service, facial massage, and sofa massage. (ELLE Vietnam 2019.) Image 7 is the interior of Clé de Peau Beauté store in Hanoi (ELLE Vietnam 2019).

Image 7 The interior of Clé de Peau Beauté store in Hanoi (ELLE Vietnam 2019)

Shiseido Group has already established its presence in the Vietnamese cosmetics market by having multiple official stores across the country. However, most of these are only small sections in department stores. It is recommended that Shiseido should launch its independent retail store and showroom in the major urban areas. If it possible, Shiseido Group can showcase beauty products from all of its brand lines in one store to create a better marketing opportunity. In addition, while some brand line such as Nars and Clé de Peau Beauté have their own stores; some brands are only sold through independent chain retail stores. Some examples are Senka, Anessa, and Za. Shiseido Group should consider officially launching these brands in Vietnam to make consumers feel assure about the products' origin.

### 7.2.4   Promotion

According to Kantar WorldPanel (2017), Vietnamese consumers are easily influenced by others' opinions and social media when making purchase decision. The survey conducted support this assessment as the majority of the respondents agree that they believe in online reviews and beauty bloggers when searching for information about the products they are interested in. According to Q&Me online market research, Vietnamese spend hours on social media such as Facebook and Instagram on a daily basis. Facebook and Instagram are the most popular social network while Zalo is the most used chat applica-

tion. (Q&Me 2018.) Figure 36 shows the survey result of the most popular social media in Vietnam (Q&Me 2018).
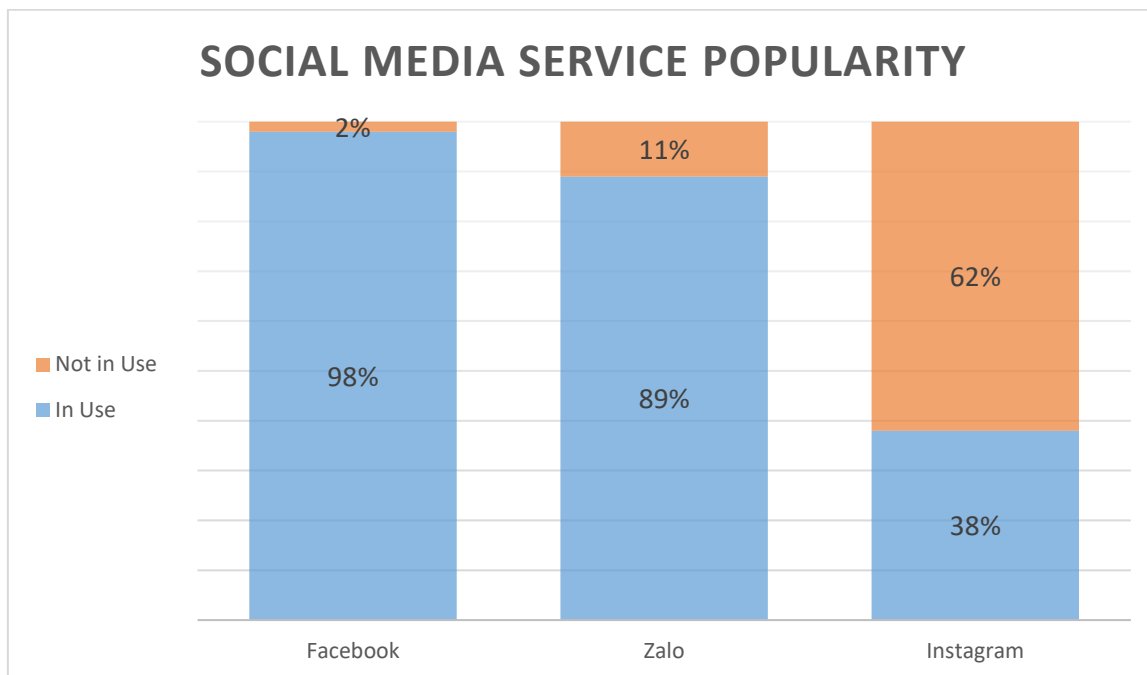


Figure 36 Social media service popularity (Q&Me 2018)

