A Retail Marketing Plan of a beauty manufacturer - Beauty Velode International Limited

By

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Management Project submitted to the Bradford University School of Management

In partial fulfilment of the requirements

For the degree of

Master of Business Administration

2018
I have read the University Regulations relating to plagiarism and certify
that this project is all my own work and does not contain any
unacknowledged work from any other sources.

Word Count: 8,916
Abstract

Objective

The purpose of the paper is to evaluate the capabilities of Beauty Velode International Limited against the macro and micro environmental factors to identify the challenges that impact its marketing plan through Jobber’s marketing planning process. The paper will address the competitive advantages for penetrating the competitive skincare industry in Hong Kong.

Methodology

The paper was used primary and secondary data. Primary data was done through questionnaire and interview. Questionnaire was collected and explored the target consumer behaviour in Hong Kong. Interview was conducted to the owner of the company to understand the capabilities of the company. Secondary data was applied through Industry reports, government reports, and academic sources (journals) to obtain the information for exploring the research area.

Findings

The company has a good value chain in production aspect that gives a good support to react the market needs quickly in manufacturing terms and which the competitors are not easy to follow. In addition, although the skincare industry in Hong Kong is very competitive, the macro environmental factors are positive for the company to penetrate with its existing products. However, the company is lack of retail experience. A strategic alliance and private consultant with pharmacist are proposed to improve the competitive advantage to complete the full value chain.

Keywords

Competitive advantage, marketing plan, marketing strategy, retail servicing, skincare product, value chain
Acknowledgements

First, I would like to convey my sincere grateful to my dissertation supervisor Dr. Daniel Gruszynski. He was always letting me to have his responses and directions about my research and writing in a short period of time. It led me to manage my dissertation in my own pace and time frame especially in the intensive business traveling times. He took me whenever he thought I needed to the right direction on my writing and research for building up my own dissertation.

And I would like to express my grateful to Dr. James Wallace. He is my project mentor and giving me advice be more professional. Thank you for his support and kindness.

Ms Nanette Day, she is a Master’s degree holder of TESOL Education from the University of North Carolina and have had 22 years of proof-reader. Thank you for her skilful input to make my dissertation looks more presentable.

I would like to convey my appreciation to all the interviewees who participated my questionnaire and especially the personal interview. The survey could not be conducted successfully without their participation and input.

In addition, I would like to show my deep grateful to my mum, sisters, husband and son for giving me their strong support, patient, and encouragement during the whole period of my years of study and thesis writing. They allowed me to complete my MBA course and this thesis writing without hesitation.
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Chapter 1

Introduction

Project Background

The retail industry has grown swiftly and, despite economic recessions, sales have improved year after year. Retailing comes from the French word retailer, meaning “a piece of” or “to cut up” (Brown S, Burt S, 1992). Retailers play a role in breaking bulk merchandise into small quantities—that is, purchasing a large number of products from manufacturers or wholesalers and dividing them into smaller volumes to sell. As such, retailers usually provide a necessary service for facilitating the trading deals.

Retail trade is a term commonly found in national GDP statistic reports as it is a crucial contributor in many countries, such as Hong Kong. In the first 11 months of the year, the overall sales volume from 2017 was 1.7% higher than the same period in 2016. The retail industry sales volume reached HK$38.7 billion in November 2017, which was 6.9% higher than the same month in the previous year. After miscellaneous consumer durable goods, medicine and beauty products sales represented the second largest sales volume among broad types of goods (statistic.gov.hk, 2017).

In terms of sales growth, e-commerce has played a critical role as a retail channel recently. Despite the growing needs of online shopping, online retailers are starting to move into the brick-and-mortar space (Retail Dive, 2018). Customers still enjoy the retail experience in person. For example, customers still prefer to examine health and beauty goods in person. They prefer going to the store and trying such products instead of purchasing them through online channels. Hence, the brick-and-mortar space still plays an important role in the retail market.

The skincare and cosmetics market in Hong Kong has continued growing, from about HK$25.9 billion in 2012 to HK$33.1 billion in 2016, despite 3.6% and 4.9% drops in 2015 and 2016, respectively. The falls in sales were due to a general slowdown of mainland Chinese tourist traffic. However, another growth in the skincare and cosmetic industry is
expected to reach HK$42.2 billion in 2021, representing a 5% increment over a five-year CAGR (statistic.gov.hk, 2017). In light of the sales trend in this industry, more entrants are expected, and they are not limited to physical stores thanks to the rapid development of technology-supported shopping. Hence, this industry is expected to become even more competitive, creating more entry barriers in the next 5 years.

Beauty Velode International Limited (BV), founded in 1997, began as a local beauty salon. Promoting natural products, the beauty salon featured fresh handmade masks and expanded its market base through word of mouth. In light of the high demand for quality and quantity from the market, the company took the opportunity to work directly with US-based skincare product manufacturers to create its own in-house line of products. To fulfil the rapid development of the industry and maintain the high-quality standard of products that the company offers, it has invested in its own R&D team in recent decades. Its efforts are not limited to inventing a full range of colour and fragrance-free home use formulations, but also sourcing the most natural and appropriate ingredients. BV also carries its own label of home skincare appliances in order to diversify its product line.

The few in-house product lines are mainly distributed to beauty salons, clinics, and spas. The company has also signed an exclusive distributorship agreement with Macau, a few cities in China, and Southeast Asia. Nevertheless, the company’s greatest sales contribution comes from OEM/ODM. The board of directors have set a goal of building the company’s retail sales volume rather than distributing its collections through wholesalers. In terms of manufacturing, in 2018, the company will be in the first stage of completing its GMP in Hong Kong. Although this is not a necessary state regulation in skincare manufacturing, it shows further high-level compliance.

This project explores an effective marketing method and the competitive advantage provided to BV in this highly competitive skincare market to enhance brand awareness and increase sales shares in the skincare retail industry. This dissertation comprises five chapters which explore the marketing method for BV’s entry into the retail industry. To main the confidentiality of the company, it is referred to as Beauty Velode International Limited, not its actual name, in this project. Chapter One: Introduction introduces the related market’s basic information and the company’s background. Chapter Two:
Literature Review explores numerous influential marketing strategies and evaluates the most appropriate one among them to analyse BV’s marketing plan. Chapter Three: Methodology explores the research approaches to collecting primary and secondary data. Chapter 4: Research Findings illustrates BV’s capabilities using Jobber’s approach to build its marketing plan. Finally, Chapter Five concludes the research result and addresses recommendations and the difficulties of the project.
Chapter 2

Literature Review

This chapter identifies the approaches of several marketing planning gurus (i.e., Malcolm McDonald, David Jobber and Fiona Ellis-Chadwick, and Graham J. Hooley) to the marketing planning process and evaluates the most appropriate one to apply to BV in order to achieve its marketing strategy plan.

1. McDonald: The marketing planning process

McDonald and Wilson (2011) addressed marketing planning as a way to manage the know-how related to the function of sales and marketing in order to seek and identify a range of options and then apply one or more after considering the schedule and activities budget to achieve identified marketing objectives. The managers involved in the marketing process need rational views and considerations to make sensible business decisions that integrate all elements of marketing into the process. Phillips and Hunt (1992) stated that strategic leadership is important and concerned with a firm’s top-level leaders as it affects the success of the projects. Phipps (2012) agreed that a personal spiritual belief is an element affecting strategic decision making. Marketing planning has been defined as all rational, incremental, and instinctual processes that lead a company’s marketing to its future (McDonald and Payne, 1996). The strategic marketing planning process is composed of 10 steps in 4 phases, which are discussed next.
Step 1: Mission

McDonald and Wilson (2011) defined mission as containing the chance seeker and his contribution, the business designation, the company’s capabilities, and the planning indication. The purpose of a given mission is to lead departments to achieve the corporation’s goal. There are two levels of purpose statements: an organization mission and a purpose statement. Fairhurst et al. (1997) acknowledged widespread mission failure in the corporate world as mission statements only focus on executives and upper managers. Morrisey (1988) argued that a mission statement should empower everybody within the organization.

McDonald and Wilson (2011) identified three types of mission: one promoting yearly performance to stakeholders; one to the company’s executives and managers about the truth and important notes of the company; and one to functional teams.

Step 2: Setting Corporate Objectives

A corporate objective is a long-term vision of the organization. It states the company’s situation and future target in product and market terms over a defined period. The vision
takes into account the desired level of profit that shareholders expect, macro and micro market trends, the demand trends of the market, perceived value, and the organization’s essential competence.

Step 3: Market Audit

A market audit is a systematic appraisal reviewing the external and internal variables of the market influencing the company’s performance over a defined period. All three authors shared similar ideas about market audits. According to McDonald and Wilson (2011), external variables cannot be controlled, but internal variables can be managed by the company and, thus, should be audited separately. Quite a few journals have agreed with this concept, stating that independent audit committees provide quality feedback. These committees have delegations of authority from corporate boards in order to avoid internal conflicts (Kelson, 2002).

Step 4: Market Overview

McDonald and Wilson (2011) concluded that understanding the market is the basic element for forming the strategic marketing plan. We must clearly know the market needs instead of using product or service terms. One journal article extended this assertion to state that understanding customers requires not only getting data and extracting insights, also communicating the insights within the firm (Anonymous, 2002). Therefore, expertise in products and customers is a prerequisite for a successful business (Peppers and Roger, 1999).

