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DEVELOPING ADVERTISING STRATEGY BY UNDERSTANDING CONSUMER BEHAVIOR

Case Company: LUMENE OY

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ABSTRACT

Nowadays, there are numerous companies operating in different industries all over the world, and competition among opposing companies is relentless. Every single year, several corporations invest a lot of resources in various activities in order to differentiate themselves from competitors, and stimulate consumers to purchase their offerings. Advertising is one of those activities, as it plays an important role in facilitating firms in appealing to their target consumers. More importantly, no matter how much a company attempts to attract buyers, the final decision makers are consumers. In short, understanding consumer behavior is the fundamental foundation of building an advertising strategy.

The main purpose of this thesis is to indicate how to build an advertising strategy based on the understanding of consumer behavior. On the basis of the theoretical part, an advertising strategy is proposed to help the case company, Lumene Oy, with the key product line Bright Now Vitamin C, establish brand awareness and evoke interests among the company's target consumer in Vietnam, who is women aged from 30 to 60 with upper-middle income level.

Due to the nature of the study, deductive approach and quantitative research method are employed. Moreover, information and knowledge used in the study is acquired from both primary and secondary sources. In order to get insights into the Vietnamese consumer behavior, a survey is conducted; and together with the author's observation, it is used as the primary sources for the study. Secondary data comes from books, journals, articles and electronic sources.

In the theoretical part, the knowledge of consumer behavior, advertising, and advertising strategy are introduced. Moreover, the interrelationship between consumer behavior and advertising are also explicated. Next, besides general information on Vietnam and the Vietnamese cosmetics market, empirical research on the target group of consumers is carried out and analyzed. The findings of the empirical research are then used to establish an advertising strategy for the case company. In the long run, the author suggests the case company to study more the relationships among brand equity, word-of-mouth and consumer behavior; and how to build sustainable brand loyalty into the bargain.

Key words: consumer behavior, consumer decision-making process, advertising, advertising strategy, cosmetics, Vietnam, Lumene

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1 INTRODUCTION

1.1 Thesis Background

How much a company should spend on advertising and marketing is always a complicated question that not every company can get the right answer for it. In order to survive and flourish, companies, especially infant firms, should focus most of their resources on finding the way to meet the demand of their customers or consumers. In fact, many young companies simply pay attention to providing better products/services and hope that consumers will come to them, which is called the “build a better mousetrap” syndrome. (McKee 2009.) Nevertheless, in a highly competitive market, it is not easy for a company’s products to appeal to consumers without any marketing tools or strategies (Mikoluk 2013). According to the statistics in 2011, largest corporations in the USA spent two percent of revenue on advertising on average as they understood the important role of advertising and marketing in the development of their businesses. In particular, General Motors was reported to spend 4.2 billion USD, while Forbes’ expenditure on advertising was 3.9 billion USD. (Laya 2011.)

However, it does not mean that the more a company spends on advertising, the more profit the company can gain. The budget for advertising activities varies in proportion to a company’s industry, size, life cycles and other factors (Cheong et al. 2013). Therefore, researches and guides were created to help firms make the right decisions, such as the rules of thumb for budgeting (Shimp 2010), analyzing the ROI ratio (return on investment), or CPM impressions (cost per thousand) (Fisher 2013). Although being able to define how much to spend on advertising is essential to a company, an undeniably crucial and foremost step that marketers or companies should bear in mind is to understand their consumers, what they really need and desire (Arens & Weigold 2011).

Why consumers choose a certain brand but not the others, how consumers are influenced by their surrounding environments, and what affects their decision-making process are matters that have caused more or less difficulties to many marketers. Deriving from the demand of understanding more about consumers psychology and behavior, the studies of consumer behavior have been carried out

and received numerous interesting findings (Blythe 2013, 3-4). Consumers are those who give a company the exact answer whether its marketing strategy succeeds or not (Solomon 2009, 35). Moreover, the consumer behavior study provides effective tools for efficient target segmentation (Schiffman & Kanuk 2006), and later better serving target consumers. As the world keeps changing rapidly, marketers and advertisers need to keep an eye on consumer behavior, demands and preferences. Understanding consumer behavior helps companies adjust and implement appropriate marketing and advertising plans for their target groups of consumers. It can easily be seen that the knowledge of consumer behavior has contributed tremendously to the advancement of marketing as well as business, and has an important meaning to marketing professionals. (Solomon 2009.)

Consumer behavior and advertising are broad topics that require a sufficient amount of time to investigate carefully, and both of them play important roles in the success of a company. Interestingly, as explained above, they do not exist independently, but there is a correlation between them. Recognizing the importance of these two aspects and their impacts on each other can help marketers and companies identify their opportunities and threats, develop their strengths and overcome weaknesses, as well as forming optimal strategies. Therefore, this thesis is conducted with the purpose of giving better understanding of consumer behavior and developing an advertising strategy based on the knowledge of consumer behavior. Furthermore, Vietnam is an emerging market that has potential in cosmetics industry with the total revenue of approximately 15,000 billion VND (equivalent to 704.2 million Euros) per year (VnExpress 2014). Therefore, the author would like to analyze the Vietnamese cosmetics market and its consumer behavior. Especially, Lumene Oy is a leading company in the Finnish cosmetics industry and has been present in some countries, which still do not include Vietnam. Hence, based on the analyses of the Vietnamese market and the consumer within it, the author would like to propose an advertising strategy for Lumene Oy with the concentration on the product line Bright Now Vitamin C.

1.2 Thesis Objectives, Research Questions and Limitations

The main objectives of this thesis are to provide the insights into consumer behavior, as well as developing an advertising strategy by understanding consumer behavior. The thesis also analyzes the target market, Vietnam, with the focus on the cosmetics sector and then proposes an appropriate advertising strategy for the case company, Lumene Oy, especially for the product line Bright Now Vitamin C.

Main research question: How can a company develop its advertising strategy based on the knowledge of consumer behavior?

In order to facilitate answering this question, some sub-questions are proposed

- What is consumer behavior?
- What affects consumer behavior?
- What is advertising?
- How does consumer behavior influence advertising and vice versa?
- What is advertising strategy?
- What are the characteristics of the Vietnamese cosmetics market, especially the Vietnamese consumer behavior?
- What is the most suitable advertising strategy for a Finnish company – Lumene Oy with the key product line Bright Now Vitamin C in The Vietnamese cosmetics market?

Limitations

The main aims of this thesis are to give better understanding of consumer behavior and building an advertising strategy based on the knowledge of consumer behavior. Therefore, this thesis introduces only some key issues in advertising and focuses more on the knowledge regarding consumer behavior and advertising strategies. Due to the broadness of the consumer behavior study, in this thesis, the author would like to concentrate on the most outstanding parts of consumer behavior, and ensures providing sufficient information on this subject.

Ho Chi Minh City is the biggest city in Vietnam in terms of population and economy. Therefore, the market research is conducted mainly in Ho Chi Minh City.

1.3 Research Methodology

In this part, Figure 1 indicates the research methodology of this thesis.

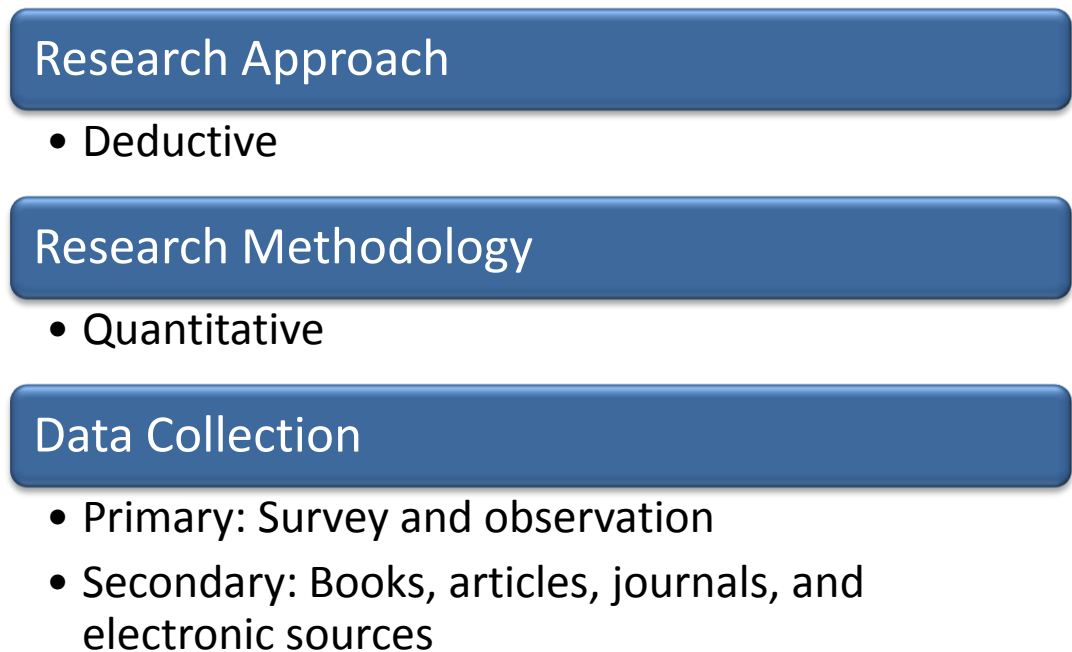


FIGURE 1. Research Methodology

Research Approach

There are two broad methods of reasoning, which are deductive and inductive approaches. The main difference between the two approaches is that whilst a deductive approach tests theory, an inductive approach creates theory emerging from data. A deductive approach deduces hypotheses from existing theories, and then observations are collected to be able to test hypotheses with specific data. On the contrary, an inductive approach works in a different way. It starts from specific observations to generalizations and eventually the generation of new theory. (Saunders & Lewis 2012, 107-110.)

The theme of this thesis is to use the knowledge of consumer behavior to implement advertising strategies, which means testing a theoretical proposition.

Therefore, a deductive research approach is adopted to conduct this thesis. By using a deductive approach, the research needs to go through five stages: defining research questions and building hypotheses from existing theories; identifying how those questions may be answered, in other words, operationalizing research questions; demonstrating how data can be collected to answer those questions; analyzing the collected data and showing its reflection on the theories; and finally confirming the theories or modifying them based on the research. (Ghauri & Grønhaug 2010, 15; Saunders & Lewis 2012.)

Research Methodology

In order to carry out a study, a suitable research method is required. There are two categories of research methods, which are qualitative and quantitative methods. Quantitative research includes a collection of numerical data and it shows a deductive relationship between theories and research (Bryman & Bell 2007, 154), while “*qualitative research is a research strategy that usually emphasizes words rather than quantification in the collection and analysis of data*” (Bryman & Bell 2007, 402). Due to the nature of this thesis, quantitative research method is utilized to give the best results for the research.

Data Collection

Data needs to be collected to answer research questions and there are two main categories of data: primary and secondary data. Primary data is data collected for a specific research project by observations or by contacting directly with the sources of information, while secondary data is data that already exists and was collected for some other purpose. When secondary data is not available or not suitable for the research topic, primary data is required (Ghauri & Grønhaug 2010, 99). However, secondary data also provides a great amount of data that could be useful for the research questions. (Saunders & Lewis 2012, 84-85.)

In this thesis, primary data is collected from the survey of the target market. Specifically, the survey includes both open-ended and close-ended questionnaires with the purpose of testing the consumer awareness of the case company’ brand, the consumers’ preferences, and the advertising trends in this market. Furthermore, the author’s observations and personal knowledge of the case

company, Lumene Oy, and the target market are also employed in this thesis. On the other hand, secondary data provides vast sources of knowledge needed for both the theoretical and empirical parts of the study. Secondary data involving publications such as books, articles, journals, and studies on relevant topics, and electronic sources are gathered to complement primary data.

1.4 Theoretical Framework

The purposes of this thesis are to give better understanding of consumer behavior as well as proposing suitable advertising strategies based on the knowledge of consumer behavior. Thus, in chapter 2, the in-depth knowledge of consumer behavior is introduced, including the definition of consumer behavior, and the key issues in the consumer behavior study. Specifically, different models related to consumer behavior are utilized to explain the whole process of consumer behavior, including its components, influences affecting consumer behavior, and the detailed consumer decision-making process.

The fundamental model applied to analyze the process of consumer behavior is the Engle-Blackwell-Miniard model (EBM). However, there are several consumer behavior models developed by different researchers and each of them has their own advantages and disadvantages. Therefore, instead of selecting one single model to explicate the knowledge of consumer behavior, the author would like to use the EBM model as the basis and integrate this model with other studies from researchers Kotler et al., Hoyer et al. and Solomon. The following figure demonstrates the EBM model.

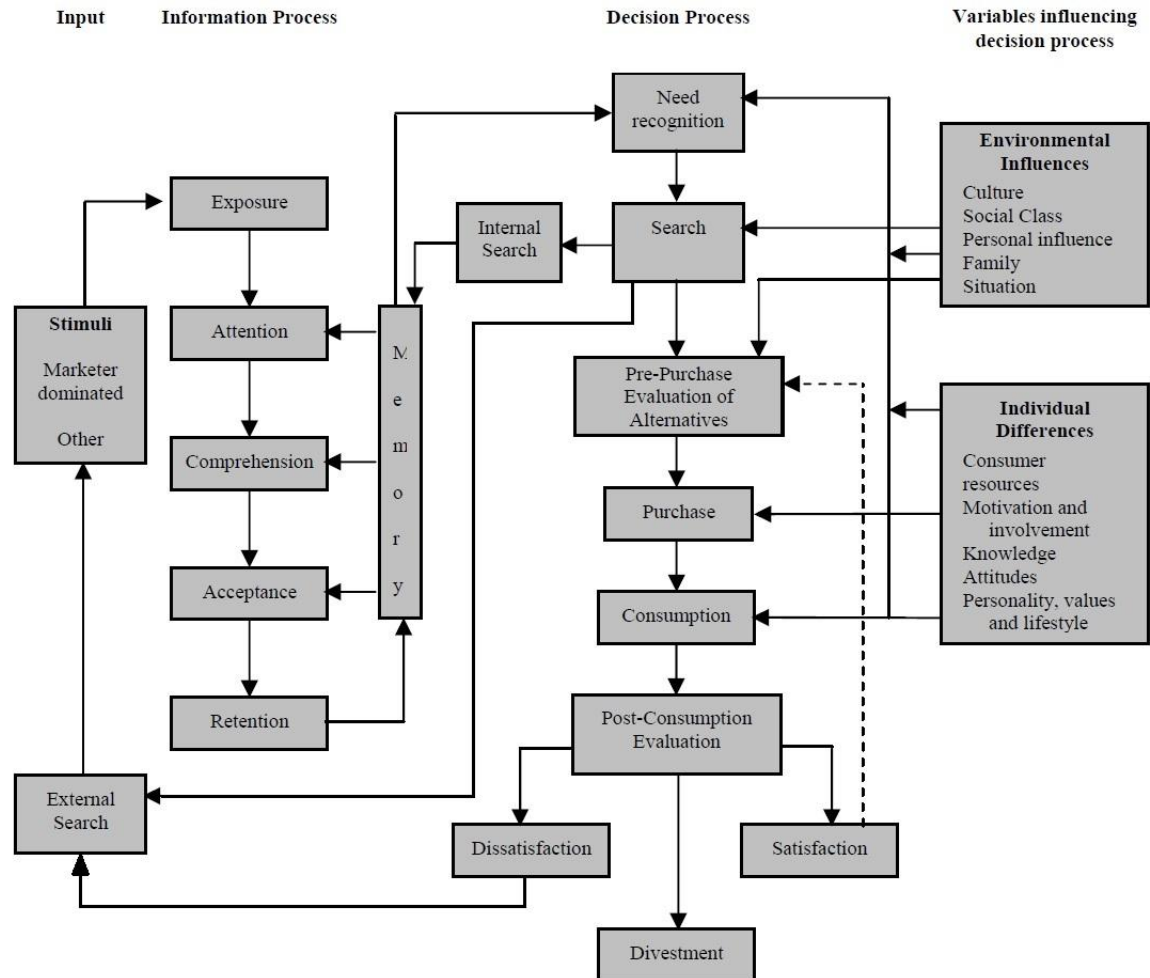


FIGURE 2. The EBM Model (Blackwell et al. 2006)

The Kotler's model is applied to clarify variables affecting consumer behavior. Those variables comprise cultural, social, personal and psychological factors (Kotler & Armstrong 2012). When explaining cultural factors affecting consumer behavior, the author decides to use the Hofstede 6-D model to analyze one element of cultural factors, which is culture. According to Hofstede (Hofstede et al. 2010), the 6-D model consists of six dimensions measuring culture, including power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance, long-term versus short-term orientation and indulgence versus restraint. Besides, psychological factors involve the information processing and motivation. In order to describe the information processing, the author would like to utilize studies from researchers Hoyer et al. and Solomon.



FIGURE 3. Stages in Building an Advertising Strategy (modified from Clow & Baack 2014; Shimp 2010)

In chapter 3, the introduction and some essential aspects of advertising and steps in building an advertising strategy are described in detail. The above figure demonstrates five stages in building an advertising strategy.

1.5 Thesis Structure

The thesis is divided into two parts: theoretical and empirical parts, consisting of eight chapters. The figure below demonstrates the structure of this thesis.

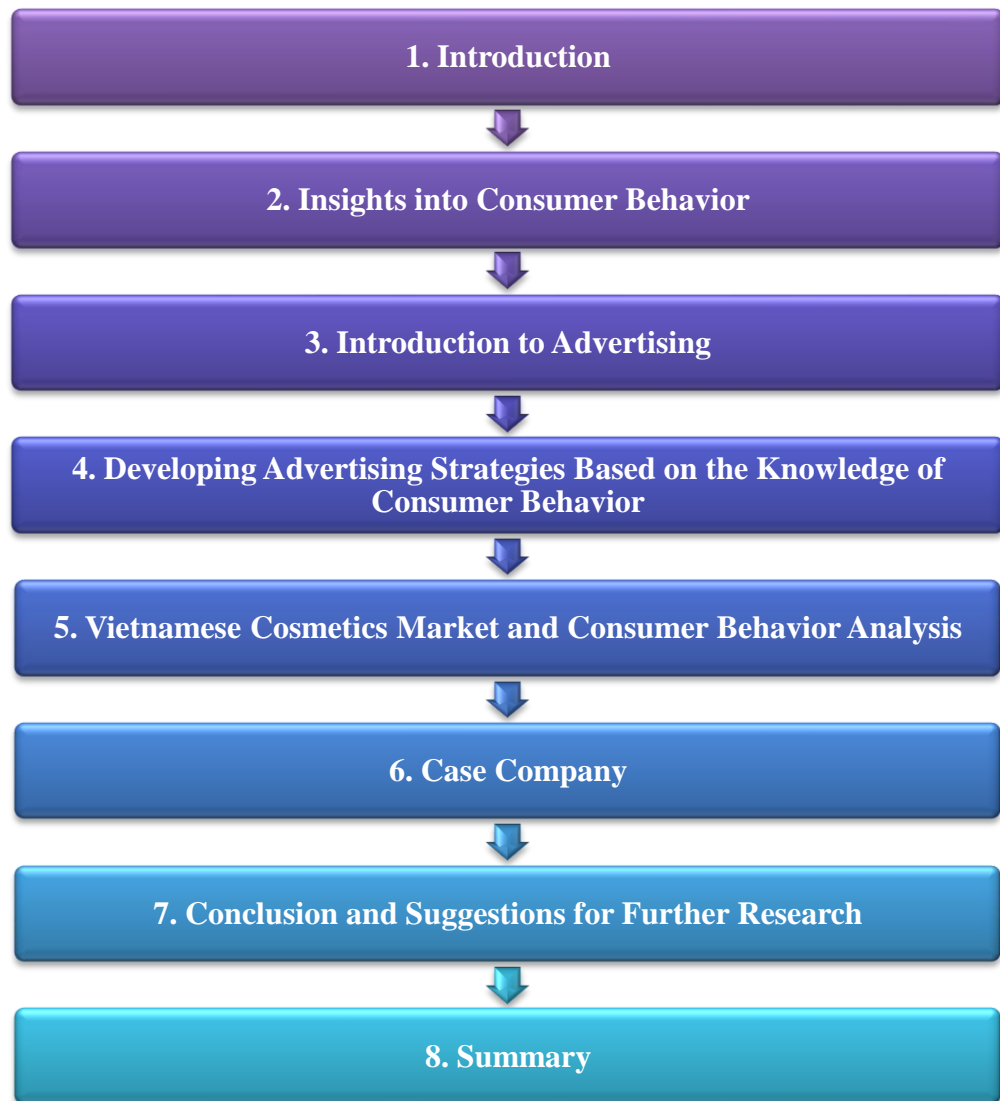


FIGURE 4. Thesis Structure

Chapter 1 introduces the thesis topic, the background of the study, the research objectives and limitations, as well as the research methodology and theoretical framework.

Chapter 2 gives in-depth knowledge of consumer behavior, what consumer behavior is about, and the model of consumer behavior.

Chapter 3 provides an overview of advertising and insights into an advertising strategy.

Chapter 4 indicates the relationship between consumer behavior and advertising and how a company can develop its advertising strategies based on the knowledge of consumer behavior.

Chapter 5 studies the target market, simultaneously evaluates consumer behavior of this market.

Chapter 6 gives suggestion for developing an advertising strategy in the Vietnamese market for the case company – Lumene Oy based on the study of the target market.

Chapter 7 delivers the research findings, and recommendations for further research.

Chapter 8 summarizes the thesis content and concludes the thesis.

2 INSIGHTS INTO CONSUMER BEHAVIOR

In order to answer the research question, the first step is getting to know what consumer behavior is about. Therefore, in this chapter, the definition of consumer behavior and the model of consumer behavior are introduced. Firstly, consumer behavior and key elements of consumer behavior are defined. Then, the models of consumer behavior are analyzed to give the insights into factors affecting consumer behavior, the connection between those factors, different processes in the process of consumer behavior, and the consumer decision-making process.

2.1 Definition of Consumer Behavior

Consumer behavior is not a new topic to marketers or researchers and there have been various research papers on this topic. As a result, there is no unified definition of consumer behavior. In fact, together with the evolvement of marketing and other factors, new concepts of consumer behavior were created by adjusting and supplementing previous ones. (Bray 2008, 2-3.) Following are some contemporary definitions of consumer behavior.

“Consumer behavior is the study of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires.”

(Solomon 2009, 33)

Hoyer et al. took a similar approach in defining consumer behavior.

“Consumer behavior reflects the totality of consumer’s decisions with respect to the acquisition, consumption, and disposition of goods, services, activities, experience, people and ideas by (human) decision-making units (over time).”

(Hoyer, MacInnis, & Pieters 2013, 3)

Although there are plenty of definitions for consumer behavior and each of them might be interpreted in different ways, those definitions still share main points in common. Therefore, the author would like to use the definition of Hoyer et al. to explain in more detail what consumer behavior is about. The figure below is based

on the definition of Hoyer al. on consumer behavior to provide a clear explanation of consumer behavior.



FIGURE 5. Definition of Consumer Behavior (Hoyer, MacInnis, & Pieters 2013)

Based on figure 5, the definition could be summarized with five main points:

- Consumer behavior is a process. In the first instance of the consumer behavior study, many researchers assumed that consumer behavior reflected the exchange between buyers and sellers at the time of purchase. However, in fact, after a long time of studying, researchers realize that consumer behavior also includes what happens before, during and after the purchase. In other words, the process of consumer behavior goes through three stages: pre-purchase, purchase and post-purchase. In each stage, different issues arise both on the perspective of consumer and that of marketer.
- Consumer behavior involves many decisions.
- The consumption activities of consumer include acquisition, usage and disposition. Acquisition is the process of obtaining an offering (product, service, activity, experience, or idea) by a consumer. Furthermore, consumers' decisions about acquiring an offering also involve decisions

about people, such as watching movies starring certain actors/actresses, or buying digital songs of certain artists. Acquisition is not only considered the action of buying, but also of leasing, sharing or trading. On the other hand, usage is the process of using an offering. Disposition is the process by which a consumer gets rid of an offering.

- The process of consumer behavior involves not only one, but many actors, including information gatherer, influencer, decider, purchaser and user. In reality, not all the actors will present at the same time. Some actors could be merged into one, for instance, a purchaser could also act as a user.
- Another characteristic of consumer behavior that could not be excluded is that consumer behavior involves not only behavior, but also feeling and thoughts. According to the American Marketing Association, consumer behavior is *“the dynamic interaction of affect and cognition, behavior, and the environment by which human beings conduct the exchange aspects of their lives.”* (Bennett 1995, 59). Affect is feelings, emotions, moods or attitudes of consumers about certain events or stimuli, while cognition is their thoughts, for example, their beliefs about a product. If a person thinks that a product is not up to his expectation and he feels disappointed with this product, he will decide to quit using it. Therefore, it could easily be seen that how people think and feel influence their decisions or the way they behave during the whole process. (Peter & Olson 2008, 22.)

(Hoyer et al. 2013, 3-9; Solomon 2009, 33-34.)

2.2 Models of Consumer Behavior

In order to provide an overall picture of the consumer behavior process, a model of consumer behavior is introduced and analyzed in this section. There are many different models of consumer behavior, which are divided into two categories: traditional and contemporary models. The traditional models consist of Economic model, Learning model, Psychoanalytic model, and Sociology model. The contemporary models include the Howard Seth model of buying behavior, the Nicosia model, the Engle-Kollat-Blackwell model (EKB), the Engle-Blackwell-Miniard model (EBM), the Webstar and Wind Model of Organizational Buying

Behavior, the Seth of Industrial Buying, the Hawkins et al. Model of Consumer Behavior and so on. (Bray 2008.)

This thesis is of no interest to compare these models. Therefore, the author decides to use the Engle-Blackwell-Miniard model to explain how influencing factors correlate with each other and how they affect the consumer decision-making process. However, there is no standard model when discussing about consumer behavior and each model has its own strengths and drawbacks. Thus, although the EBM model is applied in this thesis as a general model, the author would like to incorporate the EBM model and other consumer behavior knowledge from other researchers. In other words, the EBM model is modified in order to help clarify the whole process of consumer behavior more easily. The figure below illustrates the EBM model.

