JÖNKÖPING INTERNATIONAL BUSINESS SCHOOL
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Foreign Market Analysis

Should oriflame enter France?

Master thesis within International Marketing

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INTERNATIONELLA HANDELSHÖGSKOLAN
HÖGSKOLAN I JÖNKÖPING

Utländsk marknadsanalys

Bör oriflame gå in i Frankrike?

Magisteruppsats inom internationell marknadsföring

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Master Thesis in International Marketing

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Abstract

Background

The global marketplace today encompasses 6 billion people. Many companies are beginning to see themselves as international rather than national acting on a global arena. An essential aspect of going abroad is to know where to go and why to go there. In order to be able to analyze a foreign market a company needs to do market research in the foreign market as to gather essential information. A firm which is facing a quick internationalization process is the Swedish direct sales firm of cosmetics Oriflame. Oriflame has grown quickly in developing countries but is not present in one of the biggest market for direct sales in Europe: France.

Purpose

The purpose of this thesis is to develop a theoretical framework to analyze foreign markets and apply it to the French market of direct sales in cosmetics and Oriflame.

Method

A qualitative study based on the 5 Cs framework for analyzing foreign markets has been carried out. Seven focus groups have been conducted in France and Sweden in order to obtain information about and comparability in consumer attitudes towards Oriflame's marketing mix. Interviews have been conducted in order to get information about Oriflame as a company. Secondary data has been gathered from different sources for the theoretical framework as well as for the empirical research on issues such as culture, competition and market.

Conclusion

This thesis has developed a theoretical framework to analyze foreign markets called the 5 Cs. The 5 Cs are based on: Company, Constitution, Competition, Customers and Culture. The 5 Cs is a very general framework and can be applied to a wide range of foreign markets and firms and was in this case applied to analyze a real world case of Oriflame and France. The analysis of the empirical findings found that there is potential for Oriflame to enter the French market in terms of consumer preferences and general market characteristics. However, it also found that what will probably determine everything in the end is whether Oriflame can be strategically committed to enter a mature West European market like France.

Magisteruppsats inom Internationell Marknadsföring

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Sammanfattning

Bakgrund

Många företag börjar se sig själva som internationella mer än nationella och agerar på en global arena. En viktig aspekt i att ta sig utomlands är att veta var och när. För att kunna göra en utländsk marknadsanalys så måste företaget göra en marknadsundersökning i det utländska landet och få in information. Ett företag som just nu är inne i en intensiv internationaliseringsprocess är Oriflame är det svenska företaget inom direktförsäljning av kosmetka Oriflame. Oriflame har växt snabbt i utvecklingsländer men är inte närvarande i en av de största marknaderna för direktförsäljning i Europa: Frankrike.

Syfte

Syftet med den här uppsatsen är att utveckla ett teoretiskt ramverk för att kunna analysera utländska marknader och sedan applicera detta på den franska marknaden för direktförsäjning av kosmetika och Oriflame.

Metod

En kvalitativ studie baserat på de 5 C:na ramverket för analys av utländska marknader har utförts. Sju stycket fokusgrupper har annordnats i Frankrike och Sverige för att kunna få information om franska och svenska konsumenters attityder i relation till Oriflames marknadsförings mix och för att kunna jämföra resultaten. Intervjuer har utförts för att få mer information om Oriflame som ett företag. Sekundär data har samlats in från olika källor för det teoretiska ramverket och liksaså empirisk forskning på områden som kultur, konkurrens och marknad.

Slutsats

Den här uppsatsen har utvecklat ett teoretiskt ramverk för att analysera utländska marknader som kallas för de 5 C:na. De 5 C:na är baserade på: Company, Constitution, Competition, Customers och Culture. De 5 C:na är ett väldigt generellt ramverk och kan bli applicerat på en stor mängd olika marknader och företag men har i det här fallet anpassats till en studie på Oriflame och Frankrike. Analysen av det empiriska materialet kom fram till att det finns potential för Oriflame att gå in på den franska marknaden i termer av konsumentpreferenser och marknadsinformation. Det som dock kan avgöra i slutändan är huruvida Oriflame har som strategisk målsättning att satsa på en mogen västeuropeisk marknad som Frankrike.

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1 Introduction

This chapter will introduce the preface and background of the thesis. The problem and research questions will put forward what to be researched and why it is interesting and also be linked to the purpose. Limitations will illustrate the scope of the study and definitions will clarify terms used in the thesis.

1.1 Preface

We decided to write our master thesis within international marketing in early 2006 at Jönköping International Business School. The topic of the thesis would be a combination between our interests. Marion Jarne is a French exchange student who did internships for cosmetic firms like L'Oreal, Henkel, and Colgate-Palmolive in France, and would like to write about the French market and cosmetics. Michael Tunbjer is a Swedish student with great interest for international marketing as well as the process behind foreign market selection, would like to write about how to analyze foreign markets. After some screening of candidates, the perfect candidate Oriflame was contacted. We noticed that Oriflame, being one of the leading firms within direct sales of cosmetics in the world, was not present in France. Thus we contacted Oriflame and asked whether they were interested in a market analysis of the French market of direct sales. The regional director of Oriflame Western Europe, Jonas Hedberg, contacted us soon afterwards and said Oriflame might be interested in such a study.

1.2 Background

Marketing products and services around the world is not a new phenomenon. It has been done for thousands of years. Products have been traded across borders throughout human history, extending back beyond the Silk Road that once connected the East to the West from Xian to ancient Rome 2000 years ago (Kotabe & Helsen, 2004). The global marketplace of today consists of a population of 6 billion people and many firms today see themselves as international rather than national. The competition from foreign countries on the home-market forces national firms to go abroad as well to become more competitive (Doole & Lowe, 2004). The world is shrinking fast. Ease of travel and communication means that whenever one talks of marketing one should talk about international marketing. Any firm selling its products to more than one country is involved in international marketing and should plan its international strategies in an integrated and structured fashion (Majaro, 1982). The decision to go abroad or which foreign market to choose is not always easy. The firm needs a lot of information and research about the foreign market in order to know whether the market is actually attractive or not (Hollensen, 2004). Johnston and Beaton (1998) argue that the single most important factor in foreign market selection is the fit between the organization, its management, its product and the specific market. They also stress the importance of having good market research and blames the lack of it as one of the main reasons why many firms fail when going abroad. Wood and Robertson (2000) argue that a foreign market analysis should contain a certain list of factors of the foreign market such as political factors, market potential, economical factors, culture, infrastructure and legal factors to be successful. Solberg (1997) suggests that if a firm is lacking of international experience and has a weak position in the home market it should refrain from going abroad all together.

A multi-national firm which is facing difficult decisions whether to enter specific markets or not is Oriflame; Oriflame is present in over 55 countries around the world and has approximately 1,7 million consultants working as independent sales people. Even though Oriflame is Swedish and is located in Western Europe (Oriflame, 2005), it is not present in one of the most important market for direct sales or cosmetics in Western Europe: France (Euromonitor, 2003). Oriflame was present in France in the 70's and 80's but left in the early 90's according to the regional director of Oriflame Western Europe (Jonas Hedberg, personal communication, 06-03-15). The reason they left the market was due to managerial inconsistency and problems with the social security laws of France in direct sales according to the former national manager of Oriflame Netherlands, who was working in Oriflame at the time they left France (Jack Goelst, personal communication, 06-03-23).

Jesper Martinsson, COO of Oriflame, claims that the main reasons Oriflame has chosen not to enter the French market again is that Oriflame has invested most of its energy in expanding in developing countries such. According to him the French market is too mature with too much competition and the social security laws for sales consultants is too complicated (Jesper Martinsson, personal communication, 06-05-29).Oriflame has also experienced problems in other big Western European markets like the UK which Oriflame recently let go off as a franchise after having run on loss for several years (Oriflame, 2005). According to Patrik Linzenbold, manager of investor relations of Oriflame, the reason Oriflame left the UK was due to strategic inconsistency and management problems (Patrik Linzenbold, personal communication, 06-04-28). Today Oriflame is faced by competition from other multi-national direct sales firms of cosmetics like Avon on a global level (Jonas Hedberg, personal communication, 06-03-15). This situation resembles what Doole and Lowe (2004) refers to the type of competition in which each country on the global marketplace is like a piece in a game for who will have the highest growth, the highest profit and be the market leader worldwide. In this type of competition one could ask oneself whether Oriflame can afford to not be present in France, the third largest market for direct sales in Europe (Euromonitor, 2003).

1.3 Problem

Marketing research is fundamentally important in the international marketing process. Even though it can not reduce the uncertainty to zero it can ensure that decisions are being made on knowledge rather than guessing (Doole & Lowe, 2004). Doing international market research does not differ much from domestic market research. The objectives, tasks and methodologies are similar but the scope, issues, complications and inevitable cost of international marketing research make it a very specialized activity. Marketing research always demands a very clear comprehension of the reasons for the research. International marketing research requires an even greater understanding of which resources to allocate to a multinational study and the results which might come out of such expenditure (Majaro, 1982). If a firm does not do its foreign marketing research in the right way it can often prove a costly mistake (Kotabe & Helsen, 2004). According to Andersen and Buvik (2002) many firms in reality do not even do a systematic market analysis when going abroad.

Instead, they rather use a rules-of-thumb approach. Majaro (1982) states this as a reason as to why many firms fail in their internationalization process.

Thus the issue of how to conduct a foreign market analysis is of general interest. Not only does an analysis need to include certain factors but it also needs to be practical enough to be used by firms in reality. Doing an analysis of the French market for Oriflame could be a good way to first be able to develop a theoretical framework, then showing how to test it and finally illustrating which results that type of analysis could generate.

1.4 Research Questions

Given that this thesis is focused on analyzing foreign markets it is necessary to know what to do research on and how to do it, thus the first question is:

Which factors should be included in a theoretical framework to analyze foreign markets?

As this thesis will use a real world study of Oriflame and the French market the theoretical framework must be applied to Oriflame and the French market of direct sales for cosmetics, thus the next question is:

How can the theoretical framework be applied to a real world study of Oriflame in regards to entering the French market of direct sales?

1.5 Purpose

The purpose of this thesis is to develop a theoretical framework to analyze foreign markets and apply it to the French market of direct sales in cosmetics and Oriflame.

1.6 Limitations

This study will not give an absolute answer to whether Oriflame should enter the French market or not; rather it will present its research in the form of recommendations in terms of what to consider if entering the French market.

1.7 Definitions

There is some word that we need to define so that the readers have a precise idea from the beginning of the thesis of what they mean and thus avoid misunderstanding.

Analysis: study of such constituent parts and their interrelationships in making up a whole.

Consultant: independent sales contractor working for direct selling companies.

Direct Selling: Direct Selling is the process whereby independent business people, or distributors, market and sell products directly to the consumer without having to make significant investments in the infrastructure normally associated with the establishment of traditional – bricks-and-mortar retail outlets. Multi-level direct selling companies do not own retail outlets, nor do their distributors, and do not in general advertise or promote their products in the traditional retail environment (Euromonitor, 2003).

Multi-level direct selling (also known as "multi-level marketing", "network marketing"): it is a "system of selling in which agents employ other agents and they in turn employ agents, and so on. Other related terms for such schemes include "pyramid selling" (Euromonitor, 2003)".

Person-to-person direct selling: it involves face-to-face sales by a company representative who sells directly to the consumer. Includes door-to-door selling and telesales (Euromonitor, 2003)".

Party-plan direct selling: involves one-to-many sales by a company representative who arranges sales "parties" (Euromonitor, 2003)".

2 Presentation of Oriflame

In this chapter, Oriflame the company, will be briefly presented as it is in focus for the study of this thesis

Oriflame was founded in Stockholm, Sweden in 1967 by the two brothers Jonas and Robert af Jochnik and is today one of the leading cosmetic direct sales companies in the world with over 1,6 million consultants and 5000 employees. Oriflame is a direct selling company with a network marketing plan. Direct selling is a process in which independent sales consultants market and sell products directly to the company without having to make significant investment in the infrastructure normally associated with establishing traditional retail outlets (Oriflame, 2005). The direct selling of cosmetics is a booming and rapidly growing industry, even so Oriflame outperforms the general market index. In 2005 Oriflame's sales increased with 14 per cent up to 765,7 million Euros, the average number of sales consultants increased by 8 per cent and the operating profit landed on 106,7 million Euros (Oriflame, 2005). Oriflame has a product range of more than 600 products in the categories Skin Care, Colour Cosmetics, Fragrances, Toiletries and Accessories. A lot of emphasis is put on constantly re-innovating and launching new products which resulted in that 250 new products were launched in 2005 alone. Oriflame's target group consists of women, men and children who want to use their products as well as people who want to sell them (Oriflame, 2005).

The overarching goal of Oriflame is to becoming the number one direct selling beauty company. In order to get there, the company has four internal strategic cornerstones. 1) *People and Culture* which deals with attain the best professional employees to help make the company the Natural First Choice. Certain steps are being taken towards this by for example launching the Oriflame Management Academy which will educate Oriflame managers in culture, management and provide integration and cooperation within the group. 2) *Network Marketing Focus* deals with the importance of further communicating the appeal of the network marketing plan externally to consultants as well as internally to employees. 3) *Brands and Products* which deals with the continued creation of great beauty products and communication of brands and products to its consumers and consultants. The slogan "Natural Swedish Cosmetics" will further be used to communicate the Swedish origin as well as the honest and straightforward way the company works and its inspiration from nature. 4) *World Class Service* deals with the importance of delivering a world class service to consultants and consumers. Oriflame should continue to use the interaction with consumers and consultants as an opportunity to differentiate the company from competitors (Oriflame, 2005).

Oriflame mainly uses two marketing tools: the mouth-to-mouth method through its 1,6 million consultants and its product catalogue. The catalogue is distributed in 6 regional versions, in 35 different languages and 78 million copies around the world. A new catalogue is distributed in every 3 to 4 weeks which means 12 to 18 editions per year. The new editions are used as a way to keep in season and always stay fresh with new products and offers in order to attract customers as well as consultants.

Oriflame is a highly internationalized company and is today present in more than 50 countries. The organization of the company is decentralized with local sales companies taking full responsibility for managing their sales consultants and delivering products. The sales companies are organized into three main areas: Sales & Marketing, Operations and

Finance & Administration. All sales companies have their own warehouse facilities and are nationally managed. All subsidiaries receive global support in terms of marketing, sales, global supply, business development, finance and IT. The company has whole owned sales companies in 45 markets and acts through franchise arrangements with local distributors in 12 countries. The most important market for Oriflame is in Eastern Europe, the CIS & the Baltic which make up for 51 % of their sales. Until 1986 Oriflame was only working in the Western European market. After that a series of successful establishments in other continents pursued. After the dismantlement of the USSR, Oriflame was one of the first direct sales companies to penetrate the CIS and the Baltic region which is a reason to its big success in those areas. Sales increased across all areas of Oriflame operations in 2005 with 16 % in the CIS & Baltics, 16 % in Central Europe & Mediterreanean, 28 % in Latin America, 9 % in Western Europe and 4 % in Asia.

Figure 2-1: Oriflame in the world (Oriflame, 2005)

3 Foundation of the 5 Cs – Analyzing Foreign Markets

This chapter will explain the foundation of the framework used for foreign market analysis in this thesis

3.1 Literature review on analyzing foreign markets

When analyzing foreign markets one needs to take other factors into consideration then when analyzing domestic markets (Hollensen, 2004). At the same time, many of the factors are quite similar. Wood and Robertson (2000) conducted an extensive study on existing literature related to international marketing in order to summarize the main ideas on what type of information firms value when analyzing foreign markets. They came up with six specific categories: 1) Political factors, dealing with political stability in the country and political relations between the country and the firm's host country 2) Market potential, in terms of how big the demand for the products could be, the cost associated with adapting to the local market and the intensity of the competition 3) Economical factors in terms of general economic development in the country and consumer trends 4) Culture, in terms of cultural unity in the country and the distance in culture between the country and the host country of the firm 5) Infrastructure, dealing primarily with the physical distribution infrastructure and market communication infrastructure 6) Legal factors concerning things such as tariffs and laws in general. Jain (1989) found similar results in a literature review on standardization and adaptation research and found five crucial factors firms need to consider when deciding how much they should adapt their marketing program across different markets: 1) Target market, including geographic area and economic factors 2) Market position, dealing with market development, culture, market conditions and competition 3) Nature of product, dealing with the type of product and product positioning 4) Environmental factors, involving the physical environment, legal environment, political environment and marketing infrastructure 5) Organization factors, relating to corporate orientation, headquarters-subsidiary relationships and delegation of authority (Jain, 1989). Kotabe and Helsen (2004) use a 12 C approach to analyze international markets. 1) Country, dealing with general country information 2) Concentration, in terms of the structure of the market segments 3) Culture, dealing with cultural aspects 4) Choices, about competitors 5) Consumption, in terms of general market characteristics 6) Contractual obligations, referring to legal issues 7 Commitment, relating to access to the market and tariffs 8) Channels, dealing with distribution 9) Communication, about promotion 10) Capacity to pay, in terms of pricing 11) Currency, referring to exchange rate and stability 12) Caveats, other factors to be aware of.

The factors mentioned by Jain (1989), Wood and Robertson (2000) and Kotabe and Helsen (2004) seem to relate to what Andersen and Buvik (2002) would call a systematic approach to foreign market analysis. Andersen and Buvik (2002) argue that there are two schools of foreign market selection: systematic and non-systematic. The systematic school proposes a structured and formalized process in selecting a foreign market. The firm should be able to identify choice criteria such as macroeconomic, political, cultural factors as well as market-specific indicators such as market size, competition, channels of distribution and costs of doing business in the market. In contrast to the normative approach of the systematic school, the unsystematic school is more descriptive and aims to describe how firms generally behave. Several studies have found that many firms generally do not use a systematic approach but rather a "rules of thumbs" procedure which might be because of lack of information or opportunism. Research has also found that the nonsystematic approach is more common among smaller companies than large multinational corporations which are use to internationalization. The issue of psychic distance has been discussed as a major factor in the nonsystematic selection processes. Psychic distance is defined as anything that prevents the flow of information between firms and markets including factors such as differences in culture, political systems, language, level of education and level of industrial development (Andersen & Buvik, 2002). The psychic distance method often results in firms targeting neighboring countries since the geographical proximity generally means that the physical distance is relatively small as well (Papadopulus & Denis, 1988). The nonsystematic approach follows in the lines of the Uppsala School, in which a sequential pattern of entry in foreign markets together with an incremental deepening of commitment of each market (Johanson & Wiedersheim-Paul, 1975).

3.2 The 4 Cs

This thesis deals with the topic of analyzing foreign markets. However, in order to understand the background of the framework the factors included in a normal market analysis have been be explained, these factors also constitute the foundation of the first 4 Cs in the 5 Cs framework. According to Kotler (2005) firms operating in a market need to understand and be able to utilize the resources, competencies and strategies they have. This thesis names this component Company as it represents the firm itself and what it has at disposal. Further, Kotler (2005) stresses the importance of firms having knowledge of political and legal factors in the market of which they are operating in. This thesis names this factor Constitution as it represents legal and political factors. Kotler (2005) also emphasizes the need for firms to design their marketing mix in a way which attracts customers. Additionally the firm also needs to know the size of the market and its growth. This thesis names this factor Customers, as it deals with everything concerning the customers and general market characteristics such as growth, size and general economic indicators. Porter (1980) stresses the importance for a firm to understand the competitive forces of the market it is operating in. This thesis names this factor Competitors, as it deals with everything concerning competitive forces. See figure 3.1 for a descriptive framework of the 4 Cs: Company, Constitution, Customers and Competition and how they function in a normal market analysis.

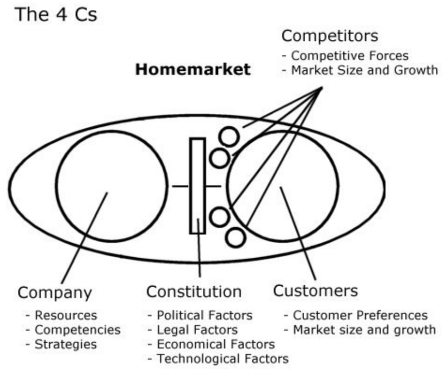

Figure 3-1: The 4 Cs

3.3 The 5 Cs

Comparing the factors mentioned as important when analyzing domestic markets by Kotler (2005) and Porter (1980) with what Wood and Robertson (2000) and Jain (1989) wrote about analyzing foreign markets one finds many similarities. All of the original 4 Cs are clearly represented in the foreign market analysis theories. Even though the concepts might have different meanings in a domestic and in a foreign context they still relate to the same issues. Yet, one of the factors which are mentioned is new: culture. According to Wood and Robertson (2000) culture is a major factor to consider when analyzing foreign markets. It relates to all of the other factors. That is why this thesis adds Culture as its fifth C. Once the firm has analyzed the foreign market it needs to ask itself whether it will enter the foreign market or not, if the answer is yes, it will need to know how much it will have to adapt its marketing program to the new market. See figures 3.2 the 5 Cs.

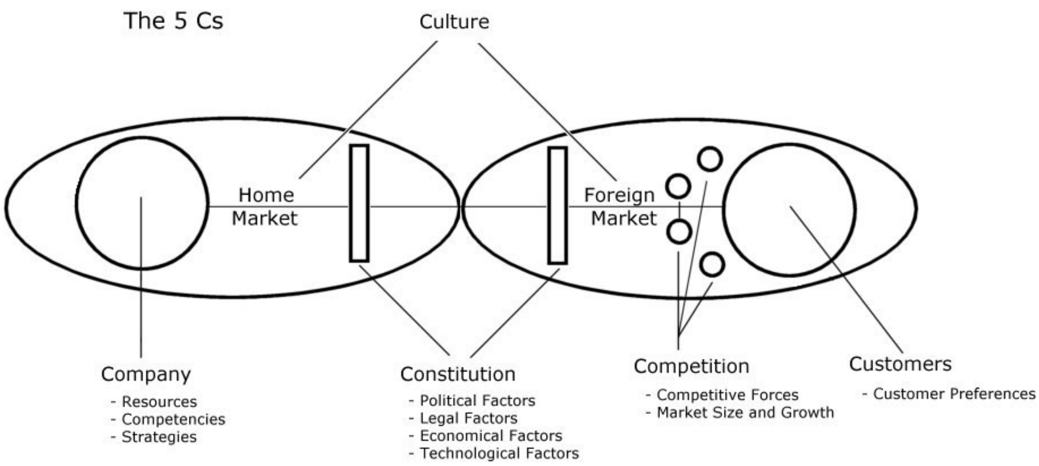

Figure 3-2: The 5 Cs

Company deals with the firm's resources as mentioned in Barney (1991) as well as organizational issues within firm mentioned by Jain (1989) such as strategies and competencies. Majaro (1982) argues that it is essential to find a fit between the firm and the international market. Hollensen (2004) states in order to go to a foreign market the firm needs resources to do so as well as the competence and strategies to utilize them in an efficient way.

Constitution deals with political, legal, economic and technological factors as mentioned by Wood and Robertson (2000) and Jain (1989) as being crucial when analyzing a foreign market. The firm needs to deal with the political and legal factors on the home market as well as on the foreign market. The trade regulations as well as the political relations have an impact on both markets.

Competition deals with the competitive forces within the new market as described in Porter (1980). The firm entering the new market needs to consider issues such as competitive rivalry, threat of substitutes, bargaining power of suppliers and buyers as well as threat of new entry (Porter, 1980). As the competition also relates to the market and things such as market growth and market potential, this thesis will include general market characteristics under this section as well.

Customers deals with the customers of the foreign market and how they perceive the marketing mix of the firm. This can be related to several of Kotabe and Helsen's (2004) Cs such as Channels, Communication and Currency. Hollensen (2004) divides the marketing mix into product, price, place (distribution) and promotion. All of these parts needs to be attractive to the customers of the foreign market are to accept them. Different cultural factors might have an impact on what type of promotion is acceptable in certain cultures and economic factors might influence which price can be feasible (Hollensen, 2004).

Culture deals with the culture of the home and the foreign market as is mentioned in Wood and Robertson (2000) and Kotabe and Helsen (2004). Hofstede (1991) refers to culture as a system of beliefs, values, expectations and goals shared by members of a certain group. It is essential to understand culture and how it relates to all of the other Cs since it deals with people and the society they have created (Hofstede, 1991).

