

**PLACE AND PROMOTION STRATEGIES FOR ACNE-WHITENING
CREAM: A CASE STUDY OF REPOSITIONING MASS-MARKET
SKINCARE PRODUCT BY THAI COSMETIC COMPANY**



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SKINCARE PRODUCT BY THAI COSMETIC COMPANY**

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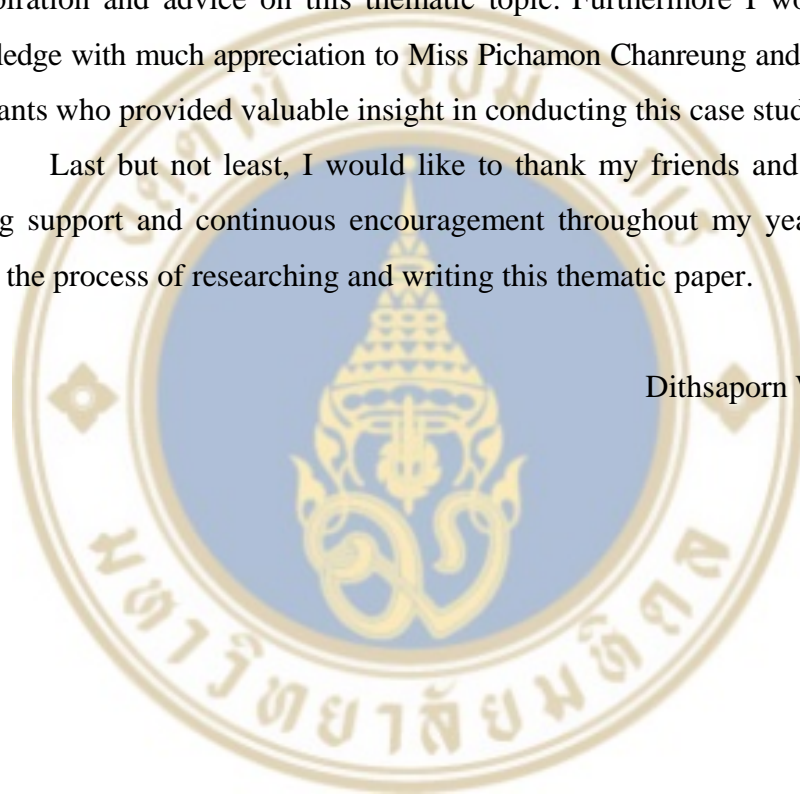
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ABSTRACT

The purpose of this research is to understand factors that cause product failures in Thai skincare product and how Thai cosmetic company can reposition itself through distribution and promotional strategies. A case study of the P-Company will be analyzed through a qualitative research approach. In addition to the focus group's findings of 24 participants, the analysis and recommendations are also drawn from the in-depth interview with the trade manager and brand manager of the P-Company.

Findings from this research show that Thai consumers for the masstige skincare product have negative perception toward skincare products that are produced by Thai cosmetic company. The perceived quality of domestic skincare products is not as same as that of the international skincare brands. Wrong target segment, improper selection of distribution channel, and insufficient marketing support are some of the causes of product failures.

With a comprehensive distribution channel, a strong brand position, a better brand awareness, and an effective brand communication, Thai cosmetic company can influence Thai consumers' attitude and purchase intention of Thai skincare products .

KEY WORDS: Mass-Market Skincare Product/ Masstige Skincare Product/ Distribution
Channel Strategy/ Promotion Strategy

34 pages

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CHAPTER I

INTRODUCTION

1.1 Skincare Marketing Trend

Thailand's skincare market has been projected for a compound annual growth rate of 3 percent since 2013 (Bodimeade, 2013). The healthy growth of the skincare sector comes from the increasing trend of health and beauty across age groups and genders of Thai consumers. Today, Thai male and female are more concern about their appearances and willing to go great extents in pursuing an ideal image of Thai beauty. Ageless, fair, and flawless skins are some of the certain stereotypical characteristics that are appreciated and have long silently implied about different social-economic status in Thai society. Since looking good is essential for both professional and personal life, skincare products irrefutably become an additional necessity to the four basic human needs.

To answer Thai consumers' new personal need, cosmetic companies constantly come up with new innovative skincare products that would help Thai consumers beautifying their looks and enhancing their self-esteem. However, the question is which players in the skincare market are likely to gain a greater share of this favorable growth. Undoubtedly, well-known foreign beauty brands, such as L'Oreal, Proctor & Gamble, Unilever, and Shiseido have been forever the key players in the mass-market, masstige, and premium skin care products. In addition to consistently releasing innovative skincare products to the market, these international cosmetic companies have changed their marketing strategy from the marketing for the mass-market to the masstige consumers in order to capture the world's emerging middle class. In the masstige market, the target customer is a middle-class consumer who seeks for prestige skincare products that are reasonable in prices (Paul, 2014).

Thai cosmetic companies have capabilities and resources to produce skincare product for the masstige market as well. In fact, Thailand was ranked 17th for world production of cosmetics in 2012 (Cuyvers, 2013). However, Thai consumers continue

to prefer international cosmetic brands to the domestic ones. One possible explanation for the popularity of these big brands is the positive brand perception that Thai consumers have toward the international cosmetic brands. The extrinsic cue, such as the company's global established brand name, has help reducing consumers' purchasing risk and increasing their interest and willingness to try a new product (Buaman & Phatnaree, 2011).

To create brand awareness and expedite the market penetration, celebrities and non-celebrities are hired to promote their latest innovative products. The combination of famous endorsers and useful advertising information do not only add value to the products but also to the firm. Interesting marketing tactics, such as free-sample, discounts, or viral marketing, also encourage repeated purchases, which help these companies to maintain their market shares.

On top of the exciting marketing strategies and effective marketing tactics, wide-ranging distribution channels also make their products readily available to their target customers. For the time being, Thai customers purchase skincare and cosmetic through the following channels: department store, supermarket, hypermarket, convenient store, specialty store, and traditional drug store. These traditional bricks-and-mortars retailers are currently working or competing with online retailers to better serve their customers. The multiple channels of distribution are thus necessary for beauty products since this Thai consumers' lifestyle are changing. High-speed Internet access and latest technology of smartphones and tablet allow Thai consumers to spend more time online and enjoy the effortless shopping experience at their convenience.

