A brand positioning strategy recommendation for an Asian cosmetics giant: Shiseido in Western and Central Europe

Master Thesis in Business and Development studies.

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ABSTRACT

**Background.** Shiseido is one of the oldest cosmetics companies in the world, founded in Tokyo in 1872. The cosmetics company is struggling to boost the stagnating operating profitability in both the domestic and the overseas market. Management believes that building a younger brand image is key and that, amongst other business activities, an increase in customer-oriented marketing will play a major role in boosting profit.

**Aims.** The aim of this study is to gain valuable insights into consumer behaviour of the Millennial generation (18-34 age group) and suggest a strategic brand positioning to grow Shiseido’s current business in the Western and Central European market. The ultimate goal is to assist Shiseido in the creation of a younger brand image in Western and Central Europe to boost sales through customer-oriented marketing.

**Methods.** Both a deductive and an inductive research approach was applied. Both qualitative and quantitative data were gathered through an online questionnaire and consumer sentiment analysis which, together with a careful selection of secondary data, resulted in a new brand positioning strategy recommendation for Shiseido in Western and Central Europe.

**Results/Conclusion.** Based on the selected literature and the results of the survey and consumer satisfaction analysis, a brand positioning strategy was recommended for Shiseido in Western and Central Europe. The new strategy concentrates on becoming a product of choice for Millennials by enhancing the digital presence of Shiseido and educating young people. The goal is to create a positive association in the consumer's mind between Asian lifestyle and flawless skin. This study argues that, in order to attract a younger demographic in Western and Central Europe, Shiseido needs to adapt its positioning strategy as recommended.

**Key words:** luxury cosmetics, brand positioning, brand equity, segmentation, consumer behaviour, customer-oriented marketing
Table of Contents

1. Introduction ........................................................................................................... 5
  1.1 Thesis objectives and research questions ......................................................... 8
  1.2 Research methodology ..................................................................................... 9
  1.3 Research approach .......................................................................................... 10
  1.4 Research method ............................................................................................. 10
  1.5 Data collection method .................................................................................... 12
  1.6 Questionnaire design ....................................................................................... 13
  1.7 Analysis of questionnaire responses ................................................................ 15
  1.8 Scope ................................................................................................................ 16
  1.9 Thesis structure ............................................................................................... 17

2. Situation analysis ................................................................................................ 18
  2.1 Company description ....................................................................................... 19
  2.2 Product ............................................................................................................ 23
  2.3 The cosmetics market ...................................................................................... 25
    2.3.1 Trends on the global cosmetics market ....................................................... 27

3. Theoretical framework ....................................................................................... 30
  3.1. Brand management ......................................................................................... 31
    3.1.1 Brand equity .............................................................................................. 32
    3.1.2 Brand identity ........................................................................................... 34
    3.1.3 Brand meaning .......................................................................................... 35
    3.1.4 Brand responses and relationships ............................................................ 37
  3.2 Customer analysis ............................................................................................ 39
    3.2.1 Shopping behaviour .................................................................................... 39
    3.2.2 Segmentation ............................................................................................. 43
    3.2.3 Connection between positioning and segmentation .................................... 45
  3.3 Brand positioning ............................................................................................ 46
    3.3.1 PODs and POPs ........................................................................................ 49
    3.3.2 Communication channels ......................................................................... 50

4. Company analysis ............................................................................................... 52
  4.1 Brand management ......................................................................................... 52
1. Introduction

Shiseido Company (hereafter referred to as Shiseido), one of the oldest cosmetics company in the world, has been struggling to boost the stagnating operating profitability in both the domestic and the overseas market. Globally, women have reduced yearly cosmetics spending from an average of 180 euros in 2010 to 160 euros in 2015 (Stratégies, 2015). Western-Europe remains the second biggest cosmetics market worldwide after Asia with 21.8% of sales (approx. 49.2 billion euros) generated in 2014 (L’Oréal, 2014). Hence, Shiseido is searching for new strategies of growth in this area. Shiseido has been present on the Western and Central European market since 1968 when it founded its first subsidiary in Italy. Sales growth in Europe has been minimal, essentially unchanged year on year, because of the financial crisis and a high unemployment rate (Shiseido, 2015). In FY14, sales increased with 2.6% in Europe, with 4.2% in the USA and decreased 0.3% in Asia and Oceania and 1.8% in China. Year on year growth in overseas sales in Europe has been declining with 2.6% in 2014, compared to 3.2% in the previous year (Shiseido, 2015).

![Year-on-Year Growth in Overseas Sales](image)

Currently, Shiseido is trying to grow its market share in existing markets and expand operations in emerging markets through an innovative mid-term strategy plan called VISION 2020. This plan was created as an answer to the two main challenges...
Shiseido has faced that prevent its growth. Firstly, Shiseido has failed to stay relevant to constantly changing consumers and markets. Secondly, investment in marketing, research and development has been decreasing, which kept Shiseido from adapting to change and left its brand portfolio with too many products and brands. Shiseido’s goal is to become a totally consumer-oriented company as it is aware that the current society is very diverse and information-based (Shiseido, 2015). Management believes growth can be achieved by creating a ‘younger’ brand image through various business initiatives.

Young people aged between 18 and 34 years old - also known as the Millennial generation - are eager cosmetics consumers. In terms of quantity, this age group consumes most in Europe (Beautistas, 2015). Results of an internal study conducted in March 2014 by vente-privée.com showed that women between 18-30 years old on average possess 68 cosmetics products of which they use between 19-29 products daily (Beautistas, 2015). That is on average 10 products more than their older counterparts. Skin care and toiletries remain the main sales categories in Europe, each accountable for more than one quarter of the market share. Closely followed by hair care (20.8%) and fragrances (15%).

Shiseido wishes to reposition its brands in Western-Europe for several reasons: 1) fierce competition demands a differentiated positioning strategy and 2) consumers become more demanding when it comes to cosmetics, constantly searching for the most innovative products and personalised advice (L’Oréal, 2014). The focus in the positioning strategy of Shiseido will lie on the unique fusion between occidental science and oriental aestheticism with the society and consumers at the heart of each business activity (Shiseido, 2015). As Asian customers perceive Shiseido differently than Europeans, the company is forced to adapt business strategies locally. It is essential for marketers to identify and understand individual consumers or segments of consumers well enough to design channel and communications strategies to appeal specifically to those consumers (Keller, 2010). For example, perceptions of beauty differ among world regions and even countries. Whereas
Germans consider beauty products as means of luxury, Spanish women consider cosmetics as means to develop socially (Beautistas, 2015). Shiseido’s ultimate goal is to gain brand equity which is a competitive advantage, impossible to imitate. Brand equity is defined by the consumer’s response to marketing stimuli with the brand name clearly stated in comparison to ‘no name’ marketing activities (Keller, 1993).

The VISION 2020 strategic plan represents major changes for Shiseido. The goals for 2020 include building a business model that will keep Shiseido vital for the next 100 years and deliver outstanding value to consumers and society. The numerical targets are net sales of over 1 trillion yen (over 8 billion euros), an operating income of 100 billion yen (over 8 million euros) and a return on equity above 12%. The targeted outcome for 2020 is to:
- ‘Become a company supported and needed by society and consumers worldwide
- Become a company full of energy for growth
- Become a company that is brimming with youthfulness
- Become a company that young people adore
- Become a company that is a blend of diverse cultures’ (Shiseido, 2015)

The top priority in the VISION 2020 strategic plan is ‘rebuilding the brand value by combining marketing that is focused on insights into consumer needs and purchasing behaviour with innovative product development that encompasses product formulation, packaging and production’ (Shiseido, 2015). On top of that, Shiseido concentrates on radically reengineering its human resources and organizational structure. This is done with a ‘think global, act local’ strategy to transform the conventional organization centred on Japan and the head office (Shiseido, 2015).

In order to boost sales in Europe, Shiseido’s management believes that building a younger brand image is key and that, amongst other business activities, an increase in customer-oriented marketing will play a major role in boosting profit. However, the Asian cosmetics giant has historically been based on highly traditional Japanese
aesthetics and values. The challenge in terms of marketing approaches is to select those who stay in line with the strong brand legacy and at the same time reshape the brand image to one that European Millennials (age 18-34) adore. To assist Shiseido in this challenge, the authors of this thesis conducted a thorough market research to understand the Western and Central European market and gain valuable consumer insights.

1.1 Thesis objectives and research questions

The aim of this study is to gain valuable insights into consumer behaviour of the Millennial generation and suggest a strategic brand positioning to grow Shiseido’s current business in the Western and Central European market. The ultimate goal is to assist Shiseido in the creation of a younger brand image in Western and Central Europe. We argue that the stagnating profitability is caused by the old fashioned image and therefore propose a differentiated brand positioning. The research problem can be illustrated as follows:

![Research Problem Diagram](image)

**Research Question**

How can Shiseido position itself as a young and vibrant brand on the Western and Central European market through a differentiated positioning strategy?

A brand positioning strategy recommendation for an Asian cosmetics giant
With a brand image based on highly traditional Japanese aesthetics and values, obtaining a bigger market share in Europe requires the creation of a well-designed strategic brand positioning plan. In order to tap into the local consumer needs and expectations, the company needs to obtain valuable consumer and overall market insights. In other words, the company has to identify the potential younger consumer segment and design a positioning strategy which fits appropriately. Therefore, we need to find answers to the following fundamental sub-questions:

1. Who is Shiseido?
2. Where are Shiseido’s products placed on the European market?
3. Who are the competitors of Shiseido on the European market and what are their strengths?
4. Which trends characterize the cosmetics market?
5. What is the segmentation profile of the European Millennial audience?
6. What is the brand equity of Shiseido in Europe?
7. Which attributes are fit for points-of-parity (POPs) and points-of-difference (PODs)?
8. Which positioning strategy would be recommendable for Shiseido to differentiate itself and gain market shares from competitors in the European market?

1.2 Research methodology

<table>
<thead>
<tr>
<th>Research approach</th>
<th>Quantitative/Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined approach: deductive &amp; inductive</td>
<td></td>
</tr>
</tbody>
</table>

Data collection:
Primary: Questionnaire, consumer satisfaction analysis
Secondary: Books, articles, reports, electronic sources

Figure 2. Research methodology
1.3 Research approach

As explained by Saunders (2007), two main research reasoning can be distinguished: deductive and inductive methods. In order to choose the research approach for this thesis, the authors carefully looked into both options. A deductive method is also called a ‘top-down’ approach in which researchers start by looking into existing theory, subsequently design a hypothesis which is tested and finally confirmed through observation. On the contrary, a deductive method is also known as a ‘bottom-up’ approach in which researchers start by observing a problem and subsequently design a tentative hypothesis to reveal patterns in data. Finally, a theory is designed that could explain these patterns (Ghauri et al., 1995). In this study both deductive and inductive approaches were used. Each approach has its own advantage in each step of the research:

- Inductive method (stage 1+2)
  In order to develop a general view on the topic, literature was used to investigate the company background and current status and draw a foundation for the online questionnaire design. With this theory in mind, the questionnaire was developed and analysed.

- Deductive method (stage 3)
  In the analysis, trends were induced after which six hypotheses were created. General assumptions were made based on the online questionnaire results and an online consumer sentiment analysis.

1.4 Research method

Data can be collected and analysed in two different ways, depending whether data focuses more on numeric (quantitative) or non-numeric (qualitative) data. This study focuses on obtaining in-depth understanding of targeted consumers. Primary data consists of an online questionnaire and an online consumer sentiment study which produce both quantitative as qualitative information. In the questionnaire, the closed
questions generate quantitative data whereas the open questions generate descriptive responses and thus qualitative data.

Three stages can be distinguished in our research process:

**Stage 1 (deductive approach):** Drafting literature review + exploratory company analysis of Shiseido

According to Sharp et al. (2002), there are two main reasons for reviewing the literature. Firstly, it helps in the process of creating and refining research ideas and secondly it allows you to critically review how the research could be an added value to already existing knowledge on the subject. In short, the main goal in this stage is to identify gaps and directions in the literature, investigate the company background and current status and draw a foundation for the online questionnaire design. The literature review was conducted following our inclusion criteria: the subjects we considered essential for our research study. In our case, the inclusion criteria were:

- Language: Dutch, English, Polish, French
- Source: CBS database, Google Scholar, books, prominent newspapers
- Key words: luxury cosmetics, brand positioning, brand equity, segmentation, consumer behaviour, customer-oriented marketing

**Stage 2 (deductive approach)**

- Identify the most relevant literature and theory
- Develop the theoretical framework (link theory and evidence)
- Design online questionnaire

After searching literature relevant to our research question and drawing up a list of potential candidate studies, the titles of the articles were screened and abstracts were read. Based on our inclusion criteria the most relevant literature was selected. The selected theories together form a theoretical framework for practice that explains something about a phenomenon (Hage, 1972). The theoretical framework gives
direction to a research study and shows how the research fits into already existent studies and in what way it could make a contribution.

As explained by Saunders et al. (2007) response rates, validity and reliability of questionnaires can be maximised by:

- careful design of individual questions;
- clear and pleasing layout of the questionnaire;
- lucid explanation of the purpose of the questionnaire;
- pilot testing; and
- carefully planned and executed administration.

Questionnaires existing out of standardised questions that you can be confident will be interpreted the same way by all respondents are best used for descriptive or explanatory research (Robson 2002). In this thesis, a descriptive research was executed as it looked into the attitudes and opinions of Western and Central-European cosmetics consumers towards Shiseido and related subjects.

Stage 3 (inductive approach)
- Analyse findings
- Induce general trends to draw up hypotheses
- Conduct a consumer sentiment analysis by extracting keywords and comparing the customer profile derived from the questionnaire analysis with actual Shiseido product users aged 18-34 years

1.5 Data collection method
Apart from primary data acquired through an online questionnaire and a consumer sentiment analysis, secondary data was also collected through a careful selection of books, articles, reports, and electronic sources. In order to carefully select relevant data, an overview of data needed was created which can be found below.
<table>
<thead>
<tr>
<th>Type of information</th>
<th>What information we require</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contextual</td>
<td>Organizational background, history, mission; vision; values</td>
<td>Case study (SWOT, competitor analysis)</td>
</tr>
<tr>
<td></td>
<td>Market insights:</td>
<td>Literature review</td>
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<td></td>
<td>- Competitors’ activities</td>
<td>Online sources</td>
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<td></td>
<td>- Trends</td>
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<td></td>
<td>- Brand awareness, brand loyalty, brand images, marketing activities</td>
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</tr>
<tr>
<td>Demographic</td>
<td>Descriptive information regarding participants, such as age, gender, ethnicity, discipline, etc.</td>
<td>Questionnaire and online consumer satisfaction analysis, online sources</td>
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<tr>
<td>Perceptual</td>
<td>Consumer insights:</td>
<td>Questionnaire and online consumer satisfaction analysis, online sources</td>
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<td>- Perception</td>
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<td>- Behaviour: Usage and Attitude</td>
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<td></td>
<td>- Factors affecting purchasing decision</td>
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<td></td>
<td>- Preferred media touch points</td>
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<tr>
<td>Research Question</td>
<td>What we need to find out:</td>
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<tr>
<td></td>
<td>1. Current brand positioning Shiseido in Western and Central Europe</td>
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<td></td>
<td>2. Segmentation profile Western and Central European Millennials</td>
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<td></td>
<td>3. Possible positioning strategy which could help Shiseido differentiate itself vs competitors</td>
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1.6 Questionnaire design

An anonymous online questionnaire was designed with the goal to answer the fifth and the sixth sub-questions:

- What is the segmentation profile of the European Millennial audience?
What is the brand equity of Shiseido in Europe?

As the questionnaire was randomly distributed we received responses of consumers of all age groups. As this research only concerns the Millennial generation, we analysed only answers of respondents falling into the age category of 18-34. There are several reasons why the authors chose for a self-completion questionnaire. First of all, questionnaires can produce both quantitative and qualitative information. This is especially useful when trying to obtain in-depth understanding of targeted consumers. Secondly, it is a fast and cost-efficient method. Thirdly, they can include participants from wide geographic areas which is especially valuable in this study. However, cons of questionnaire use must also be considered. Common problems are a low response rate, incomplete responses and participants providing non-accurate, dishonest answers.

The questionnaire was created using Google Docs as this required zero investment and is mobile-friendly. Moreover, results are directly transferred into a shareable spreadsheet which provides a clear overview. The first section of the questionnaire (Questions 1-4) was designed in order to obtain descriptive information regarding participants. The second section of the questionnaire (Questions 5-18) was designed with the goal of obtaining further consumer insights regarding brand perceptions, consumer behaviours, factors affecting purchasing decision, unmet existing needs; preferred media touch points, etc. All questionnaire questions can be found in the appendix of this thesis.

Before the online questionnaire was officially published, a pilot test was done to help identify unclear questions and possible technical problems. The questionnaire was introduced to 5 of our direct friends who provided us with valuable feedback. These 5 friends were considered part of Shiseido's younger target group: Millennials aged 18-34 and with a Western or Central European nationality. After the pilot phase a sampling procedure was used to obtain valuable consumer insights from a small
proportion of the population. The sampling technique used was random sampling as the questionnaire was published on Facebook on both our personal accounts as well as on the study group of our Master’s program. Facebook was chosen as a platform as it provides direct access to potential luxury cosmetics consumers with the most common age demographic aged 18 to 34, at 47.7% of users (Brodzky, 2014).

Finally, the questionnaire was distributed through Facebook on the 25th of September 2015. Between the launch date and the 26th of November, a total of 87 responses were collected.

1.7 Analysis of questionnaire responses

Our questions can be divided into 3 types (level of measurement):

1. Categorical type questions include Yes/No questions, multiple choice questions and checkbox questions. However, they also include questions about gender or ethnic origin: there is no intrinsic ordering to the categories

2. Ordinal questions on the other hand do show some kind of order between the answers. They include drop-down questions and ranking questions such as: How much a month do you spend on cosmetics?

3. Interval questions are questions which can be answered by a number. They include ranking scale questions, matrix questions and textbox questions. An example of an interval question in our questionnaire is: Are you loyal towards buying or using a specific cosmetic brand?