Most of many well-known cosmetics brands in Vietnam use Facebook to connect with their consumers: Laneige, Maybelline, and The Face Shop. Shiseido Group already has an official Shiseido Vietnam Facebook page. This page has almost 3 million likes and followers. The administrators of the page post contents on a daily basis. Most of the contents that Shiseido posted on their Facebook page are promotional events and advertisement. They also share beauty tips and makeup lessons with the usage of Shiseido's product. Overall, Shiseido brand is doing well on the official Facebook page. Nevertheless, it is suggested that the administrators should be more attentive in replying to their consumers' questions, as there are comments that were not answered. Providing satisfactory customer services both offline and online is an important factor affecting a brand's image. In addition, Shiseido can also post different content to avoid being repetitive. Some social media campaigns such as giveaways, competitions, and small minigames provide an opportunity to interact directly with consumers.

While Shiseido's Facebook page is quite successful, it is the only official social media page of Shiseido Group in Vietnam. It does not have a social media page for other brands like Nars and Senka. Shiseido Group should open its own official Facebook page for other brands, as Facebook is the most active social media for Vietnamese consumers. Furthermore, Instagram page and YouTube channel should also be launched to promote Vi-

etnamese only content. By posting relevant content across various forms of social media, Shiseido can improve its online presence and maximize its reach. At the moment, the official Shiseido Vietnamese Website only redirects Vietnamese consumers to Instagram and YouTube page in the English language. As there are Vietnamese consumers who are not fluent in English, this can cause difficulties for them to follow the brand's news and contents. Image 8 displays the front page of Shiseido Vietnam Facebook Page (Shiseido Vietnam Facebook 2019).



Image 8 The front page of Shiseido Vietnam Facebook Page (Shiseido Vietnam Facebook 2019)

In addition to social media, Shiseido can also find other means of advertising. Fashion and beauty magazines such as ELLE Vietnam, Harper's Bazaar, and Her World are good channels to reach consumers. These magazines are well-known for beauty lovers and have a great number of viewers. As mentioned above, ELLE Vietnam is one of the most well-known premium beauty magazines. This magazine frequently publishes articles about Shiseido brand. (ELLE Vietnam 2019.) If it is possible, Shiseido Group should cooperate with these types of magazines to promote their other brands as well. Another way to promote Shiseido Group's brand is to have a celebrity act as a brand ambassador. Jennifer Pham, Miss Vietnam USA runner-up 2004, was Shiseido's brand ambassador from 2014 to 2016 (ELLE Vietnam 2014). There has been no news about finding a new ambassador so Shiseido Group should consider this strategy. Shiseido Group can also cooperate with influential consumers such as beauty bloggers to use and promote its

products. A celebrity or beauty blogger with thousands of followers can generate a large amount of audience. If a reputable consumer can provide authentic support for the products, new consumers will be interested in trying out the brand.

*Summary*

At the end of this subchapter, table 11 below summarizes Shiseido Group's possible marketing mix.

Table 11 Shiseido Group Vietnam Marketing Mix

| Product | 1. Focus on promoting cosmetics with natural ingredients.<br>2. Produce product's packaging with oriental and traditional style, suitable for Vietnamese aesthetics sense. |
|---|---|
| Price | 1. Promote Shiseido's unique and high-quality skincare items that provide good value.<br>2. Conduct discounts events and special spa services to attract consumers' interest.<br>3. Establish membership and loyalty program. |
| Place | 1. Open its independent retail store and/or showroom in major urban areas.<br>2. Launch other brands such as Senka and Za officially in Vietnam. |
| Promotion | 1. Start Shiseido Vietnam Instagram and YouTube page in Vietnamese language.<br>2. Other brands' official social media page like Facebook should be launched.<br>3. Promote through fashion magazines and celebrities/beauty bloggers. |

## 8   CONCLUSION

This chapter includes the conclusion of the thesis and presents the data collected during the study. The chapter starts by answering research questions. The validity and reliability issues are covered in the second part. At the end of the chapter, a conclusion with suggestions for further study is discussed.

### 8.1   Answers to research questions

The research question is focused on developing marketing practices based on consumer behavior. The case company, Shiseido Group wishes to expand its business and strengthen its position in the market with the thriving growth of the Vietnamese cosmetics market. As such the main research question is formulated as:

***What marketing practices based on consumer behavior that Shiseido can use to expand its brand and strengthen its position in the Vietnamese cosmetics market?***

The sub-questions will be answered first to provide support for the main questions.

