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# PRACTICAL MARKETING PLAN FOR A HAIR BEAUTY BUSINESS

Case: STUDIO-K Hair Salon in Vietnam

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Practical marketing plan for a hair beauty  
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## ABSTRACT

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Beauty has been seen as a significant element in life among other ultimate values like goodness, truth, and justice. Hence it is a universal desire of people to take good care of their beauty and appearance in any occasion. Consequently, it creates huge opportunities for entrepreneurs within the beauty industry all over the world. In Ho Chi Minh City, Vietnam, the beauty-care service industry is one of the most flourishing industries with the growing number of beauty-conscious women. There is a wide range of beauty care services like skin care, color cosmetics, fragrances. Hair care is also one of them.

This thesis aims at analyzing the hairdressing market in Ho Chi Minh and the marketing process to make a practical marketing plan for the case company. Since the case company is in its first year of business as a startup company; a comprehensive marketing plan is necessary to ensure profitability and success.

In this study, the author applies deductive approach with qualitative research method. Data is collected from a variety of sources such as published texts in the theoretical part; the Internet, interviews, the author's own observations and other unpublished sources in the empirical section.

The research structure is divided into two parts: the theoretical framework and the empirical findings. In brief, the theoretical framework contains theories about market analysis, customer segmentation, marketing plan and marketing mix. In the empirical section, the author begins with the overview of the targeted hair beauty market followed with the case company analysis. Correspondingly, a marketing plan is generated to help the company to attain its overall strategic objectives. Moreover, the author puts a major concentration on the marketing mix, the set of tactical marketing tools to establish a strong positioning of the case company in the market. The plan is based on the theory that has been presented in the theoretical framework.

The hair dressing business is seen as a start up idea for the entrepreneur in terms of financial risks because even in economic downturns, people still have to get their hair done. With this concentrated marketing plan, the case company is expected to enhance its visibility and gain profit in the first year of a start-up business.

Key words: marketing process, marketing mix, hair salon industry, Ho Chi Minh City, Vietnam

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## GLOSSARY

DIY          Do It Yourself

EUR          Euro

GDP          Gross Domestic Product

MROI        Marketing Return On Investment

ROI          Return On Investment

VND         Vietnam Dong

# 1 INTRODUCTION

This chapter aims to present the main idea of the study and the trigger for the chosen topic. Firstly, section 1.1 is the background information of the study. Secondly, research objectives and questions are conducted in section 1.2 while an overview of the research methodology is explained in section 1.3. Lastly in section 1.4, thesis structure and theoretical framework are described with a clear illustration.

## 1.1 Background

Before leaving the house each day, people have a tendency to undergo a personalized beautification ritual. Included in that ritual are the daily shower and shave, the weekly nail trim, and the monthly haircut. (Sena 2014)

According to Lopaciuk & Loboda (2013), the beauty industry has been expanding dramatically over decades. Therefore, it offers a diverse range of opportunities for the interested entrepreneurs. As a women, just like the other women in the world, the author always keeps in mind the importance of taking care of herself and a good appearance. As a business student, she is among entrepreneurs-to-be who has much interest about the beauty industry. Especially during her third year studying in university, she took part in an exchange program in South Korea, a country where beauty industry is acknowledged as a hub for cosmetic innovation in Asia and is fast becoming a role model for the global cosmetics industry (In-cosmetics Asia 2013).

During six months in South Korea, the author had a chance to observe and study many innovative cases of start-up companies competing and striving in the Korean beauty industry. It became a remarkable trigger to boost the author taking action for her ambition as an entrepreneur. Therefore, she decided to cooperate with her friend to open a start-up hair salon in Ho Chi Minh City, Vietnam in 2015. Although the business plan has been done already, a concentrated marketing strategy is necessary to assist the business in a competitive market. Hence, as a co-founder, the author attempts to conduct a marketing plan for her small start-up.

By definition, a marketing plan is a business document created with the purpose of describing the current market position of a firm and its strategy for the period covered by the marketing plan, from one to five years (Duermyer 2014). This study acts a short-term plan for the case company and will be updated periodically.

This thesis study plays a key role for the establishment of her new start-up, which provides the analysis and requisites needed from the firm to enter a competitive market. It is the first stone of the foundation for a dream, which may be sparkling in the future but surely requires hard-working at first.

## 1.2 Thesis Objectives and Research Questions

This study aims at searching for the best marketing strategies for a small business getting into a competitive market. The research will focus on analyzing the target market, the case company and effective marketing activities to acknowledge the case company in the targeted market. In consequence, the following research question is formed:

What is an effective marketing strategy for a new beauty hair salon in a competitive market of Ho Chi Minh City, Vietnam?

To provide a sufficient answer to the above question, these sub-questions are raised:

- What are the objectives of the case company when entering the targeted market ?
- How competitive is the target market?
- How the company differentiates and positions itself in the competitive market?
- What is the suitable marketing strategy for the case company?
- What are the promotional tools needed for the marketing strategy?

### 1.3 Research Methodology and Data Collection

In this session, the process of research methodology adopted in the thesis is introduced.

First of all, the information needs for analyzing this topic have been defined by the author are: the company information like background, current situation, and problem occurs and cost analyses; and market information.

Secondly, all the information acquired can be tracked from the three main sources:

- Theoretical framework:
  - Primary data: interviews
  - Secondary data: books, journals, internet, articles, etc.
  - Tertiary data: abstracts, dictionary, etc.
- Empirical framework:
  - Primary data: interviews, questionnaires sent via emails, etc.
  - Secondary data: internet, newspapers, books, company reports, etc.

Thirdly, the research process of this study is shown in the figure 1 below:

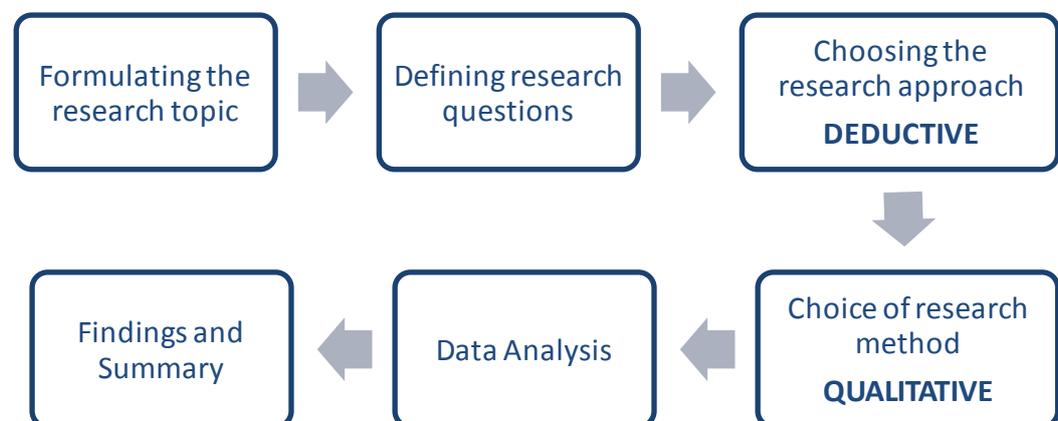


Figure 1: Research Process

In any research project, research methodology is the crucial part of all theses. It explains how writers come up with the thesis topic and step by step build up the research. Mark Saunders Philip Lewis and Adrian Thornhill (2009, 144) recommended that there are two approaches that based on the reasoning that we chose: deductive and inductive. In deductive approach, theory often starts first, and then a research strategy is designed to test that theory. In a contrary, if collected data and statistics are used for generating a new or adapting an existing theory, inductive is used. In this thesis, because the author will start with logical thinking about the hair beauty market in order to analyze the present trend and find a good marketing plan for the case company. Therefore, deductive is applied as a research approach, which is indicated in Figure 2.

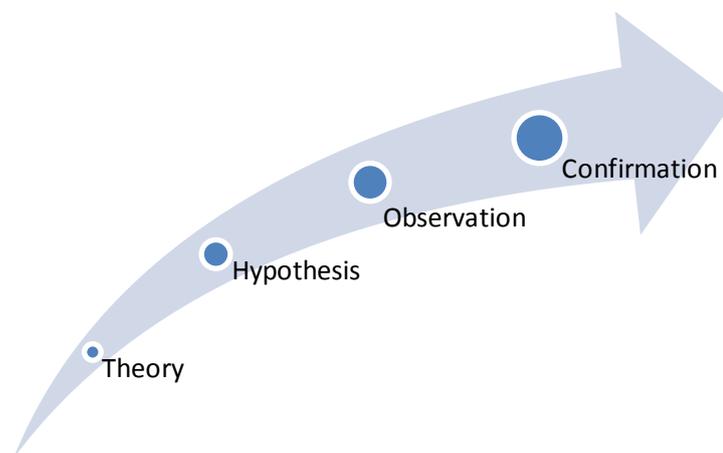


Figure 2: Deductive approach (Trochim 2006)

Beside research approach, methodological choice is very important as well. There are two main methods which are quantitative and qualitative research.

Quantitative research is to find a reliable statistical result by collecting numerical data through surveys like online, phone, paper and audits (Amora 2010); while qualitative data refers to non-numeric data, which can be obtained through interviews and written reports. People are doing research to understand what, how and why things happen. If people only need to know what happened, quantitative satisfies this purpose. However, qualitative research goes further than that; it is

used to explore deeper inside people's awareness, understanding and motivation. According to Saunders (2009), in qualitative research, the aim is not to measure statistically but to understand and interpret the reasons and meanings of the phenomenon. Since this study is primarily processed based on unstructured interview and desk research to answer the research questions, qualitative research method is employed.

Table 1: Distinctions between quantitative and qualitative research (Padgett 1998, 3)

<b>Qualitative</b>	<b>Quantitative</b>
Inductive	Deductive
Naturalistic, in vivo	Scientific method, decontextualizing
Uncontrolled conditions	Controlled conditions
Open systems	Closed systems
Holistic, thick description	Particularistic
Dynamic reality	Stable reality
Researchers as instrument of Data collection	Standardized data collection instrument
Categories result from data analysis	Categories precede data analysis

In order to develop a fuller understanding of the research, multiple literature sources are essentially applied (Saunders et al. 2009, 68). There are two main categories of information sources named primary and secondary which are shown in Figure 3 below.

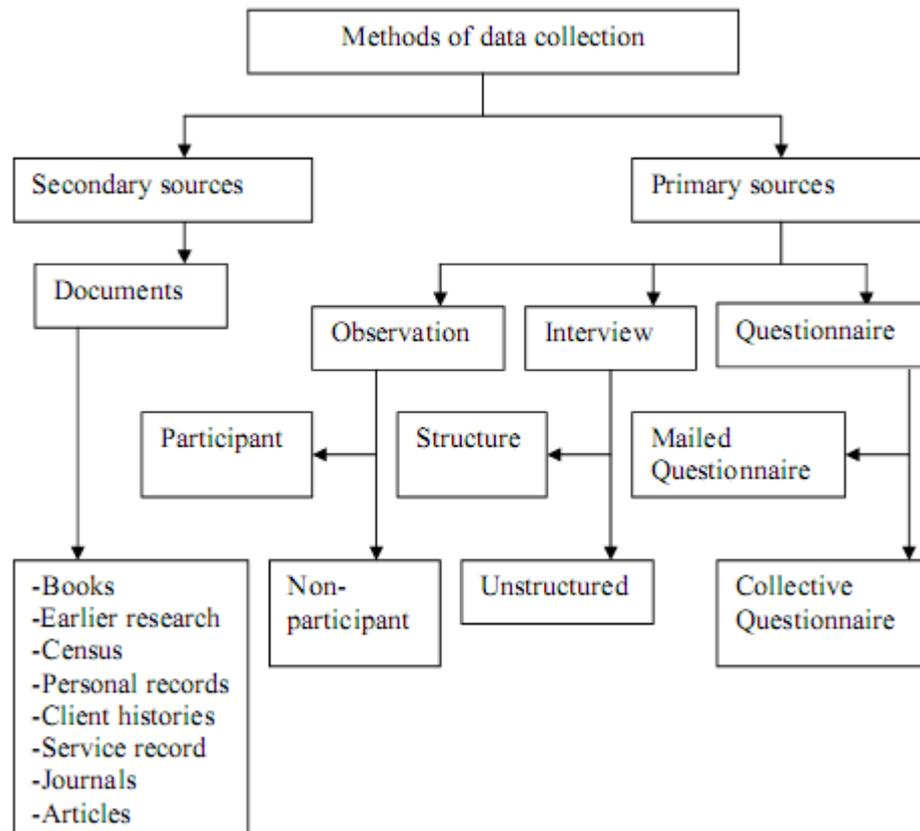


Figure 3: Data collection methods (Kumar 2005, 118)

In the theoretical part, secondary literature sources are mainly used. These sources consist of published books, articles, journals and previous studies by other researchers.

