



Principles of Marketing


An Asian Perspective

Fifth Edition

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Real Marketing 7.1

Spa Esprit Group: Stripped Down to Grow

Founded and conceptualized by Cynthia Chua, the Spa Esprit Group is a Singapore-grown label with several lifestyle brands spanning the beauty and food businesses, with a presence in cities such as Bangkok, Beijing, Hong Kong, and Jakarta.

Its beauty portfolio includes Strip and Browhaus. Strip is Singapore's first dedicated waxing salon, while Browhaus offers brow- and lash-grooming services. A men's grooming store, We Need A Hero, was subsequently added as well.

With intense competition from existing and new beauty brands, it is easy for any brand to get lost among the overwhelming number of offerings in the marketplace. To make Spa Esprit Group and its brands work, Chua ensures that each one has a distinctive look and feel to break through the clutter and occupy a sweet spot in the beauty industry. They also share something in common—creativity, innovation, and fun.

Strip, for instance, is playful. In Asia, where conservative norms often discourage some personal beauty issues from ever being discussed, a humorous approach can help broach a hard-to-communicate subject.

Strip's Web site (www.strip.com.sg) is fun and light-hearted. It opens with a Rosebud Vajuvenation greeting that is both intriguing and provocative. A section provocatively called "Striptease" gives audiences tips on how to bring the "groove" back. Even the story of how Strip got started has a dose of sexual humor, with references to the naked truth and Moses and the burning bush.

"Strip is about the experience," says Chua. "It's not just [about] coming in for a treatment. ... If you choose Strip, you're not just coming in for a waxing. You'll get stimulated by so many things and you'll feel that the energy is infectious."

While such humor makes a hush-hush topic more open to discussion, Strip ensures that customers know that there is quality behind the droll appearance. It reassures customers that its services follow the mantra of hygiene, speed, and quality—core values that Strip holds for market growth and sustainability.

Creativity also informs the store design. While it is easier and much cheaper to create one look for all the brick-and-mortar shops, Strip does just the reverse—a different interior concept for every store worldwide. This stems from Chua wanting customers to have a sense

of discovery as they experience something fresh and different whenever they visit a different Strip store.

Attention to detail informs the aroma, look, feel and sound of the store so that customers not only get an excellent treatment but also an amazing experience. Chua's background in and love for aromatherapy has led her to create unique essential oil blends for aromatherapy in each of the brands in the Spa Esprit portfolio.

Spa Esprit also learns from the fashion industry and applies such takeaways to its beauty store. For instance, it treats each outlet like a fashion store where there's a new campaign every quarter. This encourages the company to discover new ways to provide and improve the service.



➤ Spa Esprit Group's brands use humor and playfulness to set themselves apart in the intensely competitive beauty industry.

Used with permission by Spa Esprit Ltd.

Another of its lifestyle brands is Browhaus, which offers brow- and lash-shaping, semi-permanent lip tint, and hair threading. Targeted at image-conscious urbanites who place importance on looking good, Browhaus is the first concept brow-grooming specialist and retail chain in Singapore.

To distinguish itself from mom-and-pop stores that offer brow tattooing with questionable hygiene standards, Browhaus ensures that its therapists are trained to provide the best lash and brow treatments using advanced techniques. All new therapists are trained at the Browhaus Training School for four to eight weeks to ensure that they are fully equipped with the professionalism demanded by Chua. The training is continual, for Browhaus therapists are required to regularly attend upgrading sessions. Mystery shoppers are also used to ensure that their skills stay on top.

The distinct creativity that characterizes Strip extends to Browhaus. The latter innovates not just in the services it offers but also in its packaging. One example of its innovative packaging is a camera-shaped one called the Brow Resurrection Aftercare Kit, which includes an anti-scarring balm among all the necessary tools. Why a camera? It's to remind customers that Browhaus offers services that make a customer's face camera-ready.

Spa Esprit also recognized that a growing number of men pay extra attention to how they look and are willing to spend that little more on grooming to look their best. We Need A Hero is an all-men grooming place to help men achieve just that. While there are several traditional barber shops in Singapore offering haircuts and shaves, We Need A Hero goes beyond that, drawing on the expertise learned from Strip and Browhaus to offer men brow-shaping and unwanted hair removal. Again, its marketing support is executed with humor and creativity to make men comfortable using such services.