All of the 5Cs are strongly interrelated; each factor depends upon all of the other factors. If one factor is inferior compared to the others, the decision to enter the foreign market might be negative. For example, even if all of the other factors are positive the cultural differences between the two markets might simply be too big which makes it too costly to operate in the foreign market. Another example is that even if all of the other factors are positive, the Company might not have the resources or skills available to enter the foreign market. Papadopolous and Denis (1988) argue that even if some factors are negative on a foreign market other positive factors might more than make up for it such as low political stability put in relation to huge market demand.

3.4 Why the 5 Cs?

The main reason to use the 5 Cs framework over the other frameworks presented in chapter 3.1 is that it is more comprehensive and easy to use. The fact that it is 5 Cs rather than a list of various factors make it more pedagogical than what is suggested by Jain (1989) Wood and Robertson (2000). The reason why it is better than the 12 Cs framework suggested by Kotabe and Helsen (2004) is that it is more comprehensive with 5 Cs than 12 Cs. Even though the 12 Cs model has 7 more Cs than the 5 Cs they roughly include the same factors.

The 5 Cs is a very general framework covering a wide range of theoretical issues which means it can be used in analyzing a wide type of different markets for different firms. This means that in order to be applicable in specific cases certain adjustments might be necessary. For this thesis the framework of the 5 Cs has been adapted to direct selling, Oriflame, France and Sweden. Thus this particular adjustment of the framework is only applicable for the analysis of this study.

4 The 5 Cs framework

This chapter will in more detail explain the underlying framework of each and everyone of the 5 Cs

4.1 Company

This chapter will present Company which deals with the resources, competencies and strategies of the firm for which the foreign market analysis is carried out.

Barney (1991) defines firm resources as all assets, capabilities, organizational processes, information etc. controlled by a firm in order for it to implement its strategy that improve its efficiency and effectiveness. Dollinger (1999) argues that a resource is any thing or quality that is useful. Barney (1991) divides resources into three categories: physical capital resources, human capital resources and organizational capital resources. Physical capital resources are the physical technology used in a firm, its equipment, geographic location and access to materials. Human capital resources are the training, experience, judgment, intelligence and relationships that are possessed by individual employees in the firm. Organizational capital resources are things such as a firm's planning procedures, controls, coordination systems as well as informal relations between a firm and its environment. Dollinger's (1999) division of resources is pretty similar with the exception that he adds reputational and financial. Reputational resources are the perceptions that people in the environment have of the company such as brand or company image. Financial resources are represent money assets such as the firm's borrowing capacity, ability to raise new equity and the amount of cash generated by internal operations.

Barney (1991) argues that a resource may give a firm a competitive advantage or sustained competitive advantage. A competitive advantage is a value creating strategy not currently being implemented by any other strategies. A sustained competitive advantage is the same as a competitive advantage but with the addition that it can not be copied by a potential competitor. A sustained competitive advantage is characterized by four factors: they are *valuable*, they are *rare*, they are *imperfectly imitable* and they are *non-substitutable*. A valuable resource is as suggested earlier valuable because it enables the firm to implement strategies that improve its efficiency and effectiveness. A resource can be considered to be rare when only a few number of firms possess it. A resource can be imperfectly imitable for three reasons: *historical conditions*, *casual ambiguity* and *social complexity*. Historical conditions relate to long-term processes, which have developed over time to acquire the resource. Casual ambiguity exists when the link between the firms controlled by the firm and competitors do not understand their link to its sustained competitive advantage. Social complexity occurs when the resource is part of very complex social phenomena beyond the control of management. The last requirement for a resource to result in a sustained competitive advantage is that it is non-substitutable, i.e. that there is not strategically equivalent valuable resources that are themselves rare and imperfectly imitable.

A competence is an activity or process through which an organization deploys its resources effectively. Competencies can be among individuals as well as organizations (Johnson et al, 2005). A core competence is the collective knowledge of an organization. It is activities and processes through which resources are deployed in such a away as to achieve competitive advantage in ways that others can not easily imitate or obtain (Hamel & Prahalad, 1990). Alkhafaji (1995) lists abilities that are essential for global managers: 1) Ability to perform in a team setting 2) Ability to manage change 3) Ability to manage staff diversity 4) Ability to communicate in different cultural settings 5) Expertise in developing global strategic skills and turning ideas into action 6) Ability to change thinking 7) Ability to create, learn and transfer knowledge 8) The expertise to form joint ventures or strategic alliances. Gooderham and Nordhaug (2003) refer to these types of abilities as *meta-competencies* which they argue are necessary within multi-national companies wherever change is necessary such as in an international context when entering new markets. Andersen and Strandskov (1998) emphasize the firm's competencies in working internationally as imperative when choosing which foreign market to enter. If the company has a high level of experience from entering similar foreign markets then the process will be facilitated.

Ghosal and Nohria (1993) argue that there are four types of international strategies: *global*, *multi-domestic*, *transnational*, and *international*. A global company uses a highly centralized control from the HQ with well-defined roles of the subsidiaries. There is a high level of optimization of different activities, specialization of plants for low costs with economies of scale. There is small adaptation to local markets. This strategy can result in too much concentration and there is little ability to respond to changes. The multi-domestic strategy emphasizes different product/service offerings to local markets. The decision making is decentralized and allows the subsidiaries to act like national companies. The drawbacks of this strategy are that it increases the company cost structure and adaptations might backfire. The transnational strategy tries to optimize trade-off of efficiency, local adaptation and learning. Innovation occurs in the entire firm and it capitalizes on communication and knowledge. The difficulties with this strategy is that it is difficult to find optimal locations and its difficult to achieve knowledge transfer. The international strategy is based on the sharing of the knowledge of the parent company's knowledge and expertise. Core competencies are centralized and only minor adaptations are needed across different markets. The drawbacks of this strategy is that it misses optimization of different activities and are vulnerable to political and economic risks.

Entry strategies that company used to enter international markets are necessary to examined as well. They are *exporting, franchising*, *joint venture*, and *wholly owned subsidiaries* (Kotabe and Helsen, 2004). Hollensen (2004) claimed that the *export entry modes* indicates a process that transfers products of the firm which are manufactured in the domestic market or a third country to the host market either directly or indirectly. According to Kotabe and Helsen (2004) *Franchising* is an arrangement that the franchisor offers the franchisee the right to use trade names, trademarks, business models, and/or know-how of the franchisor's in a given territory for a specific time period, in return, the franchisor gets royalty payments and other fees. The franchising package might include the marketing plan, operating manuals, standards, training, and quality monitoring (Kotabe and Helsen, 2004). In order to expand companies' global operations to enter foreign markets, especially in emerging markets, *joint venture* prove to be the most viable way to do so (Kotabe and Helsen, 2004). According to Kotabe and Helsen (2004), with a joint venture, the foreign company agrees to share equity and other resources with other partners to establish a new entity in the target country. Typically, the partners are local companies, but they also can be local government authorities, other foreign companies, or a mixture of local and foreign players (Kotabe and Helsen, 2004). Last but not the least, some companies prefer to enter new markets with 100 percent ownership namely, *wholly owned subsidiary* (Kotabe and Helsen, 2004). It is also the most expensive method of market entry, because it requires the greatest commitment in terms of management time and resources between headquarter and subsidiaries (Doole and Lowe, 2004).

4.2 Constitution

This chapter will present Constitution, including political, legal, economical and technological factors the firm needs to take into consideration when analyzing foreign markets.

The constitution part deals with some of the macroenvironmental factors, which the firm trying to go international will be exposed to. Doole and Lowe (2004) uses the SLEPT (Social/Cultural, Legal, Economic, Political, Technological) framework to analyze this environment. The Social/Cultural environment however will be analyzed more carefully another a separate section in Culture.

The political environment encompasses any national or international political factor that can affect the firm's operations or decision making (Doole & Low, 2004). A country's political environment could have detrimental effects on foreign businesses operating in that country. Political events or conditions in the host country severely impact the profitability of a business and the security of its investments. This is because of, for instance, government policies and decisions that include changes in tax laws, restricting expatriate employment, and also the expropriation of an organization's investments. Therefore conditions such as government stability, taxation policy, foreign trade regulations, and social welfare policies must be carefully looked into (Johnson et al. 2005).

When going international a firm needs to know what type of legal environment it is operating it. The legal environment relates to all of the element of the marketing mix (Majaro, 1982). The laws constitute the rules of the game for business activity (Doole & Low, 2004). Thus before investing in a country it is of crucial importance to look into the country's legal factors such as competition law, employment law, health and safety and product safety law (Johnson et al. 2005).

Hollensen (2004) and Kotabe and Helsen (2004) divides the political/legal environment into two areas: the home country environment and the host country environment as well as the international environment. The home country environment encompasses issues such as the home political and legal environment affecting international relations. The host country environment deals with issues in the export market. This involves political risks in the export nation as well as legal issues such as import restriction, market control, local-content laws, labor restrictions and more. The international environment deals with issues effecting two or more countries such as trade unions or international trade laws.

A country's economic conditions will directly affect organizations operating in that country. For example, if disposable income increases, people spend more and if it decreases, they cut back spending on certain items. Similarly, the uncertainty in predicting exchange rates means that expected profits may or may not be realized once the foreign currency has been converted into the organization's home currency. Therefore, certain economic factors must be given due attention before investing in a country. These factors include GDP trends, disposable income trends, interest rates, inflation, unemployment rate and the stability of the currency (Hollensen, 2004, Johnson et al. 2005).

The technological environment is essential for the international marketer especially for issues considering communication and gathering information. The Internet has revolutionized the way we do business and IT the way we are able to communicate and store information. Certain nations are more advanced than others in this regard which means that a firm going international must understand the technological environment of the country it is going to (Doole & Lowe, 2004).

4.3 Competition

This chapter will present Competition dealing with issues concerning competitors as well as general market characteristics.

When evaluating a foreign market the firm needs to have some understanding of the competitive conditions on the market. If the competition is too hard there might not be enough room for new entry and if it is not so hard entering the market might be a very worthwhile idea. Porter (1980) developed the *five forces framework* in order to asses the attractiveness of a industry or sector.

The first force is *threat of new entry*. The threat of new entry is based on the extent to which there are barriers to entry. These are factors that will be necessary to deal with for new entrants if they are to enter successfully. The first factor is *economies of scale* which relates to how much cheaper a firm within the industry can produce per unit once production increases. The second factor is *the capital requirements of entry* which deals with how much capital is required to enter a market in terms of setting up the operations, launching a product etc. The third factor is *access to supply or distribution channels* which concerns the availability of channels to get the product to the customers. The fourth factor is *customer or supplier loyalty* which deals with how difficult it is for a competitor to "steal" customers from another company. The fifth factor is *experience* which deals with how easily a competitor can learn or acquire the experience to succeed within an industry. The sixth factor is *expected retaliation* which deals with how the industry will respond to a new market entry. If the retaliation is expected to be forceful then perhaps it is wise to stay out of the industry. The seventh factor is *legislation or government action* which is about legal constraints within an industry or government policies. These issues have been discussed more fully in section 4.2 under Constitution. The eighth and final factor is *differentiation* which handles the issue of how much customers value the differentiation of a product and how easy it is to imitate by competitors (Porter, 1980).

The second force is *the threat of substitutes*. Substitution reduces demand for certain products and customer can switch to alternatives if they seem more attractive. Substitution can appear in different forms. The first form is *product-for-product substitution* which relates to the extent to which a product can replaced easily by another similar product, for example busses substituting for trains. The second form is *substitution for need* which deals with how one product can render the need for another product obsolete, for example do-it-yourself instruction books might reduce the need for trained professionals. The third and final form is *generic substitution* which occurs where products and services compete for disposable income, for example cinemas competes with restaurants for available household expenditure (Porter, 1980).

The third and the fourth forces are the *power of buyers and suppliers* which can be considered together since have similar effects in limiting the freedom and profitability of the firm. *Buyer power* is likely to be high when certain conditions take place. The first is when *there is a concentration of buyers* meaning that the buyers have a high level of cooperation and substantial purchasing power and are able to pressure the suppliers. The second condition is *when the cost of switching* supplier is low and involves little risk. The third condition is when there is a threat of the *supplier being acquired by the buyer*, so called backward integration and might occur if the producer can not get prices at a satisfactory level. From the other perspective, *supplier power* is likely to be high when a set of other conditions are present. The first condition is when there is a *concentration of suppliers* rather than fragmented suppliers with small negotiation power. The second condition is when the *switching costs* from one supplier to another is high. The third condition is when there is a possibility of the *suppliers to compete directly* with their buyers, which is called forward integration (Porter, 1980).

The fifth and final force is *competitive rivalry* which deals with organizations selling similar products and services for the same target group. There are a series of factors that affect the degree of competitive rivalry within an industry. The first one is the extent to which the competitors are *in balance*. When competitors are of a similar size the competition tends to be fierce as one organization tries to gain dominance over another. The second factor is the *growth rates* of the industry. When the growth rate of the industry is high then firms can grow through the growth of the marketplace and not only by taking market shares by competitors. The third factor is the extent of *high fixed costs* in an industry, if they are high and capacity exceeds demand then firms are forced to either cut down on production or enter fierce rivalry with their competitors resulting in lower margins. The fourth factor relates to if there are *high barriers of exit* to an industry. If for example a high level of investment is non-transferable there might be difficulties in companies in scaling down on capacity if it exceeds demand. The fifth factor is once again *differentiation*, the less differentiated products are within an industry the easier it is for consumers to switch products (Porter, 1980).

4.4 Customers

This chapter will present Customers which deals with the consumer attitudes towards the marketing mix of the firm in the foreign market.

4.4.1 Product

Before entering a foreign market the firm needs to have a sense whether the market will accept its product in a welcoming way or not. The product is perhaps the most important thing a company needs to take into consideration in its global marketing mix in order to succeed in a foreign market (Hollensen, 2004). According to Kotler (2005) a product is defined as a good that the firm is offering to the market for attention, acquisition, use or consumption and can satisfy a want or a need. Products do not only consist of tangible goods but also of things such as services, personnel, places, organizations and ideas. The product can essentially be defined on three different levels. The **core product** is the most basic level and addresses the question: *What is the buyer really buying?* The core product stands at the center of the entire product. It is made up of problem-solving services or core benefits that consumers desire. The second level is the **actual product** which is built around the core product such as quality level, features, design, a brand name and packaging. The third level is the **augmented product** which consists of additional consumer services and benefits such as after-sales service, delivery and credit or warranty. Kotler (1997) also argues that when going international the core product is the easiest thing to standardize across different markets where as the augmented level in terms of services, installation, guarantees etc. is the most difficult (Kotler, 1997). Branding is an essential part of the product in international marketing. Branding is linked to the image and what people think about the firm. Branding allows customers to identify themselves with a product and gives them an idea about special features, quality, design etc. of the product. Brands have tangible features such as quality and reliability and more intangible aspects which can bring out a whole range of feelings: status, being fashionable or simply having good judgment by getting the right brand (Doole & Lowe, 2004).

In international marketing literature the country of origin effect (COO) is often mentioned as important when launching a product abroad abroad (Javalgi & White, 2002). Dichter (1962) was one of the first who argued that the country of origin has a considerable impact on the way consumers choose products. According to Verlegh and Steenkamp (1999), the country of origin-research studied the use of country of origin as a cognitive aspect with an informational stimulus about relating it to product attributes such as quality. Since country of origin can be manipulated without changing the product it is seen as a an extrinsic aspect. In this aspect the country of origin does not differ from other extrinsic aspects such as price, brand name or retailer reputation (Verlegh and Steenkamp, 1999). The country of origin may create associations of status, authenticity and exoticness (Batra et al, 2000). It may also link to a rich imagery with sensory, affective and ritual connotations as well as to national idenity which can create a strong emotional attachment to some brands (Verlegh and Steenkamp, 1999). The country of origin is related to popularized cultural stereotypes about different countries. As an example Leclerc, Schmitt and Dubé (1994) found a positive correlation to French-sounding brand names on evaluations of hedonic products such as wine and perfume but a negative effect on utilitarian products like cars and computers (Leclerc, Schmitt & Dubé, 1994). In general consumers have the notion that high-quality products require a highly trained and educated workforce. Thus they believe that such products are of better quality when produced in developed countries (Verlegh and Steenkamp, 1999). Roth and Romeo (1992) argues that that consumers' evaluations of certain products from country X are put in relation to the match between the product and the country. Consumers prefer country X as an origin for the product when they believe there is a match between the strengths of country X and the skills needed to produce the product (Roth & Romeo, 1992). As an example somebody who has a preference for Swedish cars might be explained by the perception of skilled Swedish engineers and the fact that Sweden is a technologically advanced society. Thus the firm needs to take the country of origin effect into consideration when launching a firm internationally.

4.4.2 Price

The basic definition of price is the amount of money charged for a product or a service. In a broader sense it could be defined as the sum of all the values that consumers transfer in order to have benefited for the product or service (Kotler, 2005). The price is the most flexible aspect of the international marketing mix since it can be altered quite easily without very big costs. It is also one of the most important since it's the only aspect which gives revenues to the firm (Hollensen, 2004). According to a study by Simon and Kucher (1993) in 1991 the general price differences in Europe were around 20 % in average with far higher differences in certain products.

International pricing strategies are influenced by four main factors. *Firm-level factors* involves the philosophy and tradition of the firm. It can choose whether it wants to be seen as premium or budget. The request for a high rate of return is another factor which influences pricing decision, many Japanese firms for example usually have a more long-term perspective than Western firms. *Product factors* are based on unique and innovate features of a product and the availability of substitutes. The cost of the product is another factor. Thus the extent to which the firm infers costs by needing to adapt its product to a new international market also has an impact on pricing decisions. *Environmental factors* are external to the firm and uncontrollable variables in the foreign market. These can be made up of government regulations on imports and exports and tariffs. *Market factors* involve things such as purchasing powers of customers and competition (Hollensen, 2004). In terms of launching a product internationally the company needs to figure out which prices to charge in which countries. The ideal price depends on a lot of factors economic conditions, competitive situation, laws and regulations and the infrastructure and development of the retail system (Kotler, 2005) The issue of price can also be related to value. Let's first define what value is: "Value in business markets is the worth in monetary terms of the technical, economical, service, and social benefits a customer company receives in exchange for the price it pays for a market offering". (Andersen & Naurus, pp 54, 1998). Value in monetary terms is defined such as dollars per liter. Benefits are defined as any costs a customer incurs in order to obtain the desired benefits except for purchase and price. Value is defined as what a customer gets in exchange for the price that is paid. The market offering has two basic characteristics: value and price. Thus any changes in the price will not change the value offered to the customer itself, just the propensity for the customer to buy the product. The essence of this definition of value can be illustrated in the following equation:

$$(\text{Value X} - \text{Price X}) > (\text{Value Y} - \text{Price Y})$$

Value X and Price X are the value and price of the company's market offering and Value Y and Price Y are the value and the price of the next best alternative. The difference in value and price equals the customer's desire to purchase. Thus in order to make a sale the company needs to make sure that the customer has a higher incentive to buy its product rather than a competitor's (Andersen & Naurus, 1998). However, value and price are only related to each other if the customer understands the value of the product. According to the price signaling theory the price itself often gives the customer a strong impression about the value of the product. Thus a product with the same value but with different prices might be perceived to have different value by consumers. The higher the price is the higher the value is estimated to be (Tellis, 1986).

4.4.3 Place

Place essentially deals with the concept of **distributions channels**. A distribution channel transfers goods from producers to consumers. It is the link over the time, place and possession gaps that separate goods and services from those who would use them. Most producers use market intermediaries in order to get a product to the market. The market intermediaries are a group of independent organizations which are involved in the process of making a product or service accessible to consumers or other companies. Market intermediaries offer a greater efficiency in reaching the target markets through their contacts, experience, specialization and the scale of their operations (Kotler, 2005). When marketing a product internationally it becomes increasingly difficult for a company to find the right marketing channels. Countries like China and India have huge markets but because of their undeveloped distribution channels the markets are smaller than what they appear for products which can not be distributed correctly (Kotler, 2005). In order to get a good access to the market the company needs not only to sell through its market intermediaries but it must also sell to them. This can be done by motivating the distributors to choose the company's products over competitors and to promote them in a good way to their customers (Kotler, 2005).

A method to be investigated with particular interest of this thesis is direct selling. Direct selling is the oldest known method of commercial distribution known to man with a turnover total of 100 billion Euros per year employing over 40 million people around the world (WFDSA, 2006). However, in many ways direct selling has been largely ignored by marketing literature. In one of the most common marketing books used by university students in marketing worldwide, Principles of Marketing by Kotler, the concept is only summarized in a few paragraphs (Kotler, 2005). Quite often direct selling is confused with direct marketing or pyramid schemes which is completely wrong. Many of the definitions that do exist are ambiguous or do not include the main components of direct selling (Peterson & Wotruba, 1996). Peterson and Wotruba (1996) identify direct selling as "face-to-face selling away from a fixed retail location". WFDSA (2006) also defines it in a similar way calling it a: "the marketing or products and services directly to consumers in a face to face manner, generally in their homes or the homes of others…away from permanent retail locations". Both definitions emphasize the face-to-face selling and the absence of a normal retail location.

Most direct sellers are women and women and most of them work with direct selling on a part-time basis. A very small percentage of the direct sellers are employees of the companies whose products they sell. This means that the direct sellers act as independent contractors being able reap the direct profits of high sales as well as the risks of not making very much money by having low sales (WFDSA, 2006). In the US, 90 percent of the direct sellers were women according to a study in the early 90's. Only eight percent were under the age of 25, 63 percent were between the ages of 25 and 44 and 24 percent were between the ages 45 and 64. Direct salespeople were more likely to hold a high school degree than the average American public but were less likely to hold a graduate degree. 56 percent of the respondents had at least one other paying job. The median household income of direct sales people in 1992 was $28635. The customers buying products from direct sellers are generally younger and have higher incomes than non-buyers according to a study in central Europe. According to another study in the US customers were most willing to buy cosmetics and skincare products from a direct selling company and least willing to buy birth-control. Direct selling as a method of distribution is characterized by the low need for start-up capital, especially for marketing and distribution purposes. Directing selling is often used by entrepreneurs or firms that are low on capital. Direct sales is to a large extent self-funding, especially when independent consultants are used. (Peterson & Wotruba, 1996). According to a study by Peterson, Albaum & Ridgway (1989) consumers cited the convenience of being able to shop from their homes as an advantage with direct selling although the perceived pressure from sales consultants was a disadvantage. It was also perceived more risky to buy through direct selling than through conventional retail stores. .

Generally the products are sold in group presentations, through a so called party plan strategy, or on a person to person basis referred to as network selling. In the party plan approach the direct seller demonstrates the product to a group of guests, invited by a host or in another location in which the selling demonstration takes place or perhaps in the home of the consumer itself. The direct sellers are usually paid through a multilevel marketing system, in which they can either earn a percentage of how much they sell, of how much their recruited direct sellers sell for or get bonuses if they attract new direct sellers. This system is mistaken by some people as a pyramid scheme but the main difference is that all of the money made in direct selling companies is through the sales of products. The start-up fee is often very low compared to pyramid schemes where it is generally very high and recruiting new members is the main priority (WFDSA, 2006).

4.4.4 Promotion

The promotion mix is a company's complete marketing communications program and is a blend of *advertising*, *personal selling*, *sales promotion* and *public relation* tools that the company uses to reach its marketing objectives. Advertising is any paid form of non-personal presentation of a product. Personal selling is a presentation by the company's sales force in order to get sales. Sales promotion is short-term incentives to encourage the sale or a product. Public relations is about building up long-term good relations with company stakeholders. In order to achieve efficient promotion it is essential to understand how marketing communication works. In order for communication to take place at all there needs to be a sender and a receiver. There needs to be a message and a media to send it. The sender needs to encode a message into words, illustrations or symbols and the receiver must decode the message in order to understand it. A way to make the message more credible to the receiver is by using a sender that the receiver trusts or respects. As an example many companies hire celebrities to endorse their products (Kotler, 2005). In order to know who to send the message to the company needs to identify a target audience. The target audience may be potential buyers or current users. The target audience will have a big impact on what is said, how it will be said, when it will be said, where it will be said and who will say it. When a target audience has been found the company needs to determine at which stage in the buyer-readiness scale that it wants to approach the consumers. The stages include *awareness, knowledge, liking, preference, conviction* or *purchase*. If the product is brand new to the market initial market efforts could be directed at creating awareness and knowledge of the product (Kotler, 2005)

Out of Kotler's (2005) communication program tools the main one used by direct selling is personal selling (Kotler, 2005). Direct selling is a push marketing strategy which means that if a direct selling firm is to be successful it needs to focus its entire marketing approach on a push market strategy. Rather than having a strong reliance on mass and impersonal promotion tools such as advertising, direct selling firms rely on the collective effort of its sales consultants to achieve the firm's communication and promotional targets. This means that the promotion of direct sales is tailored to each and every customer to fit their needs and desires. This is especially valuable in product categories where personal attention to individual differences is necessary such as cosmetics and nutritional products (Peterson & Wotruba, 1996).