Today, the skincare market in Thailand is extremely competitive and full of players that are either international or domestic cosmetic companies. The goal of this research is to understand key factors that help the consumer to discriminate one skincare brand over another at the point of purchase and how Thai cosmetic company can develop brand prestige and comprehensive distribution channels to compete against global cosmetic companies for the market share.

1.2 Research Question:

How can Thai cosmetic companies successfully reposition their masstige skincare products through distribution and promotional strategies?

1.3 Research Purpose:

The purpose of this research is to suggest effective distribution and promotion strategies for Thai cosmetic companies that want to pursue masstige skincare market.

To facilitate the understanding, the case study on the P-Company will be used to elicit the consumer insight as to why the product offering did not satisfy the need of masstige market. The mistakes and findings from the case study will also be used to suggest an effective place and promotion strategies that would help the company to compete with the existing players in the skincare market.

1.4 Case Study Background:

The P-Company is a subsidiary of a leading holistic skin clinic in Thailand. The company manufactures and sells skin care products that are used to treat skin problems, such as acne and melasma. The company has its research and development team, and its products are customized according to the local needs. In fact, the company is known for producing quality skin care products made from non-medical ingredients. The company's expertise is also in acne treatments. For target customers, they are both male and female with low to medium incomes. They use an over-the-counter product sold at a low price to treat a mild acne case.

With strength in acne treatments, the P-Company launched a new product line that combined acne and skin whitening cream together in 2008. The product was positioned for the mass-market with the same target group of customers. However, the product was priced higher than that of competitors as well as the company's other popular skincare products. Since its introduction to the market, the company has continued to experience net losses, and the sales volume have also steadily declined for the past nine years. The board committee had decided to reposition the product to the

high mass to masstige. The management team of the P-Company had also conducted the research and focus group interviews with consumers of masstige skincare products and found the causes of product failures are listed below:

1.4.1 Insignificant differentiation from competitors

Based on the interview with the P-Company's management team, the brand extension was developed without a market research, which can be used to explore the underlying needs of the target customer. While the trend of face-whitening products leads strongly in Thai skincare market, acne creams with whitening properties are nothing new to the market. Prior the P-Company launched acne/whitening cream; Thai skincare market has been introduced with similar products by big brands, such as Ponds, Garnier, Eucerin, and La Roche.

From the focus group interviews, the potential customers also do not prefer multi-prep product liked 2-in-1-acne whitening cream. The commonly stated reason was that the combined properties might not work effectively as one property alone. Furthermore, the target customer wanted acne product for acne clearing rather than whitening. The primary product's benefit must be a quick response in curing acne. The product must reduce the sign of acne or cure it within 3-4 days. The secondary preferred product's benefits include reducing acne scars, red spots, sebum control, and pore minimizer.

1.4.2 Wrong target segment

The acne whitening cream was developed to target the same group of customers of the P-Company. "Iron Lady" was a name given to identify this group of clients. They are at the age between 25-30 with low to the middle-income background. However, they are less concern about their beauty and have a tendency not to purchase products with a premium price.

From the focus group, the primary target segment for the new product's positioning is at the age between 15 to 24 years old. These target groups are not a loyalist to one brand and open to trying new products. Moreover, they have access to disposable income and have high purchasing power. These target segments are thus willing to a great extent to enhance their appearances. The P-Company identified them

as “Urban Youngsters.” They live in the suburban area and have experienced with acne problems for any given period. They seek for non-medical skin care products that effectively remove the signs of acne and the appearance of acne scars.

1.4.3 Under-performing functions as promised

With further on-line researchers, the P-Company had found that the customers were not quite satisfied with its product. Based on the online reviews by the real users, the product received low ratings. Many had complained that the product did not deliver what it promised. Firstly, the product was not effective at clearing pimples and comedones. The effect of whitening treatment was also temporarily. Secondly, the product’s ingredients also contained sunscreen, which made the product’s texture too heavy and oily for Thai customers. Since the reviews were made by the real users and through the beauty websites, such as Jeban, Vanilla, and Pantip, other potential users perceived the comments as trustworthy and credible.

1.4.4 Improper selection of distribution channels.

Since the company assumed that their existing customers would purchase the product, the company had decided to make the product mainly available at the current distribution channels. These channels are major discount stores, such as Big C and Tesco Lotus, where the existing customers mainly purchase their skin care and beauty products. However, their current customers have low purchasing power and do not have high motivation to pursue Thai beauty image. This reason also contributed to the company’s net loss over eight years.

1.4.5 Insufficient marketing support.

The product has low brand awareness because the company spent on advertising at a minimum. At the introductory stage, the company hired two celebrities to endorse the product; however, their personalities did not match with the brand and the product. Most importantly, their public images did not represent Thai beauty aspirations. As a result, there was an inconsistency between the endorsers and the brand. The celebrity endorsements thus did little effect on brand building and the connection between the brand and customers was not established. Overall, the mismatch between

the brand being endorsed and the endorser did not help the company to achieve wider awareness and better recall.



CHAPTER II

LITERATURE REVIEW

The focus of this paper is how Thai skincare cosmetic companies can compete in term of distribution and promotional strategies in the masstige skincare market. This chapter will use various literature reviews within two main conceptual areas including distribution channel decisions and integrated promotional decisions.

2.1 Distribution Channel Decisions

An adequate distribution channel can increase customer satisfaction by making the product readily accessible to the customers at their convenience. The effective distribution channels will not only ensure the company's financial success but also help reduce costs related to distributing the products and marketing them.

2.1.1 Channel Design

For skincare and cosmetic products, the store-based retailing includes a department store, supermarket, hypermarket, convenient store, specialty store, and traditional drug store. To get their products sold in these channels, cosmetics companies have to meet several requirements and pay high fees, such slotting fee for appropriated shelf spaces. Specialty and drug stores, such as Watson, Boots, and P&F, become key retailers for health and beauty cares in Asia. They offer convenient by providing one-stop shopping service to customers. At this type of the stores, the customers can buy wild varieties of products related to health and beauty cares and can expect standardized prices and services (China's cosmetics market, 2012).