Step 5: SWOT Analyses

McDonald and Wilson (2011) claimed that a SWOT analysis should be applied in each of the market segments in which the company is involved. The four-element analysis should focus on the key factors to highlight specific areas. McDonald and Wilson (2011) stressed that the internal strengths and weaknesses should be compared with competitors’ strengths and weaknesses and the main external opportunities and threats.
Step 6: Assumptions

McDonald and Wilson (2011) claimed that assumptions should follow the completion of the marketing audit and SWOT analyses. The assumption outlines a standardized planning environment to enable departments to make further progress in marketing.

Step 7: Making Objectives and Strategies

McDonald and Wilson (2011) defined an objective as the goals of the company whereas a strategy is the planned approach to achieve the goals. They emphasised that marketing objectives are only about products and markets. The authors also suggested applying Ansoff’s matrix to determine the marketing objectives, which incorporates four parts to strategize the business direction by expanding or increasing revenues and profits. It is not possible to define market completely and simplify the reality using the two dimensions of the matrix (Thompson and Strickland, 1983). Hence, the directional policy (GE-McKinsey) matrix and Shell’s directional policy matrix (Robinson et al., 1978) were developed; however, they are both highly complicated (Hax and Majluf, 1983). Ansoff’s matrix helps executives and managers focus on the approach and work out the planning concretely. McDonald and Wilson (2011) claimed that the marketing objectives will be accomplished by measurable directions with the 4Ps marketing mix.
Step 8: Estimate Expected Results and Identify Alternative Plans and Mixes

This stage assesses the feasibility of the marketing objectives and strategies through experience, judgement, and field tests. Market shares, costs, and profits should be taken into consideration during the assessment. Alternative plans and mixes can be applied if a gap in expectations occurs.

Steps 9 and 10: Budget and First-Year Detailed Implementation Programme

The costs of strategic planning are always considered, and alternative strategies are applied when the costs are not realistic until a satisfactory result is achieved. McDonald and Wilson (2011) claimed that the result of planning is related to the whole company rather than only the marketing department. Marketing expenditures should be considered on a zero basis every year in comparison with accomplishments, as this approach makes it easier to manage the budget and control the unused finances with the least damage from the necessary strategy changes.
McDonald and Wilson (2011) stated that the marketing strategies would become concrete a year after implementation. Explicit sub-objectives should be developed in more detail, and the company would know the strategy and actively adopt the plan.

2. Jobber and Ellis-Chadwick: The Marketing Planning Process

Jobber and Ellis-Chadwick (2013) claimed that the existence of marketing stems from constant exchanges. Marketing planning considers three components: customer orientation, integrated corporate effort, and corporate achievement goals. Marketing planning links to corporate strategic planning by dealing with the company’s ability and the market’s environment. Cowan (1994) claimed that senior management (e.g., CEO, managing directors) rather than marketing or research managers should obtain good information because senior management has insights into the corporate level but is not a function of the company; therefore, they can marshal the resources to satisfy customers’ needs and impact the company as a whole.

Jobber and Ellis-Chadwick (2013) linked the process of marketing planning to several core questions. They defined the process of marketing planning as a systematic procedure to understand the studies and decision-making processes, as illustrated in the following framework.

Table 2.1 Key questions and the process of marketing planning

<table>
<thead>
<tr>
<th>Key questions</th>
<th>Stages in market planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Where are we now?</td>
<td>Business mission, market audit, SWOT analysis</td>
</tr>
<tr>
<td>Where would we like to be?</td>
<td>Marketing objectives</td>
</tr>
<tr>
<td>How do we get there?</td>
<td>Core Strategy, marketing mix decisions, organization, implementation</td>
</tr>
<tr>
<td>Are we on course?</td>
<td>Control</td>
</tr>
</tbody>
</table>

(Source: Jobber and Ellis-Chadwick, 2013)
The process of marketing planning (Jobber and Ellis-Chadwick, 2013) is a systematic procedure to understand the studies and decision-making process that illustrated in the following framework.

Figure 2.3 The marketing planning process

(Source: Jobber and Ellis-Chadwick, 2013)

Business Mission

Jobber and Ellis-Chadwick (2013) and McDonald and Wilson (2011) both claimed that the mission of a business is the core driver and the highest priority in planning. Jobber and
Ellis-Chadwick (2013) argued that the business mission should focus on the market rather than products. A mission is a long-term concept, whereas products are transient (Jobber and Ellis-Chadwick, 2013; McDonald and Wilson, 2011). Levitt (1960) stated that a customer-satisfying process should be the focus of a business rather than a goods-producing process.

Marketing Audit

Jobber and Ellis-Chadwick (2013) claimed that a marketing audit assesses the market’s macro and micro environments, the business objectives, operational strategies and activities for identifying core strategic matters, and problems and opportunities. As such, a marketing audit is an ongoing activity.

Jobber and Ellis-Chadwick (2013) stressed that understanding customers is the essential requirement of successful marketing. Porter (1985) concurred that satisfying buyer needs is critical. Decision making related to the target market and 4Ps is influenced by consumers’ relevant behaviours; thus, the study of consumer behaviour is a cornerstone of marketing. Companies need to be alerted of changing behaviours by thoroughly understanding their customers.

SWOT Analysis

To evaluate a business’s strategic position by evaluating uncontrollable market opportunities and threats as well as the company’s controllable strengths and weaknesses, Jobber and Ellis-Chadwick (2013) stressed that the strengths and weaknesses are only valuable to the customer while McDonald and Wilson (2011) claimed that the strengths and weaknesses should compete with the competitors. After conducting a SWOT analysis, conversion strategies may be used to turn weaknesses into strengths and threats into opportunities. In addition, matching strategies can help match strengths to opportunities.

The analysis process is important (Watkins, 2007). Yet Watkins (2007) disagreed with the sequence of the SWOT analysis, claiming that the flow should start from external factors and be followed by internal ones. He explained that a TOWS analysis is a strategic analysis tool for assessing external and internal factors both systematically and comprehensively to determine existing competitive position and enhance the company’s potential. Stevenson
(1976) concluded that strengths and weaknesses need to be defined according to the market opportunities and weaknesses to prevent ineffective aspirations, biases, and hopes in the company. TOWS helps the company reduce the numerous strategic choices according to the SWOT analysis. Jobber and Ellis-Chadwick’s (2013) idea of conversion strategies and matching strategies is like Watkin’s TOWS (2007).

**Marketing Objective**

Jobber and Ellis-Chadwick (2013) stated that two levels of objectives should be set: strategic thrust objectives and strategic objectives. Strategic thrust involves defining which market the business should target and which products it should sell in the future. They also applied Ansoff’s matrix, like McDonald, to determine the marketing objectives. Meanwhile, strategic objectives are planning at the product level to define its future shape. Jobber and Ellis-Chadwick (2013) identified four options for product portfolio planning—build, hold, harvest, and divest—for associating findings from the marketing audit and SWOT analysis.

**Core Strategy**

According to Jobber and Ellis-Chadwick (2013), the core strategy is defined as the way a business achieves its marketing objective. The company must use target markets and competitor targets to develop a competitive advantage. The SWOT analysis findings and strategic thrust are associated with market size, its growth potential, customer needs, and competitor strengths/activities, which can assist in defining the strategy.

**Competitive Advantage**

Jobbers and Ellis-Chadwick (2013) identified two forms of competitive advantage: differentiation and lowest cost position. Differentiating a company from the competition can be built on three factors: being better in quality and service, being faster to react to customers’ needs, and being closer to customers when building a long-term relationship.

Porter (1985) noted that firms may find it difficult to sustain their competitive advantage after a while if not continuously performing a generic strategy or achieving a sustained competitive advantage. Neutralizing threats from the competition is another aim of the competitive advantage (Barney, 1991; Newbert, 2008). Jobbers and Ellis-Chadwick (2013)
agree with Porter, stating that achieving a sustainable differential advantage is a strategy that cannot be copied easily by the competition.

Marketing Mix Decisions

Jobber and Ellis-Chadwick’s (2013) marketing mix concept correlates to the core strategy. The company identifies factors to evaluate the mix which are interpreted by product, price, promotion, and place. According to Jobber and Ellis-Chadwick (2013), product is the crucial element in the marketing mix because it offers the functional requirement. They also stressed that service is a core element in the marketing mix, as it can differentiate the business from the competition by providing superior and unique service to targeted consumers.

The marketing mix model encourages a short-term focus and is mainly related to sales. It under-values the long-term brand equity and relational thinking (Rafiq and Ahmed, 1995). Jobber and Ellis-Chadwick (2013) mentioned that a strong brand benefits the company, by promoting consumers’ trust, positive perception, and preferences, thereby leading to higher profits and less barriers to competition. Aacker (1996) stated that brand loyalty is the core element for retaining customers; it is much less costly to keep existing customers than recruit new ones. Aacker (1996) also claimed that a brand without a loyal customer is a failure.

Brand awareness can strengthen the brand’s presence in the consumer’s mind. In addition to brand loyalty, brand awareness is another value of brand equity that can help cultivate new customers. Consumers remember a brand in a few ways, such as recognition, recall, dominant, and “top of mind” (Aacker, 1996). According to Jobber and Ellis-Chadwick (2013), brand awareness is a pre-condition of the evaluation of a brand.

