

Analyzing the Potential Market of Local Color Cosmetics in Indonesia: The Case of an Indonesian Small Medium-Enterprise

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Abstracts. The aim of this study is to provide a market analysis based upon the case of several newly established Indonesian SMEs (Small-Medium Enterprise) in beauty and personal care especially in color cosmetics. The study is conducted with two main objectives namely; (1) To determine secondary sources for relevant data on the size and potential scope of demand in Indonesian market for local cosmetics, (2) To outline possible market entry strategies for a new company in selected Indonesian regional markets. In achieving this aim, the study is conducted by using qualitative research, in which the secondary data and primary data collection is utilized. This study is expected to discover that there is potential market for local cosmetics albeit the fragmented market in Indonesia. However, this study contains certain limitations but hopefully it can be addressed for future research. Nonetheless, this study will create a distinct addition to the knowledge of a Small Medium Enterprise looking to enter beauty and personal care market.

Keywords : SME, market entry, beauty and personal care

INTRODUCTION

Indonesia is one of the biggest countries in the world with 250-million population. The huge amount of its population has created a potential market for beauty and personal care products. According to Euromonitor International, beauty and personal care market size in Indonesia is accounted for Rp 62 billions in 2017. This number comprises sales from various products ranging from color cosmetics to bath and shower. The color cosmetic itself contributes to around 30% of the total sales in beauty and personal care, which indicates a great demand amongst Indonesian consumers. Apart from the international brand that has been established decades ago in Indonesia, new color cosmetic of small-medium enterprise (SME) begins to emerge in Indonesian market. According to Indonesia Government Statistics (2016), SME in Indonesia provides significant contributions towards the economics. Reflecting on this, the development of SME matters to the Indonesian economic development, in which if it is incubated properly, it could become one of the powerful weapons of the country. The combination between one big industry and one SME could give bigger contribution to the national economics.

However, the color cosmetic of SME frequently faces challenges such as strong competitions, lack of qualified human resources, and lack of capital. This aligns with previous research on SME, that in such fragmented market, the competitions will remain tight. Looking at this, this research aims to complete two objectives. First, to find the appropriate data on the size and scope of the color cosmetic in Indonesia. Second, to find the possible market entry strategy for similar SME. The knowledge of potential market is necessary to be obtained by an SME looking into a color cosmetic market. As shown in the previous research by [1] that argued that SME cannot handle uncertainty due to lack of knowledge. As such this research aims to bridge the problems.

METHOD

The methodology used in this research is qualitative research. In contrast with primary data, in which the data collected are originated from the researcher at hand according to their purpose, secondary data can be obtained easily and inexpensively, come from a wide range of sources, and usually have high-quality and accurate data collections [2]. Therefore, data collection method being used is secondary data. The methodology is chosen with several considerations. First, the nature of this research is using secondary sources of data. The data are then being analyzed to achieve the aim of this study which is to determine the potential market of color cosmetic in Indonesian market for an Indonesian SME. Therefore, qualitative research is suitable because this method qualifies the researcher to elicit the knowledge from the external documents and the data provided in order to get an insider view from the ground study [3]. Second, this study does not aim to determine the "variables" that are causally related in the market of color cosmetic, but aims to explore the potential market and the possibility of growth in the diverse Indonesian regions. This means that this research is trying to understand the social phenomenon [4] which can be reflected on the fragmented market in Indonesia. Third, this study does not aim to generalize the analysis by implementing this in all SMEs. Since all SMEs have their own unique environments to expand, the analysis is built based on the necessity of the SME being examined. Therefore, the qualitative method is suitable for a case oriented study with this research [5]. Aside from that, this research also includes one in-depth interview to get

perspectives from the population oriented involved in the day to day business, especially the SMEs owner's perspectives[6].

This study is also mapping articles to create a more systematic analysis towards secondary sources. There is a broad range of information available from formal data sharing that the researcher can obtain such as market report, government publications, academic articles, and news. Unfortunately, some of the sources are not reliable. As such an article mapping is needed in order to find the organization of the secondary sources. First, the data and articles are gauged, then the researcher collects the data based on their level of analysis. Second, the articles are classified into conceptual approaches. The importance of this classification is to help the initial understanding of how diverse the theory being used in developing the perspectives towards the research objectives [7]. Table 1 shows how the article is mapped.

Table 1 shows that the article used in this research are 30 in total. The classification has made the secondary sources systematically implemented and beset an important quality for the research.

