

國立交通大學

企業管理碩士學程

碩士論文

保養品產業行銷計畫—以 O 產品為例

Marketing Plan for a Skincare Product

- Take O Product as an Example

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中華民國九十九年七月

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摘要

保養品是種帶給女性，甚至是男性，美麗希望與愉悅感受的產業，近三十年以來，保養品為全球經濟主體厚生豐碩的果實，更帶動新消費文化的形成，賦予現在和未來市場生命旺盛的活力，蘊藏無限的商機。

在為數眾多保養品供應商中，I 公司公司以新成員的身分進入該產業。I 公司公司致力於保養品市場已經將近一年的時間，O 產品為旗下第一個化妝品產品。本產品結合了高含氧技術並且使用全天然原物料進行製造。本產品在市場販售已經六個月的時間，但是至今銷售業績仍未達公司預期目標。由於上述之原因，本行銷計畫的目的為診斷本產品行銷之方式問題所在並提出有效行銷方式。

根據對於該公司的了解並且在與執行長訪談之後，公司在行銷預算方面有所限制，以執行面來看必須要使用事半功倍的行銷手法來達到開源節流為公司創造最大利益的目標。本行銷計畫以網路為主要行銷通路，在台灣點閱數最高的 YAHOO! 及 PCHOME 設網路商店販賣本產品，透過社群網站和手機簡訊發送廣告及折扣促銷方式增加本產品之銷售業績；同時也將進行官方網站的重新設計，增加客戶服務、美容知識和客戶使用反映的功能。透過本行銷計畫，I 公司公司可以提高官方網站的點加官方網站知名度和產品曝光度，進而增加本產品的銷售數量。並且，本行銷計畫以網路商店點閱數、銷售額和投資報酬率為績效評估方式。

Marketing Plan of Skincare Product - Take O Product as an Example

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Abstract

Skincare is an industry that brings women and men feelings of beauty, hope and pleasure. In recent three decades, the skincare industry not only generates enormous global economy increase but also drives the formation of the new consumer culture. Giving exuberant life of present and future vitality of the market, skincare still keep creating business opportunities.

I Company enter this promising industry as a new comer. I Company has entered skincare industry for one year or so. O Product is the first skincare product of the company. O Product is developed via advanced oxygen technology, and it is made from natural material without any preservative and artificial ingredient. O Product has been released in the market for six months, but the sales volume is still far from CEO's expectation. Because of the above-mentioned reasons, the goal of the marketing plan is to find the factor causing low sales volume and provide effective solution.

Accroding to the understanding of I Company and the meeting with CEO, the CEO has limitation about marketing cost. Because of the reason, the Internet is chosen as main channel of O Product, the product is sold on the online shops of Yahoo!! and PChome, which

are the top two websites in Taiwan. Also, the ads and promotion such as discount and coupon are expedited via social network and text message to the potential customers. Furthermore, the functions such as customer service, skincare knowledge and customer response will be enhanced. Through the marketing plan, customer relationship management will be improved; the sale volume and click-through rate increase. On the other hand, accumulating click, annual sales volume and ROI are the criteria of evaluating the marketing plan.



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Secondly, I would like to say thank you to all the GMBA classmates. Without you, I could not obtain so exuberant experience and excellent life in GMBA. Although the period of studying midterm and final exams is tough, we still survive from that. Because of the tough time, certainly, we were getting closer. Besides, we share all our backgrounds and life. That is the other source of learning. I do appreciate the time we spent together in NCTU. Eventually, I would like to thank my family. They are the best and biggest support during the two years in NCTU. Thanks to their daily care and concern, I can study smoothly. They also give me a considerable room for self-development. I will take what my family taught and gave me as my motivation in the future. I will contribute myself to my family as well.

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Marketing Plan for a Skincare Product

- Take O Product as an Example


1. Executive Summary

Skincare is an industry that makes people feel good and confident. From good and attractive appearance, people can feel pleasant and happy at every aspect. The skincare products are getting better and advance recently. Due to the big progress in this industry, people can have more convenience of becoming beautiful and pretty. It also becomes a prosperous business and brings people a new life style.



I Company, which was found in 2005, has entered skincare product for about one year. O Product is the first product of the company. The main functions of O Product are moisture and whitening and the price is NT\$360 for each product. According to the surveys and marketing reports, the function that women age from 20 to 30 care most are moisture and whitening. The women of 20 to 30, in average, spend NT\$ 355 for one skincare product. Because of the previously mentioned factors, O Product meets the needs of women age from 20 to 30, and the target market of O Product is the women age from 20 to 30.

O Product has been launched in the market for about six months, but the CEO of I Company is still not satisfied with the six-month turnover. The purpose of the marketing plan is to find out the reason causing low sales volume, and offer effective solution. According to the report from MIC (2009), the average monthly click of each online commercial is 3,000 times. Based on the report from MIC (2009) the accumulating click of company website is expecting to reach at least 3,000 times per month, and the annual sales volume is anticipated to increase.



Based on the financial statement from the CEO, the total sales volume of the last six months is merely NT\$10,800. The total cost of O Product is NT\$264,000 which includes personnel cost and manufacturing cost. The financial statement indicates the product did not generate any profit for the company during the last six months. Currently, the main channel is merely the company website (<http://www.O Product.com>), and the total accumulating click is 2,670 only. Currently, O Product is advertised on the company website, which equips very low publicity and awareness on the market so that the customers cannot get any information about O Product. Without high exposure rate in the market, it is anticipated that product sales volume is going to be low. According to the above-mentioned reasons, it is clear to indicate that the main factor of the unprofitable condition is the ineffective marketing channel.

Due to the concern of cost, the Internet is determined as the main channel of O Product.

According to the report from InsightXplorer (2010), the marketing cost of the Internet is low and it is the second largest mass media in Taiwan so the Internet meets O Product's marketing channel. E-commerce is utilized to increase the exposure of O Product; online shops on Yahoo! and PChome, which are first two websites with high click and popularity in Taiwan, will be opened. According to the report from ComScore (2009), social network is a necessary tool for marketing, which accounts for 20% of advertising market. Based on the research from Pollster (2009), Facebook is the biggest social network provider in Taiwan, which accounts for 67.45% in Taiwanese social network. Due to the above-mentioned studies from Pollster (2009) and ComScore (2009), Facebook is the main platform to promote and maintain customer relationship. Based on the thesis from Zhou (2006), it indicates that discount is the most effective way for online promotion. Because of the reason, discount and coupon are the main promotion of O Product. The standards of judging the marketing plan are accumulating click of online shop and company website and annual sales volume.

2. Business Review of Skincare E-commerce in Taiwan

2.1 Current Situation of Skincare Industry in Taiwan

According to the report from Epobec (2008), the global beauty industry output reaches 113 billion US dollar. The cosmetic product contributes 48 billion USD and the skincare product contributes 65 billion USD in 2008. The main markets for skincare and cosmetic industry are Western Europe, Eastern Asia, Northern America, Southern America and Eastern Europe. Western Europe, Eastern Asia and Northern America cover 76% of market share. The global skincare market still grows at 3.6% to 7.3% growth rate every year. The top groups and company in the cosmetic and skincare industry are L'Oreal Group, Unilever, Procter & Gamble, Estee Lauder, Shiseido and Avon. These groups own a global brand, with sufficient R & D resources and capabilities. As for the skincare products and general body cleaning products, total market size is 113 billion U.S. dollars. Furthermore, based on the variety of selling channels, the worldwide brands of skincare are listed as following:

		Brands
Channels	Counter	Aesop, Albion, Anna Sui, Aramis, Awake, Ayura, Badger, Kose, Biotherm, Bobbi Brown, Borghese, Botanicus, Burt's Bees, Canus Goat's Milk, Carita, Chanel, Chic Choc, Christian Dior, Clarins, Cle De Peau Beaute, Clinique, Cosme Decorte, Covermark, Crabtree & Evelyn, Darphin, Dr.Hauschka, Elizabeth Arden, Estee Lauder, Etude, Ettusais, Fancl, Forte, Fruit & Passions, Givenchy, Guerlain, H2O, Helena Rubinstein, Hypanique, IPSA, Kanebo, Kiehl's, L'webolario, L'occitane, La Mer, Lancome, MAC, Mary Quant, Max Factor (SKII), Mikimoto, Misasa, Nuxe, Oguma, Origins, Orlane, Red Earth, Shiseido, Shu Uemura, Sisley, Sofina, YSL
	Store	Aveda, Body Shop, Body Wave, Boots, The Face Shop, GP Deva, Jurlique, Lush, Missha, Muji, Working House
	Open-shelf	Bottger, Bubchen, Celina, Dove, Dr. Wu, Garnier, HAZeline, Johnson & Johnson, Kanebo, Kao, Kose, L'OREAL, Maybelline, Mentholatum, Moda Massa, Neutrogena, Nivea, Olay, Palgantong, Pond's Revlon, Shiseido (Naturgo, Tiss, Uno, Whitia), SnowWhite, Throne, Tsaio, UP2U
	Direct Sales	Amway, Avon, Boching, Chiun Li, Forever, Herbalife, Mary Kay, Nu Skin
	Pharmacy	Aderma, Avene, Bioderma, BioPeutic, BioMedic, Cellex-C, Eucerin, Exfoliac, Gly Derm, Jane Iredale, La Roche-Posay, NeoStrata, Saint-Gervais, Seba, Sinphar, Uriage, Vichy
	Salon/SPA	Ahava, Annemarie Borlind, Bonanza, Cellcosmet, Chlitina, Dermalogica, Elite, Natural Beauty, Shuyis, Yon Ka
	Virtual Channel	BeautyEasy, BeautyDIY, butyShop, DHC La Mode Collection