On the contrary, primary sources are mainly used to conduct the empirical part. The analysis of the targeted market and the case company is attempted thanks to the confidential information gathered from the interviews with the case company owner and Mr. Hoang Long Le, currently working as a hairstylist professor at JBart Hair Academy. Due to the time constraint and the geographical distance, all the interviews were done via emails and messenger chatting devices. Structure of the interview including lists of questions can be found in the appendices. Moreover, the author's observation while studying in Korea is applied during the process of creating the marketing strategies and implementation plan.

## 1.4 Thesis Structure

The following figure illustrates the structure of this thesis:

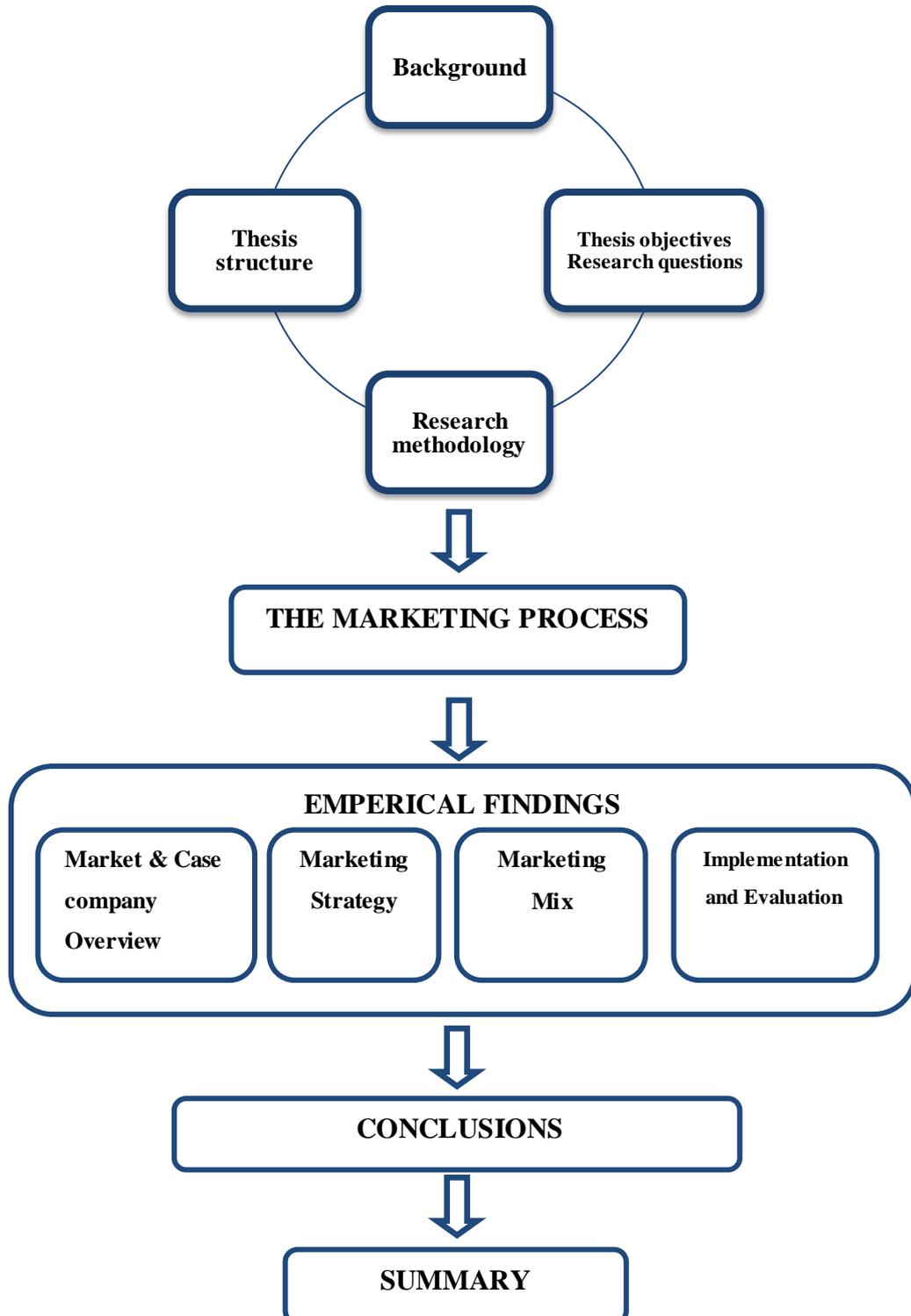


Figure 4: Thesis structure

The thesis has five chapters in total which is showed in figure 4. It is structured in two main parts which are theoretical and empirical.

The theoretical part of this thesis is based mainly on literature relating to marketing process. Some related issues like company's internal and external analysis, marketing strategy and marketing mix. After that marketing implementation and control will be explained more in the section. In figure 5, the author is giving a more detailed theoretical framework.



Figure 5: Theoretical Framework

The second section is empirical part, which is based on desk-research information and semi-structure interviews and surveys of some key people. These people are those will be participating in marketing and management process of the case company. Chapter three acts as external and internal analysis for target market and the case company respectively.

## 2 THE MARKETING PROCESS

Marketing is defined as a process where companies create value for customer and build strong customer relationships in order to get value from customer in return. In this chapter, the marketing process will be demonstrated in five steps: understanding the marketplace and organizational insights, designing marketing strategies and constructing marketing programs.

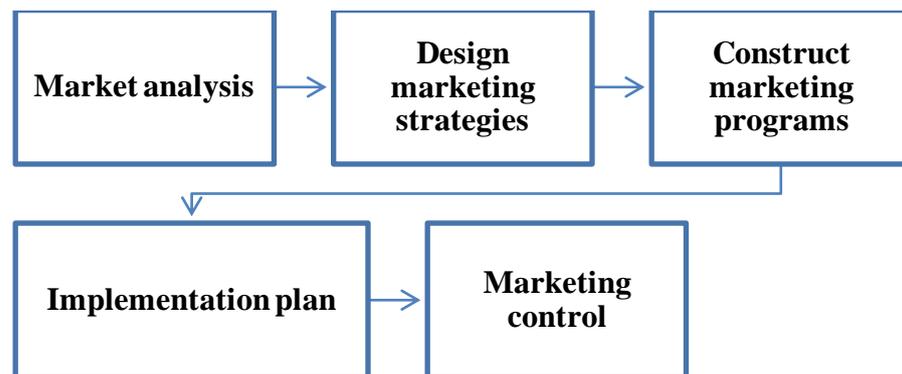


Figure 6: Marketing process (Kotler & Amstrong 2012)

### 2.1 Understanding the marketplace and organizational insights

It is important to understand customer needs, wants and demands in order to build want-satisfying market offerings and building value-laden customer relationships. This increases long-term customer equity for the firm. (Jethani 2013)

Analysis of internal factors and external conditions is important to drawing out a specific strategy. The analysis has to be carrying out at both an internal level and at an external level in order to discover all opportunities and threats of the external environment as well as the strengths and weaknesses of the companies.

To make it short, in order to understand the market place and organization insights, it is necessary to conduct an internal and external analysis of the company and the industry.

### 2.1.1 External analysis

An external analysis can be defined as “the process of scanning and evaluating an organization’s various external environmental sectors to determine positive and negative trends that could impact organizational performance”. (Coulter 2005, 66)

There are a number of factors have an influence on a company’s strategic decisions. The external environment is among those things and should be frequently observed. It is helpful for analyzing by answering the following questions: What should be awarded of when examining environment factors? Are they the trends of the market, customer’s preferences or the competition in the industry? Moreover, technological developments and even political changes might affect your strategic plan, especially in this new media age. Being able to see changes early and act accordingly is a vital competitive factor. Therefore, an external analysis is a must in any strategic plan.

In detail, the benefits of an external analysis are that it helps to generate profits, support changes, cut costs, increases knowledge and supports learning. (Nordmeyer 2014)

There are numbers of models and tools that can be applied to analyze a company’s environment. For examples: Porter’s Five Forces, PEST(EL) analysis, Porter’s cluster framework and SWOT analysis. (Farrell 2014)

According to Fox (2009), strategic analysis is a core step in the Strategic Learning Cycle. Every strategist should have a toolbox of analytical models at her disposal. Just as having the right tools will not necessarily make you a good mechanic, but they will help a good strategist get the job done more effectively. For this study, Porter’s Five Forces will be applied for the external analysis since it is a simple framework for analyzing and evaluating the threats and opportunities within an industry and business strategy development (Vaneeva 2014).

#### **Porter’s Five Forces Analysis**

Understanding the dynamic of the external environment will help the company effectively compete in the marketplace (Vaneeva 2014). Porter's Five Forces include threat of new entrants, threat of substitutes, industry competition,

bargaining power of suppliers, and bargaining power of buyers. (Porter's Five Forces Analysis 2014)

Porter suggested that the intensity of competition is determined by the relative strengths of these forces. (Vaneeva 2014)

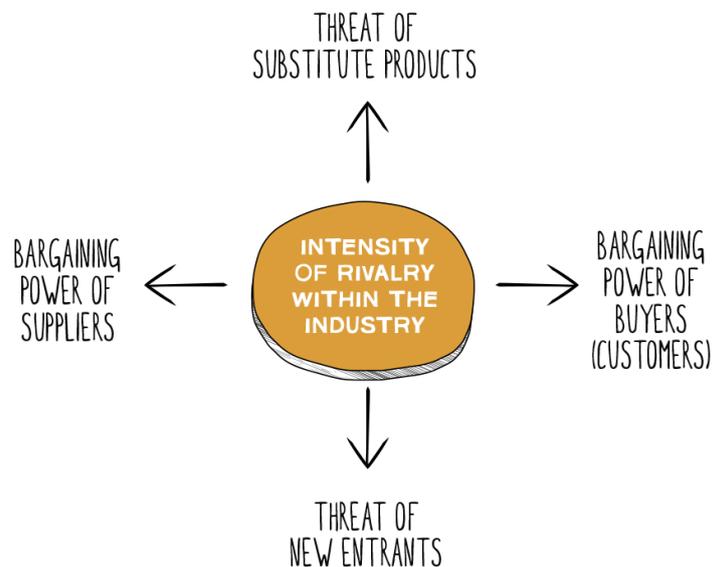


Figure 7: Porter's Five Forces Model (Hanlon 2013)

These forces determine an industry structure and the level of competition in that industry. The stronger competitive forces in the industry are, the less profitable it is. An industry with low barriers to enter, having few buyers and suppliers but many substitute products and competitors will be seen as very competitive. And thus, the other one is not so attractive due to its low profitability. In the figure 8, high and low industry profits are described with the recognizable characteristics. (Ovidijus 2013.)

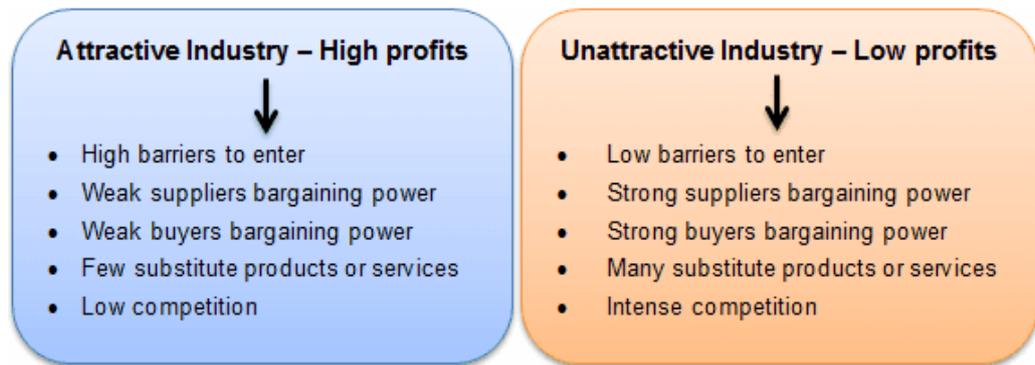


Figure 8: High and low industry profit characteristics (Ovidijus 2013)

Furthermore, five forces are explained in detail to give a full understanding of the model invented by Porter.

### **Threats of new entrants**

In an industry, a new business or entrant is a threat to existing businesses.