RESULTS AND DISCUSSION

The Case of a Color Cosmetic SME in Indonesia

The ABC company is a newly established company based in Jakarta, Indonesia. The company started the business back in 2016, selling lipstick as its main product. The employees of the company at that moment were only 4 people and used online channel as their main channel in selling the products. During the first week of sales, the company was able to sell around 4000 lipsticks which gained total sales of Rp 400 millions. Therefore, within three months of the sales, the company has been able to reach break event [8]. There are plenty of reasons why the business is going so well. First, the owner is one of the most prominent beauty bloggers in Indonesia who is already well-known amongst youth. Second, the owner utilizes her online channel that targets millennials. Millennials are known as tech-savvy and relatively quick

in responding new trends in the market [9]. As such, the response for the products is enormous. Third, it is because of the brand concept. The owner's first step in establishing the business is concepting the product and brand. The next step is finding a make-up company that is in line with her vision, and the third one is producing and selling the products via online channel. She mentioned that a brand should have a strong personality attached to it to make it different from the competitors. As Aaker [1] mentioned in his study about brand personality, brand personality has several dimensions, and one of them is excitement which is represented beautifully by this

brand. For instance, the lipstick shades' names are up-to-date and imaginative such as burnt cinnamon and peppermint pie.

According to her, the company is currently able to sell 1000 lipsticks per day. The company's future plan is to introduce more products aside from lipstick in 2018 to gain more consumers and bring the company to the next level. One of the challenges that the owner states during the interview is that the business is going well yet plenty of newcomers are becoming their strongest opponents. This is shown in the excerpt of the interview as follows:

"...plenty of newcomers are available in the market with similar products"

The challenges may vary in one SME to another SME, as such the challenges can't be generalized for all SMEs in Indonesia. Yet, the fact that one of the most prominent color cosmetic companies, that experiences the competitions, shows that the main challenges from competitors are presents.

The size and potential scope of demand in Indonesian market for local cosmetics

According to the data from Euromonitor International, Indonesia as one of the largest markets in Asia, possesses great potential in the market. The table 1.2 shows the current market size of beauty and personal care in Indonesia.

Table 1. Article Mapping

No	Research Objectives	Studies assessing the numerical data	Studies assessing the conceptual approaches	Studies assessing the empirical approaches
1	Studies assessing the sizes, scopes and demands of color cosmetic	15		
2	Studies examining the possible market entry strategies	5		10

Table 2. Beauty and Personal Care Market Size in Indonesia (2012-2016)

Year	Retail Sales Value
2012	37 IDR billion
2013	43 IDR billion
2014	50 IDR billion
2015	58 IDR billion
2016	62 IDR billion

Sources : Euromonitor International, 2016

Table 2 shows that almost 50% growth from the market size has occurred from 2012 to 2016. This indicates that the demand for beauty and personal care in Indonesia is growing significantly year by year. The market is very fragmented with many leading brands which are available in the market such as Pond's, Pepsodent, and Sunsilk. The majority of the leading brands are international brands.

Table 3. Color Cosmetic Market Size in Indonesia (2012-2016)

Year	Retail Sales Value
2012	3,8IDR billions
2013	4,3 IDR billions
2014	4,8 IDR billions
2015	5,2IDR billions
2016	5,7 IDR billions

Source : Euromonitor International, 2016

Reflecting on the Table 1.3, we can infer that the retail sales value for color cosmetic in Indonesia has grown significantly from 2012 to 2016. This can be said that the potential market for color cosmetic is great for the color cosmetic in Indonesia. The findings are in line with the research found out a(??)

The possible market entry strategies for color cosmetic products in Indonesia

Having identified promising Indonesian markets, the next part is finding the suitable entry mode for the markets selected. Indonesian consumers tend to be very tech savvy and follow current trends really quickly. According to Kotler and Keller (2009), to enter a new market, a company should consider plenty of things, one of them is a proper distribution channel. Distribution channels can be described as the organization (or set of organizations) participating in the procedure of making a product or service available to be used by individual or business users [10]). The market entry strategies will focus on the distribution channel of the color cosmetics. The distribution channel of products may vary according to the target market. The products should first create a concept to cater the target market better.

It is found out that the current prominent strategy of a newly established brand is through online channel. Online retailing is defined as a newly established distribution

channel. Internet as a direct channel presents a good substitute for traditional distribution channels. Pitt et al. (1999) discussed the effect of internet on distribution strategies thoroughly and joined many other scholars in this orientation [1]. As such, for a newly established company, online retailing could be the fastest way in introducing the products.

CONCLUSION

This research found that the demand for color cosmetic continues to show prominent growth in Indonesia. At country level, this demand is represented by the number of beauty and personal care sales in total and color cosmetic specifically. Looking at the number of sales, it can be concluded that color cosmetic sales are increasing every year and are forecasted to keep growing in the next few years. It is interesting to see that

Next, having identified the potential market in Indonesia, it is important to choose the appropriate entry market strategy. Reflecting the current case study, the current state and the limited resources it entails, it is advisable to do market entry strategy by choosing the right distribution channels. Online retailing is feasible for a quick entry to the market and for gaining new brand awareness for Indonesian consumers.

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