



WHY INNOVATE IN MARKETING? A CASE OF POSH NAIL SPA

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ABSTRACT

Manicures and pedicures are gaining market popularity in Malaysia. The evolution in beauty and personal care industry offers more opportunity for small businesses in marketing personal care and cosmetics products. There is an increasing number of nail salons providing manicures and pedicures services as well as nail art in the city; mostly in middle to high-end shopping malls, business centres or standalone nail salon in commercial shop lots. The consumers are mostly influenced by heavy advertising, for instance advent of K-pop and K-drama, marketing activities and growing trends of chasing beauty. The beauty industry or more specifically the nail care segment is highly fragmented due to various customers with different needs and wants pertaining to service levels, product categories and pricing. Hence, innovative marketing will become an important tool to success. The conventional marketing strategies are no longer effective as the businesses are propelled by the advancement of technology and change in social factors. The departure of conventional marketing strategies is necessary for the vendor to open new market segment and to increase sales. This study will explore the innovative marketing strategies in nail salon through case study method. The study also aims to discover on how the vendor overcome the challenges faced in this industry. The discussion will review the new approaches used as a new marketing idea brought in by the business.

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1. INTRODUCTION

Beauty industry seems to be a lucrative industry with its ever growing presence worldwide. Based on Inkwood Research (2018), the global beauty market is projected to increase up to 73.33% from 2016 to 2024 (\$432.7 billion in 2016 to \$750 billion by 2024). Beauty industry tends to be recession resistant (Sena, n. d.) because most people emphasize on their physical appearance. In Malaysia context, beauty industry

has a huge potential regardless of age and gender (Wong, 2014). A particular sub industry that is slowly coming up in the beauty industry is the nail care or nail service industry (Snips College of Creative Arts, n. d.).

The industry competitiveness is quite competitive as highlighted by Kelly Tan, the Manager of Sommerset Nails & Waxing (Rembuyan, 2008). However, according to Sreen, the founder of Posh Nail Spa (POSH) highlighted that the competitiveness depends on the target market itself. It tends to be quite competitive if the targeted markets are from low income and middle income groups. In contrast, the competition tends to be less intense for high income group.

Nevertheless, the company needs to be aware of a wide range of competition from the industry such as massage service providers and hair salons that provide nail care services. A series of organized and creative marketing strategies are essential for POSH to prosper in the industry. Hence, this study will explore on how POSH innovate its marketing strategies to become an outstanding market leader.

2. INDUSTRY TREND

The value of global nail polish market is growing at a cumulative average growth rate (CAGR) of 9.5% and expected to reach USD 15.55 billion by year 2024 (Research and Market, 2017). The future demand for nail polish services is supported by growing popularity of nail designs among the young generation worldwide. Asia Pacific region is expected to appear as the largest global nail care market from year 2017 to year 2022. Asia Pacific countries (except Japan) are forecasted to produce more than 33 percent the world revenue share by the end of year 2017. Besides, the region cumulative average growth rate (CAGR) is expected to achieve 10.2 percent from year 2016 to year 2024, which placed it as the second fastest growing market due to its growing young generation.

The market is highly fragmented due to the presence of huge number of small and large manufacturers with various product lines and different buyers' needs.- These industry participants tend to compete with differentiation strategy based on different colour scheme, quality of the nail products and nail care services.

Malaysia is one of the countries that will witness growth in the nail care market, together with China, India, Thailand, and etc. The number of professional nail care salons in the country is expected to increase rapidly in tandem with its solid economic growth. The consumption of nail products will be high due to rising buyer disposable income, beauty awareness, women consciousness on their appearance, and nail art popularity over the next few years. The strong demand for nail products will trigger new product development and collaborations between nail product manufacturers and salons, eventually bringing positive effect on market growth. The changing attributes and attitude among young generation will elicit the purchase and consumption of the core component of nail care service such as liquid enamel.

The threat of new entrants is relatively high in this industry. The cost to start the business is relatively low. The new entrants just need to have relevant expertise with nail care products to start the business even without any physical shop. There are little mandatory legal requirements that need to be fulfilled to start a nail care business. The obvious legal requirement to start the business is obtaining a business license. However, barriers to entry will be high if the targeted market is upper middle income group due to the high investment in building, equipment and inventories that are needed to serve the posh market.