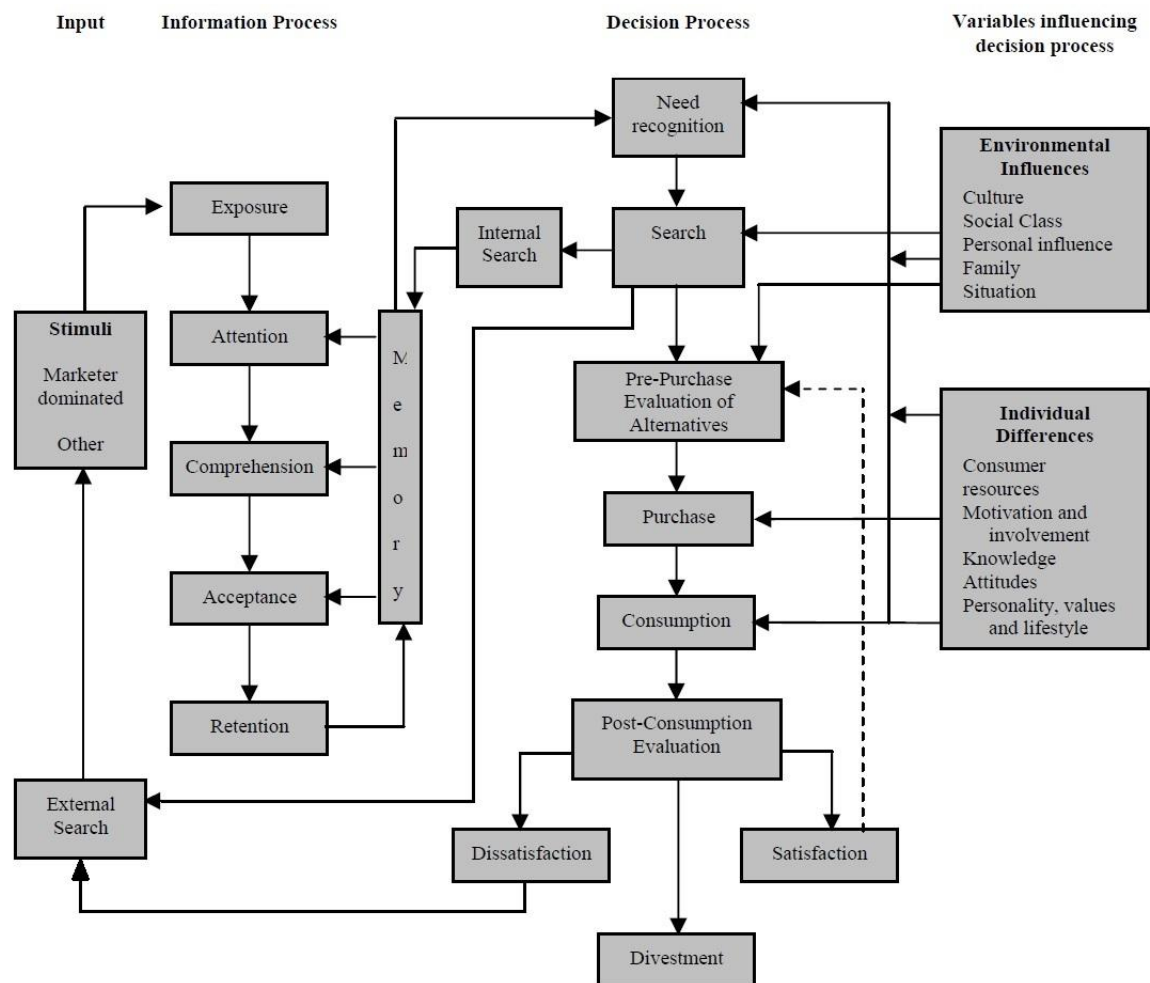


FIGURE 6 (reprise, FIGURE 2). The EBM Model (Blackwell et al. 2006)

According to the EBM Model, the process of consumer behavior comprises four components: input, information processing, consumer decision-making process, and variables influencing decision-making process. In this model, when input comes into the range of a consumer's sensory receptors, the information processing starts. The information processing together with four variables influences the decision-making process. The decision-making process then occurs through five stages respectively, and after the last stage in the process, consumers will decide whether they feel satisfied or not. Consumers' final decision will then again affect the process of consumer behavior in the next purchase. (Blackwell et al. 2006.)

Input includes marketing dominated or non-marketing dominated stimuli. Marketing dominated stimuli is information and marketing messages about products or brands delivered via marketing sources (advertisements, brand symbols, sales people, and so on) and non-marketing sources (product placement, media, word-of-mouth and others). (Hoyer et al. 2013.) Information processing, which is a part of psychological core or psychological factors influencing consumer decision-making process, and other factors are described in detail in the next part. After that, consumer decision-making process is analyzed. Finally, the author would like to summarize the overall process at the end of this chapter.

2.3 Factors Influencing Consumer Behavior

Consumer behavior is influenced by many factors. These factors are categorized into four groups: cultural, social, personal and psychological factors. To be more specific, the following figure demonstrates main issues when studying these four factors.

| Cultural | Social | Personal | Psychological |
|---------------------------------------|--|---|--|
| Culture Subculture Social class | Reference groups Family Roles and status | Age and life-cycle stage Occupation Economic situation Lifestyle Personality and self-concept | Motivation Perception Learning Attitude |

FIGURE 7. Four Factors Influencing Consumer Behavior (Kotler & Armstrong 2012)

2.3.1 Cultural Factors

People are products of their culture and their society. In other words, culture and individuals are inextricable and individuals' behavior is strongly affected by their culture. (Mooiji 2011, 33.) Therefore, in order to understand consumer behavior, culture needs to be taken into account. When considering cultural factors, three aspects that should be noticed are culture, subculture and social class.

Culture

“Culture is the total sum of learned beliefs, values, meanings, rituals, norms, traditions and customs that serve to regulate the consumer behavior of members of a particular society.”

(Schiffman & Kanuk 1991, 329)

Understanding culture requires grasping its characteristics. In fact, culture contains several different attributes. First of all, culture is invented and it is not something that already in existence at the beginning of a society. People within a society have the responsibility to create and develop their own culture. Secondly, people are not born with culture, but obtaining it through learning directly or indirectly, consciously or unconsciously. Thirdly, culture is expressed in a limited range of acceptable behavior. Next, culture is broad and people's knowledge of

culture is limited. Therefore, people could make mistake when facing a new culture or even in their own culture. Another feature of culture is that cultures could have similarities and differences. There could be many similar elements among different cultures, and some elements even present in all cultures. Finally, culture is not static. Depending on how quick societies accept changes, cultures could change rapidly or slowly. For example, the American culture has changed greatly since the 1950s, while some other cultures may not. (Hawkins & Mothersbaugh 2010; Chandrasekar 2010.)

In order to evaluate the culture of a country, the author would like to apply the Hofstede's dimensions of culture. This theory introduces six dimensions (the 6-D model) of measuring culture, including power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance, long-term versus short-term orientation and indulgence versus restraint.

- Power distance is the extent to which people with lower power within a society accept power is distributed unequally.
- Individualism versus collectivism: It is a measure of culture that captures the extent to which a person is regarded as an individual rather than a member of a group. For example, the cultures of Germany, the USA, and Britain are considered individualism, while the cultures of some Asian countries are collectivistic.
- Masculinity versus femininity: It is a measure of culture relating to assertiveness and competitiveness, or modesty and nurturance. A masculine culture is associated with assertiveness, competitiveness, and showing more ambition, such as the American culture or Swiss culture. On the other hand, femininity is linked with modesty and nurturance. Feminine societies are concerned with social welfare, such as the cultures of Finland or Denmark.
- Uncertainty avoidance is a measure of culture relating to capturing the degree to which people worry about the future.
- Long-term versus short-term orientation: People within a long-term oriented culture focus more on the future. In particular, they value perseverance, persistence and saving. People within a short-term oriented

culture, meanwhile, care more about the past and the present. They value tradition and pay more attention to immediate gratification rather than fulfillment in the long run. A good example of a short-term oriented culture is the Mexican culture.

- Indulgence versus restraint: it is the extent to which a person within a society has a tendency to control his/her gratification of desires. Societies with low control are called indulgent societies, whereas societies that highly control their members' gratification by social norms are called restrained societies.

Besides Hofstede's dimensions of culture, marketers should also take account of the theory of high-context versus low-context cultures developed by the anthropologist Edward T. Hall. In a low-context culture, words are straightforward and remain their meanings in all situations. On the contrary, in a high-context culture, words are more abstract and their meanings change depending on different situations and communicators.

(Gillespie & Hennessy 2010; Hofstede et al. 2010.)

Subculture

Subculture is a cultural group whose norms and beliefs are distinct from those of the larger groups within a culture or society, and people in a subculture share common value systems based on similar experience (Hornby 2000; Kotler & Amstrong 2012). Each culture comprises of a variety of smaller subcultures, including nationalities, ages, genders, religions, and so on. Analyzing subcultures enables marketers to segment their markets, and target the right segments. (Kotler & Amstrong 2012, 136.)

Social Class

Social classes are ordered divisions of a society based on economic and social status (determined by a set of variables, such as income, family background, and occupation). In some cultures, people can move from a higher class to a lower one or vice versa. Marketers should take social class into account when studying a

market as people within a social class show a tendency to have similar purchasing behavior. (Kotler & Armstrong 2012, 139; Solomon 2009, 514.)

2.3.2 Social Factors

Besides cultural factors, consumer behavior is also influenced by social factors. In this section, social factors, including reference groups, family, role and status, are explained in detail.

Reference Groups

A person's behavior is influenced by many small groups, including membership groups and reference groups. Membership groups are groups which an individual belongs to and have direct impact on that person. On the contrary, reference groups serve as a frame of reference to which an individual or another group is compared. A reference group for a person can be a membership for non-membership group. In addition, reference groups play an important role in affecting individuals' attitudes and behavior. Thus, marketers ought to attempt to identify reference groups of their target consumers, as reference groups create pressures affecting consumers' product and brand choices. (Kotler & Armstrong 2012, 139-141.)

Reference groups are considered a source of information for consumers. For example, before deciding to buy a product, a person may ask friends or family members for advice, or through communicating with other people, a person's buying decisions may be affected. Understanding this fact, marketers can develop word-of-mouth advertising, buzz marketing or using online social networks. (Dransfield et al. 2004, 548; Kotler & Armstrong 2012, 139-141.)

Family

When studying consumer behavior, researchers regard not only individual consumer, but also family as a unit of analysis. Of all membership groups, family impacts the most on consumers and many people are members of two families during their lifetime: the family into which they are born and the one after they get married. There are a variety of family roles and people with different role have

dissimilar purchasing behavior. However, these roles can change depending on situations. For instance, there are some families in which husbands are dominant, but there could be other cases in which wives are dominant. The dominant person in a family might be the one who makes important purchasing decisions. Furthermore, in many families, children also have strong influence on family buying decisions. (Dransfield et al. 2004, 548; Kotler & Amstrong 2012, 141-144.)

Role and Status

Status is the position that one person holds in a group, and role is what others within the group expect that person to perform. People usually select products appropriate with their roles and status. For instance, a businessman might choose outfit that suits his role and status in his company. (Kotler & Amstrong 2012, 144.)

2.3.3 Personal Factors

Personal factors that exert influence on consumer behavior include age and life cycle stage, occupation, economic situation, lifestyle, personality and self-concept.

Age and life-cycle stage

People's choices of commodities change over their lifetimes and at each stage, people have inconsistent thinking, preferences and needs. In other words, consumers at different ages may not make similar buying decisions. By way of illustration, young people, especially teenagers, would be more attracted by bright colors, while middle-aged consumers may prefer neutral colors. Hence, fashion manufacturers aiming at groups of young people should focus on using more vivid colors, and those whose target segment is middle-aged classes should not choose colors which are too vibrant. In addition, changes in human life-cycle normally stem from remarkable events in their lives, such as marriage, giving birth to children, getting promotion in job, or retirement. Marketers must pay attention to life-cycle stage when identifying their target segments, so that they can propose

relevant products and marketing plans for each stage. (Kotler & Armstrong 2012, 145; Kardes et al. 2015, 443.)

Occupation

A person's occupation exerts significant influence on his/her purchasing decisions. To give an example, it is hard to find any blue-collar workers buying premium brands for everyday work, whereas an executive is supposed to wear a business suit to work in accordance with the nature of his/her job. In another case, university students would prefer casual outfits, while professionals might have more demands for formal clothes. (Kotler & Armstrong 2012, 145; Jisana 2014.)

Economic situation

Consumers' choices for products and brands are directly affected by their economic situations. The amount of income or saving influences how much and on which products a person would spend. For instance, high-income level people would purchase more expensive and high-class products. In contrast, middle- and low-income people would spend most of their earnings on necessities. Moreover, changes in global and national economic situations also involve in consumers' purchasing trends. In the economic downturn periods, people tend to purchase fewer luxury items or unnecessary goods, and save more. Marketers should notice these trends in order to set suitable strategies for different periods of time. (Kotler & Armstrong 2012, 146; Jisana 2014.)

Lifestyle

Lifestyle refers to a person's way of living (Hornby 2000) manifested in his/her activities, opinions and interests. When buying a product, consumers do not simply buy a physical object, but more than that, they expect to capture the values and lifestyle delivered from the product. (Kotler & Armstrong 2012, 146.)

Personality and self-concept

Personality refers to a set of characteristics that make an individual distinct from others. Each person has his/her own personality traits that influence his/her buying behavior. Interestingly, brands are assumed to have their own personalities and

consumers have a tendency to choose brands whose personalities correspond to their own. A brand personality is a combination of human traits attached to a brand, such as sincerity, excitement, competence, sophistication, and ruggedness. Prestigious brands in the world are associated with a specific trait, for example, Chanel with “sophistication”, Apple with “excitement”, or Ikea with “sincerity”. (Kotler & Armstrong 2012, 146-147; Solomon 2009, 244-254.)

Self-concept or self-image is a concept related to personality that reflects a person’s beliefs about his/her characteristics and how he/she evaluates himself/herself based on these traits (Solomon 2009, 197). According to researchers, it is said that what people possess reveals their personalities. Therefore, people tend to possess products embodying the image or concept they want to hold, which obviously leads to their options for brands and products. Hence, marketers need to understanding the connection between possessions and the concept of self. (Kotler & Armstrong 2012, 147.)

2.3.4 Psychological Factors

In this section, psychological stimuli that have impacts on consumer decision making process are described in detail. Psychological factors consist of motivation, perception, learning and attitude.

Motivation

Understanding motivation is the fundamental importance to the study of consumer behavior as it helps answer the question why people buy and identify pressures behind their decisions. By comprehending what motivates consumer purchasing decision, marketers can explain brand preference, product choice, and develop effective advertising strategies. (Mooiji 2011, 157.)

As stated by the American Marketing Association, consumer motivation is “*the needs, wants, drives, and desires of an individual that lead him or her toward the purchase of products or ideas*” (American Marketing Association 2014). The main issues in the study of motivation are factors affecting motivation and the effects of motivation, which are shown in the figure below (Hoyer et al. 2013, 46-60).

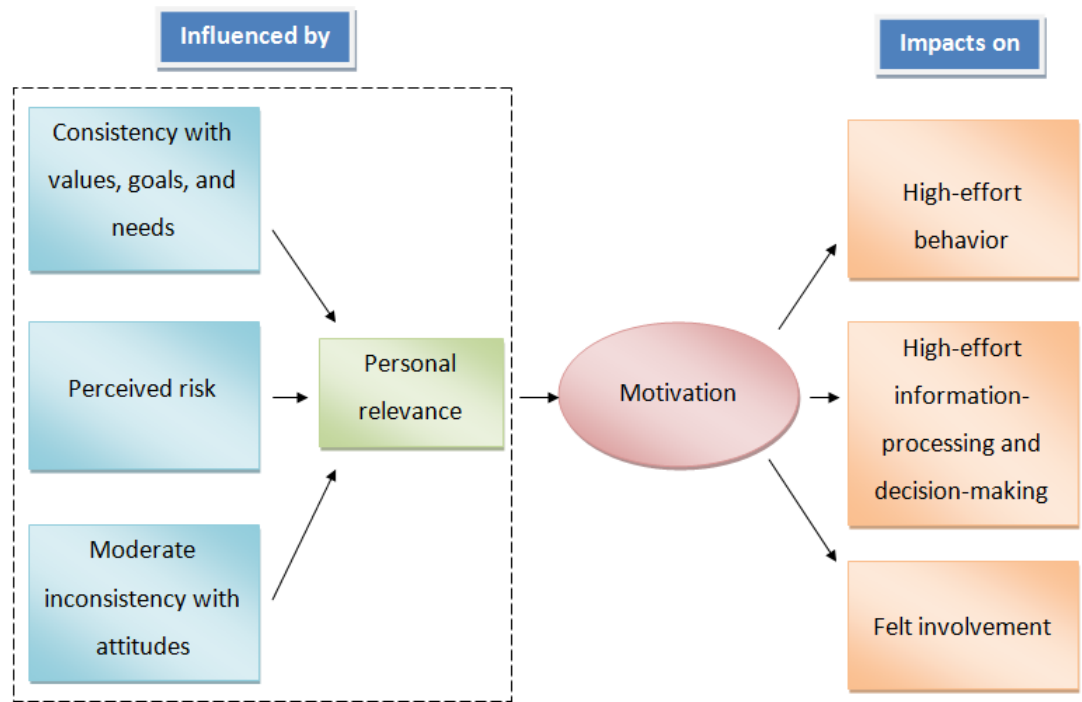


FIGURE 8. Understanding Motivation (Modified from Hoyer et al. 2013)

- Factors Influencing Motivation

People in general and consumers in particular need motivation to do something. From the perspective of marketers, they need to understand what creates consumer motivation in order to form suitable plans for attracting consumers. To be more specific, the cornerstone influencing consumer motivation is personal relevance. Personal relevance is something that involves directly to the self and has a result in one's life. People consider something personally relevant when it is consistent with their values, goals and needs; when it is risky to their lives; or when it is inconsistent with their prior attitudes. (Hoyer et al. 2013.)

Value is a person's abstract beliefs that guide him/her what is right, good, or important. When consumers regard something as important, they will be motivated to engage in behavior consistent with their belief. On the other hand, goal is an objective that people would like to achieve. An individual sets goals to achieve over time and the amount of effort for attaining a goal depends on the feedback and rewards one can receive for their attempt. (Hoyer et al. 2013, 50-59.) Need is the state of having to have something that one does not have and desires to possess to feel satisfied. According to Abraham Maslow, needs are

grouped into five categories as shown in the figure below: physiological needs, safety and security needs, social needs, ego needs, and self-actualization. In reality, lower-level needs must be satisfied before fulfilling high-level needs. (Maslow 1970, according to Solomon 2009, 162.)



FIGURE 9. Maslow's Hierarchy of Needs (Maslow 1970, according to Solomon 2009, 162)

Perceived risk is uncertainty that an offering may not be as good as expected. In addition, there are six types of risk, which are performance, financial, physical, social, psychological, and time risks. Consumers are more motivated to engage in processing information or behavior that helps them diminish or resolve risks. (Hoyer et al. 2013, 58-59.)

Moderate inconsistency with attitudes is when new information inconsistent with one's existing knowledge or attitudes appears, he/she will try to remove or at least understand the inconsistency. For example, when a person sees an advertisement with some negative information on a product that he/she is currently using, that person may want to process information in order to eliminate or understand his/her uncomfortable feeling. In contrast, when the level of inconsistency is too high, consumers might be less willing to process new information. Therefore,

someone, whose brand loyalty is high, might not be motivated to see advertisement that shows bad images of their favorite brand. (Hoyer et al. 2013, 60.)

- The Effects of Motivation

The outcomes of high motivation are high-effort behavior, high-effort information-processing and decision-making, as well as felt involvement.

High-effort behavior: Motivation stimulates a person to put more efforts or have behavior consistent with their purposes, which is called high-effort behavior. Specifically, when motivation is high, people tend to do things that make their goals more likely to be attained. Moreover, with motivation, people are more willing to devote their time and energy to get what they want. For example, when a person is motivated to attend a concert, he could wait in line for hours or earn extra money to get the tickets. (Hoyer et al. 2013, 45.)

High-effort information-processing and decision-making: When a person is motivated to achieve a certain goal, he/she will pay more attention to it; search and try to understand information about it; then evaluate that information; and make effort to remember it for later use. On the other hand, if a consumer's motivation is low, he/she will be less likely to attempt to process information and make decisions. (Hoyer et al. 2013, 45-47.)

Felt involvement: Besides high-effort behavior, information-processing and decision-making, felt involvement is also an outcome of high motivation. Felt involvement is psychological states of consumers, including passion, excitement, interest, anxiety and engagement. (Hoyer et al. 2013, 46-48.)

In order to clarify how a consumer's information processing occurs, in the next sections, components of information processing are introduced in detail.

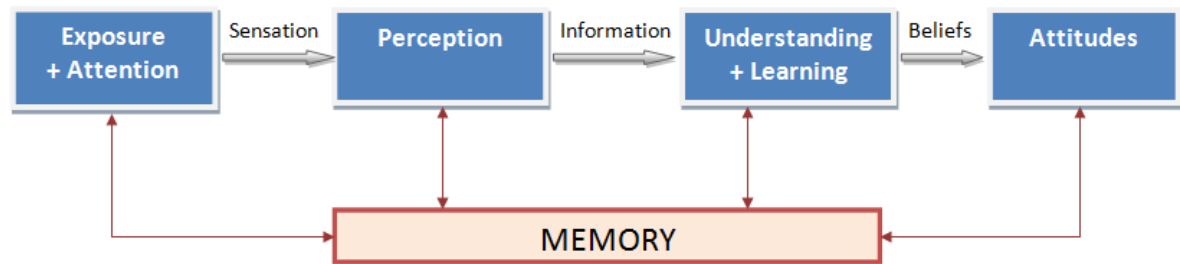


FIGURE 10. Information Processing (Modified from Hoyer et al. 2013; Solomon 2009)

Perception

- Exposure

Exposure takes place when a person is exposed to a stimulus. Exposure is important in the marketing context because before any marketing information or messages can affect consumers, they have to come into contact with these stimuli. In addition, people have a tendency to be attracted by what is familiar with them, which is called the mere exposure effect. (Hoyer et al. 2013.) For example, according to the psychologist Theodore H. Mita et al., people usually prefer a facial photo that is identical to their mirror image to a photo showing their true image. This could be explained by the effect of mere exposure as people are usually exposed to their mirror image (repeated exposure) and they find that image familiar with them. Therefore, when they see an image that is not the same to what they normally see, they would think that the image is less attractive. (Mita et al. 1977, 597-601.)

Marketers could make consumer exposed to marketing stimuli by arranging the position of their advertisements, product distribution and shelf placement. About the position of an advertisement, consumers are exposed to TV commercials the most at the beginning and the end of a program because at that time, consumers are still involved in the program or waiting for the program to be shown. Besides, the more a product is distributed, the more likely consumers will encounter it. Moreover, how products are placed in a shop or supermarket is also important to the exposure of consumers. To be specific, products could come into the sight of

consumers most easily if products are placed from the eye to the waist level of a person or if products are placed at the check-out counters. (Hoyer et al. 2013.)

- Attention

Attention is the extent to which mental activity is dedicated to a specific stimulus. Attention is necessary to activate people's senses in order for information to be processed in their mind. While exposure is about the action of consumers coming into contact with stimuli, attention is about getting their focus. Everyday people are exposed to plenty of stimuli and not everything that they come across could be retained in their memory. Hence, marketers need to understand the nature of attention so as to enhance the attention of consumers. (Solomon 2009; Hoyer et al. 2013.)

Attention contains three characteristics. First of all, attention is selective. This means that among multiple stimuli people encounter, they could not process all of them, but have to determine which ones are worthy to take into consideration. Secondly, attention could be divided, which means that people can pay attention to many things at the same time. However, concurrently attention is limited. Although attention could be divided for different things contemporarily, this only happens when processing those stimuli is effortless or automatic. Even though it is not easy for marketers to draw the attention of consumers, marketers could create stimuli that personally relevant, pleasant, surprising, or easy to process to increase consumers' attention. (Solomon 2009; Hoyer et al. 2013.)

- Perception

Perception is the process in which people's senses, including vision, hearing, taste, smell, and touch, are activated to register stimuli. The lowest amount of a stimulus that a person can detect is called absolute threshold. On the other hand, differential threshold is the ability to identify changes or differences between two stimuli. The minimum difference between two stimuli that could be registered by a person's sensory channel is just noticeable difference (j.n.d). In reality, consumers' ability to notice the variation between stimuli is relative. According to the Weber's Law, the stronger the initial stimulus is, the greater the difference is required for the second stimulus to be regarded as different. In fact, sometimes

marketers want consumers to notice changes in their products. In other words, those changes are above j.n.d. In contrast, at other times, marketers do not want changes to be too discernible or consumers perceive changes unconsciously, which means that those changes are below j.n.d. For example, a company may change their packaging design for a certain product, and they have to decide to make the changes obvious enough for consumers to recognize, but at the same, those changes should not be so much that consumers cannot identify the product of the company. Therefore, determining relevant j.n.d is a difficult task for marketers. In addition, when a stimulus is below a consumer's threshold of awareness or he/she perceives it without notice, it is called subliminal perception. (Solomon 2009, 78-96; Hoyer et al. 2013.)