***What are the characteristics of the Vietnamese cosmetics market?***

The sales revenue in the Vietnamese cosmetics market has grown with a positive rate in recent years due to factors such as improvement of living standard, economic growth, and significant marketing efforts from cosmetics brands. The development of online shopping has also become a factor in the growing demand for cosmetics. Skincare products are increasing in demand leading to the skincare sector makes up approximately one-third of the whole market.

Due to the lack of high-quality domestic brands, most of the cosmetics products in the market are imported. Vietnam has lowered tariffs on cosmetics products, which attracts even more foreign cosmetics brands.

***How do Vietnamese consumers behave in the cosmetics industry?***

As Vietnamese women start to care more about their appearance and social standing, the usage of cosmetics and makeup products have increased. Generation Z and Millennial are the consumers' groups that are especially more conscious about how they look. With many counterfeit products in the market, consumers are more careful about research thoroughly about the origins of the products they want to purchase. In addition, as the younger generation is more environmentally aware, Vietnamese consumers consider cosmetics products rich in natural ingredients are healthier. Online shopping and commu-

nication have also affected Vietnamese consumers' shopping behavior. Besides department stores and shopping malls, consumers are starting to purchase cosmetics products via Facebook and other online shopping channels. Digital Word-of-Mouth communication has a big influence on Vietnamese consumers' behavior, especially younger generations who rely on the Internet as their main sources of information. In addition, YouTube is one of the largest channels for sharing makeup tips amongst Vietnamese consumers due to the rise of beauty bloggers and beauty influencers.

***What is Shiseido Group? What are its strengths, weaknesses, opportunities, and threats in Vietnam?***

Shiseido Group is one of the oldest cosmetics companies that adopted the Western style in Japan. It has ownership of over 38 brands of cosmetics with premium, mid to low-end products. Shiseido Group is known for its premium products and services. With its origin in Japan, Shiseido understands and knows its Asian customers and market. However, Shiseido Group's pricing scheme is higher than per capita salary of Vietnamese consumers, which results in low buying power in Vietnam market.

Vietnamese consumers are avid social media users and love promotions campaigns. Shiseido hasn't used these characteristics to their advantage when selling in Vietnam. Furthermore, it is hard for Vietnamese consumers to purchase Shiseido's group products as there is Opno online shopping available as well as no official store, and that turns away Vietnamese consumers, who demand seamless shopping experience. Vietnam is a great potential market for Shiseido, with its growing middle class and demand for high-quality products. There are threats of competition coming from cheaper brands and fake products but with good planning and sustainable resources, Shiseido's success in the Vietnamese market is certain.

***What marketing practices based on consumer behavior that Shiseido can use to expand its brand and strengthen its position in the Vietnamese cosmetics market?***

Due to the competitiveness in the cosmetics industry, Shiseido Group should conduct careful research to approach the right target customers' group. It is suggested that the company should focus on the millennial generation from 23 to 38 years old. These consumers have stable income to afford the brand's premium price. As consumers are environmentally aware, the case company should concentrate on promoting cosmetics products with healthy and natural products. The packaging style should be sophisticated with oriental and traditional style, to appeal to Vietnamese aesthetics sense. As the target group cares about skincare products, the company can advertise high-quality skincare

products with good value for money. Other options to appeal to consumers are discount events, membership and loyalty programs.

At the moment, Shiseido Group also has official stores in department stores and shopping malls. To make the company's product more accessible for consumers, it should open its own independent retail store and showroom in major urban areas in Hanoi and Ho Chi Minh City. Furthermore, official stores of other brands such as Senka and Za should be launched in Vietnam to assure the consumers of products' origin because of counterfeit products in the market. In terms of promotion, the official Shiseido Vietnam Facebook page should be more attentive in responding to users' questions to provide good customers service and show a positive brand's image. Instagram and YouTube page should be opened with the Vietnamese language. Other brands of the company should also have their own social media page. Aside from social media, beauty magazines and websites can also be used for advertisement. As YouTube is one of the largest channels for sharing makeup tips amongst Vietnamese consumers, the company can also cooperate with beauty bloggers and celebrities to use its product. If a reputable consumer can provide authentic support for the products, new consumers will be interested in trying out the brand.

