



Maintaining the Competitiveness of Artistry Cosmetics in the Global Marketplace

THE IRISH TIMES

Business 2000

Amway has grown from being an American based organisation to a truly global marketing organisation. This Business study tells the story of how Amway has manipulated the marketing mix for their Artistry* range of cosmetics. By doing so, it enjoys the benefits of economies of scale in production, packaging and promotion while fulfilling the specific needs and wants of its target market across different countries.

Background

The Amway Organisation

Founded in Ada, Michigan in 1959, Amway has become one of the largest 'Direct Selling' companies in the world today. In the thirty eight years since its inception Amway has developed into a truly global corporation selling more than 400 products and employing in excess of 13,000 people in over seventy countries around the world.

Amway's main manufacturing, administrative and distribution headquarters are at Ada, Michigan. Most of the seventy countries and territories have their own Affiliate head offices. Amway manufactures and markets products ranging from household cleaners, laundry products, toiletries, cosmetics, vitamin supplements and housewares, to a global base of customers. It also markets products on behalf of other leading manufacturers, such as Bosch, Kenwood, Aiwa and Philips.

Amway operates by selling through distributors who buy products direct from Amway and then sell to people whom they know or meet. There are more than 2.5 million renewed independent Amway distributors world-wide. Amway distributors are not Amway employees - rather they operate their own independent Amway businesses. Distributors earn their income through retail profit on the products they sell. In addition, they receive a commission from Amway based on the volume of sales they generate personally, and from sales generated by other distributors within their group.

* Trademark Amway Corporation, Ada, MI, USA.

The Artistry range of cosmetics

Over the last twenty five years, Amway has invested millions of dollars in the development of the Artistry range of Skin Care and Cosmetics. The range comprises 3,257 individual lines which are sold in over thirty countries throughout the world.

All Artistry products are the result of years of meticulous research, development and testing. The high quality of the Artistry range is assured by stringent research and development, and world-class manufacturing principles. Amway has a commitment to research the newest ingredients in the industry for ongoing development of new formulae and use state-of-the-art manufacturing techniques.



Global Marketing

Amway is a global organisation which markets its products on a global scale. Global marketing involves selling products across world-wide markets. It is a very challenging strategy and presents far greater risks for companies than operating in a domestic market where goods are sold in only one local area. Once a firm moves into the global arena it is faced with the task of how to market its goods in a number of countries that may have different needs, and operate by entirely different rules and regulations. These differences arise from some or all of the following factors:-

- Cultural factors - such as different languages, different social structures and different purchasing habits
- Technological factors and standards
- Legal and political factors and requirements
- Demographic factors such as a differing population size and structure
- Climatic factors
- Competitive factors such as unreliable data and unfamiliarity with competitors
- Economic factors such as different currencies

However, at the same time, consumer needs and aspirations around the world are said to be converging, so that despite the differences that national boundaries may create, there are commonly accepted universal needs and wants that transcend national barriers. Therefore, a key to operating successfully in the global marketplace involves standardising elements of the marketing mix (product, price, place, promotion, packaging) so that you can identify needs and wants that are common across countries and identify those elements of the mix that require a degree of adaptation to allow for local differences. This requires a thorough understanding of every market where a firm operates.

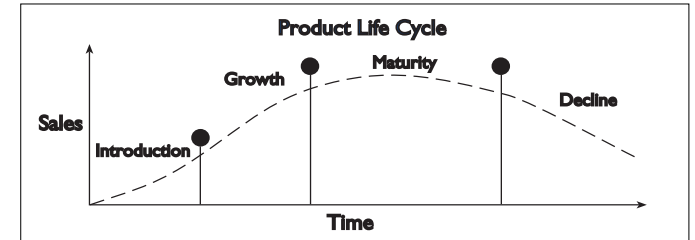
Although the risks involved in global marketing are great, there are many advantages and benefits which have encouraged companies like Amway and other large organisations to operate in the global marketplace:

- Global markets offer companies opportunities to derive economies of scale. A business can spread its research and development, and technology and distribution costs, therefore maximising production efficiency.
- Consumer needs and aspirations around the world are converging. As we move in this direction, the tastes and preferences of consumers from different nations are beginning to merge, resulting in one enormous global marketplace.
- Other markets are growing faster than the European and American markets. This offers companies new opportunities for growth, for extending the life cycle of its products and the opportunity to spread risks across a number of markets.

