

BI Norwegian Business School – Master Thesis

Is it about money or marketing?

- International marketing strategies
in the luxury cosmetic industry -
Exploratory multiple case study of Chanel, Guerlain and La Mer.

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ABSTRACT

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The aim of this study is to investigate how do the luxury cosmetic companies shape their global strategies. The Global Marketing Strategy model used in this paper helps to investigate challenges companies face among their international markets and how do they endure their international prestige and exclusivity. The multiple-case study is used to explore between cases and draw relevant conclusions. First part includes literature review and provides reader relevant background of the international marketing strategies and the luxury cosmetic industry. Following second and third part of the paper focuses on the research question, propositions development and methodology explanation. The final part presents results of the conducted research in terms of analysis of gathered data, followed by discussion and drawn conclusion. Further research is suggested and limitations are included.

Key words: global marketing strategy, international marketing, luxury cosmetic brands, luxury

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INTRODUCTION

In recent years, globalization drivers have brought up numerous adjustments into the business world and substantially changed companies' main concerns and perspective of marketing management. Globalization, defined "*...as a process whereby large firms seek market shares in international markets by building structural entry barriers and by reducing the effect of international barriers*" (Solberg 2004, 23), thus significantly influenced academic research concerning international marketing strategies of multinational enterprises. In order to acknowledge companies' key priority to position themselves across the globe, scholars have been challenged to discuss how firms respond to this phenomenon. Moreover, they tried to effectively formulate an integrated strategy and leverage their domestic position across the national boundaries (Doole and Lowe 2008). The aim of this study is to answer research question '*How do the luxury cosmetic companies shape their global strategies?*'.

While examining various trades, some of the best and straightforward marketing practices are mostly observed in the fast-moving consumer goods area. However, the worldwide economic and financial crisis brought up new challenges and problems, which are in the need of modification of the international marketing strategies. While focusing on the market segments with cumulatively high global sales and therefore excessive attractiveness for further examination, the luxury market will undoubtedly become a leading one. Based on the Kapferer (2012), despite the ongoing crisis transition of Western economies, the luxury sector is growing. In order to capture mounting demand, luxury brands enact their rarity tactics. Berthon et al. (2009, 45) stated that the luxury brand industry is "*...one of the most profitable and fastest-growing brand segment, yet at the same time poorly understood and underinvestigated*".

My master thesis is thus researching the luxury cosmetic industry as a unique sector balancing global marketing of mass consumption goods and luxury goods, different way of managing a business or different management styles and understanding customers and therefore more than an exclusive and in need of individual assessment (Kapferer and Bastien 2012). Nevertheless, how does the luxury cosmetic industry work, what are its international marketing strategies and

what is the essence of the performing companies' success? Is it just about the money or the marketing?

There might be a modest assumption about applying domestic strategy globally or finding new know-how and niche strategy in the targeting cross-boarder market. However, priority for a number of companies should be to build an overall sustainable international competitive advantage if they want to survive in the global competitive climates. Every customer characteristic, competitors' strategy and market infrastructure is exclusive for each region, which "*...requires the firm to modify substantially its competitive positioning to compete effectively...*" and "*...consider the strength and weaknesses of its competitive positions in each country's market and how these interact to influence deployment of resources worldwide*" (Craig and Douglas 2000, 6-7). Therefore, based on Craig and Douglas (2000), companies should firstly build their market presence in the key regions while considering entry modes and customers' uncovered needs. Furthermore, companies should have satisfactory market coverage in order to provide a platform to grow their operations, as well as be strategically flexible in terms of knowledge transfer, support of the company's global learning and the speed of resource deployment. Building a sustainable competitive advantage thus means, finding a harmony between new products or service offerings that are not clearly substitutable while remaining price-competitive.

In other words, based on Craig and Douglas (2000), through development of competitive global advantage, transferability of distinctive capabilities might be evaluated. Distinctive capabilities are considering "*...the extent to which the markets targeted are characterized by distinctive customer needs and interests, competitors, and market infrastructure and separated by economic, political, and cultural barriers...*" and relates to "*...how far assets and capabilities are location-specific*" (Craig and Douglas 2000, 9). 'Location-specific' refers to the firm's industry, which to a large extent affects the relationship between 'domestic positional advantage' and 'global configural advantage'. There might be a narrow end-user segment when a company's specific pattern or patented design identifying a product or service sold exclusively in specialized stores across the market so they are recognizable among customers, such as Tiffany & Co.'s Blue color and distinct packaging of its products sold only in the specialized departments. On the other hand, some industries may have aimed at international

customers from early development and thus offers a service that does not differ across borders, such as Lufthansa Airlines, which is offering the same comfort at every flight worldwide. The third category of companies cover those who need to modify their portfolio and strategy separately at every market, due to the cost of living or availability of local natural resources in a particular country such as the lighting and energy company OSRAM, which had to develop an entirely new product and adapt its marketing strategy to correspond to local needs and allowances in Africa. Hence, the essence of developing a globally feasible competitive advantage is the result of keeping these key approaches in mind whenever planning a challenging international marketing strategy.

1 LITERATURE REVIEW

1.1 GLOBAL MARKETING STRATEGIES

The complex process of international marketing strategy “...*considers the spatial configuration of assets and resources and assesses not only similarities and differences among markets in different geographical locations but also the patterns of market interdependence and the forces driving toward greater market integration*” (Craig and Douglas 2000, 24). As a result, for more than five decades several frameworks and approaches have been developed by academics and practitioners in order to improve understanding of international marketing strategies as a critical success factor in global markets.

According to the most recognized business individual, Michael Porter (1986a), marketing have three central roles in a global strategy: *configuration*, *coordination* and *linkage*. Configuration is related to the marketing activities and their local or centralized performance. Coordination of marketing activities, as following strategic role of international marketing, is dealing with dichotomy of standardized and tailored marketing in different countries. The third role is a linkage of other activities through international configuration or coordination. Nevertheless, among the numerous following classifications of international marketing strategy, the three most used dimensions are *standardization-adaptation*, *concentration-dispersion*, and *integration-independence* (Lim, Acito, and Rusetski 2006).

1.1.1 Standardization/Adaptation

The foremost unidimensional perspective of international marketing strategy, standardization, mainly debated by Levitt, Quelch and Hoff, Douglas and Wind, Samiee and Roth, Cavusgil and Zou, and Solberg, is primarily dealing with economies of scale and local acceptance of the marketing mix elements (Solberg and Durrieu 2006). Scholars argued, most notable Levitt (1983), that fast moving technology in communication and transportation influenced product’ development in the global market, which can be competitive just by adopting a standardized strategy in order to decrease price and at the same time offer the highest possible quality. Hence, standardization is efficient and practical because of the aggregate homogenization of markets (Hout, Porter, and Rudden 1982; Ohmae 1985).

Skeptical opposers on the other hand pointed out several economic and political barriers containing trade restrictions and overall countries differences including cultural difference. Brought up concept of adaptation strategy to the local market requirements (Douglas and Wind 1987; Quelch and Hoff 1986). Standardization includes application of uniform marketing mix elements across the number of international markets, whereas adaptation is characterized by implementation of an exceptional marketing mix for each country separately in a unique way according to the customer's needs (Lim, Acito and Rusetski 2006). Therefore the entire dimension 'standardization-adaptation' includes both.

Deliberating on presence of specific differences among countries and school of thought, that standardization results in numerous advantages, Takeuchi and Porter (1986, 117) argues, that the real important task is "*...to pursue both local responsiveness and standardization simultaneously, and to recognize how the approach to international marketing should vary across products and across various marketing activities*". Likewise, additional discussions arose when Quelch and Hoff in 1986, cited in Lim, Acito, and Rusetski (2006, 502), debated "*... 'partial vs. full standardization' as well as 'partial vs. full adaptation' along more than 20 dimensions of business functions, products, marketing mix elements, and countries*". Hence, polemic of standardization and adaptation brought about questions in the multidimensional marketing strategy approach.

Subramaniam and Hewett (2004) studied the importance of balance between the polar views and how does it influence the product's superior performance in international markets. They argue, that "*...the assimilation of the combined inputs of both headquarter and subsidiary into the products standardization-adaptation balance critically determines product performance in a subsidiary market*" (Subramaniam and Hewett 2004, 186). Hence, the face-to-face contact between headquarter and subsidiary and sharing of their joined inputs create an important platform of new superior knowledge. This platform enables knowledge sharing and opens discussion for various viewpoints on the product development, which leads to a reduction of glitches and product design improvements.

1.1.2 Concentration/dispersion

Concentration-dispersion, as a second type of major perspective of international marketing strategy "*...rooted in Porter's (1986b) analysis...*", is underlying the

fact that a “...*multinational firm should seek an optimal geographic spread of its value-chain activities such that synergies and comparative advantages across different locations can be maximally exploited*” (Lim, Acito, and Rusetski 2006, 500). Meaning, companies should evaluate markets in which they are operating according to their comparative advantage (Hill 1996). Companies should concentrate their value-chain activities according to these advantages in order to maximize performance in an effective way and build a competitive leverage (Zou and Cavusgil 2002). This perspective is therefore differentiating multinational enterprises according to their value chain aspects which are “*consolidated or ‘concentrated’ at particular geographic locations, vs. being scattered or ‘dispersed’ across various country markets*” (Lim, Acito, and Rusetski 2006, 500). Both primary value-chain activities: inbound logistics, operation, outbound logistics, marketing and sales, and service as well as supporting value-chain activities: procurement, technology development, human resource management should have to have a clear ‘where’ global placement (Porter 1986a).

1.1.3 Integration/independence

The third important dimension labeling international marketing strategy, *integration-independence*, is concerned with “...*the planning, implementation, and control elements of competing in a global marketplace*” (Lim, Acito and Rusetski 2006, 500). Based on Hout, Porter, and Rudden (1982) and Yip (1989), cited in Lim, Acito, and Rusetski (2006, 503), “...*this perspective implies that international marketing strategy should be measured in terms of the degree of integration in competitive moves and decision-making, the integration of competitive response, cross-unit communication and mutual consultation*”. Consequently, the company firstly needs to firstly set up, then follow and completely understand its relationship with the subsidiary. This can be either an integrated unit granted to be a part of the company’s strategy plans, design and following decisions or an independent profit generating complex excluded from the company global marketing strategy.

According to Zou and Cavusgil (2002, 42), “*a key to global marketing success is a participation in all major world markets to gain competitive leverage and effective integration of the firm’s competitive campaigns across these markets*”. Supported likewise by Ghoshal (1987) and Birkinshaw, Morisson and Hlland

(1995), *“the essence of global marketing strategy is to integrate the firm’s competitive moves across the major markets in the world”*. Based on the above statements, the author believes that a vast part of scholars is convinced that integration is more successful on a way towards global leadership, if intended.

1.1.4 GMS model

In order to look at the international marketing strategies of companies from all possible angles and incorporate the main three dimensions on a worldwide basis addressed in previous research, one broad framework is needed. The GMS model developed by Zou and Cavusgil (2002, 42-43) is defined as *“the degree to which a firm globalizes its marketing behaviors in various countries through standardization of the marketing-mix variables, concentration and coordination of marketing activities, and integration of competitive moves across the markets.”* Thus, with the ability to raise meaningful findings from the comparison without confusion, the comprehensive conceptualization model called the GMS model, the Global Marketing Strategy Model, is used in this study.

One of the substantial finding of the broad GMS model reveals that global marketing strategy has a positive and significant effect on the company’s performance both financially and strategically (Zou and Cavusgil 2002). Following, Table 1 characterizes three included dimensions in the GMS model. For each of the dimensions basic logic is provided in order to summarize its main purpose. Key variables for each dimension specify that marketing mix, value-chain activities and moves across the markets are researched. In addition, antecedents and effects are included as preoccurring and post occurring circumstances.

Table 1: Major Perspectives of Global Marketing Strategy (Zou and Cavusgil 2002, 41)

| Perspective | Basic Logic | Key Variables | Antecedents | Effects |
|---|--------------------|----------------------|--------------------|----------------|
| Standardization perspective | Scale | Product | Convergence of | Efficiency |
| | Economies | standardization | cultures | |
| | Low-cost | Promotion | Similarity of | Consistency |
| | Simplification | standardization | demand | |
| | | Standardized | Low trade | Transfer of |
| | | channel | barriers | ideas |
| | | structure | | |
| | | Standardized | Technological | |
| | | price | advances | |
| | | | Orientation of | |
| | | | firm | |
| Configuration-coordination perspective | Comparative | Concentration | Low trade | Efficiency |
| | advantage | of value-chain | barriers | |
| | | activities | | |
| | Interdependency | Coordination of | Technological | Synergies |
| | | value-chain | advances | |
| | | activities | | |
| | Specialization | | Orientation of | |
| | | | firm | |
| | | | International | |
| | | | experience | |
| Integration perspective | Cross- | Integration of | Low trade | Effectiveness |
| | subsidization | competitive | barriers | in |
| | | moves | | competition |
| | Competitive | Global market | Orientation of | Competitive |
| | dislocation | participation | firm | leverage |
| | Rationalization | | International | |
| | | | experience | |
| | | | Integrated | |
| | | | markets | |

Zou and Cavusgil (2002) created eight dimensions of the GMS model based on the three groups of major perspective in international marketing strategy. Four are considering the standardization vs. adaptation perspective of product, promotion, channel structure and price. The following two are concerned with concentration vs. coordination of marketing activities. The last pair of dimensions are defining global market participation and integration of competitive moves as a part of the third perspective integration vs. independence. Following Table 2 includes specific definition of all dimensions presented by academics.

Table 2 Definition of the GMS Dimensions (Zou and Cavusgil 2002, 43)

| The GMS Dimension | Definition |
|---------------------------------------|---|
| Product standardization | The degree to which a product is standardized across country markets. |
| Promotion standardization | The degree to which the same promotional mix is executed across country markets. |
| Standardized channel structure | The degree to which the firm uses the same channel structure across country markets. |
| Standardized price | The degree to which the firm uses the same price across country markets. |
| Concentration of marketing activities | The extent to which a firm's marketing activities, including development of promotional campaign, pricing decision, distribution activities, and after-sale services, are deliberately performed in a single or a few country locations. |
| Coordination of marketing activities | The extent to which a firm's marketing activities in different country locations, including development of promotional campaign, pricing decision, distribution activities, and after sale services, are planned and executed interdependently on a global scale. |
| Global market participation | The extent to which a firm pursues marketing operations in all major markets in the world. |
| Integration of competitive moves | The extent to which a firm's competitive marketing moves in different countries are interdependent. |

The GMS model, built on the industry organization-based theory and resource-based theory, is used as a base for this research in order to comprehend how divergent basic logic and major perspectives of global marketing strategy function in the luxury cosmetic industry.

