

International Retailing
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#### EXECUTIVE SUMMARY

The aim of this report was to carry out research in order to show-case the risks and potential success of internationalising the cosmetic brand NYX to Japan.

The researcher explored the current global, Asian and Japanese cosmetic market in order to make a decision of if NYX Cosmetics internationalising to Japan will be a success putting into account the current marketing situation

Exploring the strength, weaknesses, opportunities and threats in relation to NYX cosmetics has shown ways in which they can enter the Japanese Market and use its opportunities to do so.

The Researcher has explored ways in which NYX cosmetics will enter the market and target the Japanese consumers successfully baring in mind legal, economical, political, environmental, social and technological factors.

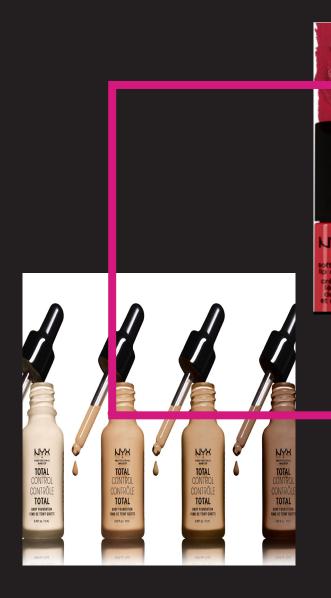
Finally, a promotional mix strategy will be presented to show how NYX Cosmetics will market the brand and its products to its new Japanese consumers.

# ABOUT NYX COSMETICS

NYX is a cosmetics company founded by Toni Ko in Los Angeles; NYX meaning 'a. Greek goddess of the night'. NYX started life in 1999 as a small company. The founder, launched the company on the basis that she wanted to make good quality products at an affordable price. "I realised there was a gap between prestige brands sold in department stores and mass brands sold in drugstores, and there was not a great quality product with chic packaging at a wallet-friendly price point. It was my mission to close that gap," says Ko" (Allure, 2016). Making 2 million dollars within the company's first year, its unique selling point quickly became a success. By 2014 NYX stated that their products were available in seventy countries with yearly sales of \$93 million. The brand"s sales have

quadrupled within just two years and continues to increase its global networking of beauty gurus all thanks to the brands successful new product launches and strong online presence. (Allure, 2016). NYX cosmetics was brought by L'Oreal in 2014 for five hundred million dollars. Research suggests that this was a fantastic move for the company to become a part of L'Oreal as it is the biggest cosmetic company in the world In order to accelerate the growth of the company, in 2016 L'Oreal opened its first NYX bricksand-mortar stand alone store. The company reported annual sales growth of 4.7 percent in 2016. (L'Oreal Finance, 2016). NYX Cosmetics constantly looks for opportunities to stand out from the vicious makeup market. See appendix







# PRODUCTS AT NYX

NYX has a range of makeup products from lips, face, eyes and makeup tools. NYX strives to always have great quality products and is known to within their product range to have dupes of high end, expensive, designer makeup brands. Research shows that the cheapest product is the 'Extra

creamy Lipstick' which is £2. The most expensive product being '24 Lipstick vault' for £40. See appendix 1.

In 2016, the cosmetics market was estimated at 205 billion Euros with a growth of +4.0%. The top three markets being Asia Pacific. North America and Western Europe. (See appendix 1) The makeup market has boomed again for the fourth consecutive year driving the growth of the cosmetic market even more. In all geographic zones the makeup market is growing faster than the cosmetic. As the makeup market is the most

diverse category out of all the sectors within the cosmetic market, this may push the sales as it provides consumers with a large amount of choice. Within the makeup market the lipstick segment has the highest growth with +13.6% growth. 1.5 billion lip makeup products are sold globally, each year. (Euromonitor, 2015 data) The cosmetic market is continuously being driven. Please see