Artistry - the global shade revision

Why a revision of Artistry was necessary - Product Life Cycle Concept

According to the product life cycle concept, all products move through four life cycle stages: introduction, growth, maturity and decline. New products enter the market at the introductory stage and often enjoy rapid sales growth. If they are successfully accepted by the market place, they enter a period of growth where sales climb continuously. When growth in sales starts to level off, the product moves into maturity. Firms invest heavily in advertising, marketing, product improvements etc. at this stage in order to prolong the life of their products and counteract threats from competitors. When sales start to diminish, a product is said to be in the decline stage.



High fashion products experience perhaps the most dynamic and changeable life cycles. Therefore, managing and maintaining market share for these products is a very challenging task - managing it in a global environment is somewhat more complicated. Cosmetic manufacturers are constantly under threat from changes in the fashion industry. If these changes were not managed, the product would rapidly move into decline. Artistry's Strategic Global Plan for maintaining the competitiveness of Artistry-shaded cosmetics and prolonging its product life cycle, ensures its range is continuously in line with evolving market trends and tastes. Amway invests heavily in market research to keep abreast of changing consumer trends and tastes. The product is continuously improved and refined as a result of what this research reveals.

In 1996 Amway set about upgrading its Artistry brand of cosmetics with the objective of increasing the global competitiveness of the brand. The real key

to Amway's success in the global marketing of Artistry was achieved by having an intimate knowledge of each market - being clear on what elements of the marketing mix



could be standardised and the elements that required change. Prior to this revision the company engaged in extensive world-wide market research to gain a clear and comprehensive understanding of the needs and wants of its target market in each region.

Understanding the needs and wants of the target market

Results from international marketing research commissioned by Amway and aimed at gaining a broad-based understanding of the Artistry user, indicated the overall profile of the Artistry user was consistent across geographic regions. According to this research, the Artistry woman leads a busy lifestyle, appreciates quality cosmetics and rates skin care as being important to her. She transforms herself when wearing cosmetics and likes a natural appearance. She likes a variety of cosmetic shades so that she can create any look she wants.

However, the images that the Artistry woman is attracted to are very much regional or country specific. For example in Thailand the Artistry woman is attracted to a Classic/traditional image and an

image of pampering, but in Taiwan the most appealing image is a classy, elegant one. The German Artistry user is attracted to images of glamour and luxury but also scientific and clinical images. In the United States scientific and clinical images are most appealing whereas in Australia a more moderate image of pampering was found to be most appealing.

Finding the right marketing mix would require finding the common ground between the geographic differences and preferences highlighted by the research. The solution for Amway came about through the following activities:

- *Developing a product range suitable for all markets*
- *Developing universal packaging*
- *Global promotional campaign that met with regional image requirements.*

A product range appropriate for all markets

The overriding objective of the revision was to ensure that the colour range of Artistry products was in line with current fashion and market demands in all of its markets. However, the Artistry line is comprised of a total of 3,257 shades - the maximum that can be produced at any one time, for the following reasons:

- *From an operational perspective, this is the most economically viable number of lines to be produced.*
- *From a selling perspective, this is the most appropriate number of products that distributors can effectively manage.*
- *From a customer perspective, this is the most appropriate number considered necessary to ensure the needs and wants of the target market across all regions are met. Any increase in this number is considered to introduce customer confusion and any decrease may result in limited choice and undermine the competitiveness of Artistry.*

Therefore, to introduce new more fashionable shades, the company first had to set about deleting those that were underperforming. Due to the global nature of its marketplace, this task was somewhat

complicated by the fact that what may be underperforming in one region, for example Asia Pacific, may be a top performing shade in another region such as Europe.

To ensure that the needs and wants of its various market regions were considered, each region was assigned the task of carrying out research to identify those underperforming shades for its region which could be deleted to create room for the introduction of new higher performing shades and lines. As a result of this process, 1,298 shades and lines were deleted from the Artistry range making way for the introduction of 1,261 new more fashionable, market led shades. Some of the shades, approximately sixty one, will be deleted from the line entirely, while other shades will remain available in one or more regions world-wide. This new database of 3,257 top fashion shades acts as a database from which each country draws the mix of products and shades most appropriate to the needs of its target market thus ensuring that the product and shade requirements of all markets are met.

