

CASE 4-8 Mary Kay in India

Sheryl Adkins-Green couldn't ask for a better assignment. As the newly appointed vice president of brand development at Mary Kay, Inc., she is responsible for development of the product portfolio around the world, including global initiatives and products specifically formulated for global markets. She is enthusiastic about her position, noting that, "There is tremendous opportunity for growth. Even in these economic times, women still want to pamper themselves, and to look good is to feel good."

Getting up to speed on her new company and her new position topped her short-term agenda. She was specifically interested in the company's efforts to date to build the Mary Kay brand in India.

THE MARY KAY WAY

Mary Kay Ash founded Mary Kay Cosmetics in 1963 with her life savings of \$5,000 and the support of her 20-year-old son, Richard Rogers, who currently serves as executive chairman of Mary Kay, Inc. Mary Kay, Inc., is one of the largest direct sellers of skin care and color cosmetics in the world with more than \$2.5 billion in annual sales. Mary Kay brand products are sold in more than 35 markets on five continents. The United States, China, Russia, and Mexico are the top four markets served by the company. The company's global independent sales force exceeds 2 million. About 65 percent of the company's independent sales representatives reside outside the United States.

Mary Kay Ash's founding principles were simple, time-tested, and remain a fundamental company business philosophy. She adopted the Golden Rule as her guiding principle, determining the best course of action in virtually any situation could be easily discerned by "doing unto others as you would have them do unto you." She also steadfastly believed that life's priorities should be kept in their proper order, which to her meant "God first, family second, and career third." Her work ethic, approach to business, and success have resulted in numerous awards and recognitions including, but not limited to, the Horatio Alger American Citizen Award, recognition as one of "America's 25 Most Influential Women," and induction into the National Business Hall of Fame.

Mary Kay, Inc., engages in the development, manufacture, and packaging of skin care, makeup, spa and body, and fragrance products for men and women. It offers anti-aging, cleanser, moisturizer, lip and eye care, body care, and sun care products. Overall, the company produces more than 200 premium products in its state-of-the-art manufacturing facilities in Dallas, Texas, and Hangzhou, China. The company's approach to direct selling employs the "party plan," whereby independent sales representatives host parties to demonstrate or sell products to consumers.

GROWTH OPPORTUNITIES IN ASIA-PACIFIC MARKETS

Asia-Pacific markets represent major growth opportunities for Mary Kay, Inc. These markets for Mary Kay, Inc., include Australia, China, Hong Kong, India, Korea, Malaysia, New Zealand, the Philippines, Singapore, and Taiwan.

China accounts for the largest sales revenue outside the United States, representing about 25 percent of annual Mary Kay, Inc., worldwide sales. The company entered China in 1995 and currently has some 200,000 independent sales representatives or "beauty consultants" in that country.

Part of Mary Kay's success in China has been attributed to the company's message of female empowerment and femininity, which has resonated in China, a country where young women have few opportunities to start their own businesses. Speaking about the corporate philosophy at Mary Kay, Inc., KK Chua, President, Asia-Pacific, said, "Mary Kay's corporate objective is not only to create a market, selling skin care and cosmetics; it's all about enriching women's lives by helping women reach their full potential, find their inner beauty and discover how truly great they are." This view is echoed by Sheryl Adkins-Green, who notes that the Mary Kay brand has "transformational and aspirational" associations for users and beauty consultants alike.

Mary Kay, Inc., learned that adjustments to its product line and message for women were necessary in some Asia-Pacific markets. In China, for example, the order of life's priorities—"God first, family second, and career third"—has been modified to "Faith first, family second, and career third." Also, Chinese women aren't heavy users of makeup. Therefore, the featured products include skin cream, anti-aging cream, and whitening creams. As a generalization, whitening products are popular among women in China, India, Korea, and the Philippines, where lighter skin is associated with beauty, class, and privilege.

