

# Mistine

A case study analysis

## **Group 5**

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## 1. Company background and analysis

Mistine is a well-known cosmetics brand in Thailand and belongs to Better Way. Its mission is to create a better way of life. It is also considered as the largest cosmetics depot in Southeast Asia. Mistine uses the direct-selling method and cares about its representatives to be able to induce a desire to its employees to make Mistine the number one cosmetics brand. Therefore, its employees are more active in helping the company to grow. Mistine decided to partner with top business leaders in Thailand, which provides Better Way a useful relations network and resources. Further, the company is thus able to access high quality manufactures and its R&D team can benefit from the partner's knowledge. In addition, the company makes a win-win partnership with Dtac to set up a call center that allows its salespeople to call for free within the Dtac network – which lowers costs both for employees and the company – and Dtac gets new customers from Mistine in return.

Although Mistine divides its target markets into five categories, the core targets are females who are looking for an affordable product that yet possesses a good quality. Mistine also positions itself to be the number one *Asian brand for Asian females*. Because the salespeople belong mainly to the customer's target group, they can identify themselves with the products and the customers can identify themselves with the salespeople. This is one factor why Mistine dominates the direct sales market in Thailand. The assurance of full refunding if the customer is not satisfied with the product is a strategic move to convince low-income households to at least try the product. Because of the good quality, which is achieved through pre-selling inspection, the customers rarely get disappointed and stay loyal to the brand.

The company uses *only* salespeople to sell its products to customers; on the other hand, its competitors have established their own shops as an additional distribution channel. However, using only the direct sales force gives Better Way a lot of benefits.

- It provides convenience to customers since they do not need to travel to stores to buy cosmetics.
- It makes salespeople feel that that they are important to the company since they help generate revenues to the firm. So the salespeople will put more effort into their job.
- It also strengthens the relationship with both customers and sales force, which results in higher loyalty and thus higher revenues.
- Mistine has lower fixed costs than its competitors since it does not need to pay for store operating expenditures.

Instead of using only word-of-mouth promotion like other direct-selling brands, Mistine also uses advertising campaigns to strengthen customer perception of the brand which enables the company to control the messages it wants to communicate to the customer while penetrating into its target market. Mistine was the first company in the market who used mass media to inform audiences about the existence of Mistine, its products and the characteristics of its salespeople. First they introduced the slogan "Mistine is here" to introduce the brand to the market and create high brand recognition. Then they illustrated what are the benefits of being a salesperson of Mistine to create and expand their salesperson network. After its product had covered large area of market, they used celebrities to promote particular

products. The chose stars from Ch 7 or RS, whose reference groups live mostly in rural areas and have a low income. Exactly this is the target group of Mistine, so they tried to build a connection between Mistine and those potential customers using the customer's favorite stars.

## **2. SWOT analysis**

A major tool to analyze the situation of Mistine is the SWOT analysis. It is a tool that analyzes both the internal and the external environment. In order to analyze the internal environment, the strength and weakness of the company must be determined while the opportunity and threat must be determined for an external analysis.

### **2.1. Strength**

The strength of Mistine lies in its leadership of the Thai direct-selling cosmetics market since 1997. They offer a wide variety of products that serve the needs of customers at an economical price. Every Mistine product comes with a satisfaction guarantee. If a customer is not satisfied with a product, full refund will be given back without any conditions. So even people with a low budget will trust and try Mistine's products. Also, the company has a good inspection system. Every product will be inspected and tested before being delivered to a warehouse. Thus, the customer's expectations are being met. Moreover, since Mistine is one of a few direct-selling companies who launched a TV advertisement campaign, they could create a high level of brand awareness among Thai people.

### **2.2. Weakness**

The weakness of the company is a very high turnover rate among salespeople (200%). Most of them sell Mistine products as a second job. Because the brand image of Mistine is female-oriented, it is difficult for the company to expand their product lines to target the men's segment. Thai people perceive Mistine as a lower-income product. They may think that the product does not have a good quality because the company sells it at a low price. Since the success of Mistine depends mostly on its salespeople, it could be a possible weakness in the future if competition among direct-selling companies increases or the power of labor unions gets higher.

### **2.3. Opportunity**

Mistine has an opportunity to increase its sales since the total direct-selling market is growing at a rate of 15% per year. Only the cosmetic market accounts for over 55% of the total amount. More than that, Thailand also has a good relationship with neighboring countries. This will be an opportunity for Mistine to expand their business to these countries. Since Thai society is nowadays more open about homo- and transsexuality it would be an opportunity for the company to reach those segments as well.