#### COSMETIC MARKET



THE MATTE TREND
MIGHT HAVE TAKEN THE
GLOBAL COLOUR COSMETICS SCENE BY STORM
BUT THE MARKET HAS
NEVER LOOKED GLOSSIER.'(COSMETIC BUSINESS,
2016)

Demand remains high for quality colour cosmetic products. (Future Market in Sights, 2016) Good quality, lower end products are set to see strong growth as consumers are now trading prestige brands for lower end products and this trend

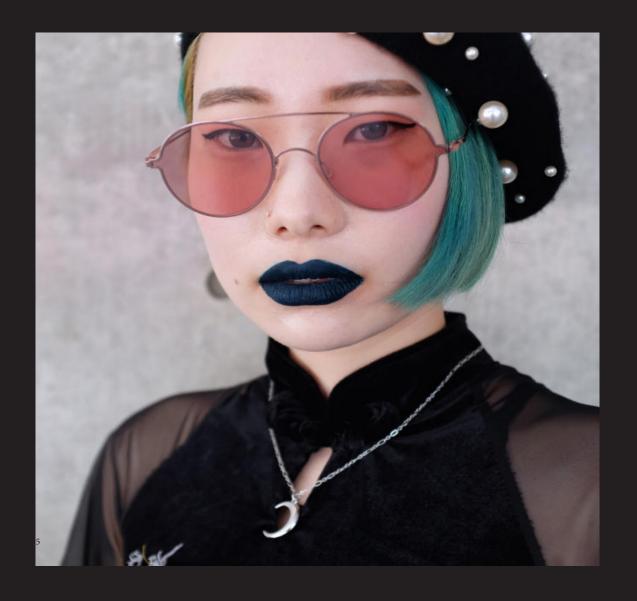
is predicted to continue for the next five years. (Wealth and Finance, 2015)

# COSMETIC MARKET: ASIAN PACIFIC

The Asia Pacific colour cosmetic market is growing at a relatively high rate in terms of volume, attributed to increasing per capita income of consumers and increasing population

Asia - Pacific countries, such as India and China are set to account for the largest within the colour cosmetic industry by 2019. This is due to the rise of consumer's income and

the increase of consumer's awareness of products. Because of factors such a celebrity culture and social media there is also increased consciousness in relation to appearance and personal care. The development of lifestyles and consumer awareness drives growth of the coloured cosmetic sector in Asia. (Wealth and Finance, 2015)





Japan has a lengthy history of using cosmetic products. Within the cosmetic global market Japanese manufacturers are highly competitive and sophisticated. The oldest Japanese cosmetic manufacture dates back to 1615 and is still a major player in the cosmet-

ic industry. Japan"s cosmetic market holds 40% of the Asia Pacific market which is approximately one third of the global market. Success in the Japanese market can elevate a brand/product profile and also a company's visibility in other markets.

Research shows that Japanese consumers interest in beauty will continue to grow. The skincare segments takes first place within the Japanese market but the second biggest segment is the colour cosmetic (makeup) market



MARKET TRENDS

The key trends within the colour cosmetic market is the demand for more organically and ethical cosmetic products. Consumers will continue to trade prestige brands for quality, lower end products and research shows that this trend will continue for the next five years. (Wealth and Finance, 2015)

'The matte trend might have taken the global colour cosmetics scene by storm but the market has never looked glossier.'(Cosmetic Business, 2016)



## MARKET ENTRY

The chosen entry method for NYX cosmetic in Japan is a concession. This gives the brand a guaranteed set of customers through the door, and the chance to expand more quickly. The choice of a concession will allow NYX to promote their products within an already established environment. Concessions are also a positive marketing tool for experimental marketing, market research and new product

The risk using a concession as an entry method is low. This is because it will

launches.

be in an established space with a large footfall of people coming through the doors already. The risk is also low because of the low financial commitments and set up costs. However, costs may be expensive to lease depending on the size and location of the space. (Retail Concessions, 2016)

Japanese rules and regulations are met in order to succeed entering their market.

