



## A brief study on market segmentation of the cosmetic industry

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### Abstract

The Indian cosmetic industry is exponentially developing. It is characterized by regular growth and high competitiveness. This research paper is based on a “brief study on market segmentation of cosmetic industry”. The purpose of this paper is to study on what basis the cosmetic’s market is segmented. The paper emphasizes market segmentation as a crucial factor, which helps in competitive advantages of each of the presented cosmetic firms. The secondary sources are used for the purpose of collecting information of various markets. The research is performed by using the case study method. Firstly, the paper presents the overall picture of the market segmentation. Next part is focused on how the consumers of cosmetic markets are segmented, followed by the description of major cosmetic companies based on the case study.

**Keywords:** case-study Method, cosmetic Industry, segmentation, target market

### 1. Introduction

Marketing involves a number of functions in order to achieve its target. The word marketing is derived from ‘market’ which may be looked upon as an arena for potential exchange, i.e. a place where products can be exchanged by money or anything else. The new concept of marketing focuses on consumer’s satisfaction by producing goods and services. Marketing is a wider term and the term market and market segmentation is a part of marketing. Market segmentation has a wider meaning than the term target marketing. Before defining market segmentation, we should know the meaning of target marketing.

### Target Marketing

Target marketing involves breaking down the entire market into various segments and planning marketing strategies accordingly for each segment to increase the market share. Instead of trying to reach an entire market, a brand uses target marketing to put their energy into connecting with a specific, defined group within that market. The area where company wants to sell its end products to the end consumer is known as Target Market. Target market and target marketing are two different terms. Target market basically relates with the place or area and target marketing refers to the process or activities. There are three interrelated concepts which form the basis for successful implementation of target marketing, these ideas are relate to customer needs, organization objectives and competitive advantages.

### Market Segmentation

A market is defined to be people or organizations with needs or wants and the ability and willingness to buy. These markets are composed of different market segments, a market segment is a subgroup of people or organizations sharing one or more characteristics that cause them to have similar product needs. Therefore, when the market is divided into meaningful, relatively similar and identifiable segments or groups it is called market segmentation. The main objectives of segmenting the markets is to know about

the varying buying behaviour of the consumers so that target consumers can be reached easily by framing various marketing programmes based on such differences of the consumers. Market segmentation enables the entrepreneur to match his marketing efforts to the requirements of the target market. Instead of wasting his efforts in trying to sell to all types of customers, a small-scale unit can focus its efforts on the segment most appropriate to its market.

It is built around the consumers. In other words, the company analyse the needs of the consumers, and the group of these consumers who have similar needs. It tries to satisfy those needs by having common marketing program, without such segmentation, market program becomes haphazard and they lead the company nowhere. A small company with limited resources can select a particular group of consumers and market its products efficiently by selecting the marketing mix suitable that group. There are various benefits of segmenting a market. Some of them are as follows;

1. **Helps to know the marketing opportunities:** Market segmentation helps the marketer to know the marketing opportunities well in time which helps to understand the needs of each segment against the products and thus position his/her products in a better way to satisfy the consumers.
2. **Helps to prepare effective Marketing Programme:** Because of the segmentation sellers can create separate marketing programmes which helps in fulfilling the needs of the different buyers. The sellers can make better adjustments of his products and marketing appeals.
3. **Helpful in Competition:** It helps to know the level of competition in each segment. If the competitor has strong hold on one segment, then there is no use in wasting one segment. However, where competitor’s product fail to satisfy the target group, the management can penetrate in it.
4. **Best allocation of resources:** Segmentation of market helps in best allocation of resources. The different marketing response of the various market segments

helps in allocating the limited resources of the concern. A low marketing budget will be allocated to the segment where marketing opportunities are less and

thus wasteful expenditure of the resources will be prevented.