However, consumers' decisions are not easily affected by what they pay attention to and what they perceive. In fact, they must interpret and understand what they perceive by using prior knowledge. When people see a product which belongs to a category, they would think that the product has the characteristics and features of the category. This is called consumer inference. Marketers could combine different elements of marketing mix with consumers' prior knowledge to affect consumer inferences, which could be correct or incorrect. In particular, marketers can influence inferences based on consumers' prior knowledge of a product's country-of-origin. For example, when people see the brand Paris Baguette, they would think of a French brand and France is famous for delicious pastries. Nonetheless, this brand is from South Korea. Marketers want consumers to infer their brand that their brand is from France, which means that it provides French-quality bread and pastries. Moreover, inference could also be based on price. According to researchers, there is correlation between price and quality. Therefore, consumers may deduce that high price is associated with high quality, and vice versa. (Hoyer et al. 2013.)

Learning

Learning is the process in which consumers adjust their behavior by being exposed directly or indirectly to different stimuli. In other words, learning is changes in human behavior as a result of gaining knowledge and experience. In addition, learning could be intentional or incidental. (Dubois 2000, 90.) According

to learning theorists, most behavior is learned, but much learning is fortuitous. Psychologists studying learning have developed many learning theories, from simple correlation between stimuli and responses, which is called behavioral theories, to complex theories focusing on internal mental processes of consumers, which are cognitive theories. (Kotler & Keller 2009, 204; Solomon 2009, 116; Dubois 2000, 90.)

Behavioral theories assume that learning is a result of a person's response to environmental events. In other words, behavioral theories concentrate on changes in behavior that take place as a result of an experience and simultaneously emphasize the stimulus-response mechanism. In behavioral theories, there are two main learning approaches: classical conditioning and instrumental conditioning. Classical conditioning is the process in which a stimulus that is able to provoke a response (unconditioned stimulus) is associated with a stimulus that does not elicit a response (conditioned stimulus), so that after repetition, the latter can acquire the capability to provoke a response on its own. Classical conditioning is popularly used in advertising. For example, Lancôme associates a charming and elegant person like Julia Roberts with its perfume line, La Vie Est Belle, with the purpose that after a number of repeated exposure, the good feelings toward the model could be transferred to the product. Moreover, when a person feels satisfied after using a product of a company, such as a Samsung smartphone, it means that the company will be positively reinforced. To be specific, the next time that person wants to buy a laptop, he/she may assume that Samsung also produces good laptop, which is called generalization. In other words, generalization occurs when a response provoked by one stimulus is generalized to another. On the other hand, discrimination refers to a person's ability to identify differences among similar stimuli. In contrast to classical conditioning, instrumental conditioning or operant conditioning takes place when an individual learns to perform behavior that result in positive consequences (positive reinforcement) and avoid those leading to negative outcomes (negative reinforcement). Understanding the mechanism of instrumental conditioning, many companies attract consumers by offering frequent benefits to their loyal consumers, which is called frequency marketing. (Kotler & Keller 2009, 90-91; Solomon 2009, 117-126; Dubois 2000, 90-95; Schiffman & Kanuk 2006.)

Cognitive learning is the process in which people act as problem solvers by using and processing information available in the surrounding environment. The mechanism used in cognitive theories is observational learning. Observational learning or vicarious learning occurs when people learn new behavior by observing others' behavior and their outcomes. People then store those observations in their memory and they may use their observed information in the future to guide them. In other words, they model observed behavior. Modeling is the process in which people imitate others' behavior. In order for modeling to happen, the attention of consumers must be directed to the suitable model so that they could memorize what that model say or behave. Moreover, consumers must convert information from their observations to actions and must be motivated to conduct learned behavior. This is also another less expensive way for marketers to attract potential consumers because instead of rewarding or punishing consumers for their behavior (based on the mechanism of instrumental learning), marketers could use appropriate models and know that consumers would be motivated to imitate the models' actions. In addition, models could be endorsers in advertisements or reference groups. (Solomon 2009, 126-129; Dubois 2000, 95-97.)

Attitude

Attitude is the general evaluation toward people, objects, issues or actions. Attitude expresses how much people like or dislike something, including religion, politics, fashion, music, and so on. Attitude can be based on cognition/beliefs or emotions. A person's attitudes can be formed by receiving information from external sources, such as advertisements, salespeople, friends, and so on; or features and specifications of products. On the other hand, people also show a favorable attitude toward something simply because it seems right or good, and vice versa. (Hoyer et al. 2013; Kotler & Armstrong 2012, 150.)

Attitude has a great impact on consumers' purchasing intention and behavior. Understanding the importance of attitude, marketers can affect consumers' attitudes in different ways. Consumers' attitudes could be influenced cognitively, which means that marketers can exert influence on consumers' thoughts or beliefs of an offering. Furthermore, marketers could also influence people's attitudes

affectively by creating emotional experience associated with an offering. Besides, companies can also increase the credibility of advertising messages or product information to persuade consumers. Nevertheless, in fact, it is not easy to change attitude. Hence, companies had better attempt to fit in existing attitudes, instead of trying to change attitudes. (Hoyer et al. 2013; Kotler & Armstrong 2012, 150.)

2.4 Consumer Decision-making Process

After getting to know different factors affecting consumer behavior, the question is how consumer's decision-making process occurs. This process consists of five stages: problem recognition, information search, evaluation of alternatives, purchase decision, and postpurchase behavior. As this process starts even before the actual purchase takes place, marketers should focus on the entire process rather than just the purchase decision step. Normally consumers will go through all the stages in every purchase. However, in reality, in some routine purchases, consumers may skip some stages in the process. The figure below demonstrates the flow of consumer decision-making process.



FIGURE 11. Consumer Decision-making Process (Kotler & Armstrong 2012, 152)

Problem Recognition

The purchasing process starts when a person recognizes a need or problem, which can be aroused by internal or external stimuli. Internal stimuli could be the person's normal needs, such as thirst or hunger. On the other hand, to give an example of external stimuli, when one sees an advertisement or discussing with friends about a new make-up product, she may think about buying that product. (Hoyer et al. 2013; Kotler & Armstrong 2012, 152.)

Although problem recognition could occur naturally, marketers could create more motives to stimulate consumers. For example, marketers for a cosmetics brand can give samples of a new product to consumers after their purchase with the hope that by trying the sample, consumers may feel like the new product and buy it in their next purchase. In addition, marketers should also collect information about consumers in order to identify the circumstances that trigger consumers' needs, and build relevant marketing strategies that could draw consumers' attention. (Solomon 2009; Kotler & Armstrong 2012, 152.)

Information Search

After recognizing a particular need or problem, a consumer would search for more information to resolve the problem. In the booming era of the Internet and digital technology, information search becomes easier for consumers as more and more data and information are now available to them and they can also attain information through multiple sources. To be specific, consumers can get information from many different sources, including personal sources (family, friends or acquaintances), commercial sources (advertisements, salespeople, websites and so on), public sources (mass media or reviews on the Internet), and experiential sources (experience from using or examining a product). (Kotler & Armstrong 2012, 153.)

Moreover, consumers' information search can be divided into two types: internal and external search. Every consumer has already had a certain amount of knowledge and experience of many products in their memory. When a consumer has to face with a purchase decision, the consumer may use internal search by retrieving memory to gather information about different product choices. In

contrast, there are many times that people lack information about some products and they need to supplement their knowledge with external search. (Solomon 2009.) Furthermore, depending on different types of products (including high-involvement and low-involvement products), the amount of effort needed for the information search process will vary. A high-involvement product is a product purchased after being considered carefully, such as high-value or luxurious products. For a high-involvement product, consumers need to spend more time on studying attributes of the product from a variety of sources. On the contrary, a low-involvement product is a product that does not require much consideration because it is cheap or it is purchased regularly. (Hoyer et al. 2013; Cambridge Dictionary Online 2015.)

Evaluation of Alternatives

Before making the decision of which brand and product to buy, consumers do not consider only one product or brand, but they usually have a set of options to contemplate. In addition, they do not apply one single evaluation process to every purchase. In fact, many evaluation processes are used in different purchases. How consumers evaluate alternatives varies according to each individual and different purchasing situations. In some cases, such as before buying a high-involvement product, consumers might calculate carefully and think logically. When evaluating alternatives, consumers can base on some criteria or attributes to compare products and brands. Evaluative criteria are standard measures used to assess the good quality of alternative options. For example, when considering a good smartphone, people will think that it has to have a long-lasting battery, a sensitive touchscreen, an affordable price, and so on. There are some cases in which competing products receive equally good reviews on the same attribute and a consumer needs to rely on other attributes to make his/her final decision. Those attributes are called determinant attributes, which are features differentiating one product from another. Marketers play an important role in educating consumers which criteria should be determinant attributes. (Solomon 2009; Kotler & Armstrong 2012, 153.)

In other cases, consumers may undertake impulse purchases or rely on intuition to make decisions. They may also choose a certain brand as their habits or because

of their brand loyalty. Besides, sometimes consumers decide which product or brand to buy on their own; at other times, they may ask other people or other sources for advice. (Kotler & Armstrong 2012, 153.)

Purchase Decision

Once consumers have evaluated different options, they will be able to determine which product or brand that matches their needs. Although the purchase decision of a person would normally be their preferred option after their evaluation, there are two factors that may make one's final decision different from his initial intention. The first intention is others' opinions and attitudes about the consumer's choice. For example, when a close friend suggests an individual to buy a cosmetics brand unlike his/her intention, one's chances of buying his/her first choice would reduce. The second factor that may prevent a person from purchasing his/her preferred brand is unexpected situational factors. For example, due to competition, a competing brand may drop their price, which may make a consumer think again about his/her purchase decision. It can easily be seen that intentions and actual purchase are not always identical. (Kotler & Keller 2009.)

Postpurchase Behavior

The decision-making process does not end when a consumer purchase a product. In fact, after the purchase, the consumer continues to engage in the postpurchase behavior. The factor that determined whether the consumer feels satisfied or dissatisfied with the purchase is the relationship between their expectation before purchasing the product and its perceived performance. If the performance is equivalent to the expectation, the consumer will feel satisfied. If the performance is below the expectation, the consumer will feel disappointed; and if the performance exceeds the expectation, the consumer will feel delighted. The more a consumer expects from a product, the higher chance that he/she may get disappointment. Therefore, marketers should only promise what their brand can deliver so that their consumers can be satisfied. (Hoyer et al. 2013; Kotler & Armstrong 2012, 154.)

Many marketers may not understand why it is so important to make consumers feel satisfied. The answer is that consumers' satisfaction will result in repeated

purchases and more importantly, it will lead to brand loyalty. Furthermore, satisfied consumers would spread good words to other people, which increases the likelihood that potential consumers may come and purchase the company's products. It is said that advertising to potential consumers is more expensive than that to existing consumers. Therefore, retaining satisfied consumers could be considered to be cost-efficient. (Hoyer et al. 2013; Kotler & Keller 2009.)

This model describes general procedures in the decision-making process. However, due to the booming of the Internet and the digital era, changes in the decision-making process start to occur. Normally, when a consumer is in need of something, he/she will narrow a set of brands for consideration and only some most familiar brands are chosen for evaluation. On the other hand, according to research, this process begins to alter. In particular, when the consumer seek information, he/she adds more brand names to his/her list of alternatives instead of limiting a set of options, as more information is now available to consumers. This procedure is called active-evaluation phase. This generates opportunities for brands to influence the decision-making process of consumers and threaten their rivals' success. Additionally, marketing strategies used to be driven by companies. This means that companies use different channels to push products on consumers, which is so-called push marketing. Usually, they failed to get their target consumers' attention at the right time. Nonetheless, the situation has been reversed. Consumers are now empowered to search for information that they want to know. Therefore, company-driven marketing strategy is no longer suitable and replaced by consumer-driven one. According to consumer-driven strategy, the majority of the touch points during the active-evaluation phase embrace consumer-driven marketing activities, such as reviews on the Internet, recommendations from acquaintances, or in-store interactions. This indicates that companies can increase their opportunities by influencing consumer-oriented touchpoints, including Internet reviews and word-of-mouth. The final point in the changes of consumer decision-making journey is the two types of loyalty. To be specific, these two types are active and passive loyal consumers. Active loyalists are those who not only are committed to a brand, but also recommend it to other people. On the other hand, passive loyalists stay with a brand without being dedicated to it. Companies should invest more in retaining active loyalists by

creating brand new touch points as driving word-of-mouth, or Internet reviews is not enough for consumer retention. (Court et al. 2009.)

2.5 Summary of the Chapter

Consumer behavior is a process containing four smaller components: input, information processing, decision-making process, and variables influencing decision-making process. The input which directly impacts the information processing includes marketing-oriented stimuli and non-marketing-oriented stimuli. When consumers get into contact with different stimuli, they only pay attention to some of them and people can also notice many stimuli at the same time. The more repeatedly a consumer is exposed to a stimulus, the more likely he/she will pay attention to that stimulus and save information that he/she gets from their exposure in his/her memory. After paying attention to a stimulus, the consumer then uses his/her sensory channels to register the stimulus. However, consumers' purchasing behavior is not simply affected by what they perceive. In reality, they need to interpret and understand the objects to which they are exposed. After a consumer has understood his/her perceived stimulus, one will adjust his/her behavior according to what he/she has experienced, which is called learning. Learning is the process of changing an individual's behavior by being exposed to stimuli. Through what people perceive and learn, they will then express their feelings or emotions toward those stimuli. In addition, every step in the information processing is recorded into memory for later use and has interaction with memory. The entire information processing is a part of psychological core, or psychological factors influencing the decision-making process.

Once a consumer has identified what he/she needs, he/she will start searching for information on the needed product. During this process, one's memory of what he/she has experienced or learned is retrieved for internal search. The individual then evaluates different alternatives to choose the most appropriate product or brand that matches his/her need. After purchasing and using the product, the consumer could be disappointed or satisfied depending on what he/she expected from the product. If the consumer is dissatisfied with the product, he/she may

choose another brand or product to alternate the previous one. On the other hand, he/she will search for more information on the product or related products, and then the whole process of consumer behavior starts again. In addition, consumer behavior in general and the process of making decision in particular are also impacted by a set of variables, including cultural, social, personal factors and motivation, which is an element of psychological factors. The following figure illustrates the complete process of consumer behavior that the author would like to introduce by combining the EBM model with the models of Kotler et al., Hoyer et al. and Solomon.

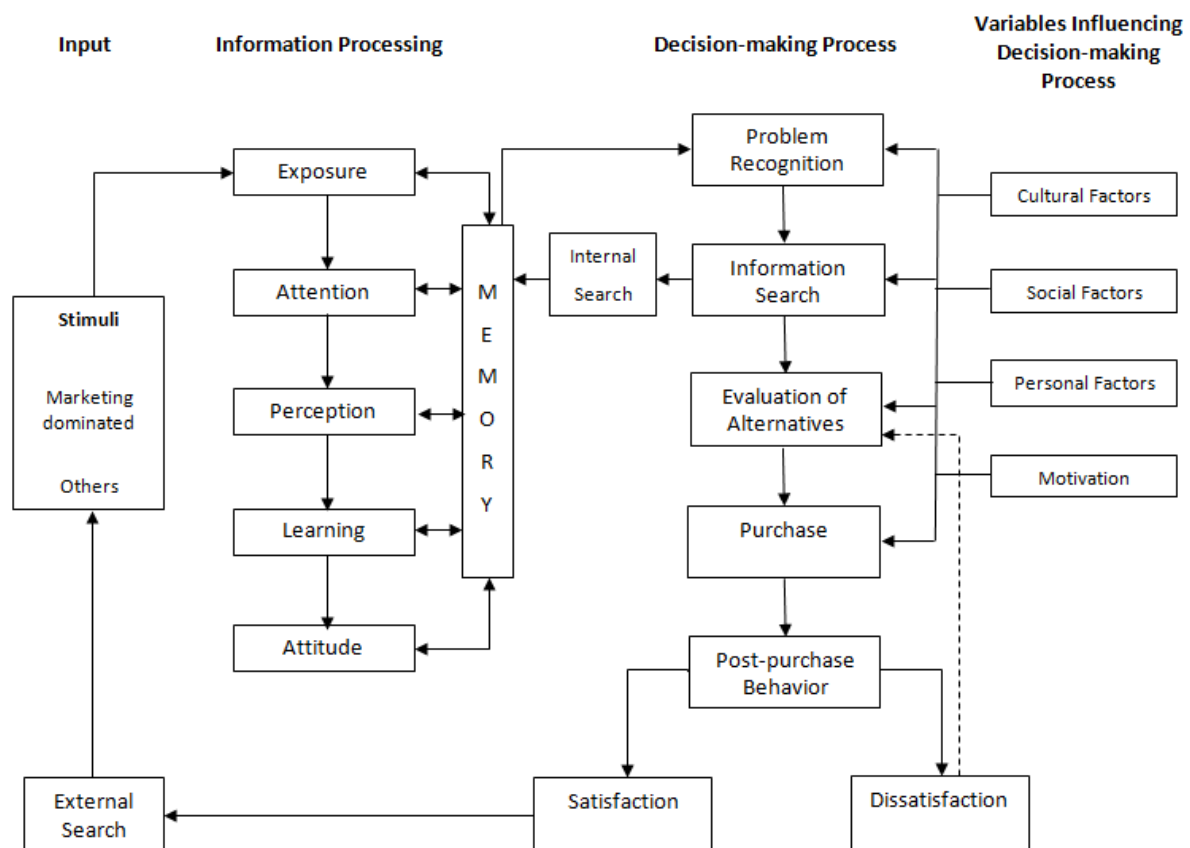


FIGURE 12. Consumer Behavior Process (modified from Blackwell et al. 2006; Kotler & Armstrong 2012; Hoyer et al. 2013; Solomon 2009)

In the next chapter, the definition of advertising and the interrelationship between consumer behavior and advertising are mentioned.

3 INTRODUCTION TO ADVERTISING

In this chapter, the author would like to introduce the definition of advertising, and discuss how advertising and consumer behavior interacts with each other in the first two parts. Later, what creates effective advertising will be clarified.

3.1 Definition of Advertising

Advertising is a non-personal communication of information about products, services or ideas, usually designed to persuade audiences to take action now or in the future, and normally paid by specific sponsors through a variety of media forms (Arens & Weigold 2011, 8; Richards & Curran 2002, 63-77). In particular, advertising aims at groups of people rather than at individuals; thus, advertising is non-personal. Furthermore, most advertising is persuasive in nature. However, some kinds of advertising are solely intended to inform, such as legal announcements, rather than to persuade. In addition, advertising promotes not only tangible goods, but also intangibles services. Advertising is also used to popularize economic, political, religious and social ideas. Moreover, almost every advertisement is paid by identified sponsors. Nonetheless, in the case of national organizations, such as the American Red Cross or the American Cancer Society, it is free of charge to advertise. Besides, one of the purposes of advertising is to identify its sponsors, and that is why they pay for advertising. Another point is that people are exposed to advertising through channels of communication called medium. In other words, an advertising medium is non-personal means of delivering advertising to audiences. There are many different forms of communication channels or media, including traditional mass media, addressable media (such as direct mail), interactive media (such as the Internet), or non-traditional media (such as shopping carts). In addition, there are a lot of different types of advertising, which are divided into eight categories: print advertising, guerrilla advertising, broadcast advertising, out-of-home advertising, public service advertising, product placement advertising, mobile advertising, and online/digital advertising. (Arens & Weigold 2011, 8-10.)

Many people think that advertising is just to encourage them to buy more products in the short run and they have to endure the overwhelmingness of advertising.

However, in fact, from the perspective of a business, advertising creates long-term effects by generating brand awareness and a positive brand attitude. Besides, advertising is significantly important for some following reasons. First of all, advertising facilitates firms in competing against each other. In a highly competitive market, companies have to keep providing consumers with better quality and more reasonable price. Through advertising, firms inform consumers what their brands want to deliver to consumers. In other words, advertising enables companies to communicate with consumers promptly and effectively. Hence, advertising plays an essential role in the battle between firms striving to get consumers' attention, preferences and financial resources. Secondly, advertising is the means through which consumers get information about new or improved products. In the third place, advertising also supports the media in various countries. To be specific, people receive information or watch programs broadcasted through multiple media channels either with a small amount of fee or without having to pay anything. Advertisers fund media by paying media to display their advertisements. However, in some countries, for example Germany or the Netherlands, a public service broadcasting system, which is publicly financed, is maintained in order to reduce the dependence on advertising revenues. Finally, advertising is an enormous industry, which generates a huge amount of revenue and more employment opportunities. (Tellis 2004; Fennis & Stroebe 2010, 6.)

In the next part, the author would like to discuss the interrelationship between advertising and consumer behavior in order to give better understanding of how advertising exerts influence on consumer behavior and why holding the knowledge of consumer behavior is vital to building strong advertising strategies.

3.2 Interrelationship between Advertising and Consumer Behavior

In this part, the impacts of advertising on consumer behavior are explained first. After that, the author would like to explain the importance of understanding consumer behavior to advertising.

3.2.1 Impacts of Advertising on Consumer Behavior

As mentioned in chapter 2, the process of consumer behavior involves plenty of factors. Among these factors, marketing dominated stimuli play an important role in stimulating people to purchase and consume. As explained in the previous chapter, marketing dominated stimuli come from two kinds of sources: marketing sources (advertisements, brand symbols, sales people, and so on) and non-marketing sources (product placement, media, word-of-mouth and others). It could easily be seen that advertising has significant impacts on consumer behavior. However, not all of these impacts are positive. In fact, advertising also receives many criticisms. In this section, the author discusses the two-sided effects of advertising on consumer behavior.

As mentioned in the previous chapter, advertising influences the whole process of consumer behavior. In other words, advertising draws the attention of consumers and increases brand awareness, and then raises their interest in the advertised product. When the consumers keep being exposed to those advertisements, they will have a tendency to store information related to the product in their memory and recall it when they are in need; and simultaneously, their interest are maintained and developed gradually to the extent that they desire to possess the product. On the contrary, when the attitude of the consumers toward the brand is negative, they will definitely refuse to buy the product. Advertising is the tool that companies use to build brand awareness, deliver their messages and establish brand attitude. (Rai 2013, 74-79.)

However, it is said that advertising creates artificial needs. In other words, advertising is criticized for encouraging materialism. By understanding consumer behavior and psychology, advertisers can persuade people to buy what they do not really need or to purchase products that are not good for them, such as tobacco or alcohol. On the other hand, it is also said that before deciding to produce any product, manufacturers always need to research their target markets and to know what product can bring them profit and meet the demand of their consumers. There would be no companies manufacturing products that nobody needs and advertising is the means of delivering products information to consumers. Another question that has been raised by many people is whether advertising distorts the

truth and misleads consumers or not. According to critics, advertising exaggerates the truth and aims at vulnerable consumers, including elderly people; those who lack some certain technical knowledge; or those who desire to solve their problem, such as overweight people trying to lose weight or smokers attempting to stop smoking. Nonetheless, many advertisers still understand that if they deceive consumers, the chance is that their brands will be impinged and consumers will not repurchase their products. (Percy & Elliot 2012, 16-17; Kherathithanakann 2010, 162-166.)

3.2.2 Impacts of Consumer Behavior on Advertising

As stated in the previous section, consumer behavior is under the influence of advertising, but at the same time, advertising is also impacted by consumer behavior. It is said that consumer behavior is the key to advertising strategy. It is also a part of the first and foremost step in establishing and developing a strategy for the advertising of a business. Many companies spend large amounts of money to keep consumers' preference towards their product. In fact, in order to succeed, they ought to understand what makes consumers behave the way they do. In other words, advertisers need to collect sufficient data to build their consumers' profiles accurately and to communicate with their buyers effectively. Therefore, the study of consumer behavior has a significant meaning to advertising and plays an important role in building an advertising strategy. (Arens & Weigold 2011, 158-159.)

Moreover, according to a survey responded by 29,000 consumers from 58 countries and published in September 2013, recommendations from acquaintances are the most credible source of advertising. In other words, word-of-mouth is still an effective way of advertising. However, how to have existing consumers spread their words to potential buyers is not an easy task. Hence, building positive brand attitude is a vitally essential mission of a business. The following bar chart shows the percentage of completely or somewhat trust in different forms of advertising. (The Nielsen Company 2013.)