# MARKET ENTRY: BARRIERS

Japanese consumers are well known to be very conscious in terms of brand, quality and value. In Japan advertising claims are more restricted in Japan then NYX cosmetics home country United States. For example, claims of efficiency using statistics are not aloud. Consequently, images, textures and scent play a huge role in the decision of a Japanese consumers purchase. Japanese consumers also consider the packaging of products, finishing touches are very important. As appearance plays a key role in cultivating the Japanese consumer it may be within new foreign brands interest to invest in brand awareness and its prestigious desire within the market. Cosmetic importers communicate that they are not interested in looking at new products or brands presented to them unless the product/brand is looking its best and captures attention and desire. For example, the product/brand must have a story to tell, how the brand/product has been developed; what famous people use it and what are the unique characteristics. The Japanese consumer would much rather buy into the appeal and value of a product/brand rather then just a cosmetic product.

# MICRO ANALYSIS



# CONSUMER PROFILE





#### The Glam Chick

- AGE 20-35
- Has a stable career
- Value and performance conscious
- Looking for brand to use with consistent results
- Likes to compare products prices and reviews before purchasing

#### The experimenter

- AGE 18-25
- Current university student
- Low income
- Influenced heavily by social media
- Makes quick purchasing decisions
- Loves to try new looks

# MACRO ANALYSIS

# COUNTRY PROFILE

Japan is the worlds second largest economy - bigger than the UK and Germany combined. Japan has held onto that title from 1968. Japan's capital city, Tokyo is the worlds largest metropolitan area and has a population of 32.5 million people. Despite being a small country, Japan is the worlds tenth largest country by population. (Global Sherpa, 2016) Japan is a wealthy country; in 2014 £9.4 trillion in financial assets was held by households. (gov.uk, 2016)

POPULATION: 126.4 MILLION

AREA: 377,864 sq KM

MAJOR LANGUAGE: JAPANESE

MAJOR RELIGION: SHINTOISM, BUD-

DHISM

LIFE EXPECTANCY: 80 YEARS

**CURRENCY:YEN** 

(BBC, 2016)



# CONSUMER TRENDS

The new makeup consumers come under generation Z (Born between 1995 and 2010) and the Millennial (Born between 1980 and 2000) The new generation have reinvented makeup as a result of the 'selfish generation' and the very fast growing use of social media which is

obsessed with appearances. The use of social media creates a buzz for new makeup looks and trends which pushes the makeup market to grow even more. (Lo'Real-Finance, 2016)





#### POSITIONING

NYX is a part of the cosmetic sector. The cosmetic sector has closely related industries including fragrance, colour cosmetics, skincare, haircare and toiletries. As a whole the global cosmetic market is worth \$460 billion and is estimated to reach \$675 million by 2020; if so that will represent a growing rate of 6.4% (Business Wire, 2016)

COSMETIC SECTOR= FRA-GRANCE, COLOUR COSMET-ICS, SKINCARE, HAIRCARE AND TOILETRIES

Research shows that 25% of the global cosmetic sector are sales from colour cosmetics with a yearly growth of 7% (GCI Magazine, 2016)

COLOUR COSMETICS=
Face make-up: foundation,
blushers, illuminators, face bronzing lotions, creams and powders,
loose and pressed powders,
mineral powders

Eye make-up: eye shadows, eyeliners, eyebrow pencils, kohl and mascara, min-eral powders

Lip make-up: lipstick, lip glosses, lip pencils, lip plumpers, pots and palettes

Nail make-up: nail varnishes and polishes, hardeners and strengtheners, base and top coat. (Mintel, 2011)



Within the makeup market the lip-stlck segment has the high-est growth at +13.6% growth. Per year, 1.5 billion lip makeup products are sold globally. (Euromonitor, 2015 data).

