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DEVELOPMENT OF MARKETING STRATEGY FOR A NEW PREMIUM SKINCARE BRAND IN SLOVENIA

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AUTHORSHIP STATEMENT

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CAGR – Skupna letna stopnja rasti); Compounded annual growth rate

CBBE – Consumer based brand equity

CI – Corporate Identity

GCC – Gulf Cooperation Council

EU – European Union

UV – Ultraviolet

UK USA – United Kingdom

USA – United States of America

PEST – Political, Economic, Social, Technological

R&D – Research and Development

SWOT – Strengths, Weaknesses, Opportunities, Threats

INTRODUCTION

Skincare is an important segment of today's cosmetics industry, which is one of the fastest growing industries worldwide. The estimated accelerated growth of the skincare segment at a compounded annual growth rate (hereafter: CAGR) is nearly seven percent by the year 2022, while the year-over-year growth for 2018 was 6.51 percent (Technavio, 2018). Furthermore, skincare is said to be the most profitable product category, as it is projected to grow the most in market value terms (Duncan, 2018). Revenue of the skin care segment amounted to 22,842.40 million euro in 2019, while on the whole, the most profitable market producing the highest revenue stream is China, at 23,533 million euro in 2019 (Statista Market Forecast, no date a). The main factors that explain the stated growth include the change which can be observes in consumers' attitudes towards beauty and overall appearance, as well as the trend towards more organic skin care products, which cater to consumers who value cruelty-free and no-animal-source labels (Shaulova & Biagi, 2018).

Premium skincare products are produced using special ingredients that add value to the product, which can then be sold at a premium price. The purpose of these special ingredients, which are of either natural or purely organic origin, is to differentiate the product from the more mass-produced and main stream ones (MRFR, 2019). The manufacturers focus on including different innovative ingredients (snail saliva, caviar, algae, etc.) and aim to satisfy every possible specific need that their potential customer might have (Halaye, 2019). The two factors that contribute most to the growth of the premium skincare market are the increasing number of well-informed female consumers worldwide, and the increase in the disposable income which customers are now able to spend on more expensive products, driven by their wish to conform to today's standards of beauty and health (MRFR, 2019).

There are five leading players on the global premium skincare market: Chanel, Coty, Estée Lauder, L'Oreal, and Moët Hennessy – Louis Vuitton SE (LVMH). On the global online premium cosmetics market, the skincare segment represents the biggest share, at around 38 percent. American customers account for the largest group on the global online market, at around 38 percent (Technavio, 2017). In addition to the predicted growth in the skincare segment as a whole, the global premium cosmetics market itself is predicted to grow from 127 billion in 2016 to 369 billion by 2024 at a compounded annual growth rate of 14.2 percent (Halaye, 2019). Because of the previously mentioned higher awareness of skin health observed in customers, their preferences are moving towards the premium segment, where ingredients are either of higher quality or of purely natural origin. Among those, anti-aging creams are especially popular and drive the premium skincare growth (Technavio, 2017)

In Slovenia, the skincare market is growing with a predicted 2 percent year-over-year growth. The leading segment is facial care, which contributed around 40 million euro to the whole skincare market in the year 2017, followed by the body care segment, which amounted to 9,5 million euro in 2017. Mass market brands represent approximately 80 percent of the market share, while premium brands hold the remaining 20 percent. Over the last six years, however, premium brands have continued to grow at the expense of mass market brands. The strongest retail channels for skincare products are health and beauty retailers, which sold 78,9 percent of all skincare products sold in Slovenia in 2017. Among the retail channels, the strongest are drug stores or pharmacies with 37,3 percent, followed by specialist beauty retailers with 35,1 percent, and chemists or specialized pharmacies, which hold 6,6 percent. Grocery retailers hold a 14,9 percent share, which is decreasing. On the contrary, non-store retailing, which held a 6,1 percent share in 2017, with 3 percent accounting for online selling, is increasing, as are the drugstores' and health and beauty specialists' shares (Passport.a, 2018).

To successfully enter a new market and launch a new product line under a new brand, substantial research is necessary, followed by the development of a good strategy. In order to define a brand and form a good marketing strategy, we must first understand what a brand is. If we look into what constitutes the intangible wealth of a company, the brands a company owns are among the most important components. Companies devote a lot of time to building their brands and substantial resources to protecting them (Valaskova, Kliestikova & Krizanova, 2018). A brand is a commercial (and not a legal) construct, for which there is no single definition that would apply to different industries. A brand comprises all publicly identifiable knowledge associated with a particular product, service, or company. The trademark is just the legally protectable part (Wilkof, 2018). Considering the current overflow of new skin care brands, with over one hundred brands emerging in the last two years, a brand's personality traits and the emotions it is able to convey – mainly through social media channels – define whether or not a brand will be successful (Pina, 2019).

The second step, namely market research, typically involves SWOT and PEST analysis, which provide a market overview and the facts that are true on the market at the time of the analysis. This serves as the basis for the further development of the brand and the marketing strategy. To formulate the marketing strategy, it is necessary to establish the marketing objectives, which define what should be accomplished with the marketing strategy. The marketing strategy represents the steps to be taken in order to reach the set objectives (McDonald, Frow & Payne, 2011). An important aspect is the communication style and channels in which the promotional mix is developed. These include various advertising tools, and sales and public relations communications, which all contribute to the achievement of the marketing objectives. Direct, consistent and honest communication with customers builds the customer's perception of the company and therefore drives the demand, has the ability to change attitudes and preferences of potential buyers, and, ultimately, reflects sales and profit (Aurik, Fabel & Jonk, 2015). Below-the-line marketing communications aim to increase the awareness of the companies' products in potential buyers and thus increase sales in order to increase profits (Alexandrescu & Milandru, 2018, p. 268).

In the past decade, marketing strategies have shifted strongly towards customers. Strategies are formed based on segments of homogeneous customer groups and the applied marketing activities are developed based on the average profile of each of those groups. The focus is on establishing relationships and presenting custom solutions designed for different target groups. At the customer level, seven different marketing tactics are used by companies to match their objective measures to the company's performance (Clark, 2018). Companies have to choose the right customer, establish a contact with said customer, communicate the right message, follow multichannel shopping patterns, manage high-cost customers, find and keep their customer, and manage customer loyalty and their profitability at the same time (Kumar & Petersen, 2005). At the same time, the shift towards 'life online' – communicating, dating, reading, working, buying and searching for products – has increased the importance of influencers, social media celebrities, bloggers, and vloggers. Brands have been allocating a bigger portion to digital branding than they did in the past (Chaffey & Ellis-Chadwick, 2019). A brand needs to have a strong presence online, which is typically achieved by its testing, positive assessment, and promotion by an influential persona, either a traditional celebrity or a social media celebrity ("influencers") (Jin, Muqaddam & Ryu, 2019).

In this thesis, I focus on a company that currently operates solely on the Italian market. They produce high quality white label products ranging from deodorants and sports creams for muscle regeneration to specialized cosmetics for skin and hair. Their business model so far has been to sell white label product to pharmacies, which later branded them and sold them on the market under their private label. Their products are based on extensive pharmaceutical research, which is carried out in their own laboratory. The products are carefully developed to be particularly suitable for sensitive skin. Considering the increasing number of dermatological problems caused by various stress factors in today's environment, this is a strong competitive advantage – both a differentiating and marketing one, since it differentiates them from other producers; they do not focus solely on problematic skin, since their products are suitable for that type of skin as well as for unproblematic skin types. The products contain natural ingredients and are cruelty free, meaning none of the ingredients are produced using any animal sources. The product are also paraben and sulphate free, and combine the best natural ingredients with the technological progress of the pharmaceutical industry in the last decade. The combination of natural and active ingredients provides total care for any skin type and assures that none of the ingredients irritate the skin. No artificial fragrances or colorings are used in the products, apart from those naturally present in the ingredients themselves.

Goals. To analyze the market and determine the best strategy for a new skincare line launch into the Slovenian market and worldwide online sales.

– To examine the existing market of cosmetics in Slovenia.
– To determine the attitude of consumers towards skincare products in general and towards the ones they were testing.
– To determine behavior of target customers when choosing skincare brands.

– To identify the perceptions of target customers and understand if the country of origin of the product affects them.
– To develop the recommendations for marketing strategy for a new skincare brand in Slovenia and online sales in Europe.

Research questions

1. What is the current situation on the Slovenian skincare market?
2. What is the behavior of the consumers when choosing which skincare brand they will buy?
3. What are the attitudes of consumers towards skincare products in general, what do they use currently and what are their attitudes towards the products they were testing?
4. What is the attitude of Slovenia young professionals towards cosmetics?
5. What influences the purchase of a skincare product most?
6. Which is the optimal segment to focus on?
7. What kind of marketing strategy would be best for this segment?
8. What are the perceptions of the consumer towards the skincare brands originating from different countries and how does that influence their decisions?
9. Which are the preferred channels to reach and attract the potential customers and what would be the best marketing strategy?

I rely on both secondary sources and primary data. To better understand the industry, I rely on sources such as Statista, Euromonitor and, and other online databases sources. I also did an internship at the company in Italy that manufactures the above-mentioned skincare products, so I was privy to inside information and learned much about how the industry works in the background.

In order to better understand the company and its customers, I collected primary data. The primary data included qualitative data (collected from focus groups, and from ethnographic research – image analysis), and quantitative data (collected via a questionnaire). The purpose of the focus groups was to get insight into the preferences and needs of end consumers, and to see how to position our products before we brand them, i.e. to understand the feelings and opinions the end consumers formed during the three to four weeks of testing the products. I also performed a type of ethnographic research using image analysis, for which I asked respondents to help me with a research for my thesis and upload pictures of all of the skincare products they are currently using since I said I was interested in what they use, how many products they use simultaneously and if there are common traits between the designs of the packaging. The qualitative data was analyzed using thematic analysis and pattern seeking.

The 17 participants from the focus groups also answered an anonymous online survey, which was designed to gather data about the products' characteristics and give the participants a chance to share their honest opinion without peer pressure from other participants.

The thesis consists of five parts. The first part is an overview of the theory that is relevant for the thesis theme and provides a theoretical base. The second part presents the company which manufactures the products and their products (those included in the first launch product line). This part also contains an analysis of the skincare market in Slovenia and Europe. The third part is dedicated to the description and practical application of the methods used to gather data for the purposes of this thesis. This is followed by the data analysis and findings, based on which a recommended strategy is proposed.

1 UNDERSTANDING POSITIONING AND STRATEGY

Positioning a product on the market, especially a market as saturated as the skincare market, is a task that demands extensive information collection and competition analysis. The old rule of 4P's therefore no longer suffices and needs to be preceded with R (research), S (segmenting) – understanding which segments can serve at a higher level, T (targeting) – targeting those segments and P (positioning) – add on each of the 4P's and create additional value (Ries & Trout, 2001). In order to understand where to position its products, a company must therefore have an in-depth understanding of its weaknesses and strengths. A company should have a clear overview of who its customers are and how best to approach them. Furthermore, it is crucial to understand where it can win against the competition and where it does not have the means to compete and should focus on other characteristics, which can be highlighted to outshine competitors.

The next chapter relies strongly on the theories of Porter, as he set the fundamental principles of "how to" when facing the challenges that businesses encounter when combining economic theories and strategic concepts. He is therefore the founder, or at least one of the founders, of modern strategy with a strong theoretical base and applicable theories, which are used widely across the globe. The remainder of the thesis, where a strategy for branding and a new market entry is proposed, also relies on his principles. In addition, six general brand positioning strategies are included.

1.1 Positioning

Positioning is defining the trait that will differentiate a product from the competition and will be the niche it will fill on the market. This encompasses the creation of the products' (or service's) personality and individual characteristics (Leswing, Hamilton, Li & Richett, no date). When positioning the product, a brand has to answer the following strategic questions: What are their customers really buying from them? How is their product different from all the others on the market? What makes them unique? When they have specific answers to these questions, they can begin formulating their strategy.

The next logical step a company has to take is to create a positioning statement – a short sentence that explains to the customers what makes the product different and which of their needs it will fulfil. That statement should be verified and tested on the target audience to establish whether their needs were successful addressed and if the message is complete (Hart, 2021). When the statement has been chosen, the company has to use it in as many communication channels as possible. This is associated with building the brand, a topic addressed further in the following chapters. The statement has to occur throughout communications and corresponding marketing materials should be prepared – together, they create an essential part of the marketing strategy (Leswing, Hamilton, Li & Richett, no date).

When positioning a brand, as shown in Figure 1, a company has to know what consumers want, what the company can offer, and what the competition provides. A company might decide to position itself between what is most sought for on the market and what the competition offers. This is known as competition positioning and is explained later in the chapter. To continue, a company can tackle the interplay between what it already has to offer and what its competition offers, but this takes it to a riskier territory, because the company completely disregards what the consumers seeks. This can result in no or low demand for the company's products or services and consequently in negative or zero earnings. A company might want to account for all the stakeholders here and look for an interception between what the consumers want, what the company has to offer, and what the competition provides, but this option is even less advised than the previous one. It will throw the company out of focus, send mixed messages to the consumer, and it requires a lot of resources, agility, and the ability to respond to market shifts fast and effectively in order to make this position work in the long run (Hart, 2021). The best position to aim for would thus be to find a ground at the upper part of the figure and position the brand where it offers answers to the question of what the consumers want. When a product provides a solution to the consumer's specific need, it is necessary to develop marketing communication to assure that the information of the company's existence and products is conveyed to the consumers and the main message remains clear.

As mentioned in the introduction of this section, there are six general positioning strategies (Pahwa, 2019):

– consumer-based positioning,
– category-based positioning,
– competitor-based positioning,
– benefit or attribute positioning,
– price positioning, and
– prestige positioning.

The *consumer-based positioning* strategy is implemented for a product that is intended for a specific segment of consumers, for instance footwear for people with a shoe size larger than 14. In this example, a set of parameters or a parameter that distinguishes our target consumer from others (in this case shoe size) was used for the identification of our target customers. Consumer-based positioning focuses on recognizing how a brand and the benefits it offers are relevant and applicable to consumers. The key is in understanding how to make a brand relevant to the consumers' everyday life (Keller & Swaminathan, 2020).

Figure 1: Brand positioning

Source: Pahwa (2019).

In building consumer-based brand equity (CBBE), it is necessary to observe the differential effect of brand marketing on the consumers and their response. A clearly established connection with the consumers will yield better results when growing a customer base and higher sales numbers, which is the ultimate goal from the stakeholders' point of view (Keller, 2001).

In **category-based positioning,** a company positions itself as the category leader; the innovator in the category or the category maker. The category-based positioning strategy is advisable, if a brand is the first of its kind or if its product is new to the general public or introduces new, unprecedented solutions to consumers' problems. This strategy represents innovation and, in most cases, is associated with some risk, since the reaction of the market can never be predicted reliably (Keller & Swaminathan, 2020).

With **competitor-based positioning,** the positioning in the market relates directly to either mirroring the competitor's positioning strategy or improving the segments where the competitor has shortcomings. When a company uses its competitor's actions and communication as a basis for its own, it is mirroring that competitor. However, if the company's product is similar to the competitor's, but establishes a differentiation due to an improvement in one or more segments, the company has identified its competitors’ weakness and built upon it. As opposed to the consumer frame of reference, where the focus is on the consumer, the frame of reference here is defined by your competitors (Podus & Podus, 2020).

In **benefit or attribute positioning,** a brand’s communication highlights the main attributes of its product and informs the consumer what benefits the product boasts. It is a good basis for the further development of the positioning strategy, since it is customer-oriented and communicates the benefits of the products directly. In most cases, each product has several benefits for the consumer, but it is best to focus on one or two main benefits to assure that the message reaches the consumer and does not get lost in translation. If a company is able to highlight one strong benefit of its product that separates it from the competition, it has a powerful differentiation tool, which can be implemented in the benefit positioning strategy. The strategy should address the customers’ problems, since similar consumers are attracted by the same traits (Deviprasad Goenka Management College of Media Studies, 2014).

Price positioning is the most widely used positioning strategy. It can be divided into five different approaches. The price-value matrix can serve as a help tool. Determining the price of the product is one of the most essential aspects that will determine whether or not the product will be successful on the market. It depends on many factors, among others on the cost structure, comparable market prices, the willingness of customers to purchase a certain product, and different rates, which variate when selling through various channels (Noone, Canina & Enz, 2012). By determining the price, the product is positioned on the market amongst the competitors’ products. It is therefore important to meet all the objectives that were set beforehand. The question is whether to adopt a short-term strategy and increase earnings in a short time or to develop a pricing strategy that would be profitable in the long run and would generate continuous earnings. Another important decision involves the issue of positioning the product in the value segment or on the luxury market (Keller & Swaminathan, 2020).