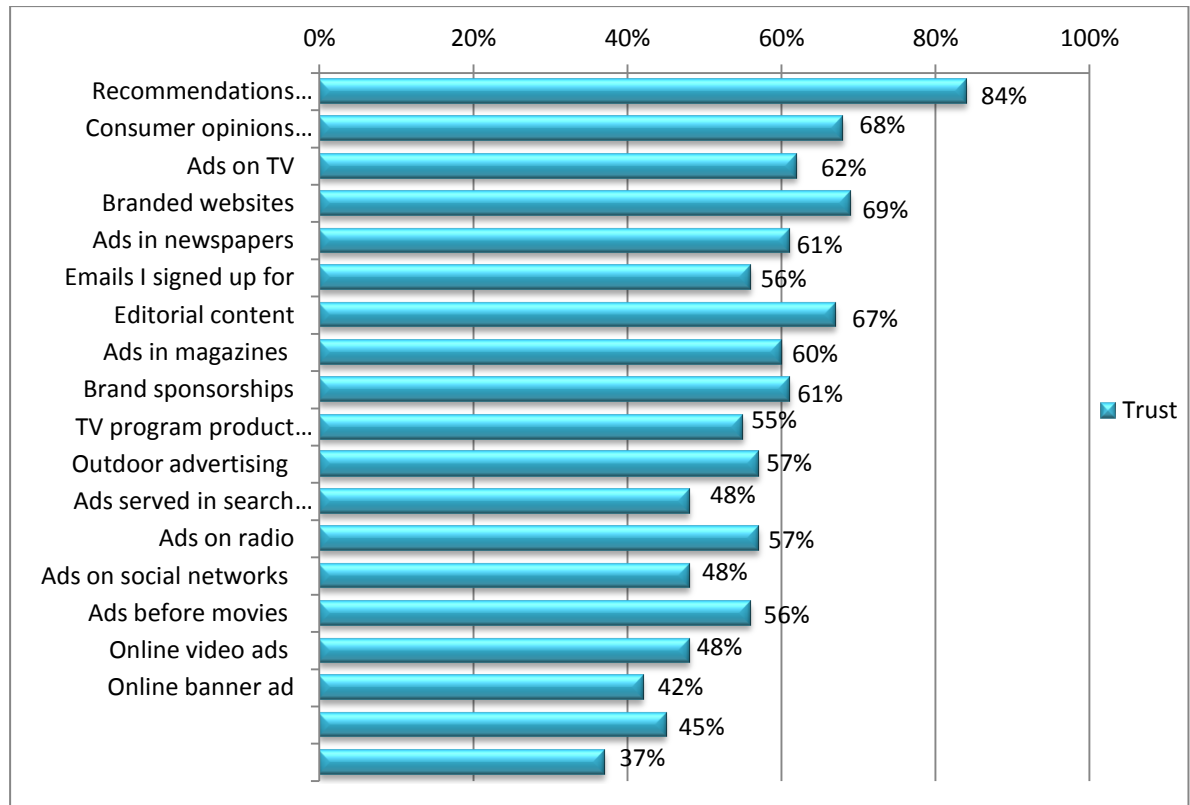


FIGURE 13. Global Level of Trust in Different Forms of Advertising (The Nielsen Company 2013)

3.3 Effective Advertising

Many advertisers understand that audiences' feelings about an ad are very important to the success of an ad or a brand. However, it does not mean that how much people like an ad is all required for that ad to be considered successful. To evaluate the effectiveness and meaningfulness of an advertisement, advertisers should take into account two dimensions: audience resonance and strategic relevance. Audience resonance means that a great advertisement must be capable of catching the attention of its audiences and stay for a long time in the audiences' mind. The second dimension, strategic relevance, indicates that a good advertisement must be close to the company's advertising strategy or fulfill a strategic mission. These two factors are inextricable and an ad cannot be successful if it lacks one of them. In this section, the author would like to explain what makes audience resonance – creativity and sticky advertising. In the next

chapter, the definition and steps in building an advertising strategy will be introduced. (Arens & Weigold 2011, 339-341.)

Every single day, people are bombarded with an uncountable number of advertisements; and unfortunately, not all of them can catch the attention of consumers and stay in their memories. Hence, creativity is the required element that makes an advertisement remarkable and memorable. However, many people suspect that creative advertisements are not truly more effective in encouraging people to take action than advertisements that only list product attributes. In fact, as stated in research conducted in Germany from January 2005 to October 2010, creative advertising delivers messages that are more capable of influencing consumer buying behavior. A creative advertisement possesses the following qualities: connectedness, appropriateness, and novelty. Connectedness indicates that a creative advertisement must convey information and emotions compatible with those consumers are looking for or experiencing. In other words, an advertisement is regarded as creative when it could create a connection with its target audiences. For instance, if the target consumers of an automobile brand care about social status, then the advertisement of the brand has to present the role of social status in order to be considered connected with the audiences. The second characteristic of a creative advertisement is appropriateness. This means that a creative advertising must provide information or message that is capable of presenting the value proposition of the brand, and concurrently showing the brand's relative advantages as well as disadvantages compared to its competitors. Further, all the elements of the message in an appropriate advertisement must work harmoniously to deliver a coherent and cogent message. The last component of a creative advertisement is novelty. Novelty means that the advertisement needs to be unique and impressive. In spite of that, a bizarre and unusual advertisement cannot be considered creative, even if the ad itself is unique and unexpected. In fact, a truly creative advertisement, besides being unique, must contain information and reflect emotions that connect to its target consumers (connectedness) and deliver the brand's value proposition (appropriateness). In short, all the above elements: connectedness, appropriateness, and novelty, have to converge together to form the creativity of an advertisement. (Reinartz & Saffert 2013, 106-112; Shimp 2010, 209-210.)

Creativity is not the only factor that determines the success of an advertisement. Although a creative advertisement can demonstrate a unique and unexpected idea, making consumers comprehend the message behind the idea is a different matter. Therefore, another determinant of success is that the ad must stick to consumer mind. This means that the target audience could understand the delivered message, remember it, and adjust their behavior or brand attitude. A sticky advertisement has six features: simplicity, concreteness, unexpectedness, credibility, emotionality, and storytelling. (Shimp 2010, 210-212.)

First of all, a sticky advertising message needs to be simple and concise. Particularly, it must be able to convey the core idea or the value proposition of the brand. An advertisement should not leave out the simplicity feature, otherwise it will fail to present the brand's intrinsic nature, or give unnecessary information that could distract the audience from the essential value of the brand. Moreover, it is easier for people to remember and recall messages that are concrete rather than those that are abstract. For example, when advertising a serious infection caused by staphylococcus bacteria, advertisers can use a more common name, "Superbug", instead of using the scientific name of the infection, which is Methicillin-resistant Staphylococcus aureus (MRSA). Researchers have pointed out that when comparing the two names: MRSA and Superbug, the former one sounds more abstract to the audiences than the latter. Nevertheless, there are opinions claiming that consumers with dissimilar mindsets are persuaded by advertisements operating at different levels (concrete versus abstract levels). Interestingly, according to the research, consumers tend to be more persuaded by advertising messages opening at a level that is inconsistent with their own thinking. To be specific, abstract consumers are reported to find concrete messages more engaging, and vice versa. (Yang et al. 2011.) The third feature of a sticky message is unexpectedness. In order to create interest and curiosity for the audiences, a sticky advertisement must be different from what its audiences normally expect to see. This feature is similar to the novelty feature in creativity, which means that the advertisement and the message need to be unique and innovative. Fourthly, the credibility of an advertisement means that the ad must be trustworthy. In order to increase the credibility of an advertising message, advertisers could use expert endorsers for some certain types of products. Expert

endorsers are those whom audiences perceive to have specialized knowledge of a specific field. Besides, there are also two other kinds of endorser, which are celebrity and lay endorsers. (Tellis 2004.) In the fifth place, consumers have a tendency to pay attention to advertisements that generate emotions and connect with their feelings. Finally, storytelling is another feature that makes an advertising become attractive and unforgettable. Telling a story in an advertisement is not a new notion to advertisers and consumers. In addition, it is an effective way of creating positive brand image in the mind of consumers, especially when the story being told has the ability to touch its audiences' emotions. (Shimp 2010, 210-212.)

3.4 Summary of the Chapter

Advertising is a broad aspect that has significant meanings to consumers, businesses and other industries. Moreover, advertising has a two-way relationship with consumer behavior. Although advertising has some positive impacts on consumer behavior, it has received many criticisms for encouraging materialism and misleading consumers. On the other hand, consumer behavior also plays an important role in advertising as consumers are one of the greatest concerns of any companies. In addition to the definition of advertising and the interrelationship between consumer behavior and advertising, what makes effective advertising is also mentioned. A successful advertisement is evaluated based on two factors: audience resonance and strategic relevance. Audience resonance is formed by two primary elements, including creativity and sticky advertising. Besides, strategic relevance indicates that the advertisement must stick to the strategy of the company.

In the next chapter, the author goes into detail about the definition of advertising strategy and stages in forming an advertising strategy.

4 DEVELOPING ADVERTISING STRATEGY BASED ON CONSUMER BEHAVIOR KNOWLEDGE

In this chapter, the first part provides the definition of advertising strategy. After that, steps in building an advertising strategy are explicated. Finally, the author will summarize the whole chapter.

4.1 Advertising Strategy

Advertising strategy is a plan of an advertising campaign developed by a company that stimulates consumers to purchase its good or service. When forming an advertising strategy, advertisers should pay attention to four key elements, which are target audience, product concept, advertising message, and communications media. There are five steps in forming an advertising strategy: conducting advertising research, setting advertising goals, formulating budgets, creating advertising messages, and selecting media. These five steps are described in detail in the next part. The following figure illustrates steps in building an advertising strategy. (Clow & Baack 2014; Shimp 2010.)

4.2 Developing Advertising Strategies Based on Consumer Behavior Knowledge

The below figure illustrates five steps in building an advertising strategy.

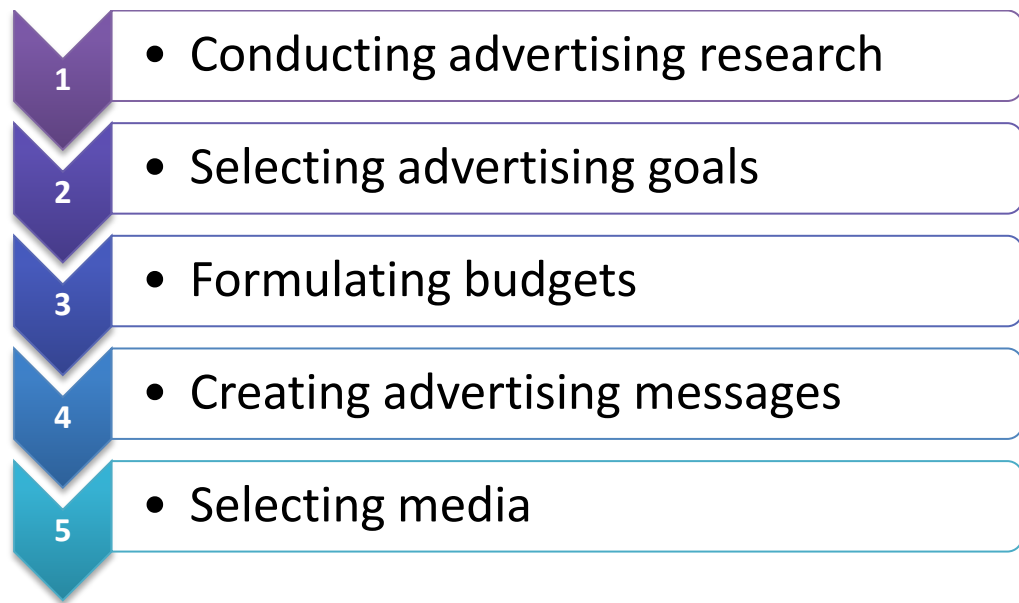


FIGURE 14 (reprise, FIGURE 3). Stages in Building an Advertising Strategy (modified from Clow & Baack 2014; Shimp 2010)

Conducting Advertising Research

Before implementing any advertising strategy, the first step that advertisers should bear in mind is conducting and reviewing advertising research. Advertising research is carried out to collect and analyze information necessary for making and evaluating advertising decisions. One of the functions of advertising research is to identify the target groups of consumers for a company or a brand. In this step, companies gather information on how consumers perceive the products, what consumers want to purchase, what they want from the products, and the insights into their purchasing behavior. In fact, consumers do not always purchase a product just because of its attributes. For example, when consumers buy a cosmetics product, they may not care about its ingredients, but what they might be more concerned with is how they look and smell when they use that product. In addition, advertising research also provides knowledge of how a company's consumers think of its competitors; what brand image is suitable; and what advertisements could be most attractive and effective. Advertising research is formed to serve a variety of purposes, which can be divided into four categories: strategy research, creative concept research, pre-testing, and post-testing. The focus of this thesis is on advertising strategy; therefore, only advertising strategy

research is introduced in this thesis. In order to facilitate advertisers in undertaking advertising research, two approaches, including product-specific and consumer-oriented researches, are adopted. (Clow & Baack 2014, 143; Arens & Weigold 2011, 230.)

The purpose of product-specific research is to identify the main characteristics of a product that could become unique selling points. On the other hand, consumer-oriented research focuses on observing consumers using the product or service; and analyzing cultural and social features, as well as psychological processes of the consumers. Sometimes marketers and advertisers are so familiar with their products that they forget that their consumers may not perceive some issues the way they do. (Clow & Baack 2014, 143-144.)

In short, advertising research is conducted in order to determine a company's target consumers; understand their behavior, what product they prefer and why they choose that product; and select key characteristics of the product that could be highlighted in its advertisement.

Selecting Advertising Goals

According to Clow & Baack (2014), an advertising is built to attain five primary goals, including establishing brand awareness, providing information, persuading, supporting other marketing functions, and stimulating consumers to take action. These goals are also called communications objectives of an advertising strategy.

First of all, building brand awareness is the key goal of advertising as it is the starting point of forming brand image and brand attitude. Brand awareness takes place when a consumer recognizes and memorizes a brand, and when a need occurs, the consumer recalls the brand that can satisfy his/her need. A brand regarded as successful has two characteristics: the top of mind and the top choice of consumers. Top-of-mind brands are brands that come to consumer mind first and quickly when they are asked about a product category, while top-choice brands are first options that consumers would select when considering different alternatives. Once consumers are aware of a brand, they will form brand attitude in their mind. To be specific, brand attitude refers to the attitudes of consumers toward a certain brand. Brand attitude possesses four characteristics. The first

attribute is that brand attitude is based on buyers' needs from the product, which motivates them to purchase that product. Moreover, brand attitude depends on what buyers know about the brand or buyers' cognition, and what they feel about that brand or their affect. The next characteristic is that a consumer's knowledge of a brand comprises a set of beliefs about that brand. In addition, brand attitude is only a relative concept. On the other hand, according to a study, brand image has a significant impact on consumers' brand attitude. Therefore, a company can exert influence on consumers' brand attitude by building positive brand image. (Clow & Baack 2014, 145; Rossiter 2012; Percy & Elliot 2012, 168-184; Anwar et al. 2011.)

Secondly, advertising is responsible for providing consumers information about store working hours, location or even product specifications. Information makes the process of purchasing become easier for consumers, which induces them to make their purchasing decisions. In the third place, the nature of advertising is to persuade people to buy products, services or ideas. Therefore, an advertisement is considered valid only when it is able to convince consumers to choose the advertised brand. How to prevail on consumers to change their attitudes and to choose one brand over another is a difficult task that requires different persuasion methods. Another goal of advertising is to support other functions of marketing. Specifically, advertising is used to smooth the way for marketing and promotional programs to achieve maximum efficiency and effectiveness. For example, when a company offers a special sale, it needs to advertise in order to get the attention of consumers. Last but not least, the final and indispensable goal of advertising is to entice consumers to purchase. (Clow & Baack 2014, 145-146.)

To summarize, the five goals of advertising include forming brand awareness, which later leads to brand image and brand attitude; giving information; persuading; supporting other marketing functions; and encouraging purchase and consumption. These goals connect with each other in some way, for instance, building brand awareness and informing are part of persuasion; and company should not leave out any of them when establishing an advertising strategy. (Clow & Baack 2014, 146.)

Formulating Advertising Budget

After setting suitable goals, the next step that needs to be considered is formulating advertising budget. There are several methods for allocating advertising budget, and it depends on different business models and situations to apply pertinent methods. In this thesis, the author would like to introduce four basic budgeting rules of thumb, which are the percentage-of-sales, the competitive parity, the affordability, and the objective-and-task methods. (Arens & Weigold 2011, 286-295; Shimp 2010, 166-175.)

Firstly, the percentage-of-sales method is one of most common advertising budgeting approaches. According to this method, the allocated budget for advertising is based on a company's current or anticipated revenue. However, it is said that this is a weak technique as a company using this method tends to cut off advertising expenditure when their sales decreases, which may lead to a worse fall in sales. On the contrary, during the downturn of sales, the company needs to invest more in advertising to prevent a further decline in sales. The second approach is the competitive parity method. In compliance with this method, a company sets their budget by observing and matching its competitors' expenditures on advertising or utilizing the same percentage of sales figure as its strongest competitor. Nevertheless, this technique is also criticized as it assumes that the competitors' budgeting method is the optimal choice, and makes the company ignore other factors influencing its advertising budget. Another method is the affordability method. This means that a company only spends on advertising after the budgets for everything else have been settled down and the firm set budget for advertising based on what they perceive affordable to them. This also indicates that from the perspective of a company using this method, advertising and other elements of marketing communications are not very important to the success of the business. The final and also the most effective technique is the objective-and-task method. This method highlights the importance of advertising in contributing to a company's sales generation. By applying this method, companies pay more attention to communication objectives and rely on costs required to complete tasks relating to those goals to calculate the needed budget. (Fahy & Jobber 2012; Arens & Weigold 2011, 286-295; Shimp 2010, 166-175.)

Creating Advertising Messages

Advertising message presents a company's value proposition through verbal and visual elements that are appealing and meaningful to the target consumers.

Specifically, an advertising message is formed by three components: advertising appeals, value proposition, and slogan (Sharma 2009, 210-211). Advertising appeal is the theme of an advertisement that can attract the attention of the target audience (Kotler 1997, according to Lin 2011). There are seven most popular types of advertising appeal: fear, humor, sex, musical appeals, rational appeals, emotional appeals and scarcity appeals. Normally, only one of them will be the theme of an advertisement and the chosen appeal must be consistent with the advertising goals. In this sector, the author would like to concentrate more on explaining three most common appeals: fear, humor and sex. (Clow & Baack 2014, 169-183.)

Fear appeals stimulate consumers by showing negative consequences of not using a product/service, or of a certain action. For example, an insurance company may show an advertisement focusing on the results of not having a life insurance policy when a person dies. However, when the fear level of the advertisement is too strong, it may cause a reversed effect, which means that the message only makes the audience feel anxious. Alternatively, humorous advertisements evoke consumers' interest in watching, laughing, and remembering the ads. According to the statistics of the survey conducted by the Nielsen Company (2013), 47% of the respondents agree that humorous advertisements reverberate most. Furthermore, humorous advertising brings the best results when it is linked with the benefits of the advertised product. Humor appeals also make consumers process and recall the advertising message more easily. On the other hand, companies should not let the humor surpass the advertising message. In other words, their audiences might only remember the funny joke, but not the product or the brand. In this case, the advertisement fails to achieve the advertising goals, as the ad is so funny that its audiences forget or do not pay attention to the brand. Another type of appeal that is commonly used in advertising is sex. As claimed by research, sexually-oriented advertising helps increase the attention of consumers from both genders. In addition, the attention from the opposite gender is usually greater than from the same gender. Moreover, attractive models catch more attention from consumers to

the advertisement than less charming models do. Nonetheless, a sexual advertisement is said to be less effective than advertisements using other types of appeals, as it distracts its audiences from remembering the sponsor's name. Additionally, sexual appeals are normally accepted when it is used for sexually-oriented products. In contrast, when it is used for other types of products, debates may arise. Further, sexual appeals are criticized for encouraging dissatisfaction with one's body. Models in magazines or other media sources are normally thin, which indicates that in order to be beautiful, women have to be skinny and this causes many problems. Researchers also point out that women think they are too fat and feel unhappy after watching an advertisement endorsed by thin models. Besides, these above types of appeals, musical, rational, emotional, and scarcity appeals are also effective in attracting people's attention. Especially, rational appeals involve logical arguments or outstanding benefits to impress audiences, while emotional appeals elicit emotional response from consumers (Zhang et al. 2014). Scarcity appeals, on the other hand, spur consumers to buy something because of limitations on quantities or time. (Clow & Baack 2014, 169-183.)

Companies should select an appropriate type of appeals based on their advertising goals. When implementing an advertising strategy in a foreign country, a firm should adapt appeals that are well suited with the culture and preferences of that country. (Clow & Baack 2014.) In addition to advertising appeals, two other components of a message are value proposition, and slogan. Value proposition is the promise of value and benefits to be delivered to consumers. Based on value proposition, companies can be differentiated and positioned. (Kotler & Amstrong 2012, 212.) Moreover, slogan is a memorable phrase used to accompany a brand's logo and enclose the value proposition of the brand (Sharma 2009, p. 211).

Selecting Media

The last step in developing an advertising strategy is selecting the suitable medium to deliver the message to consumers. Especially, there are relationships between the selected media form and other aspects of the advertising strategy. Specifically, the media chosen by the company must meet the right target audiences; must be suitable with the advertising goals and the budget of the company; and must be able to deliver the brand message. In other words, the

relevant media requires a company to understand the habits of the target consumers in using media, and to combine that information with the profile of the audiences using that kind of media. (Arens & Weigold 2011.)

Media is categorized into two main types: traditional and digital media.

Traditional media consists of print media (newspapers and magazines), electronic media (television and radio), out-of-home media (billboards; street furniture – bus shelters advertisements; transit – advertisements at airports or on the bus; and others), exhibitive media (product packaging), and supplementary media (specialty advertising – promotional products with an advertised brand, message, or logo; and others). Digital media are any types of media that exist in a machine-readable format (University of Guelph 2006). However, there are some kinds of traditional media that is merged into a digital form, such as digital out-of-door media – mobile billboards (Outdoor Advertising Association of America 2015). On the report of research conducted by interviewing 170,000 Internet users aged from 16 to 64 across 32 countries each year, from 2012 to 2014, people in 26 out of 32 markets are reported to spend more time on digital media forms than traditional ones (Global Web Index 2014). It is obvious that a company does not have to use only one form of medium to advertise its products. In contrast, they could combine different forms to get the best results. Interestingly, although digital media is growing rapidly due to the booming of the Internet and high technology, traditional media forms are still favored by many consumers (The Nielsen Company 2013). The figure below compares the changes over time in the daily usage of mobile media and those of traditional forms. (Arens & Weigold 2011; Clow & Baack 2014.)

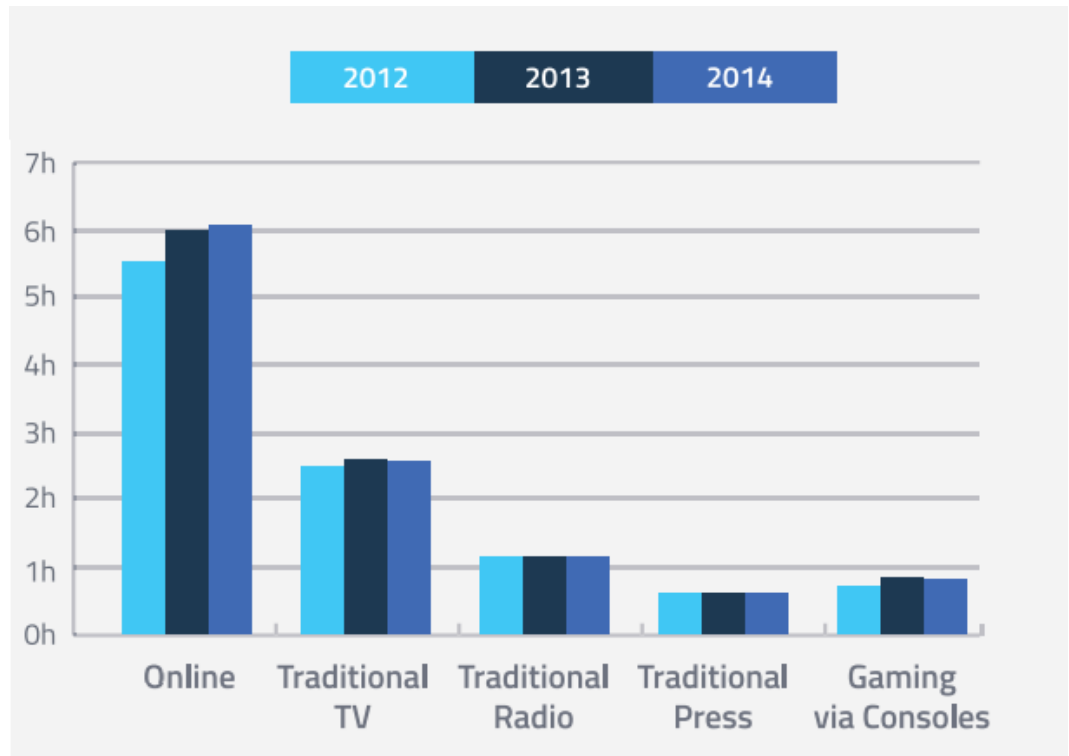


FIGURE 15. Changes in the Consumption of Media from 2012 to 2014 (Global Web Index 2014)

Furthermore, there are three issues that need taking into consideration when selecting the appropriate media: visual content, the time needed to process the message and the frequency potential. Visual content has an important role in establishing brand awareness as the advertisement must be able to present the brand name via the selected media. Good visual content can easily attract consumers' attention. Besides, the time needed to process the message is especially crucial for high-involvement products (such as expensive goods that requires much consideration before the purchase), because consumers need more time to accept the message. Additionally, the frequency of the advertisements also impacts on retrieving a brand name or for changing attitude toward a brand. The figure below illustrates the media ratings on the media selection characteristics. (Percy & Elliot 2012, 205-206.)

| | Visual content | Time to process message | Frequency |
|-------------|----------------|-------------------------|-------------|
| Television | Yes | Short | High |
| Radio | No | Short | High |
| Newspapers | Limitations | Long | High |
| Magazines | Yes | Long | Limitations |
| Posters | Yes | Long | Limitations |
| Internet | Yes | Long | High |
| Direct mail | Yes | Long | Low |

FIGURE 16. Media Ratings on Important Media Selection Characteristics (Rossiter & Percy 1997, according to Percy & Elliot 2012, 207)

After choosing the relevant media forms, companies should also pay attention to the methods for scheduling media. How the media is scheduled has a great meaning to the result of the advertising strategy. Therefore, in this thesis, the author would like to introduce three basic tactics in scheduling media: pulsing, flighting, and continuous schedules. A pulsing schedule refers to advertising continuously over the year with a higher level of frequency at some certain times. On the other hand, based on a flighting approach, advertisements are shown only at special times of the year (such as at Christmas), when consumers are most willing to purchase. However, there are many companies that find opportunities in advertising during slow sales times, when people do not shop often. They plan to advertise at these times in order to sell goods left over from holiday seasons and to get greater attention from consumers when other competitors are not advertising. Besides, some firms believe that using continuous schedule could make their brand names mentioned repeatedly. Consumers will then memorize the brands and retrieve the suitable name when they are in need of a particular product. The frequency of displaying an advertisement involves other factors, such as the advertising message, the media, the chosen product, and so on. (Clow & Baack 2014, 146-147.)

In addition to paid forms of media, word-of-mouth is another channel of advertising products or services. It is also said to be the most effective and

essential communication channel and source of information. (Sallam 2014.) As mentioned in chapter 2, word-of-mouth highly involves in the process of decision-making. Therefore, company should pay attention to driving word-of-mouth.