4.4.5 Adapting or standardizing the marketing mix

One of the trends due to globalization is an increased standardization of products around the world. The obvious advantage of standardizing a product is the cost-savings by being able to produce one type of product for the entire world rather than many different products for many different markets. Reasons for the increased standardization include that international markets are becoming more homogenous, it is easier to define international market segments and many firms are moving towards globalization which increases the pressure to standardize more. However, in some instances standardization might not be possible (Doole & Lowe, 2004).

Hollensen (2004) discuss some of the obstacles that a company might experience trying to export its promotion mix abroad. 1) *Language differences*. A slogan which is working in one language might mean something else in another language. There are many examples of unfortunate translations which have caused big damage to the companies which used them. 2) *Economic differences*. In developing countries the access to modern media channels such as TV and radio might be limited. The literacy rates can often be far lower than in developed countries as well. 3) *Sociocultural differences*. Aspects of culture affect how individuals perceive their environment and interpret symbols and signs. A company needs to take into consideration aspects such as religion, attitudes, social conditions and education. 4) *Legal and regulatory conditions*. Countries around the world have different regulations on the type of messages which are allowed in promotion activities and which ones are not. As an example some countries have strict regulations concerning anything which might be sexist where as other countries have a more liberal attitude. 5) *Competitive differences*. The competition varies from country to country and when entering a new market the company might have to adjust its promotion mix to better fit the new environment in question.

4.5 Culture

This chapter will present Culture which deals with cultural aspects in the international marketing environment.

Culture refers to systems of values, beliefs, expectations and goals shared by members of a particular group that distinguish them from members of other groups (Hofstede, 1991). Culture is always a collective phenomenon since it is shared by other people in the same social environment. Culture consists of unwritten rules of the social game and is a form of collective programming of the mind. Culture is learned and not innate. It can be seen as a the link between human nature, i.e. our most basic instincts, and our personality (Hofstede & Hofstede, 2005). As individuals we generally only become aware of our own culture until we are confronted by others. Certain expressions of culture such as greetings, rituals, dress codes, forms of address and tastes are easily visible where as core value differences are not as easy to see. The main differences in core values between different cultures go back to the question what works for ensuring survival in relation to the surrounding natural conditions (Gooderham & Nordhaug, 2003).

In an attempt to compare cultures across the world, between 1967 and 1973 Hofstede surveyed 116 000 IBM employees in 40 different nations with a questionnaire consisting of 150 questions asking them about their preferences in terms of management style and work environment. The analysis of the questionnaires showed common problems across the world but with different solutions in four different areas (Hofstede & Hofstede, 2005). The first one was *power distance*, relating to the degree of how much inequality the society accepts within organizations. In a country with a high level of power distance the organizations are characterized by a high level of formal hierarchy. In countries with a low level of power distance the employees and the boss are more at equal terms. The second dimension was *uncertainty avoidance*, which refers to the degree to which a society prefers predictability, security and stability. Hence organizations with a high level of uncertainty avoidance will adopt a very formalized structure of the work process in order to reduce uncertainty. People are not willing to take risks and need a great deal of career stability. The third dimension is *individualism-collectivism*, which relates to the level to which people prefer to take care of themselves and their immediate families rather than some larger collective group. In highly individualistic societies this means there will be a sharp difference between work and personal life and people prefer to have a high level of own individual decision making. The fourth dimension is *masculinity-femininity*, which deals with the way societies prefer masculine or feminine values. Masculine societies endorse assertiveness, competitiveness and materialism as opposed to feminine values which emphasizes the value or relationships and the quality of life. In highly masculine societies work is highly task-related and the motivation primarily materialistic where as in feminine societies there is more focus on relationships and social partnerships (Hofstede, 1983). Some years after Hofstede's original work had been published Hofstede and Bond (1988) added a new, fifth dimension to the framework originally called *Confucian dynamism* which was related to time perspective within a culture. Essentially its about the way members in an organization demonstrate a pragmatic future-oriented perspective rather than a conventional history or short-term point of view.

Even though Hofstede's model has been widely used and recited it has also been subject of criticism. It uses nationality as criteria for defining culture but it does not take into account all of the subgroups within a society. The differences within a nation might be just as big as between two separate nations. Another common critique is that all of the respondents in the study worked within one company, IBM, which means that the sample selection is not representative of the whole population. The Hofstede model is also criticized because the dimensions might be overlapping and because different terminology such as collectivism has different meaning in different countries (Hollensen, 2004). Tayeb (1996) objects to the fact that Hofstede's research is entirely based on values which he argues is the worst way to define culture (Tayeb, 1996).

Two studies on direct selling linked to culture emphasized the *individualism-collectivism* aspect as the most important one in regards to direct selling. Fam and Merrilees (1998) did a study on comparing the attitudes towards personal sales in Hong Kong and Australia. They acknowledged Hofstede's other culture factors but chose only to focus on collectivism for their research. The reason for this was that collectivism evolves around relationships of members in a society. The more people regard themselves as a "group" the more direct sales consultants can use their networks and friends to sell products (Fam & Merrilees, 1998) Mendiza, Nguyen and Rosengren (2004) did a comparative study on direct sales compatibility to the Chinese culture. They also emphasized collectivism over other cultural dimensions in order to understand the fit with direct sales and Chinese culture for (Mendiza, Nguyen and Rosengren, 2004).

5 Methodology

This chapter will present the methodological approach of the thesis as well as the method used in practice.

5.1 Scientific Approach

The philosophy used in order to perform research, obtain data and analyze it can have a significant impact on the results of the research. Two people seeing the same things can interpret them in different ways depending on their frames of reference. Thus research needs to be put in relation to the philosophy it uses in order to interpret and obtain results (Chalmers, 1999). There are two main perspectives on research frequently discussed today: *positivism* and *hermeneutics* (Wiedersheim-Paul & Eriksson, 1999).

Positivism was introduced by the French philosopher August Comte in the early 19:th century and was centered around empirical research (Chong, 2003). Positivist researchers contrary to hermeneutic researchers have a very critical attitude to the surrounding environment. The research has its origin in natural science and the purpose is to build conclusions on certain knowledge (Lövblad, 2003). The positivist approach only accepts well-established knowledge and is based on strict formal logic. Critics of this approach claim that this type of research does not generate anything new since it only relies on already accepted research. Critics also claim positivism is too strict with too many formal rules which stifle scientific curiosity (Wiedersheim-Paul & Eriksson, 1999). Positivism was widely used in the early 20:th century but has since been rejected by many research philosophers and is today often considered outdated (Chong, 2003).

According to Doole and Lowe (2004) international market research can not reduce the uncertainty to zero but it can help to make decisions based on knowledge rather than guessing. This is contradictory to the nature of positivism which tries to give an absolute answer based on absolute knowledge. If we applied a positivist approach to this thesis we would first need to understand everything about the French market and then be able to give a very exact answer on whether Oriflame should enter the French market or not which is simply not possible. If international marketing research in general would be conducted with a positivist philosophy it would cost incredible amounts of money and take a very long time and cost more than the value it provided.

Hermeneutic researchers on the other hand have a rather flexible attitude to the surrounding environment. They do not seek single truths or an absolute reality, rather they seeks to interpret the environment from different perspectives. The researcher puts the research into relation to his or her own interests (Thurén, 2002). Hermeneutic researchers view the world as a socially constructed entity based on social interaction and thus it can not be investigated in the same way as methods used for natural science by sheer observation (Blumberg, Cooper & Schindler, 2005). A criticism against the hermeneutic approach is that many researchers within this field use technical terms which people in general have a hard time to understand. There is also a risk that they over interpret the results to the degree that they lose validity (Eriksson & Wiedersheim-Paul, 2001).

According to Majaro (1982) it is essential for the international marketing research to have a deeper understanding of different issues such as culture and language differences. The researcher must interpret the results in order to understand why there might be differences in different countries. Thus the most natural philosophy for this thesis is hermeneutics. The hermeneutic approach allows us to interpret our findings and to put them in relation to each other.

5.2 Choice of method

Having reflected on our philosophical approach the next thing to do is to decide the method of study. According to Hollensen (2004) there are primarily two methods of collecting empirical data when performing a scientific study: *qualitative* and *quantitative*. The choice between these methods can result in different conclusions and therefore it is important the type of method correlates to the purpose of the research (Widersheim-Paul, & Eriksson, 1999).

The quantitative method is strongly linked to gathering evidence which is observable and testable. Researchers must be able to defend and explain their conclusions from a neutral perspective without bias. The results must be valid and reliable (Bryman, 1997). Quantitative studies usually emphasize the gathering of numerical and statistical data in rather large amounts. The statistical data allows for analysis of different variables. The researcher has a rather distanced relation to the respondents which will further aid reducing bias (Blaxter, Hughes & Tight, 2001). The quantitative research requires certain numerical relations which must be measurable and based on universal metrics (Hartman, 1998). This report will use quantitative research already done mainly in order to gather secondary data such as sales statistics and market size. The quantitative research in these fields comes natural since it is necessary to have accurate numerical information for how to estimate how large the French market for direct sales is. Without this type of data it is impossible to estimate the general attractiveness of the French market for Oriflame.

However, this report will not use quantitative research for primary data collection. The reason is that the type of primary research necessary to fulfill the purpose of this report builds on two factors: 1) To understand how French customers would react to Oriflame's marketing mix 2) To understand Oriflame as a company. In order to understand how French consumers would value Oriflame it would not be enough to simply hand out a questionnaire and collect statistical data. As Holme and Solvang (1997) point out the quantitative method uses a too large reliance on numbers. Also, as Hollensen (2004) argues, the quantitative method relies too much on fixed models which means that a lot of useful information could be kept from the researchers. With the study on French consumer attitudes towards Oriflame and direct selling this thesis intends to capture the essence of their opinions, be flexible and be able to see as much of the picture as possible rather than just within narrowly defined borders. For the second part, in terms of understanding Oriflame as a company, interviews with key personnel are necessary in order to gather information since it is no where else to be found.

As the researcher is often unfamiliar with the foreign market to be examined qualitative research is very important in international marketing research. Qualitative research can provide in depth understanding of differences between the foreign and the domestic market (Doole & Lowe, 2004). Qualitative studies cannot be generalized enough to represent a wider population since the samples are too small and not statistically representative (Ritche & Lewis, 2003). However, it aims at gaining a deeper understanding of the perspectives that other people have. All information that results from the research is valuable for the researcher (Taylor & Bogdan, 1984). The qualitative approach is appropriate to use when the purpose of the research demands a deep understanding of the problem, the environment of which it is in and effected by (Patton, 1990). The empirical data in a qualitative study is based upon what is expressed through written or spoken language and observed behaviors. Qualitative information can not be gathered in a standardized way as it can not capture new information or things such as processes and feelings (Straus & Corbin, 1990). In order to conduct primary research, this thesis will use interviews and focus groups, which is what Patton (1990) refers to as the integral parts of the qualitative method (Patton, 1990). Thus the main choice of research method per definition of this thesis will be qualitative. Strauss and Corbin (1990) argue that the qualitative method implies that the purpose of the research is interested in a profound understanding of processes and peoples experiences and how they react to different circumstances (Strauss & Corbin, 1990). This fits well with the purpose of this thesis as to understand the complex process by which French consumers would value Oriflame's marketing mix. Secondly, in order to understand the history, resources, competences, strategies etc. of Oriflame the best method to do so is interviews.

5.3 Method in practice

Kotabe and Helsen (2004) claim that a good practice in international market research is to compare the results between different nations. Cross-country research often requires comparison of indicators between different countries. In some cases the results might be contradictory or hard to explain and a good way to get around that is by researching the same point in different countries and then analyzing why the results are different. Majaro (1982) states that these types of comparisons need to be put in context to language differences, cultural values, consumption patterns, target groups and segments, socioeconomic conditions, marketing environment, information sources and monetary problems.

In order to do a better analysis of the French market of direct sales of cosmetics this thesis compares France to Sweden. This way the results of the French market research can be understood in the context of the Swedish market. Most of the research focus is on France as this is the main market to be researched but in most chapters some comparison to Sweden has been made. The reason Sweden was chosen was because it is Oriflame's original home market and one of its most important markets in Western Europe (Oriflame, 2005). The reason why other markets like Russia or India were not chosen to compare the results with France was because they are further away geographically and most likely culturally as well.

Hollensen (2004) defines two major sources of collecting data in international marketing as primary and secondary. This study has used both primary and secondary sources. Secondary data can be defined as data already collected, therefore readily available (Hollensen, 2004). The secondary sources included scientific articles, text-books on international marketing, international management and culture which were analyzed and of which parts were used to found the theoretical framework of this thesis. Databases with information of the French market such as Euromonitor as well as websites on direct selling such as that of the WSDFA were also analyzed in order to get additional information relevant for the purpose of this thesis.

Primary data can be defined as information which is collected first-hand through original research aiming at answering specific questions (Hollensen, 2004). It is generally more time-consuming and difficult to collect primary than secondary data. (Lundal and Skärvad, 1999). After having tried to find all the available information from secondary data to save time we looked at what type of original research we had to do. The two things that we could not attain from secondary sources was French consumer attitudes towards Oriflame's marketing mix and more in-depth information about Oriflame as a company. Kotabe and Helsen (2004) recommend the use of focus groups in international market research in order to test product concepts. Thus, in order to understand how French consumers feel about Oriflame's marketing mix the choice of method was focus groups. In order to attain more information about Oriflame as a company the most natural choice was interviews as only people working with or having worked with Oriflame knew the type of information we were looking for.

This thesis is using a theoretical framework on evaluating foreign markets based on the 5 Cs: Customers, Culture, Competition, Constitution and Company. Different methods have been used in for the empirical research in all these different parts.

Customers: In order to understand customer response to Oriflame's marketing mix three focus groups plus one pilot group have been carried out among French consumers. In order to put their preferences in relation to another West European market in which Oriflame is successful, three focus groups among the same age-segments have been carried out in Sweden.

Culture: Since it is difficult to do empirical research on French culture, the research on this area has been completely based on secondary sources. The French culture has also been put in relation to the Swedish culture.

Competition. In order to find information about general market characteristics and potential competitors in France secondary data from Euromonitor has been used.

Constitution. In order to understand Oriflame's organization and marketing strategy interviews with senior staff members at Oriflame have been conducted. Second the legal system of direct selling in France has been studied, thanks to secondary data from the website of the French association of direct selling and to the interview of the communication and training manager of the association.

Company. In order to understand Oriflame's resources, competences and strategies interviews with senior staff members have been carried out. Additional information has been gathered from Oriflame's annual report 2005.

5.3.1 Focus Groups

According to Krueger (1994, p.6), a focus group is a *"carefully planned discussion designed to obtain perceptions on a defined area of interest in a permissive, nonthreatening environment"*.

A focus group is a research technique in which data is gathered through a group discussion about a topic which is determined by the researcher. A focus group is suitable when underlying assumptions are supposed to be investigated (Wibeck, 2000). Focus groups have recently become quite popular in academic research (Morgan, 1998) but have established an even larger popularity within practical applications of marketing and advertising. Focus groups are very good at giving companies a better insight on how consumers react to their new products or promotions (Greenbaum, 1993). As this thesis aims to analyze the attitudes of French consumers in relation to the marketing mix of Oriflame, focus groups seem to be a good method. We chose to do focus groups with Swedish consumers as well to have a point of reference.

5.3.1.1 Sample Selection

When doing the sample selection of the focus groups one needs to know how many groups to do. When doing a focus group study the most common number of groups ranges from four to six. This number is generally motivated by that it is enough to get saturated data and little new information emerges after the first new groups (Zeller, 1993). When selecting people to join focus groups one should consider the use of segmentation, which is creating groups that consist of particular categories such as defined by sex, age, income, ethnic background etc. Segmentation has two basic advantages. First, it creates a comparative dimension into the research. Second segmentation makes the groups more homogenous thus facilitating discussion. The most obvious kinds of segmentation are based on the research topic itself (Morgan, 1996). The main purpose of the focus groups in this thesis was to analyze the French consumers attitudes towards Oriflame's marketing mix, but in order to put it in relation to something else the attitudes among Swedish consumers were also researched. Sweden is one of Oriflame's biggest markets in Western Europe and offers an interesting comparison to France. In order to find out if there were differences between different age categories the focus groups were divided into three age-groups: 15-25 years, 26-59 years and 60 years and above. The reason for this division was that girls between 15-25 are typically students, living a flexible single life without children. Women between 26-59 are usually working and in many cases form families. Women who are 60 years and older generally get retired and their children have moved out. These three stages in life might impact one's purchasing patterns and preferences which is why they were used for the age segmentation of this thesis. Also, all of the participants chosen to the study were women. Even though Oriflame also sells products to men, women are still by far the main target group for their products. In Sweden, we paid attention not to recruit women who were currently customers of Oriflame, to gather objective thinking.

5.3.1.2 Preparation

When preparing a focus group one needs to determine the level of standardization in terms of procedures and identical questions in every group. The great advantage of standardization is the high level of comparability it creates across different groups. This comparison is especially valuable when the aim of the research is to compare differences between different groups of participants. The obvious disadvantage of standardization is that one most keep whatever questions and procedures which were chosen from beginning to the end (Morgan, 1996). The questions and procedures planned for the focus groups of this thesis had a high level of standardization. The reason for this was that the purpose of the groups was not only to examine the attitudes towards Oriflame's marketing mix in France, but also to see if there were differences across different ages as well as in regards to Swedish consumers.

The researchers need to determine whether to have structured or unstructured discussions. Groups in which the moderator exercises a higher level of control are labelled more structured. In these groups the moderator manages the group dynamics and makes sure everyone answers the questions and tries to encourage everybody to speak as much. A low moderator involvement generally results in what is called a less structured discussion which means that the group can pursue its own interests. Another important element of structure is whether the moderator asks direct questions or lets the participants speak freely. The more questions the moderator asks the more structured is the discussion. (Morgan, 1996). In the focus groups of this thesis the discussions were planned to be relatively structured. The moderator was supposed to start the discussion by direct questions but then allow for free associations or answers from the participants. The reason for this was to be able to get more in-depth information and information which we did not ask for. However, since the meetings were planned not to be much longer than 60 minutes, and there was a certain amount of questions that had to be answered, the moderator had to guide the conversation back on the target.

There are two different formats for asking questions: the topic guide or the questioning route (Krueger, 1994). The topic guide is a list of topics or issues that are pursued in the focus group, and that are useful for the moderator to remind him of the topic of interest. The questioning route is a sequence of questions in complete sentences. The topic guide approach supposes that the moderator is skilful in spontaneously phrasing the topic into a coherent, single-dimension question presented in a complete sentence (Krueger, 1994). Thus, the questioning route being advised for beginning moderators, we decided to use this method as the moderator of our focus groups will not be professional but will be one of us. Moreover, the questioning route produces more efficient analysis because it reduces subtle differences in questions that could modify the intent (Krueger, 1998a). We created first the questions in English for the focus groups in Sweden, and then translated them in French. Hence, the same questions were asked in both countries. There was only one difference, we asked the Swedish participants if they knew Oriflame, and obviously did not ask this question in France. We created five categories of questions, following the advices of Krueger (1994, 1998a) (see Appendix 1 & 2):

1) Opening question: we ask the participants to present themselves, giving their first name, age and profession.

2) Introductory questions: women are asked about their consumption of cosmetics and their habits.

3) Transition question: participants are asked to read the catalogue during few minutes, in order to give comments afterwards.

4) Key questions: here questions are asked in order to get the opinion of the participants on the marketing mix of Oriflame

5) Ending questions: the final questions seek to know if the participants could be potential customers or consultants for Oriflame or not, and why.

Before doing the focus group the number of participants needs to be determined. Smaller groups are more appropriate for emotionally charged topics that generate high level of participant involvement while larger groups work better with neutral topics. Smaller groups give each participant more time to discuss his or her opinions where as a larger group contains a wider variety of answers from participants who are less involved (Morgan, 1996). For this thesis focus groups of 5-8 people were planned to be used. This was seen as being quite a medium number of people allowing for everybody to give relatively in-depth commentary at the same time as a relatively large breadth of opinions could be put forward.

To be able to organise our focus groups, we needed real products to show to the participants during the meeting, and as well to offer them some products at the end, to thank them for their participation. Thus, we asked Oriflame to send us some products to complete our research successfully, and they accepted. Hence, participants gave their opinion on each meeting on the “Rose Shower cream”, the face cream “24 Hour Intensive Moisturiser”, the mascara “500% Volume”, and the “Rose Hand and body cream”. We did not give exactly the same products in each group, but the participants were offered cosmetics for a value of about 500 sek.

5.3.1.3 Execution

Recruiting the participants was the most difficult step in the process. Even with the promise of getting free cosmetics at the end of the meeting, women willing to participate were very rare and thus difficult to find. Most of the ones we asked told us they did not have time to come to our meeting, or were not interested in getting cosmetics for free.

In France, we managed to find enough women in each group by using the relatives of Marion Jarne, one of us who is French. She asked her friends to find girls aged 15-25, and her family to find women aged 26-59 and 60+. As a consequence, in the focus group 15-25, she knew already two out of the six participants. Among the women aged 26-59, Marion Jarne knew two participants out of eight, these two women being members of her family. Finally, she knew one woman out of six in the age bracket 60+, member of her family as well.

In Sweden, we put a great deal of effort in promoting our focus groups in order to find some participants. First, we made posters, that we placed in different places in the university. The poster specified that each participant will be offered cosmetics at the end of the meeting, for a value of 500 sek. This technique worked only on recruiting participants in the age bracket 15-25. Thus, we managed to find five girls willing to participate. But after two weeks, there were still no answer from other age bracket. We decided then to create flyers and distribute them in the street, thinking that this way will hopefully affect more people than the posters. But it did not work and we were not contacted by anybody. Finally, we decided to ask the few women we knew around us belonging to this age bracket. Two agreed to participate, and they found other women in their relative, who agreed to participate as well. The most difficult for us has been to find women aged 60 and older. We finally came up with the idea to ask a woman working in the university, Birgitta Alvin , who agreed to participate and found two other women working at university as well. Unfortunately, we did not find more people so this focus group was set up only by three persons. It was less than in all other focus groups we had, but we decided to keep this group because we thought it would still give us an understanding of what Swedish women of this age think. Moreover, one of the participant was 59, and not 60 or above, but we considered that it will not affect the results with only one year of difference.

In France, focus groups took place in different places, but each time at the home of one the relative of Marion Jarne, who managed to find some participants. In Sweden, they were organised at the university of Jönköping. To make the environment nice for the participants, drinks and biscuits were offered in each group.

Seven focus groups in France and Sweden were conducted:

	FRANCE				SWEDEN		
	Pilot 15-25	**15-25**	**26-59**	**60+**	**15-25**	**26-59**	**60+**
Date	09/04	13/04	16/04	15/04	20/04	11/05	23/05
Number of persons	6	6	8	6	5	5	3
Age	20-22	20-25	29-56	60-62	20-24	28-44	59-64

Figure 5-1: Focus groups information

The first one was a pilot-study of French exchange students in Jönköping, in Sweden which included six girls in the 15-25 age-bracket. We decided to realise this pilot focus group so that the moderator, Marion Jarne be prepared before the actual focus groups in France, and to test our questions. The pilot study was satisfactory which meant that the same process and type of questions were used for the next six focus groups.

In France, the focus group 15-25 years old was lead in Nice, and the two others were organised in a small city in the Alpes called Barcelonnette. In Sweden, all focus groups took place in Jönköping.

In each group, each participant knew at least one other participant, but they did not all know each other.

All in all the execution of the focus groups went as planned. A single moderator was used for all of the groups, Marion Jarne, one of the authors. Marion Jarne adopted a similar moderating style to all of the groups using a semi-structured approach. The only abbreviation from the plan was the timing; in general the discussions took longer than the planned 60 minutes. Marion Jarne conducted the focus groups alone in France, taking some notes and using a tape recorder. In Sweden, she was still the moderator, but Michael Tunbjer was helping her in the organisation of the material, and was taking some notes, using again a tape recorder.