Table 2-1, Brands of Skincare Industry

Source: Made by the author

According to report of Taiwan Fertilizer (2007), the Taiwanese sales of skincare products are 1.8 billion US dollars per year. The estimated sales value in the future will reach at 2 billion US dollars a year, of which 30% of sales come from department stores, other 70% through the

physical channels such as supermarkets, drug store, pharmacy, hospital, and clinics. Otherwise, top 10 companies occupy 60% of market share; the biggest company is Shiseido, and its sales volume accounts for 10.9% of market share; P & G occupies 10.3% of market share. Other companies including the largest skincare products group in the world such as L'Oreal, Unilever, and Avon also occupy big portion of market share.

Based on the report from ITRI (2009), the market scale of Taiwanese cosmetic and skincare industry is 80 billion NTD. Skincare industry occupied 48% market share, which is 32.8 billion NTD. According to the report from Central News Agency (2008), the domestic total output of skincare industry is 42.9 billion NTD. Based on the above-mentioned reports, it is clear that the growth of skincare industry is steady in Taiwan. With the growth of skincare industry, there is variety of business model appear in this prosperous industry, and own-brand is one of the successful business models in the skincare industry. Recently, more and more sorts of own-brands reveal in the Taiwanese skincare market. According to the report from AC Nielsen (2009), in year 2008 and 2009, Taiwanese retail channel sales of own-brand products grow at least 10% per year. The annual sales volume reaches 7.2 billion NTD, which accounts for 12.5% among Taiwanese sales volume of skincare products. According to the AC Nielsen's (2007) report, it shows that total sales of own-brand skincare products in 2007 grow 4.7%. The number indicates that own-brand is a new trend in the skincare market and it is not able

cannot be ignored. Because of the bullish market, many famous own-brands in Taiwan eager to share this big market such as Lu-miel, which is the own-brand of Taiyen, BeautyMaker, which is founded by Kevin, a famous make-up artist in Taiwan, in 2006, and Dr. Wu, which is created by a Doctor from NTU in 2003. Based on the channel and business model, the channels mentioned above are mainly physical channels, but sales volume of virtual channel grows rapidly in the recent years.

2.2 Current Situation of E-commerce in Taiwan

In Taiwan, e-commerce is booming and reaches record-high output every year. The director of AC Nielson, Teng, (2009) said that TV occupies the most prevalence rate among the mass media in Taiwan, which accounts for 39%. The Internet accounts for 20% of prevalence rate in Taiwanese mass media. The Internet occupies more prevalence than newspaper (13%) and magazine (10%). In the past five years, the Internet users increased the most. It is clear the Internet plays a very crucial role in Taiwanese people's life, and more Taiwanese people rely on the Internet in the daily life.

2.2.1 Introduction of B2C Model

Because Taiwanese people rely on the Internet in the daily life, e-commerce also becomes a very popular business model in Taiwan. Based on the information of Wikipedia

(2010), E-commerce means that a company makes good use of information technology and the Internet to run a business. In short, E-commerce can be divided into four categories: Business-to-Business (B2B), Business-to-Consumer (B2C), Customer-to-Business (C2B), and Consumer-to-Consumer (C2C). B2C business model means that a company provides product or service to the end-users or customers. Based on definition of B2C, I Company is a company that provides products to the customers; therefore, B2C model is the proper business model to fit I Company. The company directly posts its product or service on the Internet and offers sufficient information and convenience to serve the customers. It is a very popular business model for companies. According to the project manager of LEO Computer, Zheng (2010), she indicates the market size of B2C model increases 26.5% in 2009, which is 168.8 billion NTD, and the number still grows. According to the project manager of LEO Computer, Zheng (2010), she indicates the methods of running B2C model are portal, social network, transaction aggregation and advertising network. Firstly, portal is the most popular methodology for the Internet user to collect information. The report of Hinet (2010) shows that Yahoo! is the biggest portal in Taiwan, and PChome is the second largest portal. Secondly, social network is a social structure made of individuals, which are connected by one or more specific types of interdependency, such as friendship. According to the report from Pollster (2009), Facebook is the largest social media in Taiwan, which accounts for 67.45% social network providers in Taiwan. In the same report, it also indicates the Taiwanese growth rate of Facebook is the

highest in the world, which is 26.69% in 2009. 78.4% of Facebook users are people age from 20 to 35. Thirdly, transaction aggregation is the main trend of e-commerce. According to the report of UDN News (2007), it indicates that e-commerce integrates all the purchasing process on a trading platform. In other words, information searching, product and price comparison, order placing, payment, logistics and after-sale service are integrated on one platform. Fourthly, advertising network is the main point to create awareness of the company, generating interest around the company, broadcasting information across to the customer, creating an image for the company and developing the company brand image. Cyclopedia (2004) indicates that creating awareness on the Internet, of either a company or new product, is easier and cheaper than exploring other sorts of media. The Internet is a useful tool for companies that want to break into the international market, or have a limited budget, and want to create awareness of company and products. According to the above-mentioned methods, it is obvious that B2C is the most popular business model for companies.



Other than the above-mentioned business model, customer relationship management (CRM) is also very important. Garner Group Inc. (1999) proposed the concept, CRM. It is an information term for methodologies, software, and the Internet capabilities that help a company manage customer relationship in an organized way. Based on the transaction aggregation concept, CRM is a tool to manage the after-sale service and maintain customer

relationship. CRM is also a way to learn and know more about the customers. Any time a marketer can learn more about its customers to strengthen the match between its marketing mix and target customers' desires and preferences, it increases the perceived costs of switching to another company or products.

Based on the thesis from Gon and Huang (2008), although the Internet-based marketing has generated many chances to interact with customers, it is crucial to recognize that e-commerce and related technologies are more consumer-driven than traditional markets.

Two factors have caused consumer-generated information to gain importance: consumers' desire to learn about other consumers' opinions and experiences and their increased ability to find information from other consumers' blogs and to forward information about their own experiences. Based on the thesis from Chang and Chen (2005), consumers rely on the recommendations and suggestions of friends and family when making purchasing decisions.

These information exchanges are often called word-of-mouth, and online or e-commerce word-of-mouth practices are advancing rapidly. The word-of-mouth phenomenon exists in skincare industry. According to the InsightXploerer (2009) survey to 1,200 Taiwanese women, it indicates the main reason of influencing consumers' decision making are price and word-of-mouth evaluation. 45.6% of respondents will be influenced by their family; 24.4% of interviewees will be affected by friends and 21.2% of respondents will be influenced by experts' evaluation. The influence of interpersonal evaluation should not be underestimated.

Even the Internet evaluation is more influential than experts' recommendation.

2.2.2 Introduction of Viral Marketing

In terms of the word-of-mouth concept, it belongs to the category of viral marketing.

Jeffery (1996) proposed the concept, viral marketing. It is a marketing technique, which uses social networks increase brand awareness in order to achieve other marketing objectives.

Word-of-mouth can be delivered or enhanced by the network effects of the Internet.

Currently, video clips, e-books, e-mail, and text message are viral marketing media. According

to the report from Electronic Commerce Times (2010), the volume of mobile advertisement

increases 14.3% in 2009, and the output of mobile advertisement will reach 7.2 billion USD in

2012. The successful purchasing rate of mobile advertisement is 5.3 times than normal

Internet ads. The click through rate (CTR) of text message is 3% and the CTR of normal

Internet ads is 0.2% only. Other than text message, social network is another effective

method to implement e-commerce. Based on the research from Shu (2010), the main merit of

social network is the interaction with all the community. It is a good channel for a company to

control the relationship with customers and promote products. It is anticipated that

companies with integrated service such as CRM and viral marketing will generate great sales

volume and brand awareness.