4.3 Summary of the Chapter

Building an advertising strategy goes through five steps, including conducting advertising research, selecting advertising goals, formulating budget, creating advertising messages, and selecting media. Advertising research is undertaken in order for advertisers to define and understand their target consumers; and to select a suitable product and its unique selling points that can attract consumers. After that, advertisers need to identify goals for their advertising or communication objectives. There are five fundamental advertising goals, which are establishing brand awareness, providing information, persuading, supporting other marketing functions, and stimulating consumers to take action. These goals connect with each other in different ways and advertisers should not ignore any of them when considering their advertising goals. The third step is formulating advertising budget. There are four primary methods of setting budget for an advertising campaign: the percentage-of-sales, the competitive parity, the affordability, and the objective-and-task methods. Among these techniques, the objective-and-task method is the most effective one as it concentrates on advertising goals when formulating advertising budget.

After the advertising strategy has been determined, the next step is implementing the strategy, which involves in dealing with many activities needed to carry out an advertising campaign. After the campaign has been undertaken, the last step is measuring the effectiveness of the advertising campaign, or whether it has accomplished its goals or not. Based on the evaluation, the company can have optimal adjustments for their next campaign. (Shimp 2010, 191-192.)

In the next chapter, the empirical part of the thesis will be explained in detail. To be specific, chapter five discusses the target market - the Vietnamese cosmetics market, while chapter 6 introduces the case company – Lumene Oy, and proposes the advertising strategy for this market into the bargain.

5 VIETNAMESE COSMETICS MARKET AND CONSUMER BEHAVIOR ANALYSIS

In order to give a clearer picture of the Vietnamese cosmetics market, especially the behavior of Vietnamese consumers, this chapter is divided into two smaller sections: the overview of the Vietnamese cosmetics market, and Vietnamese consumer behavior.

5.1 Overview of the Vietnamese Cosmetics Market

In this part, some general information on Vietnam is introduced first. Next, the current situation of the Vietnamese cosmetics market is described in detail.

5.1.1 General Information on Vietnam

Vietnam is a country located in South-East Asia and shares borders with China, Laos and Cambodia. The economy of Vietnam is considered one of South-East Asia's fastest-growing ones and Vietnam also sets the goal of becoming a developed country by 2020 (BBC News Asia-Pacific 2013). Since the political and economic reforms (Doi Moi) in 1986, the country has transformed from one of the poorest nations in the world to a lower-middle income country by the end of 2010 (The World Bank 2013). In addition, Vietnam has become an official member of the Association of South East Asia (ASEAN) since 1995, Asia-Pacific Economic Corporation (APEC) since 1998, World Trade Organization (WTO) since 2007 and other organizations related to international trade and commerce. With its activeness in these organizations, Vietnam has shown its ability to integrate and develop in an international environment. (Government Portal 2015.)

TABLE 1. General Information on Vietnam (International Monetary Fund 2014;
The World Bank 2014)

| Official Name | The Socialist Republic of Vietnam |
|-------------------------------|--|
| Capital | Hanoi |
| Population | 90,630,000 (2014 estimated) |
| Total Area | 332,698 square kilometres |
| Religions | Buddhist (80-85%) Catholics (10%) Others |
| Language | Vietnamese English (second language) |
| Currency | Vietnamese Dong (VND) |
| GDP | 187.848 billion USD (2014) |
| GDP per capita | 2,072.70 USD (2014) |
| GNI per capita | 1,740 USD (2013) Lower-middle income country |
| GDP – real growth rate | 5.8% (2014) |
| Inflation rates | 6.69% (June 2013) |
| Labor force | 52.93 million (2013) |
| Unemployment rate | 4.42 % (2014) |

Vietnam is a fast-growing and attractive market to many investors. Especially, the cosmetics industry is one of the highly promising industries for development. (Vietnam Plus 2014.) In the next section, information regarding the Vietnamese cosmetics market is provided.

5.1.2 Vietnamese Cosmetics Market

The Vietnamese cosmetics market is acknowledged as market with potential, with the turnover per annum of approximately 15 trillion VND (equivalent to 704.2 million USD) and the annual growth rate of 30%. However, there are 430 brands existing in this market; and foreign companies make up 90% of the market share, while only 10% belongs to domestic companies. Furthermore, as stated in a survey researching 30 schools in four biggest cities in Vietnam, 30% of students aged from 15 to 16 are using some basic skincare and make-up products, while that number of students from 17 to 19 years old is 70%; and that of students above 19 years old is 90% (these figures only counted on those who use at least three products). Moreover, on average, Vietnamese consumers only spend 4 USD on cosmetics every year, while the amount of cosmetics spending in Thailand is 20 USD per person. Although this number is just a modest figure, investors still can see a lot of opportunities to develop in this market. (Vietnam Plus 2014; Vietnamnet 2014.)

5.2 Insights into the Vietnamese Consumer Behavior

Based on the knowledge of consumer behavior mentioned in chapter 2, there are four factors influencing the process of consumer behavior. These factors include cultural, social, personal, and psychological influences, which are shown in the figure below.

| Cultural | Social | Personal | Psychological |
|---------------------------------------|--|---|--|
| Culture Subculture Social class | Reference groups Family Roles and status | Age and life-cycle stage Occupation Economic situation Lifestyle Personality and self-concept | Motivation Perception Learning Attitude |

FIGURE 17 (reprise, FIGURE 7). Four Factors Influencing Consumer Behavior (Kotler & Armstrong 2012)

In each factor, there are some sub-factors, which connect with each other in different ways and have some similar meanings to the consumer behavior process. Besides, as the target group has been determined, which is the segment of women aged from 30 to 60 coming from upper-middle class (which will be explained in sub-chapter 5.2.2), some sub-factors have been defined, such as subculture (gender, age, income); social class; age and life-cycle stage; and economic situation. Therefore, in this thesis, the author does not go into detail about how each sub-factor influences the Vietnamese consumer behavior. Instead, only some most outstanding features are utilized to analyze the target segment behavior. In particular, this thesis studies the Vietnamese culture, the Vietnamese consumer's motivation for purchasing cosmetics or personal care products, and some other issues of the consumer behavior process.

5.2.1 Vietnamese Culture

In order to evaluate the Vietnamese culture, the author would like to use the 6-D model of Hofstede. The figure below demonstrates the comparison between the cultures of Vietnam and Finland so as to show the distinction between these two countries.

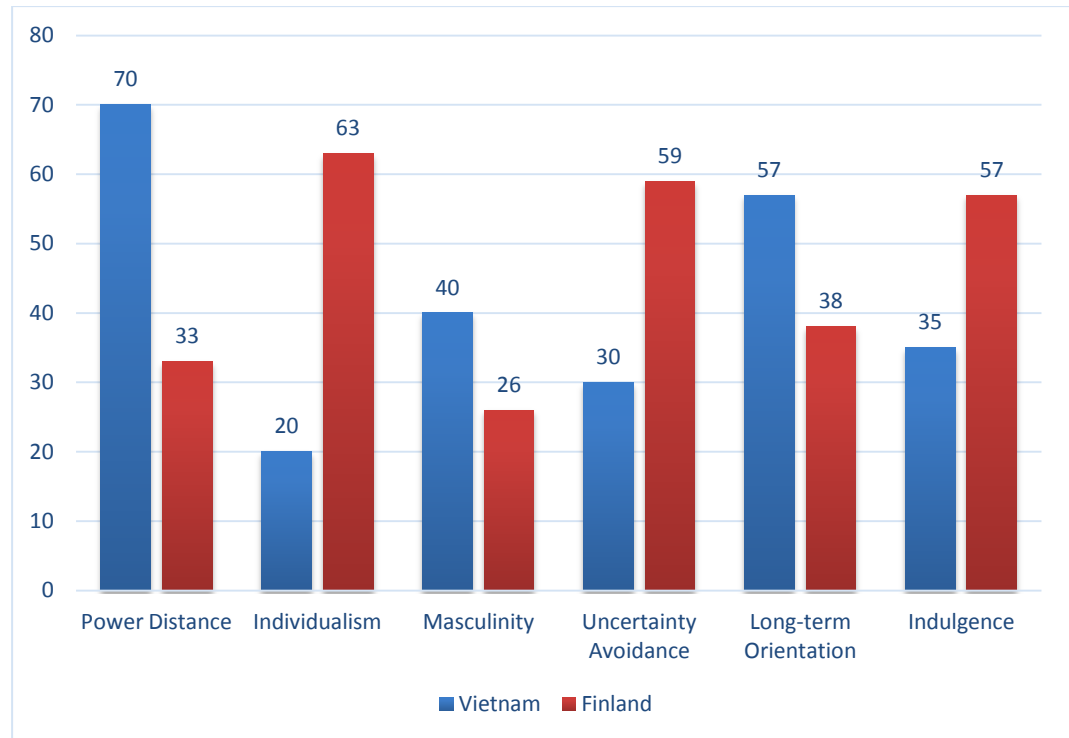


FIGURE 18. Vietnamese Culture Comparing to Finnish Culture Based on Hofstede's 6-D Model (Hofstede et al. 2010)

As explained in chapter 2, Hofstede (2010) proposes six dimensions to measure a country's culture, including power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance, long-term versus short-term orientation, and indulgence versus restraint.

Power distance is the extent to which less powerful members within a society accept that the power is distributed unevenly. Based on the study of Hofstede on the Vietnamese culture, Vietnam receives high score (score of 70) in terms of power distance, which means that the Vietnamese people accept a hierarchical order in which everyone has their own place. In a strictly hierarchical organization, the boss is the absolute ruler, while lower-ranking members expect to be told what to do. When this figure is compared with the power distance score of Finland, it could easily be seen that hierarchy does not play a significantly important part in the Finnish society. (Hofstede et al. 2010.)

However, when considering the second dimension in the 6-D model, individualism versus collectivism, the individualism score of Vietnam is fairly low with only 20 points. Meanwhile, this figure of the Finnish culture is rather

high with a score of 63. This means that the Vietnamese culture is more collectivist and people tend to commit to membership groups, such as their families. In other words, consumers within this society could be strongly affected by reference groups, which is also shown in the survey of the author. (Hofstede et al. 2010.) When asked which sources consumers use to evaluate a particular product before making decision, 71.19% of the respondents answer that they ask opinions of their acquaintances who have used the product.

The third dimension is masculinity versus femininity. A masculine society focuses more on success and competition, while a feminine culture cares more about the quality of life, and showing off is not admired. With a score of 40, the Vietnamese culture is considered a feminine one. This means that the Vietnamese people have a tendency of respecting modesty, and conflicts are resolved by negotiation or compromise. This figure of Finland is even lower, and the Finnish culture is regarded as a feminine one. (Hofstede et al. 2010.)

Fourthly, Vietnam receives relatively low score (score of 30) in the dimension Uncertainty Avoidance. This indicates that the Vietnamese people accept and like trying new things. Additionally, they believe that rules could be changed or abandoned when it does not work any more. (Hofstede et al. 2010.) This could be considered an opportunity for Lumene Oy when the Vietnamese people are more open to new products. In particular, as stated in the survey of the author, 70.81% of the respondents are willing to try Lumene products. On the other hand, Finland gets high score in terms of uncertainty avoidance, which points out that the Finnish people are consistent with their traditions and avoid changes if not necessary (Hofstede et al. 2010).

Vietnam is regarded as a long-term oriented country with a score of 57. This figure shows that the Vietnamese people tend to care more about the future; and respect perseverance, persistence, and saving. Furthermore, people within a long-term oriented society also have the ability to adapt more easily to different situations. In contrast, the Finnish culture is relatively short-term oriented with a score of 37. (Hofstede et al. 2010.)

The final dimension in the Hofstede's 6-D model is indulgence versus restraint. In terms of this dimension, Vietnam receives a pretty low score of 35, which means that Vietnam is a restrained society. People within this society are restrained by their country's norms and do not feel free to show their gratification of desires. The result of the Finnish culture is in contrast with the Vietnamese one, with a score of 57. (Hofstede et al. 2010.)

In short, the Vietnamese culture respects hierarchical order, in which less powerful people accept that the power is allocated unequally. In addition, Vietnam is also a collectivist country, whose people are influenced by their membership groups. Moreover, they are also family-oriented (Stone 2005, 22). Therefore, many of their decisions, including purchasing decisions, are impacted by their families and people surrounding them. Besides, the Vietnamese culture is a feminine one and the Vietnamese people are those who are willing to face changes and new experience. They are also care more about the future and can quickly adapt to new conditions. However, they are somehow restrained by the society's norms in expressing themselves and enjoy their gratification of desires.

5.2.2 Motivation

According to research in 2010 made by the Nielsen Company, the greatest motivation for Vietnamese women to use cosmetics is to be more self-confident with 74 out of 272 respondents choosing this option. The second biggest motive is to look good, while the motive with the lowest score is to have a good impression to others. Other reasons are shown in the figure below.

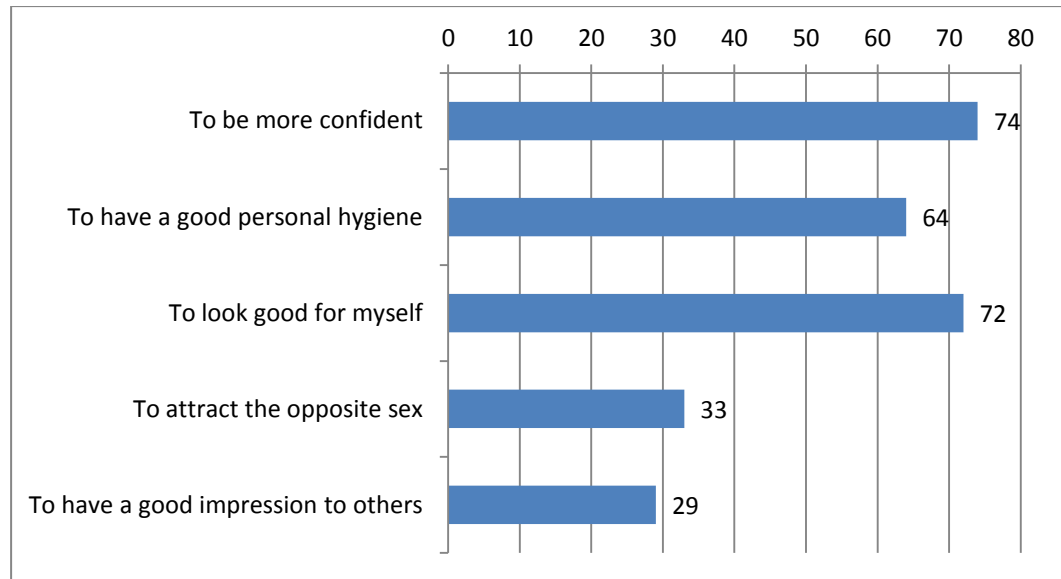


FIGURE 19. Motivation for Using Personal Care Products (The Nielsen Company 2011)

Besides the distinction between the two cultures, the difference in the demand and habits in purchasing cosmetics between the Vietnamese and Finnish markets is another barrier for the case company. In order to understand more about the behavior of Vietnamese consumers, the author carried out a survey. The survey was conducted mainly in Ho Chi Minh City, the economic center of Vietnam; and the target participants of this survey were women from 30 to 60 years old with upper-middle income level. The reason why the author chose this group of consumers to observe is because this is the target segment of the selected product line for the Vietnamese market. The product line chosen to be introduced to this market will be the Bright Now Vitamin C line. According to the author's careful study of the product line, its main target group of consumers in Finland is women from 25 to 60 years old. However, due to the differences in the income level, as well as the habits in purchasing and using cosmetics of Vietnamese women, the author would like to limit the age of the target group from 30 to 60 years old. Furthermore, as Lumene is an affordable premium brand (Grow 2013), the company's target segments of consumers should be those from the upper-middle class. As the average income of Vietnam is 1,740 USD per capita (estimated in 2013), the country is considered a lower-middle income country (The World Bank 2014). In this thesis, the target group of the survey is those who come from the upper-middle income class. Therefore, the survey aims at people whose income is

from 10 million VND (equivalent to 400 Euros) per month. Moreover, the income per capita index of Ho Chi Minh City is 5,131 USD in 2014 (Tuoi Tre Online 2014). This city is also the center of Vietnam in terms of economy and entertainment. Therefore, this city is chosen to be the starting point for Lumene Oy to operate and develop in Vietnam. The information regarding the Vietnamese consumer's purchasing behavior and other related issues will be clarified in the analysis of the collected data. In addition, the Bright Now Vitamin C line will be mentioned in detail in chapter 6.

The process of constructing, testing, modifying, and sending out the survey lasted for three weeks, from February 18th to March 11th 2015. In addition, the survey was carried out via the Internet. To explicate this whole process, how the survey was designed, as well as how the data was collected and analyzed will be explained in the next part.

5.2.3 Survey Designation and Data Acquisition

The research question determines the choice of research strategy, data collection and analysis technique. There are many types of research strategy, and none of them is superior or inferior to the others. (Saunders et al. 2009, 136.) The research question of the thesis is how to develop an advertising strategy based on the understanding of consumer behavior. Therefore, information related to the behavior of the target consumers need to be collected and analyzed. Based on the nature of the research question of this thesis, survey is selected as the research strategy to help answer that question. In general, survey is an effective tool in collecting primary information from individuals. It allows researchers to gather quantitative data and analyze them quantitatively by using descriptive and inferential statistics. In addition, survey allows researchers to collect data in a relatively short period of time, and collected information normally belongs to a wide range of issues. (Ghauri & Grønhaug 2010.)

According to the knowledge from the theoretical part, the survey was constructed with two parts: consumers' personal information and consumption habits; as well as consumers' attitude toward advertising and their habits in using media. At the end of the survey, there are also questions testing the awareness of the Vietnamese

consumer toward the brand Lumene and their willingness to try new product. This survey was built in order to examine the following issues:

- What are the habits of the target consumer in using and buying cosmetics?
- Based on what criterion does the target consumer choose a brand?
- From which sources does the target consumer know about a particular product?
- From which sources do target consumers find information for product evaluation?
- Is there any opportunity for Lumene to penetrate into this market?

The survey includes both open-ended and close-ended questions, with the concentration on the latter. Open-ended questions encourage respondents to freely express their own opinions or thoughts (Fink 2003, according to Saunders et al. 2009). In contrast, close-ended questions offer limited options (deVaus 2002, according to Saunders et al. 2009). In some questions, there is an optional space for respondents to give their own answers besides other given options. The survey structure consists of 16 questions in total. After the first draft of the survey had been completed, it was sent to 10 people via the Internet with the purpose of testing the questionnaires. By receiving feedback from those participants, the survey was then modified to be more suitable and goal-oriented.

The survey was sent via social network platform, Facebook, and through the network of the author's acquaintances. As the target group of this survey was women from 30 to 60 years old, the questionnaires were mainly sent to office workers, teachers, and some freelancers. In order for the author to get all the answers from the respondents, the respondents were asked to fill in all questions as a requirement before they could submit their answers. Among 200 people to whom the survey was sent, only 121 of them responded and three responses were invalid. In the next section, the data collected from the survey will be analyzed with more details.

5.2.4 Data Analysis

The following data helps the case company know which products are consumed most often, the extent to which Vietnamese consumers care about their beauty and using cosmetics, how much they are willing to pay for cosmetics, and based on what criteria they choose a brand into the bargain. In the later part of the data analysis, information regarding consumers' attitude toward advertising, their usage of media, as well as the potential for Lumene Oy will be introduced.

Consumers' Background and Consumption Habits

Cosmetics products mentioned in the survey questions are divided into three groups: make-up products, skincare products (which means products used for taking care of facial skin), and bodycare products. Although the product line Bright Now Vitamin C only concentrates mostly on skincare products, the author would like to also study more about the habits in using and purchasing make-up and bodycare products for further development of Lumene Oy in this market.

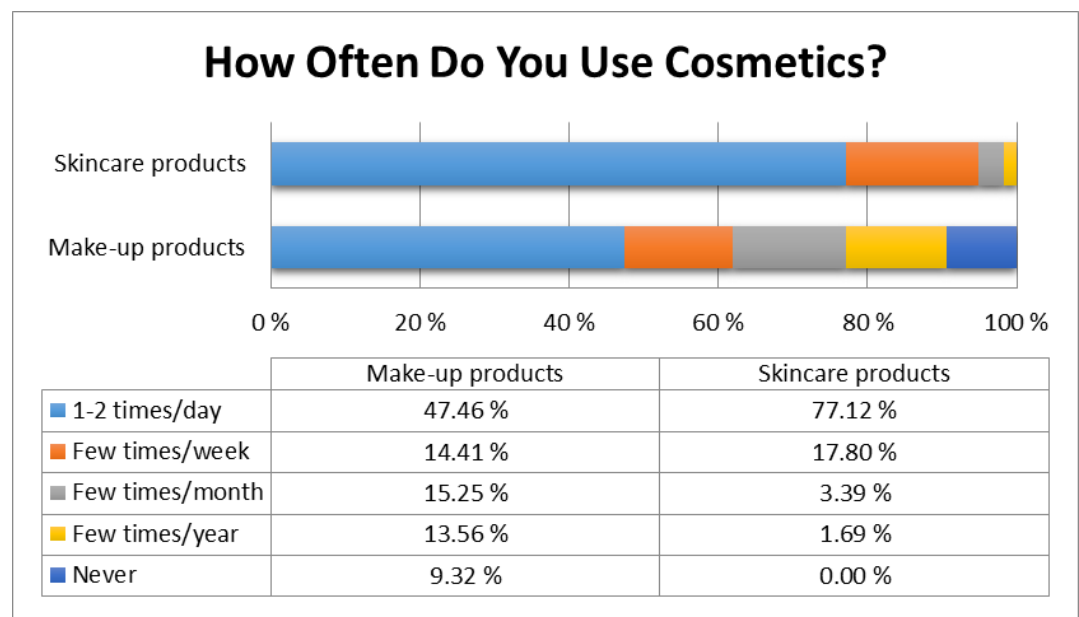


FIGURE 20. How Often Do You Use Cosmetics?

As shown in the figure above, when asked how often one used skincare products, the majority (77.12%) answer that they use those products every day, and nobody chooses the option “never”. This indicates that protecting and nourishing skin are

a great concern of Vietnamese women. Besides, using make-up products has become an everyday routine of many women, 47.46% of all responses.

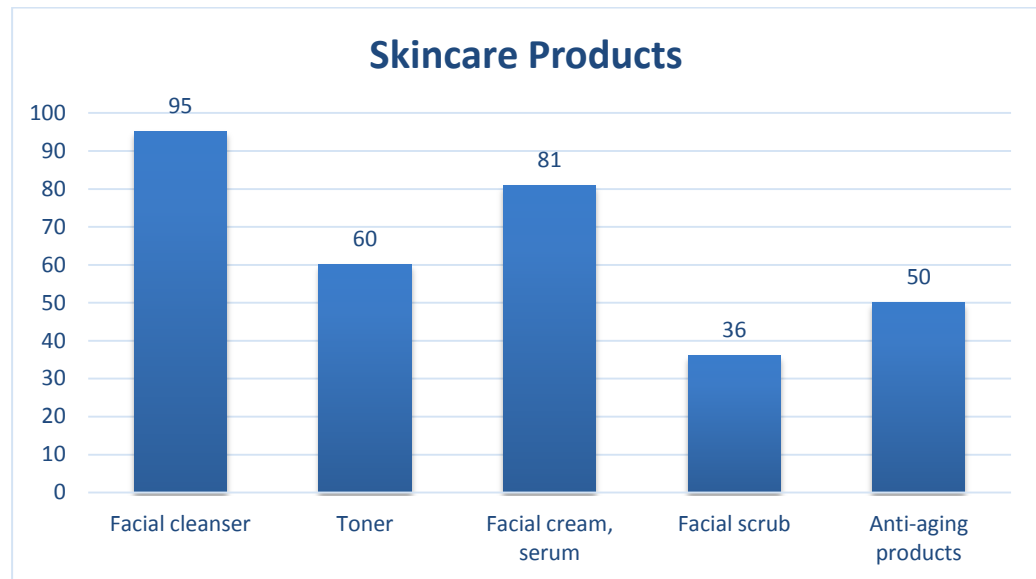


FIGURE 21. Skincare Products

This survey also discusses some typical types of skincare products that Vietnamese consumers usually use, including facial cleanser, toner, facial cream and serum, facial scrub, and anti-aging products. According to the statistics of the survey, the majority of the respondents (95 out of 118) use facial cleanser. Following is the number of consumers (81 out of 118) utilizing facial cream and serum to take care of their skin. On the other hand, facial scrub is not used commonly, which indicates that exfoliation is still new to many consumers in Vietnam. As stated in research conducted by the Nielsen Company, the demand for facial cleanser will continue to increase, but with a lower growth rate. Instead, the need for facial cream and serum, or in general, moisturizers will rise more and more as a lot of women think that these types of products can help their skin moist and smooth. Besides, anti-aging is another emerging issue that receives the attention of many consumers. (The Nielsen Company 2011.) These products, especially facial cream and serum, could become some key products for the case company when entering the Vietnamese market.