In addition to the store-based retailing, the on-line retailing for cosmetic products has grown significantly since Thai consumers have changed their shopping behaviors. Internet allows them to research about the product, read on-line peer review and compare its feature, brand, and price before making the purchase (Mullins, et al., 2013).

Today, there are many types of on-line cosmetic stores in Thailand, but it can be classified into two categories: self-operated on-line platforms and third parties B2C on-line platforms. The self-operated on-line platforms are the company's website and/or social media, such as Face book, while the third parties B2C on-line platforms are any on-line platforms that sell skincare and cosmetic products (Paiboonthavornying, 2015).

2.1.2 Channel Management

This decision involves developing policies and procedures to manage different intermediaries within the distribution channel. It is also extended to how to motivate these channels to perform promotional activities effectively on behalf of the company.

There are two types of channel control strategies, which are pull and push strategies. A pull strategy is a marketing strategy that motivates customers to seek out the company's product. Some of the marketing tactics include media advertising, to consumer promotions, word of mouth, and other promotions attempting to get customers want to buy the product. Push strategy, on the other hand, efforts to push the product at customers. Common marketing tactics include face-to-face selling at the company's showroom, point-of-sale materials, trade shows, and trade promotions. The company can employ either pull or push strategies; however, this would depend on the company's available resources. Small and medium firms with limited resources and/or small share of the market tend to use push strategy to encourage the channel members to pursue the company's product and to help the company to persuade consumers to buy the product (Mullins, et al., 2013).

2.2 Promotion Decisions

The promotional decisions are not limited to deciding which marketing tactics or consumer promotions to use to attract potential customers to buy the product. Building a strong brand is one of the company's strategies that can provide a long-lasting competitive advantage. The more powerful of the brand, the more company can

command trust and confidence from consumers and distributors, which in turn the more financial rewarding for the firm.

2.2.1 Customer-Based Brand Equity Pyramid

Brand equity is based on the idea that a well-known brand name is widely recognized by the public and has higher market share in the market than a brand that is lesser well-known. According to brand equity model, the company can shape how customers think and feel about the brand by building experiences that will encourage positive thoughts, feelings, or perceptions about the brand. With the right experiences, the company can expect consistency between behaviors and attitudes hold by customers. This assumption suggests that a company with strong brand equity can anticipate repeat purchases from customers, success acceptance rate for its new product extension, and shared positive word of mouth (Keller, 2001).

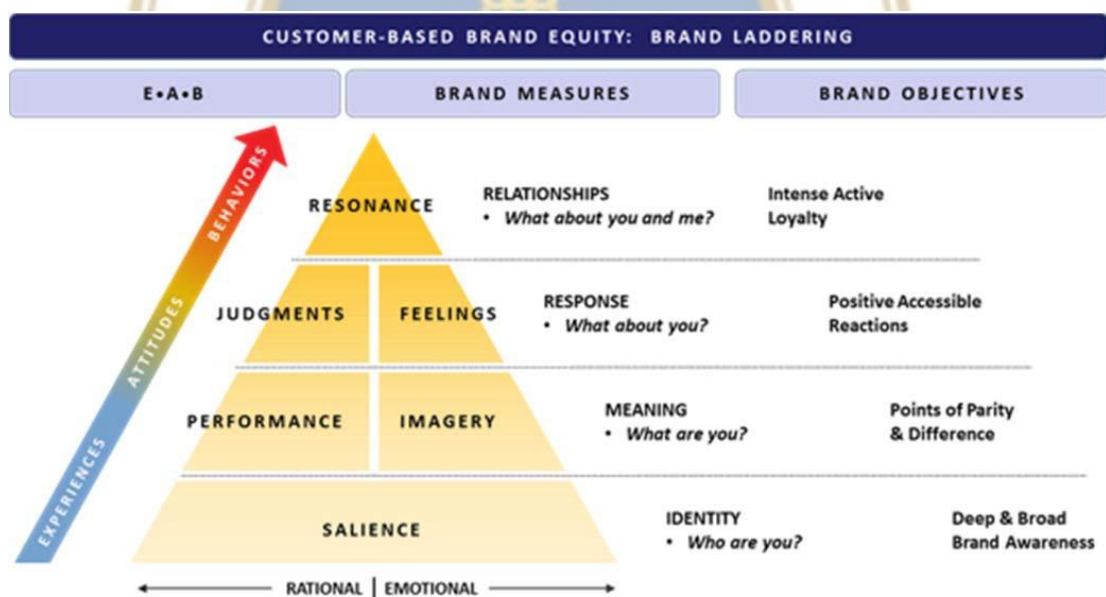


Figure 2.1 Keller's Customer-Based Brand Equity Model

Source: www.verdegroup.com/solutions/reputation-risk

According to the pyramid, there are four objectives that a company must achieve to build a strong brand.

The first objective is to build brand awareness. The company must conduct activities that would aid customers in recognizing or recalling about the brand. Not

only customers must be familiar with the brand at this stage, but they must also consider the brand as their consideration set when customers find themselves in the purchase and/or consumption situations.

The second objective is to communicate brand meaning. Brand meaning at this level can either be performance or imagery. Brand performance refers to how well the product meets the customers' needs and expectations in term of quality, design, and price. For brand imagery, this element refers to how well the product meets the customers' needs and expectations in term of the social and psychological level.

The third objective is to elicit a positive response from customers. The customers' responses can fall into two categories: judgments and feelings. In term of decisions, customers can judge the brand according to it perceived quality, trustworthiness, relevance to their needs, and superiority over competitive brands. The responses can be in term of how the brand makes the customers feel. The brand can evoke either positive or negative feelings, which are excitement, tension, security, or social approval.

The fourth objective is to build a connection with the customers. This objective is the most desirable and most difficult to achieve. To reach this top level of the pyramid, the company must meet the first three objectives. At this level, the customers develop a close relationship with the brand. This type of relationship would lead to desirable behaviors, such as repeat purchases, paying a premium price, and active brand involvement.