2.3 Current Situation of Skincare Online Shopping in Taiwan

2.3.1 Market Size of Online Shopping in Taiwan

Based on the report from Market Intelligence & Consulting Institute [MIC's] (2009), , it shows that the global market size of online shopping increased from 640.7 billion USD in 2006 to 782 billion USD in 2008 which is an increase of 22%. As for 2009, the market size is 830.3 billion USD; growth rates were 6.2%. MIC anticipates the market size will reach 951.4 billion USD; growth rates will be 14.6%. The average growth rate from 2006 to 2010 is over 10%. Therefore, the government is promoting and building broadband infrastructure. Until 2012, the high-speed broadband network (30 Mps) will reach 80 percent coverage goal. The high coverage of high-speed Internet in Taiwan will have the potential to increase the usage of online shopping.



Figure 2-1, Global Online Shopping Market Size

Source: MIC (2009)

The Internet plays a crucial role and brings the world a new life style and it influences people's purchasing behaviors, too. According to the survey of 1,033 Taiwanese women from AC Nielson (2010), it indicates that the main reasons for Taiwanese women to shop online are no time limitation, convenience of comparing price, and convenience of accepting the products. Virtual channels become new methods for sellers to increase sales volume; likewise, buyers are capable of obtaining their merchandises via virtual channels. Based on survey from AC Nielson (2010), Yahoo!, PChome, and PayEasy is the most popular website for female online shoppers in Taiwan.



According to the report of Businessstrata.com (2009), Taiwanese online shopping market size increases 1,340 million NTD in 2006 and 2,390 million in 2008. The growth rate is 80%, which is much higher than the global growth rate. Among them, online auction market scale grows from 51.6 billion NTD to 1,056 billion NTD; online shopping market scale increases from 82.4 billion NTD to 133.4 billion NTD. MIC regards total online shopping market is expected to be 311.6 billion NTD in 2010; online auctions will reach 142.7 billion NTD, market size will be up to 168.9 billion in online shopping.

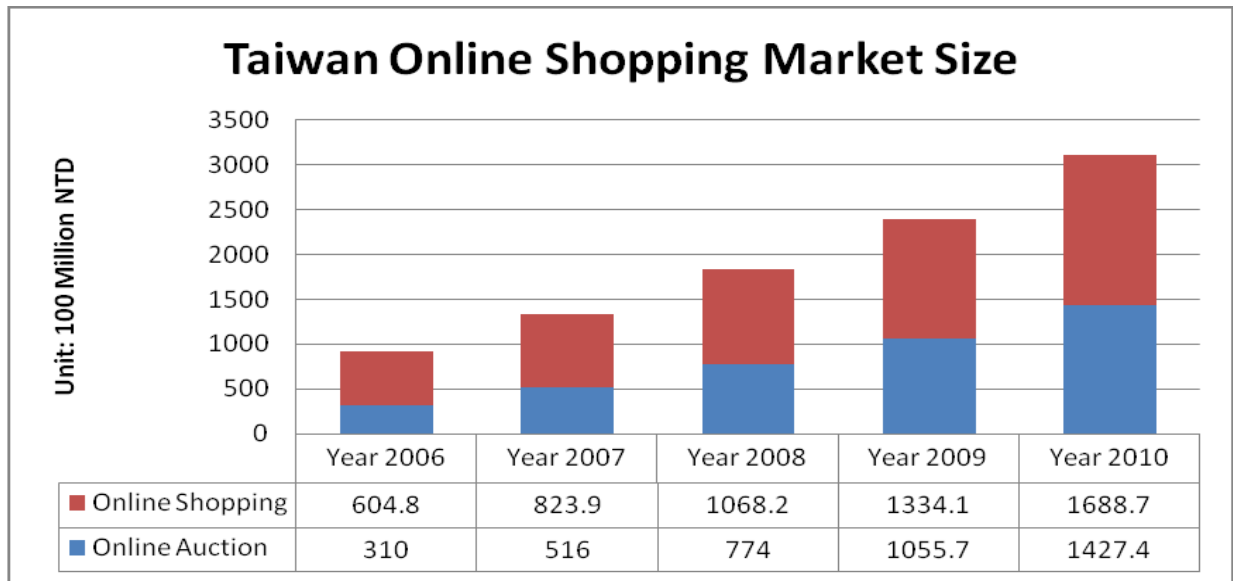


Figure 2-2, Taiwan Online Shopping Market Size

Source: Businessstrata.com (2009)

2.3.2 Merits of Online Shopping

Taiwan Network Information Center (TWNIC, 2009) released the "Taiwan Internet Use" report; it shows that online population is 15.8 million, which accounts for 68.94% in Taiwanese population. Among the online shoppers, 90% of the Internet users are people age from 12 to 34. According to the report of Businessstrata.com (2009), it shows that Taiwanese online shopping market continues growing per year. The market size of online shopping grows 30% in 2009 , which contributes 320.8 billion NTD. 68% of online shoppers are people age from 15 to 34. Based on the report of AC Nielsen (2009), women did online shopping and auction than men did at 5%, which means women are more likely to shop online than men. According to the report from Lu (2009), the number of female working online shopper increases at 37.1%, and the male working online shopper occupies 30.4%. Even during the financial crisis, the number of online shopper still grows.

In summary, based on the thesis from Chang and Chen (2005), we can conclude that five factors cause the promising and booming situation of online shopping: lower price, convenience, special price, gift, and freedom. As for lower price, online sellers reduce the personnel and logistic cost, and therefore the prices are much lower than physical shops. As for convenience, online shoppers do not have to be limited by time and place. They can shop anytime they wish and any place they are. Shoppers can find many kinds of commodities via worldwide searching engine. Furthermore, the buyers can receive their goods at home. When it comes to special price and gift, when the products are on sale, the price will be much lower than shoppers' expectation. Freedom is another attraction for online shoppers. The shoppers can shop online without clerk's disturbance. Because of the merits of online shopping, it is more and more popular and accepted by all ages. Besides, channel is another important issue for online shoppers to access to products. In Taiwan, portal is the most popular channel for online shoppers to access the products. According to the survey for 1,033 Taiwanese women from AC Nielson (2010), Yahoo!, PChome and PayEasy are the most popular websites for female online shoppers. In short, it is concluded that the market size of online shopping grows because of the five merits mentioned above, and it will contribute more output per year.

Based on the report of MIC (2009), in the online shopping sales revenue, tourism products accounted for the largest proportion, which accounts for 48.5%; 3C product keeps at

11%. Because of the female consumers, clothing boutique and beauty care products have been leading the catching up. Respectively, they increase from 3% to 10% and from 5.7% to 7.9%.