1.2 INFLUENCING FACTORS

Already in 1996, Zou and Cavusgil in their developed global marketing strategy model, incorporated influences of both external industry drivers and international company factors. They defined global strategy as “...an organization’s response to the external industry globalization drivers and internal organization factors constrain an organization’s ability to conceive global strategy and its ability to implement the chosen strategy” (Zou and Cavusgil 1996, 61). Thus, this research takes into the account influencing factors effecting international marketing strategy through various internal and external exogenous variables.

1.2.1 External industry globalization drivers

External factors are influencing marketing strategy and takes to the consideration the whole globalization process and its impact on the industry and related effect on company performance. External industry globalization drivers are thus categorized into the five classes (Zou and Cavusgil 1996, 62):

- *Market factors*, based on Levitt (1983) and Yip (1989), consisting of emergence of global marketing channels, homogenization of consumer needs and wants, existence of global marketing channels, and transferability of marketing practices.
- *Cost factors*, including economies of scale in marketing and production, economies of scope, efficiencies in sourcing transportation, and synergies in other value-adding activities.
- *Competitive factors*, based on Hout, Porter, and Rudden (1982), relating to the competitive position across markets and integrated operations.
- *Technology factors*, including tariff barriers, product standards, marketing regulations.
- *Environmental factors*, containing regulations and different incentives.

1.2.2 Internal organizational factors

Internal organizational factors are concerned with inside the company issues and are categorized into the five classes (Zou and Cavusgil 1996, 63):

- *Market orientation*, based on the Jaworski and Kohli (1993) and Kohli and Jaworski (1990), referring to the organization-wide generation of, dissemination of, and response to market intelligence.
- *Managerial orientation and commitment*, stating that global operations benefit from the strong commitment and ability to co-ordinate across countries,
- *Organization culture*, based on Kotter and Heskett (1992), is influencing global strategy and its implementation through the three key elements of strength, global orientation and adaptiveness and thus forming the company from inside as influencing factors.

- *Organizational capabilities*, based on the Collis (1991), are including collective learning, transfer of information and skills, and facilitation of innovation.
- *International experience*, suggested by Douglas and Craig (1989), include stages such as initial foreign market entry, expansion of national markets and global rationalization.

1.3 LUXURY

“Luxury is a culture, which means you have to understand it to be able to practice it with fair and spontaneity.” (Kapferer and Bastien 2012, 5) The ‘word’ luxury might have a various connotation for each individual. While having one hot meal every day might be considered in some parts of the world as a luxury, others might not perceive sport car worth 100.000 EUR luxurious enough. What does luxury mean? Is it necessary something expensive what just limited number of people can afford? Or is it something premium in our daily lives we explicitly do not need?

Luxury has various meanings and it is hard to express it in one single way. The word ‘luxury’ was used already from the beginning of civilization and, comes from the Latin word ‘luxus’ meaning “ ‘soft or extravagant living, (over)-indulgence’ and ‘sumptuousness, luxuriousness, opulence’ ” (Tynan, McKechnie, and Chhuon 2010, 1157). *“Luxury as we know it today is rooted in old Europe’s royal courts – primarily those of France, which set the standards for lavish living.”* (Thomas 2007, 21) Nowadays, the luxury goods industry is worth over 200 billion EUR (D’Arpizion 2013) that serves almost all available sub segments starting with fashion clothing, jewelry, leather and silk goods, perfumes, cosmetics, champagne and spirits which “...convey status and a pampered life – a luxurious life” (Thomas 2007, 3). Moreover, D’Arpizion (2013) argues, that “...worldwide luxury goods market revenues will grow as much as 50% faster than global GDP, with an expectation of 4% to 5% growth in 2013 and 5% to 6% annual average through 2015, on track to break the € 250 billion sales threshold by mid-decade.” Based on these facts, we can determine that luxury brand industry is booming and due to its increasing importance, is therefore in need of investigation.

One can talk about luxury as a market, as a sector or as a strategy (Kapferer and Bastien 2012). Each of these concepts concentrates on distinctive values and explanations. The luxury sector clusters companies, namely Chanel, Dior, Louis Vuitton, Guerlain, Yves Saint Laurent, Prada, Hermès, Gucci, and Longchamp under the official representing company based on their geographical region. Example is Comité Colbert, which holds members of 75 French luxury houses and 14 cultural institutions in France (Comité Colbert 2013). Luxury as a strategy refers to the fact that the luxury goods industry is prosperous business. Luxury as a market equalizes luxury product with expensive product in order to easily measure and quantify in studies. Moreover, scholars, Barnier, Falcy, and Valette-Florence (2012), and Kapferer (1998), cited in Kapferer, and Bastien (2012, 47), developed six unified criteria as a core for the luxury:

- *“a very qualitative hedonistic experience or product made to last;*
- *offered at a price that far exceeds what their mere functional value would command;*
- *tied to a heritage, unique know-how and cultural attached to the brand;*
- *available in purposefully restricted and controlled distribution;*
- *offered with personalized accompanying services;*
- *representing a social market, making the owner or beneficiary feel special, with a sense of privilege.”*

These criterias however, differ based on the specific type of sub segments of the luxury industry.

Every human being has just one skin, which identify our personality and is a part of our appearance thus influences how we are perceived by the society. The Council Directive defined in 1976 in Articles One cosmetic product as, “...*any substance or preparation intended for placing into contact with the various parts of the human body... it a view exclusively or principally to cleaning them, perfuming them or protecting them, in order to keep them in good condition, change their appearance or correct body odours*”, cited in Elsner and Maibach (2000, V). Especially for the women, beauty products are a part of their everyday lives and they cannot imagine not having any of those little creams, make-ups, lip sticks and eye shadows in their personal collection. Regarding beauty products, most luxury brands have their product portfolio divided into three categories,

skincare products (anything related to epidermis), make-up products (including nails) and fragrances (including hair fragrances). *“Perfume has, for more than seventy years, served as an introduction to a luxury brand...it also provides luxury brands with substantial profits. Cosmetics serve the same purpose, but...are more showy: pulling Chanel lipstick from a handbag gives the instant impression of wealth and savoir faire”* (Thomas 2007, 5). For the purpose of this study, the term ‘luxury cosmetics’ includes all three categories.

When combining cosmetics with luxury, it is important to discuss the powerful segment represents by companies with annual sales overreaching even 7 million EUR just within the cosmetics and perfumes. According to the World Luxury Association and their ranking released in 2012, the World’s TOP 10 Cosmetics companies are Chanel, Christian Dior, Guerlain, Givenchy, Helena Rubinstein, Sisley, La Prairie, La Mer, Lancôme and Biotherm (World Luxury Association 2012). Therefore those companies are the main targets for this study.

2 RESEARCH QUESTION AND OBJECTIVES

Wisely choosing from the broad spectrum of different studies of international marketing strategies, combining them in one meaningful way and use them for industry analysis was an important part of this research. Hambrick (1984, 27), cited in Lim, Acito, and Rusetski (2006, 1), states “*a strategy classification scheme helps bring order to an incredibly cluttered conceptual landscape.*” Hence, in order to provide a complete intellectual basis on global marketing strategy cases in the luxury cosmetic industry, the researcher have chosen one major classification on which my research design is built and based on. This master thesis is based on the GMS model consisting of three groups of dimensions, *standardization-adaptation, concentration-dispersion and integration-independence*. In addition, it is taken into account influencing internal and external factors as possible elements affecting these three specific dimensions.

The aim of this research is to answer research question:

How do the luxury cosmetic companies shape their global strategies?

In order to answer this research question, the author have developed 8 propositions based on the logical assumption supported, by with previously conducted academic research.

According to Kapferer and Bastien (2012), traditional marketing is not suitable for luxury. Moreover, those techniques might be more harmful than prosperous and therefore, they developed 24 anti-laws of marketing in relation to the applicability in the luxury sector. Accordingly, anti-laws of marketing are discussed in this study.

Most distance practice to luxury is a traditional need of unique selling proposition (USP), that is a key for the classic mass consumption brand. Fast moving consumer goods (FMCG) companies are trying to find their place in the market, which other companies have not yet covered, offer a new service or launch a new product with high margin price and penetrate the market. Mass production and high volume sales support aggressive advertisements addressing concrete problem of the target customer. Luxury does not work this way. “*Luxury is ‘superlative’ and not ‘comparative’*” (Kapferer and Bastien 2012, 66). Therefore, every luxury brand have their own identity “*...that gives a brand that particular powerful*

feeling of uniqueness, a timelessness, and the necessary authenticity that helps give an impression of performance” (Kapferer and Bastien 2012, 66).

The identity of the luxury brand is reflected in its their products. The fashion luxury industry, approximately 15 Couture brands, are perceived to be luxurious because of the fulfilled criteria that their clothes have to be made from exclusive materials and has to be precisely hand-made with small details in different ateliers. This created the identity of each fashion luxury brand. While examining luxury cosmetic brands, they need to have their own identity as well. Luxury cosmetic brands are offering a wide range of products in their portfolio and every product is associated with the brand identity and is showing special brand design.

Moreover, while selecting international product portfolio in this industry it is important to consider the fact, that behind every product is not just the exclusively chosen packaging identifying the brand but every brand replenished their portfolios with a long research and development. Thus, “*...time as a key dimension of luxury*” (Kapferer and Bastien 2012, 71) need to be considered from the company perspective as well as from the customer’s point of view. Because of the unique R&D behind every product, companies cannot create wide product range for each market separately. On the other hand, customers need to wait all over the world for the next product line or limited collection and this creates “*...the necessary obstacles to the straining of desire...*” (Kapferer and Bastien 2012, 71) to own the luxury.

Willis (2006, 76), who conducted research exclusively on the skin-care luxury cosmetic products in Asian markets, found that customers desire “*...the product to be as unadapted as possible. Any form of adaptation is perceptible to waken the image, status, brand equity and value of the product.*” Adapting luxury products to the local needs might create mixed feelings by the international customers and the identity or original symbol of the product might to some extent be lost. Since luxury products are perceived as high quality products, adaptation might lead to the perception that quality was changed for the specific market or the brand treats each market separately. Therefore, this research predicts, that luxury cosmetic companies have fully standardized products and are reflecting the same brand prestige globally.

P1a: Luxury cosmetic companies have standardized products with worldwide coverage.

Building further on Kapferer and Bastien (2012), in luxury the role of advertising strategy is not to sell but to tell about the brand and create a desire to own the product. *“The luxury brand must have far more people who know it and dream of it than people who buy it”* (Kapferer and Bastien 2012, 70). Luxury is about dreaming, if everyone could have the product they dream about there would not be any luxury. When luxury companies launch new advertisement, immediate increase in sales is not a priority. Primarily, *“it is essential to spread brand awareness beyond the target group, but in a very positive prestigious way”* (Kapferer and Bastien 2012, 73). Thus, for every luxury brand, it is vital to communicate the myth of the brand or the product itself. Storytelling in the communication, narrative *“...perceived as authentic, somewhat secret, and capable of transmitting an implicit message, loaded with collective values”* (Kapferer and Bastien 2012, 273), is used as the common marketing technique of luxury brands. Hence, luxury brand advertising differs from the usual mass attracting marketing communication. *“You tell customers the story of the product, the facts, but you do not pressure them into making a purchase there and then”* (Kapferer and Bastien 2012, 77). Based on these facts, there is just one story behind the advertisement, present the brand identity, which is associated to the dream. Storytelling, creating desire, not purchasing scenario for specific customers, is meant as a selective advertisement. Moreover, luxury brands target common customers. *“Marketers of high quality products...can use global advertising to appeal to the elite market segment around the world. Well-known international brands competing in the luxury goods marketplace often present a singular image of prestige and style to the entire world”* (Belch and Belch 2003, 674). Luxury advertising wants to send the same desirable message to the whole world and create the same global prestige and desire everywhere. Thus, this study assumes that luxury cosmetic companies have a very selective but standardized advertising on a worldwide basis.

P1b: Luxury cosmetic companies have selective standardized global advertising.

Moreover, in order to stay luxurious, retail stores have to stay differentiated from the fast moving consumer goods stores. Limited accessibility of the products is a

part of the luxury global strategy since luxury cosmetics can be bought, only at the specialized perfumeries or departments. This study believes that each brand, however, wants to keep its own identity and stay luxurious. Thus, even though luxury cosmetics can be seen, only in the specialized stores, the standardized outlooks communicating the same message to the customer must be perceived from the selling point and the whole environment where the store is located.

Plc: Luxury cosmetic products are sold primarily in specialized stores with a standardized outlook.

Luxury cosmetic brand companies want to create a value for their business from the added value not from the cost reduction of their operation, productions or innovation investments (Kapferer and Bastien 2012). When we are discussing the high-value products, price is the most essential part of the marketing mix in the luxury industry. High margins on the luxury products, which are typically reinvested in the services and innovation in order to maintain the brands luxury position, are defined in the ultimate stage of product launch. *“In luxury, you first come up with a product, then you see at what price you can sell it; the more it is perceived by the client to be a luxury, the higher the price should be”* (Kapferer and Bastien 2012, 74). Kapferer and Bastien (2012) also emphasize that luxury marketing is supply-based. Thus, opposing to the traditional demand-based marketing for the mass production and high volume sales. Therefore, in luxury, common market models and the inversely proportional relationship between price and demand are not applicable. This effect was widely discussed by the Norwegian economist and theoretician of the ‘leisured class’, Thorstein Veblen (1899); cited in Kapferer and Bastien (2012, 219) who named ‘Veblen goods’ *“objects or services for which demand increase along with the price...”* as a common behavior in the luxury industry.