5.3.1.4 Analysis

Compared to quantitative research such as surveys, focus groups show another face of reality because open-ended questions allow participants to decide on the manner in which they answer. Moreover, focus groups encourage interaction among the respondents and allow people to change their attitude after discussion with others (Krueger, 1998b). As a result, focus groups analysis is complex at different levels. Hence the analyst should compare the words used by the participants and find out if they have the same meaning or not, he/she should consider the context, the intensity and the consistency of the comments (Krueger, 1998b). To make this part easy, the moderator tried during the meeting to reformulate in her own words the comments made, asking the participants if she was right, to make sure she understood the comments correctly.

Another idea is that the researcher should mainly identify the opinions that repeat, even though they are expressed in different words or styles, he/she should focus on evidence that is common to several participants. Opinions expressed only once should be enlightened but not form the heart of the analysis (Krueger, 1998b). We aimed at following this advice and during the meeting, the moderator paid attention to be sure of the number of participants who agreed on a comment, and note ideas that repeated.

We used the recorded material and the moderator and assistant's notes to first write focus groups summaries. In France, as Marion Jarne was not assisted by Michael Tunbjer, we used only the recorded material and her own notes. Then we summarized again the results of each focus group to put all the most important findings in tables. At this point we just related the information gained in each focus group. Afterwards, the analysis in itself consisted in comparing focus groups between age brackets inside each country, then make comparisons between the results of focus groups in France with results of the ones in Sweden.

5.3.1.5 Quality of Data

The main goal of the research design of focus groups is to make sure that the research design delivers the intended data. Despite good planning, things can still go wrong (Morgan, 1996). The failure of getting the desired data can depend on a number of circumstances such as whether the researcher finds enough participants, uses appropriate samples, asks relevant questions, has a qualified moderator and uses an effective analysis strategy (Krueger, 1994). The focus groups of this thesis do have some limitation in these regards. In terms of appropriate samples, all of the samples of the French consumers are in the same geographical area, in south east of France. This could might mean that the results are biased and not very representative of women in other parts of France. In terms of moderator skills, one of us, Marion Jarne, after having studied focus group moderating from several sources became the moderator. Marion Jarne is not a professional moderator and this might have had a negative impact on the results. Knodel (1993) notes that it is not wise only to use one focus group for each segment or category of participants. This might lead to that the results are based on the group dynamics of one particular group rather than a segment as a whole (Knodel, 1993). Only one focus group from each one of the six segments has been used, which might result in that saturation of results will not be achieved.

According to Morgan (1998), researchers should avoid focus groups when the topic is not appropriate for the participants. One of the reasons can be that the participants have too little involvement in it, when for instance they are non users of the product or service. Then, it is difficult to generate conversations (Morgan, 1998). In all the focus groups we organised, women were users of cosmetics. In majority, they were all happy to talk about cosmetics and participate to the meeting. But in one group in France, in the age bracket 26-59, some of the women bought cosmetics but not so much, and did not particularly like to talk about that. They did not come to the meeting to receive cosmetics for free but to be nice with their friend who invited them, one of the relative of Marion Jarne. Thus these persons had a negative influence on the others, in particular regarding the catalogue and the products. As a consequence, we paid attention in our analysis not to take into account everything that was said by the women in this group, in particular concerning their opinion about the catalogue, if we note that it is the contrary of what was said in the other focus groups in France.

5.3.2 Interviews

Interviewing is based on conversations when the interviewer asks questions listens to the answers of the respondents. The main idea of interview is it interact and identify interpretations and meanings rather than rules and facts (Gubrium & Holstein, 2002) A good way to save money and time on traveling great distances is to use the telephone for interviews. It differs little from personal interviews in terms of quality and results (Aneshensel, Frerichs, Clark and Yokopenic, 1982). Hussey and Hussey (1997) labels this type of interview semi-structured in which the interviewee focuses on a general subjects but allows for free discussion and associations from the respondent.

5.3.2.1 Sample Selection

According to Jacobsen (2002) sample selection of respondents in a qualitative study should be based on trying to get information in order to construct an objective view of a research topic. Patton (1990) argues that a purposeful sampling should be used when selecting respondents to an interview. They should preferable be rich in information and have insights which illumination the questions of investigation. The main purpose of the interviews in this thesis was to get more information about Oriflame as a company, its strategy, resources, competencies, history and especially the history about why Oriflame exited the French market in 1990. In order to get this information senior managers within Oriflame as well as those people who had knowledge about the exit of France in 1990 were to be interviewed. In order to get in touch with these people, the regional director of Oriflame Western Europe, Jonas Hedberg, was used to recommend who should be contacted and how to contact them, this approach is called snowball or chain sampling by Patton (1990).

5.3.2.2 Preparation

Interviews can either be structured, semi-structured or unstructured. Structured interviews use predetermined questions in a specific order. Semi-structured interviews also use predetermined questions but allow for the author to change the questions as well as to add new questions along the way. Unstructured interviews are used when the interviewer has a specific objective but does allows the respondent to dominate the discussion. The role of the interviewer is simply to gather important information through the conversation (Lundahl & Skärvad, 1999; Robson, 2002)

Most of the information being sought through the form of personal interviews was from company officials within Oriflame or those who had previously worked with Oriflame. Since each respondent was used to retrieve unique information about specific issues within the company or its past it was not possible to use a standardized questionnaire for all the respondents. Secondly the pre-understanding of the issues in question were generally limited which meant that it was not feasible to have all questions in forehand before the interviews began. In general certain questions were predetermined but as the discussion progressed new information was found which posed the need to ask new questions. This meant that an unstructured interview approach was used.

5.3.2.3 Execution

Jonas Hedberg, CEO of the Western European division of Oriflame, was the first person in Oriflame who was contacted about this thesis played and has played a pivotal role throughout the work. In order to get the initial information necessary to start the research

Jonas Hedberg was chosen to be interviewed as he has a top-management position within Oriflame and has a lot of information about the company.

Jack Goelst, Dutch manager of Oriflame, was the second person chosen to be interviewed. The reason for him being selected was that the interview with Jonas Hedberg revealed that Oriflame had been present in France before but exited the market in 1990. Jonas Hedberg recommended that Jack Goelst should be contacted in order to find out more about why Oriflame left the French market.

Anna Sundell, regional manager of the Småland region for Oriflame. Anna Sundell was contacted as she had a lot of insight about the hands-on business of Oriflame on a regional level. She was the top-representant of Oriflame in a province of Sweden called Småland. She also arranged for a visit for the authors to a local presentation of Oriflame products in Jönköping.

Jenny Ehle, marketing manager of Sweden was chosen to answer questions about Oriflame's marketing strategy and organization.

Jesper Martinsoon, COO of Oriflame, was chosen to answer questions about why Oriflame was currently not present in France.

Henrik Lilja, working in the taxation department of Oriflame Sweden, was chosen to answer questions about the legal system in Sweden.

Francine Schoreisz, communication and training manager in the French Association of Direct Selling, was chosen to answer questions about the legal system in France.

5.3.2.4 Analysis

The interviews will be incorporated to the other results in the different 5 Cs, especially in the Company and Constitution, in order to get more in-depth information.

5.3.2.5 Quality of data

The quality of data can be determined whether study has internal validity, i.e. if the researcher has gained understanding of what was supposed to be studied (Jacobsen, 2002). The interviews conducted for this thesis helped gain an understanding of Oriflame as the company it is today, including its strategies, resources and competencies. However, it was more difficult to attain data on the history of Oriflame and why it chose to leave the French market in 1990. Only vague formulations and reasons were put forward but one could still argue these were enough to get a basic understanding of what went wrong.

6 Evaluating the French Market for Oriflame

This chapter will present the investigation of the French Market for Oriflame based on the theoretical framework of the 5 Cs.

6.1 Company

This chapter will present the empirical investigation of Oriflame as a company in regards to its main resources, competencies and strategies.

6.1.1 Resources

The main physical resources of Oriflame include its manufacturing plants, supply centers and warehouses. Part of Oriflame's production is outsourced but the main bulk of their products are produced in-house. In order to achieve maximum cost allocation advantages the factories that are being built today are built in low-wage countries. Originally all of the products were produced in Sweden but now Oriflame has production plants in Poland, India and in 2006 a new factory was built in China (Oriflame, 2005). Coincidentally these new factories are not only cheap to run but also right next to Oriflame's future potential biggest markets: India and China. Oriflame also has five major global supply centers in the Neatherlands, Poland, India, China and a new one is being built in Russia in 2006. Other than that Oriflame also has a 160 service centers around the world and 5000 consultant run pick-up points (Oriflame, 2005).

The main human resources of Oriflame is no doubt its sales consultants. According to Oriflame's annual report 2005 the company has close to 1,7 million sales consultants around the world. These people work as independent sales people through the Oriflame marketing plan in which they earn provision on the goods they sell. The sales consultants are Oriflame's main source for promotion and sales of its products and are therefore essential for the company. The consultants get paid between 20% and 30% provision on what they sell as well as other bonuses such as trips, cash-rewards and luxury items. They get paid additional money if they recruit someone. Essentially the consultants operate as independent entrepreneurs and they can also build up their own networks of consultants working beneath them and on which they earn provision. The money-making chain continues down all the way and the larger your organization and the more it sells is the more money you make. Oriflame invests a lot of money in its consultants by training and education about the products. Consultants who reach higher levels learn more about how to manage and organize their operations. The really advanced ones go to "Oriflame Management School" where they learn a lot about management, marketing, financing and so on (Oriflame, 2005).

One of the most important organizational resources Oriflame has is its supply chain management. Oriflame is spread out all around the world with 1,6 million sales people and needs a way to get products to them in time and in a cost-efficient way. The supply chain management involves interaction between sales, marketing and global supply activities. The transportation of goods is centered around hubs and warehouses all around the world. In order to facilitate the consultants relation to the company an intranet has been implemented in which consultants can easily log in and make their orders (Oriflame, 2005).

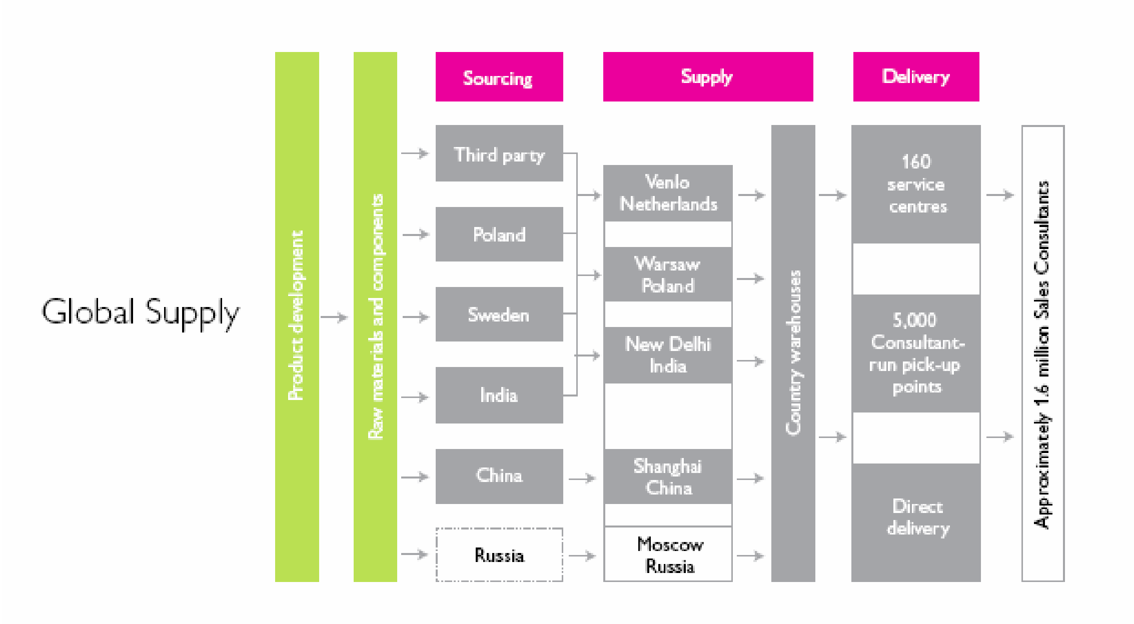

Figure 6-1: Global supply of Oriflame (Oriflame, 2005)

Strategies

In terms of global strategy Oriflame has quite a standardized marketing mix all over the world with similar homepages and products. The products even have different languages on the packaging. However, it also has some minor adaptations to different markets such as the six different brochure categories fit for different parts of the world. The largest adaptation takes place on the organizational level where each one of the geographical regions of the company worldwide operations (Western Europe, Central Europe and the Mediterranean, the Baltic and the former CIS, Asia and Latin America) act as quite independent subsidiaries. These subsidiaries have a high level of independence in terms of designing the strategy of their operations. The individual countries also have their own management with high levels of independence and self-control. The global headquarters mainly helps out with of marketing, sales, global supply, business development, finance and IT. The production centers of Oriflame are placed wherever the cost efficiency is the highest and are then used for global supplies (Oriflame, 2005).

In terms of entry strategy, Oriflame being a direct sales company, usually does not do a very big upfront investment in the market. Generally they set up a head-office with up to 20 employees and they usually get locals who apply to them to become regional managers in their home-town or municipality. Sometimes minor promotion campaigns can be used as well but the main method to establish oneself in a new country is by using the mouth-to-mouth method (Patrik Linzenbold, personal communication, 06-04-28). However, Oriflame also has a franchising agreement in which they offer companies in countries whishing to start new Oriflame operations in a country to buy the Oriflame concept, with products, marketing material and so on for a licensing fee. This has been a successful option in central America, Arab countries and recently the UK which had been running at a loss for several years (Oriflame, 2005).

6.2 Constitution

This chapter will present the empirical investigation of the French Market in terms of political, legal, economic and technological factors. A brief comparison will be done to in Sweden in all of the sections.

6.2.1 Political

France is a member of the European Union and the European Monetary Union (EMU) (Kotabe & Helsen, 2004). Oriflame is originally a Swedish company but today has its head-quarters in Brussels, Belgium. Sweden as well as Belgium are both members of the European Union (Kotabe & Helsen, 2004). Members of the European Union share a common market without internal tariffs. Furthermore the European Union acts as a stabilizing factor between the membership nations on a political level. The European Union aims to have a common foreign policy and promote internal understanding and good relations (Kotabe & Helsen, 2004).

6.2.2 Legal

6.2.2.1 Oriflame Sweden

According to Henrik Lilja working in the taxation department of Oriflame Sweden the only sales consultants that pay social fees and income tax are the so called managers. Managers differ from normal consultants in the sense that they have recruited a group of other consultants beneath them who are selling for a certain amount of money. Oriflame pays social security fees and income tax directly on the provisions they pay to the managers. However, since the managers usually endure costs of around 50 % of their income Oriflame has negotiated a deal with the tax authorities to reduce the taxable income of the managers with 45 %. Oriflame needs to hand in income tax and social security fees to the state if the managers make more than a 1000 SEK and inform the authorities if they make more than a 100 SEK per year. However, Oriflame does not have any responsibility over the normal consultants in this sense. This is because it is hard to control whether the consultants are selling the products to others or simply buying to themselves and giving to their friends (Henrik Lilja, personal communication, 06-05-19).

6.2.2.2 French System

Representatives working in direct-selling companies can have different status in France. If they are salaried employees, then they have a work contract and social security from a salaried. More and more companies have created networks of independent workers. This way of distribution is developing since around thirty years with a high growth rate. The sales person in this case is a representative or a buyer-dealer with a status of an independent worker. His/her commercial activity go in some companies with a research of new sales persons to constitute his/her own organisation of distribution. Thus his/her income comes from his/her personal sales and the ones of his/her commercial team. The independent worker is free to organise his/her schedule of work and to determine his/her objectives (French Association of Direct Selling).

If he/she practices his/her activity on a permanent basis, he/she has to put his/her name down a professional register; special register of sales representatives or register of business and companies. In this case, the independent worker has to affiliate himself/herself to the social centre of independent workers non salaried, non agricultural, to get a social protection. If his/her direct-selling activity is occasional, then the independent worker get the status of independent door-to-door representative. It is a mixed status, defined by the law of the 27th of January 1993, meaning that he/she is an independent worker, but assimilated as a salaried concerning the social security, that is to say that he/she will benefit from the general social security system. The independent door-to-door representative will have lightened and progressive contributions and will contribute only in case of effective incomes. At the contrary, in case of registration in a professional register, fixed contributions are requested since the first year, no matter the results are. To be considered as an independent door-to-door representative, formalities are very simple, one just has to give his/her registration number of general social security system to the direct-selling company. Then, the company will deal with the administrative part and will do the payment of the social contributions. The activity of the independent worker is often in a first time occasional, but it can become regular until representing his/her main source of income. Therefore, when his/her earnings exceed during three consecutive years 50% of the upper limit on salary deductions for annual social security contributions (around 14 112 euros/year), the independent worker should the third year put his/her name down a professional register. Hence, the status of independent door-to-door representative would have enable him/her to gently and without risk create his/her own activity and to acquire a professional competence in a job of services (French Association of Direct Selling).

According to the French Association of Direct selling the social security laws are a bit more complicated than in other European nations (Francine Schoreisz, Personal Communication, 06-05-19). This is because all consultants working with direct selling are part of the social security system which means that the firm needs to pay social security fees to the government for employing them (Francine Schoreisz, Personal Communication, 06-05-19).

Three laws are important in direct-selling (French Association of Direct Selling) :

- the law of the 22nd of December 1972 (articles L. 121-21 and followings from the Code of Consumption) relating to the protection of the consumer as regards door-to-door selling
- the laws of the 27th of January 1993 and 25th of July 1994 relating to the social status of the independent door-to-door representative
- the law of the 1st of February 1995 relating to the ban on pyramidal selling

6.2.3 Economical

According to the CIA World Factbook (2006) the French economy is currently going through a major transition from a state with high government involvement to a more market oriented state with less government involvement. However, the tax pressure is still one of the highest in Europe. The economic growth in the past years has been slow, partly due to inflexible employment regulations and the 35-hour work week (CIA World Fact Book, 2006).

Comparative table between France and Sweden

	France	Sweden
GDP per capita	$30,000	$29,800
GDP Real Growth Rate	1.6%	2.6%
Unemployment	10%	6%

Figure 6-2: Comparative table between France and Sweden

6.2.4 Technical

The most interesting aspect to consider in terms of technical development in the French market is perhaps that of Internet as it can be seen as a threat to direct sales according to Euromonitor (2003). According to Euromonitor (2003) the development of the Internet in France is lagging behind other West European nations. According to the CIA World Factbook (2006) Sweden on the other hand is one of the leading nations in Europe in terms of IT development (CIA World Fact Book, 2006).

6.3 Competition

This chapter will present the empirical investigation of the French Market of direct sales of cosmetics including general market characteristics and competitors.

6.3.1 General Market Characteristics

Although economic conditions are difficult for French consumers, the slow growth of the economy seems to have very small impact on general French sales of cosmetics and toiletries. Sales in 2004 were worth over 11 billion euros, which represented a raise of just over 5% in current terms on the previous year. The forecast period is expected to see a modest improvement in constant value growth, with sales reaching almost 13.9 billion euros by 2009. Of the major products in the market, skin care and men's grooming will be the best performers, and will drive growth. However, smaller product types such as sun care and depilatories are also expected to enjoy higher levels of constant value growth (Euromonitor, 2005).

From 2001 and onwards direct selling is the least important retail channel in terms of sales in France after having been pushed down by the Internet. The overall share of sales is small, standing at around 0,4 % in 2002. The market developed strongly in the 80's and the 90's as foreign companies entered the French market. In the late 90's sales began to slow down perhaps due to the good economic climate in 1998-200 which made it hard to recruit good sales consultants. Direct selling did not gain significantly from the wealthier consumers as their consumption was mainly directed at the high street channels. Direct selling also suffered from the increased competition from the Internet. Direct selling increased with 6,8 % between 1998 and 2002. (Euromonitor, 2003).

€ million	**1998**	**1999**	**2000**	**2001**	**2002**
Current rsp	1,413.8	1,369.2	1,407.8	1,473.4	1,509.9
% growth		-3.2	2.8	4.7	2.5
Constant 1998 rsp	1,413.8	1,362.4	1,377.4	1,418.9	1,426.9
% growth		-3.6	1.1	3.0	0.6

Figure 6-3: Direct Selling, retail sales

Source: *Euromonitor International, Trade press, Trade interviews*

The multi-level mode, the same type of marketing as used by Oriflame constituted the largest part of total direct sales in 2002 at 65,7 % which was 5 % higher than in 1998. The multi-level mode increased with 14,7 % over the review period. Party plan selling represented 23, 6 % of the of the total direct sales in 2002 and person-to-person (as in going from door to door) accounted for 11 % of total direct sales in 2002 (Euromonitor, 2003).

% value	1998	1999	2000	2001	2002
Multi-level	60.8	65.9	66.0	65.7	65.7
Party-plan	23.0	24.0	23.8	23.7	23.6
Person-to-person	16.2	10.1	10.2	10.6	10.6
Total	100.00	100.00	100.00	100.00	100.00

Figure 6-4: Direct Selling, % retail sales of consumer goods by selling mode

Source: *Euromonitor International*

A large variety of products were sold through direct selling. Most of the products are targeted at women since they are the most frequent customers within direct selling. Make-up and color cosmetics saw a fall of nearly 11 % between 1998 and 2002 where as cosmetics/skincare grew by nearly 5 %. See appendix 5.3.1.1 for more information for a break up of the market in different categories. (Euromonitor, 2003).

In 2002 there were around 360 direct selling companies in France employing around 330 000 consultants. The number of consultants increased by around 12 % between 1998 and 2002. The growing number of companies faced a decreasing number of customers which fell slightly by 1,6 % between 1998 and 2002 to land on 1,2 million (Euromonitor, 2003).

‘000	1998	1999	2000	2001	2002
Agents	295	310	315	320	330
% growth		5.1	1.6	1.6	3.1
Customers	1,220	1,200	1,200	1,180	1,200
% growth		-1.6		-1.7	1.7

Figure 6-5: Direct Selling, number of agents and customers

Source: Euromonitor International, Trade press, Trade interviews

The direct selling market is dominated by a small number of large foreign companies. Other than that there are a large number of small, primarily national companies which operate in the market. The number of companies decreased during 1998 and 2002, primarily due to the competition from foreign companies on the market. Most companies did not use other channels in order not to compete with their consultants. Meanwhile some companies like Atlas are investing in high street retailing and Avon are making their products available via telephone or mail. It is likely that more companies in the future will use Internet more extensively since it allows them to increase their customer range without much investment. The direct selling channel is not quite as popular in France as it is in other European countries. One of the reasons for this is that direct selling use to have a negative image. In the mid-90s a joint effort was made by direct sales companies to improve the image of the channel (Euromonitor, 2003).

Growth within direct selling is expected to stay at around 3 % over the next years. The gloomy economic situation in France with rising unemployment figures will make it easier to recruit consultants. Cosmetics/toiletries will see the highest growth rates. Make-up/color cosmetics will see the strongest growth at 31 % between 2002 and 2006. (Euromonitor, 2003).

€ million	2002	2003	2004	2005	2006
Current rsp	1,509.9	1,556.9	1,615.2	1,664.8	1,716.4
% growth		3.1	3.7	3.1	3.1

Figure 6-6: Direct Selling, forecast retail sales

Source: Euromonitor International estimates

6.3.2 Competitors

6.3.2.1 Direct Sales Companies

As direct sales companies generally are reluctant to give out information about their sales it is difficult to determine their internal ranking. Only the larger and often foreign companies release annual reports. The leading company in the direct selling sector is Avon. This is mainly because its products, cosmetics/toiletries, are part of a popular segment in the direct sales segment. The make-up/colour cosmetics sector has the highest concentration of companies where the top three companies accounted for two-thirds of the total sales of the sector in 2001 (Euromonitor, 2003). See Appendix 3 for information about product category market shares and Appendix 4 for detailed information on company market shares within the direct sales market.

6.3.2.2 Retail Sales of Cosmetics

The leading company on the French market is L'Oreal which has about 28 % of the market in 2004 and is about five times bigger than its nearest rivals Unilever and Beiersdorf. L'Oreal's supremacy in the market is based on its strong distribution network as well as its huge advertising and marketing campaigns which is used to support a continuous stream of new products. Traditionally the French have a preference for high quality brands which is a significant barrier to entry to private label products. However, private label products have made steady progress in terms of marker share and accounted for about 3 % of sales in 2004 (Euromonitor, 2005). See Appendix 5 for more information about the market share of other companies of cosmetics and toiletries.

