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Market entry: Japan & China

In 1992, Japan was the largest direct selling market in the would with an estimated 19.2 billion dollars in retail sales. Direct selling could be done part-time and was a attractive second career for mothers seeking to reenter the workforce; over 1.1 Million women engaged in direct sales in 1992. Japanese consumers believed they had sensitive skin as MKC confirmed when it ran extensive trials with Japanese women who had arrived in Texas. The major concern was being a late entrant in a mature, complex, fragmented, and highly competitive market and that it would take 3-5 years before MKC would turn a profit and take share from customers.

In 1992 China covered 3.7 million square miles and was divided into 3 municipalities; Beijing, Shanghai, and Tianjin. The population was estimated at 1.1 billion and predicted to grow to 1.5 billion by 2020. The "open Door Policy" in 1979, heralded a series of wide-ranging economic reforms and more liberal foreign exchange conversion were introduced and foreign investment became more acceptable. In 1992 cosmetics was estimated at $825 million with skin care products dominant. The issue in deciding which markets to enter was the acceptability and potential success of MKC'S party plan approach which hadn't been attempted.

1. Why has MKC not been as successful as Avon in penetrating international markets?

- 1992, international sales of Mary Kay represented only 11% of the $ 1 billion total, in contrast, Avon products derived over 55% of its $3.6 billion retail sales from international markets in 1992. That's a huge difference, one must wonder why?
- The first is the strategy copy. MKC use the marketing strategy, products and communications of the US to different subsidiaries without sufficient local modifications.
- The second is wrong pricing. MKC didn't adjust price of product according to the local market conditions when it penetrated a new market. MKC automatically assumed that they were still dealing with their same clients, overlooking the fact that different consumers in different locations have different lifestyles and living conditions.
- The third is autonomy. The system of management is far too complex. The managers of subsidiaries make the decisions. There is an extensive chain of command system within the organization which presents an opportunity for miscommunication and misunderstandings, also it prevent cohesiveness from flowing throughout the organization.
- The forth is low brand awareness, MKC didn't supply adequate resource allocations to develop the brand. They didn't do a lot of communication in order to meet the objectives of market shares.

2. What criteria should MKC use in deciding how to prioritize foreign market entry opportunities?

- In order to decide where to go internationally, MKC should consider the Porter's Five Forces in the case of MKC (threat of new competition, threat of substitute products, bargaining power of customers, bargaining power of suppliers and the competitive rivalry in the industry).
- MKC made a horrible assumption to think that they could essentially run their organization the same throughout the world as they operated within the United States.
- They did not have a thorough investigation on the decision on which markets to enter and how to enter into them, they figured that since their competitors were doing it that they could do it also.
- They should use the SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) and the PESTEL analysis (Political, Economical, Social, Technological, Environmental and Legal framework of the new market) in order to evaluate the internal and external analysis and to have a good knowledge of the new country where they want to enter
- For the firm to achieve international success, Mary Kay cosmetics needs to not only set its vision, but also needs to establish criteria or methods it would take to achieve its vision.
- By evaluating markets based on their current and future target market, competitive position the company will be in against domestic and foreign rivals, the fit of company's vision with the respective countries values or culture, and pro-active adaptation of strategies to match local needs instead of assuming universal acceptance of its vision and message would allow the company to realize greater success in foreign markets.

What are the arguments for and against MKC entering (a) Japan and (b) China?

The acceptance and success of the party plan approach was crucial for MKC to enter the market of Japan and China. It was accepted and successful in Japan when other companies used it. Dandurand believes it would be a good opportunity to launch MKC in Japan. Women are looking for other activities they can do along with raising their children. In 1993 there was an economic recession going on in Japan so MKC would be adding jobs to the job market and helping to supplement household income. MKC would be late in venturing into Japan. Avon and other top cosmetic companies had already expanded their products and brand in Japan. Dandurand believed it would take a significant amount of time to see profit. MKC would also be fighting to take shareholders from other companies. 1 million had already been spent just in preparation for the market entry. China on the other hand had never had never been introduced to the party plan approach and MKC would be the first to attempt using it. MKC had focus groups so that they could determine if it was a good idea to enter the Chinese market and if the party plan approach would hold. The focus groups determined that the approach would be received well but because most home were of a smaller size resident were not likely to entertain in homes. MKC also held focus groups to see how well independent sellers would be. Women in China have very high entrepreneurial attributes. Chinese women also looked forward to business ideas that would help to supplement their state salaries.

What marketing mix recommendations would you make to Dandurand if she decides to enter (a) Japan and (b) China?

(a) The marketing mix recommendations that I would make to Dandurand if she decides to enter Japan would be to focus on its promotion through primary as well as secondary research. If MKC were to place a large emphasis in communicating the career opportunities, the consumer training aspects of the organization, as well as the messages to use to communicate locally, MKC would be highly successful. Statistics show that there is already a demand for the product. Also through additional studies the women fit into the model of MKC which were independent success driven women.

(b) The marketing mix recommendations that I would make to Dandurand if she decides to enter China would be placement of its product so that it could have a strong basis to build on. I would personally focus on Shanghai. Shanghai is the largest city as well as the commercial and cultural center of China. With Shanghai considered to be the most influential market in China, I do believe that if they can be successful in Shanghai that it would definitely extend to the rest of China with the proper marketing program. With the understanding that their consumers spent a greater proportion their disposable income on personal care products and they were more loyal to their local brands than other consumers this would definitely be a great look for MKC.

Mary Kay Cosmetics: Asian Market Entry

Mary Kay Ash, MKC, was incorperated in Texas in 1963. In 1992 the direct selling cosmetics company had estimated retail sales of $1 Billion, with a net sales of $624 million.

In February 1993, Curran Dandurand, senior vice president of Mary Kay Cosmetics Inc.'s global marketing group, was reflecting on the company's international operations. In 1992 MKC had been sold outside the U.S. for over 15 years but only accounted for 11% of the $1 billion total. Dandurand wondered how MKC could expand international operations an which elements of MKC'S culture, philosophy, product line, and marketing programs were transferable.

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