Organization and Implementation

The organization should be capable of implementing the marketing plan to ensure that the strategy succeeds with smooth operations in the organization. Any strategy change would affect employees’ daily lives and workloads, so resistance is common.
Control

The control stage evaluates the performance of the marketing plan and reviews if the results align with the objective. A corrective action can be applied if an error occurs or performance is not achieved. Jobbers and Ellis-Chadwick (2013) stressed that managers must reassess critically on a regular basis to ensure that their plans are consistent with the business’s capabilities and the environment. The control stage should attract any changes in the market and provide feedback to management for further evaluation to realign the business with its environment.

3. Hooley: The Marketing Planning Process

Doyle (2008) stated that the purpose of marketing is to make the most of the value of the shareholders. Hooley et al. (2012) explained that this promotes the long-term sustainability of the business by creating enduring value. The corporation should focus on the changes in the market and identify the opportunities and investments to build competitive advantages by applying an appropriate marketing strategy which considers the organisation’s resources and capabilities to be proficient now and in the future. Hooley et al. (2012), McDonald and Wilson (2011), and Jobber and Ellis-Chadwick (2013) shared similar ideas on strategic planning. Hooley et al. (2012) stressed that the identification of organisational resources and market needs are both important for marketing strategy development, whereas the fundamental essence of strategic planning according to McDonald and Wilson (2011) and Jobber and Ellis-Chadwick (2013) focuses on market needs. An effective strategy can be well-tuned to customers’ needs and requirements by implementing a marketing strategy that the organisational resources can fulfil. This is the concept of “strategic fit” and is illustrated in Figure 2.4.
Hooley et al. (2012) also claimed that marketing strategic thinking should be adopted by the corporation, but it is not itself marketing management. This concept agrees with Jobber and Ellis-Chadwick’s (2013) ideas. Once the thinking is decided, all related senior executives in the organisation must take responsibility for supporting the plan, which should be aligned to achieve the same goal. The strategy process is developed in three stages: a core strategy establishment, the company’s competitive positioning creation, and the strategy implementation.
Business Mission

Hooley et al. (2012) indicated that the fundamental step in developing a marketing strategy is defining the organisational mission; this is similar to the theories of McDonald and Wilson (2011) and Jobber and Ellis-Chadwick (2013). According to Hooley et al. (2012), developing an effective mission statement involves the following:

- Strategic intent: the corporation wants to exist in the future
- Organisational values: the values serve as operations guidelines
- Distinctive competencies of the organisation: the unique essence
- Market definition: target customers
- Market positioning: competitive advantages

Hooley et al. (2012) stated that the definitions of a business are not limited by its function perception, but also includes the benefits that the business can bring to the customers.
Core Strategy

Hooley et al. (2012) stated that the core strategy requires a detailed analysis of the company’s available resources and the market in which the company operates in order to accomplish the company’s objectives and broad strategies. An analysis of the markets enable the company to understand the opportunities and threats of the market. Hooley et al. (2012) stated that current and potential customers and competitors are the major two areas from which opportunities and threats stem. Furthermore, market opportunities are built on either market changes or market gaps that the competitor is unable to fill to serve the market’s needs. Market threats are based on the market changes that the company is not aware of or not capable of aligning with as well as competitive activity designed to change the balance of power with the market.

Hooley et al. (2012) applied a SWOT analysis, like Jobber and Ellis-Chadwick (2013) and McDonald and Wilson (2011), to study the findings of internal and external environments to define the key factors of success. McDonald and Wilson (2011) stated that the product lifecycle varies from the core strategy in different stages. The choice is made between sales increments and profit improvement; both serve the same purpose for improving the competition’s performance. However, according to empirical tests (Alicia, 1986), not all commodities performed according to the product lifecycle theory, and neither did industrial product groups (Mullor-Sebastian, 1986). Kumar et al. (2006) stated that products contain colour bases usually have short lifecycles. Hence, it is not applicable to a skincare study with less influence.

Competitive Positioning

Hooley et al. (2012) stated that an attractive market considers if the market size is large, is growing, has high profits, faces low competition, is easy to entry with low barriers, and cannot be easily influenced by the economy or policy. However, markets with these features soon change due to the large number of entrants, and the resulting high competition make them less attractive. Nevertheless, to determine the attractiveness of the market, in addition to considering macro and micro factors of the environment and competition, it is important to remember that judgement is a subjective matter. Hence, the final position is subject to the corporation’s intention. Performance evaluation is a core factor in the human performance technology (HPT) model (Van et al., 2004). To obtain a
competitive position in the target market, the company should create its differential advantages through cost leadership or differentiation. This argument is the same as the competitive advantage of Jobbers and Ellis-Chadwick (2013) and Porter (1985).

Implementation

Hooley et al. (2012) have the same idea as the other authors for implementing all decisions through the organisation: the marketing mix and control by applying 4Ps help achieve its objective in the marketplace. Hooley et al. (2012) stressed that the elements of the mix should pull in the same direction so as not to confuse customers when the company is targeting its positioning. Considering contingency planning is the last important element in the implementation process. The company must be able to forecast competitors’ reactions after implementing its plan in order to deal with the likely competitive moves.

Conclusion

McDonald and Wilson (2011), Jobbers and Ellis-Chadwick (2013), and Hooley et al. (2012) use different approaches to the marketing planning process, but they share similar ideas. Defining the company’s mission is the first step driving the planning process for all of the authors, followed by analysing macro and micro environmental factors and competition activities, combined with a self-assessment, to find its core strategy and competitive advantage; in this way, the company can define its market segment and develop a marketing mix to achieve its marketing objective.

All of the authors agreed that the managers involved in project application are critical. They should have great intentions and a systematic mind set to execute and control the project. Furthermore, marketing planning is not limited to the marketing department; rather, it is an organisational project. In terms of budget, McDonald and Wilson (2011) claimed that marketing expenditures should account to a zero base for easy comparison with the achievement every year; the other authors did not discuss this point.

In terms of the analysis tools, McDonald and Wilson (2011), Jobbers and Ellis-Chadwick (2013), and Hooley et al. (2012) recommended applying a SWOT analysis to study the external and internal factors to define the company's strengths and weaknesses as well as its opportunities and threats in the market. McDonald and Wilson (2011) suggested that the
strengths and weaknesses should be compared with competitors’ strengths and weaknesses as well as the environmental opportunities and threats. Jobber and Ellis-Chadwick (2013) suggested adopting conversion strategies and matching strategies from weaknesses to strengths and strengths to opportunities. Hooley et al. (2012) offers a similar idea: find opportunities and strategic objectives from the SWOT findings.

Among these authors, Jobber and Ellis-Chadwick’s (2013) approach is more appropriate for BV’s case, considering the following points:

BV has been developing for decades and has a certain reputation through its wholesaling channel; expanding its business through its retail channel, not only products, can fulfil the corporate objective. Therefore, branding as raised by Jobber and Ellis-Chadwick (2011) and Aacker (1996) is crucial.

Differentiating the competitive advantage for BV is needed for its original pricing strategy. It is not easy to copy a formula, and brand awareness is essential in a highly competitive market.

The skincare industry is a very competitive market with a lot of market changes; it is an enduring activity, as Jobber and Ellis-Chadwick (2013) mentioned. However, it needs an effective formula to evaluate the factors quickly. Therefore, TOWS is a good tool for minimising choices from the SWOT analysis, leading to a more focused study.
Chapter 3

Methodology

Research Approach

This project uses multiple sources of data for qualitative and quantitative studies. The aim of gathering qualitative data is to collect information that has not yet been quantified; the aim of acquiring quantitative data is to avoid the need to quantify the data (Collis and Hussey, 2009). The authors stressed that qualitative data should be detailed and nuanced. Bonoma (1985) argued that researchers require a high standard of data accuracy to avoid biased results.

BV is an independent company with no appropriate company report; thus, this research adopted exploratory and descriptive qualitative and quantitative data analyses (Collis and Hussey, 2009) to develop a marketing strategy to enter into the retail industry. Exploratory research is used to comprehend the matter when not much information is provided; descriptive research is used to identify trends in the obtained information to enable researchers to describe the related area (Sekaran and Bougie, 2010).

This study examined factors of the macro and micro environment and the industry using industry reports, government reports, and academic sources (journals) to obtain information for exploring the research area. An exploratory approach relying on personal interviews is adopted to examine the capability of the company, as it has no appropriate internal reports to study. Marshall and Rossman (1995) stated that qualitative research enables researchers to explore the goals, linkages, and processes of an organisation to understand the failure of its policies and practices. In addition, this project applies a questionnaire to explore and understand part of consumers’ behaviours in the Hong Kong market. The study relied on both secondary and primary data.

Secondary Data

Secondary data are data that have already been presented from existing sources, usually for other purposes. To obtain secondary data, we need to identify potential sources.
According to Nair (2008), secondary research is also called desk research. Nair (2008) claimed that secondary research usually happens at the beginning of the exploratory stage and involves internal and external data. External data are published in industry and government reports or academic sources. As the published statistics are not prepared exactly for the research topic, it is necessary to be careful handling such data. Blumberg et al. (2014) mentioned that identifying sources of secondary data can take a long time as obtaining multiple sources for one question is common.

Collins (2009) and Bradley (2010) identified the following advantages and disadvantages of secondary data:

Advantages:
- Large amount of data available
- Less expensive
- Fast to attain
- Offer a distinctive advantage for international studies

Disadvantages:
- Data may not cater to the focal area or may merely provide partial expected information
- Data may be outdated
- Data may not actually exist as they are not being recorded

This project gathers secondary research to identify the marketing plan at the business level—namely, environmental, industry, and competitors’ status. To get market information, a range of data is important from governmental and industry-published reports.