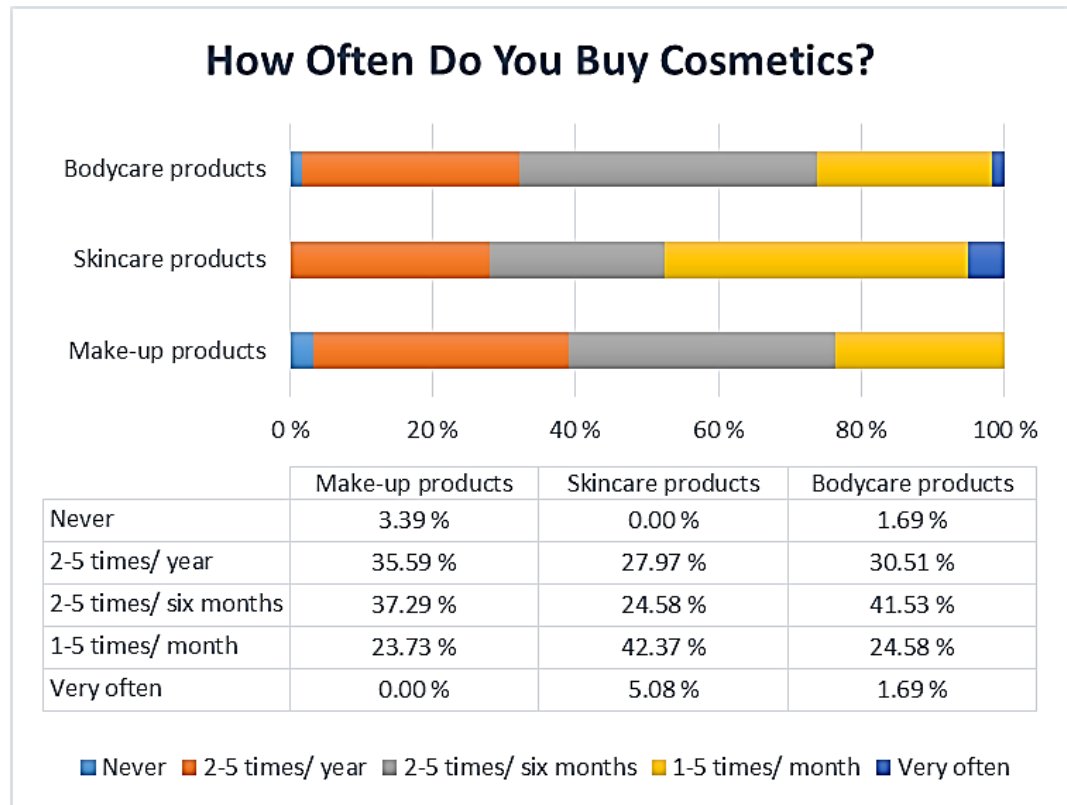


FIGURE 22. The Frequency in Buying Cosmetics

As claimed in figure 19, when asked about the frequency in buying skincare products, only 5.08% of the participants answer that they purchase those products very often (more than five times per month). A large group of the respondents (42.37%) say that they buy skincare products from one to five times in a month. This could be explained as skincare products are used very often. The statistics also shows that every consumer has the habit of purchasing skincare products at least from two to five times in a year. About make-up products, the largest portion of the surveyed consumers (37.29%) response that they purchase two to five times in every six months. The second most chosen response is “purchasing two to five times in a year” (35.59%), followed by “purchasing from one to five times in a month” (23.73%). In general, make-up products are bought relatively regularly. Besides, most of the respondents purchase bodycare products from two to five times in six months, with 41.53% of the sample choosing this option. Following is the options “purchasing from two to five times in a year” with 30.51%, and “purchasing from one to five times in a month” with 24.58%. When the figures of the frequency in purchasing make-up products are compared with those in buying bodycare products, it could easily be seen that they are quite similar to each other;

however, people tend to purchase bodycare products more usually as these types of products can be used daily.

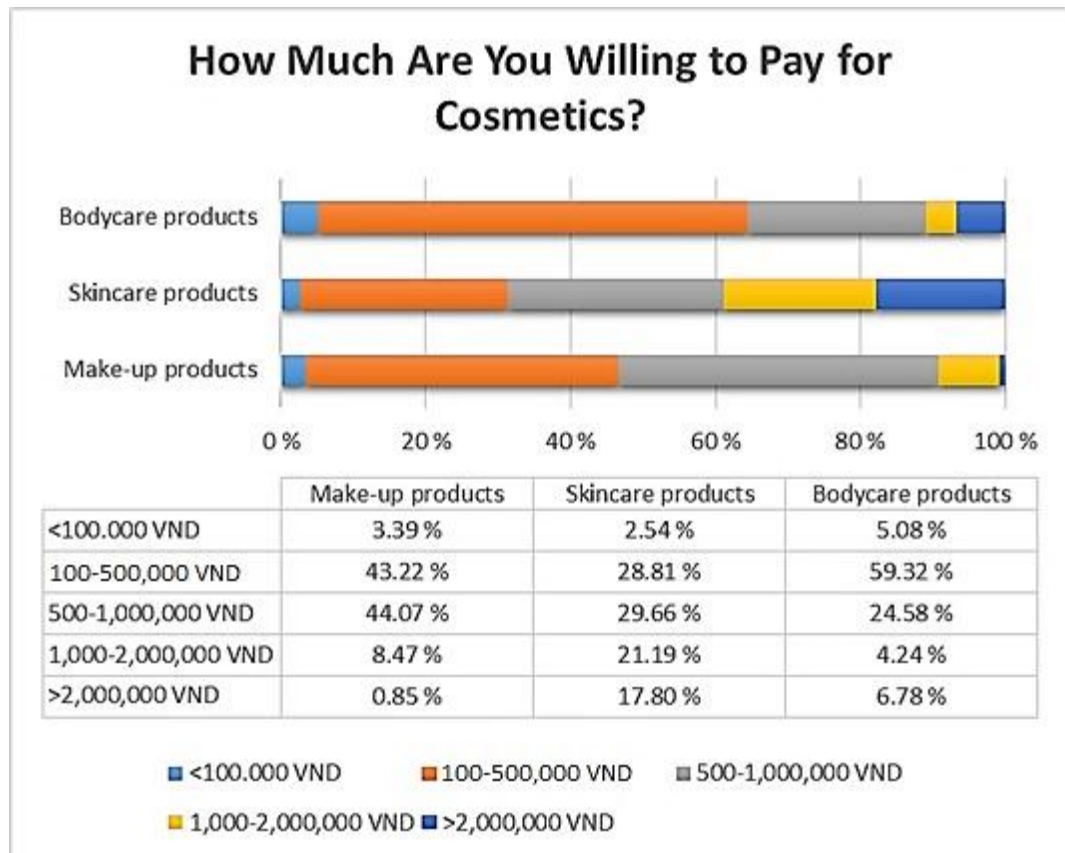


FIGURE 23. How Much Are You Willing to Pay for a Cosmetics Product?

For skincare products, most of the respondents (29.66%) say that they are willing to pay from 500,000 to one million VND (equivalent to 20-40 Euros) for a product. A fairly similar number of the participants (28.81%) are inclined to pay from 100,000 to 500,000 VND (equivalent to 4-20 Euros). Following is the number of consumers paying from one million to two million VND (equal to 40-80 Euros) for a product, which comprises 21.19% of the sample, and there are also 17.80% of the respondents pleased to pay more than two million VND (equal to over 80 Euros) for a cosmetics products. It could be inferred from the statistics that Vietnamese consumers from 30 to 60 years old are interested in buying premium cosmetics, and they are also willing to afford for these products. Based on the author's careful observation of the Bright Now Vitamin C line of Lumene in Finland, the prices of this product line are about 20 Euros on average. Based on the tax and fees in Vietnam for imported cosmetics from Europe, the prices of

Lumene products could be a bit higher in this nation. About make-up products, the majority of the surveyed consumers (87.29%) are inclined to pay from 100,000 to 1 million VND, and the number of people who are willing to pay from 100,000 to 500,000 VND (43.22%) is quite similar to that of those who pay from 500,000 to one million VND (44.07%). Only a few of them pay less than 100,000 VND or more than one million VND for a make-up product. About bodycare products, more than half of the respondents are inclined to pay from 100,000 to 500,000 VND.

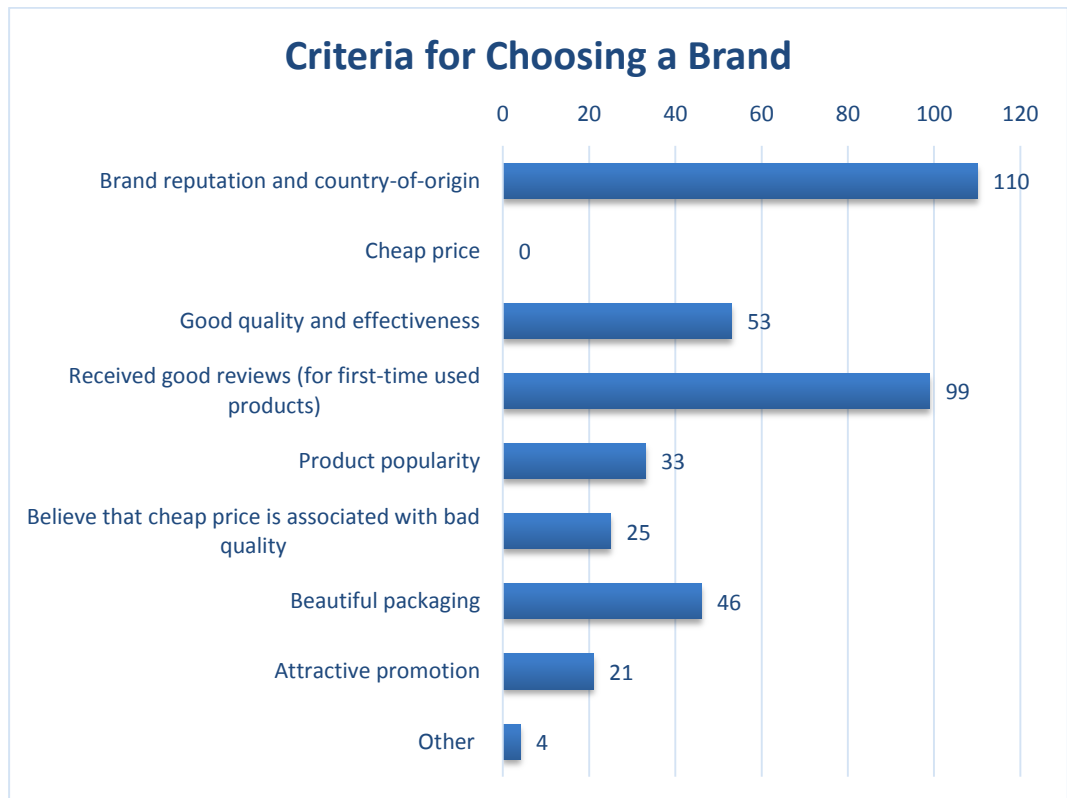


FIGURE 24. Criterion of Choosing a Brand

Most people (110 out of 118) say that they choose a brand based on its reputation and country-of-origin. This is because 90% of the cosmetics brands in Vietnam are imported brands and domestic brands are not very popular in the country. In addition, some countries famous for high-quality cosmetics are preferred by Vietnamese consumers, such as France, South Korea and Japan. On the other, products made in China are not really favored by the consumers in Vietnam. (Vietnamnet 2013; Global Investment Center, 2008.) Furthermore, 99 out of 118 surveyed people use other consumers' reviews of a specific brand as a criteria for

choosing that brand. This is also the second most chosen option. Interestingly, nobody chooses cheap price as a criteria. Instead, 25 people think that cheap price is associated with bad quality. According to a study conducted by the Nielsen Company and published in 2014, 75% of the respondents think that the higher the price is, the better the quality is. 83% of them also say that they usually compare prices before making their decisions. In addition, 73% of them confirm that they will pay more for higher quality. (The Nielsen Company 2014.) It is also shown in the survey of the author that 53 out of 118 surveyed people want a brand that provides high-quality and effective products. It could be seen that the Vietnamese people are price sensitive, and simultaneously, they also care a lot about product quality. Other factors considered when choosing a brand are product popularity (how popular the product is), beautiful packaging, and attractive promotion. Only four consumers think that the product must be affordable, and price must be correlated with quality.

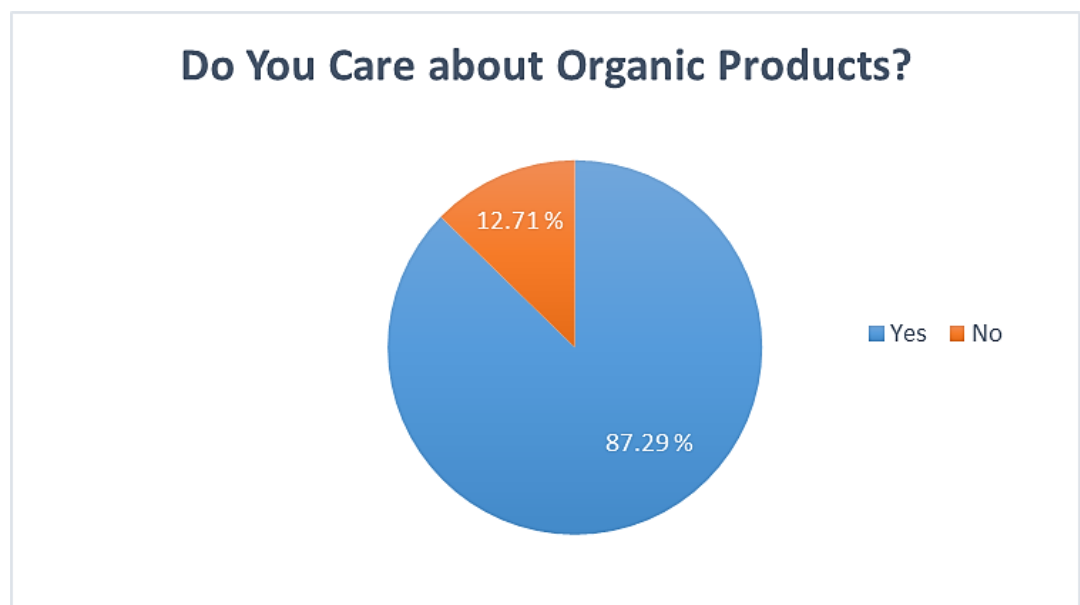


FIGURE 25. Do You Care about Organic Products?

Another issue mentioned in this survey is the Vietnamese consumer's awareness of organic cosmetics. The statistics points out that 87.29% of the participants care about organic products, which is a good signal for the Lumene brand as Lumene products are well-known for being natural.

Consumer's Attitude toward Advertising and Habits in Using Media

The data below provides information on the surveyed consumers' attitude toward advertising and their habits in using media for information search and product evaluation. From that information, the case company can understand better through which media channels they can reach their consumers.

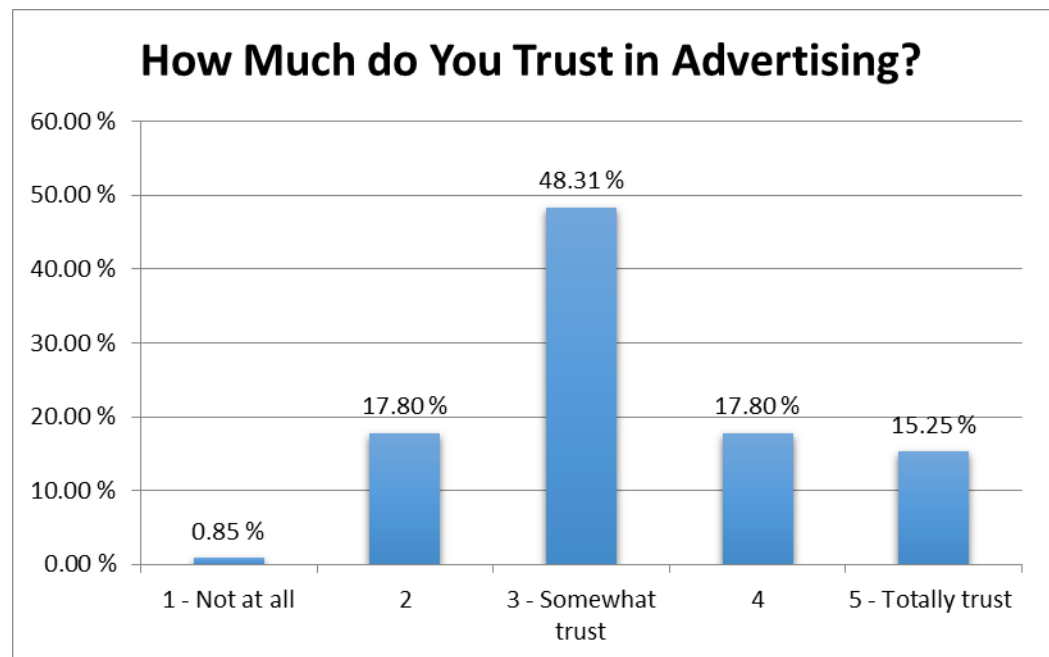


FIGURE 26. Trust in Advertising

When asked how much one trusts advertising, most of the respondents (48.31%) say that they just somewhat trust it. Nevertheless, only 0.85% of the researched group does not believe in advertising at all, and 15.25% of them are totally persuaded by advertising. The figure below illustrates different types of advertising channels, where the respondents usually get information.

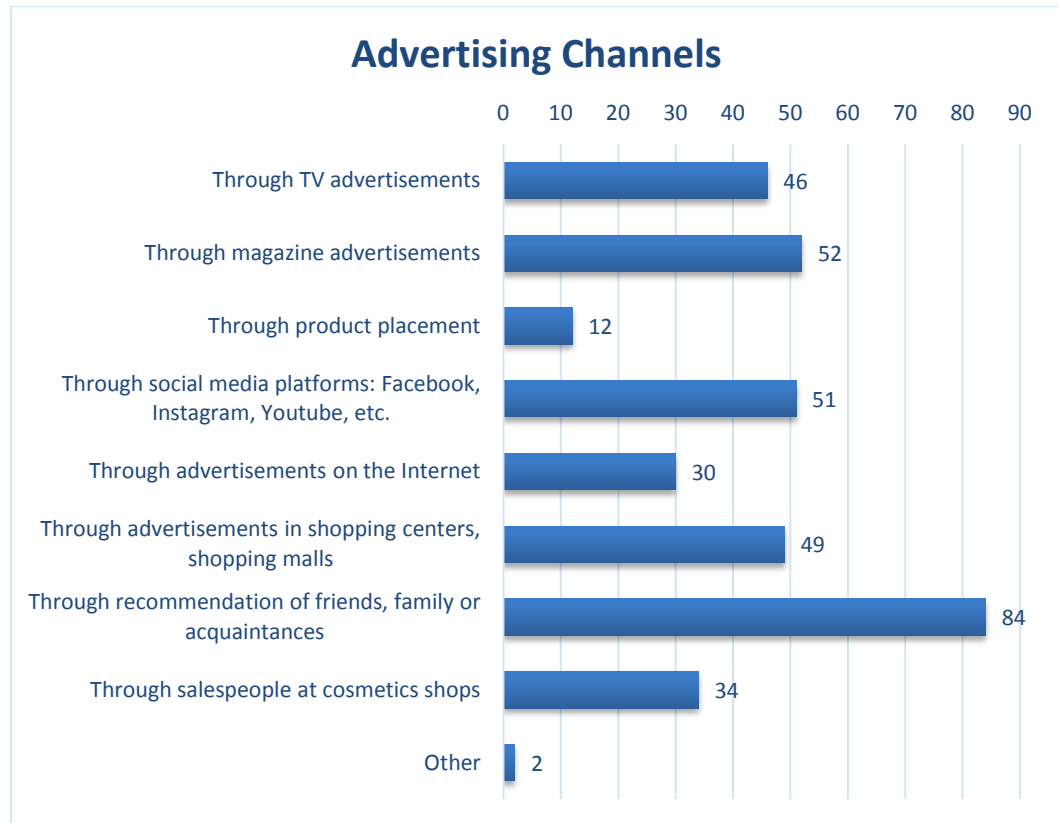


FIGURE 27. Advertising Channels

Most of the participants (84 out of 118) say that they find information about a certain product through recommendation of friends, family or acquaintances. This could be explained by the fact that the Vietnamese culture is collectivism and people within that society are greatly affected by others' opinions (Hofstede et al. 2010). Moreover, from the perspective of most consumers in all over the world, recommendations from people that they know is the most trustworthy source of information (The Nielsen Company 2013). Moreover, once again, this fact proves the importance of word-of-mouth and building a good brand image. Besides, advertisements in magazines; advertisement on social media platforms, such as Facebook, Youtube, Instagram, and so on; ads placed in shopping malls or shopping centers; and ads on television are sources of information from which many consumers get to know a product. Other sources include advertisements on the Internet (such as search engine, or ads on some websites), information from salespeople at cosmetics shops, and product placement. Interestingly, the statistics of the research made by the Nielsen Company shows that there are 8.5 million people tend to buy products because of the recommendation of retailers everyday,

while 31% of consumers really buy products recommended by retail salespeople (The Nielsen Company 2014). This indicates that interacting with consumers through salespeople or retailers is essential in establishing brand awareness for the case company. In addition, together with the fact that more and more people are owning mobile devices in Vietnam, their daily usage of the Internet occupies a large amount of their time. As claimed by research, almost everyone spends time on the Internet to browse websites. The second most popular online activity is watching or reading news, followed by social networking. (The Nielsen Company 2014.) It could be inferred that the case company could use the Internet as an efficient tool to advertise. There is also a suggestion from the respondents that trying samples of products at drug stores or cosmetics shops is another way of getting acquainted to a new product.

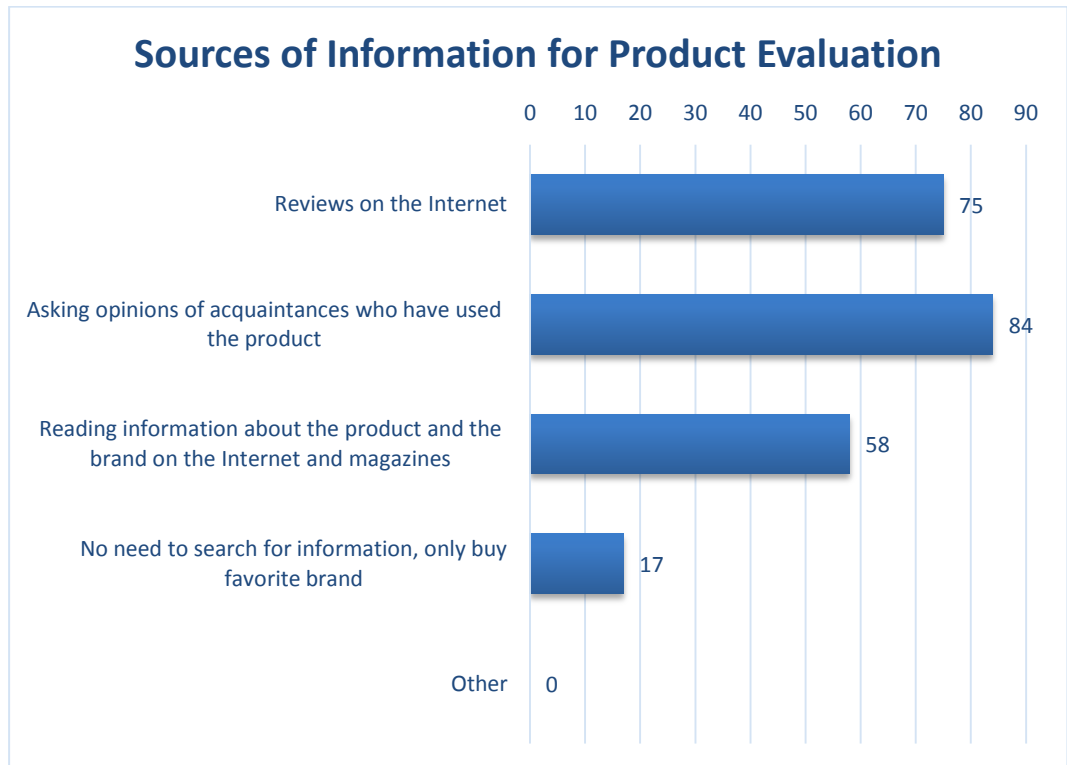


FIGURE 28. Sources of Information for Product Evaluation

After consumers have decided what type of product they would like to buy and what brand could be one of their alternatives, most of the participants response that they will ask opinions of acquaintances who have used the product (with 84 out of 118 people choosing this option) in order to evaluate that brand's product. Furthermore, 75 out of 118 respondents will read reviews on the Internet to know

how a particular is rated according to others' experience. Nowadays, the number of websites and magazines educating people about beauty care is increasing in Vietnam. According to the author's observation of beauty magazines in Vietnam, some world-famous magazines existing in the country, such as ELLE Magazine, Harper's Bazaar, Her World, and so on; together with some local magazines, including ĐẸP Magazine, MÓT Magazine, and Thời Trang Trẻ Magazine, have been favored by many women in Vietnam. These magazines are present not only in print form, but also in digital form, which helps the Vietnamese consumer access to information they need at anytime and anywhere by using mobile devices. Besides beauty magazines, websites providing information on beauty tips and other related issues are another source of information for many Vietnamese consumers. To be specific, when evaluating a product, 58 out of 118 women decide to read information on the Internet and beauty magazines to know more about the product. Only 17 people, who have high brand loyalty, say that they do not need to search for information. Instead, they only buy brands that they like. In short, it could be seen that others' opinions and evaluation have a great impact on the decision-making process of Vietnamese consumers. Therefore, building a positive brand image and brand attitude is vitally important to the Lumene brand. This is because by having positive experience, existing consumers will spread their words to other people. Besides, advertising the brand on some popular beauty magazines will create more advantages for the case company.