6.3.3 Distribution Channels

Almost half of the sales of cosmetics is done through supermarkets which means they dominate the distribution of cosmetics and toiletries in France with the exception of fragrances, where specialists account for most of the sales. In-house pharmacies in supermarket outlets further underpins their share of the market as it allows for more niche products. Large chains of specialist outlets continued to do better than the independent perfumeries in 2004 as they can allow a wide range of products at discounted prices. The number of independent perfumeries declined with 50 % between 1991 and 2001. As a result many of the perfumeries are now focusing on services and treatments. Traditional pharmacies have responded to the competitive environment by grouping together in large alliances. A new threat against the traditional supermarket outlets is the so called hard discounters which has been growing a lot in the past years, however, still only account for 2 % of the total sales and primarily in unspecialized products like bath and shower products. Their share of color cosmetic remains small as consumer tend to rely on well-known brands in that segment (Euromonitor, 2005).

The Internet is still a fairly underdeveloped channel for sales of cosmetics and toiletries in France even though it has increases substantially in that past few years. Despite an increase in the number of households with Internet connection, France is still behind other major European countries in the development as just about one third of the population was connected to the Internet in 2003. Over half of the population had no intention of getting Internet and only 6 % said they wanted to. The reason for the French lack in development is often cited by French consumers as being because few own a PC, they find the Internet too expensive and difficult to use. These cultural and technological factors limit the growth of Internet sales of cosmetics and toiletries. French consumers clearly prefer to shop directly where they can see and test the products before purchasing. With 95 % of the population living within 15 km of a perfumery, combined with the development of supermarket outlets as well the fact that France is the third most important market for direct sales in Europe, the future for the Internet retailing remains difficult to predict (Euromonitor, 2005).

6.4 Customers

This chapter will present the summaries of the focus groups done in order to understand how French customers would receive Oriflame's marketing mix. Comparative focus groups have been done in Sweden in order to get a point of reference.

This part reports the results of the focus groups organized in France and in Sweden. We decided to make tables of the results (see figure 6-6) to make them easier to read, the complete summaries of each focus group can be found in Appendix 6. We decided to write only the conclusions of each focus group.

6.4.1 Focus groups France

6.4.1.1 15-25

Overall, the majority of the girls liked the catalogue, even if they found it bad organised, they liked the products, they consider the price as a normal price for these products. However, the two focus groups had mixed opinions concerning direct selling. While in the pilot the majority of the girls liked this system, most of the girls from the second group did not like it. As a consequence, only half of them could really be potential customers for Oriflame, the other part being restrained by direct selling.

6.4.1.2 26-59

Overall, this focus group expressed less positive opinions about the catalogue and the products than previous groups, but liked the way of selling of Oriflame. In this group, only three women out of eight would be potential customers of Oriflame.

6.4.1.3 60+

Overall, even if they were all very positive about the catalogue, the products, and the price, the way of selling would be a barrier of purchase. All told they would buy Oriflame products if they were sold in a shop, or by catalogue, with some free samples to try. Another idea would be to sell the products on television. A great deal of them like to order products by this way.

6.4.2 Focus groups Sweden

6.4.2.1 15-25

Overall, all the girls liked the catalogue and the products. The price is too low for them, it makes them doubt on the quality of the products. To avoid it, they need that Oriflame claims that they provide good quality with good prices. The girls liked the system of direct selling and would go to a party if they knew more about the brand before going, for example by receiving the catalogue in advance. Thus, they represent all potential customers of Oriflame. Moreover, they would all be interested to become consultant, with some trainings and a good knowledge of the products.

6.4.2.2 26-59

Overall, the women liked the catalogue but did not like the training tools, carrots etc. inside of it and they also wanted more information about the company. They thought the products were nice but some of them were doubtful about the face-cream, because of its cheap price. They were not happy about the marketing of Oriflame's products as being Swedish when they were really made elsewhere. They thought the prices were cheap. All of the girls could imagine going to an Oriflame home-party but thought it was important and to know and trust the person who sold the products. Thus, they are all potential customers of the company. Many of the girls could imagine becoming sales-consultants given the proper knowledge of the products and training.

6.4.2.3 60+

Overall, the women all liked the products and found the prices low. A problem was that two of the women were rather allergic to general skin creams and bought customized ones in the pharmacy. Otherwise, the fact that some of the products are made in Poland while they are said to be Swedish makes them doubt about the company. However, all of the women could imagine to buy products from Oriflame even though they would need to test and try them before making a decision. The problem is that they all do not like to buy by direct selling and thus would not be potential customers of Oriflame, only because of the way of selling.

Figure 6-7: Focus groups findings

	FRANCE				SWEDEN		
	Pilot 15-25	**15-25**	**26-59**	**60+**	**15-25**	**26-59**	**60+**
Buying behaviour							
Channel preferred	- Supermarkets - Pharmacies - Perfumeries - Catalogue - Yves Rocher	- Supermarkets - Pharmacies - Perfumeries - Catalogue - Yves Rocher	- Supermarkets - Pharmacies - Perfumeries - Yves Rocher	- Supermarkets - Pharmacies - Perfumeries - Yves Rocher	- H&M - Ahlens - Kicks - Body Shop - Yves Rocher by catalogue or internet	- H&M - Ahlens - Kicks - Hudoteket - Pharmacies - Internet	- H&M - Ahlens - Kicks - Pharmacies
Brands	- L'Oreal - Maybelline - Nivea - Diadermine - Yves Rocher - Agnes B - Pharmacy brands	- L'Oreal - Maybelline - Nivea - Diadermine - Yves Rocher - Agnes B - Pharmacy brands	- 3/8 women not able to tell favourite brand because not loyal - 5 others quote different brands: Clarins, Bioderma, Vichy, L'Oreal, pharmacy brands	- Lancome: brand most quoted - Otherwise L'Oreal, Diadermine, Nivea for creams & Maybelline for make-up - 2/6 buy as well pharmacy brands - 1/6 buy more luxurious brands	- Nivea - L'Oreal - Max Factor - 1/5 buy more luxurious brands (Biotherm, Clinique)	- 3/5 buy different brands all the time - The others quote L'Oreal, H&M, Revlon & pharmaceutical brands	- 2/3 buy pharmaceutical brands because they have allergies - Otherwise Nivea, Dove, Clinique
Budget Per 3 months	30 to 50 euros	10 to 30 euros	- 3/8 not able to say budget - 3/8 30 to 40 euros - 2/8 60 & 100 euros	- Very different among the 6 women: 20, 30, 60, 75, 100, 150 euros	- 3/5: 50 to 70 euros - 2/5 higher budget: 150 & 300 euros	30 to 50 euros	- 1/3: 15 euros without pharmacy purchases - 2 others: 20/25 & 50 euros
Knowledge of Oriflame	X	X	X	X	- 1/5 know because has one friend consultant, but she never bought products - 4/5 have never heard about it	- 4/5 know, some has one friend consultant, one has one sister who is customer, but none already bought	- 2/3 only know the name - 1/3 has a sister consultant, but never bought Oriflame cosmetics

	FRANCE				SWEDEN		
	Pilot 15-25	**15-25**	**26-59**	**60+**	**15-25**	**26-59**	**60+**
Promotion							
Name	OK - No particular association - Indifference : not good/not bad	OK No particular association Indifference : not good/not bad	OK but would have prefer a name more swedish	- 1/6 pretty - 4/6 indifferent - 1/6 very negative because reminds of fire extinguisher, not cosmetics	OK but does not remind of cosmetics, not enough significant	OK but sounds foreign, 2/5 thought it was a French brand	OK, indifferent
Slogan	Very positive	Very positive	- 5/8 indifferent to Swedish origin - 3 others: very positive Natural: logical, go with Sweden's image	- Overall very positive about Swedish origin (beauty, good health, clean) - 6/6 like "natural", logical with image of Sweden but 2/6 wonder what it means, would like to know more	- Swedish origin: good point - "Natural": wonder what it means, would like to see on catalogue's first page more information	- Swedish origin: some indifferent, some think it is important to support Sweden - "Natural": 2/5 indifferent, 2/5 positive point, 1/5 is confused about definition of natural	- Swedish origin: 1/3 very positive, 2/3 indifferent - "Natural": all wonder what it means and would like explanations
Catalogue	Overall good + : colors, models, choice - : bad organisation, first page with scales and carrots, sport equipment, start with cellulite creams (negative)	Overall good + colors/models /choice - bad organisation, first page with scales and carrots, sport equipment, start with cellulite creams (negative)	Overall mixed - 3/8 positive - 3/8 negative - 2/8 indifferent, no opinion because not used to look cosmetic catalogue + : colors, choice - : organisation illogical (men in centre), first page with scales & carrots not adapted, too classical, does not remind enough of Sweden	Overall very good + : attractive, clear, lightened, easy to read, lot of choice, nice colors Page with scales & carrots ok, logical to introduce cellulite creams	Overall good + : attractive, colors, organisation, explanation product and way to use Comparison to Yves Rocher's catalogue, but this one better because more detailed - : first page carrots & sport material: food and sport in cosmetic catalogue inappropriate Some found catalogue too thin	Overall good + : attractive, fresh, appealing, harmonised colors, explanations on products and advices - : 1/5 finds organisation of categories illogical & most would like presentation of company in catalogue & critical against carrots and training material	Overall good + : attractive - : models too young for anti-wrinkle cream, hard to tell size of products, difficult to find what you are looking for

	FRANCE				SWEDEN		
	Pilot 15-25	**15-25**	**26-59**	**60+**	**15-25**	**26-59**	**60+**
Products							
In catalogue	- Name and explanations of products should be written on packaging in big letters in French, not English - Quality a bit better than Yves Rocher	- Name and explanations of products should be written on packaging in big letters in French, not English - Impossible to qualify quality, differs on each product because wide range	- Name and explanations of products should be written on packaging in big letters in French, not English - Products similar to Yves Rocher - Products do not reminds of Sweden	- Name and explanations of products should be written on packaging in big letters in French, not English - Some products similar to Yves Rocher, some others to luxurious brands (Clarins): different type of quality	- Name and explanations of products written in English in big letters and not Swedish: ok, normal, used to that - Products seem more luxurious than Yves Rocher	- Name and explanations of products written in English in big letters and not Swedish: ok, normal, used to that - Products seem to be of good quality	- Name and explanations of products written in English in big letters and not Swedish: ok, normal, used to that - Products do not seem luxurious, but impossible to say quality
Products shown	Overall very good + : Design, colors, smell, original - : Made in Poland: affects reliability of company	Overall very good + Design, colors, smell, original - Made in Poland: affects reliability of company	All liked face cream but not other products (- : smell, packaging)	Overall very good + : packaging, texture, smell - : Made in Poland: very bad point for 2/6, misleading	Overall good - Made in Poland: ok, products can be made in Poland with Swedish ingredients	Overall good - : Made in Poland, very bad point for 3/5, strange for 2/5	Overall good + : packaging, texture, smell, similar to what they expected - : Made in Poland, negative point, difficult to read Swedish, letters too small
Price	Ok except face creams	½ expensive ½ cheap	Good price, adapted for products	Reasonable prices	- Not expensive: doubt on quality - Lower than Yves Rocher's prices, while products seem better quality - Would like to see written on catalogue that Oriflame provides good quality with good prices	- Cheap: make them doubt on quality of face creams, that are more expensive when it is good quality	- Cheap: 1/3 doubts about quality because of low price

	FRANCE				SWEDEN		
	Pilot 15-25	**15-25**	**26-59**	**60+**	**15-25**	**26-59**	**60+**
Place							
Knowledge of direct selling	2/6 know but never bought	3/6 know, but only one bought products this way (cosmetics Avon)	- 8/8 know - 2/8 already bought products this way (1/2 cosmetics Avon)	6/6 know and already bought products this way (4/6 cosmetics, Avon)	2/5 know, but only one went to a party without buying products	5/5 know, 4/5 went to parties	3/3 know and experienced it
Likeability	5/6 like + : advices from friends, gather opinion	5/6 dislike - : process complicated, afraid to be influenced and forced to buy	8/8 like + : possibility touch products, communicate, convivial. - : obligation to buy, consultant not professional (no professional advices) Interested but not more than 2 parties per year	6/6 dislike, disappointed by their experience - : obligation to buy to be nice with consultant, difficulty to find products again when consultant stop Contacted a lot 10, 15 years ago, not anymore	5/5 like, but regret not having more information about it + : see and test products, opinion of others, socialise Not afraid to be forced to buy because able to say no	5/5 like + : way to meet friends, try products, opinion friends - : 1/5 think it is difficult to complain by this way Important to trust consultant	3/3 dislike - : group pressure to buy, concern about pyramidal organisation, top of the pyramid get lots of money
Potential customer	- 5/6 would buy in both ways (party or person-to-person) - 1/6 would not buy because of direct selling	- 1/6 would buy in both ways - 2/6 would buy only by person-to-person - 3/6 would not buy, because of direct selling	- 3/8 would buy - 5/8 would not buy, not because of direct selling but because they do not like particularly products	- 0/6 would buy because of direct selling - In another way of selling 6/6 would buy	5/5 would buy with direct selling	5/5 would buy with direct selling	0/3 would buy in home parties, could buy only directly from a friend, and only if very good friend
Potential consultant	5/6 interested	1/6 interested	0/8 interested	0/6 interested	5/5 interested if like products, training	3/5 interested if like products, training	0/3 interested

6.5 Culture

This chapter will present the investigation of French culture and put that into relation to the Swedish culture

Hofstede (1991) did a study of French and Swedish culture. Using his four culture dimensions he found the following differences in the respective country ranking:

	Power distance	Individualism	Masculinity	Uncertainty avoidance
France	15-16	10-11	35-36	10-15
Sweden	47-48	10-11	52	49-50

Figure 6-8: French and swedish culture (Hofstede, 1991)

Taking a look at the four dimensions one finds differences as well as similarities. In the power distance dimensions it shows clearly that France has a far higher power distance than Sweden. According to Hofstede (1991) this means that in French companies there are more formal structures and hierarchical thinking than in Swedish companies (Hofstede, 1991). This could prove a problem on the organisational level when people from one part of the cultures tries to cooperate with the other. On the next dimension, Hofstede's study (1991) shows that in that in terms of individualism, France and Sweden share an identical ranking. This is positive in the sense that French and Swedish culture appears to have similar ides of how the individual relates to the surrounding society. The next dimension of Hofstede's (1991) study shows that France ranks a lot higher on the masculinity ranking than Sweden. This means that in France more masculine values like assertiveness and competitiveness are emphasized (Hofstede, 1991). In the last dimension of uncertainty avoidance the difference between France and Sweden is the highest. This means that the study showed that French employees of IBM had more need for formal work and fixed rules than the Swedish employees (Hofstede, 1991).

Lander (1991) did a qualitative description where he compared French and Swedish culture which in many ways contradicts Hofstede's (1991) study. Lander (1991) states that in Sweden peoples care more about punctuality and efficiency than French; which is part of a rational view of reality. French people on the other hand do not regard punctuality as very important. Being a few minutes late is acceptable. Another aspect which is highly valued in Swedish culture is honesty, Swedes stand by and value what they say. Finally Swedes also tend to value quietness and not taking up too much space in a group setting. French on the other hand do not mind to tell lies in order to make a story sound exciting and interesting. Swedish people generally regard themselves as being part of a group where as French people perceive themselves as being strong individualists. In turn French people are likely to question rules and regulations and are not afraid of arguments and conflicts, in fact they rather seek and enjoy heated discussions. Swedes on the other hand seek consensus and understanding rather than confrontation. Lander (1991) stated that in France Swedes are especially famous for Volvos, naturally beautiful women and liberal attitudes (Lander, 1991). Lander's study differs from Hofstede's (1991) in a few ways. Among other things it suggests that Swedes are less independent than French people and that Swedes have a higher uncertainty avoidance than French. However, Lander's study is primarily based on his own opinions and experiences having spent a lot of time in Sweden and France and is not empirically supported.

7 Analyzing the French Market for Oriflame

This chapter will present the analysis of the French market in regards to Oriflame based on the 5 Cs framework

7.1 Company

This chapter will present the analysis of Oriflame and its main resources, competencies and strategies

According to Barney (1991) there are three kinds of resources: physical resources, human resources and organizational resources. Barney (1991) further issued a test to prove whether those resources can offer a sustained competitive advantage for the firm they need to be: valuable, rare, imperfectly imitable and non-substitutable.

Oriflame has numerous physical resources such as production plants, warehouses and distribution centers (Oriflame, 2005). These resources are definitely valuable and probably worth billions of SEK. However, they are probably not so rare since many firms have similar physical resources. The question is whether the production processes are imperfectly imitable but the factories and warehouses should not be. Also, they should not be non-substitutable since other firms also have these types of facilities. To summarize, it is not likely Oriflame's physical resources could not give it a sustained competitive advantage on the international marketplace.

Oriflame's main human resource is its sales consultants at 1,7 million people around the world (Oriflame, 2005). The sales consultants are incredibly valuable for Oriflame, given that they are the firm's primary source of revenue. The sales consultants are probably not rare, as they exist in plenty around the world, however they are a hot commodity for any direct sales company wanting to succeed in the marketplace and do not exist in excess. However, the question is whether they are actually imperfectly imitable as other firms could probably acquire these and other consultants as well if they only put in enough market effort. It all depends on how loyal the consultants are to Oriflame and how well Oriflame manages to hold on to them. Finally, it is doubtful whether the consultants are non-substitutable as other firms also have consultants. The question is Oriflame's consultants in some way are better trained or more motivated to sell than others. Thus, it is doubtful whether Oriflame's consultants constitute a sustained competitive advantage.

The supply chain is perhaps the main organizational resource for Oriflame operating in 55 countries with 1,7 million salespeople (Oriflame, 2005). The supply chain management organization is definitely valuable to Oriflame as it sustains the firm's operations worldwide. The supply chain might be rare if it is more efficient and better run than others. It might be imperfectly imitable if the competitors do not understand the processes at which the organization is operated by. It might be non-substitutable if there are no other similar alternatives. However, all of these factors are highly dubious and it is difficult to say whether the supply chain can offer Oriflame a sustained competitive advantage without further investigation.

Among the four different types of international strategies that Ghosal and Noriah (1993) mention it is most likely that Oriflame uses a transnational strategy. The closest runner up is the global strategy as Oriflame standardizes much of its marketing mix around the world. However, the thing that makes Oriflame's strategy transnational is the high level of independence it gives to its regional subsidiaries. In a global strategy the firm has a highly centralized control which is not the case with Oriflame. Further, Oriflame tries to achieve maximal optimization of their organization by placing factories in low-wage countries close to growth markets at the same time as they are able to adapt general strategies to different areas which correspond with the transnational strategy.

Comparing Oriflame's general entry strategies to what Kotabe and Helsen (2004) mentions, the two main strategies are a mix between wholly owned subsidiary and franchises. Oriflame generally uses the wholly owned subsidiary method when going abroad in terms of setting up their own office with their own employees. However, in order to expand they give regional managers franchise rights to Oriflame's marketing mix and let them sell for Oriflame. Also, in some cases such as in Central America and the Arab countries Oriflame uses a pure franchise strategy where the entire national organization only

In terms of competencies, Oriflame has a long history and extensive experience of working in international markets. The firm is present in 55 countries and has grown very fast in the previous years (Oriflame, 2005). Given this, especially the fast international growth of Oriflame, the firm should have plenty of managers that meets Alkfafaji's (1995) eight essential abilities for global managers.

To summarize, it is doubtful whether the resources analyzed by Oriflame in this thesis can give the firm a sustained competitive advantage. However, the firm is in possession of a lot of valuable resources. The firm uses a transnational strategy with quite a standardized marketing mix yet quite independent subsidiaries. Furthermore the firm generally uses a mix between wholly owned subsidiaries and franchising when entering foreign markets

7.2 Constitution

This chapter will present the analysis of the French political, legal, economical and technical environment and put into relation with the Swedish.

7.2.1 Political

Hollensen (2004) and Kotabe and Helsen (2004) talk about the political environment as being dividable into home country, host country and international environment. The home country environment of Oriflame is originally Sweden but it has its head office in Brussels, Belgium. According to the CIA World Factbook (2006) Sweden and Belgium both have a high level of political stability with well developed democracies. This is positive for Oriflame in terms of operating from these countries. The host country environment in the case of this study would be France. According to the CIA World Factbook (2006) France has a high level of political stability and a well developed democracy. This is positive in terms of Oriflame operating in France. The international environment of Sweden, Belgium and France is predominantly characterized by the European Union as all three of the countries are members. The European Union ensures that there are no tariffs or restrictions on trade within the common open market (Kotabe & Helsen, 2004). This means that Oriflame can operate freely within the European union without much fear of being limited by political factors in the international environment.

7.2.2 Legal

This thesis has explained one of the main reasons Oriflame left France in the early 1990's was due to legal issues, primarily concerning social security laws. According to Hollensen (2004) and Kotabe and Helsen (2004) employment regulations is a very important element to know of when entering a foreign market. According to the French Association of Direct selling the social security laws are a bit more complicated than in other European nations (Francine Schoreisz, Personal Communication, 06-05-19). This is because all consultants working with direct selling are part of the social security system which means that the firm needs to pay social security fees to the government for employing them (Francine Schoreisz, Personal Communication, 06-05-19). Comparing this to how Oriflame works in Sweden where they only pay social security fees to the managers (Henrik Lilja, personal communication, 06-05-19) definitely shows that the French system is more complicated than the Swedish one. The French system involves much more administration where the company needs to manage and pay social security to tenfold more people than in a country like Sweden.

Additionally the French Association of Direct Selling claims that many foreign companies find the customer protection laws quite difficult to handle in France. Apparently these are very tough and put a lot of emphasis on customers being able to regret their purchase. Even so, according to the Swedish association of Direct Selling these laws are quite stern in Sweden as well (Swedish Association of Direct Selling).

Overcoming the issues of employment laws and customer protection rights does not seem like a very impossible task for Oriflame. According to Henrik Lilja working on the finance department of Oriflame Sweden, Oriflame has to deal with a large variety of employment regulations and legal restrictions in the 55 countries or so it is currently operating in (Henrik Lilja, personal communication, 06-05-19) so why should it not be able to deal with the tough restrictions in France.

7.2.3 Economical

According to Hollensen (2004) and Johnson et al (2005) economic factors will directly have an impact on companies operating in a market. The French economy is currently growing quite slowly and experiences a rather high unemployment compared to the Swedish economy (CIA Worldfactbook, 2005). Under normal conditions this would be negative as consumers cut back on spending (Johnson et al, 2005), however, direct sales companies benefit from high unemployment rates as they can recruit more consultants. Also, dire economic circumstances usually mean people are prepared to buy more cheap goods which benefit direct sales companies as opposed to high end retail companies (Peterson & Wotruba, 1996). This means that the high unemployment rate in France is rather good for direct sales companies as people can not find other jobs very easily. Furthermore French consumers might be more interested in buying cheap direct sales products over expensive products in traditional high street retailers.

7.2.4 Technical

According to Kotabe and Helsen (2004) technology is a major factor in the international environment of the firm. According to Euromonitor (2003) Internet is not very well developed in France which reduces the threat of that technology in regards to direct sales. However, it might still develop and become more of a threat in the future. According to the CIA World Fact Book (2006) Sweden is a well developed IT nation which means this could pose a threat for direct sales companies.

7.2.5 Summary

The political outlook between Sweden, Belgium and France is very good thanks to the European union. The legal system in France is rather complicated due to social security fees for all types of consultants. The economical aspects in France are slightly worse than in Sweden which means that it might be more easy to get consultants in France. The technological development in France is lagging a bit behind Sweden in terms of Internet development which might be positive for the French market as it reduces the threat of the Internet.

7.3 Competition

This chapter will analyze the competitive forces of the French market

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7.3.1 Threat of New Entry

Porter (1980) lists different factors, which creates barriers to entry to a market. The first one is *economies of scale* which refers to the ability to produce a large mass of goods cheaper. There is definitely a risk that some of the large international firms on the French market of direct sales of cosmetics have achieved economy of scale. Thus a firm entering the French market needs to be able to counter this barrier by also having economies of scale.