In order to conduct the analysis, the information from the questionnaire was transferred into a spreadsheet. As we worked with Google docs, this was automatically done.
To analyse the questionnaire responses, the following strategy was used:

**Step 1: A univariate analysis was done.** This involved summarizing and describing the responses for each of the questions in turn.

- Category and ordinal type questions (frequency of a response) were transferred into percentages, bar charts and/or pie charts
- As for interval questions, we looked at the average (mean, median and mode) and the distribution of the responses (range, STD).

The main goal was to obtain descriptive information regarding participants and look further into shopping behaviour such as consumer’s preferences and attitudes when (looking to) purchase cosmetic products.

**Step 2: A bivariate or cross-tabulation analysis was done.** This involved looking at pairs of questions and seeing how they interact or are different. The main goal here was to look at needs/expectations and purchase behaviours per demographic profile. Under demographic profile, we consider the following: age, income, occupation, gender, geographic, and education. Following the collection of nicely distributed samples in terms of occupation, this demographic characteristic was selected as independent variable for a cross tabulation analysis.

**1.8 Scope**

This study focuses exclusively on young Western and Central European cosmetics consumers aged 18-34 years old, which is considered as the younger segment that Shiseido wishes to target. Consumer insights are essential for Shiseido to reposition its brands on the Western and Central European market. The group positions itself as a high-end premium and luxury cosmetics player in Europe. Therefore, the competitor analysis only considers competitors on the European cosmetics luxury market. The anonymous questionnaire about cosmetics was conducted to analyse expectations and desires of Western and Central European consumers. Therefore,
the questionnaire was addressed exclusively to European nationals currently living in Western and Central Europe. By the terms ‘cosmetics’ and ‘cosmetic products’ we understand all products used for skin, body, hair, and sun care as well as makeup and fragrances.

This study aims at giving the case company valuable consumer insights, analyse main competitor’s marketing activities and propose a brand positioning strategy accordingly. This thesis does not focus on wholesalers, retailers and trade marketing issues. Moreover, the brand positioning strategy is meant as a guideline for Shiseido, and does not include a detailed launching or communication plan.

1.9 Thesis structure

This thesis is structured into three main sections:

1. An introduction to the thesis subject followed by the situation analysis that includes a detailed description of the company, the products it offers and the market that the company operates in. This is followed by the theoretical framework discussing all theories considered relevant to the subject. The theories used in that section are based on brand management and marketing literature and revolve around concepts like brand equity, customer analysis and brand positioning.

2. This section presents a company analysis of Shiseido using the theory discussed in the empirical section. Market research through primary data: the questionnaire is presented as the means through which the authors gained valuable consumer insights. In an attempt to substantiate the trends induced from the questionnaire results, a consumer satisfaction analysis was conducted online.

3. Based on the market research, a brand positioning strategy is proposed for Shiseido to reposition itself as a young and vibrant cosmetics brand in the
Western and Central European market. In doing so, the main research question is answered and recommendation for further elaboration of the plan is suggested. A summary of the thesis will be presented in the final chapter.

This structure can be illustrated as follows:

![Diagram of thesis structure]

**2. Situation analysis**

In order to have a clear understanding about the conditions under which Shiseido operates, this chapter will provide a brief overview of the internal and external factors influencing Shiseido’s business today. The following questions will be answered:
**The company** | Shiseido: Who is Shiseido?

**The product** | High-end premium and luxury cosmetics: Which market segments does Shiseido cover? What is Shiseido’s product portfolio?

**The market** | Cosmetics: What are the trends and characteristics of the European cosmetics market?

### 2.1 Company description

Shiseido is one of the oldest cosmetics companies in the world, founded in 1872. Before launching his company, the founder Arinobu Fukuhara was head pharmacist to the Japanese imperial navy. In 1872 he opened a pharmacy in the neighbourhood Ginza in Edo in occidental style but based on the latest Western pharmaceutical insights. In 1922, Shiseido professional was introduced when a hairdressing section was established in the pharmacy in Ginza. Here, Fukuhara introduced several products for skincare and cosmetics. In 1968, Edo was renamed Tokyo and Fukuhara started to expand his business by opening several branches. The focus shifted from pharmaceutical products to cosmetics. In 1888, Shiseido produced Japan’s first toothpaste. Fukuhara’s son Shinzo, who studied pharmaceutical sciences and photography, was named president of Shiseido in 1915. For his photography study, Shinzo lived in France and travelled around the world. After returning back to Japan, he was determined to introduce a new lifestyle to Japan based on the art, science and attitude of the West. His influence can be seen in the cutting edge artistic advertisements of this period combined with the company’s core principles of high image, quality and service (Shiseido Group, 2016).

In 1923, Shiseido founded the Shiseido Chain Store System which was made up out of independent retailers. In this business model, stores were obliged to sell products in their retail stores at set prices (Motohashi, 2015). The goal was to equalise price
and offer a consistent customer experience everywhere, spreading knowledge of Western-style cosmetics. From 1927, Shiseido started to contract wholesalers. In 1935, the company decided to organize meetings with all the retail members at Shiseido Chain Store School where seminars on cosmetics and sales tactics were offered. In the same year, a monthly magazine called Research in Chain Stores was launched among retailers (Usui, 2014). Moreover, Japanese women from good families were hired to demonstrate the use of Western-Style Shiseido cosmetics. Called Miss Shiseido, these women were the predecessors of the current beauty consultants.

As from the 1930s, Shiseido started expanding internationally by selling its products in other Asian markets. By the 1960s, the beauty and cosmetics company made its first moves outside of Asia with affiliates in the US, Taiwan and Italy. The initial position of Shiseido was beneficial with an outstanding blend between Eastern aesthetics and Western science. However, when the company started to expand internationally, it had a disadvantage in terms of country of origin. Japan back then was well-known for its competence in production and technology but not for cosmetics and beauty products. The beauty market was dictated by European and American brands. Shiseido decided to strive upon their strongest points: innovation and the unique blend of Eastern mystique and Western science. The first product which was launched on the international market in 1964 was called Zen. Its packaging was traditional featuring a black background and a pattern of wildflowers in gold. Zen still continues to be one of the most well-known products of the brand (Shiseido Group, 2016).

In 1965, Shiseido launched its salon business with the opening of its first beauty salon in Tokyo. Since then, all stores selling Shiseido’s product line offer workshops on how to take good care of your hair and skin, as well as makeup and kimono dressing services. The company started its expansion spree in 1957:
- In 1965, Shiseido entered the United States with a strong focus on customer service. Just like back then, you will still be offered a free hands and facial massage in any US store of Shiseido.
- In 1968, Shiseido opened its first store in Italy
- In 1980, the expansion spree continued with the opening of stores in France and Germany

In 1980 Shiseido introduced a new way to nurture the skin with its first skincare line followed by an anti-aging line launched in 1988 and a sun care line in 1993. Between 1980 and 1999 the French Artist Serge Lutens helped develop a new image of Eastern/Western beauty as Shiseido’s international image creator.

By bringing together rational elements backed by scientific proof and aspirational as well as emotional elements backed by a strong brand image and personality, Shiseido has been successful in positioning itself in many markets globally (Roll, 2015). The acquisition of rival brands allowed Shiseido to enter new markets and establish a strong reputation with quality perceptions in consumer minds. This was an uncommon expansion mode for beauty brands in Asia but proved to be successful in Europe and the US. Examples of strategic acquisitions are the French beauty brand Carita and prestigious salon in the street Faubourg St. Honore in Paris in 1981 and Unilever’s’ North American brand Helen Curtin in 1996 (Roll, 2015).

A distinct strategy was followed for conquering the Asian market. Upon request from the Beijing government, Shiseido set shop in China in 1981 (Motohashi, 2015). Mainly because of anti-Japanese sentiments, Shiseido decided to focus mainly on adapting products to the local environment and went into a joint venture in 1991 to establish the Aupres brand, developed exclusively for the Chinese market. Nowadays Aupres is still exclusively available in China, together with two other Chinese brands Urara and Pure & Mild. Finally, because of a strong preference of Chinese women to buy beauty products online, Shiseido decided to launch a web shop. In 2000 Shiseido established a new ‘Shiseido Research Centre’ and in 2006
‘Shiseido Europe Research Centre” which will be reorganized to Europe Innovation Centre in 2016. In 2004, Shiseido launched a complete male skincare line with, amongst others, shaving creams and moisturizers. The company started its expansion spree in the 60’s and nowadays has 92 consolidated subsidiaries and is available in 89 countries and regions (Shiseido, 2015).

With net sales of 777.7 billion Yen and an overseas sales ratio of 53%, Shiseido ranks 5th in the World among global cosmetics manufactures in the beauty category only (WWD Beauty Inc., 2015). Domestic Cosmetics Business sales experienced a decline of 3%, partly due to an increase in tax initiated spring 2014. Nonetheless, the sales of the recently launched brands Elixir and Maquillage increased during fiscal year 2015. In Europe, the net sales increased with 6.7%.

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Figure 4. Net sales FY15
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The overall growth in cosmetics sales of 3.8% is mainly due to sales is the US market. The key drivers in this market were the brand BareMinerals and the home brand Shiseido. Furthermore, sales in China increased, mainly due to sales online. Apart from cosmetics, Shiseido also operates in other domain such as restaurants. All other domains together accounted for a 5.6% growth in FY15.
The operational revenues declined during the first three quarters with 43.6%. This is due to higher bonuses for Japanese employees, additional marketing programs and problems in the American distribution centre. Net, the revenues increased with 27.8 billion Yen which marks an increase of 66.1% compared to the last fiscal year. This astonishing increase is ascribed to the sale of Decléroir and Carita to L’Oréal.

Shiseido claims they owe the positive results of the current fiscal year to the drastic renovations it introduced in the last fiscal year 2014. Shiseido decided to start to focus on three priorities: reinforcing the marketing and brand capacities, renovating the organization and company culture and strengthening the operational base.

2.2 Product

In total the Shiseido group owns over 38 brands, mostly sold inside Japan. These brands can be divided into 5 categories:

1. **Prestige**- high-end cosmetics distributed at department stores and cosmetics specialty stores with counselling services offered at the points of purchase. This segment includes BareMinerals, BENEFIQUE, clé de peau, d'icilà, IPSA, Nars, and Shiseido.
2. **Fragrance**- brands available mainly at perfumeries and department stores. This segment includes ELIE SAAB, ISSEY MIYAKE, narciso rodriguez, and Serge Lutens.
3. **Cosmetics**- low to mid-range cosmetics sold in drugstores and mass merchandisers. This segment includes the makeup lines MAqillAGE and INTEGRATE, skin care lines ELIXIR and AQUA LABEL, and PRIOR, a line specially designed for senior consumers.
4. **Personal Care**- relatively inexpensive commodity goods sold through self-selection channels such as drugstores and mass merchandisers. This segment includes the hair care line TSUBAKI, skin care line SENKA, and SEA BREEZE which carry a variety of product categories.
5. Professional- offers shampoo, hair styling, hair dye, and other products for hair salons, including Shiseido THE HAIR CARE by Shiseido PROFESSIONAL, US-based Zotos and JOICO. It also provides spa and aesthetic services.


Shiseido distributes its products through multiple channels in accordance with distinct product lines which ranges from premium to high value:

→ Luxury department stores where beauty counsellors are present for personal assistance
→ Shiseido’s own chain store where beauty counsellors are present for personal assistance
→ Convenience and drug stores where no counselling is provided

Shiseido runs its e-commerce business through watashi+ which is a website that offers comprehensive beauty service. Apart from this website, Shiseido owns Kinari Inc which sells Soka Mocka, a cosmetic brand available exclusively by e-commerce or mail order. In addition, Shiseido conducts several food businesses, including a restaurant through Shiseido Parlour Co., Ltd. and retail business through Shiseido THE GINZA. Shiseido Frontier Science manufactures and sells hyaluronic acid, high-performance liquid chromatography (HPLC) systems and columns, cosmetics for medical use and amino acid analysis (Shiseido Group, 2016).

In the appendix an overview of all the cosmetic brands that Shiseido owns (as for February 2016) can be found, together with the types of products and geographic availability.
2.3 The cosmetics market

The global cosmetic market can be divided into five complementary segments: skincare, haircare, makeup, fragrances and hygiene, based on the products they are offering (EY, 2015).

As can be seen from the graph, skincare represents the largest segment of the global cosmetic market accounting for 35%. It is followed by haircare, makeup and fragrances with a share of 23%, 17% and 13% respectively. Hygiene accounts for 11%, leaving 1% for other products. Asia/Pacific is a leader on the global cosmetic market with a total share of 35%. The European cosmetic market accounts for 29%, with Western Europe representing 22% and Eastern Europe just 7%. North America, Latin America and Africa/Middle East respectively account for 21%, 12% and 3% of the global cosmetic market (EY, 2015).

The global cosmetic market is driven by innovation with a focus on customization and digital presence. The quality of products is the most desirable feature for customers, as they expect high performance and delivery of promised results. Advertising also plays a significant role for cosmetic companies. Advertising helps in building a better brand awareness in a competitive environment, however, can be very costly (EY, 2015). EY (2015) estimates men’s care and green cosmetics to offer most profitable opportunities in the future. The researcher Lucintel (CosmeticsDesign-Europe, 2013)
estimates the continual growth of the global cosmetics market to reach a value of €487b by 2017. Moreover, Lucintel points out several market challenges, the two major challenges being a rise in packing costs and a rising cost of raw materials (CosmeticsDesign-Europe, 2013).

The European cosmetics market had a value of approximately €72.5b in 2014 with Germany being the main market with over €13b. France had over €10b, the UK over €10b and Italy €9b market value. Despite the biggest market value being represented by Europe, Germany grew only by 1.6% in comparison with the previous year. The UK is the fastest growing market with 5.3% growth (Premiumbeautynews, 2015). The European cosmetics market is characterized by high competitiveness with a focus on research, development and innovation and well-informed and demanding customers (Cosmetics Europe).

**The luxury cosmetics market**

Besides owning medium- and low-end cosmetics, Shiseido has 6 premium- luxury brands in its portfolio (BareMinerals, BENEFIQUE, d’icilà, IPSA, Nars, Shiseido). As Shiseido positions itself in the luxury sector in Europe, it is essential to take a deeper look into the particularities of this sector.

Luxury, as it is known today, is driven by four important factors: democratization, an increase in spending power, globalization and communications. Democratization refers to the fact that the access to the world of luxury is now relatively easy which means the potential customer base is continually growing. Increased spending power equals increased availability of money and time. Globalization offers accessibility to completely new products and markets. Communications refers to the development of global mass media and increase in international travels that opens people up to cultural richness and diversity of the planet (Kapferer, Bastien, 2012). However, the definition of luxury might create confusion as it can be understood differently by each individual. Luxury can refer to the concept, sector or business model (Kapferer, Bastien, 2012). It is easier to define the concept of a luxury brand than just luxury.
Nueno and Quelch (1998) define luxury brands as ‘those whose ratio of functional utility to price is low while the ratio of intangible and situational utility to price is high’. It means that the consumers of luxury brands put the brand and its status above its functional associations. Kapferer and Bastien (2012) list several attributes associated with luxury including quality, hedonism and multisensory. multisensory relates to the fact that a luxury product needs to stimulate all the senses and, therefore, has a great appearance, nice sound and scent.

According to ‘Seeking sustainable growth. The luxury and cosmetics financial factbook’, created by Ernest & Young (EY) (2015), the value of the global market for personal luxury goods grew by 3.0% in 2015, reaching €224b. The demand for luxury products is growing and so is the market. Bain & Company (2014) estimate that the market value will grow up to €265 billion by 2017. EY (2015) highlight the 10% growth in company-owned retail sales in 2015 which reflects ‘the trend of brands increasingly seeking global control of their operations’. Another trend worth mentioning is the growing online luxury market. The opportunities brought on by the Internet allow companies to quickly and efficiently reach target customers, educating, and inspiring them. The top online performers are retailers followed by e-tailers and individual brands (EY, 2015). The importance of the digital world is also recognized by the luxury cosmetic industry.

The luxury cosmetic segment accounts for approximately 30% of the global luxury market and consists of various high-end cosmetics products and beauty accessories. The growth of the skincare market is driven by a strong demand in the premium segment. The increasing demand for luxury beauty can be observed in many developed regions of the world, including the U.S. and Europe (Trefis Team, 2015).


2.3.1 Trends in the global cosmetics market

According to the report ‘Beauty and personal care 2015’ by Euromonitor International, there are four main game-changers in beauty that have influenced sales:

1. Asia’s Influence on Beauty.
2. Technology and digital impact.
4. The change in corporate’s focus on niche expansion.

Asia’s Influence on Beauty

While the Occident has traditionally been the birthplace of new beauty trends, Asian cosmetics are starting to gain more ground in the worldwide market. Worldwide, the trend of Asianification - the increasing importance of Asia in the field of beauty innovations - is noticeable. Marketing increasingly revolves around Asian trends with the introduction of exotic ingredients and rituals from Asia. As a consequence of a growing middle class and disposable incomes, Korean, Chinese and Japanese beauty brands are rapidly developing innovative products of high quality (Chu, 2015). Asian brands have become a point of reference for multinational cosmetic giants like Estée Lauder and L’Oréal. With BB creams, illuminators, anti-blemish treatments, anti-aging masks, amongst others, they are at the cutting-edge of innovation. By influencing and inspiring beauty innovation through the introduction of new product concepts, Asian beauty brands are starting to conquer the international beauty market.

Asian consumers are highly demanding and tend to spend more on cosmetics than Western consumers. As an example, South Korean women spent on average 140$ per person on cosmetics in 2014 versus 47$ spent by the French (Meinu, 2015). This might be due to the higher beauty standards in Asia where a flexible skin without any
marks - not even freckles - is the beauty standard. While beauty rituals in South Korea on average involve 9 steps, French rituals involve only 5 (Meinu, 2015). Western beauty rituals seem to be a lot less developed.