2.2.2 Brand Positioning

This term refers to the uniqueness of you the brand against that of competitors. Since consumers compare products before making a purchase, brand positioning ensures that company's marketing activities give consumer's reasons to buy or to develop a strong preference toward the brand over that of competitors. Brand positioning is also two stages processes. The first stage involves indicating a competitive set of a brand that the company's brand should compare against. The second stage involves indicating the brand's distinctive characteristics that appeal to the target market and make it different from its competitors. Hence, brand positioning should suggest what benefit does the brand offer (brand promise), to whom the benefit is offer to (target market), what factual

or claim to support the brand promise (reason to believe), and which brands the company compete against (main competitors) (Kapferer, 2012).

2.2.3 Consumers' Decision-Making Process.

Many variables affect the process of obtaining, consuming, and disposing of the products. These variables can be classified into consumer influences and organizational influences. Consumer influences include culture, personality, life-stage, income, attitudes, motivations, feeling, knowledge, ethnicity, friends and family, values, opinions, and past experiences. Variables, such as brand, advertising, promotions, price, product availability, packaging, product features, word of mouth, retail displays, store ambiance, and loyalty program, are examples of organizational influences (Blackwell, et al., 2012). Both consumer and organizational variables can shape consumers' opinions, which result in the certain attitude that consumers hold toward products or brands. Modifying their former beliefs and opinions is needed when the brand is reposition and wants to appeal target customers by increasing their motivation and reason for seeking certain benefits from the brand (Kapferer, 2012). The firm must then taken into account the involvement and motivation of target consumers when advertising and creating other marketing communication.

In term of participation, the firm must understand consumers' perceived risks involving purchasing or using a product or service. The perceived risks depend on upon target customers and can be categorized into financial risk, performance risk, social risk, and physical risk. Financial risk refers to the perception that the product quality is not worth the price paid. Performance risk relates to the perception that the product quality will not meet the expected standard. Social risk relates to the perception that the choice of product would result in negative social perceptions. Physical risk relates to the perception that consuming the product would result in harmful or undesirable side effects. Overall, the perceived risks have significant consequences for both perceived quality and purchase intention. These risks influence consumers' decision on the superiority of a product, which in turn influence their purchasing decision (Sheau-Fen, et al., 2011).

According to the study of “Influence of Country of Origin on Thai consumer attitude and purchase intention toward skin care products”, country of origin has an influence on Thai consumer’ attitude. For the same product category, products from the well-known country of origin (developed country) are perceived to have better quality than products produced locally. The research had also found that Thai consumer has high purchase intention toward skincare products with the following country of origin: Japan, United States, France, and South Korea. Thai consumers show purchase intention for international skincare products because they have a positive attitude toward the country of origin, which serves to summarize the belief in product attributes. Additionally, Thai consumers are more familiar with international skincare brands due to their comprehensive distributional channel and product images. Unfortunately, the result also showed that the respondents had a negative attitude toward Thai skincare products. Skincare product with Thai country of origin is not attractive, produced with low quality of raw material, and graded as knock-off version of big brands (Buaman & Phatnaree, 2011).

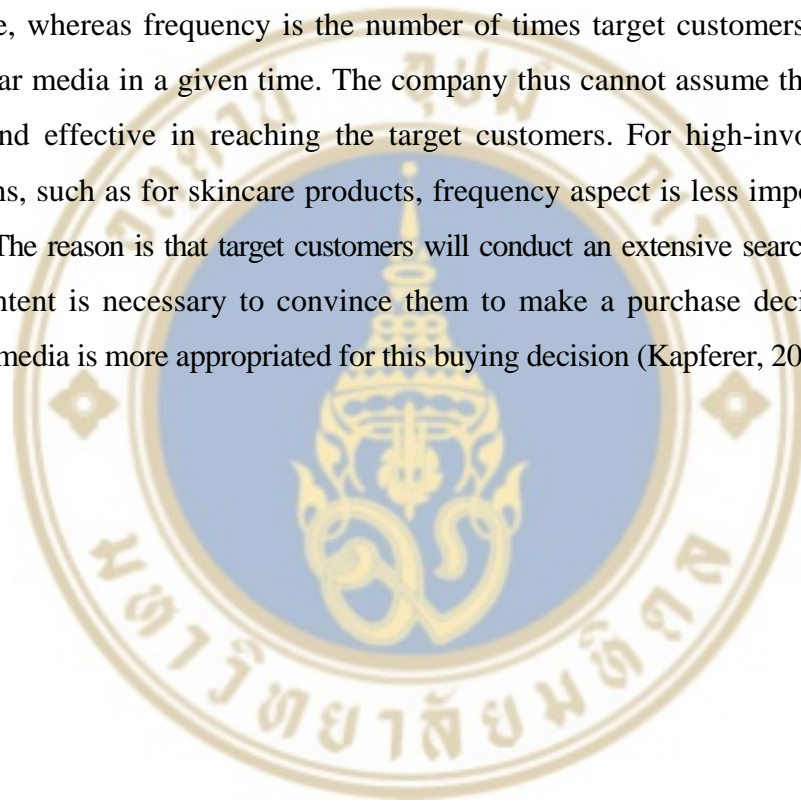
Furthermore, it is noted that demographic factors, such as gender, age, marital status, education level, and income have an effect on purchase intention toward skincare products of each country. For ages factor, younger consumers have more positive attitude toward the product with a foreign country of origin, but they also tend to purchase domestic skincare products. In Thailand, the respondents with a high degree of education level tend to purchase foreign skin care products more than people with lower education level. In addition to education level, married respondents tend to buy foreign skin care products more than unmarried respondents. Lastly, respondents with high incomes also tend to buy foreign skin care products more than respondents with low income (Buaman & Phatnaree, 2011).

2.2.4 High-Involvement and Low-Involvement Buying Decisions

The level of involvement reflects how much information consumers need to make a purchasing decision. Limited information is needed for products that are inexpensive, perceived risks are low, and buy for regular basis. Therefore, the buyer can engage in the low-involvement buying decision for a product that is for routine use. High-involvement buying decision, on the other hand, the buyer perceives a high

risk in purchasing decisions. In this scenario, the buyer will spend much time searching information about the product and comparing different features, functions, and benefits. This type of buying decision is for a complex or high price product (Blackwell, et al., 2012).