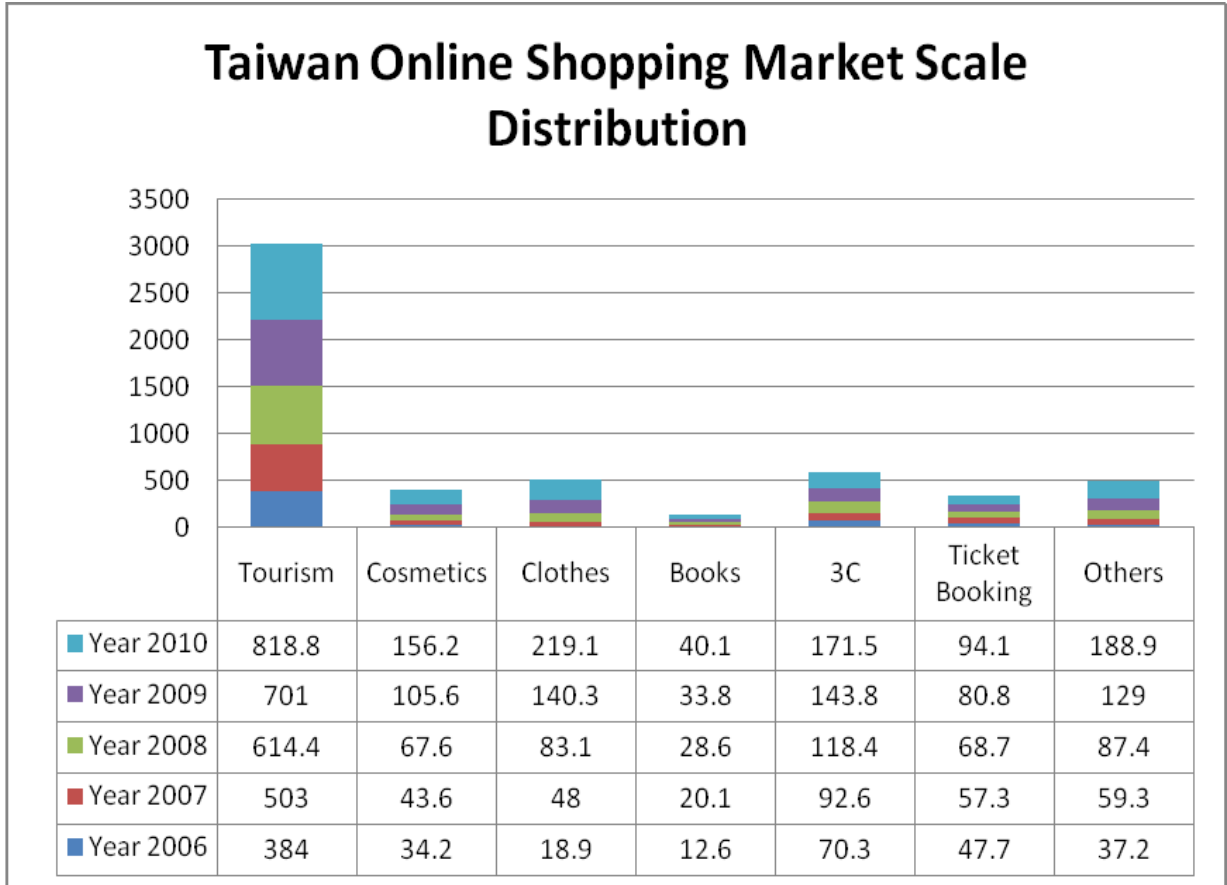


Figure 2-3, Taiwan Online Shopping Market Scale Distribution (Unit: 100 Million NTD)
Source: MIC (2009)

Taiwan Online Shopping Market Scale Distribution						
	2008			2009		
	Turnover	Market Share	Growth Rate	Turnover	Market Share	Growth Rate
	(100 Million NTD)	(%)	(%)	(100 Million NTD)	(%)	(%)
Tourism	701	52.5	14.1	818.8	48.5	16.8
Skincare	105.6	7.9	56.2	156.2	9.3	48
Clothing	140.3	10.5	68.8	219.1	13	56.2
Books	33.8	2.5	18.2	40.2	2.4	19
3C	143.4	10.8	21.4	171.5	10.2	19.3
Ticket Booking	80.8	6.1	17.5	94.1	5.6	16.5
Others	129	9.7	47.6	188.9	11.2	46.4
Total	1334.1	100	24.9	1668.7	100	25.6

Table 2-2, Taiwan Online Shopping Market Scale Distribution

Source: MIC (2009)

2.3.3 Consumer Behavior of Online Shoppers in Taiwan

MasterCard (2010) releases a report and it indicates that nearly 70 percent of people in Taiwan get online because of shopping. In this report, the average period of Taiwanese people of using the online shopping was 3.4 years. In summary, it is clear to conclude that many Taiwanese people are willing to shop online and would like to spend more time on online shopping.

The behavior and habit for Taiwanese online shoppers is another issue related to Taiwanese online shopping market. A survey to 10,642 Taiwanese people conducted by

EO Lembrain (2009), 85% of interviewees shop on PChome and 74% of interviewees shop on Yahoo!. The survey also indicated that online shoppers prefer online shops than online auction. They think online shops offer better and more reliable method to pay products. For example, online shoppers can purchase products from online shops with installment. They also believe online shops have better reputation than online auction providers do. Based on the survey of InsightXploer (2006) to 5,363 Taiwanese people, 12.5% of interviewees purchase the product after clicking the online commercial. According to another report from MIC (2009), the average monthly click of each online commercial is 3,000 times. Based on the above-mentioned studies, it is anticipated that 375 visitors will purchase the product after they click the e-advertisement. Besides the online advertisement, there are other methods to trigger online shoppers' desire. According to the thesis from Wu and Chen (2005), it indicated that promotions of online shopping could be divided into price-oriented and non-price-oriented promotion. For example, discount and coupon belong to price-oriented promotion. Special gift belongs to non-price-oriented promotion. The report from Chou, Xue and Shi (2006) shows the top two promotion activities for the online shoppers are discount and coupon.

In summary, based on the studies in Chapter 2.3, the online shopping market is growing now, and the growth rate is 30% in 2009. The online shoppers in Taiwan prefer price-oriented promotion such as discount and coupon to non-price-oriented promotion.

2.4 Characteristics of Target Consumers

Strauss and Howe (1991) identified Y generation as people who are born between 1982 and 2000. The group of people is those who use the Internet most, and they can receive latest information extremely easy because of big progress of the Internet. Skincare product is one of their data they collect and perceive. Lin (2005) conducted a research based on some variables: sincerity, exindicatement, competence, upper class, ruggedness, mildness, elegance, and liveliness. The result shows that the people age 20 to 30 have higher preference on exindicatement, elegance, and liveliness. They have lower degree tendency of sincerity, competence, upper class, ruggedness, and mildness. The consequence indicates that the Y generation people like to express themselves in many ways. Brand and product they use are two of the platform of showing themselves. When it comes to spokesperson, it is a path to perceive target customers' characteristic. The young generation people prefer the advertising objects that will inspire the desire of purchasing such as artist, actor, singer, and virtual character to be the spokesperson. In summary, according to the comparison of young and old generation, it is concluded that young generation prefer something vivid and exciting to trigger their purchasing desire such as famous artist, actor, singer and virtual character. The elder generation prefer practical and convincing object to inspire their purchasing desire such as expert and typical consumers.

		Generation	
		Young Generation	Mature Generation
Brand Preference	Sincerity		●
	Exindicatement	●	
	Competence		●
	Upper Class		●
	Ruggedness		●
	Mildness		●
	Elegance	●	
	Liveliness	●	
Spokesperson	Artist	●	
	Signer	●	
	Actor	●	
	Visual Character	●	
	Expert		●
	Typical Consumer		●

Table 2-3, Characteristics of Target Consumer
Source: Lin (2005)

2.5 Consumer Behavior of Skincare Industry

2.5.1 Product Function Preference

Based on the Pollster's survey to 1,042 Taiwanese women who use facial skincare product (2009), it found that 83.25% of the interviewees care about moisturizing function. There are 43.24% of interviewees cares about whitening function and the group is mainly women age from 15 to 24. 18.14% of interviewees needs the function of pore convergence. From the figure shows below, moisturizing and whitening function are what women age from 15 to 35 care the most when they chose skincare products.

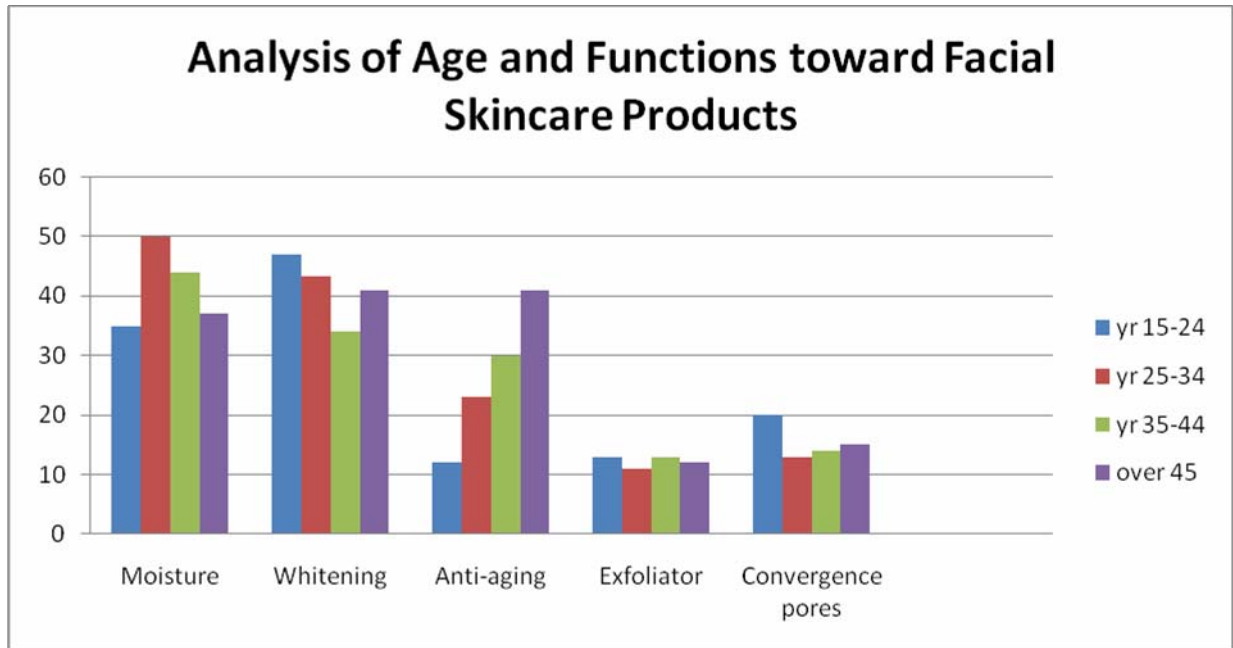


Figure 2-4, Analysis of Age and Function toward Facial Skincare Products

Source: Pollster (2009)

According to another survey to 5,818 women age 15 to 65 in Taiwan from Pollster (2009), it is not difficult to find the distribution of women's preferences. The survey is clearer to illustrate what the female need and require for the skincare market. It also indicated that women concern about the products with whitening and moisturizing functions, each accounts for 36.8% and 36.77% among the interviewees. It shows that most women want to achieve is white and moist skin condition.