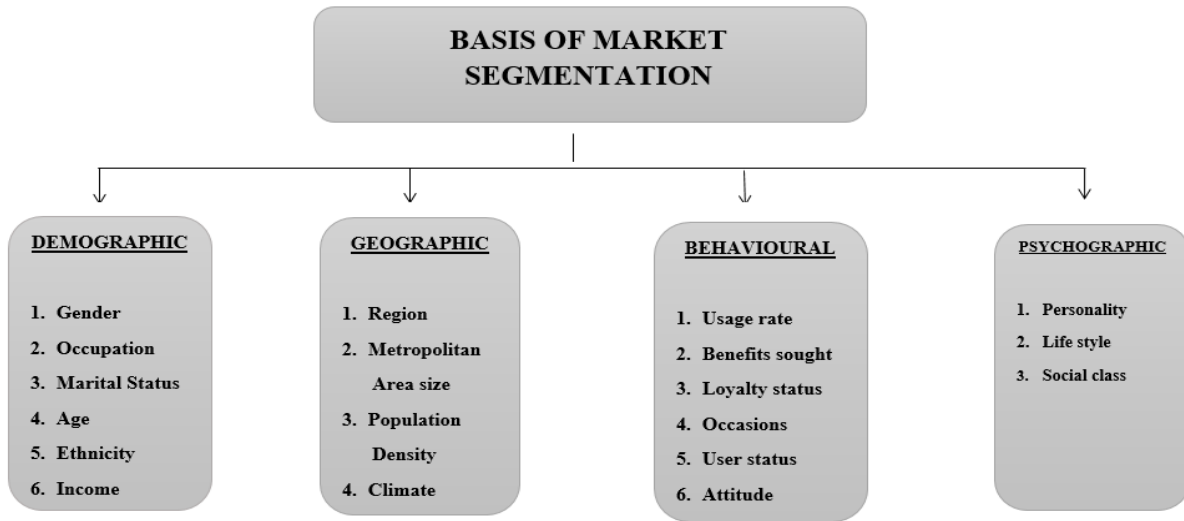


Fig 1: Basis of Market Segmentation

Segmenting the market can be beneficial when these segments are used to make separate marketing programmes for each segment and implementing them. There are various factors which should be kept in mind while segmenting the market for their effectiveness. Some factors are identifiable, measurable, accessible, substantiable etc. The broadest basis for segmenting market is separating the final consumer from industrial users. Final consumers differ significantly from industrial users and as such separate marketing programmes are required for each of the two segments. The consumer market can be segmented on the basis of consumer characteristics like geographic, demographic, Psychographic or on the basis of consumer responses such as benefits sought, use, occasions and brand loyalty which together form a segment called Behavioural segmentation. Different bases for market segmentation are as follows:

**1. Demographic**

This is the most purposeful and commonly used base for the segmentation of market. Some of the characteristics which may be used in this category are gender, age, occupation, income, education, family life cycle and religion. Every individual (i.e. consumer) is grouped in terms of these similarities. These characteristics are commonly used to divide markets, especially since they are readily measured through observation.

**2. Geographic**

Geographic is a simple, yet powerful segmentation basis. Under this, the segmentation of market is based on different regions or areas. The market is divided into different geographic areas such as nations, states, regions or cities, the retailer may distinguish between nearby and distant customer, a local dealer may distinguish as rural and urban, a regional manufacturer may segment into zones like north, south, east and west whereas a national manufacturer may

classify in terms of states, districts, cities, towns etc. The variations in consumption patterns may be due to cultural heritage, urbanization, population density, climate and many more.

**3. Behavioural**

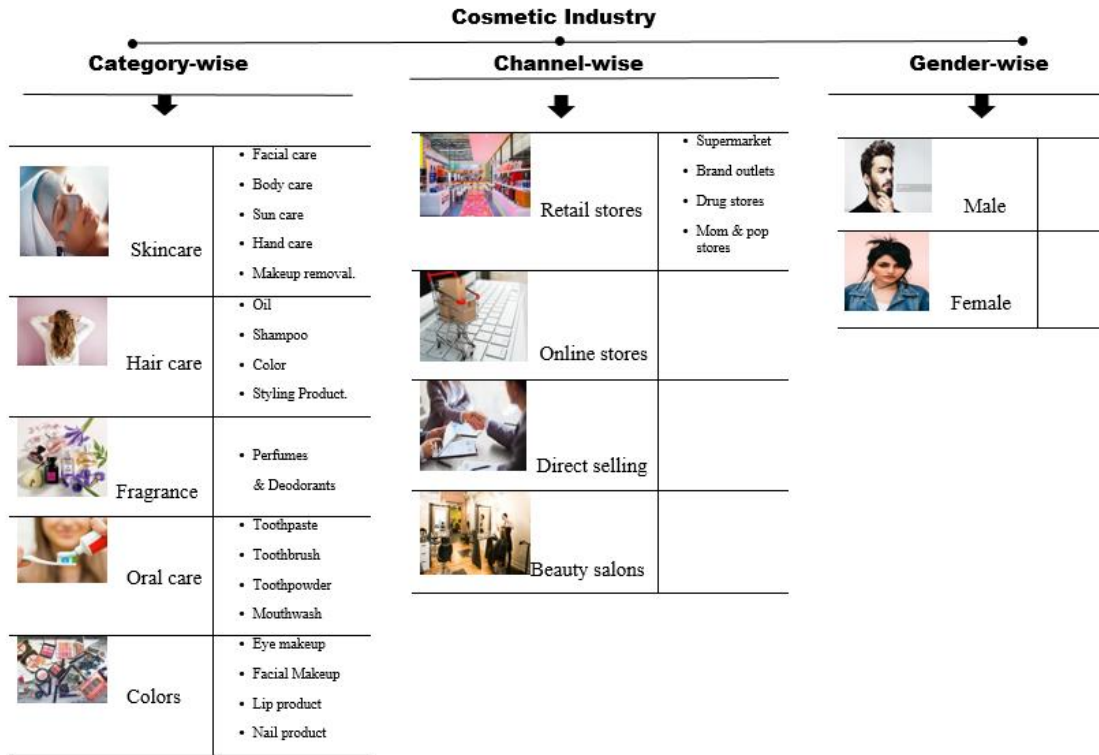
Here the buyers are divided into groups on the basis of their behaviour which may be categorized as knowledge, use or response. Some of the characteristics which may be used in this category are rate of usage, benefits sought, loyalty status, readiness to purchase, occasions, attitude, user status etc. The behavioural variables are believed to be the best starting point for segmenting the market.

