

International Brand Management and Strategy – The Case of I Nuovi Cosmetics

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Abstract

The objective of this case study was to examine the success of I Nuovi Cosmetics Singapore Pte Ltd (INC). INC utilized a very international approach in its operations, from the portrayal of I Nuovi as an international brand to the outsourcing of production overseas. To better understand its international operations, the USA and Japan markets are discussed in greater detail. Marketing strategy adaptations have been made in each country due to economic, cultural and legislation differences.

Keywords: International brand management, International marketing

Introduction

According to Interbrand's 2001 ranking of the most valuable global brands, less than one percent of them were from the Asia-Pacific, despite Asia's representation of 56 percent of the world's population (Rosenkranz, 2001). Temporal (2000) believed that Asian companies face difficulties in building strong global brands because of powerful western brands and global consumers perceptions of low quality of Asian brands. Hence, branding should be a priority for Asian firms operating in both foreign and domestic markets.

The following case study introduces a Singapore-grown cosmetics brand, I Nuovi Cosmetics (INC), which has successfully established itself in the international cosmetics industry despite tough competition from key rival such as Estée Lauder, Shiseido and Loreal. Effective brand management required taking a long-term view. This necessitated proactive strategies designed to maintain and enhance customer based brand equity over time in the face of external changes in the marketing environment and internal changes in the firm's marketing goals and programs (Keller, 1998).

Company Background

I Nuovi Cosmetics Singapore Pte Ltd (INC) started operations in October 1996 with a relatively limited product range. INC was conceived from the start as a

vibrant colour cosmetics brand that combines quality with an easy-to-use application approach, to fulfill the needs of modern women. The reasons for starting with colour cosmetics instead of skincare were compelling. Firstly, they were easier to sell compared to skincare as the latter require a larger degree of brand loyalty to induce purchases. Secondly, the price points were lower, making it easier to induce impulse purchases. It was only after INC had established its brand position in colour cosmetics, that it launched its skincare line, Active Skin Therapy (AST) in June 2001.

Today, INC is one of the preferred makeup choices for many industry professionals and celebrities worldwide. Its annual sales turnover worldwide was estimated to be S\$10 million at 2001 and the total employment created was approximately 150 to 200, of which 70 were based in its Singapore head office and Malaysia regional office.

General Market Trends for Cosmetics in Singapore

The market for cosmetics and toiletries in Singapore stood at S\$589.9 million in 2000, with a compound annual growth rate of 6.9 percent. Colour cosmetics accounted for the largest proportion of sales from 1996 to 2000. Lip and facial make-up products registered dynamic growth as women experiment with a bolder range of make-up variants and colours (Euromonitor 2001).

The Singapore cosmetics market was highly fragmented

with the leading player, Estée Lauder, accounting for only 13.6 percent market share at the end of 2000 despite having five international brands under its wing in 2000 (Euromonitor, 2001). Other major brands included Shiseido and L'Oréal. It is unlikely that the share of any cosmetics company could be sustained in the long run due to the increasing number of new entrants.

Adopted Marketing Strategy in Singapore

Target Market

Gender, age and income level were the three main considerations used in INC's selection of target market in Singapore. INC's primary target customers for its colour cosmetics line were young women aged 20–24 years. Its target markets would be further enlarged to include male consumers in future with plans to launch its hair and body care product line.

Brand Elements and Image

Keller (1998) defined brand element as visual or verbal information that serves to identify and differentiate a product. The most common brand elements were brand names, logo, symbols, characters, packaging and slogans. One key issue was therefore the selection of a suitable brand name as this was related to branding strategy (Rooney, 1995). "I Nuovi" an Italian phrase meaning "The New" was an adept name for the cosmetics line as it was a new player in the cosmetics industry.

Being part of the fashion industry, customers would usually judge a new cosmetics brand based on its portrayed image. Bearing this in mind, INC designed its stores using various innovative concepts to deftly portray its brand philosophy. These design concepts were replicated in its overseas outlets to provide a consistent image worldwide. INC has successfully used white as a good contrast to its colour ranges. To complement this, all sales personnel are also dressed in white uniforms.

Another unique aspect of the design was the adoption of an open concept in its shop display and merchandising. All products were conspicuously displayed with testers and product information. The concept proved successful, as consumers were getting more sophisticated and preferred to browse around before getting assistance, though at that time it was considered a rarity in the industry.

Product

INC products were fragrance and animal-test free, with botanical extracts, anti-oxidants, sunscreens and vitamins

added for enhanced beneficial effects, and to create a point of difference. Each product had undergone intensive research and stringent manufacturing control, with constant reviews to reflect the latest technology and trends.