## 8.2   Validity and reliability

There are two fundamental factors in conducting a study: validity and reliability. Reliability means that the study should be uniform and the results should be repeatable. Validity refers to the accuracy of measurements that is tested by the study. (Shuttleworth 2019.) The purpose of the study is to provide an answer to the research questions. The aim has been met with all the sub-questions and main questions have been answered.

The study used both primary and secondary sources. Distribution of online survey and interviews provide the primary data. The survey was distributed in a Facebook group. There were a total of 200 responses, with only 197 valid responses. The survey was conducted in both Vietnamese and English. There were in total three interviews with independent sellers of cosmetics products in Vietnam. As the interviewees were more comfortable with Vietnamese language, the interviews were carried out in Vietnamese. The interviews happened through face-to-face separate meetings. The survey sample size was quite small. Hence it is acknowledged that with bigger sample size, the data acquired will be more accurate. The same can be said for the interview section. However, with the scale of study, the data from the empirical research was partially enough to answer the research question. Secondary data are collected from scholarly books, articles, literature reviews related to the thesis's subject. This thesis is considered partially valid, as more

interviews and more respondents can be done to have a more accurate generalization of the target consumer group for the case company. The data collection was analyzed in detail.

The thesis was concluded with appropriate target consumer group and marketing practices for the case company. The thesis was consistent and reached the final objective. The survey was distributed to a large group of the target consumer group, from whom responses can be regarded as appropriate and valid. The survey data analysis was conducted with a 7% margin of errors based on the confidence level of 95%. The interview was designed with relevant questions to the thesis's topic. In conclusion, it is certain that the thesis is reliable.

## 8.3    Suggestions for further research

The thesis' purpose is to develop marketing practices in strengthening its position and expands its brands in the Vietnamese cosmetics market based on consumer behavior for the Shiseido Group.  The current situation in the Vietnamese cosmetics market and its consumer behavior has also been presented to the company in this thesis. After completing the thesis, several limitations are identified. Firstly, the survey and sample size is quite small, with only 197 valid responses. It is suggested in future works a bigger sample size should be collected to conduct deeper analysis of consumer behavior. Secondly, there is no inside data of Shiseido Group Vietnam, With important inside resources such as sales revenue in Vietnam, a more detail marketing practice for the company might have been proposed. Thirdly, as this thesis is mainly about consumer behavior, other aspects such as marketing costs, studies of competitors, outsourcing of local marketing agency, KIPs, are not mentioned. As such, it is suggested Shiseido Group Vietnam should conduct further researches to establish a more feasible marketing strategy in the future.

9   SUMMARY

An aim of the thesis was to develop marketing practices based on consumer behavior for Shiseido Group in Vietnam. The thesis analyzed Vietnamese consumer behavior and the current situation in the cosmetics market. Inductive reasoning was employed in this thesis.

The thesis started with the relevant theories to support empirical research. In chapter 2 the concept of consumer behavior was introduced. Influential elements such as globalization and online shopping were also discussed. The importance of reaching consumer behavior was explained. This chapter also studied what components in the processes of goods acquisition and consumption that lead the consumer to the final purchasing decision.

Chapter 3 went into detail about marketing strategy. First, the definition of marketing strategy was given. Next, consumer-driven marketing strategy, which included market segmentation, target and product positioning, was discussed. After that, the structure of the marketing mix was explained. The four variables: product, price, promotion, and place were introduced.

Chapter 4 provided general information about Vietnamese consumers and their core value and perception. After that, the Vietnamese cosmetics market and its current situation were discussed. Finally, Vietnamese consumers behavior towards the cosmetics industry was examined specifically.

Chapter 5 was the start of empirical research. The formulation of empirical research was explained by defining the phases to execute the research. The process of data collection from the online survey and three interviews were explained. The online survey was quantitatively analyzed except for the two open questions. The three interviews were evaluated qualitatively. Findings from the research were applied to develop the marketing practices for the case company in Vietnam.

Chapter 6 introduced the case company: Shiseido Group. The mission and value, and its present situation were discussed. In addition, the cosmetics brands that belong to Shiseido Group were briefly mentioned.