High-involvement and low-involvement buying decisions have an effect on the media selection for the company. For the media selection, the company must consider the two important factors which reach and frequency. Reach is concerned with the percentage of the target customers that is exposed to the company's advertising message, whereas frequency is the number of times target customers is exposed to a particular media in a given time. The company thus cannot assume that all medias are equal and effective in reaching the target customers. For high-involvement buying decisions, such as for skincare products, frequency aspect is less important than reach aspect. The reason is that target customers will conduct an extensive search for information. The content is necessary to convince them to make a purchase decision. Therefore, printed media is more appropriated for this buying decision (Kapferer, 2012).



CHAPTER III

RESEARCH METHODOLOGY

To answer the research objectives, the qualitative approach is used to gain an understanding of the best practices of the distribution and promotion strategies for masstige skincare products. The primary data was collected from focus group and in-depth interview, while the relevant secondary data have been collected from various journals, research papers, magazines, websites, newspapers, reports, and textbooks.

3.1 Focus Group

The focus group was conducted on October 10th, 2015. The purpose of the study is to understand factors that drive target customers to purchase the masstige skincare product for treating acne. To provide the company's idea of the product development, the interview questions were designed around the concept of the marketing mix, which are product, price, place, and promotion. To uncover the implicit information from the participants, the interviews were conducted and monitored by the moderator. The interviewed discussion guideline was being developed and separated into three main parts. The first part focused on the participants' skincare routines and skincare problems specifically acne problems. Their general knowledge regarding causes and treatment of acnes were also discussed at the first part of the focus group.

The second part focused on the participants' experiences with the masstige acne skincare products that are both international and domestic products. At this second part of the guideline, the participant were asked to give insight on their purchased decision process from information seeking phrase to post-purchase evaluation for the acne skincare products.

For the last part, the factors that influence the purchasing decisions such as product characteristic, pricing, distribution channel, and promotion activities, were also being discussed.

3.2 Populations and Sampling

The focus group was conducted on the target potential customers, who pre-screen and selected prior the group interview. All of the twenty-four participants were female who lives in Bangkok. They were then grouped according to the age factor. The three age groups are 15-20 years old, 21-25 years old, and 26-30 years. Since different age groups experience the acne skin problem differently, the participants are correctly grouped according to the clinical pattern.

To increase validity and reliability of the focus groups' finding, the participants also recruited basing on their skin problems and their experiences in using the masstige skincare products to self-treat acne skin problems for the past three months. Nevertheless, each participant's background is varied in term of age, income, and education.

3.3 In-Depth Interview

The in-depth interviews were conducted with the trade manager and the brand manager of the P-Company on January 22nd, 2016. 'XH WR D OLPLWHG WLPD DQ RSHQ HQGHGLQWHUYLHZTXHVWLRQV ZHUH XVHG WR JDLQLQ GHSWK UHVSQRVHV \$QH[DPSOHEHORZLV D OLVW RI topics being discussed WR JDLQ LQVLJKW RQ WKH FRPSDQ\ V GLVWULEXWLRQ FKDQQHO DQG SURPRWLRQ VWUDWHJLHV IRU UHSRVLWLRQLQJ DFQH ZKLWHQLQJ FUHDP

1. Type of Channel Members
2. Function of Channel Members
3. Selection of Channel Members
4. Managing and Motivating Channel Members
5. Evaluating Channel Members
6. Type of Promotional Strategies
7. Planning and Implementing Promotional Program
8. Below The Line Promotional Activities
9. Above The Line Promotional Activities

CHAPTER IV

FINDINGS AND ANALYSIS

This chapter will present the case study findings and information collected from the interviewees. The findings will be explained as part of distribution channel strategy then promotional strategy.

4.1 Distribution Channel Strategy

A successful product launching does not bound to producing a product that meets customer' needs and offering it at the right price. The company must consider how it would make the product readily accessible to its target customer. Inadequate channel distribution could lead to financial loss as demonstrated by the P-Company.

4.1.1 Channel Design

Based on the case study, the improper selection of distribution channel was as a result of an incorrect assumption about its target customer. The P-Company assumed that its loyalist customer would accept the new product; as a result the company did not change its marketing channel. Nevertheless, the appropriated marketing channel for skincare and cosmetic companies are different from one company to the next. Avon, for example, chooses to use the direct distribution channel in which products are directly distributed to customers by Avon's beauty consultant. For this type of channel design, Avon has an advantage in its power over the distribution of products, and full control of prices charged to customers (Palade, 2011). The FaceShop, Korean' cosmetic company, also choose the same channel strategy as Avon. The company eliminates intermediaries and franchises its store. By selling product directly to its target customer, the company can transfer the cost saving to the customer (Reungsinpinya, 2011). This distribution channel would also support the company's competitive strategy, which is a cost leadership.

The trade manager of the P-Company also confirmed that the effective distribution channel for skincare products rely on the intermediaries to sell the products to customers and do the marketing activities on the behalf of the company. To develop channel structure for a new product, the company must consider the three major dimensions, which are some levels in the channel, specific types of intermediaries, and intensity at each level. To answer these three aspects, a product must have strong brand positioning and clearly defined the target market. Brand positioning and target market will help the company to determine the specific type of intermediaries and the number of intermediaries at each level.

For the acne whitening cream that is sold at a premium price, the intermediaries, such as hypermarket, does not match with the company's new product positioning and the target market's shopping behavior. The focus groups' interviews also indicated that the participants' intermediary of choice is modern trade channel. Listed modern trade channel is a specialty store, which is Watson and Boots. For target customer who lives in Bangkok area, the specialty store answers the objectives of product availability and meeting customer service requirements.

Since these stores are leading health and beauty stores in Asia, they offer convenient to target customer by providing one-stop shopping service for health and beauty products. The products offered at these stores are different in qualities and prices ranging from masstige to mass-market products. Hence, the customers can ensure that products available at these stores are in demand, high in quality, and sold at reasonable price. The characteristics of specialty store thus help convey certain product image and perceived quality of a new product. Particularly for skincare products with masstige positioning, selective distribution channel is desirable for product image and brand building for the company.