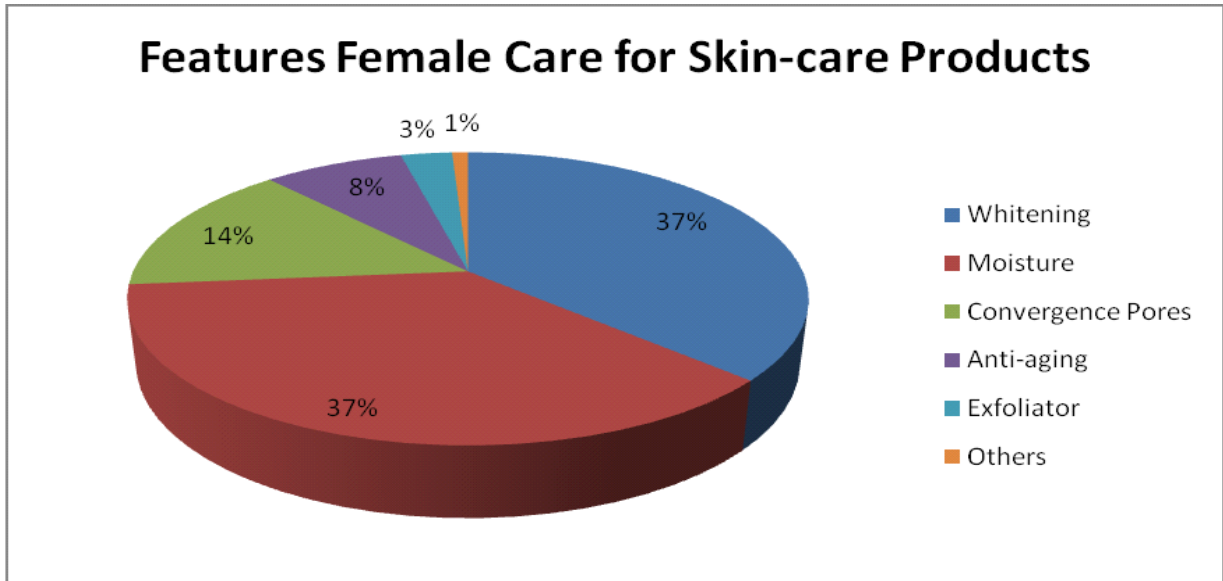


Figure 2-5, Features that Female Care for Skincare Products

Source: Pollster (2009)

The frequency for women using facial skincare product is an important variable of influencing skincare industry sales. According to the Pollster's survey to 1,042 women in Taiwan (2009), there are 70.9% of women use facial skincare products at least once a month. About 49.7% of women use facial skincare products at least once a week; while only 5.9% of the respondents do not care about maintenance of the skin. In this survey, almost 92.9% of the respondents do skin maintenance by themselves. Among these DIY respondents, the highest proportion in the interviewees is 26-30 years old, which accounts for 37.5%. People age 21-25 years old accounts for 15.0%. Among the interviewees, the products they purchase most frequent are moisture products (44.6%) and whitening products (30.5%). To sum the conclusion of survey mention above, there is 64% of the skincare consumer age from 20 to 30 and the product features they care most are moisture and whitening. The director of public

relations of Watson, Zhou (2009), says “In the skincare market proportion, men and women were in the 20% and 80%. Main customers are getting younger and younger. Girls (15 to 20 years old) account for 20% market share; ladies (20 to 30 years old) account for 40% market share; women (30 to 50 years old) account for 40% market share.” She also indicates the age of users will decrease and the frequency of using skincare products will become more and more.

2.5.2 Purchasing Channel Preference

Other than the functions that the female preference for skincare products, purchasing channel is another issue that women concern when they buy skincare products. According to the thesis from Wu and Chen (2005), there are more and more channels for women to compare price, and evaluate products. In the skincare industry, department store is no longer the major place for shopping. Now, people are able to achieve the commodities via online shops, and it is more convenient and faster. Online shoppers are capable of receiving the product information in advance, so online channels have more and more consumers, and they can achieve the latest fashion worldwide. Other than the online channels, open-shelf is another booming channel of selling skincare goods. Open-shelf is famous for giving a trial. Based on the thesis from Fang and Lu (2009), the channels surges in the recent years. Because of trial of product, the costumers start to trust the quality of open-shelf brands, so that there

are tons of open-shelf brands on the market. Gilbert and Jackaria (2002) indicated that discount influenced consumer behavior most and trial sample is the method of influencing consumers' decision. McGuiness (1995) indicated trial sample inspire the desire of consumers to purchase new products.

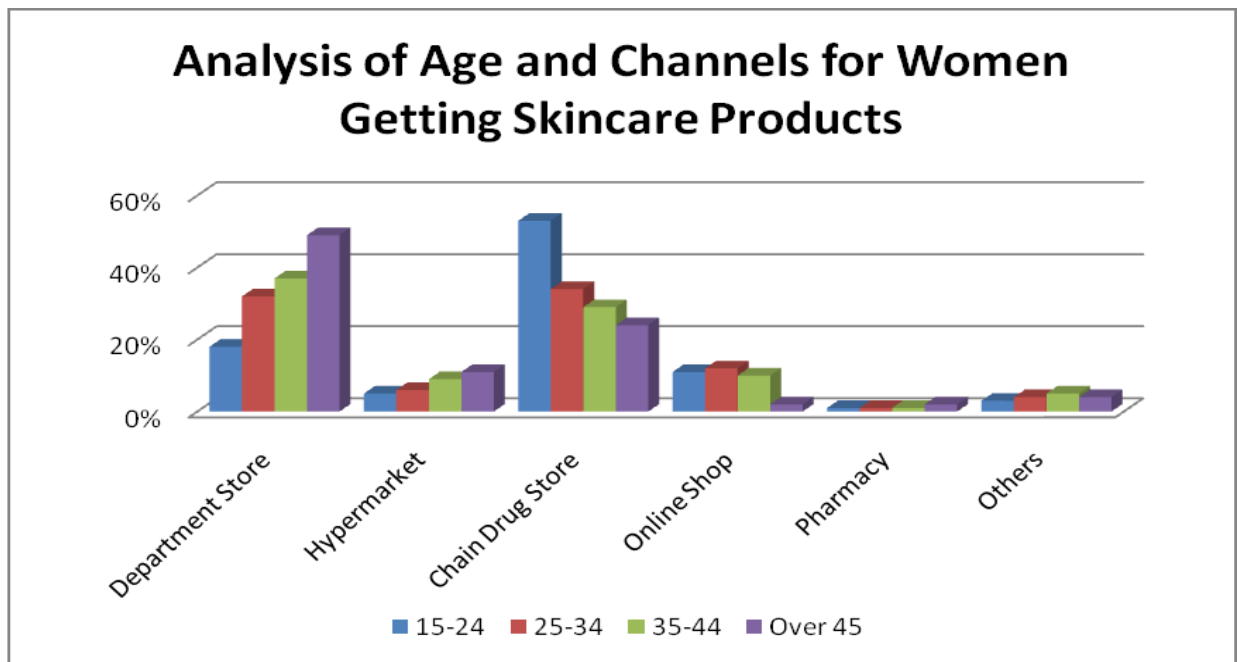


Figure 2-6, Analysis of Age and Channels where Women Buy Skincare Products
Source: Pollster (2009)

According to the survey to 5,029 Taiwanese women from Pollster (2009), it also investigates the most category of skincare product that women purchase most via online shopping. The result shows that skincare products accounts for 58%. The beauty products account for 19%; the slimming products account for 10%. The makeup accounts for 8%, and perfume accounts for 4% among the total market share.