### **2.4. Threat**

A threat to the company is the fact that there are many direct and indirect competitors in the Thai market such as Avon, U\*Star, Amway, Giffarine, and Cute Press. Also the international competition will increase in the future. Because Mistine products are dispensable goods and their target group is price sensitive, it will be hard for the company to generate sales during an economic downturn.

### **3. Domestic strategy**

After having analyzed the information about Mistine's domestic market, there are several problems that need to be managed including a high employee turnover rate, limited channels of distribution, and an increased competition in the industry.

#### **3.1. Employee turnover**

The rate of salesperson turnover at Mistine is about 200%, which is very high. The reason is due to several reasons. Most of Mistine's salespersons sell the products as their second job aside from their full time job, which leads to a low sense of belonging to the company. In order to create this sense of belonging, it is necessary for the company to construct a good employee relationship to make them feel that Mistine is a part of their life. The program can include beauty training for every salesperson across the country and distribute free samples so that they are able to recommend the products to their customers.

Moreover, Mistine can change its commission strategy to motivate, encourage and inspire the salespersons to both increase their sales and self belonging to the company. Rather than giving 20-30% commission, the company could offer commissions at a progressive rate. In other terms, the more the salesperson sells the higher the commission they receive will be.

#### **3.2. Distribution channel**

The products are only available to the customer through a salesperson, which limits the accessibility of the product for those who do not know any salesperson but are interested in Mistine and know the products through mass media. This fact opens the opportunity to penetrate into those markets and allow the company to increase both its customer base and revenue.

In order to be able to reach these customers, Mistine needs to add additional channels of distribution such as phone ordering, an online store and presence at convenient stores or even supermarkets. By having limited items available in those locations the company will be able to sell the products to customer who may not have access to any salesperson or to those who are too embarrassed to buy the product in front of others.

#### **3.3. Competitors**

In order for Mistine to maintain its market leadership in the industry while the competition is increasing both in the direct-selling and in the traditional market, the company needs to explore new possibilities.

The company should continue to have constant advertising campaigns and develop new products. If Mistine wants to penetrate into the men's segment, the company should create another brand in order to prevent the customers to misperceive the product's position, since Mistine is perceived as a women's cosmetics brand. Because the company has already developed new products for males and there is a trend for men towards using cosmetics, it will be reasonable to perform the action immediately.

#### 4. Global strategy

Apart from a further penetration of the domestic market Mistine's main opportunity lies in the expansion to international markets. Mistine should therefore focus on neighboring countries such as Vietnam, Malaysia, Singapore, Taiwan and China. The cultures of those countries are also similar to the Thai culture and the slogan "products that are developed and formulated especially for Asian women" will also appeal to those women. When penetrating international markets Mistine will face the following difficulties:

- **Consumer Behavior:** In different countries consumers will respond differently to advertising, product positioning and the kind of distribution. Also the willingness to spend a certain amount of the income for cosmetics differs among countries. Another important factor is the consumer's willingness to switch the brand.
- **Purchase Power:** People living in different nations have a different income.
- **Laws:** Other countries have different laws regarding distribution, manufacturing and advertising. If the products are being manufactured in Thailand, there might be import tariffs.
- **Competition:** There are companies like Clarins or Kanebo that are international brands and appeal more to the upper middle class section.

Having these difficulties in mind we suggest an expansion strategy for Mistine. Having defined the countries of distribution we will show the suggested strategy concerning the 4 Ps:

- **Product:** During the first years of expansion the company should offer only a narrow palette of selected products to limit our administrative costs and not to overwhelm the new consumers who are not familiar with Mistine's products. The products will be labeled in the nation's language. The package design will also be appropriate for the market.
- **Price:** The price will be set in each segment to appeal to the middle-income class households. This is a different strategy than Mistine is pursuing in the Thai market. The reason to this change is that foreign markets, especially the Chinese market are easily able to cut our prices since those companies don't face import tariffs or shipping costs. The middle class segment is also that segment which has the best access to shopping malls, where we want to distribute our product. Low-income households live usually in rural areas where Mistine does not have any personal connections nor experience with other cultures than the Thai culture.
- **Place:** The company will distribute our product in small "Mistine beauty shops" located in shopping malls or shopping areas. We hope to reach a lot of potential costumers and increase the brand's awareness among international markets. Another distribution channel will be exclusive deals with hair salons that can try our product at discount and promote it to their costumers.
- **Promotion:** We want to achieve high brand awareness and thus a good mouth-to-mouth propaganda. With TV ads and especially ads in women's magazines with information about shop locations and discounts we want customers to try Mistine. Mistine will be positioned as a middle-class brand with a lot of experience for the Asian skin.