Primary Data

Primary data are first-hand data; they are collected for a specific purpose from original sources. Obtaining primary data for research requires conducting interviews, observations, or some other methods (Zikmund, 2003). Bradley (2010) mentioned that collecting original information from the marketplace is one of the most challenging research tasks. Primary data can be collected in either qualitative or quantitative research using several methods to
gain access to respondents. Questionnaires and interviews are the methods (Bradley 2010) used in the current study.

Personal interviews are best used for obtaining information from respondents by using a more direct approach to guide them in the enquiries according to a fixed schedule (Bradley 2010). Given the need to inquire about BV’s business and company capacity, personal interviews were selected. The questions can be planned exclusively internal to the participant, like opinions and expectations (Blumberg et al., 2014). The advantages of personal interviews are getting immediate responses, easily clarifying any uncertainties, ensuring high feedback rates, and modifying the questionnaire technique as needed. However, they are time consuming and involve high labour costs.

Questionnaires are the most important instrument for survey research (Blumberg et al., 2014). This research tool includes questions that gather responses from respondents (Popper, 1959). The aim of a questionnaire is to obtain much information from respondents in a short period of time. In addition, the responses are easy to quantify through software. The collected quantified data can be used to measure changes by comparing data from other research. Questionnaires are also more scientific and objective than other research tools (Popper, 1959).

Questionnaires and personal interviews were chosen for collecting primary data in this project. To understand a certain customer set’s buying behaviour, in addition to personal data (e.g., gender, income, age group, occupation, education level, living and working destinations), a set of 17 closed-ended questions was defined for facilitating the interviewees’ conduction process and easily manage the analysis using standardized answers (Smith, 1992). Two hundred questionnaires were sent to the sample, and the goal was to achieve an 80% response rate. This sample size represents almost half of the target yearly sales if these customers spent HK$2500 on skincare purchases per year (Nelsen Company, 2017).

Ultimately, 136 responses were received. Interviews were conducted with the person in charge at BV to understand the company’s background, corporate mission, sales contribution, current pricing strategies, promotions, place and product, staffs,
organisational structure, and development plan in order to identify the company’s strengths and weaknesses toward the external situation. The interviewee was very cooperative and provided valuable data.

Ethical treatment is important for respecting participants’ privacy and avoiding embarrassment, pain, and discomfort that might result from surveys (Blumberg et al., 2014). In the survey, all participants were volunteers who received information about the requirements and time needed before they agreed to take part, thereby avoiding biased results by inducing financial or other material rewards (Collis and Hussey, 2009). In addition, anonymity and confidentiality were ensured for all participants, including the interviewee from the company, to ensure a higher response rate and increased honesty (Collis and Hussey, 2009). All related information is provided in Appendixes 2 and 3.
Chapter 4

Research Findings

Introduction

The findings from the primary and secondary data are presented through the application of Jobber and Ellis-Chadwick’s (2013) marketing planning process.

Primary data were gathered from an interview and a questionnaire. The interviewee was a member of BV’s board of directors. She joined the company 8 years ago and is the core manager of people and product developers, with a thorough understanding of the company background, corporate mission, and management. The interview findings focus mainly on the beginning process, mission, and end processes as well as marketing planning at the product level.

The other primary data source, the questionnaire, gathered 136 responses. Although the sample size fell short of the expected 160 responses, the responses are still presentable as the total yearly spending of all respondents was close to half of BV’s first yearly target for retail sales. Indeed, 65% of respondents spent at least HK$4000 per year on the brand’s skincare products, which is more than about 60% of the initial estimation of annual spending of HK$2500 (Nelsen Company, 2017). The respondents were mostly female (90%), with only 10% being male. Almost half (49%) were 35–44 years old, followed by 26% being 25–34 years old, and 19% being 45–54 years old. All (100%) respondents had earned at least a high school qualification, and 89% of respondents earned more than HK$21,000 per month. All respondents used the brand’s skincare products. Detailed findings from the questionnaire are presented throughout the marketing planning process.

Secondary data are presented in the macro and micro analysis, in which PEST, Porter 5 forces, and TOWS were applied.
Application of Jobber and Ellis-Chadwick’s (2013) Marketing Planning Process to Beauty Velode

Mission

“Empower consumers through education and provide products that are conscious to the well-being of the user as well as the environment. Straightforward and sophisticated skincare acknowledges the lifecycle of the skin and evolves to meet its changing needs.”

-Beauty Velode

BV provides more than 50 functional formulas which can be mixed, matched, and custom blended according to the changes in skin condition; this requires consumers to understand products’ functions. Therefore, consumers must learn about the products to blend them themselves. According to the questionnaire, almost 65% of the respondents had earned a university degree and 100% had completed high school. In addition, 87% wanted to understand the purposes of the products’ ingredients.

Marketing Audit

PEST and Porter’s five forces were applied for analysing the external environmental—the macro environment and micro environment, respectively.

PEST macro environmental study

Hong Kong’s official name is Hong Kong Special Administrative Region of the People’s Republic of China. With an area of more than 7.3 million acres, it is one of the most densely populated areas in the world. After New York City and London, Hong Kong (HK) ranks as the third most important leading international financial centre, with low taxation and free trade (Market Research Report, 2017). Many companies are choosing to establish their headquarters in HK, which is considered very strong in terms of administration, regulation, and taxation (Hong Kong Asia’s World City, 2017).

Political/Legal Factors

HK is a special administrative region of China, under the “one country two systems” and the “Basic Law”, maintaining separate legislature, executive, and judiciary powers. There
are no import duties and tariffs. Its tax rate is relatively low and applies to local and foreign companies. The recent CEPA signed under its framework that products made in HK can be imported into the mainland tariff free (The Chief Executive’s 2017 Policy, 2017). According to Hong Kong’s Chief Executive 2017 policy, a green bond was issued in 2018 to raise capital for projects that benefit the environment and enhance public relations (Kim, 2015). BV’s company mission states that its products and packaging are made in such a way as to preserve the world. The purpose is not merely to achieve the company’s goal, but also enhance public relations through marketing (Jobber and Ellis-Chadwick, 2013). Under the signed CEPA terms, BV may benefit from exporting its products made in HK to China, given the tariff-free status, to enhance its competitive advantage there at a low cost. The results indicated that 81% of respondents accept skincare products made in HK.

Economic Factors

The first 11 months of 2017 experienced an overall sales volume that was 1.8% higher than the same period in 2016. The retail industry sales volume reached HK$38.7 billion in November 2017, which is 6.9% more than the same month in 2016. Following miscellaneous consumer durable goods, medicine and beauty products sales represented the second largest sales volume among the broad types of goods.

Household income has generally recorded solid increases. The unemployment rate declined to 2.9% for the three-month period ending in December 2017, suggesting that the labour supply was tight. Consumer prices grew by 1.5% year over year in 2017. The inflation rate was forecasted to dip slightly to 1.7% for six consecutive years (Hong Kong Annual Digest Report, 2017).
Table 4.1 Major Economic Indicators

<table>
<thead>
<tr>
<th>Major Economic Indicators</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Latest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population, Mid-year (million)</td>
<td>7.23</td>
<td>7.29</td>
<td>7.34</td>
<td>7.39*</td>
</tr>
<tr>
<td>Gross Domestic Product (US$ billion)</td>
<td>289.7</td>
<td>307.5</td>
<td>319.4</td>
<td>248.4*</td>
</tr>
<tr>
<td>GDP Per Capita (US$)</td>
<td>40,100</td>
<td>42,200</td>
<td>43,500</td>
<td></td>
</tr>
<tr>
<td>Real GDP Growth (%)</td>
<td>+2.8</td>
<td>+2.4</td>
<td>+2.0</td>
<td>+3.9*</td>
</tr>
<tr>
<td>Inflation (% Change in Composite CPI)</td>
<td>+4.4</td>
<td>+3.0</td>
<td>+2.4</td>
<td>+1.5*</td>
</tr>
<tr>
<td>Unemployment Rate (%)</td>
<td>3.3</td>
<td>3.3</td>
<td>3.4</td>
<td>2.9*</td>
</tr>
<tr>
<td>Retail Sales Growth (%)</td>
<td>-0.2</td>
<td>-3.7</td>
<td>-8.1</td>
<td>+1.8*</td>
</tr>
<tr>
<td>Visitor Arrival Growth (%)</td>
<td>+12.0</td>
<td>-2.5</td>
<td>-4.5</td>
<td>+3.1*</td>
</tr>
</tbody>
</table>

(Source: HKTDC, 2018)

According to the HK government, the skincare and cosmetics market in HK has continued to grow, from about HK$25.9 billion in 2012 to HK$33.1 billion in 2016, although 3.6% and 4.9% drops occurred in 2015 and 2016, respectively. In addition, further growth in the skincare and cosmetic industry is expected to reach HK$42.2 billion in 2021, representing a 5% increment in the five-year CAGR.

The questionnaire results indicated that 74% of respondents earned more than HK$21,000 per month, and almost 38% earned more HK$41,000 per month. In light of the economic factors, HK is an ideal area for catering to BV’s retail development plan.