**4. Psychographic**

The three most common factors under this category are personality characteristics, motives and lifestyles. Basically, this category focuses on the human characteristics of consumers. It is a method of segmenting market by dividing customers into groups on the basis of their shared personality traits, beliefs, values, attitudes, interests and lifestyles and other factors. This segmentation is used for a better understanding of their customers and to improve their marketing.

**Cosmetic Industry: Segmentation**

The segmentation of market is followed in each and every sector either by industry or by management. The Indian cosmetic industry is continuously witnessing firm growth over the past years. The Indian cosmetic industry is driven by the high personal disposable income of people, rising awareness towards body aesthetics, coupled with increasing demand for herbal cosmetic products. Our Indian cosmetics market report comprises of the following companies as the key players: Himalaya, Biotique, Dabur, Lotus, Patanjali, Coach, the Estee Lauder companies, L'Oréal, Revlon, Avon products, Hermès, Oriflame, Carolina Herrera, etc.



**Fig 2: Different segmentation of Cosmetic Industry**

The Indian cosmetic industry is defined by skincare, hair care, fragrances, oral care and colour cosmetics segments. According to the recent report, the Indian cosmetic industry is expected to witness impressive growth rate in the near future owing to rising beauty concern of both men and women. Today the industry holds promising growth prospects for both existing and new players. There has been a rise in variety of products offered by the industries in the country. The companies have started going for rural expansion and are offering specialized products to generate revenues from all the corners of the country. The Indian cosmetic market which traditionally a stronghold of a few major Indian players like Lakme, and Ponds has seen a lot of foreign entrants to the market within the last decade. The new entrants (foreign entrants) had to work out new innovative strategies and ideas to remain settled in the Indian markets. The cosmetic industry is dominated by a small number of multinational corporations that originated in the early 20<sup>th</sup> century, but the distribution and sale of cosmetics is spread among a wide range of different businesses. Research studies conducted on the cosmetic industry highlight that the cosmetic market fared well even during the Great Recession of 2008. Indian skin care market is segmented into five categories such as facial care, body care, sun care, hand care and other makeup removal and depilatory products. Indian hair care market is segmented into four categories such as hair oil, hair shampoo, hair colors and hair styling products. Fragrance market is divided into two segments viz. Perfumes and Deodorants. Color cosmetics market consists of four broad categories according to their products viz. Eye makeup, Facial makeup, Lip products and Nail products. India oral care market segmented into five categories such as toothpaste, toothbrush, tooth-powder, mouthwash and other oral care products that include dental floss, oral care, chewing gum, etc. India has witnessed income growth of about 10% YOY, enabling large sections of its population to move up the consumption, Fashion and lifestyle pyramid. This had naturally driven demand for organized retail space as opposed of traditional stores. The online market place that has emerged in India a decade ago, Increases its penetration among consumers via innovative promotion and advertising strategies. With the rise in disposable income and growing aspiration to look good, consumer demand for more brands and categories is at an all time high, Both for online and offline retailers (especially malls), growth in fashion is tapering and their focus would shift to thus high growth potential category.

# CASE STUDY: M.A.C

**Founded in March, 1984 at Toronto**

Outlets in India	PAN India
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## Future Prospects

Future expansion strategy	Expecting to be in number 1 position by 2020
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## Headquarter

New York city



## Business size

CAGR	20% Annual Growth
Revenue	\$1B

## Founded by

Frank Toskan &  
Frank Angelo

## Website

[www.maccosmetics.com](http://www.maccosmetics.com)

Fig 3: Distribution and Marketing Strategies of M.A.C



Fig 4: Distribution and Marketing strategies

# CASE STUDY: LOREAL



## Founded in July, 1909 at France

Outlets in India	PAN India
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## Future Prospects

Growth rate	4.2 %
Brand value	23.89 bn US dollars

## Headquarter

Clinchy, France

## Business size

CAGR	+21% Annual Growth
Revenue	58.79 bn USD

## Founded by

Eugene Schueller

## Website

[www.loreal.com](http://www.loreal.com)

Fig 5: Distribution and Marketing strategies of Loreal Paris



Fig 6: Distribution and Marketing strategies

# CASE STUDY: NYKAA



## Founded in 2012 at Mumbai

Outlets in India	Mumbai, India
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## Future Prospects

Growth rate	Targeted 1000 crore by 2020
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## Headquarter

Mumbai
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## Business size

CAGR	30% Annual Growth
Market share	NR 280 crore

## Founded by

Falguni Nayar

## Website

[www.nykaa.com](http://www.nykaa.com)

Fig 7: Distribution and Marketing strategies of NYKAA



Fig 8: Distribution and Marketing strategies

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