

Strategies for Thai Cosmetics Business to Enter Foreign Markets

Prongsarn Leelahongjudha

Abstract

The present situation in Thai Cosmetic Business has not achieved outstanding levels thus far when compared to other leading countries in international cosmetic business. The most of Thai cosmetic business are producing for foreign cosmetic brand owners. By doing so, Thai market is at a disadvantage, losing potential national income to international cosmetic market. To overcome this threat, the cosmetic entrepreneurs or investors must go into in depth studies and researches about the development of Thai cosmetic business to compete with other competitors in the market. The points that should be emphasized are the internal factors and the external framework and aims to explore three aspects of entering to the foreign market of Thai cosmetic business: (1) Analyze the problems and obstacles that hinder the Thai cosmetics business from entering the foreign markets. (2) Analyze different strategic models and theories for entering the foreign markets. (3) Purpose of developing and improving strategies for entering foreign markets of Thai cosmetic business.

Major Field of Research: Marketing

Key words : International Marketing Strategy, Mode of Entry

Introduction

In the past, most Thai cosmetics were produced from flowers and tropical herbs which were found in many areas of the country. Thai people specialized in using the local native herbs as part of the products' ingredients, which is a natural artificial blending mixture suitable for both westerners and easterners. When international trade became a global trend, it triggered the growth and popularity of Thai Spa businesses, which resulted in the increase of export sales volume of Thai Spa products and Thai herbal cosmetic products. According to the policy and government support for reputing Thai cosmetic entrepreneurs in international trade, the solution to developing the SMEs strategies by the Department of Export Promotion (DEP) Thailand found that cosmetic products have been promoted as 1 product of 12 target products development direction, and the health and beauty business which has been promoted in 1 of 6 target businesses development direction. Under the export strategy (DEP Thailand 2005), activities such as Special Task Force (STF), the specialist in each market for international

relationship, issuing the way of active market expansion strategy and gathering the deep market information to increase the value of export especially for the new market. For instance, China, South and Mid Asia, Russia, Africa, and Latin America have launched the program called "Export Rally" that leads the representative to initiate the new market every month.

As mentioned earlier, these Thai cosmetic export strategies are still referred in general, especially, since there are no specific in-depth studies for launching Thai cosmetic business to international strategy. Although the Thai cosmetic exporting rate increases every year, there are more competitive countries among the international cosmetic industry such as Japan, Taiwan, South Korea, France, America, Australia etc. Because of this barrier, Thai cosmetic brand has not been fully recognized, and the brand image is not represented as a leader of the cosmetic product exporter. Thai manufacturers hired by foreigners to produce Thai cosmetic products for the foreign brands result in a reduction of national income. To avoid this problem, Thai cosmetic exporters have to emphasize on the studies and development of Thai cosmetic marketing strategy to represent ourselves in the international market. There are some interesting points that Thai cosmetic investors should consider. Such points are to study the development of internal factors to create entry

strategies for Thai cosmetic product to international market which can be applied to the actual Thai cosmetic business operation, study the methods and the entrance barrier of Thai cosmetic business to international market, the business framework that the investor should focus on, to design the solution for Thai cosmetic business to compete another competitors in international market, and increase national income and wealth.

Research Framework

This research will focus on different types of entry method strategies that are appropriate for investors engaging in the Thai cosmetic industry. Young and associates (1989) concluded different entry methods to foreign market which includes exporting, licensing, franchising, contract manufacturing, industrial co-operation agreement, contractual joint venture, equity joint venture, and wholly owned subsidiaries. The first step of this paper is intended to learn the effective factors for supporting Thai cosmetic business to create entry strategies to international market based on the famous past researches. Next step is to find the suitable strategies for entering foreign market for Thai cosmetic business. The last step is developing the strategies for entering foreign market for Thai cosmetic business.



Figure 1 Framework of Research

Literature

Strategies for Entering Foreign Markets

Choosing Entry Methods to Foreign Market

Young and associates (1989) concluded the process of choosing the correct method in entering foreign country market as the following:

1. Market Entry/Development Objectives
2. Rank Ordering of Objectives
3. Evaluate the Relative Attractiveness of Alternative Entry Strategies in Achieving Objectives
4. Overall Ranking of Alternative Entry/Development Modes
5. Entry Mode Costs
6. Begin Again Reassess Objectives and Alternatives