In addition to store-based retailing, on-lineretailing for skincare and cosmetic products has an increasing role as an alternative intermediary. For the present, Thai consumers are multichannel shoppers as a result of increasing Internet usage. The Internet allows them to perform product research and price comparison. The third parties B2C online websites also serve as additional channels for purchasing skincare and cosmetic products. For the present, genuine products, lower prices, and attractive promotions are vital factors that influence the customer to purchase or repurchase

product online. However, the participants of focus groups prefer to use The Internet as a source of information. For the first time buying purpose, the participants will search information about the product online through websites such as Pantip, Facebook, and other well-known beauty websites. However, they continue to rely on the store-based retailing for the first time purchase. The reason is that the participants want to confirm their findings with the store's beauty consultant. Particular, they want ensure the validity of information obtained online with advices and suggestions of beauty consultants. Purchasing products at the retail stores also allow them to browse and shop other beauty products as well as in-store promotions.

4.1.2 Channel Management

Based on the interview with the trade manager, the most complex part of distribution channel strategy is to determine the appropriated channel control strategy. The challenge is how to motivate each channel member to perform promotional activities on behalf of the company. The main promotional activities for the company's skincare products are to promote and to sell the products. To gain cooperation from channel members, the appropriated and effective push and pull strategies must be balanced within the channel members. For a new product with new product positioning, the combination of push and pull strategies is more attractive and likely to gain collaboration from the channel members.

4.2 Promotion Strategy

Marketing tactics, such as discount or free sample, have the potential to attract target customer to try a new product. However, these types of sales promotion only give the company a short-term competitive advantage. Today, consumers of skin care products are faced with many choices of brands for the same product category. A cosmetic brand that is least preferred by customers could easily be eliminated from their consideration sets, which is a set of brands in which customers evaluate when to make a purchase decision for a product category (Blackwell, et al., 2012). To help the brand differentiate itself from competitors, branding can help building strong customers' brand preference toward the product. The study on "Women Buying

Behavior and Consumption Pattern of Facial Skin Care products” had found that female consumers ranked brand as the number one factor affecting the purchase of a skincare product. Quality and affordability are secondary factors that influence consumers’ decision in buying cosmetics (Sabharwal et al., 2014).

4.2.1 Established Brand Awareness

Having brand awareness is a pillar to build a long-term relationship with customers. The strong relationship often translates into favorable positions in market share and successful rate in market penetration. Based on the focus groups’ finding, it is noted that target customers prefer to use international skincare brands for treating acne. Some of the cited brands are Olay, Ponds, Garnier, Eucerin, Vichy, Neutrogena, and Smoot-E. This finding could suggest the popularity of international skincare products among Thai female consumers. According to the P-Company’s brand manager, the reason for this popularity may be due to intense marketing activities that are both online and offline. With strong financial sources, big brands can hire a celebrity to endorse the product. They can also hold marketing activities, such as workshop, free samples, price discount, or coupons. Both advertising and marketing activities do not only encourage product trial but also for a repeat purchase.

Korean cosmetic brands are an excellent example of how to use celebrity to create brand awareness. Celebrities will be chosen based on their popularities and their images, which must match with product and brand’s personality (Reungsinpinya, 2011). However, using celebrity may not significant lead to acceptance of new product or purchase intention. Referring to the focus groups’ finding, celebrity endorsement has little influence on their purchasing decision for acne skin care products. The celebrity is less credible source of information because they are paid to represent the product. Nevertheless, the participants agree that celebrity or non-celebrity endorsers help them recognize the product and/or the brand.

4.2.2 Building Brand Positioning

In addition to building brand awareness, a strong brand position is needed to reinforce a product’s differentiated characteristics in consumers’ mind. For the moment, the P-Company’s brand manager believes that one of the reasons for product

failure is that it has unclear product positioning. The previous brand positioning does not advocate benefits that the product offers and also does not provide a reason to believe. Particularly, the product's name, which is acne-whitening cream, does not convey any messages regarding product's attributes, functionalities, and superiority of the product to the customers. Moreover, the P-Company's expertise is acne treatment, the customers are possibly confused and not convinced about the added benefits of whitening.

4.2.3 Selecting the right target customer

Customers are the company's source of business. For the P-Company, choosing a wrong target customer is resulted in product failure and financial loss. For the new product positioning, the company is after three groups of target customers who are interested in purchasing masstige skincare products. In contrast to the new target customers, the P-Company's existing customers are from low-to-middle income family and at the age between 25 -30. The acne problems are also less concerned than aging problems for this age group. With this motivation and their income, they have less tendency to purchase acne cream that is sold at premium price.

The three ages group of target customers are 15-20, 21-25, and 26-30 years old. According to the P-Company's brand manager, the primary target group for a new product positioning is the age group of 15 -20 years old. The secondary target group would be the customers who are at the age of 21-25 years old. These ages group have potential as target customers because they regularly face with acne problems and will seek over-the-counter products to solve the problems. The new target customers are also from medium to upper-income family. Hence, the target customers have high purchasing power because they have access to the source of revenue.

According to the study on "Influence of Country of Origin on Thai consumer attitude and purchase intention toward skincare products, the researchers noted that younger female consumers with low education level and unmarried status are more open to skincare products that are manufactured and produced within their country than older female consumers with high education level, high-income level, and with married status (Buaman & Phatnaree, 2011). Based on this research, the appropriated target group of this new product positioning is a young female customer. The brand

manager also confirmed that this group of customers could be identified as early adopters. They are willing to try a new product, easily switching between brands, and willing to pay for premium price despite the perceived quality is unknown. With this target group, the P-Company will have more chance to influence their purchasing decision.

4.2.4 Understanding target customers' decision making

To understand the target customers' decision-making process is to understand how they derive certain brand decision for a product. Based on the focus groups' finding, it is noted that the participants started with extensive information search about the product online. The next step is to conduct a store visit in which an additional information search is needed to confirm their finding. After searching information process, the participants will then compare price and promotion between retailers to ensure the best price and promotion before making a purchase. As previously mentioned, the company can influence the brand choices at buying stage through personal and organizational factors. For skincare buying behavior, personal factors such as attitude, motivation, knowledge, and experience play direct roles in consumers' purchasing decision of skincare products.

