

# Global Brands Management by Customer Experience

: A case study of Shiseido Group

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**Abstract:** The aim of this paper is to employ an integrated customer experience approach involving strategic experience modules (SEMs) to analyze management of global brands in a company. With the increasing number of choices available to consumers, brands are increasingly playing an important role in differentiating companies from each other. Given this, companies should make the effort to promote their brand images not only through diverse products and services, but also by improving customer experiences, which may affect customer evaluations of brands. To measure these experiences, we apply SEMs. SEMs composing of *sense, feel, think, act, and relate* are useful for understanding experiential value in general. In this paper, we focus on Shiseido Group, a major cosmetics brand group in Japan. We analyze the strategy of Shiseido Group and conduct a questionnaire survey of Chinese and Japanese women. Our aim is to clarify the differences between Japan and China with regard to customer experience and evaluation of the brand and to determine the key factors that influence and potentially improve the brand evaluations of cosmetics consumers in different markets. This is helpful in conducting design management as well as improving business strategies and customer satisfaction.

**Key words:** *Experiential Marketing, Global Brand Management, Customer Experience, SEMs*

## 1. Introduction

The American Marketing Association (AMA) defines a brand as a “name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers” [1]. As an increasing number of choices are being offered to consumers, brands have come to play an important role in differentiating one company from another. Traditional viewpoints on branding treat brands as identifiers of company products, and thus, primarily focus on the functional features of products. Such approaches are based on the belief that customers select products based on their functional features and benefits, that products should be described based on these, and that companies should make efforts to improve them. Any other aspects are rarely taken into account. In the fashion or cosmetics industries, such viewpoints are particularly limiting. For example, people choose Chanel No. 5 from thousands of fragrance products not only because of the smell, but also because of the story behind the brand.

Today, with the development of information technologies, people are experiencing a very different way of shopping and consuming. With the help of information technologies, customers are capable of sharing their experiences with others. This means that a new viewpoint on brands has been formed, in which a brand is not just an identifier, but the first and foremost provider of experiences. In the new era of IT, companies not only have to

promote their brand images by diversifying products and services, but also by improving customer experiences, which affect customers' evaluations of a brand. The method of using strategic experience modules (SEMs), which was developed by Schmitt in 1999, can be applied to measure these experiences, and involves the elements of *sense, feel, think, act, and relate* [3]. Using SEMs is one of the most common methods for analyzing and understanding experience through research.

This study was executed independently from Shiseido Co., Ltd., and is only for educational and academic purposes. All responsibility for the content of this paper is taken by the authors. This paper does not intend to introduce Shiseido's future strategies.

## 2. Literature Review

According to Schmitt, SEMs includes *sense, feel, think, act, and relate*, as described below [3].

The *sense* module appeals to the five senses: sights, smell, taste, sound, and touch. The objective of *sense* marketing is to provide different designs, communicate approaches to consumers, motivate customer purchases, and offer unique value. To succeed in *sense* marketing, companies should first understand the needs of consumers and create positive customer impressions.

The *feel* module appeals to consumers' special emotions. The objective of *feel* marketing is to create experiences that range from mildly positive moods linked to a brand to strong emotions of joy and pride. *Feel* marketing is based on direct personal experience. Therefore, it is difficult to create internationally integrated product attributes that provide the same experience anywhere in the world.

The *think* module appeals to customers' creative thinking. The objective of *think* marketing is to create cognitive problem-solving experiences that engage customers creatively. *Think* marketing is mostly used in new technology products, but related campaigns are also carried out in the world of fashion and cosmetics.

The *act* module affects experience through interaction. *Act* marketing strategies are designed to create customer experiences related to the physical body, longer-term patterns of behavior, and lifestyles, as well as experiences that occur through interaction with other people. In *act* marketing, well-trained salespersons are critical to the induction of strong positive emotions.