Chapter 7 was the marketing practices for the case company. A SWOT analysis for the company was conducted based on the theory and data collected. The consumer-driven marketing strategy and marketing mix strategy for Shiseido Group Vietnam were established. Market segmentation, target age group and product position were proposed to come up with the most suitable segmentation profile for the company. After that, a market-

ing mix plan was developed based on product, price, promotion, and place. These were the marketing practices that were recommended for the case company's future marketing plan.

Chapter 8 provided the answers to the research questions. The sub-questions were answered first to give support for the main research question. The validity and reliability of the thesis were explained. Finally, suggestions for further research were presented. The thesis meets all of its objectives and is valid and reliable.

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Interviewee 3 as Dang, D.C. 2019. Administrator. Facebook closed group: Beauty Tips & Reviews Vietnam. Interview 2 February 2019.

APPENDICES

Appendix 1 Interview questions for two cosmetics retailers

1. How long have you been a retailer of cosmetics products?

2. Can you briefly describe what types of products are available at your store?

3. What are the countries of origin of your products (e.g. USA, Europe, Korea, Japan, etc)? Can you name some of the brands?

4. What is the age range of your customers?

5. What do you think are the top concerns of customers when buying a product? (e.g. price, brand, quality, popularity of product)

6. Do your customers have knowledge of the products they purchase? (e.g. functions, ingredients, origins, etc.)

7. Do you interact with your customers frequently? (e.g. questions about products, recommendations, feedbacks, etc.)

>   If yes

>   7.1 Do they listen to your recommendations?

>   7.2 Do you still communicate with them after the purchase? If yes, what is it about?

8. Do you know what are the favorite items among customers?

>   8.1. If yes, is it a popular item and do you know why is it popular? E.g. widely advertised, lots of positive reviews and feedbacks, price, accessibility, etc.)

9. Do you have a loyalty program for your customers? (e.g. saving points, discounts for regular customers)

>   9.1 If yes, do they spend more and become a frequent customer of yours?

10. Do you sell Shiseido's products? How about other brands that belong to Shiseido corporation like Nars, Avène, Anessa, Senka, Za, etc.

>   10.1 If no, what do you think about Shiseido? E.g. price, quality, future plan for selling Shiseido's products, Shiseido's popularity among customers, etc.

>   10.2 If yes, can you name some of the products? Are they popular in the market?

11. What are the habits of customers that you think typical and common?

Appendix 2 Interview questions for an administrator of a cosmetics-related group on Facebook

1. Can you share a bit about your experience in using cosmetics? (e.g. for how long, frequency, favorite items, etc.)

2. What makes you create the group? What is your role in the group? When was the group created? How many members are there in the group at the moment?

3. As much as you know, can you describe a bit about the members in the group? (e.g. age, careers, interests, etc.)

4. How many post requests do you receive in a day? What are most of the posts about?

5. What are the most common topics of discussion in the group?

6. Do you know what are the favorite items among members in the group?

> If yes, is it a popular item and do you know why is it popular? E.g. widely advertised, lots of positive reviews and feedbacks, price, accessibility, etc.)

7. Do you often interact with the group's members in private? If yes, what is it about?

8. What are the habits of Vietnamese cosmetics users that you think typical and common?

9. Do you know Shiseido? If yes, what do you think about Shiseido in general (e.g. price, quality, popularity among Vietnamese consumers, etc.)

10. Can you have a look at our survey about Vietnamese consumer behavior and give us some of your thoughts?

Appendix 3 Internet survey with Vietnamese consumers

# Survey about Vietnamese consumers behavior in cosmetics industry/ Khảo sát về hành vi mua hàng của người tiêu dùng Việt Nam đối với các mặt hàng mỹ phẩm

Hello, we are Khanh Nguyen & Thao Nguyen, student of Lahti University of Applied Sciences.
We are doing a survey as a part of a research for our graduating thesis.The purpose of the survey is to find out the common traits and behaviors of Vietnamese consumers in cosmetics and beauty industry. The survey has 16 questions in total and takes about 5-7 minutes to complete.
We hope to receive positive responses from you, thank you!