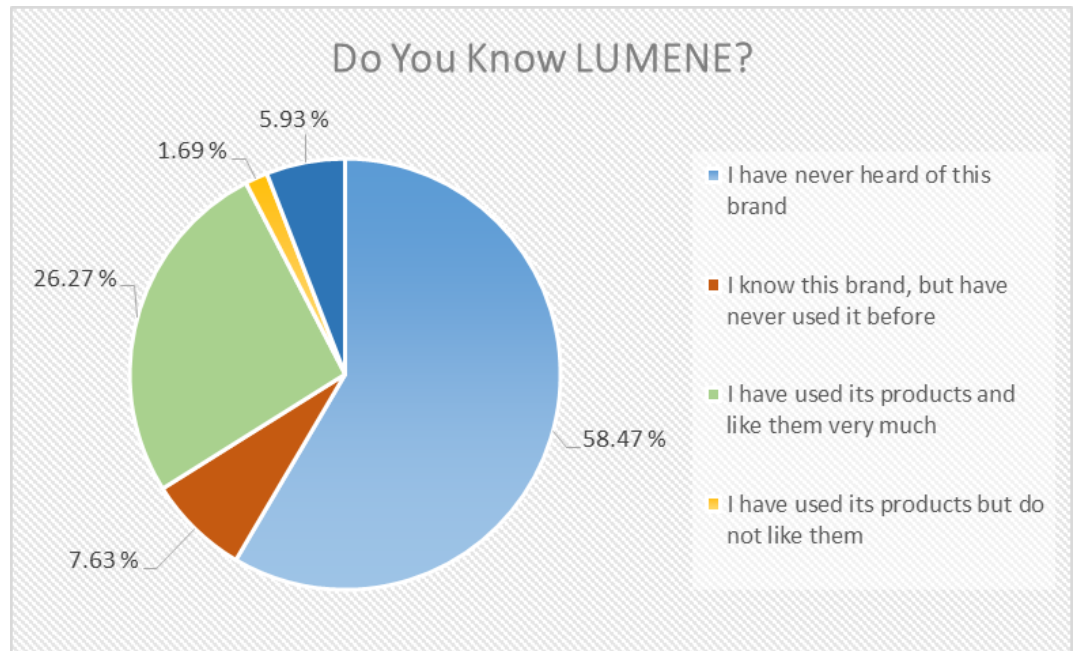


FIGURE 29. Lumene Brand Awareness

Lumene is still a new brand name to the majority of the respondents (58.47%). However, there are 26.27% of them respond that they had used and like Lumene products very much. Although this number is not a big number, it shows that there is possibility for Lumene to attain the preference of Vietnamese consumers. In addition, there is only a small number of people who have used, but do not like (1.69%) or not interested in those products (5.93%). On the other hand, 78.81% of the participants also say that they were willing to try Lumene products when they entered the market.

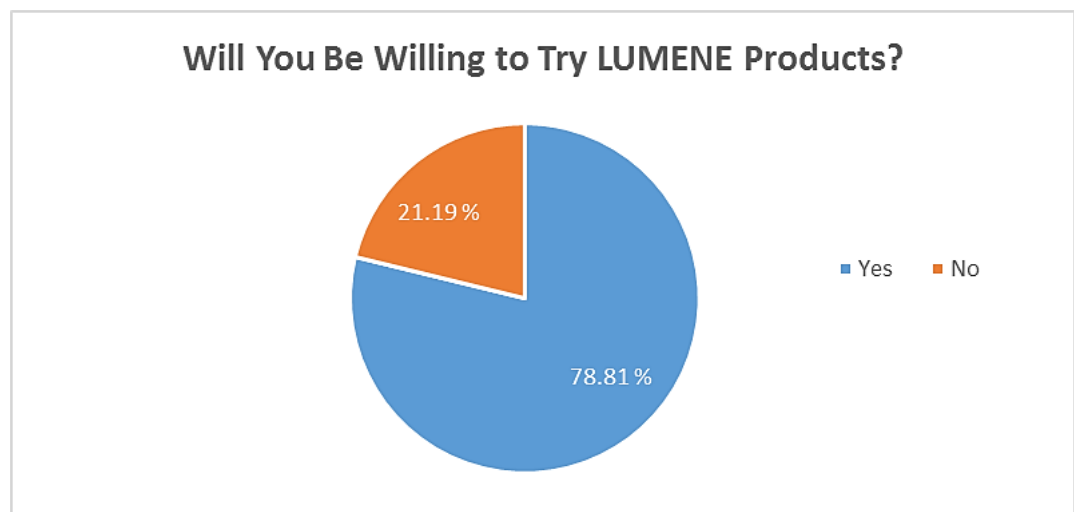


FIGURE 30. Consumers' Willingness to try Lumene Products

In conclusion, the author would like to summarize some features of the target consumers' behavior in the following points.

First of all, the biggest motivation for the Vietnamese women to use cosmetics is to look good and to be more self-confident. Using skincare products have become a part of the daily routine of many Vietnamese consumers, especially the target segment of women from 30 to 60 years old, who have a lot of concerns about beauty care and skin care. According to the survey, the majority of this group use skincare products everyday to protect and nourish their skin. This also leads to their regular purchase of skincare products, with most of the consumers from the target segment buying these products from one to five times per month. In addition, most used skincare products in Vietnam are facial cleanser, facial cream/serum or other moisturizers, toner, and anti-aging products. Especially, there has been an increase in the usage of moisturizers and anti-aging products as this group of consumers start to care more about making their skin smooth and youthful. Another notable point is that a large proportion of this group is willing to pay from 20 to 80 Euros for a skincare product. This group of consumers also pays a lot of attention to using organic products, which can be an advantage for Lumene.

Secondly, the process of consumer behavior starts when consumers are exposed to stimuli. In this case, the stimuli are advertising in different media forms or word-of-mouth advertising. According to the survey, the target group of consumers comes into contact most often with word-of-mouth advertising (through recommendation of friends, family, and acquaintances), advertisements in magazines, on social media platforms, and at shopping malls/centers. Therefore, the case company can place ads in these places to raise the level of consumers' exposure. Besides, salespeople at cosmetics shops also play an important role in helping consumers know a new product and encouraging them to purchase. However, the majority of target consumers only believe half of what is advertised. After the information from advertising has been processed, it will then be stored in consumer memory for later internal search.

Thirdly, when a consumer is in need of something, he or she will search for information on that product through two kinds of sources: internal and external

ones. When narrowing down a set of brands to consider, most consumers from the target group use some following criterion: brand reputation and country-of-origin; the number of positive reviews; high quality and efficacy. Many consumers from this segment think that the higher the price is, the better the quality is; and they are willing to pay more for higher quality. The sources of information that most target consumers use to evaluate alternatives are recommendations from acquaintances that have used the product, reviews on the Internet, and information in beauty magazines and websites.

Finally, Vietnamese society is a collectivist one. Therefore, people within that society are strongly influenced by others' opinions and restrained by the pressure of the society. This indicates that word-of-mouth advertising is the key element that Lumene should understand clearly when conducting any advertising campaign in this country. Furthermore, Vietnam scores quite low on the dimension Uncertainty Avoidance, which means that they are open to changes and new things. This culture is also long-term oriented, which can be understood that the people within society are more capable of adapting to new situations. This is an opportunity for Lumene when the Vietnamese consumer are inclined to try new products, which is also shown in the study of the author when most of the surveyed consumers say that they do not know about the brand Lumene, but they would like to try its products.

In the next chapter, information regarding the case company and the product line will be introduced

6 CASE COMPANY

In this chapter, the author would like to provide a brief profile of the case company – Lumene Oy. After that, based on the knowledge of the target market and consumers, the author would like to suggest an advertising strategy for Lumene Oy when they intend to enter the Vietnamese market.

6.1 Introduction to Case Company – Lumene Oy

The brand Lumene was established in 1970 and used to belong to the cosmetics company – Noiro Oy, which was a part of Orion Company – a pharmaceutical company. After only three years of establishment, Lumene became the leading brand in the Finnish cosmetics industry. In 2008, Lumene was separated into an independent company. Especially, it was the first company in the world to use wild Arctic berries as its ingredients. The very fact that Lumene combines finest organic ingredients with innovative technology to create bioactive products has brought success to the business. Through high-quality products, the company attempts to bring natural beauty to consumers, which is also affirmed in its mission and vision. (Lumene Oy 2015.)

- Mission: *“We illuminate the beauty of all.”*
- Vision: *“With pioneering technology, Lumene transforms what wild Arctic nature has perfected, to create bioactive skincare and cosmetics that illuminate your natural beauty.”*

Nowadays, Lumene Oy possesses four different brands: Lumene, Lumene LAB, Natural Code, and Cutrin (a haircare brand). Among these brands, Lumene has been the most popular brand of the company since its foundation and this brand is now available internationally. On the other hand, Lumene LAB is a pharmaceutical cosmetics brand focusing on anti-aging products, and sold exclusively in pharmacies. In addition, Natural Code is a brand for young women who want to create their own style. All of these brands provide products made from natural ingredients. Besides Finland, Lumene Oy also operates in other markets, including the USA, Scandinavia, and Russia. In 2013, the company’s net sales were 90 million Euros, and half of it was from the homeland market,

Finland. The rest of the net sales came from the other markets. There are approximately 530 employees working for Lumene and 330 of them are in Finland. (Lumene Oy 2015.)



FIGURE 31. Wild Arctic Cloudberry (Lumene Oy 2015)

The climate and the complexion of Vietnamese consumers are different from those of the Finnish people. To be specific, the climate in Vietnam, especially in the South, is tropical weather with high level of humidity (84% on average throughout the year), which influences the way women take care of their skin (GCI Magazine 2014; Vietnam Tourism 2011). Besides, the Vietnamese women's skin is also affected by heat, sunlight, and dust, which means that they need some kinds of product that can protect their skin from these external influences. On the contrary, the climate of Finland is dry continental climate (Visit Finland 2015); hence, people in Finland tend to care more about products preventing their skin from being dry (Mars 2009). This creates difficulties for Lumene Oy in choosing suitable product lines to introduce to this market. On the other hand, Bright Now Vitamin C, a product line of the Lumene brand, contains multi-benefit nutrients

extracted from cloudberry. The ingredients made from cloudberry provide omega acids, and especially a great amount of vitamin C, which is more than twice as much as that in oranges. Moreover, the vitamin C in those products is encapsulated in liposomes to give better and longer brightening effects. In other words, Bright Now Vitamin C products help strengthen, brighten, detoxify skin, and simultaneously supply antioxidants for anti-aging benefits. Some of the highly evaluated products in this line are Shine Control Cream-Gel, Night Cream, and BB Serum. (Lumene Oy 2015.) Based on the author's understanding of this product line and the features of the Vietnamese women, the author finds this product line suitable for the Vietnamese market.

6.2 Advertising Strategy for Case Company

According to the process of building an advertising strategy introduced in chapter 3, there are four steps needed to be completed.

Step 1: Conducting advertising research

There are two research approaches used to facilitate the process of carrying out advertising research. These two approaches are product-oriented and consumer-oriented researches.

- Product-specific research

As stated above, the author would like to introduce the product line Bright Now Vitamin C to the Vietnamese market. This product line is renowned for its outstanding benefits, such as brightening, strengthening, detoxifying, and anti-aging effects. The second factor that differentiates this product line from its competitors' goods is its natural ingredient, cloudberry, with high concentration level of vitamin C and omega acids. The organic ingredients in Lumene products are refined by groundbreaking technology to give the best efficiency. In short, the key elements of the product line that could be promoted and create impression to the target consumers are natural ingredients from fresh cloudberry that are purified and transformed by innovative technology to generate multiple benefits.



FIGURE 32. The Bright Now Vitamin C Product Line (Lumene Oy 2015)

In addition, according to the author's observation of the Vietnamese cosmetics market, based on the prices of this product line in particular (about 20 Euros on average) and those of Lumene products in general (ranging from about 10 to 30 Euros), some direct competitors of Lumene in Vietnam are Laneige (a brand from Amore Pacific Group in South Korea), M.A.C, and Bobbi Brown.



FIGURE 33. Laneige Counter at Diamond Plaza, Ho Chi Minh City, Vietnam (Laneige 2015)

- Consumer-oriented research

As claimed in the previous chapter, the main target of consumers for the product line Bright Now Vitamin C in Vietnam is women from 30 to 60 years old with upper-middle income level. They are those who pay a lot of attention to beauty care product and have the ability to afford premium cosmetics products.

Information regarding this target group of consumers has been meticulously studied in the previous chapter. In this chapter, the author would like to remind some features in the behavior of Vietnamese consumers.

- Facial cleanser and moisturizers are products most used by the target consumers. Besides, the usage of moisturizers and anti-aging products has a tendency to rise as many women start to care more about making their skin moist and youthful.
- Most popular sources, from which the target consumers get to know about a product, are recommendations from acquaintances (word-of-mouth advertising), advertisements in beauty magazines and websites, on social networking sites, and at shopping malls/centers.
- When choosing a brand, consumers from this segment are concerned about brand reputation and country-of-origin; the number of positive reviews of the brand; and not to mention the quality and the efficiency.
- When considering a product, the target group's sources of information for evaluation include recommendations from acquaintances that have used the product, reviews on the Internet, and information from beauty magazines and websites.
- As the Vietnamese consumer has strong sense of community, they usually value advice from people surrounding them. Therefore, most of their purchases are impacted by others' recommendations. This means that word-of-mouth advertising is essential to Lumene and building a good brand image is required. Furthermore, Vietnamese consumers are open to new things and can easily adapt to changes, which is a chance for Lumene to introduce their products.

Step 2: Selecting advertising goals

According to the theoretical part, there are five primary goals of advertising: building brand awareness, providing information, persuading, supporting other marketing functions, and stimulating consumers to take action. Some of them are parts of a bigger one, such as building brand awareness and providing information belong to persuading consumers. Moreover, these goals are connected with each other in a chain; thus, one goal can be a result of another. For example, the action of persuading consumers is to encourage them to purchase a certain product. Therefore, instead of going into detail about each goal, the author decides to discuss some practical and basic goals that Lumene Oy should first accomplish when operating and advertising in Vietnam, and proposes some ideas how to attain those goals.

- Building brand awareness

Lumene Oy is still a new player the Vietnamese cosmetics industry. Moreover, the brand awareness of consumers is still low, as shown in the results of the survey. Therefore, the first and foremost goal of Lumene Oy is to raise the Vietnamese consumer's awareness of the brand. In order to build brand awareness, the company should show advertisements in places where the target consumers are exposed most to cosmetics ads. As stated in the author's study of the target segment, advertisements in magazines and websites, on social network platforms, and at shopping malls or shopping centers are most seen by the target consumers. Hence, these places are where the case company should advertise most often. Moreover, before officially promoting the brand in Vietnam, pre-opening advertisement could be used to evoke consumers' curiosity; for example, backdrops, posters or images displayed at shopping malls/centers, in magazines, or on social media platforms showing a big question mark with a message: "*A secret from Arctic nature is coming soon*". Impressive introduction can help increase the foot traffic for Lumene's counters and generate consumer interest and resonance.

After the brand awareness has been established, the process of forming brand attitude will take place. Importantly, the factor that exerts influence on consumer attitude is the image of a brand in their mind. Thus, building a positive brand image is the next goal that Lumene needs to achieve through advertising.

- Building brand image

Basically, the Lumene brand has been famous in its markets with the image of an affordable premium brand, which is the first one in the world to use berries as its ingredients and combine with science to create high-quality product. This is also the image that Lumene Oy should deliver to its consumers. In short, some keywords used to describe the image of the Lumene brand is *Arctic Skin Science*, *Arctic berries*, *natural and nutritious ingredients*, *multi-task beautifier*, *groundbreaking technology*, and *affordable premium brand*.

A positive brand image is affected by many factors and it used to distinguish one brand with another. For potential consumers, word-of-mouth plays an important role in influencing the image of a brand in their mind. (Sallam 2014.) Besides, the factor that impacts the effect of word-of-mouth is brand loyalty (Court et al. 2009). However, in the case of Lumene Oy, the brand is still new to many consumers in Vietnam and only a small number of buyers have tried their products. Therefore, brand loyalty is what the company should invest in building in the long run and word-of-mouth in this situation does not come from brand loyalty. Instead, positive word-of-mouth or brand image should be formed through advertising and other methods. For example, the company can organize events where buyers can come and try Lumene products, and give them samples to test the product quality. Having good impression also makes consumers spread their words to other people.

- Providing information

One element that helps deliver the brand image is information related to the brand and the product line in an advertisement. In other words, an advertisement needs to provide its audiences with the key characteristics of a product. In some kinds of advertisement, such as ads in magazines, the location where the brand is sold and the working hours should be shown clearly.

Besides, the advertising of the brand should also be able to attain other goals. This means that the ads must be persuasive enough to stimulate consumer to purchase. This goal can be fulfilled through effective and impressive advertising messages.

Furthermore, convincing advertising also supports other functions of advertising, such as boosting selling activities.

Step 3: Formulating advertising budget

The budgeting method suitable for the company is the objective-and-task method. According to this method, the advertising budget is estimated based on the costs of the required tasks. Some tasks needed for the advertising activities are renting and establishing counters to sell and promote Lumene products; advertising on beauty magazines (such as Harper's Bazaar, F Fashion Magazine, and ĐÈP Magazine); forming and managing activities on social media platforms (such as Facebook, Instagram and Youtube); designing and creating advertising videos and images (some existing videos of Lumene can be used for the Vietnamese market, as long as the Vietnamese subtitle must be added to the videos).

About renting and establishing Lumene counters, the renting cost in a department store in a central district of Ho Chi Minh City is relatively high. For instance, the renting price in Diamond Plaza Department Store is approximately 200 million VND (equivalent to 8,000 Euros) per month (VnEconomy 2010). In addition, the prices for advertising in magazines also need taking into account. The advertising prices vary according to different magazines. For example, Harper's Bazaar is a foreign magazine, and its reputation has been accredited in the world. Therefore, the prices for placing advertisements in this magazine is comparatively high, and range from 43 to 157 million VND (equal to 1,720-6,280 Euros) per quarter (Lua Viet Group 2013). However, the number of audiences of this magazine is also a great figure (Harper's Bazaar Vietnam 2015); hence, in return, advertising in this magazine can attract a lot of consumers' attention. The costs of conducting the other two tasks can be adjusted based on the ability of the company.

Step 4: Creating advertising messages

The structure of an advertising message consists of three components: appeal, value proposition, and slogan. These three elements must be combined to create an advertising message in an advertisement.

- Appeal

There are several cosmetics brand names in the Vietnamese market, and many of them concentrate on selecting beautiful models to represent their brands. In other words, they are using sexual appeals. Among different types of appeals, rational appeals seem to be the most suitable type for the brand Lumene to create differentiation. Rational appeals emphasize the characteristics of the brand products and how beneficial the products are to the consumers. Another reason for utilizing rational appeals is because the image of bioactive products applied innovative Arctic Skin Science invented by pioneering scientists can easily build trust in the audiences. In other words, Arctic Skin Science can be used as the theme of the advertisement. In addition, the advertising message of the product line must be able to convey the benefits of the products, such as brightening, strengthening, detoxifying and anti-aging. Using keywords is a way to generate focal points in an advertisement and make the ad more impressive and memorable. The keywords that could be used in the advertisement of the brand are *smooth*, *bright*, and *firm* to describe the quality of the skin nourished by the products.

Besides, using some main colors in advertising is another way of making it easier for consumers to remind of an advertisement and a brand. This means that color advertising creates an association between the colors and the brand or the product. The theme color of the product line Bright Now Vitamin C is white and orange, while the dominant color of the Lumene brand is blue. These three colors should be the main colors of the brand's advertisements, especially print advertisements. In video advertisements, showing the beauty of the Arctic nature is a good idea to appeal to the target consumers.

- Value proposition

The value proposition is the value that the brand promises to deliver to its consumers. As stated in the mission, the brand wants to bring natural beauty to its consumers through its finest organic products refined by Arctic Skin Sciences.

- Slogan

The slogan of the company is “*Wild Arctic Nature – Refined by Science*” (Lumene Oy 2015).

Step 5: Selecting media

As mentioned above, the prior goal is to form brand awareness for LUMENE Oy and some channels through which the company can use to reach its target consumers are beauty magazines or websites, social media platforms, and shopping malls/centers.

Some suggested magazines include Harper’s Bazaar, ELLE Magazine, F Fashion Magazine, Her World, or ĐẸP Magazine. These magazines are available both in print and digital forms. Among these magazines, Harper’s Bazaar is one of the most well-known beauty magazines in Vietnam, with the number of regular audiences of 150,000 people. Additionally, these magazines also cooperate with some popular fashion TV programs in Vietnam, such as Harper’s Bazaar and Project Runway Vietnam (Harper's Bazaar Vietnam 2015), Her World, F Fashion and Vietnam’s Next Top Model (Vietnam's Next Top Model 2015), which helps these magazines increase the number of viewers.

Besides, Facebook is the most popular social media platforms in Vietnam with more than 12 million users (estimated in March 2013) (Tech in Asia 2013). Within only one year (from October 2011 to October 2012), the number of Facebook users increased 200%, which made this social networking site surpass its local competitor and become the number one social media site in Vietnam (Tuoi Tre News 2012). This is the channel that many cosmetics brands use to interact with consumers in Vietnam, such as Laneige, Clinique, or L’Oréal. Moreover, with the help of the Internet and social networking sites, advertisements or any promotional, marketing campaigns can go viral, which is so-called viral marketing. In addition to Facebook, Twitter and Instagram are emerging social networking sites that attract the attention of many Vietnamese users (BDG Asia 2014). Facebook or any other social media platform is where companies inform promotion events or campaigns, communicate and answer consumers’ questions over and above some activities relating to providing product

information. Sharing beauty tips with consumers is another approach of attracting and educating consumers about using cosmetics in a proper way. This approach can be conducted with the facilitation of not only Facebook, but also Youtube – one of the top entertainment sites in Vietnam (Tech in Asia 2013).



FIGURE 34. Harper's Bazaar Vietnam (Harper's Bazaar Vietnam 2015)

Furthermore, some popular shopping malls and shopping centers in Ho Chi Minh City, Vietnam include Diamond Plaza Department Store, Vincom Shopping Mall, and Parkson Shopping Center. These shopping centers are located in central districts of Ho Chi Minh City, and usually attract a large number of consumers visiting every day. (Vietnam Online 2015.) These places are also where most famous and premium fashion and cosmetics brands are distributed in the city. Therefore, these locations are suitable for Lumeme Oy to establish its counters and to place advertisements. In addition to advertising, organizing some sideline activities and providing some services, such as free skincare examinations and advising, are another way of increasing the interaction with the target consumers.



FIGURE 35. Diamond Plaza Department Store (Vietnam Online 2015)

The above forms of media are advertising channels for the brand Lumene Oy and they are chosen for a specific group of consumers, who are women from 30 to 60 years old with upper-middle high income level. This is also the reason why the brand is not advertised through mass media channels, such as TV commercials or popular normal websites. Lumene Oy can choose continuous advertising schedule at the beginning of the company's operation in Vietnam. After the reputation has been established among the target consumers, the advertising frequency could be reduced and new campaigns could be formed to replace existing one.

The following table summarizes the whole advertising strategy for Lumene Oy when introducing the Bright Now Vitamin C to the Vietnamese market.

TABLE 2. Lumene Advertising Strategy in Vietnam

| | |
|---|--|
| STEP 1 Conducting Advertising Research | Product-specific research <ul style="list-style-type: none"> • Product line: Bright Now Vitamin C • Benefits: Skin brightening, strengthening, detoxifying and anti-aging • Price: 20-30 Euros or higher |
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| | |
|--|--|
| | <ul style="list-style-type: none"> • Key attributes: Arctic cloudberry refined by pioneering technology, high concentration of vitamin C and omega acids <p>Consumer-oriented research</p> <ul style="list-style-type: none"> • Target segment: women from 30 to 60 years old with upper-middle income level • Care more about moisturizers and anti-aging products • Care for organic products • Sources of brand exposure: advertisements in magazines, at shopping malls/centers, on social media platforms; and recommendations from acquaintances • Criteria for choosing a brand: brand reputation and country-of-origin; positive reviews; quality and efficiency • Sources of information for product evaluation: recommendation from acquaintances, reviews on the Internet, and information from beauty magazines and websites • Consumers' purchases are strongly affected by others' opinions • Open to new products |
| <p>STEP 2</p> <p>Selecting Advertising Goals</p> | <ul style="list-style-type: none"> • Building brand awareness • Building brand image: Arctic Skin Science, Arctic berries, natural and nutritious ingredients, multi-task beautifier, groundbreaking technology, and affordable premium brand • Providing information • Persuading • Supporting other functions of marketing • Encouraging consumers to take action |

| | |
|---|---|
| <p style="text-align: center;">STEP 3</p> <p style="text-align: center;">Formulating Advertising Budget</p> | <p>Objective-and-task method: Based on tasks required when advertising to estimate advertising budget</p> <ul style="list-style-type: none"> • Renting and establishing counters to sell and promote Lumene products • Advertising on beauty magazines (such as Harper’s Bazaar, F Fashion Magazine, and ĐEP Magazine) • Forming and managing activities on social media platforms (such as Facebook, Instagram and Youtube) • Designing and creating advertising videos and images |
| <p style="text-align: center;">STEP 4</p> <p style="text-align: center;">Creating Advertising Messages</p> | <p>Appeal</p> <ul style="list-style-type: none"> • Rational appeals – Emphasizing the characteristics and benefits of the products. • Promoting the combination between finest organic ingredients (cloudberry) and groundbreaking technology – Arctic Skin Science • Using key words to create focal points: <i>smooth, bright, and firm</i> • Dominant color of advertisement: white, orange, and blue <p>Value proposition: Providing superior bioactive cosmetics that illuminate natural beauty</p> <p>Slogan: “<i>Wild Arctic Nature – Refined by Science</i>”</p> |
| <p style="text-align: center;">STEP 5</p> <p style="text-align: center;">Selecting Media</p> | <ul style="list-style-type: none"> • Beauty magazines and websites: Harper’s Barzaar, ELLE Magazine, F Fashion Magazine, ĐEP Magazine, and so on • Social media platforms: Facebook, Youtube, and Instagram • Shopping malls/centers: Vincom Shopping Malls, Diamond Plaza Department Store, and Parkson Shopping Center |

After the strategy has been formed, the next steps are carrying out and evaluate the advertising campaign. During the campaign, it is possible for any problem or issue to occur, which requires adjustments. Observing competitors is also a good point that needs to be taken into account. Based on the result of the campaign, the company can gain experience and has appropriate modification for the next campaign.

In the next chapter, the author would like to answer research questions mentioned in chapter 1, and give some suggestions for further research.