The colour cosmetics line encompassed an entire line of customizable make up products for professional and amateurs. Eye-shadows, foundations and lipsticks were its fastest selling products. Professional services like makeover, eyebrow shaping and makeup classes were also offered. On the other hand, INC's skincare line, active skin therapy (AST), utilized a treatment philosophy based on cellular bio-enzymatic action to address skin problems widely prevalent in modern lifestyles.

Due to the wide range of products that suit every skin type and climate, there were no other adaptations apart from the labeling when the products were launched overseas. The packaging was designed in-house, taking portability and simplicity as key considerations. In addition, all INC products have to comply with the legislations set by the respective local authority before they can be sold in the country.

Pricing

INC adopted a competitive cum market-based pricing strategy in its Singapore market. Its prices were 15 to 20 percent lower than leading premium brands. Some examples of pricing of the colour cosmetics range from S\$19.42-S\$44.66 for foundation, S\$19.32-S\$21.84 for lip make up and S\$15.05-S\$21.84 for eye make up. The prices for AST products like skin cleansing gel were slightly higher. (The exchange rate was about US\$1 to \$1.70 Singapore dollar).

Being a relatively young brand, such a strategy was considered effective. The lack of credibility of a new brand would deter consumers spending if it was priced close to the established brands. Nonetheless, INC did not want to be perceived as a cheap pharmacy brand by using a price penetration strategy. Prices across the international markets were however subjected to cost plus considerations in order to cover transportation, logistics and freight costs.

Advertising and Promotions

In an increasingly competitive marketplace, greater emphasis was placed on brand image as the basis for consumer discrimination. Advertising has been used by many companies to develop their brand images but INC chose to rely more on editorial write-ups to build its credibility.

INC has a good reputation for holding launch shows for big fashion brands like Gucci and Levis. This has helped to promote INC as a professional makeup brand. In 2001, INC was the official makeup brand for Singapore Fashion Week, organized by the Singapore Tourist Board and Trade Development Board.

Sales promotions were considered essential in the industry and promotions such as Gift-with-Purchase, Purchase with Purchase or Special Buys Promotions were conducted 2-4 times annually in all markets to coincide with the launch of new season colours or the mid and year-end sales. Ad hoc promotions with credit card companies were also conducted to tap on their databases.

Loyalty Programs

INC has several membership programs in place to reward its loyal customers. With the VIP card scheme, members could obtain discounts on their purchases. At present, it has about 20,000 registered members in Singapore alone. It also has an international membership program that entitles members to online purchase discounts. Its new card scheme allowed for free gift redemption with stamps accumulated on AST purchases.

Distribution Channels

INC products were available through cosmetics counters in departmental stores and stand-alone boutiques. All Singapore outlets carried the complete product line. New products would be launched in Singapore first before they were launched overseas.

Besides counters in departmental stores, stand-alone boutiques were established to provide more management control, brand visibility and a sense of product exclusivity. The over-riding criteria for the selection of store locations were based on the volume of human traffic and the profile of shoppers. Today, INC has eight stores in Singapore, comprising four cosmetics counters and four stand-alone boutiques.

An online store was also created to reach out to its global customers, although it was started initially for building brand awareness. This establishment of this channel was congruent with INC's young target customers who were likely to be Internet savvy. INC started its official website - www.inuovi.com, in 1997, way ahead of many other retailers. This site was subsequently revamped in 2000 and was featured in *The Straits Times* in 2001 as a successful e-commerce website that exhibits sophistication, ease of navigation and quality of services (*The Straits Times Singapore*, 2001).

Personality and service orientation were seen as more important than experience in the selection of INC's sales personnel. Selected sales persons underwent two-week training, after which they were posted to an outlet for a three-month probation period. This stringent hiring process ensured that only quality service was offered to customers in order to maintain high-quality service standards.

Intellectual Property

INC production was outsourced to contract manufacturers in Japan, Italy, France, Switzerland and USA. As a form of legal protection against trade secrets infringements, secrecy contracts were signed with these manufacturers. INC management has no intention to outsource the manufacturing process to Asian countries (except Japan) due to potential country-of-origin effects.

Globalization and International Marketing

A global brand could be defined as one that is present in most world markets and has a universal appeal, same brand personality and values. With this in mind, the management decided that INC should expand globally. To date INC has operations in Malaysia (1998), Kuwait (1999), Japan (1999), Qatar (1999), U.S.A., (2000), Canada (2000), Hongkong (2000) and Taiwan (2001).