Social-cultural Factors

HK’s low rate of fertility has resulted in an ageing population. According to HKTDC, the need for anti-aging skincare products has increased greatly (info.gov.HK, 2017; HKTDC, 2018). People pay much attention to their health, and they tend to prefer natural ingredients. Their consciousness of safety and quality is increasing. The government of Hong Kong has also considered this in its 2017 policy. This requirement applies to the skincare industry; besides functionality, consumers pay more attention to the ingredients and safety terms (HKTDC, 2018). Referring to the questionnaire, the need for tightening and lifting effects...
were identified by 77% and 73% respondents, respectively. About 91% of the interviewees ranked “safety and natural ingredients” as being important to very important.

Technological Factors

HK is a cosmopolitan city and one of the important financial centres in the world. The fibre-optic infrastructure is well developed for supporting the needs of the market. The region’s average broadband connection speed ranks as high as fourth in the world. Mobile phone and internet usage is more than double the population of HK and close to 90% of the population, respectively. Despite the sophisticated telecommunications infrastructure, e-commerce in Hong Kong is not strong (HKTDC, 2018), although e-payment services have picked up gradually in the last two years (SCMP, 2018) and are very popular among Chinese tourists (fintechnews, 2018). The results of the questionnaire showed that most respondents are willing to purchase products online, although about 32% do not consider online purchases.

Micro Environmental Study—Porter’s five forces

In an economic sense, the goal of a commercial company is to make profits. To obtain excess profits, it is important to determine the extent of competition, whether actual or potential.

i. Industry Competitors

HK’s skincare retail market is very competitive. There are local brands, but they are mainly dominated by imported brands managed by conglomerates. The top three skincare brands in HK are SKII (8%), Shiseido (8%), and Estee Lauder (7%) (Euromonitor, 2017). L’Oréal SA collections are also strong. The firms apply different strategies to enhance their competitive advantages for gaining market shares. The most popular brands among the questionnaire respondents are the L’Oréal group and Estee Lauder.

These four conglomerates offer many varieties of goods, from single to a few dozen brands, positioned in different market segments with a broad range of prices and products to cater to their target markets. In the maturity stage of high market shares, forces have affected price competition, leading to some weaker stores exiting the market (Johnson et al., 2014). To compete in the high competition market, differentiating is needed.
ii. Threat of Entry

In HK, companies can freely enter the retail industry with no barriers from the government (HKTDC, 2018). New entrants must manage adequate capital. HK rentals rank top in the world (CNBC, 2017), and with promotion and advertisements, a large amount of capital is required. The skincare market in HK is mature, as experienced retailers have built their reputations; thus, differentiation is core. Despite this, 100% of questionnaire respondents are willing to try new products. The main factors leading them to try new products are recommendations from friends (37%) and ease of use (18%).

iii. Threat of Substitutes

Substitution occurs when a product serves the same function as another in the same buyer value activity (Porter, 1985). Skincare products are home-use regime for maintaining and/or providing healthy skin to promote purposes of self-image improvement, confidence, and self-esteem. Medical beauty services from dermatological clinics serve the same purpose as skincare. They provide professional advice as well as services to enhance the beauty of the skin. Although the price may be expensive, exceeding the value of a product with professional comments and advice may not be a concern (Johnson et al., 2014). Introducing new products that serve the same function as products from competitors is another form of substitution, and 100% of interviewees indicated that they are willing to try new products.

iv. Bargaining Power of Suppliers

Many suppliers of raw material exist worldwide, and switching costs are limited; therefore, suppliers’ bargaining power is not strong. However, searching for and testing new materials still takes time before switching to another supplier.

v. Bargaining Power of Buyers

BV is a powerful buyer at the manufacturing level considering that the company can supply itself. The company may even manufacture its own products for the brands that BV wants to carry in its retail stores. This is referred to as backward vertical integration (Johnson et al., 2014). At the retail level, buyers refer to consumers. Many brands and products offer the same purpose in different forms with low switching costs. BV’s bargaining power is weak if there is no differentiation.
TOWS

After reviewing all the macro and micro factors defined through a SWOT analysis of BV, Table 4.2 summarises the opportunities for evaluating its strategic business position (Jobber and Ellis-Chadwick, 2013) through TOWS.
<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1 strong background of skincare OEM/ODM</td>
<td>W1 insufficient professional human resources to meet the increasing demand in business and marketing strategies to penetrate the masses</td>
</tr>
<tr>
<td>S2 own R&amp;D team</td>
<td>W2 low brand awareness</td>
</tr>
<tr>
<td>S3 brand developed with full-range of fragrance and color free active ingredient product</td>
<td>W3 lack of retail experience</td>
</tr>
<tr>
<td>S4 developing factory in HK with GMP standard</td>
<td>W4 less competitive merchandising delivery strategies</td>
</tr>
<tr>
<td>S5 eco-concern</td>
<td>W5 high retail prices</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>O1 HK Government will arrange the issuance of a green bond in 2018</td>
<td>O155, enhance the public relations with its eco-concern products and packaging by taking the government and market concerns</td>
</tr>
<tr>
<td>O2 CEPA signed under its framework that products are made in HK can be imported into the mainland tariff free</td>
<td>O254, S1, S2, enhance the competitive advantage in low cost to go to China market with its products which made in its HK factory</td>
</tr>
<tr>
<td>O3 Consumers are looking for quality products for their children</td>
<td>O352, S1, BV can develop the products that the market needs</td>
</tr>
<tr>
<td>O4 high demands in anti-aging skincare products</td>
<td>O453, S1, S2, BV can arouse its brand awareness of its developed products. And with its production and invention background, can develop a more appropriate product line to the market needs.</td>
</tr>
<tr>
<td>O5 consumers pay more attention to the ingredients and safety terms</td>
<td>O553, S4, S1, S2 BV pays much attention on its product quality and cater to the market requirement</td>
</tr>
<tr>
<td>O6 Strengthening the positioning of Hong Kong as an international trade, commercial and financial centre</td>
<td>O654, S1, S2, S3, S5 BV can take the activities of HK government to promote its brand to international with its high standard of quality</td>
</tr>
</tbody>
</table>

O1W2, eco is concerned by the market and the government, BV can increase its public relations with its eco-concern products and packaging to attract the attentions of its target customers by marketing

O2W6,W1, BV can gradually expand its retail network which not limited in HK only

O3W1, BV can develop the quality children skincare products as one of the market strategies

O4W2, W1, W4 the brand awareness can be increased by its fragrance and color free products especially anti-aging line. Once the hero product is set, the indication of merchandising planning is easy to set.

O5W5, W1, W6, the green and safety but effective active ingredients cause the high cost and retail price, however, customers more concern about the safety and ingredients terms. According to my questionnaire result, 91% of the respondents concerned about safety terms. And 100% of respondents paid much attention about the ingredients while 79% of respondents concerned about the price.

O6W5,W1 BV can gradually expand its retail network which not limited in HK only
<table>
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<td>S5 eco-concern</td>
<td>W5 high retail prices</td>
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</tbody>
</table>

(Sanita Kwong, 2018)

Core Strategy and Marketing Planning

BV plans to develop its retail channel with its existing products. One approach is increasing the quantity of existing users, and another approach is expanding the market...
(Jobber and Ellis-Chadwick, 2013). A company should not consider entering a market with a result of minimum efficiency considering high competence (Chevalier et al., 1999). Despite the strong brands making high profits, room for entry occurs when weakening incumbents exit the still expanding market (Johnson et al., 2014).

The primary consumers of BV are 25 to 55 years old (94% of respondents), indicating a big market in terms of age. BV’s current consumers know about and purchase products through its wholesale channels, mainly from beauty salons. Therefore, BV has no idea about consumers’ actual behaviours. However, the company understands the market’s highest demand for skincare product is in hydration, followed by anti-aging and cleansing products. These results align with the results from the current study’s questionnaire. BV provides an existing 50+ mixable skincare products to the current retail market. This wide range of products increases market shares as well as profits (Kumar et al., 2003). Most respondents were “deciders” (Jobbers and Ellis-Chadwick, 2013), with only 4% being housewives. In addition, 48% of them spend more than HK$1500 per quarter on skincare products while the average retail price of BV is HK$580. Thus, almost half of the market can accept BV if there is a positive result according to all respondents from the questionnaire despite the BV brand falling in the semi-premium segment, as Figure 4.1 shows.
Porter (1985) claimed that a value chain analysis can help a company obtain a competitive position in the marketplace. In BV’s value chain, it has great support from in-house R&D, co-partnership product manufacturing, and packaging and campaign designs. Cutting-edge ingredients and packaging are crucial for such achievements (Kumar et al., 2003). BV develops unique mixable ingredients and eco-friendly packaging to expand its market shares. The company claims that it applies green formulas and bio-decomposable packaging for its products and packaging.

BV uses personal selling to promote its brand by participating in a few trade exhibitions in HK. The company structure is shown in Figure 4.2. Moreover, to give back to society, especially organizations that empower women, BV is a member of several related charities. Public relations activities can encourage the brand’s prestige and reputation (Jobber and Ellis-Chadwick, 2013).

(Source: Sanita Kwong, 2018)
Riaz and Tanveer (n.d.) claimed that “place” in the 4Ps can be formed as direct and indirect channels. BV uses its website and Instagram as indirect retail platforms, enabling the company to remain constantly connected to the market. All activities can be shared 24/7, thereby enabling the company to develop a reputation for delivering to the public (Jobber and Ellis-Chadwick, 2013). In addition, BV relocated its office from an industrial area in Lai Chi Kwok to a prime financial area in the central part of HK that is closer to its target audiences and creates an upscale company image for the public. The office includes a lab for entertaining the formula creator on product development as well as showing target customers the professional side of the company. For its wholesale channels, it continues to attend trade shows.