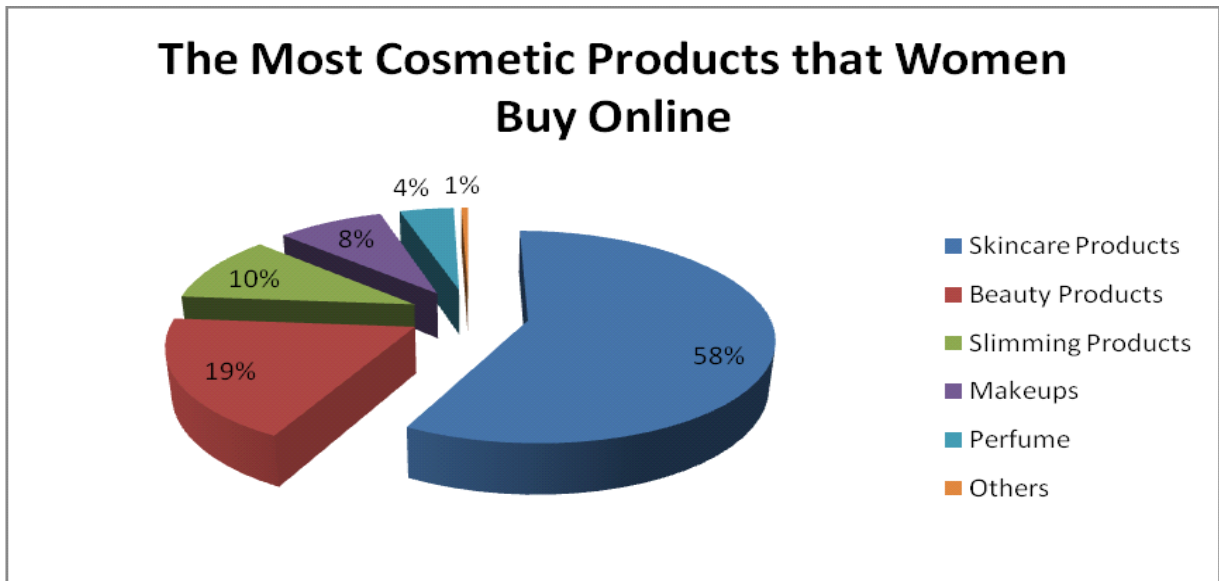


Figure 2-7, Most Cosmetic Product Women Buy Online

Source: Pollster (2009)

The average price that women spend on the products is another main point to affect the skincare market size. According to the report from Chang (2008), the average annual price for women buying skincare is NT\$2,130. The average item for the women to buy skincare product is six items per year. The average price for each skincare product that women buy is NT\$355. According to the survey to 5,029 women in Taiwan from Pollster (2009), it shows that about 36.87% women spend 1,001 NTD to 3,000 NTD on skincare products per year. There are 33.84% women spend less than 1,000 NTD on skincare products per year. About 16.84% women spend 3,001 NTD to 5,000 NTD on skincare products for each year. There are 12.45% women spend more than 5,001 NTD on skincare products annually. It concludes that unmarried women spend no more than 3,000 NTD on skincare products on average.

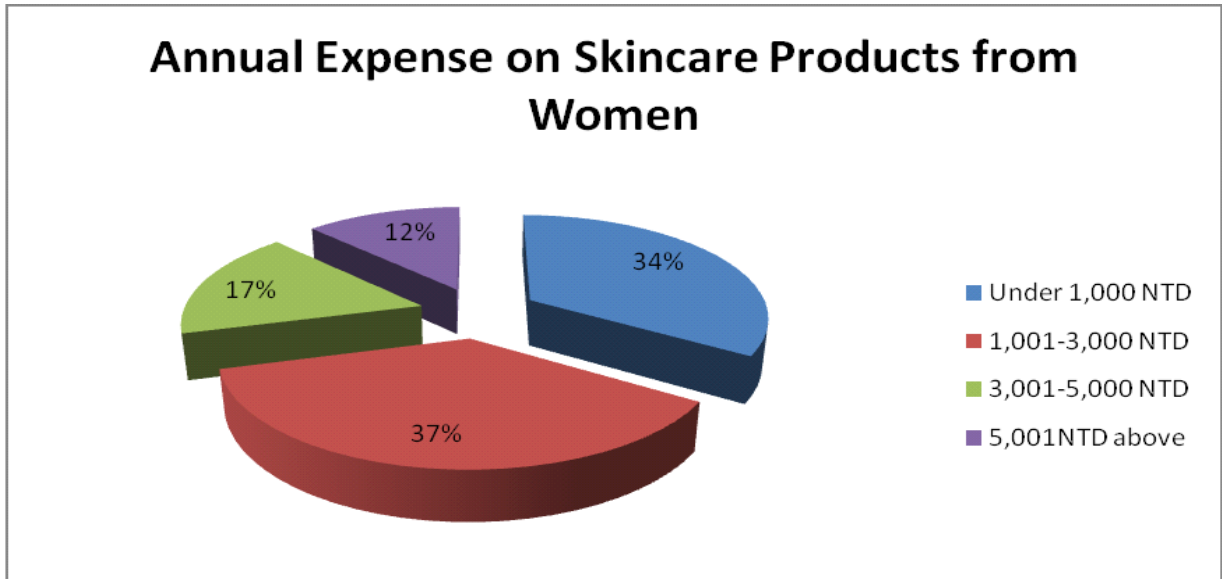


Figure 2-8, Annual Expense on Skincare Products from Women

Source: Pollster (2009)


General Manager of MasterCard, Chang (2010), said that there would be nearly 80 percent of Taiwanese people willing to shop online in the next 6 months. From this survey, it is also found that more than 86% of people in Taiwan do research and investigation before shop online and the Taiwanese online shoppers spent 5,439 NTD per month in average.

2.5.3 Brand Loyalty

Brand loyalty is the key issue for a company to generate profit. Cunningham (1956) proposed brand loyalty concept, and Howard and Sheth (1969) emphasized the important of brand loyalty. Brand loyalty refers to a concept consists of a consumer's commitment to repurchase or continue using the brand and can be demonstrated by repeated buying of a product or service or other positive behaviors. According to the report from Liu (1995), the

quality, advertisement, price, and packing of the product will influence the brand loyalty of customer. The report from Liu (1995) also indicates that the brand loyalty in Taiwan is divided into three degree: Very high, high, and low. In general, women age from 20 to 30 tend to have low brand loyalty. However, elder women have higher brand loyalty than younger women. As for the customer with high brand loyalty, they have more concerns about product brand, convenience of purchasing, and product price. Based on the study of brand loyalty, it is clear to point out brand loyalty is an important part to deal with CRM and increase the product value to customers.

3. Company Introduction



The company, I Company, is founded in Taipei, Taiwan in 2005. The capital of I Company is 5 million NTD. The company can be divided into two departments: Public Relation (PR) Department and Skincare Department. In terms of PR Department, it provides coordination between companies and the media. For example, I Company plan the whole process of press conference for L'Oreal. Besides, planning of seminar also belongs to its service. Skincare and public relation department are the main department in the company. Skincare department is founded in 2009. It is a new department, and the CEO hopes 30% revenue of the company can be generated from this business unit. The CEO focuses on public relation department, and he does not have effective plan for this department, so I would like to propose this plan.

According to the financial statement from the CEO, the total sales volume of O Product is NT\$10,800. The manufacturing and personnel cost is totally NT\$264,000. It is obvious that I Company did not earn any profit from O Product. Currently, company website (<http://www.OProduct.com>) is the only marketing channel of O Product. The six-month accumulating click is totally 2,670. It is clear that I Company, O Product and the company website are not famous enough in the skincare market. On the other hand, the popularity of O Product is low so that the target customer cannot contribute any profit to the company. Due to the reasons mentioned above, the main factor causing unprofitable situation is the ineffective marketing plan and channel.

4. STP Analysis of O Product

4.1 Segmentation

Wended (1956) proposed marketing segmentation theory, which means a sub-set of a market made up of people or organizations sharing with one or more characteristics causing them to demand similar product and services based on qualities of those products such as price or function. Therefore, target market of O Product can be segmented by five variables: age, gender, customer characteristic, consumer behavior and brand loyalty.

According to the studies of Chapter 2, the women age from 20 to 30 occupy 40% of skincare market share. Moisturizing (36.77%) and whitening (36.8%) functions are the features that skincare consumers care most when they chose skincare products. As for the purchasing channel, except the physical channel such as department store and drug store, online shop is the biggest virtual channel for the skincare customers to purchase skincare products, which accounts for 13% among skincare market. In terms of the purchasing decision-making, family, friend and online public evaluation are the main factors to affect consumers' decisions. Based

on the studies above, the final market segmentation of O Product is the female online shoppers age from 20 to 30, who care moisturizing and whitening function of skincare product.