Out of the different segments the beauty world holds, the lip segments drives NYX cosmetics growth the most. In 2016 new launches such as the Lip crème lipstick and Liquid Suede cream lipstick ranges drove the sales of the company to a new high. Fol-

lowing the lip segment, strobing and contouring products has also boosted sales for the company.

MARKET SEGMENTS= NATU-RAL ORGANIC PRODUCTS, NON ANIMAL TESTED PRODUCTS, ENVIRONMENTALLY FRIENDLY PRODUCTS, PREMIUM PROD-UCTS.

"The cosmetics market has shifted markedly to premium products, as consumers are now looking for higher quality products at a variety of price points," said Euromonitor analyst Amanda Hatzmark. "Cosmetics manufacturers can capitalize on this trend by examining shifting consumer attitudes and considering the changes in the premium and mass markets." (GC Magazine, 2016)

# WHAT ARE THE REASONS FOR INTERNATIONALISING TO JAPAN?

Research shows that the size, trends and demand of the Japanese market entails that entering the Japanese market first is a great first move to succeed in the Asian market and continue to internationalise one's company.

#### PUSH FACTORS

Internationalising NYX to Japan first is a great first move to enter other countries in Asia.

Japan has a high amount of educated consumers that are early adopters of new products/services.

High levels of disposable income, particularly older people and young singles living with their parents (gov.uk, 2016)

The US market is already saturated and could potentially prevent NYX cosmetics from expanding at a profitable rate.

#### PULL FACTORS

Strong growing economy
Large potential market
High demand for colour cosmetic products.



# S



## LEGAL

From April 2005 a company that intends to market or import cosmetic products must obtain a license for marketing cosmetics on a commercial basis.

To obtain a license for marketing cosmetics on a commercial basis an applicant company is required to comply with Good Quality Practice in terms of quality control and post marketing safety management.

The applicants company must have a product quality manager, safety control manager and a general marketing business controller. The general marketing business controller must be a licensed pharmacist that has complete university level courses.



#### ECONOMICAL

Japan has the world's second largest economy, larger than the USA and China with growth rates of 0.4%. Even though there is poverty in Japan it is still below the poverty line which is 13.5 percent.

NYX cosmetics to enter the market. The Japanese economy is growing at a rapid pace and is an incentive for foreign companies to enter the Japanese market. (Pestl Analysis, 2016)

By Japan investing in its education and technology this has improved the counties growth within the economy.

The current economical situation is fantastic for

#### POLITICAL

Japan has a great connection with big and small countries globally with a strong business and trading relationship with other countries too. The fact that Japan has such

a great rapport with other countries is also a incentive for foreign company's to expand into their country. (Pestl Analysis, 2016)

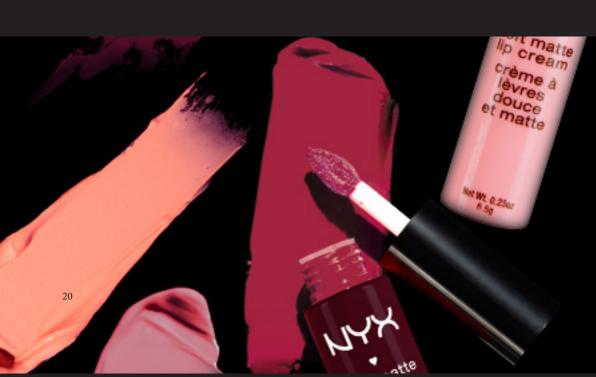
#### ENVIRONMENTAL

Research shows that the most concentrated area of Japan is in Tokyo. The reason being that most of Japan is covered by mountains and forests.

Japan also has tsunamis and earthquakes. As there is a high population of people in certain areas, houses and developments are closely situated and this could in turn mean that there is a higher risk of colossal damage if a natural disaster were to hit

Japan.

These environmental factors are important to consider as insurance may be higher because of the higher risk of natural disasters. When considering internationalising to Japan, location is an important factor.