Control

The process begins with the objective of the program (Jobber and Ellis-Chadwick, 2013). BV’s objective is to expand its retail market in Hong Kong, although it has yet to start this
effort, meaning it cannot be measured whether this company has met its objective. However, BV is set to open a retail store with at least one million top-of-the-line sales during its first year, which is the second highest marketing metric applying to UK firms (Ambler, 2004).
Chapter 5

Conclusion and Recommendation

Conclusion

This paper has applied Jobber and Ellis-Chadwick’s (2013) marketing planning process model. Table 5.1 summarises the market findings highlighting BV’s capabilities. Using this process, we can identify the impact of the factors that the company must be aware of when improving its marketing plan. Issues that the company needs to focus on to enhance or modify its capabilities are as follows:
- A trainer is needed for retail channels
- Competitive packages for retail associates are needed
- E-payment is an uptrend payment
- Product differentiation is necessary for competing with experienced retailers, entrants, and niche markets
- Effective advertisements are needed to enhance brand awareness
- A person in-charge is needed to carry out, integrate, implement, and evaluate the marketing strategy
### Table 5.1 Market Findings

<table>
<thead>
<tr>
<th>Process</th>
<th>Findings</th>
<th>BV capability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission</td>
<td>There is a training team in the company, the post is mainly serving the wholesale accounts. The company is needed to explore sources in this area.</td>
<td>BVs products and packing are made for aiming to preserve the world which aligned the idea of the HK government issuances of a green bond. Taking this matter, BV may enhance the public relations by marketing. BV is completing its GMP skincare manufacturing site in HK, it may beneficial BV to cut cost for goods importing to China, just, BV would like to focus in HK retail market. Plus, BV yet to comply the skincare regulation of China.</td>
</tr>
<tr>
<td>Political</td>
<td>HK government issuances of a green bond, and products are made in HK to China with tariff free</td>
<td>HK is a place where can penetrate the skincare product retail channel with sales growing and household income. BV may face more constraints of human resources for its retail channel with low unemployment rate.</td>
</tr>
<tr>
<td>Economic</td>
<td>HK skincare industry, expecting another growth in skincare and cosmetic industry to HK$42.2 billion in 2021 and representing 5% increment in a five year CAGR. Household income has generally recorded solid increases. The unemployment rate was declining at 2.9% for the three-month period ending December 2017</td>
<td>BV has more than 50 formulas and anti-aging skincare product is one of the key products. BV can use it to penetrate the market as hero product to draw market attention. The products of BV are complied SGS and GMP which are ones of the highest standards in cosmetics, the company is planning to become certified by EWG which rising popularity among consumers. Hints, achieve the customers need of quality and safety consious.</td>
</tr>
<tr>
<td>Social Cultural</td>
<td>According to HKTDC report, the needs of anti-aging skincare product is great increased. People paying much attention on health, they are tended to have natural ingredients. The conscious of safety and quality are increasing.</td>
<td>BV should apply e-payment service in its social platform and retail channel.</td>
</tr>
<tr>
<td>Technological</td>
<td>e-commerce in Hong Kong is not strong; e-payment services have been picked up gradually in last two years in Hong Kong</td>
<td>To compete in the high competition market, differentiated is needed with quick response to the market needs. BV is needed to find a differentiation for competing the market.</td>
</tr>
<tr>
<td>Industry Competitors</td>
<td>In the skincare retail market of HK is very competitive and dominated by imported brands which managed by conglomerates.</td>
<td>Despite target customers are willing to try new products, differentiation with quick response to the market is needed. BV is needed to find a differentiation for competing the market.</td>
</tr>
<tr>
<td>Threat of entry</td>
<td>HK is freely entering the retail industry and no barrier from the government; experienced retailers have built their retaliation, and differentiation is core.</td>
<td>BV has its own R&amp;D so that it can produce different products to compete with the massive new introduction, just, it may not the ideal strategy as this is not looking for quicky sales recoverage (William Schmitz, quoted in Byron, 2008) BV has no capability to compete with medical beauty service unless BV plans to collaborate with this service.</td>
</tr>
<tr>
<td>Threat of substitutes</td>
<td>medical beauty services from dermatological clinics; Massive new introductions</td>
<td>BV has co-partner of raw material, therefore, BV has less concern on spend time for searching another suppliers.</td>
</tr>
<tr>
<td>Bargaining power of suppliers</td>
<td>there are many raw material suppliers, bargaining power of suppliers is not strong</td>
<td>BV needs to find a differentiation strategy for competing the market.</td>
</tr>
<tr>
<td>Bargaining power of buyers</td>
<td>BV is a strong buyer in manufacturing industry; BV bargaining power is weak if there is no differentiation.</td>
<td>BV needs to find a differentiation strategy for competing the market.</td>
</tr>
</tbody>
</table>
- The mission of BV is to empower consumers through education. Letting its customers know how to blend their 50+ mixable products to meet customers’ unique skin situations requires education from the company. Salespeople can use their rich information to achieve this goal. Hence, training for salespeople is necessary (Dubinsky et al., 2001; Le Meunier-FitzHugh et al., 2011; Powers et al., 2010; Training, 2013). The company has a trainer who has taken up both sales and training, contributing to current wholesale customers. The possibility of a retail trainer should be explored.

- Attracting and retaining salespeople who fit well with the company is vital (Lu et al., 2015). In the competitive skincare industry and in light of HK’s current low unemployment rate, hiring salespeople requires extra effort that considers both performance and fit with the company. Salespeople are interested in how their compensation could be tied to sales performance (Lu et al., 2015). Hence, a competitive package and learning mechanism for enhanced performance are basic elements to attract salespeople.

- E-payment has become increasingly popular in HK in the last 2 years and is widely accepted by tourists to Hong Kong (China Daily, 2018). BV should accept e-
payments, which are not limited to credit cards but also include mobile payments. This payment could enhance selling opportunities by facilitating the selling process.

- The skincare market is very competitive and dominated by imported brands managed by conglomerates. Applying a differentiation strategy to distinguish the brand is important. Pursuing niche markets can avoid great competition (Jobbers and Ellis-Chadwick, 2013), which is considered a competitive advantage in production value chain (Chandra et al., 2000; Mentzas, 2004). BV’s products are created through technology and extensive R&D that provide BV with greater flexibility in product development and production quantity that fewer competitors or entrants can support.

- The tried, complimented, and well-advertised skincare products are key elements for customers (CMP Information Ltd., 2012). BV develops its social platforms with marketing support; now it needs effective advertisements to strengthen and enhance its brand awareness.

- A person in-charge is important for implementing the marketing plan. Such a person can plan and monitor the implementation process to ensure that integration in the company is successful. However, there is a profound effect on people in the firm (Jobber and Ellis-Chadwick, 2013). Cowan (1994) claimed that senior management has corporate-level insights, but not functions of the company; therefore, they can marshal the resources to satisfy customers’ needs and their impact on the entire company.

Recommendations

In strategic thrust, market penetration (Jobbers and Ellis-Chadwick, 2013) is imperative. BV uses its existing products from the wholesale market to penetrate the retail market in Hong Kong in an effort to increase its market shares in the mature market, which is a growing industry. Hence, although BV has more than 50 products, the room for price adjustments is limited. To compete with the mature market, product differentiation should be applied (Porter, 1985).

In terms of BV’s market positioning, the company offers a semi-premium dermatological and custom blended brand, but at a lower selling price than MTM, a custom blended brand,
and Skinceuticals, a dermatological skincare brand. BV can hire a private consultant with a pharmacological background for its retail chain to deliver professional information to consumers to differentiate these two brands. The questionnaire results indicated that about 87% of respondents want to understand the purpose of ingredients. In the 21st century, more customers are looking for personalized experience (Chevalier et al., 2012). To compete in the market, the ability to respond to the market quickly is needed. Collecting data quickly and easily through digital tracking is a current trend, and consulting with a pharmacist provides BV with additional options, as shown in Figure 5.1.

Figure 5.1 BV: future marketing positioning

(Source: Sanita Kwong, 2018)

To support this consultation, in addition to training the team, human resources are a crucial factor. BV is an existing company, so more input for manpower in its retail department is important. However, as labour support is limited in Hong Kong, scale alliance (Johnson et al., 2014) is recommended. All companies rush their products to market. Reducing product development time by half means reducing market penetration time by half (Robertson, 2006).
Applying scale alliance can save BV time and energy for stretching retail sales and marketing into areas without experience. Scale alliance can offer economies of scale in the production of services and share risks (Johnson et al., 2014). Partnering with retail sales and marketing companies with more experience in alliances can minimize culture shock. Anand and Khanna (2000) explained that more value is found from experienced partners than inexperienced counterparts. Hence, training, retail operation, and marketing can be strengthened with appropriate partners. E-payment should be arranged in the same project.

To manage the implementation, integration, and control of the marketing strategy, Cowan (1994) claimed that senior management should be responsible for such efforts rather than marketing or research managers as senior management has insights into the corporate level, but not the functions of the company for optimizing the resources to satisfy customers’ needs.

Finally, reassessment should be applied regularly to ensure that plans are consistent with the business capabilities and the environment (Jobbers and Ellis-Chadwick, 2013). The control stage should focus on identifying any changes in the market and provide feedback to management for further evaluation of efforts to realign the business with its environment.