MARY KAY, INDIA

Mary Kay, Inc., senior management believed that India represented a growth opportunity for three reasons. First, the Indian upper and consuming classes were growing and were expected to total over 500 million individuals. Second, the population was overwhelmingly young and optimistic. This youthful population continues to push consumerism as the line between luxury and basic items continues to blur. Third, a growing number of working women have given a boost to sales of cosmetics, skin care, and fragrances in India's urban areas, where 70 percent of the country's middle-class women reside.

Senior management also believed that India's socio-economic characteristics in 2007 were similar in many ways to China in 1995, when the company entered that market (see Figure 1). The Mary Kay culture was viewed as a good fit with the Indian culture, which would benefit the company's venture into this market. For example, industry research has shown that continuing modernization of the country has led to changing aspirations. As a result, the need to be good looking, well-groomed, and stylish has taken a newfound importance.

Mary Kay initiated operations in India in September 2007 with a full marketing launch in early 2008. The initial launch was in Delhi, the nation's capital and the second most populated metropolis in India, and Mumbai, the nation's most heavily populated metropolis. Delhi, with per capita income of U.S. \$1,420,

Figure 1

Social and economic statistics for India in 2007 and China in 1995.

	India 2007	China 1995
Population (million)	1,136	1,198
Population age distribution (0–24; 25–49; 50+)	52%, 33%, 15%	43%, 39%, 18%
Urban population	29.2%	29.0%
Population/square mile	990	332
Gross domestic product (U.S.\$ billion)	3,113	728
Per capita income (U.S.\$)	\$950	\$399
Direct selling sales percent of total cosmetic/skin care sales	3.3%	3.0%

and Mumbai, with per capita income of \$2,850, were among the wealthiest metropolitan areas in India.

According to Rhonda Shasteen, chief marketing officer at Mary Kay, Inc., “For Mary Kay to be successful in India, the company had to build a brand, build a sales force, and build an effective supply chain to service the sales force.”

Building a Brand

Mary Kay, Inc., executives believed that brand building in India needed to involve media advertising; literature describing the Mary Kay culture, the Mary Kay story, the company’s image; and educational material for Mary Kay independent sales representatives. In addition, Mary Kay, Inc., became the cosmetics partner of the Miss India Worldwide Pageant 2008. At this event, Mary Kay Miss Beautiful Skin 2008 was crowned.

Brand building in India also involved product mix and pricing. Four guidelines were followed:

1. Keep the offering simple and skin care focused for the new Indian sales force and for a new operation.
2. Open with accessibly priced basic skin care products in relation to the competition in order to establish Mary Kay product quality and value.
3. Avoid opening with products that would phase out shortly after launch.
4. Address the key product categories of Skin Care, Body Care, and Color based on current market information.

Brand pricing focused on offering accessibly priced basic skin care to the average middle-class Indian consumer between the ages

When you want to experience beauty in a whole new way ...

think about pink.
MARY KAY

America's best-selling brand* Now in India

Meet the company with a heart and known for the color pink. At Mary Kay, it's our mission to enrich women's lives. And we've been doing just that around the world for 45 years. With captivating color and powerhouse skin care that deliver results backed by research, personalized service and a 100 percent satisfaction guarantee. Now it's time for you to experience beauty at its best.
Think about pink. Think Mary Kay.

When using the Mary Kay PureWhite™ System as a regimen, you'll see noticeable improvement in skin's radiance in two weeks, with remarkable improvement by eight weeks (based on clinical studies).

*Mary Kay was once again the best-selling brand in the combined categories of beauty skin care and color cosmetics in the U.S. in 2008. Based on the most recent industry data available according to Inter & Company Inc.'s "Cosmetics & Toiletries 2009" study.