The *relate* module involves connections with other people, social groups, or more abstract social entities such as nations, societies, and cultures. It also focuses on specific cultures, as cultural values have important implications for face-to-face transactions. *Relate* campaigns must be sensitive to cultural differences and should be designed accordingly. The key to *relate* marketing is to find out which reference groups are appropriate.

The five modules described above all have their own structures, and each module refers to specific experiences. However, experience appeals will create different types of SEMs in most cases, as they are connected to and interact with each other. To succeed in experience marketing, a company should provide experiential hybrids that integrate multiple modules.

## 3 An Introduction to Shiseido

### 3.1 Shiseido in Japan

#### 3.1.1 The Shiseido Group

Shiseido was established in Japan in 1872, and has a history of over 140 years. The company's name, "Shiseido," comes from a Chinese expression in the *Book of Changes (Yi Jing)*. Today, as one of the leading cosmetics companies in the world, Shiseido has expanded its business not only within the cosmetics industry, but also into other areas of business, such as healthcare and food.

The company introduced a new business model in April 2012. The goals of the model were to address changing consumers' purchasing behaviors caused by rapid evolution in information technology and the societal advances made by women, and to turn around the domestic cosmetics business [4]. This business model is structured as a linked model around two websites (Beauty & Co. [2] and Watashi+ [6]) and one existing store network (Figure 1).



Figure 1. New Business Model in Japan [4]

### 3.1.2 Brand Management in Japan

Shiseido's product lines span the "high prestige," "prestige," "middle," and "low" mass segments in Japan. Shiseido's main brands and distribution channels in Japan, as described in its annual report, are presented in Table 1 [4]. High prestige products are distributed at department stores, where counseling is provided by beauty consultants or store employees. In contrast, most low mass products are self-selected, without any counseling provided.

## 3.2 Shiseido in China

In 1981, Shiseido began its business in China at the request of the Beijing government, and commenced offering products at high-end department stores.

### 3.2.1 Brand Management in China

With a development history of roughly 30 years, Shiseido has conducted a channel-specific brand strategy in China, which aims to meet customers' needs in particular sales channels. In the department store channel, Shiseido has developed a China-only brand with a French sounding name, AUPRES, which is a top-end national brand specifically targeted at Chinese women. In the masstige category, Shiseido has reinforced the marketing of its core Za brand and the TSUBAKI brand. Za has been positioned as a global mega-brand for the Asian masstige market, targeting middle-income earners.

The company's annual report summarizes the main brands and distribution channels in China, and this information is presented in Table 2, which shows that the Shiseido has fewer low product lines in China than in Japan. In China, the cosmetics market is highly segmented. Imported brands such as Shiseido, Lancôme, or SKII are priced around 500 RMB or higher per item, while local brands cost roughly 20 RMB. In Japan, there are two kinds of counseling available: value-added counseling provided by beauty consultants at sales counters and counseling advice provided by beauty consultants or store employees. However, in China, full counseling is offered at beauty counters in department stores. The differences in channels of distribution and products may influence consumers' experiences in the two countries (see Figure 2).

Table 1. Main Brands and Distribution Channels in Japan [4]

Category	Major Product Lines	Selling Formats		Distribution Channels		
		Counseling or Advice	Self-Selection	Department Stores	Voluntary Chain Stores	Drug Stores, General Merchandise Stores
High prestige	clé de peau BEAUTÉ	√		√		
Prestige	Shiseido	√		√	√	
	REVITAL GRANAS	√		√	√	√
	BENEFIQUE	√	√		√	√
Middle	MAQuillage	√	√	√	√	√
	ELIXIR	√	√	√	√	√
Low	AQUALABEL		√			√
	Uno		√			√
	INTEGRATE		√			√
	TSUBAKI		√			√
	SENKA		√			√
	SEA BREEZE		√			√

Table 2. Main Brands and Distribution Channels in China [4]