Asia is at the leading edge of innovation in the cosmetics sector with revolutions like the cushion cream - a tinted cream on a sponge made of polyurethane. This product falls under the new category of makeup with skincare properties as it serves as a foundation, solar cream and hydrating care in one. Another trend introduced by Asian brands is the so-called ‘beauty nutrition’ as a means to stay and look young and vital. The relationship between nutrition and vitality of the skin has already been scientifically proven many years ago but consumers now seem to fully adopt the mantra beauty comes from within. Finally, the focus on the ‘beauty experience’ and beauty rituals is noteworthy. Wellness is increasingly considered as a moment of stress relief. This trend can be found back in the marketing of beauty products with terms such as energy and de-stressing.

**Technology and digital impact**

Technology has a big impact on everyday life. ‘Virtual wallets, virtual assistants, virtual try-on apps and even virtual currencies like Bitcoin’ become the signs of the new age we live in (Szalai, 2015). Companies try to follow this trend and put technology at the centre of their strategy. Nevertheless, the relationship of beauty with technology is still considered relatively weak compared to its relationship with fashion and luxury. Technology challenges the traditional approach to cosmetics offering, assisting consumers in choosing the best products for their skin and providing the opportunity to try different looks before purchase. It also allows the industry to reach out to a greater number of consumers in a shorter time and with lower investment (Szalai, 2015). Beauty companies ranging from L’Oréal to Unilever have realised the potential of technology in beauty as they are gradually extending their social media presence and introducing special apps (Tyrimou, 2015). In 2015, the strongest digital influence was measured in colour cosmetics (Szalai, 2016).
**Personalisation and customisation**

According to Moeglin (2015), ‘customisation’ was a prominent trend in the 2014 beauty world as customers became more demanding, refusing to be just passive recipients of cosmetics products. This trend is mostly driven by ‘younger, internet-savvy consumers who are conditioned to expect quick solutions and are willing to utilise both online and in-store diagnostics to get them’ (Moeglin, 2015). The personalised products need to address the costumers’ individual beauty concerns and taste and keep up with their changing needs. Skin care, colour cosmetics and fragrances are most aligned with the personalisation trends. The companies offering products out of these categories tend to use technology in creating personalized products. An example is the increasing number of online applications that help consumers to make product choices customised to their personal style and taste (Szalai, 2015).

**Niche expansion**

Niche brands have attracted an increasing interest in the beauty industry, mostly due to the innovative solutions they propose. The acquisition of niche brands can help in reaching selective and demanding segments and to differentiate from competitors. The growth of these brands can partly be ascribed to their well-developed digital strategies, answering to the growing demand for digital content that is quickly accessible to customers and prepared specifically for them. Most major beauty players have recently bought niche brands with focused specialities, such as the innovative Californian face mask brand GlamGlow which was acquired by Estée Lauder in 2015 (Szalai, 2016).
3. Theoretical framework

This chapter presents the key concepts in brand management. It focuses on Keller’s brand equity pyramid, and its four steps to reach the highest commitment between consumer and brand: brand identity, brand meaning, brand responses and relationships.

The next part explains segmentation and positioning as marketing tools that are used to identify potential customers and their shopping behaviour.

The theoretical framework is based on a selection of theories from brand management and marketing management literature.

3.1. Brand management

More and more firms have come to realise that the association of their brand with their product or services, is one of the most valuable assets. According to the American Marketing Association (AMA), a brand is a ‘name, term, sign, symbol, or design, or a combination of these components, intended to identify the goods and services of one seller or a group of sellers and to differentiate from competitors’.

Within the framework of this definition, it seems that a key aspect of creating a brand is the ability to choose specific characteristics and dimensions of the brand that identify the product and distinguish it from competitors (Keller, 2013). Brands have significant meanings for both customers and producers. From the customer’s perspective, brands are used ‘to identify the source of the maker of the product and allow customers to assign responsibility to a specific manufacturer or distributor’ (Keller, 2013). However, brands not only identify the products but also are able to add emotional dimension to the relationship with their users. They carry meanings, feelings, images and reputation, and represent set of the customer’s experiences with the product or company. This set of attributes is ‘transmitted in every interaction with the customer over the lifetime of the relationship’ (Hogan, 2005). From the firm’s perspective, brands mostly serve an identification purpose. They simplify product
handling and tracing and help organize the inventory and accounting records. Furthermore, by delivering the promised brand value, the brands are able to create strong relations with customers. These strong relations may be reflected in the level of customers’ loyalty towards the brands (Keller, 2013).

*Brand management* is a process of defining, positioning and delivering the brand (Keller, 2013). The conventional view of brand management assumes that a brand is owned by the company and completely controlled by it. The perception is that the brand is interpreted by the target audience in the same way. Precisely planned marketing activities are the means to create a favourable image of the brand in consumers’ minds. However, thanks to the Internet, the view of brand management has changed. Through social media consumers have gained more power to influence brands by expressing their opinions and share experiences online. Therefore, they become co-creators of the brands. Not every brand is equally influenced by the social media. The role of brand managers is to recognize the impact social media has on brand management and create a brand that generates value for the firm (Gensler, et al. 2013).

Due the impact of new technologies and the creation of alternative communication channels branding now requires more effort from marketers. Branding is about creating differences between products. A branding strategy should concentrate on developing a significant and differentiated position in the market. It helps customers to organize their knowledge about products and facilitates their decision making (Keller, 2013).

**3.1.1 Brand equity**

Having a strong brand means having a high brand equity. ‘Brand equity is the added value endowed on product and services’ (Keller, Kotler, 2013). It is defined by the consumer’s response to marketing stimuli with the brand name clearly stated in comparison to ‘no name’ marketing activities (Keller, 1993). Brand equity has a significant influence on the business outcomes and provides knowledge about
activities that are essential to improve the competitive position of the brand. Establishing a clear measurement of brand equity has been considered one of the most challenging but important issues in brand management (Ailawadi, Lehmann and Neslin, 2003). The measurement needs to provide necessary information that helps marketers in assessing the value of the brand and making tactical decisions (Keller, 2013). The value of a brand can be beneficial to the firm as it, amongst other things, increases marketing communication effectiveness and results in greater customer loyalty (Hoeffler, Keller, 2003). A firm’s marketing skills and resources and the external environment affect the degree to which they can reach these benefits. Because of strong brand equity, consumers are more open to additional marketing communications of a brand and process these more favourably. Logically, building a strong brand is of high importance to a firm’s success (Aaker, 1991; Kapferer, 2012).

Keller (2013) designed the customer-based brand equity (CBBE) model to help marketers ‘create intense, active loyal relationships with consumers in the modern interactive marketplace’. The CBBE model approaches brand equity from a customer perspective. The core of successful marketing is the ability to understand and satisfy customer needs. The basic premise of CBBE is that ‘the power of a brand lies in what resides in the minds and hearts of customers’ (Keller, 2013). According to the CBBE model, to build a strong brand and maximize brand equity, marketers must ensure customers have the right type of experiences with their products and services (Keller, 2010). Marketing programs and activities link the desired thoughts, feelings, images, beliefs, perceptions and opinions to the brand (Keller, 2010). A positive brand image in the consumer’s memory is created by strong, favourable, and unique brand associations. The positive brand equity means that the consumers react more favourably to those associations and all marketing activities around them (Keller, 2013).
According to the CBBE model, building a strong brand requires following four complementary steps. All steps involve accomplishing certain objectives that lead to formulating a relationship with customers. The first step: brand identity represents the identification of the brand in customer’s minds. The second step is to establish the brand meaning by strategically linking all the brand associations. The third step relies on evoking the proper customer responses to brand identity and brand meaning. The fourth and final step is to convert these brand responses to create ‘an intense, active loyalty relationship between customers and the brand’ (Keller, 2001).

These steps consist of six brand building blocks: salience, performance, imagery, judgments, feelings, and resonance. The ultimate goal is to reach the top of the CBBE pyramid- resonance-, which is the most valuable block. It indicates a completely harmonious relationship between customers and the brand in which customers stay extremely loyal (Keller, 2001).

3.1.2 Brand identity

Brand identity is essential in order to differentiate and manage brands in a competitive environment like we have today (Aaker, 1996; Joachimsthaler and Aaker, 2000; Kapferer, 2012, Keller, 2008). According to Keller (2013), the brand identity
should involve favourable, strong and unique associations to create awareness and brand knowledge in the consumer's memory. Aaker (1996) defines brand identity as ‘a unique set of brand associations that the brand strategist aspires to create or maintain’. Achieving the right brand identity involves creating brand salience. The brand salience is based on how frequent the customers think about the brand in a buying situation (Keller, Kotler, 2013). Salience is closely related to brand awareness as it influences the strength of brand associations that are responsible for creating a brand image. This awareness can be measured by how easily customers recognize or recall the brand and by the purchases in which brands comes to mind (Keller, 2001). Brands need to find creative ways to efficiently communicate the most attractive attributes to consumers in order to ‘maximize the amount of memory structure associations’ (Daye, 2010). Interactive marketing can improve brand awareness by reaching customers as they seek information while at the point of purchase (Keller, 2009).

3.1.3 Brand meaning

Brand identity is an important first step in establishing brand equity. However, it requires other considerations like brand meaning, as it is not sufficient by itself (Keller, 2001). Creating brand meaning involves establishing a brand image. Brand image has been defined ‘as the consumers’ perception of a brand as reflected by the brand associations held in consumer memory’ (Keller, 1993). The image associated with brands can influence, among other things, perceptions about quality, value, or price (Andrews and Daekwan, 2007). Communicating a brand image to a target segment is a very important marketing activity. A well-communicated image should help establish a brand’s position and differentiate it from competitors (Park, Jaworski and Macinnis, 1986).

Brand meaning is made of two categories of brand associations that exist in consumers’ minds. These associations can be built through customers’ own experience with the brand or by the advertising or other form of marketing activities
(Keller, 2013). The functional association refers to performance and the abstract association to imagery (Keller, 2001).

Brand performance relates to the attributes and characteristics of the product that are able to satisfy customer’s functional needs. Keller (2001) proposes five types of attributes and benefits that describe the brand performance:

- Primary ingredients and supplementary features
- Product reliability, durability and serviceability
- Service effectiveness, efficiency and empathy
- Style and design
- Price

These dimensions can be used in differentiating the brand and gaining competitive advantages.

Brand imagery indicates the ways in which brand respond and satisfy customer’s psychological and social needs. It relates more on the abstract associations than the actual physical features of the brand. There are four categories linked to a brand:

- User profiles (include age, gender, income but also social issues)
- Purchase and usage situation (types of buying channels, time and place of purchase)
- Personality and values (e.g. honest, cheerful, reliable, intelligent, professional)
- History, heritage and experience (Keller, 2001; Keller, Kotler, 2013).

Many different types of associations related to performance and imagery may be linked to a brand. These associations can be characterized by three dimensions: strength, favourability, and uniqueness. To create brand equity, the brand needs to have strong, favourable and unique brand associations, in that particular order. The order of these associations is essential as ‘it does not matter how unique brand association is unless customers evaluate the associations favourably. It does not
matter how desirable the brand association is unless it is strong enough so that people recall it and link it to the brand’ (Keller, 2001).

3.1.4 Brand responses and relationships

Brand responses relate to how customers respond to the brand. Brand responses can be distinguished according to brand judgements and brand feelings (Keller, 2001).

Brand judgement is associated with consumer’s personal opinion about the brand. It involves making judgements based on the association of brand performance and imagery. Customers can have many judgements about a brand but in terms of creating a strong brand, four types are particularly important (Keller, 2001; Keller, Kotler, 2013):

- **Quality**: perceived quality is the most significant attitude that customer has towards the brand.
- **Credibility**: relates to the level of credibility of the brand based on three dimensions: perceived expertise, trustworthiness, and likeability.
- **Consideration**: depends on how meaningful a brand is and whether customers consider it for possible purchase or usage.
- **Superiority**: the extent to which customers view the brand as unique and better than other brands.

Brand Feelings are the emotional responses and reactions that consumer has towards the brand. Those feelings can be mild or intense, negative or positive (Keller, Kotler, 2013). There are six key types of brand feelings: warmth, fun, excitement, security, social approval, and self-respect. The first three—warmth, fun, excitement—are ‘experiential and immediate, increasing in level of intensity’. The last three—security, social approval, self-respect—are more ‘private and enduring, increasing in the level of gravity’ (Keller, 2001). It is of great importance that the customers’ brand
responses are accessible and easily come to mind when customers think of the brand. Brand judgements and feelings can favourably impact consumer behaviour only if customers think of positive responses associated with the brand (Keller, 2001).

*Brand relationships* focus upon ‘the ultimate relationship and the level of identification that the customer has with the brand’ (Keller, 2001). *Brand resonance* exposes the nature of this relationship that customers have with the brand and the extent to which customers feel ‘in synch’ with the brand (Keller, 2001, Keller, Kotler, 2013).

Brand resonance is achieved when customers feel a deep, psychological bond with a brand and can be divided into four categories:

- **Behavioural loyalty**: includes regular and repeat purchase.
- **Attitudinal attachment**: customers perceive the brand as special.
- **Sense of community**: customers feel a sense of community with people associated with the brand.
- **Active engagement**: the strongest affirmation of brand loyalty as customers are willing to invest time, energy and money to engage with the brand. This includes joining special clubs, signing up for newsletters, participating in online chats and events (Keller, 2001) or following the brand on various social media platforms.

Keller (2001) proposes two dimensions that characterized brand relationships: intensity and activity. Intensity refers to the strength of attitudinal attachment and sense of community. Activity indicates how frequently the consumer buys and uses the brand and the level of engagement with it.

The CBBE model proves that there are no shortcuts in creating a strong brand. It can be achieved only by carefully following steps and building solid relationships with customers (Keller, Kotler, 2013).
3.2 Customer analysis

Nowadays, we see a pro-active involvement of consumers in the value-creation process of the brand: consumers become active contributors rather than passive targets of product development and advertising (Arnd Out & Thompson, 2005; Brown, Kozinets, & Sherry, 2003; Payne, Storbacka, Frow, & Knox, 2009; Prahalad, 2004). It is essential for marketers to identify and understand individual consumers or segments of consumers well enough to design channel and communications strategies to appeal specifically to those consumers (Keller, 2010). Customer analysis is a very important and useful tool that can be divided into an understanding of the market segments, an analysis of customer motivations, and an exploration of unmet needs. The ultimate goal is to improve strategic choices and decisions in regards to where and how to compete (Aaker, 2014). Successful brand-builders can identify the interactions that influence revenue growth and profitability. The challenge is to ‘engage all the brand attributes and associations from product quality and customer service to online presence, employee behaviour, and community relations that all shape customer perceptions over time’ (Aaker, 2014).

This sub-chapter will look further into shopping behaviour, segmentation and the connection between segmentation and positioning.

3.2.1 Shopping behaviour

Shopping behaviour analyses the choices that customers make while selecting, buying, using and disposing of products, services and ideas that satisfy their needs and wants. A thorough understanding of how consumers think, feel and act, is essential to offer clear value to each target consumer. There are many factors that influence shopping behaviour like marketing, cultural, personal, situational, and social aspects (Kotler et al, 2013). Cultural factors bring the broadest and deepest influence. Personal aspects include characteristics such as gender, age, occupation, income and educational level. These demographic characteristics have been proven to influence shopping behaviour (Fisher, 1952; Lyndall, 1955; and Zwick, 1957). As
they are easy to identify, they are widely used in research on shopping behaviour. Nevertheless, looking at these factors in isolation can be misleading as demographic characteristics reveal little about a consumer's' personality and lifestyle. Hereafter follows a brief overview of the research done on the effects of gender, generation and occupation on shopping behaviour.

**Gender differences**

In designing shopping experiences, it is of high importance to take differences in shopping behaviour by gender into account. Although shopping has long been considered a feminine activity, an increase in ‘de-gendering’ of retail space can be noticed. This is a consequence of the trend of males becoming more prevalent in retail shopping (Smith, 2016). Despite the fact that research in this field is still limited, several gender differences in shopping behaviour already have been widely recognized. First of all, recreational female shoppers tend to seek assortment, social interaction, and browsing when shopping (Jack and Powers, 2013). Male recreational shoppers, on the other hand, tend to look more for information and convenience (Noble, Griffith and Adjei, 2006).

**Generation differences**

Apart from gender being considered a demographic factor influencing shopping behaviour, the influence of age has been of increasing interest to researchers. Mafini et al. (2014) specifically look into the shopper typologies amongst generation Y consumers. In order to extract the typologies, a survey questionnaire was administered to a convenient sample of 230 Generation Y consumers of fashion apparel (Mafini et al., 2014). They argued that individuals born between 1980 and the early 2000s differ in their shopping behaviour from their older counterparts. This is for example due to generation Y consumers having greater purchasing power (Morton, 2002). Moreover, this generation grew up in a consumption-driven society with a strong focus on materialism. Mafini et al. (2014) identified seven shopper
typologies: quality conscious, brand conscious, novelty seeking, hedonistic, confused by over-choice, habitual, brand loyal and fashion conscious shoppers. Since generations are different, it is important for marketers to treat individuals and groups of different age cohorts differently (Mafini et al., 2014; Rempel, 2009).

**Occupation differences**

The occupation of a person has an impact on his/her shopping behaviour. Occupation is strongly associated with education (which to some extent determines occupation) and income (which to some extent is determined by occupation) (Hawkins et al., 2010). Occupation comes with a certain status and income. Finally, the work environment has an impact on a person’s values and lifestyle and is therefore considered an important factor to take into account when profiling consumers.

**Shopping motivations**

In order to identify customer segments, the shopping motivations need to be considered.

Since the mid 50’s shopping motivations and typologies have been of increasing interest to marketing managers. Stone (1954) and Tauber (1972) were the two most prominent researchers of this period who formed the basis of research into this field. While the first concluded social factors being of influence, the latter further elaborated on this and stated that social, personal and functional motives underlie shopping behaviour. Stone’s (1954) research was done among Chicago housewives and identified four different types of shoppers: economic, prescriptive, ethical and apathetic. Stephenson and Willet (1969) further elaborated on this by carrying out a study on patronage and shopping behaviour among adult buyers of apparel shoes, and toys. The 4 types of shoppers identified were: loyal, compulsive and recreational, convenience, and price bargain conscious shoppers. Consequently, in 1972, Tauber
(1972) was the first to categorize shopping motives in those of personal versus social nature.