There is little substitute in upscale market for taking care of one's nails. The alternatives usually will be having self-nails-clip-off, which will defeat the purpose of nail care. It is quite uncommon to perform self-nail care among the upper middle income group nowadays due to the greater nail care quality conscious and busy lifestyle. Hence, the threat of substitution in this industry in upscale market is low.

According to Thesundaily.my (2017), procuring nail care products in this industry is easy as there are plenty of suppliers in the market, even for organic and halal products. Even if the nail care providers are unable to get the desired products from the local suppliers, they can always buy it from outside Malaysia, thanks to e-commerce platform such as Alibaba.com or Amazon.com. These platforms tend to offer lower price than the traditional wholesaler or retailer price due to promotional week, free shipping, etc; that are very common among online platforms. Thus, online shopping slowly becomes a more prominent choice among the nail care providers in Malaysia. Therefore, the bargaining power of suppliers in the industry is low.

Finally, the bargaining power of buyer tends to be high in the industry due to the large number of nail service providers and standardized nail care services in the fragmented market. In contrast, nail care providers for upper middle income group and above tend to be very few and prompted the service providers to deliver premium service that are more than just fulfilling their clients' needs, up to the extent of delighting them. Hence, the service quality of the nail spa providers that serve the posh market plays an important factor to ensure the bargaining power of buyers for that particular niche market in the nail care industry remains low.

3. BACKGROUND OF THE COMPANY

POSH was founded by a female entrepreneur, Sreen in 2010 as a home grown premium nail spa with a mission to create more happy and beautiful people. She realized that there is a need to change the local mindset of nail care service which perceive nail care jobs as dirty and cheap. Thus, she had decided to change the negative perception by proving that nail care service is not a low end job, but it is a rewarding, respectable, professional and prospective career. POSH had incorporated creative nail, art, and fashion into its marketing strategies and promotional campaigns since its establishment to uplift the public perception of the nail industry. Finally, she managed to build up recognition in manicure and pedicure upscale niche market with four outlets in Klang Valley through innovative marketing and extensive business collaboration.

4. CASE STUDY APPROACH

A qualitative approach (case study) is employed to explore the innovative marketing strategies in a small and medium sized firm (SME) in Malaysia. POSH is chosen as our subject of study because of (i) nature of the business; (ii) operations of the business; (iii) reputation in its field (the only nail salon that had been named in the Malaysian Book of Records); (iv) successful female entrepreneur; and (v) neglected by other researchers although the firm had gained a lot of social publicity in mass media.

This study conducted an in-depth interview to furnish understanding on the true picture of the company and its innovative marketing strategies. Such approach enabled thorough investigation into the company which contributed to expansion of business literatures that provide insights of the strategies used as one of the success

factors to become a successful enterprise. The adoption of a case study approach allowed the researchers to collect information through interaction with the subject of study to maximise the contextual richness and explore and untangle the complexities involved (Yin, 1994) during interview sessions. Different interview sessions were conducted with six respondents, i.e. the founder, one creative director, two workers and two customers for this case study. Three sets of interview questions were prepared for these respondents: business strategies (for founder), marketing practices (for creative director and workers) and customers' experience (for customers). All interviews were recorded and transcribed. The chronological data was then grouped and arranged into different marketing mix themes, i.e. product, pricing, promotion and distribution for the case study development.

5. INNOVATIVE MARKETING STRATEGY

A business purpose is to focus on fulfilling customer needs. In reality, the customers determine what the business is. The customers have the decisive power to determine the business activities, strategies and future prospects. In ever changing dynamic business environment, the business needs to have two core functions: innovation and marketing; in order to achieve the purpose of establishing a profitable customer pool.

Innovative marketing is defined by Kleindl et al. (1996) as: "...doing something new with ideas, products, service, or technology and refining these ideas to a market opportunity to meet the market demand in a new way" (pg. 214).

Innovation in marketing includes the development of new products/services and innovation in marketing strategies which comprise of product, pricing, promotion and distribution. These innovations are partly based on consistent environmental analysis towards the dynamic marketplace which is critical in order to better understand the competitive position of the enterprise relative to rivals. Innovation efforts aim to overcome the threats arise from substitute products/services, potential threats of new comers in nail care industry, potential threats of customers switching to rivals' products/services, increasing threats from bargaining power of suppliers and the destructive effects of intensive competition.