According to the focus groups' finding, the purpose of purchasing skincare products is to treat minor skin problems with an underlying motivation to improve look and appearance. The knowledge about signs and symptoms of acne problem as well as experience with different acne cream have helped the target customers to form a set of skincare brands used to treat their usual skin problems. Since there is a risk of allergic reaction to an active ingredient, the participants mentioned that they usually stick to the brands that they have been previously used. Thus, the positive post-purchase experience has not only helped reassure the participants' buying decisions but also encourage a routine use of product and impulse buying behavior for the next purchase.

For a product that will be repositioned from mass-market to masstige, the company must also understand the perception about Thai consumer's attitude on the country of origin of skincare products. According to the study of "Influence of Country of Origin on Thai consumer attitude and purchase intention toward skin care products", Thai consumer has high purchase intention toward skincare products with the following country of origin: Japan, United States, France, South Korea, and Thailand. To Thai

consumers, skincare products from developed countries are more technological advance and superior than skincare products that made in developing countries.

Furthermore, the result also showed that the respondents had a negative attitude toward Thai skincare products. Specifically, skincare product with Thai country of origin is not attractive, produced with low quality of raw material, and graded as knock-off version of big brands (Buaman & Phatnaree, 2011). The research finding was also in congruence with the focus groups' finding. When the moderator asked the participants to rank skincare products according to their preferences, skincare products from France, Japan, and Korea are ranked prior skincare product made in Thailand. For skincare products that are made locally, the participants requested for a free sample or a small package for trial purpose. This finding indicated that the target customers perceived risks evolving the purchase of domestic skincare products. Specifically, target customers concern about performance risk and physical risk of domestic skincare products.

4.2.5 Choosing the right communication method and media channel

Customer' perceived risks can be reduced through effective communication method. The decision-making process of the focus groups' participants indicates a high-involvement buying decision. For this type of buying decision, consumers will take times to search information about the products and to compare the different product's features, functions, and benefits. Based on the focus groups' finding, the participants use a search engine to find information about the product. From the search engine, the participant will choose well-known websites related to health and beauty for further information search. They also prefer to read product reviews from real users more than bloggers because bloggers may get paid to review the product. Additionally, the target customers perceive articles or researches conducted by experts, skincare institution, and hospital to be more credible and trustworthy than websites of dermatologist's clinics. Additionally, family and friends are the secondary source of information and have little influence over the choices of brand and product. The effective communication method is thus aimed to reduce perceived risks, build credibility, and provide content necessary to convince perceived quality and induce purchase intention.

For media channel, it is noted that participants own smart phones regardless of their amount of income. They also spend more time surfing The Internet than watching TV. Information obtained for buying decision is from printed media on-line channel rather than a magazine. Due to changing in target customers' lifestyle, on-line media channel is more effective in reaching the company's target customers



CHAPTER V

CONCLUSION AND RECOMMENDATION

The case study on the P-Company's failure on the new product development emphasizes on the important of marketing research. The marketing research that is properly conducted will result in insightful information regarding the customer's need and want. Without marketing research, it is evidently put the company at risks of financial loss and deteriorates the brand reputation. To compete with both international and domestic cosmetic companies in Thailand, the P-Company had made a correct decision in modifying the product's marketing mix to attract its new target customers. However, the focus of this paper will concentrate on the place and promotion aspects of the marketing mix.

5.1 Conclusion

5.1.1 Distribution Channel Strategy

In term of place strategy for a product with a new positioning, the case study has illustrated the importance of appropriated channel design and channel management. For channel design, a common channel structure for cosmetic companies is to rely on intermediaries to distribute the product to customers. To effectively serve the customer's demand, the product must be readily accessible by the target customers at their own convenient and their choices of intermediaries. As illustrated by the case study of the P-Company, the target customers have a strong preference toward a specialty store for skincare and cosmetic products. Due to the retailers' good image, having the product available at these retailers will indirectly help to build product image, as being good quality and price is reasonable. The strategy in choosing number and type of intermediaries that must be included in channel structure must answer both the company's financial objectives as well as marketing objectives.

Based on the focus groups' finding, online-retailing become another important distribution channel. We have learned that the target customers also purchase skincare products online. However, this type of purchase often occurs for repeat purchase, which suggests that the target customers have once tried the product. For repeat purchasing purpose, price and promotion factors are important factors influencing their purchasing decision. The company thus has choices to either develop its current online platforms to serve retailing purposes or collaborate with its intermediaries or the third parties B2C online platforms to sell product on behalf of the company. For a new product with a new product positioning, the company may not need to develop its online platforms for the retailing purpose at the beginning of product launch; however, it is imperative to have an online presence for building brand awareness, promoting promotion activities, and actively engaging with customers.

In term of channel management, this aspect is challenging for a new product that is locally produced and belonged to the domestic cosmetic company. To convince the channel intermediaries to carry the product, small to medium size firm such as the P-Company may not have sufficient human and financial resources to use push strategy to create a surge of consumer demand. In fact, the company may choose the combination of push and pull strategies to attract the selected intermediaries. For pull strategy, the company may choose digital advertising instead of mass-media advertising in order to promote the product and to efficiently use on the advertising budget. To build customer relationship and promote the product, the company can choose to do a trade show, point-of-sale materials, or trade promotions as parts of the company's push strategy.

5.1.2 Promotion Strategy

For promotion strategy, this paper focuses on brand building rather than consumer promotions to help the company effectively promote the new product positioning. Since the company wants to reposition itself to attract customers in masstige market, the promotion strategies are concentrated on building brand awareness, establishing strong brand positioning, selecting the right target customers, and influencing customers' purchasing decisions, and selecting the right communication method and media channel.