Therefore, existing companies often attempt to discourage potential competitors from entering the industry because the more companies that enter, the more difficult for existing companies to protect their shares of the market and make profits. (Anthony 2011, 69)

If the risk of new entrants is high, the profitability of established companies is being threatened. But if there is a low risk, established companies could take advantage of this opportunity to increase prices and earn greater income. (Singh 2014)

Barriers to entry means the existence of obstacles that prevent new competitors from easily entering an industry. If there are barriers to entering the market, the position of existing companies is protected and the threat of new entrants will be low, and vice versa. (Riley 2012)

In the table 2 below are some successful barriers demonstrated by Riley (2012)

Table 2: Example of barriers

Barriers	Notes
<b>Investment cost</b>	<ul style="list-style-type: none"> <li>• High cost will prevent entrants.</li> <li>• High capital requirements might mean that only large businesses can compete.</li> </ul>
<b>Economies of scale available to existing firms</b>	Lower unit costs make it difficult for smaller newcomers to break into the market and compete effectively
<b>Regulatory and legal restrictions</b>	Each restriction can act as a barrier to entry E.g. patents provide the patent holder with protection, at least in the short run
<b>Product differentiation (including branding)</b>	Existing products with strong USPs and/or brand increase customer loyalty and make it difficult for newcomers to gain market share
<b>Access to suppliers and distribution channels</b>	A lack of access will make it difficult for newcomers to enter the market
<b>Retaliation by established products</b>	E.g. the threat of price war will act to discourage new entrants. But note that competition law outlaws actions like predatory pricing

An industry can have one or more barriers. And, barriers to entry are very important in determining the threat of new entrants.

### **Bargaining power of suppliers**

The bargaining power of suppliers comprises one of the five forces that determine the intensity of competition in an industry. The presence of powerful suppliers reduces the profit potential in an industry. Suppliers increase competition within an industry by threatening to raise prices or reduce the quality of goods and services. As a result, they reduce profitability in an industry where companies cannot recover cost increases in their own prices. (Bargaining Power of Suppliers 2013)

Suppliers find themselves powerful when the number of large suppliers is small; the resource they supply is rare; the switching cost to another supplier is high; the product is easy to differentiate and loyal clients are hesitant to switch. (Anthony 2011, 72)

### **Bargaining power of customers**

In general, industries are more attractive when buyers have little power to set the terms and conditions under which they will buy. Powerful buyers put pressure on industry profits. (Bargaining Power of Customers 2007.)

Table 3 demonstrates some scenarios of bargaining power of customers concerning other factors in the market.

Table 3: Bargaining power of customers (Anthony 2011)

<b>Buyer Power is High/Strong</b>	<b>Buyer Power is Low/Weak</b>
• Buyers are more concentrated than sellers	• Buyers are less concentrated than sellers
• Buyer switching costs are low	• Buyer switching costs are high
• Threat of backward integration is high	• Threat of backward integration is low
• Buyer is price sensitive	• Buyer is not price sensitive
• Buyer is well-educated regarding the product	• Buyer is uneducated regarding the product
• Buyer purchases product in high volume	• Buyer purchases product in low volume
• Buyer purchases comprise large portion of seller sales	• Buyer purchases comprise small portion of seller sales
• Product is undifferentiated	• Product is highly differentiated
• Substitutes are available	• Substitutes are unavailable

When the differentiation between products is small and the features of the product are standard, buyers will have bargaining power such as being able to negotiate for discounts. On the contrary, companies will strongly compete to each other by reducing their prices in order to get the sale and keep the customer from switching to another supplier. (Porter's Five Forces Analysis 2014)

### **Threat of substitute products or services**

A substitute product is an alternative choice that meets the same need. Substitute products become a competitive pressure to a company when the cost of the substitute product and the customer's switching cost are significantly low. This threat will reduce both the power of suppliers and the attractiveness of the market. Therefore, the firms need to improve the performance of their products by reducing costs and by differentiation. (Anthony 2011, 73)

The threat of substitute is the level of risk that a company will be displaced by another company with similar products or services. The more standard a product is like milk, gasoline, etc, the less power individual companies have to set the price. For more specific items like clothing brands, the company has more control in setting prices. (Threat of Substitutes 2011.)

Table 4 is the description of the analysis criteria for the threat of substitute of a product or a service in the market.

Table 4: Analysis the threat of substitute (Pratt 2014)

Analysis Criteria	Description
<b>The relative price performance of substitutes</b>	<p>Refers to the cost effectiveness of the substitute products (Total supply chain costs).</p> <p>Alternative products that provide overall savings to your customers, without impacting the quality of your customer's products or services are more likely to be viewed favorably for adoption.</p>
<b>Switching costs</b>	<p>Refers to any cost incurred by your customers to switch to an alternative product</p> <p>Does your customer incur any costs to switch to a substitute product?</p> <p>These costs could be legal review of new contracts, change in spare parts and change in ordering systems. These may also be intangible costs such as risk.</p>
<b>Buyer propensity to substitute</b>	<p>Refers to your customers loyalty to your product or service</p> <p>How do your customers react to substitutes, do they trial them or are they loyal to your industry?</p> <p>It would also pay to identify the things that need to change for your customers to change their propensity to trial substitute products.</p>

### **Intensity of rivalry**

According to Porter's 5 forces framework (figure 7 in page 11), the intensity of rivalry among firms is one of the main forces that shape the competitive structure of an industry. The intensity of rivalry in an industry refers to the competitiveness level between existing businesses. If entry to an industry is effortless, competitive rivalry will expected to be high. Additionally, if it is easy for customers to find substitute products, there will be high rivalry also. In case rivalry is severe, competitors are trying to steal profit and market share from one another. This

reduces profit potential for all firms within the industry. (Competitive Rivalry 2014.)

### 2.1.2 Internal analysis

For internal analysis of the study, the author makes a decision to choose SWOT analysis as a tool to examine internal factors.

SWOT Analysis is a strategic planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a business venture or business start-up. (Koppel 2014)



Figure 9: SWOT model (Koppel 2014)

The Internal Analysis of strengths and weaknesses focuses on internal factors that give an overview about certain advantages and disadvantages of the company when preparing to participate in its target market. (Olsen 2010)

Strengths refer to core competencies like capabilities, resources, etc. of the firm. As long as the strengths of a company are recognized, they can be emphasized when implementing the marketing program. Any analysis of company strengths should be market oriented or customer focused because strengths are only meaningful when they assist the firm in meeting customer needs. (SWOT Analysis 2014.)

Weaknesses refer to any limitations a company faces in developing or implementing a strategy. Weaknesses should also be examined from a customer perspective because customers often perceive weaknesses that a company cannot see. Weaknesses of a company are defined with the intention of helping marketer to avoid centering a marketing and advertising strategy on those weaknesses. (SWOT Analysis 2014.)

Being market focused when analyzing strengths and weaknesses does not mean that non-market oriented strengths and weaknesses should be forgotten. Rather, it suggests that all firms should tie their strengths and weaknesses to customer requirements. Only those strengths that relate to satisfying a customer need should be considered true core competencies. (Olsen 2010.)

Opportunities and threats are considered as parts of an external analysis. Opportunities and threats exist outside the market. They typically occur within the competitive, economic, political, technological or social cultural environment. (Lorette 2013)

## 2.2 Designing a customer-driven marketing strategy

In order to design a customer-driven marketing strategy, there are two considerations: customer segmentation and market position.

### 2.2.1 Customer segmentation

Customer segmentation is the practice of dividing a customer base into groups of individuals that are similar in specific ways relevant to marketing, such as age, gender, interests, spending habits, and so on.

Customer segmentation allows a company to target specific groups of customers effectively and allocate marketing resources to best effect. Traditional segmentation focuses on identifying customer groups based on demographics and attributes such as attitude and psychological profiles. Value-based segmentation, on the other hand, looks at groups of customers in terms of the revenue they generate and the costs of establishing and maintaining relationships with them. (Rouse 2014.)

Customer segmentation procedures include: deciding what data will be collected and how it will be gathered; collecting data and integrating data from various sources; developing methods of data analysis for segmentation; establishing effective communication among relevant business units (such as marketing and customer service) about the segmentation; and implementing applications to effectively deal with the data and respond to the information it provides. (Rouse 2014.)

The only way to answer the question of how to best segment your customers is to first define what your objective is for the segmentation. In other words, you must first define what you want the segmentation to "do for your business". Examples of common segmentation objectives include:

- Develop new products
- Create segmented advertising and marketing communications
- Develop differentiated customer servicing & retention strategies
- Target prospects with the greatest profit potential
- Optimize your sales-channel mix

(Customer Segmentation 2014)

### 2.2.2 Market positioning

Business has been shown how it can offer superior value by strategies that add value or reduce costs. The other way to enhance its competitiveness is by

positioning itself more effectively. Positioning strategy is the choice of target market segment, which determines where the business competes, and the choice of differential advantage, which dictates how it competes.

A product or business unit may be inadequately positioned for three reasons. First of all, the targeted segment might become unattractive because it is too small, declining, too competitive or otherwise unprofitable. Secondly, positioning might be inadequate because the quality and features of the product do not appeal to the segment to which it is targeted. Thirdly, it might be wrong because the product's costs are too high to allow it to be priced competitively.

Figure 10 illustrates the structure of typical market made up of four segments. In this figure, Product X is inadequately positioned because it is too costly for the mass market and has inadequate perceived quality to appeal to the premium or luxury segments. The business has several repositioning options as below. The first two might be termed 'real' repositioning; the remainders are 'psychological' repositioning strategies.

- Introduce new brand
- Change existing brand
- Alter beliefs about the brand
- Alter beliefs about competitive brand
- Alter attribute importance weights
- Introduce new or neglected attributes
- Find a new market segment

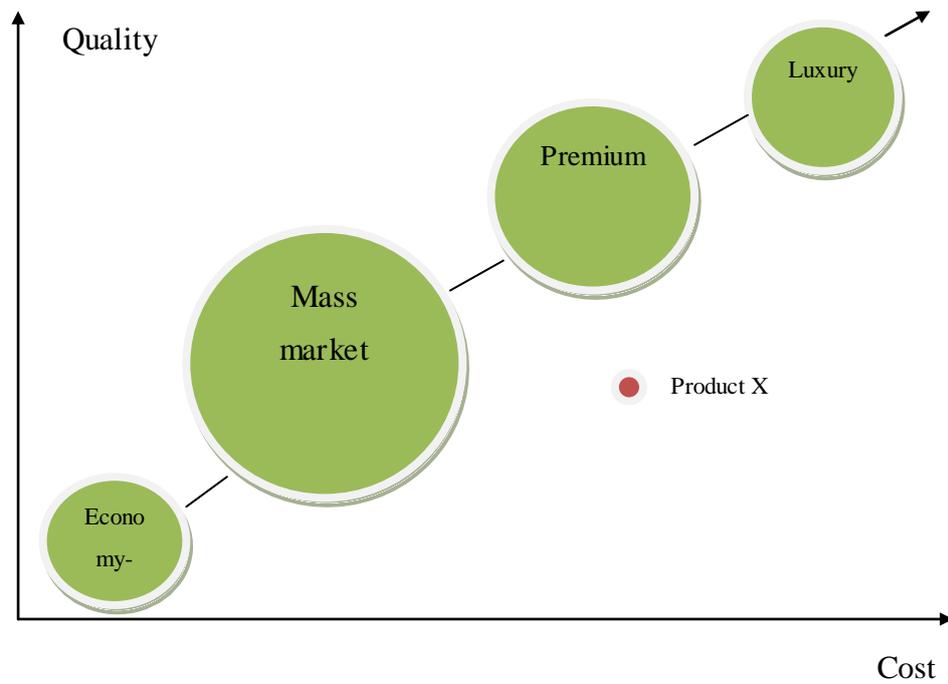


Figure 10: Repositioning in a segmented market. Adapted from (Doyle, 2002)

### 2.3 The marketing plan

It is essential to formalize these decisions into a marketing plan. The plan communicates the objectives and strategy to the management team and permits a rational debate about the potential and chances of success. Marketing plans should be made at several levels in the business: for the company as a whole, for the divisions, for the business units, and at the product and market levels. This section discusses about the marketing plans for the individual products or target market segments. A marketing plan consists of seven integrated components:

No.	Integrated Components	
1	Background situation	<ul style="list-style-type: none"> <li>a. Current performance</li> <li>b. Background analysis</li> <li>c. Opportunities and options</li> </ul>
2	Marketing objectives	<ul style="list-style-type: none"> <li>a. Marketing objectives</li> <li>b. Financial objectives</li> </ul>
3	Marketing strategy	<ul style="list-style-type: none"> <li>a. Target market segments</li> <li>b. Differential advantage</li> </ul>
4	Marketing mix	<ul style="list-style-type: none"> <li>a. Product</li> <li>b. Price</li> <li>c. Promotion</li> <li>d. Distribution</li> <li>e. Services</li> <li>f. Staff</li> </ul>
5	Action plan	Specify the details of implementation
6	Budget	Projects the revenues, expenditures, profits and cash flow over the planning period
7	Organizational implication	

(Kotler, et al. 2012.)

In this study, the author will mainly focus on the marketing mix component. This part will be more examined in the next chapter.