“Consumers buy products and services from luxury brands because they seek a quality product as well as an experience that satisfy” (Carr 2013, 4). Price is hence not the crucial factor influencing purchasing decisions. Customers *“...are willing to pay premiums of 20% to 200% for the kinds of well-designed, well-engineered, and well-crafted goods – often possessing the artisanal touches of traditional luxury goods – not before found in the mass middle market”* (Silverstein and Fiske 2003, 498). Price premiums prove the existing added value

of the brands and the part of dreaming about the product from the customer's point of view. As discussed above, since the luxury brands want to be perceived luxurious and provide the same quality on a global level, this study assumes that it is unlikely that final price of the product can be different in other markets. Thus cost of living should not have any influence on the price. Both because of the trust of the customer to the brand on a global basis, as well as the guarantee of the same prestigious quality product for the same price worldwide.

P1d: Prices of luxury cosmetic products are not correlated with the cost of living scale within the respective country.

Zou and Cavusgil (1996), extended Yip's (1989) five dimensions of the global strategy, discuss the value-adding activities of the companies, such as research and development, manufacturing and marketing. The second dimension of the GMS model (Zou and Cavusgil 2002) includes coordination/concentration of marketing activities defined as "*a promotional campaigns, pricing decisions, distribution activities, including after sale service*". Moreover, Takeuchi and Porter (1986, 111) defined marketing activities as "*new product development, advertising, sales promotion, channel selection, marketing research*". This study examines marketing activities as a part of value-chain activities under one dimension of concentration-dispersion. However, the researcher is focusing on R&D and new product development, channel selection, pricing decisions and media and non-media marketing activities.

"Cross-national coordination captures synergies derived from economies of scale, scope and learning" (Zou and Cavusgil 2002, 41). Since luxury companies are building on their identity, creating synergies and letting customers know that some of the activities will be managed not directly by the brand creates "*...a risk that stakeholders will lose confidence in the sustained authenticity and inherited culture of the brand*" (Ijaouane and Kapferer 2012, 25). This study thus assumes that luxury cosmetic companies are concentrating their value-chain activities in the country of their origin, mostly France, in order to keep their brand identity, prestige and perceived quality in the eyes of customers.

P2a: Luxury cosmetic brands have concentrated value-chain activities within its business unit in the country of their origin.

Despite the fact that companies do not disperse their activities within their own company and operating markets, they are seeking for the synergies with other companies. Based on Ijaouane and Kapferer (2012, 26), luxury companies can create “...*operative synergies, market power synergies, financial synergies and corporate management synergies, which are derived from leveraging operative, market power, financial, corporate management resources, respectively, across the business*”. Thus, this study believes that luxury cosmetic brand companies have dispersed value-chain activities outside their own company through created synergies with other luxury cosmetic brand companies in order to gain market power, share practices, laboratories or reduce financial cost on R&D and manufacturing, operational and administrative costs.

P2b: Luxury cosmetic brands have dispersed value-chain activities within cross-business synergies.

Moving towards the third dimension of the GMS model, integration/independence, based on the brand equity discussed earlier, this study assumes that decision-making and competitive moves are integrated from the headquarter and there is no independence given to the local subsidiary or distributor of the luxury brand in the local market.

P3a: Local representatives do not have influence on decision-making of luxury cosmetic brands.

P3b: Local representatives do not have impact on global competitive moves of luxury cosmetic brands.

3 METHODOLOGY

While choosing from the broad number of available methods to conduct market research, the author have decided to combine objectivity of a vast variety of data with my own subjective interpretation of meaning of complex situations. Therefore, to ensure the phenomenon the author is researching is thoroughly explored, a case study design is an excellent opportunity for dealing with the “how” research question and looking at the data through diverse lenses in order to expose its essence. (Baxter and Jack 2008) According to Yin (2003, 4), “*the case study is the method of choice when the phenomenon under study is not readily distinguishable from its context.*” Thus determine what is the case, include contextual conditions and set up boundaries of the context is essential for this study and is clarified in chapter 3 ‘*Research question and objectives*’. The aim of my master thesis communicated through the research question is to analyze dissimilarities and patterns in luxury cosmetic brand companies’ behavior across different settings and clarify the recognized causal link and effect on reality (Baxter and Jack 2008). The research question is supported with 8 propositions, grouped respectively to the GMS model dimensions in order to follow literature and develop clear flow of thoughts.

Based on Yin (2002), cited in Easterby-Smith, Thorpe and Jackson (2008, 97), case studies “*produce huge piles of data, which allow researchers to make any interpretations they want.*” However, in many situations researchers choose excessive amount of cases and suffer with large data. Siggelkow (2007), cited in Easterby-Smith, Thorpe and Jackson (2008, 98) argue that “*case studies are particularly valuable for demonstrating the importance of particular research questions, for inspiring new ideas and for illustrating abstract concepts.*” Thus, for this research, the author has thoroughly chosen three case studies providing necessary data for analysis. Researching luxury cosmetic brands have been chosen based on the ranking of the World’s TOP 10 Luxury Cosmetics companies and then clustered into groups based on the ownership structure. All companies are present across all continents, thus, clustering based on the market coverage was not relevant for this study. Subsequently, from each group seen in Table 3, oldest brand, written first in the line, have been chosen for the research. However, unforeseen events from the company’ side did not allow the researcher to

complete interviews with the Lancôme management in different countries as a crucial part of the company case study development. Therefore, Lancôme was excluded from this research.

Table 3 Ownership structure of the World's TOP 10 Luxury Cosmetics companies

| Ownership | World's TOP 10 Luxury Cosmetics companies |
|------------------|--|
| LVMH | Guerlain, Dior, Givenchy |
| Estée Lauder | La Mer |
| L'Oréal | Lancôme, Helena Rubinstein, Biotherm |
| Single | Chanel, Sisley, La Prairie |

Based on the World Luxury Association ranking, 2012

Hence, based on the Yin's 2 x 3 case study dimension (2003), this study is an exploratory multiple-case study.

Scholars might argue that social science research governed by qualitative data is subjective and soft, but "*when findings, interpretations, and conclusions are based on multiple sources of evidence, the case study data will be less prone to the quirks deriving from single source*" (Yin 2003, 3). Thus, in order to generate robust outcomes, case studies' database of both primary and secondary data was developed for this research. The main sources of data are archival documents, predominantly annual reports combined with reference and investor documents publicly available on companies' home page. Interviews were transcribed and together with other document were analyzed through the medium of cross-platform qualitative hyperRESEARCH program and searching specific words in coding.

Secondly, direct observations of advertisement in five different women magazines, namely Vogue, Bazar, Glamour, Cosmopolitan, In Style, and presence of companies on social media networks, namely Facebook, Twitter, and Pinterest, were analyzed.

Moreover, the main method of qualitative data collection, which "*aims to discover the views, perceptions and opinions from both individuals and groups through language*" (Easterby-Smith, Thorpe and Jackson, 2008, 142), interview, is used as well. In total 6 semi-structured in-depth interviews (3x Chanel, 2 x Guerlain, 1x La Mer) with employee on the decision-making position at the marketing department, Brand Manager or Marketing Manager, from 5 countries (Norway,

Slovakia, Poland, Czech Republic, United Kingdom) within one of the researching brands are conducted. Some of the interviews were done face-to-face, but due to the geographical distance second part of interviews was done through the phone. Interview guide (Appendix 1) was developed beforehand in order to keep interviewees focused on the research topic and maximize information gathered. Interview guide as well as interviews itself were completed in English since the researcher assumes managers working in global companies have no English language barriers, since this is the corporate language in all 3 researching companies. Concrete quotes are used in the results. Since informants wanted to stay unnamed, this study is not distinguishing between interviewees within the company, and country of local representative is not specified. As a result of this criterion, references such as 'Interviews Guerlain', 'Interviews Chanel', 'Interviews La Mer', are used and stated in the text. (Yin 2003) Since this research examines luxury cosmetic industry, it is generalizable within this sector since multi-case study gathered different data and cross-analysis was possible from the researching sample. Interviewed employees worked in their company on managerial position four and more years and their identity is not revealed in the thesis, thus the researcher assumes data can be trusted and thus study is reliable. Results of the study, however, depend on the quality of interviews and respondent willingness to help. Thus, different quality of developed cases is observed.

4 RESULTS

4.1 GUERLAIN

“Make good products and never compromise on quality. As for the rest, stick to simple ideas and apply them scrupulously.”

Pierre Francois Pascal Guerlain

4.1.1 Heritage creation and current ownership

In 1828, Pierre François Pascal Guerlain, a French chemist, perfumer and young entrepreneur opened the House's first boutique at 42 Rue de Rivoli in Paris. He provided fragrances for the famous Empress Eugénie, the wife of Napoleon III, Queen Victoria of England, Queen Isabelle of Spain, remarkable Sissi and many others. In less than 50 years Pierre Francois Pascal Guerlain became creator of olfactory family heritage of five generations with international coverage. Thus, since 1828, the name Guerlain and the ornamental G represent the dynasty of fragrances, skincare and make-up. (Guerlain 2013)

In 1994, the multinational conglomerate of luxury brands Moët Hennessy Louis Vuitton (LVMH) purchased majority shares, 58.9 percent, of previously exclusively family-owned Guerlain. In 1996, LVMH acquired the rest of the Guerlain and today, Guerlain is a wholly owned subsidiary of Moët Hennessy Louis Vuitton. However, based on the view of the LVMH Group Managing Director, Antonio Belloni (LVMH Annual Report 2011, 11), *“the reasons behind LVMH's performance and the success of its brands is our decentralized organization, which enables our brands to be autonomous and has considerably enhanced our performance”*. Thus, Guerlain brand is as much autonomous Perfumes and Cosmetics joint stock company that *“places emphasis on the values of creativity, modernity and high quality”* (LVMH Annual Report 2012, 41). Guerlain's headquarter is located at 68 Avenue des Champs-Élysées in Paris and the company guided by CEO Laurent Boillot disposes with the capital of 19.764.000 EUR (Guerlain 2013).

4.1.2 Availability

Guerlain is present at 6 continents in more than one thousand serviced counters at specialized beauty stores or department stores (Appendix 2). Guerlain is also

giving its customers an option to enjoy Guerlain Spa at 28 places across the world out of which five are located in Paris. (Guerlain 2013) Guerlain operates globally through distribution agreements with local players who are in charge of the logistics and sales activities in the specific location for the store chains selling Guerlain products to the final customer. To be able to sell Guerlain products, each store needs to fulfill certain minimum orders, which are correlated with the sales, and profit need to cover at least costs for the shelves exclusively manufactures for each store. The spa or beauty salon wanting to use Guerlain products need to be exclusive and working uniquely just with the brand. (Interviews Guerlain)

4.1.3 Pricing

Prices for the Guerlain products are not shown in the stores. The brand has a specific pricelist next to the display stands or price need to be requested from Sales Representative. Prices of products are based on the amount that is bought by the distributor available in the specific country from the headquarter. Thus, prices differ from country to country. Distributor calculates prices for the final customer and afterwards recommended prices are suggested to store chains. However, recommended prices by the distributor are not strictly followed. After agreement between distributor and store chain, it is possible to sell Guerlain's products with a discount. Sales are not strictly communicated to the headquarter in Paris immediately. However, at the end of the year, final report with all promotions, discounts and sales has to be generated from each market and communicated to headquarter. (Interviews Guerlain)

4.1.4 Value-chain activities

LVMH business group Perfumes and Cosmetics shown growth in revenue of 8% which ratifies the overall efficiency of the value-enhancing strategy despite the firm's economic crisis pressures (LVMH Annual Report 2012). Among the other competitive luxury cosmetic brand companies, Guerlain as the oldest Perfumes and Cosmetics Maison in the LVMH Group, is as well *"bolstered by its differentiation strategies and significant investment in advertising to target its key markets supports its creations and enhance its image around the world"* (LVMH Annual Report 2012, 41). *"Guerlain wants to maintain its heritage identity among the customers and attract even more new customers who want to become a part of luxury experience and prestige"* (Interviews Guerlain). The major strategic

priority of Guerlain is to “*maintain strong policy in terms of innovation and media investment*” (LVMH Annual Report 2012).

Guerlain is concentrating on the environmentally friendly production and constant new product development in terms of strategic growth. Its main research is focusing on various unique features of Orchids while exploring their potential at the international platform of research center called Orchidarium. In addition, being a part of the LVMH Group means presence in the single site place of resources and expertise, LVMH Recherche. This center is located in Saint-Jean de Braye, at “*the heart of the competitive cluster known as Cosmetic Valley*” (LVMH Reference Document 2012, 18). LVMH Recherche is a research and development center for other brands, such as Dior, Givenchy and Kenzo that are a part of the luxury conglomerate. (Interviews Guerlain)

An output of the LVMH Recherche in Paris is a wide portfolio of Guerlain products. The star product from the fragrances is currently La Petit Robe Noire Edt, from the skin-care it is Super Aqua Serum and from make-up it is the Meteorite powder (Appendix 2). From the developed portfolio of different sizes and shades, the headquarter chooses which products will be sold in the respective territories. No products are developed uniquely on a specific area of skin type. Distributors can not choose which products they want to sell locally since products need to be standardized within surrounding countries. (Interviews Guerlain)

Concerning offline marketing communication, “*Guerlain is communicating its product through the magazine advertisement, TV commercials or other promotion activities ‘on the floor’ through banners and stands to directly attract customers. All commercials are designed in Paris and sent to us*”. This means, that local partners of Guerlain are just implementing official commercials or banners which are designed and created at the headquarter level. However, when the research on magazines was conducted, none of the 5 chosen had Guerlain commercial. Guerlain products were displayed only through the make-up tips tutorials, however, those PR based activities are unpaid and depend on the magazine’s taste and personal preferences. Moreover, other promotion activities such as make-up days in the store chains advertising new collection, photo shoots promoting Guerlain brand or any other outdoor promoting activities, are initiated at the local

representative level any need to be approved beforehand by the Guerlain headquarter. (Interviews Guerlain)

Since 2008, the Guerlain face is a Russian model Natalia Vodianova, who was shown the commercials mostly for fragrances and make-up. These types of commercials are showing primarily promoted Guerlain product and the model's face. No caption or description is seen on the commercial (Appendix 2). "*Face of Natalia Vodianova represents Guerlain's prestige, mystery and quality. In 2009, Guerlain was even inspired by her origin and thus, named fall collection 'Russian doll'.*" (Interviews Guerlain) From 2013 Michelle Yeoh, Chinese Malaysian actress is named as a new Celebrity Ambassador for the highest skin care range, Orchidée Impériale. (Guerlain 2013) This might be associated with the Asian oriented marketing strategy of Guerlain. Another type of Guerlain's commercials is displaying unique products of the brand together with its name and slogan (Appendix 2). Those commercial do not have any beautiful model or Hollywood star associations, however, they are evocating strong associations with the product design, such as colorful commercial of the Meteorite powder or elegant but still romantic La Petit Robe Nior figure.