Limitations

Despite its contributions, this project faced a few limitations. First, although the survey sample size was acceptable, more respondents would be more beneficial and strengthen the findings. Second, little information about potential competitors was available, which resulted in a limited SWOT analysis in terms of competitors’ performance. Finally, a firm audit would have been analysed in more detail if there had been company documents to study.
## Appendix 1: Project Ethics Checklist

### TAUGHT POSTGRADUATE PROJECT ETHICS CHECKLIST

**Project Title:** A Retail Marketing Plan of a beauty manufacturer SME - Beauty Velode International Limited

**Name of Student:** Sanita C Y Kwong

**Student Contact Details:** sanitakwong@hotmail.com

**Name of Principal Supervisor/Mentor/DBA module leader:**

**Dr. Daniel Gruszynski**

**Supervisor/Mentor/DBA module leader contact details:**

**Email address:** dga@neuland.com.hk

Has the student attended appropriate ethics training? **Yes**/ **No**

### Project Summary Table – For student to complete

<table>
<thead>
<tr>
<th>Aim or purpose of project – what is it trying to find out, explain, predict?</th>
<th>To recognize the ideal marketing mix that Beauty Velode International Limited (BV, the unreal name of the company) needs to adapt while they launch its own retail services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research questions or objectives</td>
<td>To critically analyse the factors of the current Hong Kong market status that BV needs to consider for enrolling retail marketing plan To understand the competitiveness of the skincare product environment, for identifying the strategy’s potential profitability with reviewing the leading competitors To identify the main target consumers and their buying preferences for BV for its retail marketing plan To study the company status to the current market for BV strengthen its</td>
</tr>
<tr>
<td>Methods of data collection and analysis (briefly)</td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td></td>
</tr>
</tbody>
</table>
| The objective of this paper is to **identify the factors that impact the marketing plan of BV to launch its retail business in the competitive complex skincare retail industry.**  
| A secondary research and brief description of the factors identify the environmental status that drive the retail market changes. The primary research is involved to collect the data through questionnaire survey to customer behaviour and its trend in Hong Kong.  
| This information and data from the secondary and primary researches will be involved to identify the marketing plan at the business level, hints the environmental, industry and competitors’ status and background, with a range of measurements to build the appropriate effective retail marketing plan at the product level for BV.  
| In the Literature review, it covers the understanding of the opportunities and the threats from the macro-environment and the industry attractiveness. To get known about the market information, a range of data is important from the government and the company published reports. To know the industry attractiveness, competitors review is crucial. A screening on the top skincare brands that represent half of the market sales share is presentable. Beside to collect data from the company published reports, business and marketing journals that give hints about the competitors’ business developments. Of course, customer buying behaviour is one of the variables of the marketing plan. 160 samples will be analysed through the questionnaires about their requirements on the products, pricing, promotions, and place. The sample size is presenting almost half of the yearly target retail sales if they made a purchase HK$2500 per year (2017, the Nielsen company). And this sample size is relatively presentable.  
| Interviews will be conducted with the in-charge of BV to understand its background, corporate mission, sales contribution, current strategies of pricing, promotion, place and product, staffs, organisation structure, and development plan for identifying the company strengths and weaknesses toward the external situation.  
| Base on all the factors from above analysed against to BV internal analysis to develop the marketing mix strategy to corporate the identified market objective after all.  
| **Date Sources:**  
| **Primary information:**  
| • Questionnaire to people who are using skincare products with average $200 monthly spending  
| **Secondary Information:**  
| • Publications on Marketing Strategy includes the article in Journal of Marketing, Marketing Research, Consumer Research, & Retailing  
| • Industry/market reports
### Table 1: Only complete Table 1 when secondary data are to be used

(e.g. existing datasets whether qualitative or quantitative, policy or governance or other documentation, minutes of meetings etc)

| Anonymity in data sources | Data set provides data identifiable to an individual or organization? | Yes | No | 1. Have you discussed this aspect of the proposal with the student? Yes/No
|   | Datasets used that allow identification of an individual or organization when combined together in a dataset of anonymous organisations but with postcodes and a look-up table of head office post codes? | Yes | No | 2. If the project has changed since the student completed the form, please note any changes in methodology. (If none, please state No Change)
|   |   | Yes | No | 3. Does the proposed study raise any ethical issues? (If none, please state No)
| Availability of data sources | Publicly available or through subscription? | Yes | No | If so, what are they? How are they being managed?
|   | Permissions needed? | Yes
|   | If Yes, permission obtained? (If so or in process, please provide brief details) | No |
Table 2: Complete Table 2 when primary data are to be collected – only complete for the methods being used, leave other sections blank

<table>
<thead>
<tr>
<th>This side to be completed by the student if interviews or focus group(s) are to be used:</th>
<th>To be completed by the M.B.A./MBA supervisor ONCE SUPERVISION HAS BEGUN or by the DBA Module Leader</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vulnerability</strong></td>
<td>Can any of the participants be thought of as vulnerable (think about power relations in the workplace and in relation to the researcher, e.g. participants nominated by managers or who know the researcher personally may feel obliged to participate)?&lt;br&gt;Yes/No</td>
</tr>
<tr>
<td><strong>Scale</strong></td>
<td>Approximately how many interviews?&lt;br&gt;...5...&lt;br&gt;...Approximately how many focus groups?...</td>
</tr>
<tr>
<td><strong>Length of time</strong></td>
<td>Approximately length of interviews?&lt;br&gt;...5 hours,...&lt;br&gt;Approximately length of focus groups?...</td>
</tr>
<tr>
<td><strong>Participants</strong></td>
<td>Selection criteria (roles, professions, ages, gender etc). For example, 'accountants having worked at least 5 years in tax'&lt;br&gt;One of the bosses, and she is the active director in the company, e.g. 'she is aged 50+ and being joined the company since 2000'&lt;br&gt;The company background, corporate mission, sales contribution, current strategies of pricing, promotion, place and product, staff, organisation structure, and development plan</td>
</tr>
<tr>
<td><strong>Content of interviews</strong></td>
<td>Type and topic of questions, e.g. opinions about employment law, attitudes to gender equality, experiences of applying for work, etc.</td>
</tr>
<tr>
<td><strong>Location</strong></td>
<td>E.g. country and venue, for example, 'Lagos, participant workplace', Near working station</td>
</tr>
</tbody>
</table>

Ethics Checklist September 2014  page 3

Method of recording data | E.g. audio recording, video recording, handwritten notes | Handwritten notes | This side to be completed by the student if observation is to be used: |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vulnerability</strong></td>
<td>Can any of the participants be thought of as vulnerable (think about power relations in the workplace and in relation to the researcher, e.g. participants nominated by managers or who know the researcher personally may feel obliged to participate)?&lt;br&gt;Yes/No</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Location</strong></td>
<td>E.g. Netherlands - office environment, airport lounges in UK, cafes in Paris, shoe factory in Peterborough</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Method of recording data</strong></td>
<td>E.g. researcher field notes, video recording</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Focus of observation</strong></td>
<td>Who and what will be observed?&lt;br&gt;E.g. 'Social interactions between baristas and their customers, participant observation of accountants in community practice'</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Ethics Checklist September 2014  page 4
<table>
<thead>
<tr>
<th>No of respondents sought</th>
<th>How many of the target population are expected/needed to respond?</th>
<th>80%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of survey</td>
<td>E.g. face to face, email, online, paper etc.</td>
<td>Online</td>
</tr>
<tr>
<td>Length of survey</td>
<td>Approximately how many minutes to complete the survey?</td>
<td>5-10 minutes</td>
</tr>
<tr>
<td>Content of survey</td>
<td>Type and topic of questions, e.g. opinions about employment law, attitudes to gender equality, experiences of applying for work, personal information - age, group, gender, salary range, buying preference - store location, buying channel, brand/conscious, product range</td>
<td></td>
</tr>
</tbody>
</table>

This side to be completed by the student if other methods are to be used, please provide brief details

To be completed by the MiM/MBA supervisor ONCE SUPERVISION HAS STARTED or by the DSA Module Leader

1. Have you discussed this aspect of the proposal with the student? Yes/No
2. If the project has changed since the student completed the form, please note any changes in methodology. (If none, please state No Change)
3. Does the proposed study raise any ethical issues? If none, please state No. If so, what are they? How are they being managed? N/A
<table>
<thead>
<tr>
<th>Conflict of Interest</th>
<th>To be completed by the MSc/MBA supervisor ONCE SUPERVISION HAS STARTED or by the DBA Module Leader</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there any funding/</td>
<td>1. Have you discussed this aspect of the proposal with the student? <strong>Yes/No</strong></td>
</tr>
<tr>
<td>sponsorship for the</td>
<td>2. If the project has changed since the student completed the form, please note any changes in methodology. <strong>If none please state No Change</strong></td>
</tr>
<tr>
<td>project?</td>
<td>3. Does the proposed study raise any ethical issues? <strong>If none, please state N/A</strong></td>
</tr>
<tr>
<td>Will the findings be</td>
<td><strong>Yes/No</strong></td>
</tr>
<tr>
<td>reported in ways</td>
<td>so, what are they? How are they being managed? <strong>N/A</strong></td>
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<tr>
<td>additional to the</td>
<td></td>
</tr>
<tr>
<td>dissertation, e.g.</td>
<td></td>
</tr>
<tr>
<td>summary report to</td>
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<tr>
<td>participating</td>
<td></td>
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<tr>
<td>organisations or</td>
<td></td>
</tr>
<tr>
<td>other interested</td>
<td></td>
</tr>
<tr>
<td>parties, external</td>
<td></td>
</tr>
<tr>
<td>publications?</td>
<td></td>
</tr>
</tbody>
</table>

**Other potential issues – please provide brief details**
PLEASE LEAVE THIS PAGE BLANK WHERE THE CHECKLIST FORMS PART OF THE MSC STUDENT DISSERTATION PROPOSAL ASSIGNMENT.