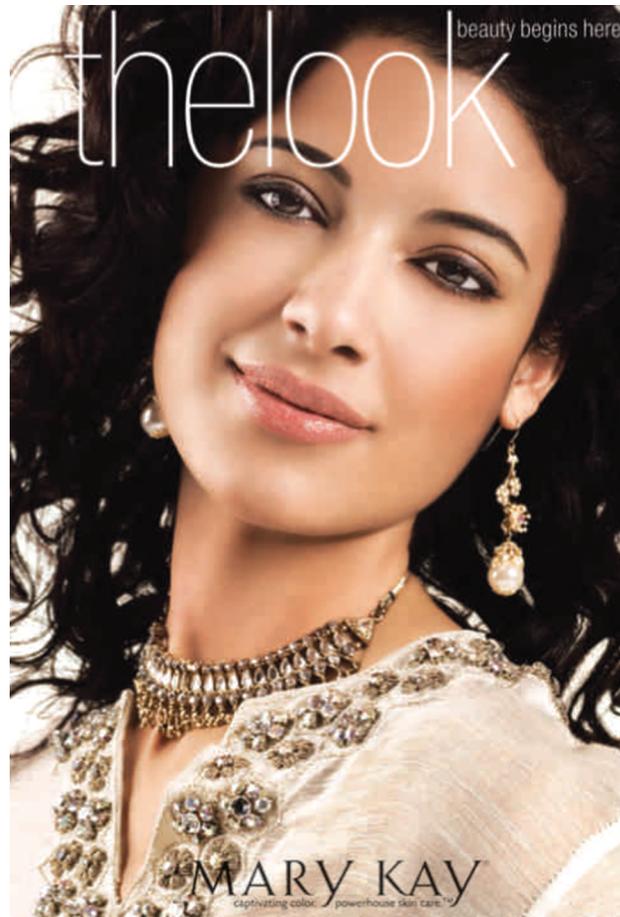
www.marykay.co.in or 1-800-11-7733

of 25 and 54. This strategy, called “mass-tige pricing,” resulted in product price points that were above mass but below prestige competitive product prices. Following an initial emphasis on offering high-quality, high-value products, Mary Kay introduced more technologically advanced products that commanded higher price points. For example, the company introduced the Mary Kay Mela-CEP Whitening System, consisting of seven products, which was specifically formulated for Asian skin in March 2009. This system was “. . . priced on the lower price end of the prestige category with a great value for money equation,” said Hina Nagarajan, country manager for Mary Kay India.

Building a Sales Force

According to Adkins-Green, “Mary Kay’s most powerful marketing vehicle is the direct selling organization,” which is a key component of the brand’s marketing strategy. Mary Kay relied on its Global Leadership Development Program directors and National Sales directors and the Mary Kay Sales Education staff from the United States and Canada for the initial recruitment and training of independent sales representatives in India. New independent sales representatives received 2 to 3 days of intensive training and a starter kit that included not only products, but also information pertaining to product demonstrations, sales presentations, professional demeanor, the company’s history and culture, and team building.

“Culture training is very important to Mary Kay (independent sales representatives) because they are going to be the messengers of Mary Kay,” said Hina Nagarajan. “As a direct-selling company that offers products sold person-to-person, we recognize that there’s a personal relationship between consultant and client with every sale,” added Rhonda Shasteen. By late 2009, there were



some 4,000 independent sales representatives in India present in some 200 cities mostly in the northern, western, and north-eastern regions of the country.

Creating a Supply Chain

Mary Kay, India, imported products into India from China, Korea, and the United States. Products were shipped to regional distribution centers in Delhi and Mumbai, India, where Mary Kay Beauty Centers were located. Beauty Centers served as order pick-up points for the independent sales representatives. Mary Kay beauty consultants purchased products from the company and, in turn, sold them to consumers.

LOOKING AHEAD

Mary Kay, Inc., plans to invest around \$20 million in the next five years on product development, company infrastructure, and building its brand in India.

“There is a tremendous opportunity for growth,” says Sheryl Adkins-Green. India represents a particularly attractive opportunity. Developing the brand and brand portfolio and specifically formulating products for Indian consumers will require her attention to brand positioning and brand equity.

QUESTIONS

1. What information should be included in a written positioning statement for Mary Kay?
2. How would you draft a formal, written positioning statement for Mary Kay using the information detailed in question 1?
3. Is Mary Kay a global brand? Why or why not?