Regarding online marketing communication, Guerlain's web page is an easy oriented online medium including background storytelling information about the brand. Current commercials in form of short movies are available on the web page and the entire product portfolio range is presented as well. Short movies are the same topic as the printed commercial (Appendix 2). However, they have up to 2 minutes and are expressing the whole story, which is evocating strong feelings and associations to the product.

Store locator option is included on the web page, however, prices are not published and it is not possible to purchase products online.

In terms of social media presence, Guerlain is active on Facebook, Twitter and Pinterest. The brand joined currently the most popular free online social media networking webpage Facebook in form of a fan page on March 1st in 2010, currently with 418 435 fans and 12 786 people in the age group 25-34 who are talking about the brand. Based on the researcher observation, the Guerlain timeline is consisting of the most important milestones in their Maison heritage. Guerlain is posting on the fan page on regular basis, every 2 to 14 days. Posts are

mainly covering new product advertisements or tips on how to use Guerlain products. (Appendix 2)

4.1.5 Internal communication

Communication between headquarter in Paris and local distributor is ongoing through phone calls, reports from Guerlain's local distributor and personal visits from the headquarter in Paris. The Global Brand Manager is visiting local market once a year for three to four days. This visit is however perceived by the distributor as a check. *"We feel like we are controlled if Guerlain's brand identity is communicated in a good way."* Brand Managers are not visiting headquarter on a regular basis, new products and collections are communicated just through online or paper form materials. (Interviews Guerlain)

4.2 CHANEL

"Nature gives you the face you have at twenty. Life shapes the face you have at thirty. But at fifty you get the face you deserve."

Mademoiselle Gabrielle Bonheur 'Coco' Chanel

4.2.1 Heritage creation and current ownership

The House of Chanel known under the world legend resonating name 'Chanel' is a prestigious Parisian brand recognized for its line of perfumes, exclusive cosmetics, clothing and fashion accessories. Overlapping double 'C' logo and camellia flower are behind the tradition of excellence and elegance. Year of establishment is often tapping into the 19th century, when 19th August 1883 Gabrielle Chanel was born in Saumur, France. Talented orphan opened her first independent millinery shop at 21 rue Cambon in Paris in 1910 and 12 years after launched its first fragrance *"Chanel N°22, named after the year of its creation"*. However, official year of incorporation under name 'Société des Parfums CHANEL' is year 1924, when *"CHANEL presents the first makeup collection and dedicates to creating unique fragrances and beauty products"*. Three years after, *"based on the belief that luxury begins with perfect skin, CHANEL develops the first comprehensive line of fifteen groundbreaking skincare products."* (Chanel Inside 2013)

Alongside the history, significant figures in Chanel are undoubtedly cult designer Karl Lagerfeld, who is an Artistic Director of Chanel Fashion from 1983. Moreover, Perfumes and Cosmetics are in the hands of Jacques Polge as a Master Perfumer of Chanel since 1981 and Peter Philips is the Creative Director of Chanel Makeup since 2008. (Chanel 2013, Funding Universe 2013, Forbes 2013) From the company's structure and ownership, Chanel is a privately owned company by ancestors of the former business partner of Gabrielle Chanel, Alain and Gerard Wertheimer with chief executive officer Maureen Chiquet. On the global level, Chanel is having subsidiaries in the capitals of big markets. Within Europe it is in United Kingdom, Spain, Italy and Russia. In small European countries, Chanel is operating through local distributors. (Interviews Chanel)

4.2.2 Availability

"...Chanel's approach of achieving its targets through the application of basic business resources, such as through its corporate philosophy, human resources, organization, and the succession of technology and skills, has enabled it to maintain its position as a top luxury brand since the company was established" (Nagasawa, and Yusuke 2013). Currently, Chanel cosmetics are present in numerous selectively chosen stores and special cosmetic departments all around the world. *"Nowadays, every cosmetic store wants to have Chanel products, because it is not just a high margin brand but it is an exclusive 'must have' brand."* However, in order to be Chanel sales place, stores have to be beautiful and exclusively sell luxury cosmetics while prioritizing Chanel. (Appendix 3) They need to sell other brands such as Dior, Guerlain, Lancôme as well, Chanel can not be the only brand present in the store. Moreover, stores have to meet certain turnover requirements and have to meet the minimum buying amount. *"At the beginning, there is of course cooperation and help from the distributor to inspire the store and help to sell more. However, store need to obey marketing rules for branding, selling towers and posters."* General rules of Chanel are followed, but final decision if the store is enough luxurious and has a prestige to sell Chanel is upon local distributor. (Interviews Chanel)

4.2.3 Pricing

"Prices are adjusted based on the cost of living in the country where Chanel is present. For example in Norway, prices are higher then in Denmark, thus it would

be better economically for distributor to buy products from Denmark, but it is of course not allowed. Headquarter is therefore having larger margin on sold products in Norway than in Denmark, because they know that cost of living in Norway is higher.” Moreover, final prices for the customers are suggested to the stores and they are strictly followed in the markets. Therefore, in every store within one country are same product prices, meaning Chanel prices are standardized on the local level but adapted globally. (Interviews Chanel)

4.2.4 Value-chain activities

Chanel R&D for skin care, make-up as well as for the fragrances is located in Paris. Chanel products are selected in order to comply with the typical Chanel classic but stylish outlook. Each product category has a certain numbers of products differentiating in the color, size or ingredients concentration and thus texture. There are no specific products, which are produced just for the certain market. Few years ago, decisions about the product portfolio available locally where centralized, but nowadays thing are changing. *“They are starting to understand that we have a lot of good ideas for the range and they decided to listen to us.”* Thus, every market has its own basic catalogue of products and every year there are new launches, summer, fall, Christmas and spring collection of make-up. *“Some types of products are going in some are going out.”* Therefore, nowadays, local distributors can decide what types of products are going to be sold in their markets. *“I think you have to shout out loud sometimes in Chanel in order to be heard and we do it all together.”* Thus, through communication across border with distributors or direct subsidiaries change to an organization was brought. (Interviews Chanel)

However, every local market needs to be in line with the strategy of Paris and there are some products, which are obligatory to have everywhere, since they are standard for the Chanel. *“Even though this is too expensive for the Norwegian customer and they do not buy it, we have to do it, this is Chanel’s strategy, they tell us and we have to do it.”* Moreover, *“regarding all new big launches, we have to have them and we can not decide to say no, this is Chanel’s strategy, it is obligatory.”* With the limited and seasonal collections it is different, distributors can decide locally weather to buy or not. However, *“you either take a whole package or nothing.”* In some countries they are allowed to adjust the amount

which will be purchased from headquarter, thus even though whole collection need to be purchased, some product which are predicted not to be selling good are bought in few pieces and others in bigger amounts. (Interviews Chanel)

“Distributors are trying to limit down number of products in the market because they want to have an easy choice for the customer and stores want to have even smaller range. Chanel wants to have a broad range because they want for the customer to be able to choose from every product they have and produced.” Furthermore, in the stores, space in display shelves is limited, and if there is a lot of different products stores do not even have usually enough place to exhibit all of them. *“Distributor needs to negotiate these terms with headquarter in Paris and with stores. This is very tough negotiation every year, but final decision is on the distributor.”* Therefore, Chanel cosmetic products are partially adapted to each market and those decisions are mostly on the local level however regulated centrally. (Interviews Chanel)

Regarding marketing activities, *“Chanel is an amazing brand with amazing products and interesting stories, however, everything is decided in Paris.”* There is not level of creativity on the local level. *“You can come up with an interesting idea, but maybe 1 out of 5 is executed.”* Headquarter is very strict in terms of how to use and implement brand in the markets. *“You have to do it within the brand’s strategy, they have a long view how to use the brand and that’s also why Chanel has succeeded to have the most exclusive brand in the world.”* (Interviews Chanel)

Every local partner has a budget assigned from the Headquarter. Within the budget, Chanel decides which products have priority in the following year, thus specific amount of the budget need to be used for the assigned product families. *“Usually, majority of budget is used for the vintage pillars of Chanel, fragrances and make-up. But this year we are launching absolutely innovative range in the skin care and this will be our main priority.”* Hence, the budget depends on new launches and existing product significances. (Interviews Chanel)

Talking about the offline marketing, main target of Chanel are media, however, they are putting a strong emphasize on store visibility as well. *“Chanel has beautiful materials to work with, such as big posters, rocky towers on the counters, window stickers, etc.”* This is the least financially demanding marketing

option, which is communicating directly with the customer during the store visit, thus potential purchasing moment. Going back towards media marketing Chanel is using TV commercials for the big launches, such as new expecting skin care range. In order to have a commercial in magazines, each magazine need to be validated by Chanel's headquarter in Paris and be perceived as a luxury and good magazine. Lowkey magazines cannot advertise Chanel products. *"In magazines, Chanel can have advertisement always just on the 2nd and 3rd page of the magazines or at the backside. Sometimes we can use as well 4th and 5th however, this need to be approved in Paris."* Chanel commercials were found in all five researching magazines. Chanel current commercial on La Rouge was placed on 4th and 5th page in Glamour and the same commercial was found in In Style on 6th and 7th page. La Rouge commercial is mystical, since it displays just model face on the whole left page followed by the simple La Rouge slogan and name Chanel on the right side (Appendix 3). Atop exclusive first pages, commercial were found inside the magazine. Commercial on fragrance Chance Chanel displaying model with product was found on the whole 48th page in Vogue and 24rd in Cosmopolitan. Moreover, skin care commercial on Sublimage Crème, placed on 39th and 40th in Bazar, displays on the whole left page just the product and on the right side small text describing uniqueness of the product. Above the text there is a displayed name of the brand, 'CHANEL'. Besides the fragrance commercial in Cosmopolitan, advertisement promoting new skin care range is attacking the reader on three entire pages, the 33rd page shows the face of the model, followed by the separate slogan 'Chanel where beauty begins' on the full following page, and displaying three products with short description and the brand name under it on page 35 (Appendix 3). Chanel is advertising on billboards as well. *"For example if we have a new launch of male fragrances, there are not so many male magazines which are validated."* In order to attract woman even more, man model, Brad Pitt, was used for a woman perfume. (Appendix 3) All commercials are in English to assure that the same message is communicated to the customers. However, translation of the commercial is the only adjustment to the developed campaign, which is allowed on a local level, *"...everything else need to be the same all over the globe"*. Some countries are tough using just subtitles with original lyrics. (Interviews Chanel)

Regarding online marketing, Chanel is advertising through online magazines and financial web pages. However, there are certain rules, which need to be followed. *“Chanel can not be on the same page as other brands. Chanel need to be all over the page by itself, we need to have top, low and side banner, everything need to be Chanel on the page.”* Moreover, no editorials are used for commercials, however, bloggers are sometimes used as ‘free’ PR, as an exchange for the product try out from the distributor/subsidiary. (Interviews Chanel)

Chanel web page is easy for orientation and to search for products sorted by categories. Whole product range is included together with the current commercials and home private lessons on how to use make-up. As a introduction on the web page, visitors are presented with interactive pictures of current campaign. (Chanel 2013) In terms of social media and online presence, Chanel is active on Facebook, Twitter and Pinterest. The brand has been part of Facebook’s social media network in form of a fan page since 17th November, 2009, with almost 9,8 million ‘likes’ and 156 500 people between the age 18-24 that are talking about Chanel on the social medium. Chanel has developed a time line with important milestones from the Chanel heritage since the birth of Gabrielle Chanel. Since 2009, posts are on regular basis from 1 to 10 days covering mostly articles with the Hollywood’s stars and videos from the fashion events. However, since 2011 posts with commercials about fragrances and new beauty collections have been published. (Appendix 3)

4.2.5 Internal communication

Besides excessive rules, regulations and *“...negotiation, which is sometimes very hard since everything need to be Chanel way and is nonnegotiable how they often say”*, relationship between Chanel headquarter and the brand distributors is very good. Markets, which are not big enough for the subsidiary, are exclusive area distributors who are a part of an export department of Chanel, and are *“as a teams working with distributor as a partners.”* Moreover, the Area Manager, who is a direct employee of Chanel’s headquarter, is mainly in charge of the assigned area and his role is to learn more about the market and check if local distributor complies with the Chanel strategy and rules. The manager is visiting local market together with his team frequently, every 6 to 8 weeks. *“Area managers are rotating every four years through different countries.”* This gives them a better

understanding of global brand development and identity communication across markets. *“However, it is a very rare strategy and no other brand I know about is doing this. This practice is Chanel strategy in order to be closer to the market and have a very close control of local markets.”* (Interviews Chanel)

Regarding global communication, *“marketing director and brand manager from the local market goes to brand managers meeting in Paris every month in a year, where they get presented everything about the following year, what is the Chanel strategies, what are the launches, where should they invest in media and training, etc.”* This is a sign that Chanel wants to make sure that every market has the same information about products, and all activities are in hand with Chanel’s global strategy. (Interviews Chanel)

4.3 LA MER

4.3.1 Heritage creation and current ownership

La Mer was founded by Dr. Max Huber, NASA aerospace physicist, who burned his skin. The accident encouraged him to transform and heal his own skin and after 12 years of research through the combination of natural sources, primarily the power of the sea found in sea kelp, he developed nutrient-rich trademarked ‘Miracle Broth’, that became a base for the beauty skincare products. Thus, in 1965 La Mer brand was established. Dr. Huber used cream just for personal purposes, however, initial sales in small amounts continued into the two generation Huber family production until Dr. Huber daughter sold La Mer in 1996 to the cosmetics conglomerate the Estée Lauder Companies. Nowadays, La Mer is seen as an enormously growing brand with global coverage. (La Mer 2013) In 2012, La Mer was named as an ultimate luxury skin care with double-digit growth in all present regions. (Estée Lauder Companies 2012a)

4.3.2 Availability

La Mer is a signature brand of the Estée Lauder Companies. *“With more than 25 brands in over 150 countries, The Estée Lauder Companies is a brand-building powerhouse of unrivaled creativity and innovation.”* (Estée Lauder Companies 2012b) The Estée Lauder Companies owns brands such as Estée Lauder, Mac, Bobbi Brown, Clinique and more. La Mer worldwide headquarter is located in New York city, however, the headquarter for controlling and monitoring activities

is based in Paris. La Mer is operating with its own subsidiaries in each market as a part of the Estée Lauder Companies (Interviews La Mer). In terms of distribution, by combining company operated stores and other distribution opportunities, *“La Mer has become the fastest-growing prestige skin care brand in Europe”* (Estée Lauder Companies 2012b, 28).