Xin chào! Chúng tôi là Khánh Nguyễn & Thảo Nguyễn, sinh viên tại trường Đại học Khoa học ứng dụng Lahti
Chúng tôi đang làm một khảo sát cho một đề tài nghiên cứu trong luận án tốt nghiệp. Mục đích của khảo sát này là để tìm hiểu về hành vi mua hàng của người tiêu dùng Việt Nam đối với các sản phẩm trang điểm, chăm sóc da, làm đẹp,... Khảo sát bao gồm 16 câu hỏi và mất khoảng 5-7 phút để hoàn thành.
Chúng tôi mong nhận được những phản hồi tích cực từ các bạn, xin cảm ơn!

NEXT

Part 1: basic information

1. Gender

- Female
- Male
- Other

2. Age

3. Nationality

- Vietnamese
- Other

Part 2: The use of cosmetics

4. How often do you use cosmetics in your daily life? (including makeup, skincare, body care, haircare, etc.)

- Everyday
- Sometimes
- Rarely, only on special occasions
- Never

5. What type of products do you often purchase? (multiple choices)

- Makeup
- Skincare
- Haircare
- Body care
- Fragrance

6. Do you prefer Vietnamese products or products from foreign brands?

- Vietnam
- Foreign
- Doesn't matter

7. What is the origin of your products? (multiple choices)

- USA
- Europe
- Korea
- Japan
- Domestic products (Vietnam)
- China, Taiwan
- Other

8. Do you prefer products from big brands with long time recognition or small, indie brands that are new in the market?

- Big brands
- Small brands
- Doesn't matter

9. What are the sources of information you often do your research before buying a product? (multiple choices)

- Self-research, knowledge and experience
- Google and other search engines results
- Brands' official website
- Expert or specialist's guides and advice (dermatologist, doctor, makeup artist, books, etc.)
- Reviews or recommendations from gurus or influencers (e.g. beauty gurus, online reviews, YouTube reviews, blogs, celebrities, etc.)
- Opinions from previous users or acquaintances (e.g. social media, beauty groups online, beauty discussion forum, etc.)

10. Would you stick to a specific brand if they have loyalty or membership program?

- Yes
- No

10.1. If yes, what would you like? (multiple choices)

- Saving points
- Discount on special events
- Gift cards, vouchers, coupons, non-monetary rewards, etc.
- Membership to other brands in alliance
- Limited treatments for VIP members
- Other

11. Have you ever experienced post-purchase customer service?

- Yes
- No

11.1. If yes, in what way? (multiple choices)

- Give feedbacks about product and service
- Exchange and return
- Product-related insurance
- Communication with vendor/seller even after purchase

Part 3: Please show your opinion on these statements on the scale from 1 to 5

12. To which extent do you agree with these statements

(1-strongly disagree, 2-slightly disagree, 3-neutral, 4-slightly agree, 5-strongly agree)

- I have a thorough knowledge in products I use (e.g. ingredients, formulas, product's origins and background, side effects, drawbacks, etc.)
- Products from big brands are more trustworthy
- I believe in the functions of the product that are claimed and advertised by the brand
- I would like to buy and try a product that seems to be trendy and hyped up by everyone
- I often search for reviews from others and trust them before buying a product (e.g. beauty gurus, online reviews, blogs, YouTube, beauty groups, etc.)
- Advertisements that cast celebrities, influencers or have special collaborations are more convincing to me
- I would like to have post-purchase customer service for products I buy (e.g. exchange & return, give feedbacks, insurance, etc.)

13. Please rate your concerns when purchasing a product on the scale of 1-5

(1-never thought about it, 2-not really important, 3-neutral, 4-important, 5-very important)

- Popularity (trendy products, products adored by many people)
- Quality
- Accessibility (availability on stores or sellers, reliable sources, etc.)
- Price
- Brand

14. Is there anything you wish to change in Vietnam's cosmetics market? (open question)

Part 4: Questions regarding case company: Shiseido

15. How often do you buy Shiseido's products?

- Frequently
- Rarely
- Never

16. How about other brands of Shiseido? (e.g. Nars, Anessa, Senka, Za, Avène, Tsubaki, Majolica Majorca, etc.)

- Frequently
- Rarely
- Never

17. What do you think about the price of Shiseido's products?

- Too expensive
- Affordable
- Cheap
- I don't know

18. What do you think about the quality of Shiseido's products?

- High quality
- Neutral
- Not suitable for me
- Other

19. What is your opinion about Shiseido in general? (open question)