In 1998, the first opportunity to expand overseas arose in Malaysia. INC was approached by Isetan Kuala Lumpur, to set up a cosmetics counter there. The management of INC identified this as a good opportunity to bring INC out of Singapore, either through a distributor or a wholly owned office.

Distributorship was used as the main entry mode for INC's globalization efforts because distributors would have an established distribution network in their host country, thereby making market penetration faster and easier. They would also share responsibilities such as sourcing of locations and planning of marketing activities with INC. To ensure a smooth globalization process, INC set stringent criteria for the selection of distributors worldwide. Distributors for example must have a clear understanding of INC's image and products so as to enable them to conduct its marketing activities effectively and also have experience in the host country especially in the cosmetics industry. For most international markets, sales volume has grown steadily. To date, there has not been any exceptional change in sales volume in all international markets with the exception of Japan due to the recent economic crisis.

We now look in detail at two overseas markets - the

United States of America (USA) and Japan. The rationale for penetrating these markets was due to their comparable stages of economic development and large domestic markets that were crucial to INC's future growth.

The United States of America (USA)

Competitive Environment

INC management offered the USA distributorship to a company based in Los Angeles and allowed it to take on the name of INC Cosmetics Inc (INC Inc.). The primary reason for the choice of this company was due to its excellent relations with Hollywood, which would greatly boost publicity for INC. INC was officially launched there in February 2000 and currently has 31 outlets States-wide carrying its products.

Competition among cosmetics brands was fierce primarily due to the weakening brand loyalty among mass-market brands in America. The leading brands, including Revlon and Estée Lauder suffered from stagnant or declining share since 2000. Only relatively newer prestige brands such as MAC saw noticeable increases (Euromonitor, 2001). This provided opportunities for a niche brand like INC though its initial sales were disappointing.

The USA cosmetics industry was free to use ingredients that were known to be safe in the business and at concentrations deemed to be appropriate for cosmetic products as long as they follow certain guiding principles (Geffken, 2001). All cosmetics companies including INC must ensure that their products complied with the legislations set by the Food and Drug Administration (FDA) before they can be sold in the States.

The aggravated worldwide recession after September 2001 did not affect America as much as it affected Japan in terms of consumer confidence and spending. American women had low purchase frequency for cosmetics in the first place and many of them did not reduce or cut back on their purchases. As a psychological boost, many consumers found that after having scaling back on purchases of luxury items, they would spend on minor indulgences, like the purchase and use of cosmetics. Cosmetics, seen by many women as a high involvement product and relatively inexpensive, have become the items consumers splurge on. The retail sales turnover for INC in USA stood approximately at \$1.5 million from April 2000 to March 2001.

Marketing Strategy

A complete colour cosmetics line was carried in the USA

while the AST line was only recently launched there. The price ranges for some of the products are as follows: US\$15.50-US\$35.00 for foundation, US\$15.00-US\$16.50 for lip make up and US\$11.00-US\$16.50 for eye make up.

The most significant distribution channels used in the USA were through departmental stores and specialty stores, which together accounted for 42 percent of all colour cosmetics sold in 2000 (Euromonitor, 2001). INC mainly distributed their products through departmental and specialty stores, with a minority of stand-alone boutiques. An example of departmental and specialty stores used was the Pure Beauty stores located in many cities in California. There were also channels using Internet online stores like ibleauty.com and wherehealthbegins.com and also mail orders but these were not as popular as the other mainstream channels for purchases. However, sales through Internet sites have been growing in the past 2 years.

Makeup artists and celebrities were crucial in helping INC to create brand awareness since it was a relatively unknown brand. INC's strategy in leveraging on makeup artistes and in tie-ups with celebrities allowed it to secure a foothold in the America market. Another means of promoting the brand was through sponsorship of artistes' makeup in movies and TV networks and in tie-ups with salons and fashion labels for cross selling purposes.

The profile of consumers using INC products in the States were that of young adults and middle aged women. As a rule, American women appeared to be less fashion conscious and not as well informed about makeup and fashion trends. They also tended to use cosmetics at an older age compared to Japanese women.

Japan

Competitive Environment

Nick & Shorn (N & S) was selected as INC's Japan distributor in June 1999 because they showed more interest in the distributorship and had previous experience in handling and selling of cosmetics products. Other cosmetics brands under N & S distributorship included Urban Decay. However, this brand has a smaller range and was thus deemed as complementary and not a threat to the INC brand. Today, INC distribution is concentrated in Tokyo-the trend-setting capital of Japan, with a total of 12 outlets.