Moreover, *“La Mer has concepts for departments stores and free standing stores are currently being tested at few locations in the world.”* Since La Mer is perceived as a top luxury cosmetic brand globally, it needs to follow luxury point of sales as well. Thus, *“La Mer cooperate with prestigious perfumery chains.”* Meaning, La Mer does not have a strong preferences or policies for the store chains, however, the trend and already present luxurious brands in the store are a sign of possible location for La Mer products as well. (Interviews La Mer)

4.3.3 Pricing

Based on the fundamental strengths of innovation, the Estée Lauder Companies' strategy is directed towards *“the execution capabilities and cost lowering”*. (Estée Lauder Companies 2012b) This practice might have an effect on prices of the products. However, based on the research, *“La Mer products keep the value everywhere around the world.”* Thus the researcher assumes, prices are standardized on the global level and the selling point location does not influence pricing decisions. *“We are getting index and prices corridors from France where we need to fit. For the stores are recommended end prices prepared locally and those need to be approved by Paris HQ.”* This information indicates the fact, that even though prices are standardized, there might be a slight differences between diverse markets. *“In case there are actions to be taken in order to change the prices, HQ is proposing other prices and needs to come to agreement with local market.”* Hence, the final decision is on the mutual agreement. (Interviews La Mer)

4.3.4 Value-chain activities

The research and development center and production of La Mer Crèmes and make-up is located in the USA. New product development is situated at the global headquarter. There exist standard product portfolio available everywhere around the world, since La Mer does not have wide product range. Thus, new launches need to be followed in every region. Local markets have a partial influence on the

available product in form of limited seasonal sets of product. Those mixed sets are however designed centrally. (Interviews La Mer)

To reach global audience, La Mer exclusively relies on “*the power of the story telling*” (Estée Lauder Companies 2012a, 28). Even though La Mer does not have such a long tradition comparing to other luxury cosmetic companies operating from the beginning of 19th century, there is a strong story behind the creation of La Mer.

Regarding offline marketing, La Mer says, that they do not work with gigantic budgets for advertising. “*We mostly do events and activities together with our stores. Moreover, we are actively looking for suitable brands on the market to work together on the VIP event*” (Interviews La Mer). In the five researched magazines, La Mer products were unfortunately not displayed. For the future, La Mer would like to increase advertising investments on television, digital and print communicating mediums (Estée Lauder Companies 2012a). La Mer products are nicely exhibited in the department stores with its green, blue and white color displays and selling counters. Some of the selling points have aquariums with seaweed. (Appendix 4) These signs are a part of the storytelling and technology explanation and are forming a close connection to nature. Thus, association of ecologically friendly or bio cosmetic luxury products might arise among customers. Moreover, “*branding decisions are done locally, since everything needs to follow La Mer global standards.*” All marketing materials used locally, marketing bulletins, and press releases, La Mer receives from the Headquarter, thus creativity level is centralized. However, “*we have local freedom to organize events, cooperation and PR based on local needs and expertise.*” Meaning, that marketing strategy addressing direct connection with the customers is localized. (Interviews La Mer)

Moving towards the online marketing activities of La Mer, companies has a pleasantly designed web page with 1 866 million visitors from its creation. Webpage is designed in the branding colors and includes information about the heritage in form of short video. Atop presented product portfolio together with detailed description is a surprising fact, that La Mer products is possible to purchase online. Thus prices for all the products are included on the web page. Moreover, the author assumes that the official web page has primarily selling

function, since the default opening is on the 'store' option from the above choosing menu. (Appendix 4)

Researching social media, La Mer is present on two out of three researched social media web sites, Facebook and Pinterest. Twitter does have tweets for the @myCremedelaMEr, however, judging based on the pink mermaid logo, the researcher assumes is not an official La Mer account. Moreover, La Mer fan page on Facebook has 87 606 fans with the 2 566 people in the age of 25-44 is talking about La Mer. (Appendix 4) First official post on the Facebook is from 19 of April 2012, thus, the author assumes this is the date when La Mer joined social network. La Mer has developed brief timeline with preceding information about its founder and important launches of the company. La Mer is updating its fans with posts almost on a regular daily basic, longest posting period is 5 days. Posts are about products, ongoing competitions or information related to the natural sources of the Miracle Broth™. Three videos about the foundation and natural resources are present on the fan page mentioning key words such as: 'born from the sea', 'transformative', 'renewing', 'miraculous', 'soothing', which are be associated with the La Mer identity and sensuality.

4.3.5 Internal communication

Relationships between La Mer headquarter and its subsidiaries are "...*very good, cooperative and friendly*". "*Communication flow is very unique and open.*" Face to face communication is unfortunately restricted just to two days, when Marketing Managers from local subsidiary travel to Paris. Worldwide headquarter is not visiting local markets, however, there are regular phone calls. Hence, the headquarter on one side does not have a strong focus to learn about its international customers and market but on the other side they trust its local representatives since there is limited face to face control. (Interviews La Mer).

5 DISCUSSION

The aim of this study was to research how the luxury cosmetic companies influence their global strategic thinking. Based on the three developed cases and their cross-analyses, the researcher was able to discuss suggested propositions.

The examination of standardization degree of luxury cosmetic products across the globe show that there are not an enormous differences within the luxury cosmetic companies. All the researched companies are offering a standardized product range available in all present markets without any unique development based on local or regional needs. In case of La Mer, additional pre-mixed sets of products offered on the seasonal basis are available. For Guerlain and Chanel, there are limited edition launches up to four times a year. New product launches need to be released in all three cases in every country. Research cases indicate that products are standardized in the global markets. Levitt (1983) research is thus supported in the luxury cosmetic industry, since companies are influenced by the globalization and economies of scale. They are adopting standardized strategy in order to increase their costs and rather provide and maintain highest conceivable product quality relevant for the luxury label.

On the other hand, local responsiveness suggested by Takeuchi and Porter (1986) is partially supported since each product category has products with different size or color. Those adjustments vary across each market. Some companies with a small product range, such as La Mer, are offering the same products all over the world because diversification is not possible. Instead Chanel and Guerlain with wider product range and diverse product categories have a capacity to partially adapt to the local needs and the customers preferences. Therefore, in certain countries are available just preselected particular shades or sizes of the product. Thus, partial adaptation of products and responsiveness to the local market is observed in the luxury cosmetic brand company portfolio (Quelch and Hoff 1986). Specific types of products which are adapted for the local market are however present in more countries, such as light shades of make up in Scandinavia as well as in Asia, or darker colors in Southern Europe and Africa. Nevertheless, the products still have the same function, developed under the same technology and in the same packaging. Hence, main features of a product and its design are standardized across the globe and at least one product from the

category is released locally. This implies that luxury cosmetic companies are primarily offering standardized products and therefore the researcher found support for *H1a* proposition, *'luxury cosmetic companies have standardized products with worldwide coverage'*.

In cosmetics, advertising is one of the most important part of the branding, since the customer can visually see the miracle that the product can create and they can dream about the same outlook and immaculate beauty. However, not solely beautiful model and Hollywood stars are shown in the luxury cosmetic commercials. When examining style of advertisement, luxury cosmetic brand wants to attract elite market segment and arouse desire to own the product even though it is not always accessible (Belch and Belch 2003). In order to do so, one might think that companies will put special effort in the locally adapted advertisement and cooperate with the local representatives as much as possible to balance critical determinants in order to reach the target customer successfully (Subramaniam and Hewett 2004), but the opposite is true. Companies want to spread the same brand image across the world and benefit from the practical homogenous markets (Hout, Porter and Rudden 1982). Companies are therefore presenting the same standardized commercials.

The style of the luxury cosmetic brand companies' commercials is extraordinary. Beside picture of the product or a model occasionally accompanied with the brand name, advertisement does not include any other information (Appendix 2, Appendix 3, Appendix 4). Interesting finding is, that just in one case, researching company Chanel, mass magazine advertisement was found. Chanel advertisements were found in all five exploring women magazines, in some cases with multiple different advertisements placed in the same edition on multiple sides. This initiate a sign of the selective luxury advertising, since commercials seem to be empty without a lot of information, however, they are occupying exclusively a whole page in the magazine so reader is forced to look at the advertisement when browsing through the magazine. The researcher also found that commercials are placed online on financial or other selective exclusive webpages, online banners with the advertisement have to be all over the web page and no other brand name is allowed to occur. Moreover, in order to comply with the luxury cosmetic company branding, all brands emphasize on in-store visibility such a posters, selling towers or stickers. These are designed at the headquarter for

every region, thus standardized. Translation to the local language is not always an issue, because of a limited text is visible in the advertisement itself. In order to create fascination of customers at the same time and on the global level, budgets for media advertising are created for all local representatives, which need to be fulfilled and used for the chosen products during the chosen period. Surprising and contradicting is the finding, that luxury cosmetic companies can decide on the local basis about all non-media advertising. Limited creativity is however allowed and headquarter approval is needed in order to assume that promotions are in line with the brand international strategic thinking.

Furthermore, luxury cosmetic brand companies are presenting their brand identity online on their international official web page and on social media. In both situations, strong emphasis is put on the storytelling through short videos presenting information about heritage of the brand or special created visual communication medium about new launches or the brand itself. These are sharing through internet as viral videos.

Hence, based on the discussion above, this study found support for *P1b* proposition, assuming that *'luxury cosmetic companies have selective standardized global advertising'*.

Channel structure of Guerlain, Chanel and La Mer differs. Guerlain and Chanel with their headquarter located in Paris operate through distributors in their local markets. In additional, Chanel has direct subsidiaries in some of its big markets. La Mer is operating through direct subsidiaries. Atop classic direct channel members in the foreign country, La Mer is using online shop to reach their customers directly as one of the mainstream distribution channel driven by the effect of globalization. Selling luxury goods through internet is nowadays frequently a discussed topic in media, whether luxury companies should approach this channel in order to maintain its inaccessibility as a one of the obstacles for the luxury consumers (Kapferer and Bastien 2012). This approach slightly differs from the fast moving consumer goods, which are more and more seen online in order to increase demand and availability for all customer. One might say, that luxury cosmetic brand companies' availability in an offline mode is the same, since you can find all the products in the same stores or same departments. After deeper insight into the channel structure this was maintained and a pattern

between luxury cosmetic intermediaries serving global markets was found. Luxury cosmetic brand companies achieved coordinated base for their retailing, since their products are sold in the specialized beauty stores or specialized departments, which are selling exclusive luxury cosmetic brands. Those places need to sell just carefully chosen luxury brands, meet turnover requirements of the brand and follow their marketing rules. While analyzing outlook of the department stores consisting of the branded sales counters or special stands (Appendix 2, Appendix 3, Appendix 4), relatively the same look is observed. Exclusive shelves or stands supported with the sales assistants are available consequently from each luxury cosmetic brand. Due to these relations, for proposition *P1c*, *'luxury cosmetic products are sold primarily in specialized stores with a standardized outlook'* was found support.

Luxury is about adding value for the customers for which they are willing to pay price premium (Silverstein and Fiske 2003). Additionally, traditional demand increase the pricing strategy is not applicable for the luxury (Veblen 1899), thus all three cases within luxury cosmetic industry are evaluated carefully. Firstly, deliberating on Guerlain case, prices differ country by country and are based on the amount, which is bought by the local representative in each country. This, however, might not have an effect on the final prices available for the customers. Those are calculated by the local representatives and recommended to the retailers, nonetheless always followed. In the case of Chanel global strategy, prices for the distributors depends on the cost of living in the respective country, and thus final prices reflect these circumstances. Countries with a high cost of living might thus be selling Chanel cosmetic products for the higher prices. In the case of La Mer, prices are strictly standardized regardless of present country. This is supported by the fact that they are even publicly available on the web page. Since customers can shop directly online for certain price, they might not be willing to buy a product for the higher price in store. In light of these three different cases, it is not possible to come with a unique pricing strategy applicable for the luxury cosmetic brand companies. Even though price correlation with the cost of living was found in one of the case, discrepancy within two more cases was uncovered. Hence, support for *P1d* proposition, *'prices of luxury cosmetic products are not correlated with the cost of living scale within the respective country'* was found.

Within the value-chain activities, the researcher was putting focus on the R&D, new product development, product portfolio selection, channel selection, pricing decisions, and marketing activities.

While examining value-chain activities internally within on luxury cosmetic brand company, starting with initial research and development, followed by new product development and product portfolio development for each country separately, the researcher found that those activities are strictly concentrate in the headquarter. This means, that companies are not searching for cost reduction and optimal geographical spread of these crucial activities, thus opposing to Lim, Acito and Rusetski (2006) findings. However, possible changes within the product portfolio selection activity in the near future and expectancy to include more local distributors to these processes, Chanel case.

Regarding channel selection in terms of local retail chains choice, policies for stores interested to sell the brand's products are developed centrally on the headquarter level and in all situations need to be fulfilled. However, final decision has always a local representative. Similar flow was observed within marketing activities, which are both dispersed among the present countries but also mainly concentrated in the country of the brands' origin, France (Chanel, Guerlain) or USA (La Mer). This study can determine that mostly media communication, including online media, is concentrated. On the other hand non-media communication such as promotion campaigns, outdoor events and PR activities are scattered across the countries, while each market is responsible for it locally. However, the headquarter needs to be pre informed or in Guerlain case at least post informed. Pricing decision is mainly concentrated practice even though final customer reaching prices are calculated by representatives and recommended to the retailers. Value-chain activities thus seems to have a clear global placement within the companies as proposed by Porter (1986a), however, clear support for the proposition *P2a, 'luxury cosmetic brands have concentrated value-chain activities within its business unit in the country of their origin'* was not found.