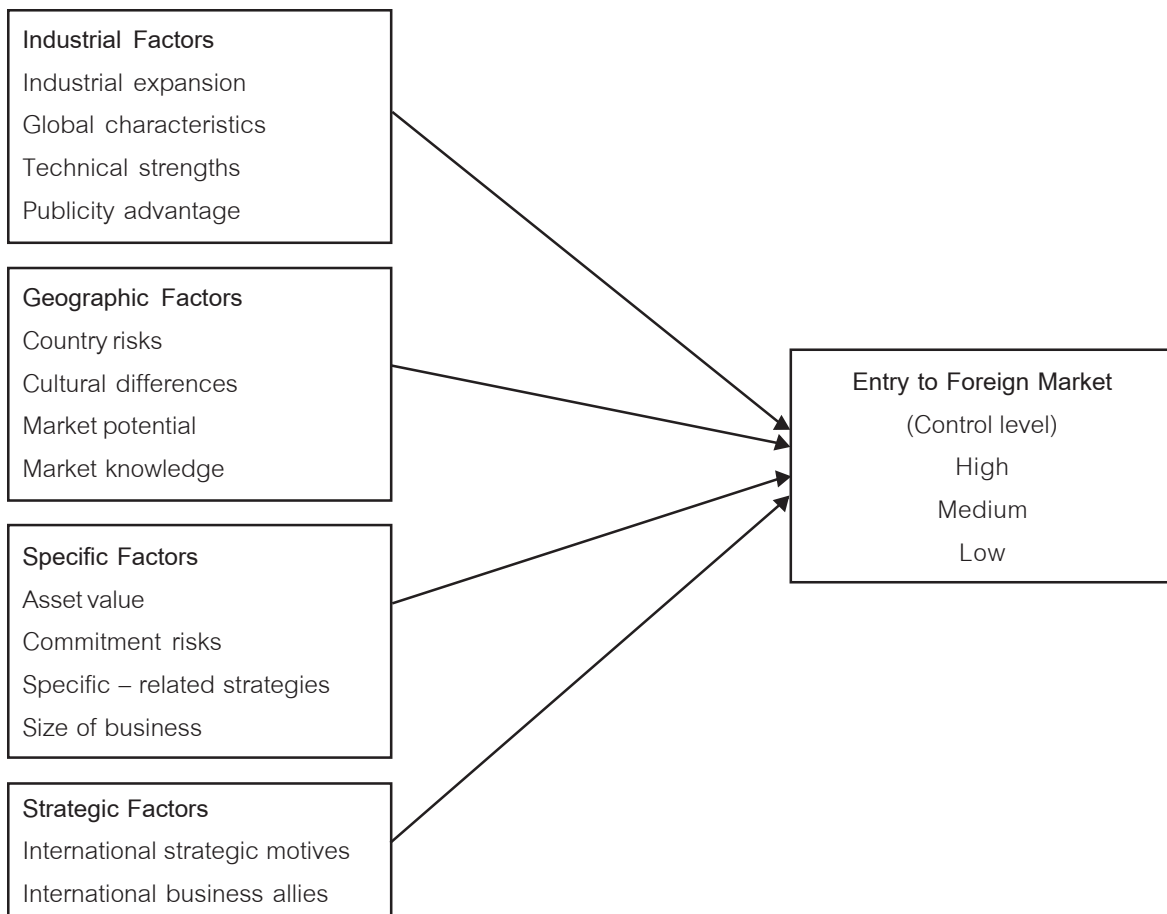


Figure 2 Framework for Entering Foreign Market

Source: Phatak (1996)

1. **Firm Capability** represents the business capability and the strengths of a firm to compete internationally by focusing on the size and experience of the business in a foreign country. The size of a firm will determine the gains in capital costs, technology, and the worthiness of large investments. Experiences in investments in a foreign country will enable the firm to acknowledge the problems in advance and find solutions until the course of development in each country is differentiable by its limitations.

2. **Industry - Specific Factors** Since fundamental factors differ in each business including the industrial expansion, technological mechanism to access consumers, and the need to be international, it is crucial to take these factors into consideration when choosing an entry method to foreign market.

3. **Location - Specific Factors** The situation in each foreign country differ from one another. For instance, the cultural clashes, the level of consumer's demand for product, and the market situation which would be beneficial for a firm's decision if they recognize this information.

4. **Venture - Specific Factors** Each firm must take specific factors into consideration when choosing the entry method suitable with their limitations. This will create an advantage edge in the business despite the same type

of industry but different business requires different measures.