#### 2.4 Marketing mix

The marketing mix is the set of actions that a company uses to promote its brand or product in the market. It has been named as the four Ps, which are product, price, place and promotion. Moreover, nowadays, the marketing mix increasingly includes several other Ps like Packaging, Positioning and People - which, now, has become the extended marketing-mix with the seven Ps, altogether. (Now We Have Four Plus Three Seven Ps of Marketing Mix 2013)

Otherwise, there has been a concern that the four Ps concepts take the seller's view of market, not the buyer's view. From the buyer's point of view, in this age of customer value and relationships, the four Ps of the marketing mix can be reinterpreted as the four Cs. They put the customer's interests (the buyer) ahead of the marketer's interests (the seller), which is described in figure 11. (Kotler, et al. 2012, 76)

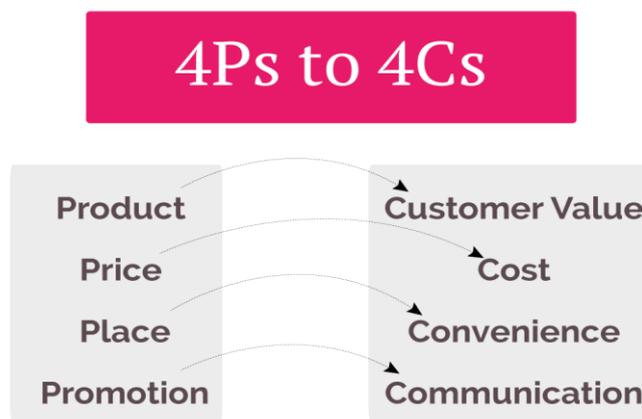


Figure 11: 4Ps to 4Cs (Kotler, et al. 2012, 76)

Thus, whereas marketers see themselves as selling products, customers see themselves as buying value or solution to their problems. And customers are interested in more than just the price; they are interested in the total cost of obtaining, using and disposing of a product. Customers want the product and service to be as conveniently available as possible. Finally, they want two-way communication. Marketers would do well to think through the four Cs first and then build the four Ps on that platform. (Kotler, et al. 2012, 77.)

Marketing mix has many benefits and hence it is popularly used in every organization. An effective marketing program blends each marketing mix element into an integrated marketing program designed to achieve the company's objectives by delivering value to customers. The marketing mix constitutes the company's tactical tool kit for establishing strong positioning in target market. (Kotler, et al. 2012, 76)

In this thesis, the author will use Marketing Mix 4Ps. As being mentioned above, the four Ps are stand for: product, price, place and promotion. The figure 12 shows the marketing tools under each P.



Figure 12: The four Ps of marketing mix (Kotler, et al. 2012)

#### 2.4.1 Product

Product is the goods and/or services offered by a company to the target market. Product entails product variety, quality, design, features, brand-name, packaging, sizes, services, warranties and returns. (Marketing Mix 2014)

According to Bhasin (2014), the first thing you need, if you want to start a business, is a product. Therefore, product is also the first variable in the marketing mix. Product decisions are the first decisions you need to take before making any marketing plan. A product can be divided into three parts: The core product, the

augmented product and the tertiary product. Before deciding on the product component there are some questions which you need to ask yourself.

- What products are you selling?
- What would be the quality of your product?
- Which features are different from the market?
- Whether the product will be branded as sub brand or completely new?

Based on these questions, several product decisions have to be made. These product decisions will in turn affect the other variables of the marketing mix. (Bhasin 2014)

#### 2.4.2 Price

Price is the amount of money charged for a product. Nowadays, even though non-price factors have increasingly gained importance, price still remains to be one of the most important elements that determine a firm's market profitability.

Price is the only elements in the marketing mix that produces income, and other elements represent costs. Price is also a very flexible element. Unlike product features and channel elements, prices can be changed quickly. Although pricing has been concerned as the number-one problem or a big headache, smart managers could use pricing as a key strategic tool for creating and capturing customer value. (Kotler & Amstrong 2012, 314.)

Moreover, in order to achieve pricing objectives, several pricing methods are employed such as cost-plus pricing, target return pricing, value-based pricing and psychological pricing. (Price 2013)

- Cost-plus pricing is to set the price at the production cost plus a certain profit margin.
- Target return pricing is the method that set the price to accomplish a target return-on-investment.

- Value-based pricing is the setting of a product or service's price, based on the benefits it provides to consumers.
- Psychological pricing uses the customer's emotional response to encourage sales.

(Price 2013)

Beside the methods, pricing strategy is very important for product marketing campaigns. There are four kinds of strategy which are a full price strategy, competitive pricing, discount pricing or a mix of these. Competitive pricing is usually used when selling high-quality products in a retail setting. A full price or skim pricing strategy, which is suitable for specialty and exclusive products, often results in fewer sales with higher profit. Last but not least, businesses use discount pricing to sell low-priced products in large quantities. With this strategy, it is important to cut costs and stay competitive. Occasional discounts and discounts that reward loyal customers are effective. Discounts using too often could harm your capability to sell the product at full price. (Watkins 2014)

#### 2.4.3 Place

After product and price, the third 'P' of the marketing mix is place. Usually, this element is called distribution. Distribution management is the set of decision and process concerned with the flow of products or services from producer to consumer (Doyle 2002, 311). The company must distribute the product to the user at the right place at the right time. Efficient and effective distribution is important if the company is to meet its marketing objectives. If an organization underestimate demand and customers cannot purchase products because of it, profitability will be affected. (Place 2014.)

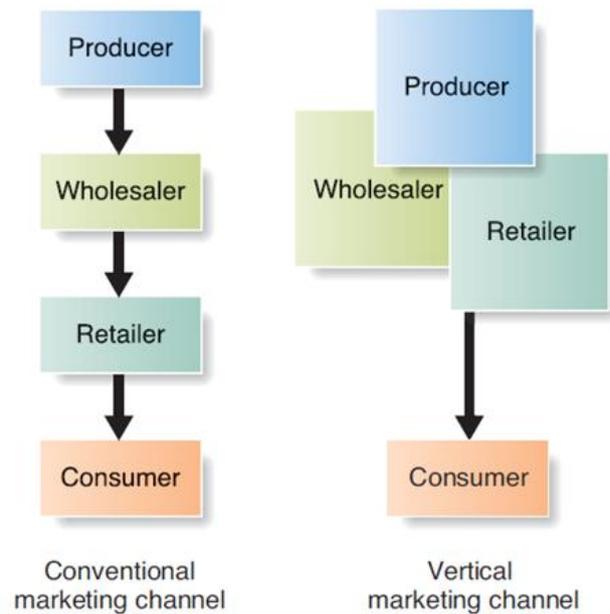


Figure 13: Comparison of conventional distribution channel with vertical marketing system (Kotler & Armstrong 2012)

Channel arrangement is very important in distribution management and often divided into two types. A conventional distribution channel consists of one or more independent producers, wholesalers, and retailers. Each is a separate business seeking to maximize its own profits. No channel member has much control over the other members, and no means exists for resolving channel conflict. In contrast, a vertical marketing system (VMS) consists of producers, wholesalers and retailers acting as an incorporated system. One channel member owns the others, has contracts with them so that they must cooperate. The VMS can be dominated by the producers, the wholesalers or the retailers. (Kotler & Armstrong 2012, 369)

#### 2.4.4 Promotion

Promotion is the last component of the four Ps marketing mix. Promotion means the activities organization use to spread the word about the products or services and persuade target customers to buy it. There are five major promotion tools, which are defined as follow:

- Advertising is a promotion of ideas, goods, or services by a well-known sponsor. For example: broadcast, prints, internet and other form.
  - Personal selling is a personal presentation by the firm's sales for the purpose of selling products and building customer relationships, which includes sales presentation, trade shows, etc.
  - Sales promotion is a short-term event in order to encourage the purchase or sale of a product or service. For instance, discounts, coupons, displays, and demonstrations.
  - Direct marketing is a directly communication with targeted individual consumer to get an immediate answer and create lasting customer relationships, such as: catalogs, telephone marketing, kiosk, the internet, mobile marketing.
  - Public relations (PR) is a kind of marketing tools in which the company builds good relations with target customers by strengthening a good corporate image, stories, events and knowing how to handle unfavorable rumors. For example: press releases, sponsorships, special events and web pages.
- (Kotler & Armstrong 2012, 432)

## 2.5 Marketing implementation

Planning a good strategy does not make the business win in the market; it is just a start toward successful marketing. Marketing implementation is the process that turns marketing plan into marketing actions to accomplish strategic marketing objectives. (Kotler & Armstrong 2012, 78). While marketing planning addresses the what and why of marketing activities, implementation mainly addresses the who, where, when and how.

According to Lautenslager (2005), in order to implementing marketing strategy successfully, the company should pay attention to these rules such as coordinating activities effectively and efficiently – who is doing what and by when, focusing on the tasks at hand and determining where your time is best spent, paying attention to details and doing what you do best or outsourcing.

Moreover, there are several potential components that should be taken into consideration when implementing marketing strategy, for examples:

- Go-to-market strategy
- New product launch strategy
- Channel conflict management
- Return on marketing investment
- Comparison of strategic marketing service providers

(Kotler, et al. 2012.)

Among those above elements, the case company pays more attention to the return on marketing investment. Therefore the author is going to examine more deeply about this factor. (Kotler, et al. 2012.)

Return on marketing investment (or marketing ROI) is the net return from a marketing investment divided by the cost of marketing investment. Below is the calculation for marketing ROI:

$$\text{ROI} = \frac{\text{Gain from Investment} - \text{Cost of Investment}}{\text{Cost of Investment}}$$

It is a calculation used by marketer to measure the profit generated from marketing activities. In a simple sense, a single product is purchased and then the company tries to measure the productivity gained from that purchase. However, in reality, it is tough to measure the impact of marketing activities; for examples, advertising. It takes a leap of faith to come up with a number. (Kotler, et al. 2012, 81)

Nevertheless, Kotler (2012, 81) suggests that a company can access marketing ROI based on the marketing performance criteria such as brand awareness, sales, market shares or customer satisfaction. In figure 14, a profitable customer relationship is the result of marketing ROI.

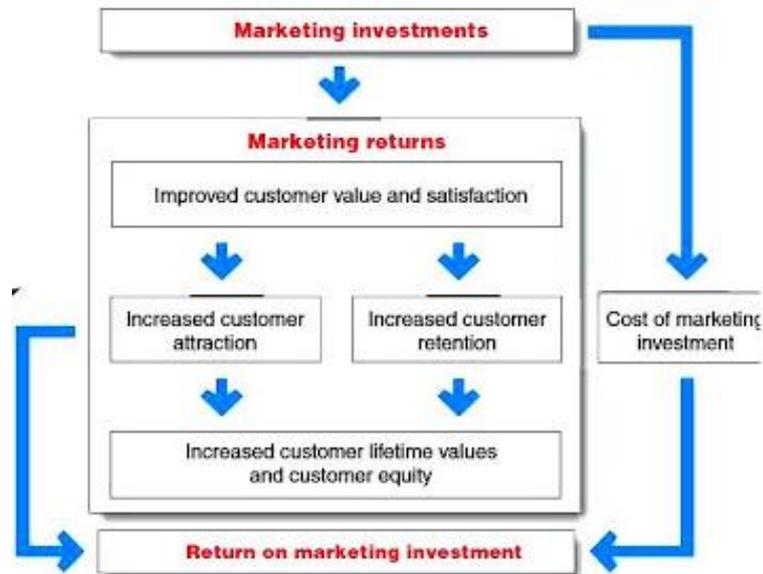


Figure 14: Return on Marketing Investment (Kotler 2012, 82)

In the figure, it is clearly seen that marketing investment results in improving customer value and satisfaction, or customer attraction and customer retention. In the end, customer lifetime value and customer equity are the winning point of the company.

## 2.6 Marketing control

While implementing the marketing plan, there would be some problems happen surprisingly. Therefore, marketers must continuously focus on marketing control, which is the process of evaluating the results of marketing process and then taking corrective action to make sure that the goals are managed. (Kotler & Amstrong 2012, 80.)

According to Kotler (2012, 77), there are three steps in marketing control – measuring, evaluating and taking corrective action - which is shown in figure 14.

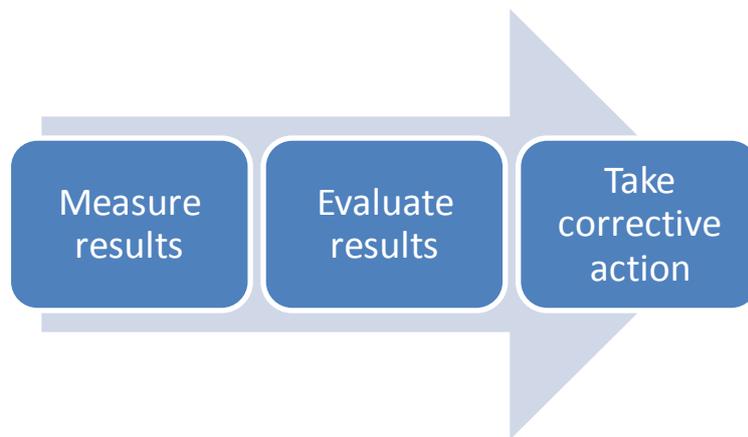


Figure 15: Marketing control (Kotler & Amstrong 2012, 77)

It is very important to control marketing plans since resources are inadequate and costly. Control involves setting standards. The marketing manager will then compare actual progress against the standards. Corrective action is then taken. If corrective action is taken, an investigation will also need to be undertaken to establish precisely why the difference occurred. (Frisener 2014.)