The second factor Porter (1980) mentions is *the capital requirements of entry*. According to Peterson and Wotruba (1996) direct sales operations are generally not capital-intensive and self-funded. This means that the capital requirements of entry on the French market are low.

The third factor Porter (1980) brings up is *access to supply or distribution channels*. The main distribution channel in a market a direct sales firm will need is consultants in order to sell their products (Peterson & Wotruba, 1996). According to Euromonitor (2003) the high unemployment in France will be likely to result in it being easier to attract consultants in the French market.

The fourth factor Porter (1980) considers is the *customer or supplier loyalty*. According to Euromonitor (2005) French consumers are quite loyal to well-known brands and prefer high-quality cosmetics and toiletries. However, the recent growth in hard discounters and the complete domination of supermarkets as retail venues in France (Euromonitor, 2005) shows there is room for budget alternatives as well. Further, the growth of the cosmetic and toiletries segment within direct selling of brands like Avon (Euromonitor, 2005) shows that French consumers are ready to accept cheaper brands through direct sales.

The fifth factor Porter (1980) stresses is the *experience*. It is difficult to say exactly how difficult it would be for Oriflame to learn the knowledge of the industry in France, however, given that Oriflame was present in France previously (Jonas Hedberg, personal communication, 06-03-15) as well that it is present in several other Western European countries suggests that it would not be an unachievable task.

The sixth factor Porter (1980) emphasizes is *the expected retaliation*. It is hard to say how existing firms in France would react to a market entry by Oriflame, but given that the market within cosmetics and toiletries of direct sales in France is very high to a few companies (Euromonitor, 2003) there is a possibility that they might collude in order to better face the threat of Oriflame. However, as Avon and other foreign companies in France are generally part of large multi-national chains (Euromonitor, 2003) competing in several different market, it might be unlikely that they form an alliance in France in particular and therefore are able to retaliate in a powerful manner.

The seventh factor Porter (1980) mentions is *legislation or government action*. In the case of its last visit in France, Oriflame experienced some difficulties with legislative issues regarding social security (Jack Goelst, personal communication, 06-03-23). However, as other direct sales firms are operating without much problem in France (Euromonitor, 2003) it is hard to see why Oriflame could not be able to adapt to the French market either.

The eight factor Porter (1980) brings up *differentiation*. Oriflame's main point of differentiation is illustrated by its slogan "Natural Swedish Cosmetics" (Oriflame, 2005). The question is whether this will be enough to differentiate Oriflame from other firms, however, using "Swedish" as much in its marketing will probably make it stand out. According to Lander (1991) French people in general see Swedish women as naturally beautiful and attractive which might facilitate the sales of a "Swedish" brand of cosmetics.

Reflections: The barriers for new entry within direct sales of cosmetics in France are **moderate**. The capital requirements of entry are quite low which facilitates entry. The relatively high unemployment in France is likely to generate more available sales consultants. The expected retaliation of existing companies in the market is expected to be low. Oriflame has previous experience form the French market. However, it is doubtful whether Oriflame will be able to differentiate itself enough to break through to the French consumers who additionally are seen as loyal to high quality brands. Also, the economies of scale achieved by firms in the French market might be extensive. It is also unsure whether French consumers in general will be able to accept Oriflame's brand. Finally, the French legal system for direct sales is considered complicated and has been problematic to Oriflame in the past.

7.3.2 Threat of Substitutes

Porter (1980) mentions three different types of substitute threats. The first one is *product-for-product substitution*. As there are already several direct sales firms selling similar products as Oriflame in the French market (Euromonitor, 2003) there is a high risk for other products to substitute Oriflame's products.

The second factor Porter (1980) brings up is *substitution for need*. It is hard to see how anything could render the need for cosmetics or skincare as products, however, maybe other methods of distribution could render the need for direct selling obsolete. The obvious threat to direct sales in France is traditional retail sales which might be considered more comfortable and convenient by many French consumers. Another example could be the growing amount of purchases via the Internet in France (Euromonitor, 2003). The Internet sales have put a downward price pressure on direct sales of cosmetics but at the same time France is behind other Western European nations in the development of the Internet which makes the threat less apparent than in other industrialized nations (Euromonitor, 2005).

The third and final factor Porter (1980) mentions is *generic substitution*. In the case of France, different distribution channels compete for the disposable income of French consumers buying cosmetics and skincare (Euromonitor, 2005). If Oriflame enters the French market it will definitely encounter this competition.

Reflections: The threat of substitutes within direct sales of cosmetics in France is **high**. Several companies are selling similar products as Oriflame in the French market. Direct sales only constitute a very small part of total retail sales in France. Consumers can easily substitute what they buy from direct sales companies with going to a specialist shop or a supermarket. Finally the Internet might also be seen as a long-term threat.

7.3.3 Bargaining power of buyers

Porter (1980) mention three different factors which influences the power of buyers. The first one is *the concentration of buyers* in the industry. The concentration of buyers in France for direct sales is very low. In 2002 the number of consumers were 1,2 million (Euromonitor, 2003). This means it is hard for them to organize themselves against a firm like Oriflame.

The second factor Porter (1980) mentions is *the cost of switching buyer*. Given the dispersion of French consumers within direct sales it is not expensive for a firm to change buyers. Therefore in this area their power is low.

The third factor Porter (1980) considers is when the *supplier being acquired by the buyer*. Given the extreme dispersion of consumers in the French market for direct sales (Euromonitor, 2003) it is unlikely that they in any shape or form could be able to buy a firm like Oriflame.

Reflections: The power of the buyers within direct sales of cosmetics in France is **relatively low**. The French consumers within direct sales are very dispersed at 1,2 million which makes them weak. At the same time the suppliers need to satisfy their demands as direct selling as a venue faces heavy competition from other distribution channels.

7.3.4 Bargaining power of suppliers

Porter (1980) mentions three factors which determine the power of the suppliers. The first one is *the concentration of suppliers*. Given that three of the top suppliers in the French market for direct sales of cosmetics and skincare make up two thirds of the market (Euromonitor, 2003), their concentration is very high. This means that the top players can keep the marketplace pretty much in control.

The second factor Porter (1980) brings up is *the cost of switching supplier*. This might be seen in two perspectives in direct sales marketing: the cost of switching supplier for the consumers and the cost of switching supplier for the consultants. For regular consumers the cost to switch supplier is very low, other than in the sense that they have to acquaint themselves with a new brand and new products. The cost for switching supplier among the consultants might be a bit higher as they generally have to pay for a start-up kit for around 50 SEK in order to join as consultants. They also need training and knowledge about the products in order to sell them.

The third factor Porter (1980) puts forward is risk of the *buyer being acquired by the supplier*. This is also called forward integration. In the case of Oriflame that would involve to sell directly to the end-consumers instead of using direct sales. Oriflame already has a webshop but it is not very developed and does not appear to be linked to their main homepage. According to Euromonitor (2003) direct sales companies generally avoid forward integration since it would reduce motivation among its sales consultants.

Reflections: The power of the suppliers within direct sales of cosmetics in France is **moderate**. Even though the top three players benefit from having two thirds of the market at their hand they are still part of a distribution channel which is facing heavy competition from other distribution channels.

7.3.5 Competitive Rivalry

Porter (1980) mentions five factor which deals with the degree of competitive rivalry within an industry. The first one is whether the competitors are *in balance* with each other. The French market of direct sales companies of cosmetics seems to be quite in balance and is dominated by three major companies that make up two thirds of the market. Avon is the supreme market leader within the industry at about twice the size of the nearest competitors. Beneath the three top companies there are another 360 or so companies, most of them operating on fractions of the market. Given the relatively equal size of Avon, Dexi and Yves Rocher there might be fierce competition within this segment but still quite separate from the competition with the smaller players.

The second factor Porter (1980) puts forward is *growth rates* within the industry. Even though the growth rates were sluggish in the late 90's they began to grow in 2000 and onwards again. The growth rate with the cosmetics and toiletries was expected to be very high at around 31 % between 2002 and 2006. This means that direct sales companies within this business in France can grow through the market growth and not need to compete so much with each other.

The third factor Porter (1980) mentions is *high fixed costs*. According to Peterson and Wotruba (1996) direct selling companies do not have very high fixed costs. This means that it is quite easy for a firm to scale down its operations during periods of low demand.

The fourth factor Porter (1980) suggests is *high barriers of exit.*. According to Peterson and Wotruba (1996) a direct selling company do generally not invest so heavily into fixed assets. This means that a company can shut down operations in a country without loosing too much money but at the same time the organization they build up in that country is country-specific and not transferable to another country.

The fifth factor Porter (1980) brings up is *differentiation*. Estimating the differentiation of the products in the French market depends on which scope you take. Products within direct sales are very differentiated where as products within direct sales of cosmetics and toiletries are less differentiated given that they are part of the same product categories (Euromonitor, 2003). According to the focus groups in this thesis Oriflame is often compared to Avon or Yves Rocher which means that Oriflame would probably not stick out too much on the French marketplace.

Reflections: The competitive rivalry within direct sales of cosmetics in France is **moderate**. The top three competitors are quite in balance with each other which means they probably have quite an intensive competition. Also, the products within the industry are not very differentiated. However, the competitive rivalry decreased due to quite high growth rates, low fixed costs and low barriers of exit.

7.3.6 Summary

To summarize the findings of this thesis on the competitive forces of direct selling for cosmetics in France:

Barriers to entry: **Moderate**
Threat of substitutes: **High**
Bargaining power of buyers: **Relatively low**
Bargaining power of suppliers: **Moderate**
Competitive rivalry: **Moderate**

7.4 Customers

This chapter will present the analysis of the comparison between French and Swedish consumer attitudes towards Oriflame's marketing mix

7.4.1 Comparing Buying Behavior

Overall, French consumers prefer buying their cosmetics in shops like supermarkets, perfumeries, pharmacies and Yves Rocher's shops. There is no differences among ages, except that 15-25 years old girls sometimes order as well by catalogue or internet to companies such as Agnes B. Swedish consumers do not go to the same kind of places to buy their cosmetics, they go to department stores such as Ahlens, or go to H&M, or perfumeries such as Kicks. Older women go as well to pharmacies, to buy specific products for their sensitive skin. Like younger women in France, Swedish younger women buy on catalogue or by internet, but to Yves Rocher.

While French 15-25 years old girls all seem to buy the same brands, and quote around 8 brands they buy the most, older French women buy different brands. Some buy more luxurious brands, and in general quote less brands. In Sweden, younger consumers are able to quote twice less brands than French younger consumers, which can means that French consumers have access to more cosmetic brands than Swedish consumers. Older Swedish women quote as well around 3 or 4 brands.

Most of the French women spend from 20 to 60 euros in creams and make up every three months. Some of the French older women have a higher budget, from 75 to 150 euros. In general, French younger girls spend less money in cosmetics than the older. Surprisingly in Sweden it is the opposite, younger girls have higher budget than older. They spend definitely more money in cosmetics than girls from the same age in France. At the opposite, women in Sweden aged 26-60+ seem have lower budget than women from the same age in France (20-50 € vs 30-150 €).

7.4.2 Product

7.4.2.1 Branding

Doole and Lowe (2004) argue that branding is an essential part of the product. Overall, French consumers and Swedish consumers have the same opinion about the name "Oriflame", they are neither positive nor negative about it. Some of the French consumers would prefer a name that sounds more Swedish, and some Swedish thought it was a French brand. Both French and Swedish consumers like the fact that the products are natural, but some of them wonder what Oriflame means by "natural", and would like to see more information about that in the catalogue. While in Sweden some persons expressed this concern in each age bracket, in France only women aged 60+ requested explanations about "natural". Thus, Swedish consumers seem to pay more attention to the use of the word "natural".

7.4.2.2 Actual product

Kotler (2005) defines the actual product is what is built around the core product such as quality level, features, design, a brand name and packaging. All French consumers compare Oriflame products with Yves Rocher ones, but some clarify that Oriflame seems to have a wide range of products and thus that some products appear more luxurious than others. Most of them think that Oriflame offers different type of quality with its products. In Sweden, only 15-25 years old girls made the comparison with Yves Rocher. According to older women, the quality is good but not as good as luxurious products, some of them argue they could not tell the quality without testing.

Overall, after having seen some samples of real products, French and Swedish women had similar opinions, they all liked the products, and in particular the design, the colors and the smell. Only the French women aged 26-59 reacted in a different way, and did not like the products. However, as we specified in the methodological part, some of the women part of this group did not really like cosmetics, even if they were users. We believe that it impacted in a negative way the whole group. As opinions concerning the products were opposite in the three other focus groups in France, we decided not to take into consideration the negative judgments expressed in this group.

7.4.2.3 Country-of-origin

The country of origin may create associations of status, authenticity and exoticness (Batra et al, 2000). The Swedish origin of the products is a good point for most of French consumers. Most of them associate Sweden with nature, beauty, beautiful skins, good health, care. It reminds them of cold as well, and they see Swedish creams as being good quality. Some said they did not care about the country of origin of cosmetics, but none expressed concerns about the Swedish origin of the products. Only one or two person in each group told that if they had the choice between a French and a Swedish product, they will choose the French one, but they said as well that they would like to try Swedish products by curiosity, to change. Swedish consumers were mixed about the Swedish origin of the products; half of them were indifferent, and the other haft thought it was important to support the Swedish industry, and thus found it positive.

In general consumers have the notion that high-quality products require a highly trained and educated workforce. Thus they believe that such products are of better quality when produced in developed countries (Verlegh and Steenkamp, 1999). In all the groups except the one with French women aged 26-59, some women noticed that some of the products were made in Poland. Overall, all French women thought it was a very bad point for the reliability of the company, they thought it was not possible to claim that some products were Swedish and produce them in another country, that it was misleading. However, French women aged 60 and older were less critical as younger women, as the majority of them said they would not have seen it on the packaging, and would not have been surprised. Some women noticed "made in Poland" in all the groups leaded in Sweden. Girls aged 15-25 said it was not a concern for them, as the products could be made in Poland with Swedish ingredients, and that it was normal nowadays with globalization. The two other groups with older women did not like it overall, as they thought as the majority of French consumers that it was misleading. It would not be any problem for them to see written "products made in Poland" if Oriflame did not specify any country-of-origin.

7.4.2.4 Standardization vs Adaptation

One of the trends due to globalization is an increased standardization of products around the world (Doole & Lowe, 2004). The products that we showed to participants of focus groups had all their names and explanations written in big letters in English in the front of the packaging, and in the back in small letters in all the languages of countries where the products are sold. We asked French and Swedish women what they thought about that. At this point opinions were opposite. All Swedish women found it normal and did not have any objections about that. They did not have any problems to understand all the words written in English on the packaging and said they were used to that for other products. At the contrary, all French women agreed it would be essential to write the names and explanations of the products in the front of the packaging in big letters in French, or letting only English words that everybody can understand, but not the others. For example, French women did not understand the word "moisturizer" placed on creams, while

Swedish women knew what it meant. As a result, Oriflame would have to adapt its packaging for French consumers, which is very costly if it is the only country that requires such an adaptation.

7.4.3 Price

According to a study by Simon and Kucher (1993) in 1991 the general price differences in Europe were around 20 % in average with far higher differences in certain products. In the focus groups French and Swedish consumers did not have the same opinion regarding the price of Oriflame products. French girls aged 15-25 had mixed opinions; some of them found the prices expensive, because more expensive than Yves Rocher, and the others found the prices reasonable. Some found that some products had good prices, and some others were too much expensive, such as face creams for example. Older French women thought the prices were reasonable, adapted to the products. Most of the Swedish women expressed doubts about the quality of the products, because they found the prices really cheap. 15-25 years old girls found the prices lower than the ones of Yves Rocher, while they found that the products appeared to be of better quality. This confused them about the real quality of the products, they told they would need Oriflame to communicate on the good quality of its products, despite cheap prices, to be reassured. In the two other focus groups, women expressed less concern, but all of them found the prices very cheap and one or two in each group said they will buy some of Oriflame products, like make up, but not face creams for instance, because they really want to be sure of the quality for this type of products. As a result, these differences of opinion about the price between French and Swedish consumers show that the level of price of cosmetics is higher in Sweden than in France, and thus Swedish consumers are used to spend more money in cosmetics. It seems as if the findings of price support the price signaling theory in Tellis (1986). The Swedish consumers actually seem to be slightly put off about their perception of Oriflame's products being too cheap. This is especially true for the face-creams where many of them do not appear to trust face-creams with such low prices where as they are willing to try more generic products like body creams, shower gel etc. The difference with French consumers might be explained by that the prices in France appear to be lower which means that the price signaling of Oriflame's products in their eyes is not so much linked to low quality.

7.4.4 Place

French and Swedish girls aged 15-25 had quite similar knowledge of direct selling. In general, only half of them knew this system, but none or only one person had already experienced it. French and Swedish older women all knew direct selling, but Swedish women seemed to have experienced it more. 60 years old and older women had same knowledge and experience in Sweden and in France, but almost all 26-59 years old had bought products by this way in Sweden, while in France they represented only one quarter of the group.

According to Peterson, Albaum and Ridgway (1989) direct sales buyers often cite convenience as a reason to buy from this distribution channel and pressure to buy and high risk as reasons not to. Concerning the likeability of direct selling, opinions were mixed among French and Swedish consumers, and they were different according to the age bracket. Among French consumers, the two focus groups 15-25 did not lead to the same results. While the majority of the girls in the pilot expressed positive opinions about direct selling, because they liked the possibility to receive advices from friends, in the second group the opinions were opposite. The majority of the girls from this group did not like the system of direct selling, because they found the process complicated, and were afraid to be influenced and forced to buy. As a result, we can say that the opinion of 15-25 years old in France about direct selling is mixed. Swedish girls from the same age all liked this way of selling, but told they would like to be more informed about it. Women aged 26-59 in France and in Sweden had the same opinion, they all liked direct selling which supports Peterson and Wotrubas (1996) findings that most women working with direct selling are this age, but French women expressed a concern about the risk to feel obliged to buy. Women aged 60 and older had the same attitude in France and in Sweden, they all experienced direct selling and were disappointed about it, hence they do not want to buy products by this way anymore. Swedish women expressed another concern about the organization of these types of companies, saying they thought they resembled pyramid schemes.

Otherwise, more women were likely to become consultant for Oriflame in Sweden than in France. In France, only girls from the pilot focus groups would be interested, while in Sweden there were some girls aged 15-25, and women aged 26-59 as well.

7.4.5 Promotion

Direct sales firms rely mainly on their sales consultants for their marketing and promotional activities (Peterson & Wotruba, 1996). The main tool that Oriflame provides for its consultants in order to sell is the catalogue (Oriflame, 2005). Thus the way consumers regard the catalogue is essential for Oriflame's promotion strategy. Overall, the catalogue was well accepted in Sweden and in France, even if women had some comments to improve the catalogue, or did not like some elements. Only the focus group in France composed of women aged 26-59 had more negative opinions, but as we specified in the methodological part, some of the women of the group did not really like to talk about cosmetics and thus had a bad influence on the others.

In general, French women were more critical than Swedish women and had more comments. This can be explained by a higher level of expectations due to the fact that they are confronted to a larger offer than Swedish women. Another element that has been brought out is that in both countries, women aged 60 and older were less critical than younger women. Overall, all women liked the colors, the models, and the choice offered by the catalogue. French women aged 15-59 criticized the organization of the catalogue, they found it illogical, they did not understand why the pages about men or children were placed in the center of the catalogue, and told it was not easy for them to find a product in particular. Only few of the Swedish women from the same age stressed this point, and most of Swedish women liked the explanations and illustrations on each product and the way to use it. This can obviously be explained by the fact that French women saw the catalogues in Swedish, and thus did not understand the explanations. Most of the women aged 15-59 in both countries did not like the first page with scales and carrots, who remind them of diet, and not of a cosmetic catalogue. Besides, they did not like neither the training equipment showed on the first pages, they found it inappropriate with a cosmetic catalogue. Women aged 60 and older in both countries did not stress these points, and did not seem to be bothered by them.

7.4.6 Potential customers

In France, 15-25 years old girls had mixed opinions about direct selling, thus all the girls who liked direct selling would be potential customers, while the others were divided, they really liked the products but in general they would not like to buy by direct selling, but some of them would be ready to try but only by person-to-person and not home parties. Women aged 26-59 in France liked the way of selling but not the products, so only 3/8 would be potential customers. In Sweden, the 15-59 years old women could all be potential customers because they liked the products and the way of selling. Finally, the 60 and older women in France and in Sweden had the same opinion, they liked the products but do not want to buy by direct selling anymore and thus they could not be potential customers of Oriflame.

7.4.7 Summary

To summarize, we can say that both French and Swedish consumers liked the products, but they were confused by the term "natural", and wished to see more explanations about it. French and Swedish consumers did not attach much importance to the country-of-origin of cosmetics, but the Swedish origin of the products was a positive point for both. However, when participants noticed that some products were made in Poland it confused them and decreased their trust in the company. While Swedish consumers found normal to use English in the front of the packaging of the products, French consumers insisted on the necessity to translate the text in French. Concerning the price, French consumers were mixed but overall found the prices average, whereas Swedish consumers found the prices particularly cheap. In term of distribution channel, French and Swedish consumers had quite similar attitudes, that were positive or negative according to the age bracket, but overall more Swedish consumers were likely to become consultants. Finally, the promotion of the company through the catalogue was well received in both country, and Swedish and French consumers made similar positive and negative comments.

7.5 Culture

This chapter will present the analysis of the French and Swedish culture in regards to direct selling as a channel of distribution

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According to two studies Fam and Merrilees (1998) and Mendiza, Nguyen and Rosengren (2004) the most important aspect to consider when analyzing foreign market in terms of culture in relation to personal or direct sales is collectivism. Hofstede's study from the 70's shows that France and Sweden share the 10:th and 11:th ranking of the top individualist countries in his study (Hofstede, 1991). This shows that French people and Swedish people do not differ very much in whether they regard themselves as a collective or individuals. It appears as if both cultures are not very compatible with direct selling since they rank very highly on the individualist scale. Leaving the other four dimensions aside this would mean that French and Swedish culture would have pretty much the same attitudes towards direct selling. However, differences might occur if one tries to analyze the other parts as well.

On the power distance ranking France is 15:th-16:th and Sweden is 47:th-48:th. This means that French people are far more likely to accept as well as to sustain inequalities in society than Swedes (Hofstede, 1991) This might have certain implications for direct selling companies if this also means that people socialize more with people of their own class background. If so, it might be easier to segregate the French market into different income categories since people stick more to their own social class.

On the masculinity ranking France ranks 35:th-36:th and Sweden 52:nd. This means the French culture is more aggressive, assertive and that French people emphasize harmony and relationships less than Swedes (Hofstede, 1991). This could be a double-edged sword in terms of direct selling. In France, consultants might be able to be more aggressive sales consultants since they value relationships less; on the other hand it is also easier for French consumers to turn down sales offers from the consultants since they do not value social harmony and agreement as much. In Sweden it is vice versa, where people might be less to reluctant to endanger their relationships by selling things to their friends but at the same time where the customers have a harder time to say no to the consultants.

On the uncertainty ranking France ranks 10:th-15:th and Sweden 49:th-50:th. This means that in the French culture people are less tolerant towards uncertainty and ambiguity than in Sweden (Hofstede, 1991). This might be a factor which influences people's attitudes towards direct selling. Since direct selling might be seen as more ambiguous and uncertain than normal retail selling French consumers might be less willing to accept the uncertainty of not getting the product right away, often not being able to test or try the product or not being able to trust in the expertise of the consultant than Swedes. Peterson, Albaum & Ridgway (1989) support this study by saying that consumers in general claim that the uncertainty of shopping through direct selling is a negative.

To summarize, from a cultural perspective it seems as if though France and Sweden are quite equal in terms of accepting direct selling as a distribution channel. The main difference is that in France consumers might have less acceptance of the uncertainty involved with direct selling than in Sweden. .

8 Conclusions

This chapter will conclude the thesis by answering the research questions, fulfilling the purpose and summarizing the main points of the research.

The purpose of this thesis is to develop a theoretical framework to analyze foreign markets and apply it to the French market of direct sales of cosmetics and Oriflame. In order to develop a theoretical framework for foreign market analysis, existing models were used to gain an understanding of which factors to consider. The factors we considered relevant in existing literature were gathered and became the foundation to the framework the 5 Cs which included: Company, Culture, Constitution, Competition and Company. The content of the 5 Cs was based on existing theories about the concepts and then linked together in the framework in order to provide a basis for a foreign market analysis. The 5 Cs theoretical framework was adapted to fit Oriflame and the possibility of entering the French market in direct sales of cosmetics.