4.2 Targeting

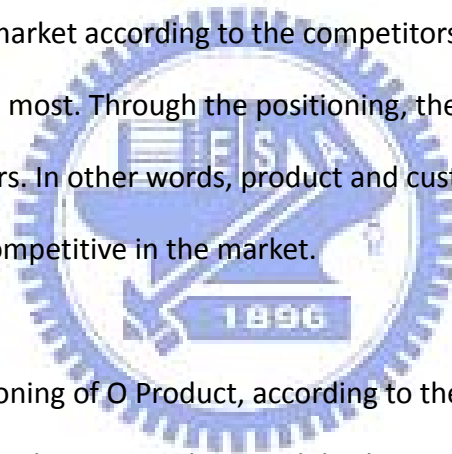
According to McCarthy's (1963) four P's concept and target market theory, target market is chosen based on market situation, consumer behavior, and the source of company. As for the targeting of O Product, based on the above-mentioned studies from Pollster (2009), in the skincare market, 36.8% Taiwanese women concern about whitening function, and 36.77% Taiwanese women care about moisturizing feature. The product that Taiwanese women age from 20 to 30 purchase most are moisture and whitening products, which account for 44.6% and 30.5% respectively. The preferential virtual channel that Taiwanese women purchase skincare product is online shop, which accounts for 13% among the Taiwanese skincare channel. The most online markets that Taiwanese women age from 20 to 30 prefers are Yahoo! and PChome. The average expense that Taiwanese women spend on skincare product is NT\$2,130 and 6 items per year. The average expense for each product is NT\$355.

According to McCarthy's (1963) four P's concept and target market theory, target market is chosen based on market situation, consumer behavior, and the source of company. Therefore, the target market will be determined of above theory. For example, the main

functions of O Product are moisturizing and whitening and the price is NT\$360. According to Pollster's survey to 1,043 Taiwanese women and Chang's (2008) report, the skincare product function that interviewees care most are moisturizing and whitening, and the target customer spend NT\$355 on single skincare product. Based on the above-mentioned comparison, the function and price of O Product fit the need of target market, the women age from 20 to 30.

4.3 Positioning

Al and Jack (1969) proposed positioning concept, which refers that a company finds out the product position in the market according to the competitors' product position and the features that customers care most. Through the positioning, the company can provide a new brand image to the customers. In other words, product and customer positioning is the key point for a company to be competitive in the market.



As for the product positioning of O Product, according to the report of Cos (2007), in the open-shelf store, the top four skincare products with both moisture and whitening function are OLAY Definity Luminesse Whitening Cream, L'OREAL PARIS Gentle Moisturizing Day Cream, Dr. Wu Intensive Hydrating Serum and For Beloved One Hyaluronic Acid Molecules Moisturizing Serum. The price for above-mentioned products are NT\$499, NT\$499, NT\$1,600, and NT\$880 respectively. Compare O Product with the top four skincare products in the open-shelf store, the price of O Product is close to average customer spending, 355 NTD. When it comes to the material and producing technology, O Product is made from natural ingredients via high-oxygen technology. As for the customer positioning, women age from 20 to 30 is the biggest consuming group in skincare industry, and the function they care most is whitening and moisturizing. Otherwise, 13% of them are online shoppers. Based on the

statement mentioned above, the product positioning of O Product is a low price, natural, high-tech, moisturizing and whitening product. The customer position of O Product is female online shopper who concern whitening and moisturizing function when they buy skincare products.

5. Marketing Strategies

According to the report from Wretch (2009), the most objective criterion of evaluating online marketing plan is return on investment (ROI), and it is one of the criteria to evaluate the marketing plan. Previous studies showed that, on average, 375 visitors of online commercial will purchase the product per month. Based on Robert's (1993) four C's concept, the marketing strategy analysis is shown as below.



5.1 Consumer

The main functions of O Product are moisture and whitening. The main material of O Product is oxygen, which makes the skin moisturizing and compact. O Product is produced through high oxygen technology, and all the ingredients are natural. There is no artificial material added, for example, aromatizer, preservative, and alcohol.

Based on the report from Pollster (2009), in the skincare market, 36.8% Taiwanese women concern about whitening function, and 36.77% Taiwanese women care about

moisturizing feature. The skincare products that Taiwanese women age from 20 to 30 purchase most are moisturizing and whitening products, which account for 44.6% and 30.5% respectively. The most preferential virtual channel where Taiwanese women purchase skincare product is online shop, which accounts for 13% among the Taiwanese skincare channel. The most online markets that Taiwanese women age from 20 to 30 prefers are Yahoo! and PChome. The average expense that Taiwanese women spend on skincare product is NT\$355 per skincare item.



According to McCarthy's (1963) target market theory, target market is chosen based on market situation, consumer behavior, and the source of company. Therefore, the target market will be determined based on McCarthy's (1963) targeting theory. For example, the main functions of O Product are moisturizing and whitening and the price is NT\$360.

According to study from Pollster (2009), the skincare product function that women age from 20 to 30 care most are moisturizing and whitening, and they spend NT\$355 on single skincare product. Based on the above-mentioned comparison, the function and price of O Product fit the need of target customer, the women age from 20 to 30.

5.2 Cost

According to Robert's (1993) 4C's concept, the total cost of a company including producing cost, marketing cost, and customers' opportunity cost. Customers' opportunity cost

determines the value of the product. Furthermore, cost includes the customer's cost to change or implement the new product or service and the customer's cost for not selecting a competitor's product or service. In terms of producing cost of O Product, the fixed marketing cost of O Product is NT\$59,200. The variable marketing cost of O Product is NT\$362,400 annually. According to instruction of CEO, he hopes to sell four consignments of 1,000 for each per year. The manufacturing cost is NT\$480,000. The total cost for 4,000 products is NT\$901,600, which means the cost for each product is NT\$225. Based on the CEO's instruction, he hopes O Product can generate 30% revenue of the company. The anticipated annual revenue of the company is NT\$1,800,000 for year 2010, and O Product ought to generate profit of NT\$540,000. The profit of each product is NT\$135. According to the financial calculation mentioned above, the selling price of O Product is NT\$360. According to the report of Chang (2008), the average expense that the target customer spend is NT\$355 per item, and the price of O Product is NT\$360. Based on Chang (2008), it is concluded the price of O Product meets customers' spending.

In order to increase consumers' opportunity cost of switching to another brand, some functions of the company website and customer services need to be improved. First, the customer responding system needs to be constructed. After setting the responding system, customers can deliver prompt response not only via phone call but also via MSN messenger to

our website. Second, a forum for consumer evaluation will be added on the company website, and the information will be updated frequently. Third, the column of cosmetic and skincare knowledge will be updated more frequently. Fourth, there will be at least one famous blogger invited post expression of O Product on the specific column of company website. Fifth, the hyperlink of social network and blog will be added on the company website to increase exposure of O Product. For example, there will be icon on the company website. After clicking the icon, the user can link to famous social network such as Facebook. Based on the above-mentioned modification of corporation website, the customer value of O Product is expected to increase.



5.3 Convenience

Based on Robert's (1993) 4C's theory, convenience takes into account the ease of purchasing the product, finding the product, finding information about the product. In order to increase customers' convenience to access and obtain the product, the marketing channel is the Internet. According to the studies from InsightXplorer (2010), the Internet is the main virtual channel for the target customer, women age from 20 to 30, to buy skincare products. Furthermore, the merits of online shopping are convenience, low price, freedom, and diverse paying methods. The customer can log in the online shops on Yahoo! and PChome or the corporate website to order products. As for the after-sale service, the customer can respond

via phone call or online service to obtain their needs. As for more information about O Product or skincare knowledge, the customer can log on the corporate website to perceive the updated information. The company website offers hyperlinks of social network, such as Facebook and blog, such as Twitter and Wretch. The customer could have the connection between O Product and customers' personal network. For instance, there will be some icons installed on the company website. Once the user or member wants to link to famous social network such as Facebook, she can click the icons and link to the social network right away. According to the above-mentioned services, customers can easily reach O Product, and customers' cost of time will decrease a lot.



According to the survey of 5,888 female online shoppers from Pollster (2009), the preferential channel of obtaining the products is convenient store, which accounts for 48.59% of female online shoppers. According to the research from Shu (2007), the merits of convenient store logistics are flexibility, safety and convenience. Based on the studies of Pollster (2009) and Shu (2007), the online shoppers can obtain their products based on their available time. Besides, it is safe to get and pay the products at the convenient store. Based on the studies mentioned above, convenient store is the main channel to deliver products to customers.