The cross-business synergies in the luxury are starting to be more powerful, since luxury conglomerates are acquiring all kind of luxury brands who are becoming Maisons of synergies. This might have a positive effect on the dispersion of value-chain activities and reducing cost mainly on the R&D level and business

administration activities. However, *“luxury brands’ symbolic capital is fragile. It is essential for them to maintain their roots and their freedom within a framework”* (Ijaouane and Kapferer 2012, 29). Therefore, synergies might also have a negative influence on the company’s branding and identity. *“This is why luxury groups such as LVMH maintain the independence of their brands as much as they can”* (Kapferer and Bastien 2012, 82). This research found that in two out of three cases, family owners of luxury brands sold their heritage and became a part of the luxury synergies. Therefore, support for P2b, *‘luxury cosmetic brands have dispersed value-chain activities within cross-business synergies’*, is not found.

The fact, that some of the value-chain activities of luxury cosmetic companies are dispersed among its global representatives indicates, that decision-making do not have to be explicitly centralized. As suggested also by Hout, Porter, and Rudden (1982) and Yip (1989), each of the researching companies has a clearly defined contractual relationship with their local representatives though distributor agreement, or as a direct subsidiary. Some of the companies, primarily Chanel, are trying to understand and learn as much as possible about their local markets, what is seen through frequent visits, setting up Export Department responsible just for international markets with locally placed Area Managers responsible for specific regions. Moreover, Chanel is also integrating its local representatives into the company through organized regular seminars full of discussions about product portfolio, strategies and planning, thus supporting Birkinshaw, Morisson and Hulland (1995). For Chanel it seems to be important to make sure every representative in the world understands Chanel’s global strategic thinking and is a part of the company’s plans.

Besides the clearly defined international company relations in Chanel case, two other cases did not show such a smooth integration. Even though Guerlain headquarter is communicating with its markets on a regular basis on both sides, local representatives does not feel to be integrated in the decision-making processes. Visits from the Headquarter seems to be perceived as a control and not as way to learn about the market and educate distributors about the Guerlain identity and global strategies. La Mer communication with headquarter lacks face-to-face contact and even though their local representatives are operating as direct subsidiaries of La Mer brands as a part of The Estée Lauder Companies, they do

not seem to be integrated in the company at all. Contradicting, it seems that La Mer local representatives are operating as an independent unit and disinterested profit generating complex. Connection behind both cases arise with the fact, that both Guerlain and La Mer brands, are a part of huge luxury conglomerates.

Hence, full support for *P3a*, '*local representatives do not have influence on decision-making of luxury cosmetic brands*', was not found.

Similarly as in the decision-making, Guerlain and La Mer local representatives do not seem to have an impact on the global competitive moves of the company. However, implementation of some of the value-chain activities, such as non-media marketing activities, and partially mutually agreed pricing decisions discussed earlier, might be perceived as integration of local representatives in decision-making activities.

As research found out, Chanel is still more and more listening to local market Brand Managers. To some extent, during the interviews, the informants seemed to believe that control mechanisms of retail stores is in their hands. Moreover, they are implementing some of the marketing activities locally, even though designed centrally. Thus, even though clear structure of integrated practices on global competitive moves between local representatives and headquarter were not found and further investigation is needed, this research found support for the *P3b* proposition, indicating that '*local representatives do not have impact on global competitive moves of luxury cosmetic brands*'.

CONCLUSION

This study answered the research question *how do the luxury cosmetic companies shape their global strategies*. The Global Marketing Strategy model was used as a framework and a base for eight propositions in order to investigate the topic thoroughly and at the same time in structured manners. As Coco Chanel said, *“luxury is a necessity that begins where necessity ends.”* Thus, for one seems as redundant, this research through exploratory multiple case study explores overall challenges in the luxury cosmetic industry faced by multinational luxury brand companies.

Support was found for the first four propositions, expressing that luxury cosmetic companies have standardized marketing mix. Value-chain activities for such companies are not strictly concentrated within its business unit in the country of their origin and they do not always create cross-business synergies and thus disperse their value-chain activities within them. In the relationship between the headquarter and its distributor or direct subsidiary, local representatives have influence on decision-making of luxury cosmetic brand companies, but do not have an impact on global competitive moves.

5.1 MANAGERIAL IMPLICATION

This study is applicable for the already existing international luxury cosmetic brand companies in order to learn about their own organization and compare their practices with others. Moreover, since the researcher provided an overall picture of global strategies, study might be used by brands, which are trying to internationalize in order to increase their market presence or become global leader.

5.2 LIMITATIONS

This research combines three different cases within the luxury cosmetic industry. Concentration on one luxury sector is limiting study generalizability. Because of the problems with interviews scheduling and willingness to cooperate from companies' side, bias and personal opinions of local Brand Managers or Marketing Managers might question some of the results and their representativeness for the whole company. Since just three cases are developed based on the limited number of interviews within only 5 countries, results might

not be generalizable across the globe and applicable for all luxury cosmetic companies. Quantitative support for the results is missing as well. Moreover, since this research is concentrating on the over phenomenon of global strategies, no concrete challenge is researched in the depth.

5.3 FURTHER RESEARCH

Already 'how' research question and exploratory multiple-case study as research design is indicating the fact that this study want to research whole phenomenon of global strategies in the luxury cosmetic industry. Therefore, based on the results, there are found interesting areas which the researcher recommends for further investigation as an important part of this study.

Firstly, this research indicates that the product selection is a long and complicated process of negotiation and discussions between headquarter and local representatives. It might be worth to research how the luxury cosmetic companies deals with this activities in depth. In Chanel's case, this will be an even more interesting phenomenon, since as informants indicated, the company is in a transition and distributors are starting to have more and more impact of the local product portfolio. Moreover, impact of local representative on the performance of the brand in terms of decision-making, integration in competitive moves and overall communications between the cross units might provide contribution to the luxury management research through an individual paper. It would be interesting to research these three companies more to the depth and place the results to the 9 Strategic windows framework (Solberg 1997) or the Contingency framework (Solberg and Askeland 2006).

Furthermore, why the luxury cosmetic companies are creating synergies and willing to give up their heritage, loose individual identity and the effect of this in customers' eyes should be researched as well. Likewise, contribution to the management research might bring comparison of standardization versus adaptation of marketing mix with fact moving consumer goods companies such as P&G, Henkel or Unilever.

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APPENDIXES

APPENDIX 1 - INTERVIEW GUIDE

I am Master of Science student in International Management at BI Norwegian Business School and my master thesis is on the qualitative basis researching:

How do luxury cosmetic brands shape their global strategies?

I am using Global Marketing Strategy Model developed by Zou and Cavusgil (2002) as a base for my analysis and in general, whole interview deals with the questions concerning how does the market with luxury cosmetic products work in YOUR MARKET¹ and for YOUR BRAND²!

PRODUCT

- 1. Do you have influence on product portfolio, which is available in YOUR MARKET?**

- 2. Are there some products, which are specifically produced for THE MARKET? Are consumers needs and wants considered?**

PROMOTION

- 3. As a local DISTRIBUTOR/SUBSIDIARY, do you have impact on the advertising decisions? Who controls your marketing activities and how?**

- 4. Do you decide on THE BRAND marketing strategy?**

¹ During the interview, 'YOUR/THE MARKET' was exchanged for the specific country where the interviewee was employed: Norway, Slovakia, Czech Republic, Poland, United Kingdom.

² During the interview, 'YOUR/THE BRAND' was exchanged for the specific name of the brand where was the interviewee employed: Chanel, Guerlain, La Mer.

- a. **YES – Are you choosing advertising agency? How do you choose marketing channels in terms of media strategy? Which marketing channels are mostly promoting THE BRAND in THE MARKET?**

- b. **NO – Do you advice HQ which marketing channels would be suitable for THE MARKET?**

5. **To what extent is the creative platform of marketing campaigns localized?**

PLACE

6. **Can you tell me something about the channel distribution? How do you decide which stores will sell THE BRAND products?**

PRICE

7. **Are THE BRAND product prices in THE MARKET adjusted according to the cost of living scale?**

8. **Do you get some recommended prices from the HQ?**

9. **Does THE DISTRIBUTOR/SUBSIDIARY have recommended prices for the chains where are products sold to final customers? Are those prices followed?**

HEADQUARTER-SUBSIDIARY COOPERATION

10. What is the relationship between THE BRAND Headquarter and you as A DISTRIBUTOR/SUBSIDIARY?

11. Is there open communication between marketing operations?

12. How often and for how long marketing/brand managers from THE BRAND THE MARKET travel to corporate headquarters in PARIS and vice versa?

ADDITIONAL SHORT ANSWERS

13. What is the flagship/star product of THE BRAND?

14. How long have you been employed as Brand/Marketing Manager of THE BRAND?

THANK YOU FOR COOPERATION!

APPENDIX 2 - GUERLAIN

Picture 1: Guerlain Summer Collection 2009 Commercial with Natalia Vodianova



Source: <http://www.fashionadexplorer.com/l-guerlain>

Picture 2: Guerlain Rouge G Commercial



Source: <http://www.fashionadexplorer.com/l-guerlain>

Picture 3: Guerlain Shalimar Commercial



Source: <http://www.fashionadexplorer.com/l-guerlain>

Picture 4: Guerlain Météorites Perles Commercial



Source: <http://wcp.fr/une-pluie-de-lumiere/>

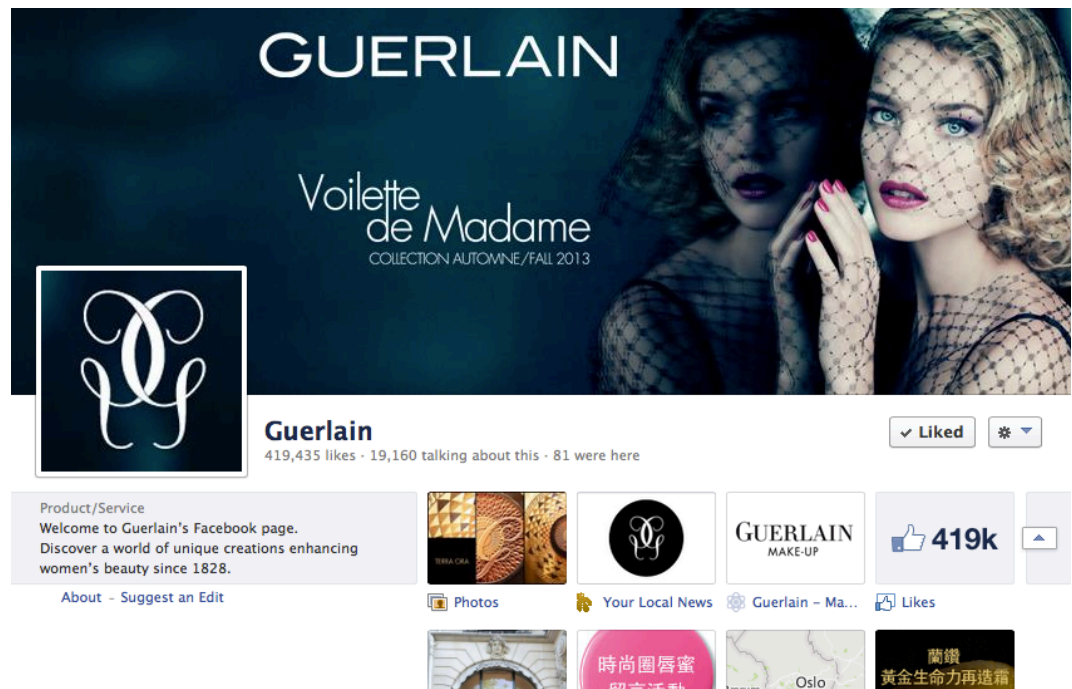
Picture 5: Guerlain La Petite Robe Noire Commercial

Source: http://www.osmoz.fr/Public/Files/_Uploads/images/RobeNoirejalousefr0312.jpg

Picture 6: Guerlain Department Store Display Counter, Beijing, China

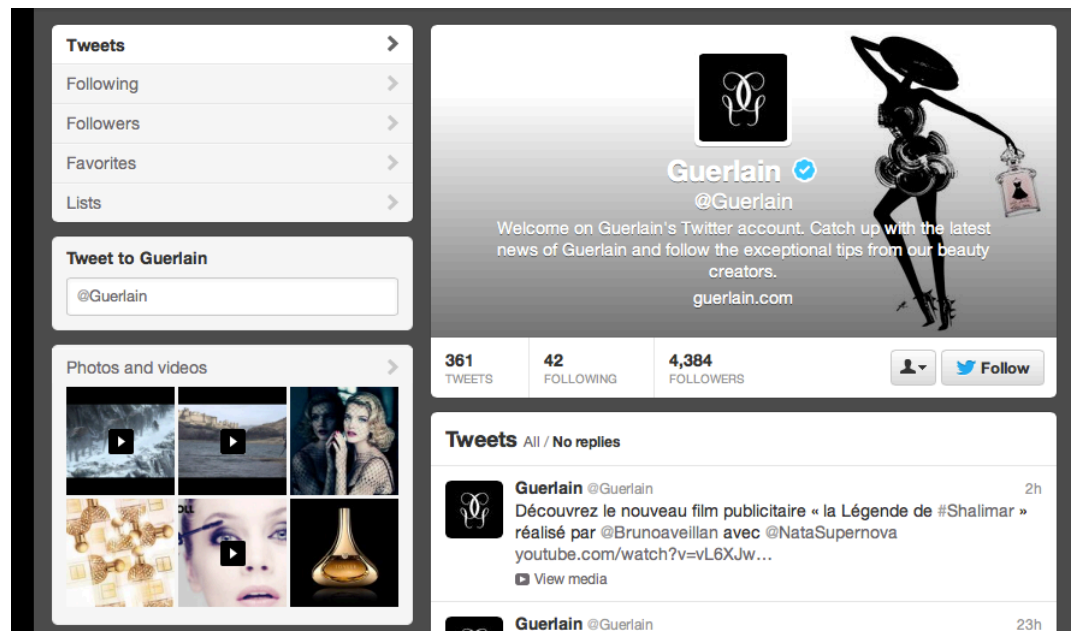
Source: Andrea Ivančová

Picture 7: Guerlain Facebook Fan Page



Source: Guerlain Facebook. 2013. "Guerlain Fan Page." Accessed August 27, 2013. <https://www.facebook.com/Guerlain>.