Prior studies revealed that innovative marketing consist of six elements which are unique proposition, integrated marketing variables, customer focus, market focus and modification. The current study will look mainly into marketing variables (marketing mix). It is anticipated that SME engaging in innovative marketing will react to market demands by adjusting their marketing activities and strategies rather than relying on innovation orientation which a new market is identified after a new product is created (Cummins et al., 2000). The innovative marketing efforts will target on: "creative, novel or unusual solutions to problems, demonstrates a willingness to commit resources to less than fool-proof opportunities and emphasises the implementation of activities" (Carson et al., 1997).

In a fast-changing business environment, companies must actively develop the "breakthrough strategy" to keep themselves relevant and sustainable in their businesses. Therefore, innovation and creativity have become the essential components in marketing mix decision that will lead to the competitive advantage and eventually increase of business performance. Innovative or creative marketing strategy is a combination of unique activities created to accomplish business objectives by promoting company's products/services to its target markets (Ishaq & Hussain, 2016). Creative and innovative businesses will always think innovatively,

develop new strategies and make their competitive space stronger in the industry by meeting their customers' needs (Slater et al., 2010). Unique marketing strategies comprise of effective methods such as value propositions, new pricing model, customer focus policies, aggressive market expansion and efficient supply chain to reach out to potential customers (Ishaq, 2013).

5.1 Innovative product strategy

A product is referring to a physical product or delivered service that offered by a company to fulfill the needs and desires of customers. This will also take into consideration of the competence and capacity of the company and the purchasing power of the market (Chan, 2018). POSH is offering the core nail care services in terms of manicure, pedicure and nail art. In addition, POSH also provides other beauty services including makeup and hair, waxing, eyelash extension, and pampering parties to its customers.

One of the unique offering is treatment on ingrown nails to golfers and sports enthusiasts. These sport persons have problem nails like fungus or ingrown nails because they wear close-toe shoes or sport shoes. POSH uses an ingrown correction tool featuring two arms and a central crank for this treatment. The arms are slid under each side of the nail. Then, the crank is twisted to raise the edges of the nails. It relieves the curved nail to its natural position and will not clinch into the skin of the toes. The foot is then put into warm water to soften the nail. After the nail is dry, it will become hard and return into its natural position.

In addition, POSH has pioneered the service of giving the ultimate celebration with pampering parties for any occasion. For example, customers can book POSH to throw pampering party for corporate events, birthday, bride to be, farewell or any other occasions. In the pampering parties, POSH will arrange food, beverages, manicure and pedicure services to the clients and their guests in its outlets (at Taman Tun Dr. Ismail, KL). One of the interesting activities during the parties is photo taking with their special decoration such as princess theme with colorful balloons.

POSH has diversified its services by providing workshop about proper nail care. The participants of the workshop can learn how to choose the right colour for their personality and how to use colour to realize their personal and business goals. The workshop will help the participants to better understand the nail care practices, increase their frequency of visits and contribute to higher POSH revenue.

5.2 Innovative pricing strategy

Price is the exchange rate for goods and services listed in the monetary unit (Chan, 2018). Prestige pricing is the practice of setting higher than competitors' price for a product or service to influence the customer's perception that the product or service with higher price is having an exceptional quality and distinctive image (Principles of Marketing, 2015). POSH adopts premium pricing strategy by focusing on the upscale market that consists of elite group for both males and females. The price for their basic nail care services is starting from RM120, which is double the average market price. This pricing strategy helps POSH to filter the potential customer group and their spending power.

POSH employs bundle pricing strategy as another innovative pricing strategy to attract and retain more customers. In bundle pricing, companies set lower price for a package or set of goods or services than they would offer if the buyer purchase them

separately. For example, POSH offers a package costs RM1000.00 for customer to enjoy discounts and other benefits such as Customer Appreciation Party for frequent bundle purchase of the nail care services. Pursuing a bundle pricing strategy not only allows POSH to increase their profit but retain more loyal customers.