Category	Major Product Lines	Selling Formats		Distribution Channels		
		Counseling or Advice	Self-Selection	Department Stores	Cosmetics Specialty	Drug Stores, General Merchandise Stores
High prestige	clé de peau BEAUTÉ	√		√		
Prestige	Shiseido	√		√		
	AUPRES	√		√		
	MAQuillage	√		√		
	urara	√			√	
	ELIXIR	√		√		
Masstige	PURE&MILD	√			√	
	Za	√	√	√		√
	AQUALABEL		√			√
	TSUBAKI		√			√
	AQUAIR		√			√
Low	SENKA		√			√
	HADASUI		√			√



Figure 2. Different Distribution Channels and Product Displays in China (left) and Japan (right)

### 3.2.2 Main Competitors in the Chinese Market

Foreign companies are taking over a larger market share in the mass market of Chinese cosmetics. Strong multinational brands continue to lead in the cosmetics and personal care markets. In 2010, Procter & Gamble, L'Oréal, Shiseido, Unilever, and Amway were the top five players, and the top ten brands held a total market share of 41.5% [7]. This shows that Chinese consumers are willing to pay more for brands when they choose cosmetic products. Currently, multinational brands have gained a firm foothold in the mid- to high-end and prestige cosmetics market in China. On the other hand, local companies have made strong contributions to the growth of the industry as a whole but mainly compete in the low-end market (see Figure 3).

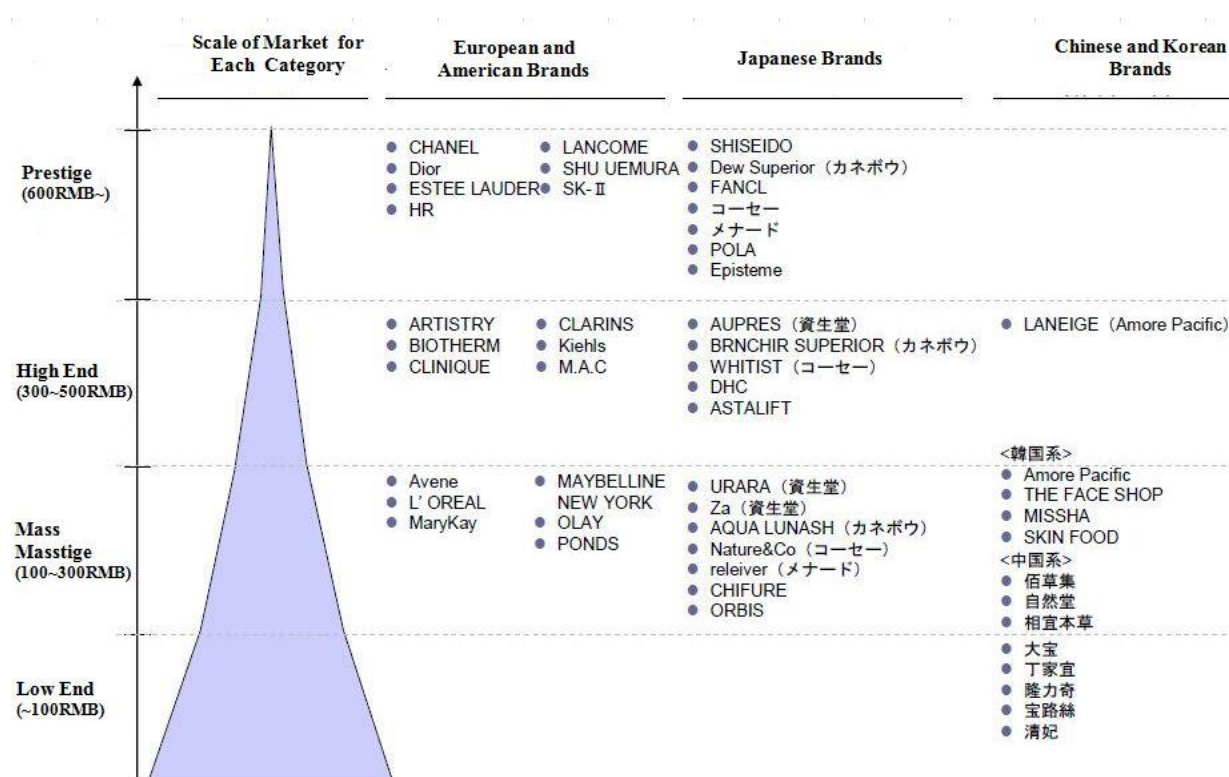


Figure 3. Brand Image in Chinese Market (for lotion 200 ml) [7]