The 5 Cs framework was applied to the case by a number of methods, furthermore the data was compared between France and Sweden in order to get a point of reference. Interviews and secondary data were used to get information from people associated with Oriflame to get information about the company. Secondary data was used to get information about French and Swedish culture. Interviews and secondary data were used to get information about the constitution in France and Sweden. Secondary data from Euromonitor was used to get information about the competition and general market characteristics in France. Focus groups was used in order to obtain information about French and Swedish consumer attitudes.

Based on the theoretical framework and the empirical research, the study found the following: *Company*: It is doubtful whether the resources analyzed by Oriflame in this thesis can give the firm a sustained competitive advantage. The firm uses a transnational strategy with quite a standardized marketing mix yet quite independent subsidiaries. Furthermore the firm generally uses a mix between wholly owned subsidiaries and franchising when entering foreign markets. *Culture*: From a cultural perspective it seems as if though France and Sweden are quite equal in terms of accepting direct selling as a distribution channel. The main difference is that in France consumers might have less acceptance of the uncertainty involved with direct selling than in Sweden. *Constitution*: The political aspects between Sweden, Belgium and France are very good thanks to the European Union. The legal aspects of operating in France for a direct sales firm is primarily concerned with the complexity of social security system. The economic situation in France is not very good which benefits direct sales companies. The technological environment in terms of development of Internet is quite slow which benefits direct sales companies. *Competition*: The market of direct sales within cosmetics in France is growing at a relatively high pace of approximately 5 % every year. The competitive rivalry is expected to be moderate and overall the French market does not appear to be an attractive or an unattractive industry. *Customers*: In terms of Oriflame's products the French consumers and Swedish had quite similar opinions. In terms of Oriflame's prices the French consumers in general thought the prices were average where as the Swedish consumers in general thought they were low.

In terms Oriflame's distribution channel, the French consumers seemed more skeptical towards direct selling and becoming sales consultants than Swedes. In terms of promotion the French and the Swedish consumers appeared to have quite similar opinions.

9 Managerial Implications

This chapter will present managerial implications to Oriflame based on this study if they want to enter the French market.

This thesis had identified several key-points Oriflame needs to take into consideration if it chooses to enter the French market.

What is interesting about the results of the French consumers is that in many regards they are similar to Swedish consumers. Thus certain advice on the marketing mix of Oriflame will be applicable for Sweden and perhaps other markets as well.

Culture: The French culture might be less ready to accept direct selling than French. However, the differences are not very big nor are the findings of this thesis very definite.

Constitution: The French legal system concerning social security fees for direct sales consultants is complicated. However, the fact that many large international companies of direct sales of cosmetics are operating in the French market shows that the system is not impossible to deal with.

Competition: The competition in France is not expected to be very fierce. The market of direct sales within cosmetics is growing every year signaling that there is room for new market entry.

Customers: This study showed several issues Oriflame needs to consider if it enters the French market. Many of the results in the French focus groups were similar in the Swedish focus groups which mean they might have more of an international value.

- The first page of the catalogue should include some sort of presentation about the company. People want to know who they are buying from. Furthermore the first page is a good place to explain what the concept of 'Natural' products mean.

- Many consumers complained about the organization of the catalogue. It was difficult to find what they were looking for as different sections were mixed together. Furthermore, especially the French consumers complained about mens' and childrens' products being placed amidst the products for women.

- Perhaps it would be better to start the catalogue with make up or related products rather than products concerning physical training and weight loss. A lot of consumers perceived this as negative and would have prefer to have that section in the end rather than in the beginning.

- The fact that Oriflame's products are branded as Swedish but often produced in other countries like Poland is generally seen as negative by the consumers, not because it is made in Poland, but because of the discrepancy of what is communicated about the products and where they are actually produced. Perhaps some sort of statement could be included in the brochure on that the products are related to Sweden and not always made in Sweden in some way to avoid confusion and disappointment.

- The French consumers are not ready to accept that texts on the products are written in English as many of them do not understand what it means. Therefore its strongly recommended that the front-text labels of the product is translated to French if launched in France.
- As French consumers consider Oriflame's prices rather normal or even too high in some cases perhaps the best method would be to adjust the price to other competitors such as Yves Rocher or Avon.

10 Discussion

This chapter will discuss the 5 Cs framework, the method used in this thesis as well as the results and suggestions for future research.

10.1 Discussion about the 5 Cs framework

The 5 Cs framework includes a large variety of factors to consider when analyzing foreign markets. However, the framework is largely built on a systematic approach of analyzing foreign markets rather than the non-systematic approach which many companies use in reality. This might result in that the 5 Cs framework will simply become another theoretical tool not useful to real markets. However, at the same time due to its small size and logic nature the 5 Cs framework might be easier to use for normal firms than other frameworks referred to in this thesis such as the 12 Cs or a regular long list of factors. The 5 Cs offer a more comprehensive and intuitive framework which is easier to get an overview of as well as to show the connections between each part. Kotabe & Helsen (2004) state that it is essential for firms to analyze foreign markets in order to know whether to enter or not, the 5 Cs offer a framework in order to do so. The main contribution of this report of general interest is that it has developed a comprehensive approach to analyze foreign markets and has shown how this can be done in reality. The 5 Cs have been adapted to fit the case of Oriflame and France but is still general enough for other firms to be able to adapt it to their needs. Other firms can also be inspired by the methods used by this thesis in order to analyze foreign markets.

One of the difficulties in using the 5 Cs is that all of the 5 Cs have to be researched very carefully as abruptions in of the Cs can result in that the whole market analysis is flawed. Given that a lot of information is put into each C, they are all crucial to the success of the market analysis. Furthermore, given that each C is as extensive as it is there is a risk that they will be too vague and not specific enough. Perhaps a more extensive list like the 12 Cs offer more exact definitions of what is to be researched. In order to use the 5 Cs it is therefore important to have a clear overview what is included inside each C.

Another weakness is perhaps that the term "market" does not have a natural place in the 5 Cs. Intuitively one might say that it should be placed under Customers but at the same time that does not take into consideration that the competitive forces in Competition are also dealing with markets. As Porter's fifth force competitive rivalry deals with issues such as market growth (Porter, 1980), general market characteristics are put under Competition. Customers on the other hand deal purely with the marketing mix and consumer attitudes towards it. This might be confusing at first sight and can only be understood if taking a closer look at the theoretical structure of the 5 Cs.

10.2 Discussion about the method

Overall the methods used in this thesis for the 5 Cs were adapted to the case of Oriflame and France. However, it illustrates the point of how a firm can do foreign market analysis and puts the 5 Cs to practice. The main source for primary information in this thesis was focus groups. In order to estimate the appropriateness of the use of focus groups the method will be compared to two other methods to attain customer attitude information: *surveys* and *interviews*.

Ward, Bertrand and Brown (1991) conducted a study on comparing the use of focus groups and surveys for the same type of research purpose. They found that the results of the two methods were quite similar, the main difference being that the focus group method attained more in-depth information. However, even though surveys generally had less depth than focus groups they had more breadth since they covered more topics. Morgan (1996) argues that the survey method limits what respondents say about sensitive topics in comparison to what they reveal in focus group. Secondly the difference in response options meant that surveys were better in getting results on simple yes/no question where as focus groups could better get more information on open-ended topics (Morgan, 1996). Thus it seems like focus groups stands as a strong alternative in relation to surveys in order to obtain data for this thesis. The focus groups resulted in a lot of useful material in terms of in-depth thoughts of the participants and generation of new ideas and viewpoints which is very valuable when analyzing their attitudes on Oriflame's marketing mix. However, that does not rule out that surveys could have been used as an alternative method in order to get a larger breadth of information.

Fern (1982) did a comparative study between focus groups and interviews. Using an idea generation task Fern compared the innovativeness of participants in focus groups and individual interviews. He found that focus group participants only generated 60% to 70% as many ideas as in a personal interview (Fern, 1982). Thus for this thesis individual interviews could have been used as well. Focus groups do not seem like a superior alternative to personal interviews. However, in order to personally interview around 40 people as was done in this study through focus groups would take a considerable amount of time, resources and planning which would have meant there would be less time for other important things for the research of this thesis.

The choice of personal interview as a method in order to obtain information about Oriflame proved somewhat worthwhile. However, it was very hard to get in-depth information about sensitive information such as why Oriflame left France in the early 1990's as well as why Oriflame ran at a loss in the UK. It appeared as if there was a shield against outsiders in order to protect the information. This might be because Oriflame is such a big company and a lot of the information related to the company is interesting to a lot of people including competitors and stockholders. The company cares a lot about what type of information reaches external stakeholders. We felt as if the interview method was not enough to give us sufficient answers to the questions we had, however, it is hard to conceive of any other method we could have used to obtain information about Oriflame's corporate affairs which can not be found anywhere else.

The secondary data in the empirical research is either from text-books like in the culture part, the direct selling association of France as in the constitutional part or Euromonitor as in the traditional market research part about competition. According to Doole & Lowe (2004) one of the primary problems with secondary data is the availability and accessibility to good data. For this thesis the use of Euromonitor was absolutely essential in describing the French market of direct sales and the competitive situation. The only problem was that all of the data on direct selling was three years old, dating back to 2003, which raises a question over its validity, especially in terms of forecasting market growth. Furthermore, Euromonitor is not available to anybody. It was made available to us as Marion Jarne is student at a university through which she is allowed to use Euromonitor. Otherwise the data from Euromonitor would cost several hundred euros to obtain.

10.3 Discussion about the results

The results of the study bring up several issues of a broad range that Oriflame needs to consider if it wants to enter the French market. However, the question is whether Oriflame actually wants to enter the French market. It does not appear to be part of their strategy to enter Western European or highly developed markets. Rather, their strategy for a long time has been to enter developing countries where they can gain large market shares at lower cost. This also illustrates one of the essential aspects of doing the 5 Cs analysis, regardless whether the most of the factors in the analysis turn out positive or not, if the firm does not want or have the resources to enter a certain market it will not matter. From an outside perspective of it may seem like Oriflame should want to enter the French market due to its sheer size and potential; if it is not present and successful in a market like France how could it combat and face competition from other international giants like Avon on a global level?

Oriflame's list of failures in Western Europe in terms of the UK and France are illustrative. Perhaps the expansive strategy in the developing world meant that not enough resources could be allocated to the developed world? Perhaps the company can not battle two fronts at the same time? Or, perhaps Oriflame does simply not have the strategic tools and knowledge to operate in developed markets such as France; their reluctance to go there might be because they do not have the know-how to deal with a big but saturated market. Thus the big question mark resulting from the 5 C analysis of Oriflame and the French market of direct sales within cosmetics is the Company, all the other parts seem to suggest that there is potential for Oriflame in France.

What is interesting about Oriflame's strategy is that it contradicts the Uppsala school approach as stated in Johanson and Wiedersheim-Paul (1975) and does not focus on countries which are physically and culturally close. Rather they appear to have a niche in establishing themselves in developing countries regardless of how far away they are or how different they are.

10.4 Suggestions for further research

After having seen that Oriflame does not go by the traditional Uppsala school when they choose foreign markets it would be interesting to understand how Oriflame and other firms as well do when they analyze and choose foreign markets.

It would be interesting to see if there would be a way to find a combination between the systematic and the non-systematic approach in order to make a theoretical tool which can be attractive to firms in reality as well, perhaps through further development of the 5 Cs?

As is illustrated by this thesis Oriflame has failed in Western European markets in the past but succeeded very well in developing nations. This relates to an interesting question of why firms fail in certain markets but succeed in others. Is it due to their strategy simply being better adjusted to certain types of markets than others? If so, and especially in regards to direct sales companies, what kind of strategies are good to use in a developed market context?

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Appendix 1 - Focus groups Sweden - questioning route

Introduction of the subject : Michael and me are writing a master thesis at the international business school of Jönköping, we work for that with a Swedish company of cosmetics, Oriflame. We asked you to come today because we need to gather your opinion on their products, price, way of selling.

1. Tell us who you are, present yourself quickly : First name / Age / Profession

2. Where usually do you buy your cosmetics?
   Which brand do you buy the most?
   How much money do you spend on make up and creams per month?

3. Do you know the brand Oriflame? Have you already heard about it?

4. Take a few moment to look at the catalogue of Oriflame with all the products.

PROMOTION
What do you think of the name "Oriflame"?
What do you think of the slogan "Natural Swedish Cosmetics"? What do you think of "natural"? What do you think of the fact that the products are Swedish? Is the country-of-origin of cosmetics important for you? Does it affect your opinion of the products?
What is your first impression of the catalogue? What do you think?
What do you like? What don't you like?
What about the colours? The models? The layout? Is it attractive? Does it encourage you to buy?

PRODUCTS
Have a look now specifically on the products in the catalogue. What is your overall impression? What do you think of the packaging? The names of the products, is it ok in English or would you prefer to see them in Swedish? Which quality do you think they are?

Now I will show you some reals products, to have your impression on them. What is your overall impression? What do you think of the packaging? The colors? Which quality do you think they are? Smell? Feeling on your skin?

PRICE
Have a look now specifically at the prices of the products. What do you think about these prices? Does the price is right for the product? Is it good for you?

PLACE
These products are sold in a specific way, direct selling, meaning that they are not sold in shops but through consultants who sell to their friends and relatives, thanks to parties or person-to-person.

Did you hear about direct selling before? Did you already buy products by this way before, or do you know people who did it?
What do you think of this way of selling? Do you like it, or don't you like it? Why?

How do you feel about being invited to an home party where the hostess will show you the products and offer to sell them to you? For cosmetics?
How do you feel about buying products directly from one friend or somebody you know?

Considering that a consultant makes 20% of her sales, and can become group leader and have a carreer in Oriflame, would you be interested in becoming a sales consultant yourself?

Now that you know all this, do you think you could be a customer of Oriflame?

Appendix 2 - Focus groups France - questioning route

Introduction du sujet : Je suis actuellement en année d'études en Suède, et j'écris une thèse au à propos d'une entreprise suédoise de cosmétiques, Oriflame, qui voudrait savoir s'il y aurait du potentiel pour la société de s'implanter en France. Je vous ai toutes réunies aujourd'hui car je voudrais vous demander votre avis sur les produits, le prix, le système de vente de l'entreprise.

1. Présentez vous rapidement en donnant votre prénom, âge, et profession

2. Où achetez vous vos cosmétiques en général?
   Quelles marques achetez vous le plus?
   Combien d'argent dépensez-vous en maquillage et crèmes par mois ?

3. Prenez quelques minutes pour regarder le catalogue d'Oriflame. Il est en suédois, donc ne prêtez pas attention à ce qui est écrit.

PROMOTION
Que pensez-vous du nom "Oriflame"?
Que pensez-vous du slogan « Produits cosmétiques naturels suédois » ? Que pensez-vous de « naturel » ? Et que pensez-vous du fait que les produits soient suédois ? Est ce que le pays d'origine est important pour vous lors de l'achat de cosmétiques, est-ce que cela a un impact sur votre opinion du produit ?
Quelle sont vos premières impressions du catalogue? Qu'en pensez-vous?
Qu'est ce que vous aimez? Qu'est ce que vous n'aimez pas?
Que pensez-vous des couleurs? Des modèles? La mise en page? Est-ce attrayant? Est-ce que cela vous encourage à acheter?

PRODUCTS
Regardez maintenant les produits dans le catalogue. Quelle est votre impression générale? Que pensez-vous du packaging? Les noms des produits, est ce que c'est ok de les laisser en anglais ou vous préféreriez les voir écrits en français? Comment définissez-vous la qualité des produits ?
Je vais maintenant vous montrer quelques produits, pour savoir ce que vous en pensez. Quelle est votre impression générale? Que pensez-vous du packaging? Des couleurs? De quelle qualité sont-ils selon vous? Que pensez vous de l'odeur? Sensation sur votre peau?

PRICE
Regardez maintenant spécifiquement les prix des produits dans le catalogue, pour avoir les prix en euros il vous suffit de diviser par 10. Que pensez-vous de ces prix? Est ce que le prix correspond au produit? Est ce qu'il vous correspond à vous?

PLACE
Ces produits sont vendus en Suède en vente directe, c'est-à-dire qu'ils ne sont pas vendus en magasins, mais par des consultants, des vendeurs qui vendent à leurs amis et relations, soit par des réunions du genre Tupperware, soit directement.

Est-ce que vous avez déjà entendu parler de ce genre de vente auparavant ? Est-ce que vous avez déjà acheté des produits de cette manière, ou est-ce que vous connaissez des gens qui l'ont fait ?
Que pensez-vous de ce système ? Est-ce que vous trouvez ça bien, ou alors est-ce que vous n'aimez pas ? Pouvez vous expliquer les raisons ?
Imaginez que vous êtes invité à une réunion de ce genre où une de vos amies vous montrerait les produits et vous proposerait d'en acheter. Qu'en penseriez vous ?
Et si une amie ou une connaissance vous proposait directement d'acheter des produits?
Quelle sorte de vente préférez-vous? (entre les 2)

Un consultant, une vendeuse pour Oriflame touche 20% de ses ventes, et a la possibilité de devenir group leader et ainsi d'avoir une carrière chez Oriflame. Seriez-vous intéressé pour être consultant?

Maintenant que vous connaissez mieux les produits Oriflame et le système de vente, pensez-vous que vous pourriez être client d'Oriflame ?

Appendix 3 - % Retail Sales of Consumer Goods by core product sector

1998-2002

% value

Leisure goods					
– Media products	15.3	13.7	13.7	13.2	12.5
– Toys/Games	8.4	8.2	8.4	8.2	8.2
Food/Beverages					
– Special nutritional products	6.8	7.0	6.9	6.6	6.6
– Other food/beverages	4.5	5.0	5.0	5.0	5.5
Furniture/Home furnishings/Housewares	9.9	10.4	10.3	11.0	11.5
DIY/Home improvement goods	8.4	9.4	10.1	10.6	10.8
Cosmetics/Toiletries					
– Make-up/Colour cosmetics	4.3	3.6	3.7	3.5	3.6
– Other cosmetics/ toiletries	6.0	6.2	6.1	5.9	5.9
Apparel/Fashion goods	11.3	11.4	9.5	9.1	9.2
Household cleaning products	7.4	8.0	8.6	8.5	8.7
Household appliances/					
Consumer electronics	5.4	5.8	5.9	5.8	5.8
Others	12.3	11.3	11.9	12.5	11.7
TOTAL	100.0	100.0	100.0	100.0	100.0

Source: *Euromonitor International, Trade press, Trade interviews*

Note: *Others: includes jewellery, gift items, auto care, pet products, various services (eg flower delivery etc) and other consumer goods items not accounted for elsewhere*

Appendix 4 – Direct selling: Consumer goods Market Shares of leading operators

% value

Operator	Main sector(s) of activity	2000	2001
Avon	Cosmetics/Toiletries	3.38	3.26
Linvosges	Furniture/Furnishings/Housewares	3.22	3.15
Futura	Household appliances/Consumer electronics	2.76	2.58
Magasins Bleus	Apparel/Fashion	2.54	2.38
Yves Rocher	Cosmetics/Toiletries; Special nutritional products	1.66	1.89
Vorwerk	Household appliances/Consumer electronics	1.96	1.69
Pierre laforest	Food/Beverages	1.55	1.59
Herbalife	Special nutritional products	1.83	1.37
Solfin	Apparel/Fashion	1.59	1.35
Saga Isolation	DIY/Home improvement goods	1.24	1.30
Dexi	Cosmetics/Toiletries	1.32	1.28
JLC 45	DIY/Home improvement goods	0.86	0.99
Le livre de Paris	Media products	1.51	0.91
Nutrimetics	Cosmetics/Toiletries	0.97	0.77
Stanhome	Household cleaning products	1.02	0.75
Captain Tortue	Apparel/Fashion	0.50	0.71
Iso France Fenetre	DIY/Home improvement products	0.48	0.54
ABO Presse	Media products	0.43	0.46
Silit	Furniture/Furnishings/Housewares	0.35	0.31
Charlott	Apparel/Fashion	0.18	0.29
Predige	Cosmetics/Toiletries	0.32	0.29
OFUP	Media products	0.25	0.26
Amway	Household cleaning products	0.30	0.25
Auriege	Cosmetics/Toiletries	0.25	0.25
Club Français des Bibliophiles	Media products	0.20	0.22
Gaillard et Compagnie	Apparel/Fashion	0.28	0.21
Charles Delatour	Food/Beverages	0.17	0.19
Partylite	Furniture/Furnishings/Housewares	0.09	0.17
Swipe	Household cleaning products	0.17	0.14
NRJ Habitat	DIY/Home improvement goods	0.13	0.13
Tupperware	Furniture/Home furnishings/ Housewares	n/a	n/a
Others		68.49	70.32
TOTAL		100.00	100.00

Source: *Euromonitor International estimates based on Company reports, Company interviews*
Notes: *Shares relate to homeshopping sales of consumer goods (ie excluding holidays/travel/tourism, services/subscriptions, insurance)*

Appendix 5 – Cosmetics and Toiletries company shares

% retail value rsp Company	2001	2002	2003	2004
L'Oréal Paris	7.5	7.6	8.3	8.3
Gemey Maybelline Garnier SNC	-	-	7.1	7.0
Laboratoires LaScad	5.1	5.3	6.1	6.0
Beiersdorf SA	4.9	5.0	5.3	5.5
Lever Fabergé France SA	5.1	5.3	5.6	5.4
Yves Rocher SA	5.7	5.3	5.1	4.8
Henkel France SA	4.3	4.2	4.4	4.4
Pierre Fabre Participations SA	4.5	4.5	3.8	3.6
Colgate-Palmolive France SA	3.6	3.5	3.2	3.3
Gillette France SA	3.1	3.1	3.2	3.1
Yves Saint Laurent Parfums	1.9	1.9	2.2	2.3
Lancôme Parfums Beauté et Cie	2.3	2.2	2.2	2.2
Christian Dior SA, Parfums	2.2	2.2	2.2	2.2
Chanel SA	1.8	1.9	1.9	1.9
Cosmétique Active International (CAI)	1.5	1.6	1.6	1.7
Estée Lauder SA	1.3	1.3	1.3	1.4
Clarins SA	1.5	1.3	1.2	1.3
Sara Lee Household & Bodycare France	1.6	1.6	1.5	1.3
Reckitt Benckiser France SA	1.2	1.2	1.2	1.3
Vendôme, Laboratoires	0.9	0.9	1.0	1.1
Bourjois SA	1.4	1.4	1.2	1.0
Guerlain SA	1.2	1.1	1.1	1.0
RoC SA	0.7	0.8	0.9	0.9
Laboratoires Garnier	6.0	6.0	0.9	0.9
Procter & Gamble France SNC	0.6	0.6	0.8	0.9
Wilkinson Sword SA	0.8	0.8	0.8	0.8
Beauté Prestige International SA	0.9	0.9	0.8	0.8
Beauté-Créateurs SA	0.9	0.8	0.8	0.8
Prestige & Collections & Cie	0.4	0.6	0.7	0.7
Stafford-Miller SARL, Laboratoires	0.6	0.7	0.7	0.7
Eugène Perma France	0.5	0.6	0.6	0.6
Santé Beauté SA, Laboratoires	0.6	0.6	0.6	0.6
GlaxoSmithKline SAS	0.6	0.5	0.5	0.6
Kenzo Parfums	0.6	0.6	0.6	0.5
Coty France SA	0.3	0.4	0.4	0.4
Parfums Givenchy SA	0.4	0.4	0.4	0.4
Sanofi-Aventis	-	-	-	0.4
Johnson & Johnson SA	0.3	0.4	0.4	0.4
Hugo Boss AG	0.3	0.4	0.4	0.4
Thierry Mugler Parfums SNC	0.5	0.4	0.4	0.4
Bic SA, Sté	0.3	0.3	0.3	0.3
Nina Ricci SA, Parfums	0.3	0.3	0.3	0.3
Rochas SA, Parfums	0.3	0.3	0.3	0.3
L'Oréal Groupe	0.2	0.2	0.3	0.3
Lolita Lempicka	0.2	0.3	0.3	0.2
Rogé Cavaillès SAS	0.3	0.3	0.2	0.2
Dermophil Indien, Laboratoires du	0.2	0.2	0.2	0.2
Vania Expansion SNC	0.1	0.1	0.2	0.2
Sarbec, Laboratoires	0.2	0.2	0.2	0.2
Sunstar Inc	0.2	0.2	0.2	0.2
Loris Azzaro SA, Parfums	0.3	0.2	0.2	0.2
Paco Rabanne - Groupe Puig SA	0.2	0.2	0.2	0.2
La Brosse et Dupont	0.2	0.2	0.2	0.2
Avon SA	0.2	0.2	0.2	0.2
Lacoste	0.1	0.1	0.2	0.2

Expanscience SA	0.2	0.2	0.2	0.2
Biotherm Distribution & Cie	0.1	0.1	0.1	0.1
Ulric de Varens SA, Parfums	0.1	0.1	0.1	0.1
Gaba, Laboratoires	0.1	0.1	0.1	0.1
Kanebo Cosmetics Inc	-	-	-	0.1
Calvin Klein Cosmetics France	0.1	0.1	0.1	0.1
Body Shop Plc, The	0.1	0.1	0.1	0.1
Cerruti	0.1	0.1	0.1	0.1
Gemey France SA	3.4	3.3	0.1	0.0
Sanofi-Synthélabo France SA	0.4	0.4	0.4	-
Kanebo Ltd	0.1	0.1	0.1	-
Private label	3.1	3.2	3.2	3.3
Others	11.2	11.0	10.7	11.1
Total	100.0	100.0	100.0	100.0

Source: *Trade associations (FIP), trade press (Cosmétique Magazine, Faire Savoir Faire, LSA, Points de Vent), company research, store checks, trade interviews, Euromonitor estimates*

Appendix 6 – Summary focus groups

I. Focus Groups France

1. 15-25

Introduction

We made two focus groups in the age bracket 15-25. Organised in Sweden on April 9th, the first one was the pilot of our study, it was with six French girls aged 20-22, studying at the University of Jönköping. We decided to take in consideration the results of this pilot, since we changed only few details in our focus group's guide afterwards. Lead in Nice, France on April 13th, the second focus group was composed of six girls aged 20-25. Only two of them are working, the others are students.