Kotler (1973) further extended the shopping behaviour research by specifically looking into the influence of store atmospherics and environments. His research showed that both tangible as intangible factors are of influence: when forming a product judgement, shoppers not only look at the product itself but also at the customer service, advertising and pleasantries involved. This placement in consumer’s minds consequently influences purchase behaviour. Donovan (1982) identified two emotional dimensions which play a role in judgement formation: arousal and pleasantness. He further distinguished two motivational orientations: recreational and task-oriented. The higher the level of arousal of a consumer with a recreational motivational orientation, the higher the feeling of pleasantness. This means consumers spend more time in-store with a higher chance of interaction between customers and sales staff and thus on purchase. On the contrary, consumers with a task-oriented motivational orientation experience a decrease in their feeling of pleasantness when they enter a store with arousal-inducing features. In their case, high arousal has a negative impact of shopping behaviour (Kaltcheva and Weitz, 2006).

Finally, Moschis (1976) took an overarching research approach by looking at the different lifestyles, communication needs and shopping orientations of consumers. He identified six different types of shoppers based on his survey on cosmetics purchase behaviour administered in Madison, Wisconsin: store loyal, brand loyal, specials shoppers, psychosocializing, name conscious and problem solving. In short, shopping motivation is based on more than just the product itself. Store design and merchandise presentation activities have been proven to influence the shopping experience. Modern marketing managers cannot afford to overlook this.
3.2.2 Segmentation

Segmentation of the world markets is an important topic, mostly due to its contribution to effective brand positioning and performance. The decision to segment certain world markets depends on the degree of globalization in a market. That relates to the customised marketing strategy, as a single universal strategy for all markets is not enough to be effective (Hassan, Craft, 2012). Companies cannot connect with and fulfil the needs of all customers in large, broad, or diverse markets. Through the division of those markets into groups of consumers with similar needs and wants, each segment can be served more effectively (Keller, Kotler, 2013). Segmentation is key to developing a competitive advantage. Market segmentation can be defined as the ‘identification of individuals or organisations with similar characteristics that have significant implication for the determination of a marketing strategy’ (Jobber, 2010). Segmentation can be based on a variety of customer characteristics, such as benefits sought, customer loyalty, and applications. This decision requires a deep understanding of consumer behaviour and a careful strategic thinking (Keller, Kotler, 2013; Jobber, 2010). The development of a successful segmentation strategy requires the conceptualization, development, and evaluation of a targeted competitive offering (Aaker, 2014).

Segmentation divides a market into distinctive groups (segments) of customers based on their similar set of needs and wants. The marketer’s task is to identify the appropriate number and nature of these market segments and decide which one to target (Keller, Kotler, 2013). The task of identifying segments is not easy and requires market research and investments. A typical analysis may involve from five to ten, or more segmentation variables. The most important factors that differentiate customer segments from each other are demographics, products, benefits, price sensitivity, loyalty and application (Aaker, 2014).

After identifying the market-segment opportunities, the company needs to decide which ones are profitable enough to target. (Keller, Kotler, 2013). Targeting is a
process of evaluating segment attractiveness and selecting the profitable ones to enter. The essential factors that help to target include:

- Segment size and growth
- Segment structural attractiveness
- Company objectives and resources (Aaker, 2014)

An incorrect segmentation scheme may create confusion and lead to the wrong analysis of the market. In order to be useful, market segments must rate favourably on five key criteria:

1. **Measurable.** The characteristics of the segments like the size and purchasing power can be measured.
2. **Substantial.** The segments are the largest possible homogeneous groups which are profitable enough to serve and therefore worth targeting with the customised marketing programs.
3. **Accessible.** The segments can be effectively reached and served.
4. **Differentiable.** The segments are distinguishable and respond differently to different marketing-mix elements.
5. **Actionable.** The effective programs are created to attract and serve the specific segments (Keller, Kotler, 2013).

A segment is viewed as less attractive if it already contains strong and aggressive competitors or the barriers of entry for new companies are low (Kotler et al. 2013).

Jobber (2010) points out the importance of segmentation when companies analyse opportunities and threats on the market. Since the consumers become more informed and demanding towards seeking new experiences, new segment may be created. In order to gain a competitive advantage, the company needs to spot this new segments quickly and meet it needs better than the competition.

Aaker (2014) proposes three dimensions that determine a successful segmentation strategy. The first dimension refers to competitive offerings that need to be
developed and implemented to appeal to the target segment. The second dimension analyse wherever the appeal of the offering and the subsequent relationship with the target segment is resistant to competitive responses. The third dimension investigates the correlation between the investments required to develop and effectively market a personalised offering and the attractiveness and profitability of the target segment. 'The concept behind a successful segmentation strategy is that, within a reduced market space, it is possible to create a dominant position that competitors will be unwilling or unable to beat' (Aaker, 2014).

3.2.3 Connection between positioning and segmentation

Segmentation and positioning decisions are essential in developing a global branding strategy. Positioning refers to the strategy used while accessing potential market segments (Hassan, Craft, 2012). One theoretical connection between international segmentation and brand positioning strategy is the ability of the firm to standardize brand appeal and marketing programs to a segment and thereby achieve economies of scale (Levitt, 1983). However, the key connection between international segmentation and brand positioning strategy is ‘the degree to which the firm meets its own objectives to align the brand with consumers’ (Hassan, Craft, 2012).

Figure 7 displays the interaction of market segmentation and strategic positioning decisions in a 2 by 2 matrix. There are four different strategic approaches for global brand positioning:

![Segment-based strategic brand positioning matrix](image-url)
1. Developing a homogenous market position for the brand by identifying and targeting buyers that have similar behavioural responses toward the brand.
2. Targeting different segments in different countries with the same brand appeal.
3. Aligning the brand with segments present in many or most countries based on locally defined segmentation bases.
4. Focusing on different segments that demand a uniquely differentiated brand.

The traditional segmentation approach that emphasizes nation-based geo-demographic factors was found to minimize similarities and highlight differences. The hybrid approach actively seeks homogeneity in the positioning of the brand, image, marketing tools and advertising message, while the multi-local approach to global market segmentation maintains emphasizes the differences from market to market (Hassan, Craft, 2012).

### 3.3 Brand positioning

Positioning is a very important marketing tool in the current over-communicated society. The aim of positioning lies in the placement of the message in a prospective customer’s mind (Keller, 2009). According to Keller and Kotler (2012), positioning relies on designing the company’s offering and image so efficient that it stays in the target customers’ mind and maximize the potential benefits to the firm. Positioning is about becoming the product of choice. ‘The full positioning of a brand is called the brand’s value proposition and consists of the mix of benefits on which a brand is differentiated and positioned’ (Kotler, et al. 2013). The positioning should be based on finding a right balance between what the brand is and what it aspires to be (Keller, Kotler, 2013). The brand positioning model describes the means needed in establishing competitive advantages in the minds of customers on the market (Keller, 2013).
The key to successful positioning according to Jobber (2010) depends on four factors:

1. **Clarity** – the positioning idea clearly states the target market and competitive advantage
2. **Consistency** - the message of the company is consistent
3. **Credibility** - the advantages chosen by the company are credible in the minds of the target consumers
4. **Competitiveness** – the market position is defined by the value proposition which is distinctive, unique and hard to imitate by competitors.

Kotler (1997 and 1999) identifies different positioning strategies that help company categorized its position on a market:

- **Attribute positioning**: the company’s message highlights one or two attributes of the product, like the size or years of experience on the market to strategically position itself.
- **Benefit positioning**: the message highlights one or two of the distinctive benefits of the products to the customer like unforgettable experience
- **Use/application positioning**: the product is positioned as best for some use or application.
- **User positioning**: the product is claimed to fit the best to the targeted group of users.
- **Competitor positioning**: the product is claimed to be better than a one offered by the competitor.
- **Product category positioning**: the product is a leader in its product category.
- **Quality/Price positioning**: the product offers the best value for price.

The successful creation of a customer-focused value proposition is the result of positioning. This value proposition defines the customers’ reasons behind the purchase of products. Deciding on a positioning requires determining a frame of reference, identifying the optimal Points-of-parity (POP) and Points-of-difference
(PODs) and creating a brand mantra to summarize the positioning. The competitive frame of reference examines the close competitors of the brand and put them as a focus of the competitive analysis. The competition can be examined from both an industry and a market point of view. From an industry perspective, main competitors are the companies offering products that are close substitutes for one another. A market approach describes competitors as companies that satisfy the same customer needs (Keller and Kotler, 2013). A brand mantra defines the essence of the brand and the promises and values it reflects. Defining mantra is a helpful tool in ensuring that the brand message is clear across the whole company and everyone use it as a context for making decisions (Keller and Kotler, 2013).

It is easier for companies to create a good positioning strategy than implement it. Positioning is a challenging marketing tool and can bring serious negative consequences when done incorrectly. The most common mistakes in positioning include:

1. **Underpositioning**: the product has neither any clear benefits nor competitive edges, therefore, the market only has a vague idea of its existence.
2. **Overpositioning**: only a small group of customers is able to identify with the product as the image of it is too narrow.
3. **Confused positioning**: buyers have a confused image of the product or the brand as it claims too many benefits or the product’s attributes collide with each other or the claims change too often.
4. **Irrelevant positioning**: the product’s marketing activities highlight the irrelevant attributes or benefits that are not applicable or desirable to customers
5. **Doubtful positioning**: the brand’s claims of the product’s associations, features or characteristics are not credible enough to the buyers (Kotler, 1997; Kotler, 1999).
3.3.1 PODs and POPs

Positioning requires defining the desired or ideal brand knowledge structures and establishing *points-of-parity* (POPs) and *points-of-difference* (PODs) that aim at creating a favourable brand identity and brand image. By building points-of-difference, brands can achieve a competitive advantage (Keller, 2013). However, some brand associations can be perceived as equally desirable as those of competitors. Therefore, the consumer may see them as POPs and negate potential PODs of competitors. These associations are designed to ‘provide 'no reason why not' for consumers to choose the brand’ (Keller, 2013). A steady positioning allows brands to expand their market and potential customer base. However, POPs and PODs need to be credible in order for a brand to appear as a legitimate player in either category (Keller and Kotler, 2013).

Creating strong, favourable and unique brand associations can be a challenge but is essential for a competitive brand positioning. Keller and Kotler (2013) presents three criteria which determine whether brand associations can function as *points of difference* (PODs):

1. *Desirable to consumers* - the brand association must be seen by a customer as personally relevant and able to delivered the promised benefits.
2. *Deliverable by company* - the company must possess resources and commitment to creating a brand association in consumer’s mind. The product design and marketing activities need to support this association, which ideally is ‘pre-emptive, defensible and difficult to attack’.
3. *Differentiating from competitors* - consumers must see the brand association as distinctive and superior to competitors.

‘Points of parity (POPs) are the attributes or benefit associations that are not unique to just one brand but can be shared with others’ (Keller and Kotler, 2013). These associations come in two forms: category and competitive. Category POPs are the associations considered as essential but not sufficient to credible offering and brand
choice. New technology, more demanding customers or trends may influence category POPs and force them to change as a result. The competitive POPs need to be design to overcome any weaknesses of the brand. The goal of competitive POPs is to negate the competitor’s PODs (Keller and Kotler, 2013).

3.3.2 Communication channels

After selecting a specific segment or segments and creating the suitable offering, the company needs to decide on the ways and means to reach the potential customers (Keller, 2013).

Marketing channels - blending info, entertainment, and experiences - are used by marketers to teach consumers about a brand or a specific product; who the targeted users are, what the added value is, and how the channels facilitate brand shopping and purchases. The goal is: greater brand preference and thus purchases for the retailer and marketer (Keller, 2013). Persuading and incenting consumers can be done through direct/interactive or indirect channels. The first refers to the channels used by the company to reach their customers: e-mail, phone, internet, mobile, etc. The latter refers to third-party intermediaries such as retailers who take on the role to sell the products.

Looking at the marketing communications strategy, two strategies can be distinguished:

1. **personal** - directly targeting the customer one by one; and

2. **mass** - targeting a group of consumers.

In the past, there was a clear line drawn between the choices in channels and communications. However, in the current multichannel, multimedia retail environment, this line is slowly fading away (Winer, 2009; Varadarajan et al. 2010). Marketers nowadays use multiple channels and communications to create adequate reach and coverage. The reason for this is that the targeted consumers use or are
exposed to different types of communications and often buy through several channels. Moreover, the different types of communications and channels have distinctive cognitive, affective, and conative (or behavioural) effects on consumers (Dholakia et al. 2010; Neslin et al. 2006; Neslin and Shankar 2009; Verhoef et al. 2010; Zhang et al. 2010). Influencing factors here are for example the particular consumer attitudes and behaviours and levels of consumer engagement and involvement. As described by several authors among which Prahalad and Ramaswamy (2004) and Vargo and Lusch (2004), some consumers actively engage with their brands through for example co-production whereas others do not. The challenge for marketers is how to assemble the best set of channel and communication options to maximize sales in the short-run and brand equity in the long-run in today’s complex retail environment (Keller, 2010). Channels vary on other dimensions, such as whether they allow for one vs. two-way communications, the relative degree of control between consumers and the firm, their scope and reach, the clientele they attract, and the degree to which they permit or even encourage experiential involvement (Keller, 2010). The channels and communications used can affect brand equity either directly through consumer interaction and experiences or indirectly through the appropriation of the image of a retailer or media option. In the current multichannel, multimedia retail environment customers expect channel integration like the option to order online and choose delivery to a specific store (Berry et al. 2010; Neslin and Shankar, 2009; Zhang et al. 2010).
4. Company analysis

This chapter provides an analysis of Shiseido’s business activities. It will start off with a short introduction to Shiseido’s brand management. Afterwards, the four brand building-blocks involved in creating strong brand equity for Shiseido will be discussed one by one: brand identity, brand meaning, and brand responses and relationships (Keller, 1993).

4.1 Brand management

Currently Shiseido is the fourth biggest cosmetics company in the world. The Japanese ideogram of Shiseido means ‘The house that contributes to the quality of life’. At Shiseido they consider beauty as an art of living. Pronounced as ‘She-Say-Two’, the company ethos exists of the Japanese concept of the beauty of the balance
between body and spirit. Shiseido is selling high quality hair and cosmetic products. Shiseido’s range of products include skincare, bodycare, haircare, suncare, makeup and fragrances. Especially the cosmetics line sells well worldwide both in Asia and in Europe.

Today, the Shiseido Group’s products are available in approximately 89 countries around the world. However, several brands out of the brand portfolio are sold under their own independent brand as they already have a strong brand image and do not need the credibility of the Shiseido name. Each country and region in the world has a brand manager which team creates and carries out brand strategies within the Shiseido guidelines for brand management. The guidelines are built upon the notion of enhancing the relationship between the company and its customers. In every country and region, products are customized to meet local customers’ needs. One of the unique points of Shiseido is that the brand portfolio covers all segments: from low-end to high-end (Shiseido Group, 2016).

4.2 Brand equity

According to Shiseido’s CEO, the biggest challenge is that the company is not keeping pace with changing consumers and markets and its global competitors. The company strives to create appealing brands and deliver high value premium cosmetics to customers.

Brand-building at Shiseido is based on a couple of principles which are:

- Creativity and innovation are key in product development
- The blend between Eastern aesthetics and Western science
- The application of clinically tested formulae
- A continuous analysis of market trends to localize product offerings
- A solid distribution strategy (Roll, 2015).
Shiseido’s global strategy is based on expansion of its presence worldwide through an aggressive acquisition strategy. In Europe, Shiseido markets prestige cosmetics and the potent designer fragrances brands of Beauté Prestige International S.A. Marketing channels include department stores, perfumeries and travel retail (Shiseido, 2015). Shiseido has successfully adjusted strategies specifically to the local markets, offering prestige brands, mass prestige or ‘masstige’ brands and/or mass brands according to the needs of different markets and locations. In Europe, its focus has largely been on the high-end market segment which helped drive the company's profitability. However, the company faces many challenges - including fierce competition and more demanding customers - which forces Shiseido to review its positioning strategy in Europe.

Shiseido’s ultimate goal is to gain brand equity which is a competitive advantage, impossible to imitate. Brand equity is defined by the consumer’s response to marketing stimuli with the brand name clearly stated in comparison to ‘no name’ marketing activities (Keller, 1993). The Customer-Based Brand Equity Model (CBBE) demonstrates that the power of a brand resides in the minds of customers. It approaches brand equity from the perspective of the consumer. In order for a company to create strong brand equity, it needs to establish a positive brand identity, meaning, and responses and relationships. These three building blocks can be divided further:

- Brand identity: Brand salience
- Brand meaning: Brand performance and brand imagery
- Brand responses: Consumer judgments and consumer feelings
- Brand relationships: Brand resonance (Keller, 2001).

These blocks will be used to describe the brand equity of Shiseido.
4.2.1 Brand identity

Aaker (1996) defines brand identity as ‘a unique set of brand associations that the brand strategist aspires to create or maintain’. The fusion between occidental science and oriental aestheticism is one of the key brand associations Shiseido wishes to establish in the minds of its consumers. The cosmetics giant bases its beauty ideal on the harmony between body and spirit. The finesse and attention to detail can be found back in all Shiseido’s cosmetic products, from the amount of scientific research executed by more than 1000 researchers in 10 research centres worldwide to the presentation with advertisements and packaging.

The corporate philosophy of Shiseido can be divided into three main themes:

1. "The mission: to cultivate relationships with people and to inspire a life of beauty and culture. Shiseido appreciates genuine and meaningful values.

2. The values: In heritage, excellence; In diversity, strength; In innovation, growth.

3. The way: All members of Shiseido Group pursue shared and sustainable growth with all stakeholders (consumers, business partners, employees, shareholders, society and the earth)” (Shiseido Group, 2016).