5.4 Communication

Based on Robert's (1993) 4C's concept, communication includes advertising, public relations, personal selling, viral marketing, and any form of communication between the company and customers. On the other hand, communication between the company and customer is the main point of brand awareness. According to the thesis form Liu (2005), brand awareness is a marketing concept that measures consumers' knowledge of a brand's existence. In other words, brand awareness is the degree of consumers who know about the brand. In order to increase the brand awareness of O Product, some actions need to be done. First, according to the survey of 5,888 female online shoppers from AC Nielson (2010), Yahoo! , PChome and PayEasy are the top three website for female online shoppers to visit. Based on the report, I Company needs to cooperate with famous portal websites such as Yahoo! and PayEasy. Having the hyperlink on the famous beauty website will increase the exposure of O Product. Second, according to the viral marketing concept and the report from Forrester Research (2009), social network, and blog are productive ways to increase the click through rate of ads, so O Product will use the channel to increase brand image. For example, we can set an O Product fans group on Facebook. We can use it as a communicating platform with potential customer on Facebook. Besides, the news and information will be posted on the company website and Facebook simultaneously. Otherwise, the uses and fans of O Product group on Facebook are expected to know more about O Product. Third, mailing the trial

sample to the member of O Product is another activity to create more brand awareness. After using the trail sample, the users can express their feelings on the company website so that the company can collect the feedback from end users. Fourth, according to the report of www.ce (2007), the most attractive promotion for online shopper is discount. 70% online shoppers regard discount is the best promotion method. Therefore, the promotion plan will use discount and coupon. According to the report from AC Nielson, the click through rate of text message is higher than Internet ads and email. Based on this reason, the coupon will be delivered via text message, and the e-coupon will be sent during special holiday, such as Mother's Day and X'mas. The member of O Product will receive special gift of coupon on their birthday day. Fifth, there will be some competitions or games on the company website. If the member wins the game or competitions, the winner would obtain the prize from O Product. For example, the customers can contribute their feedback or suggestion about the product, and some of the suggestions will be picked as the winners. The winners will obtain special gifts. Sixth, if the member of O Product recommends two potential customers to purchase the products, she will be promoted as an advanced member, who can have 10% off discount than other members can (5% off). Seventh, the customers will be asked to fill out questionnaire, which are made based on target customers' preference. In the questionnaire, the customers can vote for the preferential features about the product such as packing, function, and design. Based on the above-mentioned promotions and communication with potential customers, the

company can understand the customers' needs and have more interactions and communications with them. Besides, the brand awareness and sales volume of O Product will increase.

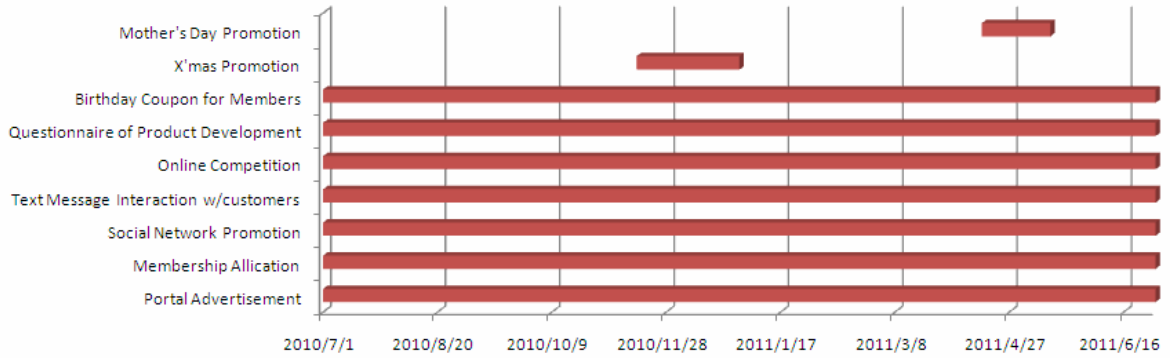


Figure 2-9, Gantt Chart of Promotion Activities

Source: Made by author

6. Financials and Budget

This section will offer a financial review of O Product as it relates to marketing activities.

6.1 Production Cost

The cost of O Product itself consists of three parts: Aluminum bottle, oxygen water, and packing box. The cost of each part is shown as the following Figure; it shows that the cost of aluminum bottle is NT\$ 90; the price of oxygen water is NT\$20 NT\$120 per piece.

Production Cost of O Product	Unit:
NTD	
Aluminum Bottle	80
Oxygen Water	10
Packing Box	10

Total Cost 100/piece

Table 6-1, Production Cost of O Product

Source: Made by the author

6.2 Marketing Expenses

The marketing expenses will be used as a tool to keep the company on target and provide indicators if corrections need to be made. The total marketing expense is shown as following:

Fixed Marketing Expenses	Unit: NTD
Yahoo!	
Advertising	1,200
Online Shop Fee	15,000
Online Shop Rent	3,000
PChome	
Advertising	3,000
Online Shop Fee	36,000
Online Shop Rent	1,000
Total Expenses	59,200

Table 6-2, Fixed marketing Expenses
Source: Made by the author

Variable Monthly Marketing Expenses	Unit: NTD
Yahoo!	
Advertising	1,200
Online Shop Rent	3,000
PChome	
Advertising	3,000
Online Shop Rent	1,000
	8,200
Trail Sample	5,000
Spokesperson	5,000
Personnel Cost	22,000
Total Expenses	40,200

Table 6-3, Variable Marketing Expenses

Source: Made by the author

From the above-mentioned expense lists, it is clear to show the cost structure of O Product. The minimum manufacturing quantity is 1,000 bottles, and the cost of each bottle is 100NTD. The total manufacturing cost for one bulk is 100,000NTD. Based on the CEO's instruction, four bulks of products (4,000 bottles) have to be sold out, and the total production cost is 400,000 NTD. The fixed marketing cost of O Product is 59,200 NTD, and the variable marketing cost is 40,200NTD per month. The annual variable cost is 482,400NTD. Based on the above-mentioned statement, total annual cost of O Product is 941,600 NTD.



6.3 Sales Forecast

According to the report from Ministry of the Interior (2010), the population of women age 20 to 30 is 1,671,031. Based on the previous studies from Pollster (2009), 74% of Taiwanese women have the habit to purchase whitening and moisturizing products, and 68% of them care about whitening and moisturizing functions. There are 13% of this group are online shoppers. In other words, the target customer of O Product is 109,312 people (1,671,031 people X 74% X 68% X 13%). According to the report from Chang (2008), the average annual price for women buying skincare is NT\$2,130, which means the total demand of the target customer is 232,834,560 NTD (109,312 people X 2,130 NTD) per year. According

to the expectation of O Product's CEO, there will be four bulks of products sold out in the first year and he plans to have 30% of the company revenue of the following year has to be generated by O Product. The anticipated revenue of the following year is 1,800,000 NTD, and O Product is expected to generate at least 540,000 NTD within 12 months.

According to the annual sales forecast, at the first two months, we anticipate O Product will not generate any positive output for I Company. At the fifth month, the first bulk of product will be sold out. The hot periods of skincare industry are X'mas and Mother's Day. From the sales forecast, it is anticipated that the sales volume increases in December and May. According to the report from MIC (2009), the average online sales of skincare product is 375 items per month. The monthly sales number of O Product is forecasted based on the above-mentioned report. Based on the annual sales forecast list, the anticipated sales volume is 1,474,200 NTD (4,095 bottle X 360 NTD), which occupy 0.6% market share. Otherwise, the anticipated revenue of O Product is 532,600 NTD, which occupies about 30% of total revenue of I Company. In other words, it is anticipated that market share and revenue rate reach CEO's expectation.

Annual Sales Forecast												Unit: NTD
	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Sales	(35,200)	(35,200)	108,000	126,000	126,000	162,000	135,000	144,000	144,000	162,000	180,000	162,000

Table 6-4, Sales Forecast

7. Evaluation and Control

The purpose of this marketing plan is to extend the brand image of O Product and increase better sales revenue for I Company Company. Return on investment (ROI), annual sales volume and accumulating click will be monitored to evaluate performance. As for the ROI, the anticipated revenue is 552,600 NTD and the total annual cost is 921,600 NTD, which means the ROI is expected to be 0.6. In terms of annual sales volume, after completing the marketing plan, the annual sales volume is anticipated to be 1,474,200 NTD, which is much better than before (10,800 NTD). When it comes to accumulating click of company website, after implementing the promotion strategies such as trial sample delivering, membership application, viral marketing and so on, the number of accumulating click and visitor is expected to increase and get better than before (2,670 clicks for three months). Based on the three criteria mentioned above, the marketing plan is expected to not only generate as much revenue as possible, but also expand brand image and brand awareness of O Product to potential customers.

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