Picture 8: Guerlain Twitter



Source: <https://twitter.com/Guerlain>

APPENDIX 3 - CHANEL

Picture 1: Chanel Le Rouge Commercial



Source: <http://www.luxurydaily.com/chanel-dior-engulf-readers-in-brand-with-multiple-ads-in-tatler/>

Picture 2: Chanel Chance Commercial



Source: <http://fimgs.net/images/perfume/nd.8069.jpg>

Picture 3: Chanel Sublimage La Crème Commercial

Source: http://myfdb-main.s3.amazonaws.com/image/tear_sheet/381140/3259415aa725d9de7cb4/x900

Picture 4: Chanel N°5 Commercial with Brad Pitt

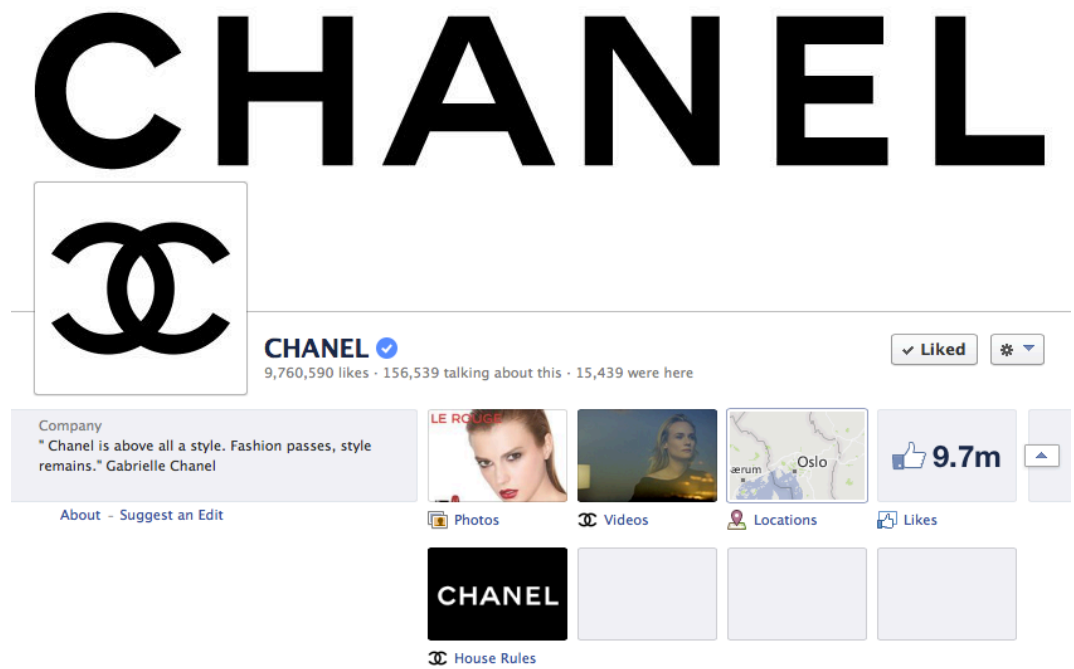
Source: <http://www.selectism.com/files/2012/10/chanel-no5-brad-pitt-11.jpg>

Picture 5: Chanel Department Store Display Counter, Beijing, China



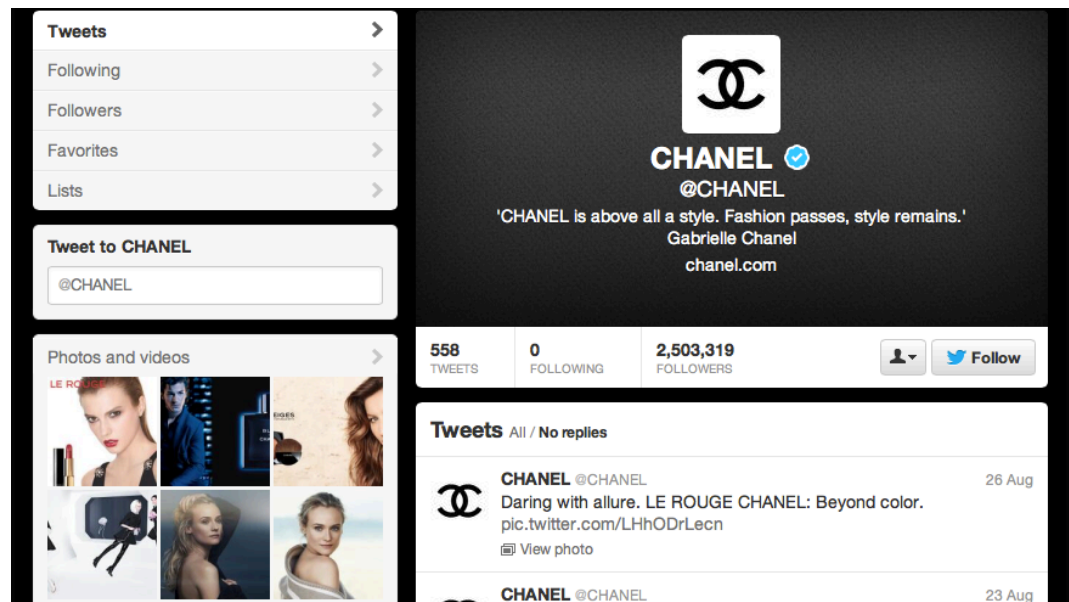
Source: Andrea Ivančová

Picture 6: Chanel Facebook Fan Page



Source: Chanel Facebook. 2013. "Chanel Fan Page." Accessed August 27, 2013. <https://www.facebook.com/chanel>.

Picture 7: Chanel Twitter



Source: <https://twitter.com/CHANEL>

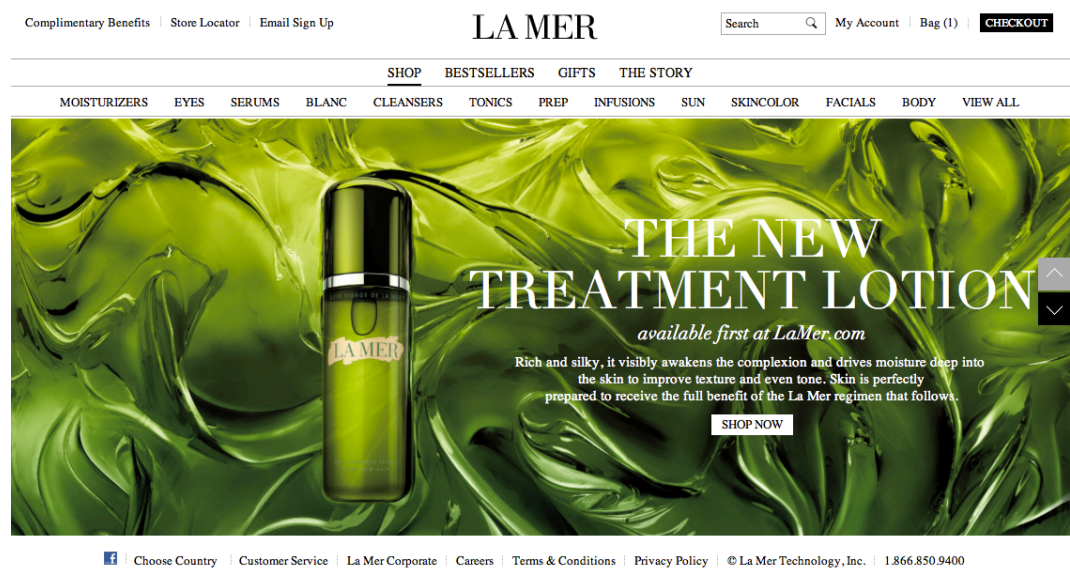
APPENDIX 4 - LA MER

Picture 1: La Mer Department Store Display Counter, Stockholm, Sweden



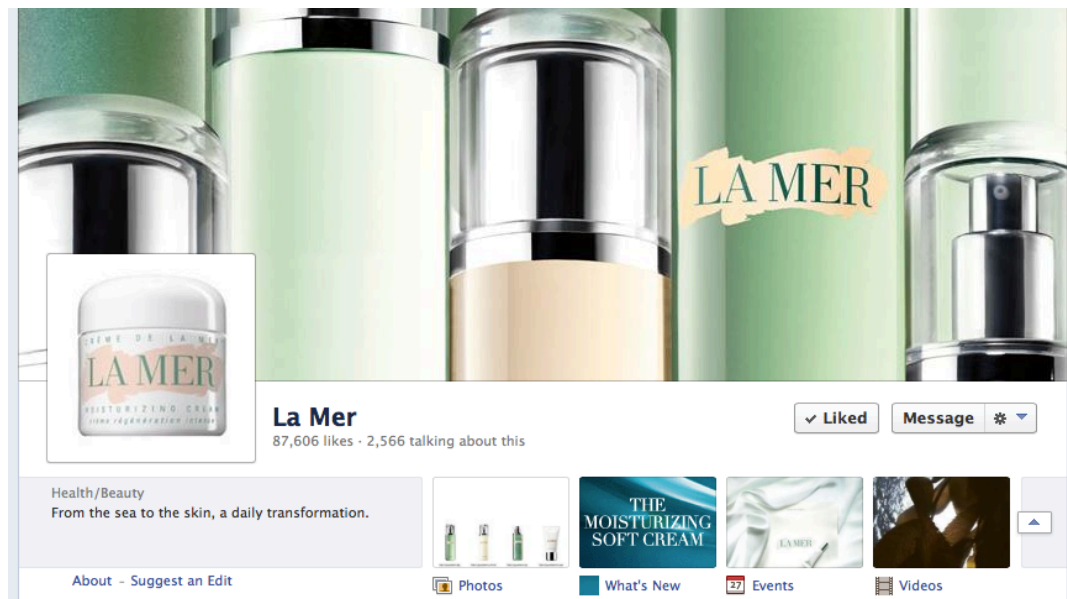
Source: Andrea Ivančová

Picture 2: La Mer Home Page



Source: <http://www.cremedelamer.com//>

Picture 3: La Mer Facebook Fan Page



Source: La Mer Facebook. 2013. "La Mer Fan Page." Accessed August 27, 2013. <https://www.facebook.com/LaMer>.

Picture 4: La Mer Twitter



Source: <https://twitter.com/MyCremedelaMer>

Preliminary Thesis Report

- International marketing strategies in the luxury cosmetic industry -

Hand-in date:
15.01.2013

Campus:
BI Oslo

Examination code and name:
GRA 19002 - Preliminary Thesis Report

Supervisor:
Professor Carl Arthur Solberg

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Master of Science in International Management

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Summary

The area of our study in the Master thesis is International Marketing Strategy. We would like to focus and get a deeper insight into the international marketing strategies, by identify differences among the marketing strategies of well-known international luxury cosmetic companies through internationalization theories, compare and analyze them, as well as build a model explaining relationships between influencing factors, chosen strategy and concrete company success or failure in the whole industry. Purpose of this preliminary thesis report, scratching the surface of a future master thesis, is therefore firstly, to conduct introduction to the research topic in form of literature review concerning international marketing strategies. Secondly, we present our research question and objective of the thesis as well as we build an initial research model. Third part of this report suggests methodology for the master thesis concluding with the plan for data collection and thesis progression.

1 Introduction to the research topic

In recent years, globalization drivers have brought up numerous adjustments into the business world and substantially changed companies' main concerns, especially perspective of marketing management. Globalization, defined "*as a process whereby large firms seek markets shares in international markets by building structural entry barriers and by reducing the effect of international barriers*" (Solberg, 2004, 23), therefore significantly influenced academic research concerning international marketing strategies of multinational enterprises. In order to acknowledge companies' key priority to position themselves across the globe (Doole and Lowe, 2008), scholars have been challenged to discuss how firms respond to this phenomenon and how they can effectively formulate an integrated strategy and leverage their domestic position across the national boundaries (Doole and Lowe, 2008).

While there might be a simple assumption about applying domestic strategy globally or finding new know-how and niche strategy in the targeting cross-boarder market, priority for a number of companies should be to build an overall sustainable international competitive advantage in order to become global leaders.

Every customer characteristics, competitors' strategy and market infrastructure is highly specific for each region, which "*requires the firm to modify substantially its competitive positioning to compete effectively*" and "*consider the strength and weaknesses of its competitive positions in each country's market and how these interact to influence deployment of resources worldwide*" (Craig & Douglas, 2000, 6-7). Therefore, based on the Craig and Douglas (2000), companies should firstly build their market presence in the key regions while considering entry modes and customers' uncovered needs, have satisfactory market coverage in order to provide a platform to grow its operations, they should be strategically flexible in terms of knowledge transfer, and support of company's global learning and speed of resource deployment. Building a sustainable competitive advantage thus means, finding a harmony between new product or service offerings which are not clearly substitutable while remain price-competitive.

In other worlds, based on the Craig and Douglas (2000), we might say that through development of competitive global advantage we are evaluating

transferability of distinctive capabilities. Distinctive capabilities are considering “*the extent to which the markets targeted are characterized by distinctive customer needs and interests, competitors, and market infrastructure and separated by economic, political, and cultural barriers*” and relates to “*how far assets and capabilities are location-specific*” (Craig & Douglas, 2000, 9). With the term ‘location-specific’ we mean, that industry in which firm is operating to a large extent affects relationship between ‘domestic positional advantage’ and ‘global configural advantage’. There might be a narrow end-user segment when company’s specific pattern or patented design identify product or service sold just in the specialized stores at the every market so they are recognizable among customers (Tiffany & Co.’s color and packaging of it’s products sold just in the specialized departments). On the other hand, there might be an industry which was meant for the international customers from its idea development and thus offered service do not differ across borders (Lufthansa Airlines which is offering the same comfort at every flight worldwide) or company need to modify their portfolio and strategy separately at every market because of the cost of living or available local natural recourses in particular country (OSRAM case in Africa, who had to develop entire new product and adapt marketing strategy of their lighting and energy business). Hence, the essence of developing globally feasible competitive advantage is a result of keeping these key approaches in mind whenever planning challenging international marketing strategy.