There are five options for setting prices: skimming, matching, surrounding, undercutting, and penetrating. Skim pricing strategy aims to position above the average prices for certain products, sending a message to the consumers that the product offers more than its competitor. Skimming refers to the willingness of a certain percentage of “skimmed” (“stolen”) customers to pay more for said product. Only setting the price high, however, will not suffice, because customers have to see the higher value in the product in order to be willing to pay more for it. Only by accomplishing that can a skimming strategy be profitable and successful (Wofford, 2015). Match price positioning strategy refers to matching prices to your competitors’. It is not necessary to match them exactly, but they have to approximate the competitors’ prices, so that the customer does not note a difference. Surround price strategy is applied to pricing a set of products that are mostly similar, but differ in a few characteristics and can therefore be priced differently. This enables a company to cover a wider pricing segment and “surround” its competition. The opposite of a skimming price positioning strategy is the undercut positioning strategy, which is used to position products in a price segment comparable to similar products on the market while undercutting the competitor’s prices. By positioning a similar product in a lower price segment, a company targets more price-conscious customers or customers who are more likely to purchase value-for-money products. The last strategy is the penetration pricing strategy. It is challenging to enter a new market as a unknown brand or with a completely new product, which is why this strategy is frequently used by new market entrants to price their products on the lower end and raise awareness of their presence on the market and in customers. But there is a dangerous pitfall; companies have to be careful not to lower the prices too much, otherwise they might encounter trouble if they later attempt to position themselves higher (Wofford, 2015).

Prestige positioning or luxury positioning entails not only high-end products but also the feeling of individualism, uniqueness, and prestige for the customer who buys it. Positioning products in this segment implies the ability to provide something more than the luxurious product to the customers in the sense of an experience, a customer service, or the social status associated with these products (Podus & Podus, 2020).

1.1.1 Positioning in the skincare market

The skincare market is highly saturated, which is why it is quite challenging to understand where to position a brand among thousands of others and, more importantly, to choose that position correctly along with the target segment. Porter's theory regarding competition and generic strategies provides the basis for the proposed strategy in the last chapters.

Due to the abundance of products available to consumers, it is difficult to find the right position on the skincare market that would yield success immediately. As with all markets, it is crucial to know who is targeted, what the customers want, what they are being offered, what the unique selling proposition is, and why the customers should be interested (Aaker, 1996). Once the answers to these questions are clear, the company can proceed with designing the brand dimension, which its customers will enter end experience.

My research of the skincare market revealed four general possibilities for the position of my brand. The first segment is the luxury segment, which is highly priced, targets a smaller percentage of customer, and yields high margins at the expense of brand equity. To enter this market, substantial resources have to be invested to market the products through the right channels. Resources are also necessary to find the right influential personas to present and support the brand. Further funds are required to obtain the top positions in luxury retail stores in order to target people who can test the product and learn about it. It is imperative that the shopping experience meets the expectations of the premium segment, which necessitates a lot of time and resources invested into sales personnel training and the design of the points of sales outlook (De Chernatony, McDonald & Wallace, 2010). The marketing channels have to be chosen in line with the category and should include high-end magazines (both online and printed) and representative cosmetics conferences. High investment and entry costs are instrumental to become a recognized player in the luxury segment. The luxury segment has been growing during the last decade or so mostly due to the increases in the disposable income in economies worldwide, a more connected world and industries resulting in the lower production costs and more jobs (lower unemployment), and the growing percentage of working females (Truong, Mccoll & Kitchen, 2009). At the opposite of the luxury segment, there is a mass segment. This segment includes less expensive and widely available global brands that the majority of customers is aware of and has at one point or another bought at least one of their products. These are brands like Nivea, L'oreal, Syoss, etc. The companies are reaching the economies of scale and can therefore offer lower prices to end consumers and market their products on a variety of channels that address their target segment. Their target segments are wide and spread across different age groups as well as a wide range of social and economic groups. Then there is the all-natural segment of the industry, which targets customers who dislike any ingredients that are not natural, hence they avoid chemicals that are normally used in the production of skin care products. This segment is relatively small; in 2019 it accounted for 36.3 billion dollars out of the skincare industry's total of 22.846,22 billion. That represents approximately 0.15 per cent of the whole market, however it is predicted to grow and double in size by the year 2027. Its problems, though, are the lack of regulation and the overflow of home producers who have no in-depth knowledge yet are nevertheless able to market and sell their products as organic skincare, since they can register products and gain permissions, which vary from country to country, but are fairly simple to gain in European countries (Shahbandeh, 2019b). Last, there is the segment that combines characteristics of both the luxury and the mass segment – the masstige segment, as shown in Figure 2, a term that combines the words prestige and mass. The left half of Figure 2 shows that the new masstige brands are closer to traditional luxury brands and further away from mass or middle-range brands on the market. This segment is an answer to the growing preference for more luxury products over the mass segment and is the result of the democratization of the luxury market itself as a consequence of the increasing number of products and offers priced closer to luxury than mass products, which nevertheless target the mass population more than only the niche target segments of luxury brands. These masstige brands are therefore still perceived as luxury brands, although they are more affordable; and this connotation differentiates them from other mass-marketed brands. This is a new and innovative positioning strategy with predicted success, because it combines the appeal of the most prestigious luxury brands, but also targets the broader mass market (Truong, Mccoll & Kitchen, 2009).

Figure 2: "Masstige" brand positioning strategy

Source: Truong, Mccoll & Kitchen (2009).

1.2 Identifying competitors

Porter's five forces of competition is a model, or, rather an analysis tool, that enables us to understand how the invisible forces on each market correlate and affect each other. The knowledge can be used to form a coherent strategy alongside other tools which can and should be used to achieve that (SWOT, PEST, etc.). Therefore, when building a strategy, the question is: How to best compete? The strategy should be built around a well-formulated answer to that question. Michael E. Porter's model says that strategies are the result of five competitive forces in a companies' environment (Porter's 5 Forces, 2020). These five forces determine how and where a company will position against competitors within the chosen market and industry. They show the balance of power, and how attractive and lucrative a market is.

The first of the five forces are classified as **the threat of potential new entrants.** If the barriers to enter the market are low, new competition will be constantly entering the market and present a threat to our potential profits. On the other hand, if the entry barriers are high, the influx of new competitors will be smaller (Fadeev, 2014). With the rise of internet in the last two decades, many industries, both new and old, have seen and increased risk in the form of new entrants. The main reason for that is that the initial investment into the online industry is usually much lower (IMB, Organizational behavior, Vardi).

The second of Porter's powers is **the power of the buyers.** This means that it is important to understand that a customer who has a lot of information also holds more power over pricing. This is especially evident in markets with many suppliers and fewer buyers, where customers can easily change the supplier. The current information overload works in favour of buyers, who can easily and quickly find a cheaper, faster, better option with just a little internet research (Tanwar, 2013).

The third power is the **bargaining power of suppliers;** their numbers and the available alternatives to their products determine their power. If there is only one supplier on the market, he has all the power over the pricing and can potentially directly affect the profits on the buyers' side (Porter's 5 Forces, 2020). Before the existence of the internet, it was much harder to change a supplier, but today, comparable goods can be found almost instantly, provided, of course, that the market in which we operate is open and free. The same applies also to suppliers, where it has become easier to reach new customers with the use of the same tool. More so than not, the internet therefore tends to strengthen the bargaining power of suppliers (Tanwar, 2013).

The fourth force is **the threat of substitute products.** A competitor's product that is a direct substitute for another company's product poses a threat to that company's business and enables customers to easily switch to the competitor's product. Porter advises to look at the total number of competitors on the market, how they price their products, and which quality segment they fall under (Tanwar, 2013).

The fifth force is the **rivalry amongst the competitors,** which depends on the previous four forces. This force influences the cost, product differentiation, consumer and supplier decisions, etc. In short, rivalry amongst the competitors examines how intense the competition is (IMB, Organizational behavior, Vardi)

1.3 Strategy

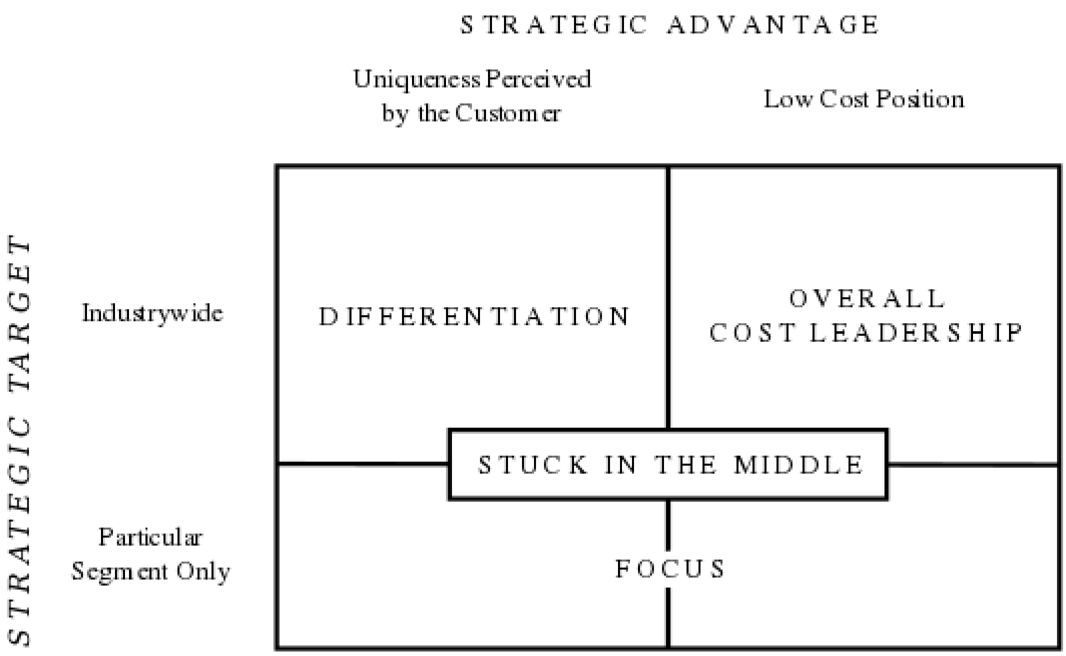
"Competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. There are two basic types of competitive advantage: cost leadership and differentiation." Michael Porter (Tanwar, 2013)

Strategy is a determined set of actions a company plans to take to provide value to its customers and to gain the competitive advantage over its competitors (Swanton, 2017). When a company looks for a competitive advantage, it is looking for ways to make a profit. It has to know its opponent and how their actions could affect the company.

Building upon the previous points, when we understand the industry we operate in, Porter identifies three generic competitive strategies that help companies cope with the previously described five competitive forces and gain competitive advantages over other players on the market. The generic strategies focus on: **overall cost leadership, differentiation,** and *focus*. Normally, a business decides to pursue one of the strategies, since it is fairly hard to follow more than one in the long term and still succeed. The four strategies are defined through two lenses: the strategic scope and strength. The former represents the demand side, while the latter represents the supply side.

In Figure 3 we can see how the three generic strategies relate to the strategic scope and strength. The scope (target) represents whether we are focusing on the broad market (industry-wide) or a narrow segment of the market (particular segment). The strength (advantage) pertains to whether we are perceived as uniquely competent or as a low-cost/ value-for-money on the demand side. We cannot be both, which is why Porter emphasizes the importance of determining the type and scope of what we build our competitive advantage on.

Figure 3: Diagram showing Porter's generic strategies



Source: Fadeev (2014).

The cost leadership strategy can be applied when it is possible to produce large quantities and therefore lower production costs – reaching economies of scope (Swamidass, 2000). The firm that I am building a brand for operates according to this strategy with their current business model of selling white label products produced in larger quantities for pharmacies, which decreases their production costs due to no overheads for packaging, marketing etc. With their business model, they also obtained a wide distribution net without increasing distribution costs, since these are mostly covered by pharmacies. This strategy usually does not yield high margins, but it does result in a higher market share. On the downside, dependence on cost strategy makes you vulnerable to the ever-changing world of technology, which means that, due to technological advancement, new problems can arise, such as imitations, increasing costs (need for new machines, falling behind with production because of technological bottlenecks, etc.). A sudden increase in costs caused by any of the above-mentioned reasons could also prove fatal for the company if it has no contingency plans.

If a company wants to reach a wider market and market its products as one-of-a-kind or as noticeably different than other product on the market, it would most likely decide to implement the differentiation strategy. This is normally associated with higher prices and a more premium position on the market. The differentiation is usually the result of a different design, brand, technology features, customer service the company provides, etc. It is aimed at building a strong relationship with the customers, which results in their loyalty, but also at reaching high earnings. The latter partially correlates to the fact that customers who are loyal and are strong advocates of the brand are normally less price sensitive and prepared to pay more for a chosen product (Kopp, 2021). In connection to Porter's five competitive forces, the differentiation strategy creates higher entry barriers for new entrants due to the considerable loyalty of the customers, but it does not normally mean a big market share. It does, however, yield higher margins. The risks associated with this strategy can be easily illustrated by examining Apple and Samsung in the past few years. In the past, Apple was able to offer features which no other brand matched and had almost religiously devoted customers, who were waiting for the next new big feature and were willing to pay spend significant amounts of money. Samsung decided to mirror Apple's products, since the technology enabled them to do so, and therefore changed the number of people willing to pay a considerable difference in price for features that were now similar to Samsung’s (Eichenwald, 2014). Consumers gained the possibility of high-cost savings, but not at the expense of the sought-after features. So imitation, technology advancement, and slow R&D can have enormous consequences when building a brand based on the differentiation strategy.

The focus strategy is the narrowest of the strategies, since it usually targets a niche segment, which is also a synonym for this term. It focuses the marketing actions on one or at most two segments and specializes in these to cover the needs of these particular customers. It can be divided into two sub-category strategies; the first focuses on the cost advantage offered to that specific segment; the second focuses on the further differentiation from the products already present on the market in those specific segments (iEduNote, 2021). The first strategy exploits the cost behavior of particular segments; the second exploits the unique needs of those special segments.

This strategy is visually presented in the lower half of Figure 3 above, where cost and differentiation are shown separately as two possibilities for the application of the focus strategy (Tanwar, 2013).

1.3.1 Communications strategy

With the technology advancements of the 21st century, a communications strategy has to adapt to the fact that a company constantly communicates with different (target) consumers through various channels. Those same channels can also be the company's sales channels and therefore represent two vital touchpoints for reaching customers. It is thus necessary to regard marketing communications as an important strategic tool. It is imperative to recognize that the old techniques can no longer be applied, since today, markets are based on the ever-evolving hyper-competitive environments with an overflow of products, possibilities, and variations of the same campaigns. Since the threat of a product being duplicated can now become a reality in terms of days and weeks, not months or years as previously, it is necessary to adjust what is highlighted as a competitive advantage also in communications strategies. A company has to offer an experience and enable consumers to be a part of building a brand's story, allowing them to participate. This is known as Integrated Marketing Communications (hereafter: IMC). Based on this strategy, a company will plan and attempt to achieve collaboration between all the messages it wants to convey, the different channels it uses, and its consumers as well. All communication with the public should be perceived as one holistic entity that complies with brand values and the brand experience (Pinegar, 2018). Understanding that the brand experience and values are presented not only through direct messages, sent out through different communication channels, but also by the people who use the brand, at sales promotions, wherever it appears through users, through channels where the products are sold, and at events where the brand appears. Here we must not exclude word of mouth as a factor since it results in approximately 20 to 50 per cent of all purchasing decisions (Doogan, Bughin & Vetvik, 2010). Forming a comprehensive and cohesive marketing message, which can be communicated effectively to our consumer and leaves no doubt as to what our proposition to him or her is, is the ultimate goal that should always be addressed (Baker, Baker & Hart, 2007).

Omni-channel communications are the reality of the present-day world and the communications strategy should reflect that. Regardless of whether a message is communicated offline or online, consistency is crucial in order to build a cohesive brand image that consumers become aware of and begin to trust. In omni-channel communications, customer relationships and expectations have to be managed through the channel preferred by the consumers (De Chernatony, 2010). Therefore, it is important to be well acquainted with all possible channels, their characteristic, and communication rules, and apply that knowledge to the communications strategy (Vlasiu, 2020). With the technology that enables a company to be able to reach its consumers every moment of the day, regardless of where they are at a given moment, different channels should be perceived as part of one single experience which a brand offers. As mentioned earlier, IMC plays a key role here as well. It is defined as "An audience-driven business process of strategically managing stakeholders, content, channels, and results of brand communication programs." (Kliatchko, 2008, p. 140) and should bring together all touchpoints that can be predicted throughout all of the channels, stakeholders, and different campaigns. A single rule should therefore be applied to all messages: brand is king (Payne, Peltier & Barger, 2017).