For brand awareness, it is important for customers to recall or recognize the brand when they are in purchasing situation. Brands that can be easily recalled or recognized have a greater chance of being chosen by the customers. There are several ways to build brand awareness. However, the most common technique in the cosmetic industry is to use celebrity endorsement to help to grab the attention of target customers and to increase the chance of market penetration for a new product. For the small-to-medium size cosmetic company, hiring celebrity may not be economically feasible for the company. Thus, the company may choose non-celebrities endorsers, such as beauty bloggers, to help to build brand awareness. Moreover, target customers perceive beauty bloggers as more credible than celebrities because beauty bloggers try the products before making comments. The credibility of beauty bloggers thus helps establish trust within the target customers and generate buzz and word of mouth for the product and the brand. Hence, the more the customers trust the brand and familiar with the product, the chance they are willing to try the product.

To help a new product differentiate itself from its competitors, a strong brand positioning is needed to give a reason for customers to buy. A unique brand positioning will highlight the unique benefits of the product. Product with irrelevance and less credible brand positioning cannot influence the customers' purchase intention. As illustrated by the example case of the P-Company, it is noted that the product is developed without strong, unique benefits and unclear target customers as well as competitors. Additionally, the P-Company's lack of reputation in whitening cream is resulted in a lack of support in the product's benefit. To effectively repositioning the product, the company may consider changing the product name to emphasize its expertise in acne treatment and underline its premium positioning for a superior acne cream. The company should aim for a product positioning that will help customers to understand clearly that the product is for clear acne treatment with added benefit of clearing a dark spot, not for whitening purpose.

Selecting the right target customers is another important decision that the company must make. With the right target customers, the company can ensure the financial success. The right target customers will positively respond to the new product development and less price sensitive. For skincare products used for treating acne problems, the target customers consider the effectiveness of the product in curing acne.

However, the product quality is unknown for a new product; therefore, the company must identify target customers, who are early adopters. The early adopters are willing to try a new product and can become the primary source of information for the company's potential customers.

One of the most important promotion strategies is for the company to influence target customer's buying decision. Through the focus groups' finding and researchers, it is noted that international cosmetic companies are in a superior position in convincing consumers to buy their products. The country of origin of international cosmetic brands conveys certain standard on product quality and product price to customers. This perceived quality of international brand has help reducing the risks associated with purchasing a product with an unknown quality. Thus, it is easy to explain why the focus groups' target customers prefer to buy the global cosmetic brand. The reason is that the international cosmetic brands have a good brand image in term of technological advancement and quality ingredient. This positive brand image serves an external cue for target customers to evaluate a new product quality. For a product that will be repositioned from mass-market to masstige, there are several alternatives in which the company can reduce the perceived physical and performance risks. These alternatives are advertising, workshop, free sample, and/or better packaging design.

As previously mentioned, customer' perceived risks can be reduced through effective communication method. For a skin care product used to treat skin problems, the customers involve in a high-involvement buying decision. The buyer and the end-user in this situation are the same people. They spent significant of times online to search information about the product's attributes. Product's review from a real user is seen as a more credible source of information than friends and family members who never use the product. The information related to the product effectiveness is thus highly important for helping individual customers to make a purchase decision rather than to convince the influencers. Hence, the company must aim to provide quality information about the product to customers to convince them about the product's perceived quality and induce their purchase intention.

The effective communication method must match with the right media channel. For high-involvement purchasing decision, the reach factor is more important than frequency factor in influencing customer's attitude and perception toward products or

services. The company must select the media channel basing on the changing lifestyle and interests of target customers. According to the focus groups' finding, it is noted that the participants mostly spend their leisure times on their smart phones. To reach the target customers effectively, digital and on-line media that are easily accessible by their smart phones are an effective communication medium.

5.2 Limitations and Recommendation for Future Research

Although this research has reached its purpose, there were some limitations and shortcomings. First of all, this research was conducted on a small size of population. The sample size of this research is 24 female respondents; therefore, the study should have involved more participants to generalize the results. Second, the respondents may be subjected to a group-think and/or a moderator bias which can impact the outcome of a focus group discussion. Further quantitative research is thus necessary to confirm the focus group' findings. Third, the conclusion and recommendation are based on acne-whitening cream product and may not directly apply to other type of skincare product. Additional research is recommended to understand the target customers' purchasing intention.

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Appendix A: Focus Group Questionnaire

Part I: Background Information, Skincare Routines, & Acne General Knowledge

1.1 Gender

1.2 Name

1.3 Age

15 -20

21-25

26-30

1.4 Background Education

High School or below

Bachelor degree

Master degree

1.5 Occupation

Student

Housekeeper

Government Officer

Private Company Officer

Business owner/self employed

Others.....

1.6 Exactly Income and household Income (Per month)

1.7 Average monthly spending on acne skincare products

1.8 Please describe your daily skincare routine

1.9 Please list acne skincare products that you use daily

1.10 How effective is your acne skincare products for treating acne?

1.11 How do you know that they are effective at curing acne?

1.12 Where do you purchase your acne skincare products?

1.13 Please describe your acne sign and symptom

1.14 Do you know different types of acne and how they are developed?

1.15 Do you know the causes of acne and how to treat it?

Part II: Factors Affect Buying Decision of Masstige Acne Skincare Product

2.1 Do you need this information for buying an acne skincare product?

- 2.2 Does your friends or family has an influence over your purchasing decision?
- 2.3 What product benefits do you look for a new acne skincare product other than curing comedone?
- 2.4 In addition to anti-comedone property, would you prefer to have an acne skincare product that includes anti-red spot or other whitening properties within the product?

Part III: Product Characteristics, Pricing, Place, and Promotion

- 3.1 What type of texture or smell do you prefer or expect for an acne skincare product?
- 3.2 Does packaging have an influence over your buying decision and describe packaging that you prefer?
- 3.3 Does country of origin have an influence over your buying decision and list country of origin that you prefer to buy an acne skincare product?
- 3.4 Will you pay 850 Baht for Thai acne skincare product that is certified by leading Thai skincare clinic?
- 3.5 Will you pay 399 Baht for a small sample size for trial purpose?
- 3.6 Do you search about product information before making a purchase?
- 3.7 Where do you search about product information?
- 3.8 How many reviews from users and bloggers are needed to make a purchasing decision?
- 3.9 Do you watch TV and what types of program do you watch?
- 3.10 Do you read or buy magazine?
- 3.11 What type of communication device do you use?