In addition, POSH focuses on providing value to customers using pricing strategy. The main principle of value creation is to directly relate the price paid by customers with the value they receive from the consumption of company services (Chan, 2018). The value strategies include satisfaction-based pricing and relationship pricing. The application of satisfaction-based pricing by POSH can be evidenced by one of the creative efforts to offers free branded cosmetic products from Australia to its customers which is quite rare among the common nail care providers. POSH has always created a new service experience to their customer through the high quality of services. For relationship pricing, POSH targets local celebrities, loyal fans and followers to expand high-end customer base. These groups will be eligible for twenty percent discount for their first trial experience in POSH by showing celebrities posts of POSH on social media such as Instagram. This practice will foster closer relationship between POSH and loyal fans.

5.3 Innovative promotion strategy

Promotion is the efforts to advertise the product or service to the potential customers. It is commonly viewed as an effective strategy that assist firms to retain loyal customers, influence customers to shift brands and make purchasing decision easier (Sun, 2005). POSH has a frequent special promotion to their loyal and regular customers. For example, POSH provided Golden Screen Cinema (GSC) tickets, Somersby Apple Cider and face mist products to the customers on one of the company recent events. POSH has utilized the benefit of social media, especially Facebook and Instagram to promote their nail care services and share their upcoming events to the customers.

The founder, Sreen emphasized on personal branding to expand her clientele base and influence the client's purchasing decision. She creates a unique branding for herself and her business that could cut through all the marketing noise and stand out from the competition. Branding is a crucial element in promotion strategy. The brand "POSH" is created by the founder to penetrate into upscale market (i.e. customers that enjoy posh lifestyle). She stresses out that personal branding will portray the business environment. In her rebranding exercise, the founder had changed the corporate colour from pink and purple to a more classic white and gold when she realized that the former corporate colour was not able to attract more male customers. Now, every one out of four POSH walk-in customers is a male customer. She believes that the rebranding exercise will help POSH to tap into a new market segment with growing male customers.

Besides, POSH also forms "host-beneficiary" relationships. POSH has developed a mutually beneficial relationship with business partners through cross industry collaboration. For example, POSH has presented a first-of-its-kind Nail Art Fashion Show in town. The achievement has been recorded in Malaysia Book of Records 2016. This is one of the many creative marketing activities in the company's efforts to pursue more nail, art, and fashion related themes. POSH also plans to initiate the nail fashion show in the property launching event. This will enable POSH to tap into the pool of new customer groups from the property company. In another example,

POSH had collaboration with Marie Claire and Braun Buffel in Marie Claire X Braun Buffel event to promote Braun Buffel spring/summer collection in 2017.

5.4 Innovative distribution strategy

Distribution refers to the marketing activities that facilitate the delivery or distribution of goods and services from producers to customers in accordance to customers' requirements such as type, amount, price, place and timing (Chan, 2018). The nail care is personal service to the customer. POSH is paying high attention on delivering high quality service in the salons. Besides, POSH has introduced an exclusive service called POSH Manicure in Motion; the Mobile Nail Spa where they bring their nail care service to the customer. This service enables customers to enjoy the luxury of nail care pampering anytime, anywhere at their convenience. The well-equipped employees are able to provide a professional and quality service to their customer for any occasions. For instance, during one of the collaboration between POSH and Taylor University, the Mobile Nail Spa Team is deployed to Taylor University and College for the "Teacher Appreciation Day" to offer elite nail care services to educators.

6. CONCLUSION

The future for nail salon is bright as long as people wish to chase beauty. Drawing upon the responses from the respondents, strategic innovative marketing will be the option to stay ahead of competitors. Taking aggressive steps ahead of others will be an added advantage to the entrepreneur. Company that keeps up with the latest trends and practices innovative marketing strategies will be able to capture customer loyalty and increase its market share. To be a true leader in the market, entrepreneur needs to embrace new horizon through innovative initiatives to avoid being easily copied by competitors. It is good for the entrepreneur to realize its market positioning as early as possible to become a successful market leader in its field.

The analysis in this case study highlighted the uniqueness of marketing practices in nail care industry which are useful in the same industry and could be a practical reference for other entrepreneurs to develop their market position. Further research should comprise of analysis on other industries to reflect the implementation of different innovative marketing strategies in business.

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