THIS PAGE IS TO BE COMPLETED BY THE SUPERVISOR/MENTOR ONCE SUPERVISION HAS STARTED, OR BY THE DBA MODULE LEADER.

RESEARCH ETHICS APPROVAL NEEDS TO BE OBTAINED BEFORE RESEARCH CAN BEGIN.

PLEASE COMPLETE and SIGN ONE of the two boxes below

(In the case of an MSC or MBA student project, we do require a Supervisor’s or mentor’s signature in whichever box is relevant...before we can have the checklist signed off by the Research Ethics Panel. For DBA module assignments, the DBA module leader will sign):

1. I have discussed this project with my student AND
2. I confirm that there are no ethical issues requiring further consideration.

(Any subsequent changes to the nature of the project will require that the Panel be informed)

Signature (Supervisor/mentor/module leader)

Date: first/original version signed before project started: 22 February 2018;
updated version signed: 1 September 2018

PLEASE PRINT NAME ...Dr. Daniel Gruszynski

OR

1. I have discussed this project with my student AND
2. I confirm that there are ethical issues requiring further consideration and would appreciate the opportunity to discuss these with a member of the Ethics Panel.

Signature (Supervisor/mentor/module leader): ........................................................ Date: ........................................................

PLEASE PRINT NAME ..........................................................................................................................

If you are required to give more information or to complete a full ethics application form, you will be informed. Otherwise you will receive notification that the project may proceed.

Please submit this checklist (with your dissertation proposal or/and other supporting document) by email to:
Foml.Ethics@bradford.ac.uk
Appendix 2: Survey Questions

An undergraduate degree paper Survey

I am an under-graduation student. The purpose of this survey is to collect data for my project management dissertation about the buying behaviour of skincare in Hong Kong. Firstly, kindly accept my appreciation of your participation. This survey will take you about a few minutes. Your times spend on this survey and your sincere answers are very important for my study. Thanks again!

*Required

Gender *

- Female
- Male

Age Group *

- 18 – 24
- 25 – 34
- 35 – 44
- 45 – 54
- 55 or above

Your Income range per month (HK$) *

- 9 k or below
- 10 k - 14 k
- 15 k - 20 k
- 21 k - 30 k
- 31 k - 40 k
- 41 k - 50 k
- 51 k - 60 k
- 61k or above

Which area do you live? *

- Hong Kong island
- Kowloon
- New Territories
- Outlying Islands (Lamma island, Lantau Island, Discovery Bay..)

Which area do you work? *
☐ Hong Kong island
☐ Kowloon
☐ New Territories
☐ Outlying Islands (Lamma island, Lantau Island, Discovery Bay..)

Occupation *
☐ Senior Management (Director, CEO, CFO...)
☐ Managerial Level
☐ Executive
☐ Sales Administrator
☐ Specialist (Teacher, Doctor, Dermatologist...)
☐ Housewife
☐ Self-employed
☐ Retired
☐ Other:

Education Level *
☐ Master or above
☐ Degree
☐ Secondary School
☐ Primary School or under
☐ Refused to answer

1. Please name the brands of the listed products that you use? (slide the bar under the question for more brands option) *

Aveda Biotherm Bobbi Brown Clains Chanel Cle De Peau Clinique Cosme Decorte Dior
Dr Hauschka Estee Lauder Fancl Garnier Glycel Julique Kiehl's Lancome Lanegie La Roche-Posay MTM Neutrogena Obagi Olay Origins P&G Skinceuticals Shiseido ShuUemura SkinExpert Skinneed SkinPerfection SkinMedica Sofina Sulwhasoo SKII TheHistoryofWhoow Vichy DirectSellingbrands Others

☐ Make-up remover
☐ Cleanser
☐ Toner
☐ Serum
☐ Moisturizer
☐ SPF
2. How long have you been using the current skincare brand? *
   
   □ less than 1 month  
   □ 2 to 6 months  
   □ 7 to 12 months  
   □ more than 1 year  
   □ more than 1 and a half year  
   □ more than 2 years  

3. Will you try new skincare products? If yes, what are the factors to make you try them?  
   (1 is the most important, 10 is the least important)  
   
   □ Recommendations from friends  
   □ Recommendations from magazines  
   □ Recommendations from beauty bloggers  
   □ Influenced by Celebrities/influencers  
   □ Branding  
   □ Pricing  
   □ Samples  
   □ New & fun concept  
   □ Easy accessibility  
   □ Easy to use  

4. What makes you keep using the current skincare products?  
   
   □ Continuously seeing good result on your skin  
   □ No side effect on your skin  
   □ Not aware of better brands/products  
   □ Price  

5. Please rank the importance of your skin requirement. *  

   Very Important / Important / Neutral / Less Important / Least Important  
   
   □ Whitening  
   □ Cleansing  
   □ Sterilising  
   □ Pore-refining  
   □ Hydration  
   □ Tightening
6. Please rank the importance of skincare product features. *
   - Very Important / Important / Neutral / Less Important / Least Important
   - Brand Image
   - Price
   - Safe / Natural Ingredients
   - Results
   - Reputation
   - Packaging
   - Smell
   - Hypo allergic

7. Are you satisfied with the time you spend on current routine skincare? *
   - YES
   - NO

8. How much time are you willing to spend on routine skincare? *
   - Within 5 minutes
   - Within 5-10 minutes
   - 11-15 minutes
   - Other:

9. How long will you give to see result / improvement when using a new skincare? *
   - less than 1 month
   - 1 month to 2 month
   - 2 months or above
   - Other:

10. How much do you spend on skincare product per a quarter? (HK$) *
    - <500
    - 500 - 900
    - 1k - 1.4k
11. Where do you usually receive information on new skincare brands? *
   - Beauty counter / store
   - Facebook
   - Twitter
   - Instagram
   - Snapchat
   - Magazines
   - Word of mouth
   - Sample
   - Advertisements (Billboard)
   - Posters (bus, MTR, tram)
   - Flyers
   - TV
   - Other:

12. Where do you usually purchase your skincare? *
   - Beauty counter / store
   - Drug store / Pharmacy
   - Online
   - Department store like Lane Crawford, Joyce Beauty, Harvey Nichols
   - Multi-brand Specialty Retailing like Sa Sa, Colormix..
   - Superstore / Supermarket
   - Other:
     - The office of the brand

13. Which area do you usually purchase your skincare products? *
   - Causeway Bay
   - Wanchai
14. Do you make online purchase? If yes, what make you to purchase on-line? *

☐ Social Media
☐ Word of Mouth
☐ Online Advertisements
☐ Magazines
☐ Convenience
☐ Price
☐ No, I don't make any online purchase
☐ Other:

15. What make you purchase while you are travelling? *

☐ Impulse Buying
☐ Word of Mouth
☐ Cheaper than in HK
☐ Not available in HK
☐ No, I don't buy skincare product during trips
☐ Other:

16. Please rank the manufacturing country of the skincare that you would purchase. *

Most Likely / Likely / Considerable / Not Consider

☐ Australia
☐ China
☐ Europe
☐ Hong Kong
☐ Japan
☐ Taiwan
☐ USA
☐ Australia
☐ China
☐ Europe
☐ Hong Kong
☐ Japan
☐ Taiwan
☐ USA

17. Do you want to know the purposes of the ingredients? *
   ☐ Yes
   ☐ No

Thank you for completing the survey, data will be used for an undergraduate dissertation analysis only.
Appendix 3: Consent Letter

Title: A Retail Marketing Plan of a beauty manufacturer SME – Beauty Velode International Limited

Consent Form for Interviews: a Qualitative Sub-study

Thank you for reading the information sheet about the interview sub-study. If you are happy to participate then please complete and sign the form below. Please initial the boxes below to confirm that you agree with each statement:

I confirm that I have read and understood the information sheet dated [13/01/2018] and have had the opportunity to ask questions.

I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason and without there being any negative consequences. In addition, should I not wish to answer any particular question or questions, I am free to decline.

I understand that my responses will be kept strictly confidential. I understand that my name will not be linked with the research materials, and will not be identified or identifiable in the report or reports that result from the research.

I agree for this interview to be recorded. I understand that the audio recording made of this interview will be used only for analysis and that extracts from the interview, from which I would not be personally identified, may be used in any conference presentation, report or journal article developed as a result of the research. I understand that no other use will be made of the recording without my written permission, and that no one outside the research team will be allowed access to the original recording.

I agree that my anonymised data will be kept for future research purposes such as publications related to this study after the completion of the study.

I agree to take part in this interview.

Name of participant ___________________________ Date ____________ Signature ___________________________

Principal Investigator ___________________________ Date ____________ Signature ___________________________

To be counter-signed and dated electronically for telephone interviews or in the presence of the participant for face to face interviews

Copies: Once this has been signed by all parties the participant should receive a copy of the signed and dated participant consent form, and the information sheet. A copy of the signed and dated consent form should be placed in the main project file which must be kept in a secure location.

Participant interview consent form, Version 3, dated 13/1/2018
References:


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