With the technological advancements in the last decade, consumer touchpoints were also affected primarily by changes in five important segments: science and technology, an increased number of media channels, skeptical consumers who hold more power than ever, an unpredictable and hyper-connected environment, and an increase in different and disruptive business (Shridhar, 2018). A touchpoint is every point in time when a consumer has the possibility to interact with a brand. That interaction can be personal or non-personal. Personal interaction refers to face-to-face with the consumer or interaction through digital channels, whereas in non-personal interaction, there is no personal contact of any kind (Payne, Peltier & Barger, 2017).

1.3.2 Marketing strategy

Building upon the previously discussed points, in order to develop a marketing strategy, a company has to specify what its objectives are, where it will focus its energy, and which actions will it take to achieve the objectives. Another important aspect are also the available resources. The primary focus of a marketing strategy is therefore to distribute the resources effectively between the activities which will be undertaken to reach the objectives within the set market (Varadarajan, 2015). The product, its pricing strategy, market placement, and promotions have to be in line with the target personas when deciding what the best activities would be (Kumar & Petersen, 2005). The marketing strategy should be a part of the overall marketing plan. While this is not common practice in smaller companies, it should nevertheless be always implemented and written down if a company wants to succeed. As shown in Figure 4, the marketing plan requires a wider understanding of the market, usually achieved by conducting a market analysis and an analysis of the competition. Opportunities and threats have to be identified (SWOT analysis) in order to plan a set of actions that are fundamental for the marketing strategy.

Figure 4: Content of a marketing plan

Section	Content
I. Executive summary	Presents a short overview of the issues, objectives, strategy, and actions incorporated in the plan and their expected outcomes for quick management review.
II. Current situation and trends	Summarizes relevant background information on the market, competition and the macroenvironment, and trends therein, including size and growth rates for the overall market and key segments.
III. Performance review (for an existing product or service only)	Examines the past performance of the product and the elements of its marketing program (e.g., distribution, promotions, etc.).
IV. Key issues	Identifies the main opportunities and threats to the product that the plan must deal with in the coming year and the relative strengths and weaknesses of the product and business unit that must be taken into account in facing those issues.
V. Objectives	Specifies the goals to be accomplished in terms of sales volume, market share, and profit.
VI. Marketing strategy	Summarizes the overall strategic approach that will be used to meet the plan's objectives.
VII. Action plans	This is the most critical section of the annual plan for helping to ensure effective implementation and coordination of activities across functional departments. It specifies • The target market to be pursued. • What specific actions are to be taken with respect to each of the 4 Ps. • Who is responsible for each action. • When the action will be engaged in. • How much will be budgeted for each action.
VIII. Projected profit-and-loss statement	Presents the expected financial payoff from the plan.
IX. Controls	Discusses how the plan's progress will be monitored; may present contingency plans to be used if performance falls below expectations or the situation changes.
X. Contingency plans	Describes actions to be taken if specific threats or opportunities materialize during the planning period.

Source: Neuman (2014).

1.3.3 Retail strategy

Retail strategy should be formulated based on the objective which are to be achieved. Since I am the Trade Strategy Manager for the Slovenian and Croatian market in a global corporation who is directly responsible for the strategy regarding retail channels classification, investment decisions, and route to market, this part is written and later decided upon based on on-the-job learning and experience, as well as research and meetings where I gained information regarding approximate costs and the investment behind being present in those channels.

In the beauty industry, as already discussed, the preferred channels for buying luxury cosmetic products are pharmacies and specialized beauty stores. In Slovenia, these are represented by Mueller, DM, and separate in-store departments in bigger department stores that focus only on the beauty segment, e.g. Nama's beauty department. Since our positioning plan is to reach mid- to luxury class, general food stores and hypermarkets (Meractor, Inter Spar) are not suitable due to their perception in consumers' eyes and the trust the more demanding consumers have in the products that are offered in those non-specialized retailers (Passport, 2018c). Regardless of that, when brand becomes successful enough it is imperative to have all the channels covered and to develop an annual strategic planning process which retail channels are included and build availability of our products on the market (Lumen Learning, no date).

1.3.4 Digital marketing strategy

A digital marketing strategy is mandatory in the present-day world, especially when attempting to launch a new beauty brand on an already saturated market. While it can include a well-rounded online presence, I will focus only on one part of it which we plan to use for the initial launch – influencer marketing – due to the fact that our goal is to launch a new premium skincare brand with a smaller initial budget.

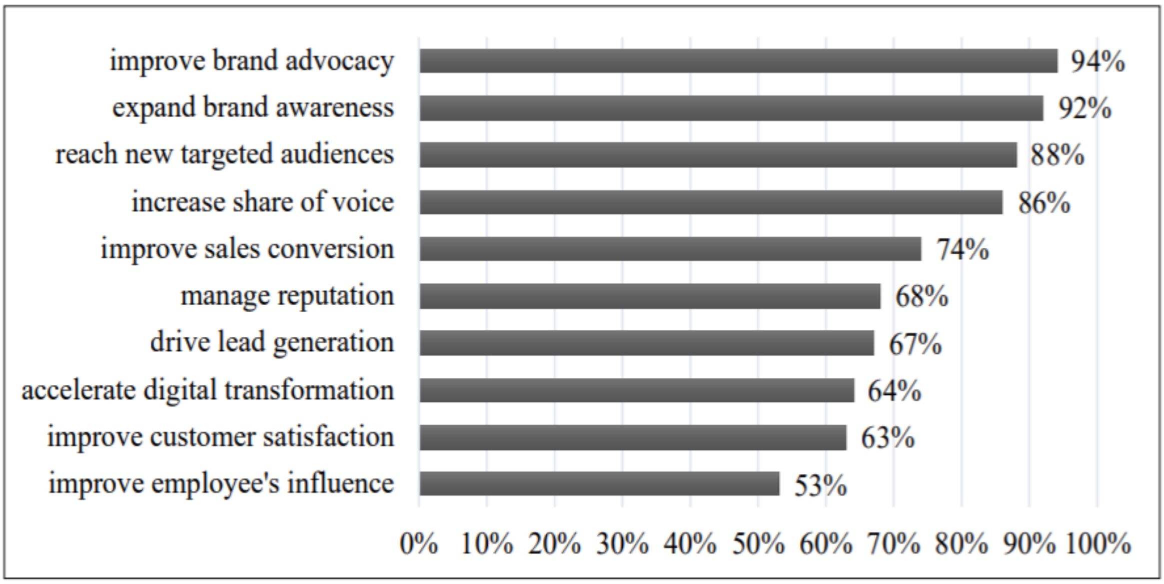
1.3.5 Influencer marketing

Influencer marketing is a fairly new term since it has only expanded in the last ten years with the growing population of social media users. By definition it uses the influence of the chosen opinion leaders that have a large pool of followers to influence the mass public and support marketing objectives (OnlineMarketing.de, 2020). Meaning that influencer marketing uses normal or famous persons to create various content online, mostly in form of videos and pictures, with the intent of promoting brand among their pool of followers. Main objective for brands is to grow a mass of brand ambassadors and advocates that are perceived as experts in given industries and segments and use their influence to build the perception of the brand. One of the most important factors here is who brands pick to be their carrier of the brand message and equity and are they influential enough in their parts of the industry (Khan et al., 2017).

Influencer marketing is still a fairly new tool which explains why only 67 per cent of brands measure return on investment for investments into the influencers. A stand out problem here that occurs more commonly than admitted is that brands do not set the goals and do not know what they in reality want to achieve with influencer marketing. The industry itself is predicted to grow by additional 13.8 billion dollars in the year 2021, while it surpassed the six billion barrier in 2020 globally (Statista, 2021), which should be a motive enough to start treating it as a valuable marketing tool that deserves all the metrics are set and measured (Lockhart, 2021).

In Figure 5 the objectives influencers are to achieve are listed from the perspective of marketers. Especially with the growing trend and increasing influence they will have the ability to shape the future of many new coming brands (Solis, 2017).

Figure 5: Ten goals of influencer marketing as seen by marketers (%)



Source: Solis (2017).

There are four types of influencers: Mega, macro, micro and Nano. They differentiate by the number of followers and the purpose they are good for in terms of using them as part of the marketing strategy (Ismail, 2018). Although the exact number that is supposed to define the type of influencer varies over different sources, the differences between segments are noticeable and therefore I decided to use a cited source to give a frame of reference and to be able to understand who and how to use best (Brown, 2021).

Mega influencers are the ones that have a reach of more than a million followers. They are ideal for building awareness of the product or brand but less so for the credibility and actual conversion to purchase (Brown, 2021). They are not necessarily perceived as experts in the marketed segment of product but give a brand or the product credibility in terms of trust that it is a real and not a scam which is especially important with the new comers on the market (Ismail, 2018).

Table 1: Cost of different types of influencers on various platforms (per post)

Influencer	**Instagram**	**YouTube**	**TikTok**	**Twitter**	**Facebook**
Nano	$10 – $100	$20 – $200	$5 – $25	$2 – $20	$25 – $250
Micro	$100 – $500	$200 – $1K	$25 – $125	$20 – $100	$250 – $1K
Mid-Tier	$500 – $5K	$1K – $10K	$125 – $1K	$100 – $1K	$1K – $12K
Macro	$5K – $10K	$10K – $20K	$1K – $2K	$1K – $2K	$12K – $25K
Mega	$10K +	$20K +	$2K +	$2K +	$25K +

Source: Baker (2021).

Macro influencers are those that have between few hundred thousand and 1 million followers (Baker, 2021). What differentiates them from mega influencers is the fact that they in majority gained fame through online channels and are not “old fashion” famous like mega influencers who are celebrities – movie stars, models ... (Weber, 2021). The strategic use of macro influencers is when your goal is to reach the mass population but with a more formed target persona in mind (Ismail, 2018).

Micro influencers are those whose followers’ numbers are set between a thousand and up to a hundred thousand. Their competitive advantage is that due to a lower number of followers they can engage wit them more personally and therefore build deeper relationships with them which in tur affects the influence they can have on them (Anderson, 2020). Their fields of interest and product are narrower than the two previous categories and are more specialized and positioned as a reliable source of reference for people who seek what they recommend. They also have much higher engagement rate and cost less compared to mega or macro influencers (Ismail, 2018).

The last category are nano influencers, which are people who have up to a thousand followers and mostly they are able to influence a narrower circle of potential customers but have higher conversion rates in terms of potential purchase (Komok, 2020). We could say they are the average Joe but with a large group of acquaintances and friends online, who are interested in their lifestyle and products they use. Their most valued competitive advantage is that their users generate content with them and have high engagement rates and reposts. On the downside their potential reach is much smaller, meaning you would need more of them for the same impact in awareness as you could get from previous three categories (Ismail, 2018).

2 ABOUT THE SKINCARE MARKET AND THE SELECTED COMPANY

2.1 The skincare market in Slovenia

The revenue of the entire skin care market in Slovenia was € 51 million in 2019. This includes creams, lotions, balms and lip scrubs, sun creams, hand and foot creams, and baby care cosmetics (but does not include decorative cosmetics, professional cosmetic products, specific products (for acne, etc.) and products used in lounges). The annual market growth is projected at 0.08% (CAGR 2019-2023); a crisis is anticipated in the next 1-3 years, when growth will slow down, but it is expected to remain positive (Statista Market Forecast, no date b).

As presented in Table 2, according to the number of inhabitants, the spending amount for skincare cosmetics per citizen in Slovenia per year was around € 24.44 in 2019. The number of women in Slovenia aged between 20 and 40 years is 528,540, which is roughly 25.5% of the total population. Converted into the size of the market, this is about € 13,005 million.

Considering the number of women with at least secondary vocational education (or higher), the number falls to 364,498, which is 17.6%, and in terms of the size of the market € 8.980 million (Statista Market Forecast, no date b).

Market leaders represent about 87% of the market, while the remaining 13% is represented by others, so we can primarily aim to tackle this share, which represents € 1,167 million (Passport, 2018c).

Table 2: Market potential in terms of sales per year in Slovenia (2019)

Estimation of the market potential	
Number of potential customers aged 20–40 years	528.450
Number of people with at least secondary vocational education or higher	364.498
Total skincare market revenue in Slovenia	€ 51 million
Average monthly amount spent on cosmetics in €	€ 24.44
Average number of items purchased monthly	1.5
Market potential	**€ 1.167 million**

Source: Statista Market Forecast (no date b); Passport (2018c); SI-STAT (2019a; SI-STAT (2019b)).

Market need. Defining a market need in a market as saturated as the skin care market requires an in-depth search to find something mass producers and niche entrants have not yet addressed. That can be either an emotional or functional need; what matter is that existing players have not yet addresses it. I found that there is a need for dermo cosmetic products that offer a sense of luxury, which fall more under the category of an emotional need than a functional one. This type of cosmetic products is currently reserved for pharmaceutical Galenical laboratories, but I would like to make these products available to a more mass market. I see the niche in the fact that, currently, the products that are intended for sensitive skin are less attractive to consumers, perhaps due to a lack of appeal in the packaging or the brand image and therefore the lifestyle choice they communicate. The marketing strategies and visual similarity of their brands are very generic and unconvincing. Our brand possesses all the qualities of pharmaceutical cosmetics, but it wants to present itself on the market as trendy, youthful and a bit eccentric. It could also be described as "suitable for marketing on social networks".

The focus is mainly on the design (see target personas). The focus groups have shown that the majority of the users decided to purchase products based on the visual image of the brand, which was perceived as something new, which potential users can identify themselves with and explain who they are and how they want to be seen.

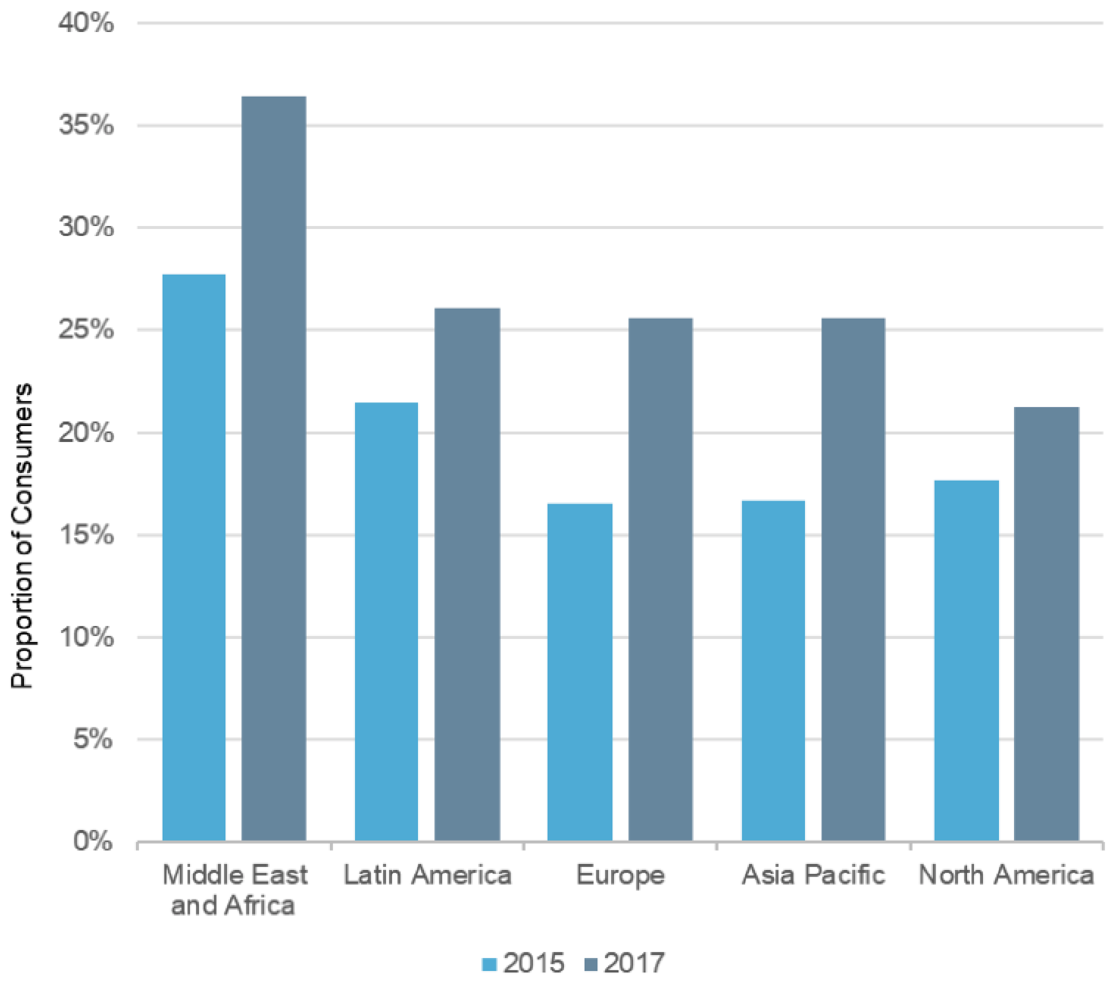
2.2 The skincare market globally and in Europe

In 2019, the total value of the cosmetics market was 537.7 billion $ globally, with skincare representing 141.3 billion $ or approximately 25 percent of the total. It is predicted to grow at a 6 percent CAGR (Shahbandeh, 2019a). There is an increasing demand for all-natural or organic skincare products, which will contribute to the overall market growth in the given period. The main trends that will influence the skincare market are: organic or bio products which do not contain any synthetic components, an increasing awareness of the importance of UV protection (a trend originating mainly from Asian countries, which has a strong visual influence on the launch of new products and marketing campaigns), a strong shift to dermo cosmetics, and the shift in focus from the treatment of skin conditions to their prevention in general (Grand view research, 2019).