## 4 Research Methodologies and Analysis

Cultures vary across nations and influence consumers' behaviors and performance. In entering different country markets, companies may face the challenge of adapting their business models to specific cultural contexts. What is crucial in such cases is how significant the differences are, and how they influence business. If cultural influences are great, companies should consider adapting localized strategies.

This section presents the results of questionnaires administered to Chinese and Japanese female consumers. The questionnaire was composed of three sections. The first part involved an assessment of experiential marketing. The second part was about consumer behaviors and opinions on their selection of Shiseido cosmetics products. The final section dealt with basic personal information on the respondents.

### 4.1 Questionnaire Design

The questionnaire was based on a measurement of experience developed by Schmitt [3]. Based on this SEM assessment tool, five questions were made for each module. In total, we created 25 questions for our questionnaire (Table 4). Questions 5, 10, 15, 20, and 25 were negatively worded and coded reversely. In this questionnaire, a five-point rating scale with the options "strongly disagree," "disagree," "neutral," "agree," and "strongly agree" was used.

### 4.2 General Research Results

Female cosmetic consumers living in Japan and China were chosen as the main respondent groups in this survey, because most consumers of cosmetic products are female. The questionnaire survey was administered via email in December 2012. The responses of 91 respondents, including 55 Chinese females and 36 Japanese females, were collected.

**Age:** The majority of the respondents were aged 20–40 years; this age group is also the main consumer target group for cosmetic products.

**Occupation:** Of the Chinese respondents, 18% were students and 76% were salaried workers, while of the Japanese respondents, 53% were students and 28% were salaried workers.

**Membership:** Regarding membership, 27% of Chinese respondents and 14% of Japanese respondents were members of Shiseido's Club.

**Frequency of visits to Shiseido shops:** Approximately 47% of Chinese respondents and 80% of Japanese respondents never visited Shiseido shops while 38% of Chinese respondents and 17% of Japanese respondents visited the shops more than once a month.

**Purpose of going to Shiseido shops:** Among the Chinese respondents that visited Shiseido shops, 47% went to purchase products and 40% went to window shop. Further, among the Japanese respondents that visited Shiseido shops, 52% went to window shop and 17% went to purchase products.

**Place of purchase of Shiseido products:** To purchase Shiseido products, approximately 40% of Chinese respondents used drugstores, 36% used online stores, 34% used department stores, and 34% used cosmetics specialty store. Convenience stores used by 4% were the least common place to buy these products. Approximately 11% of Chinese respondents selected "other," which included purchases from duty-free shops at airports or abroad. Of the Japanese respondents, approximately 78% had bought Shiseido products at drug stores; 33%, at department stores; and 27%, at cosmetics specialty stores.

**Product types:** Of the Chinese respondents, 81% often bought skin care products, 40% bought makeup products, and 45% bought hair care products. Among Japanese respondents, 52% bought skin care products, 61% bought makeup products, and 20% bought hair care products.

**Access to Shiseido website:** Approximately 62% of Chinese respondents had visited the Shiseido related homepage, whereas 38% had not. Among the Japanese respondents, 67% had never visited this page. Of the Japanese respondents, 11% and 3%, respectively, had visited the company's new websites, Beauty&Co. and Watashi+, and although these two pages are in Japanese, 11% and 38% of Chinese respondents had visited these pages, respectively.

**Frequency of visiting websites:** The survey showed that 16% of Chinese respondents visited the website almost every day, whereas approximately 88% of Japanese respondents had rarely visited it.