The synergy couldn't be better. With the three beauty businesses focusing on helping women and men look their best while leveraging each other's expertise and sharing a distinctive, creative, fun execution in all their marketing activities, Spa Esprit is set to dominate this niche in the beauty business.

Sources

"Formidable Growth Story," *The SME Magazine*, 7 July 2016, p. 15; "Stripped Down: An Interview with SPA Esprit's Cynthia Chua," www.nylon.com.sg, 1 March 2017; materials from www.spaesprigroup.com; materials from communication with Spa Esprit Group.

Loyalty Status. A market can also be segmented by consumer loyalty. Consumers can be loyal to brands (Samsung), stores (Isetan), and companies (Toyota). Buyers can be divided into groups according to their degree of loyalty. Some consumers are completely loyal—they buy the same brand all the time. For example, whether they own a MacBook Pro, an iPhone, or an iPad, Apple devotees are granite-like in their devotion to the brand.

Other consumers are somewhat loyal—they are loyal to two or three brands of a given product or favor one brand while sometimes buying others. Still other buyers show no loyalty to any brand. They either want something different each time they buy, or they buy whatever's on sale.

A company can learn a lot by analyzing loyalty patterns in its market. It should start by studying its own loyal customers and trying to understand what appeals to them. Then, by studying its less loyal buyers, the company can detect which brands are most competitive with its own. Finally, by looking at customers who are shifting away from its brand, the company can learn about its marketing weaknesses.

Using Multiple Segmentation Bases

Marketers are increasingly using multiple segmentation bases to identify smaller, better-defined target groups. Thus, a bank may not only identify a group of wealthy retired adults but also, within that group, distinguish several segments based on their assets, savings and risk preferences, housing, and lifestyles.

Such rich segmentation provides a powerful tool for marketers. It helps companies identify and better understand key customer segments, target them more efficiently, and tailor market offerings and messages to their specific needs.

Segmenting Business Markets

Consumer and business marketers use many of the same variables to segment their markets. Business buyers can be segmented geographically, demographically (for example, by industry or company size), or by benefits sought, user status, usage rate, and loyalty status. Yet business marketers also use some additional variables such as *customer operating characteristics*, *purchasing approaches*, *situational factors*, and *personal characteristics*.

Almost every company serves at least some business markets. For example, Starbucks has distinct marketing programs for various commercial segments such as colleges and universities, the government and military, and offices. In the office coffee segment, Starbucks Branded Solutions markets a variety of workplace coffee services to businesses of any size, helping them to make Starbucks coffee and related products available to their employees at their workplaces. Starbucks helps these business customers design the best office solutions involving its coffees, syrups, and branded paper products as well as the methods of serving them—brewed, premium self-service, or ready-to-drink. The college and university segment offers various platforms for providing Starbucks products, such as premium self-service, ready-to-drink, and licensed stores. Starbucks provides not only the coffee, tea, and paper products to its business customers but also the equipment, training, and marketing and merchandising support.⁶

Segmenting International Markets

Although some large companies such as Coca-Cola or Sony sell products in more than 200 countries, most international firms focus on a smaller set. Operating in many countries presents new challenges. Countries can vary greatly in their economic, cultural, and political makeup. Thus, just as they do within their domestic markets, international firms need to group their world markets into segments with distinct buying needs and behaviors.

Companies can segment international markets using one or a combination of several variables. They can segment by *geographic location*, grouping countries by regions such as Western Europe, North Asia, East Asia, or the Middle East.



Ian Dagnall/Alamy Stock Photo

› **International markets**—Chinese consumers in Shanghai may behave differently from consumers in Hong Kong, Singapore, and Taiwan.

Geographic segmentation assumes that nations close to one another will have many common traits and behaviors. Although this is often the case, there are many exceptions. For example, although Malaysia and Singapore have much in common, both differ culturally and economically from neighboring Thailand. Even within a region, consumers can differ widely. For example, Chinese consumers in Beijing are different from those in Shanghai or Hong Kong. Japanese consumers behave very differently from their Taiwanese counterparts.