The beauty and personal care market can be categorized based on type, application, region, and key stakeholders. The skincare segment is one of the eight types, which include also hair care, skin care, oral care, color cosmetics and make up, fragrances and deodorants, soaps and shower gels, sun care products, and other minor categories. The channels through which products reach consumers (market application) are: direct selling, hypermarkets and retail chains, specialty stores, pharmacies, and e-commerce platforms. Choosing the right channel for a certain type of product is a crucial part of being successful as a brand, because it determines which type of consumers the company will approach directly and address (McCarthy, 2016). Since the world is divided into continents and economic regions, the regions of the beauty and personal care markets correlates to that as well. There are five big regions: North America (USA, Canada, and Mexico), Europe (Germany, UK, Italy, France, etc.), Asia-Pacific (China, Japan, Korea, India, Australia, Indonesia, Thailand, Philippines, Malaysia, and Vietnam), South America (Brazil, etc.), and the Middle East and Africa (Egypt and GCC Countries) (Market Watch, 2019).

Skin care products for sensitive skin have become one of the main drivers of sales of skin care products. As shown in Figure 6, the percentages of world-wide demand for these products have grown for approximately a quarter between 2015 and 2017. The most apparent spike was seen on the European and Asian Pacific continent.

Figure 6: Percentage of consumers in search of products suitable for sensitive skin by region (2015–2017)



Source: Passport (2018c).

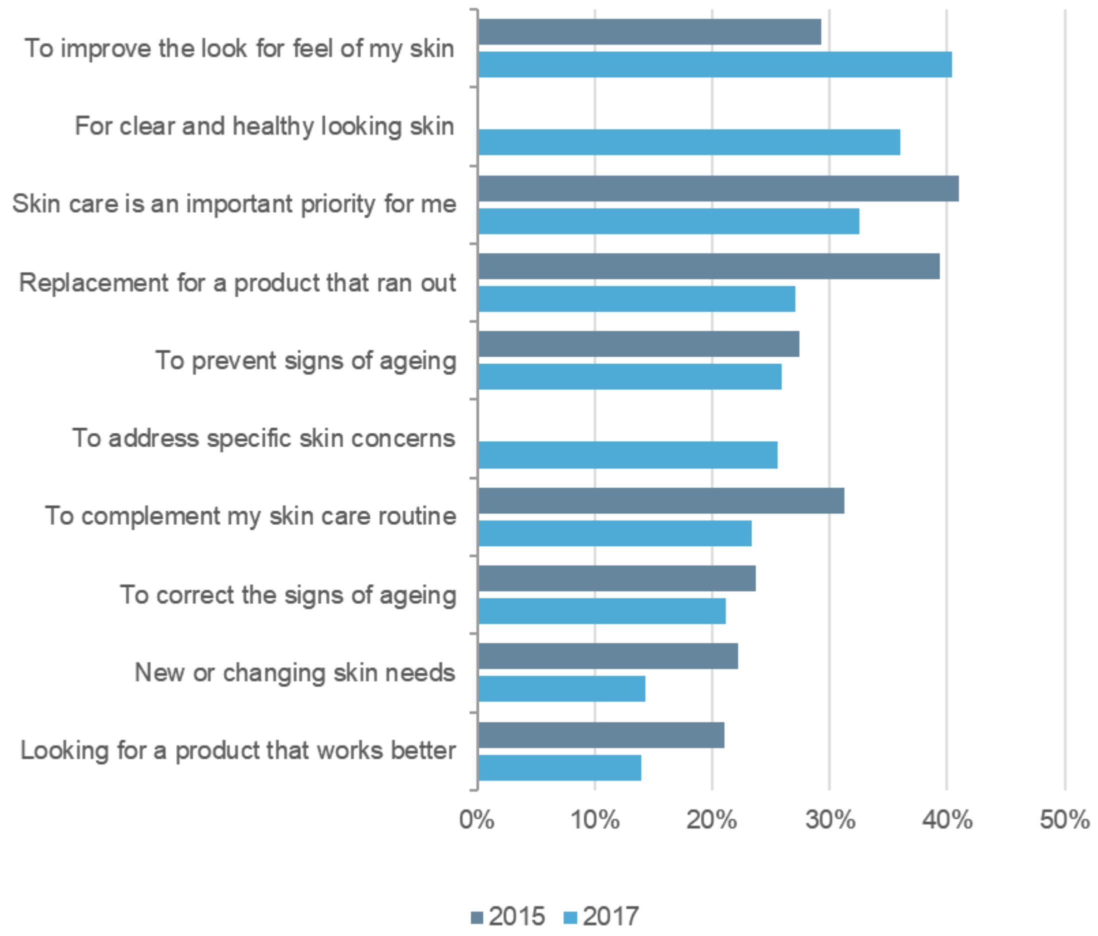
From a global point of view, what drives this beauty and cosmetic trend are the lifestyle-oriented brands that offer more than just the product itself. As mentioned before, the skin care segment is predicted to grow with the rate of six percent CAGR, but what is more interesting for new entrants is the fact that the skin care segment of the beauty industry is predicted to contribute 30 percent of the industry's absolute value by 2022 (Passport, 2018c). Since one of the driving trends is a healthy lifestyle and the choices consumers make to maintain it, the most impactful trend is health awareness and the desire for healthy skin. This is especially evident in younger generations, namely generation Y and younger generations, who do not respond to the old marketing messages, which address skin ageing and its prevention (Market Watch, 2019). They are only interested to hear how a product will help them look healthier and age well in the years to come (Tabs Analytics, 2016). Here, the lifestyle part of the brands image plays an essential role. New brands can be easily adopted if they successfully address more aspects of the customer's life than only those addressed with the product itself (Kunze, 2018). When this is achieved, it serves as an underlying driver for growth in the dermo cosmetics segment. Globally, customers seek skin care products that offer long-term skin health (Market Watch, 2019). Consumers are more informed than ever before and the information they search for regarding any product or ingredient should be reachable instantly, and it better be correct. Almost 15 per cent of generation Y or millennials see skin conditions and the prevention of skin ageing as a main driver for purchase. The number grows exponentially with older generations and falls to about 10 percent in generation Z, but still remains the main reason for their interest in skin care cosmetics. In addition to prevention and in response to the rapid increase in skin conditions, which are a result of the lifestyle that we are globally adopting in this fast-paced century, products that address sensitive skin, or more accurately that are suitable for sensitive skin, are also sought for (W3bStudio, 2012). The changing epidemiology will therefore drive the means for increasing the market share dermo cosmetics hold in the market. Among the diseases that increased drastically world-wide are psoriasis and fungal diseases. Product that are suitable to use or treat these skin conditions will therefore impact the increase in demand for these types of products.

As presented in Figure 7, globally, the main reasons for purchasing a skincare product, which have taken the lead between 2015 and 2017, are to improve the feel and look of skin and address specific skin concerns, which was formerly not mentioned among the listed reasons or motives that would influence the decision to purchase a skin care product. That correlates to a fact mentioned earlier, i.e. that there is a developing problematic due to the increasing stress levels in everyday life (Passport, 2018c).

Since my brand falls under the dermo cosmetics segment, the focus is on the global dermo cosmetics segment. Dermo cosmetics is a growing segment, the main reason being that the consumers' preferences have shifted from the treatment of existing skin care conditions to prevention. There is an increased awareness among consumers of the skin damage caused by pollutants in the air, UV rays, strong antibacterial agents, detergents, and chemicals (Passport, 2018c). What all dermo cosmetics brands and products have in common is that they are intended for sensitive skin, focus on certain skin conditions, and have evolved not only to suit a certain skin type but also the lifestyle of the consumer on the whole. Consumers perceive dermatological products as efficient and safe (Sinek, 2013).

This is an important trend that influences all industries, not only beauty and health. People are more and more health conscious, which causes changes in their behavior, habits and purchases. Skin care, especially, does not only entail applying the right product to the skin; it is achieved with a holistic approach (Grand view research, 2019).

Figure 7: Global reasons for purchasing a skin care product (2015–2017)



Source: Passport (2018c).

People demand ever more simple, basic, and transparent products and communication, and focus on expressing their health-consciousness through brand choices as well (Passport, 2018c).

2.3 The company and its products

The company is focused on guaranteeing high quality products both in terms of purity and qualitative research of each of the active ingredients, which are present in very high concentrations in the products. It is imperative to know that for the majority of the advertised products on the market, companies aggressively market one active ingredient, which is considered trendy at the moment, but, in reality, that same ingredient normally represents less than one percent of the total mixture. Having a high percentage of active ingredients in the products is therefore a valid competitive advantage (W3bStudio, 2012). The company studies the most technologically advanced formulations of ingredients without parabens and allergenic substances by subjecting the products created to several rigid controls and skin tests. Additional research to design appealing and functional packaging gives the product a sense of refinement: some products have advanced "airless" packaging, which guarantees inviolability from external agents.

To guarantee the high quality of products, both in terms of purity and qualitative research of the active ingredients and the concentration of these ingredients which the skin requires, the whole range of formulations is designed to meet the needs of the customer. These cosmetic products – effective skin care treatments, face and body creams – are based on strictly selected natural ingredients. With our cosmetic research, we are able to offer a complete range of formulations that meet most of cosmetic requirements: from commonly used products to the most exclusive ones.

Table 3: Top 21 selling products

Number	Top 21 selling products	Purpose
1	**Cream with Argan oil**	moisturizing for dry skin
2	**Cream with Argan oil**	moisturizing for mixed skin
3	**Bilberry Cream**	for couperous skin
4	**Aloe face Cream**	Light cream for all skin types
5	**Burdock and Propolis Cream**	sebum-balancing cream for impure skin and acne
6	**Burdock and Propolis Detergent**	sebum-balancing cleanser for impure skin and acne
7	**Chamomile Cleansing Milk**	moisturizing
8	**Cleansing Milk Rinse**	Iceland lichen cleaning
9	**Calendula and Chamomile Tonic**	moisturizing for normal and dry skin
10	**Burdock and Propolis Tonic**	purifier for oily or mixed skin
11	**Micellar Solution with Aloe and Hamamelis**	Face – eye makeup removing cleanser
12	**Chamomile and Clay Mask**	dermo purifying
13	**Cream with coenzyme Q 10 and vitamin C liposomes**	Anti-age for mixed skin
14	**BI-JAL Cream**	double molecular weight hyaluronic acid anti-age cream
15	**Retinol Cream**	Anti-age for dry skin and wrinkles
16	**Eye and lip contour Elixir Anti-age**	specific for wrinkles, swellings and blemishes
17	**Men Cream Q10 and Hyaluronic acid**	Anti-age
18	**Soothing Cream**	cream for sensitive and reddened skin
19	**Hyaluronic Serum**	Pure hyaluronic serum
20	**DNA Anti-age Cream**	Anti-age cream for mixed skin
21	**Cream with stem cells and micro-encapsulated vitamins**	Anti-age cream for dry skin

Source: Own work.

Sensitive skin is a very common condition and is thus often underestimated as a problem, more than 60 per cent of man and women have said to have one type or other of sensitive skin problems (Farage, 2019). The company has always been very careful to analyze the components it uses, because it is well aware that fragile skin is more likely to react to climatic agents such as the sun, wind, temperature changes, pollution, or to inadequate ingredients, which are frequently present in cosmetic products. These elements can cause allergies, irritations, and redness. These problems, if not carefully managed, lead to the premature formation of superficial wrinkles and skin blemishes. Excessive use of cosmetics formulated with aggressive substances also weakens the skin, making it more sensitive and very prone to redness, desquamation, and irritation. This can lead to visible signs of early skin aging. All formulations contain safe, effective, and delicate substances, designed particularly for sensitive skin. The elements that comprise them are free of allergens, irritating perfumes, and harmful preservatives. The goal is to intervene at the dermo cosmetic level to reduce the main symptoms (tingling, burning, pain) while restoring the altered hydration of the skin. Our preparations contain plant extracts which are able to exert a beneficial effect on the skin. Substances such as milk and wheat proteins, aloe vera, blueberry, propolis, chamomile, and calendula are just some of the natural extracts with soothing, moisturizing, and antioxidant properties. The company is highly committed to the products it offers, while respecting what is dearest to the customers: their health.

All the products are suitable for sensitive skin, which is a guarantee that they will fit the needs of a larger population. We do not want to compromise the use of natural and healthy skincare products available in pharmacies or natural stores (on store shelves) by failing to provide a luxury experience. The alternative is expensive, but quite aggressive, mass produced cosmetics (Dior, Chanel, La Mer) that look stunning and evoke a sense of luxury, but are not as natural and beneficial to sensitive skin as they should be. We strongly believe that the use of palm oil should stop and therefore do not include either palm oil or any of its derivatives in our products. We are also very strict regarding the packaging. We advocate healthy skin at every stage of life.

The company produces over one hundred different products and has twenty-one best-sellers on the Italian market that are listed in Table 3. Out of those twenty-one and an additional two that I suggested following the market research in this thesis, I chose a sub-set of nine products that are all intended for facial skin care. The majority of the product formulations were adjusted based on the insight gained in the focus groups interviews. Furthermore, the initially planned launch of a set of products intended for the face and body was redesigned to a set of products for only facial skin care.

In the remaining chapters, I develop a strategy for these selected products: four different types of face creams, two micellar waters for cleaning, two tonics for cleaning and hydration, one hyaluronic serum, and one clay face mask.

3 METHODS

This thesis was written on the basis of primary and secondary sources. In order to analyze the possibilities for entering the Slovenian market for premium skincare, I relied on secondary data analysis as well as SWOT, PEST analysis, and a customer's perception map. To gather primary data, I utilized both qualitative data (focus groups and ethnographic research) and quantitative data (an online survey among the participants of the focus groups about the products they were testing)

3.1 Primary data: Focus groups

Focus groups can give us broad but also specific insights into our customers' decision processes when it comes to choosing and purchasing a product as well as their attitudes and habits since participants simultaneously participate and discuss broad range of questions and moderator is there to get them to elaborate on the more specific questions. We are able, with a capable moderator, to get the insights into the general and the specific (Cyr, 2019).

For the purpose of getting to know the market of skin care I organized three focus groups. There were 6 to 7 participants in each focus group and the focus group interview was conducted after a month of using skin care products for the future market launch. This led to a total of 18 participants (see Table 2 below). I distributed packages with products (face cream that suits skin type of each participant, eye cream, cleansing milk, shampoo, conditioner, shower gel, avocado body lotion, hyaluronic body lift) to all the participants. They were testing them for 28 days. After that we conducted three focus groups with 7, 8 and 9 participants each, for a total of 18 participants. All the participants were female from Slovenia's different regions but mostly central, aged 22 to 38 years.

In Table 4 you can find the sample characteristics, relevant for the formation of my three target segments, of the focus group participants. That includes their age, place of living, employment status, the target segment they fit into, which is described in the following chapter

Table 4: Sample description - Focus group participants.

Participant	Age	Residence	Employment	Target segment	Focus group
1	28	Ljubljana	Architect	Trendy Mandy	2
2	28	Ljubljana	Marketing	Active Nancy	2
3	31	Ljubljana	Beauty salon	Basic Lily	1
4	37	Ljubljana	Video production	Active Nancy	3
5	26	Koper	Marketing	Trendy Mandy	1
6	23	Ljubljana	Wedding planner	Trendy Mandy	3
7	32	Ljubljana	Translator	Basic Lily	3

Participant	Age	Residence	Employment	Target segment	Focus group
8	32	Ljubljana	Video production	Active Nancy	3
9	29	Zagorje	Supply chain	Basic Lily	1
10	35	Novo Mesto	Architect	Basic Lily	1
11	27	Ljubljana	MBA	Active Nancy	3
12	25	Ljubljana	MBA	Basic Lily	1
13	38	Ljubljana	Administration	Basic Lily	2
14	27	Ljubljana	MBA	Trendy Mandy	1
15	27	Ljubljana	MBA	Active Nancy	2
16	28	Koper	MBA	Trendy Mandy	2
17	33	Celje	Marketing	Active Nancy	2
18	31	Celje	Marketing	Trendy Mandy	2

Source: Own work.