**Online shopping experience:** Approximately 50% of Chinese respondents had experienced online shopping, whereas none of the Japanese respondents had shopped online.

Around 94% of Chinese respondents and 86% of Japanese respondents wanted to purchase Shiseido products again. With regard to the question on overall satisfaction, 45% of Chinese respondents felt good about the products, and 22% felt very good. Among Japanese respondents, 30% felt good and 6% felt very good, while approximately 64% had a neutral opinion about the products.

#### 4.3 SEM Analysis

We averaged the score of each question for the five experiential modules, to find differences between Chinese and Japanese respondents. The calculation was based on the 5-point rating scale in Table 3.

Table 3. Scoring Guide

Strongly disagree (N1: number of samples)	Score: 1
Disagree (N2)	Score: 2
Neutral (N3)	Score: 3
Agree (N4)	Score: 4
Strongly Agree (N5)	Score: 5
Average Score = $(N1*1+N2*2+N3*3+N4*4+N5*5)/(N1+N2+N3+N4+N5)$	

We divided the result into two groups, one for the average score for Japanese respondents, and the other for the average score for Chinese respondents. Then, we divided Chinese respondents into two groups: those with online shopping experience and those without (see Table 4).

Table 4 shows the average scores for each group. For the *sense* module, Chinese respondents had deep impressions of Shiseido's brands, while Japanese respondents paid more attention to the quality of Shiseido's products. For the *feel* module, both the Chinese and Japanese respondents highly appraised Shiseido's service and promotions. With regard to the *think* module, most Chinese respondents believed that Shiseido could make people feel surprised, while the Japanese respondents did not feel that their creative thinking was stimulated by the brand. For the *act* module, customers stated that they would be willing to attend special events such as a beauty seminar. Japanese respondents answered they would not change their lifestyle because of Shiseido. Concerning the *relate* module, Chinese consumers were willing to take advice from Shiseido's beauty consultants. Most Japanese respondents believed that they had not developed their social identities by using Shiseido's products.

Table 4. Results of SEM Analysis

Assessable Aspect	Items	Average Score of Chinese Respondents			Average Score of Japanese Respondents
		With online shopping experience	Without online shopping experience	Total Average	
SENSE Experience	Product quality (+)	4.21	3.89	4.05	4.03
	Attractiveness (+)	4.18	3.81	4.00	3.78
	Brand impression (+)	4.39	4.19	4.29	3.53
	Shopping environment (+)	4.18	3.78	3.98	3.28
	Demand for sense (-)	2.75	3.37	3.05	3.11
FEEL Experience	Reasonable price (+)	3.75	3.33	3.55	2.92
	Service attitude (+)	4.18	3.78	3.98	3.31
	Promotion (+)	4.11	3.78	3.95	3.56
	Healthy, fashionable (+)	4.11	3.63	3.87	3.19
	Effect on mood (-)	2.82	3.37	3.09	3.19
THINK Experience	Curiosity (+)	3.89	3.33	3.62	3.08
	Surprising (+)	4.00	3.19	3.60	2.53
	Related things (+)	3.96	2.89	3.44	2.39
	Imagination (+)	3.71	2.70	3.22	2.50
	Doesn't stimulate creative thinking (-)	2.64	3.52	3.07	3.06
ACT Experience	Feel more confident and more attractive (+)	3.86	3.22	3.55	3.17
	Participate in theme activities (+)	4.07	3.52	3.80	2.75
	Pay attention to beauty and health (+)	4.04	3.30	3.67	3.06
	Prefer to choose Shiseido (+)	3.96	3.33	3.65	2.61
	Didn't make me change my behavior or lifestyle (-)	2.79	3.41	3.09	3.25
RELATE Experience	Establishment of relations (+)	3.57	3.11	3.35	2.33
	Joining the community (+)	3.79	3.15	3.47	1.75
	Belonging to the net community (+)	3.50	2.67	3.09	1.92
	Listening to advice from beauty consultants (+)	4.00	3.63	3.82	3.50
	No social relationship (-)	2.89	3.11	3.00	3.19