DIRECT SELLING

Direct selling differs from traditional retailing in that it generally involves selling goods to consumers in their own homes. The Direct Selling Industry has grown rapidly over recent years and is currently estimated to be worth in the region of £40 billion a year world-wide. Changing lifestyles, demographics and economic recession have all been factors influencing this growth. Amway is one of the market leaders in this industry.

Universal packaging

Packaging for any product serves a number of functions. At the most basic level it serves to protect the product which it contains. At a more sophisticated level, it also acts as a communication tool conveying messages about the image of the product, the ingredients of the product and the manufacturer of the product.

Packaging for Artistry products is one element of the marketing mix that is standardised across all markets. International market research confirmed that a similarity consistent in all Artistry users, across all geographic regions, is the

importance of quality cosmetics and skin care. Amway has invested over \$2.5 million in high quality packaging which is universal and communicates one core theme - Artistry is a high quality premium positioned range of cosmetics. A combination of different languages ensures that this message together with product information is communicated to all target markets.



Global promotional campaign fulfilling regional image requirements

For many global operators, one of the biggest challenges to be faced is in designing promotional and advertising material that can transcend national and cultural boundaries. Language is perhaps one of the greatest barriers, as it can render an advertisement unusable in certain countries. However, cultural and social differences, legal restrictions etc. can all lead to complications in the design of global advertising and promotional material.

The revision of Artistry was backed up with an advertising and promotional campaign which aimed to:

- *Build brand awareness*
- *Increase sales of the Artistry range*
- *Maintain a consistent Global Image to meet specific market needs.*

According to the results of the market research, the type of images to which the Artistry woman is attracted depends very

much on her nationality. This presented the challenge of how best to advertise and promote the brand with images that would be appealing and meaningful across a number of nationalities.

In a bid to overcome this difficulty, Amway looked for a face that would appeal to all its market regions. A global signature model was chosen as the face of Artistry. A portfolio of advertisements and promotional material was produced using the signature model in six different styles with different colours and tones communicating different moods and images. From this portfolio each region chooses the advert which contains the image best suited to their market place.



The Outcome

Amway has cleverly manipulated the various elements of its mix for its Artistry range of products that has allowed the company to enjoy the benefits of economies of scale in production, packaging and promotion of its Artistry range of cosmetics while at the same time fulfilling the specific needs of its various regions.

Amway has benefited from the global shade revision by ensuring that all slow-moving products have been deleted and that all existing products and shades in the range are in line with current market needs and wants. Similarly, distributors have benefited and customer satisfaction in all markets has been increased.

The revision has increased the competitiveness of the Artistry brand and therefore has extended its life cycle in all of its markets. Shade revisions are scheduled to take place every two to three years to maximise brand potential.

TASKS AND ACTIVITIES

- 1 Take a product and country of your choice and identify which of the following factors will necessitate adaptations to the marketing mix and why.
 - *Cultural factors*
 - *Technological factors*
 - *Legal and political factors*
 - *Demographic factors*
 - *Competitive factors*
 - *Climatic factors*
- 2 Using the product life cycle concept, identify a product at the introduction, growth, maturity and decline phase. What type of marketing support does the product require at each stage?
- 3 Describe the advantages and disadvantages of global marketing for large-scale organisations.
- 4 Find a print or television global advertisement. Explain why the advertisement is successful in the global marketplace.
- 5 Identify two other products which are marketed in the global marketplace. Describe how these products are marketed to meet the requirements of the global marketplace.
- 6 Describe what is meant by the following:
 - *Direct selling*
 - *Global marketing*
 - *Marketing mix*
 - *Product life cycle*
- 7 Describe the differences between direct selling and retail shopping. What are the advantages and disadvantages of each?
- 8 What lessons can other organisations learn about global marketing from the Amway study?



While every effort has been made to ensure the accuracy of information contained in this case study, no liability shall attach to either the Irish Times Ltd or Woodgrange Consultants Ltd for any errors or omissions in this case study.