5. **Strategic Factors** Selecting an entry method into a foreign market depends on strategic factors set by the firm. For instance, if a firm has a policy to modify their products to meet the local environment and there are enough marketing factors in each locale, then it is worth investing in a country with a large market enough to sustain the investment. However, if the firm's policy is to set the same standard for their products, then they would choose to invest in a country with capital advantages and export to other countries. If a firm has a policy to expand its market by distributing their investments to other investors, then a suitable choice would be franchising such as franchising fast food chains to many branches worldwide

International Marketing Strategy

Competitive advantage strategy It is derived from Porter's competitive strategy (1990)

1. **Cost Leadership Strategy** is a competitive strategy that uses capital costs as minimal as possible for the purpose of inducing the market and generating high profit

2. **Differentiation Strategy** is a competitive strategy in which organizations create distinct differences in their products to let customers acknowledge and differentiate it from their competitors



3. Focus Strategy is a competitive strategy in which firms focus on a particular market and sell specific product in a limited geographical location

Situation in Thai Cosmetics Industry

Production of Thai cosmetics ranges from small scale factory of family industry to large industrial factories. Currently, there are approximately 762 cosmetics manufacturers with 520 small manufacturers, 220 medium size manufacturers, and 22 large scale factories. In the past, the Ministry of Health was not strict with the production standards, therefore cosmetics industries in Thailand began to grow and prosper. This created competition among imported cosmetics with the domestic ones.

In 1992, the Office of Food and Medicine issued a policy to promote the cosmetics industry in Thailand in order to produce good quality cosmetics that are accepted worldwide to increase incoming profits. With the support from Ministry, an economic developmental policy was adopted to promote the cosmetics to a higher level. Manufacturers, importers, distributors, and retailers must take responsibility regarding quality and safety of the cosmetics, and be able to claim the benefits of each product. They must also provide reports about these safety and claims for inspections purposes, thereby requiring lots of research and development in the manufacturing process.

Research Results

The result of the research based on the first module shows that the problems and hindrances due to entering the foreign market comes from product imitation from other countries because many countries in the past have refused to accept Thailand product brands. Top executives do not fully understand how to conduct foreign market plan and lack a team of people to create the foreign market. The information received by the government regarding the entry of market is not up to date; and import tax of raw materials to use in manufacturing the product is considered higher than competing countries. In addition, the styles and quality of product packaging in Thailand is still a disadvantage to other countries such as China and South Korea. This is due to the lack of proper research and development of quality products. Importing regulations are strict in many countries, which restricts the trading and exporting of Thai cosmetics

From the conceptual framework figure 1 above, the second module consisted of Entry Method from Young and associates (1989) found the results that these variables are the main factors for entering to foreign market of Thai cosmetic business. However, the additional new finding entry strategies to foreign market those are Internet Merger and Acquisition Strategic International Alliance. After that,

SWOT analysis is discovering a new finding entering to foreign market strategies that is Market space strategy. The market space strategy consists of (1) Blue Ocean Strategy (2) Red Ocean Strategy (3) Yellow Ocean Strategy. And the other strategy is Relationship Management.

In sum up of the results, the above two modules are considered in order to find the pathway to develop sustained entering to foreign market strategy which applied to Thai cosmetic business. The researcher found one paradigm from the literature reviews, in-depth interview and focus group which will be discussed in the next topic

Paradigm Strategy : Mr. & Ms. C

There are 5 strategies for developing strategies for entering foreign markets of Thai cosmetics business. They consist of:

❖ **Strategy 1: M = MARKET SPACE STRATEGY.** It is a strategy that consists of:

- **Blue Ocean Strategy** : to develop market space that has no competition consists of South Africa regions and South America regions in most parts.
- **Red Ocean Strategy**: is a zone that has high competition such as Europe, America and Japan.
- **Yellow Ocean Strategy** : Intermediate competition zone which includes countries that have connection with Thailand such as Asean Free Trade

Area (AFTA), Southeast Asia and Middle East countries.

❖ **Strategy 2: R = RELATIONSHIP MANAGEMENT** is managing and maintaining relationships with customers. It is a process that balances the organization's investments with customer's satisfaction to create the highest possible profit for the company.

❖ **Strategy 3: M = MODE OF ENTRY STRATEGY.** There are nine processes in this strategy. 1. Exporting. 2. Licensing 3. Franchising 4. Contract Manufacturing 5. International Joint Venture 6. Wholly Owned Subsidiaries 7. Internet 8. Merger and Acquisition 9. Strategic International Alliance

❖ **Strategy 4: S = Strategy Designing and Management Marketing.** There are four processes in this strategy.

