

Shiseido in the Chinese market



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Certainly a strong point of Shiseido is its perseverance and the fact that it acknowledges the cultural differences between nations. However, it seems the homework is not always done properly and this information is often only recognized after entering the market of a new country (e.g., in France they only later realized that makeup was more important than skincare).

Until now by responding reasonably quickly, they have corrected these issues rapidly, not leaving too much damage. In an extremely fast growing market such as China more has to be investigated in advance.

Saito, an engineer by training, focuses much attention on the quality of the product and research and development. To allow China to become a success, all aspects of the value chain have to be equally strong, certainly the operational side of the business. Clearly Saito recognizes that the service to the end customer is important for a brand, such as Shiseido.

An initial more focused approach with less products might benefit the overall profit of the foreign business. Improve the quality of the complete chain up to the end customer with limited products and better trained personnel. Only then, when the market responds to certain products, new products can then be added.

To insure high quality up to the final customer, Shiseido has to be able to control the complete chain. Using the voluntary chains in a country such as China where the culture is based on supervision and control, might be very dangerous. If the shops were owned by Shiseido it would be much easier to fight the counterfeiting problems and create a nationwide strategy to improve service by centralizing the HR.

The current strong position of Shiseido in China will certainly give Shiseido an advantage over the other global players. There is a broad basis for this strong position in China based on the following points

- Shiseido has good contacts with the Government
- Although top management is mainly Japanese, middle management is recruited in China
- Shiseido takes up its social responsibility in China
- Production is partly done in China
- Investments are done by providing training for Chinese employees and modernizing the factories
- Joint ventures with Chinese companies
- Marketing with Chinese for the Chinese

It is important for Shiseido to focus on the home market and the European market, because losing too much market share there would not only reduce the total profit (because the Western Countries and Japan have higher profit margins) but it could also damage their brand name. To Europe a lot of the attraction in Shiseido lays in the fact that it is oriental: Japanese. For China, where fashion is just picking up and mainly following the trends from Europe and Japan, having a strong name in Europe and Japan is important. By expanding in China and using the low cost labour of the Chinese Market, Shiseido could strengthen its position in the middle class market of the Western Countries and Japan again.

To conclude, a structure where more control could be exercised on the leaves of the value chain would certainly benefit Shiseido. China shouldn't be seen as a replacement market for the lost share in the home market or the western market. As Shiseido is strongly positioned in China, it should use more and different advantages of this country such as the low labour cost and a chance to improve operational excellence.

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## Appendix 1: timeline