### 3 EMPIRICAL FINDINGS

In this chapter, the author is going to demonstrate the research information collected about the targeted market, the case company and especially the specific marketing mix is designed as well.

#### 3.1 Overview of the market

The cornerstone of creative and effective marketing strategies is good information. Information about the customers, the competitors, and the environment, gathered continuously and organized to support decision making, allows the business marketing manager to base decisions on the realities of the marketplace rather than on hunch and intuition. The result is improved marketing performance. (Hutt, et al. 1995)

Firstly indicated in the empirical section is the insight about the industry and the targeted market that the case company is performing its business.

##### 3.1.1 Salon and spa industry in general

In USA, The Great Recession of the late 2000s took a significant toll on the nation's private sector. At the depth of the recession, the national economy was losing tens of thousands of businesses each quarter. Between the fourth quarters of 2008 and 2009, the national economy experienced a net loss of more than 92,000 private-sector business establishments – a decline of 1 percent.

Growth in the States' salon and spa industry also outstripped the overall economy in 2012. Between the fourth quarters of 2011 and 2012, the salon and spa industry added more than 1,700 locations – a 1.9 percent gain and the largest four-quarter expansion in more than five years. (Professional Beauty Association 2013.)

In the figure 16 is the comparison between salon industry and other private sectors during the recession era of the 2000s.

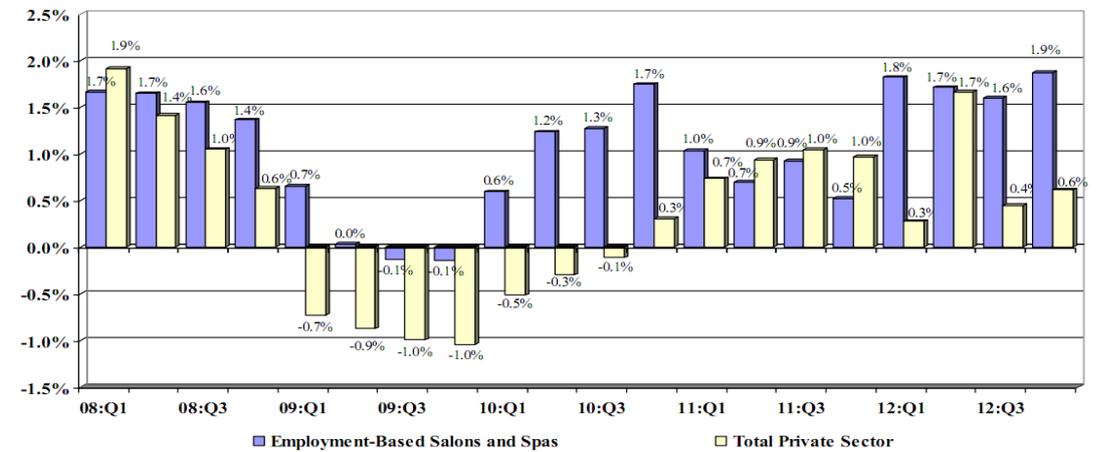


Figure 16: Employment-based salons and spas in comparison with private sectors (Professional Beauty Association 2013)

It is clearly seen from the figure 16 that salon and spa industry outperformed the private sector during and since the recession. Moreover, another hasty conclusion has been drawn out is that the salon and spa industry was an engine of job growth, even when many other industries were shedding jobs during that period of time.

Also, it was stated that the salon and spa industry registered steady growth over the last decade, with the strongest gains seen in non-employer sector. The number of non-employer salon and spa establishments increased 92 percent in the last decade, while their sales jumped 99 percent. In comparison, the number of employment-based salon and spa establishments increased 16 percent over the last decade, with their sales rising 39 percent. (Professional Beauty Association 2013.)

A non-employer establishment is a business entity that has no paid employees. Examples of non-employer establishments in the salon industry could include: a small salon business owned and operated by one individual or a salon business of any size that does not have regular paid employees. (Professional Beauty Association 2013.)

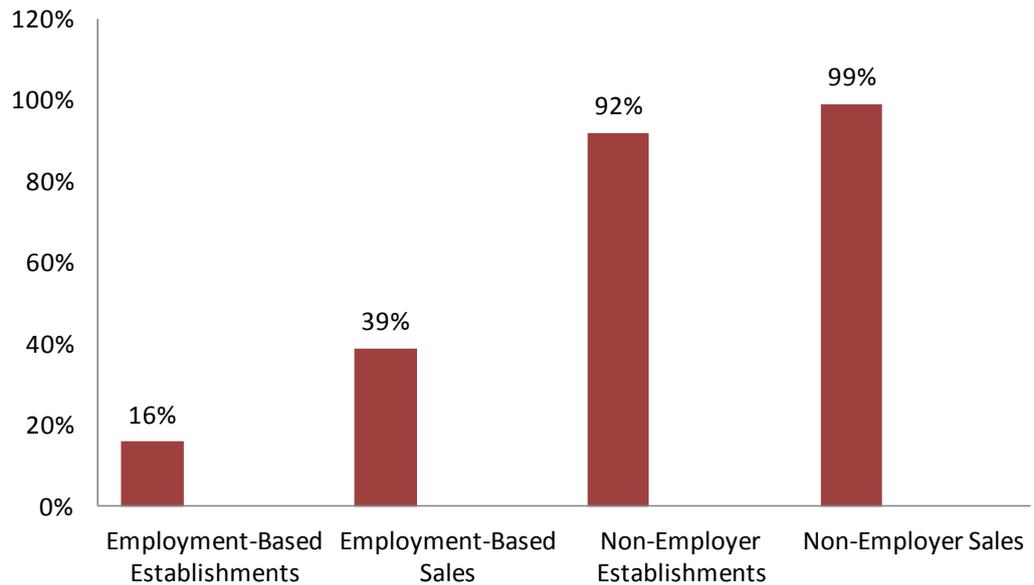


Figure 17: Salon industry establishment and sales over the last decade (Professional Beauty Association 2013)

During the downturn of the economy, it is said that a skill can make it easier for a person to earn a living rather than a college or university diploma, which can, to some extent; explain the situation represented in the figure 17. More or less, it is the similar situation causing the establishment of the case company, which will be indicated in more detail in section 3.2.

Beside the United States industry, the hair beauty industry in Asia, especially in South Korea, is increasingly popular not only to Asian people but also to foreigners from other countries in the world.

South Korea is a hotbed of beauty, as well as cultural, innovation, particularly for other Asian countries. Everything from pop stars to food trends are translating across Asian countries' borders. Much has been said about Asia being at the forefront of beauty in terms of both consumer taste and product innovation. (Emond 2014.)

According to Emond (2014), the total sales for hairdressing reached 2.5 trillion won in 2011, when the number of hair salons totaled 81,600 across the nation with 148 thousand employees. The beauty industry is said to have a significant

economical effects. Compared to other industries, it has a high added-value inducement effect due to its production activity. Moreover, as a labor-intensive industry, it contributes employment significantly to boosting domestic demand and the Korea Employment Information Service shares that workforce requirements of this beauty industry will continue increasing. In particular, the beauty industry is a primary career for women; therefore, women in the beauty industry comprise more than 90 percent of the workers. (Emond 2014.)

Despite providing profits to the domestic economy, Korean beauty industry is also evaluated as an export item with a high competitive. This is because Korean people have excellent beauty treatment skills. Hence, currently some salons operating in foreign countries and overseas are on the increase. In addition, salons and wholesalers are taking part in the distribution of hair care products and consequently, distribution is playing an important role in the hair care industry. (Emond 2014)

Moreover, in recent years ‘hallyu wave’ is becoming the hottest issue not only in Korea but also in other Asian countries. The interest in Korean celebrity looks in China, Japan and Southeast Asian countries increasingly grow, makes a positive effect to the domestic hairdressing business. Consequently, beauty service, when developed as a tourist or export factor, will contribute to attracting foreign tourists into overseas markets. (Emond 2014.)

### 3.1.2 Hair beauty industry in Ho Chi Minh City, Vietnam

#### **Status quo of Ho Chi Minh City**

Ho Chi Minh City, formerly named Saigon, is the most populous city as well as the most important economic, cultural and educational centre of Vietnam. The city is divided into 19 inner districts and 5 suburban districts. Most shopping malls, administrative and business centers are located in District 1 and 3.

As the center of commerce and business in Southern of Vietnam, Ho Chi Minh City attracts a lot of migrators from all other regions to come, work and live. According to 2009 Census, there were more than 7,1 million people residing in

Ho Chi Minh City; nevertheless, because of rapid urbanization and growth in economy that requires a large number of labors, many people are now immigrating and living illegally in the city. Therefore, the researcher highly believes that the real number should be higher than 7,1 million. (Ho Chi Minh Population 2011.)

The city is located in a tropical-climate area of Vietnam. It has specifically a tropical wet and dry climate, with an average humidity of 75 per cent. The climate is normally divided into two different seasons. The rainy season, with an average rainfall of about 1,800 millimeters annually (about 150 rainy days per year), begins in May and ends in late November. The dry season is from December to April with the average temperature is 28°C, and the highest temperature sometimes reaches 40°C around noon in late April, while the lowest may fall below 16°C in the early mornings of late December (Vietnamwiki 2014).

Ho Chi Minh has been known as the leader of the country's economy hub nowadays. The economy of the city has constantly been developing from years to years and contributing the highest to the Gross Domestic Products (GDP) growth. (Stoxplus 2014)

### **Spa and salon situation in the market**

Our early findings indicate that Vietnam is emerging as a highly enticing market, ranking second in terms of growth. Along with major local players, global giants such as L'Oréal, Procter & Gamble, and Henkel are also seeing positive growth rates in Vietnam. (Tocdep 2014.)

According to a Vietnamese website (Tocdep 2014), there have been a lot of barber shops in Ho Chi Minh City until now. However, in recent years, the difference between 'barber shop' and 'hair salon' is classified more specifically. Presently, 'barber shop' is the word conjures up images of small shops in alleys with low-price service and ordinary surface; while 'hair salon' refers to a service shop, which offers professional and a variety of beauty scale with beautiful and attractive exterior and interior design. Unfortunately, so far, the industry has hair carnival clubs, with a lot of rising artists, but there is still no research or official

statistics in this largest city of the country about how many 'hair salons' and 'barber shops' there are.

Among all of hair salons, based on criteria of technology, scale, skill and investment, there is a level-classification. Also depending on those criteria, each hair salon has different oriented development, target customers and income. Nowadays, hair salon, which is operated by companies, international corporations associating with local firms in Ho Chi Minh growing into branches throughout the country, can be considered a brand new industry contributing to the era of "industrialization" of hair industry in Vietnam. (Tocdep 2014)

### 3.1.3 Porter's Five Forces analysis in hair-beauty industry of Ho Chi Minh City

Understanding the dynamics of competitors within an industry is of importance for many reasons. Firstly, it may help to realize the potential opportunities for the company. Also, it can be seen as critical steps for the company to differentiate itself to outperform others that offer similar products and services. (Berry, 2014)

Therefore, in order to examine the competitiveness of the hair-beauty industry of Ho Chi Minh City, the author makes use of the Porter's Five Forces technique, which is illustrated in figure 18 and continuing with detail analysis afterward.



Figure 18: Porter's Five Forces of Hair- beauty industry in Ho Chi Minh City

### **Threat of new entrants**

In the Hair Beauty sector, economies of scale are not very important; though visibility and number of outlets can be a significant barrier to overcome when for example a high-street location is considered. (Bros 2014)

In Ho Chi Minh City, anyone can start up his or her own beauty salon as long as that person has been trained and equipped with enough knowledge to manage one properly. Because, there is no legal requirement or single, national accreditation scheme to follow and the initial costs are not very high. A scene of a street salon and a skilled barber is quite strange and interesting towards visitors from foreign countries. However, it is a common occupation for middle and low-class breadwinners in Vietnam. (Figures 19)



Figure 19: On-street hairdresser

### **Power of suppliers**

In this sector, L’Oreal is the biggest and best-known supplier. Although, there are many other competitors such as Wella, Schwarzkopf, Tigi or Macadamia, L’Oreal is always the first choice of hair-dressers especially for the hair-dyes products. (Vietnam Branding 2014.)

L’Oréal Professional is a global brand leader in its market, with an exclusive presence in hairdressing salons. Though it is very simple and inexpensive switching to another supplier, the prestige to be associated with L’Oreal brand is too essential to be without especially it has won much credit of the hairdressers in the region. (Vietnam Branding 2014.)

It goes without saying that, L’Oréal is the main player in this industry and it has a huge bargaining power.