7 CONCLUSION AND SUGGESTIONS FOR FURTHER RESEARCH

This chapter first gives answers for the research question based on the main findings of this thesis. Secondly, the author would like to evaluate the reliability and validity of the empirical research conducted in chapter 5. Finally, based on the limitations of this thesis, some suggestions for further research are given.

7.1 Answers for the Research Questions

The table below briefly summarizes the findings of this thesis.

TABLE 3. Main Findings

| Questions | Answer |
|----------------------------|---|
| What is consumer behavior? | <p>Consumer behavior is the study of a process that involves many decisions of a consumer about the acquisition, usage, and disposition of an offering, which is influenced by different actors and factors. There are four components of the process: input, information processing, decision-making process, and variables influencing decision-making process. When a consumer comes into contact with an input, the information processing takes place. What happens during the information processing will then be stored in the consumer's memory for later use. When the consumer is in need of something, he/she will retrieve his/her memory for internal search or searching from external sources. Next, other steps in the decision-making process occur. After the consumer's consumption, he/she will determine whether he/she feels satisfied with the product or not. If he/she is satisfied with the product, the repurchase of the product may take place, or else he/she would dispose of it.</p> <p>During the process of decision-making, there are some factors that influence the process, including cultural, social, personal factors, and motivation.</p> |

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|---|--|
| <p>What affects consumer behavior?</p> | <p>There are four factors influencing consumer behavior: cultural, social, personal, and psychological factors. In addition, there are some sub-factors in each factor. These sub-factors connect with each other in different ways and have impact on all aspects of a consumer. Especially, the information processing is a part of psychological factors. The other part is motivation, which is one of the variables exerting influence on consumer decision-making process.</p> |
| <p>What is advertising?</p> | <p>Advertising is a non-personal communication of information about products, services or ideas, usually designed to persuade audiences to take action now or in the future, and normally paid by specific sponsors through a variety of media forms. Effective advertising is measured according to two dimensions: audience resonance and strategic relevance. In terms of audience resonance, effective advertising must ensure to have two elements: creativity and being sticky. Besides, the second dimension indicates that an efficient advertising must be relevant to the company's advertising strategy or fulfill a strategic mission.</p> |
| <p>How does consumer behavior influence advertising and vice versa?</p> | <p>Advertising is one of the stimuli that influence the process of consumer behavior. When consumers are exposed to advertising, they may pay attention to the advertisements and store related information in their memory for later use. In addition, coming into contact with an advertisement for a certain amount of times can make the consumers change their behavior or form positive or negative attitude toward the advertised brand. In short, advertising is used to build brand awareness, establish brand attitude and brand loyalty in the long run. On the other hand, advertising is criticized for encouraging materialism and misleading consumer behavior. Consumer behavior also has an important impact on</p> |

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| | <p>advertising. In particular, studying and understanding consumer behavior is the first and foremost step in building and developing an advertising strategy. Knowing what makes consumers behave the way they do help companies communicate with their consumers effectively and can satisfy consumers' needs more easily.</p> |
| <p>What is advertising strategy?</p> | <p>Advertising strategy is a plan of an advertising campaign developed by a company that stimulates consumers to purchase its good or service. An advertising strategy comprises five stages: conducting advertising research, selecting advertising goals, formulating budgets, creating advertising messages, and selecting media.</p> <p>Conducting advertising research is the first step in the process of establishing an advertising strategy. This research could be carried out in two approaches: consumer-oriented research and product-specific research. Consumer-oriented research has the purpose of studying the behavior of the target consumer and giving hints for the company to make right decisions. Based on the understanding of the target consumers, the company can set up suitable advertising goals, budget, advertising messages, and media forms.</p> |
| <p>What are the characteristics of the Vietnamese cosmetics market, especially the Vietnamese consumer behavior?</p> | <p>Facial cleanser and moisturizers are products most used by the target consumers. Besides, the usage of moisturizers and anti-aging products has a tendency to rise as many women start to care more about making their skin moist and youthful.</p> <p>Most popular sources, from which the target consumers get to know about a product, are recommendations from acquaintances (word-of-mouth advertising), advertisements in beauty magazines and websites, on social networking sites, and at shopping malls/centers.</p> <p>When choosing a brand, consumers from this segment are</p> |

| | |
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| | <p>concerned about brand reputation and country-of-origin; the number of positive reviews of the brand; and not to mention the quality and the efficiency.</p> <p>When considering a product, the target group's sources of information for evaluation include recommendations from acquaintances that have used the product, reviews on the Internet, and information from beauty magazines and websites.</p> <p>As the Vietnamese consumer has strong sense of community, they usually value advice from people surrounding them. Therefore, most of their purchases are impacted by others' recommendations. This means that word-of-mouth advertising is essential to Lumene and building a good brand image is required. Furthermore, Vietnamese consumers are open to new things and can easily adapt to changes, which is a chance for Lumene to introduce their products.</p> |
| <p>What is the most suitable advertising strategy for a Finnish company – Lumene Oy with the key product line Bright Now Vitamin C in The Vietnamese cosmetics market?</p> | <p>An advertising strategy in general has five stages: conducting advertising research, selecting advertising goals, formulating budgets, creating advertising messages, and selecting media. The advertising strategy for Lumene Oy when entering the Vietnamese market also goes through these five steps.</p> <p>In the first step, the company needs to carry out product-specific and consumer-oriented researches. Bright Now Vitamin C is the main product line that is chosen to be advertised in Vietnam. In order to impress the audience, some key characteristics and benefits of the product line are highlighted. Besides, a study about the target consumer behavior is also conducted to give better understanding of the Vietnamese consumer.</p> <p>The next step is setting advertising goals. The first and foremost goal that the case company should achieve is building brand awareness, as the brand is still new to the market. The</p> |

process of building brand awareness must be based on the knowledge of the target consumers' behavior. For example, advertisements should be placed where the target consumers are exposed to most often, such as shopping centers, beauty magazines, or social media platforms. In addition, building a positive brand image is the next goal. Based on the key attributes of the product line to build a suitable brand image that can catch the attention and create trust for consumers. Besides, other goals, including providing information (the location of stores or counters, working hours and product information), persuading, supporting other marketing functions, and encouraging consumers to take action, are also need to be accomplished.

The third step is formulating advertising budget. The objective-and-task method is the rule of thumb used for budgeting advertising activities of the case company. According to this approach, the budget is formulated based on the costs of conducting tasks required for attaining advertising goals.

Fourthly, the case company needs to create advertising messages. An advertising message consists of three components: appeals, value proposition and slogan. The chosen appeal type is rational appeals. Moreover, the value proposition of the case company is providing superior bioactive cosmetics that illuminate natural beauty, while the slogan is "Wild Arctic Nature – Refined by Science".

The final stage is selecting media. Three most popular media forms among the target consumers are advertisements at shopping malls/centers; beauty magazines and websites; and social networking sites. These are also the target media forms that the case company can use to advertise its brand and products.

After having a good image in the consumer mind, Lumene needs to take further steps to build and retain brand loyalty. This thesis does not mention how to build brand loyalty through advertising although there is a correlation between them (Ramiz et al. 2014). This is because even though advertising can help build a positive brand image and initial trust from the consumers, the quality of the products is the key that determines the buyers' loyalty. In addition, other marketing and promotional tools also play a significant role in maintaining the relationship with the consumers. Therefore, advertising only distorts the truth if the above elements do not meet the consumers' expectation.

7.2 Validity and Reliability

The credibility of the research findings is an important element of any research. In this section, the author would like to evaluate the reliability and validity of the research.

In order to get the insights into the target consumers' behavior, a quantitative survey is required to gather overarching information needed for the study. In addition, the purpose of the survey is not to identify the target segment of the product line. Instead, the target group of consumers for the case company had been determined before the survey was conducted. In addition, the respondents come from different occupation groups and working places. Therefore, although the number of the survey participants was 118 people, the data provided by this group of consumers is regarded as sufficient for the author to infer the overall consumption picture of women from 30 to 60 years old in Vietnam, especially in Ho Chi Minh City. Moreover, when analyzing the accumulated data, the results from other surveys of the Nielsen Company (a leading company in global market research and promotion) were included and compared with those of the author's survey. More importantly, these results correlate and support each other. Hence, the data could be trusted and considered reliable.

Besides, validity is the extent to which research measures what it is purported to measure (Saunders & Lewis 2012). In other words, the research study is carried out to give appropriate findings to the proposed research questions. In order to do so, in this thesis, the theoretical part was written by using multiple academic

sources. These sources include official books, journals, articles, and some trustworthy Internet sources; most of which have been published over the last five years. Furthermore, in terms of empirical part, the information regarding the case company and the target market comes from credible sources (including the official website of Lumene Oy and reputable websites in Vietnam) and statistics gathered by well-known market research companies. Thus, this research study could be said to be valid.

7.3 Suggestions for Further Research

The advertising strategy proposed in this thesis is built with a fundamental purpose of introducing the Lumene brand to the Vietnamese market, building positive brand image, stimulating the target group to take action and connecting them with the brand. As mentioned above, establishing and developing brand loyalty is the goal on which the firm should spend more resources in the future. In particular, brand loyalty affects word-of-mouth, brand image and other issues. However, according to different studies, the relationships among word-of-mouth, brand loyalty, and brand image are multidimensional correlation, which involves many other aspects. More importantly, they exert influence on the decision-making process. (Kazemi 2013; Sallam 2014; Ramiz et al. 2014.) For further research, the interrelationship between branding and consumer behavior could be studied more in detail. Based on that knowledge, the case company can build strong brand equity that makes existing consumers committed to the brand, and simultaneously attracts more consumers. In addition, there are also different interesting parts of advertising that the thesis does not discuss due to the broadness of the advertising study. Moreover, the knowledge and trends in both advertising and consumer behavior keeps updated year after year. Therefore, companies should carefully observe those changes and adapt themselves according to different situations.

8 SUMMARY

The main purpose of this thesis is to provide insights into consumer behavior, to study the interrelationship between consumer behavior and advertising, and to explain stages in establishing and developing an advertising strategy based on the understanding of consumer behavior. The knowledge from the theoretical part is then applied to the case company, Lumene Oy, with the main product line Bright Now Vitamin C and its target market, Vietnam. In other words, the author proposes an advertising strategy for the Lumene brand in Vietnam on the basis of in-depth information regarding the Vietnamese consumer's behavior.

The study begins with the theoretical part, which supports the empirical research for the case company. To be specific, chapter 2 explicates the definition of consumer behavior, and gives information on different components of the process, factors affecting consumer behavior, and how the whole process of consumer behavior take place. This chapter also discusses some changes in the consumer decision-making journey at present.

Chapter 3 defines advertising. Next, the relationship between advertising and consumer behavior is explained. Firstly, the impacts of advertising on consumer behavior are clarified. Next, the influences of consumer behavior on advertising are also mentioned in detail. After that, what creates effective advertising is also introduced.

Chapter 4 goes into detail about advertising strategy. The definition of advertising strategy is provided first. The chapter then elucidates on the five stages in building an advertising strategy, including conducting advertising research, selecting advertising goals, formulating advertising budget, creating advertising messages, and selecting media.

In chapter 5, firstly, general information on Vietnam and the Vietnamese cosmetics market is introduced. Secondly, the chapter reports on how the empirical research is conducted, including survey designation, data acquisition, data analysis, and findings from the results of the research. The research is carried out by using quantitative survey to give insights into the target consumer's behavior and preference in Vietnam. The target respondents of the survey had

been determined to be women from 30 to 60 years old with upper-middle income level, before the survey was conducted. Findings from the research are then applied to develop the case company's advertising strategy in this country.

Chapter 6 briefly introduces the case company, Lumene Oy. The company possesses four brand names, and Lumene is the brand that is focused on introducing to the Vietnamese market. In addition, among different product lines of the Lumene brand, Bright Now Vitamin C is chosen to be the main line advertised and promoted in Vietnam, with the focus on skincare products. Based on the knowledge of the Vietnamese consumer behavior studied in chapter 5, an advertising strategy for the brand Lumene is propounded. In conclusion, the author understands that this thesis has some limitations as the knowledge of consumer behavior and advertising is broad, and the suggested advertising strategy for the case company provides initial foundation for raising brand awareness and attracting consumers. In the long run, the case company needs to invest more in retaining their consumers, forming long-lasting relationships with consumers, building sustainable brand equity, and expanding its market.

Chapter 7 gives answers to the research questions. In this chapter, the reliability and validity of the research is also evaluated. On the basis of the thesis' limitations, the author suggests some ideas for further study, such as investigating the relationships among brand equity, word-of-mouth, and consumer behavior; and grasping how to build strong brand loyalty.

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APPENDICES

APPENDIX 1. Survey of the Vietnamese Cosmetics Market

Hello everyone, I am a student majoring in International Business. I am in the process of writing my thesis, which focuses on building advertising strategies by understanding consumer behavior. This survey is conducted with the purpose of studying the behavior of the Vietnamese consumer in the Vietnamese cosmetics market. Your kind cooperation is highly appreciated and thank you in advance for taking your time to answer the below questions.

*Required

1. Occupation*

- Student
- Official/employee
- Freelancer/blue-collar worker
- Other

2. What is your monthly income?*

- Less than 80 Euros
- From 80 – 200 Euros
- From 200 – 400 Euros
- From 400 – 600 Euros
- From 600 – 800 Euros
- Above 800 Euros

3. How often do you use these products?*

| | Never | A few times/year | A few times/month | A few times/week | 1-2 times/day |
|-------------------------------|-------|---------------------|----------------------|---------------------|------------------|
| Make-up products | | | | | |
| Skin care products | | | | | |
| Body care products | | | | | |

4. Which kinds of skin care products do you usually use?* (you can choose more than one option)

- Facial cleanser
- Toner
- Serum, emulsion
- Facial scrub
- Anti-aging products
- Other

5. How many brands do you usually use?*

- Only one
- Less than three
- Uncountable

6. How often do you buy cosmetics?*

Scale: 1 = never; 5 = very often

| | 1 | 2 | 3 | 4 | 5 |
|---------------------------|---|---|---|---|---|
| Make-up products | | | | | |
| Skin care products | | | | | |
| Body care products | | | | | |

7. Which criteria do you use to choose cosmetics?* (you can choose more than one option)

- Brand reputation and country-of-origin
- Cheap price
- Good quality and effectiveness
- Received good reviews (for first-time used products)
- Believe that cheap price is associated with bad quality
- Beautiful packaging
- Attractive promotion
- Other

8. How much are you willing to pay for a cosmetics product?*

| | Less than 4 Euros | From 4 - 20 Euros | From 20 – 40 Euros | From 40 – 80 Euros | Above 80 Euros |
|-------------------------|------------------------------|------------------------------|-------------------------------|-------------------------------|---------------------------|
| Make-up products | | | | | |

11. When knowing what type of product you want to buy, where do you search for information to evaluate the product and the brand?* (you can choose more than one option)

- Reviews on the Internet
- Asking opinions of acquaintances who have used the product
- Reading information about the product and the brand on the Internet and magazines
- No need to search for information, only buy favorite brand
- Other

12. Where do you usually buy cosmetics?* (you can choose more than one option)

- Online, through sites selling cosmetics on the Internet, and on social media platforms
- At shopping malls, official stores
- At drug stores selling cosmetics and beauty care products from different brands, including domestic and foreign brands
- At hand-made shops, unidentified brands
- Other

13. Do you care about organic products?*

- Yes
- No

14. Do you like foreign products?*

- Only trust foreign products

- Do not care about country-of-origin, as long as the product quality is good
- Only use domestic products

15. Do you know LUMENE, a brand from Finland?*

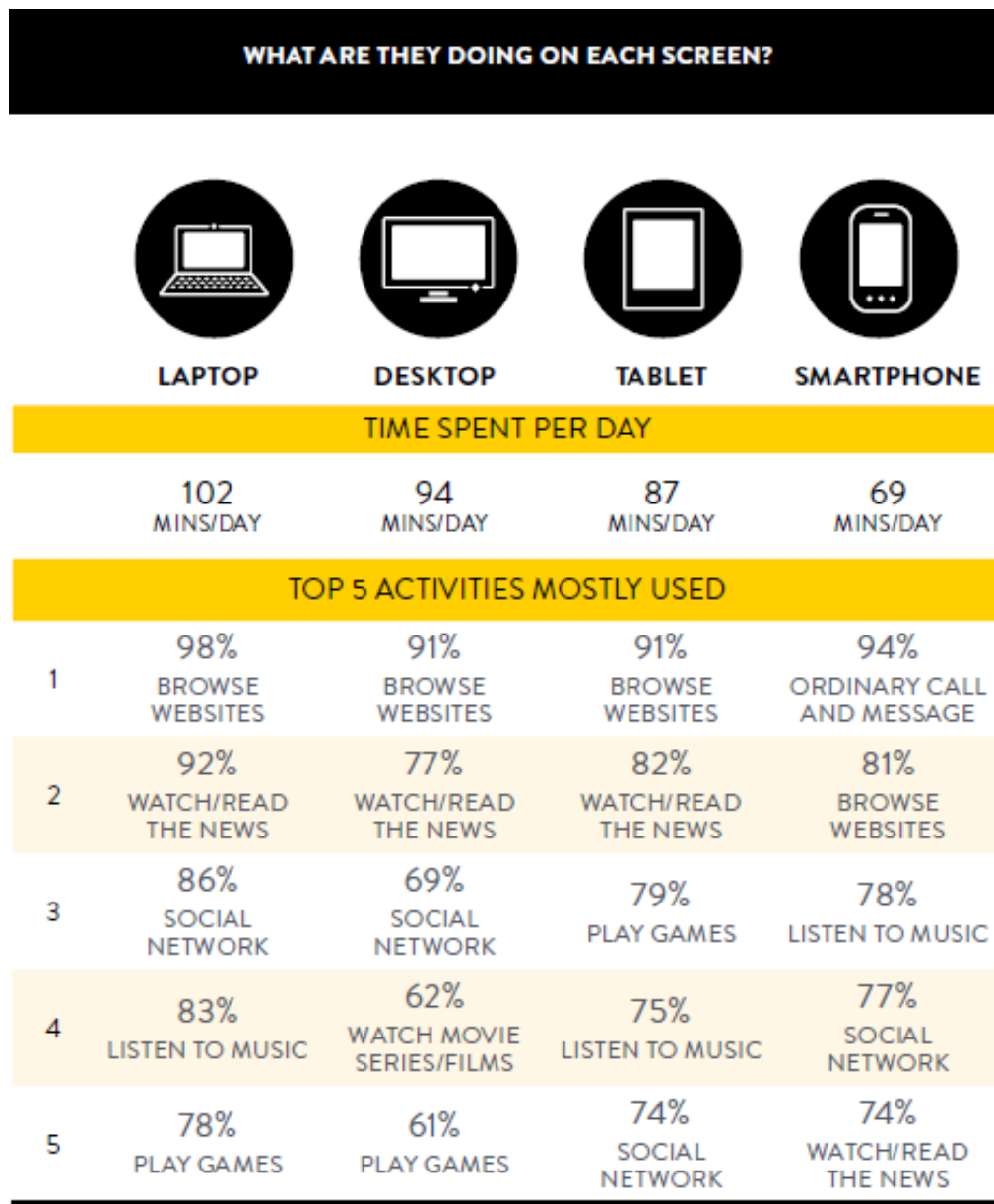
- I have never heard of this brand
- I know this brand, but have never used it before
- I have used its products and like them very much
- I have used its products but do not like them
- I have used its products and think they are the same to other brands'

16. If Lumene products are sold in Vietnam, are you willing to try new products?*

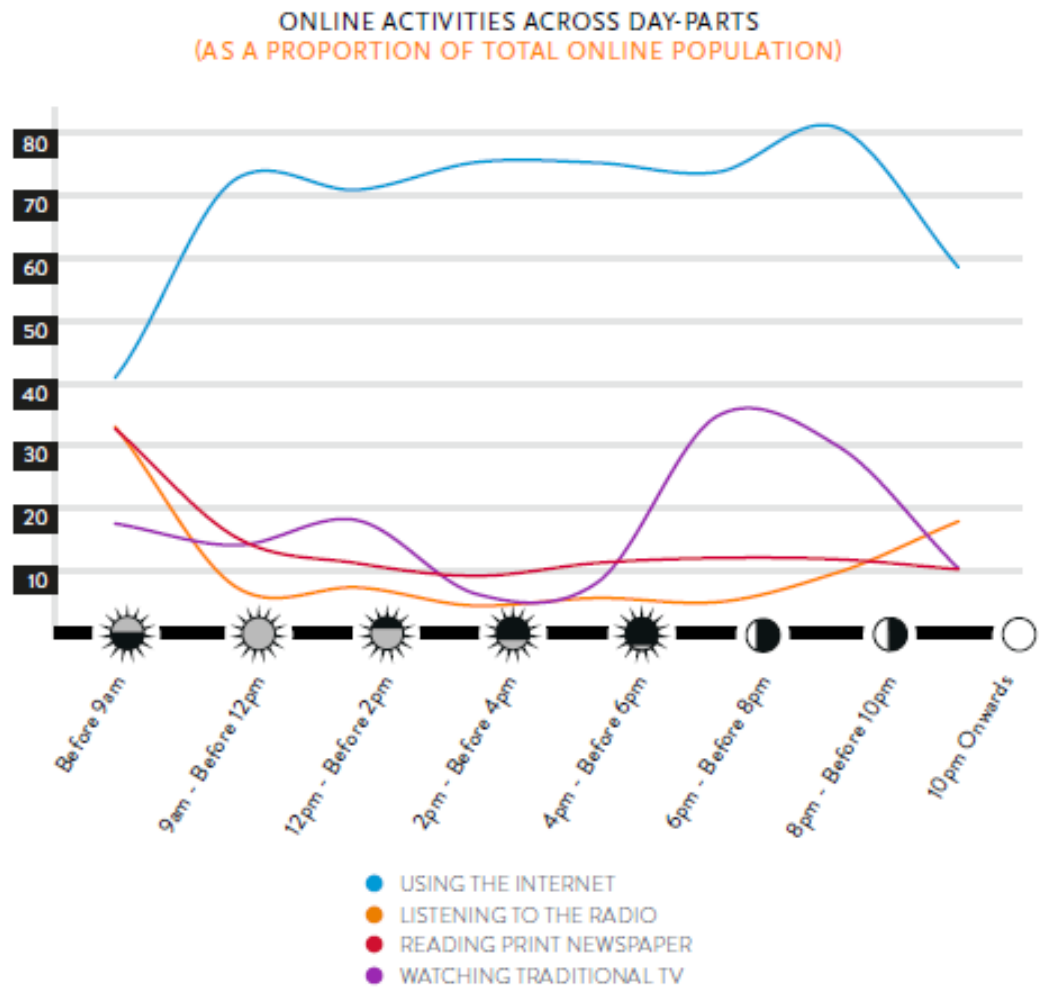
The official website of LUMENE: <http://www.lumene.com/>

- Yes
- No

APPENDIX 2. Activities of Vietnamese Consumers on Different Devices (The Nielsen Company 2014)



APPENDIX 3. Online Activities across Day-parts (The Nielsen Company 2014)



APPENDIX 4. Interview with Ms. Le Chau Giang (Regional Regulatory Affairs Director – Asia Pacific (Johnson & Johnson) & President of the ASEAN Cosmetic Association) about Opportunities in the Vietnamese Cosmetics Market (GCI Magazine 2014)

Q: When did Vietnam become a major player in the cosmetics market?

A: I personally think that Vietnam is not yet a major player in the cosmetics market. It is an emerging market with huge potential that has been experiencing impressive growth; growing at a rate of 30% per annum for the past few years, so there is definitely an opportunity for Vietnam to become a major player within Asia.

Q: How do the skin needs of Vietnamese women differ from the rest of the ASEAN market?

A: When people think of Vietnam, they often think of one market. In fact, the market is very fragmented, not only due to huge differences in income but also because of cultural heritage. The established international brands are able to provide products at a range of price points serving the larger market as a whole, whereas domestic brands have a great potential to meet specific needs of consumers.

Q: How does climate/environment play a part in those needs?

A: From north to south, Vietnam is a long country; therefore, it has a range of different climates. The north has four seasons, whereas the south experiences tropical weather that is hot and humid. Consumers in the north generally purchase far more hydrating moisturizers to combat the effects of colder weather, whereas matte products are generally favored in tropical areas, where complexions tend to be oily.

Q: What are some attributes of skin care products that Vietnamese women look for? Are there specific product forms or textures that they like?

A: Like everywhere, women in Vietnam want to look younger and prettier. However, a common challenge that the cosmetic industry faces in most emerging markets including Vietnam is consumers wanting quick efficacy.

Q: How is the market for natural personal care products in Vietnam?

A: The market for natural personal care products in Vietnam is on the rise. Vietnam has an abundance of natural ingredients, such as essential oils and lemongrass, both of which are popular with both Western consumers and domestic consumers.

Q: What are some interesting innovations to come out of the area? Who came up with these innovations?

A: The market is more of a follower than an innovator. However, Vietnam is home to a number of herbal and natural ingredients favored by both Vietnamese and Western consumers, so I do expect to see both foreign companies operating

within Vietnam and domestic manufacturers using these ingredients as inspiration for innovation.

Q: What is the regulatory market like in Vietnam? How does that help/hinder the cosmetics industry?

A: Vietnam has implemented the ASEAN Cosmetics Directive and this has made life for the cosmetic industry much easier. While a reduction in tariffs is financially beneficial, technical obstacles being removed also benefits the cosmetic industry, resulting in more collaboration between companies in member states.

Q: Where are some growth opportunities in the Vietnamese skin care market? What do you see on the horizon in this market?

A: The market is still under-developed, so opportunities are present in all segments. More than half of Vietnam's 90 million people are aged 30 and below, and this demographic tends to favor more sophisticated products and brand names. This will result in local manufacturers spending more money on the research and development of new skin care products, as they look to use their more comprehensive domestic knowledge to gain an advantage over global manufacturers.