On top of the corporate philosophy, Shiseido outlined three core values that guide brand-building efforts throughout the portfolio:
Rich – the pure, holistic experience of beauty with uncompromised detail;

Human Science – going beyond chemistry and biology and extending into physical, mental, emotional, and spiritual sensibilities; and

Omotenashi – the Shiseido spirit of hospitality that welcomes you with an open mind and cares with an open heart (Roll, 2015).

Brand identity: Brand salience

The brand salience is based on how frequent the customers think about the brand in a buying situation (Keller, Kotler, 2013). By communicating the most important characteristics Shiseido wants to have linked to its brands, the cosmetics giant tries to maximize the amount of associations held in their consumer’s memory. Shiseido offers a strong focus on customer relationship management and environmental protection. Shiseido core values are supported by strong investment in scientific research and technology. The company owns strongly established brands across all of the key areas of the beauty market. Shiseido uses celebrity endorsement and brand ambassadors in its advertising, from famous models, actresses to sportspeople.

Already for over 20 years now, Shiseido measures its brand awareness through an annual survey. The results are used to develop new brand stories, based on the associations customers have with certain products.

4.2.2 Brand meaning

Brand meaning: Brand performance

Brand performance relates to the ways in which the product attempts to fulfil a customer’s functional needs (Keller, 2001). It is measured by looking at the following attributes and benefits: primary ingredients and supplementary features, product reliability, durability and serviceability; service effectiveness, efficiency and empathy;
style and design; and price. Shiseido complies with the local laws of each country/region in which it operates. Moreover, the company respects human rights and upholds flawless ethical behaviour. Biodiversity is of high importance to Shiseido: the brand strives to produce eco-friendly and sustainable products. Shiseido has a commitment to contribute to a beautiful global environment. Finally, the beauty company aims to solve social challenges such as the emancipation of women.

Shiseido’s cosmetic products are made out of good quality and carefully selected ingredients. The company and its products are considered reliable as Shiseido has an expertise in pharmaceutical R&D. The company provides good quality products at an affordable price (good value for money).

**Brand meaning: Brand imagery**

*Brand imagery* indicates the brand’s attempt to meet customer’s psychological and social needs. It is generally measured by looking at four categories: user profiles, purchase and usage situation; personality and values; and history, heritage and experience (Keller, 2001). With Shiseido’s extended brand portfolio covering several product categories, the cosmetics company aims to fulfil a wide range of customer’s needs.

A lot of brands from Shiseido’s portfolio are available worldwide. They are mostly sold at luxury department stores, Shiseido’s own chain store or convenience and drug stores. Shiseido offers accessible but professional cosmetics with a sophisticated feel thanks to its Japanese heritage in combination with technical beauty expertise.

Offering outstanding service is part of the company's core principles. In 2015, Shiseido introduced the use of tablets and enterprise apps to 10,000 beauty consultants in Japan. The goal of the Beauty Tablet Project was to improve customer experience and build employee loyalty (Fiorletta, 2015). The beauty consultants of
Shiseido are considered the most important brand ambassadors meaning it is crucial for them to bond with customers. With the help of the tablet, they can now easily register customer feedback which means product adaptations can be made quicker than ever before. An example here is the packaging of a moisturizer cream from Clé de Peau Beauté which was adjusted according to feedback from customers (Fiorletta, 2015). Shiseido went even further by introducing augmented reality to the in-store experience. The “magic mirror” allows customers to see the make-up look virtually on their 3D image. However, these creative ideas are yet to be implemented in Europe.

Shiseido is also innovative in terms of communication. An innovative example: in the 70s, Shiseido was the first Japanese brand which let a woman pose for the advertisement. It concerns a sun-tanned woman in bikini on the beach, an advertisement which went fully against the morals of that time (see advertisement below). Even though the brand is marked by Japanese tradition, Shiseido did not hesitate to move beyond that, drawing on occidental culture, turning the Japanese cosmetic market completely upside down.

In 1957, Shiseido created the Camélia club to offer a magazine as a privilege exclusively to the most dedicated consumers. The idea was to gain and grow their brand loyalty. Nowadays, this magazine still exists but in the form of a blog called
Club Omotenashi. Private beauty salons were also put in place to offer a selective group of women the privilege to benefit from beauty advice and assistance of a team of Shiseido beauty consultants. In 1965, Shiseido launched its salon business with the opening of its first beauty salon in Tokyo. Since then, all stores in Asia selling Shiseido’s product line offer workshops on how to take good care of your hair and skin, as well as makeup and kimono dressing services (Shiseido Group, 2016).

4.2.3 Brand responses and relationships

**Brand responses: Brand judgement**

Brand judgment refers to a consumer’s personal opinion in regards to a brand. The four most important brand judgements strong brands need to provoke are quality, credibility, consideration, and superiority (Keller, 2001). Shiseido offers good quality products at an affordable price. The brands it holds in its portfolio are considered credible, with positive attitudes and feelings. Due to the high-quality ingredients used in its products and the outstanding blend between Eastern aesthetics and Western science, Shiseido’s cosmetics are noticeable and unique.

**Brand responses: Brand feelings**

Brand Feelings are the emotional responses and reactions that consumer has towards the brand. There are six key types of brand feelings: warmth, fun, excitement, security, social approval and self-respect (Keller, 2001). Shiseido insists on superior performance and quality by continuously creating highly safe cosmetics with new concepts and leading-edge beauty methods (Shiseido, 2015). The brand fully exploits its passion for innovation, performance, style and sense of premium to offer its customers high value for money. The three keywords associated with Shiseido are: warmth, social approval and self-respect. Warmth- as it gives a sense of peacefulness and an impression of harmony between body and spirit. Social
approval as consumers feel more positive and more accepted for who they are based on the reactions of others on their appearance. Self-respect as Shiseido makes its consumers feel better about themselves.

**Brand relationships: Brand resonance**

Brand resonance is achieved when customers feel a deep and psychological bond with a brand. It can be measured by looking at four categories: behavioural loyalty, attitudinal attachment, sense of community, and active engagement (Keller, 2001). Our research shows that the brand entails positive reactions from both fans and non-users in Europe. However, the number of followers Shiseido has on social media platforms do not reflect this enthusiasm. Numbers fall far behind those of competitors. The below mentioned data including a number of likes, followers, subscribers and views were collected on the 22nd of February 2016, at 8pm.

**Facebook:** Shiseido has separate Facebook pages dedicated to the company in particular countries, as well as individual pages for each brand in the portfolio. The ‘official Shiseido’ pages in Europe that have most followers include:

- France- 118,206
- Italy- 113,895
- Spain- 101,093

**Instagram:** Shiseido is relatively new on this platform as the official account was only created on the 5th of September 2014 and has 57.5k followers as of February 22nd. However, looking at the number of ‘likes’ under each photo, a significant progression in popularity of the posts can be noticed. The first post shared by Shiseido on Instagram only has 86 likes (it's a short film from the backstage of a photoshoot) while the last posted photo got 1186 likes (an art piece by Makoto Azuma).

**YouTube:** Shiseido joined YouTube on the 22nd of March 2012. In total, the company posted over 390 clips. Most of them present the commercial for its
cosmetics, beauty tips or presentations of new products. As of February 22nd, Shiseido has 23,625 subscribers with 22,923,502 total views of its channel.

4.3 Brand positioning

This chapter will look further into the brand positioning of Shiseido on the European market. First of all, the trends in the usage of communication channels will be discussed – starting off with a general overview after which we will zoom further into Shiseido’s communication strategy. This is followed by a competitive forces analysis looking at the five main forces influencing the nature of competition in the European cosmetics market. Subsequently, a SWOT analysis will provide an overview of the company’s strengths and weaknesses as well as the opportunities and threats it faces in Europe. To conclude, Shiseido’s PODs and POPs will be compared to its two main competitors on the European market.

4.3.1 Communication channels

General trends in the cosmetics market

As one of the key characteristics of Millennials is their widespread usage of new technologies, it is interesting to look at the behaviour of European cosmetics consumers online. According to new research from Mintel, UK beauty consumers prefer to use social media, blogs and blogs to engage with brands than base their opinion on marketing campaigns with celebrities using cosmetics products. Especially among women aged 16-24, social media, blogs and vlogs are most popular to view beauty content with 70% using these platforms. Out of this group, 35% actually purchases an item based on the recommendation or opinion of a beauty blogger, vlogger or social media influencer (McDougall, 2015). The L.A. eyebrow brand Anastasia Beverly Hills actively responds to this trend. Using visual marketing drives this brand, which works with a wide array of inspirational Instagram
influencers who receive products from the brand usually one to three weeks before
the launch (Brown, 2015). Instagram influencers are carefully selected based on their
photo quality and make up artistry, rather than the number of followers. The success
of the new strategy is reflected by an impressive growth in sales, which quadrupled
over the past 3 years. Worldwide, it ranks number 10 in total makeup sales. Beauty
brands increasingly seem to understand the power of user-generated content.
Lancôme for example launched a new digital platform called youarelancome.com in
April this year. It exists of an interactive game through which women can customize
their own portraits with textures and illustrations inspired by the Lancôme universe.
Lancôme brand ambassadors Julia Roberts, Penelope Cruz and Kate Winslet
already launched their portraits on the website (WWD, 2015).

Furthermore, so-called Vlogging offers digital marketing potential not many brands
have yet taken inspiration from. It is another great example of user-generated content
where non-professional beauty bloggers (or vloggers) review beauty products
through their YouTube channel. Brands could tap into this trend by hosting more
video content on YouTube (currently vloggers publish 7x more frequently) as well as
longer video content (Whitehouse, 2015). The success of vloggers highlights the
importance consumers place on authenticity: the importance of communicating
directly with consumers by offering long-form beauty tutorials instead of commercials.

Shiseido’s communication strategy

Shiseido strives to enhance brand value by increasing customer satisfaction and trust
at all customer touchpoints. Beauty consultants fulfil the crucial role of listening to
customer requests at the sales counter with the spirit of omotenashi (hospitality) and
recommending products and beauty information according to each person’s skin and
cosmetics use. By combining the advisory in shops and e-commerce concepts,
Shiseido made the commercial side of relationships with customers less oppressive
and created a more balanced company- customer connection (Shiseido, 2015).
Shiseido has a line-up of customer club organizations that are operating on an individual country or area basis, facilitating the efforts to obtain greater customer satisfaction. Shiseido has been utilizing its customer's opinions for developing Beauty Consultants’ services and stepping up the efforts to increase customer satisfaction (Shiseido Group, 2016).

Shiseido promotes the ‘Shiseido Life Quality Beauty Program’ worldwide. Under this program, Shiseido carries out ‘Shiseido Life Quality Makeup’ at the ‘Shiseido Life Quality Beauty Centre’ in Tokyo which was established in 2006 to provide makeup services for customers who are deeply concerned about their skin. Also, the ‘Shiseido Life Quality beauty seminars’ provide skincare and makeup services which are held mainly for the elderly and persons with disabilities in Asia and for cancer patients in Europe and the U.S. In 2014, Shiseido held about 3,900 seminars including in Japan, China, Germany and U.S. where about 65,600 people participated (Shiseido Group, 2016).

Shiseido has a narrow brand portfolio in Europe with just premium lines of cosmetics. However, it is complicated to identify and profile all their target customers. Some brands have special product lines specifically designed for certain segments. A concrete example is the Shiseido’s new product line created under its flag name-Shiseido Ibuki which includes seven products and targets consumers aged between 25-35 looking to maintain healthy skin. Ibuki concentrates on young people whose skin is exposed to the damaging effects of a stressful modern urban lifestyle (Shiseido Group, 2016).

4.3.2 Five forces

Industry attractiveness and profitability is determined by the dynamics of the competitive structure. Porter five forces analysis is a framework that attempts to analyse the level of competition within an industry and business strategy development. According to this model, the threat of new entrants, rivalry, buyer
power, supplier power and the threat of substitutes are the most significant factors affecting any given industry (Porter, 1997). The five forces help to determine the industry’s attractiveness and moreover, help in choosing a strategy that a firm should select in order to compete under the dominating market conditions. Based on the information derived from Porter’s Five Forces Analysis, the company can decide how to influence or to exploit particular characteristics of their industry (Porter, 1997). This analysis will concentrate on powers and threats in the European cosmetics industry.

Figure 9. Porter’s five forces

Industry

According to Porter (1997), the first step in creating a competitive strategy is analysing the industry the company operates in. The industry structure and its attractiveness depends on five basic competitive forces described below. The European cosmetic industry is dominated by multinational corporations. The industry is highly competitive with companies competing not only with direct competitors offering well-known brands but also cheaper brands offering similar unbranded products. In this industry, new technologies have a significant impact on profitability (Statista, 2014). Shiseido operates in many sectors of the industry in Asia, offering products from low- to high end, however concentrates just on premium products in Europe.
**Threat of new entrants**

The threat of new competitors is determined by entry barriers being either low or high. The entry barriers depend on:

1) Economies of scale: Company needs to enter the industry at a high production volume, extensive R&D or customer service.

2) Product differentiation: The new entrants must overcome existing brand loyalties using various marketing activities.

3) Capital requirements: There are large financial investments involved with entering the new market.

4) Switching costs: Costs that buyer faces when switching from existing products.

5) Access to distribution channels: If access to distribution channels is not locked by incumbents, a new entrant is able to secure a distribution network.

6) Competitive advantage of firms operating on the market: Existing companies have advantages in the form of price, material, proprietary information, favourable location or technical expertise.

7) Government restrictions: Regulations regarding the environment, quality standards or access to materials (Porter, 1997).

In the European cosmetic industry, the threat of new entrants is low due to:

- high economies of scale
- high differentiation of products
- high investment required
- low consumer switching costs
- difficult access to distribution channels (wide distribution channels)
- high competitive advantages like brand loyalty and visibility by leading companies like Estée Lauder and L'Oréal
- an extensive legislative framework around health and safety
**Rivalry**

Rivalry among competitors emerges mostly in the form of various tactics like: price competition, advertising or increased customer service. Rivalry depends on many interacting factors including:

1) Numbers and capabilities of competitors: When the industry is highly concentrated or dominated by one or a few firms, the leaders can impose their practises and play a coordinative role.

2) Industry growth: Slow industry growth causes competition to become more intense.

3) Fix or storage costs: Firms need to operate close to capacity because any fluctuation in demand may reflect in overcapacity or aggressive price cutting.

4) Switching costs: If consumers can easily change products and are not loyal towards brands, it means that consumer switching costs are low and therefore the rivalry in the industry intensifies (increase of price sensitivity).

5) Diverse competitors: If competitors use diverse strategies, the rivalry between them will be high.

6) Exit barriers: all factors that keep company competing in the industry even when earning low or bringing a negative return on investments. The factors may be economic, strategic or emotional (Porter, 1997).

There is a **high** intensity of rivalry on the European cosmetics market, mainly caused by:

- high number of powerful competitors
- high industry growth
- high fixed costs
- low consumer switching costs
- high diversity of competitors with well-defined brands
- low exit barriers
**Threat of substitutes**

Porter (1997) defines the substitutes as products from other industries offering similar benefits that compete on price and performance. The more attractive the price-performance offer from the substitutes, the harder it is for a company to make any profit.

The threat of substitutes in the European cosmetic market is high due to:

- low consumer switching costs
- high number of substitutes (However, in the premium and high-end sector of the cosmetic industry, companies compete more in terms of new technologies and therefore the number and availability of substitutes are smaller)
- high accessibility of substitutes
- competitive prices from substitutes

**Buyer bargaining power**

According to Porter (1997), buyers have a big impact on products and therefore their influence determine the profit extracted from products meeting price and quality demands. In a case of a small number of big buyers, price and service sensitivity increase. When quality is not important, the buyers will choose the cheapest alternative. Low switching costs increase the importance of price or added value. Profitability can be decreased by the threat of backward integration where the buyers have abilities to create the product themselves.

In the European cosmetics industry, the buyer bargaining power is high:

- high buyer impact (buyers are well informed in regards to the products)
- buyers are price sensitive
- substitutes are available
- switching costs are low
- the threat of backward integration is low
Supplier power

The bargaining power of suppliers influences the price of the products. A supplier group is influential and powerful when:

1) one group of suppliers serves many buyers
2) the switching costs are high
3) the industry is not the suppliers’ most important customer
4) the suppliers’ product is essential for buyers
5) there is a high threat of forward integration (Porter, 1997)

The bargaining power of suppliers is low in the European cosmetic industry due to:

- many suppliers on the market
- low switching costs
- buyers being well informed about products
- low threat of forward integration
- availability of substitutes

4.3.3 SWOT analysis

A SWOT analysis is used to categorise and identify the strengths, weaknesses, opportunities and threats of an organization based on the internal and external environmental factors. This analysis allows to concentrate on the key issues that are affecting business development and growth of the company (Pickton, Wright, 1998).