For the focus group I prepared a set of questions with the intent that the flow would be natural enough and would allow for the debate to develop but follow the primary structure I wanted. It's imperative during the preparations for the focus group interview to formulate the questions in a way as to get the questions to the research question but without being to specific or exact in asking them since you do not wish for short one syllable answers (Kruger, 2002). The language needs to be comprehensive so the broader public could easily understand it as people are not too inclined to stating they do not understand something in a room full of unknown people and your goal always is to get as reliable and specific qualitative data as possible (IMB, Marketing for Managers, 2018). I also followed the basic rules for focus group interviews and asked each attendee to fill the "factsheet" – give me their name, gender, occupation and describe their habits regarding the purchase and usage of skin care product before I asked them to switch to solely using mine for the month. At the beginning of the focus group, I clearly explained the purpose of the focus group, outlined what I wished to learn and how the process will look like and how long I estimated that it would last. I taped all the focus groups and later re-typed them so I could to a more accurate analysis.

Questions in focus groups were grouped into 5 categories: habits, influences, awareness, attitudes and extra. The interview was semi-structured as I permitted the attendees to develop their own debate on the basis of the initial input I gave, but led them through the prepared questions in majority just not one by one. The goal was to achieve a relaxed atmosphere so their true answers would emerge and not be influenced with what the person before them answered or what the majority did. It is also important to create a relaxed atmosphere at the beginning so the attendees are not under stress and can answer honestly and are relaxed doing so. I prepared the room with snacks and soft drinks and introduced them among themselves at the beginning allowing for a few minutes of small talk among them before we started with the official part. Transitions among the discussed categories I tried to make smoothly, if we were nearing the end of one category and the conversation stirred towards one of the following topic categories I just slightly adjusted the direction with a short un-intrusive question and let the debate flow freely whenever that was possible to still get the desired data (IMB, Marketing for Managers, 2018). In addition, I asked the participants to rank top four products from the best down so I would see if there is a product that was among all leading or at the top two that could potentially be my star product.

Data collected from the focus groups was analyzed using the thematic analysis method, in which the researcher engages in pattern seeking in the data (Braun & Clarke, 2012).

3.2 Primary data: Ethnographic research (image analysis)

To get a good view of consumers purchasing habits I conducted a type of exploratory qualitative market research that falls under ethnographic research – image analysis. Ethnography is part of anthropology and is aimed at better understanding the lives of people in their everyday environment like home, office or park they go to regularly. It is a study of cultural characteristics and marks (Emerald Publishing Limited, no date). The point is to observe their habits and behaviors in their natural environments not some artificially made ones. The potential for ethnography lies in applying multiple data collection methods, which range from observational data, video tapes, photographs, and recordings of speech in action (Goulding, 2005).

My goal was to get an insight into what it is that consumers buy and have in their bathroom cabinets and to see how many different brands there is, what is the packaging like, how many items they use at the same time etc. After I gathered enough materials, I performed image analysis to try to get to some directional conclusions that would tell me something more about my target customers and how to appeal to them so that my product would end up among the mix on their shelves. Pictures showed bathroom cabinets and shelves in majority filled with skincare and beauty products that women use. It showed that clean, more pharmaceutical design is preferred and that women tend to use multiple products for the same purpose at the same time.

There were in total 17 persons that uploaded the photos, which amounted to 21 photos in total, of their skin care products. 43 per cent of the respondents were in the target age group, while all the others were younger than 20 years. I posted the link to the survey in a group on Facebook that has more than 30.000 member and is the strongest online group in Slovenia for skincare updates, trends and information. My question was if they could help me with a research for my thesis and upload pictures of all of the skincare products they are currently using since I said I was interested in what they use, how many products they use simultaneously and if there are common traits between the designs of the packaging. The analysis consisted of rigorously looking at each product on the picture and the intended usage of it, how it fitted among the other product, what was the price segment of it and how many different products there were. I was also looking at the harmony of the products design wise, and if I could conclude that the overall appearance of the products together is of importance to consumers.

3.3 Primary data: Online survey

“Every method of data collection, including the survey, is only an approximation to knowledge. Each provides a different glimpse of reality, and all have limitations when used alone. Before undertaking a survey the researcher would do well to ask if this is the most appropriate and fruitful method for the problem at hand. The survey is highly valuable for studying some problems, such as public opinion, and worthless for others.” Donald P. Warwick and Charles A. Lininger (Neuman, 2014, p. 316).

After the conducted focus groups, I asked the participants to fill out a survey online answering the questions regarding the products that were being tested for a month before. Since the sample was the same for the focus groups as for the questionnaires, the total number of completed questionnaires was 18. Questions were focused on the characteristics of tested products such as smell, effectiveness, texture and absorbance. I designed a structured questionnaire whereas I posted the questions in the form of rating questions - Likert's scale for each of the products characteristics. Each question was focused on one specific product and there were scales of 1 to 7 (one being unsatisfied and seven being extremely satisfied) to determine where the characteristic was positioned based on their opinion. In forming the scaled and structured questionnaire the answers you are providing the possibility to answer with need to be exhaustive, mutually exclusive consistent and to the point. The data collected was then analyzed based on attributed values to see where the participants have put more emphasis and on which characteristics, what they liked and what they felt lacked. Overall I wanted an impartial grade of what they really thought about the products and to double check if what they said during the focus group interviews aligned with the results of the online survey.

The last question was open-ended, where I asked them to write down first three words that come to mind when thinking about the tested skincare products. In order to analyze this question, I used the qualitative analysis software program nVivo to create a word cloud of most frequently occurring descriptors of the products.

4 FINDINGS

4.1 Focus group findings

I distributed packages with products (face cream that suits skin type of each participant, eye cream, cleansing milk, shampoo, conditioner, shower gel, avocado body lotion, hyaluronic body lift) to all the participants. They were testing them for 28 days. After that I conducted three focus groups with 18 participants total (the full sample is described in Table 2 in the preceding chapter).

4.1.1 Habits

There are big differences among participants when it comes to brand or product loyalty. Loyalty is the highest when it comes to face cream. It even increases with users that have some sort of skin issues (acne, dry skin, sensitive skin...). This group of consumers seeks the cream that suits them and when they find it they are not inclined to switching since they are afraid to aggravate their skin again. They stated that the only thing that would be able to influence their decision on which product to buy would be if the doctor, pharmacist or a close friend with similar if not identical condition would actively recommend them to.

Participants with developed or developing skin conditions go to the pharmacy for skincare purchases mostly either due to the fact that they want to buy a particular product that can only be bought there or when they have a particular problem and see pharmacies as a reliable source of information. They know there the personnel are educated and can offer directions and information on which product to choose and how to use it to achieve the best results.

Among stores, Mueller is by far the most popular for skincare purchases. There are also some that buy online from foreign online shops. What is common for all the participants that shop online is that they are early adopters, not loyal to brands or products and rarely re-purchase any of the items except for the one to two products they have been using for a long period of time and will not change unless temporarily to test a certain new product just for fun.

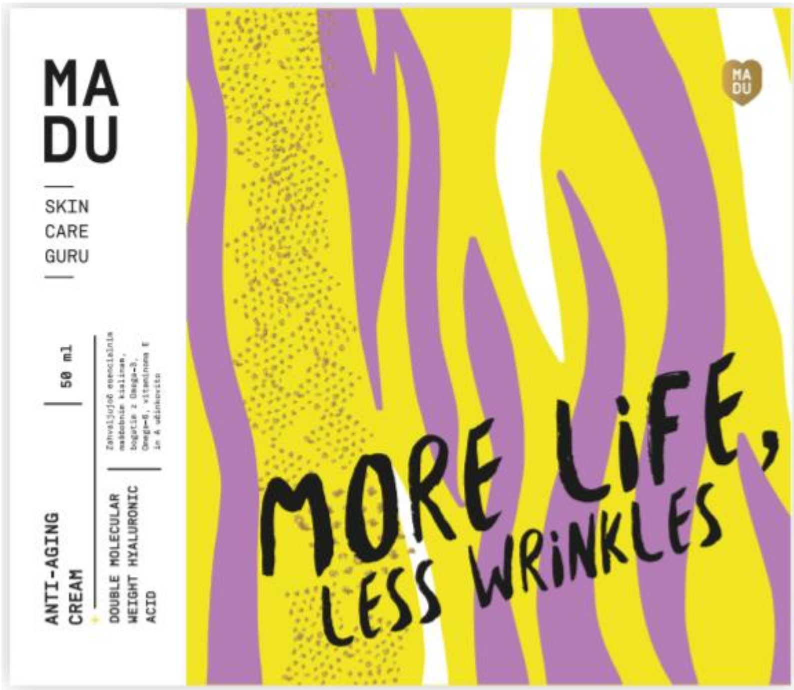
Participants normally decide on the purchase only when they see that they are running out or are about to. Very few stock on products, those who do are not particularly loyal, but do have a few preferred products chosen and on top of that add other (new) they want to try.

When it comes to the price of the product, they are prepared to pay more for the products that are used for the face and less for those for hair or body. If face cream really suits them, they are prepared to pay a higher price. They all have the opinion that you pay more for luxury products just because of branding. Although, they would still be prepared to pay more for the products that are visually appealing to them - most are focused on how the product looks like, rather than what is inside.

4.1.2 Influences

The most important factor that causes the purchase seems to be the design and the actual effect they get from it. An example of one of potential attractive designs for my brand is shown in Figure 8. Nevertheless, they care about the packaging and branding only when they are convinced that the product is good. In general, they are convinced that they do not fall for marketing tricks and brand perceptions.

Figure 8: Example of one of the designs for my brand.



Source: Own work.

When making a decision about what skincare products they buy, they mostly look for the scent they like, packaging design and form and potentially commercials. They highly value the opinion of people close to them (family, friends). Many of them purchase on impulse when they see something visually nice in-store or remember a recommendation from a friend.

When shopping online they read product reviews but do not care about those reviews when purchasing in the physical stores. Testing the product before buying is high on the preference list, they care for the texture a lot as well. They like when they get complimentary tester products so they can try it at home. Testers also influence the actual purchase decision later on.

Expensive products have to make up for the price by being extremely good and effective but nevertheless they mostly buy them due to the image statement.

Another influencing factor are the promoters or personnel in stores when they do not have a specific product in mind, they ask them for a recommendation - this factor comes in third, first are family, friends. On social media, they are influenced solely by visual appeal; the product must look good to get their attention.

4.1.3 Awareness

In general, they do not care what/how is a product made as long as it works. None of them reads the ingredients or is particularly sensitive to ecological or environmental factors.

It seems like participants do not check for sustainability or animal friendliness issues when buying products. They, on the other hand, do value products that are made environmentally friendly and were not tested on animals but they don't know which products are those or whether they use them at the moment.

It would bother them if someone told them the product is tested on animals. They would choose product that is not tested on animals even if it was more expensive but will not check themselves to see whether or not that is the issue when buying.

Generally, this is not of high importance at the moment, but we assume it will become more important in the future.

4.1.4 Origin of products

Participants agree they would not buy products from countries with a bad reputation (they mention China and Bangladesh). As long as it is from countries they trust (Europe or USA), the origin is not important.

In general, they think companies from smaller countries (like Slovenia) don't have the resources to invest in research so their products are less sophisticated and of lower quality. They prefer Italian products to Slovene. They would buy Slovene only if they would look better (design) or if someone strongly recommended it to them.

4.1.5 Preferred products

Next I distributed post it notes and asked them to rank the four favorite tested products from the most preferred one to the fourth preferred one in order results of which can be seen in the Table 3. They listed showering gel and hair balsam on the first place, followed with shampoo and both body lotions on the third. Since I later decided not to include this products in the market launch line, what was important to me was the rating of the face cleansing milk with Icelandic lichen which came out sixth, due to the fact that it was not aggressive enough and they had to re-apply it in order to get all the makeup removed but was rated highly on the tested characteristic in the online survey and was during the interview pointed out as one of the preferred products minus the aggressiveness they are used to in the makeup removers they normally use. None of them however included in the top four products the third body lotion with hyaluronic acid, reason being that the majority of them had not had time to test it properly since there were three body lotions to test in the less than a month period and the ones who did test it said that the texture was too thick and listed that as a reason why it was not considered to be among the top four.

4.2 Online survey findings

In the online survey questionnaire, the questions were focused on the 4 characteristics I decided to be of importance and wanted to have the participants rate the products on them. I was interested in their rating of the smell, texture, effectiveness and absorbance... The last question was descriptive and they were asked to write down three words they would use to describe the products they were testing with.

4.2.1 Preferred characteristics of products

I asked the participants to evaluate in order of importance, which characteristics of products are the most important to them when deciding for the purchase. The instruction was to add a point to every characteristic that influences their decision. The cumulative results are shown in the Table 5 and put the texture of the product on the first place, where one third of the participants finds it important when deciding for a certain skin care product. On the second and third place there are the brand of the producer and the design of the packaging, which confirms their statements during the interview, which I wanted to check since this part was anonymous. The majority of the participants did not include recommendations, lightness, hydration, absorbance, naturalness and color into the important characteristics that would have an effect on their purchase behavior. That is not completely in line with their statements from the interview, since recommendations and effectiveness were among the most important factors contributing to the decision during the discussion of the focus group. Price plays an important role to 20 per cent of the participants, which is in line with what they stated during the discussion in the focus group interviews.

Table 5: Which characteristics are most important to you when choosing a face cream?

Characteristic	**Votes**
Texture	8
Brand	7
Packaging	7
Scent	7
Price	5
Ingredients	3
Recommendations	3
Light	2
Nurturing and hydrating	2
Effectiveness	2
Fast absorbent	2

As natural as possible	1
Does not clog pores	1
Color	1

Source: Own work.

4.2.2 Word association with products

As shown in Figure 8, the most occurring words were gentle, natural, light, nourishing and effective. This aspect of the analysis was important to me so I could later base my communication of the products characteristics on it. I think it is imperative that the consumers get what they expect from to product so that there is a repurchase and it is what brings and keeps the loyal consumers segment.

Figure 9: Word map of frequently used words when describing the tested products

Source: NVivo (2019).

4.3 Image analysis findings

There were in total 17 persons that uploaded the photos of their skin care products. 43 per cent of the respondents were in the target age group, while all the others were younger than 20 years. The sample is too small to conclude facts that would hold true for general population but what can be seen show, that all of the participants have at least one item that is produced in Slovenia by Afrodita cosmetics and that they use more products for the same purpose simultaneously. In all the pictures, one example of which is shown in Figure 8, it is also possible to notice one pricier product that is normally meant for the improved look of the skin of the face, mostly in form of the face serum which correlates with the trend that was growing at the time of the survey.

General observation is also that women tend to use and test more than 10 products that nourish, clean or improve the skin on the face. They do not buy when needed but stock up on variety of products based on the key promise the product promises to deliver. Here a personal note for my communication was made that while I know the majority of the products are similar in the effect it is important to understand the influence of the wording and key effects highlighted on the packaging to reach the consumers and be able to get the products of the shelves or in the baskets online.

Figure 10: Consumer uploaded picture of currently used products – note - packaging, colors and brands

Source: Own work.

What also intrigued me to see, was how the packaging looks like, which types of products they buy in which type of packaging, which colors prevail and what is the volume of specific products commonly bought. Since I have completely free hands in deciding which packaging and how voluminous this was successful in helping me make a decision on the things where I was caught between a rock and a hard place.

From the uploaded photos, an example of which is shown in Figure 9, I can see that the clean feel and look is preferred. There are some products that stand out color wise but in the majority the color itself is part of the core brand CI (corporate identity) and not used as a separate design element. Therefore, the guidelines for my designer were to develop a clean design with geometrical patterns where needed and to stick to white and black basis with additional elements that would stand out and elevate design to premium feel.