#### SOCIAL

There is great pressure for women in Japan to settle into marriage by the age of 30. Once married the woman is then expected to quit her job. This could potentially be a negative factor for NYX cosmetics because if women are pressured to be mar-

ried by at a young age and consequently quit their careers this may mean that they will then have less disposable income to spend on luxury products such as makeup. (Pestl Analysis, 2016)

#### TECHNOLOGICAL

In Japan there is a rapid growth within the technological sector and the internet. 27.7 million people in Japan now have a broadband line and the growth of people with mobile phones that have internet access is growing at a rapid rate.

This is an efficient and cost effective way for NYX cosmetics to market themselves in order to grow their brand presence in Japan (Pestl Analysis, 2016)



#### CONSUMERS

Japanese consumers are known within the cosmetic world to be highly conscious of quality and product value. It is important for the Japanese consumer that products are designed, packaged and promoted to a high standard. Japanese consumers needs change as new trends within the cosmetic world are devel-

oped. This may also encourage them to try something new as long as the product is good quality. Popular items for consumers in Japan will be ones that offer high performance with multiple attributes.





# JAPANESE MAKEUP TRENDS

In terms of makeup, the main focus in Asia is the lips, with matte lipsticks playing the main role. The colours that are mostly popular are colours with rich pigments in shades of coral reds and pink. The lip

colours are paired with blushers that are rosy coloured applied in a way that gives a doll-like look.

# CURRENT MARKETING TOOLS

Social media is the biggest tool that NYX cosmetics uses. The brand heavily focuses on social media platforms in order to create brand awareness. and increase sales. The brand uses social media platforms such as Facebook, YouTube, Instagram and blogs. This has been a success as the cost of using social media is one of the cheaper promotional tools. However, as the company has grown research shows that they are now in a position where they can invest more money into advertising. Marketing Strategy

As the use of social media is already effective for NYX cosmetics they could use this strength as an opportunity to

invest more into the way in which they use it. NYX cosmetics could invest and advertise through YouTube and pay for advertisement on other social media platforms such as Instagram and Facebook. It is important that NYX continues to promote their brand in a way that targets their consumer.

On the social media platform Snapchat NYX cosmetics could also use this for consumers to see behind the scenes. This makes the consumers feel that the brand is being transparent and evokes brand loyalty. Snapchat can also be used to launch new products. This strategy is a very low cost





To launch the arrival of the new concession in Japan NYX cosmetics will host a launch party with the famous Wengie. To promote this Wengie will post about the upcoming event on all of her social media platforms along with a makeup tutorial dedicated to NYX cosmetics.

NYX cosmetics itself will also post on their social media platforms about the new concession opening in Japan to inform all the NYX fans.

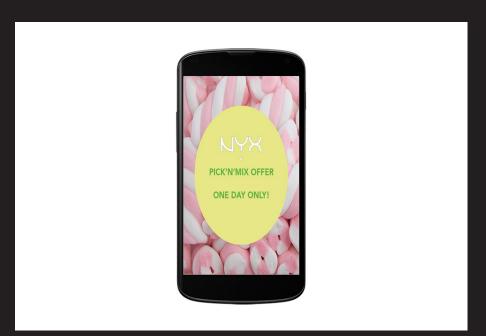
As a part of the NYX cosmetics launch party there will also be a Pic'n'Mix offer which will involve choosing two items and getting any choice of colour from the 'Matte Lip Crème' for free. This will attract the Japanese consumer as they

are very cost/value conscious and it also falls in line of the 'Matte lips' trend.

However, in order to get this deal customers must give their name, address and email address to NYX cosmetics. This data collection method will boost NYX cosmetics marketing intelligence and also refine their consumer so that they can target them more efficiently.

Having a snapchat filter at the event will allow customers to take pictures/videos of the event and create brand awareness.

An international Marketing mix is used to heighten the chances of success in Japan. See appendix 4.