Participants' buying behaviour in cosmetics

Overall, all the participants are used to go to a shop to buy their cosmetics. They go to supermarkets, pharmacies, perfumeries (Sephora, Marionnaud), and Yves Rocher's shops. Some of them order by catalogue to Agnes B, mainly to buy make up. Their favourite brands are: L'Oreal, Gemey-Maybelline, Nivea, Diadermine, Yves Rocher, Agnès B, and pharmacies' brands like Avene. Some of them buy more luxurious brands like Lancome, Vichy, Clinique, Yves Saint Laurent, but they are only one or two in each group. While the first group consider spending 30 to 50 euros in cosmetics (creams and make up) every three month, the second group has a lower budget, from 10 to 30 euros.

Promotion

- The name of "Oriflame"

Participants all think that the name is ok, it does not make them think of anything in particular, they are indifferent to it. For them, it does not bring something special but at the same time it is not negative.

- "Natural Swedish Cosmetics"

The majority of the participants liked the fact that the products were natural and found it logical with the image of Swedish products. Sweden has a very positive image, it represents for them beautiful women with natural beauty, with beautiful skins, so they associate Swedish cosmetics products with care, healthy products, good creams to protect from cold effects. In general they do not care about the country-of-origin of cosmetic products, as soon as they know the brand. In this case, the fact that the brand promotes its Swedish origin makes a difference and makes them willing to try, by curiosity.

- Catalogue

Overall, most of the girls liked the catalogue, and found it attractive. They liked the colours, the models, the choice. The catalogue made them think about Yves Rocher. However, most of them criticised the organisation of the catalogue, finding it illogical and difficult to follow. They would have prefer seeing the pages for men and children at the end of the catalogue, and not in the middle. They did not understand as well the organisation of the products, and found that the headings of each category were not visible because placed on the left page of the catalogue. They would have liked to see the headings on the right page, or on the top of the page. Moreover, the majority did not like the first page of the catalogue with the scales and the carrots, that they found negative because it makes them think about diet, and they do not understand why it is placed in such a magazine. They did not find adapted as well the next page with sports equipment, they did not find it relevant with a cosmetics magazine. In addition, participants did not like that the magazine starts with cellulite creams, they would have preferred seeing more positive products first, like make up or sun products. Otherwise, some of them found that there were too many products.

Products

- Opinion of the products on the catalogue

First of all, all participants agreed upon the fact that the names and explanations of the products should be written on the packaging in French, and not in English; except for English words that can be understood easily by everybody. Writing the name in English on the front of the product and in small letters in French on the back will not work for sure. In the first group participants agreed to qualify the quality of the products as being a little bit better than the products of Yves Rocher. In the second group they could not compare to the quality of another brand because they found that the range was too wide and that the quality should differ according the products.

- Opinion of the products shown

Participants all liked the products they saw. They appreciated the design, the colours, and the smells of the products and found them original. However, some of them noticed that some of the products were made in Poland, and found it inappropriate with the claim "natural Swedish cosmetics". They found that this affected in a bad way the reliability of the company.

Price

While the first group found the prices ok except the face cream shown that they found too expensive, in the second group opinions were different. Half of them found the products expensive, and the other half found the price good.

Distribution

At this point the two focus groups had opposite opinions.

In the first group, only two had already experienced direct selling in another category of products, but the majority were very positive about direct selling (5/6 girls) and would like to buy cosmetics by this way. The advantage for them is the possibility to receive advices, to discuss with friends about the products and gather their opinion. Besides, the majority (5/6 girls) were interested to become consultants, providing that they know and like the products, and receive trainings about the products and cosmetics in order to be able to give good advices.

In the second group, two of them knew about the concept of direct selling for underwear or Tupperware products, but never bought by this way. One of them have already bought some cosmetics by direct selling (Avon). The second half did not know about it. Overall, the majority of the participants (5/6 girls) find the process of direct selling too complicated and are afraid to be influenced and forced to buy in a party, so they prefer buying by themselves on catalogue or in a shop. Among them, two will not go to a party but will maybe buy products directly to a friend. Only one would be interested to become consultant. To conclude, in the second group the majority of the girls would have bought the products if they were sold by internet, catalogue, or in shops, but not by direct selling.

Conclusion

Overall, the majority of the girls liked the catalogue, even if they found it bad organised, they liked the products, they consider the price as a normal price for these products. However, the two focus groups had mixed opinions concerning direct selling. While in the pilot the majority of the girls liked this system, most of the girls from the second group did not like it. As a consequence, only half of them could really be potential customers for Oriflame, the other part being restrained by direct selling.

2. <u>26-59</u>

Introduction

Organised in Nice, France on the 16th of April, this focus group was composed of eight women aged 29-56. All of them are working except one, who is housewife.

Participants' buying behaviour in cosmetics

Overall, all the participants are used to go to a shop to buy their cosmetics, as younger women. They go to supermarkets, pharmacies, perfumeries (Sephora, Marionnaud), and Yves Rocher shops. Three women were not able to tell their favourite brands, because they are not loyal to one brand in particular and are used to change often. The five other women did not quote the same brands. Here are the brands named: Clarins, Bioderma, Vichy, Avene, La Roche Posey, L'Oreal, Nuxe, Neutrogena. The participants have different budgets. While some consider spending from 30 to 40 euros every three months in creams and make up, some others have a higher budget, from 60 to 100 euros.

Promotion

- The name of "Oriflame"

The participants all think that the name is ok, but they would have prefer a name that sounds more Swedish, to be related to the claim "Natural Swedish cosmetics".

- "Natural Swedish Cosmetics"

Five of the participants are indifferent to the Swedish origin of the products, as the country-of-origin of cosmetics is not important for them. The three others do not agree and find that the Swedish origin of the products is a good point. They associate Sweden with nature, care, and thus associate Swedish products with natural and healthy products.

- Catalogue

The participants had different opinions about the catalogue. Overall, while three of them expressed a positive opinion, three were negative and two did not have a real opinion because they were not used to look cosmetic catalogues and thus did not have any comment on this one. The positive elements quoted were the colours and the choice. The negative points were the same expressed by 15-25 years old girls: organisation illogical, with the men in the centre, and first page with scales and carrots not adapted. The three women who did not like the catalogue found it not original enough, too classical, and did not like the fact that the prices of the products were written in big. They thought as well that the catalogue does not remind them of Sweden, they would have liked to see images representing Sweden, with saunas, spas, nature.

Products

- Opinion of the products on the catalogue

First of all, as younger girls, all women agreed upon the fact that the names and explanations of the products should be written on the packaging in French, and not in English. They found the products quite similar to the one of Yves Rocher. They found some products attractive and some others not at all. The women though that the products did not remind of Sweden.

- Opinion of the products shown

Overall, they all liked the face cream but did not like the other products shown, which they did not like the packaging or the smell.

Price

All participants found the price of the products not expensive, they found it adapted for the products.

Distribution

All participants were aware of the existence of direct selling, but only two of them had already bought products by this way, one in another category of products, and one in cosmetics, to Avon. Overall, they are all positive about direct selling and would like to buy cosmetics by this way. They like the possibility to touch the products, to communicate with other persons, they find it convivial. The drawbacks they outline is that they will maybe feel the obligation to buy, and that the consultant, who will not be professional, will not provide professional advices. Even if they are interested by this way of selling they would not like to participate to more than two parties per year. In addition, none of them would be interested to become a consultant.

Conclusion

Overall, this focus group expressed less positive opinions about the catalogue and the products than previous groups, but liked the way of selling of Oriflame. In this group, only three women out of eight would be potential customers of Oriflame.

3. 60 +

Introduction

Organised in Nice, France on the 15th of April, this focus group was composed of six women aged 60-62. All of them are retired except one.

Participants' buying behaviour in cosmetics

The participants are used to buy their cosmetics in supermarkets, pharmacies, perfumeries, and Yves Rocher shops. Lancome is the brand that has been cited the most. Otherwise, they buy L'Oreal, Diadermine, and Nivea for the creams, and Gemey-Maybelline for the make up. Two of them buy as well pharmacy brands like La Roche Posey. One of them buy more luxurious brands like Clarins and Christian Dior. The participants have very different budgets in cosmetics (creams and make up), from 20 euros every three months to 150 euros. Here are the budgets of the six participants: 20 €, 30 €, 60 €, 75 €, 100 €, 150 €.

Promotion

- The name of "Oriflame"

One of the participant found the name pretty, four did not have an opinion about it, and were neither positive nor negative about it. However, one woman did not like it at all because she told she knows this brand for fire extinguishers, and thus for her "Oriflame" can not refer to cosmetics.

- "Natural Swedish Cosmetics"

Overall, they all think that Sweden brings a good image to the products, they associate the country with beauty, conscientiousness, good health, cleanliness, and the idea of cold as well that leads to good creams to protect the skin. However, two of them told that if they had the choice between one French and one Swedish product, they would choose the French one; but they told as well that they would like to buy Swedish cosmetics, to try.

All the participants liked as well the claim "natural", finding it adapted to the image of Swedish products. However, two of them clarified that they would like to know more about the composition of the products to be sure that the products are really natural.

- Catalogue

The participants were all very positive toward the catalogue. They found it attractive, clear, lightened, easy to read, with a lot of choice and nice colours. They liked the first page with the scales and found it adapted to introduce beauty products and cellulite creams.

Products

- Opinion of the products on the catalogue

They compared some products to Yves Rocher's products, and some to more luxurious brands like Christian Dior, Clarins. Thus they think that Oriflame offers different types of quality with its products. Overall, the women were all positive toward the products. Once again, all told that it would be necessary to put the name of the product in French and not in English on the packaging.

- Opinion of the products shown

Overall, the participants liked the packaging, the texture and the smell of the products. Some of them noticed that some of the products were made in Poland, and two of them considered it as a very bad point for the company. For them, a brand can not claim that its products are Swedish if they are not made in Sweden, it is misleading and thus it can remove the trust they have in the brand.

Price

All the participants agreed upon the fact that the prices of the products are reasonable.

Distribution

All the participants were aware of the system of direct selling and already experienced it a long time ago. Four of them already bought some cosmetics by this way to Avon. However, all of them have been disappointed by the system and would not like to buy again by direct selling. They prefer being independent to buy their cosmetics, because when they were buying by direct selling, they had the feeling to be obliged to buy to be nice and make a favour to the consultant, who is often a relative. Moreover, some of them added that another negative point of direct selling is that when the consultant stops her activity, it is difficult afterwards to know how to order products and continue to buy. Besides, they all think that this way of selling is disappearing because they were contacted a great deal by consultants of various products about 10 or 15 years ago, and not anymore today. In addition, all of them told they would not be interested to become a consultant.

Conclusion

Overall, even if they were all very positive about the catalogue, the products, and the price, the way of selling would be a barrier of purchase. All told they would buy Oriflame products if they were sold in a shop, or by catalogue, with some free samples to try. Another idea would be to sell the products on television. A great deal of them like to order products by this way.

II. Focus Groups Sweden

1. 15-25

Introduction

Organised in Jönköping, Sweden on April $20^{th,}$ this focus group was composed of five girls aged 20-24. All are students in the University of Jönköping.

Participants' buying behaviour in cosmetics

Overall, the participants go to H&M, Alens, Kicks and Body Shop to buy their cosmetics, and order sometimes by catalogue or internet to Yves Rocher. The favourite brands of most of them are: Nivea, L'Oreal, Max Factor. One of them buy more luxurious brands like Biotherm and Clinique. While three of them spend from 500 to 700 sek in cosmetics every three months, two of them have higher budget; one spend 1500 sek, and the other 3000.

Knowledge of Oriflame

Only one participant knows the brand, because one of her friends is consultant for Oriflame, but she has never been to a party and has never bought some products. All the others have never heard about it.

Promotion

- The name of "Oriflame"

The participants all think that the name does not remind of cosmetics, and is not enough significant. However, it would not prevent them from buying the products.

- "Natural Swedish Cosmetics"

Overall, the majority of the participants liked the fact that the products were natural but wondered what Oriflame means by natural, if it means that there is not animal testing, or that the ingredients are natural. They would like to see on the first page of the catalogue more information about that. Otherwise, the fact that the products are Swedish is a good point.

- Catalogue

Overall, most of the girls liked the catalogue, and found it attractive. They liked the colours, the organisation, the explanations on each product and the information about the way to use it. The catalogue made them think about Yves Rocher, but they prefer this one, because it is more detailed. However, some of them did not like the first page the carrots, they did not understand why food is placed in such a magazine, and the sport material reminds them of a sport magazine, and they found it inappropriate. Otherwise, some of them found that the catalogue was too thin, and would have liked to see more products.

Products

- Opinion of the products on the catalogue

First of all, all participants agreed upon the fact that the names and explanations of the products can be written on the packaging in English, and in the back in small letters in Swedish. It does not enable them to understand what the product is, and they are used to this. For the participants, the products seem more luxurious than the ones of Yves Rocher.

- Opinion of the products shown

Overall, the girls liked the products they saw. The fact that it is written on some products "made in Poland" is not a problem for them, as they think that products can be made in Poland with Swedish ingredients.

Price

All the participants found the price not expensive, and this makes them having doubts on the quality of the products. For them, the prices are lower than prices of Yves Rocher, while the products seem to be better quality. They would like to see written somewhere at the beginning of the catalogue that Oriflame provides good quality with good prices. However, they found the shower gel too much expensive (99 sek), because it seems classical. They would be ready to put this price if it had something special.

Distribution

Only two of them were aware of the existence of direct selling, and only one has already been to a party but did not buy any products. All the girls are positive about this way of selling, but they regret not having more information about it, and will need to know more the brand before going to a party, by at least receiving the catalogue before. The good points of direct selling for them are the possibility to see and test the products, have opinion of other people on them, and socialise with other persons. They are not afraid to be forced to buy because they will not buy to be nice with the consultant, they are not afraid to say no if they do not like the products. Thus, the only thing they need to accept to go to a party is to have more information about the brand. Otherwise, all of them would be interested to become consultant if they liked the products, had tested them, and had more information. They would need as well to receive trainings.

Conclusion

Overall, all the girls liked the catalogue and the products. The price is too low for them, it makes them doubt on the quality of the products. To avoid it, they need that Oriflame claims that they provide good quality with good prices. The girls liked the system of direct selling and would go to a party if they knew more about the brand before going, for example by receiving the catalogue in advance. Thus, they represent all potential customers of Oriflame. Moreover, they would all be interested to become consultant, with some trainings and a good knowledge of the products.

2. <u>26-59</u>

Introduction

Organised in Jönköping, Sweden on May 11th, this focus group was composed of five women aged 28-44. Two of them are students of the Jönköping University and the rest are working.

Participants' buying behaviour in cosmetics

Overall, the participants go to Åhlens, H&M, Kicks, Hudoteket, one of them buys online occasionally and another one generally uses special Pharmaceutical products for her skin since her skin is very sensitive. Their favourite brands include: L'Oreal, H&M, Revlon and special pharmaceutical brands, three of them claim to buy different brands all the time. The women had a budget from 300 to 500 sek spent on cosmetics every three months.

Knowledge of Oriflame

One of the women had never heard of the products. Another one knew about it. The third one had a friend who use to sell Oriflame products through a catalogue. The fourth one had been to a home-party of Oriflame a couple of years ago and she also knew a friend who use to sell through catalogue. The fifth one's sister had used Oriflame products some years ago.

Promotion

- The name of "Oriflame"

The participants thought the name sounds ok but foreign. Two of the women thought Oriflame was a French brand.

- “Natural Swedish Cosmetics”

Two of the women liked the slogan but did not care much about whether the cosmetics were natural although one of liked that it was Swedish very much. Another woman was very pleased that the products were natural and she very much liked the idea of them being produced in Sweden. She said many of her friends would prefer to buy Swedish products since it supports the Swedish industry. Another woman was confused as to what the concept “natural” actually meant, and said she would like to have more explanations about what the company means by “natural”. Another woman liked the natural origin of the products but did not care if they were Swedish or not.

- Catalogue

Overall, the women found the catalogue attractive, fresh and appealing with harmonized colours. They liked as well the explanations on each products, and the advices given. One of the women thought that the organization of the catalogue was a bit inconvenient since different product categories were not displayed in sequence. Most of the women agreed that there should be some sort of presentation about the company on the opening page of the brochure and argued they wanted to know who they were buying from. Most of the women were critical against the offer of training products and carrots on the first pages of the catalogues. Two of the women were very upset, one said she would probably not read the catalogue after having seen that and the other one said she was very offended as this was a sign of being to focused on the way women should shape their bodies.

Products

- Opinion of the products on the catalogue

The participants agreed the products appeared to be of good quality, although the make-up seemed to be of higher quality than the skincare products. One of the women said some of the products reminded her of Dolce & Gabbana. The women thought it is ok to have labelling of products in different languages and in big letters in English, as this is the norm nowadays in Sweden..

- Opinion of the products shown

Overall, the women liked the products displayed to them. However, three of them reacted very negatively to the fact that some of the products were not made in Sweden but in Poland. They thought Oriflame should not use “Swedish” in their slogan as this was not true. Two of the other women were less upset about the country of origin but still thought it was a little bit strange.

Price

All of the participants found the price of the products quite cheap. Some of them said this might be negative for the face-creams since generally the quality of face-creams is very much linked to their price.

Distribution

All of the women were aware of the method of selling. All of them had been to home-parties apart from one of them who said she could imagine going to one but was not sure about whether to buy something that way. Two of the women had been to several home-parties but one of them complained that the products were generally far too expensive and said the would prefer going Oriflame party since the products were cheap. They argued that the good points of direct selling are that it is a way to meet your friends and at the same time have a chance to try products and ask your friends about them. However, one of them expressed a concern, saying that when she wanted to complain about a product, it was difficult because she had to get in contact with the person again, and had often to wait. Many of the girls said that it was important for them to know and to trust the person who sells the products. Three of the women would consider selling the products themselves, however, in order to do so they would first need to know more about the products and also to trust the company that sells them. The two others said they will not do it by lack of time or because they would not like to force people to buy, and do not like selling things in general.

Conclusion

Overall, the women liked the catalogue but did not like the training tools, carrots etc. inside of it and they also wanted more information about the company. They thought the products were nice but some of them were doubtful about the face-cream, because of its cheap price. They were not happy about the marketing of Oriflame's products as being Swedish when they were really made elsewhere. They thought the prices were cheap. All of the girls could imagine going to an Oriflame home-party but thought it was important and to know and trust the person who sold the products. Thus, they are all potential customers of the company. Many of the girls could imagine becoming sales-consultants given the proper knowledge of the products and training.

3. <u>60+</u>

Introduction

Organised in Jönköping, Sweden on the 23th of May, this focus group was composed of three women aged 59-64 (two of them were 64). They were all working in the administration of the Jönköping International Business School.

Participants' buying behaviour in cosmetics

The participants generally buy their cosmetics in Kicks, department stores like H&M and Åhlens. Two of the participants have allergies which mean they generally buy specially tailored skin creams in pharmacy. The retail brands they buy include Nivea, Dove and Clinique. The woman who buys creams in pharmacy told spending 150 sek every three months in cosmetics, without including her pharmacy purchases. The other woman who has sensitive skin has budget of 200/250 sek every three months, including pharmacy purchases. Finally, the last one told spending 500 sek every three months.

Knowledge of Oriflame

One woman knew about the company but had confused Oriflame with L'Oreal. Another woman had a sister in law who currently sells Oriflame. She had ordered two pieces of jewellery from the catalogue a few years ago but was told that they were sold out. Her sister in law had also given her several Oriflame products as Christmas gifts. The last woman had heard about the name Oriflame before, but that was it.

Promotion

- The name of “Oriflame”

The participants did not have anything in particular to say about the name.

- “Natural Swedish Cosmetics”

One of the participants liked that it was Swedish. The other two did not care very much about the country origin of the products.

All of the participants wondered what natural meant. They did not see any explanation for it. They all told that it is not good to say “natural” and not explain why, what make the products be natural. However, one woman said that even if it was specified in which way they were natural she would still not believe it.

- Catalogue

Overall, all the women liked the catalogue and found it nice. However, one said she liked the catalogue although it did not appear very luxurious. She also added that she did not like the purple and pink colours; she preferred white and very fresh colours. She also thought the models were too young, especially for the anti-wrinkle cream. The next woman claimed she had a hard time to tell how big the products were in reality. She said she understood the organisation of the catalogue, mixing different product categories, since it was a smart marketing trick to get the customer to buy more. The last woman said she liked the catalogue but it was hard to find what you were looking for. Two women thought the catalogue was not well organised because they had problems to find a product in particular. They all noticed only afterwards the menu on the right of the page for each new category and the list of contents on the first page. All the women agreed it was hard to tell the size of the products in the catalogue.

Products

- Opinion of the products on the catalogue

One woman said the products did not seem very luxurious and another one said she would not be prepared to pay a lot of money for the brand. They could not define the quality of the products, only by seeing them on the catalogue and said they would need to test them to know.

- Opinion of the products shown

Overall, the participants liked the packaging, the texture and the smell of the products. The products were similar to what they expected. In particular they liked the pink body cream. They also liked the smell of the face cream although they said it was a bit oily. They found out some of the products were produced in Poland and even though they did not care much about the country of origin as long as the quality was good, they did not like that the products were marketed as Swedish. The women said it was very hard to read the text on the back of the products. One of the women said it is better to have big letters in English rather than small letters in Swedish.

Price

All the participants agreed upon that the prices of the products were low. One of the women was sceptical about the quality of the products because of the cheap prices.

Distribution

All of the participants were aware of the system of direct selling and had already experienced it. All of them agreed they did not like going to home parties as there was too much group pressure to buy something from the hostess. One woman said she had bought some Tupperware some time ago that she did not use very much. The other women had also bought different items in home parties but did not like to do so anymore. Two of the women expressed concern about the organisation of direct selling companies, referring to them as pyramid organisations where only a few people on the top make a lot of money. All of the women said they could consider buying products from Oriflame this way only if it was from a friend they trusted very well, and not during a home party. None of them were interested to become consultants, as they thought it was hard work for small money, and do not like the idea to convince friends to buy.

Conclusion

Overall, the women all liked the products and found the prices low. A problem was that two of the women were rather allergic to general skin creams and bought customized ones in the pharmacy. Otherwise, the fact that some of the products are made in Poland while they are said to be Swedish makes them doubt about the company. However, all of the women could imagine to buy products from Oriflame even though they would need to test and try them before making a decision. The problem is that they all do not like to buy by direct selling and thus would not be potential customers of Oriflame, only because of the way of selling.