In Europe, Shiseido operates in the industry which has a high degree of rivalry, high buyer power, high threat of substitutes but low supplier power and low threat of new entrants. The SWOT analysis below exclusively concerns Shiseido in Europe.
### Strengths

Shiseido ranks ninth among the beauty and personal care players worldwide with 2% of the world BPC value share (Euromonitor International, 2015). The company still upholds its reputation of being an expert in advanced skincare research and development, ever since opening its first laboratories in 1939. Research and development is based on regional characteristics and is conducted internationally. Shiseido employs more than 1,000 researchers who work in 10 research centres and 15 production facilities throughout Japan, Europe, U.S. and Asia. The cosmetics giant has a unique brand identity thanks to the fusion between occidental science and oriental aestheticism which forms part of the brand’s legacy. These associations could substantially differentiate Shiseido from its two main competitors, L’Oréal and Estée Lauder, which both find their origins in the Western world. Moreover, as Shiseido only targets the premium to high-end segments in Europe, it can present

### Weaknesses

- Strong focus on Asia
- Country of origin image
- Only few patented products

### Opportunities

- Growing share 65+ population
- Male cosmetic segment
- Increased health consciousness
- Strengthening consumer relationships
- Strategic alliances

### Threats

- Increasing competition
- Acquisition of US and European brands could damage brand identity
- Confused perception of brand positioning by travellers
- Korea as new beauty role model

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<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Among the top 10 beauty and personal</td>
<td>Strong focus on Asia</td>
</tr>
<tr>
<td>care players worldwide</td>
<td>Country of origin image</td>
</tr>
<tr>
<td>Advanced research and development</td>
<td>Only few patented products</td>
</tr>
<tr>
<td>Unique brand identity</td>
<td></td>
</tr>
<tr>
<td>Premium and high-end segment</td>
<td></td>
</tr>
<tr>
<td>Customer-centric approach</td>
<td></td>
</tr>
<tr>
<td>Strong distribution channel</td>
<td></td>
</tr>
<tr>
<td>‘Think global, act local’ approach</td>
<td></td>
</tr>
<tr>
<td>‘The Shiseido Way’</td>
<td></td>
</tr>
<tr>
<td>Strong focus on Asia</td>
<td></td>
</tr>
<tr>
<td>Country of origin image</td>
<td></td>
</tr>
<tr>
<td>Only few patented products</td>
<td></td>
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</table>

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<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growing share 65+ population</td>
<td>Increasing competition</td>
</tr>
<tr>
<td>Male cosmetic segment</td>
<td>Acquisition of US and European brands could</td>
</tr>
<tr>
<td>Increased health consciousness</td>
<td>damage brand identity</td>
</tr>
<tr>
<td>Strengthening consumer relationships</td>
<td>Confused perception of brand positioning by</td>
</tr>
<tr>
<td>Strategic alliances</td>
<td>travellers</td>
</tr>
<tr>
<td></td>
<td>Korea as new beauty role model</td>
</tr>
</tbody>
</table>

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69
itself as an expert in this field, as opposed to L’Oréal which targets all segments from low-end to high-end.

Shiseido follows a customer-centric approach to reinforce its luxury image. It aims to offer the same high quality service at each customer touch point with a special focus in-store where knowledgeable skin consultants are available to provide consumers with the best advice. To strengthen its luxury image even further, the company distributes its products through selective channels. The cosmetics giant follows a so-called ‘think global, act local’ approach as it adapts its brand portfolio to the local beauty consumer concerns and taste. Finally, the company has a strong sense of social responsibility. Shiseido aims to address social issues through several projects among which the ‘Shiseido Earth Care Project’, an environmental project by all Shiseido Group employees worldwide (Shiseido group, 2016). Apart from that, the company has launched several specific product and production initiatives to ensure people and the Earth can ‘coexist beautifully’.

**Weaknesses**

Being an Asian company, Shiseido focuses strongly on this region. This Asian expertise could be disadvantageous in its combat for more market share in Europe. Regardless of the *Asianification* trend worldwide, Shiseido might still suffer from a negative country of origin image. Finally, only a small proportion – approx. 5% - of its product are patented which makes the company vulnerable to copycatting.

**Opportunities**

In terms of product development, the company could tap into several trends on the market. First of all, the increasing share of the population +65 years in Europe calls for innovations in anti-ageing cosmetics. Moreover, males are becoming more prevalent in retail shopping as they show increasing interest in their personal appearance. This translates into a rise in their cosmetics expenditure. In 2014, Datamonitor valued the global market for male toiletries at $222,44.6m, which grew
by 3.6% on the previous year (Matthews, 2015). This calls for innovation and new product launches targeted to this segment. Finally, the increased health consciousness trend might drive consumers towards ‘green cosmetics’.

Shiseido could benefit from deepening its relationships with consumers even further in order to create brand equity. In Europe it could do this by implementing innovative customer touchpoints such as the watashi+ community, which Shiseido already launched in Japan in 2012. This online beauty service offers consumers the opportunity to receive tailored beauty advice through online counselling. Finally, strategic alliances with European companies could further enhance the company’s chances to obtain more market share.

**Threats**

The European cosmetics market is highly competitive with high exit barriers, market segmentation, industry growth, and numerous competitors with well-defined brands. On top of that, many niche brands target specific segments which overlap with Shiseido’s. Over the past decades, Shiseido acquired several US and European brands. This acquisition spree could form a danger of weakening the unique outstanding blend of Eastern aesthetics and Western science. Moreover, confusion could arise when European consumers visit Asia where products sold are not only high-end premium/luxury but low-end value and middle prices products are also available. Finally, apart from its European counterparts, Shiseido should look out for competitors coming from Korea. The country is at the forefront of research into new skincare products, and its exports of such items are soaring (Arthur, 2015).

### 4.3.4 POPs and PODs versus main competitors

According to WWD Beauty Inc.’s Top 100 which ranks the world’s largest beauty manufacturers, leading companies in the global cosmetics market in 2015 include L’Oréal (number 1 on the list), Unilever (2), Procter & Gamble, (3), Estée Lauder (4) and Shiseido (5).
Looking exclusively at the luxury cosmetic segment in Europe, Shiseido has two main competitors: L’Oréal and Estée Lauder. These will now be discussed in more detail.

**L’OREAL**

The L’Oréal Group is the largest cosmetics company, based in France. Their motto concentrates on ‘offering women and men worldwide the best in cosmetic innovation – in terms of quality, efficacy and safety – in order to meet the infinite diversity of beauty desires and needs’ (L’Oréal, 2015).

In total the L’Oréal group owns 42 brands, mostly sold in North America. These brands can be divided into 5 categories:

1. L’Oréal luxe – skin care, fragrances, and makeup sold in selected retail outlets i.e. department stores, perfumeries, travel retail, the Group’s own boutiques and certain online sites.
2. Consumer products division – hair colourants, hair care/styling, makeup, and skincare products distributed through mass market retail channels
3. Professional products – hair colourants, styling & textures, shampoo & hair care sold and used in hair salons
4. Active cosmetics – skincare, haircare, and makeup sold through all health channels such as pharmacies, parapharmacies, drugstores, and medispas
5. The body shop - skincare, fragrances, haircare, makeup, aromatherapy and a men’s line sold at 2,600+ franchised stores in 60+ countries.
<table>
<thead>
<tr>
<th>Shiseido vs L’Oréal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>POPs</strong></td>
</tr>
<tr>
<td>products available worldwide</td>
</tr>
<tr>
<td>attract wide range of demographics</td>
</tr>
<tr>
<td>variety in product categories</td>
</tr>
<tr>
<td>personal beauty advisors</td>
</tr>
<tr>
<td>entry strategies</td>
</tr>
<tr>
<td>social responsibility</td>
</tr>
<tr>
<td>celebrity endorsement</td>
</tr>
<tr>
<td>science based approach</td>
</tr>
</tbody>
</table>

Shiseido and L’Oréal both distribute their products worldwide. However, as a point of difference, Shiseido has some local brands in Japan which are exclusively available to Japanese customers. Both companies attract a wide range of demographic groups, thanks to good quality products, personal beauty advisors, celebrity endorsement and a focus on social responsibility. Shiseido and L’Oréal both follow a science-based approach and own their own laboratories. As a point of difference, L’Oréal has niche brands targeting very specific consumer segments such as Softsheen-Carson (afro-specific hair care), Carita (anti-aging skin care), and MG (facial masks). Additionally, L’Oréal has a larger distribution chain than Shiseido, as it operates across all distribution chains like pharmacies, supermarkets, hypermarkets, independent stores, hair salons, etc. The country of origin effect may form an obstacle for Shiseido in Europe, since L’Oréal is associated with French
sophistication and style and France is known as a country of luxury, fashion and beauty.

**ESTÉE LAUDER**

The Estée Lauder Companies Inc., founded in 1946, is an American manufacturer and marketer of high-end skincare, makeup, fragrance and hair care products. In total the Estée Lauder group owns 30 brands, mostly sold in North America and Western Europe (Estée Lauder, 2016). These brands can be divided by the three product categories they operate in:

1. Skincare/make-up
2. Fragrance
3. Haircare

Just like Shiseido, Estée Lauder uses limited distribution channels to sell its products in order to uphold and reinforce the images associated with its brands. Examples are upscale department stores, specialty retailers, upscale perfumeries and pharmacies and prestige salons and spas. Additionally, Estée Lauder sells its products in freestanding company-operated stores, its own and authorized retailer websites, stores on cruise ships, direct response television (DRTV), in-flight and duty-free shops and certain fragrances are sold in self-select outlets (Reuters, 2015). 14 brands out of its portfolio can be bought by consumers online through 120 of its own e-commerce and a selection of its m-commerce websites.
Shiseido vs Estée Lauder both distribute their products worldwide but hold narrow brand portfolios in Europe. Shiseido has some local brands in Japan which are exclusively available to Japanese customers. Both companies use acquisition as entry mode as they buy themselves into new markets by purchasing successful local brands. Both companies attract a wide range of demographic groups, thanks to good quality products, celebrity endorsement, good customer service and a focus on social responsibility. Shiseido and Estée Lauder constantly invest in Research & Development. Estée Lauder stands out thanks to its excellence in packaging and strong digital presence on Facebook, Twitter, and YouTube as well as global ecommerce websites with powerful marketing campaigns (nearly 2 million followers on an official page on Facebook and nearly 1 million on Instagram). In contrast to Shiseido, Estée Lauder is also known for promotional strategies like discounts, free samples with purchases and gifts.
5. Analysis and presentation of questionnaire results

The questionnaire was conducted with the goal to obtain an understanding of the market segment by analysing customer motivations and exploring unmet needs. In this chapter an in-depth analysis will be done of the 18 questions and corresponding answers. The first section provides descriptive information regarding participants while the other sections deal with buying behaviour such as consumer’s preferences and attitudes when (looking to) purchase cosmetic products. The collection of this data was driven by the goal to draw up a segmentation profile of Shiseido’s younger target group in Western and Central Europe. The presented findings form a solid base for a strategic brand positioning proposal for Shiseido to reach its Millennial audience on the Western and Central European market. The results of the questionnaire are based on 87 self-administered online questionnaires which were completed by the target sample of cosmetic consumers. Following the response rate, the hypotheses will be listed. In order to identify trends, several cross tabulations were done. In the final section of this chapter, an overview of the most outstanding ones can be found.

Response rate

The anonymous online questionnaire was distributed through Facebook on both of our personal accounts as well as through the study groups of our Master’s program. In two months a total of 87 legitimate questionnaires were collected.

Hypotheses

Based on detected trends in the responses, six hypotheses were induced. Western and Central Europeans formed the focus group. The goal of the questionnaire was to test the group on its own, with a special focus on students aged >35 years old. Due to its luxury positioning and the use of selective distribution channels, the first observed trend was that the majority of the focus group (56%) does not know Shiseido (H1). In the VISION 2020 strategic plan, the cosmetics brand highlights the essence to restructure the scattered brand portfolio. The goal here is to increase
brand equity by focusing and enhancing core brands. It was, however, observed that those who do not know Shiseido, do know other brands which are part of the same group (H2). Following this trend and the direct influence of brand awareness on brand image (Esch et al. 2006), it was observed that students aged >35 years who do know Shiseido have a positive brand perception (H3). Furthermore, it was observed that to students, cosmetic trends are more of a priority than for workers and that therefore they buy on average more frequently but spend less due to economic restraints (H4).

Our research shows that, in the decision making process, the extrinsic attributes (price, warranty) are considered more important than intrinsic attributes. Intrinsic attributes like good customer service and presence on social media were found to be considered more important by students than extrinsic attributes such as an outstanding reputation and authenticity (H5). Among researchers it is acknowledged that social voice drives decision-making. Our research confirmed this as word of mouth was named as the number one trusted source consulted by students before purchasing cosmetics (H6).

H1: Not that many people in Western and Central Europe know Shiseido.

H2: Those who do not know Shiseido, do know other brands which are part of the same group

H3: Students who do know Shiseido have a generally positive impression of it

H4: Students buy more frequently but spend on average less than employed people

H5: Students weigh intrinsic attributes (quality ingredients, product range, in-store counselling) higher than extrinsic attributes (reputation, authenticity)

H6: Among students, word of mouth (recommendations from friends/family) is the number one trusted source consulted before purchasing cosmetics
5.1 Demographic characteristics of respondents

The variables used to evaluate the demographic profiles of the respondents were Age, Gender, Country of origin and Occupation. Each of these demographic characteristics will be addressed below.

Age

The majority or 74% of the total respondents were aged between 25-34 years old. This does not represent a biased sample but rather the overall dominance of Facebook users aged below 35. About one-eighth was respectively aged 35+ and between 18-24 years old. Only 0.02% of total respondents were aged under 18.

Gender

The majority or 80% of respondents was female and 20% male. In real value this means 70 out of 87 respondents were female. This does not represent a biased sample but rather the dominance of females in our social networks and the relatively feminine research subject likely to attract a more feminine audience.
**Country of origin**

Below a list can be found with the country of origin of all 87 participants. Almost a quarter or 24% of the sample were originally from the Netherlands. Denmark (13%) and Finland (13%) were the second and third most well-represented countries, closely followed by Poland (11%). Austria, Italy, Norway, and Sweden made the smallest contributions to the group of respondents.

<table>
<thead>
<tr>
<th>Country of origin</th>
<th>Count</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Belgium</td>
<td>5</td>
<td>6%</td>
</tr>
<tr>
<td>Denmark</td>
<td>11</td>
<td>13%</td>
</tr>
<tr>
<td>Finland</td>
<td>11</td>
<td>13%</td>
</tr>
<tr>
<td>France</td>
<td>6</td>
<td>7%</td>
</tr>
<tr>
<td>Germany</td>
<td>8</td>
<td>9%</td>
</tr>
<tr>
<td>Italy</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>21</td>
<td>24%</td>
</tr>
<tr>
<td>Norway</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Poland</td>
<td>10</td>
<td>11%</td>
</tr>
<tr>
<td>Portugal</td>
<td>3</td>
<td>3%</td>
</tr>
<tr>
<td>Spain</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>Sweden</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>4</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Occupation**

In terms of occupation, the respondents were evenly matched with a relatively even number of students (51%) versus workers (49%). Because of this even distribution, occupation was selected as independent variable for the cross-tabulation analysis.
5.2 Shopping behaviour of respondents

The variables used to evaluate the shopping behaviour of the target group ranged from and were not limited to *purchase frequency of cosmetic products* to the *main product expectations with regard to cosmetics*. Each of these factors addressing shopping behaviour will be discussed below.

**Purchase frequency of cosmetic product**

Almost three-quarters or 43% of the respondents purchases cosmetics on a monthly base. On the contrary, 23% of respondents purchases cosmetics less than once a month. Answers here ranged from every 2/3 months to once a year. Only 1% of respondents purchases cosmetics more than once a week.

![Purchase frequency of cosmetic product](image)

**Average monthly spending on cosmetics**

Over a third or 37% of the respondents spends on average 20-29 euros per month on cosmetic products. Respectively 25% spends between 10-19 euros per month and 23% between 30-39 euros. Finally, 15% spends over 40 euros.

![Average monthly spending on cosmetics](image)

**Preferred info channel to consult before purchasing cosmetics**

Almost two-quarters or 61% of all respondents consult their friends before purchasing cosmetics. Fashion and beauty websites ranked second on the list of most consulted
info channels (41%). Magazines (30%) and social media (26%) were the third and fourth most consulted info sources. Just over a quarter or 26% of the respondents indicated they do not look for any information before purchasing cosmetics. Finally, respectively 10% of respondents consult TV ads and ask advice in-store. None of the respondents said they buy cosmetics following the appearance of a product on a TV show.

**Point of purchase of cosmetics**

Department stores (34%) and beauty stores (32%) are almost equally popular for buying cosmetics among our group of respondents. Pharmacies (19%) and Online (14%) also made considerable contributions to the group of respondents. Three respondents indicated to purchase cosmetics elsewhere, namely at the airport, the haircutter and beautician.

**Favourite cosmetic brand**

Out of all responses, MAC (10%), which is part of the Estée Lauder Group, was most named as favourite brand, closely followed by L’Oréal (8%). Biotherm (7%), owned by L’Oréal, and Clinique (7%), owned by Estée Lauder, ranked third and fourth on the ranking list. This comes as no surprise as the leading companies in the global cosmetics market are L’Oréal (1), Unilever (2), Procter & Gamble, (3), Estée Lauder (4) and Shiseido (5) (WWD Beauty Inc. Top 100, 2015). 10% of all respondents claimed not to have any favourite brand.
Almost half or 49% of the respondents answered Rather Yes on the question whether they are loyal towards a specific brand. Just under a quarter or 30%
answered Yes. Overall, 79% of total respondents answered affirmative on this question (Yes or Rather Yes).

**Expectancy cosmetics brand**

Over one-third or 35% of respondents expect a cosmetics brand to use Quality ingredients. Almost one-sixth of respondents (15%) respectively expect the brand to offer a wide product range and to have an outstanding reputation (14%). Almost one-eighth of respondents respectively chose In-store counselling (12%) and Authenticity (11%). Good customer service (2%) made only small contributions to the group of respondents. Finally, Presence on social media (0%), Regular promotions (3%) and tutorials available on and offline (2%) were the least chosen responses to this question.

**Likeliness of purchasing 100% organic products**

Almost three-quarters or 44% of respondents answered that it is “Likely that they would purchase a cosmetic product exclusively made with organic ingredients. A quarter or 25% of respondents found it Very likely. Over a fifth or 22% answered Neutral / Not sure and only 9% answered Not likely to this question.
Main differences luxury brands vs regular ones

Almost four-fifth or 79% of respondents chose More expensive as POD of luxury vs regular brands. Almost three-quarters respectively chose Luxurious packaging (43%) and Superior quality (43%) as POD of luxury vs regular brands. More exclusive (17%) was the least chosen option. Other POD mentioned were well-known and eco-friendly.

Willingness to spend more on a luxury cosmetic product

Three-quarters or 45% of respondents answered doubtful (Maybe) on the question whether they would be willing to spend more on a luxury cosmetic product. Over one-third of respondents (37%) answered affirmative (Yes). Finally, almost one-fifth or 18% of respondents said they would not be willing to spend more on a luxury cosmetic product.