The success of the launch of NYX cosmetics in Japan will be measured by the profits made within the first year of being there.

The success of the lead up to the event will be measured by:

- The number of views Wengie gets on her NYX makeup tutorial
- The amount of likes, retweets and shares Wengie will get on her social media platforms
- The number or likes, retweets and shares NYX cosmetics will get on their social media platforms.

The success of the event will be measured by:

- The approximate amount of people who visit the NYX concession
- The amount of people who use the NYX personalised snapchat filter
- The number added to the data NYX base as a result of the Pic'N'Mix offer
- The sales of the first launch day

## CONCLUSION

To conclude, internationalising NYX cosmetics to Japan is a large stepping stone in order for the brand to enter the Asian Market. Research shows that the Japanese Market is growing at a fast rate and right now in 2017 is the best time for NYX cosmetics to enter the Japanese Market. By considering the brands product; the Japanese consumers; the current marketing situation and marketing tools, NYX cosmetics has a very high chance of being successful in Japan

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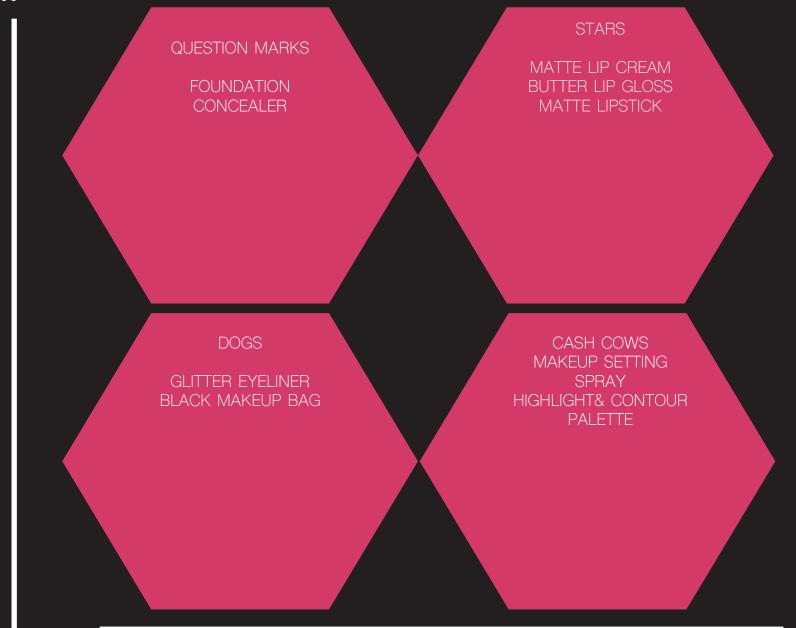
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#### STRENGTHS

- Research shows that NYX cosmetics is one of the fastest growing company's in the colour cosmetic market
- •The company offers high quality products and professional makeup services for a low price.
- NYX cosmetics have a larger market size than its competitors with 4000 counters across 35 countries.

#### WEAKNESSES

- •The low prices of the products could be off putting for some consumers as they may think that the products are low quality.
- •The brand may struggle in a highly concentrated market. NYX must be more innovative to stand out from competitors.

#### SWOT

#### **OPPORTUNITIES**

- •NYX can invest in mens products and the new organic trend.
- •NYX can use other outlets to advertise such as television and blogs.
  - Growing market

#### **THREATS**

- Keeping up with changes in market demands
- •Fierce competition within the cosmetic market.
- •Risk of the economy becoming too low consequently leading consumers to have a lack of disposal income.

# GLOBAL COLOUR COSMETIC MARKET: DRIVERS

With an increase of working individuals globally this creates a knock on affect for increased spending on cosmetic products which results in increased sales of cosmetic products. The growth of more working individuals means that there is globally more disposable income which corresponds with funds spent on colour cosmetic products; this is a major factor fuelling revenue

growth of the global colour cosmetic market.