- **Market Segmentation Analysis** by using SWOT Analysis, competitive analysis and company assessment.
- **Designing Marketing Strategy** which involves setting customer targets and positioning strategies.
- **Marketing Program Development** involves designing product / service strategies, place, price, promotion, planning, public relation, packaging, people, power and promise. Then implementing all these factors for the purpose of meeting with target customer's demand.

- **Implementing and Managing Marketing strategy** involves organizational design, implementing operational strategies and controlling.

❖ **Strategy 5: CO = COMPETITIVE ADVANTAGE STRATEGY.** It is derived from Porter's competitive strategy (1990) which consists of cost leadership strategy The second is differentiation strategy. The last strategy in this category is focus strategy

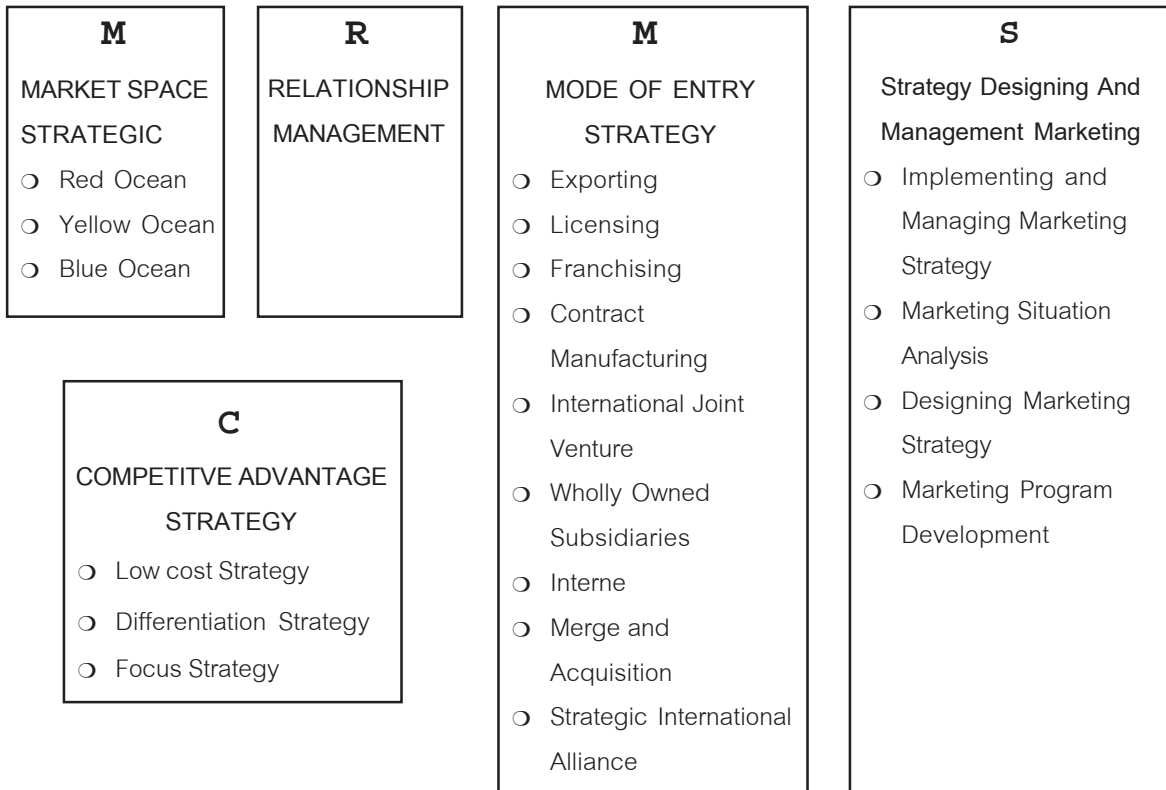


Figure 3 Mr. & Ms. C Strategic Paradigm

Conclusion and Further Implementations

This paper discusses the strategies for entering foreign markets of Thai cosmetic business, by fundamentally emphasizing three main points which are marketing internal factors, strategies for entering foreign market, and international marketing strategy. These three points act as a guideline for domestic businesses that wish to pursue the international market. By implementing these points along with doing extensive research in the related fields, a firm has potential to succeed in competing globally. This paper based on qualitative research by depth interview and focus group.

The expected benefits from studying the Thai cosmetics guideline are to acknowledge and rectify the problems and obstacles to guide Thai cosmetic businesses in the direction of the foreign market. The researcher hopes that this paper will be benefits for Thai cosmetic business which want to enter to the foreigner market. It will also create development in foreign market strategy to be more efficient in the Thai cosmetic industries. These benefits will enhance the business capabilities to compete in the international level both economically and socially.



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