Several adaptations of INC products were made before its entry into the market. A Japanese logo was specially created for use in official correspondences, posters and product packages. All new products' formulations were

made available to N & S for its application for government licenses governing sales. As most Japanese did not understand English, training was conducted in Japanese for the office and sales personnel, who in turn trained their own workers.

New product launches in Japan were frequently delayed due to the stringent licensing legislations. However, effective from April 1, 2001, a sweeping three-year deregulation plan has amended the "Japanese Pharmaceutical Law" established in 1960. These amendments included the abolition of the pre-market licensing requirements and the establishment of new cosmetic standards intended to globalize trade by removing traditionally cumbersome barriers (Geffken, 2001). This quickened product diffusion for INC in Japan.

The market share held by the various cosmetics brands changed very little in 2000, due to market maturity and the tendency for Japanese women to stay loyal to the same brand. Shiseido had retained its number one position, with relatively new brands like Pieds Nus and Proudia making some inroads especially among the younger Japanese women. Thus, the challenge for N&S was to induce its target customers to switch to INC instead of continuing to use their own brands of cosmetics.

The target customers for INC brand were 3 to 4 years younger compared to those in America and Singapore as Japanese women tended to use cosmetics at a younger age. INC brand was also perceived as a low priced product due to comparably higher standard of living in Japan. It was also likely that due to INC affordability, the brand tended to attract a younger clientele.

Before the recent economic crisis, the Japanese market had been performing well in terms of sales of cosmetics and toiletry products. However, Japan today is facing its worst economic downturn to date as reflected by declining consumer confidence and sales. Japanese consumers were holding back their purchases in many areas of consumer goods including cosmetics. Fortunately for INC, its young consumers appeared to be less affected by the recession and have continued to spend on their favourite cosmetics brands. INC retail sales volume for April 2000 to March 2001 stood at about S\$1.5 million.

Marketing Strategy

Presently, the full range of INC cosmetics is available in Japan. The prices for some of the products are as follows: ¥1,800-¥3,600 for foundation, ¥1,800-¥2,000

for lip make up and ¥1450-¥1950 for eyes make up. (The exchange rate was about US\$1 to 118 Japanese yen).

N & S has five stand alone boutique stores even though they are a rarity in Japan due to their expensive rentals. The company had also set up INC cosmetics counters at departmental and specialty stores such as Nakachuu, Sephora and Blue Lagoon. There was even lesser use of Internet online stores in Japan compared to America as Japanese women appeared to resist buying cosmetics through virtual sites without physically viewing and trying them on.

The main advertising and promotional efforts in Japan revolved around editorial features and advertisements placed in magazines like Vogue, Classy and MISS. N & S also started a makeup school to conduct lessons using INC products. This had proved to be a successful promotional effort since students in this makeup school had to use the products, creating brand acceptance and sales.

The INC brand was viewed predominantly by both American and Japanese women as an innovative and niche market brand. In America, its prices were considered to be mid priced compared to Japan where it was viewed as a budget and entry level brand. The different perceptions were primarily due to the cost plus pricing strategy adopted by INC in both markets. Due to the higher standard of living in Japan and the extant prices of cosmetics brands, INC products were invariably seen as a low end brand. See Table I.

Future Plans and Outlook

Having established INC presence in some of the developed nations of the Asia Pacific and America, INC planned to enter the European market, which was seen as one of the most attractive market in the world. To prepare for this entry, INC will participate in the upcoming COSMOPROF tradeshow in Italy in 2003 with hopes to secure contacts of potential distributors in Europe.

China's huge market base and current developments also present an opportunity for INC. However, INC is maintaining a reserved attitude towards this investment due to China's burgeoning civil government, its bureaucratic and ever changing legislation and its ill defined and differentiated markets. INC management hopes that the bureaucracy, market and regulatory conditions would change with China's recent entry into the World Trade Organization (WTO).