Increasing product availability in the colour cosmetic market through online retailing is also a major influential factor to drive sales of the colour cosmetic market globally. It is foretasted that e-commerce sales of cosmetics will play a major role to increase sales.

The e-commerce market driver is credited because of

how easy products will be available for the consumer to buy, compare prices and discover through platforms such as social media.

Consumer awareness of natural, organic and ethical products means that consumers are now choosing to buy products that are ethical. Increased demand for ethical products has resulted in manufacturers steering

away from niche distribution channels to mainstream mass retailers.

Using different platforms such as television and social media in ways to promote and advertise products is also a way that is expected to fuel the growth of colour cosmetic globally.



#### INTERNATIONAL MARKETING MIX

#### PRODUCT:

Research show that the Japanese consumer is very cost and quality conscious.

Popular items for consumers in Japan will be ones that offer high performance with multiple attributes. It is important that when NYX cosmetics enters the Japanese market that they put products that fall into that category at the forefront and invest in promoting those products.

The 'Lip Lingerie Lippe Duo' is an example of one of the brands products that should be promoted in the Japanese market. It is a high quality product with more than one attribute at a reasonable price at \$11. Research shows that this product also falls in line of the 'matte lip' trend in Japan which is very popular

#### PROMOTION

When expanding to the Japanese market it is important when NYX cosmetics when advertises/promotes their brand that they are adapting to the language, culture and religion in Japan. NYX cosmetics must adapt their promotional strategies to appeal to the Japanese consumer.

For example, in September 2016 a makeup advert was released

in Japan showing a female doing her makeup on the train. This caused controversy in Japan as they are seen as very private people.

Research show that the Japanese consumers are more likely to buy into the desire and appeal of a product/brand rather than just a standard cosmetic product. The product/brand must tell a story and be positioned in a way in which the product becomes prestigious.

NYX cosmetics could meet the Japanese consumers needs promoting their brand/products by using s celebrity. This will give the brand a prestigious look.

#### INTERNATIONAL MARKETING MIX

#### PRICE

The value of a product is a major factor for a Japanese consumer to decide to purchase an item or not. However, it is also important that the products pricing are too cheap which could potentially steer a Japanese consumer away as they could think that the quality is also cheap.

As NYX cosmetics is already at a reasonable, affordable price this already accommodates the Japanese consumer as the product value is already great as the prices are reasonable and the quality of the products are great.

However, to attract the Japanese consumers even more NYX cosmetics could consider using bundle pricing on certain items that would appeal to the Japanese consumer. For example, a three for two offer (buy three items and get the cheapest free) would encourage a customer to buy more items as they will feel that they are getting a great deal. This is a loss leader for NYX cosmetics as they will loose out on the third item the customer gets for three. However, this will encourage the Jap-

anese consumer to try out more of their products, attract new consumer and could potentially turn a 'Cash cow' into a 'Star'.

#### PLACE

When expanding to Japan NYX cosmetics must locate itself where its target consumers are. Research show that the most concentrated area of Japan is in Tokyo. This is also where there is more of a westernised culture and therefore where NYX cosmetics target consumers will be located too.

As NYX cosmetics entry method is by having a concession it is important that they are located in a popular department store which suites the brands aesthetics.

The Japanese department store called Marui targets young, stylish consumers between the ages of 20–35. This would be a great location for NYX cosmetics. (The culture trip, 2016)



# COMPETITOR ANALYSIS

NYX Cosmetics competitors and rivals include
Urban Decay, Too Faced and Kylie Cosmetics.
NYX cosmetics is recorded to be third behind Urban Decay and Too faced in terms of the revenue they make yearly, even though NYX cosmetics continues to grow at a tremendous pace every year.

NYX Cosmetics is a innovative company in comparison to its competitors in terms of its product

range. However NYX
Cosmetics also has very
similar products in comparison to its competitors
for a much cheaper price
which could make the
brand stronger than its W.