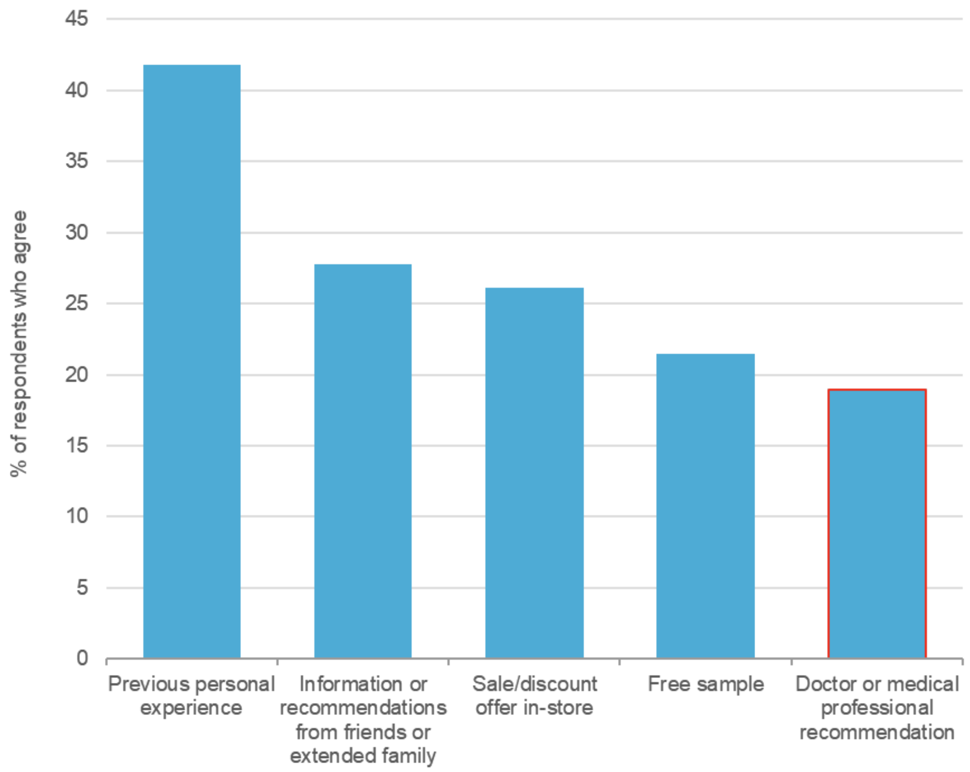
4.4 Market analysis findings

I approached market analysis by writing down the steps I wanted to take and then starting with using Porter's five competitive forces to get the first impression on where the market and its possibilities are. The steps I took were: look at the competition, entry barriers, regulations, market need, possible demographic and segmentation and define the target market. Those are summed up in the following sub-chapters in the PEST and SWOT analysis, followed by the 5th chapter where the target segments are specified.

4.4.1 Influences

What was important for me to understand separately from my focus group findings was why consumers decide for a purchase and test of a new product. In Figure 10 from Euromonitor research we can see that the main influence besides previous experiences with the brand or the product itself is the recommendation of friends or extended family. For me this is much more important since my brand will be a newcomer on the market and previous experiences are not possible. Since the next two factors of importance are whether or not the items are on discount or sale and whether or not there are free samples available, when deciding on a pricing strategy I will need to look more closely at what would be a best fit regarding the initial price set upon the market launch and decide if an entry discounted price would work for my products. Free samples on the other hand are a great way to present and get the consumers to test the products before purchase, and I am, after the products test during the focus groups, certain that that would have a bigger incremental influence on the purchase than the initial market entry discount. However, free samples also increase the production price and have an impact on the bottom line, so a clear objectives and predicted calculations on the end impact on sales will need to be done.

Figure 11: Top five influences on path to purchase of skin care products



Source: Euromonitor International Beauty Survey (2017).

In 2019 I have visited one of the biggest cosmetics fairs in the Europe – Cosmoprof in Bologna. That was part of the market research also and here my main goal was to get acquainted with the biggest wholesalers of the packaging as well as gain information on which would be the optimal way to offer free test samples in terms of visual appeal and costs that would carry. My main two contact that I decided to get the offers from were Fra Pak and Hobag. Chinese packaging producers have extremely attractive designs and also affordable prices but the main barrier are their delivery times, minimum quantity orders and of course the certificates to be able to legally sell the beauty products in their packaging, since there are treaties with third world countries that make it harder to get the approval of the EU. That is the main reason I have for now decided not to research this option more.

4.4.2 PEST analysis 4.3

Political	**Economic**	**Social**	**Technological**
– Due to current CoVid-19 outbreak there is an unstable political situation and consumers’	– Better trade connections with Asian markets – inflow of Asian skin care products	– Increasing health consciousness – Increasing sustainability awareness	– Further improvements and development of the e-commerce platforms

confidence index is low – Since 2013 it is illegal to test products on animals – The UK stepped out of EU – Less travel options in season 2020 to 2021 – less duty free shopping opportunities – Increased number of laws that are environmentally oriented – Higher taxation of industrial waste	– Low unemployment rate, but increasing due to the CoVid-19 outbreak – Economic growth, but unstable predictions – Decrease in disposable income due to uncertainty about the future – Younger consumers spending higher amounts of their parents money – Increased dependence (of consumers and businesses) on the e-commerce channels	– Aging population – Growing differences between top and bottom classes, disappearing middle class – Increasing demand of man skin care products – Increased awareness of the importance of recycling	– Technological advancements in the skin care product development (Nano particles) – Virtual reality developing as a future marketing channel – Ecological materials for the use in packaging – Mobile as a strongest and fastest growing segment

Source: Own work.

4.4.3 SWOT analysis 4.3.2

Strengths
– High quality products (as shown by focus groups) – An interesting mixture of the type of cosmetics and the sales channel in which to sell. It is a pharmaceutical type of cosmetics (dermo cosmetics), but it will primarily be sold online and in stores like Mueller, Nama, Maxi market... – The ability to quickly adapt to the needs of the market. For example, there is a need for a new tonic with X component and we can respond to the need in less than a month – Products are manufactured in Italy, which is a competitive advantage over similar products of Slovene origin, mainly due to consumers' perception (as it turned out in focus groups) – Consistency of the target group with the planned primary marketing channel - social networks – Products are positioned in a higher middle class that makes them accessible to a wide range of potential customers – Skin care products are natural, with effective active ingredients - combines the best that nature and technological advances have to offer.
Weaknesses
– New brand name ("no name" on the market) - no visibility – Limited funds – At the beginning a smaller set of products (ten)

– Less technologically advanced products (more traditional production) compared to larger competitors in the anti-age segment.
Opportunities
– Growth of online sales in Slovenia and globally – Currently, a favorable economic situation – Low level of loyalty to brands in the cosmetics segment, which increases the possibility of first purchase – The market share of the 'no name' brand is growing in the last 5 years, and growth is expected also in the next three years (from around 13-18% in the last 3 years, at the expense of mass producers – Vichy, Nivea…).
Threats
– High saturation of the market – The incoming negative economic cycle – Low entry barriers – Great power of market leaders – A large number of substitutes on the market (secondary ones, we are primarily 'the only ones', which combine the segment of pharmaceutical cosmetics into the main stream market)

Source: Own correspondence based on Lumen Learning (no date).

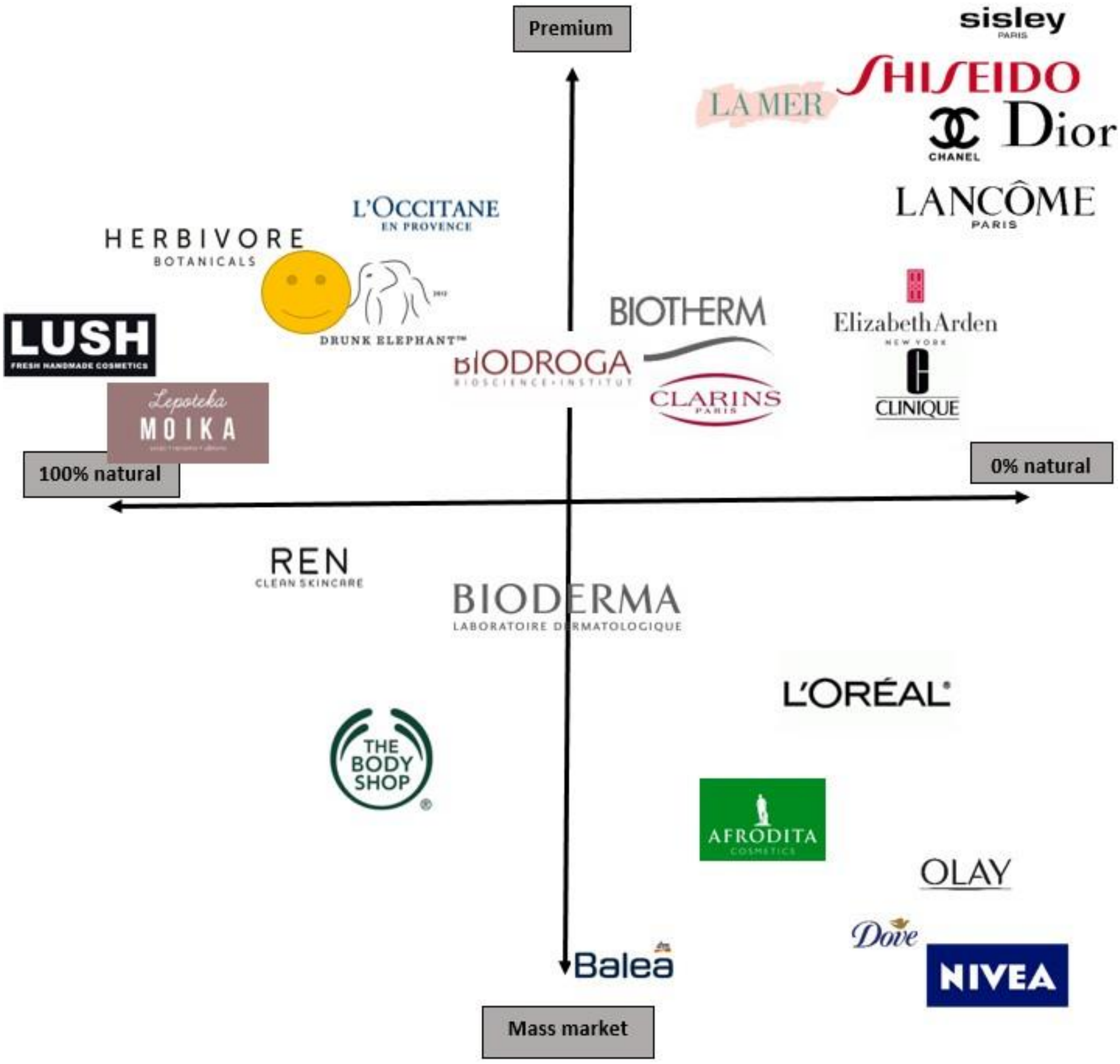
4.4.4 Perception map 4.3.3

In the process of the making of the perception map I decided to go with a different approach than I was taught at during the studies. I do understand that the best way to get the perception map is through the questioner but since the number of participants in my online survey was too small to be reliable, due to the fact how many brands and products there are on the skincare market my approach was more practical and included a thorough market research in terms of what each brand included represents and what it stands for as well as what are the prices of their products on the Slovenian market. All together I included 26 brands. For each of those brands I looked at their positioning statements, brand characteristics and price range in which they are selling their products. I visited all the drug stores in Ljubljana, beauty salons, mass retailers and pharmacists and asked questions about each brand represented on the map as well as wrote down the prices of their products – categories I looked in corelated with the categories that are present in my initial market launch plan. Based on that I have positioned them on my perception map, provided in Figure 10 below, as well as it has helped me in the forming of my pricing strategy and marketing strategy.

The X axis is a scale of how natural the ingredients used for the production of the products are. Extreme left is the 100 per cent natural origin and extreme right the non-natural ingredients used in majority. On the Y axis the positive values are how premium the brand positions itself (higher the better) and the negative values how shows where on the scale they are compared to the mass market products.

Based on the perception map the most logical step would be to try and produce as natural as possible product for the prices as low as possible and also price them as extremely affordable to the end consumer. By theory that would be possible when we would be able to reach the economies of scale and decrease the production and related costs immensely. I have tried to decrease the costs and look that way but considering that my brand is a no name brand as far as perception goes and that I do not have the possibility of ordering huge quantities for the launch due to financial barriers there is now way I was able to think of where that would be viable for me. I think high prices of the natural ingredients (that are as natural also certificated) are the main reason why there is a gap on the market in that quadrant and a possible opportunity for some company that would have an option to offer natural and quality products to a mass market at affordable prices.

Figure 12: Perception map



Source: Own work.

My brand in Figure 11 is the yellow smiling face on the upper left quadrant. The decision on where to position is the result of the focus groups survey, market analysis and production costs. Based on the market analysis the space was in the mid premium segment and on the natural side relating to the used ingredients. What I perceived as important was how the test users positioned the product since I a m a firm believer in the fact that what you expect from the product needs to be delivered. It can be better than the expectation but never worse. Therefore, I followed the feedback received from the focus group participants when deciding where to position my new premium skincare brand. Price in majority of the cases dictates the premium feel of the product and the pricing strategy cannot be formed without the inclusion of the related production costs. Since my production costs are not low that needed to be included in the positioning as not to position it on a too low level to make a profit and not too high to generate sales.

5 RECOMMENDED POSITIONING AND STRATEGY

5.1 Positioning on the market

We will position on the market as a trendy and reliable galenic pharmaceutical skin care company that offers a supreme user experience throughout the whole consumer journey.

As we know we are entering a saturated market and delivering quality and attractive products to consumers that have a variety of choices already, and be seen and recognized will be a journey. Our brand statement and our promise to the consumer is therefore the following:

"High quality of the cosmetic products based strictly on selected natural and active ingredients. Because healthy skin is the best foundation." - My brand statement

5.2 Segmentation and targeting

After all of the conducted research and evaluations of the potential target segments, aligning them with predicted market development and trends and of course the entity of our brand I have formed three base target segments based on the focus survey respondents and their lifestyle.

The process started form the point of view of the brand and what it stands for, what is the brand personality and how we want to be seen and perceived. In Figure 12 three different focus types were chosen that corelate with the brand personality we decided on. Those three top lines personality-based focus types were the base on which we decided which women to include in the focus group as test subjects. Three focus types are eccentric – out of the mainstream and with specific characteristic that make their personality and image extremely unique, in trend – more mainstream, popular and adored by a wider population based on the affiliation with the currently popular brands, products and life-style choices, and accomplished – built themselves and outgrew the average by being successful each in their own niche. Those three focus types represent a basis on which we subjectify our brand personality and gave it life. They are also the stepping stone for the decision that was made after on who to include in the focus group testing.

Figure 13: Venn diagram showing three different focus types

Source: Own work.

Under the preliminary focus types of personality traits in Figure 11 there are three target segments and the important differentiation factors in their life-style choice, perception, influences and need for various skincare products.

With the knowledge we have and the ability to focus marketing efforts on the potentially important customer that will build up the company and brand we influence the probability of higher profitability and return on investment.

The actual persons listed under each type in Figure 11 are also persons I plan to use as part of my digital strategy in some form of guerilla marketing. I have contacted or know majority of them and they are open for collaboration. Each of the target segments will therefore have their own representatives which will enable them to recognize and connect with the brand on a deeper level. The approach will be explained in section 5.3.1.

5.2.1 Target population

The focus groups were designed with the intent of capturing a broader scope of the potential target consumers. After the interviews I concluded that there were three outliers, one in each focus group, that would not be a fit to my target population and the below described three focus segments were formed based on the common characteristics the focus groups participants shared and displayed during the interviews. One was extremely loyal to her brand of face cream and this was also the only skin care product she uses and plan to use in the future. One uses only products that pharmacists make for her based on the recommendation of her dermatologist and one said that the absence of strong smell or the scent of natural skin care products simply is not for her and prefers a more aggressive cosmetic.

The target population, which forms a potential market for our products, has common characteristics that are described in the following paragraphs: demography, thinking, cosmetics requirements, and sources of information.

Demography:

- Age: 20-40 years.
- Income: average and above average.
- Education: middle professional and higher.
- Work: at the beginning of the career path or at the stage of the most intensive professional development.

A way of thinking, personal goals:

- Work / life balance.
- Awareness and responsibility, but also a desire for new experiences and a relaxed way of life.
- They think that they are citizens of the world, social networks give them insights into the world outside the domestic borders, but at the same time they are extremely involved in the local environment. This is reflected in fairly low readiness for online purchases, they still prefer to turn to local trade (challenge).
- Financial stability with sufficient amount of disposable income intended for the maintenance of the desired way of life (mostly without children, therefore they devote a bigger chunk of their income to themselves, their pampering).

Cosmetic products requirements:

- Healthy and beautiful skin.
- Deceleration of aging processes, they do not want specific anti-age products, only quality cosmetics for their skin type and lifestyle.

- The appearance of the product is extremely important to them, sometimes even more than ingredients and performance.
- Products of obvious Slovene origin have lower value in their eyes.

Their sources of information:

- Circle of friends, family - their recommendations.
- Social networks (publications of influencers and brands).
- Trade consultants.
- Internet.

This wider part of the population differs in terms of lifestyle and the way of thinking. Therefore, it is divided into three segments: Active, trendy and basic, which are presented below. Given the differences in segments, I will also adjust marketing activities - covering all three segments.

5.3 Target personas

Three main types of target personas that cover wider population are listed and described below.

1. Active Nancy

Based on the interviewees 2, 4, 8, 11, 15, and 17 I have formed the following segment.

Lifestyle:

- Very active lifestyle, takes good care of their health and looks.
- Spends her free time active, in nature and on various sports activities.
- Submissive to health food trends and currently »hot« ingredients, whether they are white or black listed. Focuses on the ingredients in the products. Conscious of the formula and chemicals.
- Does not experiment a lot with products, when she finds one that works, she tends to be faithful to the brand and chosen item.