### **Bargaining power of buyers**

In the hair salon industry, customers define the success of a business. A hair salon cannot survive by selling shampoos or conditioners only. The business is alive by producing services to satisfy precious customers. Therefore, customers’ influence on prices and services is very powerful.

Moreover, it is very frequent for customer to switch to competitors since there is always competition about the prices and standard of the services in same market. Thus, updating the needs of customers and having a good positioning and marketing strategy is at the centre of any success.

### **Threat of substitutes**

Sharing the health and beauty treatment market with hairdressing sector is Health Spa or Fitness Club. However, what is offered from a hair salon is unique since no one come to a spa or fitness club to get a hair-cut.

Nowadays, the awareness of sustainability is rising which open more potential for DIY products and activities. Especially, hair-dressing service is often branded as “luxury” (Bros 2014); there may be chances that people will have a DIY hair cut at home when they are becoming more and more price-conscious.

### **Competitive Rivalry**

As discussed in the “Threat of new entry” section, it is not difficult to open a new hair beauty business. Hence, there are a high number of salons in the market. The rivalry among existing competitors is high. Now that the basic service offered is similar between the salon operators, the market and promotional campaigns can make a significant competitive advantage.

Porter believes companies should thoroughly evaluate five existing forces when entering a market or developing marketing strategies. Porter's five forces determine a company's competitive environment, which affects profitability. The bargaining power of buyers and suppliers affect a small company's ability to increase prices and manage costs, respectively.

## **3.2 Case company**

Following sub-chapters present the interview findings about the case company and analyze the strengths, weaknesses as well as opportunities and threats by conducting the SWOT method.

### 3.2.1 Overview

Studio K hair salon is a full-service beauty salon. It is dedicated to consistently providing customers with excellent service, quality products at an acceptable price. Also, customer relationship is well maintained between the company and customers; from time to time, with a friendly, caring and creative work environment. (Tran 2014.)

Studio K is planned to open in November 2014 by Kelly Tran, who is a high-school friend of the author. During the first year in university, Kelly felt enthusiasm towards the art and hair beauty not about the economic laws, which was the former degree she was chasing. Then, she decided to quit laws school and enrolled herself to a Japanese Art Hair Academy. The consequence of her three year training hard is going to be a beautiful petite hair salon, where she devoted all her time during a day to do art and satisfy her customers. She named her hair salon as “Studio K” because whenever people are mentioned about the word “studio”, they will unknowingly think about artists’ workroom like music composers, painters or photographers. At Studio K, Kelly is an artist and every customer’s look is a master piece. (Tran 2014.)

The missions of Studio K:

- To supply service and product that enhances clients’ physical appearance and mental relaxation.
- To guarantee customer satisfaction

The motto of Studio K is: “Keep calm and let us fix your hair.” (Tran 2014.)

The vision of Studio K

The dream existing in Kelly’s mind is to make Studio K become one of the most recognizable high-end hair salons of the country. It is brought nearer to reality when Kelly met the author during the summer vacation. It was the time when they exchanged the ideas about how to make Studio K more acknowledged in the society. (Tran 2014.)

### 3.2.2 Staff

The first and foremost position needed in Studio K is a receptionist who will greet customers and receive payment for the services and products. Also, a store manager is hired to take care all of the expenses, bills, payroll, etc. (Tran 2014.)

There will be three hair stylists, including Kelly; and two part-time nail, facial and massage technicians. Three or four trainees are also required to assist the three main hair stylists. The receptionist and store manager will be contract workers, while the others will be paid a commission based on the amount of the revenue created. (Tran 2014.)

### 3.2.3 SWOT Analysis of the Case Company

The purpose of this part is to identify what the internal and external factors of studio-K hair salon. The more carefully analysis is made and concerned, the more successful the business can be. SWOT refers to the strengths, weaknesses, opportunities and threats. Those key elements will help the company to know the areas in which require improvements and adjustments. (Tran 2014.)

#### **STRENGTHS**

- A variety of exclusive products: shampoos, conditioners, hair coloring, etc.
- Well-trained and professional staffs
- Special machines and equipments are employed
- Modern design and decoration salon
- Quickly adapt new hair trends
- Appropriate price with high-quality services
- Convenient location: near some shopping centers, having a large parking space and easy to get to the salon from other main districts.
- Free Wi-Fi and drinks will be served in store
- Magazines and comics are always available for customers and their children.

## WEAKNESSES

- A startup company without any reputation
- Lack of experiences in salon and spa industry
- Small business premises
- Financial limitations
- Limited services

## OPPORTUNITIES

- Large market demand
- ‘Hallyu wave’ or celebrities hairstyle in the world is on trend
- Christmas, Lunar New Year and wedding season is coming
- Using viral marketing and social media as free and efficient advertising techniques.

## THREATS

- High competition threats from other hair salons
- No barriers to entry
- High rate of employee turnover

(Tran 2014.)

### 3.3 Developing Marketing Strategy

Marketing strategies differ from each and every business. Therefore, they are designed and customized to suit the needs of the particular company. This section is the tailor-made strategy designed for the case company – studio K hair salon. The development of this strategy involves: customer segmentation, marketing positioning and a set of clear-cut components of a marketing plan.

### 3.3.1 Customer segmentation

Customers in any market have so many differences in their wants, resources, locations or buying attitudes. Through market segmentation, companies can divide a large market into smaller segments, which are more effectively to be approached by specific products and services that match the unique needs of those segments. (Kotler et al. 2012)

In table 5 below, the author lists out the characteristics of Studio K's customers who are the targets in the market of the case company.

Table 5: Customer segmentation

<i>Geographic</i>	
<b>Country region</b>	<ul style="list-style-type: none"> <li>• Vietnam</li> </ul>
<b>City region</b>	<ul style="list-style-type: none"> <li>• Ho Chi Minh City</li> </ul>
<b>Density</b>	<ul style="list-style-type: none"> <li>• Urban districts like District 1, 3, 5</li> </ul>
<i>Demographic</i>	
<b>Age</b>	<ul style="list-style-type: none"> <li>• Between the ages of 18 and 45</li> </ul>
<b>Gender</b>	<ul style="list-style-type: none"> <li>• Female</li> </ul>
<b>Income</b>	<ul style="list-style-type: none"> <li>• Range from VND 2,000,000 to VND 20,000,000 per month</li> </ul>
<b>Occupation</b>	<ul style="list-style-type: none"> <li>• Part-time</li> <li>• Full - time</li> </ul>
<b>Generation</b>	<ul style="list-style-type: none"> <li>• 1960s – 2000s</li> </ul>
<i>Psychographic</i>	
<b>Social class</b>	<ul style="list-style-type: none"> <li>• Working class</li> <li>• Middle class</li> </ul>
<b>Lifestyle</b>	<ul style="list-style-type: none"> <li>• Yolo ( You only live once)</li> <li>• Achievers</li> <li>• Busy working life</li> <li>• Neat and clean</li> </ul>
<i>Behavioral</i>	
<b>Attitude</b>	<ul style="list-style-type: none"> <li>• Looking for a salon nearby the work place, for lunch hour services or immediately after work</li> <li>• Looking for reasonably priced services with a high level of service</li> <li>• They like to be able to have all beauty care services and products in one location</li> </ul>

### 3.3.2 Positioning

Consumers typically choose products and services that give them the greatest value (Kotler, et al. 2012). Therefore, it is always an urgent need for every company to create its own competitive edge, position itself in order to be seen and head into the overcrowded market place. Especially, today's marketplace is no longer responsive to the strategies that worked in the past. There are just too many products, too many companies and too much marketing noise (Rie & Trout 2001). Hence, it is believed that the basic approach of positioning is not to create something new and different, but to manipulate what is already up there in the mind, to retie the connections that already exist.

In figure 20, possible value propositions of the five winning positioning strategy introduced by (Kotler, et al. 2012, 238) is presented. The five winning position strategies consist of more for more strategy, more for the same, the same for less strategy, less for much less strategy, and more for less strategy.



Figure 20: Possible value propositions (Kotler, et al. 2012, 238)

In the figure, the five green cells represent winning value propositions that give the company competitive advantages. Nevertheless, the red cells represent losing value propositions. The center yellow cell represents at best a marginal proposition. As in the figure, the more for less is the winning value proposition that every company wants to achieve. However, in the long run, companies will find it very difficult to sustain such a best proposition. Since offering more usually costs more. Moreover, offering “the same for the same” may be safe in terms of marginal profits, but it will not make any competitive edges, leaving the company in the middle of the pack.

For the case of Studio K hair salon, two strategies are being considered to be applied which are more for the same and more for less. More for the same propositioning is offering better hair services with the same prices as other salons. And more for less propositioning is conducted when Studio K decides to provide better hair services with the lower prices compared to its competitors. It should be noticed that the cost mentioned here is only the service cost not the hair-care product prices. Since mentioned above in previous sectors, hair-care products provided standard prices in all salons by suppliers. Therefore, in case Studio K wants to reduce the service cost to attract more customers during the commencing of its business, only the cost of hair-dressing services can be altered.

Studio K will position itself as a convenient and full-service hair salon for women in the region. Studio K’s competitive edge is based on professionalism, convenience and superior customer service.

- Professionalism: investing time and money to train hair-dressing and other staffs in exceptional customer services so that they are able to encounter any problems without having to first receive permission from a supervisor.
- Convenience: a wide range of hair-dressing services and branded hair care products can be found in one stop, Studio K.
- Superior customer service: satisfying customers with the best services at the reasonable prices to targeted women customers who cannot afford for the exorbitant charges at the high-end woman-only hair salons.

### 3.3.3 Contents of a Marketing Plan

After the target market and customer have been defined, the author goes on designing a marketing plan for the case company. Table 6 is a brief content of the plan for studio-K.

Table 6: Marketing plan for Studio-K

Section	Purpose
Executive summary	<ul style="list-style-type: none"> <li>• Studio K is a hair salon located in District 4, Ho Chi Minh City, Vietnam</li> <li>• Studio K serves women with variable services like hair cut, hair treatment, facial massage and manicure.</li> <li>• Studio K accepts appointments as well as walk-ins.</li> <li>• Studio K also sells retail hair care products to fulfill customers' desire for hair treatment</li> </ul>
Current marketing situation	<ul style="list-style-type: none"> <li>• Studio K is in its first year of business as a start-up company.( November 2014)</li> <li>• A comprehensive, strategic marketing plan is required to ensure profitability and success.</li> <li>• Studio K offers a wide range of hair cutting services</li> <li>• A one-stop, convenient, hair salon that is skilled and reasonably priced where customers can purchase both products and services.</li> </ul>
Targeted market	<ul style="list-style-type: none"> <li>• Segmented customers are women who are concerned about getting quality haircuts and styling. (Part .3.1)</li> </ul>
Threats and opportunities	<ul style="list-style-type: none"> <li>• Competition from already established chains.</li> <li>• A steady growing market</li> </ul>

analysis	<ul style="list-style-type: none"> <li>• Increasing hair product sales opportunities</li> </ul>
Objectives	<ul style="list-style-type: none"> <li>• Maintain positive, steady growth each month.</li> <li>• Increase the amount of retail products sold by 10% per year.</li> <li>• Profitability by year one.</li> </ul>
Marketing strategy	<ul style="list-style-type: none"> <li>• Studio K is having a limited marketing budget due to the location rent.</li> <li>• The money from the marketing budget will be spent on the marketing initiatives like viral marketing and social media marketing, in-store and store front displays.</li> </ul>
Action programs	<ul style="list-style-type: none"> <li>• Kelly Tran, the owner, will be primarily responsible for the marketing activities.</li> <li>• Kelly may hire freelancers to do some creative activities.</li> <li>• Detailed of implementation plan is presented in section 3.5</li> </ul>
Budget	<ul style="list-style-type: none"> <li>• Including in unpublished documents of Studio K, the company addresses break-even analysis, sales forecasts, expense forecasts, and how they link to the marketing strategy.</li> <li>• The break-even analysis indicates that VND 60,000,000 will be required in monthly revenue to reach the break-even point.</li> <li>• Sales forecast: the first three months may be slow in sales due to the new appearance of the Studio K in the region; it takes time for customers to get used to the existence of a new service. Starting from fourth month, the sale is expecting to increase steadily.</li> <li>• Marketing budget: marketing expenses are to be</li> </ul>

<b>Controls</b>	<p>budgeted so that they are high during the first quarter in order to raise visibility for the start-up organization.</p>
	<ul style="list-style-type: none"> <li>• Marketing control is presented in section 3.6</li> <li>• There are three main areas that Studio K will monitor from time to time to measure performance : revenue, expense and customer satisfaction</li> </ul>

### 3.4 Constructing a marketing mix

Out of many components presented in the marketing plan content, the author focuses deeply on the marketing mix. There are practical implements about products, price, place and promotion.

#### 3.4.1 Products and services

Studio K will be providing both services and products to better meet the customers' needs.