World markets can also be segmented on the basis of *economic factors*. For example, countries might be grouped by population income levels or by their overall level of economic development. A country's economic structure shapes its population's product and service needs and, therefore, the marketing opportunities it offers.

Countries can also be segmented by *political and legal factors* such as the type and stability of government, receptivity to foreign firms, monetary regulations, and the amount of bureaucracy present. Such factors can play a crucial role in a company's choice of which countries to enter and how. *Cultural factors* can also be used, grouping markets according to common languages, religions, values and attitudes, customs, and behavioral patterns.

Chikaranomoto Holdings—This parent company owns one of Japan's iconic ramen restaurants, Ippudo. When it introduced Ippudo outside Japan, geographical segmentation with adaptation to cultural factors was key. As it entered Europe, Ippudo realized that the water there is harder, so it had to change its recipe to get the rich *tonkatsu* pork broth right. For Europe and the United States, Ippudo also made its noodles shorter so that it was easier to eat. Chikaranomoto has partnered with Panda Restaurant, which operates the Chinese fast-food chain Panda Express, to expand Ippudo restaurants in the United States. In the many Southeast Asian Muslim countries where consumers do not eat pork, Ippudo recognized that it would not do well in these markets, so Chikaranomoto Holdings instead introduced its fast-food ramen chain Kuro-Obi, which unlike Ippudo uses chicken broth in its offerings.

Segmenting international markets based on geographic, economic, political, cultural, and other factors assumes that segments should consist of clusters of countries. However, many companies use a different approach called **intermarket segmentation** or **cross-market segmentation**. They form segments of consumers who have similar needs and buying behaviors even though they are located in different countries. Here's one example:

Zara—The world's largest fast-fashion retailer targets fashion-conscious but value-seeking shoppers across cultures in over 96 countries. All of Zara's more than 2,200 stores and some 40 online marketplaces globally feature similar appeals, a kind of "reverse sticker shock" based on stylish, good quality, and constantly refreshed fashions offered at a fraction of the price of high-end brands. Beyond its stores, Zara leverages today's digital technologies to engage like-minded target consumers directly no matter where they live. For



Eyal Dayan Photography



Intermarket (cross-market) segmentation

Forming segments of consumers who have similar needs and buying behaviors even though they are located in different countries.

› **Intermarket segmentation**—Today's technologies let fast-fashion retailer Zara target like-minded, style-conscious but value-seeking consumers anywhere in the world.

example, the brand has more than 39 million Instagram followers, 27.4 million Facebook followers, 924,000 Pinterest followers, and 75,800 YouTube subscribers. Connect with Zara from anywhere on the planet and you'll see the same with appeals targeting the same kinds of customers.⁷

Requirements for Effective Segmentation

Clearly, there are many ways to segment a market, but not all segmentations are effective. To be useful, market segments must be:

- *Measurable.* The size, purchasing power, and profiles of the segments can be measured.
- *Accessible.* The market segments can be effectively reached and served.
- *Substantial.* The market segments are large or profitable enough to serve. A segment should be the largest possible homogenous group worth pursuing with a tailored marketing program. It would not be profitable, for example, for an automobile manufacturer to develop cars targeted toward people whose height is more than 1.9 meters.
- *Differentiable.* The segments are conceptually distinguishable and respond differently to different marketing mix elements and programs. If men and women respond similarly to marketing efforts for soft drinks, they do not constitute separate segments.
- *Actionable.* Effective programs can be designed for attracting and serving the segments. For example, although one small airline identified seven different market segments, it had too few staff to develop separate marketing programs for each segment.

Market Targeting

Market segmentation reveals the firm's market segment opportunities. The firm must now evaluate the various segments and decide how many and which segments it can serve best. We now look at how companies evaluate and select target segments.