Over the more than five decades, several frameworks and approaches have been developed in order to better understand international marketing strategy as a critical factor of success in global markets. As a result, complex process of international marketing strategy “*consider the spatial configuration of assets and resources and assess not only similarities and differences among markets in different geographical locations but also the patterns of market interdependence and the forces driving toward greater market integration*” (Craig and Douglas, 2000, 24). Thus, we can distinguish between three most common dimensions of international marketing strategy: *standardization-adaptation, concentration-dispersion, and integration-independence* (Lim, Acito, and Rusetski, 2006).

1.1 Standardization/Adaptation

The foremost unidimensional perspective of international marketing strategy, standardization, mainly debated by Levitt, Quelch and Hoff, Douglas and Wind, Samiee and Roth, Cavusgil and Zou, and Solberg, is primarily dealing with economies of scale and local acceptance of marketing mix elements (Solberg and Durrieu, 2006). Scholars argued, most notable Levitt (1983), that fast moving technology in communication and transportation influenced products' development in the global market, which can be competitive just by adopting standardized strategy in order to decrease price and at the same time offer the highest possible quality. However, opposers such as mentioned Douglas and Wind (1987), pointed out several barriers containing trade restrictions and overall countries differences and brought up concept of adaptation strategy. Therefore, the whole dimension '*standardization-adaptation*' is including both application of uniform marketing mix elements across the number of international markets on one 'standardization' end, while the opposing 'adaptation' end is characterized by implementation of an exceptional marketing mix for each country separately in the unique way according to the customer's needs (Lim, Acito, and Rusetski, 2006).

Concerning historical timeline, in a mean time, additional discussions arose deliberating presence of specific marketing elements in the strategy, when Quelch and Hoff in 1986 (cited in the Lim, Acito, and Rusetski, 2006, 502) "*discussed 'partial vs. full standardization' as well as 'partial vs. full adaptation' along more than 20 dimensions of business functions, products, marketing mix elements, and countries*". Hence, polemic of standardization and adaptation brought about questions in multidimensional marketing strategy approach.

1.2 Concentration/dispersion

Concentration-dispersion, as a second type of major perspective of international marketing strategy "*rooted in Porter's (1986) analysis*", is underlying fact that a "*multinational firm should seek an optimal geographic spread of its value-chain activities such that synergies and comparative advantages across different locations can be maximally exploited*" (Lim, Acito, Rusetski, 2006, 500). Meaning, companies should evaluate markets in which they are operating according to their comparative advantage (Hill, 1996) and concentrate their value-

chain activities according to these advantages in order to maximize their performance in an effective way and build a competitive leverage (Zou and Cavusgil, 2002). This perspective is therefore differentiating multinational enterprises according to their value chain aspects which are “*consolidated or ‘concentrated’ at particular geographic locations, vs. being scattered or ‘dispersed’ across various country markets*” (Lim, Acito, and Rusetski, 2006, 500).

1.3 Integration/independence

Third important dimension labeling international marketing strategy, *integration-independence*, is concerned with “*the planning, implementation, and control elements of competing in a global marketplace*” (Lim, Acito, and Rusetski, 2006, 500). Based on the Hout et al. (1982) and Yip (1989) (cited in Lim, Acito, and Rusetski, 2006, 503), *this perspective implies that international marketing strategy should be measured in terms of the degree of integration in competitive moves and decision-making, the integration of competitive response, and cross-unit communication and mutual consultation*”. Consequently, company needs to firstly set up, then follow and completely understand its relationship with subsidiary either as an integrated unit granted to be a part of the company strategy plans, design and following decisions or known as an independent profit generating complex excluded from the company global marketing strategy.

According to Zou and Cavusgil (2002, 42), “*a key to global marketing success is a participation in all major world markets to gain competitive leverage and effective integration of the firm’s competitive campaigns across these markets*”, therefore, supported also by Ghoshal (1987) and Birkinshaw, Morisson, and Hulland (1995), “*the essence of global marketing strategy is to integrate the firm’s competitive moves across the major markets in the world*”. Based on the above statements, we can assume that vast part of scholars is convinced that integration is more successful on a way towards global leader.

1.4 GMS model

There exist even more classifications of the international marketing strategy, however, in order to evaluate overall performance of specific companies in a whole world, for our research we have decided to use the GMS model. The Global

management strategy model was developed by Zou and Cavusgil (2002, 42-43) and defined “as the degree to which a firm globalizes its marketing behaviors in various countries through standardization of the marketing-mix variables, concentration and coordination of marketing activities, and integration of competitive moves across the markets”. We believe that this unified model will be a strong base for our research. In order to better understand major perspectives of global marketing strategy resulted into the GMS model development, we are including characterization table of three included dimension and their key variables as well as effects of the concrete perspective on the global performance.

Table 1 Major Perspectives of Global Marketing Strategy (Zou and Cavusgil, 2002, 41)

| Perspective | Basic Logic | Key Variables | Antecedents | Effects |
|---|---|--|--|--|
| Standardization perspective | Scale Economies Low-cost Simplification | Product Standardization Promotion standardization Standardized channel structure Standardized price | Convergence of cultures Similarity of demand Low trade barriers Technological advances Orientation of firm | Efficiency Consistency Transfer of ideas |
| Configuration-coordination perspective | Comparative advantage Interdependency Specialization | Concentration of value-chain activities Coordination of value-chain activities | Low trade barriers Technological advances Orientation of firm International experience | Efficiency Synergies |
| Integration perspective | Cross-subsidization Competitive dislocation Rationalization | Integration of competitive moves Global market participation | Low trade barriers Orientation of firm International experience Integrated markets | Effectiveness in competition Competitive leverage |

While developing GMS model, Zou and Cavusgil (2002) created eight dimensions of the GMS model based on the three groups major perspective of international marketing strategy. Four of these dimensions are considering standardization vs. adaptation perceptive of product, promotion, channel structure and price, two of them are concerned with concentration vs. coordination of marketing activities and the last two dimensions are defining global market participation and integration of competitive moves as a part of the third perceptive integration vs. independence. At the bottom we are including table with specific definition of the GMS dimensions presented by Zou and Cavusgil in their research paper from 2002.

Table 2 Definition of the GMS Dimensions (Zou and Cavusgil, 2002, 43)

| The GMS Dimension | Definition |
|---------------------------------------|---|
| Product standardization | The degree to which a product is standardized across country markets. |
| Promotion standardization | The degree to which the same promotional mix is executed across country markets. |
| Standardized channel structure | The degree to which the firm uses the same channel structure across country markets. |
| Standardized price | The degree to which the firm uses the same price across country markets. |
| Concentration of marketing activities | The extent to which a firm's marketing activities, including development of promotional campaign, pricing decision, distribution activities, and after-sale services, are deliberately performed in a single or a few country locations. |
| Coordination of marketing activities | The extent to which a firm's marketing activities in different country locations, including development of promotional campaign, pricing decision, distribution activities, and after-sale services, are planned and executed interdependently on a global scale. |
| Global market participation | The extent to which a firm pursues marketing operations in all major markets in the world. |
| Integration of competitive moves | The extent to which a firm's competitive marketing moves in different countries are interdependent. |

One of the substantial finding of the broad study of the GMS is that this model has a positive and significant effect on the company's both strategic and financial performance in global markets (Zou and Cavusgil, 2002). Therefore, we will look specifically which combination of the global management strategy from the three included perspectives is the most successful one in case of luxury cosmetic industry.

1.5 Influencing factors

As every international marketing strategy is influenced by various internal and external exogenous variables, we will consider these variables as well in our research model. According to the integrated conceptual framework of global strategy developed by Zou and Cavusgil (1996, 61), built on the IO-based theory and resource-based theory, "*global strategy is an organization's response to the external industry globalization drivers and internal organization factors constrain an organization's ability to conceive global strategy and its ability to implement he chosen strategy*". Therefore, we can distinguish between external industrial drivers and internal organization factors as follows.

1.5.1 External industry globalization drivers

Already from the name, globalization drivers, we can understand that external factors influencing marketing strategy are concerned with the whole globalization

process and its influence on the industry and related effects on company performance. External industry globalization drivers are thus categorized into the five classes (Zou and Cavusgil, 1996, 62):

- *Market factors*, which are based on Levitt (1989) and Yip (1989) consisting of emergence of global marketing channels, homogenization of consumer needs and wants, existence of global marketing channels, and transferability of marketing practices.
- *Cost factors*, which include economies of scale in marketing and production, economies of scope, efficiencies in sourcing and transportation, and synergies in other value-adding activities.
- *Competitive factors*, which are based on Hout et al. (1982) competitive position across markets and integrated operations.
- *Technology factors*, which include tariff barriers, product standards, marketing regulations.
- *Environmental factors*, which include regulations and different incentives.

1.5.2 *Internal organizational factors*

Internal organizational factors are concerned with the inside the company issues and are categorized into the five classes (Zou and Cavusgil, 1996, 63):

- *Market orientation*, based on the Jaworski and Kohli (1993) and Kohli and Jaworski(1990), is referring to the organization-wide generation of, dissemination of, and response to market intelligence.
- *Managerial orientation and commitment* also effect international marketing strategy since strong commitment and managerial resources and ability to co-ordinate across countries just benefit global operation.
- *Organization culture*, based on Kotter and Heskett (1992), is among global orientation and adaptiveness on of the three key elements of competitive advantage, thus, forming company from inside as influencing factors.
- *Organizational capabilities*, are based on the Collis (1991) are including collective learning, transfer of information and skills, and facilitation of innovation.
- *International experience*, suggested by Douglas and Craig (1989), include stages such as initial foreign market entry, expansion of national markets and global rationalization.

2 Research question and objectives of the thesis

In order to understand broad spectrum of different studies of international marketing strategies it is important to choose one major classification on which we will build on and base our research design on. As Hambrick (1984, 27, *cited in Lim, Acito, Rusetski, 2006, 1*) said, *a strategy classification scheme helps bring order to an incredibly cluttered conceptual landscape*. Therefore we have chosen to use the GMS model consisting of three groups of dimensions, *standardization-adaptation, concentration-dispersion and integration-independence*, literature review with a list influencing internal and external factors as possible elements effecting these specific dimensions. In order to provide complete intellectual basis for the further study of successful internationalization cases in the luxury cosmetic industry. The aim of the master thesis is to answer research question:

What is the most successful international marketing strategy within luxury cosmetic industry?

In order to answer our research question, we will firstly define what are our measures of success in the luxury industry, assuming to be based on strategic and financial performance and international coverage, According to this, we will rank our researching companies from the luxury cosmetic industry and then we will study their specific cases supported with the clarifying interviews.

2.1 Model

In order to answer our research question we developed basic model showing assumed relationships and which correlations we would like to measure. Our model start with the GMS conceptualization including separate three dimensions discussed in the literature review, standardization vs. adaptation, concentration vs. dispersion and integration vs. independence, including effect of the influencing internal and external factors. Main part of our research is however shown in the model with bold arrows looking at the relationship between GMS model and financial and strategic performance and international coverage and how does it influence the company success.



Figure 1 Research model

3 Methodology

While choosing from the broad number of methods available for conducting market research, we have decided to use *Case study* and *Interview* in order to analyze our data as a whole and afterward support our hypothesis or assumptions. Thus, we will use one-stage study including broad-based case study of approximately 2-3 most successful companies in the luxury cosmetics industry and support our findings with semi-structured interviews as a natural language data collection while interviewing directly employees on the decision-making positions within marketing department in a specific country.

3.1 Case study

Based on the Yin (2002, cited in Esterby-Smith, Thorpe and Jackson, 2008, 97), case studies “*produce huge piles of data, which allow researchers to make any interpretations they want*”. Siggelkow (2007, cited in Esterby-Smith, Thorpe and Jackson, 2008, 98) is arguing, that “*case studies are particularly valuable for demonstrating the importance of particular research questions, for inspiring new ideas and for illustrating abstract concepts*”. Thus we believe that case studies can provide a best fit for our research in order to bring needed data into the analysis and provide us with a wide picture of the luxury cosmetic industry.

3.2 Interview

This main method of qualitative data collection is “*aims to discover the views, perceptions and opinions from both individuals and groups through language*” (Esterby-Smith, Thorpe and Jackson, 2008, 142). Through our planned semi-structured interviews we therefore, hope for a new insides and perspectives brought up directly from the management of the luxury cosmetic industry.

Finally, combination of case studies with personal interviews would provide our research unique combination of data collection and hopefully interesting results.

4 A plan for data collection and thesis progression

Based on Berg’s publication “Qualitative research methods for the Social Science” (2012) we have developed following harmonogram showing the progression of our master thesis.

Table 3 A plan for data collection and thesis progression

| HARMONOGRAM | Research Data | | Analysis | Reflection | Finalization | Submission |
|----------------|---------------|------------|----------|------------|--------------|------------|
| | design | Collection | | | | |
| September 2013 | | | | | | X |
| August 2013 | | | | | X | X |
| July 2013 | | | | X | X | |
| Jun 2013 | | | | X | X | |
| May 2013 | | | X | X | | |
| April 2013 | | X | X | | | |
| March 2013 | X | X | | | | |
| February 2013 | X | | | | | |
| January 2013 | X | | | | | |

Research design is planned for a period of approximately three months. We have already started this phase by developing theory platform including simple background literature review of international marketing strategy integrated in the preliminary thesis report as an intellectual base for our academic research. We will work on the literature review further more, in order to deepen our knowledge concerning research topic and provide complex theoretical framework for our paper. Till March we will decide on the final methodology and data collection strategy in order to specify how will be our research question answered. Data collection strategy includes questionnaire for our supporting interviews as well.

As a part of the research design will be also analysis the luxury cosmetic industry. After collection of needed literature we will develop our hypothesis.

Actual *data collection* will be conducted within March and April with the usage of data collection plan.

After research design and data collection, concrete *analysis* will be done though data organization, their following comparison with current theoretical framework and we will be showing link between our collected data and already existing literature.

Reflection is plan for another three months during which we will consider and formulate our findings, explain their meaning by comparing them to the existing theoretical framework. At the end, we will draw conclusions including academic and managerial implications together with possible limitations of the study.

Finalization phase is planned from May till July parallel with reflection and finalization for two months, depending on the speed of reflection part. As soon as finalization will be finished, first draft will be presented at latest in early July, feedback from our supervisor will be included and second draft will be available for final review and evaluation in August.

Deadline for *submission* of master thesis is September 1st, 2013, therefore, we have established a timeline for eight months including option for submission already in August. A plan for data collection and thesis progression is however just informative and it is a subject of change while working on the research.

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