#### **Services**

Studio K is a full-service beauty salon. A wide range of services is offered that include:

- Hair: cuts, relaxers, perms, colors, shampoo, conditioning, curling, reconstructing, weaving and waving.
- Nails: manicures, pedicures, polish, sculptured nails.
- Skin Care: facials massages.

## Hair care products

Together with providing hair services, the hair salon will also sell hair care products. Studio K is working on an exclusive contract with L’Oreal to sell their top quality products like hair dyes and hair care products. In addition we will have other name-brand products for sale to meet customer needs, such as: Matrix, Paul Mitchell, and Macadamia. The products will include shampoos, conditioners, mousse, and hair spray.

All the products mentioned above are used during the hair services at Studio K. In case, the customers would love to purchase for daily use at home, it is also possible.

### 3.4.2 Price

Nowadays, there is a tough competition on the apparel market and therefore it is important to maintain the attractive prices. At the same time the prices should be competitive and cost-driven as well, in order to cover the expenses and bring profit.

The pricing methods applied for the case company are both cost-based pricing and value-based pricing.

Customer value-based pricing uses buyers’ perceptions of value, not the seller’s cost, as the key to pricing. Costs play an important role in setting prices. But like everything else in marketing, good pricing starts with the customer. The process is displayed in figure 21. (Kotler, et al. 2012)

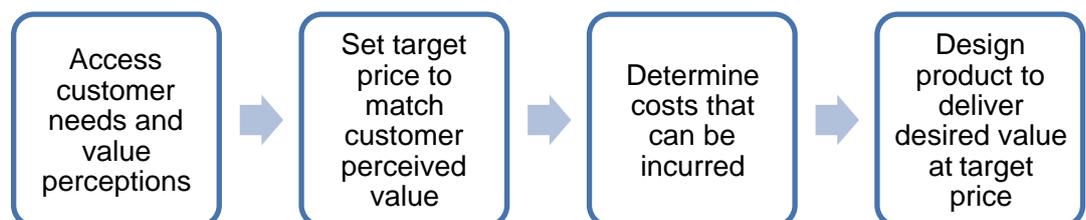


Figure 21 : Value-based pricing (Kotler, et al. 2012, 316)

The company first assesses customer needs and value perceptions. It then sets its target price based on customer perceptions of value.

On the contrary, cost-based pricing shown in figure 22 is product driven. The company designs what it considers to be a good product, adds up the costs of making the product, and set a price that cover costs plus a target profit.

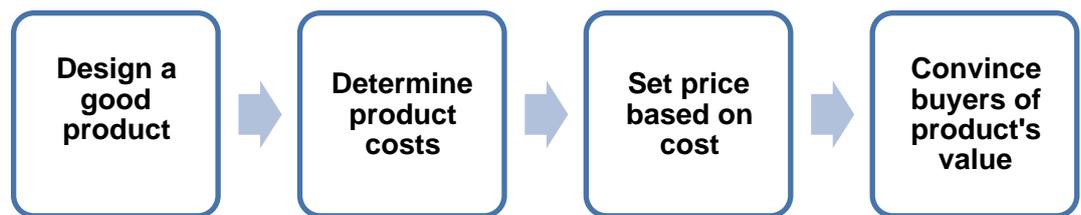


Figure 22 : Cost-based pricing (Kotler & Amstrong 2012, 316)

For the Studio K hair salon, customer is the core of the business. However, cost is also taken into consideration since it does take time and much effort for stylists to create every outstanding look; therefore, they are deserved to be pay appropriately.

The service price will range from VND 200,000 to VND 2,000,000 (EUR 15 – EUR 100) for different beauty treatment like hair, massage, facial, manicure, and pedicure. In table 7, sample prices of Studio K are introduced.

Table 7: Sample of Studio K's Price List

<b>PRICE LIST</b>	
Women's Hair Cut (trim, same style)	VND 150,000
Women's Hair Cut (change of style)	VND 200,00
Bang trims	VND 50,000

Shampoo and Blow Dry	VND 80,000
Shampoo, Cut and Blow Dry	VND 250,000
Shampoo, Cut, Blow Dry and Flat Iron	VND 270,000
Perms (wash, cut and blow dry incl)	VND 500 – 900,000
Spiral Perms (wash, cut and blow dry incl)	VND 350 – 800,000
Chemical Straightener	VND 500 – 900,000
Color (same color all over)	VND 300 – 900,000
Color Retouch	VND 300 – 400,000
Color (Wash out)	VND 150 – 500,000
Toner	VND 300 – 900,000
Color Correction	Must be seen
Highlighting (foil)	VND 150 – 700,000
Highlighting (cap)	VND 300 – 900,000
Highlighting, Top and Sides only	VND 300 – 900,000
Extensions (fusion or glue only)	VND 500 – 700,000 per layer
Extension Removal	VND 300 – 500,000
French Braid	VND 50,000
Keratin Straightening	VND 500 – 900,000
Keratin Shampoo and Blow Dry	VND 200 – 700,000
Keratin Shampoo, Cut and Blow Dry	VND 300 – 900,000
Up Do's, Wedding, Prom Styling	VND 50 – 200,000
Eyebrow Trimming	VND 50 – 70,000
Facial Massage and Mask	VND 100 – 200,000
Manicure	VND 40 – 80,000
Pedicure	VND 40 – 80,000
Nail Coloring	VND 40 – 60,000
Nail Art	VND 10 – 200,000
Gel Manicure	VND 250 – 500,000

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The price list is designed based on customers' needs and the case company activity cost.

For the hair care products, the price will range from VND150,000 – VND500,000 (EUR 5 – EUR 30) depending on what kind of products and which brand customers would like to purchase.

Basically, these costs will not be much different compared to other competitors since there is a standard price that which suppliers offer to every salon.

### 3.4.3 Place

#### Location

The Case Company will be located in District 4, an urban district of Ho Chi Minh City. The place chosen is a connection among other crowded areas like the central district (District 1), office and shopping mall area (District 3) and residence area (District 5).

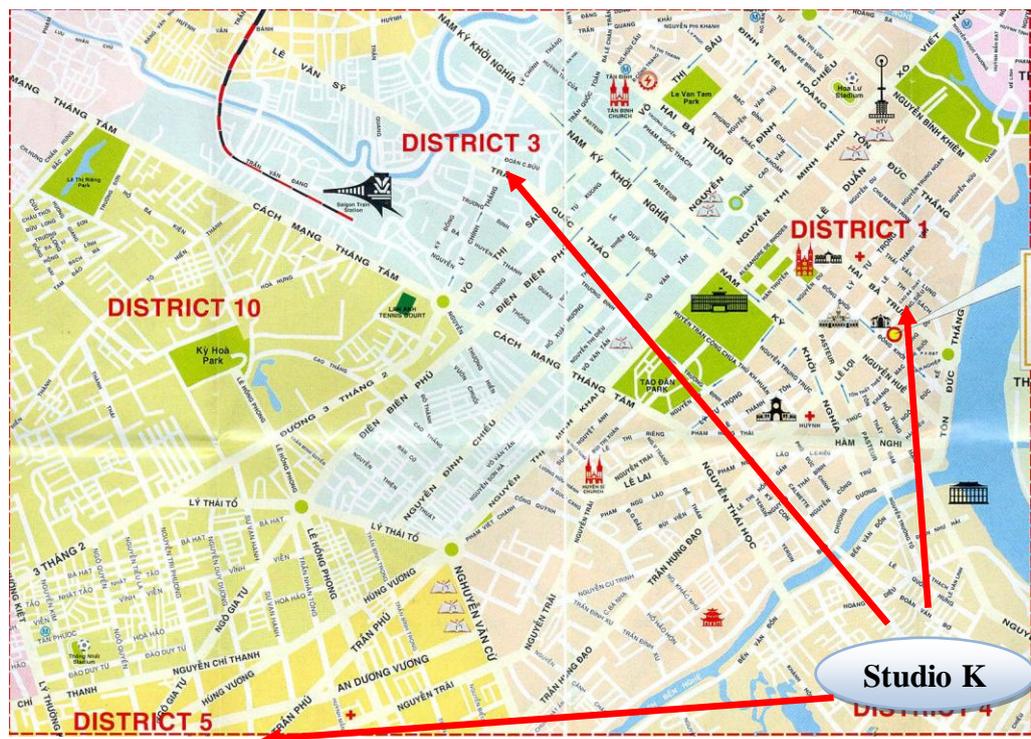


Figure 23: Studio K's location

Because of the good location (district 4), the leasing price of shop premise is quite higher than other areas, about VND 20,000,000 – VND 25,000,000 (EUR 1000 – EUR 1500). Therefore, the salon's owner is intended to rent a 100m<sup>2</sup> store. The store includes its own warehouse and staff room. Besides that, the transportation in Vietnam mainly is motorcycle; hence, the store is locating nearby some parking areas so it would be easy and comfortable not only for motorbike-riding customers but also car-driving ones.

### Appearance

The shop appearance is very important to the image of company. The shop should be clean, fresh in order to give customers comfortable and relaxed feeling when using the services. Furthermore, the investment in appearance will help to attract more passing-by customers and tourists. Figure 24 is giving some sample design of a hair salon generally. Studio K wants a joyful, dynamic and characteristic theme for the shop.

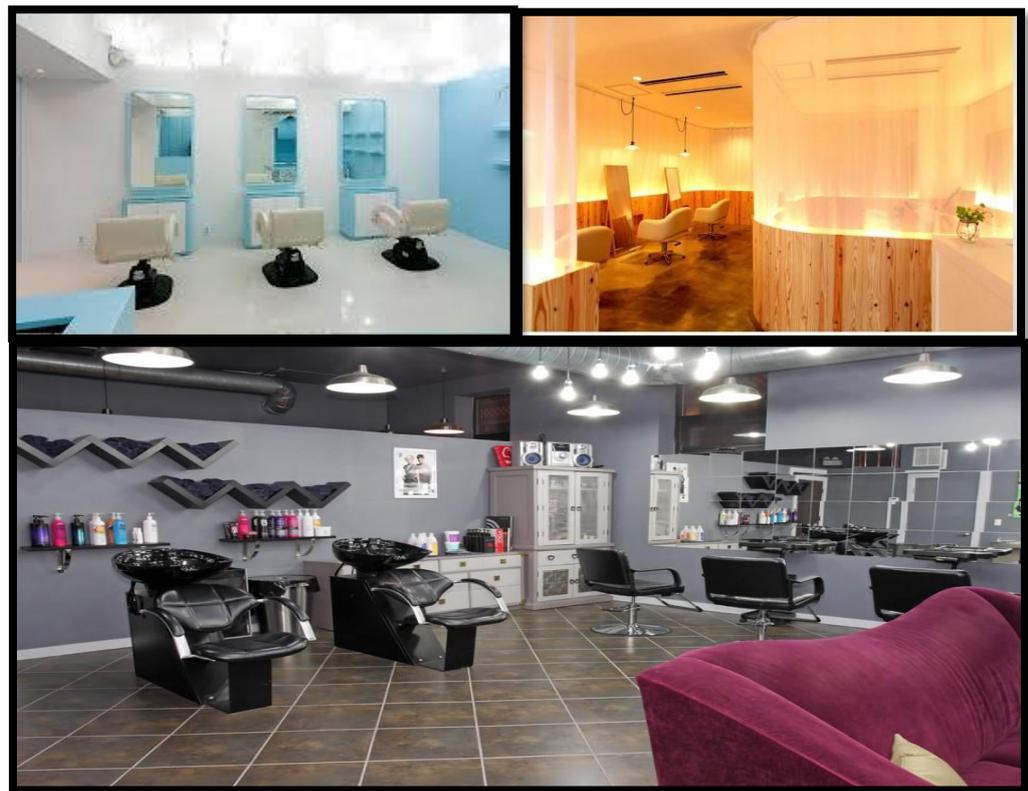


Figure 24: Hair salon design samples (Archpart 2013)



Figure 25: Hair salon floor plan sample (Archpart 2013)

And in figure 25, a sample of floor plan is presented. Designing a floor plan is very crucial when building a hair salon. According to (Archpart 2013) “when you can determine the good design for your floor, it has been a good model for you to decorate your salon”. In order to design a good floor plan, there are several things should be taken into consideration. For examples, the size of salon space, the type of services, the equipments and the scaled outline of beauty hair salon floor. In a nutshell, the owner should think about them carefully so that the final plan for salon floor will be successfully made.

#### 3.4.4 Promotion

As being a small startup hair salon and having limited financial resources, the company will not use any kinds of costly advertising such as TV commercial and brochures for the marketing campaign.

For the first year, the main marketing techniques the shop using will be viral advertising and social media marketing. When a customer leaves the shop with a new look and satisfied feeling, she is broadcasting the salon’s name and quality to

her friends and relatives. Most of the new customers will be introduced by existing customers.