#### 4.4 Conclusion of SEM Analysis

The questionnaire was distributed to 55 Chinese and 36 Japanese female consumers, in order to assess their behavior and experiential aspects in different countries. The survey showed that most Chinese consumers preferred to go to drugstores and department stores to buy Shiseido products, but were also willing to buy them online. A high percentage of Chinese respondents regarded their brand impressions as a very important factor. Service attitude was also an influential factor. Some of the middle brands in Japan (see table 1), like MAQuillage, which were mostly sold in drugstores as self-selected products, were displayed in department stores as prestige brands in China (Table 2) with professional counseling services provided by beauty consultants. On the other hand, Japanese consumers valued the quality of Shiseido's products highly. We can thus say that *customers in different countries expect and appreciate different types of experiences.*



When Shiseido entered the Chinese market in the 1980s, there was no cosmetics industry in China. With the country's economic growth since 1979, its people have increasingly been able to pursue personal wealth and self-satisfaction. Women have become wealthier and more sophisticated, and thus, demand higher-quality products. Shiseido entered the Chinese market as a pioneer, introducing a variety of new products to Chinese consumers. In 2012, to celebrate its 140th anniversary, Shiseido introduced special-edition bottles of Eudermine Revitalizing Essence (Figure 4) into Chinese market, which was the first Shiseido's product produced in 1897. The Eudermine lotion was sold in its original red packaging. This limited commemorative edition expressed Shiseido's commitment to combining lasting beauty with constantly evolving science, from the past to the present, and into the future. As red is the luckiest color in Chinese culture, the packaging of Eudermine lotion might have left a strong impression on Chinese consumers.

Shiseido has taught Chinese people much about cosmetics. As the history of cosmetics in China is not a long one, people are eager to learn about cosmetics and share information with friends. This can be seen in the results of the *relate* and *act* modules. In the question about overall satisfaction, the rate of Chinese respondents who answered that they felt "very good" (22%) was higher than that of Japanese respondents (6%). This makes it clear that *culture influences the experiences of customers*.

The average scores for Chinese consumers across all five aspects were higher than those for Japanese consumers, especially in the modules for *think* and *relate*. Many Chinese females are not familiar with cosmetic products, and so in choosing cosmetics, like to get advice from friends or check the Internet, while Japanese females are educated about the industry and do not look for advice, preferring to pay attention to quality. Chinese consumers want to learn more about trends in fashion, and therefore, are willing to attend beauty events, share experience with their friends, take advice from beauty consultants, and so on. There are also *cultural differences in preference for types of SEMs*.



Figure 4. Limited Edition of Eudermine Revitalizing Essence in China [5]

## 5. Suggestions and Conclusions

### 5.1 Suggestions

Given the characteristics of the Shiseido Group and this analysis of the questionnaire survey's results, some suggestions can be made for the company's future business strategy.

#### 5.1.1 Suggestions for the Japanese Market

Since most Japanese respondents (78%) prefer to go to drugstores to buy Shiseido's products, the company should first enhance its basic in-store and value-added activities such as offering customers a chance to try out cosmetic products.

One of the reasons why Shiseido has developed its two websites is to integrate online purchase data with existing stores. The company believes that by using its database, it can increase sales by supporting sales promotional activities. For example, through a customer analysis function, it can provide reports showing the results of analyses, a points program, and the sending of emails, with unique and high-quality content provided by each store at a high frequency. However, as the results of the survey show, Japanese consumers were more willing to purchase products from brick-and-mortar stores, and the data collected from the website is limited.

An alternative choice may be to issue a credit card. Shiseido could launch a co-branded credit card with a bank and fashion magazines (which could be called the "flower card," like the company's member club). Customers approved to receive the Shiseido credit card who activate the card could be eligible to participate in the company's points program. Under this program, points can be doubled after the purchase of Shiseido's products, and consumers can earn points at cosmetics shops where the card is accepted. The customers can also receive new product samples, the latest fashion and beauty information, and attend events such as fashion shows.