2. Trendy Mandy

Based on the interviewees 1, 5, 6, 14, 16, and 18 I have formed the following segment.

Lifestyle:

- Extremely active on social networks, follows the trends and seeks confirmation with their posts and stories.
- Wants to be in trend, choses products that are currently popular and are not particularly loyal to brands and/or products.

- Interested in everything's new on the market, and prepared to pay more to be able to get it and have it among the first of her group.
- Their perception of themselves is that they are unique, unconventional and special.
- Wants to stand out but is a part of the current main stream population.
- When buying the product first they are intrigued by the packaging and looks and are perceptive of marketing campaigns and messages on social media.

3. Basic Lily

Based on the interviewees 3, 7, 9, 10, 12, and 13 I have formed the following segment.

Lifestyle:

- Is not interested n following the trends, and mostly buys what is currently popular among her friends in the middle price segment.
- Have middle to high price sensitivity but do afford one or two pricier products to help fill the need for the more high-end life style.
- Lives a calm life without a need for much adventures and sport activities.
- Does not like to stand out.
- Biggest influence upon deciding for a new skin care product are the recommendations of their friends and family and the first impression in the store combined with the price – that cannot be too high with the exception of one or two products.

5.4 Marketing strategy proposal

With focused approach we plan to target the target personas explained in the previous sub chapter. We will do that through social media campaigns and with the help of either Company 1 that contracts the mini-influencers on the market and sub-contracts them for you or Company 2 that does the same but also creates content for social networks and manages it partially on your behalf. I have been on meeting with both of the companies and have gotten offers for the above-mentioned type of the cooperation, more detailed explanation is in the following sub chapters that refers on the topic specifically.

Our pre-market launch objectives are to build an early adopter email base with our already set up teaser landing web page and have the possibility of offering them special offers during the actual market launch as well as having data on our users which is the new digital currency. Regardless of the social media growing trends email marketing is still one of the most important marketing tools available to the companies.

Aside from that with the given budget that is decided on 1000 euros per month for advertisement and post boost on two main social media channels we expect to have and average reach of the customers in impressions per post or story between 2.5000 and 4.000

users. The numbers are real and were a result of a different five month campaign I have done for another skincare brand which we distribute in Slovenian market (Own correspondence).

Important for the social media strategy is also the content. We plan to produce content in form of photographs and videos, educational posts and lifestyle tips that will go in line with the brand and will build our brand equity.

Since online channels of social media are the only ones we plan to reach our target consumers through in the beginning it is imperative to be constant and reliable, so consumers know what and when they can expect from you and can return to the profile for the expected content.

The main objectives for the first year after the market launch are to gain 3.000 followers on each of the two social media accounts already established – on Facebook and Instagram. The set goal of conversion rate is 15 per cent and the retention rate above 20 per cent. Since the final prices are not set yet, the objective of a life time value of a customer is not set as an objective, but a general prediction as to how many purchases a consumer will make in the first year is set at 2.

5.4.1 Digital marketing strategy proposal

The market launch will begin with a form of guerilla marketing approach – the three segments upon the basis of which the target personas were formed will be asked to publish the reviews of the products they will receive. Each will get a whole portfolio but will be asked to pick out two or three products that he or she enjoyed most and can honestly recommend. It goes in line with the current natural and not poised communication trends on social media.

This will happen before the official market launch and will be used to gain reach and build up email base for the actual market launch. It will create a buzz and enable me to have a communication channel open with the consumers. Each of the persons will receive a code that will be used as a ticket for the early bird orders and the possibility of purchasing the products before they are available for the general public online.

Second step is to enter an agreement with the Company 2 from the intro paragraph under 5.3. The decision was made after the last meeting with the owners and since they offer total support also in terms of content creation for me this is a better decision then Company 1 that only offers a campaign principle of working together and sets the objectives on a maximum of six months basis. With the Company 2 I will be a part of detailed guidelines preparation for communication, image and video scripts and will have the ability to confirm communications and consumer activations on a monthly basis. They are also prepared to bind a part of their payables to goal achievement which was just another factor in their favor.

For the launch we will create twenty short videos that are suitable for the social media and the length will be between ten and fifteen seconds per each. One video will be longer – 2 minutes and its purpose is to wholistically represent wo the brand is and what are the products. Technically the filming of beauty shots is demanding since the equipment used needs to be of extremely high quality to be able to shoot the skin, packaging and to capture all the nuances of the products. Photography plan is to film one hundred photos and use them over the spread of one year time with the intention of having three posts per week with the support of bi-weekly story in at least three parts. For the missing fifty photos we will use the photos our "guerilla marketing" members will make as described in the first paragraph.

The described phase is planned to last two months, and after that the plan is to continue with a more regular approach and use the nano influencers.

We have agreed that for the start we will use 15 nano influencers with smaller scale of reach but much more engaged followers, that have a higher rate of re-posting the content among their followers thus maximizing the chain of reach. Here I also count on the word of mouth which when the content is visually appealing is a strong tool and as found out during focus groups it is also still the most powerful recommendation that leads to purchase more times than other encounters with the brand.

5.4.2 Retail strategy proposal

From personal sources I have gathered offers on how much the placement in drug stores would cost as well as how much the obligations that would be a part of the offer would sum up to, I have decided that together with who my target demographic is it does not make sense to invest that over proportionally in the first two years after the market launch. The cost would amount to a too high, with no real benefits in the perception of the consumer that for the beauty industry in the todays world is built mostly online by influencers and nano influencers and through word of mouth and recommendations from family, experts or friends.

For example, the placement below the eye level at a major Slovenian retail store would cost approximately 8.ooo euros just for the position, that alone would carry the additional obligation of bi-yearly cost of their internal trade magazine advertisement priced at around 1.500 euros and additional offer of the promotional discount that would be set at their discretion discount, and time wise. Furthermore, they reserve the right to set the final retail price, and while you can recommend it you in reality have zero to no negotiating power over the final result being a small market entry player as we would be.

I have also researched the possibility of entering the market through the retail network of one of the two biggest retail players and due to the fact that they demand part of the equity as well as the right to direct your marketing direction and brand personality I have decided that the intangible cost of going that way is simply too high for the goal I have in mind.

Therefore, the only current possibility of being present offline on Slovenian market are for now pharmacies. I have talked with the owner of one of the biggest Slovenian pharmacy chains and while the price of having a counter and an advisor is quite high – priced at around 5.000 euros, the benefits it could bring mid-term in terms of trust, awareness and positioning influence as skin experts would be higher than what we would need to pay for it (own correspondence).

What I have thought about is applying to the "Štartaj Slovenija" – a project lead by Spar, a major retailer. At the meeting with one of the previous seasons participants she explained how that works, what it entails and what you have to give up to be a part of it. For me giving up a part of equity at the beginning is not acceptable. While on the other hand they provide excellent marketing support and distribution to retail stores, they also take over the final decisions of communication and brand appearance. Another factor that influenced my decision not to engage with Spar for now was that based on the results of the survey mass retail channel is not a good fit for the positioning of my brand. The general perception of skincare products sold in mass retail stores is that it is of lower quality and not premium. As Mid premium segment is where I will position my brand, the initial perception given with cooperation with Spar would be negative and would weigh over the benefits of the mass marketing, mass distribution and availability in the stores (own correspondence).

There are positive and negative effect of any decision. Mass retail therefore is an expensive step and in the case of my brand and target segments I do not see it overweighing over the brand equity I wish to build. It also means you have little to no control over the end retail price that leads to decreased profit margins and the demands of shelf space lead to high trade costs.

CONCLUSION

The main purpose of writing the thesis was to dive deep into the possibilities of entering a market with a skincare line of products under a new brand I had the opportunity to develop from scratch. It was a step that thought me how to connect theory with practical experiences.

I aimed at answering my leading research questions and understand what is the attitude of young professionals in Slovenia towards skin care products, what influences their decision on what to buy in a market overflown with supply, which is it most suitable segment to focus on and whit what type of marketing strategy is appropriate.

During all the types of market research I conducted what became clear is that young professionals in Slovenia are increasingly interested in health and prolonging the youthful look of their skin. They are open to new comer brands and use the internet to research the products, ingredients and brand itself. Regardless of the changed loyalty that was common among previous generations, towards skin care brands, a most powerful tool is still word of mouth and recommendations from friend, family and to an extent smaller influencer. The launch nine products were decided on based on the fact that this is the most prosperous segment of skin care industry in Slovenia. Its predicted growth and demand make it the only logical step to enter with complete portfolio for the care of the face of the skin and to cover all the skin types.

The suggested strategy focuses on three target segments – young professional adult women with higher-than-average disposable income and aged between 25 and 35 years. The main differentiation characteristics between the three focus segments are their attitude toward main stream popular brands, active lifestyle and way they are influenced from surroundings towards new products. The approach suggested combines guerilla marketing with influencer marketing and will utilize the skills of a start up company in Slovenia that specializes in this type of promotion and brand equity building. For this approach the unique and premium look of the products as well as online content spreads over all the social media channels is of high importance and needs to represent the core of the brand to be able to reach the target consumers and turn them into returning customers in order to maximize their life time value to the company.

It is vital for new brands with less initial capital, and that want to grow their popularity to engage on social media. Traditional retail strategy is expansive and to market a product solely in the offline world even more so. The fact is that the world of marketing has changed immensely in the last decade and understanding how the channel of influencers works is vital if a new brand is to succeed in a market as saturated as skincare industry.

The research combines traditional marketing approach with new marketing tools and leads to the conclusion that regardless of the rapid development of the online world, there still are marketing basics that should be included and understood.

Thesis is a written journey of developing a new brand, what it entails and I tried to explain and moreover understand what are the stepping stones on this journey that lead to the success of a new entry brand on a saturated market and with more and more demanding population of consumers.

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APPENDICES

Appendix 1: Povzetek (Summary in Slovene language).

Nega kože je pomemben segment današnje kozmetične industrije, ki je ena najhitreje rastočih industrij po vsem svetu. Ocenjena pospešena rast segmenta nege kože s sestavljeno letno stopnjo rasti (CAGR) je do leta 2022 skoraj sedem odstotkov, medtem ko je bila medletna rast za leto 2018 6,51 odstotka (Technavio, 2018). Poleg tega naj bi bila negovalna kozmetika najdonosnejša kategorija, saj naj bi po tržni vrednosti v prihodnosti najbolj rasla (Duncan, 2018). Prihodki v segmentu nege kože so v letu 2019 znašali 22.842,40 milijona EUR, medtem ko je na splošno najbolj donosen trg, ki ustvarja največji tok prihodkov, Kitajska, in sicer 23.533 milijonov EUR v letu 2019 (Statista Market Forecast, no date.b). Glavni dejavniki, ki pojasnjujejo navedeno rast, vključujejo spremembo, ki jo je mogoče opaziti v odnosu potrošnikov do lepote in splošnega videza, pa tudi trend k bolj ekološkim izdelkom za nego kože, ki skrbijo za potrošnike, ki cenijo proizvodnjo brez krutosti do živali (Shaulova & Biagi, 2018).

V Sloveniji trg nege kože raste s predvideno 2-odstotno medletno rastjo. Vodilni segment je nega obraza, ki je v letu 2017 prispevala približno 40 milijonov EUR k celotnemu trgu nege kože, sledil pa je segment nege telesa, ki je leta 2017 znašal 9,5 milijona EUR. Blagovne znamke množičnega trga predstavljajo približno 80 odstotkov visok tržni delež, medtem ko imajo premium znamke preostalih 20 odstotkov. V zadnjih šestih letih pa premium znamke še naprej rastejo na račun blagovnih znamk množičnega trga. Najmočnejši maloprodajni kanali izdelkov za nego kože so specializirani trgovci za zdravje in lepoto, ki so prodali 78,9 odstotka vseh izdelkov za nego kože, prodanih v Sloveniji v letu 2017. Med maloprodajnimi kanali so najmočnejše lekarne s 37,3 odstotka, sledijo pa drogerije s 35,1 odstotka in kozmetični saloni, ki imajo 6,6 odstotka. Trgovci z živili imajo 14,9-odstotni delež, ki se zmanjšuje. Nasprotno pa se malo prodaja, ki je imela leta 2017 6,1-odstotni delež, 3-odstotni delež od tega predstavlja spletna prodaja, povečuje, prav tako pa tudi delež lekarn ter strokovnjakov za zdravje in lepoto (Passport, 2018a).

V tej nalogi sem se osredotočila na podjetje, ki trenutno deluje izključno na italijanskem trgu. Proizvajajo visoko kakovostne izdelke z belo etiketo, od dezodorantov in športnih krem za regeneracijo mišic do specializirane kozmetike za kožo in lase. Njihov dosedanji poslovni model je bil prodaja izdelkov z belo etiketo lekarnam, ki so jih pozneje označile in prodale na trgu pod svojo zasebno blagovno znamko. Njihovi izdelki temeljijo na obsežnih farmacevtskih raziskavah, ki jih izvajajo v lastnem laboratoriju. Izdelki so skrbno razviti ter še posebej primerni za občutljivo kožo. Glede na vedno večje število dermatoloških težav, ki jih v današnjem okolju povzročajo različni dejavniki stresa, je to močna konkurenčna prednost - tako diferencialna kot tržna, saj jih razlikuje od drugih proizvajalcev; ne osredotočajo se samo na problematično kožo, saj so njihovi izdelki primerni tako za normalen tip kože kot tudi za razne problematične tipe kože. Izdelki vsebujejo naravne sestavine in so proizvedeni brez krutosti, kar pomeni, da nobena sestavina ni pridobljena ali testirana iz kakršnih koli živalskih virov oziroma na živalih. Izdelki so tudi brez parabenov in sulfatov ter združujejo najboljše naravne sestavine s tehnološkim napredkom farmacevtske industrije v zadnjem desetletju. Kombinacija naravnih in aktivnih sestavin zagotavlja popolno nego za kateri koli tip kože in zagotavlja tudi, da nobena od sestavin kože ne draži. V izdelkih se ne uporabljajo umetne dišave ali barvila, razen tistih, ki so naravno prisotna v samih surovinah.

To delo je nastalo na podlagi primarnih in sekundarnih virov. Da bi analizirala možnosti za vstop na slovenski trg izdelkov za vrhunsko nego kože, sem se oprla na sekundarno analizo podatkov ter SWOT in PEST analizo in zemljevid percepcije kupcev. Za zbiranje primarnih podatkov sem uporabila tako kvalitativne podatke (fokusne skupine in etnografske raziskave) kot kvantitativne podatke (spletna anketa med udeleženci fokusnih skupin o izdelkih, ki so jih preizkušali).

Za spoznavanje trga nege kože sem organizirala tri fokusne skupine. V vsaki fokusni skupini je bilo od 6 do 7 udeležencev, intervju z fokusno skupino pa je bil izveden po enem mesecu uporabe izdelkov za nego kože. Tako je bilo skupno 17 udeležencev. Vsem udeleženkam sem razdelila pakete z izdelki (krema za obraz, ki ustreza tipu kože vsake udeleženke, krema za oči, čistilno mleko, šampon, balzam, gel za prhanje, losjon za telo iz avokada, ter losjon za hialuronsko kislino za lifting telesa). Preizkušali so jih 28 dni. Po tem smo izvedli tri fokusne skupine s po 7, 8 in 9 udeleženci, skupaj 17 udeležencev. Vse udeleženke so bile ženske iz različnih slovenskih regij, večinoma iz osrednje, stare od 22 do 38 let.

Fokusne skupine so bile oblikovane z namenom, da zajamejo širši obseg potencialnih ciljnih potrošnikov. Po intervjujih sem ugotovila, da obstajajo trije izstopajoči tipi, po en v vsaki fokusni skupini, ki ne ustreza moji ciljni populaciji, in končni trije fokusni segmenti so bili oblikovani na podlagi skupnih značilnosti, ki so jih udeleženke fokusnih skupin delile in prikazale med intervjuji.

Med vsemi vrstami tržnih raziskav, ki sem jih opravila, je postalo jasno, da se mladi profesionalci v Sloveniji vse bolj zanimajo za zdravje in podaljšanje mladostnega videza svoje kože. Odprti so za nove blagovne znamke in uporabljajo internet za raziskovanje izdelkov, sestavin in same blagovne znamke. Ne glede na spremenjeno zvestobo, ki je bila običajna med prejšnjimi generacijami do znamk za nego kože, so še vedno najmočnejše orodje beseda od ust do ust in priporočila prijateljev, družine in manjših vplivnežev. Tako sem se za lansiranje devetih izdelkov za obraz odločila na podlagi dejstva, da gre za najbolj uspešen segment nege kože v Sloveniji. Zaradi napovedane rasti in povpraševanja je to edini logičen korak – s popolnim portfeljem za nego obraza in pokrivanje vseh vrst kože vstopiti.

