

# COMPETITIVE CONDITIONS FOR COSMETICS EXPORTING TO BALI INDONESIA.

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## ABSTRACT

The research aimed to assess competitive conditions for cosmetics exporting to Southeast Asian countries. The qualitative research approached by in-depth and group interviewing, the population represented 1,255 cosmetic entrepreneurs who ordered cosmetics from original equipment manufacturers that were certified the standard of Good Manufacturing Practice, Halal and Hazard analysis and critical control points: HACCP. The 25 entrepreneurs as samples were selected by purposive sampling and interviewed the informants with the constructed open-ended questionnaire and group interviewing. The data collection was performed according to constructed interviewing form on appointment, synthesized and extracted data to be research answering.

The finding found the crucial industrial competition represented the cost reduction and quality product differentiation.

## INTRODUCTION

At this time, the cosmetic business significantly grew, many new entrepreneurs started up their cosmetic businesses that can be seen cosmetic exhibitions around the world and Thailand. Women were more interested in taking care of themselves, whether plastic surgery that people regarded as normal and make-up with cosmetics made women to be beautiful easily and rapidly as possible. The market value of cosmetics had grown rapidly in Thailand. Thai women were more concerned in makeup because of beauty and self-confidence, cosmetics shop was interesting from women in addition, many social media encouraged women to make up and use more cosmetics. The significant stimulus media such as beauty blogger, both Thai and foreigners who posted a makeup tutorial video and cosmetic reviews for those concerned further stimulating the demand of cosmetics, these beauty bloggers affected the 50-70% influencing on buying decision of beauty products, although not influenced immediately to buying decisions (Prae Krairerk, 2015). In addition, these beauty bloggers stimulated the cosmetics purchasing, the cosmetic advertisements through online media allowed consumers to follow news about beauty, how to make up and brand newly released cosmetics via online media such as Facebook and Instagram to make a purchasing decision among intense competitions. According to marketing data, there were more than 400 cosmetic brands around the world and market value in the past 5 years had grown constantly with an average of 18% per year of 2.1 billion Baht that could classified with 60% of domestic worth 1.2 billion Baht and 40% of export worth 90 billion Baht (Manager Online, 2015).

At this time, many Thai women focused more attention in buying cosmetics, but some customers disliked to order cosmetics products through online and be worry about the received products' condition, genuineness and untested products. Some customers were satisfied on buying at the store because of testing with themselves that contributed cosmetics shop to be popular and grow continuously. However, only the large cosmetics shop located in Bangkok, provincial customers did not reach these cosmetics. Therefore, the store should be expanded to other provinces to customers could access products and create opportunity to expand in other provinces.

## **METHODOLOGY**

The qualitative research approached by in-depth and group interviewing, the population represented 1,255 cosmetic entrepreneurs who ordered cosmetics from original equipment manufacturers that were certified the standard of Good Manufacturing Practice, Halal and Hazard analysis and critical control points: HACCP. The 25 entrepreneurs as samples were selected by purposive sampling and interviewed the informants with the constructed open-ended questionnaire and group interviewing. The data collection was performed according to constructed interviewing form on appointment, synthesized and extracted data to be research answering.

## **RESULTS**

Porter's Five Forces model for industrial environment analysis

The analysis of the industrial environment in order to understand the overall of the cosmetics business and an assessment of the attractiveness of this business through the tools of Porter's Five Forces model contributed to analyze benefits and the competitive situation of the cosmetics business in various areas as follows.

Bargaining power of customers bargaining power of customers represented that buyers gained the higher bargaining power, because there were many cosmetic buyers with their different preferences and the price of cosmetics in each store would not be significantly different due to the cost of cosmetics until causing customers to change their mind.

Bargaining power of suppliers bargaining power of suppliers represented that suppliers had moderate rather than to low bargaining power. The reasons of sales and brand recognition made them place their cosmetics to many places for the easy access. Therefore, the supplier gained not much bargaining power, especially the larger cosmetic shop with brand recognition and many branches, the less bargaining power of suppliers.

Threat of new entrance threat of the new entrant represented new competitors could easily enter into the cosmetics business were required to contribute the lower purchasing cost from various brands of suppliers networking to competitive selling price.

Threat of substitute products or services threat of substitute products or services represented the substitution of cosmetic shops for online stores that many online stores and intense competitions with the advantage of home delivering. However, most consumers would be unconfident with cosmetics online because they were afraid of fake cosmetics, undesirable color or the difference of true color and web-screened color (Chutinan Tansomsakul, 2012).

Rivalry among current competitors rivalry among current competitors represented women prioritized the beauty especially the make-up, many cosmetic shops including cosmetics stores with counters and online cosmetic stores attracted customers with the differentiation and incentive price. The more stores there were, the more intense the competition. The competition was very intense, because there were many big cosmetic shops and a full range of products for customers to choose in Bangkok but provincial competition was quite small because of there was only one large cosmetic shop or none. The more online cosmetic stores were established, the more intense competition in this business.

The finding from analysis represented the intensive competition in this industry, however, many consumers still wanted and bought cosmetics in addition stores provided the distinguishable differentiation to grow despite the intense competition in the industry.

Analyzing the industrial environment via the Porter's Five Forces model was found that the obstacles' factors of performing cosmetic shops represented the bargain power of the buyers because of a significant number of cosmetic shops. In addition the threat of new competitors with enormous capital that could easily enter to this industry among competitors within the same industry. However, there were, nevertheless, opportunities to do business due to the bargaining power of suppliers who want to distribute products in multiple channels and the threat of substitution products that represented online cosmetic stores that most consumers were worried about the confident. Acquiring cosmetic stores with counters was important opportunities.

Key success factors from the previous analysis represented summarized factors that affected the success of the cosmetic business as follows:

1. Location: The location of the cosmetic store obtained the first priority because of consumers' access and convenience, especially stores located near workplaces or universities that generated more customers and good for business operations.

2. Promotion of cosmetic shops: Promotion affected the purchase of consumer cosmetics, in general cosmetic stores promoted promotion once a month to encourage customers.

3. Having current cosmetic and popular: The current and popular cosmetics were contributed the sales and brand recognition.

4. Cosmetic price: Cosmetic price influenced on the customers' buying decision because of competitive prices, therefore, the cosmetic pricing was determined by the general market price

5. Genuine cosmetics: Many fake cosmetics might contribute the sound of profit, but it was not sustainable profit and lost customers

6. Hospitality service: The service hospitality contributed the sales and encouraged the repurchasing with customers' satisfaction.

## **ACKNOWLEDGEMENT**

This research was completed with courtesy from Suan Sunandha Rajabhat University and all university administrators, especially Associate Prof. Dr. Luedech Girdwichai, who had supported this research and would like to thank all informants for sacrificing their valuable time in answering questionnaires and researcher interviews. In addition thank you to Dr. Pibool Waijitragum, the director of this project for the benefit and valuable experience to the researcher.

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