Knowledge Asian cosmetic brands

Over half of the respondent (54%) answered that they do not know any Asian cosmetic brand.
Knowledge Japanese brand Shiseido

Over half or 56% of respondents said they know the Japanese cosmetic brand Shiseido.

Characteristics Shiseido (% of 49 respondents who answered affirmative on question 16)

When asked to choose characteristics of the brand Shiseido, almost one-third (32%) of the respondents who know Shiseido chose Good quality as a main characteristic. One-quarter of respondents respectively chose the characteristics Good image (25%) and Famous brand (23%). Affordable Price (7%), Good service (6%) and None of the Above (6%) were the least chosen answers. Expensive and a Pure image were named as Other characteristics describing Shiseido.

Knowledge of listed skincare and makeup brands

BareMinerals was the most well-known brand out of the Shiseido brand portfolio with 40 affirmative responses (46% of total) closely followed by NARS with 31 affirmative responses (36% of total). This
comes as no surprise as Shiseido’s four main brands – the global brand Shiseido, clé de peau Beauté, bareMinerals and NARS. 36 out of 87 respondents (41%) claimed they did not know any of the listed brands.

5.3 Cross tabulation / Independent variable: Occupation

Following the collection of nicely distributed samples in terms of occupation, this demographic characteristic was selected as primary variable for a cross tabulation analysis. In order to create a segmentation profile of Shiseido’s target group in Western and Central Europe, the knowledge of Shiseido as a brand was also selected as variable in order to answer the two first hypotheses. It was proposed that the financial status of employed versus students may affect shopping behaviour. The six hypotheses with corresponding graphs will be discussed below.

H1: Not that many people in Western and Central Europe know Shiseido.

The questionnaire reveals that just below half or 54% of respondents are not familiar with the Japanese cosmetic brand Shiseido. Looking at the demographic profiles of the respondents who answered affirmative, we see an equal distribution between Employed (53%) and Students (47%). Interestingly, almost 60% of Employed answered they know Shiseido versus 53% of Students.

When we take the average monthly spending on cosmetics as variable, we quickly notice that the higher the average monthly spending, the higher the knowledge of Shiseido. This means that out of the highest spending group of 40+ euros per month, almost 92% of respondents know the brand Shiseido versus 27% out of the lowest spending group of 10-19 euros or less.
Average monthly spending on cosmetics

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>10- 19 euro or less</td>
<td>6</td>
<td>16</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>27%</td>
<td>73%</td>
<td>100%</td>
</tr>
<tr>
<td>20- 29 euro</td>
<td>17</td>
<td>15</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>53%</td>
<td>47%</td>
<td>100%</td>
</tr>
<tr>
<td>30- 39 euro</td>
<td>14</td>
<td>6</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>70%</td>
<td>30%</td>
<td>100%</td>
</tr>
<tr>
<td>40 euro or more</td>
<td>12</td>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>92%</td>
<td>8%</td>
<td>100%</td>
</tr>
</tbody>
</table>

H2: Those who do not know Shiseido, do know other brands which are part of the same group

44% of respondents said they do not know the brand Shiseido. However, out of this group of 38 respondents, 42% did know brands out of the Shiseido portfolio.

<table>
<thead>
<tr>
<th>Knowledge of brand Shiseido</th>
<th>No</th>
<th>Yes</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>22</td>
<td>16</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>58%</td>
<td>42%</td>
<td>100%</td>
</tr>
<tr>
<td>Yes</td>
<td>13</td>
<td>36</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>27%</td>
<td>73%</td>
<td>100%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>35</td>
<td>52</td>
<td>87</td>
</tr>
<tr>
<td></td>
<td>40%</td>
<td>60%</td>
<td>100%</td>
</tr>
</tbody>
</table>

H3: Students who do know Shiseido have a generally positive impression of it

Of all characteristics of the brand Shiseido, Good quality (32%), Good image (25%) and Famous brand (23%) were most chosen by students. For comparison, Good quality was also the most chosen characteristic by workers (40%).
H4: Students buy more frequently but spend on average less than employed people

For both students as workers, every month was the most chosen option. Overall, almost three-quarters of respondents said they buy cosmetics every month. The second most chosen option for students was Less than once a month and for workers Every 2 weeks.

In terms of average spending per month, over three-quarters or 37% of students said on average they spend 20-29 euro. Over a quarter or 28% of students said they spend on average 30-39 euro per month and only 7% 40 euro or more versus 23% of workers.
H5: Students weigh intrinsic attributes (Quality ingredients, Product range, In-store counselling) higher than extrinsic attributes (Reputation, Authenticity)

As illustrated by the graph below, the three attributes students weigh highest when selecting cosmetics brands are: Quality ingredients (33%), Product range (17%) and In-store counselling (16%). The least valued attributes by students are: Social media (1%), Tutorials (2%), and Promotions (3%). Compared to workers, students attach greater value to In-store counselling (16% vs 7%). On the contrary, workers attach greater value to Promotions (17% vs 12%) and Reputation (17% vs 12%).

Expectancy cosmetics brand per occupation

<table>
<thead>
<tr>
<th>Occupation</th>
<th>10-19 euro or less</th>
<th>20-29 euro</th>
<th>30-39 euro</th>
<th>40 euro or more</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed</td>
<td>10</td>
<td>16</td>
<td>8</td>
<td>10</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>23%</td>
<td>36%</td>
<td>18%</td>
<td>23%</td>
<td>100%</td>
</tr>
<tr>
<td>Student</td>
<td>12</td>
<td>16</td>
<td>12</td>
<td>3</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>28%</td>
<td>37%</td>
<td>28%</td>
<td>7%</td>
<td>100%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>22</td>
<td>32</td>
<td>20</td>
<td>13</td>
<td>87</td>
</tr>
<tr>
<td></td>
<td>25%</td>
<td>37%</td>
<td>23%</td>
<td>15%</td>
<td>100%</td>
</tr>
</tbody>
</table>
H6: Among students, word of mouth (recommendations from friends/family) is the number one trusted source consulted before purchasing cosmetics

As can be derived from the graph below, Friends is the number 1 source consulted before purchasing cosmetics (31% of students and 24% of workers). Among students a substantial number (21%) said fashion and beauty websites as well as Magazines (16%) were consulted sources before cosmetic purchases. Overall, students seem to consult more sources than workers with 8% not searching for any information versus 17% of workers.

Source consulted before cosmetics purchase

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5.4 Segmentation Profile Shiseido’s target group Europe

Customer profiling is a proven strategy to increase sales. As mentioned in the Vision 2020 strategic plan (Shiseido, 2015), the cosmetics giant has the belief and intention to serve the needs of markets through a differentiation strategy. It is therefore of high importance for Shiseido to understand the customer in each geographic area they wish to target. As explained by Robbert Collier (1937), companies should always enter the conversation already taking place in the customer’s mind. Ultimately both
the company offering the product and the target customer have the same desired outcome: success.

It is recommended that companies determine the ideal customer(s) for a particular situation. As derived from the annual report of 2015, Shiseido aims to create a younger brand image within a time frame of 3 years. The goal is to target new and existing customers to increase the amount of revenue worldwide. A segmentation profile will help the company in their decision on features and functionality of products as well as the selection of the correct words to convey the right emotions in marketing campaigns. Understanding your customers is thus essential for a company’s success. In this chapter a customer profile will be drawn up for Shiseido based on the questionnaire results.

1. Broad description of the ideal Shiseido buyer

Below a broad description of the ideal Shiseido Millennial buyer in Europe (named ‘Anna’) can be found. This description is fully based on the questionnaire results.

‘Anna is a student in her mid-20s who buys cosmetics about once a month. For cosmetics purchasing she will go to a specialised beauty store or the beauty department of a department store where she spends on average 20-39€/month.

When selecting cosmetic products, she cares most about her friend’s experiences. Anna is quite knowledgeable about cosmetics brands through the fashion and beauty websites and magazines she checks regularly.

Her concerns will centre on the cost, packaging and quality of the product. Anna will also be interested in how Shiseido compares to products from Estée Lauder and popular privately owned brands.’

This description was translated into visual form in order to highlight the main points. This visual can be found on the next page.
Segmentation Profile Shiseido Europe

Once a month
Average purchase frequency

25-34 years old

20-39€
Average monthly spending

Beauty & Department stores
Most popular points of purchase

3 main sources
Consulted before purchase

Main expectations
Luxurious packaging & Superior quality

Favourite brands
Estée Lauder brands or privately owned
5.5 Shiseido Consumer sentiment analysis

When purchasing cosmetics, Millennials generally begin their search by asking friends' opinions after browsing beauty and fashion websites and flipping through pages of magazines. Shiseido products in Europe are sold in specialty beauty and department stores. In order to analyse customer motivations and explore unmet needs, an overall sentiment analysis was done by looking at the reviews on the website of one of Europe’s largest specialist retailer in the beauty market: Douglas. This specialist retailer is present in 19 European countries with more than 1700 stores.

Because of its prominent market share and the demographic data on the respondents available on their website, Douglas was selected as retailer of reference. The consumer sentiment analysis was done by extracting keywords and comparing the customer profile derived from the questionnaire analysis with actual Shiseido product users aged 25-34 years. In order to provide accurate data, the randomly selected reviews were max. 2 years old. As other countries were not available, only the Douglas websites of the Netherlands, Germany, Spain, Poland, and Switzerland were analysed. A total of 84 samples were randomly gathered, 14 samples of each country.

Overall consumer sentiment

As can be derived from the graph, the overall consumer sentiment for Shiseido is outstanding with almost three-quarters or 74% of consumers giving 5 or 4 star reviews. Only 5% out of 84 gave Shiseido a very negative 1* review, simply because the product was not considered effective.
Most frequently mentioned arguments among the 12% who gave a negative 2* review were: bad price/quality ratio, bad texture, and little coverage (foundation).

**Negative extracted keywords**

An overview of all negative keywords extracted from the 84 reviews can be found in the appendix. Below you can find an overview of the top 4 most frequently mentioned negative keywords. The #1 most frequently mentioned negative keyword was ‘Inefficient’ (10%). Other noteworthy keywords were ‘Bad price/quality ratio’ (4%), ‘Leaves a greasy residue’ (4%), and ‘Expensive’ (4%).

![Total reviews: top 4 negative keywords](chart)

**Positive extracted keywords**

An overview of all positive keywords extracted from the 84 reviews can be found in the appendix. Below you can find an overview of the top 4 most frequently mentioned negative keywords. The #1 most frequently mentioned positive keyword was ‘Moisturizing’ (30%). Other noteworthy keywords were ‘Pleasant smell/scent’ (23%), ‘Matting’ (14%), and ‘Rich’ (14%).
Sentiment of satisfied consumers

As we want to compare current Shiseido users with the sample from our questionnaire, we will now look further into the sentiment of the 70 consumers who rated Shiseido products as Moderate (3*), Positive (4*) or Very Positive (5*). The goal is to find out why they (continue to) buy from Shiseido. In other words, what differentiates Shiseido products?

A graph below shows 7 keyword clusters which were mentioned most frequently among the satisfied consumers.

<table>
<thead>
<tr>
<th>Key words</th>
<th>Count</th>
<th>Percentage of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moisturizing</td>
<td>23</td>
<td>33%</td>
</tr>
<tr>
<td>Pleasant smell</td>
<td>16</td>
<td>23%</td>
</tr>
<tr>
<td>Rich, Nourishing</td>
<td>14</td>
<td>20%</td>
</tr>
<tr>
<td>Practical, easy to use, multifunctional</td>
<td>12</td>
<td>17%</td>
</tr>
<tr>
<td>Matting</td>
<td>11</td>
<td>16%</td>
</tr>
<tr>
<td>Easily absorbed</td>
<td>10</td>
<td>14%</td>
</tr>
<tr>
<td>Natural</td>
<td>8</td>
<td>11%</td>
</tr>
</tbody>
</table>
Based on the consumer satisfaction analysis, a broad description of the current Shiseido consumer aged 25-34 years can be created:

Susanne is a worker in her late 20s. When selecting cosmetic products, her concerns will centre on the functionality and quality of the product. For her, the ideal cosmetic product should smell nice and moisturize and nourish her young skin, resulting in a natural look. As both her beauty and time are valuable to her, practicality is one of her main priorities: the product should be easy to use and ideally multifunctional.

6. Recommendation

In this chapter our recommendation for Shiseido’s positioning strategy in Europe is presented. This recommendation was created with the goal to strengthen Shiseido’s brand equity among European Millennials. Firstly, our recommended segmentation variables will be presented, developed with the company 2020 objectives and Shiseido’s resources in mind. The following section will dive deeper into Shiseido’s positioning in Europe and proposes adjustments to its strategy in order to rejuvenate its brand image. The final section presents some general recommendations with regards to communication channels.

6.1 Segmentation

Shiseido’s goal for 2020 is the creation of a younger brand image in Europe to boost sales through customer-oriented marketing. In order to assist Shiseido, this thesis investigated the consumer behaviour of a possible younger target segment of Millennials in Europe. The Millennials are those whom we define as young adults between ages 18 to 34 (Euromonitor International, 2015). Today, about 4.5 million people in Europe fall into this segment group, representing 16% of the total population (Euromonitor International, 2016). When targeting a new segment, it is of high importance to obtain as much insights into consumer needs and purchasing behaviour as possible. In this thesis, the online questionnaire and online consumer satisfaction analysis contributed to this. In general, we know that Millennials are tech
savvy consumers with a higher presence on social media than older generations (Euromonitor International, 2015). The majority follows brands on social media and have a profile on a social network. In terms of behaviour, millennials are looking for brand experiences they can share on social media (O’Connor, 2015). They want to share their opinion about brands as they wish to actively contribute to the creation of products and services (Social times, 2015). Finally, they are interested in authentic experiences and real connections with different people and different cultures (Euromonitor International, 2015). Although Millennials are hyper-connected, they remain cynical towards brands. They might follow or like a brand on a social media platform in order to get access to deals, coupons and specialised information. This, however, does not mean they are actually loyal towards the brand. In making brand decisions, they prefer to rely on their own research by gathering opinions of both friends and strangers (O’Conner, 2015). The far majority of millennials gets introduced to new products or brands though friends who post about them online, by reading product reviews or news, and by following official brand or company pages (Ipsos, 2016). In our online questionnaire we found that friends are the number one source consulted before purchasing cosmetics. Moreover, a substantial number gathers information about brands or products on fashion and beauty websites as well as magazines before cosmetic purchases. Based on our questionnaire and consumer satisfaction analysis together with data available online, we were able to distinguish certain value preferences Millennials have when it comes to their cosmetics purchases. Among these are for example the usage of high quality ingredients, a wide product range, luxurious packaging, and an outstanding reputation. In terms of specific product features they want a product which moisturizes and nourishes the skin, has a pleasant smell and a rich texture.
Based on our research, the following segmentation variables are proposed to Shiseido:

<table>
<thead>
<tr>
<th>Age</th>
<th>18-34 y/o</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation</td>
<td>Millennials</td>
</tr>
<tr>
<td>Occupation</td>
<td>Student or Starter</td>
</tr>
<tr>
<td>Geographic</td>
<td>Western/Central Europe</td>
</tr>
<tr>
<td>Behaviour</td>
<td>Tech-savvy, co-creators of brands, look for shareable brand experiences, rely on experiences of friends/family, cynical towards brands</td>
</tr>
<tr>
<td>Personality</td>
<td>Confident, social</td>
</tr>
<tr>
<td>Benefits sought</td>
<td>Authenticity, quality, personalisation, interaction, practicality and digital presence</td>
</tr>
</tbody>
</table>

**Company objectives and resources**

Currently, Shiseido is following a multinational strategic approach for global brand positioning (Aaker, 2013). As consumer needs differ in each region worldwide, it targets different market segments but maintains the same positioning of brands on each market. Shiseido’s brands which are available worldwide are positioned as high premium to luxury in all regions.

Based on the questionnaire and online consumer satisfaction analyses as well as thorough market research, it is suggested that Shiseido is currently over-positioning its brands on the European market as only a narrow group of customers identify with the product. In order for Shiseido to strengthen its positioning in Europe, we propose certain adjustments to its positioning strategy.
6.2 Positioning: becoming the product of choice

As explained by Aaker (1996), before going into our recommendations, we will first briefly discuss the brand identity and value proposition of Shiseido on the European market.

**Brand identity**
As explained by Aaker (1996), ‘the brand identity is a unique set of brand associations that the brand strategist aspires to create or maintain’. Shiseido wants its brand to be associated with the unique fusion between occidental science and oriental aestheticism with the society and consumers at the heart of each business activity.

**Value proposition**
In short, the value proposition encompasses the mix of benefits on which a brand is differentiated and positioned. It addresses the specific needs and concerns of the selected segment, in our case European Millennials. Below you can find a summary of the value proposition of Shiseido in Europe, based on the research included in this thesis:

<table>
<thead>
<tr>
<th>Products sold</th>
<th>High-premium/Luxury cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>End-benefit</td>
<td>Nourish the skin to enhance natural beauty</td>
</tr>
<tr>
<td>Target customer</td>
<td>Millennials who want high-premium cosmetics with high quality ingredients and excellent customer service at a reasonable price (high quality, high image, and high service)</td>
</tr>
<tr>
<td>Unique value proposition</td>
<td>High quality luxury products at a fair price, blend of modern technology and Asian standards of beauty</td>
</tr>
</tbody>
</table>
By combining our questionnaire analysis with our consumer satisfaction analysis, we were able to draw up the following segmentation profile (named ‘Anna’) of the Millennial Shiseido target group in Europe.

Anna is a student (or young starter) in her mid-20s who buys cosmetics about once a month. For cosmetics purchasing she will go to a specialised beauty store or the beauty department of a department store where she spends on average 20-39€/month.

When selecting cosmetic products, she cares most about her friend’s experiences. Anna is quite knowledgeable about cosmetics brands through the fashion and beauty websites and magazines she checks regularly. When selecting cosmetic products, her concerns will centre on the functionality and quality of the product. For her, the ideal cosmetic product should smell nice and moisturize and nourish her young skin, resulting in a natural look. As both her beauty and time are valuable to her, practicality is one of her main priorities: the product should be easy to use and ideally multifunctional.