With the data provided by the credit card, the company could mine and forecast customer and product data. The credit card data could help the company gain customer and product information more quickly, supporting customer relationship management and product innovation. Customer behavior in each phase could be assessed and analyzed, and the company could efficiently target the most profitable customers and carry out promotions that focus on them as targets.

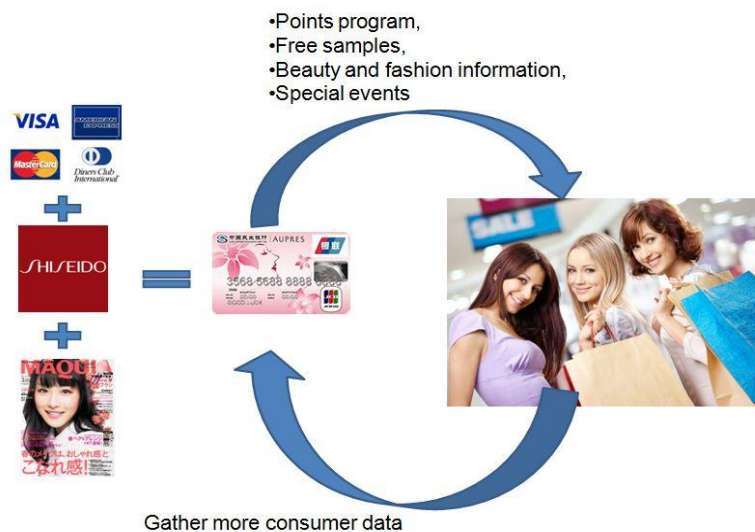


Figure 5. Example of Credit Card

### 5.1.2 Suggestions for the Chinese Market

Based on the survey, roughly 50% of Chinese respondents had online shopping experience. In September 2011, Shiseido opened an online shopping mall in China. However, there was no online service platform like Beauty&Co. in China.

With changes in Chinese customers' purchasing behaviors, many cosmetics brands, such as Kose and L'Oréal Paris, are using B2C platforms to drive sales. In traditional distribution channels, department stores have mainly provided mid-to-high-end brands, while drugstores and other channels have focused on the low-to-mid-end products. However, the market share of both channels declined in 2011, due to the rapid growth of internet retailing. The added-value service provided at bricks-and-mortar stores is one of Shiseido's strengths, which differentiates it from its competitors. It is very important for the company to integrate its bricks-and-mortar business strengths with its new online business.

This study found that Chinese consumers are willing to share their experiences with friends. The average scores for items in the *relate* module were higher than those for Japanese consumers. To enhance its relationships with consumers, we suggest that the company provide a "friend discount" program as part of membership in its club. Consumers who are not registered in the member club could go to shops with the member code of a friend to enjoy discounts or free samples. Friends could then earn special points for purchases made by other friends. Through such efforts, Shiseido could reach more new customers.



Figure 6. Example of Friend Discounts

### 5.2 Conclusions

Customers' experiential aspects with regard to Shiseido are quite different in China and Japan. In general, the behaviors of female consumers are influenced by cultural differences. Female consumers in China are more brand-conscious and like sharing their experiences. Japanese female consumers are more value-seeking and quality conscious. Although the history of the modern cosmetics industry in China is not a long one, Chinese women have come to desire a more feminine image. Shiseido's strategy should be tailored to meet consumers' special needs

and address their experiential aspects. As a whole, the gap between women in China and Japan is not huge, and the women in the two countries actually share many of the same values. To maintain a solid brand image worldwide, the company should also consider cross-cultural similarities. It is better for Shiseido to localize experiential aspects, alongside a standardized strategy.

Analyzing a company's characteristics by using SEMs improves design management, business strategies, and customer satisfaction.

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