INC management viewed its future favorably due to its

Table 1:
Comparisons of Different Aspects of Marketing for United States of America and Japan

Different Aspects of Marketing	United States of America	Japan
Launch Period	Launched in February 2000. Exclusive distributorship with company with ties to Hollywood, Los Angeles.	Launched in June 1999 with non exclusive distributor carrying complementary niche brands.
No on Outlets/Stores	31 Statewide	12 mainly in Tokyo area.
Economic Situation	Effects of recession not so serious. Spending not so affected by recession. Plan to expand further into other cities.	Effects of recession more serious. Spending more affected by recession but less so for teenage and young markets which appear more free to spend. Expansion plans in Japan put on hold.
Legislative Environment	Liberal legislative environment for new product launches.	Stringent legislative environment for new product launches; however recent move to liberalize on legislations.
Product Life Cycle	Mature stage. Weak brand loyalty; customers more prone to experimentation; easier to break into market	Mature stage. Strong brand loyalty; customers less prone to experimentation; harder to break into market
Product Range	Line of colour cosmetics; just launched AST skin care brand.	Full line of of colour cosmetics and skin care products.
Brand Position	Aim to instill brand recognition; recognize low probability of immediate profit on short term. Niche player. Seen as mid price brands due to lower standard of living.	Aim to instill brand recognition; recognize low probability of immediate profit on short term. Niche player. Seen as lower price brand due to higher standard of living.
Brand Elements	No change to logo and no change to product information. Training done in English	Change to logo and change to product information. Training done in Japanese
Target markets	Mainly young to mid age adults. Groups not as well informed on fashion and cosmetics. Less disposed to spend on cosmetics. Use make up at a later age.	Mainly teenagers to young adults. Groups well informed on fashion and cosmetics. More disposed to spend on cosmetics. Tends to make up at a younger age.
Advertisement and Promotions	Mainly paid print advertisements. Publicity through editorials, magazines and make up artistes. Perform make up on stars and actresses/models as publicity.	Mainly paid print advertisements. Publicity through editorials, magazines and the running of make up school.

competitive advantages, which were its innovativeness, quality and trendy products and its flexible and nimble management style. With the increasing educational and income levels of countries worldwide, the demand for cosmetics was likely to increase, posing an opportunity for INC to step up its ventures overseas.

Management felt that while having stores everywhere was a symbol of international access, more important was the establishment of a strong and identifiable brand. With the exception of Japan, most Asian companies have not done enough to promote their brands outside their home country. In turbulent markets, brands equity remained the key to customer loyalty and long-term survival.

Lessons from this International Brand Management Case INC has achieved remarkable progress in its internationalization plan with effective market entry into two large and strategic markets. Revenues in both countries have increased, by some 10 percent in the USA and 15 percent in Japan in the 2001 /02 financial year and INC has for the first time registered a small net profit. With better brand recognition and association of quality and good value for money attributes, INC was poised to increase its penetration in these markets both in terms of market share and revenues. This case provides some key managerial implications and the lessons learnt as outlined below could well serve as a model for other companies wishing to take their brands overseas.

Environmental Factors

Environmental issues were of key concerns to marketers when looking at export designation potential of different countries. In Japan, the effects of the recession were more serious than in USA as reflected in spending on cosmetics but less so for the teenage and young markets which appeared to spend more freely. Nevertheless the effects of the recession has lead INC to delay its expansion plans in Japan. The legislative environment has also contributed its effects in Japan where the introductions of new product launches were often delayed due to the more stringent legislative requirements. However with the recent liberalization of import requirements, this would speed up INC's product introductions in Japan.

Product Lifecycle and Loyalty

In terms of product lifecycle, both countries have reached the mature stage of the lifecycle for cosmetics. In USA, weak brand loyalty predominated with customers more use to experimentation with new brands

whereas Japanese women tended to be more brand loyal. In Japan, the customers were mainly teenagers and young adults compared to USA where the average age of the customer was older. As a rule Japanese women were well informed on fashion and cosmetics, more so than American women and tended to make up at a younger age. They were also more disposed to spend on cosmetics but this was somewhat tampered by the effects of the recession.

Brand Awareness and Recognition

The aim of INC in both countries was to instill brand recognition as a niche player. The company wished first and foremost to increase brand awareness and recognition and realized there was a low probability of immediate profit. This was reflected in the cost plus pricing strategy that was adopted in both USA and Japan. In America the brand was seen as mid-priced brand whereas in Japan it was viewed as a budget and market entry brand due to the higher standard of living there.

Product Adaptation and Change

Several adaptations were made before entry into the Japanese market. A Japanese logo was specially created for use in all correspondences, posters and product packages. As most Japanese did not understand English, training was conducted mainly in Japanese. There was no change to the logo and product information in the United States and the training was conducted in English.

In both markets, colour cosmetics were introduced first as these products saw greater usage and were initially priced below the leading brands. Also, skin care products were considered more highly involved and carried a higher level of financial, physical and social risks. Hence they were introduced to the markets later after brand equity has already been achieved in the respective markets.

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Biography

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