Za nove blagovne znamke z manj začetnega kapitala je bistvenega pomena, sploh, če želijo povečati svoje možnosti, da se vključijo v socialne medije. Tradicionalna maloprodajna strategija je procesno obsežna ter predvsem izjemno draga. Dejstvo je, da se je svet marketinga v zadnjem desetletju izjemno spremenil in razumevanje, kako deluje kanal vplivnežev, je ključnega pomena, če želimo, da nova znamka uspe na tako nasičenem trgu, kot je industrija za nego kože.

Raziskava združuje tradicionalni trženjski pristop z novimi marketinškimi orodji in vodi do zaključka, da ne glede na hiter razvoj spletnega sveta še vedno obstajajo tržne osnove, ki jih je treba vključiti in razumeti, v vse procese grajenja ter trženja znamk in produktov.

Diplomsko delo je moje pisno popotovanje do razvoja nove blagovne znamke. Opisuje kako sem se tega lotila, kaj graditi znamko pomeni. Poskušala sem razložiti in razumeti, katere so odskočne deske na tej poti, ki vodijo do uspeha nove vstopne znamke na nasičenem trgu in uspešno zmagujejo v borbi za vedno bolj zahtevne potrošnike.

Appendix 2: Focus groups product reviews.

Product reviews

1. Cream with Argan oil for dry skin (LCRV020)

– One of my favorite products, I have extremely dry skin and this cream was rich enough
– Heavy, stays "greasy" on the skin, I didn't like the texture
– I was very satisfied with the product, I have extremely dry skin and this cream sunk right in
– I really like it, it was nourishing and moisturizing enough for my skin

2. Cream with Argan oil for mixed skin (LCRV021)

Thick texture, maybe a bit too heavy for me but it sunk well in the skin and left it nourished.

3. Aloe face Cream (LCRV013)

– Really liked it, moisturizing enough, loved the smell. I really felt my skin is nurtured and soft in the morning.
– Light, fast absorbing
– It was quite heavy for my taste, ok for winter but would be too heavy in the summer. It made a layer on my skin so when I sweat a little I get small sweat spots, especially on my upper lip.
– Too heavy, I usually use gel cream so I was missing lighter texture
– Too heavy, like it is meant for dry skin or nighttime
– Great for the evening, too heavy for daytime
– My new favorite face cream, it was my favorite product and I will use it in the future

4. BI-JAL Cream (LCRV024)

– I liked the feeling and effect, great feeling in the morning when I woke up. But it did close my skin, I sweat underneath, especially in the upper lip area
– Good, the feeling was good and I was satisfied, cannot say I see a big difference due to the time length of the testing (2-3 weeks)

5. Bilberry Cream (LCRV003)

– I saw a difference even in this short time, my skin had less redness and was plump and elastic

6. Eye and lip contour elixir anti-age (LCON001)

– It does not get absorbed fast enough, stays on surface of the skin for too long (few shared this opinion)
– Did not like the smell (most participants shared this opinion)
– Liked it a lot (opinion of many participants)
– It sunk well into my skin
– I felt the tightening effect which I like
– It was a little tightening, but I guess that is how it should be

- I missed a smell, but the effect was good
- I burned my upper eyelid a little, which resulted in redness.

7. Cleansing milk rinse with Iceland lichen (LLAT002)

- Great! Smells divine (most participants share this opinion)
- Crazy beautiful smell, cleaned my skin really well, even eye make-up, was very satisfied
- I liked it a lot, although I personally prefer cleansing foam (I feel my skin is more clean with it)
- Really great, bestseller for me, it made my skin incredibly soft
- Does not make my skin tight, dry and uncomfortable which I like
- Would buy it immediately
- Good, it removed even heavy make-up, but only when applied directly onto the cotton pad.
- I prefer micellar water, but nevertheless the milk was nice and did its job

Appendix 3: Focus group questions for discussion.

Introduction

Can you please introduce yourself - name, gender, age, what is your profession?

Habits

Which Face cream (body wash, lotion, shampoo, conditioner are you currently using?

Why?

Where do you buy skin care products? Why there?

How often do you buy skin care products?

Do you buy on impulse or because you run out?

Are you loyal to a certain brand?

Do you try new brands?

What is the approximate budget meant for skin care & hair care?

Describe the purchasing process.

Influences

Do you think about which products you will purchase in advance or decide on spot?

Do trends influence your decision on which products to buy?

What do you consider when choosing which cosmetics products, you buy?

Do you have any preferred brands?

How willing are you to buy products of a different brand if the preferred brand is not available?

Do you pay attention to advertisements of these products?

Does the country of origin influence your decision?

Awareness

Do you know any cosmetic products labelled as “bio” and do you prefer them over non-bio products? Which? Why?

What about cruelty-free vs. animal tested products?

Do you read the label with ingredients? Why?

How important is the use/nonuse of certain ingredients to you?

Which ingredients are so important to you, that you buy a product because of them?

Which, if any, are the red listed ingredients?

Attitudes

How do you feel about Italian cosmetics brands?

How do you feel about Slovenian cosmetic brands?

Can you rank the products according to your preferences? (The tested products.)

a. Why did you rank them like this - based on what?

Would you rank the differently if we added face mask and micellar water/foam in the selection?

Extra

Are there any unmet needs with regards to Slovenian cosmetic market that you would like to point out?

Any unmet needs in general regarding cosmetics?

Is the use of skin care cosmetics products like a ritual for you or just a necessity?

Appendix 4: Online survey among the focus group participants.

Q1 - Katero kremo za obraz si uporabljala?

Krema za obraz - Argan, mešana koža

Krema za obraz - BI-JAL, Hialuronska, lift me up

Krema za obraz - Aloe vera, vsi tipi kože

Krema za obraz - Borovnica, koža nagnjena k rdečici

Krema za obraz - Argan, suha koža

IF (1) Q1 = [1] or Q1 = [2] or Q1 = [3] or Q1 = [4] or Q1 = [5] (Izbira kreme za obraz)

Q2 - Oceni navedene lastnosti kreme za obraz, 1 najslabše, 7 res hudo:

	1 - ni mi všeč	2	3	4	5	6	7 - noro mi je všeč
Vonj							
Tekstura							
Učinek							
Vpojnost							

Q3 - Oceni navedene lastnosti kreme za okoli oči, 1 najslabše, 7 res hudo:

	1 - ni mi všeč	2	3	4	5	6	7 - noro mi je všeč
Vonj							
Tekstura							
Učinek							
Vpojnost							

Q4 - Oceni navedene lastnosti mleka za čiščenje obraza, 1 najslabše, 7 res hudo:

	1 - ni mi všeč	2	3	4	5	6	7 - noro mi je všeč
Vonj							
Tekstura							
Učinek							

Q5 - Oceni navedene lastnosti mila za telo, 1 najslabše, 7 res hudo:

	1 - ni mi všeč	2	3	4	5	6	7 - noro mi je všeč
Vonj							
Tekstura							
Učinek							

Q6 - Oceni navedene lastnosti mleka za telo AVOKADO, 1 najslabše, 7 res hudo:

	1 - ni mi všeč	2	3	4	5	6	7 - noro mi je všeč
Vonj							
Tekstura							
Učinek							
Vpojnost							

Q7 - Oceni navedene lastnosti mleka za telo HIALURONSKA, 1 najslabše, 7 res hudo:

	1 - ni mi všeč	2	3	4	5	6	7 - noro mi je všeč
Vonj							
Tekstura							
Učinek							
Vpojnost							

Q8 - Oceni navedene lastnosti šampona, 1 najslabše, 7 res hudo:

	1 - ni mi všeč	2	3	4	5	6	7 - noro mi je všeč
Vonj							
Tekstura							
Učinek							

Q9 - Oceni navedene lastnosti balzama za lase, 1 najslabše, 7 res hudo:

	1 - ni mi všeč	2	3	4	5	6	7 - noro mi je všeč
Vonj							
Tekstura							
Učinek							

Q10 - Katere so tri (3) besede, s katerimi bi najbolje opisala kozmetiko, ki si jo testirala? (navedi, loči z vejico ali presledkom)

Appendix 5: Online survey RESULTS among the focus group participants.

Q1	**Katero kremo za obraz si uporabljala?**				
	Odgovori	**Frekvenca**	**Odstotek**	**Veljavni**	**Kumulativa**
1 (Krema za obraz - Argan, mešana koža)		4	7%	17%	17%
2 (Krema za obraz - BI-JAL, Hialuronska, lift me up)		6	10%	25%	42%
3 (Krema za obraz - Aloe vera, vsi tipi kože)		8	14%	33%	75%
4 (Krema za obraz - Borovnica, koža nagnjena k rdečici)		2	3%	8%	83%
5 (Krema za obraz - Argan, suha koža)		4	7%	17%	100%
Veljavni	Skupaj	24	41%	100%	

Q2	**Oceni navedene lastnosti kreme za obraz, 1 najslabše, 7 res hudo:**												
	Podvprašanja	**Odgovori**	**Veljavni**	**Št. enot**	**Povprečje**	**Std. odklon**							
		1 - ni mi všeč	2	3	4	5	6	7 - noro mi je všeč	Skupaj				
Q2a	Vonj	2 (8%)	0 (0%)	0 (0%)	2 (8%)	6 (25%)	8 (33%)	6 (25%)	24 (100%)	24	58	5.4	1.6
Q2b	Tekstura	0 (0%)	0 (0%)	0 (0%)	6 (27%)	2 (9%)	8 (36%)	6 (27%)	22 (100%)	22	58	5.6	1.2
Q2c	Učinek	0 (0%)	2 (9%)	0 (0%)	0 (0%)	6 (27%)	10 (45%)	4 (18%)	22 (100%)	22	58	5.5	1.3
Q2d	Vpojnost	0 (0%)	2 (9%)	2 (9%)	4 (18%)	2 (9%)	8 (36%)	4 (18%)	22 (100%)	22	58	5.1	1.6

Q3	**Oceni navedene lastnosti kreme za okoli oči, 1 najslabše, 7 res hudo:**												
	Podvprašanja	**Odgovori**										**Povprečje**	**Std. odklon**
		1 - ni mi všeč	2	3	4	5	6	7 - noro mi je všeč	Skupaj				
Q3a	Vonj	0 (0%)	2 (6%)	6 (17%)	6 (17%)	8 (22%)	10 (28%)	4 (11%)	36 (100%)	36	58	4.8	1.4
Q3b	Tekstura	0 (0%)	2 (5%)	6 (16%)	2 (5%)	8 (21%)	10 (26%)	10 (26%)	38 (100%)	38	58	5.3	1.6
Q3c	Učinek	0 (0%)	2 (6%)	4 (11%)	4 (11%)	14 (39%)	4 (11%)	8 (22%)	36 (100%)	36	58	5.1	1.5
Q3d	Vpojnost	0 (0%)	6 (17%)	2 (6%)	6 (17%)	4 (11%)	10 (28%)	8 (22%)	36 (100%)	36	58	4.9	1.8

Q4	Oceni navedene lastnosti mleka za čiščenje obraza, 1 najslabše, 7 res hudo:											
	Podvprašanja	Odgovori	Veljavni	Št. enot	Povprečje	Std. odklon						
		1 - ni mi všeč	2	3	4	5	6	7 - noro mi je všeč	Skupaj			
Q4a	Vonj	2 (6%)	0 (0%)	2 (6%)	4 (11%)	6 (17%)	12 (33%)	10 (28%)	36 (100%)	36	58	5.4	1.6
Q4b	Tekstura	0 (0%)	0 (0%)	2 (6%)	8 (24%)	8 (24%)	6 (18%)	10 (29%)	34 (100%)	34	58	5.4	1.3
Q4c	Učinek	0 (0%)	0 (0%)	2 (6%)	6 (18%)	4 (12%)	12 (35%)	10 (29%)	34 (100%)	34	58	5.6	1.3

Q5	Oceni navedene lastnosti mila za telo, 1 najslabše, 7 res hudo:											
	Podvprašanja	Odgovori	Veljavni	Št. enot	Povprečje	Std. odklon						
		1 - ni mi všeč	2	3	4	5	6	7 - noro mi je všeč	Skupaj			
Q5a	Vonj	0 (0%)	2 (6%)	2 (6%)	10 (29%)	4 (12%)	4 (12%)	12 (35%)	34 (100%)	34	58	5.2	1.6
Q5b	Tekstura	2 (7%)	2 (7%)	2 (7%)	4 (13%)	8 (27%)	6 (20%)	6 (20%)	30 (100%)	30	58	4.9	1.8
Q5c	Učinek	2 (7%)	2 (7%)	0 (0%)	2 (7%)	8 (27%)	8 (27%)	8 (27%)	30 (100%)	30	58	5.3	1.8

Q6	Oceni navedene lastnosti mleka za telo AVOKADO, 1 najslabše, 7 res hudo:											
	Podvprašanja	Odgovori	Veljavni	Št. enot	Povprečje	Std. odklon						
		1 - ni mi všeč	2	3	4	5	6	7 - noro mi je všeč	Skupaj			
Q6a	Vonj	2 (6%)	4 (11%)	0 (0%)	6 (17%)	6 (17%)	6 (17%)	12 (33%)	36 (100%)	36	58	5.1	1.9
Q6b	Tekstura	0 (0%)	0 (0%)	4 (13%)	2 (6%)	2 (6%)	10 (31%)	14 (44%)	32 (100%)	32	58	5.9	1.4
Q6c	Učinek	0 (0%)	0 (0%)	6 (19%)	4 (13%)	4 (13%)	0 (0%)	18 (56%)	32 (100%)	32	58	5.6	1.7
Q6d	Vpojnost	0 (0%)	0 (0%)	2 (6%)	2 (6%)	2 (6%)	6 (19%)	20 (63%)	32 (100%)	32	58	6.3	1.2

Q7	Oceni navedene lastnosti mleka za telo HIALURONSKA, 1 najslabše, 7 res hudo:												
	Podvprašanja	Odgovori	Veljavni	Št. enot	Povprečje	Std. Odklon							
		1 - ni mi všeč	2	3	4	5	6	7 - noro mi je všeč	Skupaj				
Q7a	Vonj	0 (0%)	2 (6%)	2 (6%)	4 (11%)	8 (22%)	12 (33%)	8 (22%)	36 (100%)	36	58	5.4	1.4
Q7b	Tekstura	0 (0%)	0 (0%)	0 (0%)	4 (13%)	6 (19%)	12 (38%)	10 (31%)	32 (100%)	32	58	5.9	1.0
Q7c	Učinek	0 (0%)	0 (0%)	0 (0%)	8 (25%)	8 (25%)	12 (38%)	4 (13%)	32 (100%)	32	58	5.4	1.0
Q7d	Vpojnost	0 (0%)	2 (6%)	0 (0%)	0 (0%)	10 (31%)	10 (31%)	10 (31%)	32 (100%)	32	58	5.8	1.3

Q8	Oceni navedene lastnosti šampona, 1 najslabše, 7 res hudo:												
	Podvprašanja	Odgovori	Veljavni	Št. enot	Povprečje	Std. Odklon							
		1 - ni mi všeč	2	3	4	5	6	7 - noro mi je všeč	Skupaj				
Q8a	Vonj	4 (11%)	2 (6%)	6 (17%)	4 (11%)	8 (22%)	4 (11%)	8 (22%)	36 (100%)	36	58	4.5	2.0
Q8b	Tekstura	2 (6%)	2 (6%)	10 (31%)	2 (6%)	10 (31%)	0 (0%)	6 (19%)	32 (100%)	32	58	4.3	1.8
Q8c	Učinek	2 (6%)	6 (19%)	6 (19%)	4 (13%)	8 (25%)	0 (0%)	6 (19%)	32 (100%)	32	58	4.1	1.9

Q9	Oceni navedene lastnosti balzama za lase, 1 najslabše, 7 res hudo:												
	Podvprašanja	Odgovori	Veljavni	Št. enot	Povprečje	Std. Odklon							
		1 - ni mi všeč	2	3	4	5	6	7 - noro mi je všeč	Skupaj				
Q9a	Vonj	0 (0%)	2 (6%)	4 (11%)	8 (22%)	4 (11%)	12 (33%)	6 (17%)	36 (100%)	36	58	5.1	1.5
Q9b	Tekstura	0 (0%)	6 (19%)	10 (31%)	4 (13%)	4 (13%)	4 (13%)	4 (13%)	32 (100%)	32	58	4.1	1.7
Q9c	Učinek	0 (0%)	0 (0%)	4 (13%)	2 (6%)	6 (19%)	14 (44%)	6 (19%)	32 (100%)	32	58	5.5	1.2

Appendix 6: Positioning statement and Look & Feel

»Skrb zase je užitek, odgovornost do sveta samoumnevna in moč informacij nenadomestljiva.«

- MADU

Example: Look & Feel (not finalised, one of the options).

SKIN CARE GURU

MA,
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