Her concerns will centre on the cost, packaging and quality of the product. Anna is interested in how Shiseido compares to products from Estée Lauder and popular privately owned brands.

By analysis Shiseido’s advertising activities, it seems like Shiseido currently follows an attribute positioning strategy (Kotler, 1997). In its marketing communication, the company typically highlights the fact that it offers the highest quality products thanks to 140 years of extended research & development. Shiseido positions itself as an innovative company which uses the latest technologies in product development. By doing so, the cosmetics giant uses the country of origin perfectly as Japan is a pioneer when it comes to new technology. There are three core values that guide brand-building efforts throughout the Shiseido portfolio. These three values can be found back in the communication efforts of the cosmetics company:
Rich – the pure, holistic experience of beauty with uncompromised detail;

Human Science – going beyond chemistry and biology and extending into physical, mental, emotional, and spiritual sensibilities; and

Omotenashi – the Shiseido spirit of hospitality that welcomes you with an open mind and cares with an open heart (Roll, 2015).

As explained by Keller (2001), deciding on a specific positioning requires the determination of a frame of reference, the identification of POPs and PODs, and the creation of a brand mantra. Each of these elements will be discussed below.

1. **Determining a frame of reference**
   - From an industry point of view, companies offering products that are close substitutes for Shiseido products are the two main competitors L’Oréal and Estée Lauder. Both companies offer products in the same price range as Shiseido, using similar ingredients.
   - From a market point of view, companies that satisfy the same customer need are considered those who communicate similar values to their customers as Shiseido. In our opinion, these are cosmetics brands which focus their brand narratives on embracing your natural beauty and being true to yourself. An example is Bobbi Brown - part of the Estée Lauder Group - with the ‘Pretty Powerful campaign’ in which the brand promotes confidence in women through natural beauty. Another example could be Dove (brand from Unilever’s portfolio) with its various campaigns like ‘Speak Beautiful’ to positively change the way women talk about beauty online and ‘For Real Beauty’ that replaces models with real confident women who have different body types to show how beautiful, unique and powerful they are.
2. **Identifying the optimal Points-of-parity (POPs) and Points-of-difference (PODs)**

- As explain by Keller and Kotler (2013), ‘brand associations can only function as points of difference when they are desirable to consumers, deliverable by the company, and possible to be differentiated from competitors’. Based on these three criteria, Shiseido’s **PODs** were determined:

<table>
<thead>
<tr>
<th>PODs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offers prestige brands, mass prestige or ‘masstige’ brands and mass brands</td>
</tr>
<tr>
<td>Outstanding blend of Eastern aesthetics and Western science</td>
</tr>
<tr>
<td>Represents Japanese tradition with a holistic approach to healthy skin starting from the inside out</td>
</tr>
<tr>
<td>Shiseido’s service spirit of ‘Omotenashi’</td>
</tr>
<tr>
<td>Highly innovative products due to heavy investment in R&amp;D</td>
</tr>
</tbody>
</table>

**POPs** are attributes or benefit associations that are ‘not necessarily unique to the brand and can be shared with other brands’ (Keller, 2001). These can be divided into two types, namely *category* - attributes consumers consider essential - and *competitive* - associations that could negate the competitor’s points of difference. In order to identify the POPs of Shiseido, a comparison was made with its two main competitors Estée Lauder and L’Oréal. The result can be found in the graph below:

<table>
<thead>
<tr>
<th>Category POPs</th>
<th>Competitive POPs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products available worldwide</td>
<td>Designer feeling of packaging</td>
</tr>
<tr>
<td>Attract wide range of demographics</td>
<td>Personal beauty advisors</td>
</tr>
<tr>
<td>Variety in product categories</td>
<td>Social responsibility</td>
</tr>
<tr>
<td>Entry strategies</td>
<td>Celebrity endorsement</td>
</tr>
<tr>
<td>Limited distribution channels</td>
<td>Personal service</td>
</tr>
<tr>
<td>Extended R&amp;D</td>
<td></td>
</tr>
<tr>
<td>Science based approach</td>
<td></td>
</tr>
</tbody>
</table>
3. Creating a brand mantra

A brand mantra summarizes the positioning, typically in a 3-5 words shorthand encapsulation (Keller, 1999). As explained by Keller (1999), a good brand mantra is normally composed of the following 3 aspects:

1. ‘Brand function: describes the nature of the product or service or benefits the brand provides to its consumers.
2. Descriptive modifier: further clarifies its nature.
3. Emotional modifier: specifies how exactly does the brand provide benefits & in what ways'.

Based on our research, we propose the following brand mantra for Shiseido in Europe:

<table>
<thead>
<tr>
<th>Emotional modifier</th>
<th>Descriptive modifier</th>
<th>Brand function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authentic</td>
<td>Innovative</td>
<td>Beauty and wellness</td>
</tr>
</tbody>
</table>

6.2.1 Communication channels

After determining the targeted segment and the brand positioning, this section will provide some general recommendations with regards to communication channels. It intends to identify communication channels Shiseido could use in Europe to stand out from the crowd.
digital presence - Keywords: engage & educate (PULL)

As explained in the segmentation section, Millennials are tech-savvy consumers who are looking for shareable value-added brand experiences. They do not like to be pushed to make decisions but rather want to find out the best options on their own terms. It is therefore recommended that Shiseido cultivates brand loyalty by actively engaging with its consumers online, providing a truly outstanding value-added brand experience. By doing so, it is essential for Shiseido to maintain an authentic image as Millennials are rather cynical towards brands. Shiseido could benefit greatly by looking into the social media strategies of some of its acquired brands. By comparing acquired brands such as NARS with its global brand Shiseido, we identified a missed learning opportunity. On the 14th of March 2016, the French cosmetics and skin care company NARS had almost 2 million followers on Facebook and 2.7 million on Instagram. On this date, the official Shiseido Facebook page had not even 350K followers and Shiseido's presence on Instagram can be considered weak with only 62K followers.

As the knowledge of Asian brands is still limited, Shiseido should focus its marketing activities around its own global brand on educating the European Millennials. In doing so, we believe they should fully exploit the Asian heritage and create a positive association in the consumer's mind between Asian lifestyle and flawless skin. Shiseido should help consumers in Europe discover the Asian beauty secrets, educating them about the brand heritage and unique product attributes which no European competitor offers. The company should start engaging with beauty bloggers, as they form a highly influential group in Millennial's purchase decisions. Moreover, it is recommended that Shiseido starts to offer samples of its products through its distribution channels. The selection of a European brand ambassador is also considered key in order to give the global brand Shiseido a ‘face’. Ideally, the brand ambassador would be a VIP with both Asian and European facial features, underlining the brand heritage.
7. Conclusion

In Europe we see an increasing importance of Asia in the field of beauty innovations. Marketing of cosmetics increasingly revolves around Asian trends with the introduction of exotic ingredients and rituals from Asia. However, Shiseido's business profits do not reflect this positive trend. Sales growth in Europe has been minimal, essentially unchanged year on year. Therefore, an innovative mid-term strategy plan called VISION 2020 was created by the company as an answer to these challenges. The motto of VISION 2020 strategic plan: ‘Rejuvenate Shiseido’ reflects the Shiseido's management believes that building a younger brand image is key. The two dominating European cosmetics giants L’Oréal and Estée Lauder pose some serious growth challenges for Shiseido on the European market. As European Millennials are likely to perceive an Asian cosmetics company differently than its European counterparts, the company is forced to adapt its positioning strategy in order to gain market share and become a brand European Millennials (age 18-34) adore. The aim of this study was to gain valuable consumer insights in order to suggest a strategic brand positioning to grow Shiseido’s current business in the Western and Central European market. Through thorough market research, an investigation of selected literature and the results of the questionnaire and consumer satisfaction analysis we were able to identify some key points on which Shiseido could reshape itself on the European market.

Shiseido is Japan's largest cosmetics company and the ninth-ranked beauty and personal care player worldwide, with 2% of the World BPC value share (Euromonitor International, 2015). Its global brand portfolio ranges from low- to high-end but on the European market Shiseido only offers high-premium/luxury cosmetics. Shiseido’s current brand equity is considered relatively strong. Thanks to an innovative approach driven by traditional Asian values and extended research and development, it claims to offer the highest quality cosmetics on the market. Moreover, the company is a fierce advocate of the believe that ‘beauty comes from within’ and that everybody should ‘be true to themselves’ - even if that means
standing out from the crowd. This message can be found back in its commercials and advertisements. However, our research shows *overpositioning* in the European market and low levels of engagement with its consumers causes Millennials to choose European or American beauty brands over Shiseido’s products.

Millennials are tech savvy consumers looking for brand experiences they can share on social media. Benefits sought in a cosmetics brand are authenticity, quality, digital presence, and the possibility to actively engage with the brand. Regarding cosmetic products, they look for personalisation and co-creation options as well as practicality. Shiseido’s acquired brands seem to strive on brand equity they built up *before* becoming part of the Shiseido Group. In order for Shiseido to build strong brand equity for its full brand portfolio, it is essential to share so-called *best practices* internally.

Its first and foremost POD on the European market is considered its unique brand identity made up of the fusion between occidental science and oriental aesthetics. The company aims to fully represent Japanese tradition with a holistic approach to healthy skin starting from the inside out. Based on our research, we propose the following brand mantra for Shiseido in Europe: *Authentic Innovative Beauty & Wellness*. It is recommended to Shiseido to maintain its current attribute positioning, highlighting the fact that it offers the highest quality products on the market thanks to 140 years of extended research & development. Nevertheless, to reinforce its footprint on the European market, it is essential for the company to educate and engage with European Millennials. This research highlights the need for Shiseido to cultivate brand loyalty by actively engaging with its consumers online, providing a truly outstanding value-added brand experience. Moreover, it is recommended that Shiseido fully exploits its Asian heritage and creates a positive association in the consumer’s mind between Asian lifestyle and flawless skin.
7.1 Implications / Suggestions for further research

As cultural differences within Europe could have an influence on Shiseido’s brand equity and current positioning, we recommend future researchers to expand this research by including respondents from every European country. Moreover, a bigger sample size might allow the identification of significant relationships from the data. This might lead to narrowing down the European Millennial segment group even further, facilitating the development of products and marketing campaigns.

7.2 Research limitations

After completing our research, we were able to identify several limitations. First of all, the questionnaire and consumer satisfaction sample size was considered too small to find significant relationships from the data. Therefore, it was decided to focus exclusively on identifying trends in thought and opinions and instead develop hypotheses for potential future quantitative research. Secondly, the lack of reliable online data on Millennials buying behaviour meant we were only able to provide a general profile of this young consumer segment in Europe. Available data was mostly on either Millennials in general or specific data on Millennials in the USA. Thirdly, in terms of our questionnaire design we feel like we left out some important questions we only found out were missing when we started analysing the results. The following weak points in our questionnaire were identified:

- A question on the usage of Shiseido products was missing. We only asked about knowledge of the Shiseido global brand and therefore have no knowledge of the thought and opinions of actual Shiseido product users.

- The option ‘Reviews’ was not included in question 7 as a point of reference before purchase

- Question 10 should have specified the meaning of ‘brand loyalty’ as this could have been interpreted differently per respondent.
- Question 14 should have been replaced by a question on the most expensive cosmetics item bought regularly in order to identify the luxury consumers among our respondents. The wording ‘spend more’ could have been interpreted differently per respondent.

Moreover, in drawing up our questionnaire we feel like we biased our respondents by using mostly positively worded questions. Specifically question 17 regarding the main characteristics of Shiseido provided only positive options to choose from. Fourthly, the lack of inside data from Shiseido meant our resources were limited. Should we have had a direct contact at Shiseido, we might have been able to include more data on their European consumers. Fifthly, due to the mode of distribution of the questionnaire – through our personal network on Facebook – we were unable to obtain data from every country in Europe. As cultural differences within Europe could have an influence on Shiseido’s brand equity and current positioning, we recommend future researchers to expand this research by including respondents from every European country. Sixthly, due to language restrictions we were unable to use local Japanese studies which could possibly contain more specific data on Shiseido’s business activities.
8. References

Books and articles


Prahalad, C. K. (2004). In Ramaswamy Venkat (Ed.), *The future of competition: Co-creating unique value with customers*. India:


**Online articles**


**Websites**


Shiseido group website. Retrieved from https://www.shiseidogroup.com/

**Reports**


9. Appendix

9.1 The questionnaire

Shiseido

Hello!

We are two Master students conducting a research about cosmetic products for our final master’s thesis at Copenhagen Business School. We focus on analyzing expectations and desires of European consumers. Therefore, this questionnaire is addressed exclusively to European nationals currently living in Europe. By “cosmetics” and “cosmetic products” we understand all products used for skin, body, hair, and sun care as well as make-up and fragrances.

This is an anonymous questionnaire which will only be used for the purpose of this master’s thesis. Completing it should only take a few minutes of your time.

Thank you very much in advance!

Marleen and Katarzyna

*Required

1. Age *
   Mark only one oval.
   - Under 18
   - 18-24
   - 25-34
   - 35 and older

2. Gender *
   Mark only one oval.
   - Female
   - Male

3. Country of origin *

4. Occupation *
   Mark only one oval.
   - Student
   - Other:

4. Please provide your email:

5. How often do you usually shop for cosmetic products?
   Mark one oval.
   - Never
   - Occasionally
   - Frequently

6. How do you usually buy cosmetic products?
   Mark one oval.
   - In-store
   - Online

7. Which of the following factors influence your purchase decision?
   Mark all that apply.
   - Price
   - Brand reputation
   - Quality
   - Packaging
   - Advertising

8. Do you have any special preferences in cosmetic products?

9. How do you rate the sustainability of cosmetic products in the market?
   Mark one oval.
   - High
   - Moderate
   - Low

10. Do you think cosmetic companies should be more transparent about their ingredients?
    Mark one oval.
    - Yes
    - No
    - Don’t know

11. Please provide any additional feedback or comments:

Thank you for your participation!
5. How often do you purchase cosmetics? *  
_Mark only one oval._
- More than once a week
- Once a week
- Every 2 weeks
- Every Month
- Other: 

6. How much a month do you spend on cosmetics? *  
_Please choose an estimated amount._  
_Mark only one oval._
- 10-19 euro or less
- 20-29 euro
- 30-39 euro
- 40 euro or more
- Other: 

7. Which information channel do you consult before purchasing cosmetic products? *  
_Tick all that apply._
- Friends
- Magazines
- Brand websites
- Fashion and beauty websites
- Social media (like Facebook, Instagram)
- TV ads
- TV shows
- I don’t look for any information
- Other: 

8. Where do you purchase cosmetics? *  
_Tick all that apply._
- Department stores
- Beauty stores
- Pharmacies
- Online
- Other: 

9. What is your favourite cosmetic brand? *
10. Are you loyal towards buying or using a specific cosmetic brand? *
   If “yes” or “rather yes”, please tick these boxes and indicate the type(s) of products in the box “Other” (e.g. skin care, make-up)
   Tick all that apply:
   - Yes
   - Rather yes
   - No
   - Rather no
   - Other: …………………………………………………………………………………………………

11. What do you expect from a cosmetic brand? *
   Please choose max 3 criteria that you consider most important
   Tick all that apply:
   - Authenticity
   - Tutorials available on and offline
   - Good customer service
   - Wide product range
   - Presence on social media
   - Outstanding reputation
   - Regular promotions
   - The use of quality ingredients
   - In-store counseling by beauty advisors

12. How likely would you purchase a cosmetic product exclusively made with organic ingredients? *
   Mark only one oval.
   - Very likely
   - Likely
   - Neutral/Not sure
   - Not likely
   - Never

13. What mainly distinguishes luxury cosmetic brands from regular ones? *
   Please choose max 3
   Tick all that apply:
   - More expensive
   - Superior quality
   - Luxurious packaging
   - Celebrity endorsement
   - More exclusive
   - Selective places of distribution
   - Other: …………………………………………………………………………………………………
14. Would you be willing to spend more on a luxury cosmetic product? *
   Mark only one oval.
   ☐ Yes
   ☐ No
   ☐ Maybe

15. Do you know any Asian cosmetic brand? *
    If yes, please tick the box "yes" and complete the box "other"
    Tick all that apply.
    ☐ Yes
    ☐ No
    ☐ Other: ..............................................................

16. Do you know the Japanese cosmetic brand Shiseido? *
    Mark only one oval.
    ☐ Yes
    ☐ No

17. If yes, what do you think characterizes this company most?
    Tick all that apply.
    ☐ Famous brand
    ☐ Good quality
    ☐ Affordable price
    ☐ Good image
    ☐ Good service
    ☐ None of the above
    ☐ Other: ..............................................................
16. Do you know any of the following skincare and make-up brands? *

Choose as many as you like

Tick all that apply.

- Clé de Peau
- BareMinerals
- NARS
- Etusais
- Soka Mocka
- D’icilá
- IPSA
- Benefique
- Prior
- Revital Granas
- Urara
- Elixir
- Aqua Label
- Senka
- FFWB
- Qiora
- Haku
- D Program
- The Ginza
- 2e
- Navision
- Pure&Mild
- Maquillage
- Majolica Majorca
- Integrée
- Alesse
- Serge Lutens
- Za
- Aupres
- DQ
- Uno
- I don't know any of these brands
<table>
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<tr>
<th>Name</th>
<th>Country</th>
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<th>Product</th>
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<th>Sentiment</th>
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<td>Foam Cleansing Fluid</td>
<td>Pureness</td>
<td>Gentle</td>
<td>Evens out the complexion</td>
<td>Gentle</td>
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<tr>
<td>Sheer and Perfect Foundation</td>
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<td>25-29 years</td>
<td>Stick foundation control color SPF15</td>
<td>Pureness</td>
<td>Good coverage</td>
<td>Not effective</td>
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### 8.3 Shiseido’s full brand portfolio

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<td>TSUBAKI</td>
<td>haircare</td>
<td>Asia, Europe, Middle East, Africa</td>
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<td>JOICO</td>
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