Nowadays, social media is very popular all over the world such as Facebook, Instagram, Pinterest, Wordpress, Blogspot, etc. Some of the small hair salons in the region have the tendency to neglect the usage of those social media. On the contrary, studio-K attempt to make use of each and every available media channel to broadcast the image of the company widely in the region.

- Facebook is the channel where the company stays in touch with customers by sharing posts about services and products. Thanks to the “add friends” tool of Facebook, a promising virtual customer base is formed and may be turned into the real one in the future. Facebook is also a place where existing customers can leave their feedbacks and ratings for the salon. Through that, the virtual customer base is becoming more attracted. Figure 26 is a sample of Facebook page of a hair salon.



Figure 26: Facebook page of a hair salon (Peagler 2014)

- Instagram is the most trending media channel nowadays. The salon can encourage their customers to put the hash tag “#studioK” to their hair photos whenever uploading them online. It can help to make the brand become

known beyond the region. Figure 27 is a sample Instagram account of a hair salon.

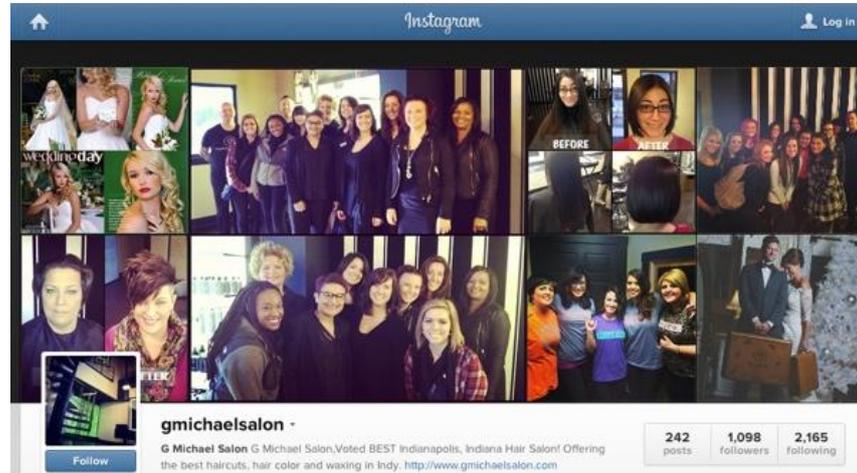


Figure 27: Instagram account of a hair salon (Peagler 2014)

- Wordpress or blogspot: this channel will act as a hair care diary written by the case company. There will be several topics about hair styles, DIY (Do-It-Yourself) hair care products and the most updated trends. Thanks to the time of studying in Korea, the author knows the accesses to various links of hair tutorials or TV beauty programs with English subtitles. Those will also be updated in the wordpress. Figure 28 is a sample blogspot of a beauty blogger.



Figure 28: Blogspot sample of a beauty blogger (Beautifyinglife 2014)

Beside the social marketing plan, the salon will create its own website including some information of the salon, contacts and promotional offers and events. They will be updated depending on special occasions and seasonal promotions such as Christmas, New Year, etc. at that time. It will be a short-term discount price which is offered to stimulate the sales.

Furthermore, when coming to the salon, new customers will be offered client-loyalty cards like in the figure 29. So that the customers will have desire and motivation for getting more points by coming to the hair salon more frequently.

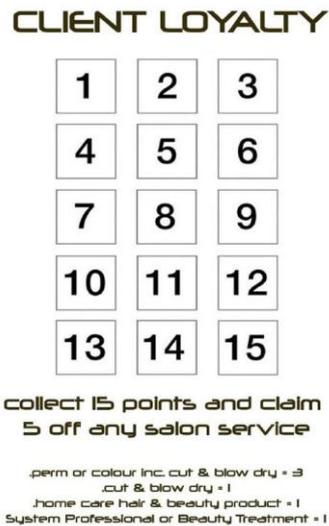


Figure 29: Client loyalty card sample

Finally, in order to attract the large walk-through traffic base, there will be displays of products in-store, eye-catching advertising banners and logo out-doors of the Studio K.

### 3.5 Implementation

In this phase, a detailed implementation plan is created. The author uses the Gantt chart to illustrate the project schedule, as it is often used in project management in

order to show activities, tasks or events displayed against time. On the left of the chart is a list of the activities and along the top is a suitable time scale. Each activity is represented by a bar; the position and length of the bar reflects the start date, duration and end date of the activity (Gantt Chart 2014). Table 8 is a one-year timeline of the marketing plan for the case company.

Table 8: Gantt chart for marketing implementation

Task	2014					2015						
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July
<b>Finish business planning</b>												
<b>Hire employees</b>												
<b>Marketing plan completion</b>												
<b>Storefront, decorations</b>												
<b>Grand opening</b>												
<b>Viral marketing</b>												
<b>Marketing campaign #1 (Facebook, instagram...)</b>												
<b>Marketing campaign #2 (seasonal discount)</b>					Xmas	New Year	Lunar New Year					
<b>Plan vs. Actual Review</b>												
<b>Marketing control</b>												

According to the timeline, the marketing plan will be finalized in the end of September before the grand opening of the hair salon in the beginning of November. The case company will have a one-month period (October) to do some post-marketing activities like designing logo, banner, brochure, indoor and frontdoor displays. Right after the opening, all the marketing campaigns will be carried out as presented in the table. Moreover, feedbacks of the plan are updated throughout the business operation to evaluate the effectiveness of the chosen marketing strategy. The end of the timeline (around May to July) is the time to review the plan and actual result to make any corrective actions if necessary for the upcoming years of business.

### 3.6 Marketing control

This is the last section of the marketing process. At this stage, the company will evaluate the marketing activities to see if any more corrective actions needed to be taken. The marketing results are measured against the objectives have been set in the marketing plan above. There are several major criteria could be used to measure the effectiveness:

- Revenue: the revenue of the business can be tracked from the daily transactions. And the control of revenue should be carried out monthly and annually.
- Expenses: all the expenses should be recorded and managed monthly and annually to keep track with the financial situation of the company.
- Repeat business: having more profitable loyal customers who continue to purchase the services and products at Studio K after the first time usage.
- Customer satisfaction: maintaining good relationship by keeping contact with the existing customers and get regular feedback on products and services.

## 4 CONCLUSIONS

In the conclusion, the author gives details about the following aspects: findings, reliability, validity, and limitations of the study.

### 4.1 Findings

The main objectives of this thesis are to analyze the hairdressing market of Ho Chi Minh City and propose a practical marketing plan to enhance the visibility of the case company in the market. In Table 9 below, the author summarizes the key findings correspondent to all research sub-questions mentioned in the previous sub – chapter 1.2 of the thesis.

Table 9: Findings of the study

<i>Research questions</i>	<i>Findings</i>
<ul style="list-style-type: none"> <li>- What are the objectives of the case company when entering the targeted market?</li> <li>- How competitive is the target market?</li> <li>- How the company differentiates and positions itself in the competitive market?</li> </ul>	<ul style="list-style-type: none"> <li>- To stand out in the market with the its own competitive edges</li> <li>- To be profitable in the first year</li> <li>- Is highly competitive with low entry power</li> <li>- Competitive prices with the best services provided</li> <li>- Convenience stop for hair care purchasing habit of targeted customers</li> <li>- Adapted European styles in decorating the appearance of the hair salon.</li> <li>- Paying attention to maintain the repeat business with variables type of actions like send an email, a postcard or a catalogue periodically to keep the customers closed and updated with the operation of the salons.</li> </ul>

<ul style="list-style-type: none"> <li>- What is the suitable marketing strategy for the case company?</li> <li>- What are the promotional tools needed for the marketing strategy?</li> </ul>	<ul style="list-style-type: none"> <li>- Convenient location: near some shopping centers, having a large parking space and easy to get to the salon from other main districts.</li> <li>- Viral marketing and social media (due to limited financial)</li> <li>- A marketing mix is emphasized in the study. Four elements of marketing mix: Products, Price, Place, Promotion are deeply examined to give the company practical overviews about the marketing strategy.</li> <li>- Unlike other small salon owners who often neglect the importance of social media strategies, Studio K owner attempt to make use of various trending social media channels like Facebook, Twitter, Pinterest, and Instagram to enhance the visibility of the case company.</li> </ul>
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#### 4.2 Limitations and further suggestions

The emphasis area which the author wants to focus on in this marketing plan is the marketing mix. They are the tactical actions, which are of importance for the start-up company and which Studio K should take into consideration. Moreover, the hairdressing market of Ho Chi Minh City is highly competitive. Therefore, more practical marketing efforts should be made to create the visibility of the case company in the market. Due to the limited right to use unpublished sources gathered from the case company, the author did not indicate a more detailed marketing budget plan for the marketing strategy.

Moreover, the author is suggesting a contingency plan for the case company to prepare itself to cope with surprising obstacles during the business operation. In the table below, the author presents variables risks and proposes corrective actions.

Table 10: Contingency plan for Studio K

<i>Risks</i>	<i>Actions</i>
<ul style="list-style-type: none"> <li>• Problems generating enough sales after three first month of opening.</li> <li>• Low on cash-flow due to the quiet of the business</li> <li>• Fell to achieve customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluate marketing activities and take corrective actions.</li> <li>• Create more marketing campaigns to attract customers.</li> <li>• Consider to gather more capital from the regional banks or any personal sources of the owner to pay rents, salaries and to continue the business.</li> <li>• Continuing receive feedbacks from customers to identify the problems of the business.</li> <li>• Having a team meeting frequently between staffs to understand the employees and the operation of the business.</li> </ul>

### 4.3 Reliability and Validity

#### **Reliability**

To conduct this thesis study, the author uses various sources of data including academic published resources from the internet and earlier studies. For the theoretical framework, the primary data used by the author are mainly unpublished resources from the case companies. Some secondary data are exploited are books, journals and articles. Referring to the empirical part, the analysis was done thanks to the interviews with the case company owner and one professor who are working in the targeted industry. Therefore, the research is considered highly reliable.

#### **Validity**

The research was carried out according to the mutual agreement between the researcher and the case company owner. With the hope to assist the case company, a detailed and practical marketing plan is designed. In the implementation seen in section 3.5, the timeline to conduct the marketing campaign for the case company is a one year period. In other words, this thesis study is considered to be valid.

## 5 SUMMARY

This thesis aims at analyzing the targeted hair beauty industry and creating a realistic marketing plan for the case company. In order to accomplish the primary purpose of the study, the author has divided the structure into two parts, theoretical framework and empirical section. Collected data for the theoretical framework are mostly from published sources; and for the empirical part, the author's own observations and experiences are used. With the purpose of getting more accurate information, some interviews with the case company's owner and people related to hair beauty industry were carried out.

In the theoretical framework section, the author introduced general ideas about the marketing process including market analysis, customer segmentation, marketing plan. The author goes deeply into presenting the marketing mix.

In the empirical section, first of all, the targeted market was examined with the use of Porter's Five Forces tool. Secondly, the author gave an overview of the case company and developed a practical marketing plan. Moreover, this thesis mainly focuses on the main tactical tool of marketing, which is marketing mix. By employing the theories from the theoretical framework part and gathered information from analysis of the target market, case company and the tactical marketing tool, the marketing plan for the case company is completed.

With this marketing plan, the author believes that the case company could get off to an impressive start with this business and have a first profitable year in the competitive market. In the long run, the case company is aiming to become a high-class complex spa hair salon. It is highly advised that further research be carried out about the spa industry and any related matters in order to achieve the future objectives of the case company.

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## APPENDICES

### APPENDIX 1

### INTERVIEW

Structure of the interview with Ms Kelly Truc Tran, owner of Studio K hair salon

*Date: 25.08.2014*

*Interviewer: Ha Phuong Vuong*

1. What is the interviewee's judgment about the spa and hair salon in general?
2. What does interviewee's point of view about the competitiveness of Ho Chi Minh City market?
3. What is the business model of Studio K?
4. What are the competitive advantages of the Studio K?
5. Who are main customers of Studio K?
6. What kind of services does Studio K offer?
7. Does the hair salon have any additional services or activities?
8. Does Studio K also sell hair-care products or just provide hair services only?
9. How often is the training program of Studio K? Are there any?
10. How to manage the cash flow of the business effectively?
11. Are there any concerns about the financial situation of Studio K?

Structure of the interview with Mr. Hoang Long Le, professor at JBart Hair Academy

*Date: 27.08.2014*

*Interviewer: Ha Phuong Vuong*

1. What is the major of the interviewee?
2. How long has the interviewee work in the hairdressing industry?
3. Since when did the interviewee become a profession at JBart Hair Academy?
4. What is the interview's judgment about the hairdressing industry of Vietnam in general and Ho Chi Minh City in particular?
5. How long has the JBart Academy established?
6. How many students are estimated to study and do training at JBart Academy per year?
7. How often are students at JBart Academy open their own salons after training programs at JBart?
8. Does JBart Academy provide enough knowledge and skills for a student to run his or her own shop after the training program?

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