Evaluating Market Segments

In evaluating different market segments, a firm must look at three factors:

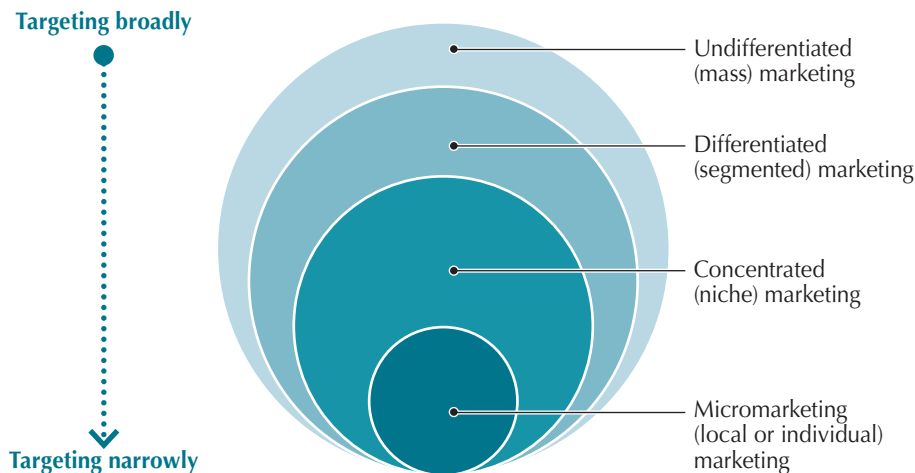
- *Segment size and growth.* The company must collect and analyze data on current segment sales, growth rates, and expected profitability for various segments. For example, Japanese convenience store chain (or *konbini*) Lawson targeted urban women. However, with a declining birthrate and ageing society, Lawson now targets seniors who traditionally do not use *konbinis* as often as urban women do. It therefore changed its merchandise assortment to cater to a wider customer profile. The font on its logo now comes in a feminine serif typeface. Instead of a neon glare, there's soft recessed lighting, natural woods are used instead of synthetics, there's a checkout counter with a lifestyle-and-health décor, and in some stores, there's even a bar counter as a lounge area. Some staff have also been trained to dispense health information.⁸
- *Segment structural attractiveness.* The company needs to examine major structural factors that affect long-run segment attractiveness.⁹ For example, a segment is less attractive if it already contains many strong and aggressive competitors. The existence of many actual or potential *substitute products* may limit prices and the profits that can be earned in a segment. The relative

power of buyers also affects segment attractiveness. Buyers with strong bargaining power relative to sellers will try to force prices down, demand more services, and set competitors against one another—all at the expense of seller profitability. Finally, a segment may be less attractive if it contains *powerful suppliers* who can control prices or reduce the quality or quantity of ordered goods and services.

- **Company objectives and resources.** Even if a segment has the right size and growth and is structurally attractive, the company must consider its own objectives and resources. Some attractive segments can be dismissed quickly because they do not mesh with the company's long-run objectives. Or the company may lack the skills and resources needed to succeed in an attractive segment. The company should enter only segments in which it can offer superior value and gain advantages over competitors.

Selecting Target Market Segments

After evaluating different segments, the company must now decide which and how many segments it will target. A **target market** consists of a set of buyers who share common needs or characteristics that the company decides to serve. **Figure 7.2** shows that companies can target segments very broadly (undifferentiated marketing), very narrowly (micromarketing), or somewhere in between (differentiated or concentrated marketing).



Target market

A set of buyers sharing common needs or characteristics that the company decides to serve.

FIGURE 7.2
Target Marketing Strategies

Undifferentiated Marketing

Using an **undifferentiated marketing** (or **mass-marketing**) strategy, a firm might decide to ignore market segment differences and target the whole market with one offer. This mass-marketing strategy focuses on what is *common* in the needs of consumers rather than on what is *different*. The company designs a product and a marketing program that will appeal to the largest number of buyers.

Most modern marketers have strong doubts about this strategy. Difficulties arise in developing a product or brand that will satisfy all consumers. Moreover, mass marketers often have trouble competing with more focused firms that do a better job of satisfying the needs of specific segments and niches.

Differentiated Marketing

Using a **differentiated marketing** (or **segmented marketing**) strategy, a firm decides to target several market segments and designs separate offers for each.



Undifferentiated (or mass) marketing

A market-coverage strategy in which a firm decides to ignore market segment differences and go after the whole market with one offer.

Differentiated (or segmented) marketing

A market-coverage strategy in which a firm decides to target several market segments and designs separate offers for each.